Financial Results

FY2016

Aucfan Co., Ltd. <3674>

November 30, 2016

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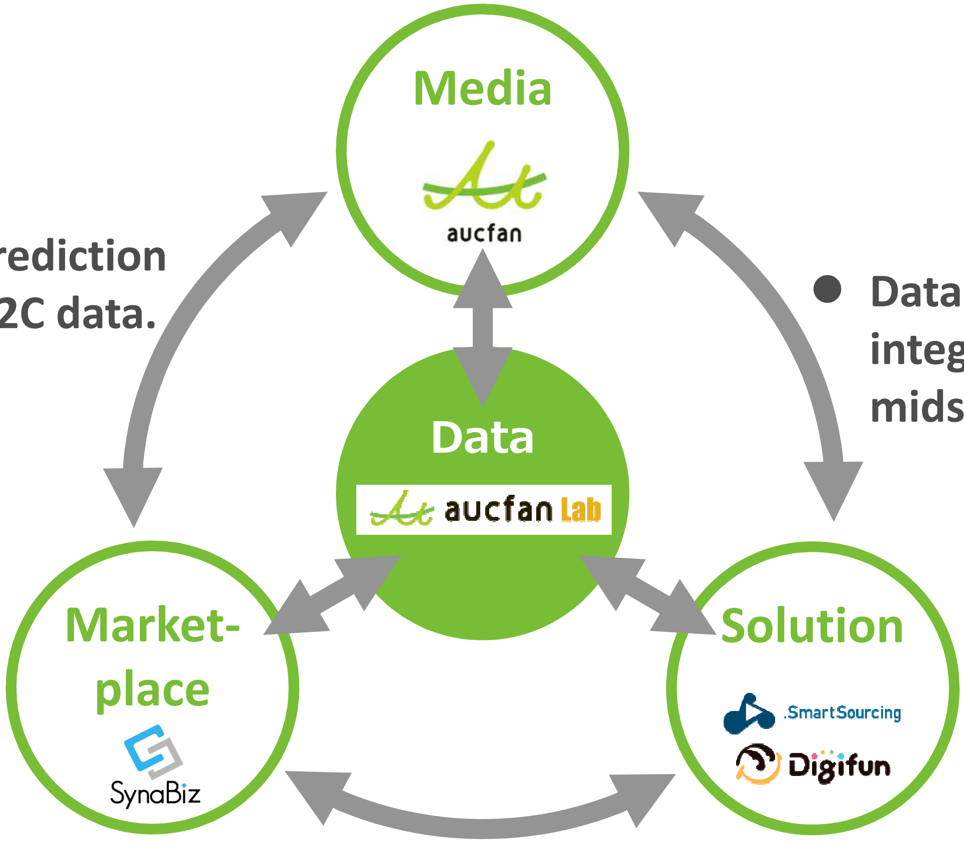
Business Model: Three data-centric businesses

- Aucfan (*the Company* or *the Group*) develops three distinct business divisions; Media, Marketplace and Solution, each with Data at the core.

- Price analysis/prediction using B2B and B2C data.



- Data and/or utility integration for small and midsized enterprises.

- Comprehensive SaaS including logistics, automatic inventory management etc.

Executive Summary

Financial Results

Net sales, operating income and ordinary income all increased sharply by **88%**, **127%** and **133%**, respectively. Net sales increased for the nine consecutive years.

Media

Both free and premium subscriptions continued to show steady growth.

Market-place

NETSEA and ReValue joined *the Group*, beginning our first **full-fledged step into the BtoB market**.

Mid-term

¥10.5B (net sales) and **¥1.6B** (ordinary income) by FY2020/9.

About Change of Financial Auditor during Q4

- **As stated in the "Notice Regarding Change of Financial Auditor and Appointment of Temporary Financial Auditor" announced on Oct. 14, 2016, *the Company* terminated the audit and quarterly review agreement with KPMG AZSA LLC. On the same day, *the Company* also appointed ARIA Audit Corporation as its temporary financial auditor.**

- **In addition, as stated in the "Notice Regarding Receipt of Investigative Report of the Board of Corporate Auditors" announced on Nov. 11, 2016, *the Company* and the Board of Corporate Auditors have launched a working group including external professionals (*the committee*). *The Company* will formulate specific preventive measures and put them into practice, taking suggestions and causal analysis made by *the committee*.**

- ***The Company* will submit the appointment of Avantia GP as the financial auditor to the 10th shareholders meeting as a proposal. (approved on Dec. 26, 2016)**

Enhancing Corporate Governance

- *the Group* will fully enforce the preventive measures by enhancing the corporate governance.

