

# Full Year 2018 Results Briefing

**February 22, 2019  
AUCNET INC.**

|  |             |
|--|-------------|
| <b>1. Company Overview</b>                 | <b>P. 2</b> |
| <b>2. Consolidated Results</b>             | <b>P. 7</b> |
| <b>3. Segment Information</b>              | <b>P.10</b> |
| <b>4. Forecast of Consolidated Results</b> | <b>P.34</b> |

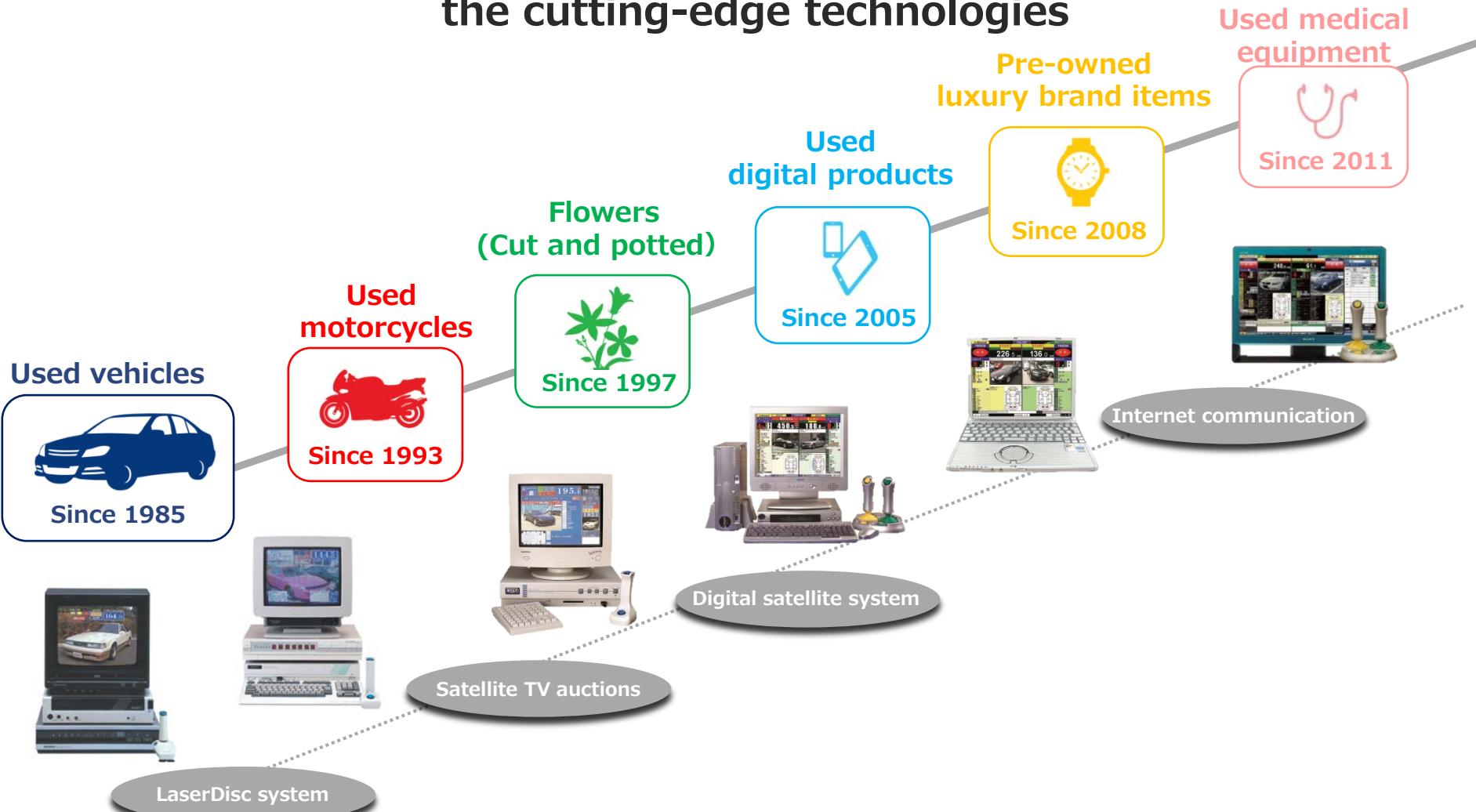
# 1. Company Overview

# Features of Aucnet's business

Online real-time auctions  
B2B distribution business



**Started business with auction of used vehicles  
Aucnet has developed its auction business by consistently employing  
the cutting-edge technologies**



# Scale of Aucnet's Distribution Operations

(annual)



Total transaction amount

¥ 381.3 billion



Total number of members

25,167 Companies

## Automobile Business

Transaction  
Amount

¥337.6 billion



## Digital Product Business

Transaction  
Amount

¥20.2 billion



## Other Information Distribution Business

### Pre-owned luxury brand items

Transaction  
Amount

¥9.9 billion



### Used motorcycles

Transaction  
Amount

¥7.1 billion



### Flowers (cut and potted)

Transaction  
Amount

¥6.3 billion

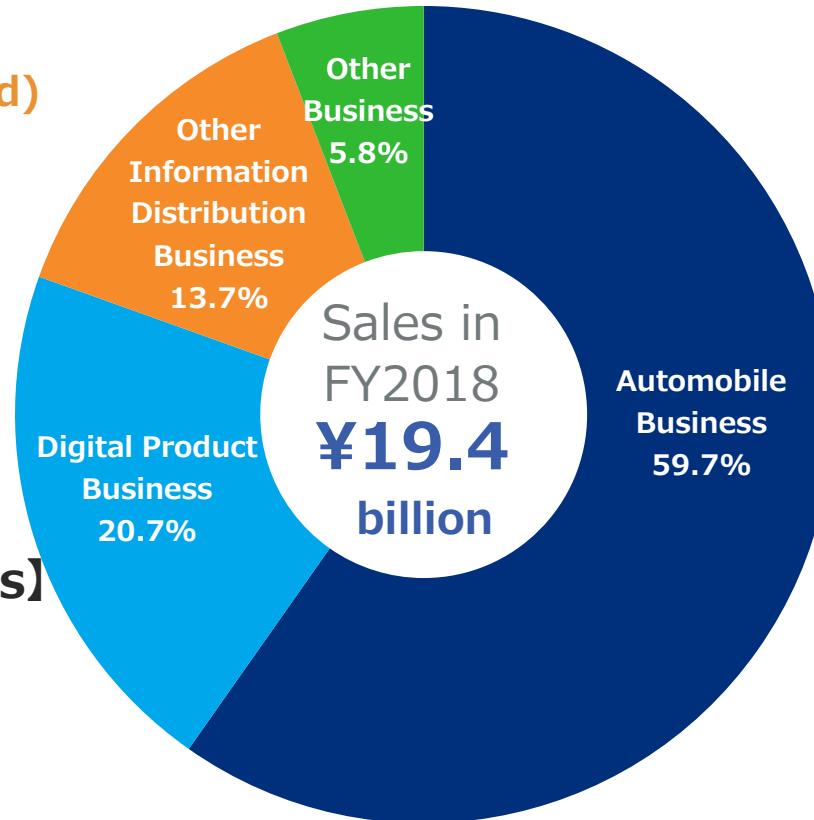


Note: Transaction Amount : Total value of the products distributed through the services provided by AUCNET in each business (FY18)

Total number of members: Members who use multiple services of the same business are counted as one(FY18)

## [Other Information Distribution Business]

- Pre-owned luxury brand items
- Used motorcycles
- Flowers (cut and potted)



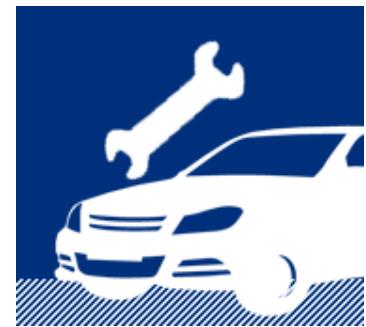
## [Digital Products Business]

- Used smartphones
- Used PCs etc.



