

*The following documents are English translations of the USS Co., Ltd. Notice of the 34th Annual General Meeting of Shareholders (for the fiscal year ended March 31, 2014 as well as the Business Report, Consolidated Financial Statements, Independent Auditors' Audit Report and Board of Corporate Auditors' Audit Report, voting instructions, and information about the location of the shareholders meeting. Of the items that should be disclosed in the Business Report, the original Japanese text is accessible only via the Internet on the USS Web site (<http://www.ussnet.co.jp>) for the following items: "System to assure performance of duties by directors in compliance with laws and regulations and the Articles of Incorporation, and other systems to assure appropriateness of operations," "Basic policy regarding control of policy decisions in respect of the Company's finance and business," "Notes on Consolidated Financial Statements" and "Notes on Non-consolidated Financial Statements." USS is providing this translation solely for your convenience and does not make any guarantee that this document is accurate.*

(Securities code: 4732)

USS Co., Ltd.

507-20 Shinpo-machi, Tokai, Aichi, Japan

## **Notice of the 34<sup>th</sup> Annual General Meeting of Shareholders**

May 26, 2014

Dear Shareholders:

You are cordially invited to attend the 34<sup>th</sup> Annual General Meeting of the Shareholders of USS Co., Ltd. (the "Company"), which will be held as per the schedule below.

If you are unable to attend the meeting in person, you can cast your vote in writing or by electronic means (via the Internet, etc.). Please review the Reference Materials for the General Meeting of Shareholders presented herein and exercise your voting rights by no later than 5:00 p.m. on Monday, June 16, 2014. You can do this by indicating "for" or "against" for each agenda item shown in the enclosed Form for Exercising Voting Rights and returning it to us, or by accessing the website designated by the Company and entering "for" or "against" for each agenda item. For details of the procedure for exercising your voting rights by electronic means (via the Internet, etc.), please refer to "Procedure for Exercising Voting Rights Electronically (via the Internet, etc.)" (on pages 68-69).

Sincerely,

Yukihiro Ando

*Chairman and President and Representative Director*

1. **Date and Time:** Tuesday, June 17, 2014, at 11:00 a.m.
2. **Venue:** **Head Office of the Company (the Nagoya Auction Site of the Company)**  
507-20, Shinpo-machi, Tokai, Aichi  
(Please refer to the access information on the last page)

3. **Meeting Agenda:**

**Items to be reported:**

1. The contents of the Business Report, the contents of the consolidated financial statements, and the results of the audit of consolidated financial statements by accounting auditors and the Board of Corporate Auditors for the Company's 34th business term (from April 1, 2013 to March 31, 2014)
2. The financial reports for the Company's 34th business term (from April 1, 2013 to March 31, 2014)

**Items to be resolved:**

- Item 1:** Appropriation of retained earnings
- Item 2:** Partial amendment to the Articles of Incorporation
- Item 3:** Election of ten (10) directors

Notes:

1. The reception desk opens at 10:00 a.m.
2. Please submit the attached Form for Exercising Voting Rights at the reception desk on the day of the meeting.
3. Any change in the Reference Materials for the General Meeting of Shareholders, financial statements or consolidated financial statements will be posted on our website (<http://www.ussnet.co.jp>). We would like you to confirm such information.

(Attached document)

## Business Report

(From April 1, 2013 to March 31, 2014)

### 1. Matters relating to the current state of the Company Group

#### (1) Results of Operations

In the consolidated fiscal year ended March 31, 2014, the number of new car registrations amounted to 5,692 thousand, up 9.2% year on year, and that of used car registrations increased to 7,103 thousand, up 3.1% year on year, in Japan's vehicle distribution market. These favorable sales results for both new cars and used cars were supported by the launching of new models and model changes of mainstay car models by Japanese auto makers and last-minute demand before the rise in the consumption tax implemented in April 2014. (Research by Japan Automobile Dealers Association and Japan Light Motor Vehicle and Motorcycle Association)

Partly pushed up by continuously growing demand for the export of used cars in addition to an increase in the number of used cars distributed due to buoyant new car sales, the number of vehicles consigned in the auto auction market increased 3.6% year on year to 7,228 thousand, the number of vehicles contracted increased 9.6% to 4,537 thousand and the contract completion rate increased to 62.8% from 59.3% in the previous consolidated fiscal year. (Research by USED CAR Co., Ltd.)

In this environment, for the current consolidated fiscal year, the USS Group recorded a 7.4% year-on-year increase in consolidated net sales to 67,949 million yen, operating income increased 11.5% to 32,678 million yen, ordinary income increased 11.3% to 33,261 million yen and net income increased 8.7% to 19,951 million yen. All three earning figures are all-time highs for the third consecutive year.

Performance by business segment for the year ended March 31, 2014, was as follows.

#### **Auto Auction Business**

In the auto auction business of the USS Group, the number of vehicles consigned increased 4.8% year on year to 2,305 thousand, the number of vehicles contracted increased 9.7% to 1,541 thousand and the contract completion rate increased from 63.9% in the previous fiscal year to 66.8%. These figures are mainly attributable to the increase in the number of used cars distributed and the expansion in demand for the export of used cars.

The increase in the number of vehicles consigned and the improved contract completion rate contributed to an increase in auction commission revenue. As for operating expenses, depreciation, tax and dues, and supplies expenses increased in association with new construction and the replacement of the Nagoya Auction Site despite a decrease in sales promotion expenses.

As a result, net sales to external customers in this segment increased 7.8% to 49,479 million yen and operating income increased 9.7% to 31,128 million yen compared with the previous fiscal year.

#### **Used Car Purchasing and Selling Business**

Rabbit used car buying shops recorded lower sales and higher earnings than in the previous fiscal year, reflecting the improved gross margin per vehicle due to the rising auction market with high-priced vehicles despite a decrease in the number purchased and an increase in the purchase ratio of low-priced car models.

The accident-damaged vehicles business recorded higher sales and earnings mainly due to an increase in selling unit price per vehicle and the improved gross margin per vehicle despite a decline in the number of vehicles purchased.

As a result, net sales to outside customers in this segment increased 0.7% to 11,621 million yen and operating income increased 23.0% to 724 million yen compared with the previous fiscal year.

**Other Business**

In automobile recycling operations for end-of-life automobiles and other goods, sales and earnings increased primarily due to higher ferrous scrap market prices until December 2013, an increase in the handling volume of end-of-life automobiles and the cost-reduction effect resulting from our in-house recycling technology.

In scrap rubber recycling operations, sales and earnings increased due to a considerable increase in the handling volume of colored elastic pavement, the principal product, since October 2013.

The export procedure agency service for used cars recorded higher sales and earnings due to an increase in the handling volume of vehicles exported.

As a result, net sales to outside customers in this segment increased 18.3% to 6,848 million yen and operating income increased 210.3% to 692 million yen compared with the previous fiscal year.

(2) Capital Expenditures

Consolidated capital expenditures totaled 8,920 million yen on an end-of-manufacturing base in the fiscal year ended March 31, 2014. A breakdown of the expenditures is as follows:

1) Major facilities completed during the consolidated fiscal year under review

Classification	Name of office	Contents of facility
Auto Auction Business	Nagoya Auction Site	New construction and replacement of auction site

2) Ongoing new establishment, extension and improvement of major facilities at the end of the consolidated fiscal year under review

Classification	Name of office	Contents of facility
Auto Auction Business	Okayama Auction Site	New construction and removal of auction site

(3) Financing

Nothing noteworthy

#### (4) Important Issues

As for our prospects, new car sales are expected to remain at a certain level despite the negative effects of last-minute demand before the recent increase in the consumption tax.

The vehicle distribution market is expected to shrink over the medium to long term, however, for several reasons, including the declining birth rate and aging population, the decline in interest in car ownership among young people and people driving cars longer before trading them in. These trends could have a negative impact on the number of vehicles consigned at auctions.

In response to these market conditions, the USS Group put forward the slogan, "Increasing our share in the auto auction market."

The USS Group has also adopted "capital efficiency-focused management" as a management slogan. Considering the return on equity (ROE) to be an important management index, the Company has set an ROE of at least 15% on an ongoing basis. (For the year ended March 31, 2014, our Group's ROE resulted in 15.9%)

The issues to be addressed by the Group are as follows:

- 1) Offer greater convenience to auction members  
We will prioritize capital expenditures that will serve to improve the level of convenience for members, increasing their overall satisfaction.
- 2) Conduct effective M&As  
Considering mergers and acquisitions as ways to capitalize on opportunities for growth, the USS Group intends to invest aggressively in projects that could lead to growth in future cash flows.
- 3) Collaborate with companies in different types of businesses  
We will pursue alliances with companies in different business fields where business and/or capital alliances are likely to produce synergies.
- 4) Reinforce the used car purchasing and selling and other businesses  
The USS Group aims to become an integrated enterprise that leads Japan's used car distribution market by expanding the used car purchasing and selling and recycling businesses around the core auto auction business.

As a result of the above initiatives, the Company forecasts the following consolidated financial results for the year ending March 31, 2015 (35th term): Net sales of 68,200 million yen, up 0.4% year on year; operating income of 33,000 million yen, up 1.0%; ordinary income of 33,500 million yen, up 0.7%; and net income of 21,300 million yen, up 6.8%.

With regard to profit distribution, the USS Group's basic policy is to maintain consistent dividend payments, taking into account a comprehensive range of factors, including operating results, funding demands for new investments and the need to retain earnings to support a stable operating base, and in line with this policy, has set its dividend payout ratio above 45%. For the year ending March 31, 2015, the Company plans to pay an interim dividend at the end of the second quarter of 18.50 yen and a year-end dividend of 18.50 yen for a total dividend of 37 yen per share.

We ask for the continued support of all our shareholders.

(5) Trends in Assets and income

1) Trends in Assets and income of the Company Group

Item	30th term (Year ended March 31, 2010)	31st term (Year ended March 31, 2011)	32nd term (Year ended March 31, 2012)	33rd term (Year ended March 31, 2013)	34th term (Year ended March 31, 2014) (Consolidated fiscal year under review)
Net sales (million yen)	59,849	61,417	64,009	63,243	67,949
Ordinary income (million yen)	22,511	24,643	28,588	29,884	33,261
Net income (million yen)	12,717	13,971	17,054	18,346	19,951
Net income per share (yen)	418	478	609	693	76
Total assets (million yen)	142,164	151,636	154,639	154,543	164,182
Net assets (million yen)	118,390	121,947	121,097	119,676	132,223
Net assets per share (yen)	3,970	4,200	4,450	4,626	509

Note: 1. The number of shares of common stock used to calculate "Net income per share" and "Net assets per share" for the 32nd and subsequent terms includes shares held by the USS Employee Stock Ownership Plan Trust.

2. The Company conducted a 10-for-one share split for common stock as of October 1, 2013, however, "Net income per share" and "Net assets per share" are calculated assuming that the share split was conducted at the beginning of the consolidated fiscal year under review (April 1, 2013).

2) Assets and income by business segment

(Millions of yen)

Business segment	Item	30th term (Year ended March 31, 2010)	31st term (Year ended March 31, 2011)	32nd term (Year ended March 31, 2012)	33rd term (Year ended March 31, 2013)	34th term (Year ended March 31, 2014) (Consolidated fiscal year under review)
Auto auction business	Net sales	42,791	43,177	45,840	45,909	49,479
	Operating income	21,014	23,372	27,156	28,365	31,128
	Total assets	136,420	146,034	149,002	148,958	157,618
Used car purchasing and selling business	Net sales	12,224	12,494	12,476	11,545	11,621
	Operating income	413	674	610	588	724
	Total assets	2,222	2,476	2,431	2,338	2,325
Other businesses	Net sales	4,832	5,745	5,692	5,789	6,848
	Operating income	196	168	11	223	692
	Total assets	4,408	4,257	4,150	4,357	5,618

Note: Segment sales based on external customer sales.

(6) Significant organizational changes

Not applicable

(7) Major parent company and subsidiaries

1) Parent company

Not applicable

2) Major subsidiaries

The Company has 6 consolidated subsidiaries and no affiliate to which the equity method is applied.

Company name	Capital (million yen)	Percentage of equity participation (%)	Main business
US Butsuryu Co., Ltd.	30	100.0	Arrangement of freight transport and consignment business relating to operation of auctions
USS Support Service Co., Ltd.	45	100.0	Finance services business, etc.
R&W Co., Ltd.	63	100.0	Purchase and sales of used and accident-damaged vehicles
ARBIZ Co., Ltd.	270	51.0	Recycling of end-of-life automobiles and other goods
CAR QUEST Co., Ltd.	100	100.0	Providing information on used cars via the Internet and recycling of scrap rubber
USS Logistics International Service Co., Ltd.	50	100.0	Export procedure agency service for used cars

Note: USS Logistics International Service Co., Ltd., became a wholly owned subsidiary of the Company through the additional acquisition of its shares by the Company as of May 31, 2013.

## (8) Major Business Activities (as of March 31, 2014)

Auto auction business, used car purchasing and selling business, and recycling business

## (9) Principal bases (as of March 31, 2014)

	Business segment	Name of office or company	Location	Note
The Company	Auto auction business	Nagoya Auction Site	Tokai, Aichi	Head office
		Kyushu Auction Site	Tosu, Saga	Branch
		Fukuoka Auction Site	Chikushino, Fukuoka	Branch
		Tokyo Auction Site	Noda, Chiba	Branch
		Okayama Auction Site	Akaiwa, Okayama	Branch
		Shizuoka Auction Site	Fukuroi, Shizuoka	Branch
		Sapporo Auction Site	Ebetsu, Hokkaido	Branch
		Saitama Auction Site	Iruma, Saitama	Branch
		Gunma Auction Site	Fujioka, Gunma	Branch
		Tohoku Auction Site	Murata-machi, Shibata, Miyagi	Branch
		Osaka Auction Site	Osaka, Osaka	Branch
		Yokohama Auction Site	Yokohama, Kanagawa	Branch
		USS-R Nagoya Auction Site	Nagoya, Aichi	Branch
		Kobe Auction Site	Kobe, Hyogo	Branch
		Hokuriku Auction Site	Kaga, Ishikawa	Branch
		Niigata Auction Site	Mitsuke, Niigata	Branch
Shikoku Auction Site	Matsuyama, Ehime	Branch		
Subsidiaries	Auto auction business	US Butsuryu Co., Ltd.	Tokai, Aichi	15 domestic branch offices
		CAR QUEST Co., Ltd. Internet Div.	Chuo, Tokyo	Provides information on used cars via the Internet
		USS Support Service Co., Ltd.	Tokai, Aichi	Finance services business, etc.
	Used car purchasing and selling business	R&W Co., Ltd.	Noda, Chiba	Used car purchase and sales shop "Rabbit;" 23 direct shops, 148 franchise shops. 24 shops in the domestic purchase and sales of accident- damaged vehicles business
	Other business	ARBIZ Co., Ltd.	Nagoya, Aichi	Recycling plant for end-of-life automobiles and other goods
		CAR QUEST Co., Ltd. Toyo Div.	Maebashi, Gunma	Scrap rubber recycling plant
USS Logistics International Service Co., Ltd.		Yokohama, Kanagawa	Export procedure agency service for used cars	



(10) Employees (as of March 31, 2014)

1) Employees of the Company Group

Business segment	Numbers of employees	Change from the end of the previous consolidated fiscal year
Auto auction business	686 (167)	up 4 (down 18)
Used car purchasing and selling business	227 (11)	down 14 (down 2)
Other businesses	175 (63)	up 4 (up 1)
Corporate (Common for all business segments)	19 (–)	down 4 (–)
Total	1,107 (241)	down 10 (down 19)

Notes: 1. Numbers of employees refer to employees on the payroll; figures in parentheses, which are not included in the immediately preceding figures, indicate the average numbers of part-timers and contract employees for the year (converted at 7.5 hours of working time per day).

2. Employees in the corporate (common for all business segments) category are individuals assigned to administrative departments that cannot be allocated to a particular business segment.

2) Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average service years
586 (145)	down 4 (down 7)	37.5	9.6

Notes: Numbers of employees refer to employees on the payroll; figures in parentheses, which are not included in the immediately preceding figures, indicate the average numbers of part-timers and contract employees for the year (converted at 7.5 hours of working time per day).

(11) Major creditors (as of March 31, 2014)

Lender	Amount borrowed (million yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	58
Sumitomo Mitsui Banking Corporation	22
The Juroku Bank, Ltd.	549

Note: The USS Employee Stock Ownership Plan Trust, which was established to introduce the Trust Employee Shareholding Incentive Plan, has borrowed money as a source of funds from The Juroku Bank, Ltd. to purchase the Company's shares. The Employee Stock Ownership Plan is referred to here because the trust account is processed as a unit within the Company for accounting purposes. For the aforementioned plan, refer to "2. Matters relating to shares of the Company (5) Other Important Items related to Shares, 2) Outline of the Employee Stock Ownership Plan."

(12) Other Significant Items Concerning the Status of the USS Group

Not applicable.

**2. Matters relating to shares of the Company (as of March 31, 2014)**

- (1) Total number of shares authorized to be issued: 1,200,000,000 shares  
 (2) Total number of shares issued: 313,250,000 shares  
 (including 54,016,566 shares of treasury stock)  
 (3) Total number of shareholders: 6,561  
 (4) Major shareholders (Top 10)

Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
State Street Bank and Trust Company	18,548	7.15
Dai Seta	15,005	5.78
BBH for Fidelity Low-Priced Stock Fund (Principal all sector subportfolio)	14,625	5.64
State Street Bank and Trust Company 505223	10,129	3.90
The Master Trust Bank of Japan, Ltd. (trust account)	9,945	3.83
Mamoru Seta	9,100	3.51
Yukihiro Ando	9,093	3.50
The Nomura Trust and Banking Co., Ltd. (retirement benefit trust The Bank of Tokyo-Mitsubishi UFJ, Ltd. account)	8,400	3.24
Japan Trustee Services Bank, Ltd. (trust account)	8,072	3.11
Hattori Motors Co., Ltd.	7,200	2.77

- Notes: 1. The list of major shareholders does not include 54,016,566 shares of treasury stock.  
 2. The number of shares used to calculate shareholding ratios does not include treasury stock.  
 3. The number of shares less than one thousand is truncated. Shareholding ratios are truncated to the hundredth decimal place.  
 4. In addition to the above shareholders, the following shareholdings have been reported by the large shareholding report (the amendment report).  
 (1) An amendment report submitted by FMR LLC on October 31, 2013 stated that the following shares were held as of October 24, 2013. Since USS is unable to confirm the effective number of shares owned on March 31, 2014, this shareholder is not included in the above list of major shareholders.

