Financial Results
Q3 FY09/21

Aucfan Co., Ltd. <3674>
August 13, 2021

aucfan

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Executive Summary of Q3 Financial Results

<Cumulative Q3 Consolidated Results>

Consolidated net sales amounted to 6,414 million yen (+26%YoY), and operating profit 688 million yen (+12% YoY).

<Revision of FY09/21 Forecast>

We revised our full-year FY09/21 earnings forecast to reflect our focus on select businesses and continuation of upfront investments.

<Core Businesses>

Booked record high distribution value at NETSEA and ReValue

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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 constructing a peerless infrastructure that
integrates the various “RE’s” 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.

ALL WELL

Companies

SMBs

Consumers

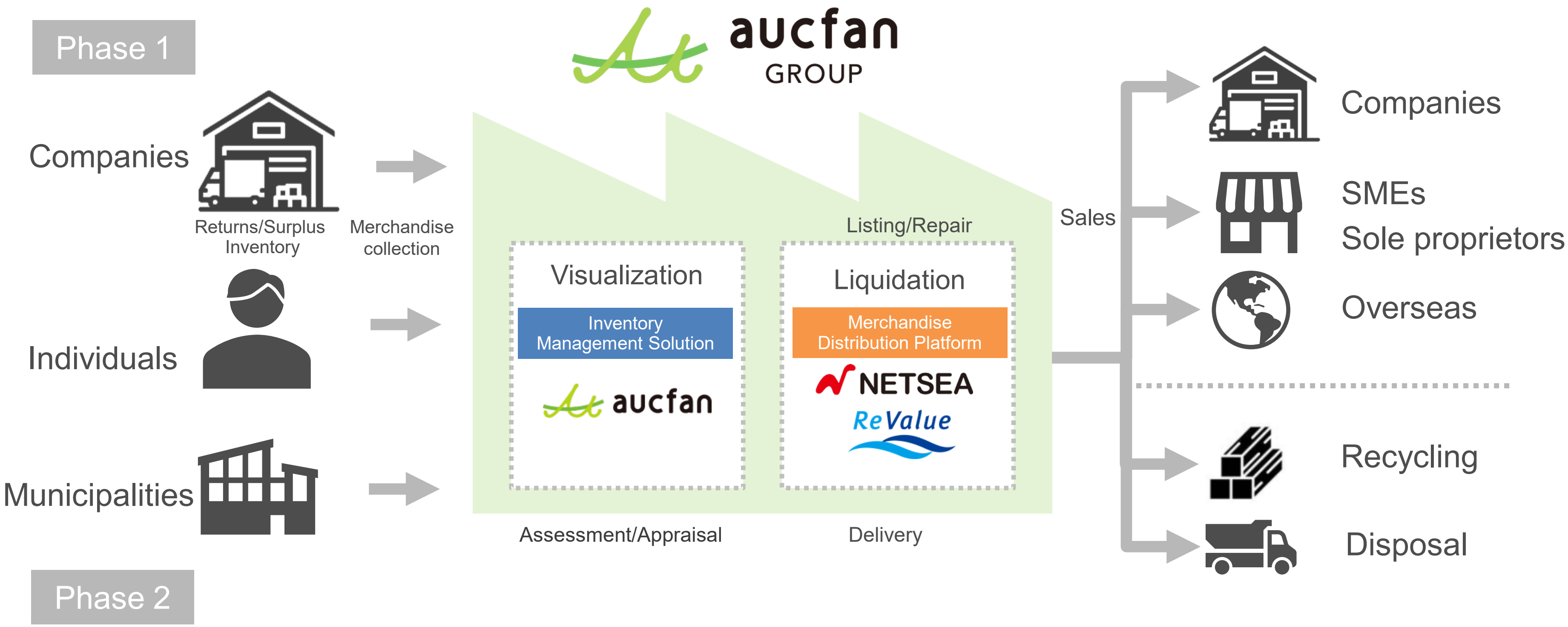
aucfan

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.

Aucfan Group Business Concept

Build the one and only redistribution infrastructure and generate several trillion yen per year in distribution



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

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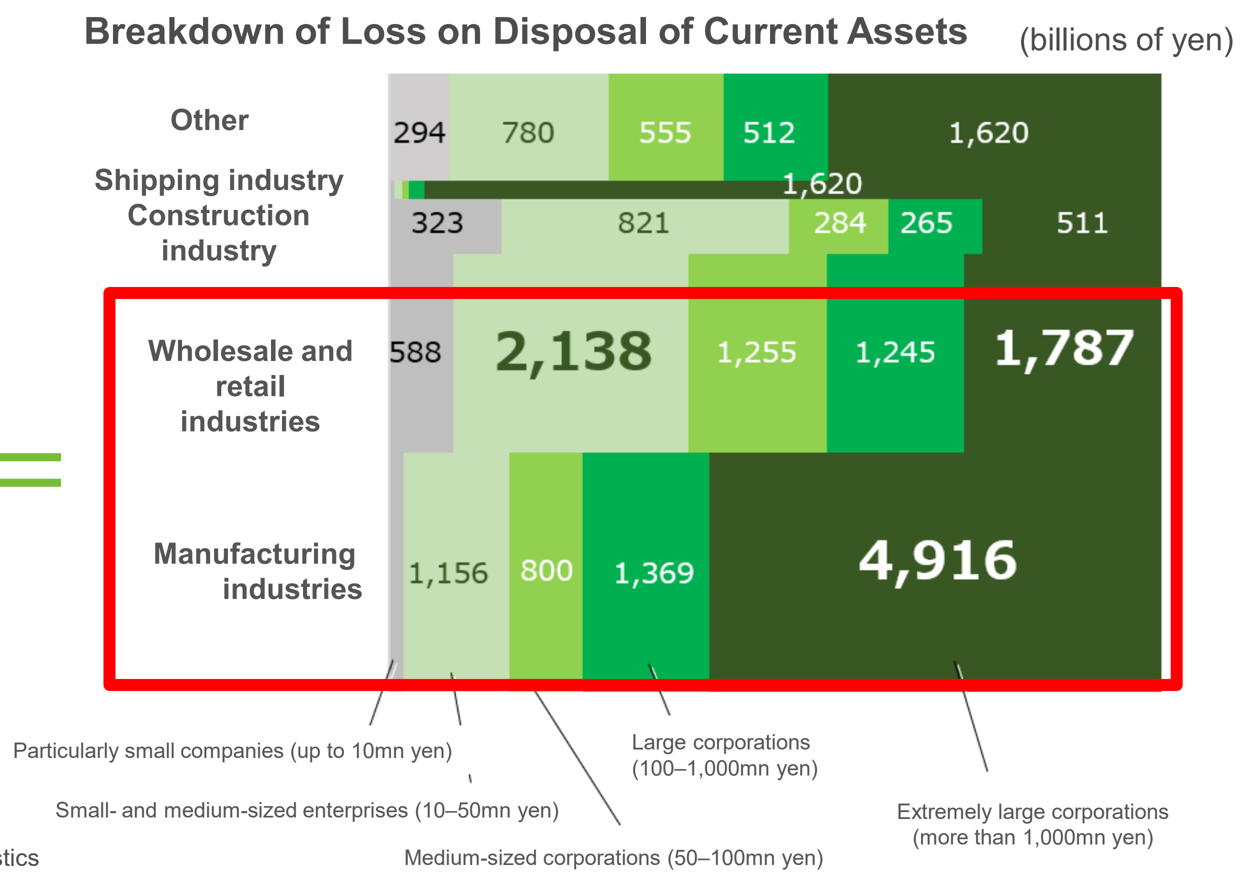
Loss on disposal of product inventory is a major issue that needs to be resolved

