



Consolidated Results of Operations

The First Quarter, Fiscal Year Ending March 31, 2017

USS Co., Ltd.
August 2016

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

Japan Bike Auction Co., Ltd., included in the consolidation assuming the end of 3Q FY3/16 as the acquisition date, is presented as JBA in these materials.

Reference materials

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

Results of Operations First Quarter Fiscal Year Ending March 2017

1Q FY3/2017 – Summary of Consolidated Results of Operations

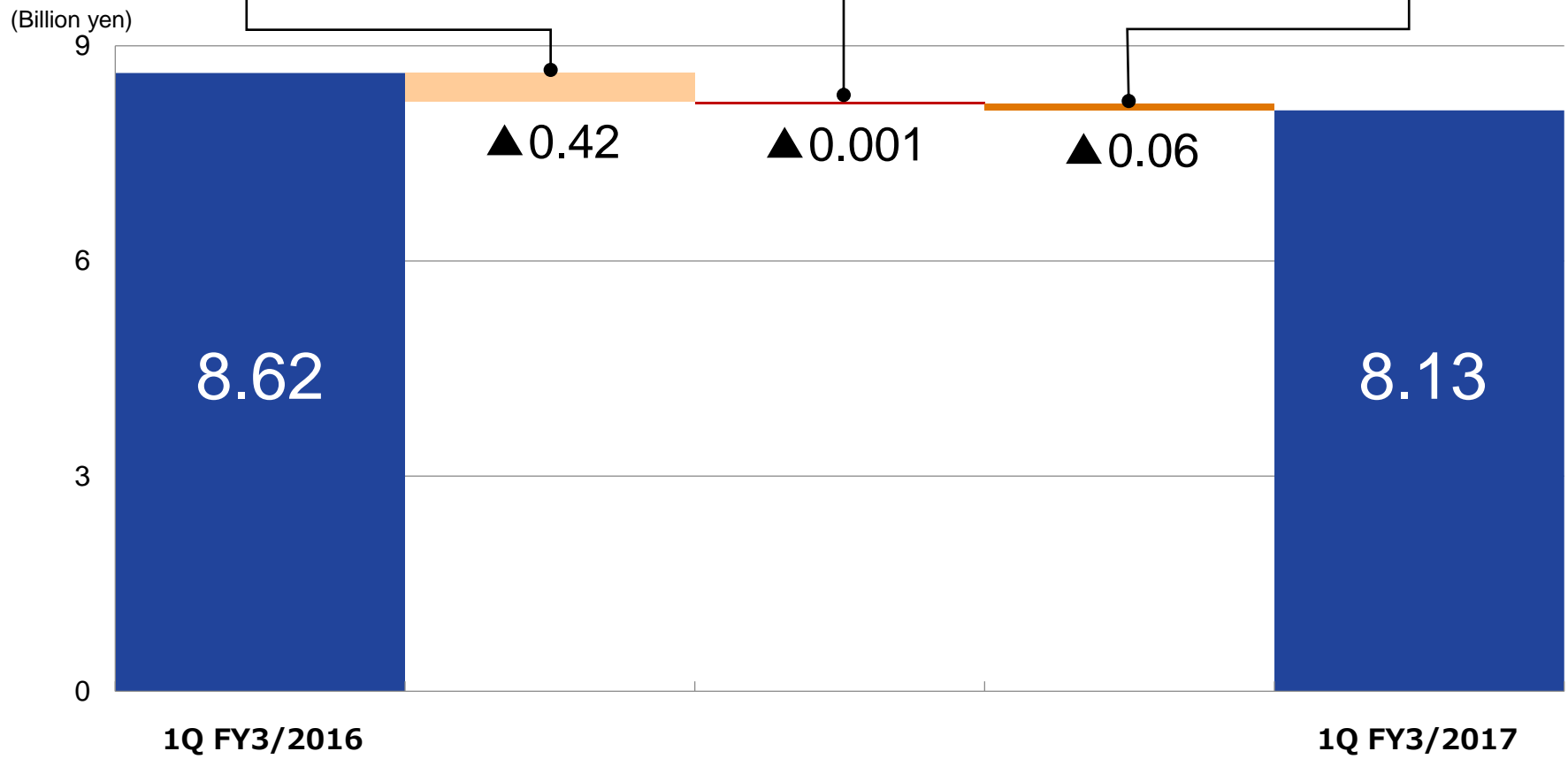
- 1Q results of operations: Sales decreased 2.5% YoY to 16.5 billion yen, Operating income was down 5.7% YoY to 8.13 billion, and quarterly net profit attributable to owners of parent declined 1.8% to 5.68 billion yen.
- Decline in vehicles consigned and contract completions caused by decrease in new car registrations (supply decline), decline in used vehicle exports (demand decline), etc. as well as increase in depreciation expenses and other factors offset the increase in the commission fees from satellite TV and Internet-based successful bid fees in July 2015 and the inclusion of JBA into the consolidation.

(Million yen)

	1Q FY3/2015	1Q FY3/2016	1Q FY3/2017	Year on year
Net sales	16,282	17,004	16,584	97.5%
Cost of sales (Per sales)	6,221 (38.2%)	6,420 (37.8%)	6,422 (38.7%)	100.0%
Gross profit (Per sales)	10,061 (61.8%)	10,584 (62.2%)	10,162 (61.3%)	96.0%
Selling, general and administrative expenses (Per sales)	2,010 (12.3%)	1,962 (11.5%)	2,031 (12.2%)	103.5%
Operating income (Per sales)	8,050 (49.4%)	8,621 (50.7%)	8,130 (49.0%)	94.3%
Ordinary income (Per sales)	8,192 (50.3%)	8,788 (51.7%)	8,273 (49.9%)	94.1%
Profit attributable to owners of parent (Per sales)	5,243 (32.2%)	5,788 (34.0%)	5,684 (34.3%)	98.2%

1Q FY3/2017 – Reasons for Change in Operating Income (Actual)

Net sales		Cost of sales		SG&A expenses	
Increase in fee rates (excl. JBA)	0.30bn	Increase in depreciation	0.22bn	Increase in enterprise tax	0.06bn
Decrease in vehicles consigned	▲0.25bn	Increase in expenses for supplies	0.03bn	Increase in taxes and dues	0.02bn
Used vehicle sales/purchases	▲0.21bn	Decrease cost of materials purchased	▲0.09bn	Decrease in employee salaries and bonuses	▲0.04bn
Decrease in vehicles, etc. recycling	▲0.20bn	Impact of JBA	0.05bn	Impact of JBA	0.06bn
Impact of JBA	0.22bn	Impact of Toyo Rubber Chips	▲0.22bn	Impact of Toyo Rubber Chips	▲0.04bn
Impact of Toyo Rubber Chips	▲0.24bn				



Net sales and Operating Income by Business Segment

(Million yen)

Net sales	1Q FY3/2015	1Q FY3/2016	1Q FY3/2017	Year on year
Auto auction business	12,128	12,852	13,104	102.0%
Used vehicle sales/purchases business	2,386	2,421	2,250	92.9%
Other business	1,767	1,730	1,228	71.0%
Total	16,282	17,004	16,584	97.5%
Operating income (operating margin)	1Q FY3/2015	1Q FY3/2016	1Q FY3/2017	Year on year
Auto auction business	7,657 (62.2%)	8,273 (63.5%)	7,936 (60.0%)	95.9%
Used vehicle sales/purchases business	94 (4.0%)	137 (5.7%)	65 (2.9%)	47.7%
Other business	258 (14.6%)	153 (8.8%)	73 (6.0%)	48.0%
Elimination of inter-segment transactions	39	57	55	95.7%
Total	8,050 (49.4%)	8,621 (50.7%)	8,130 (49.0%)	94.3%

*Sales are sales to external customers and operating income is based on business segment earnings.

Operating margins (shown % in parenthesis) are calculated by Segment income divided by Segment sales

- Capital expenditures: 2.4 billion yen (primarily for auction sites);
Treasury stock repurchases: 7.3 billion yen (4.29 million shares)
- Equity ratio: 84.6%
- Free cash flow decreased by 3.9 billion yen due mainly to time deposit and CAPEX

Consolidated Balance Sheets (Summary)

	FY3/2016	1Q FY3/2017
Current assets	81,440	67,794
Cash and deposits	62,290	53,818
Receivables due from member dealers at auction, etc.	19,149	13,975
Noncurrent assets	105,391	106,218
Property, plant and equipment	96,101	96,815
Other	9,289	9,403
Total assets	186,831	174,012

(Million yen)

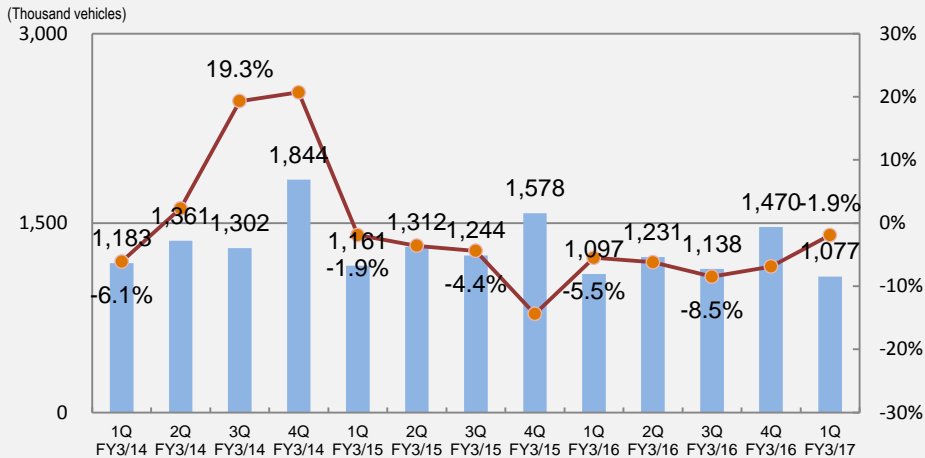
	FY3/2016	1Q FY3/2017
Current liabilities	25,937	20,028
Payables due to member dealers at auction	13,288	11,049
Other	12,649	8,979
Noncurrent liabilities	5,710	5,729
Total liabilities	31,647	25,757
Total net assets	155,183	148,254
Total liabilities and net assets	186,831	174,012

Consolidated Statements of Cash Flows (Summary)

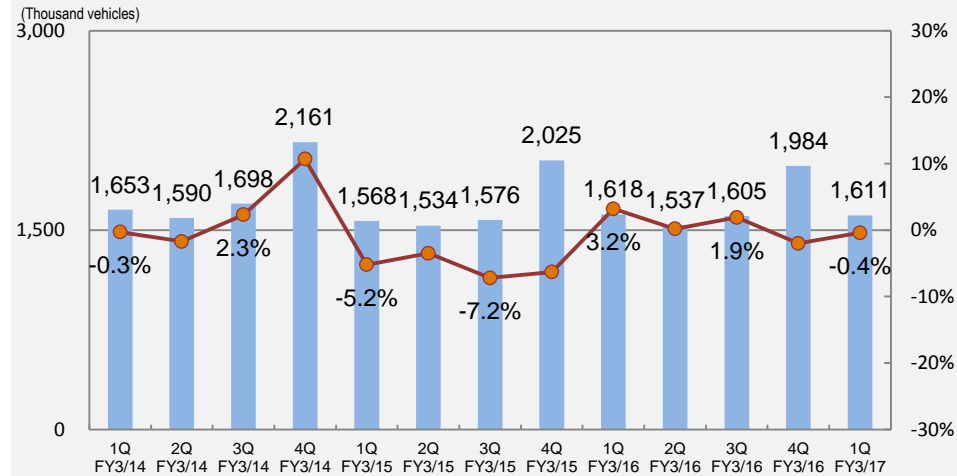
(Million yen)

