



Financial Results Presentation for the Fiscal Year Ended August 31, 2019

October 15, 2019

SOU Inc.

(Securities Code: TSE Mothers 9270)

Contents

Corporate Profile	02
Financial Results for the Fiscal Year Ended August 31, 2019	06
Highlights for the Fiscal Year Ended August 31, 2019	16
Fiscal Year Ending August 31, 2020 Earnings Forecast	21
Long-Term Strategy, Fiscal Year Ending August 31, 2020 and Beyond	23
Appendix	40

Corporate Profile



Company Overview



SOU is a luxury item reuse company that integrates the digital and real worlds to offer services related to brand-name goods, antiques, and art objects from a new perspective.

Corporate Profile

Company Name	SOU Inc.
Representative	Shinsuke Sakimoto
Head Office	1 Konan, Minato-ku, Tokyo
Founded	December 2011
Capital	¥1,027 million (August 2019)
Employees	471 (as of August 2019) *Consolidated, full-time only
Business	Purchase and sales of luxury brand items, precious metals, antiques, and other products
Segments	Luxury brand items, antiques, art, and other reuse businesses (stand-alone)
Consolidated Subsidiaries	Hakkoudo Inc., STAR BUYERS LIMITED

Group Businesses and Brands

Purchasing



Auctions (toB)



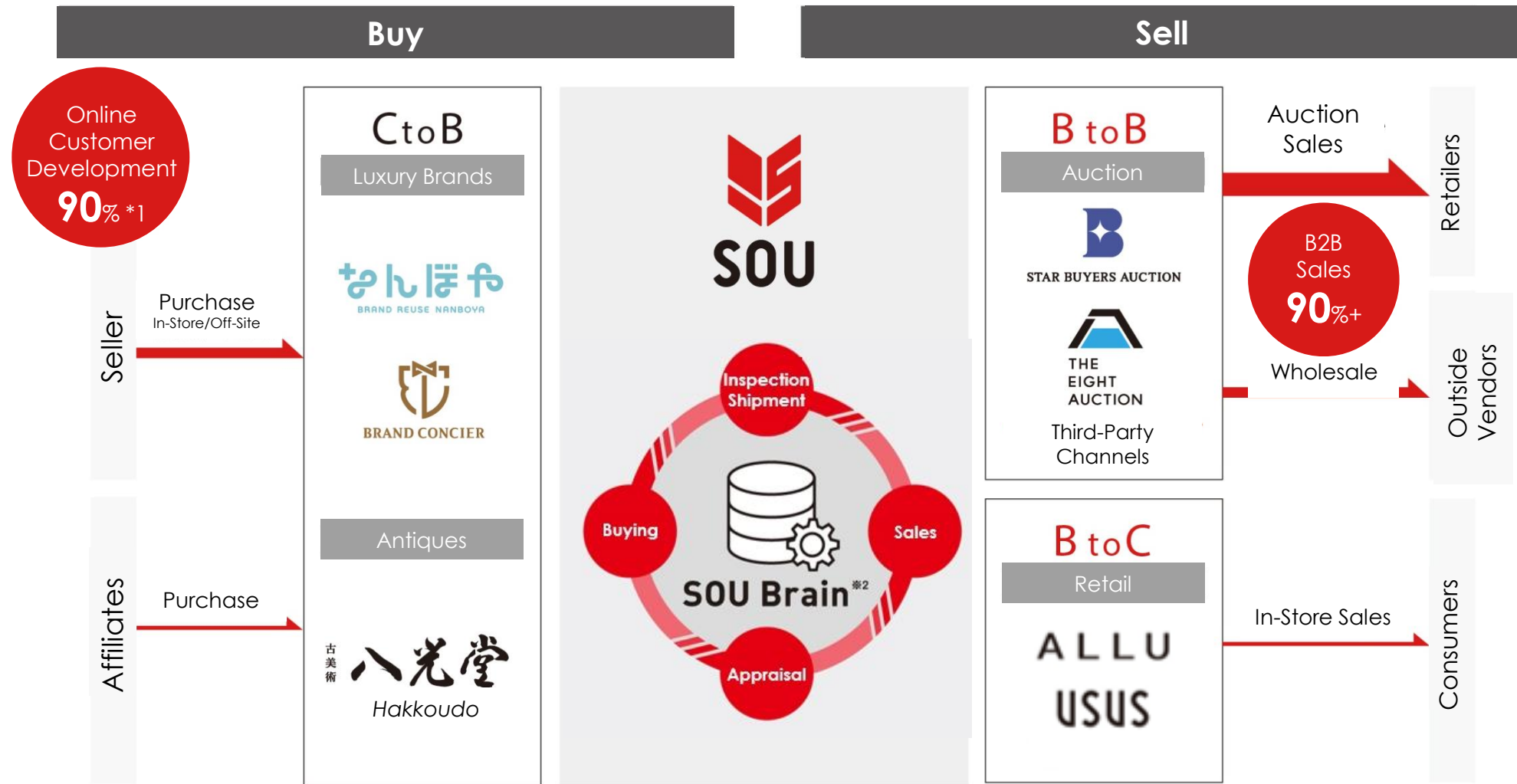
Retail (toC)



Apps



Business Model



*1 Based on questionnaire results

*2 SOU Brain: SOU in-house system/database

Financial Results for the Fiscal Year Ended August 31, 2019



Key Points for the Fiscal Year Ended August 31, 2019

Third consecutive year of higher sales and profits

Both sales and profits outperformed earnings forecasts for the year

Net Sales
+19.9%

**Overseas
Sales**
+17.9%

**Operating
Profit**
+19.4%

**Inventory
Turnover**
61.4 Days

ROE
23.4%

■ Sales

- ✓ Net sales rose 19.9% year on year (6% higher than forecast)
- ✓ Domestic/overseas sales channels and toB/toC sales channels recorded nearly 20% year-on-year growth

■ Profits

- ✓ Gross profit up 12.4% year on year, despite 1.7-point decline in gross profit margin due to lower auction bid prices (impact of stronger yen), changes in internal operations, and increase in precious metals transactions (impact of rising gold market prices)
- ✓ At the same time, greater SG&A efficiency resulted in operating profit ratio level with the prior year

Financial Results for the Fiscal Year Ending August 31, 2019

(Millions of yen)

	Fiscal Year Ended August 31, 2018	Fiscal Year Ended August 31, 2019	vs. PY
Net sales	31,529	37,799	+19.9%
Gross profit	8,570	9,633	+12.4%
Gross profit margin	27.2%	25.5%	-1.7pts
SG&A	6,693	7,393	+10.5%
Operating profit	1,876	2,240	+19.4%
Ordinary profit	1,806	2,262	+25.3%
Ordinary profit ratio	5.7%	6.0%	+0.3pts
Profit attributable to owners of parent	1,242	1,458	+17.4%

FYE Aug 2019 Forecast	Progress vs. Plan
35,650	106.0%
9,600	100.4%
26.9%	—
7,400	99.9%
2,200	101.8%
2,130	106.2%
6.0%	—
1,450	100.6%

Financial Position as of August 31, 2019

(Millions of yen)

	Fiscal Year Ended August 31, 2018	Fiscal Year Ended August 31, 2019	Difference
Current assets	8,615	9,874	+1,258
Cash and deposits	3,650	4,103	+452
Merchandise	4,610	4,865	+255
Other	354	904	+550
PPE	3,642	4,237	+595
Total assets	12,258	14,111	+1,853
Liabilities	6,461	7,416	+955
Interest-bearing debt	4,722	5,435	+713
Other	1,739	1,981	+241
Net assets	5,796	6,695	+899
Total liabilities and net assets	12,258	14,111	+1,853

Increase in purchase volume associated with the opening of new buying offices

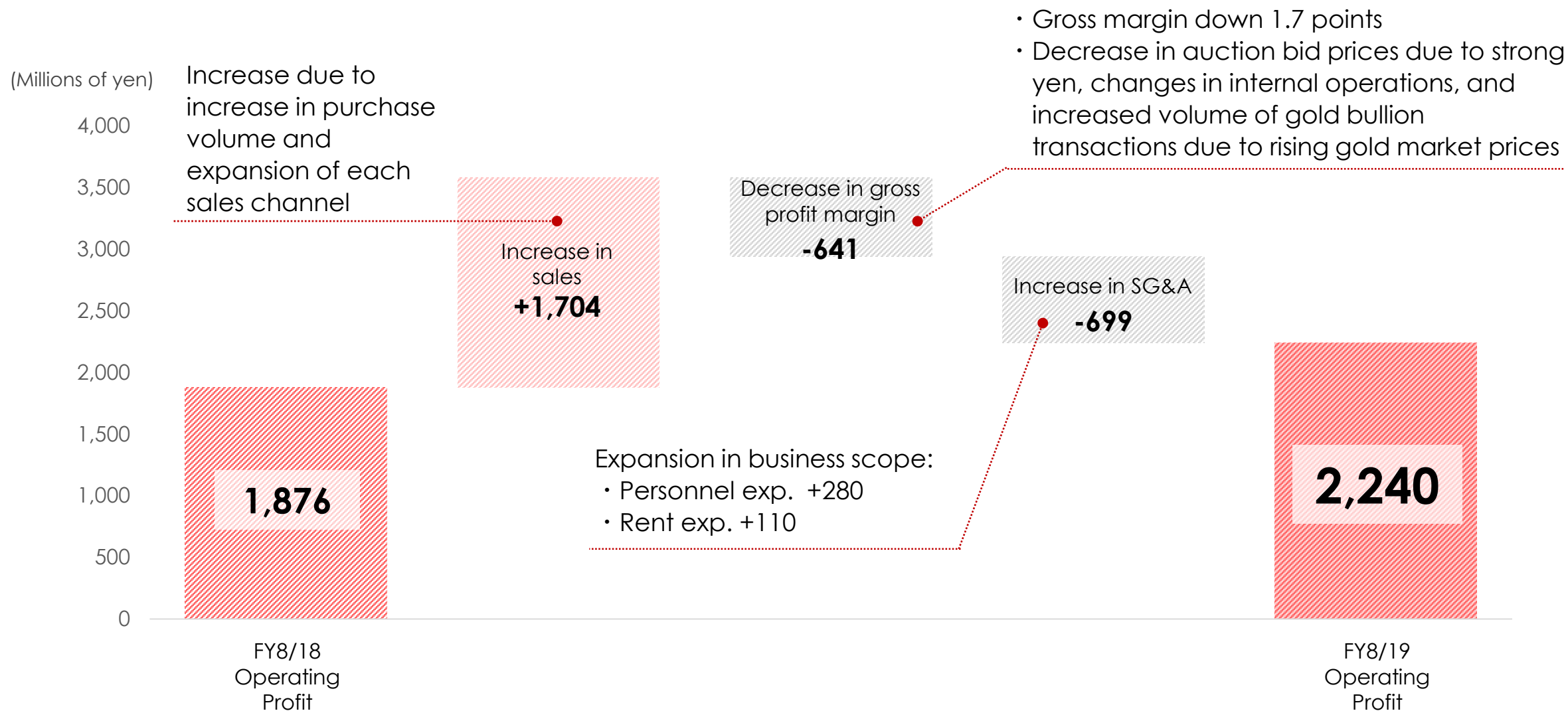
Increase in merchandise due to increase in purchases
Inventory turnover at a strong 61.4 days (63.9 days during the previous fiscal year)

Increase in buildings and structures (net) related to new buying offices, new retail stores, and the move of Star Buyers Limited to larger offices in Hong Kong

Procured short-term debt as working capital in connection with business expansion

Despite a decrease in capital surplus and treasury stock due to the disposal of treasury stock, shareholders' equity rose due to higher retained earnings

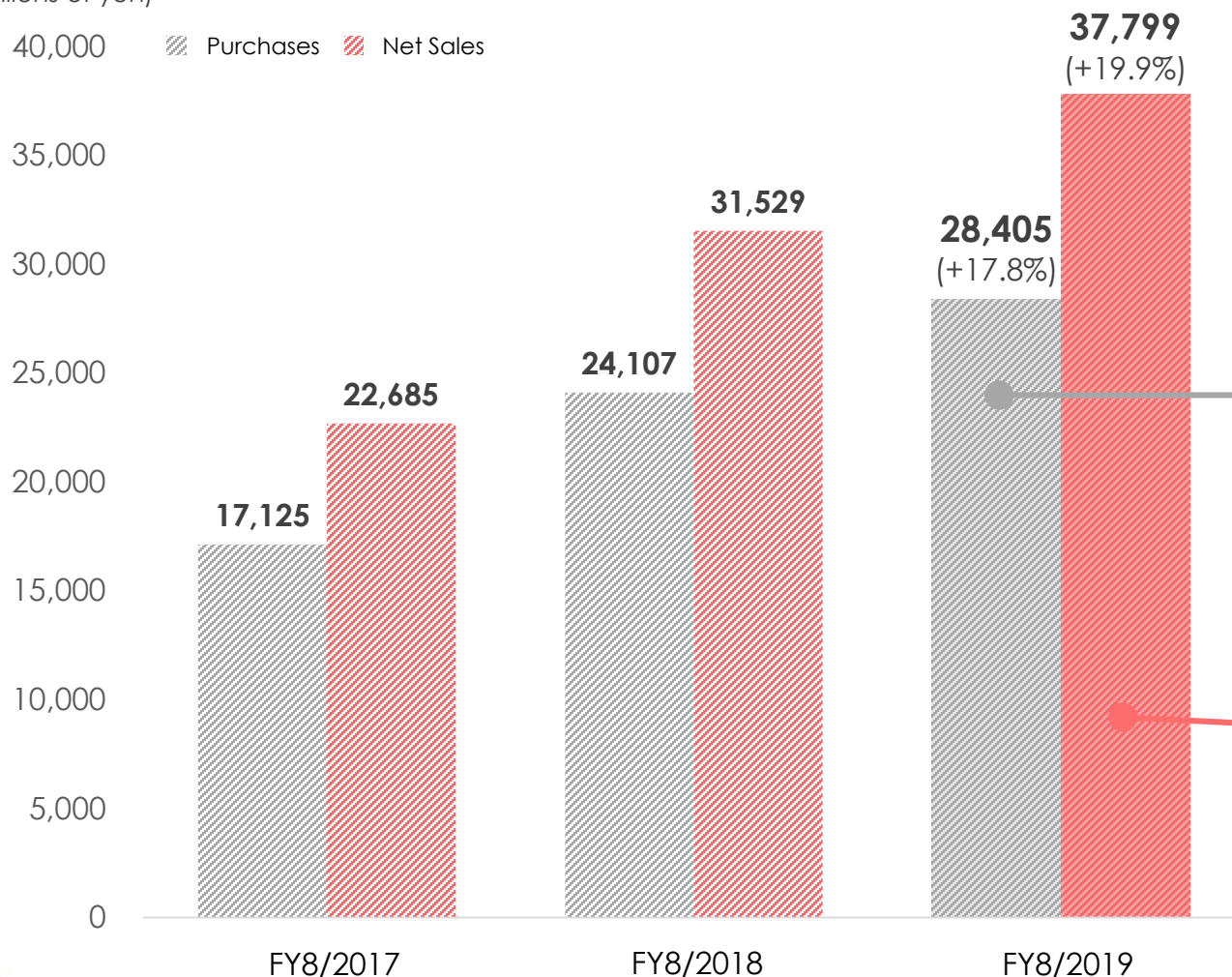
Operating Profit Change



Purchases and Net Sales

(Millions of yen)

