

# Consolidated Financial Statements for the Fiscal Year Ended December 31, 2021 [Japanese GAAP]



February 14, 2022

Company name: **AUCNET INC.**  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 3964  
 URL: <https://www.aucnet.co.jp/>  
 Representative: Mr. Shinichiro Fujisaki, President & COO  
 Contact: Mr. Hiroki Taniguchi, Director, Managing Executive Officer & CFO  
 Phone: +81-3-6440-2552  
 Scheduled date of general shareholders meeting: March 29, 2022  
 Scheduled date of commencing dividend payments: March 8, 2022  
 Scheduled date of filing securities report: March 30, 2022  
 Preparation of supplementary explanatory materials: Yes  
 Financial results briefing: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Results for the Fiscal Year Ended December 31, 2021 (January 1, 2021 - December 31, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

Year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2021	36,710	52.5	5,846	57.8	6,113	67.8	3,625	91.1
December 31, 2020	24,078	22.4	3,705	46.7	3,643	38.5	1,896	35.1

(Note) Comprehensive income: Year ended December 31, 2021: ¥3,803 million [103.4%]

Year ended December 31, 2020: ¥1,870 million [15.2%]

Year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
December 31, 2021	130.56	129.58	17.4	17.4	15.9
December 31, 2020	68.56	68.01	10.1	11.6	15.4

(Reference) Share of profit (loss) of entities accounted for using equity method:

Year ended December 31, 2021: ¥5 million

Year ended December 31, 2020: ¥13 million

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	36,822	22,701	60.6	802.38
As of December 31, 2020	33,280	19,637	58.1	697.22

(Reference) Equity: As of December 31, 2021: ¥22,319 million

As of December 31, 2020: ¥19,324 million

## (3) Consolidated Cash Flows

Year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
	Million yen	Million yen	Million yen	Million yen
December 31, 2021	4,249	388	(825)	19,565
December 31, 2020	4,119	549	(2,873)	15,766

## 2. Cash Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended December 31, 2020	–	10.00	–	11.00	21.00	584	30.6	3.1
Year ended December 31, 2021	–	19.00	–	21.00	40.00	1,117	30.6	5.3
Year ending December 31, 2022 (Forecast)	–	22.00	–	22.00	44.00		30.3	

## 3. Forecast of Consolidated Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 - December 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	38,329	–	6,000	2.6	6,150	0.6	4,054	11.8	145.03

\* As for net sales of consolidated financial results forecast for the fiscal year ending December 31, 2022, the Company will adopt the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and the related standards from the beginning of the first quarter of the consolidated fiscal year ending December 31, 2022. Accordingly, the figures presented for the consolidated fiscal year ending December 31, 2022 are those after the adoption of the said standards, and changes from the previous corresponding period are not stated.

### \* Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - 1) Changes in accounting policies due to the revision of accounting standards: None
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (3) Total number of issued and outstanding shares (common shares)
  - 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

December 31, 2021:	27,957,100 shares
December 31, 2020:	27,863,500 shares
  - 2) Total number of treasury shares at the end of the period:

December 31, 2021:	140,516 shares
December 31, 2020:	147,316 shares
  - 3) Average number of shares during the period:

Year ended December 31, 2021:	27,768,925 shares
Year ended December 31, 2020:	27,667,087 shares

**(Reference) Summary of Non-consolidated Results****1. Non-consolidated Results for the Fiscal Year Ended December 31, 2021****(January 1, 2021 - December 31, 2021)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2021	16,073	15.5	3,359	54.2	3,361	36.0	1,933	89.7
December 31, 2020	13,916	19.6	2,178	326.9	2,472	80.1	1,019	(76.7)

Year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2021	69.62	69.10
December 31, 2020	36.84	36.54

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	26,679	15,221	57.1	547.21
As of December 31, 2020	25,232	13,947	55.3	503.21

(Reference) Equity: As of December 31, 2021: ¥15,221 million

As of December 31, 2020: ¥13,947 million

\* These financial results are outside the scope of audit procedures by certified public accountants or an audit firm.

\* Explanation of the proper use of performance forecast and other notes

The earnings forecast and other forward-looking statements herein are based on the information currently available and certain assumptions deemed reasonable by the Company, and the Company does not guarantee their achievement. In addition, actual results may differ significantly from these forecasts due to a wide range of factors. For cautionary notes on assumptions that form the basis of the performance forecast and the use of performance forecast, please see “1. Overview of Business Results, etc. (4) Future Outlook” on page 5 of the attachments.

