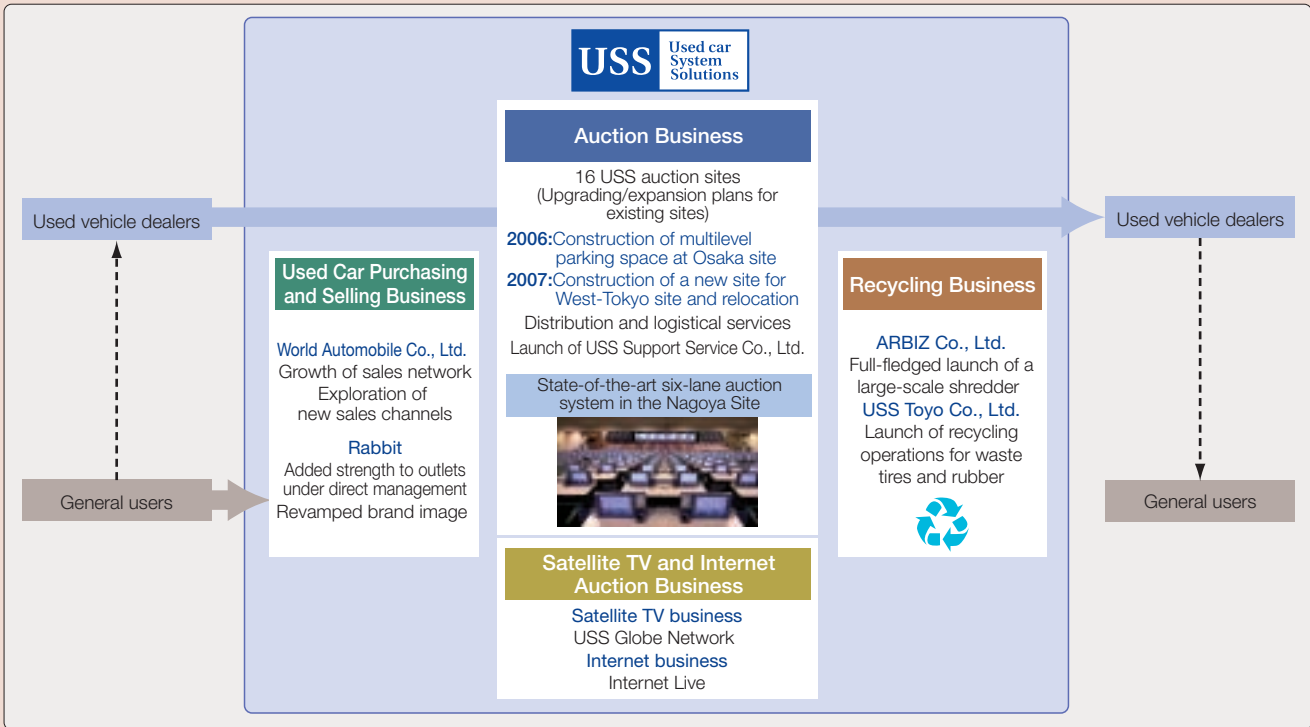


REVIEW OF OPERATIONS

Mottainai

The USS Group's Growth Engines



Amid major changes surrounding the used vehicle distribution market, the USS Group is reinventing itself by concentrating its managerial resources on four core areas: the auto auction segment (the primary core), the satellite TV and Internet auctions, used vehicle purchases and sales, and recycling. Furthermore, by reaching the goals stated in its Project 343 medium-term management plan, which serves as the engine to ensure future growth, USS is striving to transform itself into a **comprehensive specialist and pioneer in the used vehicle distribution industry.**

Auction Business

USS pursues strategies aimed at making its sites the best in their respective areas, which are classified into seven geographical territories. The quest to capture the position of the “area’s best” along with the area’s highest market share is underpinned by the Company’s belief that the area’s best site can attract a number of good-quality vehicles and consequently a number of members, thus ensuring a higher contract closing rate.

To reinforce USS’ claim to be the best in each area, a variety of expansion and upgrading initiatives are underway, including construction and relocation to new sites and revamping of existing sites. In six of the seven geographical areas, USS, whose on-site auction sites currently number 16, has attained the No. 1 ranking. Even in the Kansai area, where the Company seeks to establish a stronger presence, USS is making an all-out effort to gain more ground with the help of the new, large-scale USS Kobe site launched in September 2005.



Auction venue with six-lane system

Construction and Relocation of Sites

USS-R Tokyo (Opened in May 2005)

To meet the growing demand for auctions of reusable vehicles, a trend that is increasingly prominent following the implementation of the Vehicle Recycling Law, USS opened the doors of a new auction site, USS-R Tokyo, which specializes in reusable vehicles in the Tokyo metropolitan area, following the June 2004 launch of the USS-R Nagoya site. The number of overseas buyers is also on the rise.

