

Financial Results

Q1 FY09/23

Aucfan Co., Ltd. <3674>
Feb 14, 2023



Q1 Financial Results: Executive Summary



Our most important KPI, Gross Merchandise Value (GMV) grew to **3,575 million yen (up 38% YoY; 2-yr. CAGR*1: 127%)**



Core businesses: Q1 progress

- **Net sales** **1,174 million yen (Progress: 26%)**
- **Gross profit** **576 million yen (Progress: 23%)**
- **Operating profit** **35 million yen (Progress: 23%)**



Decided to **relocate our head office functions** aimed at increasing productivity and reducing costs

*1 CAGR: compound average growth rate

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1

Financial Highlights in Q1 FY09/23

Core Services and Business Segments

Core businesses

Inventory
Management
Solution



Merchandise
Distribution
Platform



zaicoban

Withdrawn
businesses

Otameshi

B2B wholesale,
others

Administrative division, consolidated adjustments

Incubation



Consolidated Results: Highlights

GMV and gross profit growth continued in core businesses*1

Recorded a net loss due to special investigation committee expenses

(Millions of yen)	Q1 results				
	FY09/21	FY09/22	FY09/23	YoY	2-yr. CAGR
GMV - Core businesses	2,210	2,586	3,575	138%	127%
Net sales	2,959	1,676	1,179	70%	63%
- Core businesses	858	1,037	1,174	113%	117%
- Incubation	1,299	197	5	3%	6%
- Withdrawn businesses / other *2	802	442	-	-	-
Gross profit	1,880	719	579	81%	55%
- Core businesses	494	502	576	115%	108%
- Incubation	1,234	195	3	2%	5%
- Withdrawn businesses / other	152	22	-	-	-
Operating profit	1,221	64	4	6%	6%
- Core businesses	76	(59)	35	-	-
- Incubation	1,551	140	(31)	-	-
- Withdrawn businesses / other	(6)	(17)	-	-	-
Recurring profit	1,233	63	3	5%	5%
Net income	936	29	(168)	-	-

Most
important
KPI

GMV

+38% YoY
2yr. CAGR **127%**

**Core business
gross profit:**

+15% YoY
2yr. CAGR **108%**

**Core business
operating profit:**
+ 95mn yen YoY

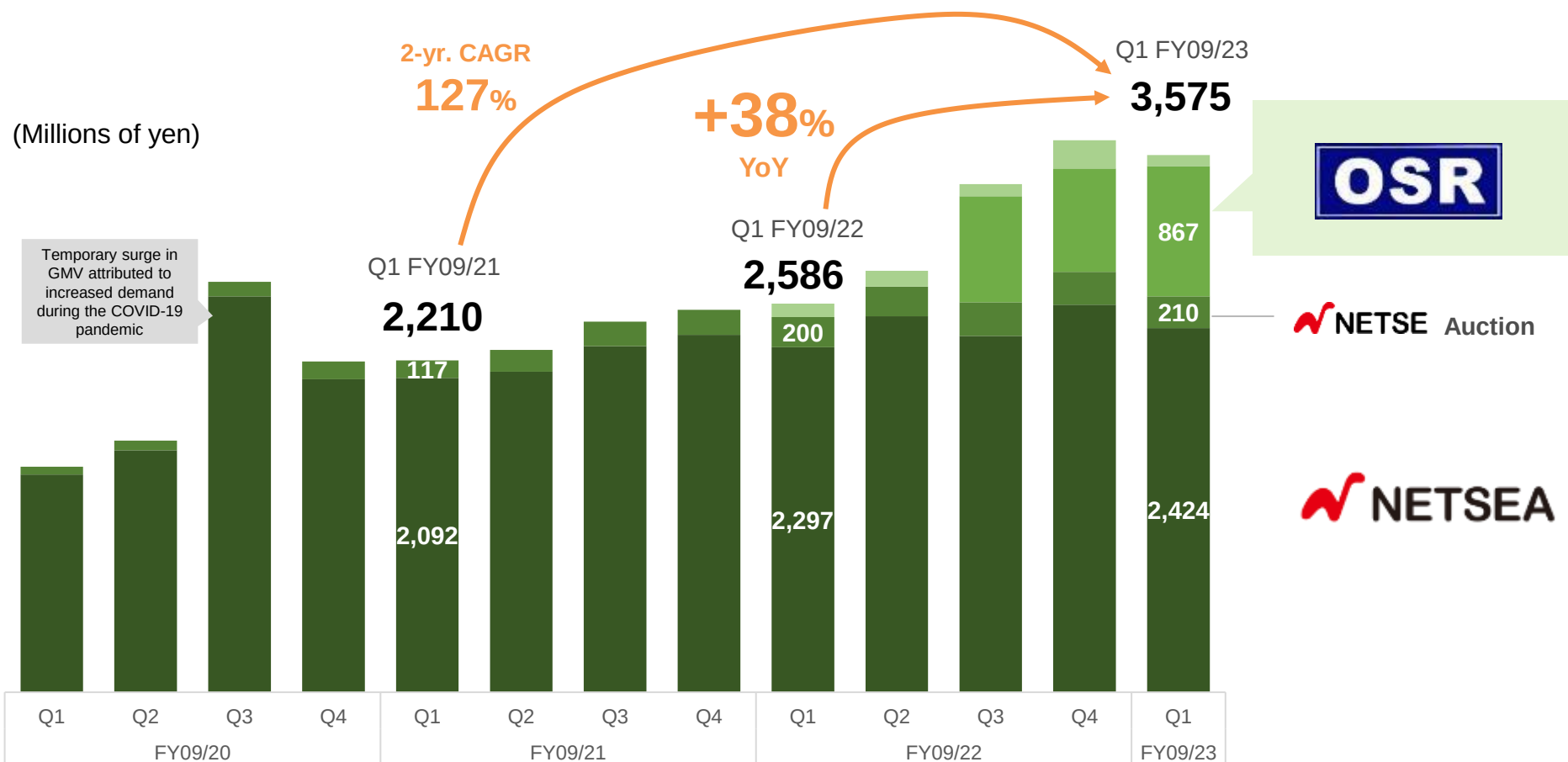
Recorded special
investigation
committee expenses
as extraordinary
losses

