

Note: The following is an English translation of the original Conditions of Sale in Japanese and is provided for reference purposes only. In the event of any discrepancy between the Japanese original and the English translation, the Japanese original shall prevail.

Any new changes or corrections to the material printed in this catalogue will be announced on the day of the sale.

[TRANSLATION]

Conditions of Sale
(2018 Hokkaido Sale)

Chapter 1 General Provisions

(Obligation to abide by Conditions)

Article 1 Any party registered to sell a horse at this sale (hereinafter 'Seller') and any party registered to buy any number of horses at this sale (hereinafter 'Buyer') must agree to abide by the conditions herein.

(Location of Sale)

Article 2

1. This horse auction sale (hereinafter the 'Sale') is to be held at 175-2 Kamimori, Shizunai, Shinhidaka-cho, Hidaka-gun, Hokkaido.
2. The main office is situated at the following location; however, a temporary office will be set up within the sales complex during the period of the Sale.
Main office: 2-1-1 Tsukiji, Urakawa-cho, Urakawa-gun, Hokkaido
Temporary Office: 175-2 Kamimori, Shizunai, Shinhidaka-cho, Hidaka-gun, Hokkaido

(Bloodstock to be Offered and Sold)

Article 3 The bloodstock to be offered and sold in the Sale will be Thoroughbred horses.

(Horses Offered in Sale)

Article 4

1. Horses offered in the Sale will be sold on an 'as is' basis with no warranties by the Sale Holder or Seller, except for horses with the conditions stipulated in Article 24 Paragraph 3 herein, provided these conditions have not been declared in accordance with the requirements of said Article.
2. Upon entering a yearling horse to be sold at the Sale, Seller may submit radiographs of the horse's limbs (the 28 or 36 views listed in <Appendix 1> of

these Conditions) and a video of the horse's upper airway endoscopy in accordance with the Sale Holder's guidelines. Seller shall be responsible for the content of these submitted materials.

3. Buyer or Buyer's agent may, after following the procedures set forth by the Sale Holder, view the limb radiographs and upper airway endoscopy videos submitted to the Sale Holder according to the previous paragraph of this article at a designated facility within the sale premises.
4. Seller shall be responsible in the event there is any error in the identification of individual horses.

(Date of Sale)

Article 5 The date of the Sale shall be discussed at the Hokkaido Sales Operating Committee Meeting, approved by the Board of Directors of the Hidaka Horse Breeders' Association and thereafter submitted to the Hokkaido Prefecture Governor for public announcement (per <Appendix 2>).
However, if necessary for unavoidable reasons, the sale may be canceled or its dates changed by prior notification to the Hokkaido Prefecture Governor.

(Operating Hours of Sale)

Article 6 Operating hours of the Sale are from 6 a.m. to 8 p.m. However, if transactions involving the horses on offer are not completed during such time, such time may be extended.

(Keeping of Horses)

- Article 7**
1. Only horses that have been diagnosed as being free of the domestic animal infectious diseases stipulated in Article 2 of the Domestic Animal Infectious Disease Control Law can be kept on the sales premises.
 2. Horses to be offered must be kept at a location designated by the Sale Holder.
 3. In the event the Sale Holder determines that a horse with any disease other than those stipulated in Article 2 of the Domestic Animal Infectious Disease Control Law or with any bad habit and thus may pose a threat to other horses should be refused entry onto the premises or be isolated or have its movements restricted, Seller of such horse must comply with the Sale Holder's decision.
 4. Seller must receive a number tag and place it on the horse to be offered and follow the instructions of the sales attendants.

(Procedures for Veterinary Inspections)

Article 8 1. Any party involved in the transaction of a horse may request for the veterinarian

posted within the sales premises on the day of the Sale to examine the horse for any illnesses.

2. In the event a party involved in the transaction of a horse wishes to request such examination as described in the previous paragraph, the party must submit the request to the sales office.

(Liability for Horse Related Accidents on Sale Premises)

Article 9 The Sale Holder is not liable for any accidents related to or arising from horses in the sales complex or related facilities during the time of the Sale or the period before and after the Sale while horses are stabled on the sales premises.

