

Financial Results

Q3 FY09/24

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



Q3 Financial Results: Executive Summary



<Consolidated results>

- Consolidated net sales and gross profit were in line with forecast
- Operating profit of **286 million yen** (progress rate of **82%**) and net income of **210 million yen** (progress rate of **105%**) were strong, but **no changes to the forecast considering upfront expenses in the overseas business**



<Overseas business>

Japan's first national pavilion, the **“Yiwu Japan Pavilion”** **officially opens** in Yiwu Market



<Shareholder Returns>

Resumed the Shareholder Benefits Plan

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aucfan

1 Financial Highlights in Q3 FY09/24

Consolidated Results: Highlights

Selection and concentration of existing businesses:
Net sales declined due to aggressive investment in the overseas business,
but results were in line with the forecast *See pg. 9

(Millions of yen)	Cumulative Q3 results		
	FY09/23	FY09/24	YoY
GMV (Gross Merchandise Value)	10,521	9,505	90%
Net sales	4,048	3,626	90%
-Solutions	2,093	1,929	92%
-Platform	1,653	1,270	77%
-Incubation	437	507	116%
-Administrative division, consolidated adjustments	▲135	▲80	-
Gross profit	2,055	2,037	99%
-Solutions	850	756	89%
-Platform	951	961	101%
-Incubation	275	461	168%
-Administrative division, consolidated adjustments	▲22	▲142	-
Operating profit	358	286	80%
-Solutions	459	378	82%
-Platform	▲44	83	-
-Incubation	257	132	51%
-Administrative division, consolidated adjustments	▲312	▲308	-
Recurring profit	383	311	81%
Net income	51	210	411%

【Factors behind YoY change】

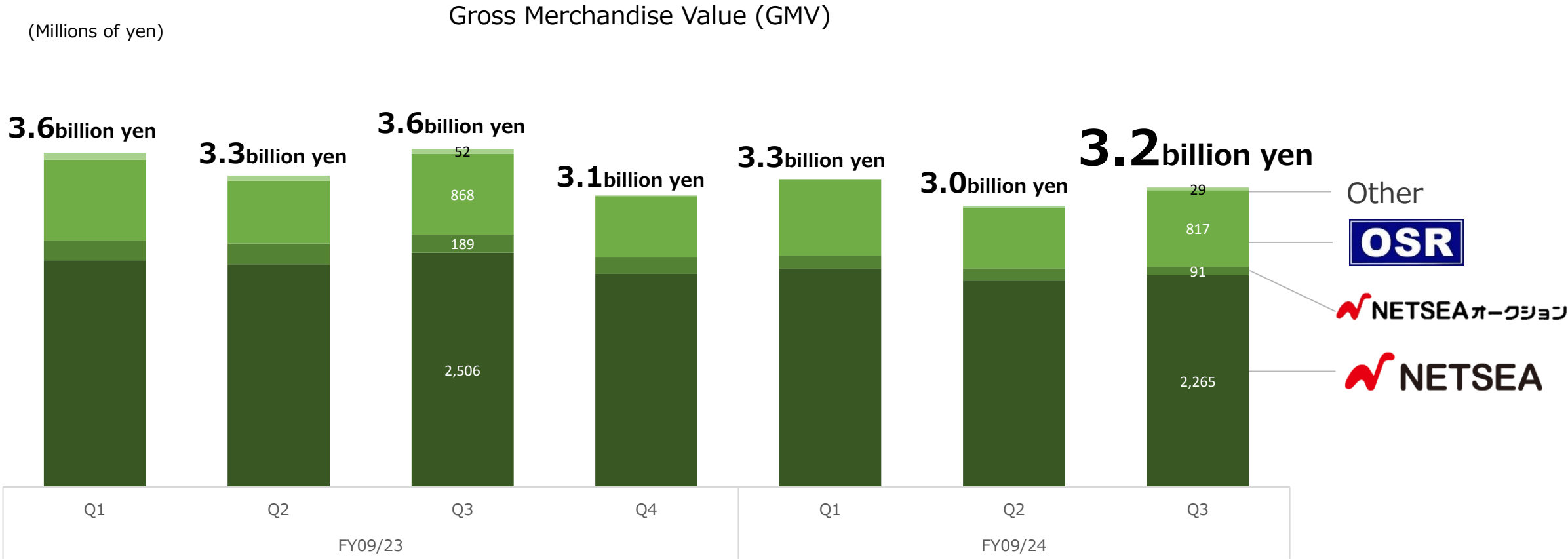
• Shift in growth strategy to focus on overseas business, and concentration on cost-effective promotions for a domestic business NETSEA

- 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
 - Decrease in billing sales due to **change in settlement rules for international brands of credit cards** on “aucfan.com”, etc.
- Platform business
 - Sales fell as **returns from major suppliers declined** at NETSEA auctions*2
 - Commission fee income increased for NETSEA as a result of a **revision of distribution commissions** (from Q1)
- Incubation business
 - Higher sales thanks to **sales of operational investment securities**

