Financial Results

FY09/22

Aucfan Co., Ltd. <3674>
January 31, 2023

Misconduct and amendments to previous years' financial results

We sincerely apologize for the delay in the announcement of our full-year FY09/22 financial results to shareholders, investors, and all other stakeholders.

We found out that our consolidated subsidiary SynaBiz Co., Ltd. was suspected of engaging in improper business transactions and accounting practices for multiple fiscal years through FY09/22. In response, on October 21, 2022, we established a special investigation committee consisting of outside experts, and on January 13, 2023, we received a report from the investigation committee.

Based on the investigation results, we have made necessary amendments, including revisions to past financial results for the fiscal years from FY09/19 to Q3 FY09/22.

Figures in this briefing material have been amended.

We take the investigation committee's cause analysis of misconduct seriously and recommended measures to prevent recurrence, and deeply regret that such misconduct has taken place. All officers and employees of the aucfan Group will work together to enhance and strengthen internal control and ensure thorough compliance, and strive to our fullest to regain trust and prevent recurrence.

We sincerely ask for your continued support and cooperation.

Misconduct and amendments to previous years' financial results

(Thousands of yen)

	Revisions to past financial results			
	FY09/19	FY09/20	FY09/21	**FY09/22**
Net sales	-99,944	-437,055	40,173	**-6,900**
SG&A expenses	-	2,500	-3,694	**-6,900**
Operating profit	-20,496	-41,356	-4,765	**-**
Net income	-20,558	-5,572	26,130	**-**
Business segments in this material	**Withdrawn businesses**			**Inventory Management Solution**
Total assets	-19,412	-251,869	-	-
Net assts	-20,558	-26,130	-	-

Executive Summary

Restructuring of unprofitable businesses completed

Most important KPI, GMV(gross merchandise value) expanded

GMV in core businesses: 12.4 billion yen (**+31% YoY**)

