

*The following documents are English translations of the USS Co., Ltd. Notice of the 37th Annual General Meeting of Shareholders (for the fiscal year ended March 31, 2017) 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: "Matters relating to Stock Acquisition Rights, etc. of the Company", "Management shall ensure sound business practices and update on implementation of this management", "Master policy on corporation management", "Consolidated Statement of Changes in Net Assets", "Notes on Consolidated Financial Statements", "Non-Consolidated Statement of Changes in Net Assets" 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 22, 2017

Dear Shareholders:

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

### **Notice of the 37<sup>th</sup> Annual General Meeting of Shareholders**

You are cordially invited to attend the 37<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 and exercise your voting rights by no later than 5:00 p.m. on Monday, June 12, 2017. 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 more information about 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 11).

- 1. Date and Time:** **Tuesday, June 13, 2017, 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 37th business period (from April 1, 2016 to March 31, 2017)
  2. The financial reports for the Company's 37th business period (from April 1, 2016 to March 31, 2017)
- Items to be resolved:**
- Item 1: Appropriation of retained earnings
  - Item 2: Election of ten (10) directors
  - Item 3: Election of three (3) corporate auditors
- 4. Exercising voting rights** Please refer to "Exercising voting rights and other topics" (on page 11).

- 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

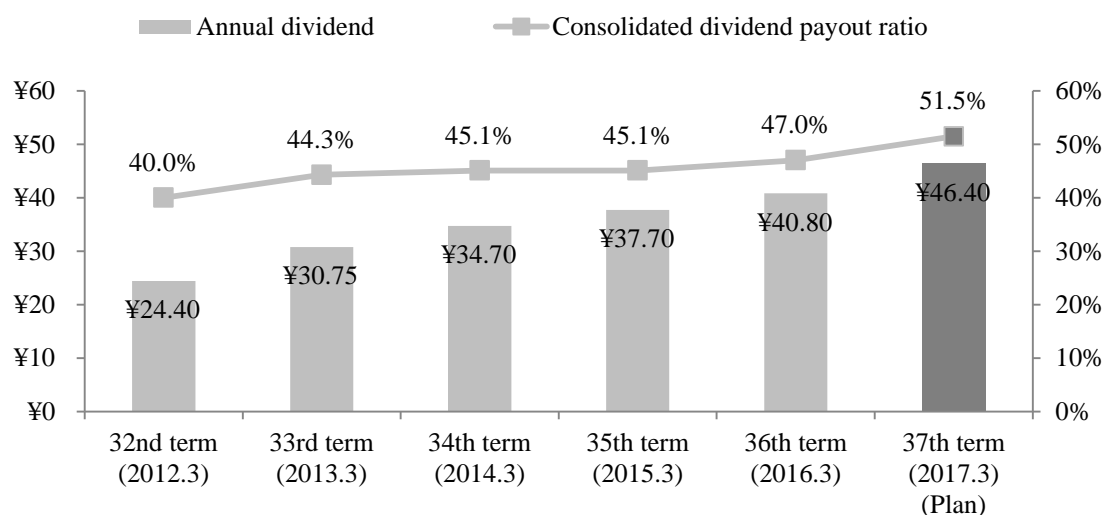
Our basic policy is to maintain the stability of dividends while linking dividends to results of operations from the standpoint of distributing profits in a suitable manner. Consequently, we use the consolidated dividend payout ratio as our guideline and our current basic policy is a payout ratio of at least 50%.

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

Type of dividend property	Cash
Matters concerning allotment of dividend property and the total amount	<p>Amount per common share                    ¥23.20</p> <p>Total Amount                                    ¥5,900,941,251</p> <p>Since the Company paid an interim dividend of ¥23.20 per share, the final annual dividend will total ¥46.40 per share for the fiscal year under review.</p>
Date when the dividends from retained earnings take effect	June 14, 2017 (proposed)

Reference:

#### Dividend and consolidated dividend payout ratio



**Item 2: Election of 10 Directors**

The terms for all ten (10) present members of the Board of Directors will expire at the close of the 37th 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 candidates is as follows:

Candidate Number	Name (Date of birth)	Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
1 (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 2016 Board Meetings Attendance Record) 90% (Attended 9 of 10 meetings)	9,175,100
(Reasons for selection as Director candidate) Mr. Yukihiro Ando has worked on the development of auto auction systems and opening of new auction sites as one member of our executives since taking office as Director in July 1982. Furthermore, after working as the Officer of the Nagoya Office, he became President and Representative Director in June 2006. After becoming 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. Based 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 by the Candidate
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 2016 Board Meetings Attendance Record) 90% (Attended 9 of 10 meetings)	15,101,000

(Reasons for selection as Director 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 USS group on the whole. Based 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 by the Candidate
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 2016 Board Meetings Attendance Record) 100% (Attended all 10 meetings)	301,300

(Reasons for selection as Director 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 Auction Sites, and he played a central role on our sales side, showing his abundant experience and he has produced excellent results. Based 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 by the Candidate
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 June 2016 Executive Vice President of the Company and Officer of the Supervisory Office (at present) (Fiscal 2016 Board Meetings Attendance Record) 100% (Attended all 10 meetings)	32,600
(Reasons for selection as Director candidate) Mr. Masafumi Yamanaka has duly performed his roles including overseeing business operations and making decisions on important items of management as an Executive Vice President. In addition, he has extensive experience and many accomplishments involving the oversight of all business operations relating to administration. Based 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 by the Candidate
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 2016 Board Meetings Attendance Record) 100% (Attended all 10 meetings)	704,300
(Reasons for selection as Director candidate) Mr. Toshio Mishima has duly performed his roles including overseeing business operations and making decisions on important items of management as a Senior Managing Director. In addition, he was the person responsible for the Kyushu Auction Sites, and he played a central role on our sales side, gaining extensive experience and producing excellent results. Based 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 by the Candidate
6 (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 Oct. 2016 Junior Managing Director of the Company and Officer of the Auction Operation Office (at present) (Significant Concurrently Held Posts) President and Representative Director of USS Logistics International Service Co., Ltd. (Fiscal 2016 Board Meetings Attendance Record) 100% (Attended all 10 meetings)	43,700
(Reasons for selection as Director 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 extensive experience having worked also as the person responsible for the Yokohama Auction Site and President and Representative Director of our subsidiary, and has produced excellent results. Based 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 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 by the Candidate
7 (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 2016 Board Meetings Attendance Record) 100% (Attended all 10 meetings)	37,700
(Reasons for selection as Director 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 the person responsible for Tohoku Auction Site, Osaka Auction Site, and Kobe Auction Site, gaining extensive experience and producing excellent results. Based 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 by the Candidate
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 2016 Board Meetings Attendance Record) 100% (Attended all 10 meetings)	1,200
(Reasons for selection as Outside Director 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 corporate management from a position other than outside director; however, for the reasons above, we are confident 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 by the Candidate
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 2016 Board Meetings Attendance Record) 100% (Attended all 10 meetings)	600
(Reasons for selection as Outside Director 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 by the Candidate
10 (Reappointment) (Outside) (Independent)	Mitsuhiro Aso (Jun. 26, 1949)	<p>Apr. 1975 Appointed as prosecutor  Oct. 2010 Superintending Prosecutor of the Fukuoka High Public Prosecutors Office  June 2012 Retired from the Public Prosecutors Office  Oct. 2012 Registered as attorney  Apr. 2013 Professor of Hosei University Law School  May 2013 Refugee Examination Counselor, Ministry of Justice  June 2013 Outside Corporate Auditor, Sumitomo Chemical Company, Limited (at present)  June 2014 Director of the Company (at present)  June 2015 Outside Director, Nojima Corporation (at present)  June 2016 Outside Corporate Auditor, Sumitomo Mitsui Trust Bank, Limited (at present)</p> <p>(Significant Concurrent Posts)  Outside Corporate Auditor, Sumitomo Chemical Company, Limited  Outside Director, Nojima Corporation  Outside Corporate Auditor, Sumitomo Mitsui Trust Bank, Limited  (Fiscal 2016 Board Meetings Attendance Record)  90% (Attended 9 of 10 meetings)</p>	600
<p>(Reasons for selection as Outside Director 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 corporate management in a role other than outside director; however, for the reasons above, we are confident that he will duly perform his duties as outside director.</p>			

- Notes:
1. There are no special interests between the Company and each of the candidates.
  2. USS Kyushu Co., Ltd. merged with the Company in March 1995.  
USS Tokyo Co., Ltd. merged with the Company in January 1996.
  3. Matters related to candidates for outside directors are as follows:
    - (1) 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.
    - (2) 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 three (3) years upon closure of the current Annual General Meeting of Shareholders.
    - (3) 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.  
This agreement limits liability to the higher of 4 million yen or the amount designated by laws and regulations.  
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.



**Item 3: Election of three (3) corporate auditors**

The terms for all three (3) Corporate Auditors will expire at the close of the current Annual General Meeting of Shareholders. The Company proposes to elect three (3) Corporate Auditors.

The consent of the Board of Corporate Auditors was gained in advance regarding the proposal of this resolution.

The candidates for Corporate Auditor are as follows.

Candidate number	Name (Date of birth)	Brief Profile and Position at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
1 (New appointment)	Shinji Ozaki (Jan. 28, 1956)	Apr. 1978 Joined Nagoya Regional Taxation Bureau July 2004 Deputy District Director of Obihiro Tax Office July 2011 Director, Co-ordinated Examination and Information Management Division, Large Enterprise Examination Department, Nagoya Regional Taxation Bureau July 2012 Director, Management Division, Large Enterprise Examination Department, Nagoya Regional Taxation Bureau July 2014 Deputy Assistant Regional Commissioner, Large Enterprise Examination Department, Nagoya Regional Taxation Bureau July 2015 District Director of Toyohashi Tax Office July 2016 Retired from Nagoya Regional Taxation Bureau Jan. 2017 Adviser of Internal Audit Office of the Company (at present)	-
(Reasons for selection as Corporate Auditor candidate) The Company requests the election of Shinji Ozaki as a corporate auditor candidate because the Company believes he can use his expert knowledge of taxes and finance and experience working in senior posts within government agencies for audits at the Company.			