Suggestions from *the committee*

Check any business that has human and capital relationships with *the Company*

- Stronger checking function for business partners needed

Build a regulatory system for repetitive businesses

- Regulations and procedures requested

Enhance compliance awareness

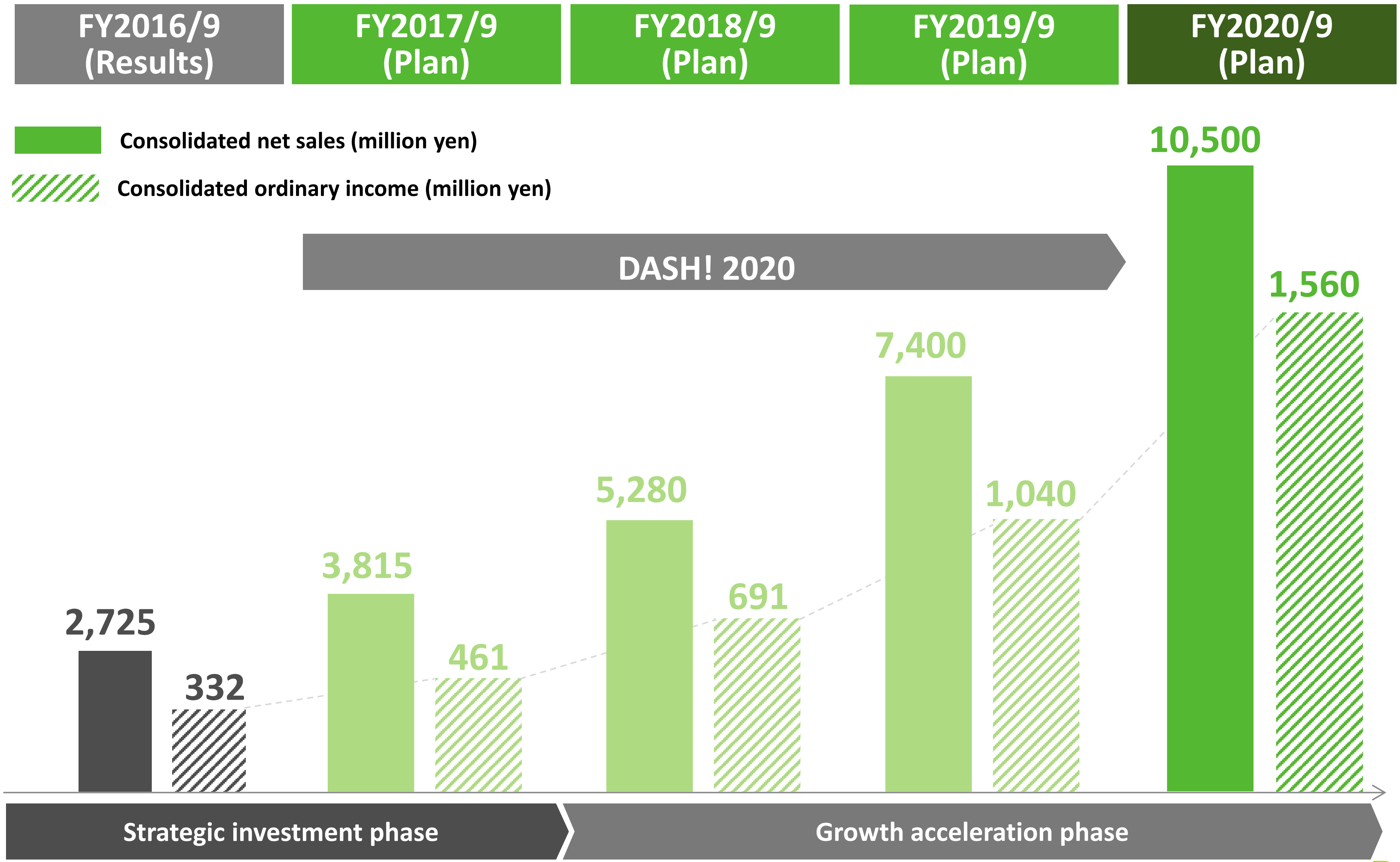
- New learning programs needed

1. Enhancement of corporate governance
   - Stronger function of outside directors
   - Stronger business audits by increasing corporate auditors
   - Establishment of a deliberative unit
   - Establishment of an internal audit office

2. Implementation of measures to improve officers' and employees' awareness of compliance

3. Enhancement of the business management system within *the Company*
   - Review of procedures for acquiring signed documents in sales
   - Review of procedures for recording sales
   - Stronger audits by the internal audit office
   - Measures to improve personnel distribution

Mid-Term Plan: “DASH! 2020”



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FY2016 Consolidated Results Report

- Strong growth in net sales (+88%) and ordinary income (+142%).

(Unit: million yen)	Results (FY2015/9)	Results (FY2016/9)	Forecast (reference) (revised on May 13, 2016)
Net sales	1,449	2,725 (+88%)	2,567
Operating income	140	320 (+140%)	303
Ordinary income	142	332 (+142%)	318
Net income	182	308 (+70%)	302

* Numbers in parentheses are year-on-year changes

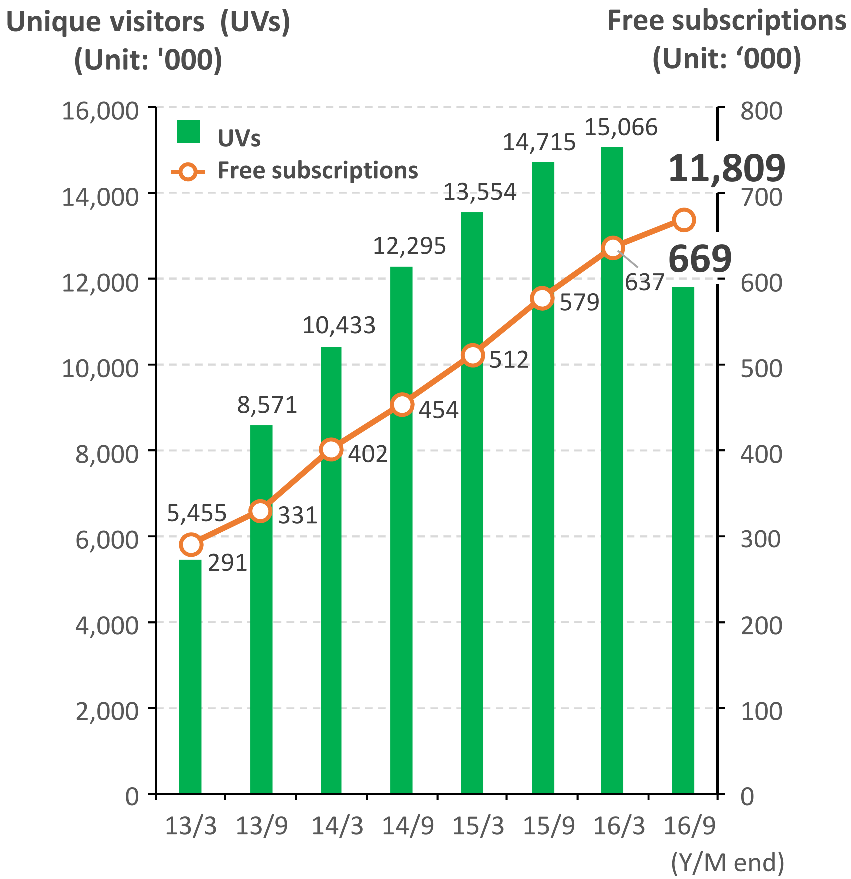
Record high profit

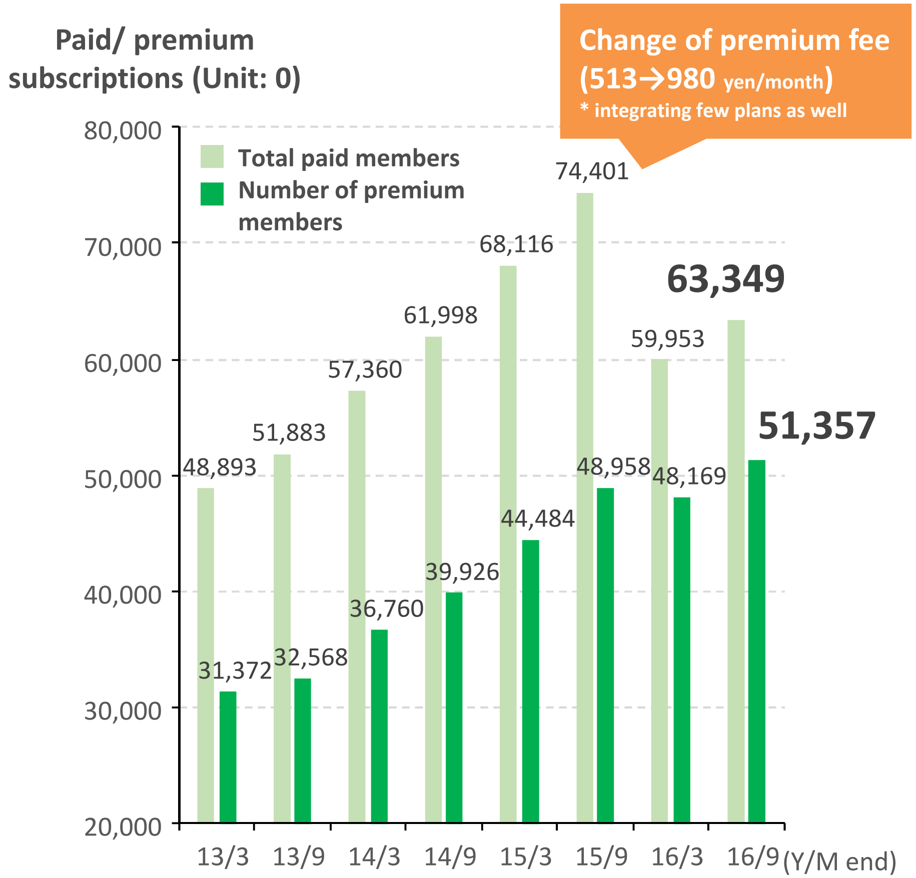
Our business domains have transformed into BtoB

