Financial Results

FY09/17

Aucfan Co., Ltd. <3674>

December 7, 2017

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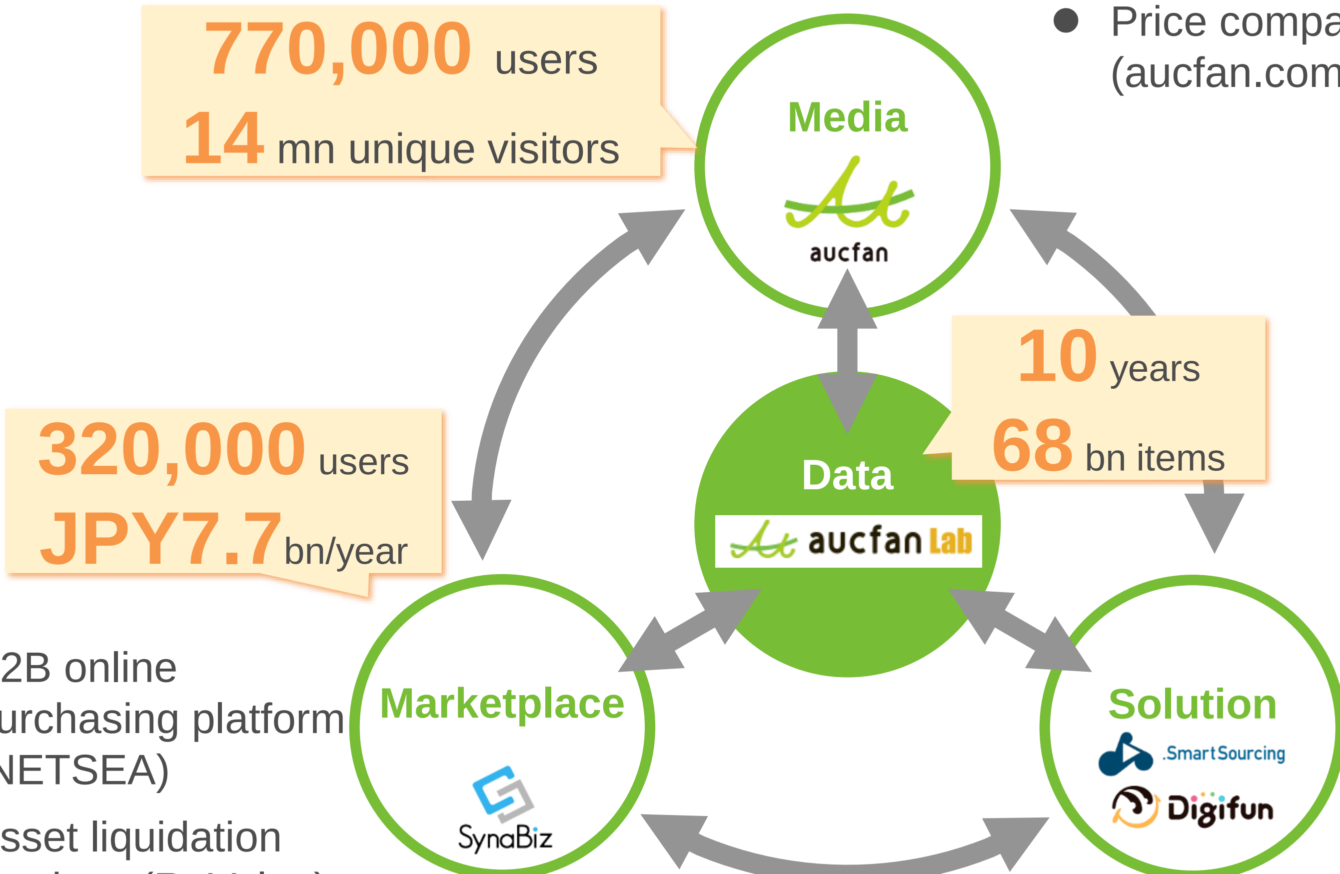
Business Model: Three Data-Centric Businesses

■ Three distinct businesses, with transaction data at their core

- Price comparison service (aucfan.com)



- B2B online purchasing platform (NETSEA)
- Asset liquidation services (ReValue)

- Software as a service (SaaS) for online stores

Executive Summary

Financial results

Sales up, income down

Net sales grew 34% YoY, rising for the 10th consecutive year. However, operating income **fell 36%,** and ordinary income **decreased 8%** on delayed profit growth.

