Financial Results
Q2 FY09/22

Aucfan Co., Ltd. <3674>
May 13, 2022

Q2 Financial Results: Executive Summary

Our most important KPI:

In 1H, Gross Merchandise Value (GMV) grew to **5,392 million yen (up 20% YoY; 2-yr. CAGR[*1]: 130%)**

Core businesses:

In Q2, we recorded **operating profit**, while continuing upfront investments

1H consolidated results:

Posted **net sales** of 2,952 million yen (**progress: 57%**) and **operating profit** of 56 million yen (**progress: 56%**), marking **steady progress** versus the full-year consolidated earnings forecast

To further increase GMV, **made offline trade fair operators** OSR Net Co., Ltd. and Osaka Senba Wholesale Marketing Co., Ltd. **our subsidiaries**

*1 CAGR: compound average growth rate

1 The Aucfan Group

Re-INFRA COMPANY

Reexamining the value that lies before us,
rather than generating new value from scratch.
Aucfan is a constructing peerless infrastructure that
integrates the various “REs” of society.

STRATEGY

Re.

Building "Once Again" (RE)

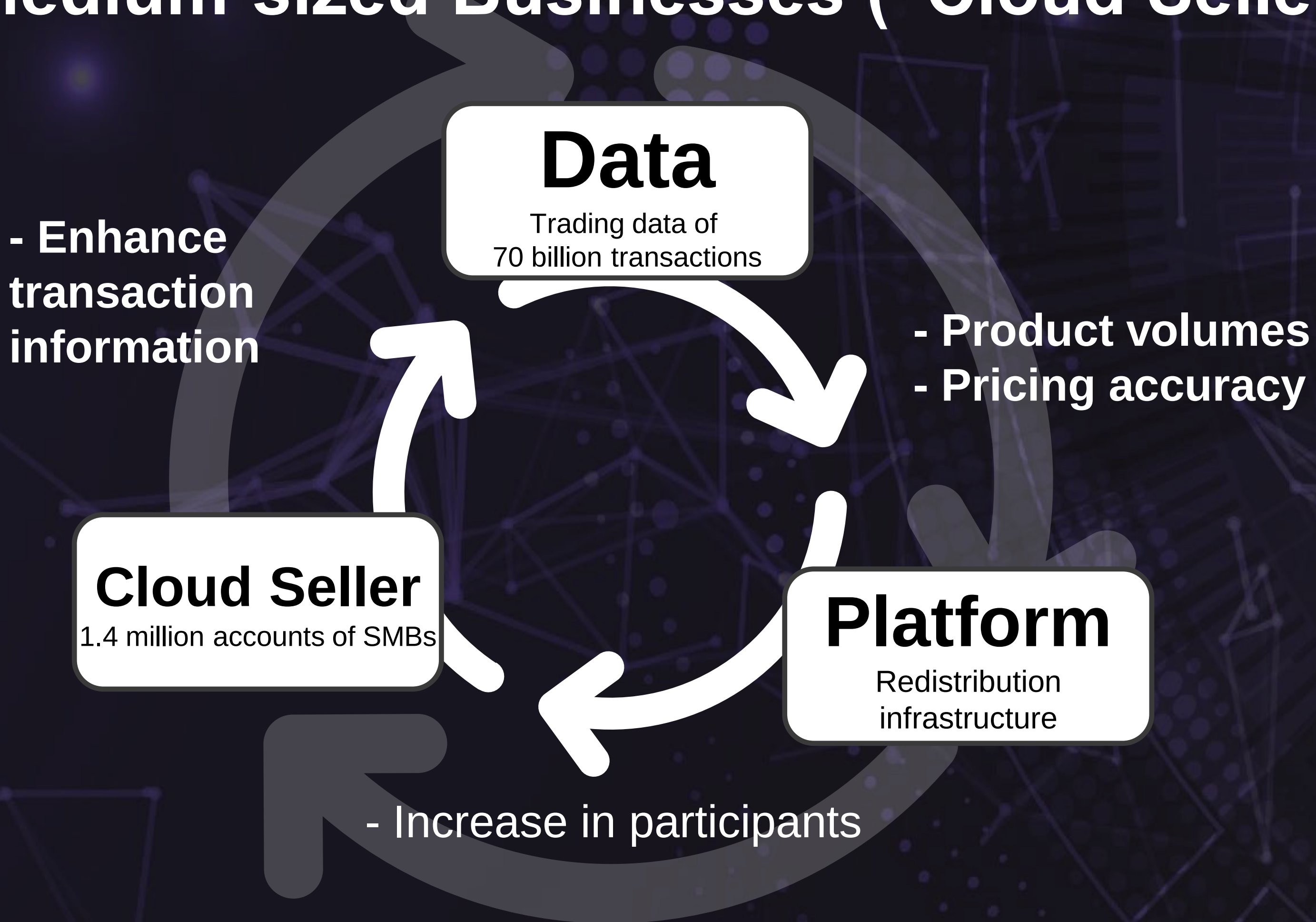
Reuse, Resale, Revalue, Reverse, Recover, Reduce, Rebalance, Reconstruct

Our societies and the world at large will become happier when we improve the circumstances surrounding both people and products.

The Predictive Power of AI and the Trading Power of People

Our AI technology analyzes trading data of over 70 billion transactions to determine where products can be sold and at what prices. Subsequently, more than 1.4 million accounts of SMBs (people) maximize the appeal of these products and sell off their entire inventories.
Our unparalleled strength lies in the unique way in which we combine AI analysis with human enthusiasm.

A Cyclical Growth Model that Combines Data, Platforms, and Small/Medium-sized Businesses (“Cloud Sellers”)



GOAL

ALL WELL

Companies

SMBs

Consumers

aucfan

Products

By getting involved with companies (B), cloud sellers (SMBs), consumers (C), our own company, and products, we will target a positive cycle through which all five of these aspects improve their own, and each other's wellness.

Target Market (1)

Massive wholesale market

Size of the domestic B2B wholesale market

300 trillion yen *1

Rise of a trillion-yen company overseas, offering new services such as a wholesale marketplace for specialty stores

*1 Market research on e-commerce by METI announced on July 30, 2021, “B2B E-commerce Market Size by Industry.”
Estimate based on e-commerce market size and conversion rate in the medium category (wholesale).
https://www.meti.go.jp/policy/it_policy/statistics/outlook/210730_new_hokokusho.pdf

Loss on disposal of product inventory is a major issue that needs to be resolved
COVID-19 has further aggravated the situation

