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(Securities code 3964)
March 8, 2021

To Shareholders with Voting Rights:

Shinichiro Fujisaki
Representative Director and President & COO
AUCNET INC.
5-8 Kita-Aoyama 2-chome,
Minato-ku, Tokyo, Japan

**NOTICE OF
THE 13TH ANNUAL GENERAL SHAREHOLDERS MEETING**

We are pleased to announce the 13th Annual General Shareholders Meeting of AUCNET INC. (the “Company”) to be held as described below.

Instead of attending the meeting, you can exercise your voting rights by either of the methods described on page 4. Please review the Reference Documents for the General Shareholders Meeting (described hereinafter) and cast your vote by 6 p.m. on Monday, March 29, 2021 Japan time.

1. Date and Time: Tuesday, March 30, 2021 at 10 a.m. Japan time (reception starts at 9:30 a.m.)

2. Place: Cerulean Tower Ballroom, B2F in Cerulean Tower Tokyu Hotel located at 26-1 Sakuragaoka-cho, Shibuya-ku, Tokyo, Japan

3. Meeting Agenda:

- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company’s 13th Fiscal Year (January 1, 2020 – December 31, 2020) and results of audits by the Accounting Auditor and the Audit & Supervisory Committee of the Consolidated Financial Statements
 2. Non-Consolidated Financial Statements for the Company’s 13th Fiscal Year (January 1, 2020 – December 31, 2020)

Proposals to be resolved:

- Proposal No. 1:** Election of Seven (7) Directors (excluding Directors Who are Audit & Supervisory Committee Members)
- Proposal No. 2:** Election of One (1) Director Who is an Audit & Supervisory Committee Member
- Proposal No. 3:** Election of One (1) Substitute Director Who is an Audit & Supervisory Committee Member
- Proposal No. 4:** Introduction of Performance-linked Stock Compensation Plan for Directors, etc.

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form.
- Any updates to the Reference Documents for the General Shareholders Meeting, the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements will be posted on the Company's website (URL: <https://ir.aucnet.co.jp/>).
- As the Matters Concerning Stock Acquisition Rights, etc. of the Company, Accounting Auditor, Company's Systems and Policies, Notes to the Consolidated Financial Statements and Notes to the Non-Consolidated Financial Statements are posted on the Company's website pursuant to provisions of laws and regulations as well as Article 15 of the Articles of Incorporation, it is not presented in the Appendix to this Notice of the 13th Annual General Shareholders Meeting.
The Business Report audited by the Audit & Supervisory Committee, the Consolidated Financial Statements and the Non-Consolidated Financial Statements audited by the Accounting Auditor and the Audit & Supervisory Committee consist of the documents included in the Appendix to this Notice of the 13th Annual General Shareholders Meeting and the documents posted on the Company's website (URL: <https://ir.aucnet.co.jp/>).
- Should there be any significant changes in operations of the General Shareholders Meeting due to changes in conditions in the future, we will make an announcement on the Company's website (URL: <https://ir.aucnet.co.jp/>).

Proposals and References

Proposal No. 1: Election of Seven (7) Directors (excluding Directors Who are Audit & Supervisory Committee Members)

The terms of office of all six (6) Directors (excluding Directors who are Audit & Supervisory Committee Members) will expire at the conclusion of this General Shareholders Meeting. Accordingly, the election of seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members), including three (3) new candidates, is proposed.

The Audit & Supervisory Committee did not provide any opinion about this proposal.

The candidates for Directors (excluding Directors who are Audit & Supervisory Committee Members) are as follows.

No.		Name	Positions and responsibilities	Attendance at the Board of Directors meetings
1	Reappointment	Kiyotaka Fujisaki	Representative Director and Chairman & CEO	17 out of 17 (100%)
2	Reappointment	Shinichiro Fujisaki	Representative Director and President & COO President and Executive Officer	17 out of 17 (100%)
3	New appointment	Masayasu Takigawa	Senior Managing Executive Officer In charge of Automobile Business Division	—
4	Reappointment	Shunji Sato	Director Managing Executive Officer DM, Customer Communication Division DM, Business Management Division	17 out of 17 (100%)
5	New appointment	Hiroki Taniguchi	Managing Executive Officer DM, Corporate Management Division	—
6	Reappointment Outside Director	Seiichiro Umeno	Outside Director	16 out of 17 (94%)
7	New appointment Outside Director	Toshio Maki	—	—

1	Career summary, positions and responsibilities																		
<p>Kiyotaka Fujisaki Reappointment</p> <p>Date of birth December 18, 1952</p> <p>Number of shares of the Company held 504,600 shares</p> <p>Attendance at the Board of Directors meetings 17 out of 17 (100%)</p>	<table border="0"> <tr> <td data-bbox="520 203 746 235">February 1985</td> <td data-bbox="746 203 1439 271">Director and General Manager, IT System Development Department, the Company</td> </tr> <tr> <td data-bbox="520 271 746 302">October 1987</td> <td data-bbox="746 271 1439 302">Managing Director</td> </tr> <tr> <td data-bbox="520 302 746 333">March 1993</td> <td data-bbox="746 302 1439 333">Senior Managing Director</td> </tr> <tr> <td data-bbox="520 333 746 365">August 1993</td> <td data-bbox="746 333 1439 365">Representative Director and President</td> </tr> <tr> <td data-bbox="520 365 746 396">March 2010</td> <td data-bbox="746 365 1439 396">President and Executive Officer</td> </tr> <tr> <td data-bbox="520 396 746 427">March 2020</td> <td data-bbox="746 396 1439 463">Representative Director and Chairman & CEO (to present)</td> </tr> </table> <p>Reasons for selection as a candidate for Director Mr. Kiyotaka Fujisaki has demonstrated strong leadership at the heart of management, made efforts to enhance corporate value of the Company, and taken the initiative for management reform upon assuming office as the Representative Director of the Company. Based on his wealth of experience and achievements, the Company expects him to make appropriate decisions and supervise the execution of duties over important matters concerning overall management as a Director and to play an essential role in the future for further enhancing the medium- to long-term corporate value of the Company as the Representative Director and Chairman. Therefore, the Company renominated him as a candidate for Director.</p>	February 1985	Director and General Manager, IT System Development Department, the Company	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 (to present)						
February 1985	Director and General Manager, IT System Development Department, the Company																		
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 (to present)																		
2	Career summary, positions and responsibilities																		
<p>Shinichiro Fujisaki Reappointment</p> <p>Date of birth November 22, 1975</p> <p>Number of shares of the Company held 824,800 shares</p> <p>Attendance at the Board of Directors meetings 17 out of 17 (100%)</p>	<table border="0"> <tr> <td data-bbox="520 855 746 887">January 2011</td> <td data-bbox="746 855 1439 887">Joined the Company</td> </tr> <tr> <td data-bbox="520 887 746 918">January 2013</td> <td data-bbox="746 887 1439 918">DGM, Automobile Business Headquarter</td> </tr> <tr> <td data-bbox="520 918 746 949">January 2014</td> <td data-bbox="746 918 1439 949">Executive Officer</td> </tr> <tr> <td data-bbox="520 949 746 981">March 2014</td> <td data-bbox="746 949 1439 981">Director</td> </tr> <tr> <td data-bbox="520 981 746 1012">January 2015</td> <td data-bbox="746 981 1439 1012">Senior DGM, New Business Division</td> </tr> <tr> <td data-bbox="520 1012 746 1043">January 2016</td> <td data-bbox="746 1012 1439 1079">Representative Director and President, AUCNET DIGITAL PRODUCTS INC.</td> </tr> <tr> <td data-bbox="520 1079 746 1111">January 2017</td> <td data-bbox="746 1079 1439 1111">Managing Executive Officer</td> </tr> <tr> <td data-bbox="520 1111 746 1142">January 2019</td> <td data-bbox="746 1111 1439 1178">Senior Managing Executive Officer DM, Automobile Business Division</td> </tr> <tr> <td data-bbox="520 1178 746 1209">March 2020</td> <td data-bbox="746 1178 1439 1245">Representative Director and President & COO (to present) President and Executive Officer (to present)</td> </tr> </table> <p>Reasons for selection as a candidate for Director Mr. Shinichiro Fujisaki has led the Company's main businesses from a senior position, such as the automobile business, new business division, and digital product business and has significantly contributed to business expansion. Based on his wealth of experience and achievements, the Company expects him to continue to play a role of leading the growth of the Company from a management perspective. Therefore, the Company renominated him as a candidate for Director.</p>	January 2011	Joined the Company	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 (to present) President and Executive Officer (to present)
January 2011	Joined the Company																		
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 (to present) President and Executive Officer (to present)																		

