

The logo for AUCNET GROUP, featuring a stylized circular icon with a diagonal line and the text "AUCNET GROUP" in a bold, sans-serif font.

AUCNET GROUP

Integrated Report 2023

Meaning of Existence

Why does Aucnet exist?

When founder Masataka Fujisaki placed a three-line ad in a newspaper for a favorite car he no longer needed, he was inundated with inquiries. Something one person does not need could be a necessity for someone else. This is the realization that led to the birth of Aucnet.

Starting with TV auctions for used vehicles, our business later expanded with Aucnet handling a variety of products in different business fields. We have steadily grown by standing between sellers and buyers, ensuring the reliability of information as a third party while streamlining secondary distribution within the industry.

From here on, we will aim to provide circulation-oriented services that transcend the boundaries of secondary distribution with more than **38,000** member and partner companies in **66** countries and regions around the world.

As a circulation engine, which circulates valuable goods on a global scale as a platform that connects the world, we do not throw away goods, helping to realize a sustainable society. We will deliver them to those who need them.

— That is our mission.

Philosophy



Authenticism

We will contribute to the development of the industry and the improvement of social life by constantly pursuing the question, “What is Authentic Service?”

Great results emerge only from one’s own singlehanded struggle to create —
Taking it easy and imitating others will not yield good results.

With these words, founder Masataka Fujisaki launched Japan’s first online used car auction, amid opposition from the industry to the then unthinkable practice of buying and selling cars without seeing the actual vehicles. The concept of “authenticism,” which entails thinking outside the box, keeping an eye on industry developments, and pursuing authentic service for our customers, remains at the heart of our business.



Action Guidelines

Our five Action Guidelines

We define how each employee should approach customers, partners, and work in order to embody our philosophy of authenticity. Our Action Guidelines are described in the book “*Shoken-Roku*,” left to us by our founder, Masataka Fujisaki, comprising a concept that is deeply shared among all employees along with the background of its formulation.

Principle of Customer Focus

Based on the motto “Spirit of service,” always keep courteous interaction in mind.

Principle of Innovation

Break out of the status quo, always creating new value with new ideas.

Principle of Speed

“Time is money.” The most significant management resource is time. Do it immediately once it is decided.

Principle of Action Focus

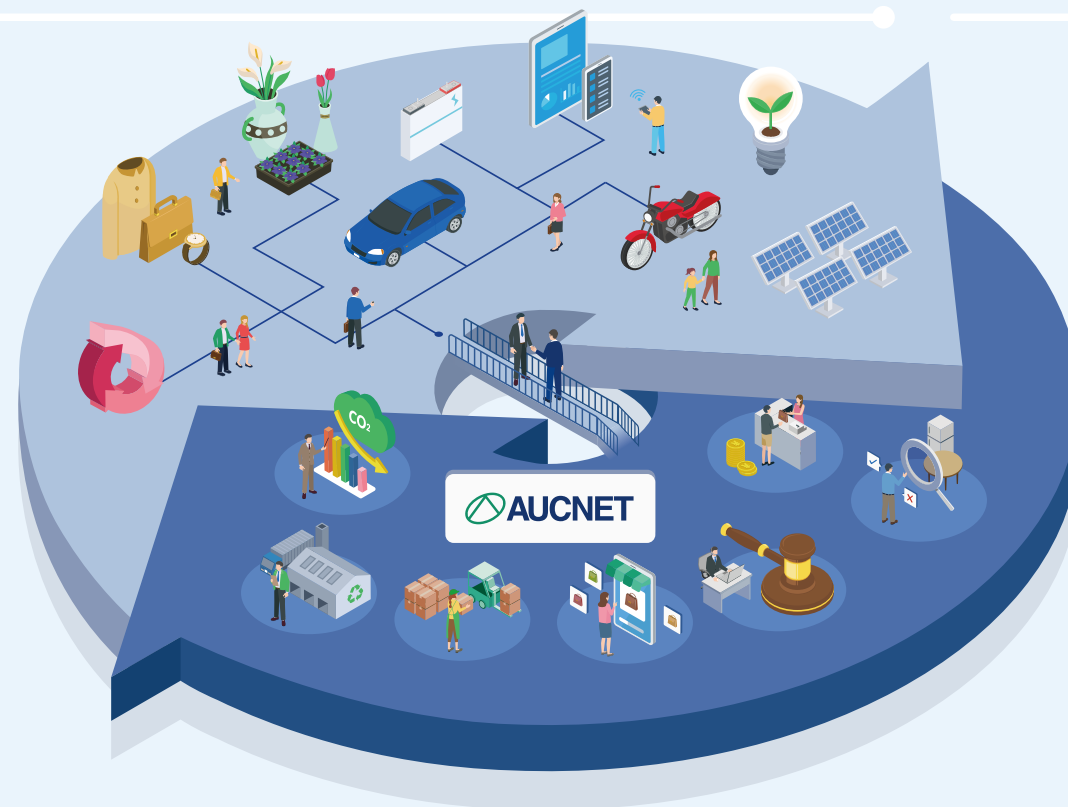
Talent means people who keep challenging themselves and carry on through to new knowledge and experience.

Principle of Effective Communication

Work in friendly and enjoyable ways to prevent sectionalism.

Mission Statement

On June 29, 2023, the anniversary of Aucnet's founding, the Company announced its new Mission Statement "Market Design to Connect Values." Through market design, we will not only increase existing value but also create new value by commercializing goods and things that have never been redistributed before, making them available to people in an efficient and fair manner. It represents our will to help realize a sustainable society by co-creating the market itself with our partners, taking advantage of Aucnet's unique characteristics.



Market Design to Connect Values

Leveraging “circular commerce”
to maximize our potential and create
more customers around the world.
We are your market design partner.

By providing appropriate information to both sellers and buyers, we create what we call a “circular commerce market,” in which goods are repeatedly circulated. Since our establishment, we have always sought after providing authentic services that make changes for the better, not only in the industry, but in society as a whole.

Through market design, we will not only increase existing value but change to commercializing goods and things that have never been redistributed before. We will continue to find new values by co-creating with our partners who believe that “the life of a product continues even after it has been sold.”

We want to create a world where value is connected and reconnected over and over again with Aucnet.

Mission Statement

The Future We Want to Realize

To create a world where value is connected and reconnected over and over again

We will continue to design a new circular commerce market in cooperation with our members, partner companies, and stakeholders, utilizing our expertise in designing many secondary distribution markets for the distribution of reused goods.



01

Inspection and Grading

Since the level of quality and reliability of inspection and grading are extremely important for the online distribution of used goods, we have built an optimal inspection system for each of the products that we handle and have cultivated the ability to determine product value. We will further deepen our strengths through various improvements.



02

BtoB Auction Network

In addition to improving services for existing members, we are working to revitalize BtoB online auctions by diversifying the products we handle and expanding our membership network to improve our comprehensive response capabilities.



Mission Statement

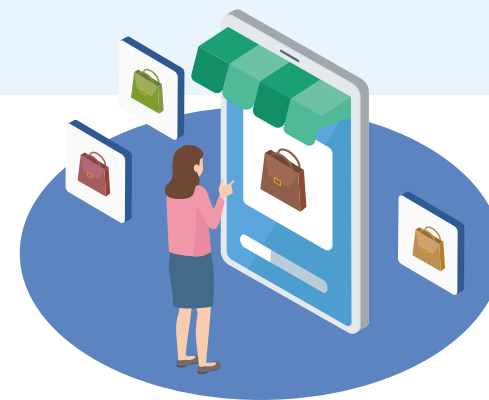
03



CtoB Purchase and Trade in

We offer a service for the purchase/trade in of items owned by consumers that they no longer need. In addition to maximizing the value of product use, we also circulate products based on consumers' feelings to discover value in more goods and things.

04



BtoC Reuse/Resell

We are not only expanding our sales channels to include general consumers, but also developing our business while broadening the range of products circulated to bring in customers by offering services that enable consumers to realize their environmental contribution by providing added value such as visualization of CO₂ reductions.

05



BPO (Logistics/System)

With the aim of strengthening relationships and co-creating an ecosystem through comprehensive alliances with partner companies, we provide functions associated with auctions, including logistics, warehousing functions, merchandising operations, and related systems, in a way that best suits the needs of our customers.

Mission Statement

06 Recycling



In order to make effective use of limited resources, we are promoting not only reuse but also recycling initiatives. We are working with our partners to strengthen our circulation platform.

07 GX/SX Consulting Visualization of CO₂ Reductions



We are making efforts toward the visualization of CO₂ reductions, such as obtaining validation from Science Based Targets initiative (SBTi) and calculating GCV, our own indicator, and are providing the GX/SX-based know-how that we have cultivated over the years to our partners, including companies and local governments.

* GX: Green Transformation
SX: Sustainability Transformation

Circulation Engine

Circulation Engine: Circulating Valuable Goods on a Global Scale

Our sustainability policy is “Circulating valuable goods on a global scale - Circulation Engine”. With this idea, Aucnet aims to become a leading engine that will implement a circular economy.

By creating fair, equitable, and efficient markets, we aim to create a society in which we can ensure that all people can trade with confidence and trust, and in which valuable goods are used to their fullest potential and only thrown away when absolutely necessary.

We work with partners and stakeholders worldwide to circulate goods across industries, regions, and countries on a global scale.



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Editorial Policy

In order to promote dialogue with our various stakeholders, including shareholders and investors, we have been producing and publishing an Integrated Report starting from the fiscal year ending December 31, 2022. This integrated report includes our value creation story, the purpose of our existence, as well as our approach to solving social issues and enhancing corporate value, based on our sustainability policy "Circulation Engine." We have tried to keep the information short and concise so that it can be easily understood by a wide range of stakeholders, so please also see our website for more details.

Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements in this integrated report, such as business forecasts, are deemed reasonable based on information available to the company at the time of report production, but are subject to uncertainties. Actual results may differ due to various future factors.

Organizations Subject to Reporting

Aucnet Inc. and its domestic and overseas consolidated subsidiaries
(As of December 31, 2023)

Referenced Guidelines

- IFRS Foundation (formerly VRF) International Integrated Reporting Framework
- Recommendations of the Task Force on Climate related Financial Disclosures (TCFD) Guidelines

Reporting Period

January 1 – December 31, 2023
(Some information outside of the reporting period is included.)

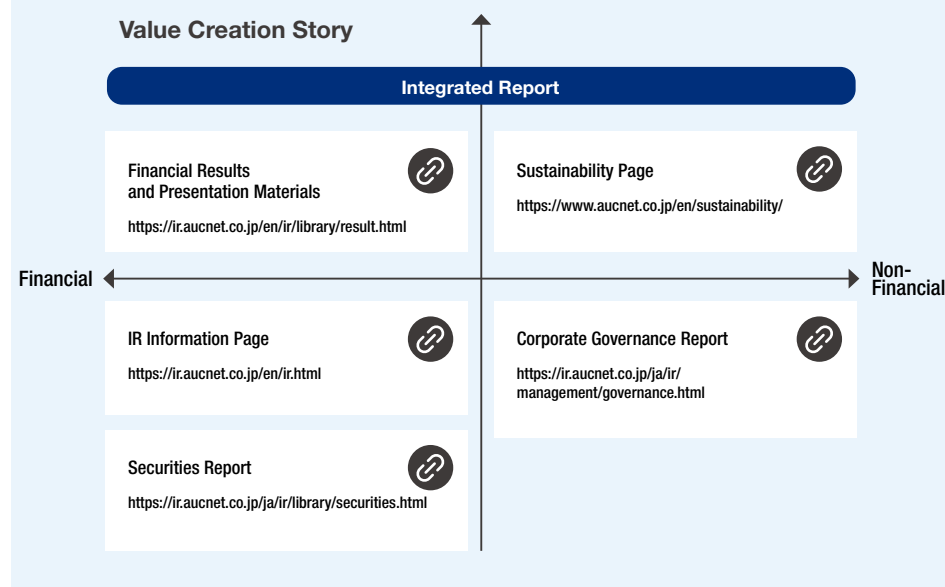
Issued

June 2024

Contact for Inquiries

Corporate Administration Department, Aucnet, Inc.
Inquiry Form
<https://cloud.swcms.net/ir-aucnetPublic/en/ir/inquiry2.html>

Information Chart



Aucnet at a Glance (FY2023)

Expectations for the Reuse Market

Reuse Market Size

¥2,897.6 billion^{*1}
(+7.4% YoY)

GHG Emissions

1.135 billion tons^{*1}
(-2.5% YoY)

Aucnet's Current Status
as a Pioneer of Online Auctions

Environmental
Contribution
Amount^{*2}

¥57.6 billion
(+49.4% YoY)

Annual Transaction
Amount

¥560.9 billion
(+11.5% YoY)

Number of Members

**38,467
members**
(+2.9% YoY)

Annual Number
of Vehicles/
Items Auctioned

4.89 million^{*3}
(-1.4% YoY)

Number of Countries and
Regions in Which Aucnet
Conducts Business

66

Overseas Sales Ratio

11.4%

*1 FY2022 figure

*2 Environmental contribution amount through the distribution of reused products, set independently by Aucnet

*3 Excludes Automobile Business and Motorcycle Business shared inventory, and AUC BRAND MALL items (Fashion Resale Business)

We will take on the challenge of creating a new circular market with a market designing method, and contribute to the realization of a truly sustainable society.

Strengths and Superiority of Our Company That Has Cultivated Markets with Authentic Service

Present Position of Aucnet

Aucnet started with real-time online used car auctions that began 40 years ago. In addition to eliminating previous inefficiencies unique to the industry, with this system, we have succeeded in ensuring information reliability through high-quality inspection and accumulating operational expertise. As a result, it has been established as an innovative distribution platform, developing into a large-scale membership-based network. We have developed our business in six areas: Automobile Business, Digital Product Business, Fashion Resale Business*¹, Motorcycle Business, Agricultural Business, and Circular Commerce Business.

Since most of the products handled on our distribution platform are reused goods, with an increased interest in SDGs and sustainability, an increasing number of people came to select environmentally friendly reused goods. We have continued to employ the method of auction for matching sellers and buyers; however, in recent years, we have come to incorporate various systems by developing our own purchasing shops, providing maintenance service for reused goods and having logistic functions. For example, the number of applicants for kimawari*², which we collaboratively provide with SENSUKAI Co., Ltd., has already exceeded 100 thousand, and kimawari fashion, a home delivery purchase service for unneeded items, mainly clothing, has enjoyed great popularity. We will continue to further expand such systems with the aim of establishing one-stop service that can be provided anywhere from the upstream to the downstream of secondary distribution.

*1 The Consumer Product Business was renamed as Fashion Resale Business in January 2024.

*2 kimawari official website
https://www.bellemaison.jp/cpg/kimawari/top_index.html



Shinichiro Fujisaki
President & CEO

CEO MESSAGE

CEO Message

The Only Business Model of Its Kind

The key factor that has enabled us to establish online distribution of used digital devices and pre-owned luxury brand items as well as used cars is “information reliability” supported by thorough inspection systems and extensive inspection experiences. Previously, when I was in charge of the Digital Product Business, I visited Dubai in the Middle East for market cultivation, and found that our negotiating partners had already heard about our company’s name, Aucnet, and our used vehicle auctions. Since our establishment, we have made efforts to earn credibility based on our authenticity, and currently, we conduct business transactions with more than 38,000 partners in more than 66 countries and regions, enjoying overwhelming support from buyers. Because we are confident about quality, when we expand our reused goods business overseas, we hope to label them with “Checked in Japan.”

Our Mission is to Connect Values with Our Market Designing Method.

New Mission Statement

On the anniversary of the Company’s foundation in 2023, we formally designated “Market Design to Connect Values” as our new mission statement. Originally, the word “market design” refers to a practical methodology to create markets and systems that Alvin E. Roth and Lloyd Shapley, who were jointly awarded the Nobel Memorial Prize in Economic Sciences, developed with matching theory. We define this as “designing markets and systems that effectively and impartially deliver valuable goods and things to people seeking them,” and we also define “connecting values with market design” as “finding value in goods and things that have not been redistributed yet and creating new markets with partners” and “not only optimizing the value of things at auctions but also providing peripheral service to create markets themselves.”

Looking back into our history, we have been working on online auctions handling a variety of products in the area of secondary distribution, which I feel is exactly what market design means. After that, we have developed various peripheral services while strengthening functions associated with auctions, and from now on, to make another step forward, we intend to work hand-in-hand with our partners and stakeholders to connect values of goods and things while leveraging unique know-how we have accumulated. This trend shows that the value our company can uniquely provide is evolving from “distribution” into “circulation,” and to realize this, I believe it is very important to co-create businesses with our partners.

Reasons for Our Proprietary Management Indicator to Exist

To realize a sustainable society, it is important to promote a circular economy, and the phrase “Circulation Engine: Circulating valuable goods on a global scale” set forth in our Sustainability Policy expresses our strong will to become an engine that drives a society in which goods circulate on a global scale and our consciousness for this role. In our Mid-Term Management Plan Blue Print 2025, we clarified our goals and direction toward 2025, saying “A company that solves distribution issues with the power of information and is chosen and appreciated by customers around the world as an SDGs-focused company.” However, instead of just concentrating only on contributing to the realization of a sustainable society, we will also work to grow the company’s profits through reuse and reallocation of valuable goods.

Since our business model allows us to pursue profits and contribute to the reduction of environmental impacts through such business activities, we have established our proprietary Gross Circulation Value (GCV) as a management indicator. This is an indicator showing the economic and environmental impact of our business activities in monetary terms, which serves as an important indicator necessary for steadily advancing sustainable business activities and as a source of motivation for our employees.

Challenge to Totally New Area

Our business is characterized by its possibility to stably secure profits through the organic growth of various existing businesses, and knowledge accumulated over the years based on a wide variety of portfolios is leading to the creation of new challenges. As part of such challenges, we have made it possible to conduct fair and appropriate transactions by properly disclosing product and quality information as a platform operator. Our company has made efforts to enhance the intrinsic value of having strict standards for quality inspection and establishing reliable transactions, which is why we are sure that it is possible for us to accelerate market design through co-creating with players in various industries.

In the past, we were expanding our business in the secondary distribution area; however, in recent years, we have stepped out into the new area of primary × secondary distribution in collaboration with various manufacturers. We have an idea of getting involved in the distribution of not only goods, but also things, which belong to an emotional area. I believe that auctions have potential of making it possible to conduct transactions of every sort of goods in a global scale if an adequate system and information reliability are ensured.



CEO Message

Path toward Realizing Market Design

Knowledge and Abilities Required in Growing Process

While going through a significant growing process as a company, we are making greater efforts than ever to promote our shift toward building partnerships with large companies and formulating new markets based on them. Under such circumstances, abilities and actions required of employees are changing. It is particularly important to take on the challenge of cultivating a mindset of consultants who can provide comprehensive proposals as to what impact utilizing our service will have on our partner company's service and what advantages such company can enjoy. Since the traditional sales style by directly meeting customers is still needed on some occasions, we expect that incorporating human resources with consulting ability will become our new strength.

To Become an Innovative Company That Can Break Out of the Status Quo

In consulting, it is important to have a perspective completely different from that of customers and gain an insight into the true nature of an issue and propose a solution, so it is indispensable to create a working environment where workers are likely to get a new flash of inspiration. Therefore, we direct our efforts to improving work-life balance and

developing systems that allow diverse human resources to work in a flexible manner. If workers can fully enjoy their private lives, it will provide them with an emotional richness, which will have a positive effect on their work. We will continue to promote improvements in employee engagement to make ourselves a company where employees can find greater joy in both work and private lives.

In addition, taking "Principle of Innovation" set out in our Employee Action Guidelines as our motto, we are working on our unique initiatives called "CENTAN" and "KAIZEN" with the aim of enabling employees to demonstrate strong abilities not only as an individual but also as an organization. To break out of the status quo and constantly create new value with new ideas, it is important not only to generate innovations but also to improve existing services. With this in mind, we make an environment in which new business creation (CENTAN) and business improvement (KAIZEN) have a mutual influence that produces better outputs, and conduct a business contest and implement an award system. With the concept of "authenticism" at the heart of our business, we will make continuous efforts to foster corporate culture in which employees praise each other for ideas leading to innovation and improvement.

Changing Segments for Future Growth

As mentioned earlier, since our company is in an important growing process, reporting segments have been changed since fiscal 2024. Its summary will be provided in another section (see pages 42–50). This adjustment was made with the purpose of integrating businesses and strategically improving the ability of responding to various changes in business environments because the boundaries between the businesses had been getting blurred. Specifically, the Mobility & Energy segment was integrated with the Automobile and Motorcycle Business, with a view to integrating other businesses such as those relating to reuse and recycling of batteries for EVs (electric vehicles). We will work on market design to be used as part of an electricity infrastructure for local production for local consumption such as by removing batteries that cannot be used for EVs and utilizing them for reserving locally generated electricity. After giving consideration to horizontal expansion of businesses in the future, and challenges that

individual businesses are facing as well as their future development, we determined to make changes to segments.

To Further Deepen Sustainability Management Integrated with Our Main Business

Toward Realizing a Sustainable Society

Our company might still be strongly associated with our original business of used vehicle distribution, which, however, is greatly different from what's really going on now. While expanding our service into a variety of industries, we have not only improved auction management but also established a strict inspection system and skills to refurbish^{*3} goods, which has made us, so to speak, professionals specializing in distributing reused goods. We will continue to draw on our experience and contribute to the realization of a sustainable society as a market design company with all stake holders. I believe that is the role Aucnet and I, the head of the company, should play.

^{*3} It refers to repairing and maintaining initially defective products and used goods to reuse them.

Promoting Management in Long-term Perspective

I strongly recognize that now Aucnet is at the turning point to make the next giant leap. Behind the efforts to diversify business and achieve business growth we have made over a period of 40 years, there has always been Shoken-Roku, the writings left to us by our founder and my father, Masataka Fujisaki. He formalized his management philosophy in this book, which is our company's point of origin and we always rely on. Taking advantage of being an owner-operator company, which allows this philosophy to be spread into every corner of the company, we will conduct our business in a long-term perspective, keeping an eye toward the future.

Aucnet is a very interesting company. I hope you will look forward to our company's further development in the future.



Discussion on Circular Economy

Toward Becoming an Identity That Will Serve as the Nucleus for a Circular Society and Lead the Future of Circular Economy



Shinichiro Fujisaki

President & CEO



Yasutora Watanabe

Professor at Graduate School of Economics, Faculty
of Economics, and Graduate School of Public Policy,
the University of Tokyo Director of UTokyo Economic
Consulting Inc. (UTEcon)
Advisor for AUCNET INC.

[Click here to visit our website.](#)

Trend of Circular Economy

Watanabe In Japan, our main concern used to be about reduce, reuse and recycle, and we valued the idea of how to reutilize waste. However, the idea of circular economy originally means designing circulatable products that do not generate waste from the beginning. According to one report from the Ellen MacArthur Foundation^{*1}, the energy transformation sector is responsible for 55% of greenhouse effect gas emissions, and the other sectors including the industry sector for the remaining 45%, on which the promotion of the circular economy has a direct bearing. Incidentally, various initiatives have been made such as the introduction of the Digital Product Passport^{*2}, and the Right to Repair^{*3} in Europe, which are starting to have impact on the manufacturing industry.

^{*1} Ellen MacArthur Foundation: A charity organization to promote circular economy founded by Ellen MacArthur (England) in 2010

^{*2} Digital Product Passport: A digital certificate in which various information is recorded to ensure traceability of a product.

^{*3} Right to Repair: A legal right of consumers to require manufacturers, etc. to repair their products

Fujisaki Japan is left behind regarding the introduction of regulations, but I feel consumption patterns for clothing have changed. We have been operating auctions of pre-owned luxury brand items since about ten years ago. In the past, products in good conditions sold well, but these days, the younger generations are more likely to look for vintage items.

Watanabe Students often go to second-hand clothing stores. Second-hand clothes are cheaper than brand-new ones but not so inexpensive.

Fujisaki Regarding the matching of used goods, we feel the market is growing and expectations from stakeholders are increasing. When thinking about the entire circular economy, I'm tempted to take one step further to launch more challenging businesses. The EV market is rapidly growing, but since it is said that a battery's charging function starts to deteriorate in about eight years, presently, they are beginning to be removed from vehicles to be used as secondary batteries for other purposes. We are planning to design a market for the repurposing of batteries in the future.

Know-How and Reliability that Enable Social Implementation

Watanabe When we talk about circular economy, we tend to focus our eyes on its technical aspect, but from a viewpoint of economists, the most important thing is how economic incentive should be provided to implement this in the real world. When the quality and conditions of products are not known, it is difficult to make a deal, which can prevent the circular economy itself from operating. So, I think Aucnet, which has been working on the elimination of information asymmetry as a market maker handling reused goods, has an important role to play.



Fujisaki I feel it is extremely important to convey information accurately and adequately to people who find value in products, and I believe the know-how to correctly evaluate individual goods we have accumulated since the founding of our company is the greatest strength.

Watanabe I think initiatives taken by the government also show that information reliability is an extremely important factor.

Fujisaki I have been wondering, for example, if we can create standards for other products by taking advantage of this know-how, building a plot as to how we can expand our business regionally, or attempting to move into a new business responding to the needs of existing buyers. Thus, I have always been thinking about creating new markets.

Exhibiting Competitive Advantage by Market Formation Ability

Watanabe What I find very impressive about Aucnet is that you are creating new markets based on the trust you have built as a market maker in fields where synergistic effects are expected. Looking from the standpoint of an economist, it is very difficult to establish a market, and the quality of a mediator standing in the center of the market is overwhelmingly important. Its success depends on how reliable a mediator is. Aucnet has experience of fulfilling its function to establish a market in various markets, which I think is your advantage.

Fujisaki For about the past ten years, I have often seen young entrepreneurs who think simply setting a platform with interesting gimmicks will naturally attract goods and people and activate distribution, but they failed in many cases. Making rules is important, and attracting people is not easy. It is not something that can be achieved overnight to make an arena where a sufficient number of buyers who compete with each other can gather together at ease and expand this on a global scale. This is our core competence that we have built up over 40 years. I think our secondary distribution support service, Selloop^{*4}, has also been allowing us to fulfill our expectations and responsibilities. In the past, we have been expanding our business in the secondary distribution area, but from now on, we want to collaborate with primary distributors.

^{*4} Selloop: A service that supports primary distributors in setting up and operating secondary distribution mechanisms.
<https://selloop.jp/>

Watanabe In the flow of circular economy, horizontal development of a business model will lead to a major business opportunity, and I think Aucnet will play an increasingly important social role.

Potential to Change Market of GCV, Our Proprietary Indicator

Fujisaki We have established gross circulation value (GCV)^{*5}, a numerical indicator showing the degree of contribution to the reduction of environmental impacts, as our management indicator. With this indicator, I think our stakeholders will understand that we are seeking to increase economic impact and curb environmental impact at the same time. Just like inspection standards for used cars, I think if GCV can be shared in the entire reuse industry in the future, it will lead to revitalization of the market.

^{*5} Gross circulation value (GCV): Aucnet's proprietary indicator showing in monetary terms the impact of business activities on the economy and the environment
<https://www.aucnet.co.jp/en/sustainability/GCV/>



Watanabe GCV numerically shows how goods circulate and how much GHG emissions are reduced in detail. It allows various cases to be represented by means of numerical values that are so clear and easy to understand for consumers and business partners that I expect GCV will be shared by the entire market. If we set indicators like this for the benefit of our own, they will not work after all. This reliability principle applies not only to GCV, but also extends to the inspection standards you have just mentioned.

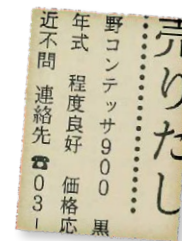
Fujisaki You are absolutely right. It's possible that people who find value in how much environmental impact is reduced will purchase our products on the basis of GCV, so I expect our effort will produce various positive effects.

Our Market Design Journey

A company's lifespan lasts until innovation runs out.
While creating our four core competencies, we have designed businesses based on the characteristics of diverse markets.

It all started with an ad in a car magazine

When founder Masataka Fujisaki placed a three-line ad in a newspaper to sell his beloved car, which he no longer needed, he was inundated with inquiries.
What is useless to one person might be valuable to another. Intuitively sensing business opportunity from this experience, he stepped into the used car industry. This was the impetus for the founding of Aucnet.



Three-line car-for-sale ad

Social trends

1980–1989
Commercial satellite launch

1990–1999
Internet and office computers become widespread

2005
Personal Information Protection Law enacted

2008
First iPhone arrives in Japan / smartphone use spreads

2015
SDGs formulated at the UN

2020
COVID-19 infections spread

Changes at Aucnet

1984
Aucnet founded

1993
Kiyotaka Fujisaki appointed as President

2000
Shares listed on the First Section of the Tokyo Stock Exchange*1

2008
Strategic delisting through MBO*2

2017
Shares listed on the First Section of the Tokyo Stock Exchange*1

2020
Shinichiro Fujisaki appointed as President

*1 Currently "Prime Market"
*2 MBO: Management Buyout

Core Competence

For details, see pages 19–20



Digital Product Business



Fashion Resale Business



Automobile Business



Motorcycle Business



Agricultural Business



Circular Commerce Business

01 Optimal systems



1985
Auctions using telephone lines and laser disks begin



1989
TV auctions for used vehicles using satellite communications (JC-SAT) begin



2004
Broadband flower auctions begin



2008
"Used vehicle TV auctions" and "Live auctions" completely transferred to internet auctions.



