Financial Results
FY09/19

Aucfan Co., Ltd. <3674>
November 14, 2019

FY09/19 Highlights

We achieved record **sales and profits for the 12th consecutive year**.
(Results came in short of our forecasts.)

We were undergoing a qualitative change into a **company that optimizes distribution**.
We defined our business model and made a new start.

FY09/19 Executive Summary

Financial results

Results came in short of our forecasts. However, we achieved record sales and profits for the 12th consecutive year.

Net sales reached **6,636 million yen** (+13% YoY, 89% of full-year forecast). Operating income amounted to **679 million yen** (+65% YoY, 87%* of full-year forecast).

Business progress

We made investments aimed at growth in FY09/20.

Existing businesses grew steadily and robustly. Profits made in the Incubation segment were used for business investments to **ensure sustained growth.**

Business model

We strengthened the Solution segment by introducing a new business model of serving as a "physician in charge of corporate inventory problems."

We made a fresh start as a **company that optimizes distribution,** instead of an auction price comparison, e-commerce, or inventory disposal company.

Note: Percentage based on the revised full-year forecast announced on May 15, 2019.

1 Financial Highlights in FY09/19

Financial Highlights

- Although short of our forecast, we achieved record sales and profits for the 12th consecutive year.

(Millions of yen)	Results (FY09/18)	Results (FY09/19)	Targets	Progress
Net sales	5,863	6,636 (+13.2%)	7,400	89.7%
Operating income	410	679 (+65.4%)	780	87.1%
Ordinary income	423	672 (+58.7%)	780	86.2%
Net income	223	327 (+46.1%)	500	65.4%

Targets and progress

Note: Figures in parentheses indicate YoY changes.

Business Domains and Key Services

Media

aucfan

aucfan Pro. Plus

aucfan SCHOOL

Sales
2,351mil.yen

Operating income
181mil.yen*

Marketplace

net price

Otameshi

NETSEA

ReValue

Sales
3,449mil.yen

Operating loss
65mil.yen

Solution

TATEMPO GUIDE Next タテンポガイド

zaicoban

Sales
266mil.yen

Operating income
14mil.yen

Incubation

aucfan

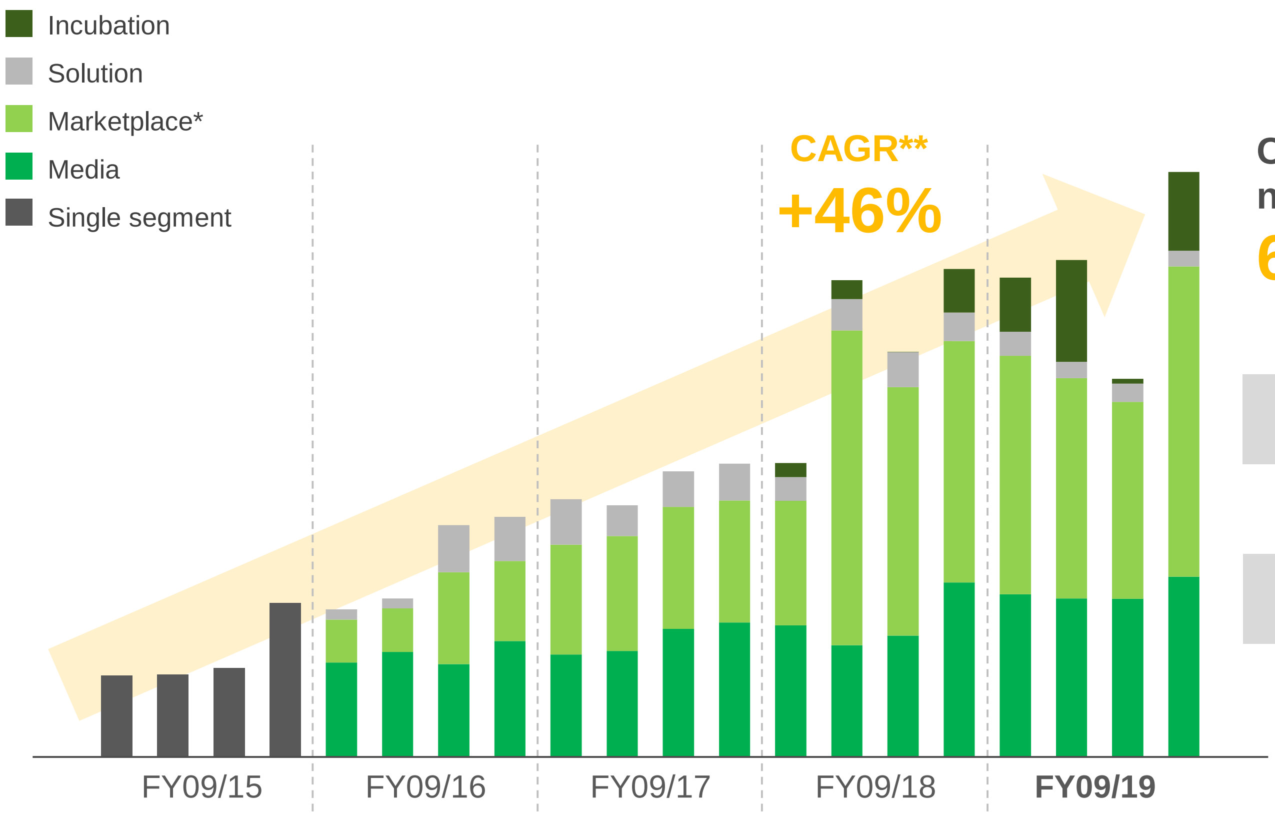
Sales
856mil.yen

Operating income
540mil.yen

*Including head office overhead

Consolidated Net Sales (Quarterly)

■ Cumulative net sales were 6,636 million yen (+13.2%YoY).



