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OPT Holding, Inc. assumes no responsibility for actions taken based on this translation.

(Securities code: 2389)

March 5, 2020

To our shareholders:

Noboru Hachimine
Founder, President and CEO
OPT Holding, Inc.
6, Yonbancho, Chiyoda-ku, Tokyo

Convocation Notice of the 26th General Meeting of Shareholders

You are cordially invited to attend the 26th General Meeting of Shareholders of OPT Holding, Inc. (the “Company”), which will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights by mailing the enclosed Voting Rights Exercise Form or via the Internet. Please refer to the Reference Documents for the General Meeting of Shareholders, and exercise your voting rights no later than 6 p.m., Thursday, March 26, 2020 (JST).

1. **Date and time:** Friday, March 27, 2020 at 10:00 a.m. (JST)
2. **Place:** Conference room, Head office, OPT Holding, Inc.
5th floor, 6 Yonbancho, Chiyoda-ku, Tokyo, Japan
3. **Agenda of the Meeting:**

Matters to be reported:

- I. The Business Report, the Consolidated Financial Statements, and the audit results of the Consolidated Financial Statements by the External Auditor and the Audit & Supervisory Committee of the Board for the 26th Fiscal Term (from January 1, 2019 to December 31, 2019) on OPT Holding consolidated basis.
- II. Report on the Non-Consolidated Financial Statements of OPT Holding Inc. for the 26th Fiscal Term (from January 1, 2019 to December 31, 2019).

Proposals to be resolved:

- Proposal No. 1:** Partial Amendments to the Articles of Incorporation
- Proposal No. 2:** Election of six (6) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)
- Proposal No. 3:** Election of four (4) Directors Who Are Audit & Supervisory Committee Members
- Proposal No. 4:** Determination of Amounts of Remuneration, etc. for Directors Who Are Audit and Supervisory Committee Members

4. Instructions for Exercising Voting Rights

(1) Exercising voting rights by paper form

To vote in writing, please indicate your approval or disapproval of the proposals on the enclosed Voting Rights Exercise Form, and return the Form by post to reach us by 6 p.m. (JST) on Thursday, March 26, 2020.

(2) Exercising voting rights via the Internet

To vote via the Internet, please refer to the “Voting Right Exercise Site (<https://www.net-vote.com/>)” (Japanese only) which are noted on the enclosed Voting Rights Exercise Form. Follow the instructions and indicate your approval or disapproval by 6 p.m. (JST) on Thursday, March 26, 2020. If you want to use your smartphone, you can exercise your voting rights by using QR code (Please refer to the next page for details.)

(3) Handling of duplicate voting

- 1) If you vote both in writing and via the Internet, we will treat the vote submitted via the Internet as valid.
- 2) If you vote both more than once via the Internet, we will treat the most recent vote as valid.

Request When attending the meeting in person, you are kindly requested to submit the enclosed voting rights exercise form to the receptionist at the meeting site. Please bring this Notice of the 26th Annual General Meeting of Shareholders with you to the meeting.

Notice: The digital documents of the Convocation Notice of the General Meeting of Shareholders and the Reference Documents for the General Meeting of Shareholders are available on the Company’s website (<http://www.optholding.co.jp/>).

The English translated document of the Convocation Notice of the General Meeting of Shareholders and the Reference Documents for the General Meeting of Shareholders are made available on the Company’s website (<http://www.optholding.co.jp/en>).

Any amendments to the reference documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or Non-consolidated Financial Statements will be posted on the Company website. (<http://www.optholding.co.jp/>).

Instructions Exercise of Voting Rights via the Internet

You can exercise your voting rights via the Internet by accessing the Voting Right Exercise Site as instructed below from your PCs or smartphones.

1. Accessing the Voting Right Exercise Site

Address of Voting Right Exercise Site (<https://www.net-vote.com/>)

Please use the Company's designated voting website to submit votes regarding the proposals. Votes can be submitted until 6 p.m. (JST), Thursday, March 26, 2020.

2. How to vote online

[For PC users]

Access the Voting Right Exercise Site at the URL provided above, log in using the login ID and password printed on enclosed voting rights exercise form and follow the instructions on the screen to indicate your approval or disapproval of the proposal.

[For smartphone users]

Simply scan the QR code® located on the bottom right of the enclosed voting rights exercise form. You don't have to enter Log-in ID nor password.

In case you wish to change any of your votes, access the Voting Right Exercise Site at the URL, you need to log in using the login ID and password printed on the voting rights exercise form and follow the instructions on the screen to indicate approval or disapproval of the proposal. (QR code® is a registered trademark of DENSO WAVE INCORPORATED).

3. Notes

- (1) Any costs arising from accessing the Voting Right Exercise Site shall be borne by the shareholder.
- (2) Depending on your network environments, you may not be able to exercise your voting rights.
- (3) The Voting Right Exercise Site is not accessible via the cellular phones.

Institutional investors can exercise the voting rights through "The Electronic Proxy Voting Platform" operated by ICJ, Inc.

For an inquiry regarding online exercise of the voting rights, please contact the following

IR Japan, Inc., Custody Service Department

TEL 0120-975-960

Business Hours: 9:00 a.m. to 5:00 p.m. JST (not available on Saturdays, Sundays and holidays)

Business Report (January 1, 2019 to December 31, 2019)

1. Overview of the Group

(1) Business for the year ended December 31, 2019

OPT group (hereinafter “the Group”) set the management policy to maximize corporate value and cash flows by leading any and all corporate “digital shift” in response to the rapidly advancing digital industrial revolution, based on the mission of “support, innovate, and create digital industrial revolution.” Under the currently-engaged business structure reform, the Group expanded its business domain by shifting its main business from the marketing business centering on clients’ promotion support to the digital shift related businesses, thereby making a shift from the previous goal “net sales of one trillion yen by 2030,” which is centering on the existing business growth, to “corporate value of one trillion yen by 2030.”

In order to achieve the above goal, the Group will work on improving the profitability of the existing Internet Advertisement Marketing Business and realize our business model diversification by taking the following specific measures leading to future growth: (1) Establishment of an expert organization making promotion proposals to midsize and growing venture clients in the Tokyo metropolitan area, (2) establishment of a joint venture engaging in product development and provision in the Marketing Business through joint investment with SoldOut Group, (3) entry to the worker dispatch business and consulting business handling professionals related to the digital shift, and (4) expansion of further open innovation utilizing the existing assets.

According to our core management policy, maintaining strong financial foundation is essential to increase our corporate value. At the same time, we proactively utilize management resources, especially cash. To be specific, setting at least 10% IRR (internal rate of return) as our targeted return from the investments, we aim to maximize shareholders’ return by accelerating mid-to-long term EPS growth through the following measures: We plan to implement approximately 20 billion yen investment on mainly existing businesses related to the digital shift and M&As related to the digital shift creation, separately from the existing businesses, within three years from FY 2019.

As a results of business operations based on the above management policy, the results of operation for the year ended December 31, 2019, were as follows.

(in million yen unless otherwise stated)

	2019	Year-on-year change (%)	
	Actual	Adjusted*****	Nominal
Revenue	89,953	4.9%	3.1%
Gross profit	17,715	4.1%	2.1%
Operating income	2,633	39.2%	49.0%
Ordinary income	2,833	57.9%	69.7%
Extraordinary loss	187	*****	*****
EBIT*	2,664	(6.9%)	(18.4%)
EBITDA**	4,756	1.2%	(21.9%)
Net income attributable to owners of parent	1,928	24.0%	0.3%
ROE (Last twelve month; LTM, %) ***	7.6%	-	(2.3pts)
Free cash flow****	1,370	-	(64.0%)
Earnings per share- diluted (yen)	84.18	-	(0.0%)
Earnings per share- basic (yen)	84.23	-	(0.5%)

Notes:

1. EBIT= Net income before taxes and other adjustment + interest paid – interest received
2. EBITDA = EBIT + other financial related gains (losses)+ depreciation + amortization of intangible assets + amortization of long-term prepaid expenses + Non-cash gain(loss)
3. Return on equity (ROE): Net income attributable to owners of parent in last twelve months/average amount of equity as of the end of reporting year and previous year
4. Free cash flow (FCF)=Operating cash flow+ investing cash flow ±one-off cash flow items
5. Figures are compared to excluding the impact of the business transfer implemented during 2018 Q3. Approx. 1.7% of consolidated sales for 2018 was by video streaming business, operated by relaid Inc., (formally Skill-up Video Technology, Inc)
6. Figures were omitted due to relevant amounts in reporting or the current period are negative.

The full-year results for each reporting segments are as follows. Comparison from the previous year have been replaced into current reporting segments.

Marketing Business

The table below shows 2019 full-year results of Marketing Business before Corporate Function Cost allocation.

<i>(in million yen unless otherwise stated)</i>	2019	Year-on-year change (%)	
	Actual	Adjusted*	Nominal
Revenue	83,347	3.4%	1.6%
Gross profit	14,157	(2.8%)	(4.9%)
Operating income	3,028	(27.6%)	(25.4%)
Ordinary income	3,045	(27.7%)	(25.5%)
Extraordinary loss	428	**	**
EBIT	2,615	(31.4%)	(38.0%)
EBITDA	3,446	(27.9%)	(44.1%)

Note:

- Figures are compared to excluding the impact of the business transfer implemented during 2018 Q3. JPY 1,461 million of quarterly consolidated sales for FY 2018 was by video streaming business, operated by relaid Inc., (formally Skill-up Video Technology, Inc)
- Figures were omitted due to relevant amounts in reporting or the current period are negative.

Operating results of the Marketing Business segment for full-year 2019 was as follows. Revenue was JPY 83,347 million (up 1.6% YoY), gross profit JPY 14,157 million (down 4.9% YoY), operating income JPY 3,028 million (down 25.4% YoY), ordinary income JPY 3,045 million (down 25.5% YoY), extraordinary loss JPY 428 million (JPY 130 million profit for 2018), EBIT JPY 2,615 million (down 38.0% YoY) and EBITDA JPY 3,446 million (down 44.1% YoY). Results adjusting the impact of the video streaming business of relaido, Inc. absence, the growth rate from the previous year was, up 3.4% for revenue, down 2.8% for gross profit, down 27.6% for operating income, down 27.7% for ordinary income, down 31.4% for EBIT, and EBITDA down 27.9% respectively.

After excluding results of relaido, Inc.'s video streaming business from 2018 Q3, the reasons for the changes in the key items were as follows.

- Revenue for Marketing Business segment was JPY 83,347 million (up 3.4% YoY). In the Large Corporations sub-segment, revenue for the current consolidated fiscal year was JPY 64,209 million (down 0.3% YoY) due to the impact of continued reduction of advertising budgets by certain existing clients, even though efforts were focused on the acquisition of large-scale new project orders mainly from national clients. In the Local SMEs sub-segment, revenue was JPY 19,703 million (up 17.2% YoY) due to the acquisition of new clients and an increase in advertising budgets by existing clients.
- Gross profit for Marketing Business segment was JPY 14,157 million (down 2.8% YoY). In the Large Corporations sub-segment, gross profit was JPY 10,424 million (down 5.8% YoY) due to the decline in the gross profit rate, etc. In the Local SMEs sub-segment, gross profit was JPY 3,745 million (up 6.9% YoY), mainly due to growth in net sales of 17.2%, partially offset by low profit margins in projects other than the operational agency service.
- Operating income for Marketing Business segment was JPY 3,028 million (down 27.6% YoY). In the Large Corporations sub-segment, operating income was JPY 2,324 million (down 28.5% YoY) due to the decline in the gross profit rate, despite efforts on selling, general and administrative expenses reductions. In the Local SMEs sub-segment, operating income was JPY 697 million (down 25.1% YoY) due to an increase of JPY 474 million YoY in selling, general, and administrative expenses as a result of continued investment in human resources, in spite of an increase in gross profit.
- EBIT for Marketing Business segment was JPY 2,615 million (down 31.4% YoY). In the Large Corporations sub-segment, EBIT was JPY 2,012 million (down 30.6% YoY) due to the decline in operating income. In the Local SMEs sub-segment, EBIT was JPY 604 million (down 35.8% YoY) due to the loss on valuation recognized for investment securities in partnership.
- EBITDA for Marketing Business segment was JPY 3,446 million (down 27.9% YoY). In the Large Corporations sub-segment, EBITDA was JPY 2,621 million (down 29.4% YoY) as a result of the recording of valuation loss on noncurrent assets in the previous consolidated fiscal year. In the Local SMEs sub-

segment, EBITDA was JPY 825 million (down 26.2% YoY) due to the reversal of the loss on valuation of investment securities.

Measures taken by the companies in Marketing Business in 2019 were as shown below.