Business progress

Promotion of a "data x business platform" business

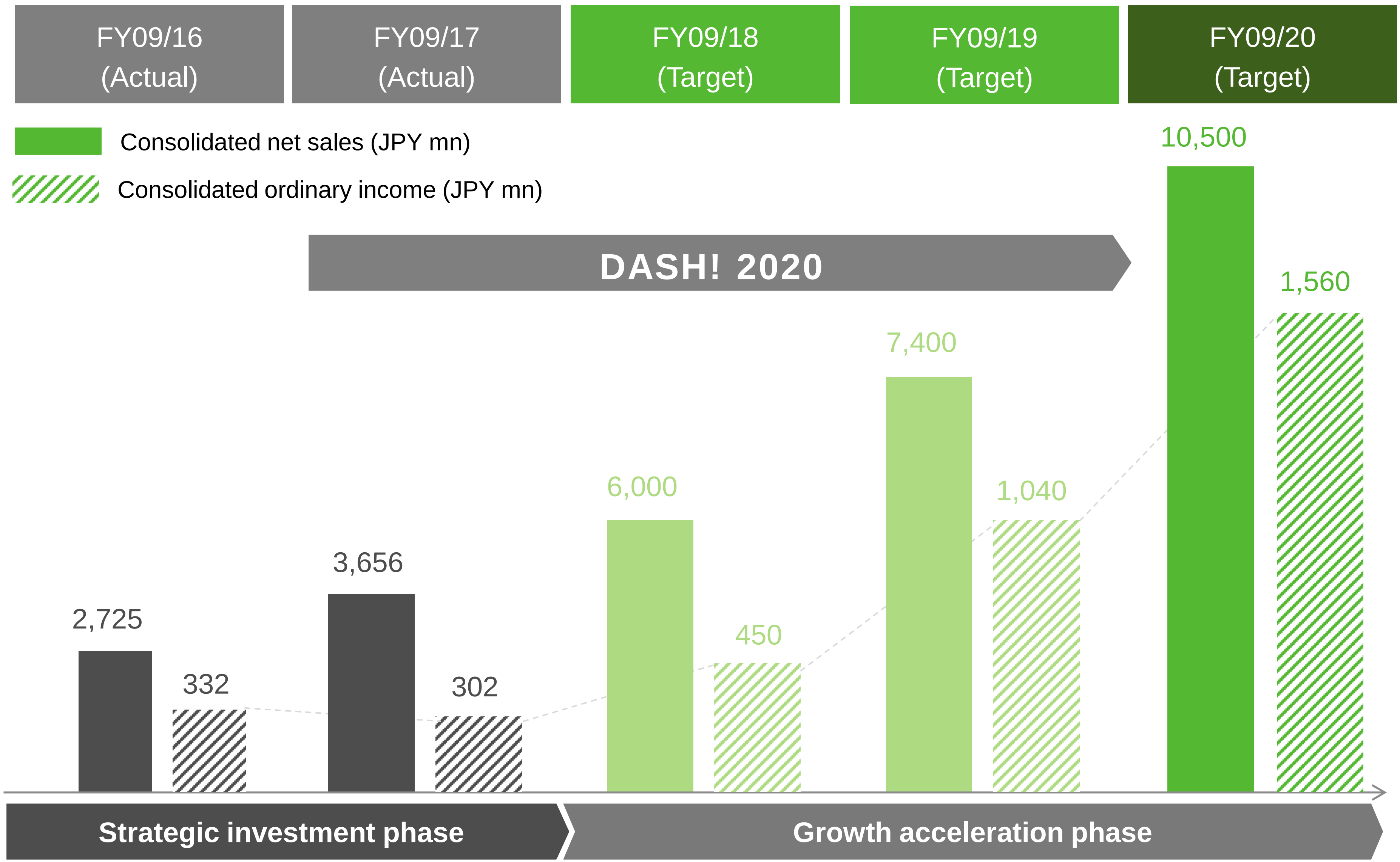
We are making a full-fledged shift from a business based on advertising and media charges to **a marketplace-focused business**.

Medium-term plan

Continuity

By FY09/20, we are targeting net sales of **JPY10.5bn** and ordinary income of **JPY1.6bn**.

Medium-Term Management Plan: DASH! 2020



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Consolidated Performance Highlights

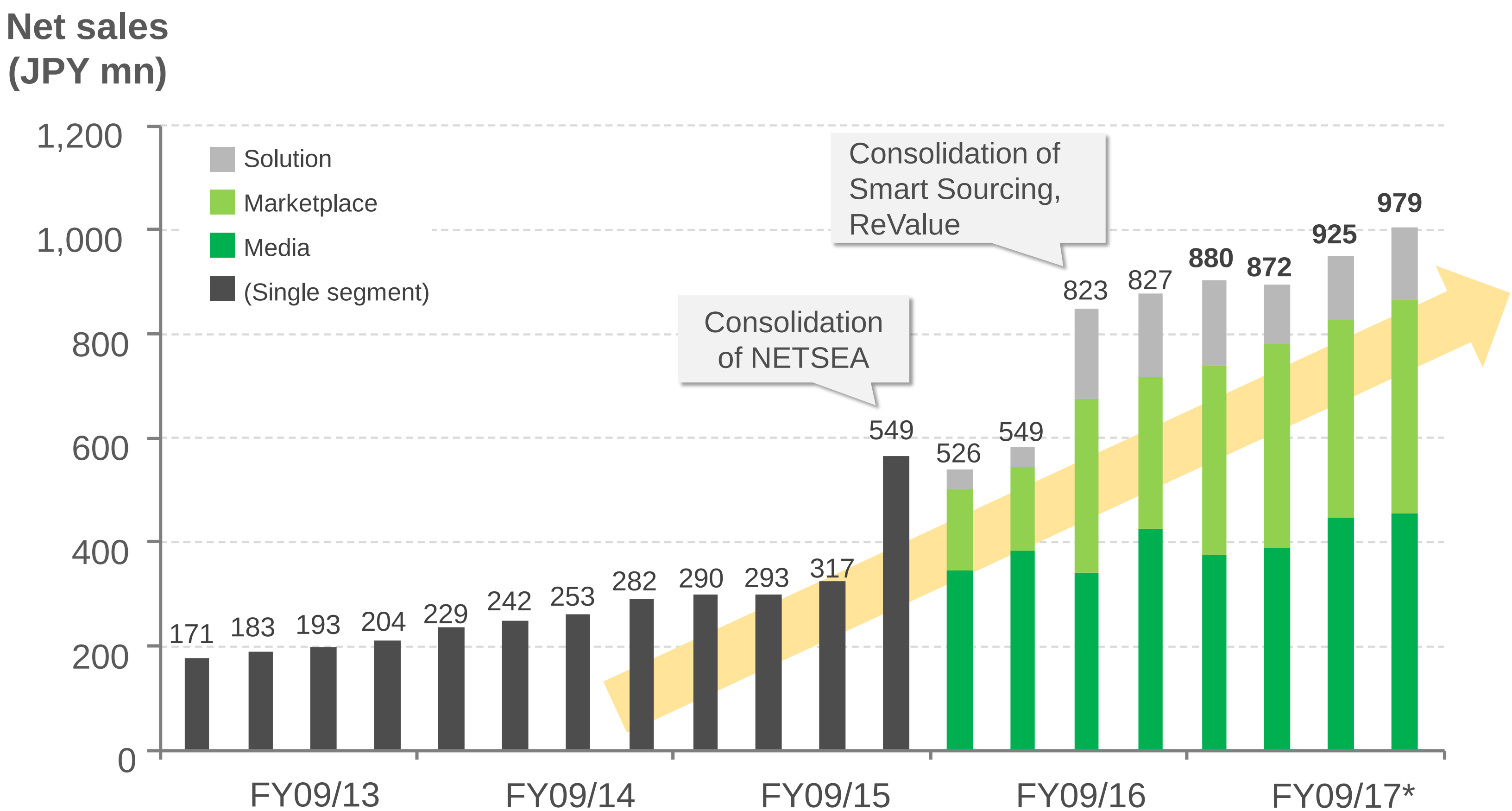
- Net sales rose YoY, but operating income declined significantly.

