

*The following documents are English translations of the USS Co., Ltd. Notice of the 36th Annual General Meeting of Shareholders (for the fiscal year ended March 31, 2016) as well as the Business Report, Consolidated Financial Statements, 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: "Management shall ensure sound business practices and update on implementation of this management", "Master policy on corporation management", "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)

May 23, 2016

Dear Shareholders:

Yukihiro Ando  
President and Representative Director  
USS Co., Ltd.  
507-20 Shinpo-machi, Tokai, Aichi, Japan

### **Notice of the 36<sup>th</sup> Annual General Meeting of Shareholders**

You are cordially invited to attend the 36<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 13, 2016. 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 "Exercising voting rights and other topics" (on page 9).

- 1. Date and Time:** **Tuesday, June 14, 2016, at 11:00 a.m.**
- 2. Venue:** 507-20, Shinpo-machi, Tokai, Aichi  
**Head Office of the Company (the Nagoya Auction Site of the Company)**  
(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 36th business period (from April 1, 2015 to March 31, 2016)
  2. The financial reports for the Company's 36th business period (from April 1, 2015 to March 31, 2016)
- Items to be resolved:**
- Item 1: Appropriation of retained earnings
  - Item 2: Election of ten (10) directors
- 4. Exercising voting rights** Please refer to "Exercising voting rights and other topics" (on page 9).

Notes: 1. The reception desk opens at 10:00 a.m.  
2. Please submit the enclosed 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, business report, financial statements or consolidated financial statements will be posted on our website (<http://www.ussnet.co.jp>). Please visit our site for updates.

## 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

Our basic policy is to maintain stability in dividends payout and to perform sensible returns on profits; and as our dividends policy is linked to business results, we use a consolidated dividends payout ratio as our guideline, and at present this baseline is 45% and greater.

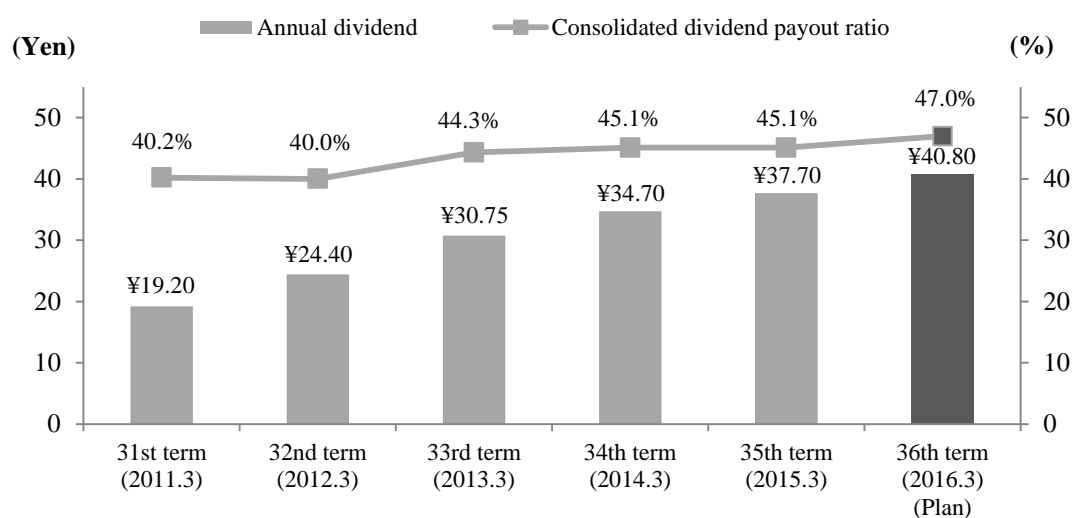
We have set the dividends at end of period for the current year as follows based on our basic policy above.

Type of dividend property	Cash
Matters concerning allotment of dividend property and the total amount	The Company proposes to pay a year-end dividend of ¥20.40 per share, which brings the total amount of dividends to ¥5,277,806,726. Since the Company paid an interim dividend of ¥20.40 per share, the final annual dividend will total ¥40.80 per share for the fiscal year under review.
Date when the dividends from retained earnings take effect	June 15, 2016 (proposed)

Reference:

The Board of Directors meeting on May 9, 2016 approved a resolution to raise the consolidated dividend payout ratio on a consolidated basis by 5% from the conventional 45% and greater, and set out a policy to set this to 50% and greater from the 37th term (Year ending March 31, 2017) and announced this to the public.

### Dividend and consolidated dividend payout ratio



**Item 2: Election of 10 Directors**

Tenure will expire for all ten (10) present members of the Board of Directors at the close of the 36th Annual General Meeting of Shareholders (“the current Annual General Meeting of Shareholders”), therefore the Company proposes to elect ten (10) Directors.

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
1 (Reappointment)	Yukihiro Ando (Dec. 2, 1946)	July 1982 Director of the Company Nov. 1989 Senior Managing Director of the Company June 1995 Executive Vice President of the Company June 2000 Executive Vice President of the Company and Officer of the Nagoya Office June 2006 President and Representative Director of the Company June 2007 President and Representative Director and Chief Executive Officer (CEO) of the Company June 2012 Chairman and President and Representative Director of the Company June 2014 President and Representative Director of the Company (at present) (Significant Concurrently Held Posts) President and Representative Director of US Butsuryu Co., Ltd. (Fiscal 2015 Board Meetings Attendance Record) 100% (Attended all 9 meetings)	9,174,400

(Reason to propose Mr. Ando as candidate)

Mr. Yukihiro Ando has worked on development of auto auction systems and opening of new auction sites as one member of our management since taking office as Director in July 1982. Furthermore, after working as the Officer of the Nagoya Office, he took office as President and Representative Director in June 2006. After taking office as company president, he has realized stability in profits and growth for years by his strong leadership and determination, which are based on his years of experience and performance, by implementing his policies to reinforce the number of units managed by existing auction sites, and by making large CAPEX investment to the existing auction sites. Base on the above, we have presented him as a candidate for Director, and after he is appointed as Director, we plan to have him continue his duties as President and Representative Director.

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
2 (Reappointment)	Dai Seta (Dec. 23, 1966)	Jan. 2004 Executive Officer of the Company and Vice Officer of the Nagoya Office June 2004 Director of the Company and Vice Officer of the Nagoya Office June 2006 Vice President and Representative Director of the Company and Officer of the Auction Operation Office and Officer of the Nagoya Office June 2012 Vice President and Representative Director of the Company and Officer of Auction Operation Office June 2015 Vice President and Representative Director of the Company (at present) (Significant Concurrently Held Posts) President and Representative Director of USS Support Service Co., Ltd. President and Representative Director of ARBIZ Co., Ltd (Fiscal 2015 Board Meetings Attendance Record) 100% (Attended all 9 meetings)	15,100,300
(Reason to propose Mr. Seta as candidate) As Vice President and Representative Director, Mr. Dai Seta has been duly performing the roles including but not limited to performing the businesses of the company, making decisions on important business items, and supervising the performance of businesses. Furthermore, he also served as President and Representative Director of our subsidiaries, thus contributing to the business of our group on the whole. Base on the above, we have presented him as a candidate for Director, and after he is appointed as Director, we plan to have him continue his duties as Vice President and Representative Director.			

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
3 (Reappointment)	Motohiro Masuda (Dec. 27, 1947)	June 1994 Director of USS Tokyo Co., Ltd. Jan. 1995 Junior Managing Director of USS Tokyo Co., Ltd. Jan. 1996 Senior Managing Director of the Company June 2001 Senior Managing Director of the Company and Vice Officer of the Tokyo Office June 2006 Executive Vice President of the Company and Vice Officer of the Tokyo Office June 2012 Executive Vice President of the company and Manager of Saitama Auction Site May 2013 Executive Vice President of the company and Manager of Tokyo Auction Site and Saitama Auction Site Oct. 2014 Executive Vice President of the company and Manager of Tokyo Auction Site (at present) (Fiscal 2015 Board Meetings Attendance Record) 100% (Attended all 9 meetings)	300,600
(Reason to propose Mr. Masuda as candidate) Mr. Motohiro Masuda has duly performed his roles including overseeing performed business operations and making decisions on important items of management as Executive Vice President. In addition, he has worked as the person responsible for the Tokyo and Saitama Auction Sites, and he played a central role on our sales side, showing his abundant experience and he has produced excellent results. Base on the above, we have presented him as a candidate for Director, and after he is appointed as Director, we plan to have him continue his duties as Executive Vice President.			

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
4 (Reappointment)	Masafumi Yamanaka (Dec. 16, 1954)	Jan. 2000 General Manager of the Finance Dept., Supervisory Office of the Company Jan. 2004 Executive Officer and General Manager of the Finance Dept., Supervisory Office of the Company June 2004 Director of the Company and General Manager of the Finance Dept., Supervisory Office June 2006 Junior Managing Director of the Company and Officer of the Supervisory Office June 2012 Senior Managing Director of the Company and Officer of the Supervisory Office (at present) (Fiscal 2015 Board Meetings Attendance Record) 100% (Attended all 9 meetings)	31,900

(Reason to propose Mr. Yamanaka as candidate)

Mr. Masafumi Yamanaka has duly performed his roles including overseeing performed business operations and making decisions on important items of management as a Senior Managing Director. In addition, he has oversight on all business operations relating to administration, and worked also as general manager of the Finance Department, so he has abundant knowledge and experience in business operations overall which relate to administration. Base on the above, we have presented him as a candidate for Director, and after he is appointed as Director, we plan to have him work as Executive Vice President.

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
5 (Reappointment)	Toshio Mishima (Jan. 12, 1947)	July 1989 Director of USS Kyushu Co., Ltd. Mar. 1995 Director of the Company June 1996 Junior Managing Director of the Company, in charge of Customer Services & Market Development Dept. and Vehicle Dept. of the Kyushu Office June 2001 Managing Executive Officer of the Company Mar. 2003 Senior Managing Executive Officer of the Company June 2006 Senior Managing Director of the Company, in charge of Fukuoka Auction Site of the Kyushu Office June 2012 Senior Managing Director of the Company and Manager of Fukuoka Auction Site Mar. 2013 Senior Managing Director of the Company and Manager of Kyushu Auction Site and Fukuoka Auction Site May 2013 Senior Managing Director of the Company and Manager of Kyushu Auction Site (at present) (Fiscal 2015 Board Meetings Attendance Record) 100% (Attended all 9 meetings)	703,600

(Reason to propose Mr. Mishima as candidate)

Mr. Toshio Mishima has duly performed his roles including overseeing performed business operations and making decisions on important items of management as a Senior Managing Director. In addition, he has worked as the person responsible for the Kyushu and Fukuoka Auction Sites, and he played a central role on our sales side, showing his abundant experience and he has produced excellent results. Base on the above, we have presented him as a candidate for Director, and after he is appointed as Director, we plan to have him continue his duties as Senior Managing Director.

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
6 (Reappointment)	Hiromitsu Ikeda (May 3, 1961)	Jan. 2001 General Manager of the System Planning & Business Relations Service Dept., Nagoya Office of the Company Jan. 2004 Executive Officer of the Company and General Manager of the System Planning & Business Relations Service Dept., Nagoya Office June 2004 Director of the Company and General Manager of the System Planning & Business Relations Service Dept., Nagoya Office June 2006 Junior Managing Director of the Company and Officer of the System Office Oct. 2010 Junior Managing Director of the Company and Officer of the System Office and in charge of Tohoku Auction Site June 2012 Junior Managing Director of the Company and Manager of Tohoku Auction Site Apr. 2015 Junior Managing Director of the Company and Manager of Osaka Auction Site and Kobe Auction Site (at present) (Fiscal 2015 Board Meetings Attendance Record) 100% (Attended all 9 meetings)	37,000

(Reason to propose Mr. Ikeda as candidate)

Mr. Hiromitsu Ikeda has duly performed his roles including overseeing performed business operations and making decisions on important items of management as a Junior Managing Director. In addition, after his position as General Manager of the System Planning & Business Relations Service Department., Nagoya Office and Officer of the System Office, he has worked also as person responsible for Tohoku Auction Site, Osaka Auction Site, and Kobe Auction Site, showing abundant experience and excellent results. Base on the above, we have presented him as a candidate for Director, and after he is appointed as Director, we plan to have him continue his duties as Junior Managing Director.

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
7 (Reappointment)	Masayuki Akase (Nov. 8, 1962)	Jan. 2001 General Manager of the Customer Services & Market Development Dept., Nagoya Office of the Company Jan. 2004 Executive Officer of the Company and General Manager of the Customer & Services & Market Development Dept., Nagoya Office June 2004 Director of the Company and General Manager of the Customer & Services & Market Development Dept., Nagoya Office June 2006 Junior Managing Director of the Company and Vice Officer of the Auction Operation Office Apr. 2013 Junior Managing Director of the Company and Manager of Yokohama Auction site (at present) (Significant Concurrently Held Posts) President and Representative Director of USS Logistics International Service Co., Ltd. (Fiscal 2015 Board Meetings Attendance Record) 100% (Attended all 9 meetings)	43,100

Reason to propose Mr. Akase as candidate

Mr. Masayuki Akase has duly performed his roles including overseeing performed business operations and making decisions on important items of management as a Junior Managing Director. In addition, after his position as General Manager of the Customer Services & Market Development Department., Nagoya Office and Vice Officer of the Auction Operation Office, he has abundant experience having worked also as person responsible for the Yokohama Auction Site and President and Representative Director of our subsidiary, and has produced excellent results. Base on the above, we have presented him as a candidate for Director, and after he is appointed as Director, we plan to have him continue his duties as Junior Managing Director.

