

**Consolidated Financial Statements for the First Quarter of  
the Fiscal Year Ending December 31, 2021  
[Japanese GAAP]**



May 11, 2021

Company name: **AUCNET INC.**

Stock exchange listing: Tokyo Stock Exchange

Code number: 3964

URL: <https://www.aucnet.co.jp/>

Representative: Mr. Shinichiro Fujisaki, President & COO

Contact: Mr. Hiroki Taniguchi, Director & Managing Executive Officer, DM, Corporate Management Division

Phone: +81-3-6440-2552

Scheduled date of filing quarterly report: May 11, 2021

Scheduled date of commencing dividend payments: —

Preparation of supplementary explanatory materials: Yes

Quarterly financial results meeting: None

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

**1. Consolidated Results for the First Quarter of the Fiscal Year Ending December 31, 2021  
(January 1, 2021 - March 31, 2021)**

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
March 31, 2021	9,268	65.8	1,808	59.1	2,017	70.4	1,277	76.7
March 31, 2020	5,591	14.8	1,136	34.1	1,184	29.6	723	50.0

(Note) Comprehensive income: Three months ended March 31, 2021: ¥1,412 million [112.0%]

Three months ended March 31, 2020: ¥666 million [35.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2021	46.11	45.73
March 31, 2020	26.17	25.93

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2021	37,772	20,744	54.0
As of December 31, 2020	33,280	19,637	58.1

(Reference) Equity: As of March 31, 2021: ¥20,413 million

As of December 31, 2020: ¥19,324 million

## 2. Cash Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2020	—	10.00	—	11.00	21.00
Year ending December 31, 2021	—				
Year ending December 31, 2021 (Forecast)		14.00	—	14.00	28.00

(Note) Revision to the forecast for dividends announced most recently: Yes

## 3. Forecast of Consolidated Results for the Fiscal Year Ending December 31, 2021 (January 1, 2021 - December 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	34,351	42.7	4,496	21.3	4,558	25.1	2,516	32.7	90.63

(Note) Revision to the forecast of consolidated results announced most recently: Yes

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

March 31, 2021:	27,864,700 shares
December 31, 2020:	27,863,500 shares
  - 2) Total number of treasury shares at the end of the period:

March 31, 2021:	147,316 shares
December 31, 2020:	147,316 shares
  - 3) Average number of shares during the period:

Three months ended March 31, 2021:	27,716,304 shares
Three months ended March 31, 2020:	27,624,201 shares

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

\* Explanation of the proper use of performance forecast and other notes

The earnings forecast and other forward-looking statements herein are based on the information currently available and certain assumptions deemed reasonable by the Company, and the Company does not guarantee their achievement. In addition, actual results may differ significantly from these forecasts due to a wide range of factors. For cautionary notes on assumptions that form the basis of the performance forecast and the use of performance forecast, please see “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information” on page 4 of the attachments.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

Forward-looking statements in this document are based on the judgments of the Group (the Company and its subsidiaries) as of the end of the first quarter of the fiscal year under review.

During the three months ended March 31, 2021, the Japanese economy faced a severe condition for a long period due to factors including the second declaration of a state of emergency following the spread of the novel coronavirus (COVID-19) along with the request for self-restraint in economic activities. While it was expected that the economy would pick up by containing a resurgence of the infection and raising the level of economic activities, a third state of emergency declaration was issued, and the future outlook remains uncertain. In these circumstances, in line with our brand statement, “Shaping the Future of Commerce,” the Company has worked to further improve its social and economic value, by providing competitive value-added products and services to promote information distribution in addition to its B2B information distribution intermediary businesses.

As a result, for the three months ended March 31, 2021, net sales were ¥9,268,410 thousand (up 65.8% from the same period of the previous fiscal year), operating profit was ¥1,808,852 thousand (up 59.1% from the same period of the previous fiscal year), ordinary profit was ¥2,017,702 thousand (up 70.4% from the same period of the previous fiscal year), and profit attributable to owners of parent was ¥1,277,981 thousand (up 76.7% from the same period of the previous fiscal year).

