



AUCNET GROUP

Shaping the Future of Commerce

AUCNET INC.
First Half 2017
Results Briefing

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I . Company Overview

Real-time auction business

B to B business

Information distribution platform



Real-time Auction Business

Aucnet v1.12.5 - AucNeo Station HYPER

https://search.aucneostation.com/KARTA/production_auto/karta.php

「セリTOPへ戻る」

GOOD Setting Help ON ON ID:000000

1 ch

23年デミオ R点

START

14.4 万円

応札

2 ch

23年デミオ 3.5点

あと少し

19.5 万円

応札

3 ch

25年 AMG Cク... 5.0点

売りつくし

473.5 万円

応札

出品番号 190

グレード 1.3C

年式 23

型式 DBA-DE3FS

駆動 2WD

ドア 5人

燃料 GS

排気量 1300cc

車種 家用

外装 C

内装 C

走行 111,442km

車検 30年 02月 AC

シフト リサイクル

モデル B No

IAI 10,410円

カラーN 22Y

車検No

注意事項申告欄 (修理・不具合箇所および状態等)

さざりレンタリース対象車 引渡可能日07月05日

出品番号 290

グレード 1.3C

年式 23

型式 DBA-DE3FS

駆動 2WD

ドア 5人

燃料 GS

排気量 1300cc

車種 家用

外装 D

内装 D

走行 141,452km

車検 30年 02月 AC

シフト リサイクル

モデル B No

IAI 10,410円

カラーN A40

車検No

注意事項申告欄 (修理・不具合箇所および状態等)

さざりレンタリース対象車 引渡可能日07月05日

出品番号 360

グレード C63 パフォーマンスパッケージ

年式 25

型式 CBA-204377

駆動 2WD

ドア 4人

燃料 GS

排気量 6300cc

車種 家用

外装 A

内装 B

走行 12,630km

車検 30年 02月 AC

シフト リサイクル

モデル B No

IAI 25,210円

カラーN 799

車検No

注意事項申告欄 (修理・不具合箇所および状態等)

レーダーセーフティーパッケージ カーボンパッケージ

検査有効: 28/05/27 ~ 28/08/25

検査員コメント

■さざりレンタリース対象車■

車両引渡可能日 7月5日

修復歴 A

左RサイドメンバーU

エンジンルームS<中>

ミラー A

室内汚れ有

天井裏にほこり<小>

シートレールと運転席すれ<小>

ドア内張りA<中>

ハンドル握れ<小>

コラムカバーA

フロアマット座<中>

外装小傷数箇所

Fパシバ下面切れ<小>

Fパシバ下面A<大>

Fガラス飛び石<小>

リアガラス割れ<小>

ホイールカバー割れ

下回りS<中>

型式指定 寸法(参考) 長さ 15700 幅 1680 高さ 251

検査有効: 28/06/02 ~ 28/08/31

検査員コメント

■さざりレンタリース対象車■

車両引渡可能日 7月5日

ミラー A

室内汚れ有

ダッシュボードのり付着

運転席すれ<小>

ドア内張りA<小>

ピラー内張りA<小>

ハンドル握れ<中>

コンソールE.T.C取付

コンソールA<中>

グローブボックスA<中>

右ウレターベルトAU

外装小傷有

Fガラス割れ1cm

香煙跡3枚

ホイールカバー割れ

型式指定 寸法(参考) 長さ 2880 幅 1680 高さ 1470

検査有効: 28/06/23 ~ 28/09/21

検査員コメント

運転席わさしわ<小>

ハンドル握れ<小>

Fパシバ下面A<小>

Fガラス飛び石<小>

型式指定 寸法(参考) 長さ 4470 幅 1790 高さ 1470

訂正

190 23年

ラティオ 1.5 B

表示

190 21年

カラーフィールダー X

成約 48.5 万円

類似車 表示

訂正

290 24年

AD VE

表示

290 24年

ハイゼットカーゴ 4WD スペシャ...

成約 25.9 万円

類似車 表示

訂正

360 25年

アウディ A8 3.0 TFSI...

