

# Consolidated Financial Statements for the Fiscal Year Ended December 31, 2023 [Japanese GAAP]



February 14, 2024

Company name: **AUCNET INC.**  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 3964  
 URL: <https://www.aucnet.co.jp/en/>  
 Representative: Mr. Shinichiro Fujisaki, President & CEO  
 Contact: Mr. Hiroki Taniguchi, Director, Senior Managing Executive Officer & CFO  
 Phone: +81-3-6440-2552  
 Scheduled date of general shareholders meeting: March 26, 2024  
 Scheduled date of commencing dividend payments: March 5, 2024  
 Scheduled date of filing securities report: March 27, 2024  
 Preparation of supplementary explanatory materials: Yes  
 Financial results briefing: Yes (for institutional investors and analysts)

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

## 1. Consolidated Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 - December 31, 2023)

(1) Consolidated Operating Results (% 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	%
Year ended December 31, 2023	43,303	7.0	6,663	0.9	6,755	0.8	4,368	0.5
December 31, 2022	40,455	–	6,601	12.9	6,699	9.6	4,346	19.9

(Note) Comprehensive income: Year ended December 31, 2023: ¥4,421 million [(2.5)%]

Year ended December 31, 2022: ¥4,534 million [19.2%]

\* The Company has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended December 31, 2022. Accordingly, year-on-year change in net sales from the fiscal year ended December 31, 2021, during which these standards had not yet been adopted, is not stated.

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Year ended	Yen	Yen	%	%	%
December 31, 2023	175.79	175.01	19.6	18.0	15.4
December 31, 2022	159.48	158.47	19.4	18.1	16.3

(Reference) Share of profit (loss) of entities accounted for using equity method:

Year ended December 31, 2023: ¥(3) million

Year ended December 31, 2022: ¥4 million

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	37,664	22,310	58.8	936.82
As of December 31, 2022	37,348	22,911	60.3	862.24

(Reference) Equity: As of December 31, 2023: ¥22,161 million

As of December 31, 2022: ¥22,514 million

### (3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2023	5,116	(428)	(5,102)	19,572
December 31, 2022	4,523	185	(4,426)	19,941

### 2. Cash Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2022	–	23.00	–	25.00	48.00	1,293	30.1	5.8
Year ended	–	24.00	–	29.00	53.00	1,263	30.1	5.9
December 31, 2023								
Year ending	–	28.00	–	29.00	57.00		30.2	
December 31, 2024 (Forecast)								

### 3. Forecast of Consolidated Results for the Fiscal Year Ending December 31, 2024 (January 1, 2024 - December 31, 2024)

(% 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	48,000	10.8	7,000	5.1	7,059	4.5	4,465	2.2	188.77

#### \* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - 1) Changes in accounting policies due to the revision of accounting standards: None
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (3) 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):

December 31, 2023:	24,763,200 shares
December 31, 2022:	26,463,200 shares
  - 2) Total number of treasury shares at the end of the period:

December 31, 2023:	1,107,316 shares
December 31, 2022:	352,116 shares
  - 3) Average number of shares during the period:

Year ended December 31, 2023:	24,853,644 shares
Year ended December 31, 2022:	27,251,314 shares

**(Reference) Summary of Non-consolidated Results****1. Non-consolidated Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 - December 31, 2023)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2023	16,294	2.9	2,947	(19.8)	7,218	17.6	6,136	28.7
December 31, 2022	15,832	(1.5)	3,673	9.3	6,135	82.5	4,769	146.7

Year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	246.90	245.81
December 31, 2022	175.00	173.89

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	29,385	17,126	58.3	723.99
As of December 31, 2022	26,961	15,728	58.3	602.35

(Reference) Equity: As of December 31, 2023: ¥17,126 million

As of December 31, 2022: ¥15,728 million

\* These financial results are outside the scope of audit procedures 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 the performance forecast, please see “1. Overview of Business Results, etc. (4) Future Outlook” on page 6 of the attachments.

## Table of Contents - Attachments

1. Overview of Business Results, etc. ....	2
(1) Overview of Business Results for the Fiscal Year under Review .....	2
(2) Overview of Financial Position for the Fiscal Year under Review .....	5
(3) Overview of Cash Flows for the Fiscal Year under Review .....	5
(4) Future Outlook .....	6
2. Basic Policy on Selecting Accounting Standards .....	6
3. Consolidated Financial Statements and Primary Notes .....	7
(1) Consolidated Balance Sheets .....	7
(2) Consolidated Statements of Income and Comprehensive Income .....	9
Consolidated Statements of Income .....	9
Consolidated Statements of Comprehensive Income .....	10
(3) Consolidated Statements of Changes in Equity .....	11
(4) Consolidated Statements of Cash Flows .....	13
(5) Notes to Consolidated Financial Statements .....	15
(Notes on going concern assumption) .....	15
(Segment information, etc.) .....	15
(Per share information) .....	19
(Significant subsequent events) .....	20

## 1. Overview of Business Results, etc.

### (1) Overview of Business Results for the Fiscal Year under Review

#### 1) Business Results

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 works to further improve its social and economic value.

