

Five-Year Consolidated Financial Summary

USS Co., Ltd. and Consolidated Subsidiaries
For the Years Ended March 31, 2007, 2006, 2005, 2004 and 2003

Financial
Section

	Millions of Yen					Percentage Change	Thousands of U.S. Dollars (Notes 1)
	2007	2006	2005	2004	2003		
For the year:							
Operating revenue	¥64,569	¥60,243	¥50,484	¥42,426	¥33,820	7.2%	\$547,195
Operating income.....	24,817	23,104	20,673	18,017	15,336	7.4	210,314
Income before income taxes and minority interests.....	25,419	23,052	20,612	16,175	13,727	10.3	215,415
Income taxes	10,700	9,643	8,603	6,983	5,909	11.0	90,678
Less, minority interests in net income of consolidated subsidiaries	328	205	194	285	173	60.2	2,779
Net income.....	14,391	13,204	11,815	8,907	7,645	9.0	121,958
Capital expenditures	13,400	13,207	19,142	17,900	15,313	1.5	113,559
Depreciation and amortization ..	5,254	4,199	2,969	1,837	1,804	25.1	44,525
Net cash provided by operating activities	21,010	20,868	16,297	11,188	12,310	0.7	178,051
Net cash used in investing activities.....	(12,539)	(12,148)	(18,597)	(7,744)	(16,537)	3.5	(106,263)
Net cash used in (provided by) financing activities	(6,816)	(4,898)	2,383	(3,401)	(2,225)	39.2	(57,763)
Cash and cash equivalents at end of year.....	21,150	19,495	15,673	15,119	15,076	8.5	179,237
At year-end:							
Total equity (Note 2)	105,988	98,068	85,804	68,225	44,376	8.1	898,204
Total assets.....	146,172	131,909	115,705	92,539	88,979	10.8	1,238,746
Number of common shares issued ...	32,604,062	32,486,932	31,981,969	30,815,069	27,412,942		
Number of shareholders	9,640	11,761	8,011	4,484	3,521		
Number of employees.....	1,158	1,034	933	785	685		
Temporary and part-time staff...	460	479	443	392	332		
Ratios:							
Return on equity (ROE) (%)	14.2	14.5	15.5	16.0	19.5		
Equity ratio (%)	71.8	73.8	73.4	72.9	49.3		

Yen

U.S. Dollars
(Notes 1)

Per share:

Net income (Note 3):

Basic	¥ 447.12	¥ 407.08	¥ 377.69	¥ 300.72	¥ 279.47	\$ 3.79
Diluted	446.62	406.03	366.03	277.76	242.85	3.78
Cash dividends	100.00	80.00	65.00	50.00	40.00	0.85
Equity	3,287.75	3,011.21	2,654.07	2,190.51	1,598.29	28.10

Notes:1. The U.S. dollar amounts have been translated, for convenience only, at the rate of ¥118=US\$1, the approximate rate of exchange at March 31, 2007.

2. Total equity = total shareholders' equity + other components of equity + minority interests.

3. Net income per share has been computed based on the weighted-average number of shares outstanding during each period.

Management's Discussion and Analysis of Operations

USS Co., Ltd. and Consolidated Subsidiaries

The USS Group

The USS Group consists of the parent company, 16 subsidiaries and 3 affiliates. The Group is primarily engaged in the used vehicle auction business. The scope of its operations and Group companies active in each area of business are described below. Please note that these business categories are the same as those used for segment information.

Automobile Auction Business Segment (17 Companies Including the Parent Company)

The parent company, its subsidiaries (consolidated subsidiary USS Okayama Co., Ltd. and 9 other consolidated subsidiaries) and Fujioka Interchange Auto Auction Co., Ltd. (an affiliated company) are engaged in automobile auctions for members consisting of used car dealers. The parent company also manages satellite-based TV automobile auctions and sells special purpose TV automobile auction terminals. Consolidated subsidiary US Butsuryu Co., Ltd., specializes in transportation of submitted and sold vehicles to and from auctions. Consolidated subsidiary CAR QUEST Co., Ltd., provides used vehicle information services via the Internet. USS Support Service Co., Ltd. provides a financing service to auction members.

UG Powers Co., Ltd., an affiliate, provides planning and development services for automobile-related business operators. InfoCarry Co., Ltd. offers the service of mobile phone-based distribution of used vehicle information.

Used Car Purchasing and Selling Business Segment (2 Companies)

Consolidated subsidiary CAR QUEST Co., Ltd. manages a used vehicle purchase and sales business, while consolidated subsidiary World Automobile Co., Ltd., engages in purchase and sales of accident-damaged vehicles.

Other Business Segment (2 Companies)

Consolidated subsidiary ARBIZ Co., Ltd. manages a salvage and recycling business for goods such as end-of-life vehicles. Consolidated subsidiary USS Toyo Co., Ltd. engages in recycling of scrap rubber.

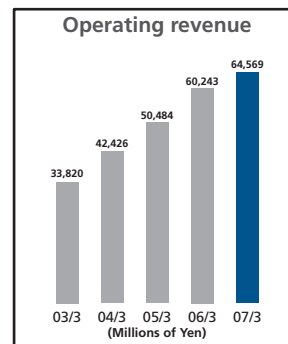
Operating Environment

The used vehicle distribution market found itself in a challenging situation, as the number of new and used vehicle registrations dropped 4.1% and 4.3%, respectively, from the preceding year. In the used vehicle auction industry, the number of vehicles submitted for auction increased 3.8% over the previous year, to 8.42 million. This result reflected a growing tendency for used vehicle dealers to put up stocked vehicles for auction in an effort to avoid the risk of holding long-term inventory, as well as expanding demand for reusable vehicles (dated vehicles with high mileage)—a type of vehicle that until recent years has not traded at auctions—stimulated by the expansion of export markets. The contract completion rate rose to 54.4%, from 53.3% a year earlier.

In this operating environment, the USS Group strove to strengthen its management base in the automobile auction business segment through aggressive capital investment aimed at boosting the capacity of existing auction sites. In the USS Internet Live business, an Internet-based remote bidding system launched in October 2005, the Group formed a business partnership with eight non-USS Group sites, to increase the number of vehicles handled and the membership base.

In addition, the Group worked to improve convenience for members, through the launch in June 2006 of "JUST & TIMELY," a funding assistance service for members that extends a loan to the successful bidder.

In the recycling business, the Group started to push toward comprehensive recycling that extends beyond end-of-life vehicle recycling, by embarking on the recycling of white goods and air conditioners.



Revenue Overview

Consolidated operating revenue in fiscal 2006 amounted to ¥64,569 million, up ¥4,326 million, or 7.2%, compared with the previous year.

The expansion mainly reflected a rise in the number of vehicles put up for auction, which grew 6.7%, to 2.84 million units. By auction site, both the Yokohama and Sapporo sites recorded increases, handling 253,000 units (up 15.2%) and 146,000 units (up 11.9%), respectively. The R-Tokyo site, which opened in May 2005, and the Kobe site, which opened in September 2005, became sources of revenue, respectively handling 87,000 units (up 30.2%) and 88,000 units (up 85.7%). The number of contracted vehicles increased 9.4%, to 1.541 million units, and the contract completion rate also expanded to 54.3%, from 52.9% a year earlier. Consequently, operating revenue in the automobile auction business segment advanced 7.8%, to ¥47,708 million.

In the used car purchasing and selling business segment, operating revenue from the Rabbit chain of used vehicle purchasing agencies fell 4.2%, to ¥7,489 million, mainly because of a decrease in the number of stores. At World Automobile Co., Ltd., operating revenue from purchase and sales of accident-damaged vehicles declined 5.3%, to ¥5,399 million, reflecting the company's pursuit of per-unit earnings, which resulted in a drop in the number of vehicles sold. As a result, operating revenue from the sales of used cars business declined 4.7%, to ¥12,888 million.