Chapter 2 Method of Transaction and Procedures

(Article 10 Abridged)

(Method of Purchase and Sale)

Article 11

1. Horses will be offered in the order designated by the Sale Holder.
2. The auction shall be conducted in principle through increasing of bids. However, bids may be brought down at the discretion of the auctioneer. Bids shall be advanced by one hundred thousand (100,000) yen or integer multiples thereof.

(Re-Sale)

Article 12

1. If there is no successful bidder for a horse, Seller may put the horse up for re-sale.
2. Any party wishing to put a horse up for re-sale in accordance with the previous paragraph must immediately notify the sales office of such intention.
3. Re-sales will be conducted on the same day in the order determined by the Sale Director.

(Seller Registration)

Article 13

1. Seller must be the owner of the horse to be offered.
2. The Seller must register with the sales office by filing out a Sales Application Form designated by the Sale Holder specifying the name and address of Seller, the breeding farm and consignor (actual keeper of the horse), the horse's breed, sex, color, date of birth and pedigree and submitting the completed form along with the Seller Registration Fee stipulated in Article 31 (1) of these conditions and also a document certifying the horse's pedigree.
3. The Seller is responsible for any disputes that may occur between Seller, breeding farm and consignor (actual keeper) of the horse to be offered, and the

Sale Holder shall not be held liable in this regard.

4. The Sale Holder has the right to refuse seller registration to any party as it deems necessary in consideration of circumstances such as any breach of conditions by said party at past sales.
5. The Certificate of Foal Registration issued by the Japan Association for International Racing and Stud Book shall serve as the document certifying the horse's pedigree. Seller must submit this document to the Sale Holder at the time of seller registration.
6. Seller must submit to the sales office before the beginning of the Sale documents to declare any of the conditions stated in Article 18 of these Conditions of Sale and a preferred minimum sale price for the horse.
7. If it is discovered before the horse is offered at the Sale that Seller has submitted false information or if the Certificate of Foal Registration of the horse to be offered has not been submitted to the Sale Holder by the day before the day of the Sale or if the Sale Holder deems it necessary for any particular reason, the Sale Holder may refuse to have the horse offered at the Sale.

(Withdrawal of Horse)

- Article 14**
1. In the event that a horse for which a Sales Application Form has been submitted must be withdrawn from the Sale due to unavoidable reasons such as illness or accident, Seller must immediately notify the Sale Holder and submit any relevant veterinary certificates. For the Selection Sale and the Summer Premium Sale, the veterinary certificate must be prepared by a veterinarian approved by the Sale Holder.
 2. Upon receiving such notice as described in the previous paragraph, the Sale Holder must on the day of the Sale, make known the number and name of the horse and also the name of Seller by posting the information within the sales premises.
 3. Further procedures concerning withdrawals are as described in <Appendix 7>.

(Selection of Sale Horses)

- Article 15**
1. For the Selection Sale and the Summer Premium Sale, a selection committee set up by the Sale Holder may select horses to be offered in the Sale.

(Buyer Registration)

- Article 16**
1. Any party wishing to purchase at this Sale must register as a Buyer by filling out and submitting to the Sale Holder an Agreement of Buyer Participation, which will include information such as Buyer's address and name, at least 5 days before the

day of the Sale.

2. In completing the process described in the previous paragraph, if the Buyer wishes to authorize an agent to make purchases on his/her behalf, the Buyer shall do so by submitting the designated Agent authorization Form, and the agent may participate in the Sale if the Sale Holder so approves.
3. A party wishing to purchase at this Sale must register a certifier as part of the procedure described in Paragraph 1 of this article. However, a certifier may not be required if it is so approved by the Sale Holder.
4. Upon completion of buyer registration, Buyer will be issued a buyer registration number seal.
5. Buyer must wear the buyer registration number seal where it is clearly visible.
6. The Sale Holder has the right to review the forms submitted in relation to Paragraph 1 and 3 of this Article and make the decision to reject a party's buyer registration application.

(Deposits)

Article 17

A party seeking to register as a buyer at this Sale must pay a 50% deposit according to the expected number and value of purchases. However, exceptions may be allowed if the Sale Holder so approves.