Consolidated net sales (Cum. Q4)
6,636 million yen

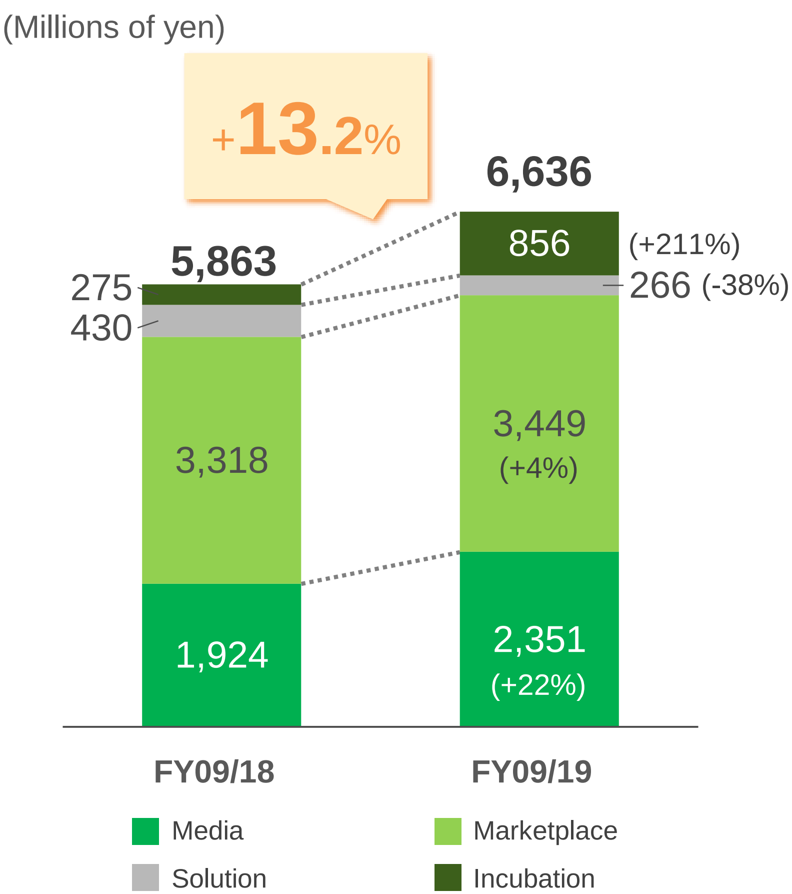
+13.2% YoY

+51.7% QoQ

Notes: * We use figures different from the segment figures disclosed in our quarterly securities report to more accurately represent business performance. (This mainly reflects the allocation of year-end adjustments booked collectively at end-FY09/18 to their respective quarters of occurrence.)
** Compound annual growth rate (CAGR) between FY09/15 and FY09/19

Performance by Segment: Net Sales

- **Net sales grew for the 12th straight year, with existing businesses as the main contributors.**



Incubation

- Steadily realized large earnings over the full year, mainly attributable to **venture stock IPOs** and **sale of overseas shares.**

Solution

- Sales declined due to the dropout of a contract development project booked in FY09/18, but earnings were stable.

Marketplace

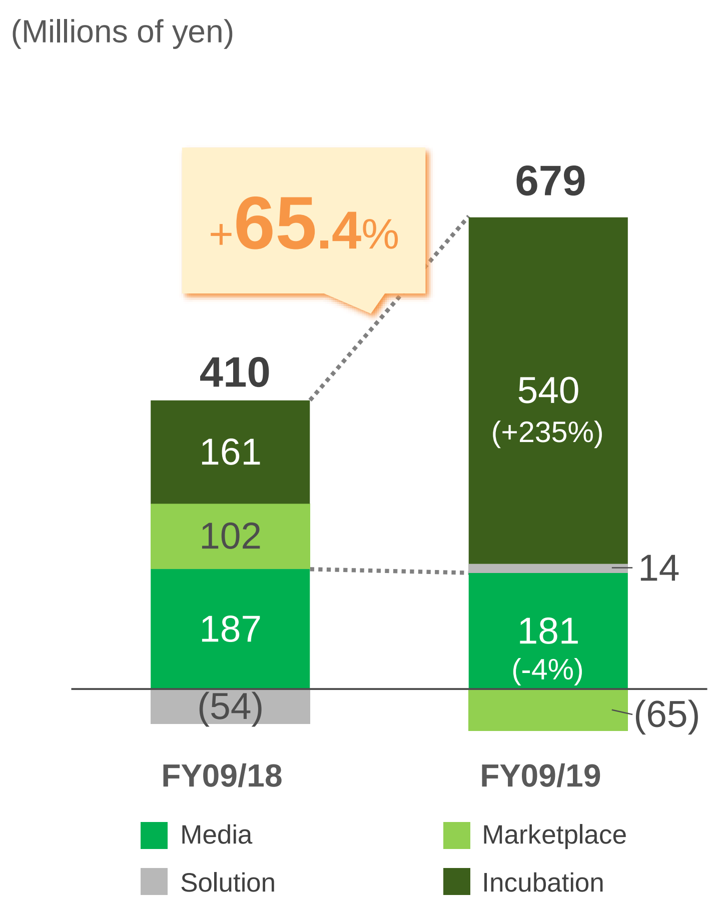
- **Existing businesses, such as Otameshi and ReValue, logged high rates of growth.**
- However, growth for the overall segment was in the single digit, impacted significantly by a decline in sales at netprice.

Media

- Growth was driven by the **School and Aucfan Pro Plus businesses.**

Performance by Segment: Operating Income

Operating income rose sharply as a result of systematically reinvesting gains on investments into each business domain.



Incubation

- The continuous **sale of shares with large capital gains** in each quarter contributed to earnings.

Solution

- **In FY09/18,** large losses were recorded **due to bad debts expenses**. Income was steady in FY09/19.