Name	Address	Shares (thousand shares)	Shareholding ratio (%)
FMR LLC	245 Summer Street, Boston, Massachusetts 02210, USA	37,768	14.56%
Total		37,768	14.56%

(2) A large shareholding report jointly submitted by MFS Investment Management K.K. and another company on September 5, 2013, stated that the following shares were held as of August 30, 2013, before the share split conducted by the Company on October 1, 2013. Because USS was unable to confirm the effective number of shares owned as of March 31, 2014, these shareholders are not included in the above list of major shareholders. The number of shares held and the shareholding ratio below are calculated after converting them into the figures before said share split.

Name	Address	Shares (thousand shares)	Shareholding ratio (%)
MFS Investment Management K.K.	Daido Seimei Kasumigaseki Bldg., 4-2, Kasumigaseki 1-chome, Chiyoda Ward, Tokyo	1,303	0.50%
Massachusetts Financial Services Company	111 Huntington Avenue, Boston, Massachusetts 02199, USA	14,618	5.63%
Total		15,921	6.14%

(5) Other Important Items related to Shares

1) Share split and change to the number of shares units

The Company conducted a 10-for-one share split as of October 1, 2013. Consequently, the total number of shares authorized to be issued increased by 1,080,000,000 to 1,200,000,000 shares and the total number of shares issued increased by 281,925,000 to 313,250,000 shares. The number of shares constituting one share unit was modified from 10 shares to 100 shares as of the same date.

2) Outline of the Employee Stock Ownership Plan

Effective from the fiscal year ended March 31, 2012, the Company has implemented the Trust Employee Shareholding Incentive Plan (hereinafter the “Plan”) for the purpose of granting an incentive to employees of the Group companies toward the improvement of medium- and long-term corporate value.

According to the Plan, the Company shall establish the USS Employee Stock Ownership Plan Trust (hereinafter the “ESOP Trust”) in a trust bank and the ESOP Trust shall purchase the Company’s shares in advance, which are expected to be purchased by the USS employee stock ownership plan (hereinafter the “Employee Stock Ownership Plan”), over five years after its establishment and thereafter continuously sell the Company’s shares to the Employee Stock Ownership Plan every month until the trust is completed. To secure funds to purchase the Company’s shares, the ESOP Trust borrows bank loans for which the Company offers a guarantee.

If an amount corresponding to the gain on sales of stocks is accumulated in the ESOP Trust at the completion of the trust through the sales of the Company’s shares to the Employee Stock Ownership Plan, an amount corresponding to the gain on sales of the Company’s shares shall be distributed as a residual property to some eligible persons who satisfy the qualification requirements for beneficiaries. Meanwhile, in case an amount corresponding to the loss on sales of stocks is accumulated in the ESOP Trust at the completion of the trust due to a decline in the Company’s stock prices, the Company shall repay the outstanding balance of the bank loans corresponding to the loss on sales of the shares in accordance with a nonrecourse promissory note.

As for the ESOP Trust, an accounting procedure that considers the Company and the ESOP Trust to be integrated as a unit is adopted from the viewpoint of emphasizing the economic reality of the Plan. Consequently, the Company’s shares owned by the ESOP Trust, and assets and liabilities, as well as revenues and expenses, of the Employee Stock Ownership Plan, were inclusively reported in the consolidated balance sheet, the consolidated statement of income and the consolidated statement of changes in net assets of the Company. The number of the Company’s shares owned by the ESOP Trust as of the end of the consolidated year was 812,000 shares. This amount has not been included in the figure for treasury stock in this section.

### 3. Matters relating to Stock Acquisition Rights, etc. of the Company

(1) Stock Acquisition Rights held by officers of the Company as of the end of the term (as of March 31, 2014)

Name		5th Stock Acquisition Rights	6th Stock Acquisition Rights	7th Stock Acquisition Rights
Resolution date for issuance		August 28, 2007 (Board Meeting)	June 25, 2008 (Board Meeting)	June 24, 2009 (Board Meeting)
Number of Stock Acquisition Rights		453	525	975
Number of shares subject to Stock Acquisition Rights		45,300 shares of common stock (100 shares per Stock Acquisition Right)	52,500 shares of common stock (100 shares per Stock Acquisition Right)	97,500 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		64,560 yen per right	49,760 yen per right	32,620 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From September 15, 2007 to June 30, 2032	From July 11, 2008 to June 30, 2033	From July 10, 2009 to June 30, 2034
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 8	Number of holders 8	Number of holders 8
		Number of rights 415	Number of rights 481	Number of rights 831
	Number of shares subject to Stock Acquisition Rights 41,500	Number of shares subject to Stock Acquisition Rights 48,100	Number of shares subject to Stock Acquisition Rights 83,100	
	Outside directors	-	-	-
Corporate auditors	-	-	-	

Name		8th Stock Acquisition Rights	9th Stock Acquisition Rights	10th Stock Acquisition Rights
Resolution date for issuance		June 29, 2010 (Board Meeting)	June 28, 2011 (Board Meeting)	June 26, 2012 (Board Meeting)
Number of Stock Acquisition Rights		716	867	686
Number of shares subject to Stock Acquisition Rights		71,600 shares of common stock (100 shares per Stock Acquisition Right)	86,700 shares of common stock (100 shares per Stock Acquisition Right)	68,600 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		45,900 yen per right	43,600 yen per right	58,600 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From July 16, 2010 to June 30, 2035	From July 15, 2011 to June 30, 2036	From July 13, 2012 to June 30, 2037
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 8	Number of holders 8	Number of holders 8
		Number of rights 583	Number of rights 704	Number of rights 597
	Number of shares subject to Stock Acquisition Rights 58,300	Number of shares subject to Stock Acquisition Rights 70,400	Number of shares subject to Stock Acquisition Rights 59,700	
	Outside directors	-	-	-
Corporate auditors	-	-	-	

Name		11th Stock Acquisition Rights
Resolution date for issuance		June 25, 2013 (Board Meeting)
Number of Stock Acquisition Rights		480
Number of shares subject to Stock Acquisition Rights		48,000 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		93,540 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right
Exercise period for Stock Acquisition Rights		From July 13, 2013 to June 30, 2038
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 8 Number of rights 411 Number of shares subject to Stock Acquisition Rights 41,100
	Outside directors	-
	Corporate auditors	-

Notes: 1. Major conditions for the exercise of Stock Acquisition Rights are as follows:

- (1) A Stock Acquisition Right holder may exercise the Stock Acquisition Right only if the Stock Acquisition Right holder loses any and all status as a director of the Company (including executive officers in the case of a company with committees), or as an auditor or executive director. However, in that case, the Stock Acquisition Right holder may exercise the Stock Acquisition Right for subscription only during the period from the date following the date on which the holder loses any and all of the above-mentioned status (hereinafter the “Exercisable Period Commencement Date”) for five (5) years after the Exercisable Period Commencement Date.
- (2) Notwithstanding Note 1(1) above, in the case specified in (a) or (b) below (however, regarding (b), this is not applicable if the Stock Acquisition Right for subscription is extinguished due to restructuring, or if the Stock Acquisition Right of a company subject to restructuring is delivered to the Stock Acquisition Right holder pursuant to the policy for decision-making of the details of delivery of stock acquisition rights of the company subject to restructuring), the Stock Acquisition Right holder may exercise its Stock Acquisition Right for subscription, only during the periods specified as follows, respectively:
  - (a) If the exercise period of the stock acquisition rights does not commence on or before June 30 of the year preceding the year in which the exercise period ends, the stock acquisition rights may be exercised starting from the day after the above date up to the expiration of the exercise period.
  - (b) If an agenda item requesting the approval of a merger agreement by which the Company will become an extinct company, or an agenda item requesting the approval of a share exchange agreement or a share transfer plan by which the Company will become a wholly owned subsidiary, is approved in a general meeting of shareholders of the Company (in the case that a resolution of a general meeting of shareholders is not required, if a resolution of the board of directors of the Company or a decision of the representative executive officers is made):  
For fifteen (15) days from the next day of the relevant approval date.

- (3) If a Stock Acquisition Right holder waives the Stock Acquisition Right for subscription, the Stock Acquisition Right holder may not exercise such Stock Acquisition Right for the waived subscription.
2. As a result of the 10-for-one share split for common stock conducted as of October 1, 2013, "Number of shares subject to Stock Acquisition Rights" and "Amount of assets paid upon exercise of Stock Acquisition Rights" has been adjusted.

(2) Contents of the Stock Acquisition Rights granted to executive officers of the Company in consideration of performance of duties during the term under review

Name	11th Stock Acquisition Rights
Resolution date for issuance	June 25, 2013 (Board Meeting)
Number of Stock Acquisition Rights	79
Number of shares subject to Stock Acquisition Rights	7,900 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights	93,540 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights	100 yen per right
Exercise period for Stock Acquisition Rights	From July 13, 2013 to June 30, 2038
Major conditions for the exercise of Stock Acquisition Rights	(Note) 1
Number of recipients	8

- Note:
1. Major conditions for the exercise of Stock Acquisition Rights are as follows:  
Refer to (1) Acquisition rights held by officers of the Company as of the end of the term (Note) 1.
  2. As a result of the 10-for-one share split for common stock conducted as of October 1, 2013, "Number of shares subject to Stock Acquisition Rights" and "Amount of assets paid upon exercise of Stock Acquisition Rights" has been adjusted.
  3. There have been no Stock Acquisition Rights granted in consideration of performance of duties for officers and/or employees of any subsidiaries of the Company.

#### 4. Matters relating to Officers of the Company

##### (1) Directors and corporate auditors (as of March 31, 2014)

Title	Name	Duties and Representation of Other Companies, etc.
Chairman and President and Representative Director	Yukihiro Ando	President and Representative Director of US Butsuryu Co., Ltd.
Vice Chairman and Representative Director	Fumihiko Tamura	
Executive Vice President and Representative Director	Dai Seta	Officer of the Auction Operation Office President and Representative Director of USS Support Service Co., Ltd. President and Representative Director of ARBIZ Co., Ltd.
Executive Vice President	Motohiro Masuda	Manager of Tokyo Auction Site and Saitama Auction Site
Senior Managing Director	Toshio Mishima	Manager of Kyushu Auction Site
Senior Managing Director	Masafumi Yamanaka	Officer of the Supervisory Office
Junior Managing Director	Hiromitsu Ikeda	Manager of Tohoku Auction Site
Junior Managing Director	Masayuki Akase	Manager of Yokohama Auction Site President and Representative Director of USS Logistics International Service Co., Ltd.
Director	Hideo Okada	Event Advisor, Nihon Kogyo Shimbun Co., Ltd. Special Advisor to the Secretariat Office of the Steering Committee for Japan Council for Renewable Energy
Director	Isamu Hayashi	Professor, Faculty of Business Management, Osaka Sangyo University
Director	Satoru Madono	Specially Appointed Professor, Faculty of Economics, Reitaku University Representative Director of IJIC, Inc.
Director	Koji Sato	Attorney, Officer of Sato Koji Law Office Outside Auditor of Shokubun Co., Ltd.
Full-time Corporate Auditor	Fumio Suzuki	
Corporate Auditor	Toru Niwa	Certified Public Accountant, General Manager of Toru Niwa Certified Public Accountant Office
Corporate Auditor	Ryoichi Miyazaki	Attorney, Representative of Naka Joint Law Office Outside Corporate Auditor for Hatsuho Shoji Co., Ltd. Chairman of Aichi Prefecture Lawyers Cooperative

- Notes:
1. Directors: Messrs. Hideo Okada, Isamu Hayashi, Satoru Madono and Koji Sato are outside directors.
  2. Corporate auditors: Messrs. Toru Niwa and Ryoichi Miyazaki are outside corporate auditors.
  3. Full-time corporate auditor Fumio Suzuki has considerable knowledge of finance and accounting as a registered tax accountant.
  4. Corporate auditor: Mr. Toru Niwa is well versed in corporate accounting matters as a certified public accountant, and has considerable knowledge of finance and accounting.
  5. USS designates the following officers as independent officers as prescribed by the Tokyo Stock Exchange and Nagoya Stock Exchange and has submitted notices to these stock exchanges: directors Hideo Okada, Isamu Hayashi, Satoru Madono and Koji Sato and corporate auditors Toru Niwa and Ryoichi Miyazaki.



6. There is no particular relationship between USS and Nihon Kogyo Shimbun Co., Ltd., and Japan Council for Renewable Energy, where director Hideo Okada has a concurrent post.  
There is no particular relationship between USS and Osaka Sangyo University, where director Isamu Hayashi had a concurrent post. He retired from the position as professor in the Faculty of Business Management at Osaka Sangyo University as of March 31, 2014.  
There is no particular relationship between USS and Reitaku University and IJIC, Inc., where director Satoru Madono has concurrent posts.  
There is no particular relationship between USS and the Koji Sato Law Office and Shokubun Co., Ltd., where director Koji Sato has a concurrent post.  
There is no particular relationship between USS and Toru Niwa Certified Public Accountant Office, where corporate auditor Toru Niwa has a concurrent post.  
There is no particular relationship between USS and Naka Joint Law Office, Hatsuho Shoji Co., Ltd. and Aichi Prefecture Lawyers Cooperative, where corporate auditor Ryoichi Miyazaki has concurrent posts.

(2) Directors and corporate auditors who retired during the term (Year ended March 31, 2014)

Name	Date of retirement	Cause for retirement	Duties and Representation of Other Companies, etc., at time of retirement
Sigeo Hara	June 25, 2013	Expiration of tenure	Vice Chairman and Representative Director President and Representative Director of R&W Co., Ltd. President and Representative Director of USS Logistics International Service Co., Ltd.
Masura Takei	June 25, 2013	Expiration of tenure	Full-time Corporate Auditor
Yukihiko Inoue	June 25, 2013	Expiration of tenure	Full-time Corporate Auditor
Isao Otsuka	June 25, 2013	Expiration of tenure	Corporate Auditor Registered Tax Accountant Officer of Isao Otsuka Tax Accountant Office

(3) Total amount of remuneration, etc. for directors and corporate auditors

Position	Number of officers	Amount of remuneration	Stock remuneration-type stock options	Total amount of remuneration, etc.
Directors (Outside directors out of all directors)	13 (4)	227 million yen (14 million yen)	38 million yen (-)	266 million yen (14 million yen)
Corporate auditors (Outside corporate auditors out of all corporate auditors)	6 (5)	14 million yen (9 million yen)	- (-)	14 million yen (9 million yen)
Total (Outside officers out of all officers)	19 (9)	242 million yen (24 million yen)	38 million yen (-)	280 million yen (24 million yen)

- Notes: 1. The table above includes one director and three corporate auditors who retired as of the closure of the 33rd Annual General Meeting of Shareholders held on June 25, 2013.  
2. There are no directors who are concurrently employees.

3. The maximum amount of remuneration for directors was determined at 500 million yen per year by a resolution at the 26th Annual General Meeting of Shareholders held on June 28, 2006. Also, the maximum amount of stock remuneration-type stock options for directors of the Company (except for outside directors) was determined at another 150 million yen per year in addition to the above stated remuneration for directors by a resolution at the 27th Annual General Meeting of Shareholders held on June 26, 2007. Therefore, the maximum amount of remuneration for directors is determined at 650 million yen in total per year.
4. The maximum amount of remuneration for corporate auditors is determined at 50 million yen per year by a resolution at the 26th Annual General Meeting of Shareholders held on June 28, 2006.
5. Stock option compensation is the amount of expenses recorded in the fiscal year ended in March 31, 2014 for all stock acquisition rights listed in “3. Matters relating to Stock Acquisition Rights, etc. of the Company (1) Stock Acquisition Rights held by officers of the Company as of the end of the term” on pages 13-15 of this report.

(4) Matters relating to outside directors

1) Information about concurrent posts of outside directors and outside corporate auditors (when they are executive officers or outside officers at other companies) is listed in “(1) Directors and corporate auditors” on pages 16-17.

2) Major activities during the term under the review

Position	Name	Major activities
Director	Hideo Okada	Attended all 8 meetings of the Board of Directors held during the term under review (attendance rate 100%). Expresses opinions as appropriate based on knowledge as a former corporate manager.
Director	Isamu Hayashi	Attended all 8 meetings of the Board of Directors held during the term under review (attendance rate 100%). Expresses opinions as appropriate from the expert viewpoint of a legal scholar.
Director	Satoru Madono	Attended 7 of all 8 meetings of the Board of Directors held during the term under review (attendance rate 87.5%). Expressed opinions as appropriate from the expert viewpoint of an economist.
Director	Koji Sato	Attended all 8 meetings of the Board of Directors held during the term under review (attendance rate 100%). Expresses opinions as appropriate from the expert viewpoint of an attorney.
Corporate Auditor	Toru Niwa	Has conducted accounting and business audits of the USS Group since his assumption of office as corporate auditor on June 25, 2013; attended all 7 meetings of the Board of Corporate Auditors held since his assumption of office (attendance rate 100%) and expressed opinions as appropriate. Also, attended all 7 meetings of the Board of Directors held since his assumption of office as corporate auditor (attendance rate 100%). Expressed opinions as appropriate mainly from the expert viewpoint of a registered tax accountant.
Corporate Auditor	Ryoichi Miyazaki	Has conducted accounting and business audits of the USS Group since his assumption of office as corporate auditor on June 25, 2013; attended all 7 meetings of the Board of Corporate Auditors held since his assumption of office (attendance rate 100%) and expressed opinions as appropriate. Also, attended all 7 meetings of the Board of Directors held since his assumption of office as corporate auditor (attendance rate 100%). Expressed opinions as appropriate mainly from the expert viewpoint of an attorney.

3) Outline of contents of liability limitation agreement

Each of the outside directors and outside corporate auditors has entered into a liability limitation agreement with the Company that limits the liability for damage in accordance with the provisions of Article 427, Paragraph 1, of the Companies Act and Articles 27 and 37 of the Articles of Incorporation of the Company.

The maximum amount of liability for damage pursuant to the aforementioned agreement shall be as set forth in the respective items of Article 425, Paragraph 1, of the Companies Act.

## 5. Matters relating to independent auditors

(1) Names of corporate auditors

KPMG AZSA LLC

(2) Amount of remuneration, etc.

Classification	Amount
1. Total amount of remuneration, etc. of accounting auditors during the term under review	30 million yen
2. Total amount of monies and other properties which the Company and its subsidiaries should pay in remuneration of accounting auditors for their services to the Company and its subsidiaries during the term under review	30 million yen

Note: The amount stated in the above “total amount of remuneration, etc. of accounting auditors during the term under review” indicates the total amount of remuneration for audits as defined under the Companies Act and as defined under the Financial Instrument and Exchange Law, because the amounts of remuneration for those two definitions of audits are not distinguished in the audit contracts between the Company and the accounting auditors and such distinction is impracticable.

(3) Outline of contents of liability limitation agreement

Not applicable.

(4) Contents of services other than audit

Not applicable.