3	Career summary, positions and responsibilities
<p>Masayasu Takigawa New appointment</p> <p>Date of birth February 7, 1962</p> <p>Number of shares of the Company held 3,000 shares</p> <p>Attendance at the Board of Directors meetings —</p>	<p>April 1984 Joined ITOCHU Corporation</p> <p>October 2003 Representative Director and President, Any Lights Co., Ltd.</p> <p>May 2007 Managing Director, ISHIMORI PRODUCTION INC.</p> <p>June 2010 Director and Vice President</p> <p>June 2013 Director, SPACE SHOWER NETWORKS INC.</p> <p>March 2017 Representative Director and President, Enroute Co., Ltd.</p> <p>April 2020 Joined the Company Senior Managing Executive Officer (to present) DM, New Business Division</p> <p>January 2021 In charge of Automobile Business Division (to present)</p> <p>Reasons for selection as a candidate for Director Mr. Masayasu Takigawa has served in launching new businesses and services for many years and also has experience in corporate management. By drawing on his deep insight based on these significant experience and achievements to manage the Company, the management structure may be further strengthened, and the Company expects him to make appropriate decisions and execute duties over important matters concerning overall management as a Director. Therefore, the Company newly nominated him as a candidate for Director.</p>
4	Career summary, positions and responsibilities
<p>Shunji Sato Reappointment</p> <p>Date of birth March 3, 1961</p> <p>Number of shares of the Company held 3,000 shares</p> <p>Attendance at the Board of Directors meetings 17 out of 17 (100%)</p>	<p>April 1983 Joined Orient Finance Co., Ltd. (currently Orient Corporation)</p> <p>June 2014 Executive Officer</p> <p>July 2017 Joined the Company Managing Executive Officer (to present)</p> <p>January 2018 Senior GM, Business Management Division</p> <p>March 2018 Director (to present)</p> <p>January 2019 DM, Business Management Division (to present)</p> <p>January 2020 DM, Customer Communication Division (to present)</p> <p>Reasons for selection as a candidate for Director Mr. Shunji Sato has abundant experience in the sales field over many years. With his wealth of experience and deep insight, he has significantly contributed to the business expansion of the Company. Based on his wealth of experience and achievements, he is fulfilling his duties as a Director. The Company expects him to continue to make appropriate decisions and execute duties over important matters concerning overall management as a Director. Therefore, the Company renominated him as a candidate for Director.</p>

5	Career summary, positions and responsibilities																
<p>Hiroki Taniguchi New appointment</p> <p>Date of birth October 20, 1965</p> <p>Number of shares of the Company held 3,100 shares</p> <p>Attendance at the Board of Directors meetings —</p>	<table border="0"> <tr> <td data-bbox="526 203 742 237">April 1988</td> <td data-bbox="742 203 1434 271">Joined Universal Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.)</td> </tr> <tr> <td data-bbox="526 271 742 304">September 1994</td> <td data-bbox="742 271 1434 304">Joined CHARLE CO., LTD.</td> </tr> <tr> <td data-bbox="526 304 742 338">April 2003</td> <td data-bbox="742 304 1434 338">General Manager, Accounting Department</td> </tr> <tr> <td data-bbox="526 338 742 371">April 2012</td> <td data-bbox="742 338 1434 371">Executive Officer</td> </tr> <tr> <td data-bbox="526 371 742 405">June 2012</td> <td data-bbox="742 371 1434 405">Director</td> </tr> <tr> <td data-bbox="526 405 742 439">August 2014</td> <td data-bbox="742 405 1434 472">Joined the Company Senior DGM, Administrative Management Division</td> </tr> <tr> <td data-bbox="526 472 742 506">October 2019</td> <td data-bbox="742 472 1434 539">Executive Officer DM, Corporate Management Division (to present)</td> </tr> <tr> <td data-bbox="526 539 742 573">January 2021</td> <td data-bbox="742 539 1434 573">Managing Executive Officer (to present)</td> </tr> </table> <p>Reasons for selection as a candidate for Director Mr. Hiroki Taniguchi has adequately fulfilled a supervisory role for management as a manager of the Corporate Management Division, and has made efforts to strengthen the Company's overall business structure and promote financial and other strategies. By drawing on his high level of expertise and experience to manage the Company, the management structure may be further strengthened, and the Company expects him to make appropriate decisions and execute duties over important matters concerning overall management as a Director. Therefore, the Company newly nominated him as a candidate for Director.</p>	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 2012	Executive Officer	June 2012	Director	August 2014	Joined the Company Senior DGM, Administrative Management Division	October 2019	Executive Officer DM, Corporate Management Division (to present)	January 2021	Managing Executive Officer (to present)
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 2012	Executive Officer																
June 2012	Director																
August 2014	Joined the Company Senior DGM, Administrative Management Division																
October 2019	Executive Officer DM, Corporate Management Division (to present)																
January 2021	Managing Executive Officer (to present)																
6	Career summary, positions and responsibilities																
<p>Seiichiro Umeno Reappointment Outside</p> <p>Date of birth September 1, 1961</p> <p>Number of shares of the Company held —</p> <p>Attendance at the Board of Directors meetings 16 out of 17 (94%)</p>	<table border="0"> <tr> <td data-bbox="526 925 742 958">April 1989</td> <td data-bbox="742 925 1434 992">Registered as an attorney-at-law Joined Tokyo Yaesu Law Offices</td> </tr> <tr> <td data-bbox="526 992 742 1025">August 1990</td> <td data-bbox="742 992 1434 1025">Joined Masuda & Ejiri</td> </tr> <tr> <td data-bbox="526 1025 742 1059">January 1995</td> <td data-bbox="742 1025 1434 1059">Registered as a New York State attorney</td> </tr> <tr> <td data-bbox="526 1059 742 1093">March 2006</td> <td data-bbox="742 1059 1434 1093">Outside Director, the Company (until March 2008)</td> </tr> <tr> <td data-bbox="526 1093 742 1126">April 2007</td> <td data-bbox="742 1093 1434 1126">Partner, Nagashima Ohno & Tsunematsu (to present)</td> </tr> <tr> <td data-bbox="526 1126 742 1160">March 2010</td> <td data-bbox="742 1126 1434 1160">Corporate Auditor, VeriSign Japan K.K.</td> </tr> <tr> <td data-bbox="526 1160 742 1193">March 2016</td> <td data-bbox="742 1160 1434 1193">Outside Director, the Company (to present)</td> </tr> <tr> <td data-bbox="526 1193 742 1227">June 2019</td> <td data-bbox="742 1193 1434 1227">Outside Auditor, SPARX Group Co., Ltd.</td> </tr> </table> <p>Reasons for selection as a candidate for Outside Director and summary of expected roles Mr. Seiichiro Umeno has abundant expertise and experience as an attorney-at-law. Based on his wealth of expertise and experience, he is fulfilling his duties as an Outside Director. The Company expects him to continue to play an adequate role as an Outside Director from an independent standpoint, and therefore renominated him as a candidate for Outside Director. Although he has not been involved in corporate management except as an Outside Director, based on the above reasons, he is expected to adequately perform duties as Outside Director of the Company.</p>	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, the Company (to present)	June 2019	Outside Auditor, SPARX Group Co., Ltd.
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, the Company (to present)																
June 2019	Outside Auditor, SPARX Group Co., Ltd.																

7	Career summary, positions and responsibilities	
Toshio Maki New appointment Outside Date of birth June 28, 1955 Number of shares of the Company held — Attendance at the Board of Directors meetings —	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 & Co-CEO, Jupiter Telecommunications Co., Ltd.
	January 2014	Representative Director, President & Co-CEO
	April 2017	Representative Director, Chairman & Co-CEO
	June 2019	Representative Director and Chairman, CHUBU TELECOMMUNICATIONS CO., INC. (to present)
	June 2020	Board Member, Chuo University (to present)
Reasons for selection as a candidate for Outside Director and summary of expected roles		
Mr. Toshio Maki has served in expanding communication businesses and network services for many years and also has abundant experience as a corporate manager. The Company expects him to provide professional advice on the Company’s business from a medium- to long-term perspective and from an independent standpoint as an Outside Director based on his wealth of experience and deep insight, and thus contribute to enhancement of the corporate value of the Company. Therefore, the Company newly nominated him as a candidate for Outside Director.		

- Notes:
1. There are no special interests between the candidates and the Company.
 2. DM, GM and DGM stand for Division Manager, General Manager and Deputy General Manager, respectively.
 3. Messrs. Seiichiro Umeno and Toshio Maki are candidates for Outside Directors.
 4. The Company has entered into an agreement with Mr. Seiichiro Umeno to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the minimum amount stipulated by Article 425, Paragraph 1 of the Companies Act. If his reelection is approved, the Company plans to continue the above agreement with him to limit his liability.
 5. If Mr. Toshio Maki assumes office as Outside Director, the Company plans to enter into an agreement with him to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the minimum amount stipulated by Article 425, Paragraph 1 of the Companies Act.
 6. The Company has concluded a Directors and Officers Liability Insurance (D&O Insurance) contract naming all Directors as the insured persons. If this proposal is approved as originally proposed and each candidate assumes office as Director, the candidate will be an insured person under the D&O Insurance contract stipulated in Article 430-3 of the Companies Act. The insurance contract covers damages that may be incurred as a result of the responsibilities assumed by the officers, etc., the insured persons, in the execution of their duties, or any liability claims made against them in connection with those responsibilities. However, there are certain exemptions such as in the case where damages from knowingly committed acts of violation against laws and regulations are not covered by the insurance. The Company plans to renew the insurance contract during the term of office of each candidate.
 7. Mr. Seiichiro Umeno will have served as Outside Director for five (5) years at the conclusion of this Annual General Shareholders Meeting.
 8. Mr. Seiichiro Umeno has been an Outside Director of the Company in the past.

Proposal No. 2: Election of One (1) Director Who is an Audit & Supervisory Committee Member

Mr. Ryozo Ushioda, Director who is an Audit & Supervisory Committee Member, will resign at the conclusion of this General Shareholders Meeting. Accordingly, the election of one (1) Director who is an Audit & Supervisory Committee Member is proposed.

Mr. Ikuo Kaminishi, a candidate for Director who is an Audit & Supervisory Committee Member, is currently Substitute Director who is an Audit & Supervisory Committee Member. Subject to approval of this proposal, however, he will retire by resignation as Substitute Director who is an Audit & Supervisory Committee Member.