In May 2022 we created a medium-term management plan, “Blue Print 2025”, and established four key management indicators: EBITDA, ROE, payout ratio and the Company’s own unique indicator, “Gross Circulation Value.” Under “Blue Print 2025”, we will work to expand market share in existing businesses and to develop new businesses, and will aim to further expand the membership-based network and diversify distribution forms.

As a result of promoting business in line with such plans, for the fiscal year ended December 31, 2023, the Group’s net sales were ¥43,303,979 thousand (up 7.0% from the previous fiscal year), operating profit was ¥6,663,447 thousand (up 0.9% from the previous fiscal year), ordinary profit was ¥6,755,781 thousand (up 0.8% from the previous fiscal year), and profit attributable to owners of parent was ¥4,368,973 thousand (up 0.5% from the previous fiscal year).

	For the year ended December 31, 2023	Year-on-year change
Net sales	¥43,303,979 thousand	+7.0%
Operating profit	¥6,663,447 thousand	+0.9%
Ordinary profit	¥6,755,781 thousand	+0.8%
Profit attributable to owners of parent	¥4,368,973 thousand	+0.5%

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 relay broadcast 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) increased 13.7% year on year to 4.77 million units in the fiscal year ended December 31, 2023. The total number of used vehicle registrations (\*7) increased 2.1% year on year to 6.43 million units, and the number of used vehicles listed at auctions around Japan (\*8) increased 14.6% year on year to 7.96 million units. The total number of used vehicles sold at auctions (\*8) increased 9.6% year on year to 5.17 million units.

During the fiscal year under review, total new vehicle registrations, and the number of used vehicles listed at auctions and the total number of used vehicles sold at auctions significantly increased year on year throughout the year.

Regarding used vehicle inspection service, demand was high mainly for the inspection service for a used vehicle listing platform, and the annual number of used vehicles inspected reached a record high. As a result, sales and profit increased, contributing significantly to segment income.

Sales and profit increased for the proxy bidding service and live relay broadcast auctions, as there was a favorable trend in the number of auctions won, reflecting a brisk used vehicle auctions market. In addition, the number of members continuously increased owing to sales activities in cooperation with subsidiaries.

The number of vehicles listed and the number of vehicles sold at our own used vehicle auctions increased, and in the shared inventory market, the number of auctions won showed a recovery trend due to strengthened cooperation with exporter members.

As a result, net sales of the Automobile Business (including intersegment net sales) were ¥12,501,307 thousand (up 9.2% from the previous fiscal year), and operating profit was ¥4,020,556 thousand (up 9.0% from the previous fiscal year).

	For the year ended December 31, 2023	Year-on-year change
Net sales	¥12,501,307 thousand	+9.2%
Operating profit	¥4,020,556 thousand	+9.0%

- (\*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 relay broadcast 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 2023 U-Car Full Data Book and Export Quotation Book

(Digital Product Business)

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

While the number of new buyers continuously increased throughout the year owing to the use of digital marketing, the number of units sold continued to decline because of rising prices of devices and prolonged device replacement cycles, and the transaction amount shrank year on year.

We also made proactive investments by focusing on areas such as overseas branch operations to further strengthen platform functions, renovation of existing systems to improve operational efficiency, improved convenience by introducing a new auction method based on econometric findings, and diversification of suppliers by the commencement of a trade in service for consumers.

The number of units sold was on a recovery trend in the fourth quarter as a result of our focus on strengthening our buying power through diversification of device supply sources and expansion of the global supplier network.

As a result, net sales of the Digital Product Business were ¥6,732,957 thousand (down 2.4% from the previous fiscal year), and operating profit was ¥4,155,196 thousand (down 8.7% from the previous fiscal year).

	For the year ended December 31, 2023	Year-on-year change
Net sales	¥6,732,957 thousand	(2.4)%
Operating profit	¥4,155,196 thousand	(8.7)%

(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, the number of new members remained buoyant owing to the use of digital marketing. In addition, an increase in the number of high-unit-price items listed owing to a partnership with a major company led to an increase in the transaction amount. As a result, sales and profit increased year on year.

In the business targeting consumers, although sales increased as the number of customers increased due to inbound demand, profit decreased year on year as the gross profit margin was lower than expected as a result of purchase and sales controls in view of the continuing downward trend in the market prices of the items handled from the second half of the fiscal year.