40,000 ▨ Purchases ▨ Net Sales



Purchases

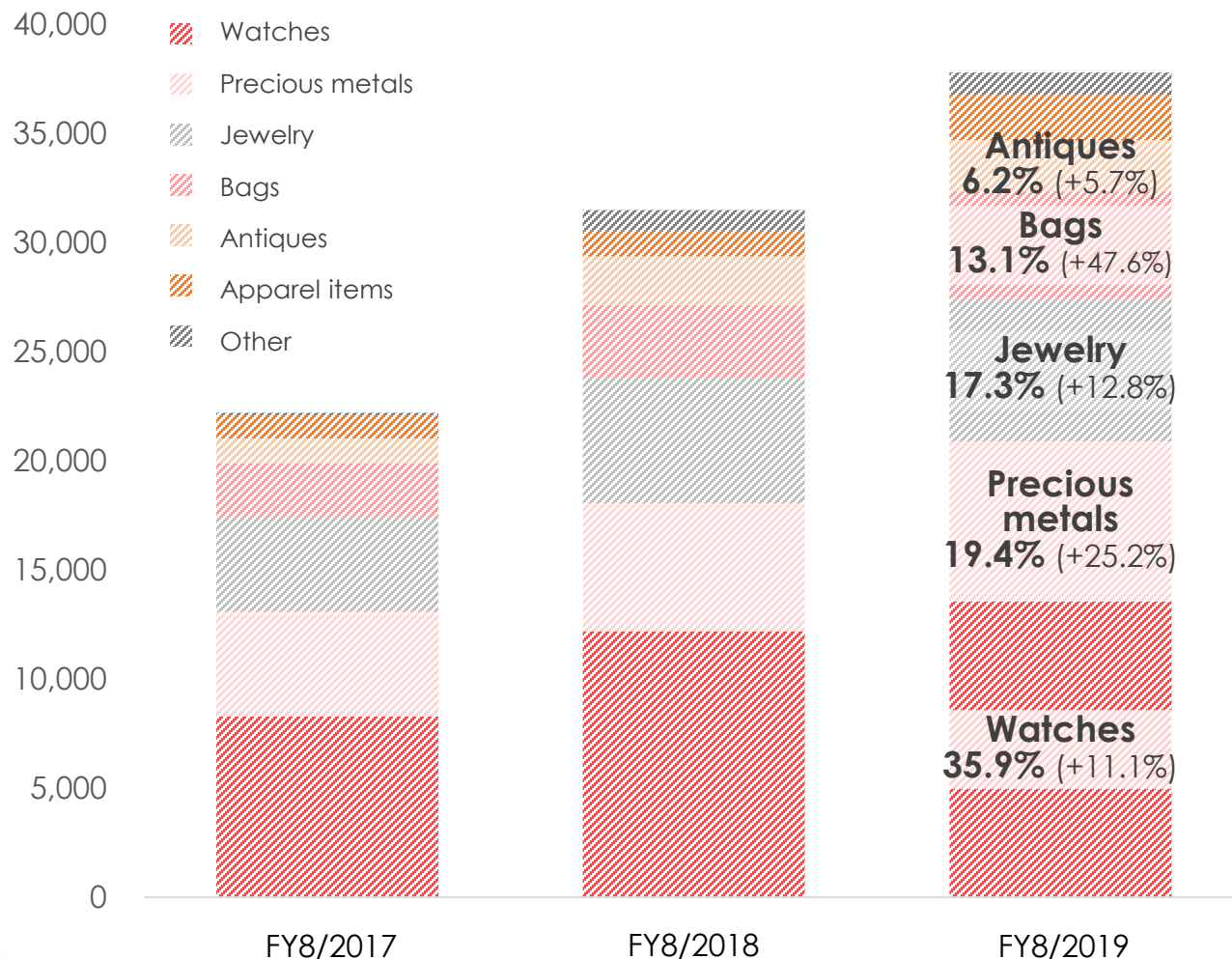
- ✓ Purchases increased 17.8% year on year, mainly due to the opening of new buying offices
- ✓ Purchasing events through tie-ups with department stores and shopping facilities also contributed to this increase

Net Sales

- ✓ Net sales increased 19.9% year on year, mainly due to increased frequency of auctions at STAR BUYERS AUCTION (due to increased purchase volumes), increase in the number of items placed on auction, and stronger sales through this sales channel

Net Sales by Category

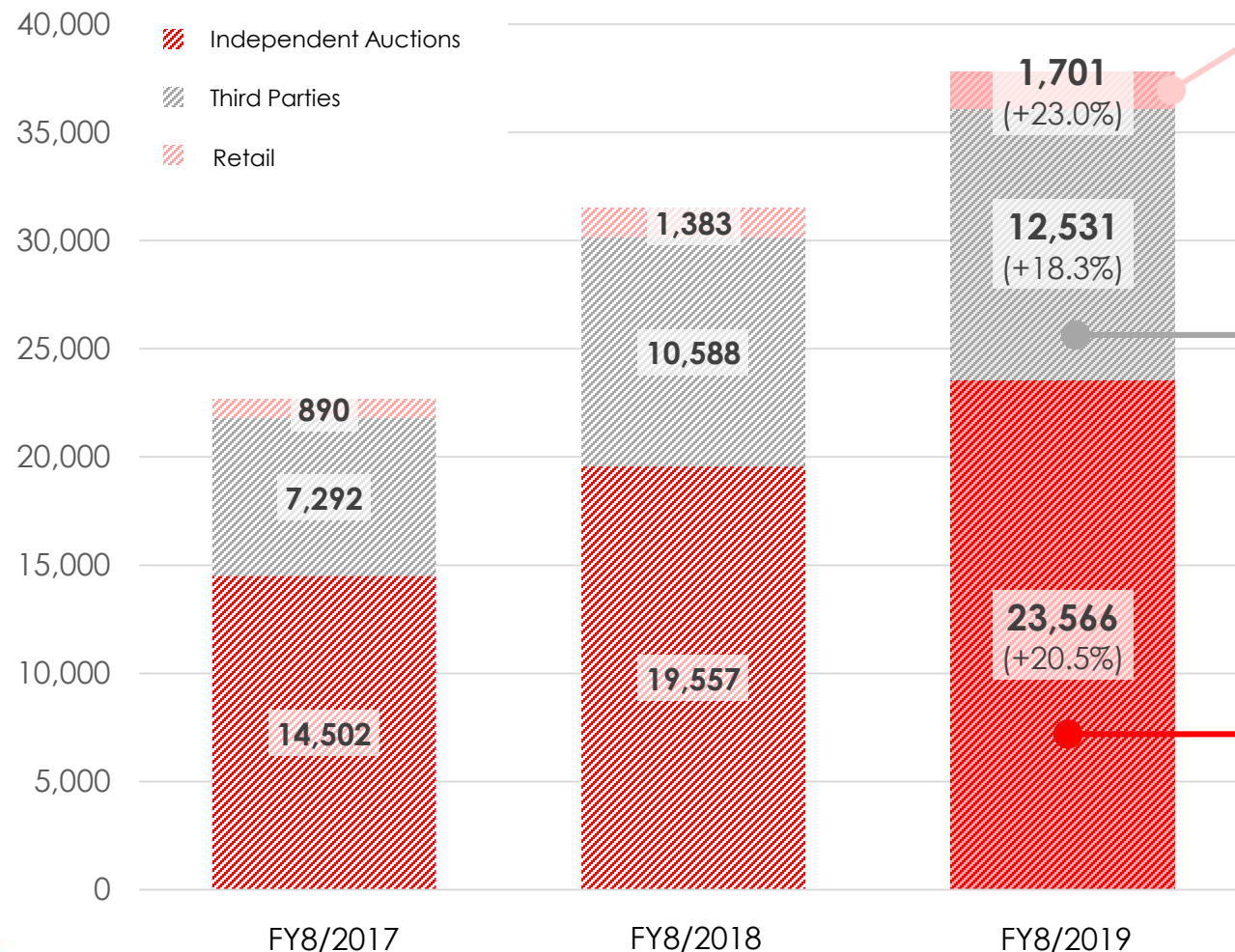
(Millions of yen)



- ✓ High-unit-price items (mostly mainstay watches and jewelry) were more than 10% higher year on year
- ✓ Sales of gold bullion were 25.2% higher due to greater purchase volume of precious metals stemming from rising gold market prices
- ✓ Secondary increase in purchase amount (volume) of bags and apparel items stemming from more buying opportunities due to new buying offices and rising gold market prices

Net Sales by Channel (to B, to C)

(Millions of yen)



Retail

- ✓ Increase of 23.0% year on year, driven by openings of ALLU Shinsaibashi and usus (e-commerce site)

Third Parties

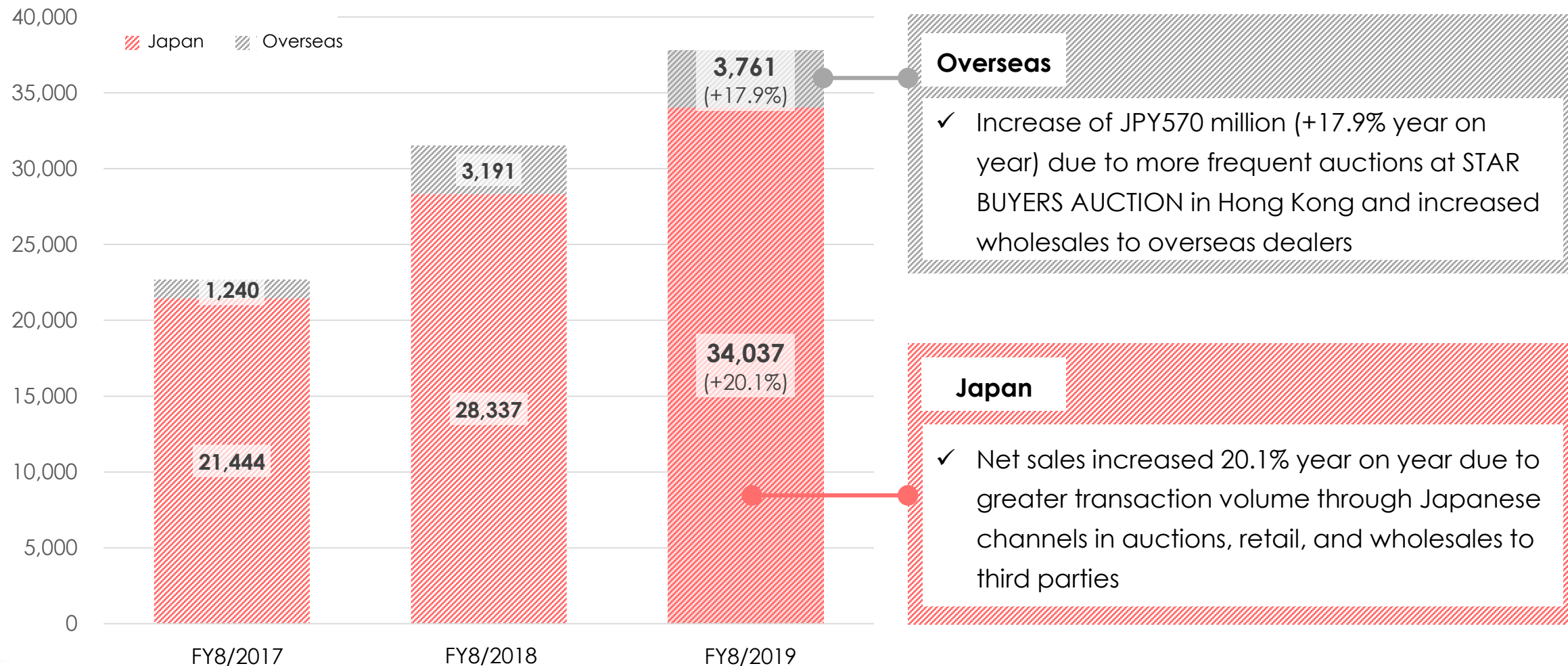
- ✓ Q2 sales promotions and a rise in gold bullion market prices (resulting in increased purchases of gold bullion) were two factors contributing to an 18.3% year-on-year increase

Independent Auctions

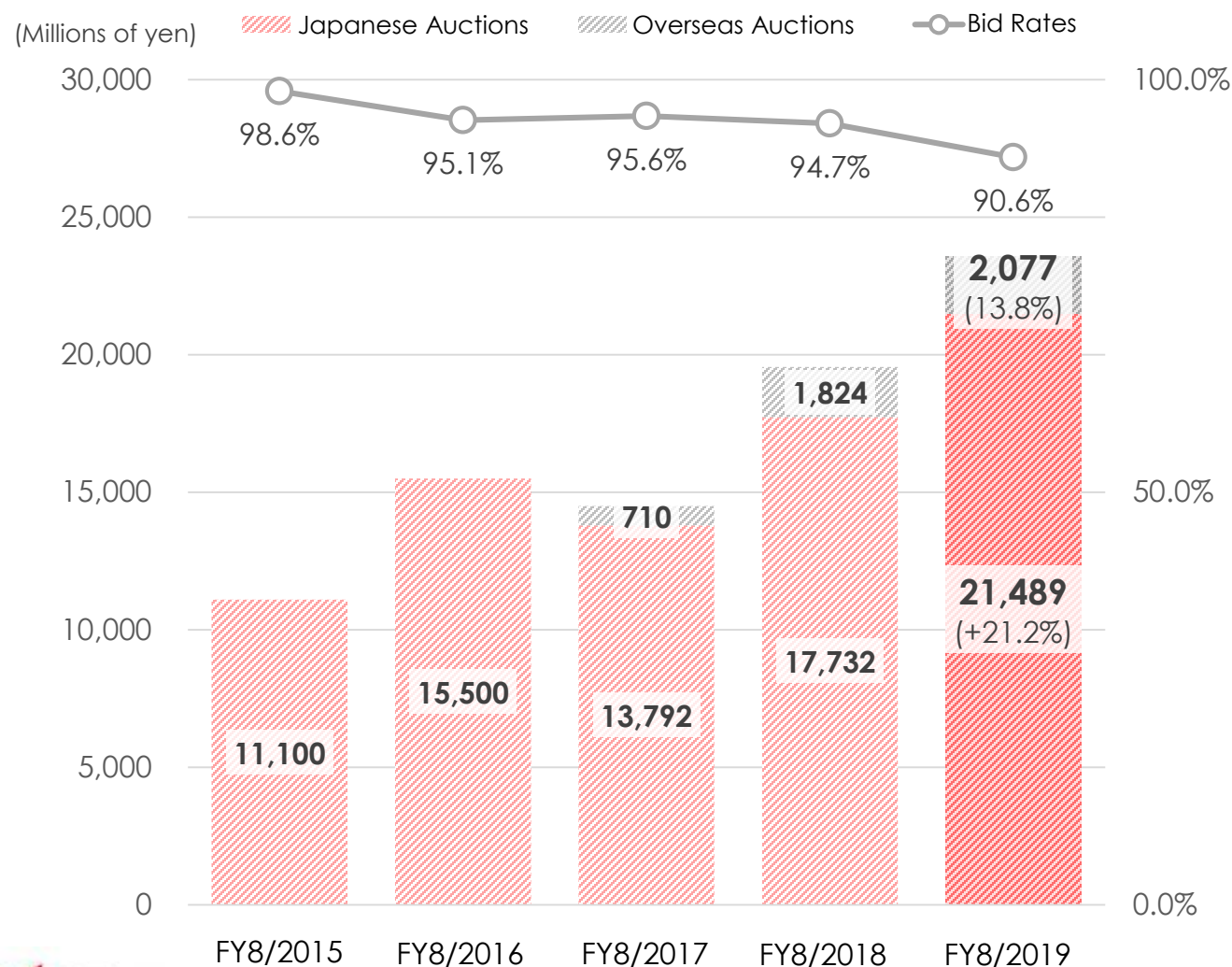
- ✓ Increase of 20.5% year on year due to more frequent auctions at STAR BUYERS AUCTION in Japan and Hong Kong
- ✓ Auctions conducted through THE EIGHT AUCTION throughout the year resulted in antiques and art object sales being sold through SOU independent auctions (sold through third parties in FY8/2018)

