

Financial Results

Q1 FY09/21

Aucfan Co., Ltd. <3674>
Feb 12, 2021



Q1 Executive Summary



<Consolidated Results>

In Q1, net sales were 2,963 million yen (+88.4% YoY and 27.2% of full-year projections), and operating profit was 1,224 million yen (+1,860.0% YoY and 94.2% of full-year projections), as both net sales and operating profit increased substantially.



<Core Businesses> (other than Incubation)

Sales were 1,665 million yen (+7.7% YoY), and operating profit was 72 million yen (+21.6% YoY).

Despite delays to major customer acquisition caused by the COVID-19 pandemic in the Inventory Management Solution segment, distribution volume in the Merchandise Distribution Platform segment rose due to consumption from individuals remaining at home.

Moving forward, we will proceed according to plan as we aim to achieve full-year targets for sales and operating profit generated through our core businesses.

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1

The Aucfan Group



IDENTITY

RE-INFRA COMPANY

Reexamining the value that lies before us,
rather than generating new value from scratch.
Aucfan is constructing a peerless infrastructure that
integrates the various “REs” of society.

RE.

Building “Once Again” (RE)

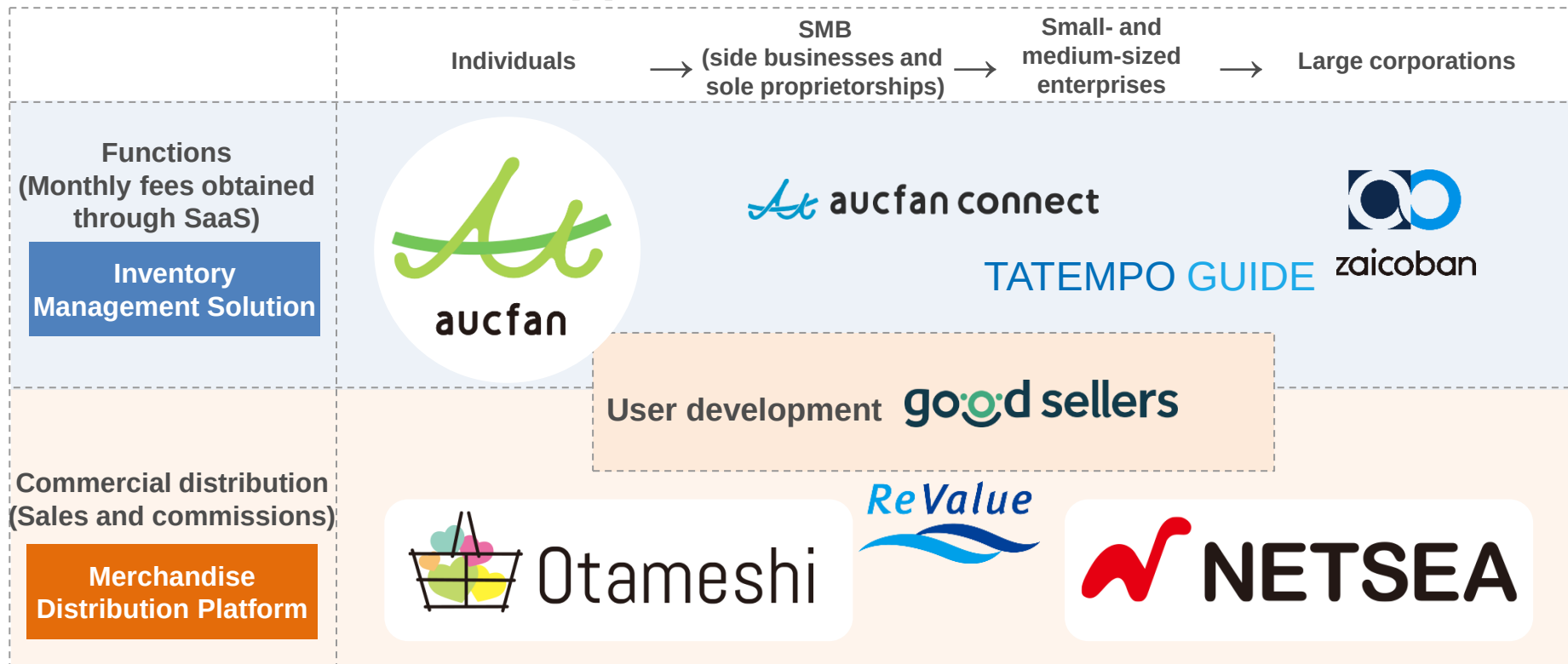
Reuse, Resale, Revalue, Reverse, Recover, Reduce, Rebalance, Reconstruct

Our societies and the world at large will become happier when we improve the circumstances surrounding both people and products.

Our Businesses

- Our strength is our extensive product redistribution infrastructure, which aims to reduce disposal loss and is maintained through the assembly and integration of trading data comprising over 70 billion transactions and the power of more than 1.39 million SMB accounts.
- We promote digital transformation (DX) in the retail and distribution industries by providing total e-commerce support solutions primarily for SMEs and SMBs.

Total E-Commerce Support Solutions



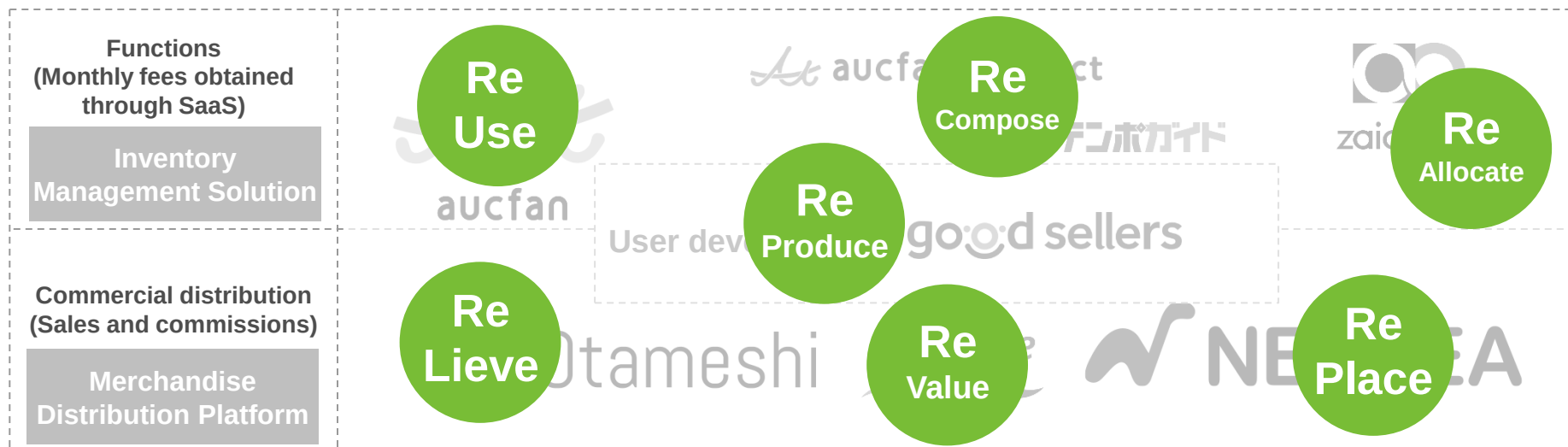
Aucfan and the SDGs: Part One

The Sustainable Development Goals (SDGs) are a set of 17 international goals laid out in the 2030 Agenda for Sustainable Development adopted by the United Nations during a summit held in 2015. In Japan, annual disposal loss of product inventory is 22 trillion yen*1. On a global scale, it is over 100 trillion yen.

Disposal loss reduction is one of the aucfan Group's business objectives. This objective corresponds in nature to SDG 12 “Responsible Consumption and Production”.

*1 Source: Estimated by aucfan using “Financial Statements Statistics of Corporations by Industry” (Ministry of Finance), etc.

SUSTAINABLE DEVELOPMENT GOALS



Aucfan and the SDGs: Part Two

Particularly through Otameshi, we are collaborating with partner companies to curtail disposal loss. We donate a portion of our sales to the organization we support as we continue efforts aimed at achieving SDGs 1 “No Poverty”, 4 “Quality Education”, and 17 “Partnerships for the Goals.”