Candidate number	Name (Date of birth)	Brief Profile and Position at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
2 (Reappointment) (Outside) (Independent)	Toru Niwa (June 12, 1948)	Aug. 1971 Joined Itoh Audit Corporation Feb. 1975 Registered as certified public accountant June 1986 Partner of Ito Audit Corporation Aug. 2007 Partner of Ernst & Young ShinNihon LLC Aug. 2010 General manager of Toru Niwa Certified Public Accountant Office (at present) June 2013 Outside corporate auditor of the Company (at present) (Significant concurrent post) General manager of Toru Niwa Certified Public Accountant Office (Fiscal 2016 Board Meetings Attendance Record) 100% (Attended all 10 meetings) (Fiscal 2016 Board of Corporate Auditors) 100% (Attended all 9 meetings)	-
(Reasons for selection as Outside Corporate Auditor candidate) The Company requests the election of Toru Niwa as an outside corporate auditor because the Company believes he can use his extensive auditing experience as a certified public accountant and specialized knowledge involving finance and accounting for audits at the Company. Mr. Niwa has no experience with corporate management other than as an outside corporate auditor. However, the Company believes he can properly perform the duties of an outside corporate auditor for the preceding reasons.			

Candidate number	Name (Date of birth)	Brief Profile and Position at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
3 (Reappointment) (Outside) (Independent)	Ryoichi Miyazaki (Sep. 12, 1950)	<p>Oct. 1975 Passed the National Bar Examination</p> <p>Apr. 1978 Registered at Nagoya Bar Association (now The Aichi Bar Association)</p> <p>Apr. 1985 Representative of Naka Joint Law Office (at present)</p> <p>Apr. 1992 Deputy Chairman of Nagoya Bar Association (now The Aichi Bar Association)</p> <p>Mar. 1997 Outside auditor for Hatsuho Shoji Co., Ltd. (at present)</p> <p>Oct. 2009 Chairman of Aichi Dispute Coordinating Committee</p> <p>May 2012 Chairman of Aichi Prefecture Lawyers Cooperative (at present)</p> <p>June 2013 Outside corporate auditor of the Company (at present)</p> <p>(Significant concurrent posts)</p> <p>Representative of Naka Joint Law Office</p> <p>Outside auditor for Hatsuho Shoji Co., Ltd.</p> <p>Chairman of Aichi Prefecture Lawyers Cooperative (Fiscal 2016 Board Meetings Attendance Record)</p> <p>100% (Attended all 10 meetings)</p> <p>(Fiscal 2016 Board of Corporate Auditors)</p> <p>100% (Attended all 9 meetings)</p>	-
<p>(Reasons for selection as Outside Corporate Auditor candidate)</p> <p>The Company requests the election of Ryoichi Miyazaki as an outside corporate auditor because the Company believes he can use his extensive auditing experience and specialized knowledge as an attorney and his knowledge of laws and regulations for audits at the Company. Mr. Niwa has no experience with corporate management other than as an outside corporate auditor. However, the Company believes he can properly perform the duties of an outside corporate auditor for the preceding reasons.</p>			

- Notes:
- There are no special interests between the Company and each of the candidates for Corporate Auditor.
  - Matters related to candidates for outside corporate auditors are as follows:
    - Toru Niwa and Ryoichi Miyazaki are candidates for the post of outside auditor. 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.
    - Period in office of incumbent outside corporate auditors who are candidates for outside corporate auditors  
The period in office of incumbent outside corporate auditors Toru Niwa and Ryoichi Miyazaki will be four (4) years upon closure of the current Annual General Meeting of Shareholders.
    - Outline of liability limitation agreement  
Toru Niwa and Ryoichi Miyazaki are currently outside corporate auditors of the Company. In order to assure that outside corporate auditors can carry out their expected duties satisfactorily, the Company has a liability limitation agreement with Mr. Niwa and Mr. Miyazaki, in accordance with the provisions of Article 427, Paragraph 1, of the Companies Act and Article 37 of the Articles of Incorporation of the Company.  
This agreement limits liability to the higher of 4 million yen or the amount designated by laws and regulations.  
If the election of Mr. Niwa and Mr. Miyazaki 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	11:00 am, Tuesday, 13 June, 2017 (reception opens at 10:00 am)
Location	Head Office of the Company (the Nagoya Auction Site) (Please refer to the access information on the last page)

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

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

Proxy deadline	We will accept only proxies that are received by 5:00 pm, Monday, 12 June, 2017
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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 vote online, please note that a password and proxy code noted on the Form for Exercising Voting Rights will be needed).

Proxy deadline	5:00 pm, Monday, 12 June, 2017
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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, 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 these fees are the responsibility of the shareholder.

#### [System Environments, etc.]

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

◇Screen resolution of 800 x 600 pixels (SVGA) or more.

◇Installation of a web browser and PDF viewer (confirm proper operation using the following system-software combinations).

Operating System	Web Browser	PDF Viewer
Windows Vista®	Internet Explorer® Ver.7~9	Adobe® Reader® Ver.9
Windows® Ver.7	Internet Explorer® Ver.8~11	Adobe® Reader® Ver.11
Windows® Ver.8.1	Internet Explorer® Ver.11	Adobe® Reader® Ver.11

\*Windows, Windows Vista and Internet Explorer are registered trademarks or trademarks of Microsoft Corporation in the United States and other countries.

\*Adobe and Reader are registered trademarks or trademarks of Adobe Systems Incorporated in the United States and other countries.

◇If your Web browser and add-ons have a pop-up blocking function, this function must be switched off (or temporarily disabled) and the privacy setting must be set to allow the use of cookies.

◇If you are unable to access the proxy website, the cause may be firewall, proxy server or security software settings that restrict Internet access. Please check these settings.

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 37th Annual General Meeting of Shareholders from the Web-based voting platform operated by ICJ Inc.

(Attached document)

**Business Report**

(From April 1, 2016 to March 31, 2017)

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

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

In the fiscal year that ended on March 31, 2017, the number of new ordinary car registrations in Japan increased 7.5% to 3,357 thousand due in part to higher demand for replacing vehicles with newly introduced models. But there was a 5.1% decrease in mini car registrations to 1,719 thousand that was partially caused by an increase in Japan's light motor vehicle tax. As a result, total registrations of new vehicles increased 2.8% to 5,077 thousand.

Registrations of used ordinary cars increased 1.4% to 3,785 thousand and registrations of used mini cars decreased 0.6% to 2,994 thousand. Total registrations of used vehicles increased 0.5% to 6,779 thousand. (Sources: Japan Automobile Dealers Association, Japan Light Motor Vehicle and Motorcycle Association)

Exports of used cars were lower to the major markets of Africa, Sri Lanka and Myanmar. Overall, exports of used cars from Japan decreased 3.1% to the 12 million vehicle level. (Source: Trade Statistics of Japan Ministry of Finance)

In the auto auction market, the number of vehicles consigned was 7,245,000 units (down 0.2% on previous period), the number of vehicles contracted was 4,547,000 units (up 0.2% on previous period) and the contract completion rate was 62.8% (62.6% in previous period). (Source: USED CAR Co., Ltd.)

The business results of the USS Group for the fiscal year on a consolidated basis were 67,179 million yen in sales (down 2.1% on previous period), 32,396 million yen in operating profit (down 6.1% on previous period), 32,999 million yen in ordinary profit (down 6.3% on previous period), and profit attributable to owners of parent was 22,909 million yen (up 1.9% on previous period). Furthermore, profit attributable to owners of parent was a record high for the sixth consecutive fiscal year.

	36th term (Year ended March 31, 2016)	37th term (Year ended March 31, 2017)	Year on year
	(million yen)	(million yen)	
Net sales	68,607	67,179	down 2.1%
Operating profit	34,491	32,396	down 6.1%
Ordinary profit	35,218	32,999	down 6.3%
Profit attributable to owners of parent	22,477	22,909	up 1.9%

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

### **Auto Auction Business**

In the fiscal year that ended on March 31, 2017, the number of vehicles consigned decreased 1.7% to 2,353 thousand, the number of vehicles contracted decreased 3.4% to 1,508 thousand and the contract completion rate decreased to 64.1% from 65.3% in the previous fiscal year. A smaller number of auctions at the Tokyo and Kyushu auction sites was mainly responsible for these declines.

Auto auction fee income decreased mainly because of the smaller number of vehicles consigned and the lower contract completion rate. But total auto auction sales increased primarily due to the first full fiscal year contribution to sales from Japan Bike Auction Co., Ltd., which was consolidated starting on December 31, 2015. Operating expenses increased because of higher depreciation resulting from large capital expenditures for auto auction sites and there was also an increase in income taxes caused by a revision in the tax rate of Japan's size-based business tax.

As a result, our auto auction business had sales of 52,811 million yen to outside customers (up 0.4% on previous period) and operating profit of 31,869 million yen (down 5.0% on previous period).

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

Sales and earnings of Rabbit used car purchasing stores were lower because of a decrease in the number of vehicles handled and a decline in earnings per vehicle because of intense competition.

In the accident-damaged vehicle purchasing business, there was an increase in prices of vehicles handled because of the larger number of higher-quality vehicles purchased. However, gross profit per vehicle decreased. The result was higher sales but lower earnings.

