

FY2023 Second Quarter Results Briefing



August 8th, 2023
AUCNET INC.
(TSE Prime Market: 3964)

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

- While the Digital Product Business showed a downward trend in profits, the Automobile Business and the Consumer Product Business continued to perform well, resulting in year-on-year increases in both consolidated net sales and operating profit.
- No revision to the forecast despite changes in the assumptions for each segment. (Please see pp. 17-20)

(million yen)	FY2022 2Q	FY2023 2Q	YoY	FY2023 Forecast	Rate of Progress
Net Sales	20,603	21,931	+6.4%	43,000	51.0%
Operating profit	3,972	4,006	+0.9%	6,300	63.6%
Operating profit margin	19.3%	18.3%	-1.0pt	14.7%	
EBITDA	4,390	4,368	-0.5%	-	-
Ordinary profit	4,104	4,095	-0.2%	6,322	64.8%
Profit attributable to owners of parent	2,467	2,619	+6.1%	3,945	66.4%
Basic earnings per share	89.23 Yen	100.44 Yen	+11.21 Yen	158.92 Yen	63.2%

FY2023 2Q Highlights (Non-Cumulative 3 Month Results)

Net Sales

11,202 million yen

YoY **+10.9%**

Operating Profit

1,860 million yen

YoY **+1.7%**

Ordinary Profit

1,926 million yen

YoY **+0.3%**

Profit Attributable to Owner of Parent

1,228 million yen

YoY **+5.8%**

Automobile Business

Net Sales 3,155 million yen (+6.3%)

Segment Income 1,018 million yen (+7.0%)

See p.9 for more details

See p.31
for the service outline

Digital Product Business

Net Sales 1,879 million yen (-0.3%)

Segment Income 1,200 million yen (-5.5%)

See p.11 for more details

See p.32
for the service outline

Consumer Product Business

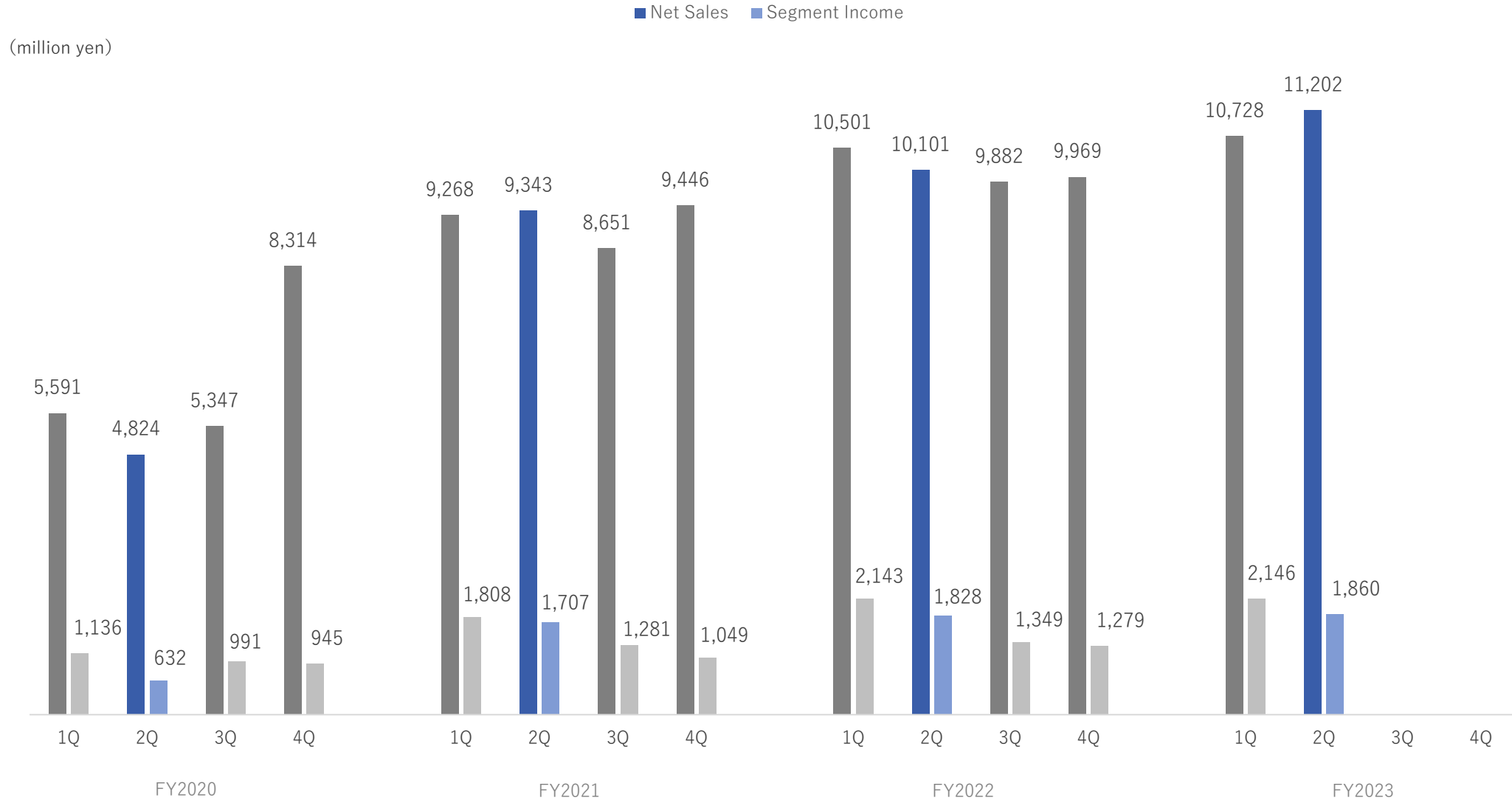
Net Sales 5,265 million yen (+22.5%)

Segment Income 444 million yen (+11.5%)

See p.13 for more details

See p.33
for the service outline

FY2020~FY2023 Consolidated Financial Results by Quarter



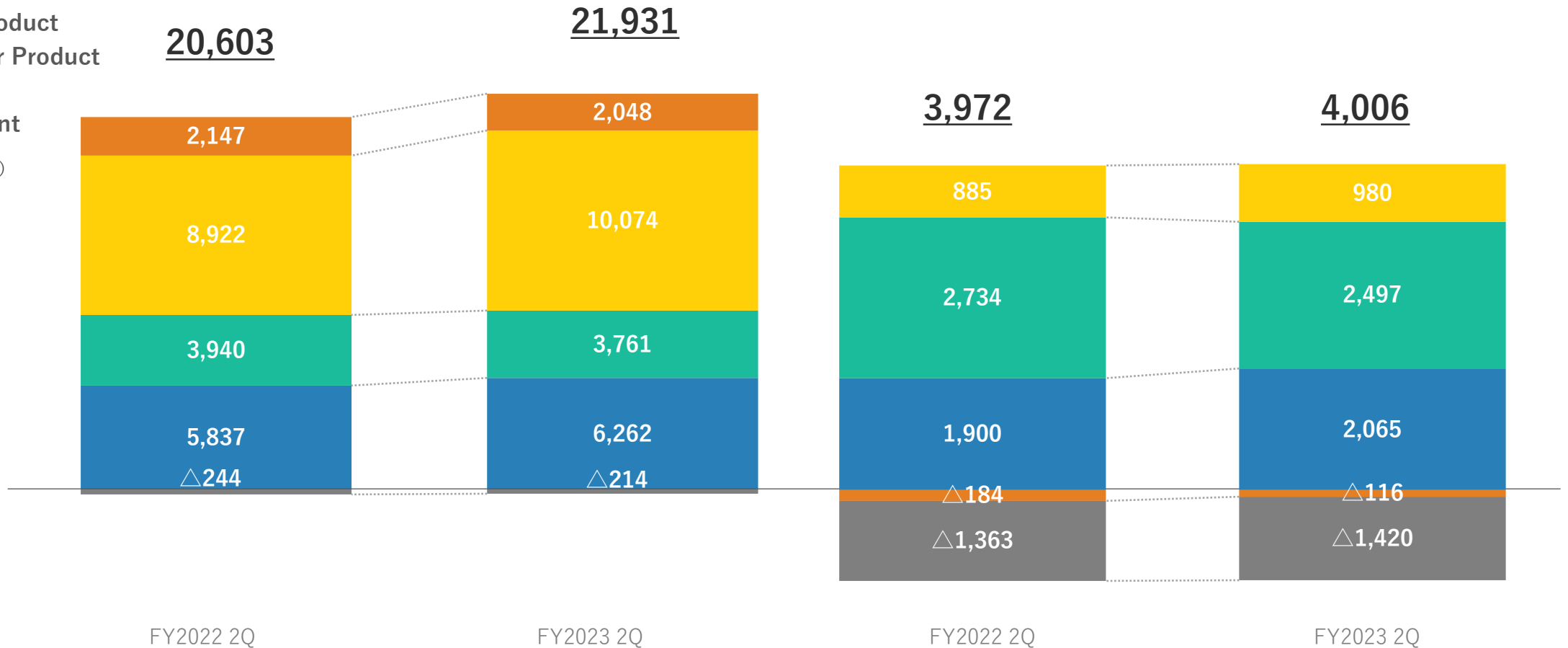
FY2023 Second Quarter Segment Increase/Decrease

