

Consolidated Balance Sheets

USS Co., Ltd. and Consolidated Subsidiaries
March 31, 2005 and 2004

Assets	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Current assets:			
Cash and cash equivalents	¥ 15,673	¥15,119	\$ 146,477
Short-term investments (Note 5).....	146	50	1,364
Receivables:			
Due from member dealers at auction (Note 4)	8,848	5,344	82,692
Trade and other accounts	940	993	8,785
Allowance for doubtful accounts	(51)	(73)	(477)
Total receivables	9,737	6,264	91,000
Inventories (Note 6)	722	493	6,748
Deferred tax assets (Note 12).....	656	726	6,131
Other current assets	549	409	5,130
Total current assets.....	27,483	23,061	256,850
Property and equipment, at cost (Note 8):			
Land	43,188	38,078	403,626
Buildings and structures.....	36,056	25,322	336,972
Vehicles and equipment	7,128	6,227	66,617
Construction in progress	3,391	3,320	31,691
	89,763	72,947	838,906
Less, accumulated depreciation.....	(14,275)	(11,492)	(133,411)
	75,488	61,455	705,495
Investments and other assets:			
Investment securities (Note 5)	1,989	1,842	18,589
Intangible assets (Note 7)	3,810	992	35,607
Deferred tax assets (Note 12).....	699	588	6,533
Deferred tax assets for revaluation	3,351	3,462	31,318
Investment property	1,726	—	16,131
Other assets	1,466	1,611	13,701
Allowance for doubtful accounts	(307)	(472)	(2,869)
	12,734	8,023	119,010
Total.....	¥115,705	¥92,539	\$1,081,355

See accompanying Notes to Consolidated Financial Statements.

Liabilities, Minority Interests and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Current liabilities:			
Short-term borrowings (Note 8).....	¥ 1,150	¥ 131	\$ 10,748
Current portion of long-term debt (Note 8)	2,709	1,652	25,318
Payables:			
Due to member dealers at auction (Notes 4 and 13)	9,573	4,828	89,467
Trade and other accounts	2,537	2,180	23,710
Total payables	12,110	7,008	113,177
Deposits received in advance.....	1,400	1,195	13,084
Accrued expenses	715	573	6,682
Income taxes payable	4,518	4,778	42,224
Other current liabilities	85	135	795
Total current liabilities	22,687	15,472	212,028
Long-term debt (Note 8).....	3,631	5,548	33,935
Guarantee deposits received from member dealers.....	3,157	2,793	29,505
Employee retirement benefit liability (Note 9)	77	98	720
Accrued directors' and statutory auditors' severance indemnities.....	349	320	3,262
Other long-term liabilities	—	53	—
Commitments and contingent liabilities (Note 11)			
Minority interests in consolidated subsidiaries	926	757	8,654
Shareholders' equity (Notes 10 and 15):			
Common stock, no par value;			
Authorized: 100,000,000 shares;			
Issued: 31,981,969 shares in 2005 and 30,815,069 shares in 2004	17,580	15,601	164,299
Capital surplus	24,756	19,590	231,364
Retained earnings	47,168	37,264	440,822
Land revaluation decrement	(4,916)	(5,147)	(45,944)
Net unrealized gains (losses) on available-for-sale securities.....	301	198	2,813
Less, treasury stock, at cost—1,789 shares in 2005 and 1,495 shares in 2004	(11)	(8)	(103)
	84,878	67,498	793,251
Total.....	¥115,705	¥92,539	\$1,081,355



Consolidated Statements of Income

USS Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Operating revenues (Notes 13 and 14).....	¥50,484	¥42,426	\$471,813
Operating costs and expenses (Note 14):			
Costs of revenues	19,988	15,305	186,804
Selling, general and administrative expenses.....	9,823	9,104	91,803
	29,811	24,409	278,607
Operating income.....	20,673	18,017	193,206
Other income (expenses):			
Interest and dividend income	13	10	121
Interest expense.....	(59)	(101)	(551)
Gain (loss) on sale or disposal of property and equipment.....	82	(2,005)	766
Loss on liquidation of subsidiaries	(41)	—	(383)
Impairment loss on fixed assets (Note 3)	(557)	—	(5,206)
Other, net	501	254	4,683
	(61)	(1,842)	(570)
Income before income taxes and minority interests	20,612	16,175	192,636
Income taxes (Note 12).....	8,603	6,983	80,402
Less, minority interests in net income of consolidated subsidiaries	194	285	1,813
Net income	¥11,815	¥ 8,907	\$110,421
Per share:			
Net income:			
—Basic.....	¥377.69	¥300.72	\$3.53
—Diluted.....	366.03	277.76	3.42
Cash dividends	65.00	50.00	0.61