	Business overview	Affiliates/ subsidiaries	Strengths as in *the Group*
Media (origin) BtoC / CtoC	*aucfan.com* ● Providing unique price and sales analysis based on 10+ years of transaction data	aucfan aucfan Pro. Plus aucfan COLLEGE global aucfan	Accumulated data and analysis models ● 68+ billion items
Market-place BtoB	One of the largest online wholesale and BtoB matching platforms in JPN ● BtoB wholesale platform (NETSEA) ● Asset Liquidator (ReValue)	SynaBiz NETSEA ReValue ReValue BtoBモール	Analytical strategy for best product distribution ● Calculating when, where and to whom goods shall be delivered
Solution BtoB	Sales promotion services for retailers and EC operators ● ASP for automatic inventory control (TATEMPO Guide) ● Web marketing	.SmartSourcing TATEMPO GUIDE Next Digifun 楽市楽座 RAKUICHI RAKUZA マルシェ	Network of individuals and SMEs ● 1+million registered users *in the Group*

Business Highlights (1/2): Media

- **Unique Visitors declined, due to major change in search engine logics. Free and premium subscriptions, directly linked to revenues, continued to grow.**



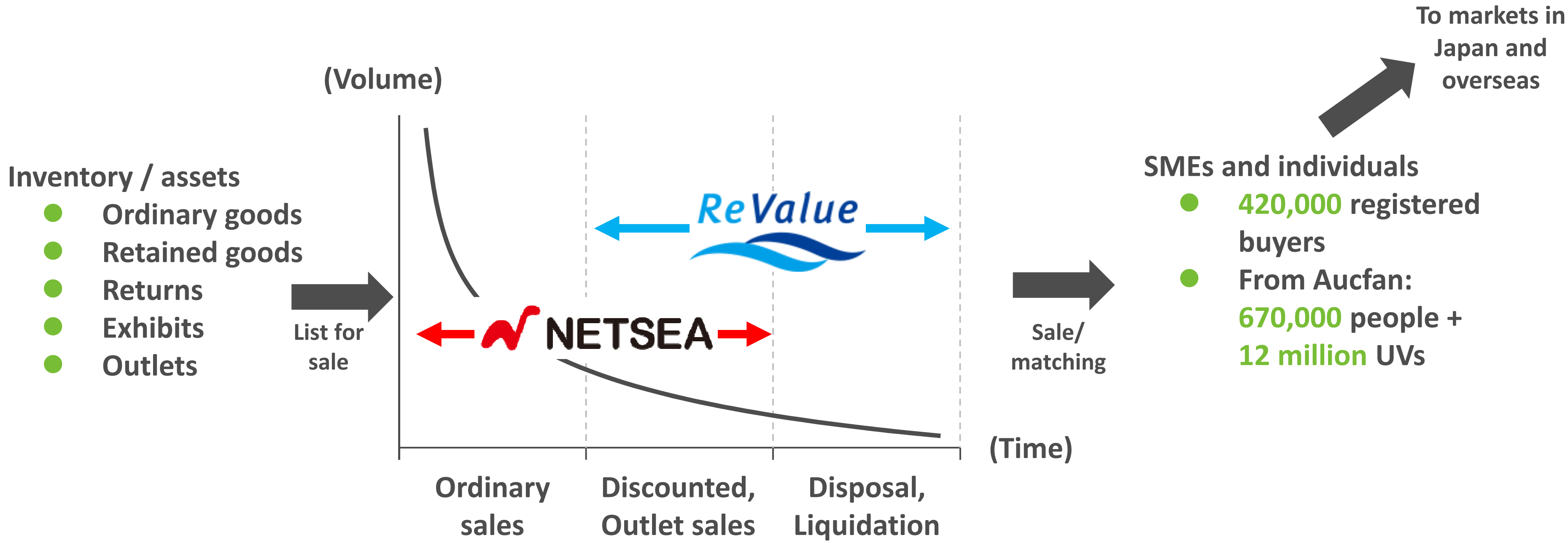


* Unique visitors indicate the monthly number of visitors to the Aucfan sites.
* The number of free members indicates the number of all registered members on the Aucfan sites.

* The number of premium members indicates the number of Aucfan premium members that pay a monthly fee of 324 yen or 980 yen (both tax-inclusive).
* The number of paid members indicates the number of members, including members for paid services such as Aucfan Pro and option services, in addition to Aucfan premium members.

Business Highlights (2/2): Marketplace

- Started a full-year contribution to *the Group*. As SynaBiz Co., Ltd. *the Group* accelerates its BtoB services.



NETSEA
- BtoB wholesale platform (NETSEA)

ReValue
- Asset liquidator (ReValue)

SynaBiz (Sep. 30, 2016～)

GMV 7.6 billion yen

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Overview of Financial Results (1/2)

■ Significant increase in both sales and income. NETSEA and ReValue, both in Marketplace, greatly contributed to the increase.

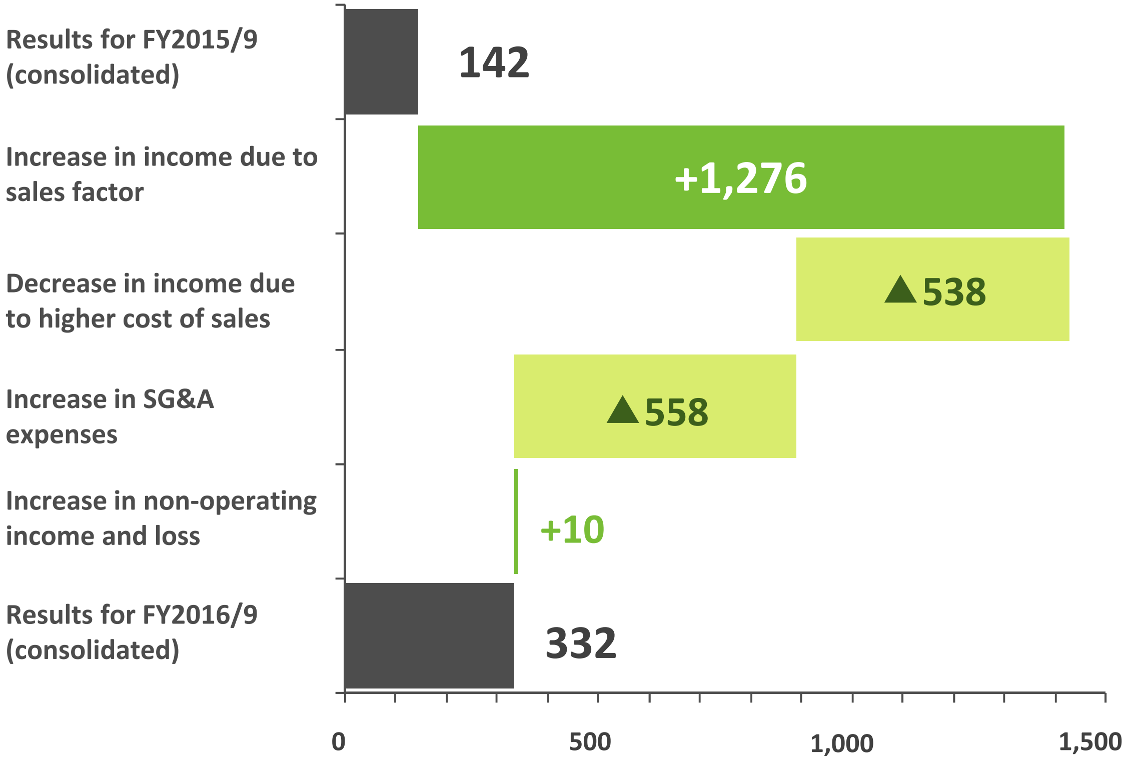
(Unit: million yen)	FY2015/9 (Consolidated results)	FY2016/9 (Consolidated results)	Year on Year (%)
Net sales*	1,449	2,725	+88.0
├ Media	1,010	1,174	+16.2
├ Market Place	136	922	+577.9
└ Solution	304	630	+107.2
Operating income	140	320	+127.8
Ordinary income	142	332	+133.0
Net income	182	308 (Record high profit)	+69.5

