Financial Results
Q1 FY09/22

Aucfan Co., Ltd. <3674>
Feb 14, 2022

Q1 Financial Results: Executive Summary

Our most important KPI, Gross Merchandise Value (GMV) grew to **2,583 million yen (up 17% YoY; 2-yr. CAGR*1: 131%)**

Consolidated results

- **Net sales** **1,682 million yen** **(Progress: 32%)**
- **Operating profit** **69 million yen** **(Progress: 69%)**

To further increase GMV:

Started initiatives targeting **offline wholesale markets**

*1 CAGR: compound average growth rate

1 The Aucfan Group

Re-INFRA COMPANY

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

STRATEGY

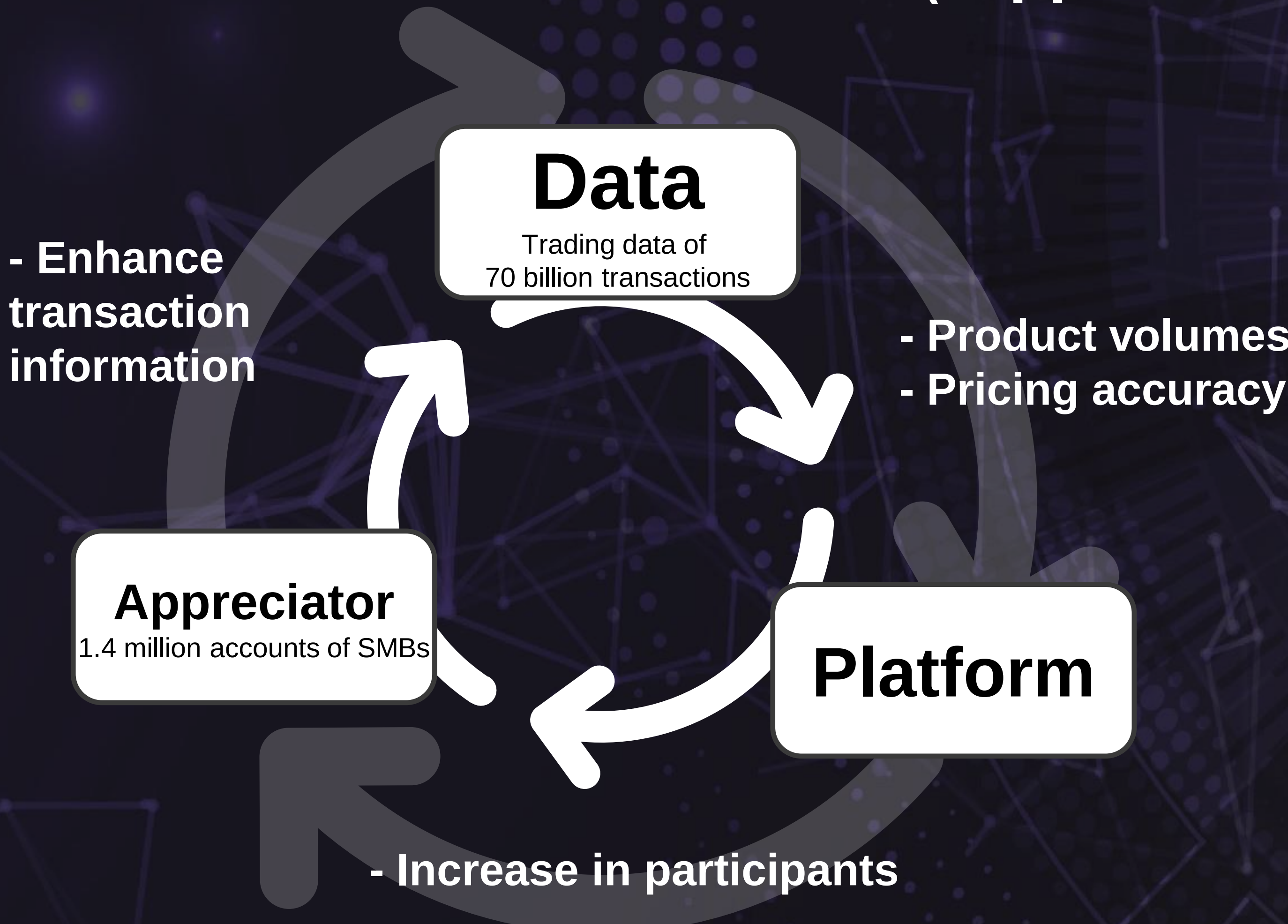
Re.

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.

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 1.4 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.

A Cyclical Growth Model That Combines Data, Platforms, and Small/Medium-sized Businesses (“appreciators”)




ALL WELL
Companies
SMBs
Consumers
aucfan
Products
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.

Massive wholesale market

Size of the domestic B2B wholesale market

300 trillion yen *1

Rise of a trillion-yen company overseas, offering new services such as a wholesale marketplace for specialty stores

*1 Market research on e-commerce by METI announced on July 30, 2021, “B2B E-commerce Market Size by Industry.”
Estimate based on e-commerce market size and conversion rate in the medium category (wholesale).
https://www.meti.go.jp/policy/it_policy/statistics/outlook/210730_new_hokokusho.pdf

Loss on disposal of product inventory is a major issue that needs to be resolved
COVID-19 has further aggravated the situation