SUSTAINABLE DEVELOPMENT GOALS *1

12 つくる責任 つかう責任

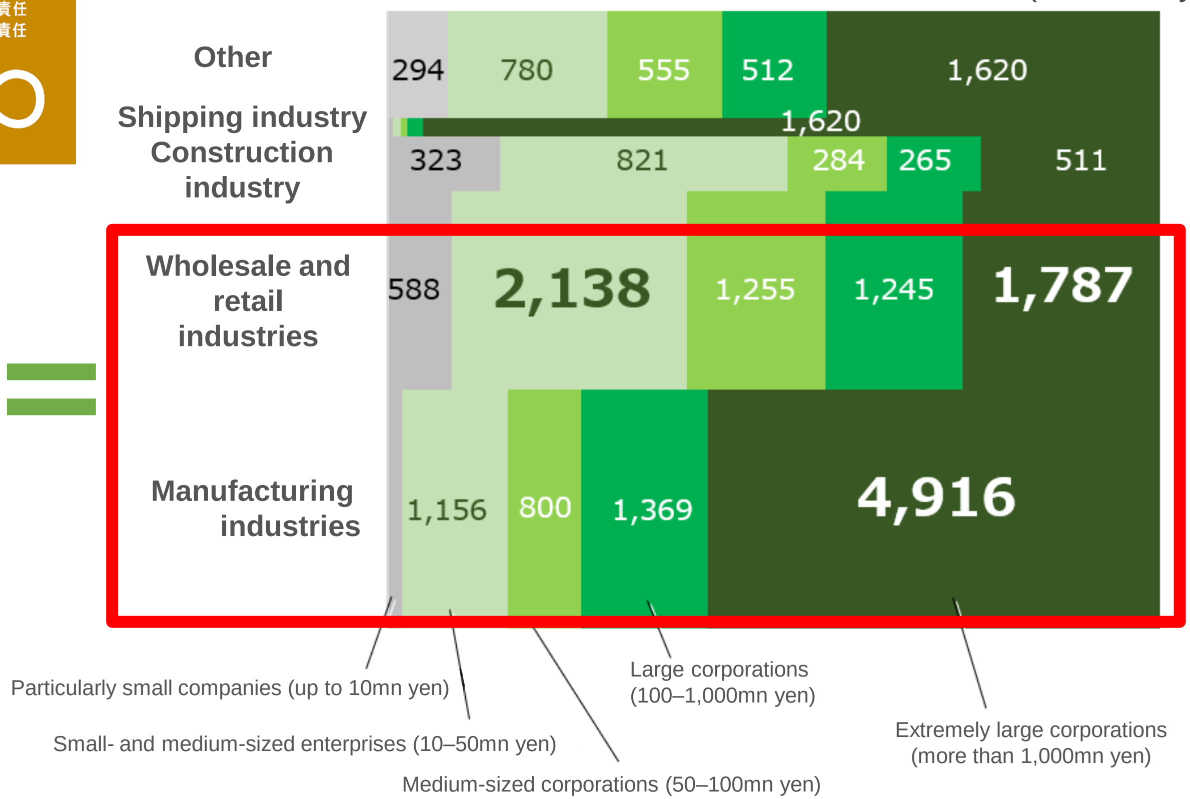
Loss on disposal of product inventory

22 trillion yen *2

=

Breakdown of Loss on Disposal of Current Assets

(billions of yen)



*1 Sustainable Development Goals: Goals to be achieved by 2030, adopted by the UN in 2015
*2 Aucfan's estimate based on "Statistics of Corporations" (Ministry of Finance), etc.

Target Market (2)-2

Returned goods market is expected to grow going forward

B2C e-commerce market size in Japan*1

Product sales: Approx. 12 trillion yen

B2C e-commerce market size and growth rate by field

	2019	2020	Growth rate
A. Product sales	10.05 trillion yen (e-commerce rate: 6.76%)	12.23 trillion yen (e-commerce rate: 8.08%)	21.71%
B. Services	7.17 trillion yen	4.58 trillion yen	-36.05%
C. Digital	2.14 trillion yen	2.46 trillion yen	14.90%
Total	19.36 trillion yen	19.28 trillion yen	-0.43%

Overseas return rate

Return rate
18%

SUSTAINABLE DEVELOPMENT GOALS

12 つくる責任 つかう責任

Of the $565.0 billion (about 62 trillion yen) in B2C e-commerce distribution in the US, $102.0 billion (about 11 trillion yen) comes from reverse logistics.*2

12 trillion yen x 18% = Potential market of **2.2 trillion yen**

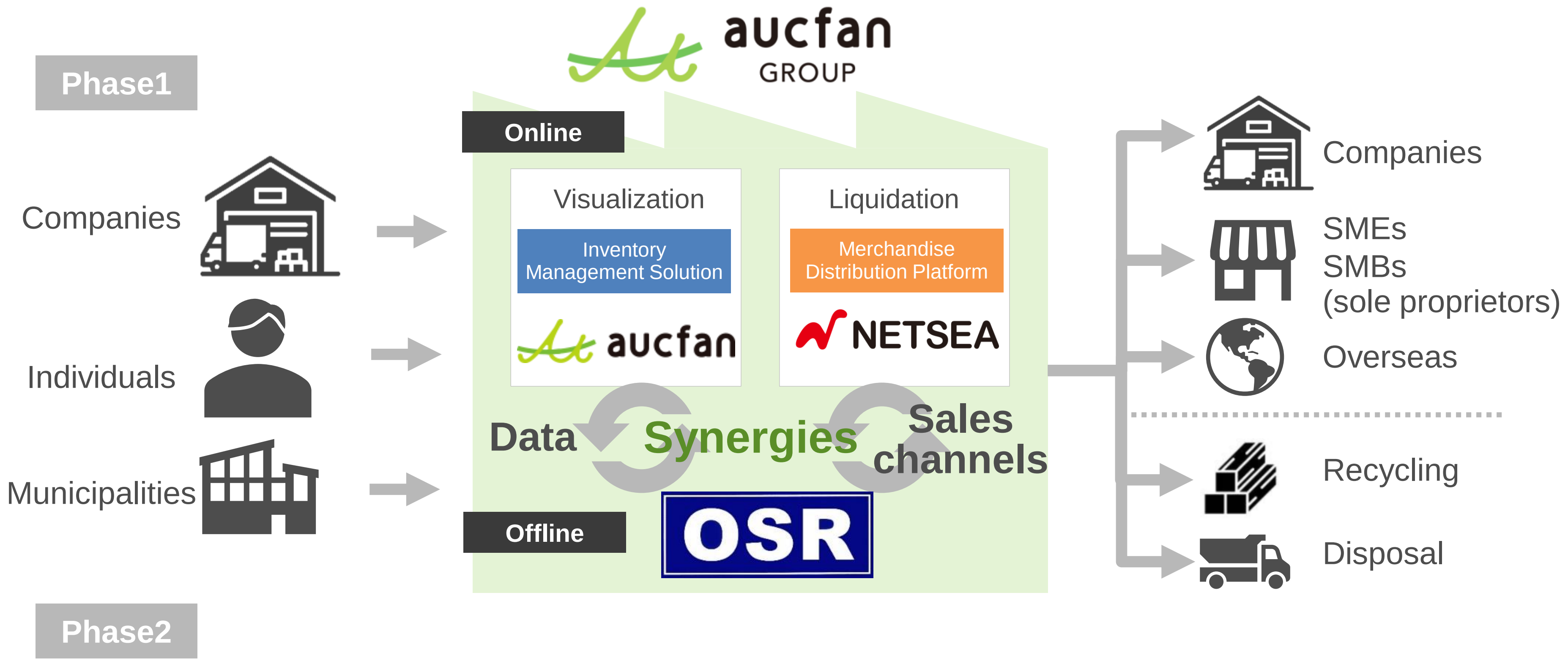
Emergence of a leading reverse logistics company in the US

*1: Based on a market survey on e-commerce published by the Ministry of Economy, Trade and Industry on July 30, 2021.
https://www.meti.go.jp/press/2021/07/20210730010/20210730010.html

*2: Based on data from the National Retail Federation
https://nrf.com/media-center/press-releases/428-billion-merchandise-returned-2020

Aucfan Group Business Concept

Build a redistribution infrastructure that facilitates the distribution of several trillion yen of goods per year, thereby contributing to the SDGs



