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(Securities code 3964)  
March 6, 2018

**To Shareholders with Voting Rights:**

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

**NOTICE OF  
THE 10TH ANNUAL GENERAL SHAREHOLDERS MEETING**

You are cordially invited to attend the 10th Annual General Shareholders Meeting of AUCNET INC. (the “Company”) as described below.

**If you are unable to attend the meeting, you can exercise your voting rights by either of the methods described on the next page. Please review the Reference Documents for the General Shareholders Meeting (described hereinafter) and cast your vote by 6 p.m. on Tuesday, March 27, 2018 Japan time.**

- 1. Date and Time:** Wednesday, March 28, 2018 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 10th Fiscal Year (January 1, 2017 – December 31, 2017) 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 10th Fiscal Year (January 1, 2017 – December 31, 2017)

**Proposals to be resolved:**

- Proposal No. 1:** Election of Eight (8) Directors (excluding Directors Who are Audit & Supervisory Committee Members)
- Proposal No. 2:** Election of Three (3) Directors Who are Audit & Supervisory Committee Members
- Proposal No. 3:** Election of One (1) Substitute Director Who is an Audit & Supervisory Committee Member
- Proposal No. 4:** Introduction of Performance-linked Stock Compensation Plan for Directors

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form.
- Any updates to the Reference Documents for the General Shareholders Meeting, the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements will be posted on the Company's website (URL: <http://ir.aucnet.co.jp>).
- As the Notes to the Consolidated Financial Statements and Notes to the Non-Consolidated Financial Statements are posted on the Company's website pursuant to provisions of laws and regulations as well as Article 15 of the Articles of Incorporation, it is not presented in the Appendix to this Notice of the 10th Annual General Shareholders Meeting.

The Consolidated Financial Statements and the Non-Consolidated Financial Statements audited by the Accounting Auditor and the Audit & Supervisory Committee consist of the documents included in the Appendix to this Notice of the 10th Annual General Shareholders Meeting and the Notes to the Consolidated Financial Statements and Notes to the Non-Consolidated Financial Statements posted on the Company's website (URL: <http://ir.aucnet.co.jp>).

## Proposals and References

### Proposal No. 1: 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 for establishing a management structure that allows a swift response to changes in the business environment by adding one (1) more Director.

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

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

| No. |                                   | Name                 | Positions and responsibilities   | Attendance at the Board of Directors meetings |
|-----|-----------------------------------|----------------------|--|---|
| 1   | Reappointment                     | Kiyotaka Fujisaki    | Representative Director and President<br>President and Executive Officer       | 19 out of 19<br>(100%)                        |
| 2   | Reappointment                     | Chiaki Fujino        | Director<br>Vice President and Executive Officer                               | 19 out of 19<br>(100%)                        |
| 3   | Reappointment                     | Hisanao<br>Nagashima | Director<br>Senior Managing Executive Officer                                  | 19 out of 19<br>(100%)                        |
| 4   | Reappointment                     | Shinichiro Fujisaki  | Director<br>Managing Executive Officer<br>Senior GM, Digital Products Division | 19 out of 19<br>(100%)                        |
| 5   | Reappointment                     | Nobukazu Tajima      | Director<br>Executive Officer<br>Senior GM, Corporate Management<br>Division   | 19 out of 19<br>(100%)                        |
| 6   | Reappointment<br>Outside Director | Seiichiro Umeno      | Outside Director   | 17 out of 19<br>(89%)                         |
| 7   | Reappointment<br>Outside Director | Ikuo Kaminishi       | Outside Director   | 13 out of 13<br>(100%)                        |
| 8   | New<br>appointment                | Shunji Sato          | Managing Executive Officer<br>Senior GM, Business Management<br>Division       | –   |

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| 1   | <b>Career summary, positions and responsibilities</b>  |
| <p><b>Kiyotaka Fujisaki</b><br/>Reappointment</p> <p><b>Date of birth</b><br/>December 18, 1952</p> <p><b>Number of shares of the Company held</b><br/>501,600 shares</p> <p><b>Attendance at the Board of Directors meetings</b><br/>19 out of 19 (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 (to present)</p> <p>March 2010       President and Executive Officer (to present)</p> <p><b>Reasons for selection as a candidate for Director</b><br/>Mr. Kiyotaka Fujisaki has demonstrated strong leadership at the heart of management, made efforts to enhance corporate value of the Company, and taken the initiative for management reform upon assuming office as the Representative Director and President of the Company. Based on his wealth of experience and achievements, the Company expects him to make appropriate decisions and supervise the execution of duties over important matters concerning overall management as a Director and to play an essential role in the future for further enhancing the medium- to long-term corporate value of the Company as the Representative Director. Therefore, the Company renominated him as a candidate for Director.</p>   |
| 2   | <b>Career summary, positions and responsibilities</b>  |
| <p><b>Chiaki Fujino</b><br/>Reappointment</p> <p><b>Date of birth</b><br/>November 10, 1952</p> <p><b>Number of shares of the Company held</b><br/>80,000 shares</p> <p><b>Attendance at the Board of Directors meetings</b><br/>19 out of 19 (100%)</p>      | <p>January 2002      Representative Director and President, iRaTe.com (currently NANO Media Inc.)</p> <p>March 2010       Director</p> <p>June 2010        Advisor</p> <p>October 2010     Joined the Company, Advisor</p> <p>January 2011     Senior Managing Executive Officer and GM, New Business Planning Division</p> <p>January 2012     Director, Vice President and Executive Officer (to present)</p> <p>January 2014     Senior GM, New Business Planning Division</p> <p>January 2015     Senior GM, Digital Products Headquarter, Business Management Division</p> <p>January 2016     Director and Chairperson, AUCNET DIGITAL PRODUCTS INC. (to present)</p> <p>March 2016       Representative Director and President, AUCNETMEDICAL INC. (to present)</p> <p><b>Significant concurrent positions</b><br/>Representative Director and President, AUCNETMEDICAL INC.</p> <p><b>Reasons for selection as a candidate for Director</b><br/>Mr. Chiaki Fujino has served in the new business planning division and digital products business and has significantly contributed to the Company's development and expansion by making use of his experience of corporate management to establish and promote business strategies. Based on his wealth of experience and achievements, he is fulfilling his duties as a Director. 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> |

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| 3  | <b>Career summary, positions and responsibilities</b>  |
| <p><b>Hisanao Nagashima</b><br/>Reappointment</p> <p><b>Date of birth</b><br/>September 15, 1955</p> <p><b>Number of shares of the Company held</b><br/>110,000 shares</p> | <p>March 1985      Joined the Company</p> <p>March 1989      Director and General Manager, Sales Department</p> <p>April 1990      General Manager, President’s Office</p> <p>March 1993      Managing Director</p> <p>January 2001     Deputy General Manager, Automobile Business Headquarter</p> <p>January 2002     General Manager, Automobile Inspection Headquarter</p> <p>January 2003     Executive Officer</p> <p>January 2006     Deputy General Manager, Automobile Business Division</p> <p>March 2006      Senior Managing Director</p> <p>March 2010      Director (to present)</p> <p>                      Senior Managing Executive Officer</p> <p>December 2013   Director, i-Auc, Inc.</p> <p>January 2014     Representative Director and President (to present)</p> <p>January 2017     Senior Managing Executive Officer, the Company (to present)</p> <p>                      Senior GM, Business Management Division</p> |
| <p><b>Attendance at the Board of Directors meetings</b><br/>19 out of 19 (100%)</p>  | <p><b>Significant concurrent positions</b><br/>Representative Director and President, i-Auc, Inc.</p> <p><b>Reasons for selection as a candidate for Director</b><br/>Mr. Hisanao Nagashima has served in the Company’s core automobile business since its foundation and has significantly contributed to the Company’s development and expansion through establishment and promotion of business strategies. Based on his wealth of experience and achievements, he is fulfilling his duties as a Director. 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>  |

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| 4   | <b>Career summary, positions and responsibilities</b>   |
| <p><b>Shinichiro Fujisaki</b><br/>Reappointment</p> <p><b>Date of birth</b><br/>November 22, 1975</p> <p><b>Number of shares of the Company held</b><br/>931,000 shares</p> <p><b>Attendance at the Board of Directors meetings</b><br/>19 out of 19 (100%)</p> | <p>February 2009 Director, Japan Business Television Inc. (currently JBTV, Inc.) (to present)</p> <p>February 2011 Joined the Company<br/>Managing Director, Aucnet Research Institute</p> <p>January 2012 GM, autoBank Department, Retail Support Division</p> <p>July 2012 Senior DGM, Retail Support Division</p> <p>January 2013 DGM, Automobile Business Headquarter</p> <p>January 2014 Executive Officer and Senior DGM, Automobile Business Headquarter</p> <p>March 2014 Director (to present)</p> <p>January 2015 Senior DGM, New Business Planning Division</p> <p>January 2016 Representative Director and President, AUCNET DIGITAL PRODUCTS INC. (to present)</p> <p>July 2016 Senior GM, Digital Products Headquarter, Business Management Division, the Company</p> <p>January 2017 Managing Executive Officer (to present)<br/>Senior GM, Digital Products Division (to present)</p> <p><b>Significant concurrent positions</b><br/>Representative Director and President, AUCNET DIGITAL PRODUCTS INC.</p> <p><b>Reasons for selection as a candidate for Director</b><br/>Mr. Shinichiro Fujisaki has served in the Company's main businesses such as the automobile business, new business planning division, and digital products business and has significantly contributed to business expansion. Based on his wealth of experience and achievements, he is fulfilling his duties as a Director. 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> |
| 5   | <b>Career summary, positions and responsibilities</b>   |
| <p><b>Nobukazu Tajima</b><br/>Reappointment</p> <p><b>Date of birth</b><br/>May 8, 1963</p> <p><b>Number of shares of the Company held</b><br/>40,000 shares</p> <p><b>Attendance at the Board of Directors meetings</b><br/>19 out of 19 (100%)</p>            | <p>November 2008 Joined the Company<br/>DGM, Administrative Management Division</p> <p>March 2009 GM, Administrative Management Division</p> <p>January 2010 Executive Officer (to present)</p> <p>March 2015 Director (to present)</p> <p>May 2015 Senior GM, Corporate Management Division (to present)</p> <p><b>Reasons for selection as a candidate for Director</b><br/>Mr. Nobukazu Tajima has made efforts to strengthen the overall business structure as a manager of the administrative management division and adequately fulfilled a supervisory role for management, and thus has highly contributed to the strengthening of the Company's management base. Based on his wealth of experience and achievements, he is fulfilling his duties as a Director. 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>  |