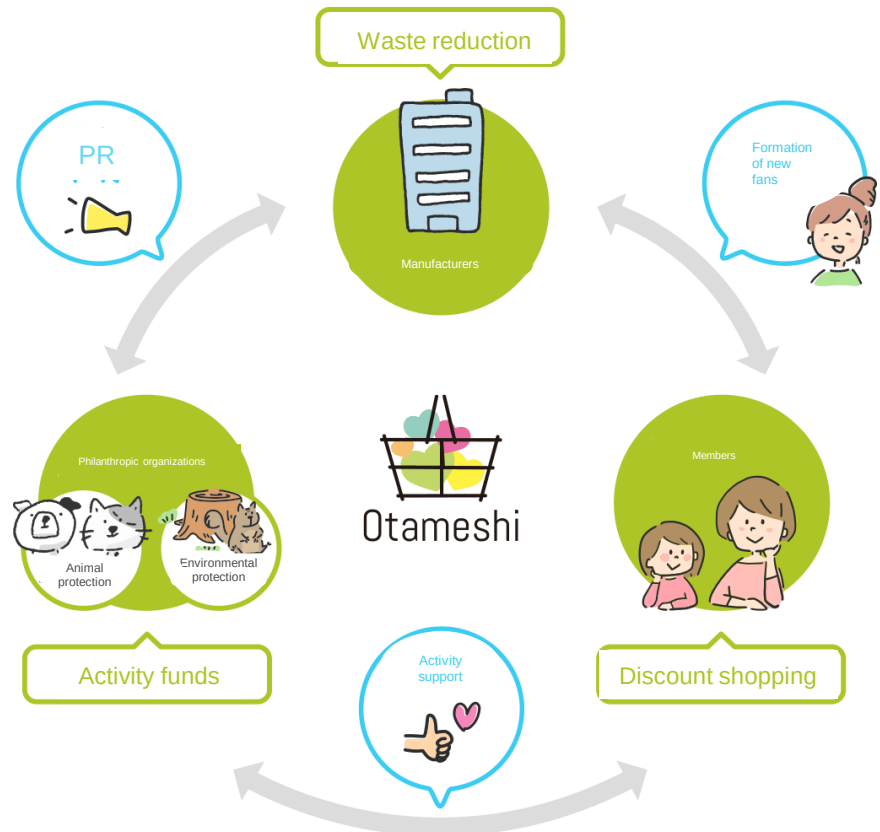
SUSTAINABLE DEVELOPMENT GOALS



Donation Recipients



Otameshi initiatives



ESG Management

“ESG” stands for the three elements necessary for companies to achieve sustainable growth: **environment**, **social**, and **governance**. We are placing a particular emphasis on efforts associated with the environment (E) and social (S) elements as we continue to conduct ESG-conscious management.



- Reduction of disposal loss in core businesses
- Environmental conservation achieved through support for recycling companies
- Lower CO₂ emissions accomplished by reducing vehicle-based travel through the implementation remote working



- Supporting society and the economy with donations made through Otameshi
- Contribution to local communities and regional revitalization achieved through collaboration with local governments



- Strengthening of our corporate governance system
- Compliance enhancement
- Promotion of risk management



2

Financial Highlights in Q1 FY09/21

Q1 Financial Highlights

Profit generated through Incubation took the lead as Q1 **net sales and operating profit increased substantially**, amounting to 2,963 million yen (+88.4% YoY) and 1,224 million yen (+1,860.0% YoY) respectively. Meanwhile, **major corporate customer acquisition in core businesses fell behind projections**.

	Q1		
	FY09/21 (millions of yen)	FY09/20 (millions of yen)	YoY
Net sales	2,963	1,573	188.4%
-Core businesses*1	1,665	1,546	107.7%
-Incubation	1,297	26	4,894.6%
Operating profit	1,224	62	1960.0%
-Core businesses	72	59	121.6%
-Incubation	1,151	2	38,844.8%
Recurring profit	1,215	60	1,996.2%
Net income	918	11	8,150.2%

Consolidated Sales

Sales generated by core businesses in Q1 rose 7.7% YoY while sales generated through Incubation grew 4,794.6% YoY.

(millions of yen)



Consolidated Operating Profit

In Q1, operating profit generated through core businesses grew 21.6% YoY while operating profit achieved through Incubation rose 38,744.8% YoY.

(millions of yen)





3

Progress versus Consolidated Earnings Forecast

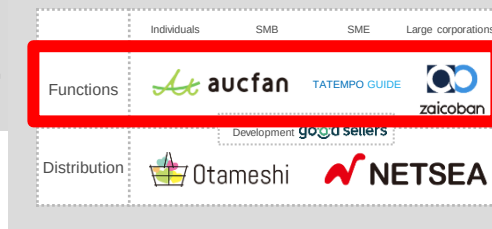
Progress versus the FY09/21 Earnings Forecast

Profit generated through Incubation led as **operating profit achieved 94.2% of full-year forecast, recurring profit 97.2%, and net income 114.8%**. Progress in terms of operating profit achieved through core businesses was slightly behind forecast, but is expected to recover starting in Q2.

We **have considered revising full-year forecast, but have for now decided to leave them unchanged out of consideration for factors such as substantial changes in business environment caused primarily by the COVID-19 pandemic.**

	FY09/21 forecast (millions of yen)	Q1 results (millions of yen)	YoY	Progress versus forecast
Net sales	10,900	2,963	188.4%	27.2%
-Core businesses	10,000	1,665	107.7%	16.7%
-Incubation	900	1,297	4,894.6%	144.2%
Operating profit	1,300	1,224	1960.0%	94.2%
-Core businesses	500	72	121.6%	14.5%
-Incubation	800	1,151	38,844.8%	144.0%
Recurring profit	1,250	1,215	1,996.2%	97.2%
Net income	800	918	8,150.2%	114.8%

Progress by Business –Inventory Management Solution–



Functions
(Monthly fees obtained through SaaS)

Inventory
Management Solution



 **aucfan connect**

TATEMPO GUIDE



zaicoban

Q1



- New order acquisitions fell behind projections as major customers cut back on marketing expenses in response to the COVID-19 pandemic.
- **Sales projections have been delayed** due to lead times associated with the acquisition of orders for the implementation of inventory management AI zaicoban at major customer facilities.

Q2~



- We will integrate inventory management AI zaicoban with TATEMPO Guide, a centralized management system for online shops, and **focus on expanding sales of our low-priced plans that target SMEs and SMBs**, which constitute one of our group's strengths.



	Individuals	SMB	SME	Large corporations
Functions	 aucfan	TATEMPO GUIDE	 zaicoban	
Distribution	 Otameshi	 NETSEA		

Progress by Business –Merchandise Distribution Platform–

Individuals → SMB (side businesses and sole proprietorships) → Small- and medium-sized enterprises → Large corporations

Distribution
(Sales and
commissions)

Merchandise
Distribution Platform

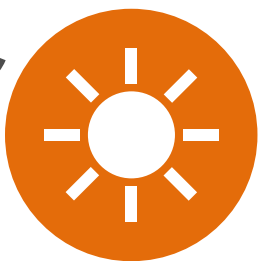


Q1



- Distribution volume in the Merchandise Distribution Platform segment grew due to at-home consumption conducted during the COVID-19 pandemic.
- Sales opportunities increased due to growth in corporate inventories.
- Sales of multi-product sets through Otameshi were favorable.

