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(Securities code 3964)

March 4, 2024

(Date of commencement of electronic provision:
March 1, 2024)

To Shareholders with Voting Rights:

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

**NOTICE OF
THE 16TH ANNUAL GENERAL SHAREHOLDERS MEETING**

You are cordially invited to attend the 16th Annual General Shareholders Meeting of AUCNET INC. (the “Company”) to be held as described below.

We extend our deepest sympathies to all those affected by the Noto Peninsula Earthquake of 2024. We pray for the earliest possible recovery and restoration of the affected areas.

In convening this General Shareholders Meeting, the Company electronically provides information, and such matters to be provided electronically are posted as “Notice of the 16th Annual General Shareholders Meeting” on the website on the Internet indicated below.

Instead of attending the meeting, you can exercise your voting rights by either of the methods described on page 7 of the Japanese version. Please review the Reference Documents for the General Shareholders Meeting and cast your vote by 6 p.m. on Monday, March 25, 2024 Japan time.

The Company’s website
<https://ir.aucnet.co.jp/en/ir/stock/meeting.html>

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

Tokyo Stock Exchange’s website
<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

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

- 1. Date and Time:** Tuesday, March 26, 2024 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 16th Fiscal Year (January 1, 2023 – December 31, 2023) 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 16th Fiscal Year (January 1, 2023 – December 31, 2023)

Proposals to be resolved

Proposal No. 1: Election of Seven (7) Directors (excluding Directors Who are Audit & Supervisory Committee Members)

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

Proposal No. 3: Partial Revision of the Performance-linked Stock Compensation Plan for Directors

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

Proposals and References

Proposal No. 1: Election of Seven (7) Directors (excluding Directors Who are Audit & Supervisory Committee Members)

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

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

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

No.	Name		Positions and responsibilities	Attendance at the Board of Directors meetings
1	Kiyotaka Fujisaki	Reappointment	Director and Chairman of the Board	18 out of 18 (100%)
2	Shinichiro Fujisaki	Reappointment	Representative Director and President & CEO In charge of all divisions DM, Mobility & Energy Division	18 out of 18 (100%)
3	Masayasu Takigawa	Reappointment	Director Senior Managing Executive Officer DM, Business Management Division	18 out of 18 (100%)
4	Hiroki Taniguchi	Reappointment	Director Senior Managing Executive Officer & CFO DM, Corporate Management Division	18 out of 18 (100%)
5	Seiichiro Umeno	Reappointment Outside Director Independent Director	Outside Director	16 out of 18 (89%)
6	Toshio Maki	Reappointment Outside Director Independent Director	Outside Director	18 out of 18 (100%)
7	Megumi Tsukamoto	Reappointment Outside Director Independent Director	Outside Director	14 out of 14 (100%)

1	Career summary, positions and responsibilities
 <p>Kiyotaka Fujisaki Reappointment</p> <p>Date of birth December 18, 1952</p> <p>Number of shares of the Company held 113,200 shares</p> <p>Attendance at the Board of Directors meetings 18 out of 18 (100%)</p>	<p>February 1985 Director and General Manager, IT System Development Department, the Company</p> <p>October 1987 Managing Director</p> <p>March 1993 Senior Managing Director</p> <p>August 1993 Representative Director and President</p> <p>March 2010 President and Executive Officer</p> <p>March 2020 Representative Director and Chairman & CEO</p> <p>March 2023 Director and Chairman of the Board (to present)</p> <p>Reasons for selection as a candidate for Director Mr. Kiyotaka Fujisaki has demonstrated strong leadership at the heart of management, made efforts to enhance the corporate value of the Group, and taken the initiative for management reform upon assuming office as the Representative Director of the Company. Based on his wealth of experience and achievements, the Company expects him to continue striving to enhance the corporate value of the Group and make appropriate decisions and supervise the execution of duties over important matters concerning overall management as a Director. Therefore, the Company renominated him as a candidate for Director.</p>
2	Career summary, positions and responsibilities
 <p>Shinichiro Fujisaki Reappointment</p> <p>Date of birth November 22, 1975</p> <p>Number of shares of the Company held 250,000 shares</p> <p>Attendance at the Board of Directors meetings 18 out of 18 (100%)</p>	<p>January 2011 Joined the Company</p> <p>January 2013 DGM, Automobile Business Headquarter</p> <p>January 2014 Executive Officer</p> <p>March 2014 Director</p> <p>January 2015 Senior DGM, New Business Division</p> <p>January 2016 Representative Director and President, AUCNET DIGITAL PRODUCTS INC.</p> <p>January 2017 Managing Executive Officer</p> <p>January 2019 Senior Managing Executive Officer DM, Automobile Business Division</p> <p>March 2020 Representative Director and President & COO President and Executive Officer (to present)</p> <p>March 2023 Representative Director and President & CEO (to present)</p> <p>January 2024 DM, Mobility & Energy Division (to present)</p> <p>Reasons for selection as a candidate for Director Mr. Shinichiro Fujisaki has led the Company's main businesses from a senior position, such as the automobile business, new business division, and digital product business, and has significantly contributed to business expansion. Based on his wealth of experience and achievements, the Company expects him to continue to play a role of leading the growth of the Company from a management perspective as Representative Director and President & CEO. Therefore, the Company renominated him as a candidate for Director.</p>

3	Career summary, positions and responsibilities
	<p>April 1984 Joined ITOCHU Corporation October 2003 Representative Director and President, Any Lights Co., Ltd. May 2007 Managing Director, ISHIMORI PRODUCTION INC. June 2010 Director and Vice President June 2013 Director, SPACE SHOWER NETWORKS INC. March 2017 Representative Director and President, Enroute Co., Ltd. April 2020 Joined the Company Senior Managing Executive Officer (to present) DM, New Business Division March 2021 Director (to present) January 2024 DM, Business Management Division (to present)</p>
<p>Masayasu Takigawa Reappointment</p> <p>Date of birth February 7, 1962</p> <p>Number of shares of the Company held 11,600 shares</p> <p>Attendance at the Board of Directors meetings 18 out of 18 (100%)</p>	<p>Reasons for selection as a candidate for Director Mr. Masayasu Takigawa has served in launching new businesses and services for many years and also has experience in corporate management. By drawing on his deep insight based on these significant experience and achievements to manage the Company, the management structure may be further strengthened, and the Company expects him to continue to make appropriate decisions and execute duties over important matters concerning overall management as a Director. Therefore, the Company renominated him as a candidate for Director.</p>
4	Career summary, positions and responsibilities
	<p>April 1988 Joined Universal Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) September 1994 Joined CHARLE CO., LTD. April 2003 General Manager, Accounting Department April 2008 Chairman and President, Charle (Shanghai) International Trading Co., Ltd. April 2012 Executive Officer, CHARLE CO., LTD. June 2012 Director August 2014 Joined the Company Senior DGM, Administrative Management Division October 2019 Executive Officer DM, Corporate Management Division (to present) January 2021 Managing Executive Officer March 2021 Director (to present) January 2022 Managing Executive Officer & CFO January 2023 Senior Managing Executive Officer & CFO (to present)</p>
<p>Hiroki Taniguchi Reappointment</p> <p>Date of birth October 20, 1965</p> <p>Number of shares of the Company held 10,300 shares</p> <p>Attendance at the Board of Directors meetings 18 out of 18 (100%)</p>	<p>Reasons for selection as a candidate for Director Mr. Hiroki Taniguchi has adequately fulfilled a supervisory role for management as a manager of the Corporate Management Division, and has made efforts to strengthen the Company's overall business structure and promote financial and other strategies. By drawing on his high level of expertise and experience to manage the Company, the management structure may be further strengthened, and the Company expects him to continue to make appropriate decisions and execute duties over important matters concerning overall management as a Director. Therefore, the Company renominated him as a candidate for Director.</p>

5	Career summary, positions and responsibilities
	<p>April 1989 Registered as an attorney-at-law Joined Tokyo Yaesu Law Offices</p> <p>August 1990 Joined Masuda & Ejiri</p> <p>January 1995 Registered as a New York State attorney</p> <p>March 2006 Outside Director, the Company (until March 2008)</p> <p>April 2007 Partner, Nagashima Ohno & Tsunematsu (to present)</p> <p>March 2010 Corporate Auditor, VeriSign Japan K.K.</p> <p>March 2016 Outside Director, the Company (to present)</p> <p>April 2017 Executive member, Committee on the Companies Act (Mainly in Relation to Corporate Governance), Legislative Council of the Ministry of Justice</p> <p>June 2019 Outside Auditor, SPARX Group Co., Ltd.</p>
<p>Seiichiro Umeno Reappointment Outside Independent</p> <p>Date of birth September 1, 1961</p> <p>Number of shares of the Company held —</p> <p>Attendance at the Board of Directors meetings 16 out of 18 (89%)</p>	<p>Reasons for selection as a candidate for Outside Director and summary of expected roles</p> <p>Mr. Seiichiro Umeno has abundant expertise and experience as an attorney-at-law. Based on his wealth of expertise and experience, he is fulfilling his duties as an Outside Director. The Company expects him to continue to play an adequate role as an Outside Director from an independent standpoint, and therefore renominated him as a candidate for Outside Director. Although he has not been involved in corporate management except as an Outside Director, based on the above reasons, he is expected to adequately perform duties as Outside Director of the Company.</p>
6	Career summary, positions and responsibilities
	<p>April 2004 Executive Officer, KDDI CORPORATION General Manager, “au” Service & Product Planning Division, “au” Business Sector</p> <p>April 2008 Representative Director and President, CHUBU TELECOMMUNICATIONS CO., INC.</p> <p>April 2013 Representative Director, Chairman & Co-CEO, Jupiter Telecommunications Co., Ltd.</p> <p>January 2014 Representative Director, President & Co-CEO</p> <p>April 2017 Representative Director, Chairman & Co-CEO</p> <p>June 2019 Representative Director and Chairman, CHUBU TELECOMMUNICATIONS CO., INC.</p> <p>June 2020 Board Member, Chuo University (to present)</p> <p>March 2021 Outside Director, the Company (to present)</p> <p>July 2021 Provisional Corporate Auditor, MEDIA SEEK INC.</p> <p>October 2021 Outside Corporate Auditor (to present)</p> <p>December 2021 Outside Director, Catalyna Inc. (currently Cotofure Inc.) (to present)</p>
<p>Toshio Maki Reappointment Outside Independent</p> <p>Date of birth June 28, 1955</p> <p>Number of shares of the Company held —</p> <p>Attendance at the Board of Directors meetings 18 out of 18 (100%)</p>	<p>Reasons for selection as a candidate for Outside Director and summary of expected roles</p> <p>Mr. Toshio Maki has served in expanding communication businesses and network services for many years and also has abundant experience as a corporate manager. The Company expects him to continue to provide professional advice on the Company’s business from a medium- to long-term perspective and from an independent standpoint as an Outside Director, based on his wealth of experience and deep insight, and thus contribute to enhancement of the corporate value of the Company. Therefore, the Company renominated him as a candidate for Outside Director.</p>

