



# Consolidated Results of Operations

## The Second Quarter, Fiscal Year Ending March 31, 2019

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USS Co., Ltd.  
November 2018

- USS acquired 66.0% of the voting rights of Japan Automobile Auction Inc. (JAA) on August 24, 2017. As a result, auction sites operated by JAA and the HAA Kobe Auction Site HAA Kobe (JAA's wholly owned subsidiary) became USS Group auction sites. On March 1, 2018 the USS acquired additional stock of JAA and made this company a wholly owned subsidiary.

- 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.

#### Reference materials

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

# Results of Operations Second Quarter Fiscal Year Ending March 2019

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# 1H FY3/2019 – Summary of Consolidated Results of Operations

- Results of operations: Sales increased 11.5% YoY to ¥38.84 billion, Operating profit was up 6.6% to ¥18.12 billion, and Profit attributable to owners of parent increased 4.5% to ¥12.33 billion.
- The number of vehicles handled increased significantly because of the acquisition of JAA.
- The results of JAA, and of HAA Kobe Inc. and AUCTION TRANSPORT Inc. are included in the consolidated income statement from 3Q FY3/2018.

(Million yen)

	1H FY3/18	1H FY3/19	Year on year	1H FY3/19 Initial plan (May 8, 2018)	VS. plan
Net sales	34,822	38,842	111.5%	38,850	100.0%
Cost of sales (Per sales)	13,761 (39.5%)	15,108 (38.9%)	109.8%	15,398 (39.6%)	98.1%
Gross profit (Per sales)	21,061 (60.5%)	23,734 (61.1%)	112.7%	23,451 (60.4%)	101.2%
Selling, general and administrative expenses (Per sales)	4,048 (11.6%)	5,606 (14.4%)	138.5%	5,871 (15.1%)	95.5%
Operating profit (Per sales)	17,013 (48.9%)	18,127 (46.7%)	106.6%	17,580 (45.3%)	103.1%
Ordinary profit (Per sales)	17,275 (49.6%)	18,415 (47.4%)	106.6%	17,820 (45.9%)	103.3%
Profit attributable to owners of parent (Per sales)	11,799 (33.9%)	12,333 (31.8%)	104.5%	11,800 (30.4%)	104.5%

# 1H FY3/2019 – Reasons for Change in Operating Profit (Actual)

**Net sales**

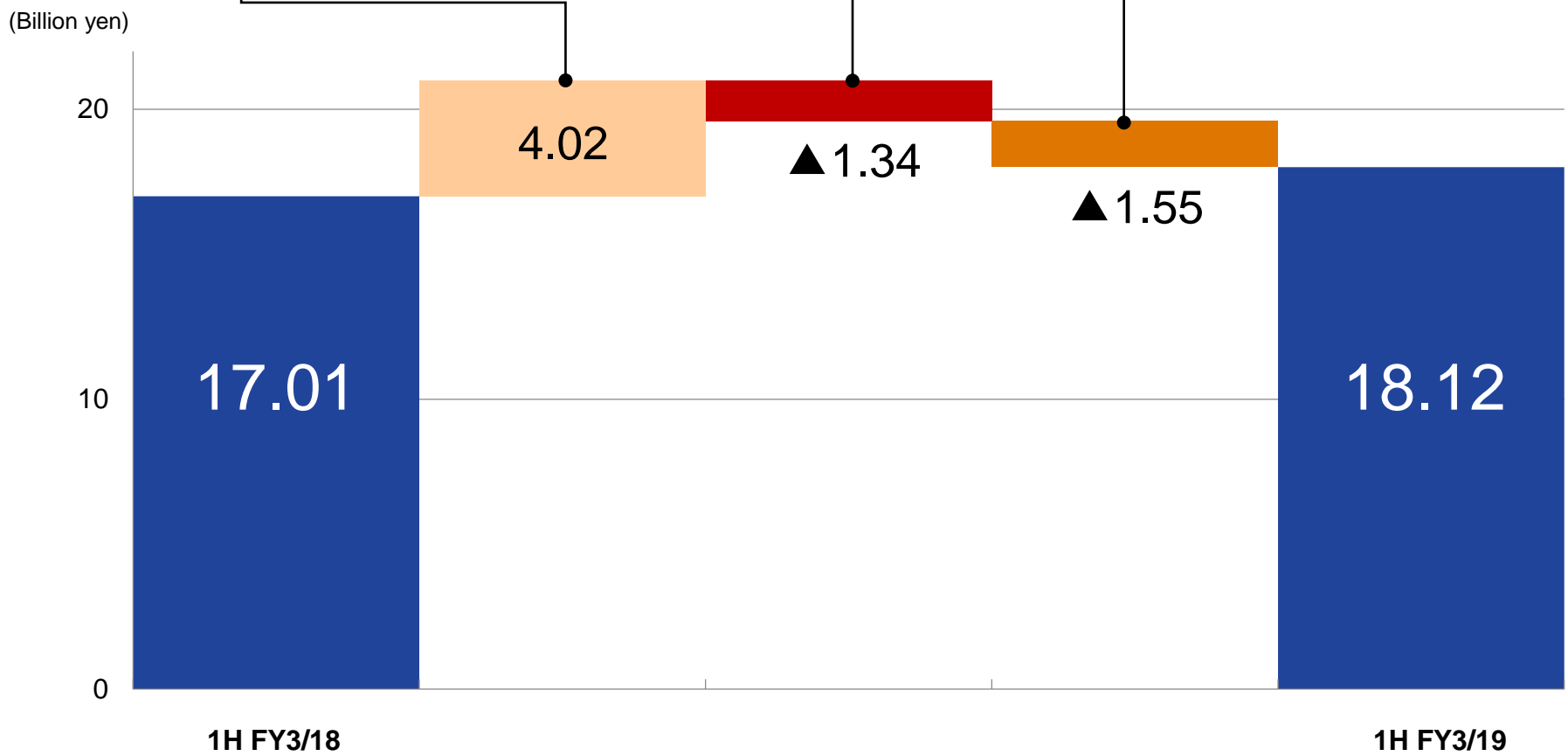
Increase in fee rates	0.45bn
Increase in contract completion rate	0.20bn
Decrease in vehicles, etc. recycling	▲0.24bn
Decrease in vehicles consigned	▲0.20bn
Used vehicle sales/purchases	▲0.18bn
Impact of JAA	3.72bn

**Cost of sales**

Decrease in cost of goods sold	0.35bn
Decrease in depreciation	0.35bn
Impact of JAA	▲1.87bn

**SG&A expenses**

Impact of JAA	▲1.71bn
(of which goodwill amortization)	▲0.95bn
(of which amortization of customer-related assets)	▲0.18bn



\* The change due to the JAA acquisition includes JAA, HAA Kobe Inc. and AUCTION TRANSPORT Inc. All other components of changes do not include "impact of JAA".

# Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	1H FY3/17	1H FY3/18	1H FY3/19	Year on year
Auto auction	25,378	27,186	31,550	116.0%
Used vehicle purchasing and selling	4,571	4,736	4,583	96.8%
Other	2,405	2,899	2,709	93.4%
<b>Total</b>	<b>32,355</b>	<b>34,822</b>	<b>38,842</b>	<b>111.5%</b>
Operating profit (operating margin)	1H FY3/17	1H FY3/18	1H FY3/19	Year on year
Auto auction	15,129 (59.1%)	16,527 (60.2%)	17,613 (55.4%)	106.6%
Used vehicle purchasing and selling	169 (3.7%)	113 (2.4%)	124 (2.7%)	109.7%
Other	82 (3.4%)	321 (11.1%)	340 (12.5%)	105.8%
Elimination of inter-segment transactions	109	51	49	96.5%
<b>Total</b>	<b>15,490 (47.9%)</b>	<b>17,013 (48.9%)</b>	<b>18,127 (46.7%)</b>	<b>106.6%</b>

\* Net sales are sales to external customers and operating profit is based on business segment earnings.  
Operating margins (shown % in parenthesis) are calculated by dividing segment profit by segment sales.

# Consolidated Balance Sheets and Statements of Cash Flows

- A big increase in auction fees was the main reason for the increase in cash and deposits.
- Other current liabilities were down mainly because deposits received decreased.
- Free cash flows increased because there were no major capital expenditures.
- Equity ratio: 78.3%

## Consolidated Balance Sheets (Summary)

	FY3/18	1H FY3/19
Current assets	62,777	69,793
Cash and deposits	39,622	47,623
Receivables due from member dealers at auction, etc.	23,154	22,169
Non-current assets	159,514	156,289
Property, plant and equipment	106,508	104,684
Other	53,005	51,604
<b>Total assets</b>	<b>222,292</b>	<b>226,082</b>

(Million yen)

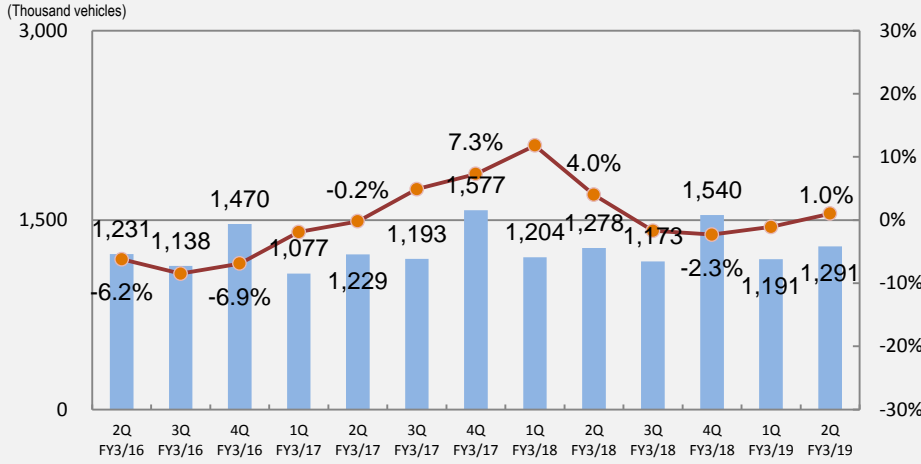
	FY3/18	1H FY3/19
Current liabilities	37,373	35,018
Payables due to member dealers at auction	22,339	22,291
Other	15,033	12,727
Non-current liabilities	12,728	12,487
<b>Total liabilities</b>	<b>50,102</b>	<b>47,506</b>
<b>Total net assets</b>	<b>172,190</b>	<b>178,576</b>
<b>Total liabilities and net assets</b>	<b>222,292</b>	<b>226,082</b>

## Consolidated Statements of Cash Flows (Summary)

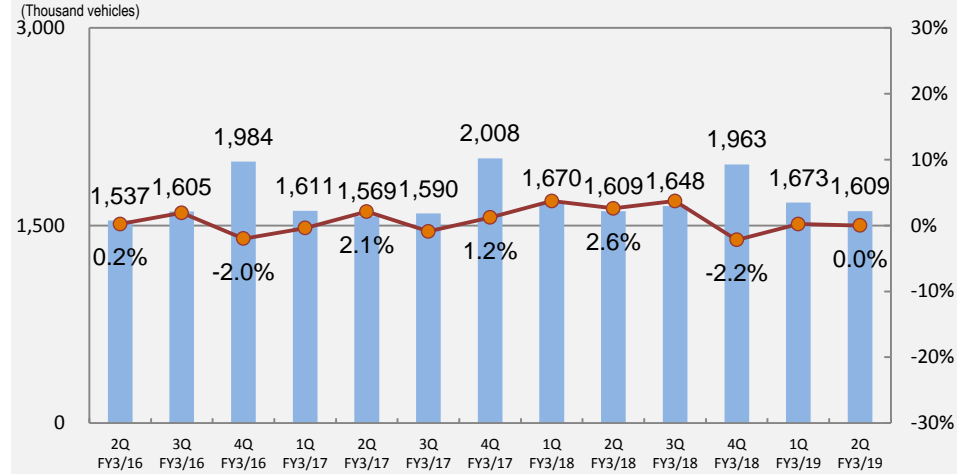
	1H FY3/17	1H FY3/18	1F FY3/19	Changes
Net cash provided by (used in) operating activities	12,535	13,909	14,327	417
Net cash provided by (used in) investing activities	▲7,967	▲18,942	▲28	18,913
Free cash flow	4,568	▲5,032	14,298	19,331
Net cash provided by (used in) financing activities	▲11,943	▲6,108	▲6,297	▲189
Capital expenditures (Terms of cash flows)	3,914	3,567	630	▲2,936
Depreciation	2,108	2,277	2,630	352

\* Balance sheet figures at the end of FY3/18 have been retroactively adjusted for consistency with partial amendments to the standard for tax effect accounting.