OPT, Inc.'s activity highlights:

- Began offering creative production packages optimized for TikTok's unique outlook, in order to promote sales of TikTok's advertising services. Strengthened marketing support services for wide range of generation especially for young people.
- Launched new marketing support program utilizing CDP for promoting the digital shift for real store operators. CDP (Customer Data Platform) is a platform to collect, accumulate, and integrate individual user's profile and behavioral data without specific private information. Every user touching point data will be integrated into single user ID and it leads better services by sales personnel and promotion activities. OPT is the first agent among Japanese agencies to register "US CDP association" and aims to be a leading company in this field by actively holding events and seminars and introducing cases of CDP usage inside and outside of Japan.
- Started to provide a newly developed analytic tool "Basis". It is an analytic tool for consumer insights; by constructing unique database with 37 profiles, 63 items, and log data which were obtained from a survey about purchase information and personal values toward more than 10,000 panels. With this tool, OPT will support more efficient marketing activities by providing concrete image of target users.
- We set the development and sales of services other than advertising agency business as the focus area. In order to optimize the allocation of management resources, we carried out business reorganizations, in which the performance marketing business and the social media marketing business of Crossfinity Inc. were succeeded by OPT, Inc., and its website consulting business was succeeded by Heartlass, Inc. (October 1, 2019).
- OPT, Inc. commenced a strategic partnership with YRGLM Inc. in the data marketing business. As part of the measures, OPT, Inc. assigned its advertisement effectiveness measurement tool, "ADPLAN" to YRGLM Inc. OPT, Inc. will focus on the data marketing business in charge of "accumulation," "analysis," and "utilization" of the data after the measurement.

SoldOut's activity highlights:

- Switched to the TSE First Section on March 22 2019.
- TechLoCo, Inc., a consolidated subsidiary of SoldOut released "lycle GMB (Google My Business, "GMB")," a tool to enter and control registration, updates, and improve efficiency on GMB from the LINE Talk Screen. The strength of this service is seamless controllability realized by joint development with LINE Corporation and Google. This service support store operators' marketing activities such as promoting recognition and customer attraction through widely spreading their attractive information with accuracy and easy-to-use operating system.
- On July 1, 2019, Search Life, Inc. and TechLoCo, Inc. the consolidated subsidiaries of SoldOut, merged and commenced operations as "SO Technologies Co., Ltd." In pursuit of the vision "To create a digital customer acquisition platform that makes it easy for anyone and anywhere in Japan to transform passion into earning power," the new entity will develop and provide higher-value services by harnessing accumulated know-how and technology.
- Established an operation center for programmatic advertising, "Digital Operation Center Shimanto" in Shimanto-shi, Kochi prefecture. At the operation center specialized in advertising operations, the framework of advertising operations suitable for advanced automation technology was developed. The system was established so as to facilitate the provision of support to small and medium-sized enterprises and start-ups throughout Japan more than ever. Furthermore, SoldOut, Inc. will promote new hiring, industrial development and human resource development in Kochi, thereby contributing to the revitalization of regional economies in the surrounding area.

Synergy Investment Business

The table below shows 2019 full-year results of Synergy Investment Business before corporate function cost allocation.

<i>(in million yen unless otherwise stated)</i>	2019	Year-on-year change (%)
Revenue	6,640	26.0%
Gross profit	3,596	44.0%
Operating income	1,916	-*
Ordinary income	2,204	-*
Extraordinary income	235	(84.8%)
EBIT	2,436	156.4%
EBITDA	3,370	105.6%

Note: Figures were omitted due to relevant amounts in reporting or the previous period are negative.

Operating results of the Synergy Investment Business segment for 2019 was as follows. Revenue was JPY 6,640 (up 26.0% YoY), gross profit was JPY 3,596 million (up 44.0% YoY), operating income was JPY 1,916 million (JPY 466 million loss for 2018), extraordinary income was JPY 235 million (down 84.8% YoY), EBIT JPY 2,436 million (up 156.4% YoY) and EBITDA JPY 3,370 million (up 105.6% YoY).

The reasons for the difference from the previous year were as follows.

1. Revenue was JPY 6,640 million (up 26.0% YoY) as a result of selling a part of our holdings of RAKSUL shares to overseas (3,631 million yen) of some of the Raksul shares held by the Group as operational investment securities, in spite of the impact of the exclusion of subsidiaries subject to consolidation such as Writeup and eMFORCE Inc. from the consolidation due to the disposal thereof (2,087 million yen).
2. Gross profit was JPY 3,596 million (up 44.0 % YoY) as a result of the gain from selling a part of our holdings of RAKSUL shares to overseas (2,886 million yen), in spite of the impact of the exclusion of subsidiaries subject to consolidation such as Writeup and eMFORCE Inc. from the consolidation due to the disposal thereof (1,226 million yen) in the same as revenue.
3. Operating income was JPY 1,916 million, which is an increase of JPY 2,383 million from operating loss of 466 million yen in the previous consolidated fiscal year, as a result of a decrease in the SG&A costs due to the exclusion of subsidiaries subject to consolidation such as Writeup and eMFORCE Inc. from the consolidation due to the disposal thereof, in addition to an improvement of gross profit.
4. Ordinary income was JPY 2,204 million, which is an increase of JPY 2,794 million from ordinary loss of JPY 590 million in the previous consolidated financial year, due to improved profit of companies accounted for using the equity method and non-operating loss arising from the liquidation of overseas subsidiaries in the previous consolidated fiscal year, in addition to an improvement of operating income.
5. Extraordinary income was JPY 235 million (down 84.8 % YoY) due to the extraordinary losses in overseas subsidiaries in China and due to extraordinary profit of JPY 1,254 million as a result of the sale of Writeup shares in the previous consolidated fiscal year, in spite of extraordinary profit as a result of the sale of a subsidiary in South Korea, eMFORCE in July 2019 and the affiliated company, Chai Communication Co., Ltd. in September 2019
6. EBIT was JPY 2,436 million (up 156.4 % YoY) mainly due to the disposal of overseas subsidiaries as mentioned in 5) above, in addition to an improvement of ordinary income.
7. EBITDA was JPY 3,370 million (up 105.6% YoY) due to the reversal of impairment from investment securities and the Chinese subsidiaries, in addition to an improvement of EBIT.

Measures taken by the companies under synergy investment segments in 2019 were as shown below.

Financial investment sub-segment:

- As a part of final close of the deal of OPT Ventures No.2 fund, JPY 3 billion investment contract was signed with the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN in October 2019. The fund was closed with the total commitment of JPY 7.4 billion in December 2019.

- As a result of selling a part of our holdings of RAKSUL shares to overseas, revenue of JPY 3,631 million and gross profit of JPY 2,886 million was recorded. (Released on November 14, 2019)
- As a result of selling a part of our holdings of SPACEMARKET shares through an initial public offering , revenue of JPY 63 million and gross profit of JPY 38 million was recorded.

Business development sub-segment:

- SIGNATE, Inc. supports companies' AI development using open innovation, with a membership base consisting of office workers and students possessing AI developmental skills. Participation of these members will expand the scope of the explanatory analysis, which has a significant influence on the accuracy of AI models, and will make the procurement of advanced AI possible. The number of registrants has rapidly increased. The number of registered engineers at the end of December 2019, which is one year from the opening, was approximately 26,000 users.
- SIGNATE Inc. released "SIGNATE Quest," an AI human resource development online training course for corporations on October 1, 2019. In addition to the fostering of data scientists who implement AI, it aims to develop business-related human resources that promote AI projects.

China business sub-segment:

- The Company established OPT China, Inc. by incorporation-type of company split to take over the China businesses operated by OPT Holding, in order to expand its earnings and to realize efficient group management (effective from 1 April 2019). OPT China has changed its business model from conventional cross-border e-Commerce where sales contact is limited to special EC site to general trading model. In addition, OPT China is aiming to expand its business by changing its main vendors to Japanese SMEs with exclusive selling rights in China granted to OPT China, and by creating a structure to develop best-selling products with the manufacturers.

Overseas sub-segment:

- Sold all of the shares of a subsidiary in South Korea, eMFORCE Inc., to Digital Advertising Consortium Co., Ltd resulting in JPY 260 million of extraordinary income. In addition, sold all of the shares of the affiliate company, Chai Communication Co., LTD., to the company Chai and the president Mr. Young Sup Choi resulting in JPY 231 million of extraordinary income.

The Group discloses AUM (Assets Under Management) and IRR (Internal Rate of Return) to enhance the transparency of investment returns. At the end of the current consolidated accounting period, AUM was JPY 22,961 million (up 8.2% YoY) due to the increase of the market value of Raksul Inc., etc.,. IRR after tax at the end of December 2019 was 11.9 %, which is a decrease by 2.1 point compared to the end of the previous consolidated fiscal year, in relation to the decline in the market value of SoldOut, Inc., which is a consolidated subsidiary company.

The definitions of AUM and IRR are as follows.

Assets Under Management (AUM)

AUM is defined as aggregate amount of 1) book value of subsidiaries' and affiliates' stocks and 2) fair market value of operational investment securities and invested securities. For assets categorized 2), impairment will be reflected to the value to be aggregated.

- (1) Shares of subsidiaries and affiliates; book value is applied
- (2) Operational investment securities and investment notes and securities: each notes and security's FMV is calculated depending on the classification shown below;
 - i. Notes or securities of which investment amount is small: acquisition price
 - ii. Listed companies' shares: closing price at the end of reporting period
 - iii. Securities with financing in recent period: based on value of relevant financing
 - iv. Other securities estimated by comparable multiple, DCF, or net asset valuation depending on each company's performance

The AUM calculation is prepared with guidance and advice by KPMG Azsa.

Internal Rate of Return (IRR)

Prerequisites for calculation (Un-sold securities are calculated as if they are sold)

- Subject to : Those the Company has invested in from 2003 to the end of December 2019 (including securities of operational investment securities, investment securities, shares of subsidiaries and shares of affiliates)
- The reference date for calculation: December 31, 2019

Method:

1. Impaired investment: Calculated as if they were sold at the net asset value after impairment.
 2. Investment with recent financing: Calculated as if they were sold at the finance valuation.
 3. IPOed investment: Calculated as if they were sold at the market value as of the reference date.
 4. Fund: Calculated with the amount collected until the end of the reporting period and the book value as of the end of reporting period.
 5. Others: Any other investment with no change in their acquisition cost due to sale, impairment, financing, IPO or the like are calculated as if they were sold on the reference date at the acquisition cost.
- Income tax are included

Corporate function cost

The table below shows 2019 results of Corporate Function Cost (excluding loss on derivative evaluation)

<i>(in million yen unless otherwise stated)</i>	2019	Difference from 2018
Selling and administrative expense	2,290	468
Operating loss	2,302	480
EBIT	(2,387)	(594)
EBITDA	(2,043)	(445)

Note: Negative amount in this column means increase of expense.

The Corporate Function acknowledges recruiting and development of human resources as an important management agenda to realize the mid-term management plan, and makes efforts in hiring mid-career workers and fostering human resources. Moreover, in September 2018, as a result of introducing a restricted stock compensation plan as an incentive to improve its corporate value, selling and administrative expense in corporate function cost for 2019 was JPY 2,290 million, (JPY 1,822 million in 2018), EBITDA was negative JPY 2,043 million (negative JPY 1,598 million in 2018).

(2) Issues to be addressed

With regard to issues to be addressed of the Group, following seven items are the major management agenda.

1. Expansion of target client base in the Marketing Business
2. Strengthening of sales force, and enhancement of technology development by our engineers
3. Greater efficiency and automation of business processes for improved productivity, and improvement of profitability
4. Hiring and training of digital professionals
5. Expansion of services in the new digital shift businesses
6. Strengthening of Group cooperation and use of Group assets
7. Establishment of the Group-wide management control system which enables both effective governance and timely management decision-making

(3) Capital Expenditure

There were no significant capital expenditures.

(4) Financing

There were no significant capital financings.

(5) Significant Reorganizations and Other Such Events

- 1) On April 1, 2019, the Company conducted a company split of the Overseas Business Promotion Dept. (China), which was succeeded by the newly established OPT China, Inc., manages as a wholly owned subsidiary of the Company.
- 2) On July 31, 2019, the Company transferred all shareholding of eMFORCE Inc. (hereafter referred to as “eMFORCE”) to Digital Advertising Consortium Inc., and eMFORCE ceased to be a consolidated subsidiary of the Company.
- 3) On October 1, 2019, the Company’s subsidiary OPT, Inc. conducted an absorption-type merger in which OPT, Inc. was the surviving company and the Company’s subsidiary Consumer first, Inc. was the absorbed company.
- 4) On October 1, 2019 the Company’s subsidiary Crossfinty Inc. conducted an absorption-type company split in which the performance marketing business and social media marketing businesses were succeeded by the Company’s subsidiary OPT, Inc. and the website consulting business was succeeded by Heartlass, Inc.