2023
Developed Multi-Unit Hybrid Auction



2023
Launched trade in service

02 Information reliability



1996
Aucnet Inspection Service Inc. (now AIS Inc.), a subsidiary specializing in inspections, founded



2010
Blanco Japan Inc., a company specializing in digital device data erasure, founded

03 Operational expertise



1985
Auction operations begin



2000
Shared inventory market begin



2001
Live relay broadcast auctions begin
i-Auc, a company specializing in winning bids of used vehicles established



2008
Operations center for flowers started operation



2013
Auc Financial Partners, a company specializing in used vehicle warranty services established



2019
Operations center for Digital Device renovated



2021
Operations center for Pre-Owned Luxury Brand Item and Medical Equipment renovated

04 Membership-based network



1985
Used vehicle TV auctions begin



1993
Used motorcycle TV auctions begin



1997
Flower TV auctions begin



2005
Used PC auctions begin



2008
Pre-owned luxury brand item auctions begin



2011
Used medical equipment auctions begin



2017
Number of members exceeds 25,000



2021
Number of members exceeds 35,000

Our Market Design Journey

Aucnet has designed markets based on a diverse market environment.

2024



2024

Lifestyle Product Segment

In 2024, the Digital Product Business and Fashion Resale Business were integrated to create the Lifestyle Product Segment for broadening our business overseas and expanding/promoting services for consumers.



2024

Mobility & Energy Segment

In 2024, the Automobile Business and Motorcycle Business were integrated to create the Mobility & Energy Segment for expanding/promoting services in the next-generation mobility field.

Lifestyle Product Segment



Digital Product Business

Characteristic of product

Security support with residual data erasure required

Characteristic of players

High demand from overseas buyers

Our Digital Product Business service began with used PC distribution. It is important that used PCs are distributed with the data erased from the device, in addition to providing information such as specifications and the extent of scratches. Therefore, in addition to the inspection expertise from our work with used vehicles, we formed a capital alliance with a company specialized in data erasure for digital devices (now Blancco Technology Group plc), and used data erasure software they provided to create a secure transaction environment. The full enforcement of the Personal Information Protection Law in 2005 was one of the factors that were the occasion for our start of used PC auctions.

In recent years, our Digital Product Business has grown into a global business with a global sales network, mainly focusing on the distribution of used smartphones.



Fashion Resale Business

Characteristic of product

High-level inspection, testing, and grading capabilities required

Characteristic of players

Diverse buyer network

In the past, pre-owned luxury brand items were traded in a confined manner that was not equitable. Aucnet therefore launched pre-owned online luxury brand item auctions in 2008 in which anyone could participate, utilizing its expertise from used vehicle inspections in inspecting and grading the goods. Initiatives such as increasing the frequency of auctions and allowing anyone to participate had a significant impact on the luxury brand industry at the time, which was in the doldrums due to the "Lehman Shock" financial crisis. Since 2020, in addition to establishing bases in North America and Europe, we have implemented M&A for three companies with the aim of maximizing synergies through the sharing of know-how and expansion of business targeting consumers.



Mobility & Energy Segment



Automobile Business

Characteristic of product

High-level skills and reliability required for vehicle inspections

Characteristic of players

Many players do not possess specialized knowledge

In the Automobile Business, we created an innovative auction system in 1985, which succeeded in eliminating market inefficiencies and revolutionizing distribution. Soon after, Aucnet developed evaluation standards for used cars in the hopes that customers would purchase used cars with peace of mind and confidence. In 1996, our inspection department was turned into the independent company Aucnet Inspection Services (now AIS). Its expertise developed to such an extent that major manufacturers contracted it to perform inspections, setting a new standard in the industry. Since then, in addition to information reliability, we have achieved total support by providing various services associated with distribution, from purchasing to sales and warranties.



Motorcycle Business

Characteristic of product

High transport costs and limited distribution network

Characteristic of players

Demand for a wide range of purchase options

Around the time that the Automobile Business got off to a start, we began preparing for the Motorcycle Business in order to expand the business domain. In 1993, when there was still no nationwide distribution of used motorcycles in Japan, we started used motorcycle auctions, taking advantage of our used car auction expertise. At that time, there were very few auction sites, and used motorcycles were extremely difficult to obtain in rural and remote areas. However, by making land-based transportation fees uniform throughout Japan so that anyone could participate, nationwide distribution was realized, and this groundbreaking service was very much appreciated by many members. Since then, Aucnet has established its position in the industry through cooperation with manufacturers and an alliance with the National Federation of Motorcycle Cooperatives (AJ) as an industry-first initiative.



Other



Agricultural Business

Characteristic of product

Distribution that does not compromise freshness is essential

Characteristic of players

Many small businesses face management challenges

In the past, it was common for florists to visit the market three times a week early in the morning before they opened. In addition, there were differences in product types and prices between the central market and small local markets, resulting in inefficient and unfair distribution for both growers and dealers. To solve this problem, in 1997, we launched the industry's first auction allowing florists to bid online from their shops or homes. Since then, we have expanded this business domain by exporting high-quality domestic flowers and launching a service for purchasing congratulatory flowers. Since 2020, we have acquired long-established horticultural market and phalaenopsis orchid production plants utilizing ICT.



Circular Commerce Business

Characteristic of product

A new circular market is required

Characteristic of players

Do not possess expertise in secondary distribution

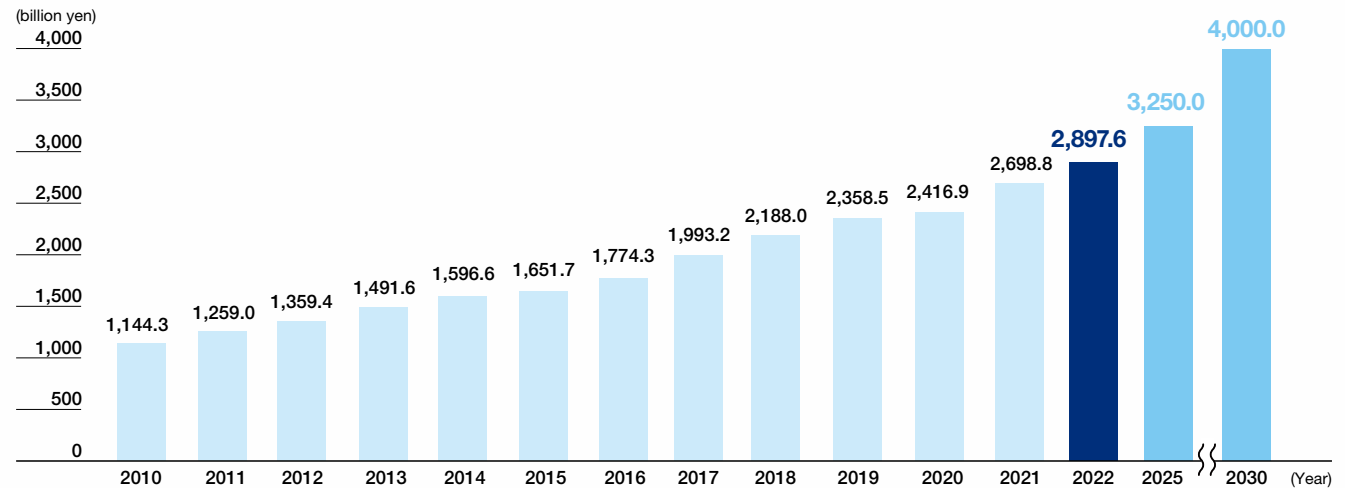
Aucnet's medical business was launched in 2011 with the aim of contributing to reducing the burden of capital investment by supporting medical institutions by properly distributing used medical equipment, which is in high demand. Currently, in addition to medical-related services such as the auction-based distribution of used medical equipment, this business segment is responsible for services such as Selloop, which supports the establishment and operation of secondary distribution systems for primary distributors. We are working to solve distribution issues faced by various industries by realizing a circular information distribution system that transcends the boundaries between primary and secondary distribution.



Expansion in the size of the reuse market and growing demand for online distribution

The size of the domestic reuse market in 2022 was approximately 2.9 trillion yen, up 7.4% from the previous year, making it the 13th consecutive year of growth. In the past, the reuse market has expanded with major changes in economic conditions as its turning points, such as the bursting of the bubble economy and the global collapse of the “Lehman Shock” financial crisis. In recent years, reused products have attracted attention against a backdrop of rising prices and shortages of new products. In addition to the importance of the SDGs due to the promotion of ESG investment and increased awareness of solutions to social issues, the impact of the spread of COVID-19 infections has also increased attention to online transactions. This situation has also provided a tailwind, and our main business of conducting online auctions of reused goods has grown in tandem with the growing demand. We will continue to pursue the creation of a circular society in which valuable goods from around the world are delivered to people who seek them around the world, thereby expanding the circle of sustainability to the entire globe.

Reuse Market Size Trends and Forecast



Source: The Reuse Economic Journal estimate

Risks

Due to rising consumer demand for reused goods and changes in the trend toward sustainability, primary distribution companies such as manufacturers and retailers are not only manufacturing and selling products, but also paying attention to products after they end up in the hands of consumers. As a result, primary distribution companies will enter the secondary distribution field with competition between companies expected to intensify. Furthermore, there is a risk that counterfeit or inferior products will be distributed due to the diversification and increase in the total volume of reused goods. The distribution of counterfeit and inferior products directly tarnishes the image of a company and the market as a whole and is directly linked to consumer purchasing behavior. Therefore, controls and measures are required to address this issue.

As a measure for dealing with this, we have established strict inspection standards for products from a third-party perspective and provide fair and impartial information to our customers. In addition, products collected through Selloop, a service that supports the establishment and operation of secondary distribution systems by primary distribution companies, are redistributed using platforms that Aucnet has cultivated over many years. This enables primary distribution companies to enter the secondary distribution field with peace of mind, thereby contributing to the revitalization of the reuse market (for details, see page 51).

Opportunities

The way consumers view reused goods is changing. When people thought about reused goods in the past, the prevailing idea was purchasing reused goods allowed people to obtain products at low prices. However, in recent years, this idea is changing as people are starting to think that purchasing reused goods allows them to obtaining valuable products. This idea is especially prevalent among Generation Z. This has led to a diversification of products in the market and an increase in average prices as consumers become more aware of asset value, resale value, and even ethical consumption when purchasing products.

As a result of changing its reportable segments in January 2024, the Digital Product Business and Fashion Resale Business were integrated to establish the Lifestyle Product Segment. In addition to expanding our existing BtoB business, we aim to further expand consumer-oriented services and develop products in categories that consumers are more familiar with. We will continue to explore business opportunities while following trends in consumer awareness.

Value Creation Process

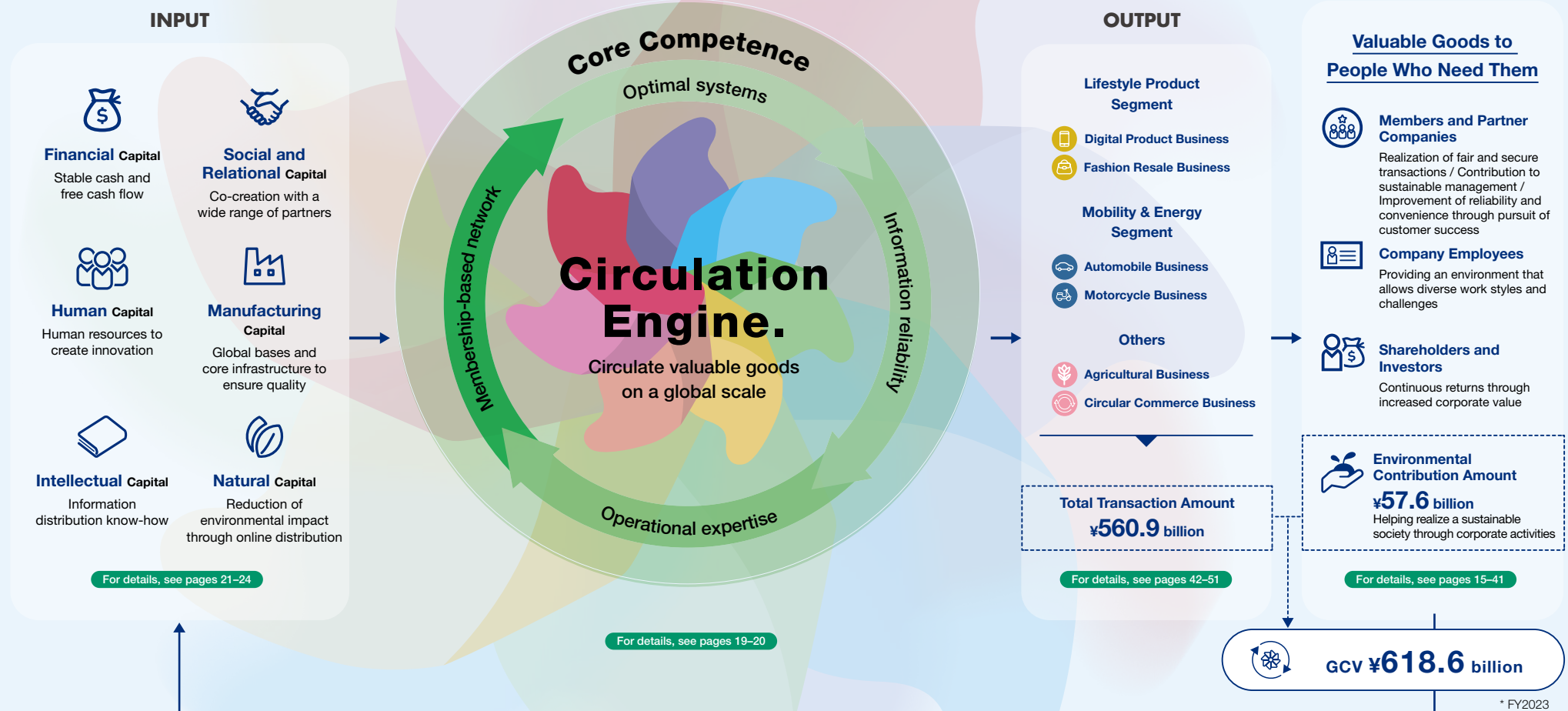
Mission Statement

Market Design to Connect Values

Business Environment

Higher social expectations for the circular economy and reuse markets,
growing demand for online transactions

OUTCOME

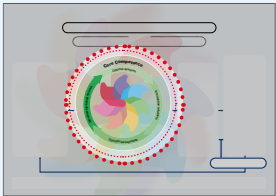


Philosophy

Authenticism

We will always search for authentic services, and will contribute to the development of our industry and society.

Core Competence



Core Competences Accumulated Since the Founding of Our Company

Our founder, Masataka Fujisaki, once said, "What is good for the customer is sure to spread." Our business has been accepted nationwide because we created an optimal system in the used vehicle business for purchasing used vehicles without having to visit the venue, which was the catalyst for our founding, and we ensured the reliability of the information by conducting correct inspections.

We accumulated operational expertise through repeated daily improvements, leading to horizontal development into other businesses, such as the creation of a membership network for each product. We believe that these four core competencies (optimal systems, information reliability, operational expertise, and membership-based networks) are essential to our unique business and will remain fundamental to our philosophy of authenticity.

01 Optimal systems

A system ahead of its time

Number of auction items sold

4.89 million items*1/year

02 Information reliability

Stringent inspection standards

Number of used vehicles inspected

1.26 million units/year

03 Operational expertise

Total support for peace of mind

Total transaction amount

¥560.9 billion/year

04 Membership-based network

A diverse, global membership network

In Japan and abroad, 66 countries and regions

Membership base of 38,467 members

What Makes Us Different from Our Competitors

Auction formats adapted to the times and the characteristics of each product

To date, we have utilized a variety of systems that are ahead of their time to operate our auctions and have built a unique platform. Starting with laserdiscs, the system has undergone changes to satellite communications and Internet-based systems. As we develop the handling of new products, we continue to create diverse distribution platforms by incorporating auction styles adapted to the characteristics of the products. We now offer a system that allows real-time trading with our members around the world.



Laserdisc

Thorough inspection and grading of each product

Since our platform allows buying and selling based on information alone, without looking at the goods directly, it is necessary to objectively demonstrate how trustworthy the products are. As part of these efforts, we got an early start in establishing AIS inspections, a unique inspection standard for the distribution of used automobiles and used motorcycles. In the fiscal year through December 2023, the number of units inspected exceeded 1.2 million. For used digital devices, in addition to erasure of terminal data, we strive to improve the reliability of information in a wide range of areas, including grading and thorough inspection of products as we do with pre-owned luxury brand items. By conducting these inspections from a third-party perspective, we provide fair and impartial information to our members.



Expertise as a pioneer in auction listings, winning bids, and distribution services

We provide not only auction listing and bidding services, but also various services associated with distribution, such as transportation arrangements, payment settlements, and logistics, according to the characteristics of each product and the demographics of our members. At distribution bases and inspection centers, operational tasks related to inspection, testing and checking, grading, photographing, packaging, etc. are carried out for each product under thorough numerical control to realize efficient auction operations. In addition, a system is in place to respond promptly to inquiries from members through a single point of contact, helping to achieve customer success.



Utilization of membership network by the entire Group

Auction theory^{*2} holds that a certain number of participants is necessary in order to hold an auction with fair and appropriate prices. Aucnet has a membership base of over 38,000 companies in 66 countries and regions in Japan and abroad, which enables transactions at appropriate prices for both sellers and buyers. And our ever-expanding membership base will not only increase the volume of product distribution, but also enable stable distribution. In addition, expanding our membership network around the world will help diversify risk amid the current unstable global situation.



*1 Excludes Automobile Business and Motorcycle Business shared inventory, and AUC BRAND MALL items (Fashion Resale Business).

*2 Study to analyze auctions and design more efficient markets with higher expected revenues

Core Competence

01 Optimal systems

In response to changing times and diversifying customer needs, we are quick to adopt cutting-edge systems and technologies. For example, in our Digital Product Business, we are developing AI-based sales data analysis and new value-added services. In addition, as an effort to further update the existing auction, we launched a new auction system that applies econometric findings. We will continue to strengthen our recruitment and training of digital human resources so that we can deploy such technology flexibly and quickly.

02 Information reliability

To provide a consistently high quality of inspections, all inspectors must have the same level of inspection skills. Through regular training of inspectors, we aim to improve inspection skills and efficiency, and reduce the burden on inspectors through the use of technology. In addition, by investigating and acquiring EV battery evaluation technology, we will accelerate efforts to establish and standardize battery evaluation standards for the full-scale distribution of EVs, with the aim of building an inspection system that will become the industry norm in the secondary distribution of EVs.

03 Operational expertise

We will provide our members with not only operational services, but also comprehensive support services for their businesses by offering product market price information, support in attracting customers, and operation of a website to help with retail support. In addition, we will provide proposal-based support not only to existing members but also to a wide range of partners that we anticipate in the future, utilizing our accumulated know-how. Through this effort, we aim to further expand our business domains and strengthen our business by acquiring new know-how.

04 Membership-based network

We will work to further expand and utilize our membership-based network with an eye to future expansion of circulation-oriented market. We aim to expand our membership base by approaching potential customers scattered around the world and making full use of means including digital marketing. We will not divide our members by business segment, but rather view them as partners in building a circular market. We will further strengthen our network by creating synergies across businesses and actively forming partnerships with players in the primary distribution field, rather than limiting ourselves to the secondary distribution field.

Toward Further Evolution

Relationship with Capital

Financial Capital

Utilizing more than 30 years of secondary distribution knowledge and auction data, we are building a system that adapts to each product

Intellectual Capital

Reliability of information is ensured through the accumulation of know-how in product inspection, testing, and grading

Intellectual Capital

We provide comprehensive support to our members' businesses through the provision of market price information on the products we have accumulated and the operations of websites that help attract customers and provide retail support, enhancing our diverse operational expertise.

Social and Relational Capital

We are building a stronger network with co-creation partners in a wide range of businesses and 38,000 auction members in 66 countries and regions around the world

Human Capital

We are strengthening the recruitment and education of DX human resources that can utilize cutting-edge technology and building a system that is adapted to each product

Human Capital

We ensure information reliability by strengthening the training system for inspectors and expanding the education system by sharing tasks by creating "records of succession"

Human Capital

Through business improvement activity (KAIZEN), employees will come up with and implement business improvement proposals on their own, thereby building a more efficient operation system and strengthening operational expertise

Human Capital

Through the implementation of new business creation activity (CENTAN), we have fostered a culture in which employees can create innovation on their own, building a stronger network by providing unprecedented, proposal-based support to a wide range of partners

Customer Feedback

Automobile Business

It is definitely great that there is no need to use a dedicated terminal. The ability to participate in auctions anytime, anywhere matches the way our employees work today, an era in which remote work has advanced.

Digital Product Business

Unlike other auction sites, Aucnet's inspection accuracy is high, and you can trust that you will receive the device exactly as graded as it was sold.

Motorcycle Business

At physical auction sites, motorcycles are sometimes sold at a discount in consideration of distribution costs. However, since Aucnet has no transport costs, it is able to sell motorcycles at reasonable prices.

Fashion Resale Business

Prices for jewelry that were held for long-term rose during auctions and sold at prices higher than expected. We would like to go through Aucnet again when we want to list items to be auctioned.

Agricultural Business

Thanks to the redesign of the grower's system, I appreciate the fact that information such as market prices and sales status can be quickly obtained.

Fashion Resale Business

I think the quality inspected by Aucnet is much higher than the quality of items inspected by similar companies in the United States and Europe.

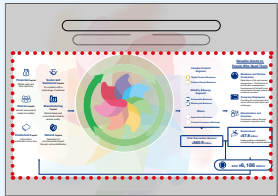
Digital Product Business

We have been using Aucnet as a stable supplier for many years because of their regular auctions, delivery schedules, and customer service.

Circular Commerce Business

Although it was hard to act despite having garments which I wanted to dispose of, thanks to Aucnet, I am happy that I was able to organize my closet, help the people who purchased my clothes, and contribute to protecting the environment.







Capital Circulation that Continues to Create Value



Aim to increase corporate value by circulating capital unique to Aucnet.

Each type of capital has its own unique characteristics and challenges, and we are working to further strengthen the capital we have accumulated thus far by identifying and analyzing these.

With stable and abundant financial capital, we aim to continue creating value by strategically strengthening the “human capital,” “intellectual capital,” and “social and relationship capital” that are particularly important to our company.

	Characteristics			Issues	Initiatives for Further Value Enhancement		
<div> Financial Capital</div>	Operating cash flow ¥5.1 billion	Equity capital ratio 58.8%	ROE 19.6%	<ul style="list-style-type: none">Ample operating cash flowHigh equity capital ratio and ROEStable revenues from the membership business	<ul style="list-style-type: none">Effective use of free cash flowImprovement of capital structure and capital efficiency	<ul style="list-style-type: none">Invest in new businesses and R&DImprove profitability through the growth of existing businessesBuild financial management systemDevelop financial strategies based on M&A strategies	Pages 27–31
<div> Human Capital</div>	Employees 878	Reskilling program participation rate*1 84%	<ul style="list-style-type: none">Human resources that support stable business operationsEmployees that are passionate about their workAll employees' awareness of the philosophy of "Authenticism"	<ul style="list-style-type: none">Expand the scope of employees' sense of awarenessEnhance management personnel	<ul style="list-style-type: none">New business creation activity (CENTAN)Business improvement activity (KAIZEN)Enhance reskillingRevise personnel system	Pages 34–37	
<div> Intellectual Capital</div>	Number of vehicles/items auctioned per year 4.89 million ^{*3}	Number of used vehicle inspections conducted 1.26 million	<ul style="list-style-type: none">Auction operational expertiseAIS Inc. inspection expertiseOperation center operational expertisePartnerships with research and development institutions	<ul style="list-style-type: none">Accumulation of expertise in business targeting consumersFurther improvement of inspection and grading accuracy	<ul style="list-style-type: none">Operation center functional enhancement Page 23Development of new auction with UTokyo Economic Consulting Inc. (UTEcon) Click here to visit our website. Page 44Project for inspecting, recycling and distributing used EV (electric vehicle) batteries with MIRAI-LABO Co., Ltd. Click here to visit our website. Page 46		
<div> Social and Relational Capital</div>	Number of target countries and regions 66	Number of members 38,467 members	<ul style="list-style-type: none">A diverse, global membership networkA strong network cultivated through trust based on "Authenticism"Wide range of co-creation partners	<ul style="list-style-type: none">More M&A and partnershipsCapability enhancement	<ul style="list-style-type: none">Co-creation of services with SENSHUKAI Co., Ltd. Click here to visit our website., Samsung Electronics Japan Co., Ltd., and JCOM Co., Ltd., Click here to visit our website. Page 24Promote Selloop, a secondary distribution support service Click here to visit our website. Page 51Entered comprehensive advisory agreement with UTokyo Economic Consulting Inc. (UTEcon) Click here to visit our website. Page 33		
<div> Manufacturing Capital</div>	Distribution bases / inspection centers 7 locations	Area offices 7 locations	Value Up Centers (VUC, vehicle distribution bases) 5 locations	<ul style="list-style-type: none">Distribution bases and area offices throughout JapanConsistent product management and operations	<ul style="list-style-type: none">Further expansion of the domestic distribution networkBuilding of logistics infrastructure for global expansion	<ul style="list-style-type: none">Enhance functions of each site Page 23Expand service area through the establishment of Kyoto Center (Agri business) Page 49	
<div> Natural Capital</div>	GHG Emissions 12,581t-CO₂e			<ul style="list-style-type: none">Business model that minimizes direct GHG emissionsThorough sustainability policy	<ul style="list-style-type: none">Spread of SDG washing*³ worldwideUtilization of Gross Circulation Value (GCV) outside of the Company	<ul style="list-style-type: none">Obtain third-party assurance of GCV Click here to visit our website.Endorsement of TCFD recommendations Click here to visit our website.Acquired validation from Science Based Targets initiative (SBTi) Click here to visit our website.Develop transition strategies to achieve carbon neutrality Click here to visit our website.	Pages 37–40

*1 AUCNET Inc. and five major consolidated subsidiaries *2 Except for shared inventory of automobile business and motorcycle business, auc brand mall of fashion resales business

*3 Although the company claims to be contributing to the achievement of the SDGs, the reality is that this is not the case.

Human Capital

People Who Create Innovation

New Business Creation Activity CENTAN

As one of the activities to foster an organization where reforms and improvements can be made continuously, Aucnet is focusing its efforts on CENTAN (new business creation activity). In addition to soliciting business ideas from employees, we also have an enhanced support system for employees involved with CENTAN, such as workshops and presentation training. Until a few years ago, there were cases where individual employees submitted business ideas. Recently, however, more and more employees of various age groups and from different departments are together coming up with business ideas for submission. In 2023, there were 28 submissions, and after rigorous screening, efforts are being made to turn three of the ideas into businesses.

As one of the Company's Action Guidelines, we are committed to disrupting the status quo and constantly creating new value with new ideas under the Principle of Innovation.

Comments from Awardees

Proposal to create a new auction format through a reversal of ideas and horizontal development of business by utilizing conventional know-how

**Yutaro Yorimitsu**

Business Promotion Group
Circular Commerce Business Office
Circular Commerce Business Division

We proposed our business plan based on the desire to expand the real-time auctions that Aucnet is proud of. It was an invaluable experience for me as an individual to be part of a team to think through how to achieve it. From here on, I will utilize the perspective and ability to take action that I have gained through CENTAN in my daily work.

Proposal for a platform for solving issues in the overseas used market based on the feedback of actual overseas members

**Yu Hasegawa**

New Business Development Group
Product & Service Strategy Office
Corporate Strategy Division

Using Aucnet's knowledge cultivated in the area of reused goods distribution and utilizing its overseas membership network, we first proposed creating a reliable place for reused goods trading between overseas companies in Dubai. Although there are various problems that arise on a daily basis, I would like to tackle them without forgetting the spirit of making everything interesting.

Proposal of a win-win business model for both manufacturers and users focusing on the "feeling" of letting go of things

**Yuki Kaji**

FR Group
DX Solutions 1st Department
DX Division

I feel that in standard secondary distribution, the economic value of the product is often emphasized. Depending on the product, I am thinking about creating a completely new form of distribution that emphasizes "the feelings of the people who part with their belongings = emotion," and I discuss this with team members on a daily basis.

Intellectual Capital

Information Distribution Expertise

The Pursuit of “Checked in Japan” Quality Narashino Operations Center

Narashino Operations Center has established a system that enables Fashion Resale Business auction operation to be carried out in one-step.

The Contact Center is also located in the same building, making it possible to respond quickly and flexibly to inquiries from members, thereby contributing to improved customer success.

A system has been introduced to visualize and share the progress status of each process (1. Receiving, 2. Inspection, 3. Testing, 4. Photographing and 5. Sorting and shipping) under thorough numerical control, thereby realizing efficient and stable operations through appropriate allocation of production resources.

In addition, continuous education and training for employees improves service quality, leading to a decrease in complaints and an increase in customer loyalty.