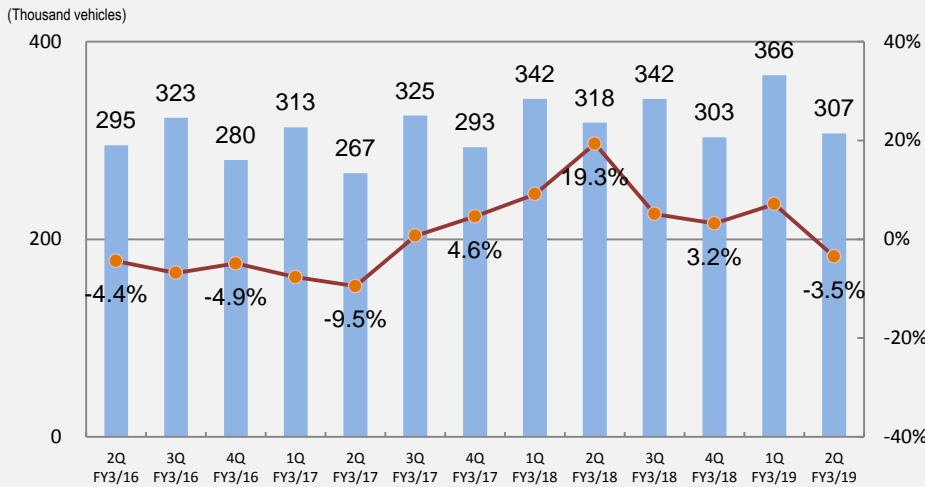
## New Car Registrations and YoY Changes



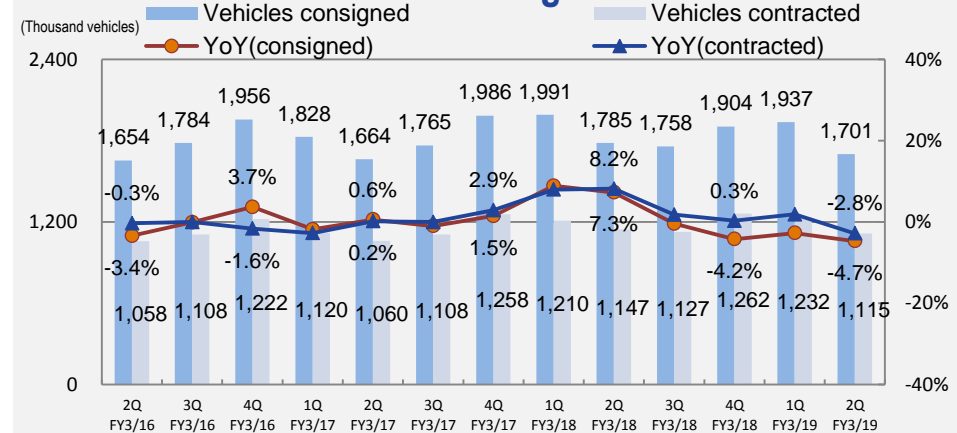
## Used Car Registrations and YoY Changes



## Used Car Exports and YoY Changes



## AA Market: Vehicles Consigned and Contracted and YoY Changes





# Auto Auction Segment (1)

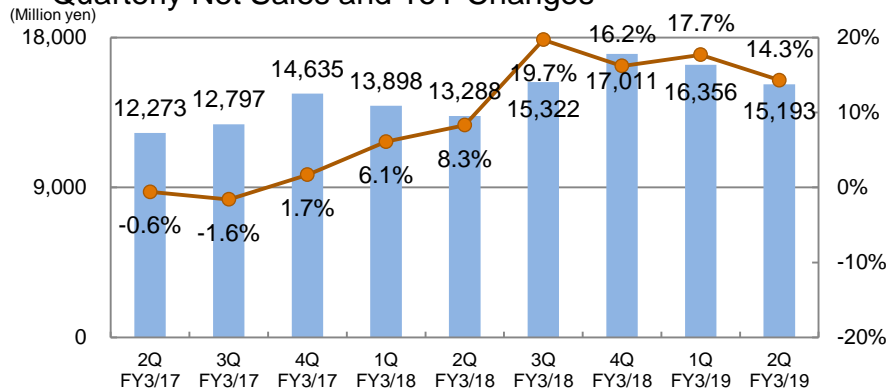
- Vehicles consigned increased 16.8% YoY to 1,416 thousand; contract completions increased 15.5% YoY to 892 thousand (contract completion rate: 63.0% against 63.7% in the previous fiscal year)) (1,200 thousand vehicles consigned (a decrease of 0.9% YoY) at USS's 17 existing auction sites (excluding JAA and HAA Kobe auction site), and 775 thousand contract completions (an increase of 0.4% YoY))
- The business results of JAA Inc., which has been made a subsidiary, are included in the consolidated income statement from 3Q FY3/2018

## Auto Auction Segment Performance in 1H

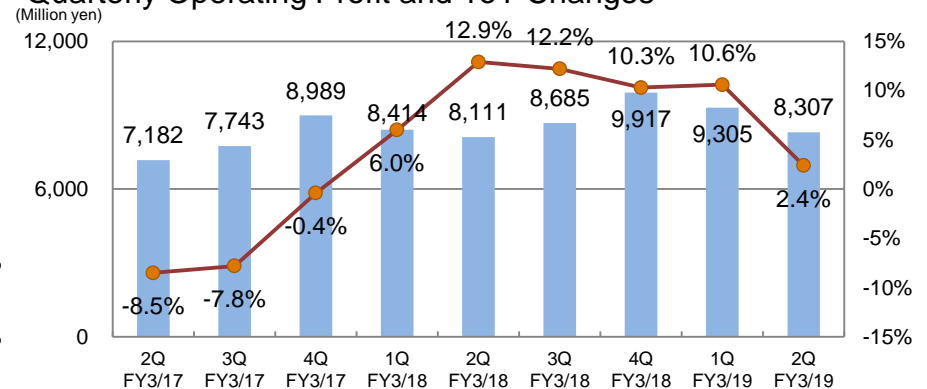
(Million yen)

	1H FY3/17	1H FY3/18	1H FY3/19	Year on year
Net sales	25,378	27,186	31,550	116.0%
Consignment fees	5,941	6,344	7,460	117.6%
Contract completion fees	5,780	6,236	7,294	117.0%
Successful bid fees	8,616	9,163	10,797	117.8%
Other	5,039	5,441	5,997	110.2%
Operating profit	15,129	16,527	17,613	106.6%
Operating margin	59.1%	60.2%	55.4%	-

### Quarterly Net Sales and YoY Changes

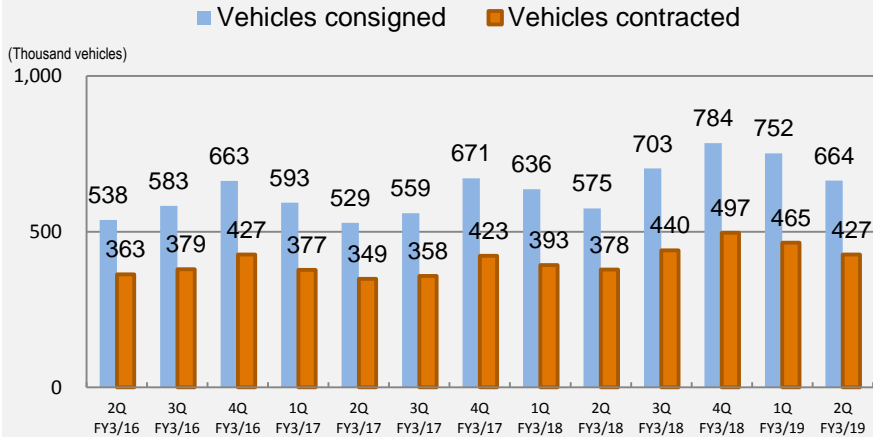


### Quarterly Operating Profit and YoY Changes

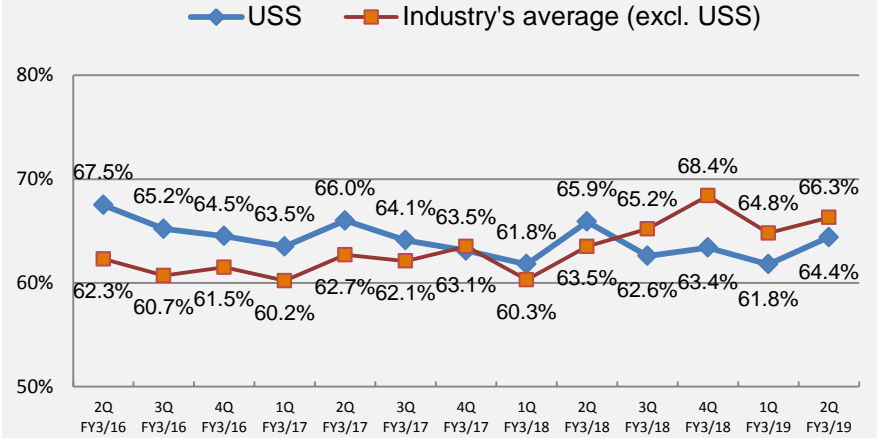


\* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

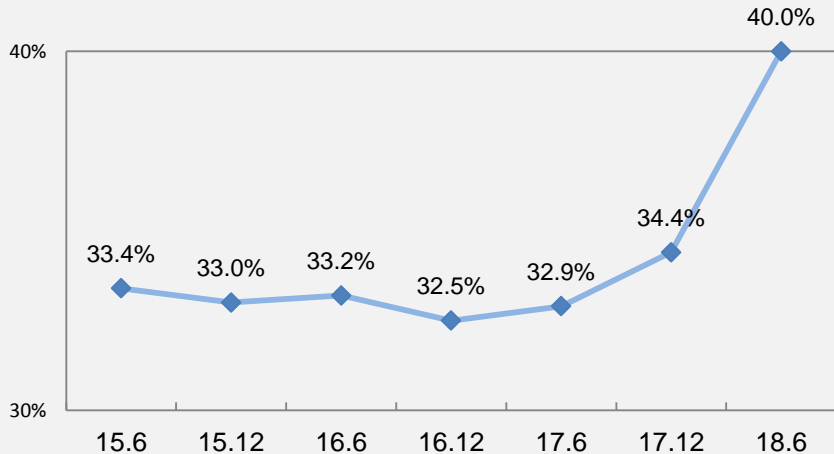
## No. of Vehicles Consigned and Vehicles Contracted



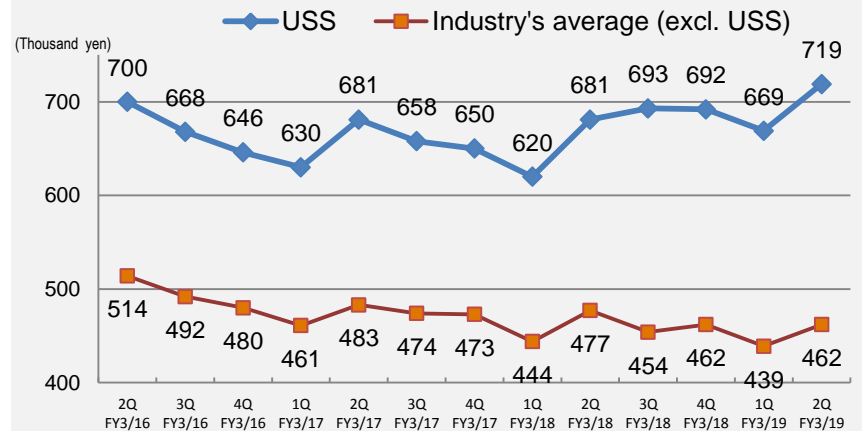
## Contract Completion Rate



## Market Share



## Average Price of Vehicle Contracted

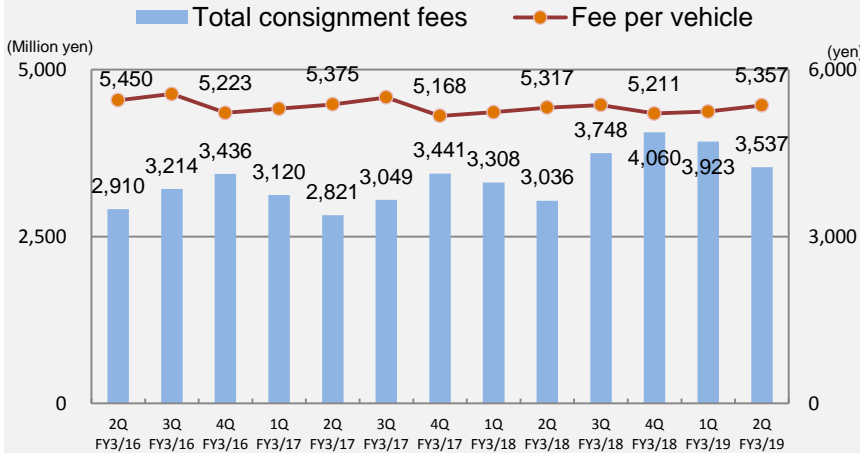


\* Period ending in December: 12-month data; Period ending in June: 6-month data.

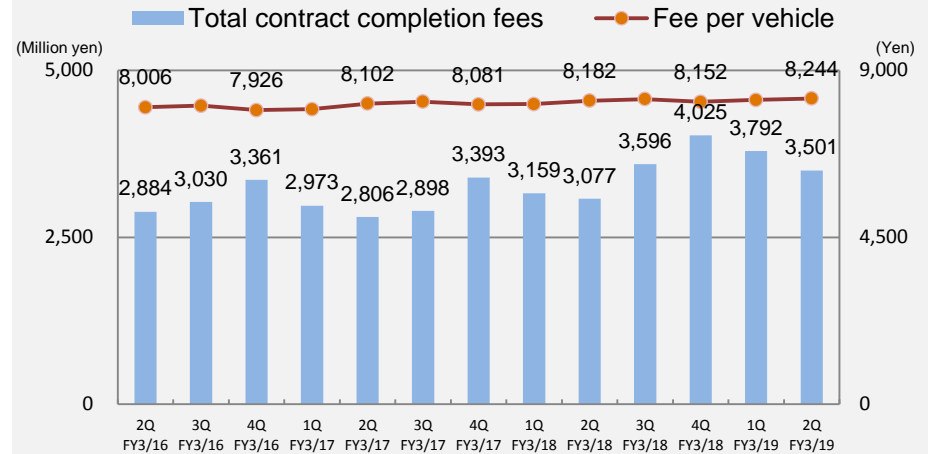
\* The results of JAA, and of HAA Kobe are included from October 2017.