7	Career summary, positions and responsibilities
 <p>Megumi Tsukamoto Reappointment Outside Independent</p> <p>Date of birth June 9, 1962</p> <p>Number of shares of the Company held —</p> <p>Attendance at the Board of Directors meetings 14 out of 14 (100%)</p>	<p>April 1985 Joined IBM Japan, Ltd.</p> <p>July 1997 Seconded to KEIZAI DOYUKAI (Japan Association of Corporate Executives)</p> <p>August 1999 Returned to IBM Japan, Ltd., assigned to Government and Regulatory Affairs team</p> <p>April 2003 Asia Pacific Leader, Governmental Programs, Intellectual Property & Standard Policy Team, IBM Corporation Executive, Government and Regulatory Affairs, IBM Japan, Ltd.</p> <p>October 2008 Member, Governmental Programs Global Leadership Team, IBM Corporation General Manager, Government and Regulatory Affairs, IBM Japan, Ltd.</p> <p>November 2015 Operating Director; Director, Global Government and Corporate Affairs Japan, Caterpillar Japan KK</p> <p>December 2017 Representative Operating Director; Director, Global Government and Corporate Affairs Japan, Caterpillar Japan LLC</p> <p>March 2022 President, General Incorporated Association Digital Society Forum (to present) Executive Director, National University Corporation Niigata University (to present)</p> <p>March 2023 Outside Director, the Company (to present)</p> <p>June 2023 External Board Member, TAKASAGO INTERNATIONAL CORPORATION (to present)</p> <p>Reasons for selection as a candidate for Outside Director and summary of expected roles</p> <p>Ms. Megumi Tsukamoto has many years of experience at companies in the IT field as well as abundant global experience at international companies and deep insight as a corporate manager. The Company expects her to continue to provide appropriate advice from an independent standpoint as an Outside Director, based on her wealth of experience and deep insight, and thus contribute to further enhancement of the supervisory functions. Therefore, the Company renominated her as a candidate for Outside Director.</p>

- Notes
1. There are no special interests between the candidates and the Company.
 2. CEO, COO, and CFO stand for Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer, respectively.
 3. DM and DGM stand for Division Manager and Deputy General Manager, respectively.
 4. Messrs. Seiichiro Umeno and Toshio Maki and Ms. Megumi Tsukamoto are candidates for Outside Directors.
 5. The Company has designated Mr. Toshio Maki and Ms. Megumi Tsukamoto as Independent Director in accordance with the stipulations of Tokyo Stock Exchange, Inc. and submitted a notification to the said Exchange. If this proposal is approved, the Company plans to continue their designation as Independent Director.
 6. If this proposal is approved, the Company plans to designate Mr. Seiichiro Umeno as an Independent Director in accordance with the stipulations of Tokyo Stock Exchange, Inc. and submit a notification to the said Exchange.
 7. The Company has entered into agreements with Messrs. Seiichiro Umeno and Toshio Maki and Ms. Megumi Tsukamoto to limit their liability pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the minimum amount stipulated by Article 425, Paragraph 1 of the Companies Act. If their reelection is approved, the Company plans to continue the above agreements with them to limit their liability.
 8. The Company has concluded a Directors and Officers Liability Insurance contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act. If this proposal is approved as originally proposed and each candidate assumes office as Director, each candidate will

be an insured person under the insurance contract stipulated in Article 430-3 of the Companies Act. The insurance contract covers damage that may be incurred as a result of the responsibilities assumed by Directors in the execution of their duties, or any liability claims made against them in connection with those responsibilities. However, there are certain exemptions such as in the case where damage from knowingly committed acts of violation against laws and regulations is not covered by the insurance.

9. Mr. Seiichiro Umeno will have served as Outside Director for eight (8) years at the conclusion of this Annual General Shareholders Meeting.
10. Mr. Toshio Maki will have served as Outside Director for three (3) years at the conclusion of this Annual General Shareholders Meeting.
11. Ms. Megumi Tsukamoto will have served as Outside Director for one (1) year at the conclusion of this Annual General Shareholders Meeting.
12. Mr. Seiichiro Umeno was an Outside Director of the Company in the past.

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

The terms of office of Mr. Hisanao Nagashima and Ms. Michi Handa, Directors who are Audit & Supervisory Committee Members, will expire at the conclusion of this General Shareholders Meeting. Accordingly, the election of two (2) 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	Shunji Sato	New appointment	Director Managing Executive Officer & CCO	18 out of 18 (100%)
2	Michi Handa (Michi Sasano)	Reappointment Outside Director Independent Director	Outside Director (Audit & Supervisory Committee Member)	18 out of 18 (100%)

1	Career summary, positions and responsibilities
	<p>April 1983 Joined Orient Finance Co., Ltd. (currently Orient Corporation)</p> <p>June 2014 Executive Officer</p> <p>July 2017 Joined the Company Managing Executive Officer</p> <p>January 2018 Senior GM, Business Management Division</p> <p>March 2018 Director (to present)</p> <p>January 2019 DM, Business Management Division</p> <p>January 2020 DM, Customer Communication Division</p> <p>January 2022 Managing Executive Officer & CCO (to present)</p>
<p>Shunji Sato New appointment</p> <p>Date of birth March 3, 1961</p> <p>Number of shares of the Company held 10,600 shares</p> <p>Attendance at the Board of Directors meetings 18 out of 18 (100%)</p>	<p>Reasons for selection as a candidate for Director who is an Audit & Supervisory Committee Member</p> <p>Mr. Shunji Sato has many years of experience in guiding and supervising business execution as the person responsible for overseeing business and has deep insight into the Company's business as the person responsible for a division in charge of the management of the Company's business. Based on these extensive achievements and experience, the Company expects him to fulfill a role in auditing and supervising the Group's overall management as an Audit & Supervisory Committee Member. Therefore, the Company nominated him as a candidate for Director who is an Audit & Supervisory Committee Member.</p>
2	Career summary, positions and responsibilities
	<p>March 1998 Registered as a certified public accountant</p> <p>September 1998 Joined KPMG LLP New York Office</p> <p>February 2003 Joined KPMG AZSA LLC</p> <p>February 2006 Established Biz Consulting K.K. Representative Director and President</p> <p>June 2008 Representative Director and Vice President, Control Solutions International K.K. (currently Control Solutions K.K.)</p> <p>January 2009 Representative Director and President (to present)</p> <p>June 2019 Outside Director (Audit & Supervisory Committee Member), TOA CORPORATION (to present)</p> <p>March 2022 Outside Director (Audit & Supervisory Committee Member), the Company (to present)</p>
<p>Michi Handa (Michi Sasano) Reappointment Outside Independent</p> <p>Date of birth October 19, 1970</p> <p>Number of shares of the Company held —</p> <p>Attendance at the Board of Directors meetings 18 out of 18 (100%)</p>	<p>Significant concurrent position Representative Director and President, Control Solutions K.K.</p> <p>Reasons for selection as a candidate for Outside Director who is an Audit & Supervisory Committee Member and summary of expected roles</p> <p>Ms. Michi Handa possesses a wealth of expert knowledge and experience as a certified public accountant and tax accountant, and also serves as the manager of a consulting company specializing in risk management, internal audit, compliance and related fields. Based on this abundant knowledge and experience, the Company expects her to be fully capable of auditing the execution of duties by Directors as an Audit & Supervisory Committee Member. Therefore, the Company renominated her as a candidate for Outside Director who is an Audit & Supervisory Committee Member.</p>

- Notes:
1. There are no special interests between the candidates and the Company.
 2. CCO stands for Chief Customer Officer.
 3. The name under which Ms. Michi Handa is registered as a certified public accountant is shown in parentheses.
 4. Ms. Michi Handa is a candidate for Outside Director who is an Audit & Supervisory Committee Member.
There are no special interests between Control Solutions K.K., where Ms. Michi Handa serves as Representative Director and President, and the Company.
 5. The Company has designated Ms. Michi Handa as an Independent Director/Auditor in accordance with the stipulations of Tokyo Stock Exchange, Inc. and submitted a notification to the said Exchange. If this proposal is approved, the Company plans to continue her designation as an Independent Director/Auditor.
 6. The Company has entered into an agreement with Ms. Michi Handa to limit her liability pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability pursuant to the agreement is the minimum amount stipulated by Article 425, Paragraph 1 of the Companies Act. If her reelection is approved, the Company plans to continue the above agreement with her to limit her liability.
 7. The Company has concluded a Directors and Officers Liability Insurance contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act. If this proposal is approved as originally proposed and each candidate assumes office as Director who is an Audit & Supervisory Committee Member, each candidate will be an insured person under the insurance contract stipulated in Article 430-3 of the Companies Act. The insurance contract covers damage that may be incurred as a result of the responsibilities assumed by Directors who are Audit & Supervisory Committee Members in the execution of their duties, or any liability claims made against them in connection with those responsibilities. However, there are certain exemptions such as in the case where damage from knowingly committed acts of violation against laws and regulations is not covered by the insurance.
 8. Ms. Michi Handa will have served as Outside Director who is an Audit & Supervisory Committee Member for two (2) years at the conclusion of this Annual General Shareholders Meeting.