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
8  (Reappointment) (Outside) (Independent)	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) June 2014 Director of the Company (at present) June 2015 Outside Director, Kitamura Co., Ltd. (at present) (Significant Concurrently Held Posts) President, Customer Satisfaction Research Institute Outside Director, Kitamura Co., Ltd. (Fiscal 2015 Board Meetings Attendance Record) 100% (Attended all 9 meetings)	500

(Reason to propose Mr. Tamura as candidate)

We expect that Mr. Hitoshi Tamura will bring his years of experience working as senior examiner of the Japan Quality Award and his broad knowledge of CS management to the business decisions of our company; hence, we presented him as a candidate for outside director. Mr. Tamura has no experience with involvement on corporate management from a position other than outside director; however, for the reasons above, we are determined that he will duly perform his duties as outside director.

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
9  (Reappointment) (Outside) (Independent)	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 June 2014 Director of the Company (at present) (Fiscal 2015 Board Meetings Attendance Record) 100% (Attended all 9 meetings)	200

(Reason to propose Mr. Kato as candidate)

Mr. Akihiko Kato has held positions including Managing Director and Full-time Auditor at a Shinkin Bank, and we expect that he will bring his experience and broad knowledge of his work in corporate management to the business decisions of our company; hence, we have presented him as a candidate for outside director.

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
10 (Reappointment) (Outside) (Independent)	Mitsuhiro Aso (Jun. 26, 1949)	<p>Apr. 1975 Appointed as prosecutor</p> <p>Oct. 2010 Superintending Prosecutor of the Fukuoka High Public Prosecutors Office</p> <p>June 2012 Retired from the Public Prosecutors Office</p> <p>Oct. 2012 Registered as attorney</p> <p>Apr. 2013 Professor of Hosei University Law School (at present)</p> <p>May 2013 Refugee Examination Counselor, Ministry of Justice (at present)</p> <p>June 2013 Outside Corporate Auditor, Sumitomo Chemical Company, Limited (at present)</p> <p>June 2014 Director of the Company (at present)</p> <p>June 2015 Outside Director, Nojima Corporation (at present)</p> <p>(Significant Concurrent Posts)</p> <p>Professor of Hosei University Law School</p> <p>Refugee Examination Counselor, Ministry of Justice</p> <p>Outside Corporate Auditor, Sumitomo Chemical Company, Limited</p> <p>Outside Director, Nojima Corporation</p> <p>(Fiscal 2015 Board Meetings Attendance Record)</p> <p>100% (Attended all 9 meetings)</p>	200
<p>(Reason to propose Mr. Aso as candidate)</p> <p>Mr. Mitsuhiro Aso has many years of experience as a prosecutor and specialist knowledge, and we expect that he can provide beneficial advice on primarily compliance matters; hence, we have presented him as a candidate for outside director. Mr. Aso does not have experience with involvement in corporate management in a role other than outside director; however, for the reasons above, we are determined that he will duly perform his duties as outside director.</p>			

- Notes:
- There are no special interests between the Company and each of the candidates.
  - USS Kyushu Co., Ltd. merged with the Company in March 1995.  
USS Tokyo Co., Ltd. merged with the Company in January 1996.
  - Matters related to candidates for outside directors are as follows:
    - Hitoshi Tamura, Akihiko Kato and Mitsuhiro Aso are candidates for outside director. The Company has appointed these individuals as 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, a candidate for the post of director, has 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. Relatedly, for Ricoh Group, the amounts involved in the transactions with the Company account for less than one percent of its consolidated net sales of the current fiscal year.  
As the Company's transaction volume with Ricoh Group is small, 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.
    - Period in office of incumbent outside directors who are candidates for outside directors  
The period in office of incumbent outside directors Hitoshi Tamura, Akihiko Kato and Mitsuhiro Aso will be two(2) years upon closure of the current Annual General Meeting of Shareholders.
    - Outline of liability limitation agreement  
Hitoshi Tamura, Akihiko Kato and Mitsuhiro Aso are currently outside directors of the Company. In order to assure that outside directors can carry out their expected duties satisfactorily, the Company has a liability limitation agreement with Mr. Tamura, Mr. Kato and Mr. Aso, 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 under such agreement shall be as set forth in the respective items of Article 425, Paragraph 1 of the Companies Act.  
If the election of Mr. Tamura, Mr. Kato and Mr. Aso is approved as proposed and they are reappointed, the Company plans to continue the above liability limitation agreement with each of them.



## Exercising voting rights and other topics

Voting rights may be exercised by one of the three methods below.

### **If you will attend the General Shareholders Meeting:**

Please submit the Form for Exercising Voting Rights at the venue reception. (Seal is not needed.)

Date & Time	11:00am, Tuesday, 14 June 2016 (reception opens at 10:00am)
Location	Head Office of the Company (the Nagoya Auction Site of the Company) (Please refer to the access information on the last page)

### **If voting rights will be exercised by mail:**

Please indicate your approval or disapproval of the matter on the enclosed Form for Exercising Voting Rights and mail this form (no postage is needed).

Proxy deadline	We will acknowledge only those proxies that are received by 5:00pm, Monday, 13 June 2016
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### **If you will be exercising your voting rights online:**

You can vote online only by using our proxy website (<http://www.web54.net>).

For PC setup information, please refer to "System Environment, etc." below. (If you will vote online, please note that a password and proxy code noted on the Form for Exercising Voting Rights will be needed).

Proxy deadline	5:00pm, Monday, 13 June 2016
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- 1) If you complete the proxy online and also mail in the proxy, your online proxy will be treated as your valid proxy, regardless of when we receive them.
- 2) If you complete the proxy online multiple times, then we will treat your last proxy submission as your valid proxy.
- 3) To access our site online, you may have to pay your internet provider a connections fee and telecommunication charge to your telecommunications provider (ie, telephone charge) but such fees shall be borne by the shareholder.

#### [System Environments, etc.]

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

- (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 or 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 the presence of a Firewall or the like. Please ask your system administrator if you need assistance.

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 *The service is available in Japanese only. Telephone: 0120-652-031 (*Toll free) (Business hours: 9:00 to 21:00)
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\* Institutional investors may exercise their voting rights electronically for this 36th Annual General Meeting of Shareholders from the "Web-based voting platform" operated by ICJ Inc.

(Attached document)

**Business Report**

(From April 1, 2015 to March 31, 2016)

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

**(1) Progress in the Businesses and the Results**

The domestic vehicle distribution market in the current fiscal year on a consolidated basis was as follows: Number of new cars registered were 3,124,000 registered cars (up 0.0% on previous period), which is a slight increase over the results of the previous period; however, compact cars fell significantly to 1,813,000 units (down 16.6% on previous period) due to effects including an increase in compact car tax from April 2015, and the number of new cars registered in total dropped below 5,000,000 units to 4,937,000 (down 6.8% on previous period) for the first time in 4 years.

On the number of used cars registered, the number of compact cars registered fell to 3,012,000 units (down 0.7% on previous period); however, because the number of registered cars increased to 3,733,000 units (up 1.7% on previous period), the number of used cars registered in total was 6,745,000 units (up 0.6% on previous period). (Source: Japan Automobile Dealers Association; Japan Light Motor Vehicle and Motorcycle Association)

On the auto auction market, due to factors including a drop in cars traded-in due to stagnant sales of new cars, the number of vehicles consigned was 7,256,000 units (down 0.1% on previous period), the number of vehicles contracted was 4,540,000 units (up 0.5% on previous period) and the contract completion rate was 62.6% (cf 62.2% in previous period). (Source: USED CAR Co., Ltd.)

Business landscape was such, against which the business results of USS Group for the current fiscal year on a consolidated basis were 68,607 million yen in sales (up 1.7% on previous period), 34,491 million yen in operating income (up 3.2% on previous period), 35,218 million yen in ordinary income (up 3.5% on previous period), and Profit attributable to owners of parent was 22,477 million yen (up 3.8% on previous period), showing an increase in both sales and income. Furthermore, operating income, ordinary income and profit attributable to owners of parent marked record profit for five consecutive periods.

	35th term (Year ended March 31, 2015)	36th term (Year ended March 31, 2016)	Year on year
	(million yen)	(million yen)	
Net sales	67,466	68,607	up 1.7%
Operating income	33,411	34,491	up 3.2%
Ordinary income	34,027	35,218	up 3.5%
Profit attributable to owners of parent	21,661	22,477	up 3.8%

Sales by business category at the Company Group are as follows:

### **Auto Auction Business**

While the number of vehicles consigned at the auto auction market as a whole remain stagnant, because the number of units covered by large sites such as Tokyo and Nagoya Auction Sites have increased, the number of vehicles consigned at our auto auctions ended at 2,394,000 units (up 1.7% on previous period), the number of vehicles contracted was 1,562,000 units (up 1.1% on previous period), the contract completion rate was 65.3% (cf. 65.7% in previous period).

In profits, in addition to an increase in the number of units consigned, among other things we raised certain bidding fees from July 2015, which resulted in an increase in auction commission revenue. In business expenditures, while depreciation cost and supplies cost and such fell, there were increases in for example cost of merchandise sold, taxes & dues, and corporate tax.

Furthermore, in capital expenditures, in addition to completing a new Multi-level stock house to hold 6,000 units at the Nagoya Auction Site, we updated the auction facility of Tokyo Auction Site, resulting in a CAPEX of approx 9 billion yen (calculation based on completed construction).

As a result, our auto auction business had sales of 52,594 million yen to outside customers (up 4.6% on previous period) and operating income of 33,560 million yen (up 4.5% on previous period).

In the current fiscal year on a consolidated basis, we additionally acquired shares of Japan Bike Auction Co., Ltd., which was newly added on a consolidated basis to our group (acquisition date of record: December 31, 2015), and it is treated under our auto auction segment

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

Rabbit used car buying shops saw increases in both sales and income due to a reduction in sales expenditures including paid commission in addition to a rise in the percentage of higher priced cars.

The accident-damaged vehicles business saw a drop in both sales and income due to not only a drop in unit value of cars but also a drop in gross profit per unit.

As a result, the used car purchasing and selling business ended on a sales to outside customers of 10,097 million yen (up 0.1% on previous period) and operating income of 485 million yen (up 4.5% on previous period).

### **Other Business**

Scrap vehicles recycling business saw a drop in both revenue and profit due to not only a stagnant metal scraps market but also due to a continuous drop in the non-metals market.

Used cars exporting agency services business saw a drop in both revenue and profit due to a drop in listed units.

As a result, other businesses saw sales to outside customers of 5,915 million yen (down 16.7% on previous period) and operating income of 237 million yen (down 64.9% on previous period).

Our waste rubber recycling business was excluded (sell-off date of record: October 1, 2015) from our consolidated basis in the current consolidated fiscal year when we transferred all shares of Toyo Rubber Chips Co., Ltd., which was established on October 1, 2015 by as a spinoff of CAR QUEST Co., Ltd., on December 1, 2015.

(2) Capital Expenditures

Consolidated capital expenditures totaled 9,512 million yen on an end-of-manufacturing base in the fiscal year ended March 31, 2016. A breakdown of the expenditures is as follows:

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

Category	Office name	Description of site
Auto Auction Business	Nagoya Auction Site	New Multi-level stock house

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

Category	Office name	Description of site
Auto Auction Business	Shizuoka Auction Site	Auction Site Reconstruction
	R-Nagoya Auction Site	Auction Site construction and relocation

(3) Financing

Nothing in particular.

(4) Important Issues

As for new car sales market, while we can anticipate an impact of Kumamoto Earthquake over the production sites and whatnots of automotive manufacturers, we believe that we will see a gradual recovery with increases in the trade-in demand and launch of newer model cars.

The vehicle distribution market is expected to shrink over the mid to long term; however, for several reasons, including a declining birth rate and aging population, decline in interest in car ownership among younger people and people are 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 exclaimed the slogan, "Increasing our share in the auto auction market."

Furthermore, we will maintain a sound financial foundation, adopt a management style that focusing on capital equity ratio, maintain a return on equity (ROE) as an important business management indicator, and work towards a number of above 15% as a mid-term goal (ROE actual was 15.1% for the period ended in March 2016).

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 thus their overall satisfaction.
- 2) Conduct effective M&As  
Considering mergers and acquisitions as ways to capitalize on our opportunities for growth, USS Group plans to invest aggressively in projects that can lead to growth in our future cash flow.
- 3) Collaborate with companies of various business types  
We will forge alliances with companies in different business fields where business and/or capital alliances will potentially produce synergies.
- 4) Reinforce used car purchasing and selling business and other businesses  
USS Group aims to become an integrated enterprise that will lead Japan's used car distribution market by expanding used car purchasing and selling business and recycling businesses around our core auto auction business.