Media

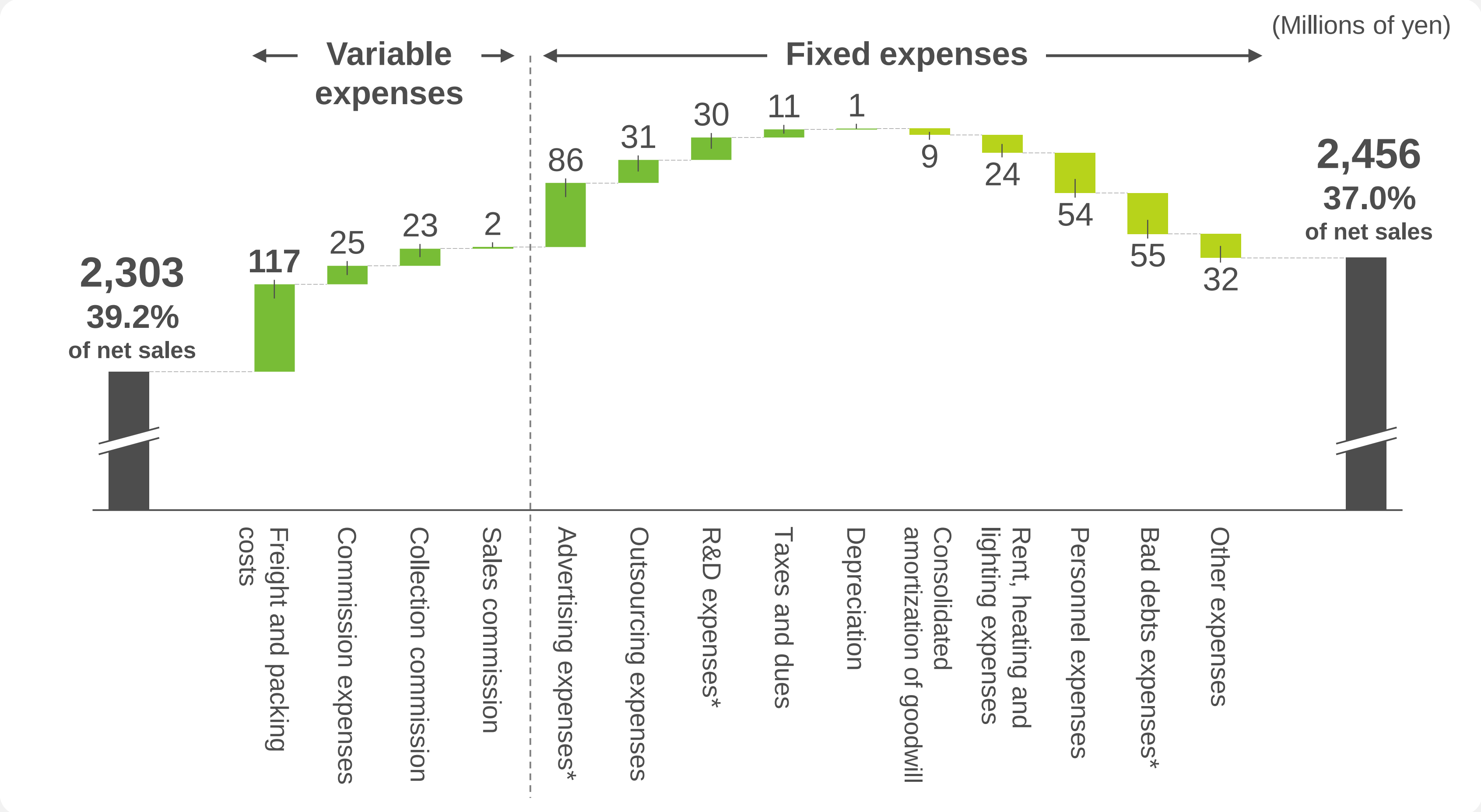
- **Profitability improved significantly after revising prices of Aucfan Pro** in July 2018.
- Meanwhile, income was almost unchanged over the full year due to the impact of planned investments.

Marketplace

- Existing businesses performed favorably, but the overall segment recorded losses as a result of **planned investments.**