Performance results by business segment are as follows.

In view of the growing scale of business in auctions for pre-owned luxury brand items and other services, the Company has changed its segments from the fiscal year ended December 31, 2020. The “Other Information Distribution Business” segment, which comprised auctions for pre-owned luxury brand items, used motorcycles, and flowers, has been discontinued. Auctions for pre-owned luxury brand items are now included in the new “Consumer Product Business” segment, while auctions for used motorcycles and flowers have been consolidated into the existing “Others” segment.

For the following comparison with the previous year, the figures are compared by restating the figures of the previous year to match the new segment classification.

#### (Automobile Business)

The Automobile Business comprises the Company’s mainstay used vehicle auctions (\*1), shared inventory market (\*2), live linked auctions (\*3), proxy bidding service (\*4), used vehicle inspection service (\*5), and other services.

In the Japanese automotive sector, which has close connections with our business, total new-vehicle registrations (\*6) increased 4.2% year-on-year to 1.42 million units in the three months ended March 31, 2021. The total number of used-vehicle registrations (\*7) increased 2.1% year-on-year to 1.94 million units, and the number of vehicles listed (\*8) at auctions around Japan decreased 1.5% year-on-year to 1.89 million units. The total number of vehicles sold at auction (\*8) increased 5.3% year-on-year to 1.28 million units.

In the used vehicle distribution market, demand for used vehicles is increasing, due partly to a shift in people’s mindset towards car transportation that can avoid close contact with others amid the spread of COVID-19. Under these circumstances, for our used vehicle auctions, although the number of vehicles listed decreased from the same period of the previous fiscal year due to a supply shortage in the market, the rate of sale rose from the previous fiscal year with a slight decrease in the number of vehicles sold from the previous fiscal year owing to strong inquiries. For the same reason, the number of vehicles sold in the shared inventory market also increased. For our live linked auctions and proxy bidding service, the number of vehicles bought increased significantly from the same period of the previous fiscal year, due to the continued rise in the need for remote participation in live linked auctions. As a result of these solid results, auction-related sales increased by

7.9% compared to the same period of the previous fiscal year. Furthermore, in the used vehicle inspection service as well, the number of inspected vehicles steadily increased and surpassed 100,000 units per month, contributing to the improvement of business performance.

As a result, for the three months ended March 31, 2021, net sales (including inter-segment net sales) were ¥3,097,895 thousand (up 4.6% from the same period of the previous year), and operating profit was ¥1,044,439 thousand (up 12.7% from the same period of the previous year).

- (\*1) The used vehicle auctions are real-time, members-only online auctions run by the Company.
- (\*2) The shared inventory market is a system that allows Aucnet Group member sellers to share inventory with other members online. The inventory remains at the seller's premises while other members access it via the online system.
- (\*3) The live-linked auctions use an online live-link system that enables real-time remote access to participate at physical auction sites, through partnerships between AUCNET and the physical auction sites.
- (\*4) The proxy bidding service is an agency service provided by i-Auc, Inc. to buy, sell, settle payment for and transport 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 U-Car Full Data Book and Export Quotation Book

#### (Digital Product Business)

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

In Japan, net sales and profit increased significantly compared to the same period of the previous fiscal year due to an increase in the number of trade-in devices and an enhancement in buying power by the expansion of the overseas buyer network, which we had been working on. In addition, profit margin exceeded that of the same period of the previous year due to an increase in the distribution of devices with relatively high unit cost. Furthermore, in auctions for used PCs, the used items distribution market continued to remain robust due to the prevalence of telework since last year.

In the U.S. business, despite the continued stagnation of economic activities due to the impact of COVID-19, efforts for developing new customers and other measures were successful, leading to an increase in the number of trade-in devices compared to the same period of the previous fiscal year. The Company is continuing to work on various measures to stabilize its business.

