# Financial Results
# Q3 FY09/23

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

# Q3 Financial Results: Executive Summary

Our most important KPI, Gross Merchandise Value (GMV) expanded to **10,527 million yen (up 20% YoY; 2-yr. CAGR*1 of 123%)**

<Consolidated cumulative Q3 results>

**Steady progress** versus the forecast

**Maintained the earnings forecast,** in light of upfront expenditures for the next fiscal year

- **Net sales 4,048 million yen (Progress: 83%)**
- **Gross profit 2,055 million yen (Progress: 73%)**
- **Operating profit 358 million yen (Progress: 102%)**

<Initiatives for overseas expansion>

**Entered into a strategic partnership** with Zhejiang China Commodities City Group Co., Ltd., which operates **Yiwu Market, one of the largest wholesale markets in the world**

*1 CAGR: compound average growth rate

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# 1 Financial Highlights in Q3 FY09/23

# Consolidated Results: Highlights

## GMV and gross profit growth continued in core businesses*1
## Operating profit improved substantially on a consolidated basis

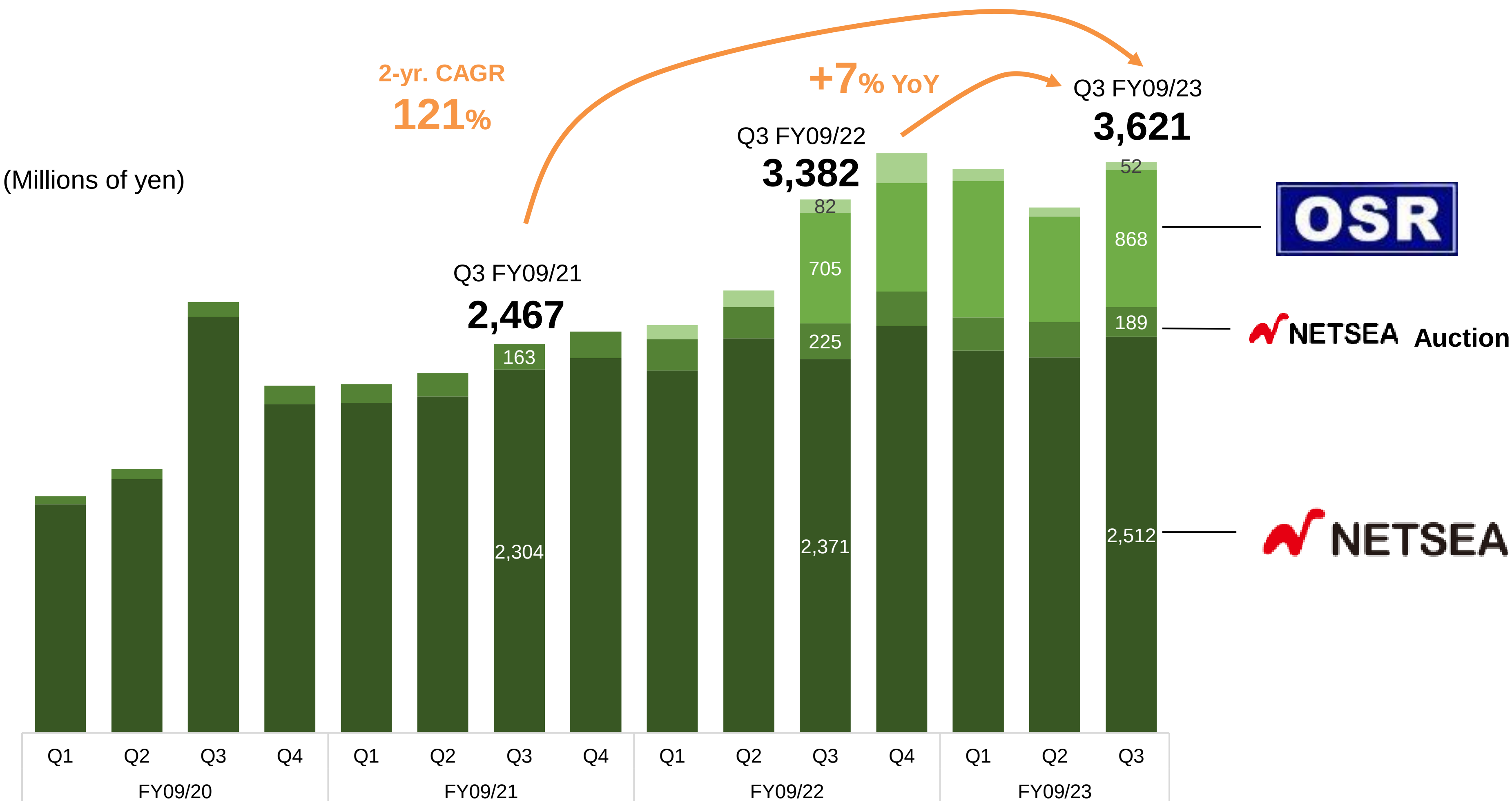
| (Millions of yen) | Cumulative Q3 results | | | | |
|---|---|---|---|---|---|
| | FY09/21 | FY09/22 | FY09/23 | YoY | 2-yr. CAGR |
| **GMV** - Core businesses | 6,958 | 8,775 | **10,527** | **120%** | 123% |
| **Net sales** | 6,399 | 4,530 | 4,048 | 89% | 80% |
| - Core businesses | 2,623 | 3,167 | 3,598 | 114% | 117% |
| - Incubation | 1,427 | 682 | 450 | 66% | 56% |
| - Withdrawn businesses / other *2 | 2,349 | 681 | 0 | - | - |
| **Gross profit** | 2,697 | 2,283 | 2,055 | 90% | 87% |
| - Core businesses | 1,479 | 1,585 | **1,671** | **105%** | 106% |
| - Incubation | 839 | 675 | 384 | 57% | 68% |
| - Withdrawn businesses / other | 379 | 23 | 0 | - | - |
| **Operating profit** | 679 | 9 | 358 | 3,987% | 73% |
| - Core businesses | 143 | (44) | 101 | - | - |
| - Incubation | 668 | 522 | 257 | 49% | 62% |
| - Withdrawn businesses / other | (132) | (469) | 0 | - | - |
| **Recurring profit** | 703 | 6 | 383 | 6,383% | 74% |
| **Net income** | 429 | (65) | 51 | - | - |

