

# Full Year 2019 Results Briefing

February 20, 2020  
**AUCNET INC.**

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# **1. Full Year 2019 Results**

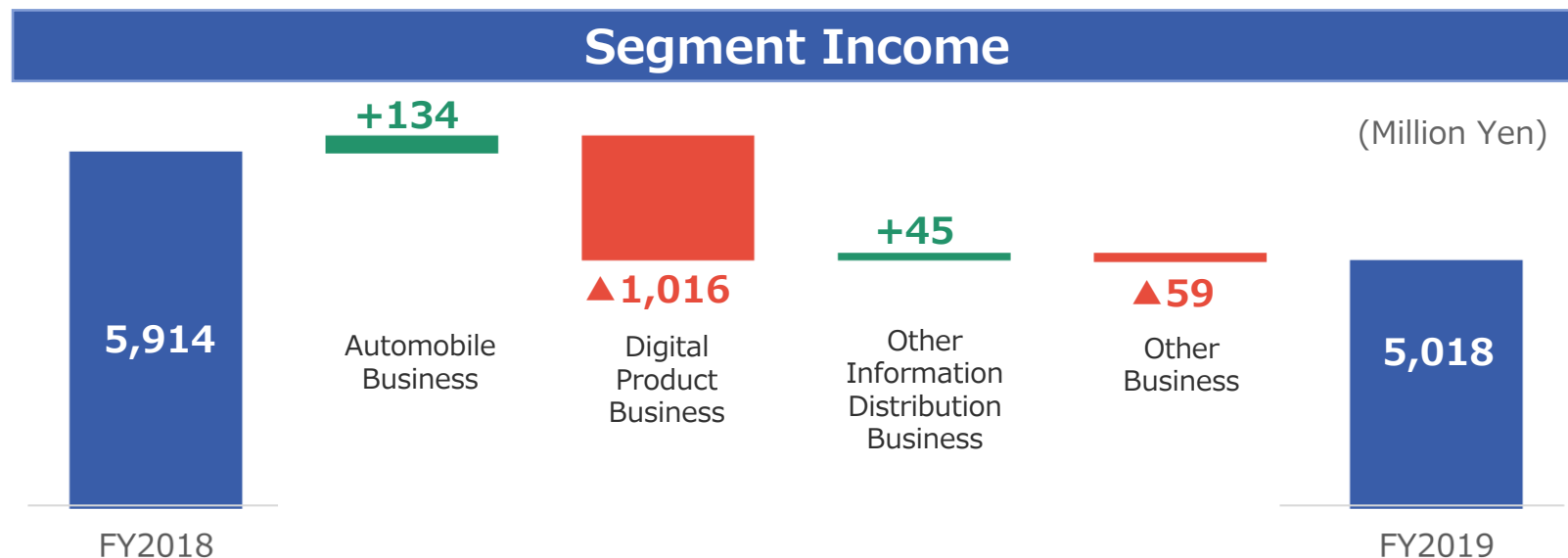
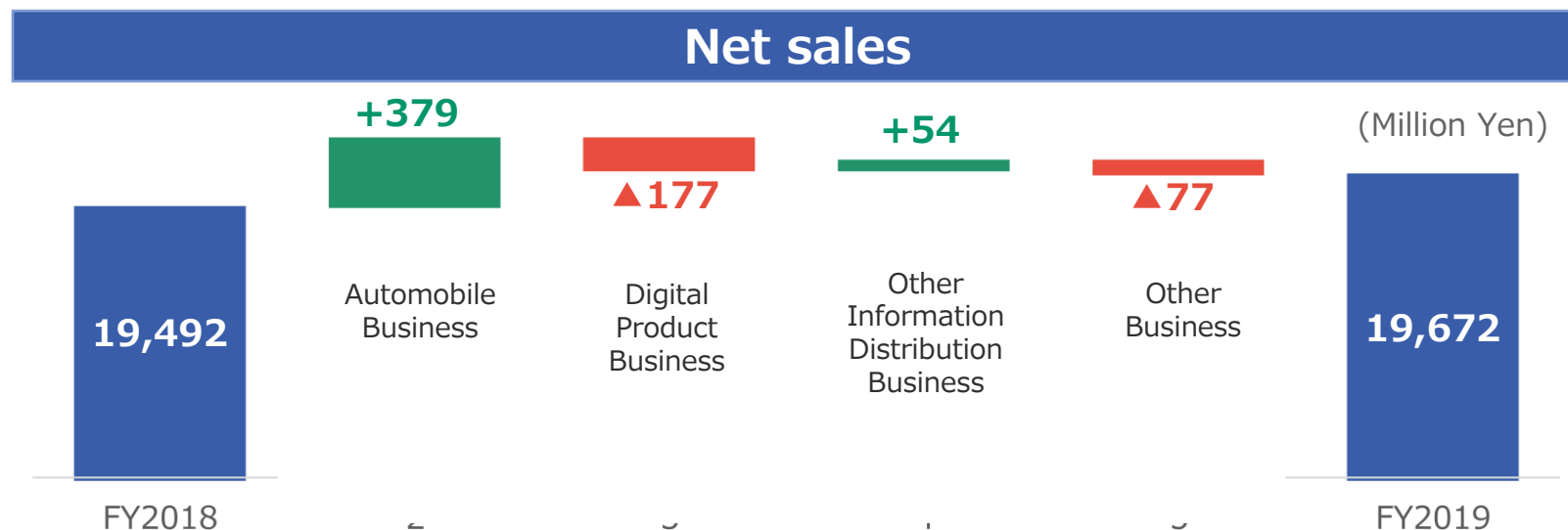
# Consolidated Performance Summary



(Million Yen)

	FY2018	FY2019	
	Results	Results	Year-on-year
Net Sales	19,492	<b>19,672</b>	+0.9%
Operating income	3,219	<b>2,525</b>	△21.5%
Operating income margin	16.5%	<b>12.8%</b>	△3.7pt
Ordinary income	3,308	<b>2,630</b>	△20.5%
Profit attributable to owners of parent	1,707	<b>1,404</b>	△17.8%
Basic earnings per share	62.19 Yen	<b>50.94 Yen</b>	△11.25 Yen
Dividend per share	26.00 Yen	<b>26.00 Yen</b>	-
Dividend payout ratio	41.8%	<b>51.0%</b>	+9.2pt

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



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

## **2 . Forecast of Full Year 2020 Results**

# Forecast of Consolidated Full Year Performance



(Million Yen)

	FY2019	FY2020	
	Results	Forecast	Year-on-year
Net Sales	19,672	<b>20,328</b>	+3.3%
Operating income	2,525	<b>2,582</b>	+2.3%
Operating income margin	12.8%	<b>12.7%</b>	△0.1pt
Ordinary income	2,630	<b>2,681</b>	+1.9%
Profit attributable to owners of parent	1,404	<b>1,430</b>	+1.9%
Basic earnings per share	50.94 Yen	<b>51.77 Yen</b>	+0.83 Yen
Dividend per share	26.00 Yen	<b>20.00 Yen</b>	△6.00 Yen
Dividend payout ratio	51.0%	<b>38.6%</b>	△12.4pt

