

These documents have been translated from Japanese originals for reference purposes only. In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.

(Securities code 3964)  
March 5, 2020

**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 12TH ANNUAL GENERAL SHAREHOLDERS MEETING**

You are cordially invited to attend the 12th 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 Thursday, March 26, 2020 Japan time.**

- 1. Date and Time:** Friday, March 27, 2020 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 12th Fiscal Year (January 1, 2019 – December 31, 2019) 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 12th Fiscal Year (January 1, 2019 – December 31, 2019)

**Proposals to be resolved:**

- Proposal No. 1:** Election of Six (6) Directors (excluding Directors Who are Audit & Supervisory Committee Members)
- Proposal No. 2:** Election of Three (3) Directors Who are Audit & Supervisory Committee Members
- Proposal No. 3:** Election of One (1) Substitute Director Who is an Audit & Supervisory Committee Member
- Proposal No. 4:** Determination of Compensation for the Granting of Restricted Stock to Directors

- When attending the meeting, please submit the enclosed Voting Rights Exercise Form.
- Any updates to the Reference Documents for the General Shareholders Meeting, the Business Report, the Consolidated Financial Statements, and the Non-Consolidated Financial Statements will be posted on the Company's website (URL: <https://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 12th 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 12th 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: <https://ir.aucnet.co.jp>).

## Proposals and References

### Proposal No.1: Election of Six (6) Directors (excluding Directors Who are Audit & Supervisory Committee Members)

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

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

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

No.		Name	Positions and responsibilities	Attendance at the Board of Directors meetings
1	Reappointment	Kiyotaka Fujisaki	Representative Director and President President and Executive Officer	17 out of 17 (100%)
2	Reappointment	Shinichiro Fujisaki	Director Senior Managing Executive Officer DM, Automobile Business Division	17 out of 17 (100%)
3	Reappointment	Chiaki Fujino	Director Vice President and Executive Officer DM, New Business Planning Division	17 out of 17 (100%)
4	Reappointment	Shunji Sato	Director Managing Executive Officer DM, Business Management Division DM, Customer Communication Division	17 out of 17 (100%)
5	Reappointment Outside Director	Seiichiro Umeno	Outside Director	16 out of 17 (94%)
6	Reappointment Outside Director	Ikuo Kaminishi	Outside Director	17 out of 17 (100%)

1	<b>Career summary, positions and responsibilities</b>																
<p><b>Kiyotaka Fujisaki</b> Reappointment</p> <p><b>Date of birth</b> December 18, 1952</p> <p><b>Number of shares of the Company held</b> 501,600 shares</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	<table border="0"> <tr> <td data-bbox="528 203 751 232">February 1985</td> <td data-bbox="751 203 1433 271">Director and General Manager, IT System Development Department, the Company</td> </tr> <tr> <td data-bbox="528 271 687 300">October 1987</td> <td data-bbox="751 271 975 300">Managing Director</td> </tr> <tr> <td data-bbox="528 300 671 329">March 1993</td> <td data-bbox="751 300 1054 329">Senior Managing Director</td> </tr> <tr> <td data-bbox="528 329 679 358">August 1993</td> <td data-bbox="751 329 1334 358">Representative Director and President (to present)</td> </tr> <tr> <td data-bbox="528 358 671 387">March 2010</td> <td data-bbox="751 358 1286 387">President and Executive Officer (to present)</td> </tr> </table> <p><b>Reasons for selection as a candidate for Director</b> Mr. Kiyotaka Fujisaki has demonstrated strong leadership at the heart of management, made efforts to enhance 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																
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)																
2	<b>Career summary, positions and responsibilities</b>																
<p><b>Shinichiro Fujisaki</b> Reappointment</p> <p><b>Date of birth</b> November 22, 1975</p> <p><b>Number of shares of the Company held</b> 821,800 shares</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	<table border="0"> <tr> <td data-bbox="528 786 687 815">January 2011</td> <td data-bbox="751 786 991 815">Joined the Company</td> </tr> <tr> <td data-bbox="528 815 687 844">January 2013</td> <td data-bbox="751 815 1222 844">DGM, Automobile Business Headquarter</td> </tr> <tr> <td data-bbox="528 844 687 873">January 2014</td> <td data-bbox="751 844 959 873">Executive Officer</td> </tr> <tr> <td data-bbox="528 873 687 902">March 2014</td> <td data-bbox="751 873 999 902">Director (to present)</td> </tr> <tr> <td data-bbox="528 902 687 931">January 2015</td> <td data-bbox="751 902 1294 931">Senior DGM, New Business Planning Division</td> </tr> <tr> <td data-bbox="528 931 687 960">January 2016</td> <td data-bbox="751 931 1318 960">Representative Director and President, AUCNET DIGITAL PRODUCTS INC.</td> </tr> <tr> <td data-bbox="528 960 687 990">January 2017</td> <td data-bbox="751 960 1078 990">Managing Executive Officer</td> </tr> <tr> <td data-bbox="528 990 687 1019">January 2019</td> <td data-bbox="751 990 1302 1019">Senior Managing Executive Officer (to present) DM, Automobile Business Division (to present)</td> </tr> </table> <p><b>Reasons for selection as a candidate for Director</b> Mr. Shinichiro Fujisaki has led the Company's main businesses from a senior position, such as the automobile business, new business planning division, and digital products business and has significantly contributed to business expansion. Based on his wealth of experience and achievements, the Company expects him to lead the growth of the Company Group from a management perspective. Therefore, the Company renominated him as a candidate for Director.</p>	January 2011	Joined the Company	January 2013	DGM, Automobile Business Headquarter	January 2014	Executive Officer	March 2014	Director (to present)	January 2015	Senior DGM, New Business Planning Division	January 2016	Representative Director and President, AUCNET DIGITAL PRODUCTS INC.	January 2017	Managing Executive Officer	January 2019	Senior Managing Executive Officer (to present) DM, Automobile Business Division (to present)
January 2011	Joined the Company																
January 2013	DGM, Automobile Business Headquarter																
January 2014	Executive Officer																
March 2014	Director (to present)																
January 2015	Senior DGM, New Business Planning Division																
January 2016	Representative Director and President, AUCNET DIGITAL PRODUCTS INC.																
January 2017	Managing Executive Officer																
January 2019	Senior Managing Executive Officer (to present) DM, Automobile Business Division (to present)																