* Business divisions/segments are changed since 2016/9 Financial reports

Overview of Financial Results (2/2)

- Increase in sales accompanied substantial profits. Rise in purchasing costs related to Marketplace and rise in the personnel expenses were noticeable.

Factor analysis of increase in expenses for ordinary income



<Major factors for change>

Media	+164
Marketplace	+786
Solution	+325

Depreciation	▲76
Business consignment expenses	▲8
Purchasing costs	▲382

Personnel expenses	▲149
Advertising expenses	▲47
Business consignment expenses	▲69
Amortization of goodwill	▲48
Compensation	▲61

(Unit: million yen)

* "+" indicates factors that lead to an increase in income, and "▲" indicates factors that lead to a decrease in income.

FY2017/9 Forecasts

- Net sales and ordinary income are expected to show strong growth of approx. 40% in the next fiscal year as well.

(Unit: million yen)	FY2015/9 (Consolidated results)	FY2016/9 (Consolidated results)	Year on Year (%)
Net sales	2,725	3,815	+40.0
├ Media	1,174	1,357	+15.6
├ Marketplace	922	1,562	+69.4
└ Solution	630	896	+42.2
Operating income	320	415	+29.7
Ordinary income	332	462	+38.9
Net income	308*	321	+4.2

- Of 308 million yen, gain on sales of shares of subsidiaries and associates was 175 million yen, and gain on change in equity was 96 million yen.

Milestones for Achieving FY2017 Targets

- ***The Group*** **will build strong businesses to achieve net sales of 3.8 billion yen and ordinary income of 460 million yen for the current fiscal year.**

	Q1 (Oct. – Dec.)	Q2 (Jan. – Mar.)	Q3 (Apr. - June)	Q4 (Jul. – Sept.)
Media	Release yet another premium plan with a monthly fee of 5,980 yen (Aucfan Pro Plus). Add in-app purchase function to smartphone applications. Release a detailed new product page.	Initiate a new service for emerging markets such as flea markets apps/hand-made apps.	Develop a single userbase throughout *the Group*.	Start up a new service using our own data. Initiate revenue-share business.
Marketplace	Start business as SynaBiz Co., Ltd. Implement projects to celebrate the 10th anniversary of NETSEA.	Release “Share Auc,” a new inventory liquidation service. Accelerate cross-border transactions for China by forming a strategic business alliance with a Chinese distributor.	Cooperate with external venders of inventory management and voucher management systems. Open up and focus on a new item category. (NETSEA).	Expand channels for sales to brick-and-mortar stores and special events.
Solution	Begin providing TATENPO Guide to leading system vendors as OEM. TATENPO Guide begins to comply with ebay.	Initiate “offline affiliate” business on offline events.	TATENPO Guide plans to respond to cross-border EC platform in China.	Start up services with Eventec as the core.

Note: The initiatives above are only plans of the Group as of this moment, and priority, timing and implementation may change due to the business environment.

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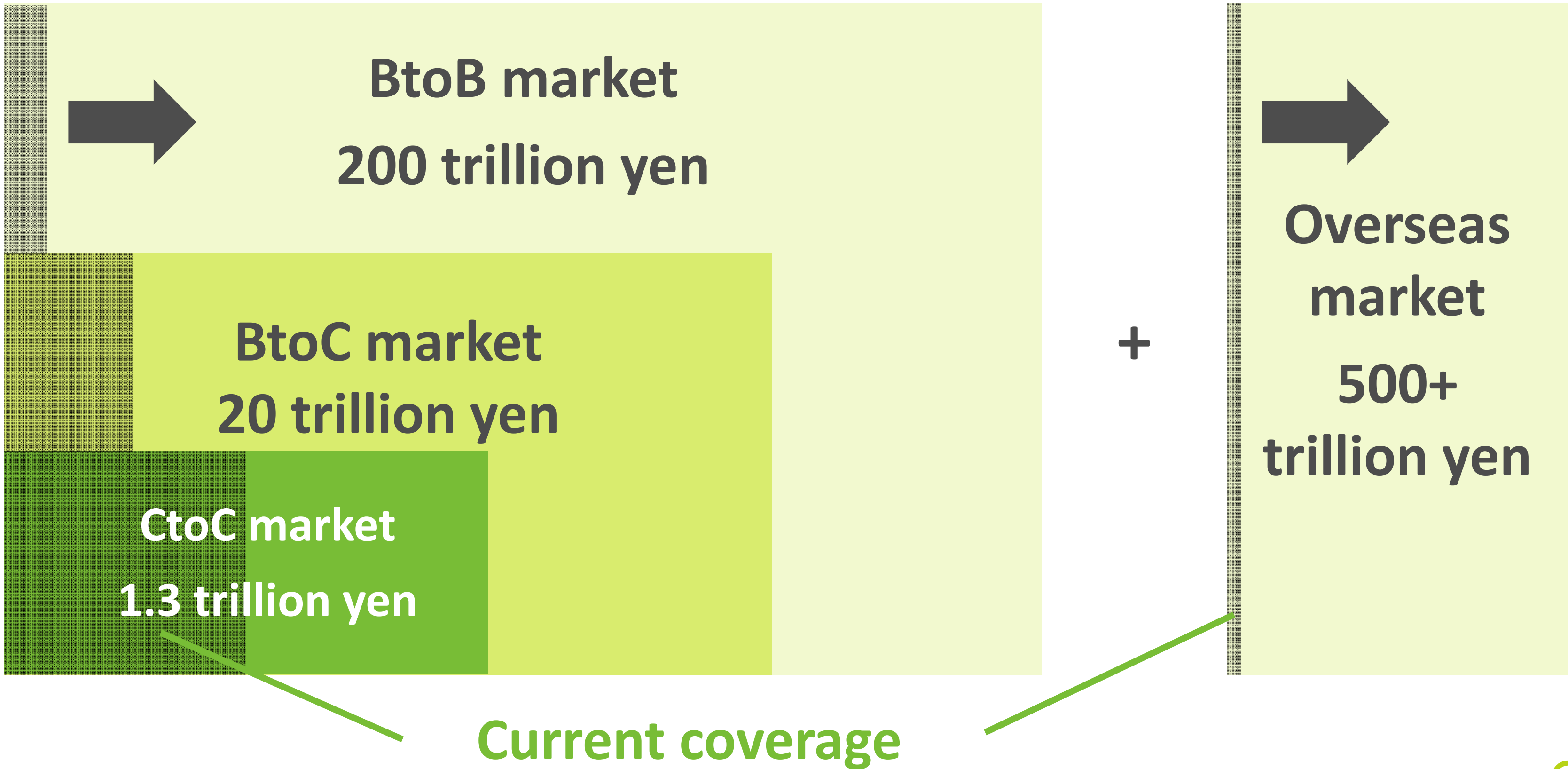
Potential Markets

