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(Securities code 3964)
March 5, 2019

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 11TH ANNUAL GENERAL SHAREHOLDERS MEETING

You are cordially invited to attend the 11th 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 26, 2019 Japan time.

- 1. Date and Time:** Wednesday, March 27, 2019 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 11th Fiscal Year (January 1, 2018 – December 31, 2018) 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 11th Fiscal Year (January 1, 2018 – December 31, 2018)

Proposals to be resolved:

- Proposal:** Election of Seven (7) Directors (excluding Directors Who are Audit & Supervisory Committee Members)

- 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 11th 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 11th 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: Election of Seven (7) Directors (excluding Directors Who are Audit & Supervisory Committee Members)

The terms of office of all eight (8) Directors (excluding Directors who are Audit & Supervisory Committee Members) will expire at the conclusion of this General Shareholders Meeting. Accordingly, the election of seven (7) Directors (excluding Directors who are Audit & Supervisory Committee Members) is proposed for establishing a management structure that allows a flexible response to changes in the business environment by reducing one (1) 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 President and Executive Officer	17 out of 17 (100%)
2	Reappointment	Chiaki Fujino	Director Vice President and Executive Officer DM, New Business Planning Division	17 out of 17 (100%)
3	Reappointment	Shinichiro Fujisaki	Director Senior Managing Executive Officer DM, Automobile Business Division	17 out of 17 (100%)
4	Reappointment	Shunji Sato	Director Managing Executive Officer DM, Business Management Division	13 out of 13 (100%)
5	Reappointment	Nobukazu Tajima	Director Managing Executive Officer DM, Corporate Management Division	17 out of 17 (100%)
6	Reappointment Outside Director	Seiichiro Umeno	Outside Director	16 out of 17 (94%)
7	Reappointment Outside Director	Ikuo Kaminishi	Outside Director	17 out of 17 (100%)

1	Career summary, positions and responsibilities																						
<p>Kiyotaka Fujisaki Reappointment</p> <p>Date of birth December 18, 1952</p> <p>Number of shares of the Company held 501,600 shares</p> <p>Attendance at the Board of Directors meetings 17 out of 17 (100%)</p>	<table border="0"> <tr> <td data-bbox="518 208 750 271">February 1985</td> <td data-bbox="750 208 1412 271">Director and General Manager, IT System Development Department, the Company</td> </tr> <tr> <td data-bbox="518 271 750 304">October 1987</td> <td data-bbox="750 271 1412 304">Managing Director</td> </tr> <tr> <td data-bbox="518 304 750 338">March 1993</td> <td data-bbox="750 304 1412 338">Senior Managing Director</td> </tr> <tr> <td data-bbox="518 338 750 371">August 1993</td> <td data-bbox="750 338 1412 371">Representative Director and President (to present)</td> </tr> <tr> <td data-bbox="518 371 750 405">March 2010</td> <td data-bbox="750 371 1412 405">President and Executive Officer (to present)</td> </tr> </table> <p>Reasons for selection as a candidate for Director Mr. Kiyotaka Fujisaki has demonstrated strong leadership at the heart of management, made efforts to enhance corporate value of the Company, and taken the initiative for management reform upon assuming office as the Representative Director 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>	February 1985	Director and General Manager, IT System Development Department, the Company	October 1987	Managing Director	March 1993	Senior Managing Director	August 1993	Representative Director and President (to present)	March 2010	President and Executive Officer (to present)												
February 1985	Director and General Manager, IT System Development Department, the Company																						
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August 1993	Representative Director and President (to present)																						
March 2010	President and Executive Officer (to present)																						
2	Career summary, positions and responsibilities																						
<p>Chiaki Fujino Reappointment</p> <p>Date of birth November 10, 1952</p> <p>Number of shares of the Company held 110,000 shares</p> <p>Attendance at the Board of Directors meetings 17 out of 17 (100%)</p>	<table border="0"> <tr> <td data-bbox="518 790 750 853">January 2002</td> <td data-bbox="750 790 1412 853">Representative Director and President, iRaTe.com (currently NANO Media Inc.)</td> </tr> <tr> <td data-bbox="518 853 750 887">March 2010</td> <td data-bbox="750 853 1412 887">Director</td> </tr> <tr> <td data-bbox="518 887 750 920">June 2010</td> <td data-bbox="750 887 1412 920">Advisor</td> </tr> <tr> <td data-bbox="518 920 750 954">October 2010</td> <td data-bbox="750 920 1412 954">Joined the Company, Advisor</td> </tr> <tr> <td data-bbox="518 954 750 1016">January 2011</td> <td data-bbox="750 954 1412 1016">Senior Managing Executive Officer and GM, New Business Planning Division</td> </tr> <tr> <td data-bbox="518 1016 750 1079">January 2012</td> <td data-bbox="750 1016 1412 1079">Director, Vice President and Executive Officer (to present)</td> </tr> <tr> <td data-bbox="518 1079 750 1113">January 2014</td> <td data-bbox="750 1079 1412 1113">Senior GM, New Business Planning Division</td> </tr> <tr> <td data-bbox="518 1113 750 1176">January 2015</td> <td data-bbox="750 1113 1412 1176">Senior GM, Digital Products Headquarter, Business Management Division</td> </tr> <tr> <td data-bbox="518 1176 750 1238">January 2016</td> <td data-bbox="750 1176 1412 1238">Director and Chairperson, AUCNET DIGITAL PRODUCTS INC. (to present)</td> </tr> <tr> <td data-bbox="518 1238 750 1301">March 2016</td> <td data-bbox="750 1238 1412 1301">Representative Director and President, AUCNETMEDICAL INC.</td> </tr> <tr> <td data-bbox="518 1301 750 1335">January 2019</td> <td data-bbox="750 1301 1412 1335">DM, New Business Planning Division (to present)</td> </tr> </table> <p>Reasons for selection as a candidate for Director 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 significant 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>	January 2002	Representative Director and President, iRaTe.com (currently NANO Media Inc.)	March 2010	Director	June 2010	Advisor	October 2010	Joined the Company, Advisor	January 2011	Senior Managing Executive Officer and GM, New Business Planning Division	January 2012	Director, Vice President and Executive Officer (to present)	January 2014	Senior GM, New Business Planning Division	January 2015	Senior GM, Digital Products Headquarter, Business Management Division	January 2016	Director and Chairperson, AUCNET DIGITAL PRODUCTS INC. (to present)	March 2016	Representative Director and President, AUCNETMEDICAL INC.	January 2019	DM, New Business Planning Division (to present)
January 2002	Representative Director and President, iRaTe.com (currently NANO Media Inc.)																						
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January 2016	Director and Chairperson, AUCNET DIGITAL PRODUCTS INC. (to present)																						
March 2016	Representative Director and President, AUCNETMEDICAL INC.																						
January 2019	DM, New Business Planning Division (to present)																						

