



 **AUCNET**

Interim Report for the 16th Business Term

(January 1, 2023 ~ June 30, 2023)



We will become an Engine giving impacts on society by circulating things on a global scale. We have been promoting co-creation of businesses with various partners to realize a circular society.

President & CEO

藤崎 慎一郎

Both sales and profit increased year on year due to a favorable performance of the Automobile and Consumer Product Business.

Aucnet Group's consolidated performance in the first half of the current fiscal year was as follows: Net sales amounted to 21,931 million yen (up 6.4% from the previous year), and operating profit amounted to 4,006 million yen (up 0.9% from the previous year).

On the one hand, the transaction amount for the Digital Product Business shrank, on the other hand, the transaction amount expanded due to the effects of digital marketing measures etc. in the Consumer Product Business as well as an increase in the number of vehicles listed and sold in the used vehicle auctions and the number of vehicles inspected in the used vehicle inspection service for the Automobile Business.

Both sales and profit increased due to the favorable performance of the proxy bidding service and used vehicle inspection service in the Automobile Business.

In the Automobile Business, the number of new car registration and the number of vehicles listed and sold in the used vehicle auction market are recovering since around October last year, and they significantly exceeded those in the same period of the previous year in the first half of the current fiscal year. In the live-relay broadcast auctions, the number of auctions won increased due to the recovery of used the vehicle auction market, resulting in an increase in both sales and profit. In terms of proxy bidding service, the number of vehicles sold and the number of new memberships both increased, resulting in record profit for the period of six months ended June 30. Regarding used vehicle inspection services, demand from major dealers in particular remained strong, and the number of vehicles inspected for a used vehicle listing platform trended favorably. Due to an increase in the total number of vehicles inspected, both sales and profit increased year on year, contributing significantly to segment income. As a result, the segment performance as a whole, both sales and profit increased.

Active investments were made for global expansion and strengthening the organization in the Digital Product Business.

The number of new buyers increased, resulting in an all-time high figure, however, the number of units sold continued to trend downward and the transaction amount shrank year on year. We continued to focus on increasing our buying power through improvements to our sales activities and strengthening sourcing through

diversification of our business partners even though the sales and profit decreased year on year due to proactive investments in global expansion and strengthening organization.ments to our sales activities even though the sales and profit decreased year on year due to proactive investments in global expansion and strengthening sourcing through diversification of our business partners.

The performance of B2B business and business targeting consumers was favorable in the Consumer Product Business.

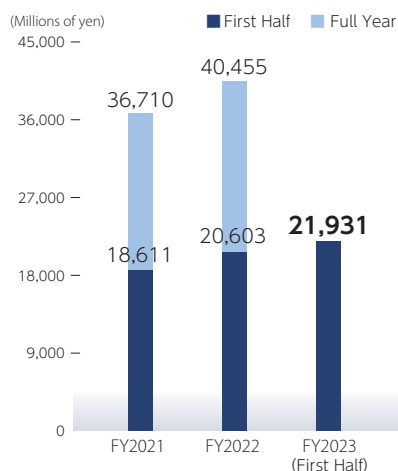
In the B2B business for the Consumer Product Business, the transaction amount grew by a raise of the average price of units sold due partly to an increase in listings with high unit prices owing to the formation of partnerships with a major company as well as the number of new memberships remained strong due to digital marketing, campaigns, etc. In the business targeting consumers also, we could purchase quality products through digital marketing in addition to the increased number of customers and the higher sales unit price due to inbound demand. As a result of the segment performance as a whole, both sales and profit increased.

Aiming for the realization of circular society, and challenging of primary × secondary distribution fields.

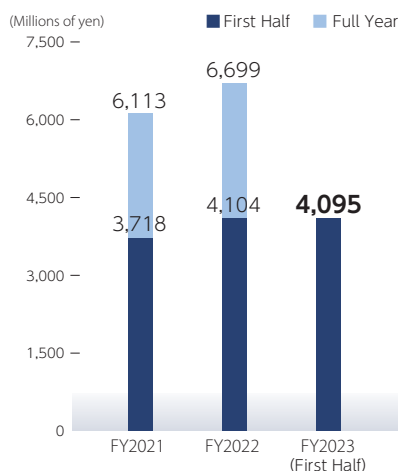
Our Sustainability Policy, "Circulating Valuable Goods on a Global Scale - Circulation Engine," expresses our strong will toward the future in which we will become the engine that drives a society in which goods circulate on a global scale. The initiatives in a new field of primary × secondary distribution is one of our new challenges. Consumers pay attention to how companies treat the old products and ones became unneeded in the field of primary distribution including manufactures and retail businesses due to such as the changing trends toward sustainability, Companies also have needs to diversify the customer contacts rather than just developing and selling their products to consumers. In fact, once we step into the field of primary × secondary distribution, we found we can use our know-hows cultivated over many years including used vehicle distribution business. [Please see the special topic, Expanding Aucnet's Circular Distribution to New Business Fields.](#) To fully utilize the functions of Circular Engine, it is important to co-create values making use of our platform by our customers. We will strive to realize our group's ideal circular society with co-creation with various partner companies. We ask for the continued support of our shareholders.