(JPY mn)	Previous year (FY09/16)		Current year (FY09/17)	Full-year target and achievement rate
Consolidated net sales	2,725	↗	3,656 (+34%)	3,815 (-4%)
Operating income	320	↘	205 (-35%)	415 (-50%)
Ordinary income	332	↘	302 (-8%)	461 (-34%)
Net income	308	↘	218 (-29%)	321 (-31%)

Note: Figures in parentheses indicate YoY comparisons.

Consolidated Net Sales (By Quarter)

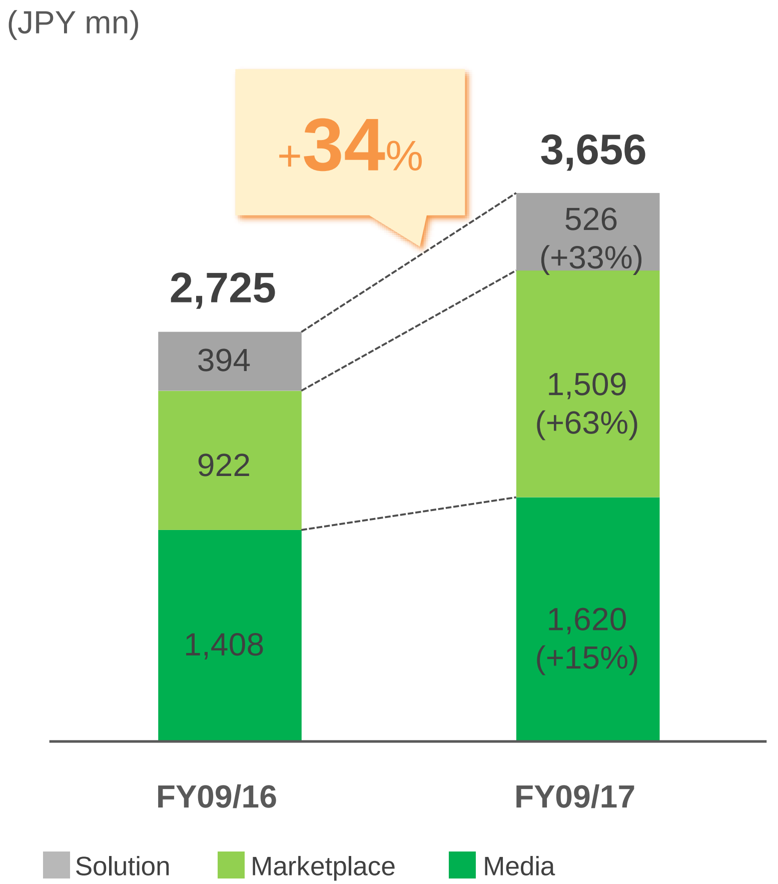
- We have **grown steadily** since FY09/15, with business expanding steadily thanks to M&A.



Note: Q1 through Q4 figures have been retroactively adjusted to reflect Q4 end-of-year adjustments. Segment figures differ from those shown in the Company's quarterly securities reports, but have been adjusted here to more accurately reflect business content.

Performance by Segment: Net Sales

- We posted **higher sales in all three business segments**, leading to a 34% increase on a consolidated basis. The Marketplace business was a particularly strong contributor to growth.



Solution

- Orders on installation support and **outsourced customization** of TATEMPO Guide boosted sales significantly.
- However, due to profitability issues, in 2H we will limit orders and prioritize profits.

Marketplace

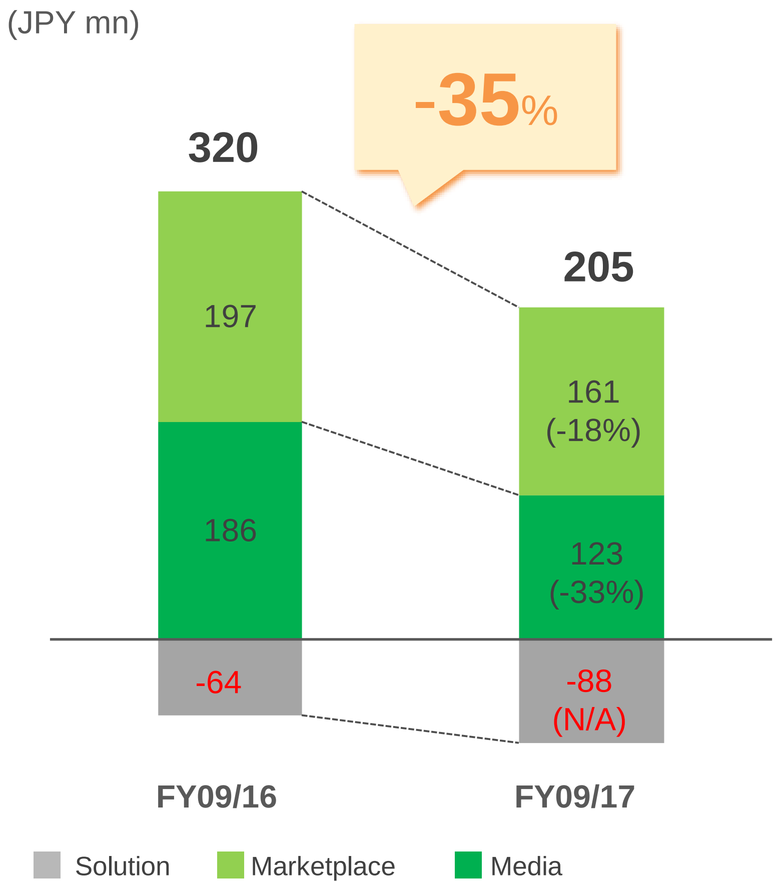
- ReValue made a full-year contribution to sales for the first time.
- **Cultivating and expanding new customers** for NETSEA and ReValue significantly augmented sales.