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

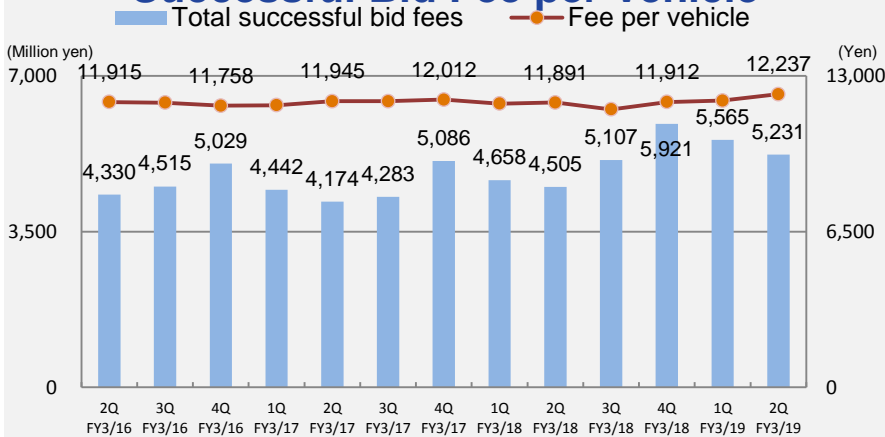
## Total Consignment Fees and Consignment Fee per Vehicle



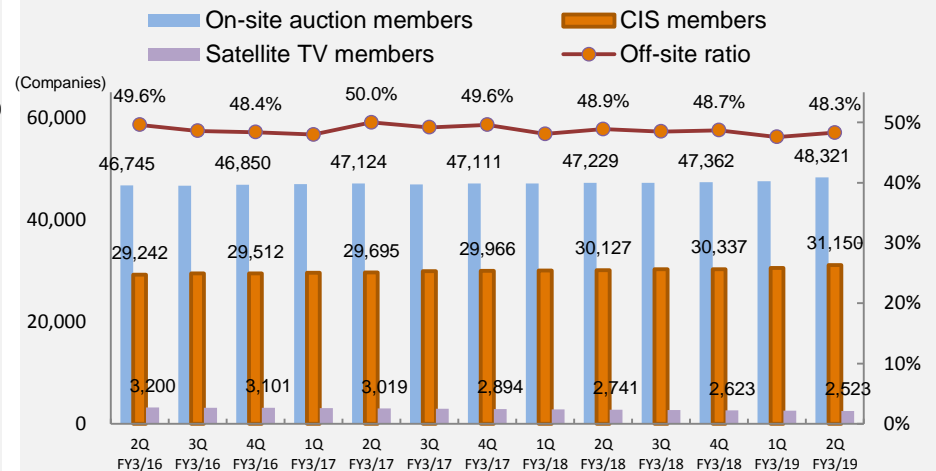
## Total Contract Completion Fees and Contract Completion Fee per Vehicle



## 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 results of JAA, and of HAA Kobe are included from October 2017 onward.  
 \* The figures in this slide do not include JBA data.

# Auto Auction Segment (4)

From April 1, 2018 to September 30, 2018

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1H FY3/18	1H FY3/19	1H FY3/18	1H FY3/19	YoY change	1H FY3/18	1H FY3/19	YoY change	1H FY3/18	1H FY3/19
Tokyo	24	24	313,375	310,895	99.2%	218,735	217,625	99.5%	69.8%	70.0%
Nagoya	25	25	252,153	246,703	97.8%	141,634	137,537	97.1%	56.2%	55.8%
Yokohama	24	24	87,255	87,444	100.2%	58,053	58,667	101.1%	66.5%	67.1%
Kyushu	25	25	92,066	84,321	91.6%	55,878	51,704	92.5%	60.7%	61.3%
Osaka	25	25	64,671	81,416	125.9%	37,094	45,258	122.0%	57.4%	55.6%
Sapporo	24	24	73,095	74,077	101.3%	46,148	49,062	106.3%	63.1%	66.2%
R-Nagoya	24	24	70,799	70,417	99.5%	57,668	59,320	102.9%	81.5%	84.2%
Shizuoka	25	25	42,905	41,844	97.5%	26,791	27,809	103.8%	62.4%	66.5%
Kobe	24	24	35,428	39,237	110.8%	20,366	22,332	109.7%	57.5%	56.9%
Okayama	25	25	37,942	35,537	93.7%	24,783	24,223	97.7%	65.3%	68.2%
Tohoku	24	24	31,954	29,777	93.2%	22,661	22,173	97.8%	70.9%	74.5%
Gunma	25	25	32,878	27,524	83.7%	21,104	18,942	89.8%	64.2%	68.8%
Saitama	25	25	28,654	24,071	84.0%	16,729	14,256	85.2%	58.4%	59.2%
Niigata	24	24	22,448	21,341	95.1%	9,968	9,984	100.2%	44.4%	46.8%
Fukuoka	24	24	19,632	19,147	97.5%	10,650	12,063	113.3%	54.2%	63.0%
Hokuriku	24	25	7,172	7,213	100.6%	4,458	4,551	102.1%	62.2%	63.1%
JAA	-	24	-	57,876	-	-	36,125	-	-	62.4%
HAA Kobe	-	24	-	157,871	-	-	81,197	-	-	51.4%
<b>Total</b>	<b>391</b>	<b>440</b>	<b>1,212,427</b>	<b>1,416,711</b>	<b>116.8%</b>	<b>772,720</b>	<b>892,828</b>	<b>115.5%</b>	<b>63.7%</b>	<b>63.0%</b>

\* The figures in this slide include JAA and HAA Kobe from October 2017 onward.

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

# Auto Auction Segment (5)

(Vehicles, %)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	First Half	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Second Half	Fiscal Year
No. of Vehicles Consigned	FY3/17	233,303	165,327	195,240	186,899	141,275	201,229	1,123,273	186,409	197,643	174,983	172,609	209,027	289,592	1,230,263	2,353,536
	YoY Change	▲2.8	▲8.4	3.8	▲6.0	▲1.6	2.4	▲2.1	▲15.9	5.1	1.0	▲4.1	0.3	5.3	▲1.3	▲1.7
	FY3/18	234,454	183,593	218,888	195,997	169,623	209,872	1,212,427	238,322	250,552	214,426	201,672	244,650	337,961	1,487,583	2,700,010
	YoY Change	0.5	11.0	12.1	4.9	20.1	4.3	7.9	27.8	26.8	22.5	16.8	17.0	16.7	20.9	14.7
	FY3/19	266,046	232,114	254,075	224,212	206,245	234,019	1,416,711	234,741						234,741	1,651,452
	YoY Change	13.5	26.4	16.1	14.4	21.6	11.5	16.8	▲1.5						-	-
No. of Vehicles Contracted	FY3/17	140,412	109,067	127,811	122,962	93,386	133,187	726,825	121,245	126,888	110,392	109,986	135,605	177,902	782,018	1,508,843
	YoY Change	▲3.9	▲6.7	▲0.2	▲8.6	▲5.8	2.5	▲3.7	▲17.2	3.9	▲0.9	▲6.8	▲0.2	2.2	▲3.2	▲3.4
	FY3/18	138,362	116,398	138,964	127,444	112,434	139,118	772,720	152,222	157,094	130,815	129,500	157,319	210,328	937,278	1,709,998
	YoY Change	▲1.5	6.7	8.7	3.6	20.4	4.5	6.3	25.5	23.8	18.5	17.7	16.0	18.2	19.9	13.3
	FY3/19	159,017	147,501	158,657	143,599	131,988	152,066	892,828	152,009						152,009	1,044,837
	YoY Change	14.9	26.7	14.2	12.7	17.4	9.3	15.5	▲0.1						-	-
Contract Completion Rate	FY3/17	60.2	66.0	65.5	65.8	66.1	66.2	64.7	65.0	64.2	63.1	63.7	64.9	61.4	63.6	64.1
	FY3/18	59.0	63.4	63.5	65.0	66.3	66.3	63.7	63.9	62.7	61.0	64.2	64.3	62.2	63.0	63.3
	FY3/19	59.8	63.5	62.4	64.0	64.0	65.0	63.0	64.8						-	-

\* The figures in this slide include JAA and HAA Kobe from October 2017 onward.

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

# Used Vehicle Purchasing and Selling Segment

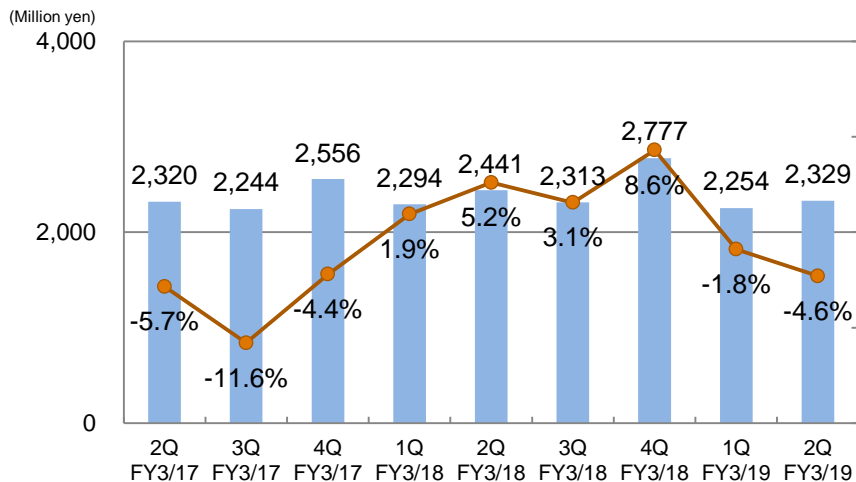
- At the used vehicle purchasing subsidiary (Rabbit), a reexamination of unprofitable stores caused the number of vehicles sold to decline. Although sales decreased as a result, earnings were higher due to a higher profit margin. (Net sales decreased 6.5% YoY to ¥ 2,655 million, Operating profit increased 27.1% to ¥102 million)
- In the accident-damaged vehicle purchasing and selling business, the number of quality vehicles handled increased but the total number of vehicles sold decreased. The result was higher sales and lower earnings. (Net sales increased 1.6% YoY ¥1,927 million, Operating profit decreased 33.6% to ¥21 million)

**Used Vehicle Purchasing and Selling Segment Performance in 1H**

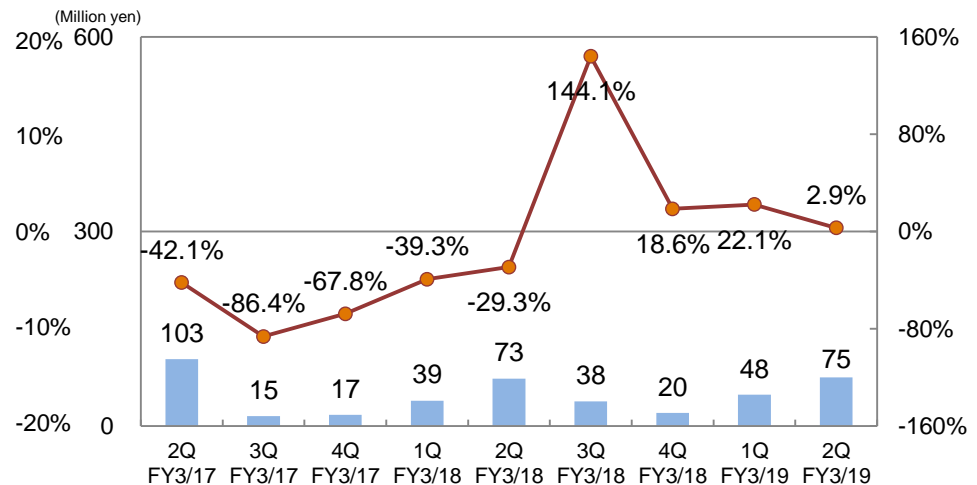
(Million yen)

	1H FY3/17	1H FY3/18	1H FY3/19	Year on year
Net sales	4,571	4,736	4,583	96.8%
Operating profit	169	113	124	109.7%
Operating margin	3.7%	2.4%	2.7%	-

**Quarterly Net Sales and YoY Changes**



**Quarterly Operating Profit and YoY Changes**



\* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

# Other Segment

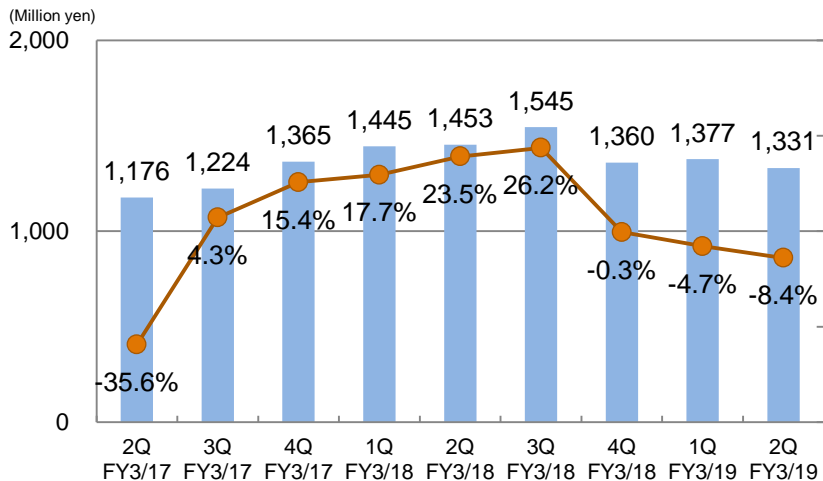
- In the recycling business, sales and earnings decreased because of the end of some sales of parts and a decline in the handling volume of vehicles for recycling. (Net sales decreased 9.4% YoY to ¥2,374 million, Operating profit decreased 6.7% to ¥270 million)
- In the used vehicle export clearing service business, sales and earnings increased due to growth in the volume of orders received. (Net sales increased 24.6% YoY to ¥280 million, Operating profit increased 240.3% to ¥47 million)