Breakdown of YoY Change in SG&A Expenses

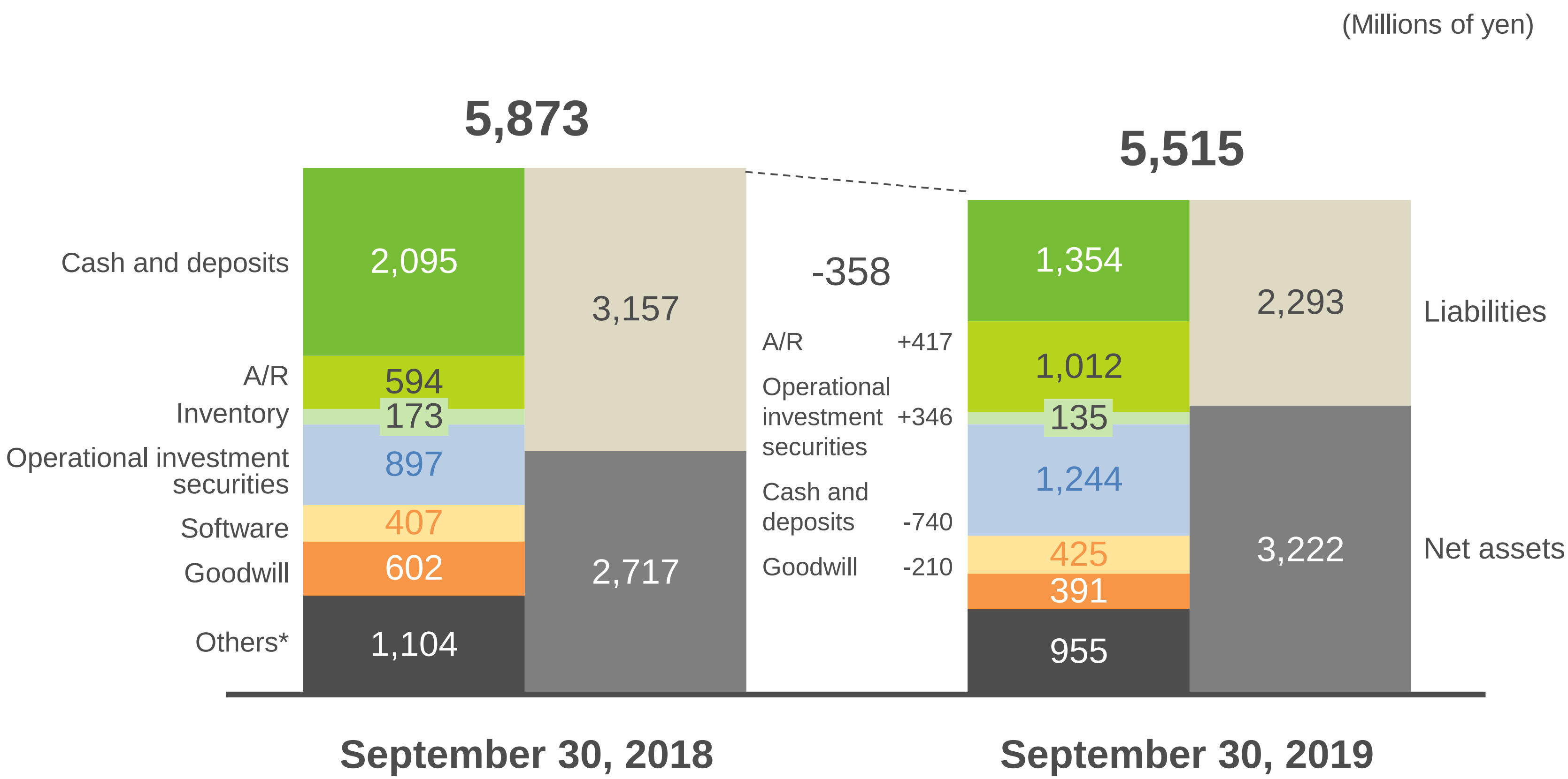
- SG&A expenses increased by **153 million yen YoY.** Most of the increase came from **variable expenses to facilitate sales expansion,** such as freight and packing costs and commission expenses.



* Cost items that were affected considerably by temporary factors

Assets

- Total assets came to 5,515 million yen, down 358 million yen YoY.
  The **equity ratio remained high at 58.2%**.



* Includes deferred assets

Review of Key Initiatives in FY09/19/Highlights

- We used cash provided by venture investments **to aggressively invest in our own businesses.**

Existing businesses

Investment amount
96mn yen

Businesses with clear **growth and business potential**

aucfan
School business

Educating and cultivating "cloud sellers"

Otameshi

Social shopping

We strove to recover investments early on by investing in customer attraction and promotions.

New businesses

Investment amount
56mn yen

High-priority businesses in our business strategy

zaicoban

Inventory management AI for retail stores

Cross-border e-commerce

We invested in business development (mechanism, system) to create highly-competitive assets.

Review of Initiatives in FY09/19 (Existing): School

- **Sales grew by a sharp 38%** thanks to aggressive investments in promotion in 2H.

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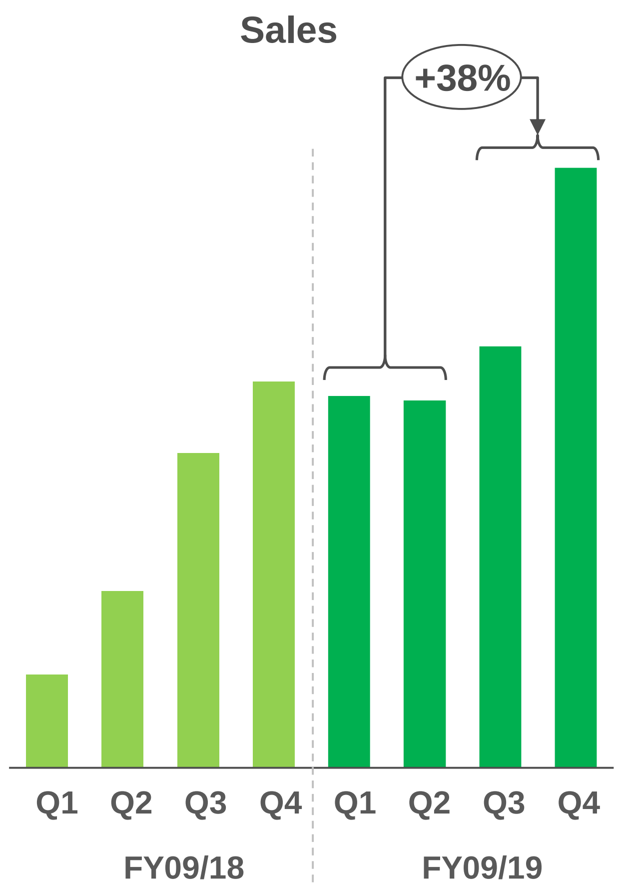
School business

Result

Excellent



FY09/19 achievement

Due to aggressive investments in promotion,

sales grew 38% (vs. 1H)

Contribution to FY09/20

Some graduates shifted to the **monthly fee plan*.**

We expect this to contribute to the accumulation of fee revenues in the future.