## [Automobile Business]

- Used vehicle auctions
- Shared inventory market
- Live-linked auctions
- Proxy bidding service
- Used vehicle inspections



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

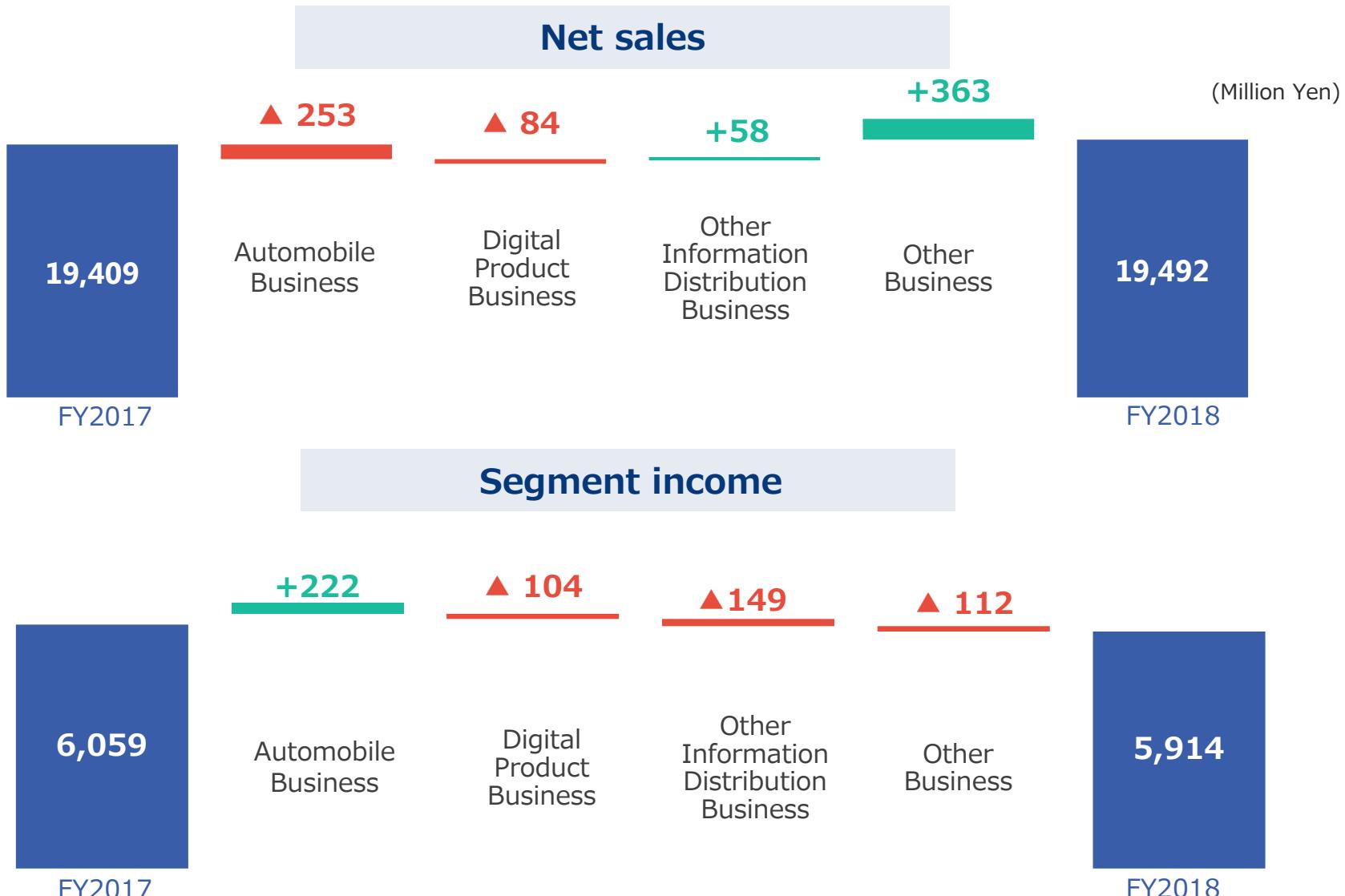
## 2. Consolidated Results

# Consolidated Performance Summary

|   | FY 2017     |        | FY 2018     |        | Year-on-year |
|---|-------------|--------|-------------|--------|--------------|
|   | Performance | Margin | Performance | Margin |              |
| Net sales                               | 19,409      | —      | 19,492      | —      | 0.4%         |
| Operating income                        | 3,245       | 16.7%  | 3,219       | 16.5%  | -0.8%        |
| Ordinary income                         | 3,321       | 17.1%  | 3,308       | 17.0%  | -0.4%        |
| Profit attributable to owners of parent | 1,767       | 9.1%   | 1,707       | 8.8%   | -3.4%        |
| Basic earnings per share                | 66.97 Yen   | —      | 62.19 Yen   | —      | -4.78 Yen    |
| Divided per share                       | 26.00 Yen   | —      | 26.00 Yen   | —      | 0.00 Yen     |

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

# Segment Increase/Decrease



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

Adjustment of segment income includes goodwill amortization and corporate expenses not allocated to specific reportable segments.

Corporate expenses chiefly comprise general and administrative expenses not allocated to specific reportable segments.