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

# **3. Segment Information**

**Automobile Business**

**Digital Product Business**

**Other Information Distribution Business**

**Other Business**



# **3. Segment Information**

**Automobile Business**

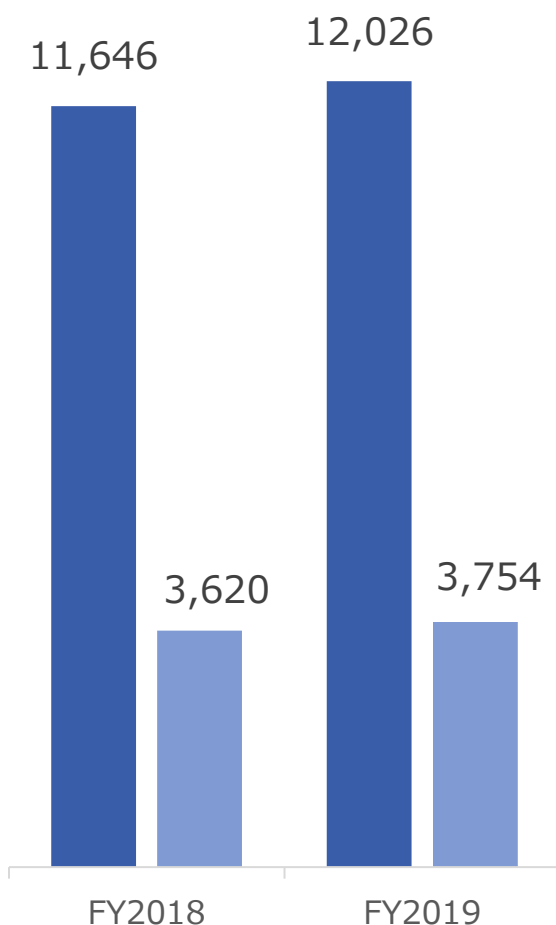
Digital Product Business

Other Information Distribution Business

Other Business

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

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



### Used vehicle auctions

- The number of vehicles listed and the total number of vehicles sold at auctions decreased from the previous fiscal year due to a decline in the number of vehicles listed by imported car dealer members, who are the main listing customers, and the number of expensive vehicles listed by specialty stores.

### Shared inventory market

- The number of vehicles sold at auction increased, as the number of inter-group transactions between dealers and rental and lease companies remained steady, and also through enrichment of support services such as registration assistance for specialty stores, etc.

### Live-linked auctions

- Despite the termination of our partnership with a large-scale physical auction site, the number of vehicles sold decreased only slightly, because the number of transactions by major members increased

### Proxy bidding service

- Despite the termination of our partnership with a large-scale physical auction site, the number of vehicles sold increased, as other physical auction sites were more active.

### Used vehicle inspection service

- The number of vehicles inspected increased significantly, mainly due to a large increase in the number of inspections for used vehicle listing platforms' certified vehicle programs.

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

# Automobile Business (FY2019 KPI Results)

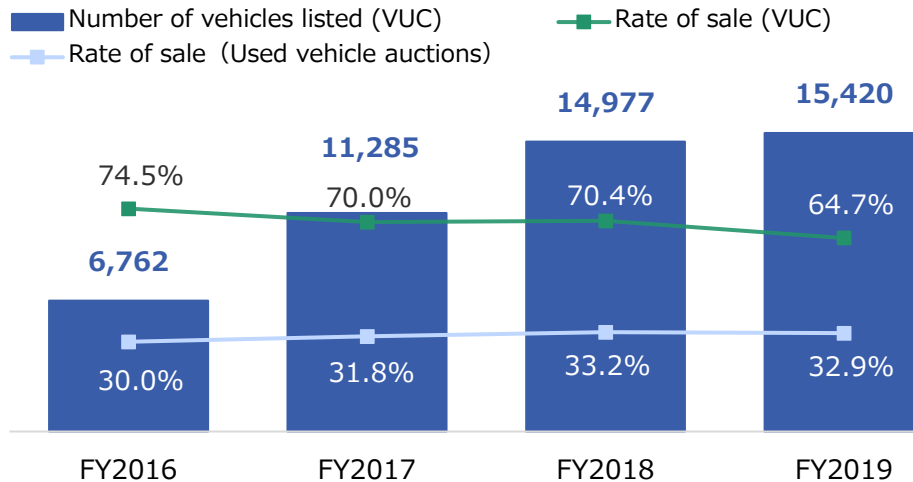
		FY2019	
		Results	Year-on-year
Automobile Business (Total)	Number of vehicles sold	433,656units	△0.6%
	Sales share <sup>*1</sup>	8.9%	△0.2pt
	Total number of members	14,146	△0.1%
Used vehicle auctions	Total number of vehicles listed	58,696units	△5.5%
	Number of vehicles sold	18,144units	△5.5%
	Rate of sale <sup>*2</sup>	32.9%	△0.2pt
Shared inventory market	Number of vehicles sold	13,802units	<b>+6.2%</b>
Live-linked auctions	Number of vehicles listed	4,419,733units	△3.2%
	Number of vehicles sold	298,573units	△1.5%
Proxy bidding service (i-Auc)	Number of vehicles sold	103,137units	<b>+2.2%</b>
Used vehicle inspection service (AIS)	Total number of vehicles inspected <sup>*3</sup>	1,008,846units	<b>+12.3%</b>

<sup>\*1</sup> Aucnet's total sales units (including Used vehicle auctions, Shared inventory market, Live linked auctions and Proxy bidding service) as a percentage of 4,887,425 total used vehicle sales units at auction nationwide (based on U-Car Full Data Book and Export Quotation Book).

<sup>\*2</sup> Rate of sale = sold units / (total listed units – canceled units)

<sup>\*3</sup> Includes Used motorcycles inspections.

## Value Up Centers (VUC's)



- Although the number of vehicles sold decreased year-on-year, the rate of sale is even higher than that of used vehicle auctions overall.

\* VUC's provide vehicle storage and auction preparation such as inspections or minor repairs, targeted mainly at trade in vehicles of large scale members, to enable them to list vehicles easily.

## Priorities 2019

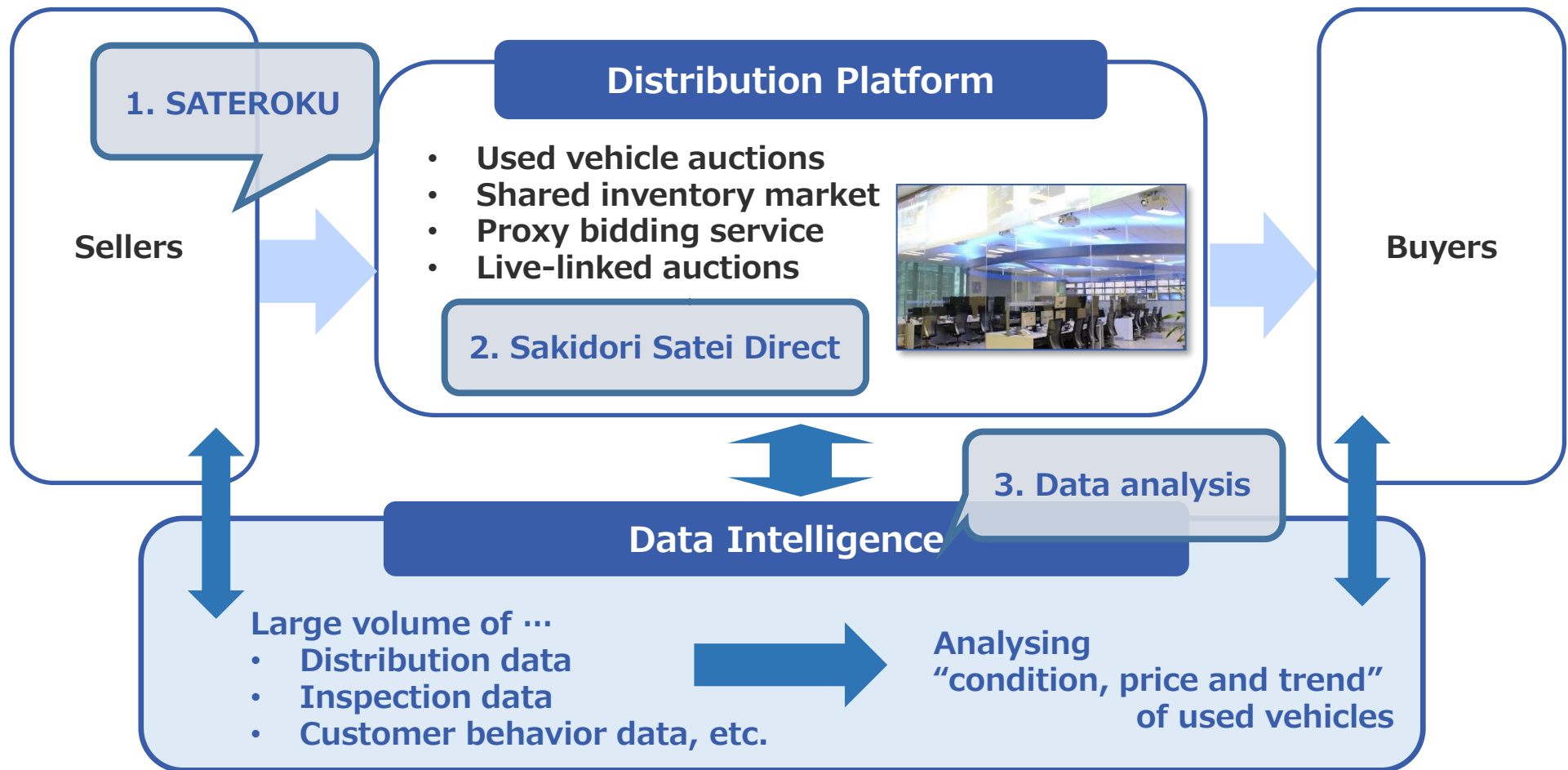
- Introduced 360° interior cameras, which allows buyers to check vehicles' condition at a glance, making it easier for overseas buyers to place successful bids.
- Introduced a new management system "V-SYSTEM", which streamlines operations such as land transportation arrangements, increasing VUC distribution capacity.