(Announcements prior to Commencement of Auction)

Article 18

1. The Sale Holder shall announce at the time of auction, in addition to information contained in the sales catalogue, any conditions in Paragraph 6 of this Article as declared by Seller.
2. If there is any information to be added, or upon examination of the information listed in the sales catalogue, if there are any omissions or errors, Seller must make a request in writing to the Sale Holder for the appropriate inclusion or correction to be made before the beginning of the auction.
3. In the event such request as described in the previous paragraph is made, the Sale Holder must announce the requested correction or inclusion at the auction stand.
4. In the event there are inaccuracies in the declared information, Seller shall be responsible for resolving any resulting disputes between Seller and Buyer, and the Sale Holder will in no way be responsible for any such disputes.
5. The conditions to be declared as referred to in Paragraph 1 of this article are as follows:
 - (1) Bad habits (Cribbing, Box-Walking, Weaving, Self-Biting)
 - (2) Eye abnormalities (Cataracts, Amaurosis, Glaucoma), Periodic Ophthalmia

- (Moonblindness), blindness in at least one eye
- (3) Castration
 - (4) History of surgery under general anesthesia
 - (5) Any other conditions the Sale Holder considers necessary

(Determination of Successful Bidder and Conclusion of Purchase Transaction)

- Article 19**
1. If after the auctioneer calls out the highest bid 3 or more times and there is no other higher bidder, the party making the highest bid shall be determined the successful bidder.
 2. For the Selection Sale and the Summer Premium Sale, if the party making the highest bid is also the Seller, the party will not be determined the successful bidder and the horse will be declared as being bought back. The auctioneer or his/her assistant shall then announce immediately the price of the highest bid and Seller's registration number.
 3. The purchase transaction shall be deemed concluded upon the determination of the successful bidder. The auctioneer or his/her assistant shall then announce immediately the price of the successful bid and the name and or buyer registration number of the successful bidder.
 4. No party may raise any objections once the auctioneer has determined the successful bidder.
 5. All responsibility and risk of loss shall pass to the successful bidder at the time of conclusion of the purchase transaction except in situations pertaining to Articles 24 and 25 of these Conditions of Sale.
 5. Once the successful bidder has been determined, the successful bidder and Seller shall immediately sign a Purchase Confirmation Note. In addition, the successful bidder and Seller shall sign and seal a separate Agreement of Purchase and Sale as the official documentation of the purchase transaction.

(Disputes Relating to Determination of the Successful Bidder)

- Article 20**
1. In the event of a dispute relating to the determination of the successful bidder, the parties involved shall submit to the ruling of the auctioneer.
 2. If the auctioneer rules that bidding on the horse shall be resumed, only the parties originally involved in the dispute may participate in the bidding. However, if the bidding price falls below the price of the bid at the start of the dispute, bidding is open to all Buyers, and the auctioneer shall make an announcement to that effect.

(Purchase Settlement)

- Article 21**
1. After the successful bidder has been determined, the successful bidder shall pay

the amount equal to the successful bidding price plus consumption tax (hereinafter the 'purchase price') in the form of cash in Japanese currency (hereinafter 'cash') or check to the sales office or make a cash wire-transfer of said amount to a financial institution designated by the Sale Holder no later than the closing time of the sale session.

If, however, due to unavoidable reasons the successful bidder is unable to pay the amount equal to the transaction price by the closing time of the Sale, and if the Sale Holder approves the payment conditions set forth by the successful bidder, payment due date can be extended to within 10 days from the day following the closing day of the Sale.

2. The successful bidder must pay the purchase price stipulated in Paragraph 1 above even if an insurance payment is made for the policy described in Article 23 of these Conditions of Sale.
3. The Sale Holder will not extend the time of payment stipulated in Paragraph 1 of this article regardless of whether Buyer has initiated the procedures set forth in Articles 24 and 25 of these Conditions of Sale.
4. The Sale Holder shall pay to the Seller the amount derived by deducting the sales commission stipulated in Article 31 (2) herein from the transaction price.
5. The Certificate of Foal Registration submitted by Seller will be delivered by the Sale Holder to the successful bidder once the horse's full transaction price has been paid.
6. Closing time of the sale session refers to the time the sale closes on the relevant day of the relevant sale. Close of the Sale refers to the time when all dates of the relevant sale are completed.

