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(Securities code 3964)

March 6, 2023

(Date of commencement of electronic provision:

March 3, 2023)

**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 15TH ANNUAL GENERAL SHAREHOLDERS MEETING**

You are cordially invited to attend the 15th Annual General Shareholders Meeting of AUCNET INC. (the “Company”) to be held as described below.

In convening this General Shareholders Meeting, the Company electronically provides information, and such matters to be provided electronically are posted as “Notice of the 15th Annual General Shareholders Meeting” on the website on the Internet indicated below.

The Company’s website

<https://ir.aucnet.co.jp/en/ir/stock/meeting.html>

In addition to the above website, matters to be provided electronically are also posted on the website on the Internet indicated below.

Tokyo Stock Exchange’s website

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Please access the website indicated above, enter the Company’s name or securities code and click “Search,” select “Basic information,” then “Documents for public inspection/PR information,” and refer to the information.

**Instead of attending the meeting, you can exercise your voting rights by either of the methods described on page 7 of the Japanese version. Please review the Reference Documents for the General Shareholders Meeting and cast your vote by 6 p.m. on Monday, March 27, 2023 Japan time.**

**1. Date and Time:** Tuesday, March 28, 2023 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 15th Fiscal Year (January 1, 2022 – December 31, 2022) 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 15th Fiscal Year (January 1, 2022 – December 31, 2022)

**Proposals to be resolved:**

**Proposal No. 1:** Partial Amendments to the Articles of Incorporation

**Proposal No. 2:** Election of Eight (8) Directors (excluding Directors Who are Audit & Supervisory Committee Members)

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

**Proposal No. 4:** Election of One (1) Substitute Director Who is an Audit & Supervisory Committee Member

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form.
- The paper copy of the matters to be provided electronically sent to the shareholders who have requested it does not include the following matters pursuant to provisions of laws and regulations as well as Article 15 of the Articles of Incorporation of the Company. Therefore, the paper copy is part of the documents that were audited by the Accounting Auditor and the Audit & Supervisory Committee when preparing their audit reports.
  - Matters Concerning Stock Acquisition Rights, etc. of the Company
  - Accounting Auditor
  - Company's Systems and Policies
  - Notes to the Consolidated Financial Statements
  - Notes to the Non-Consolidated Financial Statements
- In the event of any updates to the matters to be provided electronically, the matters before the updates and the matters after the updates will be posted on each website mentioned above.
- 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/en/ir.html>).

**Proposals and References**

**Proposal No. 1: Partial Amendments to the Articles of Incorporation**

1. Reasons for amendments

The Act for Partially Amending the Act on Strengthening Industrial Competitiveness and Other Related Acts (Act No. 70 of 2021) came into force on June 16, 2021. This Act allows listed companies to hold general shareholders meetings without specifying a place (so-called “virtual-only general shareholders meetings”), provided that the holding of such meetings is stipulated in their articles of incorporation. In order to enable the holding of a virtual-only general meeting of shareholders, addition of Paragraph 2 to Article 12 of the Articles of Incorporation is proposed.

The Company believes that virtual-only general shareholders meetings will make it easier for many shareholders, including those at remote locations, to attend general shareholders meetings, leading to vitalization, enhancement of efficiency, and smooth operation of general shareholders meetings, and contributing to prevention of the spread of COVID-19 and other infectious diseases.

The Company has received confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice pursuant to the provisions of the Ministry of Economy, Trade and Industry Ordinance and the Ministry of Justice Ordinance that this proposal meets the requirements specified by the said Ordinances and helps strengthen industrial competitiveness while giving consideration to securing the interests of shareholders.

2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p>Chapter 3 General Shareholders Meetings (Convocation)</p> <p>Article 12 The Annual General Shareholders Meeting of the Company shall be convened within three months from the day following the last date of each fiscal year. An Extraordinary General Shareholders Meeting of the Company shall be convened as necessary.</p> <p style="text-align: center;">&lt;Newly established&gt;</p>	<p>Chapter 3 General Shareholders Meetings (Convocation)</p> <p>Article 12 The Annual General Shareholders Meeting of the Company shall be convened within three months from the day following the last date of each fiscal year. An Extraordinary General Shareholders Meeting of the Company shall be convened as necessary.</p> <p><u>2. The Company may hold a General Shareholders Meeting without specifying a place.</u></p>

**Proposal No. 2: Election of Eight (8) Directors (excluding Directors Who are Audit & Supervisory Committee Members)**

The terms of office of all seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members) will expire at the conclusion of this General Shareholders Meeting. Accordingly, the election of eight (8) Directors (excluding Directors who are Audit & Supervisory Committee Members) is proposed, including one (1) new candidate.

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	Kiyotaka Fujisaki	Reappointment	Representative Director and Chairman & CEO In charge of Circular Commerce Business Division	17 out of 17 (100%)
2	Shinichiro Fujisaki	Reappointment	Representative Director and President & COO President and Executive Officer In charge of General Planning Office In charge of Product & Strategy Office In charge of Internal Audit Office In charge of Digital Products Business Division	17 out of 17 (100%)
3	Masayasu Takigawa	Reappointment	Director Senior Managing Executive Officer In charge of Automobile Business Division	16 out of 17 (94%)
4	Hiroki Taniguchi	Reappointment	Director Senior Managing Executive Officer & CFO In charge of Corporate Management Division In charge of DX Division	17 out of 17 (100%)
5	Shunji Sato	Reappointment	Director Managing Executive Officer & CCO In charge of Business Management Division In charge of Consumer Products Business Division	17 out of 17 (100%)
6	Seiichiro Umeno	Reappointment Outside Director	Outside Director	16 out of 17 (94%)
7	Toshio Maki	Reappointment Outside Director Independent Director	Outside Director	17 out of 17 (100%)
8	Megumi Tsukamoto	New appointment Outside Director Independent Director	-	-

1	<b>Career summary, positions and responsibilities</b>
 <p><b>Kiyotaka Fujisaki</b> Reappointment</p> <p><b>Date of birth</b> December 18, 1952</p> <p><b>Number of shares of the Company held</b> 510,600 shares</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	<p>February 1985     Director and General Manager, IT System Development Department, the Company</p> <p>October 1987     Managing Director</p> <p>March 1993       Senior Managing Director</p> <p>August 1993      Representative Director and President</p> <p>March 2010       President and Executive Officer</p> <p>March 2020       Representative Director and Chairman &amp; CEO (to present)</p> <p><b>Reasons for selection as a candidate for Director</b> Mr. Kiyotaka Fujisaki has demonstrated strong leadership at the heart of management, made efforts to enhance the 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. Therefore, the Company renominated him as a candidate for Director.</p>
2	<b>Career summary, positions and responsibilities</b>
 <p><b>Shinichiro Fujisaki</b> Reappointment</p> <p><b>Date of birth</b> November 22, 1975</p> <p><b>Number of shares of the Company held</b> 792,400 shares</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	<p>January 2011      Joined the Company</p> <p>January 2013      DGM, Automobile Business Headquarter</p> <p>January 2014      Executive Officer</p> <p>March 2014       Director</p> <p>January 2015      Senior DGM, New Business Division</p> <p>January 2016      Representative Director and President, AUCNET DIGITAL PRODUCTS INC.</p> <p>January 2017      Managing Executive Officer</p> <p>January 2019      Senior Managing Executive Officer DM, Automobile Business Division</p> <p>March 2020       Representative Director and President &amp; COO (to present) President and Executive Officer (to present)</p> <p><b>Reasons for selection as a candidate for Director</b> 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 as Representative Director and President. Therefore, the Company renominated him as a candidate for Director.</p>