As Mr. Ikuo Kaminishi, a candidate for Director who is an Audit & Supervisory Committee Member, will not be elected as a substitute for the resigning Director who is an Audit & Supervisory Committee Member but be newly elected, his term of office shall be until the conclusion of the Annual General Shareholders Meeting to be held for the last fiscal year ending within two (2) years after the election.

The Audit & Supervisory Committee has given its consent to this proposal.

The candidate for Director who is an Audit & Supervisory Committee Member is as follows.

Ikuo Kaminishi New appointment Outside Date of birth September 26, 1945 Number of shares of the Company held — Attendance at the Board of Directors meetings 17 out of 17 (100%)	Career summary, positions and responsibilities	
	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 (to present)	
	Reasons for selection as a candidate for Outside Director who is an Audit & Supervisory Committee Member and summary of expected roles	
	Mr. Ikuo Kaminishi has served in financial business for many years and also has experience in corporate management. The Company expects him to provide appropriate advice on important matters concerning overall management from a fair and objective standpoint based on his abundant experience and deep insight. Therefore, the Company nominated him as a candidate for Outside Director who is an Audit & Supervisory Committee Member.	

- Notes:
1. There are no special interests between the candidate and the Company.
 2. Mr. Ikuo Kaminishi is a candidate for Outside Director who is an Audit & Supervisory Committee Member.
 3. If Mr. Ikuo Kaminishi assumes office as Outside Director who is an Audit & Supervisory Committee Member, the Company plans to enter into an agreement with him to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the minimum amount stipulated by Article 425, Paragraph 1 of the Companies Act.
 4. The Company has concluded a Directors and Officers Liability Insurance (D&O Insurance) contract naming all Directors as the insured persons. If this proposal is approved as originally proposed and the candidate assumes office as Director who is an Audit & Supervisory Committee Member, the candidate will be an insured person under the D&O Insurance contract stipulated in Article 430-3 of the Companies Act. The insurance contract covers damages that may be incurred as a result of the responsibilities assumed by the officers, etc., the insured persons, in the execution of their duties, or any liability claims made against them in connection with those responsibilities. However, there are certain exemptions such as in the case where damages from knowingly committed acts of violation against laws and regulations are not covered by the insurance. The Company plans to renew the insurance contract during the term of office of the candidate.
 5. Mr. Ikuo Kaminishi will have served as Outside Director for four (4) years at the conclusion of this Annual General Shareholders Meeting.

6. In the event that this proposal is approved, the Company will designate Mr. Ikuo Kaminishi as an Independent Director/Auditor in accordance with the stipulations of Tokyo Stock Exchange, Inc. and submit a notification to the said Exchange.

Proposal No. 3: Election of One (1) Substitute Director Who is an Audit & Supervisory Committee Member

In order to prepare for cases where a vacancy results in a shortfall in the number of Directors who are Audit & Supervisory Committee Members prescribed by laws and regulations, the election of one (1) Substitute Director who is an Audit & Supervisory Committee Member is proposed. The resolution shall be effective until the commencement of the Annual General Shareholders Meeting to be held for the last fiscal year ending within two (2) years after the election.

The election can be revoked by a resolution of the Board of Directors meeting with the consent of the Audit & Supervisory Committee, provided that it is prior to his assumption of office.

The Audit & Supervisory Committee has given its consent to this proposal.

The candidate for Substitute Director who is an Audit & Supervisory Committee Member is as follows.

Toshio Maki Outside Date of birth June 28, 1955 Number of shares of the Company held — Attendance at the Board of Directors meetings —	Career summary, positions and responsibilities	
	April 2004 April 2008 April 2013 January 2014 April 2017 June 2019 June 2020	Executive Officer, KDDI CORPORATION General Manager, “au” Service & Product Planning Division, “au” Business Sector Representative Director and President, CHUBU TELECOMMUNICATIONS CO., INC. Representative Director, Chairman & Co-CEO, Jupiter Telecommunications Co., Ltd. Representative Director, President & Co-CEO Representative Director, Chairman & Co-CEO Representative Director and Chairman, CHUBU TELECOMMUNICATIONS CO., INC. (to present) Board Member, Chuo University (to present)
	Reasons for selection as a candidate for Substitute Outside Director who is an Audit & Supervisory Committee Member and summary of expected roles Mr. Toshio Maki has served in expanding communication businesses and network services for many years and also has abundant experience as a corporate manager. The Company expects him to provide appropriate advice on important matters concerning overall management from a fair and objective standpoint based on his abundant experience and deep insight. Therefore, the Company nominated him as a candidate for Substitute Outside Director who is an Audit & Supervisory Committee Member.	

Notes: 1. There are no special interests between the candidate and the Company.

2. Mr. Toshio Maki is a candidate for Substitute Outside Director who is an Audit & Supervisory Committee Member.
3. If Mr. Toshio Maki assumes office as Substitute Outside Director who is an Audit & Supervisory Committee Member, the Company plans to enter into an agreement with him to limit his liability pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the minimum amount stipulated by Article 425, Paragraph 1 of the Companies Act.

Proposal No. 4: Introduction of Performance-linked Stock Compensation Plan for Directors, etc.

1. Reason for proposal and reason why the proposal is deemed reasonable

The introduction of the performance-linked stock compensation plan (the “Plan”) for Directors (excluding Directors who are Audit & Supervisory Committee Members and other Outside Directors; unless otherwise specified, the same applies hereinafter in this proposal.) and Executive Officers (hereinafter the “Directors, etc.”) was approved at the 10th Annual General Shareholders Meeting held on March 28, 2018 (hereinafter, the resolution at the General Shareholders Meeting described above is referred to as the “Original Resolution”), and the Plan has been operated to this day. With the enforcement of the Act Partially Amending the Companies Act (Act No. 70 of 2019) on March 1, 2021, however, the Company asks for the approval of this proposal to set anew the limit on the performance-linked stock compensation for Directors, etc., in place of the current limit on compensation for Directors, etc. under the Plan.

This proposal is a procedural measure in response to amendments in laws and regulations, and does not involve a substantive increase in the compensation limit compared to the Original Resolution. As with the Original Resolution, since the Plan aims to raise the motivation for contributing to improving performance and increasing corporate value over the medium- to long-term by further clarifying the link between the compensation of Directors, etc. and the performance and stock value of the Company as well as by having Directors, etc. share not only the benefit of higher stock prices but also the risk of lower stock prices with the Company’s shareholders, the Company considers the content of this proposal reasonable.

This proposal requests the approval for the amount and specific content of compensation, etc. to be paid to the Directors of the Company under the Plan, separately from the amount of Directors’ compensation (within ¥500 million per year which includes within ¥100 million per year for Outside Directors, excluding employee portion of salaries) that was approved at the 8th Annual General Shareholders Meeting held on March 29, 2016. The Company requests that details of the Plan be left to the discretion of the Board of Directors within the range specified in 2. below.

Currently, four (4) Directors are eligible under the Plan, and if Proposal No. 1 is approved as proposed, five (5) Directors will be eligible under the Plan.

2. Amount and specific content of compensation, etc. under the Plan

(1) Outline of the Plan

The Plan is a performance-linked stock compensation plan whereby shares in the Company are acquired through a trust using money contributed by the Company as funds (hereinafter, the trust established pursuant to the Plan is referred to as the “Trust”), and shares in the Company and cash equivalents of such shares at their market value (collectively, the “Company Shares, etc.”) are delivered through the Trust to Directors, etc. pursuant to the Officer Stock Delivery Regulations established by the Company. The time for Directors, etc. to receive delivery of Company Shares, etc., shall in principle be the date on which the Directors, etc. retire.

(2) Eligible persons

Directors (excluding Directors who are Audit & Supervisory Committee Members and other Outside Directors) and Executive Officers

(3) Trust period

From May 2018 until the Trust is terminated (the Trust shall continue without establishing a specific expiry date as long as the Plan exists. The Plan shall be terminated when the Company’s shares are delisted or when the Officer Stock Delivery Regulations are abolished, for example.)

(4) Trust amount

The Company has introduced the Plan for the three fiscal years from the fiscal year ended December 31, 2018 to the fiscal year ended December 31, 2020 (hereinafter, the said three-fiscal-year period and each three-fiscal-year period after the said three-fiscal-year period are called the “Target Period”) as well as for each subsequent Target Period.

The Company will make contributions to the Trust as funds for acquisition of shares for delivery to the Company’s Directors, etc. under the Plan with an upper limit of ¥575 million (¥425 million for Directors and ¥150 million for Executive Officers) for each Target Period in principle, until the termination of the Plan. However, if, at the time of such contributions, there remain the Company’s shares (excluding the Company’s shares that correspond to the points granted to Directors, etc. for each Target Period up to the immediately preceding Target Period and that have not yet been delivered to Directors, etc.) and money (collectively, the “Residual Shares, etc.”) in the trust assets as of the final day of the Target Period immediately preceding the Target Period for which such contributions will be

made, the sum of the monetary amount of the Residual Shares, etc. (for the Company's shares, the monetary amount of the market value at the final day of the immediately preceding Target Period) and the amount of such contributions shall be within the upper limit amount approved through this proposal. When the Company decides to make such contributions, it will disclose this information in a timely and appropriate manner.

For the current Target Period (three fiscal years from the fiscal year ending December 31, 2021 to the fiscal year ending December 31, 2024), the Company has not yet made contributions to the Trust at the time of sending out this Notice of the Annual General Shareholders Meeting. However, the Company plans to subsequently make contributions to the Trust within the upper limit approved through this proposal.

