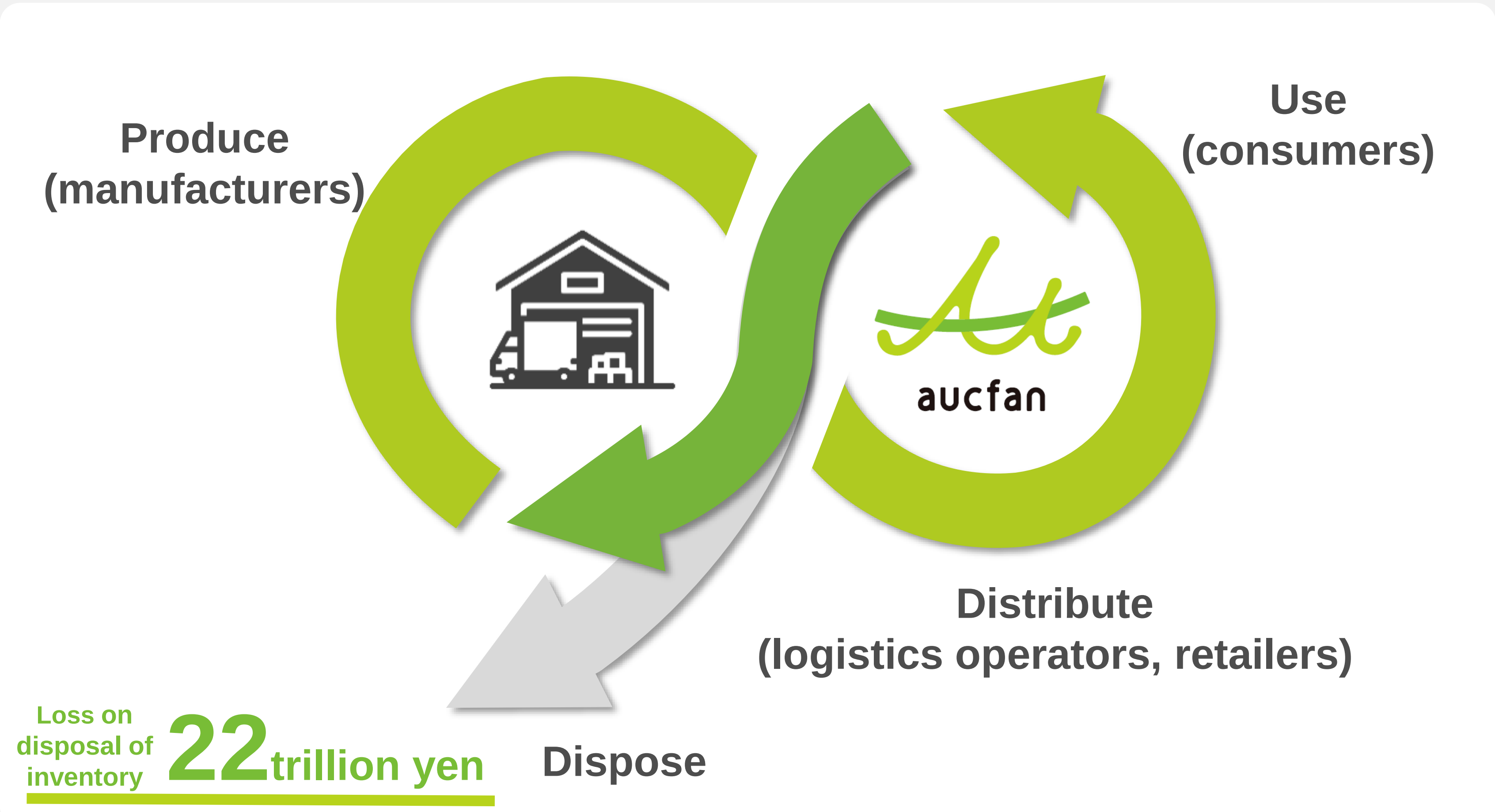
Financial Results
FY09/18

Aucfan Co., Ltd. <3674>
November 14, 2018

aucfan

Aucfan's Goal

- Every year, companies dispose of inventories worth **22 trillion yen**. Aucfan aims to support **inventory liquidation** of client companies by leveraging its extensive transaction data.



Business Domains and Key Services

Media

Sales
1,924 mil. yen

Operating income
187 mil. yen

Marketplace

Sales
3,318 mil. yen

Operating income
102 mil. yen

Solution

Sales
429 mil. yen

Operating loss
54 mil. yen

Incubation

Sales
274 mil. yen

Operating income
161 mil. yen

Our History

Moving from **media for market data** to

become a **partner in resolving inventory issues**

2014

2015

2016

2017

2018

Market data

aucfan

Provide market data to individuals who want to earn money

Purchasing opportunities

NETSEA

ReValue

TATEMPO GUIDE Next

Provide merchandise purchasing and efficiency tools

Resolution for inventory issues

Otameshi

net price

Zero div

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

Contents

Contents

Sales up for

11th consecutive year

Record profits

(operating income, ordinary income)

Executive Summary

Financial results

Sales up for 11th consecutive year, record profits

Net sales were 5,863 mil. (+60.4% YoY, down 2.3% vs. forecast), and operating income was a record 410 mil. (+100.2% YoY)

Business progress

more robust structure

We are streamlining the company, eliminating functions that overlap as a result of M&A. Our “dash” in focus areas during Q4 delivered the momentum to propel us into FY09/19.

Forecasts

Net sales of 7,400 mil. yen, ordinary income of 600 mil. yen

We will continue to focus on increasing sales in this gigantic, 22-trillion-yen market. While generating profits, we will build a business model unlike any other in the world.

