



Consolidated Results of Operations

Fiscal Year Ended March 31, 2018

USS Co., Ltd.
May 2018

- USS acquired 66.0% of the voting rights of Japan Automobile Auction Inc. (JAA) on August 24, 2017. As a result, auction sites operated by JAA and the HAA Kobe Auction Site HAA Kobe (JAA's wholly owned subsidiary) became USS Group auction sites. On March 1, 2018 the USS acquired additional stock of JAA and made this company a wholly owned subsidiary.

- This document has been translated from the original Japanese as a guide for non-Japanese investors.
- Forward-looking statements in this material are based on information available to management at the time this material was prepared and assumptions that management believes are reasonable. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these statements for a number of reasons.
- The information provided in this material may include unaudited figures.
- The amounts less than the units shown are discarded.
- Percentages are rounded to the hundredths place.

Reference materials

Japan Automobile Dealers Association, Japan Light Motor Vehicle and Motorcycle Association, USED CAR Co., Ltd., Trade Statistics of Japan Ministry of Finance

Results of Operations

Fiscal Year Ended March 2018

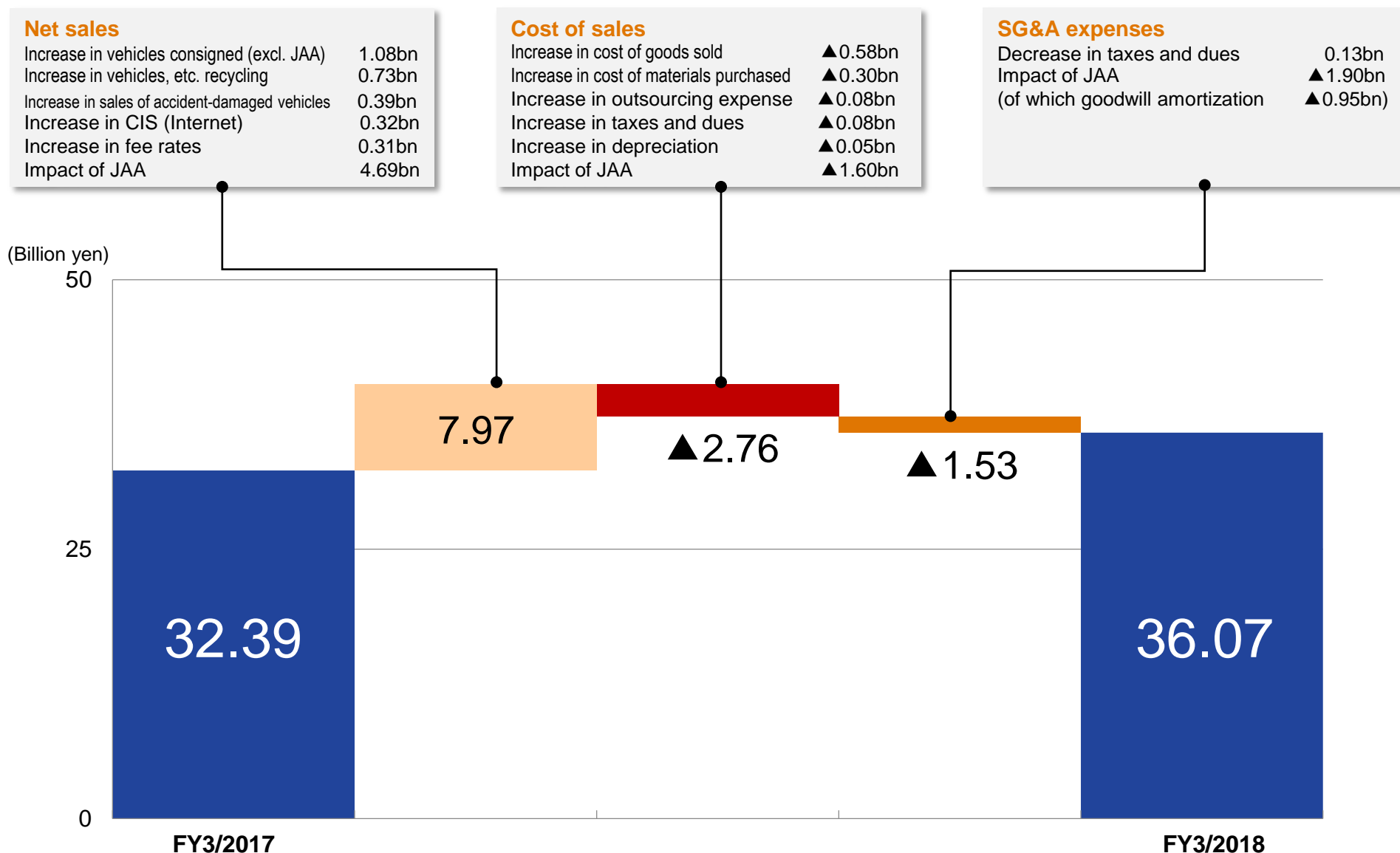
FY3/2018 – Summary of Consolidated Results of Operations

- Results of operations: Sales increased 11.9% YoY to ¥75.15 billion, Operating profit was up 11.3% to ¥36.07 billion, and Profit attributable to owners of parent increased 6.0% to ¥24.28 billion.
- Sales and earnings increased because of growth in vehicles consigned and contracts completed.
- The results of JAA, and of HAA Kobe Inc. and AUCTION TRANSPORT Inc. are included in the consolidated income statement from the third quarter.

(Million yen)

	FY3/2017	FY3/2018	Year on year	Plan (As of Nov. 6, 2017)	VS. plan
Net sales	67,179	75,153	111.9%	74,700	100.6%
Cost of sales (Per sales)	26,413 (39.3%)	29,174 (38.8%)	110.5%	28,957 (38.8%)	100.8%
Gross profit (Per sales)	40,765 (60.7%)	45,979 (61.2%)	112.8%	45,742 (61.2%)	100.5%
Selling, general and administrative expenses (Per sales)	8,368 (12.5%)	9,907 (13.2%)	118.4%	9,942 (13.3%)	99.6%
Operating profit (Per sales)	32,396 (48.2%)	36,071 (48.0%)	111.3%	35,800 (47.9%)	100.8%
Ordinary profit (Per sales)	32,999 (49.1%)	36,676 (48.8%)	111.1%	36,400 (48.7%)	100.8%
Profit attributable to owners of parent (Per sales)	22,909 (34.1%)	24,285 (32.3%)	106.0%	24,000 (32.1%)	101.2%

FY3/2018 – Reasons for Change in Operating Profit (Actual)



* "Impact of JAA" includes JAA Inc., HAA Kobe Inc. and AUCTION TRANSPORT Inc.

Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	FY3/2016	FY3/2017	FY3/2018	Year on year
Auto auction	52,594	52,811	59,521	112.7%
Used vehicle purchasing and selling	10,097	9,373	9,827	104.8%
Other	5,915	4,995	5,805	116.2%
Total	68,607	67,179	75,153	111.9%
Operating profit (operating margin)	FY3/2016	FY3/2017	FY3/2018	Year on year
Auto auction	33,560 (63.1%)	31,869 (59.8%)	35,131 (58.5%)	110.2%
Used vehicle purchasing and selling	485 (4.8%)	202 (2.2%)	171 (1.7%)	85.0%
Other	237 (4.0%)	111 (2.2%)	665 (11.4%)	596.1%
Elimination of inter-segment transactions	208	213	103	48.3%
Total	34,491 (50.3%)	32,396 (48.2%)	36,071 (48.0%)	111.3%

*Net sales are sales to external customers and operating profit is based on business segment earnings.
Operating margins (shown % in parenthesis) are calculated by Segment profit divided by Segment sales.

- Cash used in investment activities totaled 34.4 billion yen due mainly to acquisition of JAA shares and a decline in term deposits.
- Due to the JAA acquisition, some cash and deposits became business assets with a high return
- Equity ratio: 76.8%

Consolidated Balance Sheet (Summary)

	FY3/17	FY3/18
Current assets	91,462	63,442
Cash and deposits	74,778	39,622
Receivables due from member dealers at auction, etc.	16,683	23,819
Non-current assets	105,911	158,937
Property, plant and equipment	96,868	106,508
Other	9,043	52,428
Total assets	197,374	222,380

(Million yen)

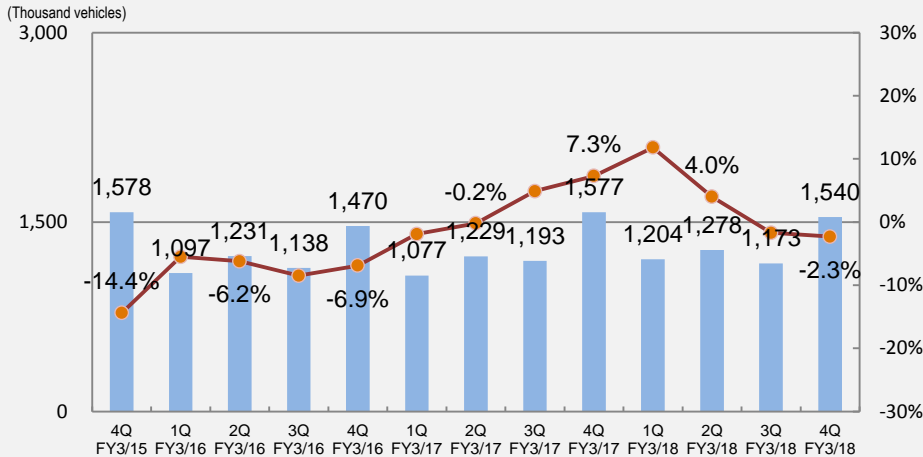
	FY3/17	FY3/18
Current liabilities	28,801	37,373
Payables due to member dealers at auction	15,051	22,339
Other	13,749	15,033
Non-current liabilities	9,375	12,816
Total liabilities	38,176	50,190
Total net assets	159,197	172,190
Total liabilities and net assets	197,374	222,380

Consolidated Statement of Cash Flows (Summary)

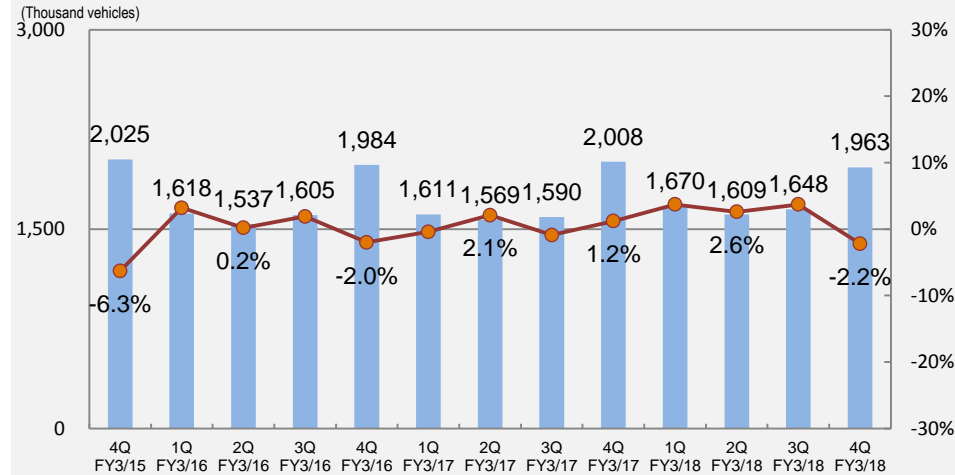
(Million yen)

	FY3/16	FY3/17	FY3/18	Changes
Net cash provided by (used in) operating activities	26,030	28,882	32,505	3,622
Net cash provided by (used in) investing activities	▲5,694	▲4,823	▲34,498	▲29,674
Free cash flow	20,335	24,058	▲1,993	▲26,051
Net cash provided by (used in) financing activities	▲12,427	▲13,550	▲12,162	1,388
Capital expenditures (Terms of cash flows)	8,731	5,878	4,447	▲1,430
Depreciation	3,325	4,596	4,983	386