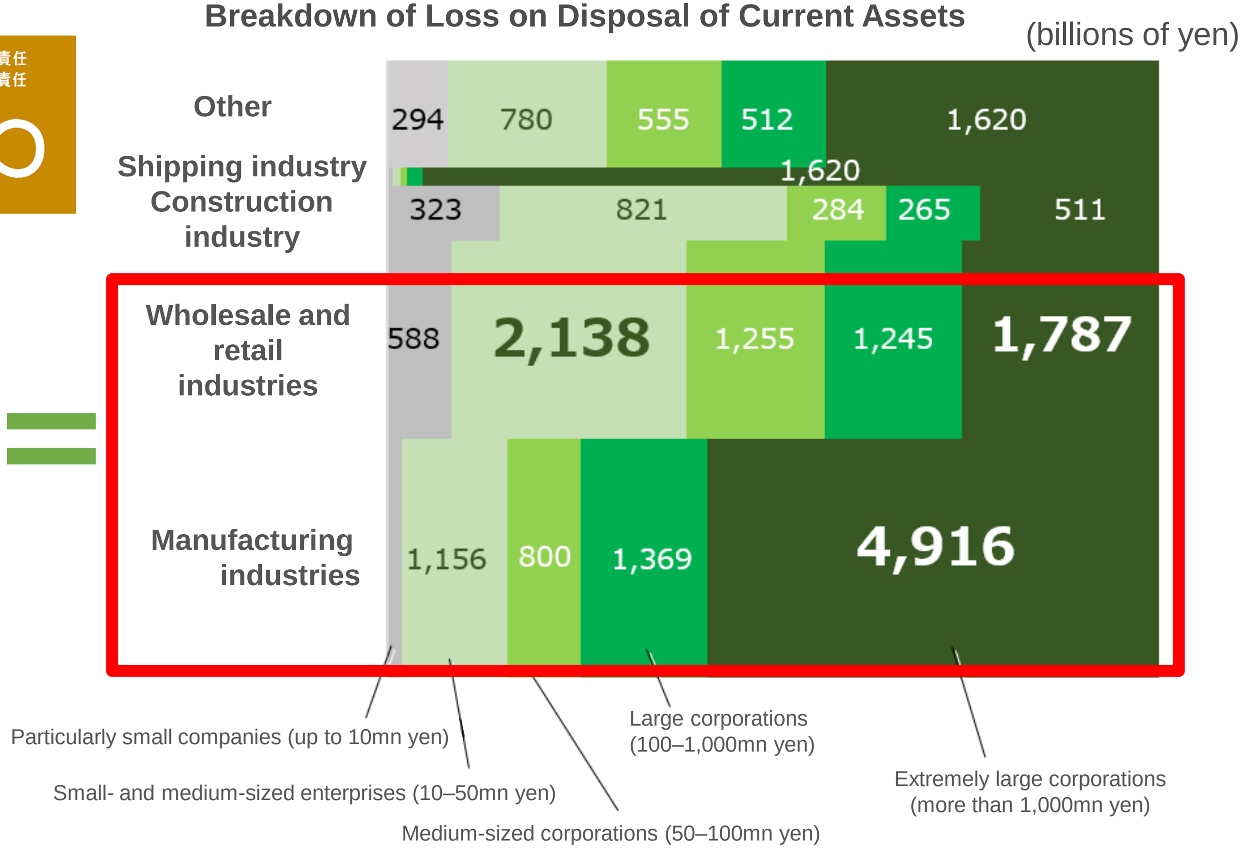
SUSTAINABLE DEVELOPMENT GOALS *1

Loss on disposal of product inventory

22 trillion yen *2

=

Breakdown of Loss on Disposal of Current Assets



*1 Sustainable Development Goals: Goals to be achieved by 2030, adopted by the UN in 2015
*2 Aucfan's estimate based on "Statistics of Corporations" (Ministry of Finance), etc.

Returned goods market is expected to grow going forward

B2C e-commerce market size in Japan[*1]

Product sales: Approx.12 trillion yen

B2C e-commerce market size and growth rate by field

	2019	2020	Growth rate
A. Product sales	10.05 trillion yen (e-commerce rate: 6.76%)	12.23 trillion yen (e-commerce rate: 8.08%)	21.71%
B. Services	7.17 trillion yen	4.58 trillion yen	-36.05%
C. Digital	2.14 trillion yen	2.46 trillion yen	14.90%
Total	19.36 trillion yen	19.28 trillion yen	-0.43%

Overseas return rate

Return rate

18%

SUSTAINABLE DEVELOPMENT GOALS

12 つくる責任 つかう責任

Of the $565.0 billion (about 62 trillion yen) in B2C e-commerce distribution in the US, $102.0 billion (about 11 trillion yen) comes from reverse logistics.[*2]

12 trillion yen x 18% = Potential market of **2.2 trillion yen**

Emergence of a leading reverse logistics company in the US

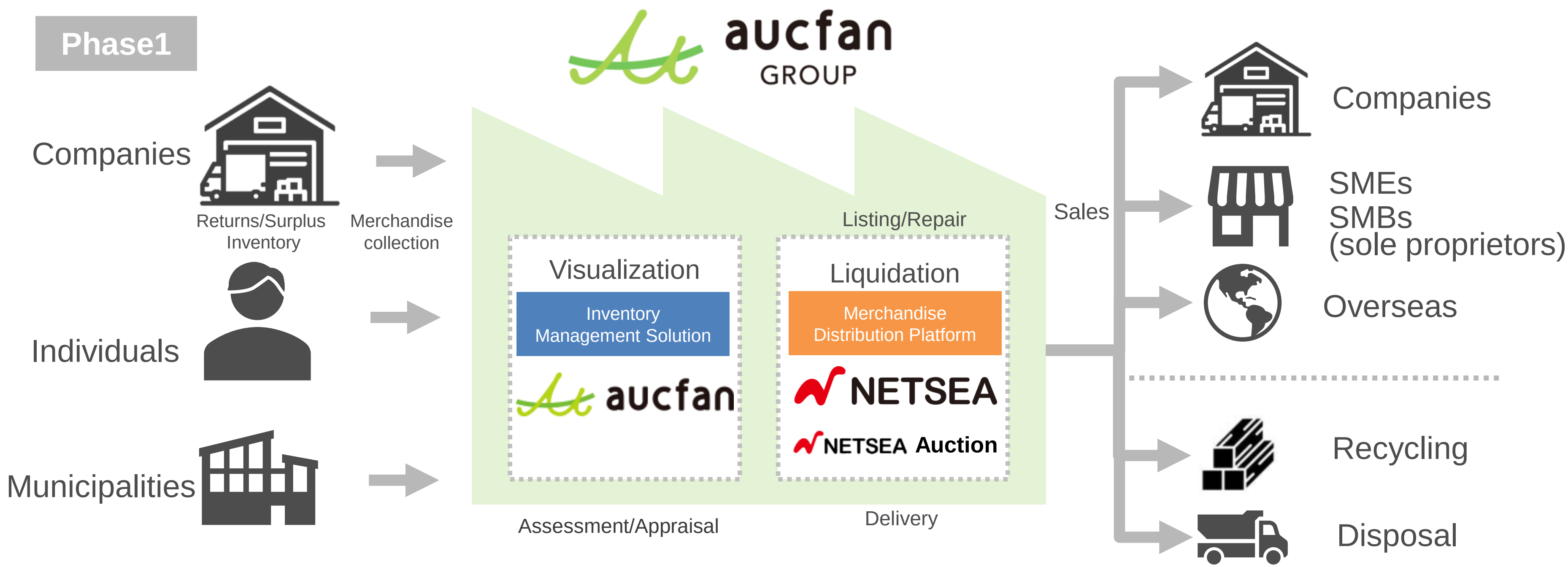
*1: Based on a market survey on e-commerce published by the Ministry of Economy, Trade and Industry on July 30, 2021.
https://www.meti.go.jp/press/2021/07/20210730010/20210730010.html

