

# Report for the 13th Business Term

January 1, 2020 – December 31, 2020



# The demand for online distribution will continue to increase. We will not miss this opportunity to work on new businesses.

Shinichiro Fujisaki, President & COO

## Both net sales and operating profit reached their highest levels since the company's listing.

Under the brand statement of "Shaping the Future of Commerce", the Aucnet Group has been promoting information distribution measures for BtoB business and implementing various initiatives, including consumer-oriented business, for further growth. We are involved in a wide range of industries through information distribution, including used cars, used smartphones and PCs, pre-owned luxury brand items, used motorcycles, flowers, and medical-related industry. In the fiscal year under review, net sales were 24,078 million yen (up 22.4% year on year) and operating profit was 3,705 million yen (up 46.7% year on year), both of which were the highest since Aucnet was listed. This was mainly due to an increase in demand for online auctions despite the impact of the spread of COVID-19.

## Measures to support remote work amid the spread of the COVID-19 were conducted in the Automobile Business.

In the Automobile Business, our main segment, sales and profits declined compared to the same period of the previous year, but we were able to keep the drop to a minimum. This was due to the proactive implementation of measures such as remote work support for our member companies, and to an increase of the number of new members and vehicles bought on the back of the continued need to participate in auctions remotely in proxy bidding service, as well as due to the recovery trend of the market from the second half of the fiscal year.

## Sales and profits of the Digital Product Business increased by proactive measures to support member companies and improved operational efficiency.

Both sales and profits substantially increased in the Digital Product Business compared to the same period of the previous year. In Japan, sales units increased significantly from the level of the previous fiscal year, on the back of robust sales of new-model smartphones and stable supply of trade-in devices. The used PC distribution market also remained strong due to the spread of remote work. Overseas, we

expanded our buyer network and actively implemented measures to promote participation and bidding in auctions. Ongoing efforts to review the costs of the domestic logistic center and improve operational efficiency also contributed to the business results. In the U.S. business, we promoted initiatives to stabilize our business foundation while expanding our merchandising operations.

⇒Special feature on  
"Learn More! AUCNET Digital Product Business"

## A new segment, "Consumer Product Business" was established for businesses associated with pre-owned luxury brand item including auctions due to the expansion of business scale.

The Consumer Product Business is a segment that comprises auctions for pre-owned luxury brand items and services pertaining to distribution, including those targeting consumers. This was due to the significant growth of existing auctions and the consolidation of GALLERY RARE Ltd. acquired in September 2020, which expanded the scale of our business and increased its importance. As for our business performance, we achieved a significant increase in both sales and profits compared to the same period last year. This was due to the increased demand for online auctions on the back of the spread of COVID-19, as well as the active implementation of digital marketing to attract prospective members.

## We will enter the used EV business to achieve sustainable business growth.

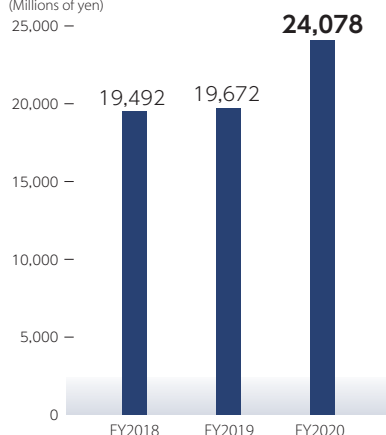
One of our new initiatives is to enter the used EV (electric vehicle) battery recycling and distribution business together with MIRAI-LABO Corporation. The market for used EVs and used batteries is expected to expand along with the increasing production of EVs as the world accelerates the trend of eliminating gasoline vehicles. We hope to contribute to the sustainable development of the automobile industry and the reduction of environmental impact by realizing the secondary distribution of EVs and the recycling and distribution of lithium-ion batteries. We would like to ask for the continued support of our shareholders.



