

**Consolidated Financial Statements for the First Quarter of
the Fiscal Year Ending December 31, 2024
[Japanese GAAP]**



May 14, 2024

Company name: **AUCNET INC.**

Stock exchange listing: Tokyo Stock Exchange

Code number: 3964

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

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Scheduled date of filing quarterly report: May 14, 2024

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, 2024
(January 1, 2024 - March 31, 2024)**

(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, 2024	10,988	2.4	2,044	(4.7)	2,118	(2.3)	1,392	0.1
March 31, 2023	10,728	2.2	2,146	0.1	2,168	(0.7)	1,390	6.5

(Note) Comprehensive income: Three months ended March 31, 2024: ¥1,501 million [4.2%]

Three months ended March 31, 2023: ¥1,441 million [6.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2024	58.84	58.57
March 31, 2023	53.25	52.91

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2024	42,283	23,121	54.3
As of December 31, 2023	37,664	22,310	58.8

(Reference) Equity: As of March 31, 2024: ¥22,944 million

As of December 31, 2023: ¥22,161 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, 2023	–	24.00	–	29.00	53.00
Year ending December 31, 2024	–				
Year ending December 31, 2024 (Forecast)		28.00	–	29.00	57.00

(Note) Revision to the forecast for dividends announced most recently: None

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

(Note) Revision to the forecast of consolidated results announced most recently: None

* 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, 2024:	24,763,200 shares
December 31, 2023:	24,763,200 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2024:	1,100,116 shares
December 31, 2023:	1,107,316 shares
 - 3) Average number of shares during the period:

Three months ended March 31, 2024:	23,659,822 shares
Three months ended March 31, 2023:	26,114,772 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 the 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 consolidated subsidiaries) as of the end of the first quarter of the fiscal year under review.

The Group has undertaken the task of establishing a circular market 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 the medium-term management plan, Blue Print 2025, formulated in May 2022, we 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, collaborate with partners, and create 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 three months ended March 31, 2024, the Group’s net sales were ¥10,988,805 thousand (up 2.4% from the same period of the previous fiscal year), operating profit was ¥2,044,781 thousand (down 4.7% from the same period of the previous fiscal year), ordinary profit was ¥2,118,068 thousand (down 2.3% from the same period of the previous fiscal year), and profit attributable to owners of parent was ¥1,392,051 thousand (up 0.1% from the same period of the previous fiscal year).

	For the three months ended March 31, 2024	Year-on-year change
Net sales	¥10,988,805 thousand	+2.4%
Operating profit	¥2,044,781 thousand	(4.7)%
Ordinary profit	¥2,118,068 thousand	(2.3)%
Profit attributable to owners of parent	¥1,392,051 thousand	+0.1%

Performance results by business segment are as follows.

From the first quarter of the period under review, we have changed our business segments with the aim of reorganizing our portfolio to better match the Company’s business strategy. The previous “Digital Product Business” and “Fashion Resale Business” (previously “Consumer Product Business”) have been integrated into the “Lifestyle Product” segment. The previous “Automobile Business” and “Motorcycle Business” that was previously included in “Others” have also been integrated into the “Mobility & Energy” segment.

Further, under the previous method, expenses that were common to multiple segments were recorded as adjustments. Using the opportunity of change to the reportable segments from the beginning of the first quarter of the period under review, we have judged that more effective evaluation of business performance would be possible if we allocated the costs and expenses that contribute to business operations of each reportable segment using a certain rational basis. Therefore, we have changed the method to one in which we allocate the applicable common expenses to each reportable segment.

The figures for the same period of the previous fiscal year used in the year-on-year comparisons below have been reclassified to reflect the revised segment categories.

(Lifestyle Product segment)

The Lifestyle Product segment comprises the Digital Product Business and Fashion Resale Business.

(1) Digital Product Business

The Digital Product Business provides auctions for used digital products, including used smartphones and used PCs, and services pertaining to distribution, including those targeting consumers.

The number of units sold remained steady due to the diversification of device supply sources, and the transaction

amount increased year on year due to the implementation of measures to strengthen our buying power and the effects of a weaker yen. The number of members has also increased steadily as we have been focusing on activating members. To further strengthen platform functions, we were proactively engaged in making system improvements, new capital investments, and expansion of our overseas bases.

(2) Fashion Resale Business

The Fashion Resale Business provides auctions primarily for pre-owned luxury brand items such as bags, watches, precious metals, and clothing, as well as services pertaining to distribution, including those targeting consumers.