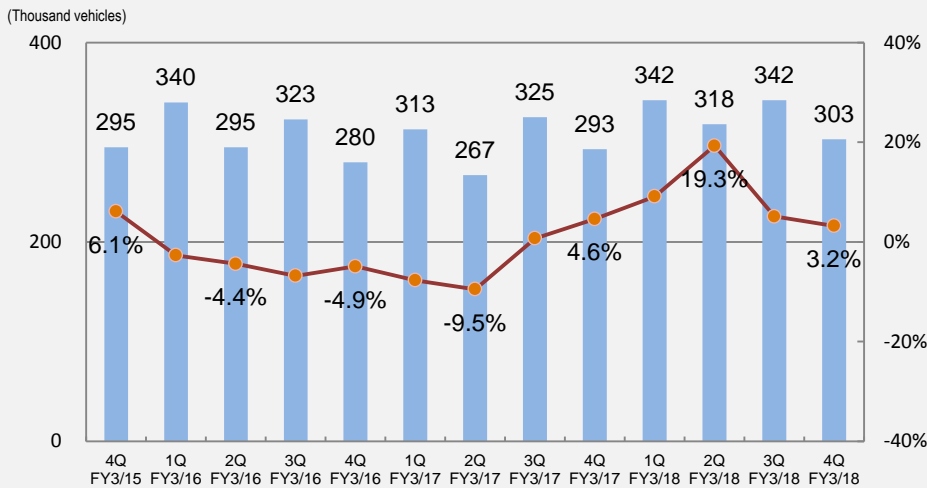
New Car Registrations and YoY Changes



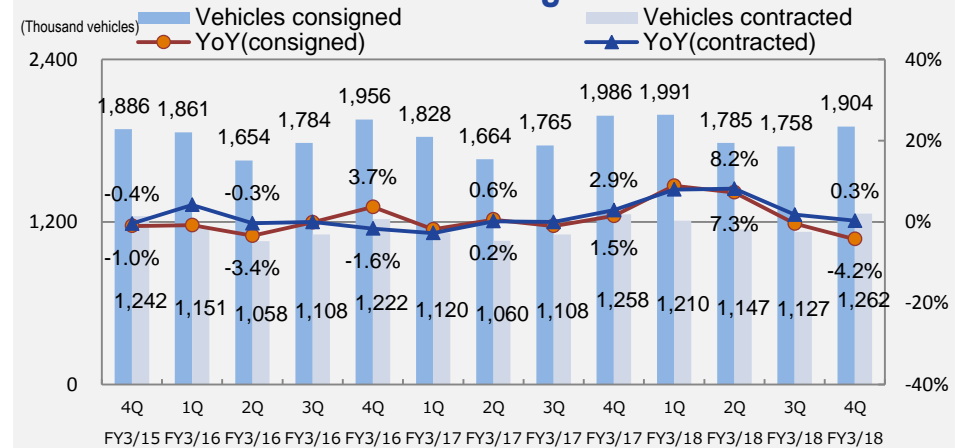
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned and Contracted and YoY Changes



Auto Auction Segment (1)

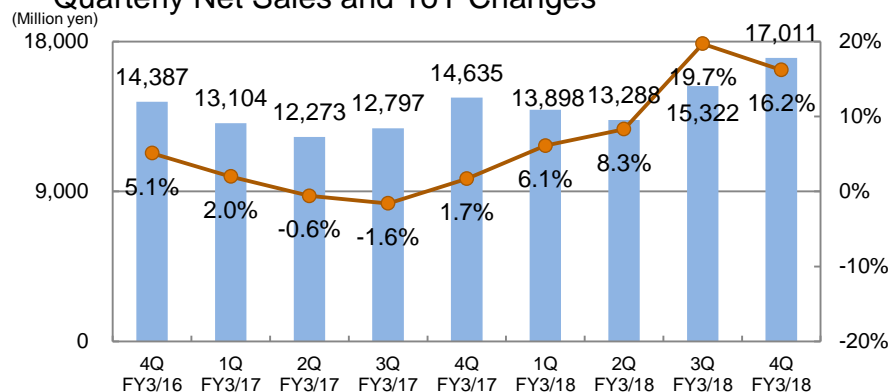
- Vehicles consigned increased 14.7% YoY to 2.700 million; contract completions increased 13.3% YoY to 1.709 million (contract completion rate: 63.3% against 64.1% one year earlier) (2.413 million vehicles consigned (an increase of 2.6% YoY) at USS's 17 existing auction sites (excluding JAA auction site and HAA auction site), and 1.556 million contract completions (an increase of 3.1% YoY))
- The business results of JAA Co., Ltd., which has been made a subsidiary, are included in the consolidated income statement from the third quarter.

Auto Auction Segment Performance

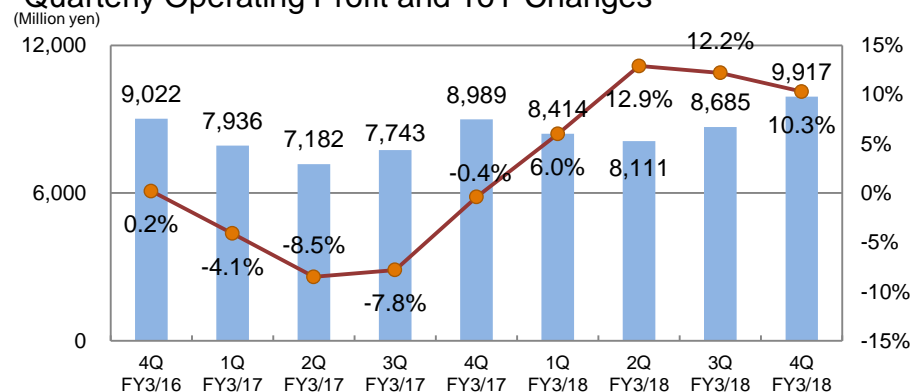
(Million yen)

	FY3/2016	FY3/2017	FY3/2018	Year on year
Net sales	52,594	52,811	59,521	112.7%
Consignment fees	12,780	12,432	14,153	113.8%
Contract completion fees	12,335	12,073	13,858	114.8%
Successful bid fees	18,168	17,986	20,192	112.3%
Other	9,310	10,319	11,317	109.7%
Operating profit	33,560	31,869	35,131	110.2%
Operating margin	63.1%	59.8%	58.5%	-

Quarterly Net Sales and YoY Changes



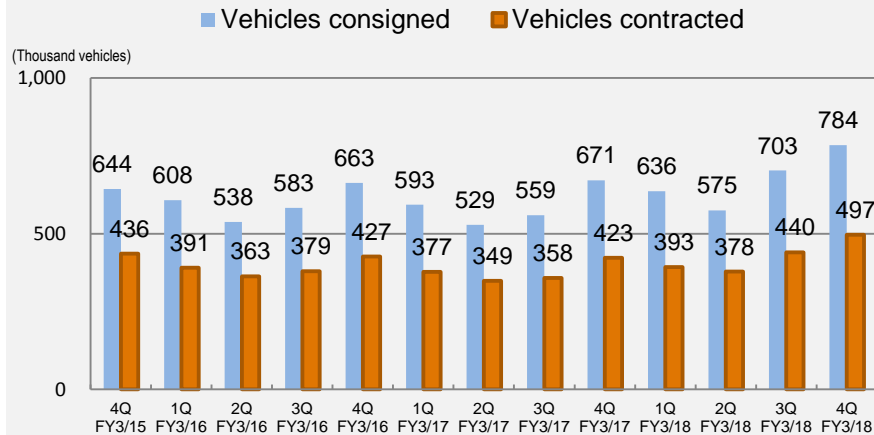
Quarterly Operating Profit and YoY Changes



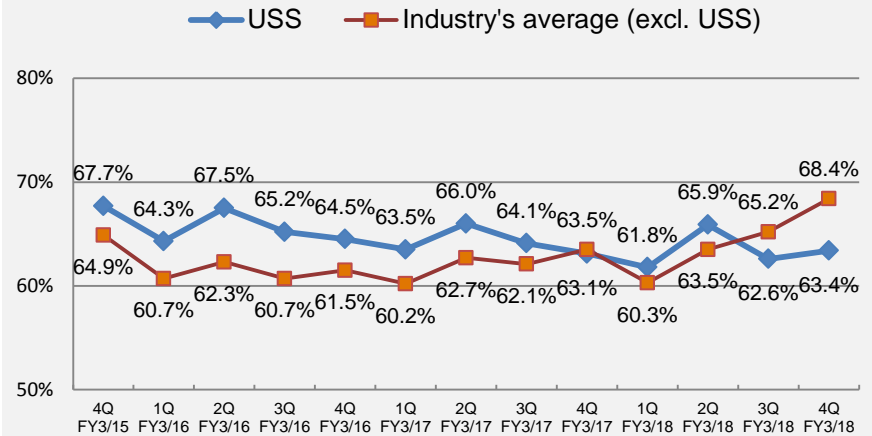
*Operating profit for the 3Q FY3/18 is retroactively adjusted after the completion of the distribution of acquisition cost following the conversion of JAA into a subsidiary.

*Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by Segment profit divided by Segment sales.

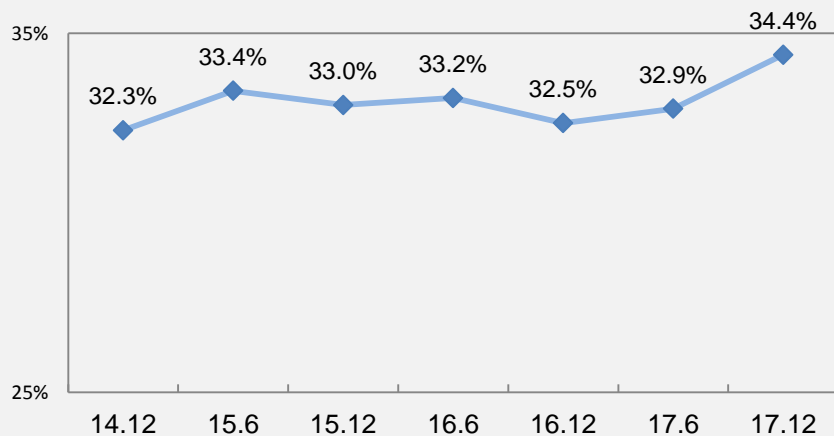
No. of Vehicles Consigned and Vehicles Contracted



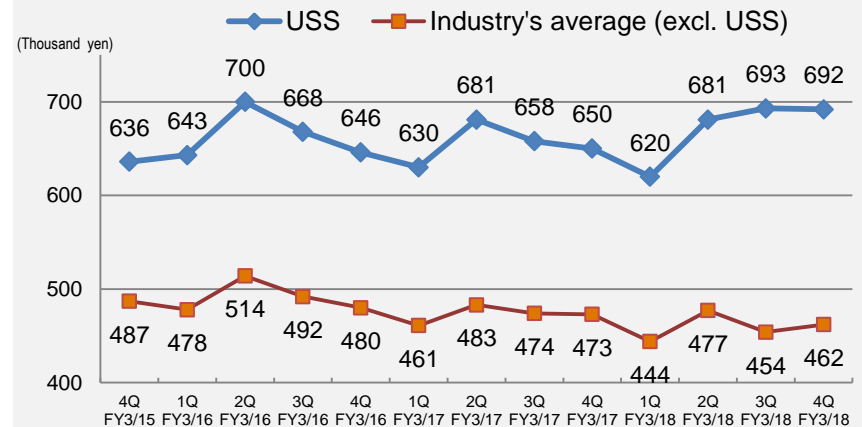
Contract Completion Rate



Market Share



Average Price of Vehicle Contracted

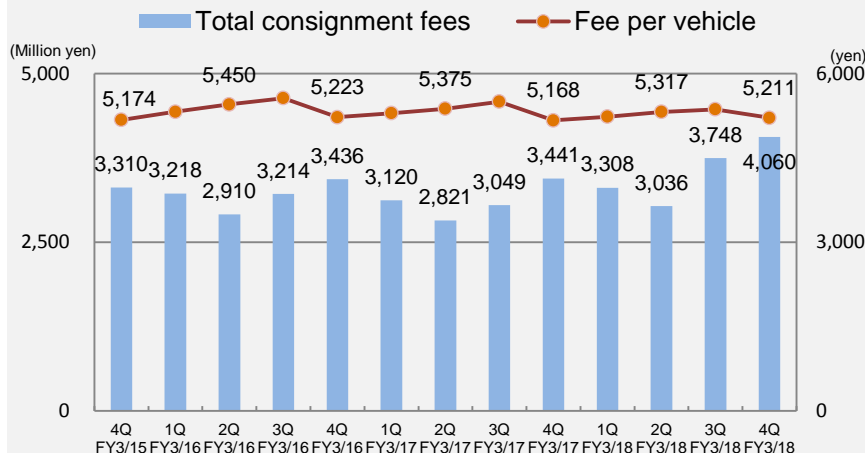


* Period ending in December: 12-month data; Period ending in June: 6-month data.

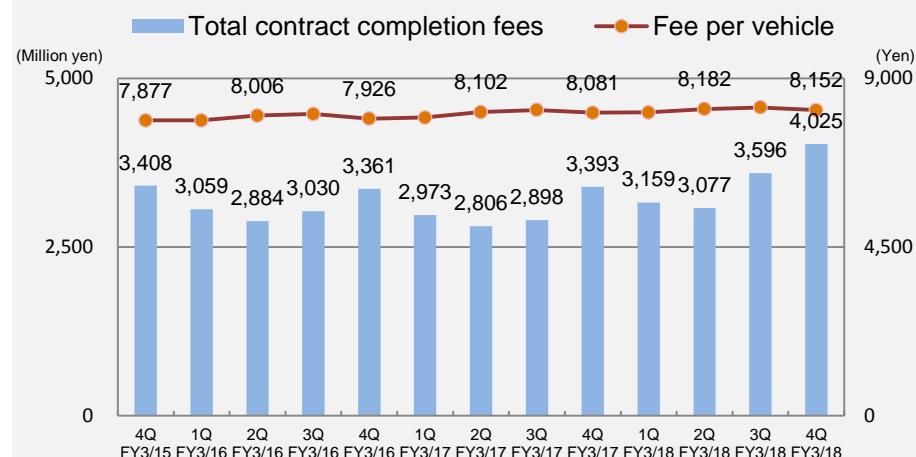
* The results of JAA, and of HAA are included from October 2017.