Financial Highlights

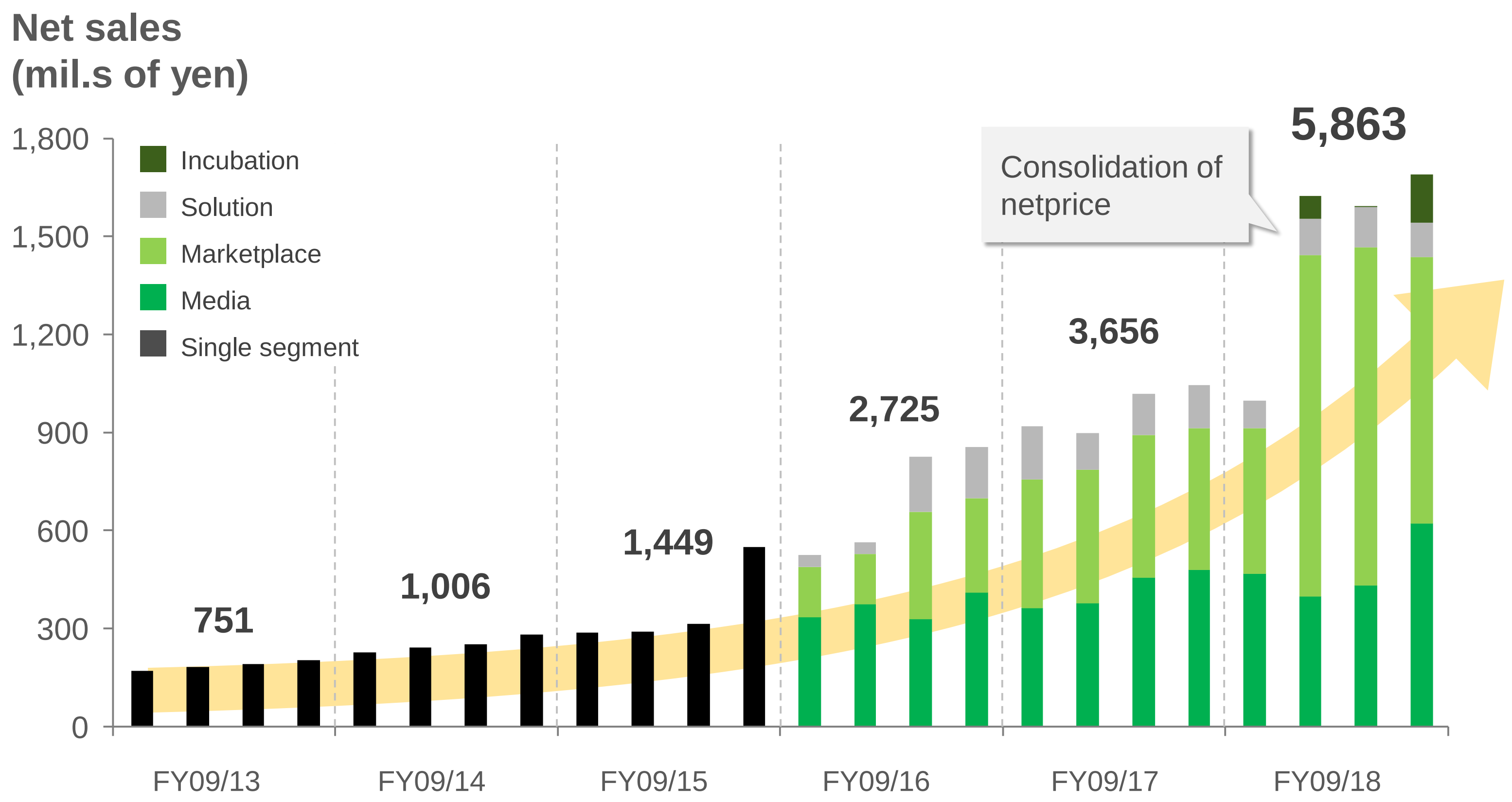
- Although short of our forecast, we achieved **record levels** of operating income and ordinary income for the **first time in four years**.

(mil.s of yen)	Results (FY09/17)	Estimate of results (FY09/18)	Targets and progress
Net sales	3,656	5,863 (+60.4%)	6,000 (-2.3%)
Operating income	205	410 Record high (+100.2%)	450 (-8.9%)
Ordinary income	302	423 Record high (+39.9%)	450 (-6.0%)
Net income	218	223 (+2.3%)	270 (-17.4%)

Note: Figures in parentheses are YoY changes.

Consolidated Net Sales (Quarterly)

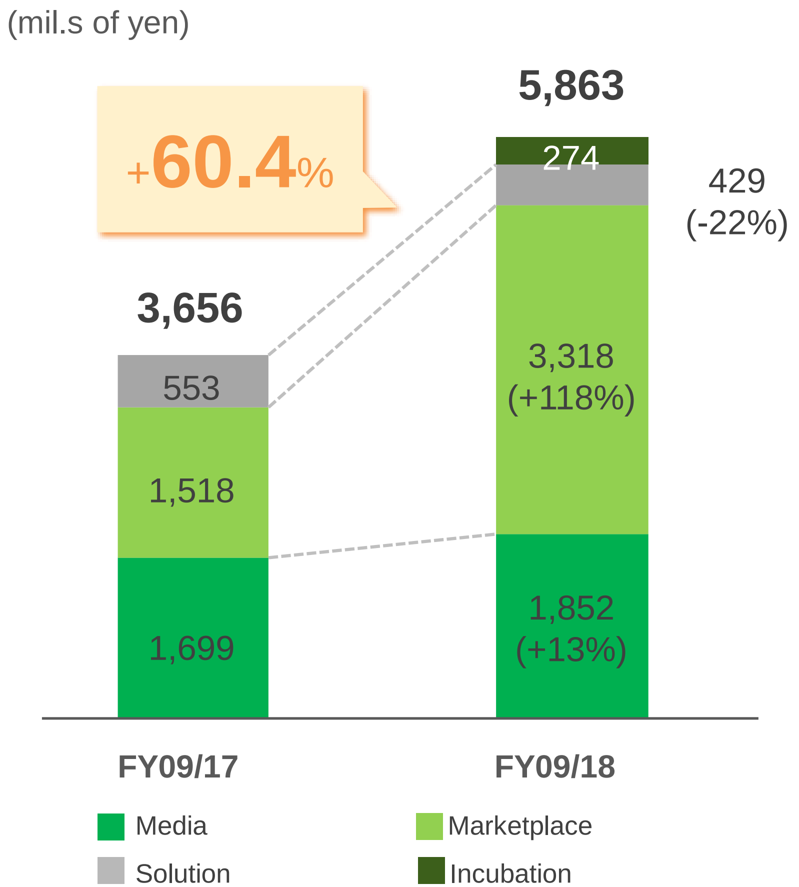
- **Sales were up significantly (rising for the 11th consecutive year),** thanks in part to the **impact of consolidating *Netprice***.



Note: Q1 through Q4 figures have been retroactively adjusted to reflect end-of-year adjustments. Although segment figures may therefore differ from those shown in the company’s securities report, they have been adjusted here to more accurately reflect business content.

Performance by Segment: Net Sales

- Sales **surged 60.4% YoY**, driven by the **Marketplace business** (+118%).



Incubation

- Despite being in its first year since commercialization, in the Incubation segment we **concluded sales of five medium-sized projects**.

Solution

- This segment is undergoing reforms. Sales were down, as the **focus is on boosting profits**.

Marketplace

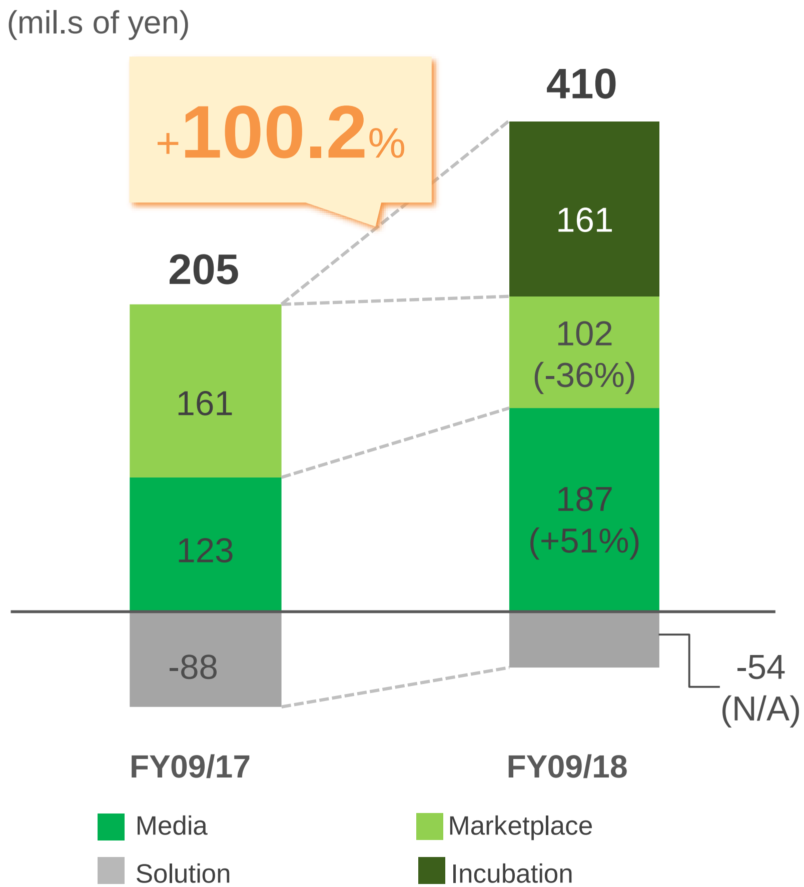
- This segment benefited from the **consolidation of *Netprice*** (nine-month contribution).
- Existing business also grew, so segment sales doubled.