Share of the Auction Market in Number of Vehicles by Region in 2005 (January-December)

Hokkaido Region			Tohoku Region			Kanto-Koshinetsu Region		
Total number of auctioned vehicles: 246,187			Total number of auctioned vehicles: 369,988			Total number of auctioned vehicles: 2,880,664		
USS Sapporo	128,401	52.2%	USS Tohoku	110,123	29.8%	USS Tokyo	624,972	21.7%
JU Sapporo	57,076	23.2%	TAA Tohoku	68,106	18.4%	USS Yokohama	207,030	7.2%
Sapporo AA	25,546	10.4%	JU Miyagi	64,323	17.4%	USS Ryutsu	127,148	4.4%
White Wing AA	9,413	3.8%	JU Fukushima	37,385	10.1%	USS Gunma	114,257	4.0%
JU Obihiro	4,804	2.0%	IAA	33,941	9.2%	USS West Tokyo	98,012	3.4%
Others	20,947	8.4%	Others	56,110	15.1%	USS-R Tokyo	48,318	1.7%
Chubu Region			Kansai Region			Chugoku/Shikoku Region		
Total number of auctioned vehicles: 1,501,636			Total number of auctioned vehicles: 1,328,473			Total number of auctioned vehicles: 391,491		
USS Nagoya	375,985	25.0%	HAA Kobe	441,496	33.2%	USS Okayama	91,608	23.4%
USS-R Nagoya	106,224	7.1%	Bay-Auc	166,989	12.6%	LAA Shikoku	83,562	21.3%
USS Shizuoka	93,293	6.2%	LAA Kansai	131,494	9.9%	JU Hiroshima	78,184	20.0%
CAA Chubu	245,200	16.3%	USS Osaka	114,556	8.6%	JU Okayama LAA	71,464	18.3%
JU Gifu	160,048	10.7%	HAA Osaka	108,339	8.2%	KCAA Yamaguchi	28,149	7.2%
JU Aichi	105,742	7.0%	TAA Kinki	100,069	7.5%	Others	38,524	9.8%
CAA Gifu	99,892	6.7%	USS Kobe	28,278	2.1%	Kyushu Region		
TAA Chubu	96,585	6.4%	Others	237,252	17.9%	Total number of auctioned vehicles: 801,159		
Others	218,667	14.6%				USS Kyushu	205,124	25.6%
						USS Fukuoka	103,073	12.9%
						TAA Kyushu	100,033	12.5%
						KCAA Fukuoka	95,389	11.9%
						JU Fukuoka	84,457	10.5%
						Others	213,083	26.6%

Used Car Purchasing and Selling Business

USS Kobe (Opened in September 2005)

The freshly opened USS Kobe site, located in the Port Island City section of Kobe, represents USS' commitment to establishing stronger presence in the Kansai area. Synergies between the USS Osaka site and the new Kobe site are putting the Company on track for a higher share in the Kansai area.

Rebuilding of USS Kyushu (January 2006)

The USS Kyushu Gold site was rebuilt from scratch and resumed operations under the new name of USS Kyushu. Equipped with the latest auction facilities, the USS Kyushu site will drive USS' market expansion in the Kyushu area, which is noted for intense competition.

Rebuilding of USS Osaka (March 2006)

The structures of the USS Osaka site were rebuilt. Although the two-lane system currently remains in service, the site can accommodate a four-lane system as needed. Coordinated efforts between this site and the USS Kobe site will enable USS to strengthen its presence in the Kansai area.

Expansion and Upgrading of Existing Sites

Yokohama site upgraded to four-lane system (October 2005)

The Yokohama site, which has been in operation since 2004, was upgraded. A four-lane auction system replaced the initially installed two-lane system to meet the growing number of consignments and deliver greater benefits to members.

Nagoya site upgraded to six-lane system (January 2006)

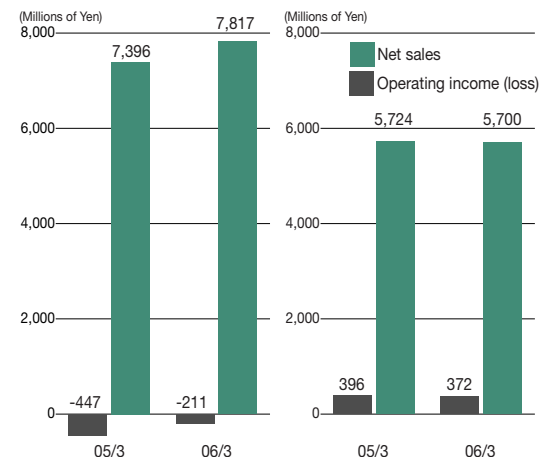
A shift from the previously installed four-lane system to a six-lane system equipped with the latest visual displays was completed to reduce the time required for auctions. New, improved seats were also installed to allow greater room for increased comfort.