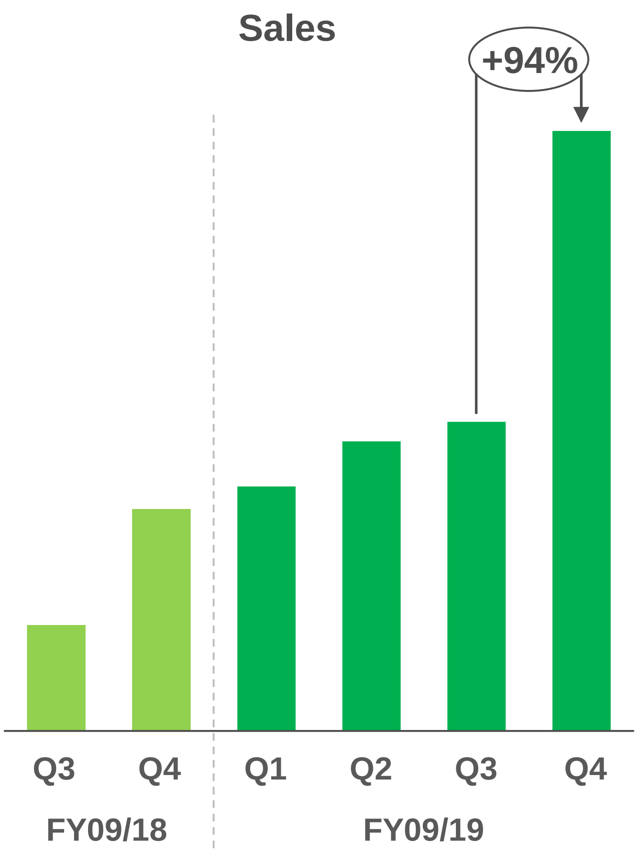
* Follow-up Consulting Plan (basic monthly fee of 50,000 yen, excluding taxes)

Review of Initiatives in FY09/19 (Existing): Otameshi

- Quarterly sales nearly doubled bolstered by alliances, including with Tokyo Gas and Hapitas.

Otameshi

Result Excellent



FY09/19 achievement

Thanks to major releases via alliances,

sales grew 94% (vs. Q3)

Contribution to FY09/20

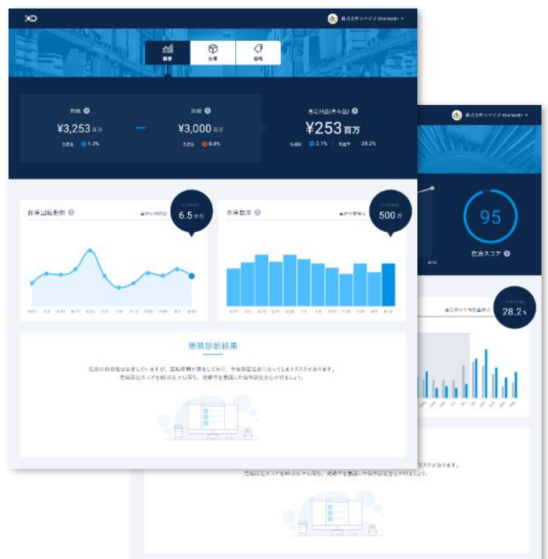
Customers **remain active for about nine months.**

Thus, we expect this to contribute to an increase in transaction volume.

Review of Initiatives in FY09/19 (New): zaicoban

- **We completed the release of the β version. We are currently expanding companies using zaicoban on a trial basis.**

zaicoban



Result Good

FY09/19 achievement

Released β version
(Used internally to verify functionality)

Contribution to FY09/20

Although it has not been released to the public yet, we have already received **many inquiries.**

We expect zaicoban to develop into one of the core services in our business strategy.

Note: The official version is scheduled for release around April 2020.

Review of Initiatives in FY09/19 (New): Overseas

- **Preparations for store openings were delayed. We plan to accelerate the full-fledged expansion of stores.**

net price

Result ✕ Unsatisfactory

FY09/19 achievement

Opened stores in three countries/regions

We were scheduled to open stores in five regions according to our plan, but we pushed back the schedule of our plan, as we required more time than expected to build a logistics network in export destinations.

	Opened	Scheduled
Shopee*	Singapore Taiwan	Indonesia Thailand Malaysia Vietnam Philippines
洋葱OMALL	China	

Preparing again to open stores at an early stage

* Cross-border e-commerce platform operated by Sea Limited (NYSE: SE). Gross merchandise volume (GMV) was 10,279 million US dollars in fiscal 2018.

Our History

Leveraging **market price information,**
which is our original business,
to steadily expand our business domain into
solutions for inventory issues.

2007

Market data

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Provide market data to individuals who want to earn money