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| 6  | <b>Career summary, positions and responsibilities</b>   |  |
| <b>Seiichiro Umeno</b><br>Reappointment<br>Outside<br><br><b>Date of birth</b><br>September 1, 1961<br><br><b>Number of shares of the Company held</b><br>–<br><br><b>Attendance at the Board of Directors meetings</b><br>17 out of 19 (89%)  | April 1989 Registered as an attorney-at-law<br>Joined Tokyo Yaesu Law Offices<br><br>August 1990 Joined Masuda & Ejiri<br><br>January 1995 Registered as a New York State attorney<br><br>March 2006 Outside Director, the Company (until March 2008)<br><br>April 2007 Partner, Nagashima Ohno & Tsunematsu (to present)<br><br>March 2010 Corporate Auditor, VeriSign Japan K.K.<br><br>March 2016 Outside Director, the Company (to present)   |  |
|  | <b>Reasons for selection as a candidate for Outside Director</b><br>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. |  |
| 7  | <b>Career summary, positions and responsibilities</b>   |  |
| <b>Ikuo Kaminishi</b><br>Reappointment<br>Outside<br><br><b>Date of birth</b><br>September 26, 1945<br><br><b>Number of shares of the Company held</b><br>–<br><br><b>Attendance at the Board of Directors meetings</b><br>13 out of 13 (100%) | July 1969 Joined The Industrial Bank of Japan, Limited<br><br>June 1997 Director<br><br>June 1999 Managing Director and Managing Executive Officer<br><br>April 2002 Senior Managing Director, Mizuho Corporate Bank, Ltd.<br><br>June 2003 President and Representative Director, Orient Corporation<br><br>June 2007 Special Advisor<br><br>June 2008 Part-time Audit & Supervisory Board Member, Tohoku Electric Power Co., Inc.<br><br>July 2012 President, Independent Administrative Agency Urban Renaissance Agency<br><br>March 2017 Outside Director, the Company (to present)   |  |
|  | <b>Reasons for selection as a candidate for Outside Director</b><br>Mr. Ikuo Kaminishi has served in financial business for many years and also has experience in corporate management. Based on his wealth of experience and deep insight, 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.  |  |
| 8  | <b>Career summary, positions and responsibilities</b>   |  |
| <b>Shunji Sato</b><br>New appointment<br><br><b>Date of birth</b><br>March 3, 1961<br><br><b>Number of shares of the Company held</b><br>–<br><br><b>Attendance at the Board of Directors meetings</b><br>–                                    | April 1983 Joined Orient Finance Co., Ltd. (currently Orient Corporation)<br><br>June 2014 Executive Officer<br><br>July 2017 Joined the Company<br>Managing Executive Officer (to present)<br><br>January 2018 Senior GM, Business Management Division (to present)  |  |
|  | <b>Reasons for selection as a candidate for Director</b><br>Mr. Shunji Sato has abundant experience in the sales field over many years. By drawing on his wealth of experience and deep insight to manage the Company, the management structure may be further strengthened, and 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 newly nominated him as a candidate for Director.  |  |

- Notes: 1. Mr. Shunji Sato is a new candidate for Director.  
2. There are no special interests between the candidates and the Company.  
3. GM and DGM stand for General Manager and Deputy General Manager, respectively.

4. Mr. Chiaki Fujino is scheduled to retire from office as Representative Director and assume office as Director of AUCNETMEDICAL INC. at the conclusion of the Annual General Shareholders Meeting of the said company to be held on March 20, 2018.
5. Messrs. Seiichiro Umeno and Ikuo Kaminishi are candidates for Outside Directors.
6. The Company has entered into agreements with Messrs. Seiichiro Umeno and Ikuo Kaminishi to limit their liabilities 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 reelections are approved, the Company plans to continue the above agreements with each of them to limit their liability.
7. Mr. Seiichiro Umeno will have served as Outside Director for two (2) years at the conclusion of this Annual General Shareholders Meeting.
8. Mr. Ikuo Kaminishi will have served as Outside Director for one (1) year at the conclusion of this Annual General Shareholders Meeting.
9. Mr. Seiichiro Umeno has been an Outside Director of the Company in the past.
10. Mr. Ikuo Kaminishi's attendance at the Board of Directors meetings for the fiscal year under review states those he attended after his assumption as Director at the Annual General Shareholders Meeting held on March 30, 2017, and therefore the scope is different from that of the other candidates.



## Proposal No. 2: Election of Three (3) Directors Who are Audit & Supervisory Committee Members

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

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

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

| No. |                                   | Name            | Positions and responsibilities                          | Attendance at the Board of Directors meetings |
|-----|-----------------------------------|-----------------|---|---|
| 1   | Reappointment                     | Koji Sasaki     | Director (Audit & Supervisory Committee Member)         | 19 out of 19 (100%)                           |
| 2   | Reappointment<br>Outside Director | Masaaki Ayukawa | Outside Director (Audit & Supervisory Committee Member) | 18 out of 19 (95%)                            |
| 3   | Reappointment<br>Outside Director | Ryozo Ushioda   | Outside Director (Audit & Supervisory Committee Member) | 19 out of 19 (100%)                           |

|  |   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
|--|---|------------|---|---------------|---|------------|--|----------------|---|-------------|--|------------|---|------------|---|------------|---|
| 1  | <b>Career summary, positions and responsibilities</b>   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| <p><b>Koji Sasaki</b><br/>Reappointment</p> <p><b>Date of birth</b><br/>May 26, 1952</p> <p><b>Number of shares of the Company held</b><br/>6,000 shares</p> <p><b>Attendance at the Board of Directors meetings</b><br/>19 out of 19 (100%)</p> | <table border="0"> <tr> <td data-bbox="512 237 746 304">March 1989</td> <td data-bbox="746 237 1418 304">Director, General Manager, Administration Department, the Company</td> </tr> <tr> <td data-bbox="512 304 746 338">March 1996</td> <td data-bbox="746 304 1418 338">General Manager, Accounting Department</td> </tr> <tr> <td data-bbox="512 338 746 371">March 2004</td> <td data-bbox="746 338 1418 371">General Manager, Administrative Management Division</td> </tr> <tr> <td data-bbox="512 371 746 439">March 2005</td> <td data-bbox="746 371 1418 439">Senior Managing Director, The Automobile Inspection System, Inc. (currently AIS Inc.)</td> </tr> <tr> <td data-bbox="512 439 746 472">March 2012</td> <td data-bbox="746 439 1418 472">Director and Senior Managing Executive Officer</td> </tr> <tr> <td data-bbox="512 472 746 506">March 2015</td> <td data-bbox="746 472 1418 506">Full-time Corporate Auditor, the Company</td> </tr> <tr> <td data-bbox="512 506 746 573">March 2016</td> <td data-bbox="746 506 1418 573">Director (Audit &amp; Supervisory Committee Member) (to present)</td> </tr> </table> <p><b>Reasons for selection as a candidate for Director</b><br/>Mr. Koji Sasaki has been engaged in accounting operations of the Company for many years and also has experience in corporate management at a group company. Backed by the wealth of experience, he has deep insight into the business and operations of the Company. The Company expects him to continue to perform adequate audit functions for important matters concerning overall management. Therefore, he has been renominated as a candidate for Director who is an Audit &amp; Supervisory Committee Member.</p>   | March 1989 | Director, General Manager, Administration Department, the Company | March 1996    | General Manager, Accounting Department      | March 2004 | General Manager, Administrative Management Division                                | March 2005     | Senior Managing Director, The Automobile Inspection System, Inc. (currently AIS Inc.) | March 2012  | Director and Senior Managing Executive Officer           | March 2015 | Full-time Corporate Auditor, the Company            | March 2016 | Director (Audit & Supervisory Committee Member) (to present)                  |            |   |
| March 1989   | Director, General Manager, Administration Department, the Company   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| March 1996   | General Manager, Accounting Department  |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| March 2004   | General Manager, Administrative Management Division   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| March 2005   | Senior Managing Director, The Automobile Inspection System, Inc. (currently AIS Inc.)   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| March 2012   | Director and Senior Managing Executive Officer  |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| March 2015   | Full-time Corporate Auditor, the Company  |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| March 2016   | Director (Audit & Supervisory Committee Member) (to present)  |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| 2  | <b>Career summary, positions and responsibilities</b>   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| <p><b>Masaaki Ayukawa</b><br/>Reappointment<br/>Outside</p> <p><b>Date of birth</b><br/>July 28, 1945</p> <p><b>Number of shares of the Company held</b></p> <p><b>Attendance at the Board of Directors meetings</b><br/>18 out of 19 (95%)</p>  | <table border="0"> <tr> <td data-bbox="512 857 746 891">April 1969</td> <td data-bbox="746 857 1418 891">Joined Chuo Audit Corporation</td> </tr> <tr> <td data-bbox="512 891 746 925">February 1971</td> <td data-bbox="746 891 1418 925">Registered as a certified public accountant</td> </tr> <tr> <td data-bbox="512 925 746 992">May 2000</td> <td data-bbox="746 925 1418 992">Director and General Manager, International Division, ChuoAoyama Audit Corporation</td> </tr> <tr> <td data-bbox="512 992 746 1059">September 2006</td> <td data-bbox="746 992 1418 1059">Director and General Manager, International Division, Misuzu Audit Corporation</td> </tr> <tr> <td data-bbox="512 1059 746 1093">August 2007</td> <td data-bbox="746 1059 1418 1093">Liquidator, Misuzu Audit Corporation (under liquidation)</td> </tr> <tr> <td data-bbox="512 1093 746 1126">March 2009</td> <td data-bbox="746 1093 1418 1126">Outside Corporate Auditor, TonenGeneral Sekiyu K.K.</td> </tr> <tr> <td data-bbox="512 1126 746 1193">June 2014</td> <td data-bbox="746 1126 1418 1193">Outside Audit &amp; Supervisory Board Member, Kumagai Gumi Co., Ltd. (to present)</td> </tr> <tr> <td data-bbox="512 1193 746 1261">March 2016</td> <td data-bbox="746 1193 1418 1261">Outside Director (Audit &amp; Supervisory Committee Member), the Company (to present)</td> </tr> </table> <p><b>Reasons for selection as a candidate for Outside Director</b><br/>Mr. Masaaki Ayukawa has expertise as a certified public accountant and abundant experience and deep insight in corporate accounting. Drawing on his assets, the Company expects him to continue to provide appropriate advice on important matters concerning overall management from a fair and objective standpoint. Therefore, he has been renominated as a candidate for Director who is an Audit &amp; Supervisory Committee Member. 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 who is an Audit &amp; Supervisory Committee Member of the Company.</p> | April 1969 | Joined Chuo Audit Corporation                                     | February 1971 | Registered as a certified public accountant | May 2000   | Director and General Manager, International Division, ChuoAoyama Audit Corporation | September 2006 | Director and General Manager, International Division, Misuzu Audit Corporation        | August 2007 | Liquidator, Misuzu Audit Corporation (under liquidation) | March 2009 | Outside Corporate Auditor, TonenGeneral Sekiyu K.K. | June 2014  | Outside Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (to present) | March 2016 | Outside Director (Audit & Supervisory Committee Member), the Company (to present) |
| April 1969   | Joined Chuo Audit Corporation   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| February 1971  | Registered as a certified public accountant   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| May 2000   | Director and General Manager, International Division, ChuoAoyama Audit Corporation  |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| September 2006   | Director and General Manager, International Division, Misuzu Audit Corporation  |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| August 2007  | Liquidator, Misuzu Audit Corporation (under liquidation)  |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| March 2009   | Outside Corporate Auditor, TonenGeneral Sekiyu K.K.   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| June 2014  | Outside Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (to present)   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |
| March 2016   | Outside Director (Audit & Supervisory Committee Member), the Company (to present)   |            |   |               |   |            |  |                |   |             |  |            |   |            |   |            |   |

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| 3  | <b>Career summary, positions and responsibilities</b>   |  |
| <b>Ryozo Ushioda</b><br>Reappointment<br>Outside<br><br><b>Date of birth</b><br>January 16, 1942<br><br><b>Number of shares of the Company held</b><br>5,000 shares<br><br><b>Attendance at the Board of Directors meetings</b><br>19 out of 19 (100%) | November 1979   | Director, Hanroku Tokyo Jisho Co., Ltd.                                    |
|  | June 1987   | Director, Flex Housing Co., Ltd.   |
|  | January 1991  | Representative Director and President, Flex Housing Co., Ltd. (to present) |
|  | March 1996  | Corporate Auditor, the Company   |
|  | March 2016  | Outside Director   |
|  | March 2017  | Outside Director (Audit & Supervisory Committee Member) (to present)       |
|  | <b>Significant concurrent positions</b>   |  |
|  | Representative Director and President, Flex Housing Co., Ltd.   |  |
|  | <b>Reasons for selection as a candidate for Outside Director</b>  |  |
|  | Mr. Ryozo Ushioda has served in corporate management for many years with abundant experience and deep insight in corporate management. Drawing on his assets, the Company expects him to continue to provide appropriate advice on important matters concerning overall management from a fair and objective standpoint. Therefore, he has been renominated as a candidate for Director who is an Audit & Supervisory Committee Member. |  |

- Notes:
1. There are no special interests between the candidates and the Company.
  2. Messrs. Masaaki Ayukawa and Ryozo Ushioda are candidates for Outside Directors. The Company has designated Messrs. Masaaki Ayukawa and Ryozo Ushioda as Independent Directors/Auditors in accordance with the stipulations of Tokyo Stock Exchange, Inc. and submitted a notification to the said Exchange. In the event that this proposal is approved, they will continue to be appointed as Independent Directors.
  3. The Company has entered into agreements with Messrs. Masaaki Ayukawa and Ryozo Ushioda to limit their liabilities 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 reelections are approved, the Company plans to continue the above agreements with each of them to limit their liability.
  4. Mr. Masaaki Ayukawa will have served as Outside Director for two (2) years at the conclusion of this Annual General Shareholders Meeting.
  5. Mr. Ryozo Ushioda will have served as Outside Director for two (2) years at the conclusion of this Annual General Shareholders Meeting and have served as Outside Director who is an Audit & Supervisory Committee Member for one (1) year at the conclusion of this Annual General Shareholders Meeting.
- Mr. Ushioda has been a Corporate Auditor of the Company in the past.

