Financial Results

Q1 FY09/24

Aucfan Co., Ltd. <3674>
Feb 14, 2024

Q1 Financial Results: Executive Summary

<Consolidated results>

Consolidated net sales and gross profit were flat YoY

Operating profit and net income improved

(Operating profit: +41 million yen YoY, net income: +194 million yen YoY)

<Overseas business>

Concluded a **strategic partnership agreement** with **Sinomach Hainan Development Co., Ltd.**, a group company of **Sinomach Group**, a major Chinese conglomerate

*1　CAGR：compound average growth rateの略。年平均成長率

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1 Financial Highlights in Q1 FY09/24

Consolidated Results: Highlights

Operating profit grew due mainly to sales of operational investment securities

(Millions of yen)	Q1 results		
	FY09/23	FY09/24	YoY
GMV	3,575	**3,295**	92%
Net sales	1,179	**1,116**	95%
-Solutions	707	633	90%
-Platform	553	424	77%
-Incubation	5	109	2,013%
-Administrative division, consolidated adjustments	-86	-50	-
Gross profit	579	**576**	99%
-Solutions	296	247	84%
-Platform	324	293	90%
-Incubation	3	87	2,657%
-Administrative division, consolidated adjustments	-44	-51	-
Operating profit	4	**45**	1,062%
-Solutions	156	122	78%
-Platform	20	21	105%
-Incubation	-31	8	-
-Administrative division, consolidated adjustments	-141	-107	-
Recurring profit	3	**30**	837%
Net income	-168	**26**	-

【Factors behind YoY change】

- Shift in growth strategy to focus on the overseas market, and **concentration on cost-effective promotions** for a domestic business NETSEA
- **Decline in the dealings of returned goods from major suppliers** at Netsea Auction

■Solutions business
- Lower sales due to a **decline in the number of courses offered** as a result of business plan reassessment for Goodsellers, a side business support service

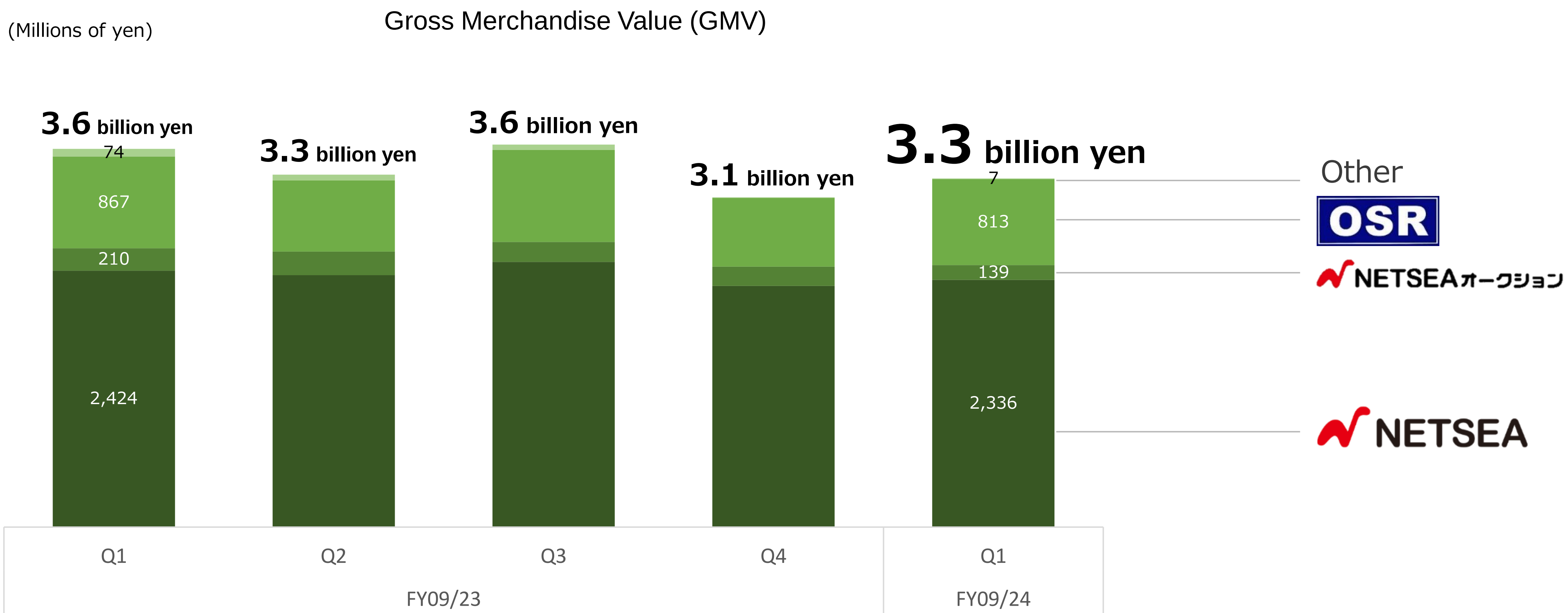
■Incubation business
- Sales growth due to **sales of operational investment securities**

