

*The following documents are English translations of the USS Co., Ltd. Notice of the 38th Annual General Meeting of Shareholders (for the fiscal year ended March 31, 2018) 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 21, 2018

Dear Shareholders:

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

### **Notice of the 38<sup>th</sup> Annual General Meeting of Shareholders**

You are cordially invited to attend the 38<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 11, 2018. 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 pages 14-15).

- 1. Date and Time:** **Tuesday, June 12, 2018, at 11:00 a.m. (reception opens at 10:00 am)**
- 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 38th business period (from April 1, 2017 to March 31, 2018)
  2. The financial reports for the Company's 38th business period (from April 1, 2017 to March 31, 2018)
- Items to be resolved:**
- Item 1: Appropriation of retained earnings
  - Item 2: Election of ten (10) directors
- 4. Exercising voting rights** Please refer to "Exercising voting rights and other topics" (on pages 14-15).

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

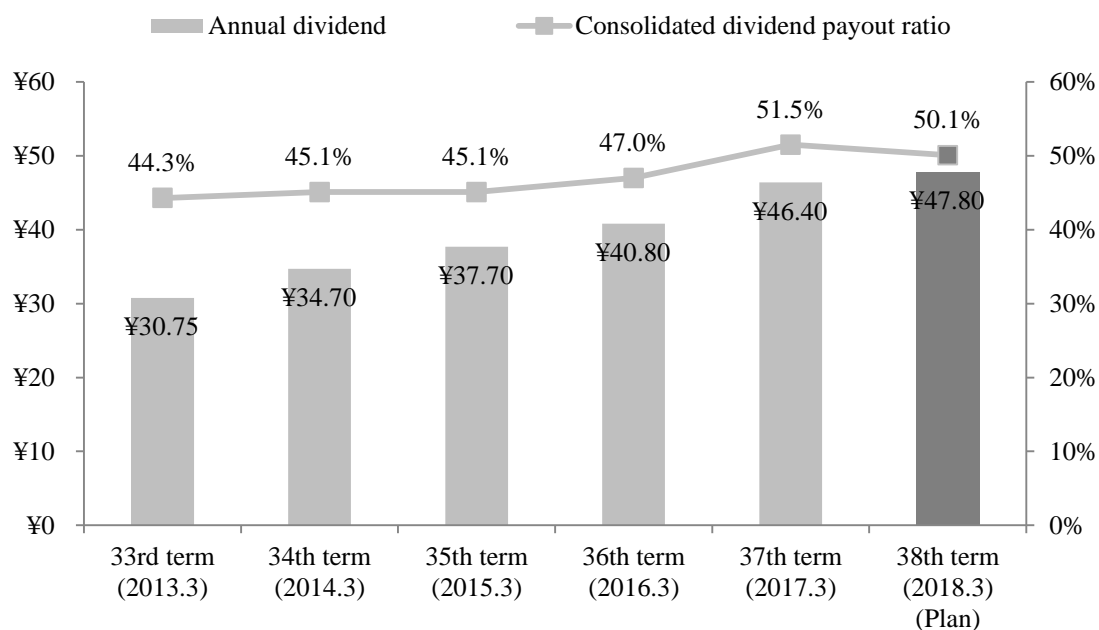
Our basic policy is to maintain the stability of dividends while linking dividends to results of operations from the standpoint of distributing profits in a suitable manner. Consequently, we use the consolidated dividend payout ratio as our guideline and our current basic policy is a payout ratio of 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 24.30 yen</p> <p>Total Amount 6,180,974,875 yen</p> <p>Since the Company paid an interim dividend of 23.50 yen per share, the final annual dividend will total 47.80 yen per share for the fiscal year under review.</p>
Date when the dividends from retained earnings take effect	June 13, 2018 (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 38th 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)	<p>July 1982 Director of the Company</p> <p>Nov. 1989 Senior Managing Director of the Company</p> <p>June 1995 Executive Vice President of the Company</p> <p>June 2000 Executive Vice President of the Company and Officer of the Nagoya Office</p> <p>June 2006 President and Representative Director of the Company</p> <p>June 2007 President and Representative Director and Chief Executive Officer (CEO) of the Company</p> <p>June 2012 Chairman and President and Representative Director of the Company</p> <p>June 2014 President and Representative Director of the Company (at present)</p> <p>(Significant Concurrently Held Posts)</p> <p>President and Representative Director of US Butsuryu Co., Ltd.</p> <p>President and Representative Director of Japan Automobile Auction Inc.</p> <p>President and Representative Director of HAA Kobe Inc.</p> <p>(Fiscal 2017 Board Meetings Attendance Record)</p> <p>100% (Attended all 8 meetings)</p>	9,175,600
<p>(Reasons for selection as Director candidate)</p> <p>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 taking office as President, he has used his strong leadership and decision-making abilities, based on a wealth of experience and achievement, to carry out large-scale capital investment and M&amp;A activities, and realized stable growth in profits over the medium-to-long term as a result. 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.</p>			

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)	<p>Jan. 2004 Executive Officer of the Company and Vice Officer of the Nagoya Office</p> <p>June 2004 Director of the Company and Vice Officer of the Nagoya Office</p> <p>June 2006 Vice President and Representative Director of the Company and Officer of the Auction Operation Office and Officer of the Nagoya Office</p> <p>June 2012 Vice President and Representative Director of the Company and Officer of Auction Operation Office</p> <p>June 2015 Vice President and Representative Director of the Company (at present)</p> <p>(Significant Concurrently Held Posts)</p> <p>President and Representative Director of USS Support Service Co., Ltd.</p> <p>President and Representative Director of ARBIZ Co., Ltd.</p> <p>(Fiscal 2017 Board Meetings Attendance Record)</p> <p>100% (Attended all 8 meetings)</p>	15,101,500
<p>(Reasons for selection as Director candidate)</p> <p>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.</p>			

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)	<p>June 1994 Director of USS Tokyo Co., Ltd.</p> <p>Jan. 1995 Junior Managing Director of USS Tokyo Co., Ltd.</p> <p>Jan. 1996 Senior Managing Director of the Company</p> <p>June 2001 Senior Managing Director of the Company and Vice Officer of the Tokyo Office</p> <p>June 2006 Executive Vice President of the Company and Vice Officer of the Tokyo Office</p> <p>June 2012 Executive Vice President of the company and Manager of Saitama Auction Site</p> <p>May 2013 Executive Vice President of the company and Manager of Tokyo Auction Site and Saitama Auction Site</p> <p>Oct. 2014 Executive Vice President of the company and Manager of Tokyo Auction Site (at present)</p> <p>(Significant Concurrently Held Posts)</p> <p>President and Representative Director of Reproworld Co., Ltd.</p> <p>(Fiscal 2017 Board Meetings Attendance Record)</p> <p>100% (Attended all 8 meetings)</p>	301,800
<p>(Reasons for selection as Director candidate)</p> <p>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. Moreover, he has played central role in the company's sales efforts at the Tokyo Auction Site and has served as the President and Representative Director of the Company's subsidiaries and has contributed to the overall management of the USS Group. 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.</p>			