**V-system**

- By extending VUC facilities, we aim to increase the convenience of used vehicle auctions and expand distribution volume further.

- Build a system which connects data with our distribution platform, developing the one and only “Distribution Platform based on Data Intelligence” model in the used vehicle sector.



## 1. SATEROKU

FY2018-2019: Specialized support functions for trade-in appraisal.

### SATEROKU

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



### Functions using accumulated AIS data

#### 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

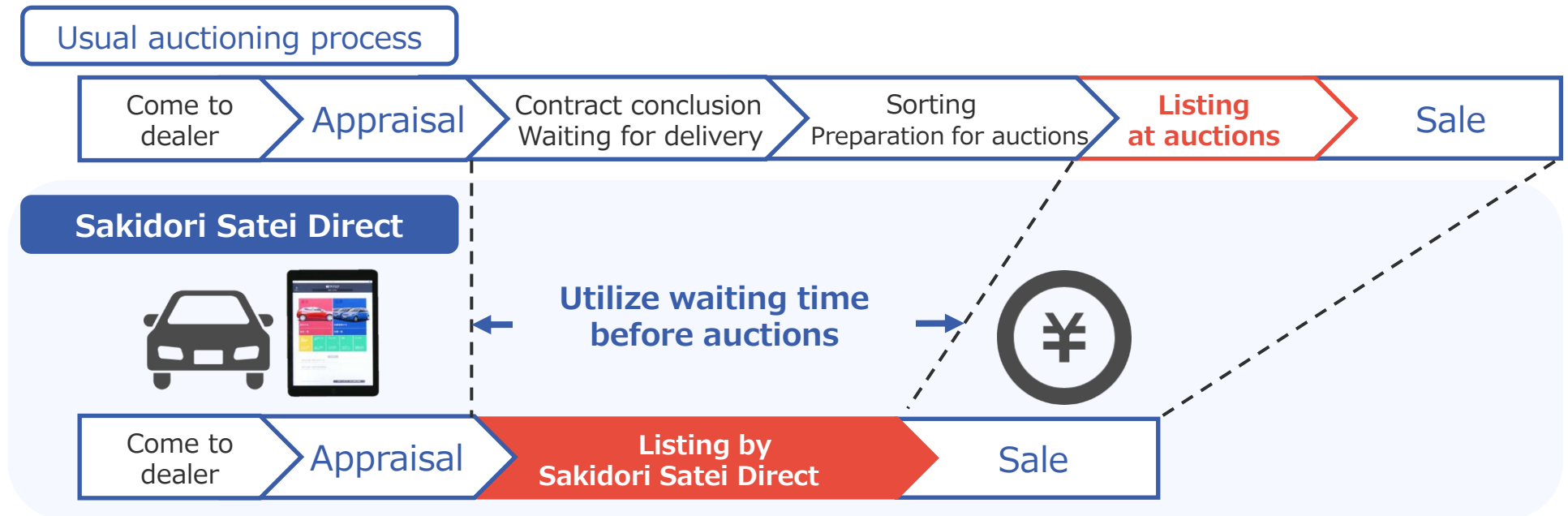
Shows how to confirm damage points indicated by the AI Assistant using photos.



- Upgrade the app by adding new functions unique to Aucnet and influenced by user feedback.

## 2. Sakidori Satei Direct

- Sakidori Satei Direct is based on appraisal data by SATEROKU, matching cars with buyers while the owners are still using them.
- Effectively utilize waiting time before auctions, such as waiting for delivery, through this new distribution flow.



- Using data, develop a distribution model not bound by traditional ideas, to enable more efficient liquidation and purchasing of used vehicles.

### 3. Data analysis

- Uniquely analyse condition-, price- and trend-information from Big Data accumulated through SATEROKU, etc, and release it as new services.

**“Direct Marketing” function:** Recommend suitable vehicles for buyers based on analysis of their purchasing behavior.

**“Predictive Analytics” function:** Offer market trend information which is useful for purchasing or maintaining vehicles in stock.



