



Financial Results Presentation for the Three Months Ended November 30, 2018

January 11, 2019
SOU Inc.

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Corporate profile



Introduction



**SOU specializes in the reuse of high-end luxury items,
including brand-name goods, antiques, and art.
We integrate the digital and the real world to offer a unique
sensory experience to our customers.**

Corporate profile

| | |
|---------------------------|--|
| Company name | SOU Inc. |
| Representative | Shinsuke Sakimoto |
| Location of head office | 1-chome, Konan, Minato-ku, Tokyo |
| Establishment | December 2011 |
| Capital stock | 948 million yen (as of November 30, 2018) |
| Number of employees | 424 (as of November 30, 2018) *On a consolidated basis; regular employees only |
| Business description | Buying and sales of luxury goods, precious metals, and antiques, etc. |
| Segment | Reuse business for luxury goods, antiques, and arts, etc. (single segment) |
| Consolidated subsidiaries | Hakkoudo Inc., STAR BUYERS LIMITED |

Group business brands

Buying



Auctions (to-B)



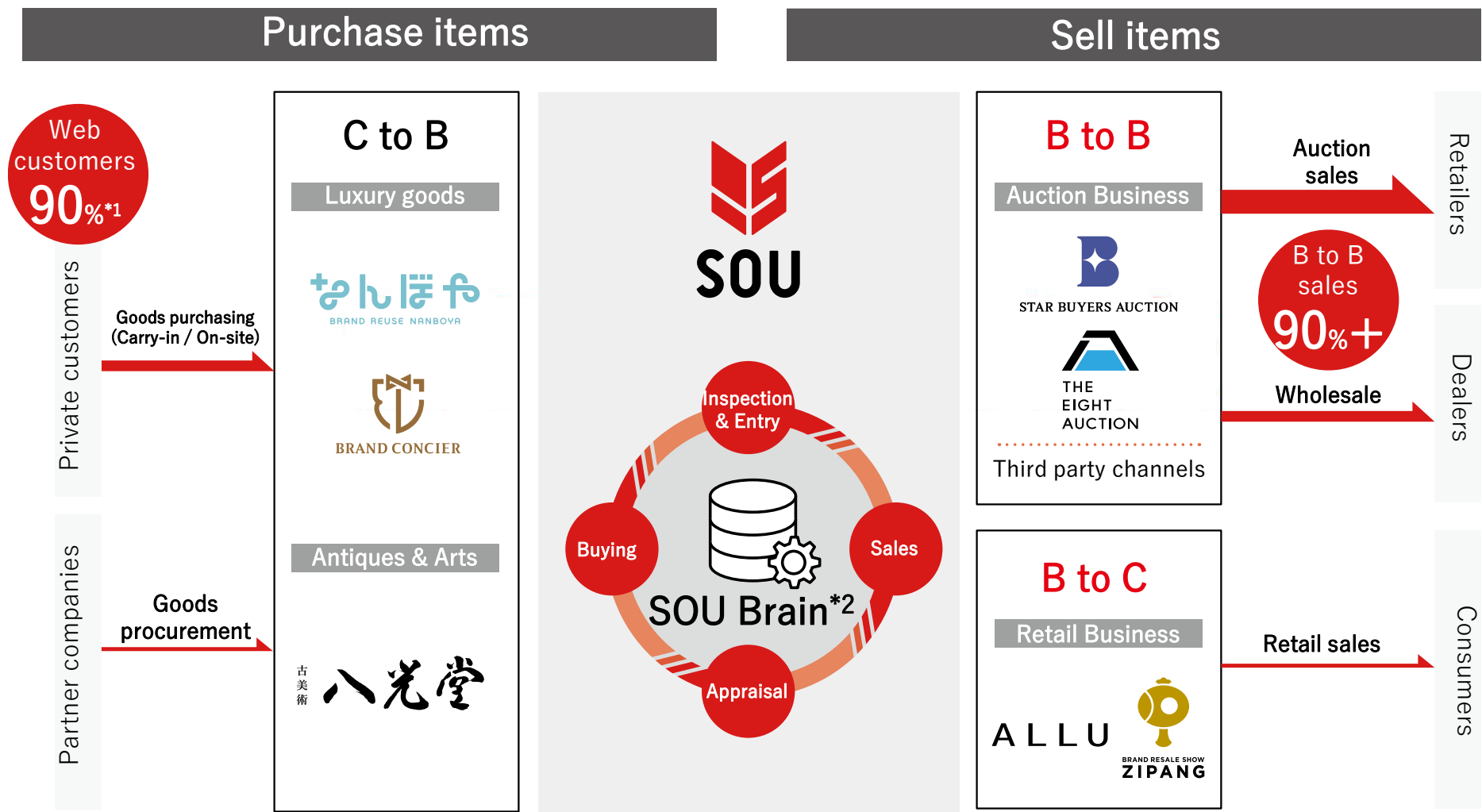
Retail (to-C)



Apps



Business model



*1 Survey figures

*2 SOU Brain: Name for internal systems and databases

Financial results for the three months ended November 30, 2018



Key points for the three months ended November 30, 2018

Achieved year-over-year growth both in sales and profits
Steady progress against forecasts for the fiscal year ending August 31, 2019

■ Sales

- ✓ Amounts for purchases and net sales were up 10.8% and 18.1%, respectively, year-over-year, primarily owing to the increase in purchasing at offices opened during the fiscal year ended August 31, 2018.
- ✓ The overseas sales ratio was over 15% due to holding of three overseas auction sessions, which was more than scheduled.

■ Profits

- ✓ Although gross profit margin declined 2.0pts year-over-year primarily due to a focus on purchasing high-value items continued from the fiscal year ended August 31, 2018, results were 0.3pts above forecasts.
- ✓ Operating profit, ordinary profit, and profit attributable to owners of parent reached about 30% against forecasts .