	1Q FY3/2015	1Q FY3/2016	1Q FY3/2017	Changes
Net cash provided by (used in) operating activities	▲459	790	3,004	2,213
Net cash provided by (used in) investing activities	▲9,772	▲484	▲6,929	▲6,444
Free cash flow	▲10,232	305	▲3,925	▲4,230
Net cash provided by (used in) financing activities	▲4,833	▲5,059	▲12,027	▲6,967
Capital expenditures (Terms of cash flows)	738	484	2,435	1,951
Depreciation	850	761	970	209

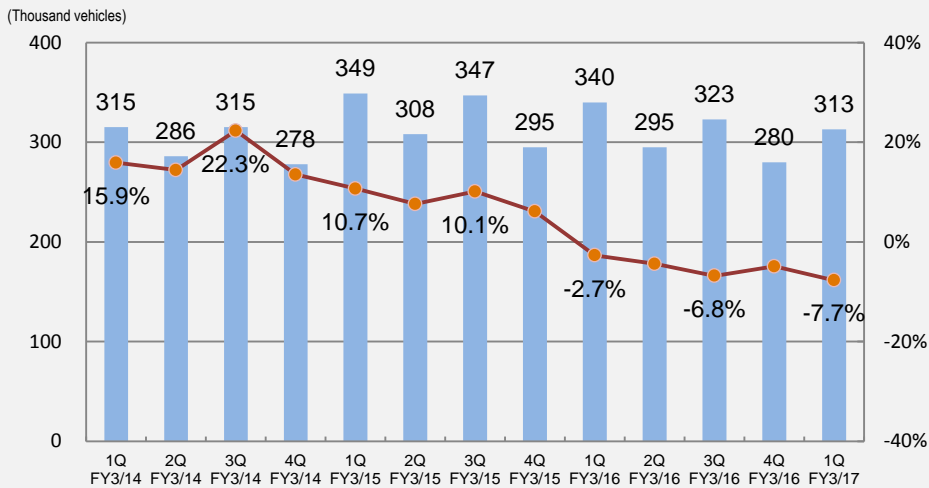
New Car Registrations and YoY Changes



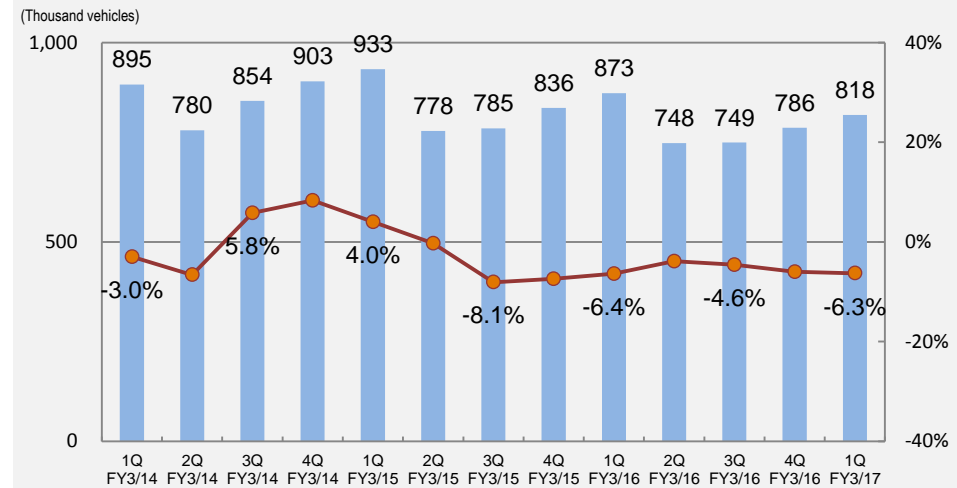
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



Automobiles and YoY Changes



Auto Auction Business (1)

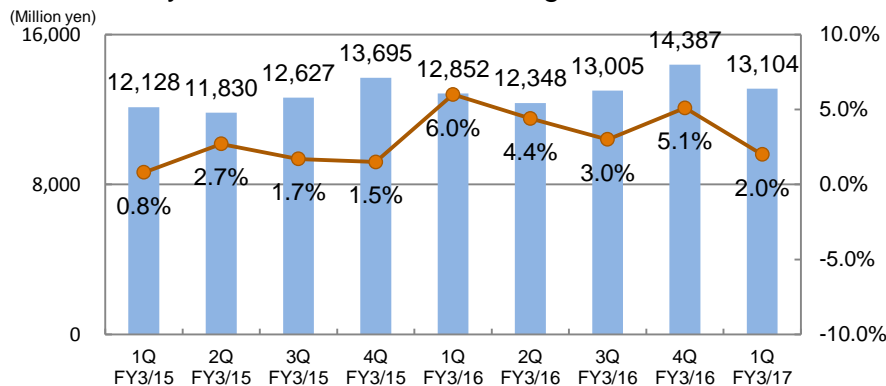
- Vehicles consigned in 1Q decreased 2.4% YoY to 593,000 vehicles and contracted vehicles declined 3.5% YoY to 377,000 vehicles, resulting in a contract ratio of 63.5% (64.3% in previous fiscal year) due mainly to declines in new car registrations (supply decline) and vehicles (demand decline)
- Despite higher net sales realized by an increase in satellite TV and Internet-based successful bid fees in July 2015 and increase in sales due to the inclusion of JBA into the consolidation, profit declined, dragged down by higher depreciation expenses, a higher enterprise taxes, etc.

Auto Auction Business: Results of Operations

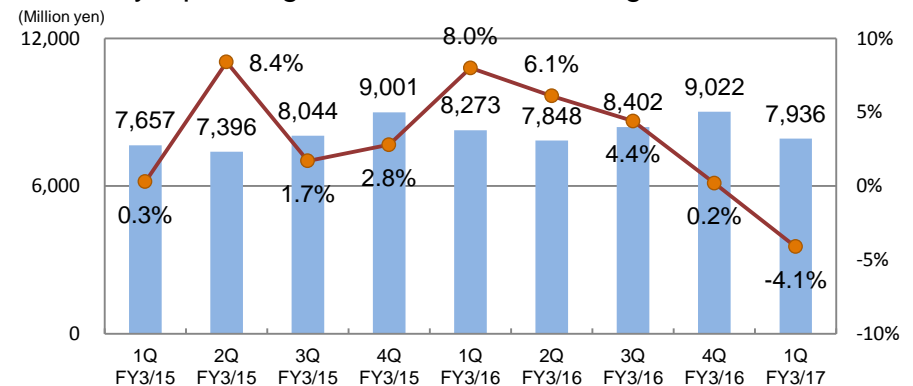
(Million yen)

	1Q FY3/2015	1Q FY3/2016	1Q FY3/2017	Year on year
Net sales	12,128	12,852	13,104	102.0%
Consignment fees	3,144	3,218	3,120	96.9%
Contract completion fees	2,839	3,059	2,973	97.2%
Successful bid fees	4,043	4,292	4,442	103.5%
Other	2,101	2,281	2,568	112.6%
Operating income	7,657	8,273	7,936	95.9%
Operating margin	62.2%	63.5%	60.0%	-

Quarterly Net Sales and YoY Changes

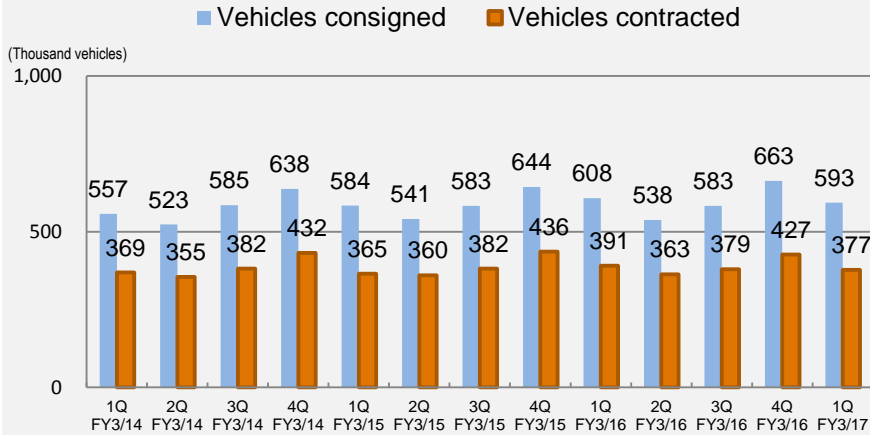


Quarterly Operating Income and YoY Changes

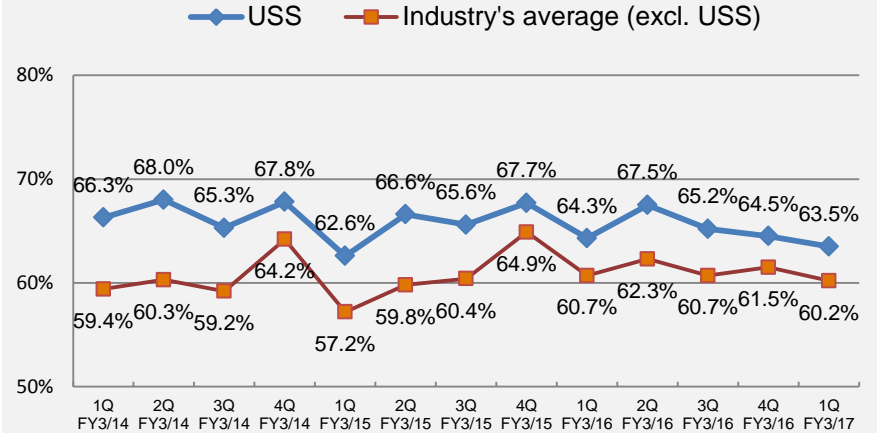


*Sales are sales to external customers and operating income is based on business segment earnings. Operating margins (shown % in parenthesis) are calculated by Segment income divided by Segment sales

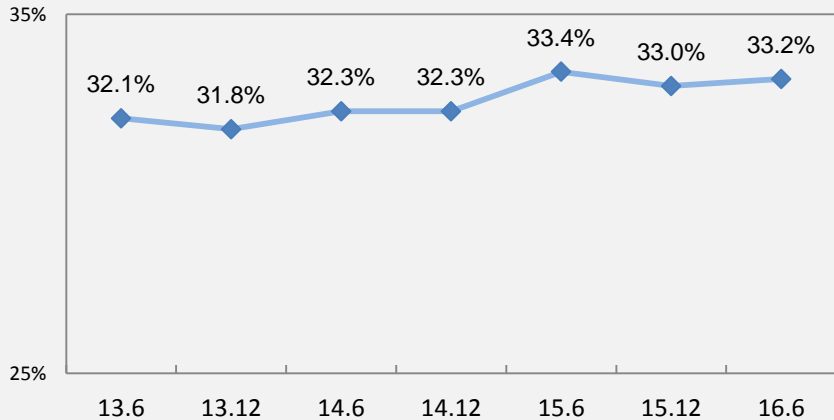
No. of Vehicles Consigned and Vehicles Contracted