(5) Policies for determination of removal or denial of reappointment of the accounting auditors

The Board of Directors will, if it deems it necessary to remove or deny reappointment of any of the accounting auditors due to a problem in the performance of their duties or any other reason, put removal or denial of reappointment of the accounting auditor on the agenda of a General Meeting of Shareholders upon the consent of the Board of Corporate Auditors or upon a request from the Board of Corporate Auditors.

If any of the items prescribed in Article 340, Paragraph 1 of the Companies Act applies to any of the accounting auditors, and removal of such accounting auditor is deemed to be appropriate as a result of deliberation by the Board of Corporate Auditors, such accounting auditor will be removed by the Board of Corporate Auditors, subject to the unanimous agreement of the corporate auditors. In such case, a corporate auditor elected by the Board of Corporate Auditors will report the fact of removal of the accounting auditor and the reason at the first General Meeting of Shareholders to be held following the removal.

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- Notes:
1. Numbers written in this Business Report are truncated. Percentages are, however, rounded off to the nearest tenth except the numbers of Shareholding ratio written in “2. Matters relating to shares of the Company”.
  2. With respect to the method of calculating consumption tax, etc., the Company adopts the tax excluded method.

**6. System to assure performance of duties by directors in compliance with laws and regulations and the Articles of Incorporation, and other systems to assure appropriateness of operations**

- (1) System to assure performance of duties by directors in compliance with laws and regulations and the Articles of Incorporation
  - 1) For the purpose of increasing awareness of directors and employees with respect to corporate ethics and compliance with laws and regulations, the USS Group will establish compliance manuals including the “USS Action Guidelines and Corporate Ethics” and will put such manuals into action by conducting in-service training and other activities, aiming at securing thorough observance.
  - 2) To prevent and quickly discover behavior that violates laws and regulations and to correct such behavior, the Company operates a whistle-blower system, the “USS Corporate Ethics Helpline” so that all directors and employees of the USS Group have a strong awareness of the importance of corporate ethics.
  - 3) In order to assure appropriateness in the decision-making processes by the Board of Directors and to reinforce functions for supervision of management, the Company will appoint and make use of outside directors and outside corporate auditors, as well as external experts, including attorneys.
  - 4) In order to assure the appropriateness of financial reporting, the Company will adopt an accounting system concentrated at head office, closely manage the financial information of the USS Group, and observe applicable accounting standards and other related laws and regulations.
  - 5) The Company takes a resolute stand and denies any connection with antisocial forces. With respect to undue claims, etc., the Company responds organizationally with coordination and cooperation in all relevant departments and acts in close collaboration with external specialized institutions, such as the police, and never makes illegal payoffs.
  
- (2) System for storage and management of information relating to performance of duties of directors
  - 1) Information relating to performance of duties of directors will be appropriately stored and managed (and, if necessary, disposed of) pursuant to the internal rules of the USS Group. Those rules will be reviewed in light of operating status and revised as necessary.
  - 2) With responsible departments designated in accordance with separation of duties of directors and of types of information, information will be recorded and kept in writing or on electronic media. Particularly for information kept on electromagnetic media, information management control will be reinforced by such means as access rights, other security measures, back-up system and information control system.
  - 3) With respect to information requiring a certain degree of management under laws and regulations, including customer information, personal information and insider information, the Company will keep directors and employees informed about management methods required by the relevant laws and regulations.
  - 4) The Company will, by appointing “Risk and Information Management Officers” at its offices and subsidiaries, establish an internal system under which important information within the USS Group is promptly and appropriately understood at the General Affairs Department of the Supervisory Office of Head Office and, if necessary, is reported to and reviewed by responsible directors and the Board of Directors, and will build and implement a system under which corporate information that must be disclosed is disclosed in a timely and appropriate manner, pursuant to the applicable rules of disclosure.
  - 5) The Internal Audit Office will monitor whether information is managed in accordance with the risk and information management rules and separation of duties and will report the status to the responsible directors and corporate auditors (or the Board of Corporate Auditors).

(3) Rules and other systems for management of risk of loss

- 1) The Company will attempt to build risk management system across the USS Group based on analysis of the frequency of the occurrence and scale of risk (if any occurs) relating to reasonably presumed management strategies, operation management, compliance, the environment and disasters; study measures to avoid or control material risks; and develop standards for instructions, directions and actions in case of any occurrence of risk.
- 2) The Company will broadly categorize risks into (i) risk in business management, (ii) risk in daily operation processes and (iii) crisis risk, in an attempt to avoid risk and streamline operations.
- 3) Risk in business management known to and recognized by the Company will be disclosed to stakeholders as risk information in the Securities Report, and will be fully considered in the making of important decisions on such occasions as meetings of the Board of Directors.
- 4) “Staff in Responsible for Risk and Information Management Committee” at offices and subsidiaries will report all necessary information promptly and appropriately to the General Affairs Department of the Supervisory Office of Head Office for respective matters, while the Internal Audit Office and corporate auditors will monitor the risk management system as part of their audit.

(4) System to ensure efficient performance of duties of directors

- 1) With respect to goals across the USS Group, including mid-term plans and annual budgets, the Company will communicate the goals to the Group members and employees and establish a system for offices and subsidiaries to formulate specific measures and implement them for achievement of such goals.
- 2) All monthly results of the offices and subsidiaries will be managed at the Finance Department, Supervisory Office of Head Office, reported to the monthly meeting of the Board of Directors, and compared with the budget in order to analyze the efficiency at each office and subsidiary, identify any impediments to the achievement of goals and determine effective measures.
- 3) In response to business expansion, the Company will clarify official duties and the separation of duties of executive directors or officers or on-site responsible staff, and build an efficient and effective operation management system.
- 4) Corporate auditors will conduct monitoring to ascertain if directors are pursuing excessive efficiency in performance of duties.

(5) System to ensure performance of duties by employees in compliance with laws and regulations and the Articles of Incorporation

- 1) The Finance Department, Supervisory Office of Head Office has appointed staff in charge at each office and subsidiary of the Company and has conducted an integrated management and guidance, mainly based on monthly financial reports. In addition, management and guidance for implementation of appropriate operational management will be conducted by the General Affairs Department and the Management Department of the Supervisory Office of Head Office with respect to general and personnel affairs, by the Auction Operation Department of Head Office with respect to the auction business, by the System Department of Head Office with respect to information processing operations, and by directors appointed to be responsible for each operation with respect to management of subsidiaries other than those in the auction business.
- 2) The Company will distribute compliance manuals to all employees of the USS Group and endeavor to keep them informed about such manuals through training programs, and also further strengthen compliance awareness through the “USS Corporate Ethics Helpline,” a whistle-blower system operated by an independent third-party organization.

- 3) With respect to compliance at each office and subsidiary, the Company will secure efficiency in response to business expansion of the USS Group and will attempt to reinforce its compliance system. The Company will continue to strengthen its internal control system, including (i) employment rules, accounting rules and other operation management rules, and also (ii) information processing control in the information processing system on which many of the operation processes rely.
  - 4) As for the monitoring system, the Company will assure its effectiveness by utilization of voluntary audit reports prepared at each office and subsidiary, as well as by audits conducted by the Internal Audit Office and corporate auditors.
- (6) System to ensure appropriate operations at the Company Group consisting of the Company and its subsidiaries
- 1) The Company will, under the basic policy of consolidating all of its subsidiaries, attempt to share management principles and a consciousness of compliance with its subsidiaries as members of the USS Group, and to unify operation management relating to labor and personnel affairs, accounting and treasury management, while respecting the autonomy of the subsidiaries.
  - 2) The Company will appoint directors responsible for subsidiaries and endeavor to provide necessary assistance to and coordination with subsidiaries in order to assure consistency between the management policies and strategies of the Company and those of the subsidiaries, and to support healthy growth and development of the subsidiaries.
  - 3) The Company will conduct deliberations with and provide guidance to the subsidiaries with respect to appropriate measures on the basis of budget management and monthly business reports in addition to building an internal control system covering the consolidated subsidiaries.
  - 4) Corporate auditors will give advice or recommendations if deemed necessary, in cooperation with the Internal Audit Office and the accounting auditors.
- (7) System to ensure appropriate financial reporting
- 1) The Company will build and implement an internal control system for the overall USS Group, including consolidated subsidiaries, as mentioned as (1) to (6) and (10).
  - 2) The Company will consider not only “Reliability of Financial Reporting” but also other purposes (“Effectiveness and Efficiency of the Business”, “Observance of Law, etc., Related to Operation of the Business” and “Conservation of Assets”).
  - 3) The Company will build an “Internal Control System for the Accounting and Financial Reporting Process” as a Group-wide common system for consolidated subsidiaries, because the process is directly related to and has a material influence on financial reporting.
- (8) Matters relating to employees appointed to support duties of corporate auditors
- Upon request from any corporate auditor, support staff for the corporate auditors will be appointed.
- (9) Matters relating to independence of the employees from directors mentioned in the preceding item
- 1) Support staff for corporate auditors prescribed for in the preceding item will, if they have received an order necessary for audit operations from any corporate auditor, not receive from any director or employee any instruction or order relating to such order.
  - 2) If any staff are appointed exclusively to support the corporate auditors, issuance of an order, transfer, merit evaluation or disciplinary punishment with respect to such staff will require the prior consent of the relevant corporate auditors (or the Board of Corporate Auditors).

(10) System for directors and employees to report to corporate auditors and other systems for report to corporate auditors

- 1) The Company has employed a system for the managing finance, accounting, general and personnel affairs of each office and subsidiary in an integrated manner at the Supervisory Office of Head Office (the Finance Department, the General Affairs Department and the Management Department), and has realized a mechanism by which all important information of the USS Group is centralized at the Supervisory Office and reported to the corporate auditors and the Board of Corporate Auditors.
- 2) The Company has established a whistle-blower system, the “USS Corporate Ethics Helpline,” and has a mechanism for corporate auditors and the Board of Corporate Auditors to receive reports through the Supervisory Office of Head Office.
- 3) The Company will reinforce the structure for smooth and efficient operation of the mechanisms mentioned in items 1) and 2) above.

(11) Other systems to ensure effective conduct of audits by corporate auditors

- 1) Corporate auditors will conduct audits pursuant to the “Audit Guidelines” and “Audit Practice Standards for Internal Control Systems” determined at a meeting of the Board of Corporate Auditors, and will attend meetings of the Board of Directors and other important meetings and express opinions thereat.
- 2) Corporate auditors will clarify separation of their duties in order to promote efficiency, and will attempt to unify their intentions at meetings of the Board of Corporate Auditors.
- 3) Corporate auditors will regularly exchange opinions with the Representative Director, the outside directors, the Internal Audit Office and the accounting auditors.



## **7. Basic policy regarding control of policy decisions in respect of the Company's finance and business**

### **I. Substance of the Basic Policy**

In the event of a Large-scale Share Purchase, even if it would involve the transfer of corporate control, as a publicly-traded company it is the Company's position that as a general rule the decision as to whether to sell shares to a Large-scale Share Purchaser (being defined as a purchaser who is conducting or attempting to conduct a Large-scale Share Purchase) and the determination of whether it is appropriate to entrust management to a Large-scale Share Purchaser should be left to the shareholders.

That said, however, Large-scale Share Purchases often have the potential to cause irreparable damage to the target company's corporate value or the collective interests of its shareholders, such as in cases when: (i) it is clear from the purpose of their purchasing behavior that the prospective purchaser does not sincerely intend to implement legitimate management policies; (ii) there is an apprehension that general shareholders will be effectively compelled to sell their shares under unfavorable conditions; (iii) general shareholders are not provided with the information necessary or a period of time adequate for making an appropriate decision about how to respond to the proposed purchase; or (iv) the target company's board of directors is not accorded the information, opportunities to negotiate with the prospective purchaser, and/or time for consideration that are necessary and sufficient for them to provide to shareholders an opinion against or in favor of the proposed takeover, or an alternative proposal (an "Alternative Proposal").

In light of the above-described circumstances surrounding corporate acquisitions, the Company believes it is necessary to require each Large-scale Share Purchaser to provide in advance information relevant to the proposed Large-scale Share Purchase and to secure an adequate period for consideration and negotiation. The Company believes that such measures are necessary to protect and enhance corporate value and the collective interests of shareholders by making it possible for shareholders to adequately consider whether to accept a proposed Large-scale Share Purchase, for the board of directors of the Company to provide shareholders with its opinion against or in favor of the proposed Large-scale Purchase and/or an Alternative Proposal, and for the Company to negotiate with the Large-scale Share Purchaser on behalf of the shareholders.

The Company thus believes that it is necessary to secure the Company's corporate value and the collective interests of its shareholders by implementing such defensive measures as are reasonable and necessary against anyone seeking to conduct a large-scale purchase of Share Certificates, etc. (as defined in III.2. (1) below) of the Company in a manner that would frustrate the Company's efforts to protect and enhance its corporate value and the collective interests of shareholders.

### **II. Special steps taken to implement the Basic Policy**

The business of the Company and its consolidated subsidiaries (collectively, the "USS Group") consists of its core membership-based automobile auction business as well as a used car purchase and resale business and a car recycling business.

Through its automobile auction business, the Company operates 17 auction venues nationwide and has 45,712 member companies (as of March 31, 2014) for the entire USS Group. Annual volume was 2,305,189 vehicles (for the fiscal year ended March 31, 2014), and the Company leads the industry with a market share of 31.8% (for the 2013 calendar year).

1. The Japanese used-car market

The prevailing practice in the used-car distribution system in Japan is that at the time consumers purchase a new car they also sell their existing car to a car dealers or a used car purchasing broker.

Most of the used cars sold in this fashion are then traded at approximately 120 auction venues nationwide, including those of the USS Group.

Automobile auctions thus serve as an important part of the social infrastructure by functioning as a used car exchange, in much the same way that stock exchanges serve the equity capital markets.

2. The role of USS Group in the automobile-auction industry

In the used-car distribution market, the USS Group has been a leading company in the automobile auction industry and has gained enormous support and trust from its member companies (used-car dealers). This is because the USS Group has quickly and effectively implemented policies such as the use of computer-based auction systems (the Group was an early adopter of these) and taken the lead over competitors in developing auction venues in major cities nationwide under the Group management philosophy of "Creating a fair market" and "Unifying with members."

The group has also developed a system utilizing the Internet and satellite TV systems and by which bids can be made in auctions at any particular venue without being physically present at such venue. This can be done by placing bids from any of the USS Group's 17 venues or from partner venues. This system has dramatically improved the convenience of our member dealers and resulted in further profit growth for the USS Group.

3. Efforts to enhance corporate value by setting medium-term management objectives

In an environment in which demand for cars in Japan is expected to mature in the medium- to long-term, the Company believes that it is crucial for the Company to acquire a greater market share in order to further enhance shareholder value while performing a social infrastructure role in the used car distribution system.

The USS Group has set as a key objective the expansion of its market share in the automobile auction market. To further improve the convenience of the 17 auction venues operated by the Group nationwide, additional capital investments will be implemented and significant management resources are expected to be invested in the automobile auction business, such as in marketing activities for the acquisition of new member dealers. In addition, while the USS Group is developing used car purchase, sale and recycling operations with the automobile auction business as its core business, M&A and other opportunities for growth are being quickly seized to further enhance the speed of growth. This is in keeping with our management goal of becoming the leading consolidated company in the used-car distribution industry.

The USS Group has also adopted "capital efficiency-focused management" as a management slogan. Considering the return on equity (ROE) to be an important management index, the Company has set an ROE of at least 15% on an ongoing basis.

#### 4. Efforts to strengthen corporate governance

In order to facilitate the constant improvement of the overall corporate value of the USS Group by realizing our management philosophies the “creation of fair markets” and “coexistence with our member companies,” the Company considers strengthening corporate governance to be a key management task. These goals require us to endeavor for greater management transparency and fairness as well as prompt decision-making.

In order to further clarify the responsibilities of management to shareholders, at the 26th Annual General Meeting of Shareholders on June 28, 2006 the Company reduced the term of office of each director from two years to one year and appointed four outside directors so as to ensure management transparency and fairness. In addition, based on its judgment that none of them will have interests that conflict with those of ordinary shareholders, the Company has notified the Stock Exchanges on which the Company’s shares are listed that all four outside directors are “independent” (“dokuritsu yakuin” as defined in stock exchange rules). In situations such as board meetings where executive decisions are being made, these independent directors are expected to take actions in favor of protecting the interests of ordinary shareholders such as expressing opinions necessary to ensure that such interests are taken into consideration.

Furthermore, the Company has selected two outside auditors, both of who are independent from the Company's management. The Company has notified the relevant stock exchanges that each of them is "independent" ("dokuritsu yakuin" as defined in the stock exchange rules). In addition to attending board of directors’ meetings, these independent statutory auditors examine and oversee the Directors’ execution of their duties, as well as the Company’s operations and assets.

#### 5. Efforts regarding shares and shareholdings

Since first being listed on the second section of the Nagoya Stock Exchange (NSE) in September 1999 and then on the first sections of both the NSE and the Tokyo Stock Exchange in December 2000, the Company has made efforts to expand the number of its shareholders by, among other things, share splits and modifying the number of shares constituting one voting unit. As a result of these efforts the number of shareholders was 6,561 as of March 31, 2014. The great majority of these shareholders are individual shareholders. As a result, the liquidity of the Company’s shares has substantially increased since they were first listed for trading.

The Company plans to continue its efforts to protect and enhance corporate value and the shareholders’ collective interests by further improving the liquidity of the Company’s shares while following prudent management policies.

### III. Endeavors for prevention of policy decisions on the Company's finance and business by an inappropriate party, in light of the basic policy

#### 1. Purpose of Countermeasures for Large-scale Share Purchases of Company shares (Anti-takeover Plan)

At the 32nd Annual General Meeting of Shareholders held on June 26, 2012, a resolution was approved to extend Countermeasures for Large-scale Share Purchases (Anti-takeover Plan) (the "Plan" hereafter) for the purpose of protecting and increasing the Company's corporate value and the interests of shareholders. The Plan prevents a party that is unsuitable in accordance with the Basic Policy in item (1) above from gaining control over decisions concerning the Company's financial and business policies. Large-scale purchasers must provide required information about the proposed large-scale purchase in advance. The Plan also requires a period of time for consideration of the purchase and for negotiations. Shareholders of the Company can use this time to reach a proper decision as to whether or not to accept the large-scale purchase. In addition, the Company's board of directors, based on the recommendation of the Independent Committee (defined in item 4, the same shall apply hereafter), can reach an opinion as to whether or not to agree with the large-scale purchase or to submit an alternative proposal to the Company's shareholders. The Plan also permits holding negotiations with the large-scale purchaser for the benefit of the Company's shareholders.