*1 Core businesses: Excludes Incubation and withdrawn businesses / other

*2 Withdrawn businesses / other: Includes zaikoban (SaaS for large enterprises), otameshi (sampling service site oriented toward social contribution), wholesale sales for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

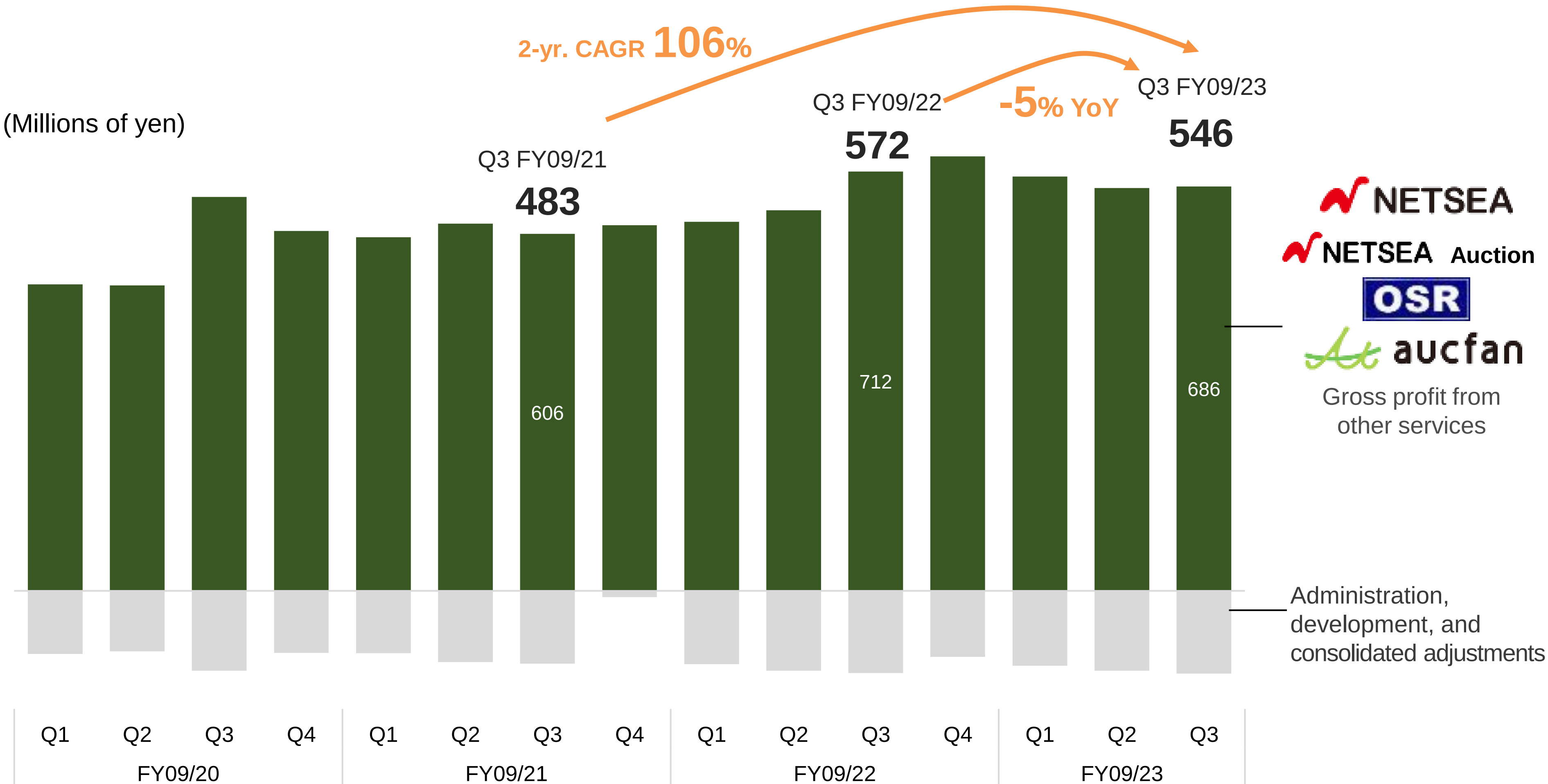
## GMV expanded on robust performance of NETSEA and OSR*1