Media

- Sales and income both rose, thanks to a **revision in fee structure at aucfan Pro** (three-month contribution).

Performance by Segment: Operating Income

- **Profitability rose** in each segment. Operating income grew 100.2% YoY, reaching a **new record for the first time in four years**.



Incubation

- The segment maintained a **high internal rate of return (IRR)**. We will strengthen purchasing to continue generating strong performance.

Marketplace

- While **business expanded**, income was down.
- The **rapid turnaround at *Netprice*** helped to augment the earnings base.

Media

- Profitability recovered substantially, due to the **revision in fee structure at *aucfan Pro***.

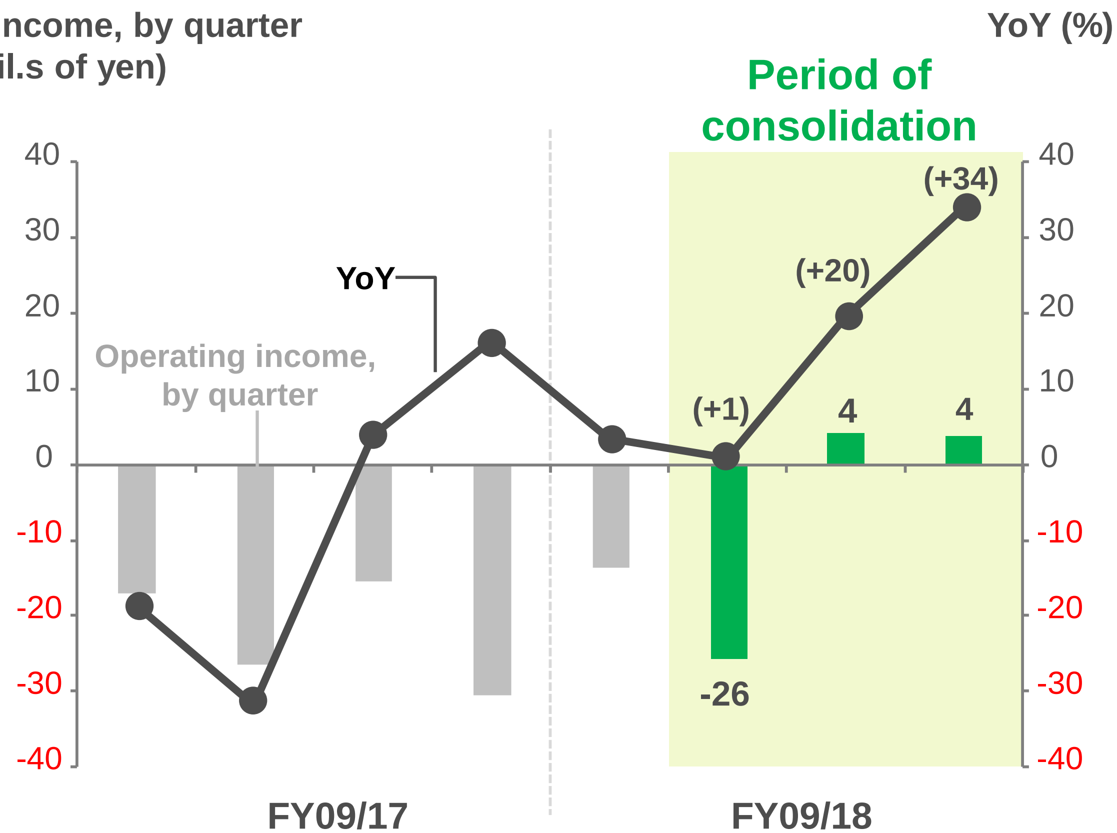
Solution

- We posted an operating loss in this segment due to a **loss of 83 mil. yen from bad debts** posted in Q1.

PMI Progress at netprice Robust; V-Shaped Recovery

- As a result of consolidation, we were able to swiftly review SG&A expenses and successfully forge alliances within the group.

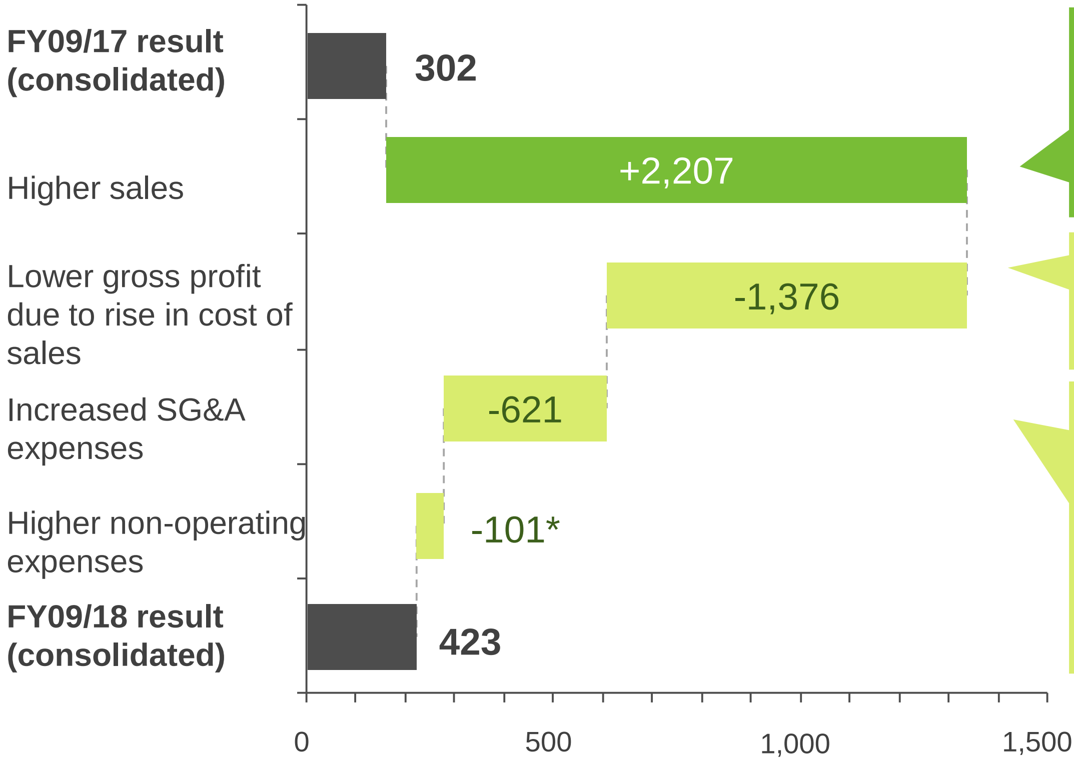
netprice's operating income, by quarter



Breakdown of Key Factors Affecting Income

- **Cost of sales** continued to increase in line with full-fledged expansion of the **Marketplace business**. In addition to **bad debt expenses** booked in Q1, higher SG&A expenses such as personnel costs put downward pressure on income.