3	<b>Career summary, positions and responsibilities</b>
<p><b>Chiaki Fujino</b> Reappointment</p> <p><b>Date of birth</b> November 10, 1952</p> <p><b>Number of shares of the Company held</b> 110,000 shares</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	<p>January 2002 Representative Director and President, iRaTe.com (currently NANO Media Inc.)</p> <p>March 2010 Director</p> <p>June 2010 Advisor</p> <p>October 2010 Joined the Company, Advisor</p> <p>January 2011 Senior Managing Executive Officer and GM, New Business Planning Division</p> <p>November 2011 Representative Director and President, AUCNET DIGITAL PRODUCTS INC.</p> <p>January 2012 Director, Vice President and Executive Officer (to present)</p> <p>January 2014 Senior GM, New Business Planning Division</p> <p>January 2015 Senior GM, Digital Products Headquarter, Business Management Division</p> <p>March 2016 Representative Director and President, AUCNETMEDICAL INC.</p> <p>January 2019 DM, New Business Planning Division (to present)</p> <p><b>Reasons for selection as a candidate for Director</b> 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>
4	<b>Career summary, positions and responsibilities</b>
<p><b>Shunji Sato</b> Reappointment</p> <p><b>Date of birth</b> March 3, 1961</p> <p><b>Number of shares of the Company held</b> —</p> <p><b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)</p>	<p>April 1983 Joined Orient Finance Co., Ltd. (currently Orient Corporation)</p> <p>June 2014 Executive Officer</p> <p>July 2017 Joined the Company Managing Executive Officer (to present)</p> <p>January 2018 Senior GM, Business Management Division</p> <p>March 2018 Director (to present)</p> <p>January 2019 DM, Business Management Division (to present)</p> <p>January 2020 DM, Customer Communication Division (to present)</p> <p><b>Reasons for selection as a candidate for Director</b> 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	<b>Career summary, positions and responsibilities</b>
<b>Seiichiro Umeno</b> Reappointment Outside  <b>Date of birth</b> September 1, 1961  <b>Number of shares of the Company held</b> –  <b>Attendance at the Board of Directors meetings</b> 16 out of 17 (94%)	April 1989 Registered as an attorney-at-law Joined Tokyo Yaesu Law Offices  August 1990 Joined Masuda & Ejiri January 1995 Registered as a New York State attorney March 2006 Outside Director, the Company (until March 2008) April 2007 Partner, Nagashima Ohno & Tsunematsu (to present) March 2010 Corporate Auditor, VeriSign Japan K.K. March 2016 Outside Director, the Company (to present) June 2019 Outside Auditor, SPARX Group Co., Ltd. (to present)
	<b>Reasons for selection as a candidate for Outside Director</b> 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.
6	<b>Career summary, positions and responsibilities</b>
<b>Ikuo Kaminishi</b> Reappointment Outside  <b>Date of birth</b> September 26, 1945  <b>Number of shares of the Company held</b> –  <b>Attendance at the Board of Directors meetings</b> 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. (currently Mizuho Bank, Ltd.) June 2003 President and Representative Director, Orient Corporation June 2007 Special Advisor June 2008 Part-time Audit & Supervisory Board Member, Tohoku Electric Power Co., Inc. July 2012 President, Independent Administrative Agency Urban Renaissance Agency March 2017 Outside Director, the Company (to present)
	<b>Reasons for selection as a candidate for Outside Director</b> 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 four (4) years at the conclusion of this Annual General Shareholders Meeting.
  6. Mr. Ikuo Kaminishi will have served as Outside Director for three (3) 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.

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

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

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

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

No.	Name	Positions and responsibilities	Attendance at the Board of Directors meetings
1	New appointment Hisanao Nagashima	—	—
2	Reappointment Outside Director Masaaki Ayukawa	Outside Director (Audit & Supervisory Committee Member)	16 out of 17 (94%)
3	Reappointment Outside Director Ryozo Ushioda	Outside Director (Audit & Supervisory Committee Member)	17 out of 17 (100%)