■Existing businesses (Solutions, Platform, and administrative division)
- **Operating profit grew in existing businesses, excluding Incubation**

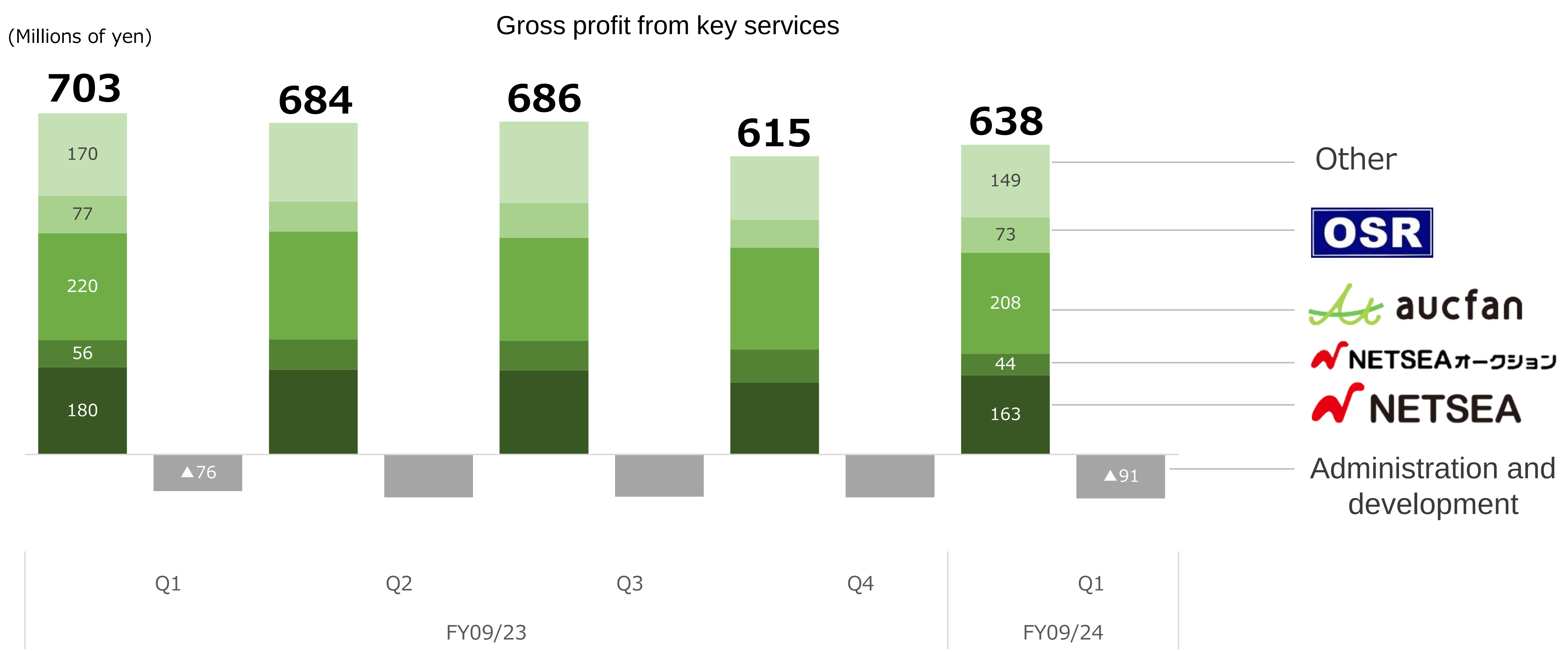
■Incubation business
- **Despite income from sales of operational investment securities, incurred upfront expenses in the overseas business**