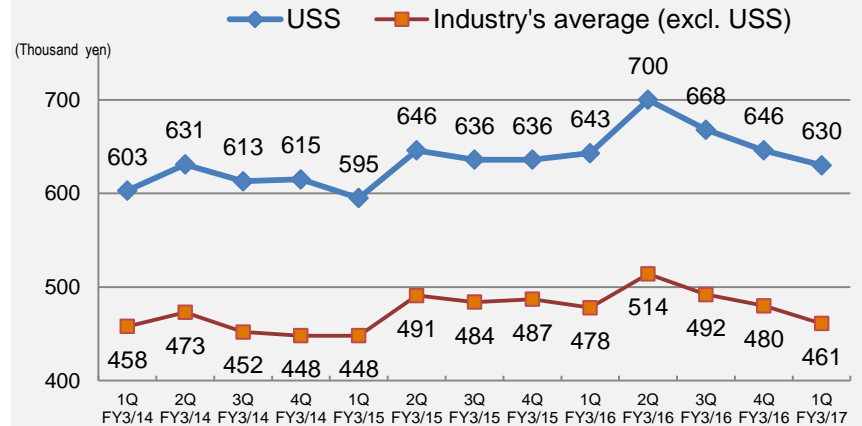
Contract Completion Rate



Market Share

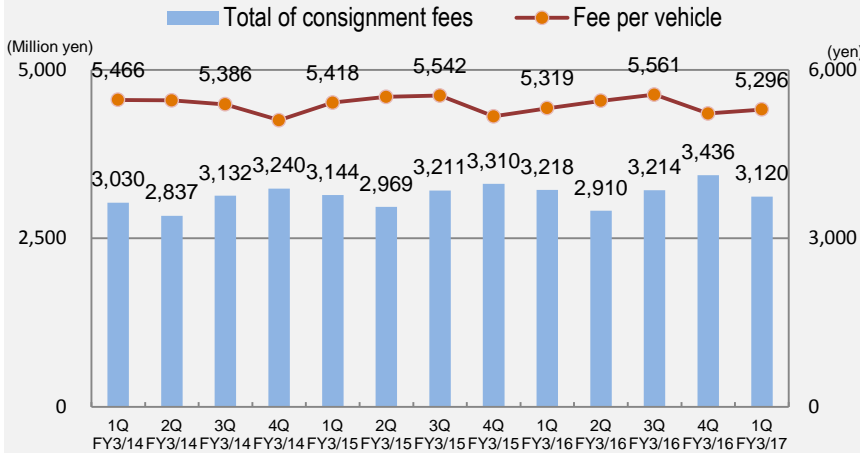


Average Price of Vehicle Contracted

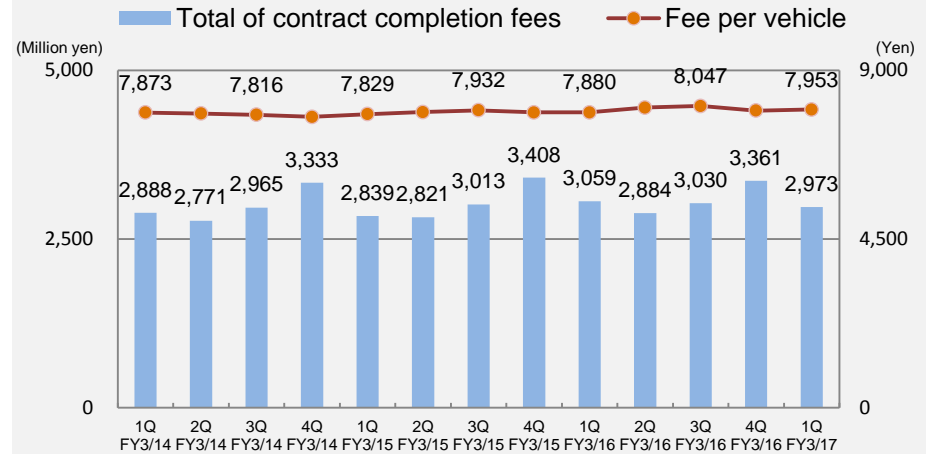


* Figures for December are 12 months total.

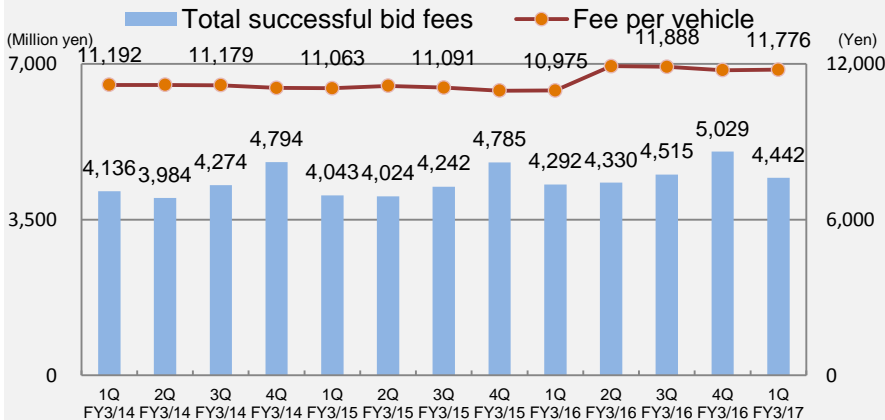
Total of Consignment Fees and Consignment Fee per Vehicle



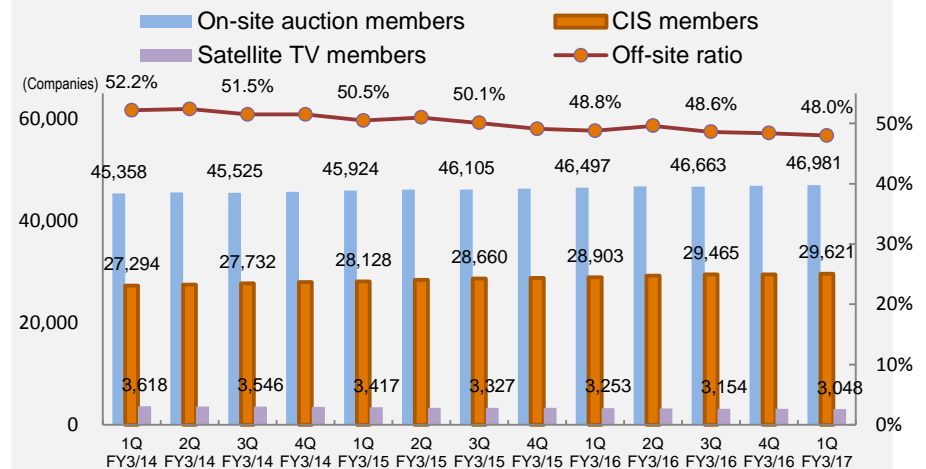
Total of Contract Completion Fees and Contract Completion Fee per Vehicle



Total Successful Bid Fees and Successful Bid Fee per Vehicle



No. of Members and Off-site Ratio



* Fee per vehicle is calculated before eliminations for consolidation.

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

Auto Auction Business (4)

From April 1, 2016 to June 30, 2016

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1Q FY3/17	1Q FY3/16	1Q FY3/17	1Q FY3/16	YoY change	1Q FY3/17	1Q FY3/16	YoY change	1Q FY3/17	1Q FY3/16
Tokyo	12	12	163,106	166,917	97.7%	112,609	117,716	95.7%	69.0%	70.5%
Nagoya	12	13	116,329	113,229	102.7%	68,044	68,709	99.0%	58.5%	60.7%
Yokohama	12	12	47,822	51,370	93.1%	32,847	33,083	99.3%	68.7%	64.4%
Kyushu	12	13	43,427	50,602	85.8%	25,655	29,887	85.8%	59.1%	59.1%
Sapporo	12	12	35,309	36,953	95.6%	19,490	21,628	90.1%	55.2%	58.5%
R-Nagoya	12	12	32,489	32,551	99.8%	26,596	27,338	97.3%	81.9%	84.0%
Osaka	12	12	29,241	31,426	93.0%	17,176	19,353	88.8%	58.7%	61.6%
Shizuoka	12	12	19,292	20,197	95.5%	11,062	10,774	102.7%	57.3%	53.3%
Tohoku	12	12	18,517	16,908	109.5%	13,320	12,868	103.5%	71.9%	76.1%
Okayama	12	12	15,752	16,228	97.1%	10,296	10,474	98.3%	65.4%	64.5%
Gunma	12	12	15,708	16,849	93.2%	9,943	10,832	91.8%	63.3%	64.3%
Saitama	12	12	15,203	13,301	114.3%	8,743	7,041	124.2%	57.5%	52.9%
Kobe	12	12	14,993	14,112	106.2%	8,865	8,007	110.7%	59.1%	56.7%
Niigata	12	12	12,293	11,165	110.1%	5,402	5,432	99.4%	43.9%	48.7%
Fukuoka	12	12	10,647	11,922	89.3%	4,906	4,980	98.5%	46.1%	41.8%
Hokuriku	12	12	3,742	4,917	76.1%	2,336	3,042	76.8%	62.4%	61.9%
Total	192	194	593,870	608,647	97.6%	377,290	391,164	96.5%	63.5%	64.3%

Auto Auction Business (5)

(Vehicles, %)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	First Half	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Second Half	Fiscal Year
No. of Vehicles Consigned	FY3/15	225,022	181,292	177,858	193,656	157,114	191,153	1,126,095	220,851	195,116	167,056	177,089	206,068	260,866	1,227,046	2,353,141
	YoY Change	6.8	7.1	▲0.1	8.8	▲2.9	4.2	4.1	4.3	▲6.2	0.9	▲0.1	2.1	0.5	0.3	2.1
	FY3/16	240,027	180,560	188,060	198,744	143,557	196,546	1,147,494	221,602	188,116	173,302	179,967	208,405	275,123	1,246,515	2,394,009
	YoY Change	6.7	▲0.4	5.7	2.6	▲8.6	2.8	1.9	0.3	▲3.6	3.7	1.6	1.1	5.5	1.6	1.7
	FY3/17	233,303	165,327	195,240	186,899			780,769							-	780,769
	YoY Change	▲2.8	▲8.4	3.8	▲6.0			-							-	-
No. of Vehicles Contracted	FY3/15	134,692	115,560	115,299	125,786	104,082	130,918	726,337	146,176	127,786	108,731	121,659	142,503	172,041	818,896	1,545,233
	YoY Change	1.6	▲0.7	▲4.5	3.3	▲5.2	5.3	0.1	4.9	▲5.2	0.4	▲0.8	2.2	0.7	0.4	0.3
	FY3/16	146,183	116,850	128,131	134,479	99,117	129,929	754,689	146,362	122,078	111,421	118,004	135,810	174,035	807,710	1,562,399
	YoY Change	8.5	1.1	11.1	6.9	▲4.8	▲0.8	3.9	0.1	▲4.5	2.5	▲3.0	▲4.7	1.2	▲1.4	1.1
	FY3/17	140,412	109,067	127,811	122,962			500,252							-	500,252
	YoY Change	▲3.9	▲6.7	▲0.2	▲8.6			-							-	-
Contract Completion Rate	FY3/15	59.9	63.7	64.8	65.0	66.2	68.5	64.5	66.2	65.5	65.1	68.7	69.2	65.9	66.7	65.7
	FY3/16	60.9	64.7	68.1	67.7	69.0	66.1	65.8	66.0	64.9	64.3	65.6	65.2	63.3	64.8	65.3
	FY3/17	60.2	66.0	65.5	65.8			-							-	-

* Fee per vehicle is calculated before eliminations for consolidation.

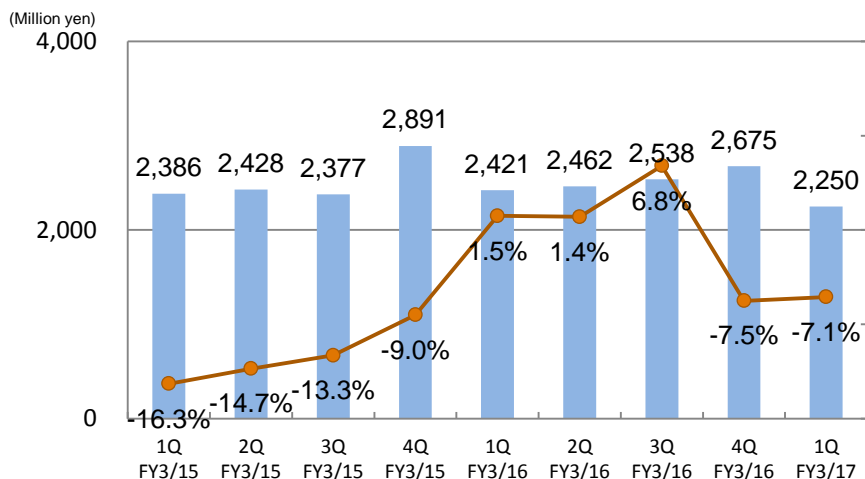
* The figures in this slide do not include JBA data.