Consolidated Financial Highlights

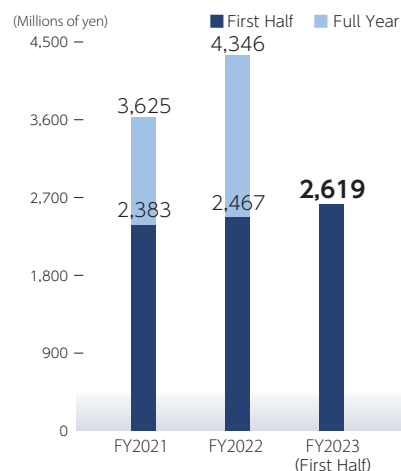
Net Sales



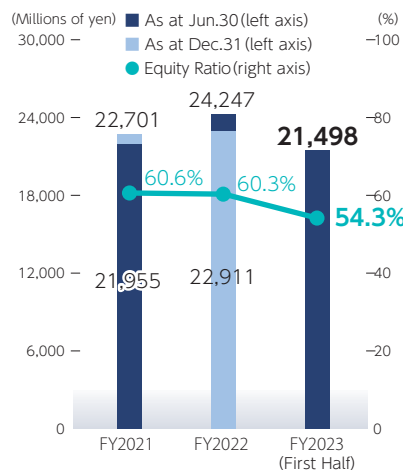
Ordinary Profit



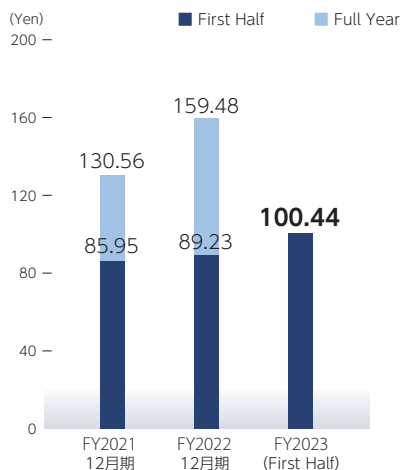
Profit Attributable to Owners of Parent



Net Assets/Equity Ratio



Basic Earnings per Share



A Note Concerning Shareholder Returns

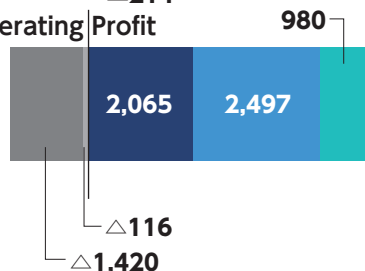
At AUCNET, we view the return of profits to shareholders as one of management's highest priorities. While continuing to maintain sufficient internal reserves on hand to fund future business development, enhance management structure and fund capital investment, our basic policy is to maintain a stable dividend and aim for a consolidated payout ratio of 30%. Based on this policy, AUCNET paid an interim dividend this period of ¥24 per share. (projected full-year dividend:¥48)

Information by Business Segment (Millions of yen)

Net Sales



Operating Profit



- Automobile Business
- Digital Product Business
- Consumer Product Business
- Others
- Adjustment

Note: "Others" is the segment which is not included in reportable segments, including such businesses as auctions for used motorcycles and flowers, circular commerce businesses (including medical-related businesses), and overseas businesses.