1	<b>Career summary, positions and responsibilities</b>																						
<p><b>Hisanao Nagashima</b> New appointment</p> <p><b>Date of birth</b> September 15, 1955</p> <p><b>Number of shares of the Company held</b> 110,800 shares</p> <p><b>Attendance at the Board of Directors meetings</b> —</p>	<table border="0"> <tr> <td data-bbox="531 215 691 241">March 1985</td> <td data-bbox="754 215 1426 241">Joined the Company</td> </tr> <tr> <td data-bbox="531 244 691 271">March 1989</td> <td data-bbox="754 244 1426 271">Director and General Manager, Sales Department</td> </tr> <tr> <td data-bbox="531 273 691 300">March 1993</td> <td data-bbox="754 273 1426 300">Managing Director</td> </tr> <tr> <td data-bbox="531 302 691 329">January 2001</td> <td data-bbox="754 302 1426 365">Deputy General Manager, Automobile Business Headquarter</td> </tr> <tr> <td data-bbox="531 367 691 394">January 2002</td> <td data-bbox="754 367 1426 394">General Manager, Automobile Inspection Headquarter</td> </tr> <tr> <td data-bbox="531 396 691 423">January 2003</td> <td data-bbox="754 396 1426 423">Executive Officer</td> </tr> <tr> <td data-bbox="531 425 691 452">January 2006</td> <td data-bbox="754 425 1426 452">Deputy General Manager, Automobile Business Division</td> </tr> <tr> <td data-bbox="531 454 691 481">March 2006</td> <td data-bbox="754 454 1426 481">Senior Managing Director</td> </tr> <tr> <td data-bbox="531 483 691 510">March 2010</td> <td data-bbox="754 483 1426 510">Director and Senior Managing Executive Officer</td> </tr> <tr> <td data-bbox="531 512 691 539">January 2014</td> <td data-bbox="754 512 1426 539">Representative Director and President, i-Auc, Inc.</td> </tr> <tr> <td data-bbox="531 542 691 568">January 2019</td> <td data-bbox="754 542 1426 568">Director and Chairperson, i-Auc, Inc. (to present)</td> </tr> </table> <p><b>Reasons for selection as a candidate for Director</b> Mr. Hisanao Nagashima has served in the Company's core automobile business since its foundation, and has a wealth of experience and achievements. The Company expects him to utilize his deep insight into the Company's businesses to engage in the audit and supervision of the Company's overall management as an Audit &amp; Supervisory Committee Member. Therefore, he has been nominated as a candidate for Director who is an Audit &amp; Supervisory Committee Member.</p>	March 1985	Joined the Company	March 1989	Director and General Manager, Sales Department	March 1993	Managing Director	January 2001	Deputy General Manager, Automobile Business Headquarter	January 2002	General Manager, Automobile Inspection Headquarter	January 2003	Executive Officer	January 2006	Deputy General Manager, Automobile Business Division	March 2006	Senior Managing Director	March 2010	Director and Senior Managing Executive Officer	January 2014	Representative Director and President, i-Auc, Inc.	January 2019	Director and Chairperson, i-Auc, Inc. (to present)
March 1985	Joined the Company																						
March 1989	Director and General Manager, Sales Department																						
March 1993	Managing Director																						
January 2001	Deputy General Manager, Automobile Business Headquarter																						
January 2002	General Manager, Automobile Inspection Headquarter																						
January 2003	Executive Officer																						
January 2006	Deputy General Manager, Automobile Business Division																						
March 2006	Senior Managing Director																						
March 2010	Director and Senior Managing Executive Officer																						
January 2014	Representative Director and President, i-Auc, Inc.																						
January 2019	Director and Chairperson, i-Auc, Inc. (to present)																						
2	<b>Career summary, positions and responsibilities</b>																						
<p><b>Masaaki Ayukawa</b> Reappointment Outside</p> <p><b>Date of birth</b> July 28, 1945</p> <p><b>Number of shares of the Company held</b> -</p> <p><b>Attendance at the Board of Directors meetings</b> 16 out of 17 (94%)</p>	<table border="0"> <tr> <td data-bbox="531 911 691 938">April 1969</td> <td data-bbox="754 911 1426 938">Joined Chuo Audit Corporation</td> </tr> <tr> <td data-bbox="531 940 691 967">February 1971</td> <td data-bbox="754 940 1426 967">Registered as a certified public accountant</td> </tr> <tr> <td data-bbox="531 969 691 996">May 2000</td> <td data-bbox="754 969 1426 1032">Director and General Manager, International Division, ChuoAoyama Audit Corporation</td> </tr> <tr> <td data-bbox="531 1034 691 1061">September 2006</td> <td data-bbox="754 1034 1426 1097">Director and General Manager, International Division, Misuzu Audit Corporation</td> </tr> <tr> <td data-bbox="531 1099 691 1126">August 2007</td> <td data-bbox="754 1099 1426 1126">Liquidator, Misuzu Audit Corporation (under liquidation)</td> </tr> <tr> <td data-bbox="531 1128 691 1155">March 2009</td> <td data-bbox="754 1128 1426 1191">Outside Corporate Auditor, TonenGeneral Sekiyu K.K. (currently JXTG Nippon Oil &amp; Energy Corporation)</td> </tr> <tr> <td data-bbox="531 1193 691 1220">June 2014</td> <td data-bbox="754 1193 1426 1256">Outside Audit &amp; Supervisory Board Member, Kumagai Gumi Co., Ltd. (to present)</td> </tr> <tr> <td data-bbox="531 1258 691 1285">March 2016</td> <td data-bbox="754 1258 1426 1321">Outside Director (Audit &amp; Supervisory Committee Member), the Company (to present)</td> </tr> </table> <p><b>Reasons for selection as a candidate for Outside Director</b> Mr. Masaaki Ayukawa has expertise as a certified public accountant and abundant experience and deep insight in corporate accounting. Drawing on his assets, the Company expects him to continue to provide appropriate advice on important matters concerning overall management from a fair and objective standpoint. Therefore, he has been renominated as a candidate for Director who is an Audit &amp; Supervisory Committee Member. Although he has not been involved in corporate management except as an Outside Director, based on the above reasons, he is expected to adequately perform duties as Outside Director who is an Audit &amp; Supervisory Committee Member of the Company.</p>	April 1969	Joined Chuo Audit Corporation	February 1971	Registered as a certified public accountant	May 2000	Director and General Manager, International Division, ChuoAoyama Audit Corporation	September 2006	Director and General Manager, International Division, Misuzu Audit Corporation	August 2007	Liquidator, Misuzu Audit Corporation (under liquidation)	March 2009	Outside Corporate Auditor, TonenGeneral Sekiyu K.K. (currently JXTG Nippon Oil & Energy Corporation)	June 2014	Outside Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (to present)	March 2016	Outside Director (Audit & Supervisory Committee Member), the Company (to present)						
April 1969	Joined Chuo Audit Corporation																						
February 1971	Registered as a certified public accountant																						
May 2000	Director and General Manager, International Division, ChuoAoyama Audit Corporation																						
September 2006	Director and General Manager, International Division, Misuzu Audit Corporation																						
August 2007	Liquidator, Misuzu Audit Corporation (under liquidation)																						
March 2009	Outside Corporate Auditor, TonenGeneral Sekiyu K.K. (currently JXTG Nippon Oil & Energy Corporation)																						
June 2014	Outside Audit & Supervisory Board Member, Kumagai Gumi Co., Ltd. (to present)																						
March 2016	Outside Director (Audit & Supervisory Committee Member), the Company (to present)																						



3	<b>Career summary, positions and responsibilities</b>
<b>Ryozo Ushioda</b> Reappointment Outside  <b>Date of birth</b> January 16, 1942  <b>Number of shares of the Company held</b> 5,000 shares  <b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)	November 1979     Director, Hanroku Tokyo Jisho Co., Ltd. June 1987         Director, Flex Housing Co., Ltd. January 1991     Representative Director and President, Flex Housing Co., Ltd. (to present) March 1996       Corporate Auditor, the Company March 2016       Outside Director March 2017       Outside Director (Audit & Supervisory Committee Member) (to present)
	<b>Significant concurrent positions</b> Representative Director and President, Flex Housing Co., Ltd.  Reasons for selection as a candidate for Outside Director Mr. Ryozo Ushioda has served in corporate management for many years with abundant experience and deep insight in corporate management. Drawing on his assets, the Company expects him to continue to provide appropriate advice on important matters concerning overall management from a fair and objective standpoint. Therefore, he has been renominated as a candidate for Director who is an Audit & Supervisory Committee Member.

- Notes:
1. There are no special interests between the candidates and the Company.
  2. Messrs. Masaaki Ayukawa and Ryozo Ushioda are candidates for Outside Directors.  
The Company has designated Messrs. Masaaki Ayukawa and Ryozo Ushioda as Independent Directors/Auditors in accordance with the stipulations of Tokyo Stock Exchange, Inc. and submitted a notification to the said Exchange. In the event that this proposal is approved, they will continue to be appointed as Independent Directors.
  3. The Company has entered into agreements with Messrs. Masaaki Ayukawa and Ryozo Ushioda to limit their liabilities pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the minimum amount stipulated by Article 425, Paragraph 1 of the Companies Act. If their reelections are approved, the Company plans to continue the above agreements with each of them to limit their liability.
  4. Mr. Masaaki Ayukawa will have served as Outside Director who is an Audit & Supervisory Committee Member for four (4) years at the conclusion of this Annual General Shareholders Meeting.
  5. Mr. Ryozo Ushioda will have served as Outside Director who is an Audit & Supervisory Committee Member for three (3) years at the conclusion of this Annual General Shareholders Meeting.  
Mr. Ushioda has been a Corporate Auditor of the Company in the past.