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 2017 Board Meetings Attendance Record) 100% (Attended all 8 meetings)	31,100
(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 as the Officer of the Supervisory Office. 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)	<p>July 1989 Director of USS Kyushu Co., Ltd.</p> <p>Mar. 1995 Director of the Company</p> <p>June 1996 Junior Managing Director of the Company, in charge of Customer Services &amp; Market Development Dept. and Vehicle Dept. of the Kyushu Office</p> <p>June 2001 Managing Executive Officer of the Company</p> <p>Mar. 2003 Senior Managing Executive Officer of the Company</p> <p>June 2006 Senior Managing Director of the Company, in charge of Fukuoka Auction Site of the Kyushu Office</p> <p>June 2012 Senior Managing Director of the Company and Manager of Fukuoka Auction Site</p> <p>Mar. 2013 Senior Managing Director of the Company and Manager of Kyushu Auction Site and Fukuoka Auction Site</p> <p>May 2013 Senior Managing Director of the Company and Manager of Kyushu Auction Site (at present)</p> <p>(Fiscal 2017 Board Meetings Attendance Record)</p> <p>100% (Attended all 8 meetings)</p>	704,800
<p>(Reasons for selection as Director candidate)</p> <p>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, as the Manager of Kyushu Auction Site, 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.</p>			

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)	<p>Jan. 2001 General Manager of the Customer Services &amp; Market Development Dept., Nagoya Office of the Company</p> <p>Jan. 2004 Executive Officer of the Company and General Manager of the Customer Services &amp; Market Development Dept., Nagoya Office</p> <p>June 2004 Director of the Company and General Manager of the Customer Services &amp; Market Development Dept., Nagoya Office</p> <p>June 2006 Junior Managing Director of the Company and Vice Officer of the Auction Operation Office</p> <p>Apr. 2013 Junior Managing Director of the Company and Manager of Yokohama Auction site</p> <p>Oct. 2016 Junior Managing Director of the Company and Officer of the Auction Operation Office</p> <p>June 2017 Senior Managing Director of the Company and Officer of the Auction Operation Office (at present)</p> <p>(Significant Concurrently Held Posts)</p> <p>President and Representative Director of USS Logistics International Service Co., Ltd.</p> <p>(Fiscal 2017 Board Meetings Attendance Record)</p> <p>100% (Attended all 8 meetings)</p>	44,300
<p>(Reasons for selection as Director candidate)</p> <p>Mr. Masayuki Akase has duly performed his roles including overseeing performed business operations and making decisions on important items of management as a Senior Managing Director. After serving as the Manager of the Yokohama Auction site , as well as supervising the overall auction business as the Head Officer of the Auction Operation Office, he has also served as a Representative Director and President of a subsidiary of the Company and has extensive experience and an established track record of valuable achievements. 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.</p>			

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)	<p>Jan. 2001 General Manager of the System Planning &amp; Business Relations Service Dept., Nagoya Office of the Company</p> <p>Jan. 2004 Executive Officer of the Company and General Manager of the System Planning &amp; Business Relations Service Dept., Nagoya Office</p> <p>June 2004 Director of the Company and General Manager of the System Planning &amp; Business Relations Service Dept., Nagoya Office</p> <p>June 2006 Junior Managing Director of the Company and Officer of the System Office</p> <p>Oct. 2010 Junior Managing Director of the Company and Officer of the System Office and in charge of Tohoku Auction Site</p> <p>June 2012 Junior Managing Director of the Company and Manager of Tohoku Auction Site</p> <p>Apr. 2015 Junior Managing Director of the Company and Manager of Osaka Auction Site and Kobe Auction Site</p> <p>Apr. 2018 Junior Managing Director of the Company (at present)</p> <p>(Significant Concurrently Held Posts)</p> <p>Junior Managing Director of HAA Kobe Inc.</p> <p>(Fiscal 2017 Board Meetings Attendance Record)</p> <p>100% (Attended all 8 meetings)</p>	38,200
<p>(Reasons for selection as Director candidate)</p> <p>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 having served as Director of the Tohoku Auction Site and of the Osaka and Kobe Auction Sites, he was appointed as Junior Managing Director of HAA Kobe Inc. in April 2018 and has a wealth of experience and an established track record of valuable achievements in supervising and managing the business operations of 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 Junior Managing Director.</p>			

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)	<p>Apr. 1971    Joined Ricoh Company, Ltd.</p> <p>Oct. 2002    Corporate Councilor of the said company</p> <p>Apr. 2010    Adviser to the President, Ricoh Japan Corporation</p> <p>June 2011    Retired from the position as Corporate Councilor of Ricoh Company, Ltd.</p> <p>Retired from the position as Adviser to the President, Ricoh Japan Corporation</p> <p>July 2011    President, Customer Satisfaction Research Institute (at present)</p> <p>June 2014    Director of the Company (at present)</p> <p>June 2015    Outside Director, Kitamura Co., Ltd. (at present)</p> <p>(Significant Concurrently Held Posts)</p> <p>President, Customer Satisfaction Research Institute</p> <p>Outside Director, Kitamura Co., Ltd.</p> <p>(Fiscal 2017 Board Meetings Attendance Record)</p> <p>100% (Attended all 8 meetings)</p>	1,700
<p>(Reasons for selection as Outside Director candidate)</p> <p>Mr. Hitoshi Tamura has abundant experience in improving the quality of management having served as the Chief Judge of the Japan Quality Award for many years and also possesses a wide-ranging knowledge of customer satisfaction management. Since taking office as an Outside Director in June 2014, he has taken advantage of this knowledge in giving advice on various issues in management in general, and thereby contributed to the enhancement of corporate value. Based on the above, we have presented him as a candidate for Outside Director and we would like him to continue to perform his duties as 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.</p>			