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.

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Target market (2)

Returned goods market is expected to grow going forward

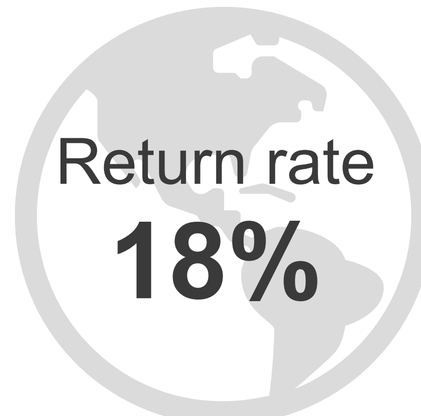
B2C e-commerce market size in Japan[*1]

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



Of the $565 billion (about 62 trillion yen) in B2C e-commerce distribution in the US, $102 billion (about 11 trillion yen) comes from reverse logistics.[2]

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

*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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Key Indicators

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
ARR*1 (billing amount)	GMV (Gross Merchandise Value)

*1: Abbreviation for Annual Recurring Revenue.

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2 Financial Highlights in Q3 FY09/21

Q3 Financial Highlights

While sales of core businesses grew, operating profit fell as we withdrew from some businesses

	Q3 (three months)			Cumulative Q3		
	FY09/21 (millions of yen)	FY09/20 (millions of yen)	YoY	FY09/21 (millions of yen)	FY09/20 (millions of yen)	YoY
Net sales	**1,766**	**2,101**	**84.0%**	**6,414**	**5,085**	**126.1%**
-Core businesses *1	1,748	1,524	114.7%	5,013	4,478	111.9%.
-Incubation	18	576	3.1%	1,400	606	230.7%
Operating profit	**-102**	**534**	**-**	**688**	**616**	**111.7%**
-Core businesses	5	115	4.6%	18	208	8.8%
-Incubation	-108	418	-	669	407	164.4%
Recurring profit	**-102**	**530**	**-**	**681**	**604**	**112.7%**
Net income	**-95**	**324**	**-**	**406**	**330**	**123.1%**

*1 Businesses other than Incubation

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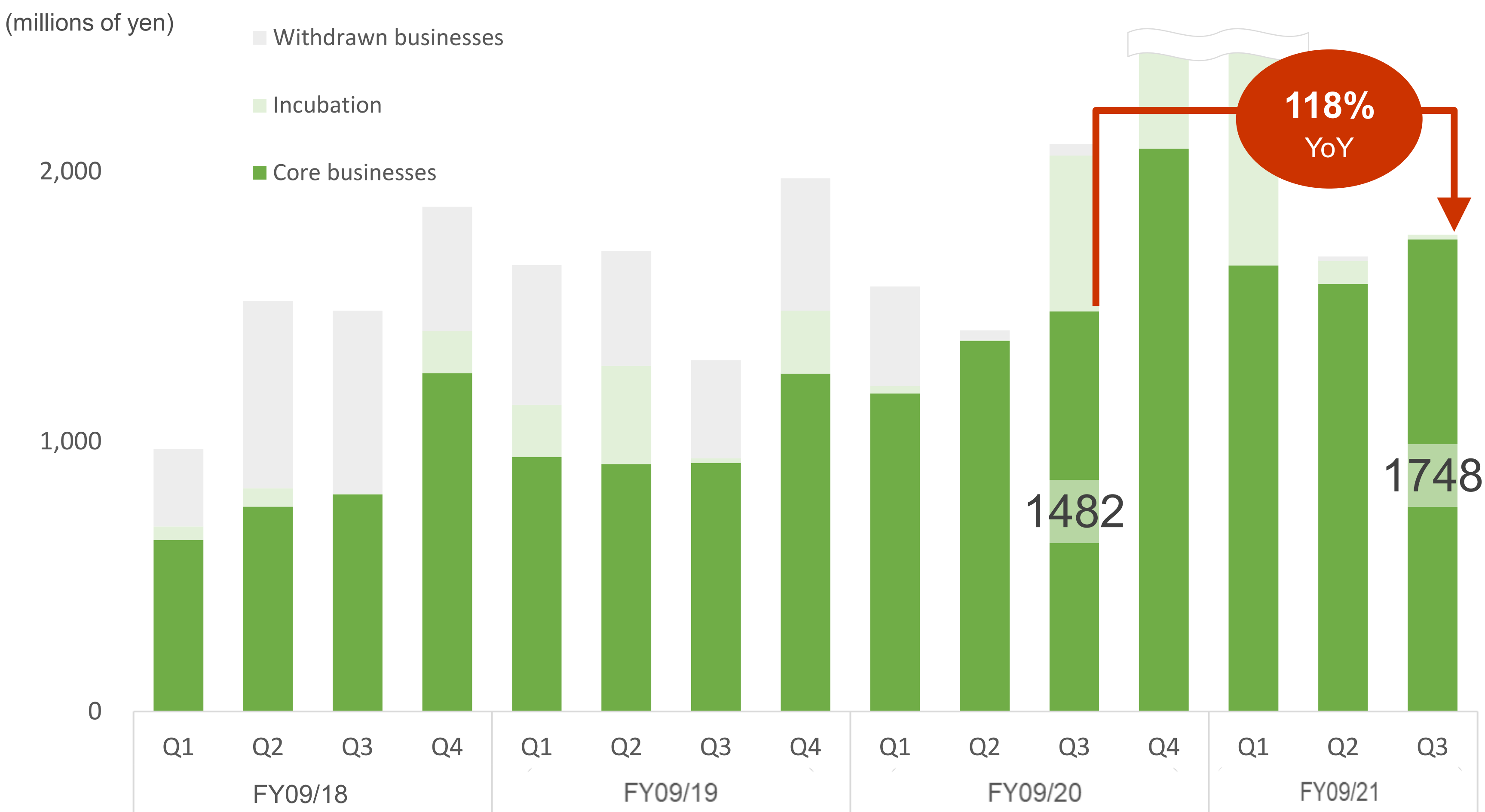
Consolidated Net Sales