3	<b>Career summary, positions and responsibilities</b>
	<p>April 1984      Joined ITOCHU Corporation  October 2003    Representative Director and President, Any Lights Co., Ltd.    May 2007        Managing Director, ISHIMORI PRODUCTION INC.  June 2010        Director and Vice President  June 2013        Director, SPACE SHOWER NETWORKS INC.  March 2017      Representative Director and President, Enroute Co., Ltd.  April 2020        Joined the Company  Senior Managing Executive Officer (to present)  DM, New Business Division    March 2021      Director (to present)</p>
<p><b>Masayasu Takigawa</b> Reappointment</p> <p><b>Date of birth</b> February 7, 1962</p> <p><b>Number of shares of the Company held</b> 9,000 shares</p> <p><b>Attendance at the Board of Directors meetings</b> 16 out of 17 (94%)</p>	<p><b>Reasons for selection as a candidate for Director</b>  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 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>
4	<b>Career summary, positions and responsibilities</b>
	<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 2008        Chairman and President, Charle (Shanghai) International Trading Co., Ltd.    April 2012        Executive Officer, CHARLE CO., LTD.  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  March 2021        Director (to present)  January 2022      Managing Executive Officer &amp; CFO  January 2023      Senior Managing Executive Officer &amp; CFO (to present)</p>
<p><b>Hiroki Taniguchi</b> Reappointment</p> <p><b>Date of birth</b> October 20, 1965</p> <p><b>Number of shares of the Company held</b> 10,700 shares</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	<p><b>Reasons for selection as a candidate for Director</b>  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 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>

<p>5</p> 	<p><b>Career summary, positions and responsibilities</b></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</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</p> <p>January 2022    Managing Executive Officer &amp; CCO (to present)</p>
<p><b>Shunji Sato</b> Reappointment</p> <p><b>Date of birth</b> March 3, 1961</p> <p><b>Number of shares of the Company held</b> 8,000 shares</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	<p><b>Reasons for selection as a candidate for Director</b></p> <p>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>
<p>6</p> 	<p><b>Career summary, positions and responsibilities</b></p> <p>April 1989      Registered as an attorney-at-law Joined Tokyo Yaesu Law Offices</p> <p>August 1990     Joined Masuda &amp; Ejiri</p> <p>January 1995     Registered as a New York State attorney</p> <p>March 2006      Outside Director, the Company (until March 2008)</p> <p>April 2007      Partner, Nagashima Ohno &amp; Tsunematsu (to present)</p> <p>March 2010      Corporate Auditor, VeriSign Japan K.K.</p> <p>March 2016      Outside Director, the Company (to present)</p> <p>April 2017      Executive member, Committee on the Companies Act (Mainly in Relation to Corporate Governance), Legislative Council of the Ministry of Justice</p> <p>June 2019      Outside Auditor, SPARX Group Co., Ltd.</p>
<p><b>Seiichiro Umeno</b> Reappointment Outside</p> <p><b>Date of birth</b> September 1, 1961</p> <p><b>Number of shares of the Company held</b> —</p> <p><b>Attendance at the Board of Directors meetings</b> 16 out of 17 (94%)</p>	<p><b>Reasons for selection as a candidate for Outside Director and summary of expected roles</b></p> <p>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>

7	<b>Career summary, positions and responsibilities</b>
	<p>April 2004 Executive Officer, KDDI CORPORATION General Manager, “au” Service &amp; Product Planning Division, “au” Business Sector</p> <p>April 2008 Representative Director and President, CHUBU TELECOMMUNICATIONS CO., INC.</p> <p>April 2013 Representative Director, Chairman &amp; Co-CEO, Jupiter Telecommunications Co., Ltd.</p> <p>January 2014 Representative Director, President &amp; Co-CEO</p> <p>April 2017 Representative Director, Chairman &amp; Co-CEO</p> <p>June 2019 Representative Director and Chairman, CHUBU TELECOMMUNICATIONS CO., INC.</p> <p>June 2020 Board Member, Chuo University (to present)</p> <p>March 2021 Outside Director, the Company (to present)</p> <p>July 2021 Provisional Corporate Auditor, MEDIA SEEK INC.</p> <p>October 2021 Outside Corporate Auditor (to present)</p> <p>December 2021 Outside Director, Catalyna Inc. (currently Cotofure Inc.) (to present)</p>
<p><b>Toshio Maki</b> Reappointment Outside Independent</p> <p><b>Date of birth</b> June 28, 1955</p> <p><b>Number of shares of the Company held</b> —</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	<p><b>Reasons for selection as a candidate for Outside Director and summary of expected roles</b></p> <p>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 continue 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 renominated him as a candidate for Outside Director.</p>



8	<b>Career summary, positions and responsibilities</b>
 <p><b>Megumi Tsukamoto</b> New appointment Outside Independent</p> <p><b>Date of birth</b> June 9, 1962</p> <p><b>Number of shares of the Company held</b> —</p> <p><b>Attendance at the Board of Directors meetings</b> —</p>	<p>April 1985      Joined IBM Japan, Ltd.</p> <p>July 1997      Seconded to KEIZAI DOYUKAI (Japan Association of Corporate Executives)</p> <p>August 1999    Returned to IBM Japan, Ltd., assigned to Government and Regulatory Affairs team</p> <p>April 2003      Asia Pacific Leader, Governmental Programs, Intellectual Property &amp; Standard Policy Team, IBM Corporation Executive, Government and Regulatory Affairs, IBM Japan, Ltd.</p> <p>October 2008    Member, Governmental Programs Global Leadership Team, IBM Corporation General Manager, Government and Regulatory Affairs, IBM Japan, Ltd.</p> <p>November 2015   Operating Director; Director, Global Government and Corporate Affairs Japan, Caterpillar Japan KK</p> <p>December 2017   Representative Operating Director; Director, Global Government and Corporate Affairs Japan, Caterpillar Japan LLC</p> <p>March 2022      President, General Incorporated Association Digital Society Forum (to present) Executive Director, Niigata University (to present) Executive Advisor, J.S. Held Japan LLC (to present)</p> <p><b>Reasons for selection as a candidate for Outside Director and summary of expected roles</b></p> <p>Ms. Megumi Tsukamoto has many years of experience at companies in the IT field as well as abundant global experience at international companies and deep insight as a corporate manager. The Company expects her to provide appropriate advice from an independent standpoint as an Outside Director, based on her wealth of experience and deep insight, and thus contribute to further enhancement of the supervisory functions. Therefore, the Company nominated her as a candidate for Outside Director.</p>

