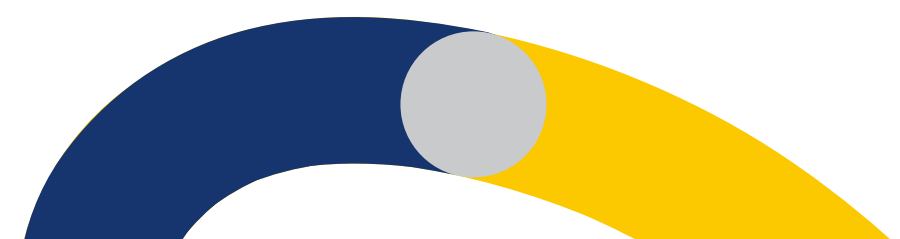


# Integrated Report 2022

**Integrated Report 2022**

 **AUCNET GROUP**

Aucnet Inc. FY2022



# 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 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 “Shokenroku,” 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 Action Focus

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

## Principle of Speed

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

## Principle of Effective Communication

Work in friendly and enjoyable ways to prevent sectionalism.



## Why does Aucnet exist?

**It started with one car, forming a bridge between people.**

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 doesn't need could be a necessity for someone else. This is the realization that led to the birth of Aucnet. Even in a world overflowing with things, instead of throwing them away after one use, we deliver them to those who need them.

—That is our mission.



# Why

## What does Aucnet achieve?

**We don't throw things away. We will deliver them to those who need them.**

Modern society is an age of convenience, where the things we need are readily available. At the same time, environmental burdens such as resource depletion and climate change are increasing. Aucnet uses a platform that connects the world, promoting rational and environmentally friendly circular distribution, circulating valuable goods on a global scale to realize a sustainable society.

# What



## How does Aucnet achieve this?

**Through a circular distribution platform that transcends the boundaries of secondary distribution.**

Our business, which began with the sale and purchase of a single car, now encompasses the distribution of used digital devices and pre-owned luxury brand items. In addition, the company is taking on new business challenges, such as providing support to manufacturers and other primary distributors to enter into secondary distribution. We will transcend various boundaries to co-create value that is not bound by the conventional wisdom of the industry, together with all kinds of partners around the world.



WHY WHAT HOW

# HOW

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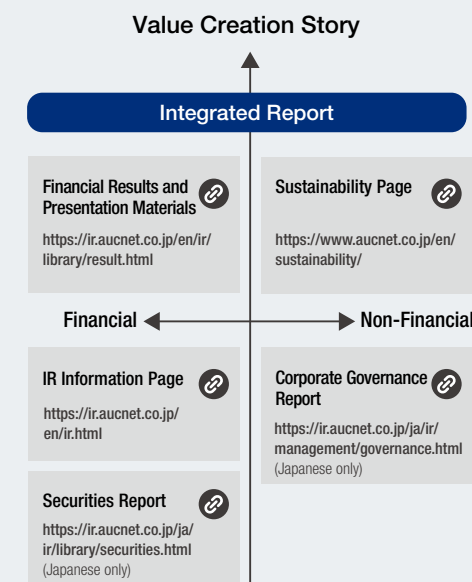
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### Information Chart



### 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, 2022)

### Reporting Period

January 1 – December 31, 2022  
 (Some information outside of the reporting period is included.)

### Referenced Guidelines

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

### Issued

July 2023

### Contact for Inquiries

Corporate Administration Department, Aucnet, Inc.

### Inquiry Form

<https://cloud.swcms.net/ir-aucnetPublic/en/ir/inquiry2.html>

## Aucnet at a Glance (FY2022)



Net Sales

¥40,455 million



Operating Profit

¥6,601 million

Operating Profit Margin

16.3%



EBITDA

¥7,480 million



ROE

19.4%



Number of Members

37,370

members



GCV\*

¥541.7 billion

\* Gross Circulation Value (GCV): See page 44 for details.

## Automobile Business

Net Sales

¥11,452 million

Segment Profit

¥3,689 million

## Digital Product Business

Net Sales

¥6,899 million

Segment Profit

¥4,552 million

## Consumer Product Business

Net Sales

¥18,323 million

Segment Profit

¥1,678 million

## Other

Net Sales

¥4,261 million

Segment Profit

¥-492 million



# CEO MESSAGE

**Shinichiro Fujisaki**

President & CEO

## The Market Value and Business Value That Aucnet Has Created

### Origins of Aucnet

Since its founding in 1985, Aucnet has continued to take on the challenge of revolutionizing secondary distribution from a fresh, unconventional perspective.

In our original business of used vehicle distribution, we pioneered the development of a system for TV auctions for used vehicles and established it as a new business model. Until then, the platform supporting used vehicle distribution was physical vehicle auctions. Used vehicle dealers had made use of physical vehicle auction venues located all over Japan for purchasing vehicles, replacing inventory, and exchanging and disposing of vehicles for cash. Because of the large amount of land required, venues were often located in the suburbs, and the cost of transporting vehicles to and from the auctions and the time commitment of purchasing staff was very large. Thinking that it would be possible to alleviate this burden, our founder, Masataka Fujisaki, developed a revolutionary system that utilized telephone lines and laser disks at the dawn of the Internet, when the Web was not yet widely used. TV auctions for used vehicles, which enable buyers and sellers to buy and sell at the touch of a button from the comfort of their offices or homes, succeeded in eliminating market inefficiencies and revolutionizing distribution.

At the same time, we built a system whereby vehicle inspectors stationed throughout Japan could thoroughly inspect each and every vehicle on display and properly evaluate the condition of the vehicle before distributing it. We also provided the added value of trust in used vehicle distribution by offering total support for operations associated with used vehicle distribution, enabling both sellers and buyers to feel at ease in conducting transactions.

From this series of efforts, I think you can see that our growth to date has been supported by our corporate culture of always investigating matters thoroughly and acting for the development of the industry.

The word “authenticism” is expressed in Shoken-Roku, the writings left to us by our founder, Masataka Fujisaki, and we have set forth this word as our philosophy. Authenticism is our company’s point of origin. It is the philosophy that we always rely on to pursue what our customers truly need, even in an era of drastic changes in societal values.

## Circulation Engine: Designing a Circular Distribution System

### A Major Turning Point for Business

Since that time, we have expanded our business beyond used vehicle distribution into a wide variety of other areas, including used motorcycles, flowers, used digital devices, pre-owned luxury brand items, and used medical equipment, and have continued to grow steadily through global business development. However, the changing trends toward sustainability, the social upheaval caused by the COVID-19 pandemic, and people’s changing values have provided an unexpected opportunity to take a deep look at our own reason for being.

The discussion sessions for executive officers, which were held in such an environment, were truly a forum for deep discussion about the purpose of the company’s existence. Through the evolution of our original used vehicle distribution business and the expansion of our business domain, we have created an optimal online system, operational expertise, and membership network that connects sellers and buyers in the secondary distribution market for various industries, which no other company can easily imitate. By holding various discussions, we came to the conclusion that it would be a waste of our company’s unique value to develop it only in the existing area of secondary distribution, and that we have great potential to contribute to the realization of a circular society, which is sought after worldwide. I myself have experience in several businesses, and I think the concept of circular distribution that also brings in primary distributors and involves co-creation with all kinds of partners is based on a deepening of this way of thinking. I think the discussions among our executive officers about the purpose of our company’s existence was a turning point that had a great impact on the way we think about our business. Then, when we actually went beyond the conventional framework of the secondary distribution domain and stepped into the new business domain of primary distribution x secondary distribution, we realized that there were areas where we could utilize much of the know-how we had built up in the used vehicle distribution business and that there was potential for synergy among various businesses.

In addition, as efforts to achieve the SDGs, a set of global challenges, have gained increasing attention, discussion of solutions to the challenges of achieving a circular society has deepened. Used vehicle distribution itself contributes to the circular economy, and it can be said that we have been working since our establishment in an industry that contributes to the achievement of the SDGs. In light of these current trends, in 2021 we launched our sustainability policy, “Circulation Engine: Circulating valuable goods on a global scale,” upon reflecting on the value we provide to society. In addition, as a management indicator for steadily advancing sustainable actions based on this policy, we have established the new numerical indicator “Gross Circulation Value” (GCV).

## Actions in Becoming a Circulation Engine

The phrase “Circulation Engine” set forth in our Sustainability Policy expresses our strong will toward the future in which we will further spread the circular distribution that we have been working on, and become the engine that drives a society in which goods circulate on a global scale beyond the boundaries between industries, countries, and regions. To realize this goal, we are working on four actions that are also consistent with the SDGs: (1) Equitable trading around the world, (2) Maximizing the value of goods, (3) Keeping the Earth beautiful, and (4) Together with all partners.

In order for us to function as a Circulation Engine, it is important for us to create value together with our many customers as they utilize the Aucnet platform. In the future, we intend to expand the circular society on a global scale while co-creating business with all kinds of partners in order to make our business more appealing.

## Enhancing Corporate Value over the Medium and Long Term

### Formulation of Medium-Term Management Plan

In May 2022, we formulated our Mid-Term Management Plan Blue Print 2025, with the fiscal year through December 2022 as its first year. Under this plan, we aim to become an SDG company that solves distribution issues with the power of information and is chosen and appreciated by customers around the world as we design a global circular market as a



Circulation Engine, and expand our management base for the next stage of the plan. Specifically, we have set targets for the GCV mentioned above, in addition to EBITDA, ROE and dividend payout ratio. We have set a GCV target of 1 trillion yen for 2025, aiming to simultaneously increase the economic impact achieved through our business activities and curb negative impact on the environment.

### Fulfilling the Medium-Term Management Plan

All of these important management indicators are highly challenging for our company, but we are backcasting the requirements for achieving our goals as we consider and implement the actions we must take now from all perspectives, including acquiring management resources through M&A and other means if we currently lack them. The specifics of our medium-term management plan are explained in our Mid-Term Management Plan Blue Print 2025 (see pages 23–26), but investment in and development of human resources are extremely important for advancing these initiatives. In particular, we recognize the urgent need to secure and develop strategic and digital human resources who will pioneer new businesses, and we intend to accelerate our investment in human capital by enhancing our recruitment activities and internal training

programs. We also believe that the most important management responsibility is to maximize human capital by building a system in which the diverse human resources working at our company are aware of the roles expected of them and work together as a team to contribute to the achievement of goals so that each individual can make the most of his or her abilities.

At the same time, in terms of governance, we are focusing on ensuring that outside directors are able to function fully. In March 2023, one new outside director was added, bringing the number of outside directors to five out of a total of 11 directors. With the increasing diversity of directors, we feel that the quality of discussions at board meetings has been further enhanced by their wealth of experience and multifaceted perspectives. We will continue to work to make our governance system more effective by having outside directors deepen their understanding of the company through periodic training, various site visits, and effectiveness evaluation questionnaires, so that they can thoroughly carry out their monitoring function on the Board of Directors.



## To Our Stakeholders

### Becoming an Even More Promising Presence

I was appointed President & COO of the company in March 2020, and assumed the post of CEO in March 2023. While society as a whole has changed dramatically during this period, including sustainability awareness and changes in people's values and behavior during the COVID-19 pandemic, I think the positive impact on our business has been significant, as the image of reused products has improved and the barriers to remote and online transactions have been lowered. While these changes are likely to continue and further expand our business, we recognize that our roles and responsibilities as required by society are likewise expanding. We will combine these roles and responsibilities with business expansion opportunities, co-creating business with all partners to achieve our sustainable growth.

I believe that a company exists to bring value to society. In considering our company, I believe that if many people come to perceive the value of Aucnet's business activities and place high expectations and trust in us, our corporate value will naturally increase. As far as the current evaluation of our company by the capital market is concerned, the growth of our recent performance and the potential for future growth have not been thoroughly conveyed, and we need to enhance our appeal to the market. We will make every effort to ensure that our many stakeholders understand the intrinsic value of our business and our contribution to the realization of a circular society.

I hope you will look forward to our company's future success and development.

# Our Value Creation Journey

A company's lifespan lasts until innovation runs out.  
Out-of-the-box thinking is what has allowed Aucnet to grow.

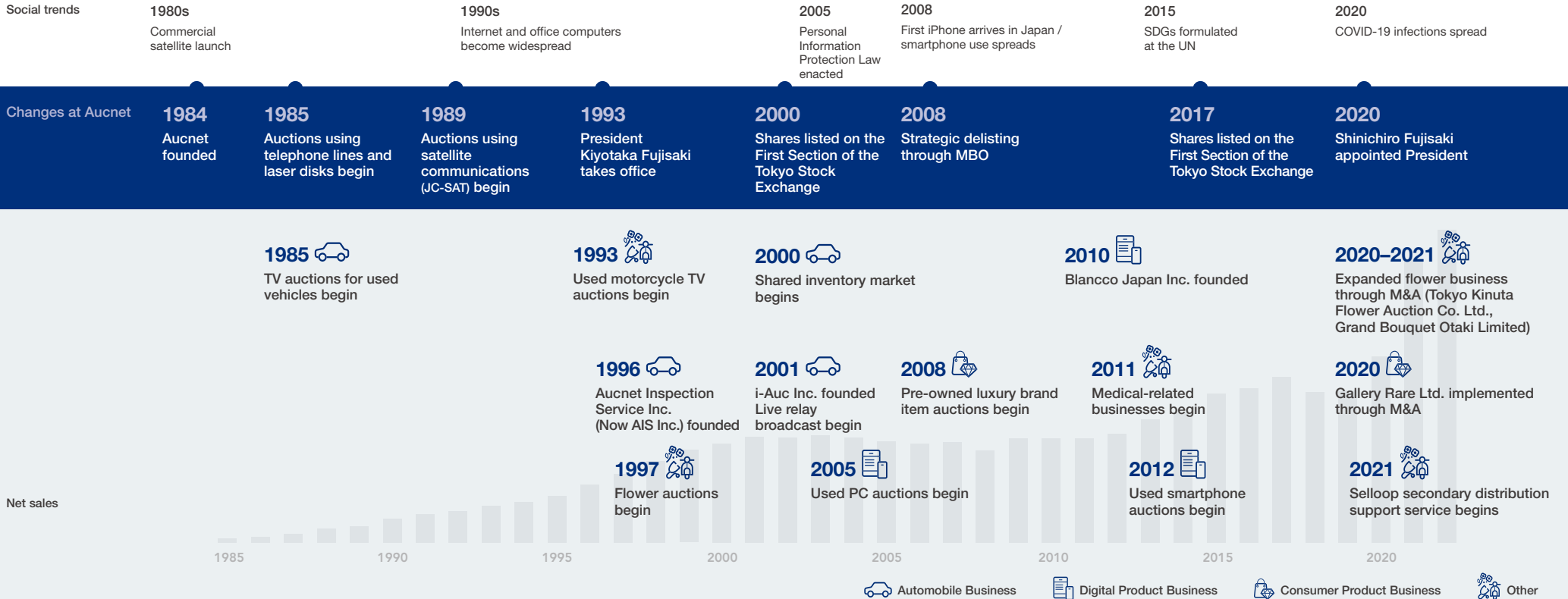
## It all started with an ad in a car magazine.

Founder Masataka Fujisaki placed a three-line ad in the newspaper to sell a used car 19 years before founding Aucnet. His beloved car sold for more than he expected. Even after the contract was finalized, however, he received a steady stream of purchase requests and inquiries, and was surprised to learn that the used car market was such a large one. 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

The Hino Contessa 900 he sold



# Our Value Creation Journey

## 1996

In-house inspection division spun off as AIS Inc.

### Increasing the accuracy of used vehicle inspections and promoting de facto standards for evaluation criteria



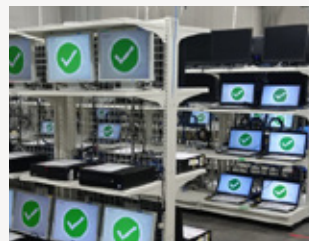
Being able to participate in an auction without seeing actual items is efficient, but the standard in the industry has been to “See for yourself to make sure.” We therefore developed used vehicle evaluation criteria in the hope that dealers would be convinced to purchase used vehicles. The inspection service grew in popularity, with customers saying, “I feel more secure buying with Aucnet’s inspection results than by looking at it myself.” In 1996, the company went independent as Aucnet Inspection Services (AIS). Its expertise developed to such an extent that major manufacturers contracted it to perform inspections, setting a new standard in the industry. Currently, the AIS ownership comprises our company, TOYOTA-USEC, Honda U-TEC Co., Ltd., Nissan Used Car Center Co. Ltd., and Mazda Chuhan Co., Ltd. We are working to improve the reliability of the AIS brand by unifying used car inspection evaluation standards with manufacturer-affiliated used car business companies.

## 2005

Used PC auctions begin

### Security support with residual data erasure

Our Digital Product Business service began with used PC distribution. Unlike used vehicles, it is important that used PCs be 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 Blancco Oy Ltd. (now Blancco Technology Group plc), which specializes in data erasure for digital devices, 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.



PC data erasure system



## 1985

Innovative Auction System launched

### Auctions completed at the touch of a button without seeing actual items

A used car sales company representative told us, “When I travel to auction sites across the country to purchase cars, I’m tied up for the entire day. It’s inefficient and costly.” At the time, the standard practice was to travel to auction venues across the country to purchase vehicles to fill the sales floor. Auctions that enable car purchases without having to go to the venue are appreciated by dealers. Brothers Masataka and Kiyotaka, who believed that this led to the “authenticism” inherent in the company’s philosophy, turned their attention to the microcomputer boom of the time, and wondered if they could solve the problem by linking computers and bidders, and devised an innovative system. Despite an outcry from the industry, an innovative system was created that allowed people to participate in auctions at the touch of a button without having to go to the venue.



## 1997

Flower auctions begin

### Eliminating inefficiencies unique to the flower industry and creating a new distribution format

In the past, the floriculture industry was dominated by huge physical markets such as the central wholesale market, and it was commonplace for intermediate wholesalers and flower dealers to travel to the market each time they made a purchase. 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. When we entered the flower industry in 1997, we began holding online auctions. These have eliminated regional disparities in product assortments and prices, making it possible for retailers also to purchase while at their stores, which has been a great advantage. Although there was some backlash from some business operators for breaking through the existing industry distribution system, we were able to achieve this because we always thought about what services were truly valuable to our stakeholders, such as growers and retailers, and implemented them.

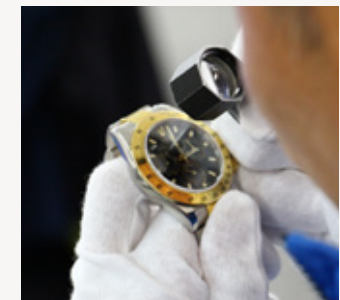


## 2008

Pre-owned luxury brand item auctions begin

### Auctions not bound by industry conventions, enabling everyone to buy and sell with equality and peace of mind

At the time, pre-owned luxury brand item auctions were usually held in venues like conference rooms that could accommodate only a few dozen people or so. Due to ranking based on transaction value and the power relationships involved, they were not held in an equitable manner. 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. Various initiatives were implemented, including holding auctions every week, compared to once every one to three months in the traditional market. The creation of these opportunities to participate in auctions and the means to buy and sell had a major impact on the pre-owned luxury brand items industry at the time, which was in the doldrums due to the “Lehman Shock” financial crisis.



## Our DNA passed down to the present, stories of its embodiment

Aucnet has created numerous innovations based on its philosophy of authenticity.

That DNA has been handed down continuously from generation to generation and has led to the creation of many innovations from on-site experience.

## Toward services that meet customers' latent needs

My job is to drive customer success in the pre-owned luxury brand item auction business. We receive a variety of feedback from our customers, but we are also expanding our awareness to include voices that aren't superficially evident. I believe that what our customers want is expressed in the way they use our services—in their search keywords, for example. We gather these up, and when we hold discussions on the topic of whether they are truly supporting the customers, there are times when it feels like the team is working in a customer-oriented way. In my work, I want to enjoy the daily changes so that our service will truly be chosen and loved by our customers.



**Hiroki Taguchi**  
Consumer Product Business Division  
CP Business Promotion Department

Involvement in the AM Division and new business development since joining the company in 2013. Assigned to the current CP Business Promotion Department since 2021  
KAIZEN Grand Prix in the second half of 2022, Received the 2022 Excellent Employee Award



**Miyuki Tamahashi**  
Consumer Product Business Division  
CP Business Promotion Department

Assigned to CP Business Promotion Department since joining the company in 2020  
Received the 2021 New Employee Award  
Winner of the KAIZEN Annual Grand Prix in 2022

## Providing information to members based on data

I plan events and look into new services so that people will choose Aucnet from among the many auctions. In this context, I felt that our vast product data, which is an asset of ours, was not being well utilized for our members. By compiling product data that had been untouched and analyzing it based on our own knowledge gained through our experience, we are now able to provide highly accurate market information to our members in real time. By further utilizing this data, we are working to create new services other than auctions that expand the range of sales and purchases for our members.



**Hiroki Matsuoka**  
Corporate Administration Department,  
Corporate Management Division

Assigned to the Corporate Administration Department since joining the company in 2021  
Received the 2022 New Employee Award

## To be a breath of fresh air regardless of experience or year

Although I am primarily responsible for IR and governance-related work, I also actively participate in companywide cross-organizational initiatives such as the SDG project and CENTAN, a new business idea contest. In addition to an organizational culture that allows us to take on various challenges by raising a hand, there is an atmosphere in the company that makes even younger employees feel at ease expressing their opinions. I get a true sense that I am growing because I am able to think for myself at any time. I want to be an innovator by studying every day, sensing the trends of the times, being stimulated by others, always thinking for myself and expressing my opinions, and inspiring those around me.