- Booked foreign exchange losses under non-operating expenses
- **Net income turned into the black**

Shifted the focus of growth strategy to the overseas business
GMV in the domestic business was flat YoY, owing to improved promotional efficiency



Gross profit was largely flat YoY



2 Progress versus Consolidated Earnings Forecast

Consolidated Earnings Forecast for FY09/24

Progress was in line with forecast, including upfront investments in the overseas business

(millions of yen)	FY09/24 Forecast	Q1 results	Progress
GMV	15,500	**3,295**	21%
Net sales	5,330	**1,116**	21%
-Solutions	2,800	633	23%
-Platform	2,100	424	20%
-Incubation	730	109	15%
-Administrative division, consolidated adjustments	-300	-50	-
Gross profit	2,630	**576**	22%
-Solutions	1,100	247	22%
-Platform	1,300	293	23%
-Incubation	580	87	15%
-Administrative division, consolidated adjustments	-350	-51	-
Operating profit	350	**45**	13%
-Solutions	600	122	20%
-Platform	150	21	14%
-Incubation	30	8	29%
-Administrative division, consolidated adjustments	-430	-107	-
Recurring profit	345	**30**	9%
Net income	200	**26**	13%

Domestic Business Topics

Solutions

aucfan

- Media publishing original articles continued to grow, with access count growing 110% YoY

オークファンロボ

- Began collaborating with Yahoo! Shopping for the use of DropBot, an RPA tool for e-commerce operators
- Certified as an IT introduction support business operator

good sellers

- Stepped up efforts to refer Amacode users to the good sellers school, leading to curtailed advertising expenses and higher sales

Platform

NETSEA

- Released a smartphone app

- Optimized advertising and promotional expenses

  Focused on cost-effective promotions and improved the earnings structure

- Revamped functionality to improve usability
  - Simplified transaction applications
  - Extracted CSV by buyer, etc.

Expand into overseas markets centered in China, in the four axes of online, offline, import, and export

3 Topics

With 4 axes: online, offline, import, and export project in progress

Online

①NETSEA CHINA（奈特喜）
+
List NETSEA CHINA products on chinagoods.com operated by Yiwu Market

Topic P14

③Have Yiwu suppliers open stores on Japan's NETSEA

Japan→China

②Have Japanese suppliers open stores in Yiwu Market
"Yiwu Japan Pavilion"

Topic P15

④Have Yiwu suppliers exhibit in Japan's trade shows
Preparing to open
"Japan Tokyo Yiwu Selection"

Topic P16

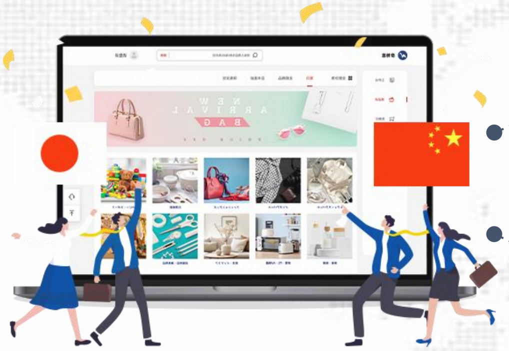
China→Japan

Offline

Listed merchandise steadily increased

A platform that allows **manufacturers to enter the Chinese market directly**, **easily**, and **at low cost**

Japanese manufacturers



NETSEA CHINA

URL: https://www.netsea.jp/nsc_business

Initial monthly fee starts from 0 yen

Additions

Offline

Yiwu Market Japan Pavilion

No. of buyers visiting from all over the world
200,000/day

KOL

×

Online

Chinese buyers

Over 130,000 companies

Chinese e-commerce site

TMALL 理想生活上天猫

Coming soon

Coming soon

Payment
易宝支付 YEEPAY.COM

Logistics
CAINIAO 菜鸟

Notes: Commissions start from 10%
After the first six months, 20,000 yen+ per month

Japan Pavilion slated to open in Yiwu Market

■ Yiwu Market, where the world's merchandise gathers

■ Image of Yiwu Japan Pavilion

Note: Above is simply an image of a design proposal for Japan Pavilion at the planning stage.
The layout of the actual facility will significantly differ from the image.