3	Career summary, positions and responsibilities
<p>Shinichiro Fujisaki Reappointment</p> <p>Date of birth November 22, 1975</p> <p>Number of shares of the Company held 821,800 shares</p> <p>Attendance at the Board of Directors meetings 17 out of 17 (100%)</p>	<p>February 2009 Director, Japan Business Television Inc. (currently JBTV, Inc.) (to present)</p> <p>January 2011 Joined the Company 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.</p> <p>July 2016 Senior GM, Digital Products Headquarter, Business Management Division, the Company</p> <p>January 2017 Managing Executive Officer Senior GM, Digital Products Division</p> <p>January 2019 Senior Managing Executive Officer (to present) DM, Automobile Business Division (to present)</p> <p>Reasons for selection as a candidate for Director 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>
4	Career summary, positions and responsibilities
<p>Shunji Sato Reappointment</p> <p>Date of birth March 3, 1961</p> <p>Number of shares of the Company held –</p> <p>Attendance at the Board of Directors meetings 13 out of 13 (100%)</p>	<p>April 1983 Joined Orient Finance Co., Ltd. (currently Orient Corporation)</p> <p>June 2014 Executive Officer</p> <p>July 2017 Joined the Company Managing Executive Officer (to present)</p> <p>January 2018 Senior GM, Business Management Division</p> <p>March 2018 Director (to present)</p> <p>January 2019 DM, Business Management Division (to present)</p> <p>Reasons for selection as a candidate for Director Mr. Shunji Sato has abundant experience in the sales field over many years. With his wealth of experience and deep insight, he has significantly contributed to the business expansion of the Company. Based on his wealth of experience and achievements, he is fulfilling his duties as a Director. The Company expects him to 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	Career summary, positions and responsibilities																
<p>Nobukazu Tajima Reappointment</p> <p>Date of birth May 8, 1963</p> <p>Number of shares of the Company held 40,000 shares</p> <p>Attendance at the Board of Directors meetings 17 out of 17 (100%)</p>	<table border="0"> <tr> <td data-bbox="523 203 746 237">November 2008</td> <td data-bbox="746 203 1417 237">Joined the Company</td> </tr> <tr> <td data-bbox="523 237 746 271"></td> <td data-bbox="746 237 1417 271">DGM, Administrative Management Division</td> </tr> <tr> <td data-bbox="523 271 746 304">March 2009</td> <td data-bbox="746 271 1417 304">GM, Administrative Management Division</td> </tr> <tr> <td data-bbox="523 304 746 338">January 2010</td> <td data-bbox="746 304 1417 338">Executive Officer</td> </tr> <tr> <td data-bbox="523 338 746 371">March 2015</td> <td data-bbox="746 338 1417 371">Director (to present)</td> </tr> <tr> <td data-bbox="523 371 746 405">May 2015</td> <td data-bbox="746 371 1417 405">Senior GM, Corporate Management Division</td> </tr> <tr> <td data-bbox="523 405 746 439">January 2019</td> <td data-bbox="746 405 1417 439">Managing Executive Officer (to present)</td> </tr> <tr> <td data-bbox="523 439 746 472"></td> <td data-bbox="746 439 1417 472">DM, Corporate Management Division (to present)</td> </tr> </table> <p>Reasons for selection as a candidate for Director</p> <p>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>	November 2008	Joined the Company		DGM, Administrative Management Division	March 2009	GM, Administrative Management Division	January 2010	Executive Officer	March 2015	Director (to present)	May 2015	Senior GM, Corporate Management Division	January 2019	Managing Executive Officer (to present)		DM, Corporate Management Division (to present)
November 2008	Joined the Company																
	DGM, Administrative Management Division																
March 2009	GM, Administrative Management Division																
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March 2015	Director (to present)																
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January 2019	Managing Executive Officer (to present)																
	DM, Corporate Management Division (to present)																
6	Career summary, positions and responsibilities																
<p>Seiichiro Umeno Reappointment Outside</p> <p>Date of birth September 1, 1961</p> <p>Number of shares of the Company held –</p> <p>Attendance at the Board of Directors meetings 16 out of 17 (94%)</p>	<table border="0"> <tr> <td data-bbox="523 826 746 860">April 1989</td> <td data-bbox="746 826 1417 860">Registered as an attorney-at-law</td> </tr> <tr> <td data-bbox="523 860 746 893"></td> <td data-bbox="746 860 1417 893">Joined Tokyo Yaesu Law Offices</td> </tr> <tr> <td data-bbox="523 893 746 927">August 1990</td> <td data-bbox="746 893 1417 927">Joined Masuda & Ejiri</td> </tr> <tr> <td data-bbox="523 927 746 960">January 1995</td> <td data-bbox="746 927 1417 960">Registered as a New York State attorney</td> </tr> <tr> <td data-bbox="523 960 746 994">March 2006</td> <td data-bbox="746 960 1417 994">Outside Director, the Company (until March 2008)</td> </tr> <tr> <td data-bbox="523 994 746 1028">April 2007</td> <td data-bbox="746 994 1417 1028">Partner, Nagashima Ohno & Tsunematsu (to present)</td> </tr> <tr> <td data-bbox="523 1028 746 1061">March 2010</td> <td data-bbox="746 1028 1417 1061">Corporate Auditor, VeriSign Japan K.K.</td> </tr> <tr> <td data-bbox="523 1061 746 1095">March 2016</td> <td data-bbox="746 1061 1417 1095">Outside Director, the Company (to present)</td> </tr> </table> <p>Reasons for selection as a candidate for Outside Director</p> <p>Mr. Seiichiro Umeno has abundant expertise and experience as an attorney-at-law. Based on his wealth of expertise and experience, he is fulfilling his duties as an Outside Director. The Company expects him to continue to play an adequate role as an Outside Director from an independent standpoint, and therefore renominated him as a candidate for Outside Director. Although he has not been involved in corporate management except as an Outside Director, based on the above reasons, he is expected to adequately perform duties as Outside Director of the Company.</p>	April 1989	Registered as an attorney-at-law		Joined Tokyo Yaesu Law Offices	August 1990	Joined Masuda & Ejiri	January 1995	Registered as a New York State attorney	March 2006	Outside Director, the Company (until March 2008)	April 2007	Partner, Nagashima Ohno & Tsunematsu (to present)	March 2010	Corporate Auditor, VeriSign Japan K.K.	March 2016	Outside Director, the Company (to present)
April 1989	Registered as an attorney-at-law																
	Joined Tokyo Yaesu Law Offices																
August 1990	Joined Masuda & Ejiri																
January 1995	Registered as a New York State attorney																
March 2006	Outside Director, the Company (until March 2008)																
April 2007	Partner, Nagashima Ohno & Tsunematsu (to present)																
March 2010	Corporate Auditor, VeriSign Japan K.K.																
March 2016	Outside Director, the Company (to present)																