➤ **Plan to release more services based on Big Data hereafter.**



# 3. Segment Information

Automobile Business

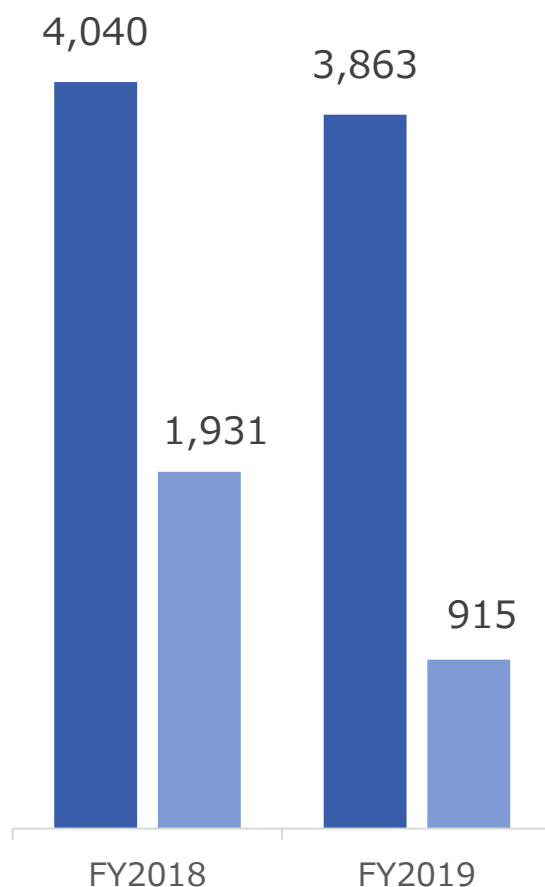
**Digital Product Business**

Other Information Distribution Business

Other Business

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

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



### Domestic business

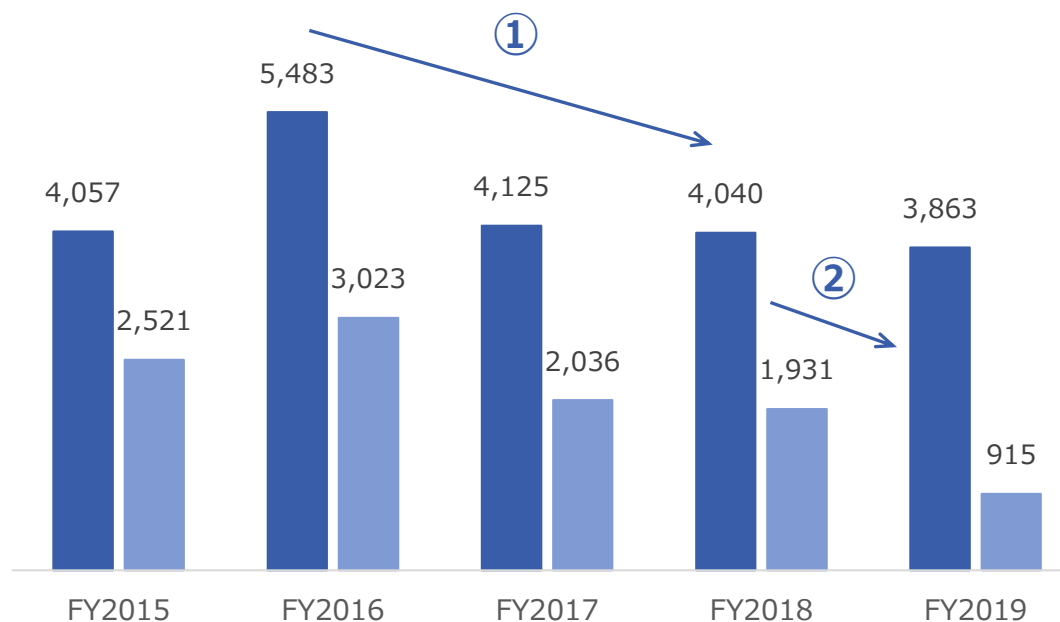
- The distribution volume increased from the previous fiscal year, owing to significant changes in the contract details with major customers in April, despite some impact from the slowdown of smartphone sales in Japan. However, the expected levels of income were not achieved.
- Operating expenses increased due to the relocation of domestic processing centers.
- Increased the distribution volume of used PCs continuously, due to increasing replacement demand as the end of support service for Windows 7 approaches.

### Overseas business

- Selling, general and administrative expenses were incurred in relation to preparation of facility infrastructure in the United States and the establishment of new businesses, but full-scale business operation was not yet commenced.

		FY2019	
		Results	Year-on-year
All of Digital Product Business	Total transaction amount	¥24,516million	+20.9%
	Total sales units	1,701,779units	+18.0%
	Total number of members	657	+23.7%

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



## ① Factor in 2016-2018

- Smartphone ownership ratio rose in Japan, so market growth slowed down. As smartphones got more expensive, replacement demand decreased.
- Competition for trade-in smartphones grew, raising their prices

## ② Factor in 2019

- Made substantial changes in the contract terms with major customers.
- The relocation of domestic processing centers increased costs.

## Future outlook

### Domestic

- Receive stable volume of trade-in smartphones from major customers.
- Integration of domestic processing centers results in increased efficiency and lower costs.

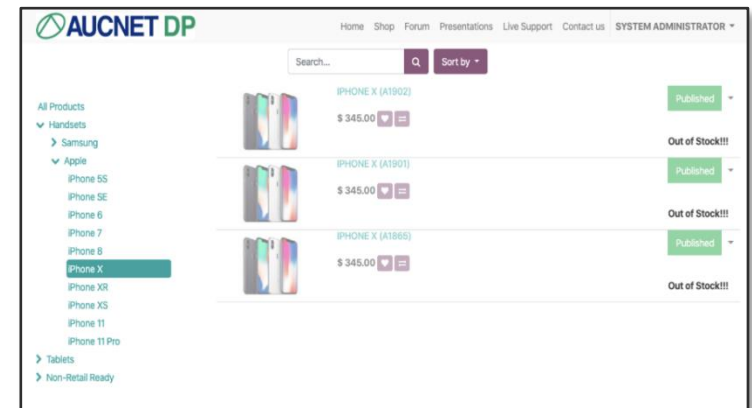
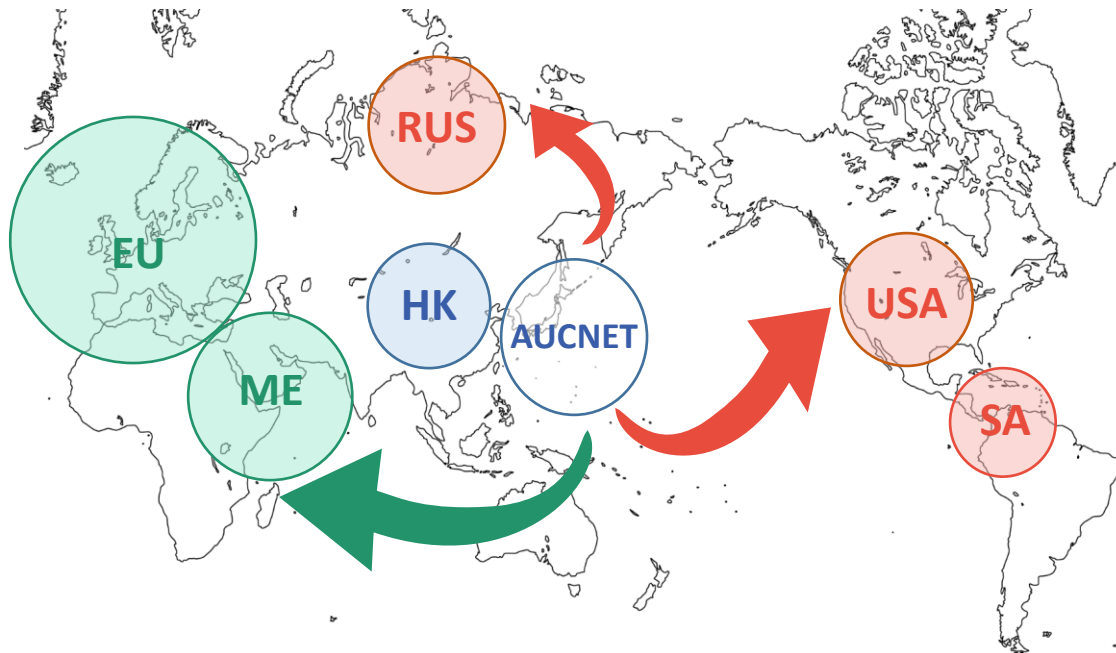
### Overseas

- Establish the U.S. processing center in conformance with information from partners.
- Build a stronger global buyer network and develop overseas distribution.

➤ **Negative factors have mostly been eliminated and results have stabilized, so the Digital Product Business is expecting an upturn in the future.**

## Increasing overseas buyers

- In FY2019, overseas buyer members increased 135 to about 350.
- 65 new buyers are in EU or Middle East, developing the diversity of our global network.
- In the future, we will increase profitability by diversifying distribution, for example, by direct sales to retail dealers or by developing enterprise sales channels.



- **Acquire new buyers in the Russia, North and South America in addition to EU and Middle East, building a more global buyer network.**

## In ADP USA, start processing devices from partners

### Priorities 2019

- ADP USA continued preparation for startup, such as a capital alliance with a strategic partner, Phobio, as well as negotiating partnerships with other companies.
- From these partners, we started processing a certain amount of smartphones and distributing a portion of them.



### Priorities going forward

- Promote processing and distribution with capital alliance partners to expand our distribution volume.
- Continue negotiations with major manufacturers, carriers, etc.
- Start trading trials to lead to concrete contracts.

