Financial Results
Q2 FY09/21

Aucfan Co., Ltd. <3674>
May 14, 2021

Executive Summary of 1H Financial Results: Part One

<Consolidated Results>

Consolidated net sales in 1H amounted to 4,647 million yen, and (+55.7% YoY and 42.6% of full-year projections), and operating profit reached 791 million yen (+868.6% YoY and 60.8% of full-year projections).

No changes have been made to our full-year FY09/21 earnings forecast.

<Core Businesses> (other than Incubation)

Net sales in 1H came to 3,265 million yen (+10.5% YoY), and operating profit amounted to 13 million yen (-85.9% YoY)

We conducted up-front investment in the high-growth **Merchandise Distribution Platform segment** while securing profit.

Executive Summary of 1H Financial Results: Part Two

<Operating Profit/Loss and Extraordinary Profit/Loss>

In Q2, we incurred some temporary costs ahead of schedule and recorded operating and extraordinary loss.

1. Incubation
   Valuation loss on operational investment securities
2. Merchandise Distribution Platform segment
   Conducted up-front investment in NETSEA
3. Inventory Management Solution segment
   Impairment of zaicoban software assets

Items one and three are both temporary circumstances, and we accordingly do not project any recurrences.

We will continue to conduct up-front investment in NETSEA with the goal of achieving proportionate expansion in distribution value and GPM, two of our most important indicators.

1 The Aucfan Group

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.

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 1.40 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

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.

Our Businesses

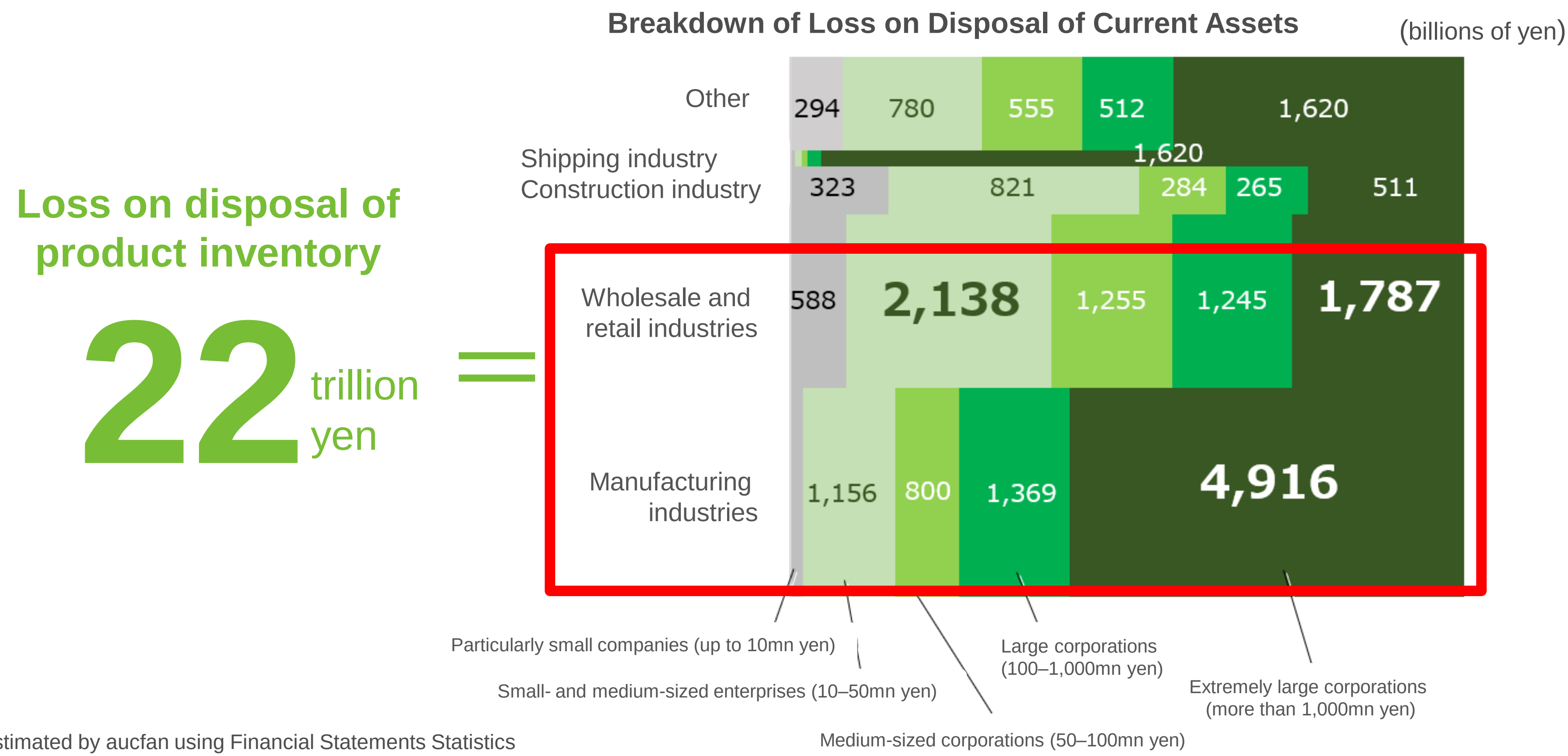
- Our strength is our unique product redistribution infrastructure, which combines the predictive power of AI with the trading power of people. This infrastructure enables us to **reduce disposal loss.**
- We perform **asset liquidation** for SMEs and SMBs across two axes: "functions" and "commercial distribution." The scope of this asset liquidation includes new products (primary distribution), used products (secondary distribution), and returned products (distribution 1.5).