## 3. Segment Information

**Automobile Business**

**Digital Product Business**

**Other Information Distribution Business**

**Other Business**

## 3. Segment Information

**Automobile Business**

**Digital Product Business**

**Other Information Distribution Business**

**Other Business**

# Automobile Business (Overview)



**Providing 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)

- Expanding nationwide vehicle inspection and evaluation provided at customer sites with 180 qualified inspectors \*



※As of December 31,2018

## 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 40,000 vehicles\* in stock and facilitating negotiation and trading.

| 車種  | TOP   | 検索  | 新規登録  | 在庫  | 取扱店   | 価格相場  | 価格査定  | 出庫(入庫)  | セリerg   | セリerg詳細   |
|---|---|---|---|---|---|---|---|---|---|---|
| 日 トヨタ 在庫  | トヨタ 在庫  | 新規登録  | 在庫  | トヨタ 在庫  | トヨタ 在庫  | トヨタ 在庫  | トヨタ 在庫  | トヨタ 在庫  | トヨタ 在庫  | トヨタ 在庫  |
| ハリアー G ハイブリッド   | アコード Q3   | B MW アクティブハイブリッド  | BMW アクティブハイブリッド   | アストムマーティン カブリ   | ベントレー GLAクラス  | GLA 180   | GLA 180   | GLA 180   | GLA 180   | GLA 180   |
| GLC 200 4WD   | カローラセダン   | Mスコルピオ/ケーシ  | D B9 グランツーリ   | DB9 グランツーリ  | DB9 グランツーリ  | DB9 グランツーリ  | DB9 グランツーリ  | DB9 グランツーリ  | DB9 グランツーリ  | DB9 グランツーリ  |
| 2.5L 4WD<br>5速 AT<br>5AT  | 2.0T<br>270ps   | 6.6km/100[03]   | 27年<br>42.4km/100[03]   | 20年<br>14.4km/100[03]   | 28年<br>2.4km/100[03]  | 28年<br>14.4km/100[03]   | 28年<br>2.4km/100[03]  | 28年<br>14.4km/100[03]   | 28年<br>2.4km/100[03]  | 28年<br>14.4km/100[03]   |
| 5速 AT   | A [B] C [D]   | S5t AA  | A [B] C [D]   | 4速 BB   | A [B] C [D]   | 5速 AA   | A [B] C [D]   | 6速 AA   | A [B] C [D]   | 5速 BB   |
|  |  |  |  |  |  |  |  |  |  |  |
| 高級車中古車  | 470.0   | 高級車中古車  | 220.4   | 高級車中古車  | 336.0   | 高級車中古車  | 825.0   | 高級車中古車  | 258.0   | 高級車中古車  |
| 日 トヨタ 在庫  | トヨタ 在庫  | 新規登録  | 在庫  | トヨタ 在庫  | トヨタ 在庫  | トヨタ 在庫  | トヨタ 在庫  | トヨタ 在庫  | トヨタ 在庫  | トヨタ 在庫  |
| BMW アクティブハイブリッド   | アコード Q3   | BMW アクティブハイブリッド   | アコード Q3   | BMW アクティブハイブリッド   | BMW アクティブハイブリッド   | BMW アクティブハイブリッド   | BMW アクティブハイブリッド   | BMW アクティブハイブリッド   | BMW アクティブハイブリッド   | BMW アクティブハイブリッド   |
| Mスポーツ   | 1. 4 TFSI   | 4. 2 FSI クワトロ   | 2. 0 TFSI クワトロ  | 2. 0 TFSI クワトロ  | 2. 0 TFSI クワトロ  | 2. 0 TFSI クワトロ  | 2. 0 TFSI クワトロ  | 2. 0 TFSI クワトロ  | 2. 0 TFSI クワトロ  | 2. 0 TFSI クワトロ  |
| 26km<br>34km/km   | 18km/km   | 25年<br>19.1km/100[04]   | 20年<br>8.4km/100[04]  | 20年<br>8.4km/100[04]  | 25年<br>12.4km/100[04]   | 25年<br>12.4km/100[04]   | 25年<br>12.4km/100[04]   | 25年<br>12.4km/100[04]   | 25年<br>12.4km/100[04]   | 25年<br>12.4km/100[04]   |
| 4速 BB   | A [B] C [D]   | 4.5速 BB   | A [B] C [D]   | A [B] C [D]   | 5速 AA   | A [B] C [D]   | A [B] C [D]   | A [B] C [D]   | A [B] C [D]   | A [B] C [D]   |
|  |  |  |  |  |  |  |  |  |  |  |
| 高級車中古車  | 320.8   | 高級車中古車  | 229.0   | 高級車中古車  | 1018.0  | 高級車中古車  | 305.0   | 高級車中古車  | 1476.3  | 高級車中古車  |

※As of December 31,2018

## Used vehicle distribution networks with other sites

# Proxy bidding service (i-Auc)

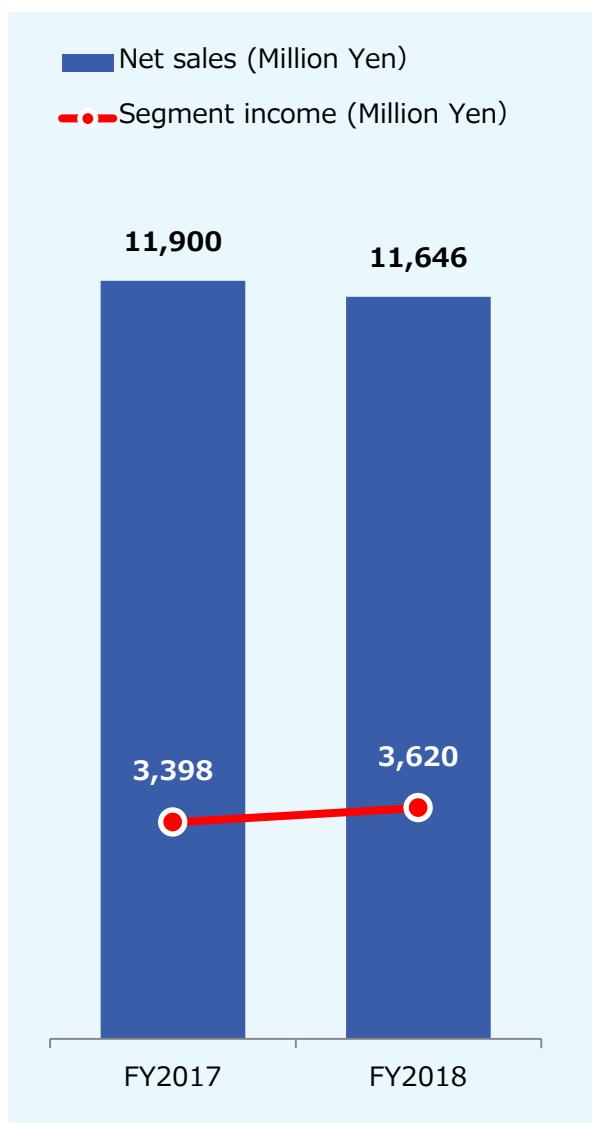
- Auction agency services for vehicle listing and bidding at 112\* physical auction sites nationwide.

# Live linked auctions

- Real-time access to 76\* physical auction sites nationwide.



\*As of December 30, 2018



## Year-on-year decrease in sales and increase in income

### Used vehicle auctions

- Increased auction listings and sales rate, through the full-scale launch of "Value UP Centers" and targeting dealers, rental/lease companies and traders.

### Shared inventory market

- Increased purchased vehicle number by promotion campaigns and positive influence from exporters

### Live-linked auctions

- Despite a decrease in the number of vehicle listed at our partner physical auction sites, the number of vehicles sold through live-linked auctions increased due to increased use of our "Omatome Service"※.

※ A service that arranges transportation for purchased vehicles and consolidates multiple payments for different physical auction sites.

### Proxy bidding service

- Decreased vehicles that were won in auctions due to a cancellation of an auction operated by one of the major on-site auction companies.