- The enormous BtoB, the steadily expanding BtoC, and the fast-growing CtoC markets are all target markets of *the Group*. *The Group* will eager to expand to the overseas markets as well.

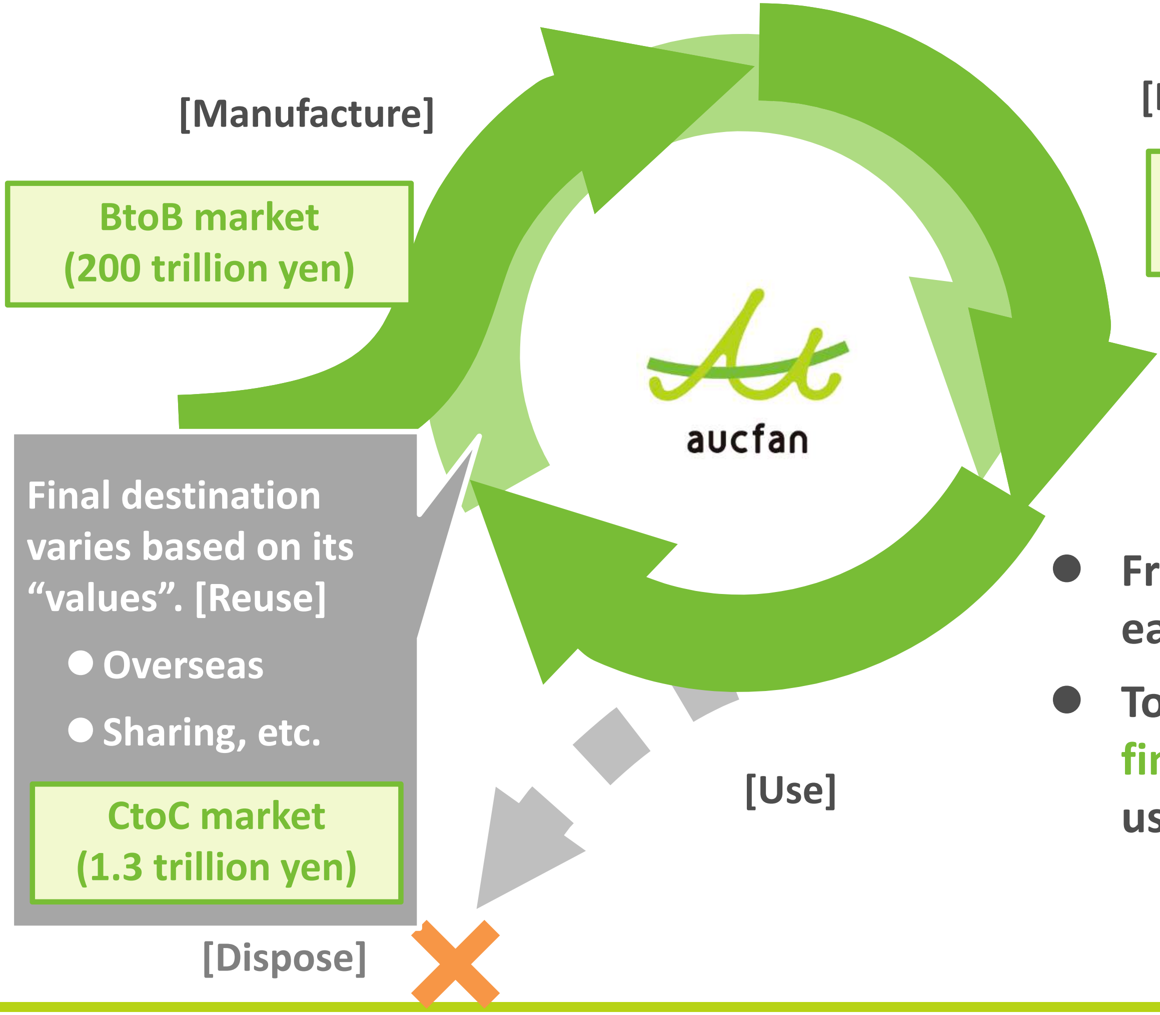
(Numbers indicate the market size* (FY2019))



* Estimated by Aucfan based on data of the "Fiscal 2015 infrastructure development concerning informatization and trend toward service economy of Japan's economic society" (the Ministry of Economy, Trade and Industry) and figures published companies.

Goal: Continue Leading “Circulatory Economy”

- Create an entirely new market where goods will circulate, taking advantage of the presence of the Company in the CtoC market.