Q2~



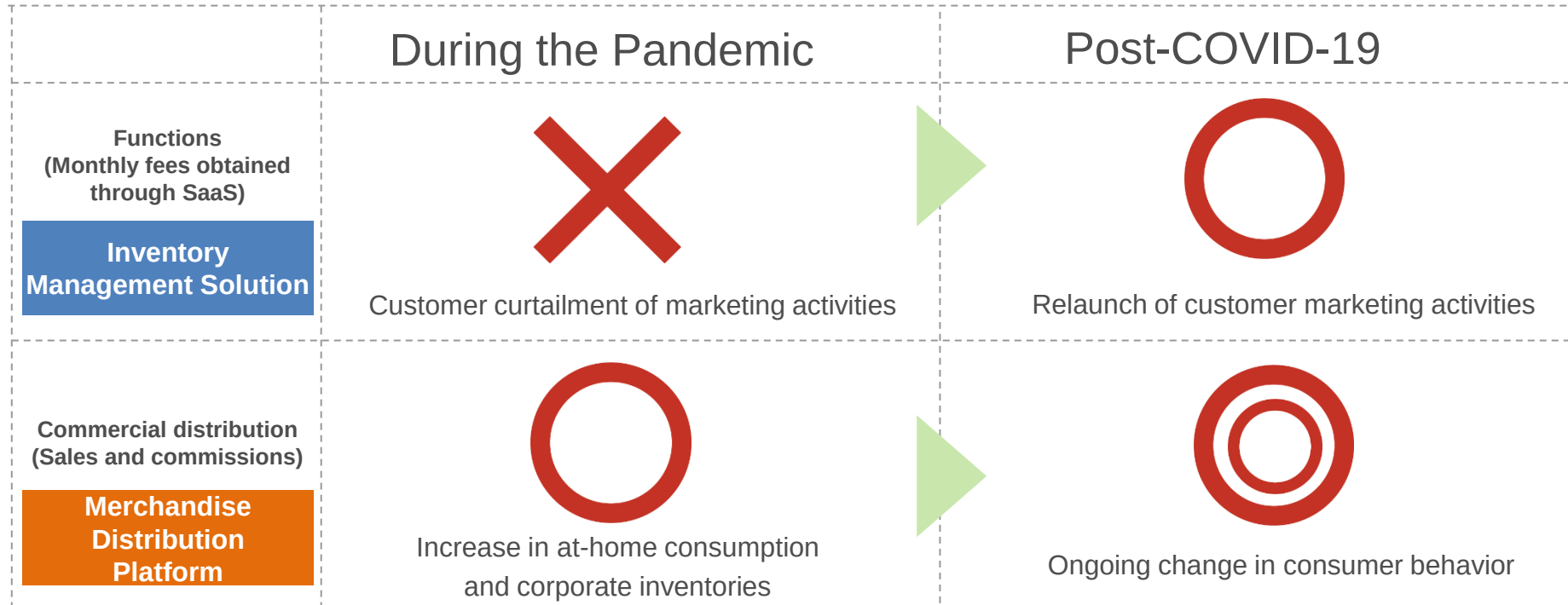
- We launched NETSEA-related collaboration with Ehime Prefecture in January.
- We began Otameshi-related collaboration with Norinchukin Bank in February.

Moving forward, we will continue to strengthen collaborative efforts with local governments and major companies.

Impact from the COVID-19 Pandemic

The pandemic partially impacted the Inventory Management Solution segment, but recovery is expected moving forward. We will **shift our focus toward a service lineup that targets SMEs and SMBs, which is one of our original strengths.**

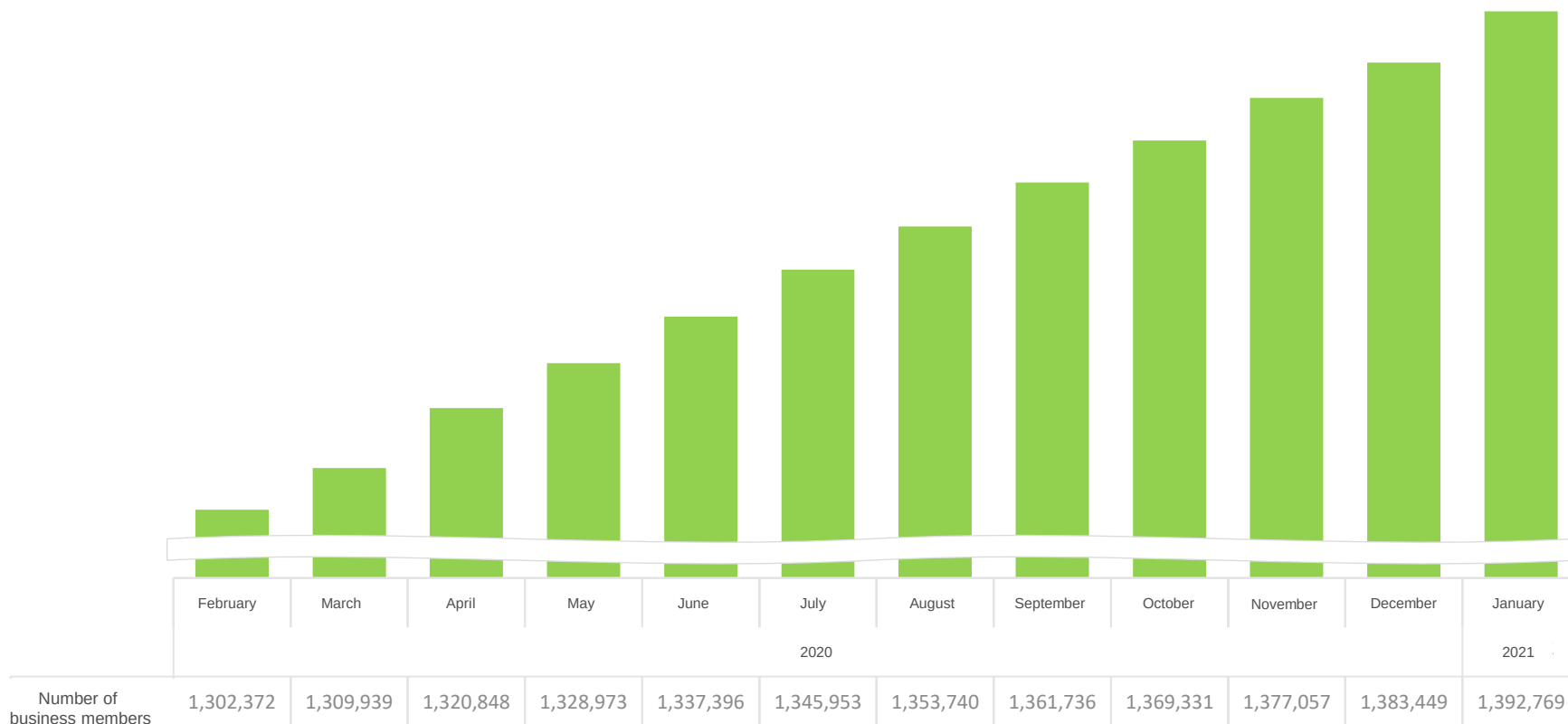
GMV in the Merchandise Distribution Platform segment also increased due to accelerated conversion to e-commerce. We anticipate that **this trend will continue in the future.**





Monthly Number of Business Members

The number of business usage accounts^{*1} is increasing steadily on a monthly basis.



^{*1} Total including aucfan.com members, NETSEA suppliers, NETSEA buyers, TATEMPO GUIDE user companies, and Otameshi merchandise providers

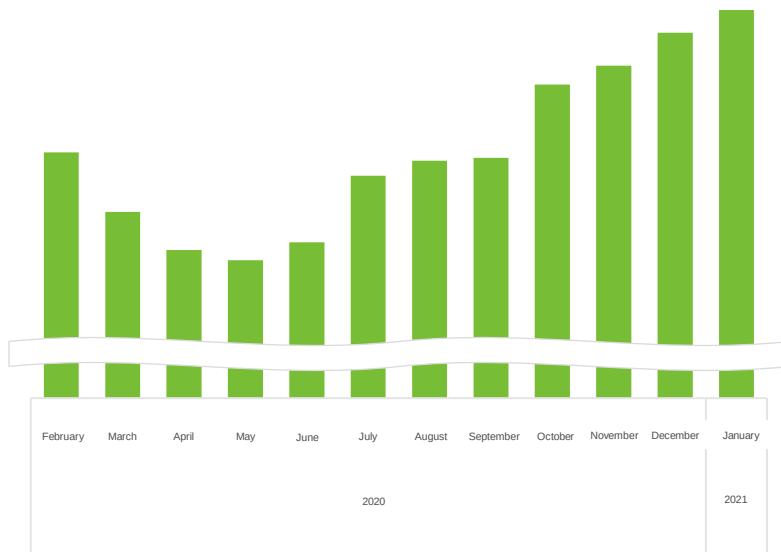
Topics: Inventory Management Solution Segment



The number of **paying aucfan members**^{*1}, which had been declining following price revisions^{*2}, **is recovering** due in part to expansion in side business needs resulting from the COVID-19 pandemic.