Net Sales

Operating Profit

- Automobile
- Digital Product
- Consumer Product
- Others
- Adjustment

(million yen)



FY2023 Second Quarter Transaction Amount by Segment



Transaction Amount

285,658 million yen

(YoY +16.5%)

Automobile

223,393 million yen
(YoY +20.5%)



Digital Product

24,081 million yen
(YoY -6.6%)



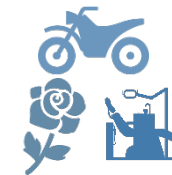
Consumer Product

27,655 million yen
(YoY +16.9%)



Others

10,527 million yen
(YoY +2.3%)



※ 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

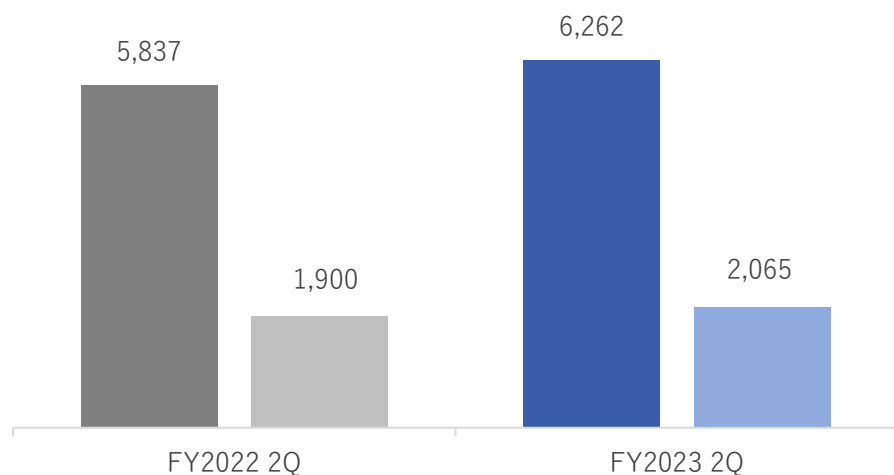
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FY2023 Second Quarter Cumulative Results

- Both sales and profit increased year on year. (Net sales + 7.3%, Segment income + 8.7%)
- In the used vehicle inspection service, demands of inspections for a used vehicle listing platform particularly remained strong, and the number of vehicles inspected increased more than 16% year on year, contributing significantly to the segment income.
- The increased number of members and auctions won led a profit increase in the proxy bidding service, and the highest profit in the first half cumulative results is accomplished.
- The live relay broadcast auctions also continued to be strong, with a great increase in the number of auctions won.

(million yen) ■ Net sales ■ Segment income



Net Sales Composition

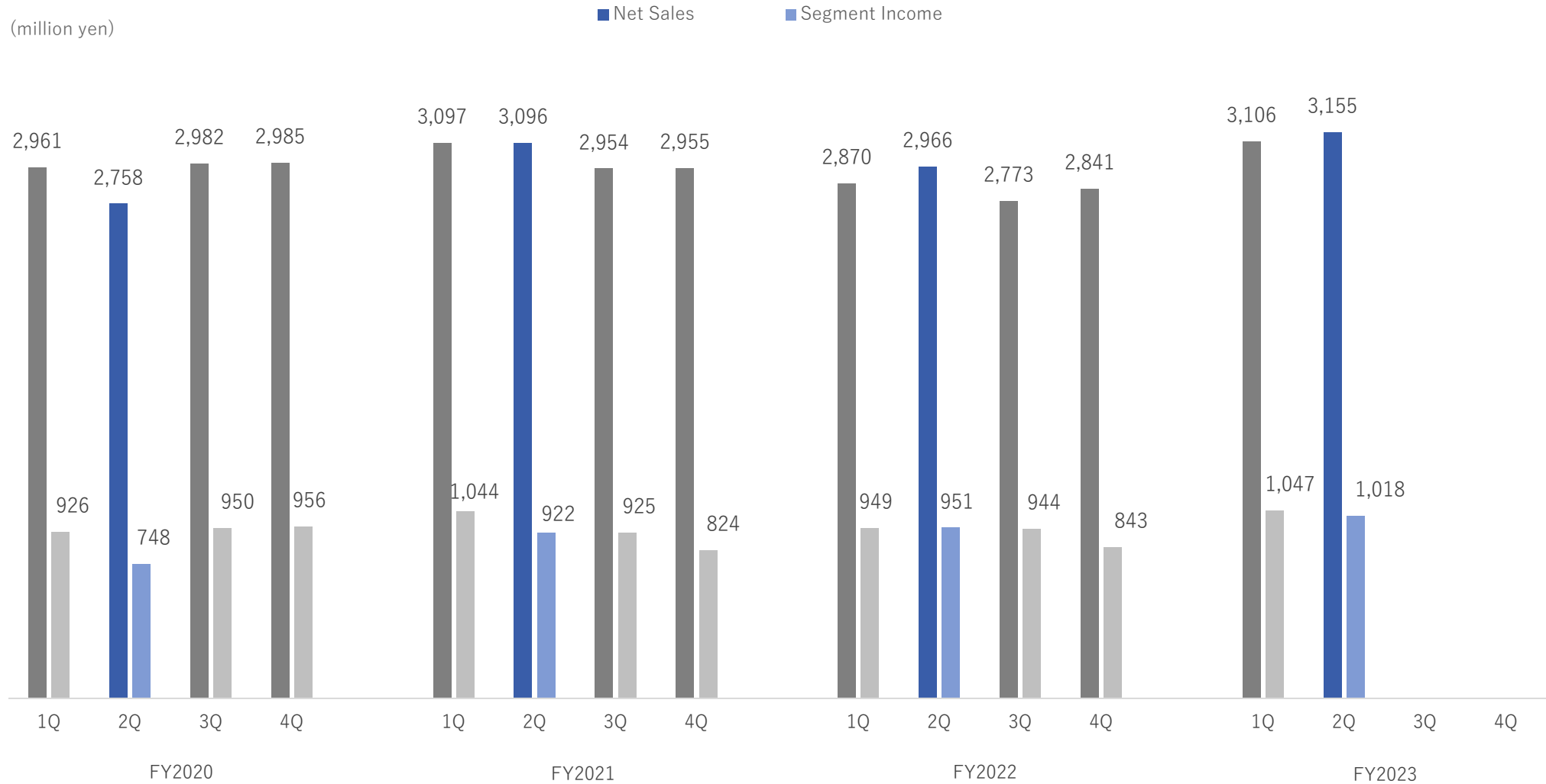
(million yen)	FY2022 2Q	FY2023 2Q	YoY
Auction related revenues	4,001	4,120	+3.0%
Product sales related revenues	176	240	+36.0%
Other	1,590	1,836	+15.4%
Inter-segment net sales or transfers	68	64	
Net Sales	5,837	6,262	+7.3%