01

Receiving

The process of receiving items from members to be listed

- To make the later processes easier, we also separate products by product group as they are received



02

Inspection

The process of checking products in accordance with Aucnet's distribution standards

- Thorough inspections are conducted based on our own standards
- Judgments regarding the item's condition are made by looking for any small differences in a product (sewing, plating, printing, odor, sound, etc.) compared to how they should normally be



03

Testing

The process of checking for any damage of the product in a detailed manner

- Products are checked for large- and small-level damage
- We use our own inspection system to input the size/number of damaged locations which the system automatically calculates evaluation scores
- For products with noticeable damage, a photo is taken focusing on the section with the damage



04

Photographing

The process of taking photographs of products based on uniform shooting standards for each product

- Optimized settings such as angle of view, light intensity, and F value are made
- For gemstones, photos are taken in a way that faithfully reproduces the actual gemstone (especially the color)



05

Sorting and shipping

Process of picking the items for each member who made a successful bid and shipping the items to them after the auction is closed



Social and Relational Capital

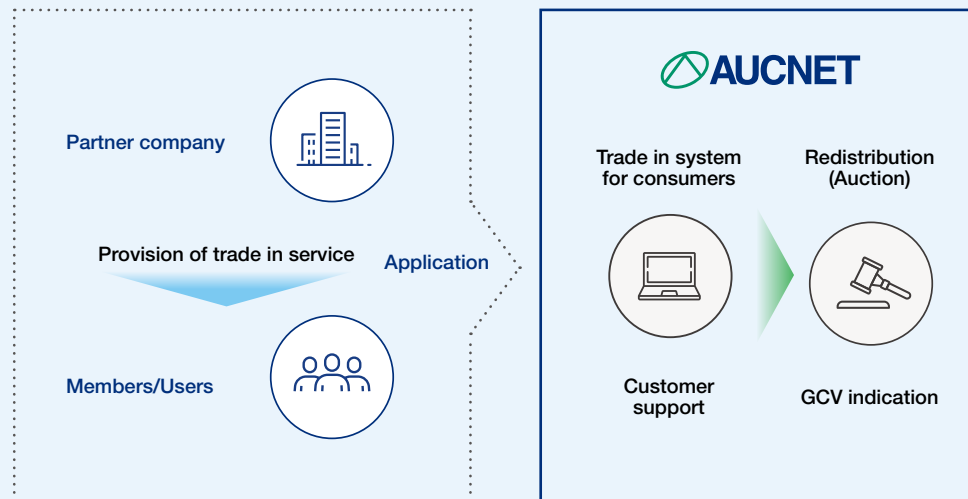
Co-creation with a Wide Range of Partners

The Launch of a Device Trade in Service Designed to Allow Individuals and Customers to Trade in Their Smartphones and Tablets

We believe that it is essential for Aucnet to co-create new markets with our partners in order to design circular commerce markets and find value in goods and services for which markets have not yet been created.

In the Digital Products Business, we started a new collaboration for secondary distribution of digital devices, such as smartphones, in order to expand services not only for BtoB but also services for consumers.

Through this initiative, we are expanding our business from serving as an auction operator to serving as a circular economy infrastructure provider with the aim to realize a sustainable society.



Background of the Collaboration

As part of its initiative to co-create new markets with partners, Aucnet has entered into partnerships with SENSUKAI Co., Ltd., Samsung Electronics Japan Co., Ltd., and JCOM Co., Ltd with the common desire of contributing to a sustainable society by promoting the secondary distribution of smartphones and tablets that are no longer needed due to model changes and other reasons. This service is completely online-based. Users can easily trade in or sell smartphones or tablets at home by answering simple questions about the condition of the items. Collaborating with manufacturers who wish to sell attractive smartphones, etc. and partner companies who wish to develop innovative services will enable Aucnet, a company skilled in handling reused goods, to leverage each other's strengths and work to further increase LTV*. Aucnet will not only optimize the value of goods through auctions but also create a new circular market by responding to the needs of customers in a variety of industries and business types, such as providing purchasing solutions and precise future price predictions.

* LTV (Life Time Value): an estimation of the amount of revenue a customer will generate over the course of their engagement with a company.



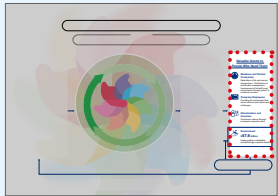
From a service manager

There are many "buried mobile phones" in the world that are no longer used due to being replaced. If these devices are delivered to people who need them, they will still be used and circulated as valuable items. Aucnet believes that this device trade in service helps distribute these products. We aim to provide services that will give everyone a chance to think about how they can contribute to helping realize a sustainable society.

Takayuki Tojo





DP Business Promotion Department, Domestic Business Promotion Group
Digital Products Business Headquarters
Lifestyle Products Business Division

Value Co-created with Stakeholders



Delivering Valuable Goods to People All Around the World Who Need Them

As awareness of sustainability initiatives and environmental contributions increases throughout society as a whole, co-creation with all our partners around the world is essential for us to fulfill our required role as a circular distribution platform. We will promote seamless collaboration with over 38,000 auction participating members and business co-creation partners in 66 countries and regions around the world, and strive to smoothly expand our business domain and establish diverse distribution schemes. In addition, we recognize that consideration for local environments is an important factor in achieving these goals, and we aim to coexist with various stakeholders through participation in local communities.

	Value co-created with stakeholders	Stakeholder expectations and concerns	Relationships between Aucnet and stakeholders
 Members & partner companies	Percentage increase in total number of members +2.9%	<ul style="list-style-type: none"> Establishment and evolution of a high-value-added circular commerce platform Helping to create a sustainable society Contributing to the reusable goods industry 	Auction members participate in our circular commerce platform, listing and bidding on items. The products and numbers of items that we handle increase with the number of items listed by members. As the number of bids increases, so does the unit price per item, which makes our auctions more lively. We are building an attractive platform for increasing numbers of members to participate in. Partner companies work with Aucnet to generate new ideas as they revamp their auction platforms and promote new business.
 Company employees*	Employee satisfaction Response: "I engage in work with a positive attitude." 3.6 Five-point scale Turnover rate 2.6%	<ul style="list-style-type: none"> Creating innovations that realize our values An environment in which diverse human resources can continue to work with vigor and enthusiasm Career support and enhancement for employees, opportunities for self-realization and growth Providing opportunities for employees to improve their skills Diverse and flexible work styles Increased engagement Connections with people and society 	To enable a diverse workforce, Aucnet has introduced remote work and flextime systems to create a flexible work environment. In order to encourage a spirit of challenge among employees, there is a self-assessment and internal recruitment system enabling employees to express their departmental preferences, as well as a full range of training and self-development programs. We present the company as a place for personal growth and self-realization, and our employees are committed to communication and always conducting business in accordance with our philosophy of authenticity.
 Shareholders & investors	Total dividend payout ratio 90.9% EPS ¥175.79* (up 10.2% year on year)	<ul style="list-style-type: none"> Enhancing sustainable corporate value Achieve key management indicator targets in the Medium-Term Management Plan for GCV, EBITDA, ROE and dividend payout ratio Initiatives to enhance corporate value Appropriate share price Fair, equitable, and timely information disclosure Proactive ESG initiatives and disclosure to enhance sustainable value 	In order to maximize profits for shareholders, who are the owners of the company and have a role in monitoring management, we are not only working to grow the company's profits in line with the SDGs, but also promoting an aggressive capital policy, such as continuous dividend payments targeting a consolidated dividend payout ratio of 30% and share buybacks, to return profits to shareholders. We will continue to engage in constructive dialogue with shareholders through fair and equal information disclosure and IR meetings. We also implement and disclose corporate governance as appropriate, aiming to enhance corporate value over the medium to long term.
 Local community & environment	Amount of environmental contribution from GCV ¥57.6 billion	<ul style="list-style-type: none"> Expanding the circular commerce platform Co-creation with primary distributors beyond the reuse market Spreading the circular economy Maximize the value of things Reducing environmental impact Raising environmental awareness Coexisting with local communities Local community involvement 	By co-creating a circular commerce platform with all kinds of partners, we aim to achieve contributions to both the environment and profit by promoting sustainability initiatives and supporting branding. By utilizing the online auction mechanism, we will spread the concept of the circular economy throughout the world by expanding into various fields and business domains while minimizing direct GHG emissions from our business activities.

* AUCNET Inc. and five major consolidated subsidiaries

Mid-Term Management Plan Blue Print 2025

In May 2022, for the first time, we formulated our Mid-Term Management Plan Blue Print 2025 as our medium-term growth strategy. The name “Blue Print” was chosen because it combines the meaning of a blueprint for the next five years with our corporate color, blue. In addition to our contribution toward achieving the SDGs since our inception, we share in the plan how we have grown to date, including the diversification of our business and the expansion of our partners.

In light of growing awareness of the SDGs in recent years, and the growth trend in the reuse market as a whole, we have set four important management indicators, including our proprietary Gross Circulation Value (GCV) indicator, EBITDA, ROE, and dividend payout ratio, for the direction of our future growth.

The plan outlines a path to increase corporate value, by growing existing businesses as a matter of course, and also by accelerating sustainable growth through new business development and aggressive M&A, and implementing growth investments and flexible capital strategies.

In line with Blue Print 2025, as an SDG company, we aim to solve distribution issues with the power of information and become a company that is chosen and appreciated by customers around the world.

Sustainability Actions



Goals and Direction toward 2025

A company that solves distribution issues with the power of information and is chosen and appreciated by customers around the world as an SDG company

Accelerate sustainable growth based on stable business foundations and further expand the management base for the next stage

SDGs

Building Circular Distribution “Circulation Engine.”

Circulate valuable goods to people who need them in various business fields together with our partners around the world

Respect for Diversity

Be a fair, safe and comfortable company for everyone to work for

Important Management Indicators

GCV **¥1 trillion** EBITDA* **¥10 billion**

ROE **20%** Dividend Payout Ratio **30%**

* EBITDA = Operating profit + depreciation + amortization of goodwill

Progress and Results

Financial and Investment Policy

Aim to achieve growth through aggressive investment and increase corporate value while ensuring financial soundness

Ensuring financial soundness

Current ratio more than **200%** EPS **¥200**
Equity capital ratio more than **50%** ROE **20%**

Increasing sustainable corporate value

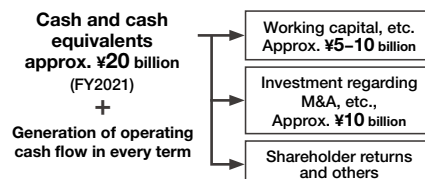
Promoting investments for growth

Investment regarding
M&A, etc.,
¥10 billion

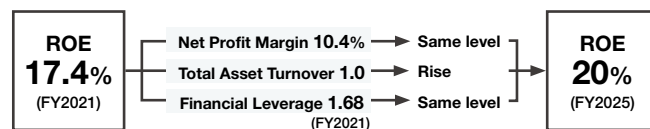
Selection Policy for Investing Businesses

- Synergies with existing businesses
- Same business area for business expansion
- Different industry for business area expansion

Cash allocation



ROE structure



State of Progress

Important Management Indicators

	2021	2022	2023	2025 (Blue Print 2025)	State of Progress
GCV	¥487.9 billion	¥541.7 billion	¥618.6 billion	¥1 trillion	△ Slight increase
EBITDA	¥6.7 billion	¥7.4 billion	¥7.4 billion	¥10.0 billion	△ Stable
ROE	17.4%	19.4%	19.6%	20%	○ Firm
Dividend Payout Ratio	30.6%	30.1%	30.1%	30%	◎ Achieved

Financial Indicators

	2021	2022	2023	2025 (Blue Print 2025)	State of Progress
Current Ratio	271.9%	268.7%	255.4%	More than 200%	◎ Achieved
Equity Ratio	60.6%	60.3%	58.8%	More than 50%	◎ Achieved
EPS	¥130.56	¥159.48	¥175.79	¥200	○ Steady

Promoting investments for growth

FY2023

M&A Results 0 case

- Signed M&A agreements for Defactostandard, Ltd. and JOYLAB, inc. in February 2024 (approx. ¥4.5 billion invested)
- The budget and the selection policy for investing businesses have not been changed.
- Continue to focus on selecting M&A candidates

Implementation of capital policy, etc.

Period	Item	Class of shares	Number of shares	Amount
May-June 2023	Acquisition of treasury shares (tender offer)	Common Stock	2,567,600 shares	¥3,543,288 thousand
November 2023	Cancellation of treasury shares	Common Stock	1,700,000 shares	

We will continue to consider and promote appropriate capital policies in a timely manner, considering the balance between investment for growth and the effects of improved capital efficiency.

Progress and Results

Expansion of Existing Business Market Share

Having started with the Automobile Business, we have established second and third segments, our Digital Product and Fashion Resales Businesses. With regard to existing businesses, we will promote growth by strengthening and expanding our circular commerce platform through further enhancement of our membership-based network and service reforms.

Existing Businesses Strategies

Digital Product

We aim to maximize device value from the time of trade-in to the time it is redistributed. Through the introduction of the trade-in system, we will diversify our sourcing entities and expand our overseas sales network to stimulate auction activity. Additionally, we will strengthen functions associated with distribution by introducing a new auction system based on econometric findings and optimizing operations at our asset value recovery operations center. We will also actively work to extend the value chain by utilizing AI pricing tools, collaborating with partner companies, and developing new services through M&A.

Existing Businesses Strategies

Fashion Resale

We aim for further growth through three strategies. First strategy: In order to enhance our domestic platform, we will promote new value-added services such as wholesale, which sells products purchased by us in a mall format to overseas markets, and LIVE commerce, which sells purchased products through live streaming. Second strategy: Strengthen and expand our business targeting consumers, aiming to further contribute to earnings from new services such as kimawari fashion, in addition to strengthening existing services such as those provided by Gallery Rare Ltd. Third strategy: To promote global business, we will strengthen customer service in Europe and the United States as well as build a system to distribute products locally.

Existing Businesses Strategies

Automobile

For Automobiles, Aucnet aims to expand new business areas while strengthening our existing distribution system. We will promote new proposals and business alliances that combine our existing auctions, live relay broadcast auctions, and distribution-related services. In addition to implementing a loyalty program, we will establish a new ecosystem with comprehensive alliances formed with partner companies to further enhance customer success. As a new business area, we will establish evaluation criteria for EV batteries and work on the recycling and distribution business.

Expansion of Circular Market

In addition to growing our existing businesses, we will expand our product lineups, collaborate with partners in various business categories, promote M&A, and take on challenges in new areas in order to further expand the Circular market.

New Business Strategies

Selloop

As part of our efforts to expand a circular market, we are promoting Selloop, a service that supports the establishment and operation of secondary distribution systems for primary distributors such as manufacturers and retailers. Primary distributors face a problem in which once a product is sold out to a customer, the connection with the customer is lost. In order to solve this problem, we will support the establishment and operation of secondary distribution systems through Selloop. For primary distributors, this will be a new customer contact point and a sustainable initiative, and it will enable us to handle new products and expand our business area. Together with our partners, we will realize circular commerce by integrating primary and secondary distribution through the secondary distribution support service Selloop.

M&A Strategy

Defactostandard, Ltd. and JOYLAB, inc.

In our Medium-term Management Plan Blue Print 2025, we have defined investments in M&A and other areas to promote growth investment. Although our results for fiscal 2023 did not include any M&A, we announced two M&A in February 2024. With the aim of expanding business for consumers and strengthening synergies with our BtoB businesses, we acquired Defactostandard, Ltd., a company engaged in the purchase and sale of pre-owned luxury brand items, and JOYLAB, inc., which engages in the purchase and sale of alcoholic beverages, as our subsidiaries. These acquisitions resulted in the volume of transactions in our Fashion Resale Business reaching the highest levels in the industry. Going forward, we aim to maximize synergies by reducing costs by improving operational efficiency and sharing our expertise on each business. There will be no change in our initial investment budget or investment target selection policy, and we will continue to focus on the selection of candidates.

CEO MESSAGE



Hiroki Taniguchi

Senior Managing
Executive Officer & CFO

By appropriately and sincerely disclosing information to stakeholders, we will respond to expectations for our future prospects.

Progress of Medium-Term Management Plan and Effect of Its Formulation

Financial results for the fiscal year ended in December 2023 exceeded the estimate in the original plan. In this term, we gave top priority to the enhancement of human resources and actively promoted intermediate recruitment, which resulted in increase in costs; however, the Automobile Business and Consumer Product Business (now Fashion Resale Business) performed well, which led to good results exceeding the initial estimate.

Regarding the progress of Mid-Term Management Plan Blue Print 2025 announced in May 2022, with strategic implementation of the acquisition of treasury shares working successfully, targets for ROE and dividend payout ratio are expected to be achieved. On the other hand, regarding GCV and EBITDA which we set out as important management indicators just like ROE and dividend payout ratio, I think we have only reached half way. Blue Print 2025 is the first medium-term management plan that we have made. In dialogues with shareholders and investors, we found that they hope to know future prospects more specifically, and responding to such voices, we determined to formulate the plan. This formulation has enabled us to compare us with other companies by checking many items including management indicators. This has allowed us to explain about the medium- to long-term direction we are pursuing and its progress to investors in a quantitative manner, which I believe led to significantly improving their understanding of our company.

The formulation of the medium-term management plan has also caused secondary effects. In addition to Board of Directors meetings and Management meetings, we hold discussion sessions for executive officers three times a year, in which we were able to build a consensus toward achieving the management indicators set out in the medium-term management plan, and as a result, we could enjoy very smooth discussions about future plans and investments among different operational divisions. I find that having the concrete discussions on necessary actions to be taken toward the fiscal year ending in December 2025, the final year of the plan, helped us make clear decisions on the allocation of resources including human resources.



Let me provide supplementary information on our proprietary important management indicator Gross Circulation Value (GCV). We received comments from our shareholders and other investors saying our intention and purpose of making an indicator to clarify our initiatives toward realizing a circulating society and a circular economy is worthy of note. However, they also say that GCV is still difficult to handle as an indicator because it does not clearly show how it is related to our performance, in particular, to our profits. GCV is an economic indicator showing value generated by the circulation of goods in monetary terms, which is obtained by combining the scale of economic circulation (transaction amount) by our business activities and greenhouse effect gas emission reductions due to distribution of reused goods and online distribution. Therefore, it is important to see the entire business totally instead of placing an emphasis on any specific type of products. We must make sure that SDGs

Wash will never happen. In addition, since we have obtained a third-party guarantee to enhance information reliability, there have been many requests from our business partners, saying that they also want to introduce GCV as an indicator. We are getting increasingly confident that GCV will gradually develop into a versatile and easy-to-use indicator because as the relation between GCV and performance becomes clearer as time passes, it will be widely introduced and utilized by other companies. Since we are engaged in designing a market for circular commerce as our mission, we will cherish the GCV indicator with a strong will.

Various Measures Aiming to Improve Shareholder Value

In the past, our company was often seen as an auction company handling used cars, and therefore, share prices, PBR (price-book value ratio) and PER (price-earnings ratio) were estimated lower, by which we felt frustrated. However, after announcing the medium-term management plan, I feel many shareholders and other investors came to understand the diversity of our business portfolio and our stable performance supported by diversified business operations. Especially, the decline in volatility is considered to show that our strategies have been correctly understood and evaluated, and judging from the decline in capital cost, we understand that our initial goal of the medium-term management plan to enhance credibility from investors by proactive and continuous IR activity has been achieved. We want to keep the declining trend in volatility and capital cost, thereby, encouraging investors' participation, especially long-term ones and ensuring the

resulting favorable trend of share prices. While making sure that such a virtuous cycle will continue, we will have a continuous dialogue with our investors.

We have also changed reportable segment since fiscal 2024 with the intention of eradicating the image of us being an auction company handling used cars. The biggest point of this segment change is that the Digital Product Business and the Consumer Product Business were integrated into the Lifestyle Product segment. This adjustment has raised the possibility to greatly broaden the area of products that can be handled in this segment. It has become possible for all segments including the Mobility & Energy segment to expand their business opportunities while responding to various changes. Soon after the segment change, it might be essentially inevitable for some to find new segments more confusing than the previous ones; however, we will devise a way of disclosing KPI in an understandable manner and continue dialogue in a conscientious manner to improve understanding from shareholders and other investors.

We have set a target of 10 billion yen for EBITDA as one of the most important indicators to be achieved in fiscal 2025, which we are keenly aware of. To achieve this, it is necessary to promote investments for growth by M&A, and in 2024, we completed the M&A of Defactostandard, Ltd. and JOYLAB, inc., thus taking new steps. To further accelerate this advancement, the Business Development Planning Division, a specialized unit to promote M&A and business collaboration, was newly established in January 2024. In the past, individual divisions used to separately explore and examine matters on M&A, etc. related to them. This style had the specific advantage that we could pursue a hands-on approach; however, at the same time, it was disadvantageous in that we could not capture the entire picture, so it was difficult to grasp

CFO MESSAGE

the appropriate allocation of costs and resources within the group. Two years have passed since the announcement of the medium-term management plan, and now we have started to notice various business opportunities are being created in various fields. I am sure the administrative centralization of M&A business will further enhance our company-wide strategic characteristics, and make it possible to more quickly respond with high mobility. I expect this will provide a spark for us to make further progress toward achieving the medium-term management plan.

Improving Corporate Value with Mission Statements as a Key Axis

In June 2023, we designated “Market Design to Connect Values” as our new mission statement. This means designing new markets through circular commerce, finding value in goods and things that have not been redistributed before, and co-creating new markets with partners. While we tend to be hospitable to new approaches like this, we are not very good at defense. Therefore, I consider it my role, as a CFO, to execute investments while keeping a good balance between offense and defense. Generally, it is often said a CFO should act as a brake, but I am focusing my effort on controlling the accelerator properly. In other words, instead of viewing investments and new businesses as something negative in a single uniform manner from the beginning, I will take on a role of strictly evaluating whether such investments and new businesses are promising ones that can create return acceptable to shareholders and other investors. As the CFO of the

growing company that still has the venture spirit, I would like to support appropriate growth investments while adequately controlling risks.

Regarding the new mission statements, I feel that we still have not attracted so much stakeholders’ interest, as compared to that of our performance and individual businesses. President Fujisaki refers to the new mission statements through various media, but at the same time, we need to participate in IR activities in a more appealing manner. The significance and contents of the new mission statements are aiming at our acquiring of an extremely large market, which I believe is promising. As things are, however, we still have not fully conveyed how such statements will actually lead to our earning power. This is mainly because at the announcement of the medium-term management plan, which was the occasion to speak about our company’s major theme, we failed to fully explain about measures and strategies to fulfill the new mission statements in a specific manner. In actuality, we have already started planting various seeds in line with the new mission statements. For example, we have launched Selloop as one of our new businesses. Selloop is a service to promote wide participation of secondary distribution, aiming to combining primary distribution with secondary distribution. We are already advancing this service collaboratively with SENSUKAI Co., Ltd., enjoying high reputation from many customers. If such initiatives take place as needed, I think they can easily notice that the true intention of combining primary distribution and secondary distribution is to realize a circular commerce society.

I also think securing and developing human resources toward future business expansion is the greatest theme to be addressed. Our company started with a great successful experience, and has grown and expanded at a speed beyond our imaginings. While we are blessed with human resources skilled at operations in the Automobile Business, it has become difficult to manage talents with an increase in the number of mid-career workers. Accordingly, we call the new concept of our personnel system starting in April 2024 “Pay for Performance & Passion,” in line with which we will reform the traditional seniority-based culture, and promote the creation of an environment where all employees can work comfortably regardless of the length of their service.

I am very happy if our stakeholders, including shareholders and other investors, will recognize Aucnet as a company that can give shape to the idea of circular commerce needed by the whole world, in addition to working on the solutions of environmental issues, and looking forward to our future business expansion.



Toward Achieving Co-Creation with Our Stakeholders



Members & Partner Companies

Relationships

We are working on the development of higher-quality services and the provision of higher values with the members using our Group's services and the partner companies creating businesses with us in the pursuit of mutual profits.

Expectations and Interest

- Providing highly-reliable services, information and products
- Further expanding services
- Realizing circular economy
- Initiatives for sustainability

Relationships

We are working on the promotion of proactive dialogue and provision of enhanced shareholder returns for the further improvement of corporate value with our shareholders and other investors, who are the owners of the company and have a role in monitoring management.

Expectations and Interest

- Promoting proactive dialogue
- Disclosing information in a timely and appropriate manner
- Shareholder returns
- Enhancing corporate value
- Initiatives for sustainability



Shareholders & Investors



Company Employees

Relationships

We are working on measures to improve employee engagement and promote stable business operations and further business expansion with each and every employee who is supporting our growth and competitiveness.

Expectations and Interest

- An environment that allows diverse work styles
- Respecting diversity
- Providing career support and opportunities for growth
- Improving employee engagement
- Initiatives for sustainability

Relationships

We are working on environment contribution activities through our business activities and participating in initiatives with our local communities and environment with the aim of solving various social issues.

Expectations and Interest

- Reducing environmental impact
- Raising environmental awareness
- Coexisting with local communities
- Local community involvement
- Initiatives for sustainability



Local community & Environment



Together with Members and Partner Companies

Activity of Membership-based Network

Under the Principle of Customer Focus, which is one of our Action Guidelines, we have always carried out our business with courteous interaction kept in mind while considering things from the customer's perspective with "Spirit of service" as our motto. The membership network of over 38,000 companies in 66 countries and regions around the world, which has been built upon such efforts, constitutes one of our core competencies.

In addition to directing efforts to the global expansion of our membership base through utilizing digital marketing and expanding our business into new areas, we will pursue synergies across businesses in line with the purpose of segment change made in this fiscal year. We will view our members as partners in building a circular market, and make continuous efforts to create a solid and diverse membership network.

Conducting Member Questionnaire Surveys and Improvement Activities

In the Fashion Resale Business, sales & customer representative, supported by staff for operation, systems, etc., are playing a key role in working on improvement activities to respond to voices from the members across team boundaries.

With the recognition that since our members select Aucnet at the cost of commissions that are not very inexpensive, we need to provide service exceeding their expectations, we compile opinions and requests from the members on a weekly basis, discuss measures to be taken, and then, digitize the process from subsequent decision-making to the progress of such measures to share among all the members of the division. This approach for system creation and thorough operation help us to spread customer success and support our data-driven efforts.

We will listen to the voices of the members through regularly collecting information and conducting member questionnaire surveys, and enhance our collaboration between the teams and the divisions for the further improvement of our activities and the creation of services, with the aim of realizing a circulation that can satisfy customers, society and our company.

Join Initiatives with UTEcon

Regarding the validity of Gross Circulation Value (GCV) from the viewpoint of economics, we have received the GCV Report produced by UTokyo Economic Consulting Inc. (UTEcon). The GCV Report explains the methods of calculating the impact of business activities, in particular the GCV of impact on the environment, in monetary terms from an economic perspective, and UTEcon concludes that the basic idea of GCV is consistent with the idea of green accounting in environmental economics.

We have also developed Reuse Market Price Index in cooperation with UTEcon. As the first one of Reuse Market Price Index, we released a Used Car Value Index. We believe an effort to visualize indexes for used car market prices makes it possible to perfect the trend of the reuse market, which we believe is an advanced initiative in Japan.

Commitment to Circular Commerce

As a backseat player providing expert knowledge and functions, we are creating circular commerce services with various companies. For example, in a joint initiative with SENSUKAI Co., Ltd., we have co-created *kimawari fashion*, which is a home delivery purchase service for unneeded items mainly clothing. We are offering comprehensive support to primary distribution companies that want to enter secondary distribution related markets with a strategy, maximize speed of entry, or minimize risk through a service called "Selloop."

Message from the Customer Representative

Making Conscious Efforts to Propose and Realize Something One Level Higher Than Expected

Since fiscal 2024, I have been in charge of dealing with manufacturers, importers and dealers at the Automobile Business Headquarters. In carrying out my duties, I am trying to see things objectively and do things with a sense of speed. I think looking at things from the other person's point of view will increase the possibility of coming up with ideas and proposals that exceed what is expected, and being aware of the speed will speed up the realization of such idea or proposal, contributing to the improvement of productivity of my department. Under the action guideline above, I will make concerted efforts with our members and work on our duties.



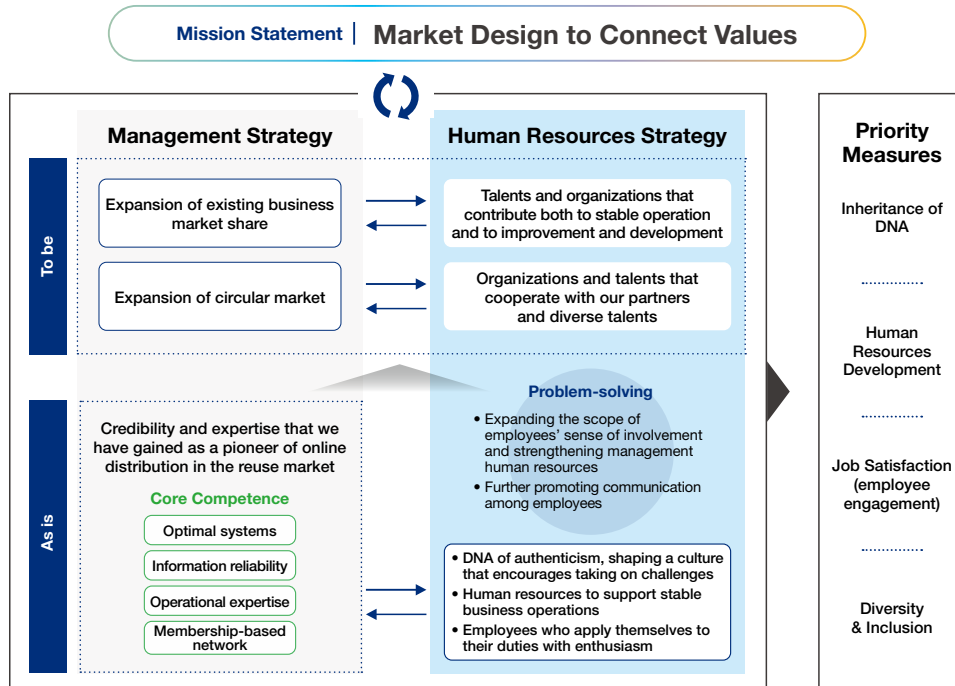
Shunsuke Seki
Dealer Business Group
Client Solutions Department
Automobile Business Headquarters
Mobility & Energy Division



Toward Achieving Co-Creation with Our Stakeholders

Together with Employees

Overall Picture of Human Capital Management



As is (status quo)

Our Company is blessed with a lot of human resources to support stable business operations, and individual employees are applying themselves to their duties with enthusiasm. We also feel that all employees have a high consciousness of the philosophy based on *Shoken-Roku*, the writings left to us by our founder, Masataka Fujisaki.