*1 Core businesses: Excludes Incubation and withdrawn businesses / other

*2 Withdrawn businesses / other: Includes zaikoban (SaaS for large enterprises), otameshi (sampling service site oriented toward social contribution), wholesale sales for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

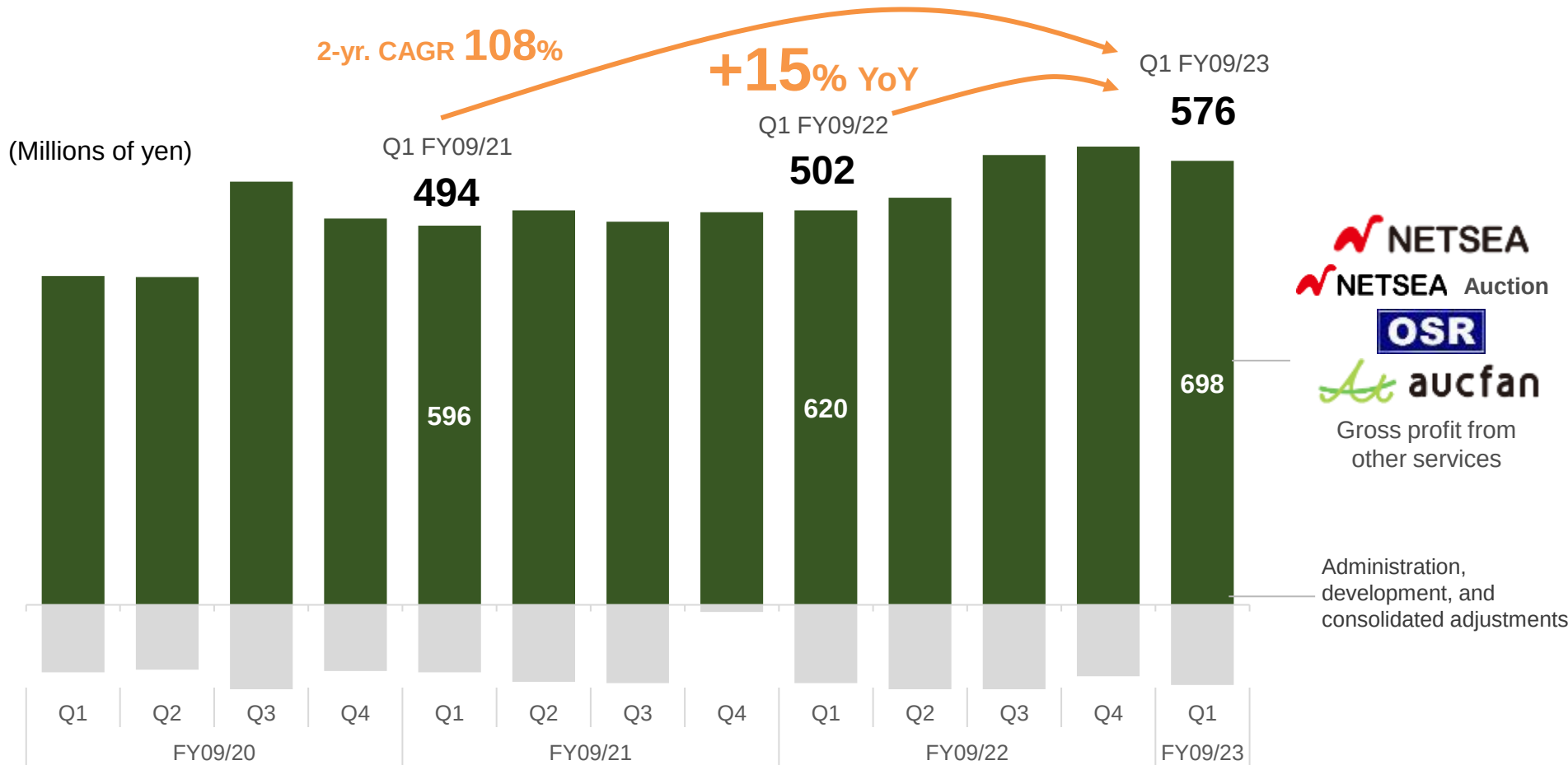
Most Important KPI: GMV in Core Businesses *Quarterly Trend

Growth of each service, coupled with GMV generated by OSR's*¹ offline trade fairs, resulted in a significant increase in overall GMV



*¹ Osaka Senba Wholesale Marketing Co., Ltd. and OSR Net Co., Ltd., which became subsidiaries on April 1, 2022, through a share acquisition

Gross profit rose, thanks to the addition of OSR and business growth in Inventory Management Solution