表示

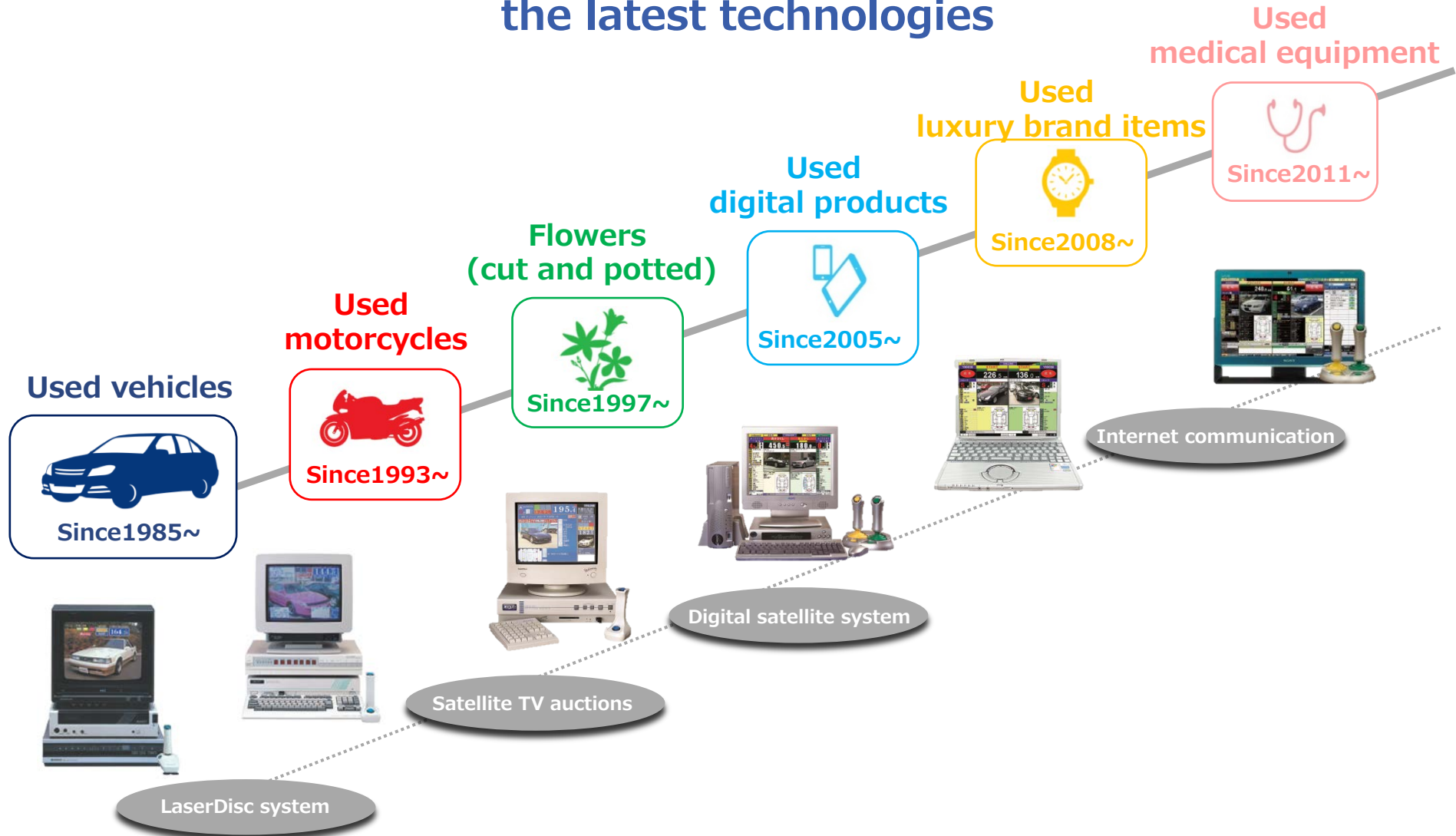
360 24年

CR-V 4WD 2.4 G

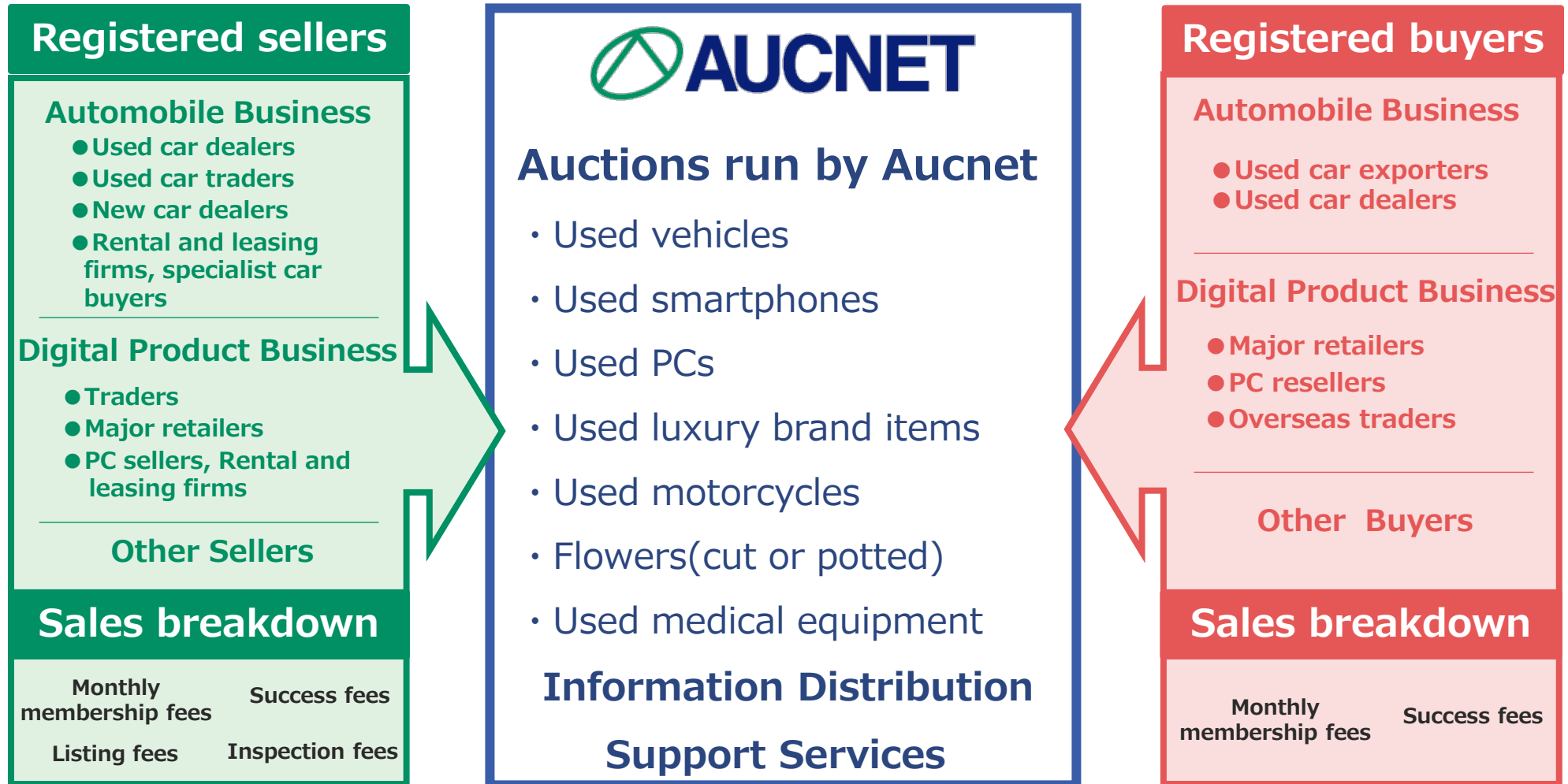
成約 144.5 万円

類似車 表示

Started business with TV auctions of used vehicles
Aucnet has developed its auction business by consistently adopting the latest technologies



Real-time auction platform company Providing B to B information distribution services



Scale of Aucnet's Distribution Operations



(annual)
Total transaction amount

¥345.2 billion



Membership

24,578 companies

Automobile Business

Transaction
Amount (annual)

¥299.7 billion



Digital Product Business

Transaction
Amount (annual)

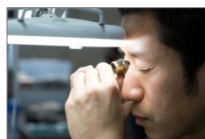
¥22.8 billion



Other Information Distribution Business

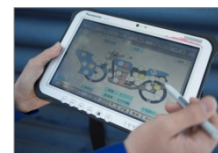
Used luxury brand items

Transaction
Amount (annual)
¥7.8 billion



Used motorcycles

Transaction
Amount (annual)
¥7.8 billion



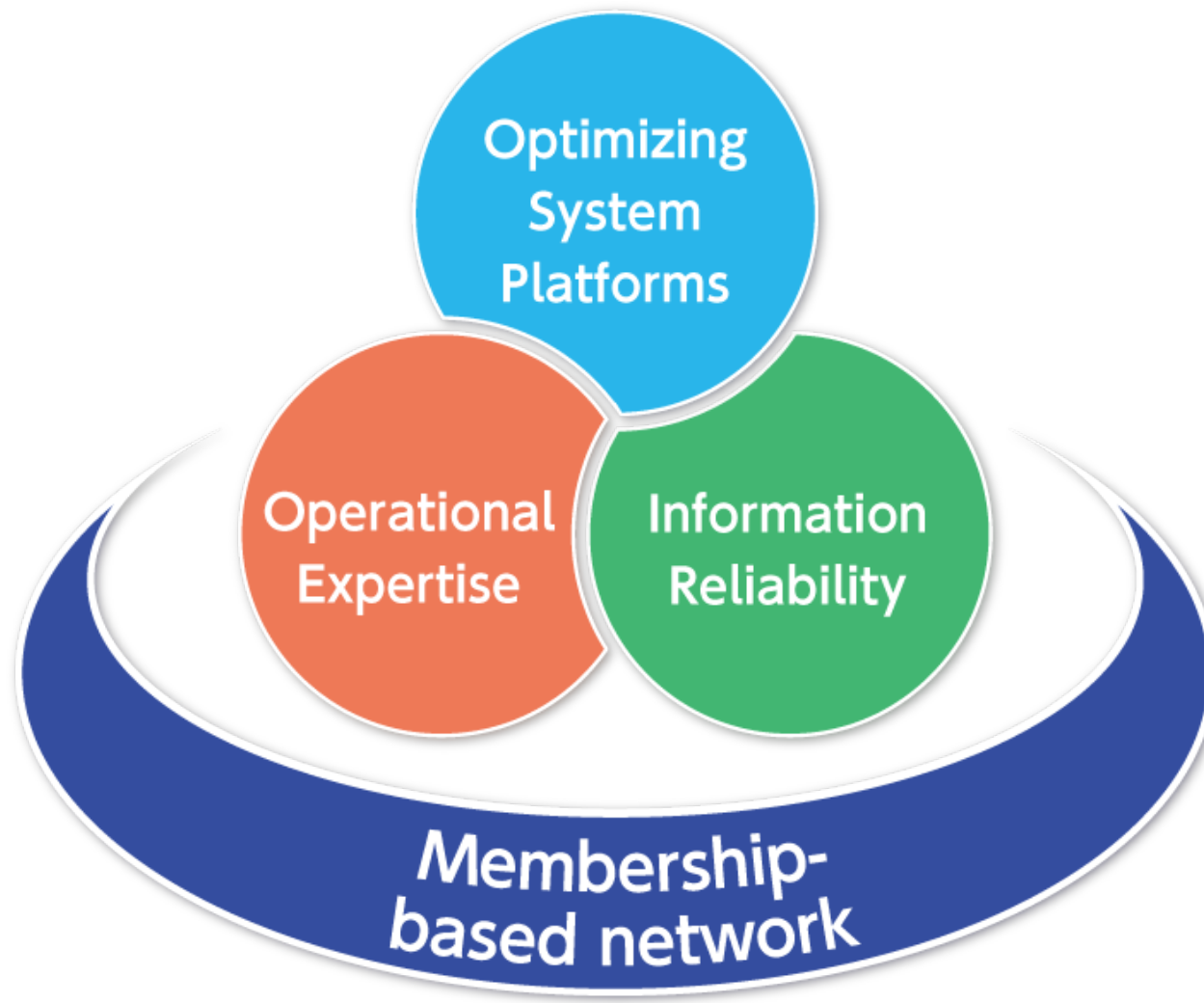
Flowers (Cut and potted)

Transaction
Amount (annual)
¥6.8 billion



Note: Transaction Amount: Total value of transactions for completed auctions in each business .(FY16)
Membership number : Unique members. (FY16)

Core Competencies Supporting Aucnet's Real-time Auctions



Our information distribution platform is comprised of six business solutions



Financial Services : We provide financial and guarantee support services.
BPO Support : We provide business process outsourcing and consulting services.