USS buys and sells used vehicles through its nationwide network of agencies called Rabbit, which currently numbers 352 locations. USS' presence in this upstream market of the used vehicle distribution trade has strategic importance, since it helps USS secure a stable flow of quality used vehicles available for its auctions. During the fiscal year under review, staff training at directly managed shops was administered to boost sales and marketing capabilities. At the same time, unprofitable shops were eliminated based on a scrap-and-build approach. Undertakings directed to Rabbit's franchisees included structural reviews involving a hike in royalties. A complete makeover of the store design and the introduction of a uniform design for the directly managed and franchisee shops were also carried out as part of the chain's branding efforts.

Purchases and sales of accident-damaged vehicles on an "as is" basis are handled by the regional branches for Hokkaido, Chubu, and Kansai areas. USS is strengthening this area of business through measures undertaken separately by the regions and by adding more locations.

Used car purchasing and selling business

Accident car purchasing and selling business

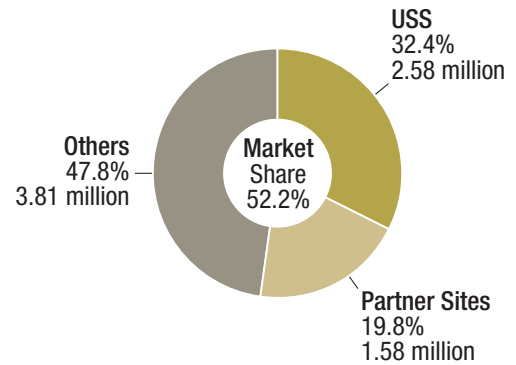


Satellite TV and Internet Auctions Business

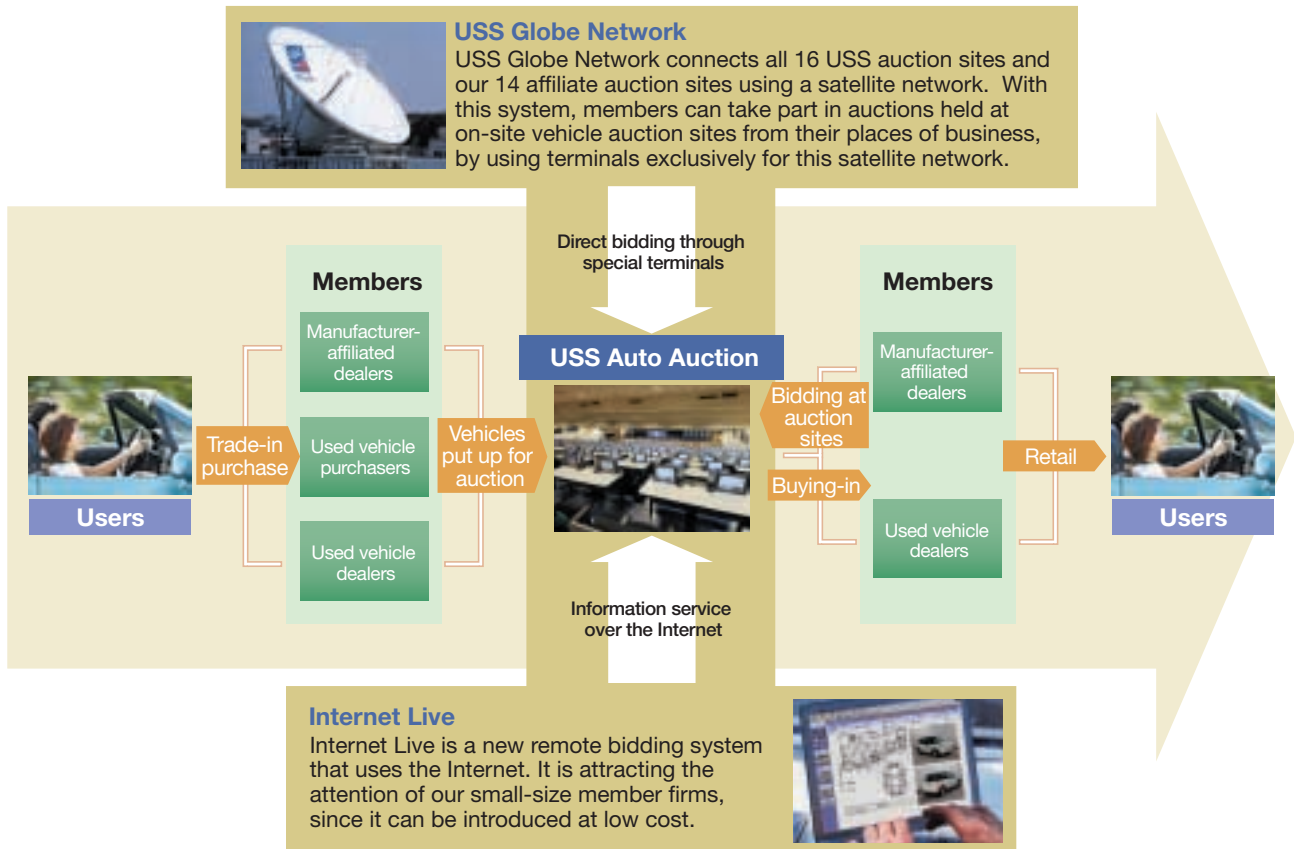
USS' Globe Network is an innovative auction system that connects 30 on-site auction sites (16 USS sites and 14 partner sites) across Japan, from Hokkaido in the north to Kyushu in the south, via satellite-TV circuits to allow participation that transcends barriers of geography, time, and cost. In addition to placing limit bidding, members on the premier plan are allowed to conduct POS bidding even from a remote location. Globe Network, with its weekly listings of about 80,000 vehicles, accounts for 52.2% of the domestic auction market.