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## 1. Overview of Business Results, etc.

### (1) Overview of Business Results for the Fiscal Year under Review

#### 1) Business Results

During the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021), the Japanese economy showed signs of a gradual recovery with efforts to achieve economic activity while also preventing the spread of novel coronavirus (COVID-19) infections. Severe conditions persisted however, with prolonged limitations on economic activity due to the spread of infections. It will continue to be necessary to keep a close eye on the spread of infections and its impact on the economy both in and outside of Japan, and the outlook remains uncertain.

Under 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, 2021, the Group’s net sales were ¥36,710,088 thousand (up 52.5% from the previous fiscal year), operating profit was ¥5,846,440 thousand (up 57.8% from the previous fiscal year), ordinary profit was ¥6,113,012 thousand (up 67.8% from the previous fiscal year), and profit attributable to owners of parent was ¥3,625,527 thousand (up 91.1% from the previous fiscal year).

Performance results by business segment are as follows.

#### (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 3.3% year-on-year to 4.44 million units in the fiscal year ended December 31, 2021. The total number of used-vehicle registrations (\*7) fell 2.0% year-on-year to 6.73 million units, and the number of vehicles listed (\*8) at auction around Japan declined 2.4% year-on-year to 6.93 million units. The total number of vehicles sold at auction (\*8) increased 4.0% year-on-year to 4.74 million units.

Demand for used vehicles continued to rise during the fiscal year ended December 31, 2021 due to prolonged delivery lead times for new vehicles, influenced by a shortage of semiconductors and insufficient supply of new vehicles mainly stemming from reduced production by automakers. From the third quarter onward, the supply shortages of used vehicles became even more obvious. Under these circumstances, the number of vehicles listed at AUCNET-hosted used vehicle auctions declined year-on-year, but the number of vehicles sold in AUCNET-hosted auctions, as well as the number of vehicles bought in our live-linked auctions and proxy bidding service, surpassed the previous year’s results.

In the used vehicle inspection service, the number of vehicles inspected in AUCNET-hosted auctions declined due to the market conditions, while the number of vehicles inspected for a used vehicle listing platform continued to progress favorably, thus contributing to segment net sales and income.

As a result, net sales of the Automobile Business (including inter-segment net sales) were ¥12,104,593 thousand (up 3.6% from the previous fiscal year), and operating profit was ¥3,717,069 thousand (up 3.8% 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 U-Car Full Data Book and Export Quotation Book

#### (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, the number of sales units of used devices increased, influenced by factors such as sales of new models of smartphone. Moreover, the Company continued to focus on strengthening sales capability primarily through expanding the overseas buyer network, and high unit prices of devices were maintained. The Company also streamlined its operations and conducted a cost review, etc., and profit margin improved as a result.

In the U.S. business, the business environment underwent major changes, including travel restrictions caused by the spread of COVID-19 and soaring business maintenance costs such as labor costs. This led to the decision to review the current business at the end of October 2021, with the Company completing its withdrawal from the business by the end of 2021.

As a result, net sales of the Digital Product Business were ¥6,832,897 thousand (up 16.3% from the previous fiscal year), and operating profit was ¥3,810,782 thousand (up 59.3% from the previous fiscal year).

#### (Consumer Product Business)

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

In the B2B business, the members network progressively expanded, both in and outside of Japan, partly due to the strengthening of our sales structure against a backdrop of rising demand for online auctions amid the spread of COVID-19, and the number of items sold increased. The average price of units sold also increased significantly, buoyed by a weak yen and high market prices. Although costs increased, mainly due to the relocation of the operation center and an increase in the number of employees, the Company is progressively streamlining operations.

In the business targeting consumers, the purchasing and sales business of GALLERY RARE Ltd., which was made into a consolidated subsidiary in October in the previous year, posted favorable performance, and segment net sales increased substantially. In addition to this, profit margin improved due to strict cost control through PMI, among other factors.

As a result, net sales of the Consumer Product Business were ¥14,506,790 thousand (up 268.1% from the previous fiscal year), and operating profit was ¥1,289,287 thousand (up 140.6% from the previous fiscal year).

#### (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 ¥3,791,211 thousand (up 18.5% from the previous fiscal year), and operating loss was ¥252,846 thousand (the operating loss for the previous year was ¥300,459 thousand).