Operating revenue of the other business segment, which consists of the recycling businesses operated by ARBIZ Co., Ltd. and USS Toyo Co., Ltd., surged 61.8%, to ¥3,973 million, supported mainly by the efforts of ARBIZ to secure industrial waste other than end-of-life automobiles for recycling.

Revenue Breakdown

(1) By Auction Site

The USS Group pursues a strategy of striving for the "No. 1 auction site in each local market" by providing services that match the needs of each region. Because of this effort, the Group as a whole succeeded in achieving year-on-year growth, posting an increase in operating revenue.

Among large auction sites, the Nagoya site recorded a 2.6% decline in operating revenue, because operating revenue from the R-Nagoya site were reported separately. The R-Nagoya site posted growth of 19.6% from the prior year. Other sites within the Tokyo metropolitan area enjoyed steady growth in operating revenue, with the Tokyo site recording a rise of 10.6% over the

Operating Revenue by Site	Millions of Yen		Percentage Change
	2007	2006	2007/2006
For the year:			
Nagoya site	¥6,287	¥6,458	97.4%
R-Nagoya site	1,621	1,355	119.6
Kyushu site	2,595	2,460	105.5
Fukuoka site	882	854	103.3
Tokyo site	11,619	10,503	110.6
R-Tokyo site	1,088	896	121.4
Shizuoka site	1,536	1,220	125.9
Okayama site	1,201	1,172	102.5
Sapporo site	2,154	1,882	114.4
West Tokyo site	1,049	1,055	99.4
Gunma site	1,728	1,646	105.0
Tohoku site	1,722	1,452	118.6
Osaka site	1,859	1,849	100.6
Kobe site	917	562	162.9
Yokohama site	3,557	2,969	119.8
Ryutsu site	1,970	2,011	97.9
Used Car Logistics Services	389	443	87.7
Satellite Auction	3,067	3,508	87.4
Internet Information Services	2,455	1,978	124.2
Support Services	14	—	—

previous year, to ¥11,619 million, the Yokohama site an expansion of 19.8%, to ¥3,557 million, and the R-Tokyo site, which opened in May 2005, an increase of 21.4%, to ¥1,088 million. Regional auction sites enjoyed across-the-board growth compared with a year earlier, with operating revenue at the Sapporo site jumping 14.4%, to ¥2,154 million, and those at the Kobe site, which opened in September 2005, surging 62.9%, to ¥917 million.

The business of Internet Information Services, an Internet-based remote bidding system, posted a higher-than-projected gain in operating revenue, which expanded 24.2%, to ¥2,455 million.

(2) By Segment

Automobile Auction Business

Under the leadership of the business development team, the USS Group worked hard to attract new members and encourage currently inactive members to participate in USS auctions more regularly, while implementing aggressive measures in line with the strategy of making USS auction sites No. 1 in every region, to capture a dominant market share in all regions where the Group operates.

To boost the processing capacity of existing auction sites, the Group introduced a four-lane auction system, which enables simultaneous auction of four vehicles, at the Sapporo site in August 2006, and installed additional buyers' seats. The completion of a multilevel parking garage-type stockyard capable of accommodating up to 4,700 cars at the Osaka site in November 2006 doubled the site's auction capacity.

Aiming to capture the top market share in the Kansai region, the Group sought to strengthen the management base covering the entire Kansai region, by effecting a merger between USS Osaka Co., Ltd., the operator of the Osaka site, and USS Kobe Co., Ltd., the operator of the Kobe site, on March 1, 2007. The company created from the merger was named USS Kansai Co., Ltd.

To strengthen its management base in the Hokuriku region, the Group turned KUA HOKURIKU Co., Ltd., an operator of used vehicle auctions located in Kaga City, Ishikawa Prefecture, into a wholly owned subsidiary on March 1, 2007. This was accomplished through a stock-for-stock exchange transaction, and the company's name was changed to USS Hokuriku Co., Ltd.

In the business of the USS Internet Live, a service that was launched in October 2005 at 15 USS Group sites and which provides broadcasting of automobile auctions in real time to allow its members to make bids via their PC terminals, USS formed a business partnership with eight non-USS Group sites. This was done to enhance the convenience for members as well as to increase the number and vehicles handled and the membership base.

Thanks to the sales expansion efforts described above, during the consolidated fiscal year under review the USS Group as a whole put up 2.84 million vehicles for auction, a rise of 6.7% from the previous year, and the number of contracted vehicles increased 9.4%, to 1.541 million units. As a result, the automobile auction business segment posted operating revenue of ¥47,708 million, up 7.8%, and operating income of ¥24,175 million, up 6.6%.

Used Car Purchasing and Selling Business

The Rabbit chain of used vehicle purchasing agencies carried out store remodeling, to engineer a refurbishment of the brand image.

In the business of purchasing and selling of accident-damaged vehicles operated by World Automobile Co., Ltd., the company focused business efforts in the major cities in Tokai and Kansai regions as well as Kanto region, by opening nonlife insurance business offices in those regions to increase the purchase of accident-damaged vehicles from insurance companies.

However, the intensified competition negatively impacted the purchasing and sales business, and the sales of used cars segment posted operating revenue of ¥12,888 million, down 4.7%, and an operating loss of ¥17 million, compared with operating income of ¥161 million in the previous year.

Other Business

This segment comprises of the recycling business of end-of-life vehicles and other recyclable goods operated by ARBIZ, and the scrap rubber recycling business managed by USS Toyo. In the recycling business of end-of-life vehicles and other recyclable goods, ARBIZ initiated recycling of white goods and air conditioners together with end-of-life vehicles, with an eye to comprehensive recycling. The scrap rubber recycling business performed relatively well, supported mainly by strong demand for rubber chips for use in artificial lawns.

Consequently, the other business segment generated operating revenue of ¥3,973 million, up 61.8%, and operating income of ¥413 million, compared with operating income of ¥6 million in the previous year.

Costs of Revenue and Selling, General and Administrative (SG&A) Expenses

Costs of revenue amounted to ¥27,581 million, increasing by ¥1,787 million, or 6.9%, from a year earlier. This reflected a rise in depreciation costs associated with the opening of new sites.

SG&A expenses grew 7.3%, or ¥826 million, to ¥12,171 million. The increase was due to higher sales promotion expenses in connection with the upgrading of services for members.

Operating Income, Other Income (Expenses) and Net Income

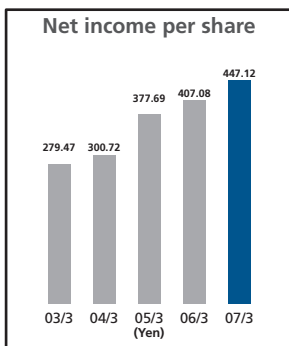
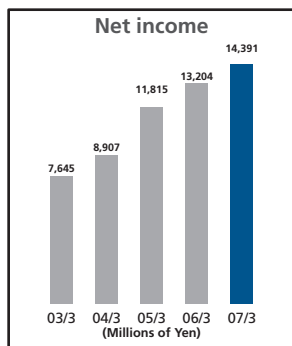
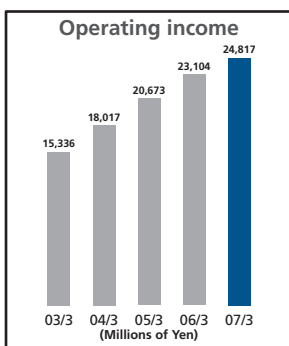
Operating income amounted to ¥24,817 million, up ¥1,713 million, or 7.4%, from the previous year. The increase reflected a rise in the number of vehicles submitted for auction, which resulted in the higher operating revenue in the automobile auction business segment.

Other income (expenses) amounted to ¥602 million, compared with a net other expense of ¥52 million a year earlier.

The primary factor responsible was a gain on sale or disposal of property and equipment.