KPI

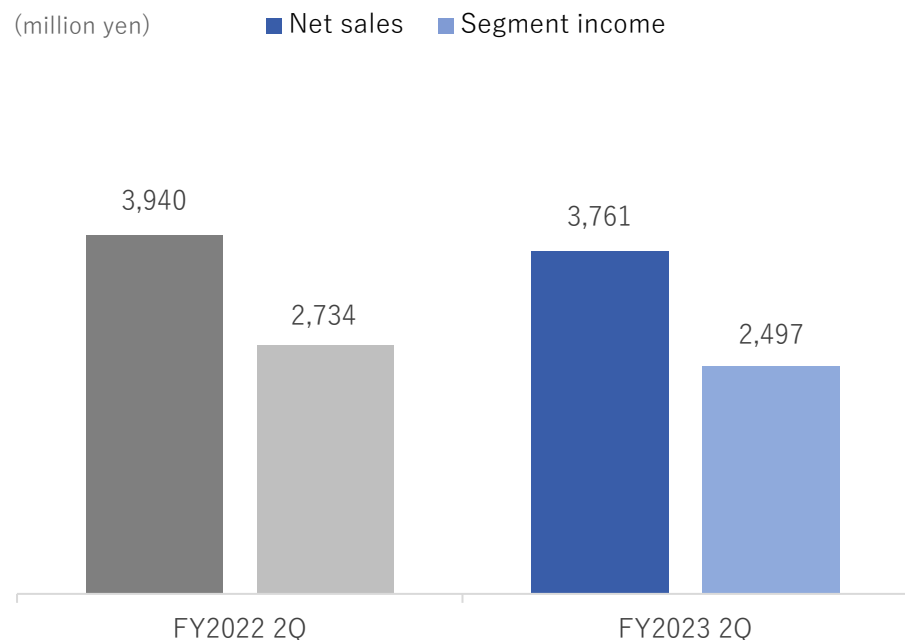
		FY2022 2Q	FY2023 2Q	YoY
Auction related	Transaction amount (million yen)	185,438	223,393	+20.5%
	Total vehicles sold/bought (unit)	218,453	257,181	+17.7%
Membership fee	Number of members (member)	14,706	15,091	+2.6%
Inspection fee	Vehicles inspected※ (unit)	538,234	625,934	+16.3%

※ Includes used motorcycles inspections

FY2020~FY2023 Results by Quarter



- Both sales and profit decreased year on year. (Net sales -4.5%, Segment income -8.6%)
- The transaction amount shrank year on year due to the decreased items sold following 1Q, and the higher cost for investments in global expansion and organization reinforcement also resulted in both net sales and profit decrease.
- We focused on enhancing sourcing by diversified our clients as well as expanding its buyer network steadily in which the highest number of new buyers is recorded in 2Q (for 3 months).



Net Sales Composition

(million yen)	FY2022 2Q	FY2023 2Q	YoY
Auction related revenues	3,829	3,570	-6.8%
Product sales related revenues	110	191	+72.8%
Other	-	-	
Inter-segment net sales or transfers	-	-	
Net Sales	3,940	3,761	-4.5%

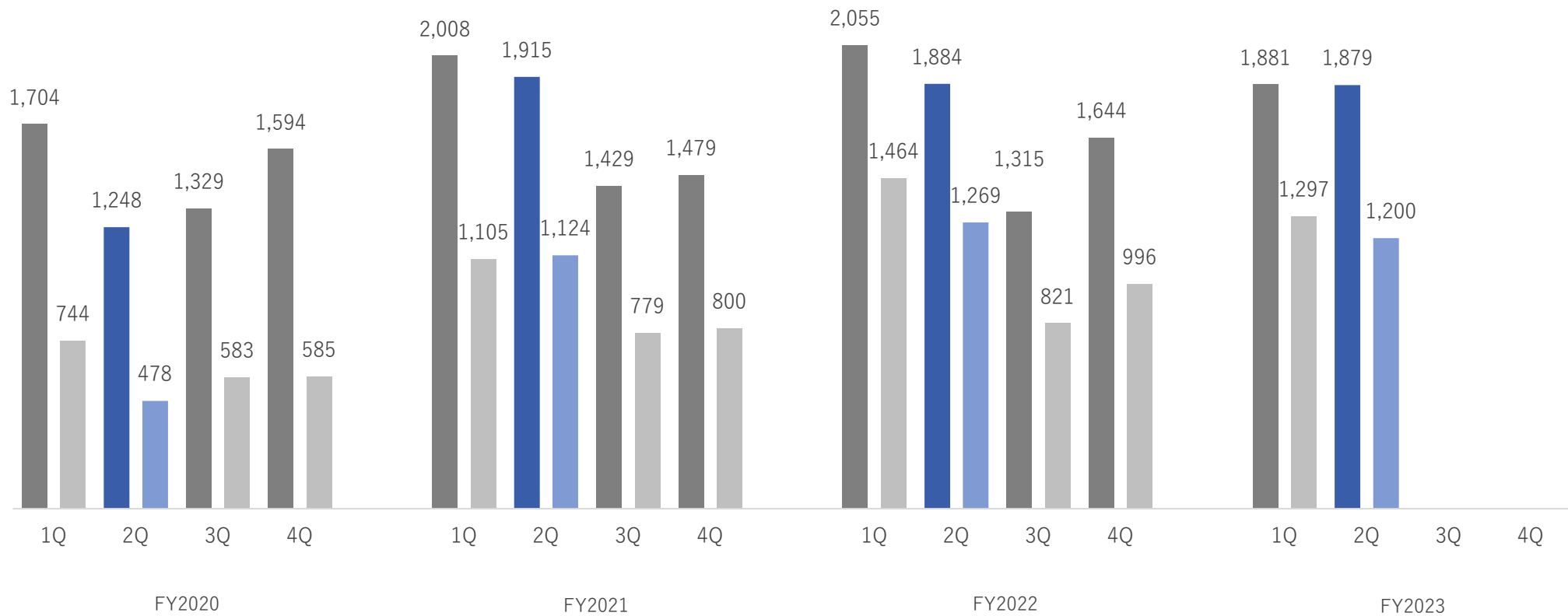
KPI

		FY2022 2Q	FY2023 2Q	YoY
Transaction amount	(million yen)	25,787	24,081	-6.6%
Sales units	(unit)	1,025,120	875,318	-14.6%
Number of members	(member)	1,132	1,541	+36.1%

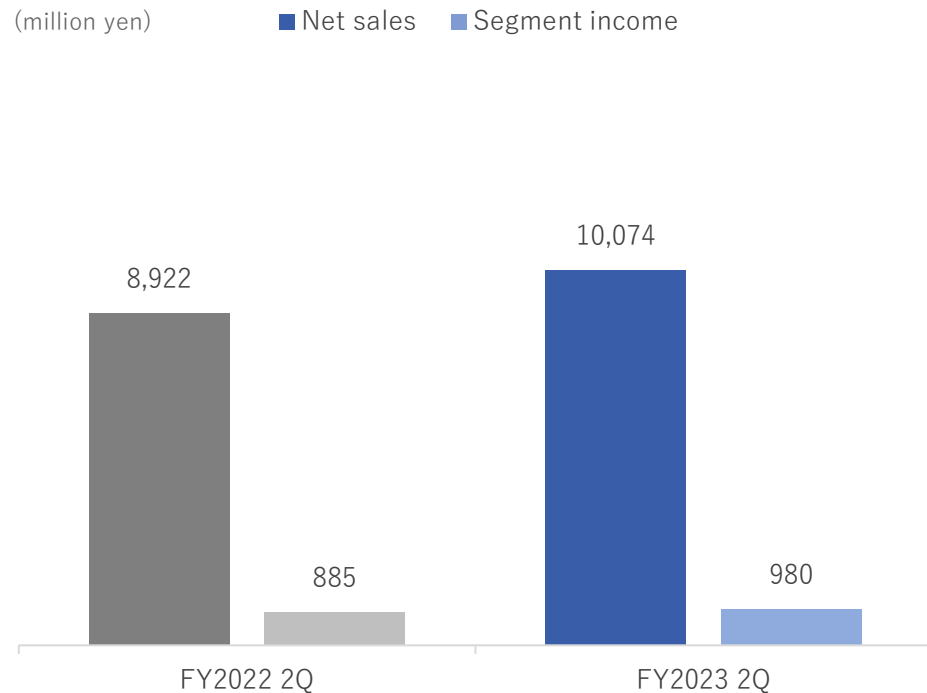
FY2020~FY2023 Results by Quarter

(million yen)

■ Net Sales ■ Segment Income



- Both sales and profit increased year on year (Net sales +12.9%, Segment income + 10.7%)
- In B2B business, both sales and profit increased due to an increased transaction amount as a result of the higher number of items listed and average unit price of items sold through alliances with major companies, as well as steady growth in the number of new members and activation of auctions with digital marketing.
- Both sales and profit increased in the business targeting consumers due to an increase in the number of customers and a rise of sales unit prices by inbound demand as well as good quality item purchase by digital marketing.



