

Full Year 2020 Results Briefing

February 16, 2021
AUCNET INC.

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1 . Full Year 2020 Results

1-1. Summary of the Results

Consolidated Performance Summary



- Increase in both revenue and profit compared to the same period of the previous fiscal year on the back of increased demand for online auctions

(Million Yen)	FY2019	FY2020	Year-on-year
Net sales	19,672	24,078	+22.4%
Operating profit	2,525	3,705	+46.7%
Operating profit margin	12.8%	15.4%	+2.6pt
Ordinary profit	2,630	3,643	+38.5%
Profit attributable to owners of parent	1,404	1,896	+35.1%
Basic earnings per share	50.94 Yen	68.56 Yen	+17.62 Yen
Dividend per share	26.00 Yen	21.00 Yen	△5.00 Yen
Dividend payout ratio	51.0%	30.6%	△20.4pt

※ Note: Amounts are rounded down to the nearest whole unit; percentages are rounded to two decimal places.

Consolidated Performance Summary (vs. Forecast)

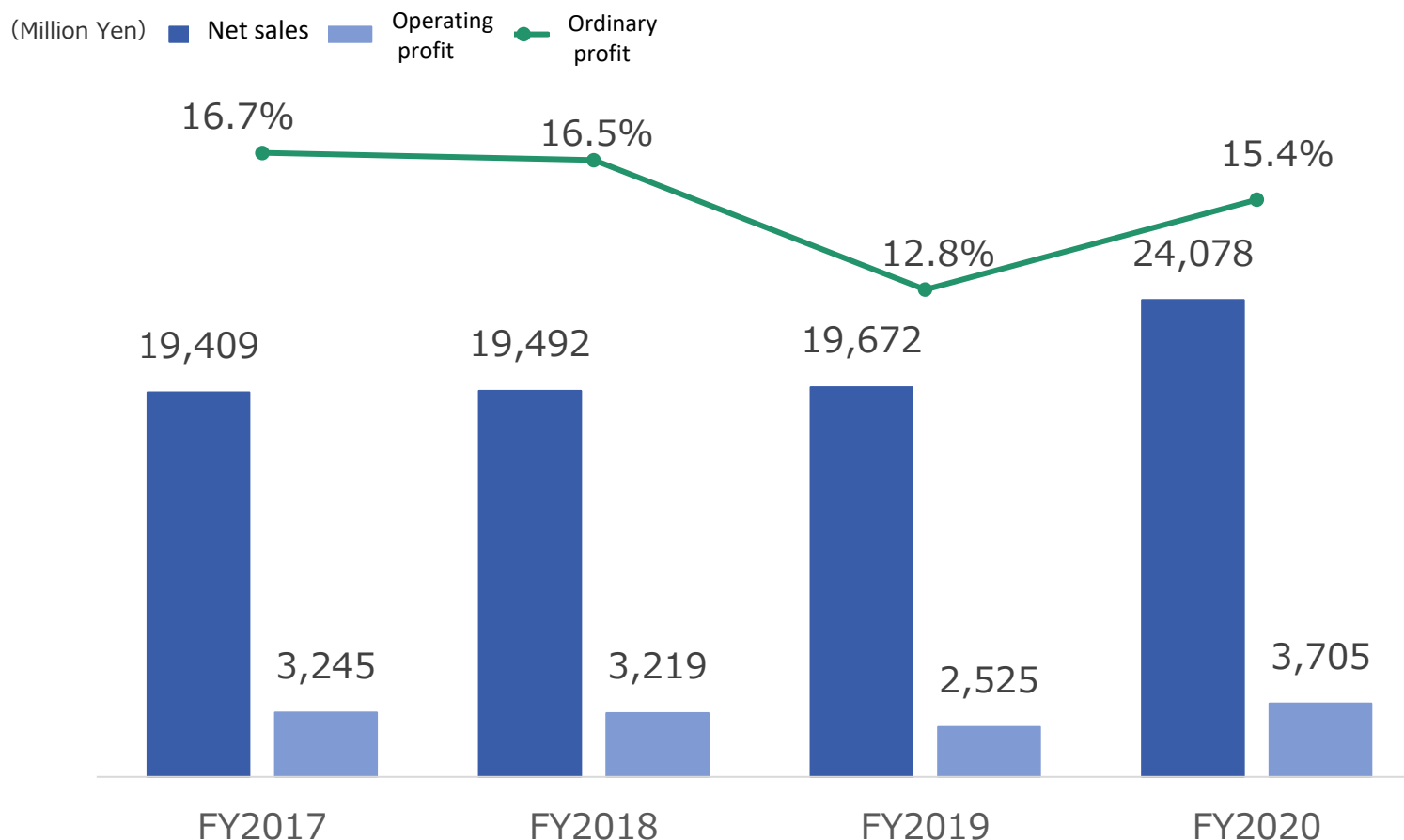
- The forecast was revised in November due to the better-than-expected results in the Digital Product Business from increased demand for used digital equipment and in the Consumer Product Business from increased demand for industry-wide online auctions amid the spread of the novel coronavirus infection ("COVID-19").
- When the forecast was revised in November, we strongly expected the impact of the subsequent re-expansion of COVID-19, but the impact was minimal, and the business remained strong.
- Business scale expanded with the acquisition of Kinuta Flower Auction CO. LTD ("Kinuta Flower Auction") in July and GALLERY RARE Ltd. ("Gallery Rare") in October as subsidiaries.

(Million Yen)	FY2020 Initial Forecast (2020/2/14)	FY2020 Revised Forecast (2020/11/10)	FY2020 Results
Net sales	20,328	23,682	24,078
Operating profit	2,582	3,480	3,705
Operating profit margin	12.7%	14.6%	15.4%
Ordinary profit	2,681	3,457	3,643
Profit attributable to owners of parent	1,430	1,763	1,896
Basic earnings per share	51.77 Yen	63.77 Yen	68.56 Yen
Dividend per share	20.00 Yen	20.00 Yen	21.00 Yen
Dividend payout ratio	38.6%	31.4%	30.6%

※ Note: Amounts are rounded down to the nearest whole unit; percentages are rounded to two decimal places.

Consolidated Performance (2017~2020)

- Both net sales and operating profit reached their highest levels since the company's listing on the back of increased demand for online auctions.
- Net sales surpassed 20 billion yen through mergers and acquisitions.



- The “Consumer Product Business” segment was newly established for businesses associated with pre-owned luxury brand item including auctions in accordance with the expansion of the scale of the business.
- Used motorcycle and flower auctions, etc., which belonged to the "Other Information Distribution Business" segment, were consolidated into the "Others" segment.

Until 3Q in FY2020

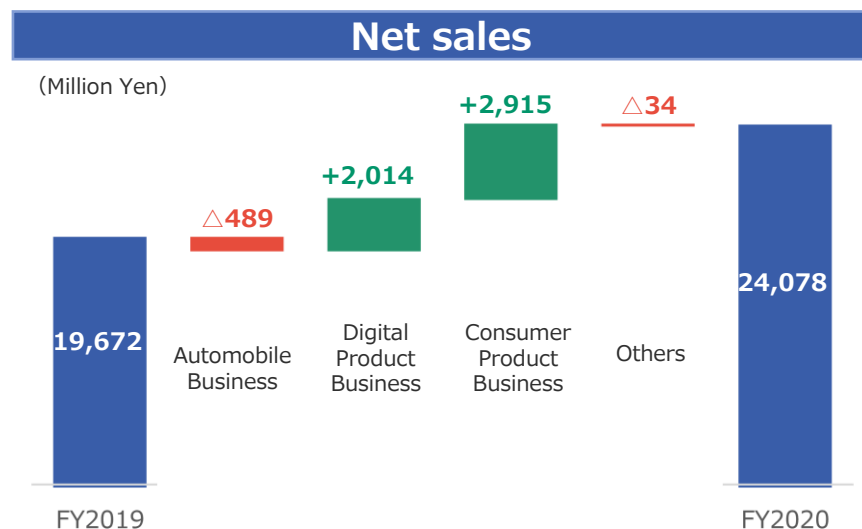
Segment	Details
Automobile Business	Used vehicle auctions and other used-vehicle-related businesses
Digital Product Business	Auctions of used digital equipment including used smartphones and used PCs, and services pertaining to distribution
Other Distribution Business	Auctions of pre-owned luxury brand item, used motorcycle and flower, and services associated with its distribution
Others	Medical-related businesses and overseas businesses etc.



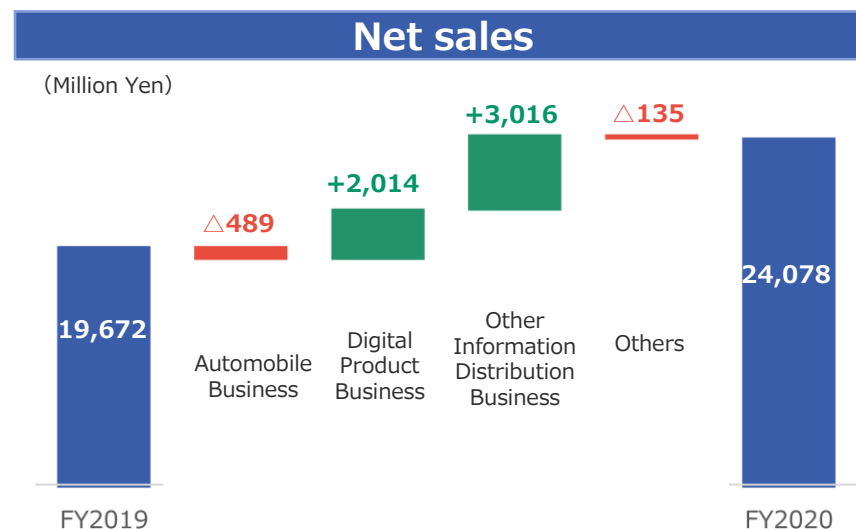
From 4Q in FY2020

Segment	Details
Automobile Business	Used vehicle auctions and other used-vehicle-related businesses
Digital Product Business	Auctions of used digital equipment including used smartphones and used PCs, and services pertaining to distribution
Consumer Product Business	Auctions for pre-owned luxury brand items and services pertaining to distribution, including those targeting consumers
Others	Auctions of used motorcycles and flowers, medical-related businesses and overseas businesses etc.

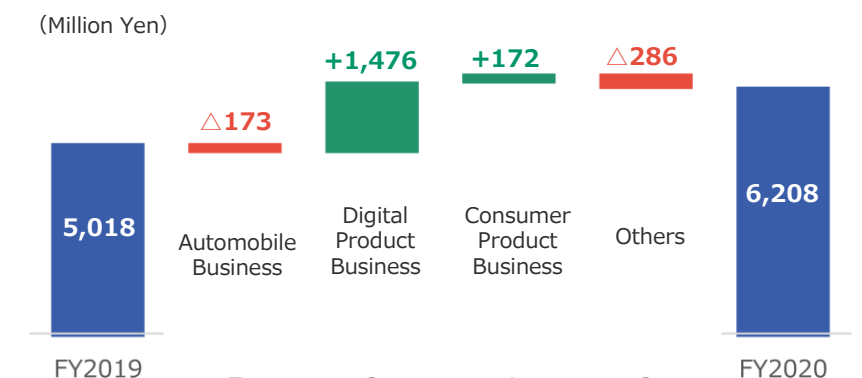
New Segment



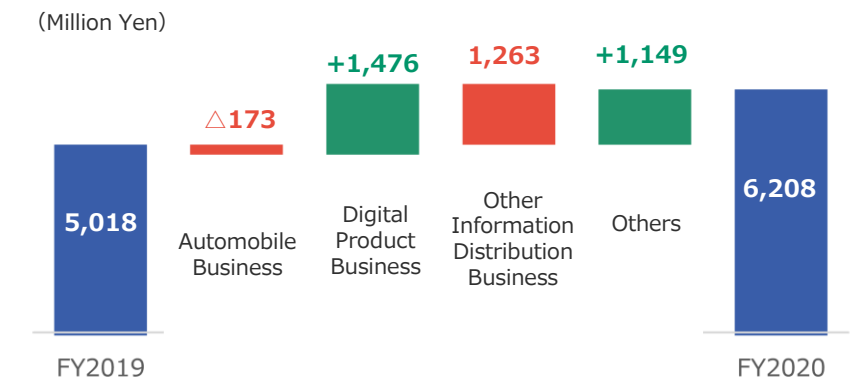
Previous Segment



Segment income



Segment income



※ Note: Sales in each segment exclude inter-segment internal revenue and transfers.