As a result, the used car purchasing and selling business had sales to outside customers of 9,373 million yen (down 7.2% from the previous period) and operating profit of 202 million yen (down 58.3% from the previous period).

### **Other Businesses**

In the vehicle recycling business, performance benefited from an increase in prices of metal scrap that started in November 2016. However, the number of end-of-life vehicles purchased decreased and there were expenses associated with the purchase of land from USS. The result was declines in sales and earnings.

The used vehicle export clearing service posted an operating loss that was caused mainly by a large decline in the number of vehicles handled because of a downturn in the number of used cars exported from Japan.

Our waste rubber recycling business was excluded (date of record for sale: October 1, 2015) from consolidation in the previous fiscal year.

As a result, other businesses sales to outside customers were 4,995 million yen (down 15.6% on previous period) and operating profit was 111 million yen (down 52.9% on previous period).

(2) Capital Expenditures

Consolidated capital expenditures totaled 6,340 million yen on an end-of-manufacturing base in the fiscal year ended March 31, 2017. A breakdown of the expenditures is as follows:

1) Major facilities completed during the fiscal year

Category	Office name	Description of site
Auto Auction Business	R-Nagoya Auction Site	Auction site construction and relocation
	Shizuoka Auction Site	Auction site reconstruction
	Tokyo Auction Site	Auction site expansion to 12 lanes and new auction system equipment
	Yokohama Auction Site	Auction equipment updates and new auction system equipment

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

Category	Office name	Description of site
Auto Auction Business	Sapporo Auction Site	Auction site reconstruction

(3) Financing

Nothing in particular.

(4) Important Issues

New car sales are expected to be the same as in the previous fiscal year despite the planned launches of new models because of tighter eco tax standards and other reasons.

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

In response to these market conditions, the USS Group established the goal of "Increasing our share in the auto auction market."

Furthermore, we will maintain a sound financial foundation, place emphasis on the equity ratio, maintain the return on equity (ROE) as an important performance indicator, and aim for an ROE of at least 15% as a medium-term goal (ROE was 14.7% for the fiscal year that ended in March 2017).

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

- 1) Increase convenience for auction members  
We will prioritize capital expenditures that will improve the level of convenience for members, thus increasing their overall satisfaction.
- 2) Conduct effective mergers and acquisitions  
Considering mergers and acquisitions as ways to capitalize on opportunities for growth, the USS Group plans to invest aggressively in deals that can lead to growth in our future cash flow.
- 3) Collaborate with companies in various business fields  
We will forge alliances with companies in different business fields where business and/or capital alliances have the potential to produce synergies.
- 4) Reinforce the used car purchasing and selling business and other businesses  
The USS Group aims to become an integrated organization that will lead Japan's used car distribution market by expanding the used car purchasing and selling business and recycling businesses around our core auto auction business.

The consolidated business performance plan for our 38th period (April 1, 2017 to March 31, 2018) is consolidated sales of 68,800 million yen (up 2.4% on previous period), operating profit of 33,400 million yen (up 3.1% on previous period), ordinary profit of 33,900 million yen (up 2.7% on previous period), and profit attributable to owners of parent of 23,200 million yen (up 1.3% on previous period). This plan assumes that 2,400,000 units will be consigned at our auto auctions (up 2.0% on previous period), 1,520,000 units will be contracted (up 0.7% on previous period), and the contract completion rate will be 63.3% (64.1% in the previous period).

Our basic policy is to maintain stability in dividends and to make sensible profit distributions. As our dividend policy is linked to business results, we use a consolidated dividend payout ratio as our guideline. This baseline is currently 50% or more.

As was already announced, we plan to pay a year-end dividend of 23.20 yen. This will result in a dividend of 46.40 yen for the fiscal year that ended in March 2017. This is an increase of 5.60 yen and the consolidated dividend payout ratio is 51.5%.

We plan to pay a first half and year-end dividends of 23.50 yen for the fiscal year ending in March 2018, which will result in a fiscal year dividend of 47.00 yen.

We ask our shareholders for your continued support.

#### (5) Financial highlights

##### 1) USS Group selected financial data

Item	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)	37th term (Year ended March 31, 2017) (Consolidated fiscal year under current review)
Net sales (million yen)	63,243	67,949	67,466	68,607	67,179
Ordinary profit (million yen)	29,884	33,275	34,027	35,218	32,999
Profit attributable to owners of parent (million yen)	18,346	19,966	21,661	22,477	22,909
Net income per share (yen)	693	77	83	86	90
Total assets (million yen)	154,543	164,182	174,106	186,831	197,374
Net assets (million yen)	119,676	132,102	144,039	155,183	159,197
Net assets per share (yen)	4,626	508	553	597	622

- Notes:
1. The number of shares of common stock used to calculate "Net income per share" and "Net assets per share" for 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 term (year ended March 31, 2014).

## 2) Business segment sales, income and assets

(Millions of yen)

Business segment	Item	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)	37th term (Year ended March 31, 2017) (Consolidated fiscal year under current review)
Auto auction business	Net sales	45,909	49,479	50,281	52,594	52,811
	Operating profit	28,365	31,130	32,116	33,560	31,869
	Total assets	148,958	157,618	167,761	183,452	190,790
Used car purchasing and selling business	Net sales	11,545	11,621	10,083	10,097	9,373
	Operating profit	588	724	464	485	202
	Total assets	2,338	2,325	1,887	1,960	1,809
Other businesses	Net sales	5,789	6,848	7,100	5,915	4,995
	Operating profit	223	692	675	237	111
	Total assets	4,357	5,618	5,726	2,799	6,373

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

On April 1, 2016, we acquired our wholly owned subsidiary CAR QUEST Co., Ltd., thereby assuming all rights and obligations relating to the internet business of CAR QUEST Co., Ltd.

## (7) Major parent company and subsidiaries

## 1) Parent company

Not applicable

## 2) Major subsidiaries

The Company has 7 consolidated subsidiaries and no equity-method affiliate.

Company	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
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: On April 1, 2016, we acquired our wholly owned subsidiary CAR QUEST Co., Ltd., thereby assuming all rights and obligations relating to the internet business of CAR QUEST Co., Ltd.

## (8) Major Business Activities (as of March 31, 2017)

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



## (9) Principal business sites (as of March 31, 2017)

	Business segment	Site or company	Location	Note
USS	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	Tokai, 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
		Internet Division	Chuo, Tokyo	Provides used car information via the Internet
Subsidiaries	Auto auction business	US Butsuryu Co., Ltd.	Tokai, Aichi	15 branch offices in Japan
		USS Support Service Co., Ltd.	Tokai, Aichi	Finance services business, etc.
		Japan Bike Auction Co., Ltd.	Yokohama, Kanagawa	Operation of motorcycle auction
	Used car purchasing and selling business	Reproworld Co., Ltd.	Noda, Chiba	19 shops in Japan in the purchase and sales of accident-damaged vehicles business
		Rabbit Car Network Co., Ltd.	Chiyoda, Tokyo	Used car purchase and sales shop Rabbit; 22 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, 2017)

## 1) Employees of the USS Group

Business segment	Numbers of employees	Change since end of previous fiscal year
Auto auction business	671 (138)	down 6 (down 11)
Used car purchasing and selling business	207 (8)	down 9 (down 1)
Other businesses	132 (41)	– (down 5)
Corporate (for all business segments)	22 (1)	– (–)
Total	1,032 (188)	down 15 (down 17)

Notes: 1. Numbers of employees refers 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 fiscal year that ended in March 2017 (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.

## 2) Employees of the Company

Number of employees	Change since end of previous fiscal year	Mean age	Mean service years
583 (119)	up 43 (down 3)	38.5	11.5

Note: Numbers of employees refers 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 that ended in March 2017 (converted at 7.5 work hours per day).

## (11) Major creditors (as of March 31, 2017)

Lender	Loan (million yen)
Sumitomo Mitsui Banking Corporation	3,300
The Juroku Bank, Ltd.	740

Notes: 1. The loan from Sumitomo Mitsui Banking Corporation is to subsidiary ARBIZ Co., Ltd. for the purpose of funding the purchase of land for a business site.

2. The USS Employee Stock Ownership Plan Trust, which was established for the Trust Employee Shareholding Incentive Plan, has borrowed money from The Juroku Bank, Ltd. as a source of funds to purchase the Company's shares. For more information about this 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

On January 18, 2017, the USS board of directors approved a resolution to purchase shares that account for 66.04% of the voting rights of Japan Automobile Auction Inc. (JAA) from a shareholder of this company. JAA operates auto auctions in Tokyo and Hyogo prefecture. A contract to purchase these shares was signed with this shareholder on the same day. The transaction will take place at a time to be determined later by USS and JAA, assuming that the Fair Trade Commission announces that there will be no cease and desist order as stipulated in the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade.

## 2. Matters relating to shares of the Company (as of March 31, 2017)

(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 58,899,084 shares of treasury stock)

(3) Total number of shareholders: 8,481

(4) Major shareholders (Top 10)

Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
State Street Bank and Trust Company	17,754	6.98
Dai Seta	15,101	5.93
State Street Bank and Trust Company 505223	13,225	5.19
The Master Trust Bank of Japan, Ltd. (trust account)	11,090	4.36
Japan Trustee Services Bank, Ltd. (trust account)	9,788	3.84
Mamoru Seta	9,200	3.61
Yukihiro Ando	9,175	3.60
The Nomura Trust and Banking Co., Ltd. (retirement benefit trust The Bank of Tokyo- Mitsubishi UFJ, Ltd. account)	8,400	3.30
BBH for Fidelity Low-Priced Stock Fund (Principal all sector subportfolio)	7,600	2.98
Hattori Motors Co., Ltd.	7,280	2.86

- Notes:
1. The list of major shareholders does not include 58,899,084 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, 2017, 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	11.07%
Total		28,176	11.07%

(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, 2017, 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	7.04%
Total		19,222	7.55%

(5) Other Important Items related to Shares

Overview of the Employee Stock Ownership Plan

The board of directors of USS Co., Ltd. approved a resolution on February 13, 2017 to reintroduce a trust employee shareholding incentive plan (the “Plan”) to its employees as an incentive to increase the company’s value over the medium and long terms.

