



# Interim Report for the **12**th Business Term

January 1, 2019 – June 30, 2019



**AUCNET**  
AUCNET INC. Investors' Notes

## Expanding reliable information distribution services for customer transactions within and beyond Japan

Kiyotaka Fujisaki  
Representative Director and President

### How would you assess business performance for the first half of the fiscal year ending December 31, 2019?

In terms of business performance, the AUCNET Group reported net sales of ¥9,960 million, ¥1,331 million in operating income, and profit attributable to owners of parent of ¥659 million. In the Automobile Business, the total number of vehicles sold was lower year on year, reflecting fewer vehicle listings from import dealer members, which typically have high rate of sale. This downturn offset an initial increase over the same period a year earlier in the number of vehicle listed driven by sales measures and other efforts, along with a favorable turn in market trends in used vehicle auctions. Elsewhere, in the shared inventory market, the total number of vehicles sold rose year on year atop growth in transactions between dealer- and rental/lease-related Group companies. As a result, while net sales were higher than the same period a year ago, operating income was lower.

In the Digital Product Business, weak sales of smartphones in Japan are triggering a decline in the number of devices in circulation across the entire market. Amid this trend, distribution volume was lower year on year, despite a push since April to expand the scope of operations outsourced to AUCNET by major suppliers and a significant overhaul of contract terms, among other measures, coupled with beginning distribution of smartphones from the United States. Meanwhile, operating expenses increased due to setting up operations in the US and relocating our Japan processing center. As a result, both net sales and operating income were lower year on year.

In the Other Information Distribution Business, particularly for pre-owned luxury brand items, we worked to intensify marketing focused on jewelry, which lifted both transaction amount and the number of sold items higher year-on-year. As a result, net sales and operating income for the period were higher than the previous year.

### Can you describe the Group's growth strategies and priorities going forward?

For the Automobile Business, our focus is on initiatives to

reenergize used car distribution, with "Growth in existing distribution" and "New information distribution" as key guiding concepts. Where "Growth in existing distribution" is concerned, we are encouraging the uptake of "Raku POS," an automated bidding system for live-linked auctions. When bidding, this system automatically places bids randomly based on the user's purchase price preferences. From May, we increase the update of "Raku POS," by adding new functions designed to boost the winning bid rate in the second half of the year. In terms of "New information distribution," we plan to roll out a new distribution service built on "SATEROKU Premium," app to register used vehicle inventory and support trade-in appraisal.

In the Digital Product Business, we will promote business particularly in the United States in the second half of the year. In November 2018, we established a local subsidiary and have acquired the certifications needed to operate. What's more, within the U.S. we entered a capital partnership with a company offering a smartphone trade-in system, with the aim of diversifying our sales and expanding distribution scale.

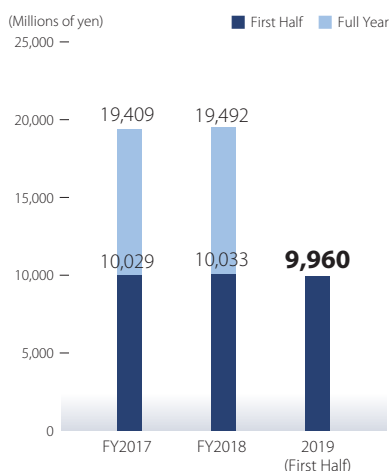
In the pre-owned luxury brand item business, we continue to strengthen our partnerships with U.S.-based companies, with sights set on overseas business expansion. For used motorcycles, we are moving to make member support services more robust for the motorcycle rental business, focusing on a range of measures designed to attract new members. See the "Learn More! AUCNET" section of this report for more details. In the flower (cut and potted) business we are promoting "Otoriyose Torihiki," a pre-order service that allows buyer to choose flowers in advance from listing information, as we take steps to expand transaction amount.