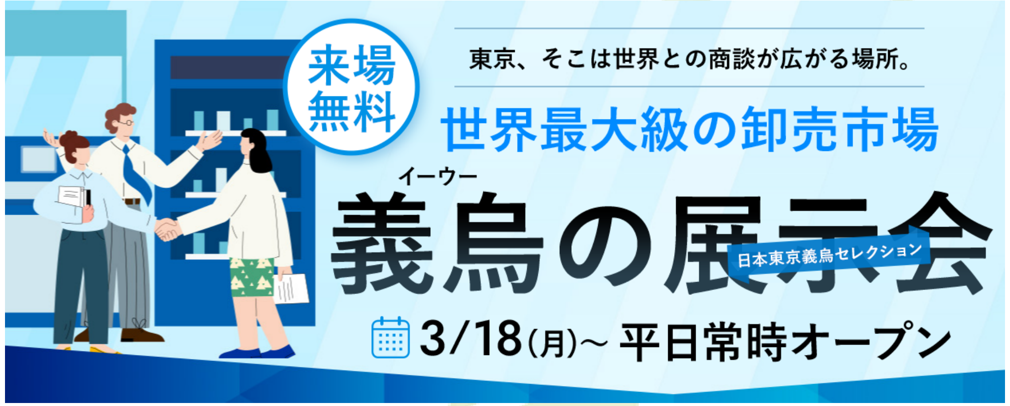
Japan Tokyo Yiwu Selection scheduled to open in Bakurocho in March 2024

Chinese suppliers

浙江中國小商品城集團股份有限公司
ZHEJIANG CHINA COMMODITIES CITY GROUP CO.,LTD.

Store opening

Japan Tokyo Yiwu Selection (Nihonbashi Bakurocho)



- POINT 01: Japanese buyers can negotiate with Chinese manufacturers
- POINT 02: Transactions take place through an intermediary for security
- POINT 03: Dedicated staff for Japanese buyers support business negotiations
- POINT 04: Buyers and suppliers can have business negotiations while looking at actual merchandise
- POINT 05: OEM negotiations are also possible at the site
- POINT 06: Admissions are free

Overseas Business: Partnership with Sinomach Hainan 1

Entered into a strategic partnership agreement with Sinomach Hainan Development Co., Ltd., a group company of China National Machinery Industry Corporation (Sinomach Group), a major Chinese conglomerate

Company name	Sinomach Hainan Development Co., Ltd.
Representative	Jibo Cai
Address	Zone A, Floor 7, Joint Inspection Building, Haikou Integrated Free Trade Zone, Hainan Province

China National Machinery Industry Corporation (Sinomach Group) is a major Chinese conglomerate and a Fortune Global 500 enterprise leading China's machinery industry, with over 120,000 employees and over 360 overseas locations in more than 100 countries and regions. Its business spans a range of industries, including machinery, energy, and transportation, among others. Sinomach Group reported total assets of 355.7 billion yuan (7,363 billion yen) and operating profit of 343.0 billion yuan (7,118.7 billion yen)*.

Sinomach Hainan Development, a group company of Sinomach Group headquartered in Hainan, is engaged in building a free trade network.

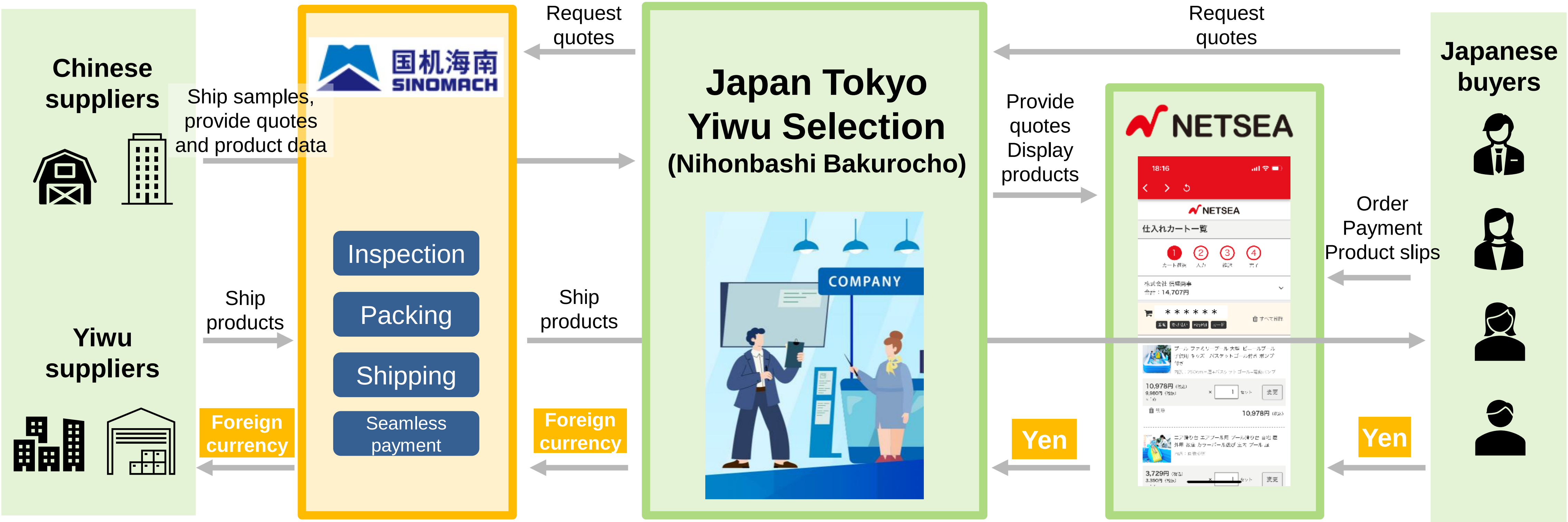
Assessing various joint initiatives in the overseas business overall