Net Sales by Channel (Japan, Overseas)

(Millions of yen)



Auctions



□ Auctions

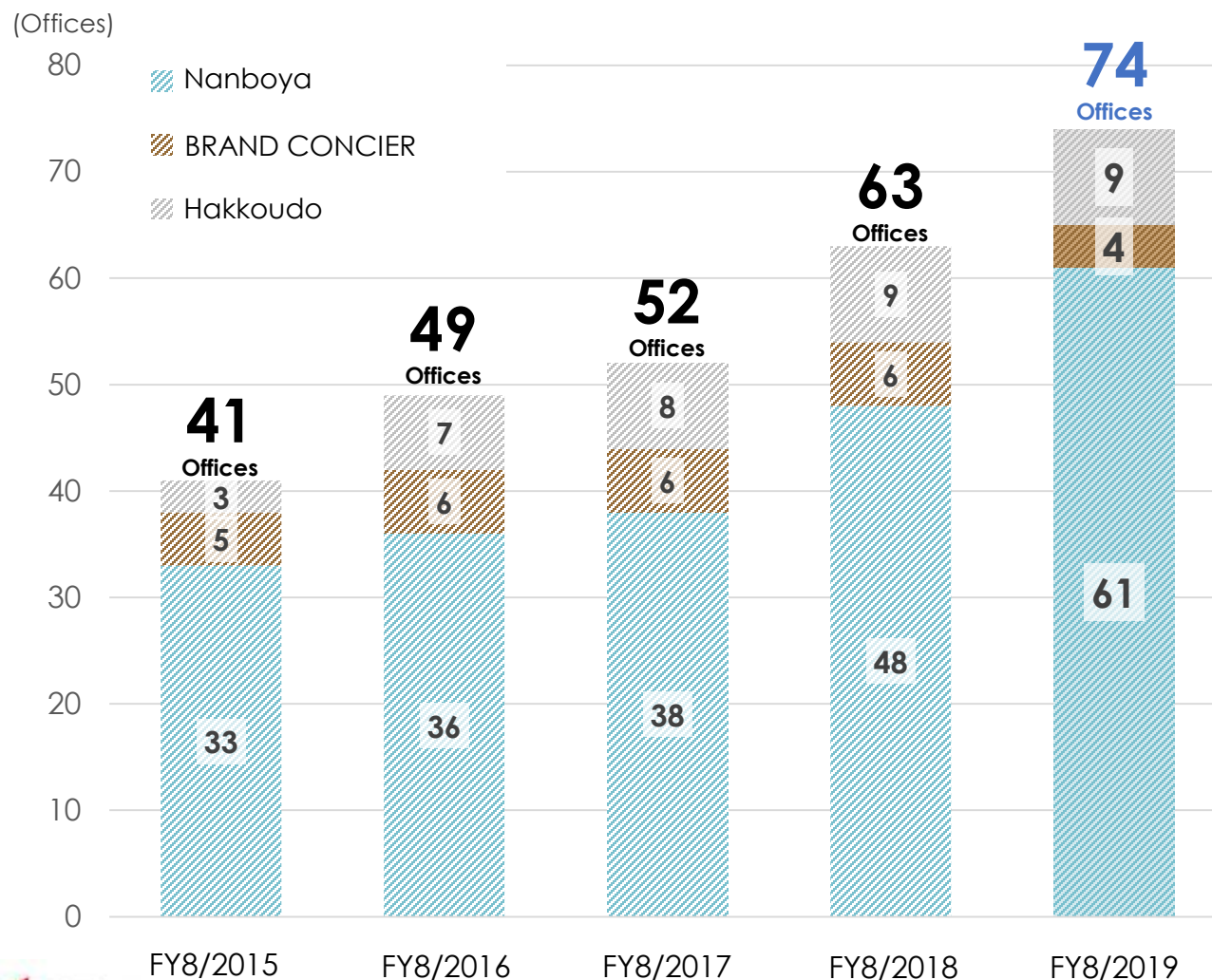
	FY8/18	FY8/19
STAR BUYERS AUCTION (Japan, Live)	48	48
STAR BUYERS AUCTION (Japan, Online Bidding)	—	12
STAR BUYERS AUCTION (Hong Kong)	4	7
THE EIGHT AUCTION	2	24

- ✓ Increase in both Japan and overseas auction net sales due to more frequent auctions
 - ✓ Bid rates remained at a high 90.6%, despite a decrease due to the launch of online auctions
- Bid rates for live auctions alone were level with the previous year at 94.8%

Highlights for the Fiscal Year Ended August 31, 2019



Buying Office Relocations, New Openings



- ✓ Nanboya
 - Nanboya added 12 new offices (mainly in commercial shopping facilities) and relocated four offices
 - ✓ BRAND CONCIER
 - BRAND CONCIER opened a new location inside Matsuzakaya
 - In conjunction with lease contract expirations, we closed three locations as part of a re-brand under Nanboya to generate greater traffic-generation efficiencies overall for our purchasing brands
 - ✓ Hakkoudo
 - Hakkoudo opened its first-ever department store location inside Daimaru
- ⇒ Achieved plan target of 70 locations in Japan by the end of FY8/2019**
- ✓ Overseas
 - Began purchasing activities through STAR BUYERS LIMITED offices in Hong Kong in July

Strengthen Sales in All Sales Channels

❑ STAR BUYERS AUCTION (Luxury Brand Items)/Japan

- Conducting online auctions since September 2018 in response to increased purchases
- 11th - 14th (Every Month):
Live Auctions
- 23rd (Every Month):
Online Bid Auctions



❑ THE EIGHT AUCTION (Antiques, Art Objects)

- Full-scale auctions for antiques and art objects after introductory launch in August 2018 (held over two days on the 8th and 9th every month)



❑ STAR BUYERS AUCTION (Diamonds, Etc.)/Hong Kong

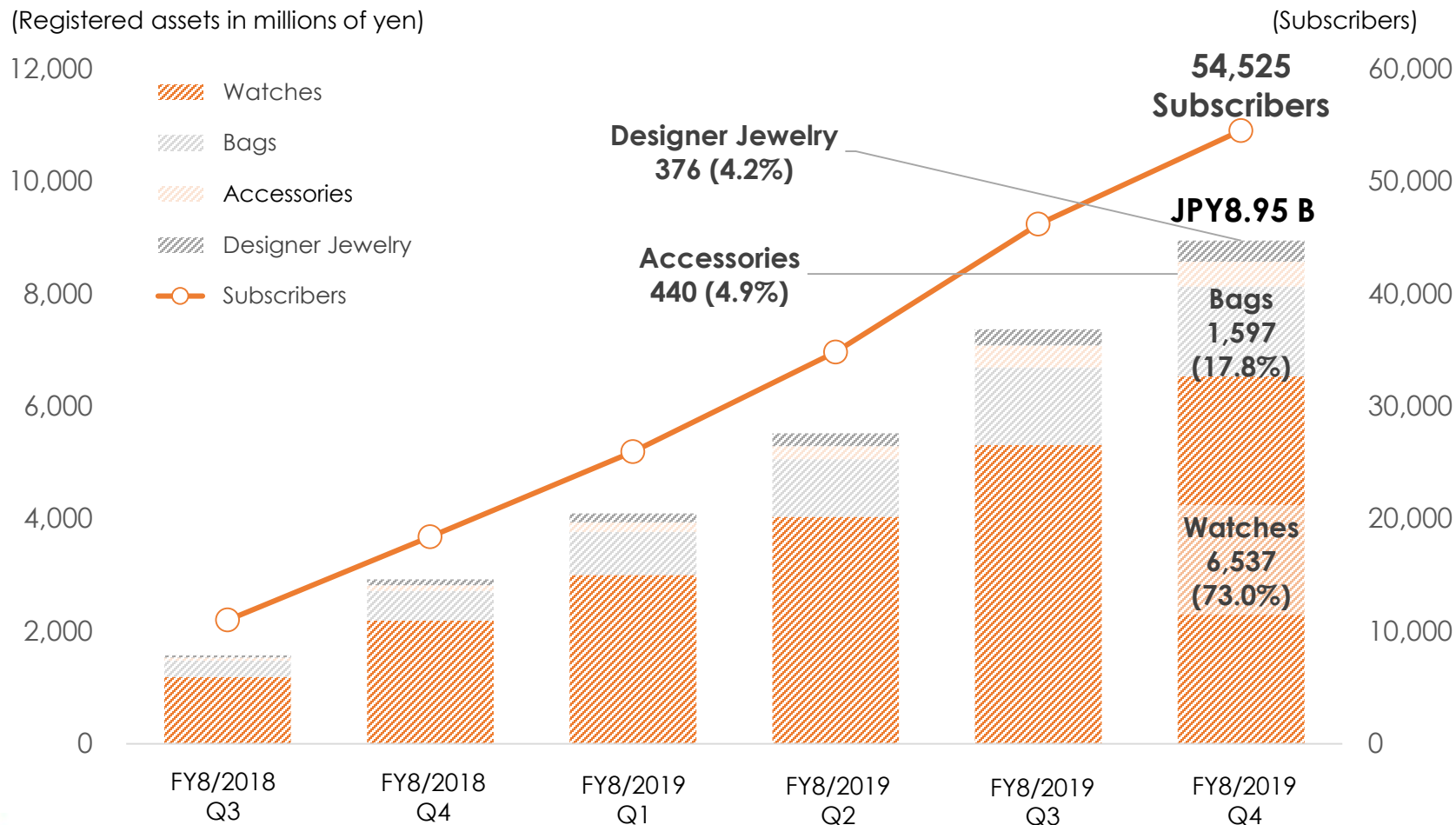
- Diamond Auctions: Four
(September/November 2018; February/June 2019)
- Watch Auctions: Two (November 2018, February 2019)
- Jewelry Auctions: One (June 2019 (test))
- In April 2019, Hong Kong entity Star Buyers Ltd. relocated to an expanded office space with attached auction hall as one measure to grow overseas sales channels

❑ ALLU, usus (Retail)

- Opened ALLU Shinsaibashi in September 2019; working to drive customer traffic in both Tokyo/Ginza and Osaka/Shinsaibashi areas
- In January, we redesigned the ALLU e-commerce site and launched the usus e-commerce site, increasing opportunities for interactions with general consumers
- E-commerce sites include a simultaneous display system for greater operating efficiency

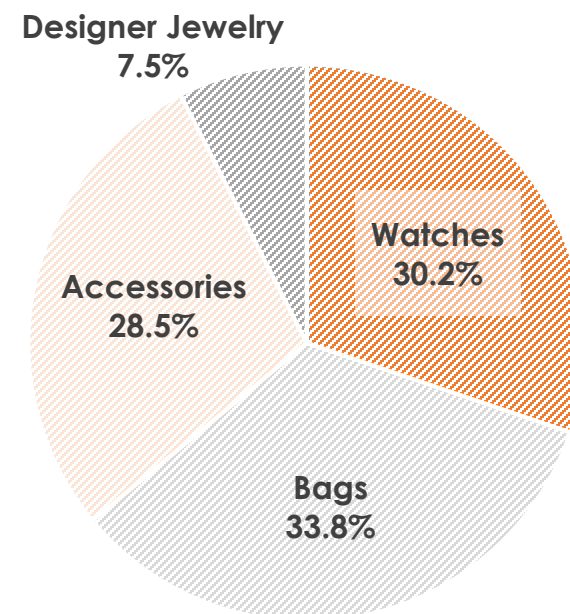
Subscribers and Registered Assets

(Registered assets in millions of yen)



Registered Assets (Units)

57,000



❑ Treasury Stock as Restricted Stock Compensation

SOU allocated treasury stock for use as restricted stock compensation to encourage SOU Group director and employee motivation for improving share prices and corporate value.

*Of 179,000 treasury shares acquired on March 6, 2019, 170,170 shares were allocated as described above on August 1, 2019.

Eligible Persons	Restricted Stock Type	Restricted Period
SOU directors	Restricted Stock I	August 1, 2019 to October 31, 2021
SOU subsidiary directors		
SOU Group senior management	Restricted Stock II	August 1, 2019 to July 31, 2021
SOU Group employees		

❑ Consideration of Transition to Holding Company

To ensure greater business efficiency and flexibility in adapting to changes in the market environment, SOU is investigating a transition to a holding company structure. The aim of this structure would be greater group-wide growth through more clearly defined responsibilities and roles for each company acting independently.

*Disclosed September 10, 2019, in *Announcement Concerning Preparation for Transition to Holding Company Structure via Company Split and Establishment of Subsidiary (Preparatory Split Company)*

Fiscal Year Ending August 31, 2020 Earnings Forecast



FY8/2020 Earnings Forecast

(Millions of yen)

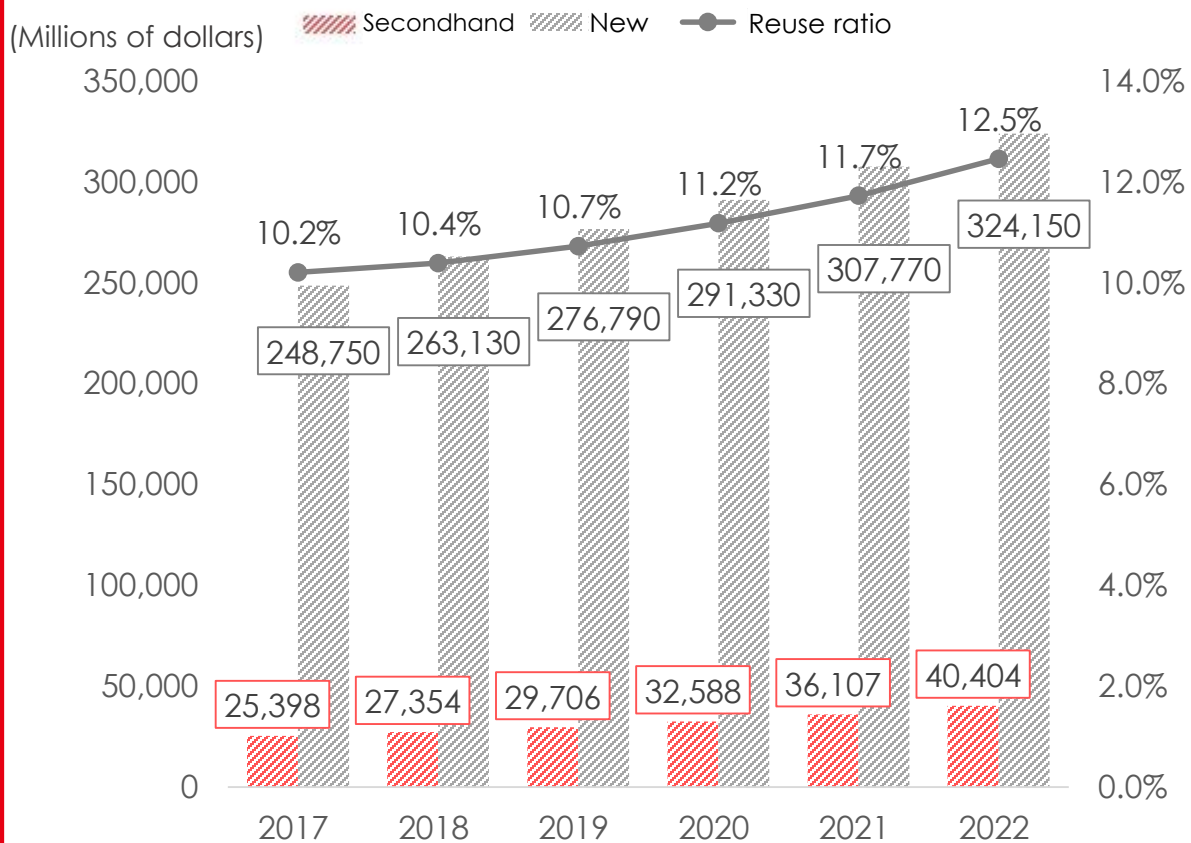
	FY8/2018 Actual	FY8/2019 Actual	FY8/2020 Target	Difference	
				Change	Change (%)
Net sales	31,529	37,799	43,700	+5,900	+15.6%
Gross profit	8,570	9,633	11,450	+1,816	+18.9%
Gross profit margin	27.2%	25.5%	26.2%	+0.7pt	—
SG&A	6,693	7,393	8,800	+1,406	+19.0%
Operating profit	1,876	2,240	2,650	+409	+18.3%
Ordinary profit	1,806	2,262	2,600	+337	+14.9%
Ordinary profit ratio	5.7%	6.0%	5.9%	-0.1pt	—
Profit attributable to owners of parent	1,242	1,458	1,650	+191	13.1%

