



Consolidated Results of Operations

The Second Quarter, Fiscal Year Ending March 31, 2017

USS Co., Ltd.
November 2016

- This document has been translated from the original Japanese as a guide for non-Japanese investors.
- Forward-looking statements in this material are based on information available to management at the time this material was prepared and assumptions that management believes are reasonable. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these statements for a number of reasons.
- The information provided in this material may include unaudited figures.
- The amounts less than the units shown are discarded.
- Percentages are rounded to the hundredths place.

Japan Bike Auction Co., Ltd., included in the consolidation assuming the end of 3Q FY3/16 as the acquisition date, is presented as JBA in these materials.

Reference materials

Japan Automobile Dealers Association, Japan Light Motor Vehicle and Motorcycle Association, Japan Automobile Recycling Promotion Center, USED CAR Co., Ltd., Trade Statistics of Japan Ministry of Finance

Results of Operations Second Quarter Fiscal Year Ending March 2017

2Q FY3/2017 – Summary of Consolidated Results of Operations

- 1H results of operations: Sales decreased 3.8% YoY to ¥32.35 billion, Operating income was down 7.6% YoY to ¥15.49 billion, and 1H net profit attributable to owners of parent declined 4.0% to ¥10.84 billion.
- Decline in vehicles consigned and contract completions as well as increase in depreciation expenses and other factors offset the increase in the commission fees from satellite TV and Internet-based successful bid fees and the inclusion of JBA into the consolidation.

(Million yen)

	1H FY3/16	1H FY3/17	Year on year	1H FY3/17 Initial plan (May 9, 2016)	VS. plan
Net sales	33,643	32,355	96.2%	34,750	93.1%
Cost of sales (Per sales)	12,917 (38.4%)	12,809 (39.6%)	99.2%	13,422 (38.6%)	95.4%
Gross profit (Per sales)	20,725 (61.6%)	19,546 (60.4%)	94.3%	21,327 (61.4%)	91.6%
Selling, general and administrative expenses (Per sales)	3,962 (11.8%)	4,056 (12.5%)	102.4%	4,427 (12.7%)	91.6%
Operating income (Per sales)	16,763 (49.8%)	15,490 (47.9%)	92.4%	16,900 (48.6%)	91.7%
Ordinary income (Per sales)	17,106 (50.8%)	15,805 (48.8%)	92.4%	17,200 (49.5%)	91.9%
Profit attributable to owners of parent (Per sales)	11,292 (33.6%)	10,840 (33.5%)	96.0%	11,600 (33.4%)	93.5%

2Q FY3/2017 – Reasons for Change in Operating Income (Actual)

Net sales

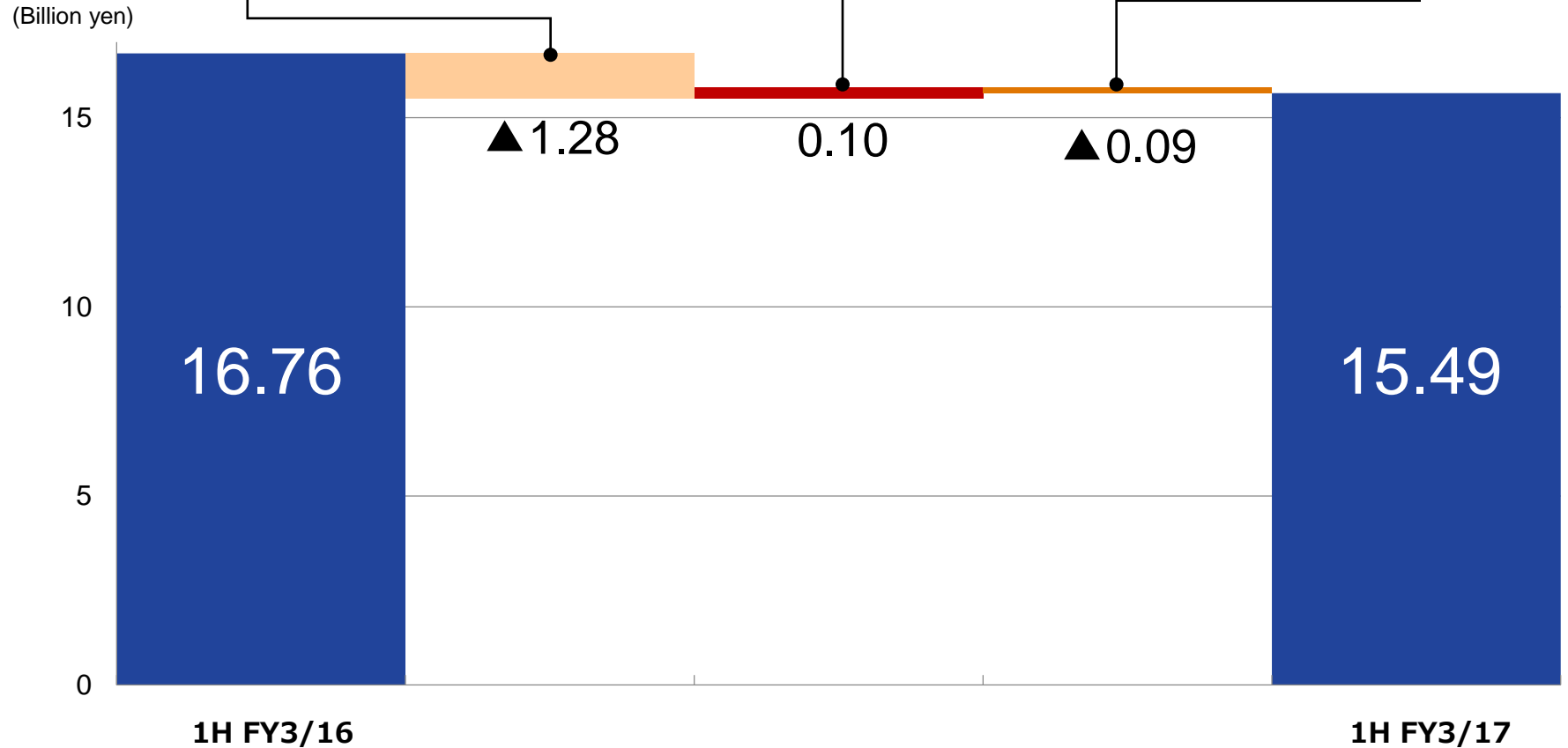
Increase in fee rates (excl. JBA)	0.30bn
Used vehicle sales/purchases	▲0.44bn
Decrease in vehicles consigned	▲0.43bn
Decrease in vehicles, etc. recycling	▲0.43bn
Impact of JBA	0.41bn
Impact of Toyo Rubber Chips	▲0.63bn

Cost of sales

Increase in depreciation	▲0.55bn
Decrease cost of materials purchased	0.21bn
Impact of JBA	▲0.10bn
Impact of Toyo Rubber Chips	0.57bn

SG&A expenses

Increase in enterprise tax	▲0.11bn
Decrease in employee salaries and bonuses	0.08bn
Impact of JBA	▲0.12bn
Impact of Toyo Rubber Chips	0.07bn



Net Sales and Operating Income by Business Segment

(Million yen)

Net sales	1H FY3/15	1H FY3/16	1H FY3/17	Year on year
Auto auction	23,958	25,201	25,378	100.7%
Used vehicle purchasing and selling	4,814	4,883	4,571	93.6%
Other	3,480	3,558	2,405	67.6%
Total	32,254	33,643	32,355	96.2%
Operating income (operating margin)	1H FY3/15	1H FY3/16	1H FY3/17	Year on year
Auto auction	15,057 (62.0%)	16,124 (63.2%)	15,129 (59.1%)	93.8%
Used vehicle purchasing and selling	179 (3.7%)	316 (6.5%)	169 (3.7%)	53.5%
Other	416 (12.0%)	211 (5.9%)	82 (3.4%)	38.8%
Elimination of inter-segment transactions	76	112	109	98.0%
Total	15,731 (48.8%)	16,763 (49.8%)	15,490 (47.9%)	92.4%

*Sales are sales to external customers and operating income is based on business segment earnings.

Operating margins (shown % in parenthesis) are calculated by Segment income divided by Segment sales

- 1H capital investment: ¥3.9 billion (mainly for auto auction sites)
- Purchase of treasury shares (4.36 million shares): ¥7.4 billion
- Equity ratio: 82.3%
- Free cash flow: ¥4.5 billion

Consolidated Balance Sheets (Summary)

	FY3/16	1H FY3/17
Current assets	81,440	77,500
Cash and deposits	62,290	61,895
Receivables due from member dealers at auction, etc.	19,149	15,605
Noncurrent assets	105,391	107,412
Property, plant and equipment	96,101	98,323
Other	9,289	9,088
Total assets	186,831	184,913

(Million yen)

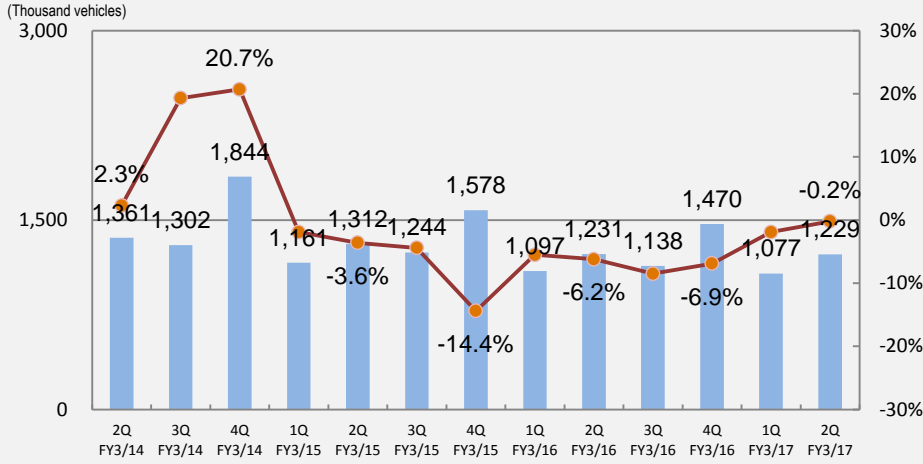
	FY3/16	1H FY3/17
Current liabilities	25,937	25,805
Payables due to member dealers at auction	13,288	14,373
Other	12,649	11,432
Noncurrent liabilities	5,710	5,747
Total liabilities	31,647	31,553
Total net assets	155,183	153,360
Total liabilities and net assets	186,831	184,913

Consolidated Statements of Cash Flows (Summary)

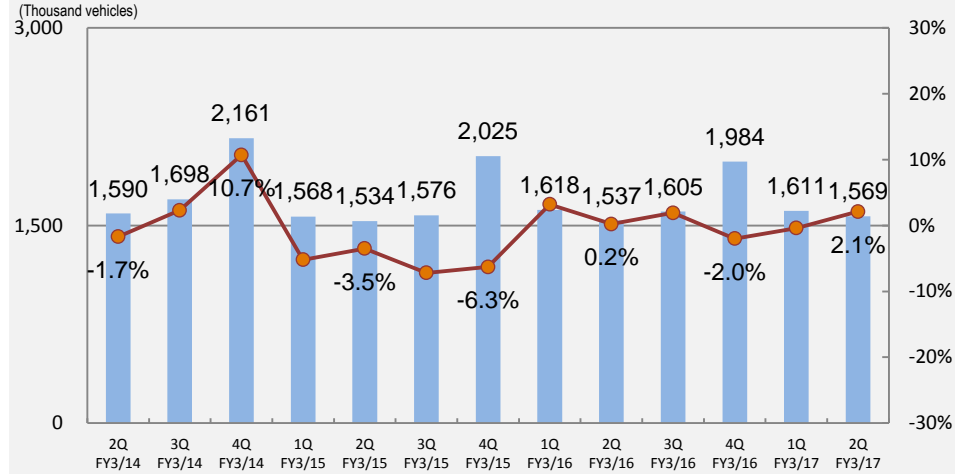
(Million yen)

	1H FY3/15	1H FY3/16	1H FY3/17	Changes
Net cash provided by (used in) operating activities	7,548	9,556	12,535	2,978
Net cash provided by (used in) investing activities	▲9,314	▲8,252	▲7,967	285
Free cash flow	▲1,765	1,303	4,568	3,264
Net cash provided by (used in) financing activities	▲4,898	▲5,083	▲11,943	▲6,859
Capital expenditures (Terms of cash flows)	1,713	3,248	3,914	666
Depreciation	1,717	1,565	2,108	543