1 Financial Highlights in FY09/22

Core Services and Business Segments

Core businesses

Inventory Management Solution

aucfan

Amacode

good sellers

オークファンロボ

タテンポガイド

Ad operation

Merchandise Distribution Platform

NETSEA

NETSEA Auction

Bulk Mall

OSR

Withdrawn businesses

zaicoban

Otameshi

B2B wholesale, others

Administrative division, consolidated adjustments

Incubation

Consolidated Results: Highlights

GMV and gross profit in core businesses*1 grew

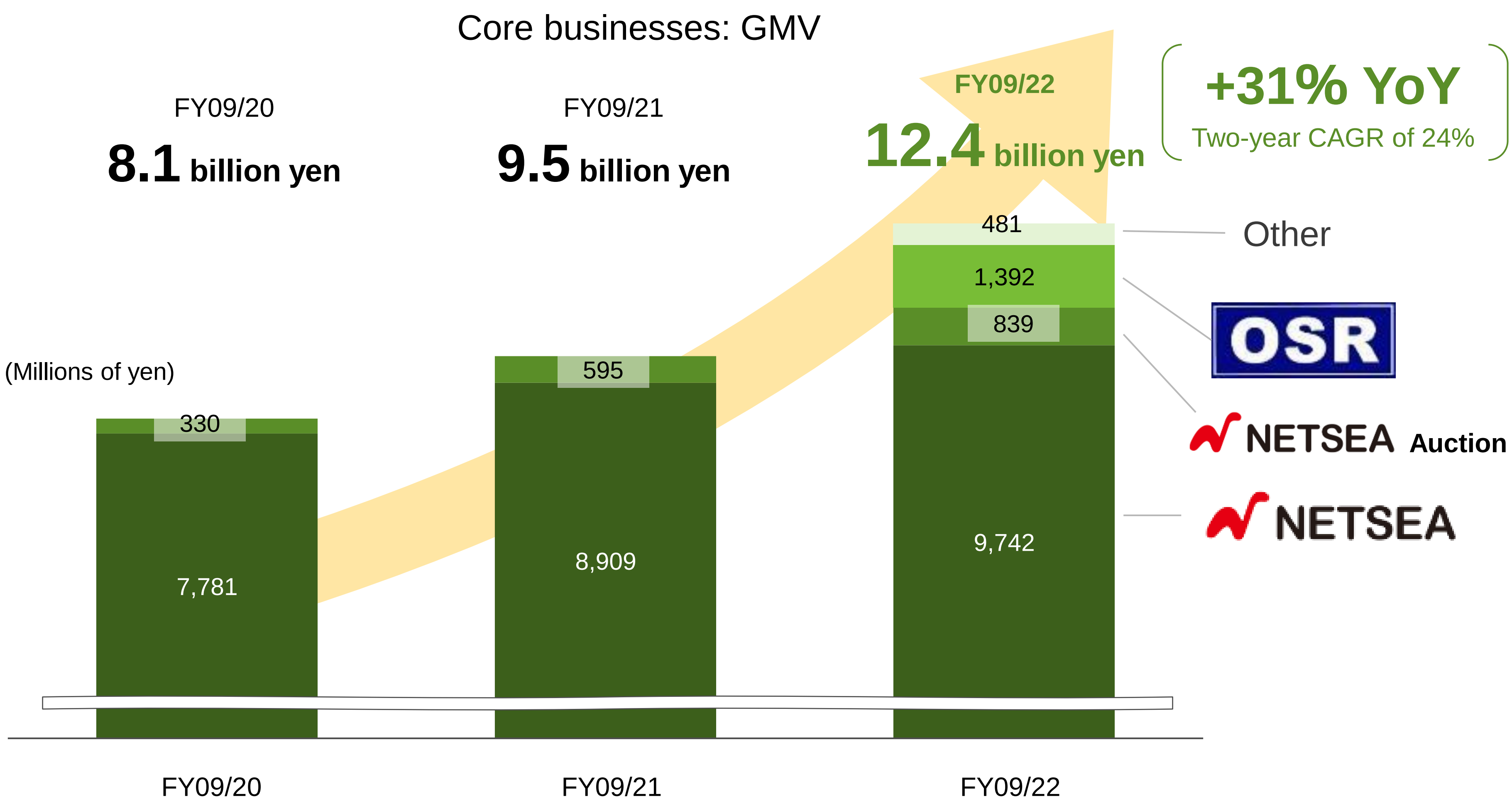
Most important KPI

(Millions of yen)	Results					Initial plan	Vs. plan
	FY09/20	FY09/21	FY09/22	YoY	2-yr. CAGR		
GMV - Core businesses	8,110	9,503	**12,454**	**131%**	124%	14,000	89%
Net sales	7,437	8,384	6,256	75%	92%	5,200	120%
- Core businesses	3,348	3,556	4,449	125%	115%	4,800	93%
- Incubation	1,275	1,734	1,115	64%	94%	400	279%
- Withdrawn businesses / other *2	2,814	3,094	690	22%	50%	0	-
Gross profit	3,087	3,529	3,242	92%	102%	3,100	105%
- Core businesses	1,869	2,101	**2,314**	**110%**	111%	2,750	84%
- Incubation	559	1,023	906	89%	127%	350	259%
- Withdrawn businesses / other	659	405	21	5%	18%	0	-
Operating profit	779	578	322	56%	64%	100	322%
- Core businesses	360	297	**107**	36%	55%	0	-
- Incubation	497	751	687	91%	118%	100	687%
- Withdrawn businesses / other	(78)	(470)	(472)	-	-	0	-
Recurring profit	803	621	312	50%	62%	80	390%
Net income	423	177	56	32%	36%	50	112%

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

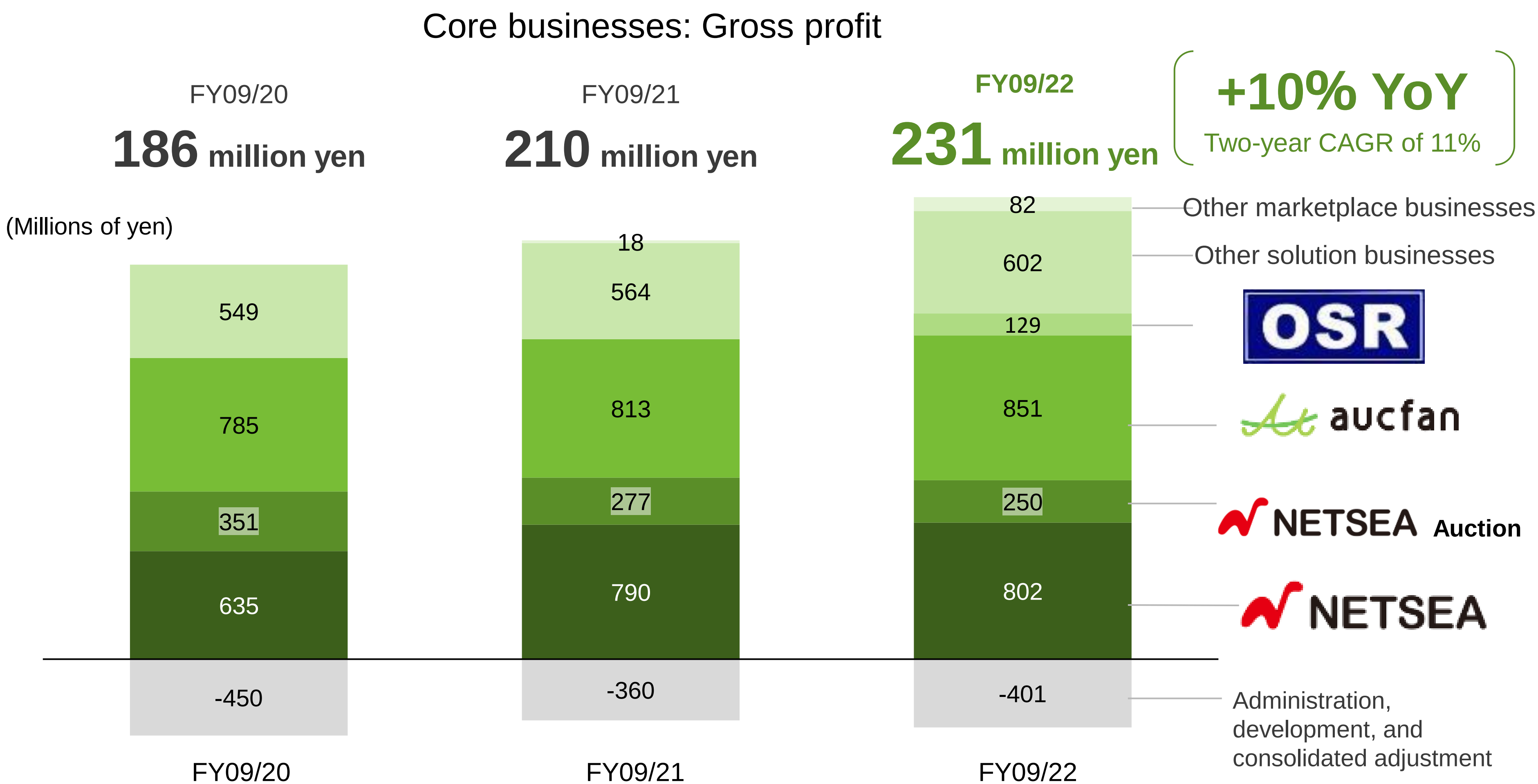
*2 Withdrawn businesses / other: Includes zaikoban (SaaS for large enterprises), otameshi (sampling service site oriented toward social contribution), and wholesale sales for corporate customers