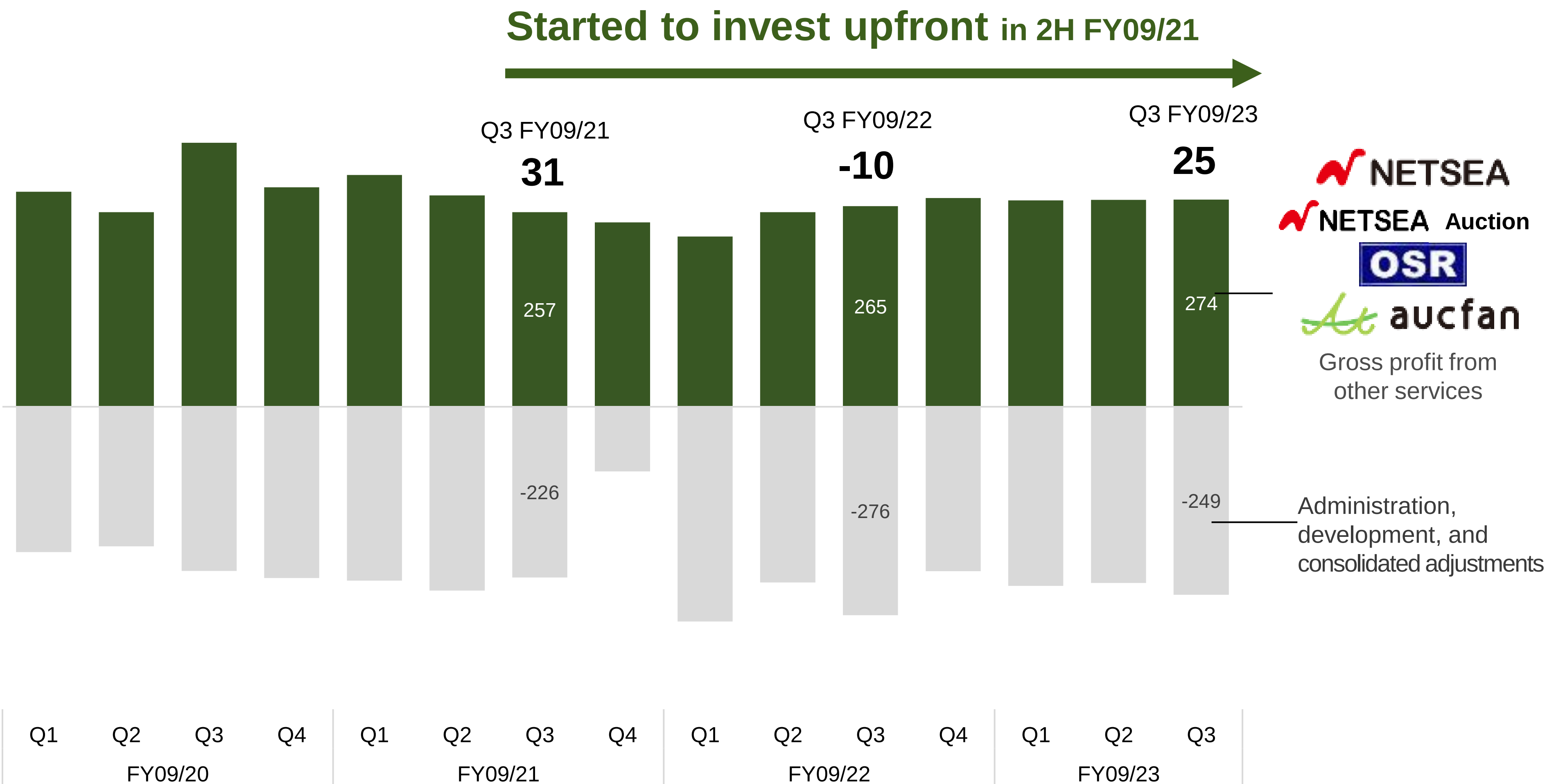

*1 Osaka Senba Wholesale Marketing Co., Ltd. and OSR Net Co., Ltd., which became subsidiaries on April 1, 2022, through share acquisition

# KPI: Gross Profit in Core Businesses *Quarterly Trend

## Gross profit fell temporarily due to special measures for NETSEA suppliers



# Secured a certain level of operating profit while continuing to invest in NETSEA and NETSEA Auction




# 2 Progress versus Consolidated Earnings Forecast

# Progress versus Full-Year Forecast

## Progress is steady

## Maintained the earnings forecast in light of upfront expenditures for business growth with an eye to the next fiscal year