Our other remote venue, Internet Live, is a popular Internet auction site that allows members to participate in auctions without incurring costly operating costs initially. Japan's broadband penetration rate is one of the highest in the world, while the cost of connecting to the Internet is among the lowest. The prerequisite for participating in either Globe Network or Internet Live is membership in USS' on-site auction site.

Partner auction sites in Globe Network



Auto auction market shares for the period January to December 2005, based on the number of vehicles put up for auction.



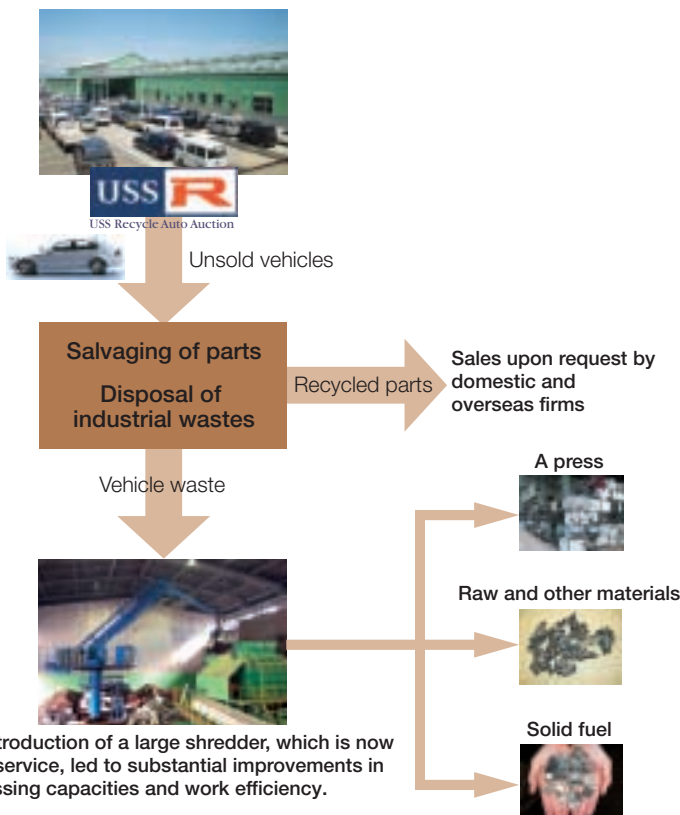
The Automobile Recycling Law came into full force in January 2005. Designed to encourage the salvaging and recycling of components and other content taken out of vehicles waiting to be scrapped, the law requires vehicle users to pay recycling fees and manufacturers to salvage scrapped fragments and debris. The recycling market that has emerged in conjunction with the dismantling of vehicles is poised to enter a full growth stage in Japan.

Two subsidiaries of USS, ARBIZ and USS Toyo, are charged with pro-environmental tasks within the USS Group. ARBIZ takes out usable parts from end-of-life vehicles and sells them as components and manufacturing inputs in the domestic and overseas markets. A new shredder has been in full operation since November 2005. USS Toyo is responsible for the recycling of rubber chips, which are generated by smashing waste tires, to turn them into material for toys and synthetic turf.



ARBIZ recycling plant

Recycling of end-of-life vehicles and others



Recycling of waste rubber