In addition, in order to expand the global business, we pursued initiatives, such as for acquiring new members and strengthening operational functions, at our bases in Europe and the U.S.

As a result, net sales of the Consumer Product Business were ¥20,368,774 thousand (up 11.2% from the previous fiscal year), and operating profit was ¥1,792,660 thousand (up 6.8% from the previous fiscal year).

	For the year ended December 31, 2023	Year-on-year change
Net sales	¥20,368,774 thousand	+11.2%
Operating profit	¥1,792,660 thousand	+6.8%

(Others)

The Others segment comprises auctions for used motorcycles and flowers, circular commerce businesses (including medical-related businesses) and overseas businesses.

Net sales of the Others segment (including inter-segment net sales) were ¥4,137,378 thousand (down 2.9% from the previous fiscal year), and operating loss was ¥221,751 thousand (the operating loss for the previous fiscal year was ¥492,037 thousand).

	For the year ended December 31, 2023	Year-on-year change
Net sales	¥4,137,378 thousand	(2.9)%
Operating loss	¥(221,751) thousand	-

## (2) Overview of Financial Position for the Fiscal Year under Review

### (Assets)

Current assets as of the end of the fiscal year under review amounted to ¥30,953,112 thousand (up 2.0% from the end of the previous fiscal year). This is mainly attributable to a ¥361,819 thousand increase in inventories, a ¥353,850 thousand increase in due from auction members, and a ¥413,957 thousand increase in other under current assets, despite a ¥448,550 thousand decrease in cash and deposits.

Non-current assets amounted to ¥6,711,038 thousand (down 4.0% from the end of the previous fiscal year). This is mainly attributable to a ¥227,032 thousand decrease in investment securities, a ¥119,953 thousand decrease in goodwill, and a ¥49,870 thousand decrease in other under investments and other assets.

### (Liabilities)

Current liabilities as of the end of the fiscal year under review amounted to ¥12,119,177 thousand (up 7.2% from the end of the previous fiscal year). This is mainly attributable to a ¥687,106 thousand increase in income taxes payable, a ¥429,189 thousand increase in due to auction members, and a ¥131,320 thousand increase in accounts payable – trade, despite a ¥489,851 thousand decrease in other current liabilities.

Non-current liabilities amounted to ¥3,233,979 thousand (up 3.1% from the end of the previous fiscal year).

### (Net assets)

Net assets as of the end of the fiscal year under review amounted to ¥22,310,994 thousand (down 2.6% from the end of the previous fiscal year). This is mainly attributable to a ¥1,028,694 thousand decrease due to increase in treasury shares, despite a ¥718,427 thousand increase in retained earnings.

## (3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents as of the end of the fiscal year under review amounted to ¥19,572,910 thousand, a decrease of ¥368,550 thousand from the end of the previous fiscal year.

The status of cash flows by activity in the fiscal year ended December 31, 2023, and the main factors affecting cash flows are as follows.

### (Cash Flows from Operating Activities)

Cash provided by operating activities during the fiscal year under review amounted to ¥5,116,523 thousand (up 13.1% from the previous fiscal year). As a main breakdown of inflows, profit before income taxes was ¥6,894,967 thousand, depreciation was ¥666,397 thousand, increase in due to auction members was ¥428,975 thousand, income taxes refund was ¥244,105 thousand, and amortization of goodwill was ¥119,953 thousand. As a main breakdown of outflows, increase in due from auction members was ¥353,727 thousand, increase in inventories was ¥353,015 thousand, income taxes paid were ¥2,182,914 thousand, and other cash flows from operating activities were ¥442,613 thousand.

### (Cash Flows from Investing Activities)

Cash used in investing activities during the fiscal year under review amounted to ¥428,449 thousand (compared with cash provided by investing activities of ¥185,158 thousand for the previous fiscal year). As a main breakdown of inflows, proceeds from sale of investment securities were ¥329,033 thousand. As a main breakdown of outflows, purchase of intangible assets was ¥471,725 thousand and purchase of property, plant and equipment was ¥314,452 thousand.

### (Cash Flows from Financing Activities)

Cash used in financing activities during the fiscal year under review amounted to ¥5,102,991 thousand (up 15.3% from the previous fiscal year). As a main breakdown of outflows, purchase of treasury shares was ¥3,752,856 thousand, dividends paid were ¥1,224,914 thousand, and other cash flows from financing activities were ¥125,221 thousand.



#### (4) Future Outlook

Regarding the future outlook, whereas the gradual economic recovery is expected to continue amid improvements concerning employment and incomes, there is also a need for continued monitoring of the Russia-Ukraine conflict, the situation in the Middle East, the trend of exchange rates, concerns overshadowing Chinese economic prospects, and fluctuations in financial and capital markets, etc.