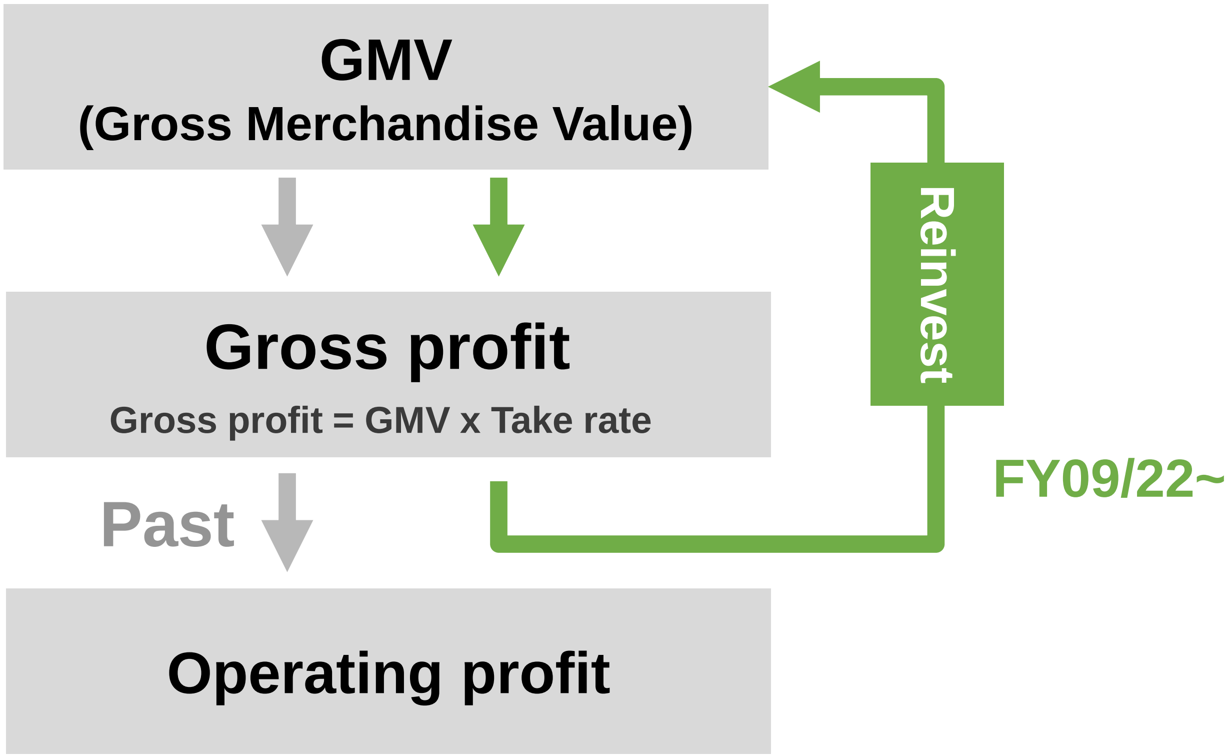
Boost distribution by contracting SMBs (cloud sellers) to perform tasks such as merchandise collection, assessment, appraisal, listing, repair, sales, and delivery

We have set GMV (Gross Merchandise Value) as our most important indicator for establishing a dominant position in this massive market

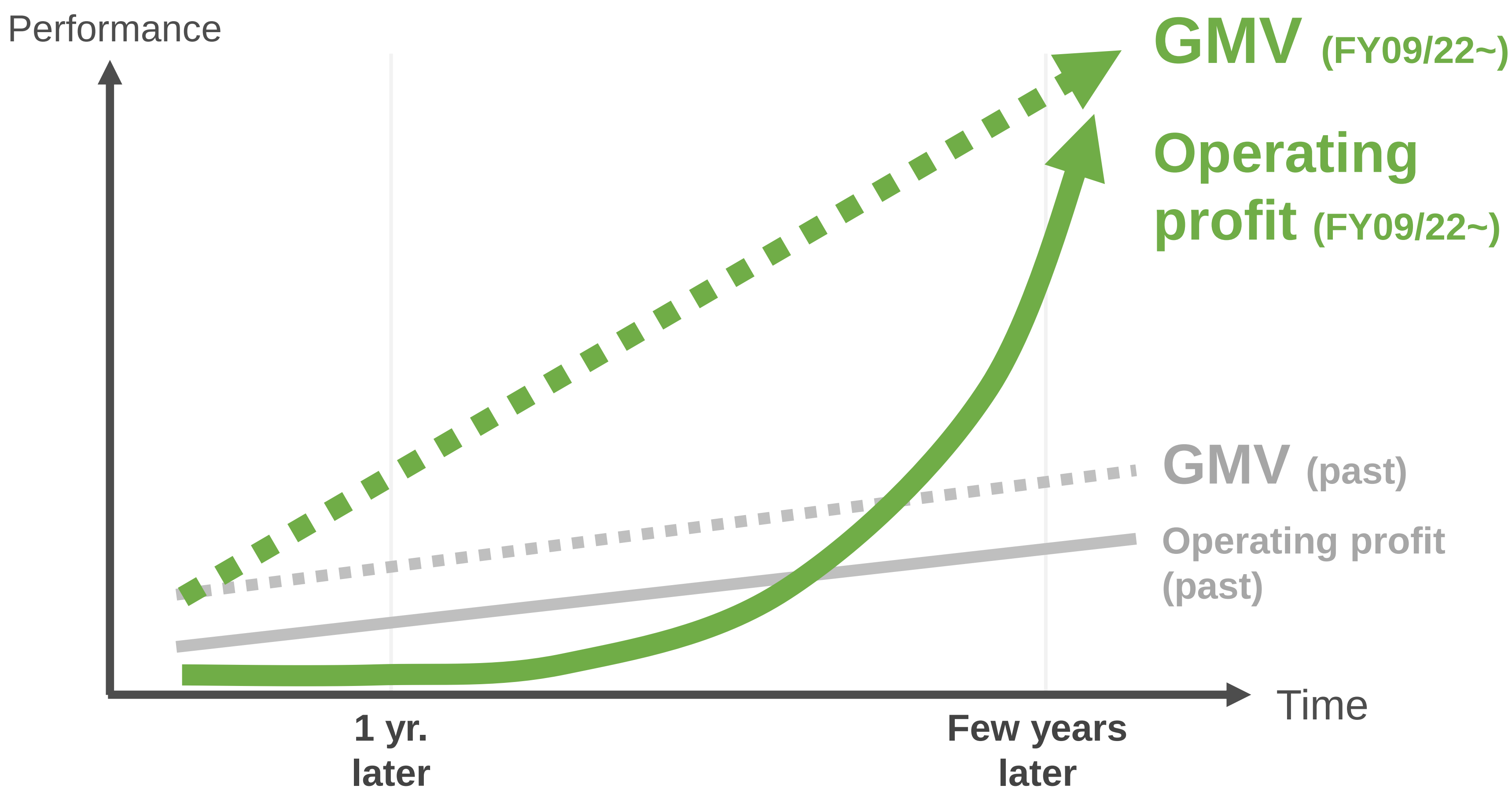
Inventory Management Solution	Merchandise Distribution Platform
aucfan	NETSEA / NETSEA Auction
ARR*1 (billing amount)	Most important KPI **GMV** (Gross Merchandise Value)

*1: Abbreviation for Annual Recurring Revenue

Now that we have a winning strategy, we will reinvest our profits to maximize GMV and gross profit