Income before income taxes and minority interests amounted to ¥25,419 million, compared with ¥23,052 million in the previous year. Income taxes totaled ¥10,700 million, and minority interests in net income of subsidiaries amounted to ¥328 million.

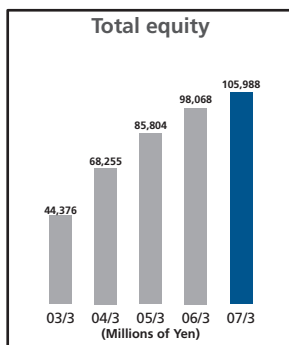
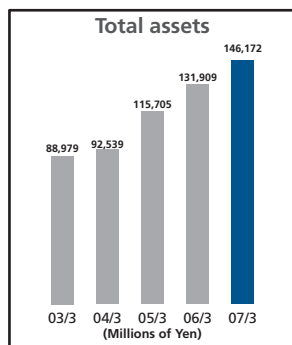
As a result, net income for the term rose ¥1,187 million, or 9.0%, to ¥14,391 million, marking the eighth consecutive term of year-on-year increases in both operating revenue and net income since USS began reporting consolidated financial results. Basic net income per share was ¥447.12, while diluted net income per share amounted to ¥446.62. Cash dividends per share applicable to the year increased to ¥100.00, from ¥80.00 in the previous year.



Financial Position

Total assets at the fiscal year-end stood at ¥146,172 million on a consolidated basis. Total equity amounted to ¥105,988 million, while the equity ratio stood at 71.8%.

Total assets increased by ¥14,263 million, or 10.8%, from the previous year, to ¥146,172 million. Total current assets amounted to ¥41,067 million, growing by ¥6,728 million, or 19.6%, from the previous fiscal year-end, mainly because of an increase of ¥4,138 million, or 38.2%, in receivables due from



member dealers at auction because of the day of the week on which the final day of the consolidated fiscal year fell. Property and equipment at cost, less accumulated depreciation, increased by ¥7,614 million, or 9.0%, to ¥92,476 million, primarily because of capital expenditures associated with the construction of a multilevel parking garage at the Osaka site that was completed in November 2006.

Total liabilities amounted to ¥40,184 million, up ¥6,343 million, or 18.7%, over the previous year-end. Total current liabilities rose by ¥6,019 million, or 22.7%, from the previous year-end, to ¥32,510 million, mainly because of an increase of ¥4,389 million, or 35.3%, in payables due to member dealers at auction because of the day of the week on which the last day of the fiscal term fell. Non-current liabilities also increased, by ¥324 million or 4.4%, to ¥7,674 million, mainly because of a rise of ¥215 million, or 6.3%, in guarantee deposits received from member dealers, a result of an increased number of members.

Total equity* expanded ¥7,920 million, or 8.1%, from the previous year-end, to ¥105,988 million. The increase was primarily attributable to ¥14,391 million in net income for the year and fractional shares, net.

Consequently, the equity per share stood at ¥3,287.75, up ¥278.83 from ¥3,008.92 at the end of the previous year. The equity ratio, however, declined to 71.8%, from 73.8%.

* Because the net assets section of the consolidated balance sheet for the fiscal term under review was prepared according to the revised rules for consolidated financial statements, the classifications used differ from those previously used. Total equity based on the new classification is as follows:

- Total equity = total shareholders' equity + other components of equity + minority interests.

Cash Flows

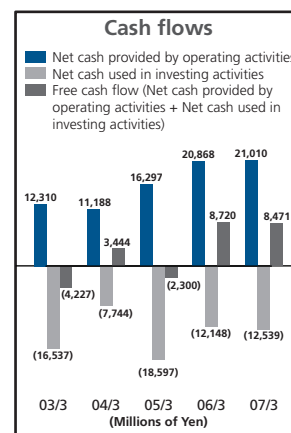
At end of the consolidated fiscal year under review, cash and cash equivalents (hereinafter referred to as cash) totaled ¥21,150 million, up 8.5% or ¥1,655 million, from the previous consolidated fiscal year.

Net Cash Provided by Operating Activities

Net cash provided by operating activities totaled ¥21,010 million, up 0.7%, or ¥142 million, from the previous year. This result mainly reflected increases in cash due to greater income before income taxes and minority interests, which rose 10.3% to ¥25,419 million, and in depreciation and amortization, which grew 25.1%, to ¥5,254 million. The increases were partly offset by a decrease in cash due to income taxes paid, which rose 19.7%, to ¥10,320 million.

Net Cash Used in Investing Activities

Net cash used in investing activities totaled ¥12,539 million, up ¥391 million from the previous year. The increase primarily reflected expenditures of ¥13,186 million, up 3.5%, which were incurred in the payments for the purchases of property and equipment associated with the construction of a multilevel parking garage at the Osaka site that was completed in November 2006.



Net Cash Used in Financing Activities

Net cash used in financing activities totaled ¥6,816 million, increasing ¥1,918 million from the previous year. This result was primarily attributable to decrease in cash consisting of ¥4,526 million in payments for purchase of treasury stock, up 124.4 %, and ¥3,144 million in dividends paid, up 44.7%. These factors more than offset a decrease of ¥1,365 million in repayment of long-term debt compared with the previous year.

Risk Factors

The following is a summary of potential risk factors that may affect the future growth of the USS Group. This list is not exhaustive, and new factors may arise as the result of external events.

•Laws and regulations affecting the auto auction industry

The USS Group, as an operator of auto auctions and through its other businesses involving the purchase and sale of used vehicles, is subject to various laws and regulations covering such activities. These regulations include the requirement for the USS Group to obtain specific licenses for the operation of these activities, which are subject to cancellation, should the Group infringe regulations or fail to meet licensee minimum requirements. If regulations change, the Group may be forced to modify its operations in a way that is disadvantageous to the Group's auction members.

•Related party transactions

Certain directors of companies within the USS Group, or members of these directors' respective families, have management and/or equity interests in used vehicle dealerships. In the period immediately following the establishment of the Group, such relationships helped bolster the number of vehicles put up for auction at USS sites. Should such directors sever ties from the Group, the number of vehicles put up for auction at USS sites may fall as a result.

•Attracting and maintaining a sufficient membership of auction participants

Strategies designed to attract new auction members and maintain sufficient active members are a key part of the USS Group's business. In certain circumstances, such strategies may be rendered ineffective. These include such scenarios as: competitors offering services, facilities or membership benefits not provided by the USS Group; a fall in the number of vehicles put up for auction at USS sites and/or the contract completion rate falling to levels below that of its competitors; the actions of USS staff or directors causing damage to the Group's reputation; and large-volume vehicle sellers deciding, for whatever reason, to use alternative selling methods.

•Attracting sufficient vehicles put up for auction

The USS Group's business is highly reliant on attracting sufficient vehicles put up for auction. This includes a certain level of dependence on vehicles put up for auction by large-volume used car purchasing agencies. In the fiscal year ended March 31, 1999, the Group began offering commission discounts to such high-volume customers. Future changes in the Group's commission system may affect the number of vehicles put up for auction by these customers.

•Limitations to the expansion of existing auction facilities

When expanding existing auction facilities, significant limitations exist on the amount of vehicle parking space that can be added.

Such limitations may arise from the Group's ability to acquire or lease suitable land and/or construct multi-level parking facilities. In or near large Japanese cities, the availability of suitable space with the appropriate usage zoning for auto auctions is severely limited, which may impact on the Group's expansion plans.

•Risks relating to the construction and acquisition of new facilities

The USS Group expands its business through the construction of new auction facilities and the acquisition of existing auction sites from other operators. Such expansion includes such risks as: the inability to attract sufficient vehicles put up for auction or sufficient auction members to such new or acquired auction sites; various uncertain factors as contingent liabilities, off-balance-sheet liabilities, management problems and flawed rights arising from merger or acquisition transactions; increasing management complexity owing to a larger organization; the inability to secure all necessary regulatory permission related to auction facilities expansion or transfer to a new site; and foreign exchange risk, difficulty in adapting to local business practices, political risk and local cyclical economic risk when expanding outside Japan.