- Decline in vehicles purchased by Rabbit (used car purchasing stores) and a plunge in the auction market led to lower net sales and operating income. (Net sales: 1,426 million yen, Operating income 59 million yen)
- Sales and operating income rose in the accident-damaged vehicles purchase business, as vehicle prices rose and operating expenses declined. (Net sales: 824 million yen, Operating income 6 million yen)

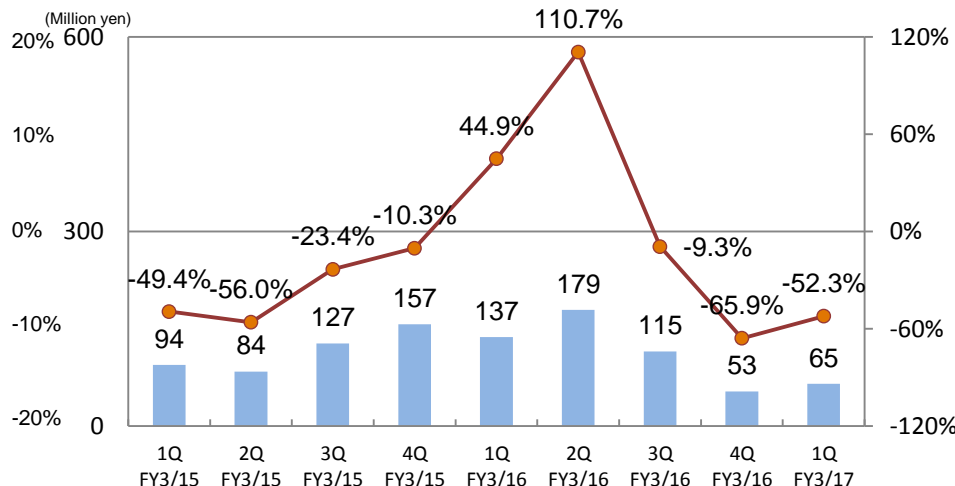
(Million yen)

	1Q FY3/2015	1Q FY3/2016	1Q FY3/2017	Year on year
Net sales	2,386	2,421	2,250	92.9%
Operating income	94	137	65	47.7%
Operating margin	4.0%	5.7%	2.9%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Income and YoY Changes



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

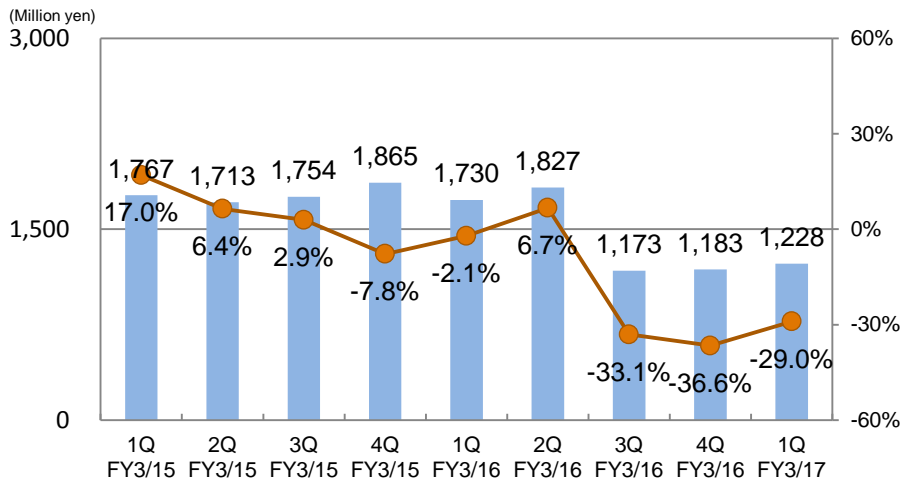
Other Business

- Net sales and operating income declined in the vehicle recycling business as the volume of end-of-life vehicles decreased and the steel scrap market was on downtrend. (Net sales: 1,095 million yen, Operating income: 65 million yen)
- Net sales and operating income declined as used vehicle export clearing service was affected by a sharp decline in export volume. (Net sales 108 million yen, operating income 3 million yen)

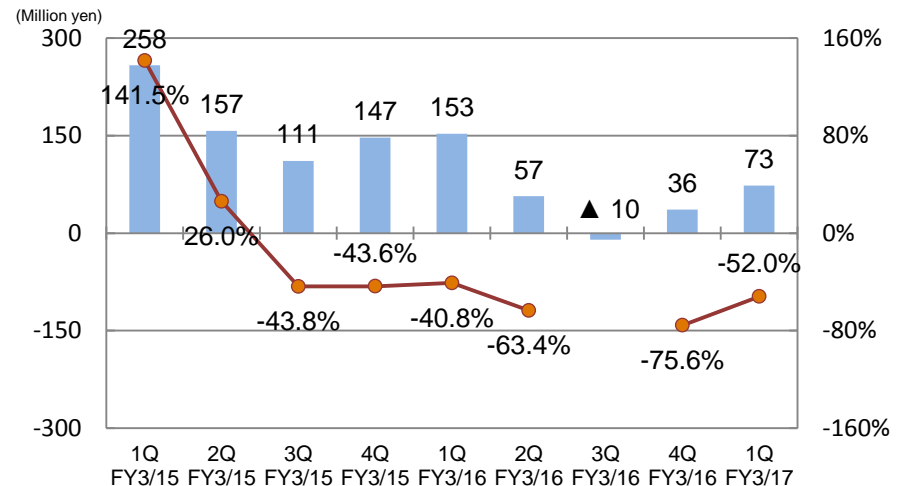
	1Q FY3/2015	1Q FY3/2016	1Q FY3/2017	Year on year
Net sales	1,767	1,730	1,228	71.0%
Operating income	258	153	73	48.0%
Operating margin	14.6%	8.8%	6.0%	-

(Million yen)

Quarterly Net Sales and YoY Changes



Quarterly Operating Income and YoY Changes



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

Consolidated Forecast for FY3/2017

- Previous forecast released simultaneously with the results of operations in May has not been changed.
- While the outlook new car registrations (supply side) used vehicle exports (demand side) due to uncertainties regarding domestic and overseas economies, exchange rates and other factors, USS will strive to revive performance through concerted efforts.

(Million yen)

	FY3/15 (Actual)	FY3/16 (Actual)	FY3/17 (Forecast)	VS. previous year
Net sales	67,466	68,607	71,450	104.1%
Gross profit (Per sales)	41,691 (61.8%)	42,740 (62.3%)	43,835 (61.4%)	102.6%
Operating income (Per sales)	33,411 (49.5%)	34,491 (50.3%)	34,700 (48.6%)	100.6%
Ordinary income (Per sales)	34,027 (50.4%)	35,218 (51.3%)	35,300 (49.4%)	100.2%
Profit attributable to owners of parent (Per sales)	21,661 (32.1%)	22,477 (32.8%)	23,800 (33.3%)	105.9%
EPS (Yen)	83.79	86.92	93.54	107.6%
Capital expenditures (Terms of cash flows)	2,490	8,731	10,196	116.8%
Depreciation	3,397	3,325	4,763	143.2%
Auto Auction Business (excl. JBA)				
	FY3/15 (Actual)	FY3/16 (Actual)	FY3/17 (Forecast)	VS. previous year
No. of vehicles consigned (Thousands)	2,353	2,394	2,500	104.4%
No. of vehicles contracted (Thousands)	1,545	1,562	1,600	102.4%
Contract completion rate	65.7%	65.3%	64.0%	-

FY3/2017 – Reasons for Change in Operating Income (Forecast)

Net sales

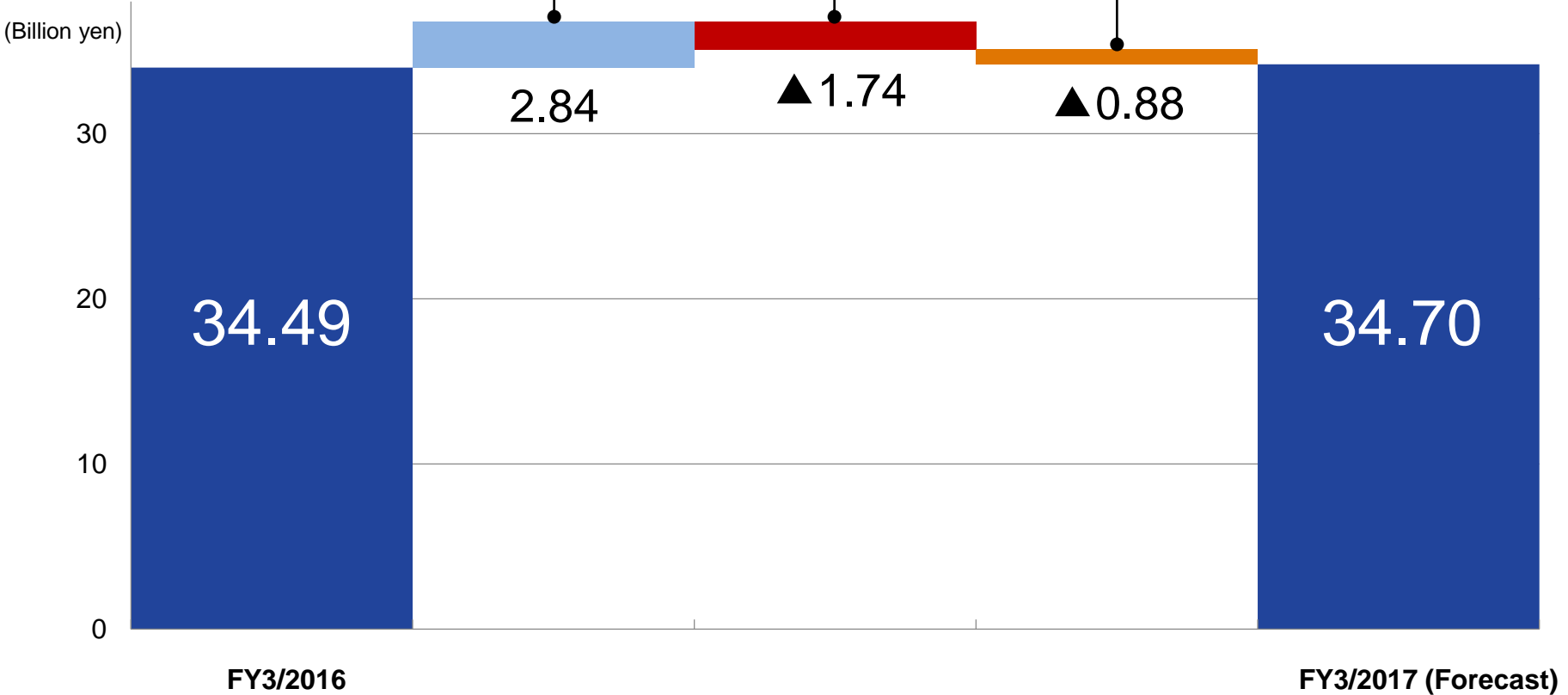
Increase in vehicles consigned	1.91bn
Used vehicle sales/purchases	0.72bn
Increase in fee rates (excl. JBA)	0.57bn
Decrease in contract completion rate	▲0.61bn
Impact of JBA	0.66bn
Impact of Toyo Rubber Chips	▲0.63bn