As a result, we will maximize operating profit several years later



2 Financial Highlights in Q2 FY09/22

Growth continued for GMV and gross profit in core businesses*1, our key performance indicators

(millions of yen)	1H results				
	FY09/20	FY09/21	FY09/22	YoY	2-yr. CAGR
Most important KPI: **GMV** – Core businesses	3,176	4,491	**5,392**	120%	**130%**
Net sales	2,983	4,647	2,952	64%	99%
- Core businesses	1,563	1,709	2,042	120%	114%
- Incubation	31	1,412	222	16%	268%
- Withdrawn businesses / other *2	1,388	1,526	686	45%	70%
Gross profit	1,204	2,165	1,265	58%	103%
- Core businesses	785	997	**1,013**	102%	**114%**
- Incubation	19	877	217	25%	338%
- Withdrawn businesses / other	400	290	35	12%	30%
Operating profit	81	791	56	7%	83%
- Core businesses	167	112	(34)	-	-
- Incubation	(11)	777	120	15%	-
- Withdrawn businesses / other	(74)	(99)	(29)	29%	63%
Recurring profit	74	784	56	7%	87%
Net income	6	502	34	7%	238%

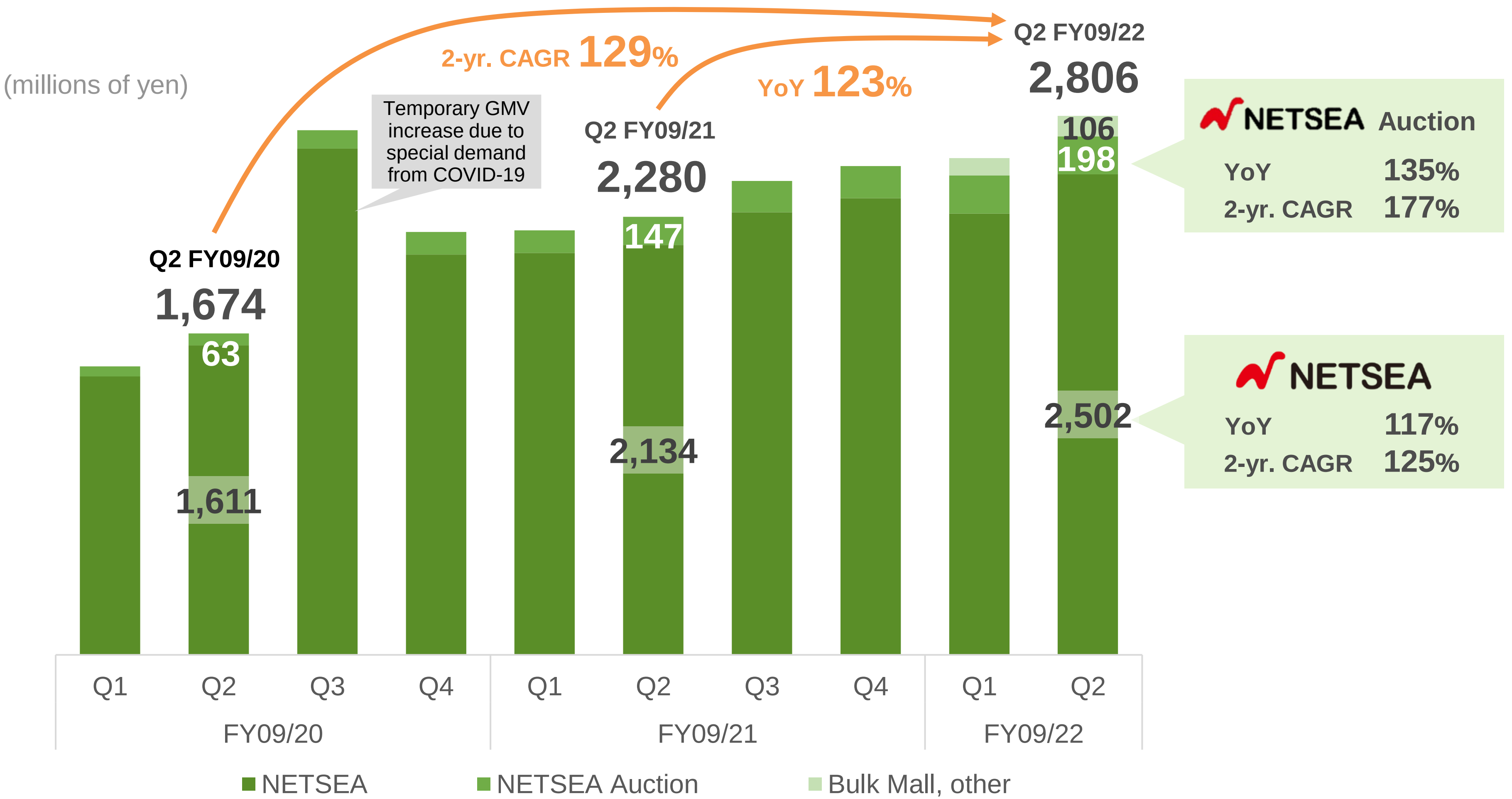
GMV
2-yr. CAGR
130%

Core businesses gross profit:
2-yr. CAGR
114%

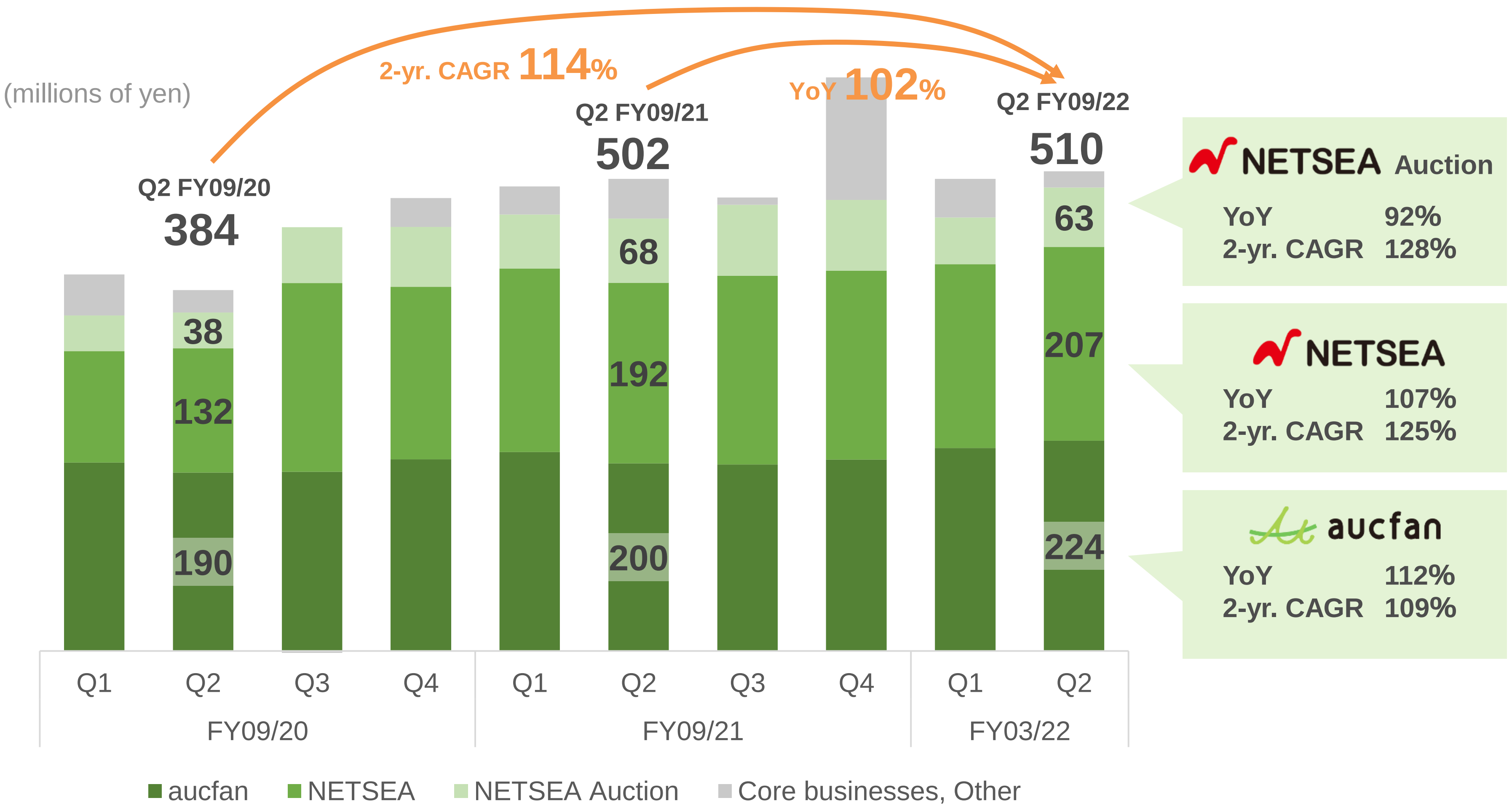
*1 Core businesses: Excluding Incubation and businesses the company has withdrawn from