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

- Notes:
1. There are no special interests between the candidates and the Company.
 2. DM, GM and DGM stand for Division Manager, General Manager and Deputy General Manager, respectively.
 3. Messrs. Seiichiro Umeno and Ikuo Kaminishi are candidates for Outside Directors.
 4. 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.
 5. Mr. Seiichiro Umeno will have served as Outside Director for three (3) years at the conclusion of this Annual General Shareholders Meeting.
 6. Mr. Ikuo Kaminishi will have served as Outside Director for two (2) years at the conclusion of this Annual General Shareholders Meeting.
 7. Mr. Seiichiro Umeno has been an Outside Director of the Company in the past.
 8. Mr. Shunji Sato'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 28, 2018, and therefore the scope is different from that of the other candidates.

1. Overview of the Company Group

(1) Business Progress and Results

During the fiscal year ended December 31, 2018 (from January 1, 2018 to December 31, 2018), the Japanese economy continued to show modest recovery with continuing improvement in corporate earnings and in the employment and income picture, against a backdrop of the government's economic policies. However, economic trends remained unclear, and it is necessary to pay close attention to implications of frequently occurring natural disasters in Japan, movements of the trade friction caused by the trade policy of the United States, and other factors.

In these circumstances, in line with our brand statement, "Shaping the Future of Commerce," the Company has worked to further improve its social and economic value, by (1) creating next-generation information distribution services, (2) thoroughly upgrading services to outperform competitors and (3) establishment and development of overseas business models.

As a result, net sales decreased but income increased in the Automobile Business amid tough market conditions. Net sales and income decreased in the Digital Product Business due to a significant decrease in distribution volume from the previous fiscal year caused by various external factors. For the fiscal year ended December 31, 2018, net sales of the Company were ¥19,492,679 thousand (up 0.4% from the previous fiscal year), operating income was ¥3,219,003 thousand (down 0.8% from the previous fiscal year), ordinary income was ¥3,308,749 thousand (down 0.4% from the previous fiscal year), and profit attributable to owners of parent was ¥1,707,941 thousand (down 3.4% from the previous fiscal year).