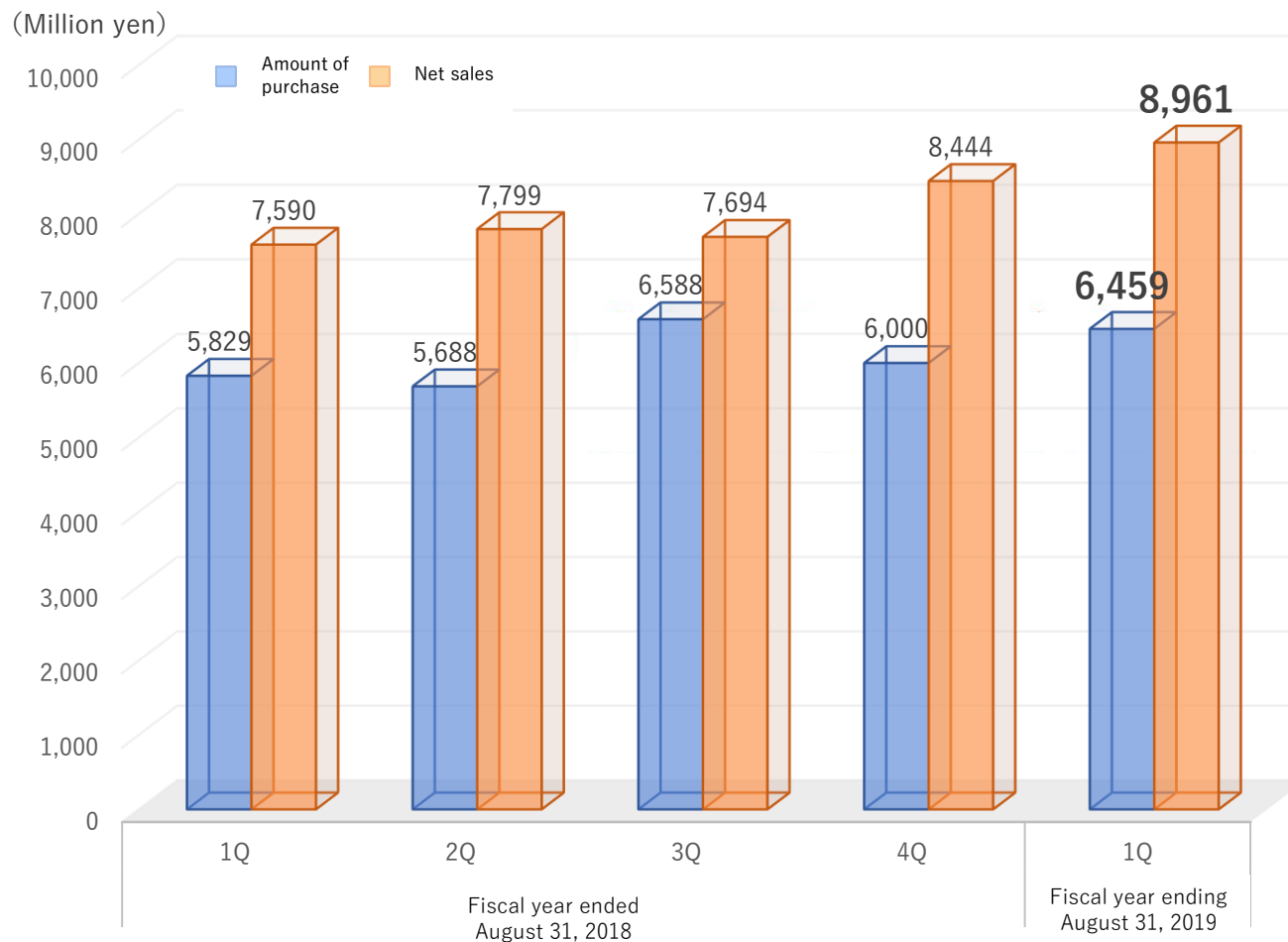
Financial results for the three months ended November 30, 2018

(Million yen)

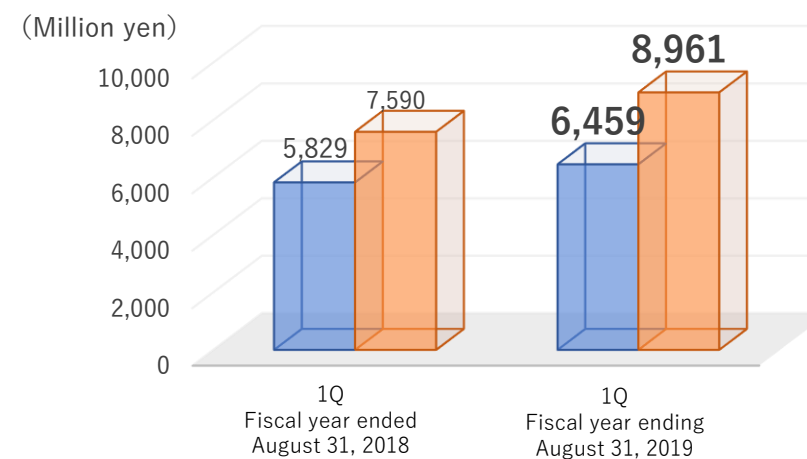
| | Three months ended November 30, 2017 results | Three months ended November 30, 2018 results | Change |
|--|--|--|---------------|
| Net sales | 7,590 | 8,961 | +18.1% |
| Gross profit | 2,215 | 2,441 | +10.2% |
| Gross profit margin | 29.2% | 27.2% | - |
| Selling, general and administrative expenses | 1,616 | 1,821 | +12.7% |
| Operating profit | 598 | 620 | +3.6% |
| Ordinary profit | 601 | 627 | +4.3% |
| Ordinary profit margin | 7.9% | 7.0% | - |
| Profit attributable to owners of parent | 391 | 422 | +7.7% |

| Fiscal year ending August 31, 2019 forecasts | Progress |
|--|--------------|
| 35,650 | 25.1% |
| 9,600 | 25.4% |
| 26.9% | - |
| 7,400 | 24.6% |
| 2,200 | 28.2% |
| 2,130 | 29.5% |
| 6.0% | - |
| 1,450 | 29.1% |