## Philosophy

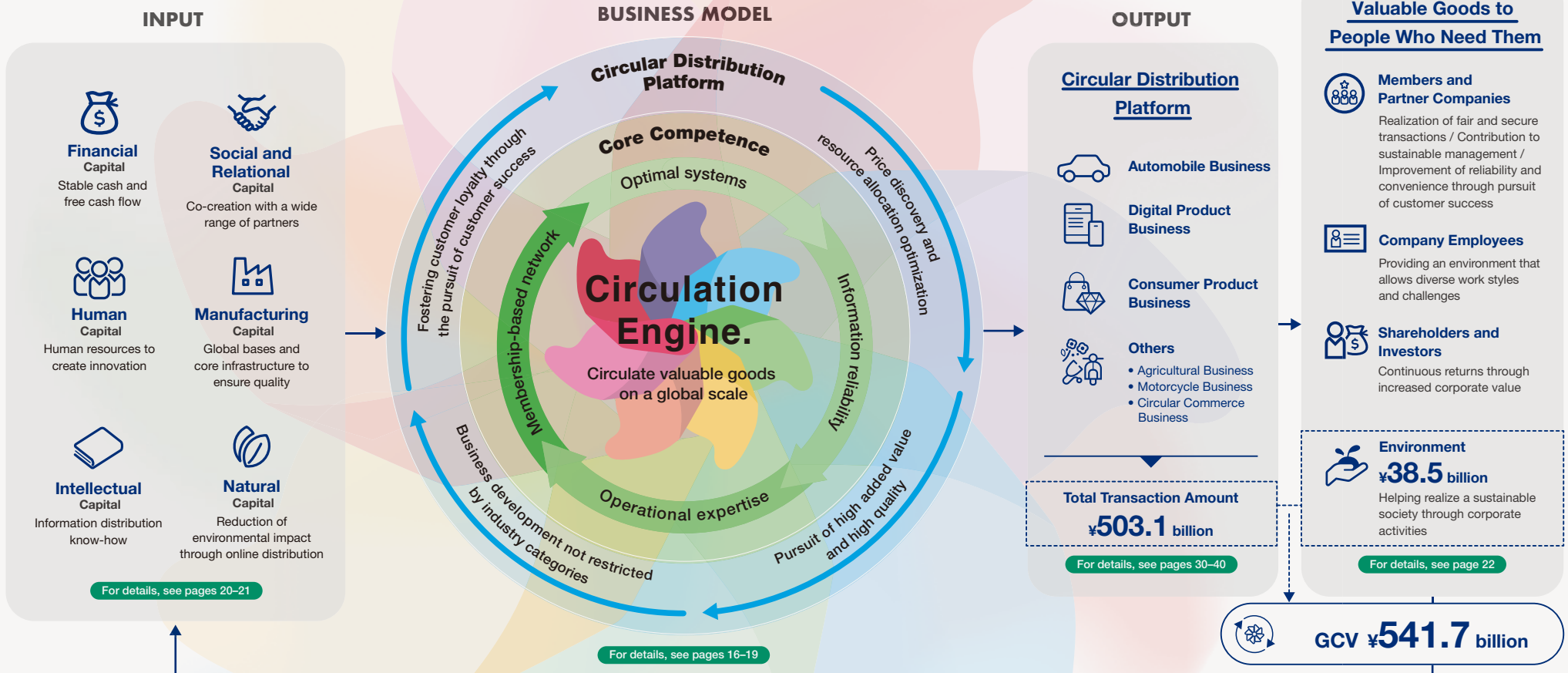
### Authenticism

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

### Business Environment

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

### OUTCOME



### Sustainability Actions

Equitable trading around the world / Maximizing the value of goods / Keeping the earth beautiful

Together with all partners

For details, see page 41

### Basis

**E: Environment**

For details, see pages 42-45

**S: Society**

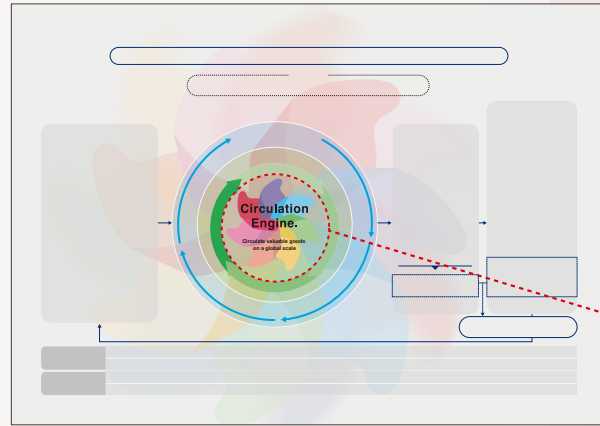
For details, see pages 46-49

**G: Governance**

For details, see pages 55-59



# Circulation Engine



## Circulation Engine: Circulating Valuable Goods on a Global Scale

We deliver valuable goods from all over the world to those who need them. Aucnet has developed a sustainability policy to design a fair, equitable, and efficient marketplace, for transactions that everyone can trust.

Under this policy, Aucnet aims toward a society in which valuable items are not thrown away but used to their fullest potential, given the environmental impact of both discarding old and producing new. We will expand the scope of sustainability by circulating one thing from person to person, across industries, countries, and regions, with our partners around the world.

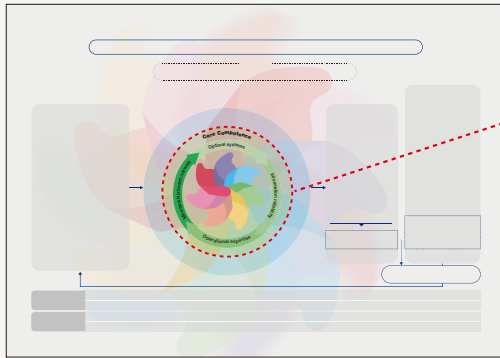
In the future, we will work with primary distributors to design many diverse markets, while striving to improve our social and economic value by contributing both to the environment and to profitability.



Aucnet uses windmills as a motif for the Circulation Engine. The colorful windmills represent our desire to blow the wind of sustainability around the world through our diverse and colorful businesses.



# Core Competence



POINT 1	POINT 2	POINT 3	POINT 4
<b>Optimal systems</b>	<b>Information reliability</b>	<b>Operational expertise</b>	<b>Membership-based network</b>
<b>A system ahead of its time</b> Number of auction items sold <b>4.96 million items<sup>1</sup>/year</b>	<b>Stringent inspection standards</b> Number of used vehicles inspected <b>1.08 million units/year</b>	<b>Total support for peace of mind</b> Total transaction amount <b>¥503.1 billion/year</b>	<b>A diverse, global membership network</b> In Japan and abroad, 60 countries and regions Membership base of <b>37,370 members</b>

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.

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 methods adapted to the characteristics of the products. We now offer a system that allows real-time trading with our members around the world.



Laserdisc

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 2022, the number of units inspected exceeded 1 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.



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, 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.

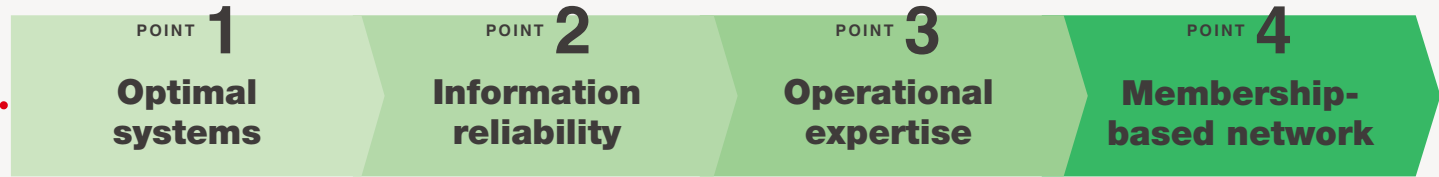
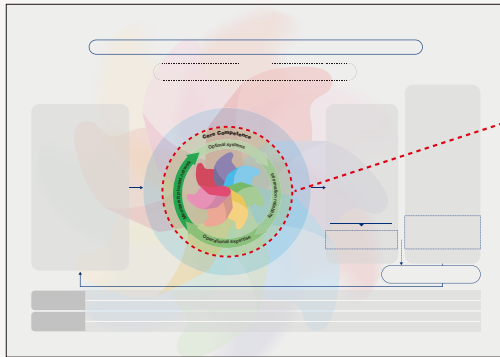


Auction theory<sup>2</sup> holds that a certain number of participants is necessary in order to hold an auction with fair and appropriate prices. Aucnet has a membership base of over 37,000 companies in 60 countries and regions in Japan and abroad, which enables transactions at appropriate prices for 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.

Notes:

1. Excluding shared inventory in the Automobile and Motorcycle Businesses and AUC BRAND MALL in the Consumer Product Business.
2. Study to analyze auctions and design more efficient markets with higher expected revenues

# Core Competence



## Toward Further Evolution

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 system, we plan to launch 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 in our services.

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 de facto standard in the secondary distribution of EVs.

We will provide our members with not only operational services, but also comprehensive support services for their businesses by offering product market 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.

We will work to further expand and utilize our membership-based network with an eye to future expansion of circular distribution. 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 distribution system. 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.

## Customer Feedback

### Consumer Product Business

I do my purchasing on my phone, and find that these controls are easier to operate, so it's more usable than others. The screen is also easy to read. It would be more usable if it were made into an app so you could use things like notifications.

### Digital Product Business

It is good that the controls are simple and not difficult.

### Automobile Business

It's a big help that we can participate in auctions nationwide without leaving the office. We really like that searching cars is easy and fast.

### Consumer Product Business

Compared to other venues, Aucnet evaluations are strict, in a good sense, so it's reliable.

### Digital Product Business

I think many of the items are better than at other auctions. Also, the grading is excellent and the product quality is good.

### Consumer Product Business

No other company proposed post-repair listing for auctions. Upon consulting with the Aucnet representative, they advised that since the case of the item was out of alignment, the only way to sell it at a higher price would be after repair. It was good that I was able to sell at a higher price as a result.

### Automobile Business

With Aucnet's warranty service, we can get service from factories all over Japan. That's a big plus for us as well as our customers. They can take care of our distant customers who have moved away, so I can recommend Aucnet with confidence.

### Automobile Business

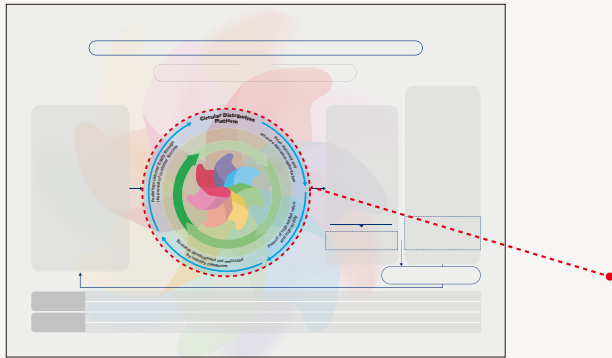
It's great that even members who aren't primarily selling can view Aucnet Shared Inventory.<sup>1</sup> Customers have all kinds of different needs, so it's good to be able to sell cars of a wide range of genres.

### Consumer Product Business

Thanks to streaming on LINE,<sup>2</sup> I sold it for considerably more than expected.

Notes:

1. A market where information on used car inventory owned by members is shared among members and traded among them, utilizing our membership network.
2. A service that periodically distributes auction-related information, such as information on hot items, to registered LINE friends.



We have four core competencies centering on the Circulation Engine: optimal systems, reliability of information, operational expertise, and membership-based networks, which we combine to build the optimal circular distribution platform for each product and stakeholder situation.

Currently, we are developing business in six areas: Automobile Business, Digital Product Business, Consumer Product Business, and Others comprising Agricultural Business, Motorcycle Business and Circular Commerce Business. The profits from these businesses are used to invest in new market designs, creating a sustainable value creation process.

In recent years, we have expanded our business beyond secondary distribution into the area of primary×secondary distribution. By forming new partnerships with primary distributors with whom we have had little contact in the past to encourage sustainability initiatives, we will focus on expanding our business areas, including meeting needs for environmental contribution and providing marketing and branding support.

Although these initiatives are mainly distributed domestically or from Japan to overseas, in the future we will steadily realize sustainable growth by building and expanding distribution and sales channels from overseas to Japan and from overseas to overseas.

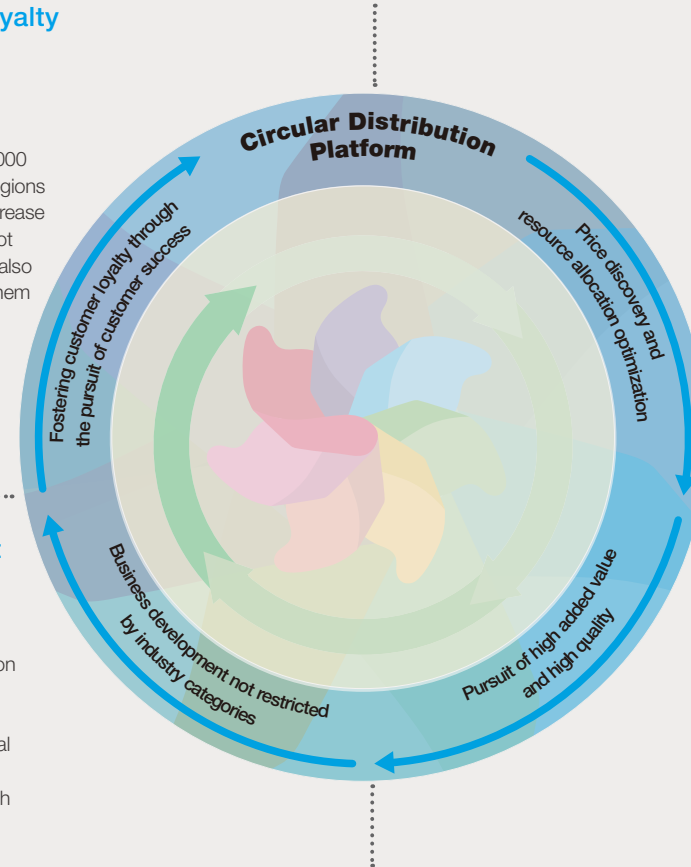
## Components of a Circular Distribution Platform

### Fostering customer loyalty through the pursuit of customer success

In order to make the most of our membership network of over 37,000 companies in 60 countries and regions around the world, we strive to increase customer loyalty by uncovering not only their direct expectations but also their latent needs and reflecting them in our services.

### Business development not restricted by industry categories

As a pioneer in circular distribution for 38 years, our accumulated know-how, not only in auction transactions but also in peripheral services, enables us to develop our business at low cost and high speed when entering new businesses in other industries.



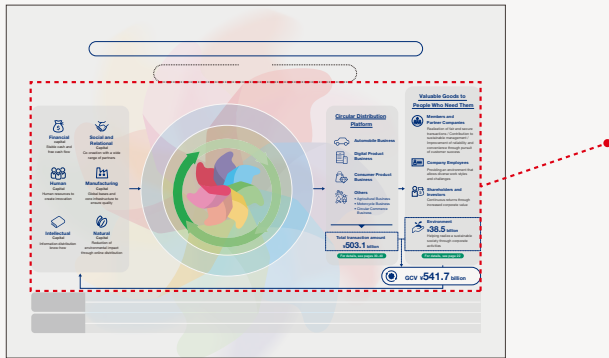
### Price discovery and resource allocation optimization

By properly disclosing product information and quality as a third party, we are able to eliminate information gaps between sellers and buyers and provide fair prices. At the same time, products are allocated to those who see the highest value in them, creating an optimal system that distributes limited resources efficiently and fairly.

### Pursuit of high added value and high quality

In order to ensure the reliability of information that is most important in concluding transactions without seeing actual items, we have built a system that constantly pursues high added value and high quality by not only inspecting, checking, evaluating, erasing data, and providing market information, but also by enhancing peripheral services such as settlement and logistics.

# Capital Circulation that Continues to Create Value



As a market design company for circular distribution, we will strategically strengthen human capital, social and relational capital, and natural capital with stable and ample financial capital in order to expand business into the primary×secondary distribution area and realize global-to-global distribution.

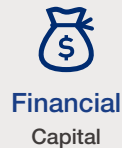
In order to achieve the key management indicators set forth in Mid-Term Management Plan Blue Print 2025, formulated in 2022, we will focus in particular on investment in human capital while expanding our foundation as a company with sustainable growth by increasing our base salary to ensure competitiveness, expanding our human resources, enhancing our education and training programs, and reforming our personnel system.

Notes:

1. Aucnet Inc. and six major consolidated subsidiaries
2. Excluding shared inventory in the Automobile and Motorcycle Businesses and AUC BRAND MALL in the Consumer Product Business.

## Characteristics

## Initiatives for Further Value Enhancement



Financial Capital

Ample operating cash flow  
**¥4.5 billion**

Equity capital ratio  
**60.3%**

ROE  
**19.4%**

In addition to stable revenues from the membership business, we generate ample cash flow from operating activities through commission fee income associated with the number of listings and auctions won. In terms of costs, the company does not have physical sites and concentrates its operations at its headquarters, thereby keeping costs low and maintaining a high level of operating profit margin. Due to the nature of the auction business, some funds are required as working capital, but our abundant financial capital is the foundation for investment in further growth areas, such as the creation of new businesses and M&A. With respect to its financial structure, the company maintains a sound equity capital ratio and has achieved a high level of ROE, which indicates capital efficiency.

To further strengthen our financial capital, we aim to increase profitability by expanding our membership-based network and revitalizing our auctions. To establish a new revenue base, we invested in MIRAI-LABO Co., Ltd. in 2019, added three companies to the group through M&A in 2020 and 2021, and launched Selloop secondary distribution support service as a new business in 2022. We will continue to make effective use of our financial capital, invest in new businesses and R&D, and aggressively pursue M&A.



Human Capital

Employees  
**860**

Training program participation rate  
**41.6%<sup>1</sup>**

Since our founding, we have continued to take on challenges in diverse industries based on our philosophy of authenticity. This is because the writings titled "Shoken-Roku" and handed down to us by founder Masataka Fujisaki have taken root within the company: "A company's lifespan lasts until innovation runs out." Various programs, such as the KAIZEN activities in which all employees participate, provide many opportunities for young employees. This kind of environment encourages the growth and success of each and every employee, and by working together as a team, we are able to create further challenges.

We provide educational support in a variety of genres and themes, including a self-development support program the costs of which are 100% covered by the company to enable each employee to take on challenges, as well as group training by level. In addition, the CENTAN program, a new business operation contest in which employees participate on their own initiative, identifies ideas that could become the seeds of innovation. We have an environment that challenges us not only as individuals, but also as a team. For example, the team promoting EV leasing in the motorcycle business won the Best of Team Award at the Aucnet Awards. We will continue our efforts to develop innovative human resources to create services that embody authenticity.



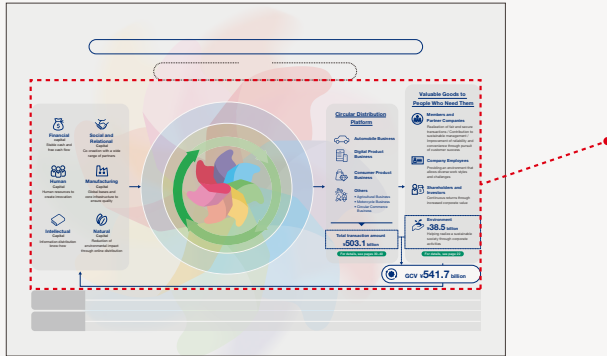
Intellectual Capital

Number of auction item sales per year  
**4.96 million<sup>2</sup>**

As a pioneer in secondary distribution, Aucnet has distributed a variety of products mainly in the B2B domain. We will continue to develop our business by leveraging our more than 30 years of secondary distribution expertise and auction data. To enhance the reliability of our information, we have also focused on establishing AIS inspections, which are vehicle inspections of used automobiles and motorcycles, as well as inspecting, testing, and properly grading our merchandise. In recent years, the amount of products distributed overseas has been increasing, and we are committed to fair and secure transactions on the strength of our "Checked in Japan" (inspected in Japan) practices.

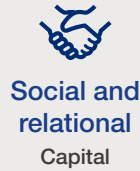
In order to eliminate variation among inspectors in the inspection and checking of products, we have strengthened our inspector training system. In addition, we are making efforts to share know-how throughout the company by creating "records of succession" enabling everyone to do the same quality of work, without making the work belong to a specific person, and by holding Strategy Office camps where information is shared across divisional boundaries. We are also working to further utilize our expertise by introducing the latest image authentication systems to support inspections and secondary distribution.

# Capital Circulation that Continues to Create Value



## Characteristics

## Initiatives for Further Value Enhancement



**Social and relational Capital**

**Number of countries and regions with transactions**

**More than 60**

**Number of members**

**More than 37,370**

Our customers are mainly categorized as members participating in auctions and co-creation partners in the business. Currently, we have more than 37,000 auction members in 60 countries and regions worldwide, and we are striving to further improve the quality of our services by listening to feedback from our members. Our diverse partners range from manufacturers and other primary distributors to industry-academic partnership institutions, and we work together to create new services derived from our many years of experience in the B2B and “used in Japan” (marketable and used in the Japanese market) areas of distribution.

We are developing a new auction system for the Digital Product Business in cooperation with UTokyo Economic Consulting Inc (UTEcon), which has extensive experience and know-how in the field of economic machine-learning methods and has achieved world-class research results in the design of auction systems. Other efforts we are implementing include “kimawari fashion,” a purchasing service with home pick-up for unneeded items focusing on clothing, operated in collaboration with Senshukai Co., Ltd. (Belle Maison). This is a circular economy initiative in which collected items are redistributed.



**Manufacturing Capital**

**Distribution bases / inspection centers**

**7 locations**

**Area offices**

**7 locations**

**Value Up Centers (VUC, vehicle distribution bases)**

**6 locations**

We have established a base and distribution infrastructure that accelerates our global expansion, and we have clearly defined standards to ensure quality. For large items such as used automobiles and used motorcycles, the inspectors travel without moving the vehicles, while for smaller items such as used digital devices, pre-owned luxury brand items, and flowers, the inspectors consolidate the items at the inspection center, thus putting in place an inspection and checking system appropriate for each item. In addition, VUCs provide a finishing touch that increases the value of the vehicles on display and makes them easier to sell at auction. They improve vehicle evaluation scores at a low cost, leading to increased customer satisfaction.

We will continue to focus on expanding our distribution centers and inspection centers by making further capital investments to expand our business and improve productivity. Smaller items will be consolidated at inspection centers to improve operational efficiency, and we plan to improve profit margin per square meter by increasing the efficiency of operational work under thorough numerical control. VUCs will assist sellers by suggesting selling points and taking additional photographs to enhance the value of the vehicles on display.



**Natural Capital**

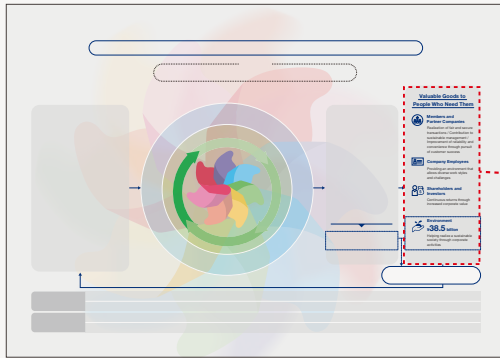
**GHG Emissions**

**10,512 t-CO<sub>2</sub>e**

Direct GHG emissions from our business activities are minimized because we provide a circular distribution platform with an optimal system for current times, utilizing an online auction mechanism. We are expanding into various areas of the reuse industry and making significant contributions to reducing the environmental impact of the market as a whole. Together with all our partners, we strive to maximize the value of goods by circulating valuable goods to those who need them.

In order to establish a circular distribution platform that transcends the boundaries between primary and secondary distribution, we are promoting initiatives to support sustainability efforts and branding in various industries by helping primary distribution businesses launch and operate secondary distribution mechanisms. We aim to achieve a circular society by combining contributions to the environment and to profit, not only through reuse, but also through recycling and reducing. Also, to strengthen our sustainability activities, we are endorsing TCFD recommendations, establishing a Sustainability Committee, obtaining third-party assurance, and bringing visibility to GHG emission reductions.

# 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 37,000 auction participating members and business co-creation partners in 60 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.