Business Map

	Individuals →	SMBs (side businesses and sole proprietorships) →	Small- and medium-sized enterprises →	Large corporations
Functions (Monthly fees obtained through SaaS) **Inventory Management Solution**	aucfan		TATEMPO GUIDE Aucfan Robo	
	good sellers User development			
Commercial distribution (Sales and commissions) **Merchandise Distribution Platform**	Otameshi ReValue		NETSEA	

Market Environments Facing the Group

- **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 becoming more serious, particularly in the wholesale and retail industries**.



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

Aucfan and the SDGs

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".**

2 Financial Highlights in 1H FY09/21

1H Financial Highlights

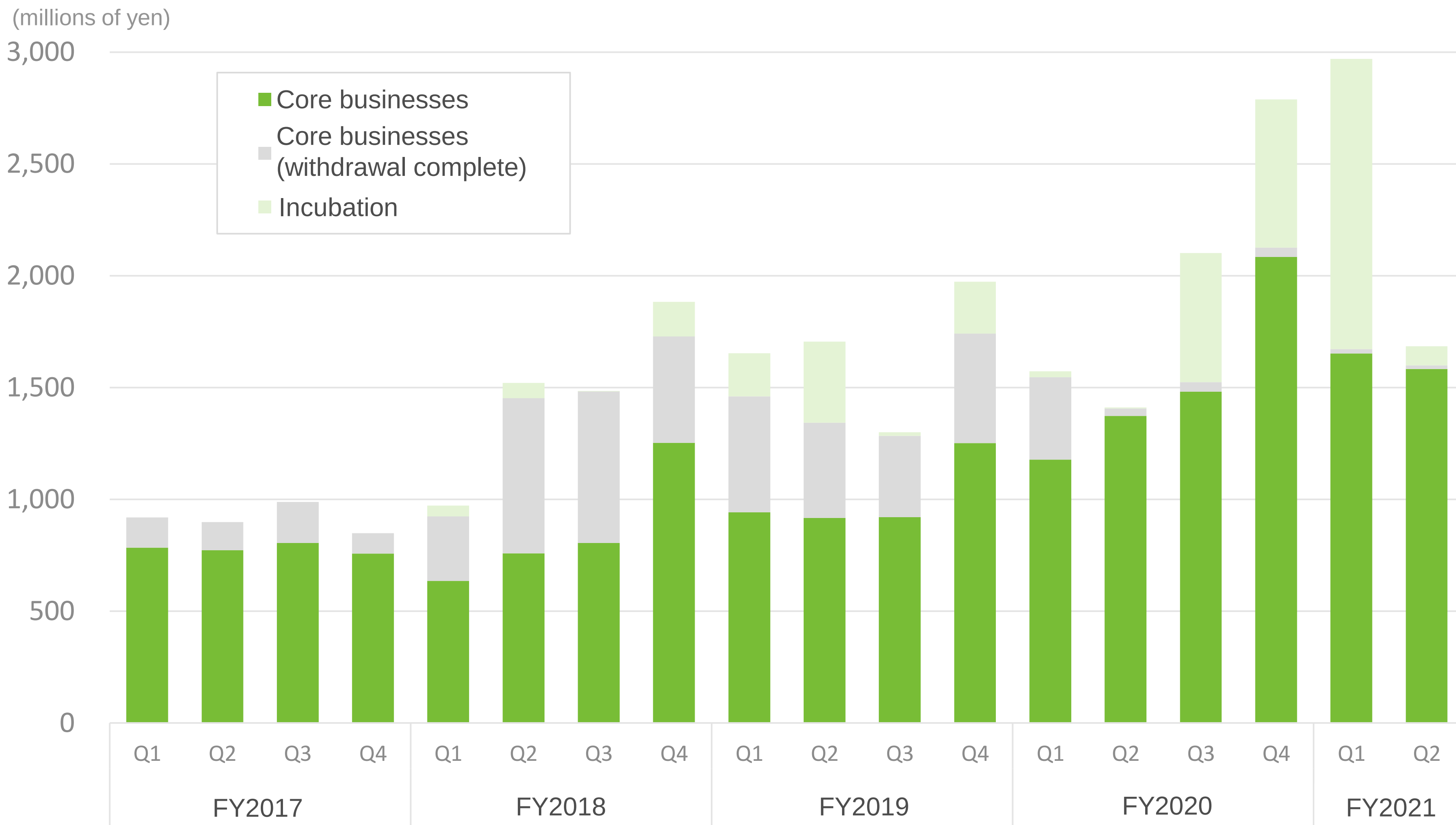
1. In terms of core businesses, we conducted up-front investment in the high-growth **Merchandise Distribution Platform segment**.
2. In Incubation, we **actively revalued our operational investment securities** in light of the uncertain economic conditions and **recorded an associated loss**.

	Q2			1H		
	FY09/21 (millions of yen)	FY09/20 (millions of yen)	YoY	FY09/21 (millions of yen)	FY09/20 (millions of yen)	YoY
Net sales	**1,683**	**1,410**	**119.3%**	**4,647**	**2,983**	**155.7%**
-Core businesses*1	1,599	1,407	113.6%	3,265	2,953	110.5%
-Incubation	84	3	2,396.2%	1,382	30	4,602.2%
Operating profit	**-433**	**19**	**-**	**791**	**81**	**968.6%**
-Core businesses	-59	33	-	13	92	14.1%
-Incubation	-373	-14	-	777	-11	-
Recurring profit	**-431**	**13**	**-**	**784**	**74**	**1,052.0%**
Net income	**-416**	**-4**	**-**	**502**	**6**	**7,604.7%**