### Used vehicle inspection service

- Number of vehicles inspected grew steadily due to an increase in vehicle listings at physical auction sites and demand from large used vehicle sales platforms.

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

# Automobile Business (Segment Performance ②)



| Business                              | KPI                          | FY2018         | Year-on-year |
|---------------------------------------|------------------------------|----------------|--------------|
| Automobile Business<br>(Total)        | Number of sold items         | 436,114units   | 104.4%       |
|                                       | Sales share ※1               | 9.1%           | 0.3point up  |
|                                       | Total number of members      | 14,160         | 98.0%        |
| Used vehicle auctions                 | Total number of listed items | 62,143units    | 106.1%       |
|                                       | Number of sold items         | 19,196units    | 110.2%       |
|                                       | Rate of sale                 | 33.2%          | 1.4point up  |
| Shared inventory market               | Number of sold items         | 12,993units    | 113.1%       |
| Live-linked auctions                  | Listed units                 | 4,565,683units | 94.9%        |
|                                       | Sold units                   | 303,030units   | 108.7%       |
| Proxy bidding service (i-Auc)         | Sold units                   | 100,895units   | 91.6%        |
| Used vehicle inspection service (AIS) | Total inspected units ※3     | 898,426units   | 106.5%       |

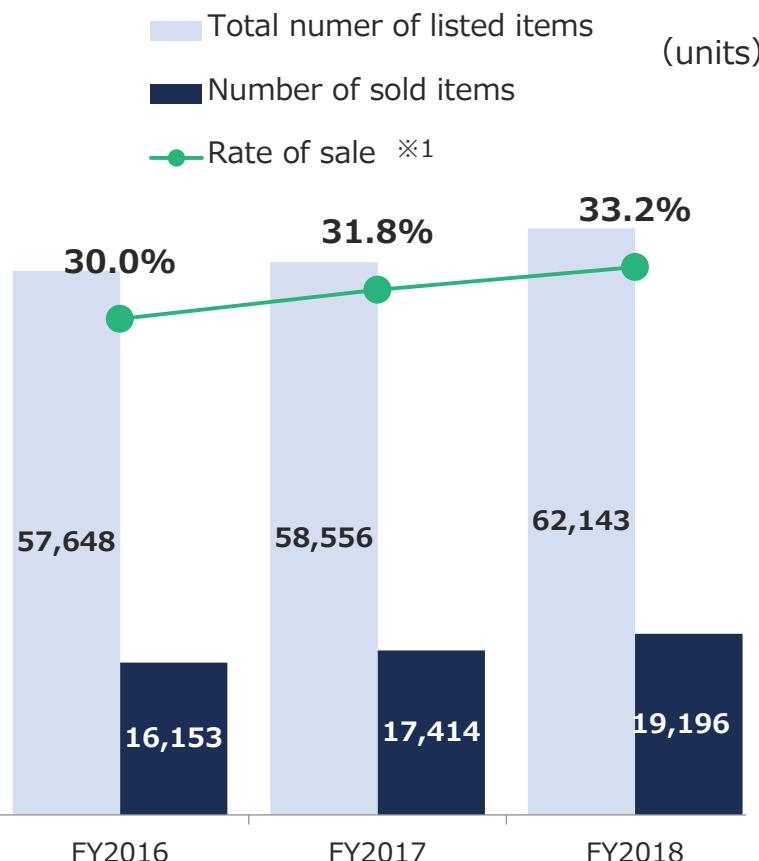
※1 Aucnet's total sales units (including Used vehicle auctions, Shared inventory market, Live linked auctions and Proxy bidding service) as a percentage of 4,745,639 total used vehicle sales units at auction nationwide (based on U-Car Full Data Book and Export Quotation Book).

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

※3 Includes Used motorcycles inspections.

## Scale of AUCNET Distribution Operations

### Number of used vehicles distributed through auctions



### Average price of a sold vehicle in used car auctions (FY2018)

|                   |                |
|-------------------|----------------|
| Market average ≈2 | ¥0.543 million |
| AUCNET INC.       | ¥1.054 million |



※2 Source : U-Car Full Data Book and Export Quotation Book  
 The "Market average" indicated the average of the total domestic auction market excluding AUCNET INC..

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

## Expansion of the scale to used vehicle auctions distribution Operations

### Promotion of Value Up Centers

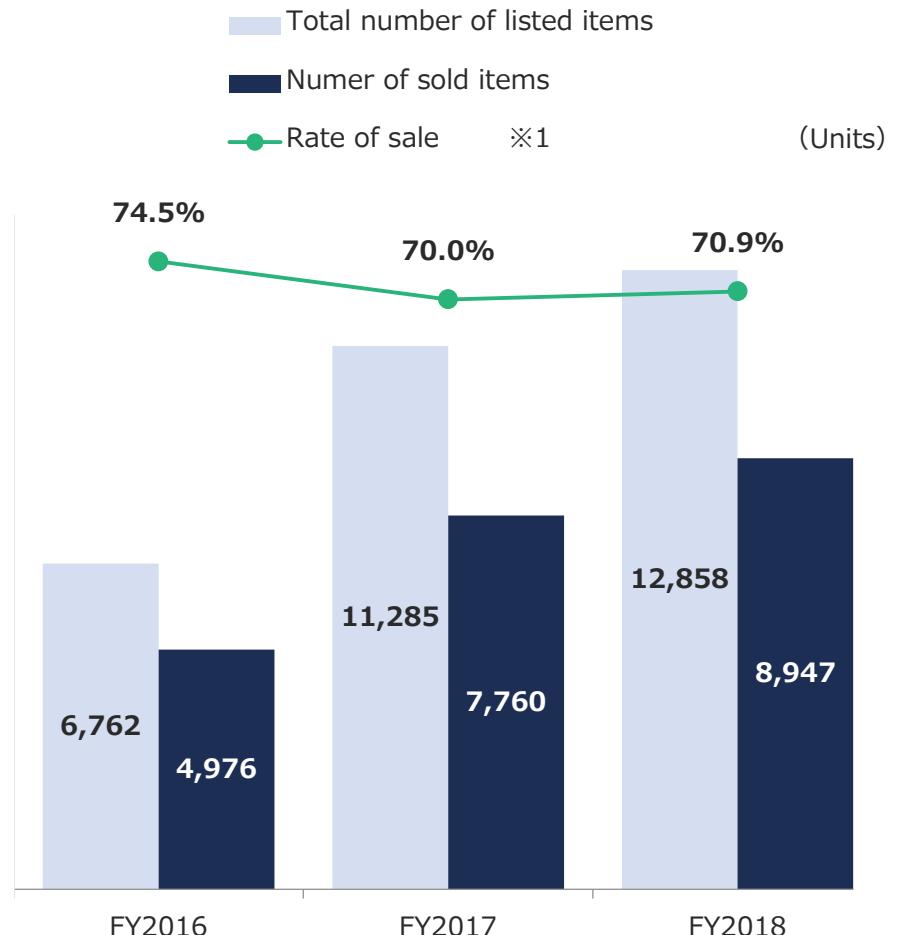
- Aiming to increase the number of vehicles sold at auction, this BPO service, which includes minor repairs, etc., reduces hassle for members and improves the vehicle's presentation and therefore its value at auction.