Performance results by business segment are as follows.

From the fiscal year under review, the online sales of automotive accessories which was previously included in the "Other" segment, is now included in the "Automobile Business" segment, due to the revision of business management practices.

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

1) Automobile Business

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

In the Japanese automotive sector, which has close connections with our business, total new-vehicle registrations (*6) increased 0.7% year-on-year to 5.27 million units in the fiscal year ended December 31, 2018. The total number of used-vehicle registrations (*7) increased 0.2% year-on-year to 6.95 million units, and the number of vehicles exhibited (*8) at auctions around Japan declined 2.1% year-on-year to 7.36 million units. The total number of vehicles sold at auction (*8) increased 0.9% year-on-year to 4.78 million units.

For our used vehicle auctions, the number of vehicles listed, the number of vehicles sold at auction and the rate of sales all increased as we took measures to encourage dealers, rental and lease companies, major purchasing stores, etc. to list more vehicles and promoted the use of our "Value Up Centers," one-stop facilities that provide services ranging from inspections and repairs to auction listing of traded-in vehicles. For our live linked auctions, the number of vehicles sold at auction increased as a result of the promotion of "Omatome Service," a service that arranges land transportation for purchased vehicles and consolidates multiple payments for different physical used car auctions. However, in the proxy bidding service, the number of vehicles sold at auction decreased, mainly due to the termination of a business alliance with a major physical auction site and effects of typhoons and other natural disasters.

As a result, for the fiscal year ended December 31, 2018, net sales of the Automobile Business

(including inter-segment net sales) were ¥11,814,994 thousand (down 2.2% from the same period of the previous year), and operating income was ¥3,620,486 thousand (up 6.5% from the same period of the previous year).

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

2) Digital Product Business

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

We raised demand by acquiring new overseas buyers and expanding overseas sales channels, while taking measures to increase transaction commissions, such as review of the method to evaluate device quality. However, the distribution volume significantly dropped as replacement demand for new smartphones fell from the previous fiscal year.

As a result, net sales of the Digital Product Business were ¥4,040,863 thousand (down 2.0% from the previous year), and operating income was ¥1,931,579 thousand (down 5.1% from the previous year).

3) Other Information Distribution Business

The Other Information Distribution Business comprises auctions for pre-owned luxury brand items, used motorcycles, and flowers (cut and potted), and services pertaining to distribution.

For pre-owned luxury brand items, as a result of various measures to improve convenience for member customers and efforts to enhance demand from active overseas bidders, such as through a new business partnership with a U.S. entity, the number of listed items and transaction volume each increased significantly compared to the previous year. In used motorcycles, although total number of vehicles exhibited maintained the level of the previous fiscal year owing to our sales efforts, total number of vehicles sold at auction declined due to the effect of poor retail sales under continuing sluggish market conditions. For flowers (cut and potted), our sales efforts successfully increased the number of member customers, but the transaction amount dropped due to typhoons and other natural disasters, which resulted in difficulty in securing items for listing.

As a result, net sales of the Other Information Distribution Business (including inter-segment net sales) were ¥2,668,993 thousand (up 2.4% from the previous year), and operating income was ¥631,246 thousand (down 19.2% from the previous year).

4) Other Business

Other Business comprises system development and provision, communications and operations maintenance service provision, used medical equipment related businesses and overseas businesses.

Net sales of the Other Business (including inter-segment net sales) were ¥1,817,916 thousand (up 52.6% from the previous year), and operating loss was ¥269,306 thousand (the operating loss for the previous year was ¥156,642 thousand).

Transaction results

Contents		Fiscal Year	The 10th fiscal year (From January 1, 2017 to December 31, 2017)	The 11th fiscal year (From January 1, 2018 to December 31, 2018)	YoY
Automobile Business	Automobile Business (Total)	Number of sold items (Units)	417,650	436,114	104.4%
		Total members (*1)	14,447	14,160	98.0%
	Used vehicle auctions	Total number of listed items (Units)	58,556	62,143	106.1%
		Number of sold items (Units)	17,414	19,196	110.2%
		Rate of sale (%) (*2)	31.8	33.2	Increase by 1.4 points
	Shared inventory market	Number of sold items (Units)	11,488	12,993	113.1%
	Live linked auctions	Listed units (Units)	4,811,383	4,565,683	94.9%
		Sold units (Units)	278,658	303,030	108.7%
	The proxy bidding service (i-Auc)	Sold units (Units)	110,090	100,895	91.6%
	Used vehicle inspection service (AIS)	Total inspected units (Units) (*3)	843,841	898,426	106.5%
Digital Product Business	Total transaction amount (Billion yen)		26.6	20.2	76.1%
	Total members (*1)		455	531	116.7%
	Total sales units (Units)		1,707,195	1,442,156	84.5%
Other Information Distribution Business	Pre-owned luxury brand items	Total transaction amount (Billion yen)	8.9	9.9	111.8%
		Total number of listed items (Items)	374,089	433,381	115.8%
		Rate of sale (%)	76.9	73.9	Decrease by 3.0 points
		Total members (*1)	1,545	1,697	109.8%
	Used motorcycles	Total number of listed items (Units)	63,912	64,059	100.2%
		Rate of sale (%) (*2)	48.1	43.0	Decrease by 5.1 points
		Total members (*1)	4,532	4,523	99.8%
	Flowers (cut and potted)	Total transaction amount (Billion yen)	6.4	6.3	98.4%
		Total members (*1) (Buyers)	1,081	1,082	100.1%
		Total members (*1) (Growers)	3,033	3,174	104.6%

(*1) Members are as of the end of the consolidated fiscal year ended December 31, 2018.