To be (vision)

We aim to create an environment that allows career development in terms of both management and specialty through the utilization of human resources based on individual capacity and performance. We also promote communication among employees, working on the fostering of an organization where innovations and improvements take place on an ongoing basis. As a market design partner, we will evolve the services of our existing businesses utilizing M&A and business collaboration, and make efforts to secure and develop human resources who can continuously create new businesses.

Inheritance of DNA

We have been designing new markets by uncovering business fields that align with the trends of the times and using technologies that are ahead of their time. Instead of imitating others, we put ourselves out in front, at the cutting edge of change. Based on our values expressed in our maxim that "A company's lifespan lasts until innovation runs out," we take on challenges that no one else has, without fear of failure. We have various systems and initiatives in place to carry this forward.

Keiei-Juku

This is a conference in which the chairperson and president tell their employees the company's roots, philosophy and policies, as well as the content of "*Shoken-Roku*," the book containing the writings of our founder Masataka Fujisaki. It is a course consisting of five two-hour sessions, and participation is mandatory for all new Aucnet recruits and managers, regardless of being new graduate employees or mid-career ones.

● Course Content (All Five Sessions)

- Lecture 1. Company Roots: Trajectory of the Founder/Enterprise Creation
- Lecture 2. Company History: From Diversification of Business to Present
- Lecture 3. *Shoken-Roku* (1) Gratitude (Outlook on Life)
- Lecture 4. *Shoken-Roku* (2) Achieving Authenticity (Outlook on Work)
- Lecture 5. Company Policies: The Deeper Meaning of Our Company Philosophy and Policies, and Our Future



Shoken-Roku



Lecture

Voice of Keiei-Juku Participants

The lectures give us an opportunity to understand how our business started, its history, and the direction to take in the future through unraveling the philosophy "authenticism" that underlies them. I have recognized afresh that it is important for us to promote business with the right attitude as a company, instead of simply chasing sales targets. In particular, I felt empathy with the expression "respect for human bonds" found in *Shoken-Roku*, which refers to our effort to cherish human bonds for us to be happy together. I have been working on my duties with this in mind every day.



Together with Employees

Human Resources Development

We believe that our people (employees) are our most valuable management resource. In the past, we used to put primary emphasis on the recruitment and education of human resources with skills to stably carry out operational tasks; however, more recently, since we have been engaged in business that is not restricted to auctions, we have been hiring more diverse human resources who share our philosophy, and have enhanced our training and personnel systems to enable each and every employee to participate to the fullest.

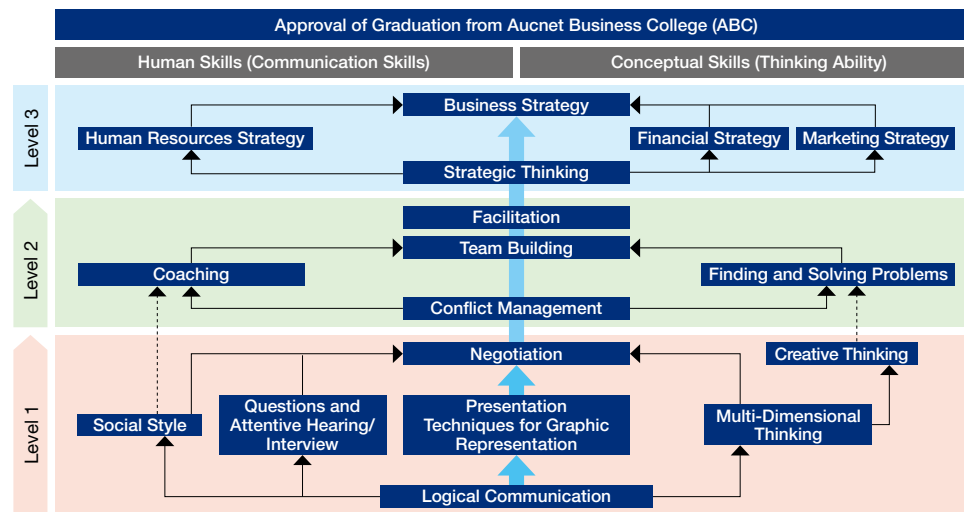
Training Program

In addition to level-specific training such as new employee training and management training as well as financial and time management training that employees can participate in voluntarily, Aucnet offers a variety of training programs, including our own “ABC” and “CENTAN” training programs.

● ABC (Aucnet Business College)

The purpose of this training is for employees to acquire the necessary business skills according to their levels. Through a systematic, progressive approach to acquiring the knowledge and skills necessary to fulfill their roles within the organization, trainees can take the initiative in considering strategies and tactics to achieve their goals. This training is linked to the revision of the personnel system, and it is also used as a requirement for promotion.

System Diagram of Human Resources Development



● Reskilling

Instead of simply viewing reskilling as “relearning,” we define it as learning skills necessary to continue to create value in a rapidly changing situation. We name the practice of acquiring knowledge and learning skills related to current duties Growth Area, and the practice of learning unknown areas to work on challenging tasks Challenge Area, and we are promoting learning programs adopting e-learning. With individual divisions conducting study sessions, we will work on the creation of opportunities for learning in a cross-functional manner.

Employee Engagement Improvement Initiatives

At Aucnet, we promote improvements in employee engagement to make ourselves a company where employees can fulfill their potential as they continue to create value. Taking as our motto “Principle of Effective Communication” set out in our employee Action Guidelines, we have established a system that enables employees to take the initiative in participating and communicating with each other, as we make efforts to enable them to demonstrate strong abilities not only individually but also as an organization.

Conducting Employee Engagement Surveys

We conduct surveys on employees’ engagement to the corporate organization for the purpose of utilizing their results for the fostering of an organizational culture, the revision of the personnel system, etc. We analyze their findings and use them when considering measures to improve our company and its organization.

New Business Creation Activity (CENTAN)

This is a new business creation activity designed to foster a culture in which employees can continuously generate innovations on their own. The title “CENTAN” is a coined word that comes from “AUCNET,” which was created by interchanging and reversing the letters to inspire a change in thinking about the inherent value within Aucnet. By conducting workshops to create ideas for CENTAN and providing training to raise the awareness of having mindsets and skills for new business creation, we are making efforts to encourage more employees to take on challenges. Until a few years ago, there were cases where individual employees submitted business ideas. Recently, however, more and more employees of various age groups and from different departments are coming up together with business ideas for submission. Intended to lead new business ideas to commercialization, this initiative involves a screening process for business ideas, and those which pass through successfully are eligible to receive investment from the company to launch the business. As part of our initiatives related to human capital and diversity, we set the number of participants in CENTAN and the number of ideas for commercialization as KPIs. In 2023, there were 28 submissions, and after rigorous screening, efforts are being made to turn three of the ideas into businesses. Messages from the awardees of CENTAN are provided on page.22.

Business Improvement Activity (KAIZEN)

Conducted twice every year, this is an activity in which all employees are invited to generate proposals for improving their work in ways that increase employee productivity. Highly effective improvement activities are shared companywide, and there is also an award system. More than a few new services have emerged from KAIZEN activities. Messages from prize-winning employees are provided on page.36.

Aucnet Awards

Held at the Management Plan Announcement Meeting at the beginning of the year, this program is intended to acknowledge employees for significant achievements they make in their day-to-day work, as well as for creative innovation activities throughout the year. It includes a New Employee Award, a Best Team Award, an Excellent Employee Award, and a Most Excellent Employee Award. Awardees are treated to a dinner and prizes enabling them to interact with the chairperson and president, which leads to the improvement of employee motivation. Messages from prize-winning employees are provided on page.36.



Together with Employees

Awardees of Aucnet Awards



Tatsuya Ueba

Digital Products Business
Strategy Office
Digital Products Business
Headquarters
Lifestyle Products Division

Received the Most Excellent Employee Award

I am in charge of the planning and promotion of trade in service, the first consumer service from the DP Business Headquarters. I have designed this service with a view to its global expansion while being conscious of it being a service leveraging the strength of Aucnet. At its development stage, I felt uneasy because I did not come up with specific companies that we would be able to provide it to, but we were able to provide this service to a number of our partners. I learned that it is important, first of all, to have a tool that can be used as a weapon, rather than just a plan. I will make efforts to continue to provide innovative services.



Koichiro Nakajima

Strategy & Marketing Group
Business Strategy Office
Automobile Business
Headquarters
Mobility & Energy Division

Received the KAIZEN Annual Grand Prix

With the introduction of KI, an analysis tool produced by KEYENCE CORPORATION as a start, I started to increase the number of human resources that can utilize data in order to strengthen the organization of the Mobility & Energy Division. From the confidence and experience acquired through about 40 years of continuing the used vehicle business, up until now, we have customarily carried out analyses and come up with measures depending on individual skills or on the sense of individuals. I have been making an all-out effort to raise the awareness of workers to evolve this custom into a culture in which a logical approach is taken based on various data. I feel the evaluation and attitude toward data analyses have gradually changed.



Yutaro Hayashi

Data Analysis Group
Infrastructure Service
Department, DX Division

Received the New Employee Award

I have been engaged in the construction of a data analytics platform to lead internal and external data to accumulation and utilization, as well as in the business utilization of machine learning models (construction of a used car value assessed price decision-aid system), and presented a paper at the Japanese Society for Artificial Intelligence, in recognition of which I received the New Employee Award. From now on, I will aim to be an expert of data analysis through participation in machine learning competitions, and make further efforts to contribute to the development of our members and the reuse industry.

Diversity & Inclusion

We are actively engaged in activities to promote diversity so that we can stimulate innovation by diverse human resources and organizations for market design in new areas. These efforts include accommodating women's life stages, as well as hiring young, senior and global human resources.

Work Styles

● Introduction of remote work and flextime systems

To create an environment to allow a flexible work style, we have introduced remote and flextime systems. To promote the utilization of the remote system, we have lent mobile personal computers to all employees of Aucnet. We are implementing the flextime system in which core time is set.

● Introduction of a subsidiary business system

Since employees voluntarily working on career development and skill improvement are expected to achieve growth, activities related to the following three points are recommended.

- (1) Activity to expand their fields or form human networks as an extension of their current duties
- (2) Activity to acquire skills that enable them to achieve medium term career development
- (3) Activity to extend their own value in highly public areas such as sports, culture and art

Active Participation by Diverse Human Resources

● Active participation by senior human resources

Since we aim to be a diverse company addressing the problem of declining birthrate and a growing proportion of elderly people, and create an environment where employees can demonstrate their value while maintaining their motivation, we are actively implementing various measures, such as the promotion of post-retirement re-employment. We have also abolished an executive age-limit system to create a system that allows capable senior human resources to continue to give full play to their abilities.

● Hiring of global human resources

Hiring excellent global human resources will be essential to our future overseas expansion, so we are actively recruiting new graduates with experience living overseas, as well as foreign national human resources and global DX human resources as a force ready to work immediately.

Promoting Health and Productivity Management*

Under the Aucnet management philosophy of "Authenticism," we will form a healthy environment conducive to work, and engage in Health and Productivity Management that supports the maintenance and promotion of employee mental and physical health so that we can grow into a company in which each and every employee can thrive and participate actively.

* Eligibility: Aucnet Inc. and five major consolidated subsidiaries

* For more details, see our website

(<https://www.aucnet.co.jp/en/sustainability/social/health/>).

Human Rights Policy

Regarding respect for human rights as one of the foundations for business continuity, we are addressing this as an important issue for management. We have established the Human Rights Policy, which was also approved by the Board of Directors. While continuing to promote respect for human rights, we will carry out business activities that respect human rights with our stakeholders.

* For more details, see our website

(<https://www.aucnet.co.jp/en/sustainability/social/>).



Together with Employees

Personnel System Reform

In fiscal 2024, we proceeded with the reviewing of our grading system, evaluation system and remuneration system, with the aim of maximizing individual abilities and aptitudes and realizing a highly transparent and fair personal system. Regarding the grading system, a “multiple-track type” grading and treatment system consisting of management line and a professional line has been adopted to improve the promotion/demotion process. Regarding the evaluation system, managers’ expected roles were enhanced for them to focus on management work, and the evaluation decision process was improved to increase the fairness of evaluation. We plan to implement a system linking employees’ attendance of ABC (Aucnet Business College) training programs, and their status of reskilling with their grade. We will introduce a position re-certification system and conduct a re-certification audit on all managers every three years after their appointment. We also revised the remuneration system for their grades and the features of their courses to be reflected on their salary increase and decrease. At the same time, we are working to enhance qualification allowances in the global and DX areas in order to develop human resources that can design future-oriented markets, while responding to new changes in the business environment.

Personnel System Concept and Its Overall Picture

Grading System

“Placing the right person in the right position”
and “Living up to the challenge”

Based on the “multiple-track type” grading system consisting of management line and a professional line, we perform personnel allocation according to individual aptitudes and willingness to take on new challenges, regardless of age and the length of service. We also secure the transparency of appointment.

Evaluation System

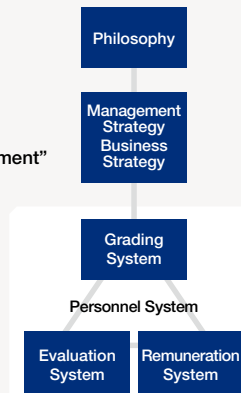
“Evaluation is an arena for human resources development”

We set the importance degree of evaluation for achievement and evaluation based on the Action Guidelines, while taking into consideration an employee’s grade and the feature of his or her position. We set goals and conduct evaluation for managers with more emphasis on their management ability than ever before. Additionally, in an effort to promote the medium-term growth of our members, we will conduct advanced one-on-one meetings.

Remuneration System

“Pay for Performance & Passion”

We set highly-transparent bonus and pay rise calculation formulas to convince employees about the fairness of their amounts. We have incorporated our Action Guidelines describing workers’ attitude into the remuneration system, which is one of the factors that makes Aucnet very unique.



Message from the Human Resources Representative

It is necessary to develop sustainable human resource strategies to support sustainable business. In tandem with the Company growth, I have been exploring the possibilities of “human capital management unique to Aucnet” that leverages its free-hearted culture. Since our founding, we have cherished people above everything else. We will renovate our personnel system with the aim of not only promoting the diversity of work styles, but also producing and developing human resources continuing to achieve growth regardless of experience and age, in order to enhance the well-being and the engagement of all the people working here.



Riki Takenouchi

Human Resource
& General Affairs Department
Corporate Management Division



Toward Achieving Co-Creation with Our Stakeholders

For Communities and the Environment

Response to Climate Change

Under our Sustainability Policy, “Circulating Valuable Goods on a Global Scale - Circulation Engine,” Aucnet has been working on the further enhancement of social and economic value, as a company contributing to a sustainable society by connecting values with market design.

* For more details, see our website
(<https://www.aucnet.co.jp/en/sustainability/environmentTCFD/#TCFD>).

Governance

We are aware that responding to climate change poses important issues for management. The Sustainability Committee, chaired by the President & CEO, works with the Risk Management Subcommittee, which manages risks to the company. They share responsibility for managing risks and opportunities related to climate change, implementing measures, setting KPIs, and reporting on progress. The Board of Directors, which is the managerial decision-making body, receives and supervises the yearly report from the Sustainability Committee on initiatives that combat climate change. In his capacity as Chief Executive Officer of the Board of Directors, the company’s management decision-making body, and as Chairperson of the Risk Management Sub-committee, the President & CEO bears ultimate responsibility for deliberations and decision-making on various issues related to addressing climate change and the environment in Management Meetings.

Strategy

Under the Sustainability Policy, we are promoting our activities from the standpoints of “offense” and “defense.” We have established the Sustainability Committee, which is chaired by the President & CEO, to conduct discussion on sustainability monthly, make a report on the status of its subcommittee to the Board of Directors annually, and utilize feedback from the board, in addition to coping with evaluation organizations and conducting external communication regarding activities for individual initiatives. The subcommittee works to improve in-house awareness of all-employees-participation-type SDGs seminars and afforestation activities, and considers doing business utilizing GCV.

Message from the Environment Representative

Under the Sustainability Policy, we are promoting sustainability-related activities from the standpoints of “offense” to connect our proprietary Gross Circulation Value (GCV) indicator to business, and “defense” to increase our corporate value in a long-term perspective. The subcommittee under the Sustainability Committee is a cross-organizational body consisting of employees selected from among individual divisions, and its proactive efforts are spreading within and outside of the Company. From now on, taking GCV as our starting point, we will build a sustainable organizational structure and expand the extent of its impact, as well as contribute to the achievement of sustainability while maintaining close communication.



Kaori Tonegawa

ESG Representative
General Planning Office
Corporate Strategy Division



For Communities and the Environment

List of Risks

Classification	Category	Financial Impact		Countermeasure
		1.5°C	4°C	
Transitional Risks	Policy and Legality	Carbon Taxes	Small — ¹	Although the introduction of the carbon tax will have negligible financial impact, from the standpoint of contributing to GCV, we will set targets for future Scope 1, 2, and 3 reductions, and consider the introduction of renewable energy and other measures.
	Market	Oil Prices	Small Small	The financial impact of transportation costs may be small, but we will consider introducing various modes of transportation, such as EVs (based on the prediction that the number of EV charging stations in Japan will increase).
		Circular Economy	Small — ¹	The impact is expected to be small because we are enhancing listings of items such as automobiles, digital equipment and luxury brand items from leasing operators.
		EV Conversions	— ² Small to medium	1) Even if the supply ratio of EVs does not increase, the financial impact will be small as the distribution of petrol vehicles will be maintained. 2) As a countermeasure to risks, joint investments will be made in battery testing and other technologies.
		Diverse Energy Sources	Small Small	Very minor financial impact.
Physical Risks	Natural Disasters	Intensification of Extreme Weather	Small Medium	Although the disaster risk of each site is regarded as limited, it will be necessary to consider disaster risk when establishing future sites. While an impact on the data center is conceivable, recovery is not expected to take much time.

Notes:

- Does not occur because the 4°C scenario assumes a world with no carbon tax increases or promotion of a circular economy.
- Does not occur because under the 1.5°C scenario, Japan's EV supply rate exceeds the overseas EV demand, and demand will be met.

List of Opportunities

Broad Classification	Intermediate Classification	Category	Financial Impact	
			1.5°C	4°C
Benefits	Market	Circular Economy	Large	— [*]
	Resilience	Reduction of Environmental Impact	Medium	— [*]

^{*} Does not occur because the 4°C scenario assumes a world with no carbon tax increases or promotion of a circular economy.

Assessing the Financial Impact on Our Business of Climate Change Risks and Opportunities

A financial impact assessment of selected risk and opportunity items was carried out. Parameters were defined for each item, differentiated as 'cost/sales,' and the financial impact was calculated.

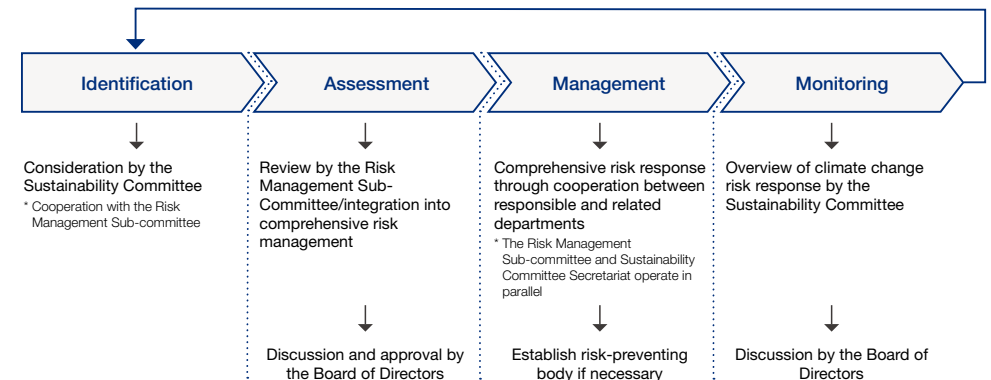
Category	Impact on Business	Parameters Used	Quantification Details	Year: 2030 (million yen)		Year: 2050 (million yen)	
				1.5°C	4°C	1.5°C	4°C
Carbon Taxes	The introduction of a carbon tax will increase operational costs (costs for facility electricity usage fees and response to greenhouse gas emissions due to shipping and delivery).	Carbon prices	Cost	-9	— [*]	-4	— [*]
Oil Prices	Rising oil prices increase the price of petrol and transportation costs.	Oil prices	Cost	-2	-5	-4	-18
Diverse Energy Sources	Increasing the share of renewable energy in the power supply sources leads to higher electricity prices and operating costs.	Electricity prices	Cost	-3	+3	-4	+13

^{*} Does not occur because the 4°C scenario assumes a world with no carbon tax increases or promotion of a circular economy.

Risk Management

Climate-related Risk Management

In order to establish a sustainability management system, we are advancing a company-wide response to climate change impacts by establishing the Sustainability Committee as a cross-organizational body that considers all matters related to climate change. In particular, climate change-related risks are identified by the Sustainability Committee in cooperation with the Risk Management Sub-committee. Risks identified by the Sustainability Committee are evaluated by the Risk Management Sub-Committee, and then, such risks are deliberated and acknowledged by the Board of Directors. In this way, climate change-related risks are managed within a company-wide risk management process.



Metrics and Targets

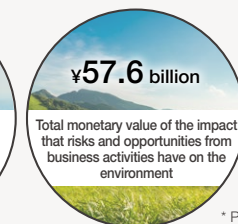
Metrics Used to Manage Climate-Related Risks/Opportunities

For details, see page 39

Gross Circulation Value

- An indicator that shows the economic and environmental impact of Auctnet's business activities in monetary terms.
- Expansion of the scale of GCV entails that things are not discarded and new things are not created, which makes this an indicator of reductions in the burdens placed on the earth.

¥618.6 billion
Economic and environmental impact of business activities in monetary terms.



^{*} Performance for fiscal 2023.

^{*} An indicator of the value that Auctnet's market imparts to the economy, and the amount of money circulated in the market. The total amount of transaction prices generated by business activities and product sales.



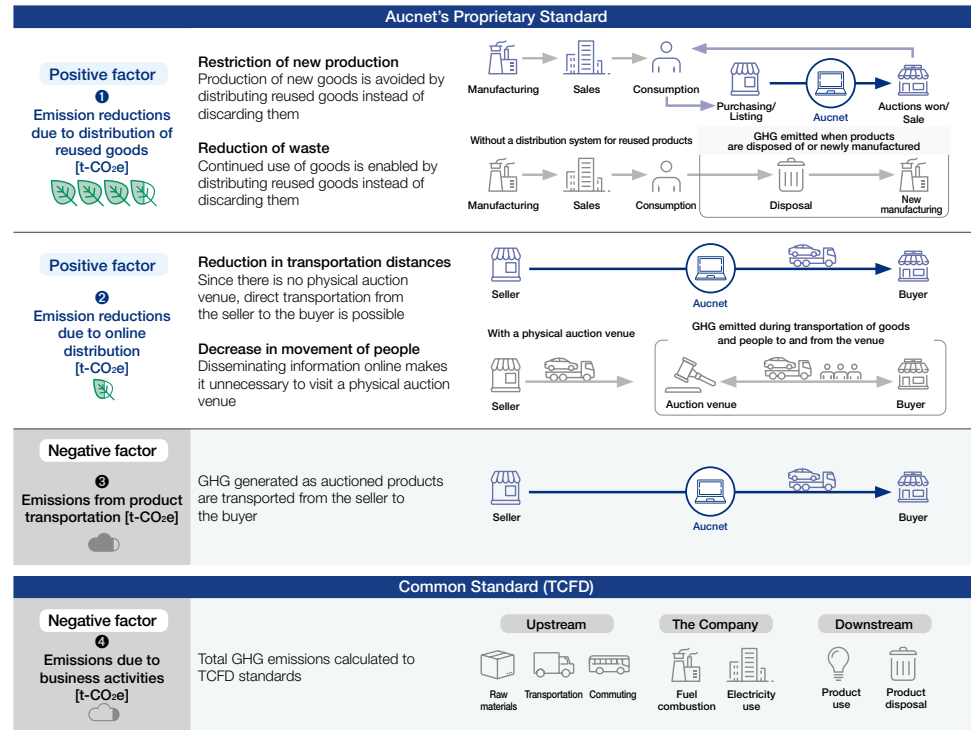
For Communities and the Environment

Environmental Contribution Figures Comprising GCV

An environmental Contribution figure comprising GCV amounts to 57.6 billion yen. This monetary figure is obtained by multiplying the internal carbon price by GHG emissions calculated from the following categories.

* Source: IEA "Net Zero by 2050" emission reduction estimate

Emission reduction estimates: = 1,000,000 t-CO₂e = 100,000 t-CO₂e Emission estimates: = 1,000,000 t-CO₂e



● GHG Emissions (Scope 1, 2, and 3)

Scope and Category	Category Description	Amount of Emission	Percentage (ref.)
		(t-CO ₂ e)	
Scope 1	Direct emissions	624	5.0%
Scope 2	Indirect emissions	1,466	11.7%
Scope 3		10,490	83.4%
Total		12,581	100.0%

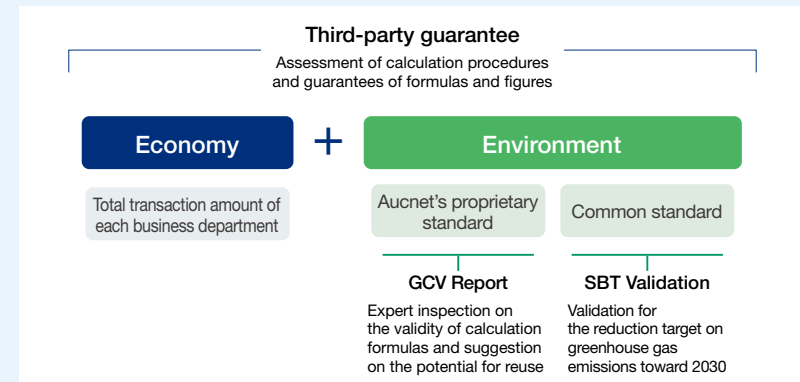
Calculation period: January to December 2023 Subject to disclosure: Consolidated subsidiaries

* Emission factors used for Scope 1: See "Manual on the Calculation and Reporting of GHG Emissions," Ministry of the Environment, Ministry of Economy, Trade and Industry.
Emission factors used for Scope 2: Emission factors of each electric utility provider, actual fiscal 2022 results
Emission factors used for Scope 3: Emissions Unit Value Database for Accounting of GHG Emissions, etc., by Organizations Throughout the Supply Chain (Ministry of the Environment), LCI database IDEAv2 (Sustainable Management Promotion Organization)

TOPICS

Creating an indicator that heightens the value of circular distribution
— Initiative to gain a third-party perspective on GCV —

We undertake a variety of initiatives concerning the reliability of environmental data for GCV, our proprietary management indicator. By promoting GCV guarantees and certification from a third-party perspective while showcasing the value of reuse, we hope to contribute to society by increasing the value of circular distribution.



Third-party Guarantee

For the GCV values from fiscal 2021 onward, a third-party guarantee has been obtained from The Association for NFI-Assurance (ANFIA), an independent organization, in order to improve the reliability of our information.

For details, https://www.aucnet.co.jp/en/sustainability/img/assurance_statement_2023.pdf

Gross Circulation Value Report

UTokyo Economic Consulting Inc. (UTEcon) produced a report on the consistency of GCV and the potential of reuse from an economic perspective. We will make use of the report to increase the value of reuse by reducing environmental impact.

For details, <https://www.aucnet.co.jp/en/sustainability/img/excerptgcvreportja.pdf>

SBT Validation

We have received SBT Validation* from the Science Based Targets initiative for our reduction target on greenhouse gas emissions toward 2030 of limiting global temperature rise to no more than 1.5°C. By reducing GHG emissions generated by our business activities, one of the components of our proprietary GCV, we will work toward the goal with high accuracy.

* An international initiative to certificate that a certain company's reduction target on greenhouse gas emissions conforms to the standards set by the Paris Agreement

For details, <https://www.aucnet.co.jp/en/news/2024/20240326-1/>



For Communities and the Environment

Aucnet Circular Distribution Lab

The Aucnet Circular Distribution Lab conducts surveys and research on various areas related to distribution in collaboration with partners from a lot of fields. For example, the lab makes a measurement of the economic impact of circular economy on consumers, explores the effects of its introduction on other companies, and conducts surveys on the possibilities of achieving SDGs by the retail and distribution industry as well as changes in brand value. With research partners supporting this laboratory, it is going to work on research, verification and the publication of findings in conformity with our Sustainability Policy, “Circulating Valuable Goods on a Global Scale-Circulation Engine.”

* Aucnet Circular Distribution Lab: An in-house laboratory launched in June 2022, based on Aucnet Research Institute. With our research partners, we are conducting investigations and research to expand the possibility of distribution transcending the boundaries between primary and secondary distribution.