GMV rose sharply thanks in part to offline distribution



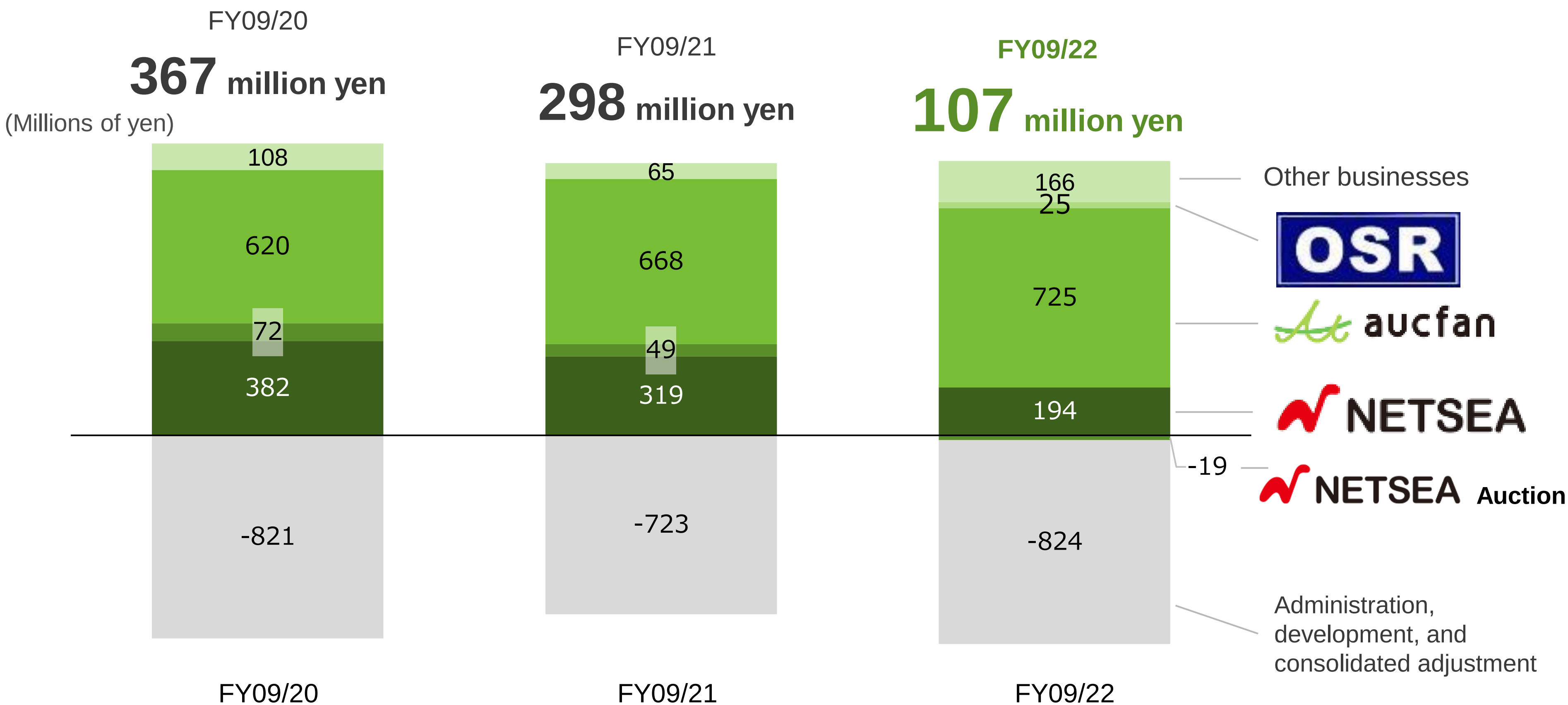
KPI: Gross Profit in Core Businesses

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



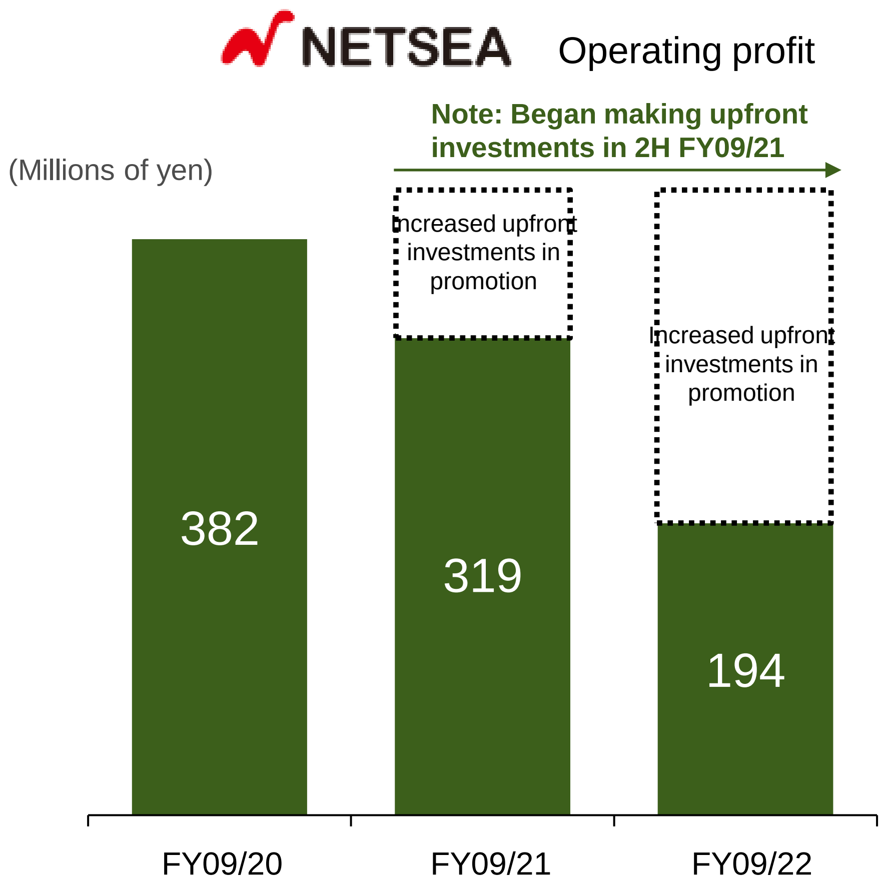
Made upfront investments to expand GMV in NETSEA and NETSEA Auction