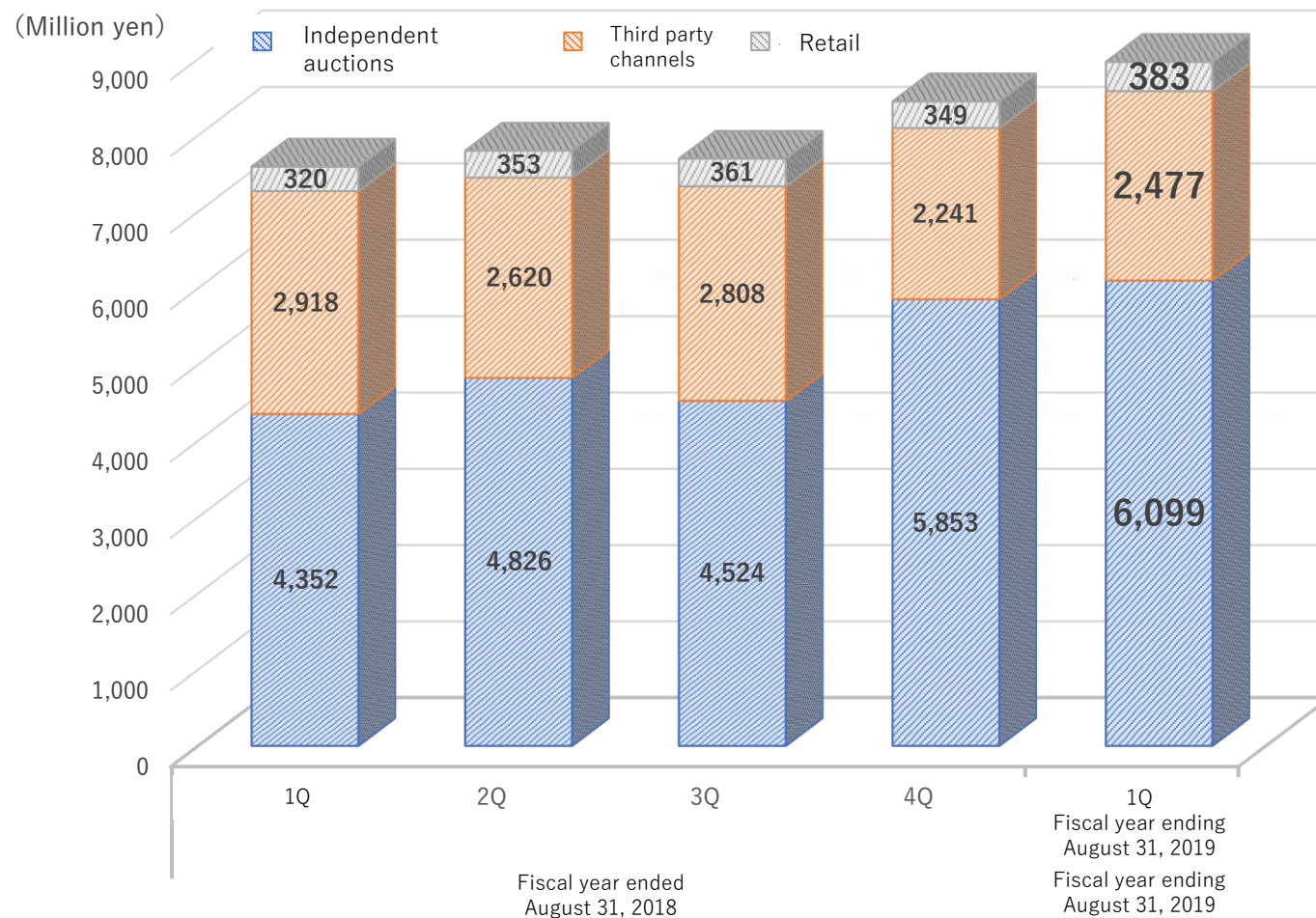
Amount of purchase and net sales



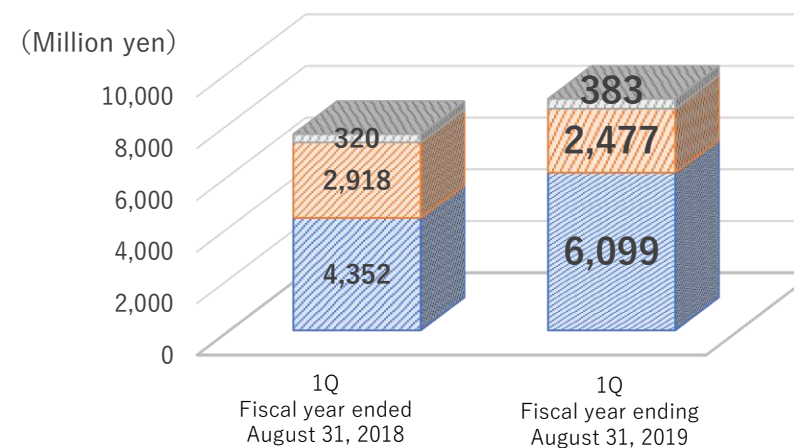
- Amount of purchase was up 10.8% year-over-year and 7.6% from the preceding quarter, partly due to the effect of new buying offices opened during the fiscal year ended August 31, 2018
- In line with an increase in the amount of purchase, net sales were up 18.1% year-over-year and 6.1% from the preceding quarter



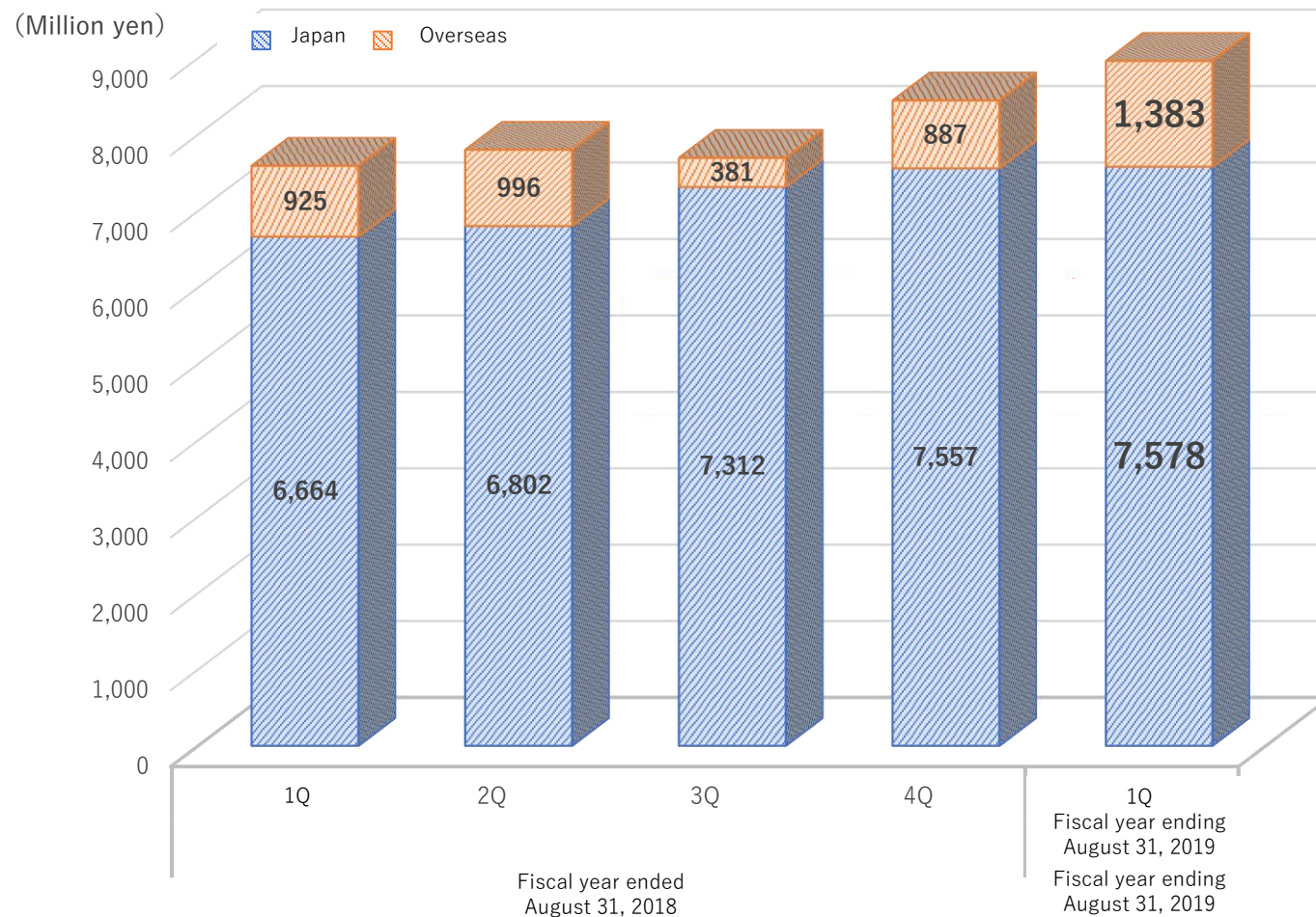
Net sales by channel (to-B, to-C)



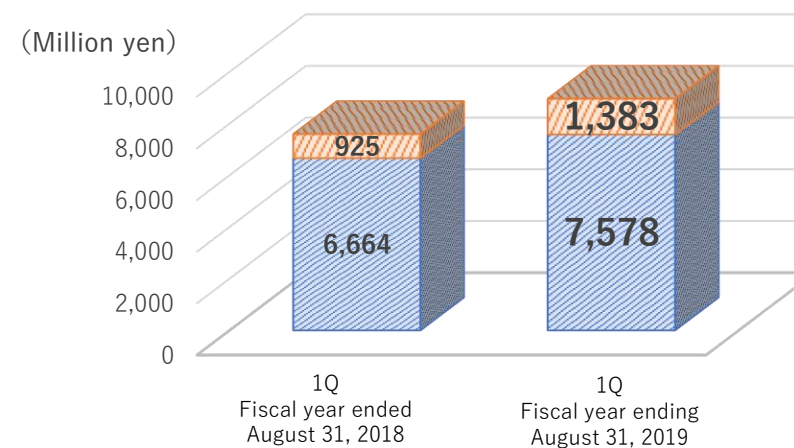
- Auction sales were up 40.2% year-over-year, owing to the auctions in Hong Kong (two diamond auctions and one watch auction) and antique auctions held by Hakkoudo
- Coupled with the opening of a new ALLU storefront in Shinsaibashi, retail channel sales also progressed favorably