In the BtoB business, the number of items listed remained high owing to an increase in the number of members in addition to the effects of sales measures, while the number of items sold and the transaction amount increased year on year. The number of overseas members also remained steady owing to sales activities and digital marketing at our overseas bases.

However, in the business targeting consumers, the transaction amount decreased year on year owing to the impact of falling market prices for some high-end products handled by GALLERY RARE.

As a result, for the three months ended March 31, 2024, net sales were ¥6,763,125 thousand (up 1.1% from the same period of the previous fiscal year) and operating profit was ¥1,640,064 thousand (down 4.9% from the same period of the previous fiscal year).

	For the three months ended March 31, 2024	Year-on-year change
Net sales	¥6,763,125 thousand	+1.1%
Operating profit	¥1,640,064 thousand	(4.9)%

(Mobility & Energy segment)

The Mobility & Energy segment comprises the Automobile Business and Motorcycle Business.

(1) Automobile Business

The Automobile Business provides 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) decreased 18.1% year on year to 1.13 million units in the three months ended March 31, 2024. The total number of used vehicle registrations (*7) increased 0.9% year on year to 1.79 million units, and the number of used vehicles listed at auctions around Japan (*8) decreased 9.1% year on year to 1.91 million units. The total number of used vehicles sold at auctions (*8) increased 4.0% year on year to 1.37 million units.

The number of auctions won, particularly with the proxy bidding service and at the live relay broadcast auctions, increased in line with a brisk used vehicle auctions market in January and February. In addition, due to the rising trend in the average price of units sold, the transaction amount increased significantly from the same period of the previous fiscal year. The number of members increased year on year as the number of members of the proxy bidding service remained steady.

Regarding the used vehicle inspection service, demand for the inspection service for a used vehicle listing platform remained high, and the number of used vehicles inspected increased year on year.

(2) Motorcycle Business

The Motorcycle Business provides used motorcycle auctions (*1), shares inventory market (*2), proxy bidding service (*4), used vehicle inspection service (*5), rental service, and subscription service targeting individuals.

The transaction amount increased year on year, following strong growth in the number of auction items sold owing to the development of BPO services and the acquisition of exporter members.

As a result, for the three months ended March 31, 2024, net sales were ¥3,560,813 thousand (up 7.9% from the same period of the previous fiscal year) and operating profit was ¥944,296 thousand (up 18.3% from the same period of the previous fiscal year).

	For the three months ended March 31, 2024	Year-on-year change
Net sales	¥3,560,813 thousand	+7.9%
Operating profit	¥944,296 thousand	+18.3%

(*1) The used vehicle and used motorcycle 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 and used motorcycles 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 2024 U-Car Full Data Book and Export Quotation Book

(Others)

The Others segment comprises auctions for flowers, circular commerce businesses and overseas businesses.

For the three months ended March 31, 2024, net sales (including intersegment net sales) were ¥749,218 thousand (down 8.1% from the same period of the previous fiscal year) and operating loss was ¥108,539 thousand (the operating loss for the corresponding period of the previous fiscal year was ¥41,527 thousand).

	For the three months ended March 31, 2024	Year-on-year change
Net sales	¥749,218 thousand	(8.1)%
Operating loss	¥(108,539) thousand	—

(2) Explanation of Financial Position

Total assets as of the end of the first quarter of the fiscal year under review amounted to ¥42,283,648 thousand, an increase of ¥4,619,497 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥3,364,432 thousand increase in due from auction members and a ¥1,346,712 thousand increase in cash and deposits.

Total liabilities amounted to ¥19,162,143 thousand, an increase of ¥3,808,985 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥4,650,682 thousand increase in due to auction members, despite a ¥823,927 thousand decrease in income taxes payable.

Total net assets amounted to ¥23,121,505 thousand, an increase of ¥810,511 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥690,980 thousand increase in retained earnings.

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

There is no change to the performance forecast announced on February 14, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	19,572,910	20,919,622
Notes and accounts receivable - trade, and contract assets	1,165,240	1,359,811
Inventories	3,024,493	2,854,208
Due from auction members	3,892,813	7,257,246
Other	3,345,514	3,252,100
Allowance for doubtful accounts	(47,858)	(60,828)
Total current assets	30,953,112	35,582,161
Non-current assets		
Property, plant and equipment	1,601,433	1,623,380
Intangible assets		
Goodwill	430,491	400,502
Other	928,494	879,627
Total intangible assets	1,358,985	1,280,130
Investments and other assets	3,750,619	3,797,976
Total non-current assets	6,711,038	6,701,487
Total assets	37,664,151	42,283,648