Activities for Spreading Sustainability and SDGs within the Company

As part of our conservation activities for the natural environment, we have been conducting afforestation activities since 2005, in which a total of more than 1,000 employees have participated. In 2023, we conducted the first beach clean-up operation. This activity was planned and organized within the subcommittee under the Sustainability Committee, which is a cross-organizational body consisting of employees selected from among individual divisions. As part of our efforts to conserve our local natural environment, we participate in “Akasaka Aoyama: Beautiful Town, Town of Manners,” a campaign led by metropolitan Tokyo’s Minato Ward, carrying out clean-up activity in the Gaienmae district. Through these activities, we work to promote active communication among employees and coexistence with the local community.



Initiatives toward the Outside of the Company to Realize Circular Economy

Toward realizing circular economy to maximize added value while ensuring the efficient and circulative utilization of resources, a partnership called “Circular Partners” was launched by the Ministry of Economy, Trade and Industry, and the Ministry of the Environment to promote industry-government-academia partnerships. Aucnet has also participated in this initiative, joining various working groups such as one for the creation of circular economy information distribution platforms, and setting quantitative targets related to circular economy. We also continued to participate in the GX League in 2022, and since then, have been engaged in the disclosure of emission targets on its dashboard and activities of a working group formulating market rules, toward the realization of circular economy.



Initiative Participation List

TCFD Consortium



GX League



Japan Climate Initiative



Global Compact Network Japan, United Nations Global Compact

WE SUPPORT



SBT Validation



External Assessment

Health & Productivity Management Outstanding Organization 2023 (Large Enterprise category)



Eruboshi (Level 2)



Kurumin



Sports Yell Company 2024





Toward Achieving Co-Creation with Our Stakeholders

Together with Shareholders and Investors

Major IR Activities

Major IR Activities in FY2023

Dialogue with shareholders & investors	Item	Major responder
General Meeting of Shareholders	Held on March 28, 2023	All directors
Financial results briefing for institutional investors and investment analysts	<ul style="list-style-type: none"> Explanation on financial highlights, earnings forecasts and progress of medium-term management plan Online (To be distributed on the website, including the transcript of the briefing) 	President & CEO
Small meeting with institutional investors and investment analysts	Explanation on financial highlights, earnings forecasts and progress of medium-term management plan	President & CEO, and Senior Managing Executive Officer & CFO
One-on-One meetings with institutional investors and investment analysts	57 meeting held Main contents of the dialogue are as follow:	Senior Managing Executive Officer & CFO, and Manager, Corporate Administration Department

Contents of Dialogue with Shareholders and Investors

Main Theme for Dialogue

Business Model	<ul style="list-style-type: none"> A system to earn profits from commission fees and membership fees Characteristics of members of each segment
Matters related to business performance	<ul style="list-style-type: none"> Sales composition and profit margin of each segment Seasonal performance fluctuation
Medium- to long-term management strategies	<ul style="list-style-type: none"> Driver for future growth Progress of the medium-term management plan
Shareholder returns and share prices	<ul style="list-style-type: none"> Confirmation of a dividend payout ratio and a treasury stock acquisition policy A future direction for shareholder returns Awareness of share prices
Others	<ul style="list-style-type: none"> Business environment Human capital management

Feedback to the Management

Reports on a financial results briefing	Make a report on the contents of presentation materials and the contents of a question-and-answer session at a financial results briefing as necessary.
Reports on stock-related information	Make a report on share prices, trading volume, shareholder composition, etc. at a regular board meeting.
Reports on IR strategies and activities	Make a report on medium- to long-term IR strategies including capital strategies, results of such activities, challenges, etc. as necessary.
Others	Sharing of information on all matters related to the stock market

Main Results of Dialogue

Improvement of presentation materials	<ul style="list-style-type: none"> The contents of presentation materials were brushed up as a whole. In particular, pages about our corporate profile and service overview were added as reference materials to promote understanding of our business model.
Increased opportunities to interact with the president	A small meeting participated by the president was held, and also an IR meeting was arranged with the participation of the president.
Clarification of medium- to long-term management strategies	The progress of Mid-Term Management Plan Blue Print 2025 was disclosed.
Increased opportunities for shareholders to ask questions	The pre-question system was introduced at the 16th Ordinary General Meeting of Shareholders.
Changes in the consciousness of capital cost and share prices were promoted	<p>The article entitled "Management Conscious of Capital Cost and Share Prices" was released on our website.</p> <p>https://ir.aucnet.co.jp/ja/ir/management/management-2794375186959479083.html</p>

Message from the IR Representative

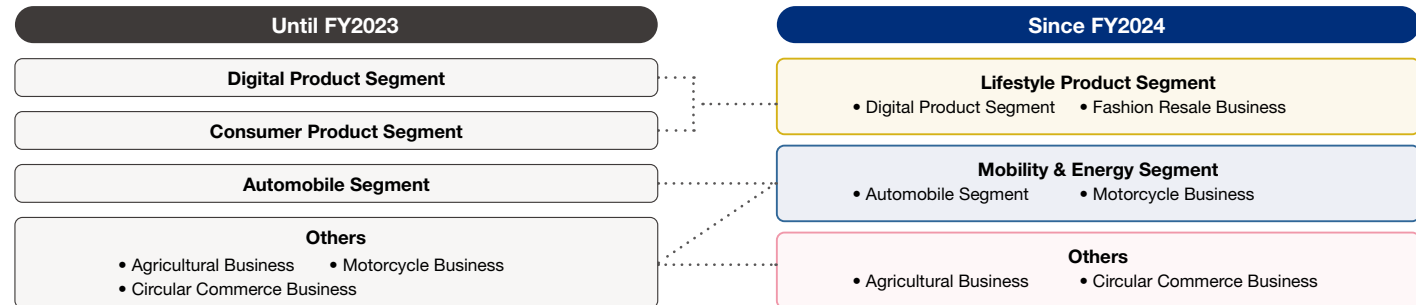
We recognize that it is important to accept opinions from our shareholders and other investors with sincerity while promoting productive dialogue with them, and properly reflect such opinions in our management to make sustainable growth and contribute to improving corporate value over the medium to long term. At the same time, in addition to collecting and controlling information and disclosing such information, we direct attention to the expansion of information disclosure and the improvement of the quality of disclosed information, and by giving feedback to the Board of Directors and the Management Meeting about useful opinions and requests obtained through discussions with our shareholders and other investors, we are building a system that can promptly reflect them in our management.



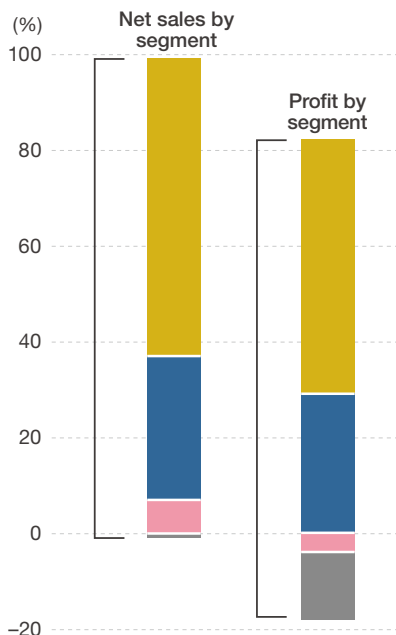
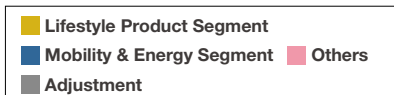
Hayami Ishikawa
Corporate Administration Group
Corporate Administration
Department
Corporate Management Division

Business Overview

Changes in Reportable Segment Arrangement



Composition of Net Sales and Segment Income (FY2023)



Lifestyle Product Segment

Products handled Used digital devices/
pre-owned luxury brand items

Net Sales ¥27,101 million
Segment Income ¥5,452 million

Business description

For used digital devices, Aucnet conducts online auctions of PCs, smartphones, etc. and offers trade-in service handling such items by utilizing the trade-in system. We also offer services targeting consumers including online auctions, in-store and e-commerce sales of pre-owned luxury brand items, such as bags, watches, and precious metals. In 2024, we are promoting the diversification of product lines by starting the handling of alcoholic beverages.



Mobility & Energy Segment

Products handled Used automobiles/
used motorcycles

Net Sales ¥13,390 million
Segment Income ¥2,980 million

Business description

For used cars, we offer various services, such as live relay broadcast auctions that broadcast auctions hosted by physical vehicle auction venues, and a proxy bidding service, in addition to used car online auctions and the shared inventory market. We also offer various services handling used motorcycles, such as online auctions, a motorbike rental business support service targeting consumers, and a subscription service. We provide reliable used vehicle inspection service for both cars and motorbikes handled.



Other

Products handled Flowers, used medical equipment,
etc.

Net Sales ¥3,120 million
Segment Income (¥364) million

Business description

For flowers, we offer various services such as online auctions and physical auctions, as well as a large-scale cultivation and sales of Phalaenopsis orchids. For used medical equipment, we also offer online auctions and various services including a succession service for dental clinics and a management tool service for medical societies. In addition, in the Circular Commerce Business, we offer consulting and BPO services that provide comprehensive support to primary distribution companies such as manufacturers and retailers developing secondary distribution systems.

* BPO (Business Process Outsourcing): It refers to the practice in which a company entrusts its businesses to an external business operator.



LIFESTYLE PRODUCTS

Lifestyle Product Segment



Purpose of Segment Change

We have established the Lifestyle Product Segment with the purpose of further expanding business opportunities in categories closer to consumers by combining the Digital Product Business and Fashion Resale Business, which have a high affinity for each other, while leveraging strategic character and expertise of both businesses, toward expanding and promoting overseas operations and services targeting consumers. In order to flexibly respond to a rapidly changing market environment, we will pursue synergies between the distribution networks and operational functions both businesses have.

Business Environment

Due to increase in consumer demand against a backdrop of rising prices and shortages of new products as well as changes in the trend for sustainability, the size of the domestic reuse market is expanding. In particular, domestic reused goods have been attracting increased attention from within and outside the country, due to customers' confidence in their high quality and safety, and rise in purchasing power of foreign customers resulting from the impact of the yen's depreciation, as well as the improved convenience of online distribution following the outbreak of COVID-19 spread. In addition, consumers' purchasing behavior has shown their awareness of not only the economic value of reused goods, but also the importance of the effective utilization of resources and the reduction of waste. This is closely related to expectations from society about circular economy, and also fits with our business model centering on online auctions of reused goods. On the other hand, reorganization of the industry of reuse markets has progressed, creating increasingly competitive landscape. With companies boasting extensive distribution scale and networks that can present unique value propositions are establishing an edge over competitors, this trend is expected to accelerate toward the future.

Strategic Policy

The Lifestyle Product Segment has set out its strategic policy for realizing sustainable growth as follows.

1. Expanding distribution networks, and diversifying products handled

By utilizing contact points of consumers of Defactostandard, Ltd. and the secondary distribution channel for alcoholic beverages of JOYLAB inc., two companies that we have newly welcomed to our Group, as well as the global membership and distribution networks of the existing Digital Product Business and the Fashion Resale Business, we will direct our efforts to the further expansion of our distribution network and the diversification of products handled.

2. Strengthening functions associated with distribution

We will strengthen functions associated with distribution through the introduction of a new auction system, the optimization of asset value recovery operations, the utilization of AI pricing tools, and the utilization of auction data. We will also cooperate with partner companies and direct our efforts to repair and recycle to maximize product value.

3. Enhancing the functions of overseas bases, and diversifying distribution formats

We will work to strengthen our distribution network from a global perspective by enhancing overseas bases in Hong Kong, Dubai, Europe, the United States, etc., develop buyers, and improve our customer service level. Through these efforts, we will build and strengthen a multi-directional distribution flow that includes not only domestic channels but also those from Japan to overseas, from overseas to Japan and from overseas to overseas. Through these channels, we will provide high-value-added services meeting the needs of our customers and support the distribution of lifestyle products, with the aim of raising our status as a provider of the infrastructure for circular economy.

Constituent Businesses and Their Potential for Future Development

Constituent Business

Digital Product Business
Fashion Resale Business

Major Products handled

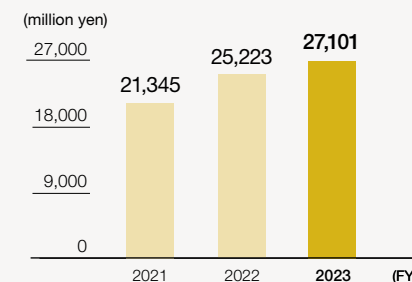
Used smartphones/PCs
Pre-owned luxury brand items/Apparel

Expanding to Peripheral Products

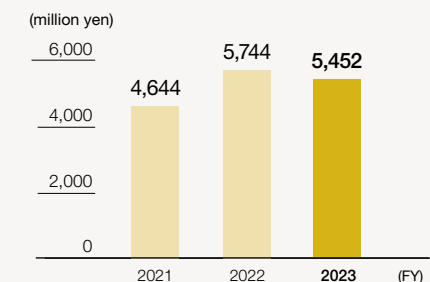
Furniture, home electrical appliances, paintings, old coins, alcoholic beverages, toys, books, sporting and leisure goods, games, media products, daily commodities, etc.

Net Sales and Segment Income

Net Sales



Segment Income



Note: New standards will be applied from fiscal 2022.



Lifestyle Product Segment

Digital Product Business



Katsuhiko Ichii

Senior Managing
Executive Officer
Digital Products Business
Headquarters DM

* DM stand for Division
Manager

Risks and Opportunities

- Sudden fluctuations in exchange rates
- Longer replacement cycles for smartphones
- Higher prices for smartphones
- Increased global competition
- Reuse potential of devices
- Changing attitudes toward reuse among manufacturers, carriers, and customers

Competitive Edge

- Strong domestic and international buyer network (approx. 1,700 companies)
- Supplier network supporting commercial distribution of over 1.5 million units per year
- Unique auction system applying economic insights
- Technology, including AI pricing
- A service model that is customizable for each supplier

Problem-solving

- Acquiring new domestic and overseas sourcing for distribution volume increase
- Strengthening overseas sales networks including new businesses and new products

The Fiscal Year
in Review

Looking back at fiscal 2023, the number of used handset items sold declined on a year-to-year comparison due to the impact of continuous trend for higher prices of new smartphones and a prolonged replacement cycle. Even under such difficult conditions, we acquired new buyers by utilizing digital marketing as well as establishing overseas bases and strengthening their functions, and revitalized auctions by diversifying our sourcing entities through the introduction of the trade-in system. These efforts led to the healthy movement of transaction prices. We also collaborated with UTokyo Economic Consulting Inc. (UTEcon) and developed and introduced new auctions based on economic knowledge, which has enabled participants to take bids equally regardless of their business type, region, scale, etc., resulting in customer success.

Future
Direction

From now on, we will aim to increase distribution volume by further strengthening sourcing and expanding our overseas sales networks. In addition, we will strengthen functions associated with distribution through the development of systems such as an e-marketplace and mobile apps, and the optimization of asset value recovery operations. We will also work to extend our value chain by utilizing AI pricing tools and collaborating with partner companies to work on repair and recycle as well as by utilizing methods such as alliances and M&A. With the aim of evolving from an “auction operator” into a “provider of the infrastructure for circular economy” that totally supports distribution, we will strengthen our organizational structure and work to maximize the value of goods that are being distributed from the time of their trade-in to redistribution.

TOPICS From an “auction operator” into a “provider of the infrastructure for circular economy”

Aucnet's Digital Product Business has increased its efforts in three areas for the purpose of maximizing the value of distributed products. Firstly, as a result of promoting the acquisition of buyers by digital marketing to strengthen our buying power, we have built a global buyer network of over 1,700 companies in about 50 countries around the world. Secondly, we have built the most precise grading system in the industry that divides items into 16 types, with a view to realizing reliable auctions in which customers can buy goods at ease without seeing the actual goods. Since the introduction of an AI grading system in 2023, we have realized quality evaluation with higher accuracy. Thirdly, with the aim of building auctions that allow various buyers around the world to participate in simultaneously and equally, we started to collaborate with UTEcon in 2021, and have developed

and introduced new auctions based on economic knowledge. With this service beginning to become well-established and enter into a full-fledged phase in 2024, we have been aiming to maximize the value of goods being distributed.

In addition, against a social background in which SDGs are taking hold and many companies are reinforcing their efforts to realize circular economy, the Digital Product Business started to provide the service using an online trade-in system to three alliance partners and has launched the service using the trade-in system for our corporate members. By combining these trade-in systems and the residual value predicting AI developed in collaboration with UTEcon, we will realize the provision of an infrastructure for circular economy that allows us to trade in devices from users at optimum prices and resell them globally.



Lifestyle Product Segment

Fashion Resale Business



Yasuto Saito

Senior Managing
Executive Officer
Fashion Resale Business
Headquarters DM

Risks and Opportunities

- Increased competition due to rapid growth of emerging companies
- Manufacturers' entry
- Expanding resale fashion market
- Increase in inbound business demand
- Growing interest in vintage items among Millennials and Gen Z

Competitive Edge

- Checking, inspecting and grading techniques to support information distribution that have been cultivated for more than 30 years since establishment
- BtoB auctions with the largest scale in the industry (transaction amount: approx. 55.7 billion yen/ number of listed items: approx. 1.06 million (fiscal 2023))
- Domestic and overseas membership-based network with the largest scale in the industry (approx. 4,800 companies)
- Low-cost operations handling one million items per year
- Synergies between BtoB business and business targeting consumers

Problem-solving

- Differentiation in the increasingly competitive domestic BtoB market and its growth maintenance
- Creation of global to global distribution
- Synergies between operational companies

The Fiscal Year
in Review

In fiscal 2023, as the economy was showing a recovery trend following the convergence of COVID-19 infections, consumers' purchasing desire for brand-name products increased, and inbound demand also increased spurred by the weak yen, which resulted in stimulating foreign tourists' purchasing interest. Partly due to this situation, this business was able to achieve growth.

In BtoB business, in addition to seeing a lot of new members use our service by utilizing digital marketing, we collaborated with major partner companies, and achieved increase in the number of high unit price items we handled, which resulted in the expansion of our transaction amount.

In business targeting consumers, while a lot of foreign tourists purchased our products due to increasing inbound demand, there was a prolonged downturn trend of commodity market prices from the second half of the year. To cope with this, we implemented measures for purchasing and selling control, but the gross profit margin fell below our expectations.

Future
Direction

In BtoB business, in addition to conventional auction service, we will start to offer services following the trend of the time, such as Wholesale, which sells products overseas in a mall format, and LIVE Commerce, which sells products through live streaming, aiming to further growth of our platforms.

In the business targeting consumers, Gallery Rare Ltd. will open a new store and develop a purchasing system to promote the purchase of many high-quality products. VALTIQUEVINTAGE, an e-commerce platform that sells high-end brand vintage items, aims to raise recognition, actively conducting promotional activities such as pop-up events. kimawari fashion, a home delivery purchase service for clothing, which we co-created with SENSHUKAI Co., Ltd. will strengthen its operation system in order to further support the business growth of our partner companies and their environmental contributions.

Overseas, in addition to strengthening customer service in line with the growing number of new members, the business bases in the United States and Europe will accelerate the process of building systems including operational functions considering high needs for local distribution.

TOPICS

Toward being Tier1 service provider in the resale fashion industry

With the aim of expanding the field to C and strengthening synergies between this field and the field to B, we have acquired Defactostandard, Ltd., a company engaged in the purchase and sale of brand-name products, and JOYLAB, inc., which engages in the purchase and sale of alcoholic beverages, as our subsidiaries in 2024. By this, the transaction amount of the Fashion Resale Business will grow to be worth approx. 70 billion yen. This is aimed at increasing market size in order to gain competitive advantage in the resale fashion industry with an increasingly competitive landscape. Defactostandard, Ltd. operates Brandear, a purchase and sales service handling pre-owned luxury brand items. With its total number of users of purchase service exceeding 4 million, it has the advantage of being well known among consumers. Since GALLERY RARE Ltd. also offers a purchase and sales service handling pre-owned luxury brand item, it seems that cannibalization will take place and overlap target customers. However, since GALLERY RARE mainly carries high-end products, and Brandear middle range products, there will be no

overlapping of target customers. Going forward, as an effort for PMI*, we aim to maximize synergies by improving operational efficiency of distribution channels such as purchase operations, center operations and auction operations, as well as by sharing our operational expertise for each service.

JOYLAB, inc. offers MyCellar, an app that provides a purchase and sales service handling alcoholic beverages, and information on asset management and appraisal prices. JOYLAB offers various appraisal and purchase services, and has the advantage of its secondary distribution channel for alcoholic beverages being one of the largest in Japan. Many of our existing members have expressed their desire to start the handling of alcoholic beverages, and since having acquired JOYLAB as one of the subsidiaries make it possible to expand the distribution channel to cover even the to B business, the improvement of profitability and the enhancement of competitiveness are expected.

* PMI (Post Merger Integration): refers to the integration process after a merger or acquisition (M&A).

MOBILITY & ENERGY

Mobility & Energy Segment



Purpose of Segment Change

Looking at various changes around the conventional business domain such as the evolution of auto technology, the development of electrification and autonomous driving, the diversification of mobility service as opportunities, we have combined the Automobile Business and the Motorcycle Business to establish the Mobility & Energy Segment with the aim of promoting new strategies covering various fields including the energy field. Taking advantage of business expertise, we have acquired through promoting the secondary distribution of used cars and motorcycles, we will advance our business to contribute to the realization of sustainable and efficient society through services in the new next-generation mobility field.

Business Environment

Although the market for used cars and motorcycles, the business area to be covered by this segment, has experienced some fluctuations depending on the year under the influence of the COVID-19 spread and currency movement in recent years, it has been generally remaining stable. However, in fiscal 2023, triggered by the issue of illegitimate receipt of insurance money, consumers came to have a negative impression of used cars, and its impacted lasted during the year. Under such circumstances, since it has become necessary to restore consumers' trust in the industry, we expect that demand for fair and impartial inspection services provided by AIS Inc., a leading company specialized in used vehicle inspections in the industry as a third-party organization, will further increase in the future. Additionally, the popularization of EVs, the improvement of autonomous driving technology, and the diversification of mobility services following them are closely associated with not only the mobility field including the market for used cars and motorcycles, but also the energy infrastructure of local communities and the renewable energy field. The realization of a secondary distribution solution combining various circulations that only Aucnet can provide is desired and expected.

Strategic Policy

The Mobility & Energy Segment has set out its strategic policy for realizing sustainable growth as follows.

1. Strengthening synergies and a value chain between existing businesses

By promoting sharing and efficiency in terms of the membership-based network, operational functions, and marketing in the Automobile Business and the Motorcycle Business, we will increase synergies between these businesses. In addition, by strengthening existing services and functions and making new proposals combining them, we will promote comprehensive business alliances leading to the expansion of a value chain side-by-side with partner companies.

2. Responding to the diversification of mobility services associated with technological innovation for electrification and autonomous driving

We are accelerating our efforts toward the establishment of a proper evaluation standard for used EVs and the creation of a reuse and repurpose scheme for EV batteries. We will establish evaluation standards for batteries serving as industry standards in the secondary distribution market for used EVs that is expected to expand in the future, and contribute to maintaining distribution with transactions at appropriate prices. We are also expecting to collaborate with various partners in local communities including not only business institutions but also local governments in the future. For example, we think it will become possible to support the energy infrastructure of local communities by utilizing EV batteries that are rarely recyclable as tools for mobility as secondary batteries, and that we can contribute to the promotion of circular economy by creating a resource-circulating ecosystem.

Through making these efforts, we will aim to create new business models in the mobility and energy field that is going through dramatic changes, and establish a circular platform contributing to the realization of a sustainable and efficient society.

Constituent Businesses and Their Potential for Future Development

Constituent Business

Automobile Business
Motorcycle Business

Major Products handled

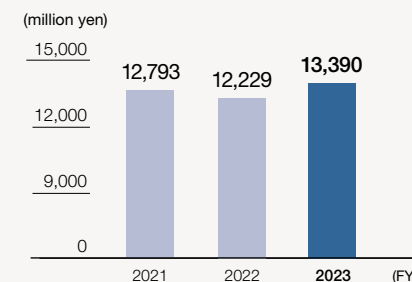
Used cars
Used motorcycles

Expanding to Peripheral Products

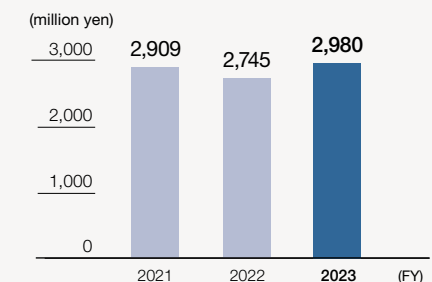
Electric kick scooters, bicycles, agricultural instruments, car supplies, drones, storage batteries, EV batteries, solar panels, etc.

Net Sales and Segment Income

Net Sales



Segment Income



Note: New standards will be applied from fiscal 2022.



Mobility & Energy Segment

Automobile Business



Satoshi Ohata

Managing Executive
Officer
Automobile Business
Headquarters DM

Risks and Opportunities

- Maturation of the domestic used vehicle market
- Overseas growth markets
- Intensifying competition due to entry of manufacturers, etc.
- Alliances and collaborations with different industries
- Shift to EVs
- Change from ownership to use
- Credibility on the entire used car industry
- Impact of exchange rate fluctuations on transactions

Competitive Edge

- Used vehicles inspection system
- Over 35 years of operational expertise
- Convenience of online auctions
- Total support for members, from inspection to distribution
- Partnerships with over 100 physical sites

Problem-solving

- Responding to the diverse needs of each customer
- Support for EVs
- Performance susceptible to the used car market

The Fiscal Year in Review

In fiscal 2023, the exposure of irregularities by major used car dealership immensely shook the entire used car industry during the year. However, the number of used vehicles listed in the used car auction market rose to 14.6% from the previous year to 7.96 million units*, while the total number of used vehicles sold at auctions rose to 9.6% from the previous year to 5.17 million units*, resulting in greatly exceeding the performance of the previous year. The Automobile Business also operated along with the booming used car auction market, and the number of auctions won steadily increased in live relay broadcast auctions and proxy bidding service. As for used car auctions held in-house and the shared inventory market, where members' in-store inventory are shared and traded, there remain some issues to be addressed in terms of the increasing number of members and the promotion of utilization, but we will continue to direct our efforts toward improving their convenience and support systems. In the used vehicle inspection service, demand for inspections conducted for a used vehicle listing platform continued to be high, which became a key factor that the number of vehicles inspected annually stood at a record high.

* Source: the 2023 U-Car Full Data Book and Export Quotation Book

Future Direction

In addition to improving services that have been developed to date, such as strengthening our response to members through further promoting customer success activities and improving convenience by system modification, we will work to expand our business into new areas by forming comprehensive alliances with partner companies through promoting new proposals and business alliances that combine such existing services. We will also give full consideration to new services related to predicting future car prices by means of AI utilizing extensive vehicle data based on the performance record we have accumulated up to now, and visualizing environmental contributions in consideration of the trend toward sustainability. We will also advance far-sighted initiatives including the expansion of global business allowing us to expand market penetration both within Japan and overseas, and the creation of evaluation and distribution system for batteries compatible with not only conventional vehicles but also EVs with the aim of further growth.

TOPICS Promotion of new businesses with a view to future profit opportunities

In May 2024, by additionally acquiring shares of MOTA Inc. to increase our shareholding ratio to over 20%, we announced that we had made the company an affiliate accounted for under the equity method, and that we would advance collaboration at a higher level. MOTA Inc., which is engaged mainly in providing a comprehensive appraisal service to customers at the time of car selling, has been directing its efforts to web marketing with its unique scheme, leading the industry in terms of the number of inquiries for purchase.

I believe we can establish a highly profitable business model with a high barrier to entry by combining the operational expertise for auctions we have cultivated over more than 35 years (our auction system, nation-wide network of buyers, on-site inspection system, and vehicle quality evaluation system) and MOTA Car Purchase.

Specifically, our operational expertise will make it possible for MOTA Inc. to

build auctions and expand its sales channels, and additionally, providing our vehicle inspection expertise will lead to increasing trust from users. At the same time, it will also become possible for us to handle vehicles of MOTA Inc., which is expected to lead to acquiring more vehicles listed at auctions and increasing points of contact with consumers. Since it is not only the direct impact from them becoming an affiliate accounted for under the equity method, but also the above auction collaboration that can further increase synergies, we will work to further revitalize the distribution of used cars in the future while exploring what the distribution of automobiles should be by building a solid cooperative structure and pursuing synergies.





Mobility & Energy Segment

Motorcycle Business



Hirosuke Fukuda

Executive Officer,
Motorcycle Business
Headquarters DM

Risks and Opportunities

- Maturation of the domestic market
- Shift to EVs
- Tighter emission regulations
- Potential needs of young people

Competitive Edge

- Diverse channels
- Used motorcycle inspection system
- Nationwide distribution and membership-based network

Problem-solving

- Improvement of operational efficiency
- Expansion into an overseas market
- Approaching the young generation

The Fiscal Year in Review

We are offering various services such as a distribution service by online auctions and the shared inventory market, Moto Auc, a motorcycle rental service and ME:RIDE, a subscription service both targeting consumers, and in fiscal 2023, we were able to improve profitability in all of these services on a year-to-year comparison. In particular, although the used motorcycle market was showing a declining trend among our auction services, we succeeded in providing BPO services to leasing companies and purchase traders as well as in securing exporters through collaboration with the Automobile Business, which resulted in the number of motorcycles auctioned and sold, and greatly exceeding the performance of the previous year. Moto Auc also performed well in terms of the number of motorcycles in operation. ME:RIDE, despite there remaining a problem of how to attract customers, directed efforts to increasing the number of vehicle models handled and improving web contents.