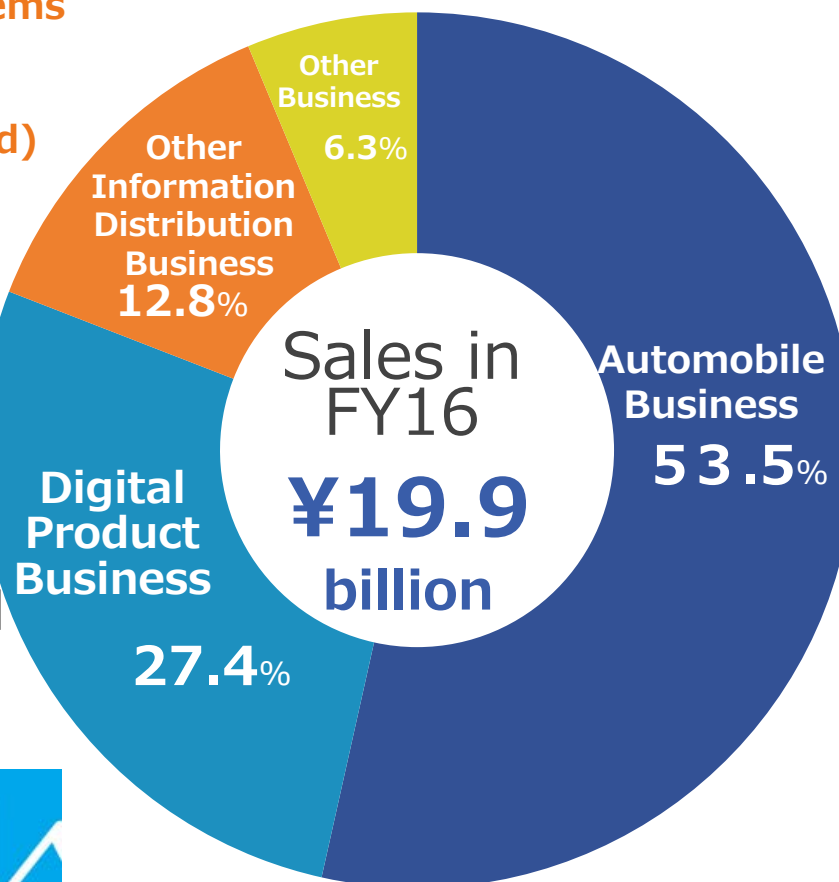
【Other Information Distribution Business】

- Used luxury brand items
- Used motorcycles
- Flowers (cut or potted)



【Automobile Business】

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



【Digital Product Business】

- Used smartphones
- Used PCs etc.



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

II . Consolidated Results for Second Quarter

Consolidated Performance Summary

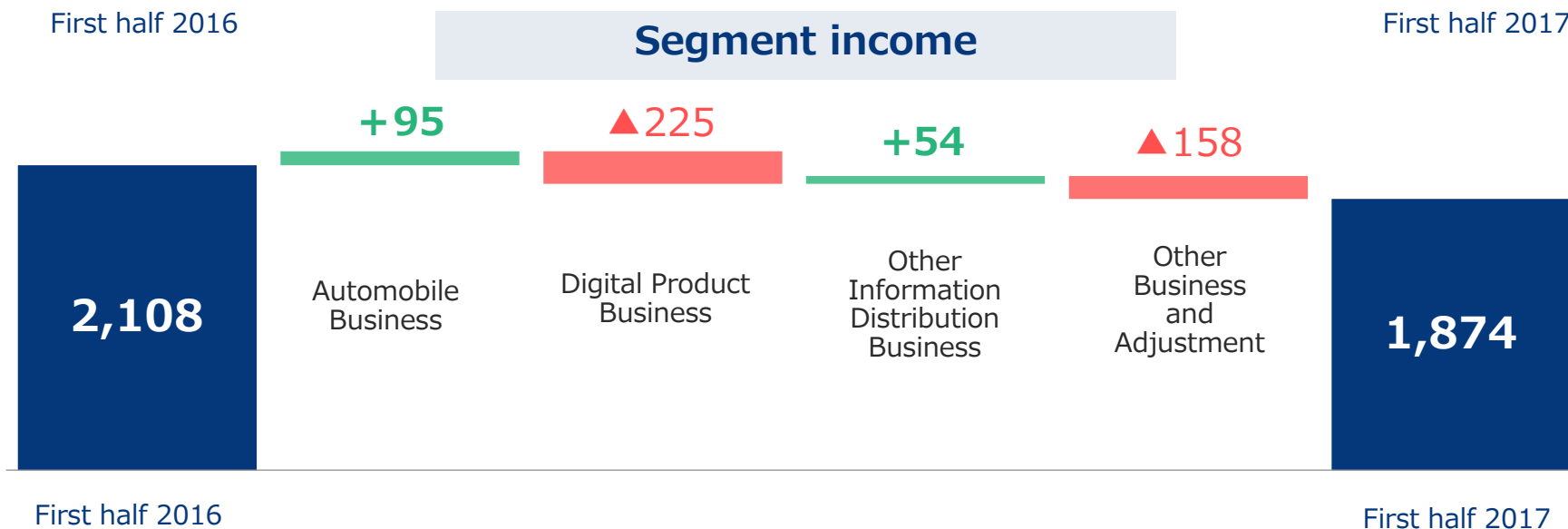
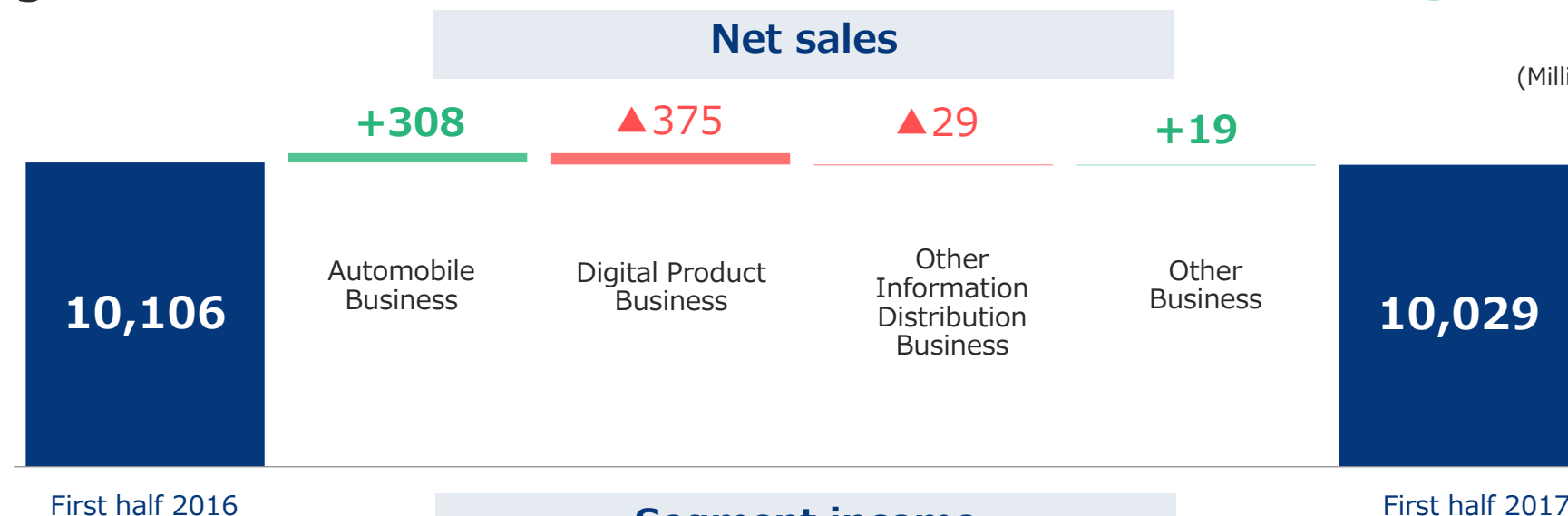
(Million Yen)

	First half 2016		First half 2017		
	Performance	Margin	Performance	Margin	Year-on-year
Net sales	10,106	–	10,029	–	△ 0.8%
Operating income	2,108	20.9%	1,874	18.7%	△ 11.1%
Ordinary income	2,104	20.8%	1,923	19.2%	△ 8.6%
Profit attributable to owners of parent	1,053	10.4%	1,047	10.4%	△ 0.6%
Profit attributable to owners of parent (Excluding goodwill)	1,534	15.2%	1,528	15.2%	△ 0.4%
Basic earnings per share	43.81 Yen	–	41.09 Yen	–	(△ 2.72Yen)
Dividend per share	–	–	13.00Yen	–	(13.00Yen)

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

Segment Increase/Decrease

(Million Yen)



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.