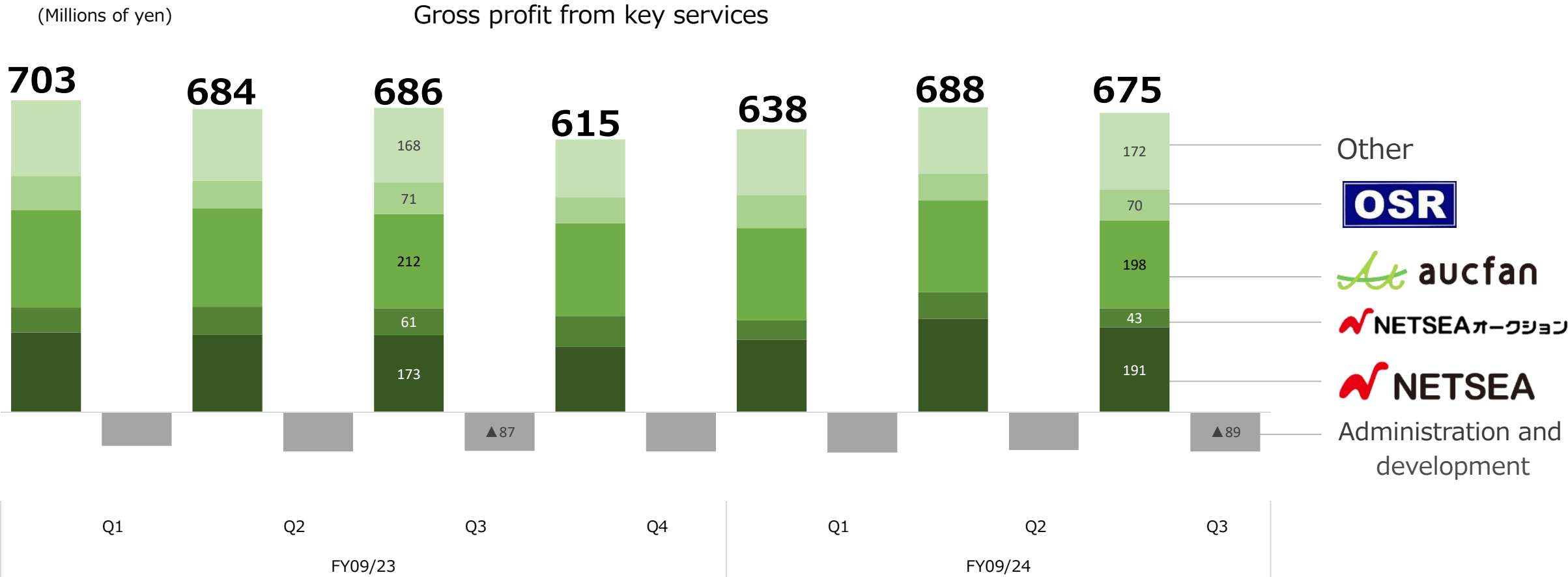
- Platform business
 - **Improved operating profit owing mainly to greater promotional efficiency**
- Incubation business
 - Operating profit decreased due to **upfront expenditures for the overseas business (personnel and system development expenses)**

• Significant improvement in net income

GMV in the domestic business was flat YoY despite efforts to curb promotion expenses
 Worked to expand the overseas business as a growth strategy



Gross profit was largely flat YoY





2 Progress versus Consolidated Earnings Forecast

Consolidated Earnings Forecast for FY09/24

Progress was largely in line with the forecast
No changes to the forecast, considering upfront expenses

(millions of yen)	FY09/24 Forecast	Q3 results	Progress
GMV	15,500	9,505	61%
Net sales	5,330	3,626	68%
-Solutions	2,800	1,929	69%
-Platform	2,100	1,270	60%
-Incubation	730	507	69%
-Administrative division, consolidated adjustments	▲300	▲80	-
Gross profit	2,630	2,037	77%
-Solutions	1,100	756	69%
-Platform	1,300	961	74%
-Incubation	580	461	80%
-Administrative division, consolidated adjustments	▲350	▲142	-
Operating profit	350	286	82%
-Solutions	600	378	63%
-Platform	150	83	56%
-Incubation	30	132	440%
-Administrative division, consolidated adjustments	▲430	▲308	-
Recurring profit	345	311	90%
Net income	200	210	105%





Shareholder benefits

Resumed the Shareholder Benefits Plan terminated in FY09/23

Eligible shareholders

Shareholders holding three units (300 shares) or more of the Company’s stock as recorded in the shareholder registry as of the record date of September 30 of each year

Overview of shareholder benefits

The Company will gift a **QUO Card***1 equivalent to the amount listed below, in accordance with the number of shares held and the holding period, upon shareholders’ request.

Number of shares held	Held for less than one year	Held for one year or more
300 shares or more	800 yen	1,200 yen
500 shares or more	2,500 yen	4,000 yen
1,000 shares or more	6,000 yen	9,000 yen

Gift period

Scheduled for December each year



*1: We plan to present it as a digital gift, “QUO Card Pay.”

Dividends

We continue considering paying dividends, taking into account the market environment surrounding the Company and the global situation.





Improved and strengthened existing services in line with our policy of continuous YoY growth

Solutions

aucfan

-  Revised aucfan premium membership fees in accordance with enhanced membership features
-  Added Mercari to our searchable online shopping sites
-  Added Mercari to aucfan search alerts, enabling automatic product search and listing status check

-  Added Mercari to our online shopping sites

Platform

NETSEA

-  Expanded the product data download function, and linked the service with **Sagakuoh**, an automatic product research tool, of the Solutions business
-  Have Yiwu suppliers open stores on Japan's NETSEA
-  NETSEA Auction
-  Launched **Yahoo!Auction Trial**, an auction listing and purchase support services

aucfan partners

-  Held a disaster prevention exhibition (for buyers) in Matsuyama, Ehime Prefecture: 120 products were exhibited, and about 70 companies visited



Added Mercari, a leading online flea market platform in Japan, to aucfan.com's data on winning bids (past transaction data)