(Thousand yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	917,276	953,817
Due to auction members	7,631,569	12,282,251
Income taxes payable	1,563,174	739,247
Other provisions	296,274	300,749
Other	1,710,881	1,618,686
Total current liabilities	12,119,177	15,894,752
Non-current liabilities		
Retirement benefit liability	1,884,548	1,886,298
Provision for share-based remuneration	283,362	302,057
Other	1,066,068	1,079,034
Total non-current liabilities	3,233,979	3,267,390
Total liabilities	15,353,157	19,162,143
Net assets		
Shareholders' equity		
Share capital	1,807,303	1,807,303
Capital surplus	4,205,415	4,205,415
Retained earnings	17,340,325	18,031,305
Treasury shares	(1,628,338)	(1,618,244)
Total shareholders' equity	21,724,705	22,425,780
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	257,603	294,371
Foreign currency translation adjustment	155,104	207,332
Remeasurements of defined benefit plans	23,822	17,467
Total accumulated other comprehensive income	436,530	519,171
Non-controlling interests	149,758	176,554
Total net assets	22,310,994	23,121,505
Total liabilities and net assets	37,664,151	42,283,648

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended March 31, 2023 and 2024

(Thousand yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Net sales	10,728,850	10,988,805
Cost of sales	5,915,033	6,001,111
Gross profit	4,813,816	4,987,694
Selling, general and administrative expenses	2,667,431	2,942,913
Operating profit	2,146,385	2,044,781
Non-operating income		
Interest income	1,497	1,353
Dividend income	19,198	10,958
Foreign exchange gains	15,162	60,258
Subsidy income	–	9,153
Other	6,205	4,986
Total non-operating income	42,063	86,709
Non-operating expenses		
Interest expenses	39	24
Share of loss of entities accounted for using equity method	19,077	4,836
Loss on tax purpose reduction entry of non-current assets	–	7,638
Other	487	923
Total non-operating expenses	19,605	13,422
Ordinary profit	2,168,843	2,118,068
Extraordinary income		
Gain on liquidation of subsidiaries and associates	4,539	–
Gain on sale of non-current assets	–	18,897
Total extraordinary income	4,539	18,897
Extraordinary losses		
Loss on retirement of non-current assets	439	2,867
Total extraordinary losses	439	2,867
Profit before income taxes	2,172,943	2,134,098
Income taxes	755,301	715,251
Profit	1,417,641	1,418,847
Profit attributable to non-controlling interests	27,001	26,795
Profit attributable to owners of parent	1,390,640	1,392,051

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended March 31, 2023 and 2024

(Thousand yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Profit	1,417,641	1,418,847
Other comprehensive income		
Valuation difference on available-for-sale securities	25,071	36,767
Foreign currency translation adjustment	3,935	52,227
Remeasurements of defined benefit plans, net of tax	(5,000)	(6,354)
Total other comprehensive income	24,007	82,640
Comprehensive income	1,441,648	1,501,487
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,414,647	1,474,692
Comprehensive income attributable to non-controlling interests	27,001	26,795

(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, 2023 (from January 1, 2023 to March 31, 2023)

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

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Lifestyle Product	Mobility & Energy	Total				
Net sales							
Auction related revenue	2,531,124	2,159,761	4,690,886	300,012	4,990,898	–	4,990,898
Product sales related revenue	4,145,447	147,896	4,293,343	192,208	4,485,552	–	4,485,552
Other	14,511	991,435	1,005,947	246,452	1,252,399	–	1,252,399
Revenue from contracts with customers	6,691,083	3,299,093	9,990,177	738,672	10,728,850	–	10,728,850
Other revenue	–	–	–	–	–	–	–
Net sales to outside customers	6,691,083	3,299,093	9,990,177	738,672	10,728,850	–	10,728,850
Inter-segment net sales or transfers	–	–	–	76,791	76,791	(76,791)	–
Total	6,691,083	3,299,093	9,990,177	815,464	10,805,641	(76,791)	10,728,850
Segment income (loss)	1,725,411	798,310	2,523,722	(41,527)	2,482,195	(335,809)	2,146,385

(Notes) 1. “Others” is the segment which is not included in reportable segments, including such businesses as auctions for flowers, circular commerce businesses, and overseas businesses.

2. Adjustment of segment income (loss) of negative ¥335,809 thousand is corporate expenses not allocated to specific reportable segments, which chiefly comprise general and administrative expenses not allocated to specific reportable segments.

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

2. Reporting segment-specific information on impairment loss on non-current assets and details of goodwill, etc.
Not applicable.