\* AUCNET Inc. and six major consolidated subsidiaries

	Relationships between Aucnet and stakeholders	Stakeholder expectations and concerns	Value co-created with stakeholders
<p><b>Members &amp; partner companies</b></p>	<p><b>Percentage increase in total number of members</b> <b>+4.0%</b></p> <p>Auction members participate in our circular distribution 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 successful 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.</p>	<ul style="list-style-type: none"> <li>• Providing high-quality services</li> <li>• Providing high-value-added information</li> <li>• Fair and secure transactions</li> <li>• Fair pricing</li> <li>• Compliance with laws and regulations</li> <li>• Problem-solving</li> <li>• Troubleshooting</li> <li>• Connections with society that transcend industry boundaries</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment and evolution of a high-value-added circular distribution platform</li> <li>• Helping to create a sustainable society</li> <li>• Contributing to the reusable goods industry</li> </ul>
<p><b>Company employees</b></p>	<p><b>Employee satisfaction</b> Response: "I engage in work with a positive attitude." <b>3.5*</b> <b>Five-point scale</b></p> <p><b>Turnover rate</b> <b>4.0%</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• An environment in which diverse human resources can continue to work with vigor and enthusiasm</li> <li>• Career support and enhancement for employees, opportunities for self-realization and growth</li> <li>• Providing opportunities for employees to improve their skills</li> <li>• Diverse and flexible work styles</li> <li>• Increased engagement</li> <li>• Connections with people and society</li> </ul>	<ul style="list-style-type: none"> <li>• Creating innovations that realize our values</li> </ul>
<p><b>Shareholders &amp; investors</b></p>	<p><b>Total dividend payout ratio</b> <b>101.9%</b></p> <p><b>EPS</b> <b>¥159.48*</b> <b>(up 22.2% year on year)</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Initiatives to enhance corporate value</li> <li>• Appropriate share price</li> <li>• Fair, equitable, and timely information disclosure</li> <li>• Proactive ESG initiatives and disclosure to enhance sustainable value</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing sustainable corporate value</li> <li>• Achieve key management indicator targets in the Medium-Term Management Plan for GCV, EBITDA, ROE and dividend payout ratio</li> </ul>
<p><b>Local community &amp; environment</b></p>	<p><b>Amount of environmental contribution from GCV</b> <b>¥38.5 billion</b></p> <p>By co-creating a circular distribution 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.</p>	<ul style="list-style-type: none"> <li>• Reducing environmental impact</li> <li>• Raising environmental awareness</li> <li>• Coexisting with local communities</li> <li>• Local community involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Expanding the circular distribution platform</li> <li>• Co-creation with primary distributors beyond the reuse market</li> <li>• Spreading the circular economy</li> <li>• Maximize the value of things</li> </ul>

# 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.

## 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

## Sustainability Actions

For details, see page 41





# Mid-Term Management Plan Blue Print 2025

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

The size of the domestic reuse market in 2021 was approximately 2.7 trillion yen, up 11.7% from the previous year, making it our 12th consecutive year of growth.

In the past, the reuse market has expanded when major changes in economic conditions became turning points, such as the bursting of the bubble economy and the 2008 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.

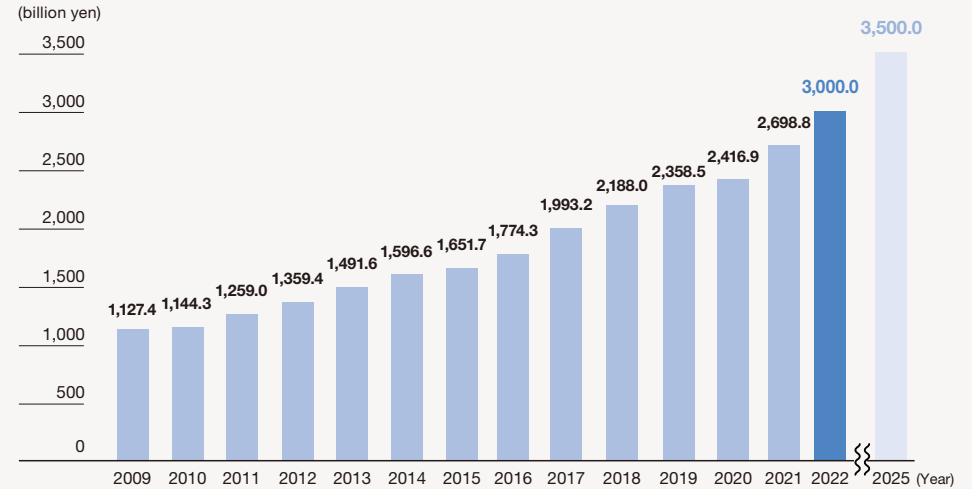
In addition to the importance of the SDGs due

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 business of conducting online auctions of reused goods has grown in tandem with the growing demand.

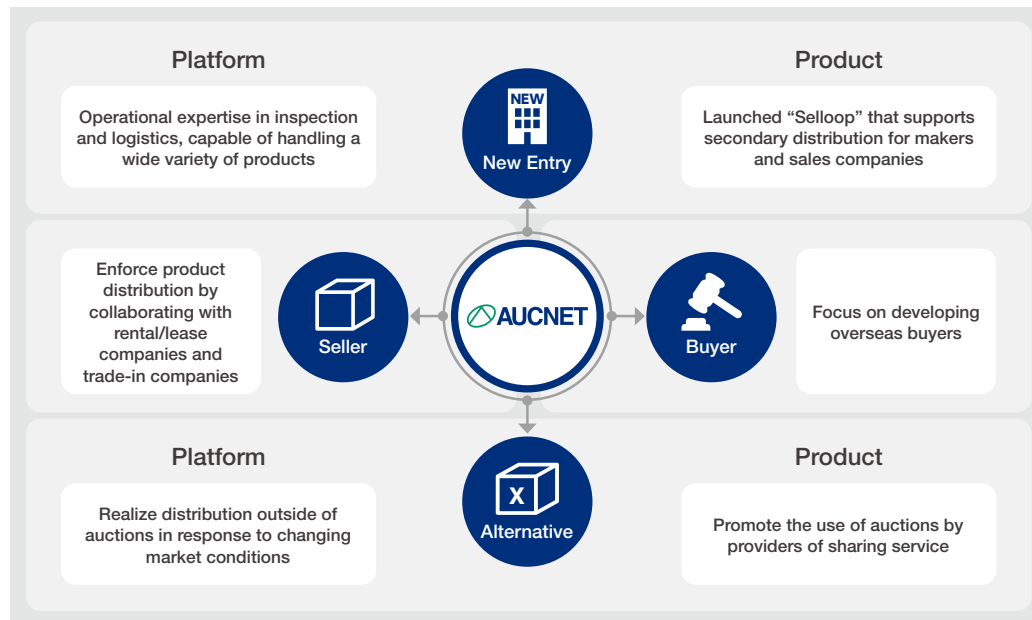
We will continue to contribute to society through circular distribution that delivers valuable goods from around the world to people who seek them around the world, thereby expanding the circle of sustainability to the entire globe.

### Reuse Market Size Trends and Forecast



Source: Reuse Business Journal Estimate (The Japan Journal of Remodeling)

## Our Predominance in the Reused Goods Market



**Central/local governments**  
Initiatives written on the left can be provided to the central and local governments

- New Entry** × **Platform**: Possessing the right operational expertise for each product forms barrier to new entry.
- New Entry** × **Product**: Expanding the range of products handled and forming alliances with primary distributors forms barriers to new entry.
- Alternative** × **Platform**: Having already implemented non-auction distribution, we are taking steps to respond to alternative products.
- Alternative** × **Product**: With our services in use by companies in a variety of industries, we are taking steps to address alternative products.
- Seller** + **Buyer**: Efforts to increase the number of sellers and buyers are also ongoing to strengthen the distribution of products.

# Mid-Term Management Plan Blue Print 2025

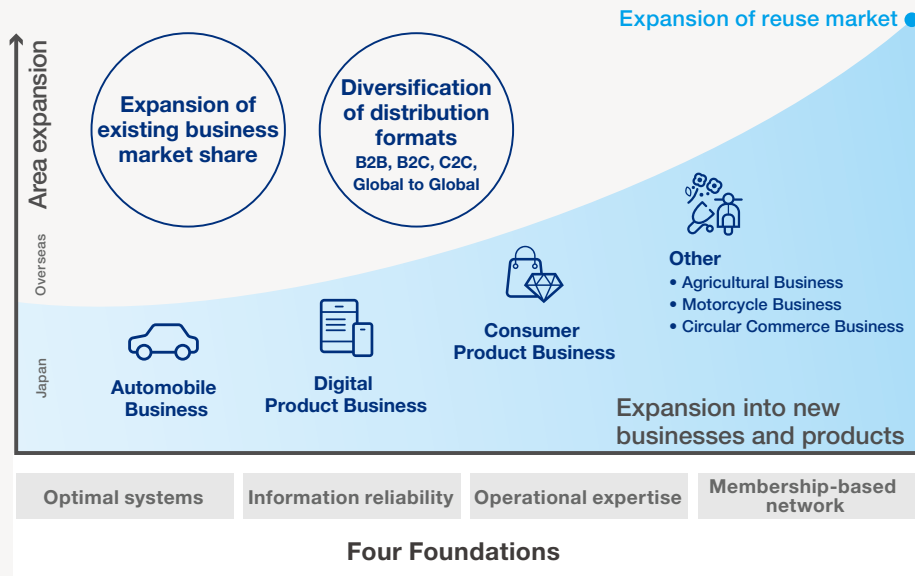
## Strategic Policy

Our strategic policy is to expand our market share in existing businesses, develop new businesses and products, further expand our membership-based network, and promote diversification of distribution formats such as Global to Global in addition to B2B, B2C, and C2C in order to further expand our circular distribution.

Up to now, we have been in the business of used vehicles, used motorcycles, flowers, used digital devices, pre-owned luxury brand items, and used medical equipment. Based on the four foundations we have cultivated through these

efforts—optimal systems reliability of information, operational expertise, and our membership-based network—we will further enhance our superiority in the reuse market by creating a circular market in a wide variety of business areas with the power of information in order to deliver all kinds of valuable goods to those who need them.

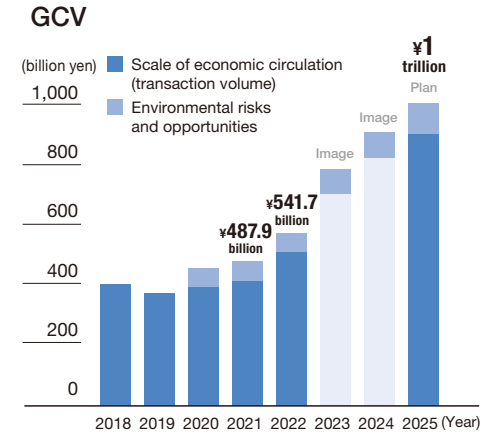
We also hope to be a market leader as a pioneer in circular distribution, because the reuse market is expected to expand in the future due to growing interest in the SDGs and the increase in online transactions.



## Toward Becoming a GCV One-trillion-yen Company

In June 2021, we launched our sustainability policy, “Circulation Engine: Circulating valuable goods on a global scale.” We then set a goal of increasing GCV, a proprietary monetary indicator of the impact we have had on the economy and the environment due to our business activities, to one trillion yen by 2025.

As interest in sustainability grows around the world, companies are expected to work toward the sustainable development of both society and themselves while fulfilling their social responsibilities through their business activities. Aucnet believes that not only expanding the size of the economy, but also balancing this with contributing to the environment, which is essential to society, will lead to long-term growth and increased corporate value.

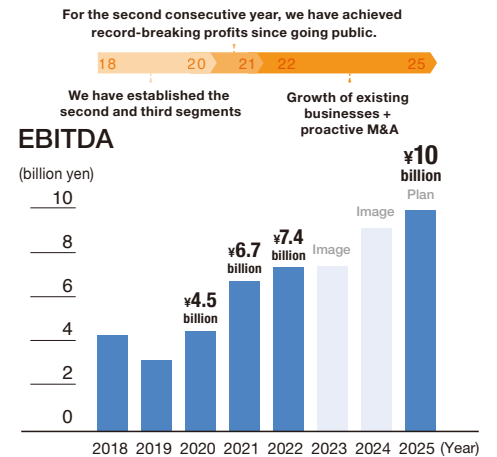


## Toward becoming an EBITDA 10-billion-yen Company

We have set a target of 10 billion yen for EBITDA as an important management indicator in our Medium-Term Management Plan.

During 2018 to 2020, we established the Digital Product and Consumer Product Business segments, and during 2020 to 2022, we achieved our highest profits since our stock market listing, and our third consecutive year of record-high profit, due to the growing demand for online auctions.

In addition to the growth of existing businesses, we will create new value by developing new businesses and aggressively pursuing M&A with the goal of achieving an EBITDA of 10 billion yen.



# Mid-Term Management Plan Blue Print 2025

## 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 Consumer Product Businesses. With regard to existing businesses, we will promote growth by strengthening and expanding our circular distribution platform through further enhancement of our membership-based network and service reforms.

Existing Strategies **1**

## Digital Product

Our goal is to become the world's most trusted and chosen circular chain service provider. As a result of further expanding our global buyer network and strengthening our support system through digital marketing, the number of members at the end of fiscal 2022 increased 35.2% from the previous fiscal year to 1,337 members. In addition, we are developing a new auction system that incorporates economic insights, which we plan to introduce in the second half of 2023. We aim to maximize procurement on a stable basis by providing innovative platforms and new value-added services to a diverse range of business partner companies.

Our goal is to realize Global to Global distribution by expanding our overseas platform. As of the end of 2022, we have completed the establishment of offices in Europe and the U.S., and preparations are under way to provide support to members and develop new customers. By further strengthening the sales office function, we aim to further increase the number of members and revitalize the auction market.

Existing Strategies **2**

## Consumer Product

Our goal is to re-create a circular distribution platform that grows with our members. In order to realize a sustainable used vehicle distribution system by maximizing the advantages of online distribution, which is one of our strengths, we are building a new ecosystem through our partner strategy and a new membership-based network through customer success.

Existing Strategies **3**

## Automobile

### Expansion of Circular Distribution

In addition to the growth of existing businesses, we will take on challenges in new areas to further expand circular distribution, such as expanding the range of products handled, enhancing new services, and promoting M&A.

It is predicted that by 2030, EVs will account for about 50% of the global new automobile market,\* and battery evaluation is said to be of utmost importance in the secondary distribution of EVs. By investigating and acquiring EV battery evaluation technology, we are advancing efforts to establish and standardize battery evaluation standards for the full-scale distribution of EVs.

\* Source: "Global Market of Electric Four-Wheel Vehicles: Key Research Findings 2023," Yano Research Institute Ltd.

New Business Strategies **1**

## EV Battery Evaluation

New Business Strategies **2**

## Reuse and Recycling of EV Batteries

As part of our efforts to remanufacture (reuse) and recycle spent EV batteries, we are implementing a joint project with MIRAI-LABO CO., Ltd., in which we invested and formed a business partnership in 2019. By establishing a reuse/recycle scheme to maximize the value of EV batteries and realize secondary and tertiary distribution, we aim to contribute not only to the sustainable development of the automotive industry but also to make a greater contribution to environmental issues.

As part of our efforts to expand new circular distribution, we are promoting Selloop, a service that supports primary distributors in setting up and operating secondary distribution mechanisms. Primary distributors (product manufacturers, sellers, etc.) face a problem in which once a product is sold out to a customer, the connection with the customer is lost. Through Selloop, we help solve this problem by supporting the establishment and operation of a secondary distribution system. For primary distributors, this will be a new customer contact point and a sustainable initiative, and it will enable us to handle new products.

New Business Strategies **3**

## Selloop

## M&A Strategy

In our Mid-Term Management Plan Blue Print 2025, we have defined investments in M&A, etc., as one of our growth investments. Although our results for fiscal 2022 included a record-high number of deals considered, we did not implement any M&A. There will be no change in our investment budget or investment target selection policy, and we will continue to focus on the selection of candidates.



**Hiroki Taniguchi**  
Senior Managing  
Executive Officer & CFO

# CFO MESSAGE

Achieve both strategic investments and financial soundness based on indicators that take into account the establishment of circular distribution and environmental impact

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## Role as CFO

One year has passed since I was appointed CFO of Aucnet. Currently, I am in charge of the entire Corporate Management Division, which includes not only finance but also non-finance, and as CFO, I have a wide range of jurisdiction from business management to human resource-related matters in order to improve corporate value, and I am involved in a variety of tasks, which I find fulfilling. I joined Aucnet in 2014. Prior to that, I gained experience at a brokerage firm and an apparel company, for which I was involved in establishing an overseas subsidiary. The knowledge I have accumulated from front-line work in human resources, business and business management, as well as corporate management, has been a great support to me.

My role as CFO is to achieve sustained growth for our group while taking a future-oriented approach to balancing aggressive strategic investments with financial soundness.

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## Past Initiatives and Profit Structure

We have expanded our business into a variety of industries, starting from our original business of used automobile auctions, to include used motorcycles, flowers, used digital devices, pre-owned luxury brand items, and used medical equipment, but when we went private in 2008 through an MBO,\* our only core business was the Automobile Business, and the image of our company as a used vehicle auctioneer was strong. From then to the present, the Digital Product and Consumer Product Businesses have grown steadily as the second and third pillars of our operations, so that we have successfully diversified. This has enabled us to achieve stable earnings growth while each of our business operations complement each other. So I think we have been able to achieve stable expansion of our business performance even amid drastic changes in external factors.

Looking at the business portfolio as a whole, the Digital Product Business has recently surpassed the Automobile Business in terms of operating profit, and this should give you an idea of the significant changes in the profit structure of the Aucnet Group as a whole. However, the stable cash flow generated by the Automobile Business is important, and we view it as continuing to play an important role in supporting the company's overall business portfolio.

\* MBO (Management Buyout): A method of corporate acquisition in which management acquires control of a company by purchasing its shares from existing shareholders.

# CFO Message

## Review of the Previous Year and Short-term Outlook

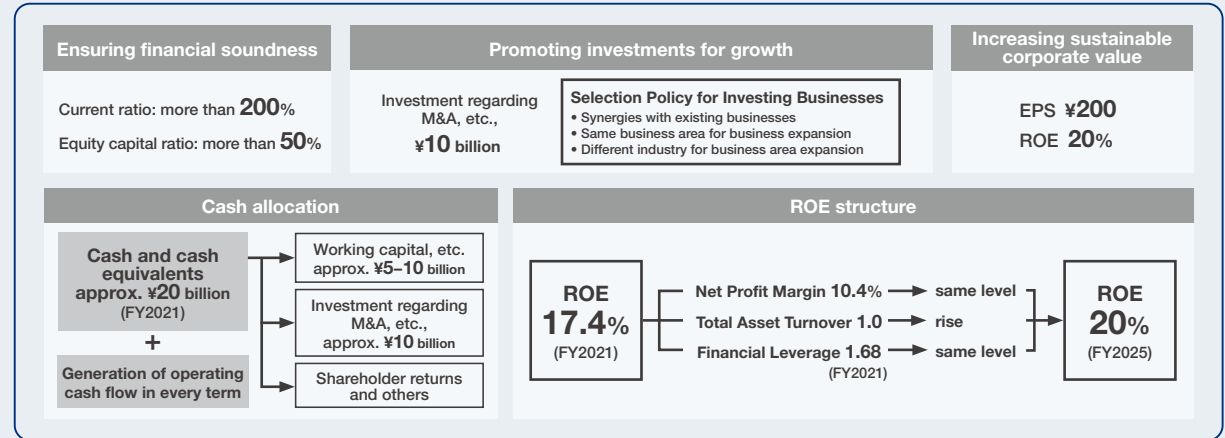
In fiscal 2022, we were able to strengthen all of our businesses across the board due to the tailwind of the weak yen, and we recognize that the group as a whole had a good fiscal year, with both revenue and profit increasing from the previous fiscal year. In the Automobile Business, which mainly conducts used automobile auctions, net sales and operating profit remained almost unchanged from the previous fiscal year due to the sluggish business environment in the automotive industry. In the Digital Product Business, which conducts auctions and distribution of used digital devices, despite a decline in items sold, both revenue and profit increased due to the continued upward trend in the number of new buyers, mainly due to strengthened digital marketing, as well as the advantageous depreciation of the yen. In the Consumer Product Business, which handles auctions and distribution of pre-owned luxury brand items, both the B2B and B2C businesses performed well despite the impact of the COVID-19 pandemic, with increases in revenue and profit due to the rapid expansion of the resale market as a result of socially focused efforts to create a recycling-oriented society.

While various restrictions imposed during the COVID-19 pandemic have been eased and economic activity is beginning to normalize, the Ukraine crisis, rising prices, and fluctuations in the financial and capital markets have increased uncertainty about the future. Against this backdrop, we are forecasting a year-on-year increase in revenue and a decrease in profit for fiscal 2023. In particular, we expect existing businesses to continue to grow and increase revenues, driven by the Consumer Product Business, but the main reason for the forecast decrease in earnings is our aggressive investment in human capital. The key to achieving our business plan is human resources. To secure human resources and deepen our expertise, we plan to increase our base salary for existing employees and accelerate the hiring of future-oriented digital human resources.

## Mid-Term Management Plan Blue Print 2025

### Financial and Investment Policies

Aiming to achieve growth through aggressive investments and increase corporate value while ensuring financial soundness



## State of Progress

Important Management Indicators					Financial Indicators				
	2021	2022	2025 (Blue Print 2025)	State of Progress		2021	2022	2025 (Blue Print 2025)	State of Progress
GCV	¥487.9 billion	¥541.7 billion	¥1 trillion	Steady	Current Ratio	271.9%	268.7%	More than 200%	Achieved
EBITDA	¥6.7 billion	¥7.4 billion	¥10 billion	Steady	Equity Ratio	60.6%	60.3%	More than 50%	Achieved
ROE	17.4%	19.4%	20%	Steady	EPS	¥130.56	¥159.48	¥200	Steady
Dividend Payout Ratio	30.6%	30.1%	30%	Achieved					

Promoting investments for growth	Implementation of capital policy, etc.				
	Period	Item	Class of shares	Number of shares	Amount
<b>FY2022 M&amp;A Results 0 case</b> <ul style="list-style-type: none"> <li>The budget and the selection policy for investing businesses have not been changed.</li> <li>The number of cases considered was highest in FY2022, however, M&amp;As were not implemented.</li> <li>Continue to focus on selecting M&amp;A candidates</li> </ul>	February-April 2022	Acquisition of treasury shares	Common Stock	300,000 shares	¥475,207 thousand
	August-September 2022	Share repurchase and self tender offer	Common Stock	1,500,000 shares	¥2,661,000 thousand
	November 2022	Cancellation of treasury shares	Common Stock	1,500,000 shares	
	We will continue to consider and promote appropriate capital policies in a timely manner, taking into account the balance between investment for growth and the effects of improved capital efficiency.				

## CFO Message

### What we Hope to Achieve with our Medium-term Management Plan

Our group is currently working on its Mid-Term Management Plan Blue Print 2025, which outlines our vision and direction for the year 2025. The aim of this plan is to establish a circular distribution system. Under our “Circulation Engine” sustainability policy, we will quickly establish a circular distribution system that delivers valuable goods to those who need them, while expanding the range of our products and expanding our partners.

GCV, one of our important management indicators, is a proprietary indicator for managing climate change risks and opportunities, and shows the monetary impact the group’s operations have on the economy and the environment. This is an indicator of the Aucnet Group’s strong commitment to both circular economy through business activities and reducing the environmental impact of the business environment, rather than focusing on short-term performance. The GCV for fiscal 2022 was 541.7 billion yen, an increase of 53.8 billion yen from the previous fiscal year, and the target of 1 trillion yen for 2025 is a challenging goal for the Group. The entire company will work to achieve these goals, and we also intend to achieve important management indicators such as EBITDA of 10 billion yen, ROE of 20%, and a dividend payout ratio of 30% as we continue to expand our management foundation.