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

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

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

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

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

	<b>Career summary, positions and responsibilities</b>	
<b>Ikuo Kaminishi</b> Outside	July 1969	Joined The Industrial Bank of Japan, Limited
	June 1997	Director
	June 1999	Managing Director and Managing Executive Officer
	April 2002	Senior Managing Director, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
	June 2003	President and Representative Director, Orient Corporation
	June 2007	Special Advisor
<b>Date of birth</b> September 26, 1945	June 2008	Part-time Audit & Supervisory Board Member, Tohoku Electric Power Co., Inc.
<b>Number of shares of the Company held</b> -	July 2012	President, Independent Administrative Agency Urban Renaissance Agency
	March 2017	Outside Director, the Company (to present)
<b>Attendance at the Board of Directors meetings</b> 17 out of 17 (100%)	<b>Reasons for selection as a candidate for Substitute Director who is an Audit &amp; Supervisory Committee Member</b> Mr. Ikuo Kaminishi has served in the financial business for many years and also has experience in corporate management. The Company expects him to provide appropriate advice on important matters concerning overall management from a fair and objective standpoint based on his abundant experience and deep insight. Therefore, he has been renominated as a candidate for Substitute Director who is an Audit & Supervisory Committee Member.	

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

2. Mr. Ikuo Kaminishi is a candidate for Substitute Director who is an Audit & Supervisory Committee Member.
3. If Mr. Ikuo Kaminishi assumes office as Substitute Director who is an Audit & Supervisory Committee Member, the Company plans to enter into agreements with him to limit his liabilities pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the minimum amount stipulated by Article 425, Paragraph 1 of the Companies Act.
4. Mr. Ikuo Kaminishi will have served as Outside Director for three (3) years at the conclusion of this Annual General Shareholders Meeting.

#### **Proposal No. 4: Determination of Compensation for the Granting of Restricted Stock to Directors**

The upper limits of compensation for Directors of the Company (excluding Directors who are Audit & Supervisory Committee Members) have been set at ¥500 million per year (of which a maximum amount of ¥100 million per year is for Outside Directors; this amount does not include the employee portion of salaries), as approved at the 8th Annual General Shareholders Meeting held on March 29, 2016, as well as ¥575 million (comprising ¥425 million for Directors and ¥150 million for Executive Officers) for the three fiscal years from the fiscal year ending December 31, 2018 to the fiscal year ending December 31, 2020 (hereinafter the “Initial Target Period”) under the performance-linked stock compensation plan “Board Benefit Trust (BBT)” (in principle, the Company will contribute funds to the BBT up to the above-mentioned limit for each three-fiscal-year period subsequent to the Initial Target Period for the purposes of providing funds for the BBT to acquire the Company’s shares), as approved at the 10th Annual General Shareholders Meeting held on March 28, 2018.

As part of a review of the compensation system for officers, the Company requests approval to pay compensation, in addition to the limits described above, to the Company’s Directors (excluding Directors who are Audit & Supervisory Committee Members or Outside Directors; hereinafter “eligible Directors”) for the granting of restricted stock, with the aims of imparting a further incentive to strive for sustained enhancement of the Company’s corporate value, and advancing value alignment with shareholders.

Under this proposal, the compensation paid to eligible Directors for the granting of restricted stock shall be in the form of monetary claims (hereinafter “monetary compensation claims”). The total amount of monetary compensation claims shall be within an upper limit of ¥80 million per year (not including the employee portion of salaries), which is deemed an appropriate amount in the context of the aims described above. Specific payment dates and allocations to each eligible Director shall be determined by the Board of Directors.

Currently, there are four (4) eligible Directors. If Proposal No. 1 “Election of Six (6) Directors (excluding Directors Who are Audit & Supervisory Committee Members)” is approved as proposed, there will still be four (4) eligible Directors.

Based on the resolution of the Board of Directors of the Company, eligible Directors shall pay all of the monetary compensation claims as provided under this proposal as a contribution in kind, and receive common shares of the Company through issuance or disposal. The total number of common shares of the Company that may be issued or disposed of for this purpose is limited to a maximum of 50,000 shares per year, provided, however, that where a stock split (including gratis allotment of the Company’s common shares) or a stock consolidation of the Company’s common shares occurs on or after the date when this proposal is approved, or another situation arises that necessitates adjustment to the total number the Company’s common shares to be issued or disposed of as restricted stock, the number of these shares shall be adjusted within reasonable bounds.

The amount of money paid per share shall be determined by the Board of Directors, based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day prior to the date of each resolution of the Board of Directors (or the closing price on the most recent trading day prior to that date, if trading was not conducted on the same date), so as not to provide a particularly advantageous amount to eligible Directors who will receive the shares. When the Company issues or disposes of common shares to eligible Directors, the Company shall conclude a restricted stock allotment agreement (hereinafter “allotment agreement”) that includes the content below, with each eligible Director receiving shares.

(1) Transfer restriction period

During a period of 3 years to 5 years from the date of allotment under the allotment agreement, as determined in advance by the Board of Directors (hereinafter the “transfer restriction period”), eligible Directors shall not transfer, pledge as security, or otherwise dispose of the common shares allotted under the allotment agreement (hereinafter “allotted shares;” these restrictions are hereinafter referred to as the “transfer restrictions”).

(2) Treatment at the time of retirement

Where an eligible Director retires as Director or Executive Officer of the Company prior to the expiration of the transfer restriction period, the Company shall rightfully acquire the allotted shares free of charge, except where the retirement is due to expiration of term, death, or other reasonable cause.

(3) Removal of transfer restrictions

Notwithstanding the provisions in (1) above, the Company shall remove transfer restrictions from all shares allotted to an eligible Director at the expiration of the transfer restriction period, subject to the condition that the eligible Director continued to serve as a Director or Executive Officer of the Company throughout the transfer restriction period. Provided, however, that if the eligible Director

retires from the position indicated in (2) above before the expiration of the transfer restriction period due to expiration of term, death, or other reasonable cause, the number of allotted shares for which transfer restrictions are to be removed, and the date of the removal of transfer restrictions, shall be subject to reasonable adjustment as necessary. The Company shall rightfully acquire, free of charge, the remaining allotted shares for which transfer restrictions have not been removed immediately subsequent to the removal of transfer restrictions in accordance with the provisions above.

(4) Treatment of organizational restructuring etc.