### In closing, do you have a message for the Company's shareholders?

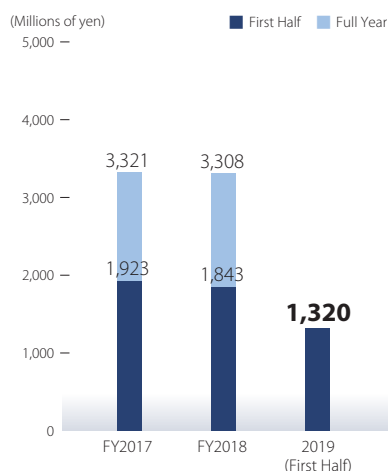
Online real-time auctions are a prominent feature of AUCNET businesses. Guided by a brand statement that embodies a commitment to "Shaping the Future of Commerce," our goal is to continue providing customers in Japan and beyond with information distribution services so reliable that they can conduct transactions with peace of mind without seeing actual products first. To our shareholders, I ask for your continued support as we look ahead to the future we envision.

# Consolidated Financial Highlights

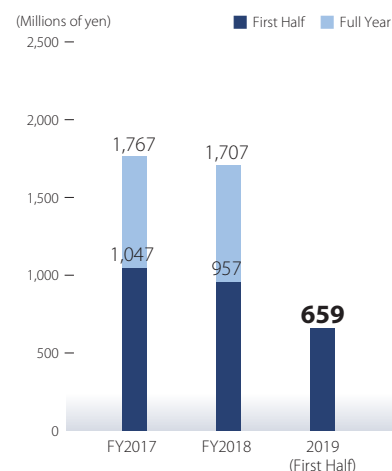
## Net Sales



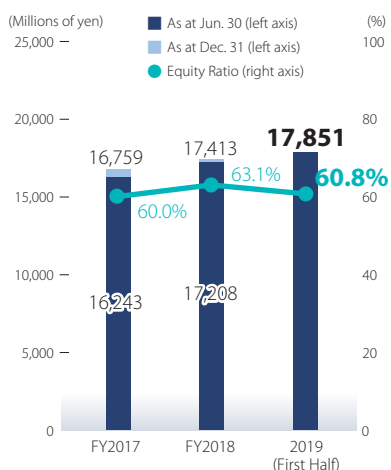
## Ordinary Income



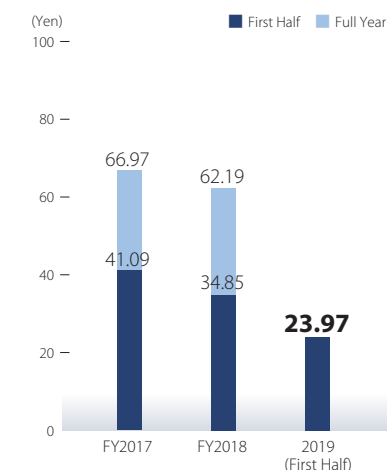
## Profit Attributable to Owners of Parent



## Net Assets/Equity Ratio



## Basic Earnings per Share



### A Note Concerning Shareholder Returns

At AUCNET, we view the return of profits to shareholders as one of management's highest priorities. While continuing to maintain sufficient internal reserves on hand to fund future business development, enhance management structure and fund capital investment, our basic policy is to maintain a stable dividend and aim for a consolidated payout ratio of 30%. Based on this policy, AUCNET paid an interim dividend this period of ¥13 per share (projected full-year dividend: ¥26).

## Information by Business Segment

### Automobile Business

Net sales  
**¥6,226 million** (up 1.7%)  
 Segment income  
**¥1,956 million** (down 0.7%)

### Digital Product Business

Net sales  
**¥1,871 million** (down 10.5%)  
 Segment income  
**¥363 million** (down 69.4%)

### Other Information Distribution Business

Net sales  
**¥1,364 million** (up 3.0%)  
 Segment income  
**¥330 million** (up 11.8%)

### Comparison of Net Sales Composition





# Learn More! AUCNET

Other Information Distribution  
Business - Used Motorcycles



The key components of the AUCNET Group are the Automobile Business, which handles used vehicles, the Digital Product Business, responsible for transactions involving used smartphones, PCs and other devices, the Other Information Distribution Business, which trades in pre-owned luxury brand items, used motorcycles and flowers (cut and potted), and Other Business. In this section, we focus on the Used Motorcycle Business, part of the Other Information Distribution Business.

