Financial Results
FY09/21

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

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Executive Summary

Expanded GMV(Gross Merchandise Value), our most important KPI, in the core NETSEA business (Merchandise Distribution Platform)

Implemented selection and concentration of businesses for FY09/22 aimed at maximizing GMV

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FY09/21 Summary

Expanded GMV (Gross Merchandise Value), our most important KPI

GMV of our core NETSEA (Merchandise Distribution Platform segment)

grew by 36% YoY[*1]

Aiming for further growth in FY09/22 and beyond

Implemented selection and concentration of businesses

Going forward, our **core businesses will be aucfan, NETSEA, and NETSEA Auction**[*3]**,** which target SMBs[*2], and we will withdraw our services targeting large enterprises and individuals.[*3]

We will set GMV as our most important KPI and make upfront investments.

*1 Total GMV for NETSEA and NETSEA Auction, calculated on a normalized basis, excluding COVID-19 prevention goods distribution
*2 SMBs, including sole proprietors
*3 Renamed from the former ReValue BtoB Mall
*4 Includes zaicoban (SaaS for large enterprises), otameshi (sampling service site oriented toward social contribution), and B2B sales

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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.

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.

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.

Target Market (1)

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

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

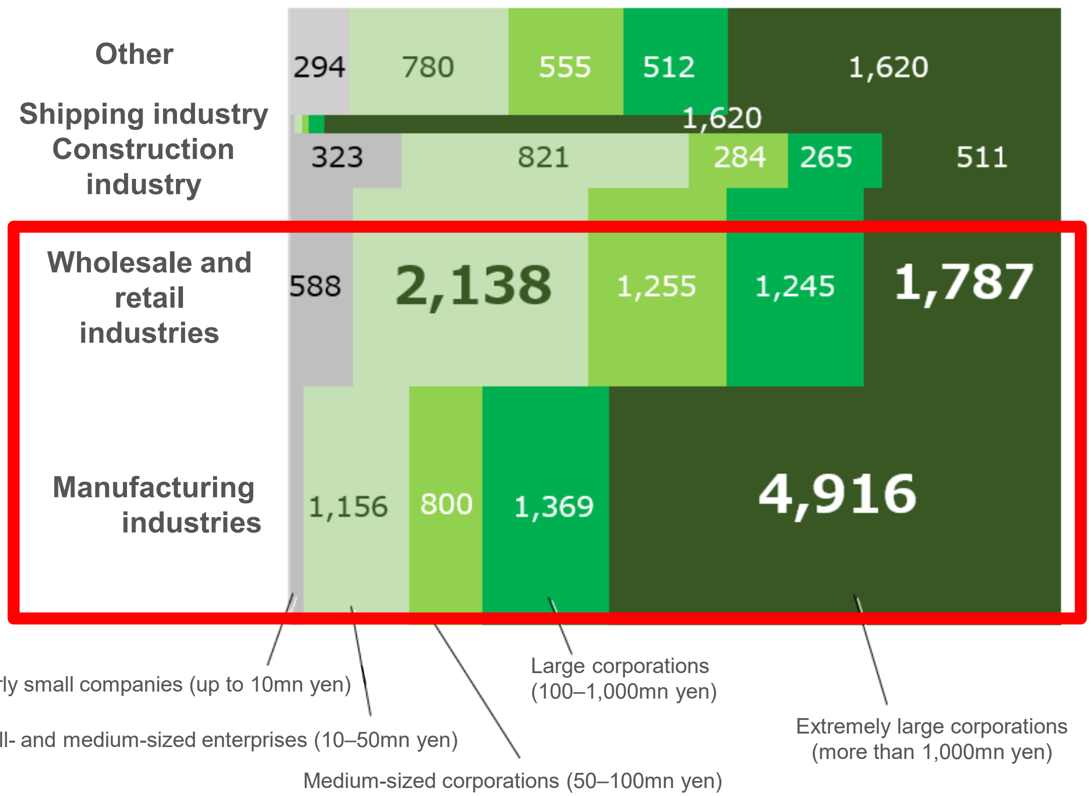
SUSTAINABLE DEVELOPMENT GOALS *1

Loss on disposal of product inventory

22 trillion yen *2

=

Breakdown of Loss on Disposal of Current Assets (billions of yen)



*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.

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Target Market (2)-2

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

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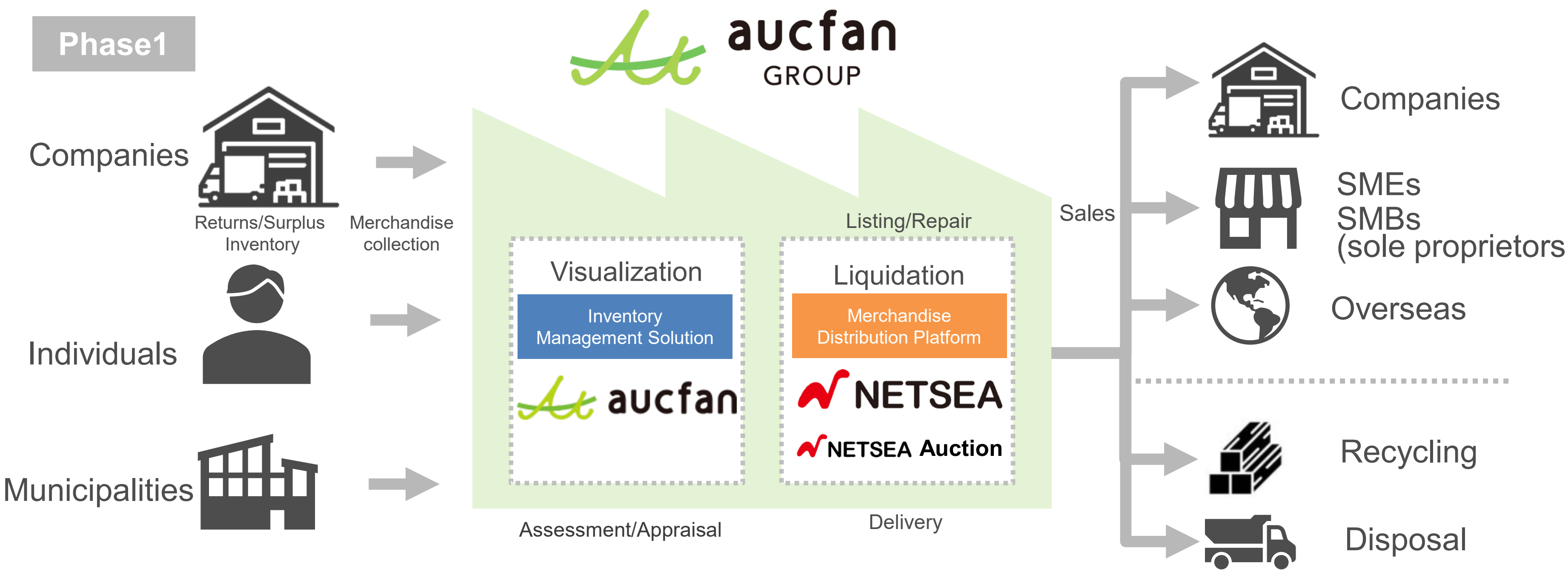
Aucfan Group Business Concept