According to the Plan, the Company shall establish the USS Employee Stock Ownership Plan Trust (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 (the “Employee Stock Ownership Plan”), over three years after its establishment and then continuously sell the Company’s shares to the Employee Stock Ownership Plan every month until the trust is built. To procure 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 sale of stock is accumulated in the ESOP Trust at the completion of the trust through the sales of the Company’s shares to the Employee Stock Ownership Plan, then an amount corresponding to the gain on the sale 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 the sale of stock is accumulated in the ESOP Trust at the completion of the trust due to a decline in the Company’s stock price, the Company shall repay the outstanding balance on bank loans corresponding to this loss on sales of the shares per the nonrecourse promissory note.

On March 31, 2017, the ESOP Trust held 373,800 shares of USS stock with a book value of 725 million yen.

### 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, 2017)

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		347	404	735
Number of shares subject to Stock Acquisition Rights		34,700 shares of common stock (100 shares per Stock Acquisition Right)	40,400 shares of common stock (100 shares per Stock Acquisition Right)	73,500 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		64,560 yen per right	49,760 yen per right	32,620 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From September 15, 2007 to June 30, 2032	From July 11, 2008 to June 30, 2033	From July 10, 2009 to June 30, 2034
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 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	-	-	-

Name		14th Stock Acquisition Rights
Resolution date for issuance		June 14, 2016 (Board Meeting)
Number of Stock Acquisition Rights		316
Number of shares subject to Stock Acquisition Rights		31,600 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		146,500 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 2, 2016 to June 30, 2041
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 7 Number of rights 266 Number of shares subject to Stock Acquisition Rights 26,600
	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 statuses (the "Exercise Period Commencement Date") for ten (10) days after the Exercisable Period Commencement Date.
  - (2) If a Stock Acquisition Right holder waives the Stock Acquisition Right for subscription, the Stock Acquisition Right holder may not exercise the Stock Acquisition Right for the waived subscription.
2. On February 15, 2017, USS revised the Stock Acquisition Rights allocation contracts for the 5<sup>th</sup> through the 14<sup>th</sup> issues of Stock Acquisition Rights with all directors and executive officers (except directors and executive officers who have resigned or retired) who hold any of these rights. The condition for the exercise of these Stock Acquisition Rights was revised. Previously, the rights could be exercised during the five-year period starting on the Exercise Period Commencement Date. Now, as stated in the preceding note 1. (1), the rights can be exercised for ten (10) days after the Exercise Period Commencement Date.
3. 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 fiscal year that ended in March 2017

Name	14th Stock Acquisition Rights
Resolution date for issuance	June 14, 2016 (Board Meeting)
Number of Stock Acquisition Rights	58
Number of shares subject to Stock Acquisition Rights	5,800 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights	146,500 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 2, 2016 to June 30, 2041
Main conditions for the exercise of Stock Acquisition Rights	(Note) 1
Number of recipients	5

- Notes: 1. Regarding the main conditions for the exercise of Stock Acquisition Rights, please 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, 2017)

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
Executive Vice President	Masafumi Yamanaka	Officer of the Supervisory Office
Senior Managing Director	Toshio Mishima	Manager of Kyushu Auction Site
Junior Managing Director	Hiromitsu Ikeda	Manager of Osaka & Kobe Auction Site
Junior Managing Director	Masayuki Akase	Officer of the Auction Operation Office 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 Outside Corporate Auditor, Sumitomo Mitsui Trust Bank, Limited
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. Concurrent posts of outside directors and outside corporate auditors include Sumitomo Mitsui Trust Bank, Limited, which has a business relationship with the Company concerning stock transfer agency services. However, there is no other special relationship between this bank and the Company. Also, there are no business relationships between the Company and any other significant companies associated with concurrent posts.
  7. Changes of titles, duties and affiliation to other companies of the Directors in the current fiscal year are as follows:
    - (1) Masafumi Yamanaka, former Senior Managing Director, became Executive Vice President on June 14, 2016.
    - (2) Masayuki Akase, Junior Managing Director and former manager of Yokohama Auction Site, became Officer of the Auction Operation Office on October 1, 2016.
    - (3) Director Mitsuhiro Aso assumed the position of Outside Corporate Auditor of Sumitomo Mitsui Trust Bank, Limited on June 29, 2016, and he resigned as a professor of the Hosei University Law School on March 31, 2017.



(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)	214 million yen (14 million yen)	38 million yen (-)	253 million yen (14 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)	230million yen (24 million yen)	38 million yen (-)	269million yen (24 million yen)

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

2. The maximum amount of remuneration for directors is 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) is 150 million yen per year in addition to the above remuneration for directors by a resolution at the 27th Annual General Meeting of Shareholders held on June 26, 2007. Therefore, the total maximum amount of remuneration for directors is 650 million yen per year.

3. The maximum amount of remuneration for corporate auditors is 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 21-23 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 the locations are as shown under “(1) Directors and corporate auditors”, which is on page 24.

2) Update on principal activities in the current fiscal year

Position	Name	Major activities
Director	Hitoshi Tamura	Attended all 10 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 10 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 9 of 10 Board meetings in this fiscal year (attendance record: 90%), 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 10 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 10 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 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.

This agreement limits liability to the higher of 4 million yen or the amount designated by laws and regulations.

## 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	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	30 million yen

Notes: 1. The “total amount of remuneration, etc. of accounting auditors during the term” 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 a 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.

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Notes: 1. Numbers 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 uses the tax-excluded method.

**6. Management shall ensure sound business practices and update on implementation of this management  
Basic policy on internal control 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. Hereafter, the same shall apply.), and to enable their professional duties to be performed in compliance with laws, ordinances, and the 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 in violation 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 Directors 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 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 departments shall be established based on information type and on division and organization of roles by job duty of Directors; then this information shall 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) For information that requires 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) A 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 medium-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) Clearly define 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 expansion.
  - 4) Auditors shall also perform monitoring of any excessive pressure for efficiency in the performance of jobs by Directors.
- (5) Management shall ensure compliance by staff of USS and its subsidiaries in compliance 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) For 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) For 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 establish an internal control system that covers all subsidiaries of the consolidated group.

- (7) Management shall ensure proper 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 in (1) through (6) and (10), the Company shall create and implement 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 employees in the above paragraph from Directors
- 1) Auditor staffs in the above paragraph shall not take instructions and orders from Directors and employees when such individuals receive orders necessary for audit work from auditors.
  - 2) In the event staff dedicated to auditing will be named, 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 individuals 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 individuals who make a report 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 submit remarks.
- 2) Reconfirm the division of duties among the auditors for more effective audit work 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 achieve 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 report to this Helpline.

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

We maintain a proper number of Directors. We also have third parties on our Board and have an executive officer system in order to improve Director oversight and make decisions faster.

Ten Board meetings were held in the current term. Items to be deliberated by the Board were distributed in advance so that participants had sufficient time to make preparations. The Board then made decisions on important items relating to management such as budgets, decisions on direction of Management, and items to be discussed as required under laws and ordinances. The Board 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 support 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 perform audits under our audit plan prepared by the Internal Audit Office based on our internal audit rules. Audits check 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 using 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 possess the abilities to ensure and advance USS's corporate value and the 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 consumers; (4) Returns to our shareholders; (5) Respect for our workforce; (6) Giving back to communities. Our belief is that conducting our businesses under these missions will contribute to USS's corporate value and interests of our shareholders.

Moreover, as a publicly owned company with shares that are freely bought and sold, shareholders should ultimately make decisions about selling shares because of large share purchasing activity. In the event of an action for buying a large amount of our shares, we should not unilaterally oppose the action if it will be beneficial to our corporate value and the interests of our shareholders.

However, there may be a proposal or other action to purchase a large amount of our shares that are inconsistent with our corporate value and the interests of our shareholders. There may be insufficient time and information for the Company and shareholders to examine the proposal and to determine a proposal in response to the offer to buy Company shares. Or a proposed purchase may negatively impact the Company's corporate value and interests of shareholders with respect to management policies after the acquisition and the objective of the acquisition. There may also be proposals that force shareholders to sell their shares or have terms for buying Company stock that are inadequate or inappropriate in relation to our corporate value and the interests of our shareholders.

USS believes that any party that proposes or conducts large-scale purchasing activities like these are not suitable for controlling decisions about the Company's finances and business operations.

### **(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 implement the above master policy.

Our group believes that the principal mission of management is to ensure sound and sustainable growth and to fulfill what our stakeholders, including but not limited to our shareholders, have entrusted to us. We will continue to work on the fulfillment of our corporate governance duties because this is the vehicle by which we can accomplish this mission.

Our Board continues to work on swifter decision-making and increased transparency through liaison and coordination between our outside directors, who are highly independent from our organization, and directors who are very knowledgeable about the USS Group's businesses. Furthermore, by using audits by auditors including outside corporate auditors, we continue to work on the fulfillment of our audit functions. We will oversee management by stringent monitoring and the confirmation 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 the 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 the USS Group Internal Governance System. This is an internal governance system to ensure that the operations of our group are performed properly and efficiently.