Increased expenses and other factors affecting ordinary income



<Key factors>

Media	+231
Marketplace	+1,805
Solution	-104
Incubation	+274*

Purchasing costs	-907
Business consignment expenses	-74

Freight and shipping fees	-184
Sales promotion expenses and commissions	+143
Personnel expenses	-129
Business consignment expenses	+115
Bad debt expenses	-85

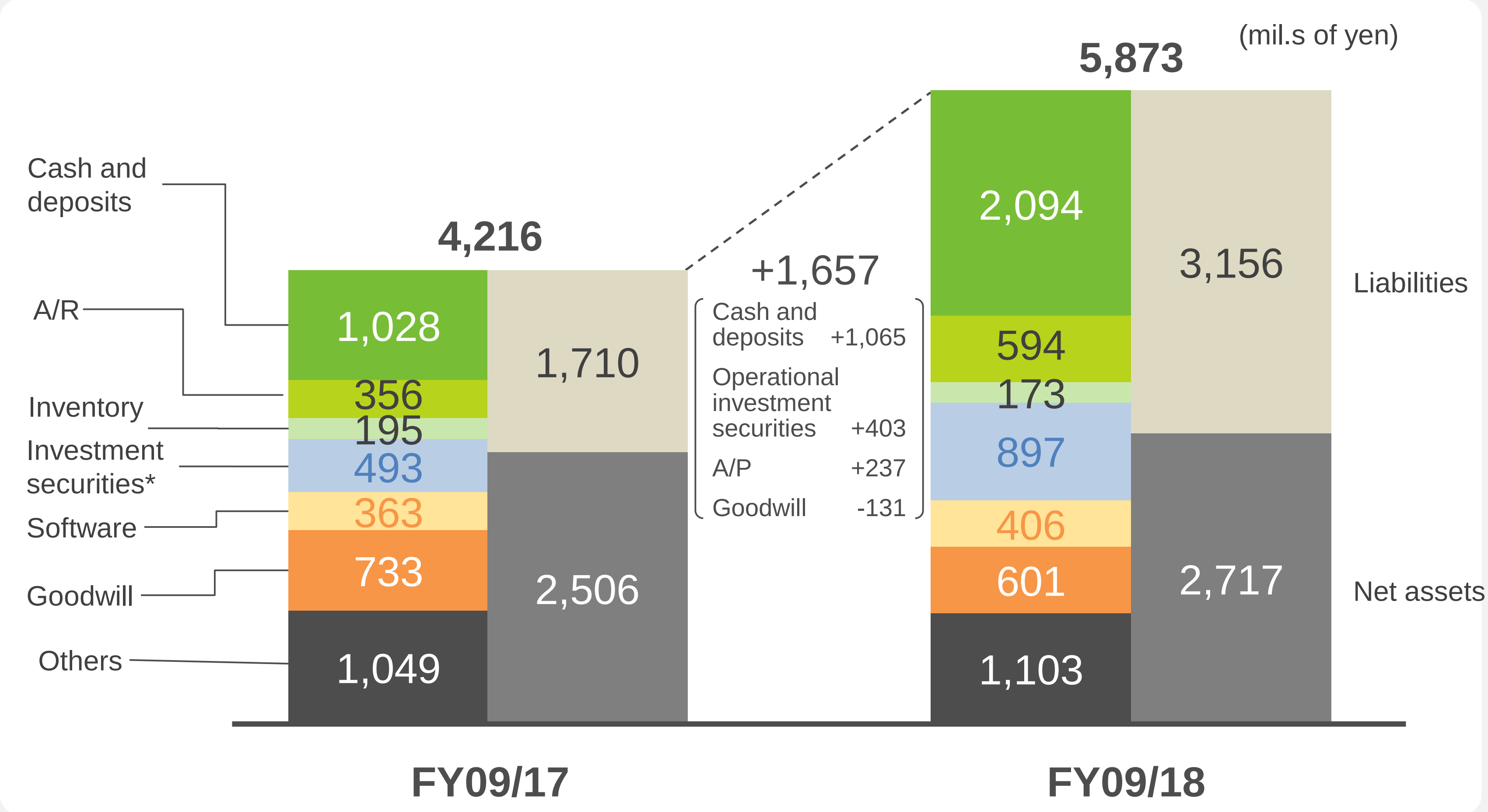
(mil.s of yen)

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

*Non-operating income/expenses in 1H FY09/17 included a gain of 102 mil. yen on sales of investment securities. This was included in sales from FY09/18 (current fiscal year) following commercialization of the Incubation segment.

Assets

- Liabilities and cash and deposits expanded as the company boosted borrowings to fund planned business expansion. Even so, we maintained a **high capital-to-asset ratio, at 46.0%**.



Review of Key 2H Measures/Highlights

Update of 1H FY09/18 materials

- Aucfan declares the following to recover profit shortfall in 2H:

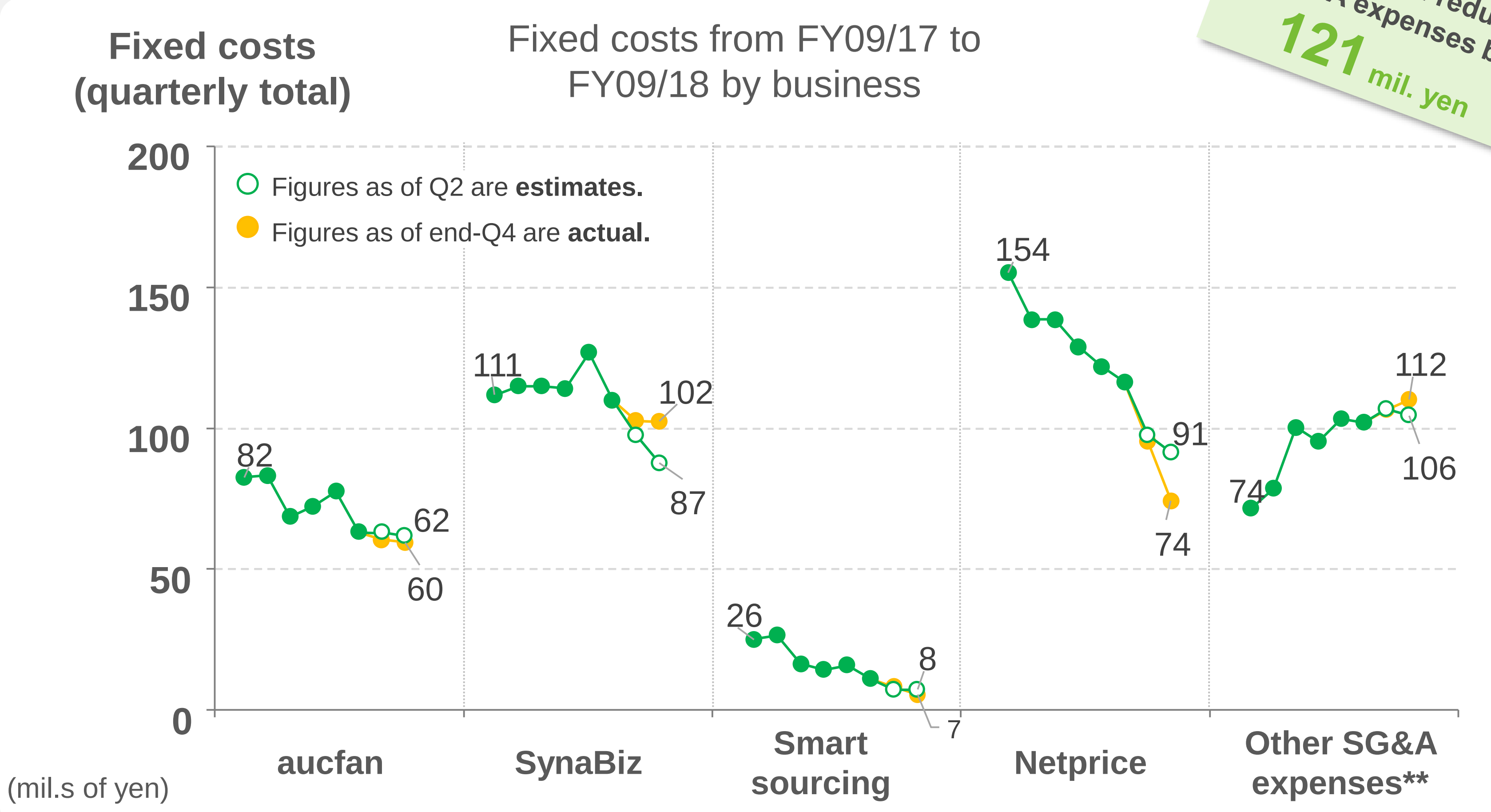
Leveraging its unique strengths, to become a permanent leader in distinctive business areas where no other companies can follow suit, Aucfan will

Reduce!!: Eliminate Redundant Operations and Costs Resulting From Past Acquisitions

Update of 1H FY09/18 materials

- **Thorough efforts to revise fixed costs** succeeded in lowering SG&A expenses by **121 mil. yen*** compared with 1H.

Succeeded in reducing SG&A expenses by **121 mil. yen**



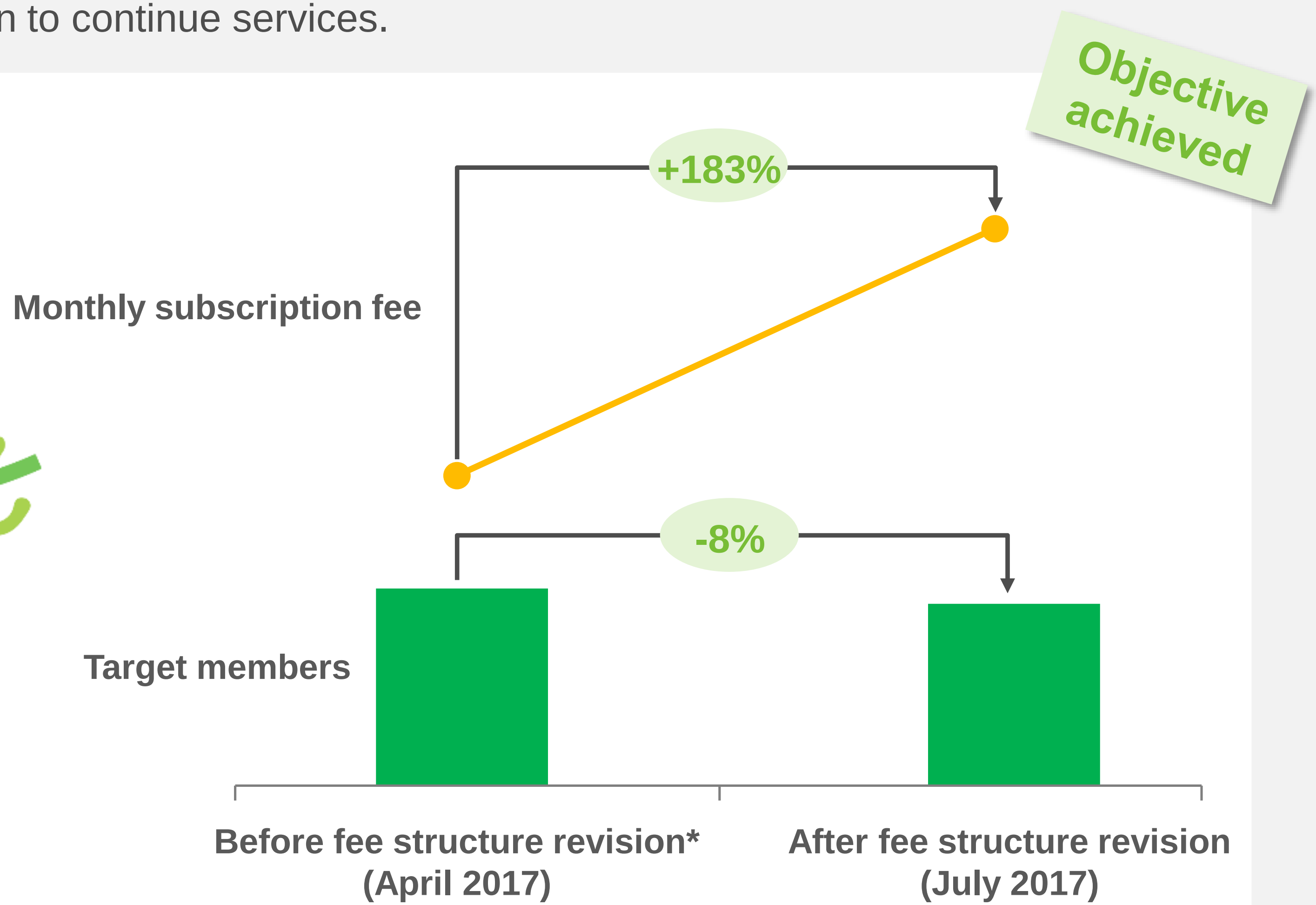
* For netprice and Zerodiv, total fixed costs for 1H include figures prior to consolidation; 2H figures are the difference between those 1H results and full-year forecasts of total fixed costs.

**In the consolidated financial results, total SG&A expenses are recorded under the Media segment.

Dash!!!: Aggressively Push Forward Without Hesitation in Growth Areas

Update of 1H FY09/18 materials

- ***aucfan Pro***: Despite a substantial revision in the monthly subscription fee, the move contributed significantly to higher earnings, as customers demonstrated an extremely strong inclination to continue services.



* Results are as of end-April, before the new fee structure was announced (on May 14).