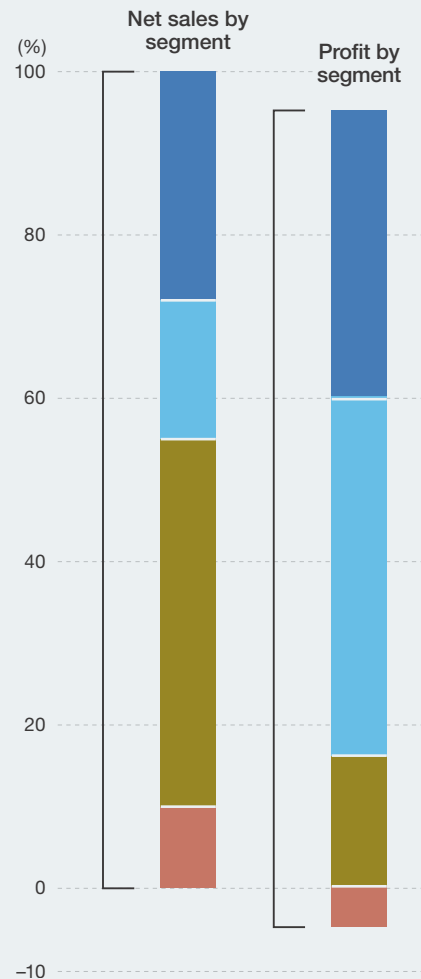
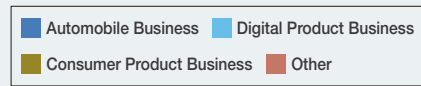
### To Our Stakeholders

In addition to expanding its Automobile Business, which conducts used automobile auctions and other activities, the Aucnet Group has begun to take on a variety of other challenges. In recent years, we have achieved solid results through M&As of Kinuta Flower Auction Co., Ltd. and Gallery Rare Ltd. in 2020 and Grand Bouquet Otaki Limited in 2021, and we recognize that there are no significant financial risks in the near term. I expect the business environment for the Group as a whole to remain generally favorable, but in order to expand our business in this environment, I believe that in addition to expanding existing businesses, further M&A will be essential. Mid-Term Management Plan Blue Print 2025 calls for 10 billion yen in investments related to M&A, etc. However, we do not expect to cover all of these investments with our own funds, and will proceed with caution, taking into consideration the balance between our equity capital and interest-bearing liabilities.

In addition, we will be more aggressive in our investments in human capital, including personnel and training costs, in order to achieve more sustained growth. Unlike in past decades, our human resources have become very diverse. We will also do our utmost to create a workplace where each employee is highly motivated and can make the most of their individuality.

Through dialogue with shareholders and investors at financial results briefings and IR meetings, I sense that the level of attention and expectations for our company is increasing year by year. As CFO, I will continue to strive for sustained growth and medium- to long-term enhancement of corporate value as a company that connects value through market design while striving for active and appropriate information disclosure and enhancing communication with our stakeholders to further increase their trust in our company. I look forward to your continued understanding and support.

## Composition of Net Sales and Segment Income (FY2022)



### Automobile Business

Products handled Used automobiles

Net Sales **¥11,452 million**  
Segment Income **¥3,689 million**

#### Business description

The company offers online auctions of used vehicles; a shared inventory market where members' in-store inventory is shared and traded; live relay broadcast auctions that broadcast auctions hosted by the physical auction venue; a proxy bidding service that handles bidding, selling, settlement, and transportation on behalf of members; and a used vehicle inspection service. Total support for appraisal, purchasing, and sales with the strength of reliable vehicle inspections and the ability to participate from anywhere in the country.



### Digital Product Business

Products handled Used digital devices (used PCs and smartphones, etc.)

Net Sales **¥6,899 million**  
Segment Income **¥4,552 million**

#### Business description

B2B online auctions of used digital devices, including used PCs and smartphones. Weekly auctions are held for both domestic and international customers, and transactions are conducted through a network of approximately 1,300 members, both domestic and international. Thorough data erasure, inspection, and grading are performed, and services are provided utilizing a fair and transparent trading system.



### Consumer Product Business

Products handled Pre-owned luxury brand items (bags, watches, precious metals, etc.)

Net Sales **¥18,323 million**  
Segment Income **¥1,678 million**

#### Business description

The company implements businesses including online auctions, as well as in-store and e-commerce sales, targeting consumers, of pre-owned luxury brand items such as bags, watches, and precious metals. Online auctions are held weekly, and transactions are conducted through a network of approximately 4,000 members, both domestic and international. We provide services utilizing a fair and transparent trading system with thorough inspection, testing, and grading.



### Other

Products handled Flowers, used motorcycles, used medical equipment, etc.

Net Sales **¥4,261 million**  
Segment Income **¥-492 million**

#### Business description

Implementing Flower and Used Motorcycle Businesses, and the Circular Commerce Business. For flowers and used motorcycles, the company offers services associated with online auctions and distribution. In the Circular Commerce Business, the company has established a circular distribution platform for a variety of products in addition to its medical-related business. New and overseas businesses are also being promoted.



\* Net sales figures for each segment exclude intersegment internal sales or transfers.



**Satoshi Ohata**

Managing Executive Officer  
Automobile Business Division DM

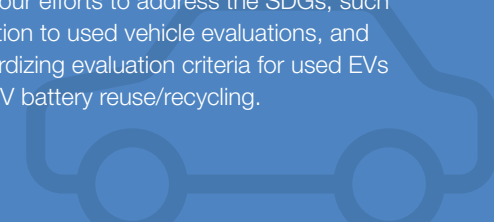
## The Fiscal Year in Review

In fiscal 2022, market conditions were weak due to a shortage of new and used automobiles caused by the shortage of semiconductors and a drop in item sales for exporters due to the situation in Russia and Ukraine. During the year, registrations of new vehicles declined 5.6% from the previous year to 4.2 million units,<sup>1</sup> while registrations of used vehicles fell 6.4% to 6.3 million units,<sup>2</sup> both significant declines. The Automobile Business posted lower revenues and profits in fiscal 2022 due to sluggish growth in numbers of used vehicles sold through auctions held by the company and through shared inventory, in which members trade in-store inventory, as a result of market conditions. On the other hand, used vehicle inspection services were strong throughout the year, reaffirming the strength of our inspection expertise, which is the foundation of our business.

1. Source: Statistical data of the Japan Automobile Dealers Association  
2. Source: Statistical data of the Japan Automobile Dealers Association and Japan Light Motor Vehicle and Motorcycle Association

## Future Direction

As the market recovers, we will aim to promote stable earnings by further strengthening customer success, including analysis of member trends and enhancement of applications, as well as comprehensive business alliances with partner companies. The company will also provide total support to used vehicles business operators by taking advantage of its diverse business formats, which include used vehicle auctions held in-house and shared inventory, live relay broadcast auctions in partnership with physical auction sites, proxy bidding services, and inspection services. With the recent focus on the environment, we will accelerate our efforts to address the SDGs, such as adding CO<sub>2</sub> emissions reduction to used vehicle evaluations, and to address EVs, such as standardizing evaluation criteria for used EVs and establishing a scheme for EV battery reuse/recycling.



### Risks and Opportunities

- Maturation of the domestic used vehicle market
- Intensifying competition due to entry of manufacturers, etc.
- Change in consumption patterns from ownership to use
- Shift to EVs
- Alliances and collaborations with different industries
- Overseas growth markets

### Competitive Edge

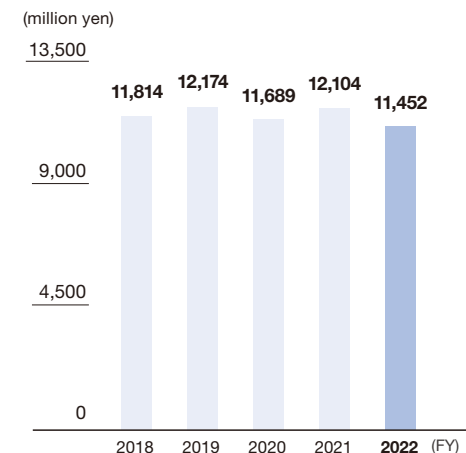
- Used vehicles inspection system
- Over 35 years of operational expertise
- Convenience of online auctions
- Total support for members, from inspection to distribution
- Partnerships with over 100 physical sites

### Problem-solving

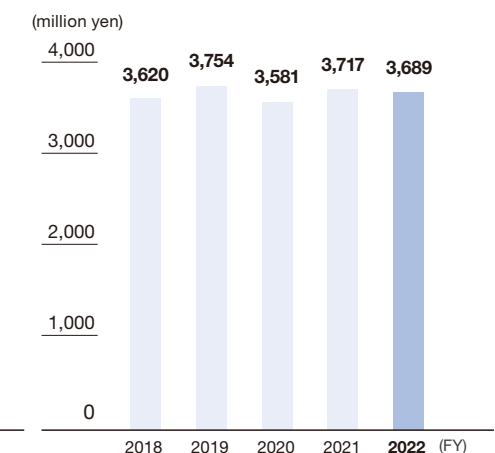
- Responding to the diverse needs of each customer
- Support for EVs

## Net Sales and Segment Income

### Net Sales



### Segment Income



Notes: From fiscal 2018, the Inspection Business is divided proportionally between the Automobile Business and Motorcycle Business. New standards will be applied from fiscal 2022.





### Unification of Membership Structure

In order to achieve further customer success, we have changed the fee structure for members. We further improved convenience by balancing monthly membership fees and bidding fees, strengthened the organization for new sales, and analyzed membership trends to attract new members and promote the use of existing members. In the future, the company is considering unifying its membership structure, aiming to provide high value-added services and total support in the form of subscriptions, not only by selling and bidding on items, but also by offering supplementary services such as appraisals and retail support.

### Activation of the Shared Inventory Market

In the Shared inventory market information on used vehicles owned and kept on site by members is shared among members who utilize our membership-based network to trade among each other. While it does not offer the immediacy of conversion to cash that an auction does, it does allow for transactions to take place over time, with prices to be monitored. We boast the No. 1 registration in the industry in the shared inventory market, already exceeding 60,000 units as of the end of 2022. We will work to revitalize shared inventory, which is a different form of distribution from auctions, and build a platform to provide member dealers with the vehicles they want at optimal prices by calculating them based on our extensive vehicle data, increasing the number of registrations through collaboration with various partner companies, introducing applications, and strengthening the inspection system.

### Medium- to Long-term Measures

The company has developed AucNeo Station HYPER and Sateroku (vehicle valuation system), services that enable real-time management of vehicle information, registration and appraisal, and constructed a platform that can provide cash-conversion schemes that meet the needs of each customer in terms of speed and price of conversion to cash. In addition, we will promote comprehensive partnerships with various clients by providing consistent services from inspection to cash conversion, making the most of our resources, such as market-informed price calculation and AI-based optimal price provision.

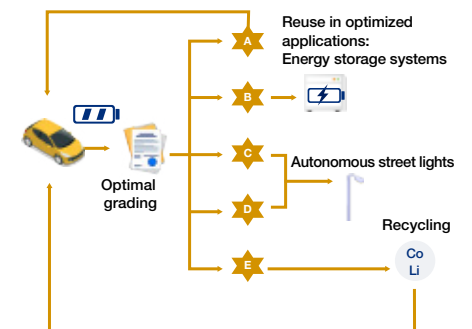
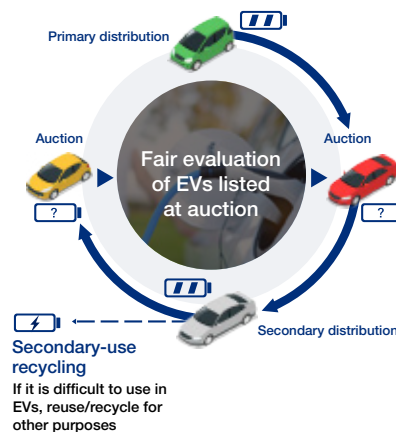
In addition, we are considering developing services that are in line with the current trend toward sustainability, such as efforts to visualize CO<sub>2</sub> emissions and link them to used vehicle inspections, and to conduct SDG assessments for each member. With the ratio of EVs in the global new automobile market expected to reach approximately 50%\* by 2030, we are promoting efforts to establish and standardize battery evaluation standards in preparation for the full-scale distribution of EVs. We aim to establish evaluation standards for used EVs, whose residual values are considered to be more susceptible to decline than those of fuel vehicles, and to achieve the No. 1 position in EV evaluation in the secondary distribution market.

In addition, as part of our efforts to reuse and recycle used EV batteries themselves, we invested in and concluded a business alliance with MIRAI-LABO Co., Ltd. in 2019 and launched a joint project. By achieving secondary and tertiary distribution of EV batteries, we aim not only to sustainably develop the automotive industry, but also to establish a reuse and recycling scheme to maximize the value of batteries, thereby making a greater contribution with respect to solving environmental issues.

\* Yano Research Institute Ltd.

#### Establishment and standardization of evaluation criteria for used EVs

#### EV battery reuse and recycling scheme



# Strategy by Business: Digital Product Business



**Katsuhiko Ichii**

Senior Managing Executive Officer  
Digital Product Business Division DM

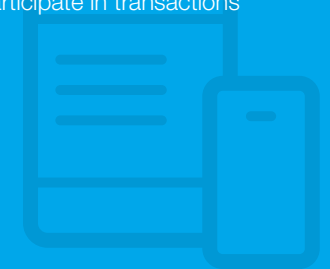
## The Fiscal Year in Review

Looking back at fiscal 2022, the number of used handset items sold declined compared to the previous year due to higher prices for new smartphones and a longer replacement cycle. Even under such difficult conditions, the company succeeded in forming firm handset prices by focusing on acquiring new buyers overseas and increasing the number of participants in auctions.

Segment income was 4,552 million yen (up 19.5% year on year), thanks to cost controls, including more efficient logistics center operations, and the favorable impact of the yen's depreciation throughout the year. In addition, the company has been preparing for the growing global demand for used digital devices by establishing overseas business bases, developing price prediction AI in partnership with UTokyo Economic Consulting Inc., and developing new auctions.

## Future Direction

Going forward, we will optimize the digital marketing that we have focused on to date to attract buyers around the world and strengthen our overseas sales offices to further solidify our global distribution. We will also focus on diversifying the products we handle and expanding the number of suppliers in various channels and regions to achieve a more stable distribution of used digital devices on a global scale. As an auctioneer, we have begun to develop a new auction platform that allows our members around the world to participate in transactions more fairly and securely.



### Risks and Opportunities

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

### Competitive Edge

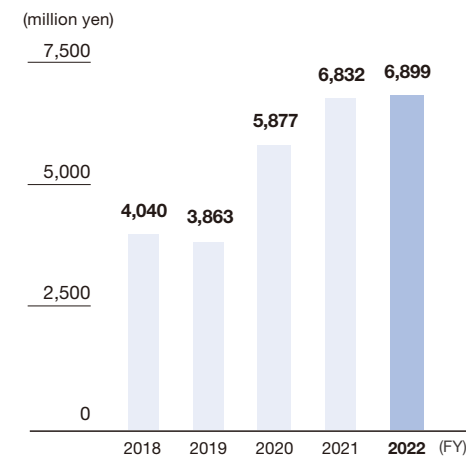
- Strong domestic and international buyer network (approx. 1,300 companies)
- Supplier network supporting commercial distribution of over 2 million units per year
- Unique auction system applying economic insights
- Technology, including AI pricing
- A service model that is customizable for each supplier

### Problem-solving

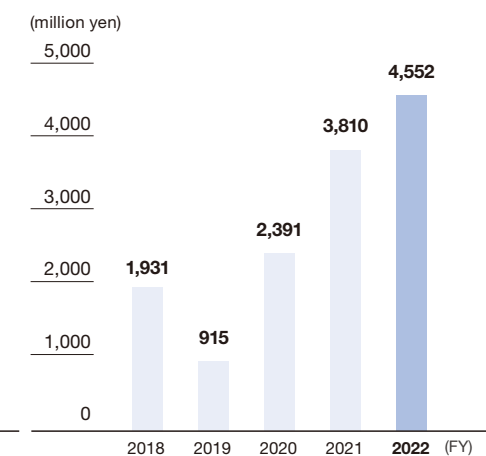
- Expansion of overseas offices to acquire overseas sourcing
- Further expansion of service scope

## Net Sales and Segment Income

### Net Sales



### Segment Income



Note: New standards will be applied from fiscal 2022.



### Strengthening Overseas Sales Networks

In early 2020, due to the spread of COVID-19 infections, the sales approach that we had been using, acquiring new buyers through participation in overseas trade shows, came to a complete halt. Under these circumstances, we focused on building digital marketing on a global basis to create opportunities to engage with potential buyers without face-to-face contact. Subsequently, as a result of further strengthening and optimization of marketing methods, the number of overseas buyers has increased from 350 at the end of 2019 to over 1,000 by the end of 2022.

On the other hand, from the standpoint of strengthening follow-up with an increasing number of new buyers, we opened the Dubai Branch in November 2022 as our second overseas base following the Hong Kong Branch. We will further strengthen the system in this area as a priority region for the future. In the post-COVID-19 era, it will become even more important to provide closer buyer support and thereby build stronger relationships, so we will look into the possibility of developing new businesses at each of our bases, with a view to expanding into other Asian and European countries in the future. With optimized digital marketing and strengthened sales offices in each country, we will expand our worldwide sales network and facilitate global remarketing (secondary distribution) of digital devices.

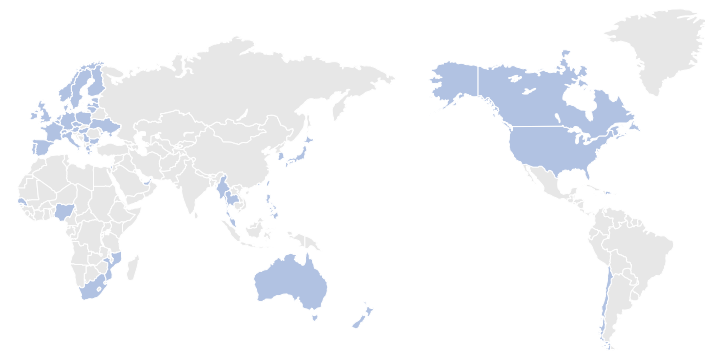


### Becoming a Circular Chain Service Provider

The Digital Product Business has been an online auctioneer of used digital devices, connecting sellers and buyers globally. In recent years, the business environment has seen a greater penetration of the non-face-to-face service model of online auctions due to an increase in demand for digital devices as DX has taken hold during the COVID-19 pandemic.

On the other hand, as the global SDGs take hold and awareness of the circular economy grows, demand for used digital devices by consumers and businesses is increasing, as is awareness of trade-ins. In this environment, supply chains related to smartphones and other digital devices are also transforming on a global basis. In the future, we will accelerate the establishment of a seamless circular supply chain infrastructure, including trade-ins from consumers and businesses, reverse logistics, “reproduct” items, and global auctions, while also contributing further to sustainable economic cycles by developing AI-based future value forecasts for digital devices and trading programs based on such forecasts.

Global Buyer Distribution



# Strategy by Business: Consumer Product Business



**Yasuto Saito**

Senior Managing Executive Officer  
Consumer Product Business Division DM

## The Fiscal Year in Review

Demand was high in the resale fashion market, especially in Europe and the U.S., with the domestic Japanese market remaining strong, driven by that demand. Despite an increasingly competitive environment, we were able to achieve significant growth in this segment.

In the B2B business, we focused on improving member loyalty by promoting customer success activities. In addition to the continuous increase in the numbers of items listed and auctions won, digital marketing helped to attract new international buyers and increase the number of companies participating in auctions, resulting in a booming market. In the business targeting consumers, the gross profit margin increased due to the implementation of appropriate purchase and sales controls by focusing on products with high gross profit margins and the introduction of a product management system.

## Future Direction

We will further expand our domestic and overseas network and expand our business domain by leveraging our auction platform, which boasts the world's leading B2B distribution volume, and our business targeting consumers (C), centered on Gallery Rare Ltd. In addition, as environmentally conscious businesses become mainstream worldwide, we will promote alliances and collaborations with companies that are not familiar with secondary distribution, such as manufacturers and primary distributors, to create circular distribution, thereby contributing not only to business growth but also to the realization of a sustainable society.

### 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

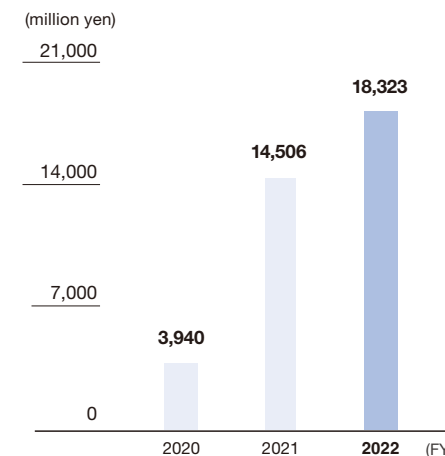
- Strong domestic and international membership-based network (approx. 4,000 companies)
- Abundant number of listed items (approximately one million)
- Diverse product lineup
- Thorough inspection, testing and grading
- Synergies between B2B business and business targeting consumers

### Problem-solving

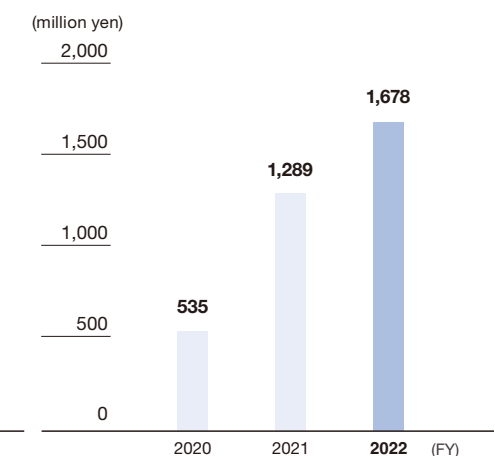
- Further expansion of global distribution network
- Small scale of B2C business

## Net Sales and Segment Income

### Net Sales



### Segment Income



Notes: Consumer Product Business launched in fiscal 2020.  
New standard applied from fiscal 2022.

# TOPICS



## Creating a Global Platform for Resale Fashion

In Mid-Term Management Plan Blue Print 2025, announced in May 2022, we set our goal for this business as achieving Global-to-Global distribution by 2025. We have established the following three steps to achieve our goals.

**Step 1** Establishment of offices in Europe and the U.S.

The idea is to establish local subsidiaries in Europe and the U.S., where the resale fashion market has shown high potential in recent years and the number of members is on the rise, and to advance the support system for members. The opening of a base in both locations was completed in November 2022, with several global human resources in place.

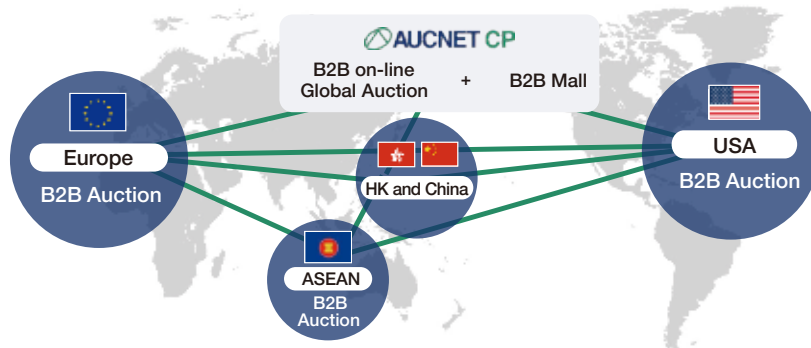
**Step 2** Expansion of membership by strengthening the sales office function

By having staff on site, we aim to further expand our membership through more intensive communication by using marketing to attract new customers and providing direct support to existing members.

**Step 3** Addition of operational functions and establishment of a local distribution system

In addition to local sales activities and customer support, the idea is to add logistics and payment settlement functions to create a system for efficient product circulation.

By establishing logistics and payment settlement functions overseas, we will make it possible for products to be listed from overseas, ultimately eliminating the traditional time and distance restrictions between Japan and other countries, and creating a distribution system that allows products to move back and forth around the world.



## Commitment to Circular Distribution— Further Development of Business Targeting Consumers

In the Consumer Product Business, we are expanding our business targeting consumers as a further effort to promote environmentally friendly circular distribution.

In 2020, we welcomed Gallery Rare Ltd. into the Group and entered the business targeting consumers in earnest. In addition to expanding its traditional high-end-focused purchase and retail business, we are also promoting the expansion of our online-based home delivery purchase service.