Notwithstanding the provisions in (1) above, where a merger agreement with the Company as the non-surviving company, a share exchange agreement where the Company becomes a wholly-owned subsidiary, a share transfer plan or another matter concerning an organizational restructuring etc. is approved by the Company's General Shareholders Meeting (or the Company's Board of Directors, for organizational restructuring etc. that does not require the approval of the General Shareholders Meeting of the Company) during the transfer restriction period, transfer restrictions may be removed before the effective date of the organizational restructuring etc. by resolution of the Board of Directors, for a number of allotted shares to be determined reasonably based upon the length of the period from the day when the transfer restriction period commenced to the day when the organizational restructuring etc. was approved. In the event of the above provisions, the Company shall rightfully acquire, free of charge, the remaining allotted shares for which transfer restrictions have not been removed immediately subsequent to the removal of transfer restrictions.

(5) Other matters

Other matters concerning the allotment agreement shall be determined by the Company's Board of Directors.

(Reference)

Subject to approval of this proposal by the General Shareholders Meeting as proposed, the Company, by resolution of the Board of Directors, intends to extend the provision of monetary claims for the granting of restricted stock to Executive Officers in addition to eligible Directors, for the new issuance or disposal of common shares of the Company.

(Appendix)  
**Business Report** (January 1, 2019 - December 31, 2019)

## 1. Overview of the Company Group

### (1) Business Progress and Results

During the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019), the Japanese economy showed a modest recovery with a steady improvement in the employment and income conditions, owing to effects of various measures, despite remaining weakness in exports. However, it is necessary to pay close attention to trends in the world economy, including trends associated with trade issues, the outlook for the Chinese economy, and the impact of fluctuations in financial and capital markets.

In these circumstances, in line with our brand statement, “Shaping the Future of Commerce,” the Company works to further improve its social and economic value by promoting measures for information distribution that provides competitive value-added products and services as well as information distribution engaged in B2B intermediaries.

As a result, for the fiscal year ended December 31, 2019, net sales of the Company were ¥19,672,155 thousand (up 0.9% from the previous fiscal year), operating income was ¥2,525,499 thousand (down 21.5% from the previous fiscal year), ordinary income was ¥2,630,707 thousand (down 20.5% from the previous fiscal year), and profit attributable to owners of parent was ¥1,404,005 thousand (down 17.8% from the previous fiscal year).

Performance results by business segment are as follows.

#### 1) Automobile Business

The Automobile Business comprises the Company’s mainstay used vehicle auctions (\*1), shared inventory market (\*2), live linked auctions (\*3), 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) decreased 1.5% year-on-year to 5.19 million units in the fiscal year ended December 31, 2019. The total number of used-vehicle registrations (\*7) increased 0.6% year-on-year to 6.98 million units, and the number of vehicles listed (\*8) at auctions around Japan increased 3.8% year-on-year to 7.64 million units. The total number of vehicles sold at auction (\*8) increased 2.1% year-on-year to 4.88 million units. For our used vehicle auctions, despite a robust market trend, the number of vehicles listed and the total number of vehicles sold at auctions decreased from the previous fiscal year due to a decline in the number of vehicles listed by imported car dealer members, who are the main listing targets, and the number of expensive vehicles listed by specialty stores. In the shared inventory market, the total number of vehicles registered and vehicles sold at auction increased from the previous fiscal year, as the number of inter-group transactions between dealers and rental and lease companies remained steady, as well as through registration assistance for specialty store vehicles and vehicles with joint registration including inspection from used vehicle listing magazines etc., and regular updates to the desired selling price. In the used vehicle inspection service, the total number of vehicles inspected increased significantly from the previous fiscal year, exceeding one million for the first time since the service was launched, mainly due to a large increase in the number of qualification inspections for the used vehicle listing magazines mentioned above.

As a result, for the fiscal year ended December 31, 2019, net sales of the Automobile Business (including inter-segment net sales) were ¥12,174,539 thousand (up 3.0% from the same period of the previous year), and operating income was ¥3,754,808 thousand (up 3.7% 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.

The distribution volume increased from the previous fiscal year, owing to significant changes in the contract details with major customers in April, despite some impact from the slump in Japanese smartphone sales. However, the volume of distribution was not enough to achieve the expected levels of income, and operating expenses related to the relocation of domestic processing centers increased. In the overseas business, due to expenses incurred for infrastructure improvement in the U.S. business base opened last year and the establishment of new businesses that did not result in the commencement of full-scale business operation, selling, general and administrative expenses were incurred in advance.

As a result, net sales of the Digital Product Business were ¥3,863,092 thousand (down 4.4% from the previous year), and operating income was ¥915,074 thousand (down 52.6% 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, we experienced strong growth in the number of member customers, both within Japan and overseas, due to new member acquisition measures and stronger coordination of services with the U.S. entity with which we commenced a business partnership during the previous fiscal year, and the numbers of items listed and sold increased compared to the previous fiscal year. For used motorcycles, the market conditions continued to be severe, and for auctions, progress in securing listings was sluggish. However, we conducted test marketing for the subscription service, and commenced preparations for a full-scale launch during the next fiscal year, due to a generally positive response. For flowers (cut and potted), the number of products collected remained sluggish, as products continued to be in short supply across Japan due to the effects of typhoons and other natural disasters. However, sales prices at auction rose and the total transaction amount remained at the same level as the previous fiscal year.

As a result, net sales of the Other Information Distribution Business (including inter-segment net sales) were ¥2,719,728 thousand (up 1.9% from the previous year), and operating income was ¥677,010 thousand (up 7.2% 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 ¥1,645,433 thousand (down 9.5% from the previous year), and operating loss was ¥328,331 thousand (the operating loss for the previous year was ¥269,306 thousand).

## Transaction results

Contents		Fiscal Year	The 11th fiscal year (From January 1, 2018 to December 31, 2018)	The 12th fiscal year (From January 1, 2019 to December 31, 2019)	YoY
Automobile Business	Automobile Business (Total)	Number of sold items (Units)	436,114	433,656	99.4%
		Total members (*1)	14,160	14,146	99.9%
	Used vehicle auctions	Total number of listed items (Units)	62,143	58,696	94.5%
		Number of sold items (Units)	19,196	18,144	94.5%
		Rate of sale (%) (*2)	33.2	32.9	Decrease by 0.3 points
	Shared inventory market	Number of sold items (Units)	12,993	13,802	106.2%
	Live linked auctions	Listed units (Units)	4,565,683	4,419,733	96.8%
		Sold units (Units)	303,030	298,573	98.5%
	The proxy bidding service (i-Auc)	Sold units (Units)	100,895	103,137	102.2%
	Used vehicle inspection service (AIS)	Total inspected units (Units) (*3)	898,426	1,008,846	112.3%
Digital Product Business	Total transaction amount (Billion yen)		20.2	24.5	120.9%
	Total members (*1)		531	657	123.7%
	Total sales units (Units)		1,442,156	1,701,779	118.0%
Other Information Distribution Business	Pre-owned luxury brand items	Total transaction amount (Billion yen)	9.9	10.5	106.1%
		Total number of listed items (Items)	433,381	482,113	111.2%
		Rate of sale (%)	73.9	71.0	Decrease by 2.9 points
		Total members (*1)	1,697	1,815	107.0%
	Used motorcycles	Total number of listed items (Units)	64,059	56,385	88.0%
		Rate of sale (%) (*2)	43.0	49.1	Increase by 6.1 points
		Total members (*1)	4,523	4,576	101.2%
	Flowers (cut and potted)	Total transaction amount (Billion yen)	6.3	6.3	98.9%
		Total members (*1) (Buyers)	1,082	1,076	99.4%
		Total members (*1) (Growers)	3,174	3,151	99.3%

(\*1) Members are as of the end of the consolidated fiscal year ended December 31, 2019.