Cost of sales

Increase in depreciation	1.17bn
Increase in outsourcing expenses	0.30bn
Increase in cost of materials purchase	0.23bn
Increase in expenses for supplies	0.15bn
Impact of JBA	0.18bn
Impact of Toyo Rubber Chips	▲0.57bn

SG&A expenses

Increase in depreciation	0.25bn
Increase in enterprise tax	0.23bn
Increase in sales promotion expenses	0.13bn
Decrease in taxes and dues	▲0.14bn
Impact of JBA	0.19bn
Impact of Toyo Rubber Chips	▲0.07bn



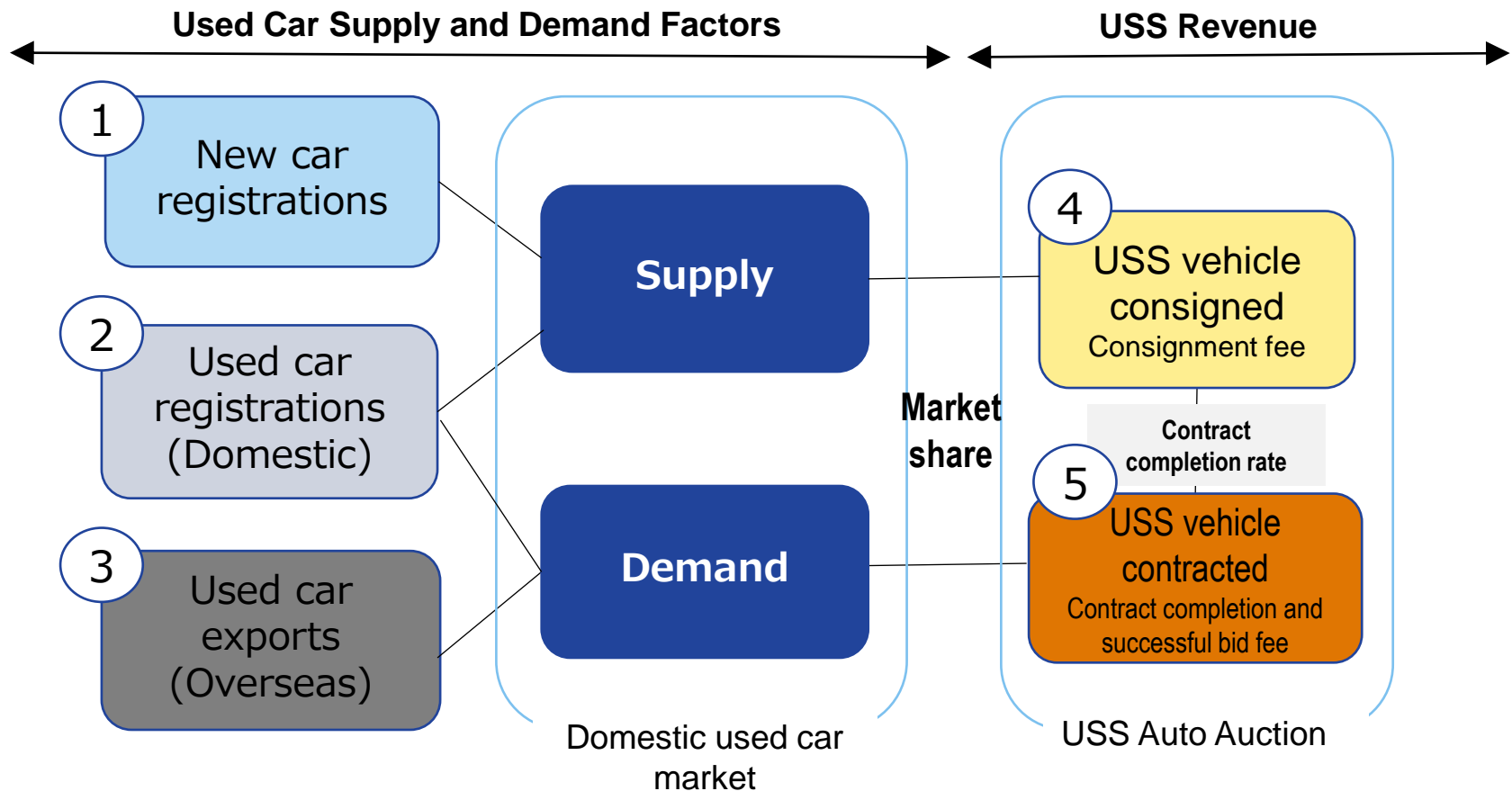
- Previous forecast released simultaneously with the results of operations in May has not been changed.
- All businesses currently face severe operating environment and going forward there is no room for optimism. Despite the challenging situation, USS will strive to revive performance through concerted efforts.

(Million yen)

	FY3/15 (Actual)	FY3/16 (Actual)	FY3/17 (Forecast)	VS. previous year
Net sales				
Auto auction business	50,281	52,594	55,047	104.7%
Used vehicle sales/purchases business	10,083	10,097	10,819	107.1%
Other business	7,100	5,915	5,583	94.4%
Total	67,466	68,607	71,450	104.1%
Operating income (Per sales)	33,411 (49.5%)	34,491 (50.3%)	34,700 (48.6%)	100.6%

Market Overview

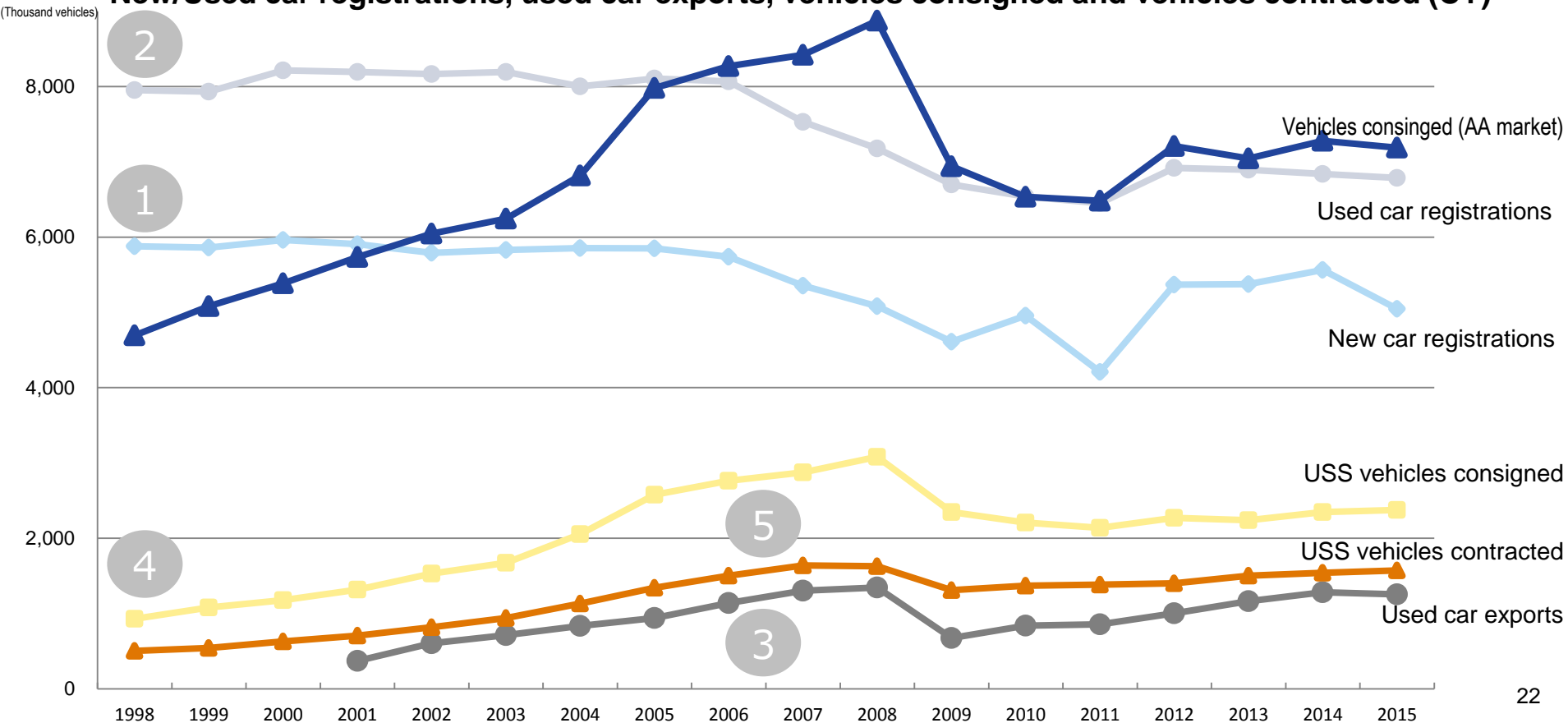
- The number of vehicles consigned is correlated through trade-ins and purchases to (1) New car registrations and (2) Used car registrations
- Domestic and overseas used car demand ((2)and(3)). Recently demand is being driven by overseas demand
- In addition to the above, share of the used car auction market and contract ratio, affect Auction segment profits



New/Used Car Registrations and Auto Auction Market

- The share of auctions in used car distribution increased as a result of the expansion of the used vehicle purchase stores around the year 2000. In addition, older models and long mileage vehicles that had been traditionally scrapped were increasing re-routed to auctions. In this environment, USS continued to steadily increase its share of the auction market.
- Since 2008, the auto auction market has been closely correlated to new car registrations (supply) and used vehicle exports.
- While the number vehicles consigned is likely to decline, rising exports of used cars are expected to contribute to the auction business.