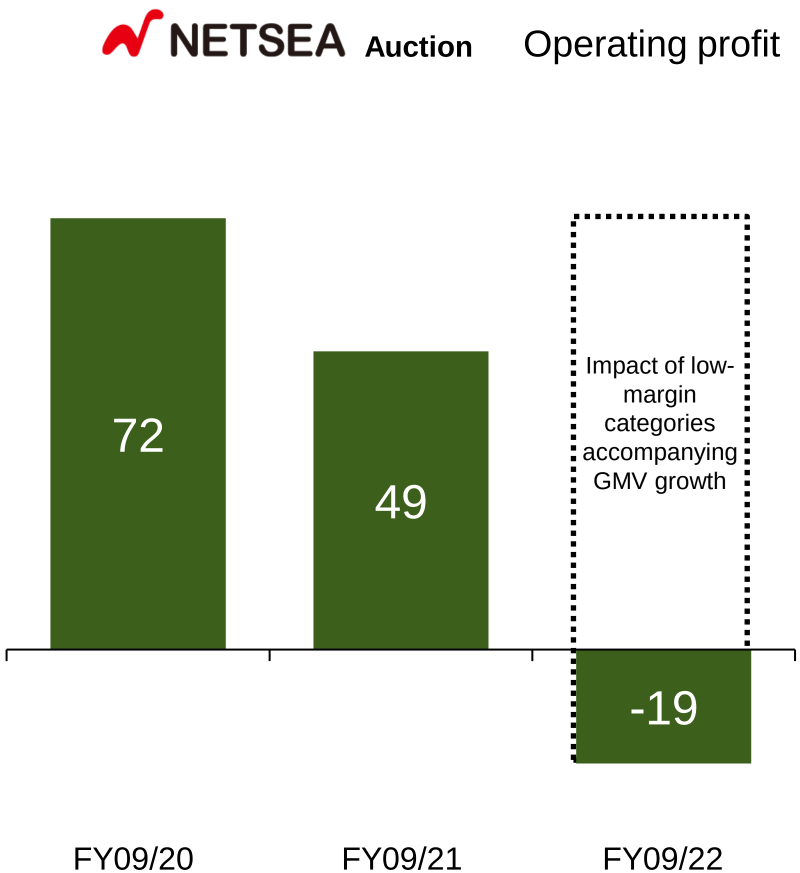
Core businesses: operating profit



Operating Profit in Core Businesses: NETSEA and NETSEA Auction

Bolstered promotions for NETSEA through upfront investments
NETSEA Auction affected by low-margin categories





2 Targets for FY09/23

FY09/23 Consolidated Earnings Forecast

Sustainable business growth and thorough cost reductions

(Millions of yen)	Forecast			
	FY09/21	FY09/22	**FY09/23**	**YoY**
GMV - Core businesses	9,503	12,454	**14,000**	**112%**
Net sales	8,384	6,256	4,900	78%
- Core businesses	3,556	4,449	4,500	101%
- Incubation	1,734	1,115	400	36%
- Withdrawn businesses / other *2	3,094	690	-	-
Gross profit	3,529	3,242	2,800	86%
- Core businesses	2,101	2,314	**2,500**	**108%**
- Incubation	1,023	906	300	33%
- Withdrawn businesses / other	405	21	-	-
Operating profit	578	322	350	109%
- Core businesses	297	107	**150**	**140%**
- Incubation	751	687	200	29%
- Withdrawn businesses / other	(470)	(472)	-	-
Recurring profit	621	312	320	103%
Net income	177	56	15	27%

Anticipates higher YoY growth rate than FY09/22

Projects YoY growth as we plan to <u>reduce costs</u> while <u>continuing to make a certain degree of upfront investments</u>

<u>Expects to incur extraordinary expenses,</u> including expenses for the special investigation committee