### What are VUC's (Value Up Centers)?

Targeted at trade-in vehicles of large-scale members, VUC's provide vehicle storage and auction preparation services from the time the vehicle is traded-in until it is sold at auction. This includes AIS inspections, minor repairs, cleaning, etc.



### Distributed units through Value Up Centers



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

## Stimulation of used vehicle distribution: Support used vehicle trade-in appraisal and inventory registration with SATEROKU Premium

### What is SATEROKU Premium ?

App to register used vehicle inventory  
and support trade-in appraisal



### New functions added using accumulated data of AIS

#### AI Assistant for Accident History

Added function to assist appraisal by  
indicating common areas of damage  
for the particular model of car



#### AIS Dictionary Integration

Added function that shows helpful  
information for the particular model  
of car, such as the location of the  
chassis number, etc., for accurate  
inventory registration



- Updated app based on user feedback improves customer satisfaction
- Increases units touched by AUCNET
- Encourages distribution through auction

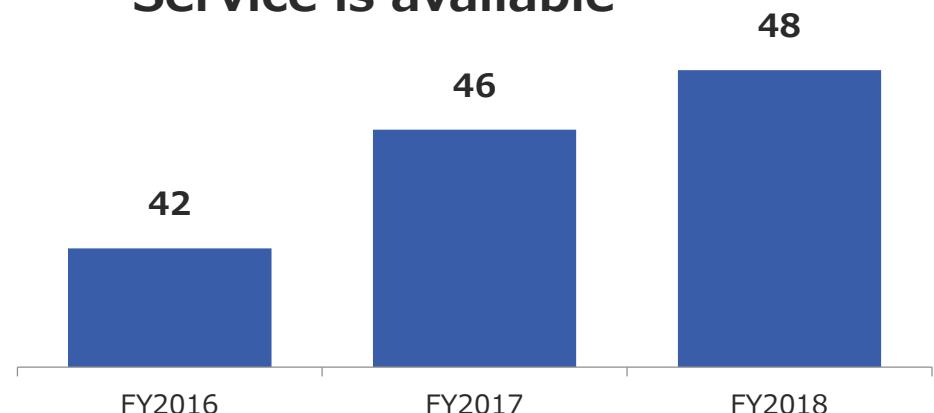
## Stimulation of used vehicle distribution: Promotion to use “Omatome Service”

### What is Omatome Service ?

A service that arranges land transportation for purchased vehicles and consolidates multiple payments for different physical used car auctions, which customers traditionally had to arrange individually with each auction site.

- Consolidated payments
  - Delivery before making payment is available
  - Payment extension is available
  - Automatic land transportation arrangement
- ※ There are options that incur separate processing fees

### Number of auction sites where Omatome Service is available



Improve customer convenience  
Increase membership



### 3. Segment Information

Automobile Business

Digital Product Business

Other Information Distribution Business

Other Business

Providing a distribution market for used PCs, smartphones and tablet devices

## Expansion of **BPO Services** from receipt to distribution

### Auctions for Used PCs, etc.

**Sellers**

Send used PCs



Received at Aucnet's center

- ① Devises inspected, data erased and graded
- ② Photography
- ③ List for auction



Used PCs auction run by Aucnet every Friday.

Product delivered to buyers

Mainly sold to domestic buyers

### Domestic and international used smartphone distribution

**Sellers**

Send used smartphones



Products prepared for sale at Aucnet's center

- ① Devises inspected, data erased and graded
- ② List for sale

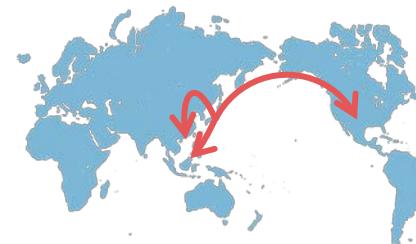


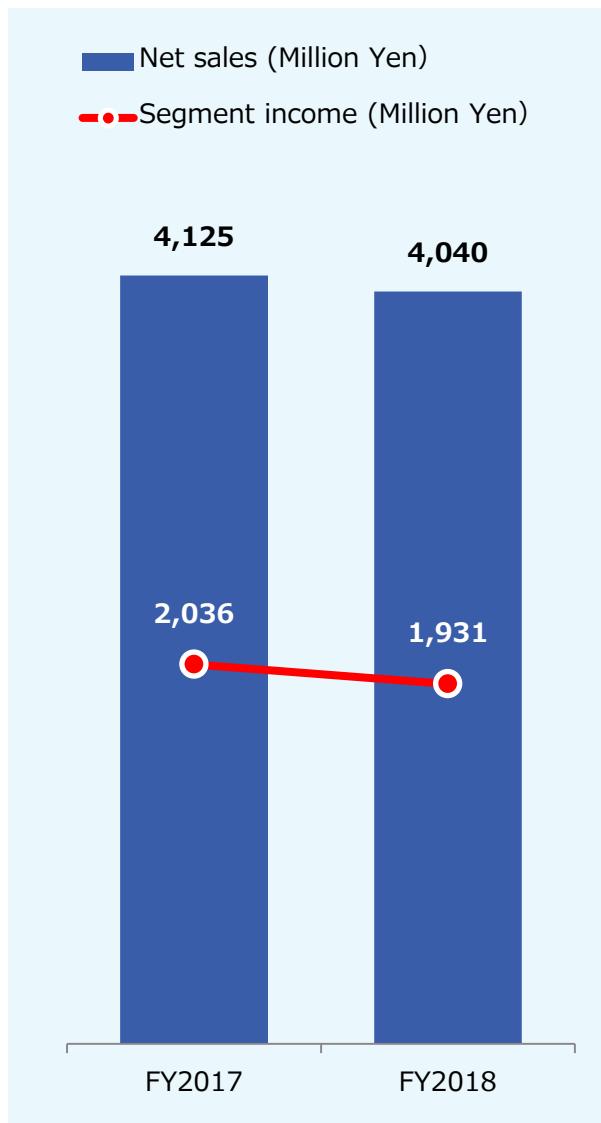
◆ Data erasure software

\*Our equity-method affiliate  
Blancco Japan Inc. (49% ownership)

Online distribution

Product delivered to buyers  
Mainly sold to overseas buyers.  
Southeast Asia, Hong Kong, USA etc.





## Year-on-year decrease in sales and income

### Used smartphones distribution business

- The first half saw restrained purchasing due to the pending release of new model smartphones, however second half sales of the new model were did not meet expectations, leading to low replacement demand. This resulted in a decrease in distributed units compared with the previous year
- Improved profit per unit and secured high selling price by expanding member network globally.