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

(*3) Includes used motorcycles inspections.

(2) Capital investment

The Company made capital investment in the total amount of ¥693 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 ¥77 million by issuing new shares through exercise of stock acquisition rights in the fiscal year under review.

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

The Company transferred the KITARO Business to Axis Co., Ltd. through company split (simplified absorption-type split) on October 1, 2018.

(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 pre-owned luxury brand items, used motorcycles, flowers (cut and potted), 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 (pre-owned luxury brand items, used motorcycles and flowers (cut and potted)). We will continue to focus on these items as the Groups’ mainstay businesses, aiming for further enhancement of profitability by making our services more convenient through deep understanding of membership customer needs, continuously launching new products and services, and creating new products and services in view of the entry into peripheral businesses related to B-to-B distribution.

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. The Company promotes efforts to cultivate distribution business that can create competitive and value-added products and services by distributing information (that does not accompany products) and expanding distribution-related services. We will strengthen organizational structures of departments related to marketing, new businesses, and international businesses, whereby we promote functions such as selection of potential areas and categories for new entry, accelerate strategic planning for new market entry, and improve functions including risk management.

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 seeking for overseas growing business models and creating businesses with potential for development.

4) Response to competition

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

5) Recruitment and development of high caliber human resources

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

6) Strengthening of corporate culture and management foundation

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

(9) Trends in assets and income

1) Trends in assets and income of the Company Group

(Thousand yen)

Fiscal year Item	The 8th fiscal year (From January 1, 2015 to December 31, 2015)	The 9th fiscal year (From January 1, 2016 to December 31, 2016)	The 10th fiscal year (From January 1, 2017 to December 31, 2017)	The 11th fiscal year (From January 1, 2018 to December 31, 2018)
Net sales	19,299,275	19,983,859	19,409,333	19,492,679
Ordinary income	4,263,573	4,115,913	3,321,609	3,308,749
Profit attributable to owners of parent	1,868,848	2,183,455	1,767,535	1,707,941
Basic earnings per share(Yen)	90.58	90.77	66.97	62.19
Total assets	22,717,754	25,446,066	27,644,516	27,257,175
Net assets	9,944,101	12,139,516	16,759,385	17,413,699
Net assets per share (Yen)	411.74	498.83	604.33	625.31

- 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 8th 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.
4. The shares of the Company held by the Board Benefit Trust (“BBT”) recorded as treasury shares under shareholders’ equity are included in the treasury shares to be deducted in calculating the number of issued and outstanding shares at the end of the fiscal year and the average number of shares during the fiscal year for the purpose of calculating net assets per share and basic earnings per share. Please note that for the fiscal year under review, the number of shares of the Company held by BBT, which were deducted for the purpose of calculating net assets per share, is 151,800 shares, and the average number of shares of the Company held by BBT during the fiscal year under review, which were deducted for the purpose of calculating basic earnings per share, is 77,509 shares.

2) Trends in assets and income of the Company

(Thousand yen)

Fiscal year Item	The 8th fiscal year (From January 1, 2015 to December 31, 2015)	The 9th fiscal year (From January 1, 2016 to December 31, 2016)	The 10th fiscal year (From January 1, 2017 to December 31, 2017)	The 11th fiscal year (From January 1, 2018 to December 31, 2018)
Net sales	10,050,655	9,385,518	9,401,513	9,487,356
Ordinary income	1,184,544	501,494	832,260	1,013,893
Profit	279,617	118,572	752,854	821,092
Basic earnings per share(Yen)	13.55	4.93	28.53	29.90
Total assets	15,528,172	14,829,643	15,730,051	14,989,438
Net assets	6,246,093	6,419,916	9,985,011	9,745,973
Net assets per share (Yen)	261.59	266.73	363.79	354.20

- 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 8th 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.
4. The shares of the Company held by the Board Benefit Trust (“BBT”) recorded as treasury shares under shareholders’ equity are included in the treasury shares to be deducted in calculating the number of issued and outstanding shares at the end of the fiscal year and the average number of shares during the fiscal year for the purpose of calculating net assets per share and basic earnings per share. Please note that for the fiscal year under review, the number of shares of the Company held by BBT, which were deducted for the purpose of calculating net assets per share, is 151,800 shares, and the average number of shares of the Company held by BBT during the fiscal year under review, which were deducted for the purpose of calculating basic earnings per share, is 77,509 shares.