1-2. Segment Information

Automobile Business
Digital Product Business
Consumer Product Business
Others

1-2. Segment Information

Automobile Business

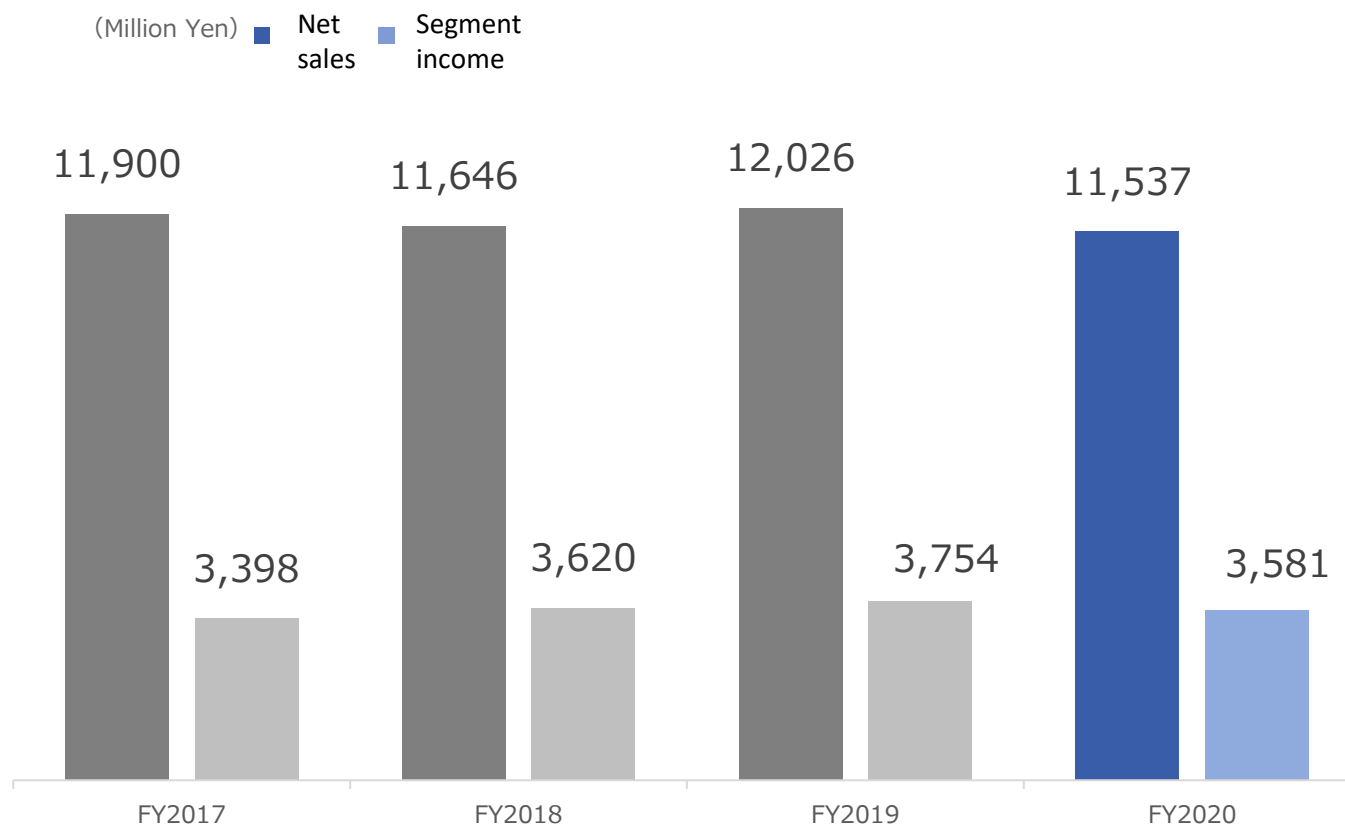
Digital Product Business

Consumer Product Business

Others

Automobile Business (FY2020 Results)

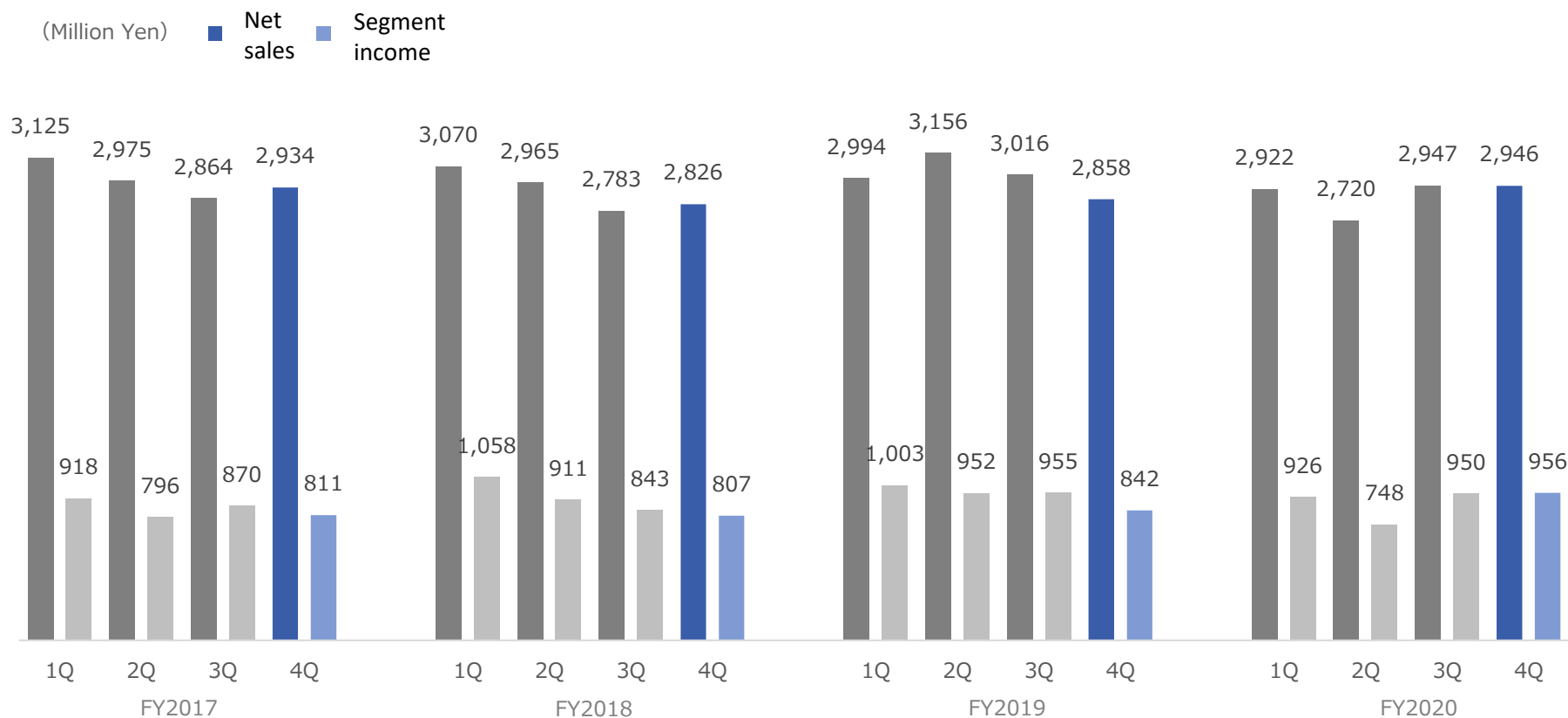
- Revenue and profit decreased year on year. (Net sales $\triangle 4.1\%$, Segment income $\triangle 4.6\%$)
- Although the negative impact of COVID-19 in the 1H of the year could not be fully absorbed, the 2H of the year saw a recovery trend on the back of a recovery in retail demand and strong performance in the shared inventory market and proxy bidding services.



※ Note: Sales in each segment exclude inter-segment internal revenues and transfers.

Automobile Business (FY2020 Results by Quarter)

- Automobile Business has been stable since listing in FY2017.
- In FY2020, the negative trend due to the impact of COVID-19 was noticeable in the 1Q and 2Q, but the trend turned to recovery from the 3Q, and revenue and profit increased year on year in the 4Q.



※ Note: Sales in each segment exclude inter-segment internal revenues and transfers.

Automobile Business (FY2020 KPI Results)



			FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results	Year-on-year
Automobile Business (Total)	Number of vehicles sold	unit	417,650	436,114	433,656	430,191	△0.8%
	Sales share ※1	%	8.8%	9.1%	8.9%	9.4%	+0.6pt
	Total number of members	member	14,447	14,160	14,146	14,362	+1.5%
Used vehicle auctions	Total number of vehicles listed	unit	58,556	62,143	58,696	50,984	△13.1%
	Number of vehicles sold	unit	17,414	19,196	18,144	16,097	△11.3%
	Rate of sale※2	%	31.8%	33.2%	32.9%	33.3%	+0.4pt
Shared inventory market	Number of vehicles sold	unit	11,488	12,993	13,802	13,317	△3.5%
Live-linked auctions	Number of vehicles listed	unit	4,811,383	4,565,683	4,419,733	4,181,713	△5.4%
	Number of vehicles sold	unit	278,658	303,030	298,573	288,953	△3.2%
Proxy bidding service (iAuc)	Number of vehicles sold	unit	110,090	100,895	103,137	111,824	+8.4%
Used vehicle inspection service (AIS)	Total number of vehicles inspected※3	unit	843,841	898,426	1,008,846	972,048	△3.6%

*1 Aucnet's total sales units (including Used vehicle auctions, Shared inventory market, Live linked auctions and Proxy bidding service) as a percentage of 4,564,705 total used vehicle sales units at auction nationwide (based on U-Car Full Data Book and Export Quotation Book).

*2 Rate of sale = sold units / (total listed units – canceled units)

*3 Includes used motorcycles inspections

Used vehicle auctions

- Although both the number of vehicles listed and sold were sluggish for the full year, the impact of COVID-19 on the new and used vehicle markets is weakening, and the market is recovering from the 4Q.

Shared inventory market

- In the 2H of the fiscal year, amid rising demand for used vehicles, transactions became more active due to a decrease in the number of used vehicles at auction due to sluggish new vehicle sales, and the number of vehicles sold in our shared inventory market turned upward, resulting in a recovery to the same level as the previous year.

Live-linked auctions

- Despite the impact of the COVID-19, the number of vehicles sold remained at the same level as the previous year due to the recovery in demand from the easing of export restrictions and increased demand for remote auction participation.