Note: Based on "Key Financial Information for FY2022" (https://www.sinomach.com.cn/xxgk/zycwxx/202310/t20231019_424356.html) on the Sinomach Group's homepage. Calculated using an exchange rate of 20.7 yen/yuan.

Overseas Business: Partnership with Sinomach Hainan 2

Launched the first joint initiative at Japan Tokyo Yiwu Selection
Sinomach Hainan supports product inspection, packaging, shipping, and seamless payment
Japanese buyers can engage in transactions with peace of mind

■ **Joint initiatives with Sinomach Hainan through Japan Tokyo Yiwu Selection**



Re-Infra Company

aucfan

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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

VISION

VISION		Re.X
STRATEGY		Re-Distribution Infrastructure
STRENGTH		Re.
VALUE		**A**ppreciate **U**niqueness **C**hallenge **F**un **A**gility **N**ew way
WE-DENTITY		We Are Appreciators!
IDENTITY		Re-Infra Company

VISION
STRATEGY
STRENGTH
VALUE
WE-DENTITY
IDENTITY

Re-Infra Company

Building “Once Again” (RE):
Reuse, Resale, Revalue, Reverse, Recover, Reduce, Rebalance, and Reconstruct.
We re-examine the value of things before us, rather than creating something new from zero.
Aucfan is a company that builds the one and only distribution infrastructure
that integrates various “REs” of society.

VISION

STRATEGY

STRENGTH

VALUE

WE-DENTITY

IDENTITY

We Are Appreciators!

We define small businesses and sole proprietorships, our customers, as “appreciators.”
The word “appreciate” means to “recognize and acknowledge the true value of, be thankful for, enjoy in awe, increase in value or price, or purchase.”
Hence, appreciators refer to those who can discover true value and be thankful for the value they find.
Much undiscovered value remains buried in this world.
We, as appreciators, aim to bring to light the value of people, society, and things, and create a circular, recycling society.

*“We” here refers to clients, suppliers, buyers, and the Company members.

Appreciate ……「先見性」

Uniqueness ……「独自性」

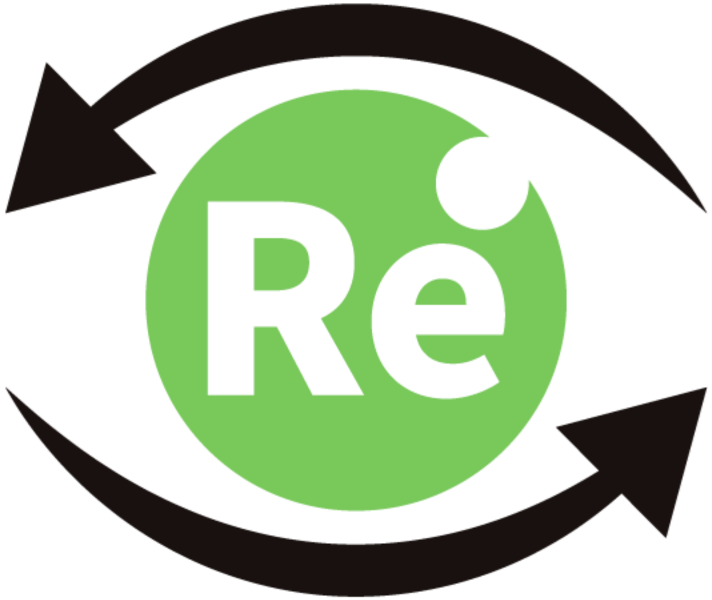
Challenge ……「挑戦」

Fun ……「達成感」

Agility ……「速度」

New way ……「変化」

Senri
(long distance)