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 2017 Board Meetings Attendance Record) 100% (Attended all 8 meetings)	800
(Reasons for selection as Outside Director candidate) Mr. Akihiko Kato has experience of working at the Bank of Japan, as a Director of the Gifu Shinkin Bank, and also of corporate management as a Managing Director. Since being appointed as an Outside Director in June 2014, he has taken advantage of this knowledge in giving advice on various issues in management in general, and thereby contributed to the enhancement of corporate value. Based on the above, we have presented him as a candidate for Outside Director and we would like him to continue to 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
10  (New appointment) (Outside) (Independent)	Nobuko Takagi (Oct. 22, 1977) (Name on the family register: Nobuko Teraoka)	Oct. 2002    Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) May 2006    Registered as a Certified Public Accountant Aug. 2006    Joined Tohmatsu Tax Co. (currently Deloitte Tohmatsu Tax Co.) Nov. 2007    Joined GCA Savvian Corporation (currently GCA Corporation) Mar. 2011    Joined NEC Corporation Oct. 2016    Partner, Guardian Advisors Inc. Jul. 2017    Representative, Nobuko Takagi Certified Public Accountants' Office (at present) Jul. 2017    Outside corporate auditor, I-ne CO., LTD. (at present) Apr. 2018    Representative Director, COEING AND COMPANY Inc. (at present) (Significant Concurrently Held Posts) Representative, Nobuko Takagi Certified Public Accountants' Office Outside corporate auditor, I-ne CO., LTD. Representative Director, COEING AND COMPANY Inc.	-
<p>(Reasons for selection as Outside Director candidate)</p> <p>As a Certified Public Accountant, Ms. Nobuko Takagi has extensive experience in, and specialist knowledge of, finance, accounting and M&amp;A, including professional experience working in audit corporations and tax accountant corporations, as well as of taking charge of the promotion of M&amp;A activities in M&amp;A advisory companies and business corporations. Based on the above, we expect that she will be able to give appropriate advice on overall management and so we have presented her as a candidate for Outside Director. Ms. Tamura has no experience with corporate management from a position other than Outside Director; however, for the reasons above, we are confident that she will duly perform her 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 Nobuko Takagi are candidates for outside director. The Company has designated Mr. Tamura and Mr. Kato as independent directors in accordance with rules of the Tokyo Stock Exchange and Nagoya Stock Exchange and has notified these stock exchanges that they are independent directors. If Ms. Takagi is elected a director by shareholders, the Company plans to designate her as an independent director in accordance with rules of the Tokyo Stock Exchange and Nagoya Stock Exchange and notify these exchanges that she is an independent director.  
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 and Akihiko Kato will be four (4) years upon closure of the current Annual General Meeting of Shareholders.
    - (3) Outline of liability limitation agreement  
Hitoshi Tamura and Akihiko Kato 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 and Mr. Kato, 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 Hitoshi Tamura and Akihiko Kato are reelected as directors by shareholders, the Company plans to renew this liability agreement. Furthermore, the Company plans to establish a same liability agreement with Nobuko Takagi if she is elected a director by shareholders.

## **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, 12 June, 2018 (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, 11 June, 2018
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### **If you will be exercising your voting rights online:**

Please see “Internet Voting Instructions” (on page 15) for instructions on voting online.

Proxy deadline	5:00 pm, Monday, 11 June, 2018
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If a shareholder submits votes by both sending the proxy form by postal mail and voting online, the online votes will be used regardless of whether these votes were received before or after the postal mail proxy form.

# Internet Voting Instructions

Shareholders who wish to vote by using the internet are asked to read this section before submitting their votes.

## 1. Website used for voting

Only the following website that has been designated by the Company for voting its shares can be used to vote using the Internet: <https://www.web54.net>

## 2. How to vote

### (1) Personal computer

Access the designated website and enter the voting code and password that are on the enclosed proxy form. Then follow the instructions on the screen to enter your votes.

### (2) Smartphone

Use the smartphone to scan the smartphone voting website log in QR code on the enclosed proxy form. This will create a link to a voting website exclusively for smartphones that does not require the voting code or password.

To change one or more votes after submitting your votes, you must scan the QR code again and this time you will need to enter the voting code and password.

## 3. Voting information

- (1) Shareholders can submit their votes until 5:00PM on June 11, 2018 (Monday). Please submit your votes as soon as possible.
- (2) If votes are submitted several times using the internet or by using both a personal computer and smartphone, only the votes that were received last will be valid.
- (3) When using the internet to vote, there may be Internet service provider or telephone company service fee or other expenses. Shareholders are responsible for all of these expenses.
- (4) Accessing the voting website may not be possible when using certain personal computer or smartphone internet connections or 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 38th Annual General Meeting of Shareholders from the Web-based voting platform operated by ICJ Inc.

(Attached document)

## **Business Report**

(From April 1, 2017 to March 31, 2018)

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

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

In the consolidated fiscal year that ended in March 2018, there was a small decline of 0.6% in new ordinary car registrations in Japan to 3,338 thousand compared to the previous fiscal year. However, new mini car registrations increased 8.1% to 1,858 thousand due in part to strong sales of new models. As a result, total new vehicle registrations increased 2.3% to 5,197 thousand.

Used ordinary car registrations increased 1.1% to 3,826 thousand and mini car registrations increased 2.4% to 3,066 thousand, resulting in a 1.7% increase in total used car registrations to 6,892 thousand. (Source: Japan Automobile Dealers Association, Japan Light Motor Vehicle and Motorcycle Association)

Exports of used cars from Japan increased 8.9% to 1,307 thousand. The main reason was increases in exports to Africa, Russia and Sri Lanka. (Source: Trade Statistics of Japan Ministry of Finance)

On the auto auction market, due in part to the increase in new vehicle sales, the number of vehicles consigned increased 2.7% to 7,439 thousand and the number of contracted vehicles increased 4.4% to 4,748 thousand. The result was a contract completion ratio of 63.8% compared with 62.8% in the previous fiscal year. (Source: USED CAR Co., Ltd.)

In this environment, the USS Group sales increased 11.9% to 75,153 million yen, operating profit increased 11.3% to 36,071 million yen, ordinary profit increased 11.1% to 36,676 million yen, and profit attributable to owners of parent increased 6.0% to 24,285 million yen.

On August 24, 2017, USS purchased 66.0% of the shares of Japan Automobile Auction Inc. (JAA). On March 1, 2018, USS made an additional investment in JAA to make this company a wholly owned subsidiary. Consequently, JAA and its subsidiaries HAA Kobe Inc. and AUCTION TRANSPORT Inc. were added to the consolidated financial statements with an acquisition date for accounting purposes of September 30, 2017.

	37th term (Year ended March 31, 2017)	38th term (Year ended March 31, 2018)	Year on year
	(million yen)	(million yen)	
Net sales	67,179	75,153	up 11.9%
Operating profit	32,396	36,071	up 11.3%
Ordinary profit	32,999	36,676	up 11.1%
Profit attributable to owners of parent	22,909	24,285	up 6.0%

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

#### **Auto Auction Business**

Existing auction sites performed well as vehicles consigned increased 2.6% to 2,413 thousand and the number of contracted vehicles increased 3.1% to 1,556 thousand compared to the previous fiscal year, with a favorable contract completion rate of 64.5% (64.1% in the previous fiscal year). In addition, due to the acquisition of JAA and HAA auction sites, USS Group vehicles consigned increased 14.7% to 2,700 thousand and the number of vehicles contracted increased 13.3% to 1,709 thousand. The contract completion rate decreased from 64.1% in the previous fiscal year to 63.3%.

As a result, sales to external customers increased 12.7% to 59,521 million yen and operating profit increased 10.2% to 35,131 million yen.

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

At the Rabbit used car purchasing business, sales increased but earnings were down. This was the mainly the result of an increase in the number of higher-priced vehicles handled and a decrease in the gross profit per vehicle.

In the accident-damaged vehicle purchasing business, sales increased but earnings were down as the number of higher-priced vehicles handled increased but the number of vehicles sold decreased.

As a result, sales to external customers increased 4.8% to 9,827 million yen and operating profit decreased 15.0% to 171 million yen.

#### **Other Businesses**

In the vehicle recycling business, sales and earnings increased mainly because of high prices for metal scrap.