Net Sales Composition

(million yen)	FY2022 2Q	FY2023 2Q	YoY
Auction related revenues	1,214	1,408	+16.0%
Product sales related revenues	7,695	8,648	+12.4%
Other	12	17	+40.7%
Inter-segment net sales or transfers	-	-	
Net Sales	8,922	10,074	+12.9%

KPI

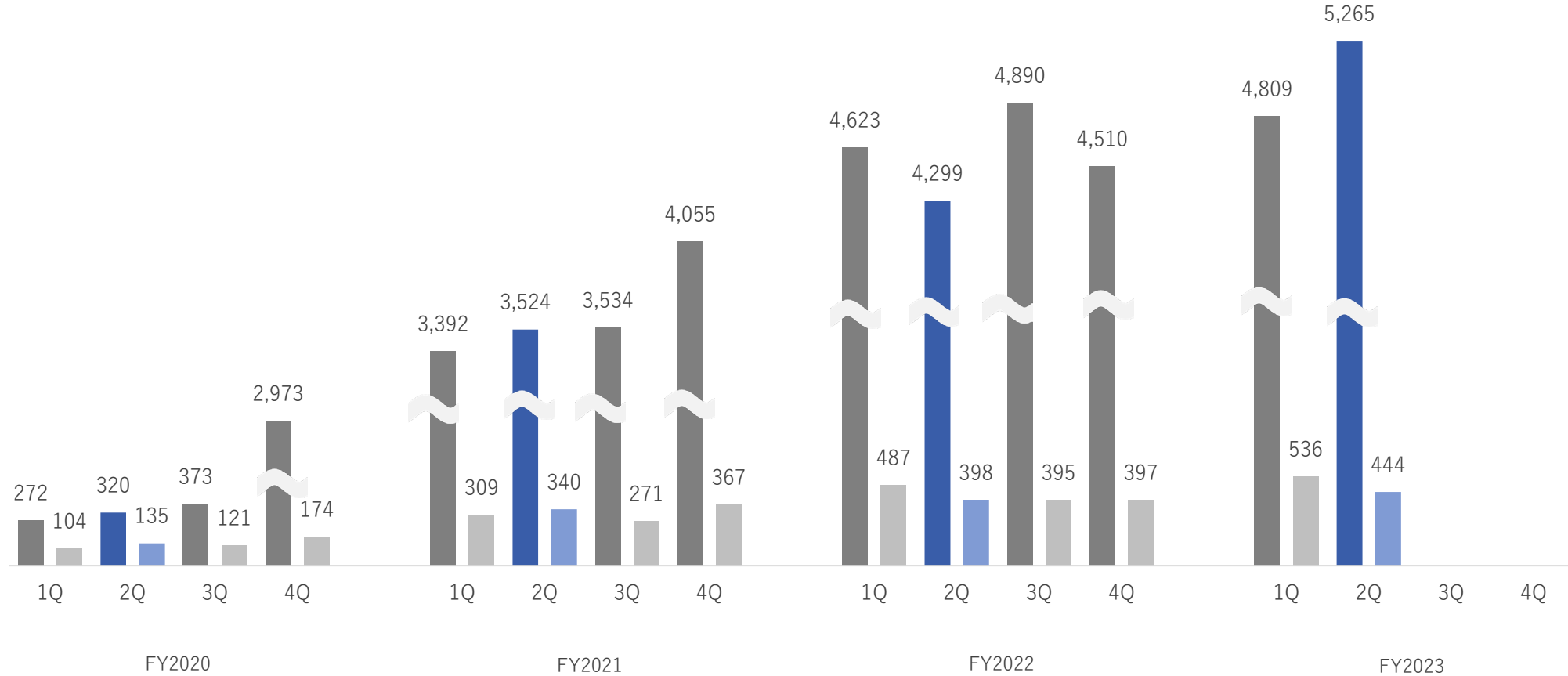
		FY2022 2Q	FY2023 2Q	YoY
B2B business	Transaction amount(million yen)	18,356	21,808	+18.8%
	Items listed (item)	485,649	506,645	+4.3%
	Items sold (item)	335,412	356,829	+6.4%
	Number of members※ (member)	3,690	4,503	+22.0%
Business targeting C	Transaction amount(million yen)	5,292	5,846	+10.5%

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

FY2020~FY2023 Results by Quarter

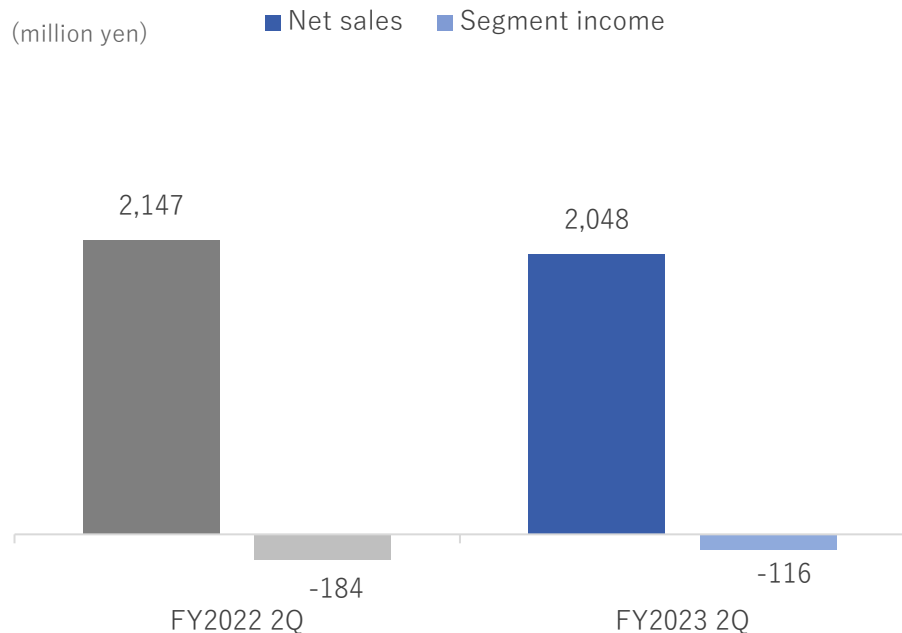
(million yen)

■ Net Sales ■ Segment Income



FY2023 Second Quarter Cumulative Results

- Sales decreased and profit increased year on year. (Net sales -4.6%, Operating loss in the previous year 184 million yen)
- In the flower business, sales increased due to the transaction amount expanded by an increase in the number of cut flowers collected, but profit decreased due to the factors such as decreased demands for potted flowers with making a round of gardening boom and the impact of rising fuel costs.
- In the motorcycle business, the number of vehicles listed and auctions won increased and the number of vehicles in operation and in stock for ME:RIDE, a personal subscription service, increased and remained steady.
- Overall segment sales decreased and profit increased due to the impact of the withdrawal of Carseru at the end of last year.



Net Sales Composition

(million yen)	FY2022 2Q	FY2023 2Q	YoY
Auction related revenues	973	926	-4.8%
Product sales related revenues	428	389	-9.1%
Other	569	581	+2.2%
Inter-segment net sales or transfers	176	150	-14.6%
Net Sales	2,147	2,048	-4.6%

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Forecast of FY2023 Consolidated Results

➤ No revision from the consolidated results forecast disclosed on February 14.