(6) Assets, revenue and income

(Yen in millions, unless otherwise stated)	FY2016	FY2017	FY2018	FY2019
Revenue	69,815	82,602	87,216	89,953
Ordinary income	2,004	1,921	1,669	2,833
Net income attributable to owners of parent	745	1,011	1,922	1,928
Net income per share (Yen)	28.81	43.95	84.66	84.23
Total assets	46,325	46,127	56,551	61,132
Net assets	19,720	18,813	27,133	32,601

(Note) Net income per share is calculated based on the average number of shares outstanding (total issued shares net of treasury shares) during each fiscal year.

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” and relevant Guidance)

“Partial amendments to Accounting Standards for Tax Effect Accounting” (ASBJ statement No. 28, February 16, 2018) and relevant Guidance was applied from the beginning of the previous fiscal year. Deferred tax assets are classified in investments and other assets and deferred tax liabilities are classified in noncurrent liabilities.

(7) Status of Parent Company and Principal Subsidiaries (As of December 31, 2019)

- 1) Status of Parent Company
Not applicable.

2) Status of Principal Subsidiaries

Company Name	Capital (Yen in millions)	Voting rights owned by the Company	Major businesses
OPT, Inc.	100	100.0%	Marketing business
SoldOut, Inc.	599	56.5%	Advertising agency business serving mid-sized and venture companies
SO Technologies, Inc.	45	56.5%	Provides marketing technology to small- to mid-sized companies
Heartlass, Inc.	15	100.0%	Full-line of programmatic advertising operations

(Notes) 1. The Company has 24 consolidated subsidiaries, including those in the table above.

2. The Company does not have any specified wholly owned subsidiaries as defined in the Companies Act.

(8) Major Businesses (as of December 31, 2019)

The Group is comprised of OPT Holding, Inc. and 24 consolidated subsidiaries as of the end of the fiscal year ended December 31, 2019. It operates a Marketing Business segment and a Synergy Investment Business segment. The Marketing Business provides Internet advertising agency, digital marketing, and related services to large companies and various digital marketing solutions to small- to mid-sized regional companies. The Synergy Investment Business provides support to investees, invests in internet-related venture companies, collects information in the US, develops AI and AI platforms, provides support and educational services to companies on the digital shift, and conducts general trading operations in China.

Segment	Major businesses
Marketing Business	<ul style="list-style-type: none"> • Internet advertising, digital marketing, and related services to large-scale companies • Digital marketing solutions to small- to mid-sized regional companies
Synergy Investment Business	<ul style="list-style-type: none"> • Investments in Internet-related venture companies • Information gathering in US • Development of AI and AI platforms • Support and educational services to companies on the digital shift • General trading operations in China

(9) Major Offices (As of December 31, 2019)

1) Main Office

Office	Address
Head Office	Chiyoda-ku, Tokyo

2) Subsidiaries

Company Name	Address
OPT, Inc.	Chiyoda-ku, Tokyo
SoldOut, Inc.	Chiyoda-ku, Tokyo
SO Technologies, Inc.	Chiyoda-ku, Tokyo
Heartlass, Inc.	Chiyoda-ku, Tokyo

(10) Workforce (As of December 31, 2019)

Number of Employees	Change from Dec. 31, 2018
1,508	(123)

(Notes) 1. Part-time, contractors and temporary workers are not counted as employees.

2. Personnel seconded to positions outside of the Group are not counted as employees.

3. Decreased from the end of the previous fiscal year due to the sales of overseas subsidiaries and other factors.

(11) Main Lenders (As of December 31, 2019)

Lender	Amount borrowed (Yen in millions)
Sumitomo Mitsui Banking Corporation	3,017
Mizuho Bank, Ltd.	2,500
Syndicate Loan	1,750
MUFG Bank, Ltd.	1,000
Resona Bank, Limited.	450

(Note) The syndicate loan is provided by 15-bank syndicate, lead-managed by Sumitomo Mitsui Banking Corporation.

(12) Other Significant Matters Concerning the Group

Not applicable.

2. Status of the Company

(1) Matters Concerning Shares (As of December 31, 2019)

- 1) Total number of shares authorized to be issued 86,630,400 shares
- 2) Total number of shares issued 23,817,700 shares (including 917,705 treasury shares)
- 3) Number of shareholders 3,461
- 4) Major Shareholders (Top 10)

Shareholder	Number of Shares Held (Shares)	Ownership of Shares (%)
HIBC Co., Ltd.	4,770,200	20.83%
Japan Trustee Services Bank, Ltd. (Trust account)	1,499,500	6.54%
Goldman Sachs International	1,157,912	5.05%
GOLDMAN,SACHS& CO.REG	1,044,112	4.55%
Tomohito Ebine	1,036,900	4.52%
Atsushi Nouchi	885,000	3.86%
CGML PB CLIENT ACCOUNT/COLLATERAL	883,350	3.85%
Mynavi Corporation	755,800	3.30%
The Master Bank of Japan, Ltd. (Trust account)	545,200	2.38%
The Bank of New York, JASDEC Treaty Account	500,800	2.18%

- *1. The Company holds 917,705 treasury shares which is omitted from the above list of major shareholders. The treasury shares (917,705 shares) do not include the shares held by OPT Group Employee Stock Ownership Plan (125,015 shares).
- *2. Ownership percentages are calculated based on shares outstanding (issued shares net of treasury shares) and rounded off to two decimal places.
- *3. HIBC Co., Ltd., is an asset management company wholly owned by the Company President and Group CEO, Noboru Hachimine.
- *4. Time and Space, Ltd, an asset management company wholly owned by the Director and COO, Atsushi Nouchi, holds 390,800 shares of the Company.
- *5. Dalton Investments LLC held the following shares as of June 25, 2019, which was reported by Large Shareholding Report (Change Report) submitted on June 28, 2019. However, the Company could not confirm the number of shares actually held by the entity as of the end of reporting period. Thus, major shareholders are described based on the register of shareholders at the end of the reporting year. The following table is the summary of the Report.

Name or Name of Institution	Address	Number of shares held*
Dalton Investments LLC	1601 Cloverfield Blvd. #5050N, Santa Monica, California, 90404, United State	3,216,000

(Note) The number of shares held is described in the Report as of June 28, 2019.

- *6. 3D Investment Partners Private Ltd., held the following shares as of July 22, 2019, which was reported by Large Shareholding Report (Change Report) submitted on July 29, 2019. However, the Company could not confirm the number of shares actually held by the entity as of the end of reporting period. Thus, major shareholders are described based on the register of shareholders at the end of the reporting year. The following table is the summary of the Report.

Name or Name of Institution	Address	Number of shares held*
3D Investment Partners Private Ltd.	250 North Bridge Road #13-01 Raffles Ci Raffles City Singapore, 179101 Singapore	2,268,100

(Note) The number of shares held is described in the Report as of July 29, 2019.

- 5) Other Significant Matters Concerning Shares
There were no significant capital expenditures

(2) Matters Concerning Corporate Officers

1) Matters Concerning Directors (As of December 31, 2019)

Position in Company	Name	Area of Responsibility and Significant Other Positions
President and Group CEO	Noboru Hachimine	Director at SoldOut, Inc. Independent Outside Director at UT Group Co., Ltd.
Vice President and Group COO	Atsushi Nouchi	CEO at OPT Ventures, Inc. Representative Director and CEO at OPT Incubate, Inc.
Director Group CFO	Hiroshi Teraguchi	
Director	Shusaku Minoda	
Director	Tomoyuki Mizutani	
Director (Chairman of Audit and Supervisory Committee, full-time)	Fumiyuki Shinomiya	Auditor at OPT Inc.
Director (Audit and Supervisory Committee member)	Nobuaki Ishizaki	Outside Auditor, Aucfan Co., Ltd. Outside Auditor, Global Kids Company Corp.
Director (Audit and Supervisory Committee member)	Toshio Yamaue	Lawyer

- (Notes)
1. Director Tomoyuki Mizutani, and Directors and Audit and Supervisory Committee members, Fumiyuki Shinomiya, Nobuaki Ishizaki and Toshio Yamaue are External Directors.
 2. Director and Audit and Supervisory Committee member Fumiyuki Shinomiya had a long career at a financial institution and possesses considerable expertise in financial matters and accounting.
 3. Director and Audit and Supervisory Committee member Nobuaki Ishizaki previously worked in finance and accounting at a listed company and possesses considerable expertise in financial matters and accounting as a credentialed SME management consultant.
 4. The Company established a full-time Audit and Supervisory Committee position to strengthen audit and oversight functions, improve information gathering and increase audit effectiveness.
 5. The Company has designated Director Tomoyuki Mizutani and Directors and Audit and Supervisory Committee members Fumiyuki Shinomiya, Nobuaki Ishizaki and Toshio Yamaue as independent directors in accordance with the Tokyo Stock Exchange's independence standards and filed a notification to that effect with the Tokyo Stock Exchange.
 6. The Company and Directors Shusaku Minoda and Tomoyuki Mizutani and Directors and Audit and Supervisory Committee members Fumiyuki Shinomiya, Nobuaki Ishizaki and Toshio Yamaue have entered into agreements limiting each of the five (5) Directors' liability for damages under Article 423 (1) of the Companies Act to the statutory prescribed minimum liability, pursuant to the Company's Articles of Incorporation.

2) Directors' Total Compensation

Subgroup	Number of Recipients	Total Compensation (Yen in thousands)
Directors (excluding those who are Audit and Supervisory Committee members) (External Directors' share thereof)	5 (1)	201,622 (11,125)
Directors (Audit and Supervisory Committee members) (External Directors' share thereof)	3 (3)	25,422 (25,422)
Total (External Directors' share thereof)	8 (4)	227,044 (36,547)

- (Notes)
1. Directors' total compensation does not include salaries earned as employees by Directors who concurrently hold employee positions.
 2. The above compensation includes JPY 62,184 thousand expense recognized in the fiscal year ended December 31, 2019, in connection with one (1) Director's restricted stock compensation.
 3. At an Annual General Meeting of Shareholders on March 25, 2016, shareholders passed a resolution limiting Directors' annual compensation to a maximum of JPY 200 million for Directors who are not Audit and Supervisory Committee members and JPY 30 million for Directors who are Audit and Supervisory Committee members. To award restricted stock grants to Directors (excluding External Directors and Directors who are Audit Committee members), shareholders passed an additional resolution authorizing total Directors' compensation of up to JPY 550 million per year at the 24th Annual General Meeting of Shareholders on March 29, 2018.

3) Matters Concerning External Directors

Position in the Company	Name	Significant Concurrent Positions at Other Entities	Main Activities at the Company
Director	Tomoyuki Mizutani		Mr. Mizutani attended 17 of 19 Board meetings held in 2019. He appropriately spoke up at meetings to ensure the soundness of the Board's decision-making from an objective and neutral standpoint independent from management, capitalizing on his wealth of experience and long track record in corporate management.
Director (Chairman of Audit and Supervisory Committee)	Fumiyuki Shinomiya	Auditor, OPT, Inc.	Mr. Shinomiya attended 18 of 19 Board meetings and 13 of 14 Audit and Supervisory Committee meetings held in 2019 after his appointment. He appropriately provided valuable perspectives on agenda items and other discussions, capitalizing on his insight and wealth of domestic and international experience, mainly in the financial sector.
Director (Audit and Supervisory Committee member)	Nobuaki Ishizaki	Outside Auditor, Aucfan Co., Ltd. Outside Auditor, Global Kids Company Corp.	Mr. Ishizaki attended all 19 Board meetings and all 14 Audit and Supervisory Committee meetings held in 2019. He appropriately provided valuable perspectives on agenda items and other discussions from both fairness and objectiveness viewpoint as certified SME management consultant.
Director (Audit and Supervisory Committee member)	Toshio Yamaue	Lawyer	Mr. Yamaue attended all 19 Board meetings and all 14 Audit Committee meetings held in 2019. He appropriately provided valuable agenda items and other discussions from lawyer's perspectives.

- (Notes) 1. OPT, Inc., at which Director (Audit and Supervisory Committee Chairman) Mr. Shinomiya holds position, is subsidiary of the Company.
2. The Company's relationships with Aucfan Co., Ltd., and Global Kids Company Corp., two companies at which Mr. Ishizaki holds positions, do not warrant disclosure.

(3) Independent External Auditor

1) Name KPMG AZSA LLC

2) Amount of Compensation

(Yen in thousands)

Independent auditor's compensation for fiscal year ended December 31, 2019 45,200
Total monetary amount payable to the independent auditor by the Company and its subsidiaries 70,600

- (Notes) 1. The audit agreement between the Company and its independent auditor does not explicitly distinguish the compensation for audit services performed pursuant to the Companies Act from the compensation for audit services performed pursuant to the Financial Instruments and Exchange Act. Given disaggregating compensation between the two types of audit services is not feasible, the Company is disclosing the above total amount as its independent auditor's compensation for the fiscal year ended December 31, 2019.
2. The Audit and Supervisory Committee approved the independent auditor's compensation after performing required verification of the appropriateness of the independent auditor's audit plan, audit performance and basis for calculating estimates of its compensation.