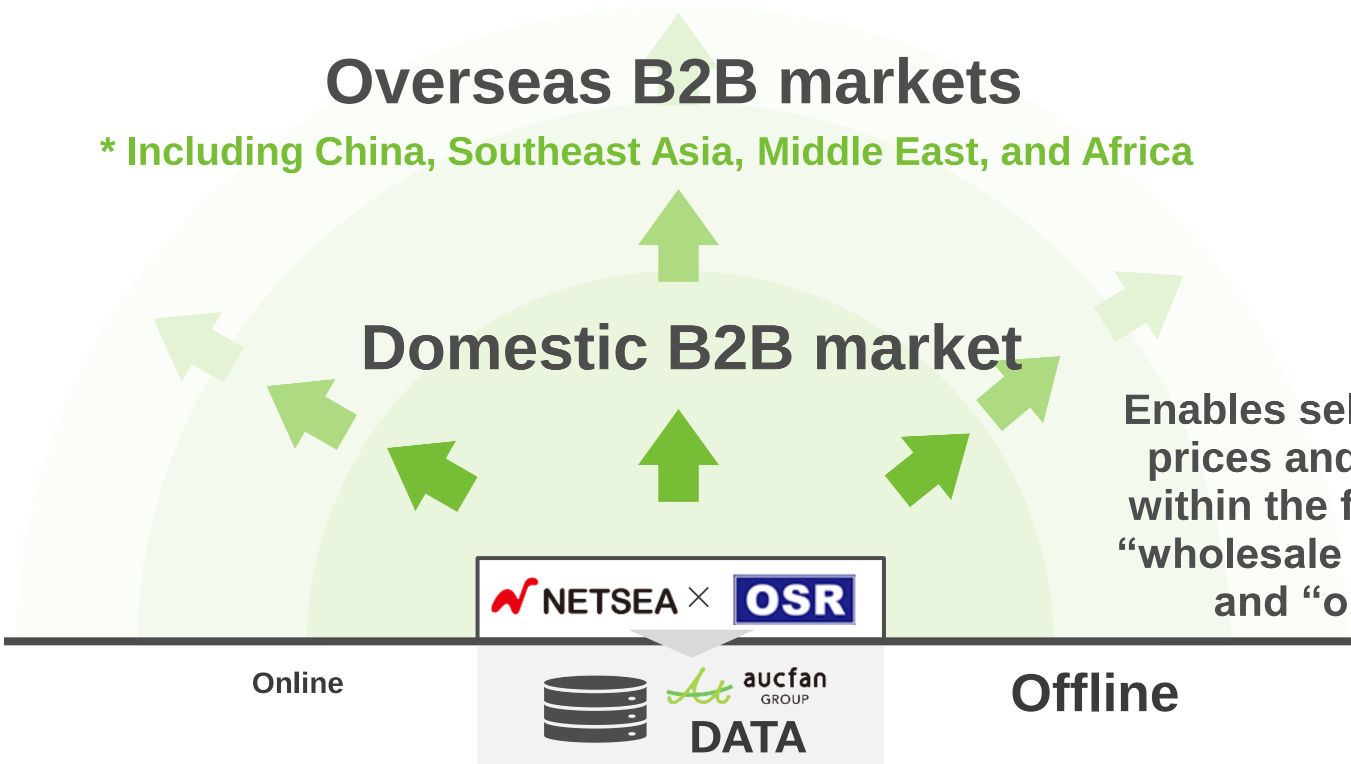
| | Forecast (millions of yen) | Cumulative Q3 results (millions of yen) | Progress |
|---|---|---|---|
| **GMV** - Core businesses | **14,000** | **10,527** | **75%** |
| **Net sales** | **4,900** | **4,048** | **83%** |
| - Core businesses | 4,500 | 3,598 | 80% |
| - Incubation | 400 | 450 | 113% |
| **Gross profit** | **2,800** | **2,055** | **73%** |
| - Core businesses | 2,500 | 1,671 | 67% |
| - Incubation | 300 | 384 | 128% |
| **Operating profit** | **350** | **358** | **102%** |
| - Core businesses | 150 | 101 | 67% |
| - Incubation | 200 | 257 | 129% |
| **Recurring profit** | **320** | **383** | **120%** |
| **Net income** | **15** | **51** | **340%** |


# 3 Topics

# 1． Future Outlook (Reposted financial results on January 31st)

**Continuation** Domestic B2B wholesale and online markets

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




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

# 2. Domestic Business Topics

## Inventory Management Solution

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- Access count to medium publishing original articles was strong, with a YoY increase of 94%

good sellers

- Opened China Import Business School for novice product sales users

オークファンロボ

- - Began selling RPA packages for small business
  - Cross-selling to the Group business members was strong.

## Merchandise Distribution Platform

NETSEA

- In June 2023, the Great Dinosaur Fair recorded a record-high GMV of 300 million yen in the event's history
- Improved site functions, including search function upgrades, discount setting, and shipment setting

NETSEAオークション

- Launched Zaiko Kaitori King, a slow-moving or obsolete inventory purchase site, provided through the collaboration of the Group's four services*1

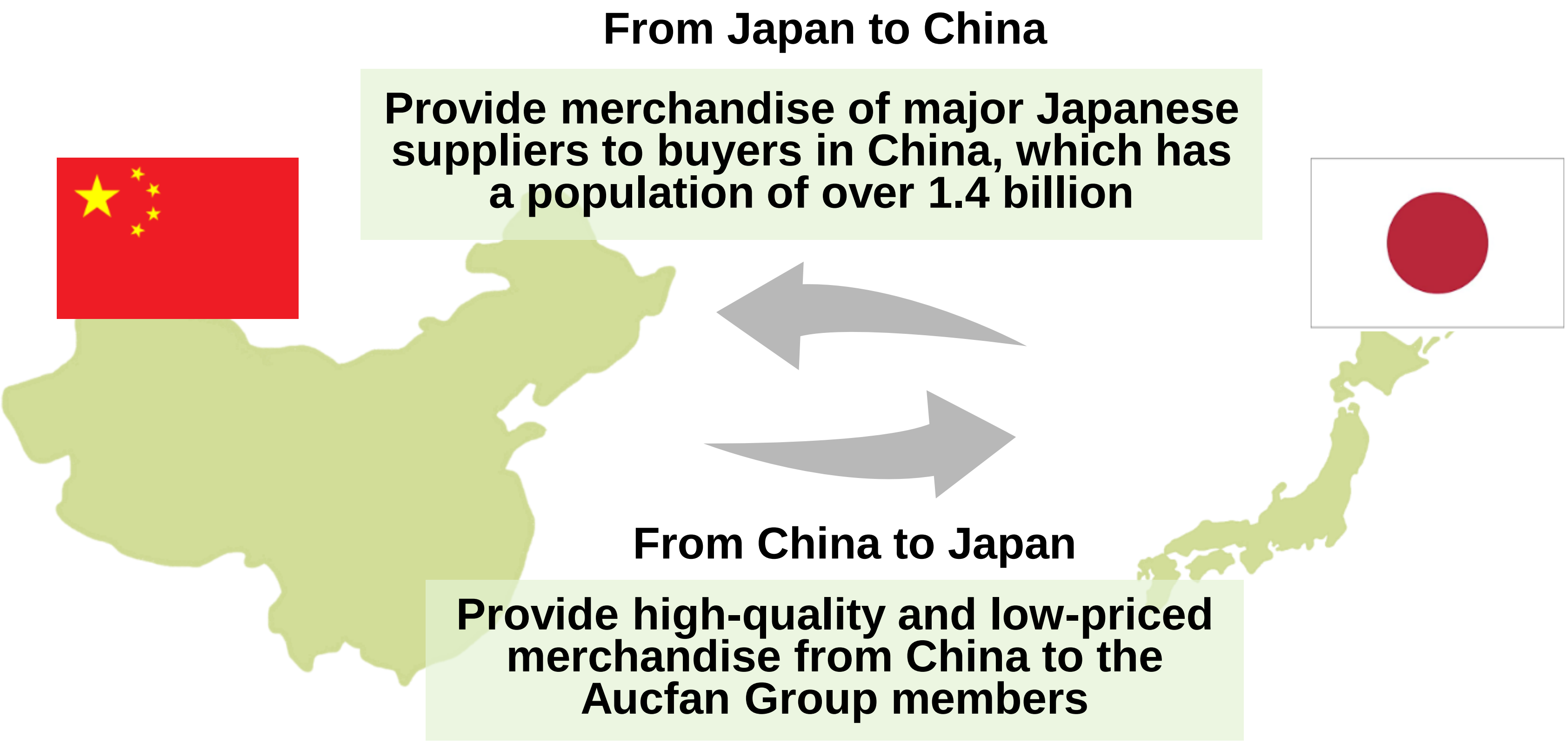
*1 aucfan.com, NETSEA, OSR, and NETSEA Auction