Media

- Monthly fee income was flat YoY.
- However, the **hands-on type school business**, which has high unit prices, lifted sales. Ultimately, sales increased.

Performance by Segment: Operating Income

- Operating income **fell in all three business segments** (down 35% on a consolidated basis). Key factors were increasing losses in the Solution business and lower income in the Media business.



Marketplace

- We incurred expenses ahead of revenues, due to **new business partner acquisition and the search for business opportunities outside our current scope.**
- We expect to monetize these opportunities from FY09/18.

Media

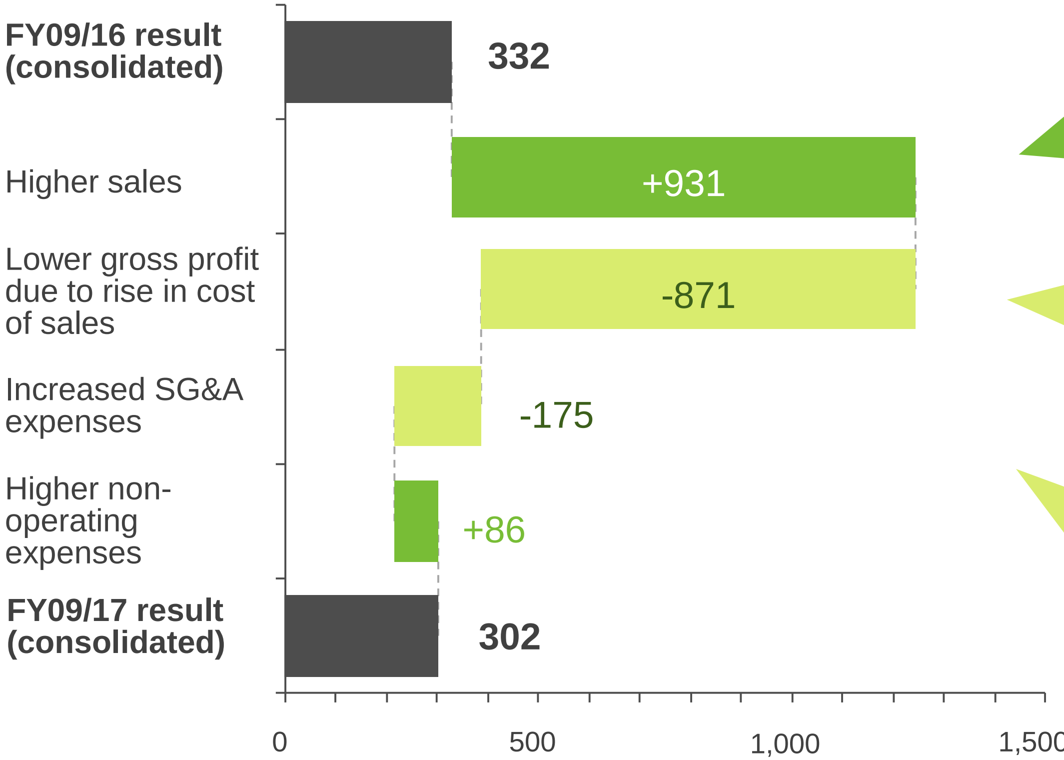
- **Advertising earnings decreased**, due to measures to enhance site search (pursuit of user experience).
- Revenue was also down YoY owing to a **higher cost of sales in the school business.**

Solution

- **Outsourcing costs rose** as we took on customization projects, and cost of sales expanded along with project orders.
- **Loss-making treated in 1H,** but full-year segment losses expanded to JPY88mn.

- **Cost of sales** increased in line with full-fledged expansion of the **Marketplace business**. Higher personnel expenses and rent, to expand the organization, also put downward pressure on income.