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

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

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

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

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

|  |  |   |
|--|--|---|
| <b>Ikuo Kaminishi</b><br>New appointment<br>Outside<br><br><b>Date of birth</b><br>September 26, 1945<br><br><b>Number of shares of the Company held</b> | <b>Career summary, positions and responsibilities</b>  |   |
|  | July 1969  | Joined The Industrial Bank of Japan, Limited                                |
|  | June 1997  | Director  |
|  | June 1999  | Managing Director and Managing Executive Officer                            |
| <b>Date of birth</b><br>September 26, 1945<br><br><b>Number of shares of the Company held</b>  | April 2002   | Senior Managing Director, Mizuho Corporate Bank, Ltd.                       |
|  | June 2003  | President and Representative Director, Orient Corporation                   |
|  | June 2007  | Special Advisor   |
|  | June 2008  | Part-time Audit & Supervisory Board Member, Tohoku Electric Power Co., Inc. |
| <b>Number of shares of the Company held</b>  | July 2012  | President, Independent Administrative Agency Urban Renaissance Agency       |
|  | March 2017   | Outside Director, the Company (to present)                                  |
| <b>Attendance at the Board of Directors meetings</b><br>13 out of 13 (100%)  | <b>Reasons for selection as a candidate for Substitute Director who is an Audit &amp; Supervisory Committee Member</b>   |   |
|  | Mr. Ikuo Kaminishi has served in the 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 newly nominated him as a candidate for Substitute Director who is an Audit & Supervisory Committee Member. |   |

- Notes:
1. There are no special interests between the candidate and the Company.
  2. Mr. Ikuo Kaminishi is a candidate for Substitute Director who is an Audit & Supervisory Committee Member.
  3. If Mr. Ikuo Kaminishi assumes office as Substitute Director who is an Audit & Supervisory Committee Member, the Company plans to enter into agreements with him to limit his liabilities pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the minimum amount stipulated by Article 425, Paragraph 1 of the Companies Act.
  4. Mr. Ikuo Kaminishi will have served as Outside Director for one (1) year at the conclusion of this Annual General Shareholders Meeting.
  5. Mr. Ikuo Kaminishi's attendance at the Board of Directors meetings states those he attended after his assumption as Outside Director at the Annual General Shareholders Meeting held on March 30, 2017.

## **Proposal No. 4: Introduction of Performance-linked Stock Compensation Plan for Directors**

### 1. Reason for proposal

The Company asks for the approval of this proposal for introducing a new performance-linked stock compensation plan “Board Benefit Trust (BBT)” (the “Plan”) for Directors of the Company (excluding Directors who are Audit & Supervisory Committee Members and other Outside Directors; unless otherwise specified, the same applies hereinafter in this proposal.).

The Plan aims to raise the motivation for contributing to improving performance and increasing corporate value over the medium- to long-term by further clarifying the link between the compensation of Directors and Executive Officers (the “Directors, etc.”) and the performance and stock value of the Company as well as by having Directors, etc. share not only the benefit of higher stock prices but also the risk of lower stock prices with the Company’s shareholders. Given the purpose as stated above, the Company considers the content of this proposal reasonable.

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

Currently, five (5) Directors are eligible under the Plan, and if Proposal No. 1 is approved as proposed, six (6) Directors will be eligible under the Plan.

### 2. Amount of compensation, etc. under the Plan and reference information

#### (1) Outline of the Plan

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

#### (2) Eligible persons

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

#### (3) Trust period

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

#### (4) Trust amount (amount of compensation, etc.)

Subject to the approval of this proposal, the Company will introduce the Plan for the three fiscal years from the fiscal year ending December 31, 2018 to the fiscal year ending December 31, 2020 (hereinafter the “Initial Target Period;” the Initial Target Period and each three-fiscal-year period after the Initial Target Period are called the “Target Period”) as well as for each subsequent Target Period,

and contribute the following money to the Trust as the funds to acquire the Company's shares for the purpose of delivery of Company Shares, etc. to Directors, etc.

First, upon establishment of the Trust (scheduled in May 2018), the Company will make contributions of funds to the Trust with an upper limit of ¥575 million (of which, ¥425 million for Directors and ¥150 million for Executive Officers) as necessary funds for the Initial Target Period.

After the Initial Target Period has elapsed, the Company will make additional contributions to the Trust with an upper limit of ¥575 million (of which, ¥425 million for Directors and ¥150 million for Executive Officers) for each Target Period in principle, until the termination of the Plan. However, if, at the time of such additional contribution, there remain the Company's shares (excluding the Company's shares that correspond to the points granted to Directors, etc., for each Target Period up to the immediately preceding Target Period and that have not yet been delivered to Directors, etc.) and money (collectively, the "Residual Shares, etc.") in the trust assets, the sum of the monetary amount of the Residual Shares, etc. (for the Company's shares, the monetary amount of the market value at the final day of the immediately preceding Target Period) and amount of additional contributions shall be within ¥575 million.

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

The Trust will acquire the Company's shares, using the funds contributed through (4) above, either through the stock market or by underwriting the disposal of the Company's treasury shares.

For reference, if acquisition at the closing price of February 9, 2018 is assumed, the maximum of 361,400 shares will be acquired using ¥575 million, the upper limit of funds which the Company contributes as funds for acquisition of shares for delivery to Directors, etc. regarding the Initial Target Period. Details of acquisition of the Company's shares through the Trust will be disclosed in a timely and appropriate manner.

(6) Calculation method for the number of the Company Shares, etc. to be delivered to Directors, etc.

For each fiscal year, Directors, etc., are granted points in consideration of matters such as their position and achievements in accordance with the Officer Stock Delivery Regulations.

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

The points of Directors, etc., that form the basis for delivery of the Company Shares, etc., in (7) below are, in principle, the number of points granted to such Directors, etc., up to their retirement (hereinafter, the points computed in this manner are referred to as "Defined Number of Points").

(7) Delivery of the Company Shares, etc.

Directors, etc., who meet the beneficiary requirements provided in the Officer Stock Delivery Regulations will receive from the Trust the Company's shares that correspond to the number of their "Defined Number of Points" granted under (6) above in principle, by carrying out specified beneficiary confirmation procedures after their retirement.

However, in case the requirements provided in the Officer Stock Delivery Regulations are met, Directors, etc., will, instead of the Company's shares, receive the amount of money which is equivalent to the market value of such shares in respect to a certain portion of the points. The Trust may sell the Company's shares to make such delivery of money.

(8) Exercise of voting rights

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

(9) Dividends

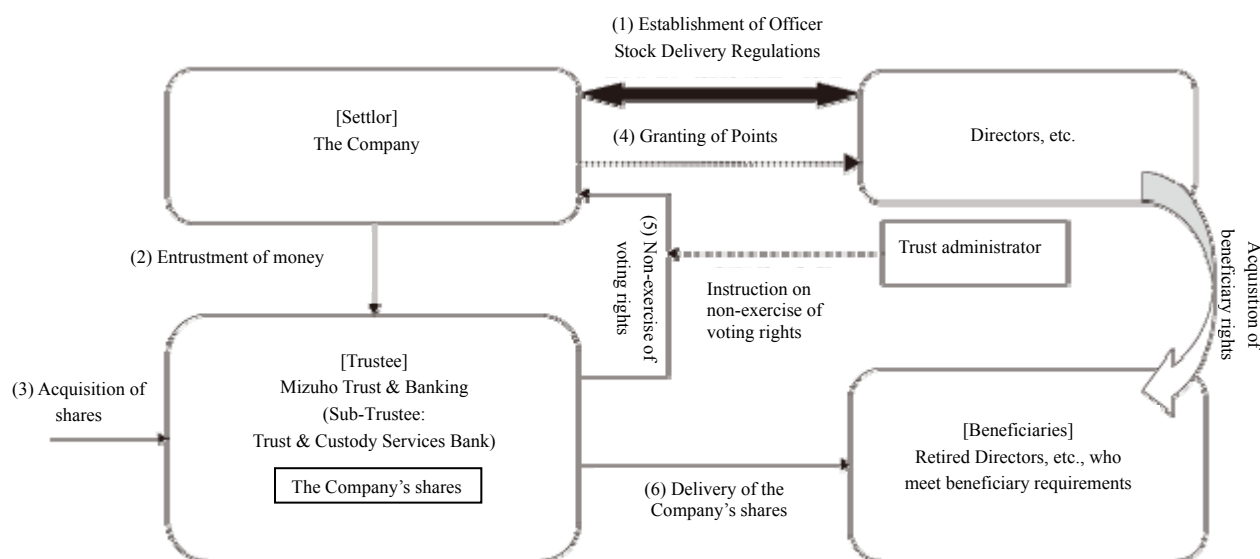
The Trust will receive dividends from the Company's shares held in the Trust's account and allocate them to the payment of the costs for acquiring the Company's shares or to the trust fees for the trustee of the Trust, etc. If the Trust is terminated, residual funds in the Trust, including dividends,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

(10) Termination of trust

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

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

[Reference: structure of the plan]



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



(Appendix)  
**Business Report** (January 1, 2017 - December 31, 2017)

## 1. Overview of the Company Group

### (1) Business Progress and Results

During the fiscal year ended December 31, 2017 (from January 1, 2017 to December 31, 2017), the Japanese economy showed modest recovery, including continuing improvement in corporate earnings and in the employment and income picture, against a backdrop of the government's economic policies and the monetary easing policy by the Bank of Japan. However, economic trends remained unclear, and it is necessary to pay close attention to overseas political conditions and fiscal policies, the effects of heightened geopolitical risk in East Asia, and other factors.

In line with our brand statement, "Shaping the Future of Commerce," the Company has worked to further improve its social and economic value, by (1) thoroughly upgrading services for greater convenience, (2) increasing the speed of transactions (distribution and settlements) and (3) ensuring competitive service usage fees and other reforms.

Although the results were favorable in the Automobile Business and Other Information Distribution Business demonstrating higher levels compared to the previous fiscal year, in the Digital Product Business, the Company was unable to secure initially expected distribution volumes and transaction commissions due to effects of various external circumstances and other factors. As a result, for the fiscal year ended December 31, 2017, net sales of the Company were ¥19,409,333 thousand (down 2.9% from the previous fiscal year), operating income was ¥3,245,387 thousand (down 19.7% from the previous fiscal year), ordinary income was ¥3,321,609 thousand (down 19.3% from the previous fiscal year), and profit attributable to owners of parent was ¥1,767,535 thousand (down 19.0% from the previous fiscal year).