# Consolidated Financial Highlights

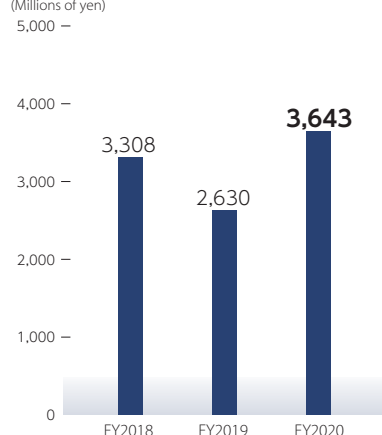
## Net Sales

(Millions of yen)



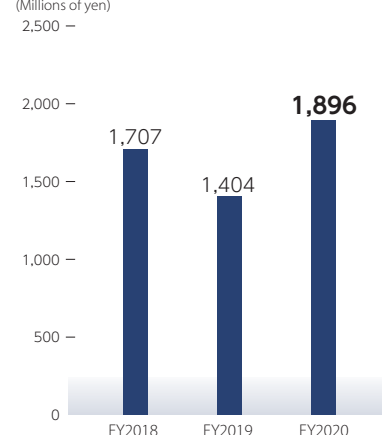
## Ordinary Profit

(Millions of yen)



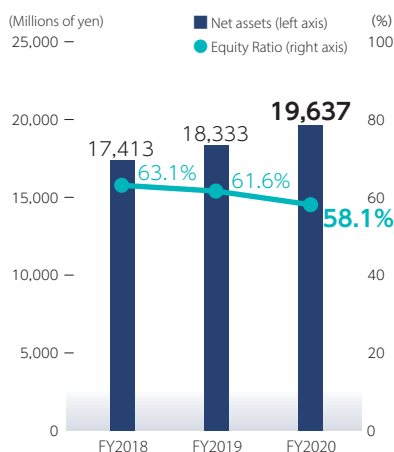
## Profit Attributable to Owners of Parent

(Millions of yen)



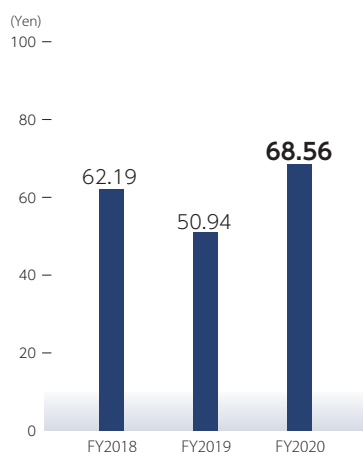
## Net Assets/Equity Ratio

(Millions of yen)



## Basic Earnings per Share

(Yen)



## 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 a year-end dividend of ¥11 (¥1 increased from the latest projection of ¥10) per share (full-year dividend: ¥21). The interim and year-end dividend forecast for FY2021 is ¥12 per share (full-year dividend: ¥24).

## Information by Business Segment ※Figures in parentheses are year-on-year comparison

### Automobile Business

Net sales

**¥11,689 million** (△4.0%)

Segment income

**¥3,581 million** (△4.6%)

### Digital Product Business

Net sales

**¥5,877 million** (+52.1%)

Segment income

**¥2,391 million** (+161.4%)

### Consumer Product Business

Net sales

**¥3,940 million** (+284.5%)

Segment income

**¥535 million** (+47.6%)

Comparison of Net Sales Composition



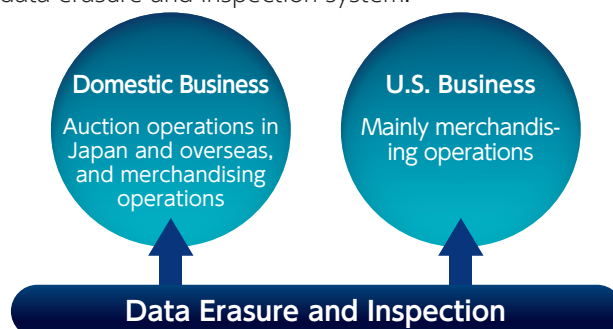
(Other Business)

In view of the growing scale of business in auctions for pre-owned luxury brand items and other services, We changed its segments from the fiscal year ended December 31, 2020. The "Other Information Distribution Business" segment, which comprised auctions for pre-owned luxury brand items, used motorcycles, and flowers, has been discontinued. Auctions for pre-owned luxury brand items are now included in the new "Consumer Product Business" segment, while auctions for used motorcycles and flowers have been consolidated into the existing "Others" segment. The comparisons with the same period of precious fiscal year are based on figures reclassified to the new segment classification.