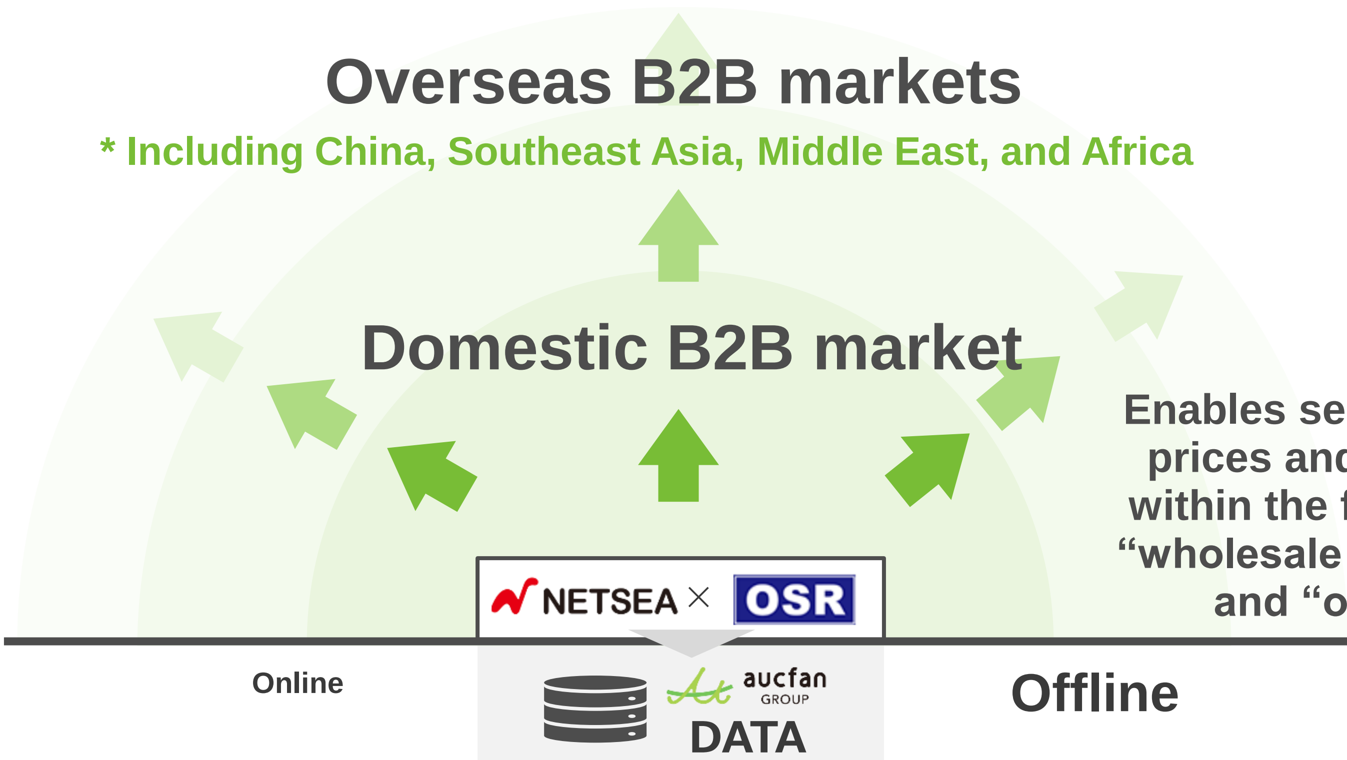
Future Outlook

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"

Targets for FY09/23

Inventory Management Solution	Merchandise Distribution Platform
aucfan	NETSEA / NETSEA Auction
Measures for FY09/23 and beyond	Measures for FY09/23 and beyond
Expand data handled by the marketplace	Discover and nurture new suppliers
Develop procurement services for SMBs	Maximize offline distribution through collaboration with OSR and TOC
Strengthen Amacode and aucfanPro schools	Expand into overseas markets
Develop new ARR services to follow aucfan Robo	Grow GMV with the addition of new warehouses

3 APPENDIX

Page

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

aucfan

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.

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.

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

SUSTAINABLE DEVELOPMENT GOALS *1

12 つくる責任 つかう責任

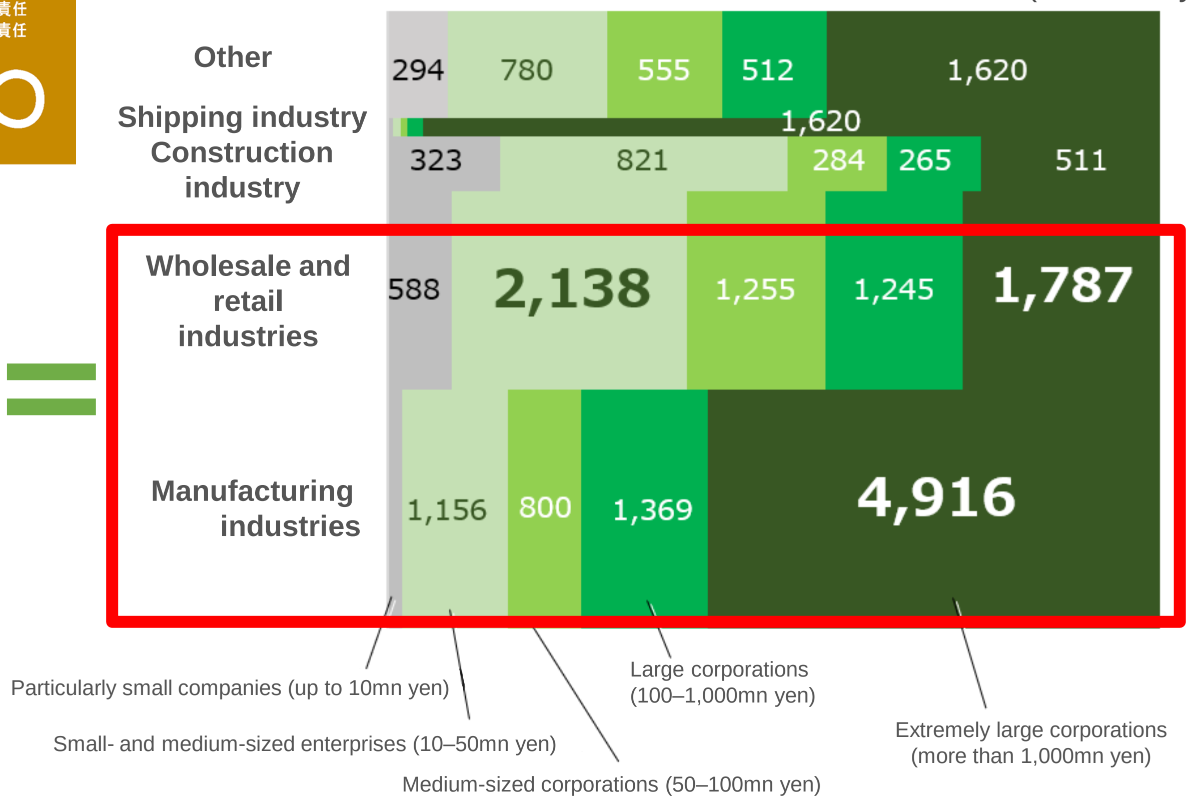
Loss on disposal of product inventory

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.

