

August 27, 2001

For Immediate Release:

USS Co., Ltd
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President and Representative Director
Stock Code: 4732
Stock Exchanges: Tokyo and Nagoya

USS Issues First Series of Unsecured Convertible Bonds

USS Co., Ltd. hereby wishes to serve notice that a Board of Directors meeting held on August 27, 2001 approved a resolution to issue the first series of unsecured convertible bonds with a 130% call option (and financial covenants that entitle bondholders to equal claims to collateral).

An outline of the first series of unsecured convertible bonds is as follows.

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|---------------------------------|--|
| 1. Name of bonds | USS Co., Ltd.'s First Series of Unsecured Convertible Bonds With a 130% Call Option (and financial covenants that entitle bondholders to equal claims to collateral) |
| 2. Total issue amount | ¥20 billion |
| 3. Denomination | ¥1 million per bond |
| 4. Type of bond | Unregistered bearer bonds (unregistered if interest is set at 0.0%) |
| 5. Issue price | ¥100 with a par value of ¥100 |
| 6. Redemption price | ¥100 with par value of ¥100
If redeemed prior to maturity, the price shall be determined in accordance with 14-4) and 5) below. |
| 7. Interest rate | To be determined (Provisional rate: 0.0%)
The interest rate will be determined at the Board of Directors meeting on September 4, 2001 based on an assessment of demand. |
| 8. Redemption date | September 29, 2006 [5-year bond] |
| 9. Start of subscription period | September 5, 2001 (Wednesday) |
| 10. Application date | September 11, 2001 (Tuesday) |
| 11. Payment date | September 12, 2001 (Wednesday) |

12. Subscription method Public subscription

13. Conversion method

(1) Conversion terms

The issue price per share of the common stock with par value to be issued upon conversion of the convertible bonds is determined in accordance with the conditions and procedures set forth in Item 1) below (hereinafter the conversion price). Bonds may not be converted after the maturity date. Bonds may not be partially converted, nor are interest payments subject to conversion.

The following formula shows how the number of shares to be issued is computed:

$$\text{Number of shares} = \frac{\text{Total face value of bonds submitted for conversion}}{\text{Conversion price}}$$

USS will redeem the “face value equivalent” of fractional shares, obtained by multiplying fractions by the conversion price, with fractions of yen rounded up to the nearest yen.

1) Determination of conversion price

The issue price per share of common stock with par value to be issued upon conversion of the convertible bonds (hereinafter the conversion price) shall be an amount equivalent to (1.1 times) 10% above the closing price of USS common stock traded on the Tokyo Stock Exchange on September 4, 2001 (or the closing price on the nearest day to September 4, 2001 where there is no closing price on that day). Any fractions will be rounded up. In the event that the conversion price falls below ¥3,715, USS shall cancel the issue of the first series of convertible bonds.

2) Adjustment of conversion price

The conversion price shall be adjusted in accordance with the following formula (hereinafter the conversion formula), in the event that the number of USS shares changes or may change for the reasons outlined in Items (a) through (d). However, in the event that the conversion price is lower than the par value of USS common stock, the par value shall be deemed to be the adjusted conversion price.

$$\begin{array}{lcl} \text{Adjusted conversion price} & = & \text{Conversion price before adjustment} \times \frac{\text{Outstanding common shares} + \frac{\text{Newly issued shares} \times \text{Price paid per share}}{\text{Market value}}}{\text{Outstanding common shares} + \text{Newly issued shares}} \end{array}$$

- (a) The price paid per share for common shares issued upon conversion is lower than the market value used in the conversion formula.
- (b) Common shares with par value are issued due to a stock split.
- (c) Securities are issued that can be converted into common shares with par value at a price lower than the market value used in the conversion formula.
- (d) Securities with warrants that confer rights to subscribe for common stock with par value at a price lower than the market value used in the conversion formula.

3) Amount of conversion price excluded from capital

This figure refers to the conversion price determined in accordance with Item 2) above—or the adjusted conversion price, if an adjustment has occurred—after deduction of the portion included in capital. This portion is calculated by multiplying the conversion price by 0.5, with fractions rounded up. However, should this amount be less than the par value of common stock, the amount that is included in capital shall be the par value of common stock.