For the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

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

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Lifestyle Product	Mobility & Energy	Total				
Net sales							
Auction related revenue	2,658,455	2,370,361	5,028,817	293,124	5,321,942	–	5,321,942
Product sales related revenue	4,049,610	106,801	4,156,412	178,281	4,334,693	–	4,334,693
Other	55,059	1,083,649	1,138,709	193,460	1,332,169	–	1,332,169
Revenue from contracts with customers	6,763,125	3,560,813	10,323,939	664,866	10,988,805	–	10,988,805
Other revenue	–	–	–	–	–	–	–
Net sales to outside customers	6,763,125	3,560,813	10,323,939	664,866	10,988,805	–	10,988,805
Inter-segment net sales or transfers	–	–	–	84,352	84,352	(84,352)	–
Total	6,763,125	3,560,813	10,323,939	749,218	11,073,158	(84,352)	10,988,805
Segment income (loss)	1,640,064	944,296	2,584,360	(108,539)	2,475,820	(431,039)	2,044,781

- (Notes) 1. “Others” is the segment which is not included in reportable segments, including such businesses as auctions for flowers, circular commerce businesses, and overseas businesses.
2. Adjustment of segment income (loss) of negative ¥431,039 thousand is corporate expenses not allocated to specific reportable segments, which chiefly comprise general and administrative expenses not allocated to specific reportable segments.
3. Adjustments are made to reconcile segment income (loss) with operating profit reported on the quarterly consolidated statements of income.

2. Reporting segment-specific information on impairment loss on non-current assets and details of goodwill, etc.
Not applicable.

3. Change to reportable segments, etc.

From the first quarter of the period under review, we have changed our business segments with the aim of reorganizing our portfolio to better match the Company’s business strategy. The previous “Digital Product Business” and “Fashion Resale Business” (previously “Consumer Product Business”) have been integrated into the “Lifestyle Product” segment. The previous “Automobile Business” and “Motorcycle Business” that was previously included in “Others” have also been integrated into the “Mobility & Energy” segment.

Further, under the previous method, expenses that were common to multiple segments were recorded as adjustments. Using the opportunity of change to the reportable segments from the beginning of the first quarter of the period under review, we have judged that more effective evaluation of business performance would be possible if we allocated the costs and expenses that contribute to business operations of each reportable segment using a certain rational basis. Therefore, we have changed the method to one in which we allocate the applicable common expenses to each reportable segment.

Segment information for the three months ended March 31, 2023 has been prepared and disclosed based on the revised methods of classification and allocation.

(Significant subsequent events)

(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. to make them its subsidiaries, and concluded a share transfer agreement as of the same date. The Company acquired all shares of the said companies on April 30, 2024 based on the share transfer agreement, thereby making them its subsidiaries.

1. Overview of the business combination

(1) Names and business lines of the companies acquired

Name of the company 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 acquired	JOYLAB, inc.
Business lines	Purchase and sales of alcoholic beverages Operation of “MyCellar,” an asset management application for alcoholic beverages Operation of “Vintage Search,” search and sales services for rare vintage alcoholic beverages
Share capital	¥60 million (as of September 30, 2023)

(2) Name of the counterparty company to the share acquisition

BEENOS Inc.

(3) 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 forms.

The Company’s Lifestyle Products Division provides secondary distribution services for pre-owned luxury brand items mainly through BtoB 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 CtoB and BtoC. 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 alcoholic beverages. 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 alcoholic beverages 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.

- (4) Date of the business combination
April 30, 2024
- (5) Legal form of the business combination
Share acquisition in exchange for cash and deposits
- (6) Names of the companies after combination.
No changes to the names.
- (7) Percentage of voting rights acquired
Defactostandard, Ltd. 100%
JOYLAB, inc. 100%
- (8) Primary basis on which decision to acquire said companies was made
For the Company acquired shares in exchange for cash and deposits.

2. Acquisition cost and its breakdown by type of consideration

Consideration for acquisition	(Cash and deposits)	¥2,958 million
<hr/>		
Acquisition cost		¥2,958 million

(Note) The consideration amount for the acquisition may change depending on factors such as price adjustments stipulated in the share transfer agreement.

3. Details and amounts of major transaction-related expenses

Not yet confirmed at this point.

4. Amount of goodwill to be generated, cause of its generation, and the amortization method and period for goodwill

Not yet confirmed at this point.

5. Amounts of assets to be acquired and liabilities to be assumed on the date of the business combination, and their major breakdown

Not yet confirmed at this point.