For 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) Activities in the master policy to prevent decisions about financial and business policies from being controlled by unsuitable persons

USS adopted the proposal to implement countermeasures in the event of a large purchasing activity involving our shares (acquisition defense plan) at the Board meeting of May 16, 2006. The purpose is to prevent any negative impact on the joint interests of our shareholders and the Company's value from a large purchasing activity. This is part of our framework to ensure and improve the joint interests of our shareholders and our corporate 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 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 hereafter be referred to as the "Plan").

After a review of the management of the 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. A resolution not to continue the Plan upon its expiration was approved 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 the Plan expires, under the relevant laws and ordinances, the necessary and full disclosure of information from persons who attempt to make large purchase and acquisition proposals concerning our company shares, as needed by our shareholders to make appropriate decisions, and continuing to disclose the views of our Board, and secure the time and information that are needed to conduct a review by our shareholders.

- (4) Decision of the Board on implementation of the master policy

USS believes that performing the activities in (2) and (3) above as the measures to implement the master policy will lead to ensuring and advancing the joint interests of our shareholders and our company value. USS also believes that this will make it difficult for persons to conduct large purchase activities and acquisition proposals that 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 of large purchase activities and acquisition proposals. Therefore, we have determined that the measures in (2) and (3) above are in line with the master policy, and these measures are not for the purpose of enabling our officers to maintain their positions.

**Consolidated Balance Sheet**  
(As of March 31, 2017)

(Millions of yen)

| Item                                            | Amount         | Item                                                         | Amount         |
|-------------------------------------------------|----------------|--------------------------------------------------------------|----------------|
| (Assets)                                        |                | (Liabilities)                                                |                |
| <b>Current assets</b>                           | <b>91,462</b>  | <b>Current liabilities</b>                                   | <b>28,801</b>  |
| Cash and deposits                               | 74,778         | Payables due to member dealers at auctions                   | 15,051         |
| Receivables due from member dealers at auctions | 11,668         | Notes and accounts payable - trade                           | 372            |
| Notes and accounts receivable - trade           | 2,605          | Short-term loans payable                                     | 30             |
| Inventories                                     | 751            | Current portion of bonds                                     | 20             |
| Prepaid expenses                                | 116            | Current portion of long-term loans payable                   | 220            |
| Deferred tax assets                             | 919            | Lease obligations                                            | 2              |
| Other                                           | 661            | Income taxes payable                                         | 5,108          |
| Allowance for doubtful accounts                 | △38            | Deposits received                                            | 1,974          |
| <b>Non-current assets</b>                       | <b>105,911</b> | Provision for bonuses                                        | 632            |
| <b>Property, plant and equipment</b>            | <b>96,868</b>  | Other                                                        | 5,389          |
| Buildings and structures                        | 35,979         | <b>Non-current liabilities</b>                               | <b>9,375</b>   |
| Machinery, equipment and vehicles               | 727            | Long-term loans payable                                      | 3,820          |
| Furniture and fixtures                          | 2,787          | Long-term accounts payable - other                           | 179            |
| Land                                            | 56,911         | Net defined benefit liability                                | 368            |
| Lease assets                                    | 119            | Long-term guarantee deposited                                | 4,634          |
| Construction in progress                        | 342            | Asset retirement obligations                                 | 373            |
| <b>Intangible assets</b>                        | <b>1,850</b>   | <b>Total liabilities</b>                                     | <b>38,176</b>  |
| Goodwill                                        | 313            | (Net assets)                                                 |                |
| Other                                           | 1,537          | <b>Shareholders' equity</b>                                  | <b>163,681</b> |
| <b>Investments and other assets</b>             | <b>7,192</b>   | <b>Capital stock</b>                                         | <b>18,881</b>  |
| Investment securities                           | 483            | <b>Capital surplus</b>                                       | <b>18,913</b>  |
| Long-term loans receivable                      | 446            | <b>Retained earnings</b>                                     | <b>173,488</b> |
| Long-term prepaid expenses                      | 172            | <b>Treasury shares</b>                                       | <b>△47,602</b> |
| Deferred tax assets                             | 843            | <b>Accumulated other comprehensive income</b>                | <b>△5,652</b>  |
| Deferred tax assets for land revaluation        | 2,482          | <b>Valuation difference on available-for-sale securities</b> | <b>46</b>      |
| Real estate for investment                      | 2,833          | <b>Revaluation reserve for land</b>                          | <b>△5,694</b>  |
| Other                                           | 421            | <b>Remeasurements of defined benefit plans</b>               | <b>△3</b>      |
| Allowance for doubtful accounts                 | △490           | <b>Subscription rights to shares</b>                         | <b>306</b>     |
|                                                 |                | <b>Non-controlling interests</b>                             | <b>861</b>     |
|                                                 |                | <b>Total net assets</b>                                      | <b>159,197</b> |
| <b>Total assets</b>                             | <b>197,374</b> | <b>Total liabilities and net assets</b>                      | <b>197,374</b> |

**Consolidated Statement of Income**  
**(From April 1, 2016 to March 31, 2017)**

(Millions of yen)

| Item                                               | Amount |               |
|----------------------------------------------------|--------|---------------|
| <b>Net sales</b>                                   |        | <b>67,179</b> |
| <b>Cost of sales</b>                               |        | <b>26,413</b> |
| <b>Gross profit</b>                                |        | <b>40,765</b> |
| Selling, general and administrative expenses       |        | 8,368         |
| <b>Operating profit</b>                            |        | <b>32,396</b> |
| <b>Non-operating income</b>                        |        |               |
| Interest and dividends income                      | 46     |               |
| Rent income of real estate                         | 429    |               |
| Other                                              | 203    | 680           |
| <b>Non-operating expenses</b>                      |        |               |
| Interest expenses                                  | 1      |               |
| Rent cost of real estate                           | 56     |               |
| Other                                              | 19     | 77            |
| <b>Ordinary profit</b>                             |        | <b>32,999</b> |
| <b>Extraordinary income</b>                        |        |               |
| Gain on sales of non-current assets                | 13     |               |
| Gain on sales of investment securities             | 140    | 154           |
| <b>Extraordinary losses</b>                        |        |               |
| Loss on sales and retirement of non-current assets | 640    |               |
| Other                                              | 32     | 672           |
| <b>Profit before income taxes</b>                  |        | <b>32,481</b> |
| Income taxes - current                             | 9,828  |               |
| Income taxes – deferred                            | Δ353   | 9,475         |
| <b>Profit</b>                                      |        | <b>23,006</b> |
| Profit attributable to non-controlling interests   |        | 96            |
| <b>Profit attributable to owners of parent</b>     |        | <b>22,909</b> |

**Consolidated Statement of Changes in Net Assets**  
**(From April 1, 2016 to March 31, 2017)**

(Millions of yen)

|                                                      | Shareholders' equity |                 |                   |                 |                            |
|------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                      | Capital Stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of current period           | 18,881               | 18,914          | 161,926           | △39,856         | 159,865                    |
| Changes of items during the period                   |                      |                 |                   |                 |                            |
| Dividends from surplus                               | —                    | —               | △11,178           | —               | △11,178                    |
| Profit attributable to owners of parent              | —                    | —               | 22,909            | —               | 22,909                     |
| Purchase of treasury stock                           | —                    | —               | —                 | △8,230          | △8,230                     |
| Disposal of treasury stock                           | —                    | △1              | —                 | 484             | 483                        |
| Reversal of revaluation reserve for land             | —                    | —               | △168              | —               | △168                       |
| Net changes of items other than shareholders' equity | —                    | —               | —                 | —               | —                          |
| Total changes of items during the period             | —                    | △1              | 11,562            | △7,746          | 3,815                      |
| Balance at the end of current period                 | 18,881               | 18,913          | 173,488           | △47,602         | 163,681                    |

|                                                      | 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           | 160                                                   | △5,863                       | △7                                      | △5,710                                       | 262                           | 765                         | 155,183          |
| Changes of items during the period                   |                                                       |                              |                                         |                                              |                               |                             |                  |
| Dividends from surplus                               | —                                                     | —                            | —                                       | —                                            | —                             | —                           | △11,178          |
| Profit attributable to owners of parent              | —                                                     | —                            | —                                       | —                                            | —                             | —                           | 22,909           |
| Purchase of treasury stock                           | —                                                     | —                            | —                                       | —                                            | —                             | —                           | △8,230           |
| Disposal of treasury stock                           | —                                                     | —                            | —                                       | —                                            | —                             | —                           | 483              |
| Reversal of revaluation reserve for land             | —                                                     | —                            | —                                       | —                                            | —                             | —                           | △168             |
| Net changes of items other than shareholders' equity | △114                                                  | 168                          | 3                                       | 58                                           | 43                            | 96                          | 198              |
| Total changes of items during the period             | △114                                                  | 168                          | 3                                       | 58                                           | 43                            | 96                          | 4,013            |
| Balance at the end of current period                 | 46                                                    | △5,694                       | △3                                      | △5,652                                       | 306                           | 861                         | 159,197          |

## 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: 7

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 16) of “Notice of the 37th 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 material impact on our consolidated financial statements.

- (3) Revision to our consolidated basis

The Company acquired consolidated subsidiary, CAR QUEST Co., Ltd., through an absorption-type merger on April 1, 2016

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

- (1) There is no nonconsolidated subsidiary or affiliate to which the equity method will be applied.

- (2) Number of affiliates and nonconsolidated subsidiaries to which the equity method is applied: 2

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 do not materially impact our consolidated financial statement.

#### 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 the 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

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      Declining-balance method

and real estate for investment      However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016.