## Other Segment Performance in 1H

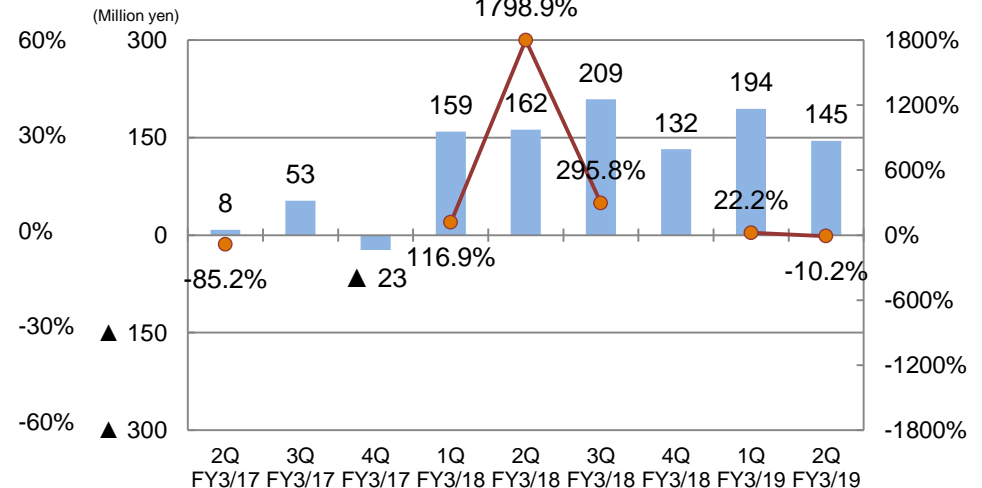
(Million yen)

	1H FY3/17	1H FY3/18	1H FY3/19	Year on year
Net sales	2,405	2,899	2,709	93.4%
Operating profit	82	321	340	105.8%
Operating margin	3.4%	11.1%	12.5%	-

## Quarterly Net Sales and YoY Changes



## Quarterly Operating Profit and YoY Changes



\* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

# Consolidated Forecast for FY3/2019

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- The FY3/2019 sales and earnings forecasts have been lowered because the number of vehicles consigned and number of vehicles contracted at the auction sites of JAA and HAA Kobe are below the initial outlook.

(Million yen)

	FY3/18 (Actual)	FY3/19 Initial plan (May 8, 2017)	Change	FY3/19 Revised plan (Nov. 12, 2018)	Revised plan vs FY3/18
Net sales	75,153	80,000	▲800	79,200	105.4%
Gross profit (Per sales)	45,979 (61.2%)	49,137 (61.4%)	▲324	48,812 (61.6%)	106.2%
Operating profit (Per sales)	36,071 (48.0%)	37,300 (46.6%)	-	37,300 (47.1%)	103.4%
Ordinary profit (Per sales)	36,676 (48.8%)	37,800 (47.3%)	-	37,800 (47.7%)	103.1%
Profit attributable to owners of parent (Per sales)	24,285 (32.3%)	25,000 (31.3%)	-	25,000 (31.6%)	102.9%
Profit per share (Yen)	95.59	98.38	▲0.02	98.36	102.9%
Capital expenditures (Terms of cash flows)	4,447	5,100	▲2,400	2,700	60.7%
Depreciation	4,983	5,669	▲288	5,380	108.0%

Auto Auction Business (excl. JBA)	FY3/18 (Actual)	FY3/19 Initial plan (May 8, 2017)	Change	FY3/19 Revised plan (Nov. 12, 2018)	Revised plan vs FY3/18
No. of vehicles consigned (Thousands)	2,700	2,960	▲70	2,890	107.0%
No. of vehicles contracted (Thousands)	1,709	1,840	▲25	1,815	106.1%
Contract completion rate	63.3%	62.2%	-	62.8%	-

# 2H FY3/2019 – Reasons for Change in Operating Profit (Forecast)

## Net sales

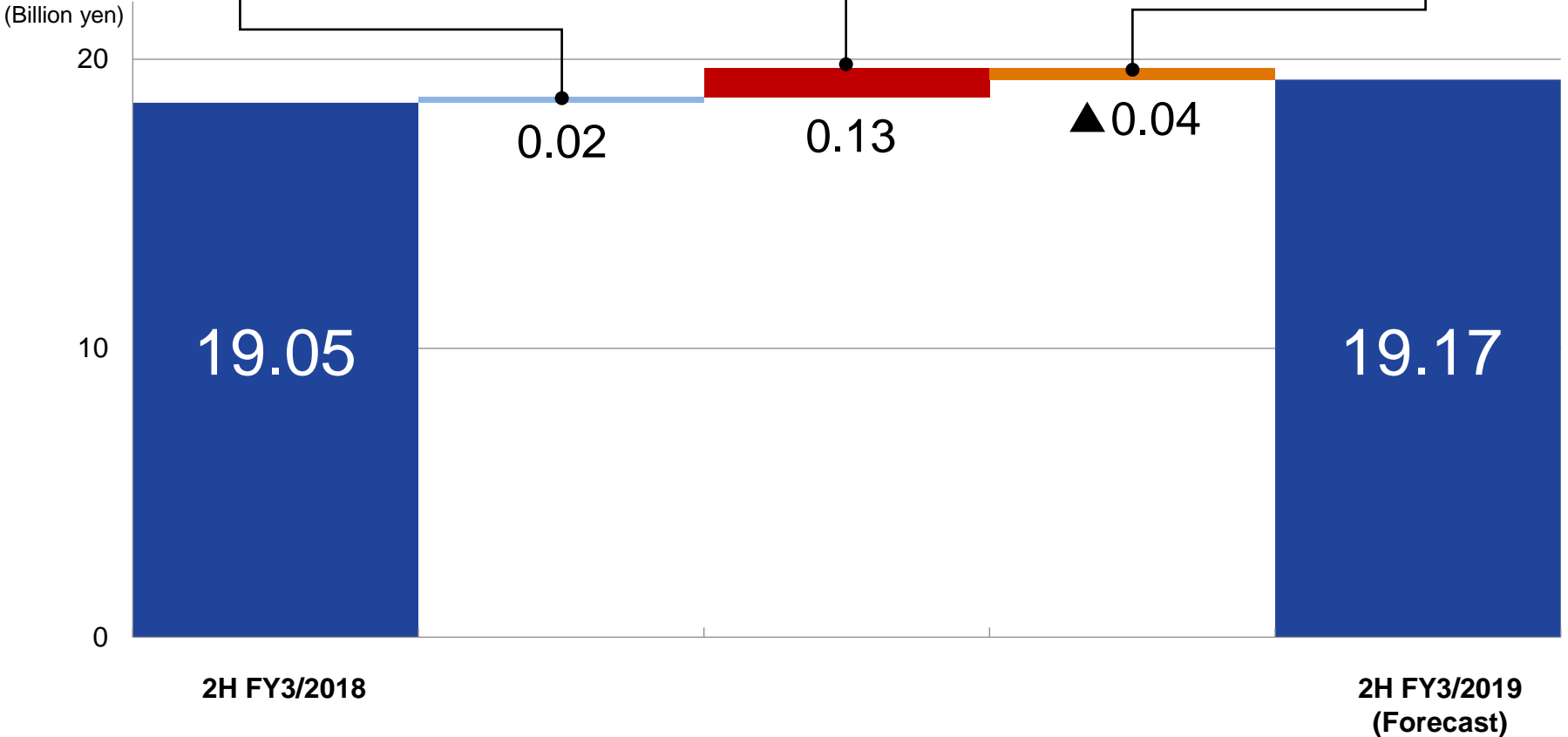
Increase in fee rates	0.94bn
Used vehicle sales/purchases	▲0.29bn
Decrease in vehicles consigned	▲0.25bn
Decrease in contract completion rate	▲0.12bn

## Cost of sales

Decrease in cost of goods sold	0.50bn
Increase in employee salaries and bonuses	▲0.23bn
Increase in expenses for supplies	▲0.08bn
Increase in repair expenses	▲0.05bn

## SG&A expenses

Increase in enterprise tax	▲0.03bn
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# FY3/2019 – Reasons for Change in Operating Profit (Forecast)

## Net sales

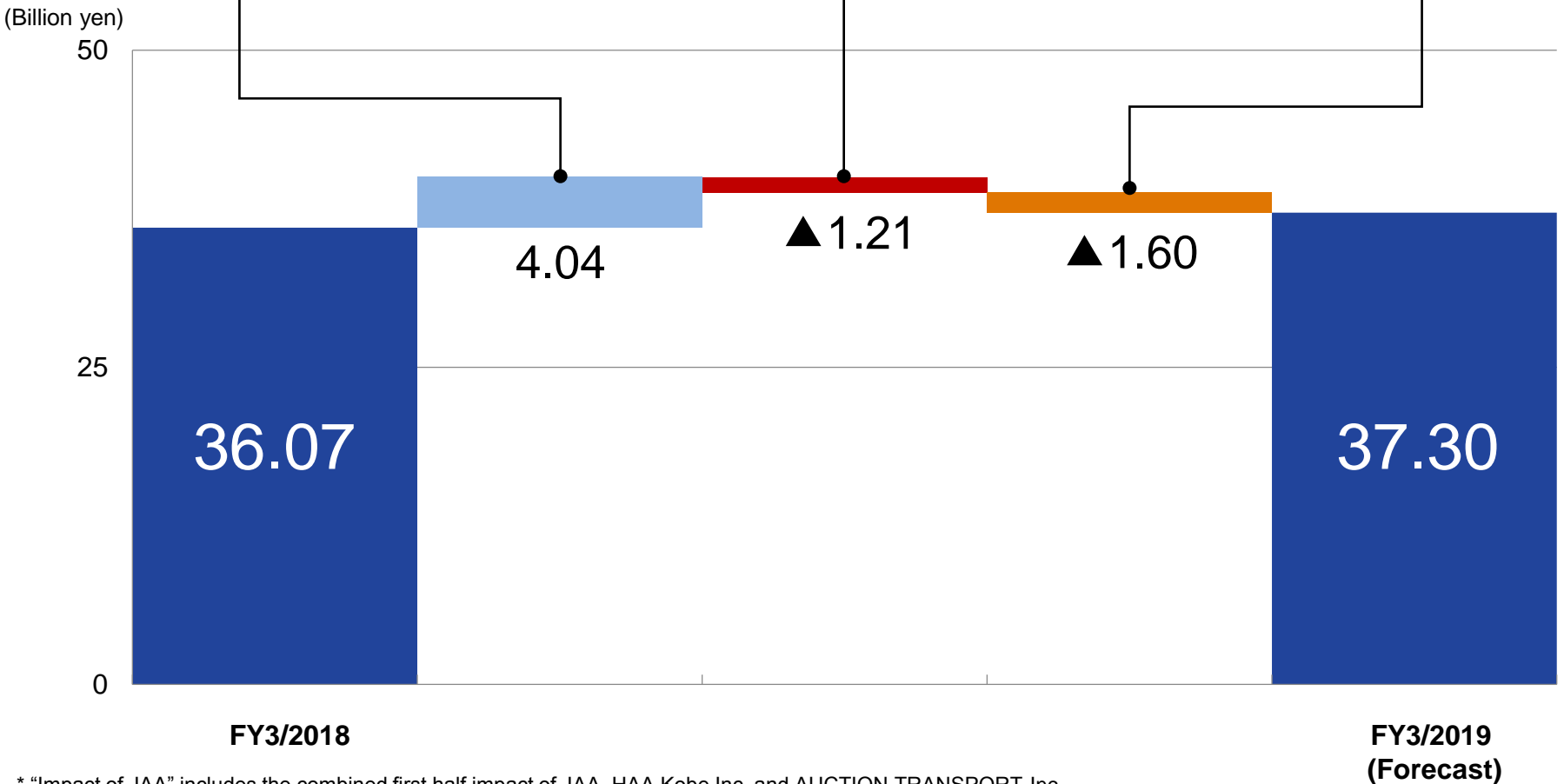
Increase in fee rates	1.40bn
Used vehicle sales/purchases	▲0.47bn
Decrease in vehicles consigned	▲0.45bn
Decrease in sales of accident-damaged vehicles	▲0.19bn
Impact of JAA(1H)	3.72bn

## Cost of sales

Decrease in cost of goods sold	0.86bn
Decrease in depreciation	0.33bn
Increase in employee salaries and bonuses	▲0.27bn
Increase in repair expenses	▲0.09bn
Impact of JAA(1H)	▲1.87bn

## SG&A expenses

Impact of JAA(1H)	▲1.71bn
(of which goodwill amortization)	▲0.95bn
(of which amortization of customer-related assets)	▲0.18bn



\* "Impact of JAA" includes the combined first half impact of JAA, HAA Kobe Inc. and AUCTION TRANSPORT Inc.