Launched store central, a support service for Yahoo! Auction stores

Number of Paying Aucfan Members



お問い合わせ ログイン

無料で試す >

その出品、
ヤフオク!で売れるか
確かめませんか？

store central (ストアセントラル) は
ヤフオク!で売れる見込みのない商品を自動で発見。
出品方法のアドバイスをしてくれるので
人手をかけずに売上が上がります。

無料でお試し版を利用する >



*1 Combined total of aucfan premium members, aucfanPro members and aucfan light members

*2 aucfan premium prices were revised in September 2016, aucfanPro prices in July 2018



Topics: Inventory Management Solution Segment

TATEMPO GUIDE



Our provision of inventory management AI to large corporations has been delayed. Moving forward, we will adjust strategies for providing this AI to SMEs and SMBs, areas in which our company is strong.

We launched collaborative efforts related to promotion associated with TATEMPO Guide and zaicoban.

We began providing inventory management AI to SMBs.

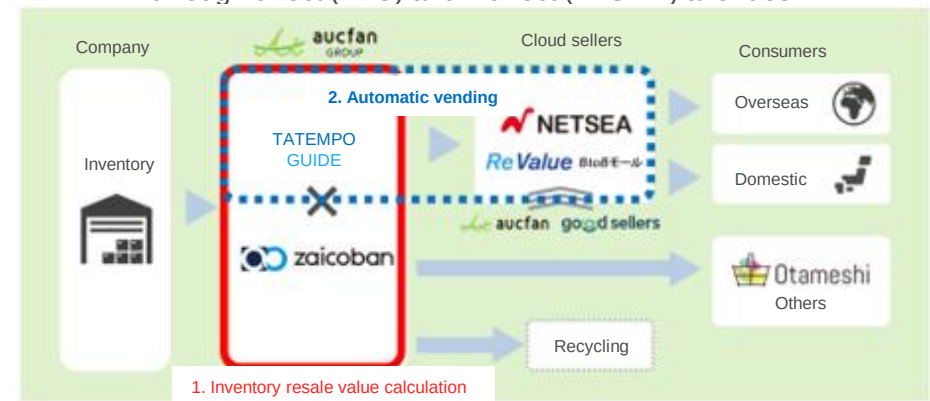


Japan IT Week (autumn)
Exhibition at the Web & Digital Marketing Expo

	Individuals	SMB	SME	Large corporations
Functions	aucfan	TATEMPO GUIDE	zaicoban	
Distribution	Otameshi	NETSEA		

We began developing comprehensive automatic vending solution packages for SMEs and SMBs.

We determine resale values and optimal sales channels for product inventory and provide comprehensive automatic vending solutions through direct (B2C) and indirect (B2SMB) avenues.



We have begun providing these solutions on a trial basis to large retail companies handling furniture and home improvement products.

Topics: Merchandise Distribution Platform Segment



	Individuals	SMB	SME	Large corporations
Functions		TATEMPO GUIDE		
Distribution				

Launched collaboration with Ehime Prefecture



NETSEA's first collaboration with local governments:
Established Ehime-Hyakka, a special portal site offering seasonal products from Ehime Prefecture



Imabari towels, Tobe ware (porcelain), and other goods from Ehime Prefecture are available for purchase through Ehime-Hyakka

The numbers of major manufacturer and retail company suppliers increased



New product listings from Hoko Co., Ltd., a major manufacturer of canned and freeze-dried food, and Doshisha, a major company in the distribution industry

Opened a B2B cross-border wholesale site NETSEA Cross-border wholesale



In the future, we will roll out promotional efforts aimed at expanding usage primarily in Southeast Asia and North America while drawing strength from expanded sales of uniquely Japanese products achieved through collaboration with local governments.



Topics: Merchandise Distribution Platform Segment



	Individuals	SMB	SME	Large corporations
Functions	aucfan	TATEMPO GUIDE	zaicoban	
Distribution	Otameshi	NETSEA		

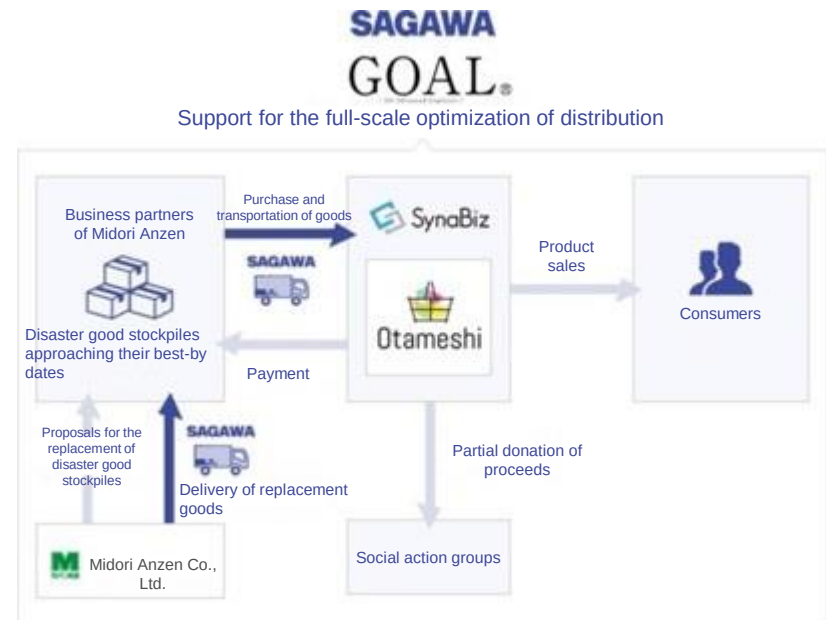
Collaborated with Norinchukin Bank and Nagisa Credit Federations of Fishery Cooperatives



On Friday, February 5, 2021, we launched a campaign called “Beat the COVID-19 Pandemic and build up the fishing industry in Kami (Hyogo Prefecture)!”

The Nagisa Credit Federations of Fishery Cooperatives and Norinchukin Bank will provide partial shipping cost subsidies and donate a portion of proceeds to Kami.

Collaborated with Midori Anzen and Sagawa Express; Began providing support for the redistribution of disaster good stockpiles nearing their best-by dates