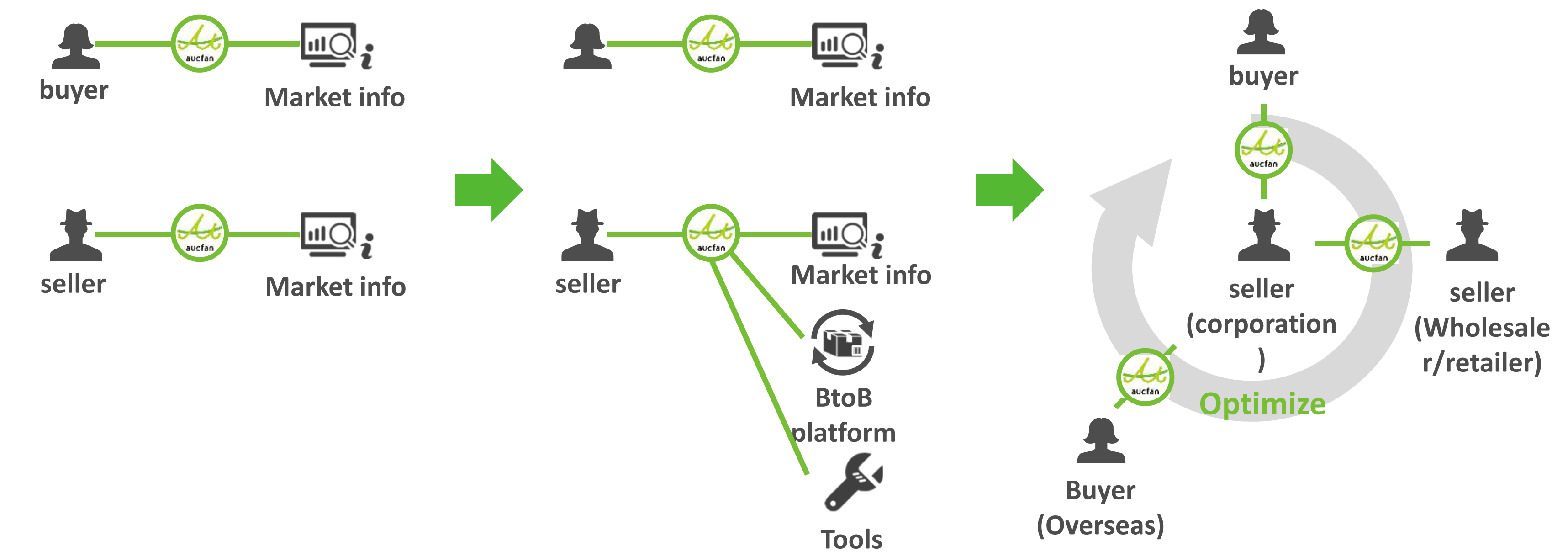


- From a world where goods are easily disposed
- To a world where any item can find appropriate place(s) to be used according to its value

the Group's unique position: Our history

We have achieved | We are working on

～FY2015/9 | FY2016/9～



- Provide product price information (CtoC/BtoC)
- "Aucfan, for ones who likes to buy/sell "
- Expand to BtoB platform and tools (BtoB)
- Match buyers and sellers around the world.
- Optimize transactions based on price and distribution data.

Strengths: Transaction Data and Userbase (SMEs)

- Accumulated transaction data from CtoC to BtoB and 1+ million registered SMEs in Japan.

Transaction data of 68+ billion items

SynaBiz
(Wholesale: BtoB)

TATEMPO GUIDE Next
(Inventory-control ASP: BtoC)

aucfan
(Auction, EC, flea market etc.: CtoC)

External services/partners
(POS, etc.: Real)

68+ billion

- Product data
- Price data
- Transaction data (bidding, discount, etc.)

Analysis/ feedback

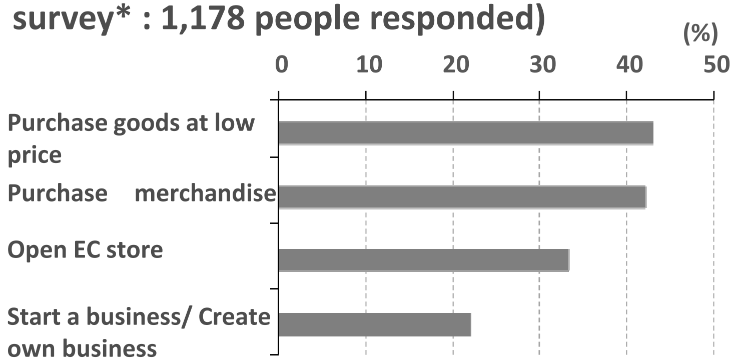
Individuals and SMEs

aucfan
Registered users
670,000

+

SynaBiz
Registered users
420,000

User interests (replies to a questionnaire survey* : 1,178 people responded)

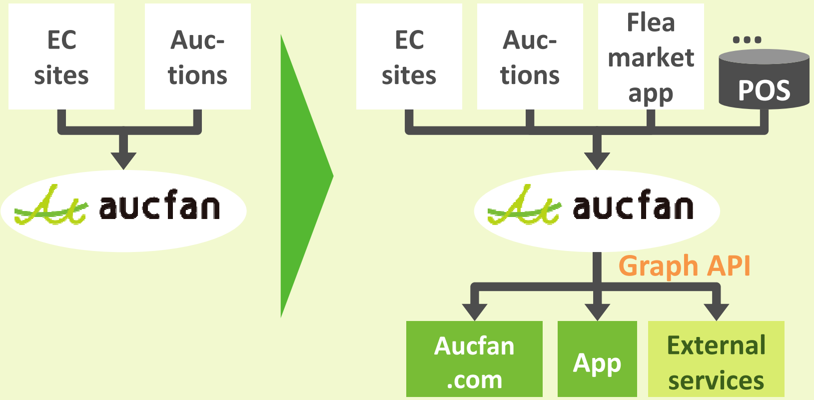


* Conducted in November 2014. Replies received through an e-mail newsletter to registered users of Aucfan. There were multiple answers.

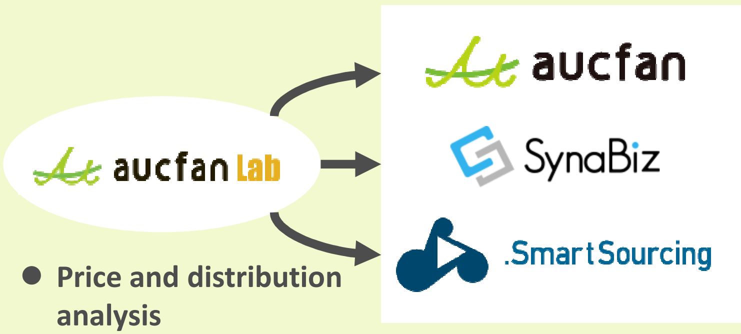
Mid-Term Strategy : Data (R&D domain)

■ Keep investing in the data-acquisition, analysis and exchanging platform.

Integrating various data into our own unique database (Aucfan Graph API)



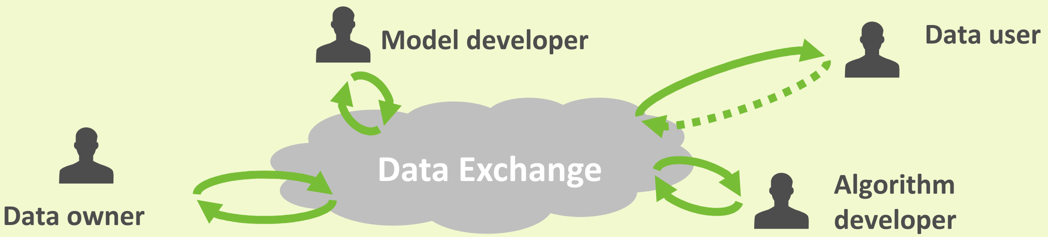
Utilizing our data to accelerates *the Group*



- Price and distribution analysis
- Projection model
- Visualization of KPIs
- Consulting

- Rapid PDCA
- New services and their commercialization

Promotion of data exchange initiative

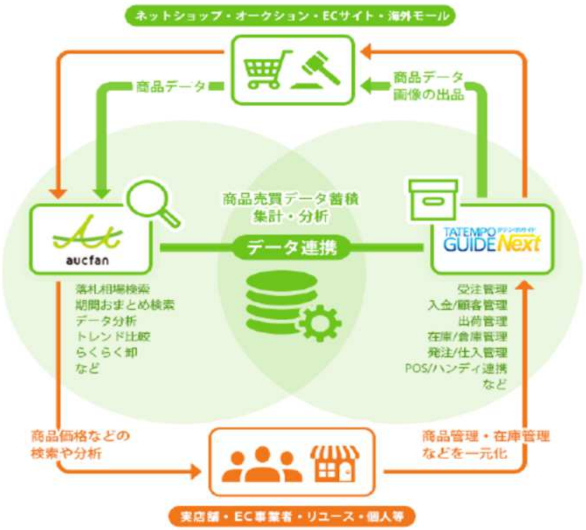


- Create a place where data, models and algorithms are brought and purchased (Exchange)
- Seek a way of creating values by combining not only *the Company*'s but others' various kinds of data.