3) Non-Audit Services

The Company paid KPMG AZSA LLC compensation for advisory services.

4) Policy for Dismissal or Non-reappointment of Independent External Auditor

If the Audit and Supervisory Committee decides that the independent auditor needs to be replaced for failure to perform its duties or for other reasons, it shall draft a proposal regarding dismissal or non-reappointment of the independent auditor to an Annual General Meeting of Shareholders. Additionally, if any of the causes for dismissal fall into the stipulation of Article 340 (1) of the Companies Act, the Audit and Supervisory Committee may dismiss the independent auditor with the unanimous consent of all of its members.

If the independent auditor is dismissed, an Audit and Supervisory Committee member selected by the Audit and Supervisory Committee shall report on the dismissal, including the reason(s) for it, at the earliest Annual General Meeting of Shareholders convened after the dismissal.

3. The Systems and Policies of the Group

(1) System for ensuring the appropriateness of Business Operation

1) Controls to Ensure the Company and Its Subsidiaries' Directors and Employees Comply with Laws and Articles of Incorporation in Executing Their Duties

Under the directions and orders of those responsible for Group compliance, the division responsible for the Company's compliance conducts training sessions and prepares and distributes manuals, working to improve the compliance knowledge of the Directors and employees of the Company and its subsidiaries, and to cultivate a mindset of respect for compliance. Based on the "Group Internal Audit Rules," the Company's Internal Audit Office conducts regular audits of the execution of duties and confirms that the execution of duties complies with laws and the Articles of Incorporation.

2) Controls Related to Retention and Management of Information Concerning Execution of Duties by the Company and Its Subsidiaries' Directors

Regarding information on important decision-making and reports, the Company and its subsidiaries' Directors prepare, retain and manage documents and electronic records in accordance with the "Information Security Policy," the "Group Rules to Prevent Violations of Insider Trading Rules," and the "Basic Rules on Protecting Personal Information." The Company's subsidiaries keep such information readily accessible if requested to do so by the Company's Audit and Supervisory Committee or their own auditors.

3) Regulations and Other Controls Related to Management of the Company and Its Subsidiaries' Risk of Losses

Based on the "Group Risk Management Guidelines" and the "Risk Management Rules," the Company operates a Group Risk Management Committee composed of the Company's corporate officers, mainly those responsible for Group risk, and the Group Risk Management Committee reports on the state of risk management to the Board of Directors on an as-needed basis. The Company's subsidiaries have established each company's internal regulations and other controls, and implemented their own controls for managing risks, including the risk of losses, to the extent needed by their scale, attributes and other relevant circumstances.

4) Controls to Ensure the Company and Its Subsidiaries' Directors Execute Their Duties Effectively

The Company and its subsidiaries prepare business plans based on the "Budget Management Rules," explicitly set operating performance targets on a company-wide basis and clarify how they evaluate performance. They pursue improvement in operating efficiency by clearly defining every organizational unit's responsibilities with respect to operating performance. The Company and its subsidiaries also analyze and make decisions on significant management matters in accordance with the "Authority Rules," working to ensure operating efficiency.

5) Controls to Ensure the appropriateness of Business Operation of the Group Consisting of the Company and Its Subsidiaries

To ensure Group companies' appropriateness of business operation, the Company supervises its subsidiaries as required based on their respective circumstances in accordance with its "Affiliated Company Management Rules" and "Authority Rules." Additionally, in the Group Executive Officer meetings held monthly, the Company's Directors and subsidiaries' management teams promote information-sharing and effective communication among Group companies and alignment of Group management policies, exchanging information on important matters affecting the Group as a whole.

6) Matters Concerning Staffing Requested by Audit and Supervisory Committee of the Company to Assist with Its Duties

When the Audit and Supervisory Committee requests staff to assist performing its duties, the Company assigns the needed staff to the Committee.

7) Matters Concerning Assurance that Staff Assigned to Audit and Supervisory Committee are Independent from Directors and Effectively Supervised

The Company respects the Audit and Supervisory Committee's request on assignment of staff to assist the Audit and Supervisory Committee. Staff that have been ordered to perform auditing tasks by the Audit and Supervisory Committee will not obey to orders or directions from Company Directors (excluding Directors

who are Audit and Supervisory Committee members) against the orders from the Audit and Supervisory Committee.

8) System for the Company and Its Subsidiaries' Directors (excluding Company Directors Who Are Audit and Supervisory Committee Members) and Employees Can Report to Audit and Supervisory Committee Chairman

Company Directors (excluding Directors who are Audit and Supervisory Committee members) and employees are required to immediately report to the Audit and Supervisory Committee Chairman if they become aware of an illegal act or misconduct by a Director (other than a Director who is an Audit and Supervisory Committee member) or if any matter that would cause a material loss on the Company arises or is at risk of arising.

Additionally, the Company has established an internal reporting within the Group. It has created an environment in which reports on facts, misconduct, and illegal acts that could cause material damage to the Company or its subsidiaries can be reported either directly or indirectly to the Company's Audit and Supervisory Committee Chairman, working to enhance compliance to prevent misconduct and illegal acts throughout the entire Group.

9) Controls to Prevent Retaliation Against Whistleblowers

The Company prohibits retaliatory treatment for individuals who have reported to the Audit and Supervisory Committee Chairman and promotes universal awareness of this prohibition among its directors (excluding Directors who are Audit and Supervisory Committee members), employees, its subsidiaries' Directors and employees.

10) Matters Concerning Policies Pertaining to Prepayment or Reimbursement of Expenses Related to Execution of Duties by Audit and Supervisory Committee Members of the Company or Handling of Other Expenses or Liabilities Related to Said Duties' Execution

When billed in advance for necessary expenses related to execution of Audit and Supervisory Committee members' duties, the Company promptly pays the billed charges.

11) Other System to Ensure Effectiveness of Audit and Supervisory Committee's Audits

Directors of the Company (excluding Directors who are Audit and Supervisory Committee members) endeavor to make the audit system function efficiently by promoting deeper understanding about the audit system and creating an audit-friendly environment within the Company. Furthermore, the Representative Director notifies Audit and Supervisory Committee members of Board of Directors meeting dates, details, etc. in advance and promotes appropriate communication and effective performance of audit work to ensure that the Audit and Supervisory Committee's audits are conducted effectively.

12) System to Ensure Reliability of Financial Reporting

To ensure the reliability of its financial reporting, and effective and appropriate reporting on internal controls in accordance with the Financial Instruments and Exchange Act, the Company has established the Basic Policies for Building an Internal Controls System, and implements and operates the internal control over financial reporting accordingly. It also continually evaluates whether its internal controls are functioning properly and modifies them as needed.

13) System to Eradicate Antisocial Forces

The Company's rules and regulations contain required provisions on severing relations with anti-social forces (as defined in the Guideline for How Companies Prevent Damage from Anti-Social Forces issued by the Ministerial Meeting Concerning Measures Against Crime) pursuant to the Group Compliance Basic Policies approved by Board of Directors. Such rules and regulations mandate that the Company sever all relations with anti-social forces and respond organizationally to any illicit demands by anti-social forces.

Additionally, the Company is a long-standing member of the Special Anti-Violence Countermeasures Federation of the Metropolitan Police Department. It also builds cooperative relationships with attorneys and other concerned external organizations, and incorporates an anti-social forces clause into its contracts with new suppliers and customers.

(2) Overview of Implementation Status of Controls to Ensure Operational Soundness

1) Execution of Directors' Duties

In the fiscal year ended December 31, 2019, the Board of Directors met 19 times and made management decisions. The Board of Directors instituted Board of Directors Regulations and other internal regulations to ensure that Directors act in accordance with laws, government regulations and the Company's Articles of Incorporation.

2) Execution of Duties by Directors Who Are Audit and Supervisory Committee Members

In addition to conducting audits pursuant to audit plans formulated at Audit and Supervisory Committee meetings, the Directors who are Audit and Supervisory Committee members oversee Directors' execution of their duties through such means as attending important meetings, including Board of Directors meetings and regularly exchanging information with the independent external auditor and Internal Audit Office.

3) Risk Management and Compliance

The Company works to strengthen the risk management system to reduce risk, facilitate risk prevention, and take prompt action should a risk materialize, and in addition to establishing the "Group Risk Management Basic Guidelines" and the "Group Risk Management Rules," it has established the Group Risk Management Committee. Furthermore, the Company works to enhance awareness among the Directors and employees of the Company and its subsidiaries by creating the "Group Compliance Guidelines" and the "Group Compliance Rules," establishing the Group Compliance Committee, and getting the department in charge of compliance in the Company to create manuals and guidelines, and plan administrate and conduct trainings.

(3) Policy for Determination of Dividends from Retained Earnings

As its dividend policy, the Company aims to pay dividends equivalent to 20% of net income attributable to owners of the parent before amortization of goodwill so it can internally retain earnings to fund investments, including business and human-resource investments needed to strengthen its management team and boost earnings in pursuit of further growth in line with its Group's corporate vision over the medium to long term. For the fiscal year ended December 31, 2019, the Company's Board of Directors passed a resolution authorizing a dividend of 17.00 yen per share on February 12, 2020.

Monetary values presented in this Business Report are rounded down to the nearest whole unit in which they are presented; percentages and other numbers are rounded off to one decimal places.

Consolidated balance sheet

(As of December 31, 2019)

(Yen in millions)

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	55,281	Current liabilities	19,140
Cash and deposits	20,398	Accounts payable-trade	13,154
Notes and accounts receivable-trade	13,681	Current portion of long-term loans payable	2,307
Operational investment securities	19,524	Income taxes payable	408
Inventories	27	Provision for bonuses	547
Other	1,678	Other	2,722
Allowance for doubtful accounts	(28)		
Noncurrent assets	5,850	Noncurrent liabilities	9,390
Property, plant and equipment	272	Long-term loans payable	6,431
Buildings and structures	156	Deferred tax liabilities	2,834
Other	116	Asset retirement obligations	115
		Other	9
Intangible assets	1,614	Total liabilities	28,531
Other	1,614	Net assets	
Investments and other assets	3,963	Shareholders' equity	18,375
Shares of affiliates	625	Capital stock	8,212
Investment securities	2,038	Capital surplus	3,924
Lease and guarantee deposits	875	Retained earnings	6,936
Other	471	Treasury shares	(698)
Allowance for doubtful accounts	(47)	Accumulated other comprehensive income	8,819
		Valuation difference on available-for-sale securities	8,593
		Foreign currency translation adjustment	225
		Subscription rights to shares	0
		Non-controlling interests	5,405
		Total net assets	32,601
Total assets	61,132	Total liabilities and net assets	61,132

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Consolidated statement of income

(From January 1, 2019 to December 31, 2019)

(Yen in millions)

Account	Amount	
Revenue		89,953
Cost of sales		72,238
Gross profit		17,715
Selling, general and administrative expenses		15,081
Operating income		2,633
Non-operating income		
Investment gain on equity method	73	
Gain on investments in partnership	164	
Other	27	265
Non-operating expenses		
Interest expenses	24	
Guarantee commission	22	
Commission fee	0	
Other	19	66
Ordinary income		2,833
Extraordinary income		
Gain on change in equity	116	
Gain on sales of investment securities	497	
Other	3	617
Extraordinary loss		
Loss on retirement of noncurrent assets	59	
Impairment loss	297	
Loss on valuation of investment securities	421	
Other	26	804
Net income before taxes and other adjustments		2,645
Income taxes-current	1,122	
Income taxes-deferred	158	1,280
Net income		1,365
Net loss attributable to non-controlling interests		563
Net income attributable to owners of parent		1,928

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Consolidated statement of changes in net assets

(From January 1, 2019 to December 31, 2019)

(Yen in millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	8,212	3,915	5,442	(698)	16,872
Changes of items during the period					
Dividends from surplus			(435)		(435)
Net income attributable to owners of parent			1,928		1,928
Changes in ownership interest in subsidiaries		9			9
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	9	1,493	—	1,503
Balance at end of year	8,212	3,924	6,936	(698)	18,375

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of year	6,214	390	6,604	0	3,656	27,133
Changes of items during the period						
Dividends from surplus						(435)
Net income attributable to owners of parent						1,928
Changes in ownership interest in subsidiaries						9
Net changes of items other than shareholders' equity	2,379	(164)	2,215	(0)	1,749	3,964
Total changes of items during the period	2,379	(164)	2,215	(0)	1,749	5,467
Balance at end of year	8,593	225	8,819	0	5,405	32,601

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Notes to Consolidated Financial Statements

1. Significant matters for preparing consolidated financial statements:

(1) Scope of consolidation

1) Status of consolidated subsidiaries

- Number of consolidated subsidiaries: 24 consolidated subsidiaries
- Names of consolidated subsidiaries

OPT, Inc.