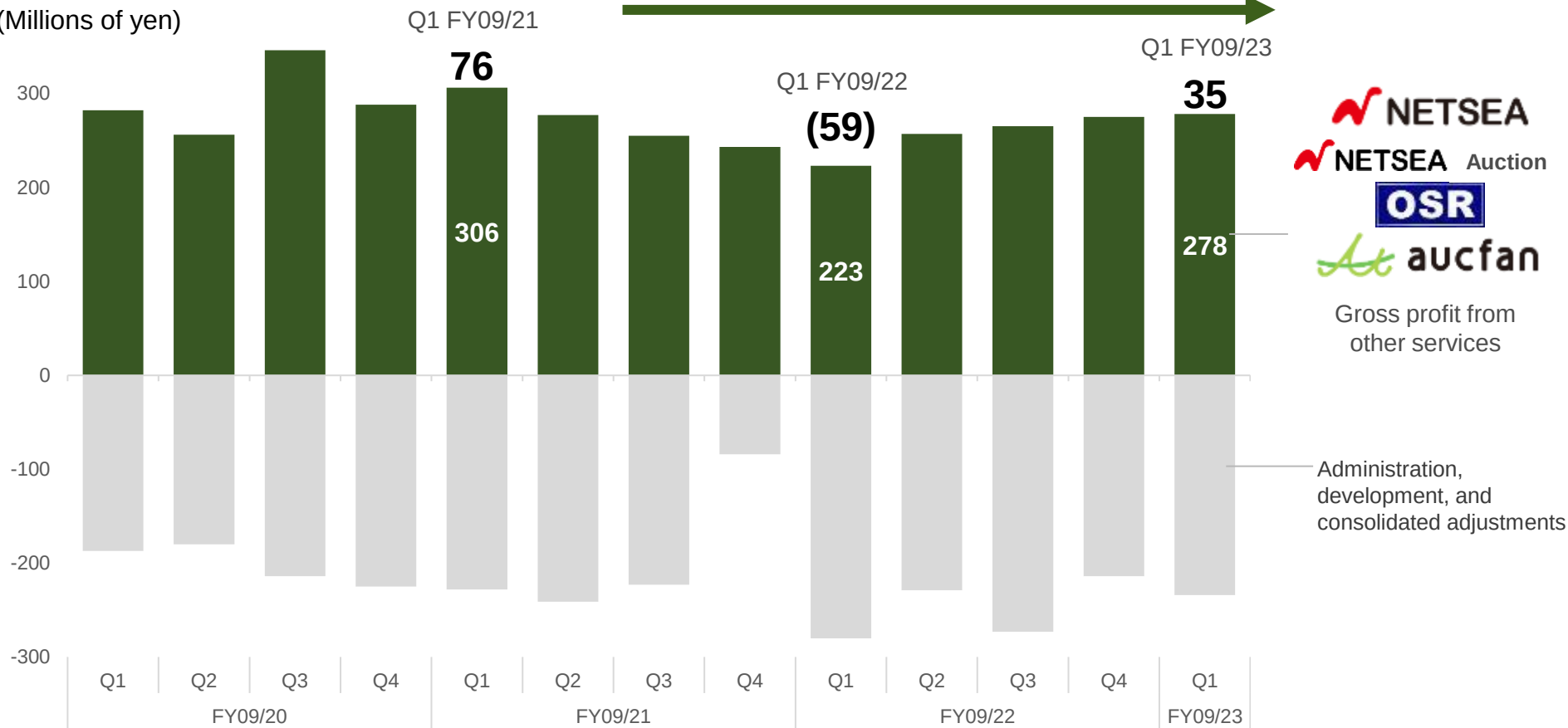
Operating Profit in Core Businesses

*Quarterly Trend

Continued to make upfront investments in NETSEA and NETSEA Auction while maintaining a certain level of operating profit, resulting in a YoY increase of 95 million yen in operating profit

Started to invest upfront in 2H FY09/21

(Millions of yen)





2

Progress versus Consolidated Earnings Forecast

Progress versus Full-Year Forecast

Progress is according to plan

	Forecast (millions of yen)	Q1 results (millions of yen)	Progress
GMV - Core businesses	14,000	3,575	26%
Net sales	4,900	1,179	24%
- Core businesses	4,500	1,174	26%
- Incubation	400	5	171%
Gross profit	2,800	579	21%
- Core businesses	2,500	576	23%
- Incubation	300	3	1%
Operating profit	350	4	1%
- Core businesses	150	35	23%
- Incubation	200	(31)	-
Recurring profit	320	3	1%
Net income	15	(168)	-

Relocation of Head Office Functions

Decided to relocate our head office functions in order to improve both productivity and costs

Candidate for New Office

Relocation scheduled for **June 2023**



Completed: January 2022

**Sumitomo Realty & Development
Osaki Twin Building East Tower (7F)**

Address: 5-1-18 Kita-Shinagawa, Shinagawa-ku, Tokyo

Access: 8 min. from Osaki Station, 10 min. from Gotanda Station

Expected Reduction in SG&A Expenses

**Approx. 100mn yen
per year**

[Productivity enhancement measures]

- Reduce floor space due to an expected increase in remote work
- Implement a “free address” workplace (flexible seating arrangement)
- Install private booths for remote meetings
- Improve in-house meeting space, etc.

*Already incorporated into our consolidated earnings forecast.
The impact on our SG&A expenses for this fiscal year will be negligible.



Continuation

Domestic B2B wholesale and online markets

Future

B2B wholesale in **offline** and **overseas markets**

Overseas B2B markets

* Including China, Southeast Asia, Middle East, and Africa

Domestic B2B market

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

Online



Offline

Targets for FY09/23 (Reposted financial results on January 31st)

Inventory Management Solution



Measures for FY09/23 and beyond

- Expand data handled by the marketplace
- Develop procurement services for SMBs
- Strengthen Amacode and aucfanPro schools
- Develop new ARR services to follow aucfan Robo

Merchandise Distribution Platform



Measures for FY09/23 and beyond

- Discover and nurture new suppliers
- Maximize offline distribution through collaboration with OSR and TOC
- Expand into overseas markets
- Grow GMV with the addition of new warehouses

3. NETSEA and NETSEA Auction



Daily GMV reached
a new record high

Daily GMV: **220mn yen**



大恐竜祭とは?

3か月に1度の大型セールイベントです。
2022年最後の開催です。是非お楽しみください!



モールクーポン
多数配布



全品セール参加社数
230社以上!



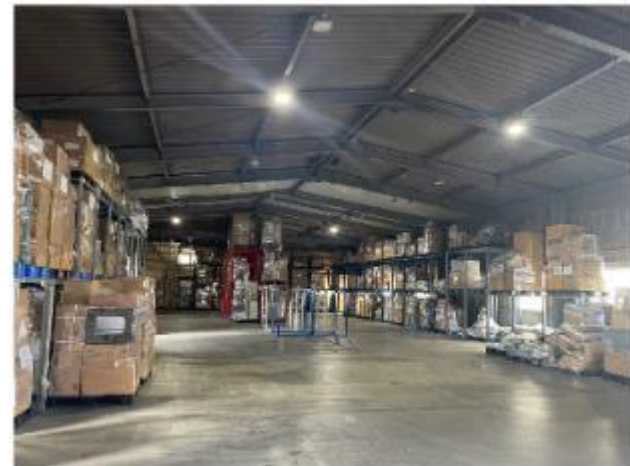
サプライヤー発行
クーポン盛り沢山



**Set up a new logistics
warehouse**

to strengthen the purchase of returned goods

Expanded our warehouse space by
1.5 times to 612 tsubo (2,300sqm)



4. aucfan.com



Increased number of service users and access
Further content expansion

Data aggregation
information service



Purchase price
comparison service



Articles on how to use aucfan Pro Plus



Amacode, a dedicated app for Amazon sellers
Released Android version

Following the iOS version of Amacode, we also expanded our customer target to include Android users, many of whom are in their 40s and 50s.