(Million yen)

	FY3/18 (Actual)	FY3/19 Initial plan (May 8, 2017)	Change	FY3/19 Revised plan (Nov. 12, 2018)	Revised plan vs FY3/18
<b>Net sales</b>					
Auto auction	59,521	65,048	▲ 826	64,221	107.9%
Used vehicle purchasing and selling	9,827	9,393	▲ 53	9,339	95.0%
Other	5,805	5,558	79	5,638	97.1%
<b>Total</b>	<b>75,153</b>	<b>80,000</b>	<b>▲ 800</b>	<b>79,200</b>	<b>105.4%</b>
<b>Operating profit (Per sales)</b>	<b>36,071 (48.0%)</b>	<b>37,300 (46.6%)</b>	-	<b>37,300 (47.1%)</b>	<b>103.4%</b>

# Market Overview

## Strategy for Creating Value Over the Medium Term

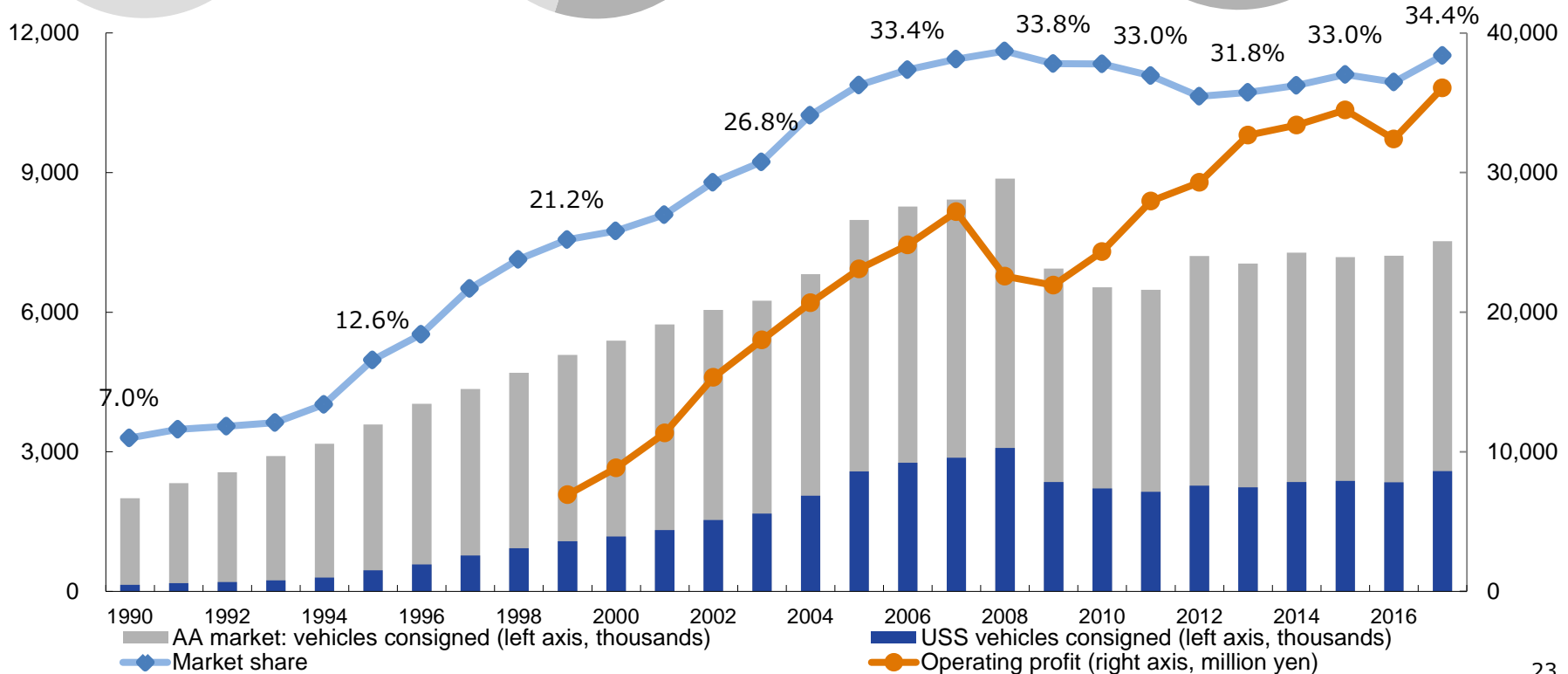
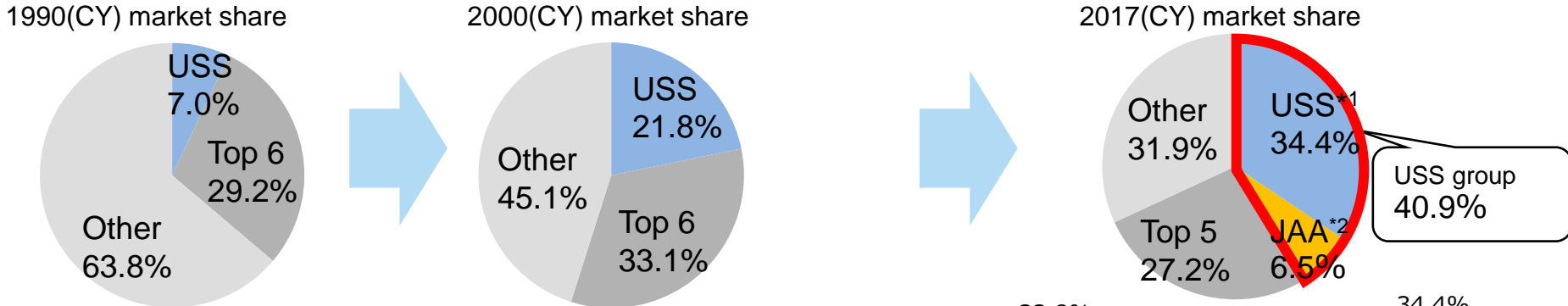
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- New car sales in Japan: Unlikely to see significant growth over the medium term
  - USS's Strategy
    - 1) The JAA acquisition significantly raised the Osaka area market share. The goal is to increase the Tokyo area market share in order to have a market share of more than 40% in all three of Japan's major markets: the Tokyo, Nagoya and Osaka areas.
    - 2) Plan to make additional capital expenditures in the JAA Group to make operations more competitive
      - May 2019: Reconstruction of the JAA auction site
- Used car exports: Foresee steady medium-term growth, although there will be short-term effects on exports from economic conditions in overseas markets, import restrictions, exchange rate movements and other factors
  - USS's Strategy
    - 1) Operate used vehicle auctions in all areas of Japan that attract high-quality vehicles in order to continue increasing market share

# Used Car Auction Market and USS Market Share

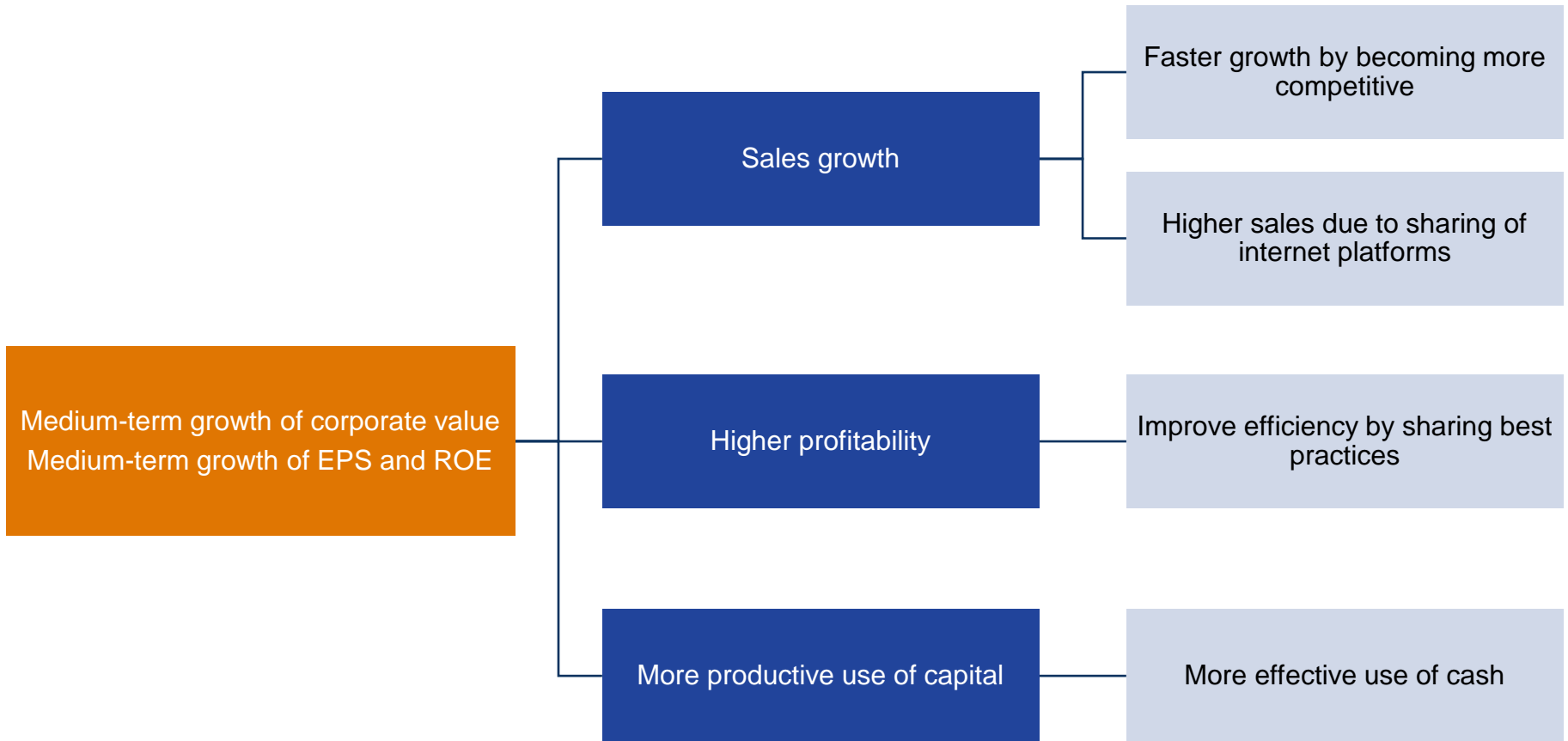
■ Maintained high market shares and increased profit in the period of sluggish markets following the financial crisis of 2008-2009.

■ The JAA acquisition significantly raised the USS Group's market share



\*1 Include the results of JAA and HAA Kobe from October to December 2017.

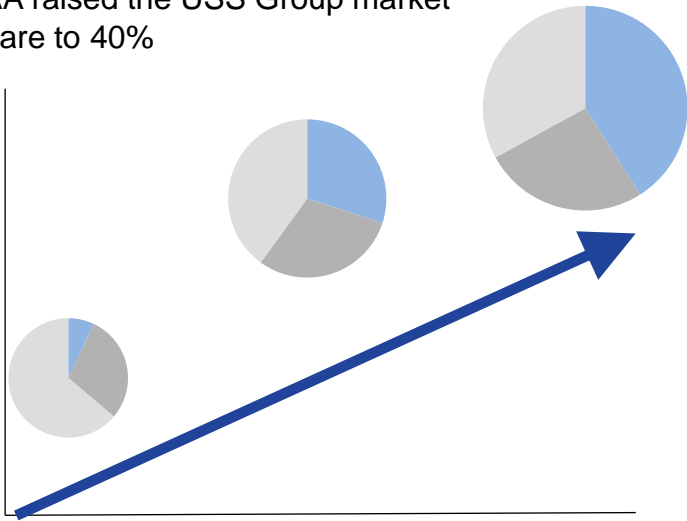
\*2 JAA and HAA Kobe results for the period from January to September 2017.





# JAA Acquisition Raised Market Share, Making USS More Competitive

JAA raised the USS Group market share to 40%

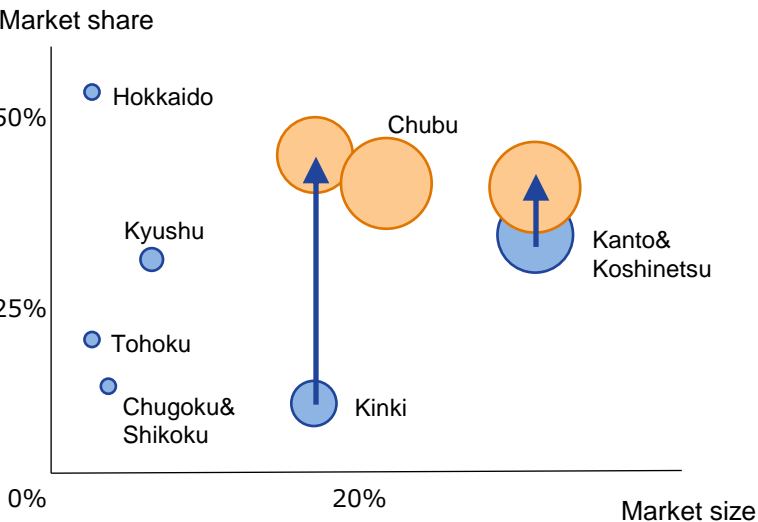


As auto auction is a platform business, scaling up contributes to strengthening competitiveness

- Market share in Japan: **32.9%→40.0%**
- Market share in Osaka area, which had been low: **17.1%→46.3%**
- Market share in Japan's three major markets (Tokyo, Nagoya and Osaka areas) is now more than **40%**

Adding JAA to the USS Group raised the group's market share in the Osaka, Tokyo and Koshinetsu (Yamanashi, Nagano, Niigata) regions.