Proxy bidding service (iAuc)

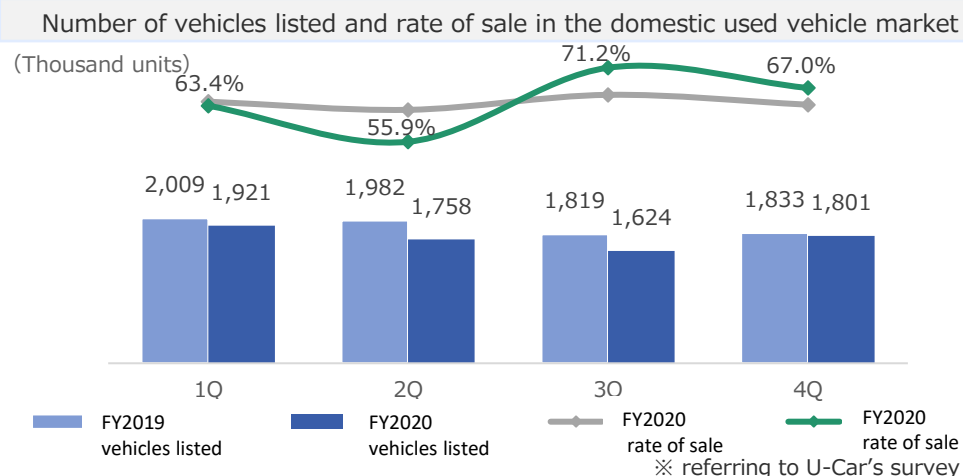
- As in the 1H of the year, increased demand due to easing of export restrictions and increased demand for remote auction participation had a significant impact on the number of vehicles bought.

Used vehicle inspection service (AIS)

- For FY2020, all types of inspections (inspections at physical auction sites and inspections for used vehicle listing platforms' certified vehicle programs) decreased from the previous year, but in the 4Q, demand for inspections increased due to the recovery of the market as a whole, resulting in a recovery trend.

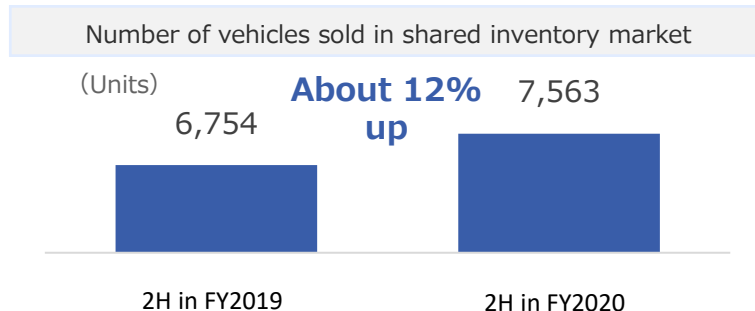
The domestic used vehicle market was temporarily experiencing a shortage of the number of vehicles listed.

- The impact of COVID-19 has weakened, and industry-wide participation in auctions has increased since the 3Q.
- However, in the 3Q, the number of vehicles listed continued to decline due to the sluggish new vehicle market, and the rate of sale increased due to insufficient supply.
- Although the number of vehicles listed has been on a recovery trend since the 4Q, the market needs to be monitored closely in light of the future impact of COVID-19.



In the 2H of FY2020, the shared inventory market got revitalized, and business performance has been on a recovery trend.

- Shared inventory market is a market service that is different from auctions and allows member sellers to share their inventory each other online. The inventory remains at the seller's retail premises while other members access it via the online system.
- Against the backdrop of a shortage of supply in the market, the 2H of FY2020 saw an increase in the use of the shared inventory market to trade used vehicles that have not yet appeared at auctions.
- In addition, proxy bidding service continued to perform well in the 1H of the year due to increased demand for online auctions as a result of COVID-19 impact.



- **In the 2H of FY2020, the shared inventory market and proxy bidding services were performing well against the backdrop of the used vehicle market trend, and the business performance has been on a further recovery trend.**

Continue to strengthen existing distribution to make it a more stable business

- Although some services such as used vehicle auctions were sluggish this fiscal year due to the impact of COVID-19, the development of various services in the automobile business compensated for the sluggishness and limited the negative impact.
- We aim to further diversify its services and stabilize our business by continuing to strengthen our existing distribution channels, particularly used vehicle auctions.

Reformation of used vehicle auctions

- Review used vehicle auction services to achieve high quality auctions focusing on rate of sale

Promotion of digital marketing

- Expand distribution and service usage through 1-to-1 marketing tailored to each member's usage status

Development of a data distribution platform

- Aim to build new distribution and services using data to improve inefficiencies in the industry as a whole

Create a stable business foundation based on a variety of services

- **Aiming for a stable business foundation that is not heavily influenced by market trends by maintaining and strengthening the variety of services in the Automobile Business**

1-2. Segment Information

Automobile Business

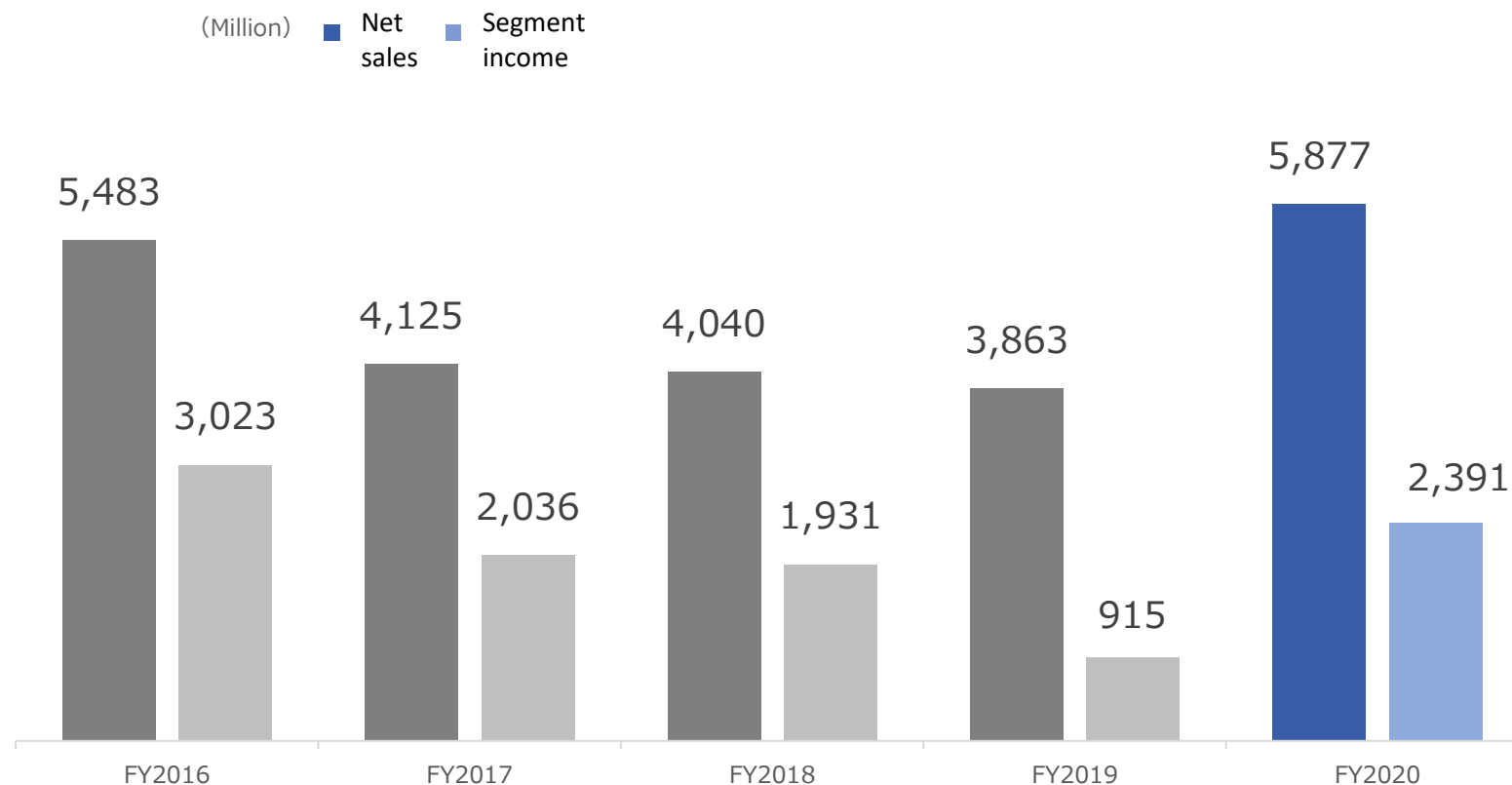
Digital Product Business

Consumer Product Business

Others

Digital Product Business (FY2020 Results)

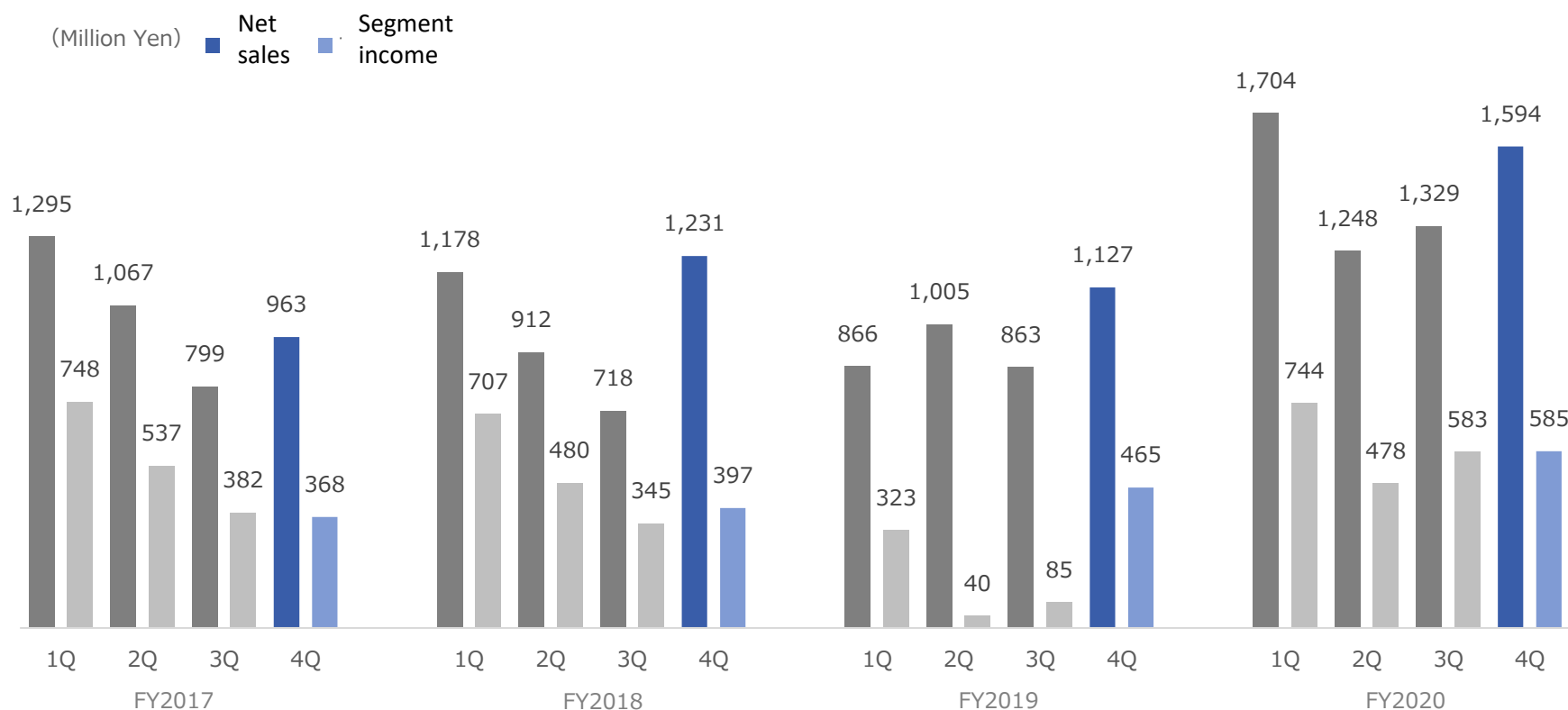
- Increase in both revenue and profit compared with the same period of the previous year (Net sales + 52.1%, Segment income + 161.4%)
- Substantial growth in both revenue and profit was achieved due to increased incoming used smartphones and PCs and its sales, as well as increased buying power from an increase in the number of overseas buyers
- Profitability improved by 17 points year on year due to a review of the operation center's costs



Digital Product Business (FY2020 Results by Quarter)



- In the 1Q of FY2020, revenue and profit increased due to an increase in the ratio of products with relatively high unit prices in line with the replacement of new smartphones.
- Relocation of the domestic operation center and review of SG&A expenses in FY2019, gradually contributing from the 4Q
- Starting in the 4Q of FY2020, operation center's costs increased due to capital investments such as expansion of floor space in line with the increase in the number of incoming items.



			FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results	Year-on-year
Digital Product Business	Transaction amount	million yen	26,649	20,284	24,516	34,079	+39.0%
	Sales units	unit	1,707,195	1,442,156	1,701,779	2,143,612	+26.0%
	Total number of members	member	455	531	657	762	+16.0%

Domestic Business

- In FY2020, the global and Japanese used smartphone and PC markets was strong, and transaction amount and sales units increased.
- By Focusing on increasing the number of overseas buyers, unit sales prices increased in FY2020 with buyers from more than 40 countries participating in auctions.

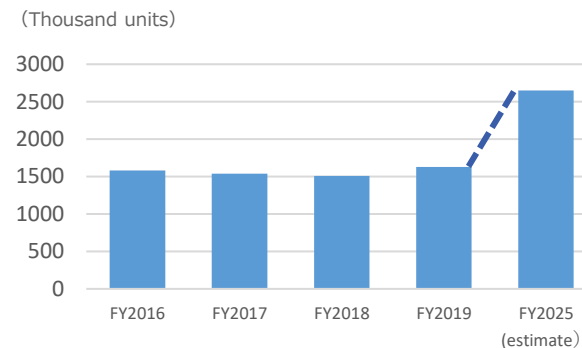
Business in U.S.

- The Business resumed after economic activities were halted due to the spread of COVID-19, and the number of units traded gradually increased.
- Continue to monitor the impact of the COVID-19 in U.S.

Auctions remain stable.

- Due to the impact of the revision of the Telecommunications Business Law in 2019 and an increase in the distribution of SIM-free devices, which have a high affinity with used devices, the market trend is expected to turn upward and the used smartphone market is expected to expand in 2020 and beyond.
- In Aucnet, the number of buyers increased 16.0% year on year as a result of proactive development of overseas buyers, and we continued to expand its buyer network around the world to build a system that enables stable distribution.
- Also, we have worked to improve our profit margins by reducing SG&A expenses such as by relocating our domestic operation center in FY2019 and taking action to improve operational efficiency in FY2020.

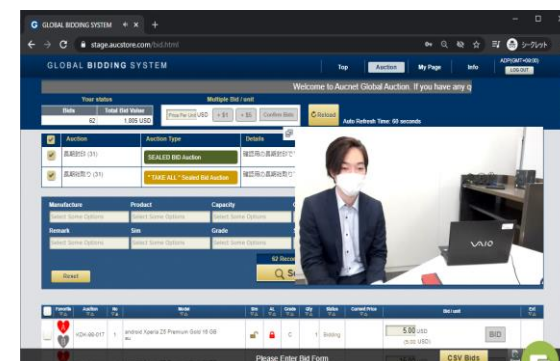
Number of used smartphones sold



※Referring to data from
MM Research Institute, Ltd.

Improving convenience and efficiency by reforming the existing auction platform

- For overseas buyers, we used to only offer bidding auctions, but from FY2020, we started live commerce using YouTube Live to offer information in real time, and promote an increase in buyers' buying power and participation rate.
- Promoting operational efficiency by integrating the mechanisms of domestic and overseas auctions



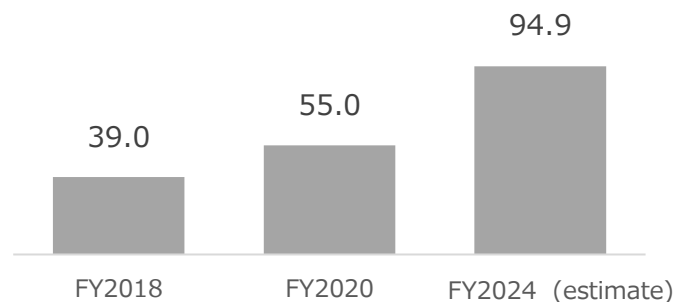
- **Aiming for stable growth by strengthening the buyer network and reforming the platform to create a more buyer-friendly auction environment.**

Market trends in North America continue to be favorable.

- Used smartphone shipments in North America are growing steadily and are expected to grow by about 1.7 times in 2024.
- Increasing demand from both consumers and businesses for used smartphones, which are less expensive than new ones and have much the same functionality.
- Overseas, the used smartphone market is also gaining momentum as phone companies are encouraging consumers to take back their old devices and upgrade them.

Used smartphone shipments in North America

(Million Units)



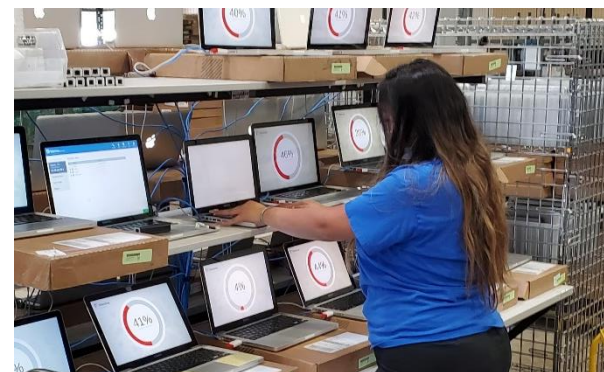
※Referring to researches by IDC Corporate USA

Promoting merchandising in operation facilities in U.S.

- Increased ability to promote client acquisition, and an upward trend in the number of units handled in merchandising operations (*)
- Aiming to acquire new clients by providing merchandising services that meet the needs of clients

*Merchandising operation :

BPO service that takes used digital equipment and performs data erasure, grading, and cleaning



- **Continue to promote expansion of merchandising operations to stabilize the business foundation, and aim for full-scale operation of distribution in the U.S.**

1-2. Segment Information

Automobile Business

Digital Product Business

Consumer Product Business

Others

- Consumer Product Business acquired GALLERY RARE Ltd. ("Gallery Rare") in FY2020.
- The Consumer Product Business is divided into two segments: the "B2B business," which focuses on auctions for resale fashion businesses, and the "C business," which involves sales and purchases at physical stores.



- Operating B2B auctions and other services of resale fashion based on a strict inspection system



B2B business



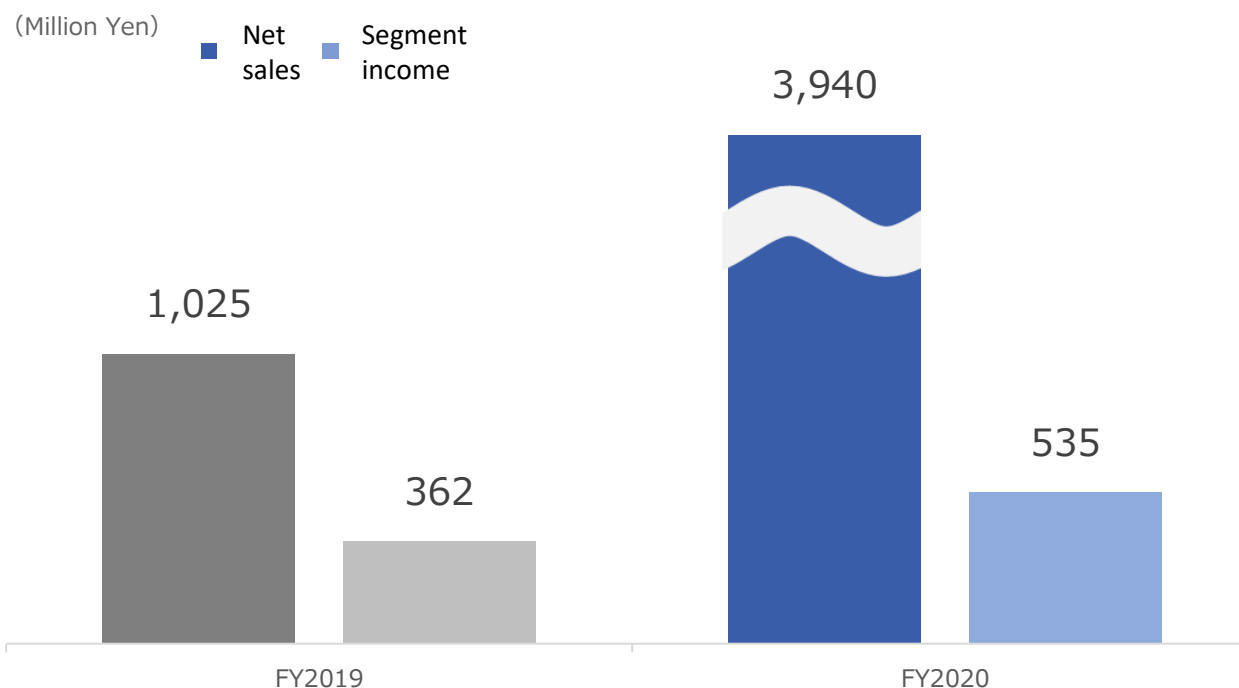
- Operating wholesale and B2B auctions as well as focusing on retail sales of resale fashion through physical stores and official websites