5. Cross-Referring Amacode Users to Group Services

Inventory Management
Solution

Released AmacodeStock,
an Amazon research service, in December 2022

Enhanced our cyclical growth model that combines **data, platforms, and small/medium-sized businesses (“cloud sellers”)**, which is the Group’s strength

At aucfan



Number of members:
Approx. 1 million

Research focused mainly
on reused item auctions



Amacode



リサーチ代行

AmacodeStock

Provides an opportunity
to develop a new sales channel
(Amazon/new products)

B2B Wholesale Mall

NETSEA

Procurement service for
returned or outdated items, and
slow-moving inventory

NETSEA Auction

Offline exhibitions

OSR

**Connect to procurement
services** for new products, secondary
distribution channels, and offline channels

Re-Infra Company





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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 business 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)



Representative profile



Shuichi Takenaga

President & CEO
of aucfan Co., Ltd.

Born 1978
in Yamaguchi Prefecture

Graduated from Kyoto
University's School of Law

- 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

Becoming a Re-INFRA COMPANY

Acquired offline trade fair services **OSR Net** and **Osaka Senba Wholesale Marketing**, and added them to the group

Began offering Amacode, a dedicated app for Amazon sellers, after acquiring it through business transfer



Re-INFRA COMPANY

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

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.

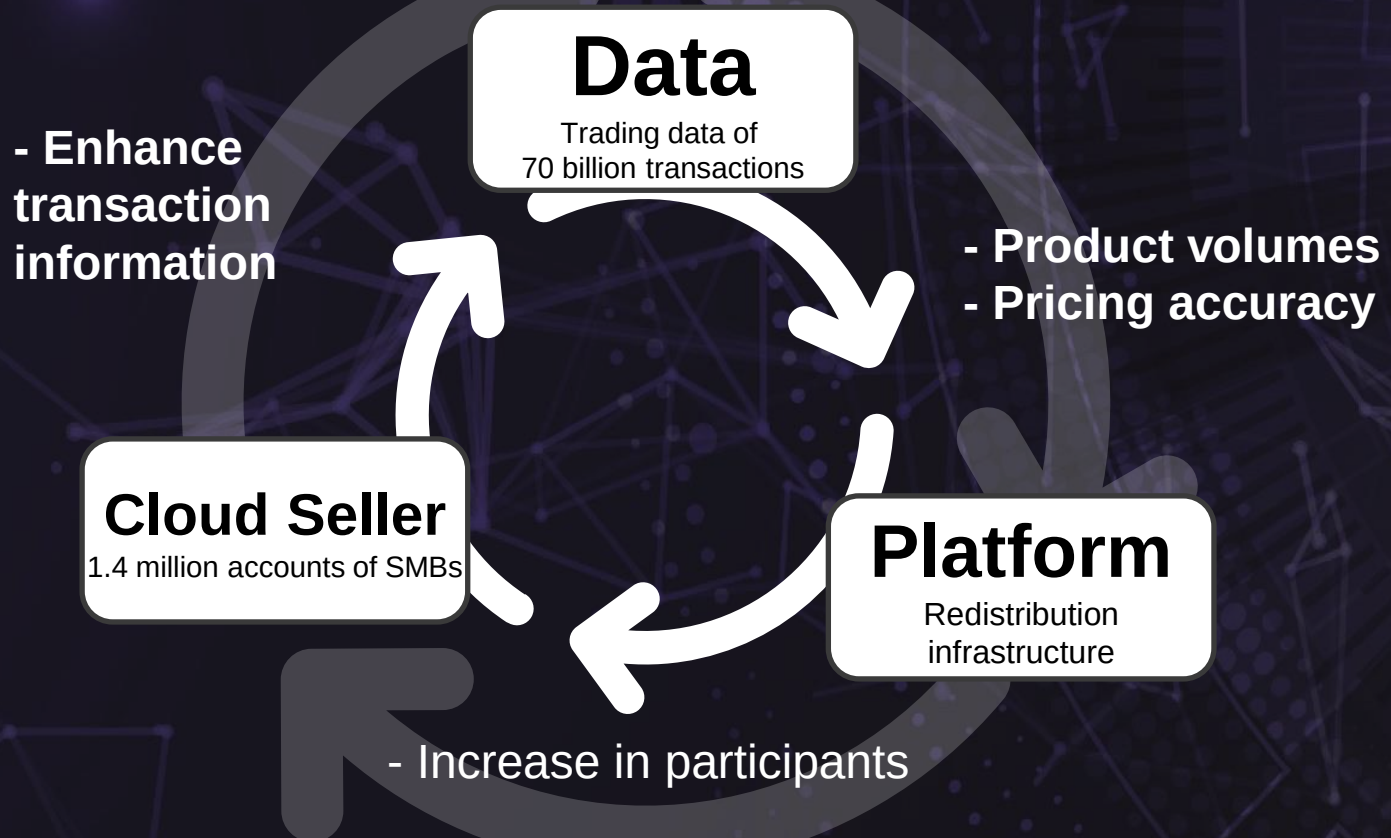
The Predictive Power of AI and the Trading Power of People

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.

STRENGTH

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.