- Notes:
1. There are no special interests between the candidates and the Company.
  2. CEO, COO, CCO, and CFO stand for Chief Executive Officer, Chief Operating Officer, Chief Customer Officer, and Chief Financial Officer, respectively.
  3. DM and DGM stand for Division Manager and Deputy General Manager, respectively.
  4. Messrs. Seiichiro Umeno and Toshio Maki and Ms. Megumi Tsukamoto are candidates for Outside Directors.
  5. The Company has designated Mr. Toshio Maki as an Independent Director/Auditor in accordance with the stipulations of Tokyo Stock Exchange, Inc. and submitted a notification to the said Exchange. If this proposal is approved, the Company plans to continue his designation as an Independent Director/Auditor.
  6. If this proposal is approved, the Company plans to designate Ms. Megumi Tsukamoto as an Independent Director/Auditor in accordance with the stipulations of Tokyo Stock Exchange, Inc. and submit a notification to the said Exchange.
  7. The Company has entered into agreements with Messrs. Seiichiro Umeno and Toshio Maki to limit their 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 their reelection is approved, the Company plans to continue the above agreements with them to limit their liability.
  8. If Ms. Megumi Tsukamoto assumes office as Outside Director, the Company plans to enter into an agreement with her to limit her 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.
  9. The Company has concluded a Directors and Officers Liability Insurance contract with an insurance

company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act. If this proposal is approved as originally proposed and each candidate assumes office as Director, the candidate will be an insured person under the 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 Directors 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.


10. Mr. Seiichiro Umeno will have served as Outside Director for seven (7) years at the conclusion of this Annual General Shareholders Meeting.
11. Mr. Toshio Maki will have served as Outside Director for two (2) years at the conclusion of this Annual General Shareholders Meeting.
12. Mr. Seiichiro Umeno was an Outside Director of the Company in the past.

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

The term of office of Mr. Ikuo Kaminishi, Director who is an Audit & Supervisory Committee Member, will expire at the conclusion of this General Shareholders Meeting. Accordingly, the election of one (1) Director who is an Audit & Supervisory Committee Member is proposed.

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.

	<p><b>Career summary, positions and responsibilities</b></p> <p>July 1969      Joined The Industrial Bank of Japan, Limited</p> <p>June 1997      Director</p> <p>June 1999      Managing Director and Managing Executive Officer</p> <p>April 2002      Senior Managing Director, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>June 2003      President and Representative Director, Orient Corporation</p> <p>June 2007      Special Advisor</p> <p>June 2008      Part-time Audit &amp; Supervisory Board Member, Tohoku Electric Power Co., Inc.</p> <p>July 2012      President, Independent Administrative Agency Urban Renaissance Agency</p> <p>March 2017      Outside Director, the Company</p> <p>March 2021      Director (Audit &amp; Supervisory Committee Member), the Company (to present)</p>
	<p><b>Reasons for selection as a candidate for Outside Director who is an Audit &amp; Supervisory Committee Member and summary of expected roles</b></p> <p>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 renominated him as a candidate for Outside Director who is an Audit &amp; Supervisory Committee Member.</p>
<p><b>Ikuo Kaminishi</b> Reappointment Outside Independent</p> <p><b>Date of birth</b> September 26, 1945</p> <p><b>Number of shares of the Company held</b> —</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	

- 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. The Company has designated Mr. Ikuo Kaminishi as an Independent Director/Auditor in accordance with the stipulations of Tokyo Stock Exchange, Inc. and submitted a notification to the said Exchange. If this proposal is approved, the Company plans to continue his designation as an Independent Director/Auditor.
  4. The Company has entered into an agreement with Mr. Ikuo Kaminishi 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. The Company has concluded a Directors and Officers Liability Insurance contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act. 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 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 Directors who are Audit & Supervisory Committee Members 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.

6. Mr. Ikuo Kaminishi will have served as Outside Director for six (6) years at the conclusion of this Annual General Shareholders Meeting. He will have served as Director who is an Audit & Supervisory Committee Member for two (2) years at the conclusion of this Annual General Shareholders Meeting.


**Proposal No. 4: 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.

 <p><b>Toshio Maki</b> Outside Independent</p> <p><b>Date of birth</b> June 28, 1955</p> <p><b>Number of shares of the Company held</b> —</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	<p><b>Career summary, positions and responsibilities</b></p> <p>April 2004 Executive Officer, KDDI CORPORATION General Manager, “au” Service &amp; Product Planning Division, “au” Business Sector</p> <p>April 2008 Representative Director and President, CHUBU TELECOMMUNICATIONS CO., INC.</p> <p>April 2013 Representative Director, Chairman &amp; Co-CEO, Jupiter Telecommunications Co., Ltd.</p> <p>January 2014 Representative Director, President &amp; Co-CEO</p> <p>April 2017 Representative Director, Chairman &amp; Co-CEO</p> <p>June 2019 Representative Director and Chairman, CHUBU TELECOMMUNICATIONS CO., INC.</p> <p>June 2020 Board Member, Chuo University (to present)</p> <p>March 2021 Outside Director, the Company (to present)</p> <p>July 2021 Provisional Corporate Auditor, MEDIA SEEK INC.</p> <p>October 2021 Outside Corporate Auditor (to present)</p> <p>December 2021 Outside Director, Catalyna Inc. (currently Cotofure Inc.) (to present)</p>
	<p><b>Reasons for selection as a candidate for Substitute Outside Director who is an Audit &amp; Supervisory Committee Member and summary of expected roles</b></p> <p>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 &amp; Supervisory Committee Member.</p>

- 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. The Company has designated Mr. Toshio Maki as an Independent Director/Auditor in accordance with the stipulations of Tokyo Stock Exchange, Inc. and submitted a notification to the said Exchange. If Mr. Toshio Maki assumes office as Outside Director who is an Audit & Supervisory Committee Member, the Company plans to continue his designation as an Independent Director/Auditor.
  4. In the event that a vacancy results in a shortfall in the number of Directors who are Audit & Supervisory Committee Members prescribed by laws and regulations, Mr. Toshio Maki will resign his position as Director (excluding Director who is an Audit & Supervisory Committee Member) and assume office as Outside Director who is an Audit & Supervisory Committee Member.
  5. The Company has entered into an agreement with Mr. Toshio Maki 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 as Director (excluding Director who is an Audit & Supervisory Committee Member) is approved and if he subsequently assumes office as Outside Director who is an Audit & Supervisory Committee Member, the Company plans to continue the above agreement with him to limit his liability.

6. The Company has concluded a Directors and Officers Liability Insurance contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act. If Mr. Toshio Maki assumes office as Director who is an Audit & Supervisory Committee Member, he will be an insured person under the 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 Directors who are Audit & Supervisory Committee Members 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.
7. Mr. Toshio Maki is an Outside Director (excluding Audit & Supervisory Committee member) and will have served as Outside Director for two (2) years at the conclusion of this Annual General Shareholders Meeting.

[Reference] Skills Matrix (expected situation after this General Shareholders Meeting)

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

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

# Business Report (January 1, 2022 - December 31, 2022)

## 1. Overview of the Company Group

### (1) Business Progress and Results

During the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022), in Japan, the normalization of economic activity was pursued, including the easing of various restrictions due to the impact of the novel coronavirus (COVID-19). However, it is necessary to keep a close eye on the impact of rising prices and movements in financial and capital markets, and the outlook remains uncertain.