* The figures in this slide do not include JBA data.

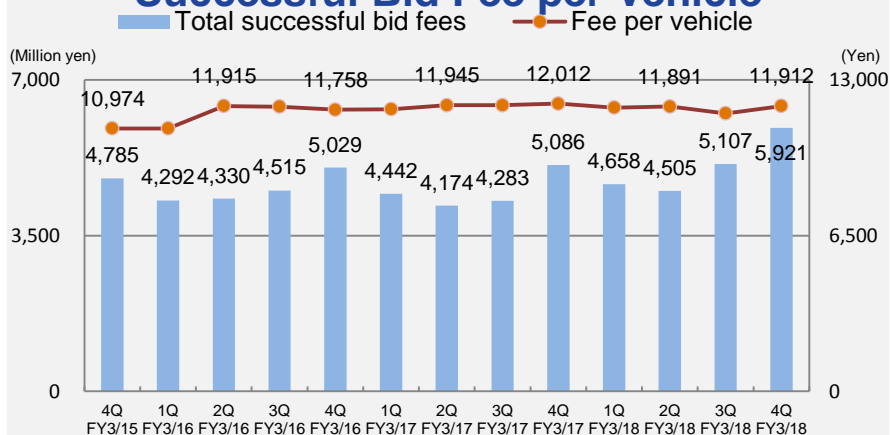
Total Consignment Fees and Consignment Fee per Vehicle



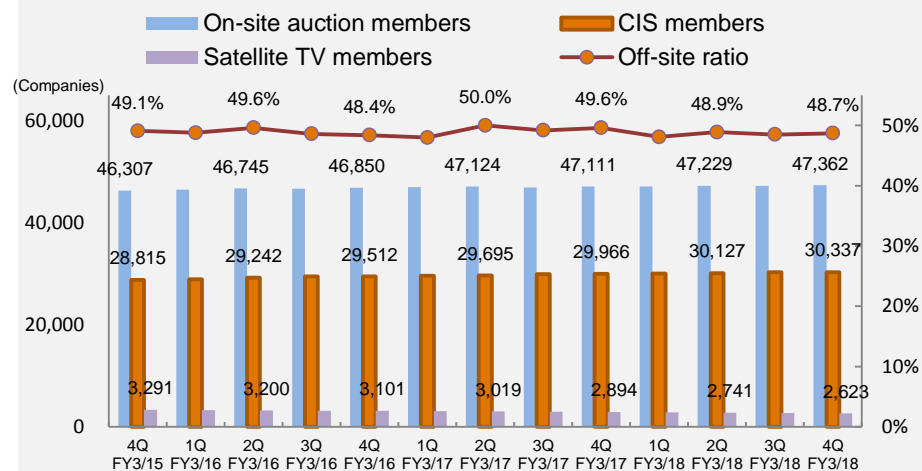
Total Contract Completion Fees and Contract Completion Fee per Vehicle



Total Successful Bid Fees and Successful Bid Fee per Vehicle



No. of Members and Off-site Ratio



- * Fee per vehicle is calculated before eliminations for consolidation.
- * The results of JAA, and of HAA are included from October 2017 onward.
- * The figures in this slide do not include JBA data.

- * JAA and HAA members are not included in the membership number

Auto Auction Segment (4)

From April 1, 2017 to March 31, 2018

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	FY3/17	FY3/18	FY3/17	FY3/18	YoY change	FY3/17	FY3/18	YoY change	FY3/17	FY3/18
Tokyo	48	49	639,025	633,408	99.1%	438,675	439,960	100.3%	68.6%	69.5%
Nagoya	50	49	501,512	500,172	99.7%	285,025	280,275	98.3%	56.8%	56.0%
Kyushu	49	49	165,907	183,811	110.8%	103,537	114,034	110.1%	62.4%	62.0%
Yokohama	49	49	186,808	181,838	97.3%	126,249	121,416	96.2%	67.6%	66.8%
Sapporo	49	49	133,454	139,886	104.8%	81,882	91,779	112.1%	61.4%	65.6%
R-Nagoya	49	49	127,938	137,263	107.3%	106,639	114,571	107.4%	83.4%	83.5%
Osaka	50	49	119,426	130,519	109.3%	70,753	77,435	109.4%	59.2%	59.3%
Shizuoka	49	49	74,212	84,321	113.6%	46,804	55,469	118.5%	63.1%	65.8%
Kobe	50	49	61,733	73,410	118.9%	36,184	41,855	115.7%	58.6%	57.0%
Okayama	49	49	67,622	73,024	108.0%	45,334	49,872	110.0%	67.0%	68.3%
Gunma	49	49	59,668	63,216	105.9%	39,005	42,290	108.4%	65.4%	66.9%
Tohoku	49	49	66,398	62,753	94.5%	48,840	45,763	93.7%	73.6%	72.9%
Saitama	50	49	55,090	53,960	97.9%	31,572	31,360	99.3%	57.3%	58.1%
Niigata	49	49	43,594	42,454	97.4%	19,970	19,123	95.8%	45.8%	45.0%
Fukuoka	49	49	37,522	39,361	104.9%	19,782	21,971	111.1%	52.7%	55.8%
Hokuriku	50	49	13,627	14,220	104.4%	8,592	8,853	103.0%	63.1%	62.3%
JAA	-	25	-	68,925	-	-	41,145	-	-	59.7%
HAA	-	25	-	217,469	-	-	112,827	-	-	51.9%
Total	788	834	2,353,536	2,700,010	114.7%	1,508,843	1,709,998	113.3%	64.1%	63.3%

* The figures in this slide include JAA and HAA from October 2017 onward.

* The figures in this slide do not include JBA data.

Auto Auction Segment (5)

(Vehicles, %)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	First Half	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Second Half	Fiscal Year
No. of Vehicles Consigned	FY3/16	240,027	180,560	188,060	198,744	143,557	196,546	1,147,494	221,602	188,116	173,302	179,967	208,405	275,123	1,246,515	2,394,009
	YoY Change	6.7	▲0.4	5.7	2.6	▲8.6	2.8	1.9	0.3	▲3.6	3.7	1.6	1.1	5.5	1.6	1.7
	FY3/17	233,303	165,327	195,240	186,899	141,275	201,229	1,123,273	186,409	197,643	174,983	172,609	209,027	289,592	1,230,263	2,353,536
	YoY Change	▲2.8	▲8.4	3.8	▲6.0	▲1.6	2.4	▲2.1	▲15.9	5.1	1.0	▲4.1	0.3	5.3	▲1.3	▲1.7
	FY3/18	234,454	183,593	218,888	195,997	169,623	209,872	1,212,427	238,322	250,552	214,426	201,672	244,650	337,961	1,487,583	2,700,010
	YoY Change	0.5	11.0	12.1	4.9	20.1	4.3	7.9	27.8	26.8	22.5	16.8	17.0	16.7	20.9	14.7
No. of Vehicles Contracted	FY3/16	146,183	116,850	128,131	134,479	99,117	129,929	754,689	146,362	122,078	111,421	118,004	135,810	174,035	807,710	1,562,399
	YoY Change	8.5	1.1	11.1	6.9	▲4.8	▲0.8	3.9	0.1	▲4.5	2.5	▲3.0	▲4.7	1.2	▲1.4	1.1
	FY3/17	140,412	109,067	127,811	122,962	93,386	133,187	726,825	121,245	126,888	110,392	109,986	135,605	177,902	782,018	1,508,843
	YoY Change	▲3.9	▲6.7	▲0.2	▲8.6	▲5.8	2.5	▲3.7	▲17.2	3.9	▲0.9	▲6.8	▲0.2	2.2	▲3.2	▲3.4
	FY3/18	138,362	116,398	138,964	127,444	112,434	139,118	772,720	152,222	157,094	130,815	129,500	157,319	210,328	937,278	1,709,998
	YoY Change	▲1.5	6.7	8.7	3.6	20.4	4.5	6.3	25.5	23.8	18.5	17.7	16.0	18.2	19.9	13.3
Contract Completion Rate	FY3/16	60.9	64.7	68.1	67.7	69.0	66.1	65.8	66.0	64.9	64.3	65.6	65.2	63.3	64.8	65.3
	FY3/17	60.2	66.0	65.5	65.8	66.1	66.2	64.7	65.0	64.2	63.1	63.7	64.9	61.4	63.6	64.1
	FY3/18	59.0	63.4	63.5	65.0	66.3	66.3	63.7	63.9	62.7	61.0	64.2	64.3	62.2	63.0	63.3

* The figures in this slide include JAA and HAA from October 2017 onward.

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Used Vehicle Purchasing and Selling Segment

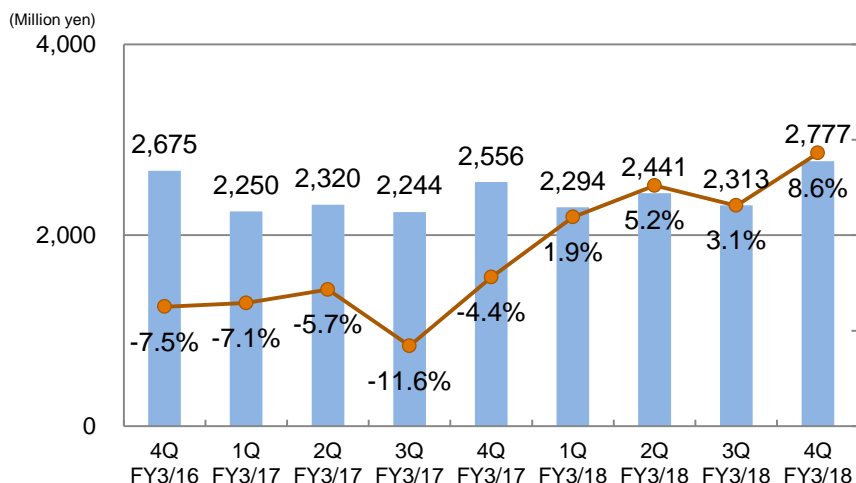
- Used vehicle purchases subsidiary Rabbit posted higher sales but lower profit. Although the number of high-priced vehicles handled increased gross profit per vehicle was lower. (Net sales increased 1.1% YoY to ¥5,866 million, Operating profit declined 9.4% to ¥113 million)
- The accident-damaged vehicle purchasing business, although the number of expensive vehicles handled increased, recorded an increase in revenue but a decline in earnings due to a decrease in the number of vehicles sold. (Net sales increased 11.0% YoY to ¥3,960 million, Operating profit decreased 24.1% to ¥58 million)

Used Vehicle Purchasing and Selling Segment Performance

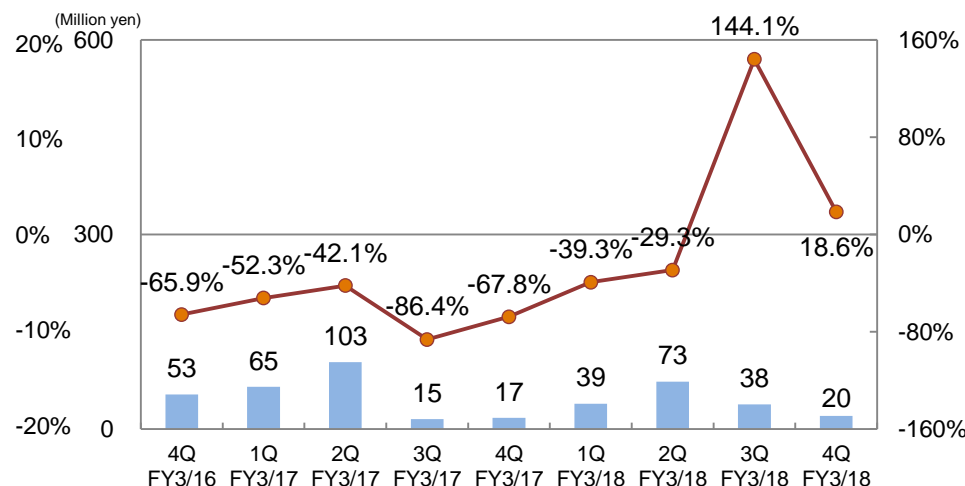
(Million yen)

	FY3/2016	FY3/2017	FY3/2018	Year on year
Net sales	10,097	9,373	9,827	104.8%
Operating profit	485	202	171	85.0%
Operating margin	4.8%	2.2%	1.7%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Profit and YoY Changes



* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by Segment profit divided by Segment sales.