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

	Management experience	New businesses	Finance and accounting	Legal affairs, compliance and risk management	Global experience	IT/DX	Sustainability (ESG/SDGs)
Kiyotaka Fujisaki	○	○			○	○	
Shinichiro Fujisaki	○	○			○		○
Masayasu Takigawa	○	○			○		
Hiroki Taniguchi	○		○	○	○		○
Seiichiro Umeno				○	○		
Toshio Maki	○					○	
Megumi Tsukamoto	○			○	○	○	○
Shunji Sato	○			○			
Ikuo Kaminishi	○		○				
Michi Handa	○		○	○	○		

Skills	Definition
Management experience	Knowledge of top management, such as directors and executives (CEO, CFO, etc.) Knowledge necessary for judging and determining the strategic policy and direction of the Aucnet Group
New businesses	Knowledge to create and drive new businesses based on insights into future social changes and the results of those insights. Knowledge to promote innovation and explore new areas for the sustainable growth of the Aucnet Group
Finance and accounting	Knowledge of financial accounting and capital policy Knowledge to understand business conditions based on business performance and performance indicators and raise issues Knowledge to understand the status of resource allocation and raise issues in order to balance growth investment and shareholder returns
Legal affairs, compliance and risk management	Knowledge of law, compliance and risk management Knowledge to understand the status of the Company's risk control and raise issues
Global experience	Knowledge of global business, international business experience and management of overseas companies Knowledge to make decisions from a global perspective
IT/DX	Knowledge of technology trends in cutting-edge fields such as the IT and digital field Knowledge to promote company-wide business process improvement through IT utilization and DX
Sustainability (ESG/SDGs)	Knowledge to formulate measures for and drive the expansion of the Aucnet Group's circular economy business from the perspective of sustainability (ESG/SGDs) Knowledge to directly promote and drive participation in TCFD, etc. and information dissemination as an enterprise emphasizing sustainability Knowledge to strategically formulate non-financial disclosure of environmental, social, and governance information in order to enhance evaluation of corporate value

Note: The above list does not represent all of the knowledge and experience possessed by each candidate.

Proposal No. 3: Partial Revision of the Performance-linked Stock Compensation Plan for Directors

1. Reason for proposal and reason why the proposal is deemed reasonable

The introduction of the performance-linked stock compensation plan, “Board Benefit Trust (BBT)” (hereinafter, the “Current BBT Plan”) for Directors of the Company (excluding Directors who are Audit & Supervisory Committee Members and other Outside Directors; unless otherwise specified, the same applies hereinafter in this proposal.), was approved at the 10th Annual General Shareholders Meeting held on March 28, 2018. Moreover, in line with the enforcement of the Act Partially Amending the Companies Act (Act No. 70 of 2019), the setting of the limit on compensation under the Current BBT Plan was approved at the 13th Annual General Shareholders Meeting held on March 30, 2021 (hereinafter, the resolution at the General Shareholders Meeting described above is referred to as the “Original Resolution.”)

Furthermore, the payment of compensation for the granting of restricted stock (hereinafter, the “Current RS Plan”) to Directors of the Company was approved at the 12th Annual General Shareholders Meeting held on March 27, 2020.

As part of a review of the officer compensation plan, in order to maximize the benefits obtainable from the trust scheme and the RS scheme, as described in 2. below, the Company requests approval to revise the Current BBT Plan to a performance-linked stock compensation plan, “Board Benefit Trust-Restricted Stock (BBT-RS)” (hereinafter, the “Plan”), so as to integrate the Current BBT Plan and the Current RS Plan. Subject to approval of this proposal, the Company will abolish the compensation for the granting of restricted stock under the Current RS Plan and will no longer deliver any restricted stock under the Current RS Plan in the future. However, the restricted stock already delivered shall continue to exist.

As with the Original Resolution, the purpose of this proposal is to raise the motivation of Directors for contributing to improving performance and increasing corporate value over the medium- to long-term by further clarifying the link between the compensation of Directors and the performance and stock value of the Company as well as by having Directors share not only the benefit of higher stock prices but also the risk of lower stock prices with the Company’s shareholders. The Company has received a report from the Nomination & Compensation Committee of the Company to the effect that the introduction of the Plan is appropriate, taking into consideration the purpose of the Plan, the effect of providing incentives toward the improvement of medium - to long-term business performance, etc. Furthermore, if this proposal is approved as originally proposed, it is also consistent with the policy on determining the content of compensation, etc. for individual Directors of the Company to be resolved at the Company’s Board of Directors meeting scheduled to be held after the conclusion of this Annual General Shareholders Meeting (see below). Therefore, the Company considers the content of this proposal reasonable.

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

If Proposal No. 1 is approved as proposed, four (4) Directors will be eligible under the Plan.

The Audit & Supervisory Committee has expressed its opinion that the introduction of the Plan is appropriate in view of the purpose of the Plan and the decision-making process for this Proposal, including the report from the Nomination & Compensation Committee.

2. Specific method of calculating the amount of compensation, etc. and specific content of compensation, etc. under the Plan

(1) Outline of the Plan

The Plan is a performance-linked stock compensation plan whereby the Company’s shares are acquired through a trust using money contributed by the Company as funds (the Company has established a trust with Mizuho Trust & Banking Co., Ltd. as a trustee under the Current BBT Plan, and the Company’s contribution of funds for acquiring shares, etc., the acquisition of the Company’s shares, and the payment of benefits to Directors based on the Plan shall also be made through the trust; hereinafter, the trust shall be referred to as the “Trust”), and the Company’s shares and cash equivalents of such shares at their market value (collectively, the “Company Shares, etc.”) are delivered through the Trust to Directors pursuant to the Officer Stock Delivery Regulations established by the Company. Directors shall receive delivery of the Company’s shares at a certain time every year, in principle, and Directors shall receive cash equivalents of the Company’s shares at their market value at the time of their retirement (if the person, after retiring from the position of Director, continues to serve as a Director, a Director who is an Audit & Supervisory Committee Member, a Corporate Auditor, an Executive Officer, or an employee of the Company or its subsidiaries, the time at

which the person ceases to serve in all such positions; unless otherwise specified, the same applies hereinafter in this proposal.), in principle.

In line with the revision to the Plan, a portion of the points already granted to Directors under the Current BBT Plan shall be delivered as the Company's shares at a time separately determined by the Company after this Annual General Shareholders Meeting, subject to the approval of this proposal, and the remaining portion shall be delivered as cash equivalents of the Company's shares at their market value at the time of retirement of the Directors.

If Directors receive the delivery of the Company's shares during their terms of office, such Directors shall conclude a transfer restriction agreement with the Company prior to the delivery of the Company's shares, as described in 3. below. Consequently, the Company's shares delivered to Directors during their terms of office will be subject to restriction on disposal by means of transfer, etc. until retirement of such Directors.

(2) Eligible persons

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

(3) Trust period

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

(4) Trust amount

The Company has introduced the Current BBT Plan for the three fiscal years from the fiscal year ended December 31, 2018 to the fiscal year ended December 31, 2020 (hereinafter, the said three-fiscal-year period and each three-fiscal-year period after the said three-fiscal-year period are called the "Target Period") as well as for each subsequent Target Period. However, the Company's shares acquired by the Trust using funds contributed by the Company under the Current BBT Plan and money remaining in the trust assets shall be allocated to the funds for the delivery under the Plan after the revision of the plan based on the approval of this proposal.

In addition, after the approval of this proposal as well, the Company shall reasonably estimate the number of shares necessary for the delivery to Directors under the Plan, and make additional contributions to the Trust of funds deemed necessary for the Trust to acquire the shares in advance, for each Target Period in principle, until the termination of the Plan. The upper limit of the points to be granted to Directors under the Plan is 60,000 points for each fiscal year, as described in (6) below. Therefore, when making additional contributions, the Company will contribute to the Trust the funds reasonably estimated to be necessary to acquire a maximum of 180,000 shares, taking into consideration the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange immediately before the additional contribution. For reference, if the closing price of 2,110 yen on February 13, 2024 is applied, the necessary funds mentioned above would be 380 million yen. However, if, at the time of such additional contributions, there remain the Company's shares (excluding the Company's shares that correspond to the points granted to Directors for each Target Period up to the immediately preceding Target Period and that have not yet been delivered to Directors) and money (collectively, the "Residual Shares, etc.") in the trust assets, the Residual Shares, etc. shall be appropriated to the funds for delivery under the Plan in the subsequent Target Period, and the amount of additional contributions shall be calculated in consideration of the Residual Shares, etc. When the Company decides to make additional contributions, it will disclose this information in a timely and appropriate manner.