Performance results by business segment are as follows.

#### 1) Automobile Business

The Automobile Business comprises mainstay used vehicle TV auctions (\*1), a shared inventory market (\*2), live linked auctions (\*3), the proxy bidding service (\*4) and vehicle inspection service (\*5).

In the automotive sector, which has close connections with our business, total new-vehicle registrations (\*6) rose 5.3% year-on-year to 5.23 million units in the fiscal year ended December 31, 2017. Total used vehicle registrations (\*7) rose 2.7% year-on-year to 6.93 million units and the number of vehicles exhibited (\*8) at used-vehicle auctions around Japan rose 4.3% year-on-year to 7.52 million units. The total number of vehicles for which contracts (\*8) were completed rose 5.2% year-on-year to 4.74 million units. In each category, results were up year-on-year. In addition to this pickup in market trends, the contract completion rate for Aucnet's used vehicle TV auctions increased, owing to successful attempts to encourage dealers, rental and leasing firms, large car buyers, etc., to list vehicles. For our live linked auctions and proxy bidding service, the number of vehicles sold at auction increased in line with the promotion to export business members to participate.

As a result, net sales of the Automobile Business (including inter-segment net sales) were ¥11,429,032 thousand (up 5.2% from the previous fiscal year), and operating income was ¥3,412,350 thousand (up 7.2% from the previous fiscal year).

- (\*1) Used vehicle TV auctions are real-time auctions for members held online by the Company.
- (\*2) A shared inventory market is a market that facilitates transactions by utilizing the members' network of the Company to share information about members' used vehicle store inventories between members.
- (\*3) A live linked auction is a service for broadcasting auctions hosted at physical auction sites, through tie-ups between the Company and physical auction sites for transactions between used vehicle business operators.
- (\*4) The proxy bidding service is an agency service provided by i-Auc, Inc. for bidding, vehicle listing, settlement, and transportation of used vehicles exhibited at physical auction sites, etc., for transactions between used vehicle business operators.

- (\*5) The vehicle inspection service is a service provided by AIS Inc. for used vehicle inspections and related inspection skills training.
- (\*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

2) Digital Product Business

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

Acquisitions of new overseas buyers were promoted, resulting in a rise in buying power for expanding auction distribution. However, transaction commission rates were significantly below initial projections, because in the fourth quarter (1) replacement demand for new smartphones was below initial projections and (2) the market price of used smartphones declined as a large number of such devices was supplied from the U.S.

As a result, net sales of the Digital Product Business were ¥4,125,376 thousand (down 24.8% from the previous fiscal year), and operating income was ¥2,036,384 thousand (down 32.6% from the previous fiscal year).

3) Other Information Distribution Business

The Other Information Distribution Business comprises used motorcycles, flowers (cut and potted), used luxury brand item auctions, and services pertaining to distribution.

For used motorcycles, we implemented measures to capture demand mainly from major members and those in regional cities and strengthened measures to encourage members to list items. For flowers (cut and potted), we took measures to strengthen distribution services to match the needs of member customers and enhance membership acquisition by implementing new membership levels. For used luxury brand items, we promoted measures to encourage participation from franchise member stores, and expanded the number of items bought and sold, in addition to focusing on capturing overseas members, resulting in transaction volume increasing.

As a result, net sales of the Other Information Distribution Business were ¥2,606,757 thousand (up 2.0% from the previous fiscal year), and operating income was ¥781,077 thousand (up 24.9% from the previous fiscal year).

4) Other Business

Other Business comprises online sales of automotive accessories, system development and provision, communications and operation and maintenance service provision, used medical equipment auctions and overseas businesses.

Net sales of the Other Business (including inter-segment net sales) were ¥1,951,364 thousand (up 1.0% from the previous fiscal year), and operating loss was ¥170,650 thousand (¥19,597 thousand of operating loss for the previous fiscal year).

## Transaction results

| Contents   |  | Fiscal Year                               | The 9th Fiscal Year<br>From January 1, 2016<br>to December 31, 2016 | The 10th fiscal year<br>From January 1, 2017<br>to December 31, 2017) | YoY                       |
|--|--|---|---|---|---------------------------|
| Automobile<br>Business                           | Automobile Business<br>(Total)         | Number of sold items<br>(Units)           | 393,958   | 417,650   | 106.0%                    |
|  |  | Total members (*1)                        | 14,392  | 14,447  | 100.4%                    |
|  | Used vehicle auctions                  | Total number of listed<br>items (Units)   | 57,648  | 58,556  | 101.6%                    |
|  |  | Number of sold items<br>(Units)           | 16,153  | 17,414  | 107.8%                    |
|  |  | Rate of sale (%)                          | 30.0  | 31.8  | Increase by<br>1.8 points |
|  | Shared inventory market                | Number of sold items<br>(Units)           | 11,730  | 11,488  | 97.9%                     |
|  | Live linked auctions                   | Listed units (Units)                      | 4,620,260   | 4,811,383   | 104.1%                    |
|  |  | Sold units (Units)                        | 261,583   | 278,658   | 106.5%                    |
|  | The proxy bidding<br>service (i-Auc)   | Sold units (Units)                        | 104,492   | 110,090   | 105.4%                    |
|  | Vehicle inspection<br>service (AIS)    | Total inspected units<br>(Units) (*2)     | 733,844   | 843,841   | 115.0%                    |
| Digital<br>Product<br>Business                   | Total transaction amount (Billion yen) |   | 22.8  | 26.6  | 116.5%                    |
|  | Total members (*1)                     |   | 357   | 455   | 127.5%                    |
|  | Total sales units (Units)              |   | 1,791,064   | 1,707,195   | 95.3%                     |
| Other<br>Information<br>Distribution<br>Business | Used luxury<br>brand items             | Total transaction amount<br>(Billion yen) | 7.8   | 8.9   | 113.4%                    |
|  |  | Total number of listed items<br>(Items)   | 341,482   | 374,089   | 109.5%                    |
|  |  | Rate of sale (%)                          | 76.1  | 76.9  | Increase by<br>0.8 points |
|  |  | Total members (*1)                        | 1,436   | 1,545   | 107.6%                    |
|  | Used motorcycles                       | Total number of listed<br>items (Units)   | 63,324  | 63,912  | 100.9%                    |
|  |  | Rate of sale (%)                          | 50.1  | 48.1  | Decrease by<br>2.0 points |
|  |  | Total members (*1)                        | 4,371   | 4,532   | 103.7%                    |
|  | Flowers (cut and potted)               | Total transaction amount<br>(Billion yen) | 6.8   | 6.4   | 94.3%                     |
|  |  | Total members (*1)<br>(Buyers)            | 1,099   | 1,081   | 98.4%                     |
|  |  | Total members (*1)<br>(Growers)           | 2,923   | 3,033   | 103.8%                    |

(\*1) Members are as of the end of the consolidated fiscal year ended December 31, 2017.

(\*2) Includes used motorcycles inspections

### (2) Capital investment

The Company made capital investment in the total amount of ¥892 million in the fiscal year under review. Major investments include renewal of auction facilities, construction of internal system infrastructure, and renewal of the auction system.

### (3) Financing

The company raised ¥2,250 million by issuing new shares through a public offering and disposing treasury shares on March 28, 2017, and ¥739 million by issuing new shares through third-party allotment on April 25, 2017.

The Company repaid a ¥1,400 million loan from a financial institution on April 7, 2017.

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

Not applicable.

### (5) Transfer of business from other companies

Not applicable.

### (6) Succession to rights and obligations relating to business of other companies through absorption-type merger or absorption-type split

Not applicable.

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

Not applicable.

**(8) Issues to be addressed**

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

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

1) Sustainable growth of existing business

The Company’s existing business includes the Automobile Business, Digital Product Business, and Other Information Distribution Business (used motorcycles, flowers (cut and potted), and used luxury brand items). We will continually focus on these items as the Groups’ mainstay businesses, aiming for further enhancement of profitability by making our services more convenient through deep understanding of membership customer needs and continuously launching new products and services.

2) Entry into new business areas and categories

In order to achieve further growth for the Company, we will proactively enter new business areas and categories which may provide synergy with our existing businesses, centering on information distribution support services. To this end, we will strengthen organizational structures of departments related to marketing, new businesses, and international businesses, and improve and promote functions such as selection of potential areas and categories for new entry, strategic planning for new products to be handled and new market entry, as well as risk management. In addition, we acknowledge that M&A is an important strategy for business expansion, and intend to deploy such methods actively, and at the same time prudently, by scrutinizing the performance and financial positions of target companies as well as contract-relations, while fully considering synergy with the Company

3) Global development

The Company aims to provide optimum services by considering regional customer needs and commercial practices, etc. with overseas subsidiaries such as that in Hong Kong as strategic bases for expanding overseas business and strengthening profitability, based primarily on the three elements of “operational expertise,” “information reliability” and “optimizing system platforms,” which we have accumulated in Japan. We will contribute to the development of regions and the industry as well as the enhancement of social life by paving the way for efficient transactions of items for which markets have not yet been created.

4) Strengthening of system infrastructure

The Company holds auctions on Internet systems. In preparation for an increase in access to the system, malfunction of equipment and software, network disturbance, and system failure due to natural disasters, etc. to secure system stability for providing services, we will continually take measures to strengthen system management and infrastructure, etc. By making use of the most advanced technologies and trends, we will strive to keep offering an optimum system.

5) Response to competition

The Company engages in the auction-related business where many companies including competitors operate. Although rapid technology innovation, intensifying service competition, and diversifying customer needs are expected in the future, we will not only enhance the convenience of existing services but also aggressively launch new products and services and take various measures in line with demands of member customers, while differentiating from competitors.

6) Recruitment and development of excellent personnel

The Company will work to create a comfortable working environment, provide opportunities for personal growth, and revitalize the organization for recruiting and developing personnel who can

support future sustainable growth. In response to globalization and diversification of the market environment, we will address diversity as an important management issue by adopting various personal values and work styles. We believe that the Company's ability to solve management problems will be strengthened by providing an environment where various employees take an active role according to their growth.

7) Strengthening of corporate culture and management foundation

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

## (9) Trends in assets and income

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

(Thousand yen)

| Fiscal year<br>Item                        | The 7th fiscal year<br>(From January 1,<br>2014 to December<br>31, 2014) | The 8th fiscal year<br>(From January 1,<br>2015 to December<br>31, 2015) | The 9th fiscal year<br>(From January 1,<br>2016 to December<br>31, 2016) | The 10th fiscal year<br>(From January 1,<br>2017 to December<br>31, 2017) |
|--|--|--|--|---|
| Net sales                                  | 16,790,328   | 19,299,275   | 19,983,859   | 19,409,333  |
| Ordinary income                            | 3,250,434  | 4,263,573  | 4,115,913  | 3,321,609   |
| Profit attributable to<br>owners of parent | 1,233,129  | 1,868,848  | 2,183,455  | 1,767,535   |
| Basic earnings per<br>share                | 60.22  | 90.58  | 90.77  | 66.97   |
| Total assets                               | 23,749,112   | 22,717,754   | 25,446,066   | 27,644,516  |
| Net assets                                 | 6,744,467  | 9,944,101  | 12,139,516   | 16,759,385  |
| Net assets per share<br>(Yen)              | 324.32   | 411.74   | 498.83   | 604.33  |

- Notes: 1. On July 29, 2015, the Company carried out a 10-for-1 stock split of its common shares. Also, on July 31, 2016, the Company carried out a 20-for-1 stock split of its common shares. Basic earnings per share and net assets per share are calculated assuming that the stock split had occurred at the beginning of the 7th fiscal year.
2. Basic earnings per share is calculated using the average number of shares during the fiscal year.
3. Net assets per share are calculated using the number of issued and outstanding shares at the end of the fiscal year.