In these circumstances, the Group has undertaken the task of establishing circular distribution in line with our sustainability policy, “Circulating valuable goods on a global scale ~ Circulation Engine.” As a company that contributes to a sustainable society by creating a system to efficiently circulate valuable goods in the market, the Group has worked to further improve its social and economic value.

As a result, for the fiscal year ended December 31, 2022, the Group’s net sales were ¥40,455,750 thousand, operating profit was ¥6,601,382 thousand (up 12.9% from the previous fiscal year), ordinary profit was ¥6,699,838 thousand (up 9.6% from the previous fiscal year), and profit attributable to owners of parent was ¥4,346,059 thousand (up 19.9% from the previous fiscal year).

Performance results by business segment are as follows.

#### 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 5.6% year-on-year to 4.20 million units in the fiscal year ended December 31, 2022. The total number of used-vehicle registrations (\*7) decreased 6.4% year-on-year to 6.30 million units, and the number of vehicles listed at auctions around Japan (\*8) decreased 1.0% year-on-year to 6.91 million units. The total number of vehicles sold at auctions (\*8) decreased 1.3% year-on-year to 4.70 million units.

During the fiscal year under review, in the proxy bidding service, in addition to a continuous increase in the number of members, recovery of the number of vehicles bought became apparent from around June, resulting in higher profit year-on-year. Moreover, demand for used vehicle inspections remained high throughout the year and the number of vehicles inspected for a used vehicle listing platform increased, resulting in increases in both sales and profit of the used vehicle inspection service.

The number of vehicles bought in our live-linked auctions started to recover from around May. Although the number of vehicles listed and the number of vehicles sold at auctions around Japan showed signs of recovery in the fourth quarter, the number of vehicles sold at AUCNET-hosted used vehicle auctions and from the shared inventory was sluggish, leading to decreases in both segment net sales and profit.

As a result, net sales of the Automobile Business (including inter-segment net sales) were ¥11,452,754 thousand, and operating profit was ¥3,689,140 thousand (down 0.8% from the previous fiscal year).

(\*1) The 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 other members online. The inventory remains at the seller’s premises while other members access it via the online system.

(\*3) The 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) The 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) The 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 the 2022 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.

During the fiscal year under review, although the number of sales units of used devices remained low, the transaction amount expanded, reflecting a continued increase in the number of new global buyers due to stronger digital marketing, in addition to the positive effect of the weakness of the yen throughout the year, resulting in increases in both net sales and profit. Moreover, vitalization of auctions due to the increase in the number of buyers and cost control contributed to higher profit, even excluding the impact of the elimination of deficits following the withdrawal of the U.S. business at the end of 2021.

As a result, net sales of the Digital Product Business were ¥6,899,918 thousand, and operating profit was ¥4,552,428 thousand (up 19.5% 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.

During the fiscal year under review, in the B2B business, net sales and profit both increased. This is because the number of items listed at auctions continuously increased as a result of our emphasis on measures to promote listing and the number of items bought at auctions increased, reflecting an increase in the number of buyers participating in auctions thanks to digital marketing.

In the business targeting consumers, demand for luxury brand items remained high. In addition, a greater focus on key products for purchase and appropriate purchase and sales control in view of market prices resulted in a higher profit margin, greatly contributing to an increase in profit.

As a result, net sales of the Consumer Product Business were ¥18,323,179 thousand, and operating profit was ¥1,678,835 thousand (up 30.2% 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 ¥4,261,630 thousand, and operating loss was ¥492,037 thousand (the operating loss for the previous fiscal year was ¥252,846 thousand).

## Transaction results

Contents		Fiscal Year	The 14th fiscal year (From January 1, 2021 to December 31, 2021)	The 15th fiscal year (From January 1, 2022 to December 31, 2022)	YoY
Automobile Business	Auction related	Total transaction amount (Million yen)	343,758	388,398	+13.0%
		Number of sold items (Units)	447,172	435,443	-2.6%
	Membership fees	Total members (*1)	14,605	14,949	+2.4%
	Inspection fees	Total inspected units (Units) (*2)	1,042,250	1,086,022	+4.2%
Digital Product Business	Total transaction amount (Million yen)		42,812	44,765	+4.6%
	Total sales units (Units)	Japan business	2,296,657	1,804,551	-21.4%
		U.S. business	317,593	-	-%
Total members (*3)		989	1,337	+35.2%	
Consumer Product Business	B2B business	Total transaction amount (Million yen)	32,443	38,471	+18.6%
		Number of sold items (Units)	657,599	689,968	+4.9%
		Total members (*3)	3,427	4,092	+19.4%
	2C business	Total transaction amount (Million yen)	8,813	10,788	+22.4%
Others	Total transaction amount (Million yen)		19,920	20,774	+4.3%

(\*1) Total members are as of December 31 of each fiscal year.

(\*2) Includes used motorcycles inspections.

(\*3) Total members are as of December 31 of each fiscal year and include overseas members.

### (2) Capital investment

The Company made capital investment in the total amount of ¥789 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 used its own funds for capital investment, etc. 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) Management policy, business environment, issues to be addressed, etc.

#### 1. Management policy

In accordance with its corporate philosophy that emphasizes “authenticity,” the Group endeavors to contribute to development of the industry and enhancement of social life through the pursuit of “genuine service.” Based on this philosophy, the Group has vigorously promoted business development, capitalizing on its core competence comprising “operational expertise,” “information reliability,” “optimal systems,” and “networks of members.” 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.

#### 2. Business environment

While an upturn of the economy is expected as a result of the easing of the restrictions on economic activity in the phase of living with COVID-19, there is also a need to continue paying close attention to developments in the world economy such as the trend of exchange rates and the prolonged Russia-Ukraine conflict. Under such an environment, the Group is promoting its mid-term management plan “Blue Print 2025.”

### 3. Issues to be addressed

#### ■ Promotion of the mid-term management plan “Blue Print 2025”

With the aim of becoming a company that solves distribution issues with the power of information and is chosen and appreciated by customers around the world as an SDGs-focused company, the Group intends to accelerate sustainable growth based on stable business foundations and further expand the management base for the next stage to achieve the mid-term management plan “Blue Print 2025.”

#### Goals and Direction toward 2025

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

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

SDGs	Significant Management Metrics
<b>Building Circular Distribution “Circulation Engine.”</b> Circulate valuable goods to people who need them in various business fields together with our partners around the world	GCV ¥1 trillion EBITDA ¥10 billion ROE 20%
<b>Respect for Diversity</b> Be a fair, safe and comfortable company for everyone to work for	Dividend Payout Ratio 30% *EBITDA=Operating Profit + Depreciation + Amortization of Goodwill

#### Building Circular Distribution

##### 1) GCV 1 trillion yen

Given the future expansion of the reused goods market, we aim at Gross Circulation Value (GCV) of 1 trillion yen by expanding circular distribution, leveraging our advantage as an SDGs-focused company.

##### 2) EBITDA ¥10 billion

We aim at EBITDA of ¥10 billion by the growth of existing businesses and aggressive M&A.

##### 3) ROE 20%

We have set ROE 20% as a metric and aim to achieve it by 2025.