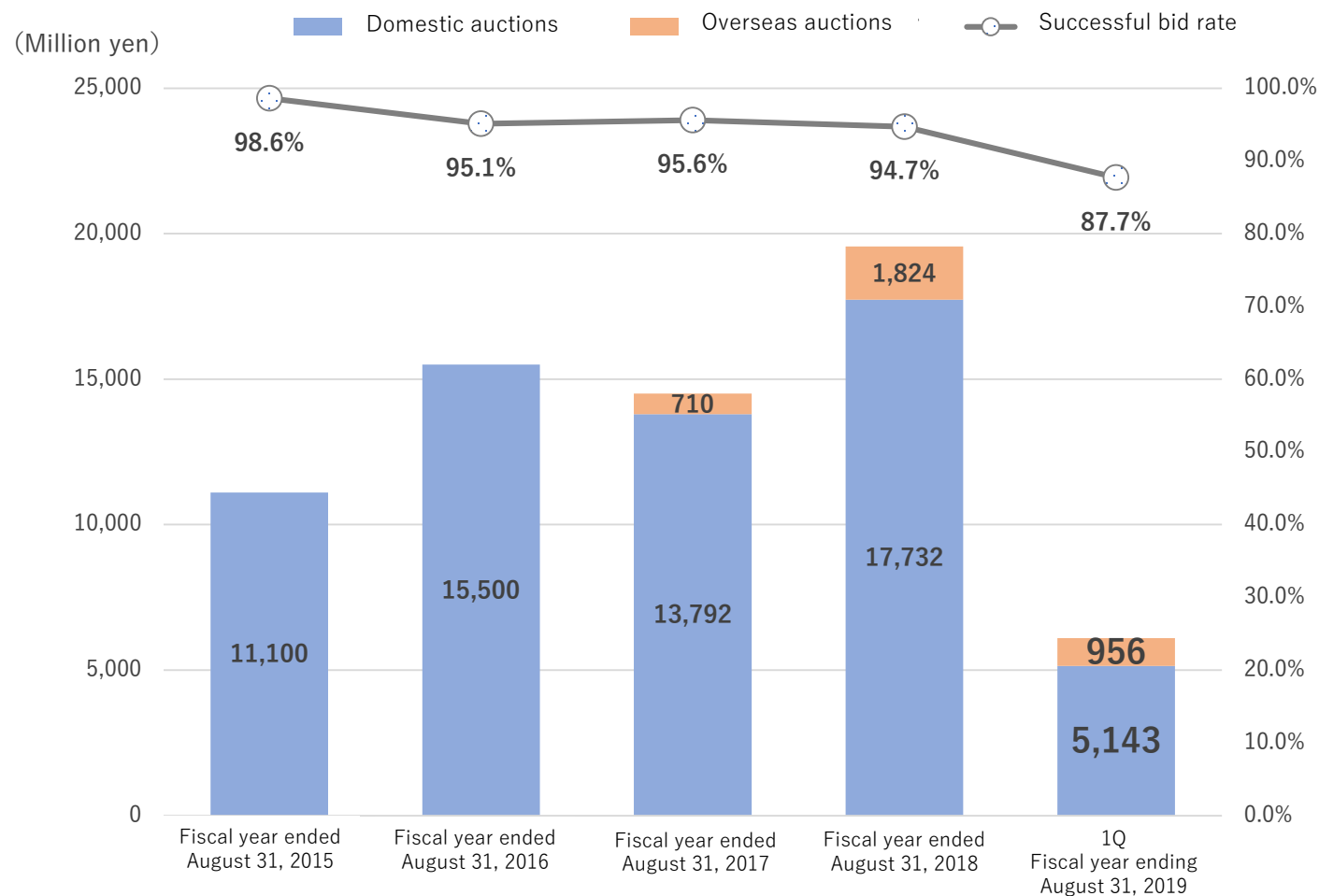
Net sales by channel (domestic, overseas)



- The overseas sales ratio grew by 49.4% year-over-year primarily due to holding auctions in Hong Kong (two diamond auctions and one watch auction)
- The overseas sales ratio for the three months ended November 30, 2018 was 15.4%, compared to 10.1% for the fiscal year ended August 31, 2018