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

(Thousand yen)

| Fiscal year<br>Item           | The 7th fiscal year<br>(From January 1,<br>2014 to December<br>31, 2014) | The 8th fiscal year<br>(From January 1,<br>2015 to December<br>31, 2015) | The 9th fiscal year<br>(From January 1,<br>2016 to December<br>31, 2016) | The 10th fiscal year<br>(From January 1,<br>2017 to December<br>31, 2017) |
|-------------------------------|--|--|--|---|
| Net sales                     | 9,946,055  | 10,050,655   | 9,385,518  | 9,401,513   |
| Ordinary income               | 2,197,849  | 1,184,544  | 501,494  | 832,260   |
| Profit                        | 1,425,679  | 279,617  | 118,572  | 752,854   |
| Basic earnings per<br>share   | 69.62  | 13.55  | 4.93   | 28.53   |
| Total assets                  | 15,101,390   | 15,528,172   | 14,829,643   | 15,730,051  |
| Net assets                    | 4,632,244  | 6,246,093  | 6,419,916  | 9,985,011   |
| Net assets per share<br>(Yen) | 226.21   | 261.59   | 266.73   | 363.79  |

- Notes: 1. On July 29, 2015, the Company carried out a 10-for-1 stock split of its common shares. Also, on July 31, 2016, the Company carried out a 20-for-1 stock split of its common shares. Basic earnings per share and net assets per share are calculated assuming that the stock split had occurred at the beginning of the 7th fiscal year.
2. Basic earnings per share is calculated using the average number of shares during the fiscal year.
3. Net assets per share are calculated using the number of issued and outstanding shares at the end of the fiscal year.

**(10) Significant subsidiaries****1) Significant subsidiaries**

| Company name                  | Capital            | Ratio of voting rights | Principal business  |
|-------------------------------|--------------------|------------------------|---|
| AIS Inc.                      | ¥100,000 thousand  | 79.0%                  | Inspection and evaluation of used vehicles and used motorcycles                         |
| i-Auc, Inc.                   | ¥100,000 thousand  | 100.0%                 | Proxy exhibiting and bidding service for auctions of used vehicles and used motorcycles |
| AUCNET SALES AND SUPPORT INC. | ¥80,000 thousand   | 100.0%                 | Sales promotion of auctions of used vehicles and used motorcycles                       |
| AUC FINANCIAL PARTNERS INC.   | ¥10,000 thousand   | 100.0%                 | Provision of warranty service-related products  |
| AUCNET DIGITAL PRODUCTS INC.  | ¥30,000 thousand   | 100.0%                 | Operation of auctions of used digital devices including used smartphones and used PCs   |
| AUCNET MOTORCYCLE INC.        | ¥30,000 thousand   | 100.0%                 | Operation of auctions of used motorcycles   |
| AUCNET AGRI BUSINESS INC.     | ¥30,000 thousand   | 100.0%                 | Operation of auctions of flowers (cut and potted)                                       |
| AUCNET CONSUMER PRODUCTS INC. | ¥30,000 thousand   | 100.0%                 | Operation of auctions of used luxury brand items, etc.                                  |
| JBTv, Inc.                    | ¥400,000 thousand  | 100.0%                 | Provision of communication and operation/maintenance services                           |
| RUNMART INC.                  | ¥33,750 thousand   | 100.0%                 | Sales of automotive accessories and parts, etc.   |
| AUCNET HK LIMITED             | US\$3,201 thousand | 100.0%                 | Strategic base for 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\$2,000 thousand | 100.0%                 | Strategic base for the U.S.   |

Note: Since all shares in Print Vision Inc. were sold during the consolidated fiscal year under review, it has been excluded from significant subsidiaries.

**2) Matters concerning specified wholly-owned subsidiaries**

Not applicable.

**3) Equity-method company**

| Company name      | Capital          | The Company's equity ratio | Principal business                                  |
|-------------------|------------------|----------------------------|---|
| Blanco Japan Inc. | ¥10,000 thousand | 49.0%                      | Sales of data erasure software and related services |

**(11) Principal business**

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

**(12) Employees****1) Employees of the Company Group**

| Number of employees | Increase (decrease) from previous consolidated fiscal year-end |
|---------------------|--|
| 590 persons         | 12 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 |
|---------------------|---|----------------|---------------------------|
| 209 persons         | 6 persons   | 41.0 years old | 11.1 years                |

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

(13) **Principal business locations**

|                        |   |
|------------------------|---|
| Head Office            | 5-8 Kita-Aoyama 2-chome, Minato-ku, Tokyo           |
| Hokkaido Branch Office | 14-1-13 Odori Nishi, Chuo-ku, Sapporo-shi, Hokkaido |
| Tohoku Branch Office   | 1-16-6 Izumi Chuo, Izumi-ku, Sendai-shi, Miyagi     |
| Shutoken Branch Office | 5-8 Kita-Aoyama 2-chome, Minato-ku, Tokyo           |
| Chubu Branch Office    | 1-22 Aoi 1-chome, Higashi-ku, Nagoya-shi, Aichi     |
| Kansai Branch Office   | 2-30 Toyotsu-cho, Suita-shi, Osaka                  |
| Seibu Branch Office    | 1-28 Gion-machi, Hataka-ku, Fukuoka-shi, Fukuoka    |



## 2. Status of Shares (as of December 31, 2017)

|  |                    |
|--|--------------------|
| (1) Total number of shares authorized to be issued | 110,000,000 shares |
| (2) Total number of issued and outstanding shares  | 27,447,000 shares  |
| (3) Number of shareholders                         | 2,763 persons      |
| (4) Major shareholders                             |                    |

| Shareholder name   | Number of shares  | Shareholding ratio |
|--|-------------------|--------------------|
| FLEX CORPORATION   | 11,548,800 shares | 42.08%             |
| Orient Corporation   | 2,592,000 shares  | 9.44%              |
| NAMAI ASSET MANAGEMENT INC   | 2,000,000 shares  | 7.29%              |
| JP MORGAN CHASE BANK 380634  | 1,131,400 shares  | 4.12%              |
| Shinichiro Fujisaki  | 931,000 shares    | 3.39%              |
| Masahiro Fujisaki  | 915,000 shares    | 3.33%              |
| FLEX CO., LTD.   | 844,800 shares    | 3.08%              |
| NORTHERN TRUST CO. (AVFC) RE IEDU UCITS<br>CLIENTS NON LENDING 15 PCT TREATY ACCOUNT | 749,800 shares    | 2.73%              |
| Kiyotaka Fujisaki  | 501,600 shares    | 1.83%              |
| NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS  | 399,600 shares    | 1.46%              |

Notes: 1. The Company does not hold treasury shares.

2. 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 President of the Company.

**(5) Other important matters concerning shares**

- 1) The total number of issued and outstanding shares increased by 700,000 and capital stock increased by ¥716,100 thousand through issuance of new shares by way of a public offering with a payment due date of March 28, 2017.
- 2) The number of treasury shares decreased by 1,500,000 through disposal of treasury shares by way of public offering with a payment due date of March 28, 2017.
- 3) The total number of issued and outstanding shares increased by 723,000 and capital stock increased by ¥739,629 thousand through third party allotment related to a secondary offering by way of over-allotment with a payment due date of April 25, 2017.
- 4) The total number of issued and outstanding shares increased by 455,000 and capital stock and legal capital surplus each increased by ¥78,260 thousand by the exercise of stock acquisition rights in the fiscal year under review.

### 3. Matters Concerning Stock Acquisition Rights, etc. of the Company

#### (1) Stock acquisition rights, etc. granted to officers of the company as consideration for execution of duties

Stock acquisition rights according to the resolution of the Board of Directors meeting on June 30, 2015

- 1) Paid-in amount for stock acquisition rights                      No contribution required.
- 2) Exercise price for stock acquisition rights                      ¥68,671 per stock acquisition right
- 3) Condition for exercising stock acquisition rights

(a) A person who received allotment of stock acquisition rights (the “Stock Acquisition Rights Holder”) shall hold a position as Director, Corporate Auditor, employee or advisor of the Company or a subsidiary of the Company, an outside partner or equivalent at the time of their exercise. However, this shall not apply in the case that a Stock Acquisition Rights Holder resigns due to expiration of term, mandatory retirement or for a reason that the Board of Directors deems appropriate.

(b) Stock acquisition rights may be exercised on condition that shares of the Company’s common shares are listed on any of the financial instruments exchanges.

(c) In case a Stock Acquisition Rights Holder passes away, successors are not allowed to exercise stock acquisition rights.

- 4) Exercise period of stock acquisition rights                      From July 11, 2017 to June 10, 2025

- 5) Stock acquisition rights held by officers of the Company

|   | Number of stock acquisition rights | Class and number of shares subject to stock acquisition rights | Number of holders |
|---|------------------------------------|--|-------------------|
| Directors (Excluding Audit & Supervisory Committee Members and Outside Directors) | 1,801                              | 360,200 common shares  | 5 persons         |
| Outside Directors (Excluding Audit & Supervisory Committee Members)               | —                                  | —  | —                 |
| Directors (Audit & Supervisory Committee Members)                                 | —                                  | —  | —                 |

Note: Based on the resolution of the Board of Directors meeting held on July 10, 2015, the Company carried out a 10-for-1 stock split of its common shares on July 29, 2015. Based on the resolution of the Board of Directors meeting held on June 21, 2016, the Company carried out a 20-for-1 stock split of its common shares on July 31, 2016. Accordingly, the number of shares subject to the stock acquisition rights increased to 360,200 shares from 1,801 shares.

#### (2) Stock acquisition rights granted to employees, etc. of the Company as consideration for execution of duties during the fiscal year under review

Not applicable.

### (3) Other important matters concerning stock acquisition rights

Stock acquisition rights already issued in accordance with provisions of the Companies Act

|  | 1st series of stock acquisition rights | 2nd series of stock acquisition rights         |
|--|--|--|
| Date of resolution of General Shareholders Meeting   | June 19, 2015                          | December 11, 2015                              |
| Number of stock acquisition rights                   | 3,318                                  | 2,530  |
| Class of shares subject to stock acquisition rights  | Common shares                          | Common shares                                  |
| Number of shares subject to stock acquisition rights | 663,600 shares                         | 50,600 shares                                  |
| Issuance price for stock acquisition rights          | Without consideration                  | Without consideration                          |
| Exercise price for stock acquisition rights (Yen)    | 344                                    | 405  |
| Exercise period of stock acquisition rights          | From July 11, 2017<br>To June 10, 2025 | From December 26, 2017<br>To November 25, 2025 |
| Issuance date of stock acquisition rights            | July 10, 2015                          | December 25, 2015                              |

Notes: 1. Based on the resolution of the Board of Directors meeting held on July 10, 2015, the Company carried out a 10-for-1 stock split of its common shares on July 29, 2015. Based on the resolution of the Board of Directors meeting held on June 21, 2016, the Company carried out a 20-for-1 stock split of its common shares on July 31, 2016. Accordingly, the number of shares subject to stock acquisition rights is 200 shares and 20 shares for the 1st and 2nd series of stock acquisition rights, respectively.