Long-Term Strategy, Fiscal Year Ending August 31, 2020 and Beyond

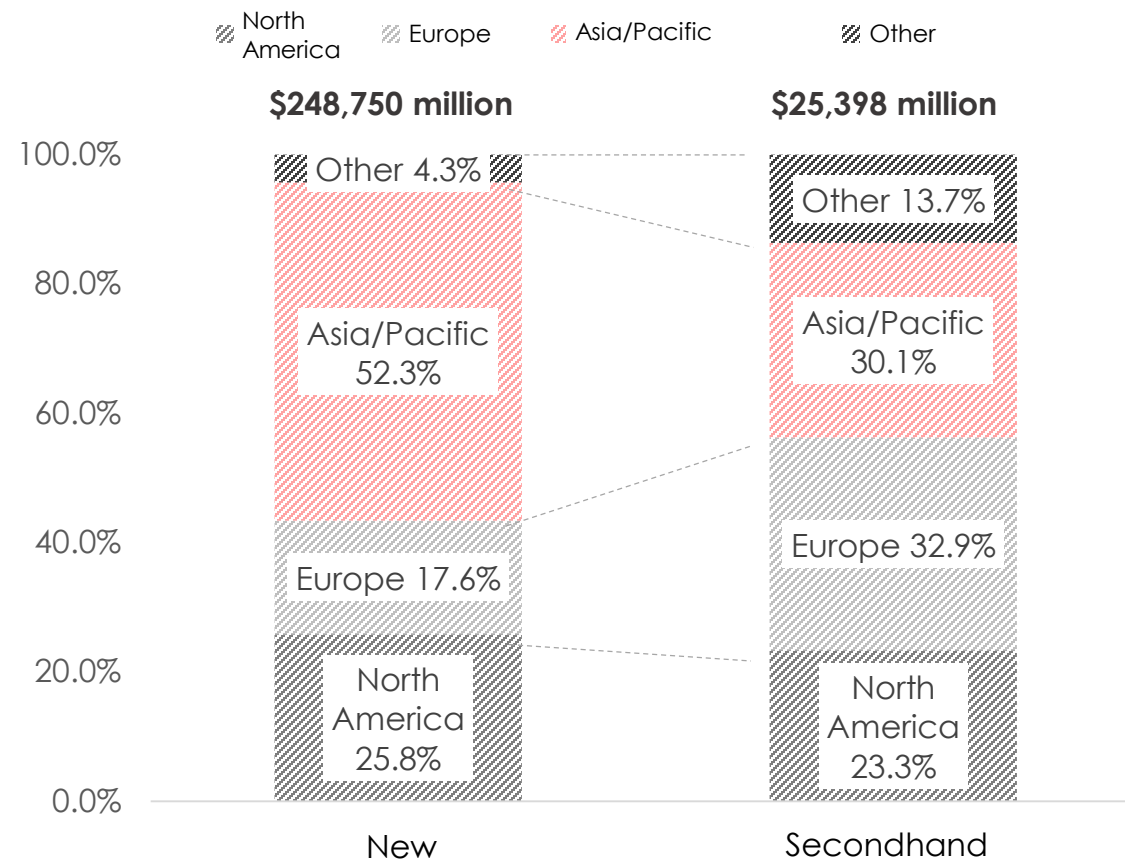


The Global Luxury Brand Item Market

Global luxury brand new, secondhand markets; reuse ratio



Luxury brand new, secondhand item market size by region (2017)

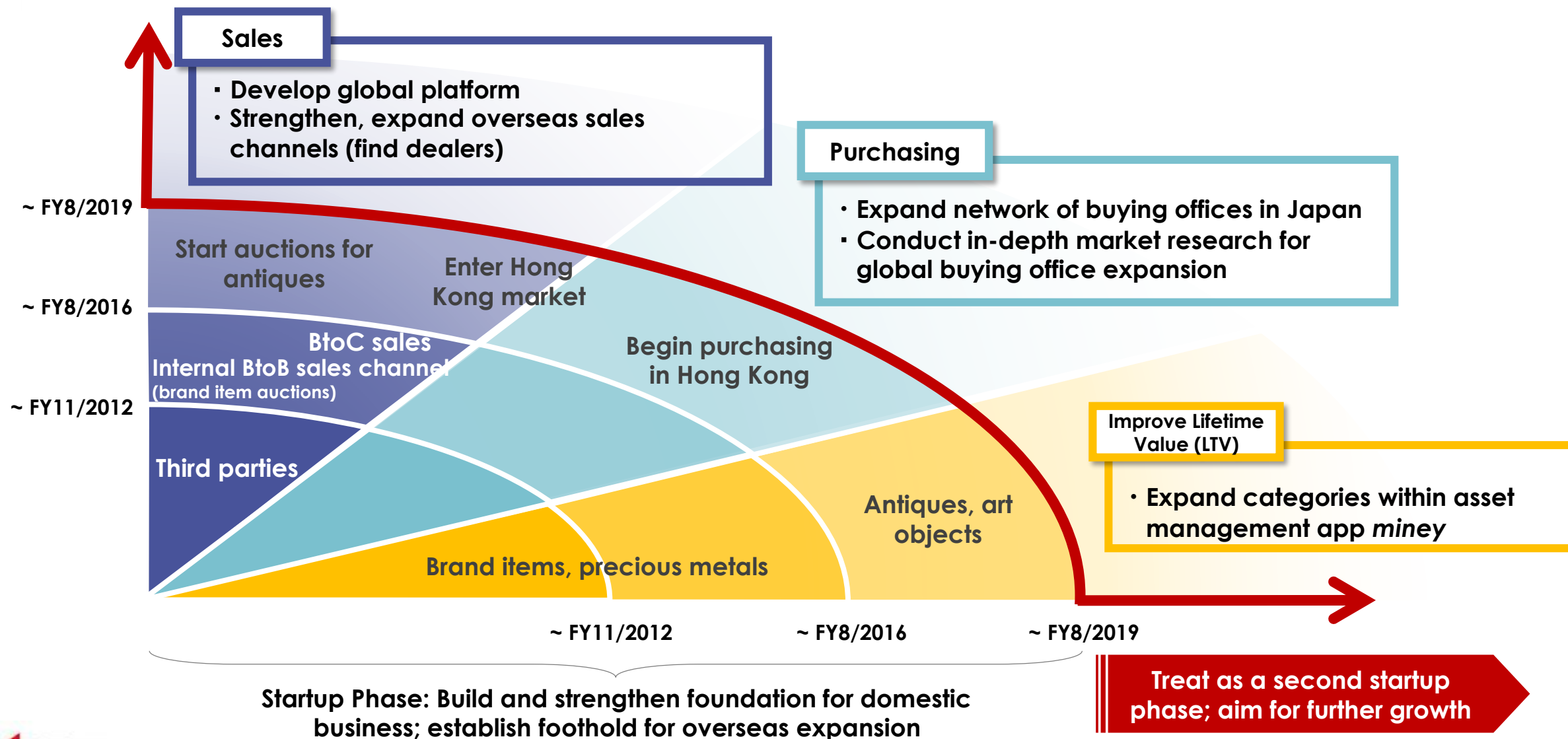


* New: Luxury Apparels, Jewelry, Premium watches, Luxury Accessories (eyewear, bonnet, handbags, cravat etc.)

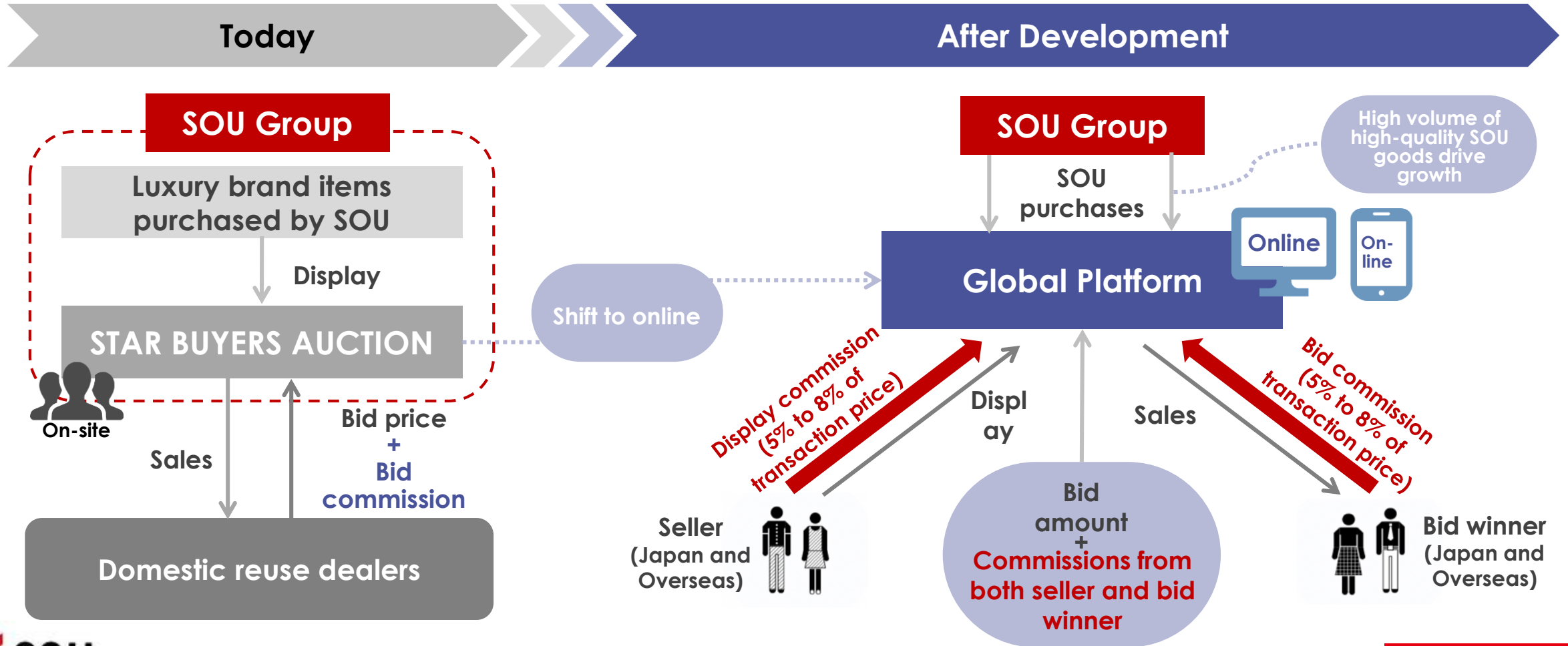
* Secondhand: Luxury Apparels, Jewelry, Watches, Bags, Accessories, Footwear

* Source: (New) Daedal Research / (Second Hand) Kay Dee Market Insights

SOU Group: A Second Startup Phase

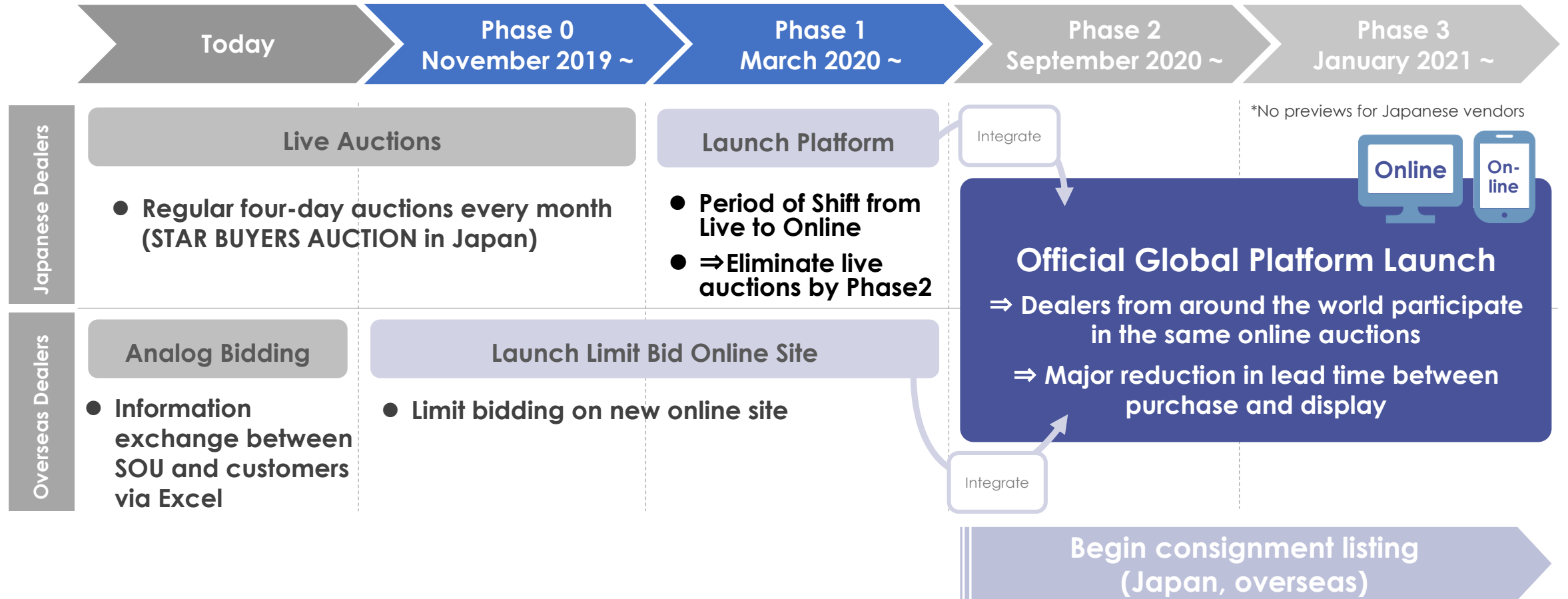


- Transform Japan STAR BUYERS AUCTION into a worldwide global platform



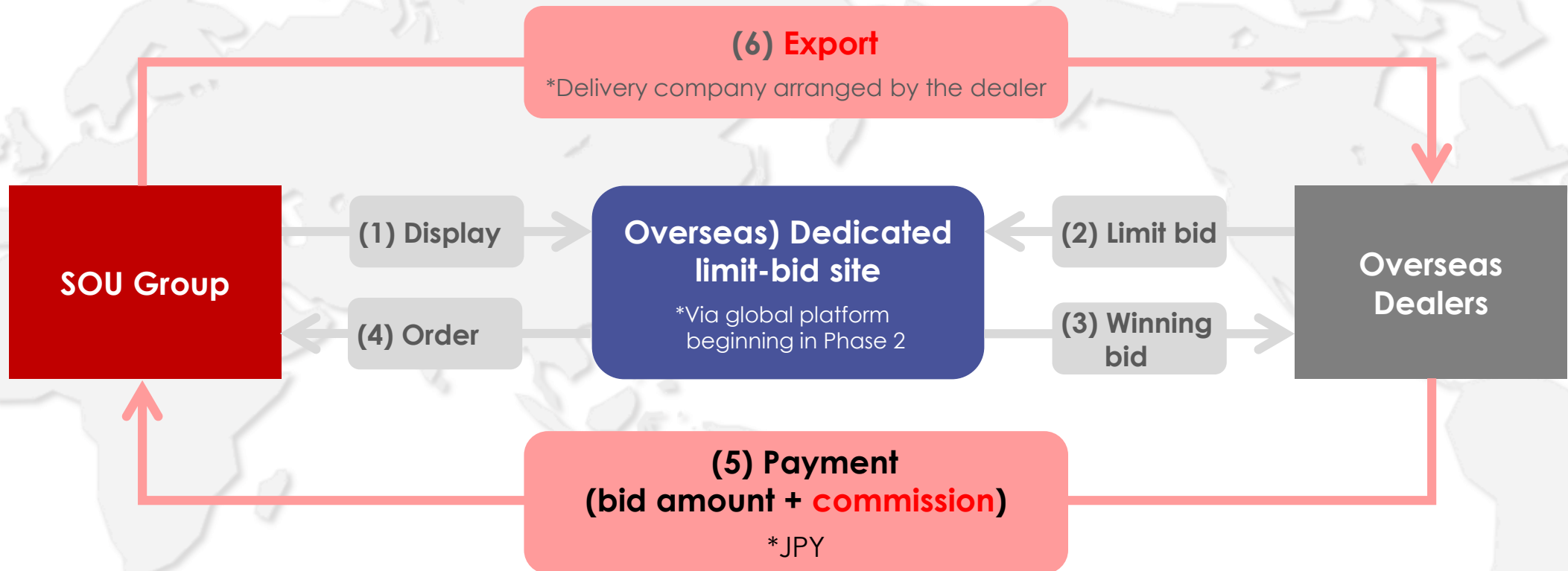
Develop Global Platform

□ Parallel implementation of system development and transition from live to online auctions