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

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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

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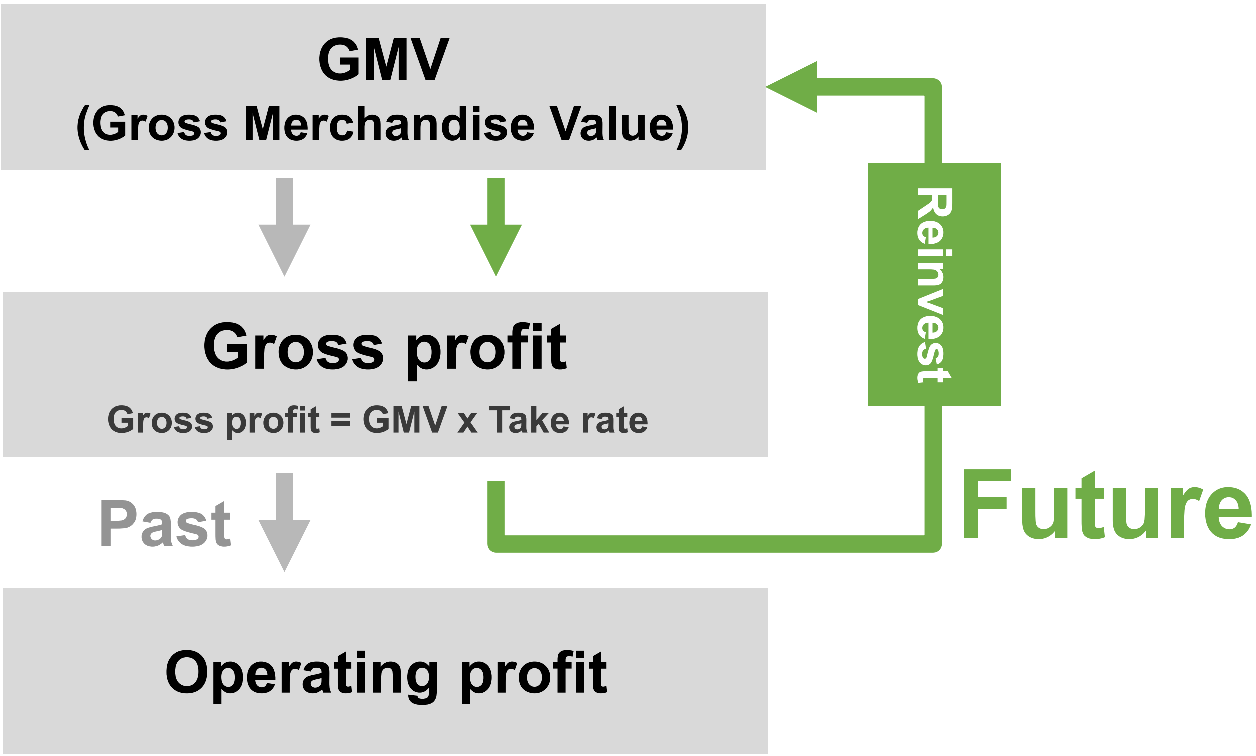
Now that we have a winning strategy, we will reinvest our profits to maximize GMV and gross profit



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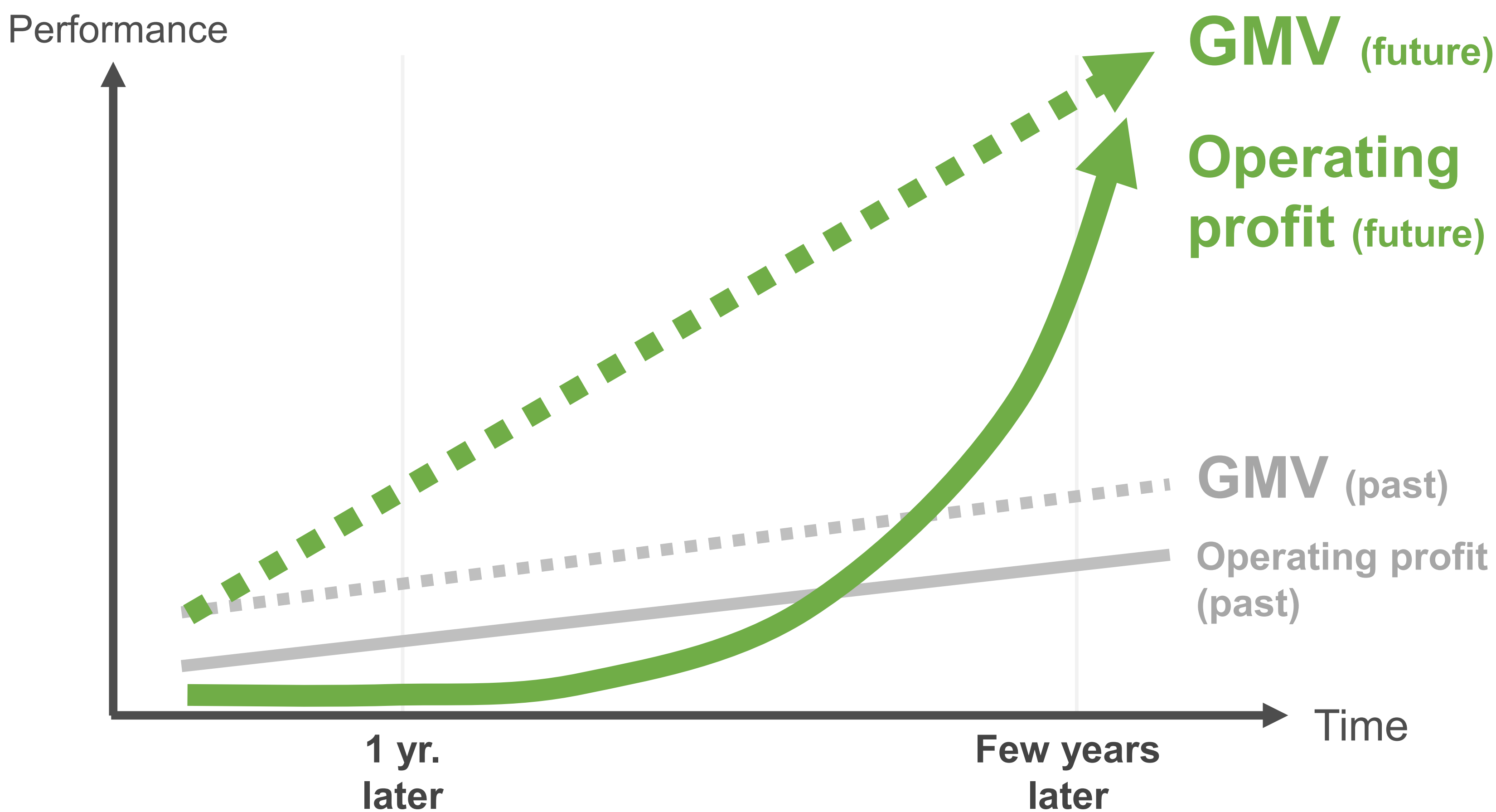
As a result, we will maximize operating profit several years later