##### 4) Dividend payout ratio 30%

We will pay dividends of surplus twice a year, an interim dividend and a year-end dividend, based on a consolidated dividend payout ratio of 30%, while securing internal reserves for future business development, strengthening of the management structure, capital investment, etc.

#### Respect for Diversity

##### 5) Global development

In the U.S., Europe, the Middle East, Hong Kong, and other regions, the Group will promote expansion of overseas business and development of overseas buyers, using overseas subsidiaries or branches as strategic bases.

##### 6) Investment in human capital

The Group will vigorously invest in human capital, including recruitment to enrich human resources and review of the employee wage structure, to create a comfortable working environment, provide opportunities for personal growth, and revitalize the organization. We believe that providing an environment aligned with the growth of diverse human resources will be the foundation for sustainable growth for the future.

### 4. Initiatives as an SDGs-focused company

The Group’s initiatives for the SDGs include response to the TCFD recommendations, formulation of GCV, and promotion of establishment of circular commerce.

## (8) Trends in assets and income

### 1) Trends in assets and income of the Group

(Thousand yen)

Fiscal year Item	The 12th fiscal year (From January 1, 2019 to December 31, 2019)	The 13th fiscal year (From January 1, 2020 to December 31, 2020)	The 14th fiscal year (From January 1, 2021 to December 31, 2021)	The 15th fiscal year (From January 1, 2022 to December 31, 2022)
Net sales	19,672,155	24,078,099	36,710,088	40,455,750
Ordinary profit	2,630,707	3,643,461	6,113,012	6,699,838
Profit attributable to owners of parent	1,404,005	1,896,934	3,625,527	4,346,059
Basic earnings per share (Yen)	50.94	68.56	130.56	159.48
Total assets	29,324,649	33,280,823	36,822,846	37,348,660
Net assets	18,333,554	19,637,686	22,701,956	22,911,231
Net assets per share (Yen)	653.97	697.22	802.38	862.24

- 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 140,300 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 140,300 shares.
4. The Group has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the fiscal year under review. Accordingly, the figures presented for assets and income for the fiscal year under review are those after the adoption of the said standards.

### 2) Trends in assets and income of the Company

(Thousand yen)

Fiscal year Item	The 12th fiscal year (From January 1, 2019 to December 31, 2019)	The 13th fiscal year (From January 1, 2020 to December 31, 2020)	The 14th fiscal year (From January 1, 2021 to December 31, 2021)	The 15th fiscal year (From January 1, 2022 to December 31, 2022)
Net sales	11,634,145	13,916,198	16,073,171	15,832,067
Ordinary profit	1,372,839	2,472,599	3,361,734	6,135,672
Profit	4,369,367	1,019,153	1,933,309	4,769,072
Basic earnings per share (Yen)	158.54	36.84	69.62	175.00
Total assets	23,534,189	25,232,924	26,679,694	26,961,884
Net assets	13,524,110	13,947,150	15,221,520	15,728,131
Net assets per share (Yen)	489.61	503.21	547.21	602.35

- 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 140,300 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 140,300 shares.

4. The Company has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the fiscal year under review. Accordingly, the figures presented for assets and income for the fiscal year under review are those after the adoption of the said standards.

## (9) Significant subsidiaries

### 1) Significant subsidiaries

Company name	Capital	Ratio of voting rights	Principal business
AIS Inc.	¥100,000 thousand	82.0%	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
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
AUCNET CONSUMER PRODUCTS INC.	¥30,000 thousand	100.0%	Operation of auctions of pre-owned luxury brand items, etc.
JBTV, Inc.	¥100,000 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\$16,500 thousand	100.0%	Strategic base for the U.S.
MENERGIA INC.	¥100,000 thousand	98.7%	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
GALLERY RARE Ltd.	¥40,000 thousand	100.0%	Import and sales of foreign brand apparel goods and fashion accessories
GRAND BOUQUET OTAKI LIMITED	¥100,000 thousand	90.9%	Production, purchasing, sales, import and export of flowers and agricultural products
AUCNET Europe ApS	EUR 5,362	100.0%	Distribution of pre-owned luxury brand items

Notes: 1. The ratio of voting rights includes indirect shareholdings.

2. A resolution was made to dissolve AUCNET SALES AND SUPPORT INC. as of December 31, 2021 and its liquidation was completed as of March 31, 2022.

3. AUCNET Europe ApS was established on September 21, 2022.

### 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**

As a market designing company for circular distribution, the Company provides services pertaining to online auctions of used vehicles, used digital devices, pre-owned luxury brand items, flowers, used motorcycles, used medical equipment, etc. and to various types of distribution.

**(11) Employees**

1) Employees of the Group

Number of employees	Increase (decrease) from previous consolidated fiscal year-end
860 persons	2 persons

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

2) Employees of the Company

Number of employees	Increase (decrease) from previous fiscal year-end	Average age	Average length of service
259 persons	37 persons	41.8 years old	12.1 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	2-1-14 Shintomichonishi, Kitahiroshima-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, 2022)

- (1) Total number of shares authorized to be issued      110,000,000 shares
- (2) Total number of issued and outstanding shares      26,463,200 shares (including 211,816 treasury shares)
- (3) Number of shareholders      8,583 persons
- (4) Major shareholders

Shareholder name	Number of shares	Shareholding ratio
FLEX CORPORATION	10,698,800 shares	40.76%
GOLDMAN SACHS INTERNATIONAL	1,401,406 shares	5.34%
Custody Bank of Japan, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account re-entrusted by Orient Corporation	1,296,000 shares	4.94%
Orient Corporation	1,296,000 shares	4.94%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,203,600 shares	4.58%
GOLDMAN SACHS & CO. REG	1,200,300 shares	4.57%
NAMAI ASSET MANAGEMENT INC	850,000 shares	3.24%
FLEX CO., LTD.	844,800 shares	3.22%
Shinichiro Fujisaki	792,400 shares	3.02%
Masahiro Fujisaki	792,400 shares	3.02%

- Notes: 1. Shareholding ratio is calculated after deducting treasury shares (211,816 shares).
2. The Company has introduced the Board Benefit Trust (BBT), and Custody Bank of Japan, Ltd. (Trust E account) holds 140,300 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) Shares delivered as consideration for the execution of duties during the fiscal year under review

Category	Number of shares	Number of recipients of share delivery
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	15,500 shares	5 persons

## (6) Other important matters concerning shares

1) The total number of issued and outstanding shares increased by 6,100 shares and share capital and legal capital surplus each increased by ¥1,064 thousand by the exercise of stock acquisition rights in the fiscal year under review.

2) Based on the resolutions of the Board of Directors meeting held on February 14, 2022, the Company repurchased its shares, as indicated below.

Class of shares to be repurchased	Common shares of the Company
Total number of shares repurchased	300,000 shares
Total price of the repurchase of shares	¥475,207,900
Repurchase period	From February 17, 2022 to April 18, 2022

3) Based on the resolutions of the Board of Directors meeting held on August 9, 2022, the Company repurchased its shares, as indicated below.