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

The Trust will acquire the Company's shares, using the funds contributed through (4) above, either through the exchange market or by underwriting the disposal of the Company's treasury shares, and no new shares will be issued.

As the maximum number of points to be granted to Directors is 60,000 points per fiscal year, as described in (6) below, the maximum number of the Company's shares to be acquired by the Trust for each Target Period shall be 180,000 shares. Details of the acquisition of the Company's shares by the Trust will be disclosed in a timely and appropriate manner.

(6) Upper limit on the number of the Company Shares, etc. to be delivered to Directors

For each fiscal year, Directors are granted points in consideration of matters such as their position and

achievements in accordance with the Officer Stock Delivery Regulations. The upper limit on the sum of the points to be granted to Directors for each fiscal year shall be 60,000 points. This was determined by comprehensively considering factors such as the current levels of officer compensation and trends and future outlook for the number of Directors, and is deemed to be reasonable.

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

The ratio of the number of voting rights pertaining to the shares corresponding to the upper limit of the number of points to be granted to Directors for each fiscal year, which is 600, to the number of voting rights pertaining to the total number of issued and outstanding shares, which is 239,060 (as of December 31, 2023), is approximately 0.25%.

The number of points of Directors that forms the basis for delivery of the Company Shares, etc. in (7) below shall be the number of points granted to such Directors up to the time the beneficiary rights in (7) below are confirmed (hereinafter, the points computed in this manner are referred to as "Defined Number of Points"), in principle.

(7) Delivery of the Company Shares, etc. and the specific method of calculating the amount of compensation, etc.

Directors who satisfy the beneficiary requirements will, at a certain time every year, receive from the Trust the Company's shares that correspond to the number of their "Defined Number of Points" determined under (6) above, in principle, by carrying out specified beneficiary confirmation procedures. However, if the requirements provided in the Officer Stock Delivery Regulations are satisfied, Directors will, instead of the delivery of the Company's shares, receive the amount of money which is equivalent to the market value of such shares in respect to a certain portion of the points, at the time of their retirement as Director, in principle. The Trust may sell the Company's shares to make such delivery of money.

If Directors receive the delivery of the Company's shares during their terms of office, such Directors shall conclude a transfer restriction agreement with the Company prior to the delivery of the Company's shares, as described in 3. below. Consequently, the Company's shares delivered to Directors during their terms of office will be subject to restriction on disposal by means of transfer, etc. until retirement of such Directors.

Moreover, even a Director who has been granted points may not be able to acquire all or part of the rights to receive benefits by a resolution of the Board of Directors, if the dismissal of the Director is resolved by the General Shareholders Meeting or if the Director retires owing to certain illegal acts committed during his or her term of office, or if the Director committed an inappropriate act during his or her term of office that caused damage to the Company.

The amount of compensation, etc. to be received by Directors shall be based on the amount calculated, at the time of granting the points, by multiplying the sum of the number of points to be granted to Directors by the book value per share of the Company's shares held by the Trust (However, if, in regard to the Company's shares, a stock split, a gratis allotment of shares, or a reverse stock split is carried out, the Company will reasonably adjust the amount in accordance with matters such as the relevant ratios.). Moreover, in the case where money is paid exceptionally in accordance with the provisions of the Officer Stock Delivery Regulations, the amount of such money shall be added to the calculated amount, if deemed reasonable.

(8) Exercise of voting rights

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

(9) Dividends

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

(10) Termination of trust

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

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

3. Outline of the transfer restriction agreement related to the Company's shares to be delivered to Directors

If Directors receive the delivery of the Company's shares during their terms of office, such Directors shall conclude a transfer restriction agreement with the Company prior to the delivery of the Company's shares (hereinafter, a "Transfer Restriction Agreement"), the outline of which is described below. (Directors shall receive the delivery of the Company's shares on the condition that the Transfer Restriction Agreement is concluded.)

1) Details of transfer restrictions

Directors, etc. shall not transfer, pledge as security, or otherwise dispose of the Company's shares delivered and received during the period from the date on which they receive the delivery of the Company's shares to the date on which they retire from the position of Director of the Company (if the person, after retiring from the position of Director continues to serve as a Director, a Director who is an Audit & Supervisory Committee Member, a Corporate Auditor, an Executive Officer, or an employee of the Company or its subsidiaries, the date on which the person ceases to serve in all such positions).

2) Gratis acquisition by the Company

In the event of certain illegal acts, etc. or in the event that the requirements for removal of the transfer restrictions in 3) below are not satisfied, the Company shall acquire the relevant shares without consideration.

3) Removal of transfer restrictions

In the event that a Director, resigns or retires from all of his/her positions as a Director, a Director who is an Audit & Supervisory Committee Member, a Corporate Auditor, an Executive Officer, or an employee of the Company or its subsidiaries for justifiable reasons, or resigns or retires due to death, the transfer restrictions shall be removed at the time of such resignation or retirement. Shares for which the transfer restrictions are to be removed shall be reasonably adjusted as necessary.

4) Treatment in the event of organizational restructuring, etc.

If, during the transfer restriction period, a merger agreement under which the Company becomes a non-surviving company or any other matter concerning organizational restructuring, etc. is approved at the General Shareholders Meeting, etc. of the Company, the transfer restrictions shall be removed by resolution of the Board of Directors of the Company immediately before the business day preceding the effective date of such organizational restructuring, etc.

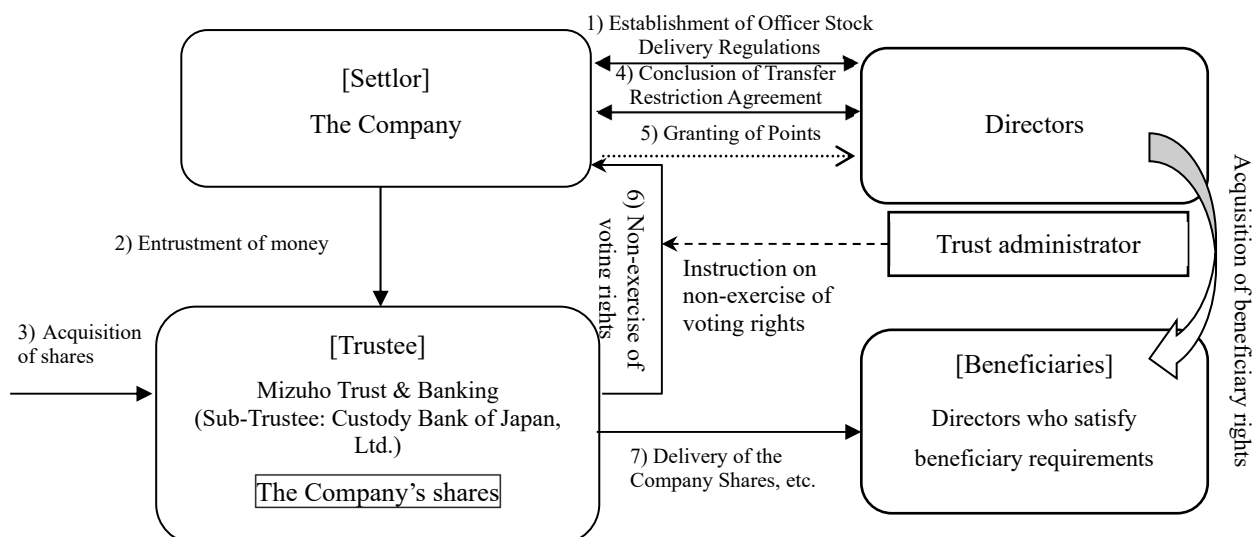
During the transfer restriction period, the Company's shares subject to the transfer restrictions under the Transfer Restriction Agreement will be managed in a dedicated account opened by the eligible Directors at a securities company designated by the Company so that they will not be transferred, pledged as security, or otherwise disposed of during the transfer restriction period.

In addition to the above, the content of the Transfer Restriction Agreement will include the method of manifestation of intention and notification under the Transfer Restriction Agreement, the method of revision of the Transfer Restriction Agreement, and other matters to be determined by the Board of Directors.

(Reference)

Provided that this proposal is approved at this Annual General Shareholders Meeting, in addition to Directors, the Company plans to apply the revised Plan to Executive Officers who are eligible for the Current BBT Plan and the Current RS Plan, in the same manner as Directors.

[Structure of the Plan]



- 1) The Company will establish the Officer Stock Delivery Regulations within the framework approved in this proposal.
- 2) The Company will entrust money within the limit approved in this proposal.
- 3) The Trust will acquire the Company's shares by using the funds entrusted in accordance with 2) through the exchange market or by underwriting the disposal of the Company's treasury shares.
- 4) Directors will conclude a transfer restriction agreement with the Company, which includes provisions to the effect that the disposal by transfer, etc. of the Company's shares delivered and received during their terms of office shall be restricted until the retirement of the said Directors, and other certain provisions regarding gratis acquisition by the Company.
- 5) The Company will grant points to the Directors based on the Officer Stock Delivery Regulations.
- 6) In accordance with instructions from a trust administrator independent from the Company, the Trust will not exercise voting rights concerning the Company's shares in the Trust's account.
- 7) The Trust will, at a certain time every year, deliver the Company's shares to Directors who satisfy the beneficiary requirements provided in the Officer Stock Delivery Regulations (the "Beneficiaries") corresponding to the number of points granted to the said Beneficiaries. However, Directors who satisfy the requirements provided in the Officer Stock Delivery Regulations will receive an amount of money equivalent to the Company's shares at market value at the time of their retirement with respect to a certain portion of the points.