III. Segment Information

Automobile Business

Digital Product Business

Other Information Distribution Business

New Businesses

III. Segment Information

Automobile Business

Digital Product Business

Other Information Distribution Business

New Businesses

Automobile Business (Overview)

Providing total support for used vehicle distribution, primarily through TV auctions

Aucnet has operated its auction business
without use of physical vehicle lots since inception

Used vehicle TV auctions *

- All vehicles are inspected by AIS, ensuring confidence in quality.
- 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 on approximately 40,000 vehicles* in stock, facilitating negotiation and trading.



*As of December 31,2016

Live-linked auctions (Network Auto Auction)

- Real-time access to 75 physical auction sites nationwide.

Proxy bidding service (i-Auc)

- Auction agency services for vehicle listing and bidding at 125 physical auction sites nationwide.

* About used vehicle TV auctions:



Real-time used vehicle auctions for members held online by the Company.

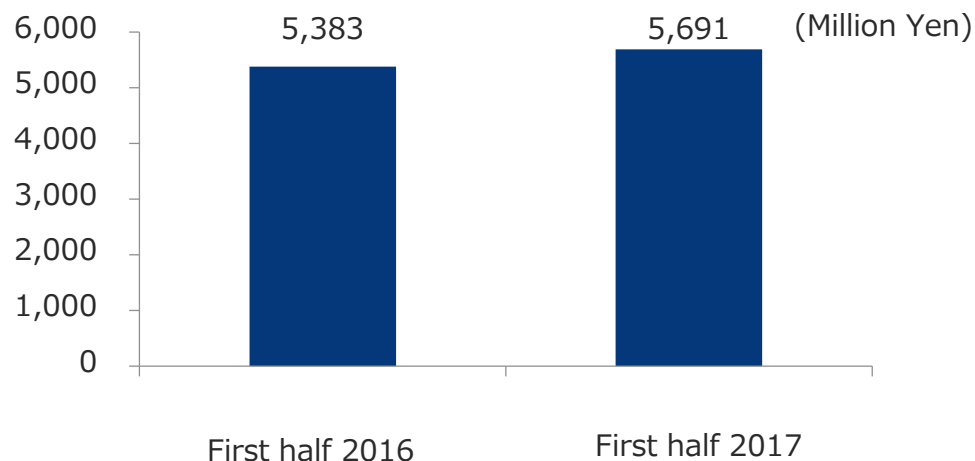
Vehicle inspection service (AIS)

- Rigorous and fair inspection and evaluation system for vehicles listed at auction performed by AIS Inc., an Aucnet subsidiary.
- Nationwide vehicle inspection and evaluation provided at customer sites.
- Six centers, 18 service blocks, approximately 170 qualified inspectors*.

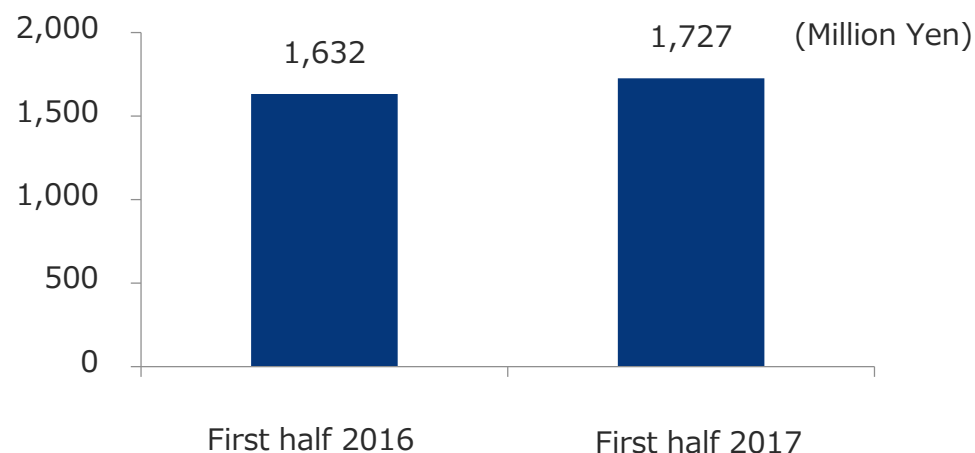


*As of December 31,2016

Net sales



Segment income



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

Year-on-year increase in sales and income

Used vehicle TV auctions

- Increased auction listings and contract completion rate, through the full-scale launch of “Value Up Centers” and targeting dealers, rental/lease companies and traders.

Shared inventory market

- Despite implementing measures to attract large-scale clients, the number of sold vehicle declined.

Live-linked auctions

- Increase in sold vehicles due to increase in listed vehicles at member physical auction sites, and increase in purchases by exporters.

Proxy bidding service

- Increase in sold vehicles due to improved usability of renewed web-based search system.

Used vehicle inspection service

- Increase in number of vehicles inspected due to increase in vehicle listings at physical auction sites and demand from large used vehicle sales platforms.

Automobile Business (Segment Performance)

Business / KPI		First half 2017	Year-on-year
Total sales units		213,330 units	107.0%
Sales share (TVAA, Shared inventory market, NWAA and i-Auc)		8.6% ※1	0.3 Point up
Used vehicle TV auctions (TVAA)	Total number of listed items	29,062 units	96.9%
	Number of sold items	8,364 units	104.2%
	Rate of sale	30.7%	2.1Point up
Shared inventory market	Number of sold items	5,458 units	89.4%
Live-linked auctions (NWAA)	Listed units	2,540,084 units	105.9%
	Sold units	141,770 units	107.9%
The proxy bidding service (i-Auc)	Sold units	57,738 units	107.2%
Used vehicle inspection service (AIS)	Total inspected units	423,045 units ※2	116.7%
Total automobile business members		14,452	100.3%

※1 Aucnet's total sales units (including Used vehicle TV auctions, Shared inventory market, Live-linked auctions and proxy bidding service) as a percentage of 2,469,126 total used vehicle sales units at auction nationwide (based on U-Car Full Data Book).

※2 Includes Used motorcycles inspections.

● Boost Used Vehicle TV Auction (TVAA) Value

- Target high value vehicles to increase participation and sales ratio at auctions.
- Establish and monetize BPO services anchored by the “Value Up Center” (VUC).

1 Value Up Center (VUC)

Centers where vehicles to be auctioned are collected, inspected and prepared for sale (7 sites nationwide).