Increased expenses and other factors affecting ordinary income



<Key factors>

Media	+212
Marketplace	+587
Solution	+131

Purchasing cost	-610
Business consignment	-174
Depreciation	-3

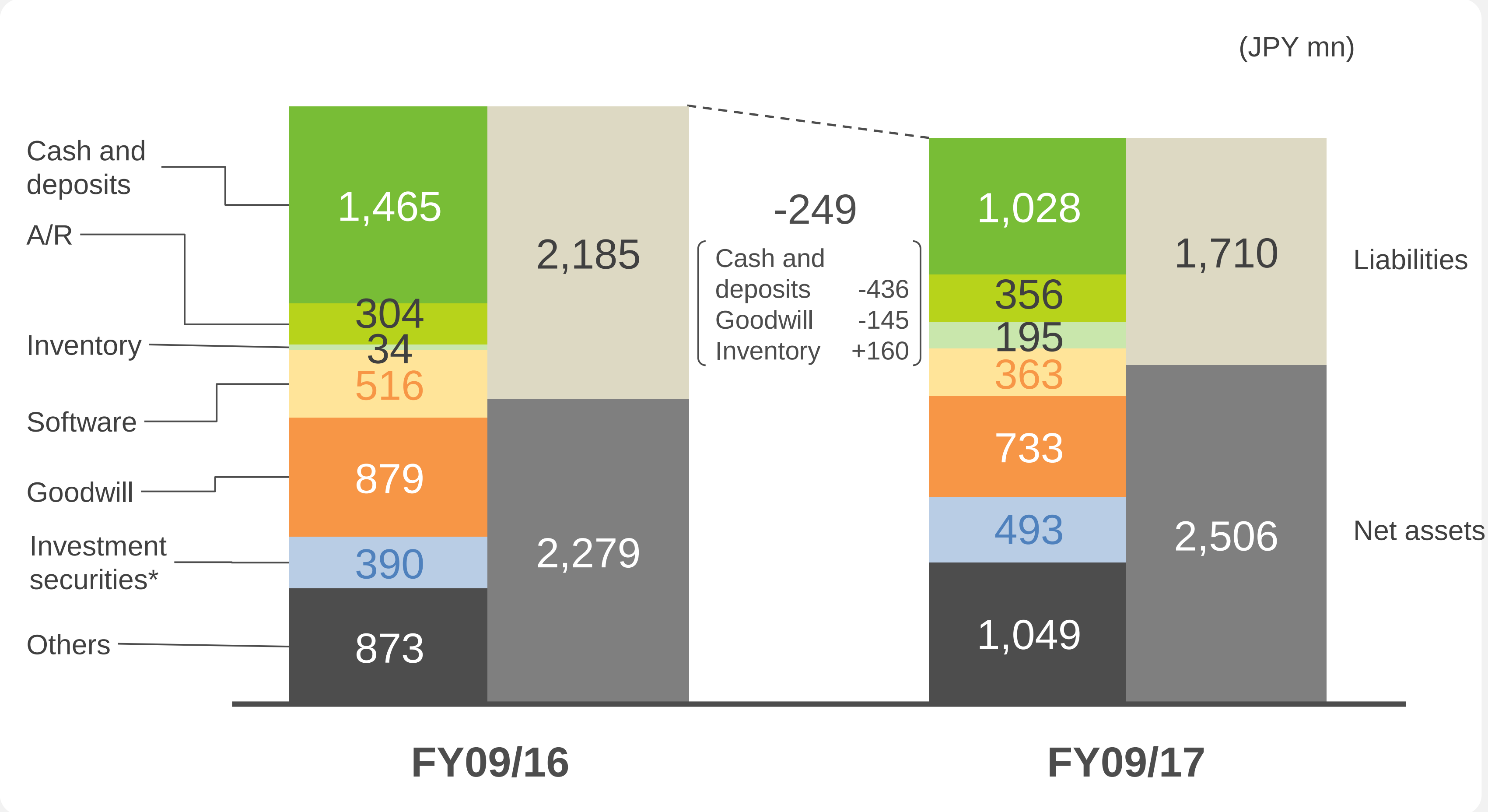
Personnel expenses	-219
Goodwill amortization	-43
Rent, utilities	-41
Business consignment expenses	+18

(JPY mn)

Note: The plus sign indicates factors causing income to increase, the minus sign factors causing income to decrease.

Assets

- Inventories rose in tandem with goods purchased. Internal reserves also increased, and we maintained a **high capital-to-asset ratio, at 59.4%**.



* Due to establishment of the Incubation business, recorded as operational investment securities from FY09/17

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Forecast for FY09/18 (Consolidated)

- We expect net sales to grow by 64%, partly because of the consolidation of netprice Ltd. We forecast a 119% increase in operating income, due to **business selection and focus** and the **review of SG&A expenses**.

(JPY mn)	FY09/17 (Consolidated, actual)	FY09/18 (Consolidated, forecast)	Change (%)
Net sales	3,656	**6,000**	+64.1
├Media business	1,620	1,936	+19.5
├Marketplace business*	1,509	3 ,220	+113.3
├Solution business	526	824	+56.6
└Incubation business	---	---	---
Operating income	205	**450**	+119.5
Ordinary income	302	**450**	+49.0
Net income	218	**270**	+23.8

* We expect to begin consolidating netprice's performance in Q2 (from January 2018).

Aucfan's Market

- Each year, **JPY22tn** worth of products fail to reach consumers and are **liquidated from company inventories**. Aucfan is taking on this huge market with initiatives based on market price data.

Losses on disposal of current assets

JPY22tn/year

(Aucfan's estimate, based on corporate statistics)

≒

- 4.1% of GDP
- Equivalent to three times* the potential labor force of women seeking work
- More than twice** the size of the domestic robotics industry forecast for 2035

* Based on materials from the Economic and Social Research Institute, Cabinet Office, Government of Japan (As of FY2011, JPY7tn in total compensation for a potential labor force of 3.42mn people)

** Based on preliminary estimates from the Ministry of Economy, Trade and Industry and the New Energy and Industrial Technology Development Organization (as of FY2010, preliminary estimate of JPY9.7tn by 2035)

Further Expansion in the Marketplace Business from FY09/18

- We will work to establish and expand our founding business model based on **data** and **distribution platforms** to become an entity unlike any other in the world.