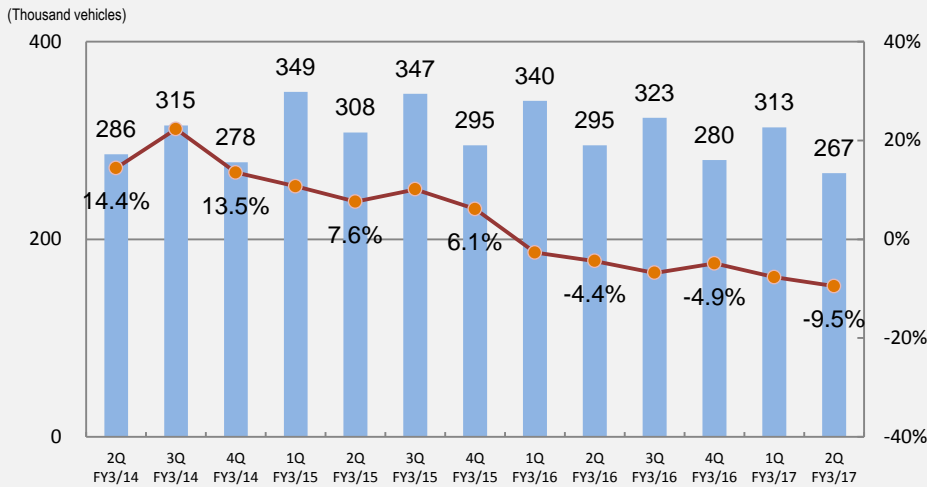
New Car Registrations and YoY Changes



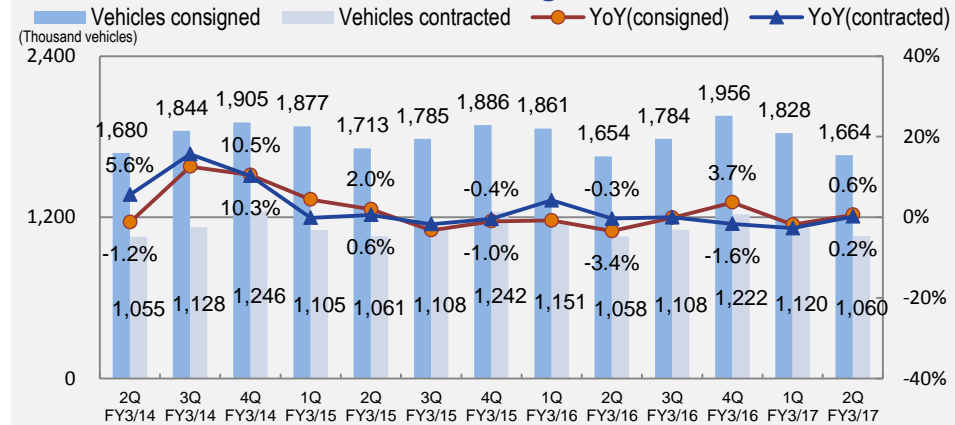
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned and Contracted and YoY Changes



Auto Auction Segment (1)

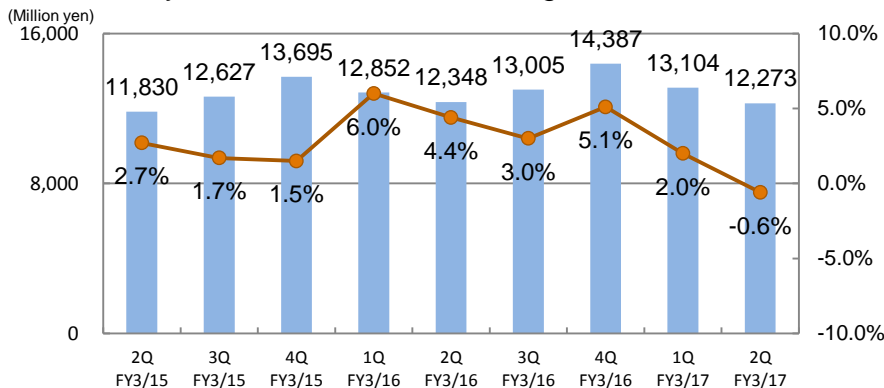
- 1H vehicles consigned declined 2.1% YoY to 1.123 million; contract completions declined 3.7% YoY to 0.726 million (contract completion rate: 64.7% against 65.8% in the previous fiscal year)
- Decline in vehicles consigned and contract completions as well as increase in depreciation expenses and other factors offset the increase in the commission fees from satellite TV and Internet-based successful bid fees in July 2015 and the inclusion of JBA into the consolidation. Profit declined as a result.

Auto Auction Segment 1H Performance

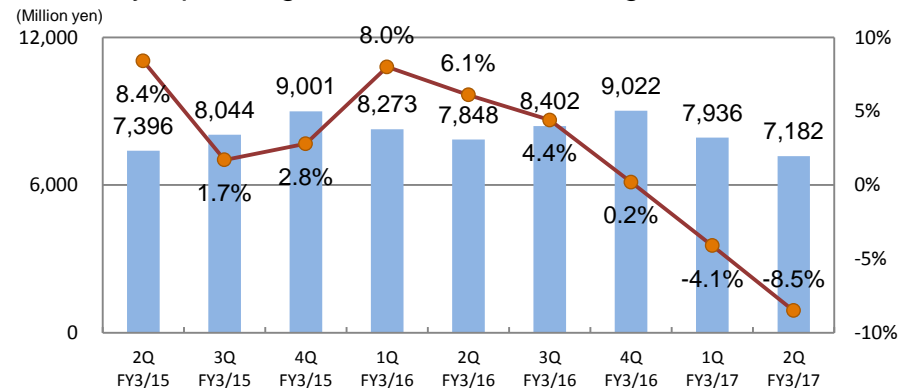
(Million yen)

	1H FY3/15	1H FY3/16	1H FY3/17	Year on year
Net sales	23,958	25,201	25,378	100.7%
Consignment fees	6,114	6,129	5,941	96.9%
Contract completion fees	5,661	5,944	5,780	97.3%
Successful bid fees	8,067	8,623	8,616	99.9%
Other	4,115	4,504	5,039	111.9%
Operating income	15,057	16,124	15,129	93.8%
Operating margin	62.0%	63.2%	59.1%	-

Quarterly Net Sales and YoY Changes

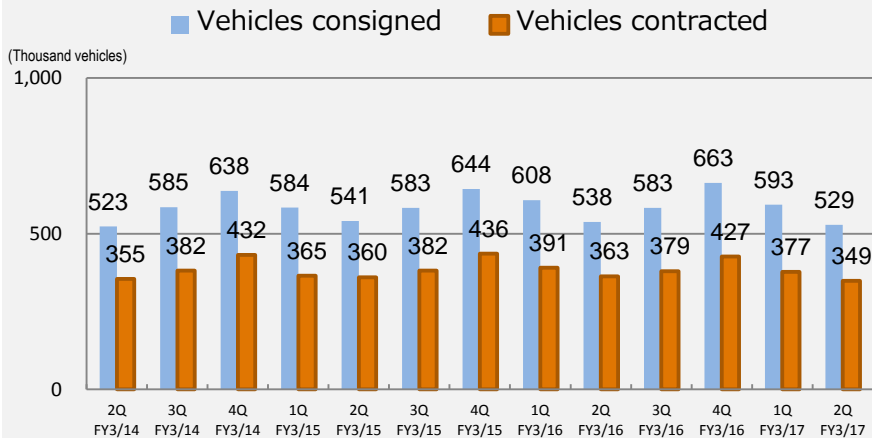


Quarterly Operating Income and YoY Changes

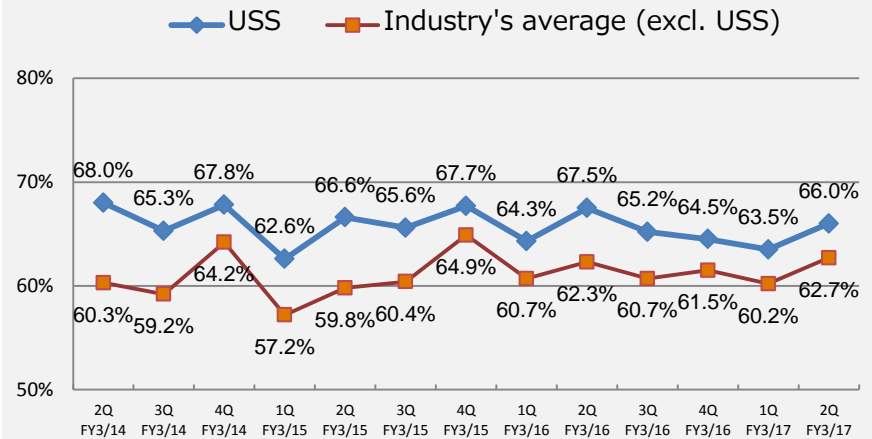


*Sales are sales to external customers and operating income is based on business segment earnings. Operating margins (shown % in parenthesis) are calculated by Segment income divided by Segment sales

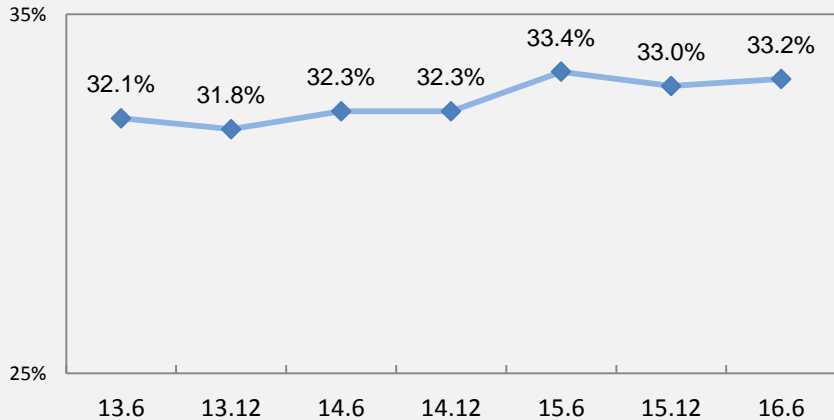
No. of Vehicles Consigned and Vehicles Contracted



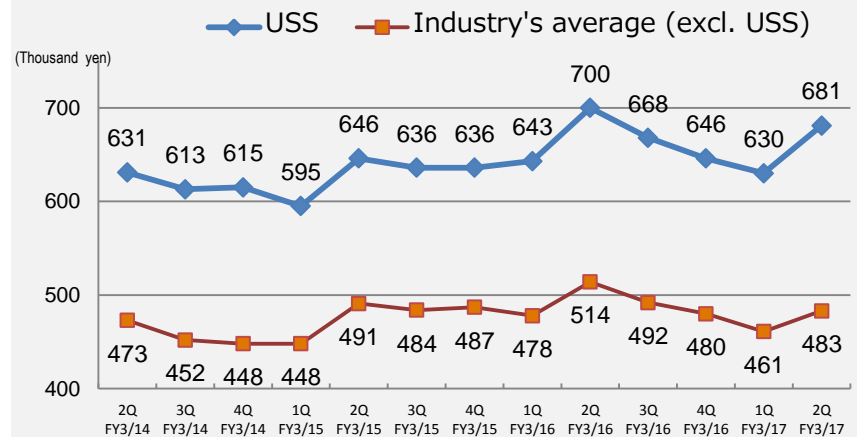
Contract Completion Rate



Market Share

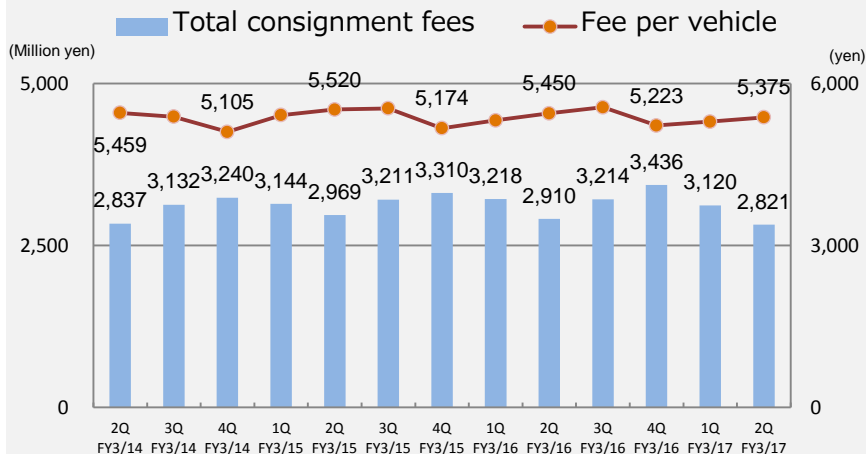


Average Price of Vehicle Contracted

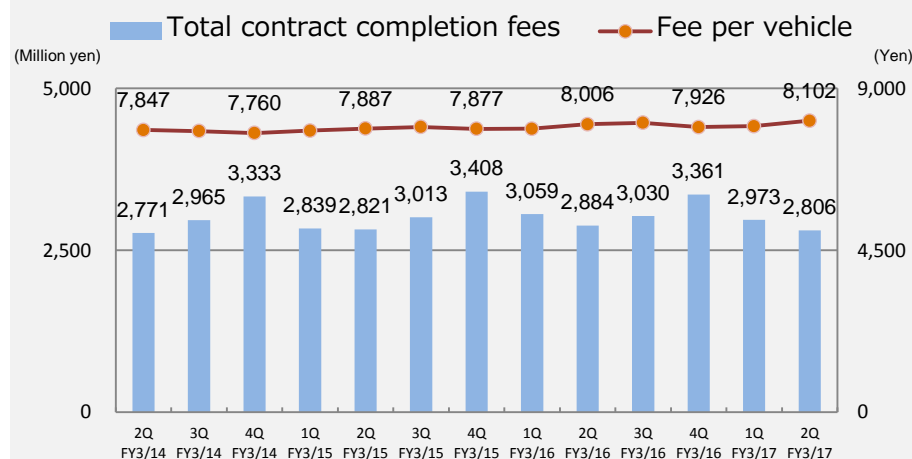


* Period ending in December: 12-month data; Period ending in June: 6-month data.
 * The figures in this slide do not include JBA data.