Record profit Q3 (three-month) parent sales



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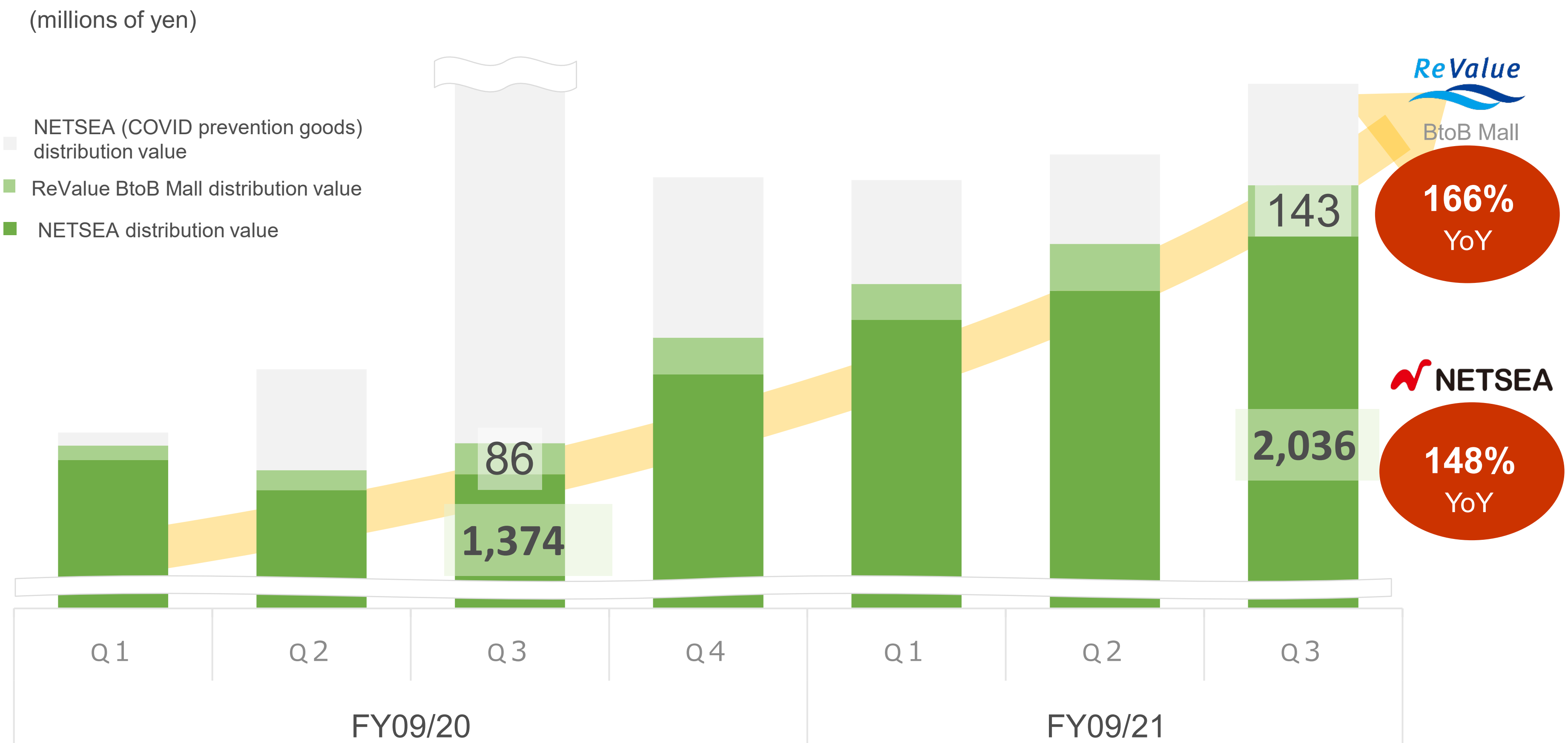
Distribution values for NETSEA and ReValue BtoB Mall reached record high