Kouri
(public benefits)

Douri
(reason)

To build truly circular infrastructure, we look a thousand miles ahead, respect reason, and produce public benefits.

VISION

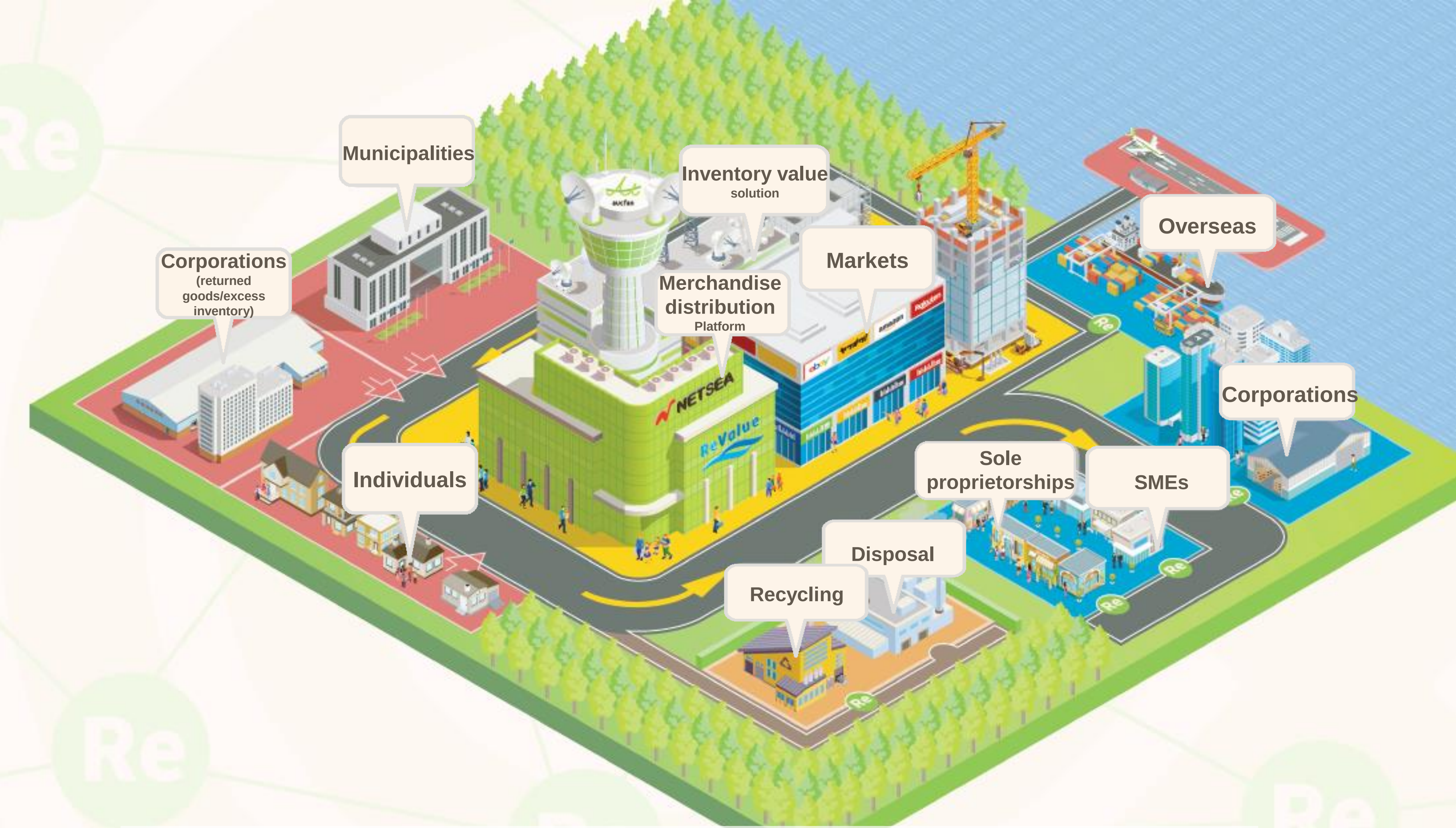
STRATEGY

STRENGTH

VALUE

WE-DENTITY

IDENTITY



We build a re-distribution infrastructure of goods, including those overseas.
Within the infrastructure, appreciators play an active role and achieve self-actualization.
This will result in the realization of an "all-well" world where individuals, companies, goods, and society circulate smoothly.

VISION

STRATEGY

STRENGTH

VALUE

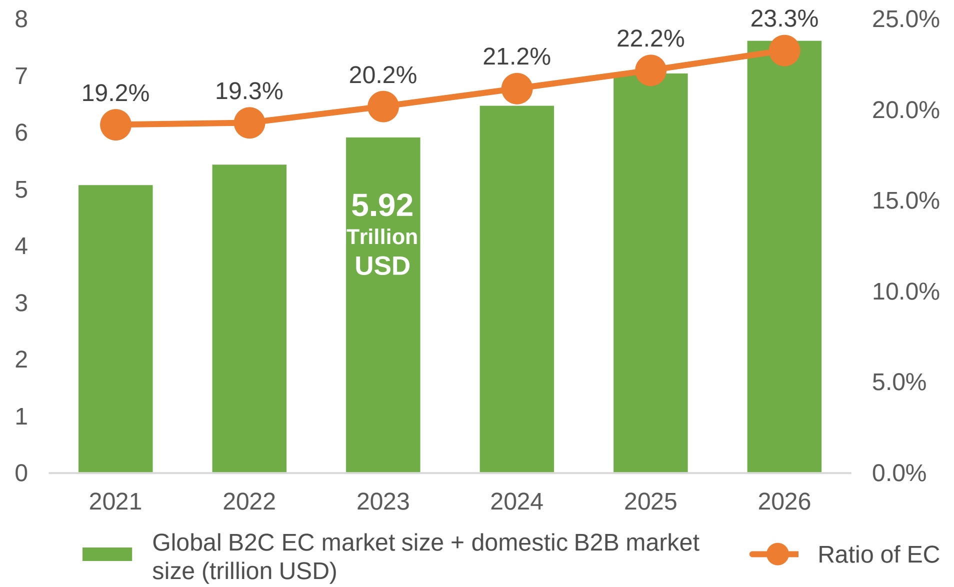
WE-DENTITY

IDENTITY

We will build “Re” infrastructure that can support the transformation of
the world into a re-circulating society, which is the way it should be.
The purpose of all Aucfan’s businesses is to Re-transform (“Re. X”) the earth with appreciators.

B2B wholesale market, including overseas markets, is worth 3,000 trillion yen

Global B2C market scale*1



Global B2B wholesale market scale

Size of the domestic B2C e-commerce market (merchandise sales)*2
14 trillion yen

Size of the domestic B2B wholesale market
300 trillion yen

Size of the global B2C e-commerce market*2
5.92 trillion US dollars
≒Approx. 124 trillion yen

Size of the global B2B wholesale market
Trillions of yen*3

*1 From E-Commerce Market Survey (https://www.meti.go.jp/press/2023/08/20230831002/20230831002-1.pdf) conducted by the Ministry of Economy, Trade and Industry and released on August 31, 2023, p. 102, "Figure 7.4: Global B2C e-commerce market size (unit: trillion of US dollars)
*2 Same as above, p. 32, "Figure 4.3: B2C e-commerce market size in merchandise sales
*3 The Company estimated the global B2C market size, based on the size comparison of the domestic B2C e-commerce market and the domestic B2B wholesale market

Revised classification in financial results briefing materials to clarify figures for each business segment

FY09/23

Core businesses

Inventory Management Solution

aucfan

Amacode

good sellers

タテンポガイド

オークファンロボ

Ad operation, development, etc.

Merchandise Distribution Platform

NETSEA

NETSEAオークション

OSR

Administrative division, consolidation adjustments

Incubation

- **Investment**
- **Incubation (new business)**

FY09/24

Solutions

aucfan

Amacode

オークファンロボ

good sellers

Ad operation, development, etc.