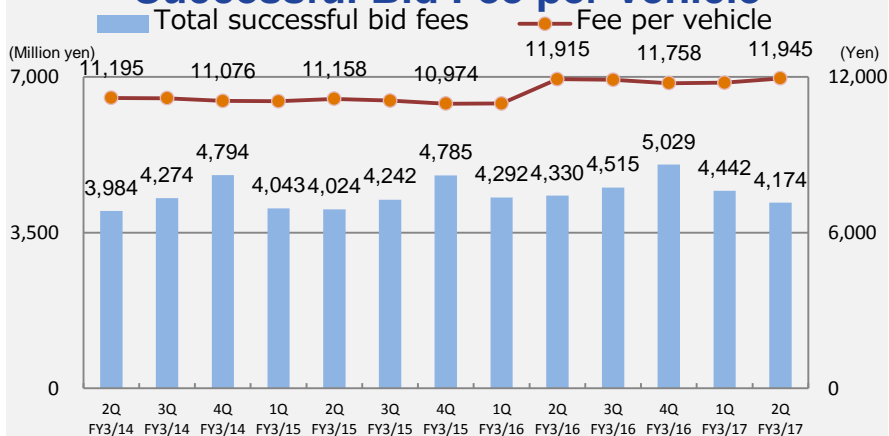
Total Consignment Fees and Consignment Fee per Vehicle



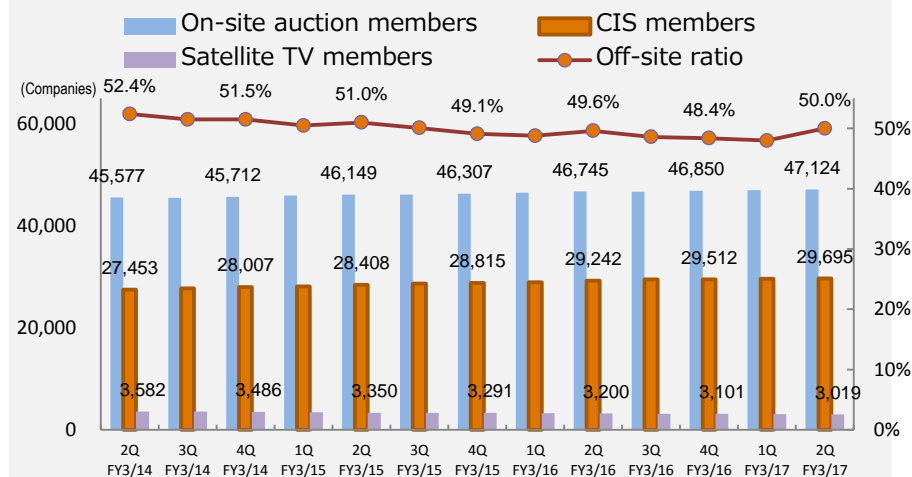
Total Contract Completion Fees and Contract Completion Fee per Vehicle



Total Successful Bid Fees and Successful Bid Fee per Vehicle



No. of Members and Off-site Ratio



* Fee per vehicle is calculated before eliminations for consolidation.

* The figures in this slide do not include JBA data.

Auto Auction Segment (4)

From April 1, 2016 to September 30, 2016

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1H FY3/16	1H FY3/17	1H FY3/16	1H FY3/17	YoY change	1H FY3/16	1H FY3/17	YoY change	1H FY3/16	1H FY3/17
Tokyo	24	24	313,960	305,204	97.2%	225,988	213,836	94.6%	72.0%	70.1%
Nagoya	25	25	219,792	235,304	107.1%	136,740	138,431	101.2%	62.2%	58.8%
Yokohama	25	24	92,772	88,282	95.2%	62,404	60,792	97.4%	67.3%	68.9%
Kyushu	25	24	94,157	76,857	81.6%	57,056	48,005	84.1%	60.6%	62.5%
Sapporo	25	24	71,033	66,691	93.9%	42,275	39,020	92.3%	59.5%	58.5%
R-Nagoya	24	24	60,298	62,740	104.0%	51,384	51,636	100.5%	85.2%	82.3%
Osaka	24	25	57,102	55,861	97.8%	35,536	33,509	94.3%	62.2%	60.0%
Shizuoka	24	24	35,122	34,575	98.4%	20,422	20,800	101.9%	58.1%	60.2%
Tohoku	26	24	33,513	33,128	98.9%	25,393	24,444	96.3%	75.8%	73.8%
Okayama	24	24	33,609	31,728	94.4%	21,853	21,173	96.9%	65.0%	66.7%
Kobe	26	25	29,667	30,748	103.6%	16,359	17,428	106.5%	55.1%	56.7%
Gunma	24	24	31,054	28,280	91.1%	20,502	18,298	89.2%	66.0%	64.7%
Saitama	24	25	23,104	26,074	112.9%	12,885	15,393	119.5%	55.8%	59.0%
Niigata	25	24	21,558	22,404	103.9%	10,655	10,362	97.3%	49.4%	46.3%
Fukuoka	25	24	21,604	18,579	86.0%	9,506	9,328	98.1%	44.0%	50.2%
Hokuriku	24	25	9,149	6,818	74.5%	5,731	4,370	76.3%	62.6%	64.1%
Total	394	389	1,147,494	1,123,273	97.9%	754,689	726,825	96.3%	65.8%	64.7%

* The figures in this slide do not include JBA data.

Auto Auction Segment (5)

(Vehicles, %)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	First Half	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Second Half	Fiscal Year
No. of Vehicles Consigned	FY3/15	225,022	181,292	177,858	193,656	157,114	191,153	1,126,095	220,851	195,116	167,056	177,089	206,068	260,866	1,227,046	2,353,141
	YoY Change	6.8	7.1	▲0.1	8.8	▲2.9	4.2	4.1	4.3	▲6.2	0.9	▲0.1	2.1	0.5	0.3	2.1
	FY3/16	240,027	180,560	188,060	198,744	143,557	196,546	1,147,494	221,602	188,116	173,302	179,967	208,405	275,123	1,246,515	2,394,009
	YoY Change	6.7	▲0.4	5.7	2.6	▲8.6	2.8	1.9	0.3	▲3.6	3.7	1.6	1.1	5.5	1.6	1.7
	FY3/17	233,303	165,327	195,240	186,899	141,275	201,229	1,123,273	186,409						186,409	1,309,682
	YoY Change	▲2.8	▲8.4	3.8	▲6.0	▲1.6	2.4	▲2.1	▲15.9						-	-
No. of Vehicles Contracted	FY3/15	134,692	115,560	115,299	125,786	104,082	130,918	726,337	146,176	127,786	108,731	121,659	142,503	172,041	818,896	1,545,233
	YoY Change	1.6	▲0.7	▲4.5	3.3	▲5.2	5.3	0.1	4.9	▲5.2	0.4	▲0.8	2.2	0.7	0.4	0.3
	FY3/16	146,183	116,850	128,131	134,479	99,117	129,929	754,689	146,362	122,078	111,421	118,004	135,810	174,035	807,710	1,562,399
	YoY Change	8.5	1.1	11.1	6.9	▲4.8	▲0.8	3.9	0.1	▲4.5	2.5	▲3.0	▲4.7	1.2	▲1.4	1.1
	FY3/17	140,412	109,067	127,811	122,962	93,386	133,187	726,825	121,245						121,245	848,070
	YoY Change	▲3.9	▲6.7	▲0.2	▲8.6	▲5.8	2.5	▲3.7	▲17.2						-	-
Contract Completion Rate	FY3/15	59.9	63.7	64.8	65.0	66.2	68.5	64.5	66.2	65.5	65.1	68.7	69.2	65.9	66.7	65.7
	FY3/16	60.9	64.7	68.1	67.7	69.0	66.1	65.8	66.0	64.9	64.3	65.6	65.2	63.3	64.8	65.3
	FY3/17	60.2	66.0	65.5	65.8	66.1	66.2	64.7	65.0						-	-

* The figures in this slide do not include JBA data.

Used Vehicle Purchasing and Selling Segment

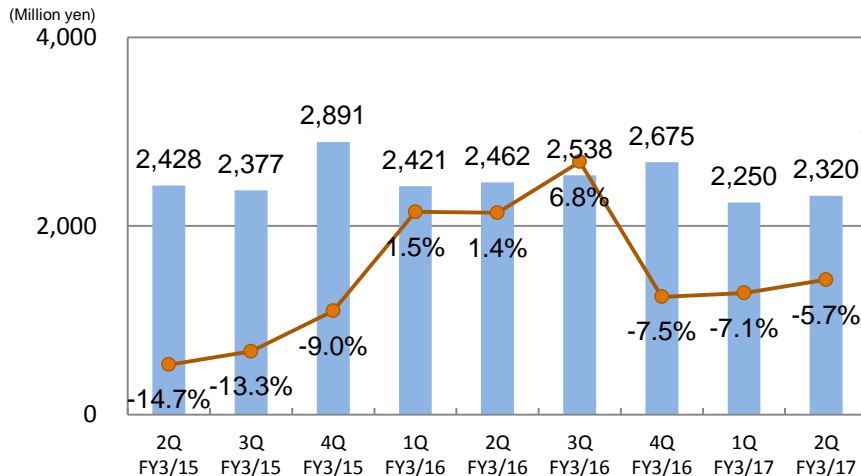
- Decline in vehicles purchased by Rabbit (used car purchasing stores) led to lower net sales and operating income. (Net sales declined 13.3% YoY to ¥2,894 million, Operating income declined 53.8% to ¥132 million)
- Sales and operating income rose in the accident-damaged vehicles purchase business, as vehicle prices rose and operating expenses declined. (Net sales increased 8.5% YoY to ¥1,677 million, Operating income increased 24.5% to ¥36 million)

Used Vehicle Purchasing and Selling Segment 1H Performance

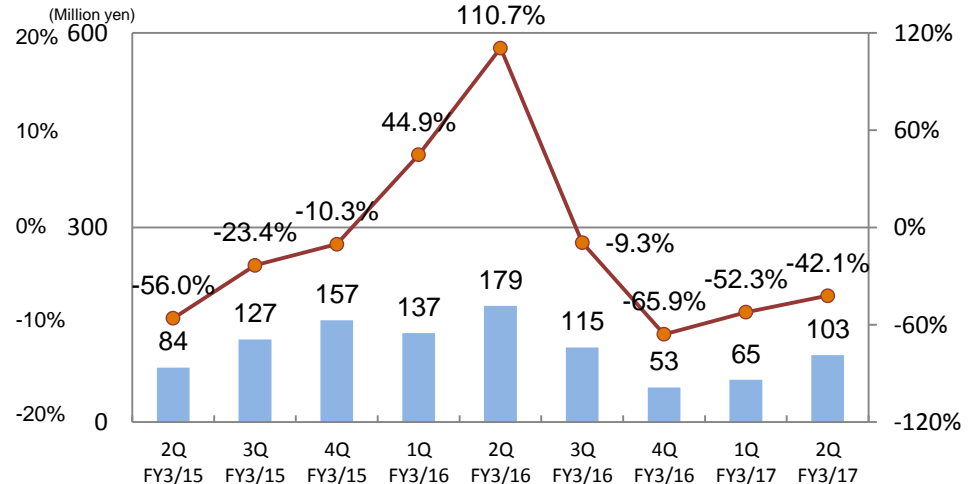
(Million yen)

	1H FY3/15	1H FY3/16	1H FY3/17	Year on year
Net sales	4,814	4,883	4,571	93.6%
Operating income	179	316	169	53.5%
Operating margin	3.7%	6.5%	3.7%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Income and YoY Changes



*Sales are sales to external customers and operating income is based on business segment earnings.
 Operating margins (shown % in parenthesis) are calculated by Segment income divided by Segment sales