•Auto auction market growth limitations

The Japanese used car industry is a mature market with relatively low growth prospects. Vehicle ownership growth rates have also declined in recent years. The USS Group's business rests on its ability to sell the merits of its system to optimize the flow of used vehicles through the market. If the Group is unable to sustain its competitive advantage to expand its market share, its profitability and growth rate may decline.

•Competitive factors

Until now, the USS Group has maintained high market share in each geographical region in which it operates auto auctions. However, competitor firms have expanded their operations and increased their scale through alliances and mergers, which may result in these firms offering services or benefits to auction participants that the USS Group is unable to match. Furthermore, automaker-affiliated used car dealers may emerge in the future as significant competitors to the services offered by the Group. Such intensified competition may affect the Group's profitability and growth, including through downward pressure on commissions and other fees.

•Rapid technological innovation

Rapid technological innovation has had a profound impact on the auto auction market, affecting traditional auction sites, satellite-based auctions and Internet-based auction information services. Such rapid change may affect the future competitiveness of the USS Group. The Group may also need to carry out large-scale capital expenditure to keep pace with such developments, and there is no guarantee that the Group would be able to sustain its current competitive advantages despite the execution of such an investment strategy.

•Managing auto auction member information

As of March 31, 2007, the USS Group had an auction membership of 40,959 firms, a satellite auction membership of 6,132 firms and an Internet-based information membership of 17,465 firms. Should confidential information relating to the members be leaked to third parties, the Group would suffer a loss of market confidence and operating results would likely decline correspondingly.

Consolidated Balance Sheets

USS Co., Ltd. and Subsidiaries
March 31, 2007 and 2006

Assets	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current assets:			
Cash and cash equivalents	¥ 21,150	¥ 19,495	\$ 179,237
Short-term investments (Note 5)	—	500	—
Receivables:			
Due from member dealers at auction (Note 4)	14,983	10,845	126,975
Trade and other accounts	2,413	1,534	20,449
Allowance for doubtful accounts	(47)	(37)	(398)
Total receivables	17,349	12,342	147,026
Inventories (Note 6)	1,062	762	9,000
Deferred tax assets (Note 12)	962	710	8,153
Other current assets	544	530	4,609
Total current assets	41,067	34,339	348,025
Property and equipment, at cost:			
Land	48,910	45,032	414,492
Buildings and structures	51,350	45,589	435,169
Vehicles and equipment	13,408	12,052	113,627
Construction in progress	1,519	201	12,873
	115,187	102,874	976,161
Less, accumulated depreciation	(22,711)	(18,012)	(192,466)
	92,476	84,862	783,695
Investments and other assets:			
Investment securities (Note 5)	1,439	1,840	12,195
Intangible assets (Note 7)	3,706	4,021	31,407
Deferred tax assets (Note 12)	623	557	5,280
Deferred tax assets for revaluation	3,359	3,350	28,466
Investment property	1,720	1,723	14,576
Other assets	1,900	1,605	16,102
Allowance for doubtful accounts	(118)	(388)	(1,000)
	12,629	12,708	107,026
Total assets	¥146,172	¥131,909	\$1,238,746

See accompanying Notes to Consolidated Financial Statements.

Total Liabilities and Equity	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Current liabilities:			
Short-term borrowings (Note 8).....	¥ —	¥ 700	\$ —
Current portion of long-term debt (Note 8)	2,306	1,500	19,542
Payables:			
Due to member dealers at auction (Notes 4 and 13)	16,811	12,422	142,466
Trade and other accounts	3,500	2,502	29,661
Total payables	20,311	14,924	172,127
Deposits received in advance	2,823	2,813	23,924
Accrued expenses	922	723	7,814
Income taxes payable.....	5,945	5,389	50,381
Other current liabilities.....	203	442	1,720
Total current liabilities	32,510	26,491	275,508
Long-term debt (Note 8)	3,049	3,000	25,839
Guarantee deposits received from member dealers	3,617	3,402	30,653
Employee retirement benefit liability (Note 9)	115	95	975
Accrued directors' and corporate auditors' severance indemnities	422	382	3,576
Deferred tax liabilities for revaluation	471	471	3,991
Total liabilities.....	40,184	33,841	340,542
Equity (Note 10):			
Common stock.....	18,582	—	157,475
Capital surplus.....	27,692	—	234,678
Retained earnings	69,237	—	586,754
Treasury stock, at cost.....	(5,770)	—	(48,898)
Total shareholders' equity.....	109,741	—	930,009
Other components of equity	(4,756)	—	(40,305)
Minority interests.....	1,003	—	8,500
Total equity	105,988	—	898,204
Total liabilities and equity.....	¥146,172	—	\$1,238,746
Minority interests	—	676	—
Shareholders' equity (Note 10):			
Common stock.....	—	18,250	—
Capital surplus.....	—	27,360	—
Retained earnings	—	58,141	—
Land revaluation decrement	—	(4,980)	—
Net unrealized gains on available-for-sale securities	—	389	—
Treasury stock, at cost.....	—	(1,768)	—
Total shareholders' equity.....	—	97,392	—
Total liabilities, minority interests and shareholders' equity.....	—	¥131,909	—

Consolidated Statements of Income

USS Co., Ltd. and Subsidiaries

For the Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Operating revenue (Notes 13 and 14).....	¥64,569	¥60,243	\$547,195
Operating costs and expenses (Note 14):			
Costs of revenue.....	27,581	25,794	233,737
Selling, general and administrative expenses.....	12,171	11,345	103,144
	39,752	37,139	336,881
Operating income.....	24,817	23,104	210,314
Other income (expenses):			
Interest and dividend income.....	26	17	220
Interest expense.....	(49)	(56)	(416)
Gain (loss) on sale or disposal of property and equipment.....	116	(622)	983
Gain on sale of investment securities.....	—	570	—
Impairment loss on fixed assets.....	(13)	(27)	(110)
Loss on legal settlement.....	—	(408)	—
Other, net.....	522	474	4,424
	602	(52)	5,101
Income before income taxes and minority interests.....	25,419	23,052	215,415
Income taxes (Note 12).....	10,700	9,643	90,678
Less, minority interests in net income of subsidiaries	328	205	2,779
Net income.....	¥14,391	¥13,204	\$121,958
		Yen	U.S. Dollars
Per share:			
Net income:			
—Basic.....	¥447.12	¥407.08	\$3.79
—Diluted.....	446.62	406.03	3.78
Cash dividends.....	100.00	80.00	0.85