タテンポガイド

Platform

NETSEA

NETSEAオークション

OSR

Domestic Business

Incubation

- **Investment**
- **Incubation (new business)**
- **Overseas business**

Includes overseas business

Administrative division, consolidation adjustments

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

Solutions

ARR*1
(billing amount)

Number of accounts
×
Annual billing amount

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

Solutions

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 December 2023

Business model

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)

Service Details

Platform

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 2023

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

Platform

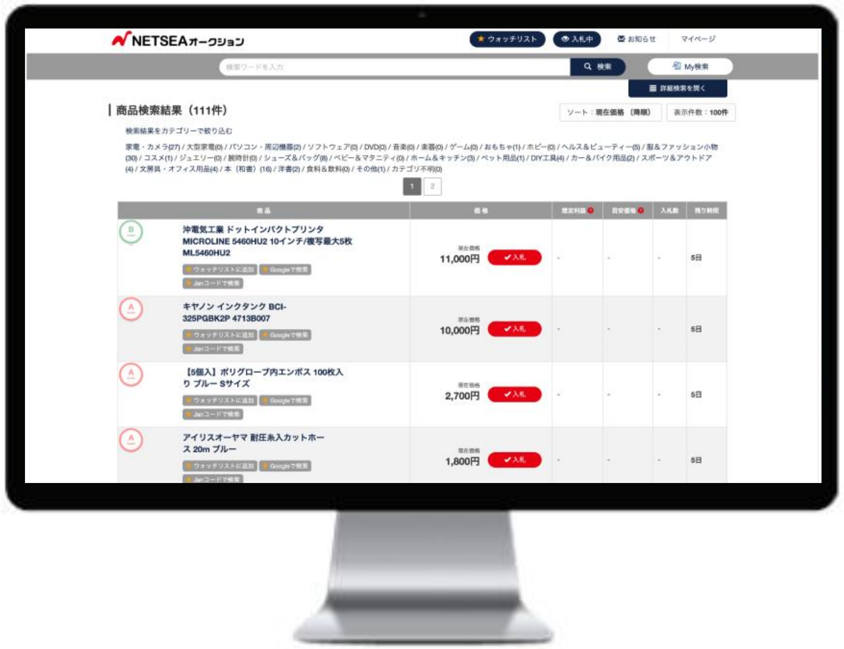
NETSEA Auction
NETSEA Bulk Mall

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

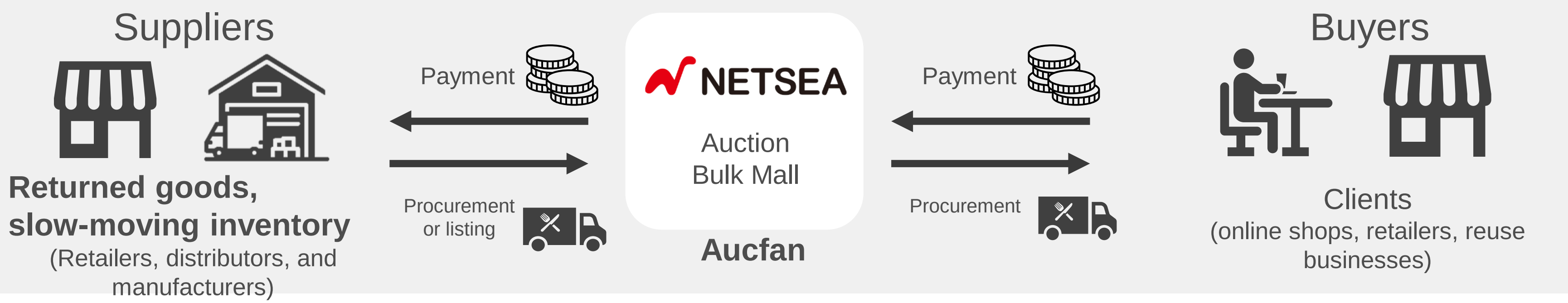
We purchase slow-moving inventory from manufacturers and retailers and sell it to recycling businesses and sole proprietors through our members-only closed community websites, NETSEA Auction and NETSEA Bulk Mall. Additionally, we provide comprehensive support for a range of e-commerce business operations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



Service Details

Platform

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

* Note: As of December 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, 2023)
*Number of employees on a consolidated basis
(excl. part-time)

Head office