Other Segment

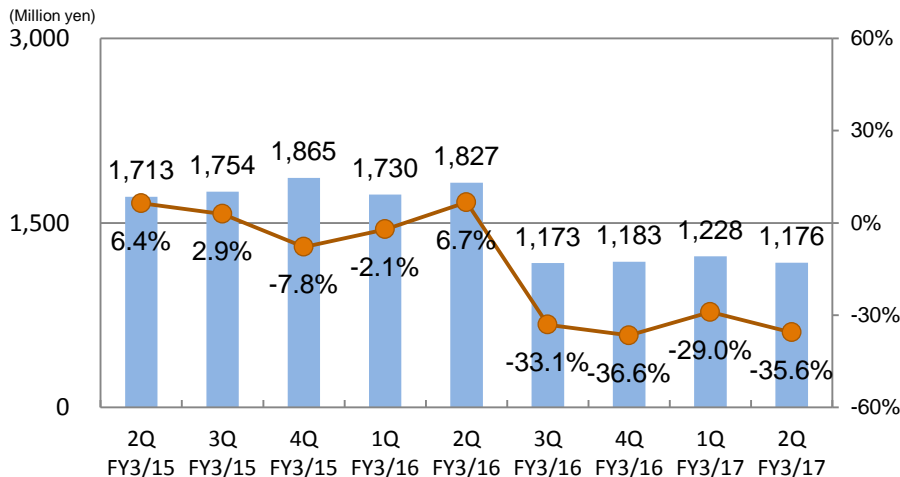
- Net sales and operating income declined in the vehicle recycling business as the volume of end-of-life vehicles decreased and the steel scrap market was on downtrend. (Net sales declined 16.7% YoY to ¥2,155 million, Operating income was down 53.5% YoY ¥76 million)
- Net sales declined and there was an operating loss as used vehicle export clearing service was affected by a sharp decline in export volume. (Net sales declined 30.8% YoY ¥198 million, operating loss ¥5 million (operating income of ¥43 million in 1H FY3/16))

Other Segment 1H Performance

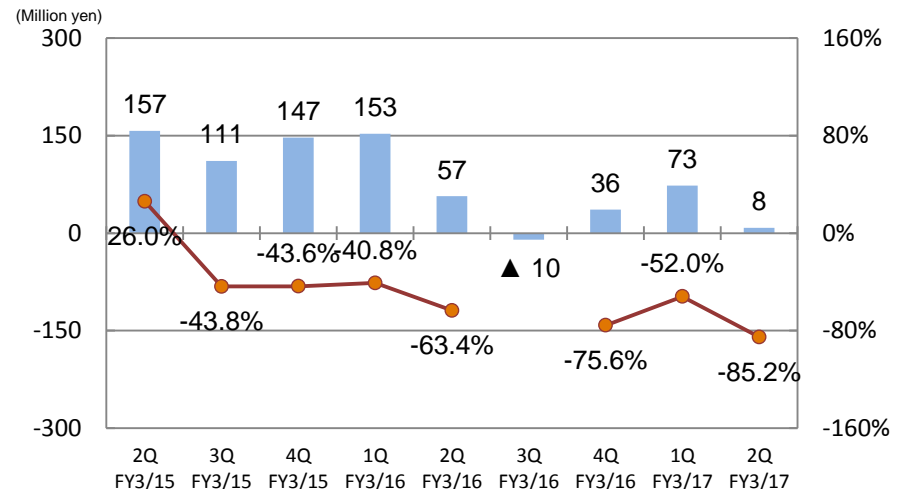
(Million yen)

	1H FY3/15	1H FY3/16	1H FY3/17	Year on year
Net sales	3,480	3,558	2,405	67.6%
Operating income	416	211	82	38.8%
Operating margin	12.0%	5.9%	3.4%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Income and YoY Changes



*Sales are sales to external customers and operating income is based on business segment earnings.
Operating margins (shown % in parenthesis) are calculated by Segment income divided by Segment sales

Consolidated Forecast for FY3/2017

- The outlook for new car registrations (supply side) and used car exports (demand side) in the second half is uncertain.
- The forecast for vehicles consigned and contract completions is lowered and the forecast of business results for the full fiscal year is also revised downward.

(Million yen)

	FY3/16 (Actual)	FY3/17 Initial plan (May 9, 2016)	Change	FY3/17 Revised plan (Nov. 7, 2016)	Revised plan vs FY3/16
Net sales	68,607	71,450	▲4,650	66,800	97.4%
Gross profit (Per sales)	42,740 (62.3%)	43,835 (61.4%)	▲3,645	40,189 (60.2%)	94.0%
Operating income (Per sales)	34,491 (50.3%)	34,700 (48.6%)	▲3,000	31,700 (47.5%)	91.9%
Ordinary income (Per sales)	35,218 (51.3%)	35,300 (49.4%)	▲3,000	32,300 (48.4%)	91.7%
Profit attributable to owners of parent (Per sales)	22,477 (32.8%)	23,800 (33.3%)	▲1,600	22,200 (33.2%)	98.8%
Profit per share (Yen)	86.92	93.54	-	87.24	100.4%
Capital expenditures (Terms of cash flows)	8,731	10,196	▲2,196	8,000	91.6%
Depreciation	3,325	4,763	▲173	4,589	138.0%

(Thousand vehicles)

	FY3/16 (Actual)	FY3/17 Initial plan (May 9, 2016)	Change	FY3/17 Revised plan (Nov. 7, 2016)	Revised plan vs FY3/16
No. of vehicles consigned	2,394	2,500	▲200	2,300	96.1%
No. of vehicles contracted	1,562	1,600	▲110	1,490	95.4%
Contract completion rate	65.3%	64.0%	-	64.8%	-

2H FY3/2017 – Reasons for Change in Operating Income (Forecast)

Net sales

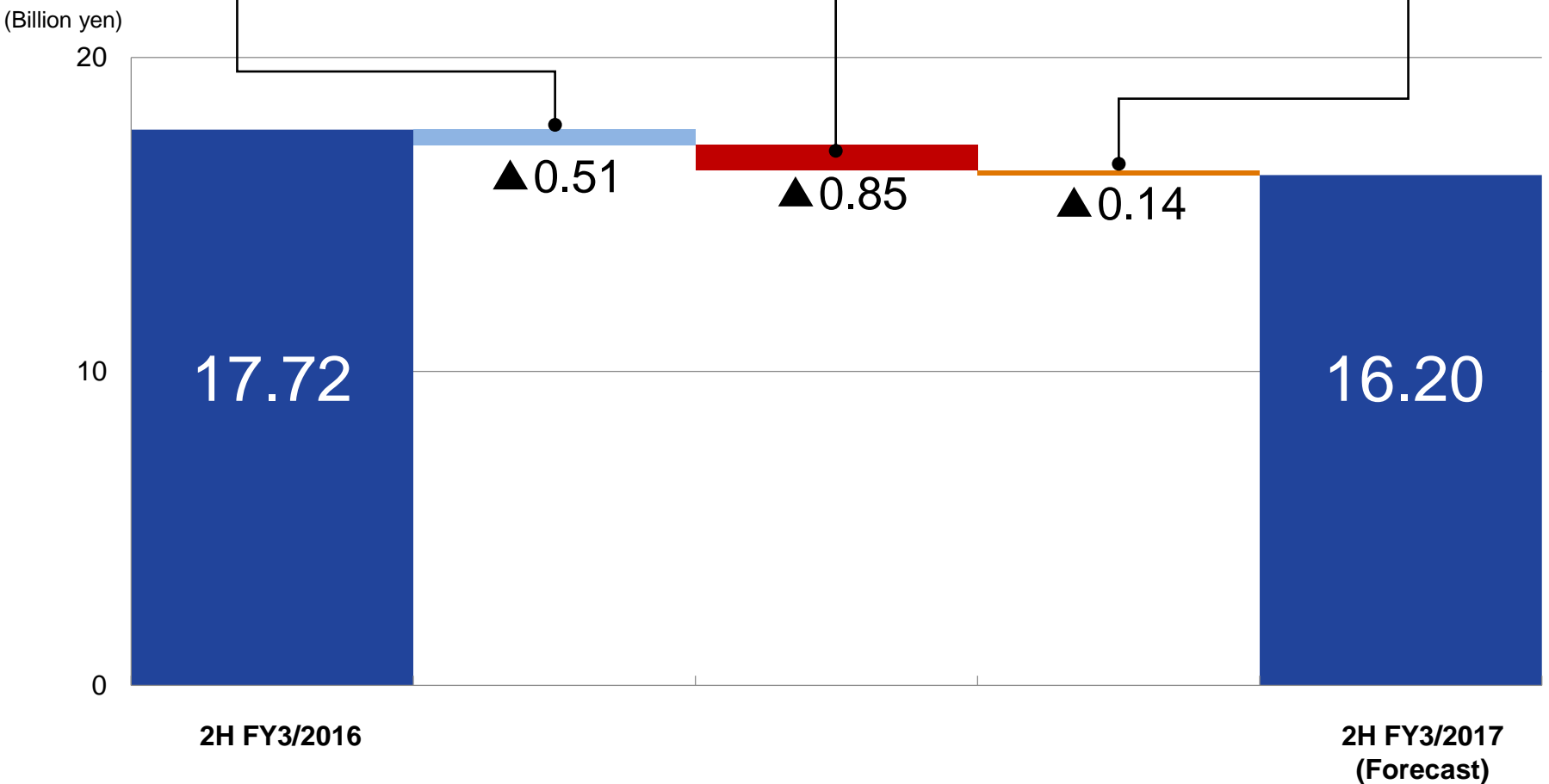
Decrease in vehicles consigned	▲ 1.26bn
Increase in CIS (Internet)	0.37bn
Increase in vehicles, etc. recycling	0.22bn
Impact of JBA	0.18bn

Cost of sales

Increase in depreciation	▲ 0.67bn
Increase in cost of materials purchase	▲ 0.09bn
Impact of JBA	▲ 0.07bn

SG&A expenses

Increase in enterprise tax	▲ 0.13bn
Impact of JBA	▲ 0.05bn



FY3/2017 – Reasons for Change in Operating Income (Forecast)

Net sales

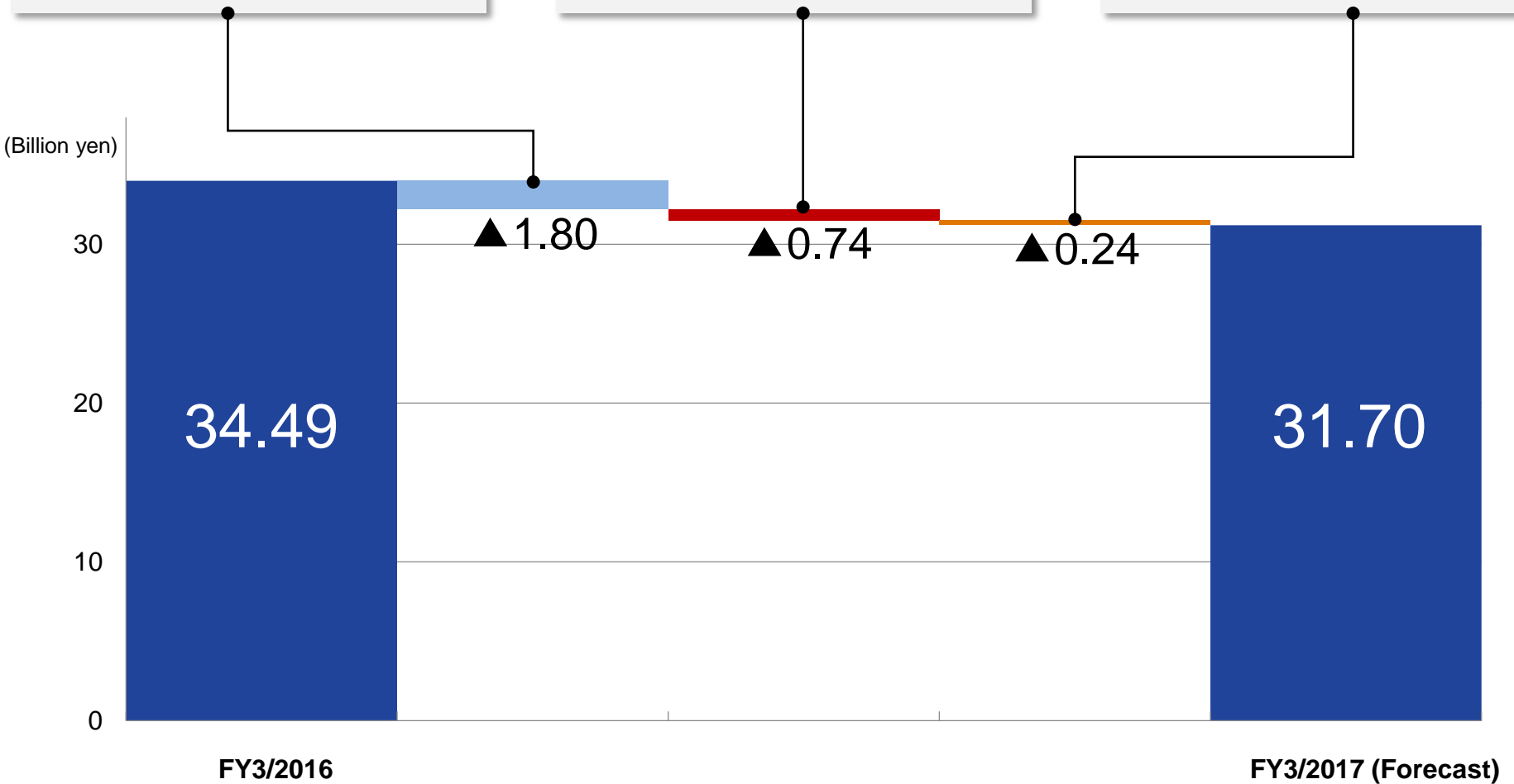
Increase in fee rates (excl. JBA)	0.28bn
Decrease in vehicles consigned	▲1.69bn
Used vehicle sales/purchases	▲0.41bn
Impact of JBA	0.61bn
Impact of Toyo Rubber Chips	▲0.63bn