Under such an environment, regarding the Lifestyle Product segment, in the Digital Product Business, it is expected that the number of units sold of used devices will be virtually the same level as the previous year. We aim for sustainable growth, focusing on expansion of the buyer network, diversification of supply sources and items handled, and strengthening functions of overseas bases.

In the Fashion Resale Business, we assume that falling market prices of items and stock adjustment within the industry will run their course and the business is expected to remain steady. We aim for further growth by expanding business fields to business targeting consumers and exploiting synergies with the B2B business as well as focusing on establishing a new global platform through overseas development.

Regarding the Mobility & Energy segment, while the numbers of vehicles listed and sold at used vehicle auctions are expected to be virtually the same level as the previous year, we expect a steady performance from the proxy bidding service and live relay broadcast auction as well as further growth of the used vehicle inspection service. Moreover, to achieve business expansion, in addition to strengthening the existing value chain for used vehicles and motorcycles, we aim to establish a circular distribution platform in the mobility and energy sectors by promoting comprehensive business alliances with major companies.

As for Group-wide investments, we will further promote introduction of a new personnel system, expansion of human resources, M&A, and branding as an ESG stock, in order to achieve the Group's medium-term management plan "Blue Print 2025."

Based on the above, for the forecast of the full fiscal year ending December 31, 2024, the Company expects net sales of ¥48,000 million (up 10.8% year on year), operating profit of ¥7,000 million (up 5.1% year on year), ordinary profit of ¥7,059 million (up 4.5% year on year), and profit attributable to owners of parent of ¥4,465 million (up 2.2% year on year).

The impact of the share acquisition described in "3. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Significant Subsequent Events) (Business combination through acquisition)," on the Company's financial results for the fiscal year ending December 31, 2024, is currently being assessed and will be disclosed as soon as the impact on the financial results is ascertained.

## 2. Basic Policy on Selecting Accounting Standards

The Company continues to prepare consolidated financial statements in accordance with the Japanese standards for the time being, taking into account the comparability of consolidated financial statements over different accounting periods and between companies.

The Company will appropriately respond to the adoption of the international accounting standards considering various conditions in Japan and overseas.

### 3. Consolidated Financial Statements and Primary Notes

#### (1) Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2022	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	20,021,460	19,572,910
Notes and accounts receivable - trade, and contract assets	1,244,982	1,165,240
Inventories	2,662,673	3,024,493
Due from auction members	3,538,963	3,892,813
Other	2,931,556	3,345,514
Allowance for doubtful accounts	(41,876)	(47,858)
Total current assets	30,357,759	30,953,112
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,724,778	1,726,656
Accumulated depreciation and impairment loss	(1,234,513)	(1,271,613)
Buildings and structures, net	490,264	455,042
Land	797,076	797,076
Other	1,726,812	1,682,724
Accumulated depreciation and impairment loss	(1,376,164)	(1,333,409)
Other, net	350,648	349,314
Total property, plant and equipment	1,637,989	1,601,433
Intangible assets		
Software	848,893	921,921
Goodwill	550,444	430,491
Other	6,630	6,573
Total intangible assets	1,405,968	1,358,985
Investments and other assets		
Investment securities	1,444,452	1,217,420
Deferred tax assets	1,070,957	1,142,513
Other	1,666,628	1,616,758
Allowance for doubtful accounts	(235,095)	(226,072)
Total investments and other assets	3,946,943	3,750,619
Total non-current assets	6,990,901	6,711,038
Total assets	37,348,660	37,664,151

(Thousand yen)

	As of December 31, 2022	As of December 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	785,956	917,276
Due to auction members	7,202,380	7,631,569
Income taxes payable	876,067	1,563,174
Provision for bonuses	234,819	296,274
Other	2,200,733	1,710,881
Total current liabilities	11,299,957	12,119,177
Non-current liabilities		
Retirement benefit liability	1,816,027	1,884,548
Provision for share-based remuneration	228,171	283,362
Other	1,093,272	1,066,068
Total non-current liabilities	3,137,471	3,233,979
Total liabilities	14,437,429	15,353,157
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,807,303	1,807,303
Capital surplus	4,207,369	4,205,415
Retained earnings	16,621,897	17,340,325
Treasury shares	(599,643)	(1,628,338)
Total shareholders' equity	22,036,925	21,724,705
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	316,360	257,603
Foreign currency translation adjustment	111,417	155,104
Remeasurements of defined benefit plans	49,382	23,822
Total accumulated other comprehensive income	477,161	436,530
Non-controlling interests	397,144	149,758
Total net assets	22,911,231	22,310,994
Total liabilities and net assets	37,348,660	37,664,151