#### 2. Details of the Plan

##### 2.1. Definition of Large-scale Share Purchases that are subject to the Plan

The takeover countermeasures under the Plan may be triggered if conduct to which any of (i) to (iii) is or could be applicable (excluding instances when the prior approval of the Board of Directors has been received) takes place or may take place (such conduct collectively referred to herein as a "Large-scale Share Purchase"):

- (i) The purchase or other acquisition (Note 3) by a particular shareholder of Share Certificates, etc. (Note 1) issued by the Company that would result in such shareholder's holding ratio of Share Certificates, etc. (Note 2) being 20% or greater.
- (ii) The purchase or other acquisition (Note 7) by any particular shareholder of Share Certificates, etc. (Note 4) issued by the Company that would render the total of such purchaser's Share Certificates etc. holding rate (Note 5) when combined with the Share Certificates etc. holding rate of persons in a special relationship (Note 6) with such purchaser to be 20% or greater.
- (iii) Irrespective of whether there is actual conduct of the type specified in either of (i) or (ii) above, any agreement or other form of transaction between any particular shareholder of the Company and any other shareholder of the Company (as used in this clause (iii), the term "other shareholder" includes multiple other shareholders) that will render such other shareholder(s) joint holders (Note 8) with such particular shareholder, or any other transaction between such particular shareholder and such other shareholder(s) that would establish a relationship (Note 9) whereby one of them substantially controls the other or they act jointly or cooperatively (limited to cases where the aggregate holding ratio of Share Certificates, etc. issued by the Company of such particular shareholder and that of such other shareholder(s) combined amounts to 20% or greater) (Notes 10).

(Note 1) Except as otherwise specified below, the term "Share Certificates, etc." used here and elsewhere refers to "Share Certificates, etc." as defined in Article 27-23, Paragraph (1) of the Financial Instruments and Exchange Act (*Kin'yu shohin torihiki ho*; the "FIEA").

- (Note 2) The term “holding ratio of Share Certificates, etc.” refers to “holding ratio of Share Certificates, etc.” as defined in Article 27-23, Paragraph (4) of the FIEA unless otherwise specified. In the calculation of such a holding ratio, (1) any person in a special relationship as defined in Article 27-2, Paragraph (7) of the FIEA, and (2) any investment bank, securities company or other financial institution that has entered into a financial advisory agreement with such particular shareholder, or any tender offer agent, and/or securities company acting as the lead manager (collectively, the “Contracted Financial Institution, etc.”) is deemed to be a joint holder with such particular shareholder. Also, in the calculation of such a holding ratio, the total number of the Company’s issued shares may be determined in reference to the latest information published by the Company.
- (Note 3) The term “other acquisition” as used in the cases in (i) includes the holding of the right to request delivery of share certificates, etc. under a sale and purchase or other agreement, and transactions referred to in Article 14-6 of the Ordinance for Enforcement of the FIEA.
- (Note 4) The term “Share Certificates, etc.” as used for cases under item (ii) refers to “share certificates, etc.” as defined in Article 27-2, Paragraph (1) of the FIEA.
- (Note 5) The term “Share Certificates etc. holding rate” as used for the cases in (ii) refers to “Share Certificates etc. holding rate” as defined in Article 27-2, Paragraph (8) of the FIEA. In the calculation of this rate, the total voting rights with respect to the Company can be determined by referring to the most recent information published by the Company.
- (Note 6) The term “person in a special relationship” refers to “person in a special relationship” as defined in Article 27-2, Paragraph (7) of the FIEA. However, with respect to the categories listed in clause (i) of said Paragraph, those mentioned in Article 3, Paragraph (2) of the Cabinet Office Order Concerning a Tender Offer of Shares by Parties Other than the Issuer (*Hakkosha igai no mono ni yoru kabuken to no kokai kaitsuke no kaiji ni kansuru naikakufu rei*) are excluded. In addition, (1) joint holders and (2) Contracted Financial Institution, etc. shall be deemed to be persons in a special relationship with respect to such particular shareholder (the same applies hereafter unless otherwise specified).
- (Note 7) The term “purchase or other acquisition” in the cases in (ii) includes purchases or other types of acceptance of a transfer for value, and transactions analogous to an acceptance of a transfer for value as mentioned in Article 6, Paragraph (3) the Ordinance for Enforcement of the FIEA.
- (Note 8) The term “joint holder” refers to “joint holder” as defined in Article 27-23 Paragraph (5) of the FIEA and includes persons deemed to be joint holders in accordance with Paragraph (6) of the same Article.
- (Note 9) The determination of whether a “relationship under which one of them substantially controls the other or they act jointly or cooperatively” exists shall be made based upon, among other things: (1) whether a substantive interest in the Company’s Share Certificates etc. exists due to the formulation of a new capital contribution relationship, business tie-up, trading or contractual relationship, overlapping board membership, funding relationship, credit facility, holding of substantial interest in Company Shares through a derivatives or share lending arrangement; and (2) the direct or indirect influence that such particular shareholder and such other shareholder(s) may have on the Company.

(Note 10) The determination of whether conduct falling under (iii) has taken place shall be made by the Board of Directors in accordance with the recommendations of the Independent Committee. In this regard, the Company may request its shareholders to provide such information as the Company deems necessary in making a determination as to whether (iii) is applicable.

(Note 11) In the event of revisions (including the repeal of any provision and the enactment of a new provision substantially succeeding such repealed provision) are made to the Companies Act (*Kaisha-ho*), the FIEA or any other relevant act, or any regulation, government order, Cabinet Order, Ministerial Order or the like (collectively, “Laws and Regulations”) and come into effect, each affected provision of the Laws and Regulations that is referred to in the Plan shall be deemed to refer to such provision as amended or replaced unless otherwise determined by the Board of Directors.

## 2.2 Submission of Share Purchase Statement

Before initiating or attempting a Large-scale Share Purchase, a Large-scale Share Purchaser must submit to the Representative Director and President of the Company documentation (the “Share Purchase Statement”) consisting of: (i) a document in a form separately specified by the Company in which the Large-scale Share Purchaser must affirm to the Company its intent to comply with Laws and Regulations and the procedures set forth in the Plan, such document to be executed by and set forth the name of the representative of the Large-scale Share Purchaser; and (ii) a certificate confirming the authority of the executing representative. Upon receipt of the Share Purchase Statement, the Board of Directors will promptly submit it to the Independent Committee.

In addition to the affirmation of intent to comply with Laws and Regulations and the procedures set forth in the Plan, in the Share Purchase Statement the Large-scale Share Purchaser must also set forth information including: (1) the name and address of the Large-scale Share Purchaser and/or or the corporate name and the location of the head office or other business office of the Large-scale Share Purchaser, (2) the jurisdiction in which it is incorporated, (3) the name of its representative officer and contact person(s) in Japan, (4) the number of shares of the Company then held by the Large-scale Share Purchaser, (5) the history of trading by the Large-scale Share Purchaser of Share Certificates, etc. of the Company during the sixty-day period preceding the submission of the Share Purchase Statement, and (6) an outline of the proposed Large-scale Share Purchase. The Share Purchase Statement must be in the Japanese language.

Upon the submission by a Large-scale Share Purchaser of a Share Purchase Statement, the Company will promptly disclose to the shareholders of the Company such matters as have been deemed by the Board of Directors and/or the Independent Committee to be appropriate, in accordance with the applicable Laws and Regulations and the rules of the relevant stock exchanges.

## 2.3. Additional information required from Large-scale Share Purchasers

Within ten business days of the date of receipt (but not including the date of receipt) by the Board of Directors of the Share Purchase Statement, the Large-scale Share Purchaser will be required to submit the information listed in (i) to (viii) below (collectively, the “Large-scale Share Purchase Information”) to the Board of Directors (however, the information mentioned in (viii) shall be submitted within a reasonable period fixed by the Board of Directors in each case). Upon receipt of the Large-scale Share Purchase Information the Board of Directors will promptly provide the same to the Independent Committee.

If the Board of Directors or the Independent Committee determines that based only on the information provided by the Large-scale Share Purchaser it would be difficult for the shareholders of the Company to appropriately determine how to respond to the proposed Large-scale Share Purchase or for the Board of Directors and the Independent Committee to reach an opinion against or in favor of the Large-scale Share Purchase (“Opinion-making”) or to formulate an alternative plan (“Alternative-formulating”), then the Board of Directors or the Independent Committee may demand that the Large-scale Share Purchaser provide such additional information as is necessary for Opinion-making and Alternative-formulating by the Board of Directors and the Independent Committee, setting a reasonable submission period (of not more than sixty (60) days from (but excluding) the date of receipt by the Board of Directors of the Share Purchase Statement), and disclosing to shareholders the specific period so decided and the reasons for such reasonable period being deemed necessary. In such cases, however, as a general rule the Board of Directors will accept and follow the opinion of the Independent Committee unless there are exceptional circumstances, such as when it is reasonably likely that acting in accordance with the opinion of the Independent Committee could constitute a breach of a director’s duty of care.

When the Board of Directors or the Independent Committee determines that the provision of the Large-scale Share Purchase Information has been completed, the Company will notify shareholders to such effect in a timely and appropriately manner and in accordance with the applicable Laws and Regulations as well as relevant stock exchange rules. In addition, subject to the decision of the Board of Directors, in accordance with applicable Laws and Regulations and relevant stock exchange rules the Company will disclose to its shareholders those parts of the Large-scale Share Purchase Information that are considered necessary for them to appropriately determine how to respond to the proposed Large-scale Share Purchase, as a general rule such disclosure to be in a timely and appropriate manner. In this case, however, as a general rule the Board of Directors shall accept and follow the opinion of the Independent Committee unless there are exceptional circumstances, such as when it is reasonably likely that acting in accordance with the opinion of the Independent Committee could constitute a breach of a director’s duty of care.

Large-scale Share Purchase Information under the Plan and any other notices to and communications with the Company must be in the Japanese language.

- (i) A summary description (including the name, capital composition, capital contribution ratio, financial condition, whether they have committed any violations of any law or regulation in the past ten (10) years (including a brief description of such violations, if any), the names of and career summaries for board members and officers, and whether any of them have violated any laws or regulation (including a brief description of such violations, if any)) of the Large-scale Share Purchaser and its group (including the major shareholders and capital contributors, and material subsidiaries and affiliates; and if the Large-scale Share Purchaser is a fund or a business related to fund investments including its major members, capital investors (whether direct or indirect), other constituent elements, managing partners, and advisors who regularly give advice on investments).
- (ii) The purpose, method and substance of the Large-scale Share Purchase (including the type and number of Share Certificates, etc., of the Company subject to the Large-scale Share Purchase, the type and amount of the consideration to be paid for the Large-scale Share Purchase, the timing of the Large-scale Share Purchase, the details of any related transaction(s), the legality of the manner of the Large-scale Share Purchase, whether there are any conditions to the execution of the Large-scale Share Purchase and if so the details thereof, the feasibility of the Large-scale Share Purchase and related transactions, and whether the Company’s Shares are expected to be delisted upon completion of the Large-scale Share Purchase and if so the reason. In connection with the legality of the manner of the Large-scale Share Purchase, a written opinion prepared by a qualified attorney must also be submitted).

- (iii) Whether there have been any communications of intent (including, without limitation, communications of intent regarding any “act of making an important suggestion, etc.” (as defined in Article 27-26, Paragraph (1) of the FIEA)) to third parties in connection with the Large-scale Share Purchase and the specific manner and substance of such communication of intent, if any.
- (iv) The basis of and background to the calculation (including the facts and assumptions underlying the calculation, the manner of calculation, information regarding the entity performing the calculation, the information about the numbers used in the calculation together with the amount of any synergy or dis-synergy effect anticipated to result from the series of transactions relating to the Large-scale Share Purchase included in the calculation and the basis thereof) of the purchase price and the transactions relating to the Large-scale Share Purchase.
- (v) Specific names, method of procuring funding, conditions for funding and proof of the financial resources for the purchases (etc.) involved in the Large-scale Share Purchase (including the specific names of funding providers (including substantial providers, whether direct or indirect), the manner of fund procurement, any conditions attached to the provision of funding, whether there are any collateral and/or covenant requirements that apply after funding and if so, the details thereof, and the details of any related transactions).
- (vi) The management policies, business, financial, funding and investment plans, capital and dividend policies, and other relevant policies and plans that would be implemented for the USS Group after the completion of the Large-scale Share Purchase (including, without limitation, plans for the sale, collateralization or other disposition of any business or asset of the Company after the completion of the Large-scale Share Purchase), and the post- Large-scale Share Purchase completion policies for dealing with the USS Group’s customers, business partners, officers, employees, local authorities where the Company’s business offices or other establishments are located, and other parties having an interest in the Company.
- (vii) The prospects for maintaining in force domestic or foreign permissions, licenses and authorizations that are necessary in connection with the management of the USS Group and for compliance with relevant domestic or foreign Laws and Regulations after the completion of the Large-scale Share Purchase.
- (viii) Other information that the Board of Directors or the Independent Committee reasonably determines to be necessary and requests the Large-scale Share Purchaser to submit, generally within ten business days from (but not including) the date of receipt by the Board of Directors of a complete and complying Share Purchase Statement.

#### 2.4. Procedure when a Large-scale Share Purchase is commenced or executed without the submission of a Share Purchase Statement or the provision of Large-scale Share Purchase Information

If a Large-scale Share Purchase is commenced or executed without the Large-scale Share Purchaser submitting a Share Purchase Statement to the Representative Director and President of the Company or completing the provision of Large-scale Share Purchase Information to the Board of Directors, as a general rule the Independent Committee will recommend to the Board of Directors that countermeasures (as described in 2.12 below) against the Large-scale Share Purchase be triggered, unless it is clear that not triggering such countermeasures is necessary in order to protect and enhance the Company’s corporate value and the collective interests of its shareholders, or other exceptional circumstances exist.



## 2.5. Independent Committee's evaluation of Abusive Acquisitors

If the Large-scale Share Purchaser complies with the procedures set forth in the Plan, as a general rule the Independent Committee will recommend to the Board of Directors that countermeasures against the Large-scale Share Purchase not be triggered.

That said, however, even if the procedures set forth in the Plan have been complied with, the Independent Committee will still evaluate whether the Large-scale Share Purchaser is an Abusive Acquirer. "Abusive Acquirer" refers to a person with respect to whom there are reasonable grounds for believing any of the following apply:

- (i) They are purchasing or seeking to purchase the Company's Shares without intending to participate in the management of the Company, but instead for the purpose of boosting the share price and thereafter having their shares purchased back by parties related to the Company (*i.e.*, they are a so-called "green-mailer"), or otherwise acquiring the Company's Shares mainly for the purpose of realizing short-term profits.
- (ii) Their principle motivation for participating in the Company's management is to obtain temporary control of such management in order to transfer to themselves or their group companies intellectual property rights, know-how, confidential corporate information, key business relationships or customers (etc.) that are important to the Company's business operations.
- (iii) They are acquiring or seeking to acquire shares with the intent of, after taking control of the Company, improperly diverting its assets for use as collateral or a source of repayment of obligations incurred by them or their corporate group.
- (iv) Their reason for seeking to participate in the management of the Company is mainly in order to temporarily control the management so as to cause the Company to sell or otherwise dispose of high value assets, such as real estate or securities, that are not currently relevant to the Company business and to use the proceeds of such dispositions to temporarily pay increased dividends and/or sell their shares at an inflated price resulting from such temporarily increased dividends (Note 12).
- (v) There are objective and reasonable grounds for determining that the conditions proposed for the acquisition of the Company's Shares (the type, amount, and basis for calculating the consideration for such acquisition, other details, the timing, method, legality, feasibility, etc.) proposed by the Large-scale Share Purchaser are inadequate or inappropriate in light of the Company's corporate value or the collective interests of its shareholders.
- (vi) The manner of acquisition proposed by the Large-scale Share Purchaser is so structurally oppressive that it would limit the shareholders' opportunities or freedom to make a decision, such as being a two-stage purchase (a scheme in which if the first stage purchase fails to result in the acquisition of all shares, the terms of the second stage purchase are less favorable or unclear, or the purchase is conducted in a way that would give rise to uncertainties about the future liquidity of the Company's shares due to possible delisting (etc.)), so that the Company's shareholders would essentially be being compelled into accepting the purchase).
- (vii) The Large-scale Share Purchaser's acquisition of control is expected to result in significant damage to or impairment of corporate value, or there are reasonable grounds for believing that it could impair the Company's ability to maintain and increase its corporate value; or it is determined that the acquisition of control by the Large-scale Share Purchaser would result in a lower medium- to long-term corporate value than when compared to if such acquisition of control by the Large-scale Share Purchaser did not occur.

(viii) Any situation analogous to any of those in (i) through (vii) when it is determined that the Company's corporate value and/or the collective interests of shareholders would be significantly impaired.

(Note 12) For example, even if a Large-scale Share Purchaser intends to collateralize the assets of the target company to secure their obligations or to dispose of idle assets of the target company and use the proceeds of such disposal to pay increased dividends, such Large-scale Share Purchaser would not be deemed an Abusive Acquirer solely on the grounds that such Large-scale Share Purchaser's intention technically fits the definition of an Abusive Acquirer, or would adversely affect the interests of stakeholders other than the shareholders.

## 2.6. Procedure when it is determined that a Large-scale Share Purchaser is an Abusive Acquirer

If the Independent Committee deems a Large-scale Share Purchaser to be an Abusive Acquirer, and judges that triggering of countermeasures against the applicable Large-scale Share Purchase is appropriate, the Independent Committee will recommend to the Board of Directors that countermeasures be triggered against such Large-scale Share Purchase irrespective of whether the Board Evaluation Period (as defined in 2.7 below) has commenced or expired.

With respect to the procedure for disclosing such recommendation and the procedure for the subsequent repeat of such recommendations, 2.9. A. (i) below will apply analogously.

## 2.7. Fixing of Board Evaluation Period

The Board of Directors will designate a period as per (i) or (ii) below (such period to run from (but not include) the day on which the Company discloses the determination by the Board of Directors or the Independent Committee that the provision of the Large-scale Share Purchase Information has been completed) based on the substance of the Large-scale Share Purchase as disclosed by the Large-scale Share Purchaser, such period to be used for evaluating, discussing, Opinion-making, Alternative-formulating and negotiations (etc.) with the Large-scale Share Purchaser (the "Board Evaluation Period"). Unless otherwise specified in the Plan, a Large-scale Share Purchase may not be commenced or executed until the Board Evaluation Period has expired.

The Board Evaluation Periods have been set to reflect the difficulty of the evaluation and consideration of the business performance of the Company, as well as the level of difficulty of Opinion-making and Alternative-formulating.

(i) In the case of a cash(yen)-only purchase of all of the Share Certificates, etc. of the Company : up to sixty (60) days.

- (ii) In the case of Large-scale Share Purchases other those covered by (i): up to ninety (90) days.

During the Board Evaluation Period, based on the Large-scale Share Purchase Information received from the Large-scale Share Purchaser the Board of Directors will conduct an evaluation, discussions, Opinion-making, Alternative-formulating, negotiations with the Large-scale Share Purchaser and other related activities with a view to protecting and enhancing the Company's corporate value and the collective interests of its shareholders. In conducting such activities, as a general rule the Board of Directors shall seek the advice of third-party professionals (e.g., financial advisors, attorneys and certified public accountants) who are independent from the Board of Directors.