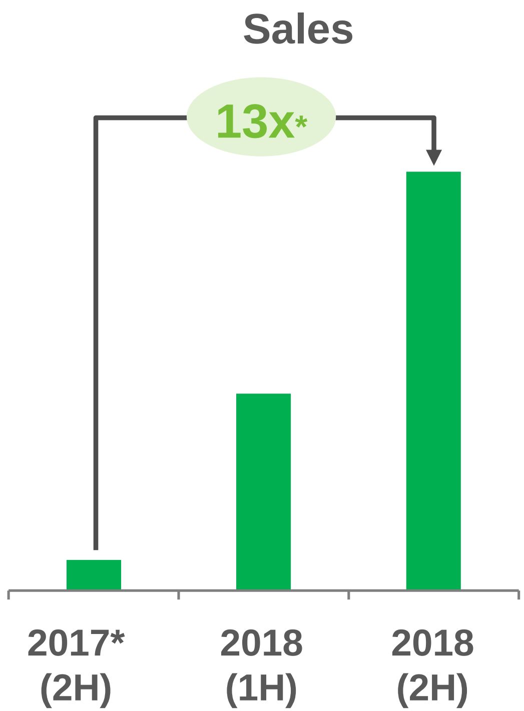
Dash!!!: Aggressively Push Forward Without Hesitation in Growth Areas

Update of 1H FY09/18 materials

■ *Otameshi*: Major progress in increasing sales and cultivating suppliers

Objective achieved

Otameshi



* The 2017 figure is for only the three months following service launch (July–September 2017). A comparison of just that July–September period yields YoY growth of 6.0x.

Note: Individual companies' sales are based on Aucfan's research.

Contents

Forecast for FY09/19

- We will continue to **focus on boosting sales**. As **sales grow and we put frameworks in place**, we expect profitability to improve.

	FY09/19 (forecast)	YoY (%)
Net sales	7,400 mil. yen	+26.2%
Ordinary income	600 mil. yen	+41.7%
Net income	350 mil. yen	+56.3%

Leverage Synergies of Individual Businesses to Strengthen Our Framework in Our Own Unique Way

- 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

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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