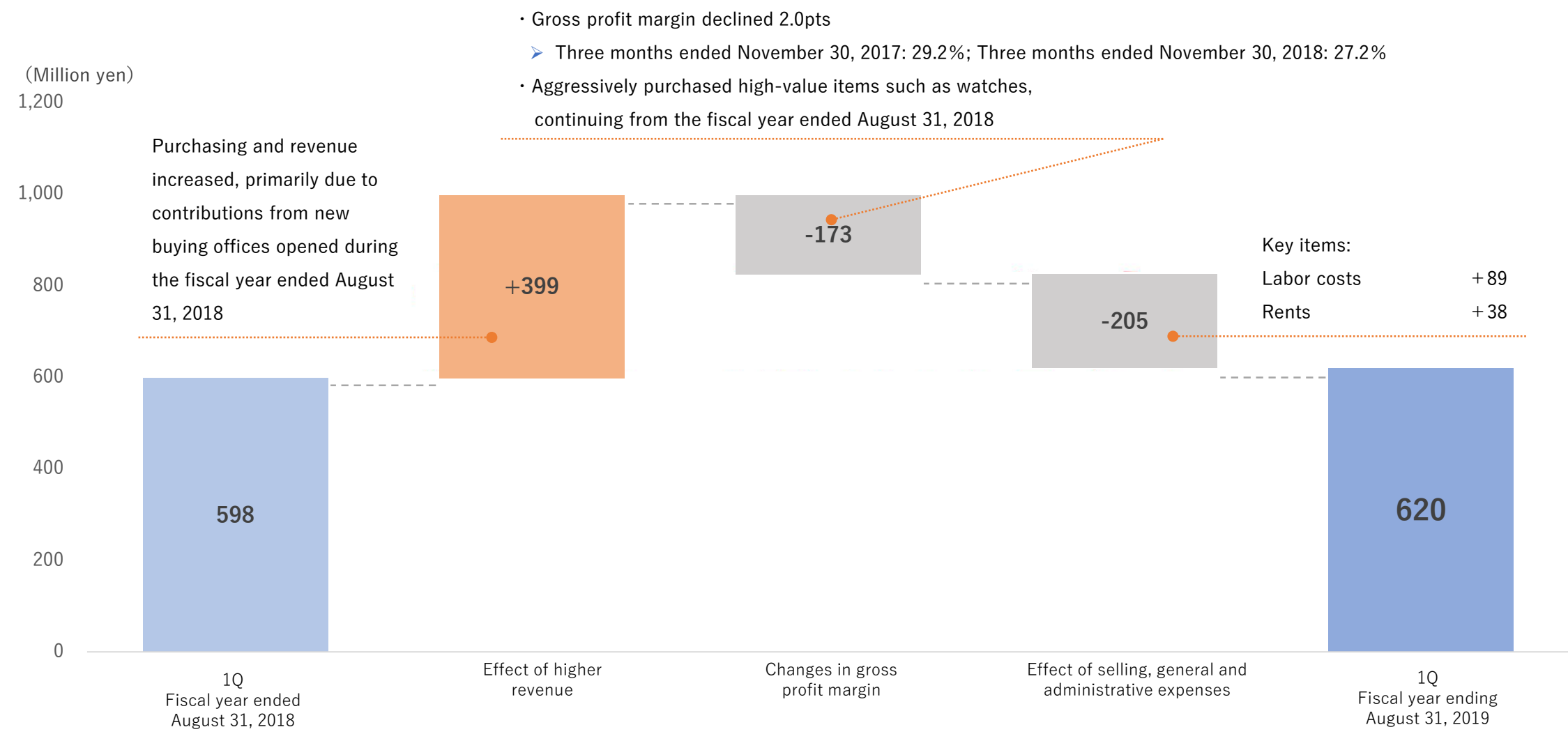


Auction results

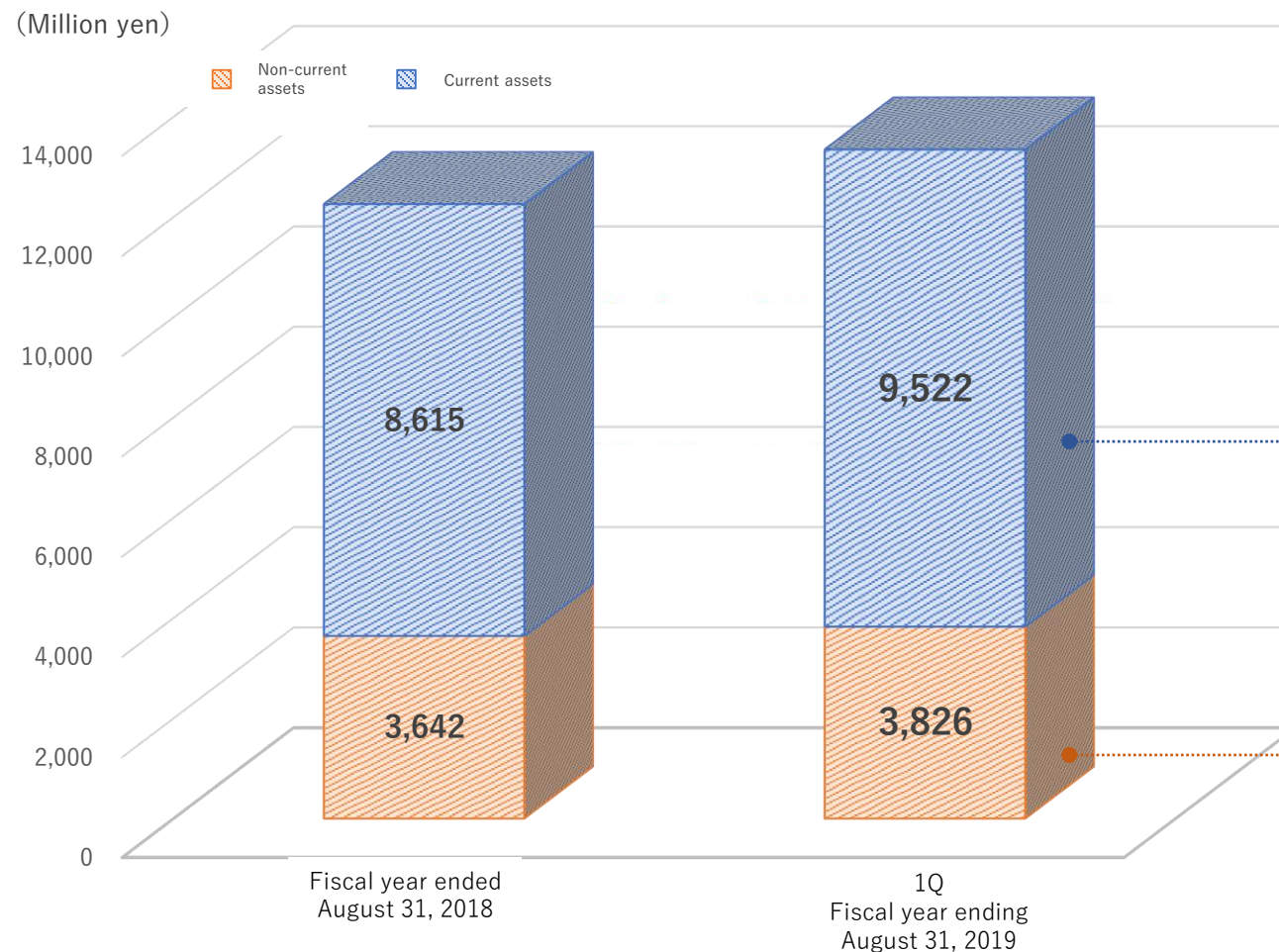


- Sales of domestic auctions were up 37.3% year-over-year. However, the successful bid rate declined due to the addition of monthly online bidding at STAR BUYERS AUCTIONS held by the Company; online bidding sessions generally have lower bid rates.
- In the period under review, two diamond auctions and one watch auction were held, resulting in a 58.2% increase year-over-year, in contrast to the three months ended November 30, 2017, which had two diamond auctions

Changes in operating profit



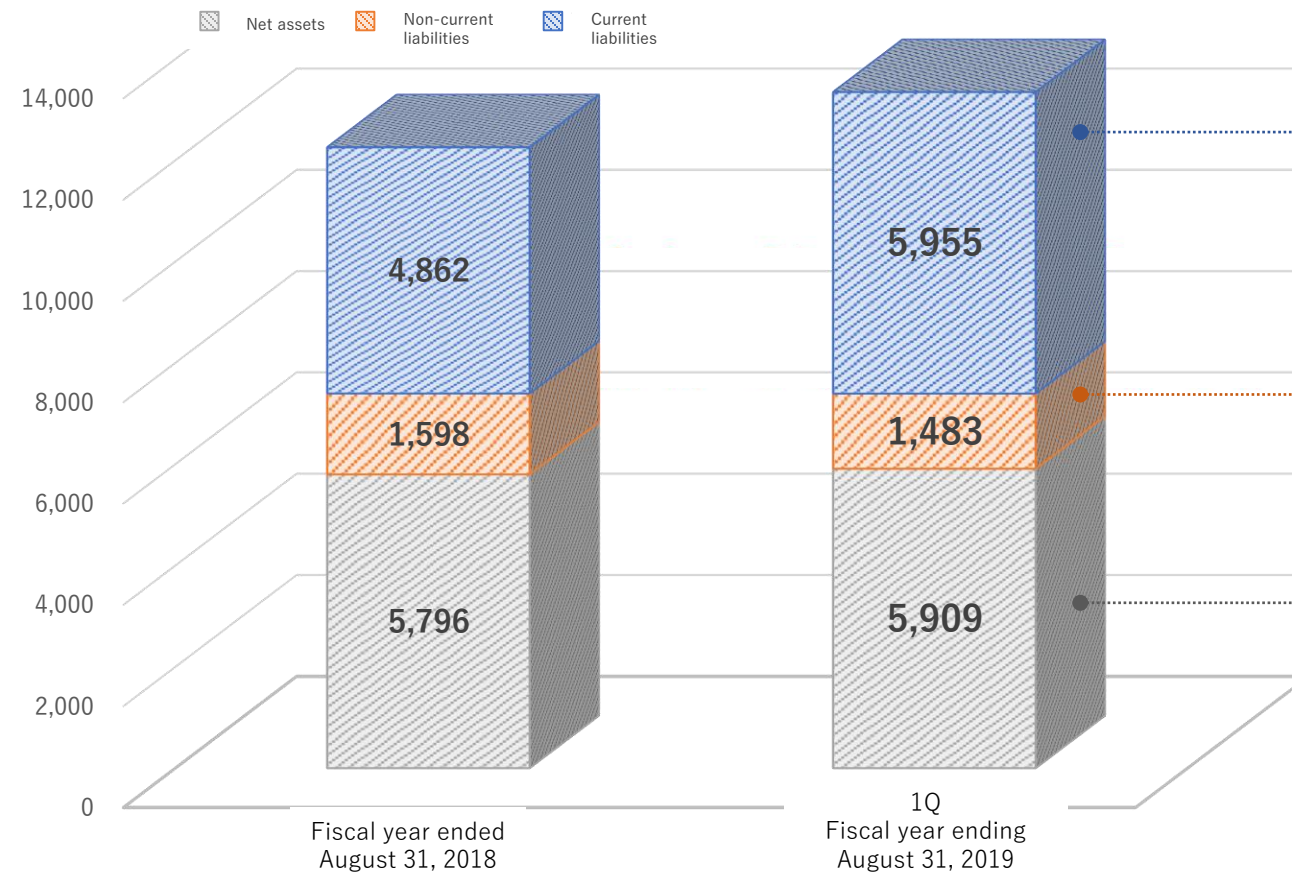
Balance sheet (assets)