If, due to reasons such as the Independent Committee being unable to issue a recommendation within the Board Evaluation Period as set forth in 2.9 below, the Board of Directors is during the Board Evaluation Period unavoidably unable to pass a resolution on whether to trigger countermeasures, then the Board of Director or the Independent Committee may extend the Board Evaluation Period by up to thirty (30) days (excluding the first day) to the extent necessary. If the Board of Directors or the Independent Committee extends the Board Evaluation Period, the Company will disclose to its shareholders the specific period so decided and the reason(s) for the necessity of such additional period in a timely and appropriate manner in accordance with the applicable Laws and Regulations and relevant stock exchange rules.

## 2.8. Procedure when a Large-scale Share Purchase is commenced during the Board Evaluation Period

If the Independent Committee determines that a Large-scale Share Purchaser has commenced a Large-scale Share Purchase during the Board Evaluation Period, as a general rule the Independent Committee shall recommend to the Board of Directors that it trigger countermeasures unless it is clear that not triggering such countermeasures is necessary in order to protect and enhance the Company's corporate value and the collective interests of its shareholders, or other extraordinary circumstances exist.

## 2.9. Independent Committee recommendation procedure

### A. Independent Committee Recommendation

During the Board Evaluation Period, the Independent Committee shall make a recommendation to the Board of Directors with respect to the Large-scale Share Purchase in accordance with (i) through (iii) below:

- (i) Independent Committee recommendation to trigger countermeasures

Except as otherwise set forth in the Plan, if the Large-scale Share Purchaser violates the procedure prescribed in the Plan in any material respect and such violation is not remedied within ten business days after (but not including) the date written notice demanding remediation of such violation is given to the Large-scale Share Purchaser by the Board of Directors, and if the triggering of countermeasure against the Large-scale Share Purchase is determined to be appropriate, then the Independent Committee shall as a general rule recommend to the Board of Directors that countermeasures be triggered against the Large-scale Share Purchase unless it is clear that not triggering such countermeasures is necessary in order to protect and enhance the Company's corporate value and the collective interests of its shareholders, or other exceptional circumstances exist. (Note that the Independent Committee may specify the nature of countermeasures and impose such conditions upon their triggering as it deems necessary.)

When such a recommendation has been made, the Company will disclose to its shareholders the Independent Committee's opinion and the reason(s) behind it as well as such other matters as the Board of Directors deems appropriate, in a timely and appropriate manner in accordance with applicable Laws and Regulations and relevant stock exchange rules. In addition, if necessary a summary of the deliberations of the Independent Committee resulting in the recommendation will also be disclosed to the Company's shareholders in a timely and appropriate manner.

Even after the Independent Committee has given to the Board of Directors a recommendation that countermeasures be triggered, if the applicable Large-scale Share Purchase is withdrawn or any other change occurs in the facts assumed in making such recommendation the Independent Committee may make to the Board of Directors a subsequent recommendation that the countermeasures be terminated or any other recommendation that it deems appropriate. In the case of such further recommendations of the Independent Committee, the Company will also disclose them to its shareholders in a timely and appropriate manner together with the reason(s) therefor as well as such other matters that the Board of Directors deems appropriate in accordance with applicable Laws and Regulations and relevant stock exchange rules. In addition, if necessary a summary of the proceedings of the Independent Committee resulting in such additional recommendation will also be disclosed to the Company's shareholders in a timely and appropriate manner .

(ii) Independent Committee Recommendation to confirm view of shareholders

If, as a result of the evaluation and consideration conducted by the Independent Committee, no obvious differences can be identified between the takeover proposals (including the proposed business plan of the USS Group, presented by the Large-scale Share Purchaser) and the business plan and other proposals of the USS Group presented by the Board of Directors, it will generally be difficult for the Independent Committee to determine whether it is desirable to trigger countermeasures for the purpose of protecting and enhancing the Company's corporate value and the collective interests of its shareholders. Accordingly in such situations as a general rule the Independent Committee will recommend to the Board of Directors that it seek to confirm the view of the Company's shareholders regarding the need to trigger countermeasures, the substance of such a countermeasures and other relevant matters be sought at a shareholders meeting. Upon such recommendation, the Company will disclose to its shareholders such matters that the Board of Directors deems appropriate, in a timely and appropriate manner and in accordance with the applicable Laws and Regulations and relevant stock exchange rules. In addition, if necessary a summary of the proceedings of the Independent Committee resulting in such recommendation will also be disclosed to the Company's shareholders in a timely and appropriate manner.

Even after the Independent Committee gives its recommendation to the Board of Directors to seek the view of the shareholders of the Company at a shareholders meeting, if the applicable Large-scale Share Purchase is withdrawn or any other change occurs in the facts assumed in making such recommendation the Independent Committee may make additional different recommendation to the Board of Directors as needed.

In the case of such further recommendations, the Company will also disclose to its shareholders in a timely and appropriate manner such further recommendations of the Independent Committee and the reason(s) thereof as well as such other matters that the Board of Directors deems appropriate in accordance with the applicable Laws and Regulations and relevant stock exchange rules. In addition, if necessary a summary of the proceedings of the Independent Committee resulting in such further recommendations will also be disclosed to the Company's shareholders in a timely and appropriate manner.

(iii) Independent Committee recommendation for other action

In addition to those mentioned above, the Independent Committee may at any time make recommendations to the Board of Directors of a nature the Independent Committee considers appropriate from the standpoint of maximizing the Company's corporate value and the collective interests of its shareholders, or a recommendation for the discontinuation or the suspension of the triggering of countermeasures in cases where doing so is permissible under relevant Laws and Regulations.

The procedures relating to the disclosure of such recommendations and subsequent recommendations shall be in accordance with 2.9.A (i) above, applied analogously.

B. Independent Committee recommendations to be respected by the Board of Directors

With respect to a planned Large-scale Share Purchase, on the basis of the Large-scale Share Purchase Information provided by the Large-scale Share Purchaser and other reliable objective data and information, the Board of Directors will conduct an evaluation, consideration, Opinion-making, Alternative-formulating and negotiations with the Large-scale Share Purchaser from the standpoint of protecting and enhancing the Company's corporate value and the collective interests of its shareholders. Unless there are exceptional circumstances, such as when it is reasonably likely that acting in accordance with the opinion of the Independent Committee could constitute a breach of a director's duty of care (for example when in the course of its evaluation and deliberations the Board of Directors determines that the recommendation (which for purposes of this section B includes further recommendations) of the Independent Committee is based on material and careless mistakes regarding the underlying facts or was made based on an unreasonable process), as a general rule the Board of Directors will follow the recommendation of the Independent Committee and will adopt such board resolutions as are necessary to, among other things to trigger or not trigger countermeasures, suspend the triggering of countermeasures, discontinue countermeasures that have been triggered, and/or convene a shareholders meeting.

If such resolutions are adopted, the Company will disclose to its shareholders such matters as are considered by the Board of Directors to be appropriate in a timely and appropriate manner, in accordance with applicable Laws and Regulations and relevant stock exchange rules.

Note that price volatility risk associated with the Company's share price may result when the Board of Directors triggers countermeasures in accordance with an Independent Committee recommendation, or when the allotment of Share Options(as defined in 2.12 below) is suspended or share options are acquired.

## 2.10. Procedure for seeking the view of Shareholder Meeting

Upon a recommendation made by the Independent Committee to confirm the view of the shareholders of the Company at a shareholders meeting as discussed in 2.9.A. (ii) above, the Board of Directors shall without delay follow the procedures for convening a shareholders' meeting in accordance with the provisions of relevant Laws and Regulations as well as the Company's Articles of incorporation.

A resolution expressing the view of the Company's shareholders in favor of or against the triggering countermeasures against a Large-scale Share Purchase and the details of such countermeasures may be passed at a shareholders meeting attended by shareholders accounting for a majority of the total voting rights held by voting shareholders, if approved by a majority of the voting rights represented by shareholders in attendance.

When a resolution in favor of triggering countermeasures against a Large-scale Share Purchase and the details of such countermeasures are approved at such a shareholders' meeting, the Board of Directors shall trigger such countermeasures in accordance with the resolution of such shareholders meeting. When the Board of Directors passes a resolution with respect to triggering countermeasures, the Company will disclose to the shareholders of the Company such matters as the Board of Directors deems appropriate in a timely and appropriately manner, in accordance with the applicable Laws and Regulations and relevant stock exchange rules.

In the case of a recommendation made by the Independent Committee to seek the view of the Company's shareholders at a shareholders meeting as per 2.9.A. (ii) above, the Large-scale Share Purchase may not be executed until such confirmation process has been completed.

## 2.11. Modification of Large-scale Share Purchase Information

If, after the disclosure of its determination that the provision of the Large-scale Share Purchase Information has been completed, the Board of Directors determines that there has been a material change in respect of the Large-scale Share Purchase Information, then the Board of Directors will disclose in a timely and appropriate manner said determination, the reason(s) therefor and other information that the Board of Directors deems appropriate in accordance with applicable Laws and Regulations and relevant stock exchange rules. Upon such disclosure the procedures carried out under the Plan with respect to the Large-scale Share Purchase up to such point (the "Pre-change Large-scale Share Purchase") which are being conducted premised upon the pre-change Large-scale Share Purchase Information shall be discontinued, and the Large-scale Share Purchase to be conducted on the basis of the post-change Large-scale Share Purchase Information shall be deemed as a Large-scale Share Purchase that is different from the Pre-change Large-scale Share Purchase, and the procedures under the Plan will be applied anew. As a general rule, however, in making such a determination the Board of Directors will follow the opinion of the Independent Committee unless there are exceptional circumstances, such as when it is reasonably likely that acting in accordance with the opinion of the Independent Committee could constitute a breach of a director's duty of care.

## 2.12. Substance of details of countermeasures

As a general rule, the Company anticipates using, the allotment of share options (shinkabu yoyakuken) without contribution as set forth in Articles 277 et seq. of the Companies Act (share options so allotted being referred to herein as "Share Options") as a countermeasure against a Large-scale Share Purchase under the Plan by the Company.

A summary of the terms of the allotment of Share Options to be made by the Board of Directors to shareholders as a specific countermeasure against a Large-scale Share Purchase is set forth in Exhibit 1 attached hereto. However, such Share Options may also be subject to exercise periods and conditions of exercise (e.g., a condition that a specified shareholders' group (Note 13) that includes the Large-scale Share Purchaser cannot exercise the Share Options unless specific exceptions apply) and/or an acquisition provision (specifying that a shareholder may be treated differently in terms of whether they will acquire Share Options (etc.), depending upon whether they are members of a specific shareholders' group that includes the Large-scale Share Purchaser) which reflect their expected effect (etc.) as a countermeasure.

(Note 13) The term "specified shareholders' group" collectively refers to (a) the Large-scale Share Purchaser, (b) persons in a special relationship set forth in (Note 6) or (Note 8) with the Large-scale Share Purchaser, (c) persons who have a relationship with a Contracted Financial Institution, etc., as set forth in (Note 2) and the Large-scale Share Purchaser, and (d) those designated by the Board of Directors of the Company as substantially controlling or being controlled by or acting jointly or cooperatively with any of the persons mentioned in (a) or (c) above.

### 3. Term, continuation, revocation and modification of the Plan

The Plan will expire on June 30, 2015. If, however, on June 30, 2015, a Large-scale Share Purchase has been executed or is going to be executed, then the term of the Plan will be automatically extended to the extent necessary to address such Large-scale Share Purchase. The Plan may also be revoked before June 30, 2015 if: (i) the Company's general meeting of shareholders approves a proposal to revoke it; or (ii) the Board of Directors adopts a resolution to revoke it. It is thus possible to revoke the Plan at any time in accordance with the views of the shareholders of the Company.

Note also that in Article 20, Paragraph 1 of its Articles of incorporation, the Company provides that the term of office of each of its directors shall expire at the conclusion of the annual general meeting of shareholders in respect of the fiscal year ending within one year after such director's appointment. It is planned that the agenda item for the appointment of directors for each annual general meeting of shareholders will include disclosure regarding whether each director candidate is for or against the Plan. Accordingly, the shareholders will be able to express their view regarding the continuation, revocation or modification of the Plan through the appointment of the proposed slate of directors at each annual general meeting of shareholders.

At its first meeting after the conclusion of the Company's annual general meeting of shareholders, the Board of Directors will deliberate and pass a resolution regarding the continuation, revocation or modification of the Plan.

With the approval of the Independent Committee the Board of Directors of the Company may also revise or modify the Plan if necessary to the extent considered reasonably necessary to reflect new, amended or repealed applicable Laws or Regulations or relevant stock exchange rules or as is appropriate for the purpose of modifying words or phrases to fix typographical errors (etc.).

Upon a resolution being adopted for the revocation or modification (etc.) of the Plan, the Company will disclose to its shareholders such matters as the Board of Directors deems appropriate in a timely and appropriate manner and in accordance with the applicable Laws and Regulations and relevant stock exchange rules.

#### 4. Independent Committee

With regard to the takeover countermeasures under the Plan, in order to preclude arbitrary decision-making by the Board of Directors regarding whether they should be triggered, the Company has established an independent committee (the “Independent Committee”) [of the Board of Directors] comprised of three or more members appointed from among the Company’s outside directors.

The name and career summary of each member of the Independent Committee are as shown in Exhibit 2 attached hereto.

As a general rule, resolutions of the Independent Committee will be adopted by a majority vote at a committee meeting at which all members are in attendance. However, if a member is unavoidably unable to attend, committee resolutions may be passed by the majority vote of a meeting at which a majority of the members are in attendance. A summary of the deliberations resulting in a recommendation or any other action will be disclosed to the shareholders of the Company as necessary in a timely and appropriate manner.

#### 5. Effect upon shareholders and investors

##### 5.1. Effect upon shareholders and investors when the Plan becomes effective

No Share Options will be issued at the time the Plan comes into effect. Accordingly, the rights and economic interests of the Company’s shareholders and investors will not be directly or concretely impacted.

##### 5.2. Effect upon shareholders and investors when Share Options are allotted

Pursuant to the Plan the Board of Directors may take measures against a Large-scale Share Purchase for the purpose of protecting and enhancing the Company’s corporate value and the collective interests of its shareholders. However, under the measures currently anticipated there is not expected to be any direct or concrete impact on the rights and economic interests of the Company’s shareholders and investors (other than Large-scale Share Purchasers who violate the Plan and persons in certain relationships with such purchaser). If the Company decides to use any of the other types of countermeasures available under the Companies Act, other Laws and Regulations or the Articles of incorporation of the Company as described in 2.12 above, depending on the nature of such countermeasure it is possible that the rights or economic interests of the Company’s shareholders and investors may be affected by the triggering of such countermeasures. Furthermore, even when the Board of Directors has resolved to make an allotment of Share Options, if the Board of Directors subsequently decides to discontinue the triggered countermeasure or suspend the triggering of them in accordance with the procedures (etc.) described forth in Section 2.9, it is possible that the price of the Company’s Shares will be affected accordingly. For example, if after the scope of shareholders entitled to receive Share Options has been confirmed the Company then suspends the triggering of such countermeasure and re-acquires all of the Share Options for no consideration and issues no new shares as a result, there will be no dilution of the per share economic value of the Company’s shares held by our shareholders and investors. As a result, shareholders and investors are asked to be aware that investors who have bought or sold Company Shares on the assumption that dilution will occur may suffer losses due to price fluctuations.

The procedure involving the Company’s shareholders by which allotted Share Options can be exercised or reacquired by the Company are as follows:



(i) Exercise of Share Options

In a situation in which the Company's shareholders exercise their Share Options, they will be required to pay a specified amount to acquire shares within a specified period. The details of these procedures will be notified separately in accordance with applicable Laws and Regulations when the Share Options are actually allotted.

(ii) Reacquisition of Share Options by the Company

When the Company re-acquires Share Options the shareholders holding such Share Options to be re-acquired will receive shares of the Company in exchange for the re-acquisition of the Share Options by the Company without needing to follow any of the procedures regarding the exercise of Share Options described in item (i) above. Note, however, that treatment may vary for members of specific shareholders' group which include a Large-scale Share Purchaser.

#### IV. Reasonableness of the Plan

As explained in more detail below, the Plan complies with the three principles formulated in the "Guidelines Regarding Takeover Defenses for the Purposes of the Protection and Enhancement of Corporate Value and Shareholders' Common Interests" (*Kigyokachi/kabunushi kyodo no rieki no kakuho mataha kojo no tame no baishu-boei-saku ni kansuru shishin*) jointly released by the Ministry of Economy, Trade and Industry ("METI") and the Ministry of Justice on May 27, 2005: ((i) the principle of the protecting and enhancing corporate value and the collective interests of shareholders; (ii) the principle of prior disclosure and respecting shareholders' views; and (iii) the principle of ensuring necessity and proportionality). The contents of the Plan also reflect recent theoretical debate and practical developments such as are reflected in "Takeover Defense Measures in Light of Recent Changes in Conditions" (*Kinji no shokankyo no henka wo fumaeta baishu-boei-saku no arikata*) released on June 30, 2008, by METI's Corporate Value Study Group. Furthermore, the Plan is consistent with the spirit of regulations (etc.) established by the Tokyo Stock Exchange relating to the adoption of takeover defense measures.

1. Protection and enhancement of corporate value and the collective interests of shareholders

As described in Section III.1. above, by requiring a Large-scale Share Purchaser to provide in advance necessary information and ensure an opportunity for consideration and negotiations in connection with a proposed Large-scale Share Purchase, the takeover defenses under the Plan will enable: (i) our shareholders to appropriately consider how to respond to the proposed Large-scale Share Purchase; (ii) the Board of Directors to present to the shareholders its opinion in favor or against the proposed Large-scale Share Purchase and/or an Alternative Proposal in accordance with the recommendation of the Independent Committee; and (iii) the Board of Directors to negotiate with the Large-scale Share Purchaser for the benefit of our shareholders. Thus, the takeover defense is aimed at protecting and enhancing the Company's corporate value and the collective interests of its shareholders.

2. Prior Disclosure

The Company is making advance disclosure of the Plan in order to enhance predictability for the Company's shareholders, investors and prospective Large-scale Share Purchasers and ensure they have an opportunity to make appropriate choices.

Hereafter the Company will continue to make timely and appropriate disclosures in accordance with applicable Laws and Regulations as well as relevant stock exchange rules.

3. Respecting the view of shareholders

At the 32nd Annual General Meeting of Shareholders held on June 26, 2012, a proposal titled “Amendments to large-scale purchase countermeasures (anti-takeover plan) and continuation of countermeasures” was submitted to shareholders and the approval of the Company’s shareholders concerning the Plan was received.

