

**Consolidated Financial Statements for the Second Quarter of
the Fiscal Year Ending December 31, 2024
(the Six Months Ended June 30, 2024)
[Japanese GAAP]**



August 8, 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 semi-annual report: August 8, 2024
 Scheduled date of commencing dividend payments: September 2, 2024
 Preparation of supplementary explanatory materials: Yes
 Financial results meeting: Yes (for institutional investors and analysts)

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

1. Consolidated Results for the Second Quarter of the Fiscal Year Ending December 31, 2024 (January 1, 2024 - June 30, 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	%
Six months ended								
June 30, 2024	26,571	21.2	3,855	(3.8)	3,987	(2.6)	2,550	(2.6)
June 30, 2023	21,931	6.4	4,006	0.9	4,095	(0.2)	2,619	6.1

(Note) Comprehensive income: Six months ended June 30, 2024: ¥2,794 million [2.8%]
 Six months ended June 30, 2023: ¥2,718 million [5.1%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2024	107.51	107.04
June 30, 2023	100.44	99.82

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	44,686	24,727	54.9
As of December 31, 2023	37,664	22,310	58.8

(Reference) Equity: As of June 30, 2024: ¥24,524 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	–	28.00			
Year ending December 31, 2024 (Forecast)			–	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	58,000	33.9	7,000	5.1	7,090	5.0	4,508	3.2	189.76

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

* Notes:

- (1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 2 companies Defactostandard, Ltd., JOYLAB, inc.
- (2) Accounting methods adopted particularly for the preparation of semi-annual 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 and other regulations: 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):

June 30, 2024:	24,763,200 shares
December 31, 2023:	24,763,200 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2024:	918,496 shares
December 31, 2023:	1,107,316 shares
 - 3) Average number of shares during the period:

Six months ended June 30, 2024:	23,727,257 shares
Six months ended June 30, 2023:	26,079,564 shares

* These second quarter (semi-annual) consolidated financial results are outside the scope of 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 5 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 second 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 six months ended June 30, 2024, the Group’s net sales were ¥26,571,225 thousand (up 21.2% from the same period of the previous fiscal year), operating profit was ¥3,855,462 thousand (down 3.8% from the same period of the previous fiscal year), ordinary profit was ¥3,987,851 thousand (down 2.6% from the same period of the previous fiscal year), and profit attributable to owners of parent was ¥2,550,974 thousand (down 2.6% from the same period of the previous fiscal year).

	For the six months ended June 30, 2024	Year-on-year change
Net sales	¥26,571,225 thousand	+21.2%
Operating profit	¥3,855,462 thousand	(3.8)%
Ordinary profit	¥3,987,851 thousand	(2.6)%
Profit attributable to owners of parent	¥2,550,974 thousand	(2.6)%

Performance results by business segment are as follows.

From the beginning of the first quarter of the fiscal year ending December 31, 2024, 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 fiscal year ending December 31, 2024, 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 transaction amount increased due to the weaker yen, our successful efforts to establish new auction systems,

improve efficiency of the operations of Asset Value Recovery, and strengthen our buying power by acquiring overseas members. The number of units sold decreased year on year, but the extent of the contraction narrowed owing to our focus on the diversification of device supply sources.

(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. From the beginning of the second quarter of the period under review, Defactostandard, Ltd. and JOYLAB, inc. have been included in the Company's scope of consolidation, and the results of the two companies have been included in those of the Company's.

In the BtoB business, the number of items listed increased owing to our sales measures such as customer success. The transaction amount also increased year on year as a result of the increased number of auctions won by domestic dealers, exporters, and overseas members owing to the effects of the weaker yen and an increase in inbound demand associated with it.

In the business targeting consumers, the transaction amount increased as market prices for some products bottomed out and showed a recovery trend, and the Company turned Defactostandard, Ltd. and JOYLAB, inc. into consolidated subsidiaries.

Expenses also increased owing to implementation of M&A and strengthening functions of overseas bases.

As a result, for the six months ended June 30, 2024, net sales were ¥17,967,663 thousand (up 29.9% from the same period of the previous fiscal year) and operating profit was ¥3,094,770 thousand (down 4.9% from the same period of the previous fiscal year).

	For the six months ended June 30, 2024	Year-on-year change
Net sales	¥17,967,663 thousand	+29.9%
Operating profit	¥3,094,770 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 13.2% year on year to 2.12 million units in the six months ended June 30, 2024. The total number of used vehicle registrations (*7) increased 0.8% year on year to 3.36 million units, and the number of used vehicles listed at auctions around Japan (*8) decreased 10.2% year on year to 3.74 million units. The total number of used vehicles sold at auctions (*8) increased 2.0% year on year to 2.69 million units.