(5) Method of acquisition and number of the Company's shares to be acquired

The Trust will acquire the Company's shares, using the funds contributed through (4) above, either through the exchange market or by underwriting the disposal of the Company's treasury shares. The upper limit on the number of the Company's shares to be acquired by the Trust for each Target Period shall be 361,200 shares (of which, 267,000 shares for Directors and 94,200 shares for Executive Officers).

For the current Target Period (three fiscal years from the fiscal year ending December 31, 2021 to the fiscal year ending December 31, 2024), the Trust has not yet acquired the Company's shares at the time of sending out this Notice of the Annual General Shareholders Meeting. However, the Trust plans to subsequently acquire the Company's shares within the upper limit approved through this proposal, using money contributed by the Company for the current Target Period as funds.

(6) Upper limit on the number of the Company Shares, etc. to be delivered to Directors, etc.

For each fiscal year, Directors, etc., are granted points in consideration of matters such as their position and achievements in accordance with the Officer Stock Delivery Regulations. The upper limit on the sum of the points to be granted to Directors for each fiscal year shall be 89,000 points, and the upper limit on the sum of the points to be granted to Executive Officers for each fiscal year shall be 31,400 points. This was determined by comprehensively considering factors such as the current levels of officer compensation and trends and future outlook for the number of Directors, etc., and is deemed to be reasonable.

Each point granted to Directors, etc., is equivalent to one share of the Company's common shares in delivering the Company Shares, etc., as described in (7) below. (However, if, in regard to the Company's shares, a stock split, a gratis allotment of shares, or a reverse stock split is carried out after this proposal is approved, the Company will reasonably adjust the upper limit on the number of points and the number of points already granted, or their conversion ratio, in accordance with matters such as the relevant ratios.)

The ratio of the number of shares corresponding to the upper limit on the number of points to be granted to Directors, etc. for each fiscal year (120,400 shares) to the total number of issued and outstanding shares (as of December 31, 2020; excluding treasury shares) is approximately 0.43%. The points of Directors, etc. that form the basis for delivery of the Company Shares, etc. in (7) below are, in principle, the number of points granted to such Directors, etc. up to their retirement (hereinafter, the points computed in this manner are referred to as "Defined Number of Points").

(7) Delivery of the Company Shares, etc.

Directors, etc. who meet the beneficiary requirements provided in the Officer Stock Delivery Regulations will receive from the Trust the Company's shares that correspond to the number of their "Defined Number of Points" granted under (6) above in principle, by carrying out specified beneficiary confirmation procedures after their retirement. However, in case the requirements provided in the Officer Stock Delivery Regulations are met, Directors, etc. will, instead of the Company's shares, receive the amount of money which is equivalent to the market value of such shares in respect to a certain portion of the points. The Trust may sell the Company's shares to make such delivery of money.

The amount of compensation, etc. to be received by Directors, etc. shall be based on the amount calculated, at the time of granting the points, by multiplying the sum of the number of points to be granted to Directors, etc. by the book value per share of the Company's shares held by the Trust (However, if, in regard to the Company's shares, a stock split, a gratis allotment of shares, or a reverse stock split is carried out, the Company will reasonably adjust the amount in accordance with matters such as the relevant ratios.). Moreover, in the case where money is paid exceptionally in accordance with the provisions of the Officer Stock Delivery Regulations, the amount of such money shall be added to the calculated amount, if deemed reasonable.

(8) Exercise of voting rights

In accordance with instructions from the trust administrator, the voting rights in connection with the Company's shares in the Trust's account will not be exercised without exception. This approach intends to ensure neutrality to the management of the Company of the exercise of voting rights for the Company's shares in the Trust's account.

(9) Dividends

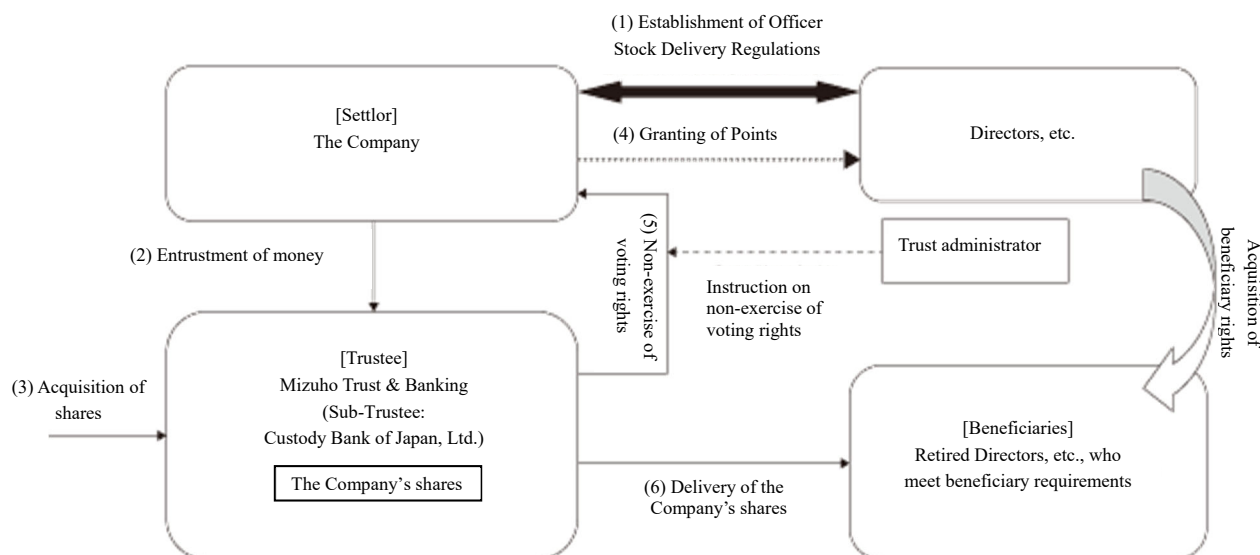
The Trust will receive dividends from the Company's shares held in the Trust's account and allocate them to the payment of the costs for acquiring the Company's shares or to the trust fees for the trustee of the Trust, etc. If the Trust is terminated, residual funds in the Trust, including dividends, will be delivered to incumbent Directors, etc. at that time in proportion to the number of points each of them holds in accordance with the Officer Stock Delivery Regulations.

(10) Termination of trust

The Trust will terminate upon the occurrence of events such as the delisting of the Company's shares or abolition of the Officer Stock Delivery Regulations.

The Company's shares among the Trust's residual assets at the time of termination of the Trust will be acquired by the Company in whole without consideration and be cancelled by resolution of a Board of Directors meeting. Of the residual assets of the Trust at the time of termination of the Trust, money will be delivered to the Company, excluding the amount to be delivered to Directors, etc. in accordance with (9) above.

[Reference: structure of the plan]



- (1) The Company will establish the Officer Stock Delivery Regulations within the framework approved in this proposal.
- (2) The Company will entrust money within the limit approved in this proposal.
- (3) The Trust will acquire the Company's shares by using the funds entrusted in accordance with (2) through the exchange market or by underwriting the disposal of the Company's treasury shares.
- (4) The Company will grant points to the Directors, etc., based on the Officer Stock Delivery Regulations.
- (5) In accordance with instructions from a trust administrator independent from the Company, the Trust will not exercise voting rights concerning the Company's shares in the Trust's account.
- (6) The Trust will provide the Company's shares to retired Directors, etc., who meet the beneficiary requirements provided in the Officer Stock Delivery Regulations (the "Beneficiaries") corresponding to the number of points granted to the said Beneficiaries. However, Directors, etc., who meet the requirements provided in the Officer Stock Delivery Regulations will receive an amount of money equivalent to the Company's shares at market value in respect to a certain portion of the points.

1. Overview of the Company Group

(1) Business Progress and Results

During the fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020), the Japanese economy remained in an extremely severe situation due to limitations on economic activities brought on by the spread of the novel coronavirus (COVID-19). After the state of emergency was lifted, efforts were made to balance prevention of the spread of infection and economic activities, and there were visible signs of a gradual recovery owing to the effects of an array of government policies as well as an upturn in overseas economies. Nonetheless, it will be necessary to continue keeping an eye on the spread of infection and its impact on social economic activities, and the outlook remains uncertain.

In these circumstances, in line with our brand statement, “Shaping the Future of Commerce,” the Company has worked to further improve its social and economic value, by providing competitive value-added products and services to promote information distribution in addition to its B2B information distribution intermediary businesses.

As a result, for the fiscal year ended December 31, 2020, net sales of the Company were ¥24,078,099 thousand (up 22.4% from the previous fiscal year), operating profit was ¥3,705,549 thousand (up 46.7% from the previous fiscal year), ordinary profit was ¥3,643,461 thousand (up 38.5% from the previous fiscal year), and profit attributable to owners of parent was ¥1,896,934 thousand (up 35.1% from the previous fiscal year).

Performance results by business segment are as follows.

In view of the growing scale of business in auctions for pre-owned luxury brand items and other services, the Company has changed its segments from the fiscal year ended December 31, 2020. The “Other Information Distribution Business” segment, which comprised auctions for pre-owned luxury brand items, used motorcycles, and flowers, has been discontinued. Auctions for pre-owned luxury brand items are now included in the new “Consumer Product Business” segment, while auctions for used motorcycles and flowers have been consolidated into the existing “Others” segment.

For the following comparison with the previous year, the figures are compared by restating the figures of the previous year to match the new segment classification.

1) Automobile Business

The Automobile Business comprises the Company’s mainstay used vehicle auctions (*1), shared inventory market (*2), live linked auctions (*3), proxy bidding service (*4), used vehicle inspection service (*5), and other services.