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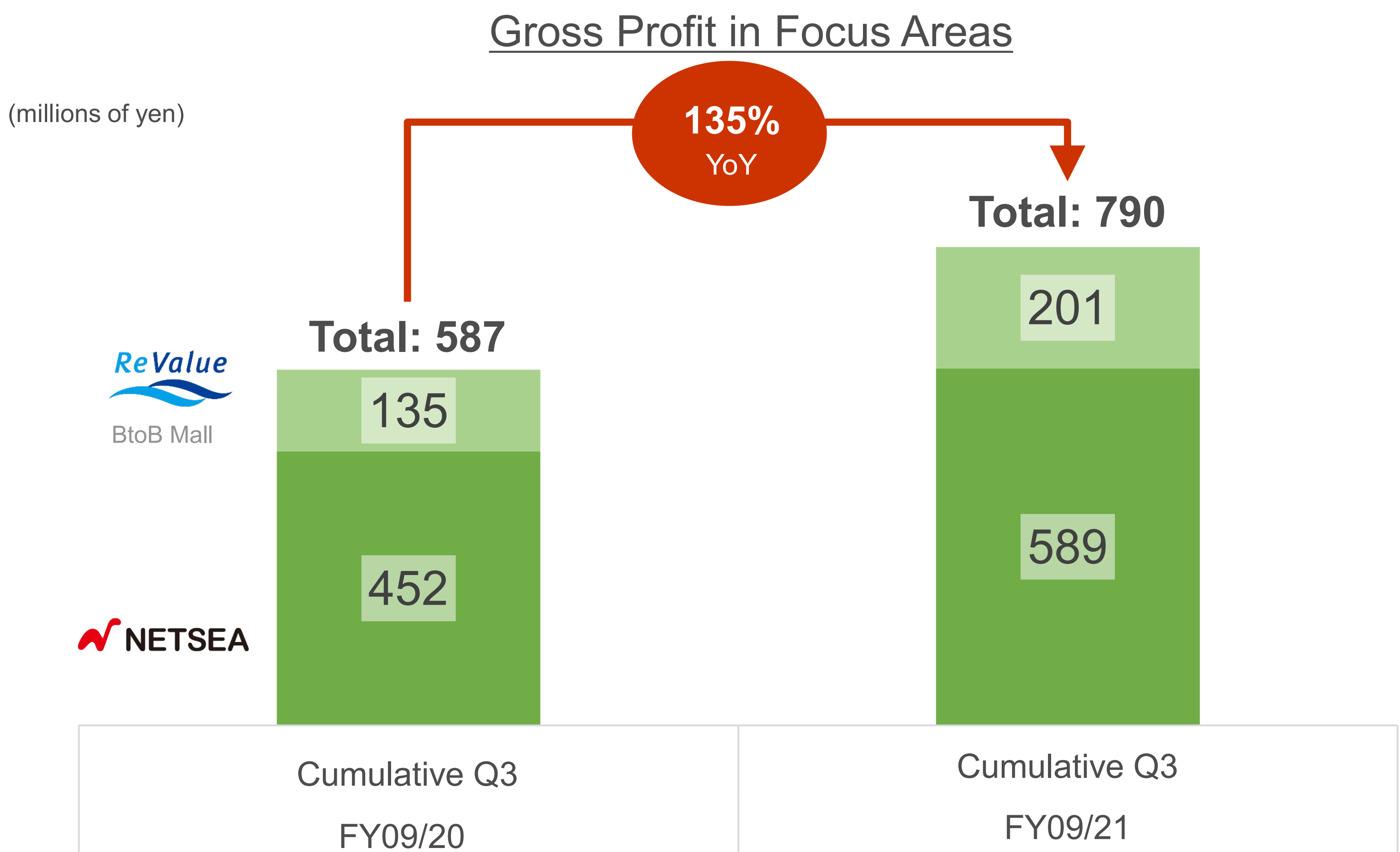
Gross Profit in Focus Areas

Gross profit also rose steadily



*Calculated on a management accounting basis

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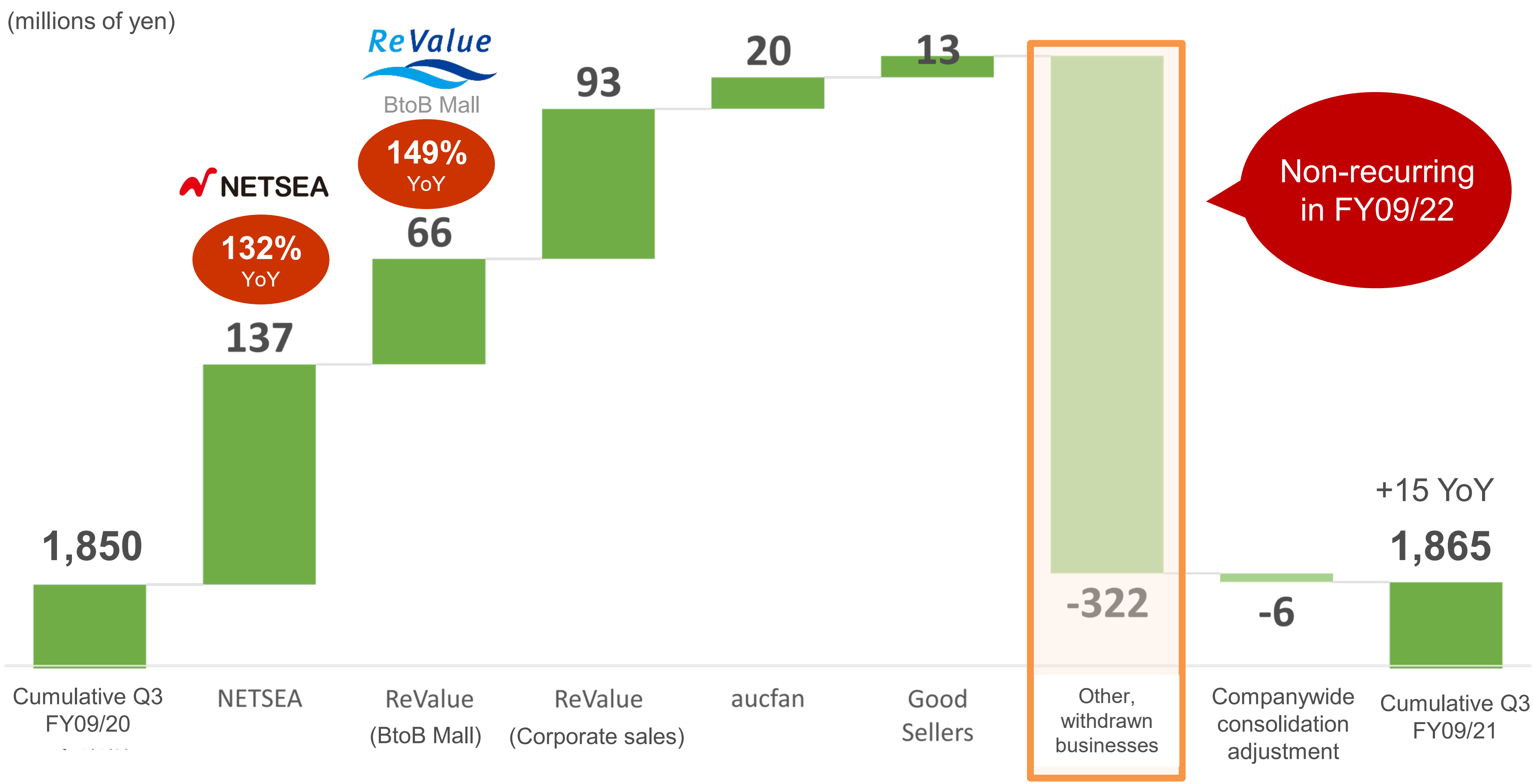
Core Businesses: Analysis of Change in Gross Profit