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

Target Market (2)-1

Loss on disposal of product inventory is a major issue
that needs to be resolved

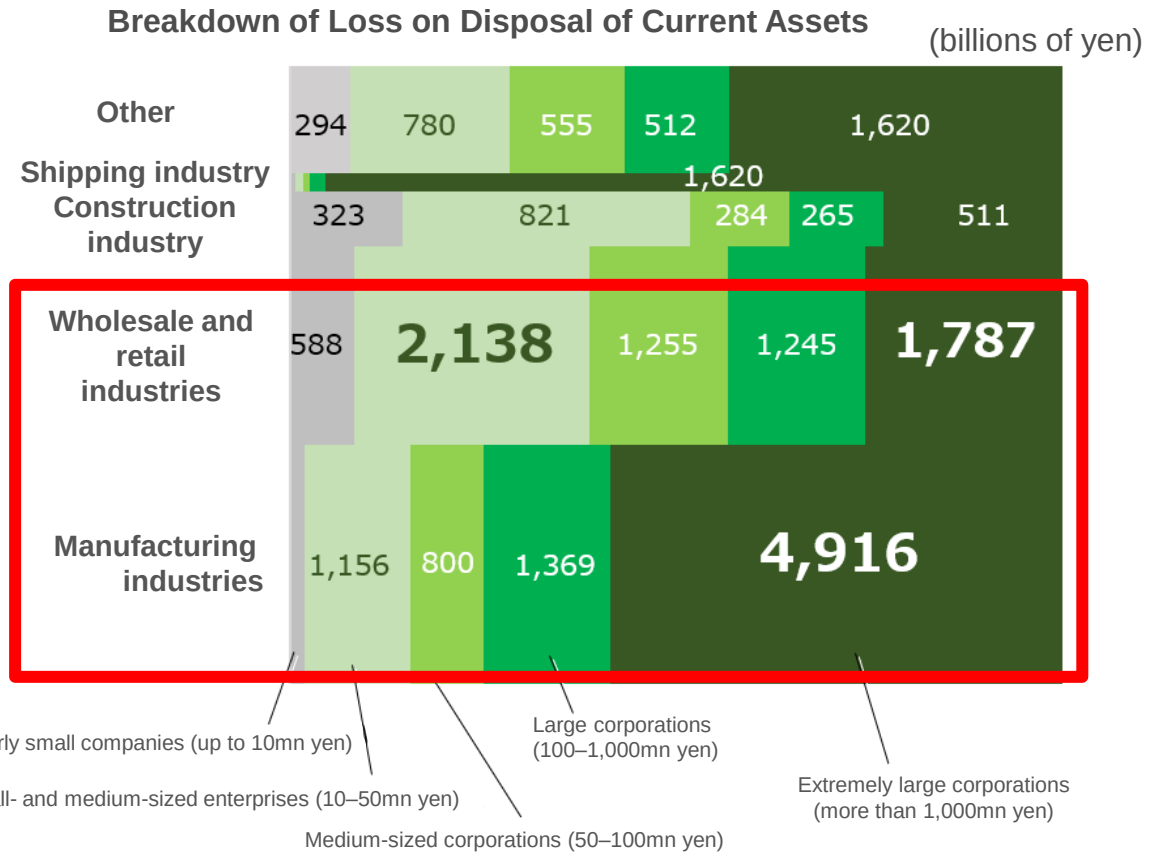
COVID-19 has further aggravated the situation



Loss on disposal of
product inventory

22 trillion yen *2

=



*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



SUSTAINABLE DEVELOPMENT GOALS



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**

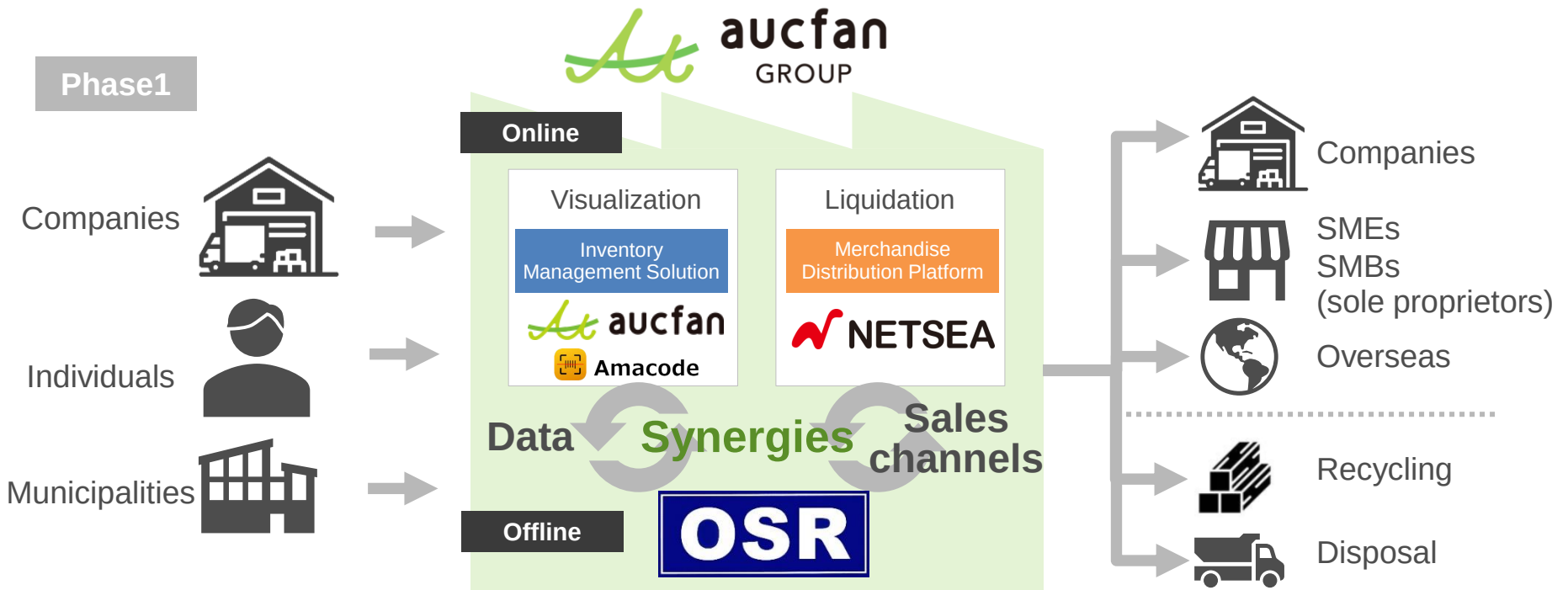
Emergence of a leading reverse logistics company in the US

*1: Based on a market survey on e-commerce published by the Ministry of Economy, Trade and Industry on August 12, 2022.
<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



Phase2

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

Key Indicators (1)

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

Inventory Management Solution



ARR^{*1}
(billing amount)