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

USS Co., Ltd. and Subsidiaries

For the Years Ended March 31, 2007 and 2006

	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Land revaluation decrement	Net unrealized gains on available- for-sale securities	Treasury stock	Total shareholders' equity	
									Millions of Yen
Balance at March 31, 2005	31,981,969	¥17,580	¥24,756	¥47,168	¥(4,916)	¥301	¥ (11)	¥84,878	
Net income for the year	—	—	—	13,204	—	—	—	13,204	
Issuance of common shares upon exercise of stock options	129,270	354	354	—	—	—	—	708	
Conversion of convertible bonds	135,573	316	315	—	—	—	—	631	
Stock issued under stock-for-stock exchange transaction (Note 3)	240,120	—	1,935	—	—	—	—	1,935	
Cash dividends	—	—	—	(2,173)	—	—	—	(2,173)	
Bonuses to directors and corporate auditors	—	—	—	(56)	—	—	—	(56)	
Reversal of land revaluation decrement	—	—	—	(2)	2	—	—	—	
Adjustments for applicable income taxes	—	—	—	—	(66)	—	—	(66)	
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	—	—	—	—	—	88	—	88	
Purchases of treasury stock and fractional shares, net	—	—	—	—	—	—	(1,757)	(1,757)	
Balance at March 31, 2006	32,486,932	¥18,250	¥27,360	¥58,141	¥(4,980)	¥389	¥(1,768)	¥97,392	
		Shareholders' equity							
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity			
		Millions of Yen							
Balance at March 31, 2006	32,486,932	¥18,250	¥27,360	¥58,141	¥(1,768)	¥101,983			
Net income for the year	—	—	—	14,391	—	14,391			
Issuance of common shares upon exercise of stock options	117,130	332	332	—	—	664			
Cash dividends	—	—	—	(3,144)	—	(3,144)			
Bonuses to directors and corporate auditors	—	—	—	(74)	—	(74)			
Purchases of treasury stock and fractional shares, net	—	—	—	(77)	(4,002)	(4,079)			
Net changes other than shareholders' equity for the year	—	—	—	—	—	—			
Balance at March 31, 2007	32,604,062	¥18,582	¥27,692	¥69,237	¥(5,770)	¥109,741			
		Other components of equity							
		Net unrealized gains on available- for-sale securities	Land revaluation decrement	Total other components of equity	Minority interests	Total equity			
		Millions of Yen							
Balance at March 31, 2006		¥389	¥(4,980)	¥(4,591)	¥ 676	¥ 98,068			
Net income for the year		—	—	—	—	14,391			
Issuance of common shares upon exercise of stock options		—	—	—	—	664			
Cash dividends		—	—	—	—	(3,144)			
Bonuses to directors and corporate auditors		—	—	—	—	(74)			
Purchases of treasury stock and fractional shares, net		—	—	—	—	(4,079)			
Net changes other than shareholders' equity for the year		(166)	1	(165)	327	162			
Balance at March 31, 2007		¥223	¥(4,979)	¥(4,756)	¥1,003	¥105,988			

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	Thousands of U.S. Dollars				
Balance at March 31, 2006	\$154,661	\$231,864	\$492,720	\$(14,983)	\$864,262
Net income for the year	—	—	121,958	—	121,958
Issuance of common shares upon exercise of stock options	2,814	2,814	—	—	5,628
Cash dividends	—	—	(26,644)	—	(26,644)
Bonuses to directors and corporate auditors	—	—	(627)	—	(627)
Purchases of treasury stock and fractional shares, net	—	—	(653)	(33,915)	(34,568)
Net changes other than shareholders' equity for the year	—	—	—	—	—
Balance at March 31, 2007	\$157,475	\$234,678	\$586,754	\$(48,898)	\$930,009

	Other components of equity				
	Net unrealized gains on available-for-sale securities	Land revaluation decrement	Total other components of equity	Minority interests	Total equity
	Thousands of U.S. Dollars				
Balance at March 31, 2006	\$3,297	\$(42,203)	\$(38,906)	\$5,729	\$831,085
Net income for the year	—	—	—	—	121,958
Issuance of common shares upon exercise of stock options	—	—	—	—	5,628
Cash dividends	—	—	—	—	(26,644)
Bonuses to directors and corporate auditors	—	—	—	—	(627)
Purchases of treasury stock and fractional shares, net	—	—	—	—	(34,568)
Net changes other than shareholders' equity for the year	(1,407)	8	(1,399)	2,771	1,372
Balance at March 31, 2007	\$1,890	\$(42,195)	\$(40,305)	\$8,500	\$898,204

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

USS Co., Ltd. and Subsidiaries
For the Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Cash flows from operating activities:			
Income before income taxes and minority interests.....	¥ 25,419	¥ 23,052	\$ 215,415
Adjustments for:			
Depreciation and amortization	5,254	4,199	44,525
(Gain) loss on sale or disposal of property and equipment	(116)	622	(983)
Impairment loss on fixed assets	13	27	110
Net change in amounts due from/to member dealers at auction.....	248	852	2,102
(Decrease) increase in deposits received in advance	(18)	1,411	(153)
Other, net.....	564	(221)	4,781
Sub-total.....	31,364	29,942	265,797
Interest and dividend received.....	15	16	127
Interest paid	(49)	(57)	(415)
Legal settlement paid	—	(408)	—
Income taxes paid	(10,320)	(8,625)	(87,458)
Net cash provided by operating activities.....	21,010	20,868	178,051
Cash flows from investing activities:			
Payments for purchases of property and equipment	(13,186)	(12,739)	(111,746)
Increase in long-term investments and other assets.....	(892)	(523)	(7,559)
Decrease in property, long-term investments and other assets.....	704	1,189	5,966
Decrease (increase) in short-term investments.....	500	(354)	4,237
Other.....	335	279	2,839
Net cash used in investing activities	(12,539)	(12,148)	(106,263)
Cash flows from financing activities:			
Increase in long-term debt	2,450	2,000	20,763
Repayment of long-term debt	(1,844)	(3,209)	(15,627)
Net change in short-term borrowings	(610)	(625)	(5,169)
Net increase in guarantee deposits received from member dealers	194	245	1,643
Issuance of common stock	664	708	5,627
Payments for purchase of treasury stock.....	(4,526)	(2,017)	(38,356)
Dividends paid.....	(3,144)	(2,173)	(26,644)
Other.....	—	173	—
Net cash used in financing activities.....	(6,816)	(4,898)	(57,763)
Net increase in cash and cash equivalents	1,655	3,822	14,025
Cash and cash equivalents at beginning of year	19,495	15,673	165,212
Cash and cash equivalents at end of year	¥21,150	¥19,495	\$179,237

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

USS Co., Ltd. and Subsidiaries
March 31, 2007 and 2006

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 subsidiaries (together with the Company, the "USS Group") have been prepared in accordance with the provisions set forth in the Corporate Law of Japan (formerly the Commercial Code of Japan) 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 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 ¥118 to US\$1, the approximate rate of exchange at March 31, 2007. 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 ¥118 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) Principles of Consolidation

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

The number of subsidiaries and affiliates for the years ended March 31, 2007 and 2006 was as follows:

	2007	2006
Subsidiaries	16	16
Affiliates, accounted for by the equity method.....	1	—
Affiliates, stated at cost	2	1

All inter-company transactions and accounts have been eliminated. The difference between the cost of investments in 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 goodwill account in the accompanying consolidated balance sheets, is amortized over five years on a straight-line basis.

(b) Accounting standard for presentation of net assets in the balance sheet

The Accounting Standards Board of Japan ("ASBJ") issued "Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No.5)" and Implementation Guidance "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8)" on December 9, 2005, which are applied for the year ending on May 1, 2006. The standard requires presenting the equity section in the balance sheet as similar to International Financial Reporting Standards. The USS Group has adopted these new accounting standards from the year ended March 31, 2007. If the previous accounting method had been applied for the consolidated balance sheet at March 31, 2007, equity would have amounted to ¥104,985 million (\$889,704 thousand).

(c) Cash equivalents

The USS Group considers cash equivalents to be highly liquid debt instruments purchased with an original maturity of three months or less.

(d) Investments and marketable securities

The USS Group classifies certain investments in debt and equity securities as “held-to-maturity”, “trading” or “available-for-sale”, whose classification determines the respective accounting method as stipulated by the accounting standard for financial instruments. Marketable securities with available market quotations for available-for-sale securities are stated at fair value and net unrealized gains or losses on these securities are reported as a component of equity, net of applicable income taxes. Gains and losses on disposition of marketable securities are computed by the moving-average method. Non-marketable securities without available market quotations for available-for-sale securities are carried at cost determined by the moving-average method. Adjustments in carrying values of individual investment securities are charged to income through write-downs, when a decline in value is deemed other than temporary.