Mid-Term Strategy : Solution Business

Sales activity support	Marketing support

Current business model

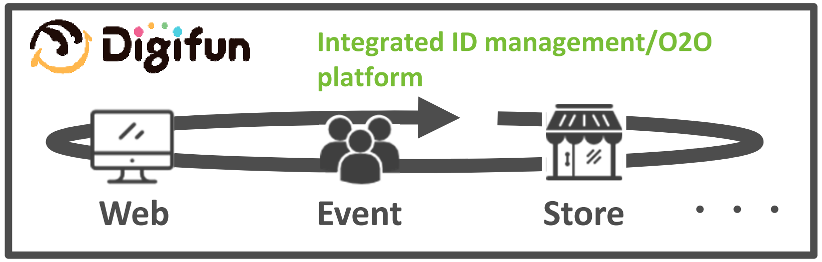


Expanding

- **Marketing automation** service based on purchase behavioral analysis
- Provision of comprehensive solutions (warehouse, payment, authenticity, practical operations of export, etc.)

Internet shops/stores

Consignment of customer attraction/operation/sales



High-precision demand boosting using our own DB and services

Potential customers

- Provide services by building our own user DB, with **event x IT** as a hook.
- **Make the multitacked revenue base** such as **"Offline Affiliate"** models.

Mid-Term Strategies: Media

"Step-up" model for our users

Transform the SMEs trading businesses based on product data around the world.

Values

Support living a more prosperous life by providing the market value of goods.

Growth

- Rapid and complete coverage in emerging technologies such as flea market apps.
- User-oriented site improvements (continuous activity)

- Marketplaces around the world.
- one-to-one analysis tailored to user characteristics.
- know-how and tools suitable for selling and buying in various markets.

Mid-Term Strategies: Marketplace

Business model (Basic concept)

Suppliers
- Manufacturers
- Wholesalers
- Retailers

NETSEA ReValue

(selling) (Matching/ purchase)

Buyers
- Small wholesalers
- Retailers
- Overseas
- ⋮

Build an indispensable presence for both suppliers and buyers

For suppliers
- Channel optimization
- Price / volume prediction
- Sales promotion consulting
- Overseas biz-dev support (partnering, building of the company's own logistics)

For buyers
- Personalization
- Value-added services such as logistics etc.
- Wide variety of goods
- Linkage with other companies' services

Topics (Most recent progress)

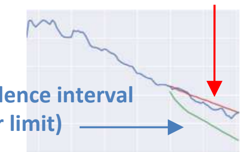
SynaBiz **2Q**

Business alliance
- Auction agency
- Sales/collection

Chinese distribution player (Strategic partnership)
- Chinese EC
- Local CVS, real stores

1Q

Began providing price prediction services on a trial basis.
- Predicts price fluctuations up to a year ahead.



Aucfan's mission

Creating a new world
where everyone can
buy and sell anything
at any location

Aucfan's Vision

Continue being a pioneer in the global circular economy

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Company Profile

Company name
Aucfan Co., Ltd. http://aucfan.com/

Capital
670.95 million yen (as of September 30, 2016)

Location
Humax Shibuya Bldg. 6F, 1-14-6 Dogenzaka, Shibuya-ku, Tokyo 150-0043

Employees
103 (as of September 30, 2016)

* Number of employees on a consolidated basis

Founded
June 2007

Head Office


SynaBiz (100%)

.SmartSourcing (80%)

Digifun (100%)

Company History

Year	Month	Event
2008	Apr.	The head office is moved to Hiroo, Shibuya-ku, Tokyo.
	May	Members' service Aucfan Premium is launched as a pay-per-use service business.
	Dec.	Aucfan School auction class is launched.
2009	May	Aucdata consumer trend analysis tool is launched.
2010	Jan.	Aucfan Seminar auction correspondence class is launched.
	Jul.	The head office is moved to Dogenzaka, Shibuya-ku, Tokyo.
	Aug.	Aucfan touch site for smartphones is launched.
2011	Sep.	The Privacy Mark of the Japan Institute for Promotion of Digital Economy and Community (JIPDEC) is obtained.
	Oct.	The Mono Cheki smartphone app is launched.
	Nov.	The Aucfan Pro integrated analysis tool is launched.
2012	May	The Cloud Shop system, an SaaS multi-store compatible online purchase comprehensive management service, is acquired from Fintecs Corporation.
	Jul.	auc-checker, a new service that detects unauthorized auction items, is launched.
	Aug.	Aucfan Town, a search service for second-hand buyers and auction agency shops, is launched.
	Sep.	auc4G mobile internet subscription service is launched.
	Dec.	Global Aucfan, a comprehensive global ecommerce search site, is launched.
2013	**Apr.**	**Aucfan is listed on the Mothers Section of the Tokyo Stock Exchange.**
	Jun.	Aucfan Shiire Mall, an exclusive platform that allows corporate and individual trading, is launched.
	Sep.	Rakuichi Rakuza, Japan's largest flea market business, is acquired from Market Enterprise Co., Ltd.
	Nov.	A new corporate logo is unveiled.

Year	Month	Event
2014	Feb.	Auction Listing University/Academy, a service for training Yahoo! Japan online auction sellers, is launched in partnership with Yahoo! Japan.
	May	Auc-checker (beta), a detection and monitoring service for items traded in online auctions, is launched. Aucfan Points reward points program is launched.
2015	Feb.	Aucfan Pro price analysis tool is redesigned. Most Recent Purchase Flash, a new service for users who buy products on the Internet, is released.
	Jul.	Aucfan acquires shares of NETSEA Co., Ltd. (makes it a subsidiary).
	Sep.	Aucfan opens a Yahoo! Auctions course at PC School AVIVA. Aucfan price search site begins data coordination with TAU, which commands the largest market share in the purchase of damaged cars.
2016	Jan.	Aucfan acquires shares of ReValue Inc. (making it a subsidiary).
	Feb.	The functions of Aucfan premium members are expanded, and the prices are revised. A new "Aucfan light members" service is released. Auction Bid Reservation begins to be offered as a privilege for Yahoo! premium members.
	Apr.	Aucfan acquires shares of SmartSourcing,inc. (making it a subsidiary).
	Jun.	The smartphone app is released (iOS, Android).
	Jul.	Aucfan Co., Ltd. cooperates in establishing the Reuse Master Qualification System. Storoid, an EC analysis tool making excellent use of technology and know-how, is released.
	Sep.	SynaBiz Co., Ltd. is set up as a result of merger of NETSEA Co., Ltd. and ReValue Inc.