*2: Based on data from the National Retail Federation
https://nrf.com/media-center/press-releases/428-billion-merchandise-returned-2020

Aucfan Group Business Concept

Build a redistribution infrastructure that facilitates the distribution of several trillion yen of goods per year, thereby contributing to the SDGs

Phase1



Phase2

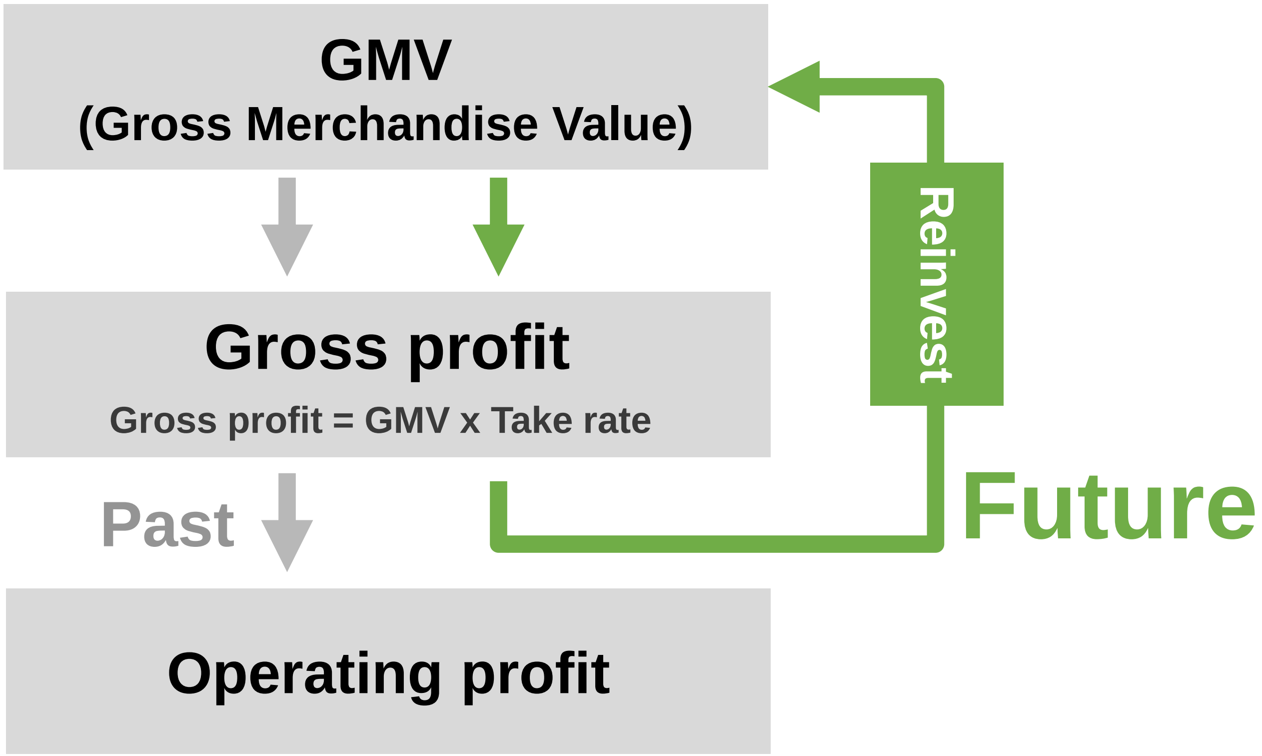
Boost distribution by contracting SMBs (cloud sellers) to perform tasks such as merchandise collection, assessment, appraisal, listing, repair, sales, and delivery

We have set GMV (Gross Merchandise Value) as our most important indicator for establishing a dominant position in this massive market