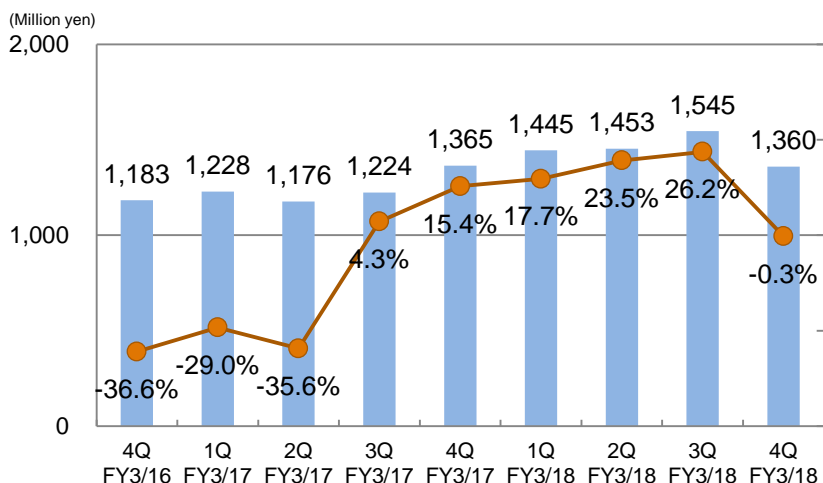
- In the recycling business, sales and earnings increased because of high prices for metallic scrap. (Net sales increased 16.2% YoY to ¥5,238 million, Operating profit increased 425.9% to ¥604 million)
- In the used vehicle export clearing service business, both sales and earnings increased due to growth in the volume of orders received. (Net sales increased 19.7% YoY ¥476 million, operating profit ¥40 million (operating loss of ¥11 million in FY3/17))

Other Segment Performance

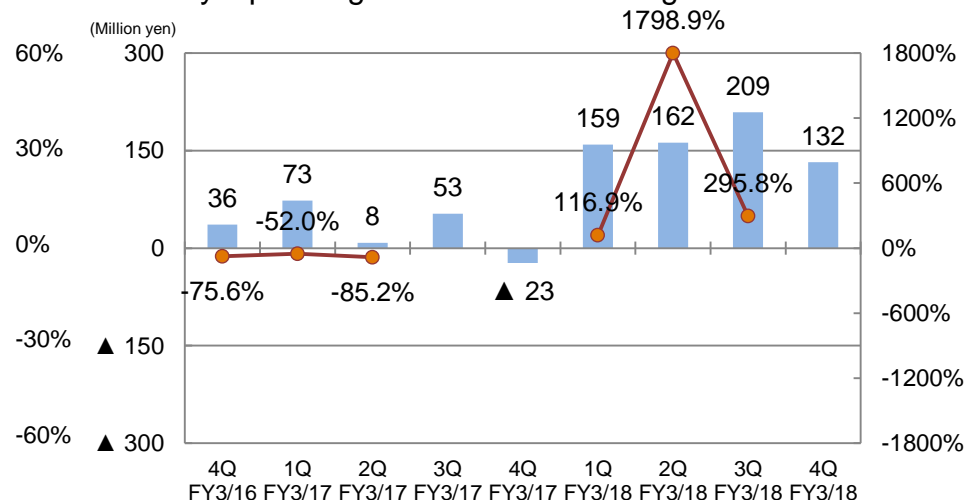
(Million yen)

	FY3/2016	FY3/2017	FY3/2018	Year on year
Net sales	5,915	4,995	5,805	116.2%
Operating profit	237	111	665	596.1%
Operating margin	4.0%	2.2%	11.4%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Profit and YoY Changes



* Net sales are sales to external customers and operating profit is based on business segment earnings.
Operating margins are calculated by Segment profit divided by Segment sales.

Consolidated Forecast for FY3/2019

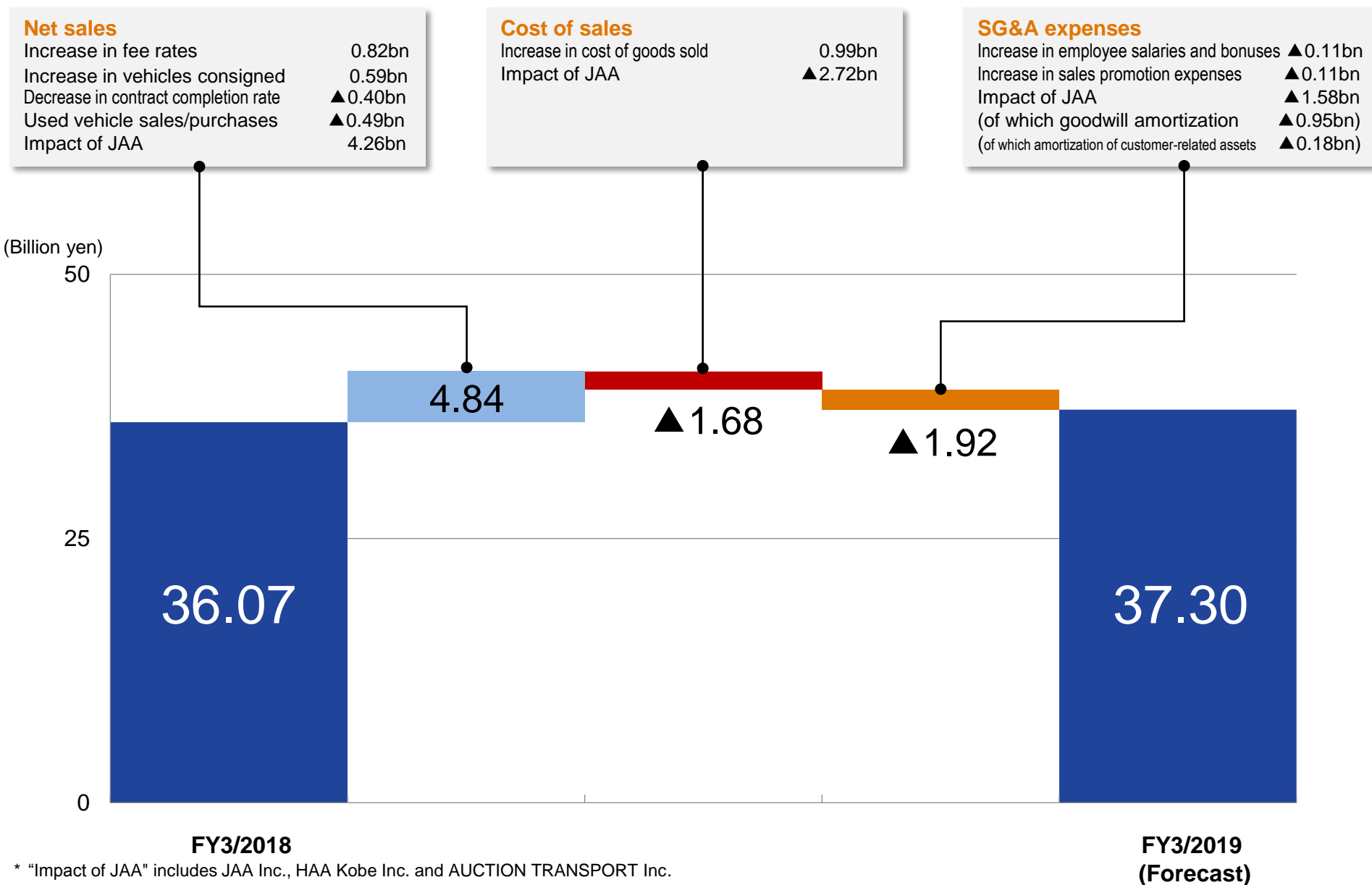
- New car registrations are expected to remain flat from the previous fiscal year.

(Million yen)

	FY3/17 (Actual)	FY3/18 (Actual)	FY3/19 (Forecast)	VS. previous year
Net sales	67,179	75,153	80,000	106.4%
Gross profit (Per sales)	40,765 (60.7%)	45,979 (61.2%)	49,137 (61.4%)	106.9%
Operating profit (Per sales)	32,396 (48.2%)	36,071 (48.0%)	37,300 (46.6%)	103.4%
Ordinary profit (Per sales)	32,999 (49.1%)	36,676 (48.8%)	37,800 (47.3%)	103.1%
Profit attributable to owners of parent (Per sales)	22,909 (34.1%)	24,285 (32.3%)	25,000 (31.3%)	102.9%
Profit per share (Yen)	90.02	95.59	98.38	102.9%
Capital expenditures (Terms of cash flows)	5,878	4,447	5,100	114.7%
Depreciation	4,596	4,983	5,669	113.8%

Auto Auction Business (excl. JBA)	FY3/17 (Actual)	FY3/18 (Actual)	FY3/19 (Forecast)	VS. previous year
No. of vehicles consigned (Thousands)	2,353	2,700	2,960	109.6%
No. of vehicles contracted (Thousands)	1,508	1,709	1,840	107.6%
Contract completion rate	64.1%	63.3%	62.2%	-

FY3/2019 – Reasons for Change in Operating Profit (Forecast)



(Million yen)

	FY3/17 (Actual)	FY3/18 (Actual)	FY3/19 (Forecast)	VS. previous year
Net sales				
Auto auction	52,811	59,521	65,048	109.3%
Used vehicle purchasing and selling	9,373	9,827	9,393	95.6%
Other	4,995	5,805	5,558	95.7%
Total	67,179	75,153	80,000	106.4%
Operating profit (Per sales)	32,396 (48.2%)	36,071 (48.0%)	37,300 (46.6%)	103.4%

Market Overview

Strategy for Creating Value Over the Medium Term

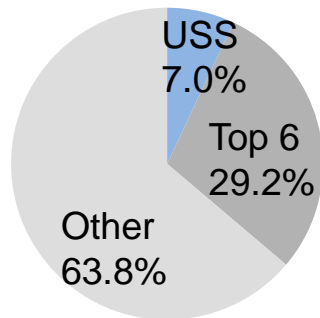
- New car sales in Japan: Unlikely to see significant growth over the medium term
 - USS's Strategy
 - 1) The JAA acquisition significantly raised the Osaka area market share. The goal is to increase the Tokyo area market share in order to have a market share of more than 40% in all three of Japan's major markets: the Tokyo, Nagoya and Osaka areas.
 - 2) Plan to make additional capital expenditures in the JAA Group to make operations more competitive
- May 2019: Reconstruction of the JAA auction site
- Used car exports: Foresee steady medium-term growth, although there will be short-term effects on exports from economic conditions in overseas markets, import restrictions, exchange rate movements and other factors
 - USS's Strategy
 - 1) Operate used vehicle auctions in all areas of Japan that attract high-quality vehicles in order to continue increasing market share

Used Car Auction Market and USS Market Share

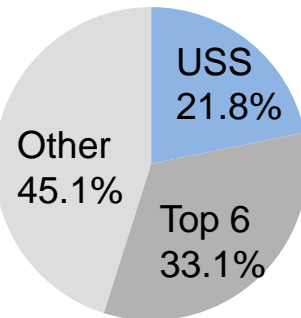
■ Maintained high market shares and increased profit in the period of sluggish markets following the financial crisis of 2008-2009.

■ The JAA acquisition significantly raised the USS Group's market share

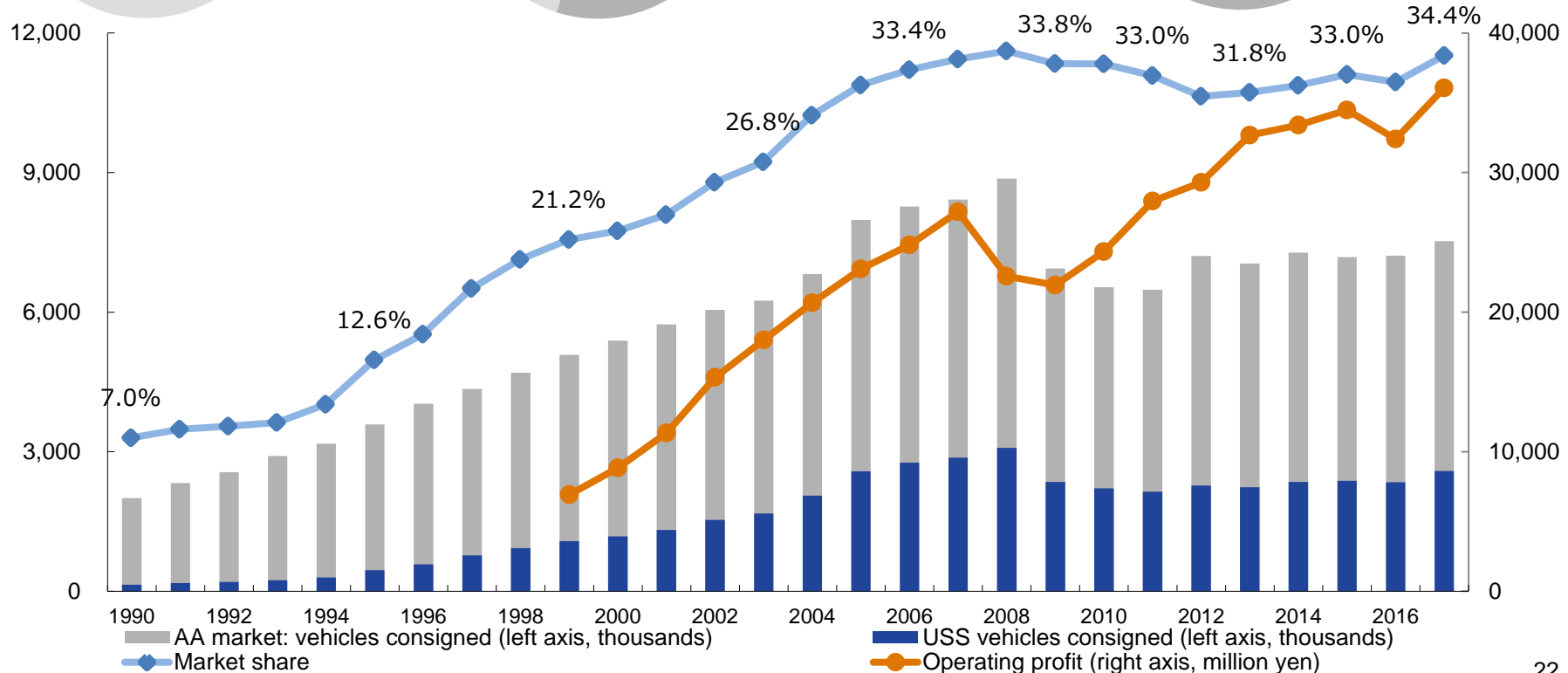
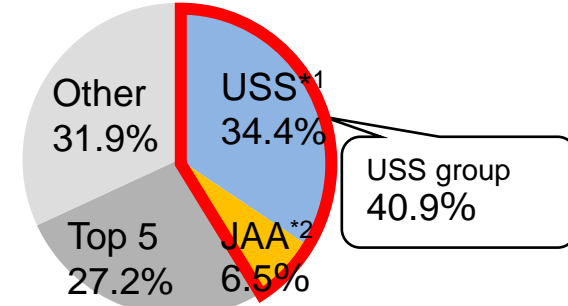
1990(CY) market share



2000(CY) market share



2017(CY) market share



*1 Include the results of JAA and HAA from October to December 2017.