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



Strategy to Leverage USS Strengths for Medium Term Value Creation

History of Long-term Growth

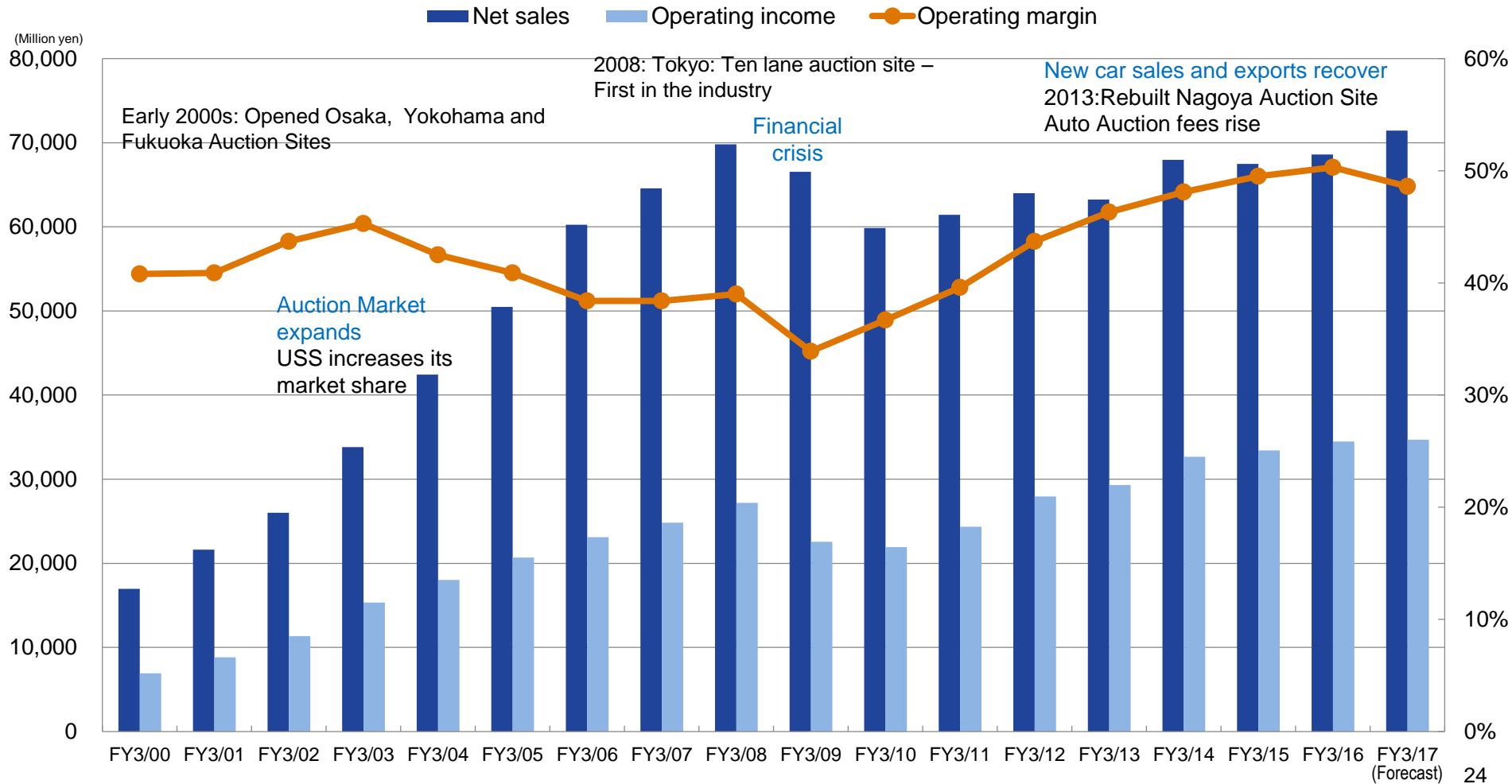
Before 2000

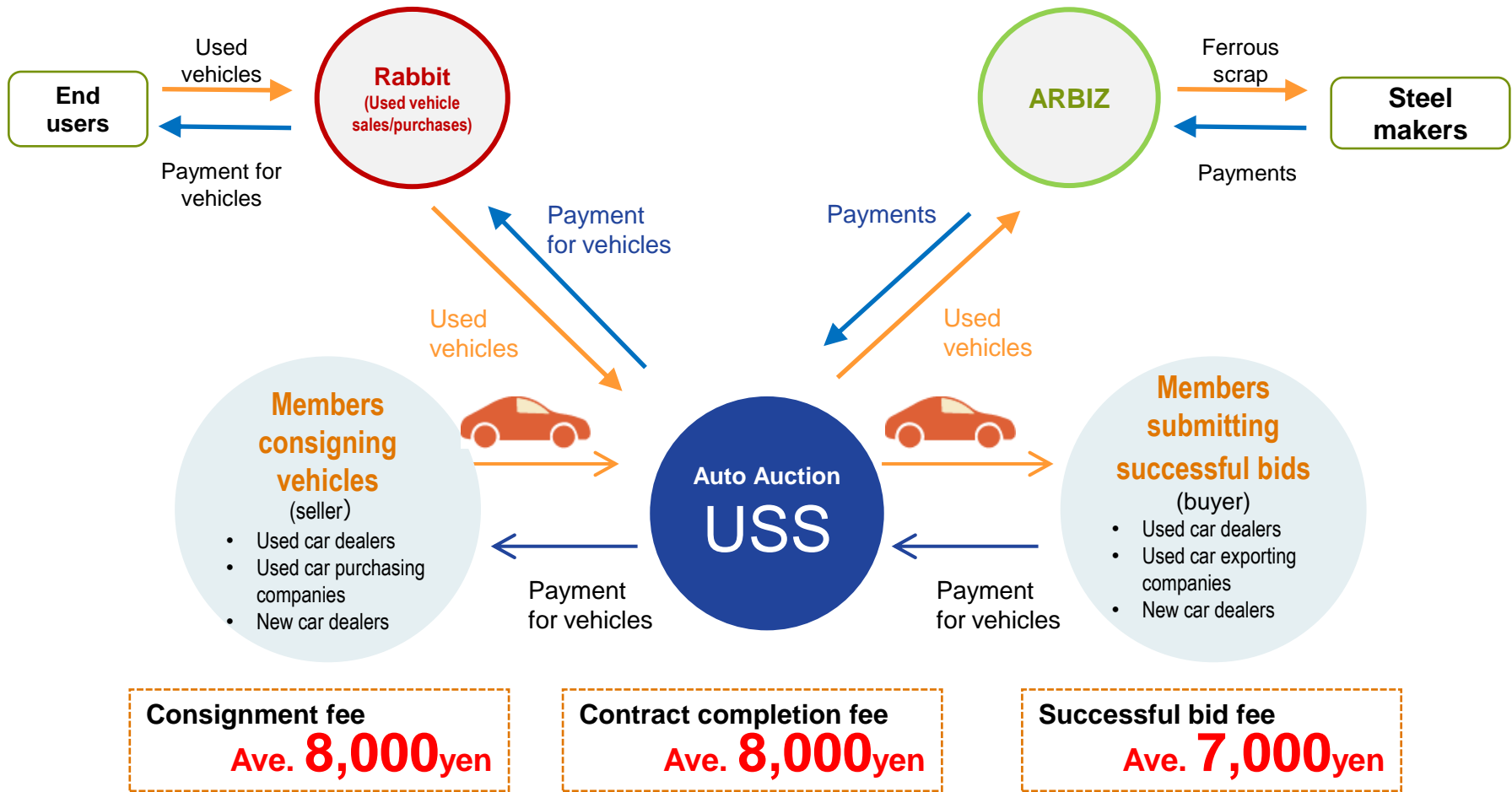
1982: Held the first auction with only 255 vehicles consigned

1988: Expanded the Nagoya Auction Site. The number of POS seats was 570 (the largest in Japan).

Mid nineties: Opened Kyushu and Tokyo Auction Sites

Late nineties: Opened Okayama, Shizuoka, Sapporo and West Tokyo (currently the Saitama auction site) Auction Sites





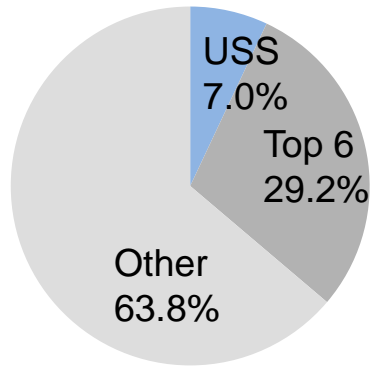
Vehicles consigned
2.39 million units(FY3/2016)

USS's fee per unit
Ave. 23,000yen

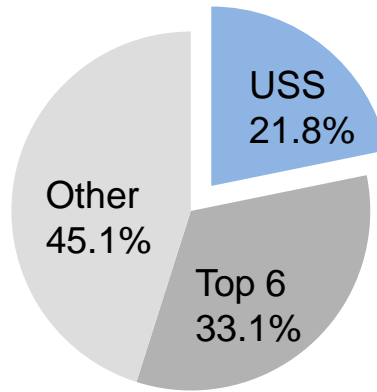
Contract completion rate
65.3%(FY3/2016)