In September 2022, we launched VALTIQUE VINTAGE, an e-commerce platform that sells high-end brand vintage items based on the concept of affordable luxury with an awareness of sustainable society. It offers products in the price range of 50,000 to 100,000 yen to make vintage items accessible to Millennials and Gen Z, who are more interested in sustainability. All products bear tags noting reduced CO<sub>2</sub> and H<sub>2</sub>O emissions to raise awareness of sustainability. The value of high-end brand vintage items is also a major attraction, since it actually makes them more economical than mass-produced and mass-consumed items when resale value is taken into consideration. In the future, we will develop and evolve this into a global B2C mall that our B2B members can also use.

We will accelerate our efforts toward circular distribution by strengthening and expanding our business targeting consumers, utilizing our expertise in secondary distribution as well as methods such as alliances and M&A as a circulation engine for conventional resale fashion.

**VALTIQUE VINTAGE**  
T O K Y O



VALTIQUE VINTAGE website  
<https://valtique-vintage.com>

# Strategy by Business: Other—Agricultural Business



**Susumu Ozaki**

Executive Officer, Agricultural Business  
Headquarters DM

## The Fiscal Year in Review

As the lifestyle of the COVID-19 pandemic took hold, demand for flowers used for weddings and other ceremonial occasions showed a recovery trend. However, the demand ornamental plants and horticultural items that had been in performing well during the stay-at-home period ran its course, and demand settled back during the year to the pre-COVID-19 pandemic level. In addition, the price of cut flowers, in particular, rose due to the soaring costs of fertilizers and other raw materials, fuel costs incurred during production, and transportation costs, which had a significant impact on the entire flower industry. Under these circumstances, the numbers of members at flower auctions increased due to the establishment of remote purchasing during the COVID-19 pandemic, and due to the introduction of a new auction system. Transaction amount also increased due to the accompanying revitalization of auctions and higher prices for cut flowers. Group companies Kinuta Flower Auction Co., Ltd. and Grand Bouquet Otaki Limited also continued to perform well.

## Future Direction

In addition to further enhancing customer success by providing services and support systems tailored to the transaction status of our members, we will pursue synergies with group companies. Together with Kinuta Flower Auction Co., Ltd., we were able to develop an auction system and achieve renovation at a low cost. In the future, we will further promote collaboration between the markets and establish a system that allows each member to freely participate in either market. With Grand Bouquet Otaki Limited, we will focus on supplying phalaenopsis orchids, which tend to be in short supply during the peak season, to the group on a priority basis, and on expanding Zoto no Madoguchi, a service for obtaining phalaenopsis orchids for corporate customers, in order to improve the profitability of the group as a whole.

### Risks and Opportunities

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

### Competitive Edge

- Low-cost and speedy logistics network
- No commissions charged to the wholesaler
- Synergy between physical and online markets
- Strong network of growers and buyers

### Problem-solving

- Member distribution concentrated in eastern Japan
- Channel limited to B2B

## TOPICS “Order from Growers” Service Begun

We are launching a new service that will allow our members to order desired products directly from areas where flowers are grown. This service is targeted at members who wish to secure items that may not be offered at auction or are in short supply and may not be available for bidding, as well as members who have relatively small businesses. Existing competing physical markets conduct business in cooperation with intermediary wholesalers, making it difficult to achieve One-on-one trading without intermediaries. New entrants can also use IT to build a platform, but they will need to start a membership-based network from scratch.

Therefore, we believe that this service is only possible because of our business model, which does not involve intermediaries, and our more than 3,000 production members accumulated over more than 20 years.

Even if a transaction is not concluded for a product offered by a member grower through this service, the product will be auctioned by our group, ensuring that the product will not have to be discarded, thus providing peace of mind for the producer. In addition, because this is an

ordering service, if the transaction is successful, the product will be delivered directly from the area where it is grown to the buyer, without going through a logistics center. Considering delivery time and distance, this can be handled at a lower cost, faster, and in a more environmentally friendly way than through conventional distribution.

This service is already in the trial operation phase and is scheduled to be fully launched in the second half of fiscal 2023. We will continue to promote this business in cooperation with growers and buyers so that it will take root as a new distribution scheme in the flower industry.



# Strategy by Business: Other—Motorcycle Business



**Hirosuke Fukuda**

Executive Officer, Motorcycle Business  
Headquarters DM

## The Fiscal Year in Review

In the motorcycle market as a whole, shipments of new vehicles decreased mainly due to the shortage of semiconductors, which severely limited the availability of new vehicles, especially outside of manufacturer-affiliated exclusive dealers. While the used motorcycle auction market as a whole saw a decline in the number of motorcycles listed due to the trend toward securing used motorcycle inventory, which is a source of revenue for exclusive dealers, we were able to secure a higher number of motorcycles listed than in the previous year due to thorough efforts at sales by segment. However, the number of motorcycles sold was lower than in the previous year due to factors including the impact of the soaring market prices. Under these circumstances, along with used motorcycle auctions, we have focused on the moto-auc (motorcycle rental support service) used motorcycle rental and support service and the ME:RIDE used motorcycle subscription service to develop our business for various channels in the motorcycle industry. In particular, the number of ME:RIDE units in operation is steadily increasing, although it is still in the investment phase.

## Future Direction

Moving forward, the company will focus on further revitalizing used motorcycle auctions and improving the profitability of our moto-auc and ME:RIDE services. As measures to revitalize auctions, in addition to further promoting sales by segment, we will propose a total support scheme for distribution to the seller side, such as dealers and leasing companies, and the successful buyer side, such as exporters, respectively, leading to an increase in the number of items listed and auctions won. Moto-auc will improve profitability by implementing various measures targeting Taiwan to capture inbound demand, while further raising awareness through SEO measures and the use of influencers, as well as reviewing various usage fees. Regarding ME:RIDE, in addition to continuing to strengthen procurement and increase the number of vehicles owned, we aim to increase the number of vehicles in operation and the utilization ratio by improving operational efficiency while focusing on expanding the number of cooperating dealers, increasing the number of vehicle models handled, and implementing measures to respond to seasonal factors.

### Risks and Opportunities

- Domestic market in a contraction trend
- Shift to EVs
- Potential needs of young people
- Tighter emission regulations

### Competitive Edge

- Diverse channels and reach
- Nationwide distribution and membership-based network
- Used motorcycle inspection system
- Convenience of online auctions

### Problem-solving

- Operational cost
- Aging user base

## TOPICS Making ME:RIDE a New Core Service

In 2020, we launched ME:RIDE, a subscription service that allows customers to possess a used motorcycle for a fixed monthly fee. The service will target people who are not ready to purchase a motorcycle, people who want to drive a motorcycle only during a specific season, and people who want to try out various motorcycles. Amid the shift from goods to services and the emergence of subscription services for items other than intangible goods, such as apparel and pre-owned luxury brand items, we launched this service from the perspective that we could increase the number of motorcycle users and secure a new source of revenue by proposing a new form of motorcycle lifestyle.

ME:RIDE is characterized by the fact that it is a subscription service for used motorcycles, so there is no need to prepare for a large initial cost or to purchase optional insurance, as is the case when purchasing a new vehicle. It also comes with a unique option to purchase if desired.

In addition, there is no need to worry about return times as in the case of rentals, and the process from member registration to vehicle model

selection and application is completed online, creating a flow that makes it easy for anyone to use. This service has succeeded in attracting younger and returning riders because it enables people who have never owned a motorcycle before to use it whenever they wish, even for a short period of time.

We will continue to implement new measures to acquire new users and measures to promote use by existing customers to increase the number of units in operation and the utilization rate, and to promote the business into a core service of our Motorcycle Business.



**ME:RIDE**  
BIKE LEASE

ME: RIDE website (Japanese only)  
<https://meride.moto-auc.com>

# Strategy by Business: Other—Circular Commerce Business (Medical-related Business)



**Masahiro Fujisaki**

Managing Executive Officer  
Circular Commerce Business Division DM

## The Fiscal Year in Review

In the medical industry, where efficiency has long been sought after, the deregulation of online medical services and the government-led integration of the health insurance card with the “My Number” ID card have all contributed to a year of momentum for the promotion of DX. Under these circumstances, the company has developed its business for diverse channels in the medical industry, focusing on auctions of used medical equipment, D-Transit, a succession service for dental clinics, and Menergia, a management tool service for medical societies. Through the contacts we have with various stakeholders, we were able to confirm that sustainability exists as a common thread in the potential needs of a wide range of business partners, including manufacturers, retailers, and leasing companies.

## Future Direction

In January 2023, we renamed our Medical-related Business the Circular Commerce Business, with the goal of solving sustainability issues in various industries. While we will continue to focus on Medical-related Businesses, we will also build a new circular distribution platform. We will maximize the value of goods by minimizing and effectively utilizing waste by utilizing our secondary distribution expertise in the value chain of manufacturer, primary distribution, secondary distribution, and disposal. We will seek partnerships with various industries, from primary distribution areas such as manufacturers to secondary distribution areas such as recyclers, and work with our other businesses to achieve a balance between profitability and the social issue of sustainability.

### Risks and Opportunities

- Stakeholder and product diversity
- Interest in and concern about sustainability
- Market size of primary distribution x secondary distribution
- Change and strengthening of related laws and regulations

### Competitive Edge

- Diverse channels and connections
- Providing BPO services
- A wide range of application areas
- Utilization of distribution data to provide appropriate value propositions

### Problem-solving

- Different operations for different products
- A primary distributor's understanding of circular commerce

## TOPICS **Creating a New Market for Circular Distribution**

By realizing circular distribution that transcends the boundaries between primary and secondary distribution, and by helping to solve distribution issues faced by various industries, we will design a new market that achieves a balance between sustainability and business profitability.

For product manufacturers and distributors in primary distribution, the challenge is that once their products are sold, the connection with their customers is severed. In addition, the reuse of sold products means fewer opportunities to sell new products, which has been regarded as posing difficulties for entry into the field of secondary distribution. However, in the midst of a social climate that questions the responsibilities involved in production and use, primary distributors are beginning to direct attention to a new business model in which entering this field simultaneously creates new customer contact points and enables engagement in environmentally friendly corporate activities. By establishing a new circular distribution platform and building and operating a secondary distribution system, we support primary distribution businesses in the following three areas:

- 1. Determining appropriate price and inventory volume, and supporting purchase and redistribution**
- 2. Creating new customer contact points**
- 3. Utilizing the acquired data for marketing and updating of the business**

This will ensure profitability and also focus on supporting corporate branding while meeting the need for environmental contribution.

This platform can be built only with our operational expertise cultivated as a pioneer in circular distribution and our membership-based network of over 37,000 companies. We aim to enhance the social and economic value of our partner companies by enabling them to contribute to both the environment and profitability which has been considered difficult in the past.





# Business Special Feature: Aucnet's Goal of Building a Circular Distribution System

## Selloop Service Overview

A consulting and BPO service that provides comprehensive support for the launch and operation of circular commerce for manufacturers and retailers.

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.

## Selloop's goal: Co-creation business for circular distribution

About *kimawari*

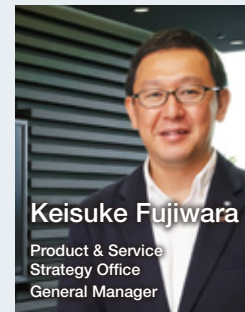
This is a service for members of the Belle Maison mail-order sales business implemented by Senshukai Co., Ltd. It maximizes the value of products based on the new concept of caring responsibly for things that have passed their usefulness due to changes in life stage and lifestyle, and passing them on to the next person, the next role, and the next generation. The first service of this kind is *kimawari* fashion, a home delivery purchase service for unneeded items, mainly clothing.

Home delivery purchase service for unneeded items



Email notification of the extent of environmental contribution

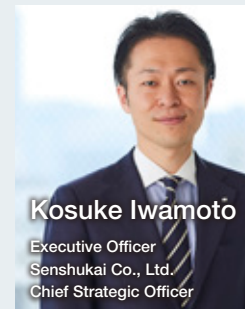
### Message from the Project Manager



**Keisuke Fujiwara**  
Product & Service Strategy Office General Manager

We are working with all of the manufacturers and retailers (primary distributors) to reduce resource consumption and CO<sub>2</sub> emissions through the reuse of goods (secondary distribution), thereby contributing to sustainability. While we will receive great sympathy for these efforts, we will contribute to the circular economy as new purchasing opportunities arise from delivering valuable goods from all over the world to those who need them. Together with our partners, we will create a world where things and goods stay in circulation (circular commerce) by integrating primary and secondary distribution through our secondary distribution support service, Selloop.

### Message from the Leader, Co-Creation Business Partner, Senshukai Co., Ltd.



**Kosuke Iwamoto**  
Executive Officer Senshukai Co., Ltd. Chief Strategic Officer

The word "kimawari" is derived from the phrase "to move feelings around," so that it can refer to the circulation of feelings that happens when daily life is the point of contact between the two aspects of customers' lives, either when their feelings go out of their lives, or when others' feelings are brought into their lives through other people, society, the environment, or the future. We will continue to work with Aucnet to strengthen our services based on unique perspectives, and create new value so that many customers can experience happiness through the circulation of feelings, and the accumulation of such happiness will lead to the realization of a warm and welcoming society.

## Sustainability Policy

### Circulate Valuable Goods on a Global Scale

By creating a marketplace that is appropriate, fair and effective, we conduct transactions in which everyone can place their trust with peace of mind.

Since both throwing things away and making new things has an impact on the earth, Aucnet aims for a society in which things are put to their fullest possible use, rather than being discarded.

One item passes from person to person, hand to hand. Across industries, across regions, across countries, we work with partners all over the world to circulate goods on a global scale.

We are the Circulation Engine.  
Circulation Engine. Aucnet.

## Vision

### Aiming for a society where all valuable goods are circulated, we will grow Gross Circulation Value

GCV is Aucnet's proprietary indicator showing in monetary terms the impact of Aucnet Group's business activities on the economy and the environment. It indicates impact on the economy as the total amount of distribution, also called the total transaction amount, transacted in markets provided by Aucnet. As the total transaction amount increases, so does the size of Aucnet's commercial distribution. Impact on the environment is represented by the sum obtained by adding the amounts calculated according to Aucnet's own standards and according to TCFD standards, respectively. As interest in sustainability grows around the world, companies are expected to work toward the sustainable development of both society and themselves while fulfilling their social responsibilities through their business activities. Aucnet believes that not only expanding the size of the economy, but also balancing this with contributing to the environment, which is essential to society, will lead to long-term growth and increased corporate value.

## Sustainability Actions

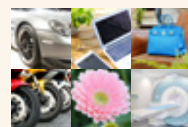
### Action 1 Equitable Trading Around the World

Holding online auctions adapted to industries and products, and conducting fair inspections and evaluations



### Action 2 Maximizing the Value of Goods

Connecting sellers with buyers worldwide, and using optimal matching methods to distribute much loved, still usable items



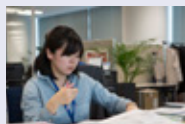
### Action 3 Keeping the Earth Beautiful

Promoting online auctions that achieve CO<sub>2</sub> emissions reduction



### Action 4 Working With All Partners

Promoting membership business and collaboration with partners



In working to realize our Sustainability Policy, we formulated four actions tied to the 17 SDGs in the SDGs Project, which is chaired by the President & CEO. In order to continue the circulation on a global scale, it is necessary to create an equal trading environment free of information disparities, maximize the value held by the things that connect sellers with buyers, and perform efficient distribution through online auctions and other markets. We believe that by transcending industries, countries, and regions to build and advance circular distribution with the full range of partners, we will be able to expand the circle of sustainability. "Together with all of our partners," Aucnet will advance "Equitable trading around the world," "Maximizing the value of goods," and "Keeping the earth beautiful."

# Response to TCFD Recommendations

Under our Sustainability Policy, “Circulating Valuable Goods on a Global Scale-Circulation Engine,” Aucnet has been contributing to forming a sustainable global environment since its establishment. With the help of our partners around the world, we have built a circular distribution system that offers valuable goods to those who need them in various markets. In May 2022, we expressed our support for the Task Force on Climate-related Financial Disclosure (TCFD)\* and joined the TCFD consortium. As a participant, we will work hard to proactively disclose information concerning climate change, based on TCFD recommendations.



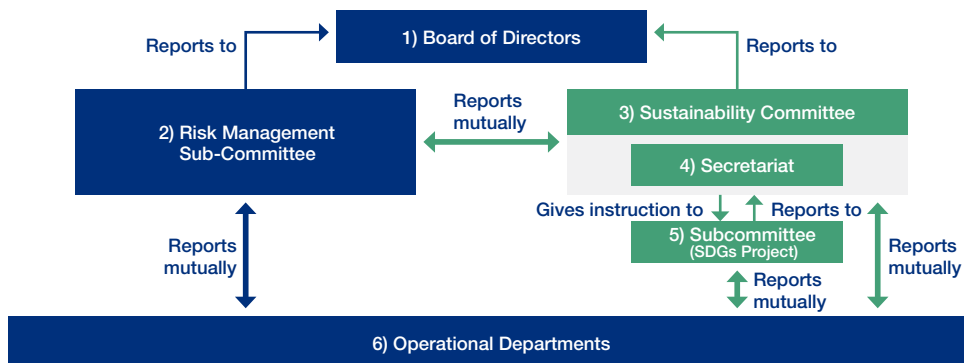
\* TCFD: The Task Force on Climate-related Financial Disclosures, an international initiative established by the Financial Stability Board (FSB) in 2015, which encourages companies to disclose information on the financial implications of the risks and opportunities that climate change poses for their businesses.

## 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 Sub-committee, 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 the Management Committee.

### Sustainability Management Structure Diagram



### Structure, Committees and Roles in Sustainability Management

Committees and Structure	Chief Executive	Role	Details
1) Board of Directors	Chairperson: President & CEO	Managerial decision-making body, supervises business execution	It receives reports from each committee, manages and supervises progress toward quantitative and qualitative targets of measures addressing sustainability issues. It handles as sequential agenda items any sustainability-related issues that are deemed important.
2) Risk Management Sub-Committee	Chairperson: President & CEO	Reporting to and advising implementation bodies and the Board of Directors	Chaired by the President & CEO, it meets, in principle, at a minimum of once every half-year. It deliberates risk assessment, checks on progress of risk countermeasures and the results of risk management cycle monitoring, and deliberates policies for company-wide cross-functional risk countermeasures. It handles sustainability-related risks by cooperating with the Sustainability Committee and operational divisions. It also reports the results of decisions made to the Compliance Committee or the Board of Directors.
3) Sustainability Committee	Chairperson: President & CEO	Formulating action policies, reporting to and advising the Board of Directors	Chaired by the President & CEO, it meets once a year. It formulates policies to promote sustainability, carries out various initiatives, sets policy targets and KPIs, and checks the progress. It publicly shares reports on the committee’s activities. The status of initiatives is reported on or brought up for discussion once a year with the Board of Directors.
4) Secretariat of Sustainability Committee	Chairperson: President & CEO	Implementation body	The Sustainability Committee Secretariat is responsible for operating the committee smoothly, which includes related administrative work, preparation for committee meetings and materials, and other practical work associated with the committee’s operation as the committee deems necessary.
5) Sustainability Subcommittee (SDGs Project)	Chairperson: President & CEO	Implementation body	Established when the main committee deems it necessary to discuss more technical issues. The main committee gives instructions to the subcommittee to facilitate appropriate discussions. The subcommittee reports the results of its meetings back to the committee.
6) Operational Departments	Respective department head	Implementation body	Deals with matters decided on by other committees. Cooperates externally with other departments.

Strategy

Climate Change-related Scenario Formulation

Based on the TCFD recommendations, Aucnet conducted a predictive analysis to understand the business-related impact of both risks and opportunities from climate change on our consolidated subsidiaries. In the predictive analysis, Aucnet chose two scenarios, in which the temperature increases by 1.5°C and 4°C, respectively. These were chosen by referencing scientific evidence from the International Energy Agency (IEA) and other sources. In the analysis, Aucnet assessed the significance of these climate-related risks and opportunities starting from fiscal 2020 into the future.

List of Risks

Classification	Category	Impact on Business	Financial Impact		Countermeasure
			1.5°C	4°C	
Transitional Risks	Policy and Legality	Carbon Taxes	Small	— <sup>1</sup>	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.
		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).
	Market	Circular Economy	Small	— <sup>1</sup>	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	— <sup>2</sup>	Small	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.
Physical Risks	Natural Disasters	Diverse Energy Sources	Small	Small	Very minor financial impact.
		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:  
 1. Does not occur because the 4°C scenario assumes a world with no carbon tax increases or promotion of a circular economy.  
 2. 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.

Scenario Group Definitions

1.5°C Scenario	Proactive domestic policies and legislation concerning climate change are predicted to advance trends toward decarbonization and a circular economy. Specifically, carbon pricing and sustainable finance are expected to be promoted. We anticipate that greenhouse gas emissions reduction efforts will become necessary as a result, but at the same time, there will be an expansion in the markets for reuse and information distribution, leading to new business opportunities and expansion of our business.
4°C Scenario	An increase in natural disasters is anticipated as national policies and legislation on climate change fail to make progress. The impact on our business is expected to be minimal, however, due to our business model of not carrying inventory. Consumer preferences differ between markets in Japan and overseas, and we will lose sales opportunities if we fail to respond.

List of Opportunities

Broad Classification	Intermediate Classification	Category	Impact on Business	Financial Impact	
				1.5°C	4°C
Benefits	Market	Circular Economy	Circular economy will grow and the market will expand.	Large	—*
			As the circular economy becomes more and more competitive, commercializing the system's backbone and selling it to the competition will increase sales.	Large	—*
	Resilience	Reduction of Environmental Impact	Aucnet's operations have a reduced environmental footprint, which gives us a good reputation with investors concerned about climate change, making it easier to raise funds.	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.

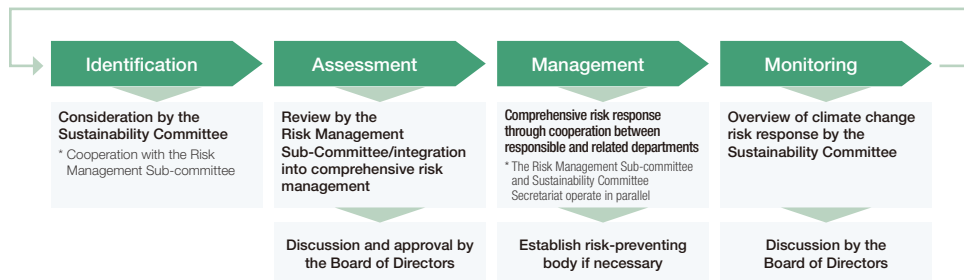
Category	Impact on Business	Parameters Used	Quantification Details	Year: 2030 (million yen)		Year: 2050 (million yen)	
				1.5°C	4°C	1.5°C	4°C
Carbon Taxes	The introduction of a carbon tax will increase operational costs (costs for facility electricity usage fees and response to greenhouse gas emissions 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. After the Risk Management Sub-committee identifies risks, they 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.

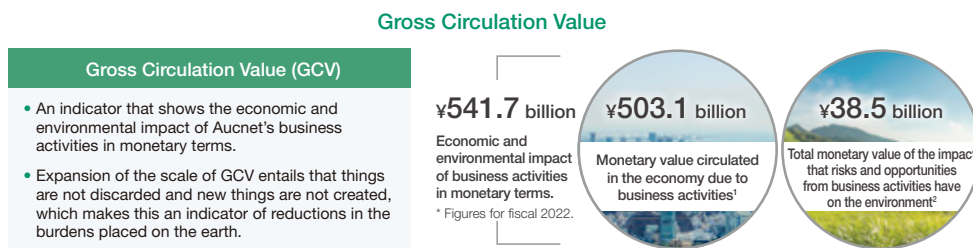


Metrics and Targets

Indicators, targets and performance used to manage climate-related risks/opportunities

In order to manage climate-related risks and opportunities, we have established the following indicators and targets.