### Used PCs and other used digital equipment distribution business

- Retention efforts for large customers succeeded, and the number of transactions grew steadily.

| Business                        | KPI                      | FY2018         | Year-on-year |
|---------------------------------|--------------------------|----------------|--------------|
| All of Digital Product Business | Total transaction amount | ¥20.2billion   | 76.1%        |
|                                 | Total sales units        | 1,442,156units | 84.5%        |
|                                 | Total number of members  | 531            | 116.7%       |

## Increase in acquisition of new overseas buyers

## Distribution of refurbished devices

### Expanding the total members

(No. of ID's)



- Target buyers not only in Hong Kong and the United States, but all over the world.
- Acquire buyers in a wide range of segments such as wholesalers and retailers

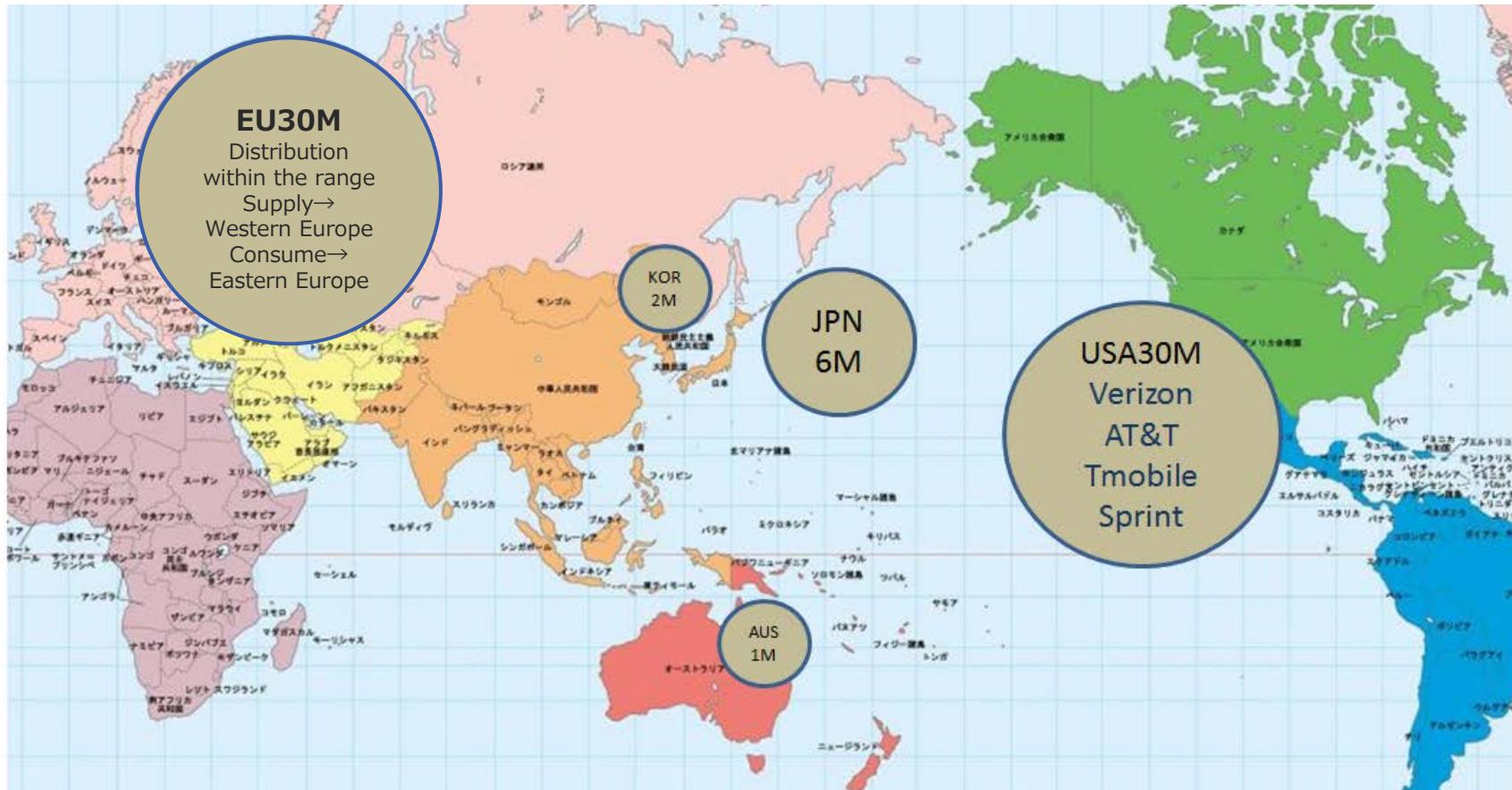


# Global business development

## - Digital Products business market size

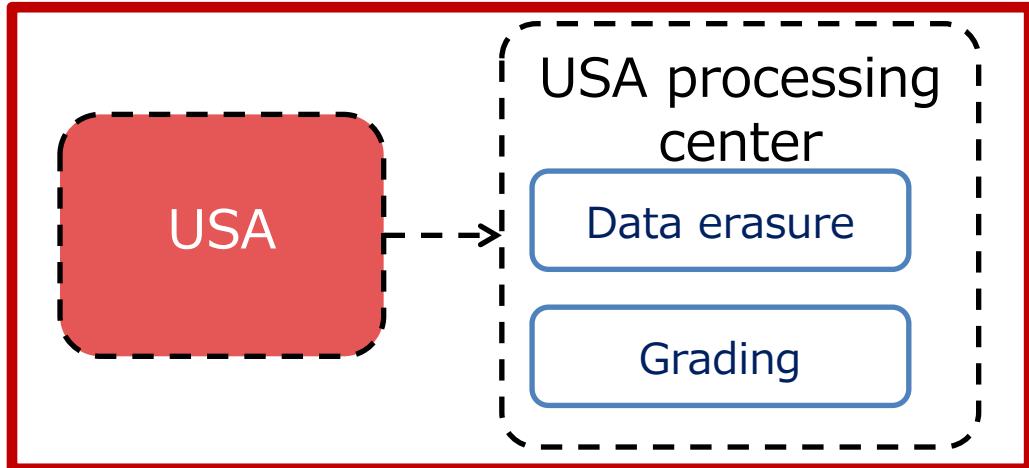
## Launch Digital Product Business in the U.S.A.

Used mobile market in USA is 5 times bigger than Japan



※The figures are estimates based on the feedback from Aucnet buyer network and Blancco network, and survey results by Aucnet research institute.

## Launch Digital Product Business in the U.S.A.



- Established ADP USA, a Delaware LLC company in November, 2018
- Took over the processing center, equipment, management team and employees from a leading used smartphone distribution company in Texas, giving us comparable capabilities in the USA and Japan