## What Is AUCNET's Used Motorcycle Business?

In 1993 AUCNET entered the used motorcycle market, which shares many similarities with the used car market. Today, in addition to auctions, member support services have also increased, as we pour our efforts into total support services for members.

## Used Motorcycle Business Model

Along with "i-moto-auc" auctions held each Thursday, AUCNET operates several other markets, including "One Price," allowing for fixed price buying, and "MOTO BAZAR" a shared inventory system that enables transactions at any time. "Baiku no Madoguchi" and a "Rental Bike" service are among the member support services available.

### Information Distribution Services



### Member Support Services



## Used Motorcycle Auction Flow

AUCNET used motorcycle auctions are conducted online and in real time. The sale and purchase of used motorcycles is thus possible on a nationwide basis, reducing both transportation cost and time.



### Point!

#### Reliable AIS Inspections

Inspections AUCNET subsidiary AIS Inc., a 3rd party independent inspection specialist, provide the mark of trust that has become the de facto industry standard.



### Point!

#### Flat Fee for Transport Nationwide

AUCNET has over 80 depot locations across Japan, allowing the transport of motorcycles between depots nationwide for a flat fee.



## Full Range of Member Support Services

The core earnings of the Used Motorcycle Business consist of revenues from membership fees and auction processing fees. We are hard at work creating even more robust member support services in a bid to enhance convenience further.

### Baiku no Madoguchi

AUCNET offers support services covering the full spectrum of members' operations, centered on support for attracting customers, retail support and management support.



### Land transportation and transfer of ownership service

These services for individual customers are accessible when moving residence or during long-distance motorcycle trips. AUCNET can transport motorcycles virtually anywhere in Japan, and also offers transfer of ownership services.



# Up Close! The Motorcycle Rental Business

## What Is the Motorcycle Rental Business?

AUCNET services focus not only on used motorcycle auctions that support the sale, purchase and maintenance of motorcycles, together with information distribution services targeting shared inventories and other areas, but also member support services. One such service is the "Rental Bike" service, known best for allowing members to use their own dealer inventory to launch business efficiently and effortlessly. AUCNET also focuses on website development and operation to make it easy for users to rent motorcycles from participating dealers nationwide.



## How the Motorcycle Rental Business Works



## Participating Dealer

### K Used & Rental TOKYO (Ota-ku, Tokyo)

"This is shaping up to be very different from our previous rental business"



Kawasaki Motors Corporation Japan, PR Group  
Mr. Yusuke Akachi



K Used & Rental TOKYO, Store Manager  
Mr. Ryoji Hayashi

**Mr. Akachi** – This is Kawasaki Motors Corporation Japan's first experience style showroom specializing in rental service and used bike sales. Recognizing that there's an ongoing shift away from ownership in favor of usage, we opted to offer a motorcycle rental business through our franchisee network and evaluated a number of potential partners. From among them, we settled on AUCNET, which had both a track record of involvement in its own used motorcycle business and an understanding of Kawasaki's commitment to embedding motorcycle culture in Japan.

**Mr. Hayashi** – A major feature of this dealership is that all current models and colors are on display. Even new models are available to rent from their release date. At most showrooms, catalogs are usually the only way to see different colors. And since we don't sell new motorcycles, visitors can

come and take a look free of worry at what we offer.

**Mr. Akachi** – All indications are that fulfilling the desire of customers to actually see the color of the motorcycle for themselves, ride it and hear the sound of the engine is leading to decisions to purchase. In that sense, this is evolving into a business that differs greatly from traditional used motorcycle sales and rentals in ways I never imagined.

**Mr. Hayashi** – At this dealership, we move quickly to sell used motorcycles, even relatively new rentals, once models or colors change. This raises our inventory turnover rate while also meeting the needs of customers looking to buy newer used vehicles that haven't been out and about in the market. I would venture to say there is no other rental dealer in Japan that replaces its stock with completely new models at the almost once yearly pace that we do.