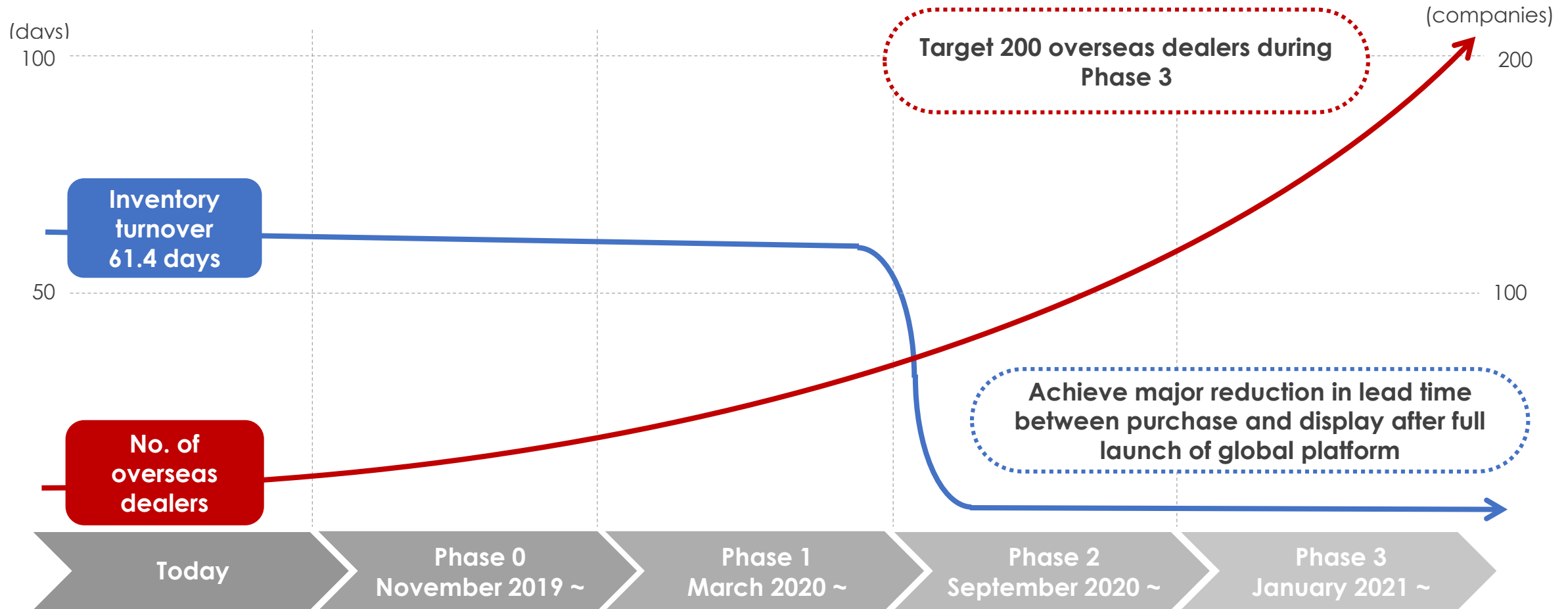


Develop Global Platform

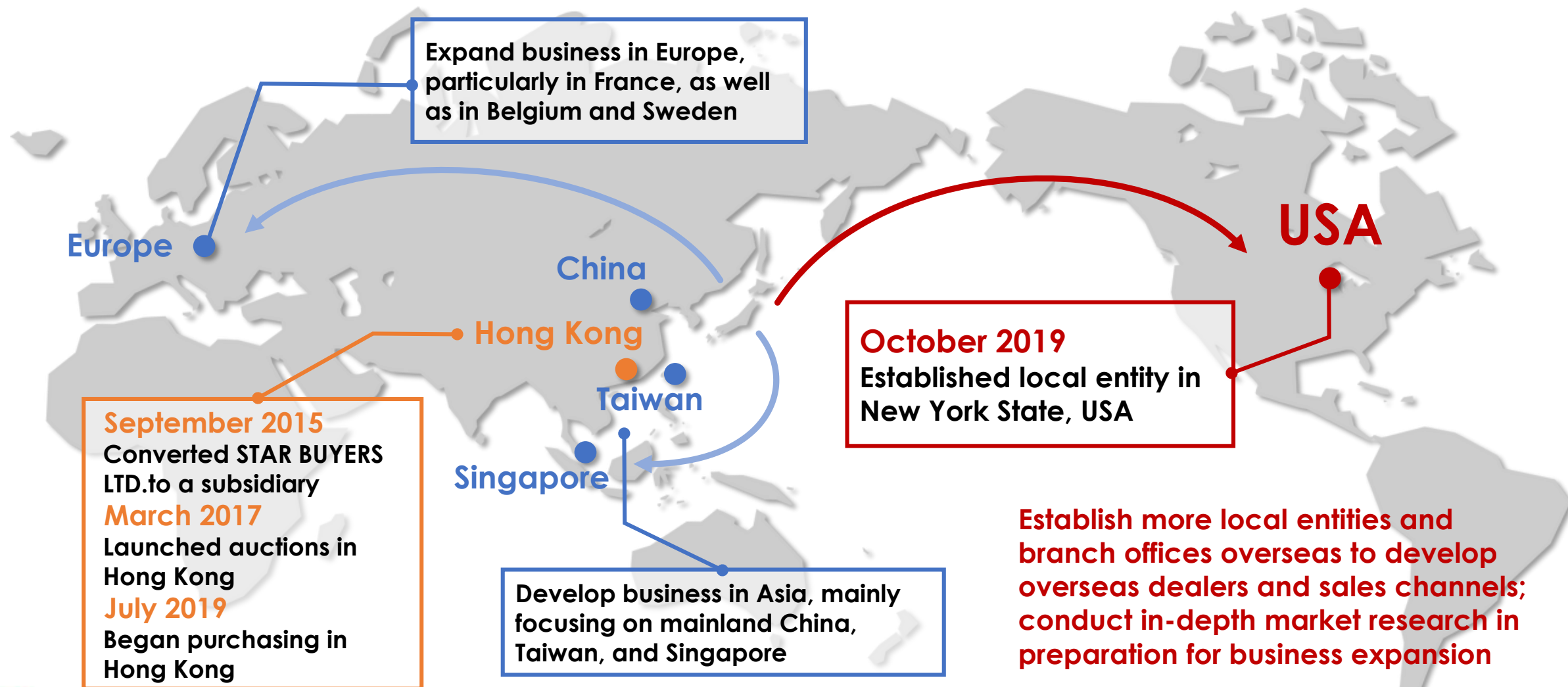
□ Overseas export concept (through Phase 1)



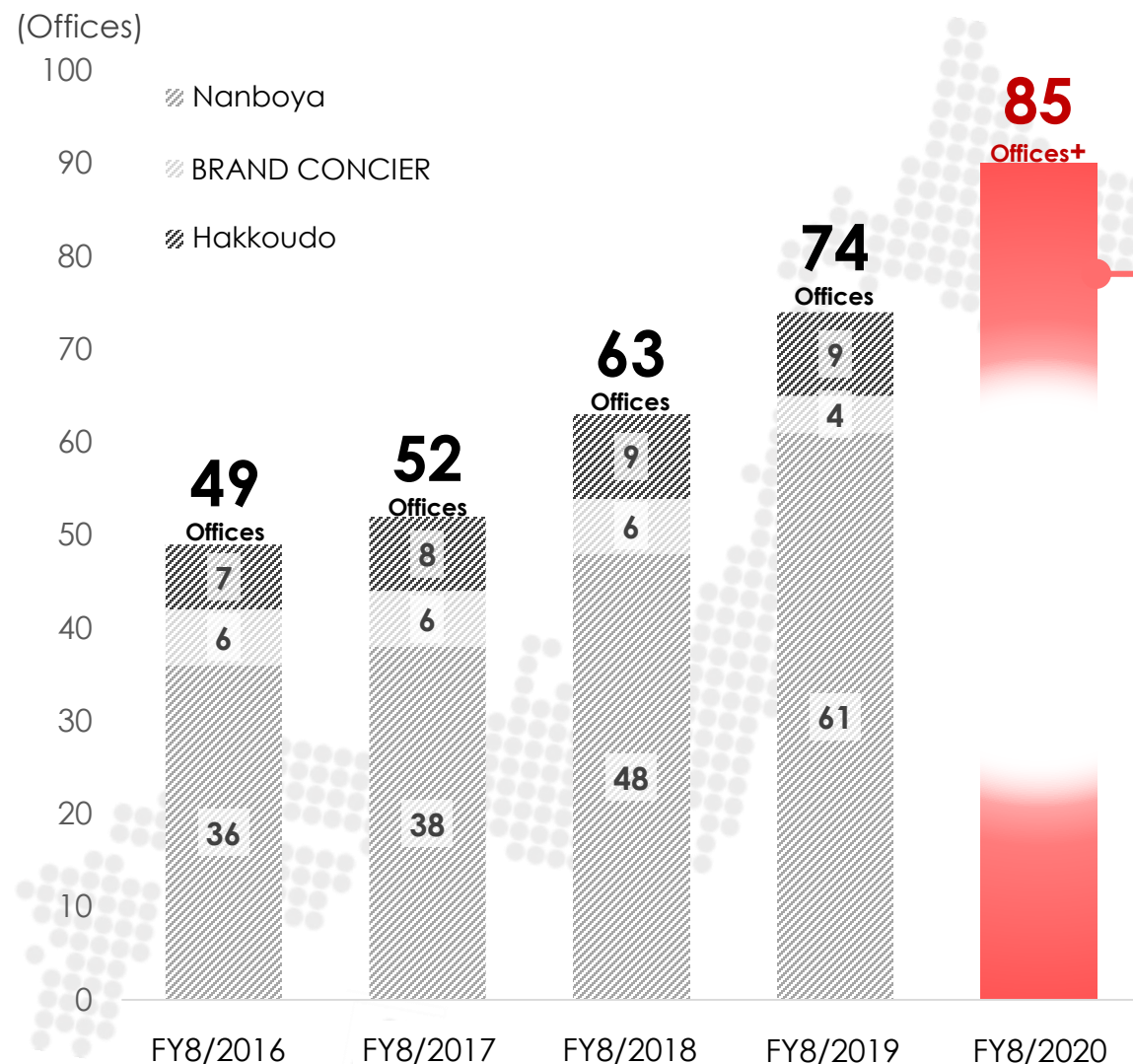
□ Inventory turnover and number of overseas dealers



Strengthen, Expand Overseas Sales Channels



Open More Buying Offices in Japan



- Planning to add 11 or more new (net) offices, mainly in Japanese department stores and commercial facilities
- Leverage Nanboya brand for new locations to maximize advertising and promotion effectiveness (customer traffic generation)

- Topic: Purchasing + Estate Asset Management and Investing -

New Nanboya+Miney business to open in Tokyu Plaza Shibuya December 2019



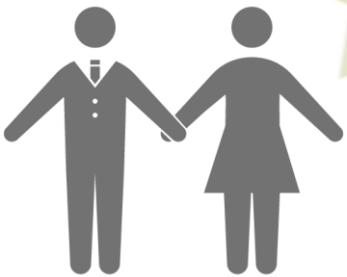
Purchasing

Conduct In-Depth Market Research for Global Buying Office Expansion



Improve
LTV

Luxury brand items are not the only estate assets accumulated throughout one's lifetime



Improve
LTV

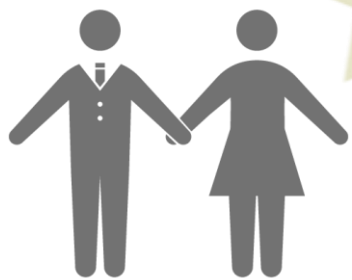
Luxury brand items are not the only estate assets one can dispose of



- ✓ Reuse shop?
- ✓ Flea market app?
- ✓ Online auctions?
- ✓ Consult with tax accountant?
- ✓ Real estate agent?
- ✓ Used car seller?
- ✓ Estate sales agent? ... etc