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

USS Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2005 and 2004

	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Land revaluation decrement	Net unrealized gains (losses) on available- for-sale securities		Treasury stock
						¥	U.S. Dollars	
Millions of Yen								
Balance at March 31, 2003	27,412,942	¥ 7,656	¥11,617	¥27,761	¥(3,207)	¥ (9)	¥ (6)	
Net income for the year	—	—	—	8,907	—	—	—	
Issuance of common shares upon exercise of stock option	127,050	284	284	—	—	—	—	
Exercise of warrants.....	129,000	340	371	—	—	—	—	
Conversion of convertible bonds	3,146,077	7,321	7,318	—	—	—	—	
Cash dividends	—	—	—	(1,308)	—	—	—	
Bonuses to directors and statutory auditors	—	—	—	(36)	—	—	—	
Net change in unrealized gains (losses) on available- for-sale securities, net of applicable income taxes	—	—	—	1,940	(1,940)	—	—	
Adjustments for applicable income taxes.....	—	—	—	—	—	207	—	
Fractional shares acquired, net.....	—	—	—	—	—	—	(2)	
Balance at March 31, 2004	30,815,069	15,601	19,590	37,264	(5,147)	198	(8)	
Net income for the year	—	—	—	11,815	—	—	—	
Issuance of common shares upon exercise of stock option	178,730	451	451	—	—	—	—	
Conversion of convertible bonds	656,949	1,528	1,528	—	—	—	—	
Stock issued under stock-for-stock exchange transaction	331,221	—	3,187	—	—	—	—	
Cash dividends	—	—	—	(1,700)	—	—	—	
Bonuses to directors and statutory auditors	—	—	—	(46)	—	—	—	
Reversal of land revaluation decrement	—	—	—	(165)	165	—	—	
Adjustments for applicable income taxes.....	—	—	—	—	66	—	—	
Net change in unrealized gains on available- for-sale securities, net of applicable income taxes	—	—	—	—	—	103	—	
Fractional shares acquired, net.....	—	—	—	—	—	—	(3)	
Balance at March 31, 2005	31,981,969	¥17,580	¥24,756	¥47,168	¥(4,916)	¥301	¥(11)	

	Thousands of U.S. Dollars						
Balance at March 31, 2004	\$145,804	\$183,084	\$348,262	\$(48,103)	\$1,850	\$ (75)	
Net income for the year.....	—	—	110,421	—	—	—	
Issuance of common shares under exercise of stock option	4,215	4,215	—	—	—	—	
Conversion of convertible bonds.....	14,280	14,280	—	—	—	—	
Stock issued under stock-for-stock exchange transaction	—	29,785	—	—	—	—	
Cash dividends	—	—	(15,888)	—	—	—	
Bonuses to directors and statutory auditors.....	—	—	(430)	—	—	—	
Reversal of land revaluation decrement.....	—	—	(1,543)	1,543	—	—	
Adjustments for applicable income taxes	—	—	—	616	—	—	
Net change in unrealized gains on available- for-sale securities, net of applicable income taxes.....	—	—	—	—	963	—	
Fractional shares acquired, net	—	—	—	—	—	(28)	
Balance at March 31, 2005	\$164,299	\$231,364	\$440,822	\$(45,944)	\$2,813	\$(103)	

See accompanying Notes to Consolidated Financial Statements.