# 3. Overseas Expansion Initiatives ＜Overview＞

New Overseas Business Development

（Reposted financial results Q2 on May 14th）

## Entry into the Chinese B2B wholesale market to further expand our distribution scale



# 3. Overseas Expansion Initiatives (Japan→China) (1)

(Reposted financial results Q2 on May 14th)

## Planning to release NETSEA China, a cross-border e-commerce platform based in China's Hainan Province

奈特喜


### B2B platform for Chinese cross-border e-commerce, connecting buyers in China with suppliers in Japan

Cross-border e-commerce based on a bonded-zone model and targeting **a customer base of major local buyers in China.** Suppliers can keep their inventories in a bonded warehouse in Ningbo and cultivate the Chinese market with efficiency

### Strengths in the three areas that become a challenge in Chinese cross-border e-commerce

| Logistics solutions | Payment system | Marketing Partners |
|---|---|---|
|  |  |  |
| Cross-border e-commerce based on a bonded-zone model using bonded warehouses in Ningbo | Achieves cross-border payments at absolutely low handling fees | Will seek to rapidly expand sales through collaboration with local platforms in China |

# 3. Overseas Expansion Initiatives (China→Japan) (2)

**Entered into a strategic partnership with Zhejiang China Commodities City Group Co., Ltd., which operates Yiwu Market, one of the largest wholesale markets in the world**

aucfan

CCC
浙江中国小商品城集团股份有限公司
ZHEJIANG CHINA COMMODITIES CITY GROUP CO.,LTD.

# Zhejiang China Commodities City Group Co., Ltd.

- China's **state-owned holding company**; **listed on Shanghai Stock Exchange (securities code: 600415)**
- Market area: **6.4 million sqm**, no. of suppliers: **75,000 companies**
- No. of market visitors: **About 200,000 persons/day**
- Market **GMV**: **About 4 trillion yen/year**

| | |
|---|---|
| Company name | Zhejiang China Commodities City Group Co., Ltd. |
| Representative | Wen'ge Zhao |
| Established | December 1993 |
| Capital | Approx. 5,489 million yuan (approx. 100 billion yen)* |
| Address | Ocean Business Building No. 105, Futian Road, Yiwu City, Zhejiang Province |
| Business | Sale of real estate and commodities, operation of markets, development of online trading platforms, and provision of hotel, exhibition, and advertising services |

* Converted using JPY19.8/CNY

# Initiatives Going Forward

## Joint establishment of Yiwu Exhibition Hall in Japan

With the exhibition hall in Japan serving as the base, **provide quality products of Yiwu Mall throughout Japan**. Japanese buyers can purchase Yiwu products in Japan, without having to travel to China.

## Joint development and operation of online platforms

**Link Chinagoods**, Yiwu Market's official website, **with NETSEA**. Set up a NETSEA exhibition page on the Chinagoods platform, and vice versa.

## Support import/export between Japanese and Chinese companies

Provide **aucfan.com services to Zhejiang China Commodities City Group customers**, so that Chinese buyers and suppliers can use the services when trading with Japanese companies

# Message from Zhejiang China Commodities City Group

**Zhejiang China Commodities City Group**
**Deputy General Manager Yang Yang**
***In charge of the Group's Financial Division, Overseas Investment Division, Warehouse Logistics Division, and subsidiaries**

Video URL:
https://aucfan.tv/relations/Y6K0h

Hello everyone.
I am very pleased to announce that we, Zhejiang China Commodities City Group, and Aucfan Group have signed a comprehensive strategic partnership agreement.

With the goals of complementing each other's resources and achieving mutual benefits and joint development, Zhejiang China Commodities City Group and Aucfan will actively explore various initiatives, such as industrial supply and value chain support, business model innovation, and cross-industrial exchange, and will do our best to promote a comprehensive partnership between China's Yiwu Market and Japan's wholesale markets.

We believe the cooperation between the two companies will give rise to joint businesses, joint construction projects, and full sharing of resources and lead to establishing an open commercial platform to expand the ripple effect. Moreover, supported by the Regional Comprehensive Economic Partnership (RCEP) agreement, these cooperative efforts will further revitalize the trade relationship between Yiwu and the Japanese market.