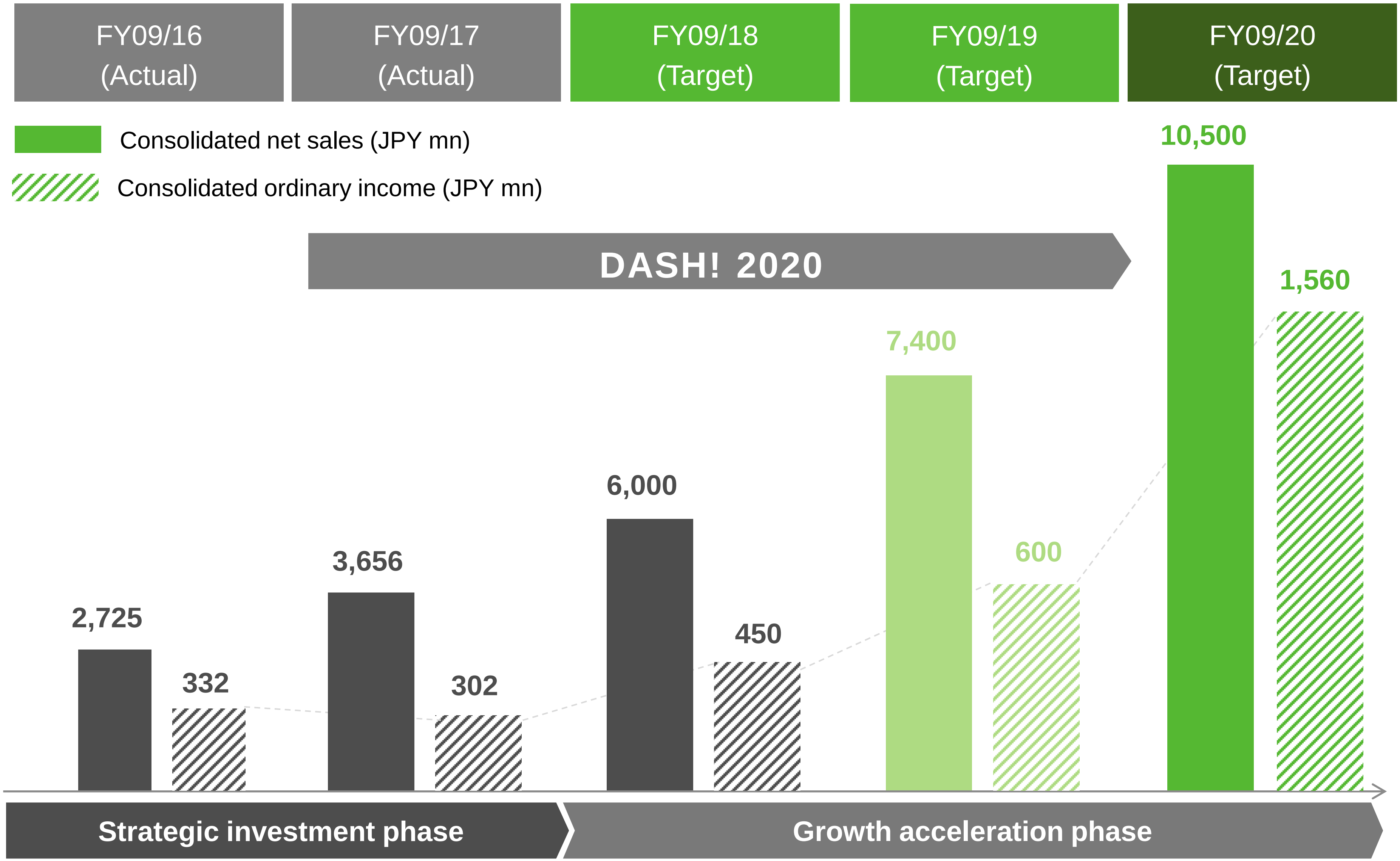
Gather data

Data

TATEMPO GUIDE Next タテンポガイド Zero div

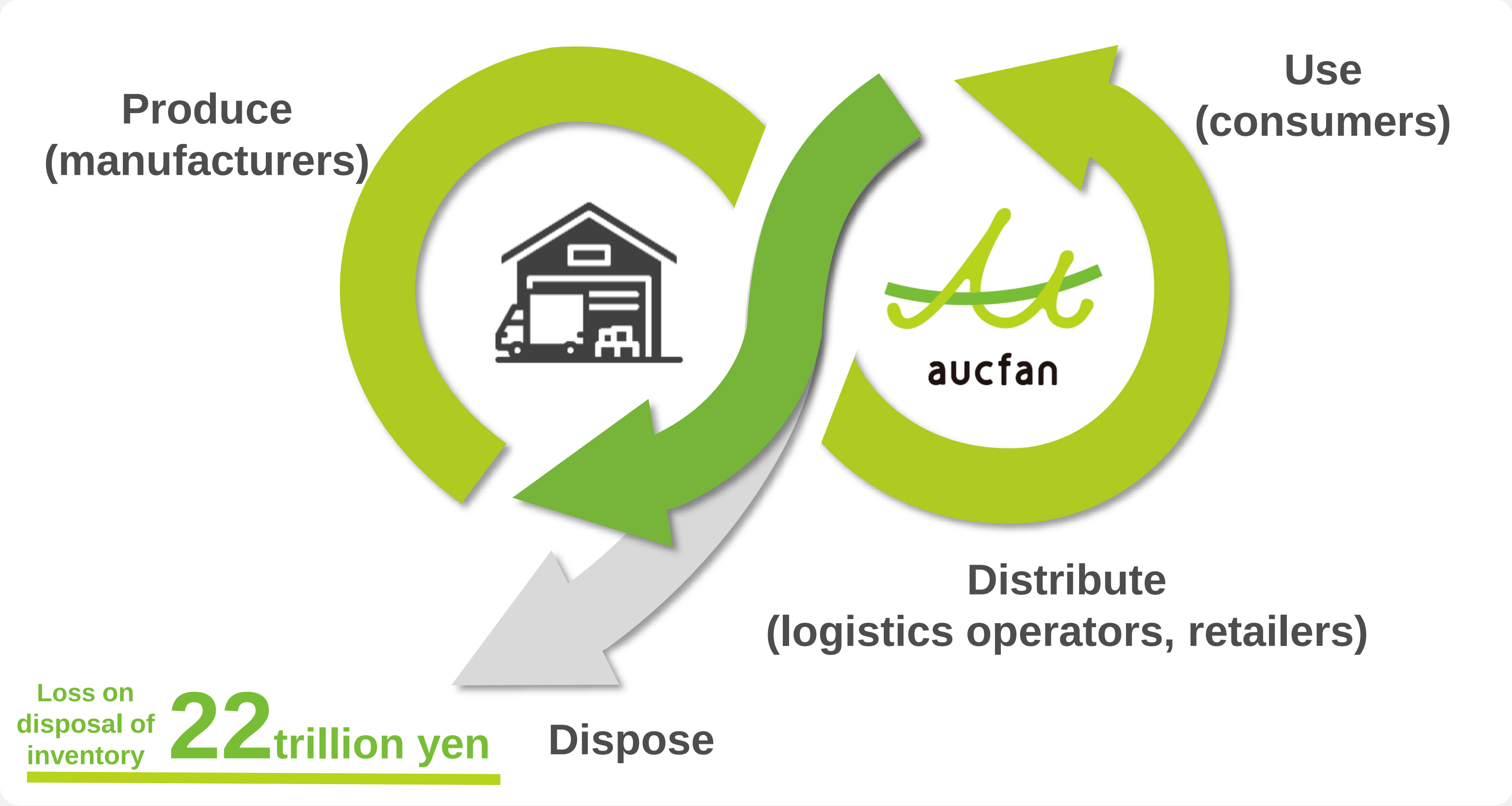
- 68bn items of transaction data
- Expertise in analysis and data utilization

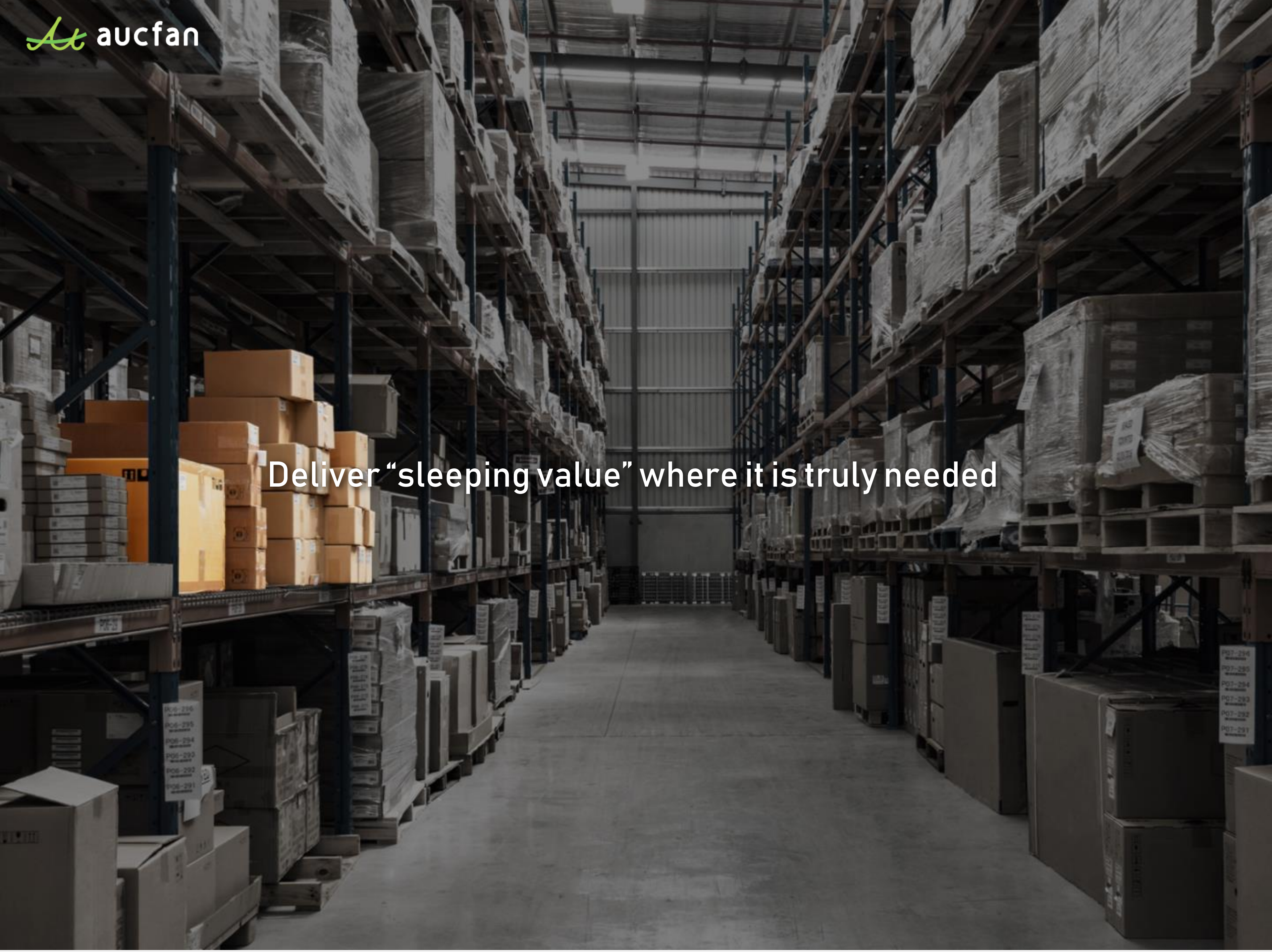
Medium-Term Management Plan: DASH! 2020



Reminder: Aucfan's Goal

- Every year, companies dispose of inventories worth **22 trillion yen**. Aucfan aims to support **inventory liquidation** of client companies by leveraging its extensive transaction data.