From the above, the consolidated business performance plan for our 37th period (April 1, 2016 to March 31, 2017) is prospected with a consolidated sales of 71,450 million yen (up 4.1% on previous period),

operating income of 34,700 million yen (up 0.6% on previous period), ordinary income of 35,300 million yen (up 0.2% on previous period), and profit attributable to owners of parent of 23,800 million yen (up 5.9% on previous period), with the assumption of 2,500,000 units consigned at our auto auctions (up 4.4% on previous period), 1,600,000 units contracted (up 2.4% on previous period), and the contract completion rate of 64.0% (cf. 65.3% on previous period).

On profit distribution, our basic policy is to maintain stability in dividends payout and to perform sensible returns on profits; and as our dividends policy is linked to business results, we use a consolidated basis dividends payout ratio as our guideline, and at present this baseline is 45% and greater.

We have set the profit distribution for the current term, and as already announced we plan the dividend payout at end of term to be 20.40 Yen per share, and the annual dividend to be 40.80 Yen per share, which is an increase of 3.10 Yen.

However, from the Year ending March 2017, our policy is to raise the consolidated basis dividend payout ratio from 45% and above to 50% and above, and as a result we have planned for the dividend payout in the next period to be 23.20 Yen at end of the second quarter. When this is combined with the dividend payout of 23.20 Yen at the end of period, the annual dividend payout will be 46.40 Yen per share.

We ask our shareholders for your continued support.

#### (5) Progress in Assets and income

##### 1) Progress in Assets and income of the Company Group

Item	32nd term (Year ended March 31, 2012)	33rd term (Year ended March 31, 2013)	34th term (Year ended March 31, 2014)	35th term (Year ended March 31, 2015)	36th term (Year ended March 31, 2016) (Consolidated fiscal year under current review)
Net sales (million yen)	64,009	63,243	67,949	67,466	68,607
Ordinary income (million yen)	28,588	29,884	33,275	34,027	35,218
Profit attributable to owners of parent (million yen)	17,054	18,346	19,966	21,661	22,477
Net income per share (yen)	609	693	77	83	86
Total assets (million yen)	154,639	154,543	164,182	174,106	186,831
Net assets (million yen)	121,097	119,676	132,102	144,039	155,183
Net assets per share (yen)	4,450	4,626	508	553	597

- Notes:
1. The number of shares of common stock used to calculate “Net income per share” and “Net assets per share” for the 32nd and the 33rd terms includes the Company’s shares held by USS Employee Stock Ownership Plan Trust.
  2. From the 35th term, PITF No. 30, “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (March 26, 2015), has been applied, under which retroactive adjustments were made to the amounts for the 34th term.
  3. The Company executed a 10-for-one stock split for its common stock as of October 1, 2013, however, “Net income per share” and “Net assets per share” are calculated assuming that the stock split was conducted at the beginning of the 34th fiscal year (term ended March 31, 2014).

## 2) Assets and income by business segment

(Millions of yen)

Business segment	Item	32nd term (Year ended March 31, 2012)	33rd term (Year ended March 31, 2013)	34th term (Year ended March 31, 2014)	35th term (Year ended March 31, 2015)	36th term (Year ended March 31, 2016) (Consolidated fiscal year under current review)
Auto auction business	Net sales	45,840	45,909	49,479	50,281	52,594
	Operating income	27,156	28,365	31,130	32,116	33,560
	Total assets	149,002	148,958	157,618	167,761	183,452
Used car purchasing and selling business	Net sales	12,476	11,545	11,621	10,083	10,097
	Operating income	610	588	724	464	485
	Total assets	2,431	2,338	2,325	1,887	1,960
Other businesses	Net sales	5,692	5,789	6,848	7,100	5,915
	Operating income	11	223	692	675	237
	Total assets	4,150	4,357	5,618	5,726	2,799

Notes: 1. Segment sales based on external customer sales.

2. From the 35th term, PITF No. 30, "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (March 26, 2015), has been applied, under which retroactive adjustments were made to amounts for the 34th term.

## (6) Update on our important reorganizations

- 1) Our subsidiary, CAR QUEST Co., Ltd. performed a spin off on October 1, 2015 through which its refuse rubber recycling business was transferred to Toyo Rubber Chips Co., Ltd. On 1 December 2015 we transferred all shares of Toyo Rubber Chips Co., Ltd. to ENVIPRO HOLDINGS Inc.
- 2) On April 1, 2016 we performed a M&A of our wholly owned subsidiary CAR QUEST Co., Ltd., thereby assuming all rights and obligations relating to the internet business that CAR QUEST Co., Ltd. was conducting.
- 3) The percentage of our voting rights surpassed 50% when we additionally acquired the shares of Japan Bike Auction Co., Ltd., and we therefore added this company to our consolidated statement with the end of third quarter consolidated accounting period as the acquisition date for our books.

(7) Major parent company and subsidiaries

1) Parent company

Not applicable

2) Major subsidiaries

The Company has 8 consolidated subsidiaries and no affiliate over which the equity method is applied.

Company name	Capital outlay (million yen)	Percentage by equity participation (%)	Primary businesses
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	Financial services business, etc.
Reproworld Co., Ltd.	63	100.0	Purchase and sales of accident-damaged vehicles
Rabbit Car Network Co., Ltd.	50	100.0	Purchase and sale of used 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
Japan Bike Auction Co., Ltd.	212	66.2	Operation of motorcycle auctions

Notes: 1. CAR QUEST Co., Ltd. performed a spin off on October 1, 2015 through which its refuse rubber recycling business was transferred to Toyo Rubber Chips Co., Ltd. On December 1, 2015 we transferred all shares of Toyo Rubber Chips Co., Ltd. to ENVIPRO HOLDINGS Inc.

2. On April 1, 2016 we performed a M&A of our wholly owned subsidiary CAR QUEST Co., Ltd., thereby assuming all rights and obligations relating to the internet business that CAR QUEST Co., Ltd. was conducting.

3. The percentage of our voting rights surpassed 50% when we additionally acquired the shares of Japan Bike Auction Co., Ltd., and we therefore added this company to our consolidated statement with the end of third quarter consolidated accounting period as the acquisition date for our books.

(8) Major Business Activities (as of March 31, 2016)

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

## (9) Principal bases (as of March 31, 2016)

	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
		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.	Chuo, Tokyo	Provides information on used cars via the Internet
		USS Support Service Co., Ltd.	Tokai, Aichi	Finance services business, etc.
		Japan Bike Auction Co., Ltd.	Kobe, Hyogo	Operation of motorcycle auction
	Used car purchasing and selling business	Reproworld Co., Ltd.	Noda, Chiba	19 shops in the domestic purchase and sales of accident- damaged vehicles business
		Rabbit Car Network Co., Ltd.	Chiyoda, Tokyo	Used car purchase and sales shop "Rabbit"; 23 direct shops, 147 franchise shops.
	Other business	ARBIZ Co., Ltd.	Nagoya, Aichi	Recycling plant for end-of-life automobiles and other goods
		USS Logistics International Service Co., Ltd.	Yokohama, Kanagawa	Export procedure agency service for used cars



## (10) Employees (as of March 31, 2016)

## 1) Employees of the Company Group

Business segment	Numbers of employees	Change since end of previous consolidated fiscal year
Auto auction business	677 (149)	up 14 (down 5)
Used car purchasing and selling business	216 (9)	down 6 (down 3)
Other businesses	132 (46)	down 48 (down 27)
Corporate (Common for all business segments)	22 (1)	up 2 (—)
Total	1,047 (205)	down 38 (down 35)

Notes: 1. Numbers of employees refer to employees on payroll (including employees seconded to Group companies from outside of the Group). The figures in parentheses, which are not included in the immediately preceding figures, indicate the average numbers of temporary employees (including Shokutaku employees [a Japanese type of full-time contract employee], contract employees, part-timers and dispatched employees) for the consolidated fiscal year under review (converted at 7.5 work hours per day).

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

3. Employees of other businesses have decreased by 48 persons at the last consolidated fiscal year end. The main reason for this is the spin off on October 1, 2015 through which Toyo Rubber Chips Co., Ltd. assumed the refuse rubber recycling business by our subsidiary CAR QUEST Co., Ltd., and the transfer of all shares of Toyo Rubber Chips Co., Ltd. by us to ENVIPRO HOLDINGS Inc. on December 1, 2015.

## 2) Employees of the Company

Number of employees	Change since end of previous fiscal year	Mean age	Mean service years
540 (122)	down 15 (down 12)	38.3	11.3

Note: Numbers of employees refer to employees on payroll (including employees seconded to the Company from outside of the Company and excluding those from the Company to outside of the Company). The figures in parentheses, which are not included in the immediately preceding figures, indicate the average numbers of temporary employees (including Shokutaku employees [a Japanese type of full-time contract employee], contract employees, part-timers and dispatched employees) for the fiscal year under review (converted at 7.5 work hours per day).

## (11) Major creditors (as of March 31, 2016)

Lender	Loan (million yen)
The Juroku Bank, Ltd.	41

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. For the aforementioned plan, refer to "2. Matters relating to shares of the Company (5) Other Important Items related to Shares, Overview of the Employee Stock Ownership Plan".

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

None

## 2. Matters relating to shares of the Company (as of March 31, 2016)

- (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 54,533,984 shares of treasury stock)
- (3) Total number of shareholders: 8,341

## (4) Major shareholders (Top 10)

Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
State Street Bank and Trust Company	17,819	6.88
Dai Seta	15,100	5.83
State Street Bank and Trust Company 505223	11,982	4.63
The Master Trust Bank of Japan, Ltd. (trust account)	9,502	3.67
Mamoru Seta	9,200	3.55
Yukihiro Ando	9,174	3.54
Japan Trustee Services Bank, Ltd. (trust account)	8,454	3.26
BBH for Fidelity Low-Priced Stock Fund (Principal all sector subportfolio)	8,450	3.26
The Nomura Trust and Banking Co., Ltd. (retirement benefit trust The Bank of Tokyo- Mitsubishi UFJ, Ltd. account)	8,400	3.24
Hattori Motors Co., Ltd.	7,280	2.81

- Notes:
1. The list of major shareholders does not include 54,533,984 shares of treasury stock.
  2. The number of shares used to calculate shareholding ratios does not include treasury stock.
  3. The number of shares when less than one thousand is truncated. Shareholding ratios are truncated to the hundredth decimal point.
  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 May 22, 2015 stated that the following shares are held as of May 15, 2015. Since USS is unable to confirm the valid number of shares owned as of March 31, 2016, this shareholder is not included in the above list of major shareholders.

Name	Address	Shares (thousands of shares)	Shareholding ratio (%)
FMR LLC	245 Summer Street, Boston, Massachusetts 02210, USA	28,176	10.89%
Total		28,176	10.89%

(2) A Report on Possession of Large Volume of Shares submitted by MFS Investment Management K.K. and one other company, in their joint names on June 5, 2014, stated that the following shares are held as of May 30, 2014. Since USS is unable to confirm the valid number of shares owned by these firms as of March 31, 2016, these firms are not included in the above list of major shareholders.

Name	Address	Shares (thousands of shares)	Shareholding ratio (%)
MFS Investment Management K.K.	Daido Seimei Kasumigaseki Bldg., 4-2, Kasumigaseki 1-chome, Chiyoda Ward, Tokyo	1,296	0.50%
Massachusetts Financial Services Company	111 Huntington Avenue, Boston, Massachusetts 02199, USA	17,925	6.92%
Total		19,222	7.43%

(5) Other Important Items related to Shares

Overview of the Employee Stock Ownership Plan

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

According to the Plan, the Company shall establish the USS Employee Stock Ownership Plan Trust (hereinafter the “ESOP Trust”) in a bank trust and the ESOP Trust shall purchase the Company’s shares in advance, which are expected to be purchased via the USS employee stock ownership plan (hereinafter the “Employee Stock Ownership Plan”), over five years after its establishment and continuously then sell the Company’s shares to the Employee Stock Ownership Plan every month until the trust is built. To secure funds to purchase the Company’s shares, the ESOP Trust will take bank loans against which the Company will provide security.

If an amount corresponding to the gain on a sales of stocks is accumulated in the ESOP Trust at the completion of the trust through the sales of Company’s shares to the Employee Stock Ownership Plan, then an amount corresponding to the gain on a sales of the Company’s shares shall be distributed as residual property to certain eligible persons who satisfy the qualification for beneficiaries. Meanwhile, in case an amount corresponding to a 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 on bank loans corresponding to this loss on sales of the shares per the nonrecourse promissory note.

The Company’s shares held by the ESOP Trust that are recorded on the Company’s consolidated balance sheet at the term end were 562 million yen (685,600 shares) for the previous consolidated fiscal year and 466 million yen (568,700 shares) for the current consolidated fiscal year. The ESOP Trust’s bank loans were 300 million yen for the previous consolidated fiscal year and 41 million yen for the current consolidated fiscal year.