[Policy on determining the contents of compensation, etc. for individual Directors]

a. Basic policy

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

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

Basic compensation for Directors consists of monthly fixed compensation, determined upon comprehensive consideration of factors such as position, responsibilities, experience, the Company's business results, the level of salaries for employees, and trends among other companies.

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

Performance-linked compensation and non-monetary compensation, etc. are composed of (1) bonuses as monetary compensation to reward short-term contribution, reflecting the degree to which consolidated operating profit targets have been achieved as the results for each fiscal year and (2) Board Benefit Trust-Restricted Stock (BBT-RS) as non-monetary compensation, etc. based on the degree of medium- to long-term contribution, where points are granted during each Director's term of office in accordance with factors such as position, duties, and performance, and shares with transfer restrictions until the Director's retirement are delivered in accordance with the number of points awarded. The amount of a bonus is determined by establishing a certain number of months that becomes a payment standard value for monthly fixed compensation based on the achievement rate of consolidated operating profit targets in each fiscal year and determining an amount calculated in accordance with the levels of quantitative and qualitative performance evaluation indicators by each individual. The number for BBT-RS is determined quantitatively in accordance with the degree of achievement of the metrics (EBITDA, GCV, etc.) specified in the mid-term management plan and position. The amounts and the numbers for the compensation are determined by the Board of Directors based on the recommendations of the Nomination & Compensation Committee and the compensation is paid or delivered at a predesignated time each year. The relative proportions of each type of compensation are determined by the Board of Directors based on the recommendations of the Nomination & Compensation Committee, with reference to benchmark compensation levels, etc. at other companies of a similar scale to the Company in related industries and sectors. The standard proportions of basic compensation, performance-linked compensation (bonuses), and performance-linked compensation (non-monetary compensation, etc.) are set at approximately 6:2:2.

Business Report (January 1, 2023 - December 31, 2023)

1. Overview of the Company Group

(1) Business Progress and Results

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

In May 2022, we formulated the mid-term management plan “Blue Print 2025,” and established four significant management metrics: the Company’s proprietary indicator “Gross Circulation Value,” EBITDA, ROE, and dividend payout ratio. Under “Blue Print 2025,” we will work to expand market share in existing businesses and to develop new businesses, and will aim to further expand the membership-based network and diversify distribution forms.

As a result, for the fiscal year ended December 31, 2023, the Group’s net sales were ¥43,303,979 thousand (up 7.0% from the previous fiscal year), operating profit was ¥6,663,447 thousand (up 0.9% from the previous fiscal year), ordinary profit was ¥6,755,781 thousand (up 0.8% from the previous fiscal year), and profit attributable to owners of parent was ¥4,368,973 thousand (up 0.5% 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 relay broadcast auctions (*3), proxy bidding service (*4), used vehicle inspection service (*5), and other services.

In the Japanese automotive sector, which has close connections with our business, total new vehicle registrations (*6) increased 13.7% year-on-year to 4.77 million units in the fiscal year ended December 31, 2023. The total number of used vehicle registrations (*7) increased 2.1% year-on-year to 6.43 million units, and the number of used vehicles listed at auctions around Japan (*8) increased 14.6% year-on-year to 7.96 million units. The total number of used vehicles sold at auctions (*8) increased 9.6% year-on-year to 5.17 million units.

During the fiscal year under review, total new vehicle registrations, and the number of used vehicles listed at auctions and the total number of used vehicles sold at auctions significantly increased year-on-year throughout the year.

Regarding used vehicle inspection service, demand was high mainly for the inspection service for a used vehicle listing platform, and the annual number of used vehicles inspected reached a record high. As a result, sales and profit increased, contributing significantly to segment income.

Sales and profit increased for the proxy bidding service and live relay broadcast auctions, as there was a favorable trend in the number of auctions won, reflecting a brisk used vehicle auctions market. In addition, the number of members continuously increased owing to sales activities in cooperation with subsidiaries.

The number of vehicles listed and the number of vehicles sold at our own used vehicle auctions increased, and in the shared inventory market, the number of auctions won showed a recovery trend due to strengthened cooperation with exporter members.

As a result, net sales of the Automobile Business (including intersegment net sales) were ¥12,501,307 thousand (up 9.2% from the previous fiscal year), and operating profit was ¥4,020,556 thousand (up 9.0% from the previous fiscal year).

(*1) The used vehicle auctions are real-time, members-only online auctions run by the Company.

(*2) The shared inventory market is a system that allows Aucnet Group member sellers to share inventory with other members online. The inventory remains at the seller’s premises while other members access it via the online system.

(*3) The live relay broadcast auctions use an online live-link system that enables real-time remote access

to participate at physical auction sites, through partnerships between AUCNET and the physical auction sites.

- (*4) The proxy bidding service is an agency service provided by i-Auc, Inc. to buy, sell, settle payment for and arrange for transportation of used vehicles at auctions on behalf of its members.
- (*5) The used vehicle inspection service and related inspection skills training services are provided by AIS INC.
- (*6) Based on statistics compiled by Japan Automobile Dealers Association
- (*7) Based on statistics compiled by Japan Automobile Dealers Association and Japan Light Motor Vehicle and Motorcycle Association
- (*8) Based on the 2023 U-Car Full Data Book and Export Quotation Book

2) Digital Product Business

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

While the number of new buyers continuously increased throughout the year owing to the use of digital marketing, the number of units sold continued to decline because of rising prices of devices and prolonged device replacement cycles, and the transaction amount shrank year-on-year.

We also made proactive investments by focusing on areas such as overseas branch operations to further strengthen platform functions, renovation of existing systems to improve operational efficiency, improved convenience by introducing a new auction method based on economic knowledge, and diversification of suppliers by the commencement of a trade in service for consumers.

The number of units of used devices was on a recovery trend in the fourth quarter as a result of our focus on strengthening our buying power through diversification of device supply sources and expansion of the global supplier network.

As a result, net sales of the Digital Product Business were ¥6,732,957 thousand (down 2.4% from the previous fiscal year), and operating profit was ¥4,155,196 thousand (down 8.7% from the previous fiscal year).

3) Consumer Product Business

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

In the B2B business, the number of new members remained buoyant owing to the use of digital marketing. In addition, an increase in the number of high unit-price items listed owing to partnerships with a major company led to an increase in the transaction amount. As a result, sales and profit increased year-on-year.

In the business targeting consumers, although sales increased as the number of vendor customers increased due to inbound demand, profit decreased year-on-year as the gross profit margin was lower than expected as a result of purchase and sales controls in view of the continuing downward trend in the market prices of the items handled from the second half of the fiscal year.

In addition, in order to expand the global business, we pursued initiatives, such as for acquiring new members and strengthening operational functions, at our bases in Europe and the U.S.

As a result, net sales of the Consumer Product Business were ¥20,368,774 thousand (up 11.2% from the previous fiscal year), and operating profit was ¥1,792,660 thousand (up 6.8% from the previous fiscal year).

4) Others

The Others segment comprises auctions for used motorcycles and flowers, circular commerce businesses (including medical-related businesses) and overseas businesses.

Net sales of the Others segment (including inter-segment net sales) were ¥4,137,378 thousand (down 2.9% from the previous fiscal year), and operating loss was ¥221,751 thousand (the operating loss for the previous fiscal year was ¥492,037 thousand).

Transaction results

Contents		Fiscal Year	The 15th fiscal year (From January 1, 2022 to December 31, 2022)	The 16th fiscal year (From January 1, 2023 to December 31, 2023)	YoY
Automobile Business	Auction related	Transaction amount (Million yen)	388,398	442,137	+13.8%
		Number of vehicles sold (Units)	435,443	502,616	+15.4%
	Membership fees	Number of members (*1)	14,949	15,142	+1.3%
	Inspection fees	Number of used vehicles inspected (Units) (*2)	1,086,022	1,262,908	+16.3%
Digital Product Business	Transaction amount (Million yen)		44,765	42,394	-5.3%
	Number of units sold (Units)		1,804,551	1,578,371	-12.5%
	Number of members (*3)		1,337	1,779	+33.1%
Consumer Product Business	B2B business	Transaction amount (Million yen)	38,473	44,063	+14.5%
		Number of listed items (Units)	1,026,154	1,066,733	+4.0%
		Number of items sold (Units)	689,968	715,832	+3.7%
		Number of members (*3)	4,092	4,862	+18.8%
	2C business	Transaction amount (Million yen)	10,788	11,692	+8.4%
Others	Transaction amount (Million yen)		20,774	20,698	-0.4%

(*1) Number of members is as of December 31 of each fiscal year.

(*2) Includes used motorcycles inspections.

(*3) Number of members is as of December 31 of each fiscal year and includes overseas members.

(2) Capital investment

The Company made capital investment in the total amount of ¥715 million in the fiscal year under review. Major investments include construction of internal system infrastructure and renewal of the auction system.

(3) Financing

The Company used its own funds for capital investment, etc. in the fiscal year under review.

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

Not applicable.

(5) Transfer of business from other companies

Not applicable.

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

Not applicable.

(7) Management policy, business environment, issues to be addressed, etc.