Cost of sales

Increase in depreciation	▲1.23bn
Decrease in cost of materials purchase	0.11bn
Impact of JBA	▲0.16bn
Impact of Toyo Rubber Chips	0.57bn

SG&A expenses

Increase in enterprise tax	▲0.25bn
Decrease in employee salaries and bonuses	0.07bn
Impact of JBA	▲0.17bn
Impact of Toyo Rubber Chips	0.07bn



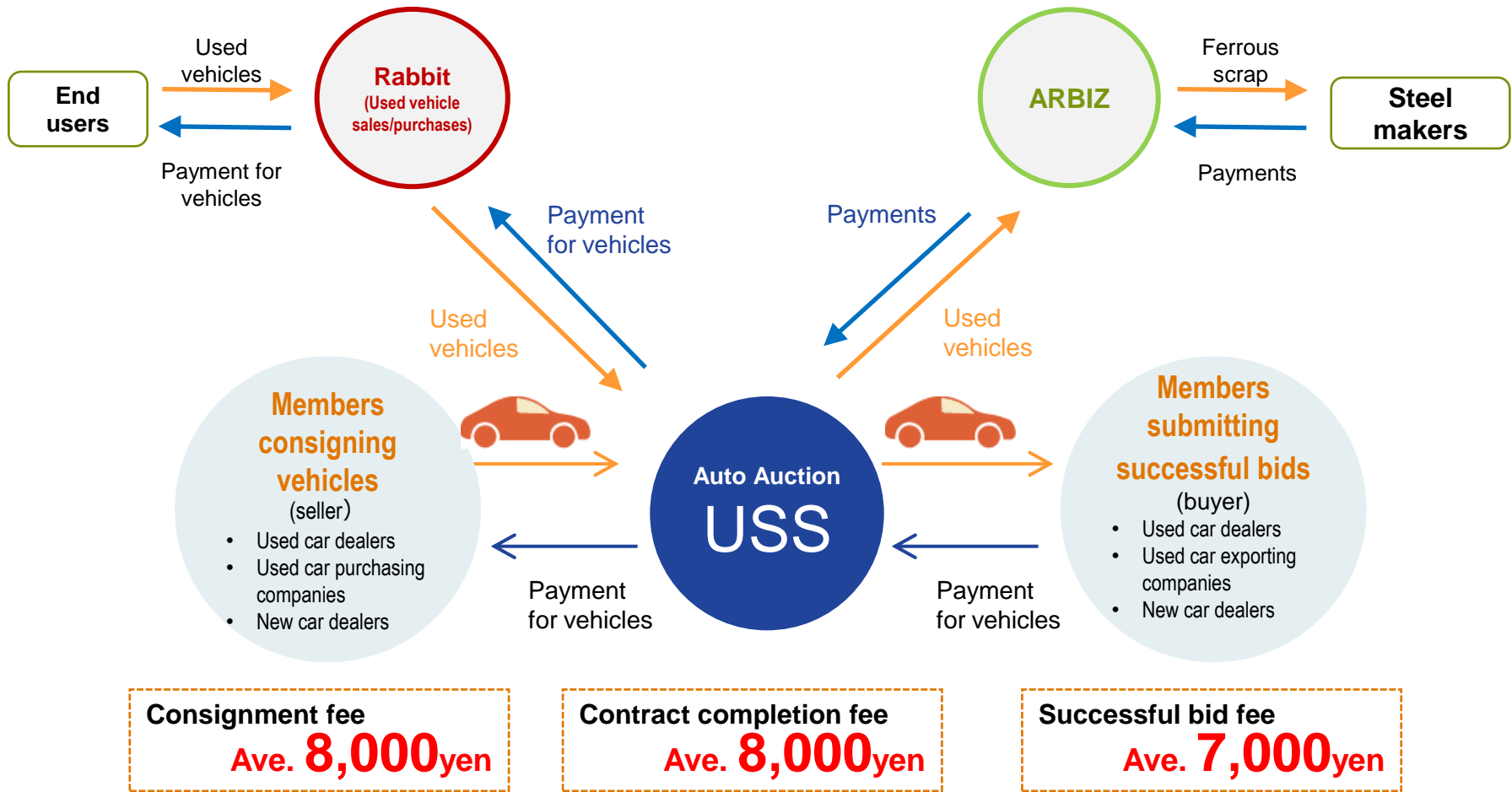
- Forecasts of used vehicle purchasing and selling segment and other segment have been revised downward to reflect the expected decline in the volume of used vehicles and continued sluggishness in the scrap market.

(Million yen)

	FY3/16 (Actual)	FY3/17 Initial plan (May 9, 2016)	Change	FY3/17 Revised plan (Nov. 7, 2016)	Revised plan vs FY3/16
Net sales					
Auto auction	52,594	55,047	▲ 3,050	51,996	98.9%
Used vehicle purchasing and selling	10,097	10,819	▲ 973	9,845	97.5%
Other	5,915	5,583	▲ 625	4,957	83.8%
Total	68,607	71,450	▲ 4,650	66,800	97.4%
Operating income (Per sales)	34,491 (50.3%)	34,700 (48.6%)	▲ 3,000	31,700 (47.5%)	91.9%

Market Overview

Strategy for Creating Value Over the Medium Term



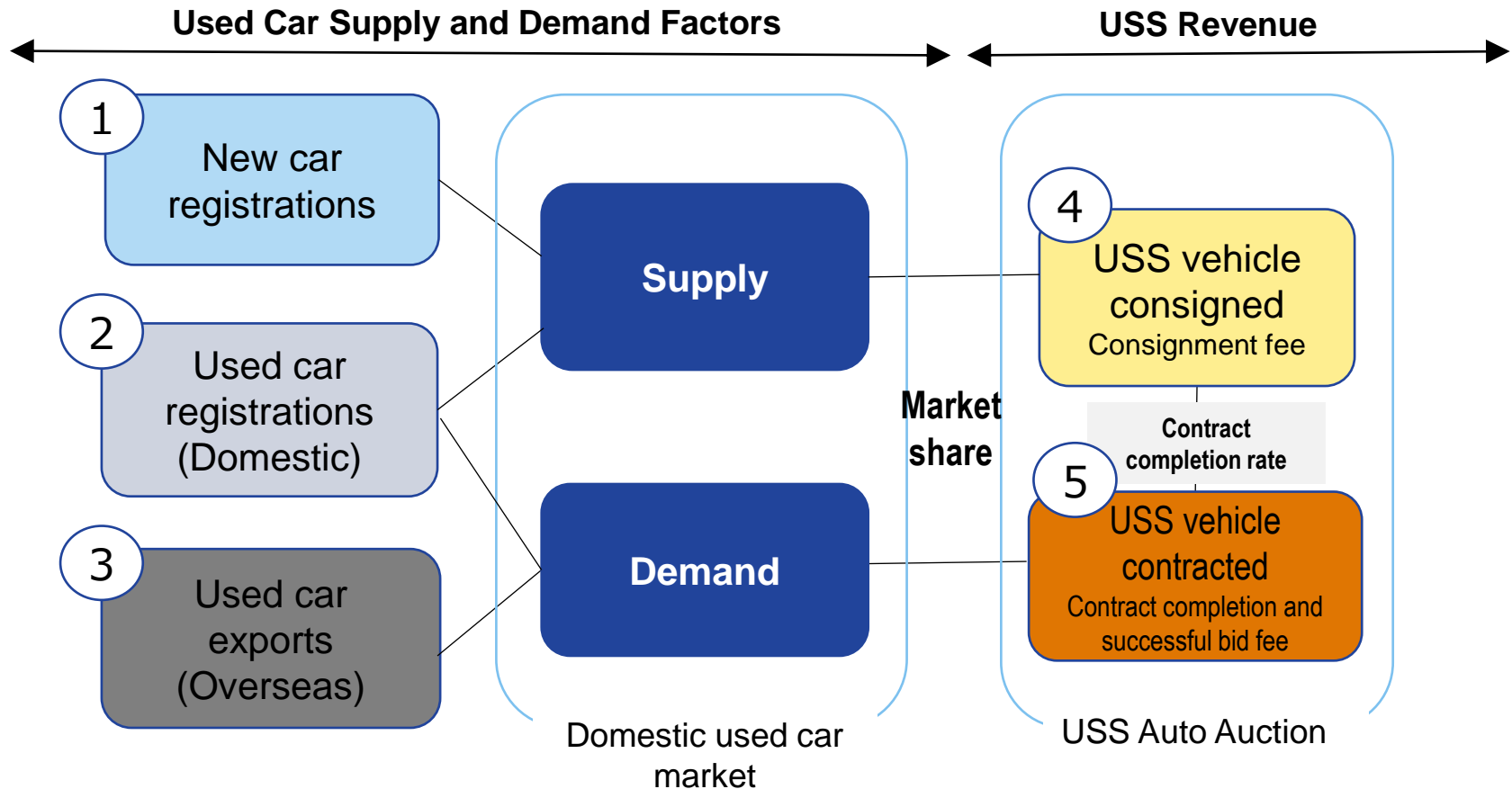
Vehicles consigned
2.39 million units(FY3/2016)

USS's fee per unit
Ave. 23,000yen

Contract completion rate
65.3%(FY3/2016)

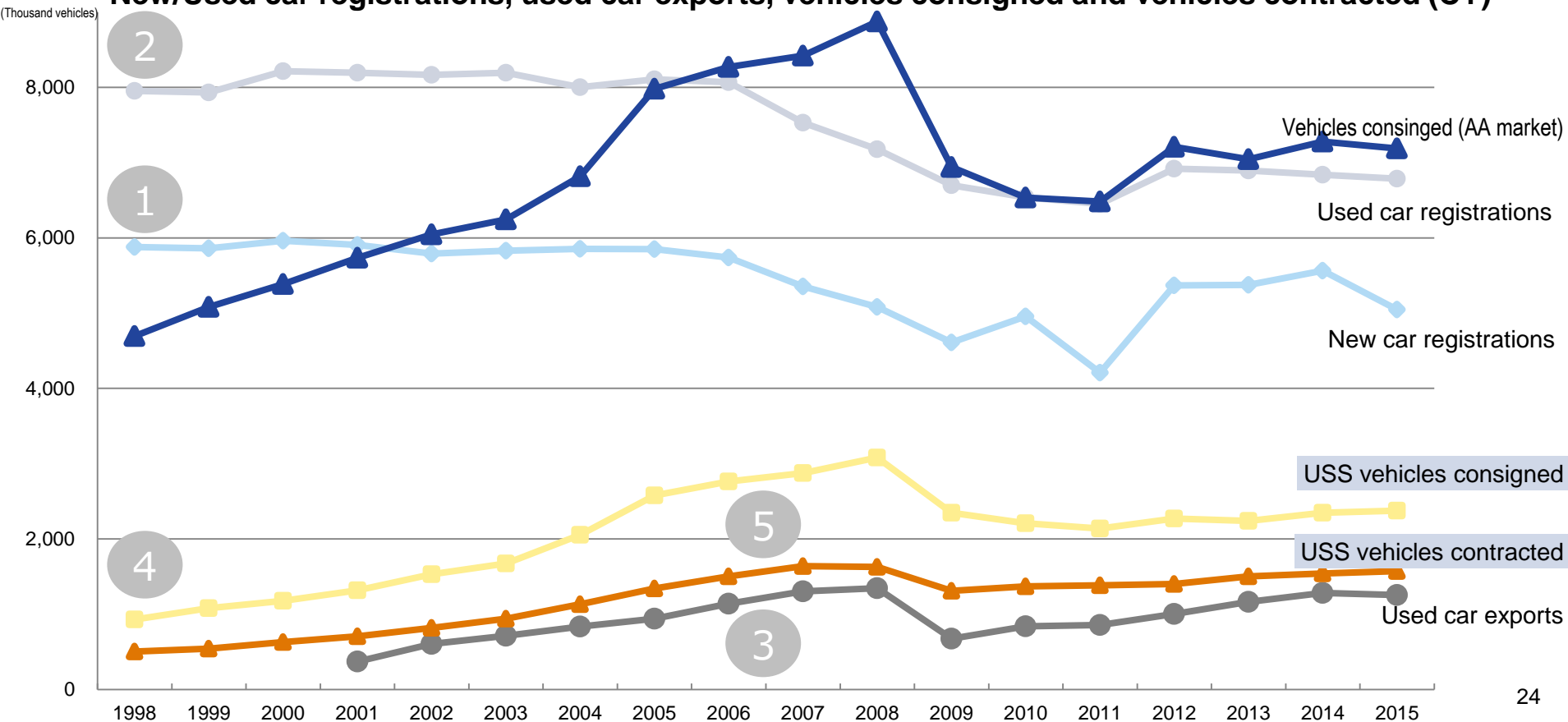
Automobile Market and USS Revenue

- The number of vehicles consigned is correlated through trade-ins to (1) New car registrations and (2) Used car registrations
- Domestic and overseas used car demand ((2)and(3)). Recently demand is being driven by overseas demand
- In addition to the above, share of the used car auction market and contract ratio, affect USS auto auction profits