C business

Comprehensive Distribution Platform for Resale Fashion

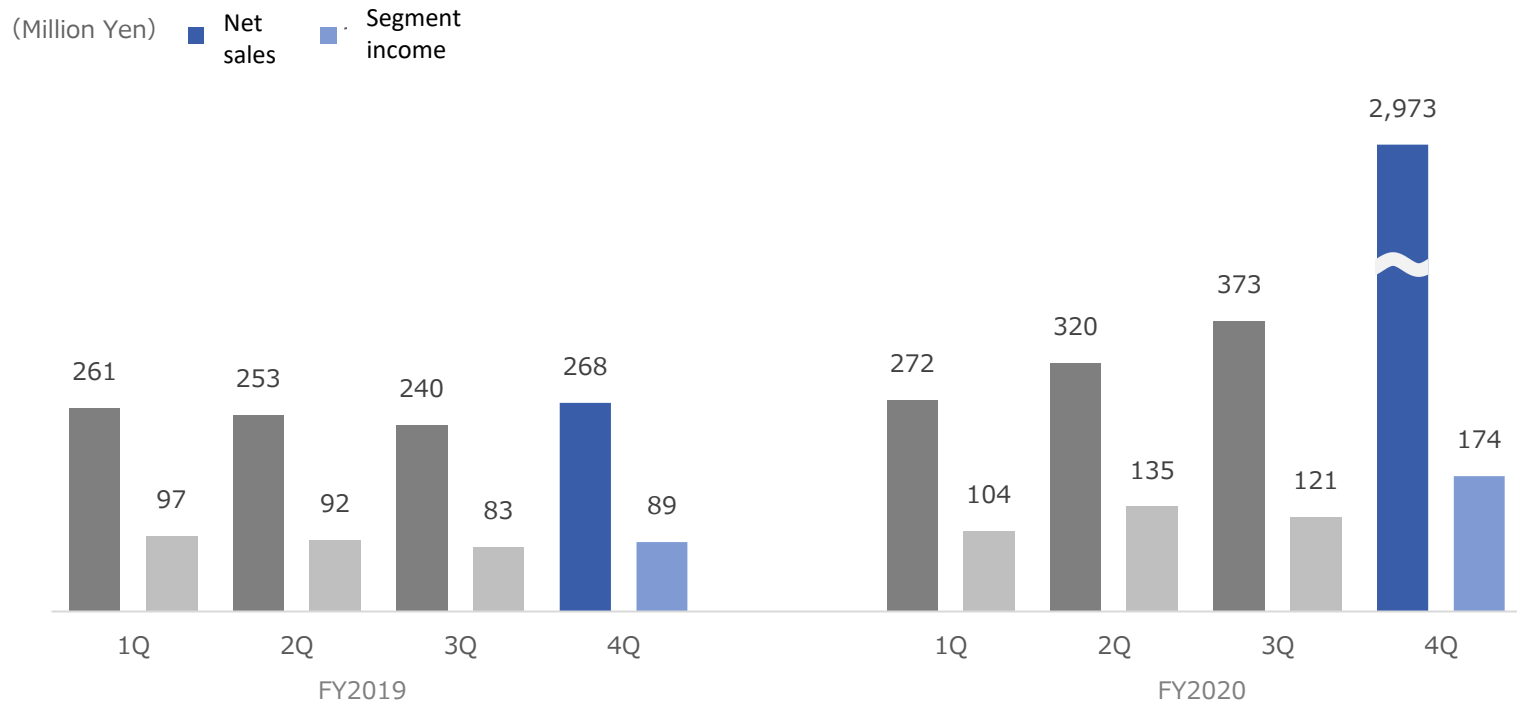
- Increase in both revenue and profit compared with the same period of the previous year (Net sales +284.5%, Segment income +47.6%)
- Sales rose sharply with the consolidation of Gallery Rare.
- Existed auctions offered by Aucnet continued to perform well due to increased demand for industry-wide online auctions against the backdrop of COVID-19.



*Note: Figures for 2018 and earlier are not published by segment

Consumer Product Business (FY2020 Results by Quarter)

- In FY2020, strong performance from 1Q, driven by rising demand for online auctions against the backdrop of COVID-19
- Net sales in the 4Q rose significantly due to the consolidation of Gallery Rare from October 2020.



*Figures for 2018 and earlier are not published by segment as it was published as Other Information Distribution Business segment

*Some figures have been revised from those disclosed on February 16, 2021, due to errors found during the review of figures following the spin-off of the segment.

Consumer Product Business (FY2020 KPI Results)

			FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results *	Year-on-year
B2B business	Transaction amount	million yen	8,924	9,979	10,592	17,381	+64.1%
	Total number of items listed	item	374,089	433,381	482,113	609,456	+26.4%
	Rate of sale	%	76.9%	73.9%	71.0%	73.6%	+2.6pt
	Total number of members	member	1,545	1,697	1,815	2,160	+19.0%
C business	Transaction amount	million yen	-	-	-	1,654	-

※ Starting from 4Q FY2020, KPI for Gallery Rare is consolidated into each business.

B2B business

- In addition to the growing demand for online auctions in the industry, measures to strengthen distribution to cope with the increased number of items listed were successful, and it increased significantly compared to the same period last year.
- Digital marketing continues to attract members in COVID-19 situation, and the number of members is growing steadily.

C business

- Strength in transactions with individual consumers, which Aucnet had never had before
- Consolidated from the 4Q of FY2020, net sales increased significantly

Consumer Product Business (Initiatives of FY2020)

Large increase in transaction amount in both domestic and overseas markets

- Achieved against the backdrop of increased demand for online auctions in COVID-19 situation

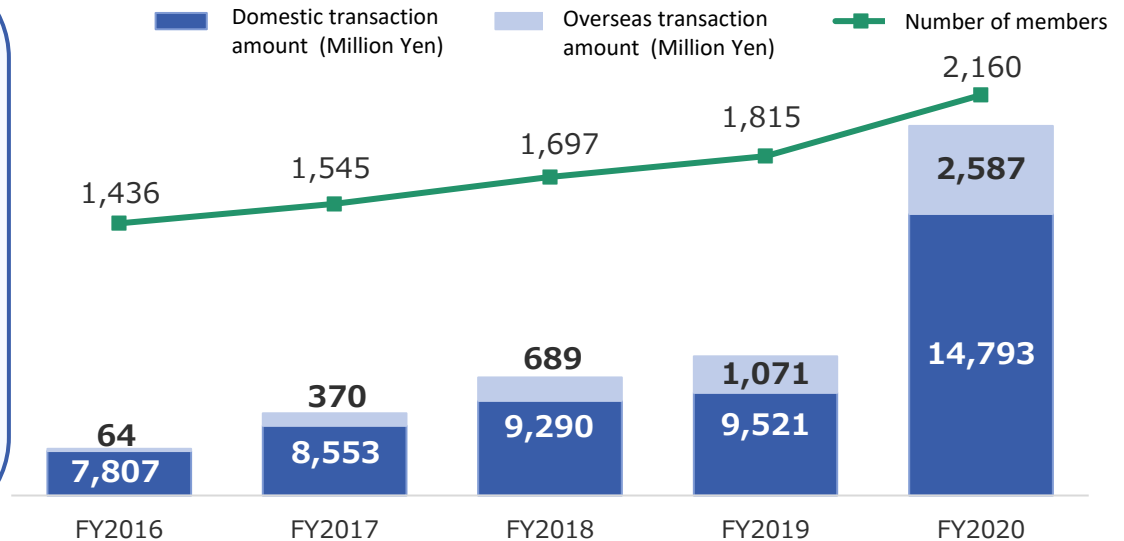
Domestic transaction amount

14.79 billion yen per year **+55.4%**

Overseas transaction amount

2.58 billion yen per year **+141.5%**

Transaction amount and number of members for B2B business



*KPI of B2B business such as auctions by Gallery Rare is consolidated since FY2020.

Support business expansion by strengthening the distribution system

- In order to ensure efficient facility operations and the continuation of auctions to cope with the increasing number of items listed in COVID-19 situation, which requires avoiding crowds and close spaces, the functions of the inspection center were differentiated and information on auctioned items was reviewed.



- The Consumer Product Business achieved significant growth in results due to increased demand for online auctions, dramatic growth in overseas transactions using digital marketing, and improved efficiency in the distribution system.

1-2. Segment Information

Automobile Business

Digital Product Business

Consumer Product Business

Others

- The flower and used motorcycle business have been added to “Others” segment.
- For results and initiatives for FY2020, please refer to the reference material.

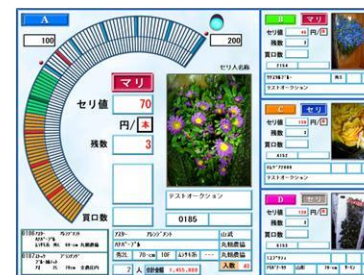
Used Motorcycle Business

Online distribution and services associated with distribution
Developing subscription service and rental motorcycle business



Flower Business

Online distribution and services associated with distribution
Synergies expected with Kinuta Flower Auction



Medical-related Businesses

Online distribution of used medical equipment and
comprehensive video-based services for medical
professionals by MENERGIA Inc. (“Menergia”).



Other New / Overseas Business

New business, communication maintenance services and
overseas business, etc.



2. Forecast of Full Year 2021

2-1. Forecast of FY2021 Results

Forecast of Consolidated Full Year Performance



(Million Yen)	FY2020 Results	FY2021 Forecast	Year-on-year
Net sales	24,078	33,796	+40.4%
Operating income	3,705	3,806	+2.7%
Operating income margin	15.4%	11.3%	△4.1pt
Ordinary income	3,643	3,768	+3.4%
Profit attributable to owners of parent	1,896	2,214	+16.7%
Basic earnings per share	68.56 Yen	79.46 Yen	+10.90 Yen
Dividend per share	21.00 Yen	24.00 Yen	+3.00 Yen
Dividend payout ratio	30.6%	30.2%	△0.4pt

*Note: Amounts are rounded down to the nearest whole unit; percentages are rounded to two decimal places.

Forecast of Consolidated Full Year Performance



FY2021 Forecast	
	<ul style="list-style-type: none">• Increase in revenue and profit in Digital Product Business and Consumer Product Business• Aggressive investment in new businesses
Automobile Business	<ul style="list-style-type: none">• The market is expected to recover slowly due to the expansion of COVID-19 prevention.• Slight increase in sales is planned through auction reforms and enhanced digital marketing
Digital Product Business	<ul style="list-style-type: none">• Domestic business will continue to focus on developing overseas buyers to achieve stable growth, and an increase in revenue and profits is planned.• More focus on U.S. business, promoting merchandising business in U.S. facility
Consumer Product Business	<ul style="list-style-type: none">• It is planned to increase revenue and profit by strengthening overseas sales network and promoting activation of global auction platform• Growth by leveraging synergies between Aucnet and Gallery Rare
Others	<ul style="list-style-type: none">• Aggressive business development centering on "IT x Medical x Video" services by Menergia
Common	<ul style="list-style-type: none">• Invest management resources in new businesses and R&D to make them the pillars of our future earnings.

2-2. Topics

Topics in FY2021

Consumer Product Business

Expanding into a comprehensive distribution platform for resale fashion

Medical-related Businesses

Promotion of medical-related services in Menergia

R&D for New Businesses

Entering the used EV battery recycling and distribution business

Expanding into a comprehensive distribution platform for resale fashion

- By grouping Gallery Rare, which has strengths in trading high-end products with individual consumers...
 - Scaling up and strengthening of B2B business
 - Expansion of Gallery Rare's C business by Aucnet Group's credibility and comprehensive capabilities
 - Growth through synergies from complementary functions and integration of the two companies



Company Name	Gallery Rare Ltd.
Establishment	March 1, 2004
Business	Import and sales of overseas branded fashion goods Sales and purchase of pre-owned above-mentioned items Hosting and operating B2B auctions



C2B

<ul style="list-style-type: none"> • Store purchase • Online purchase

B2B

<ul style="list-style-type: none"> • Physical auctions • Wholesale business transactions
<ul style="list-style-type: none"> • Online auctions • Shared inventory

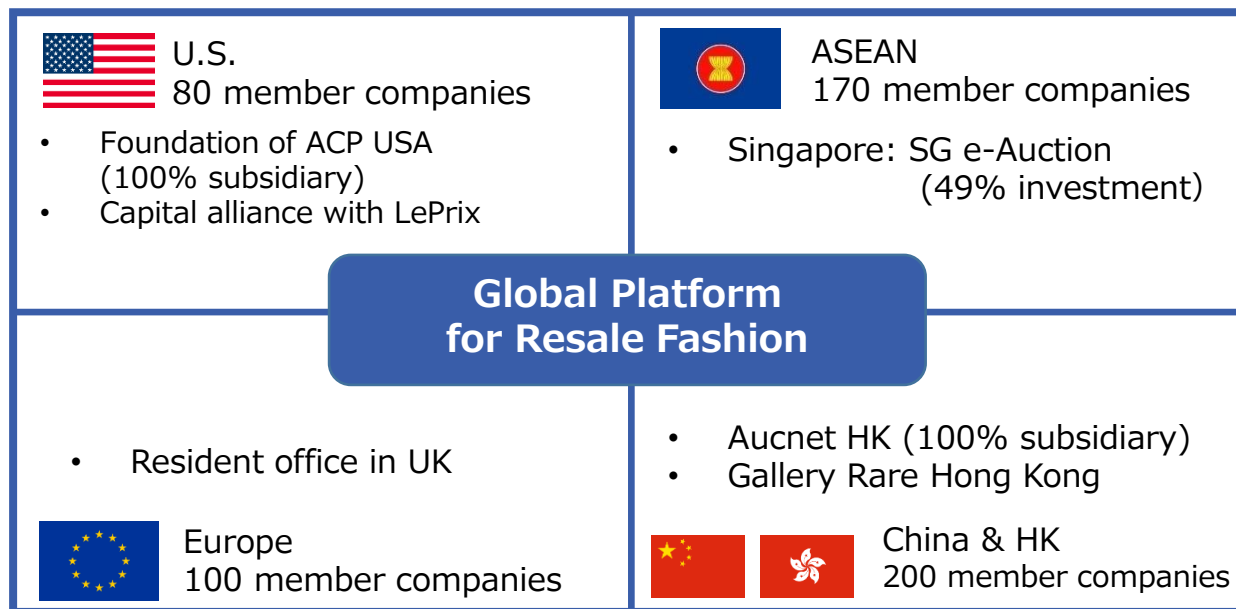
B2C

<ul style="list-style-type: none"> • Store sales • Online sales

- Expanding distribution scale by covering everything from purchase to retail through the grouping of Gallery Rare, and evolving into a comprehensive distribution platform for resale fashion