Gross profit rose only slightly as we withdrew from some businesses



*Calculated on a management accounting basis

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3 Revised Forecast for FY09/21

Revised full-year consolidated forecast due to continued investment in core businesses and business restructuring

	Previous Forecast (millions of yen)	Revised Forecast (millions of yen)	Change (%)	YoY
Net Sales	**10,900**	**8,100**	**74.3%**	**102.9%**
-Core businesses	10,000	6,600	66.0%	99.9%
-Incubation	900	1,500	166.7%	118.1%
Operating profit	**1,300**	**630**	**48.5%**	**76.8%**
-Core businesses	500	10	2.0%	3.2%
-Incubation	800	620	77.5%	123.3%
Recurring profit	**1,250**	**500**	**40.0%**	**61.9%**
Net income	**800**	**150**	**18.8%**	**35.0%**

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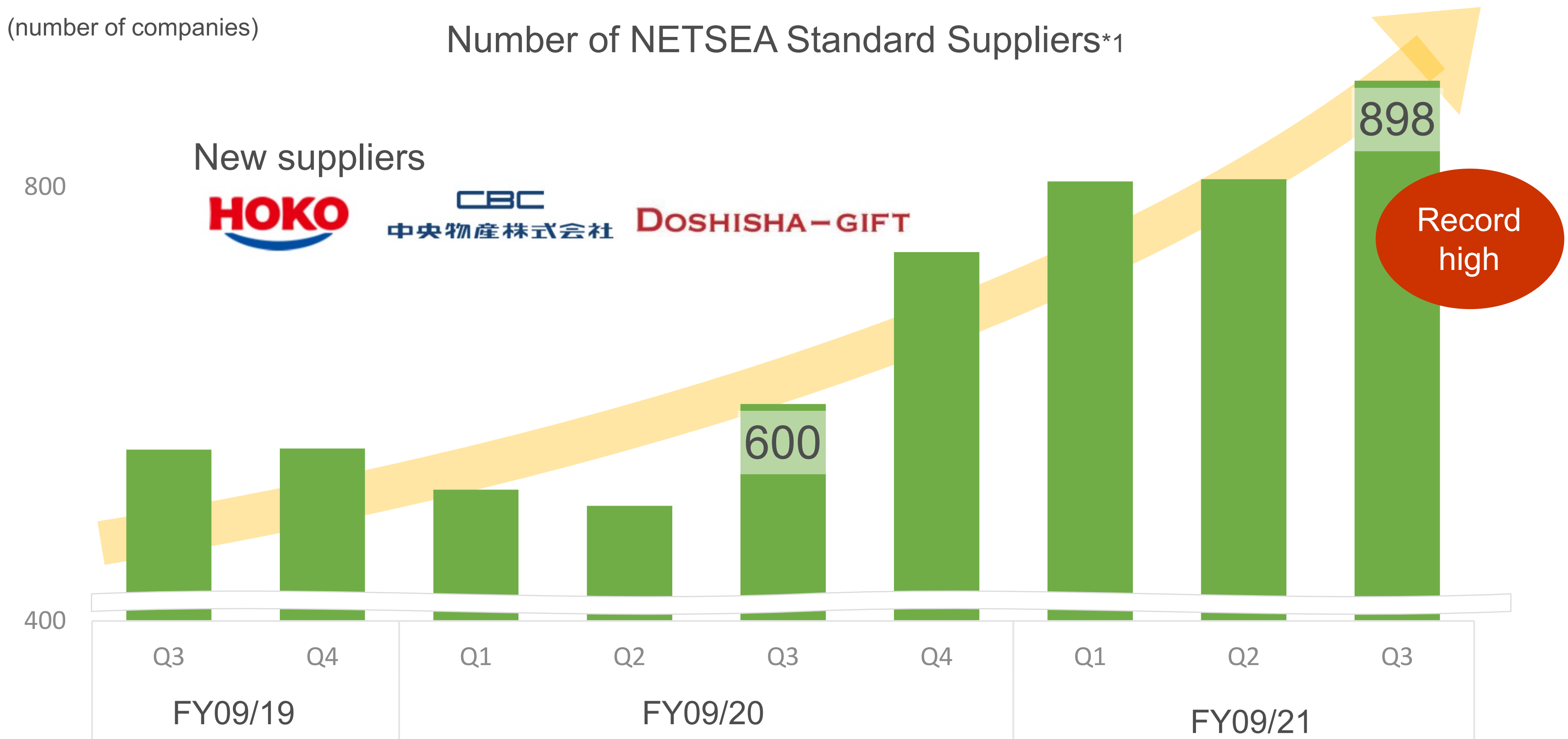
4 Q3–Q4 Topics