Aucnet Group's businesses comprise "Automobile Business" which handles used vehicles, "Digital Product Business" which handles used smartphones and PCs, "Consumer Product Business" which handles pre-owned luxury brand items and "Other" which includes used motorcycles, flowers and medical-related businesses. We would like to introduce the Digital Product Business this time;

### What is Aucnet's Digital Product Business ?

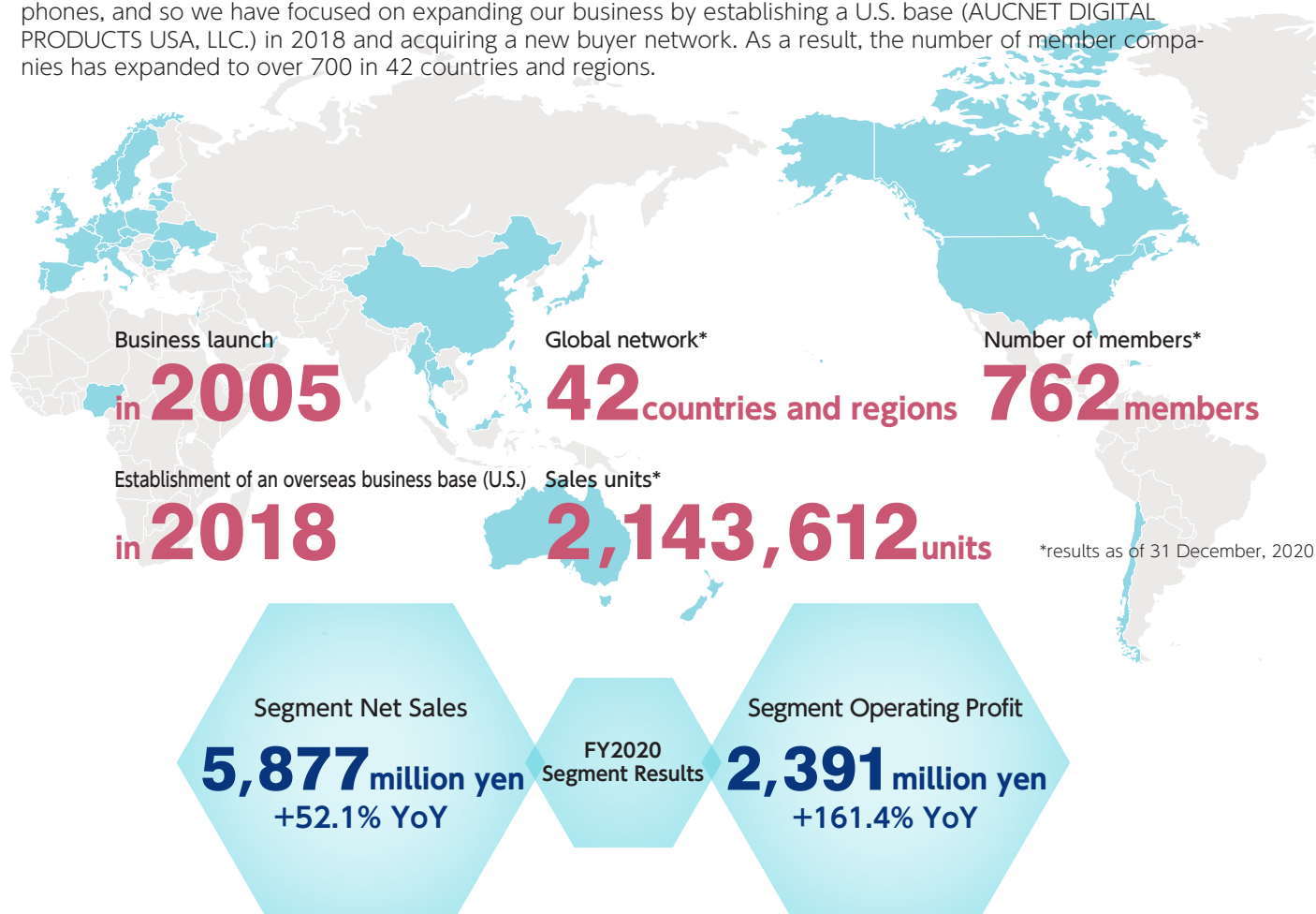
The Digital Product Business comprises auctions for used digital equipment including used smartphones and used PCs, and services pertaining to distribution. Auctions are held not only in Japan but also for overseas buyers. In the U.S., on the other hand, we are mainly engaged in data erasure and grading services (merchandising operations\*), which we have developed through our domestic business. Our main products are PCs, smartphones, and tablets, and we have established a complete data erasure and inspection system.