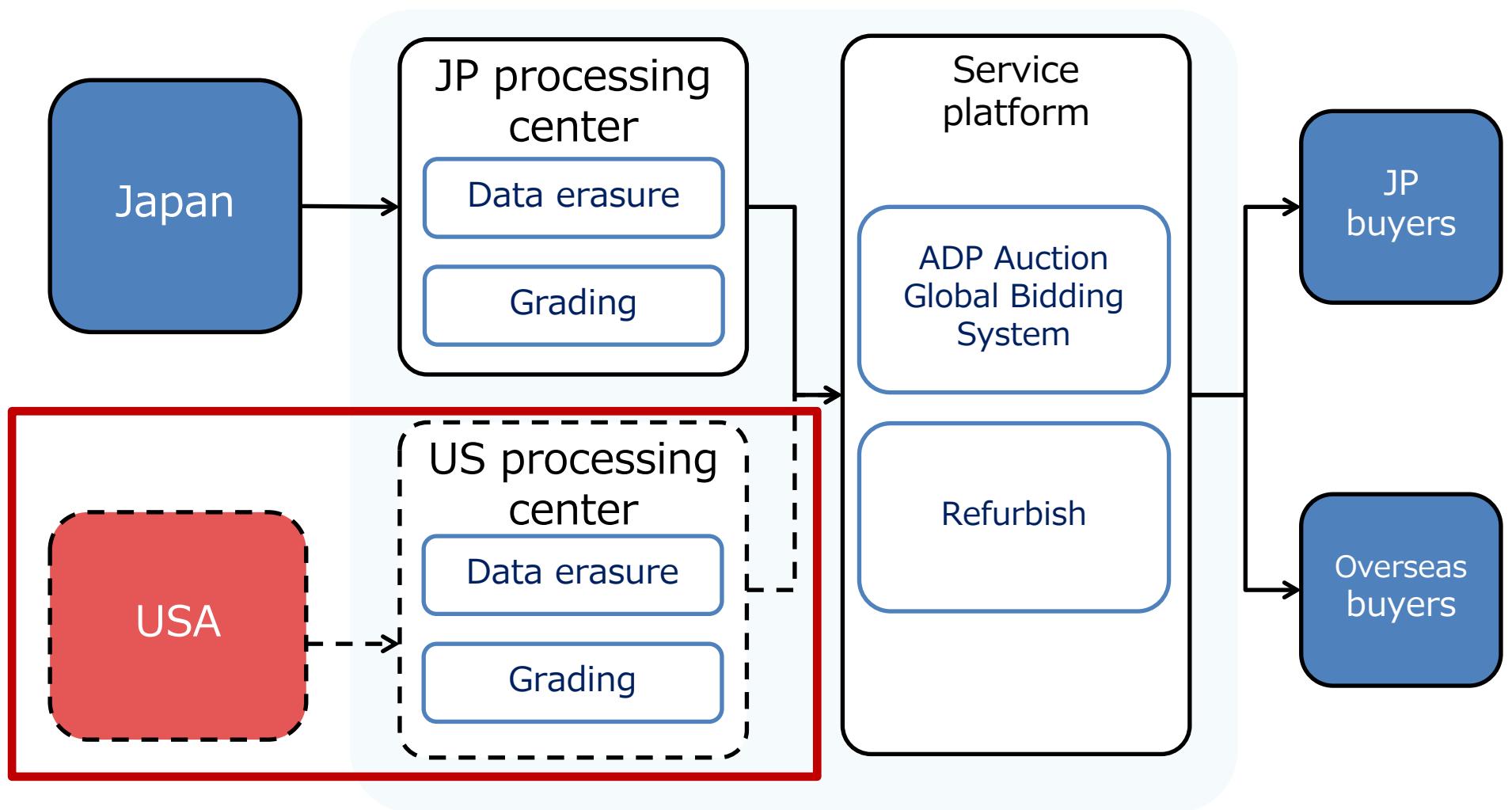


ADP USA obtained R2 certification and ISO14001 which are necessary to run this type of business in the USA and will start operations this spring, with the aim of procuring 30% of products from overseas.

※Responsible Recycling : voluntary principles and guidelines for electrical, electronic and recycling related companies in order to promote responsible actions under US EPA.



## Digital products business development in the near future



### 3. Segment Information

Automobile Business

Digital Product Business

**Other Information Distribution Business**

Other Business

# Other Information Distribution Business (Overview)



Facilitating the distribution of various products through online auctions

## Pre-owned luxury brand items



Since 2017 Premium Mall ❁



❁ Auction members share information on pre-owned luxury brand items in stock, facilitating negotiation and trading.

## Used motorcycles

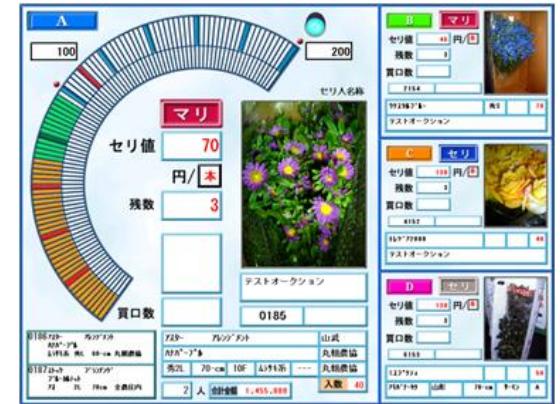


Since 2018 One price ❁



❁ Members can buy used motorcycles at any time with one click, 24 hours a day 7 days a week, for a fixed price via the online system.

## Flowers (cut and potted)

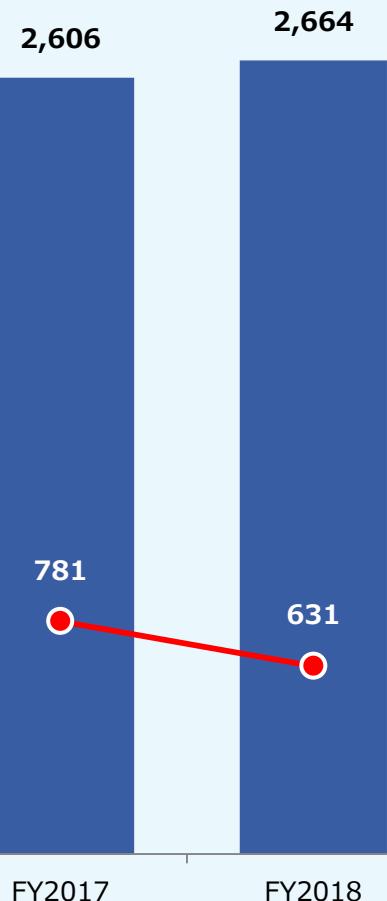


Since 2018 Zoto no Madoguchi ❁



❁ "Zoto no Madoguchi" is a service to provide gift flowers to companies.

Net sales (Million Yen)  
--- Segment income (Million Yen)



## Year-on-year increase in sales and decrease in income

### Pre-owned luxury brand items

- Increased both transacted amount and total number of items listed at auctions by increasing auction demand from overseas buyers through business collaboration with US companies, etc.

### Used motorcycles

- Maintained auction listing volume from previous year, however units sold decreased due to slack retail demand

### Flowers (cut and potted)

- Decreased transacted amount due to natural disasters such as typhoons, though the number of members increased as a result of sales measures.