➤ **By getting new suppliers and more processing business, stabilize our U.S. business base, as focus on full-scale operations at our facility in the U.S.**

# 3. Segment Information

Automobile Business

Digital Product Business

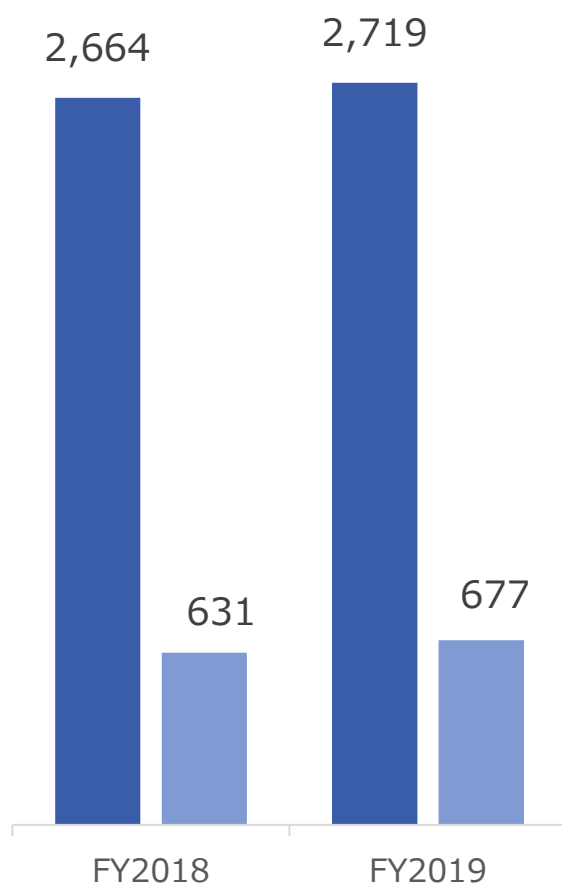
**Other Information Distribution Business**

Other Business

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

■ Net sales (Million Yen)

■ Segment income (Million Yen)



### Pre-owned Luxury Brand Items

- Experienced strong growth in the number of members, both within Japan and overseas, due to new member acquisition measures and stronger coordination of services with the U.S. entity with which we commenced a business partnership during the previous fiscal year
- Number of items listed and sold increased compared to the previous fiscal year.

### Used motorcycles

- The market conditions continued to be severe, and progress in securing motorcycles listings was sluggish.
- Commenced preparations for a full-scale launch of the subscription service, and rental services continuously increase the number of motorcycles in operation.

### Flowers (cut and potted)

- As products continued to be in short supply across Japan due to the effects of typhoons and other natural disasters, the number of items for listing was decreased but sales prices at auction rose, and so the total transaction amount remained at the same level as the previous fiscal year.

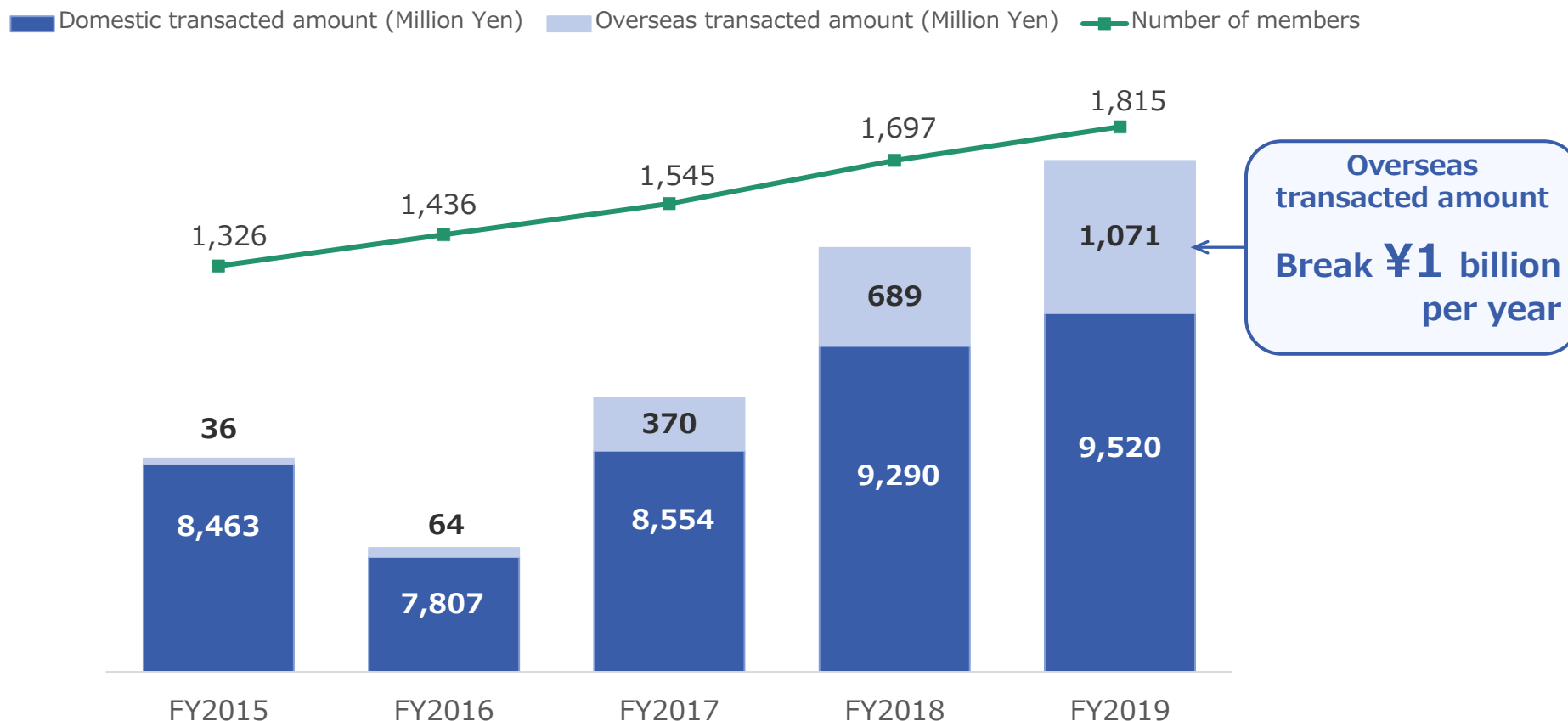
# Other Information Distribution Business (FY2019 KPI Results)

		FY2019	
		Results	Year-on-year
Pre-owned luxury brand items	Total transaction amount	¥10,591million	+6.1%
	Total number of listed items	482,113units	+11.2%
	Rate of sale	71.0%	△2.9pt
	Total number of members	1,815	+7.0%
Used motorcycles	Total transaction amount	¥6,991million	△1.5%
	Total number of listed items	56,385units	△12.0%
	Rate of sale *	49.1%	+6.1pt
	Total number of members	4,576	+1.2%
Flowers (cut and potted)	Total transaction amount	¥6,317million	△1.1%
	Total number of members (buyers)	1,076	△0.6%
	Total number of members (growers)	3,151	△0.7%

\* Rate of sale = sold items / (total listed items – canceled items)