Consolidated Statements of Cash Flows

USS Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 20,612	¥ 16,175	\$ 192,636
Adjustments for:			
Depreciation and amortization.....	2,969	1,837	27,747
(Gain) loss on sale or disposal of property and equipment	(82)	2,005	(766)
Impairment loss on fixed assets	557	—	5,206
Net change in amounts due from/to member dealers at auction	1,248	777	11,664
Increase (decrease) in deposits received in advance	112	(849)	1,047
Other, net	(320)	(641)	(2,991)
Sub-total.....	25,096	19,304	234,543
Interest and dividend received.....	13	10	121
Interest paid.....	(59)	(103)	(551)
Income taxes paid.....	(8,753)	(8,023)	(81,804)
Net cash provided by operating activities	16,297	11,188	152,309
Cash flows from investing activities:			
Increase in property and equipment	(18,766)	(17,825)	(175,383)
Increase in long-term investments and other assets	(432)	(533)	(4,037)
Decrease in property, long-term investments and other assets	697	10,383	6,514
Increase (decrease) in short-term investments.....	(96)	231	(897)
Net cash used in investing activities.....	(18,597)	(7,744)	(173,803)
Cash flows from financing activities:			
Increase in long-term debt	4,000	100	37,383
Repayment of long-term debt	(1,827)	(3,574)	(17,075)
Net change in short-term borrowings.....	629	(135)	5,879
Net increase in guarantee deposits received from member dealers	229	228	2,140
Issuance of common stock	1,057	1,248	9,879
Dividends paid	(1,702)	(1,310)	(15,907)
Other	(3)	42	(29)
Net cash provided by (used in) financing activities	2,383	(3,401)	22,270
Net increase in cash and cash equivalents	83	43	776
Cash and cash equivalents at beginning of year	15,119	15,076	141,299
Increase in cash and cash equivalents upon inclusion of additional subsidiaries on consolidation.....	471	—	4,402
Cash and cash equivalents at end of year	¥ 15,673	¥ 15,119	\$ 146,477

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

USS Co., Ltd. and Consolidated Subsidiaries
March 31, 2005 and 2004

1. Basis of Consolidated Financial Statements

(a) Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of USS Co., Ltd. (the "Company") and its consolidated subsidiaries (together with the Company, the "USS Group") have been prepared in accordance with the provisions set forth in the Commercial Code of Japan (the "Code") and the Securities and Exchange Law of Japan, and on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. These consolidated financial statements are compiled from the original consolidated financial statements in Japanese prepared by the Company as required by the Securities and Exchange Law of Japan and submitted to the Director of Kanto Finance Bureau of Japan.

(b) U.S. dollar amounts

The USS Group maintains its accounting records in Japanese Yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the arithmetic results of translating Japanese Yen into U.S. dollars at a rate of \$107 to US\$1, the approximate rate of exchange at March 31, 2005. The inclusion of such dollar amounts is solely for the convenience of the readers and is not intended to imply that Yen and the assets and liabilities originating in Yen have been or could be readily converted, realized or settled in dollars at \$107 to US\$1 or at any other rate.

(c) Reclassification

Certain comparative figures have been reclassified to conform to the current year's presentations.

2. Summary of Significant Accounting Policies

(a-1) Principles of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries at March 31, 2005. Investment in significant affiliates is accounted for by the equity method. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost.

The number of consolidated subsidiaries and affiliates for the years ended March 31, 2005 and 2004, was as follows:

	2005	2004
Consolidated subsidiaries	15	14
Affiliate, accounted for by the equity method	—	1
Unconsolidated subsidiary and affiliates, stated at cost.....	—	1
Affiliates, stated at cost.....	1	2

All inter-company transactions and accounts have been eliminated. The difference between the cost of investments in consolidated subsidiaries and the underlying equity in their net assets adjusted based on the fair value at the time of acquisition, which is included in intangible assets as consolidating adjustment account in the accompanying consolidated balance sheets, is amortized over five years on a straight-line basis.

At March 31, 2004, the Company provided for an allowance for future loss on guarantee for indebtedness of a certain affiliate not accounted for by the equity method in the amount of ¥53 million, which was included in other long-term liabilities.

(a-2) Change in consolidation scope

On February 1, 2005, the Company completed the stock-for-stock exchange transaction with RAA Co., Ltd. ("RAA") As a result, the Company issued 331,221 shares of common stock of the Company to RAA's shareholders and recorded no change of common stock account and an increase in capital surplus account of ¥3,187 million (\$29,875 thousand) on February 1, 2005.