\*Merchandising operation:  
BPO service that takes used digital equipment and performs data erasure, grading, and cleaning

### Let's read and understand the Digital Product Business by figures!

In Japan, the distribution of used PCs has been strong in line with the spread of remote work in the COVID-19 situation. In the overseas used mobile market, there is also strong transaction demand, especially for smartphones, and so we have focused on expanding our business by establishing a U.S. base (AUCNET DIGITAL PRODUCTS USA, LLC.) in 2018 and acquiring a new buyer network. As a result, the number of member companies has expanded to over 700 in 42 countries and regions.



## ■ Goals for the Digital Product Business

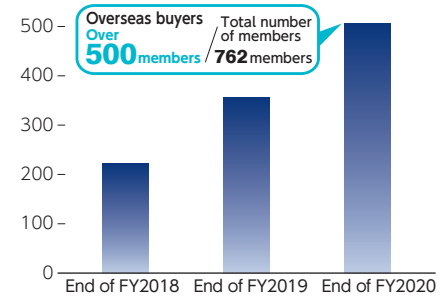
### Global expansion of Aucnet's streamlined and reliable distribution

Managing Executive Officer, DM, Digital Product Business Division  
**Katsuhiko Ichii**



Our auction business has been stable due to the strong used mobile market in Japan and overseas. Our new overseas buyer network is also expanding, and the number of overseas member buyers exceeded 500 at the end of FY 2020 (up 41.7% from the same period last year). Since December 2020, we conduct live commerce using "YouTube Live" as a measure for overseas buyers. The main objective is to increase the participation rate in our auctions by broadcasting the auctions in real time for buyers around the world to watch. We are also reforming our existing platform by integrating the auction systems which were different from domestic and overseas auctions. We would like to promote our business in order to further expand and penetrate the streamlined and highly reliable distribution provided by Aucnet.