2 Special supplier auctions (Kanmuri Auctions)

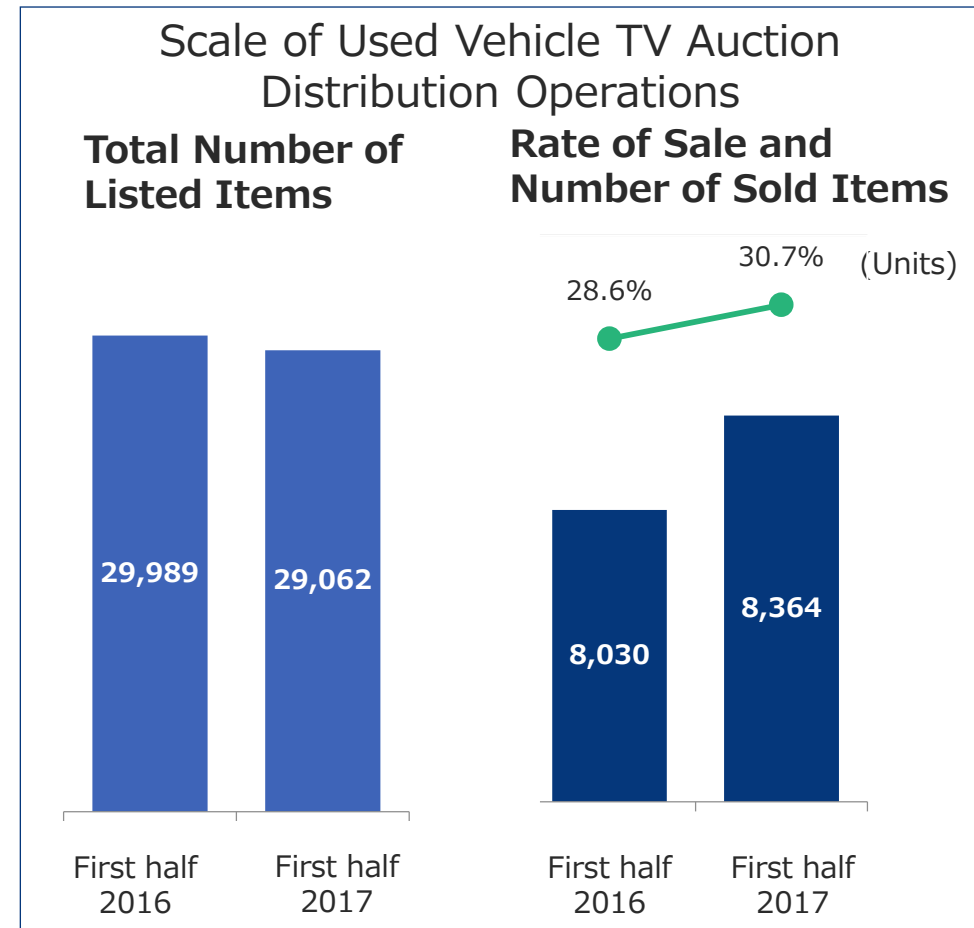
Auctions that highlight the name of the seller such as large dealer groups, manufacturers, major importers, etc..

3 Auctions-in-advance (Sakidori auctions)

Strengthen relationships with vehicle leasing and rental companies through auctions for fleet vehicles that are still in use.

4 Certified Pre-owned inspections for large used vehicle sales platform

Undertake inspection of vehicles listed used vehicle sales platform Car Sensor.



● Expansion Strategy for Shared Inventory Platform

- Increase repeat business of large clients and introduce more competitive fees.
- Analyse transaction data to effectively target promotions to increase use of the service.

● Increase Convenience and Ease-of-use to Increase Transaction Volumes

- Improve vehicle search speed by introducing new auction terminal.
- Increase transactions by using 3 auction channels at simultaneously.



III. Segment Information

Automobile Business

Digital Product Business

Other Information Distribution Business

New Businesses

Digital Product Business (Overview)

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

Products prepared for sale

Devices inspected and evaluated



◆ Date erasure software

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



Trading platform

Online auction



Item No.	Item Name	Brand	Model	Spec	Qty	Unit Price	Total Price
201601010101	Apple iPhone 4S (16GB)	Apple	iPhone 4S (16GB)	16GB	1	1,000	1,000
201601010102	Apple iPhone 4S (16GB)	Apple	iPhone 4S (16GB)	16GB	1	1,000	1,000
201601010103	Apple iPhone 4S (16GB)	Apple	iPhone 4S (16GB)	16GB	1	1,000	1,000
201601010104	Apple iPhone 4S (16GB)	Apple	iPhone 4S (16GB)	16GB	1	1,000	1,000
201601010105	Apple iPhone 4S (16GB)	Apple	iPhone 4S (16GB)	16GB	1	1,000	1,000
201601010106	Apple iPhone 4S (16GB)	Apple	iPhone 4S (16GB)	16GB	1	1,000	1,000
201601010107	Apple iPhone 4S (16GB)	Apple	iPhone 4S (16GB)	16GB	1	1,000	1,000
201601010108	Apple iPhone 4S (16GB)	Apple	iPhone 4S (16GB)	16GB	1	1,000	1,000
201601010109	Apple iPhone 4S (16GB)	Apple	iPhone 4S (16GB)	16GB	1	1,000	1,000
201601010110	Apple iPhone 4S (16GB)	Apple	iPhone 4S (16GB)	16GB	1	1,000	1,000

Bids accepted from businesses in Japan and overseas

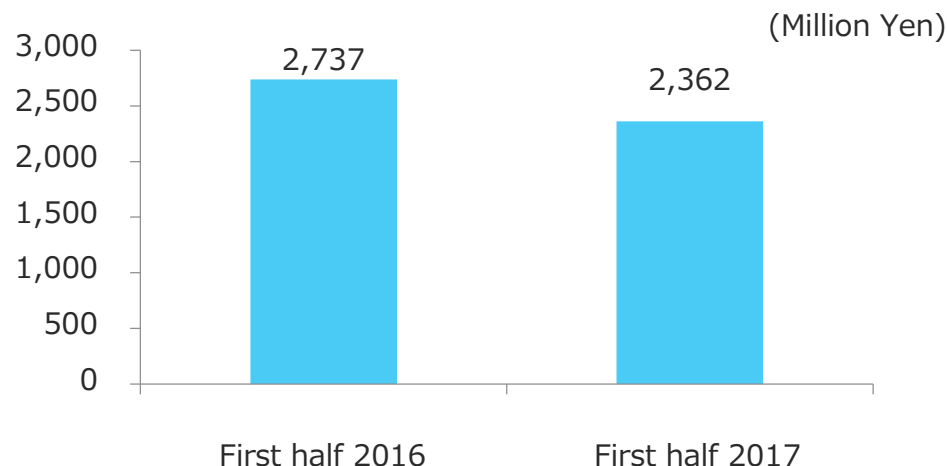
Product delivered to buyer

Used PCs mainly sold in Japan.
Used smartphones, tablets mainly sold to overseas bidders.

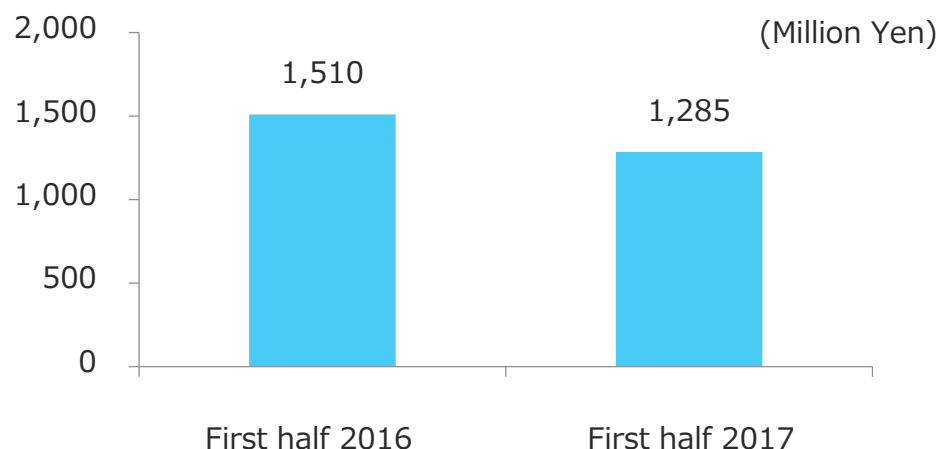
Southeast Asia,
Hong Kong, USA etc.



Net sales



Segment income



Year-on-year decrease in sales and income

Used smartphones distribution business

- Last year saw high replacement demand for new smartphones and corresponding high supply of used devices. This year saw less demand for new. Smartphones and corresponding less supply of used.
- The trade-in model of major smartphones shifted to the next-generation type and transaction values increased due to higher price per unit.