- ✓ **Decrease in merchandise: 56 million yen**
 - Regular holding of Hakkoudo auctions furthered sales of stock merchandise
 - Inventory turnover period remained at 64.0 days (Fiscal year ended August 31, 2018: 63.9 days)
- ✓ **Increase in cash and deposits: 422 million yen**
 - New opening of buying offices, etc.
- ✓ **Increase in accounts receivable – trade: 490 million yen**
 - Increase in overseas exports, etc.
- ✓ **Decrease in goodwill: 36 million yen**
- ✓ **Increase in buildings and structures, net: 221 million yen**
 - Opening of ALLU Shinsaibashi store and new buying offices
- ✓ **Increase in guarantee deposits: 31 million yen**
 - Opening of ALLU Shinsaibashi store and new buying offices

Balance sheet (liabilities and net assets)

(Million yen)



✓ Increase in short-term loans payable: 1,080 million yen

• To secure working capital for increased purchasing of merchandise, etc.

✓ Decrease in bonds payable: 80 million yen

✓ Decrease in long-term loans payable: 74 million yen

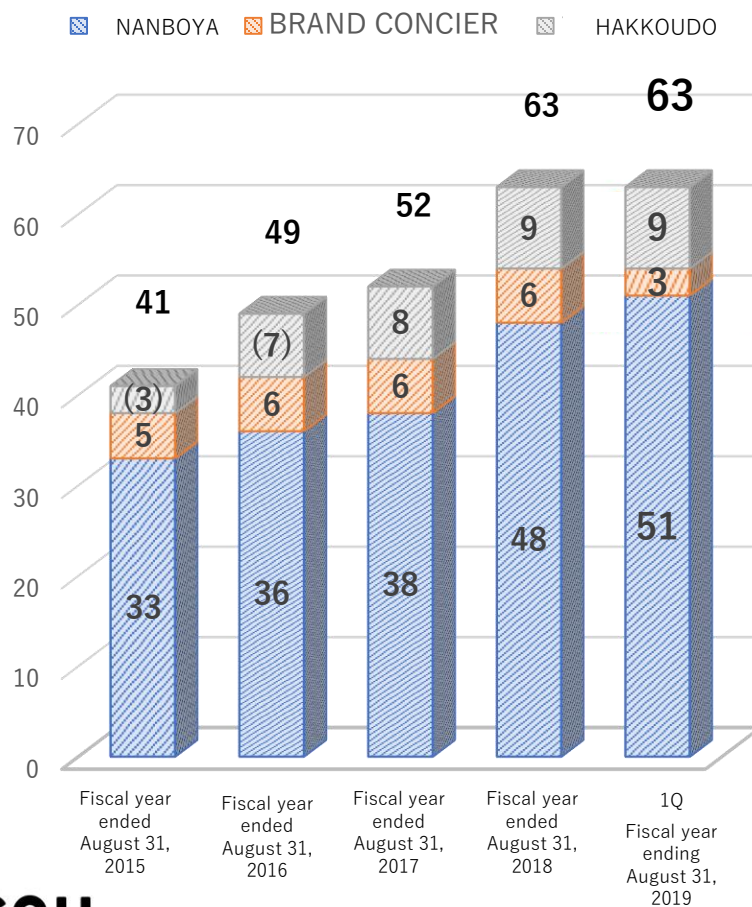
✓ Increase in retained earnings: 109 million yen

Key initiatives for the three months ended November 30, 2018



Buying New store openings and relocation of NANBOYA buying offices

■ Number of buying offices



■ Offices opened during the three months ended November 30, 2018



- ※ Acquired 100% ownership of Hakkoudo in February 2017
- ※ Closed three offices under the BRAND CONCIER brand (Namba office, Omiya office, Ikebukuro office) upon contract expiration during the three months ended November 30, 2018. The Namba office was rebranded as the NANBOYA NAMBA Nannan office and subsequently relocated.

Sales to-B: Strengthen auction business

STAR BUYERS AUCTION

■ Domestic

Adding online bidding days

Began in September 2018 to cope with increased purchasing volume

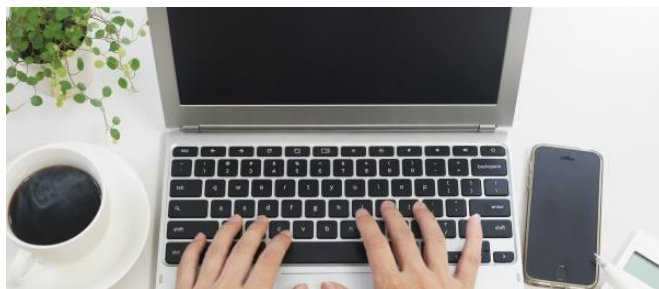
Four days of onsite days

11th: Luxury apparel and accessories 12th: Luxury watches
13th: Branded designer jewelry 14th: Luxury bags

+

Online bidding days

23rd: All categories



■ Overseas

Held three auctions in Hong Kong

Two diamond auctions (September and November) / One watch auction (November)

Watch session fully operational



THE EIGHT AUCTION

■ Domestic

Full-scale operations launched for independent auctions for antiques, antique arts, and modern arts, hosted by Hakkoudo

Shifting the sales channel from third party auctions to self-produced auctions

Aim to improve future profitability

Two days of onsite auctions

Even months, 8th: Antiques; 9th: Tea ceremony equipment
Odd months, 8th: Paintings; 9th: Calligraphic works