*2 Withdrawn businesses / other: Includes zaikoban (SaaS for large enterprises), otameshi (sampling service site oriented toward social contribution), and wholesale sales for corporate customers

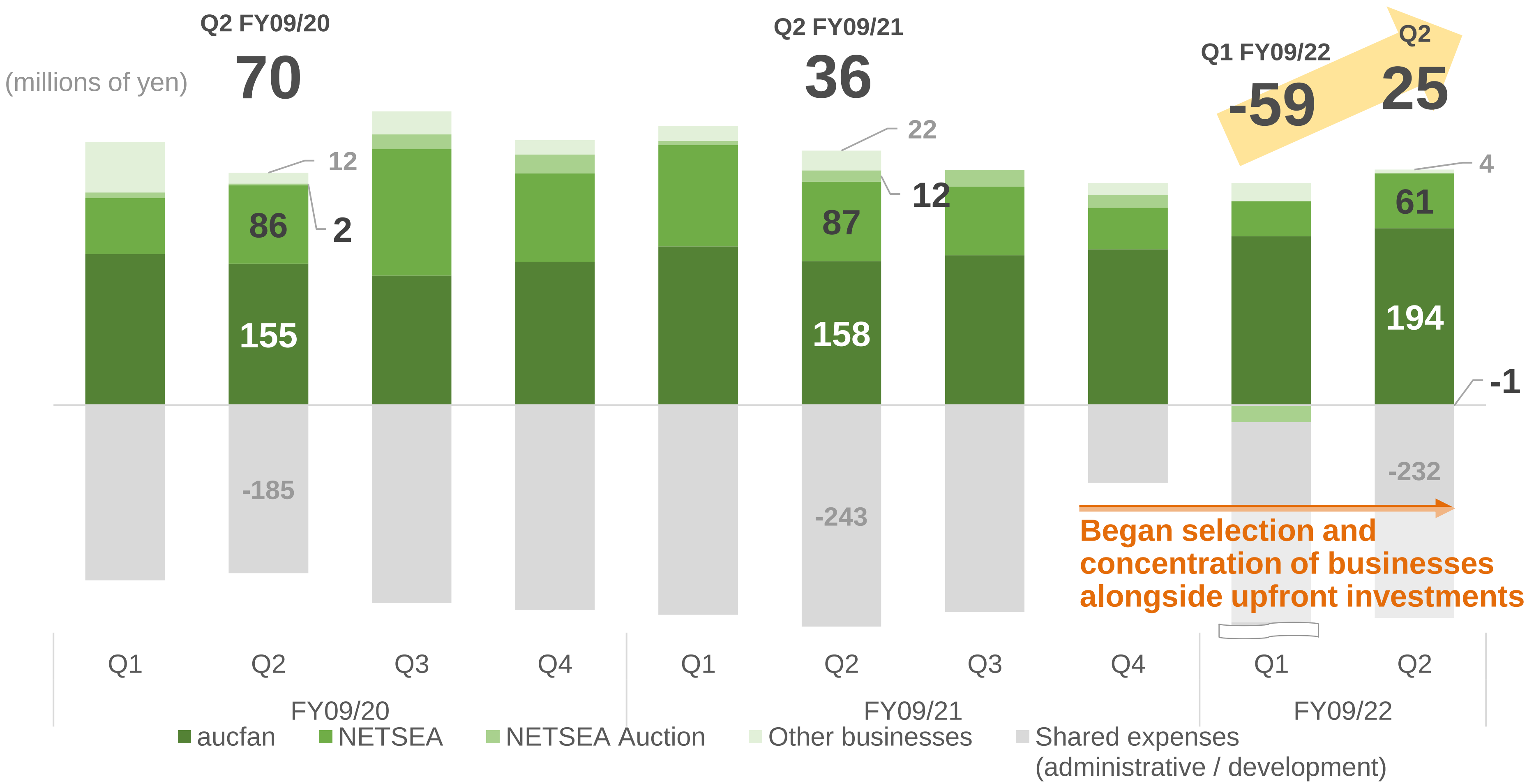
Q2 GMV was up 23% YoY and 2-yr. CAGR was 129%



Q2 gross profit in core businesses was up 2% YoY and 2-yr. CAGR was 114%



Despite continued upfront investments, operating profit improved on higher GMV and gross profit



3 Progress versus Consolidated Earnings Forecast

Steady progress versus full-year consolidated earnings forecast

	Forecast (millions of yen)	1H results (millions of yen)	Progress
GMV - Core businesses	**14,000**	**5,392**	**39%**
Net sales	**5,200**	**2,952**	**57%**
- Core businesses	4,800	2,042	43%
- Incubation	400	222	56%
- Withdrawn businesses / other	-	686	-
Gross profit	**3,100**	**1,265**	**41%**
- Core businesses	2,750	1,013	37%
- Incubation	350	217	62%
- Withdrawn businesses / other	-	35	-
Operating profit	**100**	**56**	**56%**
- Core businesses	0	(34)	-
- Incubation	100	120	120%
- Withdrawn businesses / other	-	(29)	-
Recurring profit	**80**	**56**	**70%**
Net income	**50**	**34**	**68%**

4 Topics

Made OSR Net and Osaka Senba Wholesale Marketing our subsidiaries to obtain data on offline businesses and strengthen our distribution infrastructure

aucfan GROUP		OSR
· **About 10.0 billion yen**	GMV	· **About 4.0 billion yen**
· **Online** wholesale mall	Format	· **Offline** trade fairs
· Fee income + some sales revenue from selling procured goods	Revenue model	· Fee income
· Kanto region *Online transactions are nationwide	Business base	· Kansai region
· **Medium-sized** manufacturers and wholesalers + some large suppliers	Suppliers (sellers)	· **Small and medium-sized** manufacturers and wholesalers
· **SMEs** and **SMBs** (sole proprietors)	Buyers	· **Major retailers** (brick-and-mortar stores)