*1 Businesses other than Incubation

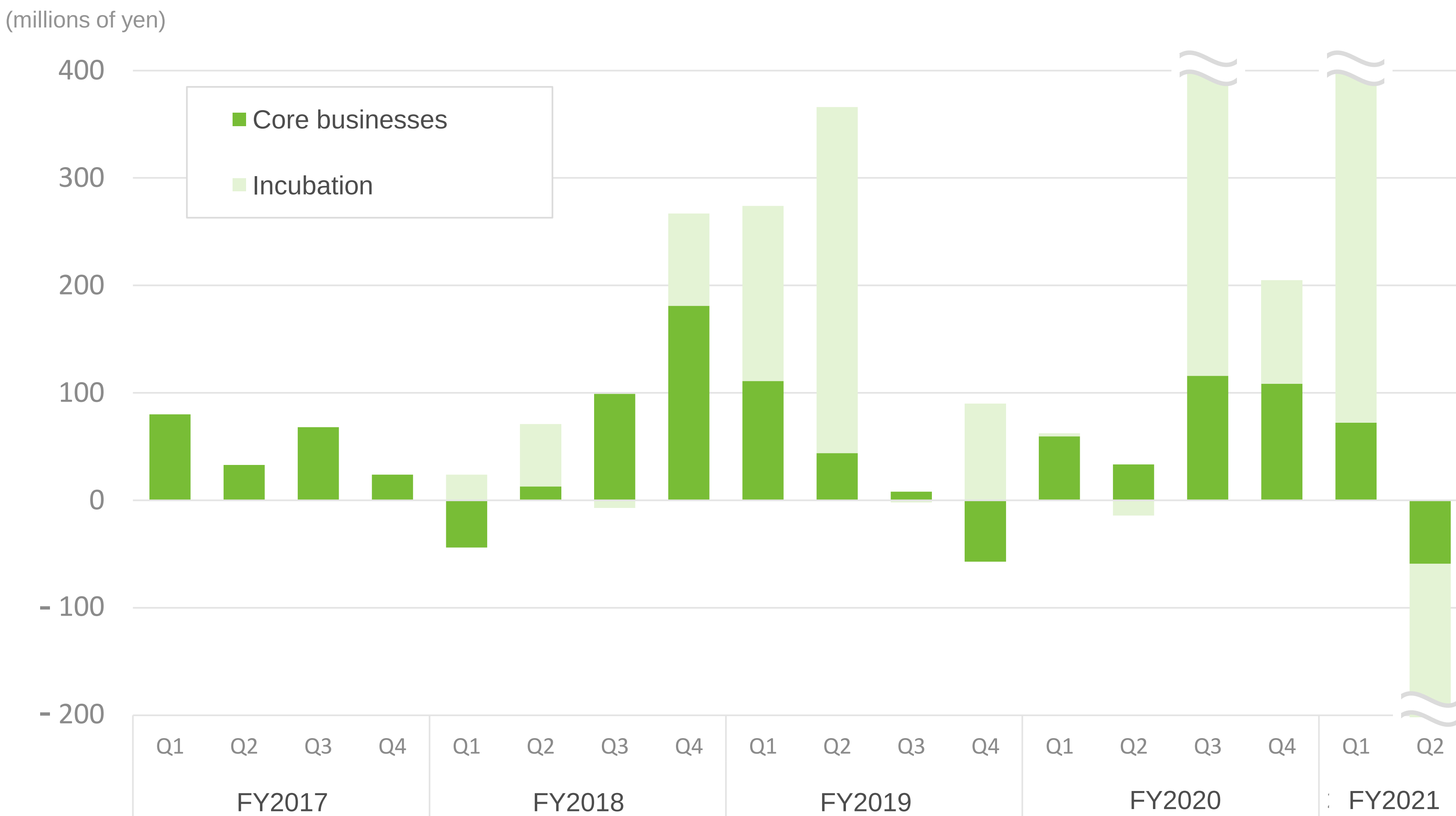
Consolidated Net Sales

Net sales generated by core businesses in Q2 rose 13.6% YoY while net sales generated through Incubation grew 2,296.2% YoY. **Consolidated net sales generated by core businesses reached a record high in Q2, surpassing the previous record in Q1**.



Consolidated Operating Profit/Loss

We recorded operating losses of 59 million yen in core businesses and 373 million yen in Incubation. We incurred this loss because we **incurred temporary expenses ahead of schedule** in Q2. Accordingly, we do not expect a recurrence moving forward.



Progress versus the FY09/21 Earnings Forecast

Net sales reached 42.6% of full-year targets, while operating profit reached 60.8%, recurring profit 62.7%, and net income attributable to owners of the parent 62.7%.
No changes have been made to full-year targets.

	FY09/21 forecast (millions of yen)	1H results (millions of yen)	YoY	Progress versus forecast
Net sales	**10,900**	**4,647**	**155.7%**	**42.6%**
-Core businesses	10,000	3,265	110.5%	32.6%
-Incubation	900	1,382	4602.2%	153.5%
Operating profit	**1,300**	**791**	**968.6%**	**60.8%**
-Core businesses	500	13	14.1%	2.6%
-Incubation	800	777	-	97.2%
Recurring profit	**1,250**	**784**	**1,052.0%**	**62.7%**
Net income	**800**	**502**	**7,604.7%**	**62.7%**

3 Q2–Q3 Topics

Important Indicators

Changing social conditions caused by the COVID-19 pandemic have **exacerbated corporate inventory issues**. These circumstances have been advantageous for the Company in that they have led to expansion in needs associated with disposal loss reduction. Accordingly, we are **prioritizing asset liquidation distribution value as our most important indicator**. This decision will ultimately lead to **maximized gross profit**.