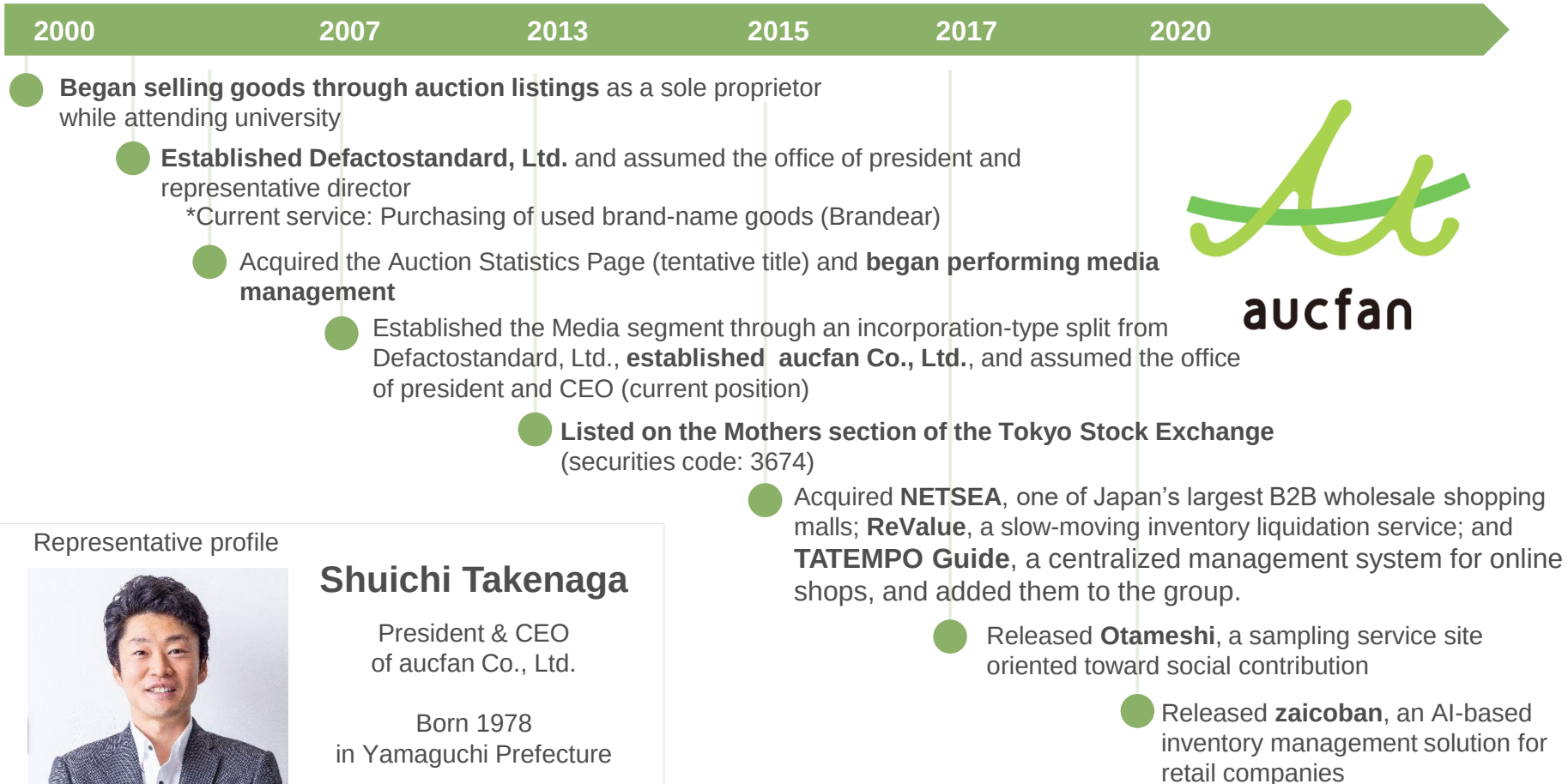
The process begins with business partners of Midori Anzen and customers in the Kanto area of Japan. We have received multiple inquiries from companies that are working to achieve SDGs and plan to expand our target area in the future.



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History

We have achieved **consistent business development** since President & CEO Shuichi Takenaga founded our company as a student entrepreneur.



Representative profile



Shuichi Takenaga

President & CEO
of aucfan Co., Ltd.

Born 1978
in Yamaguchi Prefecture

Graduated from Kyoto
University's School of Law

Becoming a RE-INFRA COMPANY



The predictive power of AI and the trading power of people

Our AI technology analyzes trading data of over 70 billion transactions to determine where products can be sold and at what prices.

Subsequently, more than 1.39 million accounts of SMBs (people) maximize the appeal of these products and sell off their entire inventories.

Our unparalleled strength lies in the unique way in which we combine AI analysis with human enthusiasm.

ALL WELL



Companies

SMBs

Products

aucfan

Consumers

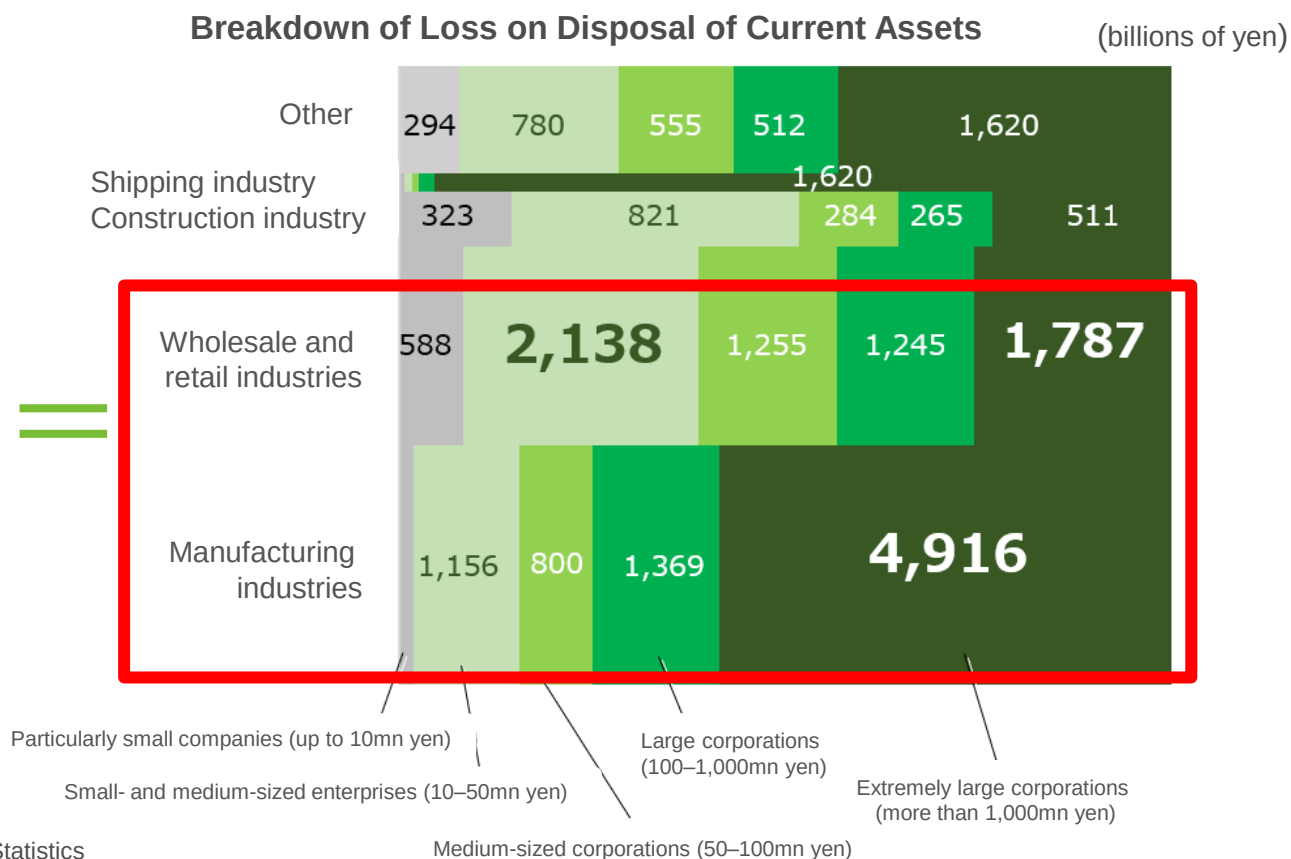
By getting involved with companies (B), cloud sellers (SMBs), consumers (C), our own company, and products, we will target a positive cycle through which all five of these aspects improve their own, and each other's wellness.

The Group's Face-to-Face Market

- In Japan, annual disposal loss of product inventory is **22 trillion yen**^{*1}. On a global scale, it is over **100 trillion yen**.
- Disposal requires huge costs in terms of both labor and financial resources and accompanies concerns regarding adverse effects on the environment.
- Due to the spread of the COVID-19 pandemic, loss associated with product inventory disposal is expected to become more serious, particularly in the wholesale and retail industries.