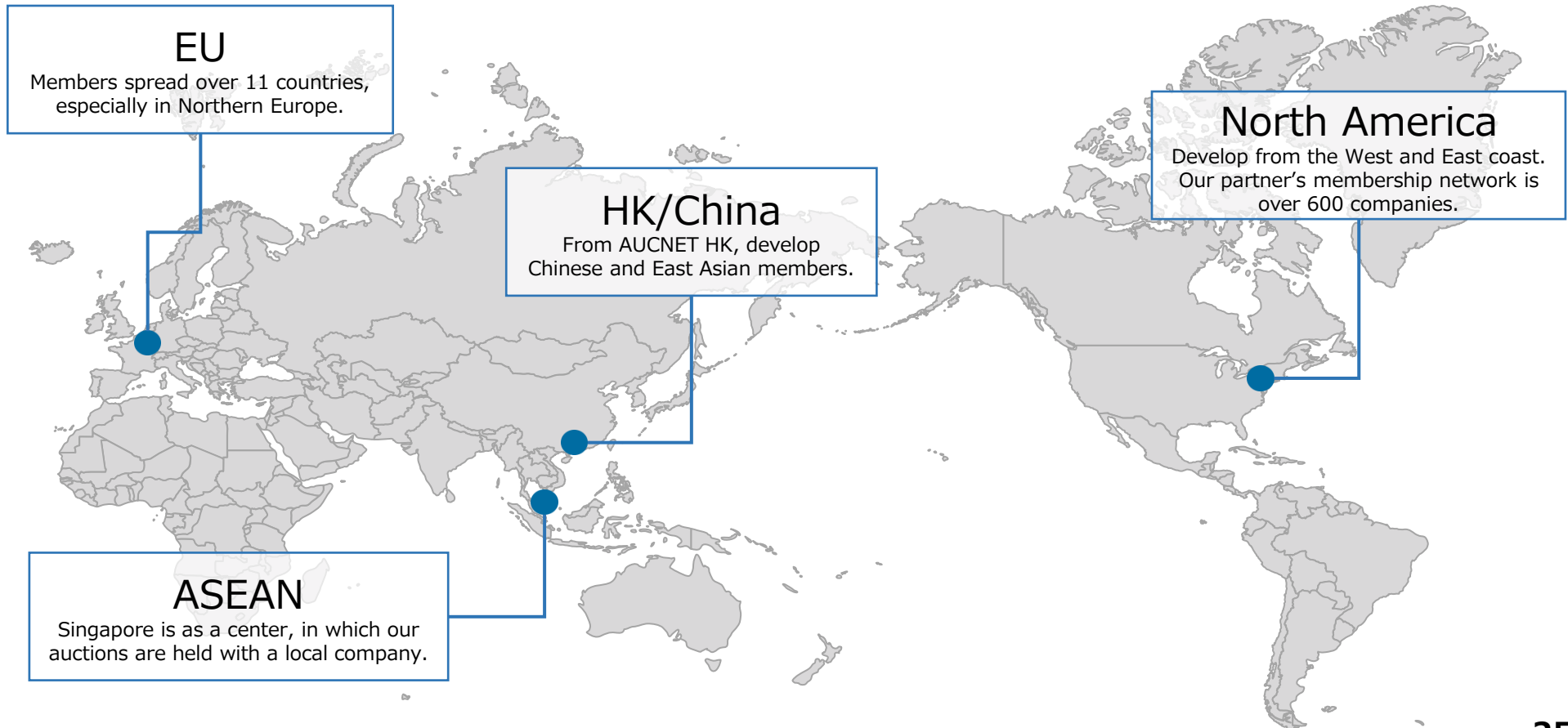


## Growth in pre-owned luxury brand items auction distribution



- For pre-owned luxury brand items, both the domestic and overseas business are rising steadily, and the total transaction amount broke 10 billion Yen per year.

## Developing as the Global B2B Network Orchestrator About 300 overseas members



Make full-scale inroads into the U.S. market –Resale fashion market size–

## Japan



¥0.9 trillion



¥0.5 trillion

2022  
forecast

## USA



¥4.3 trillion



¥2.0 trillion

2017

- \*1 Japanese market size is based on "Recycle Tushin" ([https://www.recycle-tsushin.com/news/detail\\_3619.php](https://www.recycle-tsushin.com/news/detail_3619.php)), U.S. market size is based on "ThredUp 2019 Resale Report"([https://www.thredup.com/resale?tswc\\_redir=true](https://www.thredup.com/resale?tswc_redir=true)) .
- \*2 Presume the rate of market growth 112% for five years.
- \*3 Presume 1\$=¥100.

➤ **Make full-scale inroads into the U.S. market, in which the secondary market is more active than in Japan.**

## Established a subsidiary in the U.S.

- In January 2020, established AUCNET CONSUMER PRODUCTS USA, LLC.
- Based on this company, work on the following.
  - Rapid expansion of U.S. members network
  - Providing customer services (bill collection, logistics services)
  - Promotion of distribution business model in the U.S.

## Strategic partnership with LePrix

- LePrix is a U.S. company with which we established a business alliance in October 2018. Via LePrix, its members have access to our auctions.
- In December 2019, we made a minority investment in LePrix and created a strategic capital alliance.

### LePrix Corporate information



Trade name	LePrix, Inc.
Date of establishment	2014
CEO	Elise Whang
Business outline	Managing B2B and B2C online resale markets of luxury brand items, to more than 600 members

➤ Cooperating with LePrix, make a foundation of U.S. business.

## Rental Bike, Subscription service

- Rental services continuously increased the number of motorcycles in operation throughout FY2019.
- With the rental bike market shaping up in Japan now, we work on improving our services, such as renovation of the web site, to increase the number of motorcycles in operation.
- Complete testing Subscription service from June 2019, aiming to start the service in 2020.



## Expansion of distribution (Adachi Operation Center)

- As the base of Used Motorcycle Business, a new operation center was established in Adachi, Tokyo.
- In addition to the usual vehicle storage function, we conduct pricing and processing services for used motorcycles in this center, contributing to stable distribution volume.



- **Expand distribution volume, a new operation center making our distribution more effective and promoting demand for motorcycles with complementary services like Rental Bike.**

## Otoriyose Torihiki (Pre-order service)

- Otoriyose Torihiki is the web purchase service for florists that allows members to choose flowers in advance from listing information.
- “Order Mix” function started in April 2019, which allows buyers to purchase flowers in small lots, mainly targeting the wedding business because it meets needs to create bouquets.
- From November 2019, potted flowers purchasing service started, which will result in increased distribution by meeting needs of garden centers.



## Quality Control Mark

- In an industry first, we developed 17 pictograms explaining proper preservation of cut flowers, building distribution which is good at maintaining shelf life of flowers
- These marks are printed on flower boxes, so any buyers can grow flowers properly regardless of their experience.



(商標登録出願中)

- **By promoting Otoriyose Torihiki and familiarizing Quality Control Mark, fulfil broader and high quality flower distribution, contributing to the industry.**

# 3. Segment Information

Automobile Business

Digital Product Business

Other Information Distribution Business

**Other Business**

## Established CARSERU

- In July 2019, as the 100% subsidiary of AUCNET, CARSERU, INC. was established.
- From March 2020, start a C2B service “Kuruma Baiyaku Agent” which supports users selling cars.

ベストな売り方、プロがサポート。

# クルマ売却 エージェント Carseru

業界初! 3つの売却方法から  
最適解をご提案



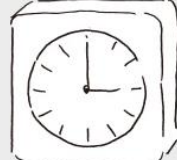
カーセるは、あなたに寄りそうエージェント。  
35年の中古車取引実績と、  
業界最大級の取引法人ネットワークを持つ私たちが、  
納得のいく売却をサポートします。  
ご提案したいのは、中立の立場だからできる、  
あなたにベストな選択肢。  
LINEで、簡単にご相談いただけます。





## What is “Kuruma Baikyaku Agent”?

- “Kuruma Baikyaku Agent” is the industry’s first online service which allows users to select the best out of three sales methods to sell their cars.
- In this service also benefits our Automobile Business members that are matched with potential sellers. This new C2B service is unique to AUCNET.