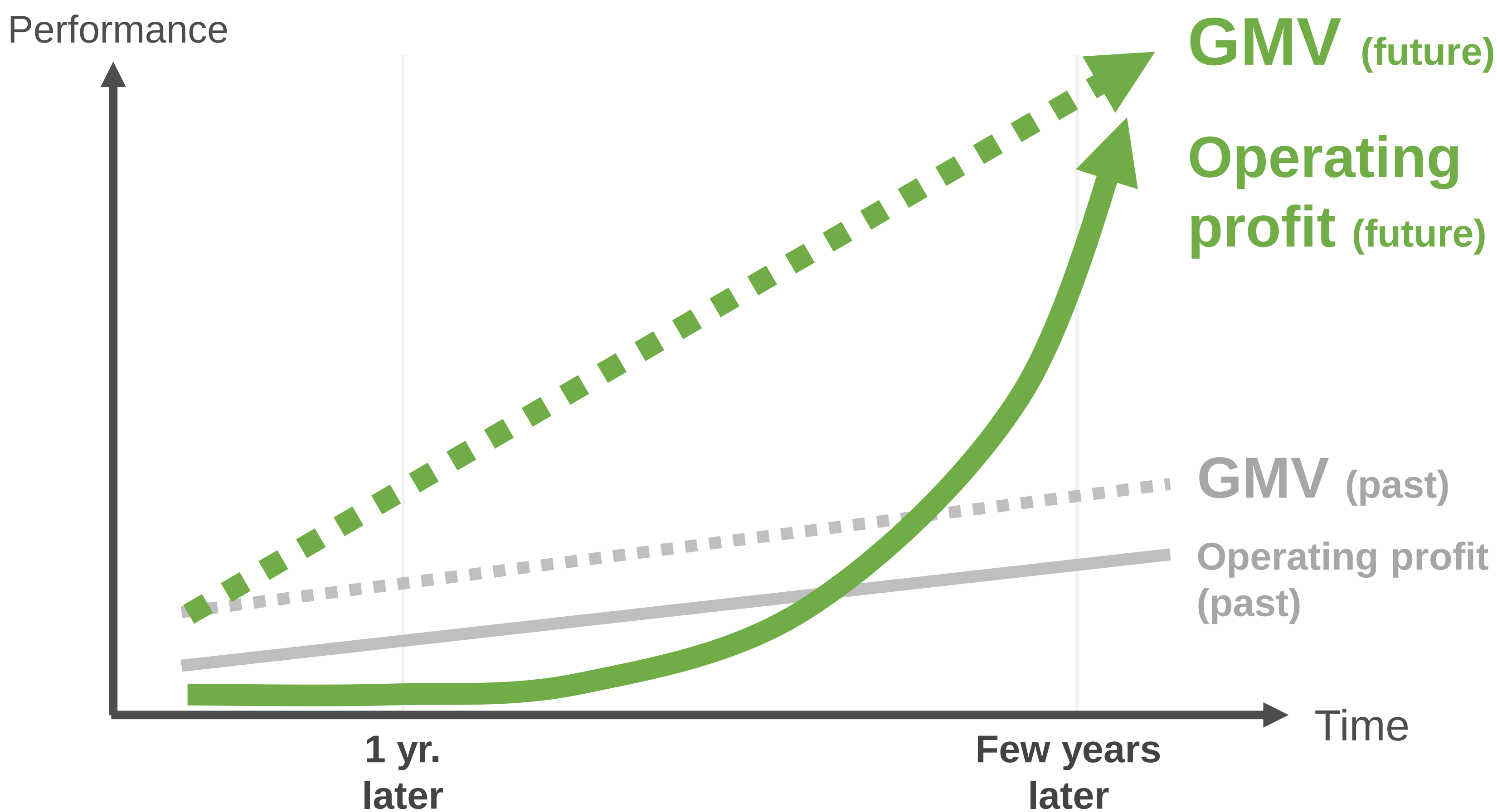
Inventory Management Solution	Merchandise Distribution Platform
aucfan	NETSEA / NETSEA Auction
ARR*1 (billing amount)	Most important KPI **GMV** (Gross Merchandise Value)

*1: Abbreviation for Annual Recurring Revenue

Now that we have a winning strategy, we will reinvest our profits to maximize GMV and gross profit



As a result, we will maximize operating profit several years later



2 Financial Highlights in Q1 FY09/22

GMV in core businesses*1, our most important KPI was up 17% YoY, and 2-yr. CAGR was 131%

Most important KPI

(millions of yen)	Q1 results				
	FY09/20	FY09/21	FY09/22	YoY	2-yr. CAGR
GMV – Core businesses	1,502	2,211	**2,583**	117%	**131%**
Net sales	1,573	2,963	1,682	57%	103%
- Core businesses	760	858	1,037	121%	117%
- Incubation	26	1,299	197	15%	275%
- Withdrawn businesses / other *2	786	805	447	56%	75%
Gross profit	663	1,884	725	38%	105%
- Core businesses	400	494	**502**	101%	**112%**
- Incubation	17	1,234	195	16%	339%
- Withdrawn businesses / other	244	155	27	18%	33%
Operating profit	62	1,224	69	6%	105%
- Core businesses	96	76	(59)	-	-
- Incubation	2	1,151	140	12%	837%
- Withdrawn businesses / other	(37)	(3)	(12)	-	57
Recurring profit	60	1,215	68	6%	106%
Net income	11	918	33	4%	173%