# Other Information Distribution Business (Segment Performance)

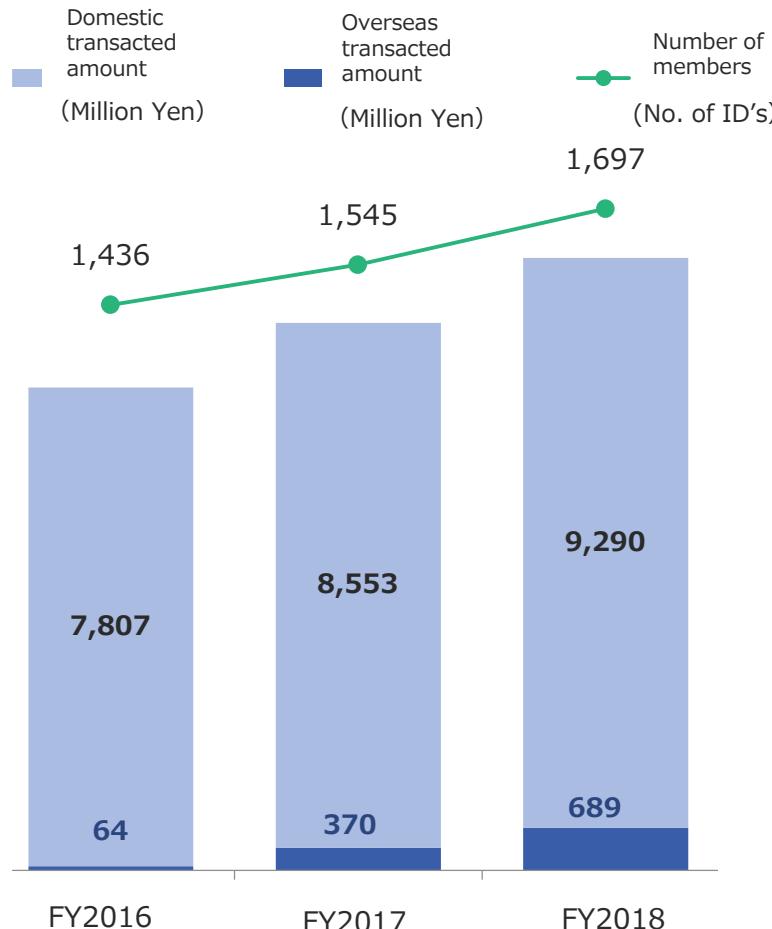


| Business                        | KPI                                  | FY2018              | Year-on-year         |
|---------------------------------|--------------------------------------|---------------------|----------------------|
| Pre-owned Luxury<br>brand items | Total transaction amount             | <b>¥9.9billion</b>  | <b>111.8%</b>        |
|                                 | Total number of listed items         | <b>433,381units</b> | <b>115.8%</b>        |
|                                 | Rate of sale                         | <b>73.9%</b>        | <b>3.0point down</b> |
|                                 | Total number of members              | <b>1,697</b>        | <b>109.8%</b>        |
| Used motorcycles                | Total transaction amount             | <b>¥7.1billion</b>  | <b>92.3%</b>         |
|                                 | Total number of listed items         | <b>64,059units</b>  | <b>100.2%</b>        |
|                                 | Rate of sale                         | <b>43.0%</b>        | <b>5.1point down</b> |
|                                 | Total number of members              | <b>4,523</b>        | <b>99.8%</b>         |
| Flowers<br>(cut and potted)     | Total transaction amount             | <b>¥6.3billion</b>  | <b>98.4%</b>         |
|                                 | Total number of members<br>(buyer)   | <b>1,082</b>        | <b>100.1%</b>        |
|                                 | Total number of members<br>(growers) | <b>3,174</b>        | <b>104.6%</b>        |

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

## Pre-owned luxury brand items

### Growth in pre-owned luxury brand items auction distribution



### Expansion of global auctions

- Overseas transaction share increased.**  
Members in Hong Kong, US, Canada, South East Asia and Europe took part in auctions.
- Business collaboration with a US company**  
Entered a collaboration with LePrix, a US company on 4<sup>th</sup> July, 2018.  
Over 500 LePrix members have access to Aucnet auctions.
- Starting Auction in Singapore**  
Established a joint venture "SG E-AUCTION PTE.LTD." with a major corporation in Singapore. Online auctions run in Singapore.  
Singapore will serve as the base to further expand distribution of pre-owned luxury brand items in Southeast Asia.



## Used motorcycles

### Measures to increase distribution volume

- Updated the inspection system logic and how we list inspection results to provide our members more accurate inspection information.
- Focus on attracting more customers through the SEO of “Baiku Madoguchi”\*, which is performing well.

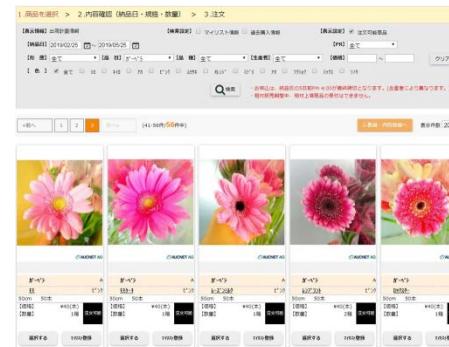
\*A consumer-facing website of for information and support of used motorcycles



## Flowers (cut and potted)

### Enforce new measures for business expansion

- Started “Pre-order”\* service  
※Service that allows members to choose flowers in advance from listing information, rather than the traditional practice of waiting until the flowers are actually available
- Focusing on securing major companies to expand the business on 「Zoto no Madoguchi」



## 3. Segment Information

Automobile Business

Digital Product Business

Other Information Distribution Business

Other Business

# Measures of other business - medical equipment

Existing business

## Used medical equipment distribution Bidding online auctions

Distributing medical equipment such as ultrasonic diagnostic equipment for Japanese market.



## Medical equipment related business

Sales of NOMOCa-stand, KIOSK devices



October, 2018~

## Medical video platform for doctors [iryoo.com](http://iryoo.com)

Providing a video platform by collaborating with Nikkei Medical where doctors can share and increase their medical knowledge through videos



- Became independent division of Aucnet Group as the “Medical Business Division” due to business expansion. (Previously operated as the Medical Business Team in the new business division until December, 2018)
- Focus on Aucnet’s medical business expansion with Aucnet Medical Inc. and Iryoo.com Inc.

## 4 . Forecast of Consolidated Results

# Year ending December 31, 2019

## Forecast of Consolidated Results

|   | FY2018      |        | FY2019 (Forecast) |        |              |
|---|-------------|--------|-------------------|--------|--------------|
|   | Performance | Margin | Forecast          | Margin | Year-on-year |
| Net sales                               | 19,492      | —      | 20,624            | —      | +5.8%        |
| Operating income                        | 3,219       | 16.5%  | 3,512             | 17.0%  | +9.1%        |
| Ordinary income                         | 3,308       | 17.0%  | 3,679             | 17.8%  | +11.2%       |
| Profit attributable to owners of parent | 1,707       | 8.8%   | 2,157             | 10.5%  | +26.3%       |
| Basic earnings per share                | 62.19 Yen   | —      | 78.42 Yen         | —      | 16.23 Yen    |
| Divided per share                       | 26.00 Yen   | —      | 26.00 Yen         | —      | 0.00 Yen     |

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

# Shaping the Future of Commerce

At AUCNET Group, we provide cutting edge distribution and inspection systems that add the value of “trust” to various types of information. Our online platforms deliver valuable services and meaningful information to our customers, and create a highly efficient distribution ecosystem, with minimal impact on the environment. We continuously innovate to provide new services that are tailored to customer needs and exceed their expectations.

## INNOVATION