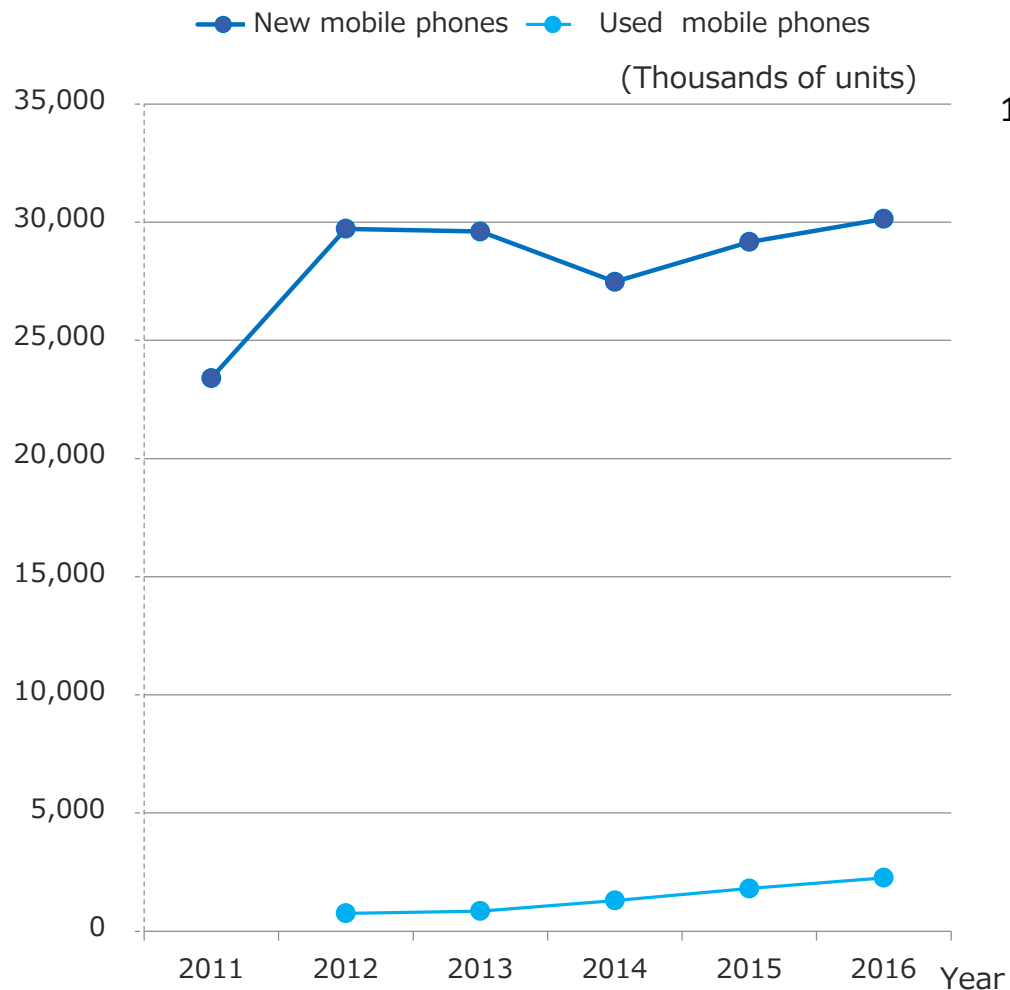
Used PCs and other used digital equipment distribution business

- Increase units sold by successfully increasing repeat business.

Business / KPI		First half 2017	Year-on-year
All of DP Business	Total transaction amount	¥13.9billion	132.1%
All of DP Business	Total members	424	139.0%
All of DP Business	Total sales units	867,000 units	88.9%

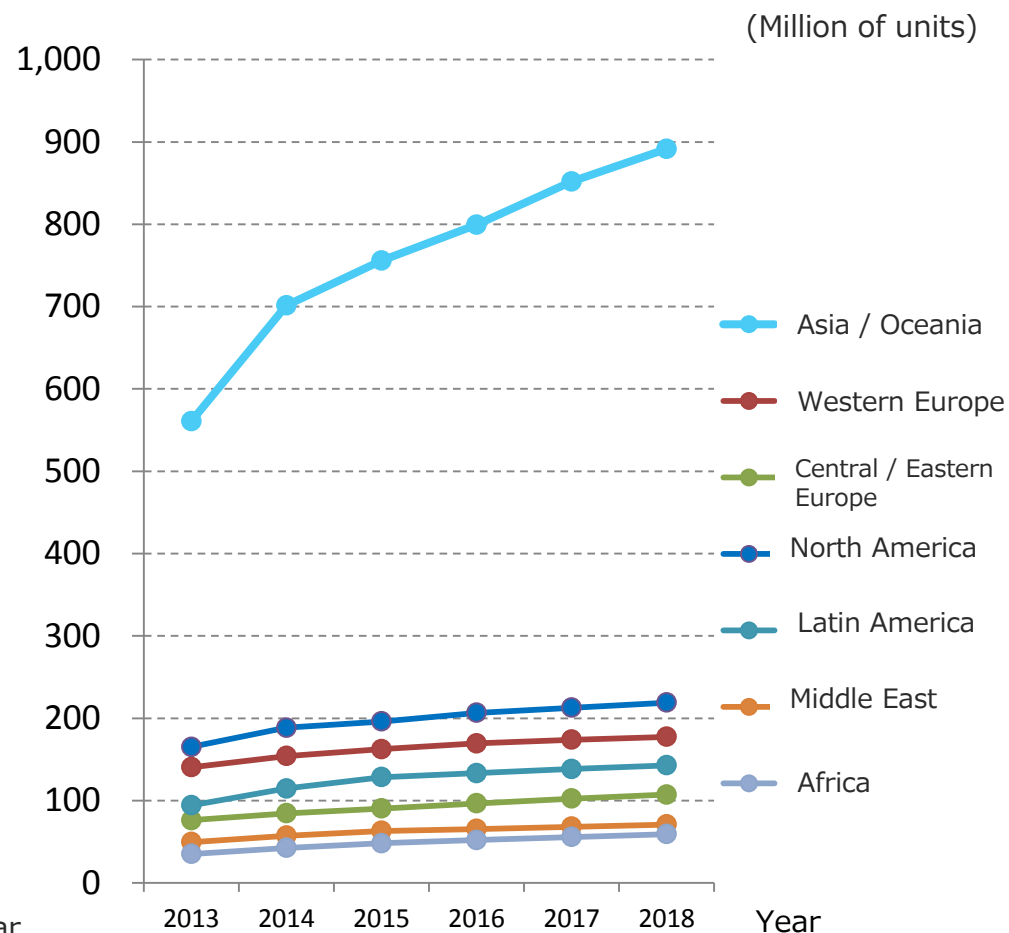
*DP Business = Digital Product Business

Domestic Digital Device Market



Source: MM Research Institute, Ltd.; Used smart phone figures for 2014, 2015 and 2016 are forecasts.

Smartphone Shipments by Region



Source: Yano Research Institute Ltd.; Figures for 2015 are preliminary estimates; figures for 2016, 2017 and 2018 are forecasts.