Inventory Management Solution	Merchandise Distribution Platform
Number of SaaS user accounts	Most important **Distribution value**
×	×
Unit price × account retention rate	**Take rate (commission rate)**

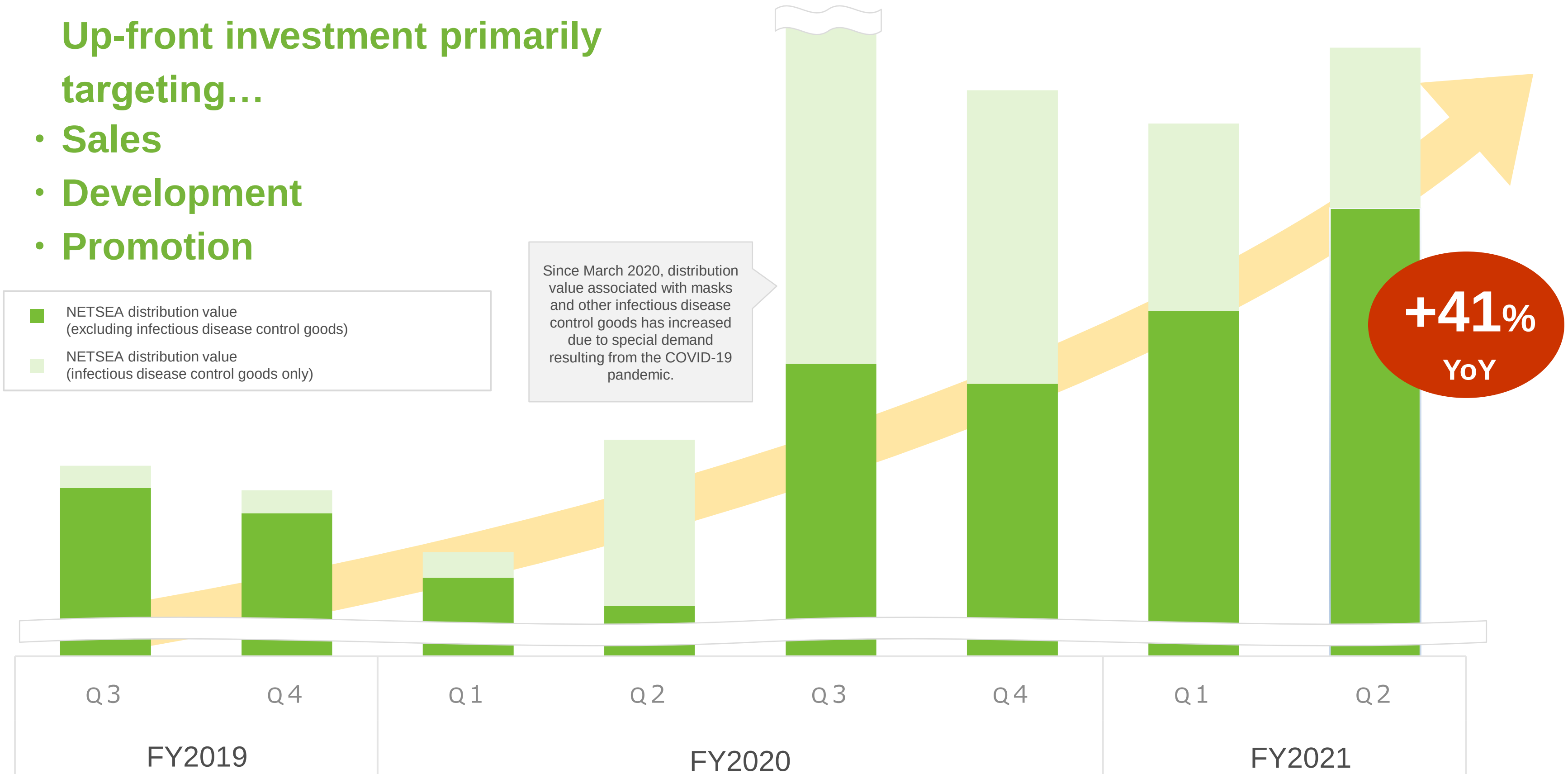
Topics: Merchandise Distribution Platform Segment Part One: NETSEA

	Individuals→SMBs→SMEs→Large corporations
Functions	aucfan, TATEMPO GUIDE, Aucfan Robo, User development, good sellers
Distribution	Otameshi, ReValue, NETSEA

NETSEA Distribution value

The distribution value*1 (excluding distribution of infectious disease control goods in special demand) associated with B2B wholesale shopping mall NETSEA grew by **more than 40%** year on year, **reaching a new all-time high.**

Up-front investment primarily targeting…
- **Sales**
- **Development**
- **Promotion**



*1: Products that include the terms “mask,” “hand soap,” “disinfectant,” “sanitizer,” “virus,” “disaster prevention,” “medical thermometer,” “KleenGuard,” “Kimtech Pure,” “personal protective equipment,” “toilet paper,” “contactless,” or “PCR test.”