(million yen)	FY2022	FY2023	YoY
Net Sales	40,455	43,000	+6.3%
Operating profit	6,601	6,300	-4.6%
Operating profit margin	16.3%	14.7%	-1.7pt
Ordinary profit	6,699	6,322	-5.6%
Profit attributable to owners of parent	4,346	3,945	-9.2%
Basic earnings per share	159.48 yen	158.92 yen	-0.56 yen
Dividend per share	48.00 yen	48.00 yen	—
Dividend payout ratio	30.1%	30.2%	+0.1pt

Forecast Outlook of FY2023 Consolidated Results by Segment

FY2023 Results Forecast (as of February 14)

Results Forecast (as of August 8)

Summary

Assumed to remain unchanged

Automobile Business

- Assumed that the impact of the semiconductor shortage will gradually dissipate and the number of vehicles listed and auctions won in used vehicle auctions will recover.
- Aiming for stable revenues through live relay broadcast auctions and vehicle inspection service, as well as comprehensive business alliances with major companies, etc.

Summary

Assumed to remain steady

- Assumed to **recover more than the assumption in February written on the left** on the number of vehicles listed and auctions won for used vehicle auctions by gradually resolving the impact of semiconductor shortage.
- Aiming for stable revenues through the live relay broadcast auctions, **proxy bidding service** and used vehicle inspection service as well as comprehensive business alliances with major companies, etc.

Summary

Assumed to be a slight increase

Digital Product Business

- Decline in the number of used devices sold in the previous year is expected to bottom out.
- Aiming for sustainable growth by continuing to focus on expanding the buyer network and diversifying suppliers and handling items

Summary

Assumed to be a slight decrease

- Decline in the number of used devices sold in the previous year **is expected to remain weak**.
- Aiming for sustainable growth by continuing to focus on expanding the buyer network and diversifying suppliers and handling items

Summary

Assumed to remain steady

Consumer Product Business

- B2B Aiming for further vitalization of auctions by establishing bases in North America and Europe to strengthen overseas sales network.
- B2C Aiming for growth by opening new stores and strengthening non face-to-face purchases, expanding EC platform and synergies with the B2B business

No revision made

Others

- Aiming for development and monetization in various fields in "Selloop"
- Pursuing further synergies with Kinuta Flower Auction and Grand Bouquet Otaki in the flower business
- Increase in the number of vehicles in operation and owned in "ME:RIDE", and development of electric business motorcycle leasing and maintenance business in the used motorcycle business
- Removal of deficit due to withdrawal from "Carseru" business

No revision made

Common

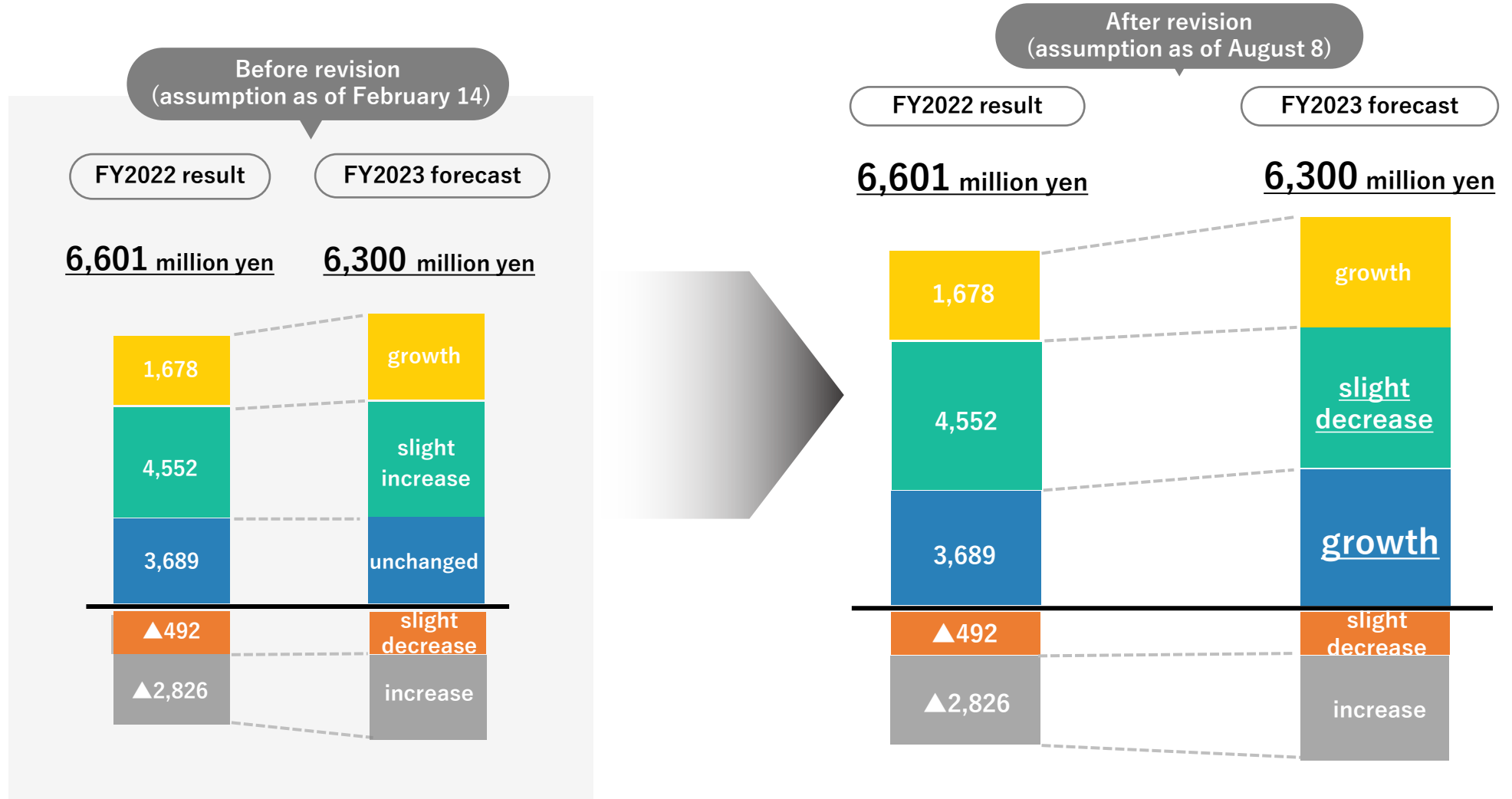
- Expansion of human resources through aggressive recruitment activities and pay raises to ensure competitiveness for further growth
- Investment of management resources in new businesses and R&D for the future in order to respond to changes in the market environment and to make them future earnings pillars.
- Focus on PR and IR for branding as ESG stocks

For the progress details, see p. 20.

Forecast of FY 2023 Consolidated Results Operating Profit Increase/Decrease

- Revisions from “unchanged” to “growth” for the Automobile Business and from “slight increase” to “slight decrease” for the Digital Product Business

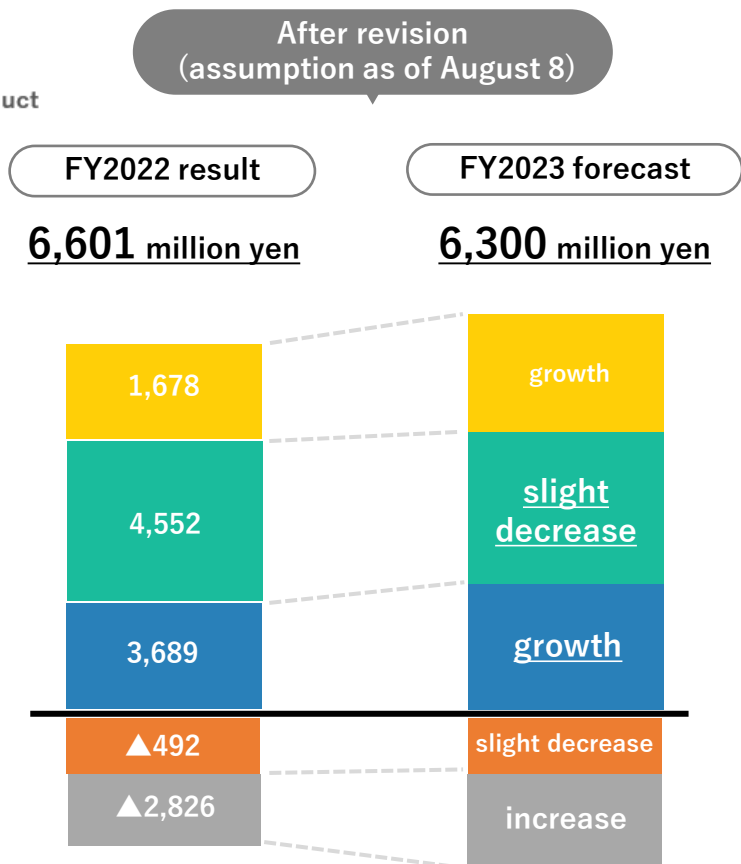
- Automobile
- Digital Product
- Consumer Product
- Others
- Common



Forecast of FY 2023 Consolidated Results Operating Profit Increase/Decrease

- For the progress of our focused implementation items, we focused on and invested in measures related to human resources as of the end of June.