2015

Purchasing opportunities

NETSEA
ReValue
TATEMPO GUIDE Next

Provide merchandise purchasing and efficiency tools

2016

2017

Resolution for inventory issues

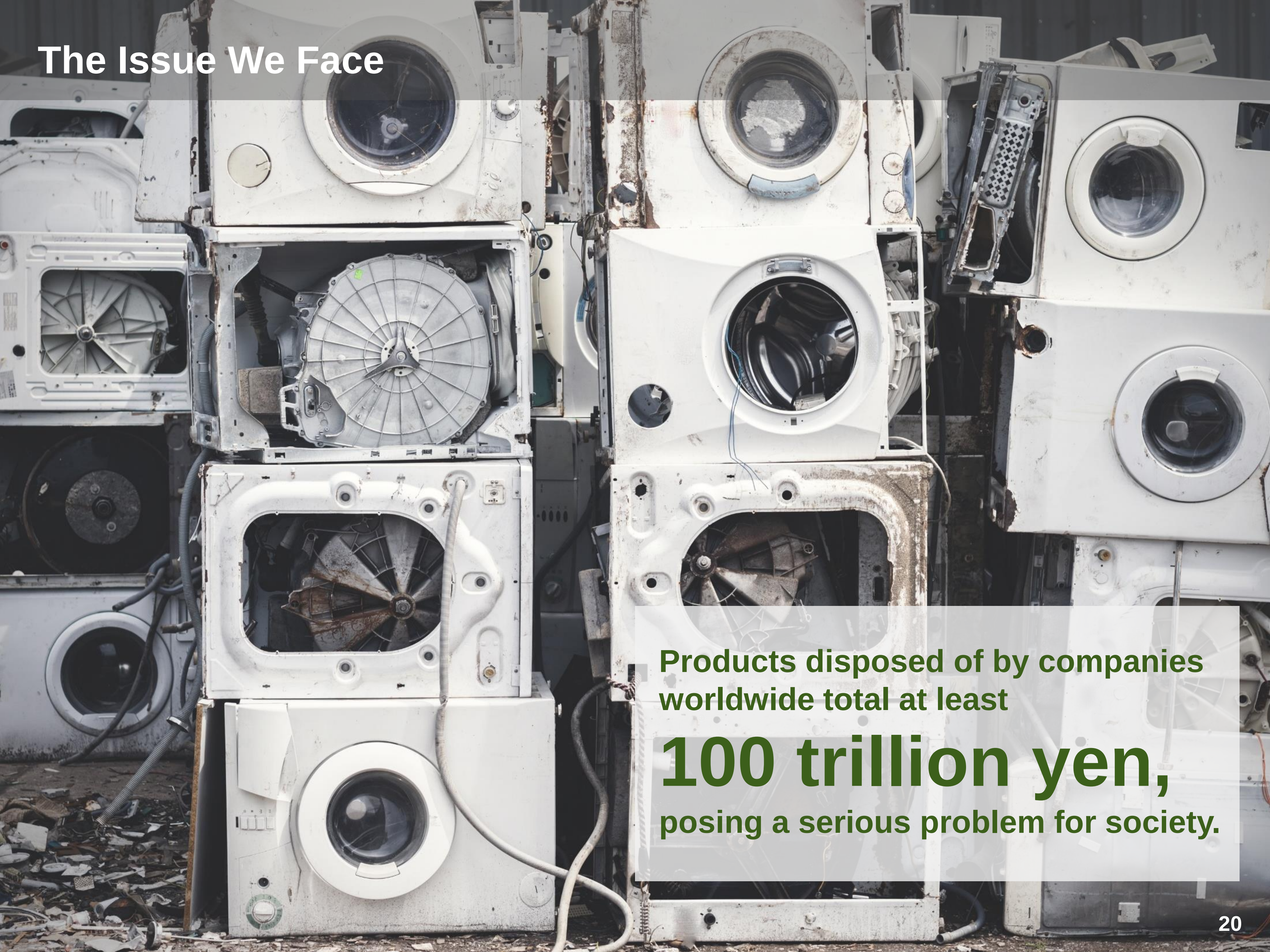
Otameshi
net price
zaicoban
aucfan SCHOOL

Integrated proposal-oriented services for retailers and manufacturers who face inventory issues

2018

2 Our Business Model

The Issue We Face



Products disposed of by companies worldwide total at least

100 trillion yen,

posing a serious problem for society.

What Does Our Company Do?

- ✓ We are no longer an auction price comparison company.
- ✓ We are also not an e-commerce company.
- ✓ Nor are we a contractor for inventory disposal.
- ✓ Of course, we are not an investment company.

What Does Our Company Do?

✓ **We are "a company that optimizes distribution."**

"Physician in charge of corporate inventory problems"

For example, our job is to do the following:

- Provide data (evidence) to **measure the health of inventory levels as a monthly subscription service**
- **Purchase dormant inventory** of companies and resell them safely and quickly
- Develop a **SaaS to prevent the occurrence of dormant inventories in advance.**
  We are currently building **long-term win-win relationships** with various companies who possess inventories.

Our Business Domains: Diagnosis, Treatment, Prevention

1. Diagnose

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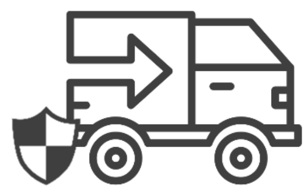
aucfan Pro. Plus

zaicoban report

Visualize **inventory value** to **identify the issues**

2. Treat (Liquidate)



Other EC	Our EC	Disposal sales	Overseas	. . .
	Otameshi	ReValue BtoBモール		

3. Prevent

zaicoban

Optimize the sales price and product lineup based on data

Redistribute dormant inventory and **turn into cash**

Business Model: Hybrid of Monthly Subscription and Product Sales Revenue

Diagnosis and Prevention

(Visualization and optimization of inventory value)

Subscription
(Monthly fees)

FY09/19 result

ARR* **1.22**bn yen
(18% of consolidated net sales)

+

Treatment

(Distribution of dormant inventory)

Gross merchandise value (GMV)

- Commission income
- Product sales

FY09/19 result

GMV **9.62**bn yen

Note: Annual recurring revenue (ARR) refers to annual amount of revenue from system subscriptions.

Our Strengths and Competitive Advantages

1

AI that diagnoses the value of inventory based on distribution data

zaicoban engine

2

Proposal capabilities that allows us to develop a comprehensive liquidation (treatment) policy based on diagnostic results

3

Network of "cloud sellers" that helps realize the global distribution of products, including those that companies find difficult to handle

Achievement: Saved Merchandise Worth 200 Billion Yen Per Year From Disposal by Leveraging Distribution Data and AI

Overview of our business

Diagnose, prevent

zaicoban

Proprietary system (AI) that prevents the occurrence of dormant inventory by calculating inventory value based on distribution data

Treatment

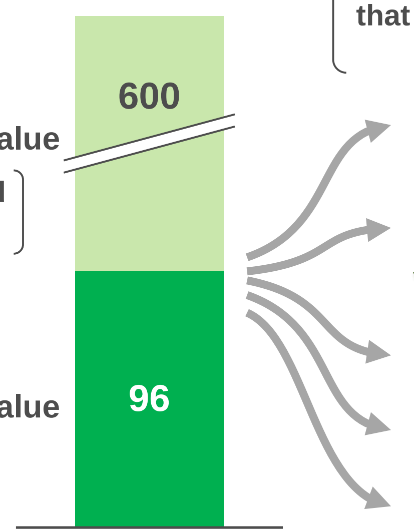
aucfan GROUP

Involved distribution value approx. **70.0**bn yen/year ≒ Converted to retail price **200.0**bn yen