*1: Abbreviation for Annual Recurring Revenue

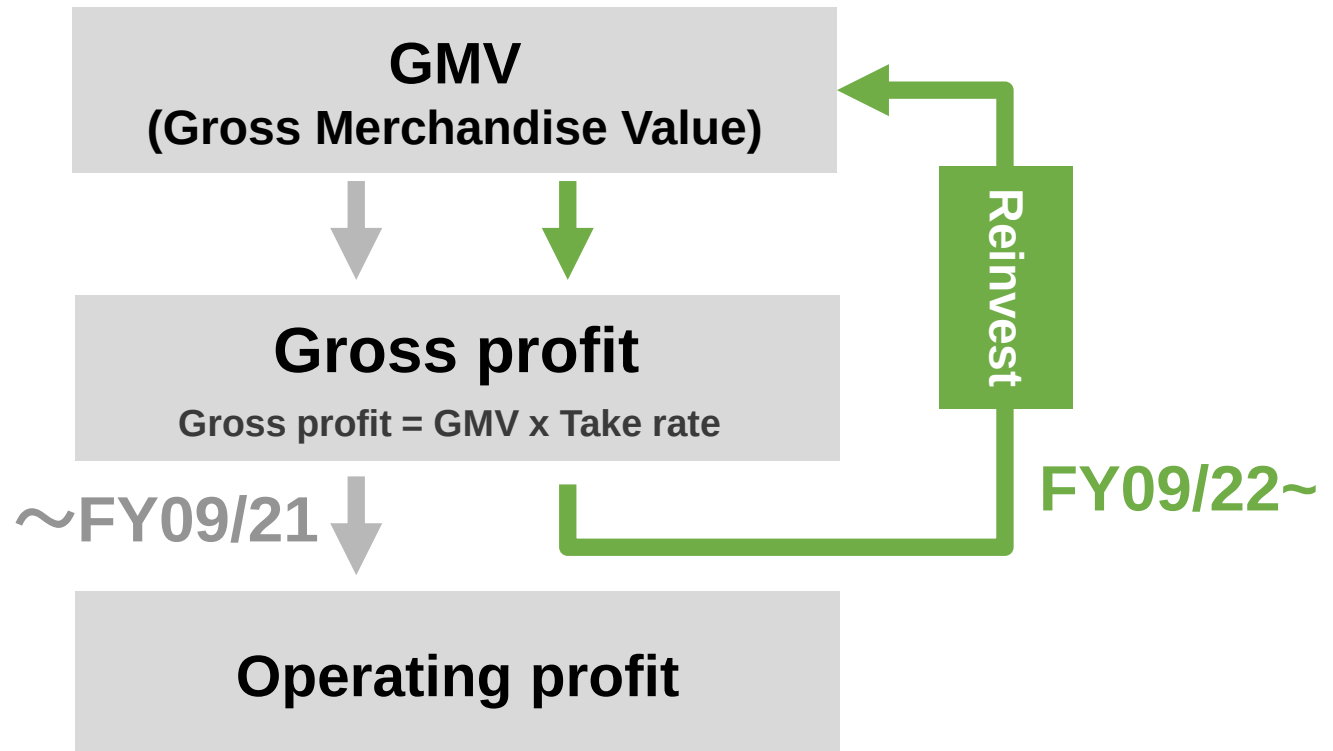
Merchandise Distribution Platform



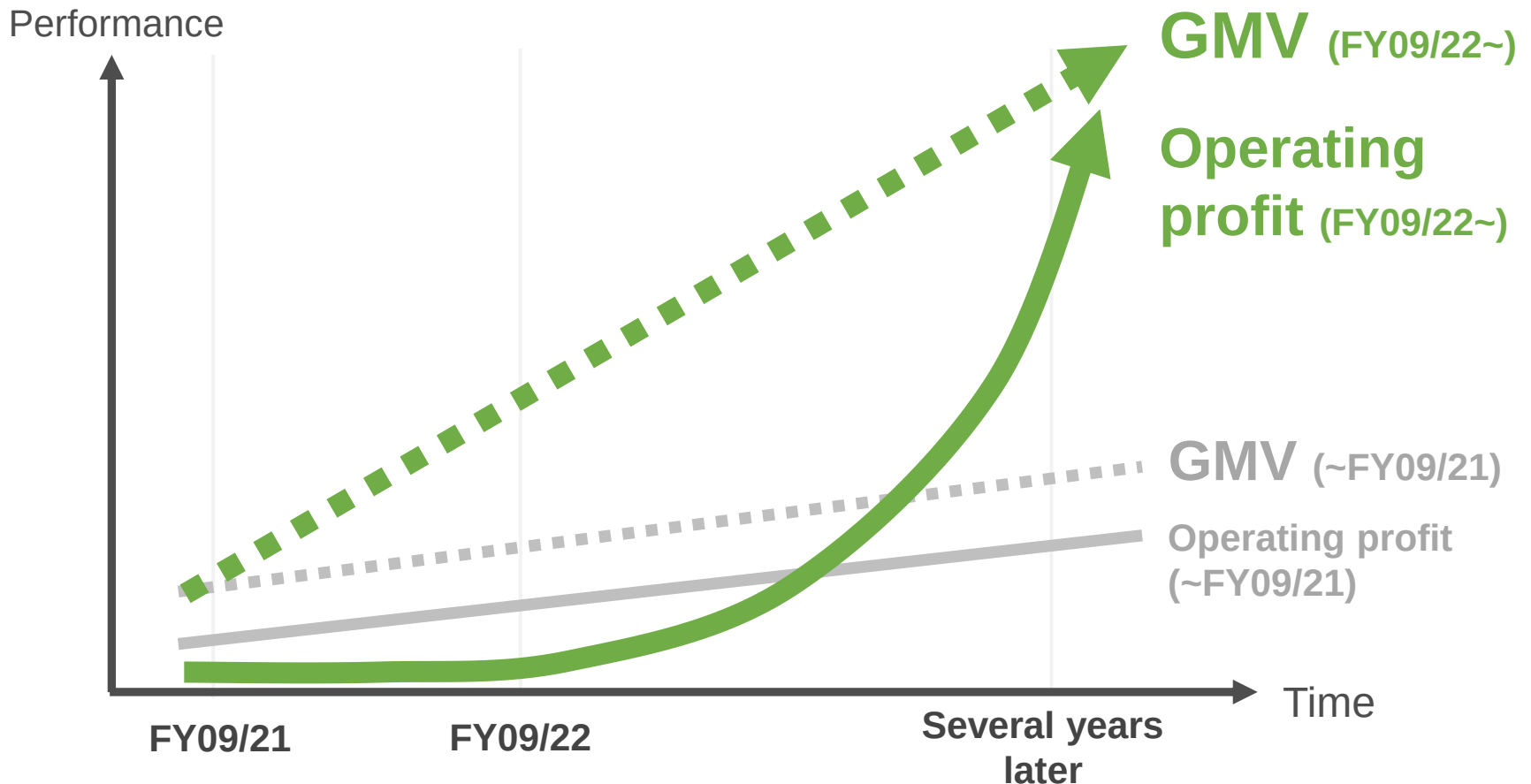
Most important KPI

GMV
(Gross Merchandise Value)