Through this partnership, we will expand our promotional activities and customer base in China and Japan. We will engage in joint research and development of new products to meet the changing market and customer needs while simultaneously sharing and mutually promoting market information and business know-how to grow together.

We believe that through such efforts, we can establish a long-term and deeper relationship through revitalizing trade between Chinese and Japanese companies and complementing each other's strengths to achieve mutual benefits.

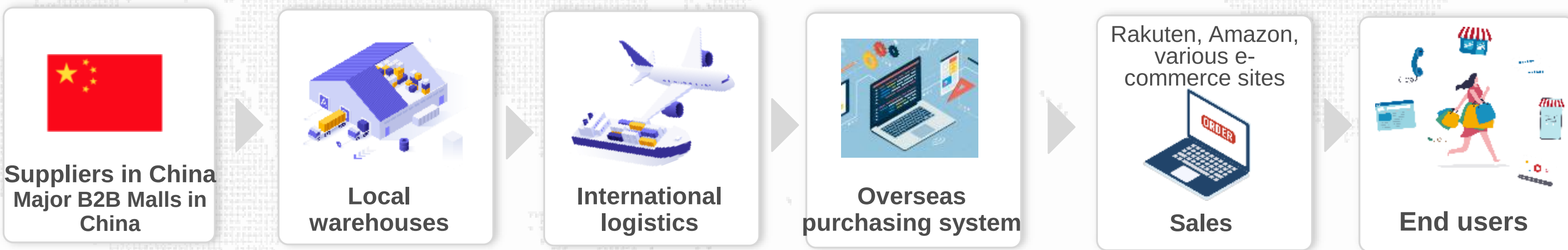
We are deeply grateful for the trust and support of our partners. We will continue to fulfill our partnership commitments and provide full cooperation and support to escort international trade for more Chinese and Japanese partners.

We look forward to working with you to build a brighter future together. Thank you for your attention and support.

Deputy General Manager Yang Yang
Zhejiang China Small Commodity City Group Co., Ltd.
(In charge of the Group's Financial Division, Overseas Investment Division, Warehouse Logistics Division, and subsidiaries)

# 3. Overseas Expansion Initiatives (China→Japan) (3)

## Forged a partnership with SNIFF JAPAN, which provides THE CKB, an agency service for importing goods from China
## Aim to provide integrated research, purchase, and logistics services to Japanese buyers




## Overseas purchasing service

**SNIFF GROUP**

System provision
Logistics
Customer handling

## Small business members (buyers)

**aucfan GROUP**

Attract customers among small business members
Alliance-based sales
Marketing

# Re-Infra Company


# 4 APPENDIX

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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)
- 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

Representative profile

### Shuichi Takenaga

President & CEO
of aucfan Co., Ltd.

Born 1978
in Yamaguchi Prefecture

Graduated from Kyoto University's School of Law

# 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.

# 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.

# ALL WELL


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 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

# 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**

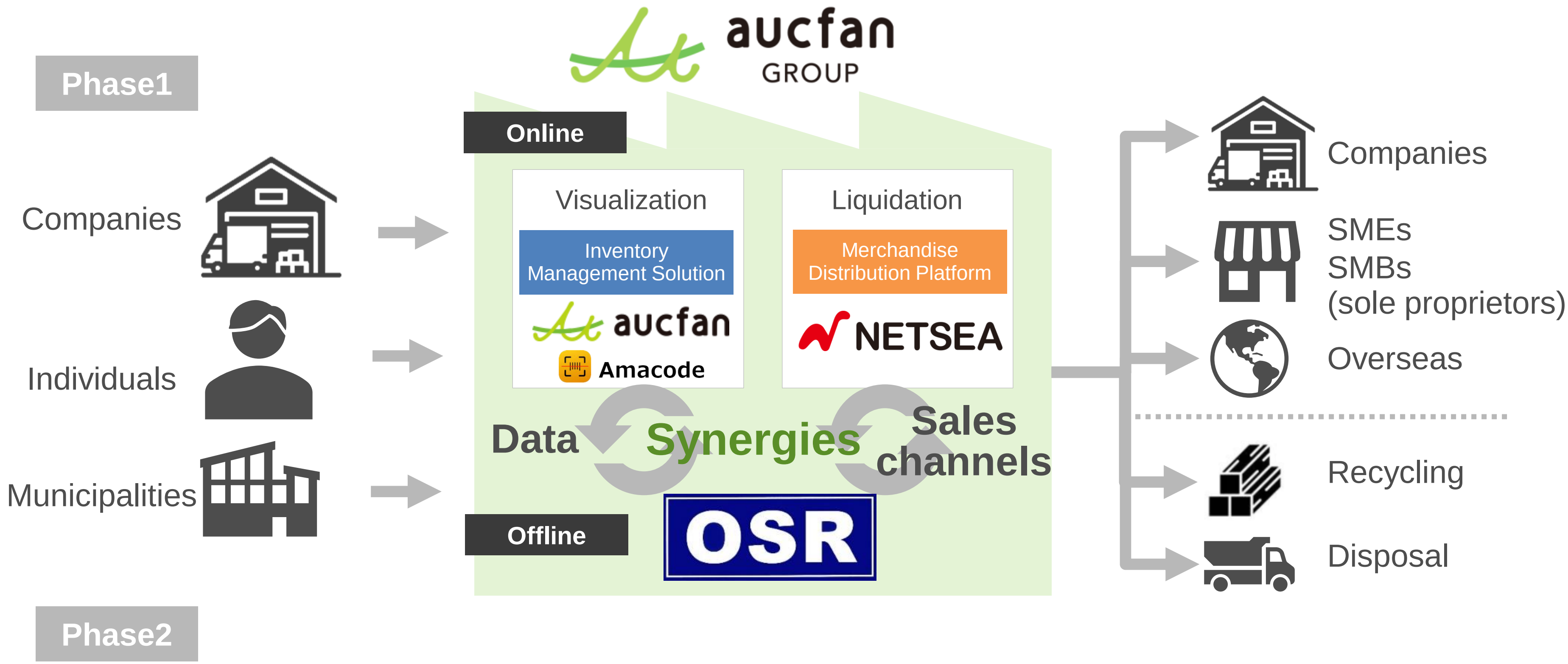
Emergence of a leading reverse logistics company in the US