Loss on disposal of
product inventory

22 trillion
yen =

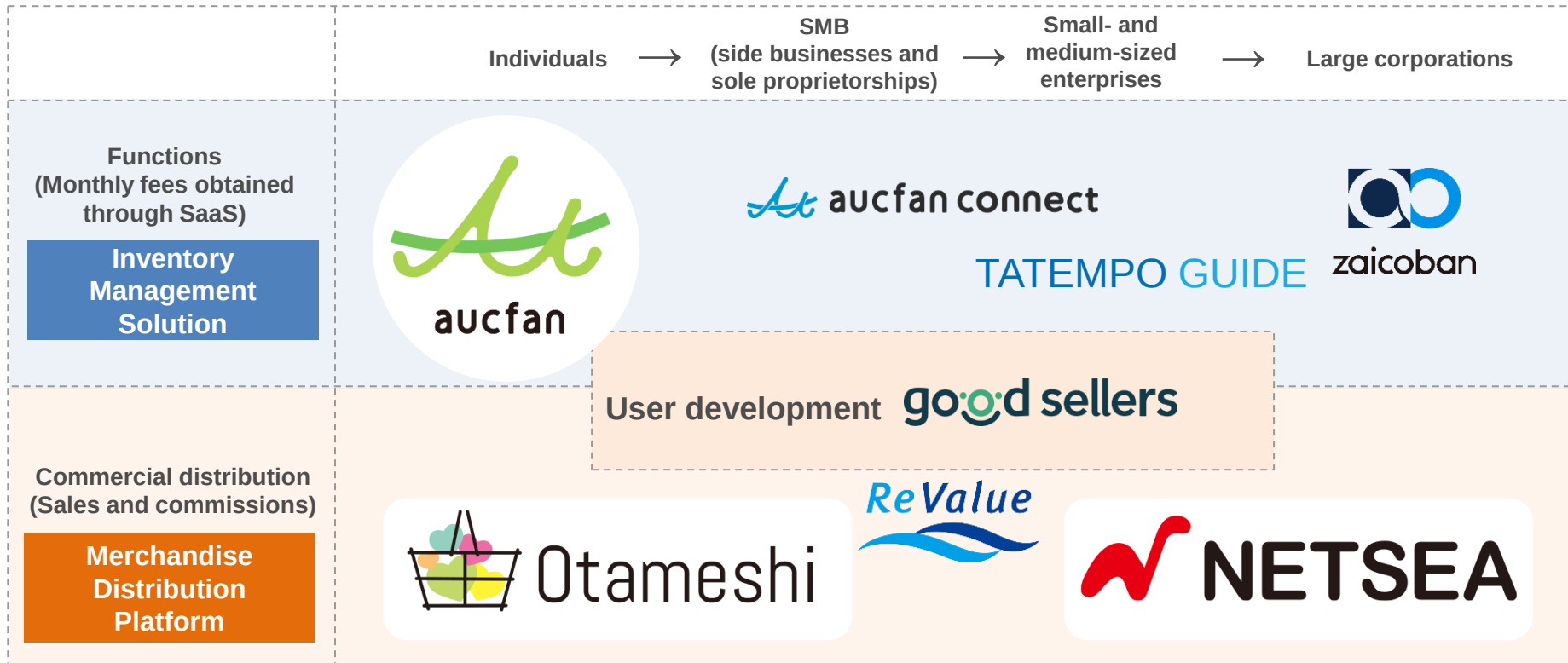


*1: Estimated by aucfan using Financial Statements Statistics Of Corporations by Industry (Ministry of Finance), etc.

Our Businesses

- Our strength is our extensive product redistribution infrastructure through the assembly and integration of trading data comprising over **70 billion transactions** and the power of more than **1.39 million SMB accounts**.
- We promote **digital transformation (DX) in the retail and distribution industries** by providing total e-commerce support solutions primarily for SMEs and SMBs.

Total E-Commerce Support Solutions



Inventory Management Solution Segment

Target Customers

Large corporations

Small and medium-sized enterprises

SMBs
(Side businesses and sole proprietorships)

Individuals

Services



 **zaicoban**

Visualizes market value through AI and identifies issues related to inventories at companies; provides services that optimize selling prices and product lineups



TATEMPO GUIDE

Centralized order, inventory, and product management system for multiple online shops



 **aucfan Pro. Plus**

Provides market price searching used by professionals, data analysis tool, and bulk searching for the world's lowest prices



 **aucfan connect**

Display tool for listing products on Amazon.com; simplifies product listing and substantially reduces the time required



 **aucfan**

Possesses 68.0 billion units of data; provides market price quotations for online shopping and auctions, as well as a statistical price comparison service

Merchandise Distribution Platform Segment



Corporate inventory facing possible disposal

- Slow-moving or surplus inventory
- Returned goods
- Damaged goods
- Products sold at discounts by their respective manufacturers (outlet products)

Market size:

22 trillion yen

Merchandise Distribution Platform

Direct distribution

To Customers



Otameshi

Sampling service site oriented toward social contribution

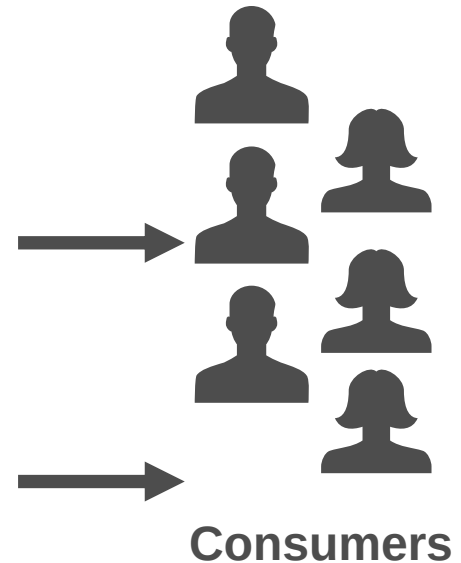
Indirect distribution

To Businesses

One of Japan's  **NETSEA**
largest B2B wholesale purchasing platforms

Online store for overseas buyers

 **NETSEA**
Cross-border wholesale



Inventory management and proposals for optimal pricing and sales channels

TATEMPO GUIDE



- More than 70 billion units of actual trading data
- Automation of price forecasting and sales management

Earnings Model

The earnings model of our Inventory Management Solution segment is based on monthly fees obtained through SaaS. Our Merchandise Distribution Platform segment has two primary earnings models, the first of which is based on sales and the second of which is based on fee income predicated on GMV.

Inventory Management Solution

Monthly fees obtained through SaaS



Number of user companies

×

Monthly billing amount

TATEMPO GUIDE

Number of user companies

×

Monthly billing amount

AUUC aucfan Pro. Plus

Number of accounts

×

Monthly billing amount

AUUC aucfan connect

AUUC aucfan

Merchandise Distribution Platform

Sales and fee income predicated on GMV



Otameshi

Value of sales

×

GPM



NETSEA

Distribution value

×

Commission rate



NETSEA
Cross-border wholesale

Value of sales

×

GPM

Market Potential

Potential markets for our services are expanding along with changes in social conditions. Examples include revitalization in the e-commerce market, a rising need for side businesses, and growth in slow-moving corporate inventory.

Inventory Management Solution



Monthly fees from 500 thousand yen
(Estimates made on an individual basis)
×
Tens of thousands of companies

TATEMPO GUIDE

Monthly fees from 24 thousand yen*¹
×
Hundreds of thousands of companies

At aucfan Pro. Plus

Monthly fees ranging from 908 yen to 10,000 yen*²
×

At aucfan connect

About one million people

At aucfan

*1: 1,000-order plan

*2: Offering Aucfan Premium for 980 yen per month, Aucfan Pro Plus for 10,000 yen per month, and aucfanconnect for no monthly fee (as of November 13, 2020)

Merchandise Distribution Platform



Inventory disposal market*³
1.1 trillion yen annually
×
20% target market share



Domestic B2B e-commerce market size*⁴
131.2 trillion yen annually
×
Target market share of a few percent
×
Commission rate of 8–10%



Cross-border e-commerce market size*⁵
2.6 trillion yen annually
×
10% target market share

*3: Company estimates based on statistics regarding food, beverages, toiletries, cosmetics, and pet supplies taken from report-by-commodity tables within the 2018 Census of Manufactures released by the Ministry of Economy, Trade, and Industry on August 23, 2019, as well as the publications on a survey on the domestic cosmetic market in FY2017 and a 2017 study on the domestic toiletries market from Yano Research Institute Ltd.