Further global expansion of the platform

- Along with the expansion of distribution, we aim to build a bi-directional distribution platform for resale fashion items by expanding our global network to over 500 companies and promoting local operations in each region.
- Establishing a B2B market price database based on unified grading to further accelerate global expansion
- Expand services to related value chains (storage, finance, logistics, etc.), and databases using AI



- **Contribute to the realization of a recycling-oriented society by developing a global comprehensive distribution platform as a platformer for resale fashion**

~Medical×IT×Videos~ Developing a comprehensive video service for medical professionals

- The environment surrounding medical professionals is harsh, and work style reforms have become an urgent issue.



- The service website "iryoo.com" operated by Menergia provides medical professionals an environment that is not restricted by location or time through IT ("Tool service") and videos ("Media service").
- The number of users is **20K** as of December, 2020 and our business partners are more than **30** companies.

Some of our business partners in FY2020

【Conferences and Study Groups】

1. Hyogo Byori Network
2. The Japanese Society for Wound Healing
3. Japan Society of Cranio-Maxillo-Facial Surgery
4. Zaitaku ryoyo shien shinryojo yakuzaishi renrakukai
5. CVIT Chugoku Shikoku region
6. The Japanese association of Cardiac Rehabilitation
7. The Japanese Society of Dysphagia Rehabilitation
8. Japanese Society for Quality and Safety in Healthcare
9. Japan Skin Bank Network
10. Nara Association of Radiological Technologists
11. Hyogo Hospital Pharmaceutical Society

【Companies】

1. Abbott Japan LLC
2. AbbVie GK
3. FoodCare Co.,Ltd.(former Kareido K.K.)
4. Cardinal Health Japan
5. CAN DO CO., LTD.
6. GLOBAL HEALTH CONSULTING JAPAN
7. Taisho Pharmaceutical Co., Ltd.
8. NIPRO
9. Nippon Boehringer Ingelheim Co., Ltd.
10. BIOTRONIK Japan, Inc.
11. Plaza Japan.co.LTD.

【Universities・Medical Institutions】

1. Ashiya Municipal Hospital
2. Medical corporation Keimeikai Kimura Hospital
3. SAKURAGI CO.,LTD
4. TAKANAWAKAI
5. Kobe University
6. SHOWA GENERAL HOSPITAL
7. Nagoya University
8. Tokorozawa Heart Center
9. Chikamori Health Care Group.
10. St. Marianna University School of Medicine

※Titles omitted
As of December 31, 2020

➤ **Providing highly convenient IT x Video service to busy medical professionals, seeking to solve problems and improve efficiency in daily operations**

Menergia's business:
Provision of medical information video content service "iryoo.com" and related services

Tool service

Service that helps improve learning and work efficiency by sharing videos in a closed community

Live streaming of conferences and other events for the community

Creating tests for medical learning and issuing certificates of completion

Management of video viewing status and converting video audio to text

reinforcement

Redesign and improve the user interface to make it intuitive and easy to use the tool functions

Scheduled to renew in March, 2021



Media service

Service that provides distribution and production of videos for medical professionals

Distribution of video content for medical professionals and analysis of viewing trends

Planning, shooting, and editing videos that meet the needs of medical professionals

reinforcement

Provides planning, filming, editing, distribution, and analysis services of medical-related videos, including live videos of conferences and on-demand video distribution for communities.



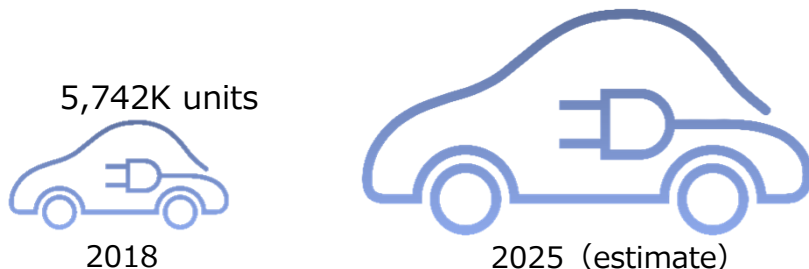
- **By providing comprehensive video services to medical professionals through both tool service and media service, Menergia is expected to expand its business partners and achieve significant growth in the future.**

Entering the used EV battery recycling and distribution business

- Aucnet established a joint project with MIRAI-LABO CO.,Ltd. ("MIRAI-LABO") from 2021 to enter the used EV battery recycling and distribution business, and plans to invest management resources in research and development.
- Production of EVs is expected to increase in response to the future elimination of gasoline-powered vehicles in Europe and China etc., and the market for used EVs and used batteries is expected to expand accordingly.

Production volume of EV

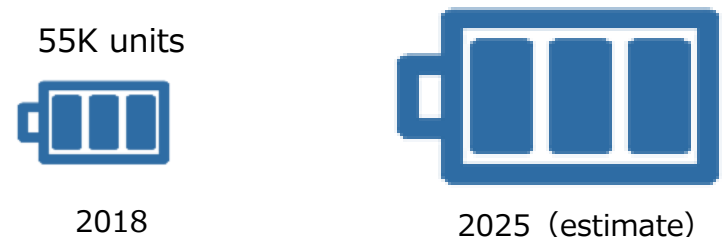
28,213K units



※Referring to the data from Yano Research Institute

Number of used batteries recovered

3.4 million units



※Referring to research by Reuters

- **Along with the market for used EV batteries expected to grow, a joint project with MIRAI-LABO was established to enter a new business area.**

Entering the used EV battery recycling and distribution business

MIRAI-LABO CO.,Ltd.

- Developed a product that can reuse used lithium-ion batteries from EVs as independent power source streetlights
- Invested by Aucnet in FY2019



- Established inspection and grading systems for various products
- Deploying a used goods distribution business

Trade-in used EVs and list in auctions



Optimal inspection and grading



Online distribution of used EVs and used batteries



Reuse of used batteries



- **Early establishment of an optimal distribution system for used EV batteries utilizing the know-how of both companies to contribute to the realization of a sustainable society**

Topics in FY2021

Consumer Product Business

Expanding into a comprehensive distribution platform for resale fashion

Medical-related Businesses

Promotion of medical-related services in Menergia

R&D for New Businesses

Entering the used EV battery recycling and distribution business

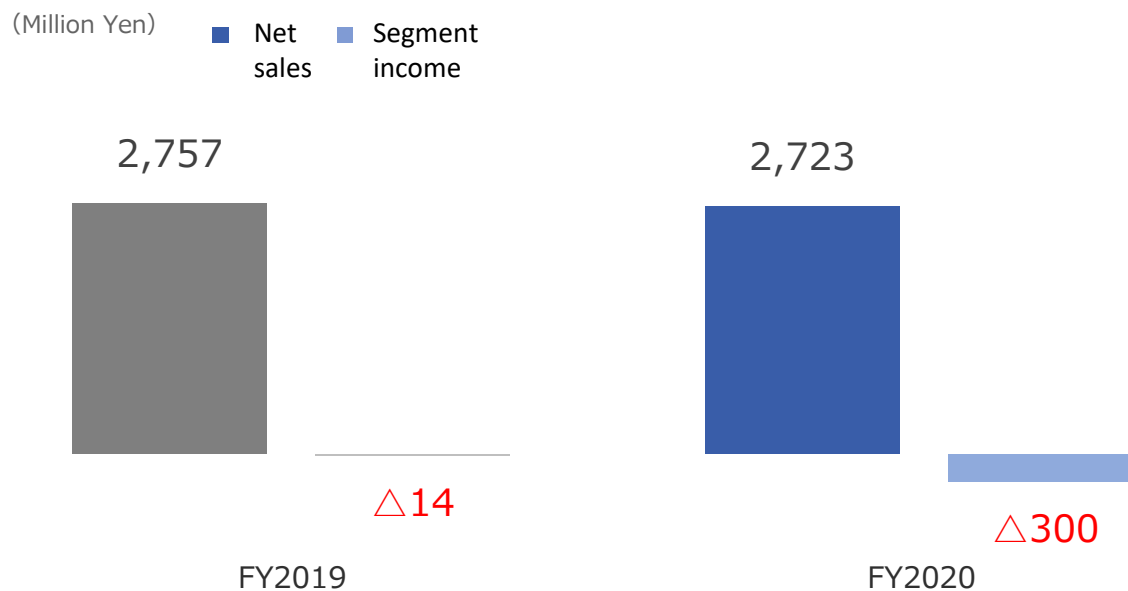
Shaping the Future of Commerce

At AUCNET Group, we keep creating a new distribution by adding the value of “trust” to various types of information. By delivering valuable services and useful information to our customers and promoting rational distribution, we will contribute to the realization of an information distribution society that is friendly to the earth and has less environmental impact. We will always pursue the services that our customers demand and aim to be a company that is truly trusted and expected.



3 . Reference

- Revenue and profit down year on year (Net sales $\triangle 1.3\%$)
- In used motorcycles and flowers, changes in the demand structure under the impact of COVID-19 had a positive effect, and the second half of the year saw a recovery trend.
- Continue to aggressively invest for growth in start-up businesses such as Menergia



*Note: Figures for 2018 and earlier are not published by segment

Others (Full year KPI results)

			FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results	Year-on-year
Motorcycle	Transaction amount	million yen	7,695	7,101	6,991	6,755	△3.4%
	Total number of listed vehicles (including canceled items)	unit	63,912	64,059	56,385	47,899	△15.1%
	Rate of sale※1	%	48.1%	43.0%	49.1%	54.9%	+5.8pt
	Total number of members	member	4,532	4,523	4,576	4,738	+3.5%
Flower※2	Transaction amount	million yen	6,491	6,387	6,317	7,992	+26.5%
	Total number of members (buyer)	member	1,081	1,082	1,076	2,297	+113.5%
	Total number of members (grower)	member	3,033	3,174	3,151	9,348	+196.7%

Motorcycle

- While the number of listed vehicles continued to decline compared to the same period of the previous year, the rate of sale increased and the number of rental motorcycles in operation remained steady.