(Delivery of Horse)

- Article 22**
1. Delivery of a horse for which a purchase transaction has been completed shall occur at a time and location agreed upon by Seller and successful bidder after payment of the full transaction price.
 2. In the event procedures set forth in Articles 24 and 25 of these Conditions of Sale are initiated in connection with a horse for which a purchase transaction has been concluded, the horse may not be moved without the approval of the Sale Holder, regardless of whether full payment for the horse has been made.
 3. The delivery described in Paragraph 1 of this article shall take place within 10 days from the day following the close of the Sale.
 4. Seller is responsible for keeping the horse under proper conditions free of charge until the time of delivery as stipulated in Paragraph 3 of this article.

(Hokkaido Sale Bridge Insurance)

- Article 23**
1. The Sale Holder shall, at its own expense, purchase a "Hokkaido Sale Bridge Insurance" policy (hereinafter "Insurance") as described in <Appendix 3> of these Conditions of Sale for all horses for which a purchase transaction has been completed. The purpose of this insurance will be to insure against loss of life or racing ability of the purchased horse resulting from any accidents which occur during the period from the time the successful bid is made to the time of the horse's delivery as described in Article 22 Paragraph 3 of these Conditions of Sale. For purposes of this Insurance, the purchased horse shall be insured for its entire purchase price.
 2. The Sale Holder shall, upon receiving any payment based on the Insurance policy, forward the payment to the successful bidder of the insured horse.

(Rescission of Purchase Transaction)

- Article 24**
1. If either the successful bidder or Seller breaches these Conditions of Sales in connection with any purchase transaction, the purchase transaction may be rescinded through the Sale Holder.
 2. If the successful bidder discovers in relation to the horse for which the successful bid was made any conditions listed in Paragraph 3 of this article which were not declared on the day of the sale, the successful bidder may submit a written claim to that effect, along with the relevant documents or veterinary certificate, to the Sale Holder within 10 days from the day following the day of the sale.
 3. The conditions referred to in Paragraph 2 of this article are as follows:
 - (1) Bad habits (Cribbing, Box-Walking, Weaving, Self-Biting)
 - (2) Eye abnormalities (Cataracts, Amaurosis, Glaucoma), Periodic Ophthalmia (Moonblindness), blindness in at least one eye
 - (3) Castration
 - (4) History of surgery under general anesthesia
 - (5) Any other condition deemed relevant by the Sale Holder
 4. In the event a claim is submitted by the successful bidder pursuant to Paragraph 2 of this article, the Sale Holder shall promptly so inform Seller and shall arrange through its own efforts or that of its approved veterinarian to have the claim of the successful bidder investigated and shall promptly notify the successful bidder of the results of such investigation.
 5. If the results of the investigation pursuant to the previous paragraph are found to support the contents of the submitted claim, the successful bidder may rescind the purchase transaction through the Sale Holder.
 6. The successful bidder may not make any claim regarding the relevant horse in

cases of conditions other than those listed in Paragraph 3 of this Article, or if the claim stipulated in Paragraph 2 of this Article is not made within the designated time period.

7. The successful bidder may not transfer title to the relevant horse to any third party until the Sale Holder determines the results of the investigation.

(Request for Rescission of Purchase Transaction)

Article 25 1. If the successful bidder of a yearling discovers in the yearling any conditions listed in Paragraph 2 of this article, the successful bidder may submit a written request to rescind the transaction, along with the relevant veterinary certificate and radiographs, to the Sale Holder within 3 days from the day following the day of the sale. However, this shall not be the case if the successful bidder has taken delivery of said horse from Seller.

2. The conditions referred to in Paragraph 1 of this article are as follows:
 - (1) Bone chips in the joint (excluding Osteo-Chondrosis Dissecans of the hock joint)
 - (2) Subchondral bone cysts on the joint surface
 - (3) Laryngeal hemiplegia (Laryngeal function Grade III or IV at rest as described in <Appendix 4>)
 - (4) Wobbler symptoms from stricture of the vertebrae

If however, the limb radiographs or upper airway endoscopy video submitted in accordance with Article 4 Paragraph 2 of these Conditions of Sale show the conditions (1), (2) or (3) above, the successful bidder may not submit any claim in connection to such condition as stipulated in Paragraph 1 of this article even if any of the conditions (1), (2) or (3) are discovered in the horse after making the successful bid.