### 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 term (as of March 31, 2016)

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		366	426	737
Number of shares subject to Stock Acquisition Rights		36,600 shares of common stock (100 shares per Stock Acquisition Right)	42,600 shares of common stock (100 shares per Stock Acquisition Right)	73,700 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 7 Number of rights 328 Number of shares subject to Stock Acquisition Rights 32,800	Number of holders 7 Number of rights 382 Number of shares subject to Stock Acquisition Rights 38,200	Number of holders 7 Number of rights 659 Number of shares subject to Stock Acquisition Rights 65,900
	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		516	625	518
Number of shares subject to Stock Acquisition Rights		51,600 shares of common stock (100 shares per Stock Acquisition Right)	62,500 shares of common stock (100 shares per Stock Acquisition Right)	51,800 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 7 Number of rights 458 Number of shares subject to Stock Acquisition Rights 45,800	Number of holders 7 Number of rights 553 Number of shares subject to Stock Acquisition Rights 55,300	Number of holders 7 Number of rights 468 Number of shares subject to Stock Acquisition Rights 46,800
	Outside directors	-	-	-
	Corporate auditors	-	-	-

Name		11th Stock Acquisition Rights	12th Stock Acquisition Rights	13th Stock Acquisition Rights
Resolution date for issuance		June 25, 2013 (Board Meeting)	June 17, 2014 (Board Meeting)	June 16, 2015 (Board Meeting)
Number of Stock Acquisition Rights		385	253	234
Number of shares subject to Stock Acquisition Rights		38,500 shares of common stock (100 shares per Stock Acquisition Right)	25,300 shares of common stock (100 shares per Stock Acquisition Right)	23,400 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		93,540 yen per right	137,400 yen per right	179,500 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 13, 2013 to June 30, 2038	From July 5, 2014 to June 30, 2039	From July 4, 2015 to June 30, 2040
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 7 Number of rights 323 Number of shares subject to Stock Acquisition Rights 32,300	Number of holders 7 Number of rights 211 Number of shares subject to Stock Acquisition Rights 21,100	Number of holders 7 Number of rights 196 Number of shares subject to Stock Acquisition Rights 19,600
	Outside directors	-	-	-
	Corporate auditors	-	-	-

Notes: 1. Main 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 statuses 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 statuses (hereinafter the "Exercisable Period Commencement Date") for five (5) years after the Exercisable Period Commencement Date.
  - (2) Notwithstanding condition 1(1) above, in the case specified in (a) or (b) below (however, regarding (b), this will not be applicable if the Stock Acquisition Right for subscription is extinguished due to a restructure, or if the Stock Acquisition Right of a company subject to a restructure is delivered to the Stock Acquisition Right holder pursuant to the policy for decision-making on the details of delivery of stock acquisition rights of the company subject to restructure), the Stock Acquisition Right holder may exercise its Stock Acquisition Right for subscription, only during the periods specified as follows:
    - (a) If the exercise period of the stock acquisition rights does not commence on or before June 30th of the year preceding the year in which the exercise period ends, the stock acquisition rights may be exercised starting on the day after the above date up to the expiration of the exercising period.
    - (b) If an agenda item requesting the approval of a merger agreement by which the Company will become dissolved, 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 stock split for common stock which was conducted on October 1, 2013, "Number of shares subject to Stock Acquisition Rights" and "Amount of assets paid upon exercise of Stock Acquisition Rights" were adjusted.

- (2) Details of the Stock Acquisition Rights granted to executive officers of the Company as consideration for performance of duties during the term under review

Name	13th Stock Acquisition Rights
Resolution date for issuance	June 16, 2015 (Board Meeting)
Number of Stock Acquisition Rights	38
Number of shares subject to Stock Acquisition Rights	3,800 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights	179,500 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 4, 2015 to June 30, 2040
Main conditions for the exercise of Stock Acquisition Rights	(Note) 1
Number of recipients	5

- Notes: 1. Main conditions for the exercise of Stock Acquisition Rights are as follows:  
Refer to (1) Stock Acquisition Rights held by officers of the Company as of the end of term (Note) 1.  
2. There were no Stock Acquisition Rights granted as consideration for performance of duties to 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, 2016)

Title	Name	Duties and Affiliation to Other Companies, etc.
President and Representative Director	Yukihiro Ando	President and Representative Director of US Butsuryu Co., Ltd.
Vice President and Representative Director	Dai Seta	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
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 Osaka & Kobe Auction Site
Junior Managing Director	Masayuki Akase	Manager of Yokohama Auction Site President and Representative Director of USS Logistics International Service Co., Ltd.
Director	Hitoshi Tamura	President, Customer Satisfaction Research Institute Outside Director, Kitamura Co., Ltd.
Director	Akihiko Kato	
Director	Mitsuhiro Aso	Professor of Hosei University Law School Refugee Examination Counselor, Ministry of Justice Outside Corporate Auditor, Sumitomo Chemical Company, Limited Outside Director, Nojima Corporation
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. Hitoshi Tamura, Akihiko Kato and Mitsuhiro Aso 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 certified 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 Hitoshi Tamura, Akihiko Kato and Mitsuhiro Aso and corporate auditors Toru Niwa and Ryoichi Miyazaki.
  6. There is no relation between USS and Customer Satisfaction Research Institute, Kitamura Co., Ltd., where director Hitoshi Tamura currently holds a position.  
There is no relationship between USS and Hosei University Law School, the Ministry of Justice and Sumitomo Chemical Company, Limited, Nojima Corporation, where director Mitsuhiro Aso currently holds a position.  
There is no relationship between USS and Toru Niwa Certified Public Accountant Office, where corporate auditor Toru Niwa currently holds a position.  
There is no relationship between USS and Naka Joint Law Office, Hatsuho Shoji Co., Ltd. and Aichi Prefecture Lawyers Cooperative, where corporate auditor Ryoichi Miyazaki currently holds a position.
  7. The duties of the Directors in the current fiscal year and significant concurrent posts held are as follows:
    - (1) Hiromitsu Ikeda, Junior Managing Director and former manager of Tohoku Auction Site, became manager of Osaka & Kobe Auction Site on April 1, 2015.
    - (2) Director Hitoshi Tamura became Outside Director of Kitamura Co., Ltd. on June 23, 2015.
    - (3) Director Mitsuhiro Aso became Outside Director of Nojima Corporation on June 18, 2015.

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

Position	Number of officers	Amount of remuneration	Stock options	Total amount of remuneration, etc.
Directors (Outside directors out of all directors)	10 (3)	207 million yen (13 million yen)	35 million yen (-)	242 million yen (13 million yen)
Corporate auditors (Outside corporate auditors out of all corporate auditors)	3 (2)	15 million yen (9 million yen)	- (-)	15 million yen (9 million yen)
Total (Outside officers out of all officers)	13 (5)	222 million yen (22 million yen)	35 million yen (-)	257 million yen (22 million yen)

Notes: 1. There are no directors who also are employees.

2. The maximum amount of remuneration for directors was calculated to be 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 options for directors of the Company (except for outside directors) was calculated to be 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 calculated as 650 million yen in total per year.

3. The maximum amount of remuneration for corporate auditors was calculated to be 50 million yen per year by a resolution at the 26th Annual General Meeting of Shareholders held on June 28, 2006.

4. Stock option compensation is the amount of expenses recorded in the fiscal year ended in March 31, 2015, for all stock acquisition rights listed under “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 20-21 of this report.

(3) Matters concerning outside directors

1) Update on significant concurrent posts at other corporations and the relationship between the company and corporations at said locations are as shown under (1) Directors and corporate auditors, which is provided at page 23.

2) Update on principal activities in the current fiscal year

Position	Name	Major activities
Director	Hitoshi Tamura	Attended all 9 Board meetings held in this fiscal year (attendance record: 100%), and has made comments, when needed, based on his broad knowledge of CS management.
Director	Akihiko Kato	Attended all 9 Board meetings in this fiscal year (attendance record: 100%), and has made comments, when needed, based on his experience and extensive knowledge of management at a financial institution.
Director	Mitsuhiro Aso	Attended all 9 Board meetings in this fiscal year (attendance record: 100%), and has made comments, when needed, based on his specialist views as an attorney.
Corporate Auditor	Toru Niwa	In addition to covering accounting at USS Group and conducting internal audits, he attended all 9 Board of Auditors meetings in this fiscal year (attendance record: 100%), and has made comments when needed that must be made. He also attended all 9 Board meetings in this fiscal year (attendance record: 100%), and has made comments, when needed, based on his specialist viewpoints as a CPA.
Corporate Auditor	Ryoichi Miyazaki	In addition to covering accounting at USS Group and conducting internal audits, he attended all 9 Board of Auditors meetings in this fiscal year (attendance record: 100%), and has made comments when needed that must be made and as appropriate. He also attended all 9 Board meetings in this fiscal year (attendance record: 100%), and has made comments, when needed, based on his specialist viewpoints as an attorney.



3) Overview of the contents of a 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 pursuant to provisions under 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) Name of corporate auditor

KPMG AZSA LLC

(2) Amount of remuneration, etc.

Classification	Amount
Total amount of remuneration, etc. of accounting auditors during the term under review	30 million yen
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

Notes: 1. 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 not possible.

2. Board of Auditors agreed to the figures including the compensation package for accounting auditors after a review of needed materials and reports from and interviews with accounting auditors, Directors, Internal Audit Office and other concerned departments to confirm among other things the state of performance of duties in the current and previous fiscal years and the computation basis for a general estimate of auditor compensation.

(3) Overview of the contents of the liability limitation agreement

Not applicable.

(4) Contents of services other than audit

Not applicable.

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

The Board of Corporate Auditors determine whether to reappoint accounting auditors, taking their independence, reliability and other situations related to their performance of duties into account comprehensively.

The Board of Corporate Auditors will, if it deems it necessary to remove or deny reappointment of any of the accounting auditors due to an issue in the performance of their duties or any other reason, decide the contents of the agenda of an Annual General Meeting of Shareholders regarding the removal or denial of reappointment of an accounting auditor. If the Board of Corporate Auditors recognizes that any of the items prescribed in Article 340, Paragraph 1, of the Companies Act apply to any of the accounting auditors, the Board of Corporate Auditors will remove this accounting auditor, subject to an unanimous agreement by the corporate auditors. In such a case, a corporate auditor elected by the Board of Corporate Auditors will report the facts on the removal of the accounting auditor and the reasons at the first General Meeting of Shareholders that is held following the removal.

Notes: 1. Numbers written in this Business Report are truncated. Percentages are, however, rounded off to the nearest tenth decimal except the Shareholding ratio numbers 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. Management shall ensure sound business practices and update on implementation of this management**  
**Basic policy on internal controls systems**

- (1) Management shall ensure compliance by directors and such of USS and its subsidiaries (These members shall include directors of USS and directors, executive officers, officers, and others at our subsidiaries who shall bear the professional duties under Article 598 Paragraph 1 of the Companies Act and other similar persons. Hereinafter, the same shall apply.), and to enable their professional duties to be performed in congruence with the laws, ordinances, and Articles of incorporation.
  - 1) USS Group shall create a compliance manual that includes USS Code of Conduct & Ethics to comply with the laws and ordinances and improve areas including the Directors' and employees' understanding of ethical conduct at our corporation, and shall disseminate and implement this Manual.
  - 2) USS Group shall uncover swiftly and prevent any activities and the like in breach of laws and ordinances; shall utilize the USS Helpline on Ethical Conduct, which is USS's internal whistleblowing system to rectify such breaches; and shall implement a roll-out of our mindset on ethical conduct to the employees and Directors of the USS Group.
  - 3) USS Group shall appoint Outside Director and Outside auditors to ensure sensible decision-making at Board meetings and improve oversight in the functions of Management, and shall utilize independent experts including but not limited to legal counsel.
  - 4) USS Group shall implement a central accounting system at the head offices to ensure sensible financial reporting; shall centrally manage the financial information and such of the USS Group; and shall comply with accounting standards and other various, related laws and ordinances.
  - 5) USS Group shall not be associated in any way with organizations that disrupt our society and shall resolutely stand against such organizations. In the event of demands including but not limited to unlawful requests, concerned departments shall work together under close partnership with expert bodies including but not limited to police, and we shall never work to benefit the assets of such organizations.
- (2) Management of retention and organization of information relating to performance of duties by Directors
  - 1) Management of information concerning the performance of duties by Directors shall sensibly retain and control (including disposals) such information in line with rules including but not limited to USS Group's company rules, and when needs arise all rules shall be reviewed and how the rules are enforced shall be checked.
  - 2) Responsible department shall be established based on information type and on division and organization of roles by job duty of Directors; then shall such information be recorded and saved in document form or on electromagnetic media. Specifically, access privileges, security measures, backup systems, and other controls for electromagnetic information shall be upgraded.
  - 3) On information that require certain controls under the laws and ordinances on insider information, personal information, and customer information, the method of control that is required under relevant laws and ordinances shall be disseminated fully to the Directors and employees.
  - 4) Risk and Information Manager shall be appointed at each office and the subsidiaries; a company management structure shall be established where critical information of the USS Group are reported in a timely and sensible manner to the General Affairs Department of the Supervisory Office of Head Office and reported to and reviewed at the Board meetings or by Directors in charge when necessitated; and a system shall be implemented by which company information that should be disclosed is disclosed sensibly and in a timely manner in line with the rules on disclosure.
  - 5) Internal Audit Office shall monitor whether controls are implemented that are in line with the risk and information management rules and division and organization of roles by job duty, and the status shall be reported to the Directors in charge and the Auditors (Board of Auditors).