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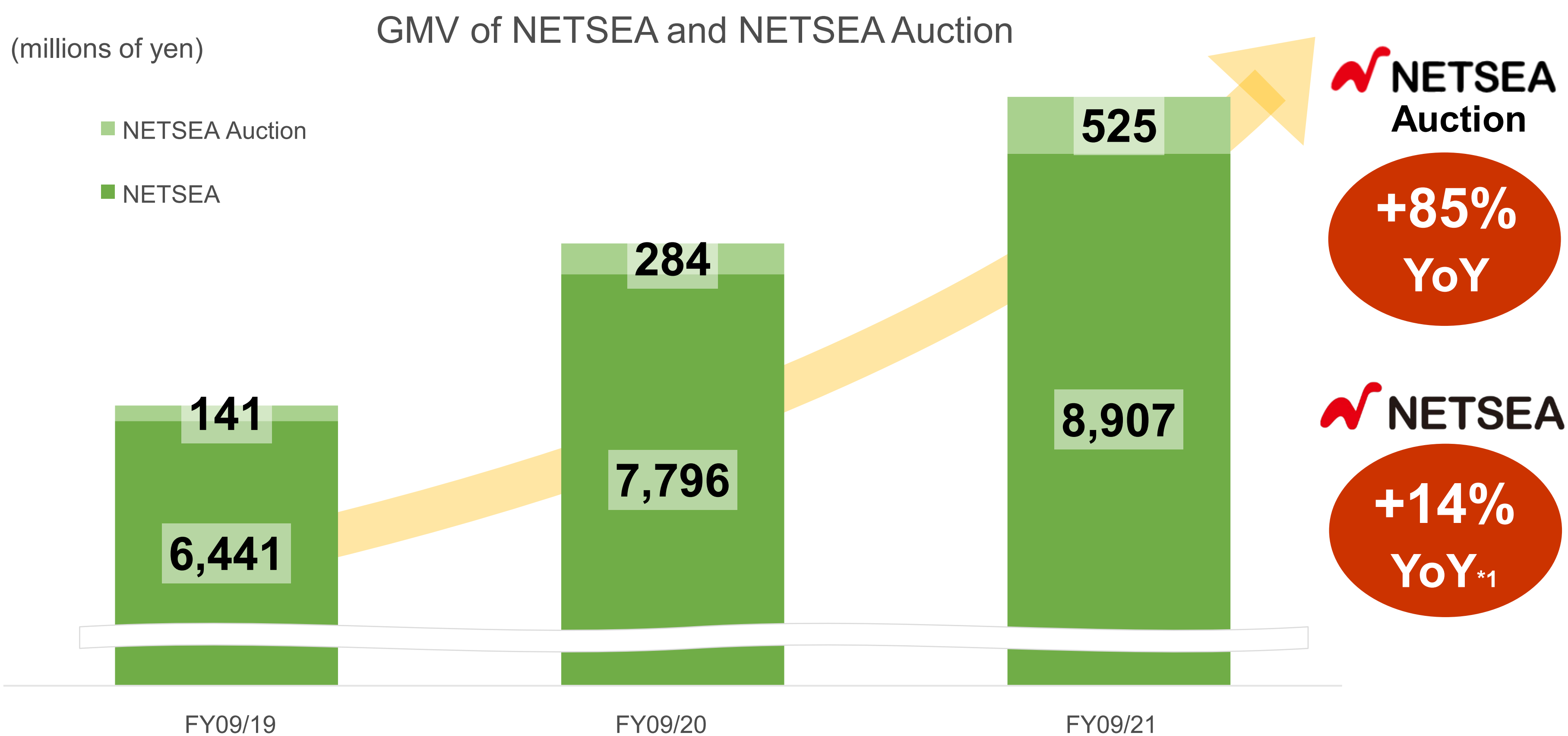
Robust growth even after the special demand from COVID-19



*1 Calculated based on the total distribution value including the distribution of COVID-19 prevention goods