In the Japanese automotive sector, which has close connections with our business, total new-vehicle registrations (*6) decreased 11.5% year-on-year to 4.59 million units in the fiscal year ended December 31, 2020. The total number of used-vehicle registrations (*7) fell 1.7% year-on-year to 6.86 million units, and the number of vehicles listed (*8) at auction around Japan declined 7.0% year-on-year to 7.10 million units. The total number of vehicles sold at auction (*8) decreased 6.6% year-on-year to 4.56 million units.

The used vehicle market has been recovering gradually from the second half of the fiscal year, despite the impact of the novel coronavirus (COVID-19). In the Company’s used vehicle auctions, we were able to keep the drop in the full-year operating profit to a minimum by offering various countermeasure support and also due to the market recovery trend in the second half of the fiscal year. In the shared inventory market, the number of units sold remained at the same level as in the previous fiscal year due to a recovery in the retail sales market, which led to a growing trend towards sourcing products from the shared inventory market. In the proxy bidding service, number of members and number of vehicles bought exceeded the levels of the previous fiscal year, as exporters slowly returned to the service following the easing of export restrictions and due to the continued rise in the need for remote participation in live-linked auctions.

As a result, net sales of the Automobile Business (including inter-segment net sales) were ¥11,689,059 thousand (down 4.0% from the previous fiscal year), and operating profit was ¥3,581,482 thousand (down

4.6% from the previous fiscal year).

- (*1) Used vehicle auctions are real-time, members-only online auctions run by the Company.
- (*2) The shared inventory market is a system that allows Aucnet Group member sellers to share inventory with each other online. The inventory remains at the seller's premises while other members access it via the online system.
- (*3) Live-linked auctions use an online live-link system that enables real-time remote access to participate at physical auction sites, through partnerships between AUCNET and the physical auction sites.
- (*4) Proxy bidding service is an agency service provided by i-Auc, Inc. to buy, sell, settle payment for and arrange for transportation of used vehicles at auctions on behalf of its members.
- (*5) Used vehicle inspection service and related inspection skills training services are provided by AIS INC.
- (*6) Based on statistics compiled by Japan Automobile Dealers Association
- (*7) Based on statistics compiled by Japan Automobile Dealers Association and Japan Light Motor Vehicle and Motorcycle Association
- (*8) Based on U-Car Full Data Book and Export Quotation Book

2) Digital Product Business

The Digital Product Business comprises auctions for used digital equipment including used smartphones and used PCs, and services pertaining to distribution.

In Japan, sales units increased significantly from the level of the previous fiscal year, on the back of robust sales of new-model smartphones and stable supply of trade-in devices. This, together with factors such as the expansion of the overseas buyer network, which we had been actively working on, the strengthening of participation and bidding in auctions, as well as the rise in unit sales prices, resulted in an increase in both revenue and profit. In addition, continued efforts to cut selling, general and administrative expenses and raise operational efficiency helped to substantially improve the performance. Auctions for used PCs also contributed to the performance for the fiscal year under review, as the used items distribution market remained robust due to the prevalence of telework. Business in the United States has been greatly affected by the slowdown in economic activities due to the spread of the novel coronavirus (COVID-19). Although this remains a risk factor going forward, the number of items handled is gradually rising, and the Company is working to achieve stability in the business there.

As a result, net sales of the Digital Product Business were ¥5,877,352 thousand (up 52.1% from the previous fiscal year), and operating profit was ¥2,391,900 thousand (up 161.4% from the previous fiscal year).

3) Consumer Product Business

The Consumer Product Business comprises auctions for pre-owned luxury brand items and services pertaining to distribution, including those targeting consumers.

Auctions became busy with a growing number of buyers both inside and outside of Japan, due to an industry-wide rise in demand for online auctions against the backdrop of the impact of the novel coronavirus (COVID-19). Owing to our digital marketing efforts to promote participation in auctions, the number of items listed increased substantially year-on-year. In addition, sales soared as a result of the acquisition of GALLERY RARE Ltd. in September.

As a result, net sales of the Consumer Product Business were ¥3,940,655 thousand (up 284.5% from the previous fiscal year), and operating profit was ¥535,934 thousand (up 47.6% from the previous fiscal year).

4) Others

The Others segment comprises auctions for used motorcycles and flowers, medical-related businesses, and overseas businesses.

Net sales of the Others segment (including inter-segment net sales) were ¥3,199,391 thousand (down 4.2% from the previous fiscal year), and operating loss was ¥300,459 thousand (the operating loss for the

previous year was ¥14,307 thousand).

Transaction results

Contents		Fiscal Year	The 12th fiscal year (From January 1, 2019 to December 31, 2019)	The 13th fiscal year (From January 1, 2020 to December 31, 2020)	YoY
Automobile Business	Automobile Business (Total)	Number of sold items (Units)	433,656	430,191	99.2%
		Total members (*1)	14,146	14,362	101.5%
	Used vehicle auctions	Total number of listed items (Units)	58,696	50,984	86.9%
		Number of sold items (Units)	18,144	16,097	88.7%
		Rate of sale (%) (*2)	32.9	33.3	Increase by 0.4 points
	Shared inventory market	Number of sold items (Units)	13,802	13,317	96.5%
	Live linked auctions	Listed units (Units)	4,419,733	4,181,713	94.6%
		Sold units (Units)	298,573	288,953	96.8%
	The proxy bidding service (i-Auc)	Sold units (Units)	103,137	111,824	108.4%
Used vehicle inspection service (AIS)	Total inspected units (Units) (*3)	1,008,846	972,048	96.4%	
Digital Product Business	Total transaction amount (Billion yen)		24.5	34.0	139.0%
	Total members (*1)		657	762	116.0%
	Total sales units (Units)		1,701,779	2,143,612	126.0%
Consumer Product Business (*5)	Total transaction amount in 2C business (Billion yen)		—	1.6	—
	Total transaction amount in B2B business (Billion yen)		10.5	17.3	164.1%
	Total number of listed items (Items)		482,113	609,456	126.4%
	Rate of sale (%)		71.0	73.6	Increase by 2.6 points
	Total members (*1)		1,815	2,160	119.0%
Others	Used motorcycles	Total number of listed items (Units)	56,385	47,899	84.9%
		Rate of sale (%) (*2)	49.1	54.9	Increase by 5.8 points
		Total members (*1)	4,576	4,738	103.5%
	Flowers (*4)	Total transaction amount (Billion yen)	6.3	7.9	126.5%
		Total members (*1) (Buyers)	1,076	2,297	213.5%
		Total members (*1) (Growers)	3,151	9,348	296.7%

(*1) Members are as of the end of the consolidated fiscal year ended December 31, 2020.

(*2) Rate of sale is calculated by dividing the number of sold items by the net number of listed items put up for the auction.

(*3) Includes used motorcycles inspections.

(*4) Transactions of Kinuta Flower Auction CO. LTD are included from the 13th fiscal year.

(*5) Transactions of GALLERY RARE Ltd. are included from the 13th fiscal year.

(2) Capital investment

The Company made capital investment in the total amount of ¥586 million in the fiscal year under review. Major investments include construction of internal system infrastructure and renewal of the auction system.

(3) Financing

The company raised ¥15 million by issuing new shares through exercise of stock acquisition rights in the fiscal year under review.

(4) Business transfer, absorption-type split, or incorporation-type split

Not applicable.

(5) Transfer of business from other companies

Not applicable.

(6) Acquisition or disposal of shares and other equity interests or stock acquisition rights, etc. of other companies

Not applicable.

(7) Issues to be addressed

The Company has actively expanded its business to products other than used vehicles, such as used motorcycles, flowers (cut and potted), used PCs, used smartphones, pre-owned luxury brand items, and medical equipment, based primarily on the three elements of “operational expertise,” “information reliability” and “optimal systems,” which we have accumulated through online real-time auction services. Aiming for further growth by expanding the scope in the future, we are actively making entry into overseas markets in addition to the domestic market to expand our business.

The Company identified issues to be addressed as listed below for achieving sustainable growth based on a solid business foundation while flexibly responding to diversifying customer needs and a rapidly changing market environment, and will make efforts to further enhance corporate value.

1) Response to the novel coronavirus (COVID-19) infection

The Company, while strengthening the collaboration between each of the relevant departments under the initiative of the Risk Management Subcommittee, has been collecting information on the novel coronavirus (COVID-19) as well as working on measures to minimize the impact of the spread of the infection. At the same time, placing the highest priority on the safety and security of our customers, business partners, and employees and their families, the Company has been undertaking measures to stop the spread of the infection such as limiting overseas and domestic business trips, and promoting staggered working hours and teleworking by employees, as well as ensuring that employees wear face masks during working hours and utilizing the video-conferencing systems.

Going forward, the Company will continue to keep an eye on the impact of the spread of the novel coronavirus (COVID-19) on economic activities, and strive to establish a structure capable of responding flexibly to changes in the business environment, in anticipation of unexpected risks and unforeseen circumstances.

2) Sustainable growth of existing business

The Company’s existing business includes the Automobile Business, Digital Product Business, Consumer Product Business, and Others (used motorcycles, flowers (cut and potted) and medical equipment). We will continue to focus on these items as the Groups’ mainstay businesses, aiming for further enhancement of profitability by making our services more convenient through deep understanding of membership customer needs, continuously launching new products and services, and creating new products and services in view of the entry into peripheral businesses related to B-to-B distribution.