(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 pre-owned luxury brand items, etc.
JBTv, Inc.	¥400,000 thousand	100.0%	Provision of communication and operation/maintenance services
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\$4,000 thousand	100.0%	Strategic base for the U.S.
Assist Inc.	¥10,000 thousand	100.0%	Provision of system designing/building and general BPO service

- Notes: 1. The ratio of voting rights includes indirect shareholdings.
2. Since significance of Assist Inc. increased during the consolidated fiscal year under review, it has been included in significant subsidiaries.
3. Since all shares in RUNMART INC. were sold during the consolidated fiscal year under review, it has been excluded from significant subsidiaries.
4. AUCNET DIGITAL PRODUCTS USA, LLC. is not included in significant subsidiaries because no capital was paid in as of the end of the fiscal year under review although the registration of its incorporation was completed on November 27, 2018.

2) Matters concerning specified wholly-owned subsidiaries

Not applicable.

3) Equity-method company

Company name	Capital	The Company's equity ratio	Principal business
Blancco Japan Inc.	¥10,000 thousand	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, pre-owned luxury brand items, used motorcycles, and flowers (cut and potted), 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
677 persons	87 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
208 persons	(1) person	41.3 years old	11.6 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	1095-6 Kamiwata Ogori-shi, Fukuoka

2. Status of Shares (as of December 31, 2018)

- (1) Total number of shares authorized to be issued 110,000,000 shares
- (2) Total number of issued and outstanding shares 27,667,500 shares (including 102 treasury shares)
- (3) Number of shareholders 2,865 persons
- (4) Major shareholders

Shareholder name	Number of shares	Shareholding ratio
FLEX CORPORATION	11,448,800 shares	41.38%
NAMAI ASSET MANAGEMENT INC	2,000,000 shares	7.23%
JP MORGAN CHASE BANK 380634	1,321,500 shares	4.78%
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account re-entrusted by Orient Corporation.	1,296,000 shares	4.68%
Orient Corporation	1,296,000 shares	4.68%
FLEX CO., LTD.	844,800 shares	3.05%
BNYM AS AGT/CLTS 10 PERCENT	843,300 shares	3.05%
Shinichiro Fujisaki	821,800 shares	2.97%
Masahiro Fujisaki	821,800 shares	2.97%
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	780,351 shares	2.82%

Notes: 1. Shareholding ratio is calculated after deducting treasury shares (102 shares).

2. The Company has introduced the Board Benefit Trust (BBT), and Trust & Custody Services Bank, Ltd. (Trust E account) holds 151,800 shares, which are not included in the treasury shares stated above.

3. FLEX CORPORATION is an asset management company of the founding family. NAMAI ASSET MANAGEMENT INC is an asset management company of a relative of Mr. Kiyotaka Fujisaki, Representative Director and President of the Company.

4. The 1,296,000 shares held in Trust & Custody Services Bank, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account re-entrusted by Orient Corporation. are trust assets entrusted by Orient Corporation to Mizuho Trust & Banking Co., Ltd. as a retirement benefit trust, and Orient Corporation reserves the right to provide instruction for the exercise of voting rights.

5. In the Statement of Large-Volume Holdings (Change Report) made available to the public inspection on March 7, 2018, FMR LLC indicated that it held 2,745,912 shares (shareholding ratio: 10.00%) as of February 28, 2018. However, the Company has not confirmed the actual number of shares held by the entity as of December 31, 2018, and therefore, FMR LLC is not included in the above list of major shareholders.

(5) Other important matters concerning shares

The total number of issued and outstanding shares increased by 220,500 and capital stock and legal capital surplus each increased by ¥38,557 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)	1,477	295,400 common shares	4 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 295,400 shares from 1,477 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	2,211	1,435
Class of shares subject to stock acquisition rights	Common shares	Common shares
Number of shares subject to stock acquisition rights	442,200 shares	28,700 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 To June 10, 2025	From December 26, 2017 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, 2018.

4. Company Officers

(1) Name, etc. of Directors

Name	Positions, areas of responsibility and significant concurrent positions
Kiyotaka Fujisaki	Representative Director and President President and Executive Officer
Chiaki Fujino	Director and Vice President and Executive Officer Director and Chairperson, AUCNET DIGITAL PRODUCTS INC.
Hisanao Nagashima	Director and Senior Managing Executive Officer Representative Director and President, i-Auc, Inc.
Shinichiro Fujisaki	Director and Managing Executive Officer Senior GM, Digital Products Division Representative Director and President, AUCNET DIGITAL PRODUCTS INC.
Shunji Sato	Director and Managing Executive Officer Senior GM, Business Management Division
Nobukazu Tajima	Director and Executive Officer 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) 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. Shunji Sato assumed office as Director at the Annual General Shareholders Meeting held on March 28, 2018.
 5. 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.
 6. Director who is an Audit & Supervisory Committee Member, Mr. Masaaki Ayukawa is a certified public accountant and has considerable knowledge of finance and accounting.
 7. Director who is an Audit & Supervisory Committee Member, Mr. Ryozo Ushioda has served as Representative Director and President of Flex Housing Co., Ltd. and has considerable knowledge of finance and accounting.
 8. The Company appointed Mr. 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.
 9. Changes in positions, areas of responsibility and significant concurrent positions of Directors after the end of the fiscal year under review are as follows.