Inventories for liquidation

- Retained or excess goods
- Returns
- Accidentally damaged goods
- Outlets

Market scale:

JPY**22**tn

aucfan

Distribution platform

(≒ redistribution framework)

B2B (existing)

ReValue NETSEA

B2C (new)

net price Otameshi おトクに試して社会貢献 aucfan

Deliver "sleeping value" where it is needed

Consumers

Propose optimal pricing and sales routes

Gather data

TATEMPO GUIDE Next タテンポガイド

Data

- 68bn items of transaction data
- Expertise in analysis and data utilization

Key Measures for Achieving Full-Year Targets (1): Media

■ We will promote **“side-business media”** and strengthen **data-based** services

1. Promote as “side-business media”

“Step-up” model for our users (basic concept)

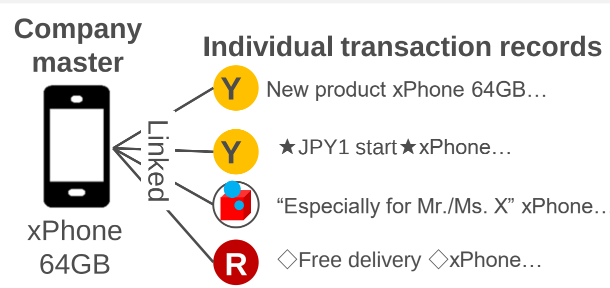
Raise the customer unit price by guiding users attracted by aucfan.com to the **school business, which has a high unit price**

- Launch monthly-fee side-business content (FUKUGYO), side-business portal

2. Strengthen data-based services

Utilize the 68bn units of data we have accumulated since establishment to generate **unique Aucfan market data**

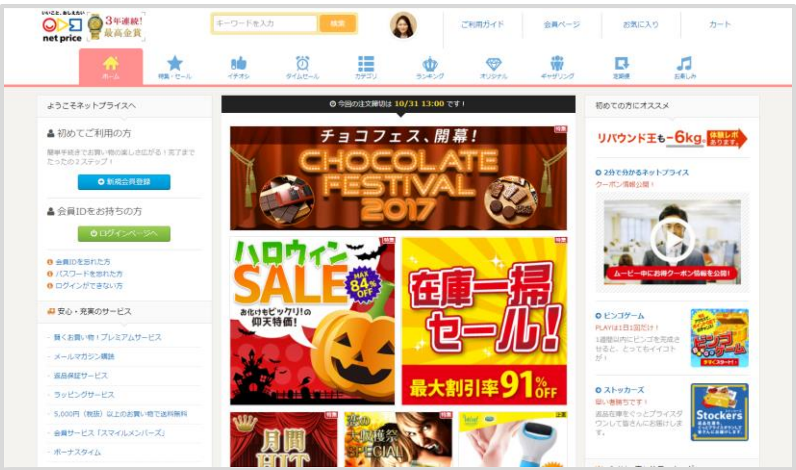
- Planning to **provide data outside the company** and **launch a FinTech business**



Key Measures for Achieving Full-Year Targets (2): Marketplace

- We will leverage netprice, *Otameshi*, and other **new B2C channels** to expand into new business areas and accelerate monetization.

Consolidation of netprice (from Q2)



いいこと、おしえたい
net price

Annual net sales: JPY**2.4**bn*

Registered members: **2.5**mn*

(of which, women: **73**%)

* As of September 2017

Expansion of *Otameshi*, an e-commerce site oriented toward social contribution

A new e-commerce site for **selling to consumers at *Otameshi* (trial) prices** products provided by sponsoring companies

Has received a favorable reception in TV, magazines, and other media since launch as a new ReValue business in July 2017

Key Measures for Achieving Full-Year Targets (2): Marketplace

- We will continue to strengthen existing B2B channel by taking over part of the **Rakuten B2B** business.

Take over part of the business

(Only display contracts with suppliers, from March 2018)

Rakuten B2B → NETSEA

Rakuten B2B

- B2B wholesale site for stores on the Rakuten Market
- Providing service since 2011
- Service suspended from March 29

NETSEA

- One of the largest in Japan (around JPY7.0 billion in circulation)
- 4,778 registered suppliers
- 310,000 registered buyers

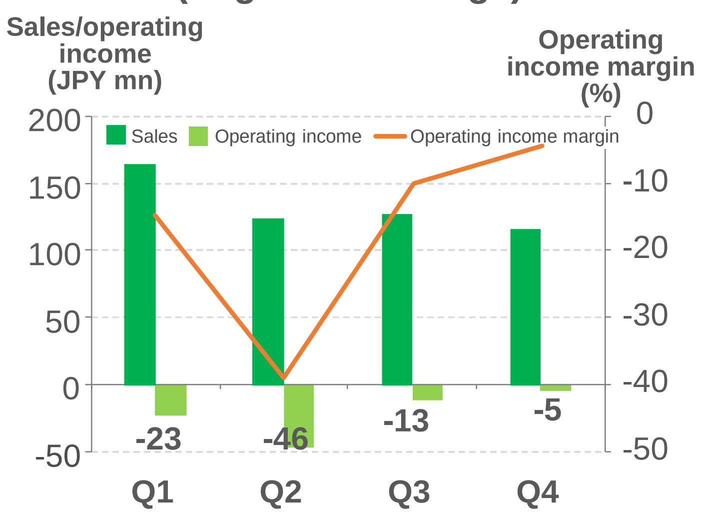
Accelerate expansion of amounts in circulation by capturing some of Rakuten B2B suppliers

Key Measures for Achieving Full-Year Targets (3): Solution/Incubation

- We will concentrate our efforts **to strengthen loss-making businesses** in the Solution business. We plan on upside contribution from Incubation (an investment business) where forecasting is difficult.