*2 JAA and HAA results for the period from January to September 2017.

Impact of the acquisition of JAA shares on profit/loss

(Million yen)

	USS Group Before JAA Acquisition		JAA		USS Consolidated	
	FY3/2018	YoY	FY3/2018	YoY	FY3/2018	YoY
Net sales	70,460	104.9%	4,693	-	75,153	111.9%
Operating expenses (incl. amortization of the goodwill and customer-related assets)	35,571	102.3%	3,510	-	39,082	112.4%
Operating profit	34,888	107.7%	1,182	-	36,071	111.3%
Operating margin	49.5%	-	25.2%	-	48.0%	-

*JAA data includes the total amount of JAA, HAA Kobe and Auction Transport for the six-month period from October 2017 to March 2018.

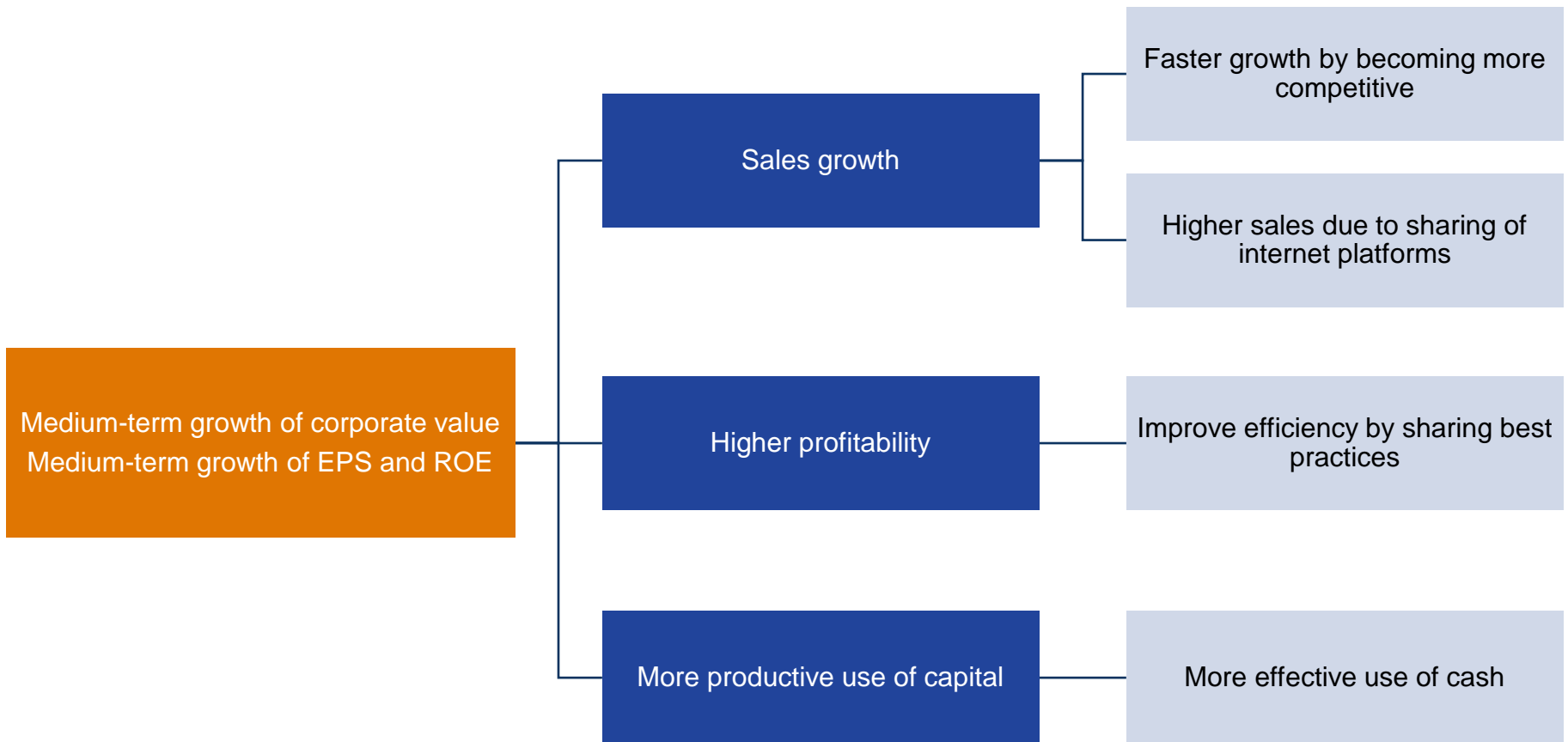
*USS Group Before JAA Acquisition and JAA figures are included in the USS Consolidated figures.

<Reference> Impact excluding the amortization of the goodwill and customer-related assets

(Million yen)

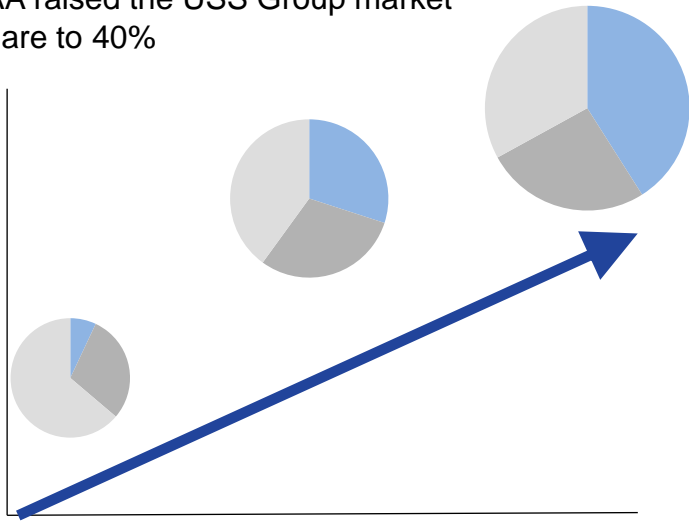
	USS Group Before JAA Acquisition		JAA	
	FY3/2018	YoY	FY3/2018	YoY
Net sales	70,460	104.9%	4,693	-
Operating expenses	35,571	102.3%	2,372	-
Operating profit	34,888	107.7%	2,321	-
Operating margin	49.5%	-	49.5%	-

*Excluded 950 million yen of amortization of the goodwill and 188 million yen of amortization of customer-related assets associated with the acquisition of JAA shares.



JAA Acquisition Raised Market Share, Making USS More Competitive

JAA raised the USS Group market share to 40%



As auto auction is a platform business, scaling up contributes to strengthening competitiveness

- Market share in Japan: **32.5%→40.9%**
- Market share in Osaka area, which had been low: **14.4%→48.9%**
- Market share in Japan's three major markets (Tokyo, Nagoya and Osaka areas) is now more than 40%

Adding JAA to the USS Group raised the group's market share in the Osaka, Tokyo and Koshinetsu (Yamanashi, Nagano, Niigata) regions.

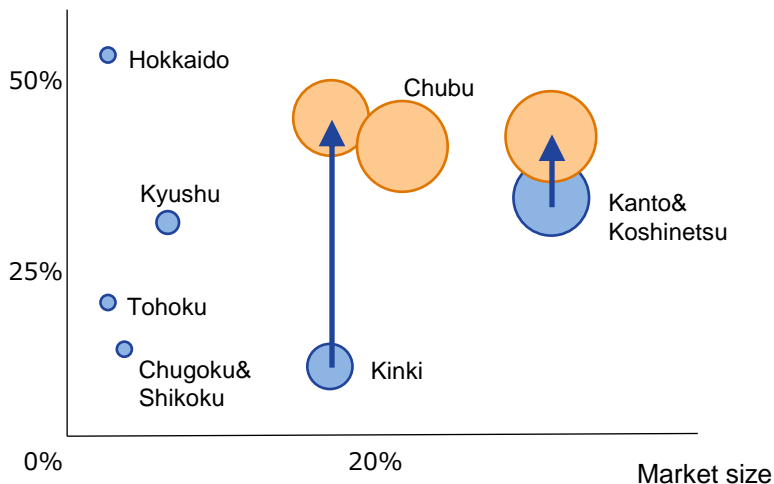
Market share of more than 40% in Japan's three largest markets

	Market composition	Market share		
		USS	JAA	Total
Hokkaido	3.5%	54.2%	-	54.2%
Tohoku	4.5%	19.1%	-	19.1%
Kanto&Koshinetsu	35.0%	38.0%	6.0%	44.1%
Chubu	22.7%	44.0%	-	44.0%
Kinki	18.2%	14.4%	34.5%	48.9%
Chugoku&Shikoku	5.8%	16.6%	-	16.6%
Kyushu&Okinawa	9.6%	30.6%	-	30.6%
TV	0.7%	-	-	-
	100.0%	32.5%	8.4%	40.9%

* January to December 2017

* The USS figures exclude JAA or HAA.

Market share



<Kinki region>

14.4% → **48.9%**

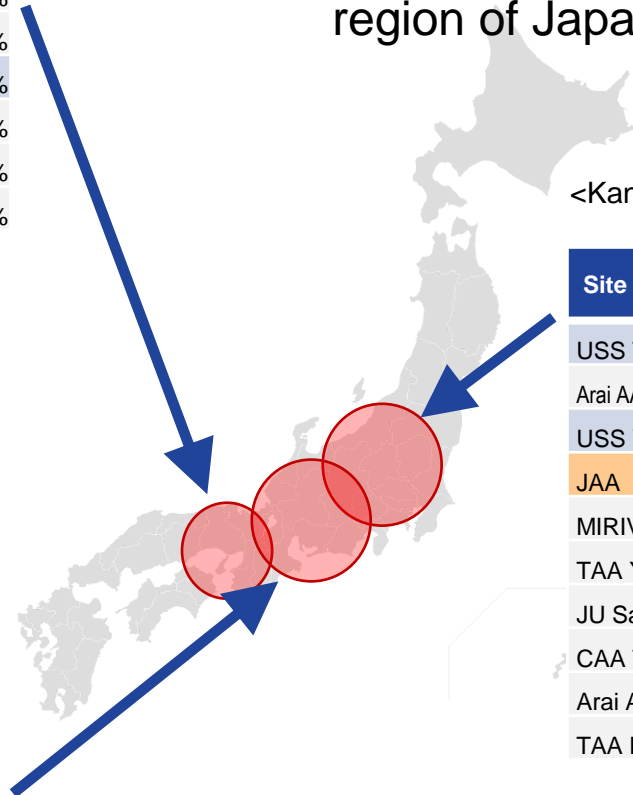
Site Name	Vehicles consigned	Share
HAA	472,346	34.5%
USS Osaka	128,384	9.4%
TAA Kinki	121,524	8.9%
Kansai Matsubara AA	107,150	7.8%
BAYAUC	104,637	7.6%
LAA Kansai	74,676	5.5%
USS Kobe	68,976	5.0%
IMA Kobe	68,167	5.0%
Honda AA Kansai	55,752	4.1%
IAA	51,966	3.8%

<Chubu region>

44.0% → 44.0%

Site Name	Vehicles consigned	Share
USS Nagoya	513,138	30.1%
JU Gifu	232,754	13.6%
CAA Chubu	187,561	11.0%
USS-R Nagoya	138,745	8.1%
JU Aichi	138,203	8.1%
TAA Chubu	94,304	5.5%
CAA Gifu	84,324	4.9%
USS Shizuoka	83,319	4.9%
JU Shizuoka	46,134	2.7%
Honda AA Nagoya	35,214	2.1%

- Larger auction sites tend to attract more number of vehicles.
- The HAA Kobe auction site of the JAA Group has a dominant market share in the Osaka area. This auction site makes USS much more competitive in this region of Japan.