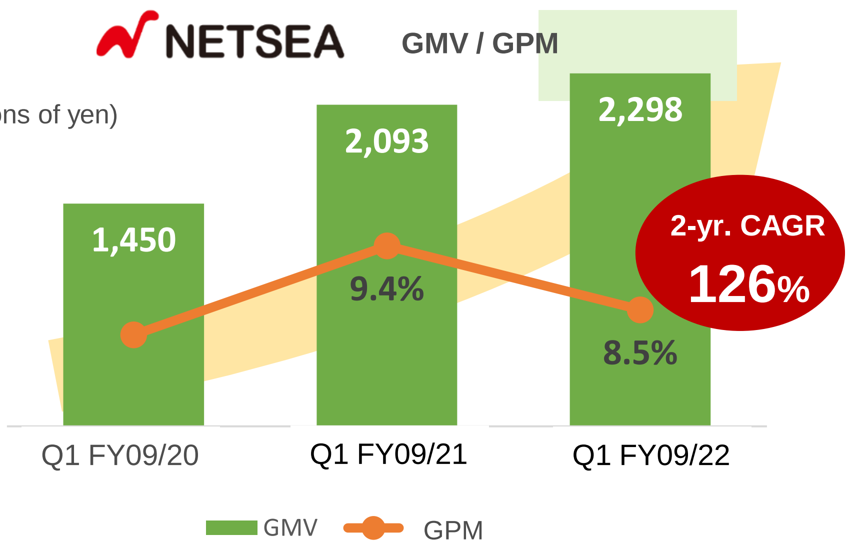
GMV
2-yr. CAGR
131%

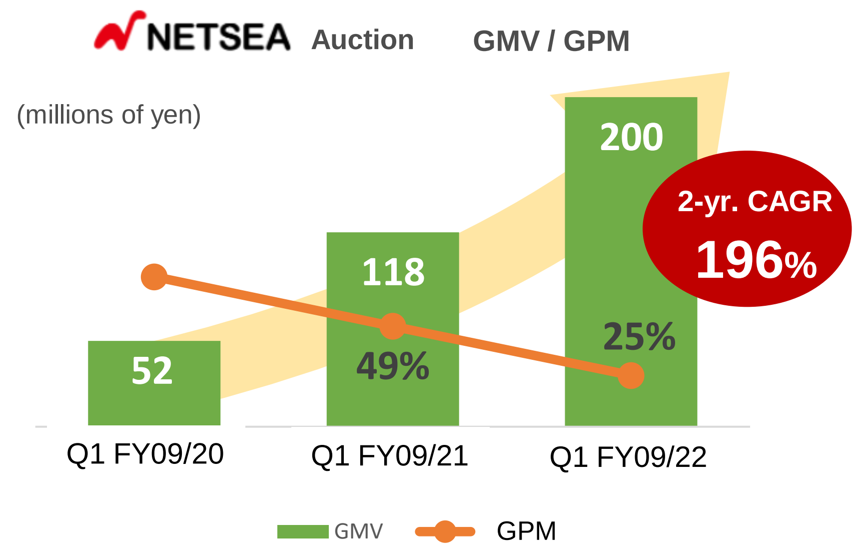
Core business gross profit: 2-yr. CAGR
112%

*1 Excluding Incubation and businesses the company has withdrawn from

*2 zaicoban (SaaS for large enterprises), otameshi (sampling service site oriented toward social contribution), wholesale sales for corporate customers, etc.

Successful upfront investments led to GMV growth exceeding the previous-year level, which included special COVID-related demand





2-yr. CAGR: 126%

Meanwhile, **the CoGS ratio increased** due to strengthened promotions through upfront investments, and **GPM declined temporarily**, within expectations.

Categories handled were expanded to increase GMV, resulting in substantial growth (2-yr. CAGR of 196%).

Although **GPM declined** due to **the impact of categories with low profit margins**, improvements in GPM are expected with the selection of categories handled.

*Calculated based on management accounting.
Gross profit from NETSEA Auction in FY09/20 include some wholesale sales to corporate customers.

3 Progress versus Consolidated Earnings Forecast

Progress is according to plan; GMV is expected to increase further

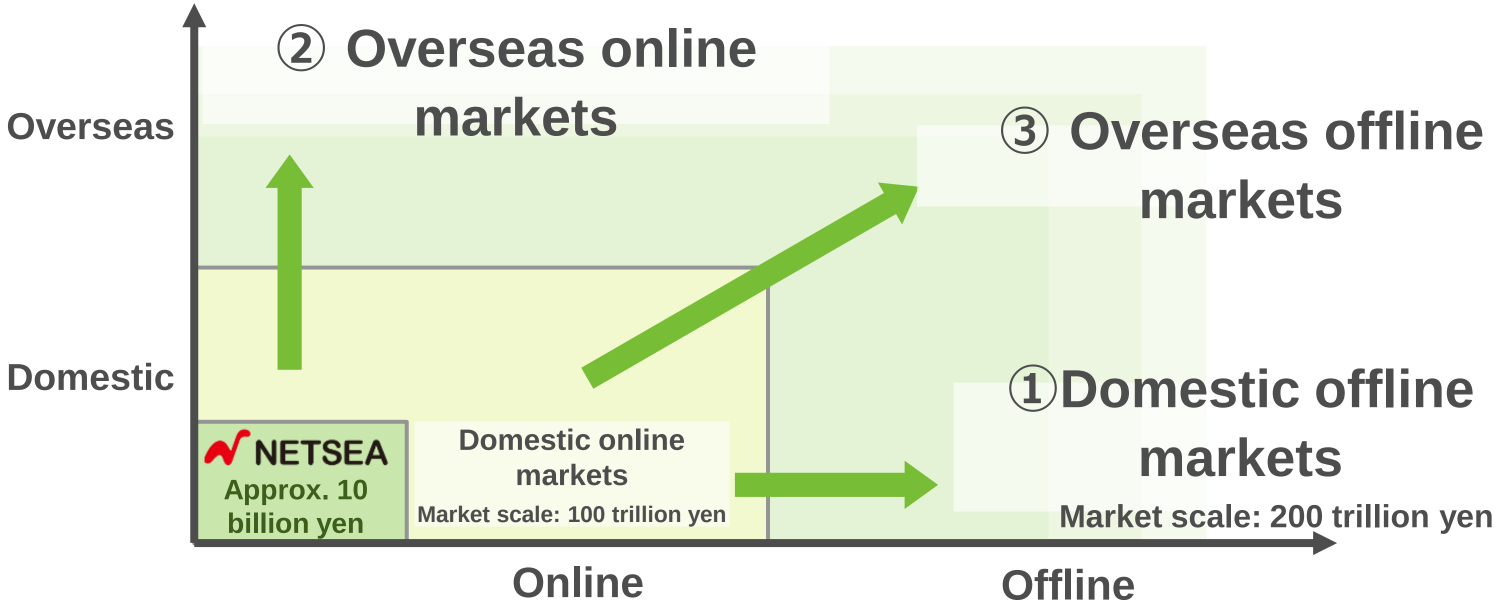
	Forecast (millions of yen)	Q1 results (millions of yen)	Progress
GMV - Core businesses	**14,000**	**2,583**	**18%**
Net sales	**5,200**	**1,682**	**32%**
- Core businesses	4,800	1,038	22%
- Incubation	400	197	49%
- Withdrawn businesses / other	-	447	-
Gross profit	**3,100**	**723**	**23%**
- Core businesses	2,750	499	18%
- Incubation	350	196	56%
- Withdrawn businesses / other	-	27	-
Operating profit	**100**	**69**	**69%**
- Core businesses	0	(59)	-
- Incubation	100	140	140%
- Withdrawn businesses / other	-	(12)	-
Recurring profit	**80**	**68**	**85%**
Net income	**50**	**31**	**62%**