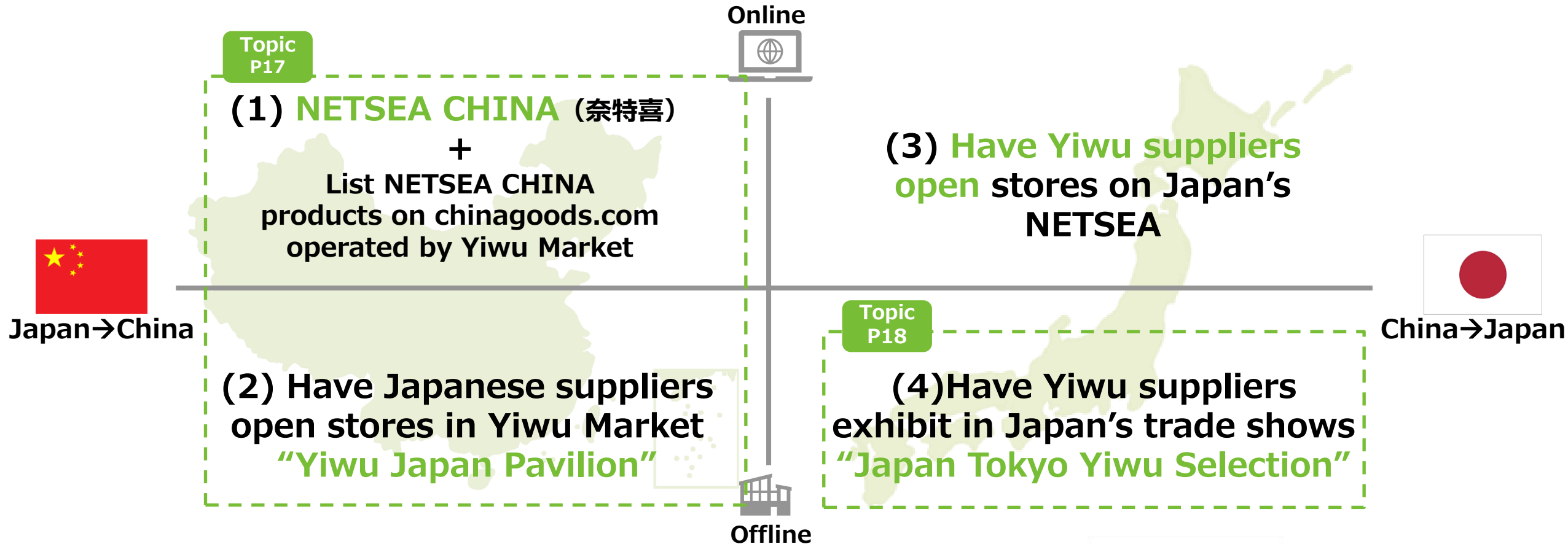


Revised aucfan premium membership fees in accordance with enhanced membership features

	Until June 30, 2024 (before revision)	From July 1, 2024 (after revision)
Available features and limits	• Bulk search by period (1,000 searches/month) • Bidding data download (20 downloads/month) • My product listing storage (up to 20 items)	• Bulk search by period (1,200 searches/month) • Bidding data download (1,000 downloads/month) • My product listing storage (up to 100 items)
Premium optional services	When users sign up for paid premium optional services, they can use the following services: • Bidding data download (unlimited) • My product listing storage (up to 100 items)	Premium membership services include: • Bidding data download (1,000 downloads/month) • My product listing storage (up to 100 items) Note: “Bidding data download” and “My product listing storage” are no longer available as optional services. “Listing template photo plus” is still available as a premium optional service for 524 yen (tax included) a month.
Monthly fee	998 yen (tax included)	2,200 yen (tax included)

Note: The Company has also revised fees for the aucfan lite membership. For details, please see <https://help.aucfan.com/hc/ja/articles/32988426298009> (in Japanese). Please refer to “IMPORTANT: Notice of monthly aucfan membership fee revisions.”





Affiliated partners



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

The “Yiwu Japan Pavilion,” Japan’s first national pavilion in the Yiwu Market, had a officially opening ceremony on August 8

【opening ceremony】

【Inside the store】



Orders linked to  NETSEA CHINA

Creating a distribution channel that integrates offline and online services



June 2024: Japan Tokyo Yiwu Selection

Held a top-level meeting with the Yiwu City Council and vice president of Yiwu Mall



Agreed to address the issues of “expanding the product lineup,” “increasing the recognition of exhibitions,” and “establishing a logistics system,” while strengthening collaboration