Solution

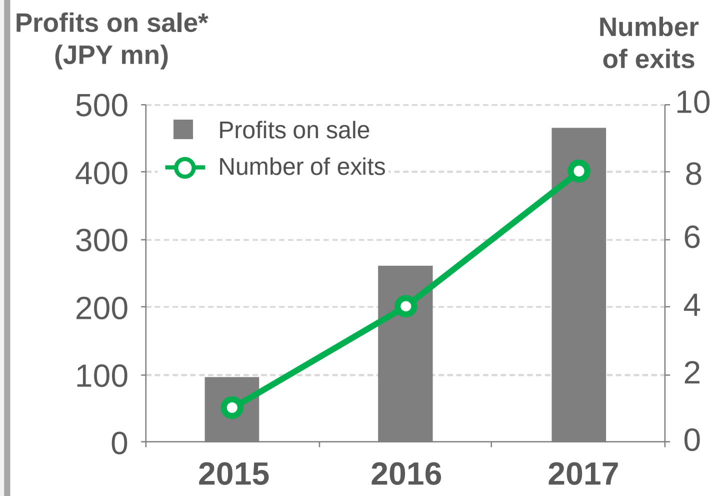
(Segment earnings)



- Revised the operating structure in 1H FY09/17, cutting expenses and reducing losses
- Expect to **maintain steady profitability** in FY09/18

Incubation (New in FY09/18)

(Investment business results in the past three years)



- All upside, as business characteristics make forecasting problematic
- However, **past performance extremely positive**

* Through FY09/17, recorded as non-operating profit (or extraordinary profit)

Aucfan’s Mission

Welcoming in a new age in which people are free to buy and sell items regardless of location.

Aucfan’s Vision

Continue being a pioneer in the global circular economy

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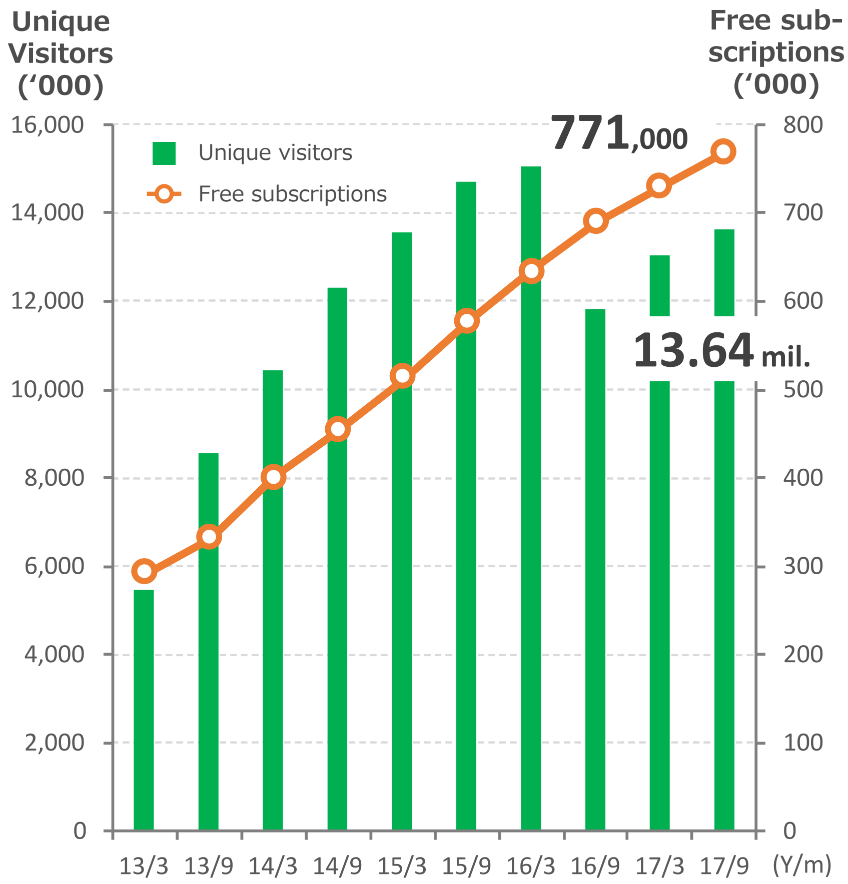
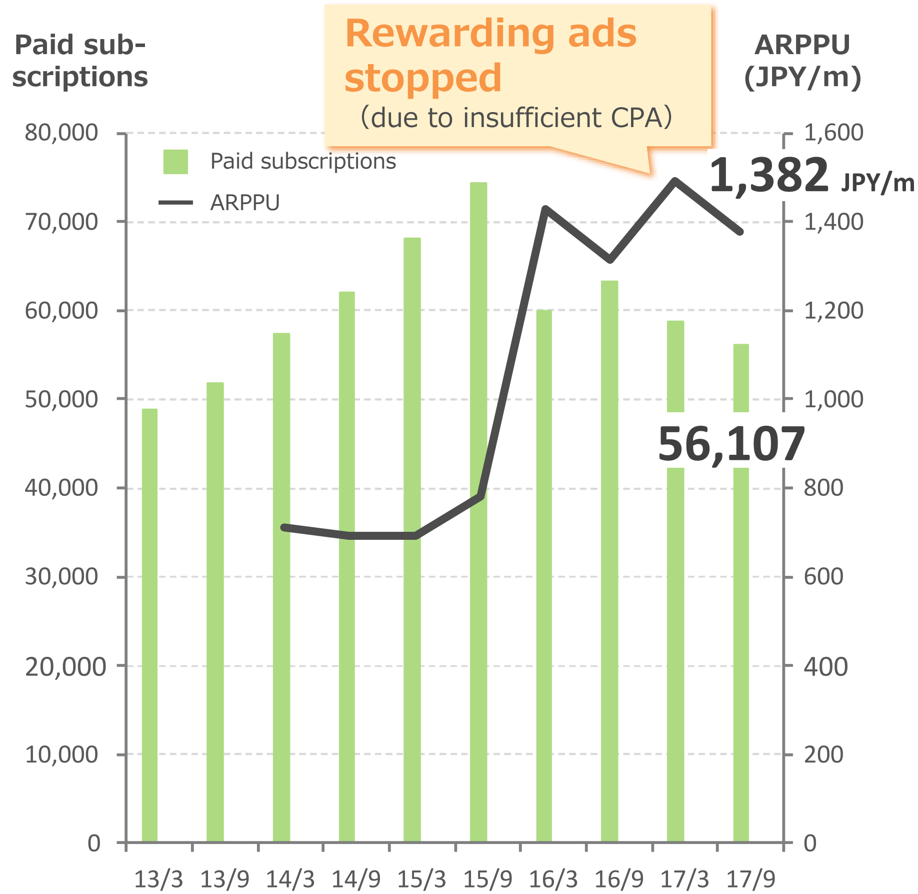
- Unique visitors recuperated well from a sudden decline. Free subscriptions piled up. Paid subscriptions delayed after Mar. 17.