In the used vehicle export clearing service business, sales and earnings increased because of an increase in the number of vehicles handled.

As a result, sales to external customers increased 16.2% to 5,805 million yen and operating profit increased 496.1% to 665 million yen.

(2) Capital Expenditures

Consolidated capital expenditures totaled 3,715 million yen on an end-of-manufacturing base in the fiscal year ended March 31, 2018. 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	Sapporo Auction Site	Auction site reconstruction
	Hokuriku Auction Site	Auction site construction and relocation

2) Ongoing establishment, extension and improvement of major facilities at the end of the fiscal year  
Not applicable

(3) Financing

Not applicable

(4) Important Issues

In terms of the outlook for the new car sales market in the future, new car registrations are expected to remain at the same level as in the previous fiscal year due to the moderate rate of economic expansion and other factors.

Given such a business environment, the USS Group will promote the efficiency of the management of its auctions, including auctions held at the JAA venue and the HAA venue, which have recently become new wholly owned subsidiaries, and we will also consider the issues of rebuilding, renovation, and similar options for both the JAA venue and the HAA venue.

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 14.8% for the fiscal year ended in March 2018).

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 39th period (April 1, 2018 to March 31, 2019) is consolidated sales of 80,000 million yen (up 6.4% on previous period), operating profit of 37,300 million yen (up 3.4% on previous period), ordinary profit of 37,800 million yen (up 3.1% on previous period), and profit attributable to owners of parent of 25,000 million yen (up 2.9% on previous period). This plan assumes that 2,960,000 units will be consigned at our auto auctions (up 9.6% on previous period), 1,840,000 units will be contracted (up 7.6% on previous period), and the contract completion rate will be 62.2% (63.3% 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.

We plan to pay a year-end dividend of 24.30 yen. This will result in a dividend of 47.80 yen for the fiscal year ended in March 2018. This is an increase of 1.40 yen and the consolidated dividend payout ratio is 50.1%.

We plan to pay a first half and year-end dividends of 24.60 yen for the fiscal year ending in March 2019, which will result in a fiscal year dividend of 49.20 yen.

We ask our shareholders for your continued support.

## (5) Financial Highlights

### 1) USS Group selected financial data

Item	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)	38th term (Year ended March 31, 2018) (Consolidated fiscal year under current review)
Net sales (million yen)	67,949	67,466	68,607	67,179	75,153
Ordinary profit (million yen)	33,275	34,027	35,218	32,999	36,676
Profit attributable to owners of parent (million yen)	19,966	21,661	22,477	22,909	24,285
Profit per Share (yen)	77	83	86	90	95
Total assets (million yen)	164,182	174,106	186,831	197,374	222,380
Net assets (million yen)	132,102	144,039	155,183	159,197	172,190
Net assets per share (yen)	508	553	597	622	672

- Notes:
1. 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.
  2. The Company executed a 10-for-one stock split for its common stock as of October 1, 2013, however, "Profit 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	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)	38th term (Year ended March 31, 2018) (Consolidated fiscal year under current review)
Auto auction business	Net sales	49,479	50,281	52,594	52,811	59,521
	Operating profit	31,130	32,116	33,560	31,869	35,131
	Total assets	157,618	167,761	183,452	190,790	215,109
Used car purchasing and selling business	Net sales	11,621	10,083	10,097	9,373	9,827
	Operating profit	724	464	485	202	171
	Total assets	2,325	1,887	1,960	1,809	2,081
Other businesses	Net sales	6,848	7,100	5,915	4,995	5,805
	Operating profit	692	675	237	111	665
	Total assets	5,618	5,726	2,799	6,373	6,781

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 Significant Reorganizations

On August 24, 2017, USS purchased 66.0% of the shares of Japan Automobile Auction Inc. (JAA). On March 1, 2018, USS made an additional investment in JAA to make this company a wholly owned subsidiary. Consequently, JAA and its subsidiaries HAA Kobe Inc. and AUCTION TRANSPORT Inc. were added to the consolidated financial statements with an acquisition date for accounting purposes of September 30, 2017.

(7) Major Parent Company and Subsidiaries

1) Parent company

Not applicable

2) Major subsidiaries

The Company has 10 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
Japan Automobile Auction Inc.	100	100.0	Operation of auto auction
HAA Kobe Inc.	480	100.0 (100.0%)	Operation of auto auction
AUCTION TRANSPORT Inc.	15	100.0 (100.0%)	Arrangement of freight transport and consignment business relating to operation of auctions

Notes: 1. The figures in parentheses in the Percentage by equity participation column indicate the indirect investment ratio.  
2. On August 24, 2017, USS purchased 66.0% of the shares of Japan Automobile Auction Inc. (JAA). On March 1, 2018, USS made an additional investment in JAA to make this company a wholly owned subsidiary. Consequently, JAA and its subsidiaries HAA Kobe Inc. and AUCTION TRANSPORT Inc. were added to the consolidated financial statements with an acquisition date for accounting purposes of September 30, 2017.

(8) Major Business Activities (as of March 31, 2018)

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

## (9) Principal business sites (as of March 31, 2018)

	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	Hakusan, 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
		Japan Automobile Auction Inc.	Edogawa, Tokyo	Operation of auto auction
		HAA Kobe Inc.	Kobe, Hyogo	Operation of auto auction
		AUCTION TRANSPORT Inc.	Edogawa, Tokyo	2 branch offices in Japan
	Used car purchasing and selling business	Reproworld Co., Ltd.	Noda, Chiba	18 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; 20 direct shops, 144 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, 2018)

## 1) Employees of the USS Group

Business segment	Numbers of employees	Change since end of previous fiscal year
Auto auction business	815 (161)	up 144 (up 23)
Used car purchasing and selling business	192 (6)	down 15 (down 2)
Other businesses	129 (43)	down 3 (up 2)
Corporate (for all business segments)	21 (2)	down 1 (up 1)
Total	1,157 (212)	up 125 (up 24)

- 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 2018 (converted at 7.5 work hours per day).
2. Employees in the corporate (common to all business segments) category are individuals assigned to administrative departments who cannot be allocated to a particular business segment.
3. The purchase of the stock of Japan Automobile Auction Inc. on August 24, 2017 that made this company a subsidiary was the primary reason for the increase of 125 in the number of employees compared with the end of the previous fiscal year.

## 2) Employees of the Company

Number of employees	Change since end of previous fiscal year	Mean age	Mean service years
580 (114)	down 3 (down 5)	38.7	11.9

- 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 2018 (converted at 7.5 work hours per day).