Market share of more than 40% in Japan's three largest markets



	Market composition	Market share		
		USS	JAA	Total
Hokkaido	3.4%	54.4%	-	54.4%
Tohoku	4.3%	18.9%	-	18.9%
Kanto&Koshinetsu	34.9%	37.5%	4.9%	42.4%
Chubu	23.0%	43.7%	-	43.7%
Kinki	18.4%	17.1%	29.1%	46.3%
Chugoku&Shikoku	6.0%	16.1%	-	16.1%
Kyushu&Okinawa	9.1%	32.6%	-	32.6%
TV	0.9%	-	-	-
	100.0%	32.9%	7.1%	40.0%

\* January to June 2018

\* The USS figures exclude JAA or HAA Kobe.

- Larger auction sites tend to attract more number of vehicles.
- The HAA Kobe auction site has a dominant market share in the Osaka area, makes USS much more competitive in this region.

<Kinki region>

17.1% → **46.3%**

Site Name	Vehicles consigned	Share
HAA	205,987	29.1%
USS Osaka	79,639	11.3%
TAA Kinki	64,541	9.1%
Kansai Matsubara AA	62,098	8.8%
BAYAUC	56,633	8.0%
LAA Kansai	44,806	6.3%
USS Kobe	41,325	5.8%
IMA Kobe	34,151	4.8%
Honda AA Kansai	29,185	4.1%
IAA	27,002	3.8%

<Chubu region>

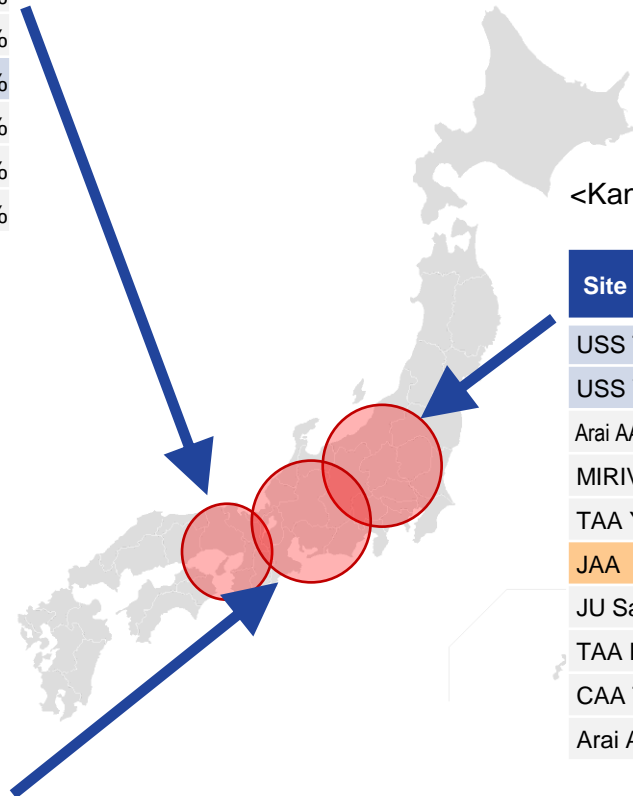
43.7% → 43.7%

Site Name	Vehicles consigned	Share
USS Nagoya	262,270	29.6%
JU Gifu	120,312	13.6%
CAA Chubu	102,838	11.6%
USS-R Nagoya	71,975	8.1%
JU Aichi	71,800	8.1%
TAA Chubu	51,406	5.8%
USS Shizuoka	44,980	5.1%
CAA Gifu	42,198	4.8%
JU Shizuoka	22,557	2.5%
Honda AA Nagoya	17,228	1.9%

<Kanto&Koshinetsu region>

37.5% → **42.4%**

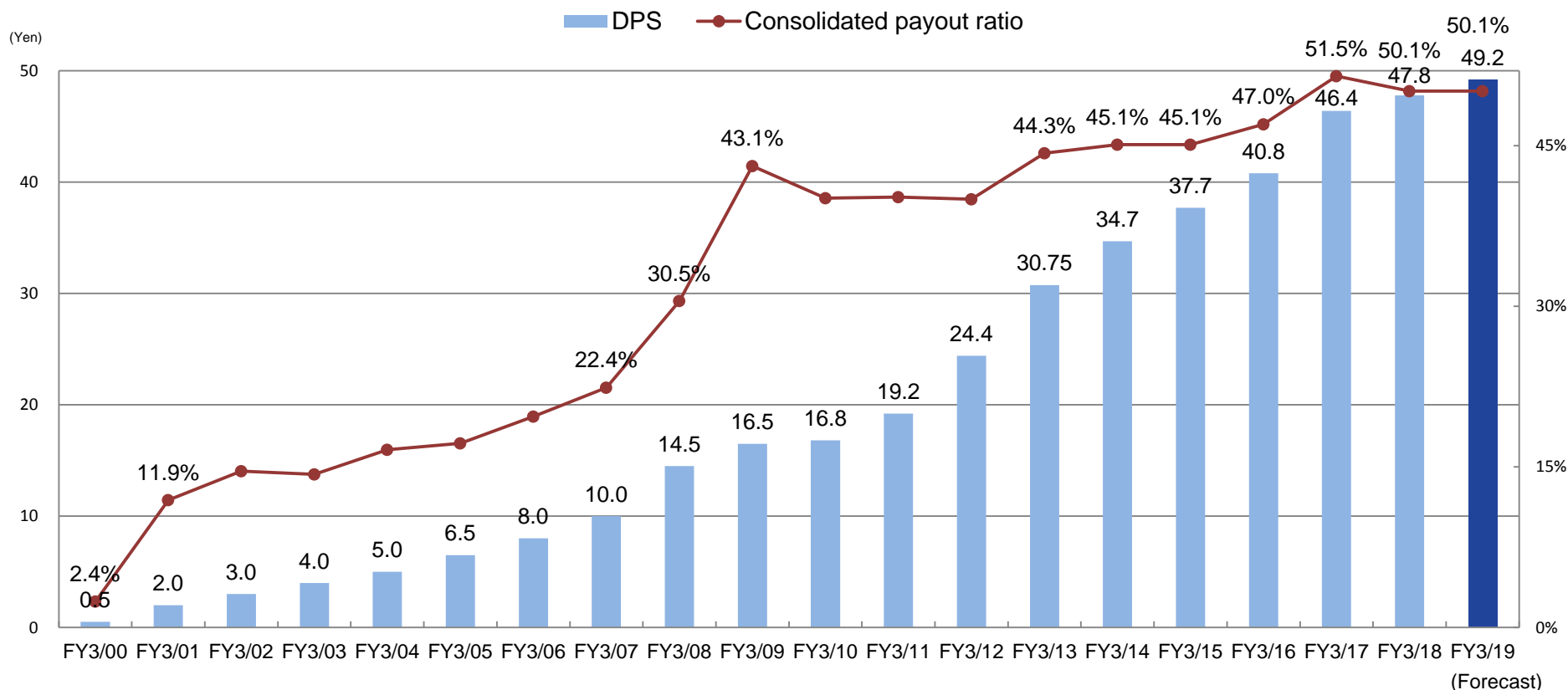
Site Name	Vehicles consigned	Share
USS Tokyo	330,376	24.7%
USS Yokohama	95,546	7.1%
Arai AA Oyama (Vans & Trucks)	94,853	7.1%
MIRIVE	87,183	6.5%
TAA Yokohama	76,703	5.7%
JAA	65,346	4.9%
JU Saitama	56,886	4.2%
TAA Kanto	53,775	4.0%
CAA Tokyo	52,456	3.9%
Arai AA Bayside	52,313	3.9%



## Increase shareholder distributions while continuing investment for growth

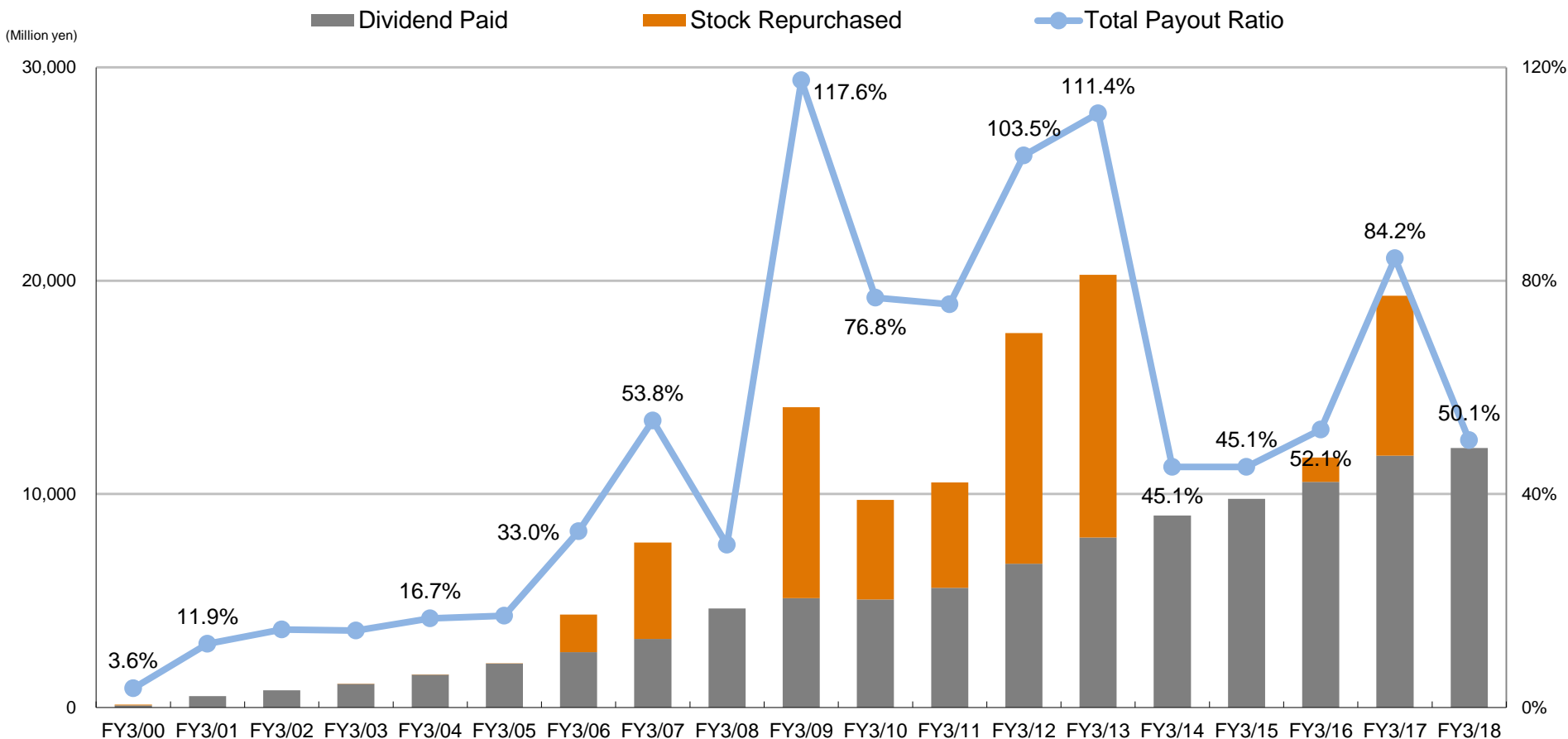
- Consolidated dividend payout ratio: Over **50%** starting in FY3/2017  
The JAA acquisition will have no effect on the USS dividend policy of maintaining a consolidated payout ratio of at least 50%.
- Stock repurchases: Buy back stock with flexibility, with due consideration to cash flows, capital investment plans and the market environment
- Return on equity (ROE): Medium-term goal is at least 15%

- Plan to pay **49.2 yen** dividend per share for FY3/19 (up 1.4 yen)
- **19 consecutive years** of dividend growth since listing



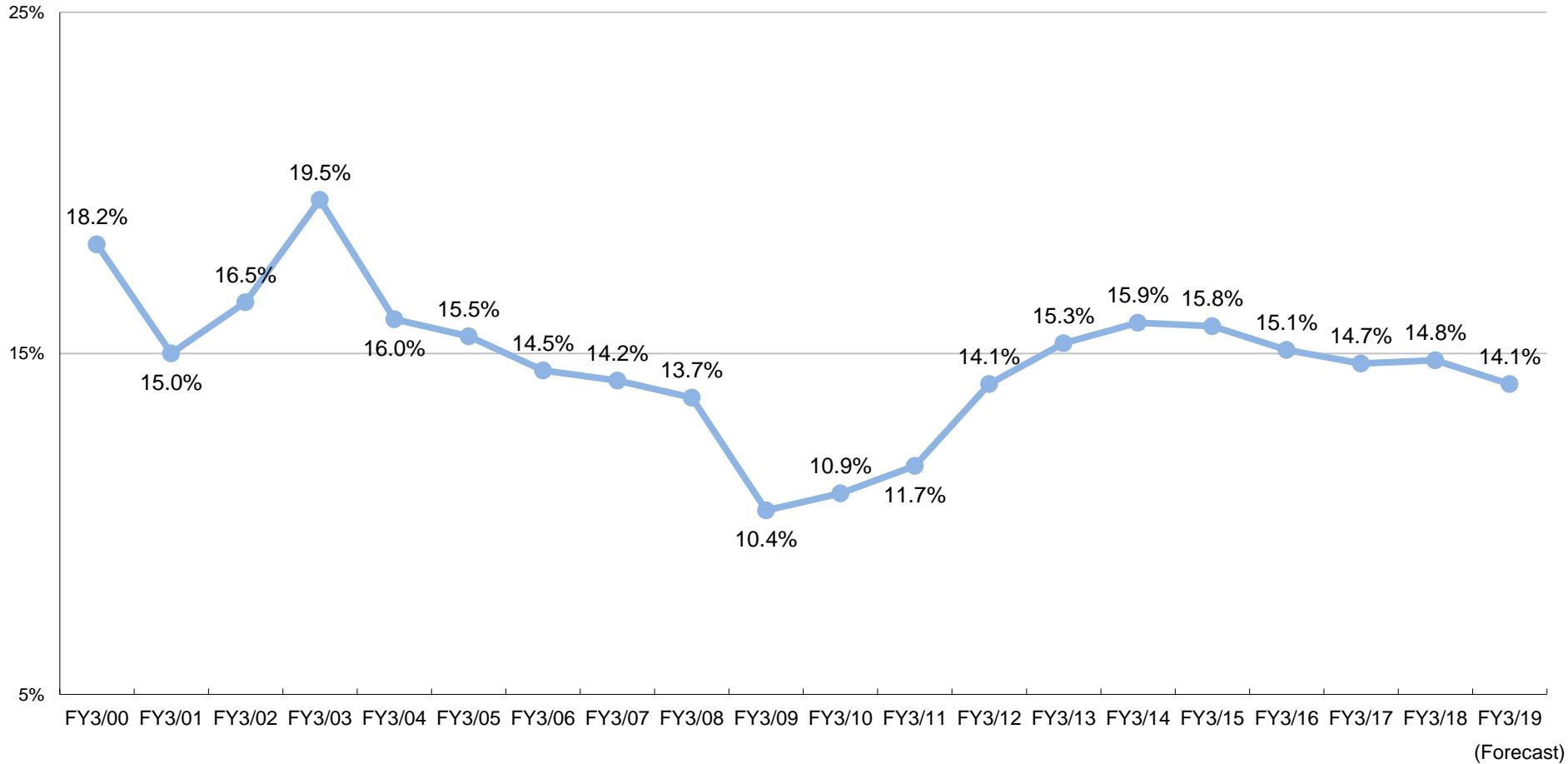
\*Dividend per share is retroactively adjusted to the number of shares outstanding as of the effective date (October 1, 2013) of the stock split.