Flower

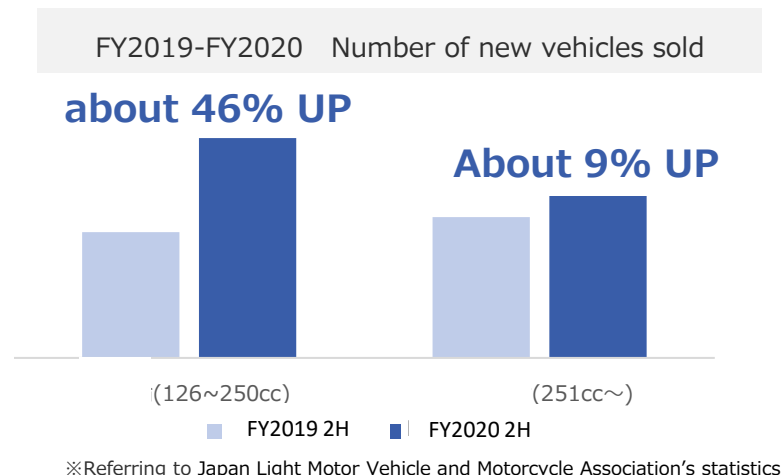
- Due to industry-wide promotion of flower retailing, transactions have been recovering mainly among retailers since the 2H of the year.

※1 Rate of sale = sold items / (total listed items – canceled items)

※2 Kinuta Flower Auction's KPI has been consolidated since FY2020.

In the 2H of FY2020, the new car market was strong on the back of increased demand for “enjoying alone”

- Demand for motorcycles increased as a hobby that can be enjoyed alone avoiding crowds and close spaces in the COVID-19 situation.
- The new motorcycle market was strong in 2H of the year, and the used motorcycle market was also driven by the new motorcycle market.
- Aucnet also saw a downward trend in the number of vehicles listed, while the number of vehicles bought remained stable.



Strengthen sales support for subscription services and rental motorcycles

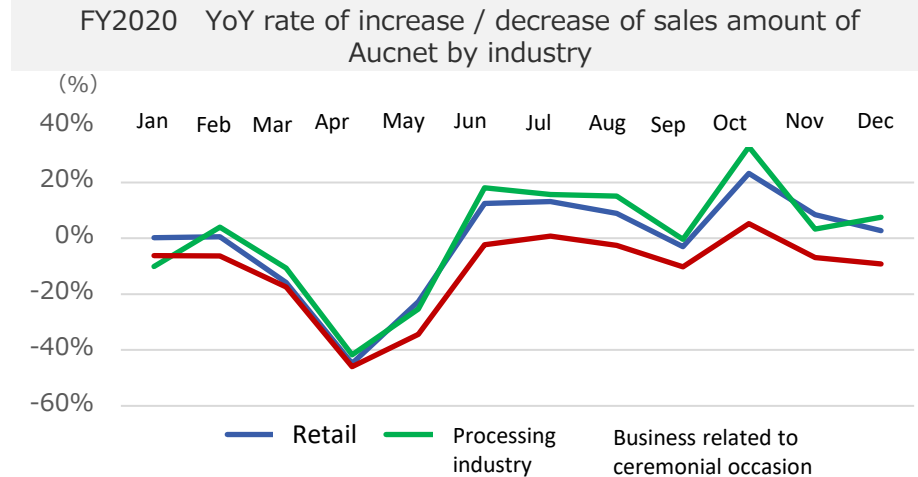
- Subscription service will be launched with full-scale expansion nationwide starting with in Kansai and Kyushu regions in FY2021.
- Continue our efforts to find new users for rental motorcycles, for which demand is growing as a short-term leisure activity.
- The average age of customers in the subscription / rental services is more than 10 years younger than the average age of motorcycle owners, and the industry is expected to attract a younger demographic.



- **Focus on supporting member stores to contribute to the further development of the motorcycle industry, which is booming due to the COVID-19 situation, by expanding the user base.**

The 2H results on a recovery trend due to strong performance in the retail sector

- In the 2H of FY2020, the Ministry of Agriculture, Forestry and Fisheries (MAFF) was promoting the "Flower Filled Project" and other public-private projects to increase consumption of flowers and plants.
- Retail sales of flowers were strong due to industry-wide sales promotions and increased consumer demand in the COVID-19 situation.
- Aucnet's flower business also saw a significant year-on-year increase in sales to the retail and processing industries, in contrast to the negative impact of wedding and funeral industry.



Otoriyose-Torihiki (Pre-order service) selected for Japan Service Award

- Aucnet's web service for flower shops, "Otoriyose Torihiki" selected for Excellence Award at the 3rd Japan Service Awards.
- The Otoriyose Torihiki is a service that realizes pre-ordering of flowers by cataloguing flower information, and was highly evaluated for its contribution to the optimum production and sales for both growers and flower shops.



- **We have developed our own distribution system, including Otoriyose Torihiki, and pursue the online distribution of flowers that is required in the life with COVID-19.**

Balance Sheets

Assets (Million Yen)	As of Dec 31, 2019	As of Dec 31, 2020	Increase / Decrease	Liabilities and net assets (Million Yen)	As of Dec 31, 2019	As of Dec 31, 2020	Increase / Decrease
Current assets	22,450	25,798	+3,347	Current liabilities	8,455	10,665	+2,210
Cash and deposits	14,701	16,776	+2,074	Due from auction members	6,040	7,032	+992
Due from auction members	3,589	4,253	+663	Other	2,415	3,632	+1,217
Other	4,159	4,768	+608	Non-current liabilities	2,535	2,977	+441
Non-current assets	6,873	7,482	+608	retirement benefit liability	1,620	1,744	+123
Property, plant and equipment	1,482	1,575	+93	Other	914	1,232	+318
Intangible assets	1,513	2,040	+527	Total liabilities	10,991	13,643	+2,652
Other	3,878	3,866	△12	Total net assets	18,333	19,637	+1,304
Total assets	29,324	33,280	+3,956	Total liabilities and net assets	29,324	33,280	+3,956

(Million Yen)	FY2019 Results	FY2020 Results	Year-on-year
Cash flows from operating activities	1,426	4,119	+2,692
Cash flows from investing activities	△2,600	549	+3,149
Cash flows from financing activities	△757	△ 2,873	△2,116
Cash and cash equivalents at end of period	13,761	15,766	+2,004

KPI① (Automobile Business)

			FY2017				FY2018			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Automobile Business (Total)	Number of sold vehicles	unit	109,901	103,429	104,106	100,214	114,481	112,557	105,370	103,706
	Sales share※1	%	8.7%	8.5%	9.1%	8.9%	9.1%	9.1%	9.4%	8.8%
	Total number of members	member	14,335	14,452	14,454	14,447	14,405	14,399	14,290	14,160
Used vehicle auctions	Total number of listed vehicles	unit	14,435	14,627	14,299	15,195	14,424	16,527	15,494	15,698
	Number of sold vehicles	unit	4,066	4,298	4,638	4,412	4,817	4,738	5,200	4,441
	Rate of sale ※2	%	30.2%	31.1%	34.7%	31.1%	35.5%	31.0%	36.0%	30.4%
Shared inventory market	Number of sold vehicles	unit	2,772	2,686	2,967	3,063	3,147	2,976	3,388	3,482
Live-linked auctions	Listed units	unit	1,252,084	1,288,000	1,137,226	1,134,073	1,204,302	1,238,311	1,032,401	1,090,669
	Sold units	unit	73,549	68,221	69,553	67,335	78,556	78,628	73,417	72,429
Proxy bidding service (iAuc)	Sold units	unit	29,514	28,224	26,948	25,404	27,961	26,215	23,365	23,354
Used vehicle inspection service (AIS)	Total inspected units※3	unit	222,494	200,551	203,398	217,398	218,603	224,102	212,618	243,103

			FY2019				FY2020			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Automobile Business (Total)	Number of sold vehicles	unit	111,672	106,321	111,119	104,544	109,099	96,156	115,610	109,326
	Sales share※1	%	8.7%	8.6%	9.3%	9.0%	9.0%	9.8%	10.0%	9.1%
	Total number of members	member	14,173	14,117	14,112	14,146	14,108	14,104	14,267	14,362
Used vehicle auctions	Total number of listed vehicles	unit	15,900	15,999	13,929	12,868	14,141	13,619	10,212	13,012
	Number of sold vehicles	unit	4,487	4,431	4,930	4,296	4,393	3,759	4,015	3,930
	Rate of sale ※2	%	30.3%	29.6%	37.6%	35.2%	32.7%	29.0%	41.5%	32.2%
Shared inventory market	Number of sold vehicles	unit	3,539	3,509	3,722	3,032	2,945	2,809	4,164	3,399
Live-linked auctions	Listed units	unit	1,134,132	1,147,111	1,069,566	1,068,924	1,104,941	1,071,798	965,739	1,039,235
	Sold units	unit	77,018	72,405	76,300	72,850	74,941	61,552	77,573	74,887
Proxy bidding service (iAuc)	Sold units	unit	26,628	25,976	26,167	24,366	26,820	28,036	29,858	27,110
Used vehicle inspection service (AIS)	Total inspected units※3	unit	249,240	248,504	258,677	252,425	258,903	223,430	229,815	259,900

※1 Aucnet's total sales units (including Used vehicle auctions, Shared inventory market, Live linked auctions and Proxy bidding service) as a percentage of total used vehicle sales units at auction nationwide

※2 Rate of sale = sold items / (total listed items - canceled items)

※3 Includes Used motorcycles inspections

			FY2017				FY2018			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Digital Product Business	Transaction amount	million yen	6,601	7,321	6,028	6,697	6,161	4,683	3,556	5,883
	Sales units	unit	441,859	425,141	367,351	472,844	468,473	370,184	258,736	344,763
	Total number of members	member	399	424	451	455	464	497	504	531

Consumer Product Business			FY2017				FY2018			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
B2B business	Transaction amount	million yen	2,050	2,250	2,188	2,435	2,409	2,534	2,219	2,816
	Total number of listed items	item	82,153	95,234	95,646	101,056	98,756	107,644	101,513	125,468
	Rate of sale	%	80.6%	77.8%	75.3%	74.6%	75.1%	75.3%	72.2%	73.1%
	Total number of members	member	1,508	1,530	1,540	1,545	1,570	1,617	1,650	1,697
C business	Transaction amount	million yen	-	-	-	-	-	-	-	-

			FY2019				FY2020			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Digital Product Business	Transaction amount	million yen	5,858	5,494	5,178	7,985	9,562	7,605	7,887	9,024
	Sales units	unit	378,049	406,546	414,670	502,514	591,735	520,791	487,494	543,592
	Total number of members	member	510	530	603	657	665	707	766	762

Consumer Product Business			FY2019				FY2020※			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
B2B business	Transaction amount	million yen	2,681	2,673	2,542	2,696	2,768	3,720	4,349	6,543
	Total number of listed items	item	120,314	118,007	114,895	128,897	128,752	131,425	144,732	204,547
	Rate of sale	%	71.7%	71.6%	70.5%	70.4%	74.8%	73.1%	78.6%	69.7%
	Total number of members	member	1,715	1,724	1,781	1,815	1,857	1,943	1,876	2,160
C business	Transaction amount	million yen	-	-	-	-	-	-	-	1,654

※ Starting from 4Q FY2020, KPI for Gallery Rare is consolidated into each business.