4. Creation of the Independent Committee

As discussed in III.4 above, the Independent Committee has been established in order to ensure the transparency and fairness of decisions against or in favor of a Large-scale Share Purchase, and to prevent arbitrary decisions by the Board of Directors with respect to the triggering of countermeasures (etc.) under the Plan. As a general rule, when passing a resolution relating to the triggering of countermeasures the Board of Directors will accept and follow the recommendation of the Independent Committee except in exceptional circumstances, such as when it is reasonably likely that acting in accordance with the opinion of the Independent Committee could constitute a breach of an individual director’s duty of care .

5. Retaining outside experts

As set forth in Section III.2.7 above, in connection with triggering countermeasures as a general rule the Board of Directors will seek the advice of third-party professionals (e.g., financial advisors, attorneys and certified public accountants) who are independent from the Board of Directors. This will help ensure the objectivity and reasonableness of the decisions of the Board of Directors.

6. Confirmation of shareholders’ views through the election of directors

As discussed in Section III.3 above, Article 20, Paragraph 1 of the Company’s Articles of incorporation provides for the term of office of each of its directors to expire at the conclusion of the annual general meeting of shareholders in respect of the fiscal year ending within one year of such director’s appointment. Therefore the view of the Company’s shareholders regarding whether to revoke the Plan will be confirmed through the election of the slate of directors at each annual general meeting of shareholders.

7. The Plan is not a “dead-hand” or “slow hand” takeover defense

As discussed in Section III.3 above, the Plan can be revoked at any time by a general meeting of the Company’s shareholders or by the Board of Directors comprised of directors all of whom are appointed at the same general meeting of shareholders. Therefore, the Plan is not a so-called “dead hand” defense (a takeover defense measure that cannot be prevented even after a majority of the members of the board of directors have been replaced) or “slow-hand” defense (a takeover defense measure that takes substantial time to prevent the triggering of due to the inability to replace all of the directors at one time) takeover defense.

(Exhibit 1)

**Summary of Share Option Plan (if allotted)**

1. Shareholders eligible for allotment  
Share Options will be allotted without contribution to shareholders listed in the Company's shareholder register as of the record date fixed by the Board of Directors in proportion to the number of shares held by each of such shareholders (but not in respect of treasury shares held by the Company) at the ratio of one Share Option per share.
2. Type and number of shares subject to a Share Option  
The type of shares of the Company underlying the Share Options shall be common shares, and one common share shall be issued upon the exercise of one Share Option.
3. Effective date of allotment of Share Options  
The effective date of the allotment shall be separately fixed by the Board of Directors.
4. Amount of capital contributed upon exercise of Share Options  
The capital contribution to be made upon the exercise of a Share Option shall be cash in the amount of at least one yen per common share.
5. Restrictions on the transfer of Share Options  
The approval of the Board of Directors is required to acquire Share Options by transfer.
6. Conditions for the exercise of Share Options  
The conditions for exercising Share Options will be separately established by the Board of Directors (for example, there may be conditions which do not permit the exercise of Share Options by persons belonging to specific shareholders' groups that include a Large-scale Share Purchaser unless specific exceptions apply).
7. Re-acquisition of Share Options by the Company  
Subject to the occurrence of the date on which a Large-scale Share Purchaser violates the procedures set forth in the Plan or certain other events occur or a date otherwise set by the Board of Directors, in accordance with a resolution of the Board of Directors, the Board of Directors may attach conditions to re-acquisition of a nature which result in differing treatment depending upon affiliation with a specific shareholders' group that includes a Large-scale Share purchaser.

8. Re-acquisition of Share Options without compensation (reasons for revoking countermeasures)

The Company has the right to re-acquire all of the Share Options without compensation, if:

- (a) the proposed purchase by the Large-scale Share Purchaser is approved by an ordinary resolution of a general meeting of shareholders of the Company;
- (b) there is a unanimous decision to such effect by the Independent Committee of the Company; or
- (c) such re-acquisition is otherwise separately authorized by the Board of Directors.

9. Exercise period for Share Options

The exercise period and other details of the Share Options shall be as separately determined by the Board of Directors.

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(Exhibit 2)

### **Independent Committee: Names and Career Summaries of Members**

Outside Director: Mr. Hideo Okada

Mr. Okada joined Nihon Kogyo Shimbun Co., Ltd. in 1965, served as Division Manager (*jigyo bucho*) and Department Manager (*jigyo kyokuchō*), was appointed as Director in 1997, Managing Director (*jōmu torishimariyaku*) in 2002, Advisor (*komon*) in 2005 and Event Advisor (incumbent) in 2009. He was also appointed as an advisor to the Steering Committee for Japan Council for Renewable Energy, in June 2011 and Special Advisor to the Secretariat Office of the Steering Committee in April 2012 (incumbent). He has been an outside director of the Company since June 2006.

Mr. Okada, was asked to become an outside director so that the Company's management could benefit from his considerable experience as a former executive officer and his in-depth insights based on his experience in the publication of newspapers focused on the economy and industry.

Outside Director: Mr. Isamu Hayashi

Mr. Hayashi joined Chuo Shintaku Ginko Kabushiki Kaisha (presently, the Sumitomo Mitsui Trust Bank, Limited) in 1968, served as Chief Examiner of the Legal Section of Transfer Agent Department (*shoken daikobu homuka shunin chosayaku*) in 1985, Chief of the Legal Section of Transfer Agent Department in 1995, Deputy General Manager of the Transfer Agent Department (in charge of legal matters) in October 1996 and retired in 2000. He then assumed a position as Associate Professor in the Faculty of Business Management at Osaka Sangyo University in 2000 and was promoted to Professor in 2004 (and retired from the position in March 2014). At Osaka Sangyo University he specializes in the Commercial Code and the Companies Act. He has been an outside director of the Company since June 2006.

Mr. Hayashi was asked to become an outside director so that the Company's management could benefit from his considerable experience and in-depth insight as a legal scholar.

Outside Director: Mr. Satoru Madono

Mr. Madono joined The Export-Import Bank of Japan (now Japan Bank for International Cooperation) in 1971, served as Manager of the Project Finance Division, Manager of the International Examination Division (*kokusai shinsa buchō*), Counsel (*shingiyaku*), and retired in 2002. In the same year he assumed a position as a professor at the Faculty of International Economics (presently the Faculty of Economics) of Reitaku University, and became specially appointed professor in April 2013 (incumbent). He also incorporated Kabushiki Kaisha IJIC, Inc. and does corporate consulting. He has been an outside director of the Company since June 2006.

During his career at Japan Bank for International Cooperation, he served as a visiting consultant to Bechtel Corporation and, Dillon, Read & Co. in the USA and as a visiting professor and a part-time lecturer in project finance at Tokyo University of Agriculture and Technology, the University of Tokyo, and International Christian University.

In addition, in 1999 he became the first Japanese to be awarded a medal by the Ukrainian government for his accomplishments in technical assistance for the economic reconstruction of Ukraine (assistance in reform of Export-Import Bank of Ukraine). In 2001, upon the 10th anniversary of the establishment of diplomatic relations between Japan and Ukraine, he received another award from the Ukrainian government for being the Japanese person who has contributed most in building a relationship between the two countries.

In respect to Mr. Satoru Madono, we asked him to become an Outside Director in order to reflect in the Company's management his in-depth insight as an economist and his considerable experience as a former Counsel (*shingiyaku*) of Japan Bank for International Cooperation.

Outside Director: Mr. Koji Sato

Mr. Sato passed the National Bar Examination in 1988 and registered as a member of the Nagoya Bar Association (now The Aichi Bar Association) in 1991. He established his own law firm in 1995 and was the Deputy Chairman of The Aichi Bar Association from April 2009 to March 2010. He has been an outside statutory auditor for Shokubun Co., Ltd. from June 2011. He has been an outside director of the Company since June 2006.

The Company has asked Mr. Sato to be an outside director so that the Company's management may benefit from his in-depth insight with regard to management in addition to his technical perspective as a lawyer.

- (Notes)
1. The Company has designated the above four persons as independent directors in accordance with the respective regulations of the Tokyo Stock Exchange and the Nagoya Stock Exchange and has notified their respective details to such stock exchanges.
  2. The above four persons receive no funds from the Company other than their remuneration as outside directors.

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**Consolidated Balance Sheet**

**(As of March 31, 2014)**

(Millions of yen)

Item (Assets)	Amount	Item (Liabilities)	Amount
<b>Current assets</b>	<b>60,477</b>	<b>Current liabilities</b>	<b>25,536</b>
Cash and deposits	46,318	Payables due to member dealers at auctions	11,852
Receivables due from member dealers at auctions	8,701	Notes and accounts payable - trade	641
Notes and accounts receivable - trade	2,975	Short-term loans payable	80
Inventories	1,077	Lease obligations	29
Prepaid expenses	161	Income taxes payable	7,254
Deferred tax assets	785	Deposits received	2,461
Other	506	Provision for bonuses	583
Allowance for doubtful accounts	△47	Other	2,632
<b>Noncurrent assets</b>	<b>103,704</b>	<b>Noncurrent liabilities</b>	<b>6,423</b>
<b>Property, plant and equipment</b>	<b>92,337</b>	Long-term loans payable	549
Buildings and structures	31,249	Lease obligations	10
Machinery, equipment and vehicles	866	Long-term accounts payable - other	330
Tool, Furniture and fixtures	1,490	Deferred tax liabilities for land revaluation	417
Land	57,659	Net defined benefit liability	88
Lease assets	90	Long-term guarantee deposited	4,331
Construction in progress	980	Asset retirement obligations	694
<b>Intangible assets</b>	<b>1,068</b>	<b>Total liabilities</b>	<b>31,959</b>
Goodwill	5	(Net assets)	
Other	1,062	<b>Shareholders' equity</b>	<b>136,587</b>
<b>Investments and other assets</b>	<b>10,299</b>	<b>Capital stock</b>	<b>18,881</b>
Investment securities	1,259	<b>Capital surplus</b>	<b>19,029</b>
Long-term loans receivable	15	<b>Retained earnings</b>	<b>137,667</b>
Long-term prepaid expenses	225	<b>Treasury stock</b>	<b>△38,990</b>
Deferred tax assets	1,132	<b>Accumulated other comprehensive income</b>	<b>△5,117</b>
Deferred tax assets for land revaluation	2,930	<b>Valuation difference on available-for-sale securities</b>	<b>206</b>
Real estate for investment	3,515	<b>Revaluation reserve for land</b>	<b>△5,324</b>
Other	1,290	<b>Subscription rights to shares</b>	<b>242</b>
Allowance for doubtful accounts	△70	<b>Minority interests</b>	<b>510</b>
<b>Total assets</b>	<b>164,182</b>	<b>Total net assets</b>	<b>132,223</b>
		<b>Total liabilities and net assets</b>	<b>164,182</b>

**Consolidated Statement of Income**  
**(From April 1, 2013 to March 31, 2014)**

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>67,949</b>
<b>Cost of sales</b>		<b>26,459</b>
<b>Gross profit</b>		<b>41,489</b>
Selling, general and administrative expenses		8,811
<b>Operating income</b>		<b>32,678</b>
<b>Non-operating income</b>		
Interest and dividends income	50	
Real estate rent	480	
Other	166	697
<b>Non-operating expenses</b>		
Interest expenses	3	
Rent cost of real estate	85	
Other	24	114
<b>Ordinary income</b>		<b>33,261</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	37	
Gain on sales of investment securities	42	80
<b>Extraordinary losses</b>		
Loss on sales and retirement of noncurrent assets	241	
Impairment loss	413	
Other	24	679
<b>Income before income taxes and minority interests</b>		<b>32,662</b>
Income taxes - current	12,462	
Income taxes – deferred	57	12,520
<b>Income before minority interests</b>		<b>20,141</b>
Minority interests in income		190
<b>Net income</b>		<b>19,951</b>



**Consolidated Statement of Changes in Net Assets**

**(From April 1, 2013 to March 31, 2014)**

(Millions of yen)

	Shareholders' equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,881	18,969	125,599	△39,177	124,273
Changes of items during the period					
Dividends from surplus	—	—	△7,889	—	△7,889
Net income	—	—	19,951	—	19,951
Purchase of treasury stock	—	—	—	△0	△0
Disposal of treasury stock	—	60	—	187	247
Reversal of revaluation reserve for land	—	—	5	—	5
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	60	12,067	186	12,314
Balance at the end of current period	18,881	19,029	137,667	△38,990	136,587

	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income			
Balance at the beginning of current period	158	△5,319	△5,160	237	327	119,676
Changes of items during the period						
Dividends from surplus	—	—	—	—	—	△7,889
Net income	—	—	—	—	—	19,951
Purchase of treasury stock	—	—	—	—	—	△0
Disposal of treasury stock	—	—	—	—	—	247
Reversal of revaluation reserve for land	—	—	—	—	—	5
Net changes of items other than shareholders' equity	48	△5	42	5	183	231
Total changes of items during the period	48	△5	42	5	183	12,546
Balance at the end of current period	206	△5,324	△5,117	242	510	132,223

## Notes on consolidated financial statements

### I. Basis for preparation of consolidated financial statements

1. Matters related to the scope of consolidation

Number of consolidated subsidiaries: 6

All subsidiaries have been consolidated. Corporate names of consolidated subsidiaries are disclosed in “1. Matters relating to the current state of the Company Group, (7) Major parent company and subsidiaries, 2) Major subsidiaries.” (page 7) in Business Report of Notice of the 34th Annual General Meeting of Shareholders.

2. Matters related to the application of the equity method

(1) There are no affiliates to which the equity method is applied.

(2) Number of affiliates to which the equity method is not applied: 2

(Info-carry Inc., Japan Bike Auction Co., Ltd.)

Because the effects and monetary importance of these companies' businesses are immaterial, the equity method has not been applied to these companies.

3. Matters related to the fiscal years of consolidated subsidiaries, etc.

The fiscal year-end of consolidated subsidiaries is the same as the one used in consolidated financial statements.

4. Matters related to material accounting policies

(1) Standards and methods of valuation of material assets

(i) Standards and methods of valuation of securities

Other securities

Those with market value	Market value method based on market prices at year-end (Valuation differences are included directly in net assets, and sales costs are calculated based on the moving average method.)
-------------------------	--

Those without market value	Cost method based on the moving average method
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(ii) Standards and methods of valuation of inventories

Cost method based on the moving average method (in which book value is reduced to reflect declines in profitability)  
However, the cost method based on the specific-identification method (in which book value is reduced to reflect declines in profitability) is used for vehicles, and the cost percentage method (in which book value is reduced to reflect declines in profitability) is used products in the recycling business.

- (2) Depreciation methods for important depreciable assets
- |   |  |
|---|--|
| Property, plant and equipment and real estate for investment (excluding lease assets) | Declining-balance method<br>However, the straight-line method is used for buildings (excluding equipment installed in buildings) acquired on or after April 1, 1998. |
| Intangible assets (software)  | The straight-line method based on the in-house period of use (five years) is used.   |
| Lease assets  | Depreciation is based on the straight-line method with the lease term as the useful life and a residual value of zero.   |
- (3) Standards of accounting for important allowances and reserves
- |   |  |
|---|--|
| Allowance for doubtful accounts                         | To prepare for bad debt losses, the following methods are used.  |
| General claims  | Method based on actual bad debt rates  |
| Possible bad debts and claims in bankruptcy proceedings | Method of evaluating financial conditions  |
| Provision for bonuses                                   | To prepare for the payment of bonuses to employees, the Company posts the current year's portion of the estimated bonuses. |
- (4) Accounting method relative to retirement benefits
- Some consolidated subsidiaries adopt the simplified method, according to which the amount that would be required to be paid if all eligible employees voluntarily terminated their employment at the end of the corresponding fiscal year shall be deemed as the retirement benefits obligations in calculating "Net defined benefit liability" and "Retirement benefit expenses."
- (5) Matters related to goodwill amortization
- The Company amortizes goodwill evenly in a five-year period. However, if the amount is insignificant, the corresponding goodwill is recorded as an expense at the time of occurrence.
- (6) Other basic and important matters for the preparation of consolidated financial statements
- |  |                                   |
|--|-----------------------------------|
| Accounting for consumption taxes, etc. | The tax exclusion method is used. |
|--|-----------------------------------|

## II. Note related to changes in accounting estimate

(Change in number of useful years)

The Company decided to newly construct and remove its Okayama Auction Site during the consolidated fiscal year under review. In association therewith, the Company reviewed and reduced the useful lives of the relevant "Buildings and structures," "Furniture and fixtures" and "Intangible assets; Other (software)" installed at the existing site, certain assets expected to become unavailable after the scheduled removal, to the period up to the month of planned removal, and adopted such change for the years to come. Compared with the previous method, this change increased depreciation by 149 million yen in the current consolidated fiscal year, whereas operating income, ordinary income and income before income taxes and minority interests decreased by the same amount.

## III. Notes on the consolidated balance sheet

1. Inventories by category	(Millions of yen)
Merchandise and finished goods	727
Work in process	16
Raw materials and supplies	333

2. Cumulative depreciation for property, plant and equipment	43,872
Cumulative depreciation for real estate for investment	658

3. Revaluation of land

Based on the law related to the revaluation of land (Law No. 34 promulgated on March 31, 1998), the Company and some consolidated subsidiaries revalued land for business use. The Company and some consolidated subsidiaries posted tax on the revaluation difference as “deferred tax assets for land revaluation” or as “deferred tax liabilities for land revaluation” in assets and liabilities, respectively, and posted the margin as “revaluation reserve for land” in net assets.

Method of revaluation of land

The Company revalued land for business use by making reasonable adjustment of the valuation in the land tax ledger, as specified by Clause 10, Article 341 of the Local Tax Law, as outlined in Clause 3, Article 2 of the Order for Enforcement of the Act on Revaluation of Land (Ordinance No. 119 promulgated on March 31, 1998).

Date of revaluation:

March 31, 2002

(March 31, 2001 for CAR QUEST Co., Ltd.)

Difference between current market value at year-end and book value following revaluation:

(576) million yen

4. National government subsidies, etc.

In conjunction with the application of reduction entries for fixed assets acquired using national government subsidies, etc., the total reduction entry amounts that were deducted directly from the acquisition cost of fixed assets were 0 million yen for machinery, equipment and vehicles, 5 million yen for tools, furniture and fixtures and 150 million yen for land.

**IV. Notes on the consolidated statement of changes in net assets**

1. Matters related to the number of outstanding shares

Class of shares	Number of shares at the beginning of the current consolidated fiscal year	Increase in the number of shares during the current consolidated fiscal year	Decrease in the number of shares during the current consolidated fiscal year	Number of shares at the end of current consolidated fiscal year
Common stock	31,325,000	281,925,000	-	313,250,000

Note: Pursuant to a resolution adopted by the Board of Directors' meeting held on August 5, 2013, the Company conducted a 10-for-one share split for common stock as of October 1, 2013. Consequently, the total number of shares issued increased by 281,925,000.