(e) Transactions and accounting for derivatives

The USS Group was a party to derivative instruments such as interest rate contract in the normal course of business to reduce its own exposure to fluctuation in interest rates on borrowings for hedge purposes. According to a special treatment as permitted by the accounting standard for financial instruments, the hedging interest rate swap or cap contracts were accounted for on an accrual basis, and recorded net of interest expense generated from the underlying hedged borrowings, if certain conditions are met for the year ended March 31, 2006. During the year ended March 31, 2006, the USS Group terminated hedging interest rate swap contracts accounted for on an accrual basis due to the repayment of the underlying hedged borrowings. At March 31, 2007 and 2006, the USS Group does not hold or has not issued any derivative transactions.

(f) Inventories

Vehicles are stated at cost, determined by the specific identification method. Merchandise, supplies and materials are stated at cost, determined by the moving-average method or retail method.

(g) Allowance for doubtful accounts

Allowance for doubtful accounts has been provided for at the aggregate amount of estimated credit loss based on the individual financial review approach for doubtful or troubled receivables and a general reserve for other receivables calculated based on the historical loss experience for a certain past period.

(h) Property and equipment, and depreciation

Property and equipment are stated at cost. Depreciation is computed using the declining-balance method at rates based on estimated useful lives of the respective assets, except that the buildings acquired on and after April 1, 1998 have been depreciated using the straight-line method.

(i) Leases

Where financing leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the USS Group as lessee is not capitalized and the relating rental and lease expenses are charged to income as incurred as accepted by the “Opinion Concerning Accounting Standard for Leases” issued by the Business Accounting Council of Japan (“BACJ”) and the related practical guideline issued by the Japanese Institute of Certified Public Accountants (“JICPA”).

(j) Intangible assets

Software, which is included in intangible assets, is amortized using the straight-line method over a five-year period as its estimated useful life.

(k) Adoption of new accounting standard for impairment of fixed assets

On August 9, 2002, BACJ issued “Accounting Standard for Impairment of Fixed Assets”, which is effective for the fiscal years beginning April 1, 2005. ASBJ issued related practical guidance on October 31, 2003. The USS Group adopted this new accounting standard and related practical guidance from the year ended March 31, 2005. The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of the asset’s net selling price or value in use. Fixed assets include land, buildings and other forms of property, and equipment as well as

Notes to Consolidated Financial Statements

USS Co., Ltd. and Subsidiaries

intangible assets and are to be grouped at the lowest level for which there are identifiable cash flows from other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets of the USS Group are principally grouped into cash-generating units such as auto auction sites, or sales stores and factories, other than idle or unused property. Recoverable amounts of the assets were measured based on their net selling prices primarily for applicable market values less costs of disposal.

For the years ended March 31, 2007 and 2006, the USS Group recognized impairment loss on fixed assets such as buildings and other property, which were principally classified as sales stores planned for the close-down.

(l) Revaluation of land

In accordance with the Law Concerning Revaluation of Land (the "Law"), the Company elected the one-time revaluation to restate the cost of land used for the Company's business operations at values rationally reassessed effective on March 31, 2002, reflecting appropriate adjustments for land condition and other factors, based on the values for municipal property tax bases. A certain subsidiary elected the one-time revaluation to restate the cost of land used for the business operations at values rationally reassessed effective on March 31, 2001. According to the Law, the amount equivalent to the tax effect on the differences between the original book values and sound reassessed values is recorded as deferred tax assets or liabilities for revaluation account, and the rest of such differences, net of the tax effect, is recorded in the equity as land revaluation decrement account in the accompanying consolidated balance sheets. At March 31, 2007 and 2006, the difference between the carrying values of land used for the business after revaluation over the current market value of such land at the fiscal year-ends amounted to ¥3,866 million (\$32,763 thousand) and ¥3,695 million, respectively.

(m) Employee retirement benefits

Employees who terminate their service with the USS Group are entitled to retirement benefits generally determined based on current basic rates of pay, the length of service and conditions under which the termination occurs. The Company has a non-contributory qualified defined benefit pension plan. Five of the subsidiaries have lump-sum defined benefit retirement plans. Some of the other subsidiaries have defined contribution plans. The USS Group has recognized the retirement benefits for employees including pension cost and related liability based on estimated projected benefit obligation, net of fair value of the pension plan assets available for benefits at the fiscal year-ends. The USS Group has calculated the projected benefit obligation using the simplified calculation method to compute the amount that would be payable assuming all eligible employees voluntarily terminate their service at the respective balance sheet dates as permitted by the accounting standard for employee retirement benefits.

(n) Accrued severance indemnities for directors and corporate auditors

The USS Group may pay retirement benefits to directors and corporate auditors, which are subject to the approval of shareholders of each relevant company. The Company has provided for the liability of such severance indemnities at the fiscal year-ends based on internal policies.

(o) Revenue recognition

The primary business of the USS Group is to conduct auctions of used cars in the Japanese car market which are participated in by member car dealers and to provide auction opportunities by which buy orders and sell orders from member car dealers are matched. The USS Group recognizes auction fees from member car dealers as operating revenue when buy/sell orders are matched at the auctions on a trade date basis. These auction fees are recorded based on predetermined rates and the number of cars purchased/sold through the auctions.

(p) New share issuance expenses

New share issuance expenses are charged to income as incurred.

(q) Income taxes

Deferred taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforward. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be

recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(r) Enterprise taxes

With the implementation of the "Revision of the Local Tax Law" issued on March 31, 2003, a local corporate enterprise tax base such as "added value amount" and "capital amount" has been adopted. Enterprise taxes based on "added value amount" and "capital amount" are included in selling, general and administrative expenses pursuant to "Practical Treatment for Presentation of Sized-based Corporate Enterprise Taxes in the Statement of Income" (ASBJ Report of Practical Issues No.12).

(s) Accounting standard for directors' bonus

From the year ended March 31, 2007, the USS Group has adopted "Accounting Standard for Directors' Bonus (ASBJ Statement No.4)" issued by ASBJ on November 29, 2005. The standard requires that the directors' bonuses, including those for corporate auditors, shall be accounted for as an expense of the accounting period in which such bonuses are accrued. Until the year ended March 31, 2006, bonuses to directors and corporate auditors were recorded as a part of the appropriation of retained earnings in the fiscal year when a proposed appropriation of retained earnings for directors and corporate auditors' bonuses was approved by the Board of Directors and/or shareholders. As a result, as USS Group has accrued such bonus, operating income and income before income taxes and minority interests decreased by ¥83 million (\$703 thousand) for the year ended March 31, 2007, respectively, as compared with the previous accounting method.

(t) Appropriations of retained earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders. See Note 2(s) for the accounting for bonuses to directors and corporate auditors.

(u) Accounting standard for business combinations

BACJ issued "Accounting Standard for Business Combinations" on October 31, 2003, and ASBJ issued "Accounting Standard for Business Divestitures (ASBJ Statement No.7)" and Implementation Guidance "Guidance on Accounting Standard for Business Combinations and Accounting Standard on Business Divestitures (ASBJ Guidance No. 10)" on December 27, 2005, which are applied for the year beginning on April 1, 2006. The USS Group has adopted these standards from the year ended March 31, 2007. This accounting change resulted in no effect on the operational results of the USS Group. The excess of the fair value of acquired net assets over the acquisition cost of investments, which was presented as consolidating adjustment account in the prior year's consolidated financial statements, is shown as goodwill in the consolidated financial statements for the year ended March 31, 2007 in accordance with the revised disclosure regulations.

(v) Per share data

Basic net income per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed assuming convertible bonds were converted at the time of issue unless having anti-dilutive effects, and as if stock options were exercised at the beginning of the relevant year or (if later) on their first exercise date and as if the funds obtained thereby were used to purchase common stock at the average market price during the respective years under the treasury stock method.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared by the Company as applicable to the respective years.