## (2) Overview of Financial Position for the Fiscal Year under Review

### (Assets)

Current assets as of the end of the fiscal year under review amounted to ¥30,018,339 thousand (up 16.4% from the end of the previous fiscal year). This is mainly attributable to a ¥3,839,535 thousand increase in cash and deposits and a ¥450,628 thousand increase in inventories.

Non-current assets amounted to ¥6,804,507 thousand (down 9.1% from the end of the previous fiscal year). This is mainly attributable to a ¥304,574 thousand decrease in software, a ¥119,953 thousand decrease in goodwill, and a ¥337,953 thousand decrease in investment securities, despite a ¥138,219 thousand increase in deferred tax assets.

### (Liabilities)

Current liabilities as of the end of the fiscal year under review amounted to ¥11,039,329 thousand (up 3.5% from the end of the previous fiscal year). This is mainly attributable to a ¥560,388 thousand increase in income taxes payable and a ¥139,162 thousand increase in provision for bonuses, despite a ¥304,112 thousand decrease in due to auction members.

Non-current liabilities amounted to ¥3,081,560 thousand (up 3.5% from the end of the previous fiscal year). This is mainly attributable to a ¥46,351 thousand increase in retirement benefit liability and a ¥43,696 thousand increase in provision for share awards.

### (Net assets)

Net assets as of the end of the fiscal year under review amounted to ¥22,701,956 thousand (up 15.6% from the end of the previous fiscal year). This is mainly attributable to an increase of ¥2,788,610 thousand in retained earnings.

## (3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents as of the end of the fiscal year under review amounted to ¥19,565,921 thousand, an increase of ¥3,799,535 thousand from the end of the previous fiscal year.

The status of cash flows by activity in the fiscal year ended December 31, 2021, and the main factors affecting cash flows are as follows.

### (Cash Flows from Operating Activities)

Cash provided by operating activities during the fiscal year under review amounted to ¥4,249,204 thousand (up 3.2% from the previous fiscal year). As a main breakdown of inflows, profit before income taxes was ¥5,994,099 thousand, depreciation was ¥764,772 thousand, amortization of goodwill was ¥133,974 thousand, decrease in trade receivables was ¥129,498 thousand, decrease in due from auction members was ¥293,362 thousand, and interest and dividends received amounted to ¥51,936 thousand. As a main breakdown of outflows, increase in inventories was ¥346,227 thousand, decrease in due to auction members was ¥304,112 thousand, increase in consumption taxes refund receivable was ¥473,508 thousand, and income taxes paid were ¥2,168,115 thousand.

### (Cash Flows from Investing Activities)

Cash provided by investing activities during the fiscal year under review amounted to ¥388,930 thousand (down 29.2% from the previous fiscal year). As a main breakdown of inflows, proceeds from withdrawal of time deposits were ¥730,000 thousand, proceeds from sale of investment securities were ¥588,091 thousand, and proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation were ¥385,976 thousand. As a main breakdown of outflows, payments into time deposits were ¥770,000 thousand, purchase of property, plant and equipment was ¥333,247 thousand, and purchase of intangible assets was ¥282,940 thousand.

(Cash Flows from Financing Activities)

Cash used in financing activities during the fiscal year under review amounted to ¥825,417 thousand (down 71.3% from the previous fiscal year). As a main breakdown of inflows, proceeds from issuance of shares were ¥14,998 thousand. As a main breakdown of outflows, dividends paid were ¥835,676 thousand.

#### (4) Future Outlook

Regarding the outlook for the next fiscal year, while an upturn is expected as a result of efforts to achieve economic activity while also preventing the spread of novel coronavirus (COVID-19) infections, there is also a need to continue paying close attention to the spread of the virus and its impact on socioeconomic activities, as well as resulting developments in the world economy. Under such an environment, in the Automobile Business, we expect a continuation of the shortage in used vehicles and a decline in the number of vehicles listed and sold at used vehicle auctions, influenced by prolonged delivery lead times for new vehicles due to a shortage of semiconductors. However, we will seek to establish a more stable business foundation by maintaining strong performance in the number of vehicles inspected, among other measures. In the Digital Product Business, although a decline is expected in the number of sales units, influenced by factors such as sales of new models of smartphone released in the previous fiscal year, we will aim to maintain high unit prices of devices by expanding our network of buyers, and thereby achieve stable growth. In the Consumer Product Business, in addition to pursuing synergy with GALLERY RARE Ltd., as in 2021, we will seek to strengthen our overseas sales network and develop globally.