*4: Calculated based on citations taken from by-industry B2B and e-commerce market size breakdowns contained in the report on Fiscal 2019 International Economic Research Project concerning the Construction of an Integrated International and Domestic Growth Strategy (Market Research Related to E-Commerce) from the Ministry of Economy, Trade, and Industry (from the following categories: Large-category manufacturing–Medium-category-food products; Large-category wholesale–Medium-category-wholesale; and Large-scale other–Medium-category retail)

*5: Combined total of 1,655,800 million yen in purchases from Japan made by Chinese consumers and 903,400 million yen in purchases from Japan made by US consumers (figures taken from the study above)

-Inventory Management Solution Segment-

	Individuals	SMB	SME	Large corporations
Functions	 aucfan	 good sellers aucfan connect aucfan Pro	 タデノボカヤ	 zaicoban
Distribution	 Otameshi	 NETSEA	 NETSEA	 Otameshi

zaicoban

AI-based inventory management solution for retailers

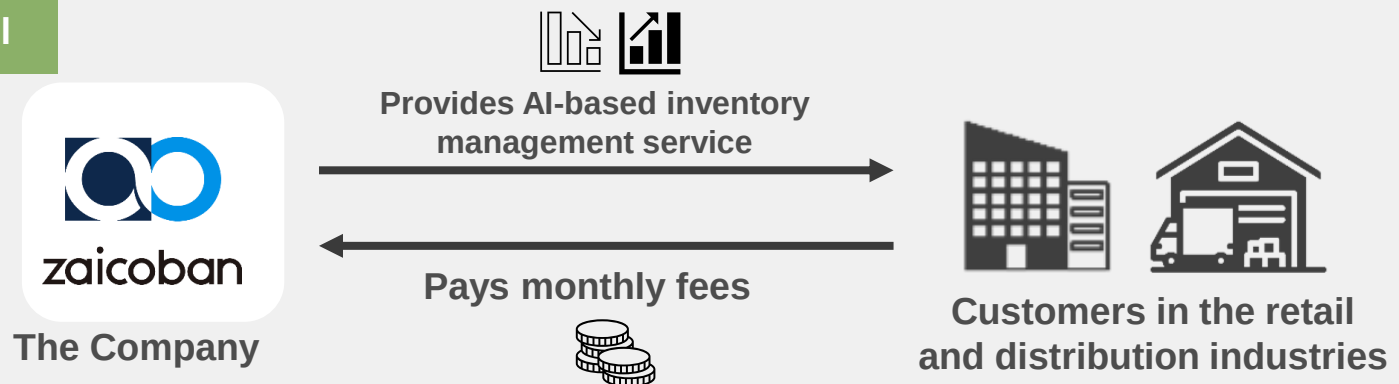
Displays current market values using AI and identifies inventory-related issues facing companies; provides services that optimize selling prices and product lineups

- Usage fee: **Individual quotes**
Note: From 500,000 yen per month
- Functions provided: Visualization of inventory-related issues and optimization of product lineups and selling prices

Note: as of December 2020



Business model



-Inventory Management Solution Segment-

	Individuals	SMB	SME	Large corporations
Functions	 auctan	good seller auctan connect auctan Pro	TATEMPO GUIDE	 zaicoban
Distribution	 Otameshi	 NETSEA	 NETSEA	 Otameshi

TATEMPO GUIDE

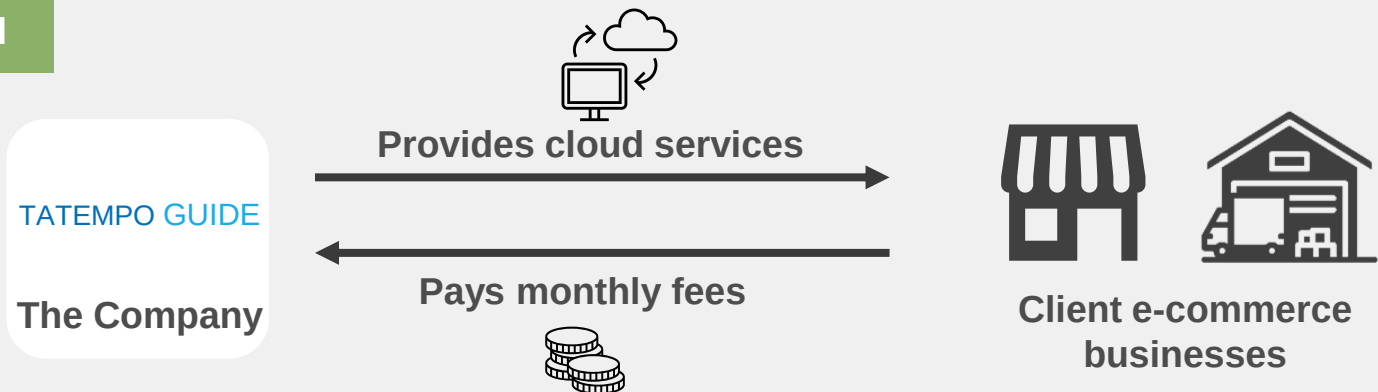
Cloud service that simplifies the complicated operational processes associated with online shops

- Usage fee: **From 24,000 yen per month** (excluding tax)
Note: Applies to 1,000-order plan
- Functions provided: Collective registering, editing, and updating of product information, automatic synchronization of inventory figures, automatic acquisition of order information, order status management, inventory status management, etc.



Note: as of December 2020

Business model



-Inventory Management Solution Segment-

aucfan connect

Display tool for listing products on Amazon.com; simplifies product listing and substantially reduces the time required

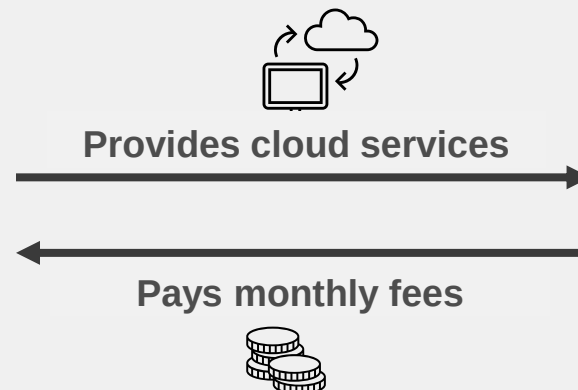
- Usage fee: Provided free of charge
- Functions provided: Amazon product registration (Japan, overseas), auto-detection for hazardous goods specified under the FBA Dangerous Goods Program, product listing using comma separated value (CSV) files, calculation and display of gross profit to be obtained at the lowest selling price, automatic SKU input, etc.

Note: as of December 2020

	Individuals	SMB	SME	Large corporations
Functions	 aucfan	 good sellers aucfan connect aucfan Pro. 無料	 zaicoban	 zaicoban
Distribution	 Otameshi	 NETSEA	 NETSEA	 Otameshi



Business model



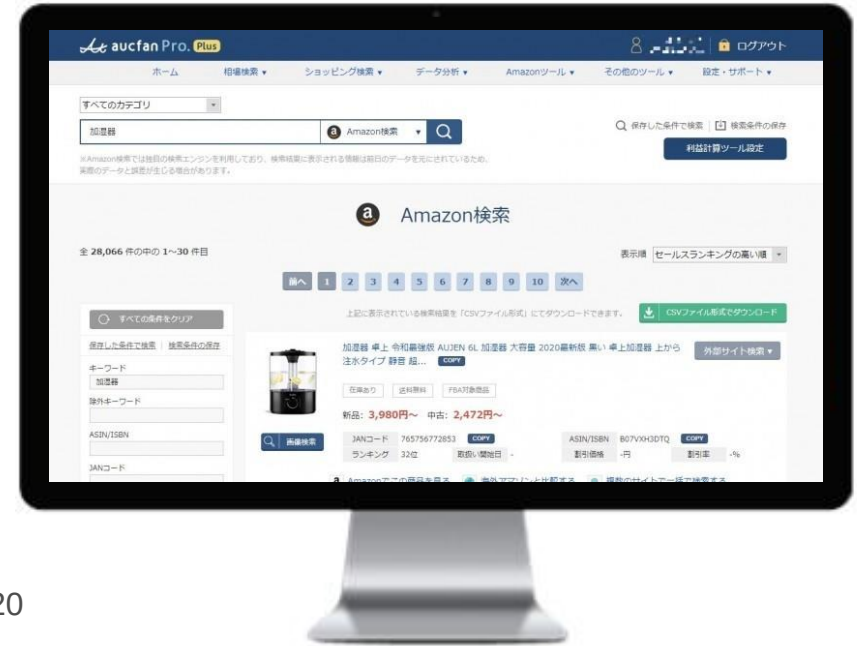
-Inventory Management Solution Segment-

	Individuals	SMB	SME	Large corporations
Functions				
Distribution				

aucfan Pro plus

Provides market price searching used by professionals, as well as data analysis tools