3) Entry into new business areas and categories

In order to achieve further growth for the Company, we will proactively enter new business areas and categories which may provide synergy with our existing businesses, centering on information distribution support services. The Company promotes efforts to cultivate distribution business that can create competitive and value-added products and services by distributing information (that does not accompany products) and expanding distribution-related services. We will strengthen organizational structures of departments related to marketing, new businesses, and international businesses, whereby we promote functions such as selection of potential areas and categories for new entry, accelerate strategic planning for new market entry, and improve functions including risk management.

4) Global development

The Company aims to provide optimum services by considering regional customer needs and commercial practices, etc. with overseas subsidiaries such as those in Hong Kong and the United States as strategic bases for expanding overseas business and strengthening profitability, based primarily on the three elements of “operational expertise,” “information reliability” and “optimal systems,” which we have accumulated in Japan. We will contribute to the development of regions and the industry as well as the enhancement of social life by seeking for overseas growing business models and creating businesses with potential for development.

5) Response to competition

The Company engages in auction-related businesses where many players operate, and we foresee rapid technological innovation, intensifying competition, and diversification of customer needs in the industry in the future. Accordingly, we will strive to be early to identify and analyze our competitors’ advantages and to further develop competitive advantages of our own in order to increase the convenience of our services while always aiming to differentiate ourselves from our competitors.

6) Recruitment and development of high caliber human resources

The Company will work to create a comfortable working environment, provide opportunities for personal growth, and revitalize the organization for recruiting and developing personnel who can support our future sustainable growth. In response to globalization and diversification of the market environment, we consider diversity as an important management issue. Based on the “mission grade system”, a new human resource management system introduced during 2019, we will focus on the development of diverse, future-oriented human resources who can play an active role in the global business field. We believe that the Company’s ability to solve management challenges will be strengthened by providing an environment aligned with the growth of diverse human resources.

7) Strengthening of corporate culture and management foundation

The Company will strengthen corporate governance and promote CSR activities through measures such as familiarization with the Code of Ethics and Corporate Philosophy throughout the Company, active roles by the Compliance Committee, thorough risk management, and strengthening of internal control. We will also strive for the ongoing operation of an organizational structure capable of swift decision-making in reaction to changes in the business environment and promote business structure reforms aimed at cost reduction and enhancing operational efficiency as well as establishing and strengthening management and financial foundations.

(8) Trends in assets and income

1) Trends in assets and income of the Company Group

(Thousand yen)

Fiscal year Item	The 10th fiscal year (From January 1, 2017 to December 31, 2017)	The 11th fiscal year (From January 1, 2018 to December 31, 2018)	The 12th fiscal year (From January 1, 2019 to December 31, 2019)	The 13th fiscal year (From January 1, 2020 to December 31, 2020)
Net sales	19,409,333	19,492,679	19,672,155	24,078,099
Ordinary profit	3,321,609	3,308,749	2,630,707	3,643,461
Profit attributable to owners of parent	1,767,535	1,707,941	1,404,005	1,896,934
Basic earnings per share (Yen)	66.97	62.19	50.94	68.56
Total assets	27,644,516	27,257,175	29,324,649	33,280,823
Net assets	16,759,385	17,413,699	18,333,554	19,637,686
Net assets per share (Yen)	604.33	625.31	653.97	697.22

- Notes: 1. Basic earnings per share is calculated using the average number of issued and outstanding shares during the fiscal year.
2. Net assets per share are calculated using the number of issued and outstanding shares at the end of the fiscal year.
3. The shares of the Company held by the Board Benefit Trust (“BBT”) recorded as treasury shares under shareholders’ equity are included in the treasury shares to be deducted in calculating the number of issued and outstanding shares at the end of the fiscal year and the average number of shares during the fiscal year for the purpose of calculating net assets per share and basic earnings per share. Please note that for the fiscal year under review, the number of shares of the Company held by BBT, which were deducted for the purpose of calculating net assets per share, is 147,100 shares, and the average number of shares of the Company held by BBT during the fiscal year under review, which were deducted for the purpose of calculating basic earnings per share, is 147,100 shares.

2) Trends in assets and income of the Company

(Thousand yen)

Fiscal year Item	The 10th fiscal year (From January 1, 2017 to December 31, 2017)	The 11th fiscal year (From January 1, 2018 to December 31, 2018)	The 12th fiscal year (From January 1, 2019 to December 31, 2019)	The 13th fiscal year (From January 1, 2020 to December 31, 2020)
Net sales	9,401,513	9,487,356	11,634,145	13,916,198
Ordinary profit	832,260	1,013,893	1,372,839	2,472,599
Profit	752,854	821,092	4,369,367	1,019,153
Basic earnings per share (Yen)	28.53	29.90	158.54	36.84
Total assets	15,730,051	14,989,438	23,534,189	25,232,924
Net assets	9,985,011	9,745,973	13,524,110	13,947,150
Net assets per share (Yen)	363.79	354.20	489.61	503.21

- Notes: 1. Basic earnings per share is calculated using the average number of issued and outstanding shares during the fiscal year.
2. Net assets per share are calculated using the number of issued and outstanding shares at the end of the fiscal year.
3. The shares of the Company held by the Board Benefit Trust (“BBT”) recorded as treasury shares under shareholders’ equity are included in the treasury shares to be deducted in calculating the number of issued and outstanding shares at the end of the fiscal year and the average number of shares during the fiscal year for the purpose of calculating net assets per share and basic earnings per share. Please note that for the fiscal year under review, the number of shares of the Company held by BBT, which were deducted for the purpose of calculating net assets per share, is 147,100 shares, and the average number of shares of the Company held by BBT during the fiscal year under review, which were deducted for the purpose of calculating basic earnings per share, is 147,100 shares.

(9) Significant subsidiaries

1) Significant subsidiaries

Company name	Capital	Ratio of voting rights	Principal business
AIS Inc.	¥100,000 thousand	79.0%	Inspection and evaluation of used vehicles and used motorcycles
i-Auc, Inc.	¥100,000 thousand	100.0%	Proxy exhibiting and bidding service for auctions of used vehicles and used motorcycles
AUCNET SALES AND SUPPORT INC.	¥80,000 thousand	100.0%	Sales promotion of auctions of used vehicles and used motorcycles
AUC FINANCIAL PARTNERS INC.	¥10,000 thousand	100.0%	Provision of warranty service-related products
AUCNET DIGITAL PRODUCTS USA, LLC.	US\$100 thousand	100.0%	Strategic base for the U.S. smartphone business
AUCNET MOTORCYCLE INC.	¥30,000 thousand	100.0%	Operation of auctions of used motorcycles
AUCNET AGRI BUSINESS INC.	¥30,000 thousand	100.0%	Operation of auctions of flowers (cut and potted)
AUCNET CONSUMER PRODUCTS INC.	¥30,000 thousand	100.0%	Operation of auctions of pre-owned luxury brand items, etc.
JBTv, Inc.	¥400,000 thousand	100.0%	Provision of communication, operation/maintenance and BPO services
AUCNET HK LIMITED	US\$3,201 thousand	100.0%	Strategic base for China and Southeast Asia
AUCNETMEDICAL INC.	¥59,500 thousand	100.0%	Operation of auctions of used medical equipment
AUCNET IBS INC.	¥30,000 thousand	100.0%	Web-related system solution business
Aucnet USA, LLC.	US\$8,500 thousand	100.0%	Strategic base for the U.S.
MENERGIA INC.	¥100,000 thousand	97.6%	Provision of medical information video content
CARSERU, INC.	¥100,000 thousand	100.0%	C2B car sales support service
AUCNET CONSUMER PRODUCTS USA, LLC.	US\$1,000 thousand	100.0%	Distribution of pre-owned luxury brand items
Kinuta Flower Auction CO. LTD	¥100,000 thousand	100.0%	Operation of auctions of flowers (potted)
GALLERY RARE Ltd.	¥40,000 thousand	100.0%	Import and sales of foreign brand apparel goods and fashion accessories

- Notes: 1. The ratio of voting rights includes indirect shareholdings.
2. As of July 1, 2020, the Company acquired all the shares of Kinuta Flower Auction CO. LTD, and the said company became a consolidated subsidiary of the Company.
3. AUCNET CONSUMER PRODUCTS USA, LLC. was established on January 27, 2020.
4. As of September 15, 2020, the Company acquired all the shares of GALLERY RARE Ltd., and the said company became a consolidated subsidiary of the Company.
5. As MENERGIA INC. carried out a capital reduction on December 15, 2020, its share capital decreased.

2) Matters concerning specified wholly-owned subsidiaries

Not applicable.

3) Equity-method company

Company name	Capital	The Company's equity ratio	Principal business
Blancco Japan Inc.	¥10,000 thousand	20.0%	Sales of data erasure software and related services

(10) Principal business

The Company mainly organizes and conducts auctions of used vehicles, used digital devices including used smartphones and used PCs, pre-owned luxury brand items, used motorcycles, and flowers (cut and potted), etc. via the Internet and provides various services pertaining to distribution.

(11) Employees

1) Employees of the Company Group

Number of employees	Increase (decrease) from previous consolidated fiscal year-end
821 persons	157 persons

Notes: 1. The number of employees excludes temporary employees (dispatched workers, part-time workers and non-regular workers).

2. The number of employees increased by 157 persons compared to the previous consolidated fiscal year. This was mainly because Kinuta Flower Auction CO. LTD and GALLERY RARE Ltd. became consolidated subsidiaries of the Company.

2) Employees of the Company

Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average length of service
223 persons	(14) persons	41.0 years old	11.3 years

Note: The number of employees excludes temporary employees (dispatched workers, part-time workers and non-regular workers).