1	2	3
<p>とにかく <u>高く売りたいあなたに!</u></p>  <p><u>オークション</u></p> <p>全国の中古車取扱業者があなたの愛車を競り合います。中間流通をカットすることで、余計な手数料がかからないから、高価売却が可能。目標価格に到達しない場合は、売却しなくてももちろん OK! 経験豊富なスタッフが高価売却をサポートします。</p>	<p>しっかり <u>確実に売りたいあなたに!</u></p>  <p><u>検査あり一括査定</u></p> <p>中古車業界のスタンダードとして実績ある AIS 検査で取得した情報をもとに、カーセーで事前に入札を募ります。あなたは最高額で入札した業者に売却するか選ぶだけ。さらに、カーセー独自の買取保証制度をご用意。「売れなかったらどうしよう...?」という心配はご無用です!</p>	<p><u>すぐに売りたいあなたに!</u></p>  <p><u>検査なし一括査定</u></p> <p>あなたの車両情報をもとにカーセーが入札を募り、買取希望価格上位 2 社に業者を絞り込みます。あとは、業者からの連絡を待っただけ! 面倒なやり取りを徹底的に減らすことで、最短 18 時間での超スピード売却が可能です。</p>

New business  
areas

Existing business  
areas

## Development of new business

- Develop new businesses and services based on our strengths
- Construct new information distribution models

**CARSERU starts “Kuruma Baikyaku Agent”  
iryoo.com, Tenant Book, etc.**

## Reinforcement of existing business

- Sustain expansion of distribution volume
- Improve member support services
- Develop BPO services
- Change to strategic organization

**Used vehicles, used smartphones and PCs  
Pre-owned luxury brand items, used  
motorcycles, flowers, used medical equipment**

## Expansion of overseas business

- Overseas expansion of existing businesses
- Develop new businesses
- Develop cross-border trading

**Start operations at our facility  
in the United States for used  
smartphones**

**Established a subsidiary in the  
U.S. for pre-owned luxury  
brand items**

**Japan**

**Overseas**

# 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 eco-system with minimal impact on the environment. We continuously innovate to provide new services that are tailored to customer needs and exceed their expectations.



## **4. Reference**

# Balance Sheets



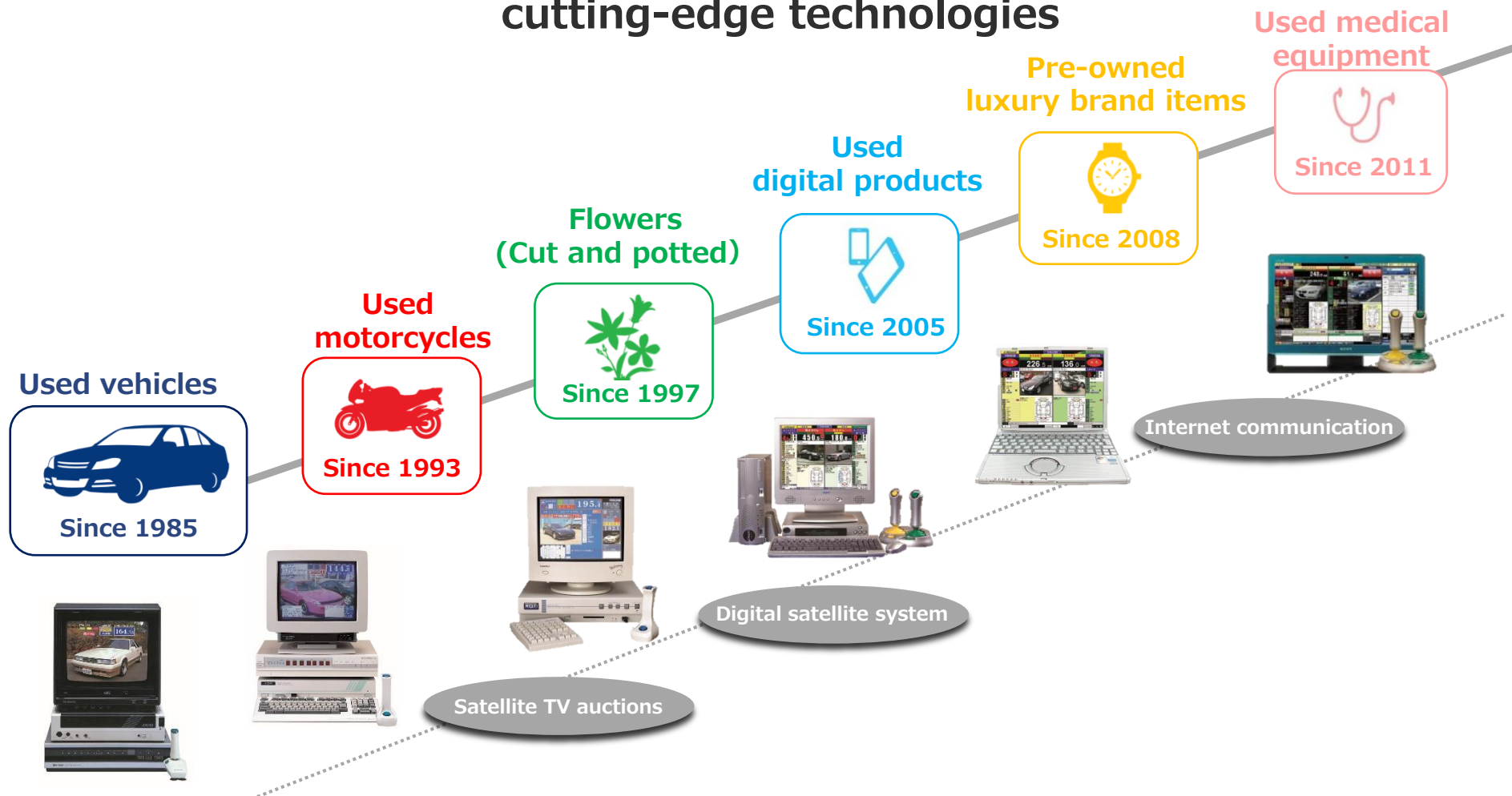
(Million Yen)

Assets	As of December 31, 2018	As of December 31, 2019		Liabilities and net assets	As of December 31, 2018	As of December 31, 2019	
	Amount	Amount	Increase /Decrease		Amount	Amount	Increase /Decrease
Current assets	21,322	<b>22,450</b>	+1,128	Current liabilities	7,319	<b>8,455</b>	+1,136
Cash and deposits	16,489	<b>14,701</b>	△1,788	Due to auction members	4,692	<b>6,040</b>	+1,347
Due from auction members	2,639	<b>3,589</b>	+950	Other	2,626	<b>2,415</b>	△211
Other	2,193	<b>4,159</b>	+1,966	Non-current liabilities	2,523	<b>2,535</b>	+11
Non-current assets	5,934	<b>6,873</b>	+939	Retirement benefit liability	1,705	<b>1,620</b>	△85
Property, plant and equipment	1,551	<b>1,482</b>	△69	Other	818	<b>914</b>	+96
Intangible assets	1,393	<b>1,513</b>	+119	Total liabilities	9,843	<b>10,991</b>	+1,147
Other	2,989	<b>3,878</b>	+888	Total net assets	17,413	<b>18,333</b>	+919
Total assets	27,257	<b>29,324</b>	+2,067	Total liabilities and net assets	27,257	<b>29,324</b>	+2,067

(Million Yen)

	FY2018	FY2019	
	Results	Results	Year-on-year
Cash flows from operating activities	2,848	<b>1,426</b>	△1,422
Cash flows from investing activities	△1,239	△ <b>2,600</b>	△1,360
Cash flows from financing activities	△947	△ <b>757</b>	+190
Cash and cash equivalents at end of period	15,629	<b>13,761</b>	△1,868

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







Total transaction amount

**¥ 357.5** billion



Total number of members

**25,421** Companies

## Automobile Business

Transaction  
Amount



**¥309.1** billion

## Digital Product Business

Transaction  
Amount



**¥24.5** billion

## Other Information Distribution Business

### Pre-owned luxury brand items

Transaction  
Amount



**¥10.5** billion

### Used motorcycles

Transaction  
Amount



**¥6.9** 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  
Total number of members: Members who use multiple services of the same business are counted as one (FY19)



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)

- Expanding nationwide vehicle inspection and evaluation provided at customer sites with 190 qualified inspectors \*



※As of December 31, 2019

## 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



※As of December 31, 2019

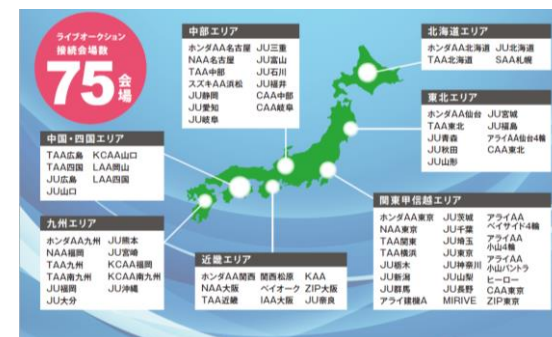
## Used vehicle distribution networks with other sites

### Proxy bidding service (i-Auc)

- Auction agency services for vehicle listing and bidding at 109\* physical auction sites nationwide.