(\*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 ¥611 million in the fiscal year under review. Major investments include construction of internal system infrastructure and renewal of the auction system.

### (3) Financing

The company raised ¥35 million by issuing new shares through exercise of stock acquisition rights in the fiscal year under review.

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

Not applicable.

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

Not applicable.

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

Not applicable.

**(7) Issues to be addressed**

The Company has actively expanded its business to products other than used vehicles, such as 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 those in the United States and 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 during 2019, we will focus on the development of diverse, future-oriented human resources who can play an active role in the global business field. We believe that the Company’s ability to solve management challenges will be strengthened by providing an environment aligned with the growth of diverse human resources.

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.

## (8) Trends in assets and income

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

(Thousand yen)

Fiscal year Item	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)	The 12th fiscal year (From January 1, 2019 to December 31, 2019)
Net sales	19,983,859	19,409,333	19,492,679	19,672,155
Ordinary income	4,115,913	3,321,609	3,308,749	2,630,707
Profit attributable to owners of parent	2,183,455	1,767,535	1,707,941	1,404,005
Basic earnings per share(Yen)	90.77	66.97	62.19	50.94
Total assets	25,446,066	27,644,516	27,257,175	29,324,649
Net assets	12,139,516	16,759,385	17,413,699	18,333,554
Net assets per share (Yen)	498.83	604.33	625.31	653.97

- Notes: 1. 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 9th 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 147,100 shares, and the average number of shares of the Company held by BBT during the fiscal year under review, which were deducted for the purpose of calculating basic earnings per share, is 150,764 shares.

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

(Thousand yen)

Fiscal year Item	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)	The 12th fiscal year (From January 1, 2019 to December 31, 2019)
Net sales	9,385,518	9,401,513	9,487,356	11,634,145
Ordinary income	501,494	832,260	1,013,893	1,372,839
Profit	118,572	752,854	821,092	4,369,367
Basic earnings per share(Yen)	4.93	28.53	29.90	158.54
Total assets	14,829,643	15,730,051	14,989,438	23,534,189
Net assets	6,419,916	9,985,011	9,745,973	13,524,110
Net assets per share (Yen)	266.73	363.79	354.20	489.61

Notes: 1. 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 9th 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 147,100 shares, and the average number of shares of the Company held by BBT during the fiscal year under review, which were deducted for the purpose of calculating basic earnings per share, is 150,764 shares.

## (9) Significant subsidiaries

### 1) Significant subsidiaries

Company name	Capital	Ratio of voting rights	Principal business
AIS Inc.	¥100,000 thousand	79.0%	Inspection and evaluation of used vehicles and used motorcycles
i-Auc, Inc.	¥100,000 thousand	100.0%	Proxy exhibiting and bidding service for auctions of used vehicles and used motorcycles
AUCNET SALES AND SUPPORT INC.	¥80,000 thousand	100.0%	Sales promotion of auctions of used vehicles and used motorcycles
AUC FINANCIAL PARTNERS INC.	¥10,000 thousand	100.0%	Provision of warranty service-related products
AUCNET DIGITAL PRODUCTS USA, LLC.	US\$100 thousand	100.0%	Strategic base for the U.S. smartphone business
AUCNET MOTORCYCLE INC.	¥30,000 thousand	100.0%	Operation of auctions of used motorcycles
AUCNET AGRI BUSINESS INC.	¥30,000 thousand	100.0%	Operation of auctions of flowers (cut and potted)
AUCNET CONSUMER PRODUCTS INC.	¥30,000 thousand	100.0%	Operation of auctions of pre-owned luxury brand items, etc.
JBTV, Inc.	¥400,000 thousand	100.0%	Provision of communication, operation/maintenance and BPO services
AUCNET HK LIMITED	US\$3,201 thousand	100.0%	Strategic base for China and Southeast Asia
AUCNETMEDICAL INC.	¥59,500 thousand	100.0%	Operation of auctions of used medical equipment
AUCNET IBS INC.	¥30,000 thousand	100.0%	Web-related system solution business
Aucnet USA, LLC.	US\$8,500 thousand	100.0%	Strategic base for the U.S.
iryoo.com Inc.	¥260,000 thousand	95.7%	Provision of medical information video content
CARSERU, INC.	¥100,000 thousand	100.0%	C2B car sales support service

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

2. AUCNET DIGITAL PRODUCTS INC. is excluded from significant subsidiaries because it ceased to exist by the absorption-type merger with the Company as the surviving entity, during the fiscal year under review.

3. Assist Inc. is excluded from significant subsidiaries because it ceased to exist by the absorption-type merger with JBTV, Inc. as the surviving entity, during the fiscal year under review.

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

Not applicable.

### 3) Equity-method company

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

## (10) Principal business

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

## (11) Employees

1) Employees of the Company Group

Number of employees	Increase (decrease) from previous consolidated fiscal year-end
664 persons	(13) 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
237 persons	29 persons	41.2 years old	11.8 years

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

(12) **Principal business locations**

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

## 2. Status of Shares (as of December 31, 2019)

- (1) Total number of shares authorized to be issued 110,000,000 shares
- (2) Total number of issued and outstanding shares 27,769,300 shares (including 216 treasury shares)
- (3) Number of shareholders 3,481 persons
- (4) Major shareholders

Shareholder name	Number of shares	Shareholding ratio
FLEX CORPORATION	11,448,800 shares	41.22%
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	2,174,190 shares	7.82%
NAMAI ASSET MANAGEMENT INC	1,950,000 shares	7.02%
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	4.66%
Orient Corporation	1,296,000 shares	4.66%
JP MORGAN CHASE BANK 380634	1,291,300 shares	4.65%
FLEX CO., LTD.	844,800 shares	3.04%
Shinichiro Fujisaki	821,800 shares	2.95%
Masahiro Fujisaki	821,800 shares	2.95%
GOLDMAN SACHS & CO. REG	502,100 shares	1.80%

Notes: 1. Shareholding ratio is calculated after deducting treasury shares (216 shares).