3. If the successful bidder makes a request to rescind the purchase transaction, the Sale Holder shall so notify Seller. Seller shall arrange for the relevant claim to be investigated and submit the relevant veterinary certificates and radiographs and any other necessary documents to the Sale Holder within 3 days from the day following receipt of the notification from the Sale Holder.
4. The Sale Holder shall submit the veterinary certificates and radiographs and any other documents submitted by the successful bidder and Seller to the Hokkaido Sales Judgment Committee (hereinafter the "Judgment Committee") set forth in Article 26 of these Conditions of Sale, which shall be the committee entrusted to decide on the matter.
5. The decision of the Judgment Committee will be considered the final decision of the Sale Holder, and the successful bidder and Seller shall be so notified.

6. If the claim of the successful bidder is recognized after deliberation by the Judgment Committee, the successful bidder may rescind the purchase transaction through the Sale Holder.
7. The successful bidder and Seller shall comply with the decision of the Judgment Committee as notified pursuant to Particle 5 of this article.
8. Buyer may not transfer title to the relevant horse to any third party until the Sale Holder reaches its final decision, regardless of whether full payment for the horse has been made.
9. If the claim of the successful bidder is not recognized, the costs incurred by Seller in making the necessary reports to the Sale Holder shall be borne by the successful bidder.

(Judgment Committee)

- Article 26**
1. The Judgment Committee shall include veterinarians designated by the Sale Holder.
 2. The Judgment Committee shall deliberate and decide matters relating to:
 - (1) Any claims submitted pursuant to Article 25 of these Conditions of Sale.
 - (2) Any other matters deemed relevant by the Sale Holder
 3. The Judgment Committee may investigate at its sole discretion claims of illness and other matters as deemed necessary.

(Post-Transaction Announcements)

- Article 27**
- To announce the results of concluded transactions, the following information will be posted within the sales premises by the day following each sale day.
- (1) Number of horses offered by breed, sex and age
 - (2) Number of concluded transactions by breed, sex and age
 - (3) The highest, lowest and average transaction price by breed, sex and age.

Chapter 3 Sales Operation Staff and Transaction Staff

(Sales Operation Staff)

- Article 28**
1. The operation of the Sale will be conducted by the following staff:

| | |
|-----------------------------|-------------------|
| (1) Sale Director | 1 person |
| (2) Auctioneer | 1 or more persons |
| (3) Veterinarian | 1 or more persons |
| (4) Sales Attendant | 1 or more persons |
| (5) Assistant to Auctioneer | 1 or more persons |
 2. The Sale Director shall oversee the work of the auctioneer(s), veterinarian(s),

sales attendant(s) and assistant(s) to auctioneer(s).

3. The auctioneer(s) shall conduct the running of the auction.
4. The assistant(s) to auctioneer(s) shall assist the auctioneer in conducting the running of the auction.
5. The staff listed in paragraph 1 of this article must wear an identification badge as specified separately hereof.

(Prohibited Acts of Auctioneer)

Article 29 The auctioneer is prohibited from performing any of the following acts:

- (1) Conspiring with any Seller or Buyer in such a manner as to obstruct the legitimate conducting of transactions or allowing any Seller or Buyer to engage in bid rigging or any other wrongful act.
- (2) Receiving money or any other form of gain in connection with the auctioneer's professional duties.
- (3) Becoming directly involved as a principal in a purchase or sale.
- (4) Intentionally obstructing the establishment of a successful bid.
- (5) Calling out bids in argot or any other manner not commonly accepted.

(Prohibition of Commercial Brokerage)

Article 30 Commercial brokerage is prohibited in the sales for which these conditions apply.

Chapter 4 Collectible Fees

(Collectible Fees)

Article 31 Collectible fees and their amounts are as follows:

- (1) Seller Registration Fee
 - a) For sellers belonging to organizations listed in <Appendix 5>, the seller registration fee shall be as represented in <Appendix 6>.
 - b) For all sellers other than a) above, the seller registration fee shall be twice the amount in <Appendix 6>.
 - c) The seller registration fee paid by Seller is non-refundable.
- (2) Sales Commission

Sales Commission charged to Seller shall be 5/100 of the successful bid plus consumption tax.
- (3) Buy Back Commission

For the Selection Sale and the Summer Premium Sale, if there is no actual purchase transaction for a horse per the situation described in Article 19 Paragraph 2, a Buy Back Commission will be collected from Seller as follows.