2. Matters related to dividends from surplus

(1) Dividend payment and others

(i) Matters related to dividend based on the resolution at the 33rd Annual General Shareholders' Meeting on June 25, 2013

Total dividends 3,783 million yen

Dividend per share 146.00 yen

Date of record March 31, 2013

Effective date June 26, 2013

Note: Total dividends include dividends of 14 million yen for 98 thousand shares of the Company on the shareholder register held by the ESOP Trust.

(ii) Matters related to dividend based on the resolution at the Board of Directors' meeting on November 12, 2013

Total dividends	4,134 million yen
Dividend per share	159.50 yen
Date of record	September 30, 2013
Effective date	December 9, 2013

Notes: 1. Total dividends include dividends of 14 million yen for 89 thousand shares of the Company on the shareholder register held by the ESOP Trust.

2. As the date of record was September 30, 2013, the share split as of October 1, 2013, was not taken into account.

(2) Dividends that become effective in the following consolidated fiscal year among those whose date of record was within the current consolidated fiscal year

Total dividends	4,860 million yen
Dividend per share	18.75 yen
Date of record	March 31, 2014
Effective date	June 18, 2014
Dividend resource	Retained earnings

Note: Total dividends include dividends of 15 million yen for 820 thousand shares of the Company on the shareholder register held by the ESOP Trust.

### 3. Matters related to share warrant at the end of current consolidated fiscal year

	Type and number of stock	Date of grant
5th Stock Acquisition Rights	Common stock 45,300 shares	September 14, 2007
6th Stock Acquisition Rights	Common stock 52,500 shares	July 10, 2008
7th Stock Acquisition Rights	Common stock 97,500 shares	July 9, 2009
8th Stock Acquisition Rights	Common stock 71,600 shares	July 15, 2010
9th Stock Acquisition Rights	Common stock 86,700 shares	July 14, 2011
10th Stock Acquisition Rights	Common stock 68,600 shares	July 12, 2012
11th Stock Acquisition Rights	Common stock 48,000 shares	July 12, 2013

## V. Notes on Financial instruments

### 1. Status of financial instruments

The USS Group invests funds on a suitable scale and purchases financial assets that are extremely sound. In addition, bank loans are used to procure funds as required based on capital expenditure plans. Derivatives are used solely for the purpose of shielding the Company from risks associated with interest rate and other volatility associated with fund procurement and investment activities. Derivatives are never used for speculation.

Receivables due from member dealers at auction, which are a type of trade receivable, are vulnerable to credit risk associated with customers. The Company manages deadlines and balances for each member and takes steps to quickly identify concerns about collecting amounts due because of a decline in a member's financial condition or for some other reason and to reduce these concerns.

Stocks, bonds and investment trusts account for most investment securities. Investments are made either as pure investments or in association with business operations. These investments are vulnerable to credit risk linked to the issuers, interest rate volatility risk and market price volatility risk. The Company periodically examines market prices, the status of issuers and other items and constantly reviews its holdings.

Receivables due from member dealers at auction, which are a type of trade receivable, are all due within a short term.

Fair values of financial instruments are based on market values and, if there is no market value, on a value determined using a reasonable calculation. Since this calculation incorporates a variables, the resulting fair values may vary if different assumptions are used.

2. Fair values of financial instruments

Book values of financial instruments on the consolidated balance sheet, fair values and the differences between these amounts were as follows as of March 31, 2014 (the end of the consolidated fiscal year). This table does not include financial instruments where it is extremely difficult to determine a fair value (see Note 2) and financial instruments that do not have a material effect on the financial statements.

(Millions of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	46,318	46,318	-
(2) Receivables due from member dealers at auctions	8,701	8,701	-
(3) Investment securities			
Other securities	886	886	-
Total assets	55,906	55,906	-
(1) Payables due to member dealers at auctions	11,852	11,852	-
Total liabilities	11,852	11,852	-

(Note) 1: Method for calculating fair value of financial instruments.

**Assets**

(1) Cash and deposits

Since all these items are short-term instruments, the book values are used because the fair values are almost identical to the book values.

(2) Receivables due from member dealers at auctions

These items are shown at their book values since fair values are virtually the same as book values because all these items are settled within a short time.

(3) Investment securities

Exchange prices are used to evaluate the fair values of stocks, and publicly announced net asset values are used to evaluate the fair values of investment trusts.

Investment securities are held as other securities. The differences between the book values of these securities on the consolidated balance sheet and the acquisition cost are as follows.

(Millions of yen)

	Category	Book value	Acquisition cost	Difference
Book value exceeds acquisition cost	(1) Stocks	345	198	146
	(2) Others	440	237	203
	Sub-total	786	435	350
Acquisition cost exceeds book value	(1) Stocks	100	131	(31)
	(2) Others	-	-	-
	Sub-total	100	131	(31)
Total		886	567	319

Notes: 1. Acquisition cost in the above table is book value after deduction of impairment charges.

2. No impairment charges were recorded for any of the other securities that have a fair value in the fiscal year that ended on March 31, 2014.

3. There was no change in the purpose of holding any securities in the fiscal year that ended on March 31, 2014.

## **Liabilities**

### **(1) Payables due to member dealers at auctions**

These items are shown at their book values since fair values are virtually the same as book values because all these items are settled within a short time.

Note2: Unlisted stocks (book value of 372 million yen) are not included in "(3) Investment securities, Other securities," because they do not have any market price and for which future cash flows cannot not be estimated and it is extremely difficult to determine a fair value.

Note 3: Scheduled maturities of monetary claims following the end of the consolidated fiscal year

(Millions of yen)

	Within 1 year	1 year+ to 5 years	5 years+ to 10 years	More than 10 years
Cash and deposits	46,318	-	-	-
Receivables due from member dealers at auctions	8,701	-	-	-
Total	55,019	-	-	-

## **VI. Note on Rental real estate**

There is no note for rental real estate because the total value of such real estate is immaterial.

## **VII. Notes on per share data**

1. Net asset per share 509.72 yen
2. Net income per share 76.97 yen

Notes 1: Pursuant to a resolution adopted by the Board of Directors' meeting held on August 5, 2013, the Company conducted a 10-for-one share split for common stock as of October 1, 2013, however, "Net asset per share" and "Net income per share" were calculated assuming that the share split was conducted at the beginning of the consolidated fiscal year under review.

2: The number of shares at the end of the consolidated fiscal year under review, which was used to calculate the net assets per share for the 34th term, included 812 thousand shares of treasury stock held by the ESOP Trust.

3: The average number of shares of common stock outstanding during the consolidated fiscal year under review, which was used to calculate the net income per share for the 33rd term, included treasury stock held by the ESOP Trust.

## **VIII. Notes on important subsequent events**

Not applicable

## **IX. Other notes**

Figures are rounded down to the nearest whole unit.

**Non-Consolidated Balance Sheet**

(As of March 31, 2014)

(Millions of yen)

Item (Assets)	Amount	Item (Liabilities)	Amount
<b>Current assets</b>	<b>51,252</b>	<b>Current liabilities</b>	<b>22,424</b>
Cash and deposits	39,934	Payables due to member dealers at auctions	12,159
Receivables due from member dealers at auctions	8,702	Accounts payable - trade	70
Accounts receivable - trade	181	Accounts payable - other	1,527
Merchandise	100	Accrued expenses	59
Supplies	50	Income taxes payable	5,740
Prepaid expenses	56	Deposits received	2,431
Deferred tax assets	549	Provision for bonuses	361
Short-term loans receivable - affiliated companies	1,360	Other	74
Other	326	<b>Noncurrent liabilities</b>	<b>5,658</b>
Allowance for doubtful accounts	△9	Long-term loans payable	549
<b>Noncurrent assets</b>	<b>102,613</b>	Long-term accounts payable - other	266
<b>Property, plant and equipment</b>	<b>83,084</b>	Guarantee deposits received from member dealers	4,214
Buildings	27,775	Asset retirement obligations	627
Structures	2,316		
Machinery and equipment	415		
Vehicles	39		
Equipment and fixtures	1,297		
Land	50,484		
Construction in progress	755		
<b>Intangible assets</b>	<b>785</b>		
Leasehold right	189		
Software	562		
Other	32		
<b>Investments and other assets</b>	<b>18,743</b>		
Investment securities	970		
Stocks of subsidiaries and affiliates	2,596		
Claims provable in bankruptcy, claims provable in rehabilitation and other	15		
Long-term prepaid expenses	144		
Deferred tax assets	1,034		
Deferred tax assets for land revaluation	2,930		
Insurance funds	58		
Real estate for investment	9,960		
Other	1,047		
Allowance for doubtful accounts	△14		
<b>Total assets</b>	<b>153,866</b>		
		<b>Total liabilities</b>	<b>28,083</b>
		(Net assets)	
		<b>Shareholders' equity</b>	<b>130,710</b>
		<b>Capital stock</b>	<b>18,881</b>
		<b>Capital surplus</b>	<b>14,620</b>
		Legal capital surplus	4,583
		Other capital surplus	10,037
		<b>Retained earnings</b>	<b>136,199</b>
		Legal retained earnings	370
		Other retained earnings	135,828
		Reserve for special depreciation	269
		Retained earnings brought forward	135,559
		<b>Treasury stock</b>	<b>△38,990</b>
		<b>Valuation and translation adjustments</b>	<b>△5,170</b>
		Valuation difference on available -for-sale securities	206
		Revaluation reserve for land	△5,377
		Subscription right to shares	242
		<b>Total net assets</b>	<b>125,782</b>
		<b>Total liabilities and net assets</b>	<b>153,866</b>



**Non-Consolidated Statement of Income**

**(From April 1, 2013 to March 31, 2014)**

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>45,265</b>
<b>Cost of sales</b>		<b>13,447</b>
<b>Gross profit</b>		<b>31,818</b>
Selling, general and administrative expenses		5,975
<b>Operating income</b>		<b>25,842</b>
<b>Non-operating income</b>		
Interest and dividends income	3,244	
Rent income of real estate	777	
Other	188	4,209
<b>Non-operating expenses</b>		
Interest expenses	1	
Rent cost of real estate	241	
Other	19	261
<b>Ordinary income</b>		<b>29,790</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	29	
Gain on sales of investment securities	42	72
<b>Extraordinary losses</b>		
Loss on sales and retirement of noncurrent assets	227	
Impairment loss	411	
Other	0	640
<b>Income before income taxes</b>		<b>29,223</b>
Income taxes - current	9,877	
Income taxes - deferred	68	9,946
<b>Net income</b>		<b>19,276</b>

**Non-Consolidated Statement of Changes in Net Assets**

**(From April 1, 2013 to March 31, 2014)**

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury stock	Total Shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						Reserve for special depreciation	Retained earnings brought forward			
Balance at the beginning of current period	18,881	4,583	9,977	14,560	370	—	124,436	124,806	△39,177	119,071
Changes of items during the period										
Provision of reserve for special depreciation	—	—	—	—	—	269	△269	—	—	—
Dividends from surplus	—	—	—	—	—	—	△7,889	△7,889	—	△7,889
Net income	—	—	—	—	—	—	19,276	19,276	—	19,276
Purchase of treasury stock	—	—	—	—	—	—	—	—	△0	△0
Disposal of treasury stock	—	—	60	60	—	—	—	—	187	247
Reversal of revaluation reserve for land	—	—	—	—	—	—	5	5	—	5
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	60	60	—	269	11,123	11,392	186	11,639
Balance at the end of current period	18,881	4,583	10,037	14,620	370	269	135,559	136,199	△38,990	130,710

	Valuation and translation adjustments			Subscription right to shares	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of current period	158	△5,372	△5,213	237	114,094
Changes of items during the period					
Provision of reserve for special depreciation	—	—	—	—	—
Dividends from surplus	—	—	—	—	△7,889
Net income	—	—	—	—	19,276
Purchase of treasury stock	—	—	—	—	△0
Disposal of treasury stock	—	—	—	—	247
Reversal of revaluation reserve for land	—	—	—	—	5
Net changes of items other than shareholders' equity	48	△5	42	5	48
Total changes of items during the period	48	△5	42	5	11,687
Balance at the end of current period	206	△5,377	△5,170	242	125,782

## Notes on non-consolidated financial statements

### I. Notes on matters related to important accounting policies

#### 1. Standards and methods of valuation of assets

##### (1) Standards and methods of valuation of securities

Stocks of subsidiaries and affiliates	Cost method based on the moving average method
Other securities	
Those with market value	Market value method based on market prices at year-end (Valuation differences are included directly in net assets, and sales costs are calculated based on the moving average method).
Those without market value	Cost method based on the moving average method

##### (2) Standards and methods of valuation of inventories

Merchandise	Cost method based on the moving average method (in which book value is reduced to reflect declines in profitability) However, the cost method based on the specific-identification method (in which book value is reduced to reflect declines in profitability) is used for vehicles
Supplies	Cost method based on the last cost method However, the cost method based on the specific identification method is used for vehicles.

#### 2. Depreciation methods for depreciable assets

Property, plant and equipment and real estate for investment (excluding lease assets)	Declining-balance method However, the straight-line method is used for buildings (excluding equipment installed in buildings) acquired on or after April 1, 1998.
Intangible assets (software)	The straight-line method based on the in-house period of use (five years) is used.
Lease assets	Depreciation is based on the straight-line method with the lease term as the useful life and a residual value of zero.

#### 3. Standards of accounting for allowances and reserves

Allowance for doubtful accounts	To prepare for bad debt losses, the following methods are used.
General claims	Method based on actual bad debt rates
Possible bad debts and claims in bankruptcy proceedings etc.	Method of evaluating financial conditions
Provision for bonuses	To prepare for the payment of bonuses to employees, the Company posts the current year's portion of the estimated bonuses.

#### 4. Other basic and important matters for the preparation of financial statements

Accounting for consumption taxes, etc.	The tax exclusion method is used.
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## II. Note regarding change in accounting estimate

(Change in useful life)

The Company decided to newly construct and remove its Okayama Auction Site during the fiscal year under review. In association therewith, the Company reviewed and reduced the useful lives of the relevant "Buildings," "Structures," "Furniture and fixtures" and "Software" installed at the existing site, certain assets expected to become unavailable after the scheduled removal, to the period up to the month of planned removal, and adopted such change for the years to come.

Compared with the previous method, this change increased depreciation by 149 million yen in the current consolidated fiscal year while operating income, ordinary income and income before income taxes and minority interests decreased by the same amount.

## III. Notes on the balance sheet

	(Millions of yen)
1. Cumulative depreciation for property, plant and equipment	36,640
Cumulative depreciation for real estate for investment	2,118

	(Millions of yen)
2. Receivables from, and payables to subsidiaries	
Short-term receivables	1,634
Short-term payables	1,047
Long-term payables	18

### 3. Revaluation of land

For the 22<sup>nd</sup> term (FY ended March 2002), land for business used has been revalued based on the law related to the revaluation of land (Law No. 34 promulgated on March 31, 1998). Tax on the revaluation difference has been posted as "deferred tax assets for land revaluation" in assets, and posted the margin as "revaluation reserves for land" in net assets.

#### Method of revaluation of land

The Company revalued land for business use by making reasonable adjustment of the valuation in the land tax ledger, as specified by Clause 10, Article 341 of the Local Tax Law, as outlined in Clause 3, Article 2 of the Order for Enforcement of the Act on Revaluation of Land (Ordinance No. 119 promulgated on March 31, 1998).

Date of revaluation: March 31, 2002

Difference between current market value at year-end and book value following revaluation:  
(522) million yen

### 4. National government subsidies, etc.

In conjunction with the application of reduction entries for fixed assets acquired using national government subsidies, etc., the reduction entry amounts that were deducted directly from the fixed assets were 0 million yen for vehicles, 5 million yen for furniture and fixtures and 150 million yen for real estate for investment (land).

## IV. Notes on the statement of income

Transactions with affiliated companies	(Millions of yen)
Net sales	694
Operating expenses	3,958
Transactions other than business transactions	3,859

## V. Notes on the statement of changes in net assets

The class and number of treasury shares at the end of the fiscal year

Class of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the fiscal year	Decrease in the number of shares during the fiscal year	Number of shares at the end of current fiscal year
Common stock	5,506,753	49,413,403	91,590	54,828,566

(Overview of changes)

Breakdown of the increase in the number of shares:

Increase due to the 10-for-one share split for common stock	49,413,267 shares
Increase due to purchase of shares less than one unit	136 Shares

Breakdown of the reduction in the number of shares:

Decrease from sales to the Employee Stock Ownership Plan (ESOP Trust)	83,050 shares
Decrease due to exercise of stock options	8,540 share

Note: Pursuant to a resolution adopted by the Board of Directors' meeting held on August 5, 2013, the Company conducted a 10-for-one share split for common stock as of October 1, 2013. Consequently, the number of shares before the share split is stated with regard to the cause for change on or before September 30, 2013, whereas the number of shares after the share split is stated with regard to the cause for change on and after October 1, 2013.

## VI. Notes on tax effect accounting

Main reasons leading to deferred tax assets and deferred tax liabilities

Current assets

Deferred tax assets

(1) Amount above limit for deductible addition to provision for bonuses	127 (million yen)
(2) Accrued enterprise tax denied	381 (million yen)
(3) Payables denied	38 (million yen)
(4) Others	<u>1 (million yen)</u>
Total deferred tax assets	549 (million yen)

Noncurrent assets

Deferred tax assets

(1) Provision for directors retirement benefit denied	93 (million yen)
(2) Denial of impairment losses	664 (million yen)
(3) Amount above limit for depreciation of depreciable assets	53 (million yen)
(4) Investment security valuation losses denied	115 (million yen)
(5) Asset Retirement Obligations	221 (million yen)
(6) Others	<u>135 (million yen)</u>
Total deferred tax assets	1,285 (million yen)
Netting with deferred tax liabilities	<u>(250) (million yen)</u>
Net deferred tax assets	1,034 (million yen)

Noncurrent liabilities

Deferred tax liabilities

(1) Valuation difference on available-for-sale securities	38 (million yen)
(2) Asset Retirement Obligations	65 (million yen)
(3) Reserve for special depreciation	<u>146 (million yen)</u>
Total deferred tax liabilities	250 (million yen)
Netting with deferred tax assets	<u>(250) (million yen)</u>
Net deferred tax liabilities	- (million yen)

## VII. Notes on transactions with related parties

### 1. Officers, main individual shareholders and others

(Millions of yen)

Category	Name of company or individual	Location	Capital	Description of business or occupation	Voting rights ratio	Business links	Details of transaction	Transaction amount	Account item	Balance at year-end
USS Representative Director Dai Seta's close relatives hold a majority of voting rights	Hattori Motors Co., Ltd.	Tokai, Aichi	50	Auto sales	(Percentage held) 2.7%	Auction business	Auction related transaction	81	Receivables due to member dealers at auctions	0
USS Representative Director Dai Seta's close relatives hold a majority of voting rights	Karen Co., Ltd.	Nakamura Ward, Nagoya, Aichi	10	Real estate rental business	-	Leasing of land and building	Real estate lease transactions	23	Prepaid expenses Other investments and other assets	0 1
USS Representative Director Dai Seta's close relatives hold a majority of voting rights	Green City Co., Ltd.	Tokai, Aichi	6	Auto sales and insurance agent	-	Insurance agent	Insurance agency transactions	55	Prepaid expenses Long-term accounts payable Accounts payable - other	9 34 0
USS Director Motohiro Masuda holds a majority of voting rights	Masuda Auto Co., Ltd.	Misato, Saitama	10	Auto sales	-	Auction business	Auction related transaction	51	Receivables due to member dealers at auctions	2
USS Director Toshio Mishima holds a majority of voting rights	Metokosu Ltd.	Kasuya, Fukuoka	13	Auto sales	-	Auction business	Auction related transaction	65	Receivables due to member dealers at auctions Guarantee deposited	2 0

Notes: 1. Business terms and business terms determination method

- (1) Under the Company's automobile auction-related regulations, auction transactions are made based on business terms designed for general member dealers.
  - (2) Rental fees for land and building are decided based on the current neighboring market prices.
  - (3) Insurance agency transactions use the same terms as for general insurance transactions.
2. In the "Details of transactions", "Auction related transaction" includes consignment fees, contract completion fees, successful bid fees and other auction transactions.
3. Transaction amounts do not include consumption tax, etc. but the balances at year-end do include consumption tax, etc.