No single place to address every concern and need

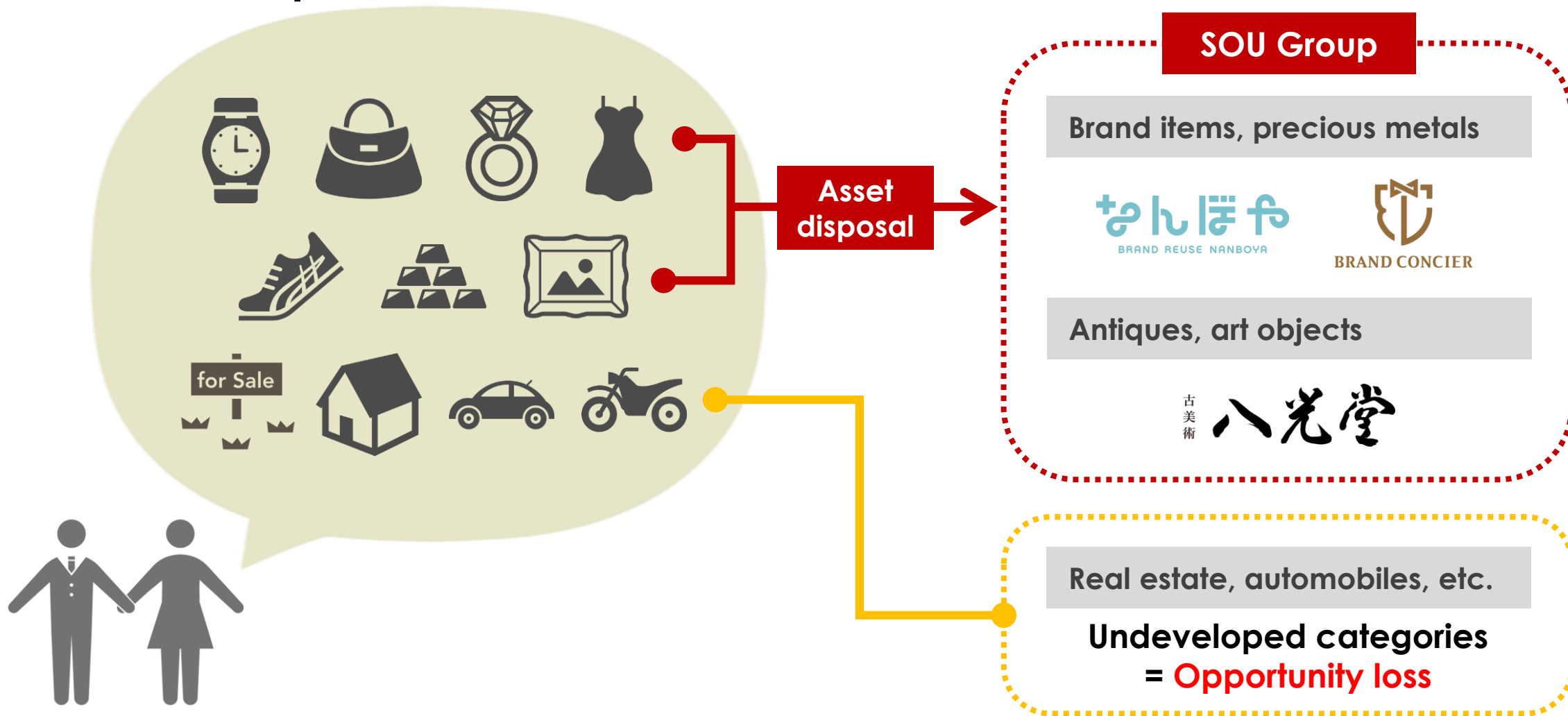


Asset
disposal



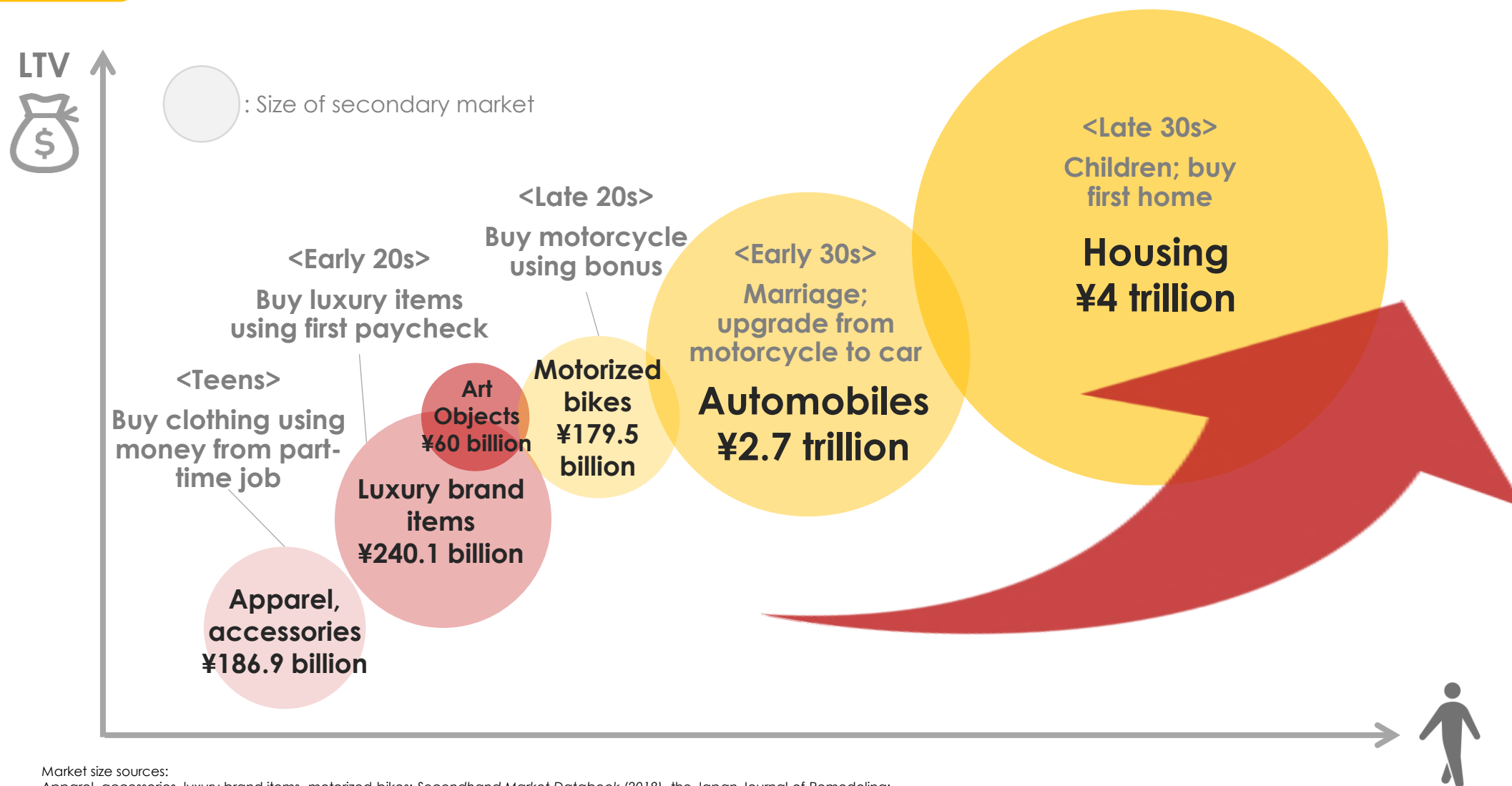
Improve
LTV

Luxury brand items are not the only estate assets one can dispose of



Improve
LTV

Expand categories to increase the lifetime value of goods



Market size sources:

Apparel, accessories, luxury brand items, motorized bikes: *Secondhand Market Databook (2018)*, the Japan Journal of Remodeling;

Art objects: *Japanese Art Industry Market Research Survey 2016*, Art Tokyo Association;

Automobiles: *Used-Car Distribution Market in Japan: Key Research Findings 2017* (press release), Yano Research Institute;

Housing: *Basic Plan and Estimate on Housing (Japanese Nationwide Plan)*, Ministry of Land, Infrastructure, Transport and Tourism

Initiative: Expand Miney categories (October 2019)

□ Paintings, antiques, art objects

- Added categories traditionally difficult to appraise/assess value (paintings, antiques, art objects)
- Important reference data for inheritance, estate liquidation, and life planning to prevent disposal of items without know their true value



Paintings



Modern Art



Art



Antiques



Wall Hangings



Chinese Art

□ Real estate

- Added real estate category (one of the most important assets owned by individuals)
- Property owners can confirm the current value of their land, houses, or condominiums anywhere in Japan



Improve
LTV

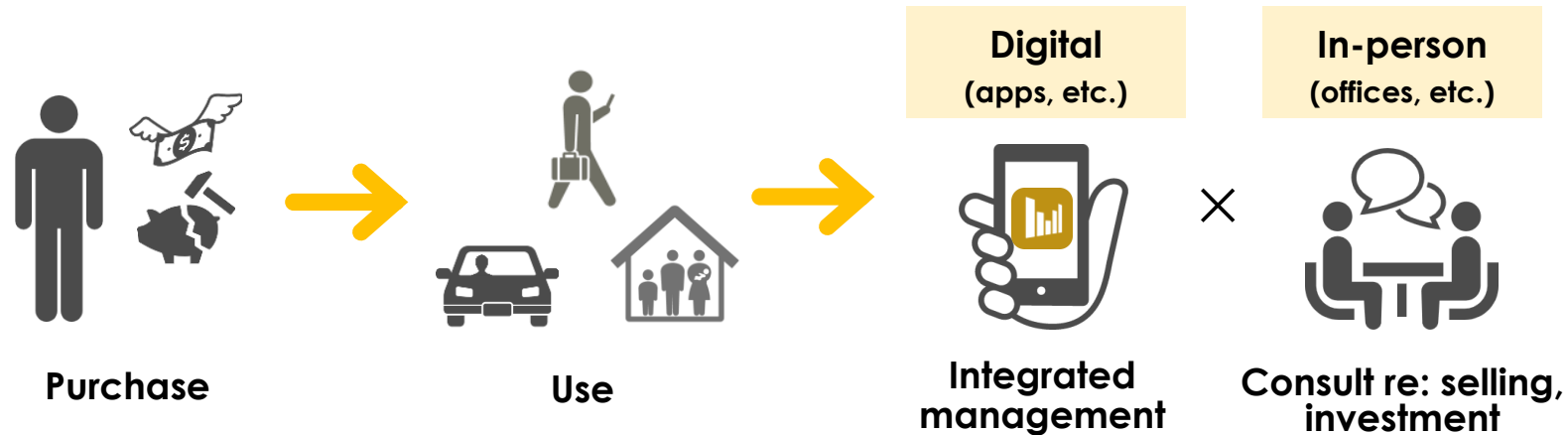
Strategic Role of Miney

- ❑ Service offering integrated digital management of all estate assets

The Past



The Future



**Global access to pricing and
value data for smarter lifestyles.**

Appendix

- FYE August 2019 (Q4) Financial Highlights
- Detailed Business Model and SOU Strengths
- SOU Business Brands

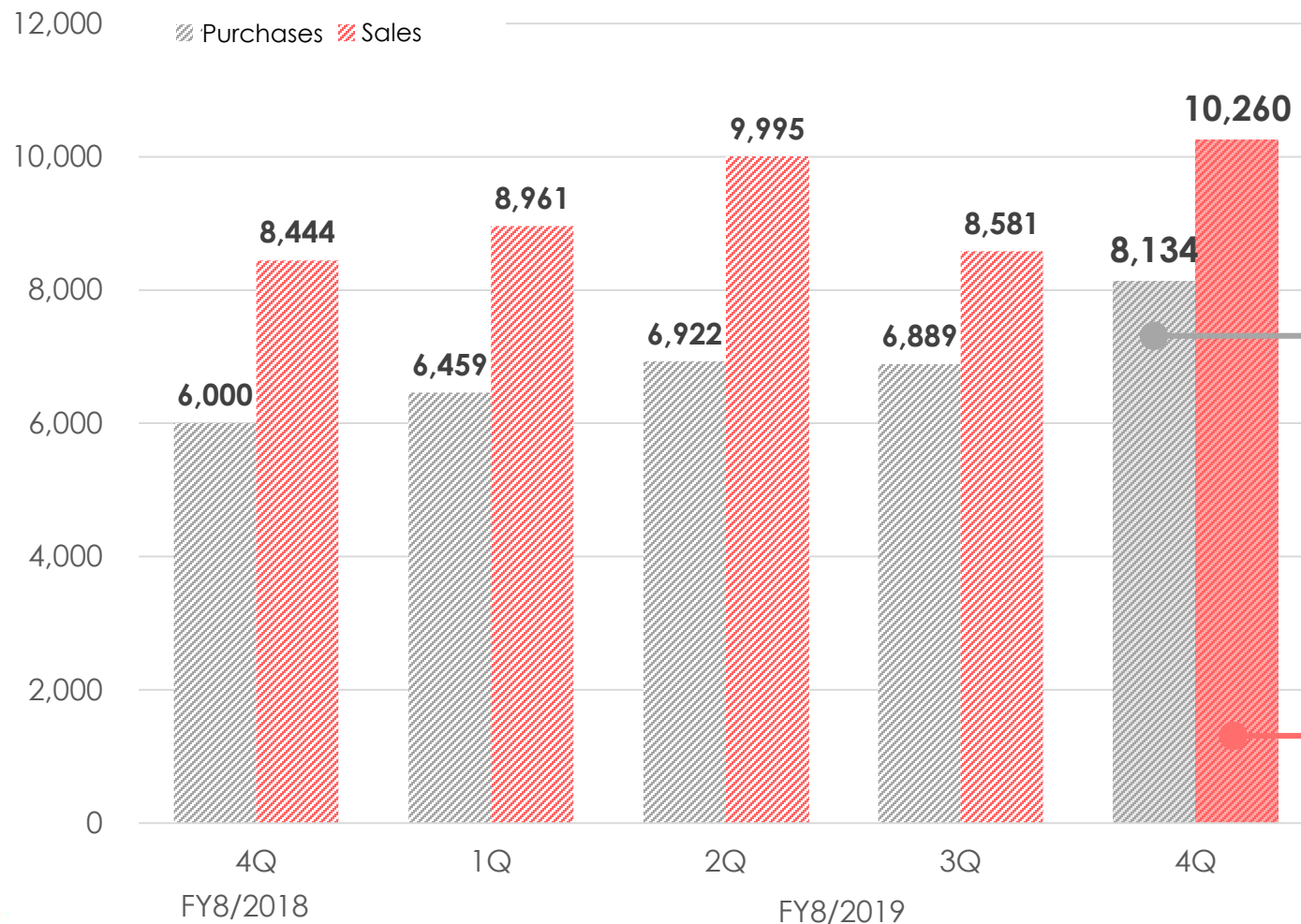
Financial Results by Quarter for the Fiscal Year Ended August 31, 2019

(Millions of yen)

	FY8/2018	FY8/2019			
	4Q	1Q	2Q	3Q	4Q
Net sales	8,444	8,961	9,995	8,581	10,260
Gross profit	2,137	2,441	2,735	2,256	2,559
Gross profit margin	25.3%	27.2%	23.8%	26.3%	24.9%
SG&A	1,719	1,821	1,843	1,871	1,856
Operating profit	418	620	532	384	703
Ordinary profit	409	627	522	378	725
Ordinary profit ratio	4.9%	7.0%	5.2%	4.5%	7.1%
Profit attributable to owners of parent	284	422	348	245	443

Purchases and Sales by Quarter

(Millions of yen)



Purchases

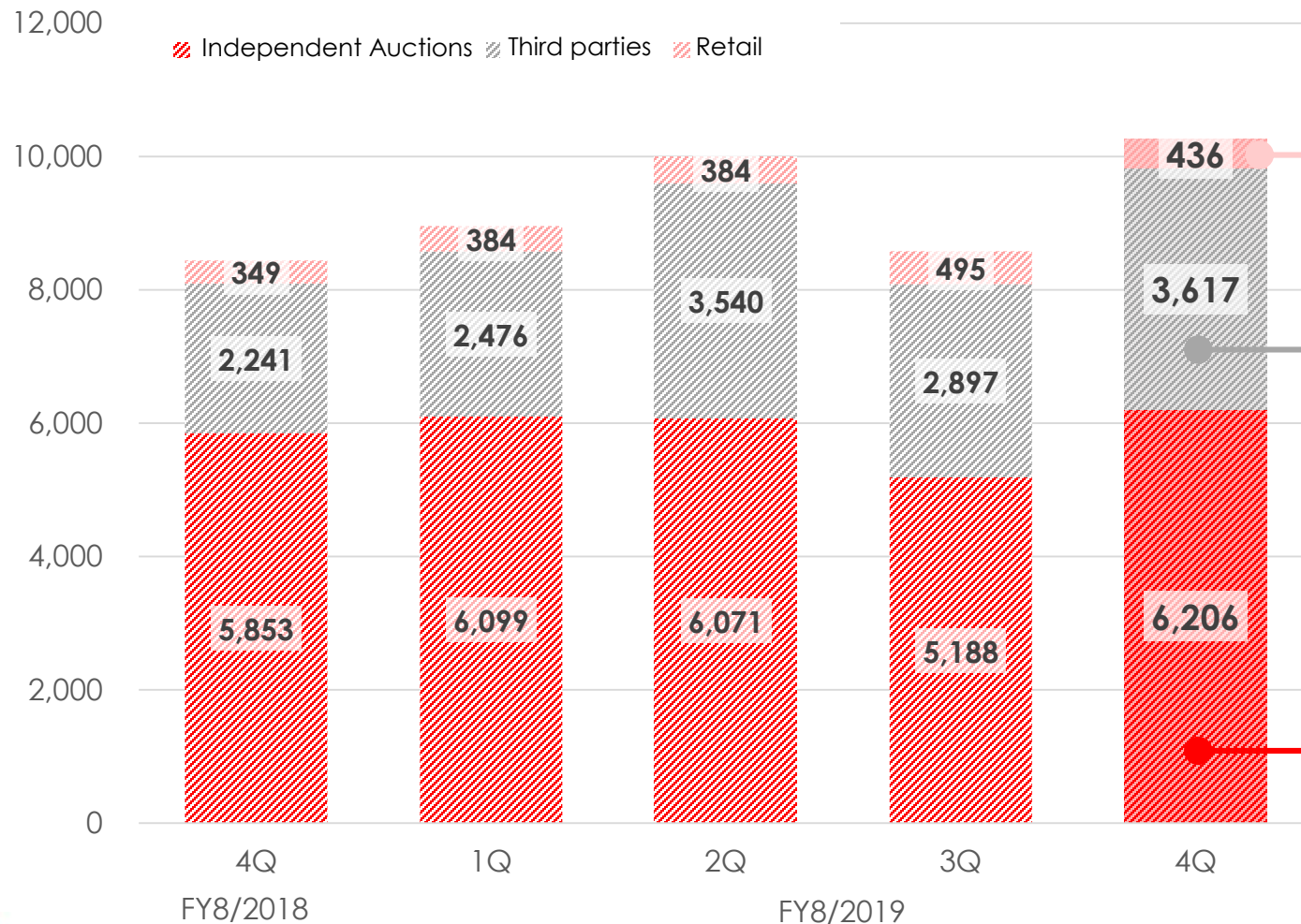
- ✓ Purchases rose significantly from Q3, up 18.1% quarter on quarter and 35.6% year on year. In addition to the contribution of new offices opened during Q3, we purchased greater amounts of gold bullion, driven by a rising gold market.