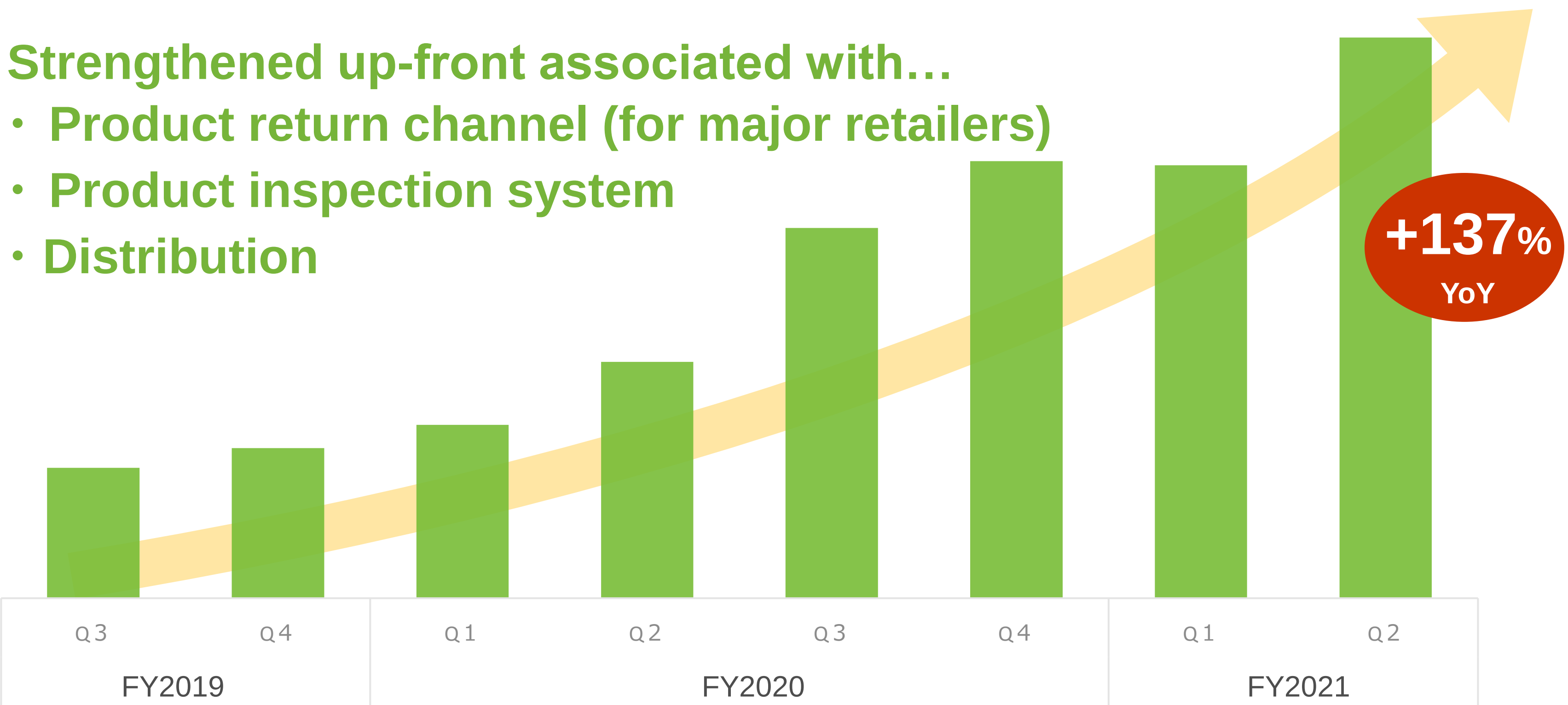
Topics: Merchandise Distribution Platform Segment Part Two: ReValue

ReValue distribution value

The distribution value associated with ReValue, an inventory liquidation support service focused primarily on slow-moving inventory and returned or outdated goods, grew by **more than 130%** year on year, **reaching a new record high**.

Strengthened up-front associated with…

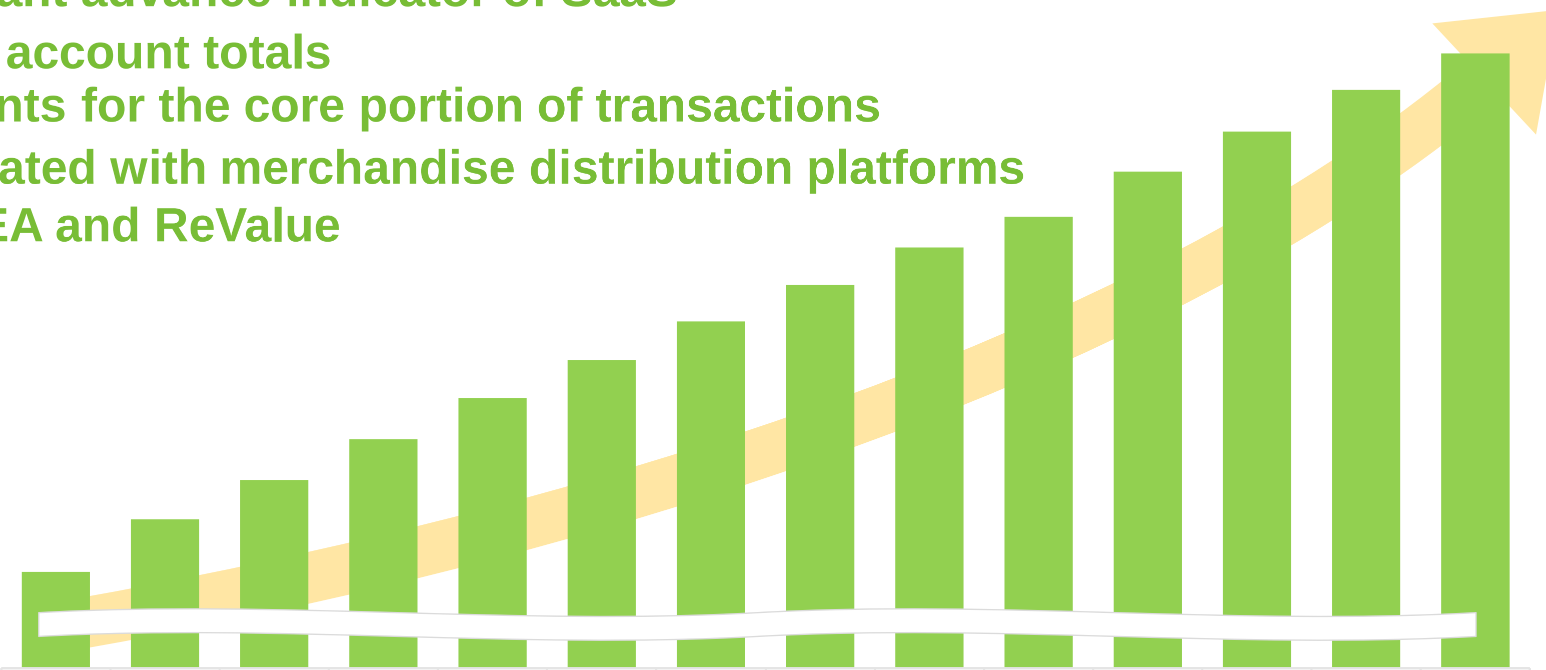
- **Product return channel (for major retailers)**
- **Product inspection system**
- **Distribution**