Future Direction

For the growth of existing services such as auctions and the shared inventory market, we will continue to expand BPO services to leasing manufacturers and purchase traders, revitalize shared inventory through strengthening partnerships with exporters, expand overseas sales channels, and strengthen operational activities responding to the needs of customers, with the aim of revitalizing distribution.

In particular, regarding the expansion of overseas sales channels, we will make further efforts to promote the cultivation of exporter members along with the Automobile Business, considering domestic market forces showing a year-to-year declining trend.

Furthermore, in addition to integrating consumer services such as a rental service and a subscription service and improving customer convenience, we will give consideration to new membership services and distribution schemes, increase the number of products handled and take on the challenge of developing new services centering on EV motorcycles with the aim of achieving sustainable growth.

TOPICS Promotion of new businesses with a view to future profit opportunities

In the used motorcycle market during fiscal 2023, the number of used mini-sized motorcycles (engine displacement over 125 cc and under 250 cc) sold fell 3.2% from the previous year to 121,000 units*, while the number of small-sized used motorcycles (engine displacement over 250cc) sold fell 5.6% from the previous year to 78,000 units*. Under such circumstances, the Motorcycle Business is giving active consideration to expanding sales channels mainly into the Middle Eastern region and M&A and business alliances with a view to promoting overseas operations, in addition to directing efforts to strengthening partnerships with exporter members partnerships and reaching new exporter members in the existing shared inventory market.

By expanding Japan-to-Global or Global-to-Global transactions, we will establish a circular market in the mobility & energy field, aiming for further growth.

Regarding electric motorcycles, we entered into the leasing and maintenance business for electric motorcycles for business use in July 2022. While receiving the supply of vehicles from Honda Motorcycle Japan

Co., Ltd., we are expanding our business expecting to lease such vehicles to various customers such as small to medium-sized companies, sole proprietors, and member stores participating in auctions across the country that have already been using business motorcycles with a gasoline engine. The electric business motorcycle market that has been expected to grow in recent years is taking the style of mainly leasing vehicles to major companies, which, however, has created a challenge that sole proprietors find this hard to use. In response to this challenge, in January 2023, we started the lease sales of electric business motorcycles for delivery partners of Wolt Japan Co., Ltd. Thus, we will continue to work on our business activities with the aim of achieving a sustainable society through promoting consideration for the environment.

* Source: Statistical data of the Japan Light Motor Vehicle and Motorcycle Association





Agricultural Business



Susumu Ozaki
Executive Officer,
Agricultural Business
Headquarters DM

Risks and Opportunities

- Spread of online transactions
- DX throughout the entire flower industry
- Increase in demand for consumer spending
- Increase in import transactions
- Increase in production and distribution costs

Competitive Edge

- Low-cost and speedy logistics network
- No commissions charged to the wholesaler
- Synergies with group companies
- Strong network with growers and buyers

Problem-solving

- Buyer distribution concentrated in eastern Japan
- Issues by changes in labor regulations for logistics companies (the Year 2024 logistics issues)

The Fiscal Year in Review

In fiscal 2023, following the downgrading of COVID-19 to category five according to the Infectious Diseases Control Law, with people starting to return to markets, business demand for marriage and funeral service is on a track to recovery, however, the entire market did not recover to the pre-COVID-19 pandemic level. Despite such circumstances, we proactively worked on new initiatives such as the expansion of distribution business by fostering loyal customers, the fresh attempt of off-market distribution to launch Sanchoku Service, which is a direct-from-the-farm model, and the product development exhibiting group synergies with Kinuta Flower Auction Co., Ltd. and Grand Bouquet Otaki Limited, leading to increase in our transaction amount.

In addition, the full renewal of ba*net, a flower market service for growers, has made it possible to unify the management of sales information on the web, realizing the improvement of market transparency and enhancing assistance to farm management.

Future Direction

In addition to further enhancing customer success by providing services tailored to the transaction status of our members, we will pursue synergies with group companies. In the future, we will further promote collaboration between the markets and establish a system between Kinuta Flower Auction Co., Ltd. and Aucnet that allows each buyer to freely participate in either market. With Garand Bouquet Otaki Limited, we will focus on supplying phalaenopsis orchids to our group on a priority basis, and on strengthening partnership with Zoto no Madoguchi, a service for obtaining phalaenopsis orchids for corporate customers, in order to improve the profitability of the group as a whole.

As countermeasures against the Year 2024 logistics issues, we will aim to maintain and improve distribution quality by promotion of Sanchoku service, improvement of work efficiency at logistics centers and utilization of new regional depots.

TOPICS Starting Activity in Kansai Area Based in Kyoto Center

In fresh flower distribution, due to the nature of products handled that rapidly deteriorate with time, how to deliver products while maintaining their quality is always critically important. Therefore, since we used to collect flowers cultivated in various areas in the country to the logistics center in Kanto before delivering them to buyers' shops, we could provide service only in and around the East Japan area. Even now, there is no market that can support nation-wide delivery service. In order to break out of this status quo and scale up the business, in 2023, we established the Kyoto Center serving as a logistic hub in Kansai, and since then, we have actively carried out investment and advanced preparations toward expanding our service in the Kansai area. The operation of the Kyoto Center that enables the expansion of delivery area will increase opportunities for flower shops and garden centers located in the Kansai region to be our members, which will lead to the stabilization of the market due to the expansion of the membership-based network as well as the expansion of product assortments due to rise in purchasing power. In addition, if growers use the logistics center

serving as a relay exchange point between Kanto and Kansai, they can streamline transportation and achieve efficient distribution. This will bring various advantages such as being able to deliver products to customers while keeping their quality, in addition to the expansion of sales channels and the stabilization of the market prices.

We will first work on the development of services for the next-generation growth in the Kansai area while expanding the network with cooperative customers introduced by the existing customers and members who are facing problems related to purchase and the management of shops and evolving customer success.





Circular Commerce Business



Masahiro Fujisaki
Managing Executive Officer
Circular Commerce
Business Division DM

Risks and Opportunities

- Increase in interest and attention in sustainability
- Expansion of Company's effort for sustainability
- Expansion of primary distributors' effort into secondary distribution area
- Increase in competition for sustainability support service

Competitive Edge

- Diverse channels and connections including existing membership-based network
- Extensive operational expertise accumulated in other existing businesses
- Expertise on distribution data utilization and product value calculation

Problem-solving

- Construction of operations suitable for products and characteristics of individual industries

The Fiscal Year in Review

One year has passed since we renamed our healthcare-related business the Circular Commerce Business in January 2023. This business aims to return the products that were sold once or became unneeded by using various approaches such as resale, auctions and recycling in order to circulate them in the market. During the past one year, I have realized that primary distributors such as manufacturers and retailers have great interest in the secondary distribution area, and received many inquiries from them. Meanwhile, we, as a healthcare-related business, have promoted our business for diverse channels in the medical industry, such as D-Transit, a succession matching service for dental clinics, and Menergia, a management tool service for medical societies, in addition to working on auctions of used medical equipment as before.

Future Direction

Seeking partnerships with various industries, we strive for the creation of a circular market. Presently, we are proceeding with some projects to create a platform to redistribute products with primary distributors such as major manufacturers. While implementing PoC* as necessary, we will aim to release services and achieve contribution to profitability eventually. At the same time, we are offering BPO services that comprehensively support operations for secondary distribution of products including medical equipment to a number of leasing companies. We will continue to direct our efforts to conventional medical-related services and make maximum use of our secondary distribution expertise to achieve a balance between solving the social issues of sustainability and profitability.

* PoC (Proof of Concept): testing the feasibility of new ideas, technologies, etc.

TOPICS Steadily realizing circular market design service

We will work to solve distribution issues faced by various industries to design a circular market transcending the boundaries between primary and secondary distributions that achieves a balance between response to sustainability and business profitability.

At the Circular Commerce Business, we support primary distributors in the following three areas:

1. Improving LTV* of existing customers

We will create new contact points for existing customers and expand opportunities to earn profits including the uncovering of inactive customers.

2. Creating new customer contact points

We support primary distributors to ensure that new customers acquired through secondary distribution will lead to the expansion of their primary distribution business.

3. Visualization of environmental contributions and corporate branding

By presenting customers' environmental contributions in a visualized manner, we will improve their brand value for consumers particularly aware of SDGs and sustainability such as those in Generation Z, and support the primary distributors in a way that such effort will concretely contribute to their profit growth. In the midst of a social climate that questions the responsibilities involved in production and use, as we

receive many inquiries from primary distributors feeling the need of responding to sustainability, we are giving consideration to measures related to assistance for ITOKI SHARED VALUE CO.,LTD. to create a platform for used furniture distribution, as well as for apparel-related primary distributors' effort to create customer contact points and maintain sales prices. (For details, see page 51)

Going forward, in addition to making environmental contributions, we will invite primary distributors as our partners and achieve the creation of services leading to their stable profit increase, and support our partners for the improvement of their social and economic value.

* LTV (Life Time Value): Used as an indicator to show the total benefits a customer is expected to bring to a company during the period after the customer starts to use the company' service until terminating its use.



Business Special Feature:

Aucnet's Goal of Building a Circular Distribution System

Comprehensive support using Selloop

Selloop is a long-term co-creation type BPO assistance service designed to support partner companies considering the entrance into secondary distribution by providing consultation, PoC assistance and technical functions. It aims to apply Aucnet's capabilities including techniques and expertise that we have accumulated in our reuse business in the operations of our partners to provide new value to their business. By using the system of secondary distribution, Selloop can generate customer engagement and profitability of recycling and reuse, and create customers' buying motivation with its point system.

We want to maximize speed of entry while minimizing risk

We want to help create a sustainable society

We want to enter secondary distribution related markets with a strategy



✓ Introduction of purchasing services

✓ Introduction of sharing services

✓ Redistribution that does not damage brand value

✓ Introduction of subscription services

✓ Optimization of reuse and recycling

✓ Calculation of environmental impact

✓ Improved customer experience with returns and exchanges

✓ Returned and excess inventory redistribution

and more

 **Selloop** provides comprehensive support.

Starting collaboration with ITOKI SHARED VALUE CO.,LTD. toward creating an "office furniture reuse distribution platform"

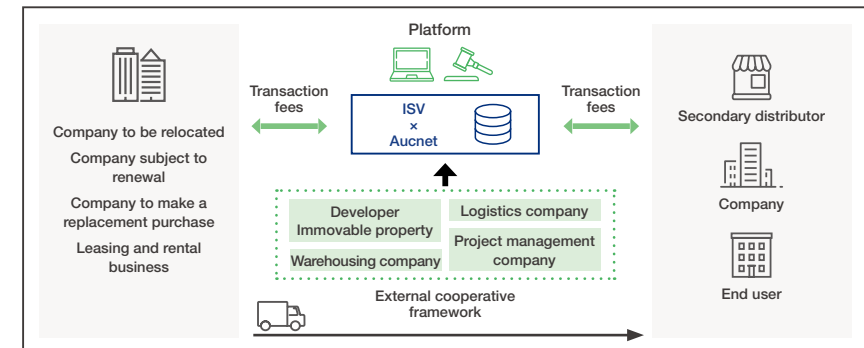
Background

In recent years, as companies' social responsibility increases toward the realization of a circulation-oriented society, primary distribution companies are required to work on the promotion of circular economy. Aucnet is going to examine the feasibility of an office furniture reuse distribution platform to maximize opportunities and value of used office furniture that are still usable generated as a result of renewal or relocation of offices with ITOKI SHARED VALUE CO.,LTD. (hereinafter referred to as ISV), ITOKI Corporation's group company handling the business of sharing environment-conscious office furniture and fixtures.

Outline of the office furniture reuse distribution platform

This platform will provide an online auction system allowing the transaction of used office furniture to membership users. It aims to realize a system that facilitates selling procedures by helping companies and organizations to comfortably and smoothly put out items for auction through the utilization of the expert knowledge and know-how of environment-conscious business that ISV has accumulated and the network of Itoki Group*, as well as by utilizing the operational expertise, the system infrastructure and the redistribution network owned by Aucnet.

* It refers to the group that includes Itoki, a 100% owner of ISV, and its subsidiaries.



Effect of the Initiative

The initiative allows companies and organizations to apply for exhibition registration to put out used office furniture on auctions beforehand and have opportunities to sell them, which will enable them to realize the maximization of resource value, the reduction of disposal costs, and the reduction of greenhouse gas emissions. Such purchasing companies and organizations can also expand their procurement opportunities, which will contribute to their efforts toward creating a highly convenient system.

In addition, based on the concept of our GCV, we will implement measures to bolster efforts for social contribution such as ones promoting carbon neutrality and circular economy by visualizing the reduction of greenhouse gas emissions resulting from the promotion of the secondary distribution of office furniture, and by feeding back findings to companies and organizations that utilize this service.

Going forward, we will explore the ways to utilize the distribution platform and the information assets of this service for the collaboration with primary distribution sales and the visualization of residual value of office furniture, as well as for the development of circulation-oriented products and services.

Outside Directors Roundtable Discussion



Michi Handa (Sasano)

Outside Director
(Audit & Supervisory
Committee member)

Toshio Maki

Outside Director

Seiichiro Umeno

Outside Director

Ikuo Kaminishi

Outside Director
(Audit & Supervisory
Committee member)

Megumi Tsukamoto

Outside Director

* In the dialogue transcript, she is identified with the name "Sasano," her registered name as a certified public accountant.

Turning Environmental Contribution to Power to Earn. Carrying Out Thorough Discussions on Medium- and Long-Term Strategies to Further Improve Corporate Value

Riding the tide of circular commerce, Aucnet, which is expanding business centering around reuse business, has entered an important phase leading to further growth. At a Board of Directors meeting, external directors are carrying out thorough discussions about future perspectives and strategies leveraging their expertise. Five external directors are having a round-table discussion here to show its situation.

Materializing Compatibility Between Environmental Contribution and Profitability to Increase Aucnet's Earning Power

Sasano: Generally, it is recognized as challenging for a company to make environmental contribution and profitability compatible. However, since Aucnet is originally a company engaged in secondary distribution, it is comparatively easier for us to ensure the compatibility with profitability, riding the tide of circular commerce. This is an aspect that many people expect of us. It doesn't mean, however, all the businesses we engaged in were successful. Some of them failed. I think it's important to determine promising fields by maximizing the accumulated know-how and the present platform.

Umeno: I agree. In the circular commerce field, we need to address the challenge of how to generate revenue while strictly controlling costs from now on. However, since our business has an extremely high affinity to sustainability, I think we find ourselves in favorable wind conditions.

Kaminishi: Because our company is anchored by the reuse business, what we do is directly linked to Sustainable society. By further expanding our business area by means of circular commerce in the future, it will become possible for us to be a leading

company in the sustainability-oriented era. A key to achieving that will be becoming the first one to invest people, goods, and money with surgical precision and build a business model to generate revenue.

Maki: Regarding the viewpoint of how to improve profitability, we have taken a small start approach to launch businesses, but from now on, we need to change our mindset and direct our gaze to how we can earn substantially. Since the fields of solid-state batteries, medicine, and solar power generation require considerable initial investment, which can increase business risks, it might become necessary, for example, to launch a co-creation project with an auto manufacturer or a trading company, instead of working on their commercialization by ourselves.

Umeno: I recognize that the EV batteries mentioned just now will be one of our most important pillars. Thinking about the future five years from now, in terms of infrastructure development related to technical matters and human resources as well as system development, it will become even more important to devise strategies such as affiliation.

Tsukamoto: Since it's not too much to say our company's business is equal to environmental contribution, it is natural to ensure the compatibility with profitability, which holds great promise for the future. On the other hand, we are faced with another challenge that

our company is still less known to the world. I believe it is essential to come up with good ideas such as one for branding in order to improve awareness of our company so that the existence of the Aucnet Circular Distribution Lab^{*1} and our proprietary indicator, GCV^{*2}, will be something everyone knows in the entire industry of secondary distribution.

^{*1} Aucnet Circular Distribution Lab:

An in-house laboratory launched in June 2022, based on Aucnet Research Institute. With our research partners, we are conducting investigations and research to expand the possibility of distribution transcending the boundaries between primary and secondary distribution.

^{*2} Gross Circulation Value (GCV):

Aucnet's proprietary indicator showing in monetary terms the impact of business activities on the economy and the environment



Enhancing Development of Human Resources for Market Design to Connect Values

Maki: In order to expand our business areas and improve profitability, it will be essential to develop human resources who can not only be aware of challenges in secondary distribution, but also understand how such challenges are associated with social and environmental issues. If an increasing number of people find fulfillment in working for Aucnet, it means that we will have a lot of people who want to transform secondary distribution. Therefore, I think we should broaden our appeal by setting specific numeric goals for human resources quantitatively and qualitatively.

Umeno: I have always been keenly aware of our employees' enthusiasm for their work. I also feel that explainers at Board of Directors meetings also share the same enthusiasm. Our employees take pride in their work, and I recolonize that Aucnet is the company where such enthusiastic workers can continue to grow. Recently, there has been an influx of external human resources due to M&A, which is causing activation. However, in terms of diversity, there are still some areas to be expanded such as the appointment of female employees to manager level positions and the recruitment of foreign employees, which I think is also one of the challenges that should be addressed in the future.

Kaminishi: The most remarkable thing about our company is that our employees are connected at a fundamental level by a corporate identity centering on Shoken-Roku, the book containing the writings of our founder, is still serving as a foundation for our corporate culture. Also, I heard the turnover rate of employees is quite lower than that of other companies. We have conducted

mid-career recruitment mainly for acquiring specialists, but from now on, it will be necessary to constantly examine if previous approaches can continue to work toward the further expansion of the organization. In terms of a human resources aspect, it is important to further evolve our identity and enhance the development of regular workers. For the purpose of discovering new horizons, I think it's important to promote overseas education and temporary transfer, and also encourage them to do whatever they like. I believe the comprehensive strength of an organization depends on enhancing the development of human resources.

Maki: Our company invites external directors to enjoy site tours, and organizes events to present business plans attended by all employees, where we have opportunities to associate with a lot of employees. When I attend such events, I always feel there are so many faithful people. One thing I am concerned about is that since most regular workers are young, there are many cases where people from outside the company are appointed to manager-level positions. I personally think we should take more drastic measures like selecting young employees regardless of gender. In other countries, it's common for many workers having about ten years of experience to play active roles at the management level, so I think we should learn from them. In addition, to accelerate human capital management, we should be sensitive to engagement surveys. It is also important to conduct a survey that includes qualitative factors as well as quantitative ones, set a specific goal like how further we will achieve within a certain number of years toward the promotion of diversity, and make numerical targets known internally and externally.

Sasano: Our company reformed its personnel system in April 2024 with a view to evaluating ability and aptitude more fairly. Setting rules itself is not a purpose, so from now on, it will become important for managers providing feedback to correctly understand the purpose of the system, operate it and carry out evaluation in such a way that all employees will find fulfillment in their jobs.

Tsukamoto: I have the impression that mid-career recruitment has been successful in acquiring excellent human resources. Incidentally, the new personnel system is a performance-linked system, so my concern is how it will lead workers to achieve their peak performance. As Mr. Maki has said, I think it will be important to conduct surveys and implement the PDCA cycle.

Sasano: In human capital management, it is important to address an issue of succession planning, but since our president is still young,

I don't think we are facing a high risk in this regard. However, considering this is an owner-operator company, I recognize that how it will be changed in the future is one of the top concerns of people outside the company. Since the creation of new businesses and M&A allow human resources with ability and eagerness to have many opportunities, to give them full play, such fields of practice will serve as ideal places to train expected successors.



Maki: We hold a discussion session gathering executive officers together under one roof three times a year attended by specialists hired mid-career, where they have extensive discussions. Since the founder's philosophy has been passed down to younger generations through such occasions, I believe preparation for business succession has been steadily advancing.

Discussion on Future Directions at Board of Directors Meetings

Sasano: Regarding the effectiveness of Board of Directors meetings, in most of the listed companies, an evaluation point for the item regarding if discussions on company's potential and strategies are fully carried out is showing a declining trend. At our Board of Directors meetings, various efforts have been made such as by securing sufficient time for individual divisions to explain their visions for future prospects, which contribute to creating an environment where the external directors can carry out concrete discussions. At the M&A of Defactostandard, Ltd. and JOYLAB inc. our subsidiaries, an explanatory session and a question-and-





answer session were repeatedly provided at the Board of Directors meetings. From the standpoint of an accountant, I was interested in the purchase price, but the external directors provided ideas from their specialized point of views and unique perspectives, contributing to the in-depth discussions, so I highly evaluate the effectiveness of the Board of Directors.

Umeno: At Board of Directors meetings, a variety of themes are discussed, where an increasing number of agenda items are presented with consideration for future trends. Within the company, agenda items that have been discussed at Management meetings are further discussed more deeply by us, the external directors, from various viewpoints related to business scheme, accounting, and legal matters. Thus, we give in-depth consideration to them. Especially important agenda items such as M&A are thoroughly discussed to make management decisions.

Maki: I regard our policy to have in-depth discussions at Board of Directors meetings as an expression of the sincere attitude of the management who thought it is necessary to have discussions adopting a wide variety of perspectives from external directors, instead of maintaining inward-looking attitudes fettered by the industry's traditional wisdom. To hear opinions from outside about various management challenges, increased opportunities were made to discuss each segment's medium-term strategies.

Umeno: Since Aucnet has its own unique terms, we can often communicate simply by using a few of them at internal discussions. However, we external directors sometimes request to be explained logically when we are not completely comfortable with a commentary using such term. Therefore, since comments are given in plain language at discussions, it's easy to understand if they are given from a business viewpoint or accounting viewpoint, which I think contributes to maintaining the appropriateness of judgment.

Kaminishi: I also think when a management decision is made at a Board of Directors meeting, the board members should think through the pros and cons while considering discussions held in

Management meetings in-house, and then conduct an in-depth discussion. When the company is taking on a new challenge, I think the Board of Directors should supervise the organization so that people involved will proceed with that in a flexible and well-balanced manner while showing respect to past rules.

Sasano: When looking at the medium-term management plan, I found some of the targets have already been achieved. However, I recognize that there are still many challenges to address toward achieving the numerical goal of increasing our GCV to 1 trillion yen. In our present medium-term management plan, since hurdles have been set quite high, it might be difficult to reach them simply by expanding the present business effectively. At the same time, I expect them to promote new businesses while keeping risks in mind.

Kaminishi: I agree with you. Regarding the progress of the medium-term management plan, the Board of Directors is also holding a series of discussions while paying close attention to the status of indicators as necessary. However, once they are set as the goals, it is necessary to check their values, but simply playing with figures means nothing. Instead, it is vital to understand what such figures really mean and discuss what should be done to take the next step.

Umeno: There is a trend of actively promoting M&A toward the future. In relations to an important indicator of 10 billion yen for EBITDA, I think M&A is not something that should be done simply because targets are set, but it's something that should be promoted after examining conditions and circumstances to respond to investors' expectations.

Maki: I think the management are very conscious of the capital policies such as one about share prices. The Tokyo Stock Exchange gives various assignments to us, and I feel our company is responding to them sincerely, maintaining its stance of meeting investors' demands. Also, since we have a variety of segments, if we use other competitors as benchmarks, we will lose sight of the reality in many cases. Since it is difficult for investors to compare us with other competitors, as a result, they are likely to judge that volatility is high.

Sasano: Simply considering high profitability of the company, I think share prices should be higher. However, in order to communicate our corporate value including our corporate identity of making circulation, it will become necessary to enhance a branding strategy as Mr. Tsukamoto has mentioned.

Umeno: Circular commerce is one of our important key concepts, and I think investors can recognize our high potential if they look at our activities. As external directors, we will perform monitoring and give advice for governance to function properly to improve corporate value, so we would like investors to pay more attention.

Maki: Our uniqueness lies in the fact that we have delivered additional value of information to the circulation of goods, so I want investors to understand more about the additional value of customers' confidence that they can do shopping with ease at Aucnet.

Sasano: We used to expand our presence in the business-to-business area, but after the recent M&A, we have entered another important period of consolidating our presence in the business-to-consumer area. The executives are already showing eagerness, so we external directors are going to support the company through conducting monitoring and taking on risk management.



Tsukamoto: We have a lot of reliable know-how based on authenticity that our founder left us, and the corporate culture that encourages us to take on new challenges by leveraging human capital. So, I feel we still have great potential. We want to contribute to the company as external directors even if in a humble way, and earnestly hope that the company's reputation will more widely spread in the world.

Messages from Directors

Based on the philosophy of “Authenticism,” Aucnet continues to take on challenges toward realizing a circular society. Here, we introduce messages from our directors regarding sustained growth.

Kiyotaka Fujisaki

Chairperson,
Board of Directors



We feel that the increasing needs for a circular economy in the world is serving as a spur to our business growth. However, at the same time, we also recognize that our role and responsibility expected by society is getting greater. We aim to be a company that designs not only secondary distribution but also a more comprehensive circular market, while deepening the four core competencies that we have cultivated which are optimal systems, information reliability, operational expertise, and membership-based networks. Leveraging my management experience as Chairperson, I will do my utmost to contribute to our medium- to long-term sustainable growth.

February 1985 Director and General Manager,
IT System Development Department, Aucnet
October 1987 Managing Director
March 1993 Senior Managing Director
August 1993 Representative Director and President
March 2010 President and Executive Officer
March 2020 Representative Director and Chairman & CEO
March 2023 Chairperson, Board of Directors (to present)

Shinichiro Fujisaki

Representative Director
President & CEO



In June 2023, we announced “Market Design to Connect Values” as our new mission statement. This means the value our company can uniquely provide will evolve from “distribution” into “circulation.” By combining networks, services and functions we possess with our various co-creating partners, we will provide our own unique circular service. I myself will stand at the forefront and drive our sustainable growth by proposing business initiatives from a broader perspective.

January 2011 Joined Aucnet
January 2013 DGM, Automobile Business Headquarter
January 2014 Executive Officer
March 2014 Director
January 2015 Senior DGM, New Business Division
January 2016 Representative Director and President,
AUCNET DIGITAL PRODUCTS INC.
January 2017 Managing Executive Officer

January 2019 Senior Managing Executive Officer
DM, Automobile Business Division
March 2020 Representative Director and
President & COO
President and Executive Officer (to present)
March 2023 Representative Director, President & CEO
(to present)
January 2024 DM, Mobility & Energy Division (to present)

Masayasu Takigawa

Director
Senior Managing
Executive Officer



Amid our business having been attracting increasing attention year after year, we are working on the realization of market design with the aim of achieving sustainable growth by not only promoting our businesses but also directing our efforts to the investment of human capital, the company's important asset. Based on my experience of having engaged in the launch of new businesses and services as well as in corporate management, I will carry out my duties as a director to assist the Board of Directors in making appropriate decisions.

April 1984 Joined ITOCHU Corporation
October 2003 Representative Director and President,
Any Lights Co., Ltd.
May 2007 Managing Director, ISHIMORI
PRODUCTION INC.
June 2010 Director and Vice President
June 2013 Director, SPACE SHOWER NETWORKS
INC.

March 2017 Representative Director and President,
Enroute Co., Ltd.
April 2020 Joined Aucnet
Senior Managing Executive Officer
(to present)
DM, New Business Division
March 2021 Director (to present)
January 2024 Division Manager, Business Management
Division (to present)

Hiroki Taniguchi

Director
Senior Managing
Executive Officer & CFO



I recognize that my role is to support the company's medium- to long-term sustainable growth from financial and non-financial aspects. I address each of the challenges such as those related to new businesses, investments in M&A, the concept of business portfolio and return profits to shareholders regarding the financial aspect, as well as those related to investments in human capital and ESG initiatives in non-financial aspects, and then comprehensively take them into account while clarifying them at the same time with the aim of improving sustainable corporate value for stakeholders.

April 1988 Joined Universal Securities Co., Ltd.
(currently Mitsubishi UFJ Morgan Stanley
Securities Co., Ltd.)
September 1994 Joined CHARLE CO., LTD.
April 2003 General Manager, Accounting Department
April 2008 Chairman and President, Charle
(Shanghai) International Trading Co., Ltd.
April 2012 Executive Officer, CHARLE CO., LTD.
June 2012 Director

August 2014 Joined Aucnet
Senior DGM, Administrative
Management Division
October 2019 Executive Officer
DM, Corporate Management Division
(to present)
January 2021 Managing Executive Officer
March 2021 Director (to present)
January 2022 Managing Executive Officer & CFO
January 2023 Senior Managing Executive Officer &
CFO (to present)

Messages from Directors

Seiichiro Umeno

Outside Director



April 1989 Registered as an attorney-at-law. Joined Tokyo Yaesu Law Offices
August 1990 Joined Masuda & Ejiri
January 1995 Registered as a New York State attorney
March 2006 Outside Director, Aucnet (until March 2008)
April 2007 Partner, Nagashima Ohno & Tsunematsu (to present)
March 2010 Corporate Auditor, VeriSign Japan K.K.
March 2016 Outside Director, Aucnet (to present)
April 2017 Executive member, Committee on the Companies Act (Mainly in Relation to Corporate Governance), Legislative Council of the Ministry of Justice
June 2019 Outside Auditor, SPARX Group Co., Ltd.

We have been working on the formulation of market design aiming at realizing circular commerce and the creation of new value as our mission. I believe our business will have greater importance in the future. Since business tie-up with partners and M&A will be important measures to advance new initiatives, it is necessary to properly establish and maintain governance from the perspective of compliance. Making use of knowledge on corporate legal matters which I am specialized in, I would like to contribute to the improvement of corporate value from the perspective of the enhancement of risk management and a governance structure.