Class of shares to be repurchased	Common shares of the Company
Total number of shares repurchased	1,500,000 shares
Total price of the repurchase of shares	¥2,661,000,000
Repurchase period	From August 10, 2022 to September 7, 2022

4) Based on the resolutions of the Board of Directors meeting held on April 26, 2022, the Company disposed of treasury shares to grant shares of restricted stock, as indicated below.

Class of shares to be disposed of	Common shares of the Company
Total number of shares disposed of	44,000 shares
Total disposal value	¥66,484,000
Date of disposal	May 25, 2022

5) Based on the resolutions of the Board of Directors meeting held on November 22, 2022, the Company cancelled treasury shares, as indicated below.

Class of shares to be cancelled	Common shares of the Company
Total number of shares cancelled	1,500,000 shares
Date of cancellation	November 30, 2022



### 3. Company Officers

#### (1) Name, etc. of Directors

Name		Positions, areas of responsibility and significant concurrent positions
Kiyotaka Fujisaki		Representative Director and Chairman & CEO In charge of New Business Administration Office In charge of Medical Business Division
Shinichiro Fujisaki		Representative Director and President & COO President and Executive Officer In charge of General Planning Office In charge of Product & Strategy Office In charge of Internal Audit Office In charge of Digital Products Business Division
Masayasu Takigawa		Director, Senior Managing Executive Officer In charge of Automobile Business Division
Shunji Sato		Director, Managing Executive Officer & CCO In charge of Business Management Division In charge of Consumer Products Business Division In charge of Sales Management Office
Hiroki Taniguchi		Director, Managing Executive Officer & CFO In charge of Corporate Management Division In charge of DX Division
Seiichiro Umeno	Outside	Director
Toshio Maki	Outside Independent	Director
Hisanao Nagashima		Director (Audit & Supervisory Committee Member)
Ikuo Kaminishi	Outside Independent	Director (Audit & Supervisory Committee Member)
Michi Handa	Outside Independent	Director (Audit & Supervisory Committee Member) Representative Director and President, Control Solutions K.K.

- Notes:
1. Messrs. Seiichiro Umeno, Toshio Maki, and Ikuo Kaminishi and Ms. Michi Handa are Outside Directors.
  2. The Company has designated Messrs. Toshio Maki and Ikuo Kaminishi and Ms. Michi Handa as Independent Directors/Auditors in accordance with the stipulations of the Tokyo Stock Exchange and submitted a notification to the said Exchange.
  3. Mr. Masaaki Ayukawa retired as Director (Audit & Supervisory Committee Member) at the conclusion of the Annual General Shareholders Meeting held on March 29, 2022.
  4. Ms. Michi Handa newly assumed office as Director (Audit & Supervisory Committee Member) at the Annual General Shareholders Meeting held on March 29, 2022.
  5. Director who is an Audit & Supervisory Committee Member, Ms. Michi Handa is a certified public accountant and has considerable knowledge of finance and accounting.
  6. There are no special interests between Control Solutions K.K., where Ms. Michi Handa serves as Representative Director and President, and the Company.
  7. 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.

8. 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, 2023)

Name	Positions, responsibilities, and significant concurrent positions	
	Before change	After change
Kiyotaka Fujisaki	Representative Director and Chairman & CEO In charge of New Business Management Office In charge of Medical Business Division	Representative Director and Chairman & CEO In charge of Circular Commerce Business Division
Hiroki Taniguchi	Director, Managing Executive Officer & CFO In charge of Corporate Management Division In charge of DX Division	Director, Senior Managing Executive Officer & CFO In charge of Corporate Management Division In charge of DX Division
Shunji Sato	Director, Managing Executive Officer & CCO In charge of Business Management Division In charge of Consumer Products Business Division In charge of Sales Management Office	Director, Managing Executive Officer & CCO In charge of Business Management Division In charge of Consumer Products Business Division

**(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 contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act.

The insurance contract covers damages that may be incurred as a result of the responsibilities assumed by Directors and others 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 scope of insured parties under the insurance contract is shown below. Relevant insurance premiums are paid entirely by the Company.

- Directors, Executive Officers, etc. of the Company and the Company's subsidiaries

**(4) Compensation, etc. to Directors**

- 1) Matters concerning the policy on determining the contents of compensation, etc. for individual Directors  
The Company's policy for determining the contents of compensation and other payments to individual Directors was decided by the Board of Directors meeting held on February 19, 2021, after deliberation by the Nomination & Compensation Committee.

a. Basic policy

The Company's basic policy regarding compensation for Directors is to establish a compensation system linked to shareholder profits that functions adequately as an incentive to strive for the sustainable enhancement of corporate value, and determine compensation for individual Directors at an appropriate level based on their duties. Specifically, compensation consists of a basic compensation as fixed compensation, and performance-linked compensation. Directors who are Audit & Supervisory Committee Members and other Outside Directors receive only a basic compensation in view of the nature of their duties.

- b. Policy on determining amounts of individual compensation, etc. concerning basic compensation (monetary compensation) (including policy on determining timing and conditions for providing compensation, etc.)

Basic compensation for Directors consists of monthly fixed compensation, determined upon comprehensive consideration of factors such as position, responsibilities, experience, the Company's

business results, the level of salaries for employees, and trends among other companies.

- c. Policy on determining contents and amounts or method used to calculate numbers for performance-linked stock compensation and non-monetary compensation, etc. (including policy on determining timing and conditions for providing compensation, etc.)

Performance-linked stock compensation and non-monetary compensation, etc. is composed of (1) bonuses as monetary compensation to reward short-term contribution, based on the degree to which consolidated operating profit targets have been achieved in the results for each fiscal year; (2) restricted stock (restriction period: three years) as non-monetary compensation, etc. to reward medium-term contribution to the sustainable enhancement of corporate value, in addition to the degree of contribution for each fiscal year; and (3) Board Benefit Trust (BBT) as non-monetary compensation, etc. based on the degree of long-term contribution, where points are granted during each Director's term of office in accordance with factors such as position, duties, and performance, and a number of shares are delivered at the Director's retirement corresponding to the number of points awarded. A standard amount or number for this compensation is determined corresponding to a number of months' worth of monthly fixed compensation, based on the percentage achievement of consolidated operating profit targets. This is used as the basis for calculating the amount or number of units of compensation for each Director, in accordance with the levels of quantitative and qualitative performance measures, and determined by the Board of Directors based on the recommendations of the Nomination & Compensation Committee. This compensation is paid or delivered at a predesignated time each year. The relative proportions of each form of compensation are determined by the Board of Directors based on the recommendations of the Nomination & Compensation Committee, with reference to benchmark compensation levels, etc. at other companies of a similar scale to the Company in related industries and sectors. The standard proportions of basic compensation, performance-linked compensation (bonuses), and performance-linked compensation (non-monetary compensation, etc.) are set at approximately 7:1:2.