Topics: Inventory Management Solution Segment Business Members

Business usage accounts*1 have steadily increased on a monthly basis

- **Important advance indicator of SaaS usage account totals**
- **Accounts for the core portion of transactions associated with merchandise distribution platforms NETSEA and ReValue**

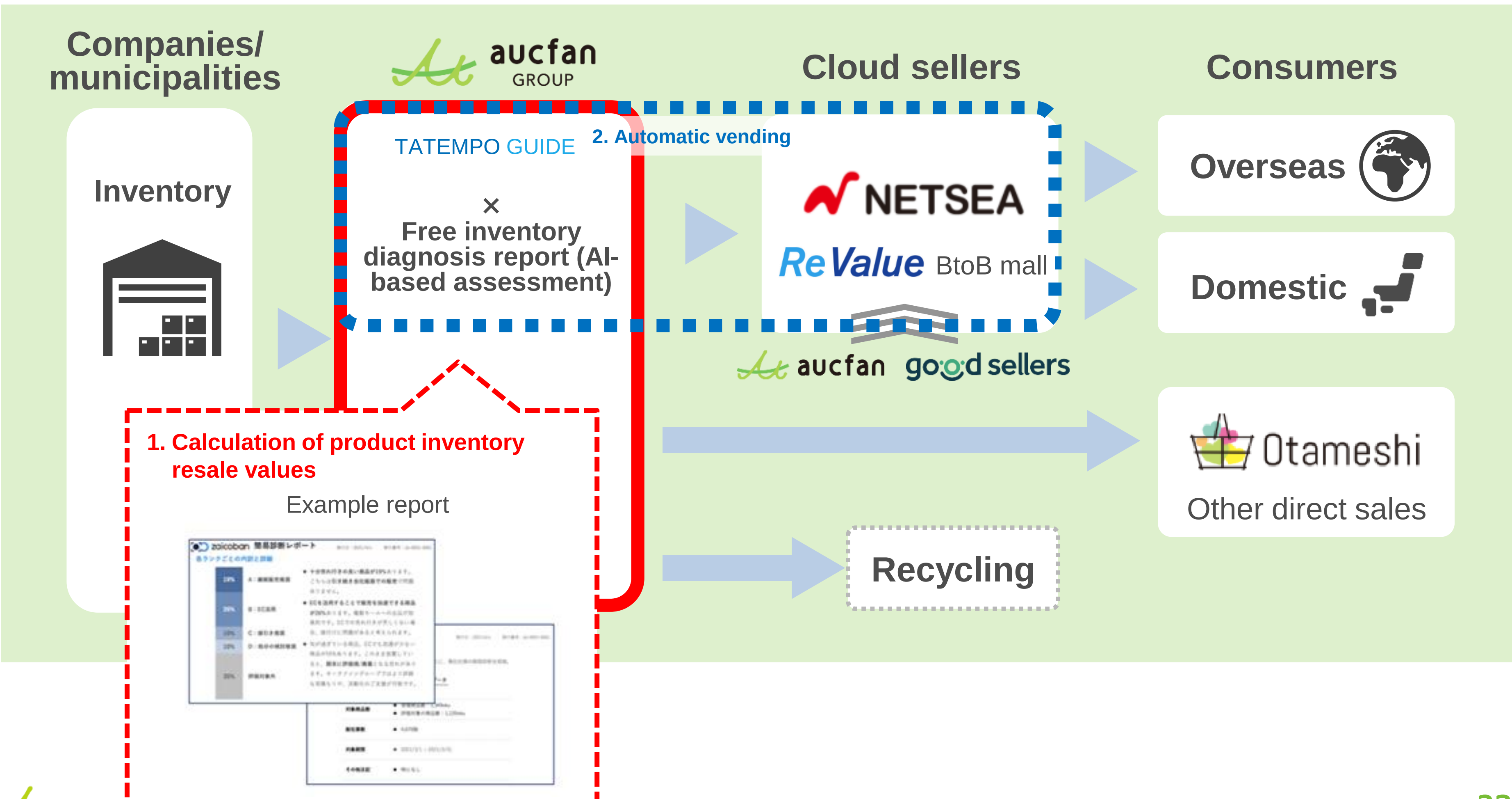


	March	April	May	June	July	August	September	October	November	December	January	February	March	April
											2021年			
Business members	1,309,939	1,320,848	1,328,973	1,337,396	1,345,953	1,353,740	1,361,736	1,369,331	1,377,057	1,383,449	1,392,769	1,401,014	1,409,652	1,417,214

*1: Combined total of aucfan.com members, NETSEA suppliers, NETSEA buyers, TATEMPO GUIDE user companies, and Otameshi merchandise providers

General Topics: Comprehensive Inventory Liquidation Solutions

In Q2, we integrated a free inventory diagnosis report process (AI-based assessment)
In Q3, we will strengthen our alliances and enhance promotional efforts to support the liquidation of inventories held by local companies and municipalities.



Re-Infra Company

4 APPENDIX

Page

History

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

2000 2007 2013 2015 2017 2020

- **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 malls; **ReValue**, a slow-moving inventory liquidation service; and **TATEMPO Guide**, a centralized management system for online shops, and added them to the group.
- Released **Otameshi**, a sampling service site oriented toward social contribution
- Released **zaicoban**, an AI-based inventory management solution for retail companies

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 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.

Environment

- **Reduction of disposal loss in core businesses**
- **Environmental conservation achieved through support for recycling companies**
- Lower CO_2 emissions accomplished by reducing vehicle-based travel through the implementation remote working

Social

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

Governance

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

Our Businesses

- Our strength is our unique product redistribution infrastructure, which combines the predictive power of AI with the trading power of people. This infrastructure enables us to **reduce disposal loss.**
- We perform **asset liquidation** for SMEs and SMBs across two axes: "functions" and "commercial distribution." The scope of this asset liquidation includes new products (primary distribution), used products (secondary distribution), and returned products (distribution 1.5).