- Automobile
- Digital Product
- Consumer Product
- Others
- Common



Progress of the focused implementation items (as of the end of June)

Classification	Item	Amount
Human resource	Expansion of human resources through aggressive recruitment activities	approx. 270 million yen
	Pay raises to ensure competitiveness	
	Enhanced education and training programs	
Corporate branding	Branding as ESG stocks	approx. 30 million yen

About 300 million yen investments were made out of the investment plan of total 600 million yen.

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Disclosure of GCV Figures in 2022

Gross Circulation Value(GCV)

- GCV is a metric that shows the economic and environmental impact of Aucnet's business activities in monetary terms.
- Growing GCV means that we have neither discarded used goods nor produced new goods. In other words, GCV is an indicator for reducing the burden on the earth.

economy

503.1 billion yen
The monetary value of business activities circulating through the economy

environment

38.5 billion yen
The sum of the monetary impacts of business activities on the environment through losses and benefits

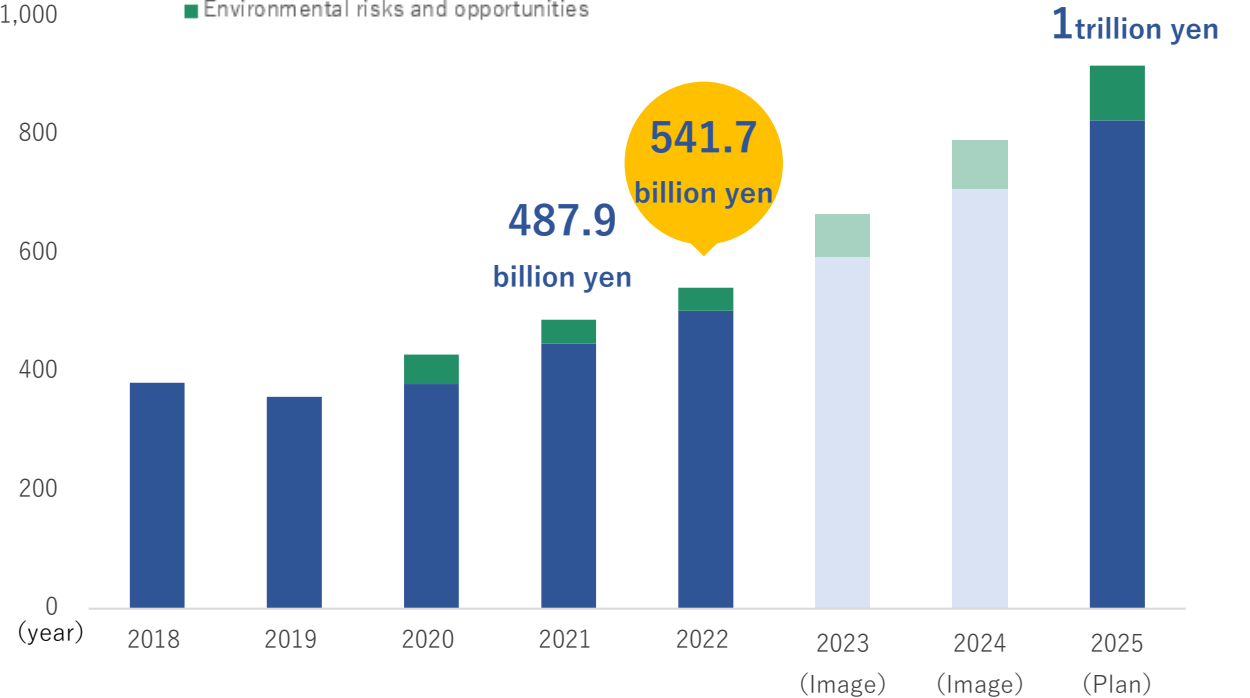
541.7 billion yen

For achieving 1 trillion yen in 2025, we will develop our business not only expanding the scale of economy but also contributing to the environment that is indispensable to society.

GCV

(billion yen)

- Scale that Aucnet Group circulated the economy (transaction amount)
- Environmental risks and opportunities



※Environmental risks and opportunities through our business activities are calculated from 2020.

(As of December 31)

Initiatives to Obtain Third-Party Perspectives at GCV

- Preparation of reports on GCV

A report was prepared by UTokyo Economic Consulting Inc. (UTEcon) from an environmental economics perspective on the consistency of GCV and the potential of reuse, etc.

3 points

- 01 Validity of the general framework for evaluating the net environmental impact
- 02 Validity of the method of estimating the greenhouse gas-reducing effect (opportunity component) of Aucnet's business activities
- 03 Validity of the International Carbon Price value used to monetize the environmental impact