<Kanto&Koshinetsu region>

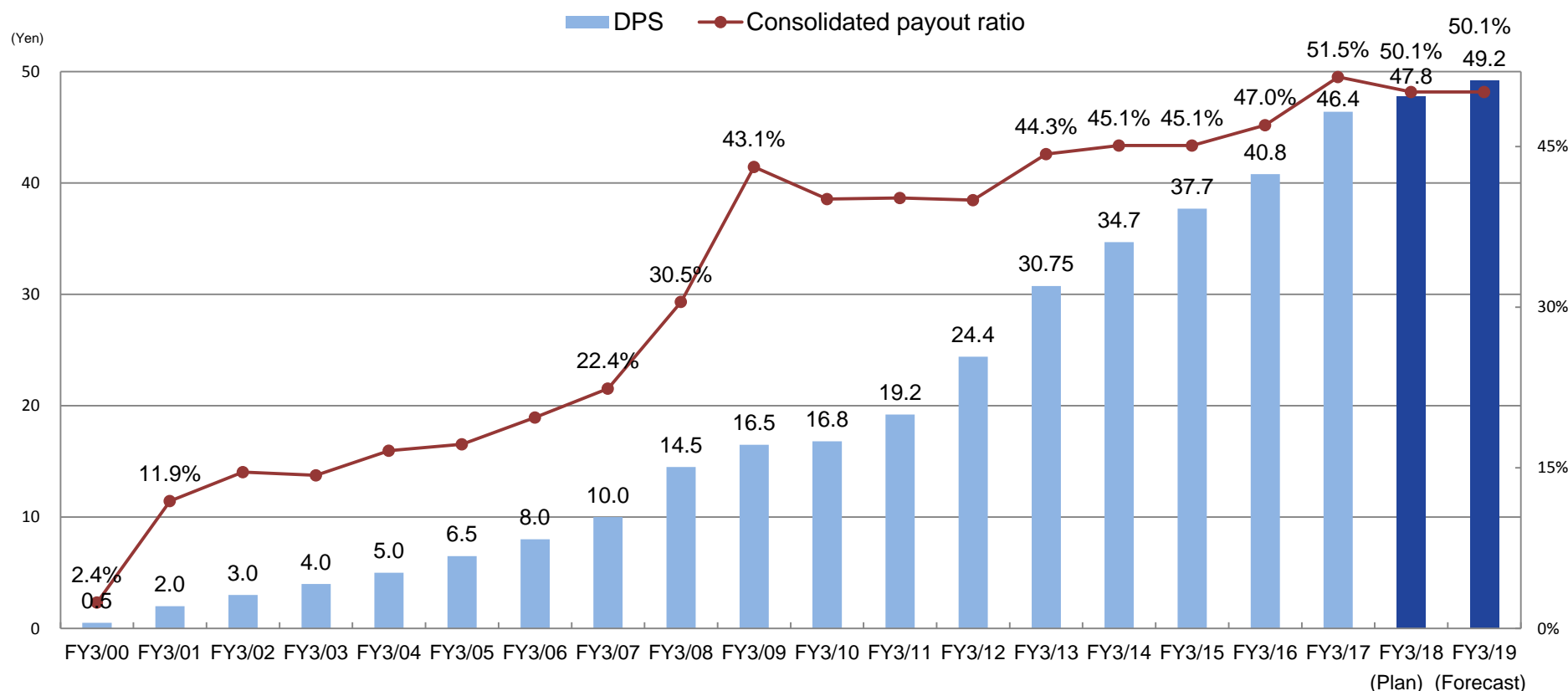
38.0% → **44.1%**

Site Name	Vehicles consigned	Share
USS Tokyo	649,830	24.7%
Arai AA Oyama (Vans & Trucks)	187,200	7.1%
USS Yokohama	186,180	7.1%
JAA	158,438	6.0%
MIRIVE	144,620	5.5%
TAA Yokohama	140,439	5.3%
JU Saitama	107,106	4.1%
CAA Tokyo	107,066	4.1%
Arai AA Bayside	101,200	3.8%
TAA Kanto	100,329	3.8%

Increase shareholder distributions while continuing investment for growth

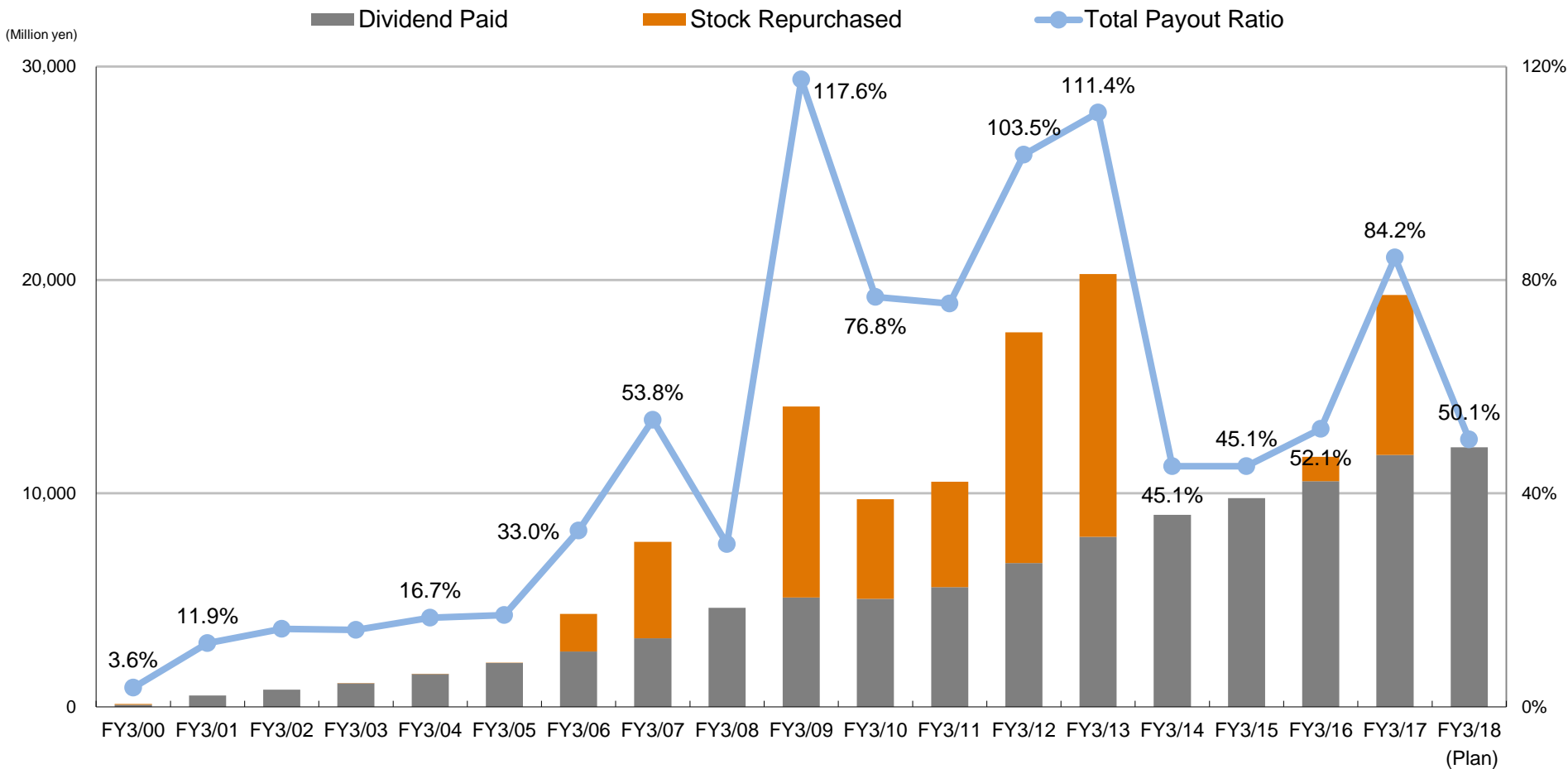
- Consolidated dividend payout ratio: Over **50%** starting in FY3/2017
The JAA acquisition will have no effect on the USS dividend policy of maintaining a consolidated payout ratio of at least 50%.
- Stock repurchases: Buy back stock with flexibility, with due consideration to cash flows, capital investment plans and the market environment
- Return on equity (ROE): Medium-term goal is at least 15%

- Plan to pay **47.8 yen** dividend per share for FY3/18 (up 1.4 yen)
- Plan to pay **49.2 yen** dividend per share for FY3/19 (up 1.4 yen)
- **19 consecutive years** of dividend growth since listing



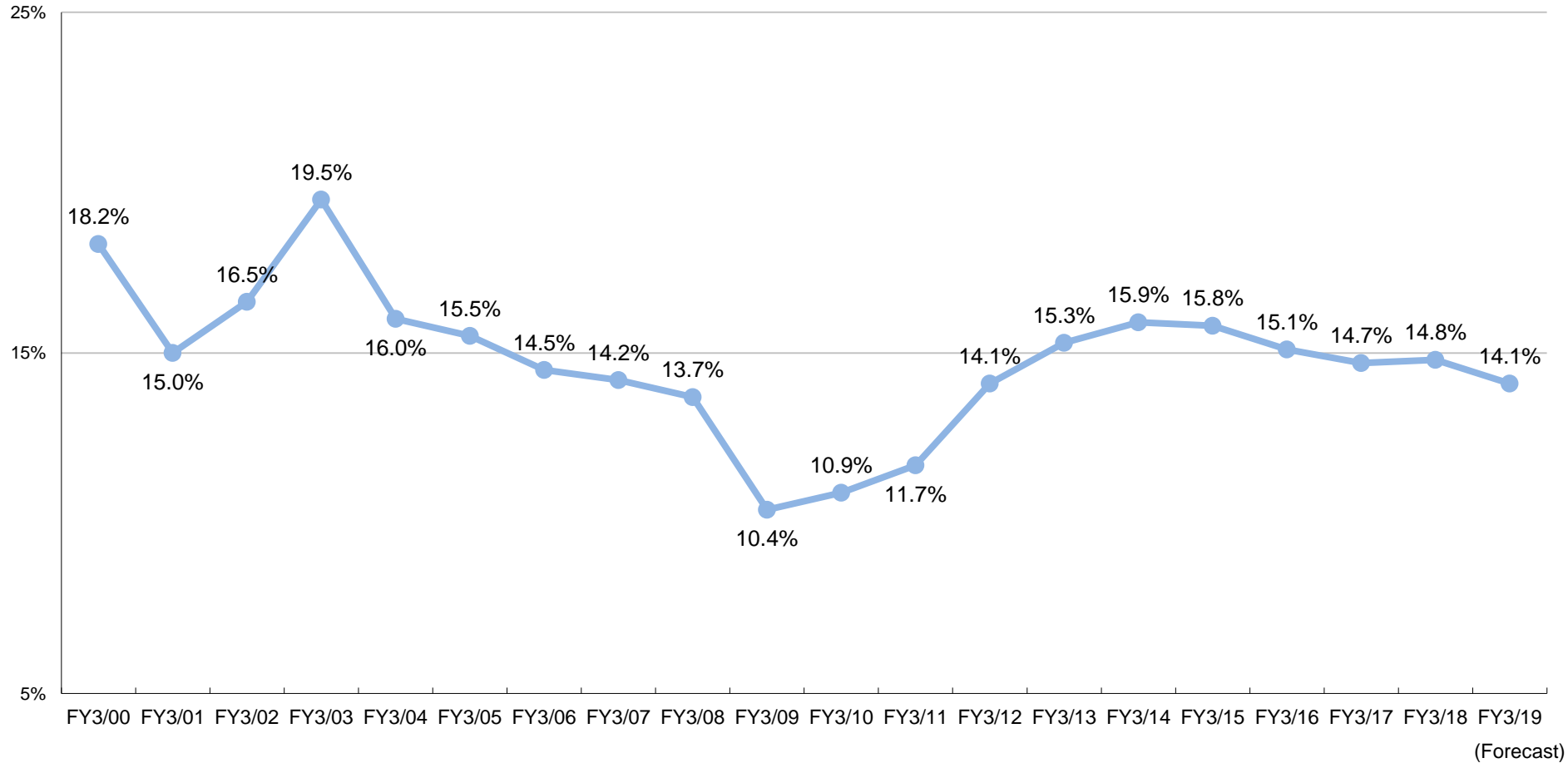
*Dividend per share is retroactively adjusted to the number of shares outstanding as of the effective date (October 1, 2013) of the stock split.

- Flexible stock repurchases while maintaining stable dividend.
- Draw up capital investment plans for JAA and HAA.