Business Map

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

Functions (Monthly fees obtained through SaaS)

Inventory Management Solution

aucfan

TATEMPO GUIDE

Aucfan Robo

good sellers User development

Commercial distribution (Sales and commissions)

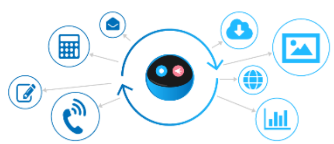
Merchandise Distribution Platform

Otameshi

ReValue

NETSEA

Inventory Management Solution Segment

Target Customers		Services	
Large corporations		TATEMPO GUIDE	Centralized order, inventory, and product management system for multiple online shops
Small and medium-sized enterprises		**Aucfan Robo**	RPA tools that even users without specialized knowledge can operate intuitively
SMBs (Side businesses and sole proprietorships)		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
Individuals		aucfan	Possesses 70.0 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

aucfan

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

toC Otameshi
Sampling service site oriented toward social contribution

toB ReValue
Liquidation service for slow-moving inventory

Indirect distribution

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

Online store for overseas buyers NETSEA Cross-border wholesale

Consumers

Inventory management and proposals for optimal pricing and sales channels

TATEMPO GUIDE

zaicoban

Free* inventory diagnosis (AI-based assessment)
*From April 2021

- 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

TATEMPO GUIDE: Number of user companies × Monthly billing amount

Aucfan Robo: Number of user companies × Monthly billing amount

aucfan Pro. Plus / aucfan connect / aucfan: Number of accounts × Monthly billing amount

Merchandise Distribution Platform

Sales and fee income predicated on GMV

NETSEA: Distribution value × Commission rate

NETSEA Cross-border wholesale: Value of sales × GPM

ReValue: Value of sales × GPM

Otameshi: 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

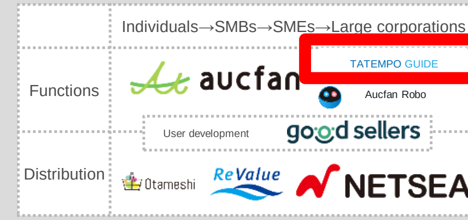
TATEMPO GUIDE	Monthly fees from 24 thousand yen*1 × Hundreds of thousands of companies
Aucfan Robo	Monthly fees from 120 thousand yen × Hundreds of thousands of companies
aucfan Pro. Plus / aucfan connect / aucfan	Monthly fees ranging from 908 yen to 10,000 yen*2 × About one million people

Merchandise Distribution Platform

NETSEA	Domestic B2B e-commerce market size*3 131.2 trillion yen annually × Target market share of a few percent × Commission rate of 8–10%
NETSEA Cross-border wholesale	Cross-border e-commerce market size*4 2.6 trillion yen annually × 10% target market share
ReValue	Reuse market size*5 of 2.5 trillion yen annually × Target market share of a few percent
Otameshi	Inventory disposal market*6 1.1 trillion yen annually × 20% target market share

*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)
*3: 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)
*4: Combined total of 1,655.8 billion yen in purchases from Japan made by Chinese consumers and 903.4 billion yen in purchases from Japan made by US consumers (figures taken from the study above)
*5: Data sourced from figures in The Reuse Business Journal's *Secondhand Market Databook* 2020 concerning past measurements and future projections regarding the scale of the reuse market
*6: 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.

Inventory Management Solution Segment



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 to1,000-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 March 2021