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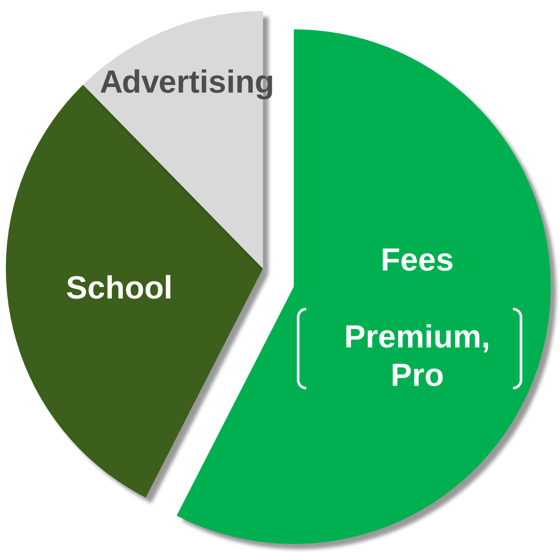
Deliver “sleeping value” where it is truly needed

Contents

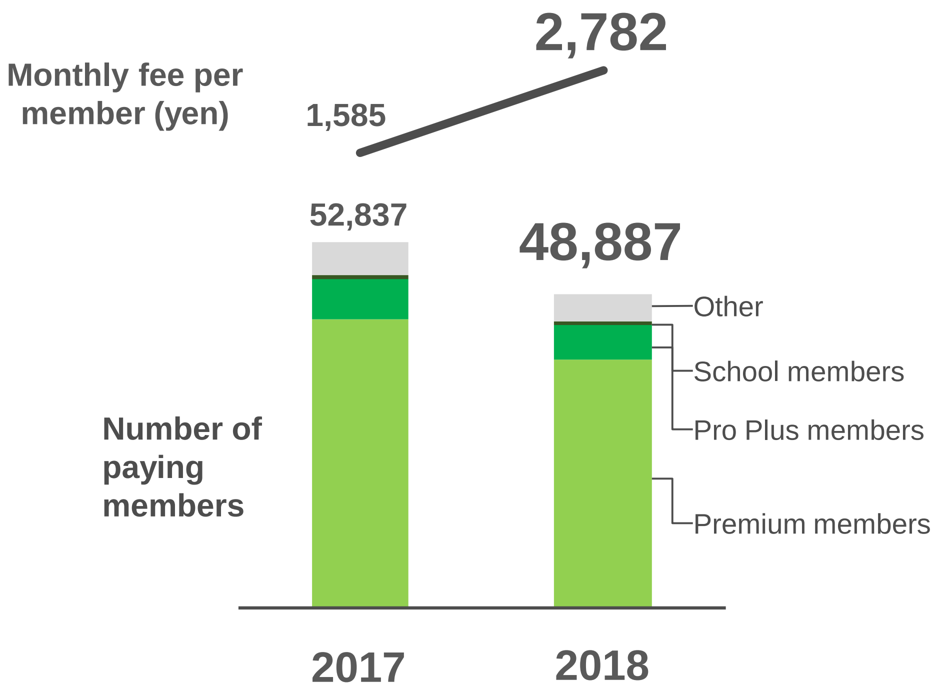
Media

- **Fees and school revenues (recurring fee revenue)**, which make up the majority of sales in this segment, increased. The **monthly fee per member rose substantially**, restoring our foundation for delivering stable earnings.

Sales by service (FY09/18)

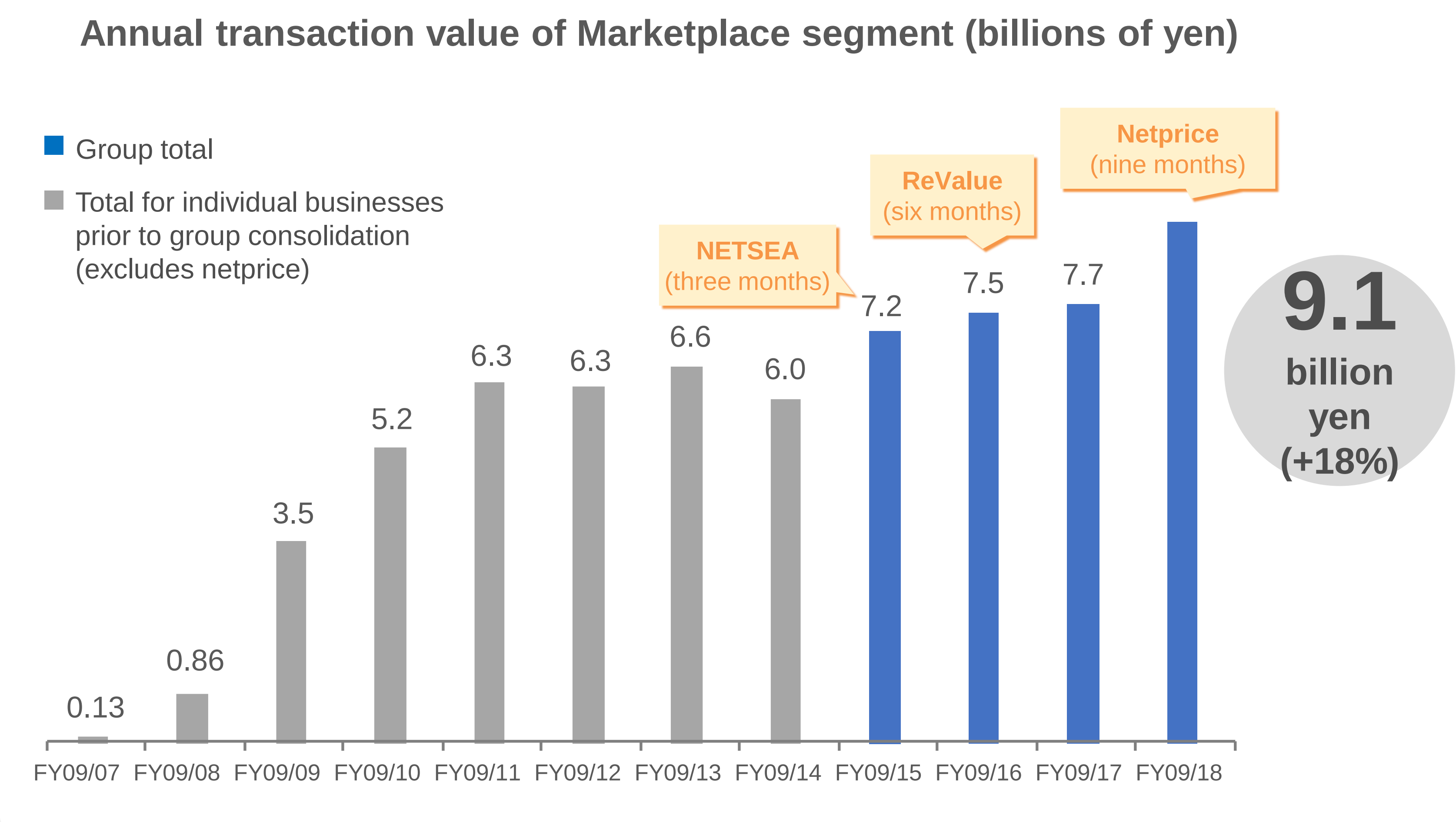


Number of paying members, monthly fee per member



Marketplace

- With the consolidation of netprice in January 2018, we aim to expand the **annual transaction value for the Marketplace segment to 10 billion yen**.



Note: Only Q2 (three-month) results of netprice are consolidated.

Contents

Corporate Profile

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

Location
Oak meguro 3F, 2-13-30 Kamiosaki, Shinagawa-ku, Tokyo 141-0021

Founded
June 2007

(91%)

Capital
679. 59 mil. yen (as of September 30, 2018)

Employees
172* (as of September 30, 2018)
*** Number of employees on a consolidated basis**

Head office (as of September 30, 2016)