- The auction market continued to expand till 2000 as the share of used vehicles sold through the auction market increased as a share of the total used vehicle market. Starting in the mid-2000s, older vehicles and vehicles with high mileage which would normally have been scrapped started flowing into auto auction sites and steadily drove up the number of vehicles consigned.
- After the financial crisis of late 2008 the auto auction market was largely correlated to new car registrations (supply) and exports (demand). ➔ **Both are on the decline from 2014**

New/Used car registrations, used car exports, vehicles consigned and vehicles contracted (CY)



■Largest in the auction market

(Share of vehicles consigned: 33.2% (1H 2016))

- A nationwide network of 17 auction sites; 47,000 members

■Tokyo Auction Site (Largest in Japan) and Nagoya Auction Sites (Third) particularly competitive

■Has a comprehensive satellite TV and Internet off-site bidding facility

■**Solid financial base** capable of withstanding the need for continuing investment in new equipment (Equity ratio:82.3%)



High quality used cars concentrate at USS
→Contract completion ratio surpassing industry
average
(Share of vehicles contracted: 34.4% (1H 2016))

History of USS Long-term Growth

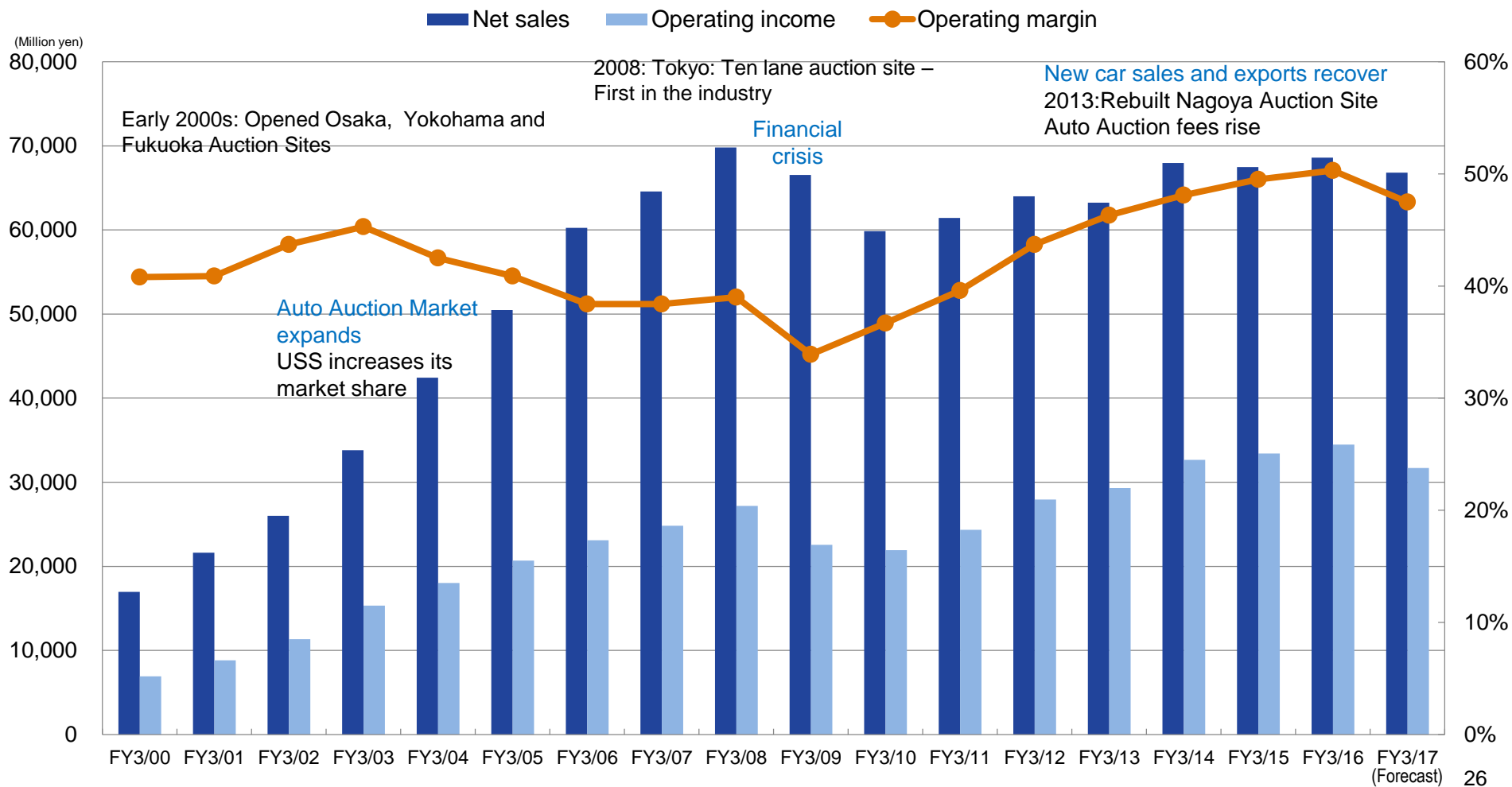
Before 2000

1982: Held the first auction with only 255 vehicles consigned

1988: Expanded the Nagoya Auction Site. The number of POS seats was 570 (the largest in Japan).

Early nineties: Opened Kyushu and Tokyo Auction Sites

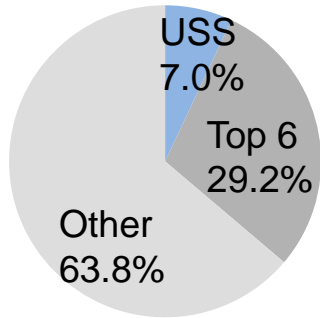
Late nineties: Opened Okayama, Shizuoka, Sapporo and West Tokyo (currently the Saitama auction site) Auction Sites



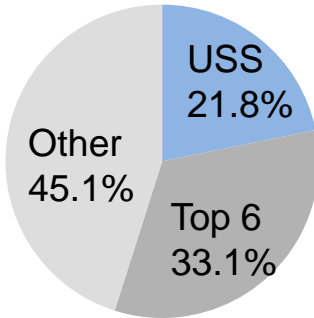
Used Car Auction Market and USS Market Share

■ Maintained high market shares and increased profit in the period of sluggish markets following the financial crisis of 2008-2009.

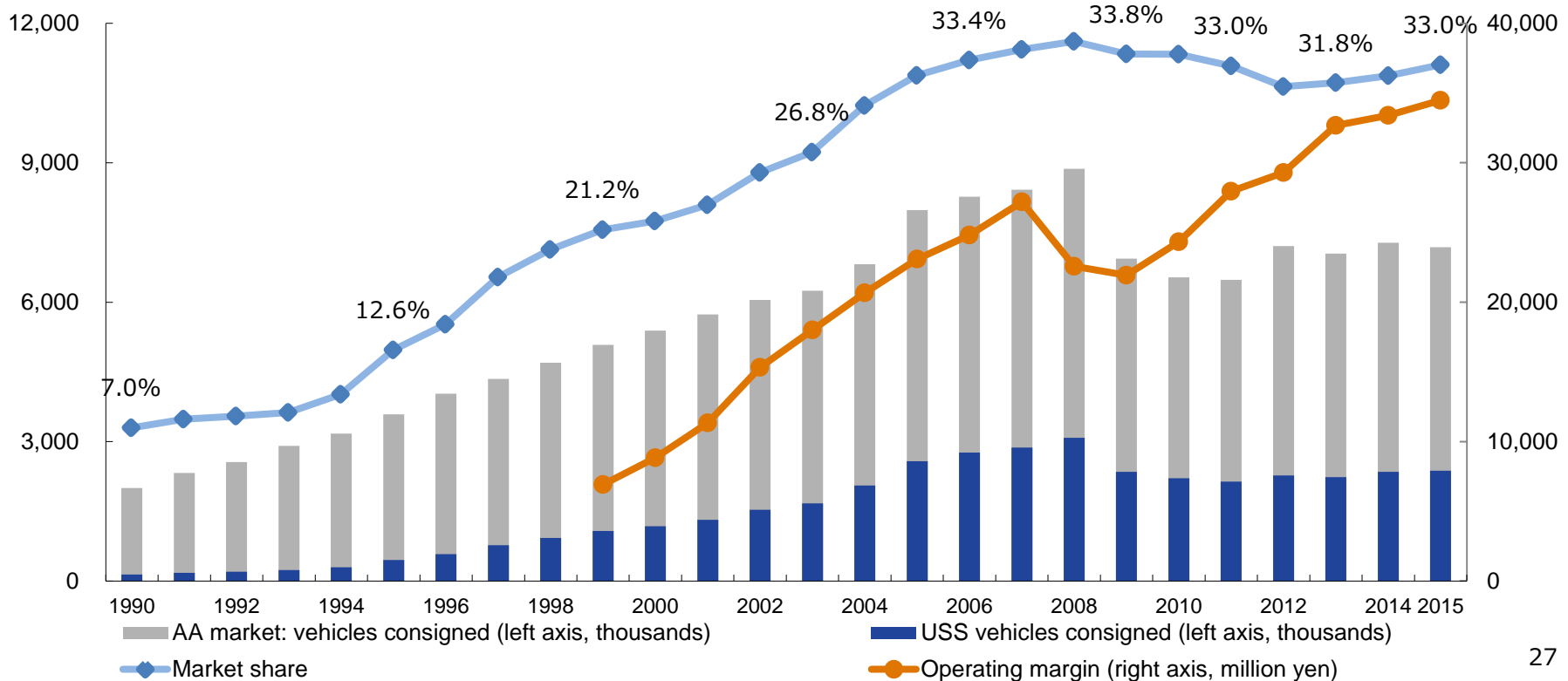
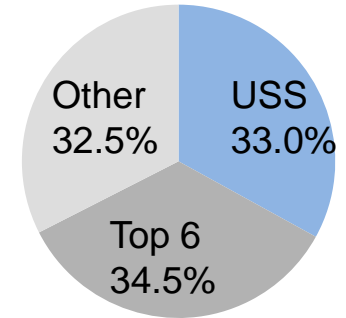
1990(CY) market share



2000(CY) market share



2015(CY) market share

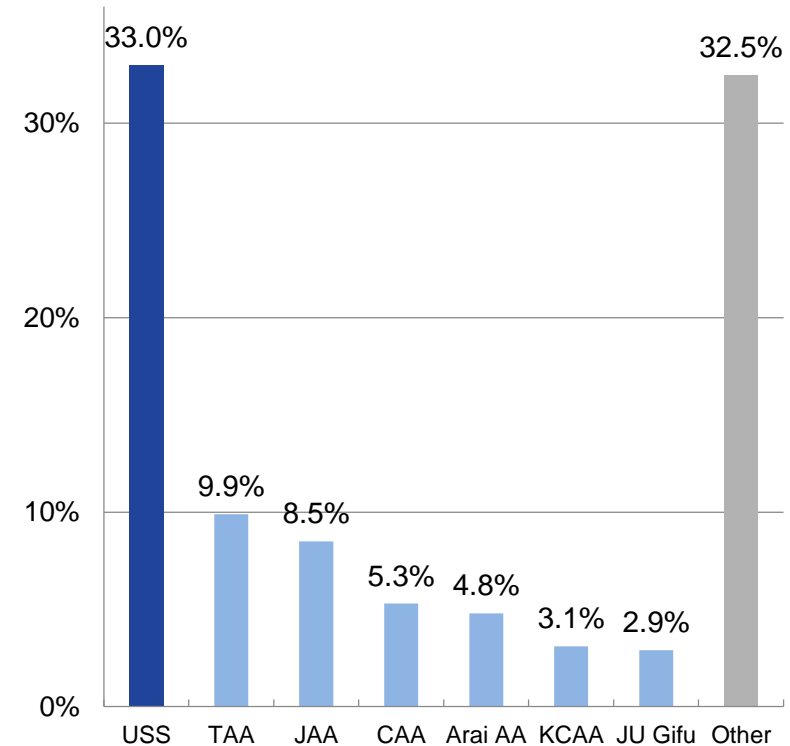


- Increase competitiveness of major auction sites, reorganize the auction site network with the goal of further increasing market share.