- (3) Regulations on risk management at USS and its subsidiaries concerning damages and such management systems
- 1) We shall create a risk management structure for the USS Group as a whole including but not limited to instructions, orders, and code of conduct in the event of critical risks, review of countermeasures and avoidance of critical risks, analysis of size in the event of occurrence of risks including but not limited to predictable catastrophes, environment, compliance, business management, and business strategies, and frequency of such risks.
  - 2) Risks shall largely be categorized into (i) risks in business management; (ii) risks in daily business processes; (iii) crisis risks; such risks shall be avoided and business efficiency shall be increased.
  - 3) Risks in business management, about which the company is aware and understands, shall be disclosed to stakeholders as risk information in documentation such as security reports, and such information shall be considered fully at important decision-making at events including but not limited to debated items at Board meetings.
  - 4) Risk and Information Managers at all offices and the subsidiaries shall report necessary information in a timely manner and sensibly to the General Affairs Department of the Supervisory Office of Head Office, and the Auditors and Internal Audit Office shall monitor the risk management systems as part of any audit.
- (4) Management shall ensure professional duties by directors and such of USS and its subsidiaries are efficiently performed
- 1) All offices and subsidiaries shall devise specific plans for the objectives of the USS Group as a whole, including but not limited to mid-term plans and annual budgets; these objectives shall be disseminated to persons including employees; and a management system shall be established to perform these objectives to fulfillment.
  - 2) The Finance Department of the Supervisory Office of Head Office will analyze elements that inhibit the objectives from being achieved and efficiency at all of our offices and subsidiaries based on reports to the Board, comparative analysis of budget against results, and central management of monthly results of all of our offices and subsidiaries, and implement necessary measures.
  - 3) Disambiguate the professional duties and the division and organization of roles by job duty of the Directors, executive officers, and site managers who perform the job duties, and establish an efficient and effective business management system in response to business expansions.
  - 4) Auditors shall perform monitoring of also the excessive push for efficiency in the performance of jobs by Directors.
- (5) Management shall ensure compliance by staff of USS and its subsidiaries in congruence with the laws, ordinances, and company charter when professional duties are performed
- 1) The Finance Department of the Supervisory Office of Head Office has appointed managers at all offices and subsidiaries and is providing guidance and streamlining activities based principally on the monthly finance reports. In addition, the General Affairs Department and the Management Department of the Supervisory Office of Head Office shall cover general affairs and human resources, Auction Operation Office of Head Office shall cover auction businesses, System Office of Head Office shall cover information management businesses, the management of subsidiaries not including auction businesses shall be performed by appointing a Director in charge, and all shall coordinate to perform management and provide guidance for sensible business operations.
  - 2) In addition to disseminating the Compliance Manual to all persons under the employ of the USS Group, a compliance mindset shall be reared through usage of the USS Helpline on Ethical Conduct, which is USS's internal whistleblowing system that uses an independent and outside organization.

- 3) On compliance at all offices and subsidiaries, management shall ensure efficiency when responding to business expansions of the USS Group, while ensuring full compliance. Management shall continually maintain the company's Internal controls systems for documents including but not limited to (i) work rules, accounting rules, and other business management rulebooks, and (ii) information processing and controls for the information processing system on which many business processes are dependent.
  - 4) On monitoring, management shall utilize self-audit reports of all offices and subsidiaries and ensure effectiveness of monitoring by way of audits by the Internal Audit Office and Auditors.
- (6) Management of reports to USS on matters relating to performance of professional duties by directors and such of its subsidiaries

Management shall hold meetings and provide guidance on strategies for each subsidiary based on budget administration and monthly business reports, and erect the Internal control system that covers all subsidiaries of the consolidated group.

- (7) Management shall ensure proper work operations at corporation groups formed of USS and its subsidiaries
- 1) The Company shall respect the autonomy of all of its subsidiaries under the master policy, which covers all subsidiaries on the consolidated statement, and all subsidiaries as members of the USS Group shall share the mission statement and compliance mindset, and streamline operations including but not limited to our workforce, human resource, accounting, and treasury management.
  - 2) The Company shall ensure consistency between policy and such of all subsidiaries and the management strategy, management policy and such, and a Director in charge shall be appointed at the Company to provide necessary support and adjustments that are needed for sound advancement and growth at all subsidiaries.
  - 3) Auditors shall coordinate with the Internal Audit Office and Accounting experts, and provide advice and warnings when they believe such are necessary.

(8) Management shall ensure sensible financial reporting

- 1) As described under (1) through (6) and (10), the Company shall create and run company controls for all of the USS Group including the consolidated subsidiaries.
- 2) The Company shall take under consideration not only the purpose that is Credibility of the Financial Reports but also the other purposes of Internal controls (How Valid and Effective are the Businesses; Compliance of Items including but not limited to Laws and Ordinances relating to Business Activities; Protection of Assets).
- 3) Because Company Controls for Settlement and Financial Reporting Processes are linked directly to financial reporting and these are processes that can have important impact, these controls shall be created such that the controls common to the group are also common to the consolidated subsidiaries.

(9) Items concerning employees when Auditors request said employees to be placed to support their work

In the event auditors make this request, the necessary auditing staff shall be appointed, and they shall be put to provide support for auditing work.

(10) Items on ensuring the performance of instructions by employees and independence of said employees in above paragraph from Directors

- 1) Auditor staffs in the above paragraph shall not take instructions and orders from Directors and employees when such staffs receive orders necessary for audit work from auditors.
- 2) In the event staff dedicated to auditing will be placed, any instructions, transfer orders, personnel review, and disciplinary action concerning this person shall be cleared in advance by the Auditors (Board of Auditors).

(11) Management of reports to auditors by directors and such and staff of USS and its subsidiaries (Auditors shall be included in the case of its subsidiaries.), management to ensure that persons who make said report will not be treated unfairly for making such reports, and management of reports to auditors.

- 1) The Company has adopted a system at the Supervisory Office of Head Office (Finance Department, General Affairs Department, and Management Department) by which the management of treasury, accounting, general affairs, and human resources for all offices and subsidiaries are streamlined, and all important information of the USS Group are controlled by the Supervisory Office of Head Office and reported to the Auditors and Internal Audit Office.
- 2) The Company shall establish a USS Helpline on Ethical Conduct, which is company's whistleblowing system, by which reports are made to the Auditors and Internal Audit Office via the Supervisory Office of Head Office.
- 3) The mechanism is such that USS and its subsidiaries shall improve internal management to prevent any persons who make a report to auditors from receiving unfair treatment for making such reports, and auditors will check whether said management is properly functioning. This mechanism further functions in such a way that any persons who whistleblow or seek guidance about violation of laws and ordinances or about improper activity to not be treated unfairly for whistleblowing or seeking guidance about such matters.
- 4) The Company shall reinforce the system by which the systems in (1) and (2) above are implemented effectively and safely.

(12) Items on prepayment or disbursement of cost incurred by performance of professional duties by auditors and cost incurred by other such professional duties and the policy on repayment procedure

Auditors Board may prepare in advance a budget to cost what it believes is needed to perform the professional duties. Emergency and unscheduled expenditures by auditors may be reimbursed ex post facto by the company.

(13) Management shall ensure that audits by auditors are effectively performed

- 1) Conduct audits in line with Auditing Criteria for Auditors and with Auditing Criteria on Internal Controls, set by the Board of Auditors. In addition, persons holding auditor posts shall attend Board meetings and other important meetings and voice auditor remarks.
- 2) Reconfirm the division of duties among the auditors for more effective auditwork and confirm this understanding with the Board of Auditors.
- 3) Hold briefings with the Representative Director, Outside Director, Internal Audit Office, and accounting auditors periodically.

## Overview of the State of Our Operations

### (1) Framework on compliance

The Board shall set forth the USS Code of Conduct & Ethics as our basic rules on behavior of all officers and persons under our employ; shall disseminate these rules to all officers and persons under our employ within the USS Group, and shall work to effect this dissemination through in-house training whenever appropriate.

We have established USS Helpline on Ethical Conduct, which is run by a third party, to serve as our whistleblower interface in the event persons under our employ obtain information on risk of illegal activity and such. The Board will receive reports on important risk information that are reported and brought to the attention of the USS Helpline on Ethical Conduct, and the state of this Helpline's operation will be regularly checked. Furthermore, USS's internal whistleblowing system guarantees that the persons under our employ will not suffer negative consequences from making a risk reports to this Helpline.

### (2) Assurance of efficiency and sensibility in the professional actions of Directors

We maintain a proper number of Directors; bring in also third parties to sit on our Board, and implement an executive officers system, with the objective to improve Director oversight and swifter decisions-making.

Nine Board meetings were held in the current term. Items to be deliberated by the Board were distributed in advance so that attendees would have had sufficient time to make preparations; the Board then passed decisions on important items relating to management such as devising budgets, decisions on direction of Management, and items to be discussed as required under laws and ordinances; we then analyzed, evaluated, and devised strategies on budget performance by monthly business results, and deliberated on all tabled items with compliance to laws, regulations, articles of incorporation and such, and from the perspective of sensible business practice.

### (3) Preparation of controls at our subsidiaries

Our Directors and executive officers are appointed as officers to our subsidiaries, and they audit the performance of duties by Directors of our subsidiaries and others to make certain that those duties are efficiently performed. In addition, we have set forth Rules on Management of Affiliates as our rules on subsidiaries management, and implemented, among other things, pre-approvals on matters that require pre-approval such as important decision-making for subsidiary's business management to perform efficient monitoring of business performance at our company group.

### (4) Guaranty that audits by auditors are effectively performed

Employees of the Internal Audit Office supports the duties of the auditors, and we have opportunities where opinions are exchanged regularly between auditors and the accounting auditors, the Internal Audit Office, the Management, and all Directors including the President and Representative Director.

### (5) State of performance of internal audits

We audit under our audit plan prepared by the Internal Audit Office based on our internal audit rules, whether our and our subsidiaries' corporate activities are proper under our company rules, code of conduct, articles of incorporation, and laws & ordinances, and whether proper controls are functioning in the business operation streams by an audit method that includes review of documentation and investigations with the support and cooperation of the Board of Auditors.

## **7. Master policy on corporation management**

### **(1) Master policy**

USS believes that persons who control the policy decisions over USS's finances and businesses must above all be persons who possess the abilities to ensure and better USS's corporate value and interests of our shareholders.

The mission statement of the USS Group is (1) Creation of a fair marketplace; (2) Coexistence with our members; (3) Service to the consumers; (4) Returns to our shareholders; (5) Respect for our staffs; (6) Giving back to communities. Our belief is that conducting our businesses under these missions will ensure and better USS's corporate value and interests of our shareholders.

Moreover, as a public company USS believes as long as our company shares can freely be bought and sold that whether we should sell shares of our company because of a large buy activity by somebody should ultimately be a matter for decision by our shareholders, and in the event there is a large buy activity on our company shares, we should not unilaterally oppose such trade if such action will better our corporate value and be in the interests of our shareholders.

However, among the large buy proposals and activities on our company shares we can expect to see those that do not suit our corporate value and interests of our shareholders because inter alia they provide insufficient time and information to the company and shareholders to consider the proposal details of and a counterproposal to the buy offer; those that may negatively impact USS's corporate value and interests of shareholders with respect to our management policy post-acquisition and in view of the acquisition objective; those that may inevitably force our shareholders to sell shares and such; those that may have acquisition terms which are inadequate or inappropriate in view of our corporate value and interests of our shareholders.

USS believes that any persons who proposes and conducts large buy activities are not befitting as personnel who controls decisions on directions of our treasury and businesses.

### **(2) Work to put the master policy into force**

In addition to working on our businesses, USS will continue to work on the fulfillment of corporate governance duties outlined below under our mission statement so that we may put the above master policy into force.

Our group believes that our principle mission of company management is to ensure sound and sustainable growth and to fulfill what our stakeholders including but not limited to our shareholders have entrusted on us, and we will continue to work on the fulfillment of our corporate governance duties for it is the vehicle by which we shall realize this mission.

Our Board continues to work on swifter decision-making and increased transparency through liaison and coordination work between our outside directors who are very independent from our organization and directors who are very knowledgeable about USS Group's businesses. Furthermore, by way of audits by auditors including outside corporate auditors, we continue to work on the fulfillment of our audit functions overseeing management, by stringent monitoring and validation of items including but not limited to legal compliance, efficiency, and justifiability of duties performed by directors and suitability of decision-making processes.

Our group has established basic rules of compliance, which we call USS Code of Conduct & Ethics, and our directors lead the program on dissemination of and compliance with the company's rulebook on ethics. Furthermore, we also have established rules on ensuring the credibility of our financial reports and ensuring the appropriateness of our decision-making, which we call USS Group Internal Governance System, and this is an internal governance system, which ensures that the operations of our group are performed properly and efficiently.

On the validity of our internal governance system, important items are reported to our board and auditors by our internal audit unit, which performs internal audits based on our annual plan.