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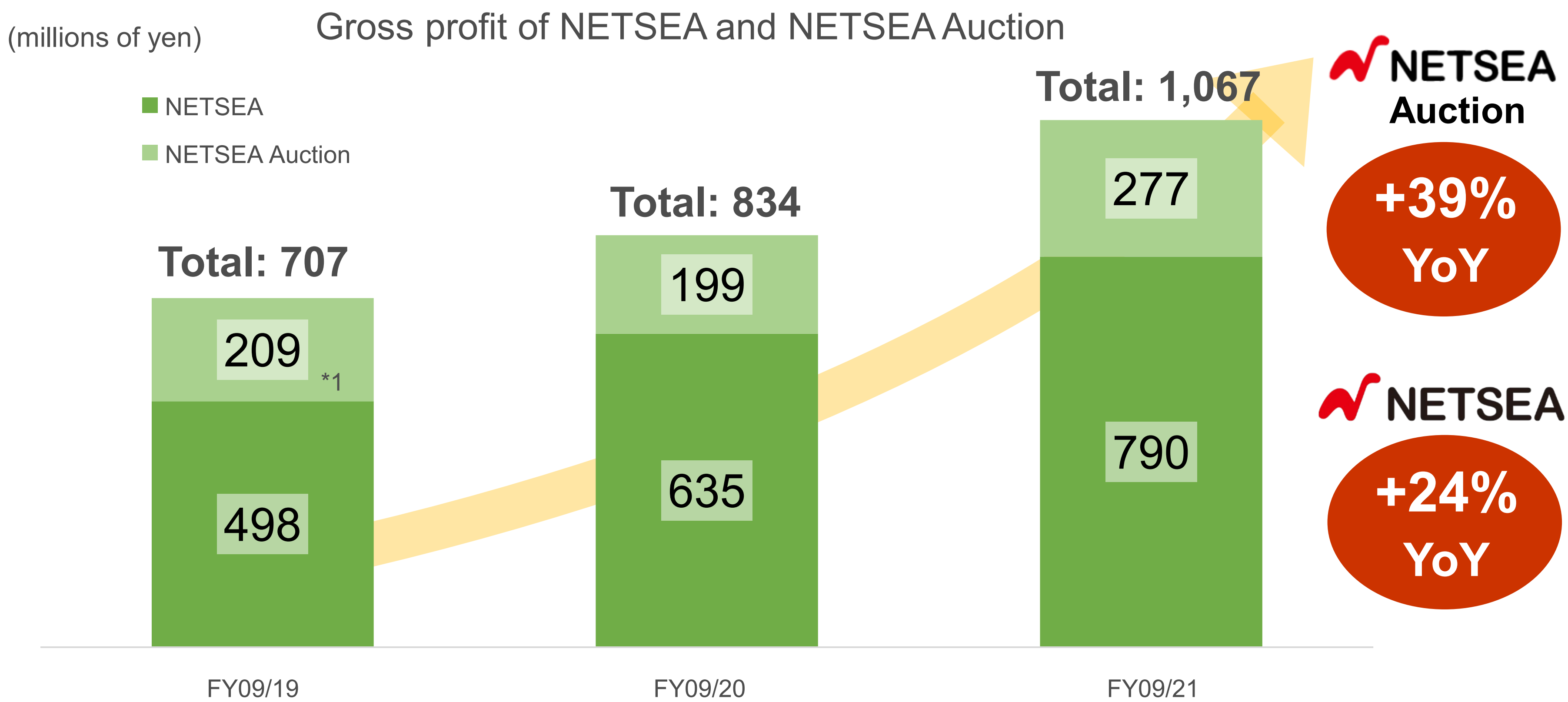
Steady growth in gross profit



*1 Figure for FY09/19 includes some wholesale sales for corporate customers.

*Calculated on a management accounting basis

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2 Financial Highlights in FY09/21

Financial Highlights

Gross profit grew by 22% YoY in core businesses*1, but operating profit declined due to commencing upfront investments for GMV expansion

(millions of yen)	Results		
	FY09/21	FY09/20	YoY
Net sales	**8,344**	**7,884**	**+6%**
-Core businesses	3,556	3,160	+13%
-Incubation	1,734	1,277	+36%
-Withdrawn businesses *2	3,053	3,447	-11%
Gross profit	**3,538**	**3,108**	**+13%**
-Core businesses	2,101	1,716	+22%
-Incubation	1,023	536	+91%
-Withdrawn businesses	413	855	-52%
Operating profit	**583**	**809**	**-27%**
-Core businesses	297	344	-12%
-Incubation	751	473	+59%
-Withdrawn businesses	-465	-7	-
Recurring profit	**595**	**808**	**-26%**
Net income	**151**	**428**	**-65%**

Gross profit of core businesses
+22% YoY

*1 Businesses excluding Incubation and withdrawn businesses
*2 zaicoban (SaaS for large enterprises), otameshi (sampling service site oriented toward social contribution), wholesale sales for corporate customers, etc.

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3 Targets for FY09/22

New trends in B2B wholesale, inventory liquidation, and returns

Wholesale market size	Loss on disposal of product inventory	Market size of returned goods
	SUSTAINABLE DEVELOPMENT GOALS	SUSTAINABLE DEVELOPMENT GOALS
300 trillion yen	22 trillion yen	2.2 trillion yen

Emergence of a trillion-yen leading company overseas

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Great opportunity to capture the No. 1 market share in Japan

Wholesale market size	Loss on disposal of product inventory	Market size of returned goods
	SUSTAINABLE DEVELOPMENT GOALS	SUSTAINABLE DEVELOPMENT GOALS
300 trillion yen	22 trillion yen	2.2 trillion yen
NETSEA	NETSEA Auction	

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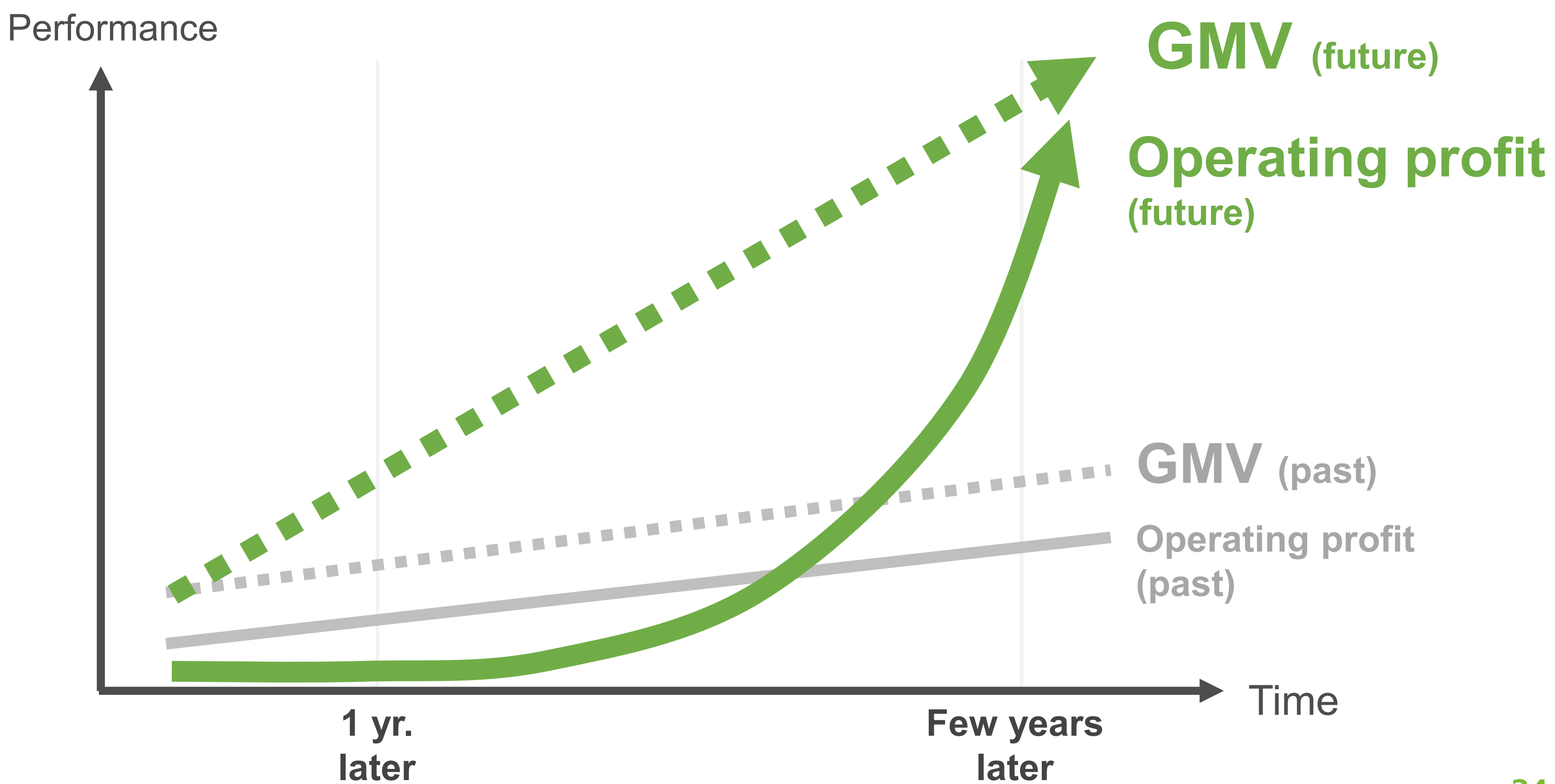
Reinvest profits to maximize GMV and gross profit



