



May 6, 2021

To All Stakeholders:

Company: USS Co., Ltd.
Chairman and Representative Director: Yukihiro Ando
Stock code: 4732
Stock exchange listings: Tokyo and Nagoya (first sections)
Tel: +81-52-689-1129
Contact: Masafumi Yamanaka
Executive Vice President, Officer, Supervisory Office

Notice Concerning the Recording of Extraordinary Losses and Revision of Earnings Forecast

USS Co., Ltd. expects to record an extraordinary loss in the fiscal year ended March 2021. The board of directors at a meeting held today approved a resolution to revise its forecast of “Consolidated Financial Results for the Fiscal Year ended March 31, 2021” announced on November 9, 2020.

1. Recording of extraordinary loss
 - (1) Recording of impairment losses in consolidated financial statement

The company holds used car auctions at 19 auction sites in Japan. These include JAA’s (Japan Automobile Auction Inc.) auction site at Edokawa-ku, Tokyo and HAA’s (HAA Kobe, Inc.), a subsidiary of JAA, auction site at Kobe in Hyogo Prefecture. JAA was included in the consolidation in August 2017.

After JAA was made a consolidated subsidiary, the two auction sites operated by the JAA revised their service standards to bring them into conformity with those of USS. These included admission standards, auction rules, and fee systems. The changes were made to raise profitability of the two auction sites to the level of other auction sites operated by the company.

However, as a result of matching the service standards of JAA and HAA Kobe’s sites to that of USS it became increasingly difficult to differentiate them from our other used car auction sites. Consequently, the number of vehicles consigned to the two sites declined as users dispersed among our other auction sites.

As a result, in the fiscal year ended March 2020, we recorded an extraordinary loss of ¥ 3,863 million as impairment loss on goodwill related to JAA auction site. As the external environment has deteriorated further due to the prolonged COVID-19 pandemic we reviewed our original plans. Now, earnings in the fiscal year ended March 2021 are likely to fall short of the level projected for the HAA Kobe auction site also. Consequently, we expect to record an extraordinary loss of 18,801 million yen as impairment loss on goodwill related to HAA Kobe auction site in the fiscal year ended March 2021.

In addition, an extensive review of the customer-related assets of the JAA and HAA Kobe auction sites revealed that most members of both the auction sites did not meet our membership criteria and could not be registered as USS members. In view of the above, we expect to record an extraordinary loss of 2,923 million yen on removal of non-current assets. As a result, extraordinary losses is expected to total 21,724 million yen.

(Goodwill net of impairment losses)

Item	Impairment amount	Goodwill net of impairment losses
Goodwill	18,801 million yen	8,906 million yen

- (2) Recording of valuation losses on affiliated company stock in the non-consolidated account
The Company revalued the shares of JAA, which is a wholly-owned subsidiary. Accordingly, an extraordinary loss of 30,504 million yen on revaluation to reflect the significant drop in the actual value of the above shares is expected to be recorded in the non-consolidated account for the fiscal year ending in March 2021. This will, however, not affect the consolidated financial statement as the valuation loss on affiliated company stock is offset in the consolidated account.

2. Revision of earnings forecast

- (1) Revision of earnings forecast for the fiscal year ending March 2021 (April 1, 2020 - March 31, 2021)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
Previous forecast (A)	Million yen 71,200	Million yen 32,600	Million yen 33,300	Million yen 22,100	Yen 88.65
Current forecast (B)	74,874	36,227	36,996	4,022	16.13
Amount of change (B-A)	3,674	3,627	3,696	(18,077)	-
Percent of change (%)	5.2	11.1	11.1	(81.8)	-
(Reference) Actual results of FY3/2020	78,143	36,009	36,710	20,634	82.44

- (2) Reasons for revision

Consolidated net sales, operating profit and ordinary profit for the fiscal year ending March 2021 are expected to exceed the previous forecast due to the recovery in the number of vehicles consigned. However, profit attributable to owners of the parent is likely to be significantly lower than the previous forecast owing to the extraordinary losses noted above. We are revising the the full-year consolidated earnings forecast to reflect the above factors.

3. Dividend forecast

The year-end dividend forecast for the fiscal year ending March 2021 is unchanged from the previous forecast of 27.75 yen per share.

*The above earnings forecast is based on information available to management as of the date of revision. Actual results may vary from the forecast due several factors.