III. Segment Information

Automobile Business

Digital Product Business

Other Information Distribution Business

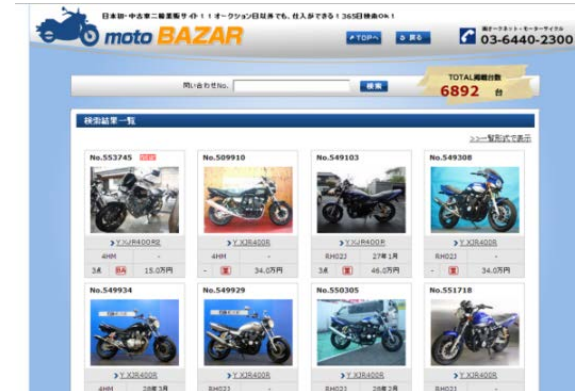
New Businesses

Facilitating the distribution of various products through online auctions

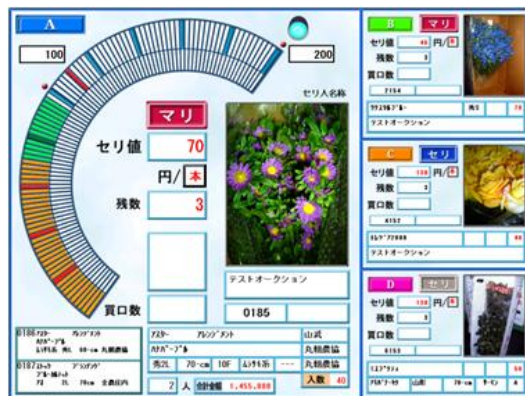
Used luxury brand items



Used motorcycles



Flowers (cut and potted)



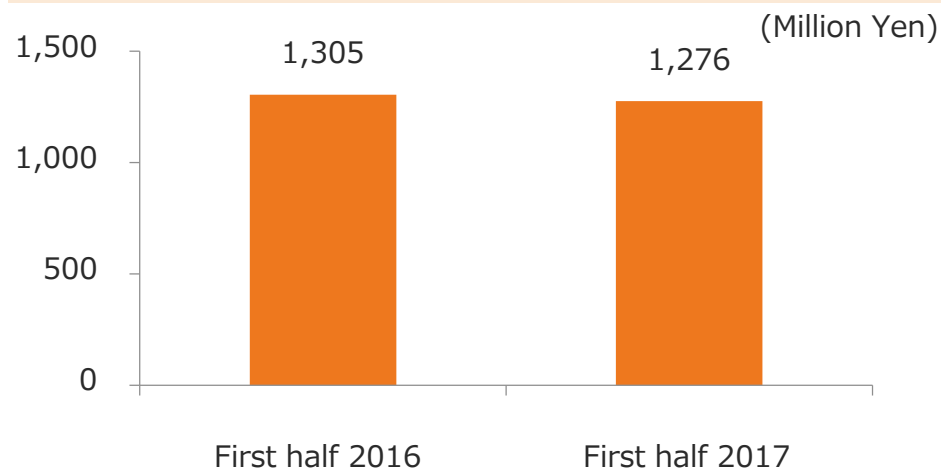
Other

Used medical equipment auction

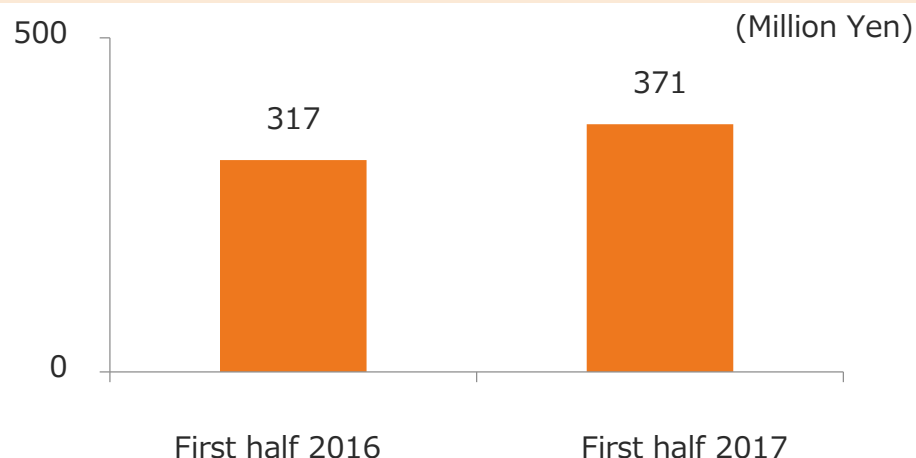


Other Information Distribution Business (Segment Performance)

Net sales



Segment income



Year-on-year decrease in sales but increase in income

Used luxury brand items

- Transaction amount and total number of listed items are increased by targeting purchase trader franchise stores to increase participation and expand the variety of merchandise at auctions.

Used motorcycles

- Despite intensified efforts to increase units listed by large members and regional cities, the total number of units listed and rate of sale decreased slightly. However operating profit was maintained due to cost reductions.

Flowers (cut and potted)

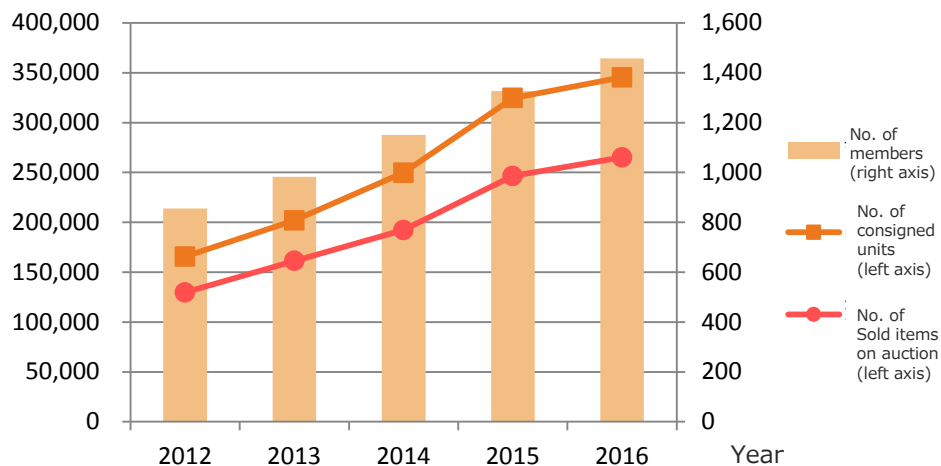
- Total transaction amount declined as a result of a market price decline due to weather conditions and increased imports.

Business/KPI		First half 2017	Year-on-year
Used luxury brand items	Total transaction amount	¥4.30 billion	104.4%
	Total number of listed items	177,387 units	103.5%
	Rate of sale	79.1%	1.5 Point up
	Total members	1,530	110.6%
Used motorcycles	Total number of listed items	30,465 units	97.0%
	Rate of sale	52.2%	1.2 Point down
	Total members	4,438	102.6%
Flowers (cut and potted)	Total transaction amount	¥2.99 billion	91.7%
	Total members (buyers)	1,096	111.3%
	Total members (growers)	3,000	104.0%

Used luxury brand items

Increase Distribution Volume in Domestic Market

Scale of Auction Distribution Operations



- Increase membership base and nationwide market share by targeting franchise chains that buy used products.
- Increase number of products listed for auction by conducting auctions simultaneously on eight channels and providing support for fast and efficient purchases.
- Transfer cash to successful sellers the day after auction, to facilitate highly liquid markets.

Expand Overseas Distribution

- Distributing used luxury brand items to more than 50 buyers in Hong Kong.



- Further expand distribution of used luxury brand items in Southeast Asia, centered on Singapore.



Used motorcycles

- **Increase units sold, with a focus on successful sales rate**

- Strengthen initiatives to retain purchasing stores and increase large scale clients.
- Implement trial to put up items for auction from distribution center.



Flowers (cut and potted)

- **Increase distribution volume by improving logistics services**

- Expand nationwide by offering logistics services tailored to members' needs.
- Acquisition of buyers with new membership system.
- Full-scale operation of potted plant gift business.



III. Segment Information

Automobile Business

Digital Product Business

Other Information Distribution Business

New Businesses

New Businesses (Priority Initiatives)

Medical equipment distribution

- Expand distribution in domestic auctions.
- Commence rental business India.



Re-Marketing business excess inventory liquidation

- Distribution service for surplus inventories from e-commerce businesses.



Distribution of refurbished products

- Distribution service for refurbished used digital products.

Connected vehicle fleet management



- Internet-based fleet management system.