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Planning to make bold investments based on our growth strategy

(millions of yen)	Consolidated	YoY	Core businesses *1	YoY	Incubation
GMV			14,000	+47%	-
Net sales	5,200	-38%	4,800	+35%	400
Gross profit	3,100	-12%	**2,750**	+32%	350
Operating profit (excl. withdrawn businesses)	700	+19%	**600**	+99%	100
Upfront investments	600	-	600	-	-
Operating profit (Official)	100	-83%	0	-	100
Recurring profit	80	-87%			
Net income	50	-67%			

*1 Excluding Incubation and withdrawn businesses

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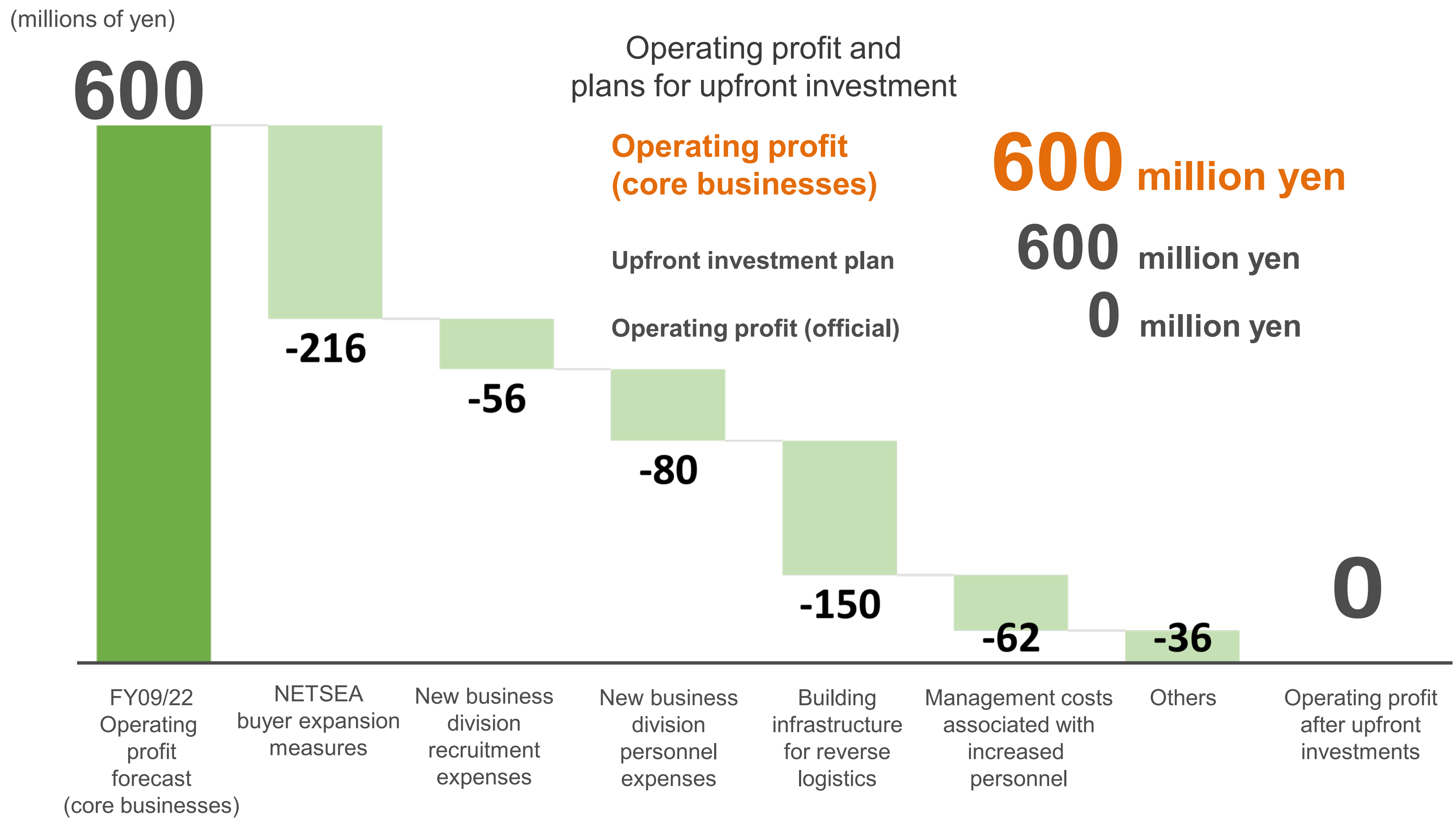
We will consider additional investments if growth is expected to accelerate



Operating profit and plans for upfront investment

Operating profit (core businesses)	**600 million yen**
Upfront investment plan	**600 million yen**
Operating profit (official)	**0 million yen**