With strengths in different areas, the two companies complement each other

1. Acquisition of Offline Trade Fair Services

OSR Net and Osaka Senba Wholesale Marketing

Trade fair service operators based in Osaka Senba district

- Usage fee: Suppliers: 10,000 yen monthly (excluding tax)
  Plus basic booth fees for permanent display:
  15,000 yen monthly (excluding tax)
  Plus commissions on receivables collection: 5%

  * 50,000 yen deposit charged separately when commencing display (returned at contract termination)

  Buyers: No fee

- Features: Holds trade fairs and provides opportunities for business negotiations on the first Sunday, Monday, and Tuesday, and the third Monday and Tuesday of each month

  Annual GMV of approximately 4.0 billion yen

* As of May 2022

Business model

Suppliers

Customers (manufacturers and wholesalers)

← Provides a wholesale venue (opportunities for wholesale sales to buyers)

→ Pays membership fees, booth fees, and commissions for collection

OSR

→ Provides a purchasing venue

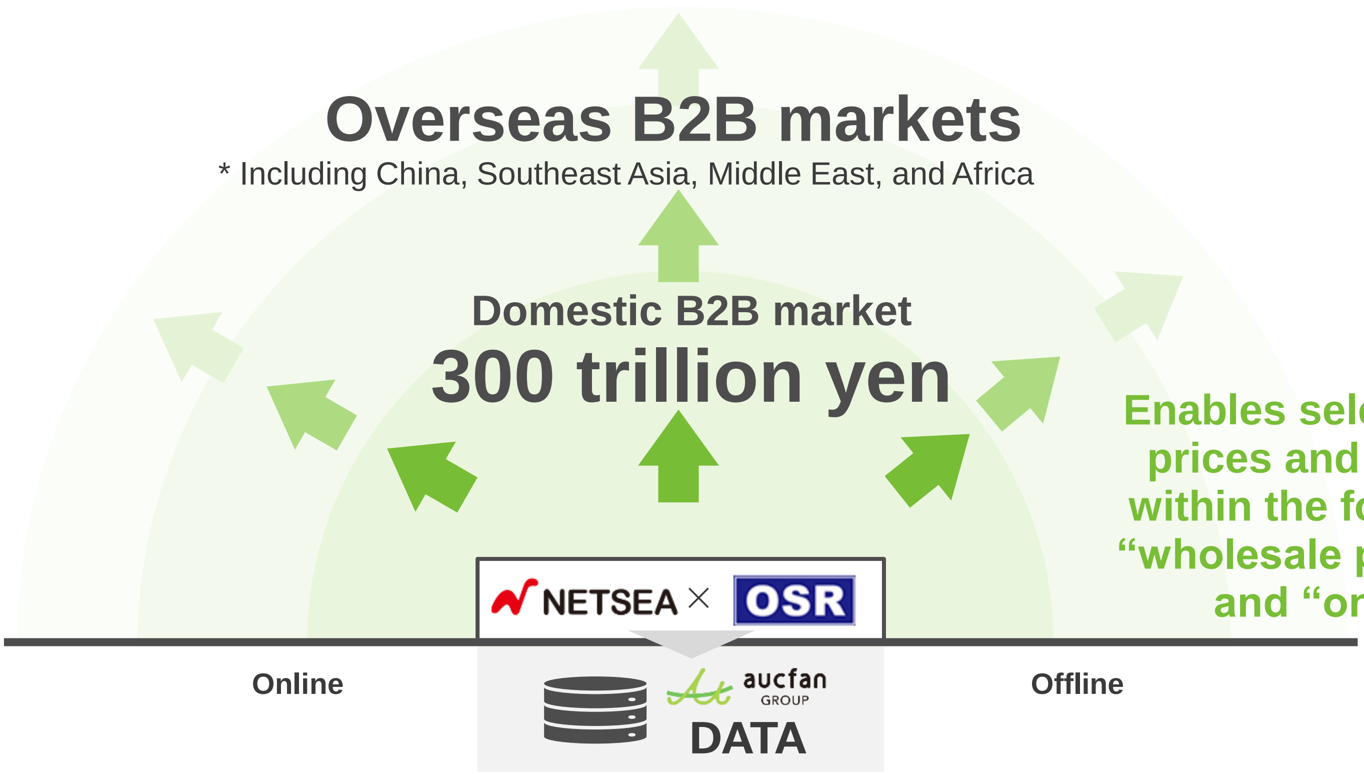
Buyers

Customers (retailers, discount stores, online shops)

Past Targeted domestic B2B wholesale and online markets

Future Expand to include B2B wholesale in **offline** and **overseas markets** as well

Further increase distribution scale



Enables selection of optimal prices and sales channels within the four quadrants of "wholesale price/retail price" and "online/offline"

NETSEA

Q2 Review

GMV reached new all-time high

Held a two-day special campaign on March 7 and 8
First day GMV was highest in the past 15 years,
exceeding

176 million yen

Examples of alliances

Alliance with croccha, a social media for craft lovers
Providing supplies such as cloths and buttons to croccha users

croccha

Monooq

Alliance with Monooq, a shared rental storage service
Buyers using space offered via Monooq as their warehouses

Began initiatives centered on offline trade fairs

Participants increased each time

Participating suppliers (companies):
5 at first event → 15 at second event
Participating buyers (companies):
54 at first event → 127 at second event

Merchandise Distribution Platform

NETSEA

Initiatives in Q3 and beyond

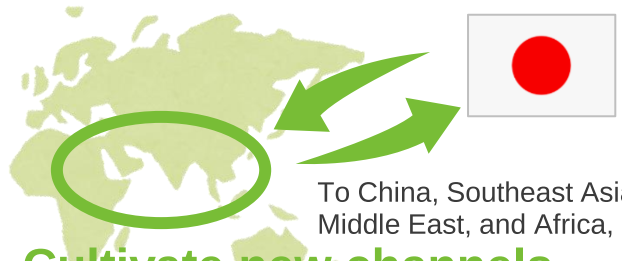
Offline trade fairs collaborating with new subsidiary OSR


Raise GMV through synergies with OSR

■ Details
- Hosting of trade fairs in Tokyo
- NETSEA's participation in OSR trade fairs
- Mutual referrals of suppliers and buyers between OSR and NETSEA

etc.

Global expansion



Cultivate new channels

■ Details
- Sale of NETSEA merchandise to overseas buyers
- Sale of overseas merchandise on NETSEA
- Creation of distribution network in partnership with overseas companies
- Support service for Japanese manufacturers entering overseas markets

etc.

Enhance functions of NETSEA website

- Introduce a new type of keyword search-linked ads using FLYWHEEL, Inc.'s product advertising service, Conata™ Discovery Ads
- Improve services and implement SEO measures aimed at **boosting site visits and revenue per customer**

FLYWHEEL

3. NETSEA Auction

NETSEA Auction

Q2 Review

Launched "consignment inventory service"

Seller	NETSEA Auction	Buyer cloud seller
1.2 million yen (e.g.)	Profit 20% of 0.3 million yen (e.g.)	1.5 million yen (e.g.)