Shunji Sato

Director
(Audit & Supervisory Committee member)



April 1983 Joined Orient Finance Co., Ltd. (currently Orient Corporation)
June 2014 Executive Officer
July 2017 Joined Aucnet, Managing Executive Officer
January 2018 Senior GM, Business Management Division
March 2018 Director
January 2019 DM, Business Management Division
January 2020 DM, Customer Communication Division
January 2022 Managing Executive Officer & COO
March 2024 Director (Audit & Supervisory Committee member), Aucnet (to present)

I was appointed as a director serving as an Audit & Supervisory Committee member in accordance with the resolution at the General Meeting of Shareholders on March 26, 2024. As I had been serving as a director taking care of business operations until the previous year, I will carry out my responsibility as an Audit & Supervisory Committee member based on the detailed understanding of business operations. Recognizing the growing importance of risk management in recent years, we will strengthen our governance after accurately grasping risk events, and take measures to ensure the transparency of our business activities.

Toshio Maki

Outside Director



April 2004 Executive Officer, KDDI CORPORATION General Manager, "au" Service & Product Planning Division, "au" Business Sector
April 2008 Representative Director and President, CHUBU TELECOMMUNICATIONS CO., INC.
April 2013 Representative Director, Chairman, Jupiter Telecommunications Co., Ltd.
January 2014 Representative Director, President
April 2017 Representative Director, Chairman
June 2019 Representative Director, Chairman, CHUBU TELECOMMUNICATIONS CO., INC.
June 2020 Board Member, Chuo University (to present)
March 2021 Outside Director, Aucnet (to present)
July 2021 Provisional Corporate Auditor, MEDIA SEEK INC.
October 2021 Outside Corporate Auditor, Aucnet (to present)
December 2021 Outside Director, Catalyna Inc. (currently CotoFure Inc.) (to present)

In these days with growing awareness of sustainability, I believe our business, which has expanded by taking advantage of its information reliability, has potential for further growth due to the trend of the times as well as our efforts to leverage our strength. In addition, since not only business growth but also the development of human resources is important for achieving sustainable corporate growth, I would like to express opinions from various viewpoints and engage in productive discussions at Board of Directors meetings based on my past experience as a manager of operational companies to contribute to our growth.

Ikuro Kaminishi

Outside Director
(Audit & Supervisory Committee member)



July 1969 Joined The Industrial Bank of Japan, Limited
June 1997 Director
June 1999 Managing Director and Managing Executive Officer
April 2002 Senior Managing Director, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
June 2003 President and Representative Director, Orient Corporation
June 2007 Special Advisor
June 2008 Part-time Audit & Supervisory Board Member, Tohoku Electric Power Co., Inc.
July 2012 President, Independent Administrative Agency Urban Renaissance Agency
March 2017 Outside Director, Aucnet
March 2021 Director (Audit & Supervisory Committee member), Aucnet (to present)

Considering that one of our strengths lies in having a solid basis that includes the ability to inspect and evaluate goods and things and the know-how to make distribution smooth that we have cultivated, I feel we should set a corporate direction and aim to achieve growth based on substantial strategies while making continuous efforts to establishing such basis. At the same time, I will be committed to supporting the company in both offensive and defensive aspects such as by directing efforts to strengthen its internal control and actively participate in discussions at Board of Directors meetings in order for the company's management to advance in the right direction.

Megumi Tsukamoto

Outside Director



April 1985 Joined IBM Japan, Ltd.
July 1997 Seconded to KEIZAI DOYUKAI (Japan Association of Corporate Executives)
August 1999 Returned to IBM Japan, Ltd., assigned to Government and Regulatory Affairs team
April 2003 Asia Pacific Leader, Governmental Programs, Intellectual Property & Standard Policy Team, IBM Corporation Executive, Government and Regulatory Affairs, IBM Japan, Ltd.
October 2008 Member, Governmental Programs Global Leadership Team, IBM Corporation General Manager, Government and Regulatory Affairs, IBM Japan, Ltd.
November 2015 Operating Director; Director, Global Government and Corporate Affairs Japan, Caterpillar Japan KK
December 2017 Representative Operating Director; Director, Global Government and Corporate Affairs Japan, Caterpillar Japan LLC
March 2023 Outside Director, Aucnet (to present)
June 2023 Outside Director, TAKASAGO INTERNATIONAL CORPORATION (to present)

As shown in the efforts made by the EU to strengthen the regulations on the disposal of clothing, in various parts of the world, there is a growing need of reducing the disposal of goods and circulating them instead, and it seems that such a trend will lead to various possibilities in our business that is already developing secondary distribution globally. It would make me very happy if I could contribute to our sustainable growth by utilizing my past experience and knowledge on global perspective, IT and sustainability as well as through discussions at Board of Directors meeting.

Michi Handa*

(Michi Sasano)
Outside Director
(Audit & Supervisory Committee member)



March 1998 Registered as a certified public accountant
September 1998 Joined KPMG LLP New York Office
February 2003 Joined KPMG AZSA LLC
February 2006 Established Biz Consulting K.K. Representative Director and President
June 2008 Representative Director and Vice President, Control Solutions International K.K. (currently Control Solutions K.K.)
January 2009 Representative Director and President (to present)
June 2019 Outside Director (Audit & Supervisory Committee member), TOA CORPORATION (to present)
March 2022 Outside Director (Audit & Supervisory Committee member), Aucnet (to present)

I feel our company is making wide-ranging efforts actively for the realization of market design such as by expanding its business, implementing M&A, and responding to sustainability. Under such circumstances, I would like to devote myself to ensuring the diversity and high effectiveness of the Board of Directors and Audit & Supervisory Committee by leveraging my experience as a certified public accountant, and knowledge related to risk management, internal auditing and compliance as well as by actively expressing my opinions from the viewpoint of a female director.

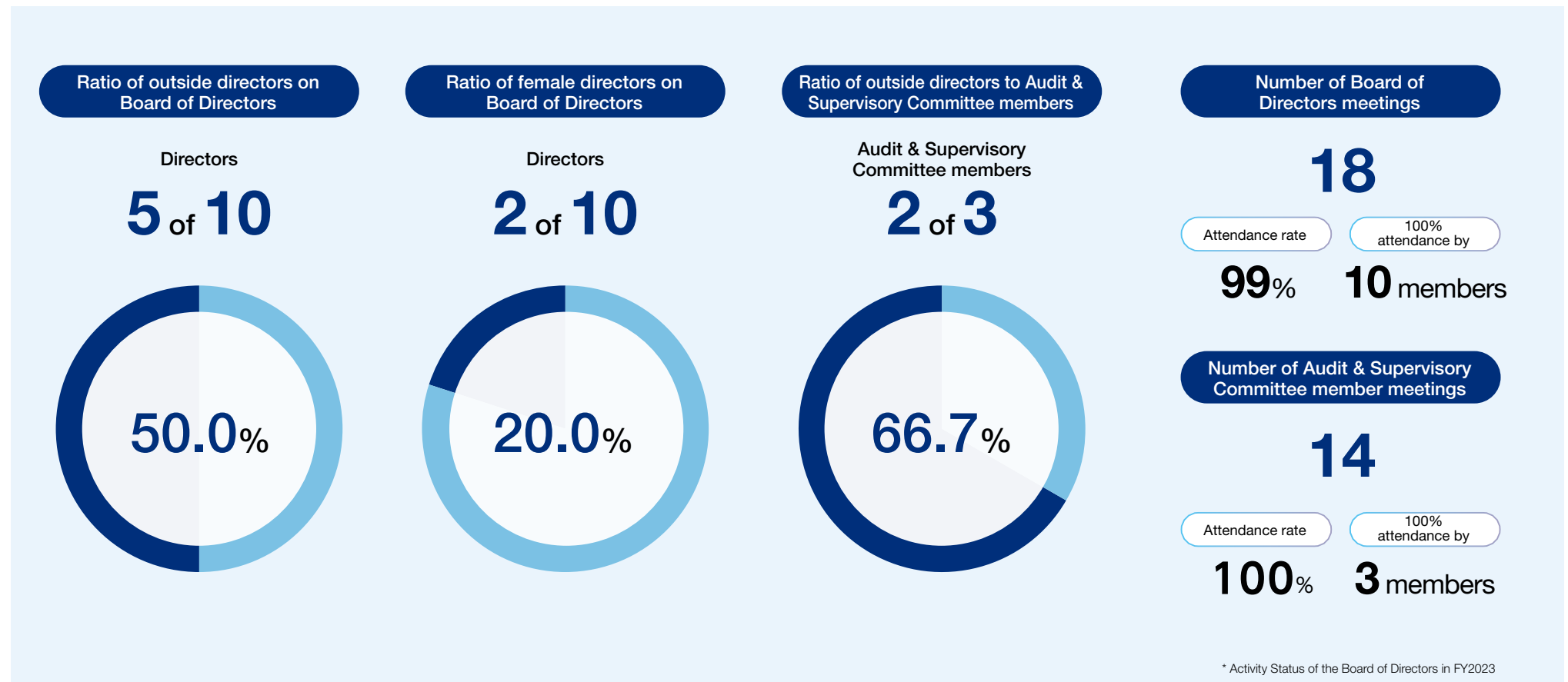
* The name under which Michi Handa is registered as a certified public accountant is shown in parentheses in the name field.

Corporate Governance

Basic Conceptual Approach

At Aucnet, we place great importance on sound corporate governance because of our belief that we can only provide the most advantageous returns to our stakeholders if management is united with shareholders, customers, employees, and other stakeholders in the conviction that it is essential to strive for efficient management. Moreover, we believe that the foundation that ensures our company's enduring success as a going concern comprises more than just sustained growth in profits, but also an elevated corporate attitude that encompasses matters such as environmental consciousness and our contributions to society.

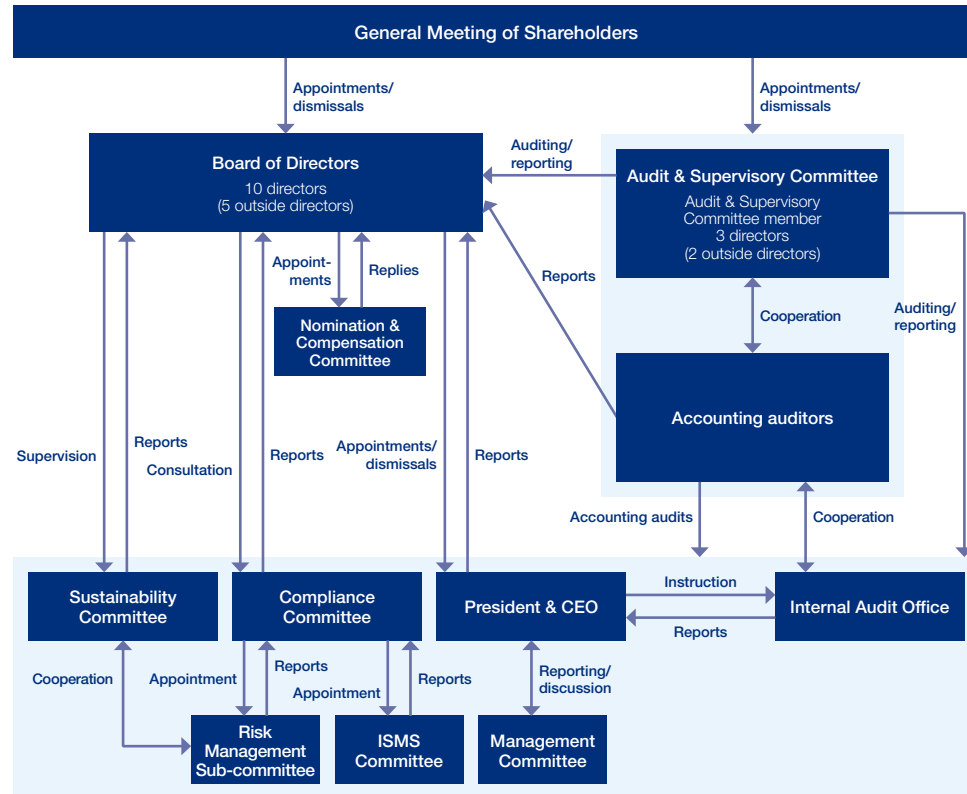
Governance Highlights



Corporate Governance

Corporate Governance Structure

Corporate Governance Structure Diagram



1. Board of Directors

The Board of Directors consists of seven directors of whom none are members of the Audit & Supervisory Committee and three are outside directors, as well as three directors of whom all are Audit & Supervisory Committee members and two are outside directors, for a total of 10 members. The Board of Directors is authorized to decide on execution of the company's business, and to supervise the execution of duties by the directors. A regular Board of Directors meeting is held once a month in principle, with extraordinary meetings to be held as necessary.

Activity Status of the Board of Directors in FY2023

Job title	Name	Number of meetings attended/attendance rate (Total of 18 meetings)	Specific contents for discussion
President & CEO	Shinichiro Fujisaki	18 times/100%	
Chairperson, Board of Directors	Kiyotaka Fujisaki	18 times/100%	
Director	Masayasu Takigawa	18 times/100%	
Director	Hiroki Taniguchi	18 times/100%	<ul style="list-style-type: none"> Medium-term management plan formulation, and progress reports
Director	Shunji Sato	18 times/100%	<ul style="list-style-type: none"> Current status of existing and new businesses, and future strategies Sustainability-related promotion activities
Outside Director	Seiichiro Umeno	16 times/89%	<ul style="list-style-type: none"> Capital policies such as treasury stock acquisition and dividends from retained earnings
Outside Director	Toshio Maki	18 times/100%	<ul style="list-style-type: none"> Determination of directorship candidates
Outside Director	Megumi Tsukamoto	14 times/100%*1	<ul style="list-style-type: none"> Assessment of the effectiveness of the Board of Directors
Director (Audit & Supervisory Committee member)	Hisanao Nagashima	18 times/100%	<ul style="list-style-type: none"> Verification of cross-shareholdings
Outside Director (Audit & Supervisory Committee member)	Ikuo Kaminishi	18 times/100%	<ul style="list-style-type: none"> Reporting on management audit activity
Outside Director (Audit & Supervisory Committee member)	Michi Handa*2 (Michi Sasano)	18 times/100%	<ul style="list-style-type: none"> Reporting on internal control system establishment and operational status

*1 The number of meetings attended by Megumi Tsukamoto after refers to those after her appointment as outside director.

*2 The name under which Michi Handa is registered as a certified public accountant is shown in parentheses in the name field.

Corporate Governance

2. Audit & Supervisory Committee

Our company employs a system of companies with an audit and supervisory committee. The Audit & Supervisory Committee comprises of three members, two of whom are outside directors. They oversee the approach to and operation of governance, while auditing the day-to-day activities of the directors, including the performance of their duties. Audit & Supervisory Committee members consist of directors with experience taking charge of business operations, a certified public accountant, and a member with experience as a representative director. They are expected to apply broad-based knowledge in monitoring company management. Audit & Supervisory Committee member meetings are to be held once a month in principle, with other meetings of the committee to be held as necessary.

Activity Status of the Audit & Supervisory Committee in FY2023

Job title	Name	Number of meetings attended/attendance rate (Total of 14 meetings)	Specific contents for discussion
Director (Audit & Supervisory Committee member)	Hisanao Nagashima	14 times/100%	
Outside Director (Audit & Supervisory Committee member)	Ikuo Kaminishi	14 times/100%	<ul style="list-style-type: none"> • Formulation of an audit policy • Consultation on agenda items for Board of Directors meetings • Evaluation on accounting auditors
Outside Director (Audit & Supervisory Committee member)	Michi Handa* (Michi Sasano)	14 times/100%	

* The name under which Michi Handa is registered as a certified public accountant is shown in parentheses in the name field.

3. Nomination & Compensation Committee

Our company has established the Nomination & Compensation Committee at its own discretion. The Nomination & Compensation Committee comprises three members, two of whom are outside directors (Audit & Supervisory Committee members). Matters related to the appointment and dismissal of directors and executive officers and those related to the formulation of a policy on determining the specifics of remuneration they receive are discussed by the committee.

The Nomination & Compensation Committee, which aims to contribute to ensuring the management transparency of Aucnet Group through its activity, holds a Nomination & Compensation Committee meeting at any time as necessary, in addition to holding an annual meeting. It is chaired by President & CEO Shinichiro Fujisaki, and consists of External Director (Audit & Supervisory Committee member) Ikuo Kaminishi and External Director (Audit & Supervisory Committee member) Michi Handa.

Activity Status of the Nomination & Compensation Committee in FY2023

Job title	Name	Number of meetings attended/attendance rate (Total of 6 meetings)	Specific contents for discussion
President & CEO	Shinichiro Fujisaki	6 times/100%	
Outside Director (Audit & Supervisory Committee member)	Ikuo Kaminishi	6 times/100%	<ul style="list-style-type: none"> • Matters related to the appointment and dismissal of directors and executive officers • Formulation of a policy on determining the specifics of remuneration for individual directors and executive officers
Outside Director (Audit & Supervisory Committee member)	Michi Handa (Sasano)	6 times/100%	

* The name under which Michi Handa is registered as a certified public accountant is shown in parentheses in the name field.

4. Compliance Committee

An advisory body to the Board of Directors, the Compliance Committee comprises of at least six members, including one expert (attorney). The committee meets once every three months, in principle, to engage in discussion, deliberation and decision-making on all matters concerning compliance management at Aucnet. It is chaired by Director, Senior Managing Executive Officer & CFO Hiroki Taniguchi, and its members are Chairperson, Board of Directors Kiyotaka Fujisaki, President & CEO Shinichiro Fujisaki, Director (Audit & Supervisory Committee member) Shunji Sato, Managing Executive Officer Yasuhiro Higuchi, Outside expert (attorney) Hiroyuki Nunomura and General Manager, Legal Affairs Department Naoto Osako.

5. Sustainability Committee

The Sustainability Committee, which aims to contribute to a sustainable society by improving corporate value in a sustainable manner, is chaired by President & CEO Shinichiro Fujisaki, and consists of six members: Director, Senior Managing Executive Officer & CFO Hiroki Taniguchi, Senior Managing Executive Officer Yuji Arimura, and three other members appointed by the company. It meets once a year, with extraordinary meetings held as needed. The committee discusses matters concerning basic sustainability policy, formulates sustainability-related goals, maintains the sustainability promotion system, manages risks and opportunities related to climate change in cooperation with the Risk Management Sub-committee, implements measures, sets KPIs, and oversees the implementation of each measure.

Corporate Governance

Director Skills Matrix

At Aucnet, we focus our effort not only on sustained growth in profit, but also on such initiatives as consideration for the environment and contribution to society. We therefore regard the knowledge, experience, and capabilities shown in the table below to be especially important, considering our philosophy of “Authenticism” and the direction in which we aim to take our business, in addition to basic matters such as the formulation and execution of corporate strategy and appropriate business management. In order to advance our sustainability policy, “Circulation Engine: Circulating valuable goods on a global scale,” we will work even harder on areas related to global experience and IT/DX. When appointing directors, we will appoint human resources with varied background expertise and experience that enables them to advise and oversee management from multiple perspectives, thereby ensuring balance and diversity. We will emphasize a personcentered approach without making distinctions of gender, age, nationality, race, or ethnicity. We also take into consideration the balance between inside and outside directors to ensure the objectivity of deliberations, and compose the Audit & Supervisory Committee with a majority of outside directors who satisfy the criteria for independence to enhance its independence and neutrality.

Director Skills Matrix

Name	Management experience	New businesses	Finance and accounting	Legal compliance and risk management	Global experience	IT/DX	Sustainability (ESG, SDGs)
Kiyotaka Fujisaki	○	○			○	○	
Shinichiro Fujisaki	○	○			○		○
Masayasu Takigawa	○	○			○		
Hiroki Taniguchi	○		○	○	○		○
Seiichiro Umeno				○	○		
Toshio Maki	○					○	
Megumi Tsukamoto	○			○	○	○	○
Shunji Sato	○			○			
Ikuo Kaminishi	○		○				
Michi Handa (Sasano)	○		○	○	○		

Note: The matrix above does not represent all of the knowledge and experience of each individual.

Reasons for selection as directors

Name	Audit & Supervisory Committee Member	Independent Director	Reason for Appointment
Seiichiro Umeno		○	He has abundant expert knowledge and experience as an attorney. We have appointed him as an outside director because considering that receiving his opinions given from a legal viewpoint based on his abundant experience and considerable insight will contribute to the improvement of our corporate value while minimizing risks, we determined that he can continue to carry out his role sufficiently as an external director. In addition, we have designated him an independent director because he does not fall under the criteria specified by the stock exchange as having the potential to cause a conflict of interest with general shareholders.
Toshio Maki		○	He has engaged in the expansion of telecommunication business and network service, and has abundant experience as a business administrator. We have appointed him as an outside director because based on his abundant experience and considerable insight, we believe that receiving his opinions on management policy and business strategies of our business from a medium- to long-term viewpoint will contribute to the improvement of our corporate value. Therefore, we determined that he can continue to carry out his role sufficiently as an external director. In addition, we have designated him an independent director because he does not fall under the criteria specified by the stock exchange as having the potential to cause a conflict of interest with general shareholders.
Ikuo Kaminishi	○	○	He has abundant experience in the financial industry and corporate management. We have appointed him as an outside director because based on his abundant experience and considerable insight, we believe that receiving his expertise and objective opinions in a wide range of fields related to management policy, capitalization strategies, and business strategies of our business will contribute to the improvement of our corporate value. Therefore, we determined that he can continue to carry out his role sufficiently as an external director. In addition, we have designated him an independent director because he does not fall under the criteria specified by the stock exchange as having the potential to cause a conflict of interest with general shareholders.
Michi Handa (Sasano)	○	○	She has abundant expert knowledge and experience as a certified public accountant and tax accountant, and also has experience of serving as a manager of a consulting corporation specialized in matters related to risk management, internal auditing, compliance, etc. We have appointed her as an outside director because based on her abundant experience and considerable insight, we believe that receiving her opinions, mainly from the viewpoints of accounting and risk management, will contribute to the improvement of our corporate value. Therefore, we determined that she can continue to carry out his role sufficiently as an external director. In addition, we have designated her an independent director because she does not fall under the criteria specified by the stock exchange as having the potential to cause a conflict of interest with general shareholders.
Megumi Tsukamoto		○	In addition to a lengthy track record of having worked at IT-related companies, since having accumulated global experience at foreign-affiliated companies, she has abundant knowledge and insight as a business administrator. We have appointed her as an outside director because considering how receiving her expert opinions from various angles will contribute to the improvement of our corporate value, we determined that she can continue to carry out his role sufficiently as an external director. In addition, we have designated her an independent director because she does not fall under the criteria specified by the stock exchange as having the potential to cause a conflict of interest with general shareholders.

Corporate Governance

Assessment of Effectiveness

We administer a questionnaire survey to the directors (including Audit & Supervisory Committee member directors) in order to assess the effectiveness of the Board of Directors. The results of the survey are reported to the Board of Directors. In order to take advantage of an objective third-party perspective, the implementation of the questionnaire, as well as the compilation and analysis of its results, have been outsourced to a third-party organization. The process is summarized as follows:

1. Evaluation process

Implementation period: September 2023

Respondents: 11 directors (including directors who are Audit & Supervisory Committee members)

Assessment method: Questionnaire with a five-point rating format for each question

- (1) A self-evaluation questionnaire administered to each director (including Audit & Supervisory Committee members)
- (2) Compilation and analysis of response results by a third-party organization
- (3) Reporting and discussion of assessment results and current issues at Board of Directors meetings

2. Main questionnaire assessment items

- (1) Board of Directors composition and operation
- (2) Management and business strategies
- (3) Business ethics and risk management
- (4) Performance monitoring, assessment/remuneration of managers
- (5) Dialogue with shareholders and others

	Assessment Results
Overall Assessment for Fiscal 2023	As in the previous fiscal year, the average assessment score for all items is above four points, and the overall effectiveness of the program received a high evaluation.
	Future Initiatives
Issue (1) Further strengthening the monitoring system after putting important business strategies into execution	Measure (1) Continue and place even greater effort from the previous year. Specifically, we will monitor new businesses from a more multifaceted perspective that goes beyond the status of business progress to encompass human resources, risk management, and market environment.
Issue (2) Further enhancement of discussions regarding medium- to long-term management strategy	Measure (2) In addition to reporting and discussion of the state of progress on Mid-Term Management Plan Blue Print 2025, aim for further enhancement with an awareness not just of the financial aspects, but also of indicators of non-financial aspects, etc.

Our Thinking Regarding Cross-shareholding

Aucnet has established the following cross-shareholding policy and criteria for exercising voting rights on cross-shareholdings.

1. Policy on cross-shareholding

Aucnet observes the following policy regarding the cross-shareholding of listed shares.

- (1) In keeping with the objectives of corporate governance, we will not hold shares merely as a stable stockholder.
- (2) Listed shareholdings are restricted to cases in which they benefit business, such as when they facilitate smooth progress of business, with consideration given to returns such as dividends and risks such as stock price fluctuations.
- (3) The company's holdings of listed shares will be reviewed annually by the Board of Directors, primarily from the perspective of business merit, and consideration will be given to reducing shares that have become less necessary.

2. Criteria for exercising cross-shareholding voting rights

Aucnet will exercise voting rights upon checking for the presence or absence of proposals that could damage shareholder value, and upon considering whether or not to approve them. Regarding fiscal 2023, the Board of Directors took the above perspective when it examined the cross-shareholding policy at its May 2023 meeting, in which it discussed the degree of contribution of possessing such cross-shareholdings to the improvement of the Group's corporate value over the medium to long term.

Corporate Governance

Director Remuneration

1. Matters concerning the policy on determining individual remuneration for directors

Aucnet's policy on determining the specifics of remuneration for individual directors was approved at the March 26 2024 Board of Directors meeting following deliberation by the Nomination & Compensation Committee.

(1) Basic Policy

In determining the remuneration of individual directors, Aucnet follows the basic policy of specifying an appropriate level based on the responsibilities of each position. Remuneration for directors is linked to shareholder returns so that it may function sufficiently as an incentive for a continuous increase of corporate value. Specifically, compensation consists of a fixed base remuneration and performance-linked remuneration. Directors who serve as Audit & Supervisory Committee members, as well as other directors serving as outside directors who are not Audit & Supervisory Committee members, are paid only base compensation in consideration of their duties.

(2) Policy on determining base (monetary) remuneration amounts for individuals (including policy on determining the timing of or conditions on granting remuneration, etc.)

Base remuneration for directors is a monthly fixed remuneration determined through a comprehensive consideration based on position, responsibilities and experience, while taking into account other factors including the company's business performance, employee salary levels, and trends at other companies.

(3) Policy on determining the details and amounts of performance-linked and non-monetary remuneration, and methods of calculating instances of remuneration (including policy on determining the timing of or conditions on granting remuneration, etc.)

Performance-linked and non-monetary remuneration consists of: bonuses in the form of cash remuneration for short-term contributions that reflect the degree to which consolidated operating profit targets were met in fiscal year results, and shares in a board benefit trust granted as non-monetary remuneration for contribution to the company over the medium term by assigning points based on position, title, and achievement of business performance throughout the term of office, with shares with a restriction on transfer until retirement to be awarded according to the points earned (BBT-RS). In determining the amount of a bonus, a number of months that constitute the payment standard value with respect to monthly fixed remuneration is established based on the percentage to which the consolidated operating profit target for each fiscal year is achieved. The amount is calculated according to each individual's quantitative and qualitative performance indicators. The number of shares to be granted is first determined quantitatively according to each individual achievement of indicators (EBITDA, GCV, etc.) set out in a medium-term management plan and his or her position. It is finalized by the Board of Directors with reference to the report from the Nomination & Compensation Committee, to be paid and made available at a specific time each year. The Board of Directors determines the ratio of remuneration by type, taking into consideration the report of the Nomination & Compensation Committee, as well as the levels of remuneration benchmarked to companies operating business on approximately the same scale and in a related industry and business category as Aucnet. The standard ratio of remuneration by type is approximated as follows: base remuneration: performance-linked remuneration (bonus): performance-linked remuneration (non-monetary remuneration) = approximately 6:2:2.

2. Matters concerning General Meeting of Shareholders resolutions regarding directors' remuneration

At the 8th Ordinary General Meeting of Shareholders on March 29, 2016, Aucnet stipulated that the amount of monthly remuneration and bonuses for any director (excluding Audit & Supervisory Committee members) is not to exceed a total of 500 million yen per year (and not to exceed 100 million yen per year for outside directors. However, this excludes assistant employee salaries.) The number of directors (excluding Audit & Supervisory Committee members) to whom the relevant resolution of the General Meeting of Shareholders applies is eight (including two outside directors). At the 10th Ordinary General Meeting of Shareholders on March 28, 2018, Aucnet approved performance-linked stock compensation of a total not to exceed 575 million yen during the three fiscal years from 2018 to 2020. (Of this total, 425 million yen is designated for directors and 150 million yen is designated for executive officers. In principle, Aucnet is to make additional contributions to the trust during each of the three fiscal years beginning after

the initial eligibility period has elapsed, not to exceed the limit on the total amount noted above, as a funding source for the acquisition of the company's shares by the trust.) The number of directors (excluding Audit & Supervisory Committee members) to whom the relevant resolution of the General Meeting of Shareholders applies is six. At the 12th Ordinary General Meeting of Shareholders on March 27, 2020, Aucnet approved a resolution for the issuance of restricted-transfer shares of a value not to exceed 80 million yen per year (excluding assistant employee salaries). The number of directors (excluding Audit & Supervisory Committee members) to whom the relevant resolution of the General Meeting of Shareholders applies is four. The amount of remuneration for directors serving as Audit & Supervisory Committee members was stipulated not to exceed 100 million yen per year in a resolution of the 8th Ordinary General Meeting of Shareholders on March 29, 2016. The number of directors (excluding Audit & Supervisory Committee members) to whom the relevant resolution of the General Meeting of Shareholders applies is three.