The transaction amount increased year on year due to the increased number of auctions won through our efforts on strengthening coordination between the shared inventory market and the proxy bidding service and promoting the use of our services by exporter members. In addition, the increase was due to the effects such as soaring prices of used vehicles in the domestic market caused by supply shortages of new vehicles. The number of members for the proxy bidding service also increased owing to our enhanced support for its members, and as a result, the number of members of the Automobile Business as a whole remained steady. The used vehicle inspection service saw the continued high demand for vehicle inspections and achieved a record high in terms of the monthly number of used vehicles inspected in April.

(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 due to the increased number of auctions won through our efforts such as promoting the use of our services by exporter members and to the rising trend in the average price of units sold.

As a result, for the six months ended June 30, 2024, net sales were ¥7,278,827 thousand (up 9.0% from the same period of the previous fiscal year), and operating profit was ¥1,832,876 thousand (up 17.1% from the same period of the previous fiscal year).

	For the six months ended June 30, 2024	Year-on-year change
Net sales	¥7,278,827 thousand	+9.0%
Operating profit	¥1,832,876 thousand	+17.1%

(*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 six months ended June 30, 2024, net sales (including intersegment net sales) were ¥1,492,254 thousand (down 5.2% from the same period of the previous fiscal year) and operating loss was ¥223,570 thousand (the operating loss for the corresponding period of the previous fiscal year was ¥163,843 thousand).

	For the six months ended June 30, 2024	Year-on-year change
Net sales	¥1,492,254 thousand	(5.2)%
Operating loss	¥(223,570) thousand	—

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of the end of the second quarter of the fiscal year under review amounted to ¥44,686,114 thousand, an increase of ¥7,021,962 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥3,327,888 thousand increase in due from auction members, a ¥1,726,067 thousand increase in inventories, a ¥1,481,221 thousand increase in investments and other assets, a ¥1,261,551 thousand increase in goodwill, a ¥431,473 thousand increase in notes and accounts receivable - trade, and contract assets, a ¥424,468 thousand increase in other current assets and a ¥347,942 thousand increase in property, plant and equipment, despite a ¥1,982,453 thousand decrease in cash and deposits.

Total liabilities amounted to ¥19,958,341 thousand, an increase of ¥4,605,183 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥4,130,290 thousand increase in due to auction members, a ¥349,330 thousand increase in other current liabilities, and a ¥210,247 thousand increase in other non-current liabilities, despite a ¥138,316 thousand decrease in provision for share-based remuneration and a ¥106,777 thousand decrease in income taxes payable.

Total net assets amounted to ¥24,727,772 thousand, an increase of ¥2,416,778 thousand from the end of the

previous fiscal year. This is mainly attributable to a ¥1,922,021 thousand increase in retained earnings and a ¥106,030 thousand increase in foreign currency translation adjustment.

2) Overview of Cash Flows

Cash and cash equivalents as of the end of the second quarter of the current fiscal year amounted to ¥17,590,456 thousand, a decrease of ¥1,982,453 thousand from the end of the previous fiscal year.

The status of cash flows by activity in the six months ended June 30, 2024, and the main factors affecting cash flows are as follows.

(Cash Flows from Operating Activities)

Cash provided by operating activities amounted to ¥3,714,231 thousand. As a main breakdown of inflows, increase in due to auction members was ¥4,126,168 thousand, profit before income taxes was ¥4,003,853 thousand, depreciation was ¥286,850 thousand, and increase in trade payables was ¥101,508 thousand. As a main breakdown of outflows, increase in due from auction members was ¥3,324,894 thousand, income taxes paid were ¥1,469,435 thousand, and increase in trade receivables was ¥67,752 thousand.

(Cash Flows from Investing Activities)

Cash used in investing activities amounted to ¥2,410,958 thousand. As a main breakdown of outflows, purchase of shares of subsidiaries resulting in change in scope of consolidation was ¥1,157,607 thousand, purchase of investment securities was ¥987,772 thousand, purchase of property, plant and equipment was ¥145,238 thousand, and purchase of intangible assets was ¥107,004 thousand.

(Cash Flows from Financing Activities)

Cash used in financing activities amounted to ¥3,399,398 thousand. This is mainly attributable to proceeds from sale of treasury shares of ¥747,539 thousand, net decrease in short-term borrowings of ¥2,700,000 thousand, purchase of treasury shares of ¥742,844 thousand, and dividends paid of ¥693,759 thousand.

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

Considering the recent performance trend, the Company has revised the figures in the full-year forecast of consolidated results for the fiscal year ending December 31, 2024 announced on February 14, 2024.

The performance forecasts are prepared based on the information currently available and actual results may differ from the forecasts due to a wide range of factors.