Increase in suppliers, a leading indicator of distribution value



*1 Suppliers paying 20,000 yen (excluding tax) per month

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Developing new business partners in regional and overseas markets through alliances

June 2021 ~

伊予銀行

■ About Iyo Bank
Iyo Bank, referred to as “Iyogin,” is a regional bank headquartered in Matsuyama City, Ehime Prefecture.

■ Details of dealings
Concluded a business matching agreement
- Provides NETSEA, one of the largest BtoB wholesale malls in Japan, to Iyo Bank's business partners

June 2021 ~

Lazada

■ About Lazada
One of the largest e-commerce platforms in Southeast Asia, offering cross-border e-commerce in six countries including Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.

■ Details of dealings
Provides benefits for NETSEA buyers to expand their sales channels to Lazada
- NETSEA recommendations for products that will sell well in Southeast Asia
- Special offer from NETSEA for buyers who open Lazada accounts
- Special plan from Lazada for NETSEA buyers
- Support for NETSEA buyers in opening stores, including one-on-one follow-up and sharing of local information

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Topic (1) NETSEA

Merchandise Distribution Platform

TV commercials scheduled to air in order to attract more suppliers

From August 2021

Begin with local airing and gradually expand coverage

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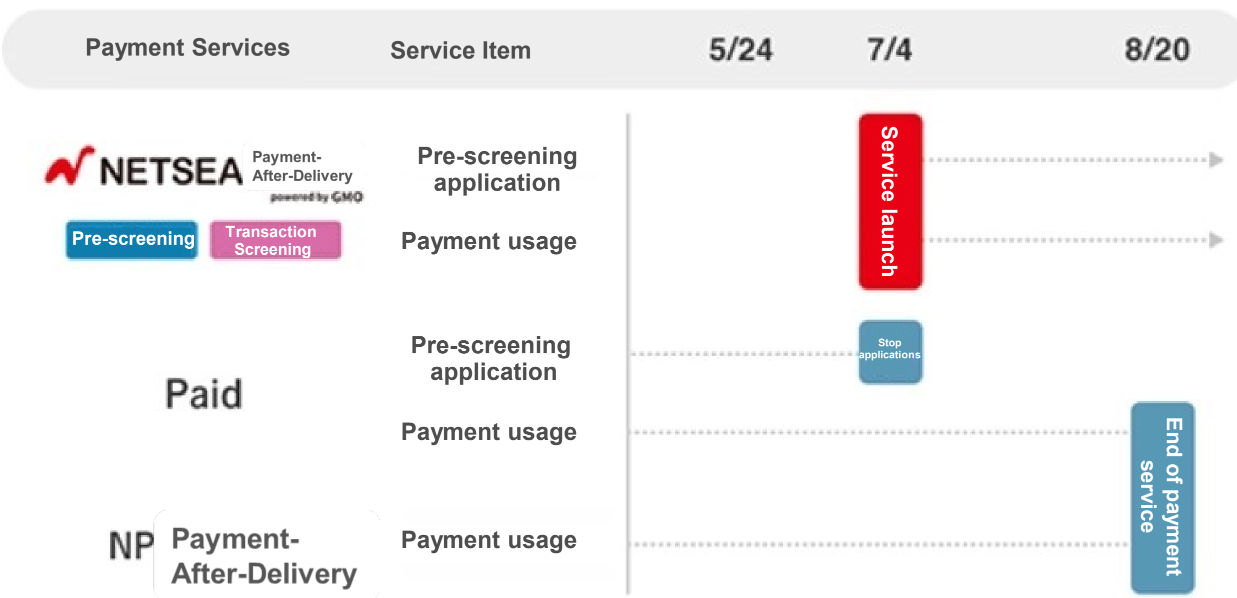
Partnership with GMO Group, the largest payment provider, enables us to offer a variety of payment methods

NETSEA Payment-After-Delivery powered by GMO

From July 2021

Note: Please note that the service launch schedule is subject to change.