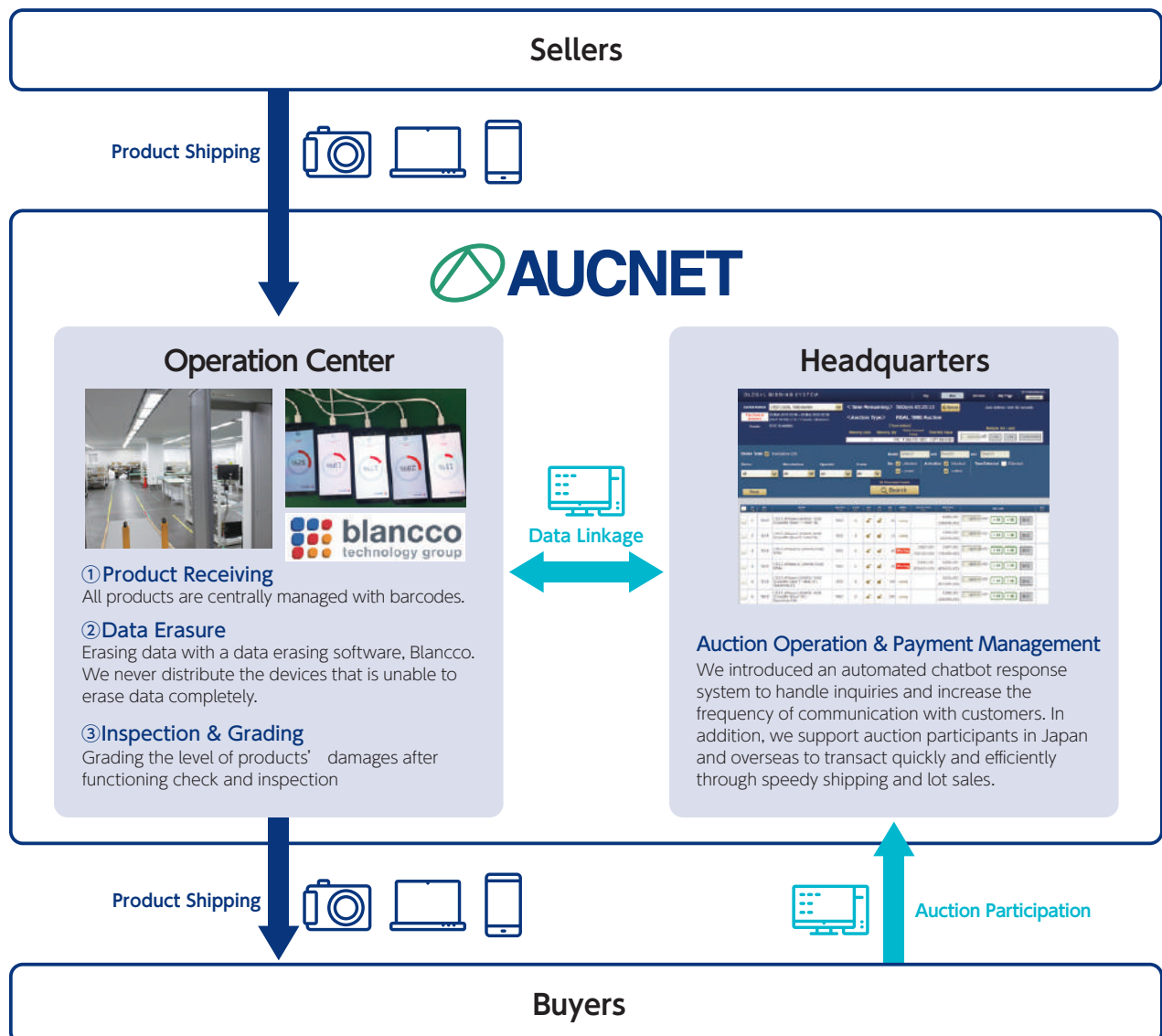
## Number of overseas member buyers



## Conducting live commerce for overseas



## ■ Our auction system – complete data erasure & inspection system



## INFORMATION

### Company Overview (As of December 31, 2020)

<b>Name</b>	AUCNET INC.
<b>Establishment</b>	June 29, 1985
<b>Capital</b>	¥1,765 million
<b>Number of employees (consolidated)</b>	821
<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:+81-3-6772-0675

### Executive Officers (As of March 30, 2020)

<b>Chairman &amp; CEO</b>	Kiyotaka Fujisaki
<b>President &amp; COO</b>	Shinichiro Fujisaki
<b>Directors</b>	Masayasu Takigawa Shunji Sato Hiroki Taniguchi
<b>Outside Directors</b>	Seiichiro Umeno Toshio Maki
<b>Director (Audit &amp; Supervisory Committee member)</b>	Hisanao Nagashima
<b>Outside Directors (Audit &amp; Supervisory Committee members)</b>	Masaaki Ayukawa Ikuo Kaminishi

### Stock Information (As of December 31, 2020)

<b>Total number of shares authorized to be issued</b>	110,000,000 shares
<b>Total number of shares outstanding</b>	27,863,500 shares
<b>Number of shareholders</b>	8,540

#### Major Shareholders

Name	Number of Shares	Shareholding ratio
FLEX CORPORATION	11,448,800	41.1%
NAMAI ASSET MANAGEMENT INC	1,900,000	6.8%
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,814,990	6.5%
Custody Bank of Japan, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account re-trusted by Orient Corporation.	1,296,000	4.7%
Orient Corporation	1,296,000	4.7%
STATE STREET BANK AND TRUST COMPANY 505038	900,000	3.2%
FLEX CO., LTD.	844,800	3.0%
Shinichiro Fujisaki	824,800	3.0%
Masahiro Fujisaki	824,800	3.0%
GOLDMAN SACHS INTERNATIONAL	687,900	2.5%

Note: Shareholding ratio is calculated after deducting treasury shares (216 shares).

### Shareholder Memo (As of December 31, 2020)

<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

### Notice of Award

#### Otoriyose-Torihiki, a web service for flower shops, selected for Excellence Award at the 3rd Japan Service Awards.

Otoriyose-Torihiki (Pre-order service), a web service for flower shop business owners provided by AUCNET AGRI BUSINESS INC., a wholly owned subsidiary of Aucnet, selected for Excellence Award at the 3rd Japan Service Awards.

Japan Service Award is sponsored by Service Productivity & Innovation for Growth (SPRING) of Japan Productivity Center, and is an award system that recognizes services that provide new value or realize new ways of doing things that have never been done before, leading to the advancement of services and the development of industries.

Otoriyose-Torihiki was recognized for the following reasons: (1) it is a service model that solves the supply-demand mismatch of the product-out market mechanism and contributes to the stabilization of the management of growers and flower shops; and (2) by cataloguing production information, which had been a black box with a high degree of uncertainty, it has made it possible for flower shops to place pre-orders with growers.



第3回 日本サービス大賞  
優秀賞

Susumu Ozaki, President of AUCNET AGRI BUSINESS INC. received a certificate of achievement at an awards ceremony held on October 27, 2020.



Aoyama OM Square, 5-8 Kita-Aoyama 2-chome, Minato-ku, Tokyo  
<https://www.aucnet.co.jp/>