(2) Type of shares issued upon conversion

US\$ common stock with par value of ¥50

However, US\$ may resolve to issue common stock without par value upon conversion.

(3) Conversion Period

November 1, 2001 (Thursday) to September 28, 2006 (Thursday)

(If redeemed prior to maturity, one business day before the applicable redemption date)

(4) Place to Request Conversion

Transfer Agent

Transfer Agency Division, Nagoya Branch

The Chuo Mitsui Trust and Banking Company, Limited

(5) Conversion agencies

The Sanwa Bank, Limited, Nikko Salomon Smith Barney, Limited and others

(6) Effect of Conversion

The conversion will take effect upon the arrival of an application requesting conversion at the address of the transfer agent.

(7) Dividends for shares issued upon conversion

Dividends will be paid for shares issued upon conversion starting on April 1 for conversion dates between April 1 and September 30, or on October 1 for conversion dates between October 1 and March 31 the following year.

(8) Delivery of stock certificates

The Nagoya Branch of The Chuo Mitsui Trust and Banking Company will promptly deliver stock certificates after completion of conversion procedures. However, stock certificates will not be issued for denominations below the trading unit.

14. Redemption methods and restrictions

1) The principal of said bonds shall be redeemed in full on September 29, 2006. However, USS may repurchase and cancel said bonds as prescribed in Item 3) below and redeem bonds prior to the maturity date as prescribed in Items 4) and 5) below.

2) If the redemption date falls on a public holiday, payment will be brought forward to the prior business day.

3) USS may repurchase and cancel said bonds at any time after the date on which the bonds are issued.

4) In the event that the annual general meeting of shareholders resolves to become a wholly owned subsidiary of another company through either an exchange or transfer of shares, USS may redeem the remaining bonds prior to maturity before the said events take effect. The schedule and price of redemption before maturity are listed below. Prices are stated relative to ¥100 of par value.

(a) September 13, 2001 to September 30, 2002	¥104
(b) October 1, 2002 to September 30, 2003	¥103
(c) October 1, 2003 to September 30, 2004	¥102
(d) October 1, 2004 to September 30, 2005	¥101
(e) October 1, 2005 to September 28, 2006	¥100

5) 130% Call Option

USS reserves the right to redeem all outstanding bonds before maturity at any time on or after October 1, 2002 in the event that the closing price (excluding nominal quotations) of USS common stock traded on the Tokyo

Stock Exchange exceed the conversion price by 30% for 20 consecutive trading days. The redemption price shall be ¥100 for every stock with par value of ¥100.

6) In the event that USS resolves to redeem said bonds as prescribed by Item 4), USS shall give notice of redemption within 30-60 days prior to the redemption date.

7) In the event that USS resolves to redeem said bonds as prescribed by Item 5), USS shall give notice of redemption no later than 15 days after the 20-day trading period stipulated in Item 5), and within 30-60 days prior to the redemption date.

8) In the event of redemption before maturity due to Items 4) or 5), USS may not cancel or alter proceedings after giving notice prescribed by Items 6) and 7).

15. Interest payment method and restrictions

1) Interest shall apply to the period from the day after the issue of bonds to the redemption date. The first interest payment will be made on September 30, 2001 and will cover the interest applicable from the date of issue to that date. Thereafter, interest will be paid twice a year on March 31 and September 30. However, interest for periods less than six months or a full year will be pro-rated on a daily basis.

2) When interest payment dates fall on banking holidays, interest payments will be made on the business day prior to the holiday.

3) Interest will not be paid after the maturity date.

4) For bonds for which a request for conversion has been placed, interest will not be paid after the interest payment date immediately preceding the conversion date.

16. Place of payment of principal and interest

The Sanwa Bank, Limited, Nikko Salomon Smith Barney, Limited and at others locations

17. Collateral and guarantees

No physical assets of USS have been pledged as collateral for the bonds nor have any guarantees been given against the bonds.

18. Financial covenants

(1) Restrictions on collateral provision

1) In the event that USS confers upon bondholders of subsequent convertible bond issues in Japan rights to collateral, bondholders of unredeemed first-series convertible bonds must be granted equal claims to collateral, as prescribed by the Secured Debenture Trust Law.