1. Management policy

In accordance with its corporate philosophy that emphasizes “authenticity,” the Group endeavors to contribute to development of the industry and enhancement of social life through the pursuit of “genuine service.” Based on this philosophy, the Group has vigorously promoted business development, capitalizing on its core competence comprising “operational expertise,” “information reliability,” “optimal systems,” and “membership-based network.” Aiming for further growth by expanding the scope in the future, we are actively making entry into overseas markets in addition to the domestic market to expand our business.

2. Business environment

Whereas the gradual economic recovery is expected to continue amid improvements concerning employment and incomes, there is also a need for continued monitoring of the Russia-Ukraine conflict, the situation in the Middle East, the trend of exchange rates, concerns overshadowing Chinese economic prospects, and fluctuations in financial and capital markets, etc.

3. Issues to be addressed

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

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

Goals and Direction toward 2025

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

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

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

Building Circular Distribution

1) GCV 1 trillion yen

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

2) EBITDA 10 billion yen

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

3) ROE 20%

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

4) Dividend payout ratio 30%

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

Respect for Diversity

5) Global development

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

6) Investment in human capital

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

4. Initiatives as an SDGs-focused company

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

(8) Trends in assets and income

1) Trends in assets and income of the Group

(Thousand yen)

Fiscal year \ Item	The 13th fiscal year (From January 1, 2020 to December 31, 2020)	The 14th fiscal year (From January 1, 2021 to December 31, 2021)	The 15th fiscal year (From January 1, 2022 to December 31, 2022)	The 16th fiscal year (From January 1, 2023 to December 31, 2023)
Net sales	24,078,099	36,710,088	40,455,750	43,303,979
Ordinary profit	3,643,461	6,113,012	6,699,838	6,755,781
Profit attributable to owners of parent	1,896,934	3,625,527	4,346,059	4,368,973
Basic earnings per share (Yen)	68.56	130.56	159.48	175.79
Total assets	33,280,823	36,822,846	37,348,660	37,664,151
Net assets	19,637,686	22,701,956	22,911,231	22,310,994
Net assets per share (Yen)	697.22	802.38	862.24	936.82

- Notes:
1. Basic earnings per share is calculated using the average number of issued and outstanding shares during the fiscal year.
 2. Net assets per share are calculated using the number of issued and outstanding shares at the end of the fiscal year.
 3. The shares of the Company held by the Board Benefit Trust (“BBT”) recorded as treasury shares under shareholders’ equity are included in the treasury shares to be deducted in calculating the number of issued and outstanding shares at the end of the fiscal year and the average number of shares during the fiscal year for the purpose of calculating net assets per share and basic earnings per share. Please note that for the fiscal year under review, the number of shares of the Company held by BBT, which were deducted for the purpose of calculating net assets per share, is 256,300 shares, and the average number of shares of the Company held by BBT during the fiscal year under review, which were deducted for the purpose of calculating basic earnings per share, is 180,227 shares.
 4. The Group has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the 15th fiscal year. Accordingly, the figures presented for assets and income for the 15th fiscal year onward are those after the adoption of the said standards.

2) Trends in assets and income of the Company

(Thousand yen)

Fiscal year \ Item	The 13th fiscal year (From January 1, 2020 to December 31, 2020)	The 14th fiscal year (From January 1, 2021 to December 31, 2021)	The 15th fiscal year (From January 1, 2022 to December 31, 2022)	The 16th fiscal year (From January 1, 2023 to December 31, 2023)
Net sales	13,916,198	16,073,171	15,832,067	16,294,674
Ordinary profit	2,472,599	3,361,734	6,135,672	7,218,043
Profit	1,019,153	1,933,309	4,769,072	6,136,481
Basic earnings per share (Yen)	36.84	69.62	175.00	246.90
Total assets	25,232,924	26,679,694	26,961,884	29,385,129
Net assets	13,947,150	15,221,520	15,728,131	17,126,615
Net assets per share (Yen)	503.21	547.21	602.35	723.99

- Notes:
1. Basic earnings per share is calculated using the average number of issued and outstanding shares during the fiscal year.
 2. Net assets per share are calculated using the number of issued and outstanding shares at the end of the fiscal year.
 3. The shares of the Company held by the Board Benefit Trust (“BBT”) recorded as treasury shares under shareholders’ equity are included in the treasury shares to be deducted in calculating the number of issued and outstanding shares at the end of the fiscal year and the average number of shares during the fiscal year for the purpose of calculating net assets per share and basic earnings per share. Please note that for the fiscal year under review, the number of shares of the Company held by BBT, which were deducted for the purpose of calculating net assets per share, is 256,300 shares, and the average number of shares of the Company held by BBT during the fiscal year

under review, which were deducted for the purpose of calculating basic earnings per share, is 180,227 shares.

4. The Company has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the 15th fiscal year. Accordingly, the figures presented for assets and income for the 15th fiscal year onward are those after the adoption of the said standards.

(9) Significant subsidiaries

1) Significant subsidiaries

Company name	Capital	Ratio of voting rights	Principal business
AIS Inc.	¥100,000 thousand	82.0%	Inspection and evaluation of used vehicles and used motorcycles
i-Auc, Inc.	¥100,000 thousand	100.0%	Proxy exhibiting and bidding service for auctions of used vehicles and used motorcycles
AUC FINANCIAL PARTNERS INC.	¥100,000 thousand	100.0%	Provision of warranty service-related products
AUCNET DIGITAL PRODUCTS USA, LLC.	US\$100 thousand	100.0%	Strategic base for the U.S. smartphone business
AUCNET MOTORCYCLE INC.	¥30,000 thousand	100.0%	Operation of auctions of used motorcycles
AUCNET AGRI BUSINESS INC.	¥30,000 thousand	100.0%	Operation of auctions of flowers
AUCNET CONSUMER PRODUCTS INC.	¥30,000 thousand	100.0%	Operation of auctions of pre-owned luxury brand items, etc.
JBTv, Inc.	¥100,000 thousand	100.0%	Provision of communication, operation/maintenance and BPO services
AUCNET HK LIMITED	US\$3,201 thousand	100.0%	Strategic base for China and Southeast Asia
AUCNETMEDICAL INC.	¥59,500 thousand	100.0%	Operation of auctions of used medical equipment
AUCNET IBS INC.	¥30,000 thousand	100.0%	Web-related system solution business
Aucnet USA, LLC.	US\$16,500 thousand	100.0%	Strategic base for the U.S.
MENERGIA INC.	¥100,000 thousand	98.9%	Provision of medical information video content
CARSERU, INC.	¥100,000 thousand	100.0%	C2B car sales support service
AUCNET CONSUMER PRODUCTS USA, LLC.	US\$1,000 thousand	100.0%	Distribution of pre-owned luxury brand items
Kinuta Flower Auction CO. LTD	¥100,000 thousand	100.0%	Operation of auctions of flowers
GALLERY RARE Ltd.	¥40,000 thousand	100.0%	Import and sales of foreign brand apparel goods and fashion accessories
GRAND BOUQUET OTAKI LIMITED	¥100,000 thousand	90.9%	Production, purchasing, sales, import and export of flowers and agricultural products
AUCNET Europe ApS	EUR 7,362	100.0%	Distribution of pre-owned luxury brand items

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

2. AUCNET Europe ApS increased its capital on October 30, 2023.

2) Matters concerning specified wholly-owned subsidiaries

Not applicable.

3) Equity-method company

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

(10) Principal business

As a market designing company for circular distribution, the Company provides services pertaining to

online auctions of used vehicles, used digital devices, pre-owned luxury brand items, flowers, used motorcycles, used medical equipment, etc. and to distribution.

(11) Employees

1) Employees of the Group

Number of employees	Increase (decrease) from previous consolidated fiscal year-end
878 persons	18 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
291 persons	32 persons	40.5 years old	12.2 years

Notes: 1. The number of employees excludes temporary employees (dispatched workers, part-time workers and non-regular workers).

2. The number of employees increased by 32 in the fiscal year under review mainly owing to mid-career hiring in line with business expansion.

(12) Principal business locations

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

2. Status of Shares (as of December 31, 2023)

- (1) Total number of shares authorized to be issued 110,000,000 shares
- (2) Total number of issued and outstanding shares 24,763,200 shares (including 851,016 treasury shares)
- (3) Number of shareholders 9,874 persons
- (4) Major shareholders

Shareholder name	Number of shares	Shareholding ratio
FLEX CORPORATION	11,237,800 shares	47.00%
GOLDMAN SACHS INTERNATIONAL	1,784,500 shares	7.46%
GOLDMAN SACHS & CO. REG	1,438,900 shares	6.02%
Custody Bank of Japan, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account reentrusted by Orient Corporation	1,296,000 shares	5.42%
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,031,637 shares	4.31%
NAMAI ASSET MANAGEMENT INC	900,000 shares	3.76%
The Master Trust Bank of Japan, Ltd. (Trust Account)	763,200 shares	3.19%
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	620,100 shares	2.59%
Blue Peak, Inc.	538,600 shares	2.25%
Aucnet Group Employee Shareholding Association	271,934 shares	1.14%

- Notes: 1. The Company is excluded from the above list of major shareholders although it holds 851,016 treasury shares. Shareholding ratio is calculated after deducting treasury shares.
2. The Company has introduced the Board Benefit Trust (BBT), and Custody Bank of Japan, Ltd. (Trust E account) holds 256,300 shares, which are not included in the treasury shares stated above.
3. FLEX CORPORATION, NAMAI ASSET MANAGEMENT INC, and Blue Peak, Inc. are asset management companies of the founding family.
4. The 1,296,000 shares held in Custody Bank of Japan, Ltd. as trustee for Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account re-entrusted by Orient Corporation are trust assets entrusted by Orient Corporation to Mizuho Trust & Banking Co., Ltd. as a retirement benefit trust, and Orient Corporation reserves the right to provide instruction for the exercise of voting rights.
5. In the Report of Possession of Large Volume (Report on Change) submitted for public viewing on January 11, 2024, VARECS Partners Limited stated that it held a total of 3,495,400 shares of the Company (shareholding ratio of 14.12%) as of January 4, 2024. However, it has not been included among the major shareholders listed above as the Company has not been able to confirm actual share ownership as of December 31, 2023.
6. In the Report of Possession of Large Volume (Report on Change) submitted for public viewing on February 7, 2024, FMR LLC stated that it held a total of 1,410,837 shares of the Company (shareholding ratio of 5.70%) as of January 31, 2024. However, it has not been included among the major shareholders listed above as the Company has not been able to confirm actual share ownership as of December 31, 2023.