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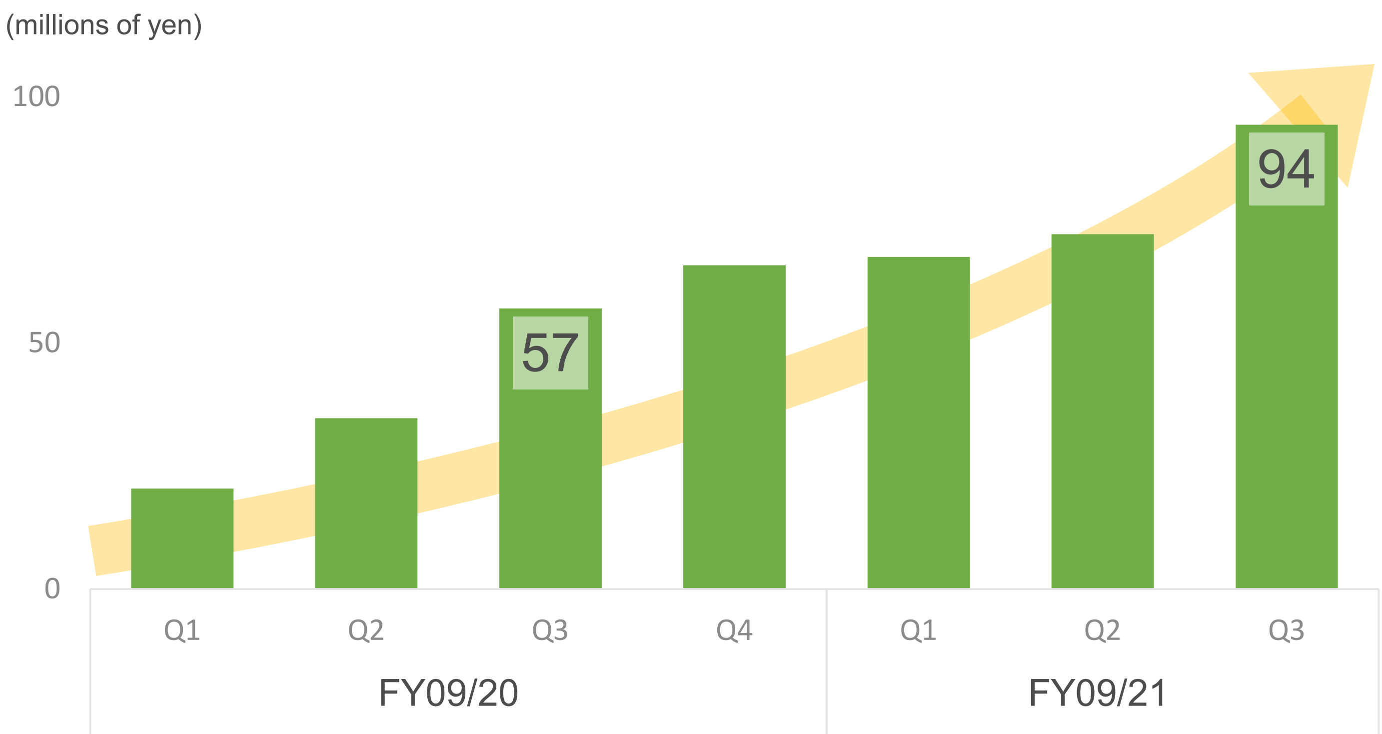
Purchases, a leading indicator of distribution value, increased in line with growing demand for reverse logistics



Respond with flexibility to rising purchase volume through sophisticated operations

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Topic (3) Brand Unification

Standardize accounts for inventory liquidation services and unify them under the NETSEA brand

From August 2021

NETSEA

New products

Primary distribution

1.5 distribution
to secondary distribution

ReValue BtoB Mall

NETSEAオークション

Returned products

(New service)

NETSEA バルクモール

Slow-moving products

*Primary distribution: New merchandise
1.5 distribution: Returned goods, like-new goods, outlet goods, outdated goods, etc.
Secondary distribution: Used goods merchandise

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Launched a Bulk Inventory*1 Joint Purchasing Platform

From September 2021

NETSEA Bulk Mall

Supplier

① Request to dispose 10 million yen worth of slow-moving inventory (listing)

② Bid 2,000 yen x 300 pieces — Buyer A

Bid 1,800 yen x 600 pieces — Buyer B

Bid 1,000 yen x 2,000 pieces — Buyer C

* Image is for reference only

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Provide reference price based on past transaction data

*1: Large batch slow-moving inventory, excess inventory, etc.

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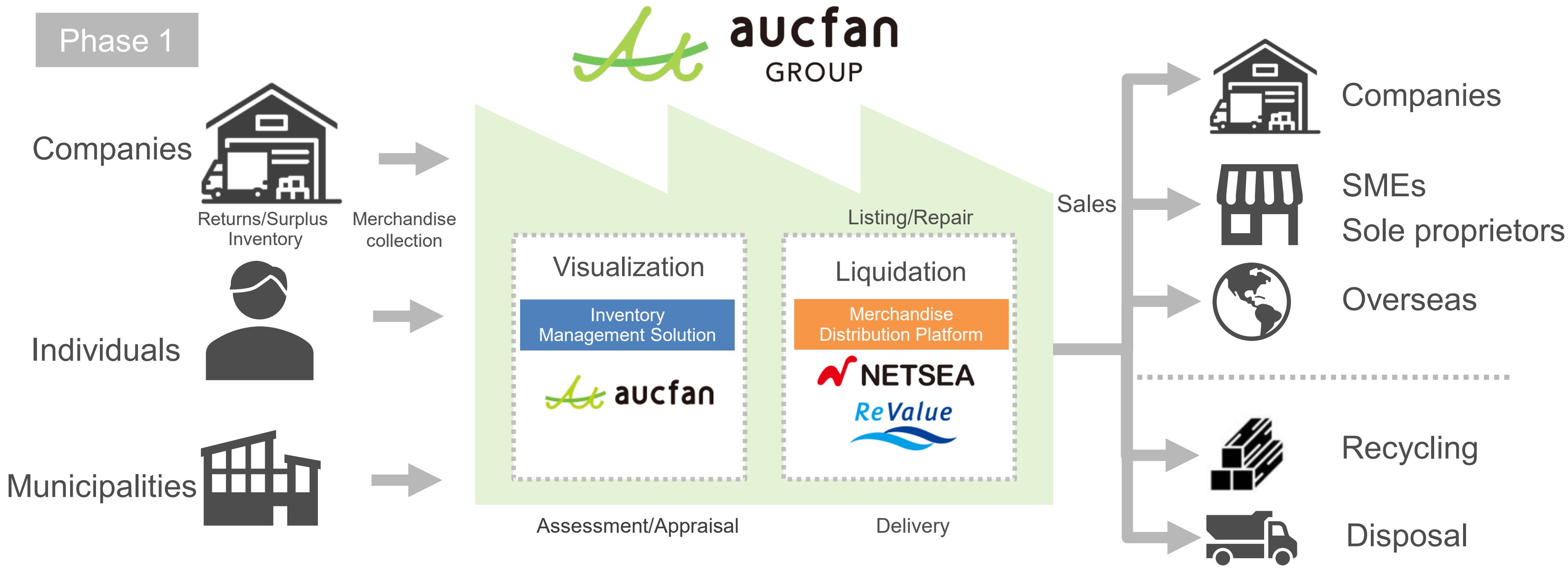
(Repost) Aucfan Group Business Concept

Build the one and only redistribution infrastructure and generate several trillion yen per year in distribution



Phase 2

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

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5 APPENDIX

History

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

2000 | 2007 | 2013 | 2015 | 2020

- **Began selling goods through auction listings** as a sole proprietor while attending university
- **Establishment 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; **TATEMPO Guide**, a centralized management system for online shops, and added them to the group.