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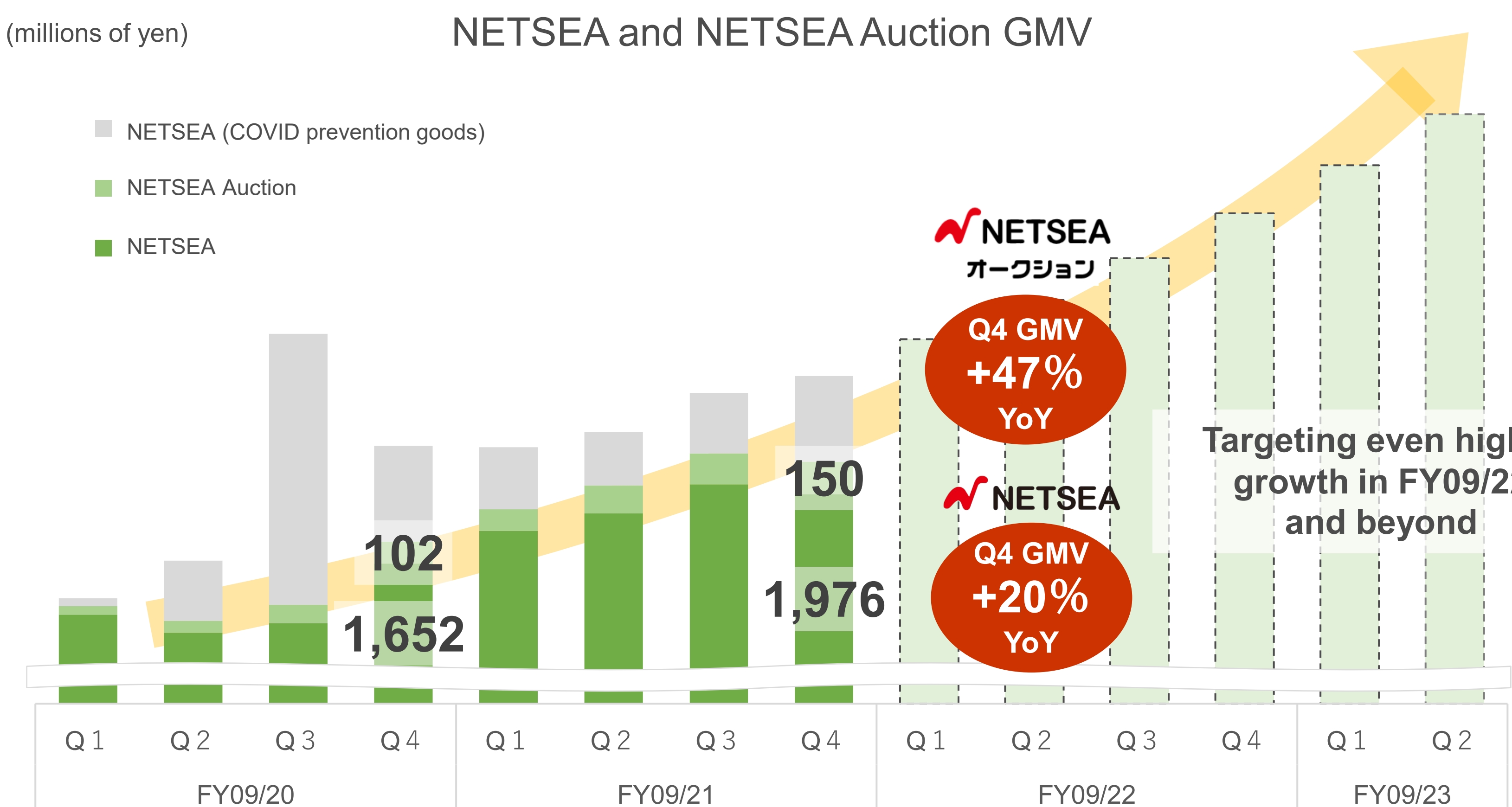
4 Summary of FY09/21 and Initiatives in FY09/22

Growth in NETSEA GMV even after the special demand from COVID-19
Focus on and concentrate resources in NETSEA and NETSEA Auction as the Group's core businesses



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Become the No. 1 platform for wholesale distribution, accelerating the digital transformation of small businesses

NETSEA

Measures for FY09/22 and beyond
Acquire new buyers, mainly from overseas
Launch new services to capture offline distribution
Expand goods suppliers and products we handle (Ex.: food wholesalers, wholesalers targeting specialty stores)
Offer operation services to local governments and major companies for selling products through NETSEA

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Become a leading reverse logistics company that contributes to the SDGs

NETSEA Auction

Measures for FY09/22 and beyond

- **Build a reverse logistics infrastructure**
- **Expand purchase categories**
- **Expand buyers (recycling businesses)**
- **Build an instant assessment and returns management system**

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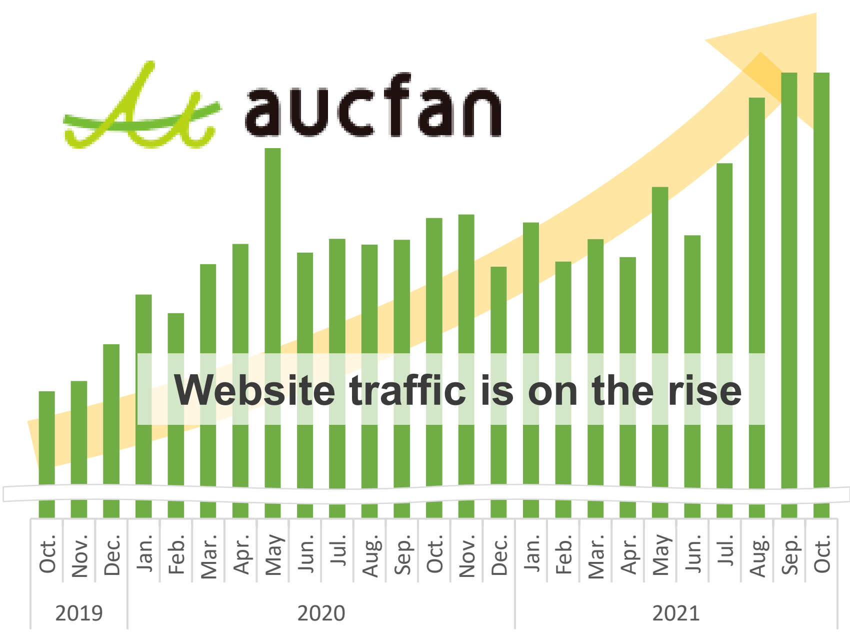
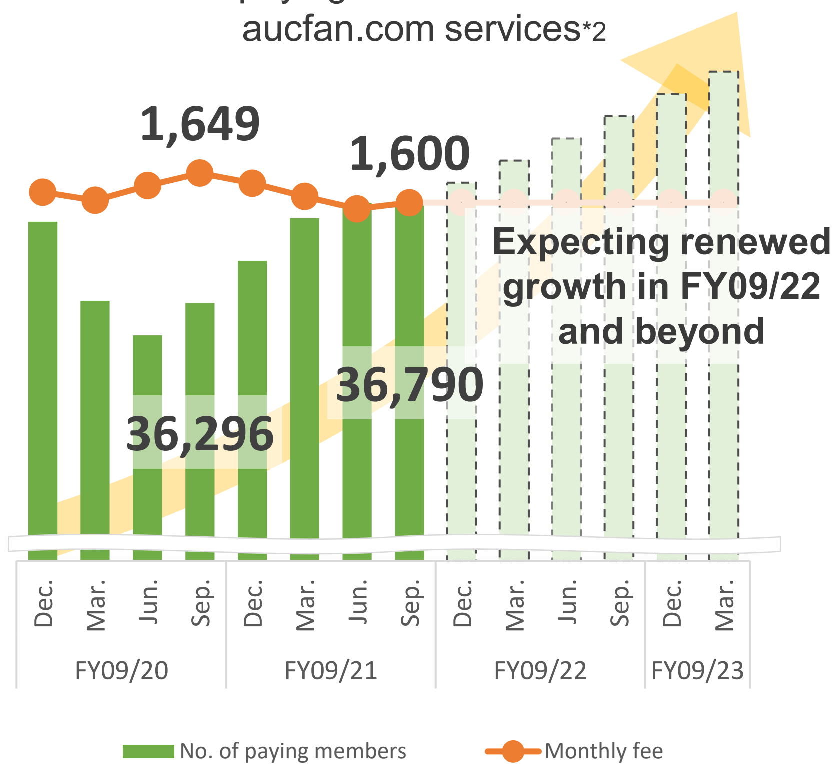
Revamp aucfan.com, our founding business, by targeting SMBs