As a result, for the three months ended March 31, 2021, net sales were ¥2,008,665 thousand (up 17.8% from the same period of the previous year), and operating profit was ¥1,105,483 thousand (up 48.5% from the same period of the previous year).

#### (Consumer Product Business)

The Consumer Product Business comprises auctions for pre-owned luxury brand items and services pertaining to distribution, including those targeting consumers.

The transaction amount of auctions for pre-owned luxury brand items increased significantly both in and outside Japan owing to the vitalization of auctions due to an industry-wide rise in demand for online auctions and the strengthening of our sales structure, contributing to improved business performance. In addition, the addition of GALLERY RARE Ltd. to the scope of consolidation in October last year has resulted in a significant increase in net sales compared to the same period of the previous fiscal year. On the other hand, the addition of GALLERY RARE Ltd.'s retail sales and other businesses targeting customers has resulted in a relative decline in the profit margin.

As a result, for the three months ended March 31, 2021, net sales were ¥3,392,390 thousand (up 1,142.8% from the same period of the previous year), and operating profit was ¥309,456 thousand (up 194.8% from the same period of the previous year).

(Others)

The Others segment comprises auctions for used motorcycles and flowers, medical-related businesses, and overseas businesses.

In this segment, net sales (including inter-segment net sales) were ¥898,956 thousand (up 10.5% from the same period of the previous year), and operating loss was ¥31,520 thousand (the operating loss for the same period of the previous year was ¥45,481 thousand).

## (2) Explanation of Financial Position

Total assets as of the end of the first quarter of the current fiscal year amounted to ¥37,772,157 thousand, an increase of ¥4,491,334 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥3,549,758 thousand increase in cash and deposits, a ¥188,054 thousand increase in notes and accounts receivable - trade, and a ¥1,039,600 thousand increase in due from auction members, despite a ¥422,565 thousand decrease in investments and other assets.

Total liabilities amounted to ¥17,028,013 thousand, an increase of ¥3,384,876 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥78,497 thousand increase in accounts payable – trade, and a ¥3,631,988 thousand increase in due to auction members, despite a ¥385,887 thousand decrease in income taxes payable.

Total net assets amounted to ¥20,744,143 thousand, an increase of ¥1,106,457 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥971,485 thousand increase in retained earnings, and a ¥120,156 thousand increase in valuation difference on available-for-sale securities.

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

With regard to the consolidated earnings forecasts for the fiscal year ending December 31, 2021, we have revised the figures announced on February 12, 2021, in light of the recent business trend.

The forecasts are based on information currently available and actual results may differ from the forecasts due to various factors.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	16,776,386	20,326,145
Notes and accounts receivable - trade	1,185,487	1,373,541
Inventories	1,774,274	1,728,156
Due from auction members	4,253,161	5,292,761
Other	1,935,683	2,095,432
Allowance for doubtful accounts	(126,899)	(47,131)
<b>Total current assets</b>	<b>25,798,093</b>	<b>30,768,905</b>
Non-current assets		
Property, plant and equipment	1,575,973	1,659,348
Intangible assets		
Goodwill	790,350	760,362
Other	1,250,362	1,140,063
<b>Total intangible assets</b>	<b>2,040,713</b>	<b>1,900,426</b>
Investments and other assets	3,866,043	3,443,477
<b>Total non-current assets</b>	<b>7,482,729</b>	<b>7,003,252</b>
<b>Total assets</b>	<b>33,280,823</b>	<b>37,772,157</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	827,655	906,152
Due to auction members	7,032,946	10,664,935
Income taxes payable	1,032,073	646,186
Other provisions	187,203	283,670
Other	1,586,028	1,505,419
<b>Total current liabilities</b>	<b>10,665,908</b>	<b>14,006,364</b>
Non-current liabilities		
Retirement benefit liability	1,744,261	1,766,610
Provision for share-based remuneration	124,282	135,901
Other provisions	20,508	9,155
Other	1,088,177	1,109,980
<b>Total non-current liabilities</b>	<b>2,977,229</b>	<b>3,021,649</b>
<b>Total liabilities</b>	<b>13,643,137</b>	<b>17,028,013</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,765,614	1,765,820
Capital surplus	6,815,614	6,815,821
Retained earnings	10,742,310	11,713,795
Treasury shares	(241,056)	(241,056)
<b>Total shareholders' equity</b>	<b>19,082,483</b>	<b>20,054,381</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	216,400	336,556
Foreign currency translation adjustment	(5,002)	(6,483)
Remeasurements of defined benefit plans	30,333	28,615
<b>Total accumulated other comprehensive income</b>	<b>241,731</b>	<b>358,688</b>
Non-controlling interests	313,471	331,073
<b>Total net assets</b>	<b>19,637,686</b>	<b>20,744,143</b>
<b>Total liabilities and net assets</b>	<b>33,280,823</b>	<b>37,772,157</b>