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




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

# Establish a dominant position by making aggressive investments in core businesses

| | |
|---|---|
| NETSEA | No. 1 platform for overseas x offline x online wholesale distribution |
| NETSEA Auction | Become No. 1 redistribution company for returned goods and slow-moving inventory |
| aucfan | Become one of Japan's largest media for SMBs |

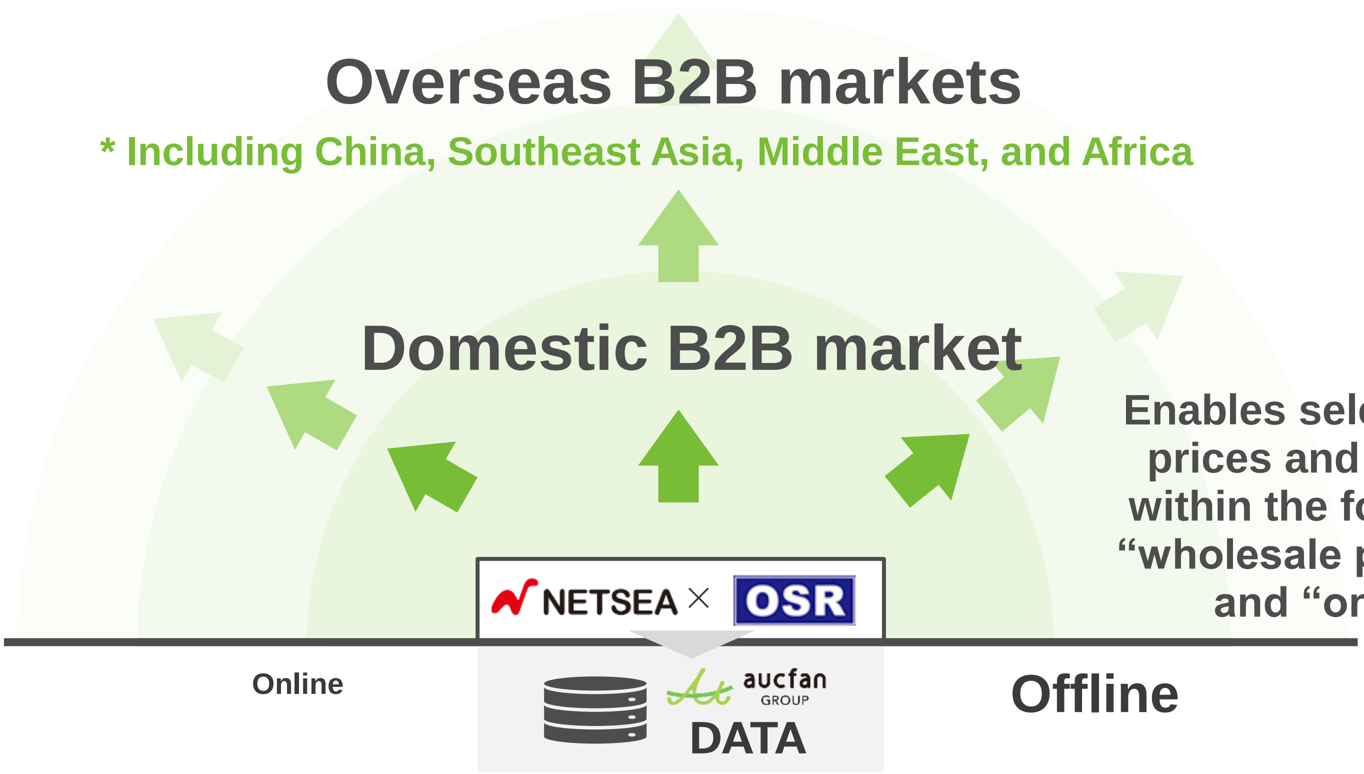
# (Reposted) Future Outlook

**Continuation**

## Domestic B2B wholesale and online markets

**Future**

## B2B wholesale in offline and overseas markets




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

# Re-Infra Company

# Businesses

## Inventory Management Solution

In this business, we help visualize and optimize the value of companies' inventories through the use of data and AI technology.

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- **Provision of medium offering market price quotations and price comparisons related to e-commerce and auctions**
- **Provision of data analysis tools**
- **Provision of RPA tools**

## Merchandise Distribution Platform

In this business, we support the distribution of inventories, slow-moving merchandise, etc. held by companies.

NETSEA

- **One of Japan's largest B2B wholesale purchasing platforms**

NETSEA Auction

- **Inventory liquidation support service centered on slow-moving inventory and returned or outdated items**

## Incubation

In this business, we invest in businesses and provide support to our investees for the purpose of acquiring the knowledge and network necessary to build and maintain a competitive advantage over the medium to long term.