(excluding lease assets)

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. |
|--------------------------------------|-------------------------------|

## II. Note on revision to our accounting policy

In conjunction with amendments to Japan's Corporation Tax Act, the Company is using Practical Solution on Change in Depreciation due to Tax Reform 2016 (Practical Solution No. 32, June 17, 2016) beginning with the fiscal year that ended on March 31, 2017. As a result, the depreciation method for building equipment and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

This revision increased consolidated operating profit, ordinary profit and income before income taxes by 79 million yen each in the fiscal year that ended on March 31, 2017.

### III. Notes on revisions to accounting estimates

(Revision to useful life)

The decision was already made to renovate Buildings and Structures at the Sapporo Auction Site, which we own, during the fiscal year that ended in March 2017. As a result, we have revised the useful life of assets that we expect to retire based on the period until this scheduled renovation and will continue making revisions in their future.

By doing so, as compared with the conventional method, the depreciation cost for the fiscal year that ended in March 2017 has increased by 390 million yen and operating profit, ordinary profit, and current net profit before tax adjustments have decreased by the same amount.

### IV. Notes on the consolidated balance sheet

#### 1. Assets pledged as collateral and liabilities secured by collateral

##### (1) Assets pledged

|                          |                   |
|--------------------------|-------------------|
| Buildings and structures | 640 million yen   |
| Land                     | 2,696 million yen |
| Total                    | 3,336 million yen |

##### (2) Liabilities secured

|                                            |                   |
|--------------------------------------------|-------------------|
| Current portion of long-term loans payable | 220 million yen   |
| Long-term loans payable                    | 3,080 million yen |
| Total                                      | 3,300 million yen |

Note: Loans are bank loans of consolidated subsidiary ARBIZ Co., Ltd.

|                                                              |                    |
|--------------------------------------------------------------|--------------------|
| 2. Cumulative depreciation for property, plant and equipment | 42,188 million yen |
| Cumulative depreciation for real estate for investment       | 411 million yen    |

#### 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 the valuation difference under Assets as Deferred Tax Asset from Revaluation, and posted the amount less this tax under Net Assets as Land Revaluation Difference Amount.

##### Method of revaluation of land

The Company revalued the land for business use by making a 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:  $\Delta$ 717 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, 3 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 payments and others

##### (i) Dividend based on the resolution at the 36th Annual General Shareholders' Meeting on June 14, 2016

|                    |                   |
|--------------------|-------------------|
| Total dividends    | 5,277 million yen |
| Dividend per share | 20.40 yen         |
| Date of record     | March 31, 2016    |
| Effective date     | June 15, 2016     |

Note: Total dividends include dividends of 11 million yen for 576,000 shares of the Company on the shareholder register held by the USS Employee Stock Ownership Plan Trust (ESOP Trust).

##### (ii) Dividend based on the resolution at the Board of Directors' meeting on November 7, 2016

|                    |                    |
|--------------------|--------------------|
| Total dividends    | 5,900 million yen  |
| Dividend per share | 23.20 yen          |
| Date of record     | September 30, 2016 |
| Effective date     | December 13, 2016  |

Note: Total dividends include dividends of 11 million yen for 506,000 shares of the Company on the shareholder register held by the ESOP Trust.

#### (2) Dividends that become effective in the following fiscal year with a record date within the current fiscal year

|                    |                   |
|--------------------|-------------------|
| Total dividends    | 5,900 million yen |
| Dividend per share | 23.20 yen         |
| Date of record     | March 31, 2017    |
| Effective date     | June 14, 2017     |
| Dividend resource  | Retained earnings |

Note: Total dividends include dividends of 8 million yen for 380,000 shares of the Company on the shareholder register held by the ESOP Trust.

### 3. Matters related to share warrants as of March 31, 2017

|                               | Type and number of stock   | Date of grant      |
|-------------------------------|----------------------------|--------------------|
| 5th Stock Acquisition Rights  | Common stock 34,700 shares | September 14, 2007 |
| 6th Stock Acquisition Rights  | Common stock 40,400 shares | July 10, 2008      |
| 7th Stock Acquisition Rights  | Common stock 73,500 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       |
| 14th Stock Acquisition Rights | Common stock 31,600 shares | July 1, 2016       |



## VI. Notes on Financial instruments

### 1. Status of financial instruments

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

Investment securities, which are stocks, are held for the purpose of pure investment or business promotion. Such securities are subject 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, the 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, 2017 (end of the 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 a substantive effect on the financial statements.

(Millions of yen)

|                                                     | Book value | Fair value | Difference |
|-----------------------------------------------------|------------|------------|------------|
| (1) Cash and deposits                               | 74,778     | 74,778     | -          |
| (2) Receivables due from member dealers at auctions | 11,668     | 11,668     | -          |
| (3) Investment securities                           |            |            |            |
| Other securities                                    | 378        | 378        | -          |
| Total assets                                        | 86,825     | 86,825     | -          |
| (1) Payables due to member dealers at auctions      | 15,051     | 15,051     | -          |
| Total liabilities                                   | 15,051     | 15,051     | -          |

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) Investment securities

On the market price of these securities, shares are marked to the price at the exchange.

Notes with regard to securities are as follows.

With regard to other securities, acquisition cost, book value and the differences for each category are as follows.

(Millions of yen)

|                                                                       | Category   | Book value | Acquisition cost | Difference |
|-----------------------------------------------------------------------|------------|------------|------------------|------------|
| Amount on consolidated balance sheet exceeds acquisition cost         | (1) Stocks | 92         | 10               | 81         |
|                                                                       | (2) Bond   | —          | —                | —          |
|                                                                       | (3) Other  | —          | —                | —          |
|                                                                       | Sub-total  | 92         | 10               | 81         |
| Amount on consolidated balance sheet does not exceed acquisition cost | (1) Stocks | 285        | 300              | △14        |
|                                                                       | (2) Bond   | —          | —                | —          |
|                                                                       | (3) Other  | —          | —                | —          |
|                                                                       | Sub-total  | 285        | 300              | △14        |
| Total                                                                 |            | 378        | 311              | 66         |

- Notes: 1. Acquisition cost in this 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, 2017.  
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, 2017.

### **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) Investment 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 following the end of the 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                                   | 74,778        | -                  | -                    | -                  |
| Receivables due from member dealers at the auctions | 11,668        | -                  | -                    | -                  |
| Total                                               | 86,447        | -                  | -                    | -                  |

### **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 622.21 yen
2. Net income per share 90.02 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 373,000, and the average during the year was 495,000.

### **IX. Note on corporate mergers**

Transactions under common controls

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

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

Not applicable

## **XI. Other Notes**

### Supplementary information

#### 1. Application of Guidance on Recoverability Deferred Tax Assets

The Company is using Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) beginning with the fiscal year that ended on March 31, 2017.

#### 2. 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) The Trust Employee Shareholding Incentive Plan (Implemented from March 2012)

###### Outline of the transaction

Since March 2012, the Company has had a Trust Employee Shareholding Incentive Plan (the "Plan") for the purpose of granting an incentive to employees of the Group companies to improve the Company's medium and long-term corporate value.

According to the Plan, the Company shall establish an ESOP Trust at a trust bank and the ESOP Trust shall purchase the Company's shares in advance. These shares are to be purchased through the USS employee stock ownership plan (the "Employee Stock Ownership Plan") over a period of five years after the ESOP Trust's establishment. Thereafter, the ESOP Trust continuously sells the Company's shares to the Employee Stock Ownership Plan every month until the ESOP Trust reaches its completion. To procure funds to purchase the Company's shares, the ESOP Trust used bank loans that were guaranteed by the Company.

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 eligible persons who fulfill the qualification requirements of beneficiaries.

Also, in the case the amount corresponding to the loss on sales of stocks due to a decline in the Company's stock price is accumulated in ESOP Trust at the completion of the trust, 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.

The ESOP Trust ended in March 2017. This trust has repaid its loans so the Company no longer has any debt guarantee obligations regarding the trust.

##### (2) The Trust Employee Shareholding Incentive Plan (Implemented from March 2017)

###### (i) Outline of the transaction

In March 2017, the Company reestablished the Trust Employee Shareholding Incentive Plan for the purpose of granting an incentive to employees of the Group companies to improve the Company's medium 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. These shares are to be purchased through the USS employee stock ownership plan over a period of three years after the ESOP Trust's establishment. Thereafter, the ESOP Trust will continuously sell the Company's shares to the Employee Stock Ownership Plan every month until the ESOP Trust reaches its completion. To procure funds to purchase the Company's shares, the ESOP Trust uses bank

loans that are guaranteed by the Company.

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 eligible persons who fulfill the qualification requirements of beneficiaries.

Also, 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, 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.

(ii) 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 March 31, 2017 is included at their book value in treasury stock under Net Assets in ESOP Trust (excluding associated expenses). The book value of these shares of treasury stock was 725 million yen and the number of shares was 373,000.

(iii) Book value of the bank loans accounted for by the gross method:

740 million yen

3. Contract to purchase stock

The Board of Directors of the Company approved a resolution on January 18, 2017 to acquire Japan Automobile Auction Inc. (JAA), making this company a subsidiary. A contract to purchase JAA stock was signed the same day.

(i) Name and activities of company acquired

Name: Japan Automobile Auction Inc.

Activities: Used car auctions and associated activities

(ii) Main reason for this acquisition

By acquiring JAA, the Company plans to make its operations more efficient, thereby providing even more additional services at its used car auctions. The Company's goal is to further invigorate the used car market by using these services to increase the number of vehicles consigned at used car auctions as well as the number of auction participants and vehicles sold.

(iii) Acquisition date

The date will be determined afterward by mutual agreement of the Company and JAA.