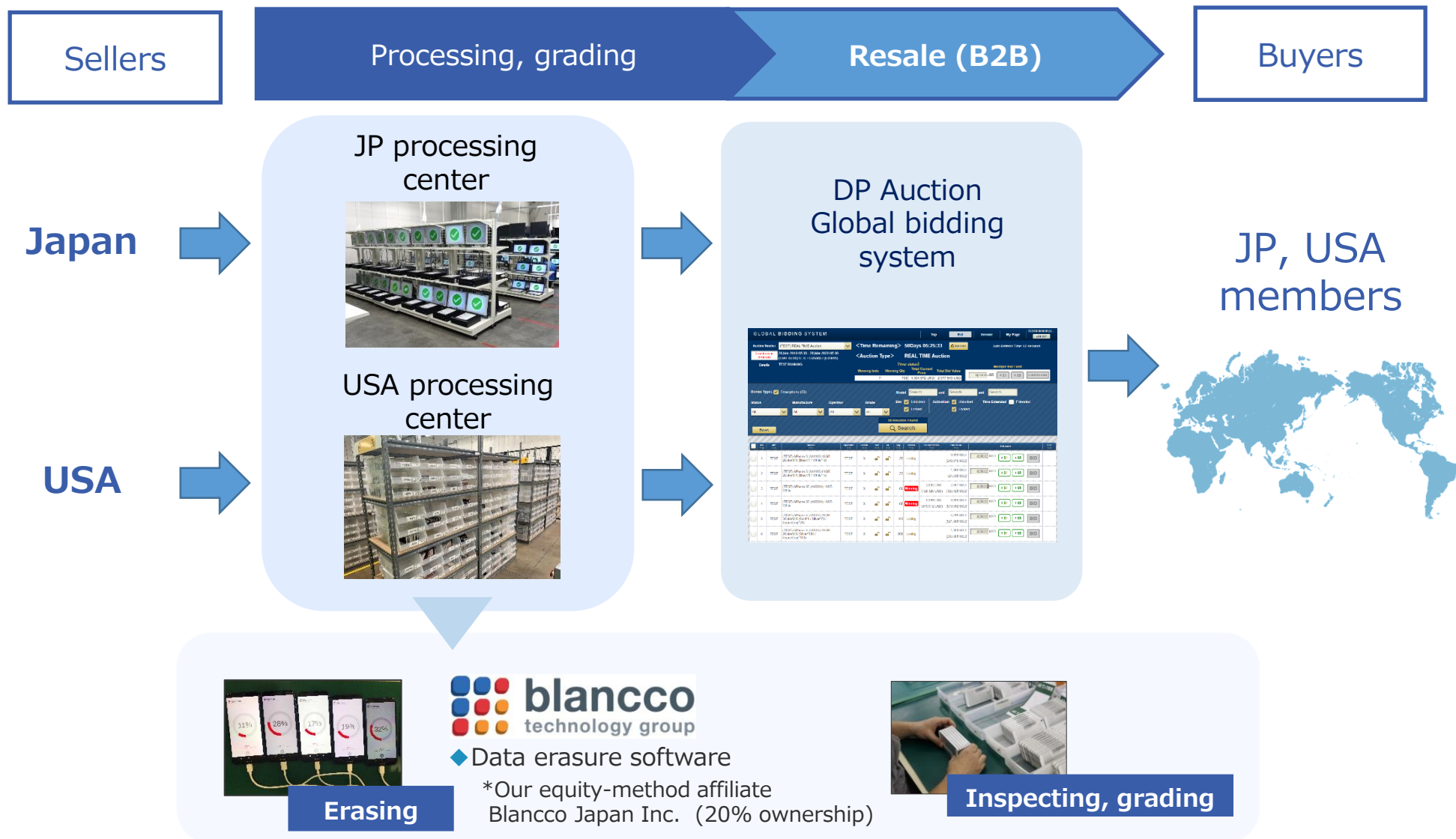
### Live linked auctions

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



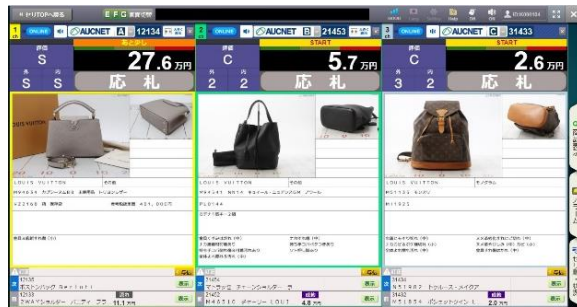
※As of December 31, 2019

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

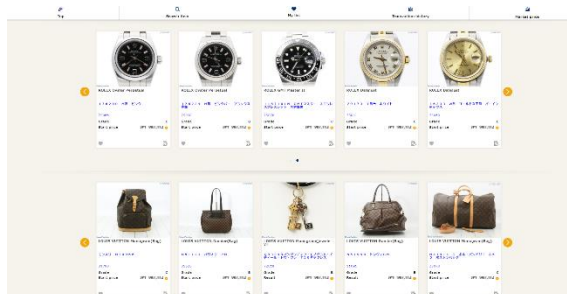


Facilitate the distribution of various products through online auctions  
Aiming further expansion of services for customer

## Pre-owned luxury brand items



For overseas customers  
AUC Marketplace



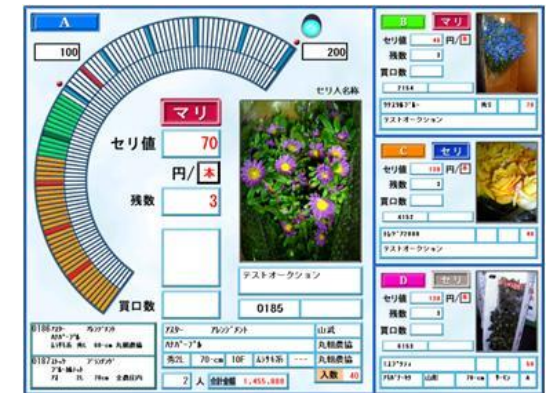
## Used motorcycles



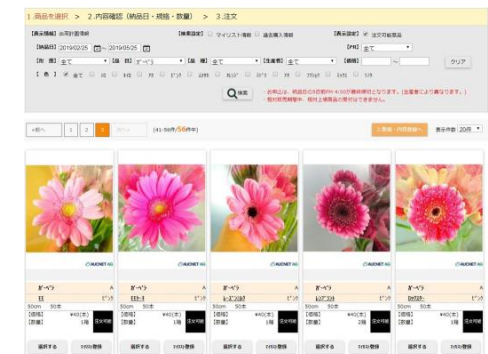
For domestic customers  
Rental Bikes



## Flowers (cut and potted)



A new service  
Otoriyose Torihiki



- The information and data in this presentation material contains 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 20, 2020. Please be aware that actual performance is subject to influence from diverse factors and may differ from the forecast presented herein.