(2) Consolidated Statements of Income and Comprehensive Income  
Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net sales	40,455,750	43,303,979
Cost of sales	23,136,054	25,224,705
Gross profit	17,319,695	18,079,274
Selling, general and administrative expenses	10,718,313	11,415,827
Operating profit	6,601,382	6,663,447
Non-operating income		
Interest income	4,248	5,525
Dividend income	55,362	61,389
Foreign exchange gains	29,943	24,499
Other	65,662	37,401
Total non-operating income	155,216	128,814
Non-operating expenses		
Interest expenses	304	134
Share of loss of entities accounted for using equity method	–	3,398
Fee expenses	33,427	25,220
Other	23,029	7,725
Total non-operating expenses	56,760	36,479
Ordinary profit	6,699,838	6,755,781
Extraordinary income		
Gain on sale of investment securities	–	146,789
Other	11,730	5,223
Total extraordinary income	11,730	152,012
Extraordinary losses		
Loss on sale and retirement of non-current assets	33,064	3,324
Loss on sale of shares of subsidiaries and associates	–	1,308
Loss on liquidation of subsidiaries and associates	–	8,193
Other	140,842	–
Total extraordinary losses	173,907	12,826
Profit before income taxes	6,537,661	6,894,967
Income taxes - current	2,469,928	2,467,676
Income taxes - deferred	(346,376)	(34,343)
Total income taxes	2,123,551	2,433,333
Profit	4,414,109	4,461,634
Profit attributable to non-controlling interests	68,049	92,660
Profit attributable to owners of parent	4,346,059	4,368,973

## Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit	4,414,109	4,461,634
Other comprehensive income		
Valuation difference on available-for-sale securities	14,213	(58,757)
Foreign currency translation adjustment	91,315	43,687
Remeasurements of defined benefit plans, net of tax	14,369	(25,560)
Total other comprehensive income	119,898	(40,630)
Comprehensive income	4,534,008	4,421,003
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,465,958	4,328,343
Comprehensive income attributable to non-controlling interests	68,049	92,660

## (3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,806,238	6,854,864	13,530,920	(229,927)	21,962,096
Cumulative effects of changes in accounting policies			4,880		4,880
Restated balance	1,806,238	6,854,864	13,535,801	(229,927)	21,966,976
Changes during period					
Issuance of new shares	1,064	1,064			2,128
Dividends of surplus			(1,224,401)		(1,224,401)
Profit attributable to owners of parent			4,346,059		4,346,059
Purchase of treasury shares				(3,136,207)	(3,136,207)
Cancellation of treasury shares		(2,620,439)		2,620,439	–
Disposal of treasury shares		(64,245)		146,052	81,806
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		563			563
Transfer from retained earnings to capital surplus		35,562	(35,562)		–
Net changes in items other than shareholders' equity					
Total changes during period	1,064	(2,647,495)	3,086,096	(369,716)	69,949
Balance at end of period	1,807,303	4,207,369	16,621,897	(599,643)	22,036,925

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	302,147	20,102	35,013	357,262	382,598	22,701,956
Cumulative effects of changes in accounting policies						4,880
Restated balance	302,147	20,102	35,013	357,262	382,598	22,706,837
Changes during period						
Issuance of new shares						2,128
Dividends of surplus						(1,224,401)
Profit attributable to owners of parent						4,346,059
Purchase of treasury shares						(3,136,207)
Cancellation of treasury shares						–
Disposal of treasury shares						81,806
Decrease (increase) of capital surplus by change of share to consolidated subsidiary						563
Transfer from retained earnings to capital surplus						–
Net changes in items other than shareholders' equity	14,213	91,315	14,369	119,898	14,546	134,444
Total changes during period	14,213	91,315	14,369	119,898	14,546	204,393
Balance at end of period	316,360	111,417	49,382	477,161	397,144	22,911,231

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,807,303	4,207,369	16,621,897	(599,643)	22,036,925
Changes during period					
Issuance of new shares					–
Dividends of surplus			(1,225,857)		(1,225,857)
Profit attributable to owners of parent			4,368,973		4,368,973
Purchase of treasury shares				(3,752,856)	(3,752,856)
Cancellation of treasury shares		(2,383,328)		2,383,328	–
Disposal of treasury shares		(41,361)		340,832	299,471
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		(1,953)			(1,953)
Transfer from retained earnings to capital surplus		2,424,689	(2,424,689)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	(1,953)	718,427	(1,028,694)	(312,220)
Balance at end of period	1,807,303	4,205,415	17,340,325	(1,628,338)	21,724,705