Sales

- ✓ 19.6% increase quarter on quarter due to one diamond auction and one (test) jewelry auction conducted in Hong Kong
- ✓ 21.5% increase year on year in connection with purchase increases

Net Sales by Channel by Quarter (to B, to C)

(Millions of yen)



Retail

- ✓ Despite decrease from Q3, strong sales pace maintained due to contributions by ALLU and usus

Third parties

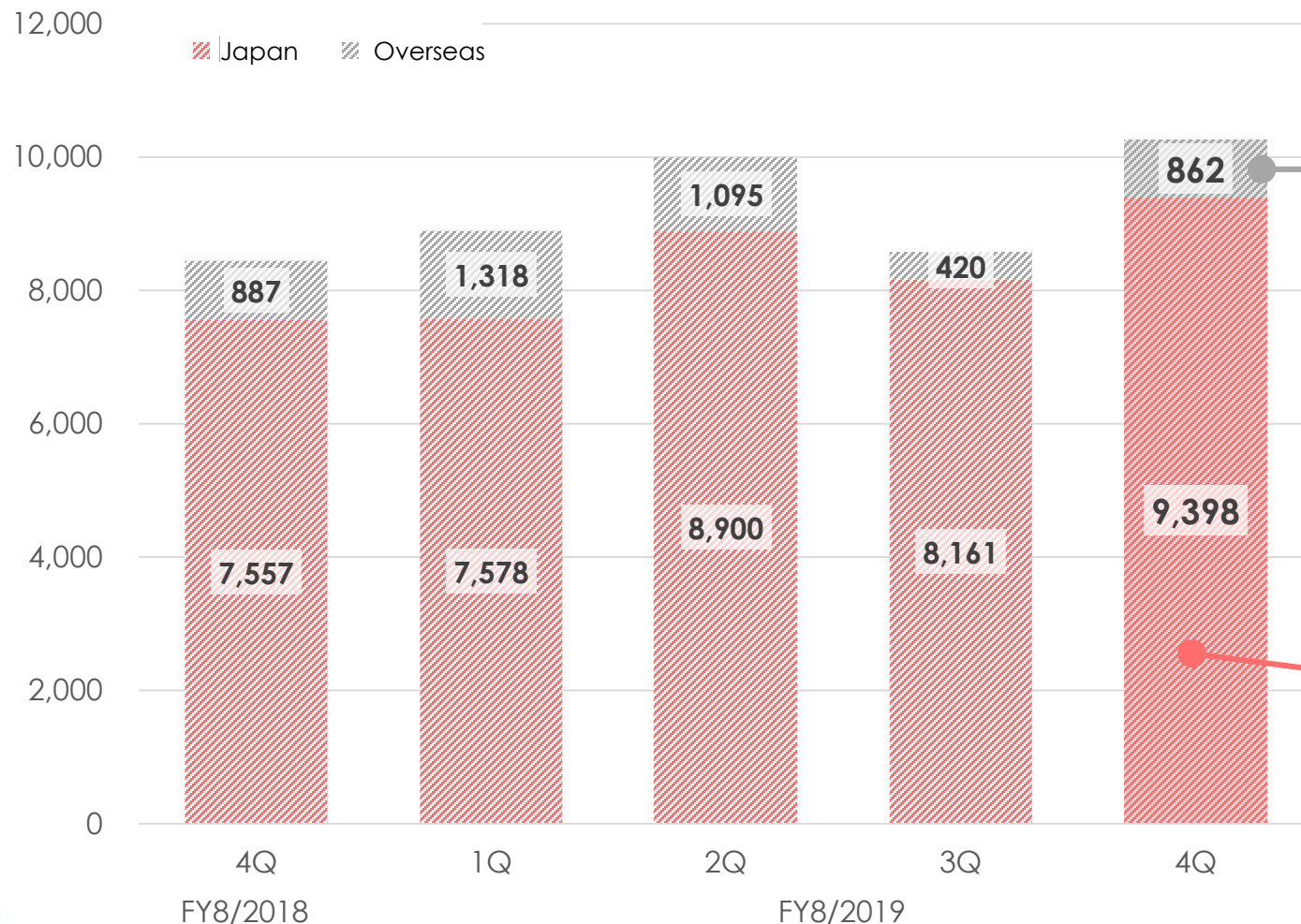
- ✓ Increase from Q3 due to higher sales stemming from gold bullion purchases (driven by rising gold market prices)

Independent Auctions

- ✓ Significant increase from Q3 due to one diamond auction and one (test) jewelry auction conducted in Hong Kong

Net Sales by Channel by Quarter (Japan, Overseas)

(Millions of yen)



Overseas

- ✓ Increase from Q3 due to one diamond auction and one (test) jewelry auction conducted in Hong Kong

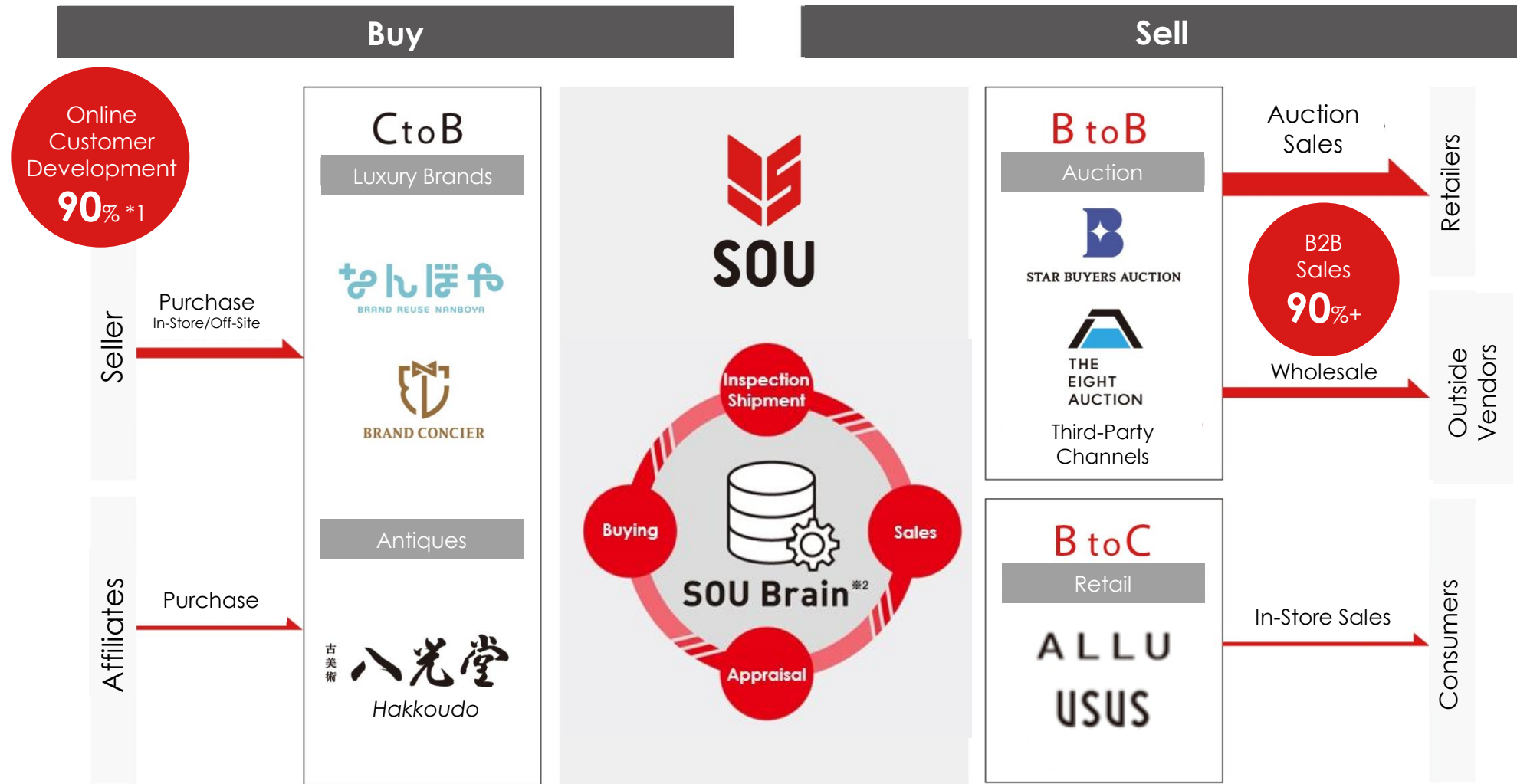
Japan

- ✓ Increase in items on auction at STAR BUYERS AUCTION in Japan resulted in rising sales every quarter
- ✓ Also impact of higher sales stemming from gold bullion purchases (driven by rising gold market prices)

Appendix

- FYE August 2019 (Q4) Financial Highlights
- Detailed Business Model and SOU Strengths
- SOU Business Brands

Business Model



*1 Based on questionnaire results

*2 SOU Brain: SOU in-house system/database

Strong Appeal Among General Customers (Purchasing Online to Offline)

□ The SOU O2O Model



SEO/List Ads

- Web promotion conducted in-house on ad-hoc basis
- Advertising expense limited to **2.2%** of net sales

* FY8/2019 actual



LINE Appraisal

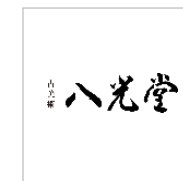
- Provide rough appraisal before customer comes to an office
- Nearly 20% of LINE Appraisal users come to an office (Accounts for 10% of total office customer traffic)

* FY8/2019 actual



74 buying offices (as of August 2019)

- Choose major urban areas, public transit stations for locations
- High-value item purchasing is important gateway
- **Buying offices are the engine driving SOU growth**



Mainly Difficult-to-Appraise High-Value Luxury Brand Items

Major merchandise categories

- Main items handled by SOU
- Main items handled by Hakkoudo
- Items handled by competitors



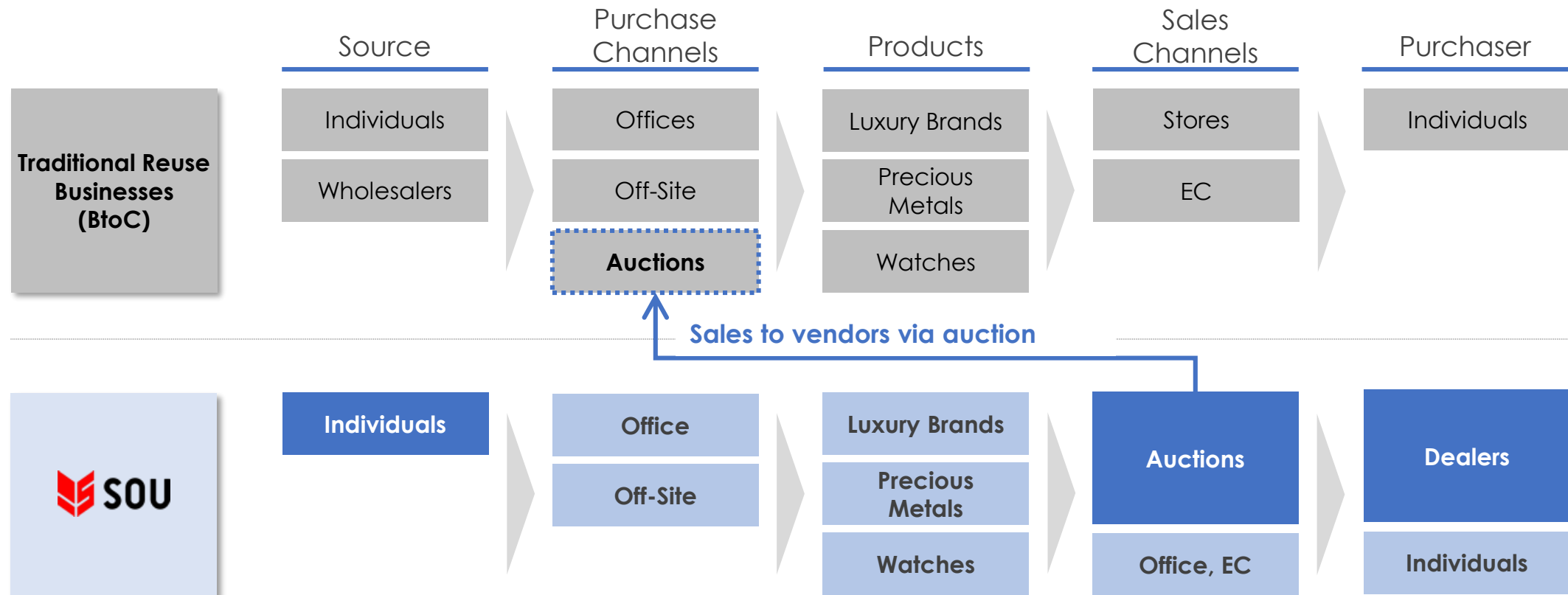
Purchases 700,000 annually

Avg. Price/Item JPY50,000

How We Provide Merchandise to Competitors

□ Providing merchandise to our competitors (C to B to B model)

⇒ Our customers are dealers who provide stable demand and serve as channel for mass sales of a variety of items. This provides information on fair market prices.