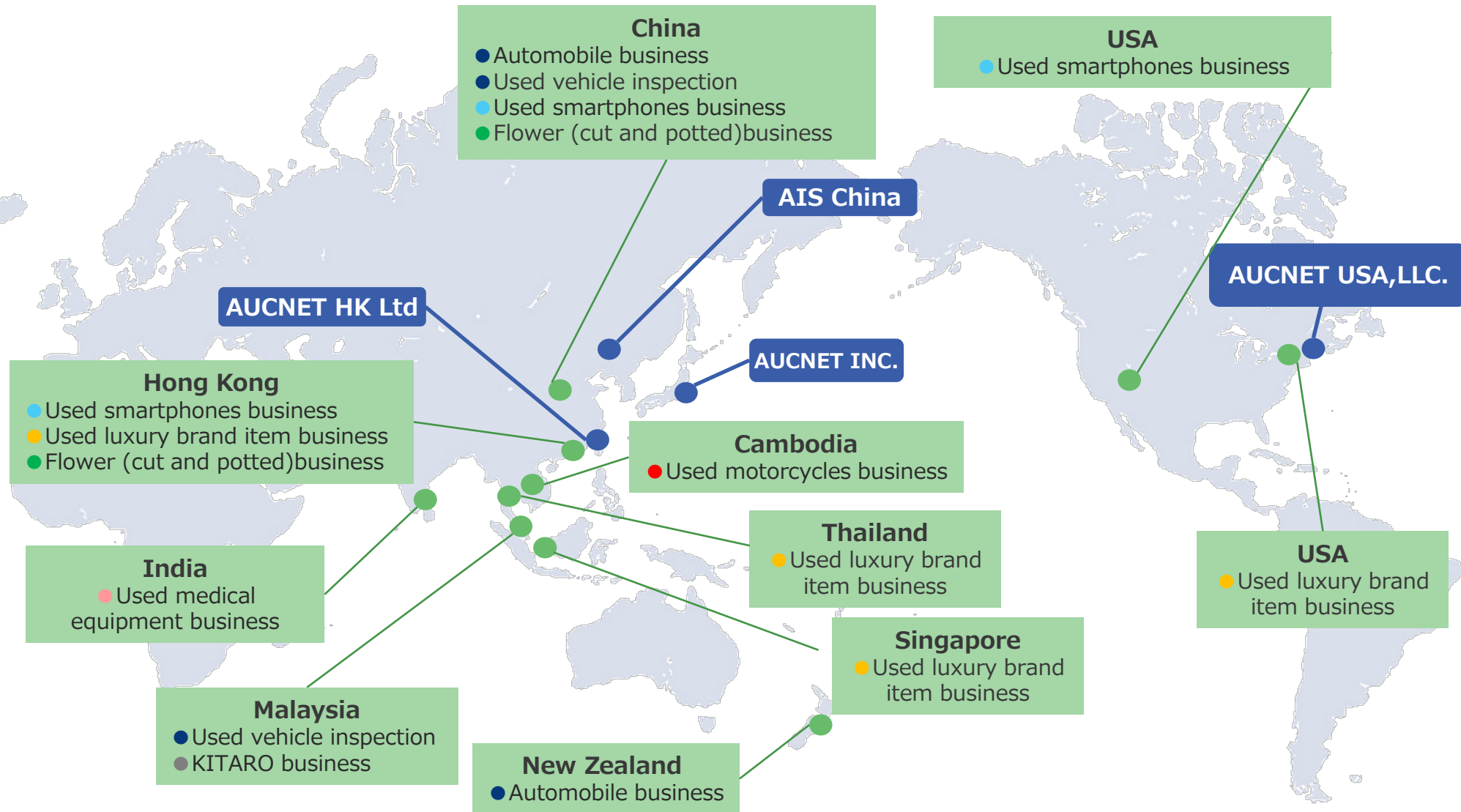


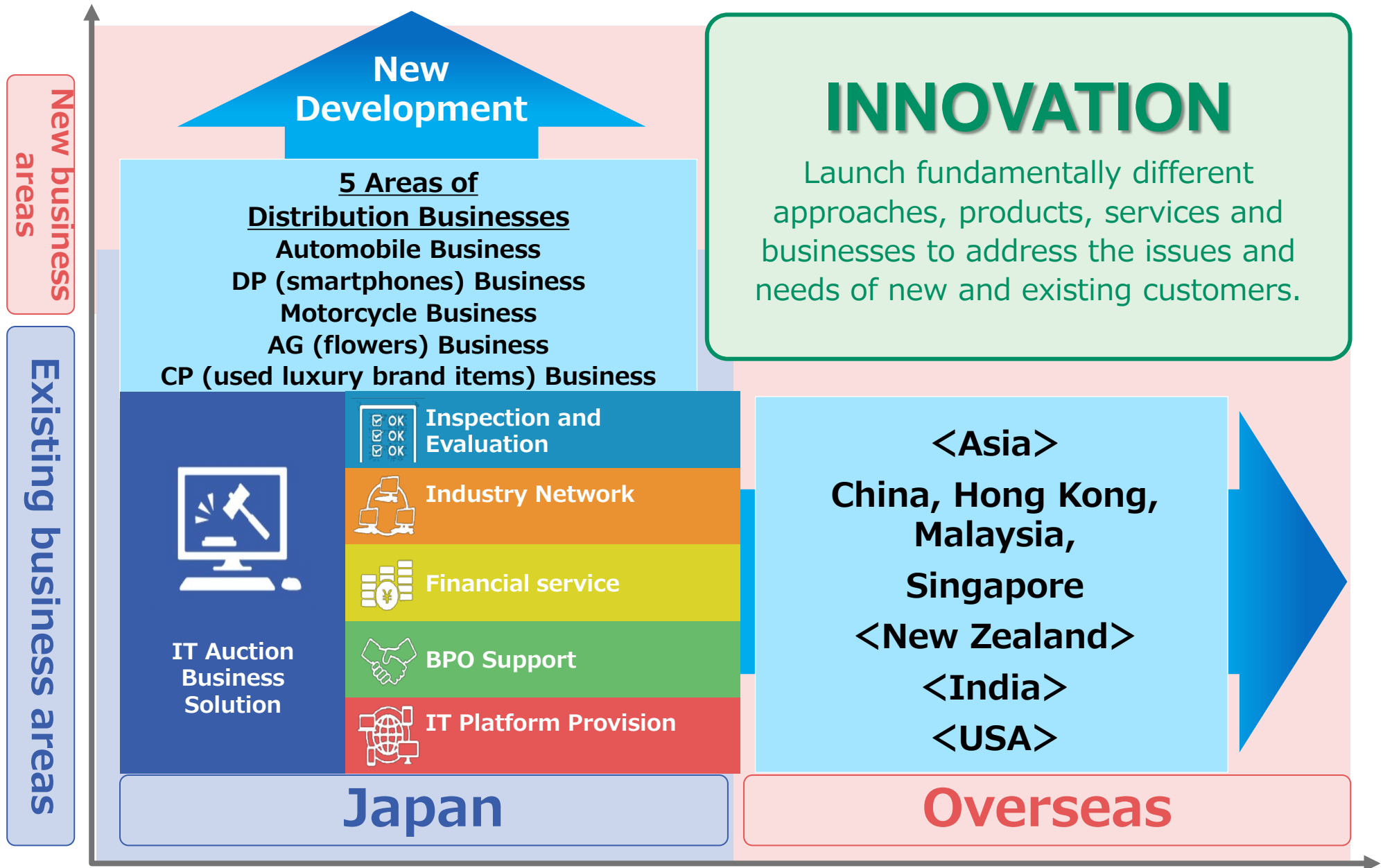
Real estate-related business

- Property Information matching service for restaurant business.



Aiming to be first mover in profitable projects in Southeast Asia





IV. Forecast of Consolidated Results

Year ending December 31, 2017 Forecast of Consolidated Results



(Million Yen)

	Year ended December 31, 2016		Year ending December 31, 2017		
	Performance	Margin	Forecast	Margin	Year-on-year
Net sales	19,983	—	21,346	—	6.8%
Operating income	4,041	20.2%	4,044	18.9%	0.1%
Ordinary income	4,115	20.6%	4,114	19.3%	\triangle 0.0%
Profit attributable to owners of parent	2,183	10.9%	2,309	10.8%	5.8%
Profit attributable to owners of parent (Excluding goodwill)	3,145	15.7%	3,270	15.3%	4.0%
Basic earnings per share	90.77Yen	—	87.98Yen	—	(\triangle2.79Yen)
Dividend per share	—	—	26.00Yen	—	(26.00Yen)

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

Shaping the Future of Commerce

The Aucnet Group has continually created new methods of distribution by adding value (trust) to various types of information. By promoting a rational approach to distribution based on our provision of useful services and the latest information to customers, we aim to create an eco-friendly information-based distribution society with minimal environmental impact.

We consistently work to provide services that customers want, aiming to become a trusted company that meets our customers' expectations.

INNOVATION