USS Increases Its Market Share in the Used Car Auction Market

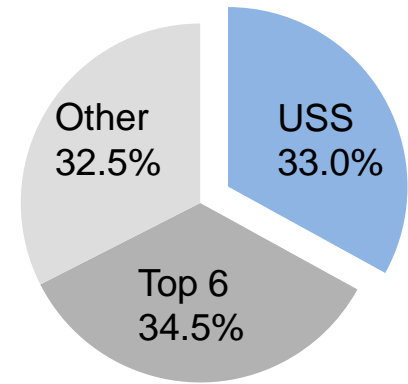
1990(CY) market share



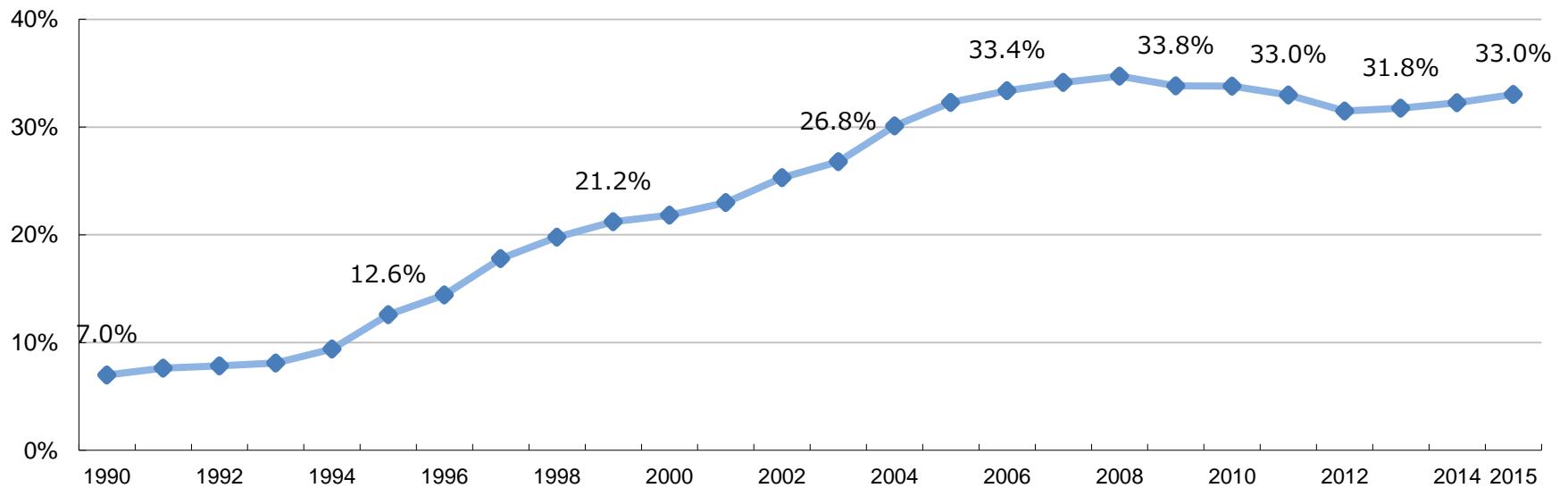
2000(CY) market share



2015(CY) market share



USS market share

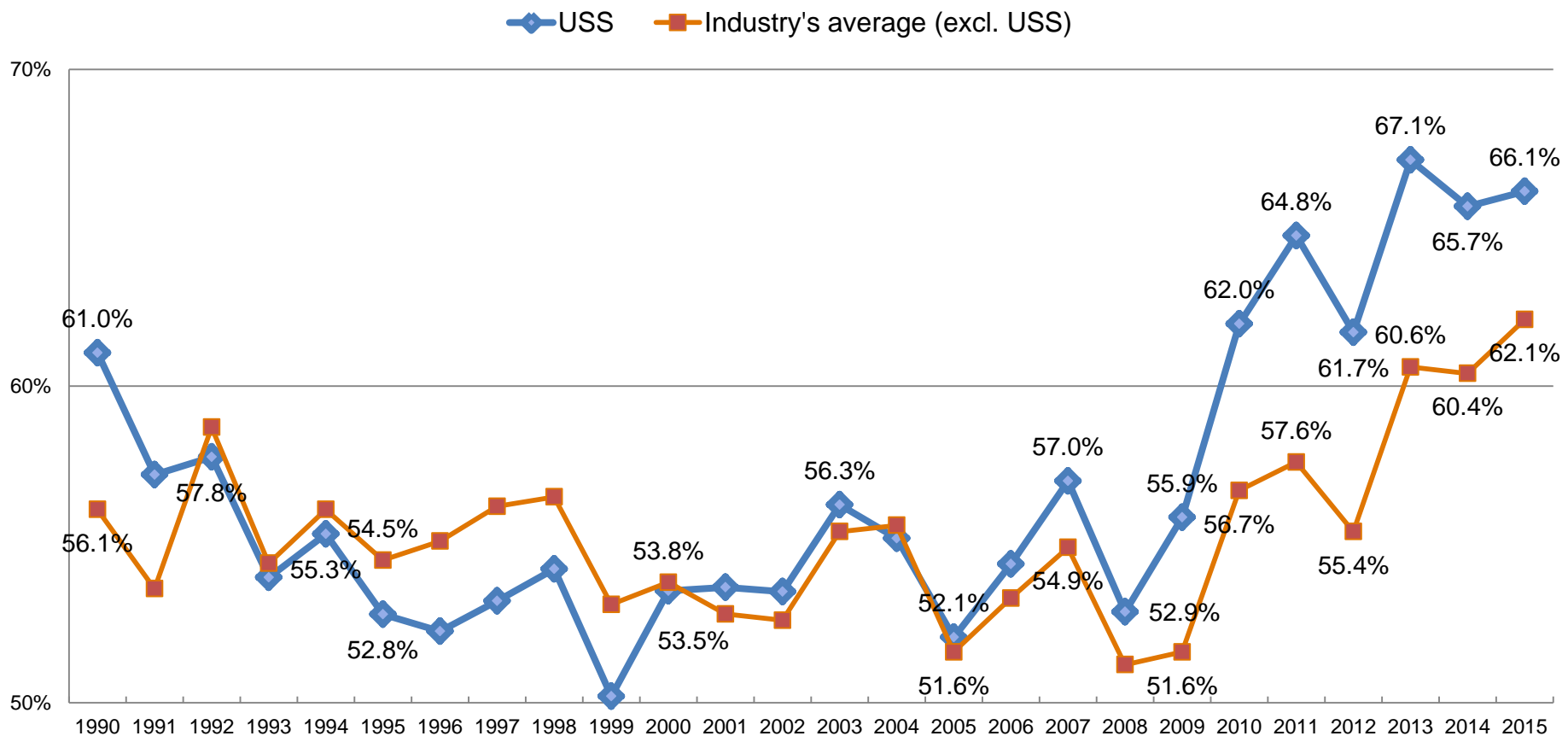


- Largest in the auction market
(Share of vehicles consigned: 33.2% (1H 2016))
 - A nationwide network of 17 auction sites; 46,000 members
- Tokyo Auction Site (Largest in Japan) and Nagoya Auction Sites particularly competitive
- Has a comprehensive satellite TV and Internet off-site bidding facility
- Solid financial base capable of withstanding the need for continuing investment in new equipment (Equity ratio:84.6%)



High quality used cars concentrate at USS
→ Contract completion ratio surpassing industry
average
(Share of vehicles contracted: 34.4% (1H 2016))

- Increase in off-site auction members due to expansion of the CIS (Internet) system
- Realized growth rates surpassing the industry average since the financial crisis of 2008. This is a result of a policy of deemphasizing the volume of vehicles consigned and instead focusing on the contract completion rate and the vehicle price.

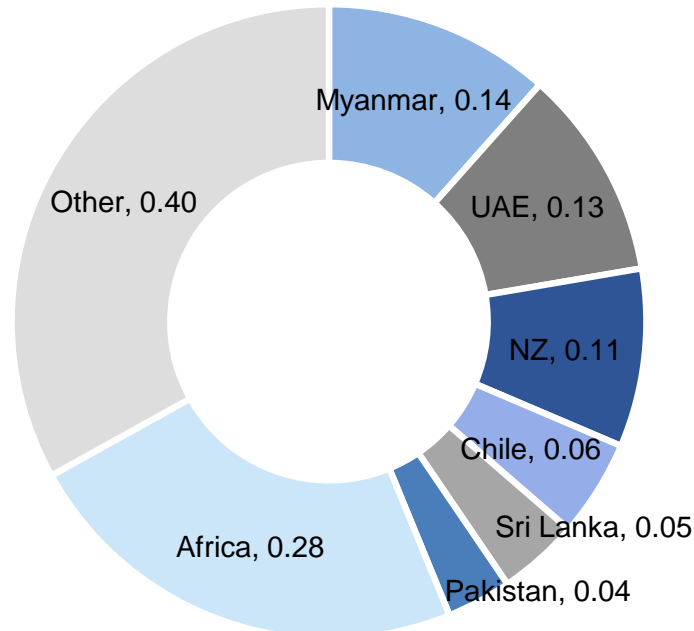


■ Domestic new car sales: Unlikely to see significant growth over the medium term

■ Used car exports:

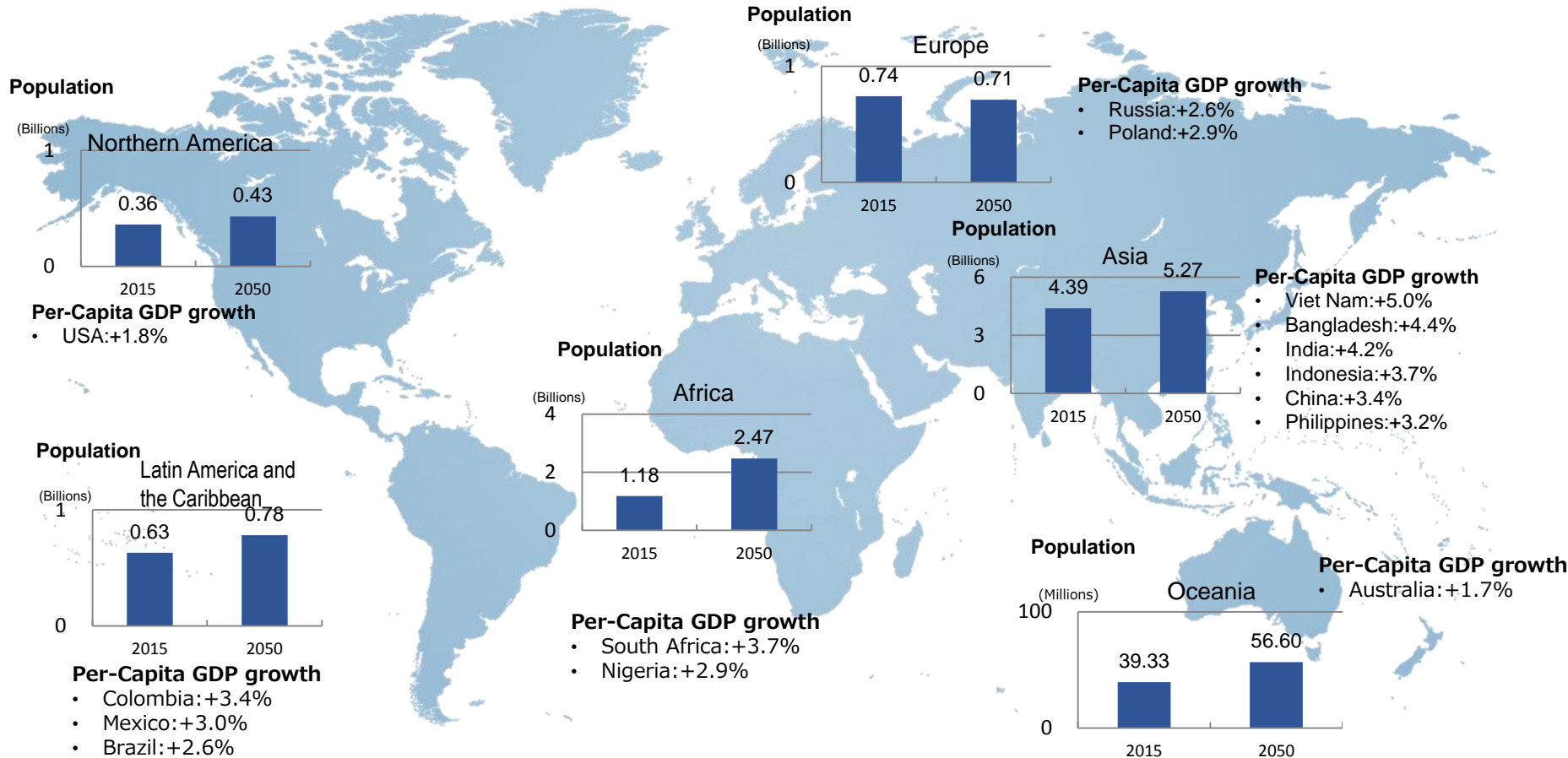
- Exports will slow in the short-term, environment will be difficult due to slowing economic growth in emerging countries, export regulations and other factors
- Significant potential for population and export growth in Central and Southeast Asia, Africa, Russia and other regions
- Quality of cars in Japan, a country with Vehicle Inspection System, is high. Exports to aforementioned countries are likely to increase

Used car export (total 1.25 million units)



(Million units)

Population and Per-Capita GDP growth forecast to 2050



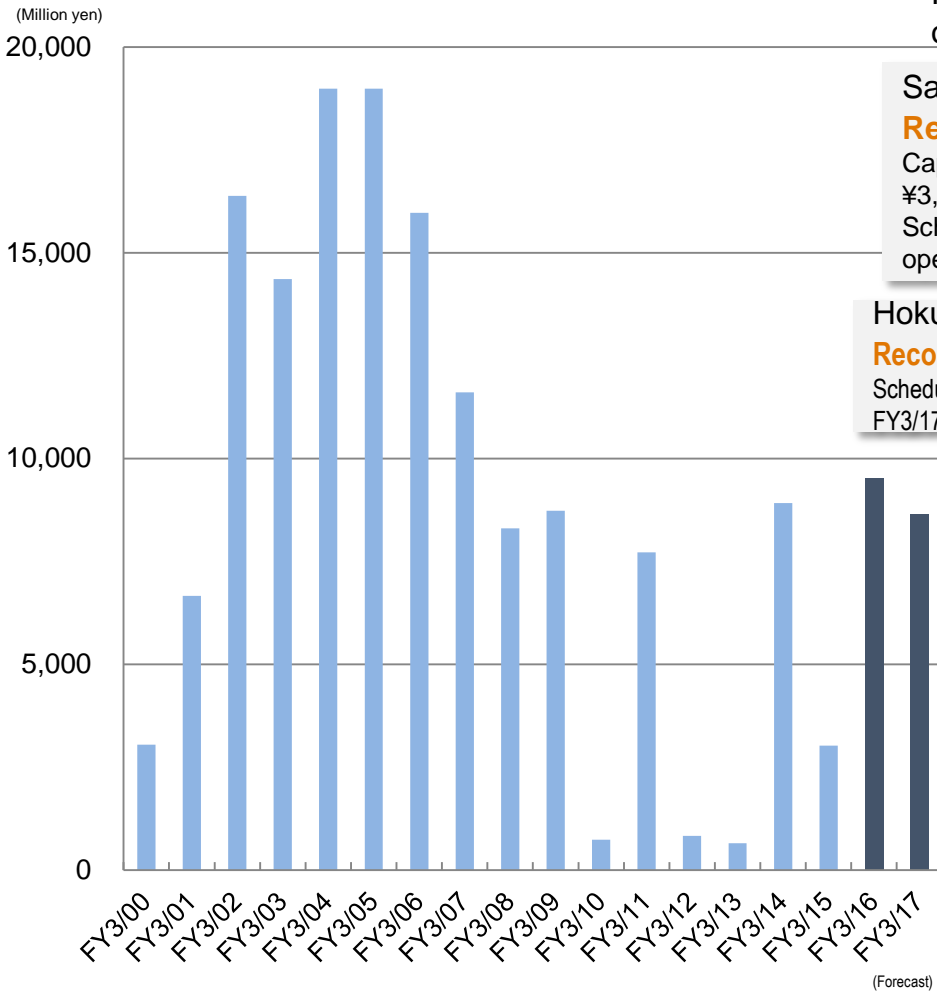
Note: Forecast of real GDP growth is annualized average of 2015-2050
 Sources: United Nations 'World Population Prospects'/PwC 'The World in 2050'