Metrics Used to Manage Climate-Related Risks/Opportunities

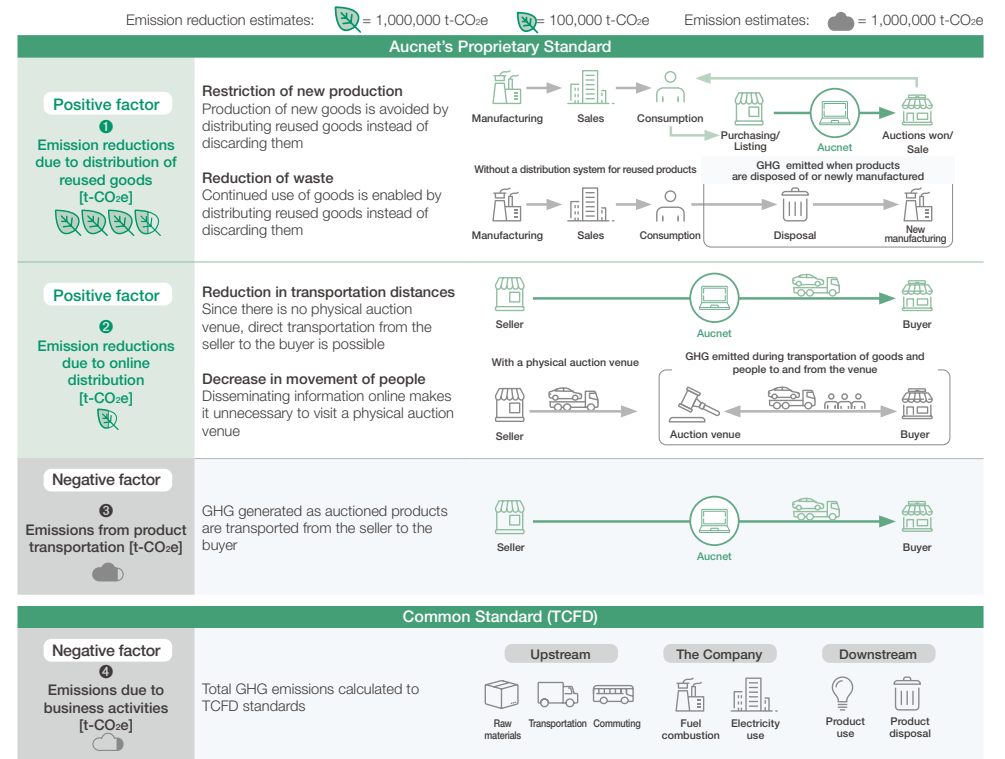


Notes:  
 1. An indicator of the value that Aucnet's market imparts to the economy, and the amount of money distributed in the market. Total transaction amount of product sales, as well as sales generated by the Automobile Business, Digital Product Business, Consumer Product Business, and Others (comprising the Agricultural Business, Motorcycle Business and Circular Commerce Business)  
 2. Monetary value of opportunities: A monetary amount derived by multiplying the internal carbon price (14,300 yen) by the potential reduction in greenhouse gas (GHG) emissions resulting from distribution of used goods ([1] restriction of new production, [2] reduction of waste) and potential GHG emissions reduction due to online markets ([3] reduction in transportation distances, [4] reduction in movement of people)  
 Monetary value of risks: A monetary amount derived by multiplying the internal carbon price by GHG emissions generated by Aucnet business activities (Scope 1, 2, and 3) and GHG emissions generated by transporting goods traded at auctions.  
 Figures showing monetary values for burdens placed on the environment are calculated as negative numbers.  
 The internal carbon price is specified with reference to the IEA document "Net Zero by 2050."

Environment-related Figures Comprising GCV

Environment-related figures comprising GCV amount to 38.5 billion yen. This monetary figure is obtained by multiplying the internal carbon price (14,300 yen\*) by GHG emissions calculated from the following categories.

\* IEA "Net Zero by 2050" emission reduction estimate



We are pursuing activities with the goal of increasing our GCV to 1 trillion yen by 2025.

GHG Emissions (Scope 1, 2, and 3)

Scope and Category	Category Description	Amount of Emission (t-CO <sub>2</sub> e)	Percentage (ref.)
Scope 1	Direct emissions	611	5.8%
Scope 2	Indirect emissions	1,507	14.3%
Scope 3		8,394	79.9%
<b>Total</b>		<b>10,512</b>	<b>100.0%</b>

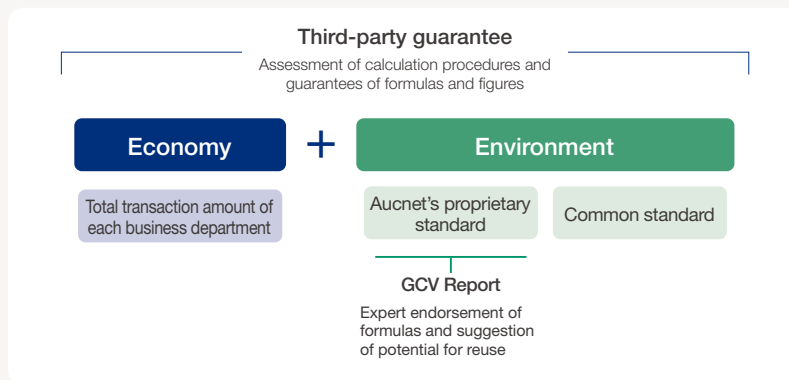
\* Emission factors used for Scope 1: See "Manual on the Calculation and Reporting of GHG Emissions," Ministry of the Environment, Ministry of Economy, Trade and Industry. Emission factors used for Scope 2: Emission factors of each electric utility provider, actual fiscal 2020 results. Emission factors 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)

Calculation period: January to December 2022  
 Subject to disclosure: Consolidated subsidiaries

## 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 actual GCV values of fiscal 2021, a third-party guarantee has been obtained from the The Association for NFI-Assurance (ANFIA) an independent organization. Limited guarantee services were performed based on non-financial information assurance standards complying with ISAE 3000 and ISAE 3410. We continue our aim for further acquisitions in fiscal 2022.

[For details,](https://www.aucnet.co.jp/en/sustainability/img/assurance_statement.pdf) [https://www.aucnet.co.jp/en/sustainability/img/assurance\\_statement.pdf](https://www.aucnet.co.jp/en/sustainability/img/assurance_statement.pdf)

#### GCV Report

UTokyo Economic Consulting Inc (UTEcon) produced a report on the consistency of GCV and the potential of reuse from an environmental economics 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/sustainability/img/excerptgcvreportja.pdf) <https://www.aucnet.co.jp/sustainability/img/excerptgcvreportja.pdf> (Japanese only)

## For Community and Environment

### Afforestation Activities – Preventing Global Warming and Creating Forests with Less Pollen –

As part of our conservation activities for the natural environment, we began afforestation activities in 2005, and participated in a project by the National Land Afforestation Promotion Organization to help prevent global warming and create forests with less pollen. We work on forest thinning and clearing, while promoting their healthy growth and learning about the significance of forestry and nature. The Project to Help Prevent Global Warming and Create Forests with Less Pollen raises awareness of environmental conservation among participants, and has been held a total of 25 times to date, with a total of more than 1,000 people joining in its activities.



### Support for the “Akasaka and Aoyama–Beautiful Town, Courteous Town” Campaign of Minato Ward, Tokyo

We support “Akasaka and Aoyama–Beautiful Town, Courteous Town,” a cooperative effort by Minato Ward and associations of local neighborhood associations, resident groups, retailers and businesses. As part of our activities to contribute to environmental conservation and local community, we undertake cleanup activities in the vicinity of our company location. We will keep working to beautify the environment, and help create a livable, comfortable community through these activities.



### Aucnet Circular Distribution Lab Launched

Aucnet has established the Aucnet Circular Distribution Lab, an in-house laboratory tasked with “creating the future of distribution and spreading knowledge.” The lab will conduct surveys and other research on areas of business that integrate primary and secondary distribution while pursuing its purpose of researching, verifying and presenting circular distribution in keeping with Aucnet’s sustainability policy: “Circulation Engine: Circulating valuable goods on a global scale.” The goal is to realize global circular distribution and contribute to a sustainable society. It launched a website in June 2022 to promote activities to popularize circular distribution and its environmental benefits throughout the world by communicating highly professional and reliable information on circular distribution.



流通の未来を創る、知の発信

[For details,](https://www.aucnet.co.jp/aucnet-research/) <https://www.aucnet.co.jp/aucnet-research/> (Japanese only)

# Human Resources Strategy

With our core philosophy of “Authenticism,” Aucnet will strengthen not only our operational human resources, which are a stable source of value, but also human resources that can grow existing domains, expand into new areas and design new markets. We will make ourselves a company in which each employee can play an active role, and in which diverse human resources can work together as a team. Our belief is that building diverse human resources and an organization that continually generates new value leads to increases in corporate and social values.

## DNA Legacy

As a pioneer of circular distribution, we have continually designed new markets as we have uncovered technologies that are ahead of their time and business fields that grasp the current trends of the times, and boldly take on the challenge of transforming how information is distributed. 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.

### Management Training School

This is a conference in which the chairperson and president discuss 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, whether new to company employment or mid-career.

#### • Course Content (All Five Sessions)

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



Shoken-Roku



Lecture

## Human Resources Development

We believe that our people (employees) are our most valuable management resource. In the past, we emphasized the hiring and training of operational human resources as an auction company. More recently, however, 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 business skills required at each level. 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.

#### Examples of Classes Offered at Each Level

Level 3	Marketing and Business Strategy
Level 2	Coaching and Team Building
Level 1	Presentation and Social Style

#### • Self-development Support Program

For 20 years, we have been providing an elective distance learning program to employees as a form of career development support. The range of available courses includes topics such as business skills and acquiring certification, and the company covers all or half the cost. Incentive payments are also provided for passing specified qualification exams.

## 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.

### CENTAN / KAIZEN

We also focus effort on the Principle of Innovation set out in the Action Guidelines, challenging the status quo to constantly create new value with new ideas. Innovations can result not only from making something out of nothing, but also from making improvements to existing services. At Aucnet, we believe that new business creation (CENTAN) and business improvement (KAIZEN) have a mutual influence that produces better outputs.

#### • CENTAN

This is a business contest which has continued for 15 years, and is designed to foster a culture in which employees continuously generate innovations on their own. 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. In planning their new business operations, entrants can receive training and other support from experts. The title “CENTAN” is an approximate anagram of “AUCNET,” created by interchanging and reversing the letters to inspire a change in thinking about the inherent value within Aucnet.

One of the subcommittees of the SDGs Project is working to enable the release to our employees of the Personal SDG Support App, which became No. 1 in 2022.

#### • 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. The 2022 Grand Prize winner, “Data-based In-house Bidding and Product Sales Channel Expansion for Winning Bids,” is described in “Our DNA Passed Down to the Present, Stories of Its Embodiment” (page 14).

### 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 of 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 improves employee motivation. “Our DNA Passed Down to the Present, Stories of Its Embodiment” (page 14) includes messages from prize-winning employees.

### Supporting New Employees

In addition to learning business etiquette and understanding business operations during the months leading up to their assignment, new employee training includes presentations on business-related topics to all employees. The program goes beyond helping newly hired employees to learn business concepts and research methods, and helps improve their presentation skills as well. We have in place a “Big Brother/Sister Program,” in which employees, once assigned to a business department, can receive education and consultation from senior coworkers who are as close to them in age as possible during on-the-job training.

Training is also in place for the older brothers and sisters who will be consulted for advice, so that those doing the teaching can also experience growth.



### One-on-One Meetings

This is a system in which one-on-one meetings are held between subordinate employees and their senior coworkers during times of goal-setting, progress checks and performance reviews.

Its prime objective is to enable superiors and subordinates to coordinate their goals, career plans and evaluations while encouraging communication about routine work, interpersonal relationships and other concerns. Through repeated one-on-one meetings, we aim to promote dialogue, a key concept of our evaluation system, in order to deepen mutual understanding between subordinates and their senior coworkers, as well as various other effects.



## 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.

### Eruboshi (Level 2)

We undertake recruitment activities and career development from a women's perspective, and are certified as a company that excels in taking action to promote active participation by women (Level 2).



### Kurumin

We are striving to improve our system supporting employees when they return to work after childcare leave, and to encourage male employees to take childcare leave. We have earned “Kurumin” certification, designating us as a company that supports childrearing.



### Hiring of Recent Graduates Seeking a Job Change

By hiring human resources who have work experience at other companies, even if brief, we hope to help fairly recent graduates who left their initial employer for reasons such as a mismatch, and to promote diversity at Aucnet.

### Hiring of Senior Human Resources

Because we aim to be a diverse company and to address the declining birthrate and aging population, we are implementing this program which creates an environment where employees can bring their value to bear while keeping motivated. It includes actively welcoming retirees to re-employment.

### 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 as a force ready to work immediately.

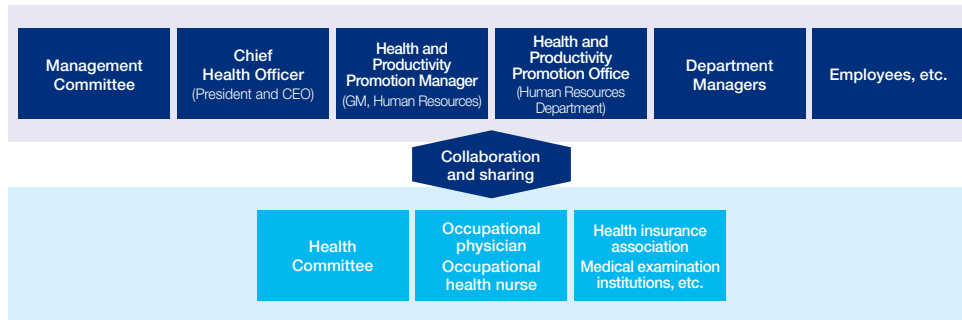


## Promoting Health Management\*

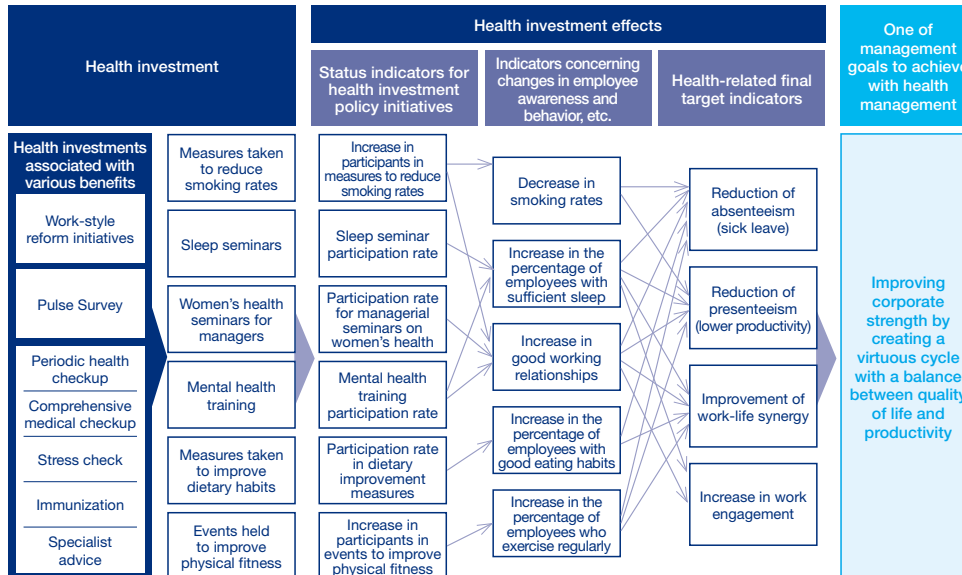
Under the Aucnet management philosophy of “Authenticism,” we will form a healthy environment conducive to work, and engage in health management that supports the maintenance and promotion of employee mental and physical health so that we can grow into a company in which each and every employee can thrive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

\* Aucnet Inc. and six major consolidated subsidiaries

### Promotion Structure



### Strategy Map



### Major Initiatives

We conduct the following in addition to various health-related seminars.

<b>Efforts to reduce smoking rates</b>	Assistance with smoking cessation treatment costs
<b>Sleep-related initiatives</b>	Pulse Survey to monitor sleep status, and providing health apps
<b>Women's health initiatives</b>	Assistance with breast and cervical cancer screening costs
<b>Mental health initiatives</b>	Conducting interviews with occupational physicians and occupational health nurses, and conducting stress checks and pulse surveys
<b>Dietary initiatives</b>	Providing health apps
<b>Initiatives to maintain and improve physical fitness</b>	Installation of health equipment, and walking events held twice a year, in part to promote communication
<b>Vacation system enhancement</b>	<p>Programs put in place to enable employees to take leave for refreshment and support</p> <ul style="list-style-type: none"> <li><b>Refreshment leave</b> With the goal of having all employees take their whole vacation once a year (up to nine consecutive days with weekends included), this five-day period with one day of refreshment leave added can be taken when divided into two-day and three-day periods.</li> <li><b>Support leave</b> This can be used only when no annual paid leave remains, and only for (1) leave due to injury or illness or (2) leave to care for family.</li> </ul>

### External Evaluation of Initiatives

#### • Health & Productivity Management Outstanding Organization 2022 (Large Enterprise category)

In acknowledgment of our initiatives to hold various seminars on preventive medicine, etc., and to improve our working environment, Aucnet was certified as a Health & Productivity Management Outstanding Organization 2022 (Large Enterprise category) for the third consecutive year.



#### • Sports Yell Company 2022

Aucnet was recognized by the Japan Sports Agency as a “Sports Yell Company” for our proactive efforts to encourage sports to improve employee health, having installed stretching equipment and held walking events.



# Stakeholder Engagement

Through conscientious corporate action in keeping with “Authenticism,” we will disclose information actively and appropriately as we engage in mutual communication, deepening our relationships of trust with all of our stakeholders so that we can co-create value.

## Together with Members and Partner Companies

The Principle of Customer Focus is one of our Action Guidelines, meaning that we always consider things from the customer's perspective as we carry out our business. Based on this policy, we work to improve our service quality by conducting regular member questionnaire surveys and listening to customer feedback that emerges in the course of our business. We create new value together with all of our partners, and contribute to the realization of a sustainable society. Customer feedback is presented under “Core Competencies” (page 18).

## Together with Employees

The Management Plan Announcement Meeting, an all-hands event held at the beginning of the year, affords an opportunity to share the company's vision, as well as briefings from executive officers on the goals and business policies for the year. In addition to vertically structured organizations, there are many cross-departmental projects (PJT) and committees, enabling abundant interaction among employees outside of the vertical organizational structure. As part of our day-to-day work, we also hold multiple one-on-one meetings each year between supervisors and subordinates. Of all employees, 80% say they are glad that this initiative is being carried out.

## Together with Shareholders and Investors

Financial results briefings for the second and fourth quarters of the fiscal year are presented to institutional investors, after which we archive the content at our website. We hold small meetings and individual dialogues on a quarterly basis. For individual shareholders, we hold our General Meeting of Shareholders in a hybrid format (physical and online) because some live far away, and this enables them to view the meeting online.

## For Communities and the Environment

Our activities to help conserve the natural environment include participation in the “Project to Help Prevent Global Warming and Create Forests with Less Pollen,” which helps maintain forests. Our urban beautification activities include participation in “Akasaka and Aoyama–Beautiful Town, Courteous Town,” a campaign led by metropolitan Tokyo's Minato Ward that includes clean-up activities in the Gaienmae district to promote communication among employees and coexistence with the local community. In addition, Group company Grand Bouquet Otaki Limited gave a class at Otaki High School in Chiba Prefecture in June 2022. Together with the production of Phalaenopsis orchids, we also aim to build local community.

## Initiative Participation List

### • TCFD Consortium

Established in 2019, it provides a forum for discussion of initiatives to help financial institutions and others make appropriate investment decisions. Companies and financial institutions that support the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) are advancing the initiatives.



### • GX League

This is a venue in which a group of companies actively works to achieve sustained growth in concert with players who have taken on the challenge of GX in the government, academic, and financial sectors. They work in unity to discuss the transformation of the entire economic and social system and take practical action to create new markets.



### • Japan Climate Initiative

An organization that endorses the Japan Climate Initiative (JCI) declaration that Japan will join the global frontline of decarbonization, JCI works with many companies and local governments, as well as other organizations and NGOs that are making serious efforts to achieve a decarbonized society.



### • Global Compact Network Japan, United Nations Global Compact

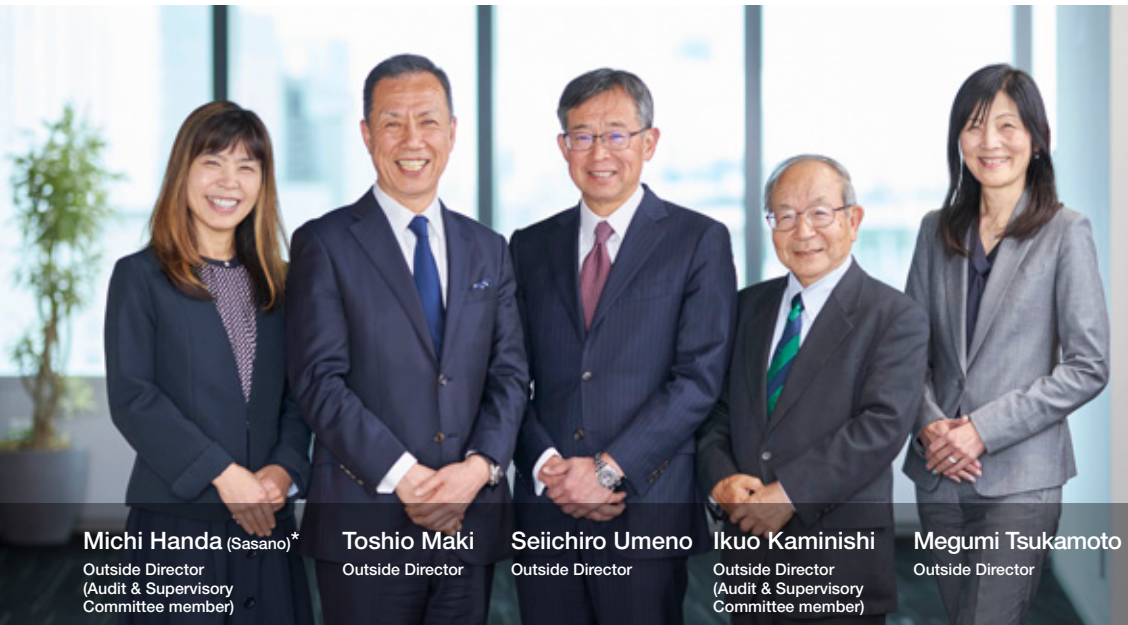
The world's largest sustainability initiative, the United Nations Global Compact (UNGC) is where the United Nations and private-sector companies and organizations join hands to build a sound global society. It is a signatory to the UNGC, and continues to work toward realizing the ten principles in the four domains of protecting human rights, eliminating unfair labor practices, addressing environmental issues, and preventing corruption.

Global Compact Network Japan (GCNJ) is a local network in Japan that provides a platform for UNGC signatory companies and organizations to promote sustainability together.

By joining GCNJ and participating in activities including subcommittees, we intend to interact with other companies in doing our utmost to contribute to sustainability throughout the world.



# 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

\* Identified with the name "Sasano" in the dialogue transcript.