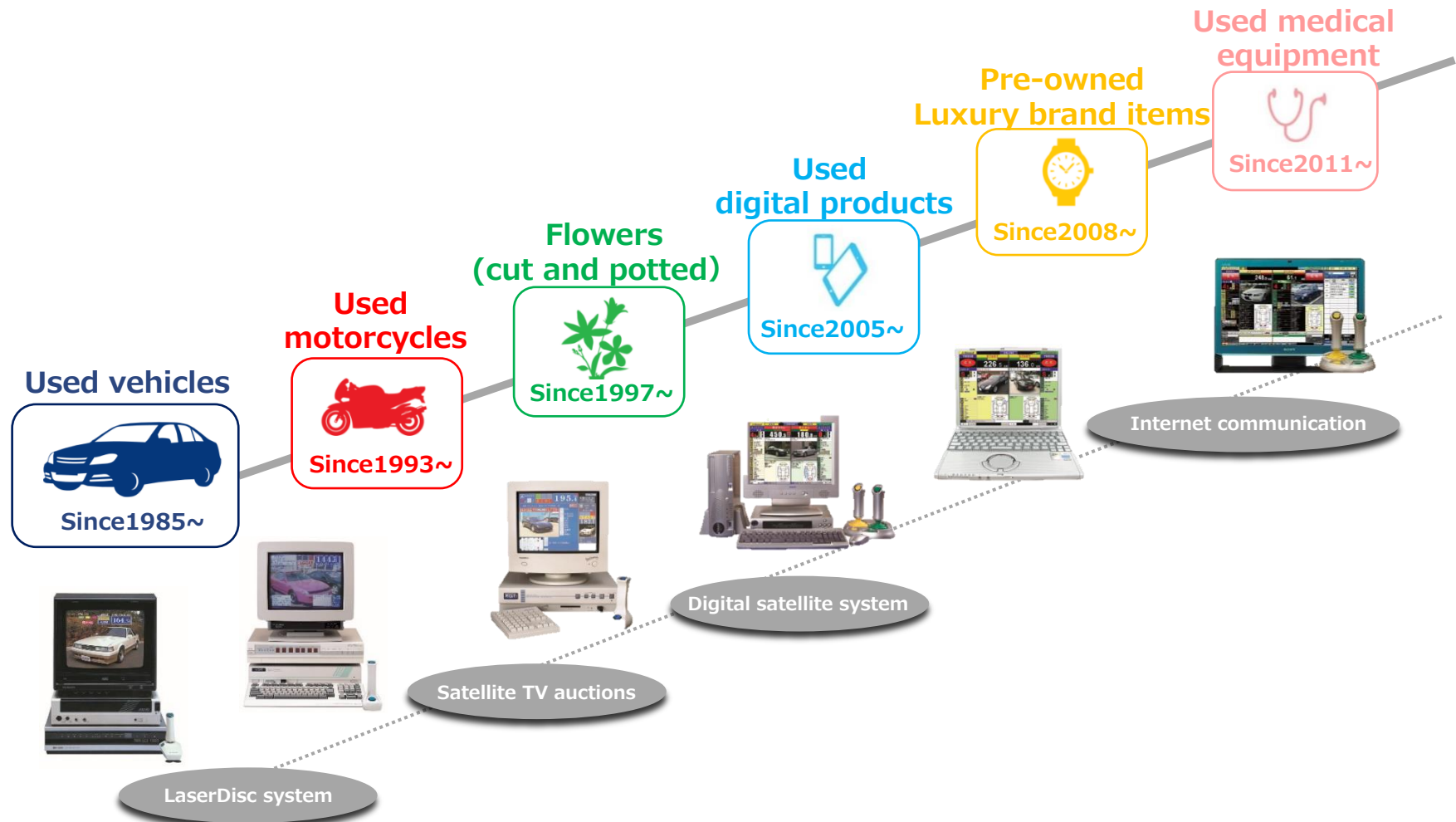
			FY2017				FY2018			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Motorcycle	Transaction amount	million yen	1,789	2,140	2,129	1,635	1,755	1,920	1,761	1,663
	Total number of vehicles listed	unit	14,173	16,292	17,386	16,061	14,242	17,392	16,242	16,183
	Rate of sale※1	%	51.2%	53.0%	46.3%	42.3%	45.8%	42.8%	41.8%	41.8%
	Total number of members	member	4,377	4,438	4,500	4,532	4,542	4,572	4,555	4,523
Flower※2	Transaction amount	million yen	1,653	1,342	1,716	1,779	1,684	1,304	1,725	1,673
	Total number of members (buyer)	member	1,101	1,096	1,096	1,081	1,087	1,085	1,082	1,082
	Total number of members (grower)	member	2,943	3,000	3,016	3,033	3,056	3,140	3,157	3,174
			FY2019				FY2020			
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Motorcycle	Transaction amount	million yen	1,560	1,829	1,788	1,812	1,456	1,629	1,803	1,866
	Total number of vehicles listed	unit	12,836	14,765	13,846	14,938	11,782	12,540	10,775	12,802
	Rate of sale※1	%	49.5%	50.8%	49.3%	46.9%	51.1%	54.9%	62.8%	52.0%
	Total number of members	member	4,515	4,537	4,559	4,576	4,575	4,629	4,673	4,738
Flower※2	Transaction amount	million yen	1,642	1,328	1,760	1,585	1,499	988	2,540	2,963
	Total number of members (buyer)	member	1,068	1,078	1,076	1,076	1,087	1,091	2,270	2,297
	Total number of members (grower)	member	3,055	3,075	3,133	3,151	3,172	3,189	9,331	9,348

※1 Rate of sale = sold items / (total listed items – canceled items)

※2 Kinuta Flower Auction's KPI has been consolidated since FY2020.

Started business with auctions of used vehicles

Aucnet has developed its auction business by consistently employing cutting-edge technologies



Scale of Aucnet's Distribution Operations (FY2020 Results)



Total transaction amount

379 billion yen



Total number of members

33,667 Companies

Automobile Business

Transaction
Amount

¥311 billion



Digital Product Business

Transaction
Amount

¥34 billion



Consumer Product Business

Transaction
Amount

¥19 billion



※ Transaction amount of GALLERY RARE Ltd. has been consolidated since 4Q in 2020.

Others

Transaction
Amount

¥14.8 billion



※ Motorcycle, flower and medical-related businesses etc.
※ Transaction amount of Kinuta Flower Auction CO.LTD has been consolidated since 3Q in 2020 for the flower business.

※ Note: Transaction Amount : Total value of the products distributed through the services provided by AUCNET in each business
Total number of members: Members who use multiple services of the same business are counted as one (as of Dec 31, 2020)

Provide total support for used vehicle distribution, primarily through auctions
Aucnet operates its auction business **without any physical auction sites**

Key aspect of used vehicle distribution

Used vehicle inspection service (AIS)

- Nation-wide vehicle inspection and evaluation provided at customer sites by about 200 qualified inspectors *



※As of December 31, 2020

Used vehicle distribution hosted by AUCNET

Used vehicle auctions

- High proportion of late model, low mileage vehicles
- Can sell at auction while vehicle remains at retail premises

Shared Inventory Market

- Auction members share information of approximately 45,000 vehicles* in stock and facilitating negotiation and trading



※As of December 31, 2020

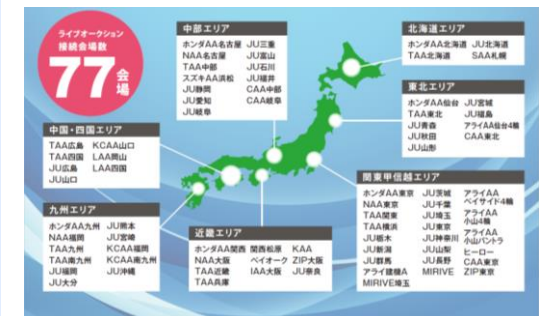
Used vehicle distribution networks with other sites

Proxy bidding service (i-Auc)

- Auction agency services for vehicle listing and bidding at 112* physical auction sites nationwide.

Live linked auctions

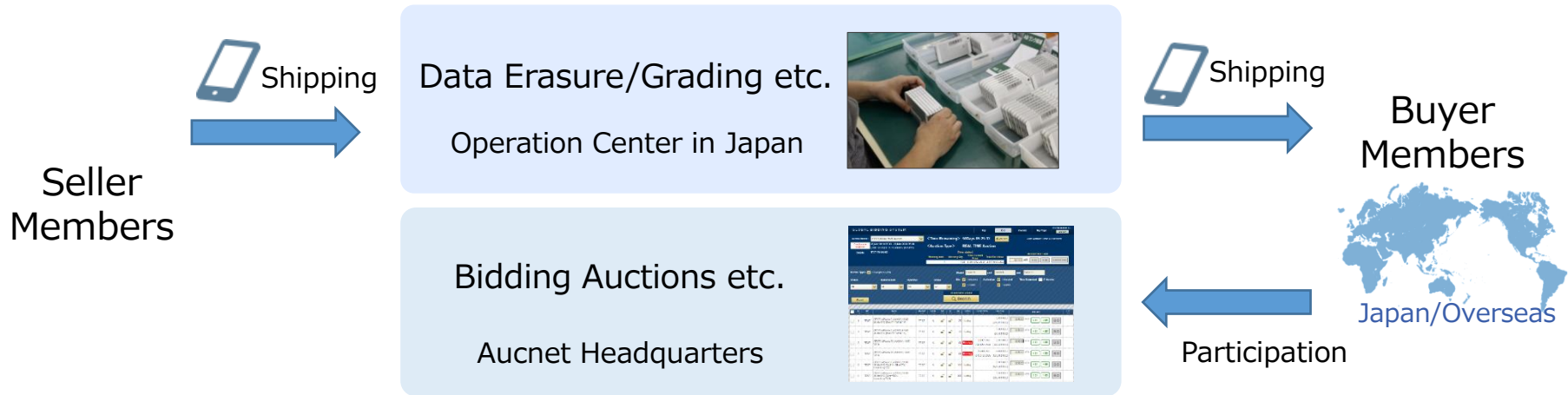
- Real-time access to 77* physical auction sites nationwide.



※As of December 31, 2020

Provide a distribution service for used PCs, smartphones and other digital devices

① Domestic Business

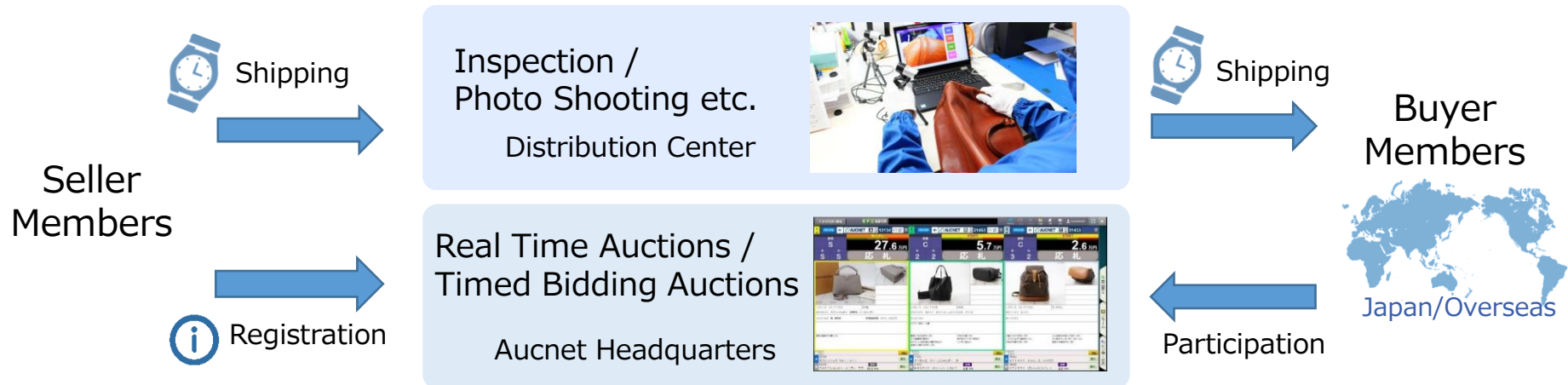


② Business in U.S.



Auctions for pre-owned luxury brand items and services pertaining to distribution, including those targeting consumers

① B2B Business



② B2C Business

Buying and selling resale fashion items at physical stores as well as selling them on e-commerce sites for individual consumers.



- The information and data in this presentation materials contain forward-looking statements about us, our plan for the future, and so forth. Any forward-looking statements are determined and assumed based on information available as of February 16, 2021. Please be aware that actual performance is subject to influence from diverse factors and may differ from the forecast presented herein.