4 Topics

Expanding into Offline and Overseas Markets

Past Targeted domestic B2B wholesale and online markets

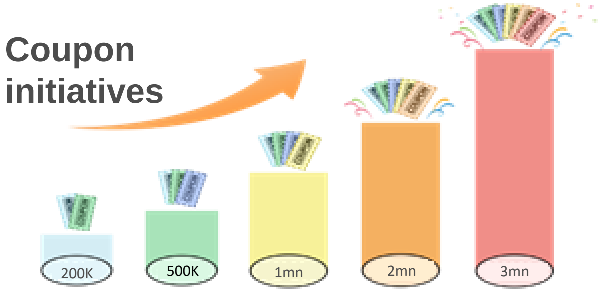
Future Expand to include B2B wholesale in offline and overseas markets as well
Further increase distribution scale



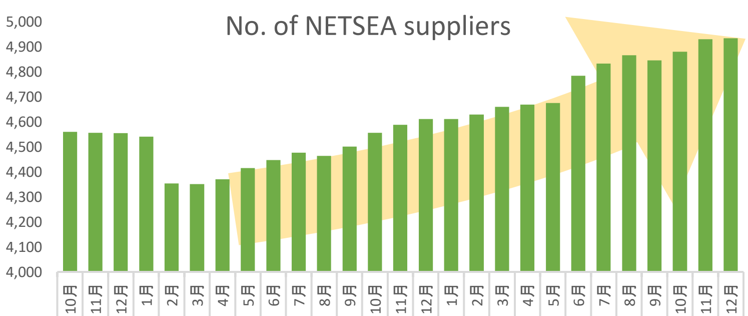
NETSEA

Q1 Review

Enhanced promotions through upfront investments
GMV: up 10% YoY; 2-yr. CAGR: 126%



Strengthened acquisition of new suppliers
Operating rate increased 21% YoY



*Temporarily declined in February 2020 because all inactive supplier accounts were suspended

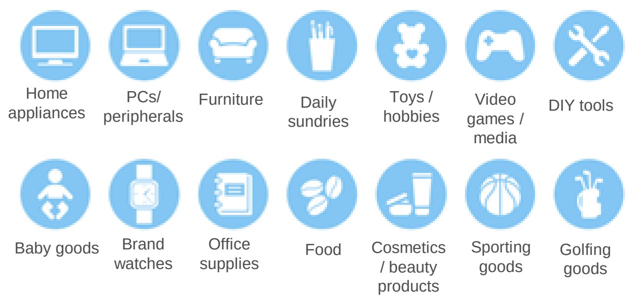
Initiatives in Q2 and beyond

Create distribution through cross-selling with offline

NETSEA Auction

Q1 review

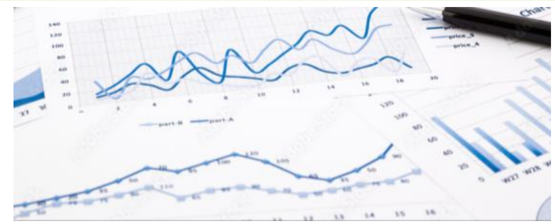
Dramatically expanded categories handled
GMV: up 70% YoY; 2-yr. CAGR: 196%



Started transactions through NETSEA Bulk Mall

Initiatives in Q2 and beyond

Continue expanding categories to increase GMV
"Selection and concentration" targeting profitable categories



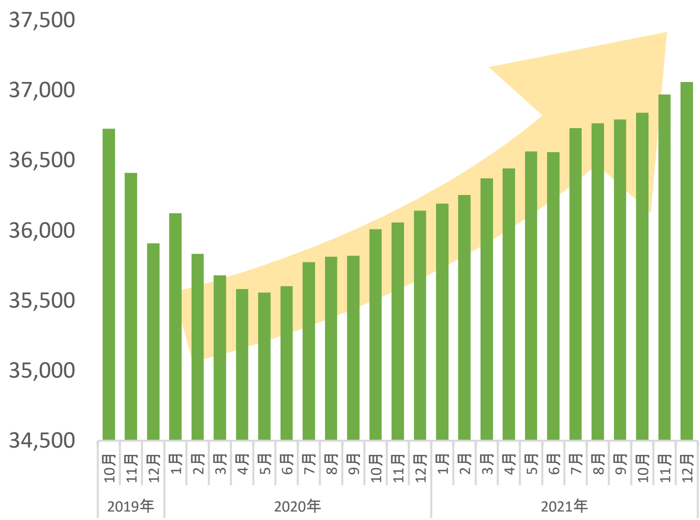
Start up a "consignment sales" scheme to steadily increase gross profit

aucfan

Q1 Review

The number of **paying aucfan members***1 **continued to increase** due mainly to growing demand for side business.