## 2) Resolutions by General Shareholders Meetings on compensation, etc. for Directors

Total compensation for Directors (excluding Audit & Supervisory Committee Members) of the Company, including monthly compensation and bonuses, not exceeding ¥500 million per year (including up to ¥100 million per year for Outside Directors, but not including salary received by Directors as employees) was approved at the 8th Annual General Shareholders Meeting held on March 29, 2016. The Company had eight Directors (excluding Audit & Supervisory Committee Members) at the time of that General Shareholders Meeting (of which, two were Outside Directors). Performance-linked stock compensation not exceeding ¥575 million (including up to ¥425 million for Directors and up to ¥150 million for Executive Officers) was approved at the 10th Annual General Shareholders Meeting held on March 28, 2018 for the three fiscal years from the fiscal year ended December 31, 2018 to the fiscal year ended December 31, 2020. (In principle, it was decided that the Company should make additional contributions to the trust, within the limits shown above, as funds for the acquisition of shares of the Company by the trust, for each three fiscal year period after the expiration of the initial three fiscal year period.) The Company had six Directors (excluding Audit & Supervisory Committee Members) at the time of that General Shareholders Meeting. Restricted stock compensation not exceeding ¥80 million per year (not including salary received by Directors as employees) was approved at the 12th Annual General Shareholders Meeting held on March 27, 2020. The Company had four Directors (excluding Audit & Supervisory Committee Members) at the time of that General Shareholders Meeting. Compensation for Directors who are Audit & Supervisory Committee Members not exceeding ¥100 million per year was approved at the 8th Annual General Shareholders Meeting held on March 29, 2016. The Company had three Directors who were Audit & Supervisory Committee Members at the time of that General Shareholders Meeting.

## 3) Delegation of decisions on the contents of compensation, etc. for individual Directors

Decisions on the specific amounts of basic compensation for individual Directors are delegated to Representative Director and President & COO, President and Executive Officer Shinichiro Fujisaki by resolution of the Board of Directors, based on the recommendations of the Nomination & Compensation Committee. The reason for this delegation of authority is that the Representative Director and President is in the most appropriate position to evaluate each Director's quantitative and qualitative performance while maintaining a broad perspective over the whole of the Company's operating environment, business condition, and performance. The Nomination & Compensation Committee deliberates on the amount of basic compensation for each Director, the amounts of bonuses based on each Director's degree of achievement of targets for the fiscal year, the number of shares of restricted stock to be allotted as non-monetary compensation, and the performance coefficients used for the Board Benefit Trust (BBT), followed by the submission of recommendations to the Board of Directors.

4) Reason why the contents of individual Directors' compensation, etc. for the fiscal year under review are judged by the Board of Directors to be in accordance with the determination policy  
The details of individual Directors' compensation, etc. for the fiscal year under review were determined through the process described in 3) above. Therefore, the Board of Directors deems them to be in accordance with the policy on determining compensation, etc. for individual Directors.

5) Total amount and other details of compensation, etc. for Directors

Category	Total amount of compensation, etc. (Thousand yen)	Total amount of compensation, etc. by type (Thousand yen)			Number of eligible Directors (Persons)
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Directors (excluding Audit & Supervisory Committee Members) [of which, Outside Directors]	251,163 [12,000]	164,400 [12,000]	36,500 [—]	50,263 [—]	7 [2]
Directors (Audit & Supervisory Committee Members) [of which, Outside Directors]	21,600 [12,000]	21,600 [12,000]	— [—]	— [—]	4 [3]
Total	272,763	186,000	36,500	50,263	11

- Notes: 1. Bonuses are paid to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) as performance-linked compensation. The performance indicator selected as the basis for calculating the performance-linked compensation paid is consolidated operating profit. The reason why these measures were selected as performance indicators is that they are deemed to reflect overall business results and represent eventual profits. The status of the Company's consolidated operating profit for the fiscal year under review is shown in 1. (1) Business Progress and Results.
2. Non-monetary compensation includes provision for share-based remuneration of ¥32,567 thousand recorded based on the performance-linked stock compensation plan for five Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) and provision for restricted stock compensation of ¥17,695 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 (94%) 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.
Toshio Maki	Outside Director	Participated in 17 of 17 meetings (100%) of the Board of Directors during the fiscal year under review; provided opinions as necessary mainly on overall management by drawing on his insight into corporate management and experience accumulated through communications and network business operations.
Ikuo Kaminishi	Outside Director (Audit & Supervisory Committee Member)	Participated in 17 of 17 meetings (100%) of the Board of Directors and 13 of 13 meetings (100%) of the Audit & Supervisory Committee during the fiscal year under review; provided opinions as necessary mainly by drawing on his knowledge and insight accumulated through finance operations.
Michi Handa	Outside Director (Audit & Supervisory Committee Member)	Participated in 13 of 13 meetings (100%) of the Board of Directors and 10 of 10 meetings (100%) of the Audit & Supervisory Committee after assuming office as Outside Director (Audit & Supervisory Committee Member); provided opinions as necessary mainly by drawing on her expertise as a certified public accountant.

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, 2022)

(Thousand yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	30,357,759	Current liabilities	11,299,957
Cash and deposits	20,021,460	Accounts payable - trade	785,956
Notes and accounts receivable – trade, and contract assets	1,244,982	Due to auction members	7,202,380
Due from auction members	3,538,963	Income taxes payable	876,067
Inventories	2,662,673	Provision for bonuses	234,819
Other	2,931,556	Other	2,200,733
Allowance for doubtful accounts	(41,876)	Non-current liabilities	3,137,471
Non-current assets	6,990,901	Retirement benefit liability	1,816,027
Property, plant and equipment	1,637,989	Provision for share-based remuneration	228,171
Buildings and structures, net	490,264	Other	1,093,272
Land	797,076	<b>Total liabilities</b>	<b>14,437,429</b>
Other	350,648	Net assets	
Intangible assets	1,405,968	Shareholders' equity	22,036,925
Software	848,893	Share capital	1,807,303
Goodwill	550,444	Capital surplus	4,207,369
Other	6,630	Retained earnings	16,621,897
Investments and other assets	3,946,943	Treasury shares	(599,643)
Investment securities	1,444,452	Accumulated other comprehensive income	477,161
Deferred tax assets	1,070,957	Valuation difference on available- for-sale securities	316,360
Other	1,666,628	Foreign currency translation adjustment	111,417
Allowance for doubtful accounts	(235,095)	Remeasurements of defined benefit plans	49,382
		Non-controlling interests	397,144
		<b>Total net assets</b>	<b>22,911,231</b>
<b>Total assets</b>	<b>37,348,660</b>	<b>Total liabilities and net assets</b>	<b>37,348,660</b>

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

## Consolidated Statements of Income

(January 1, 2022 - December 31, 2022)

(Thousand yen)

Description	Amount	
Net sales		40,455,750
Cost of sales		23,136,054
Gross profit		17,319,695
Selling, general and administrative expenses		10,718,313
Operating profit		6,601,382
Non-operating income		
Interest income	4,248	
Dividend income	55,362	
Foreign exchange gains	29,943	
Share of profit of entities accounted for using equity method	4,171	
Subsidy income	16,774	
Other	44,717	155,216
Non-operating expenses		
Interest expenses	304	
Loss on tax purpose reduction entry of non-current assets	16,774	
Fee expenses	33,427	
Other	6,255	56,760
Ordinary profit		6,699,838
Extraordinary income		
Gain on liquidation of subsidiaries and associates	10,657	
Other	1,073	11,730
Extraordinary losses		
Loss on sales and retirement of non-current assets	33,064	
Impairment loss	75,152	
Loss associated with system discontinuation	56,694	
Other	8,996	173,907
Profit before income taxes		6,537,661
Income taxes-current	2,469,928	
Income taxes-deferred	(346,376)	2,123,551
Profit		4,414,109
Profit attributable to non-controlling interests		68,049
Profit attributable to owners of parent		4,346,059