Accelerating global expansion, starting from China

Overseas B2B markets

Chinese B2B market

Domestic B2B market

Online



aucfan
GROUP
DATA

Offline

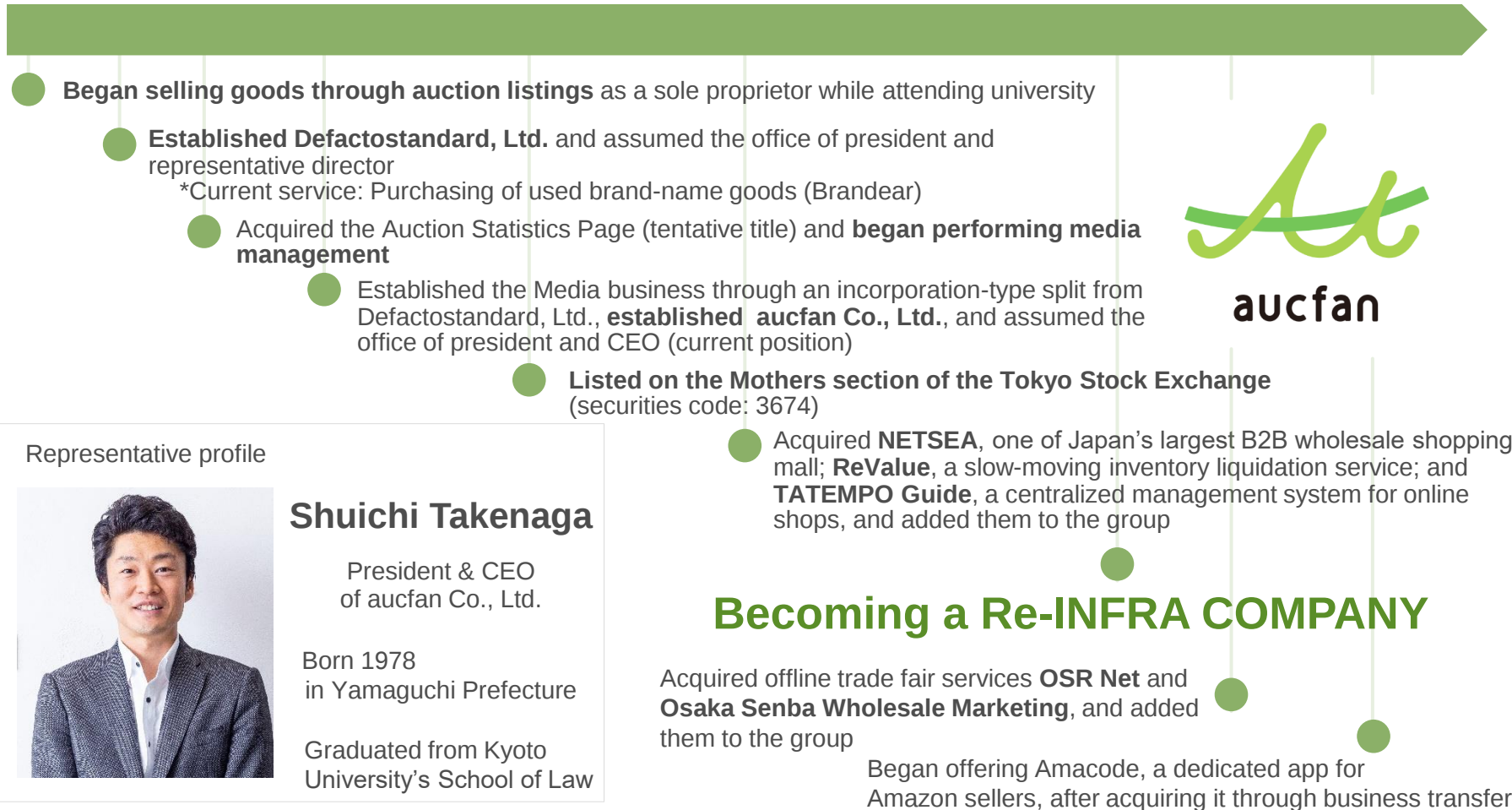
Re-Infra Company





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Consistent business development from university startup to present



VISION

Our Group has established the vision of “Re-transforming” (“Re.X”) the world, based on the identity of “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.