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

## Quarterly Consolidated Statements of Income

Three Months Ended March 31, 2020 and 2021

(Thousand yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Net sales	5,591,764	9,268,410
Cost of sales	2,393,914	4,902,781
Gross profit	3,197,850	4,365,629
Selling, general and administrative expenses	2,061,112	2,556,777
Operating profit	1,136,737	1,808,852
Non-operating income		
Interest income	17,163	748
Dividend income	7,178	6,090
Share of profit of entities accounted for using equity method	6,608	—
Foreign exchange gains	14,254	162,839
Reversal of allowance for doubtful accounts	—	30,505
Other	2,686	24,180
Total non-operating income	47,891	224,363
Non-operating expenses		
Interest expenses	267	422
Share of loss of entities accounted for using equity method	—	14,835
Other	0	255
Total non-operating expenses	267	15,513
Ordinary profit	1,184,361	2,017,702
Extraordinary income		
Gain on sales of investment securities	—	88,889
Total extraordinary income	—	88,889
Extraordinary losses		
Loss on debt transfer	—	30,218
Loss on valuation of shares of subsidiaries and associates	5,529	—
Other	—	475
Total extraordinary losses	5,529	30,693
Profit before income taxes	1,178,832	2,075,897
Income taxes	441,821	780,313
Profit	737,010	1,295,583
Profit attributable to non-controlling interests	13,954	17,602
Profit attributable to owners of parent	723,055	1,277,981

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended March 31, 2020 and 2021

(Thousand yen)

	For the three months ended March 31, 2020	For the three months ended March 31, 2021
Profit	737,010	1,295,583
Other comprehensive income		
Valuation difference on available-for-sale securities	(65,431)	120,156
Foreign currency translation adjustment	(2,742)	(1,480)
Remeasurements of defined benefit plans, net of tax	(2,530)	(1,718)
Total other comprehensive income	(70,705)	116,957
Comprehensive income	666,305	1,412,540
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	652,350	1,394,938
Comprehensive income attributable to non-controlling interests	13,954	17,602

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in amount of shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

Tax expenses are calculated by making a reasonable estimate of the effective tax rate after application of tax-effect accounting to profit before income taxes for the fiscal year (consolidated) including the first quarter of the fiscal year under review, with quarterly profit before income taxes then multiplied by the estimated effective tax rate.

However, in the event that this tax expense calculation using estimated effective tax rate results in a significantly improbable figure, a method using the statutory effective tax rate may be adopted.

(Segment information, etc.)