Business model

Provides cloud services →

TATEMPO GUIDE

The Company

← Pays monthly fees

Client e-commerce businesses

Inventory Management Solution Segment

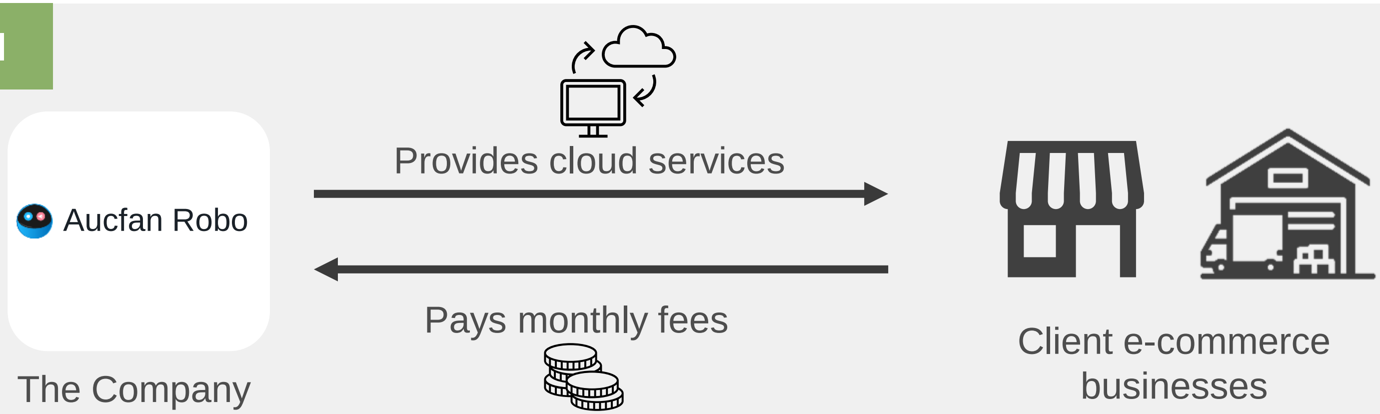
Aucfan Robo

RPA tools that even users without specialized knowledge can operate intuitively

- Usage fee: **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

Note: As of March 2021

Business model



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 March 2021

Business model

aucfan connect

The Company

Provides cloud services →

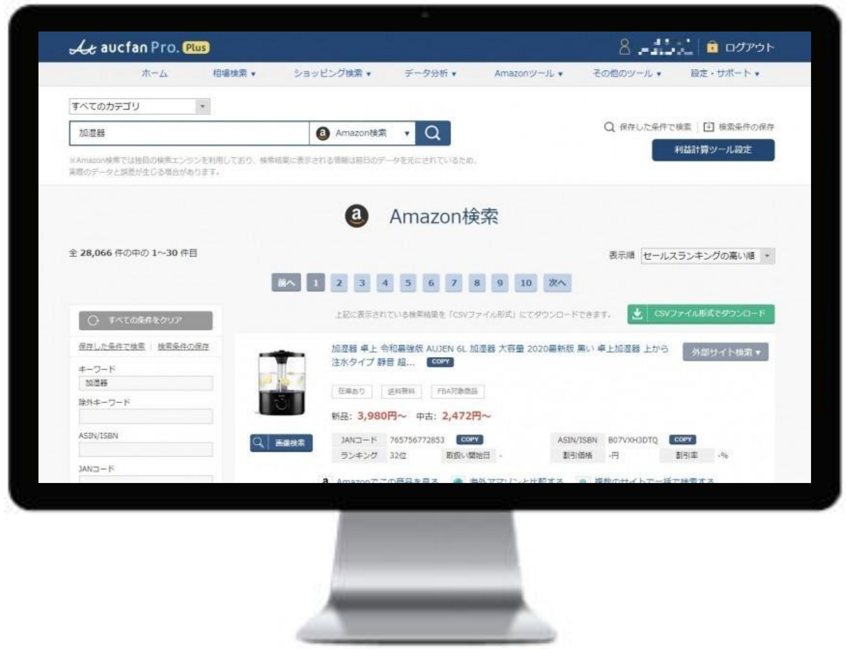
← Pays monthly fees

Customers of SMBs and Amazon sellers

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 March 2021

Business model

aucfan Pro. Plus

The Company

Provides cloud services →

← Pays monthly fees

Customers of SMBs and recycling companies

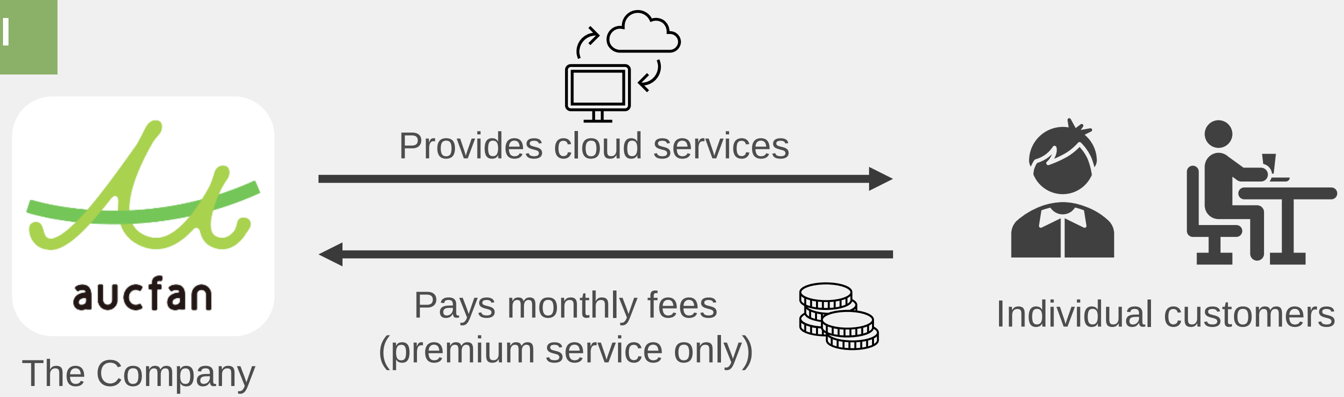
aucfan.com

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 March 2021

Business model



	Individuals→SMBs→SMEs→Large corporations
Functions	aucfan TATEMPO GUIDE Aucfan Robo
	User development good sellers
Distribution	Otameshi ReValue NETSEA

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**

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 March 2021

Business model

- Provides side-business expertise
- Provides a community
- Side-business support school
Note: for applicants only

- Professional and practical expertise
- Proper tool use
- Advice

繋げる世界 広がる未来
good sellers

SMBs
(side-businesses and sole proprietors)

Payment of tuition when attending school

Payment of instructor fees

Instructors

Merchandise Distribution Platform Segment

	Individuals→SMBs→SMEs→Large corporations
Functions	aucfan / TATEMPO GUIDE / Aucfan Robo
	User development: goood sellers
Distribution	Otameshi / ReValue / NETSEA

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 March 2021

Business model

Buyers

Customers of online shops and retail stores

Provides a purchasing venue

NETSEA

The Company

Provides a wholesale venue (opportunities for wholesale aimed at buyers)

Pays monthly fees and contract commissions

Suppliers

Manufacturers and wholesalers

*1 The NETSEA Prime service charges fees.

Merchandise Distribution Platform Segment

	Individuals→SMBs→SMEs→Large corporations
Functions	aucfan, TATEMPO GUIDE, Aucfan Robo, User development good sellers
Distribution	Otameshi, ReValue, NETSEA

ReValue

Inventory liquidation support service focused primarily on slow-moving inventory and returned or outdated goods

With ReValue, we purchase slow-moving inventory from manufacturers and retailers and sell it through recyclers and individual proprietors on our members-only site, ReValue BtoB 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: As of March 2021

Business model

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, MEDECINS SANS FRONTIERES 国境なき医師団, 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 March 2021

Business model

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

aucfan GROUP

SynaBiz .SmartSourcing Aucfan Incubate

and others.

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