2) Excluding cases where a bond management company has determined that rights to collateral conferred upon bondholders as per Item 1) provide sufficient collateral against said bonds, USS will confer rights to collateral as deemed appropriate by the bond management company, as prescribed by the Secured Debenture Trust Law.

(2) Acceleration clause

In the event that USS records recurring losses for three consecutive fiscal years, as shown on audited income statements prepared in conformity with accepted accounting practices and principles, the interest and principal in respect of unredeemed bonds shall become immediately payable four months have elapsed from the last day of the final fiscal year (hereinafter the final fiscal year).

However, in the event that the recurring loss in the final fiscal year is less than the recurring loss in the immediately preceding fiscal year and the accumulated recurring losses over the 3-year period are 30% or less than the capital shown in the audited balance sheet prepared in conformity with accepted accounting practices and principles on the last day of the fiscal year immediately preceding the first year of consolidated recurring losses, this restriction will not apply. In this case, however, if USS posts a recurring loss in the fiscal year following the final fiscal year, the interest and principal in respect of unredeemed bonds shall become immediately payable after four months have elapsed from the last day of that fiscal year.

(3) Collateral revision

1) USS may confer the right to collateral, as agreed with the bond management company, upon bondholders at any time as prescribed by the Secured Debenture Trust Law, following deliberation with the bond management company.

2) In the event that USS confers the right to collateral upon bondholders as specified in Items (1) or 1) above, USS will promptly complete registration and other mandatory procedures and give notice of the details as stipulated by Article 77 of the Secured Debenture Trust Law.

19. Bond management companies

The Sanwa Bank, Limited (Lead manager), Sumitomo Mitsui Banking Corporation

20. Underwriters

Nikko Salomon Smith Barney, Limited (Lead underwriter), Nomura Securities Co., Ltd., Daiwa Securities SMBC Co., Ltd., and an underwriting group led by Tokai Tokyo Securities Co., Ltd.

21. Applications

Head offices of underwriting companies and their domestic branch offices

22. Registrar

The Sanwa Bank, Limited

23. Rating

BBB (Japan Rating and Investment Information, Inc.)

24. The Board of Directors of USS will decide on other matters pertaining to said bonds. Resolutions will be approved by USS' president and representative director.

25. All of the items above are subject to the Securities and Exchange Law of Japan.

Reference Materials

1. Use of Funds

(1) Use of funds raised

USS expects to raise a total of ¥19.56 billion through the first issue of unsecured convertible bonds. USS plans to use most of these funds for capital expenditures. USS' plans for new facilities as of July 31, 2001 are outlined below.

Name	Location	Facilities	Estimated capital expenditures		Construction schedule		Change in capacity after completion
			Total (¥ thousand)	Amount already paid (¥ thousand)	Start	Completion	
USS Co., Ltd. Tokyo Auction Site	Noda-shi, Chiba	Site and buildings for new Tokyo Auction Site	10,000,000	3,486,907	December 2000	November 2002	150
USS Co., Ltd. Nagoya Auction Site	Tokai-shi, Aichi Prefecture	Site for parking facility	950,000	-	March 2002	March 2002	-
USS Co., Ltd. Kanagawa Auction Site (Provisional)	Undetermined	New auction site grounds and building	13,000,000	-	Undetermined	Undetermined	Undetermined

Notes

1. USS plans to finance capital expenditures totaling ¥20,463,093,000 through the issuance of said convertible bonds, which USS estimates will raise ¥19,560,000,000. The remainder will be financed by USS' internal funds.
2. USS intends to purchase an existing parking facility at its Nagoya Auction Site that it is currently leasing. This purchase will have no effect on parking capacity.
3. The construction schedule and certain other details for the Kanagawa Auction Site (provisional name) are undetermined.
4. Consumption tax is not included in the figures above.

(2) The use of funds procured previously
Not applicable

(3) Impact on business results

The acquisition of land and the construction of auction buildings for the Tokyo Auction Site will enable USS to conduct still more efficient auction management. At the same time, USS projects higher auction fees as a result of the increase in capacity. Establishing a foothold in Kanagawa Prefecture, a large used-car market, by building the Kanagawa Auction Site (provisional name) also presents a significant opportunity for increasing earnings.