2. Exercise price for stock acquisition rights is the amount per share.

3. Status as of December 31, 2017.

## 4. Company Officers

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

| Name                | Positions, areas of responsibility and significant concurrent positions   |
|---------------------|---|
| Kiyotaka Fujisaki   | Representative Director and President<br>President and Executive Officer  |
| Chiaki Fujino       | Director and Vice President and Executive Officer<br>Senior GM, New Business Planning Division<br>Representative Director and President, AUCNETMEDICAL INC. |
| Hisanao Nagashima   | Director and Senior Managing Executive Officer<br>Senior GM, Business Management Division<br>Representative Director and President, i-Auc, Inc.             |
| Shinichiro Fujisaki | Director and Managing Executive Officer<br>Senior GM, Digital Products Division<br>Representative Director and President, AUCNET DIGITAL PRODUCTS INC.      |
| Nobukazu Tajima     | Director, Executive Officer<br>Senior GM, Corporate Management Division   |
| Seiichiro Umeno     | Director  |
| Ikuo Kaminishi      | Director  |
| Koji Sasaki         | Director (Audit & Supervisory Committee Member)   |
| Masaaki Ayukawa     | Director (Audit & Supervisory Committee Member)   |
| Ryozo Ushioda       | Director (Audit & Supervisory Committee Member)<br>Representative Director and President, Flex Housing Co., Ltd.  |

- Notes:
1. GM stands for General Manager.
  2. Messrs. Seiichiro Umeno, Ikuo Kaminishi, Masaaki Ayukawa and Ryozo Ushioda are Outside Directors.
  3. The Company has designated Messrs. Masaaki Ayukawa and Ryozo Ushioda as Independent Directors/Auditors in accordance with the stipulations of the Tokyo Stock Exchange and submitted a notification to the said Exchange.
  4. Mr. Yoshinobu Yamauchi retired from office as Director at the conclusion of the Annual General Shareholders Meeting held on March 30, 2017.
  5. Mr. Yutaka Arai retired from office as Outside Director at the conclusion of the Annual General Shareholders Meeting held on March 30, 2017.
  6. Mr. Ryozo Ushioda assumed office as Director who is an Audit & Supervisory Committee Member at the Annual General Shareholders Meeting held on March 30, 2017.
  7. Director who is an Audit & Supervisory Committee Member Mr. Koji Sasaki has long-standing experience in accounting operations and has considerable knowledge of finance and accounting.
  8. Director who is an Audit & Supervisory Committee Member Mr. Masaaki Ayukawa is a certified public accountant and has considerable knowledge of finance and accounting.
  9. Director who is an Audit & Supervisory Committee Member Mr. Ryozo Ushioda has served as Representative Director and President of Flex Housing Co., Ltd. and has considerable knowledge of finance and accounting.
  10. The Company appointed Mr. Koji Sasaki 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.

11. 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, 2018)

| Name              | Positions, responsibilities, and significant concurrent positions  |  |
|-------------------|--|--|
|                   | Before change  | After change   |
| Chiaki Fujino     | Vice President and Executive Officer<br>Senior GM, New Business Planning<br>Division<br>Representative Director and President,<br>AUCNETMEDICAL INC. | Vice President and Executive Officer<br>Representative Director and President,<br>AUCNETMEDICAL INC. |
| Hisanao Nagashima | Senior Managing Executive Officer<br>Senior GM, Business Management<br>Division<br>Representative Director and President,<br>i-Auc, Inc.             | Senior Managing Executive Officer<br>Representative Director and President,<br>i-Auc, Inc.           |

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

Compensation, etc. for the fiscal year under review

| Category  | Number of recipients | Amount paid       |
|---|----------------------|-------------------|
| Directors (excluding Audit & Supervisory Committee Members) | 9 persons            | ¥157,950 thousand |
| [of which, Outside Directors]                               | [3 persons]          | [¥8,400 thousand] |
| Directors (Audit & Supervisory Committee Members)           | 4 persons            | ¥15,900 thousand  |
| [of which, Outside Directors]                               | [3 persons]          | [¥8,700 thousand] |
| Total   | 13 persons           | ¥173,850 thousand |

- Notes: 1. The number of recipients above includes one Director (who is not an Audit & Supervisory Committee Member) and one Outside Director who is an Audit & Supervisory Committee Member, who retired from office at the conclusion of the 9th Annual General Shareholders Meeting held on March 30, 2017.
2. At the 8th Annual General Shareholders Meeting held on March 29, 2016, a resolution was adopted to establish an upper limit on compensation to Directors (excluding Directors who are Audit & Supervisory Committee Members) of ¥500 million per year (of which, an upper limit of ¥100 million per year to Outside Directors).
3. At the 8th Annual General Shareholders Meeting held on March 29, 2016, a resolution was adopted to establish an upper limit on compensation to Directors who are Audit & Supervisory Committee Members of ¥100 million per year.

**(4) 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 17 of 19 meetings of the Board of Directors during the fiscal year under review; provided opinions as necessary mainly by drawing on his expertise as an attorney-at-law.  |
| Ikuo Kaminishi  | Outside Director  | Participated in 13 of 13 meetings of the Board of Directors after assuming office in March 2017; provided opinions mainly drawing on his knowledge and insight accumulated through finance operations.   |
| Masaaki Ayukawa | Outside Director<br>(Audit & Supervisory<br>Committee Member) | Participated in 18 of 19 meetings of the Board of Directors and 12 of 13 meetings of the Audit & Supervisory Committee during the fiscal year under review; provided opinions as necessary mainly drawing on his expertise as a certified public accountant.   |
| Ryozo Ushioda   | Outside Director<br>(Audit & Supervisory<br>Committee Member) | Participated in 19 of 19 meetings of the Board of Directors during the fiscal year under review and 11 of 11 meetings of the Audit & Supervisory Committee after assuming office in March 2017; provided opinions as necessary mainly on overall management from the standpoint of corporate management, finance and accounting. |

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

Not applicable.

5) Opinions about matters described in the Business Report

Not applicable.

## 5. Accounting Auditor

(1) **Accounting Auditor's name**  
Grant Thornton Taiyo LLC

(2) **Accounting Auditor's compensation, etc. for the fiscal year under review**

|   | Amount      |
|---|-------------|
| Accounting Auditor's compensation, etc., for the fiscal year under review       | ¥38 million |
| Cash and other proprietary benefits payable by the Company and its subsidiaries | ¥38 million |

Notes: 1. Under the audit agreement between the Company and the Accounting Auditor, compensation, etc. for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not clearly distinguished, and otherwise cannot be distinguished. Consequently, the compensation, etc., for the fiscal year under review above states the total.

2. The Audit & Supervisory Committee of the Company agreed on the amount of the Accounting Auditor's compensation, etc., after conducting necessary verification of contents of the audit plan by the Accounting Auditor, review and analysis of audit results of the previous fiscal year, the execution of duties of the Accounting Auditor, and appropriateness of the calculation basis of the estimate for compensation.

(3) **Description of non-audit services**  
Not applicable.

(4) **Summary of liability limitation agreement**

In accordance with the provisions of Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement with the Accounting Auditor to limit its liability. So long as the Accounting Auditor (Grant Thornton Taiyo LLC) performs its duties in good faith and without gross negligence, the maximum liability amount of the Accounting Auditor to the Company is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

(5) **Policy regarding termination or nonrenewal of appointment of Accounting Auditor**

In the event that the Accounting Auditor is deemed to fall under any of the Items in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Committee shall terminate the appointment of the Accounting Auditor subject to the unanimous consent of Audit & Supervisory Committee Members.

Regarding the reappointment of the Accounting Auditor, the Audit & Supervisory Committee shall comprehensively evaluate the status of execution of duties by the Accounting Auditor every fiscal year, and in case it determines that non-reappointment is appropriate, the Audit & Supervisory Committee shall determine the details of the proposal not to reappoint the Accounting Auditor for submission to the General Shareholders Meeting.



## 6. Company's Systems and Policies

### (1) **Systems to ensure execution of duties by Directors is in compliance with laws and regulations and the Articles of Incorporation and other systems to ensure proper business execution of the stock company**

- 1) Systems to ensure execution of duties in compliance with the laws and regulations and the Articles of Incorporation
  - (i) The Code of Ethics shall be set up as an action guideline for observing laws and regulations, the Articles of Incorporation, and social norms, as well as to clarify moral values which form the foundation of the Company.
  - (ii) Based on the Code of Ethics, the Compliance Basic Regulations shall be set up for fundamental matters concerning compliance activities of the Company.
  - (iii) The Compliance Committee, which includes at least one outside expert as a member, shall be established as an advisory body of the Board of Directors to conduct discussions and decisions regarding overall compliance matters.
  - (iv) One full-time Director shall be selected as Chief Compliance Officer who is responsible for execution of compliance-related operations.
  - (v) The Risk Management Subcommittee and the ISMS Committee shall be established as organizations which promote operations under the Compliance Committee.
- 2) Systems for storage and management of information related to the execution of duties by Directors
  - (i) The Representative Director shall establish the Document Management Regulations to store and manage the following "documents and electromagnetic records" (the "Documents") with related materials.
    - Minutes of General Shareholders Meeting
    - Minutes of Board of Directors meetings
    - Minutes of Executive Committee meetings
    - Minutes of Compliance Committee meetings
    - Authorization documents with final approval by Directors
    - Contracts executed by Directors
    - Accounting ledgers, financial documents, and vouchers of cash received/used
    - Duplicates of documents submitted to tax offices and other public agencies, as well as the stock exchange
    - Other Documents specified by the Document Management Regulations
  - (ii) The Documents specified in (i) above shall be stored for 10 years. The storage location shall be specified by the Document Management Regulations. However, in the case that a Director or Audit & Supervisory Committee Member requests viewing of such documents, they shall be available for viewing within three days of such request.

- 3) Regulations or any other systems for management of risk of loss
  - (i) The Risk Management Subcommittee and the ISMS Committee shall be established to continually control the risk of losses concerning business activities and operational processes.
  - (ii) For risks relating to compliance, the environment, disasters, product quality, traffic accidents, and information security, each department concerned shall establish regulations and guidelines, conduct training, prepare and distribute manuals, etc. For newly emerged risks, a Director responsible for such risk shall be promptly selected.
  
- 4) Systems to ensure that the execution of duties of the Directors is efficient
  - (i) Directors and Executive Officers shall set out targets to be shared Company-wide, promote familiarization thereof, and establish a medium-term management plan.
  - (ii) The Board of Directors shall identify the targets and budget for each business division every fiscal year based on the medium-term management plan for its realization. Research and development, capital investment, and new business shall be prioritized principally based on the contribution to realizing the targets of the medium-term management plan. In addition, human resources shall be allocated to each business division efficiently.
  - (iii) Directors and Executive Officers in charge of each business division shall determine an efficient business execution system including specific measures and delegation of authority for each business division.
  - (iv) Directors and Executive Officers in charge of each business division shall report monthly results to the Executive Committee or the Board of Directors making use of electronic data rendered from IT-based systems enabling prompt managerial accounting.
  - (v) The Board of Directors or the Executive Committee shall review such results every month, have Directors and Executive Officers in charge report on the factor analysis as to why the targets are not achieved and measures to eliminate or mitigate the factors, and revise targets as necessary.
  - (vi) Given the discussion in (v) above, Directors and Executive Officers in charge of each business division shall promote an efficient business execution system including specific measures and delegation of authority for each business division.
  
- 5) Systems to ensure that the employees execute their duties in compliance with laws and regulations and the Articles of Incorporation
  - (i) Under instructions of the Chief Compliance Officer, a secretariat shall be established to control daily compliance operations in a cross-organizational manner.
  - (ii) Under instructions of the Chief Compliance Officer and in cooperation with the secretariat, a Compliance Promotion Manager shall be allocated in each department as a person in charge of compliance promotion on the field level.
  - (iii) Periodical education and training opportunities shall be provided.
  - (iv) The Company shall operate a whistle-blowing system where anybody who becomes aware of any violation of laws and regulations, problems regarding compliance, or suspicious behavior can report without concern.
  - (v) The Internal Audit Department shall review and evaluate the establishment and operational status of the internal control and compliance system and promote improvement as necessary. The Internal Audit Department shall be an independent internal audit division directly under the Representative Director to enhance the independence and check function of the internal audit.
  