Based on the above, for the forecast of the full fiscal year ending December 31, 2022, the Company expects net sales of ¥38,329 million (-% year-on-year), operating profit of ¥6,000 million (up 2.6% year-on-year), ordinary profit of ¥6,150 million (up 0.6% year-on-year), and profit attributable to owners of parent of ¥4,054 million (up 11.8% year-on-year).

\* No comparison to the previous fiscal year is presented for the net sales forecast for the full fiscal year due to the adoption of the Accounting Standard for Revenue Recognition, as stated on the summary page.

## 2. Basic Policy on Selecting Accounting Standards

The Company continues to prepare consolidated financial statements in accordance with the Japanese standards for the time being, taking into account the comparability of consolidated financial statements over different accounting periods and between companies.

The Company will appropriately respond to the adoption of the international accounting standards considering various conditions in Japan and overseas.



### 3. Consolidated Financial Statements and Primary Notes

#### (1) Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2020	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	16,776,386	20,615,921
Notes and accounts receivable – trade	1,185,487	1,121,839
Inventories	1,774,274	2,224,903
Due from auction members	4,253,161	3,959,798
Other	1,935,683	2,152,044
Allowance for doubtful accounts	(126,899)	(56,168)
Total current assets	25,798,093	30,018,339
Non-current assets		
Property, plant and equipment		
Buildings and structures	913,374	1,702,087
Accumulated depreciation and impairment loss	(497,810)	(1,196,867)
Buildings and structures, net	415,563	505,219
Land	797,076	797,076
Other	1,280,465	1,510,865
Accumulated depreciation and impairment loss	(917,132)	(1,174,069)
Other, net	363,333	336,796
Total property, plant and equipment	1,575,973	1,639,091
Intangible assets		
Software	1,244,245	939,670
Goodwill	790,350	670,397
Other	6,117	6,117
Total intangible assets	2,040,713	1,616,186
Investments and other assets		
Investment securities	1,757,749	1,419,795
Deferred tax assets	619,969	758,189
Other	1,696,708	1,590,144
Allowance for doubtful accounts	(208,384)	(218,899)
Total investments and other assets	3,866,043	3,549,229
Total non-current assets	7,482,729	6,804,507
Total assets	33,280,823	36,822,846

(Thousand yen)

	As of December 31, 2020	As of December 31, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	827,655	751,746
Due to auction members	7,032,946	6,728,834
Income taxes payable	1,032,073	1,592,462
Provision for bonuses	166,613	305,775
Provision for point card certificates	16,490	15,317
Provision for loss on business liquidation	—	50,995
Other	1,590,128	1,594,198
Total current liabilities	10,665,908	11,039,329
Non-current liabilities		
Retirement benefit liability	1,744,261	1,790,612
Provision for share-based remuneration	124,282	167,978
Other	1,108,685	1,122,969
Total non-current liabilities	2,977,229	3,081,560
Total liabilities	13,643,137	14,120,889
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,765,614	1,806,238
Capital surplus	6,815,614	6,854,864
Retained earnings	10,742,310	13,530,920
Treasury shares	(241,056)	(229,927)
Total shareholders' equity	19,082,483	21,962,096
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	216,400	302,147
Foreign currency translation adjustment	(5,002)	20,102
Remeasurements of defined benefit plans	30,333	35,013
Total accumulated other comprehensive income	241,731	357,262
Non-controlling interests	313,471	382,598
Total net assets	19,637,686	22,701,956
Total liabilities and net assets	33,280,823	36,822,846