## (11) Major creditors (as of March 31, 2018)

Lender	Loan (million yen)
Sumitomo Mitsui Banking Corporation	3,080
The Juroku Bank, Ltd.	470

- 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

Not applicable

## 2. Matters relating to shares of the Company (as of March 31, 2018)

- (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 58,888,894 shares of treasury stock)
- (3) Total number of shareholders: 8,180
- (4) Major shareholders (Top 10)

Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
State Street Bank and Trust Company	20,269	7.96
Dai Seta	15,101	5.93
State Street Bank and Trust Company 505223	13,006	5.11
The Master Trust Bank of Japan, Ltd. (trust account)	12,435	4.88
Japan Trustee Services Bank, Ltd. (trust account)	9,766	3.83
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
Hattori Motors Co., Ltd.	7,280	2.86
Hattori International Scholarship Foundation	7,100	2.79

- Notes:
1. The list of major shareholders does not include 58,888,894 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, 2018, 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, 2018, 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

Effective as of the fiscal year that ended on March 31, 2017, the Company has reintroduced a trust employee shareholding incentive plan (the “Plan”) for the purpose of providing an incentive to employees of Group companies toward the improvement of medium- and long-term corporate values.

According to the Plan, the Company shall establish the USS Employee Stock Ownership Plan Trust (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.

The Company’s shares held by the ESOP Trust that are recorded on the Company’s consolidated balance sheet at the term end were 725 million yen (378,800 shares) for the previous consolidated fiscal year and 496 million yen (255,900 shares) for the current consolidated fiscal year. The ESOP Trust’s bank loans were 740 million yen for the previous consolidated fiscal year and 470 million yen for the current consolidated fiscal year.

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

(1) Stock Acquisition Rights held by officers of the Company as of the end of term (as of March 31, 2018)

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	698
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)	69,800 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		510	625	518
Number of shares subject to Stock Acquisition Rights		51,000 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		365	240	224
Number of shares subject to Stock Acquisition Rights		36,500 shares of common stock (100 shares per Stock Acquisition Right)	24,000 shares of common stock (100 shares per Stock Acquisition Right)	22,400 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	15th Stock Acquisition Rights
Resolution date for issuance		June 14, 2016 (Board Meeting)	June 13, 2017 (Board Meeting)
Number of Stock Acquisition Rights		307	330
Number of shares subject to Stock Acquisition Rights		30,700 shares of common stock (100 shares per Stock Acquisition Right)	33,000 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		146,500 yen per right	199,500 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From July 2, 2016 to June 30, 2041	From July 1, 2017 to June 29, 2042
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(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	Number of holders 7 Number of rights 292 Number of shares subject to Stock Acquisition Rights 29,200
	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 2018

Name	15th Stock Acquisition Rights
Resolution date for issuance	June 13, 2017 (Board Meeting)
Number of Stock Acquisition Rights	48
Number of shares subject to Stock Acquisition Rights	4,800 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights	199,500 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 1, 2017 to June 29, 2042
Main conditions for the exercise of Stock Acquisition Rights	(Note) 1
Number of recipients	4

- 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, 2018)

Title	Name	Duties and Affiliation to Other Companies, etc.
President and Representative Director	Yukihiro Ando	President and Representative Director of US Butsuryu Co., Ltd. President and Representative Director of Japan Automobile Auction Inc. President and Representative Director of HAA Kobe Inc.
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 President and Representative Director of Reproworld Co., Ltd.
Executive Vice President	Masafumi Yamanaka	Officer of the Supervisory Office
Senior Managing Director	Toshio Mishima	Manager of Kyushu Auction Site
Senior Managing Director	Masayuki Akase	Officer of the Auction Operation Office President and Representative Director of USS Logistics International Service Co., Ltd.
Junior Managing Director	Hiromitsu Ikeda	Manager of Osaka & Kobe Auction Site
Director	Hitoshi Tamura	President, Customer Satisfaction Research Institute Outside Director, Kitamura Co., Ltd.
Director	Akihiko Kato	
Director	Mitsuhiro Aso	Attorney Outside Corporate Auditor, Sumitomo Chemical Company, Limited Outside Corporate Auditor, Sumitomo Mitsui Trust Bank, Limited
Full-time Corporate Auditor	Shinji Ozaki	
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 Shinji Ozaki 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) On August 31, 2017, President and Representative Director Yukihiro Ando became Chairman and Representative Director of Japan Automobile Auction Inc. (JAA). On February 28, 2018, Mr. Ando's position at JAA was changed to President and Representative Director.
    - (2) On August 31, 2017, President and Representative Director Yukihiro Ando became Chairman and Representative Director of HAA Kobe Inc. On February 28, 2018, Mr. Ando's position at HAA Kobe was changed to President and Representative Director.
    - (3) On December 1, 2017, Director and Executive Vice President Motohiro Masuda became Representative Director and President of Reproworld Co., Ltd.
    - (4) On June 13, 2017, Junior Managing Director Masayuki Akase became a Senior Managing Director.
    - (5) Director Mitsuhiro Aso resigned as a refugee examination counselor of the Ministry of Justice on May 15, 2017 and ended his term as an outside director of Nojima Corporation on June 16, 2017.
    - (6) On June 13, 2017, Full-time Corporate Auditor Shinji Ozaki was elected to this position.
    - (7) On June 13, 2017, Full-time Corporate Auditor Fumio Suzuki ended his term in this position.

(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)	228 million yen (14 million yen)	58 million yen (-)	286 million yen (14 million yen)
Corporate auditors (Outside corporate auditors out of all corporate auditors)	4 (2)	15 million yen (9 million yen)	- (-)	15 million yen (9 million yen)
Total (Outside officers out of all officers)	14 (5)	243million yen (24 million yen)	58 million yen (-)	301million yen (24 million yen)

Notes: 1. The table above includes one corporate auditor who retired as of the closure of the 37th Annual General Meeting of Shareholders held on June 13, 2017.

2. There are no directors who also are employees.

3. 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.

4. 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.

5. 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 26-28 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 pages 29.

2) Update on principal activities in the current fiscal year

Position	Name	Major activities
Director	Hitoshi Tamura	Attended all 8 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 8 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 7 of 8 Board meetings in this fiscal year (attendance record: 88%), 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 8 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 8 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	38 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	38 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.

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.