VISION

STRATEGY

STRENGTH

VALUE

WE-DENTITY

IDENTITY

Appreciate 「先見性」

Uniqueness 「独自性」

Challenge 「挑戦」

Fun 「達成感」

Agility 「速度」

New way 「変化」



VISION

STRATEGY

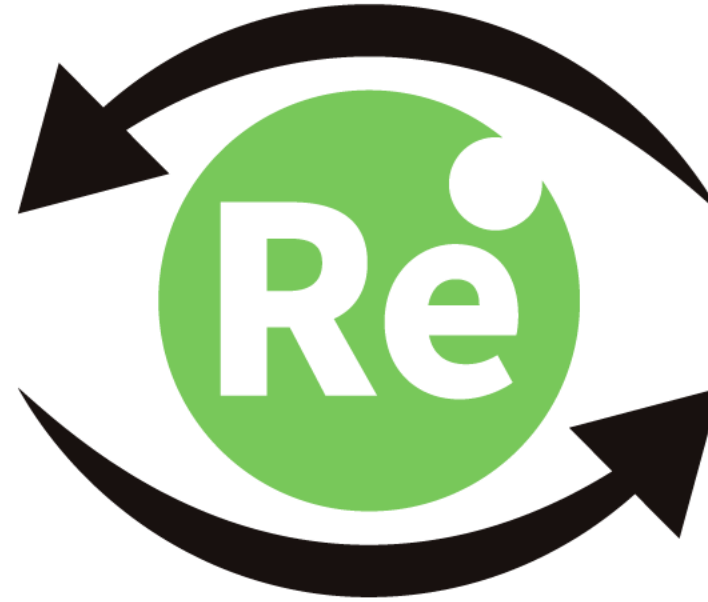
STRENGTH

VALUE

WE-DENTITY

IDENTITY

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

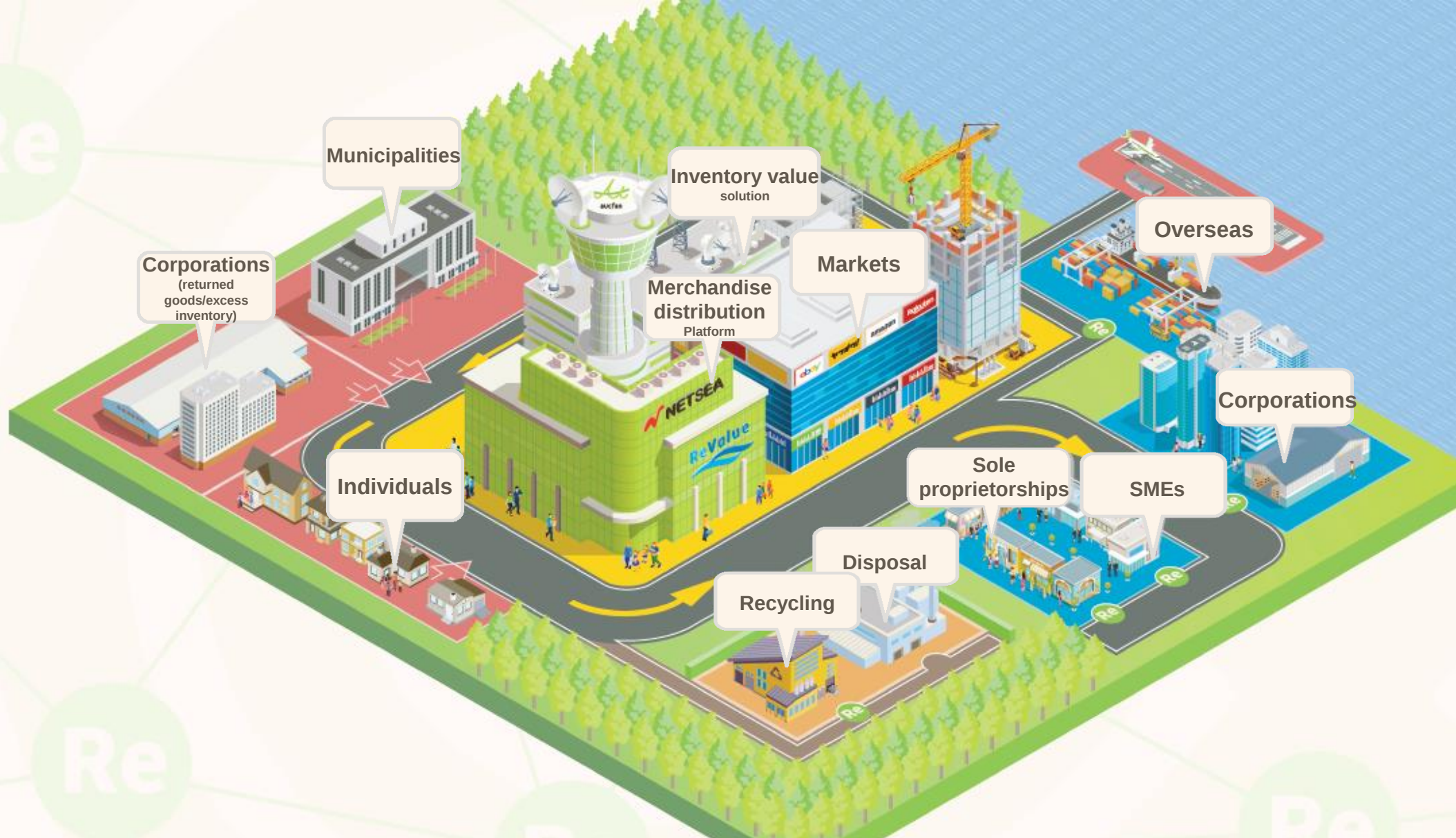
STRATEGY

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

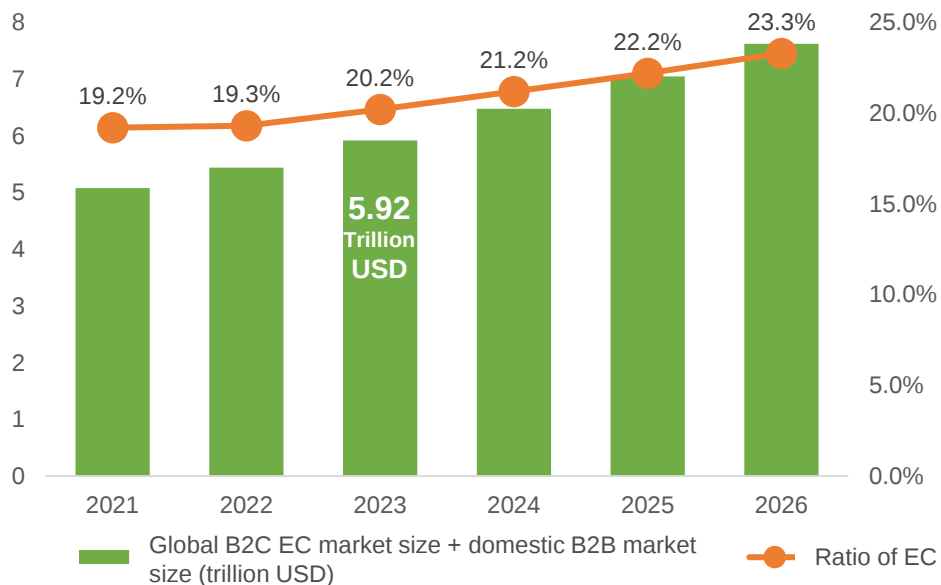
IDENTITY



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



*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

Business Segments

FY09/23

Core businesses

Inventory Management Solution

 aucfan



Amacode

good sellers

アテンボガイド



アドオペレーション

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

good sellers

アテンボガイド



アドオペレーション

Ad operation,
development, etc.

Platform

 NETSEA



NETSEAオークション

OSR

Incubation

- Investment
- Incubation (new business)
- Overseas business

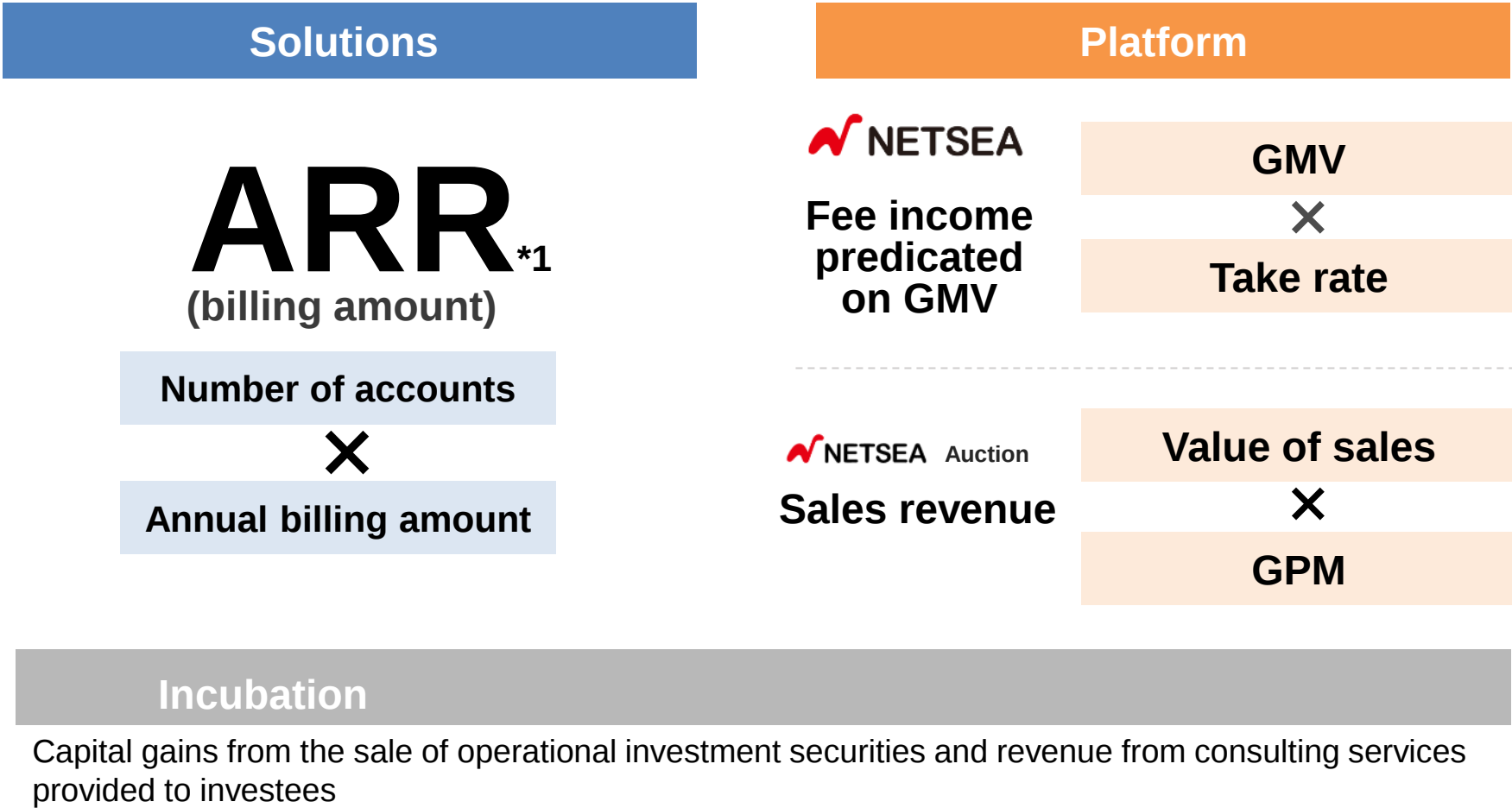
Administrative division,
consolidation adjustments