2. Semi-annual Consolidated Financial Statements and Primary Notes

(1) Semi-annual Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	19,572,910	17,590,456
Notes and accounts receivable - trade, and contract assets	1,165,240	1,596,713
Inventories	3,024,493	4,750,560
Due from auction members	3,892,813	7,220,702
Other	3,345,514	3,769,982
Allowance for doubtful accounts	(47,858)	(134,814)
Total current assets	30,953,112	34,793,601
Non-current assets		
Property, plant and equipment	1,601,433	1,949,375
Intangible assets		
Goodwill	430,491	1,692,042
Other	928,494	1,019,252
Total intangible assets	1,358,985	2,711,295
Investments and other assets	3,750,619	5,231,841
Total non-current assets	6,711,038	9,892,513
Total assets	37,664,151	44,686,114

(Thousand yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	917,276	1,013,743
Due to auction members	7,631,569	11,761,860
Income taxes payable	1,563,174	1,456,397
Other provisions	296,274	331,621
Other	1,710,881	2,060,211
Total current liabilities	12,119,177	16,623,834
Non-current liabilities		
Retirement benefit liability	1,884,548	1,890,661
Provision for share-based remuneration	283,362	145,045
Other provisions	–	22,483
Other	1,066,068	1,276,315
Total non-current liabilities	3,233,979	3,334,506
Total liabilities	15,353,157	19,958,341
Net assets		
Shareholders' equity		
Share capital	1,807,303	1,807,303
Capital surplus	4,205,415	4,481,938
Retained earnings	17,340,325	19,262,346
Treasury shares	(1,628,338)	(1,653,815)
Total shareholders' equity	21,724,705	23,897,772
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	257,603	349,341
Foreign currency translation adjustment	155,104	261,135
Remeasurements of defined benefit plans	23,822	16,505
Total accumulated other comprehensive income	436,530	626,981
Non-controlling interests	149,758	203,018
Total net assets	22,310,994	24,727,772
Total liabilities and net assets	37,664,151	44,686,114

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Thousand yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Net sales	21,931,777	26,571,225
Cost of sales	12,388,730	15,349,580
Gross profit	9,543,047	11,221,644
Selling, general and administrative expenses	5,536,436	7,366,182
Operating profit	4,006,611	3,855,462
Non-operating income		
Interest income	2,978	2,493
Dividend income	50,909	21,558
Share of profit of entities accounted for using equity method	–	14,777
Foreign exchange gains	64,009	78,023
Subsidy income	982	11,823
Other	12,904	14,055
Total non-operating income	131,783	142,731
Non-operating expenses		
Interest expenses	76	1,563
Share of loss of entities accounted for using equity method	13,465	–
Fee expenses	25,220	–
Loss on tax purpose reduction entry of non-current assets	892	7,638
Other	3,732	1,141
Total non-operating expenses	43,387	10,343
Ordinary profit	4,095,007	3,987,851
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	1,805	2,894
Total extraordinary losses	1,805	2,894
Profit before income taxes	4,097,741	4,003,853
Income taxes	1,430,939	1,399,335
Profit	2,666,802	2,604,518
Profit attributable to non-controlling interests	47,396	53,544
Profit attributable to owners of parent	2,619,405	2,550,974

Semi-annual Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Profit	2,666,802	2,604,518
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,661)	91,737
Foreign currency translation adjustment	63,404	106,030
Remeasurements of defined benefit plans, net of tax	(10,001)	(7,316)
Total other comprehensive income	51,741	190,451
Comprehensive income	2,718,544	2,794,969
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,671,147	2,741,425
Comprehensive income attributable to non-controlling interests	47,396	53,544

(3) Semi-annual Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended June 30, 2023	For the six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	4,097,741	4,003,853
Depreciation	301,721	286,850
Amortization of goodwill	59,976	82,937
Increase (decrease) in allowance for doubtful accounts	(30,911)	10,912
Increase (decrease) in retirement benefit liability	28,474	(4,433)
Increase (decrease) in provision for share-based remuneration	18,124	66,976
Increase (decrease) in other provisions	24,045	57,867
Interest and dividend income	(53,887)	(24,051)
Interest expenses	76	1,563
Share of loss (profit) of entities accounted for using equity method	13,465	(14,777)
Decrease (increase) in trade receivables	(115,002)	(67,752)
Decrease (increase) in due from auction members	(1,879,135)	(3,324,894)
Decrease (increase) in inventories	(173,490)	19,575
Increase (decrease) in trade payables	197,655	101,508
Increase (decrease) in due to auction members	2,748,869	4,126,168
Loss on sale and retirement of non-current assets	1,805	2,894
Gain on sale of non-current assets	–	(18,897)
Other, net	(307,500)	(141,599)
Subtotal	4,932,028	5,164,703
Interest and dividends received	54,511	24,051
Interest paid	(76)	(8,928)
Income taxes paid	(859,102)	(1,469,435)
Income taxes refund	244,105	3,839
Net cash provided by (used in) operating activities	4,371,466	3,714,231
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	80,000	–
Purchase of property, plant and equipment	(138,028)	(145,238)
Proceeds from sale of property, plant and equipment	–	30,437
Purchase of intangible assets	(326,194)	(107,004)
Purchase of investment securities	–	(987,772)
Payments of leasehold and guarantee deposits	(42,009)	(47,196)
Proceeds from lease and guarantee deposits received	52,671	37,119
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,157,607)
Proceeds from the liquidation of subsidiaries and associates	4,539	–
Other, net	3,071	(33,696)
Net cash provided by (used in) investing activities	(365,948)	(2,410,958)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	(2,700,000)
Purchase of treasury shares	(3,543,288)	(742,844)
Proceeds from sale of treasury shares	7,885	747,539
Dividends paid	(655,350)	(693,759)
Other, net	(10,995)	(10,334)
Net cash provided by (used in) financing activities	(4,201,747)	(3,399,398)
Effect of exchange rate change on cash and cash equivalents	69,745	113,671
Net increase (decrease) in cash and cash equivalents	(126,484)	(1,982,453)
Cash and cash equivalents at beginning of period	19,941,460	19,572,910
Cash and cash equivalents at end of period	19,814,975	17,590,456