(2) Consolidated Statements of Income and Comprehensive Income  
Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Net sales	24,078,099	36,710,088
Cost of sales	11,309,171	19,812,180
Gross profit	12,768,927	16,897,908
Selling, general and administrative expenses	9,063,377	11,051,467
Operating profit	3,705,549	5,846,440
Non-operating income		
Interest income	67,207	4,137
Dividend income	39,740	43,282
Foreign exchange gains	—	172,877
Share of profit of entities accounted for using equity method	13,073	5,892
Reversal of allowance for doubtful accounts	—	30,785
Other	54,678	43,861
Total non-operating income	174,699	300,835
Non-operating expenses		
Interest expenses	2,827	759
Foreign exchange losses	197,385	—
Loss on cancellation of leases	—	5,717
Loss on cancellation of insurance policies	—	25,664
Provision of allowance for doubtful accounts	30,652	—
Other	5,922	2,120
Total non-operating expenses	236,787	34,263
Ordinary profit	3,643,461	6,113,012
Extraordinary income		
Gain on sale of investment securities	—	92,081
Gain on sale of shares of subsidiaries and associates	—	15,577
Gain on extinguishment of tie-in shares	34,094	—
Other	—	8,281
Total extraordinary income	34,094	115,939
Extraordinary losses		
Loss on sale and retirement of non-current assets	56,540	11,128
Impairment loss	59,494	52,704
Loss on valuation of investment securities	106,670	—
Loss on valuation of shares of subsidiaries and associates	8,650	—
Loss on debt transfer	—	30,218
Loss on liquidation of business	—	84,170
Provision for loss on business liquidation	—	48,725
Other	891	7,906
Total extraordinary losses	232,247	234,853
Profit before income taxes	3,445,308	5,994,099
Income taxes - current	1,566,041	2,483,602
Income taxes - deferred	(58,366)	(177,782)
Total income taxes	1,507,675	2,305,819
Profit	1,937,633	3,688,279
Profit attributable to non-controlling interests	40,699	62,752
Profit attributable to owners of parent	1,896,934	3,625,527

## Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Profit	1,937,633	3,688,279
Other comprehensive income		
Valuation difference on available-for-sale securities	(29,929)	85,746
Foreign currency translation adjustment	(9,469)	25,105
Remeasurements of defined benefit plans, net of tax	(27,773)	4,679
Total other comprehensive income	(67,172)	115,531
Comprehensive income	1,870,461	3,803,810
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,829,761	3,741,058
Comprehensive income attributable to non-controlling interests	40,699	62,752

## (3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2020 (from January 1, 2020 to 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
Disposal of treasury shares					—
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

	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
Disposal of treasury shares						—
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

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,765,614	6,815,614	10,742,310	(241,056)	19,082,483
Changes during period					
Issuance of new shares	40,624	40,624			81,248
Dividends of surplus			(836,916)		(836,916)
Profit attributable to owners of parent			3,625,527		3,625,527
Disposal of treasury shares				11,128	11,128
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		(1,374)			(1,374)
Net changes in items other than shareholders' equity					
Total changes during period	40,624	39,249	2,788,610	11,128	2,879,612
Balance at end of period	1,806,238	6,854,864	13,530,920	(229,927)	21,962,096

	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	216,400	(5,002)	30,333	241,731	313,471	19,637,686
Changes during period						
Issuance of new shares						81,248
Dividends of surplus						(836,916)
Profit attributable to owners of parent						3,625,527
Disposal of treasury shares						11,128
Decrease (increase) of capital surplus by change of share to consolidated subsidiary						(1,374)
Net changes in items other than shareholders' equity	85,746	25,105	4,679	115,531	69,126	184,657
Total changes during period	85,746	25,105	4,679	115,531	69,126	3,064,270
Balance at end of period	302,147	20,102	35,013	357,262	382,598	22,701,956

## (4) Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	3,445,308	5,994,099
Depreciation	777,017	764,772
Impairment loss	59,494	52,704
Amortization of goodwill	32,136	133,974
Increase (decrease) in allowance for doubtful accounts	(171,149)	(64,111)
Increase (decrease) in provision for bonuses	19,727	138,862
Increase (decrease) in retirement benefit liability	42,823	53,092
Increase (decrease) in provision for share-based remuneration	49,301	43,696
Increase (decrease) in provision for loss on business liquidation	—	50,995
Interest and dividend income	(107,917)	(47,419)
Interest expenses	2,827	759
Share of loss (profit) of entities accounted for using equity method	(13,073)	(5,892)
Loss on sale and retirement of non-current assets	56,536	11,608
Loss (gain) on valuation of investment securities	106,760	—
Loss (gain) on sale of investment securities	—	(92,081)
Loss on valuation of shares of subsidiaries and associates	8,650	—
Loss (gain) on sale of shares of subsidiaries and associates	—	(15,585)
Loss (gain) on extinguishment of tie-in shares	(34,094)	—
Loss (gain) on cancellation of insurance policies	—	25,664
Loss on cancellation of leases	—	5,717
Decrease (increase) in trade receivables	(304,759)	129,498
Decrease (increase) in due from auction members	(428,388)	293,362
Decrease (increase) in inventories	(267,631)	(346,227)
Increase (decrease) in trade payables	193,369	(78,655)
Increase (decrease) in due to auction members	645,083	(304,112)
Decrease (increase) in consumption taxes refund receivable	500,711	(473,508)
Other, net	333,379	99,752
Subtotal	4,946,113	6,370,968
Interest and dividends received	57,709	51,936
Interest paid	(1,305)	(5,584)
Income taxes paid	(923,363)	(2,168,115)
Income taxes refund	40,002	—
Net cash provided by (used in) operating activities	4,119,156	4,249,204