Domestic
Business

Includes
overseas
business



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



*1: Abbreviation for Annual Recurring Revenue.



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 2,000 yen (excluding tax) *From July 2024

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



Note: As of June 2024

Business model



The Company

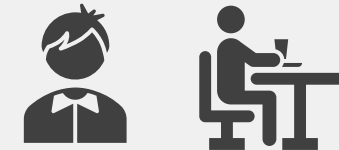


Provides cloud services



Pays monthly fees
 (for paid service use)

* See next page for paid service



Individual and SMB
 customers



Paid Services

aucfan Premium



Premium features to make better use of aucfan.com

Usage fees: 2,000 yen per month (excluding tax) *From July 2024

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



オ-クル-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





One of Japan's largest B2B
wholesale purchasing platforms

Usage fee: Suppliers: 20,000 yen monthly (excluding tax)
plus a contract commission of 8.5–10.5%

Buyers: **No fee**^{*1}

Features: About 500,000 registered buyer
companies
Annual distribution value of about 10
billion yen

Note: As of June 2024



Business model



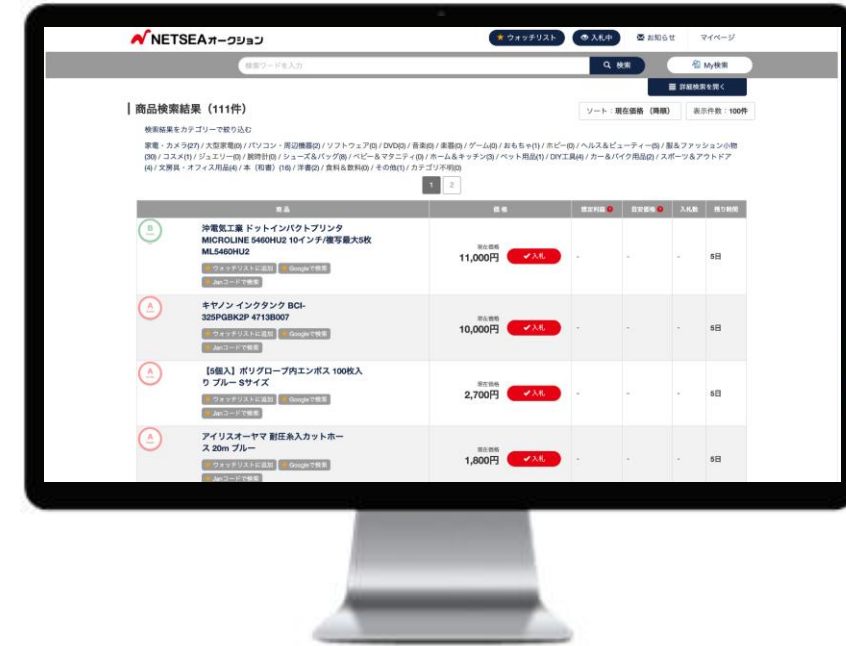
^{*1} The NETSEA Prime service charges fees

NETSEA Auction

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



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

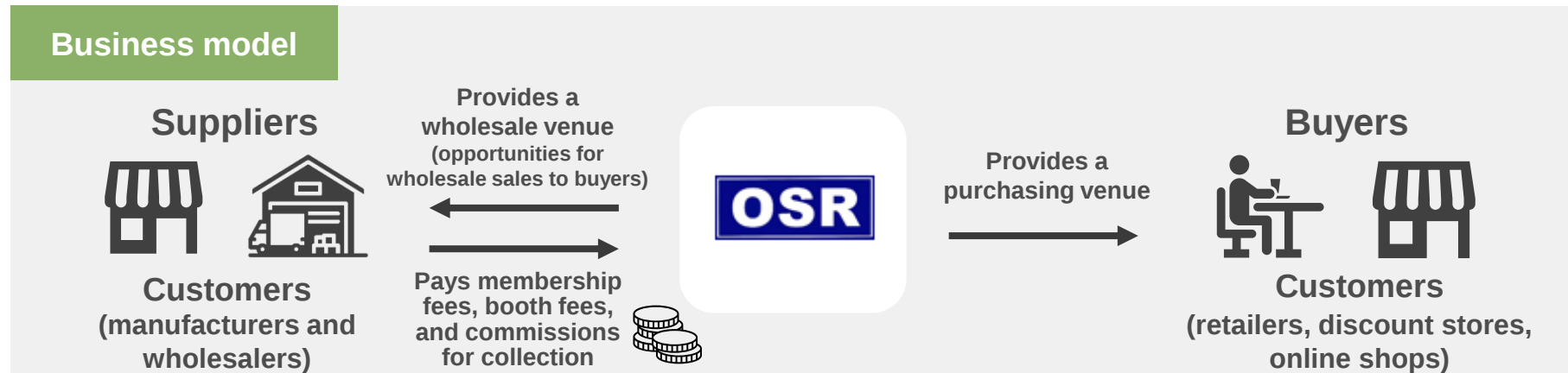
- Features: Holds trade fairs and provides opportunities for business negotiations on the first Sunday, Monday, and Tuesday, and the third Monday and Tuesday of each month