Special Topic

Expanding Aucnet's Circular Distribution to New Business Fields

We aim to generate further values from business development in a primary distribution field and expansion of business targeting consumers

CASE. 1

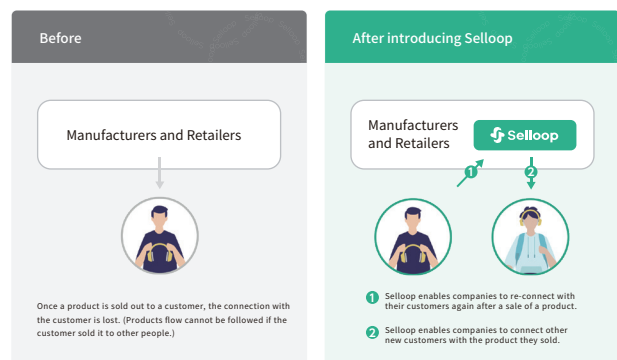
Secondary Distribution Supporting Business for Manufacturers and Retailers

In Aucnet, we have taken a role to connect secondary distributors by developing mainly B2B auctions. Including manufacturers and retailers in a primary distribution field, interests in our knowledge to distribute products by properly determining the value of reused products and membership network holding more than 37,000 memberships in more than 60 countries domestic and overseas, cultivated since Aucnet's foundation are growing. We took this opportunity and launched Selloop, a service supporting business development in secondary distribution fields, in August 2021.

Selloop, A Secondary Distribution Supporting Service

Background of commencement and outline of the service

In the recent trends of SDGs, consumers pay attention to how companies treat their old products and ones became unneeded. In addition to that, companies that only focused on product development and selling such as manufacturers and retailers are facing issues such as customer exodus and reduced purchasing opportunities, and seeking a new customer contact point in some cases. Aucnet provides Selloop, a secondary distribution supporting service to those companies and helps creating a circulation of new products and customer contacts and deepening the customer relations.



Official website of Selloop:
<https://selloop.jp/>

Introduction of a co-creation business of circular distribution "kimawari fashion", the purchase service of unneeded items on the Belle Maison Net

We have implemented "kimawari fashion", a purchasing service with home pick-up for clothing including non-branded items, operated in collaboration with Senshukai Co., Ltd. ("Senshukai") since November 2022. It is a service for members of the Belle Maison mail-order sales business implemented by Senshukai. 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.



Belle Maison member's testimonials:

I was suffering how I should get rid of my clothing over many years.
I think it is very good service that has little burden on users and contributes to society.



Enthusiasm of the person in charge:

We propose a comfortable lifestyle that sustainably circulates the items and feelings that our customers have used with great care, connecting them to the next person and to the future.



Aucnet's Challenges to the Future!

We will strengthen sustainability of the company and society, customer relationship and profitability at the same time by the system of Selloop that combine primary and secondary distribution.

CASE. 2 EC Platforms for Sustainable Society

In the Consumer Product Business of Aucnet, pre-owned luxury brand item (bags, watches, jewelries and precious metals etc.) auction related businesses have been provided to sales stores, pawn shops, and purchase shops etc. In recent years, we have focused on expansion of businesses targeting consumers with the secondary distribution know-hows we have and by making use of M&A methods.

An E-commerce Platform called VALTIQUE VINTAGE

Background of commencement and outline of the e-commerce platform

In September 2022, we launched an e-commerce platform called VALTIQUE VINTAGE where high-end brand vintage items are available for consumers. We set the main target of this service as Millennials and Gen Z, who are more interested in sustainability, and the objective of this service is to make those items accessible and affordable to them. VALTIQUE is a coined word of VALUE and ANTIQUE, and was named VALTIQUE VINTAGE based on the desire to provide valuable reused items at affordable prices and the idea of VINTAGE to encourage customers to use individual unique items with a great care.



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

The Thoughts Behind the VALTIQUE VINTAGE Item Tag

The e-commerce platform 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 CO2 and H2O to raise awareness of sustainability. The value of high-end brand vintage items has a great value, since it actually makes them more economical than mass-produced and mass-consumed items when resale value is taken into consideration. We will convey the message that use of this e-commerce site will make the customers achieve both "fashionable" and "environmentally friendly"



The e-commerce site users' testimonials:

The items I bought was better condition than I expected and I'm glad about it. It is also good to know how much I could contribute to the sustainability.



Enthusiasm of the person in charge:

We will make every effort to expand our product lineup, distribute content, and convey the joy of buying vintage items so that our customers will think of our VALTIQUE VINTAGE when it comes to buying vintage items.



Aucnet's Challenges to the Future!

In the future, we will develop and evolve this e-commerce site into a global B2C mall that our B2B members can also use.