役員紹介

取締役及び常勤監査役

武永 修一
代表取締役

京都大学 法学部卒業
2000年　大学在学中に、個人事業としてオークション事業を開始
2004年　株式会社デファクトスタンダード 設立 代表取締役就任
2007年6月　株式会社オークファンを新設分割により設立
当社 代表取締役就任(現任)

和出 憲一郎
社外取締役

慶応義塾大学 経済学部卒業
1982年　株式会社ジェネラルソリューションズ 設立
(現：ＦＩＳＣＯ　ＩＲ)
代表取締役就任
2006年　日本財務翻訳株式会社 設立 代表取締役就任
2010年12月 当社 取締役就任(現任)

濱田 淳二
取締役 経営管理部長

帝京大学 大学院経済学研究科修士課程修了
1992年　日本移動通信株式会社(現KDDI株式会社)入社
2002年　E3ネットワークス株式会社
(現三井物産セキュアディレクション株式会社)入社
2005年　株式会社プロデュースアソシエーション取締役就任
2006年　株式会社ファイテックラボ取締役就任
2012年　当社入社 経営管理部長
2012年12月 当社 取締役就任(現任)

平野 良一
常勤監査役

京都大学 法学部卒業
1973年　東京海上火災保険株式会社 入社
2003年　サイトサポート・インスティテュート株式会社
同社代表取締役副社長
2006年　シミック株式会社 顧問
2007年　グランドデザイン＆カンパニー株式会社 執行役員
2010年　同社取締役
2013年　同社非常勤監査役
2014年12月 当社 常勤監査役就任(現任)

執行役員

Shinya Suzuki
Executive Officer, Manager of Media Business

2002年　株式会社バガボンド入社
2003年　エッジ株式会社(現株式会社データホテル)に入社、法人向けリサーチ事業の運営・統括、個人・法人向けビジネススクール事業の立ち上げ・統括を手掛ける
2009年　当社入社
2012年10月 当社 執行役員就任(現任)

徳永 岳史
執行役員 NETSEA 担当部長

京都大学 理学部卒業
東京大学 医学系研究科博士課程にて免疫学の研究に従事

2008年　株式会社モバイルサポート入社
2009年　株式会社オールアバウト入社、開発基盤整備、M&A事業のシステムリビルド等を手掛ける
2013年　当社入社
2014年1月 当社 執行役員就任(現任)

得上 竜一
執行役員 技術統括部長

2002年　東京電力株式会社入社
2005年　MiningBrownie,Incを設立
代表取締役に就任
2006年　株式会社マイニングブラウニーを設立、代表取締役に就任
2015年1月 当社入社
2015年7月 当社 執行役員就任(現任)

Nobuyuki Tajima
Executive Officer, Office of Strategy Management

BS from The University of Tokyo, Faculty of Engineering
MS from The University of Tokyo, School of Engineering

2010　Joined Dream Incubator Inc.
2013　Joined project team supporting ReValue, a wholly-owned subsidiary of Dream Incubator at that time.
Sep. 2016 Appointed Executive Officer of Aucfan Co., Ltd. (current position)

Group Company Profile: SynaBiz Co., Ltd.

■ **Company name**

SynaBiz Co., Ltd.

■ **Location**

・**Head Office**

Humax Shibuya Bldg. 6F, 1-14-6 Dogenzaka, Shibuya-ku, Tokyo 150-0043

・**Distribution Center**

483-7 Kitanagai, Miyoshimachi, Iruma-gun, Saitama 354-0044

■ **Founded**

September 30, 2016

■ **Representative Director**

Shuichi Takenaga

■ **Capital**

50 million yen (as of September 30, 2016)

* A wholly-owned subsidiary of Aucfan Co., Ltd.

■ **Fiscal year-end**

September 30

■ **Business**

・Operation of a BtoB platform for Internet wholesaling

NETSEA

・Liquidation support for disposed goods and the returned goods acceptance business

ReValue

・Overseas sales service business

■ **(Reference) Concept behind the company name**

SynaBiz

॥

「 Synapse ＋ Biz 」

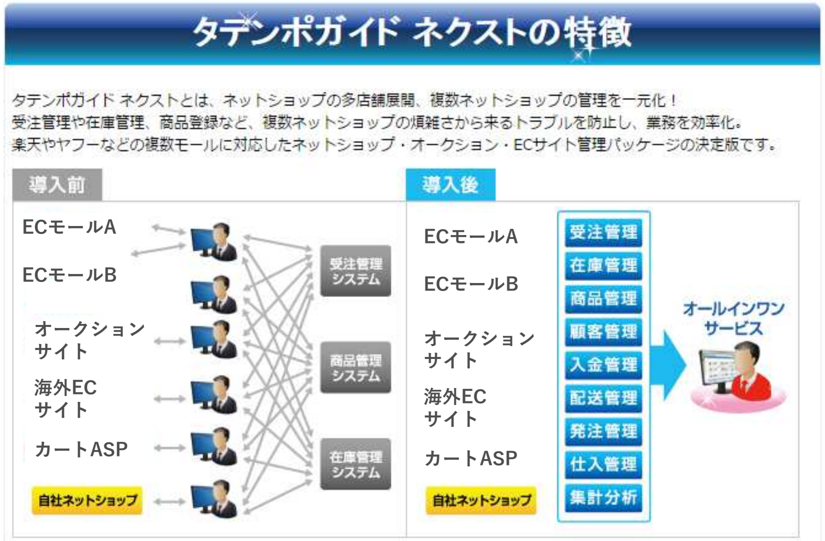
We want to be an entity that forms a bridge between sellers and buyers in the BtoB market, like a synapse.

Group Company Profile: SmartSourcing,inc.

Company name	SmartSourcing,inc.
Founded	May 9, 2012
Capital	90.5 million yen (including legal capital surplus)
Representative	Masahiro Ikenaga
Fiscal year-end	September
Qualification/ certification	Privacy Mark (17001021(01))
Employees	17
Affiliated companies	Aucfan Co., Ltd. SynaBiz Co., Ltd.

Main business

- Provision of TAKEMPO Guide
- Sales proxy service for cloud sourcing
- Web marketing through affiliate advertising



Group Company Profile: Digifun inc.

aucfan

Create real, new impressive experiences using technology and marketing data.

Planning, holding and operation of events

- Improvement of service visibility
- Creation of real contact points with users
- Effective use of dead space

We assist in holding events such as flea markets and parades.
We mobilized more than 150,000 people in the previous fiscal year by providing services unique to an IT company, such as the planning and operation of events, as well as the referral of customers from Rakuichi Rakuza operated by Digifun.

Number of visitors (FY2016/9)

Digital solutions

- Analysis of current state (market, competition, the company)
- Planning/operation of essential solutions
- Operation of listing ads
- SNS marketing support

We conduct essence-oriented consultation with the aim of discovering and solving the fundamental causes of a problem, instead of relying on palliative methods using manipulative techniques or fashionable measures.

"Event x Tech"

- Planning and operation of and revenues from places (value) for the Instagram and Facebook generations

Channel: BBQ, stadium, pachinko, various events, local media

Place (value) * Community

LINE

Monetize: offline affiliate, Charging, product sales

Company name	Digifun inc.	Founded	January 22, 2010	Business	◆ Planning and operation of events to attract customers, such as flea markets, parades, BBQs and pro-wrestling, etc.
Representative	Toyohiro Harada	Head office	Humax Shibuya Bldg. 6F, 1-14-6 Dogenzaka, Shibuya-ku, Tokyo		◆ Operation of Rakuichi Rakuza, a flea market information site, and others
HP	http://digifun.co.jp/				