(Value of merchandise that would have been disposed of)

Indirect distribution value (via cloud sellers)

Direct distribution value

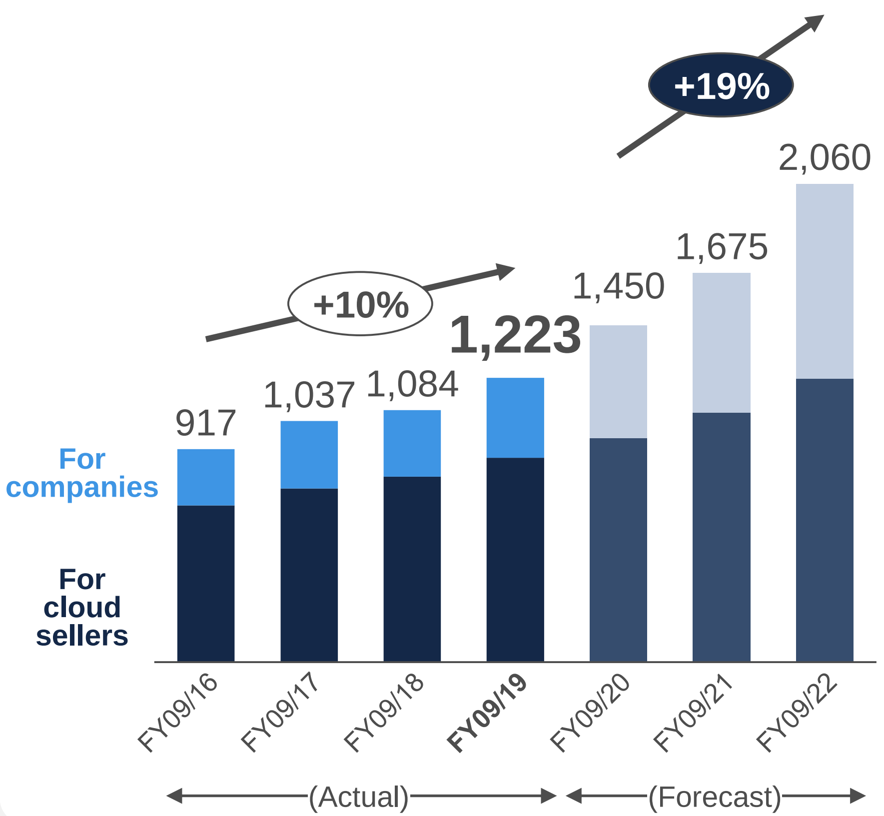


Deliver underlying value where it is needed

KPI: Inventory Management Solution Business (Diagnosis/Prevention)

(Millions of yen)

KPI: System subscription revenue (ARR)



ARR: 1,223mn yen

(18.0% of consolidated net sales)

CAGR:

Actual (FY09/16–19) 10%

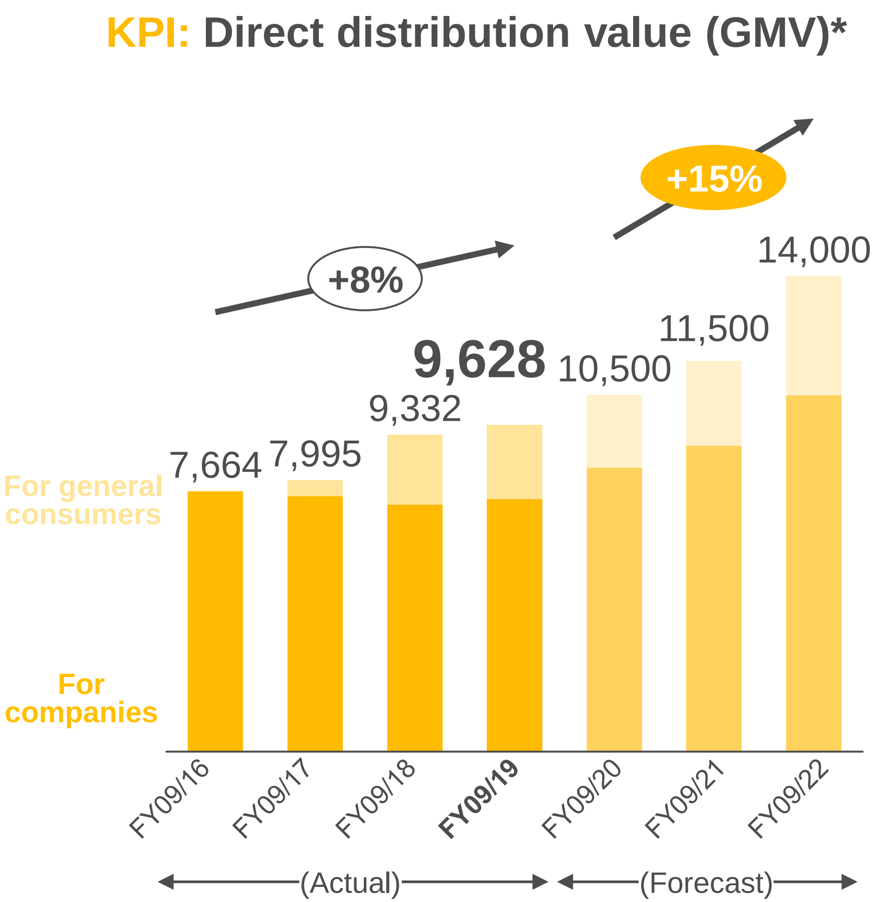
Forecast (FY09/20–22) 19%

Main target businesses:

Aucfan Pro Plus, Aucfan (Premium), Storoid, ARPAcart, Aucfan School (Follow-up Consulting), NETSEA (Premium), TATEMPO Guide, zaicoban, etc.