- (3) Works in the master policy to prevent decisions over policies on our finances and businesses from being controlled by unsuitable persons

USS has adopted the proposal to implement countermeasures in the event of large buy activities on our company shares (acquisition defense plan) at the Board meeting of May 16, 2006, to prevent negative impacts over the joint interest of our shareholders and to the company value from large buy activities, as part of our framework to ensure and improve the joint interests of our shareholders and our company value. Thereafter, this acquisition defense plan was approved by our shareholders at the 29th Period General Shareholders Meeting on June 24, 2009, and 32nd Period General Shareholders Meeting on June 26, 2012, under the term that this plan will continue in force after certain revisions were approved at these Meetings (The plan that was approved by our shareholders at the 32nd Period General Shareholders Meeting on June 26, 2012, will be referred hereinafter as the “Plan”).

After a review of the management of this Plan expiring on June 30, 2015, in view of the current business environment we have made the determination that it is not essential to continue this Plan, and a resolution not to continue this Plan upon said expiry was adopted at the Board meeting on May 13, 2015.

USS however shall continue to take proper and appropriate actions including but not limited to continuing to seek, even after this Plan expires, under the relevant laws and ordinances, the necessary and full disclosure of information from persons who attempt to make large buys and acquisition proposals concerning our company shares, as needed by our shareholders to make appropriate decisions over large buy activities, and continuing to disclose the views and such of our Board, and work to ensure the time and information that are needed to conduct a review by our shareholders.

- (4) Decision of the Board on the work to implement the master policy

USS believes that performing the works under (2) and (3) above as the works to implement the above master policy will lead to ensuring and bettering the joint interests of our shareholders and our company value, and that this will make it difficult for persons to make large buy activities and acquisition proposals which do not benefit the joint interests of our shareholders and our company value. Furthermore, we will continue to implement appropriate actions including but not limited to working to ensure that the sufficient time and information necessary for our shareholders to make appropriate decisions are provided in the event persons come to make large buy activities and acquisition proposals. Therefore, we have determined that the works under (2) and (3) above are in line with the master policy, and such works are not for the purpose for our officers to maintain their position.



**Consolidated Balance Sheet**  
(As of March 31, 2016)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
<b>Current assets</b>	<b>81,440</b>	<b>Current liabilities</b>	<b>25,937</b>
Cash and deposits	62,290	Payables due to member dealers at auctions	13,288
Receivables due from member dealers at auctions	10,612	Notes and accounts payable - trade	352
Notes and accounts receivable - trade	2,610	Short-term loans payable	60
Securities	3,000	Current portion of bonds	20
Inventories	708	Current portion of long-term loans payable	61
Prepaid expenses	126	Lease obligations	70
Deferred tax assets	570	Income taxes payable	5,409
Other	1,565	Deposits received	2,207
Allowance for doubtful accounts	Δ44	Provision for bonuses	618
<b>Noncurrent assets</b>	<b>105,391</b>	Other	3,849
<b>Property, plant and equipment</b>	<b>96,101</b>	<b>Noncurrent liabilities</b>	<b>5,710</b>
Buildings and structures	36,699	Bonds payable	20
Machinery, equipment and vehicles	747	Long-term loans payable	21
Furniture and fixtures	1,100	Lease obligations	2
Land	56,937	Long-term accounts payable - other	179
Lease assets	170	Net defined benefit liability	253
Construction in progress	445	Long-term guarantee deposited	4,601
<b>Intangible assets</b>	<b>1,578</b>	Asset retirement obligations	631
Goodwill	396	<b>Total liabilities</b>	<b>31,647</b>
Other	1,181	(Net assets)	
<b>Investments and other assets</b>	<b>7,711</b>	<b>Shareholders' equity</b>	<b>159,865</b>
Investment securities	674	<b>Capital stock</b>	<b>18,881</b>
Long-term loans receivable	458	<b>Capital surplus</b>	<b>18,914</b>
Long-term prepaid expenses	215	<b>Retained earnings</b>	<b>161,926</b>
Deferred tax assets	716	<b>Treasury stock</b>	<b>Δ39,856</b>
Deferred tax assets for land revaluation	2,556	<b>Accumulated other comprehensive income</b>	<b>Δ5,710</b>
Real estate for investment	3,171	<b>Valuation difference on available-for-sale securities</b>	<b>160</b>
Other	411	<b>Revaluation reserve for land</b>	<b>Δ5,863</b>
Allowance for doubtful accounts	Δ491	<b>Remeasurements of defined benefit plans</b>	<b>Δ7</b>
		<b>Subscription rights to shares</b>	<b>262</b>
		<b>Non-controlling interests</b>	<b>765</b>
		<b>Total net assets</b>	<b>155,183</b>
<b>Total assets</b>	<b>186,831</b>	<b>Total liabilities and net assets</b>	<b>186,831</b>

**Consolidated Statement of Income**  
**(From April 1, 2015 to March 31, 2016)**

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>68,607</b>
<b>Cost of sales</b>		<b>25,867</b>
<b>Gross profit</b>		<b>42,740</b>
Selling, general and administrative expenses		8,248
<b>Operating income</b>		<b>34,491</b>
<b>Non-operating income</b>		
Interest and dividends income	72	
Rent income of real estate	560	
Other	179	811
<b>Non-operating expenses</b>		
Interest expenses	0	
Rent cost of real estate	80	
Other	3	84
<b>Ordinary income</b>		<b>35,218</b>
<b>Extraordinary income</b>		
Gain on step acquisitions	48	
Gain on sales of noncurrent assets	15	63
<b>Extraordinary losses</b>		
Loss on sales and retirement of noncurrent assets	211	
Loss on sales of shares of subsidiaries	641	
Other	10	864
<b>Income before income taxes and minority interests</b>		<b>34,418</b>
Income taxes - current	11,325	
Income taxes – deferred	534	11,860
<b>Profit</b>		<b>22,557</b>
Profit attributable to non-controlling interests		80
<b>Profit attributable to owners of parent</b>		<b>22,477</b>

**Consolidated Statement of Changes in Net Assets**  
**(From April 1, 2015 to March 31, 2016)**

(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	18,933	149,718	Δ38,878	148,654
Changes of items during the period					
Dividends from surplus	—	—	Δ10,266	—	Δ10,266
Profit attributable to owners of parent	—	—	22,477	—	22,477
Purchase of treasury stock	—	—	—	Δ1,145	Δ1,145
Disposal of treasury stock	—	Δ19	—	168	149
Decrease on a nonconsolidated basis	—	—	Δ72	—	Δ72
Reversal of revaluation reserve for land	—	—	70	—	70
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	Δ19	12,208	Δ977	11,211
Balance at the end of current period	18,881	18,914	161,926	Δ39,856	159,865

	Accumulated other comprehensive income				Subscription rights to shares	Nonmajor shareholder equity	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	103	Δ5,659	0	Δ5,555	273	666	144,039
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	Δ10,266
Profit attributable to owners of parent	—	—	—	—	—	—	22,477
Purchase of treasury stock	—	—	—	—	—	—	Δ1,145
Disposal of treasury stock	—	—	—	—	—	—	149
Decreases on a nonconsolidated basis	—	—	—	—	—	—	Δ72
Reversal of revaluation reserve for land	—	—	—	—	—	—	70
Net changes of items other than shareholders' equity	57	Δ204	Δ7	Δ154	Δ11	98	Δ66
Total changes of items during the period	57	Δ204	Δ7	Δ154	Δ11	98	11,144
Balance at the end of current period	160	Δ5,863	Δ7	Δ5,710	262	765	155,183

## Notes on consolidated financial statements

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

#### 1. Matters related to the scope of consolidation

- (1) Number of consolidated subsidiaries: 8  
The main consolidated subsidiaries are listed in “Business Report 1. Matters relating to the current state of the Company Group: (7) Parent company and major subsidiaries 2) Major subsidiaries” (page 15) of “Notice of the 36th Annual General Meeting of Shareholders”.
- (2) Number of nonconsolidated subsidiaries: 1  
Name of nonconsolidated company: PT.JBA Indonesia  
Nonconsolidated company was removed from our consolidated basis because it has no serious impact on our consolidated basis financial statement.
- (3) Revision to our consolidated basis  
Our consolidated basis subsidiary, CAR QUEST Co., Ltd., performed a spinoff on October 1, 2015, through which its refuse rubber recycling business was transferred to Toyo Rubber Chips Co., Ltd. On December 1, 2015 we transferred all shares of Toyo Rubber Chips Co., Ltd., resulting in the removal of this company from our consolidated basis for the current consolidated basis fiscal year. Furthermore, the percentage of our voting rights became 66.24% when we additionally acquired the shares of Japan Bike Auction Co., Ltd., which is an affiliate to which the equity method was not applied, and as a result this company was added to our consolidated basis in the current consolidated fiscal year.

#### 2. Items concerning application of the equity method

- (1) There is no nonconsolidated subsidiary or affiliates to which the equity method will be applied.
- (2) Number of affiliates and nonconsolidated subsidiaries to which the equity method is applied: 2  
They are PT.JBA Indonesia and Info-carry Inc.  
These 2 companies were removed from the companies to which the equity method will be applied because they will not impact our consolidated financial statement critically.

#### 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 accounting policies

- (1) Standards and methods of valuation of material assets
- (i) Standards and methods of valuation of securities
- |                             |  |
|-----------------------------|--|
| Held-to-maturity securities | Amortized cost method (straight-line 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   |
- (ii) Standards and methods of valuation of inventories
- Cost method based on the gross average method (in which book value is reduced to reflect declines in profitability)  
However, the cost method based on specific-identification method (in which book value is reduced to reflect declines in profitability) is used for vehicles, and cost percentage method (in which book value is reduced to reflect declines in profitability) is used for 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 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 estimated bonuses.

(4) Accounting method relative to retirement benefits

(i) Method of attributing expected retirement benefits payment to periods

With regard to calculation of retirement benefits obligation, the benefit formula basis has been adopted to attribute expected retirement benefits payment to the period up to the end of the consolidated fiscal year under current review.

(ii) Amortization method for actuarial gains and losses

Actuarial gains or losses are evenly amortized using the straight-line method, over a certain number of years (10 years) within the average remaining service years of employees, at the time of occurrence in each consolidated fiscal year, from the fiscal year following the year of occurrence.

(iii) Accounting method for unrecognized actuarial gains and losses

Unrecognized actuarial gains and losses are recorded in "Remeasurements of defined benefit plans" in "Accumulated other comprehensive income" under Net Assets after being adjusted for tax-effects.

(iv) Adoption of the simplified method for small businesses

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 retirement benefits obligations in calculating "Net defined benefits liability" and "Retirement benefits expenses."

(5) Matters related to goodwill amortization

The Company amortizes goodwill evenly over a five-year period.

(6) Other basic and important matters for the preparation of consolidated financial statements

Accounting for consumption tax, etc.	Tax exclusion method is used.
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## II. Note on revision to our accounting policy

(Application of accounting standards to corporate mergers)

We apply, among others, Accounting Standards on Corporate Mergers (Corporate Accounting Standards No 21; September 13, 2013; Hereinafter, Corporate Merger Accounting Standards), Accounting Standards on Consolidated Financial Statements (Corporate Accounting Standards No 22; September 13, 2013; Hereinafter, Consolidated Basis Accounting Standards), and Accounting Standards on Business Spin-Offs (Corporate Accounting Standard No 7; September 13, 2013; Hereinafter, Business Spinoff Accounting Standards) from the current consolidated basis accounting year, and we have changed to a method that posts the difference in amount from the change in our equity in the subsidiaries in the case that we continue to control them as capital surplus, and posts cost related to acquisition as expenditure for the consolidated accounting year. Furthermore, on corporate mergers that were performed since the start of the current consolidated accounting year, we have changed the method such that the reviewed allotment of the acquisition cost as a result of provisional accounting treatment will be reflected onto the consolidated statements for the consolidated accounting year to which the corporate merger date is attached. In addition, we have changed how we display the current term net profit and such and we changed from displaying minor shareholders equity to displaying nonmajority shareholder equity.

On the application of Corporate Merger Accounting Standards, we follow the steps set forth in Corporate Merger Accounting Standards No 58-2(4), Consolidated Basis Accounting Standards No 44-5(4), and Business Spinoff Accounting Standards No 57-4(4), and we apply Corporate Merger Accounting Standards from the beginning of our consolidated accounting year and into the future.

In the current consolidated accounting year, the above will have very little impact on our consolidated financial statement.

## III . Notes on revisions to accounting estimates

(Revision to useful life)

Decision was already made to renovate Buildings and Structures at the Shizuoka Auction Site, which we own, during the current consolidated basis accounting year, and as such we have revised the useful life of assets that we expect to retire in terms of the period until scheduled renovation and will continue making revisions into their future.

By doing so, as compared with the conventional method, the depreciation cost for the current consolidated basis accounting year has increased by 127 million yen and operating income, ordinary income, and current net profit before tax adjustments have decreased by the same amount.