[Segment information]

For the three months ended March 31, 2020 (from January 1, 2020 to March 31, 2020)

1. Information on net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Automobile Business	Digital Product Business	Consumer Product Business	Total				
Net sales								
Net sales to outside customers	2,922,540	1,704,981	272,965	4,900,487	691,276	5,591,764	—	5,591,764
Inter-segment net sales or transfers	39,331	—	—	39,331	122,613	161,944	(161,944)	—
Total	2,961,871	1,704,981	272,965	4,939,818	813,890	5,753,709	(161,944)	5,591,764
Segment income (loss)	926,393	744,600	104,970	1,775,963	(45,481)	1,730,482	(593,744)	1,136,737

(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 ¥593,744 thousand is corporate expenses, which chiefly comprise general and administrative expenses not allocated to specific reportable segments.

3. Adjustments are made to reconcile segment income (loss) with operating profit reported on the quarterly consolidated statements of income.

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

Not applicable.

For the three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

- Information on net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Automobile Business	Digital Product Business	Consumer Product Business	Total				
Net sales								
Net sales to outside customers	3,067,651	2,008,665	3,392,390	8,468,707	799,703	9,268,410	—	9,268,410
Inter-segment net sales or transfers	30,244	—	—	30,244	99,253	129,497	(129,497)	—
Total	3,097,895	2,008,665	3,392,390	8,498,951	898,956	9,397,908	(129,497)	9,268,410
Segment income (loss)	1,044,439	1,105,483	309,456	2,459,379	(31,520)	2,427,858	(619,006)	1,808,852

(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.

- Adjustment of segment income (loss) of negative ¥619,006 thousand is corporate expenses, which chiefly comprise general and administrative expenses not allocated to specific reportable segments.
- Adjustments are made to reconcile segment income (loss) with operating profit reported on the quarterly consolidated statements of income.

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

Not applicable.

- Change to reportable segments, etc.

In view of the growing scale of business in auctions for pre-owned luxury brand items and other services, the Company has changed its segments from the fiscal year ended December 31, 2020. The “Other Information Distribution Business” segment, which comprised auctions for pre-owned luxury brand items, used motorcycles, and flowers, has been discontinued. Auctions for pre-owned luxury brand items are now included in the new “Consumer Product Business” segment, while auctions for used motorcycles and flowers have been consolidated into the existing “Others” segment.

Since the segment information for the first quarter of the previous fiscal year disclosed as information compared with the first quarter of the current fiscal year has been prepared based on the reportable segments after the change, there are differences from the reportable segments pertaining to the first quarter disclosed in the previous fiscal year.

(Significant subsequent events)

(Issuance of New Shares as Restricted Stock)

The Company resolved at a Board of Directors meeting held on April 27, 2021, to issue new shares (hereinafter the “Share Issuance”). The details are as follows.

1. Outline of the Issuance

(1) Payment date	May 26, 2021
(2) Class and number of shares to be issued	50,000 shares of the Company's common shares
(3) Issue price	¥1,325 per share
(4) Total amount of issuance	¥66,250,000
(5) Allottees, number of allottees and number of shares to be allotted	5 Directors (excluding Directors who are Audit & Supervisory Committee Members or Outside Directors): 15,000 shares 11 Executive Officers: 35,000 shares
(6) Other	With respect to the Share Issuance, the Company has submitted a securities registration statement in accordance with the Financial Instruments and Exchange Act.

2. Purpose and Reason for the Issuance

The Company, at a Board of Directors meeting held on February 21, 2020, resolved to introduce a restricted stock compensation plan (hereinafter the "Compensation Plan") as a new compensation plan for the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members or Outside Directors; hereinafter "eligible Directors") and Executive Officers (hereinafter included in the phrase "eligible Directors, etc."). The purpose of the Compensation Plan is to provide an incentive to sustainably increase the corporate value of the Company and further share shareholder value. At the 12th Annual General Shareholders Meeting held on March 27, 2020, we gained approval to pay monetary compensation claims of up to ¥80 million per year to eligible Directors as monetary compensation for funds for acquisition of restricted stock (hereinafter "Restricted Stock Compensation"), based on the Compensation Plan, and to limit the transfer restriction period for Restricted Stock Compensation to a period of 3 to 5 years as determined by the Board of Directors.