KPI: Merchandise Distribution Platform Business (Treatment)

(Millions of yen)



GMV: 9,628mn yen

(Take rate of related businesses: 37.6%)**

CAGR:

Actual (FY09/16–19) 8%

Forecast (FY09/20–22) 15%

Main target businesses:

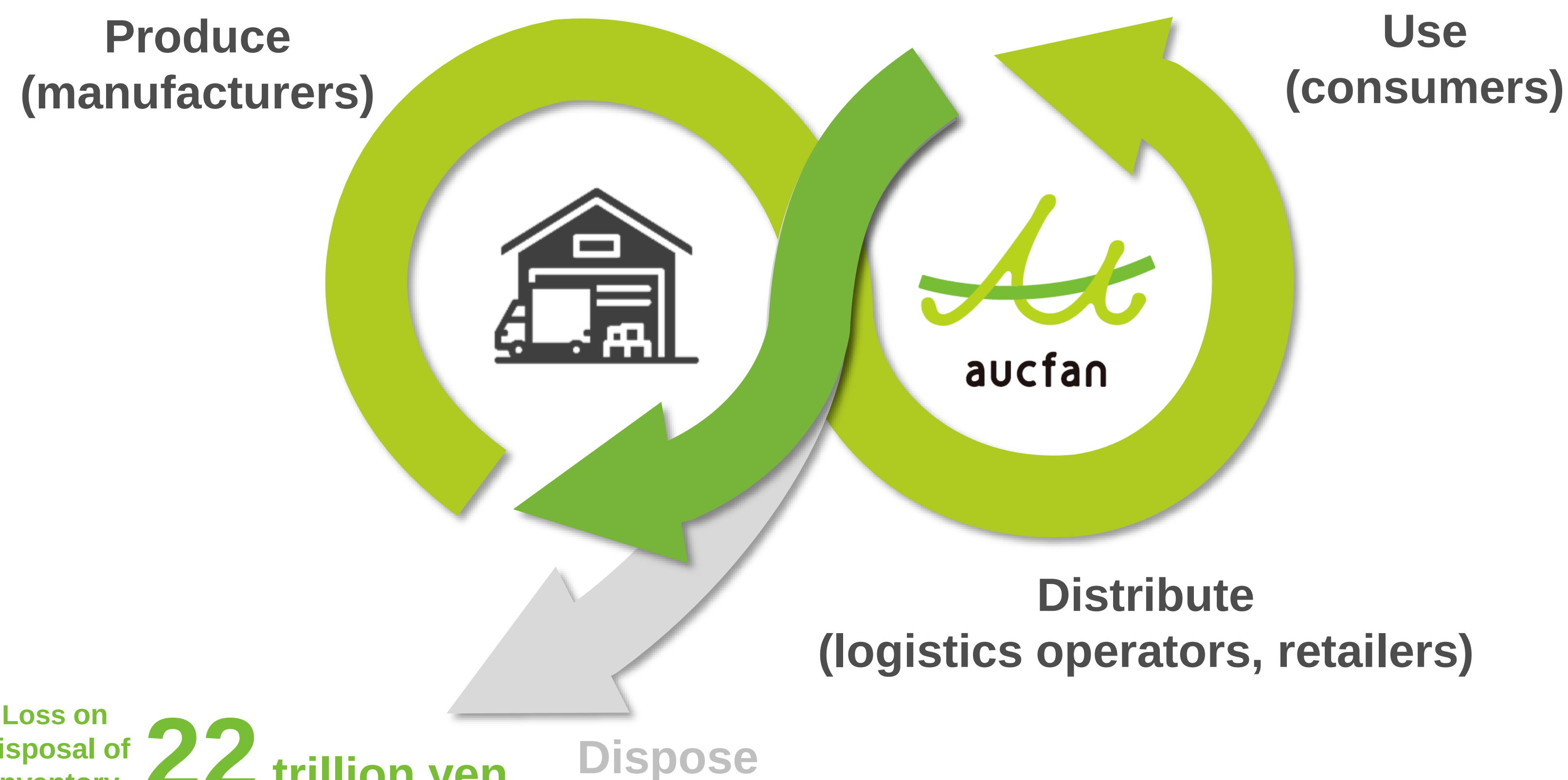
NETSEA (Distribution), netprice, Otameshi, ReValue, cross-border e-commerce, etc.

* Only the distribution value of merchandise distribution directly handled by the Company.

** Sales of related businesses divided by GMV. Indicator showing how much of the generated distribution is collected as sales.

We Will Continue to Engage in This Enormous Market Worth 22 Trillion Yen in Japan Through Our Technology and Originality

- **We aim to create a sustainable society where merchandise circulate according to their value, benefitting both companies and consumers.**



Loss on disposal of inventory **22** trillion yen


aucfan
Deliver underlying value where it is needed

3 Forecast for FY09/20

Earnings Forecast for FY09/20

- We expect steady growth in non-investment operations over the full year, supported by business investments in FY09/19. However, we anticipate operating income to expand from 2H, as we plan to reorganize existing businesses in 1H.

(Millions of yen)	FY09/20 (forecast) Consolidated	From businesses		From investments	YoY change (%)
Net sales	8,155	7,582	+	572	+22.9%
Operating income	816	610	+	205	+20.0%
Net income	430				+31.4%

Scheduled Changes in Reportable Segments in Accordance with Our Business Model

Until FY09/19	From FY09/20
● Media	● Inventory Management Solution Diagnosis and prevention
● Marketplace	● Merchandise distribution Platform Treatment
● Solution	
● Incubation	● Incubation

Corporate 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 net price .SmartSourcing

Capital
861. 15 mil. yen (as of September 30, 2019)

Employees
149* (as of September 30, 2019)
*** Number of employees on a consolidated basis**

Head office