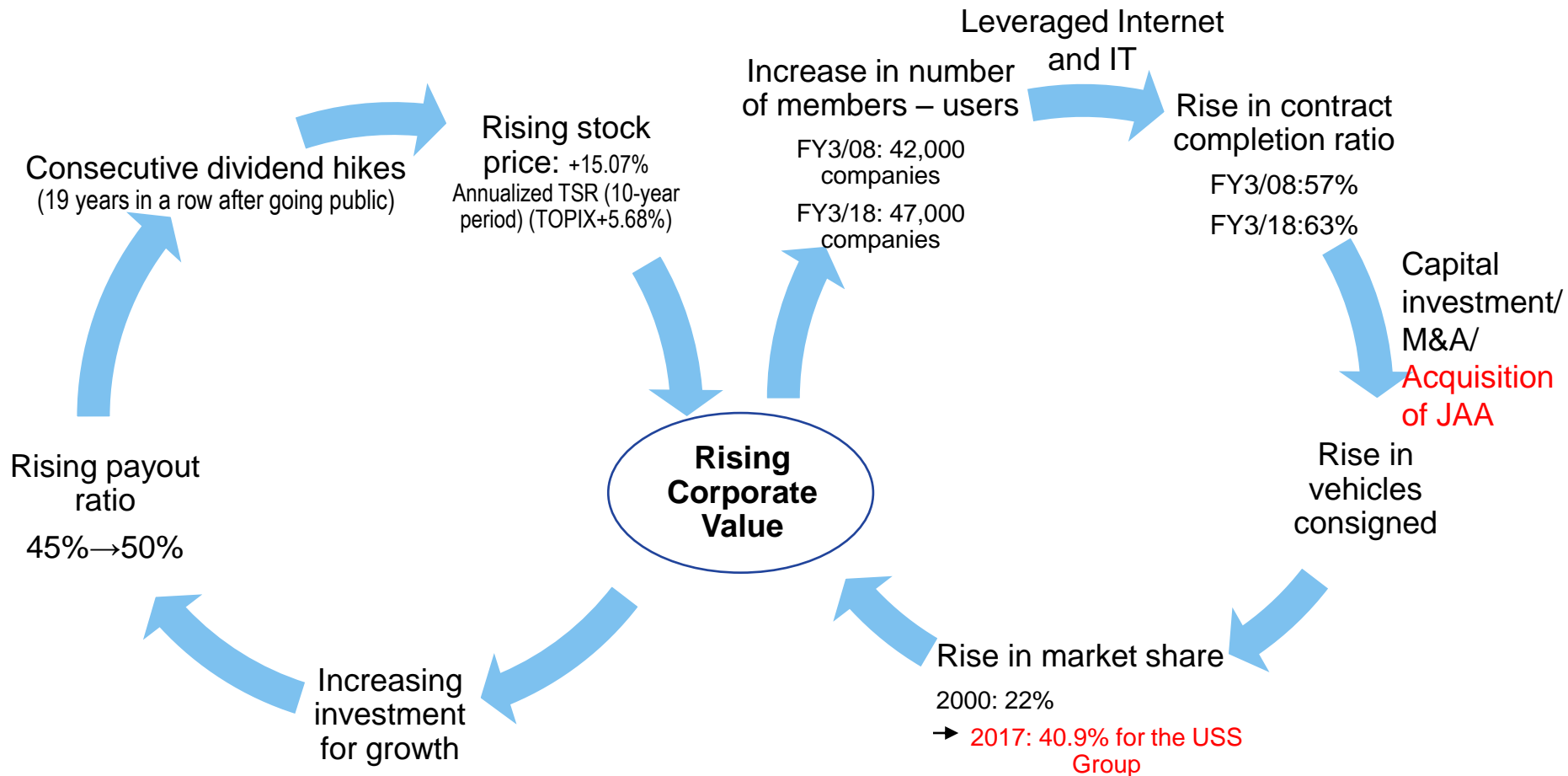


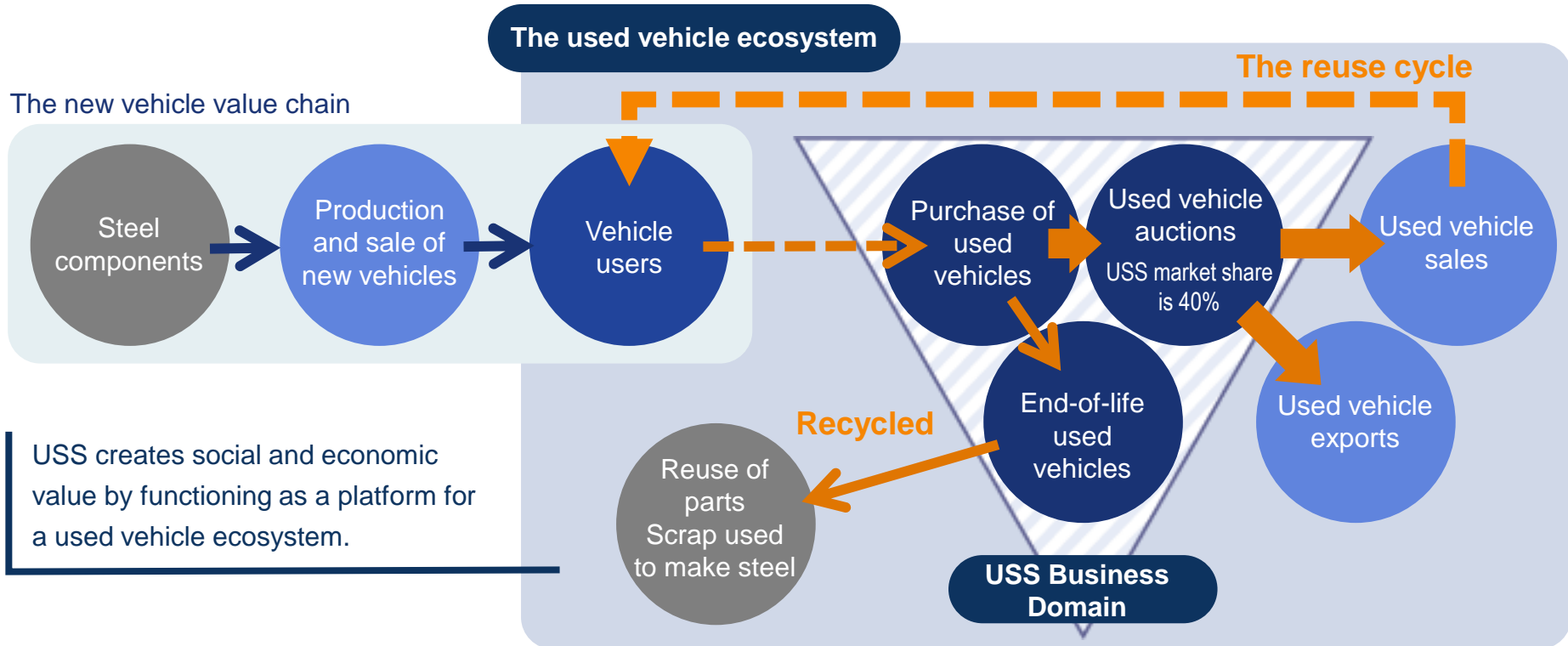
■ No change in the medium-term ROE target of above 15%.

ROE



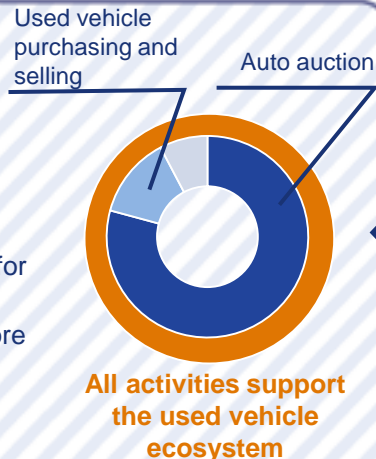
■ Aim at increasing shareholder value by a two-pronged strategy of solid investments in growth and active shareholder distributions





Social value

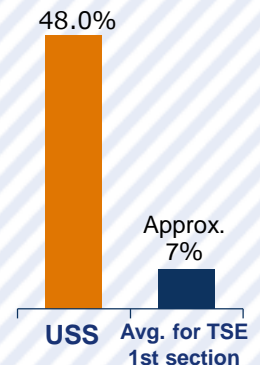
- ◆ Contribution to the recycling ecosystem (helps protect the environment)
- ◆ Contribution to efficient economic activity by determining fair prices for used vehicles
- ◆ Contribution to offering people more ways to enjoy their vehicles
- ◆ Contribution to the economies of emerging countries



Economic value

- ◆ USS operates a price determination system that is fair and efficient while also generating fee income from both buyers and sellers. The result is:
- ◆ A high operating margin (48.0% in FY3/18)
- ◆ A high return on equity (14.8% in FY3/18)

Operating Margin



* The average operating margin of TSE First Section is for the fiscal year ended March 2017