aucfan.com No. of site visits*1



No. of paying members and fees for aucfan.com services*2



*1 No. of visits counted based on website sessions

*2 Total members of Aucfan Premium, Aucfan Lite, and Aucfan Pro Plus

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Become one of Japan’s largest media for SMBs

aucfan

Measures for FY09/22 and beyond
Large-scale renewal of aucfan.com and new development
Expansion of aucfan Robo sales to e-commerce operators
Provide business opportunities to SMBs and users who run their own side business

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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

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Re-Infra
Company

6 APPENDIX

Shareholder Return Policy

Shareholder benefits

Shareholder benefits for FY09/21 can be selected from the following.

For individuals

① Box of items to help reduce disposal loss and contribute to SDGs)

Shareholders will receive a box of near-expiration items (e.g., food, disaster supplies), which the Group helps liquidate. They will contribute to the SDGs by consuming items that would have been disposed.

*Actual content may differ.

■Details

- 300 to 500 shares: Items worth 5,000 yen
- 500 to 1,000 shares: Items worth 7,000 yen
- More than 1,000 shares: Items worth 15,000 yen

For businesses

② NETSEA coupon

Shareholders can use this coupon on our B2B wholesale mall, NETSEA, to purchase a wide range of items, including household goods and apparel.

*Actual coupon may look different.

■Details

- 300 to 500 shares: Coupon worth 5,000 yen
- 500 to 1,000 shares: Coupon worth 7,000 yen
- More than 1,000 shares: Coupon worth 15,000 yen

Dividend

We will continue to consider our range of dividend options while remaining aware of surrounding market conditions and world affairs.

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

Previous

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

Management & Others

Incubation

New

Core businesses

Merchandise Distribution Platform

NETSEA
NETSEA Auction

Inventory Management Solution

aucfan
オークファンロボ
good sellers
タテンポガイド

Management & Others

Withdrawn businesses

Merchandise distribution platform	Otameshi	Wholesale sales for corporate customers
Inventory value solution	zaicoban	

Incubation

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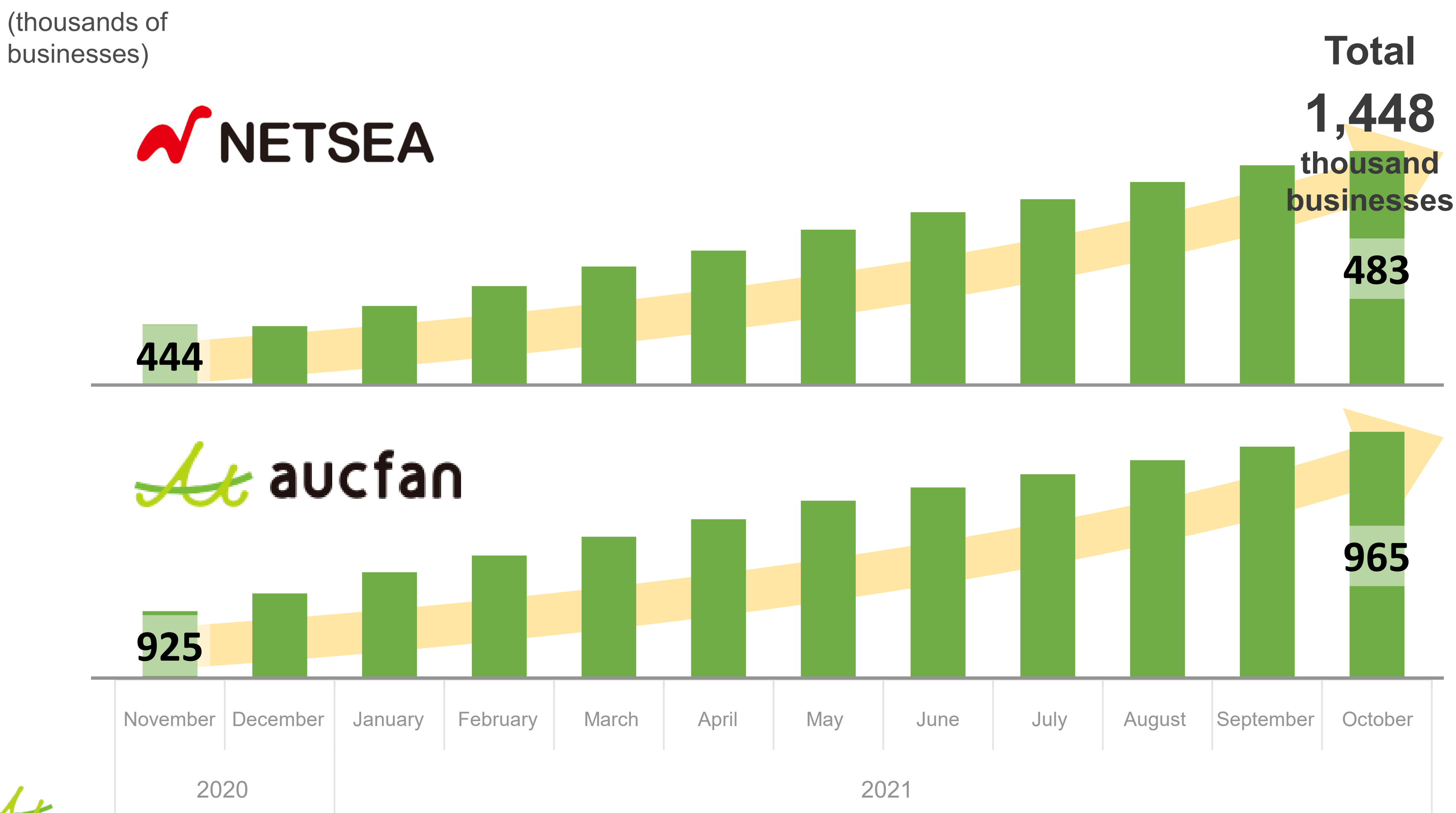
Steady increase in NETSEA buyers and aucfan members for business use, exceeding 1.4 million businesses



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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

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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

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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

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

*1: Abbreviation for Annual Recurring Revenue.