(12) Principal business locations

Head Office	5-8 Kita-Aoyama 2-chome, Minato-ku, Tokyo
Hokkaido Branch Office	14-1-13 Odori Nishi, Chuo-ku, Sapporo-shi, Hokkaido
Tohoku Branch Office	1-16-6 Izumi Chuo, Izumi-ku, Sendai-shi, Miyagi
Shutoken Branch Office	5-8 Kita-Aoyama 2-chome, Minato-ku, Tokyo
Chubu Branch Office	1-22 Aoi 1-chome, Higashi-ku, Nagoya-shi, Aichi
Kansai Branch Office	2-30 Toyotsu-cho, Suita-shi, Osaka
Seibu Branch Office	1095-6 Kamiiwata Ogori-shi, Fukuoka

2. Status of Shares (as of December 31, 2020)

- (1) Total number of shares authorized to be issued 110,000,000 shares
- (2) Total number of issued and outstanding shares 27,863,500 shares (including 216 treasury shares)
- (3) Number of shareholders 8,540 persons
- (4) Major shareholders

Shareholder name	Number of shares	Shareholding ratio
FLEX CORPORATION	11,448,800 shares	41.09%
NAMAI ASSET MANAGEMENT INC	1,900,000 shares	6.82%
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,814,990 shares	6.51%
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 shares	4.65%
Orient Corporation	1,296,000 shares	4.65%
STATE STREET BANK AND TRUST COMPANY 505038	900,000 shares	3.23%
FLEX CO., LTD.	844,800 shares	3.03%
Shinichiro Fujisaki	824,800 shares	2.96%
Masahiro Fujisaki	824,800 shares	2.96%
GOLDMAN SACHS INTERNATIONAL	687,900 shares	2.47%

- Notes: 1. Shareholding ratio is calculated after deducting treasury shares (216 shares).
2. The Company has introduced the Board Benefit Trust (BBT), and Custody Bank of Japan, Ltd. (Trust E account) holds 147,100 shares, which are not included in the treasury shares stated above.
3. FLEX CORPORATION is an asset management company of the founding family. NAMAI ASSET MANAGEMENT INC is an asset management company of a relative of Mr. Kiyotaka Fujisaki, Representative Director and Chairman & CEO of the Company.
4. The 1,296,000 shares held in Custody Bank of Japan, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account re-entrusted by Orient Corporation are trust assets entrusted by Orient Corporation to Mizuho Trust & Banking Co., Ltd. as a retirement benefit trust, and Orient Corporation reserves the right to provide instruction for the exercise of voting rights.

(5) Other important matters concerning shares

- 1) The total number of issued and outstanding shares increased by 46,200 shares and share capital and legal capital surplus each increased by ¥7,946 thousand by the exercise of stock acquisition rights in the fiscal year under review.
- 2) Based on the resolutions of the Board of Directors meetings held on March 27 and April 28, 2020, the Company issued new shares as restricted stock compensation as follows. As a result, the total number of issued and outstanding shares increased by 48,000 shares and share capital and legal capital surplus each increased by ¥28,500 thousand.

Payment date	April 24, 2020
Class and number of shares issued	45,000 common shares of the Company
Issuance price	¥1,194 per share
Total value of issuance	¥53,730,000
Persons eligible for the share allotment and number thereof	Four Directors (excluding Directors who are Audit & Supervisory Committee Members and other Outside Directors) and eleven Executive Officers of the Company

Payment date	May 27, 2020
Class and number of shares issued	3,000 common shares of the Company
Issuance price	¥1,090 per share
Total value of issuance	¥3,270,000
Persons eligible for the share allotment and number thereof	One Executive Officer of the Company

3. Company Officers

(1) Name, etc. of Directors

Name	Positions, areas of responsibility and significant concurrent positions
Kiyotaka Fujisaki	Representative Director and Chairman & CEO
Shinichiro Fujisaki	Representative Director and President & COO President and Executive Officer DM, Automobile Business Division
Chiaki Fujino	Director, Vice President and Executive Officer
Shunji Sato	Director and Managing Executive Officer DM, Customer Communication Division DM, Business Management Division
Seiichiro Umeno	Director
Ikuo Kaminishi	Director
Hisanao Nagashima	Director (Audit & Supervisory Committee Member)
Masaaki Ayukawa	Director (Audit & Supervisory Committee Member)
Ryozo Ushioda	Director (Audit & Supervisory Committee Member) Representative Director and President, Flex Housing Co., Ltd.

- Notes:
1. DM stands for Division Manager.
 2. Messrs. Seiichiro Umeno, Ikuo Kaminishi, Masaaki Ayukawa and Ryozo Ushioda are Outside Directors.
 3. The Company has designated Messrs. Masaaki Ayukawa and Ryozo Ushioda as Independent Directors/Auditors in accordance with the stipulations of the Tokyo Stock Exchange and submitted a notification to the said Exchange.
 4. Mr. Koji Sasaki retired as Director who is an Audit & Supervisory Committee Member at the conclusion of the Annual General Shareholders Meeting held on March 27, 2020.
 5. Mr. Hisanao Nagashima assumed office as Director who is an Audit & Supervisory Committee Member at the Annual General Shareholders Meeting held on March 27, 2020.
 6. Director who is an Audit & Supervisory Committee Member, Mr. Masaaki Ayukawa is a certified public accountant and has considerable knowledge of finance and accounting.
 7. Director who is an Audit & Supervisory Committee Member, Mr. Ryozo Ushioda has served as Representative Director and President of Flex Housing Co., Ltd. and has considerable knowledge of finance and accounting.
 8. The Company appointed Mr. Hisanao Nagashima as a full-time Director who is an Audit & Supervisory Committee Member, aiming at strengthening audit and supervisory functions of the Audit & Supervisory Committee, and enabling information gathering from Directors (excluding Directors who are Audit & Supervisory Committee Members), information sharing at important internal meetings, and sufficient cooperation between the Internal Audit Department and the Audit & Supervisory Committee.

9. Changes in positions, areas of responsibility and significant concurrent positions of Directors after the end of the fiscal year under review are as follows.

(Date of change: January 1, 2021)

Name	Positions, responsibilities, and significant concurrent positions	
	Before change	After change
Shinichiro Fujisaki	Representative Director and President & COO President and Executive Officer DM, Automobile Business Division	Representative Director and President & COO President and Executive Officer
Chiaki Fujino	Director, Vice President and Executive Officer	Director

(2) Summary of liability limitation agreement

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Outside Directors to limit their liability as stipulated in Article 423, Paragraph 1 of the Companies Act.

The maximum liability amount under this agreement is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

(3) Summary of Directors and Officers Liability Insurance contract

The Company has concluded a Directors and Officers Liability Insurance (D&O Insurance) contract naming all Directors as the insured persons in the execution of duties by the officers.

The Company pays the insurance premium in full, including that of riders, and the insured persons do not bear the actual cost of the premium.

The insurance contract covers damages that may be incurred as a result of the responsibilities assumed by the officers, etc., the insured persons, in the execution of their duties, or any liability claims made against them in connection with those responsibilities. However, there are certain exemptions such as in the case where damages from knowingly committed acts of violation against laws and regulations are not covered by the insurance.

The insurance contract has a deductible, and damages up to the deductible amount are not covered by the insurance. In the case where the insurance contract is renewed, it will fall under the Directors and Officers Liability Insurance (D&O Insurance) stipulated in Article 430-3 of the Companies Act.

(4) Compensation, etc. to Directors

Compensation, etc. for the fiscal year under review

Category	Number of recipients	Amount paid
Directors (excluding Audit & Supervisory Committee Members)	6 persons	¥200,471 thousand
[of which, Outside Directors]	[2 persons]	[¥12,000 thousand]
Directors (Audit & Supervisory Committee Members)	4 persons	¥18,600 thousand
[of which, Outside Directors]	[2 persons]	[¥9,600 thousand]
Total	10 persons	¥219,071 thousand

Notes: 1. At the 8th Annual General Shareholders Meeting held on March 29, 2016, a resolution was adopted to establish an upper limit on compensation to Directors (excluding Directors who are Audit & Supervisory Committee Members) of ¥500 million per year (of which, an upper limit of ¥100 million per year to Outside Directors).

In addition to the upper limits described above, at the 10th Annual General Shareholders Meeting held on March 28, 2018, an upper limit of ¥575 million (per three year period) was adopted for contributions to the performance-linked stock compensation plan “Board Benefit Trust (BBT)” for Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors).

2. At the 8th Annual General Shareholders Meeting held on March 29, 2016, a resolution

was adopted to establish an upper limit on compensation to Directors who are Audit & Supervisory Committee Members of ¥100 million per year.

3. The above amount includes provision for share-based remuneration of ¥25,039 thousand recorded based on the performance-linked stock compensation plan for four Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) and provision for restricted stock compensation of ¥3,582 thousand.

(5) Outside Officers

- 1) Relationship between companies where officers hold significant concurrent positions and the Company
Please refer to (1) Name, etc. of Directors above.

There are no important transactions or other relationships between the companies where Outside Officers hold concurrent positions and the Company.

- 2) Relationship with specified related business operator such as major customers
Not applicable.