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	316,360	111,417	49,382	477,161	397,144	22,911,231
Changes during period						
Issuance of new shares						–
Dividends of surplus						(1,225,857)
Profit attributable to owners of parent						4,368,973
Purchase of treasury shares						(3,752,856)
Cancellation of treasury shares						–
Disposal of treasury shares						299,471
Decrease (increase) of capital surplus by change of share to consolidated subsidiary						(1,953)
Transfer from retained earnings to capital surplus						–
Net changes in items other than shareholders' equity	(58,757)	43,687	(25,560)	(40,630)	(247,385)	(288,016)
Total changes during period	(58,757)	43,687	(25,560)	(40,630)	(247,385)	(600,237)
Balance at end of period	257,603	155,104	23,822	436,530	149,758	22,310,994

## (4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	6,537,661	6,894,967
Depreciation	759,466	666,397
Impairment loss	75,152	-
Amortization of goodwill	119,953	119,953
Increase (decrease) in allowance for doubtful accounts	(6,632)	23,446
Increase (decrease) in provision for bonuses	(71,375)	61,312
Increase (decrease) in retirement benefit liability	46,127	31,679
Increase (decrease) in provision for share-based remuneration	60,192	55,191
Increase (decrease) in provision for loss on business liquidation	(50,995)	-
Interest and dividend income	(59,610)	(66,914)
Interest expenses	304	134
Share of loss (profit) of entities accounted for using equity method	(4,171)	3,398
Loss on sale and retirement of non-current assets	33,064	3,324
Loss (gain) on sale of investment securities	-	(146,789)
Loss (gain) on sale of shares of subsidiaries and associates	(65)	1,308
Loss (gain) on liquidation of subsidiaries and associates	(10,657)	3,653
Loss associated with system discontinuation	56,694	-
Decrease (increase) in trade receivables	(136,585)	56,737
Decrease (increase) in due from auction members	420,834	(353,727)
Decrease (increase) in inventories	(429,267)	(353,015)
Increase (decrease) in trade payables	34,276	121,268
Increase (decrease) in due to auction members	473,546	428,975
Decrease (increase) in consumption taxes refund receivable	(87,816)	(120,750)
Other, net	14,928	(442,613)
Subtotal	7,775,026	6,987,939
Interest and dividends received	59,610	67,528
Interest paid	(304)	(134)
Income taxes paid	(3,312,974)	(2,182,914)
Income taxes refund	1,852	244,105
Net cash provided by (used in) operating activities	4,523,210	5,116,523



(Thousand yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
<b>Cash flows from investing activities</b>		
Payments into time deposits	(850,000)	-
Proceeds from withdrawal of time deposits	1,820,000	80,000
Purchase of property, plant and equipment	(376,453)	(314,452)
Purchase of intangible assets	(353,898)	(471,725)
Proceeds from sale of property, plant and equipment	5,833	-
Payment of loss associated with system development discontinuation	(17,342)	-
Proceeds from sale of shares of subsidiaries and associates	659	-
Proceeds from sale of investment securities	-	329,033
Proceeds from the liquidation of subsidiaries and associates	12,575	27,973
Payments of leasehold and guarantee deposits	(63,406)	(56,307)
Proceeds from lease and guarantee deposits received	31,858	63,133
Purchase of insurance funds	(38,159)	-
Proceeds from cancellation of insurance funds	3,728	-
Other, net	9,762	(86,103)
Net cash provided by (used in) investing activities	185,158	(428,449)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	2,128	-
Purchase of treasury shares	(3,136,207)	(3,752,856)
Dividends paid	(1,224,980)	(1,224,914)
Other, net	(67,367)	(125,221)
Net cash provided by (used in) financing activities	(4,426,426)	(5,102,991)
Effect of exchange rate change on cash and cash equivalents	93,596	46,366
Net increase (decrease) in cash and cash equivalents	375,538	(368,550)
Cash and cash equivalents at beginning of period	19,565,921	19,941,460
Cash and cash equivalents at end of period	19,941,460	19,572,910

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Company's reportable segments are components of the Company about which separate financial information is available. These segments are subject to periodic examinations to enable the Board of Directors to decide how to allocate management resources and assess performance.

The Company mainly organizes and conducts auctions via the Internet and provides various related information. Its business segments are based on items handled and consist of "Automobile Business," "Digital Product Business," and "Consumer Product Business" as reportable segments.

The Automobile Business comprises the Company's mainstay used vehicle auctions, shared inventory market, live relay broadcast auctions, proxy bidding service, used vehicle inspection service, and other services. The Digital Product Business comprises auctions for used digital products, including used smartphones and used PCs, and services pertaining to distribution. The Consumer Product Business comprises auctions for pre-owned luxury brand items and services pertaining to distribution, including those targeting consumers.