\*The completion of this acquisition will require receipt of notification from the Fair Trade Commission that there will be no cease and desist order as stipulated in the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947).

(iv) Legal structure of the business combination

Purchase of stock using cash

(v) Name of company after acquisition

Not yet decided

(vi) Voting rights acquired

66.04%

(vii) Basis for acquiring JAA

The Company is using a cash payment to purchase JAA stock.

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

**Non-Consolidated Balance Sheet**  
(As of March 31, 2017)

(Millions of yen)

| Item                                                                       | Amount         | Item                                                           | Amount         |
|----------------------------------------------------------------------------|----------------|----------------------------------------------------------------|----------------|
| (Assets)                                                                   |                | (Liabilities)                                                  |                |
| <b>Current assets</b>                                                      | <b>86,915</b>  | <b>Current liabilities</b>                                     | <b>27,338</b>  |
| Cash and deposits                                                          | 72,067         | Payables due to member dealers at auctions                     | 15,387         |
| Receivables due from member dealers at auctions                            | 11,499         | Accounts payable - trade                                       | 87             |
| Accounts receivable - trade                                                | 243            | Accounts payable - other                                       | 4,369          |
| Merchandise                                                                | 118            | Accrued expenses                                               | 80             |
| Supplies                                                                   | 72             | Income taxes payable                                           | 4,953          |
| Prepaid expenses                                                           | 52             | Deposits received                                              | 1,961          |
| Deferred tax assets                                                        | 796            | Provision for bonuses                                          | 434            |
| Short-term loans receivable - affiliated companies                         | 1,530          | Other                                                          | 63             |
| Other                                                                      | 545            | <b>Non-current liabilities</b>                                 | <b>5,828</b>   |
| Allowance for doubtful accounts                                            | △9             | Long-term loans payable                                        | 740            |
| <b>Non-current assets</b>                                                  | <b>102,805</b> | Long-term accounts payable - other                             | 178            |
| <b>Property, plant and equipment</b>                                       | <b>87,827</b>  | Guarantee deposits received from member dealers                | 4,408          |
| Buildings                                                                  | 31,937         | Provision for retirement benefits                              | 222            |
| Structures                                                                 | 2,585          | Asset retirement obligations                                   | 278            |
| Machinery and equipment                                                    | 285            | <b>Total liabilities</b>                                       | <b>33,166</b>  |
| Vehicles                                                                   | 54             | (Net assets)                                                   |                |
| Furniture and fixtures                                                     | 2,741          | <b>Shareholders' equity</b>                                    | <b>161,896</b> |
| Land                                                                       | 49,972         | <b>Capital stock</b>                                           | <b>18,881</b>  |
| Construction in progress                                                   | 250            | <b>Capital surplus</b>                                         | <b>14,504</b>  |
| <b>Intangible assets</b>                                                   | <b>1,434</b>   | Legal capital surplus                                          | 4,583          |
| Leasehold right                                                            | 139            | Other capital surplus                                          | 9,921          |
| Software                                                                   | 1,266          | <b>Retained earnings</b>                                       | <b>176,112</b> |
| Other                                                                      | 28             | Legal retained earnings                                        | 370            |
| <b>Investments and other assets</b>                                        | <b>13,543</b>  | Other retained earnings                                        | 175,742        |
| Investment securities                                                      | 421            | Reserve for special depreciation                               | 165            |
| Shares of subsidiaries and associates                                      | 1,949          | Retained earnings brought forward                              | 175,577        |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 7              | <b>Treasury shares</b>                                         | <b>△47,602</b> |
| Long-term prepaid expenses                                                 | 141            | <b>Valuation and translation adjustments</b>                   | <b>△5,648</b>  |
| Deferred tax assets                                                        | 556            | <b>Valuation difference on available - for-sale securities</b> | <b>46</b>      |
| Deferred tax assets for land revaluation                                   | 2,482          | <b>Revaluation reserve for land</b>                            | <b>△5,694</b>  |
| Insurance funds                                                            | 58             | <b>Subscription right to shares</b>                            | <b>306</b>     |
| Real estate for investment                                                 | 7,825          |                                                                |                |
| Other                                                                      | 105            |                                                                |                |
| Allowance for doubtful accounts                                            | △6             | <b>Total net assets</b>                                        | <b>156,555</b> |
| <b>Total assets</b>                                                        | <b>189,721</b> | <b>Total liabilities and net assets</b>                        | <b>189,721</b> |

**Non-Consolidated Statement of Income**  
**(From April 1, 2016 to March 31, 2017)**

(Millions of yen)

| Item                                               | Amount |               |
|----------------------------------------------------|--------|---------------|
| <b>Net sales</b>                                   |        | <b>52,031</b> |
| <b>Cost of sales</b>                               |        | <b>16,067</b> |
| <b>Gross profit</b>                                |        | <b>35,964</b> |
| Selling, general and administrative expenses       |        | 4,764         |
| <b>Operating profit</b>                            |        | <b>31,200</b> |
| <b>Non-operating income</b>                        |        |               |
| Interest and dividends income                      | 480    |               |
| Rent income of real estate                         | 962    |               |
| Other                                              | 188    | 1,631         |
| <b>Non-operating expenses</b>                      |        |               |
| Rent cost of real estate                           | 231    |               |
| Other                                              | 12     | 244           |
| <b>Ordinary profit</b>                             |        | <b>32,587</b> |
| <b>Extraordinary income</b>                        |        |               |
| Gain on sales of non-current assets                | 242    |               |
| Gain on sales of investment securities             | 140    |               |
| Gain on extinguishment of tie-in shares            | 2,693  | 3,076         |
| <b>Extraordinary losses</b>                        |        |               |
| Loss on sales and retirement of non-current assets | 632    |               |
| Other                                              | 25     | 657           |
| <b>Profit before income taxes</b>                  |        | <b>35,006</b> |
| Income taxes - current                             | 9,466  |               |
| Income taxes - deferred                            | Δ255   | 9,211         |
| <b>Net income</b>                                  |        | <b>25,794</b> |

**Non-Consolidated Statement of Changes in Net Assets**  
**(From April 1, 2016 to March 31, 2017)**

(Millions of yen)

|                                                      | Shareholders' equity |                       |                       |                       |                         |                                  |                                   |                         |                 |                            |
|------------------------------------------------------|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|----------------------------------|-----------------------------------|-------------------------|-----------------|----------------------------|
|                                                      | Capital stock        | Capital surplus       |                       |                       | Retained earnings       |                                  |                                   |                         | Treasury shares | 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                 | 9,922                 | 14,505                | 370                     | 206                              | 161,088                           | 161,665                 | Δ39,856         | 155,196                    |
| Changes of items during the period                   |                      |                       |                       |                       |                         |                                  |                                   |                         |                 |                            |
| Reversal of reserve for special depreciation         | —                    | —                     | —                     | —                     | —                       | Δ41                              | 41                                | —                       | —               | —                          |
| Dividends from surplus                               | —                    | —                     | —                     | —                     | —                       | —                                | Δ11,178                           | Δ11,178                 | —               | Δ11,178                    |
| Net income                                           | —                    | —                     | —                     | —                     | —                       | —                                | 25,794                            | 25,794                  | —               | 25,794                     |
| Purchase of treasury stock                           | —                    | —                     | —                     | —                     | —                       | —                                | —                                 | —                       | Δ8,230          | Δ8,230                     |
| Disposal of treasury stock                           | —                    | —                     | Δ1                    | Δ1                    | —                       | —                                | —                                 | —                       | 484             | 483                        |
| Reversal of revaluation reserve for land             | —                    | —                     | —                     | —                     | —                       | —                                | Δ168                              | Δ168                    | —               | Δ168                       |
| Net changes of items other than shareholders' equity | —                    | —                     | —                     | —                     | —                       | —                                | —                                 | —                       | —               | —                          |
| Total changes of items during the period             | —                    | —                     | Δ1                    | Δ1                    | —                       | Δ41                              | 14,488                            | 14,447                  | Δ7,746          | 6,700                      |
| Balance at the end of current period                 | 18,881               | 4,583                 | 9,921                 | 14,504                | 370                     | 165                              | 175,577                           | 176,112                 | Δ47,602         | 161,896                    |

|                                                      | 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           | 160                                                   | △5,863                       | △5,703                                      | 262                          | 149,755          |
| Changes of items during the period                   |                                                       |                              |                                             |                              |                  |
| Reversal of reserve for special depreciation         | —                                                     | —                            | —                                           | —                            | —                |
| Dividends from surplus                               | —                                                     | —                            | —                                           | —                            | △11,178          |
| Net income                                           | —                                                     | —                            | —                                           | —                            | 25,794           |
| Purchase of treasury stock                           | —                                                     | —                            | —                                           | —                            | △8,230           |
| Disposal of treasury stock                           | —                                                     | —                            | —                                           | —                            | 483              |
| Reversal of revaluation reserve for land             | —                                                     | —                            | —                                           | —                            | △168             |
| Net changes of items other than shareholders' equity | △113                                                  | 168                          | 55                                          | 43                           | 98               |
| Total changes of items during the period             | △113                                                  | 168                          | 55                                          | 43                           | 6,799            |
| Balance at the end of current period                 | 46                                                    | △5,694                       | △5,648                                      | 306                          | 156,555          |

## Notes on non-consolidated financial statements

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

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

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

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

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

|             |                                                                                                                                                                                                                                                                                          |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Merchandise | Cost method based on the moving average method (by which book value is reduced to reflect declines in profitability)<br>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<br>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<br>However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016. |
| 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.<br>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.<br>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. |
|----------------------------------------|-------------------------------|



## II. Note on revision to our accounting policy

(Application of Practical Solution on Change in Depreciation due to Tax Reform 2016)

In conjunction with amendments to Japan's Corporation Tax Act, the Company is using Practical Solution on Change in Depreciation due to Tax Reform 2016 (Practical Solution No. 32, June 17, 2016) beginning with the fiscal year that ended on March 31, 2017. As a result, the depreciation method for building equipment and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

This revision increased non-consolidated operating profit, ordinary profit and income before income taxes by 77 million yen each in the fiscal year that ended on March 31, 2017.