(4) Notes to Semi-annual 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 semi-annual consolidated financial statements)

(Calculation of tax expenses)

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 half of the fiscal year under review, with semi-annual 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 six months ended June 30, 2023 (from January 1, 2023 to June 30, 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 Semi-annual Consolidated Statements of Income (Note 3)
	Lifestyle Product	Mobility & Energy	Total				
Net sales							
Auction related revenue	4,978,464	4,442,185	9,420,649	605,346	10,025,996	–	10,025,996
Product sales related revenue	8,839,768	255,770	9,095,539	374,456	9,469,995	–	9,469,995
Other	17,871	1,978,329	1,996,201	439,583	2,435,784	–	2,435,784
Revenue from contracts with customers	13,836,104	6,676,285	20,512,390	1,419,387	21,931,777	–	21,931,777
Other revenue	–	–	–	–	–	–	–
Net sales to outside customers	13,836,104	6,676,285	20,512,390	1,419,387	21,931,777	–	21,931,777
Inter-segment net sales or transfers	–	–	–	154,118	154,118	(154,118)	–
Total	13,836,104	6,676,285	20,512,390	1,573,505	22,085,895	(154,118)	21,931,777
Segment income (loss)	3,254,698	1,565,136	4,819,835	(163,843)	4,655,992	(649,381)	4,006,611

(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 ¥649,381 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 semi-annual 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 six months ended June 30, 2024 (from January 1, 2024 to June 30, 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 Semi-Annual Consolidated Statements of Income (Note 3)
	Lifestyle Product	Mobility & Energy	Total				
Net sales							
Auction related revenue	5,305,444	4,799,686	10,105,131	602,500	10,707,632	–	10,707,632
Product sales related revenue	12,578,569	261,254	12,839,824	344,515	13,184,339	–	13,184,339
Other	83,648	2,217,885	2,301,534	377,717	2,679,252	–	2,679,252
Revenue from contracts with customers	17,967,663	7,278,827	25,246,490	1,324,734	26,571,225	–	26,571,225
Other revenue	–	–	–	–	–	–	–
Net sales to outside customers	17,967,663	7,278,827	25,246,490	1,324,734	26,571,225	–	26,571,225
Inter-segment net sales or transfers	–	–	–	167,520	167,520	(167,520)	–
Total	17,967,663	7,278,827	25,246,490	1,492,254	26,738,745	(167,520)	26,571,225
Segment income (loss)	3,094,770	1,832,876	4,927,647	(223,570)	4,704,076	(848,613)	3,855,462

- (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 ¥848,613 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 semi-annual consolidated statements of income.

2. Reporting segment-specific information on assets

(Significant increase in assets due to acquisition of subsidiaries)

The total assets of the Lifestyle Product segment increased by ¥5,089 million from the end of the previous fiscal year as the Company acquired all shares of Defactostandard, Ltd. and JOYLAB, inc. and included them in the scope of consolidation during the six months ended June 30, 2024.

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

(Significant change in the amount of goodwill)

The Company included Defactostandard, Ltd. and JOYLAB, inc. in the scope of consolidation from the six months ended June 30, 2024 as the Company made them subsidiaries of the Lifestyle Product segment. This resulted in an increase of ¥1,344 million in goodwill.

We note that the amount of goodwill is presented in a tentative figure as some of the payment for the acquisition is yet to be settled as of the end of the six months ended June 30, 2024.

4. 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 six months ended June 30, 2024 has been prepared and disclosed based on the revised methods of classification and allocation.

(Significant subsequent events)

Not applicable.