Benefits for sellers
- Can avoid having their goods purchased at low prices
- The higher the bid gets, the higher the profit for sellers

Benefits for Aucfan
- No risk of having to carry inventory or sell below cost
- Fewer transaction opportunity losses

Continued to expand item categories; selected categories that ensured profit

Initiatives in Q3 and beyond

Support inventory liquidation via collaboration with new subsidiary OSR

Increase number of customers and merchandise

■ Areas of cooperation
- Sell returned and slow-moving items at OSR trade fairs
- Support inventory liquidation of suppliers participating in the fairs

Build a revenue-sharing model by offering our auction system to outside parties

Expand the genres we handle

■ Outside parties
- Reuse industry
- Art and antique markets

etc.

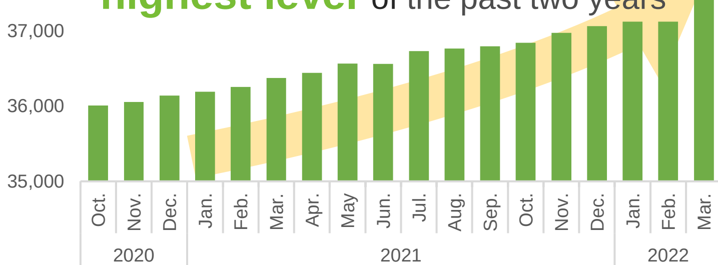
aucfan

Q2 Review

Strengthened sales of high-end SaaS products

Number of paying aucfan Robo accounts **grew for six consecutive months**

Number of paying aucfan members*1 trended at the **highest level** of the past two years



*1 Total of aucfan Premium, aucfan Lite, aucfan Pro Plus, and aucfan Robo members

Initiatives in Q3 and beyond

Revamp the aucfan.com website

Roll out measures to **boost number of site visits** by speeding up development

Develop new functions and enhance platform integration

Roll out measures to **boost number of paying members**

Re-Infra Company

5 APPENDIX

ページ数

Consistent business development
from university startup to present

- **Began selling goods through auction listings** as a sole proprietor while attending university
- **Established Defactostandard, Ltd.** and assumed the office of president and representative director
  *Current service: Purchasing of used brand-name goods (Brandear)
- Acquired the Auction Statistics Page (tentative title) and **began performing media management**
- Established the Media segment through an incorporation-type split from Defactostandard, Ltd., **established aucfan Co., Ltd.**, and assumed the office of president and CEO (current position)
- **Listed on the Mothers section of the Tokyo Stock Exchange** (securities code: 3674)
- Acquired **NETSEA**, one of Japan's largest B2B wholesale shopping mall; **ReValue**, a slow-moving inventory liquidation service; and **TATEMPO Guide**, a centralized management system for online shops, and added them to the group.

aucfan

Representative profile

Shuichi Takenaga

President & CEO
of aucfan Co., Ltd.

Born 1978
in Yamaguchi Prefecture

Graduated from Kyoto
University's School of Law

Becoming a RE-INFRA COMPANY

ESG-conscious management with a particular focus on Environment (E) and Social (S)

Environment

- **Reduction of disposal loss in core businesses**
- **Environmental conservation achieved through support for recycling companies**
- Lower CO2 emissions accomplished by reducing vehicle-based travel through the implementation of remote working

Social

- **Contribution to local communities and regional revitalization achieved through collaboration with local governments**
- Supporting society and the economy through donation activities

Governance

- Strengthening of our corporate governance system
- Compliance enhancement
- Promotion of risk management

Hybrid earnings model of fees obtained through SaaS, fee income predicated on GMV, and sales revenue

Inventory Management Solution

ARR*1

(billing amount)

Number of accounts

×

Annual billing amount

Main services

aucfan

*1: Abbreviation for Annual Recurring Revenue.

Merchandise Distribution Platform

Fee income predicated on GMV

GMV

×

Take rate

Main services NETSEA

Value of sales

×

GPM

Main services NETSEA Auction

Expansion of potential markets driven by revitalization in the e-commerce market, growing side-business needs, and buildup of slow-moving corporate inventories

Inventory Management Solution

aucfan

Monthly fees ranging from 908 yen to 10,000 yen *1

×

About one million people

Merchandise Distribution Platform

NETSEA

Domestic B2B e-commerce market size*2
300 trillion yen annually

×

Target market share of a few percent

×

Take rate of 8–10%

NETSEA Auction

Loss on inventory disposal※3
22 trillion yen/year

Potential market size for returned goods in Japan*4
2.2 trillion yen/year

×

Target market share of a few percent

*1: Offering Aucfan Premium for 980 yen per month and Aucfan Pro Plus for 10,000 yen per month (as of November 12, 2021)
*2：Market research on e-commerce by METI announced on July 30, 2021, “B2B E-commerce Market Size by Industry.”
Estimate based on e-commerce market size and conversion rate in the medium category (wholesale).
https://www.meti.go.jp/policy/it_policy/statistics/outlook/210730_new_hokokusho.pdf
*3： Aucfan’s estimate based on “Statistics of Corporations” (Ministry of Finance), etc.
*4：See page 12 of the presentation material

Establish a dominant position by making aggressive investments in core businesses

NETSEA	**Become the No. 1 platform for wholesale distribution, accelerating the digital transformation of small businesses**
NETSEA Auction	**Become a leading reverse logistics company**
aucfan	**Become one of Japan's largest media for SMBs**

Service Details

aucfan

Provides market price quotations for online shopping and auctions, as well as a statistical price comparison service

Usage fee: **No fee**

Note: Premium service charges a monthly fee of 908 yen (excluding tax)

Functions provided: Bulk searching for online shopping and auctions, searching for previous successful bidding prices, auction listing support tools

Note: As of May 2022

Business model

Provides cloud services →

← Pays monthly fees (for paid service use)

* See next page for paid service

The Company

Individual and SMB customers

Service Details

Paid Services

aucfan Premium

Premium features to make better use of aucfan.com

Usage fees: 908 yen per month (excluding tax)

Functions provided: 10 year auction bid market search, time frame summary search, bid reservation tool, My Bookmarks, search alerts, easy listing tool, listing template saving, etc.

aucfan Pro Plus

Provides market price searching and data analysis tools used by professionals

Usage fees: 10,000 yen per month (excluding tax)

Functions provided: Yahoo! shopping analysis, auction market price searching and data analysis, Amazon research, global e-commerce site comparing, other e-commerce support tools

aucfan Robo

オークファンロボ

RPA tools that even users without specialized knowledge can operate intuitively

Usage fees: From 120,000 yen per month (excluding tax)

Usage examples: Back-office operations including research concerning competitors, inventory ordering, order processing, shipping invoice preparation, and personnel- and labor-related operations

TATEMPO GUIDE

タテンポガイド

Centralized management system for online shops

Note: Applies to 1,000-order plan

Usage fees: From 24,000 yen per month (excluding tax)

Functions provided: Collective registering, editing, and updating of product information, automatic synchronization of inventory figures, automatic acquisition of order information, order status management, inventory status management, etc.