8 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, 2018)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
<b>Current assets</b>	<b>63,442</b>	<b>Current liabilities</b>	<b>37,373</b>
Cash and deposits	39,622	Payables due to member dealers at auctions	22,339
Receivables due from member dealers at auctions	18,846	Notes and accounts payable - trade	436
Notes and accounts receivable - trade	2,720	Current portion of long-term loans payable	220
Inventories	829	Lease obligations	12
Prepaid expenses	154	Income taxes payable	6,954
Deferred tax assets	665	Deposits received	2,610
Other	665	Provision for bonuses	685
Allowance for doubtful accounts	△61	Other	4,113
<b>Non-current assets</b>	<b>158,937</b>	<b>Non-current liabilities</b>	<b>12,816</b>
<b>Property, plant and equipment</b>	<b>106,508</b>	Long-term loans payable	3,330
Buildings and structures	37,555	Lease obligations	7
Machinery, equipment and vehicles	785	Long-term accounts payable - other	204
Furniture and fixtures	2,426	Deferred tax liabilities	1,915
Land	65,623	Net defined benefit liability	695
Lease assets	83	Long-term guarantee deposited	6,065
Construction in progress	33	Asset retirement obligations	598
<b>Intangible assets</b>	<b>44,817</b>	<b>Total liabilities</b>	<b>50,190</b>
Goodwill	37,280	(Net assets)	
Other	7,536	<b>Shareholders' equity</b>	<b>176,266</b>
<b>Investments and other assets</b>	<b>7,611</b>	<b>Capital stock</b>	<b>18,881</b>
Investment securities	637	<b>Capital surplus</b>	<b>18,914</b>
Long-term loans receivable	443	<b>Retained earnings</b>	<b>185,835</b>
Long-term prepaid expenses	154	<b>Treasury shares</b>	<b>△47,365</b>
Deferred tax assets	865	<b>Accumulated other comprehensive income</b>	<b>△5,498</b>
Deferred tax assets for land revaluation	2,455	<b>Valuation difference on available-for-sale securities</b>	<b>141</b>
Net defined benefit asset	34	<b>Revaluation reserve for land</b>	<b>△5,633</b>
Real estate for investment	2,810	<b>Remeasurements of defined benefit plans</b>	<b>△6</b>
Other	703	<b>Subscription rights to shares</b>	<b>364</b>
Allowance for doubtful accounts	△493	<b>Non-controlling interests</b>	<b>1,058</b>
		<b>Total net assets</b>	<b>172,190</b>
<b>Total assets</b>	<b>222,380</b>	<b>Total liabilities and net assets</b>	<b>222,380</b>

**Consolidated Statement of Income**  
**(From April 1, 2017 to March 31, 2018)**

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>75,153</b>
<b>Cost of sales</b>		<b>29,174</b>
<b>Gross profit</b>		<b>45,979</b>
Selling, general and administrative expenses		9,907
<b>Operating profit</b>		<b>36,071</b>
<b>Non-operating income</b>		
Interest and dividends income	23	
Rent income of real estate	425	
Other	232	681
<b>Non-operating expenses</b>		
Interest expenses	10	
Rent cost of real estate	47	
Other	18	76
<b>Ordinary profit</b>		<b>36,676</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	32	
Gain on sales of investment securities	77	109
<b>Extraordinary losses</b>		
Loss on sales and retirement of non-current assets	90	
Other	37	128
<b>Profit before income taxes</b>		<b>36,657</b>
Income taxes - current	11,377	
Income taxes – deferred	239	11,617
<b>Profit</b>		<b>25,039</b>
Profit attributable to non-controlling interests		753
<b>Profit attributable to owners of parent</b>		<b>24,285</b>

**Consolidated Statement of Changes in Net Assets**  
**(From April 1, 2017 to March 31, 2018)**

(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	18,913	173,488	Δ47,602	163,681
Changes of items during the period					
Dividends from surplus	—	—	Δ11,878	—	Δ11,878
Profit attributable to owners of parent	—	—	24,285	—	24,285
Purchase of treasury stock	—	—	—	Δ0	Δ0
Disposal of treasury stock	—	1	—	236	238
Reversal of revaluation reserve for land	—	—	Δ61	—	Δ61
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	1	12,346	236	12,584
Balance at the end of current period	18,881	18,914	185,835	Δ47,365	176,266

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	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	46	Δ5,694	Δ3	Δ5,652	306	861	159,197
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	Δ11,878
Profit attributable to owners of parent	—	—	—	—	—	—	24,285
Purchase of treasury stock	—	—	—	—	—	—	Δ0
Disposal of treasury stock	—	—	—	—	—	—	238
Reversal of revaluation reserve for land	—	—	—	—	—	—	Δ61
Net changes of items other than shareholders' equity	94	61	Δ2	153	57	196	407
Total changes of items during the period	94	61	Δ2	153	57	196	12,992
Balance at the end of current period	141	Δ5,633	Δ6	Δ5,498	364	1,058	172,190

## 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: 10

The main consolidated subsidiaries are listed in “Business Report: 1. Matters relating to the current state of the USS Group: (7) Major parent company and subsidiaries: 2) Major subsidiaries” of “Notice of the 38th 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

On August 24, 2017, USS purchased 66.0% of the shares of Japan Automobile Auction Inc. (JAA). Consequently, JAA and its subsidiaries HAA Kobe Inc. and AUCTION TRANSPORT Inc. were added to the consolidated financial statements as consolidated subsidiaries with an acquisition date for accounting purposes of September 30, 2017. USS made an additional investment in JAA with an acquisition date for accounting purposes of March 31, 2018 to make JAA and its two subsidiaries wholly owned subsidiaries.

#### 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: 4

PT.JBA Indonesia, Info-carry Inc., P2P Inc. and SBI AutoSupport Co., Ltd.

These four (4) 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

- |   |  |
|---|--|
| (i) Property, plant and equipment and real estate for investment (excluding lease assets) | Declining-balance method<br>However, the straight-line method is used for buildings (excluding 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. |
| (ii) Intangible assets (excluding lease assets)   | Depreciation is based on the straight-line method for software used internally over the period the software can be used (five years) and for customer-related intangible assets over the period that there is a benefit (14 to 15 years).                        |
| (iii) 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

- |   |  |
|---|--|
| (i) 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  |
| (ii) 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

Goodwill is amortized using the straight-line method over a period of five or 20 years based on a reasonable estimate of the number of years that there will be benefits associated with the goodwill.

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

Accounting for consumption tax, etc.	Tax exclusion method is used.
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## II. Notes on the consolidated balance sheet

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

#### (1) Assets pledged

Buildings and structures

670 million yen

Land

2,696 million yen

Total

3,366 million yen

#### (2) Liabilities secured

Current portion of long-term loans payable

220 million yen

Long-term loans payable

2,860 million yen

Total

3,080 million yen

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

### 2. Cumulative depreciation for property, plant and equipment

44,239 million yen

Cumulative depreciation for real estate for investment

434 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:

Δ726 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.

### III. 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 37th Annual General Shareholders' Meeting on June 13, 2017

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

Note: Total dividends include dividends of 8 million yen for 380,000 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 6, 2017

Total dividends	5,977 million yen
Dividend per share	23.50 yen
Date of record	September 30, 2017
Effective date	December 13, 2017

Note: Total dividends include dividends of 7 million yen for 320,000 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	6,180 million yen
Dividend per share	24.30 yen
Date of record	March 31, 2018
Effective date	June 13, 2018
Dividend resource	Retained earnings

Note: Total dividends include dividends of 6 million yen for 263,000 shares of the Company on the shareholder register held by the ESOP Trust.

#### 3. Matters related to share warrants as of March 31, 2018

	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 69,800 shares	July 9, 2009
8th Stock Acquisition Rights	Common stock 51,000 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 36,500 shares	July 12, 2013
12th Stock Acquisition Rights	Common stock 24,000 shares	July 4, 2014
13th Stock Acquisition Rights	Common stock 22,400 shares	July 3, 2015
14th Stock Acquisition Rights	Common stock 30,700 shares	July 1, 2016
15th Stock Acquisition Rights	Common stock 33,000 shares	June 30, 2017

#### IV. 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, 2018 (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	39,622	39,622	-
(2) Receivables due from member dealers at auctions	18,846	18,846	-
(3) Investment securities			
Other securities	504	504	-
Total assets	58,973	58,973	-
(1) Payables due to member dealers at auctions	22,339	22,339	-
Total liabilities	22,339	22,339	-

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	344	133	211
	(2) Bond	—	—	—
	(3) Other	—	—	—
	Sub-total	344	133	211
Amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	159	168	△9
	(2) Bond	—	—	—
	(3) Other	—	—	—
	Sub-total	159	168	△9
Total		504	301	202

- 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, 2018.
  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, 2018.