- a) If the horse is bought back at a price equal to or lower than the preferred minimum sale price, the Buy Back Commission shall be 1/100 of the buy back price plus consumption tax.
- b) If the horse is bought back at a price higher than the preferred minimum sale price, the Buy Back Commission shall be 5/100 of the buy back price plus consumption tax.

Chapter 5 Miscellaneous Provisions

(Provisions Concerning Breach of Agreement)

- Article 32**
1. In the event the purchase transaction is rescinded due to a breach of agreement by the successful bidder, the successful bidder must pay a penalty fine equal to 50% of the transaction price to Seller. Any partial payment received by Seller may be applied to the aforementioned fine until the full 50% is received.
 2. In the case of Paragraph 1 above, if the Sale Holder has received partial payment of the transaction price from the successful bidder, the Sale Holder may hand over such payment to Seller until the full 50% is received.

(Court of Jurisdiction)

- Article 33** The Sapporo District Court shall be the court of jurisdiction in the event of a dispute arising out of or in connection with any sale transaction.

(Provisions Concerning Maintenance of Order on Sales Premises)

- Article 34**
1. The Sale Holder may remove from or prohibit entry for a designated period of time onto the sales premises any party to which the following apply:
 - (1) A party that has breached these conditions
 - (2) A party that has spread false rumors concerning horses on offer
 - (3) A party that has declared false information to the sales office
 - (4) A party that has obstructed sales operations or disturbed order on the sales premises or is considered liable to do so
 - (5) A party that has intentionally damaged property on the sales premises or caused harm to any horses or is considered liable to do so
 - (6) A party that does not follow the instructions of the sales attendants
 2. In the event the Sale Holder prohibits entry of a party onto the sales premises according to the previous paragraph, the Sale Holder will post within the sales premises the name of the party, the period for which the party is prohibited entry and the reason for such prohibition.

(Additional Explanation)

Article 35 For the Summer Premium Sale, mention of the Sale in Articles 16, 21, 22 and 24 with regards to the time frame of the Sale shall be interpreted as referring to “the Summer Sale of the same year”.

(Date of Effect)

Article 36 These conditions of sale shall take effect as of February 23, 2018.

<Appendix 1>

Views and number of X-rays required for the Repository

The direction and location of X-rays of the limbs required for the Repository shall be as follows.

A total of either 28 views (1 - 28 below) or all 36 views (with views 29 -36 added) may be submitted.

Left Front Fetlock

1. Dorsal - Palmar direction 3rd Metacarpal - 1st Phalangeal joint
(in a 10-20° downward angle)
2. Lateral - Medial direction 3rd Metacarpal distal sagittal ridge / Proximal 1st Phalanx
3. Dorsolateral - Palmaromedial direction Lateral proximal sesamoid / Medial aspect of Proximal 1st Phalanx
4. Dorsomedial - Palmarolateral direction Medial proximal sesamoid / Lateral aspect of Proximal 1st Phalanx

Left Carpal Joint

5. Lateral - Medial direction
6. Dorsolateral - Palmaromedial direction Radial Carpus / Medial 3rd Carpus / 4th Carpus
7. Dorsomedial - Palmarolateral direction Intermediate Carpus / Lateral 3rd Carpus / 2nd Carpus

Right Front Fetlock

8. Dorsal - Palmar direction 3rd Metacarpal - 1st Phalangeal joint
(in a 10-20° downward angle)
9. Lateral - Medial direction 3rd Metacarpal distal sagittal ridge / Proximal 1st Phalanx
10. Dorsolateral - Palmaromedial direction Lateral proximal sesamoid / Medial aspect of Proximal 1st Phalanx
11. Dorsomedial - Palmarolateral direction Medial proximal sesamoid / Lateral aspect of Proximal 1st Phalanx

Right Carpal Joint

12. Lateral - Medial direction
13. Dorsolateral - Palmaromedial direction Radial Carpus / Medial 3rd Carpus / 4th Carpus
14. Dorsomedial - Palmarolateral direction Intermediate Carpus / Lateral 3rd Carpus / 2nd Carpus

Left Hind Fetlock

15. Dorsal - Plantar direction 3rd Metatarsal - 1st Phalangeal joint
(in a 10-20° downward angle)
16. Lateral - Medial direction 3rd Metatarsal distal sagittal ridge / Proximal 1st Phalanx