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**

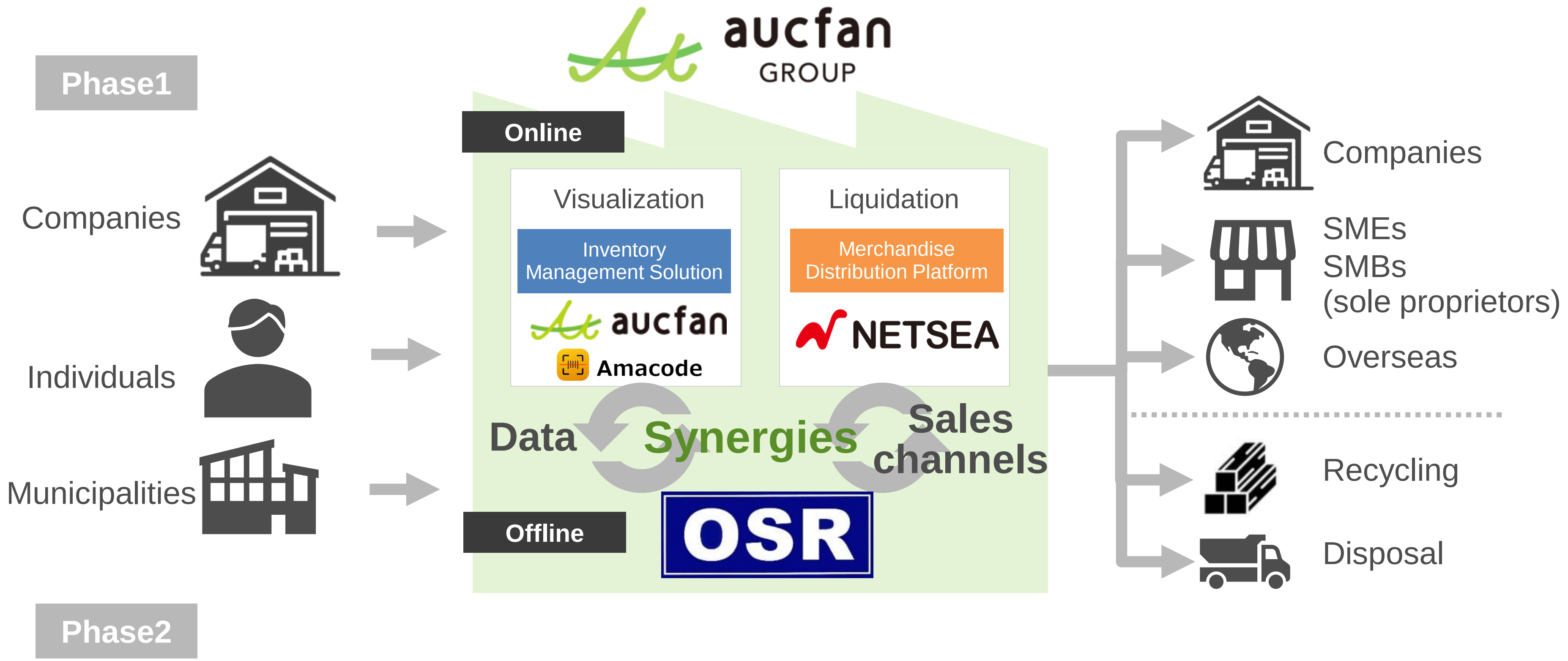
Emergence of a leading reverse logistics company in the US

*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

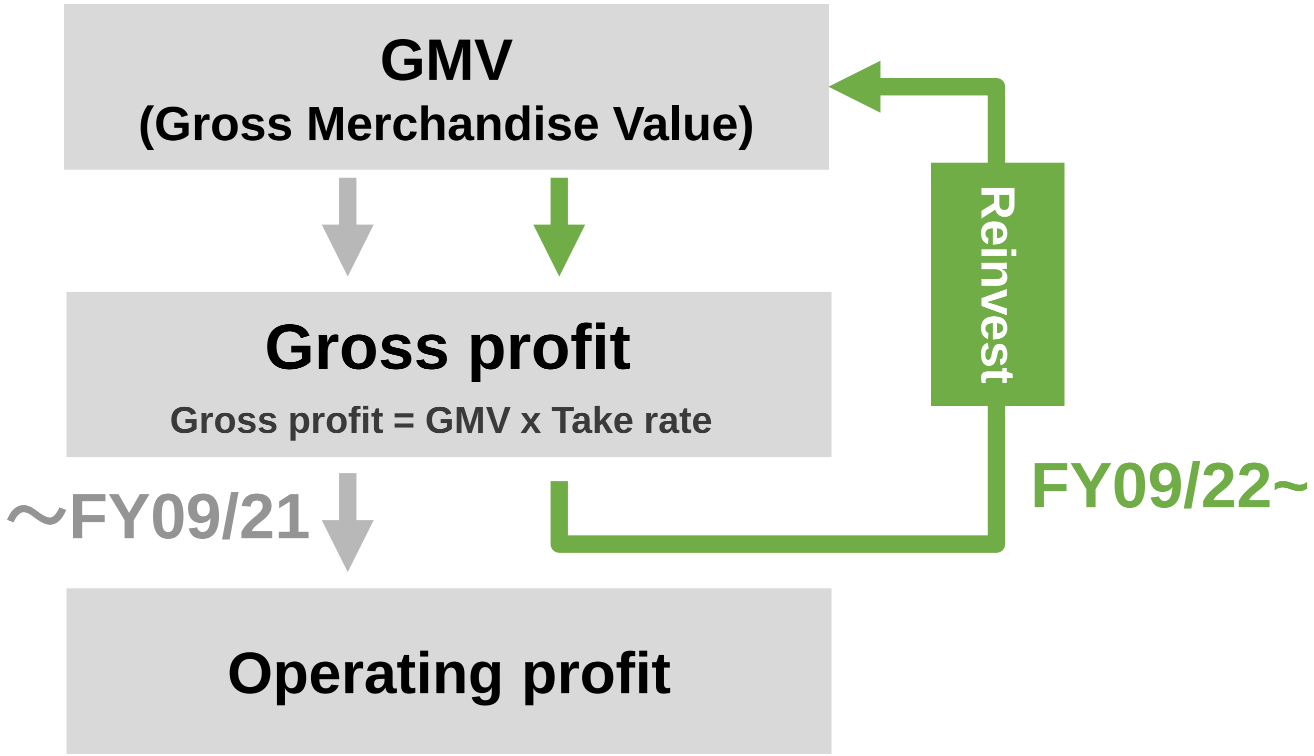
Key Indicators (1)