3. Acquisitions

On April 28, 2005, the Company acquired 100% interest in the issued and outstanding shares of common stock of Misawa Toyo Co., Ltd. ("Toyo") for ¥1 in accordance with the agreement with MISAWA HOMES HOLDINGS, INC. ("MISAWA") dated March 29, 2005. The Company also purchased the claims held by Misawa Homes Co., Ltd. due from Toyo in a principal amount of ¥2,306 million for ¥175 million according to the agreement with MISAWA, and at the same time the Company abandoned such claims due from Toyo. Toyo was engaged in the recycling business for rubber materials and changed its name to USS Toyo Co., Ltd. The Company expects to realize the synergies for the integration of the recycling business of the USS Group.

Notes to Consolidated Financial Statements

USS Co., Ltd. and Subsidiaries

The assets acquired and the liabilities assumed of Toyo, as adjusted for the purchase and Company's abandonment of the claims due from Toyo, as of March 31, 2005 were as follows:

	Millions of Yen
Current assets	¥ 377
Non-current assets.....	1,637
Total assets	2,014
Current liabilities.....	520
Non-current liabilities	540
Total liabilities.....	1,060
Negative goodwill.....	¥ 954

On September 1, 2005, the Company acquired the shares of common stock of USS Gunma Co., Ltd. held by minority shareholders through the stock-for-stock exchange transaction. The Company issued 240,120 shares of common stock of the Company and recorded an increase in capital surplus account of ¥1,935 million on September 1, 2005. As a result, USS Gunma Co., Ltd. became a wholly owned subsidiary.

On March 1, 2007, the Company acquired the whole shares of common stock of KUA HOKURIKU Co., Ltd. through the stock-for-stock exchange transaction. As a result of this transaction, the Company reissued 60,138 shares of treasury stock of the Company and the company's name was changed to USS Hokuriku Co., Ltd. The assets acquired and the liabilities assumed as of March 1, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥288	\$2,441
Non-current assets.....	304	2,576
Goodwill	220	1,864
Total assets	812	6,881
Current liabilities.....	321	2,720
Non-current liabilities	42	356
Total liabilities.....	363	3,076
Value of stock-for-stock exchanges	¥449	\$3,805

On February 1, 2007, the Company acquired 39.1% interest in the issued and outstanding shares of common stock of Fujioka Interchange Auto Auction Co., Ltd. ("Fujioka"), and its investment is accounted for by the equity method for the period through March 31, 2007. In addition, as the Company acquired additional shares of Fujioka on April 3, 2007, the Company's equity share of Fujioka increased to 51.1% as a subsidiary and the Fujioka's name was changed to USS Fujioka Co., Ltd.

4. Due from/to Member Dealers at Auction

The USS Group intermediates buy and sell orders from member car dealers at the auction and upon matching of orders, the USS Group records accounts receivable from member car dealers who purchased the cars at the auction for the price of cars purchased, auction fees and other to be paid by the buyers. On the other hand, the USS Group records accounts payable to member car dealers who sold the cars at auctions for the price of the cars sold to be received by the sellers and also records auction fees and others to be paid by the sellers. The balances of "due from member dealers at auction" as assets and "due to member dealers at auction" as liabilities represent those unsettled accounts arising from the auction between the USS Group and member car dealers.

5. Short-term Investments and Investment Securities

At March 31, 2006, short-term investments consisted of time deposits with an original maturity of more than three months.

At March 31, 2007 and 2006, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Investment in affiliates.....	¥ 44	¥ 6	\$ 373
Marketable securities:			
Equity securities.....	122	205	1,034
Others.....	795	1,451	6,737
	917	1,656	7,771
Other non-marketable securities.....	478	178	4,051
Total.....	¥1,439	¥1,840	\$12,195

Marketable investment securities are classified as available-for-sale under the USS Group's investment policy and are stated at fair value with net unrealized gains and losses excluded from the current earnings and reported as a net amount within the equity account until realized. At March 31, 2007 and 2006, gross unrealized gains and losses for marketable securities are summarized as follows:

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of Yen			
As of March 31, 2007:				
Marketable securities:				
Equity securities.....	¥ 71	¥ 51	¥ —	¥122
Others.....	472	341	(18)	795
	¥543	¥392	¥(18)	¥917

As of March 31, 2006:

Marketable securities:				
Equity securities.....	¥ 71	¥134	¥ —	¥ 205
Others.....	934	535	(18)	1,451
	¥1,005	¥669	¥(18)	¥1,656

Thousands of U.S. Dollars

As of March 31, 2007:

Marketable securities:				
Equity securities.....	\$ 602	\$ 432	\$ —	\$1,034
Others.....	4,000	2,890	(153)	6,737
	\$4,602	\$3,322	\$(153)	\$7,771

Notes to Consolidated Financial Statements

USS Co., Ltd. and Subsidiaries

6. Inventories

At March 31, 2007 and 2006, inventories consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Merchandise.....	¥ 818	¥620	\$6,932
Vehicles.....	9	51	76
Supplies	197	58	1,670
Material	38	33	322
	¥1,062	¥762	\$9,000

7. Intangible Assets

At March 31, 2007 and 2006, intangible assets consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Goodwill	¥2,532	¥3,090	\$21,458
Software	843	581	7,144
Other intangible assets.....	331	350	2,805
	¥3,706	¥4,021	\$31,407

8. Short-term Borrowings and Long-term Debt

Short-term borrowings consisted of unsecured bank loans at March 31, 2006.

The Company had unsecured overdraft and loan commitment agreements with a certain bank. At March 31, 2007 and 2006, the Company was entitled to withdraw up to ¥1,000 million (\$8,475 thousand) under such an agreement, the entire amount of which was undrawn.

At March 31, 2007 and 2006, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Unsecured bank loans, due through 2012 repayable on an installment basis with interest rates ranging from 0.60% to 1.58% per annum at March 31, 2007.....	¥5,355	¥4,500	\$45,381
Less, current portion.....	(2,306)	(1,500)	(19,542)
	¥3,049	¥3,000	\$25,839

The aggregate annual maturities of long-term debt at March 31, 2007 were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008.....	¥2,306	\$19,542
2009.....	2,306	19,542
2010.....	475	4,025
2011.....	140	1,187
2012.....	128	1,085
	¥5,355	\$45,381

As is customary in Japan, substantially all bank borrowings are subject to general agreements which provide, among other things, that the banks may, under certain circumstances, request additional security for these borrowings and may treat any security so furnished to the banks, as well as cash deposited with them, as security for all present and future indebtedness. The banks have never requested the Company or its subsidiaries to submit such additional security. Also, as is customary in Japan, the Company and certain of its subsidiaries may have time deposits with the banks from which they have short-term and long-term borrowings. However, there are no agreements with any banks, which would require maintaining such deposits.

9. Employee Retirement Benefits

The following table reconciles the benefit liability and net periodic retirement benefit expense as at, or for the years ended March 31, 2007 and 2006:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Reconciliation of benefit liability:			
Retirement benefit liability.....	¥464	¥404	\$3,932
Less, fair value of pension plan assets at end of year	(387)	(322)	(3,280)
	77	82	652
Prepaid pension expenses.....	(38)	(13)	(323)
Net amounts of employee retirement benefit liability recognized on the consolidated balance sheets.....	¥115	¥ 95	\$ 975

Note: Projected benefit obligation was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits.