**We will reinvest our profits
to maximize GMV and gross profit**



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



Establish a dominant position by making aggressive investments in core businesses



No. 1 platform for overseas x offline x online wholesale distribution



Become No. 1 redistribution company for returned goods and slow-moving inventory



Become one of Japan's largest media for SMBs

Continuation

Domestic B2B wholesale and online markets

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B2B wholesale in **offline** and **overseas markets**

Overseas B2B markets

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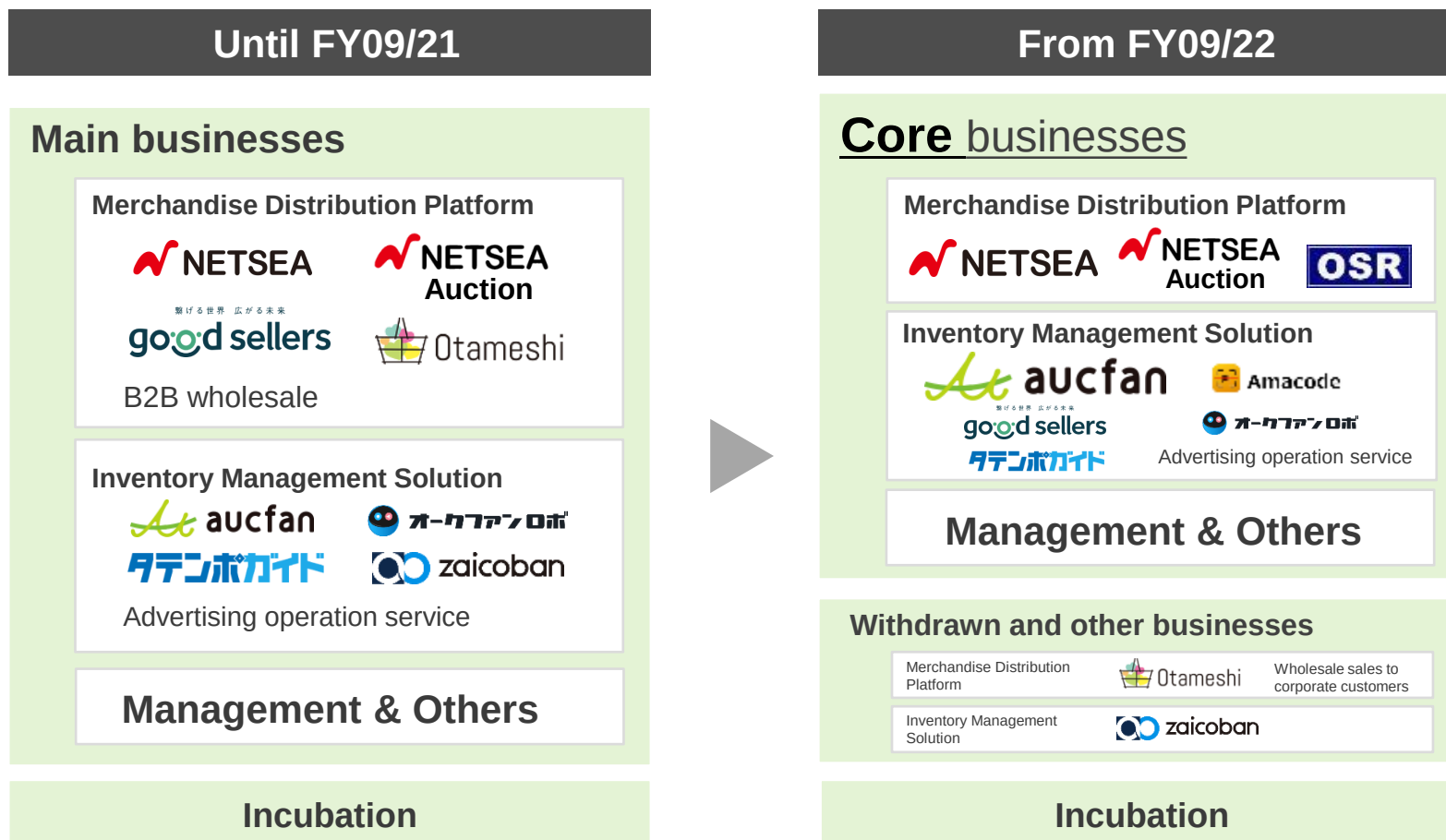
Offline

Re-Infra Company



Business Segments

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





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

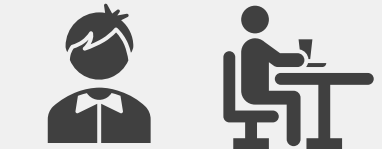


Note: As of December 2022

Business model



The Company



Individual and SMB customers



Paid Services

aucfan Premium



Premium features to make better use of aucfan.com

Usage fees: 908 yen per month (excluding tax)

Functions provided: 10 years' worth of successful bids search, time frame summary search, bid reservation tool, My Bookmarks, search alerts, easy listing tool, listing template saving, etc.

Amacode



Amacode

Dedicated app for Amazon sellers

Usage fees: 5,000 yen per month (excluding tax) * For paid version Amacode Pro

Functions provided: High-performance product barcode reading search, product keyword search, alerts for valuable finds, automatic calculation of product commissions, sourcing list management, etc.
Paid version Amacode Pro offers graphics functions showing price changes and increase/decrease in listings, custom options, access from website, etc.

aucfan Pro Plus



Market price search and data analysis tools for professionals

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

Functions provided: Yahoo! shopping analysis, auction market price search and data analysis, Amazon research, global e-commerce site comparison, provision of other e-commerce support tools, etc.

aucfan Robo



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, 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



Information session content:

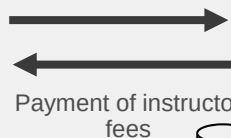
- Teaching materials for export businesses (registration)
- Teaching materials for export businesses (practical exercises)
- List of 15 products with price differences in export businesses
- Discount coupons for ReValue BtoB Mall