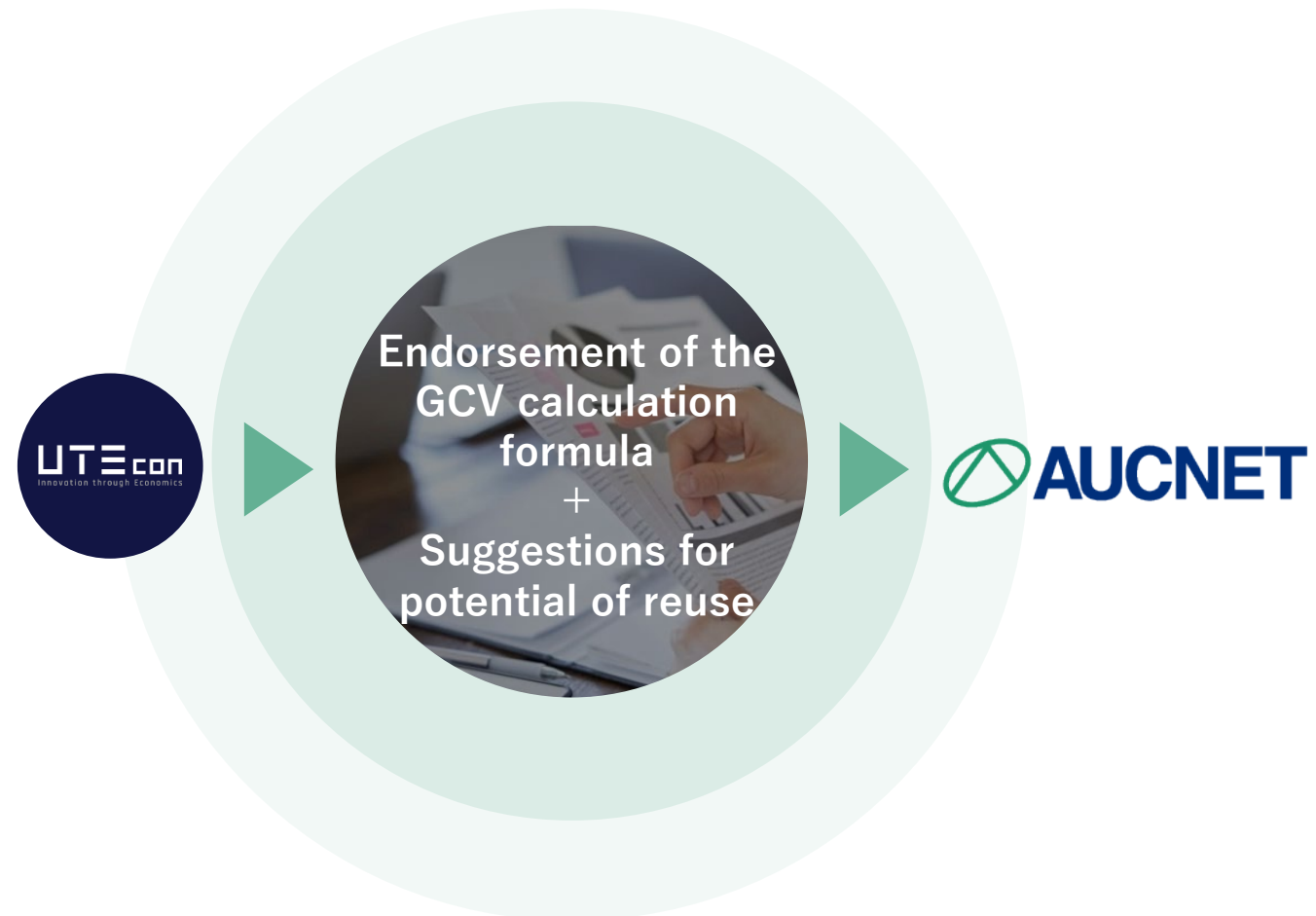
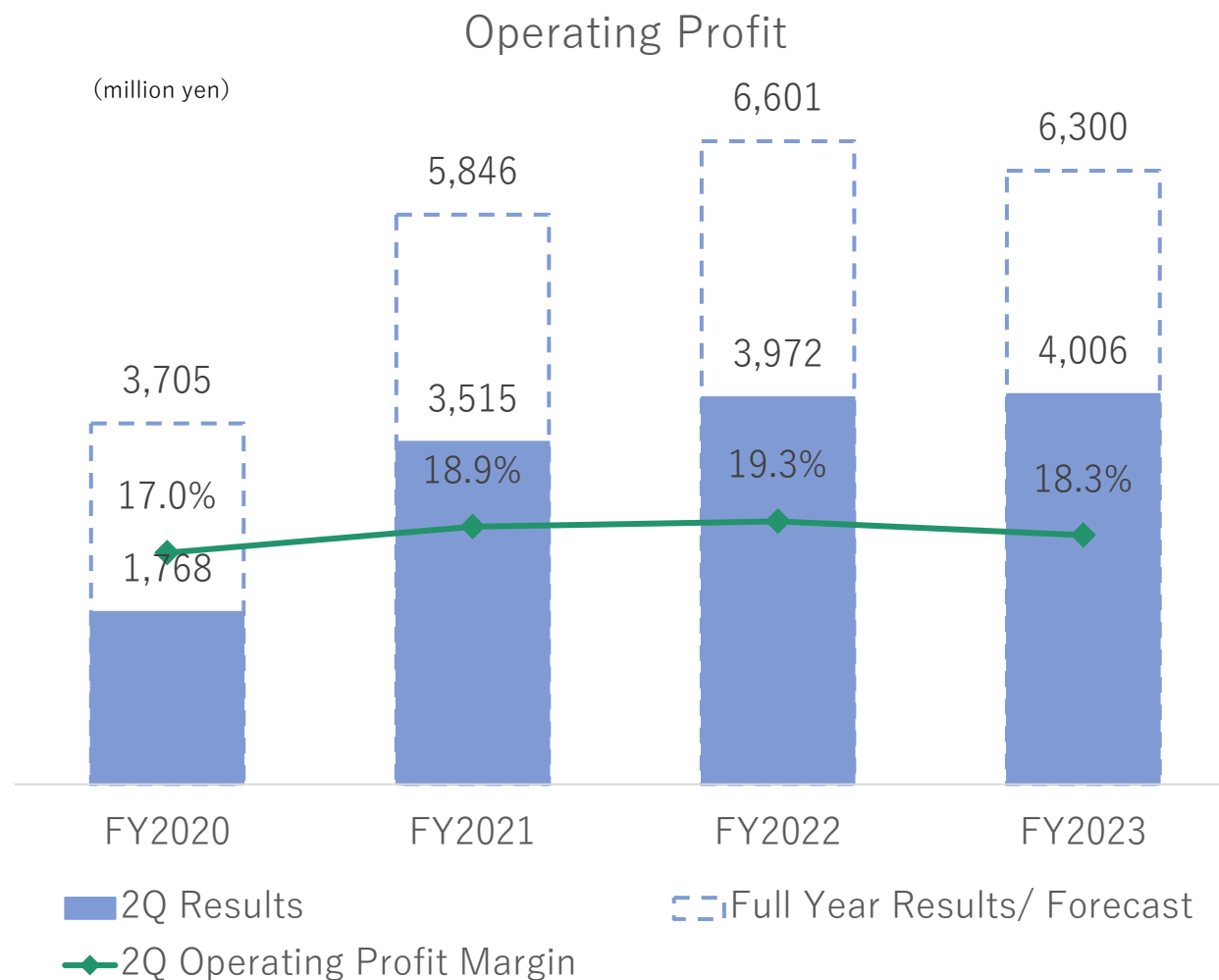
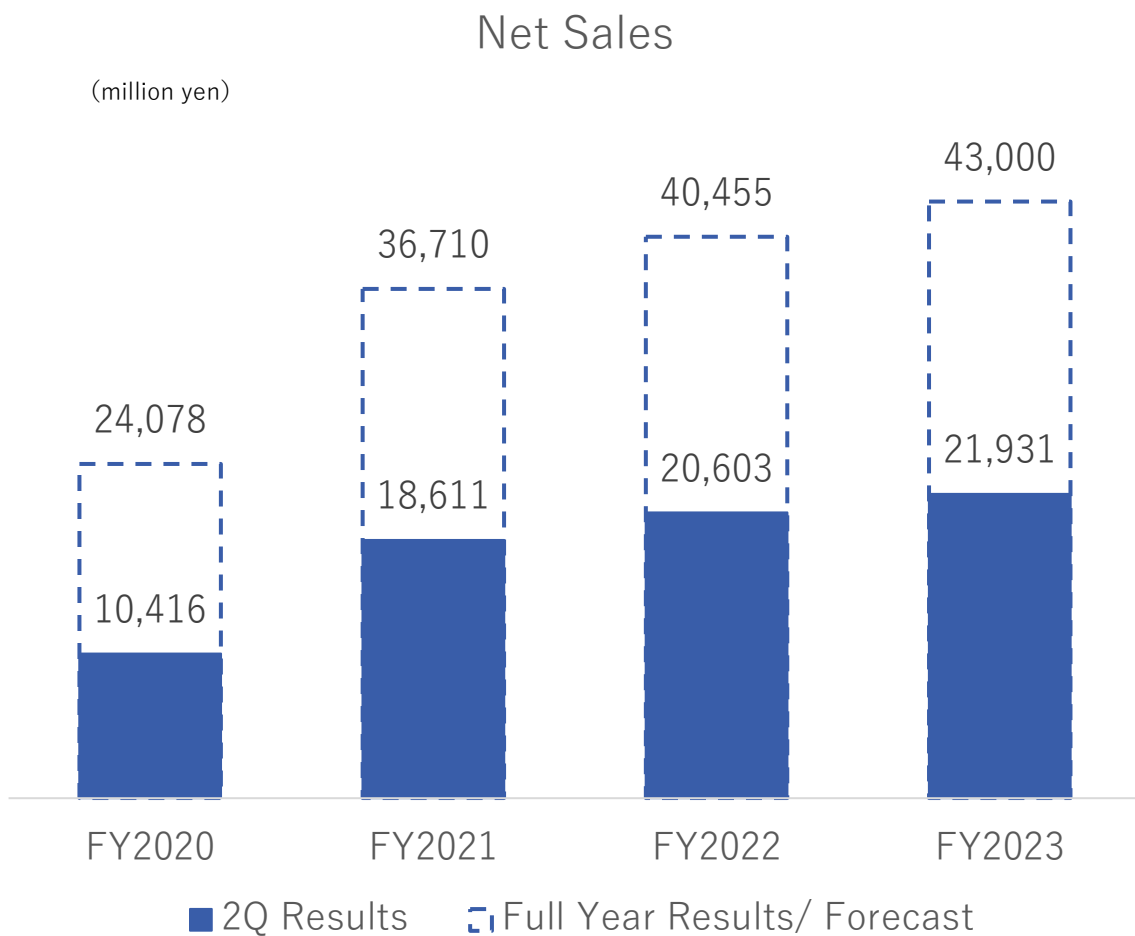