- 6) Systems to ensure proper business execution within the Company Group consisting of the Company and its subsidiaries, etc.
  - (i) The Compliance Committee shall establish a system where the Company and each group company hold discussion about internal control, share information, convey instructions and requests, etc. efficiently.
  - (ii) Directors and Executive Officers of the Company and the President of each group company shall have the authority and responsibility for establishment and operation of internal control for ensuring proper business execution of each division (each company).

- (iii) The Internal Audit Department of the Company shall conduct internal audits of the Company and each group company and report the results to the Compliance Committee in (i) above and the responsible person in (ii) above. The Compliance Committee shall provide instructions on measures for improving internal control to each division (company) and provide support and advice on implementation thereof as necessary.
  - (iv) A system necessary for ensuring reliability and continual monitoring of financial reporting including financial statements, etc. shall be established.
  - (v) A system necessary for proper acquisition, usage, and disposal of assets shall be established.
- 7) Systems concerning employees and their independence from Directors when the Audit & Supervisory Committee requests allocation of employees to assist their duties
- There shall be no permanent allocation of employees who assist duties of the Audit & Supervisory Committee. The Internal Audit Department shall assist duties of the Audit & Supervisory Committee in case audit work is consigned from Audit & Supervisory Committee Members as necessary.
- An employee who received an order necessary for audit work from the Audit & Supervisory Committee is not subject to instructions and orders from Directors or managers of his or her own division, etc.
- 8) Systems under which Directors and employees report to the Audit & Supervisory Committee and other systems concerning reporting to the Audit & Supervisory Committee
- Directors shall promptly report matters relating to laws and regulations, matters that have a material effect Company-wide (the Company and the Group), and logs and content of reporting on the compliance hotline to the Audit & Supervisory Committee.
- 9) Other systems to ensure that audits by the Audit & Supervisory Committee are effective
- The Audit & Supervisory Committee shall have regular individual interviews with Executive Officers, Directors, and important employees in charge of each operation or whenever deemed necessary by the Audit & Supervisory Committee. The Audit & Supervisory Committee shall also have a periodical meeting to exchange views with the Representative Director and President.
- 10) Basic policy for eliminating anti-social forces
- Cutting off relationships with anti-social forces is an important issue concerning compliance for the Company. Stipulations shall be made in the internal rules, etc., and responses to such forces shall not be limited to persons and/or sections in charge but shall involve the entire organization under the management team.
- The following are basic rules stipulated for preventing damages caused by anti-social forces.
- (i) Reject unreasonable demands from anti-social forces and ensure the safety of the employee who received the demands.
  - (ii) Establish close links with specialized organizations such as the police and attorneys-at-law on a regular basis for handling unreasonable demands from anti-social forces.
  - (iii) Do not have any relationship whatsoever with anti-social forces including business transactions. In case that a counterparty or other entity is found to be anti-social, take measures to promptly eliminate the relationship.
  - (iv) Take legal measures against unreasonable demands from anti-social forces.
  - (v) Even if unreasonable demands from anti-social forces are rooted in a scandal relating to business activities or misconduct by an employee, do not make a deal to conceal such facts.
  - (vi) Do not provide funds to anti-social forces.
- 11) Establishment of systems for eliminating anti-social forces
- (i) Internal rules, etc., shall be established for organization-wide responses from the viewpoint of preventing involvement of anti-social forces in business activities and damages caused by such forces.
  - (ii) A response manual shall be prepared and established as well as enhanced relationships with external specialized organizations such as attorneys-at-law for prompt consultation.

**(2) Summary of operational status of systems to ensure proper business execution**

The Company has established and operates an internal control system for the Company and its subsidiaries based on the “Basic Policy for Establishment of Internal Control System.”

The Company held a management plan briefing session at the beginning of the fiscal year under review and presented its management policy, management issues, countermeasure policies, etc. to employees in order to unify awareness.

The Company also set up a whistle-blowing system which allows employees to directly report suspicious behavior regarding laws, regulations, and internal rules to an internal or external contact point. Information obtained through this system is reported to and discussed in the quarterly Compliance Committee.

**(3) Basic policy regarding the Company’s control**

Not applicable.

**(4) Policy on determining dividend of surplus, etc.**

The Company’s basic policy is to make continuous payment of dividends to shareholders while ensuring internal reserves for future business development, strengthening the business structure, capital investment, etc. Upon ensuring the enhancement of internal reserves and comprehensive consideration, the Company plans to pay dividends of surplus twice a year, i.e., an interim dividend and year-end dividend, with a target consolidated payout ratio of 30%.

The Company established provisions in the Articles of Incorporation pursuant to Article 459 of the Companies Act that dividends of surplus, etc. may be made by a resolution of the Board of Directors with December 31 and June 30 as the record dates of year-end dividends and interim dividends, respectively. The Board of Directors is the decision-making body for dividends.

## Consolidated Balance Sheets

(As of December 31, 2017)

(Thousand yen)

| Description                     | Amount     | Description   | Amount     |
|---------------------------------|------------|---|------------|
| Assets                          |            | Liabilities   |            |
| Current assets                  | 21,519,808 | Current liabilities                                   | 8,451,969  |
| Cash and deposits               | 15,785,711 | Accounts payable - trade                              | 678,435    |
| Accounts receivable - trade     | 855,862    | Due to auction members                                | 5,894,808  |
| Due from auction members        | 3,594,272  | Income taxes payable                                  | 675,416    |
| Deferred tax assets             | 142,631    | Provision for bonuses                                 | 80,820     |
| Income taxes receivable         | 8,759      | Provision for point card certificates                 | 39,385     |
| Other                           | 1,177,389  | Other   | 1,083,103  |
| Allowance for doubtful accounts | (44,818)   | Non-current liabilities                               | 2,433,161  |
| Non-current assets              | 6,124,708  | Net defined benefit liability                         | 1,600,829  |
| Property, plant and equipment   | 1,539,404  | Other   | 832,331    |
| Buildings and structures, net   | 356,916    | Total liabilities                                     | 10,885,130 |
| Land                            | 797,076    | Net assets  |            |
| Other                           | 385,411    | Shareholders' equity                                  | 16,250,089 |
| Intangible assets               | 1,658,226  | Capital stock   | 1,672,777  |
| Goodwill                        | 480,776    | Capital surplus                                       | 6,763,112  |
| Other                           | 1,177,449  | Retained earnings                                     | 7,814,198  |
| Investments and other assets    | 2,927,078  | Accumulated other comprehensive income                | 336,999    |
| Investment securities           | 1,173,670  | Valuation difference on available-for-sale securities | 334,983    |
| Deferred tax assets             | 333,295    | Foreign currency translation adjustment               | 20,219     |
| Other                           | 1,605,370  | Remeasurements of defined benefit plans               | (18,202)   |
| Allowance for doubtful accounts | (185,258)  | Non-controlling interests                             | 172,297    |
| Total assets                    | 27,644,516 | Total net assets                                      | 16,759,385 |
|                                 |            | Total liabilities and net assets                      | 27,644,516 |

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

## Consolidated Statements of Income

(January 1, 2017 - December 31, 2017)

(Thousand yen)

| Description   | Amount    |            |
|---|-----------|------------|
| Net sales   |           | 19,409,333 |
| Cost of sales   |           | 7,239,870  |
| Gross profit  |           | 12,169,462 |
| Selling, general and administrative expenses                  |           | 8,924,075  |
| Operating income  |           | 3,245,387  |
| Non-operating income  |           |            |
| Interest income   | 7,900     |            |
| Dividend income   | 37,549    |            |
| Share of profit of entities accounted for using equity method | 54,699    |            |
| Other   | 44,471    | 144,620    |
| Non-operating expenses  |           |            |
| Interest expenses   | 4,400     |            |
| Foreign exchange losses                                       | 31,712    |            |
| Provision of allowance for doubtful accounts                  | 30,472    |            |
| Other   | 1,813     | 68,398     |
| Ordinary income   |           | 3,321,609  |
| Extraordinary income  |           |            |
| Gain on sales of investment securities                        | 86,240    |            |
| Gain on sales of shares of subsidiaries and associates        | 95,503    |            |
| Other   | 661       | 182,404    |
| Extraordinary losses  |           |            |
| Loss on retirement of non-current assets                      | 21,791    |            |
| Loss on valuation of shares of subsidiaries and associates    | 33,558    |            |
| Provision of allowance for doubtful accounts                  | 109,057   |            |
| Other   | 594       | 165,001    |
| Profit before income taxes                                    |           | 3,339,012  |
| Income taxes-current  | 1,471,615 |            |
| Income taxes-deferred   | 60,830    | 1,532,446  |
| Profit  |           | 1,806,565  |
| Profit attributable to non-controlling interests              |           | 39,029     |
| Profit attributable to owners of parent                       |           | 1,767,535  |

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

## Consolidated Statements of Changes in Equity

(January 1, 2017 - December 31, 2017)

(Thousand yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 138,788              | 5,665,384       | 6,397,559         | (515,032)       | 11,686,700                 |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Issuance of new shares                               | 1,533,989            | 78,260          |                   |                 | 1,612,249                  |
| Dividends of surplus                                 |                      |                 | (350,896)         |                 | (350,896)                  |
| Profit attributable to owners of parent              |                      |                 | 1,767,535         |                 | 1,767,535                  |
| Disposal of treasury shares                          |                      | 1,019,467       |                   | 515,032         | 1,534,500                  |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | 1,533,989            | 1,097,727       | 1,416,639         | 515,032         | 4,563,388                  |
| Balance at end of current period                     | 1,672,777            | 6,763,112       | 7,814,198         | —               | 16,250,089                 |

|  | 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 current period               | 318,595   | 31,549                                  | (30,596)                                | 319,548                                      | 133,267                   | 12,139,516       |
| Changes of items during period                       |   |   |   |  |                           |                  |
| Issuance of new shares                               |   |   |   |  |                           | 1,612,249        |
| Dividends of surplus                                 |   |   |   |  |                           | (350,896)        |
| Profit attributable to owners of parent              |   |   |   |  |                           | 1,767,535        |
| Disposal of treasury shares                          |   |   |   |  |                           | 1,534,500        |
| Net changes of items other than shareholders' equity | 16,387  | (11,329)                                | 12,393                                  | 17,451                                       | 39,029                    | 56,480           |
| Total changes of items during period                 | 16,387  | (11,329)                                | 12,393                                  | 17,451                                       | 39,029                    | 4,619,869        |
| Balance at end of current period                     | 334,983   | 20,219                                  | (18,202)                                | 336,999                                      | 172,297                   | 16,759,385       |

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

## Non-Consolidated Balance Sheets

(As of December 31, 2017)