Business model



- Professional and practical expertise
- Proper tool use
- Advice



- 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)



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%

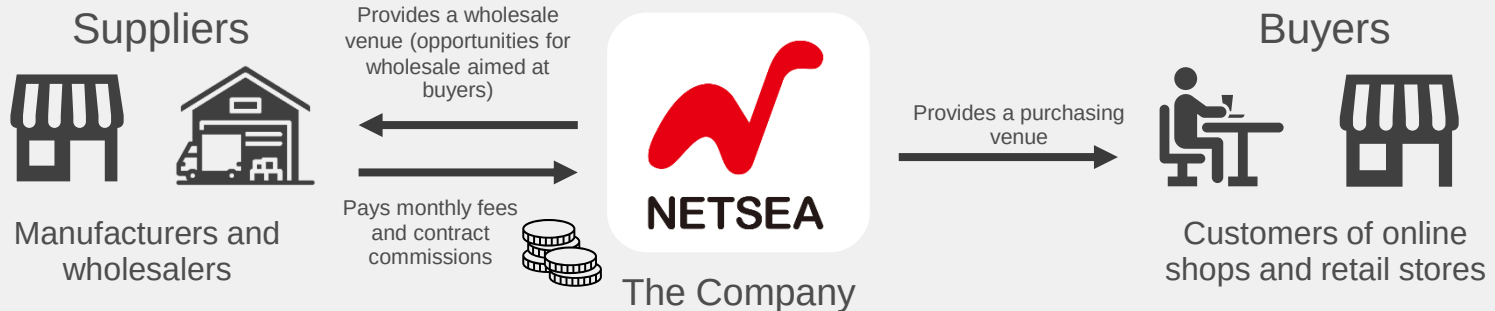
Buyers: **No fee***1

Features: About 520,000 registered buyer companies
Annual distribution value of about 10 billion yen

Note: As of December 2022



Business model



*1 The NETSEA Prime service charges fees

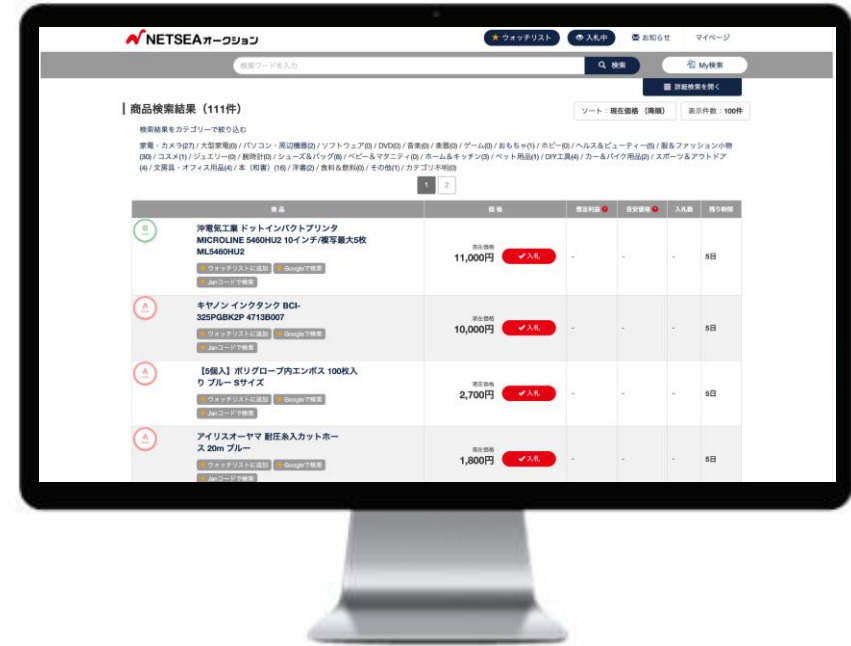


Inventory liquidation support service focused on returned or outdated items and slow-moving inventory, etc.

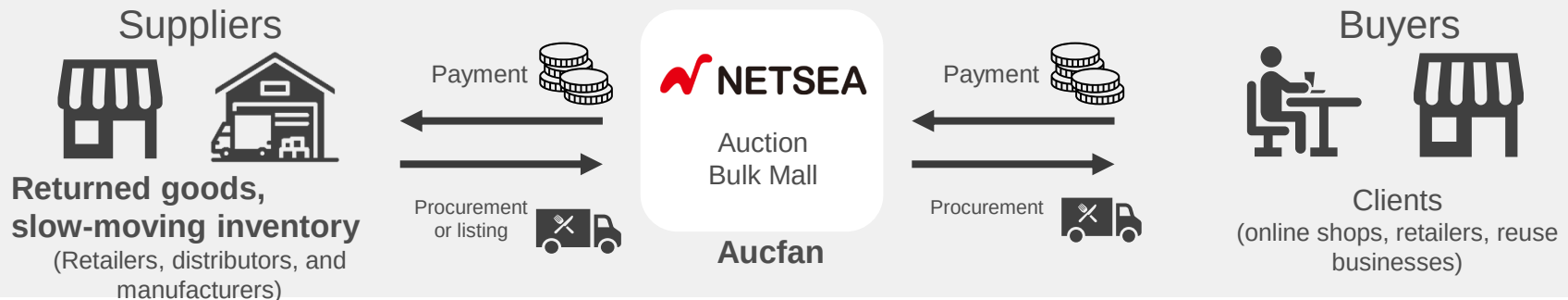
We purchase slow-moving inventory from manufacturers and retailers and sell it to recycling businesses and sole proprietors through our members-only closed community websites, NETSEA Auction and NETSEA Bulk Mall. Additionally, we provide comprehensive support for a range of e-commerce business operations 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





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 December 2022



Business model



Earnings Model

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



*1: Abbreviation for Annual Recurring Revenue.

Merchandise Distribution Platform

Fee income predicated on GMV

GMV

×

Take rate

Main services



Value of sales

×

GPM

Main services



Market Potential

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



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

×

About one
million people

Merchandise Distribution Platform



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

×

Target market share of
a few percent

×

Take rate of 8–10%



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 August 12, 2022, "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 30 of the presentation material

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



- 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



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



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

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

Capital

973.68 million yen

(as of September 30, 2022)

Employees

165* (as of September 30, 2022)

*Number of employees on a consolidated basis
(excl. part-time)

Head office



and others.