### **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 132 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	39,622	-	-	-
Receivables due from member dealers at the auctions	18,846	-	-	-
Total	58,469	-	-	-

### **V. Notes on rental real estate**

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

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

1. Net asset per share 672.03 yen
2. Profit per share 95.59 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 255,000, and the average during the year was 314,000.

## VII. Note on corporate mergers

(Business combination through acquisition)

### 1. Summary of the acquisition

- (1) Name and business activities of company that was merged

Name: Japan Automobile Auction Inc. (JAA)

Business activities: Used car auctions and associated activities

- (2) Main reason for the acquisition

To use the acquisition of JAA to further streamline business operations, which will allow providing even more services for used car auctions. The goal is to further invigorate the distribution of used cars in Japan by increasing the number of vehicles submitted at used car auctions, attract more auction participants and raise the number of vehicles purchased at these auctions.

- (3) Acquisition date

Acquired control on August 24, 2017 (September 30, 2017 for accounting purposes)

Additional investment on March 1, 2018 (March 31, 2018 for accounting purposes)

- (4) Legal structure of the acquisition

Purchase of shares using a cash payment

- (5) Name of company after the acquisition

No change

- (6) Percentage of JAA voting rights held

Voting rights before acquisition of control 0.0%

Voting rights after acquisition of control 66.0%

Voting rights in additional investment 34.0%

Voting rights after additional investment 100.0%

- (7) Grounds for determining acquiring company

The Company's cash acquisition of shares

### 2. Outline of accounting treatment to be implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and the "Application Guidelines on Accounting Standards for Business Combinations and Business Divestitures" (Guidance on Accounting Standards No. 10 issued by the Accounting Standards Board of Japan on September 13, 2013), the Company treated the series of acquisitions of shares as a single transaction, and in relation to the goodwill relating to additional shares acquired after acquiring control, such goodwill is calculated as having been accrued at the time of the acquisition of control.

### 3. Inclusion of JAA in consolidated financial statements

October 1, 2017 to March 31, 2018

### 4. Cost of JAA investments and type of payment

Investment when control was acquired

Consideration for the acquisition	Cash and deposits	36,320 million yen
Cost		36,320 million yen
Additional investment		
Consideration for the acquisition	Cash and deposits	19,658 million yen
Cost		19,658 million yen

### 5. Major expenses involving the acquisition

When control was acquired

Advisory fees, etc. 57 million yen

Additional investment

Advisory fees, etc. 2 million yen

6. Goodwill, reason for goodwill and amortization method and period

(1) Goodwill

When control was acquired 24,766 million yen  
Additional investment 13,234 million yen

(2) Reason for goodwill

Expectation for extra earnings

(3) Amortization method and period

Straight-line method over 20 years

However, an amount equal to the amortization of goodwill between the time control was acquired and the additional investment was made was recognized as an expense when the additional investment was made.

7. Assets and liabilities received due to the acquisition

Current assets	9,336 million yen
Non-current assets	17,639 million yen
Total assets	26,976 million yen
Current liabilities	5,629 million yen
Non-current liabilities	3,850 million yen
Total liabilities	9,479 million yen

8. Amount and amortization period of items other than goodwill classified as intangible non-current assets

Customer-related assets 5,322 million yen

Amortized using the straight-line method over the period that there is a benefit (14 to 15 years)

**VIII. Notes on important subsequent events**

Not applicable

**IX. Other Notes**

Supplementary information

1. Accounting procedure for the Trust Employee Shareholding Incentive Plan

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

The Trust Employee Shareholding Incentive Plan

(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, 2018 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 496 million yen and the number of shares was 255,000.

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

470 million yen

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

**Non-Consolidated Balance Sheet**  
(As of March 31, 2018)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
<b>Current assets</b>	<b>46,294</b>	<b>Current liabilities</b>	<b>29,478</b>
Cash and deposits	28,980	Payables due to member dealers at auctions	18,669
Receivables due from member dealers at auctions	14,343	Accounts payable - trade	108
Accounts receivable - trade	253	Accounts payable - other	2,311
Merchandise	119	Accrued expenses	74
Supplies	81	Income taxes payable	5,710
Prepaid expenses	62	Deposits received	2,072
Deferred tax assets	454	Provision for bonuses	447
Short-term loans receivable - affiliated companies	1,500	Other	84
Other	504	<b>Non-current liabilities</b>	<b>5,654</b>
Allowance for doubtful accounts	△4	Long-term loans payable	470
<b>Non-current assets</b>	<b>157,749</b>	Long-term accounts payable - other	178
<b>Property, plant and equipment</b>	<b>86,866</b>	Guarantee deposits received from member dealers	4,419
Buildings	32,027	Provision for retirement benefits	311
Structures	2,380	Asset retirement obligations	275
Machinery and equipment	251	<b>Total liabilities</b>	<b>35,133</b>
Vehicles	86	(Net assets)	
Furniture and fixtures	2,159	<b>Shareholders' equity</b>	<b>174,038</b>
Land	49,956	<b>Capital stock</b>	<b>18,881</b>
Construction in progress	4	<b>Capital surplus</b>	<b>14,506</b>
<b>Intangible assets</b>	<b>1,280</b>	Legal capital surplus	4,583
Leasehold right	139	Other capital surplus	9,922
Software	1,111	<b>Retained earnings</b>	<b>188,016</b>
Other	28	Legal retained earnings	370
<b>Investments and other assets</b>	<b>69,602</b>	Other retained earnings	187,646
Investment securities	547	Reserve for special depreciation	124
Shares of subsidiaries and associates	57,989	Retained earnings brought forward	187,522
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	<b>Treasury shares</b>	<b>△47,365</b>
Long-term prepaid expenses	113	<b>Valuation and translation adjustments</b>	<b>△5,492</b>
Deferred tax assets	575	<b>Valuation difference on available - for-sale securities</b>	<b>141</b>
Deferred tax assets for land revaluation	2,455	<b>Revaluation reserve for land</b>	<b>△5,633</b>
Insurance funds	58	<b>Subscription right to shares</b>	<b>364</b>
Real estate for investment	7,761		
Other	101		
Allowance for doubtful accounts	△2	<b>Total net assets</b>	<b>168,910</b>
<b>Total assets</b>	<b>204,043</b>	<b>Total liabilities and net assets</b>	<b>204,043</b>