(Date of change: January 1, 2019)

Name	Positions, responsibilities, and significant concurrent positions	
	Before change	After change
Chiaki Fujino	Vice President and Executive Officer Director and Chairperson, AUCNET DIGITAL PRODUCTS INC.	Vice President and Executive Officer DM, New Business Planning Division Director and Chairperson, AUCNET DIGITAL PRODUCTS INC.
Shinichiro Fujisaki	Managing Executive Officer Senior GM, Digital Products Division Representative Director and President, AUCNET DIGITAL PRODUCTS INC.	Senior Managing Executive Officer DM, Automobile Business Division
Shunji Sato	Managing Executive Officer Senior GM, Business Management Division	Managing Executive Officer DM, Business Management Division
Nobukazu Tajima	Executive Officer Senior GM, Corporate Management Division	Managing Executive Officer DM, Corporate Management Division
Hisanao Nagashima	Senior Managing Executive Officer Representative Director and President, i-Auc, Inc.	Chairperson, i-Auc, Inc.

Note: DM stands for Division Manager.

(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)	8 persons	¥218,067 thousand
[of which, Outside Directors]	[2 persons]	[¥12,000 thousand]
Directors (Audit & Supervisory Committee Members)	3 persons	¥16,800 thousand
[of which, Outside Directors]	[2 persons]	[¥9,600 thousand]
Total	11 persons	¥234,867 thousand

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

3. The above amount includes provision for stocks payment of ¥27,142 thousand recorded based on the performance-linked stock compensation plan for six Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors).

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

4) Amount of compensation, etc. received from the Company's 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	¥37 million
Cash and other proprietary benefits payable by the Company and its subsidiaries	¥37 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, 2018)

(Thousand yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	21,434,738	Current liabilities	7,319,563
Cash and deposits	16,489,700	Accounts payable - trade	599,991
Accounts receivable - trade	861,503	Due to auction members	4,692,847
Due from auction members	2,639,122	Income taxes payable	673,211
Deferred tax assets	112,502	Provision for bonuses	72,646
Income taxes receivable	233,190	Provision for point card certificates	18,684
Other	1,166,813	Other	1,262,182
Allowance for doubtful accounts	(68,094)	Non-current liabilities	2,523,911
Non-current assets	5,822,436	Net defined benefit liability	1,705,599
Property, plant and equipment	1,551,928	Provision for stocks payment	40,139
Buildings and structures, net	412,452	Other	778,171
Land	797,076	Total liabilities	9,843,475
Other	342,400	Net assets	
Intangible assets	1,393,462	Shareholders' equity	17,080,200
Software	1,387,345	Capital stock	1,711,335
Other	6,117	Capital surplus	6,801,669
Investments and other assets	2,877,044	Retained earnings	8,815,791
Investment securities	916,971	Treasury shares	(248,596)
Deferred tax assets	429,814	Accumulated other comprehensive income	125,531
Other	1,719,244	Valuation difference on available-for-sale securities	161,323
Allowance for doubtful accounts	(188,985)	Foreign currency translation adjustment	10,187
		Remeasurements of defined benefit plans	(45,979)
		Non-controlling interests	207,968
		Total net assets	17,413,699
Total assets	27,257,175	Total liabilities and net assets	27,257,175

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

Consolidated Statements of Income

(January 1, 2018 - December 31, 2018)

(Thousand yen)

Description	Amount	
Net sales		19,492,679
Cost of sales		7,735,252
Gross profit		11,757,426
Selling, general and administrative expenses		8,538,423
Operating income		3,219,003
Non-operating income		
Interest income	7,935	
Dividend income	36,174	
Share of profit of entities accounted for using equity method	66,957	
Other	28,073	139,141
Non-operating expenses		
Interest expenses	3,416	
Foreign exchange losses	23,993	
Provision of allowance for doubtful accounts	20,029	
Other	1,955	49,394
Ordinary income		3,308,749
Extraordinary income		
Gain on sales of non-current assets	5,497	
Gain on sales of shares of subsidiaries and associates	2,140	7,638
Extraordinary losses		
Loss on transfer of business	17,062	
Loss on valuation of investment securities	44,967	
Loss on valuation of shares of subsidiaries and associates	106,890	
Other	13,049	181,969
Profit before income taxes		3,134,417
Income taxes-current	1,367,333	
Income taxes-deferred	23,471	1,390,804
Profit		1,743,613
Profit attributable to non-controlling interests		35,671
Profit attributable to owners of parent		1,707,941

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

Consolidated Statements of Changes in Equity

(January 1, 2018 - December 31, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,672,777	6,763,112	7,814,198	—	16,250,089
Changes of items during period					
Issuance of new shares	38,557	38,557			77,114
Dividends of surplus			(714,449)		(714,449)
Profit attributable to owners of parent			1,707,941		1,707,941
Change in retained earnings from newly consolidated subsidiary			8,100		8,100
Purchase of treasury shares				(248,596)	(248,596)
Net changes of items other than shareholders' equity					
Total changes of items during period	38,557	38,557	1,001,592	(248,596)	830,110
Balance at end of current period	1,711,335	6,801,669	8,815,791	(248,596)	17,080,200

	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	334,983	20,219	(18,202)	336,999	172,297	16,759,385
Changes of items during period						
Issuance of new shares						77,114
Dividends of surplus						(714,449)
Profit attributable to owners of parent						1,707,941
Change in retained earnings from newly consolidated subsidiary						8,100
Purchase of treasury shares						(248,596)
Net changes of items other than shareholders' equity	(173,659)	(10,032)	(27,776)	(211,468)	35,671	(175,796)
Total changes of items during period	(173,659)	(10,032)	(27,776)	(211,468)	35,671	654,314
Balance at end of current period	161,323	10,187	(45,979)	125,531	207,968	17,413,699