## IV. Notes on the consolidated balance sheet

	(Millions of yen)
1. Inventories by category	
Merchandise and finished goods	541
Work in process	23
Raw materials and supplies	143
2. Cumulative depreciation for property, plant and equipment	43,756
Cumulative depreciation for real estate for investment	731

### 3. Revaluation of land

We have revaluated the land for business usage per the Law on Revaluation of Land (Law No 34 Enacted on March 31, 1998). We have posted the tax for said valuation difference amount under Assets and itemized it as Deferred Tax Asset from Revaluation, and posted the amount less this tax under Net Assets and itemized it as Land Revaluation Difference Amount.

#### Method of revaluation of land

The Company revalued the land for business use by making reasonable adjustment to 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:

△706 million yen

### 4. National government subsidies

In conjunction with application of reduction entries for fixed assets acquired using national government subsidies, the total reduction entry amounts that were deducted directly from the acquisition cost of fixed assets were 10 million yen for buildings and structures, 0 million yen for machinery, equipment and vehicles, 5 million yen for tools, furniture and fixtures and 161 million yen for land.

## V. 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	313,250,000	-	-	313,250,000

### 2. Matters related to dividends from surplus

#### (1) Dividend payment and others

##### (i) Matters related to dividend based on the resolution at the 35th Annual General Shareholders' Meeting on June 16, 2015

Total dividends 4,977 million yen

Dividend per share 19.20 yen

Date of record March 31, 2015

Effective date June 17, 2015

Note: Total dividends include dividends of 13 million yen for 691,000 shares of the Company on the shareholder register held by the USS Employee Stock Ownership Plan Trust (ESOP Trust).

##### (ii) Matters related to dividend based on the resolution at the Board of Directors' meeting on November 9, 2015

Total dividends 5,288 million yen

Dividend per share 20.40 yen

Date of record September 30, 2015

Effective date December 11, 2015

Note: Total dividends include dividends of 13 million yen for 638,000 shares of the Company on the shareholder register held by the ESOP Trust.

- (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	5,277 million yen
Dividend per share	20.40 yen
Date of record	March 31, 2016
Effective date	June 15, 2016
Dividend resource	Retained earnings

Note: Total dividends include dividends of 11 million yen for 576,000 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 36,600 shares	September 14, 2007
6th Stock Acquisition Rights	Common stock 42,600 shares	July 10, 2008
7th Stock Acquisition Rights	Common stock 73,700 shares	July 9, 2009
8th Stock Acquisition Rights	Common stock 51,600 shares	July 15, 2010
9th Stock Acquisition Rights	Common stock 62,500 shares	July 14, 2011
10th Stock Acquisition Rights	Common stock 51,800 shares	July 12, 2012
11th Stock Acquisition Rights	Common stock 38,500 shares	July 12, 2013
12th Stock Acquisition Rights	Common stock 25,300 shares	July 4, 2014
13th Stock Acquisition Rights	Common stock 23,400 shares	July 3, 2015

## VI. Notes on Financial instruments

### 1. Status of financial instruments

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

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

Securities, which are mostly Certificates of Deposit (CDs), are held for the purpose of short-term management of surplus funds. Investment securities, which are mostly stocks, are held for the purpose of pure investment or business promotion. Such securities are subjected to credit risk associated with their issuers, risks of interest rate fluctuation, and risk of market price fluctuation. The Company periodically examines market prices, the state of issuers and other items, and regularly reviews its holdings.

Payable due to member dealers at the auctions, which are a type of trades payable, are all due within a short term.

Fair values of financial instruments are based on market and, if there is no market value, it is based on a value determined using a reasonable calculations. Since these calculations incorporate variables, resulting fair values may vary when different assumptions are used.



## 2. Fair values of financial instruments

Book values of financial instruments on the consolidated balance sheet, fair values and differences between these amounts were as follows as of March 31, 2016 (end of consolidated fiscal year). This table does not include financial instruments for which it is very difficult to determine the fair value (see Note 2) and financial instruments that do not have substantive effect on our financial statements.

(Millions of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	62,290	62,290	-
(2) Receivables due from member dealers at auctions	10,612	10,612	-
(3) Securities and investment securities			
(i) Held-to-maturity securities	3,000	3,000	-
(ii) Other securities	568	568	-
Total assets	76,472	76,472	-
(1) Payables due to member dealers at auctions	13,288	13,288	-
Total liabilities	13,288	13,288	-

Note 1: Matters related to method for calculating fair value of financial instruments and negotiable securities.

### Assets

#### (1) Cash and deposits

Since all of 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 the auctions

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

#### (3) Negotiable securities and investment securities

On the market price of these securities, shares and such are marked to the price at the exchange, and negotiable deposits are marked to said book value because they are settled in a short term.

Notes with regard to securities by purpose of holding them are as follows.

- (i) With regard to held-to-maturity securities, the amounts posted on the consolidated balance sheets ("book value"), fair value and the differences by category are as follows;

(Millions of yen)

		Book value	Fair value	Difference
Fair value exceeds the book value	(1) Government bonds, municipal bonds	-	-	-
	(2) Corporate bonds	-	-	-
	Sub-total	-	-	-
Fair value does not exceed the book value	(1) Government bonds, municipal bonds	-	-	-
	(2) Corporate bonds	-	-	-
	(3) Other Certificates of Deposit	3,000	3,000	-
	Sub-total	3,000	3,000	-
Total		3,000	3,000	-

- Notes: 1. There was no change occurred in the purpose of holding to any of the securities during the consolidated fiscal year under current review.  
2. No impairment charges were recorded for any of the held-to-maturity securities with fair value during the consolidated fiscal year under current review.

- (ii) With regard to other securities, acquisition cost, book value and the differences by category are as follows.

(Millions of yen)

	Category	Book value	Acquisition cost	Difference
Amount posted on consolidated balance sheet exceeds acquisition cost	(1) Stocks	440	198	241
	(2) Bond	-	-	-
	(3) Other	8	7	0
	Sub-total	448	206	242
Amount posted on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	120	131	△11
	(2) Bond	-	-	-
	(3) Other	-	-	-
	Sub-total	120	131	△11
Total		568	337	230

- Notes: 1. Acquisition cost in the above table is book value after deduction of impairment charges.  
2. There was no change in the purpose of holding to any securities in the fiscal year that ended on March 31, 2016.  
3. No impairment charges were recorded for any of the other securities with a fair value in the fiscal year that ended on March 31, 2016.

### **Liabilities**

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

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

Note 2: Unlisted stocks (book value of 105 million yen) are not included in “(3) Negotiable securities and investment securities, (ii) Other securities,” because they do not have a market price, therefore future cash flows cannot be estimated and it is very difficult to determine its fair value.

Note 3: Scheduled maturities of monetary claims and securities reaching maturity 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	62,290	-	-	-
Receivables due from member dealers at the auctions	10,612	-	-	-
Securities				
Held-to-maturity securities				
Certificates of Deposit	3,000	-	-	-
Total	75,903	-	-	-

### **VII. Notes on Rental real estate**

There are no notes on rental real estate because the total value of such real estate is not considerable.

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

1. Net asset per share 597.16 yen
2. Net income per share 86.92 yen

Note: Net assets per share were calculated by including Company's shares held by ESOP Trust in treasury stock, which was deducted from the total number of shares issued. The number of shares of the Company held by ESOP Trust at end of the fiscal year under current review was 568,000, and the average during the year was 629,000.

## IX. Note on corporate mergers

### 1. Transactions under common controls

We have omitted this item, as there is no importance to transactions under common controls.

### 2. Business Spinoff

#### Sell-off of subsidiary stock

##### (1) Overview on sell-off's

##### 1) Name and business description of the subsidiary

Name: Toyo Rubber Chips Co., Ltd.

Business description: Recycling of refuse rubber

##### 2) Reason for selloff

We have decided for the refuse rubber recycling business of Toyo Rubber Chips Co., Ltd. to develop and expand going forward, it is best to transfer that to Envipro Holdings Inc., which runs recycling businesses and has the know-how.

##### 3) Business Spinoff Date

December 1, 2015 (stock selloff date)

October 1, 2015 (sell-off date of record)

##### 4) Items relating to overview of other transactions including legal format

Stock transfer whereby the price at receipt is treated as only cash asset

##### (2) Overview of performed accounting treatment

##### 1) Proper book value of assets and liabilities of transferred businesses and their primary descriptions

Liquid asset	1,072 million yen
Fixed asset	1,361
Assets total	2,434
Current liabilities	249
Fixed liabilities	501
Liabilities total	750

##### 2) Accounting treatment

The amount difference between the book value and selloff value on a consolidated basis for Toyo Rubber Chips Co., Ltd. was posted as extraordinary loss under Loss on Subsidiaries Stock Sales.

##### (3) Estimate on profit and loss of the business that was spun off, which is posted in the consolidated profit and loss statement for the consolidated accounting year

	Cumulative period
Sales	636 million yen
Operating income	Δ17

### 3. Corporate merger by acquisition

Conversion of Japan Bike Auction Co., Ltd. into a consolidated basis subsidiary

#### (1) Overview of business merger

##### 1) Name and business description of the acquired company

Name of acquired business: Japan Bike Auction Co., Ltd.

Business description: Bike auction operations

##### 2) Primary reason for corporate merger

To expand the scope of our auction businesses

##### 3) Corporate merger date

November 10, 2015 (stock acquisition date)

December 31, 2015 (acquisition date of record)

##### 4) Legal format of corporate merger

Stock acquisition in cash

##### 5) Name of company after the merger

No change

##### 6) Voting rights acquired as a percentage

Voting rights held prior to stock acquisition as a percentage: 30.01%

Voting rights after stock acquisition as a percentage: 66.24%

##### 7) Primary basis of the decision to acquire the company

Reason was our acquisition of their stock in cash

#### (2) Period of business results of the acquired company that is included in the consolidated profit and loss statement for the consolidated accounting year

Business results of the acquired company included in the consolidated profit and loss statement for the current consolidated accounting year are the period since January 1, 2016.

#### (3) Breakdown of acquisition cost and consideration of the acquired company by type

Market value on the corporate merger date of Japan Bike Auction Co., Ltd. which we owned prior to the stock acquisition	336 million yen
Cash spent as result of additional acquisition	405
Acquisition cost	741

#### (4) Amount difference between the acquisition cost of the acquired company and the total of the acquisition cost for each deal of the acquisition

Gains from stepwise acquisition 48 million yen

#### (5) Goodwill amount, cause for this amount, depreciation method, and depreciation period

##### 1) Goodwill amount

417 million yen

##### 2) Cause for this amount

The cause for this amount is Japan Bike Auction Co., Ltd.'s excess earning capacity that is anticipated from Japan Bike Auction's business operations going forward.

##### 3) Depreciation method and depreciation period

Uniform depreciation over 5 years

### X. Notes on important subsequent events

Not applicable

## **XI. Other Notes**

### **1. Accounting procedure for the Trust Employee Shareholding Incentive Plan**

The Company has been conducting transactions to allot its own shares to Employee Stock Ownership Plan through the ESOP Trust for the purposes of improving welfare benefits for employees and granting an incentive to employees to improve the Company's corporate value.

#### **(1) Outline of the transaction**

From March 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 to improve the Company's mid and long-term corporate values.

According to the Plan, the Company shall establish ESOP Trust at a trust bank and ESOP Trust shall purchase the Company's shares in advance, which are expected to be purchased through the USS employee stock ownership plan (hereinafter the "Employee Stock Ownership Plan"), over a period of five years after its establishment and thereafter continuously sell the Company's shares to the Employee Stock Ownership Plan every month until ESOP Trust is completed. To secure funds to purchase the Company's shares, ESOP Trust have borrowed bank loans on which the Company will offer guarantees.

If the amount corresponding to the gain on sales of stocks through the sales of the Company's shares to the Employee Stock Ownership Plan is accumulated in the ESOP Trust at the completion of the trust, the amount corresponding to the gain on sales of the Company's shares shall be distributed as residual property to certain eligible persons who fulfill the qualification requirements of beneficiaries.

Relatedly, in the case the amount corresponding to the loss on sales of stocks due to decline in the Company's stock price is accumulated in 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 on the bank loans corresponding to the loss on sales of shares in accordance with the nonrecourse promissory note.

#### **(2) The Company's shares remaining in ESOP Trust at the end of the term**

The number of the Company's shares owned by the ESOP Trust as of the end of the consolidated year under current review is included at their book value in treasury stock under Net Assets in ESOP Trust (excluding associated expenses). The book value of such shares of treasury stock was 466 million yen and the number of such shares was 568,000.