Industry Position

Top 10 in Reuse Sales

Rank	Company	Reuse Sales (JPY100M)	Total Sales (JPY100M)
1	GEO HOLDINGS CORPORATION	994.2	2992.6
2	BOOKOFF GROUP HOLDINGS LIMITED	787.8	800.5
3	DAIKOKUYA, Inc. (*tickets)	446.0	446.0
4	Komehyo Co.,Ltd.	390.0	455.0
5	SOU	315.3	315.3
6	KOUNAN Ticket Corporation.	249.9	249.9
7	Daikokuya Holdings Co., Ltd.	201.0	205.0
8	BIKE O & COMPANY Ltd.	175.4	182.5
9	A-too Inc.	170.2	224.0
10	HARD OFF CORPORATION Co, Ltd.	169.4	185.2

Top 10 in Luxury Brand Jewelry Sales

Rank	Company	Luxury Brand Jewelry Sales (JPY100M)	Ratio to Total Sales
1	Komehyo Co.,Ltd.	335.4	86.0%
2	SOU	271.8	86.2%
3	Daikokuya Holdings Co., Ltd.	201.0	100.0%
4	HappyPrice	126.2	100.0%
5	EcoRing Inc.	125.3	87.5%
6	Okura	106.7	100.0%
7	Brand off Co.,Ltd.	99.2	97.0%
8	RK Enterprise co.,Ltd	98.3	95.0%
9	K-GOLD INTERNATIONAL CORPORATION.	85.0	100.0%
10	GALLERY RARE Ltd.	73.8	94.0%

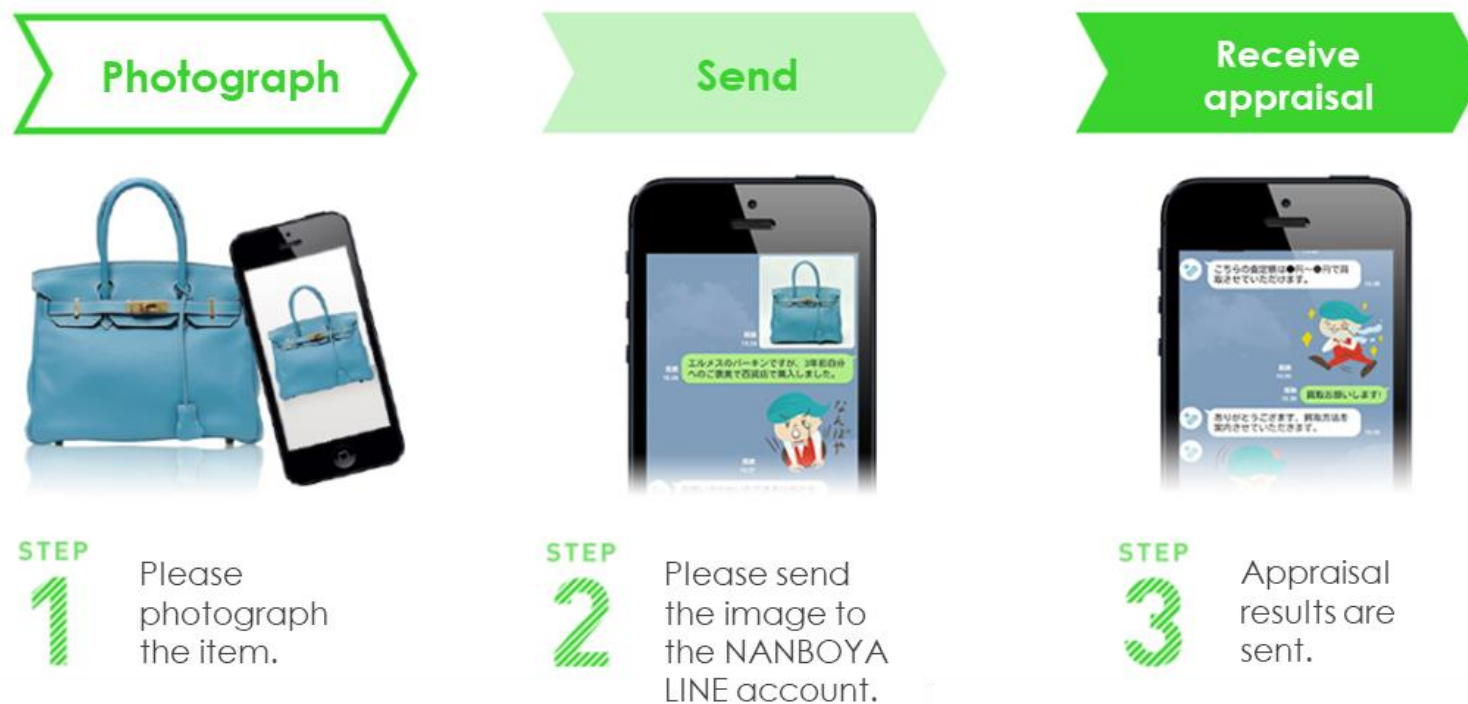
Appendix

- FYE August 2019 (Q4) Financial Highlights
- Detailed Business Model and SOU Strengths
- SOU Business Brands



LINE Appraisal

- Released as the first service in the industry to use LINE Business Connect in March 2015
- Send photo to the Nanboya LINE account and receive a rough appraisal in minutes
- Monthly appraisals: 10,000; Monthly appraised value: ¥1.95 billion; Office visits after using LINE appraisal: 20%



For luxury goods, precious metals, etc.

□ NANBOYA

- Specialist buyer with 61 offices across Japan that serves as the flagship brand for the purchasing side of our business (As of August 31, 2019)
- Unique concierge service that listens to how customers met and parted ways with their possessions and a kind of salon atmosphere provide customers with high satisfaction

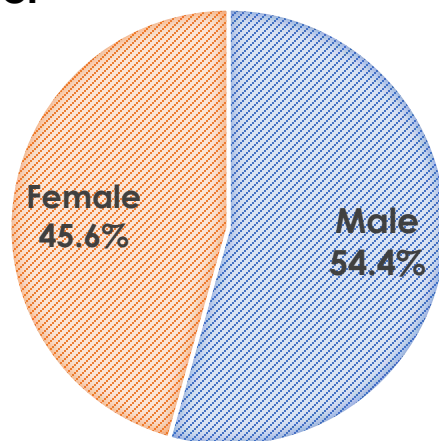


□ BRAND CONCIER

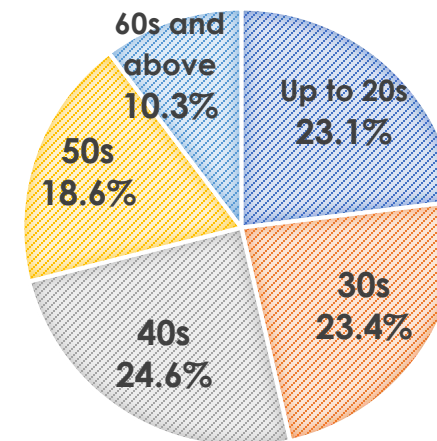
- As a sister brand to NANBOYA, expanding offices to department stores, etc.
- Introduced the industry's first appointment system, taking reservations by phone, email, etc. to ensure a smooth experience with no waiting



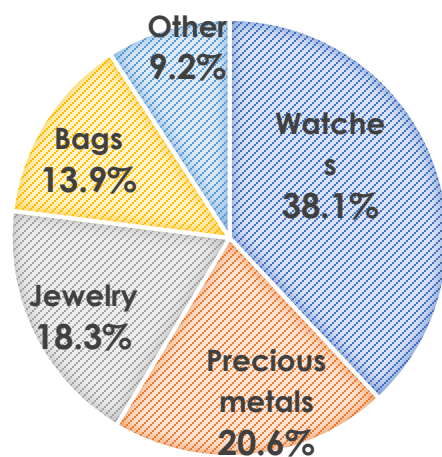
Use by gender



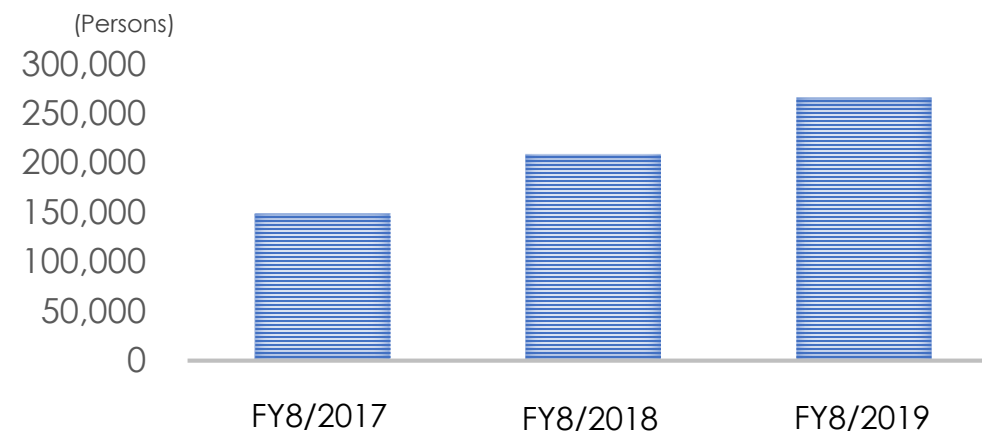
Use by age



Sales by category



Number of users



*FY8/2019 actual (FY8/2017 actual for certain results)

For antiques and art objects

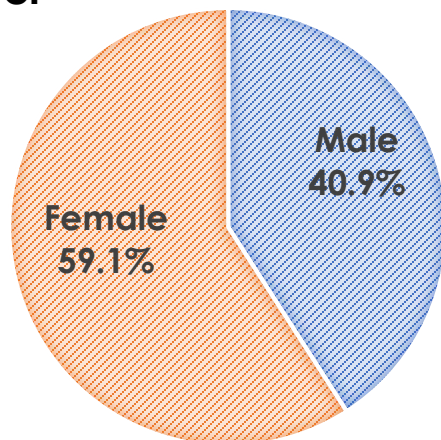
❑ HAKKOU DO

- Converted to a subsidiary in February 2017
- Specialty buyer of antiques, antique art, and modern art
- Approximately 40 antique appraisal professionals on staff; the company mainly conducts off-site purchases at estate-sales, life planning, etc.
- Hakkoudo works with tax accounting firms on inheritance related matters and holds tax planning seminars at event halls

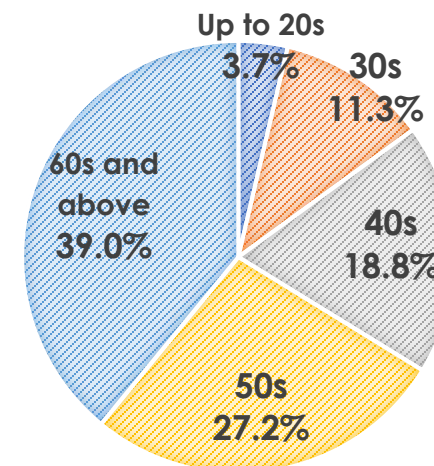


HAKKOUDO Use Profile

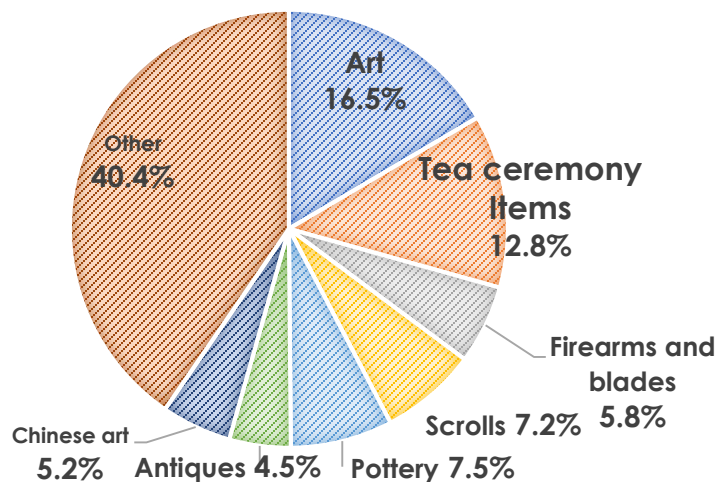
Use by gender



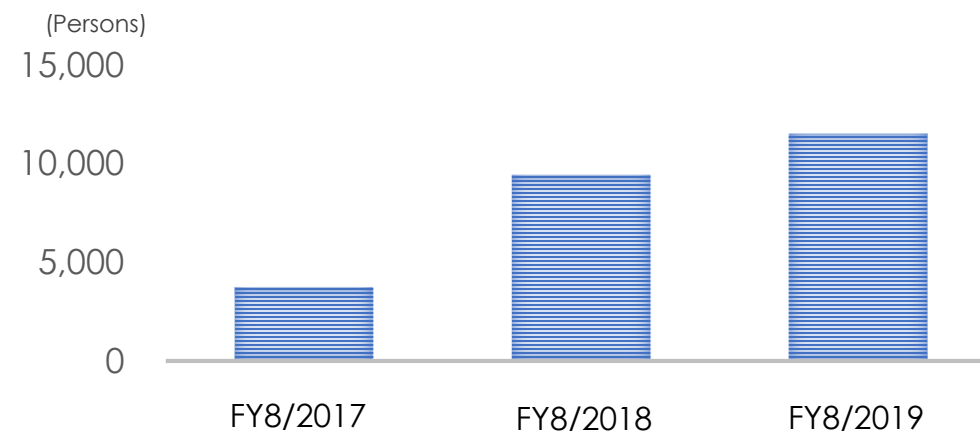
Use by age



Sales by category



Number of users



Sales For Luxury Goods, Jewelry, Etc.

❑ STAR BUYERS AUCTION

[Domestic]

- Live dealer auctions for luxury goods, watches, and other items; launched in December 2013
- Consistently listing 30,000-plus per month over five days; total volume of JPY1.8 billion per month
- Live Auctions
11th of every month: Apparel; 12th: Watches; 13th: Jewelry; 14th: Bags
- Online Bid Auctions
23th of every month: All categories

[Overseas]

- Launched Hong Kong auctions in March 2017, featuring loose diamonds
- Four live auctions per year
- Established a dedicated company in February 2019 in Tsim Sha Tsui, Hong Kong to expand scope of operations



❑ THE EIGHT AUCTION

- Launched in August 2018 as an independent sales channel for Hakkoudo Inc.
- Live action to sell products, purchased via off-site and carry-in buying services
- (Auction Schedule) [Even-numbered months] 8th - Antiques; 9th - Tea ceremony items
[Odd-numbered months] 8th - Art; 9th - Calligraphy



□ ALLU

- Flagship store opened in Ginza, Tokyo in October 2016; second store opened in Shinsaibashi, Osaka in September 2018
- Large selection of vintage goods
- E-Commerce site operated on the Wandou Gongzhu cross-border shopping app



□ USUS

- Launched independent e-commerce site in January 2019
- Cross-border archive fashion store, offering all genres from luxury to street fashion



Asset Management App

□ miney

- Asset management app released in October 2017
- Users can view not only the present values of their items, but also historic prices and the total value of all registered items
- Total of 57k registered items, total registered value of JPY8.9 billion (as of August 2019)
- Item Categories:
Watches, luxury brand jewelry, bags, luxury brand accessories (wallets, etc.)



Photograph item



See value of item in as little as one minute*



See historic prices of each of your belongings



View the present value of all your belongings



Receive updates on appraised items



Sell them for cash any time!



- Financial information, details of sales channels, and auction results presented for FY8/2015 and FY8/2016 are for reference. This information has not been audited by an independent financial statement auditor.
- Earnings forecasts and other statements are based on information available at the time and certain assumptions deemed rational by company management. Actual earnings may differ from forecasts due to various risks, uncertainties, and other factors that may arise in the future
- This document has been prepared in conformance with information presented in *Consolidated Financial Results for the Fiscal Year Ended August 31, 2019*.

For Inquiries:
Investor Relations Office
SOU Inc.

TEL: +81-3-4580-9983 / Mail : contact@ai-sou.co.jp