(5) Shares delivered as consideration for the execution of duties during the fiscal year under review

Category	Number of shares	Number of recipients of share delivery
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	13,000 shares	5 persons

(6) Other important matters concerning shares

- 1) Based on the resolutions of the Board of Directors meeting held on May 9, 2023, the Company disposed of treasury shares to grant shares of restricted stock to its Directors (excluding Directors who are Audit & Supervisory Committee Members and other Outside Directors) and Executive Officers, as indicated below.

Class of shares to be disposed of	Common shares of the Company
Total number of shares disposed of	36,800 shares
Total disposal value	¥60,462,400
Date of disposal	June 9, 2023

- 2) Based on the resolutions of the Board of Directors meeting held on May 9, 2023, the Company repurchased its shares, as indicated below.

Class of shares to be repurchased	Common shares of the Company
Total number of shares repurchased	2,567,600 shares
Total price of the repurchase of shares	¥3,543,288,000
Repurchase period	From May 10, 2023 to June 6, 2023

- 3) Based on the resolution of the Board of Directors meeting held on August 8, 2023, the Company disposed of its treasury shares through a third party allotment to Custody Bank of Japan, Ltd. (Trust E Account) as described below, in order to make an additional contribution under the Board Benefit Trust (BBT) plan.

Class of shares to be disposed of	Common shares of the Company
Total number of shares disposed of	118,400 shares
Total disposal value	¥209,568,000
Date of disposal	August 24, 2023

- 4) Based on the resolutions of the Board of Directors meeting held on November 14, 2023, the Company cancelled treasury shares, as indicated below.

Class of shares to be cancelled	Common shares of the Company
Total number of shares cancelled	1,700,000 shares
Date of cancellation	November 30, 2023

3. Company Officers

(1) Name, etc. of Directors

Name		Positions, areas of responsibility and significant concurrent positions
Kiyotaka Fujisaki		Director and Chairman of the Board
Shinichiro Fujisaki		Representative Director and President & CEO In charge of all divisions
Masayasu Takigawa		Director, Senior Managing Executive Officer In charge of Automobile Business Division
Hiroki Taniguchi		Director, Senior Managing Executive Officer & CFO DM, Corporate Management Division
Shunji Sato		Director, Managing Executive Officer & CCO DM, Business Management Division
Seiichiro Umeno	Outside	Director
Toshio Maki	Outside Independent	Director
Megumi Tsukamoto	Outside Independent	Director
Hisanao Nagashima		Director (Audit & Supervisory Committee Member)
Ikuo Kaminishi	Outside Independent	Director (Audit & Supervisory Committee Member)
Michi Handa	Outside Independent	Director (Audit & Supervisory Committee Member) Representative Director and President, Control Solutions K.K.

- Notes:
1. Mr. Seiichiro Umeno, Mr. Toshio Maki, Ms. Megumi Tsukamoto, Mr. Ikuo Kaminishi and Ms. Michi Handa are Outside Directors.
 2. The Company has designated Mr. Toshio Maki, Ms. Megumi Tsukamoto, Mr. Ikuo Kaminishi and Ms. Michi Handa as Independent Directors/Auditors in accordance with the stipulations of the Tokyo Stock Exchange and submitted a notification to the said Exchange.
 3. Ms. Megumi Tsukamoto newly assumed office as Director at the Annual General Shareholders Meeting held on March 28, 2023.
 4. Director who is an Audit & Supervisory Committee Member, Ms. Michi Handa is a certified public accountant and has considerable knowledge of finance and accounting.
 5. There are no special interests between Control Solutions K.K., where Ms. Michi Handa serves as Representative Director and President, and the Company.
 6. The Company appointed Mr. Hisanao Nagashima as a full-time Director who is an Audit & Supervisory Committee Member, aiming at strengthening audit and supervisory functions of the Audit & Supervisory Committee, and enabling information gathering from Directors (excluding Directors who are Audit & Supervisory Committee Members), information sharing at important internal meetings, and sufficient cooperation between the Internal Audit Department and the Audit & Supervisory Committee.

7. 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, 2024)

Name	Positions, responsibilities, and significant concurrent positions	
	Before change	After change
Shinichiro Fujisaki	Representative Director and President & CEO In charge of all divisions	Representative Director and President & CEO In charge of all divisions DM, Mobility & Energy Division
Masayasu Takigawa	Director, Senior Managing Executive Officer In charge of Automobile Business Division	Director, Senior Managing Executive Officer DM, Business Management Division
Shunji Sato	Director, Managing Executive Officer & CCO DM, Business Management Division	Director, Managing Executive Officer & CCO

(2) Summary of liability limitation agreement

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

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

(3) Summary of Directors and Officers Liability Insurance contract

The Company has concluded a Directors and Officers Liability Insurance contract with an insurance company, as prescribed in Article 430-3, Paragraph 1 of the Companies Act.

The insurance contract covers damages that may be incurred as a result of the responsibilities assumed by Directors and others in the execution of their duties, or any liability claims made against them in connection with those responsibilities. However, there are certain exemptions such as in the case where damages from knowingly committed acts of violation against laws and regulations are not covered by the insurance. The scope of insured parties under the insurance contract is shown below. Relevant insurance premiums are paid entirely by the Company.

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

(4) Compensation, etc. to Directors

1) Matters concerning the policy on determining the contents of compensation, etc. for individual Directors

The Company's policy for determining the contents of compensation and other payments to individual Directors was resolved at the Board of Directors meeting held on February 19, 2021, after deliberation by the Nomination & Compensation Committee.

a. Basic policy

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

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

Basic compensation for Directors consists of monthly fixed compensation, determined upon comprehensive consideration of factors such as position, responsibilities, experience, the Company's business results, the level of salaries for employees, and trends among other companies.

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

conditions for providing compensation, etc.)

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

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

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

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

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

4) Reason why the contents of individual Directors' compensation, etc. for the fiscal year under review are judged by the Board of Directors to be in accordance with the determination policy

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

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

Category	Total amount of compensation, etc. (Thousand yen)	Total amount of compensation, etc. by type (Thousand yen)			Number of eligible Directors (Persons)
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Directors (excluding Audit & Supervisory Committee Members) [of which, Outside Directors]	271,167 [16,500]	171,600 [16,500]	46,100 [—]	53,467 [—]	8 [3]
Directors (Audit & Supervisory Committee Members) [of which, Outside Directors]	23,400 [13,800]	23,400 [13,800]	— [—]	— [—]	3 [2]
Total	294,567	195,000	46,100	53,467	11

Notes: 1. Bonuses are paid to Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) as performance-linked compensation. The performance indicator selected as the basis for calculating the performance-linked compensation paid is consolidated operating profit. The reason why these measures were selected as performance indicators is that they are deemed to reflect overall business results and represent eventual profits. The status of the Company's consolidated operating profit for the fiscal year under review is shown in 1. (1) Business Progress and Results.

2. Non-monetary compensation includes provision for share-based remuneration of ¥35,077 thousand recorded based on the performance-linked stock compensation plan for five Directors (excluding Directors who are Audit & Supervisory Committee Members and Outside Directors) and provision for restricted stock compensation of ¥18,390 thousand.

(5) Outside Officers

1) Relationship between companies where officers hold significant concurrent positions and the Company
Please refer to (1) Name, etc. of Directors above.

There are no important transactions or other relationships between the companies where Outside Officers hold concurrent positions and the Company.

2) Relationship with specified related business operator such as major customers

Not applicable.

3) Main activities for the fiscal year under review

Name	Title	Main activities
Seiichiro Umeno	Outside Director	Participated in 16 of 18 meetings (89%) of the Board of Directors during the fiscal year under review; provided opinions as necessary mainly by drawing on his expertise as an attorney-at-law.
Toshio Maki	Outside Director	Participated in 18 of 18 meetings (100%) of the Board of Directors during the fiscal year under review; provided opinions as necessary mainly on overall management by drawing on his insight into corporate management and experience accumulated through communications and network business operations.
Megumi Tsukamoto	Outside Director	Participated in 14 of 14 meetings (100%) of the Board of Directors after assuming office as Outside Director; provided opinions as necessary mainly by drawing on her experience and knowledge accumulated through work at companies in the IT field and overseas companies and her insight into corporate management.
Ikuo Kaminishi	Outside Director (Audit & Supervisory Committee Member)	Participated in 18 of 18 meetings (100%) of the Board of Directors and 14 of 14 meetings (100%) of the Audit & Supervisory Committee during the fiscal year under review; provided opinions as necessary mainly by drawing on his knowledge and insight accumulated through finance operations.
Michi Handa	Outside Director (Audit & Supervisory Committee Member)	Participated in 18 of 18 meetings (100%) of the Board of Directors and 14 of 14 meetings (100%) of the Audit & Supervisory Committee during the fiscal year under review; provided opinions as necessary mainly by drawing on her expertise as a certified public accountant.