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

Non-Consolidated Balance Sheets

(As of December 31, 2018)

(Thousand yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	7,314,875	Current liabilities	3,103,645
Cash and deposits	3,579,170	Accounts payable - trade	733,136
Accounts receivable - trade	543,271	Due to auction members	899,263
Due from auction members	1,829,301	Short-term loans payable to subsidiaries and associates	802,500
Inventories	76,420	Lease obligations	47,369
Prepaid expenses	103,827	Accounts payable - other	343,120
Deferred tax assets	22,902	Accrued expenses	82,126
Short-term loans receivable from subsidiaries and associates	473,943	Income taxes payable	29,231
Accounts receivable - other	269,811	Advances received	5,400
Income taxes receivable	220,117	Deposits received	82,172
Advances paid	343,441	Unearned revenue	2,462
Other	1,417	Provision for bonuses	31,493
Allowance for doubtful accounts	(148,750)	Other	45,369
Non-current assets	7,674,563	Non-current liabilities	2,139,819
Property, plant and equipment	404,676	Guarantee deposits received	320,406
Buildings	133,824	Provision for retirement benefits	1,167,348
Vehicles	1,114	Provision for stocks payment	40,139
Tools, furniture and fixtures	262,542	Lease obligations	152,066
Land	7,195	Long-term accounts payable - other	459,500
Intangible assets	1,199,679	Other	357
Software	1,195,971	Total liabilities	5,243,465
Other	3,708	Net assets	
Investments and other assets	6,070,207	Shareholders' equity	9,585,189
Investment securities	704,355	Capital stock	1,711,335
Shares of subsidiaries and associates	4,145,072	Capital surplus	6,801,669
Investments in capital of subsidiaries and affiliates	228,280	Legal capital surplus	4,152,546
Long-term loans receivable from employees	2,033	Other capital surplus	2,649,123
Claims provable in bankruptcy, claims provable in rehabilitation and other	85,597	Retained earnings	1,320,781
Long-term prepaid expenses	9,791	Other retained earnings	1,320,781
Deferred tax assets	244,046	Retained earnings brought forward	1,320,781
Lease and guarantee deposits	595,522	Treasury shares	(248,596)
Other	140,151	Valuation and translation adjustments	160,783
Allowance for doubtful accounts	(84,645)	Valuation difference on available-for-sale securities	160,783
Total assets	14,989,438	Total net assets	9,745,973
		Total liabilities and net assets	14,989,438

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

Non-Consolidated Statements of Income

(January 1, 2018 - December 31, 2018)

(Thousand yen)

Description	Amount	
Net sales		9,487,356
Cost of sales		5,223,360
Gross profit		4,263,996
Selling, general and administrative expenses		4,836,393
Operating income (loss)		(572,396)
Non-operating income		
Interest income	7,868	
Dividend income	1,514,330	
Other	105,223	1,627,422
Non-operating expenses		
Interest expenses	38,824	
Other	2,307	41,131
Ordinary income		1,013,893
Extraordinary income		
Gain on sales of non-current assets	1,321	
Gain on sales of shares of subsidiaries and associates	53,145	54,466
Extraordinary losses		
Loss on transfer of business	17,062	
Loss on retirement of non-current assets	2,233	
Loss on valuation of investment securities	44,967	
Loss on valuation of shares of subsidiaries and associates	102,094	166,358
Profit before income taxes		902,001
Income taxes-current	51,007	
Income taxes-deferred	29,900	80,908
Profit		821,092

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

Non-Consolidated Statements of Changes in Equity

(January 1, 2018 - December 31, 2018)

(Thousand yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	1,672,777	4,113,989	2,649,123	6,763,112	1,214,137	1,214,137
Changes of items during period						
Issuance of new shares	38,557	38,557		38,557		
Dividends of surplus					(714,449)	(714,449)
Profit					821,092	821,092
Purchase of treasury shares						
Net changes of items other than shareholders' equity						
Total changes of items during period	38,557	38,557	—	38,557	106,643	106,643
Balance at end of current period	1,711,335	4,152,546	2,649,123	6,801,669	1,320,781	1,320,781

	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	—	9,650,028	334,983	334,983	9,985,011
Changes of items during period					
Issuance of new shares		77,114			77,114
Dividends of surplus		(714,449)			(714,449)
Profit		821,092			821,092
Purchase of treasury shares	(248,596)	(248,596)			(248,596)
Net changes of items other than shareholders' equity			(174,199)	(174,199)	(174,199)
Total changes of items during period	(248,596)	(64,838)	(174,199)	(174,199)	(239,037)
Balance at end of current period	(248,596)	9,585,189	160,783	160,783	9,745,973

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

Independent Auditor's Report
(English Translation)

February 19, 2019

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, 2018 to December 31, 2018, 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, 2018 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, 2019

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 11th fiscal year from January 1, 2018 to December 31, 2018, pursuant to Article 436, Paragraph 2, 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, 2018 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 11th fiscal year from January 1, 2018 to December 31, 2018, 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 21, 2019

Audit & Supervisory Committee, AUCNET INC.

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