# Core Services and Business Segments

## Core businesses

**Inventory Management Solution**

aucfan

Amacode

good sellers

Ad operation

オークファンロボ

タテンポガイド

**Merchandise Distribution Platform**

NETSEA

NETSEA Auction

Bulk Mall

OSR

**Withdrawn businesses**

zaicoban

Otameshi

B2B wholesale, others

Administrative division, consolidated adjustments

Incubation

# 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

### Merchandise Distribution Platform

NETSEA

Fee income predicated on GMV

GMV

×

Take rate

NETSEA Auction

Sales revenue

Value of sales

×

GPM

### Incubation

Capital gains from the sale of operational investment securities and revenue from consulting services provided to investees

*1: Abbreviation for Annual Recurring Revenue.

# Service Details

aucfan

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

| | |
|---|---|
| Usage fee: | No fee<br>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 June 2023

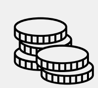
## Business model

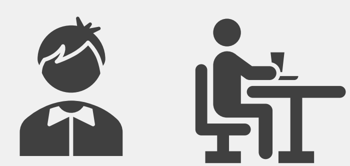
aucfan

The Company

Provides cloud services

Pays monthly fees
(for paid service use)
* See next page for paid service





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

### 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 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**

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

## 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

Instructors

Payment of instructor fees

繋げる世界 広がる未来
good sellers

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%

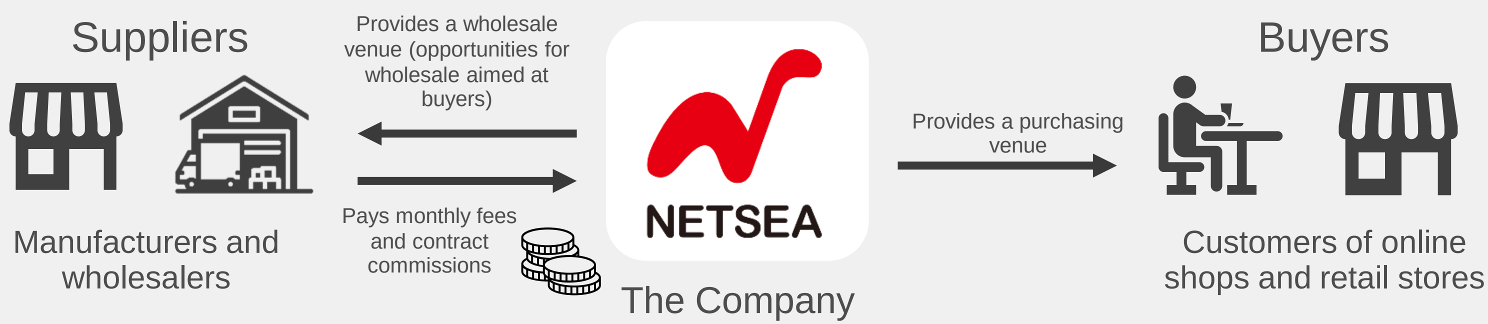
Buyers: **No fee**[*1]

Features: About 520,000 registered buyer companies

Annual distribution value of about 10 billion yen


Note: As of June 2023

## Business model




*1 The NETSEA Prime service charges fees

# Service Details

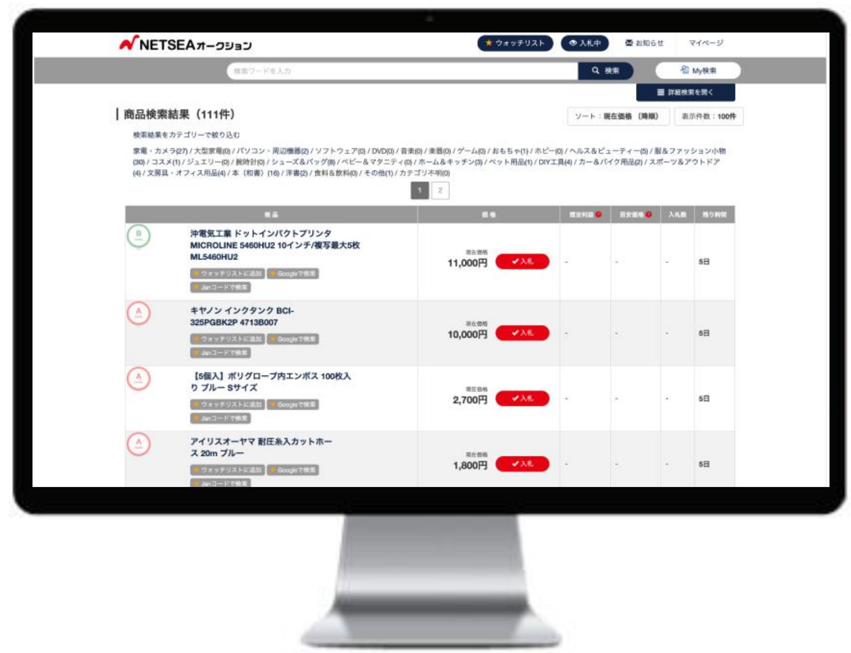
Merchandise Distribution Platform

## 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

**Suppliers**

**Returned goods, slow-moving inventory**
(Retailers, distributors, and manufacturers)

Payment ←
→ Procurement or listing

**NETSEA**
Auction
Bulk Mall
**Aucfan**

Payment ←
→ Procurement

**Buyers**

Clients
(online shops, retailers, reuse businesses)

# Service Details

## 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 June 2023

### 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)

# Company Profile

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

**Location**
**Sumitomo Fudosan Osaki Twin Bldg.East 7F**
**5-1-18 Kitashinagawa,Shinagawa-ku,**
**Tokyo 141-0001**

**Founded**
**June 2007**

aucfan GROUP

SynaBiz Aucfan Incubate OSR

**and others.**

**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**