- Flexible stock repurchases while maintaining stable dividend.
- Draw up capital investment plans for JAA and HAA Kobe.

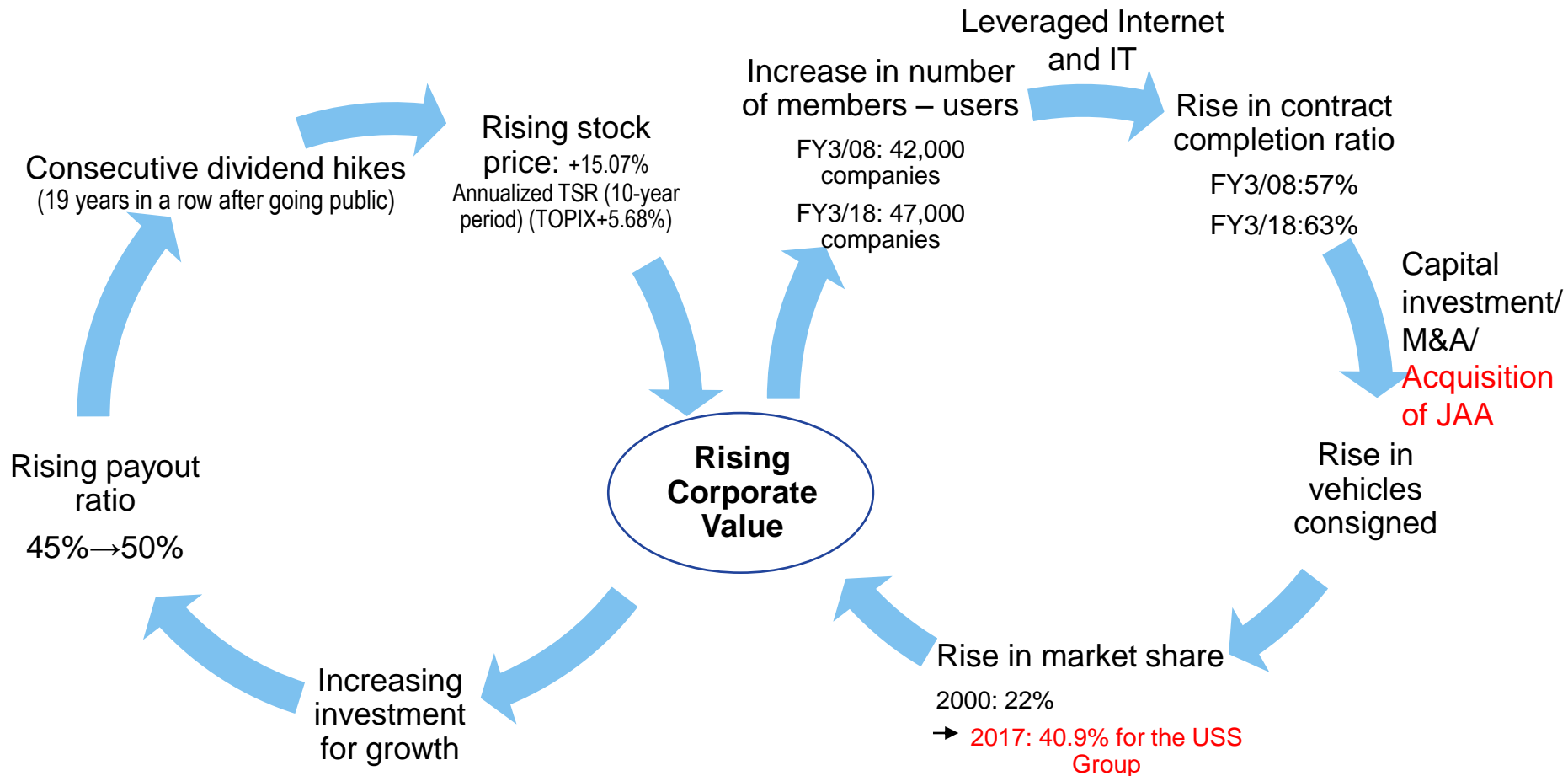


■ No change in the medium-term ROE target of above 15%.

## ROE

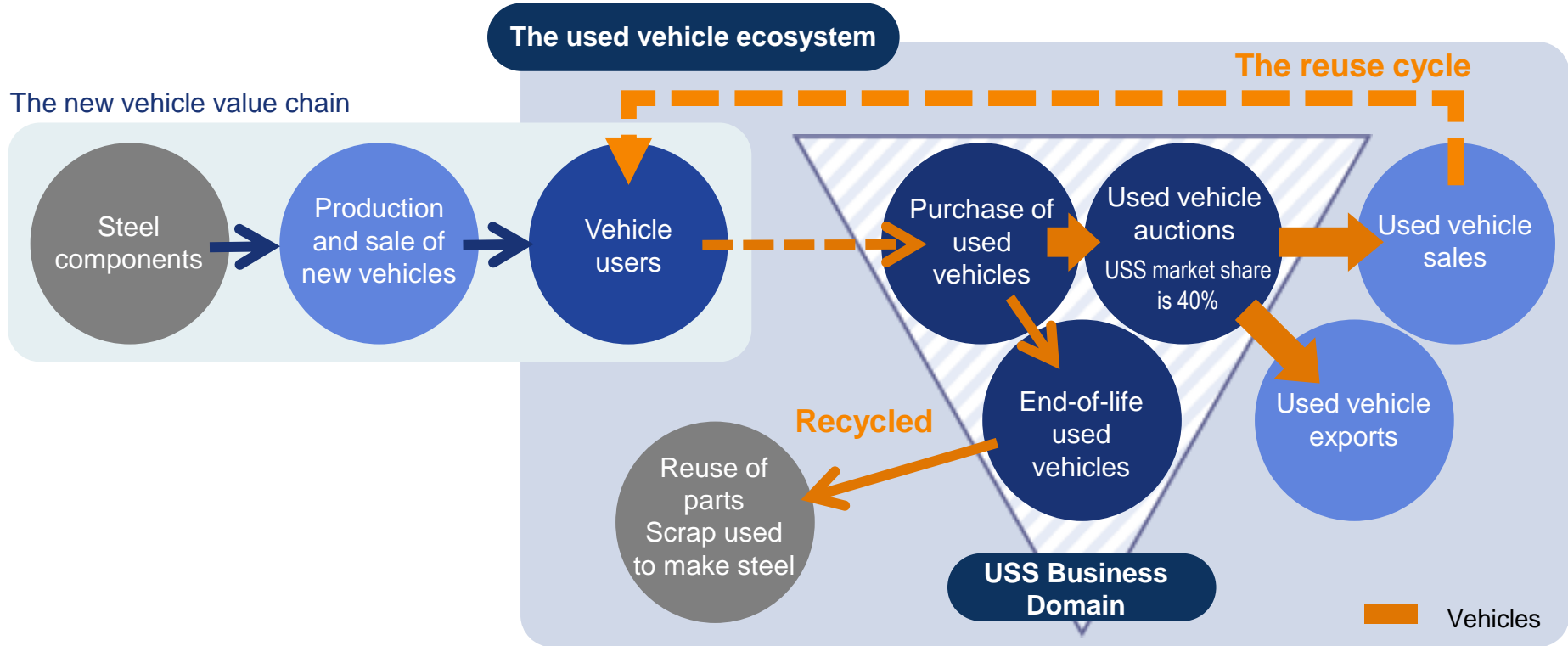


## ■ Aim at increasing shareholder value by a two-pronged strategy of solid investments in growth and active shareholder distributions



# How USS Creates Social and Economic Value

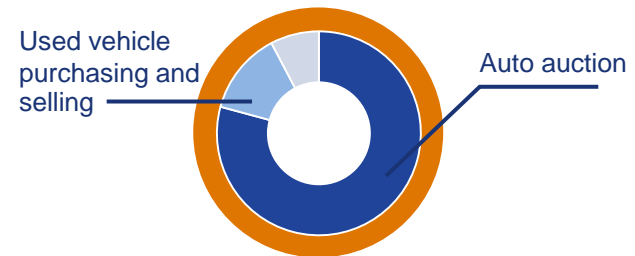
■ USS creates social and economic value by functioning as a platform for a used vehicle ecosystem.



## Social and economic value

- ◆ Contribution to the recycling ecosystem (helps protect the environment)
- ◆ Contribution to efficient economic activity by determining fair prices for used vehicles
- ◆ Contribution to offering people more ways to enjoy their vehicles
- ◆ Contribution to the economies of emerging countries