3. Matters concerning the delegation of authority to determine the content of remuneration, etc. for individual directors

Regarding a base remuneration amount for each director, President & CEO Shinichiro Fujisaki is to be delegated based on a resolution of the Board of Directors to determine the specific content of such remuneration with reference to the report from the Nomination & Compensation Committee. The reason for such delegation of authority is that the President & CEO is best suited to evaluate each director quantitatively and qualitatively while supervising the overall environment of the company, its management conditions and performance. The Nomination & Compensation Committee deliberates and reports to the Board of Directors regarding a base remuneration amount for each director, and a bonus amount for each director based on the degree to which targets for the fiscal year have been achieved, as well as the performance coefficient for the board benefit trust (BBT-RS) to be allocated as non-monetary remuneration.

4. Reasons for the board of directors determination that the content of individual directors' remuneration for the relevant year complies with decision-making policy

The Board of Directors has determined that the content of individual directors' compensation for the relevant fiscal year adheres to the policy for making such decisions because the procedures described in item 3 above were followed.

5. Total Amounts of Director Remuneration, etc.

Executive classification	Total amount of director remuneration, etc. (Unit: thousand yen)	Total amount of director remuneration, etc., by type (Unit: thousand yen)			Number of eligible Base directors
		Base remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (excluding Audit & Supervisory Committee members) (Of which, outside directors)	271,167 (16,500)	171,600 (16,500)	46,100 (—)	53,467 (—)	8 (3)
Directors (Audit & Supervisory Committee members) (Of which, outside directors)	23,400 (13,800)	23,400 (13,800)	— (—)	— (—)	3 (2)
Total	294,567	195,000	46,100	53,467	11

Notes:

- Bonuses are paid to directors (excluding Audit & Supervisory Committee member directors, and outside directors) as performance-linked remuneration. Consolidated operating profit for each fiscal year is selected as the performance indicator on which to base calculations of the performance-linked compensation to be paid. Our reason for selecting this index as our performance indicator is that we recognize it as an overall indicator of business results that represents our final profit.
- Non-monetary remuneration includes 35,077 thousand yen in stock benefit reserves and 18,390 thousand yen in restricted-transfer stock benefit reserves recorded under the performance-linked stock remuneration plan for five directors (excluding Audit & Supervisory Committee member directors, and outside directors).

Compliance

Basic Conceptual Approach

The basic policy of Aucnet is to adhere unwaveringly to our sense of ethics and good conscience as a good corporate citizen. We conduct business activities sincerely and conscientiously, maintaining a fair and honorable attitude and a sound sense of the community. All of our employees go beyond essential compliance with laws and regulations as they act in keeping with this policy, with a keen awareness of internal rules, business norms and ethics, with good common sense, and taking responsibility as members of society.

Compliance Promotion System

In order for our compliance system to be established, inculcated, firmly rooted and promoted even more, we have established the Compliance Committee as a permanent organizational body. As an advisory body to the Board of Directors, the committee engages in comprehensive collaborative discussions, deliberation, and decision-making on matters concerning compliance management at Aucnet. One full-time director is appointed Chief Compliance Officer, with responsibilities including execution of compliance-related duties, while one or more outside experts participate as committee members. The Risk Management Sub-committee and ISMS Committee have also been established as organizational bodies that advance the practical work.

Compliance Promotion Organizational Chart



Compliance Promotion Activities

The Compliance Committee meets regularly once every three months, with extraordinary meetings held as necessary. The secretariat is at the center of routine matters, promoting cross-organizational compliance activities under supervision by the Chief Compliance Officer. In addition, the committee conducts education and training for all employees once a year, aiming to heighten their interest in compliance and confer accurate knowledge, while also providing opportunities to check their proficiency level.

They also operate an internal whistleblowing system that enables anyone to make a report without worry if they discover legal or regulatory violations, or any suspicious action that could pose compliance problems.

Establishment of an Internal Control System

In order to establish a system that ensures the suitability of the organization's operations, we are carrying out an Internal Control Project, of which the Internal Audit Office is secretariat. It documents internal controls in each division, takes action on maintenance and operational evaluations, and implements improvements where deficiencies are discovered. The Internal Audit Office is an independent organization under the direct control of representative directors that considers and assesses the development and operational status of the internal control and compliance system, advocates for improvements as necessary, and enhances the independence of internal auditing and checking functions.

Risk Management

Basic Conceptual Approach

Risk Management System

The Aucnet Group performs risk management based on the following basic policies.

- (1) We are well aware that changes in our industry's environment can pose risks for our business operations, so we undertake risk management as part of our rapid and appropriate response to such environmental changes.
- (2) From the standpoint of efficient and effective business operations, we work to mitigate risks and prevent the emergence and spread of losses that can result when risks materialize.
- (3) Notwithstanding the previous item (2), when active risk-taking is necessary from the standpoint of ensuring and expanding profit opportunities, we strive to confine that risk within the bounds of the appropriate level.
- (4) Regarding risks that could directly impact our customers, we actively work to mitigate them to secure and maintain the trust of our customers.
- (5) In order to protect information assets from diverse threats while maintaining and improving the reliability (validity, integrity and accuracy), availability, confidentiality, effectiveness and efficiency of these assets, we comprehensively investigate and identify risks associated with information systems and assets, as well as related operations, analyze vulnerabilities and threats, and address risk management efficiently by assessing the degree of impact and the need for response.

Risk Management System

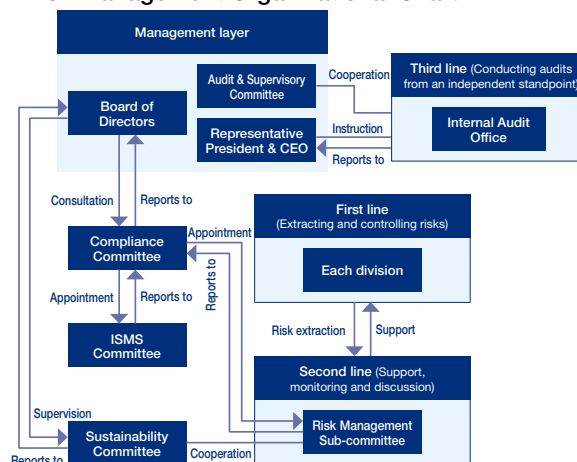
We have established Risk Management Regulations in order to strengthen and enhance our risk management system, and to prevent and minimize the occurrence of risks while mitigating any resulting losses due to the occurrence of risks. This ensures sound business management and stable growth of profit, while helping us to gain the confidence of stakeholders by establishing a basic policy for risk management measures and for our response in the event that a risk occurs. We have also established a Risk Management Sub-committee, which deliberates important matters and policies concerning risk management at meetings held, in principle, at a minimum of once every half-year.

The Aucnet Group has established a risk management system according to the three lines model. An individual division functions as the first line, extracting and controlling risks at each division. Extracted risks are assessed by calculating their risk scores based on their occurrence frequency, occurrence time, and influence degree.

The Risk Management Sub-committee, which functions as the second line, supports and monitors activities in the first line, and has discussions on extracted risk items, making a report to the Compliance Committee as needed.

The Internal Audit Office, functioning as the third line, conducts a periodic audit of the relevance and effectiveness of governance and risk management from an independent standpoint, making a report to the President & CEO as needed.

Risk Management Organizational Chart



Business Continuity Plan (BCP)

Aucnet has formulated and is implementing a Business Continuity Plan as follows.

1. Objectives of the BCP and Its Implementation

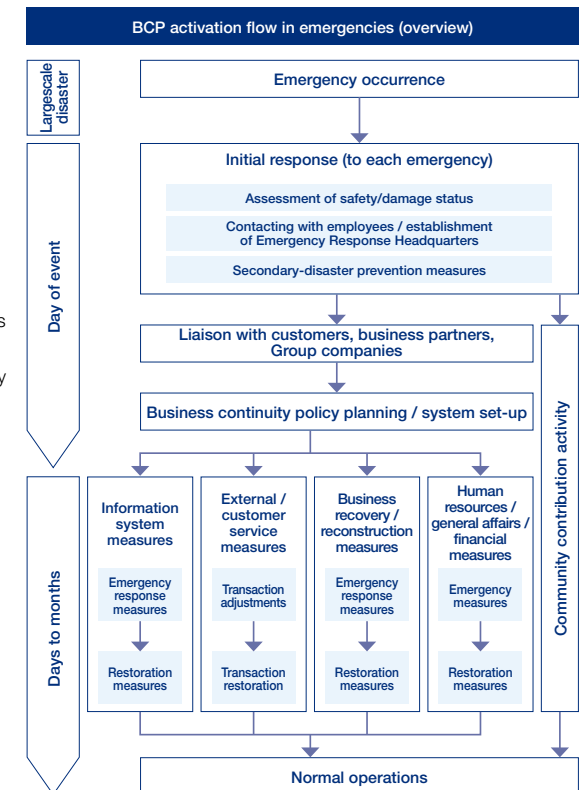
- (1) **For customers**
To fulfill our mission as a distributor by continuing operations as long as possible, or to restore operations promptly.
- (2) **For employees**
The scope of the BCP encompasses Aucnet and its Group companies, and its highest priority is to protect the safety and employment of employees (including their families). Promote mutual collaboration and support between Aucnet and its Group companies for the quick recovery of collaborative projects and major services and groups businesses between them.
- (3) **For local communities**
Provide relief supplies to disaster victims and donate relief funds to contribute to the recovery and revitalization of lives and economies of disaster-stricken communities.

2. Key points for planning business continuity in the event of an emergency

- (1) **Mutual aid among companies**
Actively provide ethically-motivated support for disaster-stricken member dealers, partner companies and other business partners.
- (2) **Morals in commercial dealings**
Even in emergencies, do not delay payments to customers, including member dealers, business partners or other associated businesses. In addition, Aucnet will conduct relief measures such as exempting disaster-stricken member dealers from monthly membership fees, late fees, and penalties, while also offering consolatory payments. Aucnet will donate relief funds and supplies to the affected areas.
- (3) **Contribution to local communities**
Actively provide victims with aid and procured relief supplies.

3. Prioritization in Restoring Business Operations

- (1) **Extent of sales and profits (business segment-based)**
- (2) **Ease of restoration**
- (3) **Considering damage situation, etc.**
comprehensively, the Emergency Response Headquarters make decisions depending on the situation.



Eight-Year Financial and Non-Financial Summary

	Unit	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Business Results									
Net sales	(million yen)	19,983	19,409	19,492	19,672	24,078	36,710	40,455	43,303
Sales by segment	Automobile Business	(million yen)	10,859	11,429	11,814 ²	12,174	11,689	12,104	11,452
	Digital Product Business	(million yen)	5,483	4,125	4,040	3,863	5,877	6,832	6,899
	Consumer Product Business	(million yen)	—	—	—	—	3,940 ³	14,506	18,323
	Other Information Distribution Business ¹	(million yen)	2,555	2,606	2,668	2,719	—	—	—
	Other	(million yen)	1,931	1,951	1,817	1,645	3,199	3,791	4,261
Operating profit	(million yen)	4,041	3,245	3,219	2,525	3,705	5,846	6,601	6,663
Operating profit by segment	Automobile Business	(million yen)	3,183	3,412	3,620 ²	3,754	3,581	3,717	3,689
	Digital Product Business	(million yen)	3,023	2,036	1,931	915	2,391	3,810	4,552
	Consumer Product Business	(million yen)	—	—	—	—	535 ³	1,289	1,678
	Other Information Distribution Business ¹	(million yen)	625	781	631	677	—	—	—
	Other	(million yen)	(19)	(170)	(269)	(328)	(300)	(252)	(492)
Operating profit to net sales ratio	(%)	20.2	16.7	16.5	12.8	15.4	15.9	16.3	15.4
Ordinary profit	(million yen)	4,115	3,321	3,308	2,630	3,643	6,113	6,699	6,755
Profit attributable to owners of parent	(million yen)	2,183	1,767	1,707	1,404	1,896	3,625	4,346	4,368
Financial Status									
Total assets	(million yen)	25,446	27,644	27,257	29,324	33,280	36,822	37,348	37,664
Net assets	(million yen)	12,139	16,759	17,413	18,333	19,637	22,701	22,911	22,310
Equity	(million yen)	12,006	16,587	17,205	18,063	19,324	22,319	22,514	22,161
Equity ratio	(%)	47.2	60.0	63.1	61.6	58.1	60.6	60.3	58.8
Ordinary profit to total assets ratio	(%)	17.1	12.5	12.1	9.3	11.6	17.4	18.1	18.0
Interest-bearing liabilities	(million yen)	1,400	0	0	0	0	0	0	0
D/E ratio	(Times)	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash Flow									
Cash flows from operating activities	(million yen)	5,771	2,087	2,848	1,426	4,119	4,249	4,523	5,116
Cash flows from investing activities	(million yen)	(1,475)	(791)	(1,239)	(2,600)	549	388	185	(428)
Cash flows from financing activities	(million yen)	(1,546)	1,174	(947)	(757)	(2,873)	(825)	(4,426)	(5,102)
Free cash flow	(million yen)	4,295	1,296	1,608	(1,174)	4,668	4,638	4,708	4,688
Per-share Indices									
Basic earnings per share	(Yen)	90.77	66.97	62.19	50.94	68.56	130.56	159.48	175.79
Net assets per share	(Yen)	498.83	604.33	625.31	653.97	697.22	802.38	862.24	936.82
Dividend per share	(Yen)	—	26	26	26	21	40	48	53
Other Business Indicators									
Return on equity (ROE)	(%)	20.0	12.4	10.1	8.0	10.1	17.4	19.4	19.6
EBITDA	(million yen)	5,441	4,702	4,309	3,186	4,514	6,745	7,480	7,449
Dividend payout ratio	(%)	—	38.8	41.8	51.0	30.6	30.6	30.1	30.1
Number of employees (consolidated)	(Person)	578	590	677	664	821	858	860	878
Gross Circulation Value (GCV)	(billion yen)	—	—	—	—	428.8	487.9	541.7	618.6

Note: Effective from the fiscal year through December 2022, the company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc.

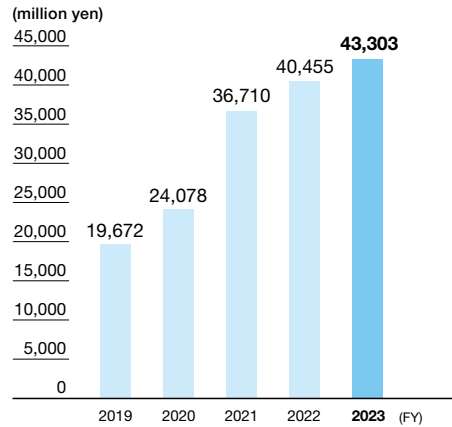
1. "Other Information Distribution Business" refers to a segment reported until the fiscal year through December 2019.

2. The inspection business is divided proportionally between automobile and motorcycle business operations from the fiscal year through December 2018.

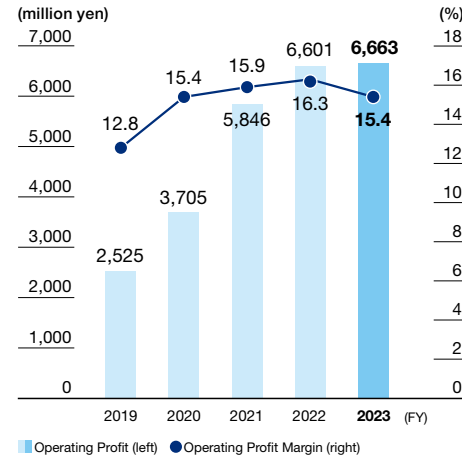
3. Effective from the fiscal year through December 2020, the Other Information Distribution Business segment has been abolished and the Pre-Owned Luxury Brand Items Auction Business has been integrated into the newly established Consumer Product Business segment.

Financial and Non-Financial Highlights

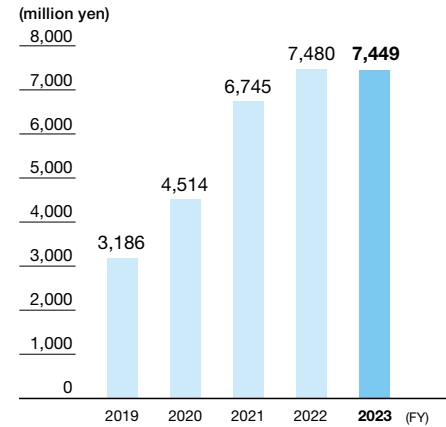
Net Sales



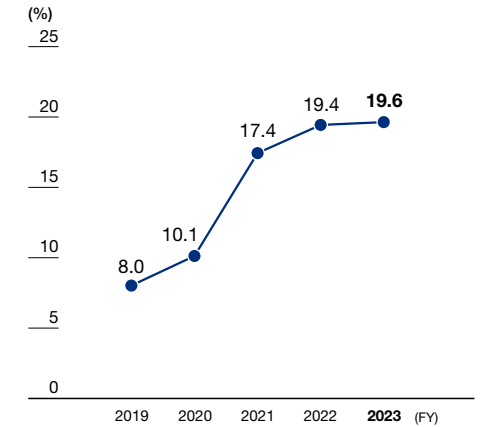
Operating Profit / Operating Profit Margin



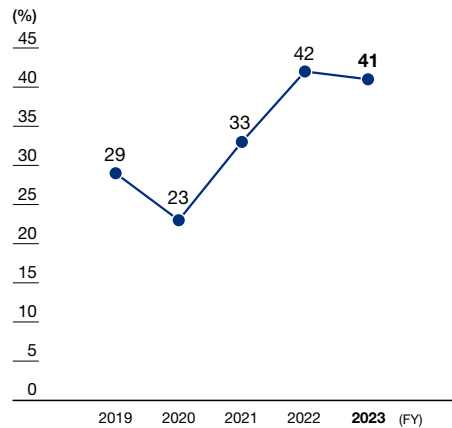
EBITDA



ROE

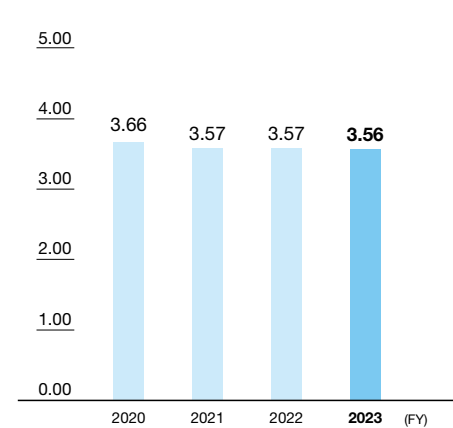


Training Attendance Rate



Note: Aucnet Inc. and six major consolidated companies

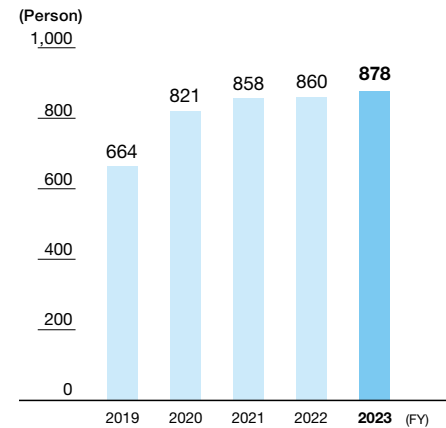
Employee Satisfaction



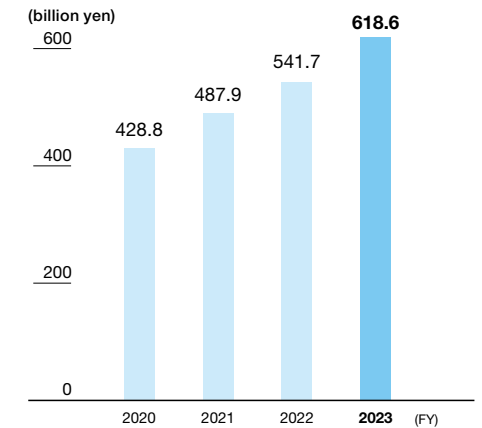
Notes:

- Results of responses (on a 5-point scale) to the survey prompt, "I am positively engaged in my work toward the future" in our proprietary Pulse Survey (excluding some group companies).
- Aucnet Inc. and six major consolidated companies

Number of Employees



GCV



Shareholder and Investor Report (As of December 31, 2023)

Major Shareholder Information

Shareholder Name	Number of Shares Held (shares)	Shareholding Ratio (%)
Flex Corporation	11,237,800	47.00
GOLDMAN SACHS INTERNATIONAL	1,784,500	7.46
GOLDMAN, SACHS & CO. REG	1,438,900	6.02
Custody Bank of Japan, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account re-entrusted by Orient Corporation.	1,296,000	5.42
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,031,637	4.31
Namai Asset Management Inc.	900,000	3.76
The Master Trust Bank of Japan, Ltd. (Trust Account)	763,200	3.19
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	620,100	2.59
Blue Peak, Inc.	538,600	2.25
Aucnet Group Employee Shareholding Association	271,934	1.14

Note:

- Although the Company holds 851,016 treasury shares, it is not included in the list of major Shareholders above. Its shareholding ratio is calculated after deducting treasury shares.
- The company has introduced a board benefit trust (BBT), with 140,300 shares owned by the Custody Bank of Japan, Ltd. (Trust Account E), which are not included in the above treasury shares.
- Flex Corporation, Namai Asset Management Inc., and Blue Peak, Inc. are asset management companies of their founding families.
- The 1,296,000 shares held by Custody Bank of Japan, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. in a Retirement Benefit Trust Account are re-entrusted by Orient Corporation, and the right to instruct the exercise of voting rights is reserved by Orient Corporation.

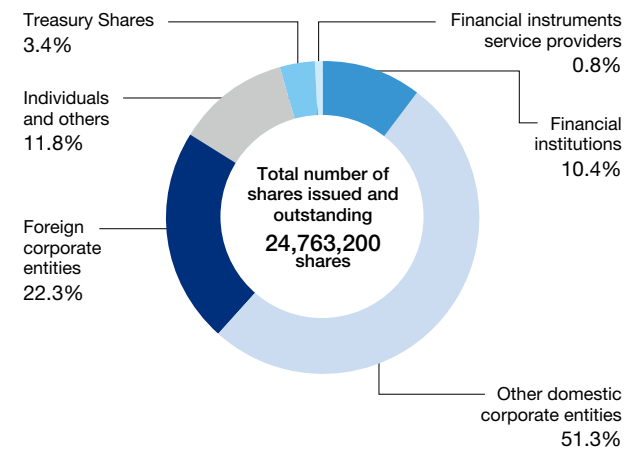
Total Shareholder Return (TSR)

	2019	2020	2021	2022	2023
Total Shareholder Return (TSR)	139.9%	146.0%	180.3%	201.3%	205.9%
Comparative index: TOPIX Total Return	118.1%	126.8%	143.0%	139.5%	178.9%

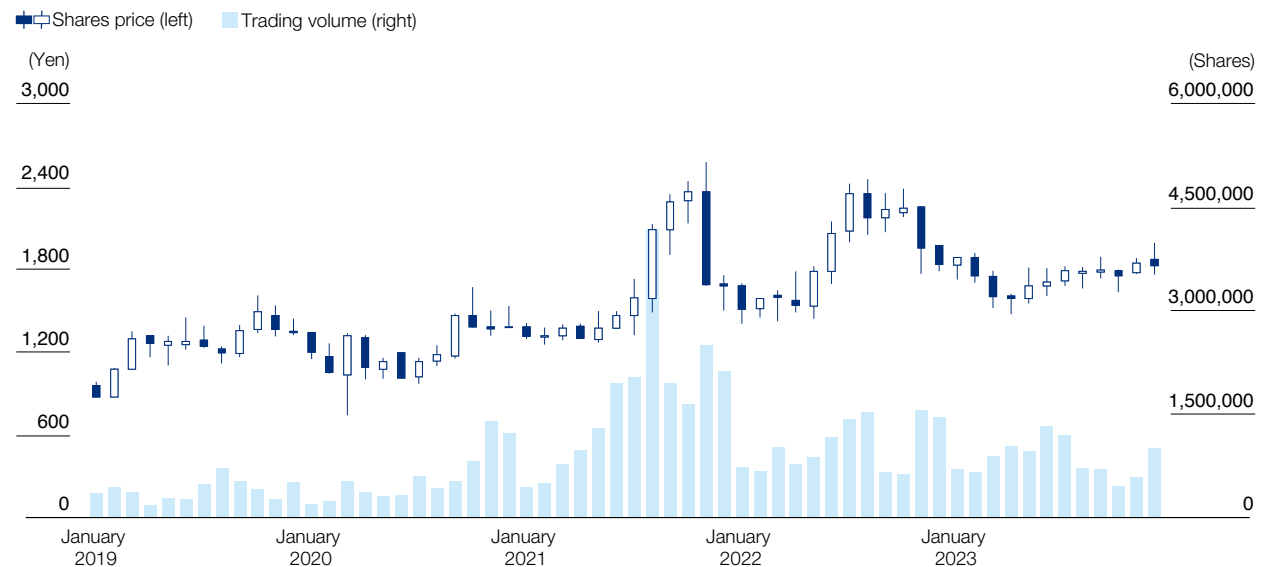
Total Return Ratio

	2019	2020	2021	2022	2023
Total Return Ratio	51.4%	30.8%	30.8%	101.9%	90.9%

Stock Distribution by Owner



Trends in Share Prices and Trading Volume

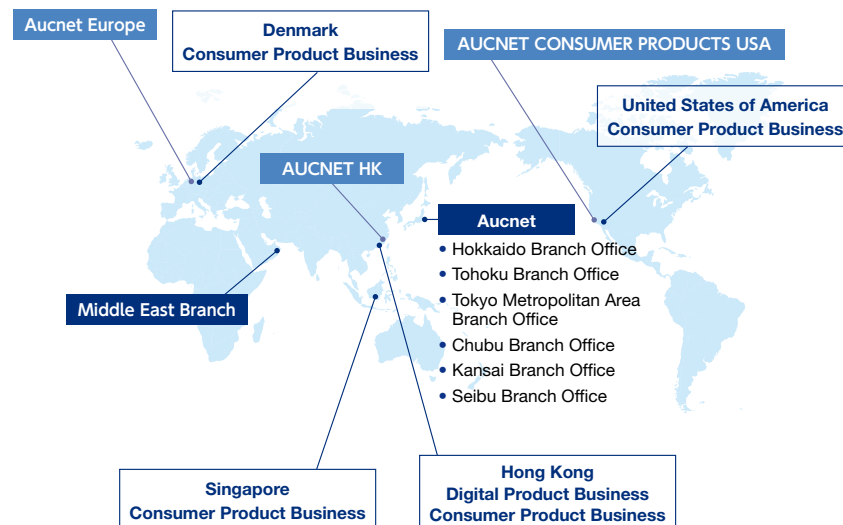


Corporate Information (As of December 31, 2023)

Company Information

Trade name	Aucnet Inc.
Founded	June 29, 1985
Established	March 09, 1984 March 07, 2008 *Merged with parent company on January 1, 2012.
Representative	President & CEO Shinichiro Fujisaki
Head Office	Aoyama OM Square, 5-8 Kita-Aoyama 2-chome, Minato-ku, Tokyo, 107-8349, Japan Phone: +81-3-6440-2500
Closing date	December 31
Number of employees (consolidated)	878
Capital	¥1,807 million
Stock listing market	Tokyo Stock Exchange Prime Market (Securities code: 3964)

Sales Offices*



Group Companies*

Business Name	Company Name	Business Description
Digital Product Business	AUCNET DIGITAL PRODUCTS USA, LLC.	Strategic base for the U.S. Digital Product Business (dormant)
	Blanco Japan Inc. (Affiliate accounted for by the equity method)	Sales of data erasure software and related services
Consumer Product Business	Aucnet Consumer Products Inc.	Auctions for pre-owned luxury brand items and distribution services including those for consumers
	AUCNET CONSUMER PRODUCTS USA, LLC.	Strategic base for the U.S. Consumer Product Business
	Galley Rare Ltd.	Consumer oriented businesses such as store and e-commerce sales
	Aucnet Europe ApS	Strategic base for the Consumer Product Business in Europe
Automobile Business	AIS Inc.	Vehicle inspections and training in vehicle inspection skills
	i-Auc Inc.	Proxy bidding service for used vehicles sold at physical auction sites, etc., which are markets for inter-dealer transactions
	Auc Financial Partners Inc.	Provision of warranty service related products
Motorcycle Business	Aucnet Motorcycle Inc.	Used motorcycle auctions and services associated with distribution, including to consumers
	Aucnet Agri Business Inc.	Services associated with flower auctions and distribution
Agricultural Business	Kinuta Flower Auction Co. Ltd.	Operation of Tokyo Central Wholesale Market specializing in potted plants
	Grand Bouquet Otaki Limited	Operation of a large-scale phalaenopsis orchid cultivation facility using ICT
	Aucnet Medical Inc.	Services associated with used medical equipment auctions and distribution
Circular Commerce Business	Menergia Inc.	Medical video and association member management services for healthcare professionals and medical societies
	JBTV Inc.	Contracting and consulting business
Other	Aucnet IBS Inc.	Providing web technology and cloud solutions
	AUCNET HK LIMITED	Strategic base in China and Southeast Asia
	Aucnet USA, LLC.	Strategic base in the U.S.
	Carseru, Inc.	CtoB vehicle sales support service

* On January 1, 2024, we renamed our Consumer Product Business the Fashion Resale Business.