## Role as Outside Director

**Umeno:** As an attorney specializing in corporate legal affairs, I recognize that it is a first-order requirement of the Board of Directors to seek my professional legal advice on governance and risk management. In fulfilling supervisory responsibilities, it is also important to determine whether individual management decisions are being made appropriately based on sufficient acquired information, whether they are reasonable, and whether they have been sufficiently deliberated. Since I became outside director in 2016, seven years have passed, during which I believe that our stance of aiming for highly transparent management that takes outside perspectives into account has increased.

**Maki:** I have a total of 12 years of experience as a manager at telecommunications companies, and I believe that the advice I give based on this experience will be beneficial in managing Aucnet. My experience as a manager has taught me that even

when an employee has an opinion about management, the chance to express it out loud doesn't come easy. Forcefully demanding that such opinions be expressed can be quite counterproductive. The more negative the information, as is the case with compliance problems, the sooner it should reach the ears of management. As an outside director, I believe it is my role to give advice on creating systems in which employee opinions are absorbed, and to encourage the company to circulate in a good direction.

**Kaminishi:** I can well understand what Mr. Umeno and Mr. Maki mean. My background is in banking, and I have long been involved in bank management, although our management is naturally very different from that of a bank. Banks have more the character of a stock-type business, whereas Aucnet is a flow-type business that has grown by seizing opportunities. Our DNA predisposes us to take on challenges, and we continue to take on challenges even now. While this is, of course, a good thing, we are not always successful, and there have been

## Toward realizing a circular distribution society What Aucnet should accomplish now

Aucnet has clearly established business policies oriented toward the realization of a circular distribution society. Five outside directors have gathered to discuss Aucnet's governance and future growth.



numerous failed investments over time. This makes it extremely important to consider how to balance offense with defense, so I think my past experience will be of use.

**Sasano:** In addition to my experience as a certified public accountant and tax accountant, I also have a management consulting career. As an outside director of Aucnet, therefore, I intend to value these three perspectives. The first is from the standpoint of an accounting and tax specialist, while the second is from the standpoint of management consulting and risk management. Mr. Kaminishi made a similar point, and

## Outside Directors Roundtable Discussion

although we do need to step on the accelerator, it is also necessary from an Audit & Supervisory Committee member's perspective to step on the brakes. My third perspective is that of a woman. At the Management Plan Announcement Meeting at the beginning of the year, I saw female employees being honored, and I hope that such opportunities will increase so that female employees will feel more motivated.

**Tsukamoto:** Given my extensive experience working for Japanese subsidiaries of global IT and manufacturing companies, I think I can offer advice on regional rules and systems that global companies operating in diverse regions need to be aware of. I am also involved in various research groups in the field of digital transformation (DX), which presents opportunities for contact with cutting-edge discussions, so I hope to propose information that will be essential to Aucnet in its future efforts to advance its DX strategy. Since I was just appointed an outside director of Aucnet in March 2023, it is hard for me to comment specifically, but I have respect for the superb corporate culture that is unique to Aucnet as a Japanese company, and I hope to help increase corporate value even further while paying attention to global standards.

### Aucnet's Corporate Culture and Governance

**Sasano:** Aucnet has a youthful, vital corporate culture abounding in the spirit of challenge. As I mentioned just now, this atmosphere is palpable at events like the New Year's gathering, where Group employees get together under one roof. Awards were presented in recognition of the business achievements of the preceding year amid a convivial corporate culture in which everyone together could enjoy the solid results achieved, and see the creativity and inventiveness in their own day-to-day work.

**Maki:** I sense that as well. This is something I can say of both management and other employees: they undertake management and business with a serious and earnest attitude. I also get a strong sense of their eagerness to take on new



challenges and a willingness of management to develop new mechanisms and systems. Although my own position is that of an outside director, I recently took an opportunity to visit Group company Kinuta Flower Auction Co. Ltd. for a site tour because I wanted to learn more about Aucnet's business operations. Doing so enabled me to hear from employees in the front-line workplace, and I once again got a true sense of how discussions at Board of Directors meetings can be deepened by finding out what is happening on the front lines. Also, while organizational structures have a tendency toward vertical division, I think one of the roles of an outside director is to find out the real circumstances, take an objective point of view, and work cross-organizationally.

**Umeno:** As Ms. Sasano noted, the New Year's event was abundantly vibrant, showing us active participation by women. In each business domain, I would like to see us build a good culture in which human resources, especially young people, can experience professional development in their respective fields.

### On Aucnet's Board of Directors

**Tsukamoto:** When I attended my first Aucnet Board of Directors meeting, I received summarized board meeting materials in advance, and started off by reading through them. When I encountered some technical terms that were beyond my understanding, I asked someone from the secretariat, and they took sufficient time to explain them to me in proper detail, which was extremely helpful. The Board of Directors has also established a very good atmosphere, providing both inside and outside directors with an environment conducive to frank

discussions. Under the leadership of the president, who also chairs the Board of Directors, I got a strong and favorable impression of inclusiveness.



**Kaminishi:** There is a very open and frank atmosphere on the Board of Directors, but I feel that the discussions tend to be a bit one-sided. There is an aspect in which management decisions end up being made 51 to 49 after exhaustive deliberation. In this sense, rather than explanations that proceed in one direction from start to finish, we should base our decisions on thoroughgoing discussion of negative elements, risk factors, and areas that could be seen as disadvantages, as well as positive opinions and explanations of areas of advantage. Even in reports on things like withdrawal from business operations, we should take sufficient time to analyze and thoroughly discuss the reasons why the business failed. I don't mean to say that we should do this for every agenda item, but I do think that we could benefit from a bit more balance.

**Umeno:** Regarding the Board of Directors, I feel that by incorporating the opinions of outside directors, we are engaging in high-quality discussions. However, some of the individual matters related to business have already been exhaustively discussed in the Management Committee, which is a preliminary step. Sometimes the Board of Directors handles these matters as a confirmation of the Management Committee discussion. I make suggestions and proposals from my perspective as an outside director, and I would suggest that we be more efficient with the time we spend on discussions and

## Outside Directors Roundtable Discussion

reporting of individual issues, then devote more time to discussing long-term management issues and overarching management strategies. I look forward to more operational innovations for more effective use of the limited time we have on the Board of Directors.

**Sasano:** I definitely think that there are more than a few matters other than individual items that the members of the Board of Directors need to discuss. It may be necessary to set aside time for more in-depth discussions of long-term business issues with the president.

### Aucnet's Appeal and Expectations for Growth

**Tsukamoto:** People are taking notice of the need for a circular economy now that interest in the SDGs is increasing, but I think it is a great thing that Aucnet has been focusing on the need for a circular economy while expanding its business since long before the SDGs were being publicized. Aucnet is a company with an interesting business model, and its growth strategy of creating gross circulation value (GCV) is one that I can relate to. I think it is important that we put systems in place and develop human resources so that we can further solidify this business model and make ourselves a leading company.

**Kaminishi:** I think one of the reasons for Aucnet's success in the business of TV auctions for used vehicles is that we have integrated used vehicle inspection services by AIS Inc. into our business model. Guaranteeing the quality of the products we distribute is crucial to developing secondary distribution into a solid business. Aucnet's strength lies in owning a wealth of such expertise based on factors including past business experience. Amid increasing attention to the SDGs and ESG, Aucnet has mapped out a business model for continued growth together with the circular economy. Moving forward, rather than envisioning our business growth story as a linear extension of the used vehicle auction business, we need to decide where to place our targets, and the extent to

which we should narrow the business down in order to place the global circular economy at the core. We then need to take an organizational approach to this effort, and in doing so, as Ms. Tsukamoto pointed out, human resources development will be essential.



**Sasano:** In the coming era, there certainly will be great potential for businesses that create value through reuse, contributing to a circular economy. Selection and concentration will enable us to identify business fields, concentrate our investment of management resources, and further expand the scale of our business. The timing of our replacement of top management, as well as the development and implementation of new concepts under our younger president, are a great encouragement to our employees. The new president has demonstrated his proactive approach to bringing about innovation. As you have all pointed out, we face an urgent task in developing the human resources that will support the organization under the new president.

**Maki:** Moving forward, it will be important for Aucnet to not only keep a steady eye on the circular economy, but also to seize business opportunities in the field of automobiles, which could be called our legacy business. In observing the mobility society, we see that vehicles themselves are already evolving greatly, including electric vehicles (EVs) and fuel cell vehicles (FCVs). Amid what some call a once-in-a-century period of transformation, market players are beginning to change, including entry into the automotive industry by electronics

manufacturers from different industries. Aucnet can collaborate with these new automotive industry entrants by offering our recycling and reuse capabilities. I want us to clearly set forth our own strengths and value proposition, devise solid strategies, and invest so that we can grasp major new business opportunities. Aucnet has diverse potential, which I look forward to.

**Umemo:** As you all have noted, even before the Internet came into widespread use, Aucnet was a pioneer in the development of TV auctions for used vehicles, using means such as satellite communications. I feel that, rather than stopping there, Aucnet has shown elevated foresight by expanding the potential of secondary distribution to include smartphones and pre-owned luxury brand items. Our business fits in with the SDG and ESG concepts, which is like a favorable wind for us in terms of society. As a pioneer in this field, we can expect to achieve further growth by making full use of the diverse knowledge and expertise we have cultivated in the field of secondary distribution. We are making a variety of moves for overseas expansion, and in the future, we are going to need the human resources it takes to develop our overseas operations into a sound business. This may be the right time for us to anticipate what a circular society will look like 30 years from now, and to envision the active role that Aucnet will play in it. This is a good opportunity for us to clarify what kind of world we are looking toward and what we should provide in that world, and to think seriously about the areas in which we should concentrate our management resources.



# Messages from Directors

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



**Kiyotaka Fujisaki**

**Chairperson,  
Board of Directors**

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)

From our founding in 1985 up to the present, Aucnet has continuously created new forms of distribution while making information more reliable. Upon our founding, we initially expanded the used vehicle business by establishing and spreading an auction system that used satellite communications. In recent years, we have also focused effort on the Digital Product Business and Consumer Product Business as the second and third pillars of our business operations as we actively work to increase corporate value by investing in new businesses and M&A. As Chairperson, I will contribute to our future business growth while supporting the president.



**Shinichiro Fujisaki**

**President & CEO**

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)

The vision we put forward in Mid-Term Management Plan Blue Print 2025, which we announced in 2022, is to become a market design company for circular distribution that designs fair, efficient markets for various industries. As we build a Circular Commerce Business that is not restricted by the products it handles, we will focus effort on investing in sustainability and human capital, and not solely in the growth of the business. We will actively keep an eye out for the next generation of business opportunities as we aim for business operations that are the embodiment of Authenticism.

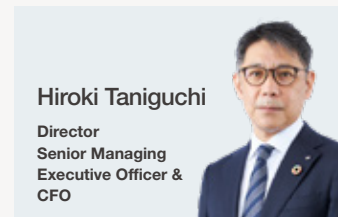


**Masayasu Takigawa**

**Director  
Senior Managing  
Executive Officer**

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  
January 2021 In charge of Automobile Business Division (to present)  
March 2021 Director (to present)

Since January 2021, I have been in charge of our Automobile Business Division. The Automobile Business has a long history as our legacy business, but at the same time I feel this is a business that needs to undergo major change, given the coming shift to EVs and changes in patterns of consumption. My aim is to leverage my past experience managing various operational companies, and to apply state-of-the-art technology and flexible responsiveness in working with our partners to create a more robust ecosystem.

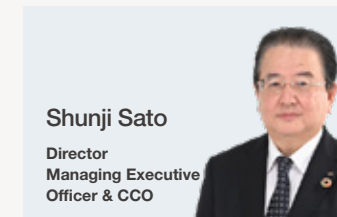


**Hiroki Taniguchi**

**Director  
Senior Managing  
Executive Officer &  
CFO**

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)

As CFO, my aim is to achieve sustained growth for our Group by balancing aggressive strategic investments with financial soundness. As a company listed on the Prime Market, we will actively undertake a variety of initiatives to increase corporate value for all stakeholders. From the standpoint of “defense,” these include IR activities, timely disclosure, and responsive corporate governance, and we will also pursue “offensive” moves such as M&A, new businesses and other business strategies, flexible financial strategies, and proactive investment in human capital.



**Shunji Sato**

**Director  
Managing Executive  
Officer & CCO**

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 (to present)  
January 2019 DM, Business Management Division (to present)  
January 2020 DM, Customer Communication Division  
January 2022 Managing Executive Officer & CCO (to present)

As a director in charge of the Consumer Product Business, Agricultural Business, and Motorcycle Business, I aim to communicate with employees so that I can gain an in-depth understanding of the business, make well-timed and appropriate decisions based on quantitative and qualitative information about business strategy, and thereby help to increase corporate value. I am also Chief Compliance Officer, in which capacity I am responsible for ensuring thorough compliance with laws and regulations, as well as our internal rules and ethical norms in business operations, while attending to companywide risk management.

# Messages from Directors



**Seichiro 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, the Company (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.

As an attorney, I mainly specialize in corporate legal matters. Having been in office longer than any other outside director, I have seen the company change and grow over time. I have enormous expectations for the future development of our business, given its compatibility with the trend in recent years toward the goal of a circular society. At the same time, I sense an increase in the need to address corporate risks that are diversifying. Our Medium-term Management Plan includes investments in new businesses and M&A, so I will strive to stimulate discussion on the Board of Directors about ways we can minimize risk while increasing corporate value, primarily by offering my opinions from a legal perspective.



**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, the Company (to present)  
 July 2021 Provisional Corporate Auditor, MEDIA SEEK INC.  
 October 2021 Outside Corporate Auditor (to present)  
 December 2021 Outside Director, Catalyna Inc. (currently Cotofure Inc.) (to present)

Based mainly on my experience in management of a company operating in the telecommunications industry, I intend to keep aware of my role as an independent outside director as I offer advice from an objective point of view on proposals in such areas as strategies for business growth and investment, as well as companywide management policies. Where the Board of Directors is concerned, I feel that our deliberations are sufficiently exhaustive, although I would like to increase opportunities for communication with employees in order to engage in more constructive discussions.



**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 (to present)

Aucnet created a global auction network and was innovating with business operations even before the Internet came into widespread use. This has oriented us toward the SDGs since our inception, and makes us a circular economy native. Amid accelerating global warming, I want to increase the number of friends who sympathize with Aucnet's vision of gross circulation value (GCV) so that we can pass a better planet down to the next generation, thereby making our own contribution, however small, to further deepening society's understanding of our business.



**Hisanao Nagashima**  
Director  
(Audit & Supervisory Committee member)

March 1985 Joined Aucnet  
 March 1989 Director and General Manager, Sales Department  
 March 1993 Managing Director  
 January 2001 Deputy General Manager, Automobile Business Headquarters  
 January 2002 General Manager, Automobile Inspection Headquarters  
 January 2003 Executive Officer  
 January 2006 Deputy General Manager, Automobile Business Division  
 March 2006 Senior Managing Director  
 March 2010 Director and Senior Managing Executive Officer  
 January 2014 Representative Director and President, i-Auc Inc.  
 January 2019 Chairperson, Director and Chairperson  
 March 2020 Director (Audit & Supervisory Committee member) (to present)

As an Audit & Supervisory Committee member, I will carry out thoroughgoing defensive controls, such as ensuring that corporate activities are transparent, preventing organizational fraud and misconduct, and confirming that preparations are made for potential future disaster risks. As an independent director, I will adhere to our corporate philosophy of "Authenticism," which constitutes our offense, and steadily generate sustainable long-term corporate value through correct management, contribution to society, and consideration for the environment. The result will contribute to the establishment of corporate governance that strikes a balance between offensive and defensive aspects.



**Ikuo 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, the Company  
 March 2021 Director (Audit & Supervisory Committee member), Aucnet (to present)

Given my experience of involvement in the financial industry and operational companies, I hope to be effective in a broad range of fields, such as capital strategy, business strategy, and management policy. Considering my position as an Audit & Supervisory Committee member and outside director, I am eager to support decision-making that takes all stakeholders into consideration, while striking a balance between offensive and defensive business and capital strategy measures. This is in addition to thoroughgoing internal controls to monitor for corporate fraud and misconduct so that we can improve corporate value over the medium to long term.



**Michi Handa (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 Japan Inc. Representative Director and President  
 June 2008 Control Solutions International Inc. (now Control Solutions K.K.) Representative Director and Vice President  
 January 2009 Representative Director and President (to present)  
 June 2019 Outside Director, Toa Corporation (Audit & Supervisory Committee member) (to present)  
 March 2022 Outside Director of Aucnet (Audit & Supervisory Committee member) (to present)

With my experience at an auditing firm and knowledge gained as a management consultant, I have strengths in deliberations of corporate governance, particularly concerning business management utilizing numerical values. While working to boost the effectiveness of the Board of Directors, as an Audit & Supervisory Committee member, I would like to focus efforts on prevention of systematic fraud and risk before they can occur. As a female director, I would like to stimulate discussions of the Board of Directors by actively expressing my views on diversity.

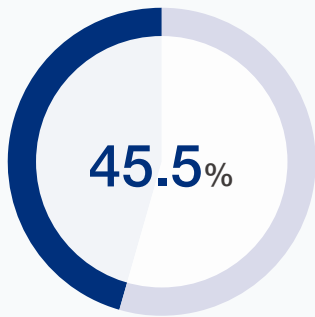
## Basic Conceptual Approach

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 interested parties 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

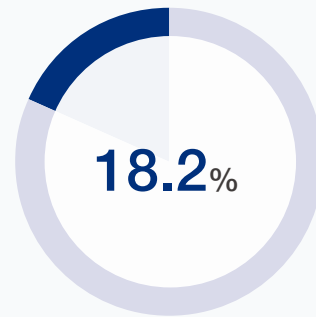
Ratio of outside directors on Board of Directors

**5 of 11**  
Directors



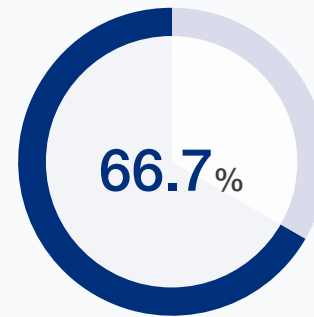
Ratio of female directors on Board of Directors

**2 of 11**  
Directors



Ratio of outside directors to Audit & Supervisory Committee members

**2 of 3**  
Audit & Supervisory  
Committee members



Number of Board of Directors meetings

**17**  
Attendance rate **99%**  
100% attendance by **8** members

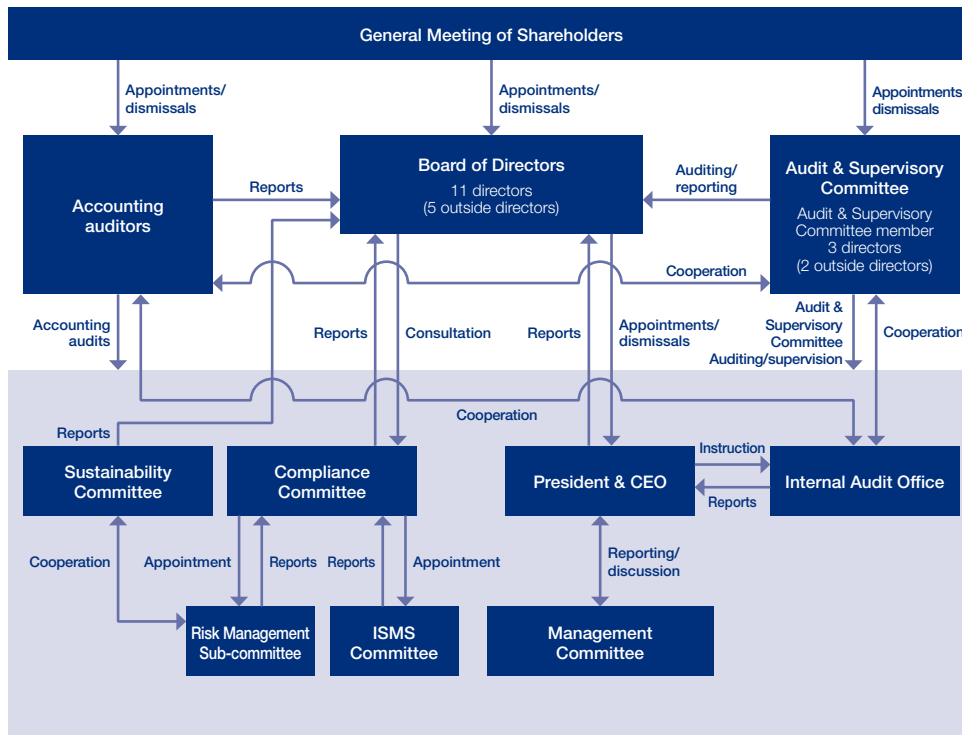
Number of Audit & Supervisory Committee member meetings

**13**  
Attendance rate **100%**  
100% attendance by **3** members



## Corporate Governance Structure

Corporate Governance Structure Diagram



### 1. Board of Directors

The Board of Directors consists of eight 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 11 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.

#### Major items discussed and deliberated at Board of Directors meetings

- Medium-term Management Plan formulation, progress reports, and strategies to achieve the plan
- Current status of existing and new businesses, and future strategies
- Sustainability-related promotion activities
- Capital policies such as treasury stock acquisition and dividends from retained earnings
- Determination of directorship candidates
- Assessment of the effectiveness of the Board of Directors
- Verification of cross-shareholdings
- Reporting on management audit activity
- Reporting on internal control system establishment and operational status

### 2. Audit & Supervisory Committee

The Audit & Supervisory Committee comprises 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 the Automobile Business, 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.

### 3. Sustainability Committee

The Sustainability Committee is chaired by President & CEO Shinichiro Fujisaki, and consists of five members: Director, Senior Managing Executive Officer and CFO Hiroki Taniguchi, Managing Executive Officer Yuji Arimura, and two 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.

### 4. Compliance Committee

An advisory body to the Board of Directors, the Compliance Committee comprises at least eight members, including one outside 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 Managing Director, Managing Executive Officer & CCO Shunji Sato, and its members are Director, Senior Managing Executive Officer & CFO Hiroki Taniguchi, Director and Chairperson Kiyotaka Fujisaki, President & CEO Shinichiro Fujisaki, Director (Audit & Supervisory Committee member) Hisanao Nagashima, Executive Officer Yasuhiro Higuchi, Outside expert (attorney) Hiroyuki Nunomura and General Manager, Legal & General Affairs Department Naoto Osako.

# 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 Corporate 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 person-centered 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.

Name	Management experience	Marketing and sales	New businesses	Finance and accounting	Auditing	Legal compliance and risk management	Global experience	IT/DX
Kiyotaka Fujisaki	○		○				○	○
Shinichiro Fujisaki	○	○	○				○	
Masayasu Takigawa	○	○	○				○	○
Hiroki Taniguchi	○			○	○	○	○	
Shunji Sato	○	○				○		
Seiichiro Umeno						○		
Toshio Maki	○	○						○
Megumi Tsukamoto	○					○	○	○
Hisanao Nagashima	○	○			○			
Ikuo Kaminishi	○	○			○			
Michi Handa	○			○	○	○	○	

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			We have appointed him as an outside director because of his ability to reflect in the management of the company his abundant experience and sophisticated understanding of corporate legal matters from his professional perspective as an attorney.
Toshio Maki		○	We have appointed him as an outside director because of his ability to reflect in the management of the company his abundant experience and sophisticated understanding of corporate management. 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	○	○	We have appointed him as an outside director because of his ability to reflect in the management of the company his abundant experience and sophisticated understanding of corporate management. 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	○	○	We have appointed her as an outside director because of her ability to reflect in the management of the company her abundant expertise and experience as a certified public accountant and tax accountant. 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		○	We have appointed her as an outside director because of her ability to reflect in the management of the company her abundant experience and sophisticated understanding of corporate management. 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.