Annual GMV of approximately 3.0 billion yen

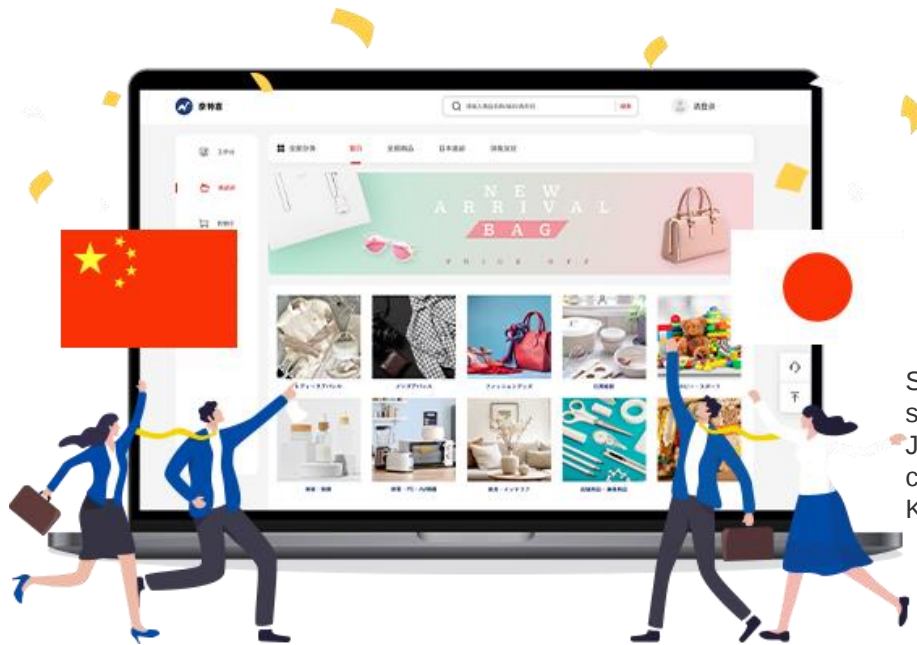
* Note: As of June 2024



Business model



NETSEA CHINA(奈特喜) (1)Overview



https://www.netsea.jp/nsc_business

An export service to China that enables domestic manufacturers to do business with Chinese buyers
without setting up a local business base

Sales channels & customer attraction



Supports everything from attracting to selling to Chinese buyers
Japanese manufacturers can utilize major cross-border e-commerce malls and KOLs*1

Settlement & payment



Enables foreign currency exchange from yuan to yen
Japanese manufacturers can receive payments in yen

Logistics



Thanks to the service's collaboration with Alibaba Group's Cainiao, Japanese manufacturers only need to ship to designated warehouses
*After manufacturers ship their products, Cainiao takes care of the rest

Various procedures



The service provides peace of mind, with the customs declarations manual and CS support system in place

Delivery guarantee



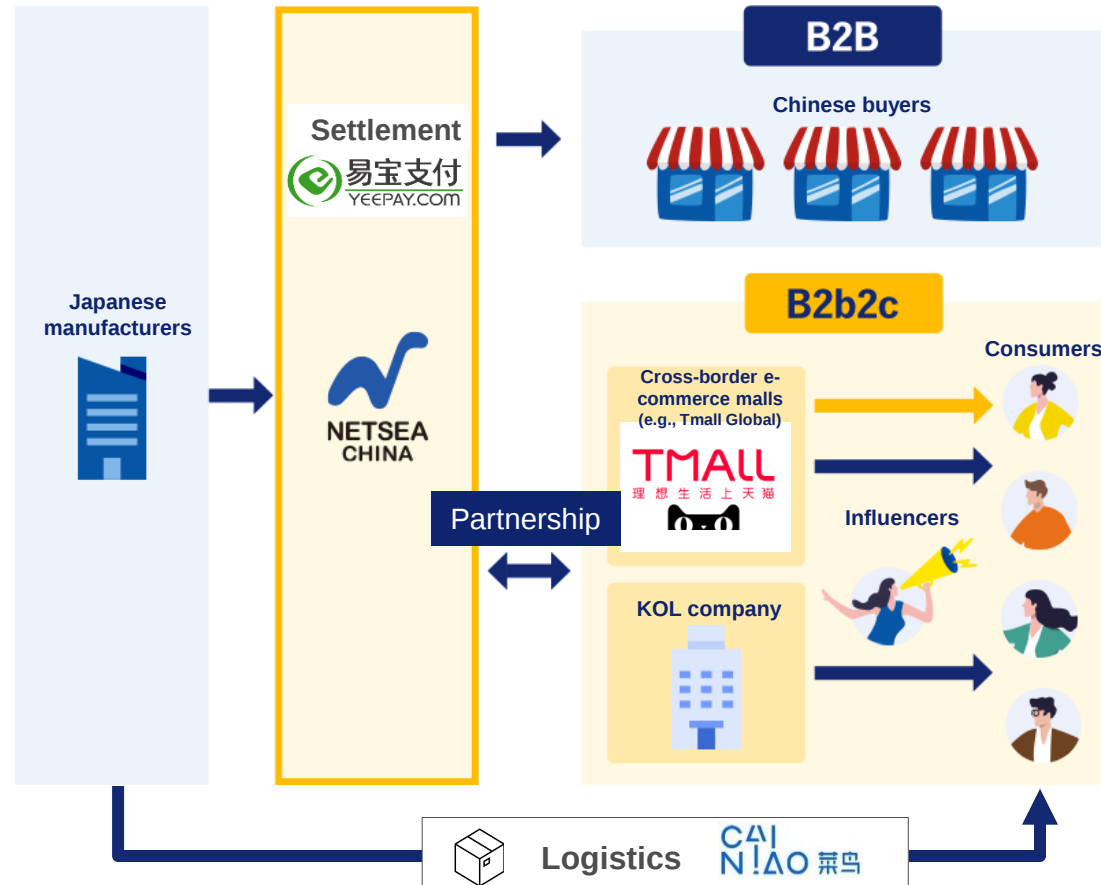
Cainiao guarantees delivery to destined buyers in China, after Japanese manufacturers ship products

*1 Key opinion leaders, referring to Chinese influencers.