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Component of net periodic retirement benefit expense:			
Retirement benefit expense for defined benefit plan.....	¥ 58	¥ 37	\$492
Retirement benefit expense for defined contribution plan.....	57	65	483
Net periodic retirement benefit expense.....	¥115	¥102	\$975

10. Equity

- (a) The authorized number of shares of common stock without par value is 120 million. At March 31, 2007 and 2006, the number of shares of common stock issued was 32,604,062 and 32,486,932 shares, respectively. At March 31, 2007 and 2006, the number of treasury stock held by the USS Group was 671,773 and 144,006 shares, respectively.
- (b) At March 31, 2007 and 2006, respectively, capital surplus consisted of additional paid-in capital. Retained earnings included legal reserve of the Company in the amount of ¥370 million (\$3,136 thousand) at March 31, 2007 and 2006, respectively. The Corporate Law of Japan provides that an amount equivalent to 10% of cash dividends as an appropriation of retained earnings shall be appropriated as legal reserve until a total amount of additional paid-in capital and such legal reserve equals 25% of common stock. The reduction of legal reserve is restricted under the certain circumstances by proper actions of shareholders of the Company.
- (c) The Company has implemented a stock option plan in accordance with the former Commercial Code of Japan. Options granted in 2002 through 2005 were granted to the members of the Board of Directors and selected executive employees of the Company or its subsidiaries and, at March 31, 2007, each stock option is exercisable under the following terms:

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USS Co., Ltd. and Subsidiaries

	Number of common shares to be issued	Exercise price	Exercise period of option
Option, granted in 2003	100,620	¥6,510	June 26, 2003 through October 31, 2007
Option, granted in 2004	196,500	¥9,320	June 30, 2004 through October 31, 2008
Option, granted in 2005	224,000	¥7,510	June 29, 2005 through October 31, 2009

On June 26, 2007, the following appropriation of retained earnings was approved at an annual general meeting of shareholders of the Company:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥1,597	\$13,534

11. Commitments and Contingent Liabilities

At March 31, 2007 and 2006, the USS Group did not have any contingent liabilities.

The USS Group has entered into various rental and lease agreements principally for auction spaces which are cancelable with a few months' advance notice and for satellite communication network equipment and computer equipment, which is not usually cancelable as lessee. The aggregate future minimum payments for such non-cancelable financing leases, including imputed interest, at March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 750	¥ 847	\$ 6,356
Due after one year	1,399	2,145	11,856
	¥2,149	¥2,992	\$18,212

The gross rental and lease expenses, consisting of minimum rental payments for all operating leases and financing leases, for the years ended March 31, 2007 and 2006, were ¥2,015 million (\$17,076 thousand) and ¥1,925 million, respectively. For the years ended March 31, 2007 and 2005, the lease expenses for non-cancelable lease agreements which were categorized as financing leases amounted to ¥805 million (\$6,822 thousand) and ¥767 million, respectively.

12. Income Taxes

Income taxes for the years ended March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Income taxes:			
Current	¥10,865	¥9,567	\$92,076
Deferred	(165)	76	(1,398)
	¥10,700	¥9,643	\$90,678

The tax effects on temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Deferred tax assets—Current:			
Enterprise tax accruals.....	¥460	¥442	\$3,898
Operating loss carryforwards of subsidiaries.....	220	155	1,865
Accrued bonus to employees	168	135	1,424
Other	137	153	1,161
Less, valuation allowance.....	(23)	(175)	(195)
	¥962	¥710	\$8,153
Deferred tax assets—Non-current:			
Allowance for doubtful accounts.....	¥ 7	¥ 64	\$ 59
Loss on disposal of buildings	163	80	1,381
Unrealized gains on available-for-sale securities	(148)	(260)	(1,254)
Operating loss carryforwards of subsidiaries.....	409	40	3,466
Accrued directors' and corporate auditors' severance indemnities	170	153	1,441
Loss on write-down of securities	130	130	1,102
Impairment loss on fixed assets.....	182	313	1,543
Other	104	80	881
Less, valuation allowance.....	(394)	(43)	(3,339)
	¥623	¥557	\$5,280

In assessing the realizability of deferred tax assets, management of the USS Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of the future taxable income during the periods in which those temporary differences become deductible. At March 31, 2007 and 2006, a valuation allowance was provided to reduce the deferred tax assets to the extent that the management believes the amount of the deferred tax assets is expected to be realizable.

13. Related Party Transactions

During the years ended March 31, 2007 and 2006, the USS Group had principally operational transactions with car dealer companies and a real property holder, of which the Company's directors, corporate auditors, and/or their immediate families hold a majority voting interest. A summary of the significant transactions with such companies for the years ended, or as at March 31, 2007 and 2006, is as follows:

Notes to Consolidated Financial Statements

USS Co., Ltd. and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
For the year:			
Number of related parties	8	7	
Number of cars put up for auction.....	80,795	76,510	
Number of cars actually traded	34,842	33,342	
Auction fees recorded as operating revenue	¥ 510	¥ 481	\$4,322
Lease expenses for real property.....	55	55	466
At year end:			
Due to member dealers at auction.....	¥ 342	¥ 137	\$2,898
Receivables due from member dealers at auction	¥ —	¥ 2	\$ —

14. Segment Information

The USS Group operates in three segments, "Automobile auction business", "Used car purchasing and selling business", and other business. Other business includes "recycling" business for end-of-life vehicles and waste rubber, which is operated by certain subsidiaries. A summary of information classified by lines of business of the USS Group for the years ended March 31, 2007 and 2006 is as follows:

	Automobile Auction business	Used car purchasing and selling business	Other business	Total	Elimination of inter-segment transactions	Consolidated total
	Millions of Yen					
For the year 2007:						
Operating revenue:						
External customers	¥ 47,708	¥12,888	¥3,973	¥ 64,569	¥ —	¥ 64,569
Inter-segment sales/transfers.....	517	—	2	519	(519)	—
Total operating revenue	48,225	12,888	3,975	65,088	(519)	64,569
Operating costs and expenses	24,050	12,905	3,562	40,517	(765)	39,752
Operating income (loss)	¥ 24,175	¥ (17)	¥ 413	¥ 24,571	¥ 246	¥ 24,817
Identifiable assets.....	¥139,511	¥ 3,859	¥4,740	¥148,110	¥(1,938)	¥146,172
Depreciation	4,571	80	517	5,168	—	5,168
Capital expenditures	12,845	158	397	13,400	—	13,400

	Automobile Auction business	Used car purchasing and selling business	Other business	Total	Elimination of inter-segment transactions	Consolidated total
Millions of Yen						
For the year 2006:						
Operating revenue:						
External customers	¥44,271	¥13,517	¥2,455	¥ 60,243	¥ —	¥ 60,243
Inter-segment sales/transfers	567	—	3	570	(570)	—
Total operating revenue	44,838	13,517	2,458	60,813	(570)	60,243
Operating costs and expenses	22,162	13,356	2,452	37,970	(831)	37,139
Operating income.....	¥22,676	¥ 161	¥ 6	¥ 22,843	¥ 261	¥ 23,104
Identifiable assets.....	¥124,499	¥ 4,113	¥4,548	¥133,160	¥(1,251)	¥131,909
Depreciation	3,695	63	385	4,143	—	4,143
Capital expenditures	12,586	52	569	13,207	—	13,207

Thousands of U.S. Dollars

For the year 2007:						
Operating revenue:						
External customers	\$ 404,305	\$109,220	\$33,670	\$ 547,195	\$ —	\$ 547,195
Inter-segment sales/transfers	4,381	—	17	4,398	(4,398)	—
Total operating revenue	408,686	109,220	33,687	551,593	(4,398)	547,195
Operating costs and expenses	203,814	109,364	30,186	343,364	(6,483)	336,881
Operating income (loss)	\$ 204,872	\$ (144)	\$ 3,501	\$ 208,229	\$ 2,085	\$ 210,314
Identifiable assets.....	\$1,182,297	\$ 32,703	\$40,169	\$1,255,169	\$(16,423)	\$1,238,746
Depreciation	38,737	678	4,382	43,797	—	43,797
Capital expenditures	108,856	1,339	3,364	113,559	—	113,559

Information by geographic segment and overseas sales is not shown because the USS Group has neither subsidiaries nor branches outside Japan.

Report of Independent Auditors

To the Board of Directors and Shareholders of
USS Co., Ltd.

We have audited the accompanying consolidated balance sheets of USS Co., Ltd. and its subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of USS Co., Ltd. and its subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Misuzu Audit Corporation

Misuzu Audit Corporation
Nagoya, Japan
June 26, 2007