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

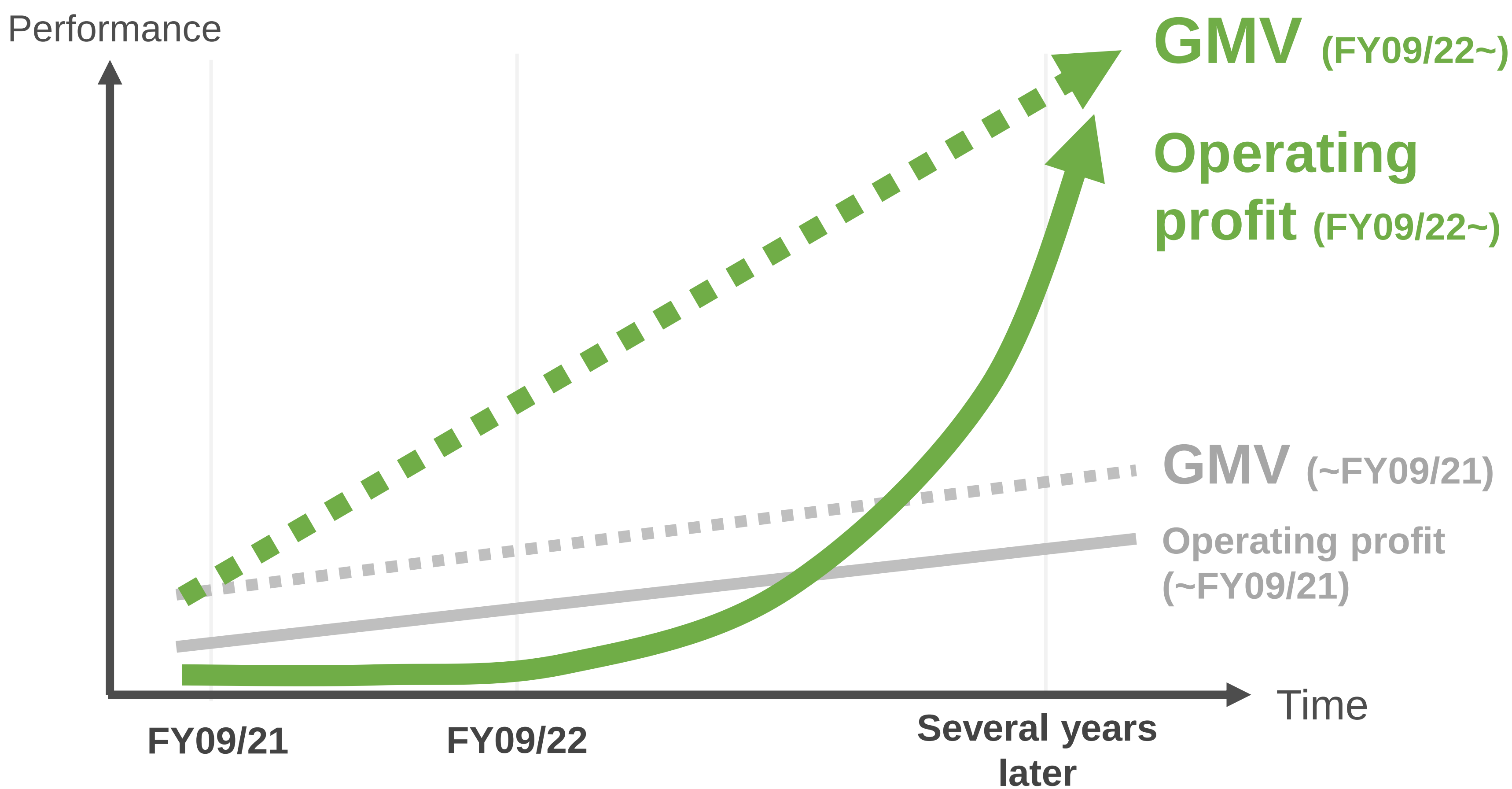
Inventory Management Solution	Merchandise Distribution Platform
aucfan	NETSEA / NETSEA Auction
ARR*1 (billing amount)	Most important KPI **GMV** (Gross Merchandise Value)