NETSEA CHINA(奈特喜) (2)Scheme

Owing to the service's partnership with Alibaba's Cainiao and Tmall,
just by opening a store on NETSEA, Japanese suppliers

can sell to Chinese buyers and cross-border e-commerce malls



Logistics  **CAINIAO 菜鸟**

Thanks to the service's partnership with Cainiao, Japanese manufacturers only need to ship to designated warehouses
*After products are shipped, Cainiao handles the rest

Sales  **Tmall**

Due to the service's tie-up with Tmall, Japanese manufacturers can have their products automatically listed on the cross-border e-commerce mall; can also utilize KOLs

NETSEA CHINA(奈特喜) (3)Fees

For a packaged service including matching, order receipt, payment processing, trade operations, and logistics support

	General cross-border e-commerce malls	NETSEA CHINA
Initial fee	1.0–3.0 million yen	None
Annual/monthly fee	600,000–1.2 million yen/year	20,000 yen/ month → 0 yen for six months *1
Usage fee	Paid service	10% of transaction amount
Partnership with cross-border e-commerce malls	Need to list products separately for each cross-border e-commerce mall *Need to pay initial fee + annual fee for each cross-border e-commerce mall	Can link with various cross-border e-commerce malls on NETSEA CHINA *No linking fees
Contract period	One year	Six months
Product listing	Separately manage for each cross-border e-commerce mall	Centralized management on NETSEA CHINA
Order management		
Customs procedures		
Payment collection		

*1 Actual logistics costs and foreign currency exchange fees will be incurred separately.

NETSEA CHINA(奈特喜) (4) Integration of offline and online services

Expand opportunities to create distribution
by adopting this as an offline ordering tool



NETSEA CHINA(奈特喜) (5)Business Partnership

November 2023 : Signed a strategic partnership agreement
with China's major payment service provider, YeePay

Enabling seamless currency exchange from yuan to yen



Watch video message here:

<https://youtu.be/Nc1DoOM-4o8>

会社名	易宝支付有限公司
代表者	唐彬
設立	2003年7月
資本金	1億元 (約20億円)
所在地	中国北京市通州区新华北路55号2幢 四层228室

Japan Tokyo Yiwu Selection (1)Overview

Chinese suppliers

Store
opening



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



Japan Tokyo Yiwu Selection (Nihonbashi Bakurocho)

東京、そこは世界との商談が広がる場所。

来場無料

世界最大級の卸売市場

イーウー

義烏の展示会

日本東京義烏セレクション

3/18(月)～ 平日常時オープン

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

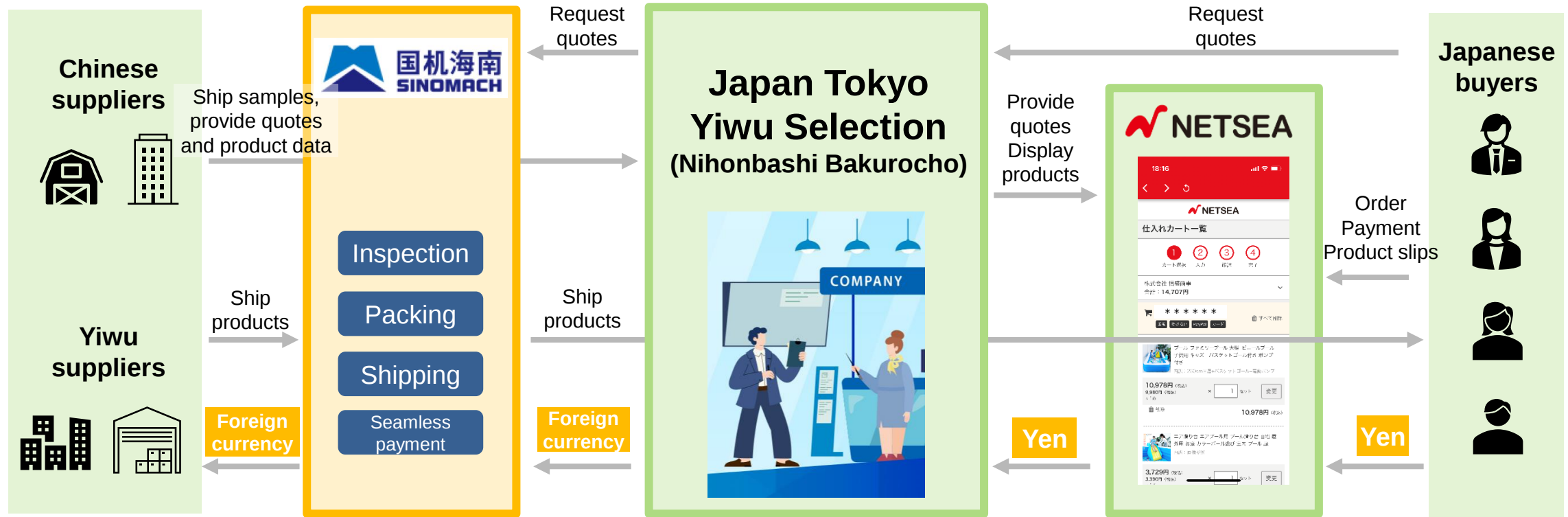
POINT

06

Admissions are free

Japan Tokyo Yiwu Selection (2)Scheme

■ Joint initiatives with Sinomach Hainan through Japan Tokyo Yiwu Selection



Sinomach Hainan supports product inspection, packaging, shipping, and seamless payment
Japanese buyers can engage in transactions with peace of mind

Japan Tokyo Yiwu Selection (3)Business Partnership 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.



Japan Tokyo Yiwu Selection (3)Business Partnership2

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



- 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

Company Profile

Company name

Aucfan Co., Ltd.

Location

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

Founded

June 2007

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