(Thousand yen)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
<b>Cash flows from investing activities</b>		
Payments into time deposits	(750,000)	(770,000)
Proceeds from withdrawal of time deposits	680,000	730,000
Purchase of property, plant and equipment	(210,567)	(333,247)
Purchase of intangible assets	(376,097)	(282,940)
Proceeds from sale of property, plant and equipment	6,713	23,344
Proceeds from sale of shares of subsidiaries and associates	—	16,069
Proceeds from sale of investment securities	—	588,091
Payments of leasehold and guarantee deposits	(32,285)	(16,500)
Proceeds from lease and guarantee deposits received	105,545	78,593
Purchase of insurance funds	(73,204)	(37,895)
Proceeds from cancellation of insurance funds	129,573	61,148
Loan advances	(500)	(1,360)
Collection of loans receivable	1,070,598	3,796
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(343,664)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	227,041	385,976
Other, net	116,524	(56,145)
Net cash provided by (used in) investing activities	549,676	388,930
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(1,470,000)	—
Repayments of long-term borrowings	(610,382)	—
Proceeds from issuance of shares	15,892	14,998
Proceeds from share issuance to non-controlling shareholders	—	5,000
Dividends paid	(639,161)	(835,676)
Other, net	(170,012)	(9,738)
Net cash provided by (used in) financing activities	(2,873,663)	(825,417)
Effect of exchange rate change on cash and cash equivalents	62,434	(13,182)
Net increase (decrease) in cash and cash equivalents	1,857,604	3,799,535
Cash and cash equivalents at beginning of period	13,761,608	15,766,386
Increase in cash and cash equivalents resulting from merger	147,173	—
Cash and cash equivalents at end of period	15,766,386	19,565,921



(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Company's reportable segments are components of the Company about which separate financial information is available. These segments are subject to periodic examinations to enable the Board of Directors to decide how to allocate management resources and assess performance.

The Company mainly organizes and conducts auctions via the Internet and provides various related information. Its business segments are based on items handled and consist of "Automobile Business," "Digital Product Business," and "Consumer Product Business" as reportable segments.

The Automobile Business comprises the Company's mainstay used vehicle auctions, shared inventory market, live-linked auction, proxy bidding service, used vehicle inspection service, and other services. The Digital Product Business comprises auctions for used digital equipment including used smartphones and used PCs, and services pertaining to distribution. The Consumer Product Business comprises auctions for pre-owned luxury brand items and services pertaining to distribution, including those targeting consumers.

2. Information on net sales, income (loss), assets, liabilities, and others by reportable segment  
For the fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Automobile Business	Digital Product Business	Consumer Product Business	Total				
Net sales								
Net sales to outside customers	11,537,078	5,877,352	3,940,655	21,355,086	2,723,013	24,078,099	—	24,078,099
Inter-segment net sales or transfers	151,981	—	—	151,981	476,378	628,359	(628,359)	—
Total	11,689,059	5,877,352	3,940,655	21,507,067	3,199,391	24,706,458	(628,359)	24,078,099
Segment income (loss)	3,581,482	2,391,900	535,934	6,509,317	(300,459)	6,208,858	(2,503,308)	3,705,549

- (Notes) 1. “Others” is the segment which is not included in reportable segments, including such businesses as auctions for used motorcycles and flowers, medical-related businesses, and overseas businesses.
2. Adjustment of segment income (loss) of negative ¥2,503,308 thousand is corporate expenses not allocated to specific reportable segments. Corporate expenses chiefly comprise general and administrative expenses not allocated to specific reportable segments.
3. Adjustments are made to reconcile segment income (loss) with operating profit reported on the consolidated statements of income.