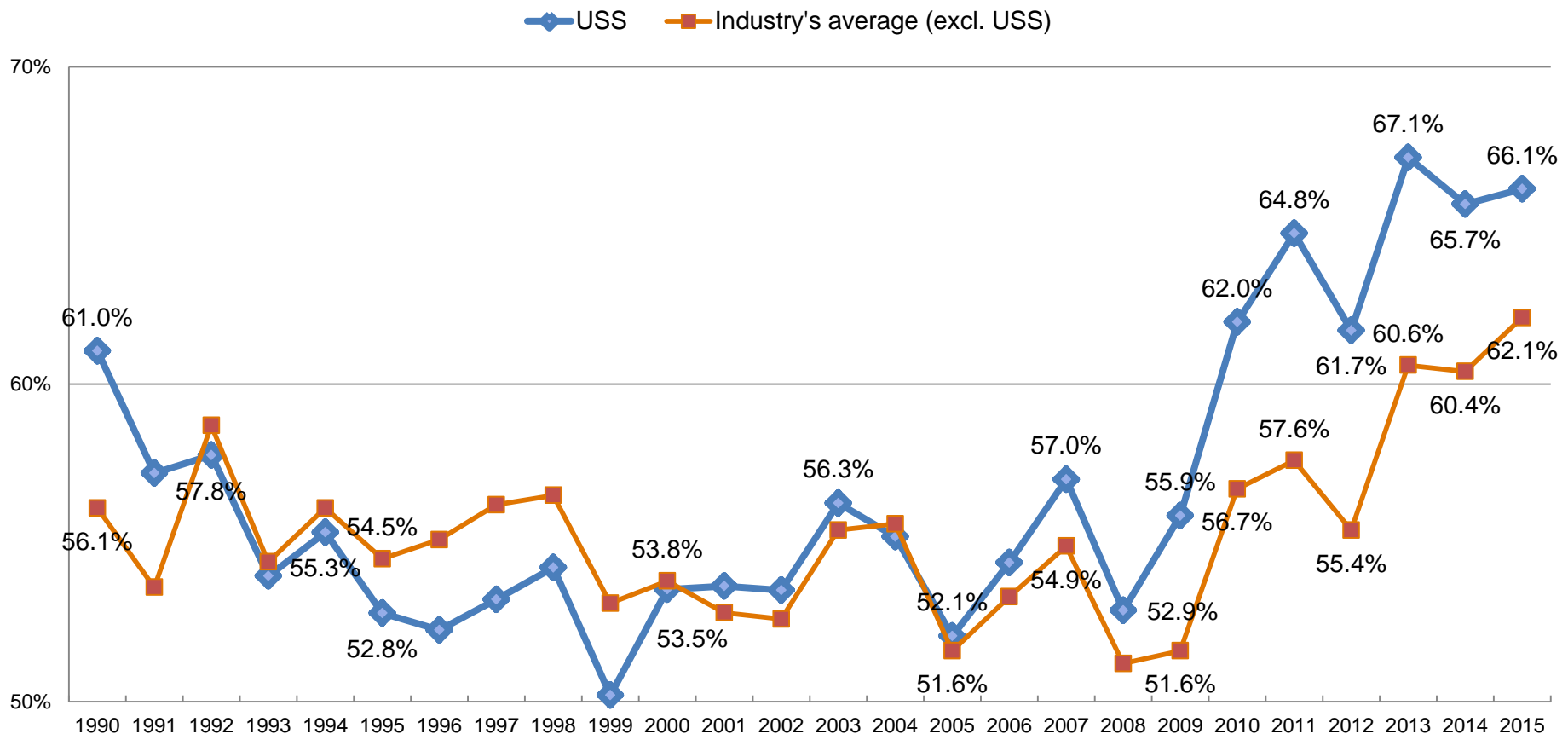
Overview of major players

Group	No. of auction site	Overview
TAA	10	Operated by Toyota UZEC, a wholly owned subsidiary of Toyota Motor Corporation. Vehicles are consigned largely by Toyota dealers. Operates 10 auction sites nationwide.
JAA	2	JAA operates two auction sites: JAA Tokyo Auction site and HAA Kobe Auction site (Operated by JAA subsidiary HAA)
CAA	4	Capital alliance with Toyota UZEC. Operates auction sites in Aichi, Chiba, Gifu and Iwate prefectures. Shares systems with TAA.
Arai AA	4	Arai Shoji (headquartered at Hiratsuka City, Kanagawa Prefecture) operates auction sites in Miyagi, Kanagawa and Fukuoka prefectures.
KCAA	4	Kyushu Chuo Auto Auction (Koga city, Fukuoka prefecture) operates auction sites in Miyazaki, Fukuoka, Yamaguchi and Kyoto prefectures.
JU Gifu	1	JU Gifu Hashima Auto Auction (Hashima City, Gifu prefecture) operates one auction site.
Other	-	Operates 70 auctions nationwide (JU affiliate, company, manufacturer, dealer affiliated). Has a market share of 32.5% (CY2015)

Market share in 2015(CY)



- Increase in off-site auction members due to expansion of the CIS (Internet) system
- Realized contract completion rates surpassing the industry average since the financial crisis of 2008. This is a result of a policy of deemphasizing the volume of vehicles consigned and instead focusing on the contract completion rate and the vehicle price.



■ Domestic new car sales: Unlikely to see significant growth over the medium term

- USS's Strategy

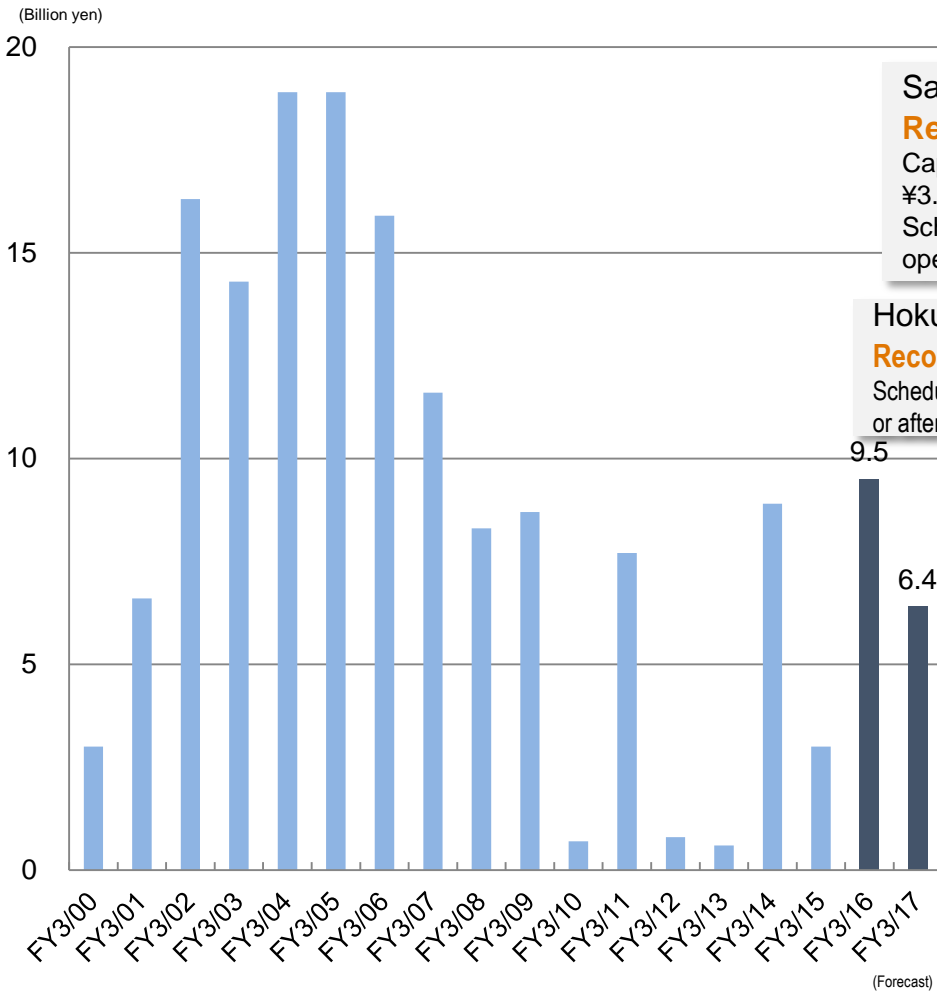
- 1) Plans call for capital investment to the tune of 20 billion yen over the two year period to FY3/2017.
 - ➡ Improve member convenience at all auto auction sites to increase auction participation rates
 - ➡ Concentrate management resources on large auction sites (Tokyo and Nagoya) to raise contract completion rate and market shares
- 2) Continue the strategy of prioritizing contract completion rate

■ Used car exports: Exports will slow in the short-term, environment will be difficult due to slowing economic growth in emerging countries, import regulations and other factors

- USS's Strategy

- 1) Over the medium-term, there is strong potential for population increase and economic growth in Central and South Asia, Africa, Russia and other regions.
 - ➡ Expectations of growth in high-quality (shaken) used Japanese cars are high.

Capital investment (project completion basis)



Capital investment plan

Capital investment to the tune of 20 billion yen over two years to FY3/2017 to further strengthen competitive power

Sapporo Auction Site

Reconstruction

Capital investment: Approximately ¥3.0 billion
Scheduled to commence operations in Spring 2017

Hokuriku Auction Site

Reconstruction and moving

Scheduled to commence operations in or after FY3/18

Shizuoka Auction Site

Reconstruction

Capital investment: Approximately ¥1.6 billion
Commenced operations in May 14, 2016

Installed state-of-the-art auction system

at Tokyo and Yokohama Auction Site.

Capital investment: Approximately ¥2.0 billion
Tokyo: Scheduled to commence operations in FY3/17

Yokohama: Commenced operations in Aug. 2016

Nagoya Multi-level stock house

Capital investment: Approximately ¥7.7 billion
Commenced operations in Feb. 15, 2016

R-Nagoya Reconstruction and moving

Capital investment: Approximately ¥1.5 billion
Commenced operations in Jul. 26, 2016

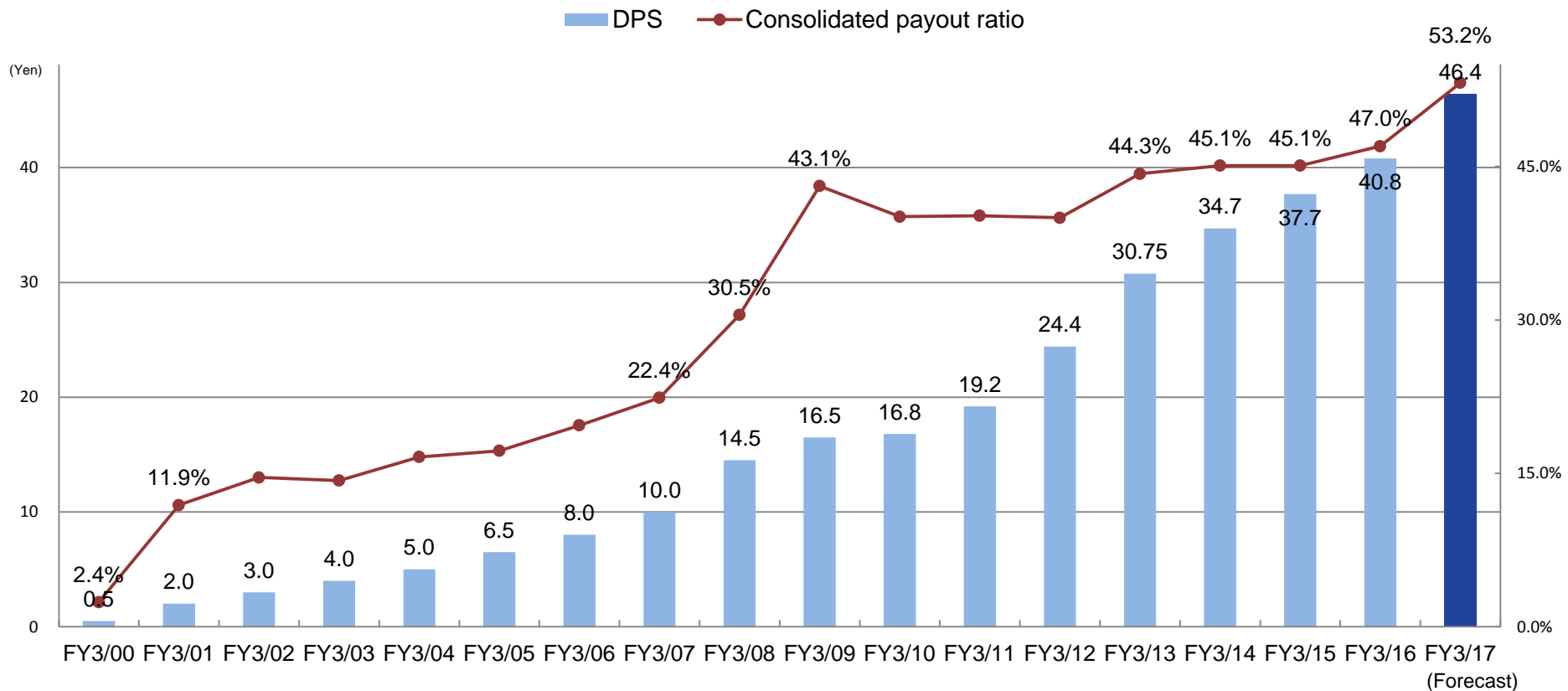
Increase shareholder distributions while continuing investment for growth

- Consolidated dividend payout ratio: Over **50%** from FY3/2017 (Previously 45%)
- Stock repurchase: Implement flexibly, with due consideration to cash flows, capital investment plans and market environment
(Shares repurchased: 5 million shares (¥8.6 billion) between March 16 and July 1, 2016)
- Return on equity (ROE): Medium-term target is maintain it at above 15%

■ FY3/2017 Annual dividend per share forecast to increase to **46.4 yen** (up 5.6 yen from previous FY) due to the increase in the consolidated payout ratio.