Number of paying aucfan members



*1 Total of aucfan Premium, aucfan Pro, and aucfan Lite members

Initiatives in Q2 and beyond

To **increase fees for services**, **strengthen sales of high-end SaaS products** such as aucfan Pro and aucfan Robo

Re-Infra Company

5 APPENDIX

ページ数

Consistent business development
from university startup to present

- **Began selling goods through auction listings** as a sole proprietor while attending university
- **Established Defactostandard, Ltd.** and assumed the office of president and representative director
  *Current service: Purchasing of used brand-name goods (Brandear)
- Acquired the Auction Statistics Page (tentative title) and **began performing media management**
- Established the Media segment through an incorporation-type split from Defactostandard, Ltd., **established aucfan Co., Ltd.**, and assumed the office of president and CEO (current position)
- **Listed on the Mothers section of the Tokyo Stock Exchange** (securities code: 3674)
- Acquired **NETSEA**, one of Japan's largest B2B wholesale shopping mall; **ReValue**, a slow-moving inventory liquidation service; and **TATEMPO Guide**, a centralized management system for online shops, and added them to the group.

aucfan

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

ESG-conscious management with a particular focus on Environment (E) and Social (S)

Environment

- **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 of remote working

Social

- **Contribution to local communities and regional revitalization achieved through collaboration with local governments**
- Supporting society and the economy through donation activities

Governance

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

Hybrid earnings model of fees obtained through SaaS, fee income predicated on GMV, and sales revenue

Inventory Management Solution

ARR*1

(billing amount)

Number of accounts

×

Annual billing amount

Main services

aucfan

*1: Abbreviation for Annual Recurring Revenue.

Merchandise Distribution Platform

Fee income predicated on GMV

GMV

×

Take rate

Main services NETSEA

Value of sales

×

GPM

Main services NETSEA オークション

Market Potential

Expansion of potential markets driven by revitalization in the e-commerce market, growing side-business needs, and buildup of slow-moving corporate inventories

Inventory Management Solution

aucfan

Monthly fees ranging from 908 yen to 10,000 yen *1

×

About one million people

Merchandise Distribution Platform

NETSEA

Domestic B2B e-commerce market size*2
300 trillion yen annually

×

Target market share of a few percent

×

Take rate of 8–10%

NETSEA Auction

Loss on inventory disposal※3
22 trillion yen/year

Potential market size for returned goods in Japan*4
2.2 trillion yen/year

×

Target market share of a few percent

*1: Offering Aucfan Premium for 980 yen per month and Aucfan Pro Plus for 10,000 yen per month (as of November 12, 2021)
*2：Market research on e-commerce by METI announced on July 30, 2021, “B2B E-commerce Market Size by Industry.”
Estimate based on e-commerce market size and conversion rate in the medium category (wholesale).
https://www.meti.go.jp/policy/it_policy/statistics/outlook/210730_new_hokokusho.pdf
*3： Aucfan’s estimate based on “Statistics of Corporations” (Ministry of Finance), etc.
*4：See page 12 of the presentation material

Establish a dominant position by making aggressive investments in core businesses

NETSEA	Become the No. 1 platform for wholesale distribution, accelerating the digital transformation of small businesses
NETSEA Auction	Become a leading reverse logistics company
aucfan	Become one of Japan's largest media for SMBs

Service Details

aucfan

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 bidding prices, auction listing support tools

Note: As of June 2021

Business model

The Company

Provides cloud services

Pays monthly fees
(for paid service use)
* See next page for paid service

Individual and SMB customers

Service Details

Paid Services

aucfan Premium

Premium features to make better use of aucfan.com

Usage fees: 908 yen per month (excluding tax)

Functions provided: 10 year auction bid market search, time frame summary search, bid reservation tool, My Bookmarks, search alerts, easy listing tool, listing template saving, etc.

aucfan Pro Plus

Provides market price searching and data analysis tools used by professionals

Usage fees: 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

aucfan Robo

オークファンロボ

RPA tools that even users without specialized knowledge can operate intuitively

Usage fees: From 120,000 yen per month (excluding tax)

Usage examples: Back-office operations including research concerning competitors, inventory ordering, order processing, shipping invoice preparation, and personnel- and labor-related operations

TATEMPO GUIDE

タテンポガイド

Centralized management system for online shops

Note: Applies to 1,000-order plan

Usage fees: From 24,000 yen per month (excluding tax)

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.

Goodsellers

A side business support service that creates a place where people can continue to experience the essential fun of business transaction

Usage fee: Varies according to each individual service

Example: **eBay cross-border e-commerce seller training program**

ebay aucfan

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 June 2021

Business model

- Professional and practical expertise
- Proper tool use
- Advice

Instructors

Payment of instructor fees

繋げる世界　広がる未来
good sellers

- Provides side-business expertise
- Provides a community
- Side-business support school

Note: for applicants only

Payment of tuition when attending school

SMBs
(side businesses and sole proprietors)

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%

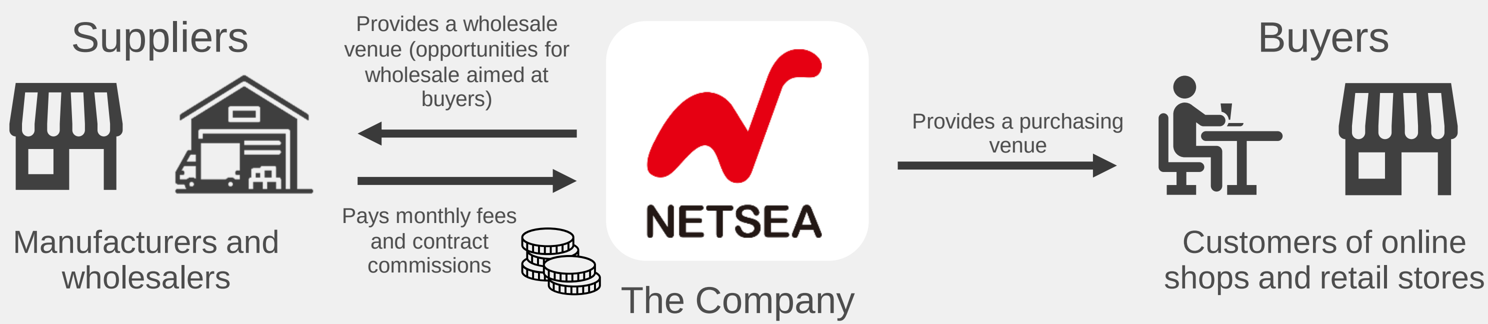
Buyers: **No fee**[*1]