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

Not applicable.

5) Opinions about matters described in the Business Report

Not applicable.

Consolidated Balance Sheets

(As of December 31, 2023)

(Thousand yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	30,953,112	Current liabilities	12,119,177
Cash and deposits	19,572,910	Accounts payable - trade	917,276
Notes and accounts receivable – trade, and contract assets	1,165,240	Due to auction members	7,631,569
Due from auction members	3,892,813	Income taxes payable	1,563,174
Inventories	3,024,493	Provision for bonuses	296,274
Other	3,345,514	Other	1,710,881
Allowance for doubtful accounts	(47,858)	Non-current liabilities	3,233,979
Non-current assets	6,711,038	Retirement benefit liability	1,884,548
Property, plant and equipment	1,601,433	Provision for share-based remuneration	283,362
Buildings and structures, net	455,042	Other	1,066,068
Land	797,076	Total liabilities	15,353,157
Other	349,314	Net assets	
Intangible assets	1,358,985	Shareholders' equity	21,724,705
Software	921,921	Share capital	1,807,303
Goodwill	430,491	Capital surplus	4,205,415
Other	6,573	Retained earnings	17,340,325
Investments and other assets	3,750,619	Treasury shares	(1,628,338)
Investment securities	1,217,420	Accumulated other comprehensive income	436,530
Deferred tax assets	1,142,513	Valuation difference on available- for-sale securities	257,603
Other	1,616,758	Foreign currency translation adjustment	155,104
Allowance for doubtful accounts	(226,072)	Remeasurements of defined benefit plans	23,822
		Non-controlling interests	149,758
		Total net assets	22,310,994
Total assets	37,664,151	Total liabilities and net assets	37,664,151

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

Consolidated Statements of Income

(January 1, 2023 - December 31, 2023)

(Thousand yen)

Description	Amount	
Net sales		43,303,979
Cost of sales		25,224,705
Gross profit		18,079,274
Selling, general and administrative expenses		11,415,827
Operating profit		6,663,447
Non-operating income		
Interest income	5,525	
Dividend income	61,389	
Foreign exchange gains	24,499	
Other	37,401	128,814
Non-operating expenses		
Interest expenses	134	
Share of loss of entities accounted for using equity method	3,398	
Fee expenses	25,220	
Other	7,725	36,479
Ordinary profit		6,755,781
Extraordinary income		
Gain on sale of investment securities	146,789	
Other	5,223	152,012
Extraordinary losses		
Loss on sale and retirement of non-current assets	3,324	
Loss on sale of shares of subsidiaries and associates	1,308	
Loss on liquidation of subsidiaries and associates	8,193	12,826
Profit before income taxes		6,894,967
Income taxes-current	2,467,676	
Income taxes-deferred	(34,343)	2,433,333
Profit		4,461,634
Profit attributable to non-controlling interests		92,660
Profit attributable to owners of parent		4,368,973

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

Consolidated Statements of Changes in Equity

(January 1, 2023 - December 31, 2023)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,807,303	4,207,369	16,621,897	(599,643)	22,036,925
Changes during period					
Issuance of new shares	—	—			—
Dividends of surplus			(1,225,857)		(1,225,857)
Profit attributable to owners of parent			4,368,973		4,368,973
Purchase of treasury shares				(3,752,856)	(3,752,856)
Cancellation of treasury shares		(2,383,328)		2,383,328	—
Disposal of treasury shares		(41,361)		340,832	299,471
Decrease (increase) of capital surplus by change of share to consolidated subsidiary		(1,953)			(1,953)
Transfer from retained earnings to capital surplus		2,424,689	(2,424,689)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	(1,953)	718,427	(1,028,694)	(312,220)
Balance at end of period	1,807,303	4,205,415	17,340,325	(1,628,338)	21,724,705

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

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	316,360	111,417	49,382	477,161	397,144	22,911,231
Changes during period						
Issuance of new shares						—
Dividends of surplus						(1,225,857)
Profit attributable to owners of parent						4,368,973
Purchase of treasury shares						(3,752,856)
Cancellation of treasury shares						—
Disposal of treasury shares						299,471
Decrease (increase) of capital surplus by change of share to consolidated subsidiary						(1,953)
Transfer from retained earnings to capital surplus						—
Net changes in items other than shareholders' equity	(58,757)	43,687	(25,560)	(40,630)	(247,385)	(288,016)
Total changes during period	(58,757)	43,687	(25,560)	(40,630)	(247,385)	(600,237)
Balance at end of period	257,603	155,104	23,822	436,530	149,758	22,310,994

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

Non-Consolidated Balance Sheets

(As of December 31, 2023)

(Thousand yen)

Description	Amount	Description	Amount
Assets		Liabilities	
Current assets	20,822,644	Current liabilities	10,281,251
Cash and deposits	10,806,718	Accounts payable - trade	1,051,730
Accounts receivable - trade and contract assets	562,822	Due to auction members	7,013,906
Due from auction members	2,468,248	Short-term loans payable to subsidiaries and associates	602,000
Inventories	395,727	Accounts payable - other	435,007
Prepaid expenses	727,971	Accrued expenses	146,810
Advances paid	455,953	Income taxes payable	786,942
Short-term loans receivable from subsidiaries and associates	5,430,000	Deposits received	72,986
Consumption taxes receivable	835,213	Unearned revenue	11,669
Other	243,448	Provision for bonuses	153,454
Allowance for doubtful accounts	(1,103,460)	Other	6,742
Non-current assets	8,562,485	Non-current liabilities	1,977,262
Property, plant and equipment	385,700	Provision for retirement benefits	1,214,744
Buildings	181,558	Provision for share-based remuneration	283,362
Vehicles	78,543	Long-term accounts payable - other	319,100
Tools, furniture and fixtures	118,403	Other	160,055
Land	7,195		
Intangible assets	776,922	Total liabilities	12,258,514
Software	773,214	Net assets	
Other	3,708	Shareholders' equity	16,869,012
Investments and other assets	7,399,862	Share capital	1,807,303
Investment securities	1,103,503	Capital surplus	4,248,514
Shares of subsidiaries and associates	4,240,469	Legal capital surplus	4,248,514
Investments in capital of subsidiaries and associates	605,580	Retained earnings	12,441,532
Long-term loans receivable from employees	121	Other retained earnings	12,441,532
Claims provable in bankruptcy, claims provable in rehabilitation and other	91,773	Retained earnings brought forward	12,441,532
Long-term prepaid expenses	52,601	Treasury shares	(1,628,338)
Deferred tax assets	726,531	Valuation and translation adjustments	257,603
Lease and guarantee deposits	476,713	Valuation difference on available-for-sale securities	257,603
Other	194,340		
Allowance for doubtful accounts	(91,772)	Total net assets	17,126,615
Total assets	29,385,129	Total liabilities and net assets	29,385,129

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

Non-Consolidated Statements of Income

(January 1, 2023 - December 31, 2023)

(Thousand yen)

Description	Amount	
Net sales		16,294,674
Cost of sales		8,073,790
Gross profit		8,220,883
Selling, general and administrative expenses		5,273,567
Operating profit		2,947,316
Non-operating income		
Interest income	30,286	
Dividend income	4,267,899	
Other	89,003	4,387,189
Non-operating expenses		
Interest expenses	3,611	
Provision of allowance for doubtful accounts	87,143	
Fee expenses	25,220	
Other	486	116,462
Ordinary profit		7,218,043
Extraordinary income		
Gain on sale of investment securities	146,789	
Other	683	147,472
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	200,000	
Other	1,927	201,927
Profit before income taxes		7,163,588
Income taxes-current	1,092,368	
Income taxes-deferred	(65,261)	1,027,106
Profit		6,136,481

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

Non-Consolidated Statements of Changes in Equity

(January 1, 2023 - December 31, 2023)

(Thousand yen)

	Shareholders' equity					
	Share capital	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings brought forward		
Balance at beginning of period	1,807,303	4,248,514	—	4,248,514	9,955,597	9,955,597
Changes during period						
Issuance of new shares	—	—		—		
Dividends of surplus					(1,225,857)	(1,225,857)
Profit					6,136,481	6,136,481
Purchase of treasury shares						
Cancellation of treasury shares			(2,383,328)	(2,383,328)		
Disposal of treasury shares			(41,361)	(41,361)		
Transfer from retained earnings brought forward to other capital surplus			2,424,689	2,424,689	(2,424,689)	(2,424,689)
Net changes in items other than shareholders' equity						
Total changes during period	—	—	—	—	2,485,935	2,485,935
Balance at end of period	1,807,303	4,248,514	—	4,248,514	12,441,532	12,441,532

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(599,643)	15,411,771	316,360	316,360	15,728,131
Changes during period					
Issuance of new shares		—			—
Dividends of surplus		(1,225,857)			(1,225,857)
Profit		6,136,481			6,136,481
Purchase of treasury shares	(3,752,856)	(3,752,856)			(3,752,856)
Cancellation of treasury shares	2,383,328	—			—
Disposal of treasury shares	340,832	299,471			299,471
Transfer from retained earnings brought forward to other capital surplus		—			—
Net changes in items other than shareholders' equity			(58,757)	(58,757)	(58,757)
Total changes during period	(1,028,694)	1,457,240	(58,757)	(58,757)	1,398,483
Balance at end of period	(1,628,338)	16,869,012	257,603	257,603	17,126,615

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