- 17. Dorsolateral - Plantaromedial direction Lateral proximal sesamoid / Medial aspect of Proximal 1st Phalanx
- 18. Dorsomedial - Plantarolateral direction Medial proximal sesamoid / Lateral aspect of Proximal 1st Phalanx

Left Hock

- 19. Lateral - Medial direction Central tarsal bone - 3rd Tarsal - Talar joint
- 20. Dorsolateral - Plantaromedial direction Medial malleolus of tibia
- 21. Plantarolateral - Dorsomedial direction Distal intermediate ridge of tibia / trochlear ridge

Right Hind Fetlock

- 22. Dorsal - Plantar direction 3rd Metatarsal - 1st Phalangeal joint
(in a 10-20° downward angle)
- 23. Lateral - Medial direction 3rd Metatarsal distal sagittal ridge / Proximal 1st Phalanx
- 24. Dorsolateral - Plantaromedial direction Lateral proximal sesamoid / Medial aspect of Proximal 1st Phalanx
- 25. Dorsomedial - Plantarolateral direction Medial proximal sesamoid / Lateral aspect of Proximal 1st Phalanx

Right Hock

- 26. Lateral - Medial direction Central tarsal bone - 3rd Tarsal - Talar joint
- 27. Dorsolateral - Plantaromedial direction Medial malleolus of tibia
- 28. Plantarolateral - Dorsomedial direction Distal intermediate ridge of tibia / Trochlear ridge

Left Stifle Joint

- 29. Caudal - Cranial direction Medial condyle of femur/ Lateral condyle of femur Intercondylar tubercle of tibia
- 30. Lateral - Medial direction Patella Lateral trochlear ridge / Medial trochlear ridge of distal femur Proximal tibia
- 31. Caudolateral - Craniomedial direction Lateral trochlear ridge of distal femur Patella
- 32. Flexed Lateral - Medial direction Medial condyle of distal femur / Patella
(in a 10-20° upward angle)

Right Stifle Joint

- 33. Caudal - Cranial direction Medial condyle of femur/ Lateral condyle of femur Intercondylar tubercle of tibia
- 34. Lateral - Medial direction Patella Lateral trochlear ridge / Medial trochlear ridge of distal femur Proximal tibia
- 35. Caudolateral - Craniomedial direction Lateral trochlear ridge of distal femur Patella
- 36. Flexed Lateral - Medial direction Medial condyle of distal femur / Patella
(in a 10-20° upward angle)

<Appendix 2>

2017 Hokkaido Sales Schedule

| Sale | Dates |
|---------------------|-----------------------|
| Selection Sale | July 17 |
| Summer Premium Sale | August 20 |
| Summer Sale | August 21 - August 24 |
| Autumn Sale | October 1 - October 3 |

<Appendix 3>

Hokkaido Sale Bridge Insurance

Details:

- Insurance to be purchased by: Hidaka Horse Breeders Association

- Party to be insured: the successful bidder of the horse

- Party to receive insurance payment: Hidaka Horse Breeders Association
(In the event of an accident resulting in an insurance payment, the Sale Holder will first receive the insurance payment and forward it to the successful bidder.)

- Insured property: All horses for which purchase transactions are completed in the Hokkaido Selection Sale, Summer Premium Sale, Summer Sale and Autumn Sale.
*However, if the insured horse enters a quarantine facility for export out of Japan, the insurance policy for said horse will become invalid as of the time such event occurs.

- Term of insurance: Starting from the time a successful bid is established for a horse and ending at midnight 10 days from the day following the close of the Sale

- Amount insured: To be equal to the purchase price but with an upper limit of 500 million yen

- Insurance policy to cover:
 - 1) Death as a result of the following reasons (including cases where a veterinarian

designated by the insurance company determines that euthanasia in an emergency situation is necessary):