**Non-Consolidated Statement of Income**  
**(From April 1, 2017 to March 31, 2018)**

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>54,087</b>
<b>Cost of sales</b>		<b>16,259</b>
<b>Gross profit</b>		<b>37,827</b>
Selling, general and administrative expenses		4,614
<b>Operating profit</b>		<b>33,213</b>
<b>Non-operating income</b>		
Interest and dividends income	269	
Rent income of real estate	754	
Other	167	1,192
<b>Non-operating expenses</b>		
Rent cost of real estate	134	
Other	5	140
<b>Ordinary profit</b>		<b>34,264</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	20	
Gain on sales of investment securities	77	98
<b>Extraordinary losses</b>		
Loss on sales and retirement of non-current assets	85	
Other	5	90
<b>Profit before income taxes</b>		<b>34,272</b>
Income taxes - current	10,118	
Income taxes - deferred	310	10,428
<b>Net income</b>		<b>23,843</b>

**Non-Consolidated Statement of Changes in Net Assets**  
**(From April 1, 2017 to March 31, 2018)**

(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	9,921	14,504	370	165	175,577	176,112	Δ47,602	161,896
Changes of items during the period										
Reversal of reserve for special depreciation	—	—	—	—	—	Δ41	41	—	—	—
Dividends from surplus	—	—	—	—	—	—	Δ11,878	Δ11,878	—	Δ11,878
Net income	—	—	—	—	—	—	23,843	23,843	—	23,843
Purchase of treasury stock	—	—	—	—	—	—	—	—	Δ0	Δ0
Disposal of treasury stock	—	—	1	1	—	—	—	—	236	238
Reversal of revaluation reserve for land	—	—	—	—	—	—	Δ61	Δ61	—	Δ61
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	1	1	—	Δ41	11,945	11,903	236	12,142
Balance at the end of current period	18,881	4,583	9,922	14,506	370	124	187,522	188,016	Δ47,365	174,038

	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	46	△5,694	△5,648	306	156,555
Changes of items during the period					
Reversal of reserve for special depreciation	—	—	—	—	—
Dividends from surplus	—	—	—	—	△11,878
Net income	—	—	—	—	23,843
Purchase of treasury stock	—	—	—	—	△0
Disposal of treasury stock	—	—	—	—	238
Reversal of revaluation reserve for land	—	—	—	—	△61
Net changes of items other than shareholders' equity	94	61	155	57	213
Total changes of items during the period	94	61	155	57	12,355
Balance at the end of current period	141	△5,633	△5,492	364	168,910

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

#### 2. Depreciation methods for depreciable assets

##### (1) Property, plant and equipment and real estate for investment

Declining-balance method  
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.

##### (2) 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

##### (1) Allowance for doubtful accounts

General claims	To prepare for bad debt losses, the following methods are used.
Possible bad debts and claims in bankruptcy proceedings etc.	Method based on actual bad debt rates Method of evaluating financial conditions

##### (2) Provision for bonuses

To prepare for the payment of bonuses to employees, the Company posts the current year's portion of the estimated bonuses.

##### (3) Provision for retirement benefits

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

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

Accounting for consumption taxes, etc.	Tax exclusion method is used.
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## II. Notes on the balance sheet

1. Cumulative depreciation for property, plant and equipment	39,235 million yen
Cumulative depreciation for real estate for investment	1,026 million yen
2. Receivables from, and payables to subsidiaries (excluding independently categorized items)	
Short-term receivables	329 million yen
Short-term payables	1,133 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:  
Δ726 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).

## III. Notes on the statement of income

### Transactions with affiliated companies

Net sales	605 million yen
Operating expenses	2,493 million yen
Transactions other than business transactions	633 million yen

## IV. 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	59,272,884	10	128,100	59,144,794

- Notes:
1. The number of shares of treasury shares includes the Company's shares owned by ESOP Trust (373,800 shares at beginning of the current fiscal year and 255,900 shares at end of the current fiscal year).
  2. Breakdown of the increase of 10 shares in treasury stock (shares of common stock) is as follows.  
Increase due to purchase of shares less than one unit 10 shares
  3. Breakdown of the decrease of 128,100 shares in treasury stock (shares of common stock) is as follows:  
Sale of Company stock by the ESOP Trust to the holding company 117,900 shares  
Decrease due to exercise of stock options 10,200 shares

## V. 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	135 million yen
(2) Accrued enterprise tax denied	278 million yen
(3) Payables denied	38 million yen
(4) Others	1 million yen
Total deferred tax assets	454 million yen

Noncurrent assets

Deferred tax assets

(1) Share-based compensation expenses denied	110 million yen
(2) Denial of impairment losses	299 million yen
(3) Asset Retirement Obligations	83 million yen
(4) Provision for retirement benefits denied	94 million yen
(5) Others	132 million yen
Total deferred tax assets	719 million yen
Netting with deferred tax liabilities	Δ144 million yen
Net deferred tax assets	575 million yen

Noncurrent liabilities

Deferred tax liabilities

(1) Valuation difference on available-for-sale securities	61 million yen
(2) Asset Retirement Obligations	20 million yen
(3) Reserve for special depreciation	54 million yen
(4) Others	9 million yen
Total deferred tax liabilities	144 million yen
Netting with deferred tax assets	Δ144 million yen
Net deferred tax liabilities	- million yen

## VI. Notes on transactions with related parties

Officers, main individual shareholders and others

(Millions of yen)

Category	Name of company or individual	Location	Capital	Description of business or occupation	Voting rights ratio	Business links	Details of transaction	Transaction amount	Account item	Balance at year-end
USS Representative Director Yukihiro Ando holds a majority of voting rights	Showa Co., Ltd.	Midori Ward, Nagoya, Aichi	10	Auto sales	-	Auction business	Auction related transaction	12	Payable due to member dealers at auctions	0
USS Representative Director Dai Seta's close relatives hold a majority of voting rights	Hattori Motors Co., Ltd.	Tokai, Aichi	50	Auto sales	(Percentage held) 2.8%	Auction business	Auction related transaction	109	Payable due to member dealers at auctions Accounts receivable	111 0
USS Director Motohiro Masuda holds a majority of voting rights	Masuda Auto Co., Ltd.	Misato, Saitama	10	Auto sales	-	Auction business	Auction related transaction	40	Receivables due from member dealers at auctions Accounts receivable	9 0
USS Director Toshio Mishima holds a majority of voting rights	Metokosu Co., Ltd.	Kasuya, Fukuoka	13	Auto sales	-	Auction business	Auction related transaction	58	Payables due to member dealers at auctions Guarantee deposited Accounts receivable	34 0 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.

## VII. Notes on per share data

1. Net asset per share 663.29 yen
2. Net income per share 93.85 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 255,000 and the average during the year was 314,000.

## VIII. Notes on important subsequent events

Not applicable

## IX. Other Notes

Supplementary information

1. Accounting procedure for the Trust Employee Shareholding Incentive Plan  
This is the same as the content in "Notes on Consolidated Financial Statements, IX. Other Notes, 1. Accounting procedure for the Trust Employee Shareholding Incentive Plan."
2. Figures are rounded down to the nearest whole unit.

### Venue

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

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

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