#### **(3) Book value of the bank loans accounted for by applying the gross method: 41 million yen**

### **2. Figures are rounded down to the nearest whole unit.**

**Non-Consolidated Balance Sheet**  
(As of March 31, 2016)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
<b>Current assets</b>	<b>73,518</b>	<b>Current liabilities</b>	<b>23,747</b>
Cash and deposits	56,495	Payables due to member dealers at auctions	13,657
Receivables due from member dealers at auctions	10,525	Accounts payable - trade	30
Accounts receivable - trade	165	Current portion of long-term loans payable	41
Securities	3,000	Accounts payable - other	2,638
Merchandise	125	Accrued expenses	58
Supplies	64	Income taxes payable	4,244
Prepaid expenses	54	Deposits received	2,180
Deferred tax assets	373	Provision for bonuses	393
Short-term loans receivable - affiliated companies	1,530	Other	502
Other	1,195	<b>Noncurrent liabilities</b>	<b>5,310</b>
Allowance for doubtful accounts	△11	Long-term accounts payable - other	178
<b>Noncurrent assets</b>	<b>105,295</b>	Guarantee deposits received from member dealers	4,381
<b>Property, plant and equipment</b>	<b>87,974</b>	Provision for retirement benefits	126
Buildings	32,827	Asset retirement obligations	623
Structures	2,509		
Machinery and equipment	323	<b>Total liabilities</b>	<b>29,058</b>
Vehicles	71	(Net assets)	
Furniture and fixtures	781	<b>Shareholders' equity</b>	<b>155,196</b>
Land	51,086	<b>Capital stock</b>	<b>18,881</b>
Construction in progress	374	<b>Capital surplus</b>	<b>14,505</b>
<b>Intangible assets</b>	<b>697</b>	Legal capital surplus	4,583
Leasehold right	142	Other capital surplus	9,922
Software	528	<b>Retained earnings</b>	<b>161,665</b>
Other	26	Legal retained earnings	370
<b>Investments and other assets</b>	<b>16,623</b>	Other retained earnings	161,295
Investment securities	603	Reserve for special depreciation	206
Shares of subsidiaries and associates	2,623	Retained earnings brought forward	161,088
Claims provable in bankruptcy, claims provable in rehabilitation and other	9	<b>Treasury stock</b>	<b>△39,856</b>
Long-term prepaid expenses	94	<b>Valuation and translation adjustments</b>	<b>△5,703</b>
Deferred tax assets	510	<b>Valuation difference on available - for-sale securities</b>	<b>160</b>
Deferred tax assets for land revaluation	2,556	<b>Revaluation reserve for land</b>	<b>△5,863</b>
Insurance funds	58	<b>Subscription right to shares</b>	<b>262</b>
Real estate for investment	10,128		
Other	47	<b>Total net assets</b>	<b>149,755</b>
Allowance for doubtful accounts	△9	<b>Total liabilities and net assets</b>	<b>178,814</b>
<b>Total assets</b>	<b>178,814</b>		

**Non-Consolidated Statement of Income**  
**(From April 1, 2015 to March 31, 2016)**

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>47,785</b>
<b>Cost of sales</b>		<b>14,326</b>
<b>Gross profit</b>		<b>33,459</b>
Selling, general and administrative expenses		5,886
<b>Operating income</b>		<b>27,572</b>
<b>Non-operating income</b>		
Interest and dividends income	3,956	
Rent income of real estate	980	
Other	181	5,118
<b>Non-operating expenses</b>		
Rent cost of real estate	237	
Other	3	241
<b>Ordinary income</b>		<b>32,449</b>
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	7	
Gain on sales of shares of subsidiaries	540	548
<b>Extraordinary losses</b>		
Loss on sales and retirement of noncurrent assets	184	
Other	1	186
<b>Income before income taxes</b>		<b>32,812</b>
Income taxes - current	9,041	
Income taxes - deferred	466	9,508
<b>Net income</b>		<b>23,303</b>

**Non-Consolidated Statement of Changes in Net Assets**  
**(From April 1, 2015 to March 31, 2016)**

(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	9,941	14,525	370	241	148,018	148,630	△38,878	143,158
Changes of items during the period										
Reversal of reserve for special depreciation	—	—	—	—	—	△39	39	—	—	—
Adjustment to reserve due to change in tax rate	—	—	—	—	—	4	△4	—	—	—
Dividends from surplus	—	—	—	—	—	—	△10,266	△10,266	—	△10,266
Net income	—	—	—	—	—	—	23,303	23,303	—	23,303
Purchase of treasury stock	—	—	—	—	—	—	—	—	△1,145	△1,145
Disposal of treasury stock	—	—	△19	△19	—	—	—	—	168	149
Reversal of revaluation reserve for land	—	—	—	—	—	—	△2	△2	—	△2
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	△19	△19	—	△35	13,070	13,034	△977	12,038
Balance at the end of current period	18,881	4,583	9,922	14,505	370	206	161,088	161,665	△39,856	155,196

	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	103	△5,732	△5,628	273	137,803
Changes of items during the period					
Reversal of reserve for special depreciation	—	—	—	—	—
Adjustment to reserve due to change in tax rate	—	—	—	—	—
Dividends from surplus	—	—	—	—	△10,266
Net income	—	—	—	—	23,303
Purchase of treasury stock	—	—	—	—	△1,145
Disposal of treasury stock	—	—	—	—	149
Reversal of revaluation reserve for land	—	—	—	—	△2
Net changes of items other than shareholders' equity	56	△131	△74	△11	△85
Total changes of items during the period	56	△131	△74	△11	11,952
Balance at the end of current period	160	△5,863	△5,703	262	149,755



## 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

Held-to-maturity securities	Amortized cost method (straight-line method)
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 (by which book value is reduced to reflect declines in profitability) However, the cost method based on the specific-identification method (by 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	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.

#### 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.
Provision for retirement benefits	To prepare for payments of retirement benefits to employees, estimated amounts of the Company's retirement benefits obligation at the end of the fiscal year was provided. For calculation of retirement benefits obligation, to attribute expected retirement benefits payments for the period up to the end of the fiscal year under current review, the retirement benefits formula basis was adopted. The actuarial gains and losses are evenly amortized using the straight-line method, over a specific number of years (10 years) to be within the average remaining service years of employees, at the time of occurrence in each consolidated fiscal year, from the fiscal year following the year of occurrence.

#### 4. Other general and significant matters in the preparation of financial statements

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

Revision to years of useful life

Decision was already made to renovate Buildings and Structures at the Shizuoka Auction Site, which we own, during the current accounting year, and as such we have revised the years of useful life of our assets that we expect to retire in terms of the period until scheduled renovation and will continue making revisions into their future.

By doing so, as compared with the conventional method, the depreciation cost for the current accounting year has increased by 127 million yen and operating income, ordinary income, and current income before income taxes have decreased by the same amount.

## III. Notes on the balance sheet

	(Millions of yen)
1. Cumulative depreciation for property, plant and equipment	38,437
Cumulative depreciation for real estate for investment	2,095

	(Millions of yen)
2. Receivables from, and payables to subsidiaries (excluding independently categorized items)	
Short-term receivables	188
Short-term payables	1,174
Long-term payables	18

### 3. Revaluation of land

For the 22nd term (Year ended March 31, 2002), lands for business used was revalued based on the law related to the revaluation of land (Law No. 34 promulgated on March 31, 1998). Tax on the revaluation difference was posted as “deferred tax assets for land revaluation” under assets, and posted the margin as “revaluation reserves for land” under net assets.

Method of revaluation of land

The Company revalued land for business use by making reasonable adjustments to the valuation in the land tax ledger, as specified by Clause 10, Article 341 of the Local Tax Law, and 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:  
△706 million yen

### 4. National government subsidies, etc.

In conjunction with the application of reduction entries for fixed assets acquired using national government subsidies and such, the reduction entry amounts that were deducted directly from the fixed assets acquisition value were 10 million yen for buildings and structures, 5 million yen in furniture and fixtures, 161 million yen for real estate for investment (land).

## IV. Notes on the statement of income

Transactions with affiliated companies	(in Millions of yen)
Net sales	606
Operating expenses	4,313
Transactions other than business transactions	4,518

## 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	54,691,235	630,649	219,200	55,102,684

- Notes:
1. The number of shares of treasury stock includes the Company's shares owned by ESOP Trust (685,600 shares at beginning of the current fiscal year and 568,700 shares at end of the current fiscal year).
  2. Breakdown of the increase of 630,649 shares in treasury stock (shares of common stock) is as follows:  
Acquisition of treasury shares by a Board resolution 630,600 shares  
Increase due to purchase of shares less than one unit 49 shares
  3. Breakdown of the decrease of 219,200 shares in treasury stock (shares of common stock) is as follows:  
Decrease due to sales to the Employee Stock Ownership Plan (ESOP Trust) 116,900 shares  
Decrease due to exercise of stock options 102,300 shares

## 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 in addition to provision for bonus	120 (million yen)
(2) Accrued enterprise tax denied	284 (million yen)
(3) Payables denied	102 (million yen)
(4) Others	<u>42 (million yen)</u>
Total deferred tax assets	549 (million yen)
Offset against deferred tax liabilities	<u>△176 (million yen)</u>
Net deferred tax assets	373 (million yen)

Liquid liabilities

Deferred tax liabilities

(1) Difference account for subsidiary's share valuation	<u>176 (million yen)</u>
Total deferred tax liabilities	176 (million yen)
Offset against deferred tax assets	<u>△176 (million yen)</u>
Net deferred tax liabilities	- (million yen)

Noncurrent assets

Deferred tax assets

(1) Share-based compensation expenses denied	79 (million yen)
(2) Denial of impairment losses	298 (million yen)
(3) Asset Retirement Obligations	189 (million yen)
(4) Others	<u>150 (million yen)</u>
Total deferred tax assets	718 (million yen)
Netting with deferred tax liabilities	<u>△207 (million yen)</u>
Net deferred tax assets	510 (million yen)

Noncurrent liabilities

Deferred tax liabilities

(1) Valuation difference on available-for-sale securities	58 (million yen)
(2) Asset Retirement Obligations	50 (million yen)
(3) Reserve for special depreciation	90 (million yen)
(4) Others	<u>8 (million yen)</u>
Total deferred tax liabilities	207 (million yen)
Netting with deferred tax assets	<u>△207 (million yen)</u>
Net deferred tax liabilities	- (million yen)

## VII. Notes on transactions with related parties

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) 2.8%	Auction business	Auction related transaction	87	Receivables due from member dealers at auctions	10
USS Director Motohiro Masuda holds a majority of voting rights	Masuda Auto Co., Ltd.	Misato, Saitama	10	Auto sales	-	Auction business	Auction related transaction	40	Receivables due from member dealers at auctions	6
USS Director Toshio Mishima holds a majority of voting rights	Metokosu Ltd.	Kasuya, Fukuoka	13	Auto sales	-	Auction business	Auction related transaction	55	Payables due to member dealers at auctions Guarantee deposited	4 0

- Notes:
1. Business terms and business term determination method  
Under the Company's automobile auction-related regulations, auction transactions are made based on business terms designed for general member dealers.
  2. In the "Details of transactions", "Auction related transaction" includes listing fees, contract completion fees, successful bid fees and other auction transactions.
  3. Transaction amounts do not include consumption tax and such. but the balances at year-end do include consumption tax and such.

## VIII. Notes on per share data

1. Net asset per share 579.09 yen
2. Net income per share 90.11 yen

Note: Net assets per share were calculated by including the Company's shares held by ESOP Trust in treasury stock, which was deducted from the total number of shares issued. The number of shares of the Company held by ESOP Trust at end of the fiscal year under current review was 568,000 and the average during the year was 629,000.

## IX. Note on corporate merger

1. Business spinoff  
Selloff of subsidiary shares  
Please see Notes on consolidated financial statements: IX. Notes on corporate mergers
2. Corporate merger by acquisition  
Conversion of Japan Bike Auction Co., Ltd. into a consolidated subsidiary  
Please see Notes on consolidated financial statements: IX. Notes on corporate mergers

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

M&A of consolidated basis subsidiary

We performed a M&A of CAR QUEST Co., Ltd., our wholly owned subsidiary, on April 1, 2016, as the merger date, by our Board meeting resolution of December 15, 2015.

(1) Purpose of merger

The purpose is to improve business efficiency at our company group.

(2) Merger date

April 1, 2016

(3) Merger method

We adopted the M&A method by which our company is the surviving company, and CAR QUEST Co., Ltd. was dissolved.

(4) Description of allocation for the merger

There is no issuance of new merger shares and no payment of a merger bonus.

(5) Handling of the issuance of new stock warrants and new bonds with warrant of the dissolved company

Not applicable

(6) State after merger

There is no change to our trademark, business description, head office address, principal, capital outlay, and settlement period.

(7) Overview of accounting treatment

Accounting treatment for this merger was performed as a deal of a company that is controlled by both companies, under Accounting Standards on Corporate Mergers (Corporate Accounting Standards No 21; September 13, 2013) and Policy Applicable to Corporate Merger Accounting Standard and Business Spinoff Accounting Standards (Corporate Accounting Standards Applicable Policy No 10; September 13, 2013).

## **XI. Other Notes**

1. Accounting procedure for the Trust Employee Shareholding Incentive Plan

This is the same as the content in “Notes on Consolidated Financial Statements, XI. Other Notes, 1.

Accounting procedure for the Trust Employee Shareholding Incentive Plan.”

2. Figures are rounded down to the nearest whole unit.

### Venue

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

### Access Information

- By train:    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 will be a bus pickup service at 10:00 a.m. and 10:30 a.m. at both stations above.**

- By car:    Approximately 5 minutes from the Funami IC Exit of the Nagoya Expressway Route 4.  
                  Approximately 10 minutes from the Tokai IC Exit of the Isewangan Expressway.

**If you will be coming by car, please use our parking area.**