- Usage fee: 10,000 yen per month (excluding tax)
- Functions provided: Yahoo! shopping analysis, auction market price searching and data analysis, Amazon research, global e-commerce site comparing, other e-commerce support tools

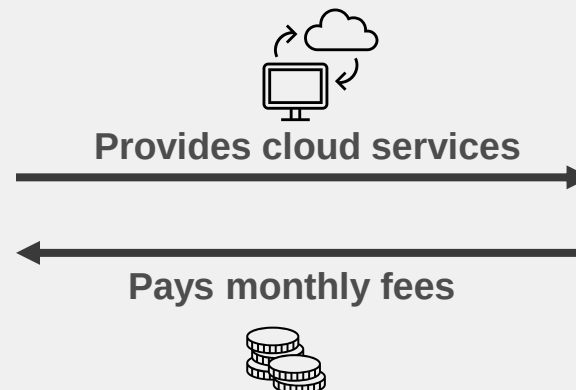


Note: as of December 2020

Business model



The Company



Customers of SMBs and recycling companies

-Inventory Management Solution Segment-

aucfan.com

Provides market price quotations for online shopping and auctions, as well as a statistical price comparison service

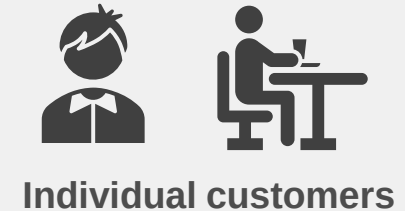
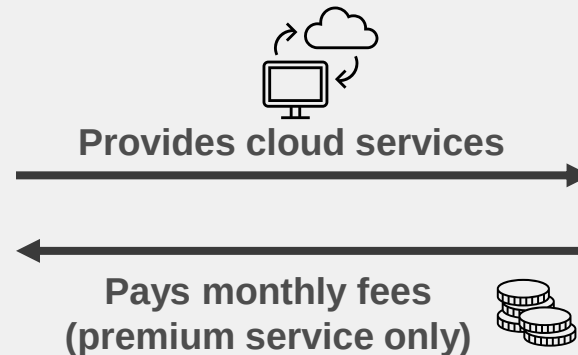
- Usage fee: **No fee**
Note: Premium service charges a monthly fee of 908 yen (excluding tax)
- Functions provided: Bulk searching for online shopping and auctions, searching for previous successful bids prices, auction listing support tools

Note: as of December 2020

	Individuals	SMB	SME	Large corporations
Functions		good sellers aucfan connect aucfan Pro	アテンボガイド	zaicoban
Distribution	Otameshi	NETSEA	NETSEA	Otameshi



Business model



-Merchandise Distribution Platform Segment-

	Individuals	SMB	SME	Large corporations
Functions	 auctan	good sellers  aucfan connect  aucfan Pro	 テックボカイド	 zaicoban
Distribution	 Otameshi	 NETSEA	 NETSEA	 Otameshi

Otameshi

Charitable shopping site

Purchases goods from manufacturers, offers them to consumers at reasonable prices, and donates a portion of the proceeds to organizations the Company supports, thereby contributing to the reduction of food loss and clothing disposal, which have recently become pressing issues

- Supported organizations:

公財日本動物愛護協会 赤い羽根共同募金



Florence
認定NPO法人フローレンス

Eva
Every animal on Earth
has a right to live

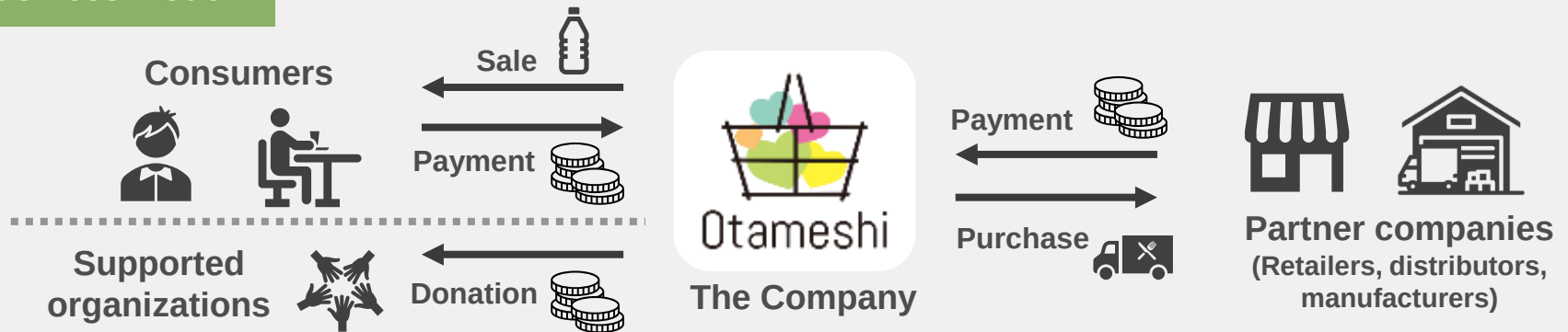
+ 日本赤十字社 わたしたちは日本赤十字社の活動を支援しています。

TABLE FOR TWO



Note: as of December 2020

Business model



-Inventory Management Solution Segment-

	Individuals	SMB	SME	Large corporations
Functions		good sellers At aucfan connect At aucfan Pro. 		
Distribution	Otameshi 			Otameshi 

Goodsellers

A side-business support service that allows users to experience the intrinsic fun of trading and continue trading

- Usage fee: Varies according to each individual service
- Example: **Training support service for eBay cross-border-commerce sellers**



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

Note: as of December 2020



Business model



-Merchandise Distribution Platform Segment-

	Individuals	SMB	SME	Large corporations
Functions	 aucfan	 good sellers the aucfan connect the aucfan Pro	 アテンホーガイド	 zaicoban
Distribution	 Otameshi	 NETSEA	 NETSEA	 Otameshi

NETSEA

One of Japan's largest B2B wholesale purchasing platforms

- Usage fee: Suppliers: 20,000 yen monthly (excluding tax) plus a contract commission of 8–10%
Buyers: No fee*1
- Features: About 400,000 registered buyer companies
Annual distribution value of about 8.0 billion yen



Note: as of December 2020

Business model



*1 The NETSEA Prime service charges fees.

-Merchandise Distribution Platform Segment-

NETSEA Cross-border wholesale



The aucfan Group takes responsibility for functions necessary for overseas sales, including customer enticement, translation, distribution (exporting), and handling of inquiries. Suppliers can expand their sales channels overseas simply by delivering their products to designated aucfan warehouses.

Note: as of December 2020

Supported languages:

English

Traditional Chinese

Simplified Chinese



Launched initiatives involving collaboration with local governments

By partnering with local governments, we are striving to jump-start regions where online wholesale remains uncommon.

Business model

Overseas buyers



English-speaking and Chinese-speaking regions



The Company



Suppliers



Manufacturers and wholesalers

	Individuals	SMB	SME	Large corporations
Functions	aucfan	good sellers aucfan connect aucfan Pro	アテンションマーク	zaicoban
Distribution	Otameshi	NETSEA	NETSEA	Otameshi

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

Capital

884.08 million yen

(as of September 30, 2020)

Employees

146* (as of September 30, 2020)

*Number of employees on a consolidated basis
(excl. part-time)

Head office