2. Earnings Distribution to Shareholders

(1) Earnings distribution policy

At USS, maintaining stable dividend payments over the long term is a top management priority. At the same time, USS aims to build up funds that it will use to bolster its operating structure, thereby ensuring sustainable growth. USS' basic policy is to make dividend payments that reflect its operating results.

(2) Approach to setting dividends

In accordance with its basic policy, USS will work to build an even more stable operating base and improve the rate of return on equity, while working to ensure stable dividend payments over the long term.

(3) Use of retained earnings

USS will use retained earnings to establish a stronger operating base such as by making investments targeted at adapting to the breathtaking changes occurring in Japan's used-car distribution industry. Expanding business overseas is another way in which USS aims to enhance its competitiveness.

(4) Other

USS has revised its forecast for both interim and year-end dividends for the year ending March 2002 upward from ¥10 to ¥15 to per share.

(5) Three-year summary of dividends

Years ended March 31,			
	1999	2000	2001
Net income per share	¥342.01	¥185.50	¥139.56
Dividends per share (Full year)	¥5.00	¥5.00	¥20.00
Payout ratio	1.5%	2.8%	14.3%

ROE	25.5%	16.2%	12.5%
Ratio of dividends to shareholders' equity	0.4%	0.4%	1.8%

Notes:

1. Net income per share is net income divided by the average number of outstanding shares during the term.
2. ROE is net income divided by shareholders' equity (the average of the opening and closing balance).
3. The ratio of dividends to shareholders' equity is full-year cash dividends divided by shareholders' equity (the average of the opening and closing balance).

(6) Consistency with previous earning distribution rules
Not applicable

3. Other

(1) Private placement
Not applicable

(2) Dilution of shares
The first series of unsecured convertible bonds will bring diluted shares as a percentage of the number of outstanding common shares as of July 31, 2001 to 17.1%.

Note:

1. The diluted share ratio represents the number of shares that would be issued if all stock options were exercised, all bonds with warrants were exercised and all first-series convertible bonds were converted, divided by the most recent number of outstanding common shares.
2. The estimated conversion price for the first-series bonds is ¥5,060, an amount equivalent to 10% above the closing price of ¥4,600 of USS stock traded on the TSE on August 22, 2001.

(3) Equity finance record

1) Capital increases through public offerings of USS shares over the past three years

Capital increases through public offerings

Shares issued 1,100,000

Issuing price ¥12,500 per share
 Amount included in capital ¥4,463 per share
 Paid-in capital ¥12,925,000,000
 Issue date September 10, 1999

2) Three-year summary of stock price range

Years ended March 31, 1999, 2000, and 2001

Year ending March 2002

(¥)

	1999	2000	2001	2002
Opening price	-	31,300	4,550	2,850
High	-	42,300 #14,800	2,255	2,750
Low	-	27,000 #3,500	2,255	2,750
Closing price	-	4,550	2,835	4,600

Notes:

1. Stock prices since December 18, 2000 represent those on the First Section of the Tokyo Stock Exchange. Stock prices prior to this date represent prices on the Second Section of the Nagoya Stock Exchange. USS was listed on the Second Section of the Nagoya Stock Exchange on September 10, 1999. Consequently, there is no stock price data for the year ended March 1999.
2. The marked figures represent the post-rights prices of USS shares after stock splits.
3. Stock prices for the year ending March 31, 2002 were those on August 22, 2001.

3) Three-year summary of price earnings ratio (PER) and ROE

	1999	2000	2001
PER	-	13.3 times	23.6 times
ROE	25.5%	16.2%	12.5%

Notes:

1. PER is the closing price of USS stock at fiscal year-end divided by EPS for the previous fiscal year.
2. ROE is net income divided by shareholders' equity (the average of the opening and closing balance).

4) Other
Not applicable

Caution:

This document is intended as a press release for the general public concerning the issuance of convertible bonds by USS Co., Ltd. It was not created with the intent of soliciting investment. We ask that prospective investors carefully consider the matters set forth in the prospectus for said bonds (and amendments) prior to making investment decisions.