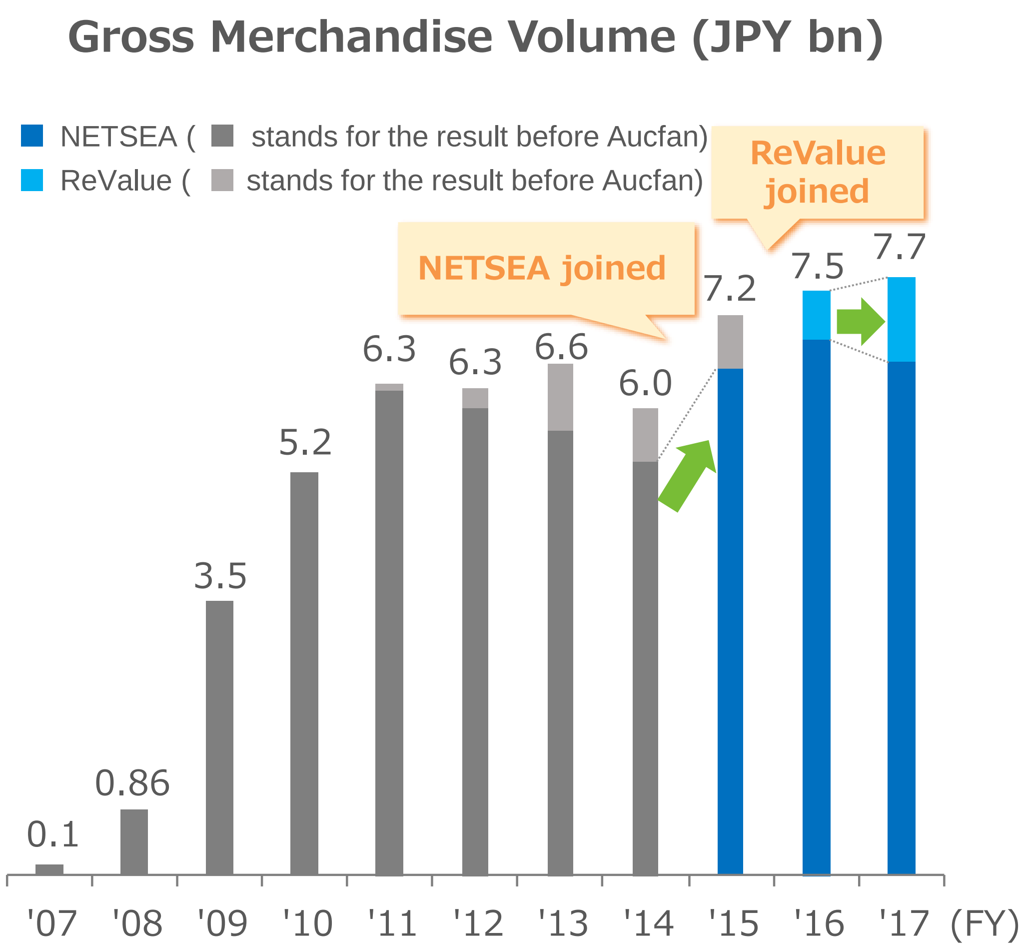


* Unique visitors are the numbers of monthly visited users.
* Free subscriptions are the numbers of registered users.

* Paid subscriptions are numbers of users registered to paid services, such as *Aucfan Pro* and *Aucfan Premium*.
* ARPPU is average revenue per paid user.

Segment overview (2/3): Marketplace

Gross Merchandise Volume surpassed **JPY 7.7bn**



ReValue (Asset Liquidation)

Assets liquidated*

JPY 4.0bn

NETSEA (BtoB marketplace)

Registered users

316,000

* Values of goods liquidated by ReValue in list price equivalent.

Segment overview (3/3): Solution

■ Major EC players employed **“Tatempo Guide”**, multi-cart unifying ASP

Features

TATEMPO タテンポガイド GUIDE Next

Simplifies mulit-cart ECs

Order	Cashflow
Sales	Purchase
Inventory	Delivery
Customer	analysis

Customization

- Linked to **original EC**
- Linked to **other systems (POS, WMS, etc.)**
- **Customized UI/UX,** analytical view, etc.

Developing partners:

VINX Corp.

Scroll 360 Corp.

Track records

Japanese EC giants such as KOJIMA, Senshukai etc.

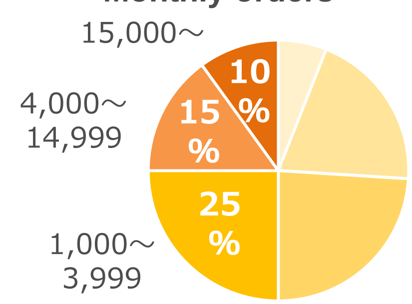
1,000

Companies employed

＊ Through VINX OEM

Usage

Monthly orders



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会社概要

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

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

Founded
June 2007

aucfan

SynaBiz (100%)　.SmartSourcing (91%)　Digifun (100%)

net price (100%*)

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

Employees
103 (as of September 30, 2016)
* Number of employees on a consolidated basis

Head Office (as of September 30, 2016)

*　Since December 17

aucfan