Goodsellers

A side business support service that creates a place where people can continue to experience the essential fun of business transaction

Usage fee: Varies according to each individual service

Example: **eBay cross-border e-commerce seller training program**

ebay aucfan

Information session content:
- Teaching materials for export businesses (registration)
- Teaching materials for export businesses (practical exercises)
- List of 15 products with price differences in export businesses
- Discount coupons for ReValue BtoB Mall

Note: As of May 2022

Business model

- Professional and practical expertise
- Proper tool use
- Advice

Instructors

Payment of instructor fees

繋げる世界 広がる未来
good sellers

- Provides side-business expertise
- Provides a community
- Side-business support school

Note: for applicants only

Payment of tuition when attending school

SMBs
(side businesses and sole proprietors)

NETSEA

One of Japan's largest B2B wholesale purchasing platforms

Usage fee: Suppliers: 20,000 yen monthly (excluding tax) plus a contract commission of 8–10%

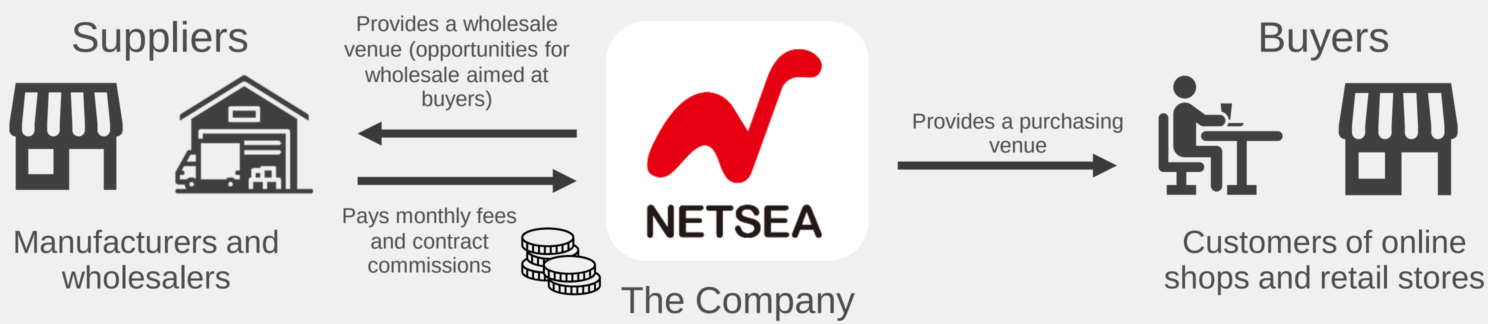
Buyers: **No fee**[*1]

Features: About 490,000 registered buyer companies

Annual distribution value of about 10 billion yen

Note: As of May 2022

Business model



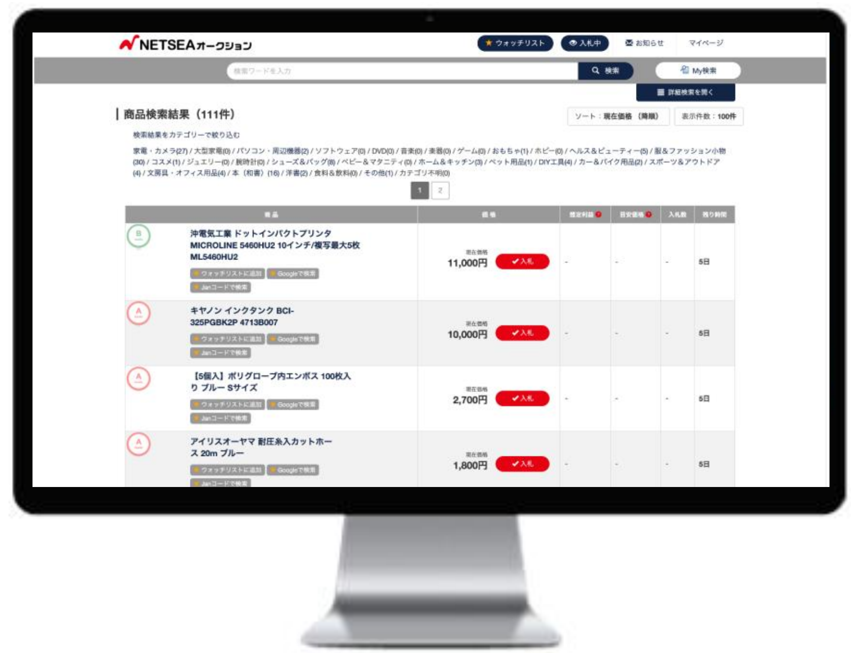
*1 The NETSEA Prime service charges fees

Service Details

NETSEA Auction
NETSEA Bulk Mall

Inventory liquidation support service focused on returned or outdated items and slow-moving inventory, etc.

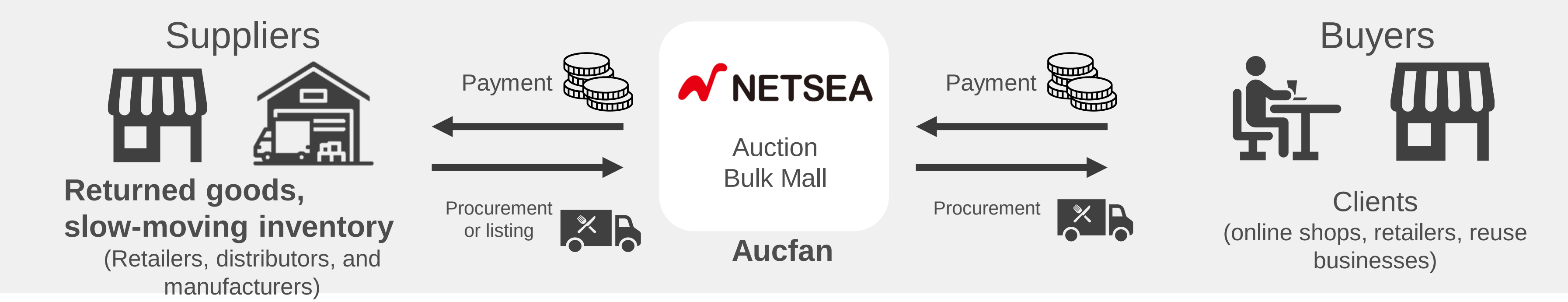
We purchase slow-moving inventory from manufacturers and retailers and sell it to recycling businesses and sole proprietors through our members-only closed community websites, NETSEA Auction and NETSEA Bulk Mall. Additionally, we provide comprehensive support for a range of e-commerce business operations comprising return policy revisions, procedures associated with the disposal and trading-in of returned goods, return acceptance, product inspection, and central processing.



Primary users: Manufacturers, retailers, reuse companies, and individual proprietors

Note: ReValue BtoB Mall was renamed to NETSEA Auction in August 2021.

Business model



Business segments have been reorganized as follows, in line with our policies from FY09/22

Previous

Core businesses

Merchandise Distribution Platform

NETSEA
NETSEA Auction
good sellers
Otameshi

B2B wholesale

Inventory Management Solution

aucfan
オークファンロボ
タテンポガイド
zaicoban

Advertising operation service

Management & Others

Incubation

From FY09/22

Core businesses

Merchandise Distribution Platform

NETSEA
NETSEA Auction

Inventory Management Solution

aucfan
オークファンロボ
good sellers
タテンポガイド Ad operations

Management & Others

Withdrawn and other businesses

Merchandise Distribution Platform	Otameshi	Wholesale sales to corporate customers
Inventory Management Solution	zaicoban	

Incubation

Company Profile

Company name
Aucfan Co., Ltd.
https://aucfan.co.jp

Location
Oak Meguro 3F, 2-13-30 Kamiosaki, Shinagawa-ku, Tokyo 141-0021

Founded
June 2007

aucfan GROUP

SynaBiz

Aucfan Incubate

and others.

Capital
884.08 million yen (as of September 30, 2021)

Employees
157* (as of September 30, 2021)
*Number of employees on a consolidated basis (excl. part-time)

Head office