## VIII. Notes on per share data

1. Net asset per share 486.84yen
2. Net income per share 74.36 yen

Notes 1: Pursuant to a resolution adopted by the Board of Directors' meeting held on August 5, 2013, the Company conducted a 10-for-one share split for common stock as of October 1, 2013, however, "Net asset per share" and "Net income per share" were calculated assuming that the share split was conducted at the beginning of the fiscal year under review.

2: The number of shares at the end of the fiscal year under review, which was used to calculate the net assets per share for the 34th term, included 812 thousand shares of treasury stock held by the ESOP Trust.

3: The average number of shares of common stock outstanding during the fiscal year under review, which was used to calculate the net income per share for the 33rd term, included treasury stock held by the ESOP Trust.

## IX. Notes on important subsequent events

Not applicable

## X. Other Notes

Figures are rounded down to the nearest whole unit.

REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

**Item 1: Appropriation of retained earnings**

The Company proposes to appropriate retained earnings as follows:

Matters related to year-end dividends

The Company considers the allocation of profits to shareholders to be an important policy, and has a basic policy to pass on profits to shareholders in consideration of consolidated business results while improving profitability and enhancing its financial position.

Based on the basic policy, and after comprehensive consideration of financial conditions, full-year business results and other factors, the Company proposes to pay a year-end dividend for the current fiscal year ended March 31, 2014 indicated below, as an expression of appreciation for the shareholders' support of the Company and with a view to meeting their expectations.

(1) Type of dividend property

Cash

(2) Matters concerning allotment of dividend property and the total amount

The Company proposes to pay a year-end dividend of ¥18.75 per share, which brings the total amount of dividends to ¥4,860,626,887

Since the Company paid an interim dividend of ¥159.50 per share, the consequent annual dividend will total ¥178.25 per share for the fiscal year under review.

Note: The Company conducted a 10-for-one share split for common stock as of October 1, 2013. The above annual dividend per share is the total of the interim dividend before the said share split was conducted and the year-end dividend after the said share split. If the amounts are converted to the pre-share-split basis, the year-end dividend per share would be ¥187.50 and the annual dividend per share would be ¥347.

(3) Date when the dividends from retained earnings take effect

June 18, 2014 (proposed)

**Item 2: Partial amendment to the Articles of Incorporation**

1. Reason for amendments

To more flexibly cope with changes in the business environment and enhance swifter decision making, the Company proposes to reduce the number of its directors.

2. Detail of the amendment

The proposed amendment is as follows:

(Revised section is underlined)

Current Articles of Incorporation	Proposed amendment
Articles 1-17 (Provisions omitted)	Articles 1-17 (Same as the current provisions)
(Number of Directors)	(Number of Directors)
Article 18	Article 18
The number of directors of the Company shall be not more than <u>20</u> .	The number of directors of the Company shall be not more than <u>12</u> .
Articles 19-41 (Provisions omitted)	Articles 19-41 (Same as the current provisions)

**Item 3: Election of 10 directors**

Tenure will expire for all the twelve (12) present members of the Board of Directors at the close of this Ordinary General Meeting of Shareholders, the Company proposes to elect ten (10) Directors by reducing two (2) Directors from the present number to speed up the decision making of the Board of Directors. All the candidates for director gave their consent to the “Amendments to large-scale purchase countermeasures (anti-takeover plan) and continuation of countermeasures” at the Ordinary General Meeting of Shareholders held on June 26, 2012. More information about “Large-scale purchase countermeasures (anti-takeover plan)” is provided on pages 25-46, “7. Basic policy regarding control of policy decisions in respect of the Company’s finance and business”.

Brief information on the proposed candidates is as follows:

Candidate Number	Name (Date of birth)	Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
1	Yukihiro Ando (Dec. 2, 1946)	<p>July 1982 Director of the Company</p> <p>Nov. 1989 Senior Managing Director of the Company</p> <p>June 1995 Executive Vice President of the Company</p> <p>June 2000 Executive Vice President of the Company and Officer of the Nagoya Office</p> <p>June 2006 President and Representative Director of the Company</p> <p>June 2007 President and Representative Director and Chief Executive Officer (CEO) of the Company</p> <p>June 2012 Chairman and President and Representative Director of the Company (at present)</p> <p>(Significant Concurrent Posts)</p> <p>President and Representative Director of US Butsuryu Co., Ltd.</p>	9,093,100
2	Dai Seta (Dec. 23, 1966)	<p>Jan. 2004 Executive Officer of the Company and Vice Officer of the Nagoya Office</p> <p>June 2004 Director of the Company and Vice Officer of the Nagoya Office</p> <p>June 2006 Executive Vice President and Representative Director of the Company and Officer of the Auction Operation Office and Officer of the Nagoya Office</p> <p>June 2012 Executive Vice President and Representative Director of the Company and Officer of Auction Operation Office (at present)</p> <p>(Significant Concurrent Posts)</p> <p>President and Representative Director of USS Support Service Co., Ltd.</p> <p>President and Representative Director of ARBIZ Co., Ltd</p>	15,005,000
3	Motohiro Masuda (Dec. 27, 1947)	<p>June 1994 Director of USS Tokyo Co., Ltd.</p> <p>Jan. 1995 Junior Managing Director of USS Tokyo Co., Ltd.</p> <p>Jan. 1996 Senior Managing Director of the Company</p> <p>June 2001 Senior Managing Director of the Company and Vice Officer of the Tokyo Office</p> <p>June 2006 Executive Vice President of the Company and Vice Officer of the Tokyo Office</p> <p>June 2012 Executive Vice President of the company and Manager of Saitama Auction Site</p> <p>May 2013 Executive Vice President of the company and Manager of Tokyo Auction Site and Saitama Auction Site (at present)</p>	366,300



<b>Candidate Number</b>	<b>Name (Date of birth)</b>	<b>Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)</b>	<b>Number of Shares of the Company Owned by the Candidate</b>
4	Toshio Mishima (Jan. 12, 1947)	<p>July 1989 Director of USS Kyushu Co., Ltd.</p> <p>Mar. 1995 Director of the Company</p> <p>June 1996 Junior Managing Director of the Company, in charge of Customer Services &amp; Market Development Dept. and Vehicle Dept. of the Kyushu Office</p> <p>June 2001 Managing Executive Officer of the Company</p> <p>Mar. 2003 Senior Managing Executive Officer of the Company</p> <p>June 2006 Senior Managing Director of the Company, in charge of Fukuoka Auction Site of the Kyushu Office</p> <p>June 2012 Senior Managing Director of the Company and Manager of Fukuoka Auction Site</p> <p>Mar. 2013 Senior Managing Director of the Company and Manager of Kyushu Auction Site and Fukuoka Auction Site</p> <p>May 2013 Senior Managing Director of the Company and Manager of Kyushu Auction Site (at present)</p>	702,300
5	Masafumi Yamanaka (Dec. 16, 1954)	<p>Jan. 2000 General Manager of the Finance Dept., Supervisory Office of the Company</p> <p>Jan. 2004 Executive Officer and General Manager of the Finance Dept., Supervisory Office of the Company</p> <p>June 2004 Director of the Company and General Manager of the Finance Dept., Supervisory Office</p> <p>June 2006 Junior Managing Director of the Company and Officer of the Supervisory Office</p> <p>June 2012 Senior Managing Director of the Company and Officer of the Supervisory Office (at present)</p>	35,600
6	Hikomitsu Ikeda (May 3, 1961)	<p>Jan. 2001 General Manager of the System Planning &amp; Business Relations Service Dept., Nagoya Office of the Company</p> <p>Jan. 2004 Executive Officer of the Company and General Manager of the System Planning &amp; Business Relations Service Dept., Nagoya Office</p> <p>June 2004 Director of the Company and General Manager of the System Planning &amp; Business Relations Service Dept., Nagoya Office</p> <p>June 2006 Junior Managing Director of the Company and Officer of the System Office</p> <p>Oct. 2010 Junior Managing Director of the Company and Officer of the System Office and in charge of Tohoku Auction Site</p> <p>June 2012 Junior Managing Director of the Company and Manager of Tohoku Auction Site (at present)</p>	36,200
7	Masayuki Akase (Nov. 8, 1962)	<p>Jan. 2001 General Manager of the Customer Services &amp; Market Development Dept., Nagoya Office of the Company</p> <p>Jan. 2004 Executive Officer of the Company and General Manager of the Customer &amp; Services &amp; Market Development Dept., Nagoya Office</p> <p>June 2004 Director of the Company and General Manager of the Customer &amp; Services &amp; Market Development Dept., Nagoya Office</p> <p>June 2006 Junior Managing Director of the Company and Vice Officer of the Auction Operation Office</p> <p>Apr. 2013 Junior Managing Director of the Company and Manager of Yokohama Auction site (at present)</p> <p>(Significant Concurrent Posts)</p> <p>President and Representative Director of USS Logistics International Service Co., Ltd.</p>	56,800

<b>Candidate Number</b>	<b>Name (Date of birth)</b>	<b>Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)</b>	<b>Number of Shares of the Company Owned by the Candidate</b>
8	* Hitoshi Tamura (Jun. 11, 1946)	Apr. 1971 Joined Ricoh Company, Ltd. Oct. 2002 Corporate Councilor of the said company Apr. 2010 Adviser to the President, Ricoh Japan Corporation June 2011 Retired from the position as Corporate Councilor of Ricoh Company, Ltd. Retired from the position as Adviser to the President, Ricoh Japan Corporation July 2011 President, Customer Satisfaction Research Institute (at present) (Significant Concurrent Posts) President, Customer Satisfaction Research Institute	-
9	* Akihiko Kato (Jun. 18, 1947)	Apr. 1970 Joined Bank of Japan May 1994 Senior Examiner, Examination Department of the said bank May 1995 Retired from the said bank Director of Gifu Shinkin Bank Oct. 1998 Managing Director of the said Bank June 2007 Full-time Auditor of the said Bank June 2010 Retired from the position as Full-time Auditor of Gifu Shinkin Bank Corporate Auditor of Gifu Shinkin Credit Guarantee Corporation June 2012 Retired from the position as Auditor of Gifu Shinkin Credit Guarantee Corporation	-
10	* Mitsuhiro Aso (Jun. 26, 1949)	Feb. 1975 Appointed as prosecutor Oct. 2010 Superintending Prosecutor of the Fukuoka High Public Prosecutors Office June 2012 Retired from the Public Prosecutors Office Oct. 2012 Registered as attorney Apr. 2013 Professor of Hosei University Law School (at present) May 2013 Refugee Examination Counselor, Ministry of Justice (at present) June 2013 Outside Corporate Auditor, Sumitomo Chemical Company, Limited (at present) (Significant Concurrent Posts) Professor of Hosei University Law School Refugee Examination Counselor, Ministry of Justice Outside Corporate Auditor, Sumitomo Chemical Company, Limited	-

- Notes: 1. The asterisk (\*) indicates newly nominated director candidates.
2. There are no special interests between the Company and each of the candidates.
3. USS Kyushu Co., Ltd. merged with the Company in March 1995.  
USS Tokyo Co., Ltd. merged with the Company in January 1996.
4. Matters related to candidates for outside directors are as follows:
- (1) Hitoshi Tamura, Akihiko Kato and Mitsuhiro Aso are candidates for outside directors. USS has appointed these individuals as the candidates for independent officers as prescribed by the Tokyo Stock Exchange and the Nagoya Stock Exchange and has notified these stock exchanges as such. The Company's transactions with the Ricoh Group, where Mr. Tamura, the candidate for the post of director, had served either at Ricoh Company, Ltd. or Ricoh Japan Corporation until June 2011, account for less than one percent of the Company's consolidated net sales in the current fiscal year. Meanwhile, for the Ricoh Group, the amounts involved in transactions with the Company account for less than one percent of its consolidated net sales in the current fiscal year. As the Company's transaction volume with the Ricoh group is insignificant, the Company does not consider the circumstances of these transactions to be in any way problematic in connection with his assignment as an independent director.
- (2) Reasons for nomination as candidates for outside directors
- 1) The Company requests election of Hitoshi Tamura as an outside director so that his considerable experience as senior examiner of the Japan Quality Award and broad knowledge of CS management can be reflected in the business judgment of the Company. Although he has no experience related to corporate management, it was deemed that he would be able to adequately execute duties as outside director for the aforementioned reason.
- 2) The Company requests the election of Akihiko Kato as an outside director so that his considerable experience having engaged in corporate management as a Managing Director and a Full-time Auditor of a Shinkin Bank and his broad knowledge can be reflected in the business judgments of the Company.
- 3) The Company requests the election of Mitsuhiro Aso as an outside director in expectation of useful advice that would be given mainly from the viewpoint of compliance based on his many years of considerable experience and expertise as a public prosecutor. Although he has no experience related to corporate management other than as an outside officer, it was deemed that he would be able to adequately execute duties as outside director for the aforementioned reason.
- (3) Outline of liability limitation agreement
- Hitoshi Tamura, Akihiko Kato and Mitsuhiro Aso are candidates for the post of outside director. To assure that outside directors can carry out their expected duties satisfactorily, the Company intends to enter into a liability limitation agreement with each candidate (Hitoshi Tamura, Akihiko Kato and Mitsuhiro Aso) that limits the liability for damage in accordance with the provisions of Article 427, Paragraph 1, of the Companies Act and Article 27 of the Articles of Incorporation of the Company. The maximum amount of liability for damage shall be as set forth in the respective items of Article 425, Paragraph 1, of the Companies Act.

### **Procedure for Exercising Voting Rights Electronically (via the Internet, etc.)**

If you are intend to exercise your voting right via the Internet, etc., please carefully read the following items before you vote.

1. If you are exercising your voting right via the Internet, you can only do so via the website that The Company has assigned for web-based voting (<http://www.web54.net>). Please refer to “System Environments, etc.” on the next page for details of requirements regarding the system environment. (Your voting code and the password printed on the Form for Exercising Voting Rights are necessary to exercise your voting right via the Internet.)
2. The deadline for exercising voting rights via the Internet is 5:00 PM on Monday, June 16, 2014, JST.
3. If a voting right is exercised both via the Internet and by using the Form for Exercising Voting Rights, the vote exercised via the Internet will be treated as the valid vote regardless of the time and date of the vote arrival.
4. If a voting right is exercised multiple times via the Internet, the last vote will be treated as the valid vote.
5. Connection charges to an Internet provider and telecommunications charges (telephone charge) by a telecommunications company shall be borne by the shareholders using the website.

If attending the Meeting in person:

- You need not exercise your voting rights via the Internet or by using the Form for Exercising Voting Rights

If not attending the Meeting:

- You need not exercise your voting rights via the Internet if you use the Form for Exercising Voting Rights
- You need not exercise your voting rights by using the Form for Exercising Voting Rights if you do so via the Internet

Institutional investors may exercise their voting rights electronically for this 34th Ordinary General Meeting of Shareholders from the "Web-based voting platform" operated by ICJ Inc.

[System Environments, etc.]

Please confirm the following system environment if you exercise your voting rights via the Internet.

When using a personal computer

- (1) Screen resolution of 800 x 600 pixels (SVGA) or more.
- (2) The following applications shall be installed.
  - a) Microsoft® Internet Explorer Ver. 5.01 SP2 and later versions  
(In some cases, it may not be possible to access the website even when using this browser due to the computer used, the computer's settings or other software installed on the computer.)
  - b) Adobe® Acrobat® Reader™ Version 4.0 or later and Adobe® Reader® Version 6.0 or later
- \* Microsoft® and Internet Explorer are registered trademarks, trademarks and product names of Microsoft Corporation in the United States and other respective countries.
- \* Adobe® Acrobat® Reader™ and Adobe® Reader® are registered trademarks, trademarks and product names of Microsoft Corporation in the United States and other respective countries.
- (3) Internet connection may be restricted due to presence of a Firewall or the like. Please ask your system administrator if you need assistance.

For inquires about how to operate your personal computer:

- If you need assistance to operate your personal computer to exercise your voting rights via our website, please call the following number.

Sumitomo Mitsui Trust Bank, Ltd., Stock Transfer Agency Web Support Hotline

Telephone: 0120-652-031 (\*Toll free)

(Business hours: 9:00 to 21:00)

- For any other inquires, please call the following number.

a) Shareholders who have an account at a securities company

Shareholders who have an account at a securities company are asked to contact the securities company for assistance.

b) Shareholders who don't have an account at a securities company

(Shareholders who have a special account)

Sumitomo Mitsui Trust Bank, Ltd., Stock Transfer Agency Business Planning Department

Telephone: 0120-782-031 (\*Toll free)

(Business hours: 9:00 to 17:00 excluding Saturdays, Sundays and holidays)

\* The service is available in Japanese only.

**Venue**

Head Office of USS Co., Ltd. (USS Nagoya Auction Site)  
507-20 Shinpo-machi, Tokai, Aichi  
Telephone: 052-689-1129

**Access Information**

Approximately 10 minutes by taxi from Nawa Station on the Meitetsu Tokoname Line.  
Approximately 15 minutes by taxi from Odaka Station on the JR Tokaido Main Line (Tokaido-honsen).  
In addition, there is a bus pickup service at 10:00 and 10:30 a.m. from each of the above stations.  
If you are coming by car, please use our parking area.