2. Change to reportable segments, etc.

Not applicable.

3. Information on net sales and income (loss) and information on disaggregation of revenue by reportable segment

For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Automobile Business	Digital Product Business	Consumer Product Business	Total				
Net sales								
Auction related revenue	7,720,492	6,609,806	2,552,174	16,882,473	1,894,496	18,776,970	–	18,776,970
Product sales related revenue	345,424	290,112	15,746,298	16,381,834	819,179	17,201,014	–	17,201,014
Other	3,249,144	–	24,706	3,273,851	1,203,914	4,477,765	–	4,477,765
Revenue from contracts with customers	11,315,061	6,899,918	18,323,179	36,538,160	3,917,590	40,455,750	–	40,455,750
Other revenue	–	–	–	–	–	–	–	–
Net sales to outside customers	11,315,061	6,899,918	18,323,179	36,538,160	3,917,590	40,455,750	–	40,455,750
Inter-segment net sales or transfers	137,692	–	–	137,692	344,040	481,732	(481,732)	–
Total	11,452,754	6,899,918	18,323,179	36,675,852	4,261,630	40,937,483	(481,732)	40,455,750
Segment income (loss)	3,689,140	4,552,428	1,678,835	9,920,404	(492,037)	9,428,366	(2,826,984)	6,601,382

(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 ¥2,826,984 thousand is corporate expenses not allocated to specific reportable segments. Corporate expenses 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 consolidated statements of income.

For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Automobile Business	Digital Product Business	Consumer Product Business	Total				
Net sales								
Auction related revenue	8,273,498	6,335,707	2,860,369	17,469,575	1,888,703	19,358,279	–	19,358,279
Product sales related revenue	371,113	397,250	17,337,729	18,106,092	746,512	18,852,605	–	18,852,605
Other	3,720,699	–	170,675	3,891,374	1,201,719	5,093,094	–	5,093,094
Revenue from contracts with customers	12,365,310	6,732,957	20,368,774	39,467,043	3,836,936	43,303,979	–	43,303,979
Other revenue	–	–	–	–	–	–	–	–
Net sales to outside customers	12,365,310	6,732,957	20,368,774	39,467,043	3,836,936	43,303,979	–	43,303,979
Inter-segment net sales or transfers	135,996	–	–	135,996	300,442	436,438	(436,438)	–
Total	12,501,307	6,732,957	20,368,774	39,603,039	4,137,378	43,740,418	(436,438)	43,303,979
Segment income (loss)	4,020,556	4,155,196	1,792,660	9,968,413	(221,751)	9,746,661	(3,083,214)	6,663,447

- (Notes) 1. “Others” is the segment which is not included in reportable segments, including such businesses as auctions for used motorcycles and flowers, circular commerce businesses, and overseas businesses.
2. Adjustment of segment income (loss) of negative ¥3,083,214 thousand is corporate expenses not allocated to specific reportable segments. Corporate expenses 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 consolidated statements of income.

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

For the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Significant impairment loss on non-current assets)

No loss was allocated to reportable segments in the fiscal year ended December 31, 2022. Impairment loss not allocated to reportable segments was ¥75,152 thousand, which was all related to software.

(Significant changes in the amount of goodwill)

Not applicable.

For the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Significant impairment loss on non-current assets)

Not applicable.

(Significant changes in the amount of goodwill)

Not applicable.

(Per share information)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net assets per share	¥862.24	¥936.82
Basic earnings per share	¥159.48	¥175.79
Diluted earnings per share	¥158.47	¥175.01

(Notes) 1. The shares of the Company held by the Board Benefit Trust (“BBT”) recorded as treasury shares under shareholders’ equity are included in the treasury shares to be deducted in calculating the number of issued and outstanding shares at the end of the fiscal year and the average number of shares during the fiscal year for the purpose of calculating net assets per share and basic earnings per share. Please note that the number of shares of the Company held by BBT, which were deducted for the purpose of calculating net assets per share for the fiscal years ended December 31, 2022 and December 31, 2023, are 140,300 shares and 256,300 shares, respectively, and the average number of shares of the Company held by BBT during the fiscal years ended December 31, 2022 and December 31, 2023, which were deducted for the purpose of calculating basic earnings per share, are 140,300 shares and 180,227 shares, respectively.