*1: Abbreviation for Annual Recurring Revenue

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

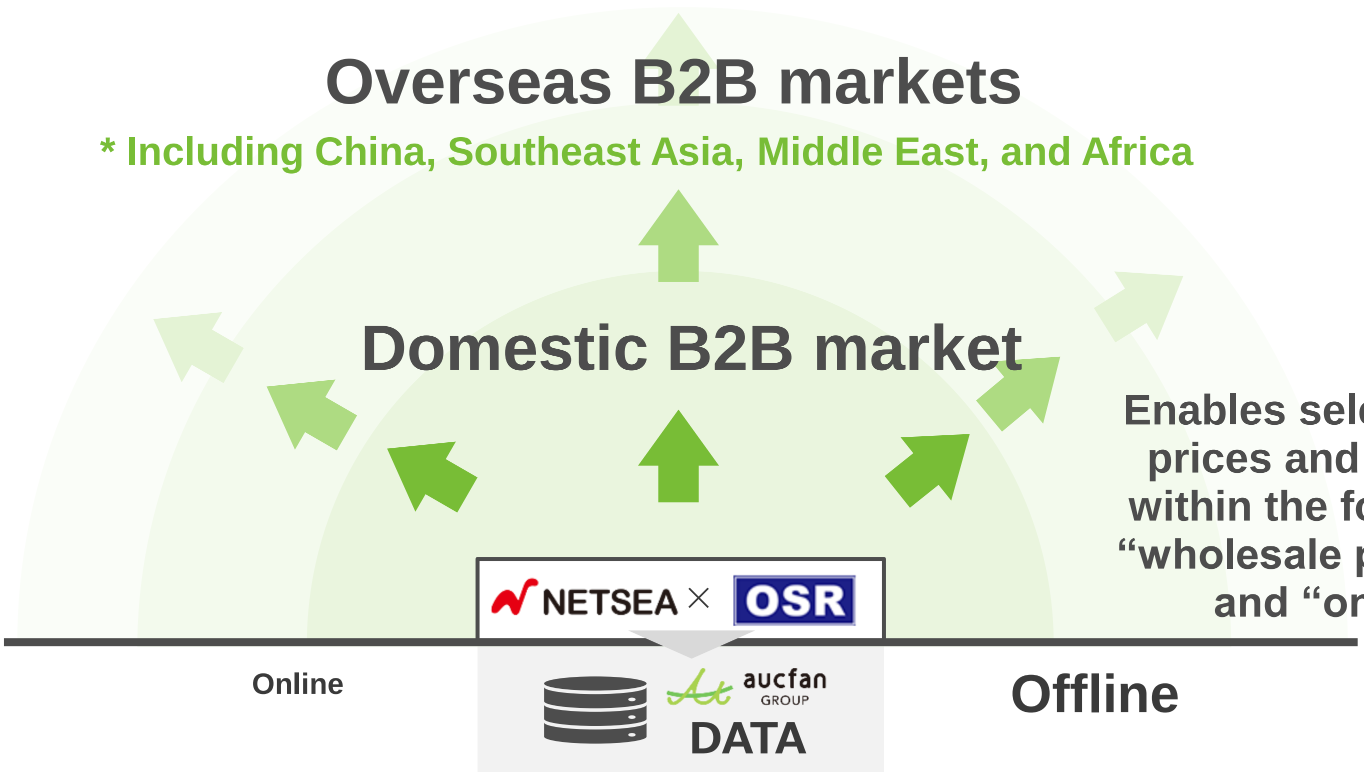
NETSEA	No. 1 platform for overseas x offline x online wholesale distribution
NETSEA Auction	Become No. 1 redistribution company for returned goods and slow-moving inventory
aucfan	Become one of Japan's largest media for SMBs

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

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

Until FY09/21

Main 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
OSR

Inventory Management Solution

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

Advertising operation service

Management & Others

Withdrawn and other businesses

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

Incubation

Service Details

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 — Provides cloud services → Individual and SMB customers

Individual and SMB customers — Pays monthly fees (for paid service use) → The Company

* See next page for paid service

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

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, 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

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)

Service Details

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 December 2022

Business model

Suppliers

Manufacturers and wholesalers

Provides a wholesale venue (opportunities for wholesale aimed at buyers)

Pays monthly fees and contract commissions

NETSEA

The Company

Provides a purchasing venue

Buyers

Customers of online shops and retail stores

*1 The NETSEA Prime service charges fees

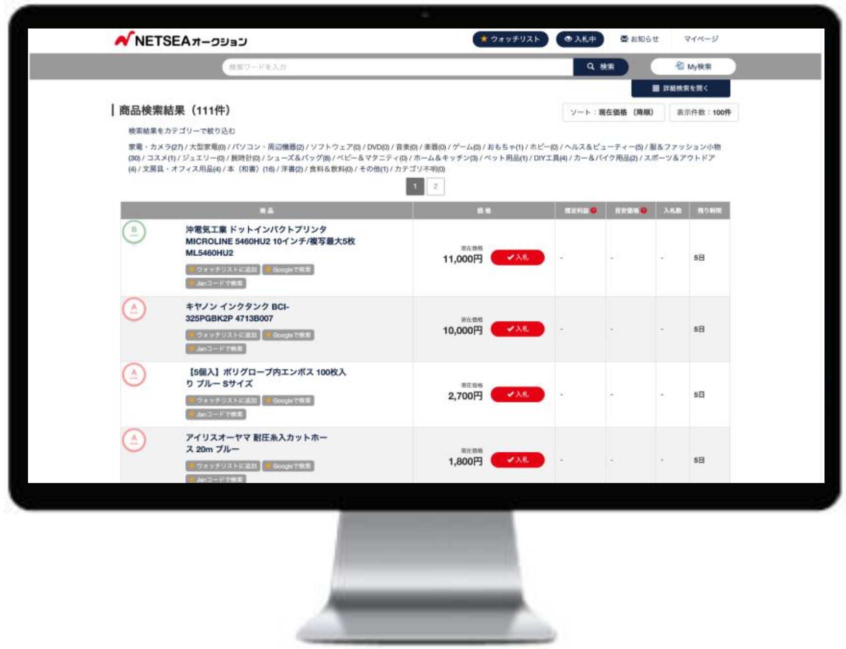
Service Details

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

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 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)

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 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 12 of the presentation material

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 CO_2 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

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 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