For the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Automobile Business	Digital Product Business	Consumer Product Business	Total				
Net sales								
Net sales to outside customers	11,970,124	6,832,897	14,506,790	33,309,811	3,400,276	36,710,088	—	36,710,088
Inter-segment net sales or transfers	134,469	—	—	134,469	390,934	525,404	(525,404)	—
Total	12,104,593	6,832,897	14,506,790	33,444,280	3,791,211	37,235,492	(525,404)	36,710,088
Segment income (loss)	3,717,069	3,810,782	1,289,287	8,817,139	(252,846)	8,564,292	(2,717,852)	5,846,440

- (Notes) 1. “Others” is the segment which is not included in reportable segments, including such businesses as auctions for used motorcycles and flowers, medical-related businesses, and overseas businesses.
2. Adjustment of segment income (loss) of negative ¥2,717,852 thousand is corporate expenses not allocated to specific reportable segments. Corporate expenses chiefly comprise general and administrative expenses not allocated to specific reportable segments.
3. Adjustments are made to reconcile segment income (loss) with operating profit reported on the consolidated statements of income.

3. Reporting segment-specific information on impairment loss on non-current assets and details of goodwill, etc.  
For the fiscal year ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Significant impairment loss on non-current assets)

In the “Digital Product Business” segment, we posted an impairment loss on non-current assets. The amount recorded for the said impairment loss was ¥59,494 thousand in the fiscal year ended December 31, 2020.

(Significant changes in the amount of goodwill)

In the “Consumer Product Business” segment, in line with the acquisition of shares of GALLERY RARE Ltd., from the fiscal year ended December 31, 2020, the said company has been included in the scope of consolidation. The amount of increase in goodwill as a result of this event was ¥779,523 thousand in the fiscal year ended December 31, 2020.

In the “Others” segment, in line with the acquisition of shares of Kinuta Flower Auction CO. LTD, from the fiscal year ended December 31, 2020, the said company has been included in the scope of consolidation. The amount of increase in goodwill as a result of this event was ¥42,964 thousand in the fiscal year ended December 31, 2020.

For the fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Significant impairment loss on non-current assets)

No loss was allocated to reportable segments in the fiscal year ended December 31, 2021. Impairment loss not allocated to reportable segments was ¥52,704 thousand, comprising ¥52,396 thousand in software and ¥308 thousand in other property, plant and equipment.

(Significant changes in the amount of goodwill)

Not applicable.

## (Per share information)

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Net assets per share	¥697.22	¥802.38
Basic earnings per share	¥68.56	¥130.56
Diluted earnings per share	¥68.01	¥129.58

(Notes) 1. 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 the number of shares of the Company held by BBT, which were deducted for the purpose of calculating net assets per share for the fiscal years ended December 31, 2020 and December 31, 2021, are 147,100 shares and 140,300 shares, respectively, and the average number of shares of the Company held by BBT during the fiscal years ended December 31, 2020 and December 31, 2021, which were deducted for the purpose of calculating basic earnings per share, are 147,100 shares and 142,348 shares, respectively.

2. Basis of calculation of basic earnings per share and diluted earnings per share is as follows:

	For the fiscal year ended December 31, 2020	For the fiscal year ended December 31, 2021
Basic earnings per share		
Profit attributable to owners of parent (Thousand yen)	1,896,934	3,625,527
Amount not attributable to common stockholders (Thousand yen)	—	—
Profit attributable to owners of parent relating to common stock (Thousand yen)	1,896,934	3,625,527
Average number of shares of common stock outstanding during the period (Shares)	27,667,087	27,768,925
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Thousand yen)	—	—
Increase in number of shares of common stock (Shares)	225,304	210,405
Overview of residual shares not included in calculation of diluted earnings per share due to lack of dilutive effect		—

(Significant subsequent events)

(Decision on the repurchase of shares)

The Company resolved at the meeting of the Board of Directors held on February 14, 2022 on matters concerning the repurchase of its shares, in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act.

1. Reason for the repurchase of shares

The Company will repurchase the shares for the purpose of enhancing shareholder returns and enabling the implementation of flexible capital policy to respond to changes in the business environment.

2. Details of the repurchase

- |   |   |
|---|---|
| (1) Class of shares to be repurchased:              | Shares of the Company's common stock  |
| (2) Total number of shares that may be repurchased: | 300,000 shares (maximum)<br>(Proportion of total issued and outstanding shares, excluding treasury shares: 1.07%) |
| (3) Total price of the repurchase of shares:        | ¥600 million (maximum)  |
| (4) Repurchase period:                              | From February 17, 2022 to April 30, 2022  |
| (5) Repurchase method:                              | Market purchases on the Tokyo Stock Exchange  |