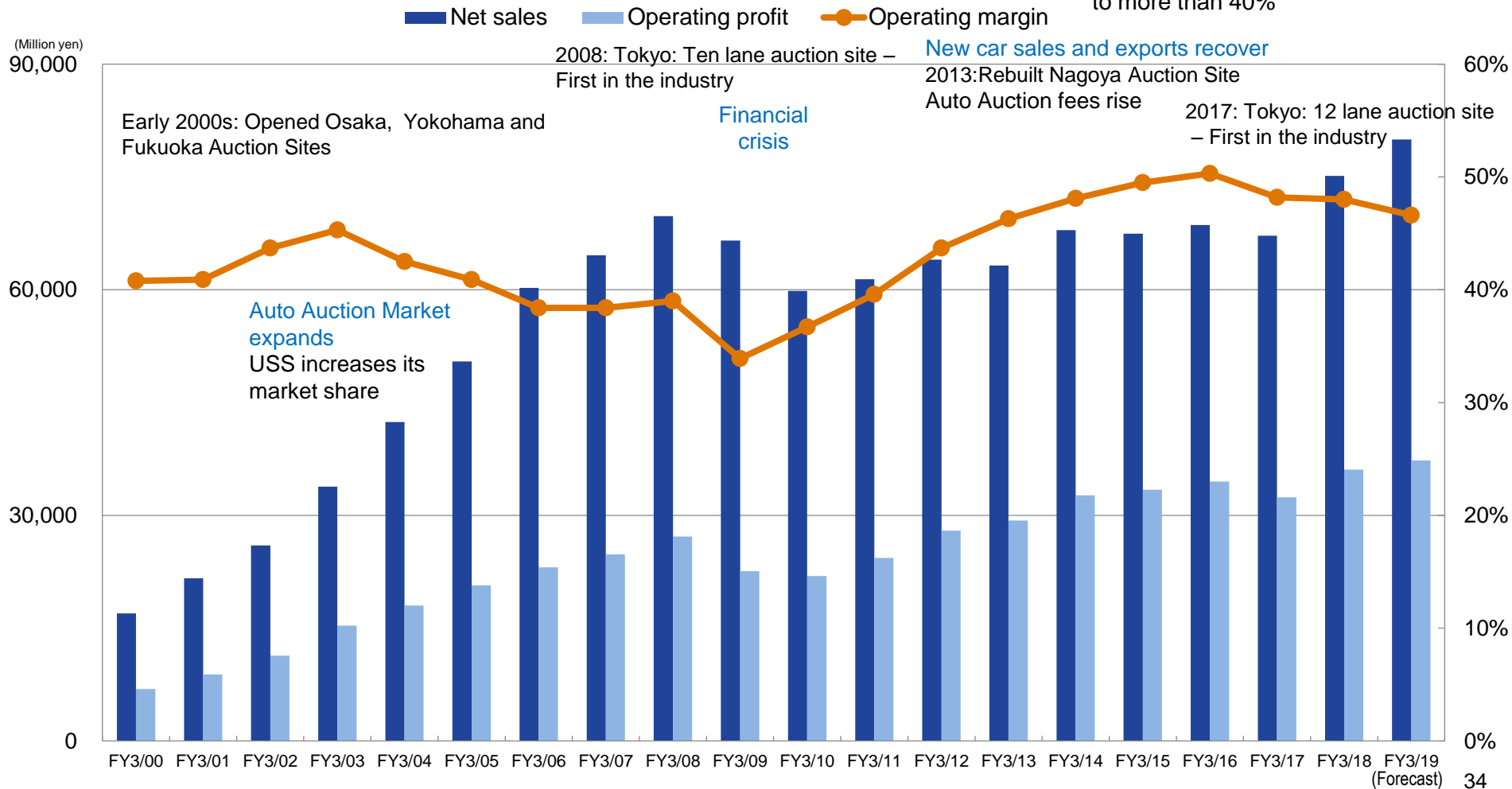
Reference

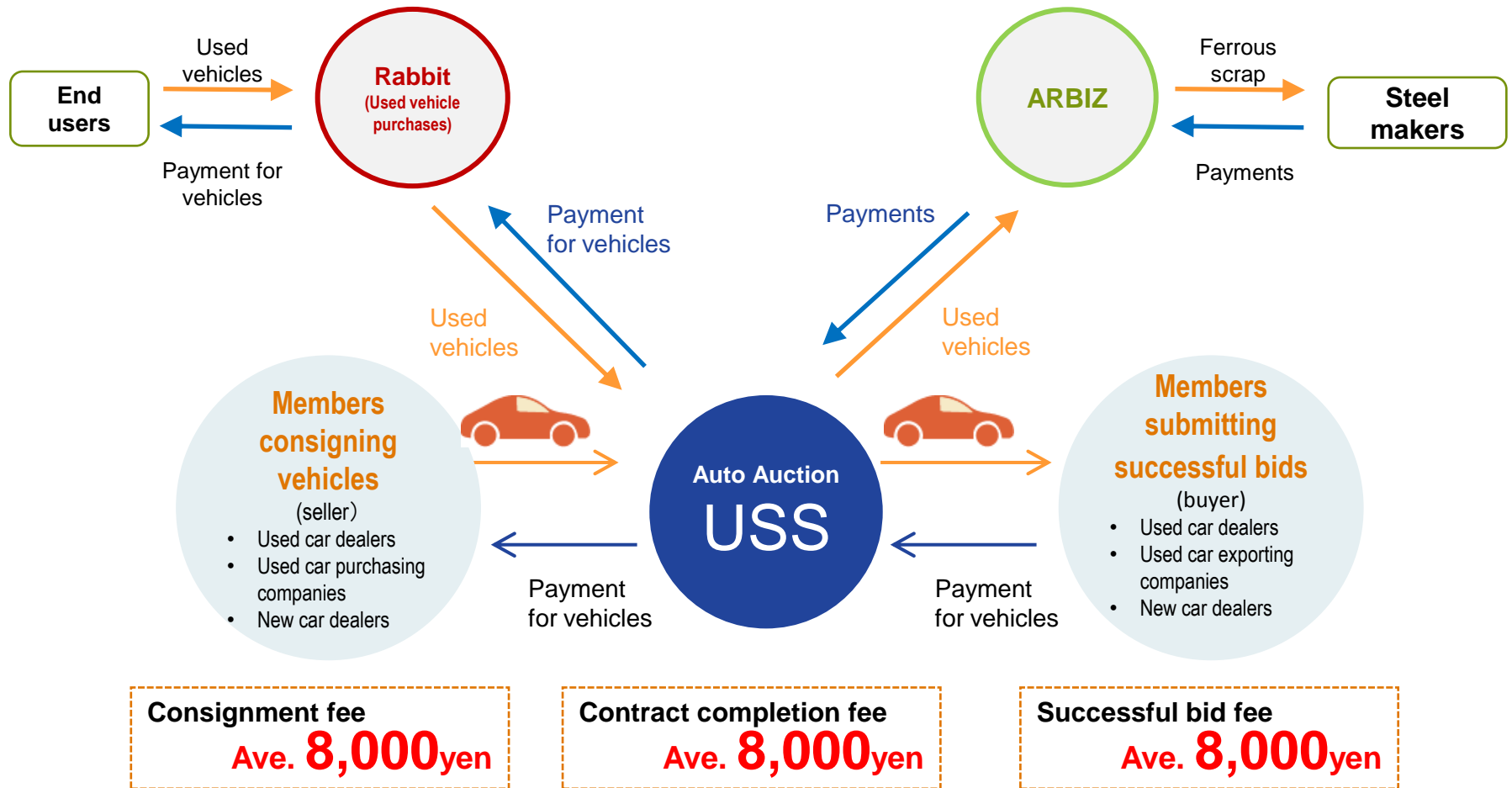
History of USS Long-term Growth

Before 2000

1982: Held the first auction with only 255 vehicles consigned
 1988: Expanded the Nagoya Auction Site. The number of POS seats was 570 (the largest in Japan).
 Early nineties: Opened Kyushu and Tokyo Auction Sites
 Late nineties: Opened Okayama, Shizuoka, Sapporo and West Tokyo (currently the Saitama auction site) Auction Sites

2017:
 JAA acquisition raises
 Tokyo/Nagoya/Osaka area market share
 to more than 40%



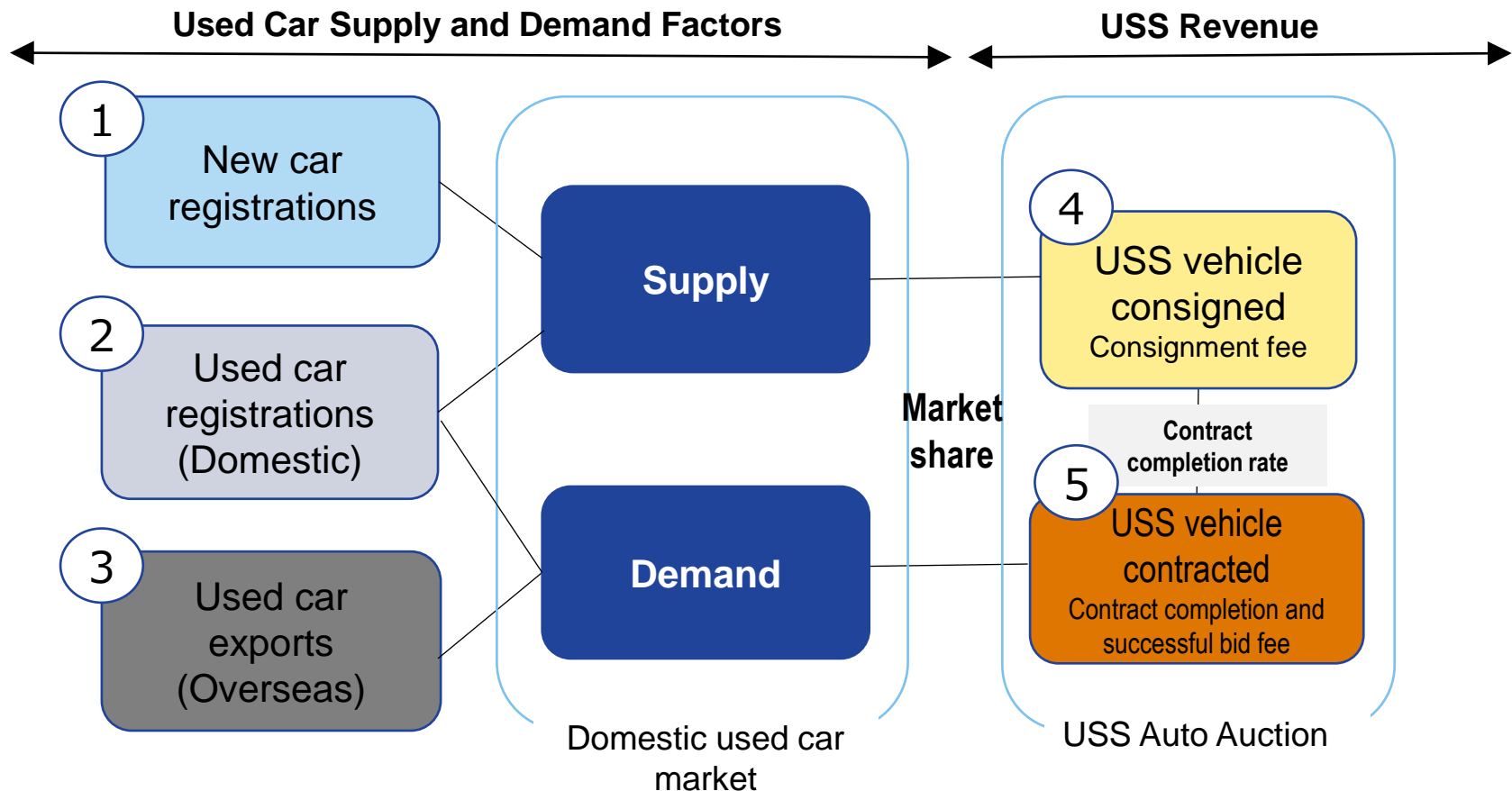


Vehicles consigned
2.70 million units (FY3/2018)

USS's fee per unit
Ave. 24,000yen

Contract completion rate
63.3% (FY3/2018)

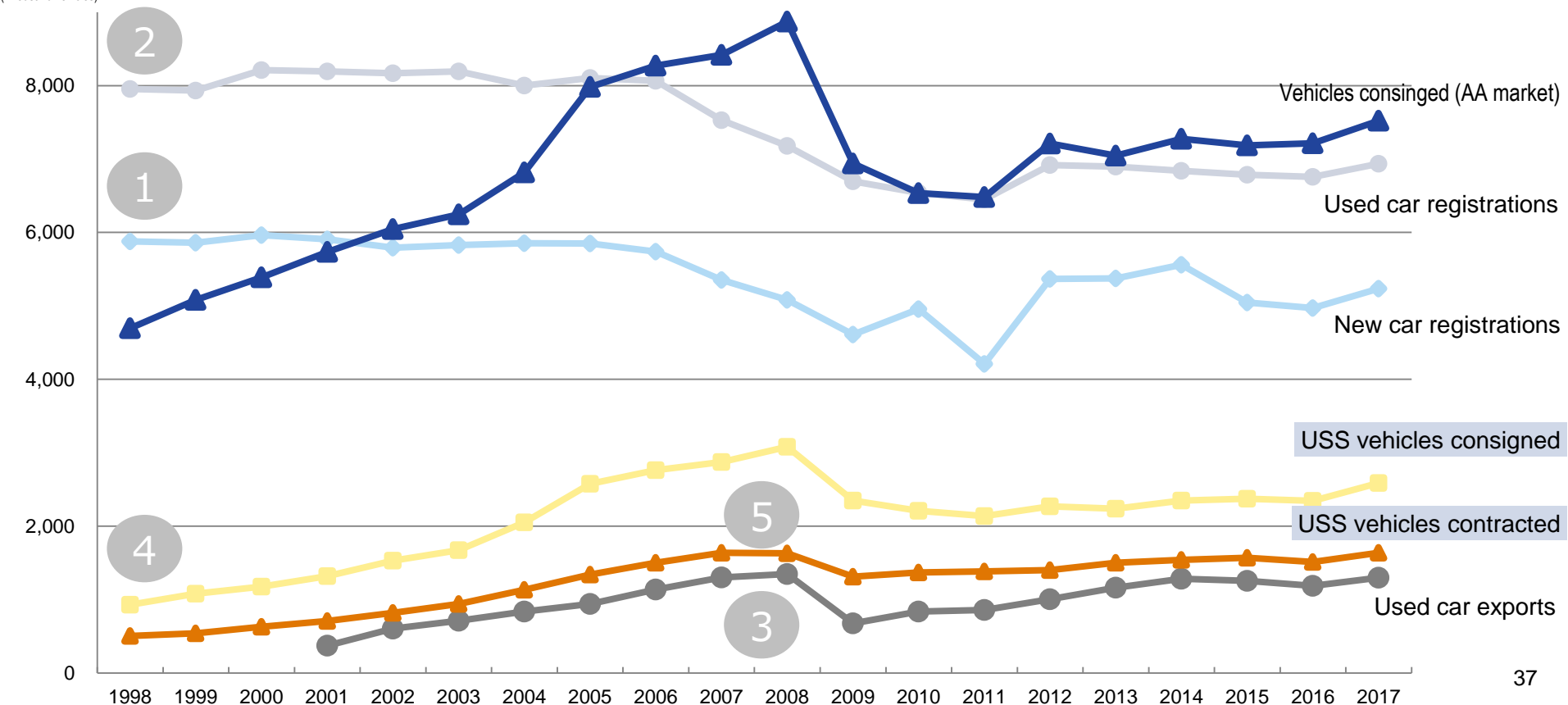
- The number of vehicles consigned is correlated through trade-ins to (1) New car registrations and (2) Used car registrations
- Total demand comprises domestic demand (2) and overseas demand (3). In recent years, total demand has been driven mainly by overseas demand.
- In addition to the above, share of the used car auction market and contract ratio have an important bearing on USS auto auction profits.



- The auction market continued to expand till 2000 as the share of used vehicles sold through the auction market increased as a share of the total used vehicle market. Starting in the mid-2000s, older vehicles and vehicles with high mileage which would normally have been scrapped started flowing into auto auction sites and steadily drove up the number of vehicles consigned.
- After the financial crisis of late 2008 the auto auction market was largely correlated to new car registrations (supply) and exports (demand).

New/Used car registrations, used car exports, vehicles consigned and vehicles contracted (CY)

(Thousand vehicles)



- The company's governance organization has been improved in order to work toward the goal of increasing corporate value through continuing business growth
- Adopted the outside director system in FY3/2007
- Strengthened the executive officer system in FY3/2013
- Established nomination and compensation committees in FY3/2016
- Aiming the diversified membership of the Board of Directors to enhance management transparency and reinforce management functions from fiscal year ended March 2019, Nobuko Takagi, a Certified Public Accountant, and a specialized M&A Advisory, is scheduled to elect as an outside director

FY	2005	2007	...	2013	...	2019
Directors	12	18	→	12	→	10
(of which external directors)		4	→	4	→	3

Adopted the outside director system

Strengthened the executive officer system

Established nomination and compensation committees

As of May 2018
 Directors: 10 (of which independent outside directors: 3)
 Auditors: 3 (of which independent outside auditors: 2)
 Executive officers: 3