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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

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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

aucfan

The Company

Provides cloud services →

← Pays monthly fees (for paid service use)

* See next page for paid service

Individual and SMB customers

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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

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

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.

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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 → good sellers
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

good sellers → SMBs
Payment of tuition when attending school

SMBs (side businesses and sole proprietors)

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Service Details

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%

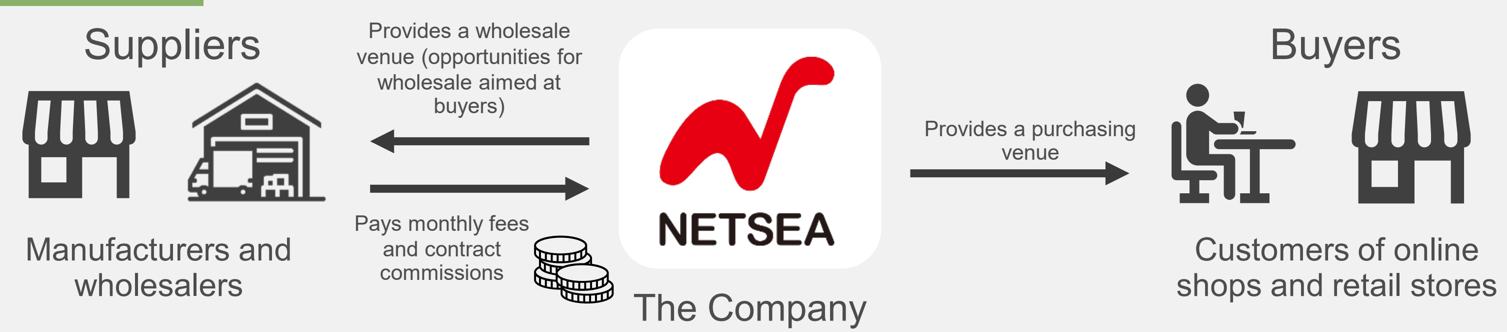
Buyers: **No fee**[*1]

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

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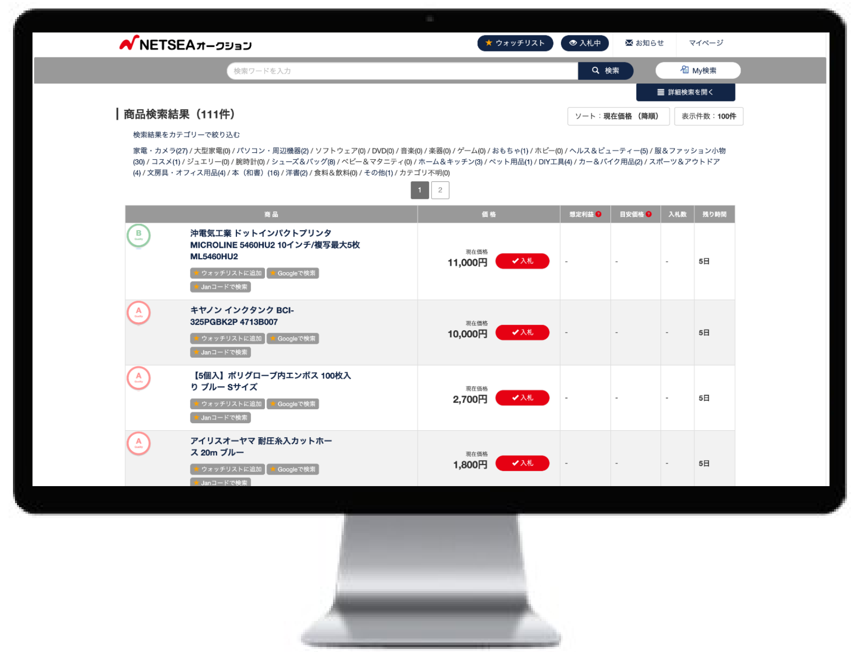
Service Details

NETSEA Auction
NETSEA Bulk Mall

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

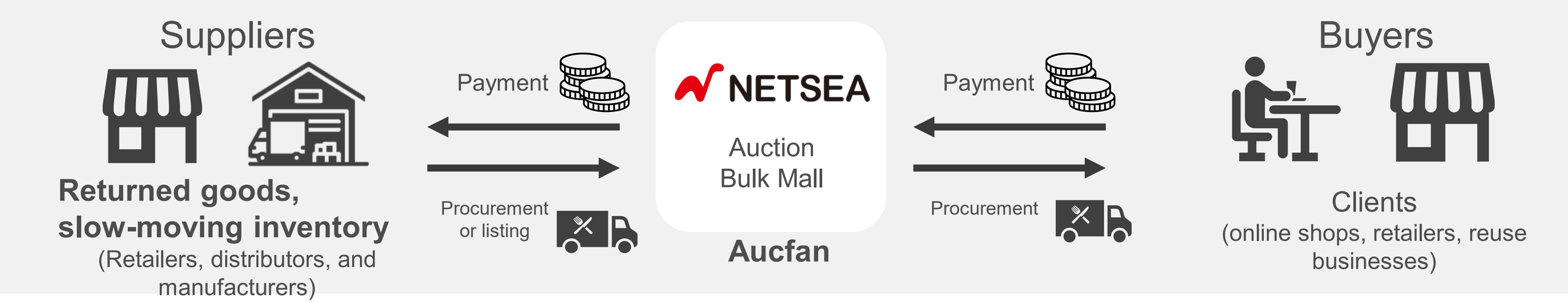
We purchase slow-moving inventory from manufacturers and retailers and sell it to recycling businesses and sole proprietors through our members-only closed community websites, NETSEA Auction and NETSEA Bulk Mall. Additionally, we provide comprehensive support for a range of e-commerce business operations 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



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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

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

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