2. The Company has introduced the Board Benefit Trust (BBT), and Trust & Custody Services Bank, Ltd. (Trust E account) holds 147,100 shares, which are not included in the treasury shares stated above.

3. FLEX CORPORATION is an asset management company of the founding family. NAMAI ASSET MANAGEMENT INC is an asset management company of a relative of Mr. Kiyotaka Fujisaki, Representative Director and 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) Other important matters concerning shares**

The total number of issued and outstanding shares increased by 101,800 and capital stock and legal capital surplus each increased by ¥17,832 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)	1,128	225,600 common shares	2 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.

#### (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	1,736	745
Class of shares subject to stock acquisition rights	Common shares	Common shares
Number of shares subject to stock acquisition rights	347,200 shares	14,900 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, 2019.

## 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, Vice President and Executive Officer DM, New Business Planning Division
Shinichiro Fujisaki	Director and Senior Managing Executive Officer DM, Automobile Business Division
Shunji Sato	Director and Managing Executive Officer DM, Business 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. DM stands for Division Manager.
  2. Messrs. Seiichiro Umeno, Ikuo Kaminishi, Masaaki Ayukawa and Ryozo Ushioda are Outside Directors.
  3. The Company has designated Messrs. Masaaki Ayukawa and Ryozo Ushioda as Independent Directors/Auditors in accordance with the stipulations of the Tokyo Stock Exchange and submitted a notification to the said Exchange.
  4. Mr. Hisanao Nagashima retired as Director at the conclusion of the Annual General Shareholders Meeting held on March 27, 2019.
  5. Mr. Nobukazu Tajima retired as Director on September 30, 2019. His “positions, areas of responsibility and significant concurrent positions” during his period of service were Director and Managing Executive Officer, DM, Corporate Management Division.
  6. 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.
  7. Director who is an Audit & Supervisory Committee Member, Mr. Masaaki Ayukawa is a certified public accountant and has considerable knowledge of finance and accounting.
  8. 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.
  9. 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.

10.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, 2020)

Name	Positions, responsibilities, and significant concurrent positions	
	Before change	After change
Shunji Sato	Managing Executive Officer DM, Business Management Division	Managing Executive Officer DM, Business Management Division DM, Customer Communication Division

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

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

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

**(3) 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	¥197,514 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	¥214,314 thousand

- Notes: 1. At the 8th Annual General Shareholders Meeting held on March 29, 2016, a resolution was adopted to establish an upper limit on compensation to Directors (excluding Directors who are Audit & Supervisory Committee Members) of ¥500 million per year (of which, an upper limit of ¥100 million per year to Outside Directors).  
In addition to the upper limits described above, at the 10th Annual General Shareholders Meeting held on March 28, 2018, an upper limit of ¥575 million (per three year period) was adopted for contributions to the performance-linked stock compensation plan “Board Benefit Trust (BBT)” for Directors (excluding Directors who are Audit & Supervisory Committee Members or 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 ¥25,039 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
Seiichiro Umeno	Outside Director	Participated in 16 of 17 meetings of the Board of Directors during the fiscal year under review; provided opinions as necessary mainly by drawing on his expertise as an attorney-at-law.
Ikuo Kaminishi	Outside Director	Participated in 17 of 17 meetings of the Board of Directors during the fiscal year under review; provided opinions as necessary mainly drawing on his knowledge and insight accumulated through finance operations.
Masaaki Ayukawa	Outside Director (Audit & Supervisory Committee Member)	Participated in 16 of 17 meetings of the Board of Directors and 11 of 13 meetings of the Audit & Supervisory Committee during the fiscal year under review; provided opinions as necessary mainly drawing on his expertise as a certified public accountant.
Ryozo Ushioda	Outside Director (Audit & Supervisory Committee Member)	Participated in 17 of 17 meetings of the Board of Directors and 13 of 13 meetings of the Audit & Supervisory Committee during the fiscal year under review; provided opinions as necessary mainly on overall management from the standpoint of corporate management, finance and accounting.

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

Not applicable.

5) Opinions about matters described in the Business Report

Not applicable.

## 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	¥35 million
Cash and other proprietary benefits payable by the Company and its subsidiaries	¥35 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, 2019)

(Thousand yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	22,450,654	Current liabilities	8,455,736
Cash and deposits	14,701,608	Accounts payable - trade	604,799
Notes and accounts receivable - trade	849,107	Due to auction members	6,040,109
Due from auction members	3,589,476	Income taxes payable	493,100
Inventories	309,770	Provision for bonuses	105,792
Income taxes receivable	40,002	Provision for point card certificates	12,375
Other	2,984,218	Other	1,199,558
Allowance for doubtful accounts	(23,529)	Non-current liabilities	2,535,358
Non-current assets	6,873,994	Net defined benefit liability	1,620,592
Property, plant and equipment	1,482,512	Provision for stocks payment	74,980
Buildings and structures, net	358,595	Other	839,784
Land	797,076	Total liabilities	10,991,094
Other	326,840	Net assets	
Intangible assets	1,513,036	Shareholders' equity	17,755,037
Software	1,506,918	Capital stock	1,729,168
Other	6,117	Capital surplus	6,782,326
Investments and other assets	3,878,446	Retained earnings	9,484,599
Investment securities	1,922,959	Treasury shares	(241,056)
Deferred tax assets	472,300	Accumulated other comprehensive income	308,903
Other	1,661,933	Valuation difference on available-for-sale securities	246,330
Allowance for doubtful accounts	(178,747)	Foreign currency translation adjustment	4,466
Total assets	29,324,649	Remeasurements of defined benefit plans	58,106
		Non-controlling interests	269,613
		Total net assets	18,333,554
		Total liabilities and net assets	29,324,649

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

## Consolidated Statements of Income

(January 1, 2019 - December 31, 2019)

(Thousand yen)

Description	Amount	
Net sales		19,672,155
Cost of sales		8,720,934
Gross profit		10,951,221
Selling, general and administrative expenses		8,425,722
Operating income		2,525,499
Non-operating income		
Interest income	37,696	
Dividend income	39,035	
Share of profit of entities accounted for using equity method	26,827	
Reversal of allowance for doubtful accounts	14,299	
Other	47,469	165,328
Non-operating expenses		
Interest expenses	2,109	
Foreign exchange losses	55,973	
Other	2,037	60,120
Ordinary income		2,630,707
Extraordinary income		
Gain on sales of investment securities	56,203	
Other	3,685	59,889
Extraordinary losses		
Loss on retirement of non-current assets	59,918	
Loss on valuation of investment securities	8,399	
Loss on valuation of shares of subsidiaries and associates	76,665	
Other	15,988	160,972
Profit before income taxes		2,529,624
Income taxes-current	1,102,255	
Income taxes-deferred	(12,675)	1,089,580
Profit		1,440,044
Profit attributable to non-controlling interests		36,038
Profit attributable to owners of parent		1,404,005