SoldOut, Inc.

Crossfinity, Inc.

Heartlass, Inc.

relaido, Inc.

ConnectOm, Inc.

Platform ID, Inc.

Demand Side Science, Inc.

SO Technologies, Inc.

Growth Gear Co., Ltd.

Internet-Utilization association

MEDIA ENGINE INC.

OPT Ventures, Inc.

OPT Ventures No. 1 Limited Partnership for Investment

OPT Ventures No. 2 Limited Partnership for Investment

SIGNATE Inc.

OPT Incubate Inc.

IMJ FENOX PTE. LTD. No.2

OPT China Limited

OPT Shenzhen (China)

OPT China, Inc.

OPT America, Inc.

OPT SEA Pte., Ltd.

Digital Shift Academy, Inc.

OPT China, Inc. is included in the scope of consolidation in the fiscal year ended December 31, 2019 because it was newly established through a company split.

MEDIA ENGINE INC. was included in the scope of consolidation in the fiscal year ended December 31, 2019 following the acquisition of its shares on a deemed acquisition date of November 30, 2019.

Kasoku co., Inc. has been included in the scope of consolidation because it was newly established in the fiscal year ended December 31, 2019, but because it was liquidated, we have removed it from the scope of consolidation.

We have removed Lead Commerce Pte., Ltd., eMFORCE Inc., and OPTOK Co., Ltd. from the scope of consolidation because we sold our holdings in the companies. Furthermore, due to the sale of our holdings in eMFORCE Inc., we have removed its consolidated subsidiaries Marketinginsu Inc. and Plugworldwide Inc. from the scope of consolidation.

Consumer first, Inc. and brainy, Inc. (merged to OPT Inc.) and SearchLIFE Co., Ltd. (merged to SO Technologies, Inc.) were removed from the scope of consolidation.

Grasia Pte., Ltd. was removed from the scope of consolidation due to its liquidation.

As of April 1, 2019, Digital Shift Academy was renamed from Multimedia School WAVE. As of July 1, 2019, SO Technologies, Inc. was also renamed from TechLoCo, Inc.

2) Status of major non-consolidated subsidiaries

Not applicable.

Crossfinity Taiwan, Co., Ltd., which was a non-consolidated subsidiary in the previous fiscal year, was excluded due to its liquidation.

(2) Application of equity method accounting

1) Status of equity-method affiliates

- Number of equity-method affiliates: Two affiliates
- Names of equity-method affiliates
GENERATE INC.
Jimoty, Inc.

Chai Communication Co.,LTD. was excluded from the scope of equity method accounting as the Company has sold its holdings.

2) Status of major non-consolidated subsidiaries and affiliates not subject to equity method

- Name of non-consolidated subsidiaries and affiliates in this category

Non-consolidated subsidiary: Not applicable.

Affiliates: Shenzhen Tianxi E-Commerce Co., Ltd.

Kejusi Shenzhen Technology Co., Ltd

- The reason for exclusion from the scope of equity method

The non-consolidated subsidiaries and affiliates which were excluded from the scope of equity method, due to the amount of the Company's pro rata share of net income/loss and retained earnings, have minor impact on the consolidated financial statements and immaterial as a whole. Also, Crossfinity Taiwan, Co., Ltd., which was a non-consolidated subsidiary not subject to equity method, was excluded due to its liquidation.

(3) Special notes on procedures for application of equity method accounting

Since the financial closing date of GENERATE INC., an equity method affiliate, is March 31, we used the financial statements based on the provisional account closing on the consolidated closing date. Other equity method affiliates have the same fiscal year ending at the consolidated closing date.

(4) Fiscal years of consolidated subsidiaries

The closing dates of OPT SEA Pte., Ltd. and MEDIA ENGINE INC. is November 30. We used the financial statements at their respective closing dates. However, significant transactions between consolidated companies before the consolidated closing date are adjusted as required for consolidation.

Other consolidated subsidiaries have the same fiscal year ending at the consolidated closing date.

(5) Matters on accounting policies

1) Valuation standards and valuation method for significant assets

A. Securities

Shares of subsidiaries and affiliates

They are valued at cost by the moving-average method.

Available-for-sale securities (including operational investment securities)

- Those with market value:

Subject to the market value method based on the market price or the like at the end of the period. (The related valuation differences are directly debited or credited to the net assets and the cost of securities sold is computed by the moving average method.)

- Those without market value:

Subject to the moving average cost method.

- Investment in limited partnership for investment

Subject to the method where the amount equal to the Company's interests is added to, or subtracted from, the partnership's gains or losses based on the most recent financial statements available.

B. Inventories

- Merchandise and Work in process:

The FIFO cost method is mainly adopted. (The balance sheet value is computed subject to write-down due

to decreased profitability.)

- Supplies:

The identified cost method is mainly adopted. (The balance sheet value is computed subject to write-down due to decreased profitability.)

2) Depreciation/amortization method for significant depreciable/amortizable assets

A. Property, plant and equipment (excluding leased assets)

Mainly subject to the declining-balance method.

However, the buildings (excluding equipment attached to buildings) acquired on or after April 1, 1998 and the equipment attached to buildings and structures acquired on or after April 1, 2016 are subject to the straight-line method.

The straight-line method is adopted by overseas consolidated subsidiaries. Primary useful life is as indicated below.

Buildings and structures: 5 to 18 years.

Other: 2 to 15 years.

B. Intangible assets (excluding leased assets)

Subject to the straight-line method.

The software for internal use is subject to the straight-line method based on the period available for internal use (mainly, five years).

C. Leased assets

- Leased assets from non-ownership transfer finance lease transactions:

Subject to the straight-line method where the lease term is the useful life, and the residual value is the guaranteed residual value if the relevant lease agreement stipulates residual value guarantee, or otherwise, residual value is zero.

3) Standards for recognition of significant allowances

A. Allowance for doubtful accounts

To prepare for losses from accounts receivable, uncollectible amounts are estimated and recognized, for ordinary receivables, by the actual bad debt ratio based on losses in the past, or for doubtful receivables and other certain receivables, by taking into consideration the collectability of individual receivable accounts.

B. Provision for bonuses

In terms of provision for bonuses, the amount accrued in the fiscal year for the estimated payout to employees is recognized to prepare for payments of bonuses to employees.

4) Accounting method pertaining to retirement benefits

To calculate liabilities on retirement benefits and retirement benefit expenses, some consolidated subsidiaries have adopted the simplified method, where the necessary amount to pay for voluntary retirement at the end of the period in connection with retirement benefits is regarded as retirement benefit obligations.

5) Standards for translating significant assets or liabilities in foreign currency into Japanese currency

The assets and liabilities of overseas subsidiaries are translated into the Japanese yen based on the spot exchange rate as of the closing date while their earnings and expenses are translated into the Japanese yen based on the average rate. The translation differences are included in and recognized as foreign currency translation adjustment and non-controlling interests under net assets.

6) Amortization method and period for goodwill

Goodwill is regularly amortized over a reasonable period, which we estimate case-by-case based on the duration of its effect.

7) Other significant matters for preparing consolidated financial statements

A. Accounting procedures for consumption taxes

The accounting procedures for national and local consumption taxes are subject to the tax-excluded method. Non-deductible national and local consumption taxes are expensed for the fiscal year.

B. Application of consolidated tax payment system

The consolidated tax payment system is adopted by the Company and some of its consolidated subsidiaries.

2. Changes in presentation method

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” and relevant Guidance)

“Partial amendments to Accounting Standards for Tax Effect Accounting” (ASBJ statement No. 28, February 16, 2018) and relevant Guidance was applied from the beginning of the fiscal year. Deferred tax assets are classified in investments and other assets and deferred tax liabilities are classified in noncurrent liabilities.

(Consolidated balance sheet)

Lease assets, which was presented as a separate line item under noncurrent assets for the previous fiscal year, is included in the other line under noncurrent assets for the fiscal year, because its monetary materiality has decreased.

(Consolidated statement of income)

Interest income and dividends income, which were presented as separate line items under non-operating income for the previous fiscal year, are included in the other line under non-operating income for the fiscal year, because their monetary materiality has decreased.

Guarantee commission, which was included in the other line under non-operating income in the previous fiscal year, is presented as a separate line item from the fiscal year, because its monetary materiality has increased.

Gain on reversal of subscription rights to shares, which was presented as a separate line item under extraordinary income for the previous fiscal year, is included in the other line under extraordinary income for the fiscal year, because its monetary materiality has decreased.

3. Notes on additional information

(Disposal of Shares of a Material Subsidiary)

The Company transferred its all holdings in its consolidated subsidiary, eMFORCE Inc., effective July 31, 2019, and recognized JPY 260 million as extraordinary profit. Please refer to “8. Notes on business combination, etc.” for details of the sales of shares.

4. Notes on consolidated balance sheet

(1) Breakdown of inventories presented as a single line item

	(Yen in millions)
Merchandise	26
Work in process	0
Supplies	0

(2) Assets pledged as collateral and secured liabilities

Not applicable.

(3) Accumulated depreciation on property, plant and equipment

	(Yen in millions)
Accumulated depreciation	433

Above accumulated depreciation includes 0 million yen of impairment loss for property, plant and equipment.

5. Notes on consolidated statement of changes in net assets

(1) Matters concerning classes and numbers of issued shares and treasury shares

Class of stock	As of Jan. 1, 2019	Additions	Subtractions	As of Dec. 31, 2019
Issued common shares				
Common shares	23,817,700 shares	—	—	23,817,700 shares
Treasury shares				
Common shares	917,705 shares	—	—	917,705 shares

(2) Matters concerning subscription rights to shares

Category	Type	Class of underlying stock	Number of shares underlying stock options				Balance as of Dec. 31, 2019 (Yen in millions)
			As of Jan. 1, 2019	Additions	Subtractions	As of Dec. 31, 2019	
Consolidated subsidiaries	Subscription rights to shares granted as stock options	Common shares	—	—	—	—	0
Total			—	—	—	—	0

(3) Matters concerning dividend

1) Amount of dividend distribution

Authorization	Class of stock	Total dividend distribution (Yen in millions)	Dividend per share (Yen)	Record date	Declaration date
February 7, 2019 Board of Directors Meeting	Common shares	435	19.0	December 31, 2018	March 7, 2019

2) Dividends with a record date in the fiscal year ended December 31, 2019, and declaration date in the following fiscal year

Scheduled authorization	Class of stock	Dividend funding source	Total dividend distribution (Yen in millions)	Dividend per share (Yen)	Record date	Declaration date
February 12, 2020 Board of Directors Meeting	Common shares	Retained earnings	389	17.0	December 31, 2019	March 6, 2020

6. Notes on financial instruments

(1) Matters concerning financial instruments

1) Activities and policies related to financial instruments

The Group invest into financial assets focusing on safety and liquidity given own cash flows and financial market conditions. When borrowing funds or otherwise raising capital, the Group takes stability, cost-efficiency and flexibility into consideration in selecting funding instruments.

The Group manages investment businesses that invest in securities for investment purposes through dedicated business units.

2) Nature of financial instruments and associated risks

Trade notes and accounts receivable are subject to customer credit risk. With respect to this risk, the Group has staff that manage receivable collection schedules and receivable balances on a customer-by-customer basis and periodically assess major customers' credit status in accord with regulations regarding the Group's credit management. Trade receivables denominated in foreign currencies are subject to currency risk. Investment securities are mainly stocks of companies with which the Company has business relationships. They are subject to the risk of market price fluctuations.

The Group's holdings of operational investment securities and investment securities other than the aforementioned stockholdings mainly consist of stocks and equity interests in partnerships and other such entities. The Group holds the securities for purely investment purposes or to advance its businesses. The listed stocks among these securities are subject to the risk of market price fluctuations. The unlisted stocks among these securities are subject to the two risks disclosed below because unlisted companies tend to be more sensitive than listed companies to changes in the economic environment and other such developments as a result of having less stable financial/earnings foundations and being more constrained in

terms of management resources.

- a. The Group has no assurance of earning any capital gains on its investments.
- b. The Group may incur capital losses on its investments.

Trade notes and accounts payable are predominately payable within one year. Trade payables denominated in foreign currencies are subject to currency risk.

Loans payable and long-term loans payable are mostly funding needed for working capital, among other purposes.

3) Financial instrument risk-management regime

- Management of credit risk (risk associated with, e.g., counterparties' contractual nonperformance)

For trade receivables, the Group conducts credit screenings when it starts doing business with a new customer, continually monitors receivables' collection status, reviews credit limits and revises them when necessary in accord with its credit management regulations.