- 3) Main activities for the fiscal year under review

Name	Title	Main activities
Seiichiro Umeno	Outside Director	Participated in 16 of 17 meetings of the Board of Directors during the fiscal year under review; provided opinions as necessary mainly by drawing on his expertise as an attorney-at-law.
Ikuo Kaminishi	Outside Director	Participated in 17 of 17 meetings of the Board of Directors during the fiscal year under review; provided opinions as necessary mainly drawing on his knowledge and insight accumulated through finance operations.
Masaaki Ayukawa	Outside Director (Audit & Supervisory Committee Member)	Participated in 17 of 17 meetings of the Board of Directors and 13 of 13 meetings of the Audit & Supervisory Committee during the fiscal year under review; provided opinions as necessary mainly drawing on his expertise as a certified public accountant.
Ryozo Ushioda	Outside Director (Audit & Supervisory Committee Member)	Participated in 17 of 17 meetings of the Board of Directors and 13 of 13 meetings of the Audit & Supervisory Committee during the fiscal year under review; provided opinions as necessary mainly on overall management from the standpoint of corporate management, finance and accounting.

- 4) Amount of compensation, etc. received from the Company's subsidiaries as Officer for the fiscal year under review

Not applicable.

- 5) Opinions about matters described in the Business Report

Not applicable.

Consolidated Balance Sheets

(As of December 31, 2020)

(Thousand yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	25,798,093	Current liabilities	10,665,908
Cash and deposits	16,776,386	Accounts payable - trade	827,655
Notes and accounts receivable - trade	1,185,487	Due to auction members	7,032,946
Due from auction members	4,253,161	Income taxes payable	1,032,073
Inventories	1,774,274	Provision for bonuses	166,613
Other	1,935,683	Provision for point card certificates	16,490
Allowance for doubtful accounts	(126,899)	Other	1,590,128
Non-current assets	7,482,729	Non-current liabilities	2,977,229
Property, plant and equipment	1,575,973	Retirement benefit liability	1,744,261
Buildings and structures, net	415,563	Provision for share-based remuneration	124,282
Land	797,076	Other	1,108,685
Other	363,333	Total liabilities	13,643,137
Intangible assets	2,040,713	Net assets	
Software	1,244,245	Shareholders' equity	19,082,483
Goodwill	790,350	Share capital	1,765,614
Other	6,117	Capital surplus	6,815,614
Investments and other assets	3,866,043	Retained earnings	10,742,310
Investment securities	1,757,749	Treasury shares	(241,056)
Deferred tax assets	619,969	Accumulated other comprehensive income	241,731
Other	1,696,708	Valuation difference on available-for-sale securities	216,400
Allowance for doubtful accounts	(208,384)	Foreign currency translation adjustment	(5,002)
		Remeasurements of defined benefit plans	30,333
		Non-controlling interests	313,471
		Total net assets	19,637,686
Total assets	33,280,823	Total liabilities and net assets	33,280,823

Note: Figures of less than one thousand yen have been truncated.

Consolidated Statements of Income

(January 1, 2020 - December 31, 2020)

(Thousand yen)

Description	Amount	
Net sales		24,078,099
Cost of sales		11,309,171
Gross profit		12,768,927
Selling, general and administrative expenses		9,063,377
Operating profit		3,705,549
Non-operating income		
Interest income	67,207	
Dividend income	39,740	
Share of profit of entities accounted for using equity method	13,073	
Other	54,678	174,699
Non-operating expenses		
Interest expenses	2,827	
Foreign exchange losses	197,385	
Provision of allowance for doubtful accounts	30,652	
Other	5,922	236,787
Ordinary profit		3,643,461
Extraordinary income		
Gain on extinguishment of tie-in shares	34,094	34,094
Extraordinary losses		
Impairment loss	59,494	
Loss on sales and retirement of non-current assets	56,540	
Loss on valuation of investment securities	106,670	
Loss on valuation of shares of subsidiaries and associates	8,650	
Other	891	232,247
Profit before income taxes		3,445,308
Income taxes-current	1,566,041	
Income taxes-deferred	(58,366)	1,507,675
Profit		1,937,633
Profit attributable to non-controlling interests		40,699
Profit attributable to owners of parent		1,896,934

Note: Figures of less than one thousand yen have been truncated.

Consolidated Statements of Changes in Equity

(January 1, 2020 - December 31, 2020)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,729,168	6,782,326	9,484,599	(241,056)	17,755,037
Changes during period					
Issuance of new shares	36,446	36,446			72,892
Dividends of surplus			(639,222)		(639,222)
Profit attributable to owners of parent			1,896,934		1,896,934
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		(3,157)			(3,157)
Net changes in items other than shareholders' equity					
Total changes during period	36,446	33,288	1,257,711	—	1,327,446
Balance at end of period	1,765,614	6,815,614	10,742,310	(241,056)	19,082,483

Note: Figures of less than one thousand yen have been truncated.

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	246,330	4,466	58,106	308,903	269,613	18,333,554
Changes during period						
Issuance of new shares						72,892
Dividends of surplus						(639,222)
Profit attributable to owners of parent						1,896,934
Decrease (increase) of capital surplus by change of share to consolidated subsidiary						(3,157)
Net changes in items other than shareholders' equity	(29,929)	(9,469)	(27,773)	(67,172)	43,857	(23,314)
Total changes during period	(29,929)	(9,469)	(27,773)	(67,172)	43,857	1,304,131
Balance at end of period	216,400	(5,002)	30,333	241,731	313,471	19,637,686

Note: Figures of less than one thousand yen have been truncated.

Non-Consolidated Balance Sheets

(As of December 31, 2020)

(Thousand yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	16,212,021	Current liabilities	9,415,986
Cash and deposits	5,112,798	Accounts payable - trade	835,591
Accounts receivable - trade	510,384	Due to auction members	6,524,837
Due from auction members	3,391,933	Short-term loans payable to subsidiaries and associates	703,500
Inventories	117,600	Lease obligations	53,943
Prepaid expenses	322,528	Accounts payable - other	467,512
Short-term loans receivable from subsidiaries and associates	6,082,160	Accrued expenses	113,117
Consumption taxes receivable	736,018	Income taxes payable	562,363
Other	533,656	Advances received	9
Allowance for doubtful accounts	(595,058)	Deposits received	70,382
		Unearned revenue	6,528
Non-current assets	9,020,902	Provision for bonuses	67,268
Property, plant and equipment	342,531	Other	10,931
Buildings	111,249	Non-current liabilities	1,869,787
Vehicles	13,816	Provision for retirement benefits	1,182,867
Tools, furniture and fixtures	210,270	Provision for share-based remuneration	124,282
Land	7,195	Lease obligations	39,072
Intangible assets	1,030,604	Long-term accounts payable - other	365,300
Software	1,026,896	Other	158,265
Other	3,708		
Investments and other assets	7,647,765	Total liabilities	11,285,774
Investment securities	1,183,272	Net assets	
Shares of subsidiaries and associates	5,471,427	Shareholders' equity	13,730,603
Long-term loans receivable from subsidiaries and associates	25,000	Share capital	1,765,614
Long-term loans receivable from employees	676	Capital surplus	6,855,949
Claims provable in bankruptcy, claims provable in rehabilitation and other	76,242	Legal capital surplus	4,206,825
Long-term prepaid expenses	40,903	Other capital surplus	2,649,123
Deferred tax assets	309,804	Retained earnings	5,350,096
Lease and guarantee deposits	483,098	Other retained earnings	5,350,096
Other	167,439	Retained earnings brought forward	5,350,096
Allowance for doubtful accounts	(110,098)	Treasury shares	(241,056)
		Valuation and translation adjustments	216,546
		Valuation difference on available-for-sale securities	216,546
		Total net assets	13,947,150
Total assets	25,232,924	Total liabilities and net assets	25,232,924

Note: Figures of less than one thousand yen have been truncated.

Non-Consolidated Statements of Income

(January 1, 2020 - December 31, 2020)

(Thousand yen)

Description	Amount	
Net sales		13,916,198
Cost of sales		6,885,085
Gross profit		7,031,113
Selling, general and administrative expenses		4,852,427
Operating profit		2,178,686
Non-operating income		
Interest income	51,671	
Dividend income	720,540	
Other	74,657	846,869
Non-operating expenses		
Interest expenses	23,791	
Provision of allowance for doubtful accounts	463,087	
Foreign exchange losses	65,546	
Other	529	552,956
Ordinary profit		2,472,599
Extraordinary income		
Gain on extinguishment of tie-in shares	34,094	34,094
Extraordinary losses		
Loss on retirement of non-current assets	54,357	
Loss on valuation of shares of subsidiaries and associates	720,940	775,297
Profit before income taxes		1,731,397
Income taxes-current	760,517	
Income taxes-deferred	(48,272)	712,244
Profit		1,019,153

Note: Figures of less than one thousand yen have been truncated.

Non-Consolidated Statements of Changes in Equity

(January 1, 2020 - December 31, 2020)

(Thousand yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at beginning of period	1,729,168	4,170,379	2,649,123	6,819,502	4,970,165	4,970,165
Changes during period						
Issuance of new shares	36,446	36,446		36,446		
Dividends of surplus					(639,222)	(639,222)
Profit					1,019,153	1,019,153
Net changes in items other than shareholders' equity						
Total changes during period	36,446	36,446	—	36,446	379,930	379,930
Balance at end of period	1,765,614	4,206,825	2,649,123	6,855,949	5,350,096	5,350,096

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(241,056)	13,277,780	246,330	246,330	13,524,110
Changes during period					
Issuance of new shares		72,892			72,892
Dividends of surplus		(639,222)			(639,222)
Profit		1,019,153			1,019,153
Net changes in items other than shareholders' equity			(29,783)	(29,783)	(29,783)
Total changes during period	—	452,823	(29,783)	(29,783)	423,039
Balance at end of period	(241,056)	13,730,603	216,546	216,546	13,947,150

Note: Figures of less than one thousand yen have been truncated.