### Rental Flow



Reservation made online or by phone. A detailed explanation covering liability in the event of a crash and other information takes place for about 30 minutes



Next is a vehicle walk-through. Customers who love motorcycles enjoy the conversation about functions and settings



Departure. Instead of a typical test drive, customers can drive the motorcycle home to see how it fits their garage, underscoring the benefits of rental

## Company Overview

(As of June 30, 2019)

<b>Name</b>	AUCNET INC.
<b>Establishment</b>	June 29, 1985
<b>Capital</b>	¥1,719 million
<b>Number of employees (consolidated)</b>	677 (As of December 31, 2018)
<b>Listing</b>	Tokyo Stock Exchange, First Section
<b>Head office</b>	Aoyama OM Square, 5-8 Kita-Aoyama 2-chome, Minato-ku, Tokyo
<b>Tel. (switchboard)</b>	TEL: +81-3-6440-2500 FAX: +81-3-6440-2510

## Executive Officers

(As of June 30, 2019)

Representative Director and President		Kiyotaka Fujisaki
Directors	Chiaki Fujino Shunji Sato	Shinichiro Fujisaki Nobukazu Tajima
Outside Directors	Seiichiro Umeno	Ikuo Kaminishi
Director (Audit & Supervisory Committee member)		Koji Sasaki
Outside Directors (Audit & Supervisory Committee members)		Masaaki Ayukawa Ryozi Ushioda

## Stock Information

(As of June 30, 2019)

<b>Total number of shares authorized to be issued</b>	110,000,000 shares
<b>Total number of shares outstanding</b>	27,716,100 shares
<b>Number of shareholders</b>	1,633

### Major Shareholders

Name	Number of Shares	Shareholding Ratio
FLEX CORPORATION	11,448,800	41.31%
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	2,169,220	7.83%
NAMAI ASSET MANAGEMENT INC	2,000,000	7.22%
JP MORGAN CHASE BANK 380634	1,321,500	4.77%
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account re-entrusted by Orient Corporation.	1,296,000	4.68%
Orient Corporation	1,296,000	4.68%
FLEX CO., LTD.	844,800	3.05%
Shinichiro Fujisaki	821,800	2.97%
Masahiro Fujisaki	821,800	2.97%
GOLDMAN, SACHS & CO. REG	545,600	1.97%

Notes: Shareholding ratio is calculated by excluding the treasury shares (169 shares).

## Shareholder Memo

(As of June 30, 2019)

<b>Financial year</b>	January 1 to December 31
<b>Annual shareholders' meeting</b>	Within three months after end of each financial year
<b>Record date for dividends from surplus</b>	Year-end dividends – Dec. 31 Interim dividends – June 30
<b>Number of shares per unit</b>	100 shares
<b>Method of public notice</b>	AUCNET INC. publishes its information in electronic public notices. However, in the event that electronic public notices cannot be provided due to accidents or other unavoidable circumstances, the public notices shall be posted in the Nihon Keizai Shinbun (Nikkei).
<b>URL for public notice</b>	<a href="https://ir.aucnet.co.jp/ja/announcement.html">https://ir.aucnet.co.jp/ja/announcement.html</a> (Japanese only)
<b>Administrator of shareholder registry</b>	4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan Mitsubishi UFJ Trust and Banking Corporation
<b>Office of shareholder registry administrator</b>	4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan Stock Transfer Agency Mitsubishi UFJ Trust and Banking Corporation

## Visit the Get to know AUCNET Website

AUCNET has a unique business model which can be difficult to grasp at first.

The information on this web site will help you to understand AUCNET's unique features and strengths.

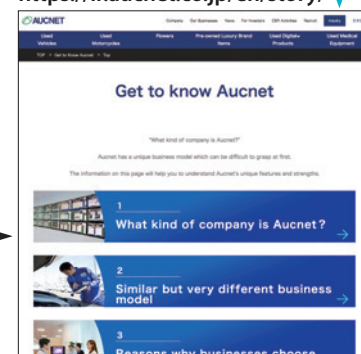
<https://www.aucnet.co.jp/>



Introducing the features of the business clearly



<https://ir.aucnet.co.jp/en/story/>



Get to know AUCNET