- Management of market risks (e.g., foreign currency risk, interest rate fluctuation risk)

For operational investment securities and other investment securities, the Group periodically checks market values and assesses the issuer's (or partner company's) financial condition and continually reviews and, as necessary, adjusts its holdings in light of market conditions and/or its relationship with the partner company.

- Management of liquidity risk in connection with borrowings (risk of inability to repay borrowings by repayment date)

The Group manages liquidity risk through such means as having its finance staff prepare and update cash flow schedules on a timely basis.

4) Supplemental information on financial instruments' fair value

Financial instruments' fair values include valuations based on market prices and, in the case of financial instruments without market prices, valuations measured by reasonable means. The latter valuation measurements incorporate variables and are therefore subject to change in response to, e.g., changes in underlying assumptions.

(2) Matters concerning financial instruments' fair value

Financial instruments' carrying amounts on the consolidated balance sheet and fair values as of December 31, 2019 (the consolidated balance sheet date for the fiscal year), and the differences between the two are presented in the table below. The table omits financial instruments for which fair-value measurement is deemed unfeasible (see Note 2).

(Yen in millions)

	Carrying amount on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	20,398	20,398	—
(2) Notes and accounts receivable-trade	13,681	13,681	—
(3) Operational investment securities and investment securities	15,681	15,681	—
Total assets	49,761	49,761	—
(1) Notes and accounts payable-trade	13,154	13,154	—
(2) Long-term loans payable (including current portion thereof)	8,739	8,703	(35)
Total liabilities	21,893	21,857	(35)

(Note 1) Matters concerning financial instrument fair-value measurement methods and securities

Assets

- (1) Cash and deposits and (2) Notes and accounts receivable-trade

Because these assets all have short-term maturities, their fair value approximates their carrying amounts. Their fair value is accordingly measured at their respective carrying amounts.

- (3) Operational investment securities and investment securities

As a general rule, these securities' fair value is based on exchange-traded prices of equities.

Liabilities

(1) Notes and accounts payable-trade

Because these liabilities have short-term maturities, their fair value approximates their carrying amounts. Their fair value is accordingly measured at their carrying amounts.

(2) Long-term loans payable (including current portion thereof)

The fair value of long-term loans payable is measured by discounting total principal and interest payable using a discount rate that incorporates a benchmark rate (e.g., government bond yield) plus a credit spread.

(Note 2) Financial instruments for which fair-value measurement is deemed infeasible

(Yen in millions)

Type	Carrying amount on consolidated balance sheet
Operational investment securities and investment securities*1	
Unlisted equities	3,895
Equity interests in investment limited partnerships and similar partnerships	1,986
Affiliates' shares*2	
Unlisted equities	625
Total	6,508

(*1) Fair-value measurement is deemed infeasible for the above financial instruments, which do not have market prices. They are therefore omitted from "(3) Operational investment securities and investment securities, etc."

(*2) Fair-value measurement is deemed infeasible for the above financial instruments, which do not have market prices. They are therefore not included above table.

(Note 3) Post-reporting-date maturity schedule for receivables and securities with maturity dates

(Yen in millions)

Type	Within 1 year	1-5 years	5-10 years	Over 10 years
(1) Cash and deposits	20,398	—	—	—
(2) Notes and accounts receivable-trade	13,681	—	—	—
Total	34,080	—	—	—

(Note 4) Repayment schedule for loans payable and other interest-bearing debt

(Yen in millions)

Type	Within 1 year	1-5 years	5-10 years	Over 10 years
Long-term loans payable	2,307	6,431	—	—
Total	2,307	6,431	—	—

7. Notes on per-share information

Net assets per share	¥1,187.56
Net income per share	¥84.23

8. Notes on business combination

Business divestitures

(Sales of shares of subsidiaries)

In the Board of Directors meeting held on June 20, 2019, the Company decided to transfer all shares held of its consolidated subsidiary, eMFORCE Inc. to Digital Advertising Consortium Inc. On July 1, 2019, a Share Purchase and Sale Agreement was closed between the Company and Digital Advertising Consortium Inc.

(1) Overview of the business divestiture

1) Name of the buyer

Digital Advertising Consortium Inc.

2) Name, and content of business of the divested subsidiary

Name of the subsidiary: eMFORCE Inc.,
(Subsidiaries of eMFORCE Inc. are listed below.)
Plugworldwide Inc.,
Marketinginsu Inc.

Content of business: Internet advertisement business

3) Reason for the business divestiture

eMFORCE Inc. is a Korean internet-based advertisement agency with strengths in programmatic advertising based on search advertisement. The Group acquired shares of eMFORCE Inc. in 2005, amid the swift expansion of internet advertising domestically in Japan, with the objective of expanding our Group through the production of cross-border business synergy by deploying our Group's tools and marketing know-how overseas, and it was accounted for as our consolidated subsidiary

As approximately 14 years have passed since the share acquisition, eMFORCE Inc. has steadily developed its business in Korea. However, synergies with our Group's Japan based Marketing Business had continued to fall short of initial expectations. As a result of prudent examination of the direction and allocation of management resources of our Group's Overseas Digital Marketing Business, the Group has judged that a revision of certain parts of our Overseas Digital Marketing Business and a focus on the Marketing Business in Japan, where the digital shift is accelerating, would contribute more to the enhancement of our Group's corporate value.

- 4) Date of the business divestitures
July 31, 2019
- 5) Other matters including legal form of business divestiture
Share transfer with the consideration in only assets such as cash

(2) Overview of accounting treatments applied

1) Amount of gain or loss on the transfer

	(Yen in millions)
Gain on sales of investment securities	260

2) Appropriate carrying amount and major breakdown of the assets and liabilities of the business transferred

	(Yen in millions)
Current assets	1,726
Noncurrent assets	253
<u>Total assets</u>	<u>1,980</u>
Current liabilities	1,216
Noncurrent liabilities	209
<u>Total liabilities</u>	<u>1,426</u>

3) Accounting treatments

The difference between carrying amount and sales price of the transferred shares is recorded as gain on sales of investment securities.

(3) Reporting segment of the divested business

Synergy Investment Business

(4) Approximate amounts of profit or loss of the divested business included in consolidated statement of income for the fiscal year

	(Yen in millions)
Revenue	4,757
Operating loss	89

9. Notes on significant subsequent events

(Repurchase of own shares)

The Board of Directors of the company, at its meeting held on February 12, 2020, resolved that the company will repurchase its own shares pursuant to Article 156 of the Companies Act of Japan, which applies pursuant to Article 165, Paragraph 3, of that law.

(1) Reason for share repurchase

To improve returns to shareholders by improving capital efficiency and implementing flexible capital policies.

(2) Details of Authorized Share Repurchase Plan

1. Class of shares: Common stock
2. Total number of shares that may be repurchased: Up to 750,000 shares (3.28% of total number of shares issued, excluding treasury stock)
3. Total repurchase amount: Up to JPY1 billion

4. Period of repurchase: From February 13, 2020 through June 23, 2020
5. Method of repurchase: Market purchases based on the discretionary dealing contract through the Tokyo Stock Exchange

Reference)

Total number of shares issued and outstanding shares held in treasury as of December 31, 2019:

- Total number of shares issued (excluding shares held in treasury): 22,899,995 shares
- Shares held in treasury: 917,705 shares

Balance sheet

(As of December 31, 2019)

(Yen in millions)

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	32,025	Current liabilities	7,472
Cash and deposits	16,717	Current portion of long-term loans payable	2,300
Accounts receivable-trade	16	Accounts payable	559
Operational investment securities	14,719	Deposits received from subsidiaries and associates	4,055
Advances paid	94	Accrued expenses	76
Accounts receivable - other	20	Income taxes payable	320
Other	691	Deposits received	27
Allowance for doubtful accounts	(235)	Provision for bonuses	45
Noncurrent assets	8,401	Other	87
Property, plant and equipment	130	Noncurrent liabilities	9,465
Buildings and structures	78	Long-term loans payable	6,400
Tools, furniture and fixtures	51	Deferred tax liabilities	2,988
Intangible assets	81	Asset retirement obligations	77
Trademark right	7	Other	0
Software	52	Total liabilities	16,938
Software in progress	19	Net assets	
Other	2	Shareholders' equity	15,027
Investments and other assets	8,190	Capital stock	8,212
Investment securities	232	Capital surplus	3,423
Shares of subsidiaries and associates	6,167	Legal capital surplus	3,423
Investments in other securities of subsidiaries and associates	1,169	Retained earnings	4,089
Long-term loans receivable	35	Retained earnings brought forward	4,089
Long-term prepaid expenses	76	Treasury shares	(698)
Lease and guarantee deposits	541	Valuation and translation adjustments	8,460
Other	3	Valuation difference on available-for-sale securities	8,460
Allowance for doubtful accounts	(35)	Total net assets	23,488
Total assets	40,427	Total liabilities and net assets	40,427

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Statement of income

(From January 1, 2019 to December 31, 2019)

(Yen in millions)

Account	Amount	
Revenue		8,441
Cost of sales		3,095
Gross profit		5,346
Selling, general and administrative expenses		490
Operating income		4,855
Non-operating income		
Interest income	36	
Other	6	43
Non-operating expenses		
Interest expenses	23	
Loss on investments in partnership	208	
Provision of allowance for doubtful accounts	235	
Other	17	484
Ordinary income		4,414
Extraordinary income		
Gain on sales of shares of subsidiaries	565	
Gain on sales of investment securities	217	783
Extraordinary loss		
Loss on valuation of investment securities	31	
Loss on valuation of shares of subsidiaries	1,482	
Other	10	1,524
Net income before income taxes		3,673
Income taxes-current	1,038	
Income taxes-deferred	65	1,103
Net income		2,570

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Statement of changes in net assets

(From January 1, 2019 to December 31, 2019)

(Yen in millions)

	Shareholders' equity				
	Capital stock	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings brought forward	
Balance at beginning of year	8,212	3,423	3,423	1,954	1,954
Changes of items during period					
Dividends from surplus				(435)	(435)
Net income (loss)				2,570	2,570
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	—	2,135	2,135
Balance at end of year	8,212	3,423	3,423	4,089	4,089

	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 year	(698)	12,892	6,214	6,214	19,107
Changes of items during period					
Dividends from surplus		(435)			(435)
Net income (loss)		2,570			2,570
Net changes of items other than shareholders' equity			2,245	2,245	2,245
Total changes of items during the period	—	2,135	2,245	2,245	4,380
Balance at end of year	(698)	15,027	8,460	8,460	23,488

(Note) The amounts presented above are rounded down to the nearest whole million yen.

Notes to Non-Consolidated Financial Statements

1. Notes on significant accounting policies

(1) Asset valuation standards and methods

1) Securities valuation standards and methods

A. Held-to-maturity bonds

The amortized cost method (straight-line method) is adopted.

B. Shares of subsidiaries and affiliates

The moving-average cost method is used.

C. Available-for-sale securities (including operational investment securities)

- Those with market value:

Subject to the market value method based on the market price or the like at the end of the period. (The related valuation differences are directly debited or credited to the net assets and the cost of securities sold is computed by the moving average method.)

- Those without market value:

Subject to the moving average cost method.

- Investment in limited partnership for investment:

Subject to the method where the amount equal to the Company's interests is added to, or subtracted from, the partnership's gains or losses based on the most recent financial statements available.

2) Inventory

D. Merchandise and Work in process:

The FIFO cost method is mainly adopted. (The balance sheet value is computed subject to write-down due to decreased profitability.)

E. Supplies:

The identified cost method is mainly adopted. (The balance sheet value is computed subject to write-down due to decreased profitability.)

(2) Noncurrent asset depreciation and amortization methods

1) Property, plant and equipment (excluding lease assets)

Mainly subject to the declining-balance method.

However, the buildings (excluding equipment attached to buildings) acquired on or after April 1, 1998 and the equipment attached to buildings and structures acquired on or after April 1, 2016 are subject to the straight-line method.

Primary useful life is as indicated below.

Buildings and structures:	5 to 18 years
Tools, furniture and fixtures:	4 to 6 years

2) Intangible assets (excluding leased assets)

Subject to the straight-line method.

The software for internal use is subject to the straight-line method based on the period available for internal use (mainly, five years).

3) Leased assets

- Leased assets from non-ownership transfer finance lease transactions

Subject to the straight-line method where the lease term is the useful life in use, and the residual value is the guaranteed residual value if the relevant lease agreement stipulates residual value guarantee, or otherwise, residual value is zero.

- (3) Standards for recognition of significant allowances
- 1) Allowance for doubtful accounts
To prepare for losses from accounts receivable, uncollectible amounts are estimated and recognized, for ordinary receivables, by the actual bad debt ratio based on losses in the past, or for doubtful receivables and other certain receivables, by taking into consideration the collectability of individual receivable accounts.
 - 2) Provision for bonuses
In terms of provision for bonuses, the amount accrued in the fiscal year for the estimated payout to employees is recognized to prepare for payments of bonuses to employees.
- (4) Other significant matters for preparing financial statements
- 1) Accounting procedures for consumption taxes
The accounting procedures for national and local consumption taxes are subject to the tax-excluded method. Non-deductible national and local consumption taxes are expensed for the fiscal year.
 - 2) Application of consolidated tax payment system
The consolidated tax payment system is adopted.
- (5) Changes to significant matters that form the basis of financial statements' preparation
Not applicable.