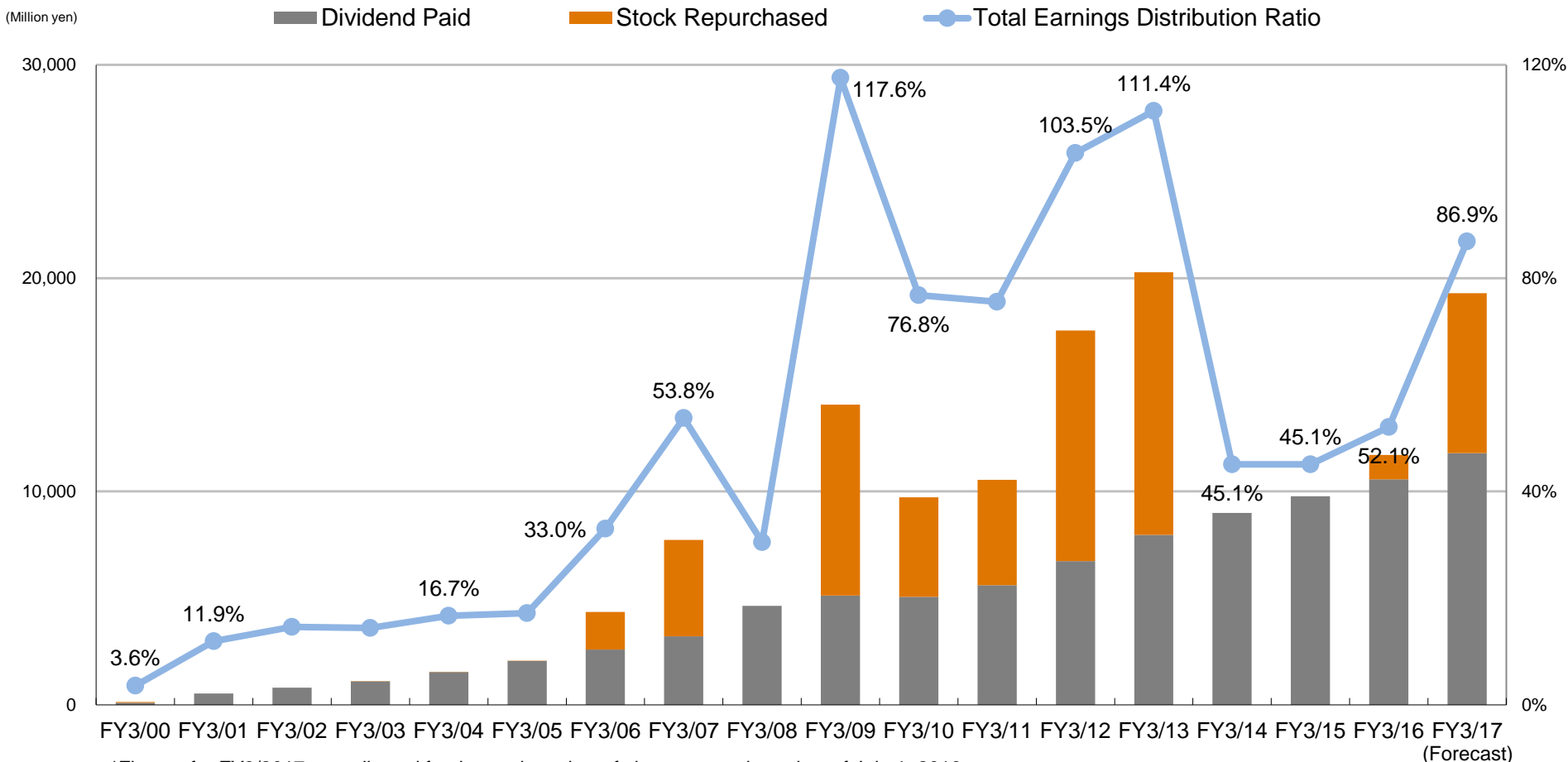
(Previous forecast (announced May 9, 2016) has been left unchanged.)

■ **17 consecutive years** of dividend growth since listing



*Dividend per share is retroactively adjusted to the number of shares outstanding as of the effective date (October 1, 2013) of the stock split.

- Flexible stock repurchases while maintaining stable dividend.
- Estimated total shareholder distribution ratio (FY3/2017): 86.9%

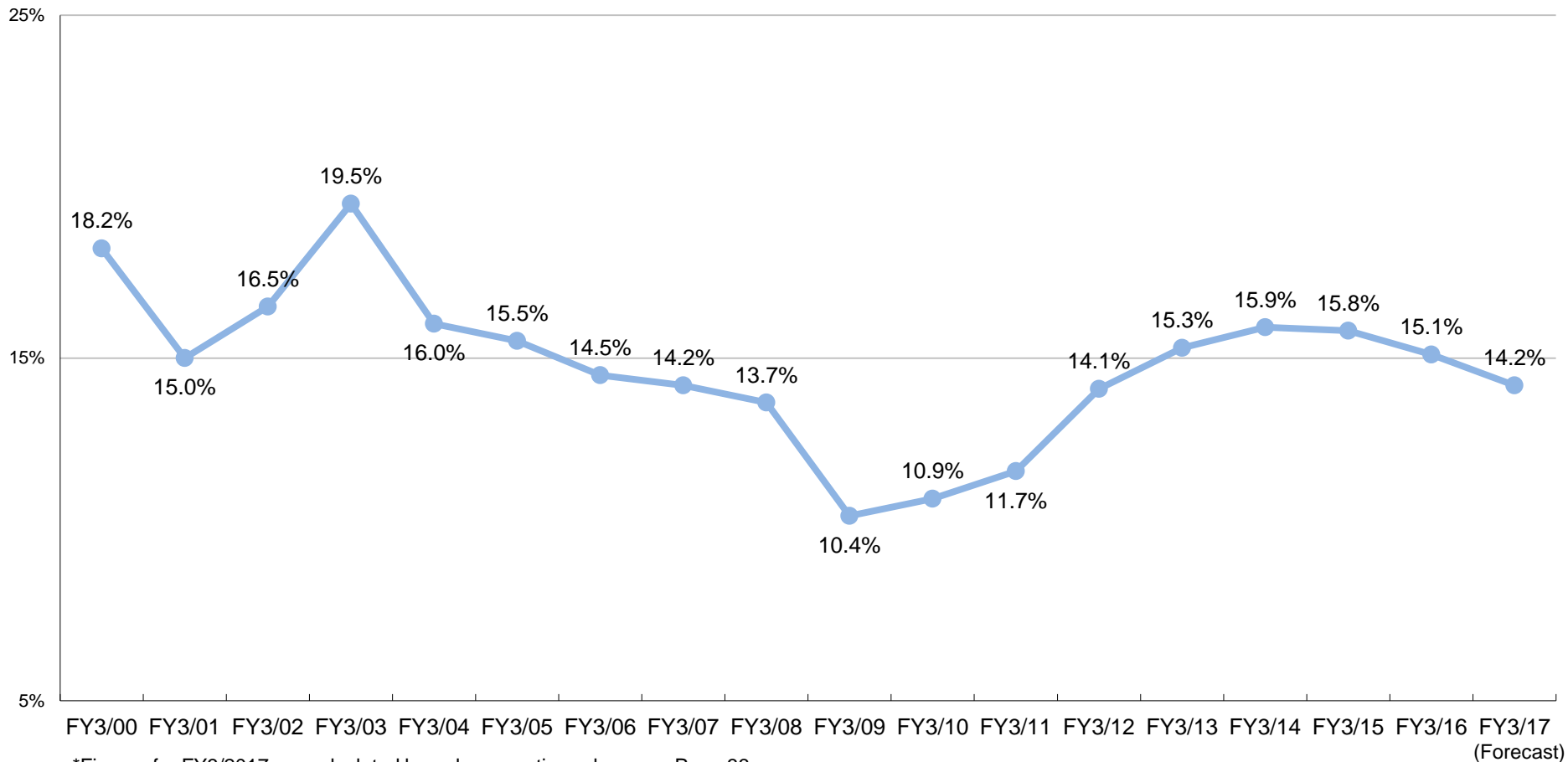


*Figures for FY3/2017 are adjusted for the total number of shares repurchased as of July 1, 2016.
 *Total amount of dividend is calculated based on annual dividend of ¥46.4 per share (FY3/2017)

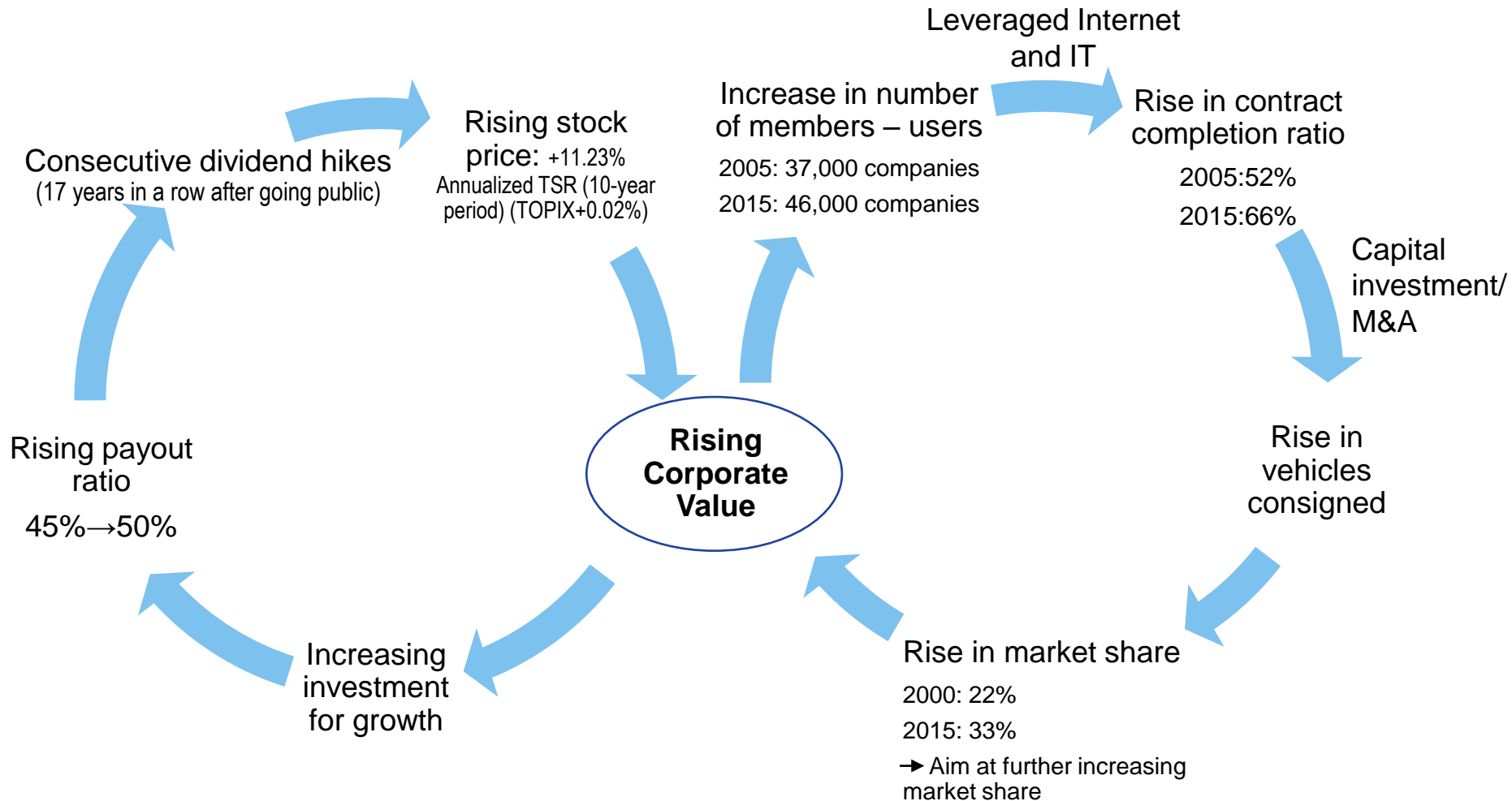
Earnings Distributions –Return on Equity (ROE)

- ROE for FY3/2017 is likely to fall below 15% as earnings are forecast to decline.
- No change in the medium-term ROE target of above 15%.

ROE



■ Aim at increasing shareholder value by a two-pronged strategy of solid investments in growth and active shareholder distributions



- The company's governance organization has been expanded in order to work toward the goal of increasing corporate value through continuing business growth
- Strengthened the executive officer system in FY3/2013
- Established nomination and compensation committees in FY3/2016
- Introduced a stock option system for directors and executive officers.

FY	2005	2007	...	2013	...	2017
Directors	12	18	→	12	→	10
(of which external directors)		4	→	4	→	3

Adopted the outside director system

Strengthened the executive officer system

Established nomination and compensation committees

As of November 30, 2016
 Directors 10 (of which outside directors: 3)
 Auditors: 3 (of which outside auditors: 2)
 Executive officers: 5