(Thousand yen)

| Description  | Amount            | Description   | Amount            |
|--|-------------------|---|-------------------|
| Assets   |                   | Liabilities   |                   |
| Current assets   | 7,706,648         | Current liabilities                                     | 3,608,019         |
| Cash and deposits  | 3,798,818         | Accounts payable - trade                                | 758,079           |
| Accounts receivable - trade  | 566,318           | Due to auction members                                  | 885,265           |
| Due from auction members   | 2,332,901         | Short-term loans payable to subsidiaries and associates | 1,270,000         |
| Inventories  | 77,096            | Lease obligations                                       | 44,500            |
| Prepaid expenses   | 88,606            | Accounts payable - other                                | 307,017           |
| Deferred tax assets  | 53,546            | Accrued expenses  | 79,493            |
| Short-term loans receivable from subsidiaries and associates               | 333,943           | Income taxes payable                                    | 131,371           |
| Accounts receivable - other  | 243,339           | Deposits received                                       | 86,003            |
| Advances paid  | 357,706           | Unearned revenue  | 4,341             |
| Other  | 21,763            | Provision for bonuses                                   | 32,406            |
| Allowance for doubtful accounts  | (167,392)         | Other   | 9,539             |
| Non-current assets   | 8,023,403         | Non-current liabilities                                 | 2,137,020         |
| Property, plant and equipment  | 501,617           | Guarantee deposits received                             | 296,725           |
| Buildings  | 143,574           | Provision for retirement benefits                       | 1,129,770         |
| Vehicles   | 785               | Lease obligations                                       | 207,025           |
| Tools, furniture and fixtures  | 350,062           | Long-term accounts payable - other                      | 503,500           |
| Land   | 7,195             | <b>Total liabilities</b>                                | <b>5,745,040</b>  |
| Intangible assets  | 1,511,189         | Net assets  |                   |
| Goodwill   | 540,805           | Shareholders' equity                                    | 9,650,028         |
| Software   | 966,675           | Capital stock   | 1,672,777         |
| Other  | 3,708             | Capital surplus   | 6,763,112         |
| Investments and other assets   | 6,010,595         | Legal capital surplus                                   | 4,113,989         |
| Investment securities  | 1,001,774         | Other capital surplus                                   | 2,649,123         |
| Shares of subsidiaries and associates                                      | 4,069,122         | Retained earnings                                       | 1,214,137         |
| Long-term loans receivable from employees                                  | 1,001             | Other retained earnings                                 | 1,214,137         |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 82,597            | Retained earnings brought forward                       | 1,214,137         |
| Long-term prepaid expenses   | 14,646            | Valuation and translation adjustments                   | 334,983           |
| Deferred tax assets  | 166,422           | Valuation difference on available-for-sale securities   | 334,983           |
| Lease and guarantee deposits   | 622,524           |   |                   |
| Other  | 131,544           |   |                   |
| Allowance for doubtful accounts  | (79,038)          | <b>Total net assets</b>                                 | <b>9,985,011</b>  |
| <b>Total assets</b>  | <b>15,730,051</b> | <b>Total liabilities and net assets</b>                 | <b>15,730,051</b> |

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



## Non-Consolidated Statements of Income

(January 1, 2017 - December 31, 2017)

(Thousand yen)

| Description  | Amount    |           |
|--|-----------|-----------|
| Net sales  |           | 9,401,513 |
| Cost of sales  |           | 5,097,937 |
| Gross profit   |           | 4,303,575 |
| Selling, general and administrative expenses                               |           | 5,145,622 |
| Operating income (loss)  |           | (842,047) |
| Non-operating income   |           |           |
| Interest income  | 8,130     |           |
| Dividend income  | 1,721,878 |           |
| Other  | 38,941    | 1,768,950 |
| Non-operating expenses   |           |           |
| Interest expenses  | 47,749    |           |
| Provision of allowance for doubtful accounts                               | 45,102    |           |
| Other  | 1,791     | 94,643    |
| Ordinary income  |           | 832,260   |
| Extraordinary income   |           |           |
| Gain on sales of investment securities                                     | 86,240    | 86,240    |
| Extraordinary losses   |           |           |
| Loss on retirement of non-current assets                                   | 461       |           |
| Loss on valuation of investments in capital of subsidiaries and associates | 47,259    |           |
| Other  | 3,037     | 50,757    |
| Profit before income taxes   |           | 867,742   |
| Income taxes-current   | 111,016   |           |
| Income taxes-deferred  | 3,871     | 114,887   |
| Profit   |           | 752,854   |

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

## Non-Consolidated Statements of Changes in Equity

(January 1, 2017 - December 31, 2017)

(Thousand yen)

|  | Shareholders' equity |                       |                       |                                   |                         |                         |
|--|----------------------|-----------------------|-----------------------|-----------------------------------|-------------------------|-------------------------|
|  | Capital stock        | 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 current period               | 138,788              | 4,035,729             | 1,629,655             | 5,665,384                         | 812,179                 | 812,179                 |
| Changes of items during period                       |                      |                       |                       |                                   |                         |                         |
| Issuance of new shares                               | 1,533,989            | 78,260                |                       | 78,260                            |                         |                         |
| Dividends of surplus                                 |                      |                       |                       |                                   | (350,896)               | (350,896)               |
| Profit   |                      |                       |                       |                                   | 752,854                 | 752,854                 |
| Disposal of treasury shares                          |                      |                       | 1,019,467             | 1,019,467                         |                         |                         |
| Net changes of items other than shareholders' equity |                      |                       |                       |                                   |                         |                         |
| Total changes of items during period                 | 1,533,989            | 78,260                | 1,019,467             | 1,097,727                         | 401,958                 | 401,958                 |
| Balance at end of current period                     | 1,672,777            | 4,113,989             | 2,649,123             | 6,763,112                         | 1,214,137               | 1,214,137               |

|  | 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 current period               | (515,032)            | 6,101,320                  | 318,595   | 318,595                                     | 6,419,916        |
| Changes of items during period                       |                      |                            |   |   |                  |
| Issuance of new shares                               |                      | 1,612,249                  |   |   | 1,612,249        |
| Dividends of surplus                                 |                      | (350,896)                  |   |   | (350,896)        |
| Profit   |                      | 752,854                    |   |   | 752,854          |
| Disposal of treasury shares                          | 515,032              | 1,534,500                  |   |   | 1,534,500        |
| Net changes of items other than shareholders' equity |                      |                            | 16,387  | 16,387                                      | 16,387           |
| Total changes of items during period                 | 515,032              | 3,548,707                  | 16,387  | 16,387                                      | 3,565,095        |
| Balance at end of current period                     | —                    | 9,650,028                  | 334,983   | 334,983                                     | 9,985,011        |

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

**Independent Auditor's Report**  
(English Translation)

February 19, 2018

To the Board of Directors  
AUCNET INC.

Grant Thornton Taiyo LLC

Tatsuya Arai, CPA  
Designated Limited Liability Partner  
Engagement Partner  
Keita Tajiri, CPA  
Designated Limited Liability Partner  
Engagement Partner

We have audited the consolidated financial statements, which consist of the consolidated balance sheets, the consolidated statements of income, the consolidated statements of changes in equity and the notes to the consolidated financial statements of AUCNET INC. (the "Company") for the fiscal year from January 1, 2017 to December 31, 2017, pursuant to Article 444, Paragraph 4 of the Companies Act.

**Management's responsibility for consolidated financial statements**

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal control, which management considers necessary for the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and perform the audit according to such plan.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. Although the purpose of the audit is not to express an opinion on the effectiveness of the entity's internal control, in making those risk assessments, the auditor evaluates internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements and the supplemental schedules in order to design audit procedures that are appropriate for the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, their application method, and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Auditors' opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company Group consisting of AUCNET INC. and its consolidated subsidiaries as of December 31, 2017 and the consolidated result of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

**Relationship of interest**

We have no interests in or relationships with the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Independent Auditor's Report**  
(English Translation)

February 19, 2018

To the Board of Directors  
AUCNET INC.

Grant Thornton Taiyo LLC

Tatsuya Arai, CPA  
Designated Limited Liability Partner  
Engagement Partner  
Keita Tajiri, CPA  
Designated Limited Liability Partner  
Engagement Partner

We have audited the non-consolidated financial statements, which consist of the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statements of changes in equity and the notes to the non-consolidated financial statements and the supplementary schedules thereof of AUCNET INC. (the "Company") for the 10th fiscal year from January 1, 2017 to December 31, 2017, pursuant to Article 436, Paragraph 4, Item 1 of the Companies Act.

Management's responsibility for non-consolidated financial statements

Management is responsible for the preparation and fair presentation of non-consolidated financial statements and the supplemental schedules in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal control, which management considers necessary for the preparation and fair presentation of non-consolidated financial statements and the supplemental schedules that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the supplemental schedules from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan audits to obtain reasonable assurance about whether the non-consolidated financial statements and the supplemental schedules are free of material misstatement, and perform the audit according to such plan.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplemental schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the supplemental schedules, whether due to fraud or error. Although the purpose of the audit is not to express an opinion on the effectiveness of the entity's internal control, in making those risk assessments, the auditor evaluates internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplemental schedules in order to design audit procedures that are appropriate for the circumstances. An audit also includes evaluating the appropriateness of accounting policies adopted, their application method, and the accounting estimates made by management, as well as the overall presentation of the non-consolidated financial statements and the supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' opinion

In our opinion, the non-consolidated financial statements and supplementary schedules thereof referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and the result of its operation for the year then ended in conformity with accounting principles generally accepted in Japan.

Relationship of interest

We have no interests in or relationships with the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

## **Audit Report** (English Translation)

The Audit & Supervisory Committee audited the performance of duties by the Directors for the 10th fiscal year from January 1, 2017 to December 31, 2017, and hereby submits the method and results of the audit.

### 1. Summary of auditing methods

The Audit & Supervisory Committee received reports periodically from Directors, employees and other relevant personnel about the details of Board of Directors' resolutions concerning the matters set forth in Article 399-13, Paragraph 1, Item 1 (b) and (c) of the Companies Act, as well as the establishment and application of the system based on such resolutions (the internal control system), and sought explanations as necessary, expressed opinions and conducted the audit through the methods described below.

- (1) In conformity with the auditing standards, etc. of the Audit & Supervisory Committee established by the Audit & Supervisory Committee, following the auditing policies and priority audit items for the fiscal year, and cooperating with the internal audit division and other divisions in charge of internal control, we participated in important meetings, received reports from the Directors, employees and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important authorization documents and associated information, and investigated the operations and financial positions of the head office and principal business offices. With respect to subsidiaries, we communicated with, and collected information from, Directors, Corporate Auditors and other relevant personnel of subsidiaries as well as received reports from subsidiaries on their business as necessary.
- (2) We monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that "systems for ensuring that the performance of duties is being carried out correctly" (matters set forth in each item of Article 131 of the Rules of Corporate Accounting) had been prepared in accordance with the Standard on Quality Control for Audits (issued by the Business Accounting Council on October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the Business Report and the supplementary schedules thereof, the non-consolidated financial statements (non-consolidated balance sheets, non-consolidated statements of income, non-consolidated statements of changes in equity, and notes to the non-consolidated financial statements) and the supplementary schedules thereof, as well as the consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in equity and notes to the consolidated financial statements) related to the relevant fiscal year.

## 2. Results of audit

### (1) Results of audit of business report and other relevant documents

- 1) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations, and the Articles of Incorporation, and fairly represent the Company's condition.
- 2) We have found no wrongful action related to performance of duties by the Directors or material facts of violation of related laws and regulations, or the Articles of Incorporation.
- 3) In our opinion, the contents of the resolutions of the Board of Directors related to the internal control system are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal control system.

### (2) Results of audit of non-consolidated financial statements and supplementary schedules

In our opinion, the methods and results employed and rendered by Grant Thornton Taiyo LLC are fair and reasonable.

### (3) Results of audit of consolidated financial statements

In our opinion, the methods and results employed and rendered by Grant Thornton Taiyo LLC are fair and reasonable.

February 20, 2018

Audit & Supervisory Committee, AUCNET INC.

|  |                 |
|--|-----------------|
| Full-Time Audit & Supervisory<br>Committee Member          | Koji Sasaki     |
| Audit & Supervisory Committee<br>Member (Outside Director) | Masaaki Ayukawa |
| Audit & Supervisory Committee<br>Member (Outside Director) | Ryozo Ushioda   |