## 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 2022

Respondents: 10 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	
<b>Overall Assessment for Fiscal 2021</b>	The average assessment score for all items is above four points, and the overall effectiveness of the program received a high evaluation.
Future Initiatives	
<b>Issue (1)</b> Comprehensive, multifaceted examination of management strategy	The Board of Directors will deepen its discussion of important management and business strategies, while also formulating and disclosing a Medium-term Management Plan.
<b>Issue (2)</b> Strengthening the monitoring system after putting important business strategies into execution	Work toward strengthening the monitoring system for new and existing business as well as M&A projects by providing more opportunities for reporting and discussion at Board of Directors meetings
<b>Issue (3)</b> Building a system for constructive dialogue with shareholders	Promote active dialogue with shareholders through IR meetings, etc., and provide the Board of Directors with feedback on useful opinions and requests, as appropriate.

Regarding Issue (1), deepen the discussion and publish the Medium-term Management Plan for 2022.

Regarding issue (2), accelerate the periodic reporting cycle on the progress of existing and new businesses as well as M&A projects, and strengthen the monitoring system.

For Issue (3), proactively hold IR meetings and provide feedback to the Board of Directors

Regarding fiscal 2022, considering the direction in which we aim to take our business, we added a question on the status of our handling of ESG and other non-financial information.

Assessment Results	
<b>Overall Assessment for Fiscal 2022</b>	The average evaluation score for all items exceeds 4 points, for an evaluation that overall effectiveness has been secured at a high level.
Future Initiatives	
<b>Issue (1)</b> Further strengthening the monitoring system after putting important business strategies into execution	<b>Measure (1)</b> 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.
<b>Issue (2)</b> Further enhancement of discussions regarding medium- to long-term management strategy	<b>Measure (2)</b> 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 2022, the Board of Directors took the above perspective when it examined cross-shareholdings at its May 2022 meeting. It confirmed that all of the cross-shareholdings were significant in their contribution to improving the Group's corporate value over the medium to long term.

## 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 February 19, 2021 Board of Directors meeting following deliberation by the Nomination and Remuneration 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, restricted-transfer (three-year) stock benefit granted as medium-term, non-monetary remuneration that increases corporate value over a sustained period above the degree of contribution made during the fiscal year, and shares in a board benefit trust (BBT) granted as non-monetary remuneration for contribution to the company over the long term by assigning points based on position, title, and achievement of business performance throughout the term of office, with shares to be awarded upon retirement according to the points earned. In determining the amounts and numbers of instances, 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 or number is calculated according to each individual's quantitative and qualitative performance indicators, and determined annually by the Board of Directors with reference to the report of the Nomination and Remuneration 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 and Remuneration 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 7:1:2.

### 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 individual remuneration amounts, 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, and will determine the base remuneration amount for each director with reference to the report of the Nomination and Remuneration 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 and Remuneration Committee deliberates and reports to the Board of Directors regarding a base remuneration amount for each director, a bonus amount for each director based on the degree to which targets for the fiscal year have been achieved, the number of restricted-transfer shares allocated as non-monetary remuneration, as well as the performance coefficient for the board benefit trust (BBT).

### 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 directors
		Base remuneration	Performance-linked remuneration	Non-monetary remuneration	
<b>Directors (excluding Audit &amp; Supervisory Committee members) (Of which, outside directors)</b>	251,163 (12,000)	164,400 (12,000)	36,500 (—)	50,263 (—)	7 (2)
<b>Directors (Audit &amp; Supervisory Committee members) (Of which, outside directors)</b>	21,600 (12,000)	21,600 (12,000)	— (—)	— (—)	4 (3)
<b>Total</b>	<b>272,763</b>	<b>186,000</b>	<b>36,500</b>	<b>50,263</b>	<b>11</b>

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 32,567 thousand yen in stock benefit reserves and 17,695 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

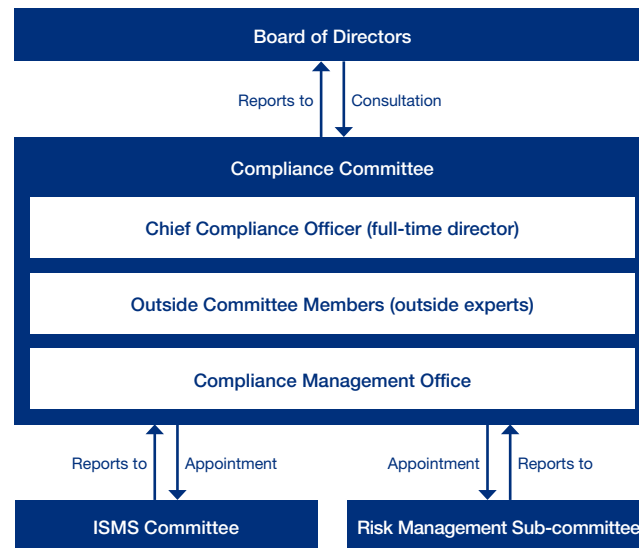
## Basic Conceptual Approach

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 a 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.

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 department, takes action on maintenance and operational evaluations, and implements improvements where deficiencies are discovered. The Internal Audit Office considers and assesses the internal control system's operational status, advocating for improvements where needed to maintain an appropriate system.

## 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, 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.

## Risk Management Promotion 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.

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). In addition, provide adequate mental health care for employees affected by the disaster or working on recovery.
- (3) For local communities  
Provide relief supplies to disaster victims and donate relief funds to contribute to the lives and economies of disaster-stricken communities.

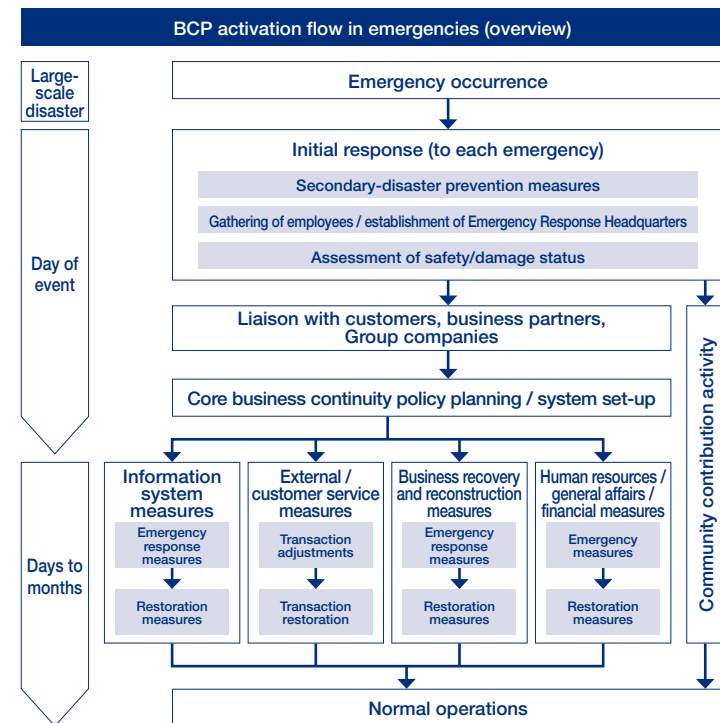
### 2. Key points for planning business continuity in the event of an emergency

- (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 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.

- (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 assess the degree of impact and the need for response.

3. Prioritization in restoring business operations is decided according to circumstances, taking into account: (1) outsourced business, (2) extent of sales, and (3) ease of restoration.

Business Continuity Plan flow



# Seven-Year Financial and Non-Financial Summary

	Unit	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Business Results</b>								
Net sales	(million yen)	19,983	19,409	19,492	19,672	24,078	36,710	40,455
Sales by segment								
Automobile Business	(million yen)	10,859	11,429	11,814 <sup>2</sup>	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 <sup>3</sup>	14,506	18,323
Other Information Distribution Business <sup>1</sup>	(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
Operating profit by segment								
Automobile Business	(million yen)	3,183	3,412	3,620 <sup>2</sup>	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 <sup>3</sup>	1,289	1,678
Other Information Distribution Business <sup>1</sup>	(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
Ordinary profit	(million yen)	4,115	3,321	3,308	2,630	3,643	6,113	6,699
Profit attributable to owners of parent	(million yen)	2,183	1,767	1,707	1,404	1,896	3,625	4,346
<b>Financial Status</b>								
Total assets	(million yen)	25,446	27,644	27,257	29,324	33,280	36,822	37,348
Net assets	(million yen)	12,139	16,759	17,413	18,333	19,637	22,701	22,911
Equity	(million yen)	12,006	16,587	17,205	18,063	19,324	22,319	22,514
Equity ratio	(%)	47.2	60.0	63.1	61.6	58.1	60.6	60.3
Ordinary profit to total assets ratio	(%)	17.1	12.5	12.1	9.3	11.6	17.4	18.1
Interest-bearing liabilities	(million yen)	1,400	0	0	0	0	0	0
D/E ratio	(Times)	0.12	0.00	0.00	0.00	0.00	0.00	0.00
<b>Cash Flow</b>								
Cash flows from operating activities	(million yen)	5,771	2,087	2,848	1,426	4,119	4,249	4,523
Cash flows from investing activities	(million yen)	(1,475)	(791)	(1,239)	(2,600)	549	388	185
Cash flows from financing activities	(million yen)	(1,546)	1,174	(947)	(757)	(2,873)	(825)	(4,426)
Free cash flow	(million yen)	4,295	1,296	1,608	(1,174)	4,668	4,638	4,708
<b>Per-share Indices</b>								
Basic earnings per share	(Yen)	90.77	66.97	62.19	50.94	68.56	130.56	159.48
Net assets per share	(Yen)	498.83	604.33	625.31	653.97	697.22	802.38	862.24
Dividend per share	(Yen)	—	26	26	26	21	40	48
<b>Other Business Indicators</b>								
Return on equity (ROE)	(%)	20.0	12.4	10.1	8.0	10.1	17.4	19.4
EBITDA	(million yen)	5,441	4,702	4,309	3,186	4,514	6,745	7,480
Dividend payout ratio	(%)	—	38.8	41.8	51.0	30.6	30.6	30.1
Number of employees (consolidated)	(Person)	578	590	677	664	821	858	860
Gross Circulation Value (GCV)	(billion yen)	—	—	—	—	428.8	487.9	541.7

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.

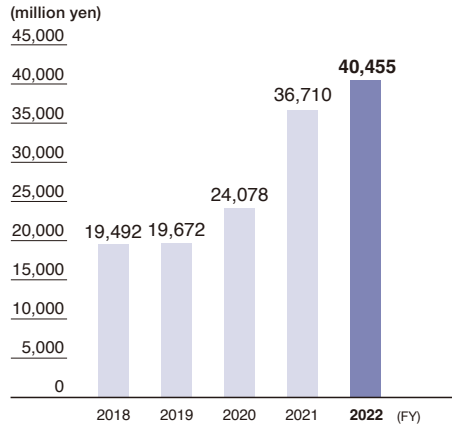
1. "Other Information Distribution Business" refers to a segment reported until the fiscal year through December 2019.

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

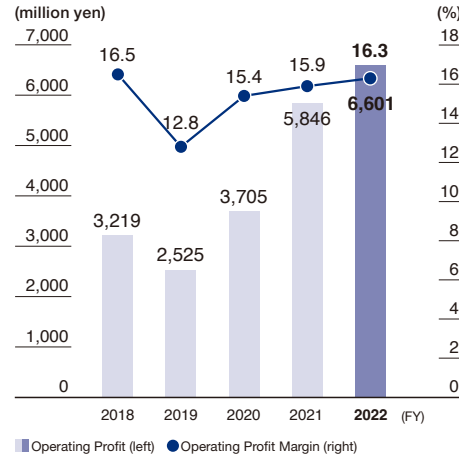
3. Effective from the fiscal year through December 2020, the Other Information Distribution Business segment has been abolished and the Pre-Owned Luxury Brand Items Auction Business has been integrated into the newly established Consumer Product Business segment.

# Financial and Non-Financial Highlights

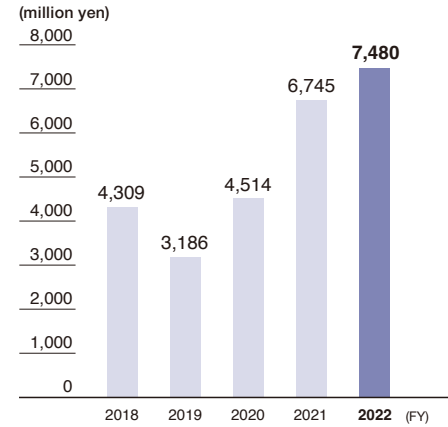
## Net Sales



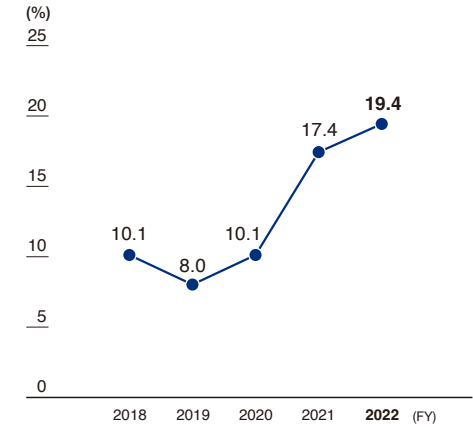
## Operating Profit / Operating Profit Margin



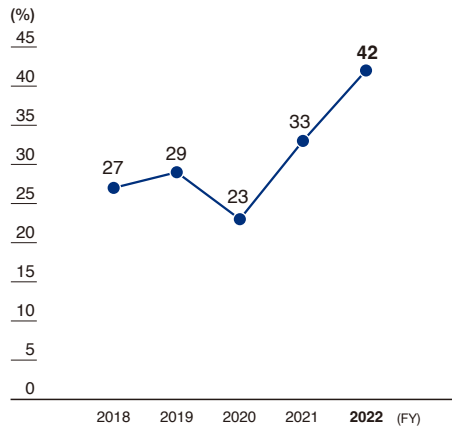
## EBITDA



## ROE

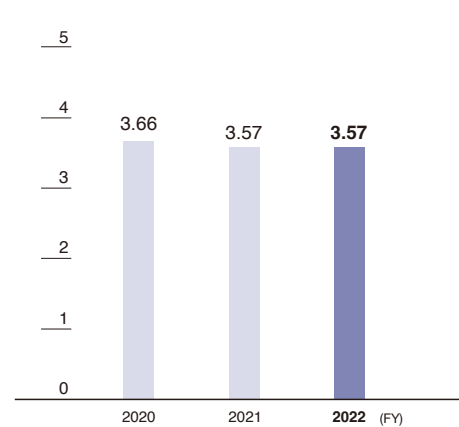


## Training Attendance Rate



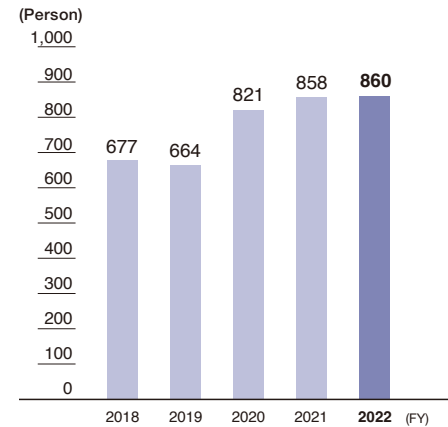
Note: Aucnet Inc. and six major consolidated companies

## Employee Satisfaction

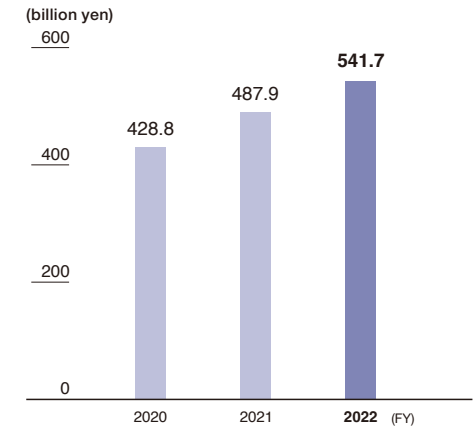


Notes:  
 1. Results of responses (on a 5-point scale) to the survey prompt, "I am positively engaged in my work toward the future" in our proprietary Pulse Survey (excluding some group companies).  
 2. Aucnet Inc. and six major consolidated companies

## Number of Employees



## GCV





# Shareholder and Investor Report (As of December 31, 2022)

## Major Shareholder Information

Shareholder Name	Number of Shares Held (shares)	Shareholding Ratio (%)
Flex Corporation	10,698,800	40.76
GOLDMAN SACHS INTERNATIONAL	1,401,406	5.34
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	4.94
Orient Corporation	1,296,000	4.94
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,203,600	4.58
GOLDMAN, SACHS & CO. REG	1,200,300	4.57
Namai Asset Management Inc.	850,000	3.24
Flex Inc.	844,800	3.22
Shinichiro Fujisaki	792,400	3.02
Masahiro Fujisaki	792,400	3.02

- Shareholding ratio is calculated after deducting treasury shares (211,816 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 is an asset management company of the founding family. Namai Asset Management Inc. is an asset management company owned by a relative of Kiyotaka Fujisaki (currently Chairman of the Board), the CEO and Representative Director of the company.
- 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.

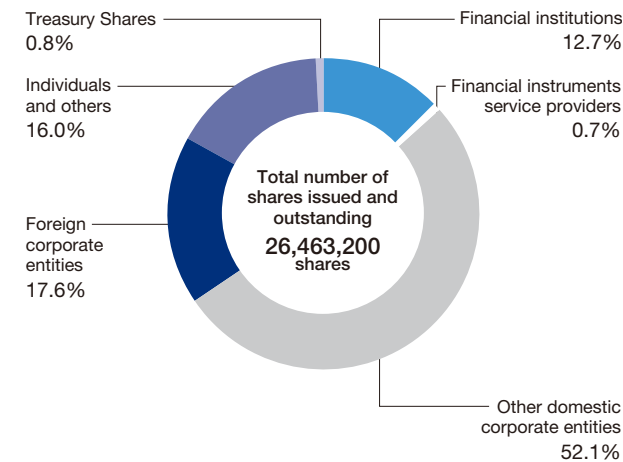
## Total Shareholder Return (TSR)

	2018	2019	2020	2021	2022
Total Shareholder Return (TSR)	69.9%	97.1%	101.3%	124.6%	138.9%
Comparative index: Tokyo Stock Exchange Stock Price Index (TOPIX)	84.0%	99.2%	106.6%	120.2%	117.2%

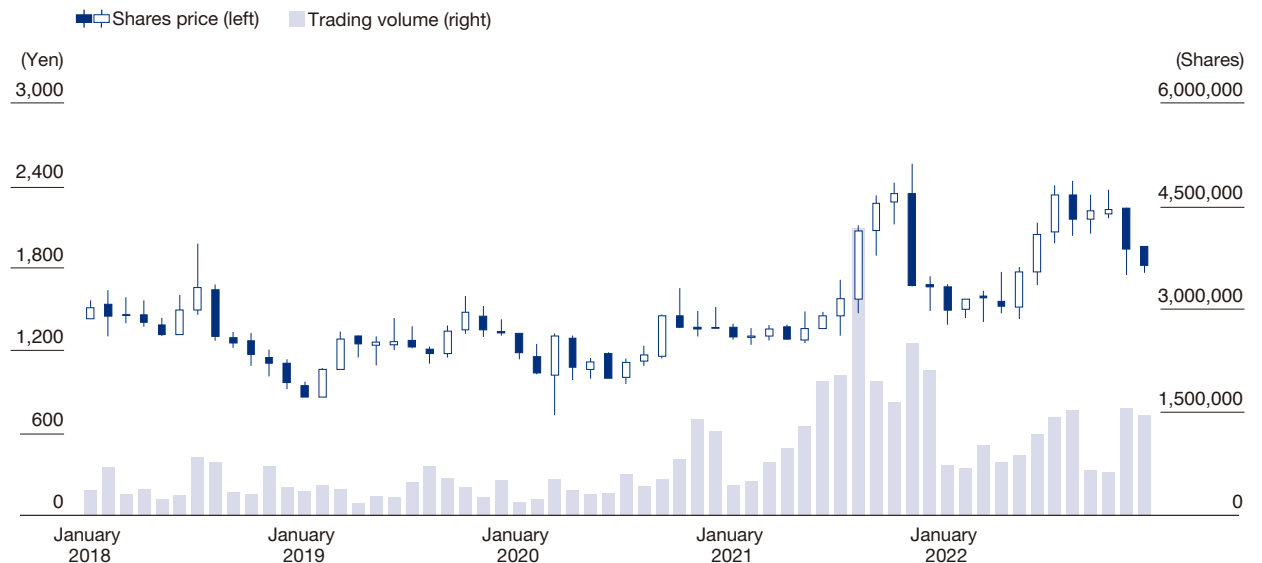
## Total Return Ratio

	2018	2019	2020	2021	2022
Total Return Ratio	56.6%	51.4%	30.8%	30.8%	101.9%

## Stock Distribution by Owner



## Trends in Share Prices and Trading Volume

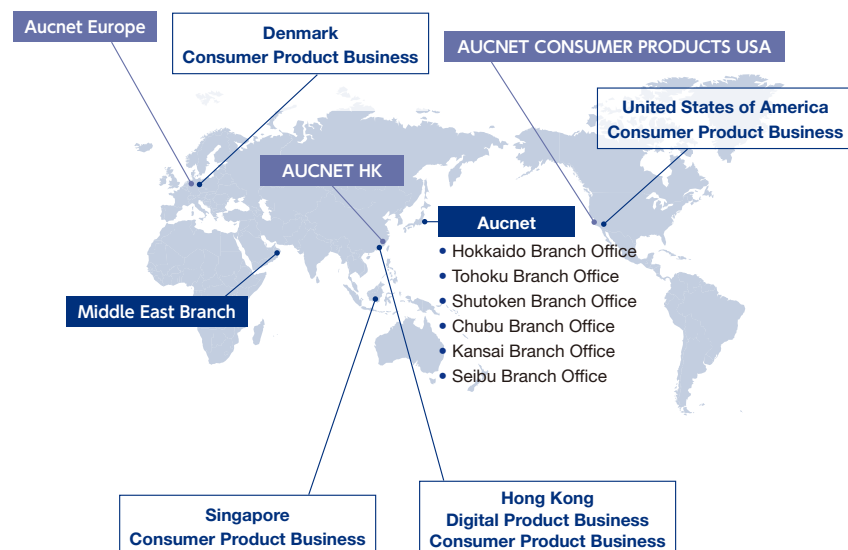


# Corporate Information (As of December 31, 2022)

## 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)	860
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
<b>Automobile Business</b>	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
<b>Digital Product Business</b>	AUCNET DIGITAL PRODUCTS USA, LLC.	Strategic base for the U.S. Digital Product Business (dormant)
	Blancco Japan Inc. (Affiliate accounted for by the equity method)	Sales of data erasure software and related services
<b>Consumer Product Business</b>	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
<b>Other Agricultural Business</b>	Aucnet Agri Business Inc.	Services associated with flower auctions and distribution
	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
<b>Motorcycle Business</b>	Aucnet Motorcycle Inc.	Used motorcycle auctions and services associated with distribution, including to consumers
<b>Circular Commerce Business</b>	Aucnet Medical Inc.	Services associated with used medical equipment auctions and distribution
	Menergia Inc.	Medical video and association member management services for healthcare professionals and medical societies
<b>Other</b>	Carseru, Inc.*	C2B vehicle sales support service
	JBTV Inc.	Contracting and consulting business
	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. exited the business in December 2022.