- Increase competitive power by expanding auction site network – Build a network for achieving overwhelming presence in the market
 - Plans call for capital investment to the tune of 20 billion yen over two years – 2015-2016
 - Improve member convenience at all auto auction sites
 - Concentrate management resources on large auction sites (Tokyo and Nagoya) to raise contract completion rate and market shares
- Continue the strategy of prioritizing contract completion rate
- Continue investment for growth and adequate shareholder distributions on back of solid financial position

Capital investment (project completion basis)

Capital investment plan

Further strengthening competitive position by investing 20 billion yen over two years - 2015-2016



Sapporo Auction Site

Reconstruction

Capital investment: Approximately ¥3,500 million
Scheduled to commence operations in Spring 2017

Hokuriku Auction Site

Reconstruction and moving

Scheduled to commence operations in FY3/17

Shizuoka Auction Site

Reconstruction

Capital investment: Approximately ¥1,600 million
Commenced operations in May 14, 2016

Installed state-of-the-art auction system

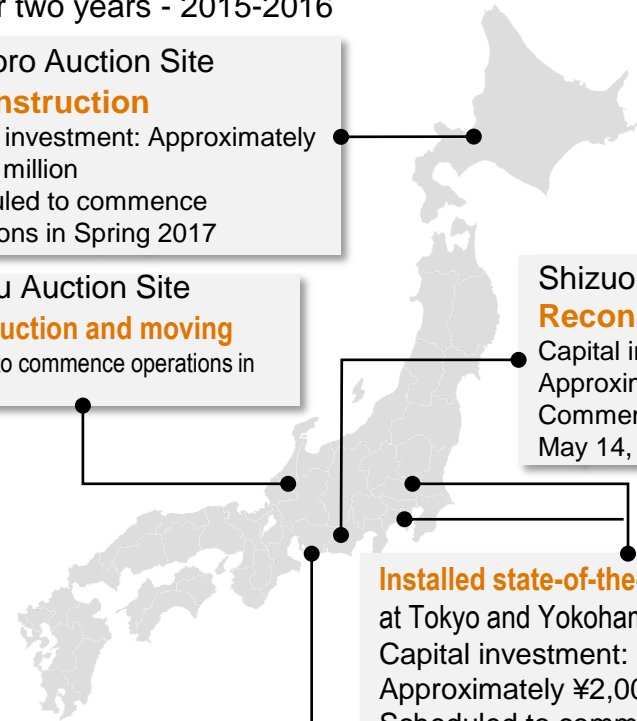
at Tokyo and Yokohama Auction Site.
Capital investment: Approximately ¥2,000 million
Scheduled to commence operations in FY3/17

Nagoya Multi-level stock house

Capital investment: Approximately ¥7,700 million
Commenced operations in February 15, 2016

R-Nagoya Reconstruction and moving

Capital investment: Approximately ¥2,500 million
Commenced operations in July 26, 2016



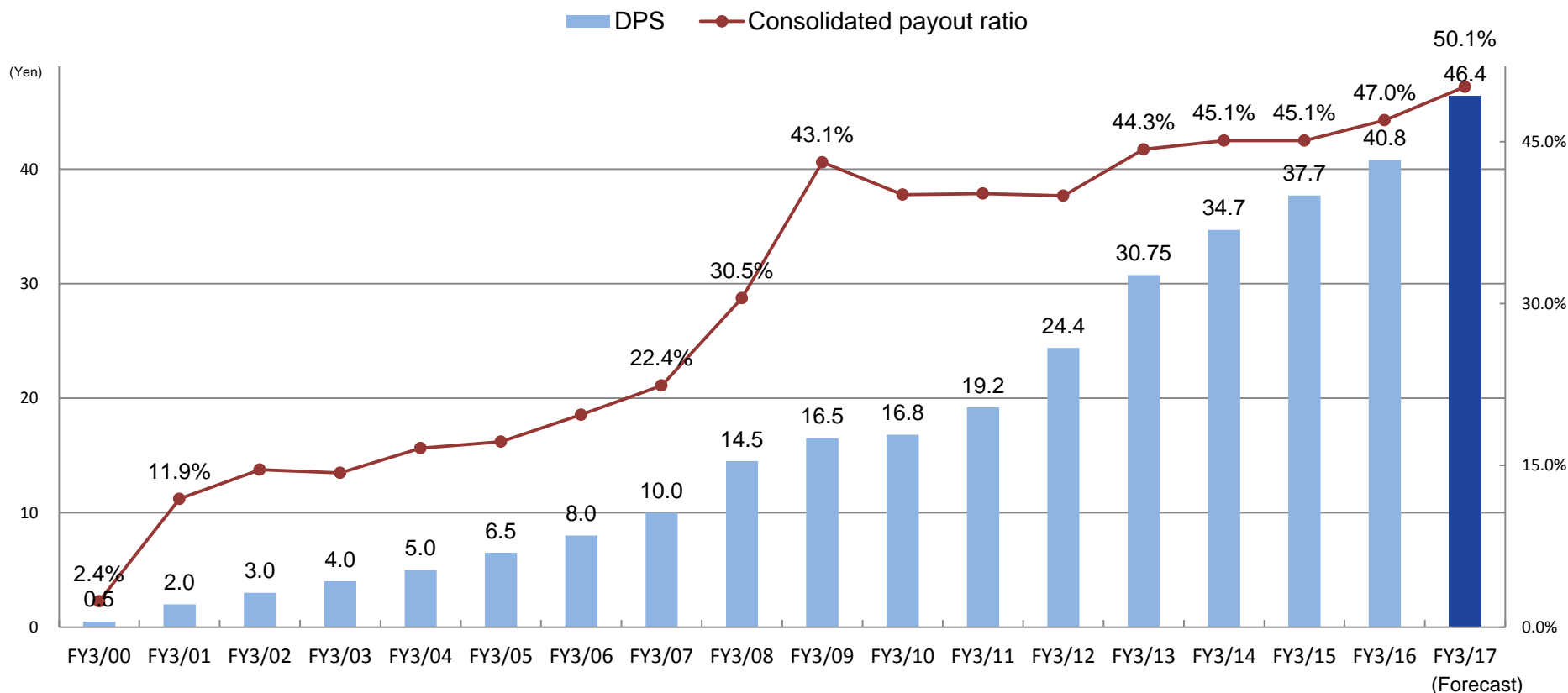
- Consolidated payout ratio: Revised to “Over **50%**” from FY3/2017
- Stock repurchase: Implement flexibly, with due consideration to cash flows, capital investment plans and market environment

Stock Repurchase Data (latest figures)

Type of shares repurchased	USS common shares
Repurchase period	March 16, 2016 ~ July 1, 2016
Total shares repurchased	5 million shares
Total acquisition cost	8.6 billion yen
Repurchase method:	Purchased on the Tokyo Stock Exchange

- Return on equity (ROE): Medium-term target is maintain it at above 15%

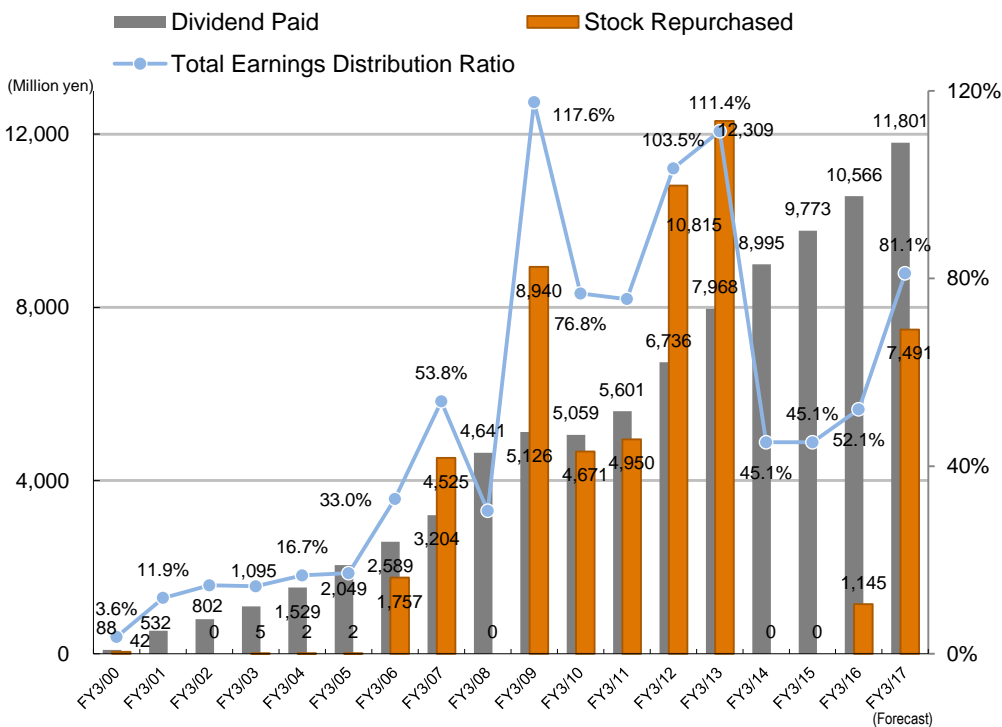
- FY3/2017 Annual dividend per share forecast to increase to **46.4 yen** (up 5.6 yen from previous FY) due to the increase in the consolidated payout ratio
- **17 consecutive years** of dividend growth since listing



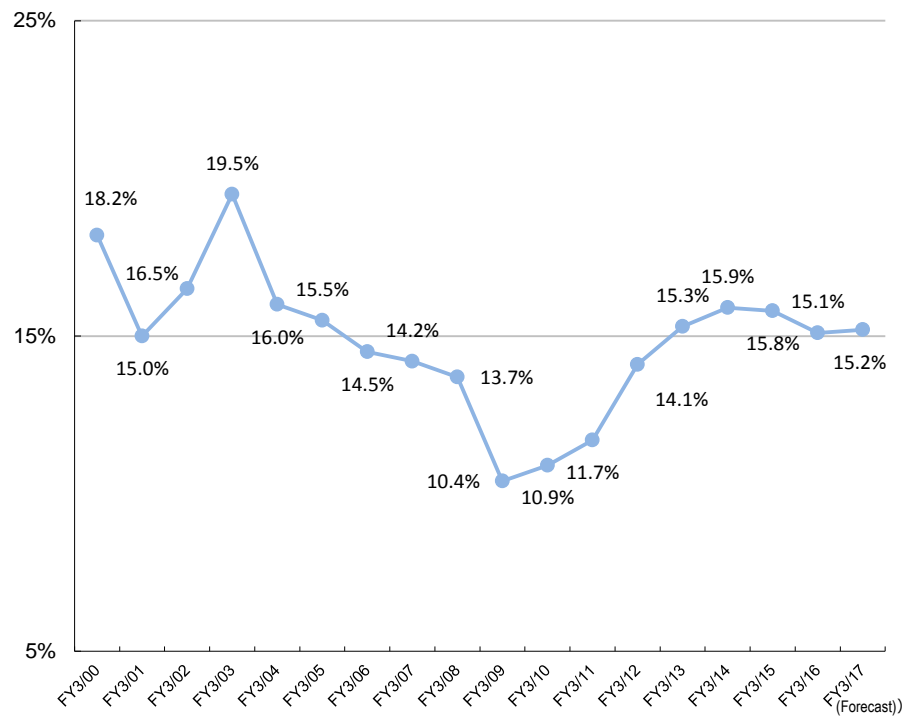
*Dividend per share is retroactively adjusted to the number of shares outstanding as of the effective date (October 1, 2013) of the stock split.

- Total shareholder distribution ratio for FY3/2017 is expected to be 81.1% as a result of the stock repurchase program (up to July 1, 2016)
- Medium-term target of ROE is maintain it at above 15%

Dividend Paid, Stock Repurchased, Total Earnings Distribution Ratio



ROE



* Figures for FY3/2017 are adjusted for the total number of shares repurchased as of July 1.

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