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FY2020~FY2023 Consolidated Results by Fiscal Year



Consolidated Balance Sheets & Statements of Cash Flows

Assets (million yen)	FY2022 end of December	FY2023 end of June	Increase/ Decrease
Current assets	30,357	31,709	+1,352
Cash and deposits	20,021	19,814	-206
Due from auction members	3,538	5,419	+1,880
Other	6,797	6,475	-321
Non-current assets	6,990	7,038	+47
Property, plant and equipment	1,637	1,629	-8
Intangible assets	1,405	1,455	+49
Other	3,946	3,954	+7
Total assets	37,348	38,748	+1,399

Liabilities and net assets (million yen)	FY2022 end of December	FY2023 end of June	Increase/ Decrease
Current liabilities	11,299	14,052	+2,752
Due to auction members	7,202	9,956	+2,754
Other	4,097	4,095	-1
Non-current liabilities	3,137	3,197	+59
Retirement benefit liability	1,816	1,858	+42
Other	1,321	1,338	+16
Total liabilities	14,437	17,249	+2,812
Total net assets	22,911	21,498	-1,412
Total liabilities and net assets	37,348	38,748	+1,399

(million yen)	FY2022 2Q	FY2023 2Q	YoY
Cash flows from operating activities	5,252	4,371	-880
Cash flows from investing activities	-388	-365	+22
Cash flows from financing activities	-1,131	-4,201	-3,070
Cash and cash equivalents at end of period	23,412	19,814	-3,597

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	B2B business	Transaction amount	(million yen)	2,768	3,720	4,349	6,543	7,324	7,996	8,209	8,912
		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

				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	118,736	-	-
		Total vehicles sold/bought	(unit)	104,115	114,338	111,674	105,316	121,962	135,219	-	-
	Membership fee	Number of members	(member)	14,663	14,706	14,847	14,949	14,999	15,091	-	-
	Inspection fee※1	Vehicles inspected	(unit)	269,476	268,758	262,791	284,997	318,348	307,586	-	-
Digital Product	Transaction amount		(million yen)	13,526	12,261	8,730	10,247	12,443	11,638	-	-
	Sales units	Domestic	(unit)	526,106	499,014	351,156	428,275	445,227	430,091	-	-
		U.S.	(unit)	-	-	-	-	-	-	-	-
	Members	Number of members※3 (member)		1,044	1,132	1,240	1,337	1,359	1,541	-	-
Consumer Product※2	B2B business	Transaction amount	(million yen)	9,117	9,239	9,575	10,539	10,644	11,164	-	-
		Items listed	(item)	223,206	262,443	251,644	288,861	236,869	269,776	-	-
		Items sold	(item)	160,850	174,562	166,850	187,706	174,900	181,929	-	-
		Number of members※3 (member)		3,586	3,690	3,893	4,092	4,287	4,503	-	-
	Business targeting C	Transaction amount		(million yen)	2,747	2,544	2,912	2,582	2,812	3,033	-

※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.

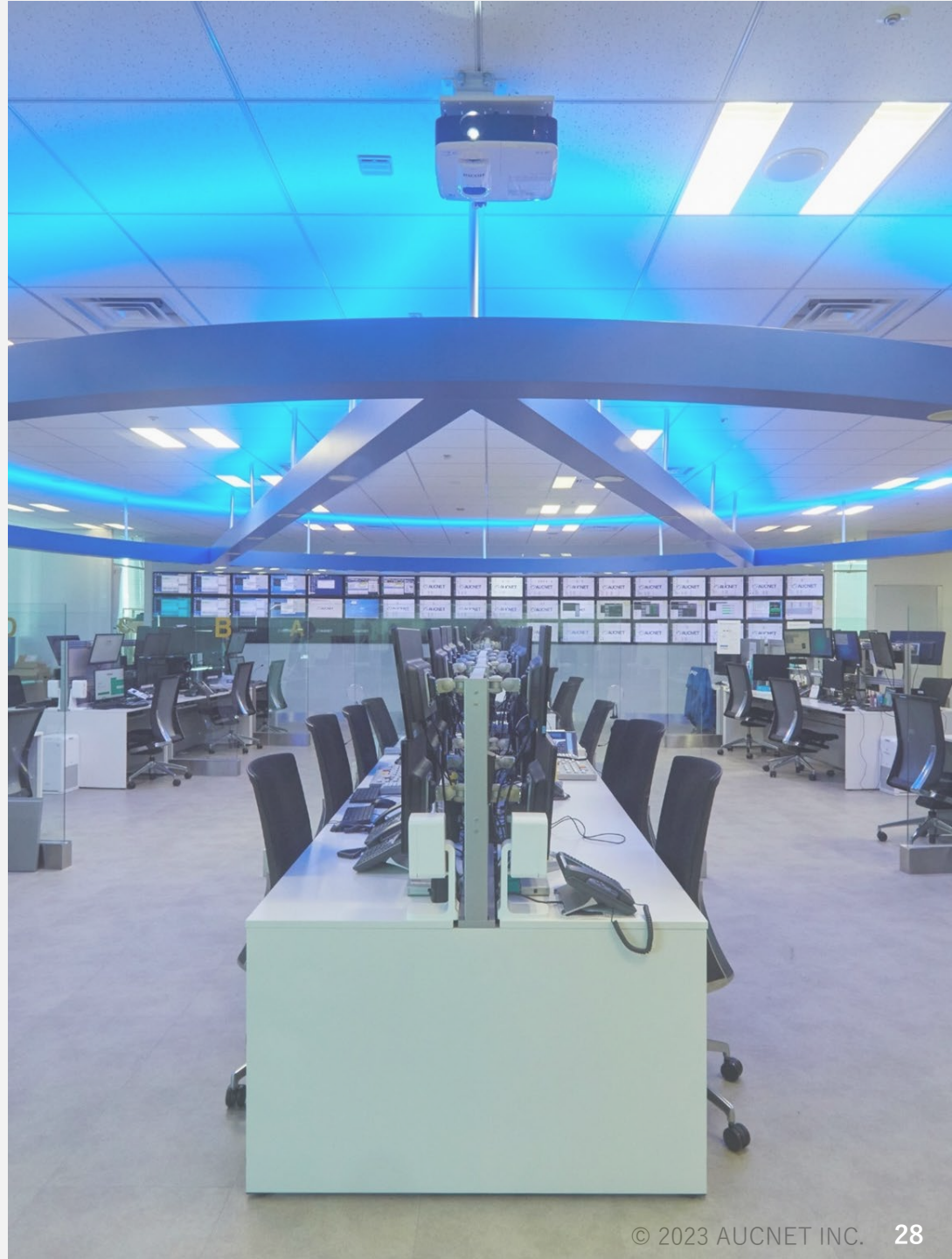
Date of start of business || June 29, 1985

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
"Authenticism".

We have always pursued the question, "What is authentic 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".

Mission Statement

Market Design to Connect Values

Leveraging “circular commerce” to maximize our potential and create more customers around the world.
We are your market design partner.

By providing appropriate information to both sellers and buyers, we create what we call “circular commerce,” in which buyers and sellers are repeatedly connected. Since our establishment, we have always pursued services that make changes for the better, not only in the industry, but in society as a whole.

Through market design, you can not only expand existing value, but also create new value by commercializing goods and things that have never been distributed before. We will continue to find new values by co-creating with our partners who believe that “the life of a product continues even after it has been sold.”

At AUCNET, we are working together to create a world where value is connected and reconnected over and over again.



Our Services – Automobile

Used vehicle distribution

 14,000+ member companies※

1 
(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 
(Shared inventory market)

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

3 
(Live relay broadcast auctions)

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

4  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

5 
(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

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.

Data erasure

3

 **blancco**



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.