2. Notes on changes in accounting policies

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” and relevant Guidance)

“Partial amendments to Accounting Standards for Tax Effect Accounting” (ASBJ statement No. 28, February 16, 2018) and relevant Guidance were applied from the beginning of the fiscal year under review. Deferred tax assets are classified in investments and other assets and deferred tax liabilities are classified in noncurrent liabilities.

3. Notes on additional information

(Disposal of Shares of a Material Subsidiary)

The Company transferred all shares held in its consolidated subsidiary, eMFORCE Inc., effective July 31, 2019, and recognized 565 million yen as extraordinary income. Please refer to “8. Notes on business combination, etc.” for details of the sale of the shares.

4. Notes on balance sheet

(1) Assets pledged as collateral and secured liabilities

Not applicable.

(2) Monetary receivables from and monetary payables to affiliates (excluding those presented as separate line items)

	(Yen in millions)
Short-term monetary receivables	367
Long-term monetary receivables	0
Short-term monetary payables	315

(3) Accumulated depreciation on property, plant and equipment

	(Yen in millions)
Accumulated depreciation on property, plant and equipment	347

0 million yen of accumulated impairment loss on property, plant and equipment were included above accumulated depreciation.

5. Notes on statement of income

Transactions with affiliates accounted for the following transaction volumes included in line items is presented on the statement of income.

	(Yen in millions)
Operating transactions	4,279
Non-operating transactions	36

6. Notes on statement of changes in net assets

Matters concerning class and number of treasury shares

Class of stock	As of Jan. 1, 2019	Additions	Subtractions	As of Dec. 31, 2019
Treasury shares				
Common shares	917,705 shares	— shares	— shares	917,705 shares

7. Notes on deferred tax accounting matters

Breakdown of deferred tax assets and deferred tax liabilities by main cause

	(Yen in millions)
Deferred tax assets	
Allowance for doubtful accounts	72
Provision for bonuses	14
Asset retirement obligations	20
Long-term accounts receivable - other	168
Loss on valuation of investment securities	1,727
Adjustment of investments' carrying amount	92
Loss on liquidation of subsidiaries	95
Enterprise taxes payable	56
Other	33
Subtotal deferred tax assets	2,279
Valuation allowance	(1,533)
Total deferred tax assets	746
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(3,734)
Total deferred tax liabilities	(3,734)
Net deferred tax assets	(2,988)

8. Notes on transaction with related party

(1) Consolidated subsidiary

Type	Name of company	Address	Capital stock or equity stake (yen in millions)	Business	Ownership percentage (reciprocal ownership percentage)
Consolidated subsidiary	OPT, Inc.	Chiyoda-ku, Tokyo	100	Marketing Business	100.00% (—)
Consolidated subsidiary	Crossfinity, Inc.	Chiyoda-ku, Tokyo	30	Marketing Business	100.00% (—)
Consolidated subsidiary	ConnectOM, Inc.	Chiyoda-ku, Tokyo	75	Marketing Business	100.00% (—)
Consolidated subsidiary	OPT America, Inc.	California, U.S.A	2,405	Investment Business	100.00% (—)

Type	Name of company	Relationship with related party	Nature of transaction	Transaction amount (Yen in millions)	Account	Ending balance (Yen in millions)
Consolidated subsidiary	OPT, Inc.	Director interlock Management involvement CMS transactions	Management consulting fee	1,810	Accounts receivable	0
			Borrowing of funds via CMS (Note 2)	—	Deposits received from subsidiaries and associates	2,233
			Payment of interest (Note 3)	0	—	—
Consolidated subsidiary	Crossfinity, Inc.	Director interlock Management involvement CMS transactions	Borrowing of funds via CMS (Note 2)	—	Deposits received from subsidiaries and associates	1,097
			Payment of interest (Note 3)	0	—	—
Consolidated subsidiary	ConnectOM, Inc.	Management involvement CMS transactions	Borrowing of funds via CMS (Note 2)	—	Deposits paid to subsidiaries and associates	235
			Receipt of interest (Note 3)	0	—	—
Consolidated subsidiary	OPT America, Inc.	Loans of funds	Lending of funds	1,079	Loans receivable from subsidiaries and associates	—
			Receipt of interest (Note 3)	35	Other current assets	—

(Notes) 1. Transaction amounts do not include consumption tax.

2. For borrowing transactions through the CMS (cash management system), only fiscal year-end balances are presented because balances frequently change.

3. For interest payment amounts, interest rates are rationally determined based on market interest rates and other relevant factors.

4. An allowance for doubtful accounts of JPY 235 million is recorded against the deposits paid to subsidiaries and associates.

(2) Corporate officers and individual shareholders

Not applicable.

9. Notes on per-share information

Net assets per share

¥1,025.69

Net income per share

¥112.24

10. Notes on business combination

As the content is identical, please reference “8. Notes on business combination” in the Notes to Consolidated Financial Statements.

11. Notes on significant subsequent events

Not applicable.

AUDIT COMMITTEE'S REPORT

AUDIT REPORT

We, the Audit and Supervisory Committee of OPT Holding, Inc.. (“the Company”), have audited the performance of duties by Directors and Executive Officers during the 26th business year from January 1, 2019 to December 31, 2019. We report the method and results as follows.

1. Method and details of audit

We, the Audit and Supervisory Committee, have received reports from the Executive Officers and employees on a regularly basis on the details of the board resolutions with respect to items prescribed in Article 399-13(1)(i)(b)-(c) of the Companies Act, and the status of the establishment and operation of the system established based on such board resolutions (internal control system), sought explanations, whenever the necessity arose, and expressed our opinions.

Additionally, we conducted audits as follows.

- (1) In coordination with the Company’s internal audit staff, we attended important meetings, received reports from Directors, employees and others regarding the execution of their job duties, requested explanations as needed, inspected documents, including documentation of significant decisions, and investigated the status of operations and property at the Company’s Head Office and other major places of business, all in compliance with auditing standards prescribed by the Audit and Supervisory Committee and in accordance with audit policies, audit plans and an agreed-upon division of duties. We also communicated and exchanged information with subsidiaries’ Directors, Auditors and other personnel and, as needed, received reports from subsidiaries on their operations.
- (2) In addition to monitoring and examining whether the Accounting Auditor maintained an independent position and performed auditing appropriately, we received reports from the Accounting Auditor on the performance of its duties and requested explanations when necessary. In addition, we received notice from the Accounting Auditor that “The systems for ensuring the proper performance of duties” (set forth in each item of Article 131 of the Regulations of Corporate Financial Calculation) are organized in accordance with the “Standards for Quality Control of Audit” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations whenever necessity arose.

Based on the above methods, we examined the business report, financial statements (balance sheet, statement of income, statement of changes in equity, notes to financial statements), supporting schedules, and the consolidated financial statements (the consolidated balance sheets, the consolidated statement of profit or loss, the consolidated statements of changes in net assets and the notes to consolidated financial statements) for the fiscal year under review.

2. Results of audit

(1) Results of audit of business report, etc.

- i) In our opinion, the business report and accompanying schedules fairly represent the condition of the Company in accordance with the laws, regulations and Articles of Incorporation of the Company.
- ii) We have determined that there were no serious occurrences of dishonest or false activity or violations of any laws, regulations or the Company’s Articles of Incorporation by any Directors or Executive Officers in carrying out their duties.
- iii) We believe the details of resolutions of the Board of Directors regarding the internal control system are appropriate. We found no matters of note with respect to the execution of duties of Executive Officers regarding the internal control system.

(2) Results of audit of financial statements and accompanying schedules

In our opinion, the audit method and audit results received from the accounting auditor KPMG AZSA LLC are appropriate.

(3) Results of audit of consolidated financial statements

In our opinion, the audit method and audit results received from the accounting auditor KPMG AZSA LLC are appropriate.

February 20, 2020

Audit Committee of OPT Holding, Inc.

Audit Committee Member	Fumiyuki Shinomiya (Seal) (Full- time)
Audit Committee Member	Nobuaki Ishizaki (Seal)
Audit Committee Member	Toshio Yamaue (Seal)

Notes to the Reader of Audit Report:

1. The Audit Report herein is the English translation of the Audit Report as required by the Companies Act.
2. Mr. Fumiyuki Shinomiya, Mr. Nobuaki Ishizaki and Mr. Toshio Yamaue are External Directors as provided for in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

To clarify the policy for the business structure reforms being implemented by the Company, effective July 1, 2020, the Company will change its trade name (Chapter I of the Current Articles of Incorporation) from “Kabushiki Kaisha OPT Holding (English name: OPT Holding, Inc.)” to “Kabushiki Kaisha DIGITAL HOLDINGS (English name: DIGITAL HOLDINGS, Inc.)”.

2. Details of the amendments

(Underlines denote amendments)

Current Articles of Incorporation	Proposed Amendments
Chapter I General Provisions	Chapter I General Provisions
Articles 1 (Trade Name) The name of the Company shall be “Kabushiki Kaisha OPT Holding” and in English it shall be “OPT Holding, Inc.”	Articles 1 (Trade Name) The name of the Company shall be “Kabushiki Kaisha DIGITAL HOLDINGS” and in English it shall be “DIGITAL HOLDINGS, Inc.”
Articles 2 – 42 (Omitted)	Articles 2 – 42 (Unchanged)
Supplementary Provisions	Supplementary Provisions
Article 1 (Omitted)	Article 1 (Unchanged)

Proposal No. 2: Election of six (6) Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)

The terms of office of all of the current five (5) Directors will expire at the conclusion of this Annual General Meeting of Shareholders.

In that regard, the Company will newly increase the number of External Director by two (2) to further enhance the management system, and it proposes the election of six (6) Directors.

The Audit and Supervisory committee has given consent to all candidates for Director in this proposal.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned	
1	Noboru Hachimine (June 22, 1967)	Apr. 1991	Joined Mori Building Co., Ltd.	4,775,200
		Mar. 1994	Established Deca Legs Ltd. (currently OPT Holding, Inc.), assumed position as President of the Company	
		Mar. 2009	President and CEO of the Company (current position)	
		Jun. 2016	Outside Director, UT Group Co., Ltd. (current position)	
		Mar. 2017	Director, SoldOut, Inc. (current position)	
		[Reasons for nomination as candidate for Director] Mr. Noboru Hachimine has long been demonstrating excellent leadership and driving growth in the Group's corporate value. He has been nominated because he is well-qualified to continue to build an operational foundation for the realization of sustained Group-wide growth and to grow corporate value over the medium to long term.		
2	Atsushi Nouchi (December 21, 1967)	Apr. 1991	Joined Mori Building Co., Ltd.	1,275,800
		Oct. 1996	Joined the OPT Holdings Inc.	
		Mar. 1999	Director of the Company	
		Feb. 2015	CEO at OPT Ventures, Inc. (current position)	
		Mar. 2015	Representative Director and CEO at OPT Incubate, Inc. (current position)	
		Mar. 2017	Vice President and COO of OPT Holding, Inc. (current position)	
		[Reasons for nomination as candidate for Director] Mr. Atsushi Nouchi is well-versed in all aspects of the Company's operations and has been driving growth in the Group's corporate value through strong leadership, decisiveness and executive capabilities. He has been nominated because he is well-qualified to continue to build an operational foundation for the realization of sustained Group-wide growth and to grow corporate value over the medium to long term.		
3	Shusaku Minoda (July 20, 1951)	Apr. 1974	Joined The Industrial Bank of Japan (currently Mizuho Bank, Ltd.)	10,000
		Jun. 1998	Manager of Business Promotion Arrangement Office, Mizuho Bank, Ltd.	
		Apr. 2000	Manager of Syndication, Mizuho Bank, Ltd.	
		Apr. 2002	Manager of Syndication, Mizuho Corporate Bank (currently Mizuho Bank, Ltd.)	
		Apr. 2004	Managing Executive Officer, Supervisor of Syndicated Finance Business Unit, Supervisor of Syndicated Finance & Loan Trading Compliance, and Group Supervisor, Mizuho Bank, Ltd.	
		Apr. 2006	Managing Executive Officer, Supervisor of Global Syndication Unit and Global Products Unit, Mizuho Bank, Ltd.	
		Jul. 2007	Managing Director and Co-Chief Executive Officer, Kohlberg Kravis Roberts & Co. (KKR) Japan	
		Sep. 2007	Director, KKR Capital Markets (KCM)	
		Jan. 2008	President, KKR Japan	
		Apr. 2009	Director, Toys"R"US Japan	
		May 2013	Chairman, KKR Japan	
		Sep. 2014	Company Advisor, OPT Holding Inc.	
		Mar. 2015	Director of the Company (current position)	
		[Reasons for nomination as candidate for Director] Mr. Shusaku Minoda has vast experience in the financial sector both in Japan and overseas. He also possesses extensive experience and broad insight as a high-ranking corporate executive. He has been nominated to offer opinions and advice to the Company's management from various perspectives.		