2. Basis of calculation of basic earnings per share and diluted earnings per share is as follows:

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	4,346,059	4,368,973
Amount not attributable to common stockholders (Thousand yen)	—	—
Profit attributable to owners of parent relating to common stock (Thousand yen)	4,346,059	4,368,973
Average number of shares of common stock outstanding during the period (Shares)	27,251,314	24,853,644
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Thousand yen)	—	—
Increase in number of shares of common stock (Shares)	174,119	110,323
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect		—

(Significant subsequent events)

(Change to reportable segments)

At a meeting of the Board of Directors held on February 14, 2024, the Company resolved to change its reportable segments, effective from the disclosure of financial results for the first quarter of the fiscal year ending December 31, 2024.

Accordingly, the Group's reportable segments, which were "Automobile Business," "Digital Product Business," and "Consumer Product Business" in the current fiscal year, will be changed to "Lifestyle Product" segment and "Mobility & Energy" segment from the following fiscal year.

The purpose of this change is to accelerate decision-making in each business, enhance the efficiency of business management, and implement future growth strategies in order to achieve the medium-term management plan "Blue Print 2025" announced on May 17, 2022.

In the Lifestyle Product segment, which comprises the Digital Product Business and the Consumer Product Business, we aim to further expand and promote overseas development and services targeting consumers. In the Mobility & Energy segment, which comprises the Automobile Business and the Motorcycle Business, we aim to strategically enhance its ability to respond to various changes in the next-generation mobility field.

Information on net sales, income (loss), assets, and other items by reportable segment for the fiscal year ended December 31, 2023, in accordance with the new segment classifications, is currently being compiled.

(Business combination through acquisition)

At a meeting of the Board of Directors held on February 14, 2024, the Company resolved to acquire all shares of Defactostandard, Ltd. and JOYLAB, inc. and to make them its subsidiaries.

1. Main reason for the business combination

As a market design company for circular distribution, the Company is engaged in secondary distribution of a wide range of items, including used vehicles, used digital devices, pre-owned luxury brand items, flowers, used motorcycles, and used medical equipment, through online auctions. While the secondary distribution market continues to grow around the world due to an increase in interest in ESG in recent years, we included a target for investment related to M&A, etc. in the medium-term management plan “Blue Print 2025” launched in 2022 and are aiming to further expand the scale of business and diversify distribution formats.

The Company’s Lifestyle Products Division provides secondary distribution services for pre-owned luxury brand items mainly through B2B auctions. Having included GALLERY RARE Ltd. in the Group in 2020, we have continued to develop as a global comprehensive distribution platform for pre-owned luxury brand items. However, owing to changes in the competitive environment, we need to further expand the distribution network in order to achieve continuous growth in the future.

Defactostandard, Ltd. provides purchase and sales services for pre-owned luxury brand items under the trade name “Brandear,” and has gained high recognition from consumers. Thus, it enables us to directly strengthen our contacts with general consumers in terms of both C2B and B2C. Moreover, JOYLAB, inc. has established a solid position in the industry by steadily expanding its scope of business in the provision of purchase and sales services for liquor. Thus, through synergy with the existing network of the Lifestyle Products Division, further improvement of profitability and strengthening of competitiveness of the Group can be expected. Once these are realized, the Lifestyle Products Division’s total transaction amount of pre-owned luxury brand items and liquor will be among the highest in the industry.

In view of this background, after careful consideration of making Defactostandard, Ltd. and JOYLAB, inc. subsidiaries, we have decided to acquire all of the shares of the two companies.

2. Name of the counterparty to share acquisition

BEENOS Inc.

3. Names, business lines, and scale of the companies to be acquired

Name of the company to be acquired	Defactostandard, Ltd.
Business lines	Purchase and sales of pre-owned luxury brand items and apparel items Operation of “Brandear,” a website for purchase Sales of pre-owned luxury brand items, such as watches, apparel, and accessories, through online websites
Share capital	¥100 million (as of September 30, 2023)

Name of the company to be acquired	JOYLAB, inc.
Business lines	Purchase and sales of liquor Operation of “MyCellar” a liquor asset management application Operation of “Vintage Search,” search and sales services for rare vintages and spirits
Share capital	¥60 million (as of September 30, 2023)



4. Number of shares to be acquired, acquisition price, shareholding ratio following the acquisition

Number of shares to be acquired	Defactostandard, Ltd. 8,674,984 shares
	JOYLAB, inc. 400 shares
Acquisition price	Approx. ¥2.9 billion
Shareholding ratio following the acquisition	100% for both companies

Note: The acquisition price is the amount agreed upon as the value of the shares to be transferred held by Defactostandard, Ltd. and JOYLAB, inc., and the final acquisition price will be determined after price adjustments, etc. as set forth in the share transfer agreement.

5. Schedule

Resolution by the Board of Directors:	February 14, 2024
Date of conclusion of the share transfer agreement:	February 14, 2024
Date of execution of share transfer:	April 30, 2024 (scheduled)