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

## Consolidated Statements of Changes in Equity

(January 1, 2022 - December 31, 2022)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,806,238	6,854,864	13,530,920	(229,927)	21,962,096
Cumulative effects of changes in accounting policies			4,880		4,880
Restated balance	1,806,238	6,854,864	13,535,801	(229,927)	21,966,976
Changes during period					
Issuance of new shares	1,064	1,064			2,128
Dividends of surplus			(1,224,401)		(1,224,401)
Profit attributable to owners of parent			4,346,059		4,346,059
Purchase of treasury shares				(3,136,207)	(3,136,207)
Cancellation of treasury shares		(2,620,439)		2,620,439	–
Disposal of treasury shares		(64,245)		146,052	81,806
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		563			563
Transfer from retained earnings to capital surplus		35,562	(35,562)		–
Net changes in items other than shareholders' equity					
Total changes during period	1,064	(2,647,495)	3,086,096	(369,716)	69,949
Balance at end of period	1,807,303	4,207,369	16,621,897	(599,643)	22,036,925

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	302,147	20,102	35,013	357,262	382,598	22,701,956
Cumulative effects of changes in accounting policies						4,880
Restated balance	302,147	20,102	35,013	357,262	382,598	22,706,837
Changes during period						
Issuance of new shares						2,128
Dividends of surplus						(1,224,401)
Profit attributable to owners of parent						4,346,059
Purchase of treasury shares						(3,136,207)
Cancellation of treasury shares						–
Disposal of treasury shares						81,806
Decrease (increase) of capital surplus by change of share to consolidated subsidiary						563
Transfer from retained earnings to capital surplus						–
Net changes in items other than shareholders' equity	14,213	91,315	14,369	119,898	14,546	134,444
Total changes during period	14,213	91,315	14,369	119,898	14,546	204,393
Balance at end of period	316,360	111,417	49,382	477,161	397,144	22,911,231

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



## Non-Consolidated Balance Sheets

(As of December 31, 2022)

(Thousand yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	18,066,962	Current liabilities	9,303,087
Cash and deposits	9,163,397	Accounts payable - trade	910,764
Accounts receivable - trade and contract assets	526,232	Due to auction members	6,756,755
Due from auction members	2,441,872	Short-term loans payable to subsidiaries and associates	602,000
Inventories	243,868	Accounts payable - other	507,491
Prepaid expenses	643,197	Accrued expenses	141,758
Advances paid	421,460	Income taxes payable	182,575
Short-term loans receivable from subsidiaries and associates	4,535,000	Deposits received	79,104
Consumption taxes receivable	853,086	Unearned revenue	11,091
Income taxes refund receivable	243,477	Provision for bonuses	108,143
Other	10,254	Other	3,402
Allowance for doubtful accounts	(1,014,886)		
Non-current assets	8,894,922	Non-current liabilities	1,930,665
Property, plant and equipment	438,189	Provision for retirement benefits	1,204,914
Buildings	199,535	Provision for share-based remuneration	228,171
Vehicles	113,375	Long-term accounts payable - other	330,300
Tools, furniture and fixtures	118,083	Other	167,279
Land	7,195		
Intangible assets	757,546	<b>Total liabilities</b>	<b>11,233,752</b>
Software	753,838	Net assets	
Other	3,708	Shareholders' equity	15,411,771
Investments and other assets	7,699,186	Share capital	1,807,303
Investment securities	1,327,137	Capital surplus	4,248,514
Shares of subsidiaries and associates	4,466,310	Legal capital surplus	4,248,514
Investments in capital of subsidiaries and associates	555,495	Retained earnings	9,955,597
Long-term loans receivable from subsidiaries and associates	25,000	Other retained earnings	9,955,597
Long-term loans receivable from employees	263	Retained earnings brought forward	9,955,597
Claims provable in bankruptcy, claims provable in rehabilitation and other	73,854	Treasury shares	(599,643)
Long-term prepaid expenses	55,470	Valuation and translation adjustments	316,360
Deferred tax assets	635,337	Valuation difference on available-for-sale securities	316,360
Lease and guarantee deposits	473,907		
Other	195,804		
Allowance for doubtful accounts	(109,396)	<b>Total net assets</b>	<b>15,728,131</b>
<b>Total assets</b>	<b>26,961,884</b>	<b>Total liabilities and net assets</b>	<b>26,961,884</b>

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

## Non-Consolidated Statements of Income

(January 1, 2022 - December 31, 2022)

(Thousand yen)

Description	Amount	
Net sales		15,832,067
Cost of sales		7,265,090
Gross profit		8,566,977
Selling, general and administrative expenses		4,893,892
Operating profit		3,673,084
Non-operating income		
Interest income	27,403	
Dividend income	2,646,197	
Other	130,020	2,803,621
Non-operating expenses		
Interest expenses	5,108	
Provision of allowance for doubtful accounts	302,448	
Other	33,475	341,033
Ordinary profit		6,135,672
Extraordinary income		
Gain on liquidation of subsidiaries and associates	220,765	
Other	65	220,830
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	546,000	
Other	79,698	625,698
Profit before income taxes		5,730,805
Income taxes-current	1,221,571	
Income taxes-deferred	(259,838)	961,733
Profit		4,769,072

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

## Non-Consolidated Statements of Changes in Equity

(January 1, 2022 - December 31, 2022)

(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	1,806,238	4,247,450	2,649,123	6,896,573	6,446,488	6,446,488
Changes during period						
Issuance of new shares	1,064	1,064		1,064		
Dividends of surplus					(1,224,401)	(1,224,401)
Profit					4,769,072	4,769,072
Purchase of treasury shares						
Cancellation of treasury shares			(2,620,439)	(2,620,439)		
Disposal of treasury shares			(64,245)	(64,245)		
Transfer from retained earnings brought forward to other capital surplus			35,562	35,562	(35,562)	(35,562)
Net changes in items other than shareholders' equity						
Total changes during period	1,064	1,064	(2,649,123)	(2,648,058)	3,509,108	3,509,108
Balance at end of period	1,807,303	4,248,514	–	4,248,514	9,955,597	9,955,597

	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	(229,927)	14,919,372	302,147	302,147	15,221,520
Changes during period					
Issuance of new shares		2,128			2,128
Dividends of surplus		(1,224,401)			(1,224,401)
Profit		4,769,072			4,769,072
Purchase of treasury shares	(3,136,207)	(3,136,207)			(3,136,207)
Cancellation of treasury shares	2,620,439	–			–
Disposal of treasury shares	146,052	81,806			81,806
Transfer from retained earnings brought forward to other capital surplus		–			–
Net changes in items other than shareholders' equity			14,213	14,213	14,213
Total changes during period	(369,716)	492,398	14,213	14,213	506,611
Balance at end of period	(599,643)	15,411,771	316,360	316,360	15,728,131

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