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned
4	Tomoyuki Mizutani (August 16, 1964)	<p>Apr. 1988 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)</p> <p>Apr. 1997 Editor-in-Chief, "Tech Being"</p> <p>Apr. 2001 Editor-in-Chief, "Recruit Navi Career" (currently "RikuNavi NEXT")</p> <p>Apr. 2002 Editor-in-Chief, "Being" (Kanto region edition)</p> <p>Apr. 2004 Corporate Executive Officer (responsible for Human Resource (HR) Division) of Recruit Holdings Co., Ltd.</p> <p>Apr. 2006 Director, Recruit HR Marketing Co., Ltd. (currently Recruit Jobs Co., Ltd.)</p> <p>Apr. 2007 Director and Corporate Executive Officer (responsible for HR, administration, corporate communication) of Recruit Holdings Co., Ltd.</p> <p>Apr. 2009 Managing Executive Officer, Recruit Agent Co., Ltd. (currently Recruit Career Co., Ltd.)</p> <p>Apr. 2011 President, Recruit Agent Co., Ltd.</p> <p>Oct. 2012 First President, Recruit Career Co., Ltd.</p> <p>Apr. 2015 Advisor, Recruit Holdings Co., Ltd.</p> <p>Apr. 2016 Advisor, Japan Executive Search and Recruitment Association (current position)</p> <p>Mar. 2017 External Director of the Company (current position)</p>	10,000
<p>[Reasons for nomination as candidate for Director]</p> <p>Mr. Tomoyuki Mizutani has spent much of his career at Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.), mainly in the HR business domain. He was active in multiple high-ranking executive positions, including as a Corporate Executive Officer (responsible for HR Division) at Recruit and the first President of Recruit Career Co., Ltd. Outside of the Recruit Group, he has been active in a wide range of activities with HR and societal- contribution themes, including cultivation of social entrepreneurs. In addition to such extensive experience, He possesses broad insight. He has been nominated to offer opinions and advice to ensure appropriate, sound management decision-making from an independent, objective standpoint.</p>			
5	* Koji Yanagisawa (May 19, 1971)	<p>Apr. 1995 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)</p> <p>May 1999 Joined NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, Inc.</p> <p>May 2005 Joined Mizuho Securities Co., Ltd.</p> <p>Feb. 2006 Full-time Statutory Auditor, ZOZO, Inc.</p> <p>Jun. 2008 Director and General Manager of Strategic Planning and Business Administration Division, ZOZO, Inc.</p> <p>Apr. 2009 Director and CFO, ZOZO, Inc.</p> <p>Apr. 2017 Director, Executive Vice President & CFO, ZOZO, Inc.</p>	0
<p>[Reasons for nomination as candidate for Director]</p> <p>With his experience as CFO and others at a growing company, Mr. Koji Yanagisawa possesses broad insight in overall business administration centered on accounting, finance, IR, legal affairs, and corporate governance. He has been newly nominated for External Director because he is considered to be qualified to offer opinions and advice to ensure appropriateness and soundness in management decision-making from independent and objective standpoint.</p>			
6	* Yasuhiro Ogino (September 29, 1973)	<p>Aug. 2005 Joined Macromill, Inc.</p> <p>Jan. 2008 Executive Officer (in charge of Finance and Accounting Headquarters), Macromill, Inc.</p> <p>Jun. 2008 Joined J-Magic K.K.</p> <p>Dec. 2008 Director, CFO, General Manager of Administration Management Division, J-Magic K.K.</p> <p>Dec. 2009 Joined mixi, Inc.</p> <p>Nov. 2011 Executive General Manager of the Administrative Headquarter, mixi, Inc.</p> <p>Feb. 2012 Executive Officer, mixi, Inc.</p> <p>Jun. 2012 Director, mixi, Inc.</p>	0
<p>[Reasons for nomination as candidate for Director]</p> <p>With his experience as CFO and others at growing companies, Mr. Yasuhiro Ogino possesses abundant insight in overall business administration centered on business development and M&A. He has been newly nominated for External Director because he is considered to be qualified to offer opinions and advice to ensure appropriateness and soundness in management decision-making from independent and objective standpoint.</p>			

- (Notes) 1. New candidates for Director are indicated by an asterisk (*).
2. None of the candidates has any special interests in the Company or vice versa.
3. Messrs. Tomoyuki Mizutani, Yasuhiro Ogino and Koji Yanagisawa are External Director candidates.
4. Mr. Tomoyuki Mizutani is currently an External Director of the Company; he will have served as an External Director for

- three years as of the conclusion of the 26th Annual General Meeting of Shareholders.
5. If Messrs. Shusaku Minoda and Tomoyuki Mizutani are reappointed, the Company plans to renew existing agreements with both of them pursuant to Article 427 (1) of the Companies Act. The agreements limit their liability for damages under Article 423 (1) of the Companies Act to the minimum liability stipulated in Article 425 (1) of the Companies Act. Furthermore, if the election of Messrs. Yasuhiro Ogino and Koji Yanagisawa is approved, the Company plans to enter into the same limited liability agreement with them.
 6. Mr. Tomoyuki Mizutani meets the independent director requirements of the Tokyo Stock Exchange, Inc. If reappointed, he will continue to serve as an independent director. Furthermore, Messrs. Yasuhiro Ogino and Koji Yanagisawa both meet the same requirements, and if their elections are approved, the Company plans to submit notification of their designation as independent directors (External Directors).
 7. The number of the Company's shares owned by Mr. Noboru Hachimine includes 4,770,200 shares owned by HIBC Co., Ltd., an asset management company wholly owned by Mr. Hachimine.
 8. The number of the Company's shares owned by Mr. Atsushi Nouchi includes 390,800 shares owned by Time & Space, an asset management company wholly owned by Mr. Nouchi.

Proposal No. 3: Election of four (4) Directors Who Are Audit & Supervisory Committee Members

The terms of office of all of the current three (3) Directors who are Audit & Supervisory Committee Members will expire at the conclusion of this Annual General Meeting of Shareholders. In that regard, the Company will newly increase the number of Directors who are Audit & Supervisory Committee Members by two (1) to strengthen the audit system, and it proposes the election of four (4) Directors who are Audit & Supervisory Committee Members. The consent of the Audit and Supervisory committee has been obtained for this proposal.

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

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned	
1	Fumiyuki Shinomiya (September 27, 1948)	Apr. 1971	Joined Dai-ichi Kangyo Bank, Limited (currently Mizuho Bank, Ltd.)	0
		Jun. 2001	Full-time Auditor, Seiko Instruments Inc.	
		Mar. 2016	Full-time Auditor, Crossfinity Inc.	
		Oct. 2016	Director and full-time Auditor, Crossfinity Inc.	
		Mar. 2018	Audit & Supervisory Board Member, Crossfinity Inc.	
		Mar. 2018	Audit & Supervisory Board Member, OPT, Inc. (current position)	
		Mar. 2018	Audit & Supervisory Committee Member of the Company (current position)	
[Reasons for nomination as candidate for Directors who are Audit & Supervisory Committee Members] Mr. Fumiyuki Shinomiya possesses abundant experience and insight in the financial field both in Japan and overseas. He has been nominated to offer necessary opinions and advice in the deliberation of matters from the standpoint of the objectivity and neutrality of management.				
2	Yuki Okabe (May 5, 1973)	Apr. 1992	Joined THE OITA BANK, LTD.	0
		Mar. 1998	Joined Takahashi Tax Accounting Office	
		Oct. 2002	Joined ChuoAoyama Audit Corporation	
		Jul. 2007	Joined Ernst & Young ShinNihon LLC	
		Oct. 2011	Established Okabe Yuki Certified Public Accountant and FP Office	
		Mar. 2016	Full-time Audit & Supervisory Board Member, fonfun corporation	
		Jul. 2018	Full-time Audit & Supervisory Board Member, AltPlus Inc. (current position)	
[Reasons for nomination as candidate for Directors who are Audit & Supervisory Committee Members] In addition to possessing significant insight in finance and accounting as a CPA, Ms. Yuki Okabe has experience as an Audit & Supervisory Board Member at multiple listed companies. She has been newly nominated to offer necessary opinions and advice in the deliberation of matters from an objective.				
3	Toshio Yamaue (February 14, 1966)	Apr. 1997	Registered as an attorney-at-law (member of the Daiichi Tokyo Bar Association)	0
		Mar. 2006	Outside Auditor of the Company	
		Apr. 2006	Established Yamaue Law Offices (current position)	
		Mar. 2016	Auditor, SoldOut, Inc.	
		Mar. 2016	External Director and Audit and Supervisory Committee Member of the Company (current position)	
		Mar. 2017	Auditor, sIo interactive. inc. (currently Heartlass, Inc.)	
[Reasons for nomination as candidate for Directors who are Audit & Supervisory Committee Members] Mr. Toshio Yamaue has abundant experience and expert knowledge as an attorney. He has been nominated to offer necessary opinions and advice in the deliberation of matters.				

Candidate No.	Name (Date of birth)	Career Summary and Position in the Company (Significant concurrent positions)	Number of the Company's Shares Owned
4	* Masahiro Yamamoto (August 15, 1958)	Mar. 1983 Joined Price Waterhouse Certified Public Accountants Office Mar. 1986 Registered as Certified Public Accountant Aug. 2000 Representative Partner, ChuoAoyama Audit Corporation Sep. 2006 Representative Partner, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Aarata LLC) Jul. 2019 Established Yamamoto Masahiro Certified Public Accountant Office (current position)	0
[Reasons for nomination as candidate for Directors who are Audit & Supervisory Committee Members] In addition to possessing significant insight in finance and accounting as a CPA, Mr. Masahiro Yamamoto has experience in supporting numerous companies as a Representative Partner of audit corporations. The Company expects him to offer necessary opinions and advice in the deliberation of matters from an objective standpoint. Therefore, he has been newly nominated as candidate for Audit & Supervisory Committee Member.			

- (Notes)
1. New candidates are indicated by an asterisk (*).
 2. None of the candidates has any special interests in the Company or vice versa.
 3. Messrs. Fumiya Shinomiya, Yuki Okabe, Toshio Yamaue, and Masahiro Yamamoto are External Director candidates.
 4. Messrs. Fumiya Shinomiya and Toshio Yamaue are currently External Directors who are Audit and Supervisory Committee Members of the Company; they will have served as External Directors for two years and four years respectively as of the conclusion of the 26th Annual General Meeting of Shareholders.
 5. Mr. Fumiya Shinomiya is an Audit & Supervisory Board Member of OPT, Inc. which is a subsidiary of the Company.
 6. Mr. Toshio Yamaue had been a non-executive officer (Audit & Supervisory Board Member) of the Company in the past.
 7. The Company has entered into agreements with Messrs. Fumiya Shinomiya and Toshio Yamaue, respectively, to limit the liability provided for in Article 423, paragraph (1) of the Companies Act to the minimum liability amount set forth in laws and regulations. If their reelections are approved, the Company will continue these agreements. Furthermore, if the election of Ms. Yuki Okabe and Mr. Masahiro Yamamoto is approved, the Company plans to enter into the same limited liability agreement with them.
 8. The Company has designated Messrs. Fumiya Shinomiya and Toshio Yamaue as independent directors based on the provisions of the Tokyo Stock Exchange and has submitted notification of their designation to the exchange. If their reelections are approved, the Company plans to continue to designate them as independent directors (External Directors). Furthermore, Ms. Yuki Okabe and Mr. Masahiro Yamamoto also meet the requirements of independent directors based on the provisions of the Tokyo Stock Exchange, and if their reelections are approved, the Company plans to submit notification of their designation as independent directors (External Directors) respectively.

Proposal No. 4: Determination of Amounts of Remuneration, etc. for Directors Who Are Audit and Supervisory Committee Members

The amount of remuneration for Directors who are Audit & Supervisory Committee Members of the Company was set at up to JPY 30 million per year at the General Meeting of Shareholders held on March 25, 2016. However, to enhance the Company's auditing system, with the increased number of Directors who are Audit & Supervisory Committee members, we would like to revise this amount to up to JPY 50 million per year.

Currently, the Company has three (3) Directors who are Audit and Supervisory Committee Members, and there will be four (4) Directors who are Audit and Supervisory Committee Members assuming approval is granted for the third proposal herein calling for "Election of four (4) Directors Who Are Audit & Supervisory Committee Members.