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

## Consolidated Statements of Changes in Equity

(January 1, 2019 - December 31, 2019)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,711,335	6,801,669	8,815,791	(248,596)	17,080,200
Changes of items during period					
Issuance of new shares	17,832	17,832			35,665
Dividends of surplus			(719,983)		(719,983)
Profit attributable to owners of parent			1,404,005		1,404,005
Change in surplus from newly consolidated subsidiary		(2,410)	(15,214)		(17,624)
Disposal of treasury shares				7,691	7,691
Purchase of treasury shares				(151)	(151)
Changes in capital surplus due to changes in ownership interests in consolidated subsidiaries		(34,766)			(34,766)
Net changes of items other than shareholders' equity					
Total changes of items during period	17,832	(19,343)	668,807	7,540	674,837
Balance at end of current period	1,729,168	6,782,326	9,484,599	(241,056)	17,755,037

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	161,323	10,187	(45,979)	125,531	207,968	17,413,699
Changes of items during period						
Issuance of new shares						35,665
Dividends of surplus						(719,983)
Profit attributable to owners of parent						1,404,005
Change in surplus from newly consolidated subsidiary						(17,624)
Disposal of treasury shares						7,691
Purchase of treasury shares						(151)
Changes in capital surplus due to changes in ownership interests in consolidated subsidiaries						(34,766)
Net changes of items other than shareholders' equity	85,007	(5,720)	104,086	183,372	61,645	245,017
Total changes of items during period	85,007	(5,720)	104,086	183,372	61,645	919,854
Balance at end of current period	246,330	4,466	58,106	308,903	269,613	18,333,554

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

## Non-Consolidated Balance Sheets

(As of December 31, 2019)

(Thousand yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	14,704,381	Current liabilities	8,145,932
Cash and deposits	6,682,445	Accounts payable - trade	669,104
Accounts receivable - trade	471,521	Due to auction members	5,899,241
Due from auction members	2,834,448	Short-term loans payable to subsidiaries and associates	784,500
Inventories	85,949	Lease obligations	50,550
Prepaid expenses	201,139	Accounts payable - other	439,683
Short-term loans receivable from subsidiaries and associates	2,806,103	Accrued expenses	95,467
Consumption taxes receivable	1,289,689	Income taxes payable	60,924
Income taxes receivable	29,163	Advances received	321
Other	461,891	Deposits received	80,216
Allowance for doubtful accounts	(157,971)	Unearned revenue	4,620
		Provision for bonuses	52,640
Non-current assets	8,829,808	Other	8,662
Property, plant and equipment	346,566	Non-current liabilities	1,864,146
Buildings	119,006	Provision for retirement benefits	1,183,716
Vehicles	2,921	Provision for stocks payment	74,980
Tools, furniture and fixtures	217,443	Lease obligations	96,314
Land	7,195	Long-term accounts payable - other	365,300
Intangible assets	1,313,810	Other	143,834
Software	1,310,102	<b>Total liabilities</b>	<b>10,010,078</b>
Other	3,708	<b>Net assets</b>	
Investments and other assets	7,169,431	Shareholders' equity	13,277,780
Investment securities	1,226,200	Capital stock	1,729,168
Shares of subsidiaries and associates	4,199,208	Capital surplus	6,819,502
Investments in capital of subsidiaries and affiliates	720,940	Legal capital surplus	4,170,379
Long-term loans receivable from subsidiaries and associates	30,000	Other capital surplus	2,649,123
Long-term loans receivable from employees	1,228	Retained earnings	4,970,165
Claims provable in bankruptcy, claims provable in rehabilitation and other	78,248	Other retained earnings	4,970,165
Long-term prepaid expenses	32,852	Retained earnings brought forward	4,970,165
Deferred tax assets	248,387	Treasury shares	(241,056)
Lease and guarantee deposits	559,366	Valuation and translation adjustments	246,330
Other	148,759	Valuation difference on available-for-sale securities	246,330
Allowance for doubtful accounts	(75,760)	<b>Total net assets</b>	<b>13,524,110</b>
<b>Total assets</b>	<b>23,534,189</b>	<b>Total liabilities and net assets</b>	<b>23,534,189</b>

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

## Non-Consolidated Statements of Income

(January 1, 2019 - December 31, 2019)

(Thousand yen)

Description	Amount	
Net sales		11,634,145
Cost of sales		6,366,662
Gross profit		5,267,483
Selling, general and administrative expenses		4,757,143
Operating income		510,339
Non-operating income		
Interest income	32,142	
Dividend income	794,317	
Other	99,643	926,103
Non-operating expenses		
Interest expenses	30,213	
Provision of allowance for doubtful accounts	7,724	
Foreign exchange losses	24,662	
Other	1,001	63,603
Ordinary income		1,372,839
Extraordinary income		
Gain on sales of non-current assets	3,215	
Gain on extinguishment of tie-in shares	3,249,930	
Other	189,813	3,442,960
Extraordinary losses		
Loss on retirement of non-current assets	41,695	
Loss on valuation of shares of subsidiaries and associates	166,092	
Other	16,752	224,540
Profit before income taxes		4,591,259
Income taxes-current	237,494	
Income taxes-deferred	(15,601)	221,892
Profit		4,369,367

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

## Non-Consolidated Statements of Changes in Equity

(January 1, 2019 - December 31, 2019)

(Thousand yen)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
					Retained earnings brought forward	
Balance at beginning of current period	1,711,335	4,152,546	2,649,123	6,801,669	1,320,781	1,320,781
Changes of items during period						
Issuance of new shares	17,832	17,832		17,832		
Dividends of surplus					(719,983)	(719,983)
Profit					4,369,367	4,369,367
Disposal of treasury shares						
Purchase of treasury shares						
Net changes of items other than shareholders' equity						
Total changes of items during period	17,832	17,832	—	17,832	3,649,384	3,649,384
Balance at end of current period	1,729,168	4,170,379	2,649,123	6,819,502	4,970,165	4,970,165

	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	(248,596)	9,585,189	160,783	160,783	9,745,973
Changes of items during period					
Issuance of new shares		35,665			35,665
Dividends of surplus		(719,983)			(719,983)
Profit		4,369,367			4,369,367
Disposal of treasury shares	7,691	7,691			7,691
Purchase of treasury shares	(151)	(151)			(151)
Net changes of items other than shareholders' equity			85,546	85,546	85,546
Total changes of items during period	7,540	3,692,590	85,546	85,546	3,778,137
Balance at end of current period	(241,056)	13,277,780	246,330	246,330	13,524,110

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