Company Overview

(As of June 30, 2023)

Name	AUCNET INC.
Esablishment	June 29, 1985
Capital	¥1,807 million
Number of employees (consolidated)	866
Listing	Tokyo Stock Exchange, First Section
Head office	Aoyama OM Square, 5-8 Kita-Aoyama 2-chome, Minato-ku, Tokyo
Tel. (switchboard)	TEL: +81-3-6440-2500 FAX: +81-3-6772-0675

Executive Officers

(As of June 30, 2023)

Chairman of the Board	Kiyotaka Fujisaki
President & CEO	Shinichiro Fujisaki
Director, Senior Management Executive Officer	Masayasu Takigawa
Director, Senior Managing Executive Officer & CFO	Hiroki Taniguchi
Director, Managing Executive Officer & CCO	Shunji Sato
Outside Director	Seiichiro Umeno
Outside Director	Toshio Maki
Outside Director	Megumi Tsukamoto
Director (Audit & Supervisory Committee member)	Hisanao Nagashima
Outside Director (Audit & Supervisory Committee members)	Ikuo Kaminishi
Outside Director (Audit & Supervisory Committee members)	Michi Handa (Michi Sasano)

Stock Information

(As of June 30, 2023)

Total number of shares authorized be issued	110,000,000 shares
Total number of shares outstanding	26,463,200 shares
Number of shareholders	5,071

Major Shareholders

Name	Number of Shares	Shareholding ratio
FLEX CORPORATION	10,698,800	45.1%
GOLDMAN SACHS INTERNATIONAL	1,710,980	7.2%
GOLDMAN SACHS & CO. REG	1,381,500	5.8%
Custody Bank of Japan, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account re-entrusted by Orient Corporation.	1,296,000	5.5%
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,056,637	4.5%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,051,300	4.4%
Shinichiro Fujisaki	795,000	3.3%
Masahiro Fujisaki	794,600	3.3%
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	579,500	2.4%
Kiyotaka Fujisaki	513,200	2.2%

Shareholding ratio is calculated after deducting treasury shares (2,731,016 shares).

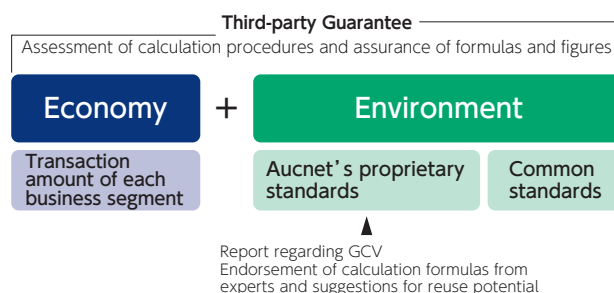
Shareholder Memo

(As of June 30, 2023)

Financial year	January 1 to December 31
Annual shareholders' meeting	Within three months after end of each financial year
Record date for dividends from surplus	Year-end dividends - Dec. 31 Interim dividends - June 30
Number of shares per unit	100 shares
Method of public notice	AUCNET INC. publishes its information in electronic public notices. However, in the event that electronic public notices cannot be provided due to accidents or other unavoidable circumstances, the public notices shall be posted in the Nihon Keizai Shinbun (Nikkei).
URL for public notice	https://ir.aucnet.co.jp/ja/announcement.html
Administrator of shareholder registry	4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan Mitsubishi UFJ Trust and Banking Corporation
Office of shareholder registry administrator	4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan Stock Transfer Agency Mitsubishi UFJ Trust and Banking Corporation

An initiative for an acquisition of third-party perspective on GCV to increase the value of circular distribution

Aucnet has established GCV (Gross Circulation Value) as our proprietary management indicator that shows the monetary impact of the group's operations on the economy and the environment, and one of our goals is to make it 1 trillion yen for 2025. We currently have undertaken various initiatives regarding the reliability of environmental data from GCV. We believe we can contribute to society by increasing the value of circular distribution led by appealing the third-party accreditation of GCV and value of reused products.



- **Third-party Guarantee:** For the actual GCV values of fiscal 2021, a third-party guarantee has been obtained from the Association for NFI-Assurance (ANFIA) and 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 more details: <https://www.aucnet.co.jp/news/2023/20230428-1/>

- **Report regarding GCV:** Tokyo 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 more details: <https://www.aucnet.co.jp/news/2023/20230731-1/>

For more details about GCV, please see the special feature page "Aucnet's Sustainability Management" in the Interim Report for the 15th Business Term January 1, 2022 - June 30, 2022. <https://ir.aucnet.co.jp/ja/ir/library/report.html>