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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 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 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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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

ARR

(billing amount)

Number of accounts

×

Annual billing amount

Main services

aucfan

aucfan Pro. Plus

Merchandise Distribution Platform

Fee income predicated on GMV

Distribution value

×

Commission rate

Main services NETSEA

Sales

Value of sales

×

GPM

Main services ReValue BtoB Mall*1

*1 Service renamed to NETSEA Auction in August 2021.

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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

aucfan

aucfan Pro. Plus

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*2 131.2 trillion yen annually

×

Target market share of a few percent

×

Commission rate of 8–10%

ReValue

10% target market share

Reuse market size*3 of 2.5 trillion yen annually

×

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 August 13, 2021)

*2: 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) released by the Ministry of Economy, Trade, and Industry in July 2020 (from the following categories: Large-category manufacturing–Medium-category-food-products; Large-category wholesale–Medium-category wholesale; and Large-scale other–Medium-category retail)

*3: Data sourced from figures in The Reuse Business Journal's *Secondhand Market Databook* 2020 concerning past trends and future projections regarding the size of the reuse market

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Service Details

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

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Service Details

aucfan 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.

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Service Introduction

NETSEA

One of Japan's largest B2B wholesale purchasing platforms

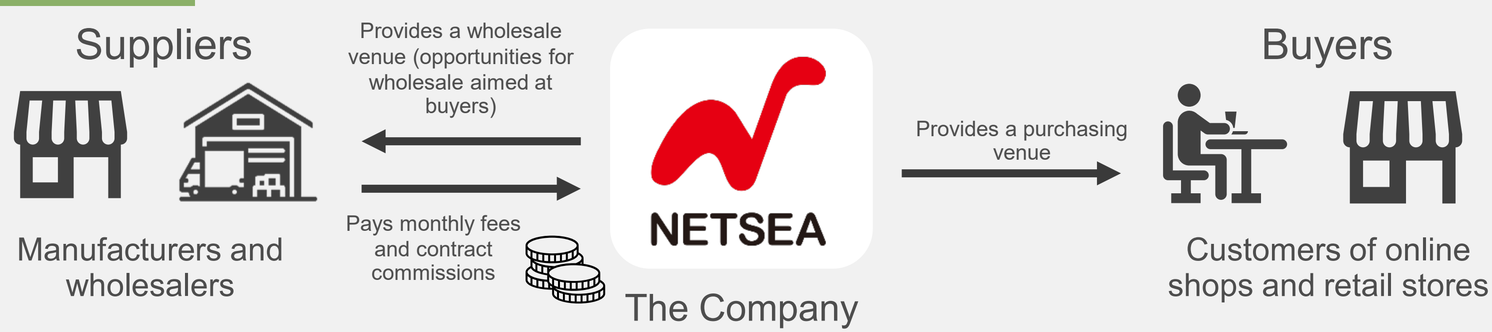
Usage fee: Suppliers: 20,000 yen monthly (excluding tax) plus a contract commission of 8–10%

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

Features: About 430,000 registered buyer companies
Annual distribution value of about 8.0 billion yen

Note: As of June 2021

Business model



*1 The NETSEA Prime service charges fees

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Service Introduction

Merchandise Distribution Platform

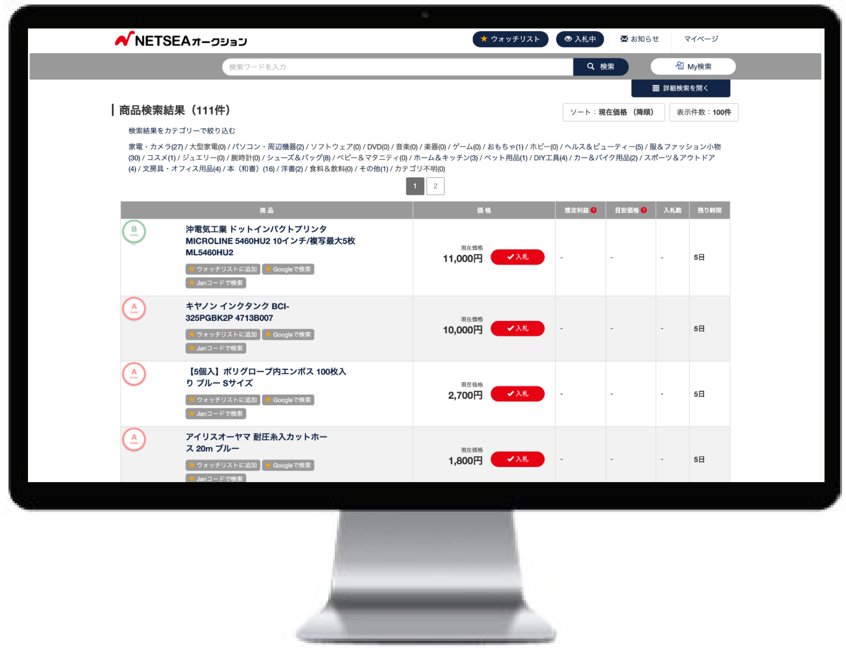
ReValue BtoB Mall ▶ NETSEAオークション NETSEA Bulk Mall

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



Business model

Suppliers

Companies with slow-moving inventory
(Retailers, distributors, and manufacturers)

Payment

Procurement or listing

NETSEA
Auction
Bulk Mall

The Company

Payment

Procurement

Buyers

Clients
(online shops, retailers, reuse businesses)

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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

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)

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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

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