## III. Note regarding change in the accounting estimate

Revision to years of useful life

The decision was already made to renovate Buildings and Structures at the Sapporo Auction Site, which we own, during the fiscal year that ended in March 2017. As a result, we have revised the useful life of assets that we expect to retire based on the period until this scheduled renovation and will continue making revisions in their future.

By doing so, as compared with the conventional method, the depreciation cost for the fiscal year that ended in March 2017 has increased by 390 million yen and operating profit, ordinary profit, and current net profit before tax adjustments have decreased by the same amount.

## IV. Notes on the balance sheet

|                                                                                               |                    |
|-----------------------------------------------------------------------------------------------|--------------------|
| 1. Cumulative depreciation for property, plant and equipment                                  | 37,701 million yen |
| Cumulative depreciation for real estate for investment                                        | 962 million yen    |
| 2. Receivables from, and payables to subsidiaries (excluding independently categorized items) |                    |
| Short-term receivables                                                                        | 318 million yen    |
| Short-term payables                                                                           | 1,035 million yen  |
| Long-term payables                                                                            | 18 million yen     |

### 3. Revaluation of land

For the 22nd term (Year ended March 31, 2002), land 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 recognized as "deferred tax assets for land revaluation" under assets and the margin was recognized 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:

Δ717 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, 3 million yen in furniture and fixtures, 161 million yen for real estate for investment (land).

## V. Notes on the statement of income

Transactions with affiliated companies

|                                               |                   |
|-----------------------------------------------|-------------------|
| Net sales                                     | 507 million yen   |
| Operating expenses                            | 2,377 million yen |
| Transactions other than business transactions | 4,364 million yen |

## 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    | 55,102,684                                                   | 4,750,300                                               | 580,100                                                 | 59,272,884                                         |

- Notes:
1. The number of shares of treasury shares includes the Company's shares owned by ESOP Trust (568,700 shares at beginning of the current fiscal year and 373,800 shares at end of the current fiscal year).
  2. Breakdown of the increase of 4,750,300 shares in treasury stock (shares of common stock) is as follows:

|                                                      |                  |
|------------------------------------------------------|------------------|
| Acquisition of treasury shares by a Board resolution | 4,369,400 shares |
| Acquisition of Company stock by the ESOP Trust       | 380,900 shares   |
  3. Breakdown of the decrease of 580,100 shares in treasury stock (shares of common stock) is as follows:

|                                                                |                |
|----------------------------------------------------------------|----------------|
| Sale of Company stock upon completion of the ESOP Trust        | 441,000 shares |
| Sale of Company stock by the ESOP Trust to the holding company | 134,800 shares |
| Decrease due to exercise of stock options                      | 4,300 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 | 132 million yen        |
| (2) Accrued enterprise tax denied                                        | 175 million yen        |
| (3) Payables denied                                                      | 366 million yen        |
| (4) Others                                                               | <u>122 million yen</u> |
| Total deferred tax assets                                                | 796 million yen        |

Noncurrent assets

Deferred tax assets

|                                              |                         |
|----------------------------------------------|-------------------------|
| (1) Share-based compensation expenses denied | 93 million yen          |
| (2) Denial of impairment losses              | 299 million yen         |
| (3) Asset Retirement Obligations             | 84 million yen          |
| (4) Provision for retirement benefits denied | 67 million yen          |
| (5) Others                                   | <u>125 million yen</u>  |
| Total deferred tax assets                    | 669 million yen         |
| Netting with deferred tax liabilities        | <u>△112 million yen</u> |
| Net deferred tax assets                      | 556 million yen         |

Noncurrent liabilities

Deferred tax liabilities

|                                                           |                         |
|-----------------------------------------------------------|-------------------------|
| (1) Valuation difference on available-for-sale securities | 16 million yen          |
| (2) Asset Retirement Obligations                          | 23 million yen          |
| (3) Reserve for special depreciation                      | 72 million yen          |
| Total deferred tax liabilities                            | 112 million yen         |
| Netting with deferred tax assets                          | <u>△112 million yen</u> |
| Net deferred tax liabilities                              | - million yen           |

## VIII. Notes on transactions with related parties

### 1. Subsidiaries and others

| Category   | Name               | Location         | Capital<br>(million<br>yen) | Activities                                                                  | Voting<br>rights<br>held (%) | Relationship with USS |                                             | Business transactions                                                                                      | Transaction<br>amounts<br>(million yen) | Financial<br>statement<br>item | Balance at<br>fiscal year<br>end (million<br>yen) |
|------------|--------------------|------------------|-----------------------------|-----------------------------------------------------------------------------|------------------------------|-----------------------|---------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------|---------------------------------------------------|
|            |                    |                  |                             |                                                                             |                              | Concurrent<br>posts   | Business<br>relationship                    |                                                                                                            |                                         |                                |                                                   |
| Subsidiary | ARBIZ<br>Co., Ltd. | Nagoya,<br>Aichi | 270                         | Recycling<br>plant for end-<br>of-life<br>automobiles<br>and other<br>goods | 51%<br>(directly)            | 3 directors           | Sale of end-of-<br>life vehicles,<br>others | Sale of buildings and<br>land<br>Payments for sales<br>Gains on sales<br>Losses on sales<br>See Notes 1, 2 | 3,347<br>237<br>159                     | —                              | —                                                 |

Notes: 1. Buildings and land that were sold had been leased to ARBIZ by the Company. Therefore, the sale price was determined by mutual agreement of these two companies based on the value provided by a real estate appraiser.  
2. The transaction amount includes consumption tax but the year-end balance does not include consumption tax.

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

(Millions of yen)

| Category                                                                                                  | Name of<br>company or<br>individual | Location           | Capital | Description<br>of business or<br>occupation | Voting<br>rights<br>ratio    | Business<br>links   | Details of<br>transaction         | Transaction<br>amount | Account item                                                                                                 | Balance<br>at year-<br>end |
|-----------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------|---------|---------------------------------------------|------------------------------|---------------------|-----------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------|----------------------------|
| USS<br>Representative<br>Director Dai<br>Seta's close<br>relatives hold a<br>majority of<br>voting rights | Hattori<br>Motors Co.,<br>Ltd.      | Tokai,<br>Aichi    | 50      | Auto sales                                  | (Percentage<br>held)<br>2.8% | Auction<br>business | Auction<br>related<br>transaction | 109                   | Payable due to<br>member dealers at<br>auctions<br><br>Accounts<br>receivable                                | 110<br><br>0               |
| USS Director<br>Motohiro Masuda<br>holds a majority<br>of voting rights                                   | Masuda Auto<br>Co., Ltd.            | Misato,<br>Saitama | 10      | Auto sales                                  | -                            | Auction<br>business | Auction<br>related<br>transaction | 40                    | Receivables due<br>from member<br>dealers at auctions<br><br>Accounts<br>receivable                          | 21<br><br>0                |
| USS Director<br>Toshio Mishima<br>holds a majority<br>of voting rights                                    | Metokosu<br>Co., Ltd.               | Kasuya,<br>Fukuoka | 13      | Auto sales                                  | -                            | Auction<br>business | Auction<br>related<br>transaction | 56                    | Payables due to<br>member dealers at<br>auctions<br><br>Guarantee<br>deposited<br><br>Accounts<br>receivable | 3<br><br>0<br><br>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 others, but the balances at year-end do include consumption tax and others.

## IX. Notes on per share data

1. Net asset per share 615.20 yen
2. Net income per share 101.36 yen

Note: Net assets per share were calculated by including the Company's shares held by the ESOP Trust in treasury stock, which was deducted from the total number of shares issued. The number of shares of the Company held by the ESOP Trust at end of the fiscal year was 373,000 and the average during the year was 495,000.

## **X. Note on corporate merger**

Transactions under common controls

Merger with consolidated subsidiary

We merged with CAR QUEST Co., Ltd., our wholly owned subsidiary, on April 1, 2016, as the merger date, in accordance with our Board resolution of December 15, 2015.

(1) Purpose of merger

The purpose is to improve the efficiency of the USS Group.

(2) Merger date

April 1, 2016

(3) Merger method

The Company was 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 fiscal year.

(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).

The difference between net assets received due to the merger and the book value of CAR QUEST stock was recorded in the income statement as an extraordinary gain of 2,693 million yen due to a gain on extinguishment of tie-in shares.

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

Not applicable

## **XII. Other Notes**

Supplementary information

1. Application of Guidance on Recoverability Deferred Tax Assets

See “Note 11 Other Notes (1) 1. Application of Guidance on Recoverability Deferred Tax Assets” in the notes to the consolidated financial statements.

2. 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, 2. Accounting procedure for the Trust Employee Shareholding Incentive Plan.”

3. Contract to buy stock

See “Note 11 Other Notes (3) Stock Purchasing Contract” in the notes to the consolidated financial statements.

4. 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

Instructions for entering the location in a navigation system

Input 052-689-1111

\*If your navigation system does not accept this number, enter instead “507-20 Shinpo-machi, Tokai-shi, Aichi-ken.

### 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.**

- 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 come by car, please use our parking area.**

### Contact Information

General Affairs Department, Supervisory Office, USS Co., Ltd.  
Telephone: +81-52-689-1129