to-C: Measures for increasing the ALLU brand awareness

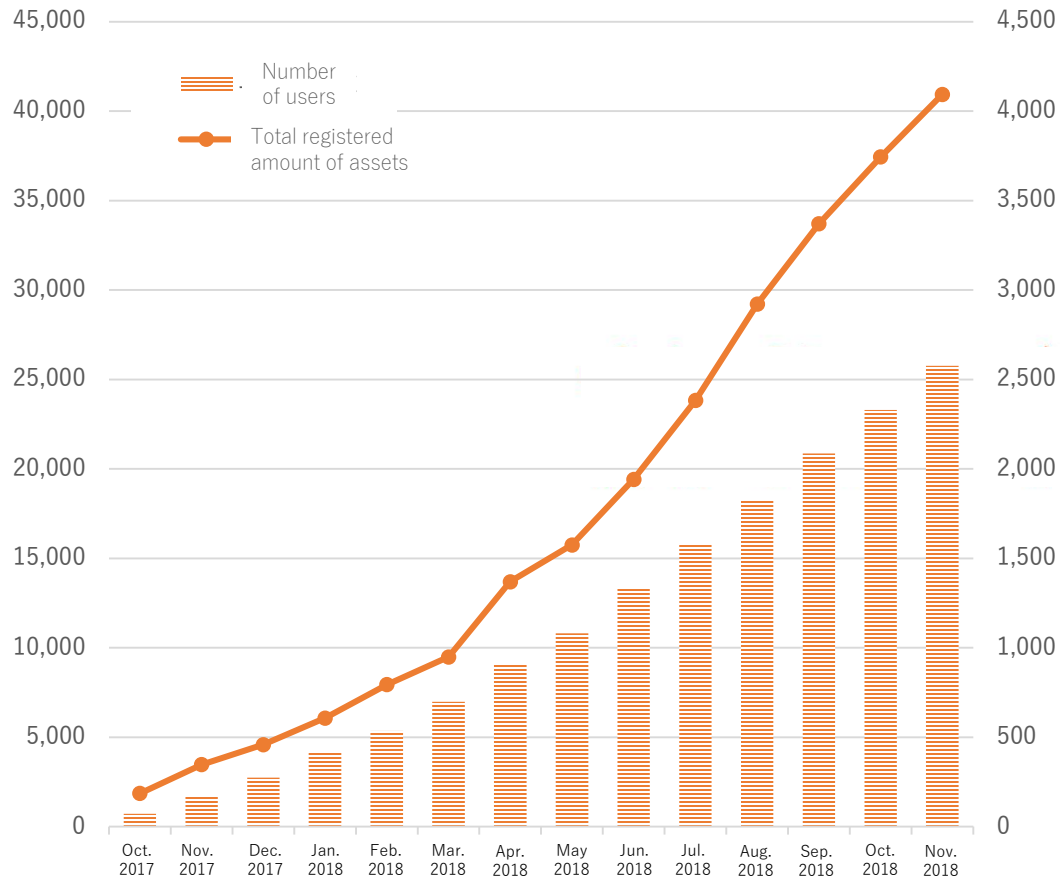
■ Opened second store in Shinsaibashi, Osaka (September 2018)



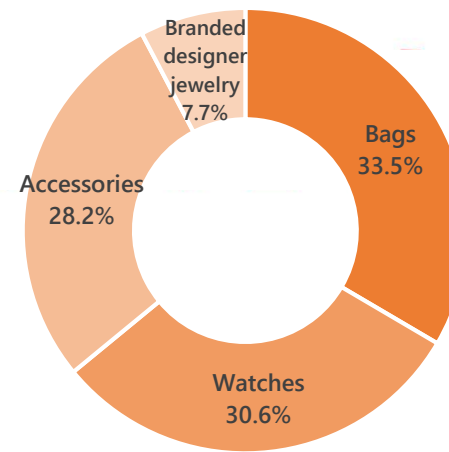
- Total floor area: approx. 265m²
* 5 stories above ground, including office
- Floor configuration:
 - <1F>
 - Bags
 - Accessories, etc.
 - <2F>
 - Watches, etc.
 - <3F>
 - Bags and scarves of Hermès brand, etc.
 - <4F>
 - Apparel, etc.

Apps

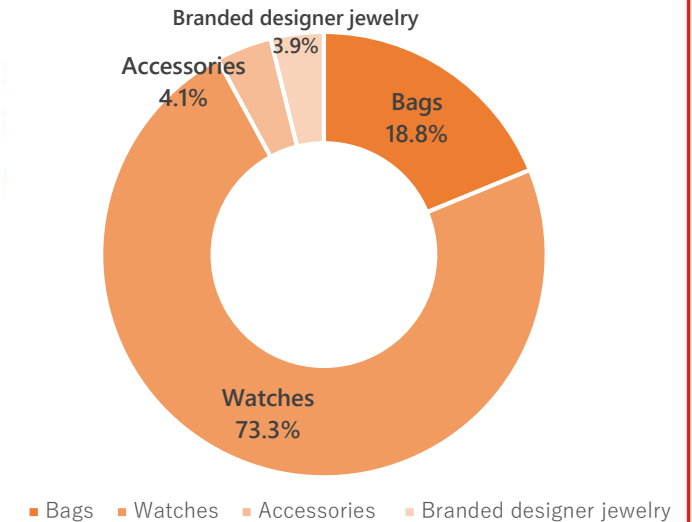
Progress update of “miney” asset management app



Number of registered items
Approx. 27,000



Registered asset amount
Approx. 4.0 billion yen



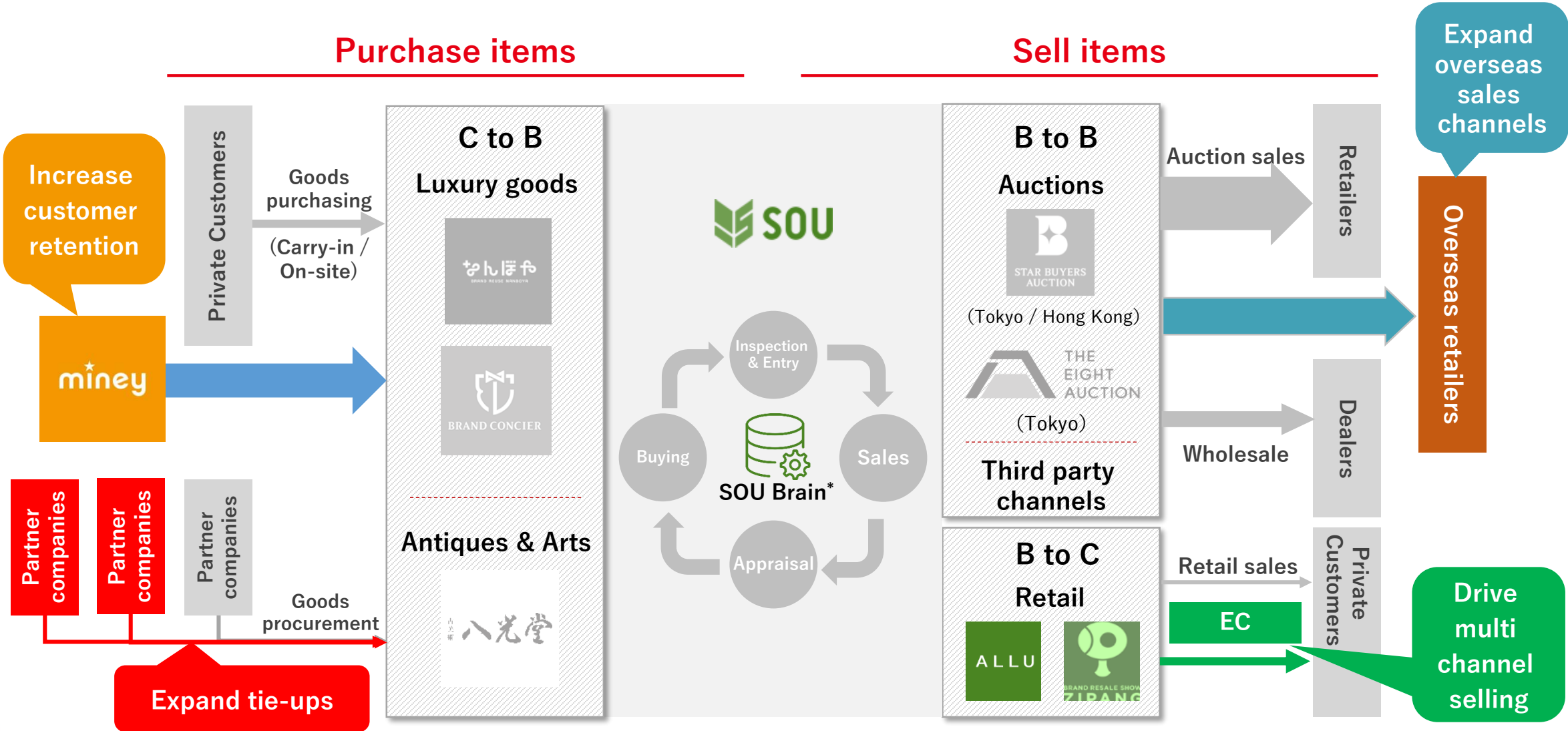
Measures for the
six months ending February 28, 2019 onward