All activities support the used vehicle ecosystem





# Reference

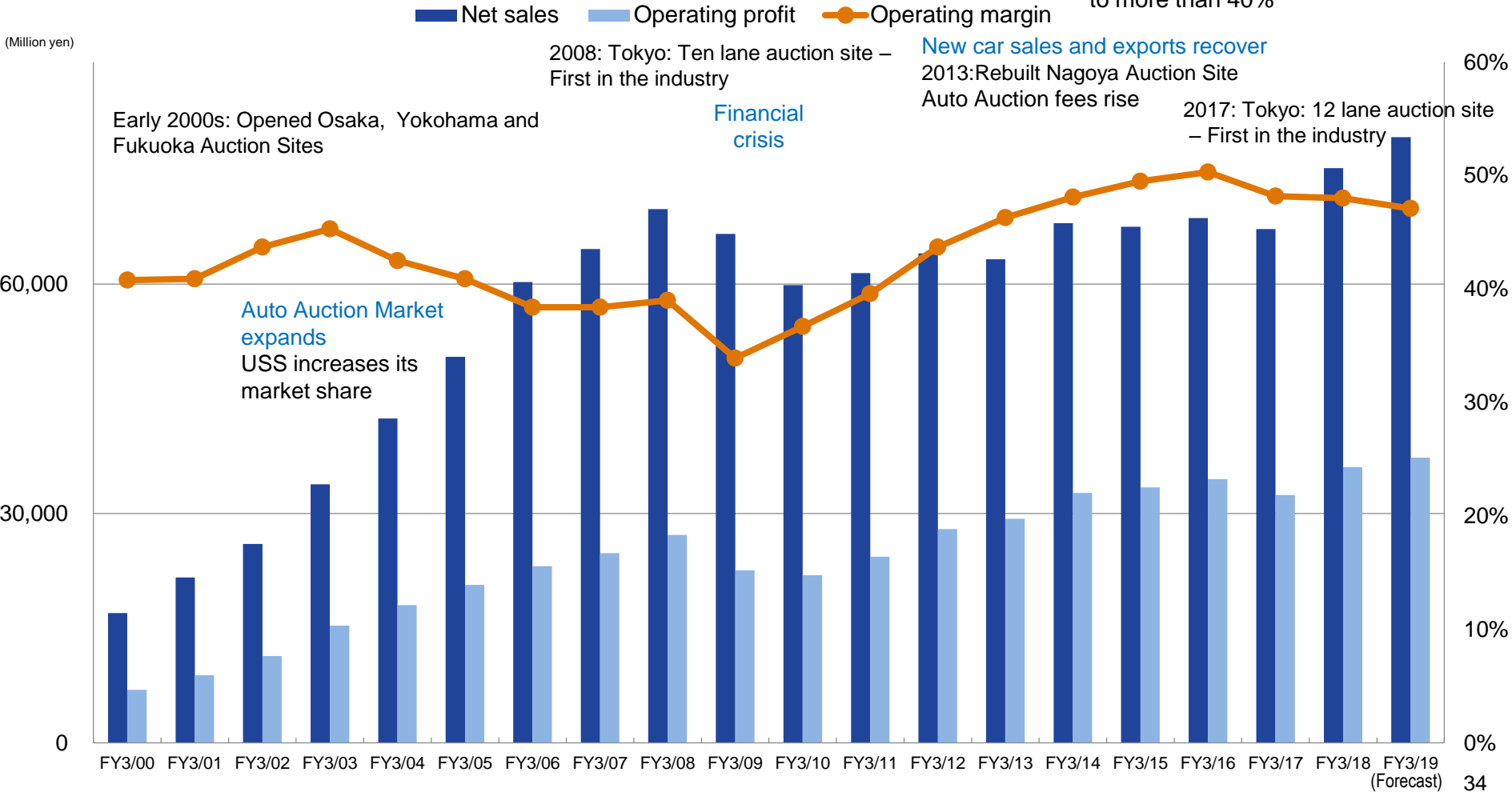
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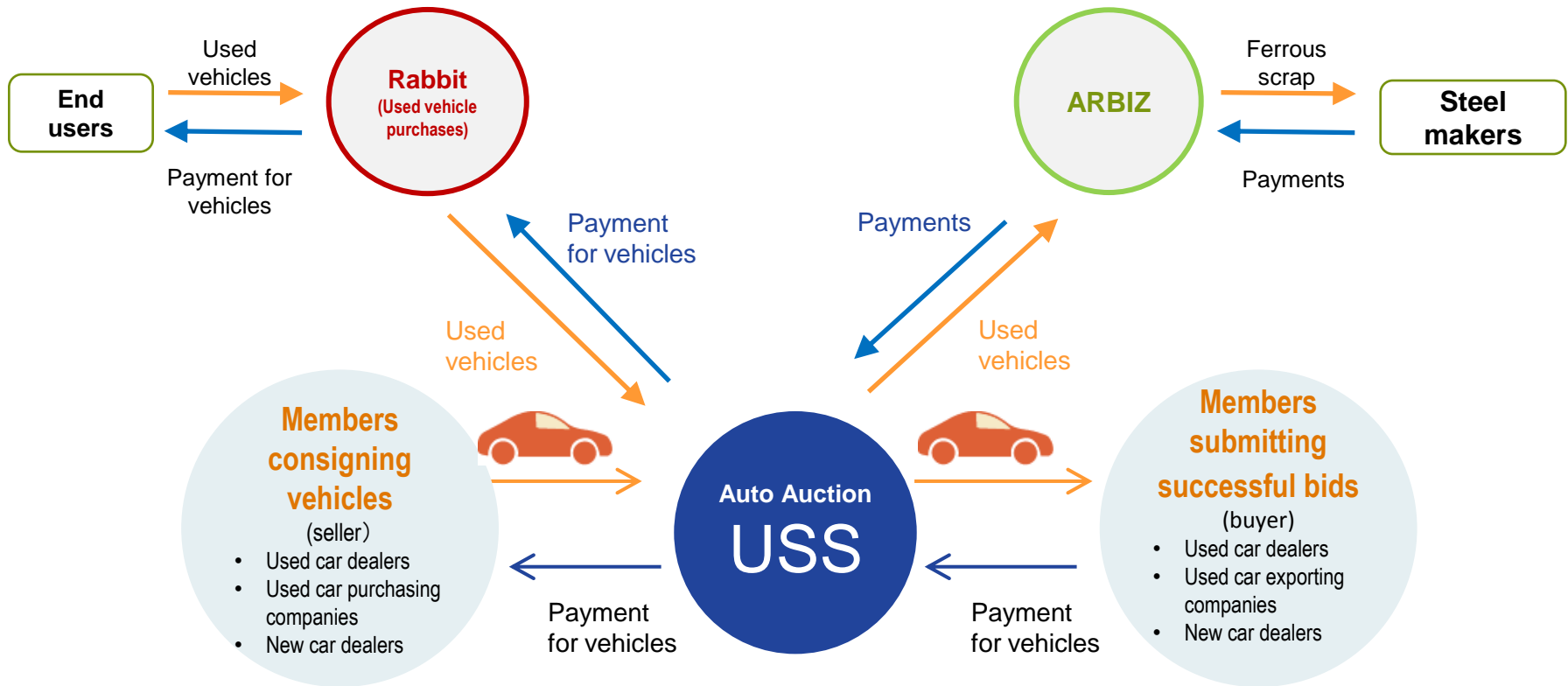
# History of USS Long-term Growth

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

2017:  
 JAA acquisition raises  
 Tokyo/Nagoya/Osaka area market share to more than 40%





**Consignment fee**  
Ave. **8,000yen**

**Contract completion fee**  
Ave. **8,000yen**

**Successful bid fee**  
Ave. **8,000yen**

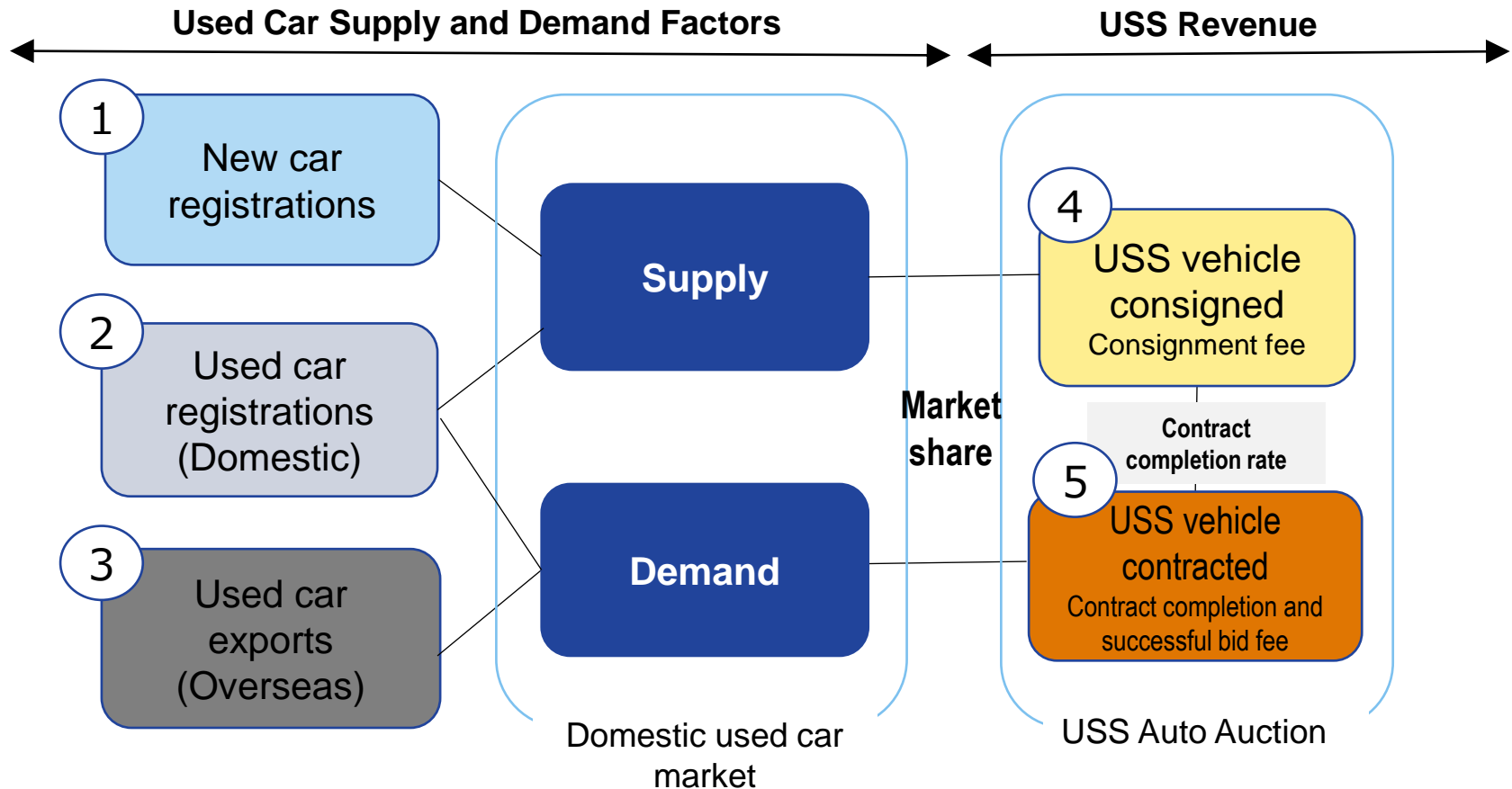
Vehicles consigned  
**2.70** million units/year  
(FY3/2018)

USS's fee per unit  
Ave. **24,000yen**

Contract completion rate  
**63.3%** (FY3/2018)

# Automobile Market and USS Revenue

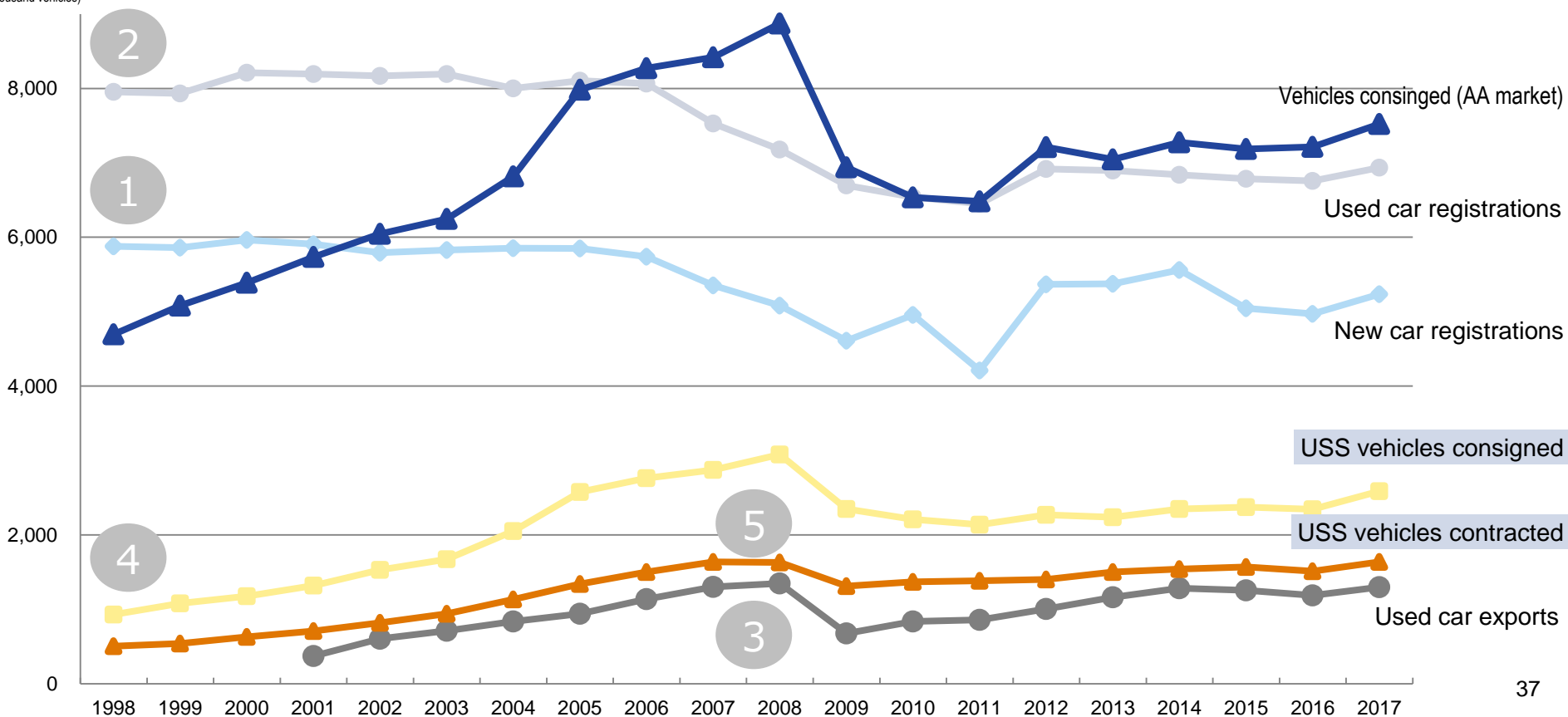
- The number of vehicles consigned is correlated through trade-ins to (1) New car registrations and (2) Used car registrations
- Total demand comprises domestic demand (2) and overseas demand (3). In recent years, total demand has been driven mainly by overseas demand.
- In addition to the above, share of the used car auction market and contract ratio have an important bearing on USS auto auction profits.



- The auction market continued to expand till 2000 as the share of used vehicles sold through the auction market increased as a share of the total used vehicle market. Starting in the mid-2000s, older vehicles and vehicles with high mileage which would normally have been scrapped started flowing into auto auction sites and steadily drove up the number of vehicles consigned.
- After the financial crisis of late 2008 the auto auction market was largely correlated to new car registrations (supply) and exports (demand).

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

(Thousand vehicles)



- The company's governance organization has been improved in order to work toward the goal of increasing corporate value through continuing business growth
- Adopted the outside director system in FY3/2007
- Strengthened the executive officer system in FY3/2013
- Established nomination and compensation committees in FY3/2016
- To enhance management transparency and reinforce management functions the company diversified membership of the Board of Directors from FY2018. Nobuko Takagi, a Certified Public Accountant and a specialized M&A advisory, has been elected as an outside director as a part of this strategy

FY	2005	2007	...	2013	...	2019
Directors	12	18 →		12 →		10
(of which external directors)		4 →		4 →		3

Adopted the outside director system

Strengthened the executive officer system

Established nomination and compensation committees

As of November 2018  
 Directors: 10 (of which independent outside directors: 3)  
 Auditors: 3 (of which independent outside auditors: 2)  
 Executive officers: 3