- ① Accidental injury or illness;
 - ② Fire and or lightning; and
 - ③ Reportable communicable diseases
- 2) Loss of racing ability in cases where a veterinarian designated by the insurance company determines that the horse will not be fit for racing due to the following reasons:
- ① Fractures (excluding chip fractures but including intra-articular chip fractures), bone dislocations, external injuries, neural paralysis, ruptured tendons or loss of sight in one or both eyes caused by sudden and unexpected external accidents
 - ② Lameness due to laminitis, bone chips of the joint (excluding Osteo-Chondrosis Dissecans of the hock joint) or subchondral bone cysts on the joint surface
 - ③ Blindness in at least one eye due to any disease of the eye
 - ④ Wobbler symptoms accompanied by severe ataxia and to which at least one of the following conditions apply:
 - 1) Abnormal formation of the cervical vertebra is observed upon radiography or myelography
 - 2) Nerve compressing lesions are suspected

* Insurance may not be paid in the following situations:

- When the purchase transaction has been rescinded according to Article 24, 25 or 32 Paragraph 1 of these Conditions of Sale
- When the incident or accident is a result of injury or illness which occurred before the start of the insurance term
- When there is intentional misconduct or gross negligence on the part of the insured horse's caretaker
- In the event of earthquake and volcanic eruptions, as well as tsunamis resulting from such occurrences
- In the event of war, revolution, armed insurgences or riots
- In the event of water-related disasters such as flooding due to typhoons and severe storms or high tides
- When the incident or accident is due to surgery or vaccination

● Insurance Company: Sompo Japan Nipponkoa Insurance Inc.

<Appendix 4>

Laryngeal Function Grade at Rest

(Reference: Robinson NE 2004, Equine Veterinary Education, 16: 333-336)

- I. Movement of left and right arytenoid cartilages are synchronous and symmetrical at all times, and complete abduction is achieved and maintained.
 - II. Movement of the arytenoid cartilages may be asynchronous and the larynx may be asymmetrical at times, but complete abduction of the arytenoid cartilages can be achieved and maintained.
 - III. Movement of the arytenoid cartilages is asynchronous and the larynx is asymmetrical. Complete abduction of the arytenoid cartilages cannot be achieved or maintained.
 - IV. There is no movement of the arytenoid cartilages or the vocal fold.
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<Appendix 5>

1. Hidaka Horse Breeders' Association (HBA)
 2. Iburi Breeders' Association (IBA)
 3. Tokachi Breeders' Association
 4. Aomori Prefecture Breeders' Association
 5. Miyagi Prefecture Breeders' Association
 6. Chiba Ryoso Agricultural Cooperative Association
 7. Kanto Breeders and Pre-trainers Association
 8. Kyushu Breeders' Association
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<Appendix 6>

Hokkaido Sales Seller Registration Fees

| Sale | Seller Registration Fee |
|---------------------------------------|-------------------------|
| Selection Sale Summer Premium Sale | 108,000yen |
| Summer Sale | 32,400yen |
| Autumn Sale | 32,400yen |

(Includes 8% consumption tax)

* For horses offered in the Selection Sale, Summer Premium Sale or Summer Sale that

are reconsigned to the Autumn Sale, the registration fee will be 10,800yen.

* For supplementary registration during the period designated by Sale Holder, fees will be 1.5 times or 3 times the amount above depending on the time of registration.

<Appendix 7>

Reporting and Processing of Withdrawals

| |
|---|
| 1. In the event a horse registered to be sold at the Sale must be withdrawn due to unavoidable reasons such as illness or accident, Seller shall immediately submit a notice to that effect to the Sale Holder along with a supporting veterinary certificate. For the Selection Sale and the Summer Premium Sale, the veterinary certificate must be prepared by a veterinarian approved by the Sale Holder. |
| 2. On the day of the Sale, the Sale Holder shall post within the sale premises the lot number, name and Seller of withdrawn horses. |
| 3. If necessary, the Sale Holder will conduct an inspection of the horses after the Sale. |

In the event of the following:

1. A supporting veterinary certificate is not submitted by the day after the date the horse was scheduled to be offered; or.
2. The reason for the horse's withdrawal is not deemed valid;

the below will be applied to Seller for each of the sales:

| Sale | Penalty |
|---|---|
| Hokkaido Selection Sale Hokkaido Summer Premium Sale | Seller will not be allowed to enter horses in the sale for a period of 2 years from the following year. |
| Hokkaido Summer Sale | Seller will be charged a penalty fine of 300,000yen. |
| Hokkaido Autumn sale | Seller will be charged a penalty fine of 300,000yen. |