Targeted business model

Purchase items

Sell items



* SOU Brain: Name for internal systems and databases

■ Schedule for new openings

- Late January to early February 2019:
NANBOYA Hanshin Umeda Ekimae office
- Mid to late February 2019:
NANBOYA Fuchu Le Cygne office
- Late February 2019:
NANBOYA Kinshicho office
- Late February 2019:
NANBOYA Chofu Parco office
- Mid March 2019:
NANBOYA Keihan City Mall office * Relocation

■ Released Android version

December 2018: released miney for Android

⇒ Aim to gain more users and registered amount of assets

(Android)



(iOS)



■ New lines of service to be added

Currently preparing to enhance services in the area of antiques in addition to current service areas of watches, bags, and branded designer jewelry, etc.



Watch



Bag



Wallet



Branded
designer
jewelry



Accessories



Antiques
& arts



Car



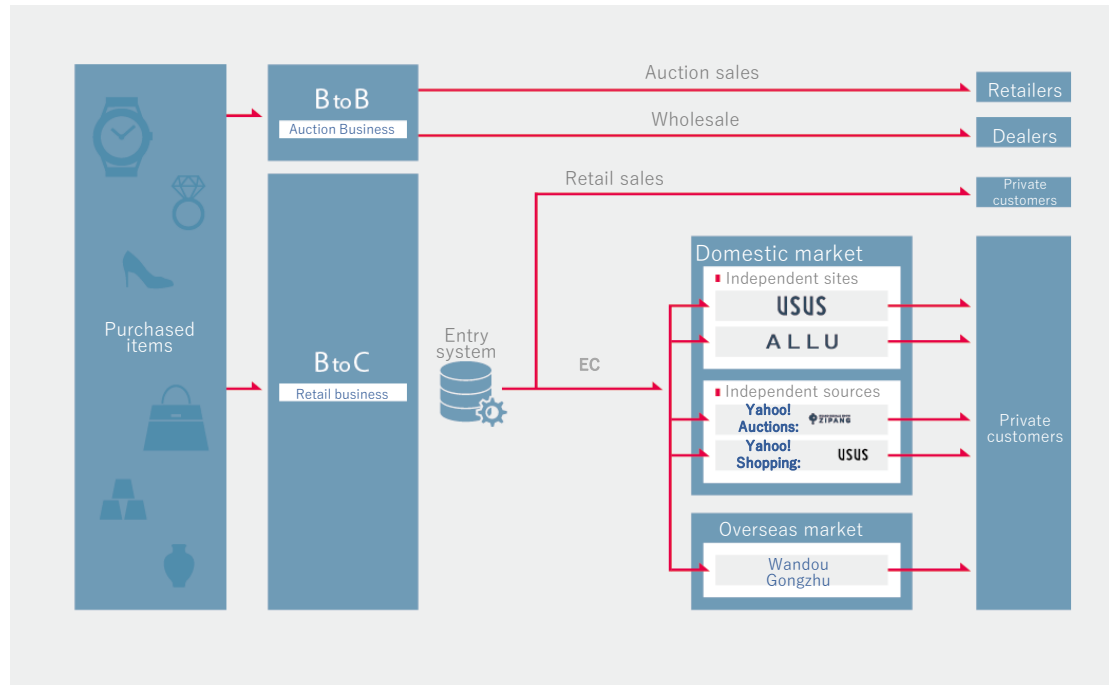
Real
estate

Coming Soon

Sales to-C: Strengthen E-commerce

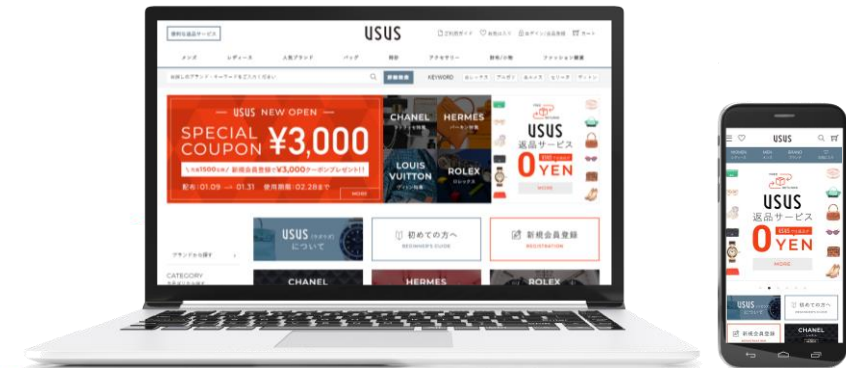
■ Build E-commerce platform

- Enabled simultaneous listing and inventory linkage on a maximum of five channels
- Inventory efficiency to increase via maximized exposure of each item

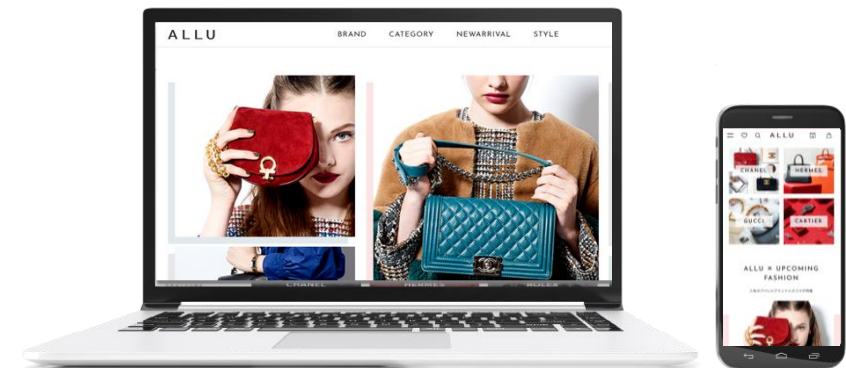


(Diagram of EC base)

■ Launch the new “usus” E-commerce brand



■ Revamp “ALLU” E-commerce website



What we aim to be

Personal Wealth Management

In addition to providing the latest information for customers' tangible assets, we aim to provide solutions in areas such as management, maintenance, and disposal of assets both in the digital and real world



- Figures provided in this document for the fiscal years ended August 31, 2015, and 2016, sales channel breakdowns for net sales, and breakdowns for auction results are reference figures and have not been subject to audit by an audit corporation.
- Business results forecasts and other forward-looking statements are based on information currently available to the Company as of the publication of this document and on certain assumptions deemed reasonable by the Company. Actual business results may differ due to various risks and other uncertain factors.
- This document was prepared based on the “Financial Results for the Three Months Ended November 30, 2018.”

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