Features: About 480,000 registered buyer companies

Annual distribution value of about 9.0 billion yen

Note: As of September 2021

Business model

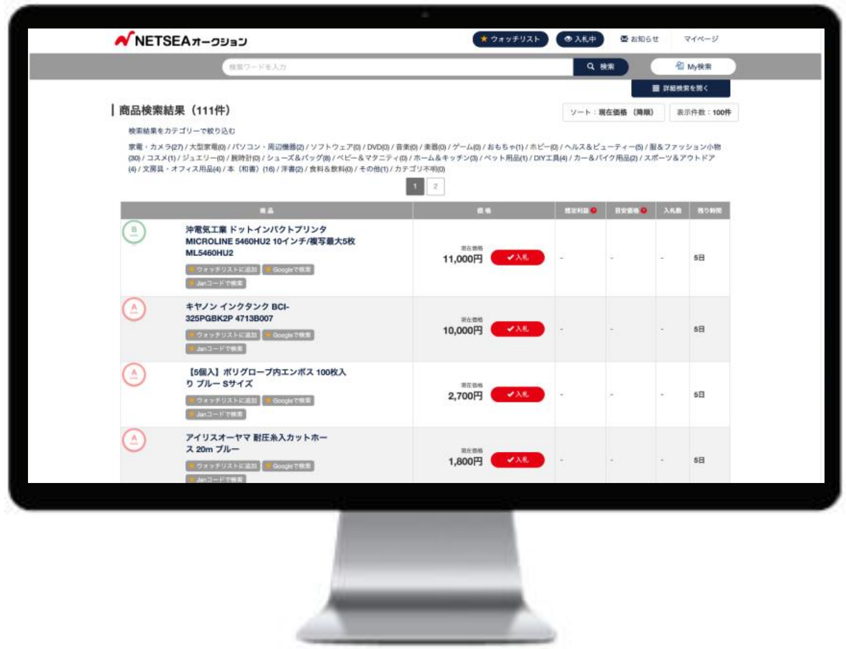


*1 The NETSEA Prime service charges fees

NETSEA Auction
NETSEA Bulk Mall

Inventory liquidation support service focused on returned or outdated items and slow-moving inventory, etc.

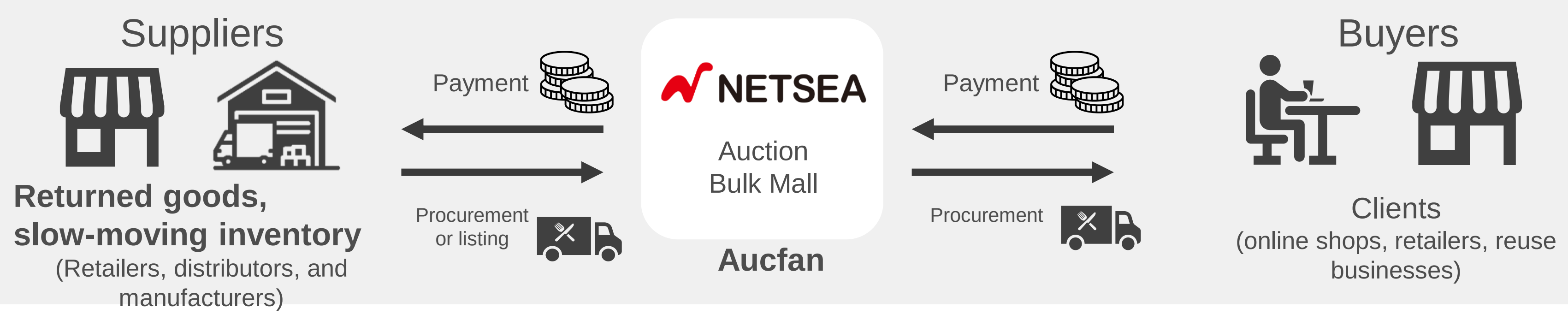
We purchase slow-moving inventory from manufacturers and retailers and sell it to recycling businesses and sole proprietors through our members-only closed community websites, NETSEA Auction and NETSEA Bulk Mall. Additionally, we provide comprehensive support for a range of e-commerce business operations comprising return policy revisions, procedures associated with the disposal and trading-in of returned goods, return acceptance, product inspection, and central processing.



Primary users: Manufacturers, retailers, reuse companies, and individual proprietors

Note: ReValue BtoB Mall was renamed to NETSEA Auction in August 2021.

Business model



Business segments have been reorganized as follows, in line with our policies from FY09/22

Previous	From FY09/22
Core businesses **Merchandise Distribution Platform**: NETSEA, NETSEA オークション, good sellers, Otameshi B2B wholesale **Inventory Management Solution**: aucfan, オークファンロボ, タテンポガイド, zaicoban Advertising operation service **Management & Others**	**Core businesses** **Merchandise Distribution Platform**: NETSEA, NETSEA オークション **Inventory Management Solution**: aucfan, オークファンロボ, good sellers, タテンポガイド, Ad operations **Management & Others**
	Withdrawn and other businesses Merchandise Distribution Platform: Otameshi, Wholesale sales to corporate customers Inventory Management Solution: zaicoban
Incubation	**Incubation**

Company 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   Aucfan Incubate

and others.

Capital
884.08 million yen
(as of September 30, 2021)

Employees
157* (as of September 30, 2021)
*Number of employees on a consolidated basis (excl. part-time)

Head office