



Consolidated Results of Operations

The Third Quarter, Fiscal Year Ending March 31, 2017

USS Co., Ltd.
February 2017

- 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, USED CAR Co., Ltd., Trade Statistics of Japan Ministry of Finance

Results of Operations Third Quarter Fiscal Year Ending March 2017

3Q FY3/2017 – Summary of Consolidated Results of Operations

- 1-3Q FY3/17 results of operations: Sales decreased 3.5% YoY to ¥48.62 billion, Operating income was down 7.8% YoY to ¥23.35 billion, and 1-3Q FY3/17 net profit attributable to owners of parent declined 0.7% to ¥16.37 billion.
- Sales increased because of newly consolidated subsidiary JBA, but a decline in the number of cars consigned at auctions, a decrease in the contract completion ratio and higher depreciation caused earnings to decline.
- Marked drop in profit due to decline in the number of vehicles purchased by Rabbit, a subsidy specializing in the purchase and sale of used vehicles

(Million yen)

	1-3Q FY3/15	1-3Q FY3/16	1-3Q FY3/17	Year on year
Net sales	49,013	50,361	48,622	96.5%
Cost of sales (Per sales)	18,803 (38.4%)	19,110 (37.9%)	19,195 (39.5%)	100.4%
Gross profit (Per sales)	30,210 (61.6%)	31,251 (62.1%)	29,427 (60.5%)	94.2%
Selling, general and administrative expenses (Per sales)	6,155 (12.6%)	5,927 (11.8%)	6,069 (12.5%)	102.4%
Operating income (Per sales)	24,055 (49.1%)	25,323 (50.3%)	23,358 (48.0%)	92.2%
Ordinary income (Per sales)	24,518 (50.0%)	25,878 (51.4%)	23,833 (49.0%)	92.1%
Profit attributable to owners of parent (Per sales)	15,759 (32.2%)	16,485 (32.7%)	16,370 (33.7%)	99.3%

3Q FY3/2017 – Reasons for Change in Operating Income (Actual)

Net sales

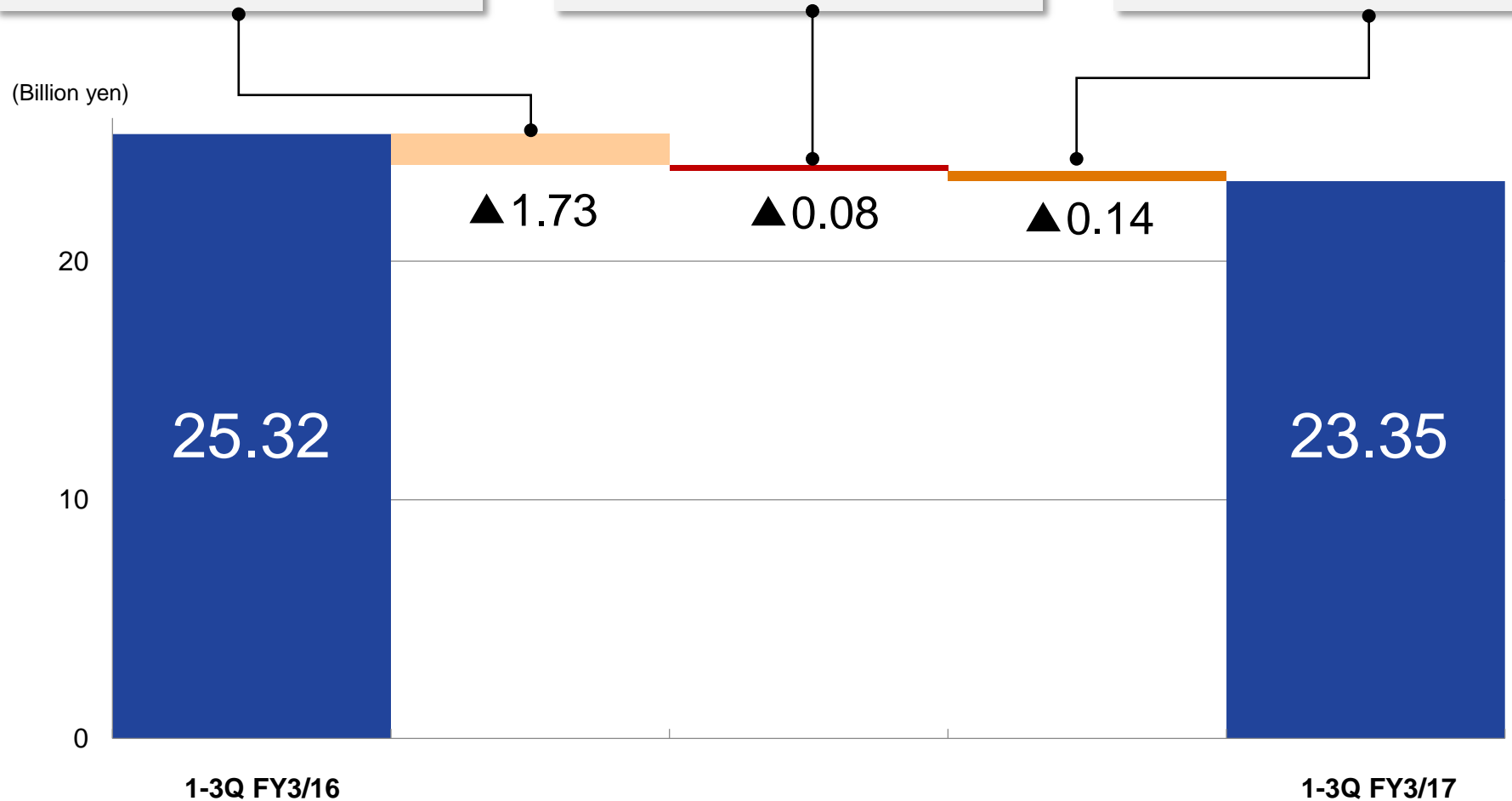
Decrease in vehicles consigned	▲0.87bn
Used vehicle sales/purchases	▲0.72bn
Decrease in vehicles, etc. recycling	▲0.34bn
Impact of JBA	0.60bn
Impact of Toyo Rubber Chips	▲0.63bn

Cost of sales

Increase in depreciation	▲0.91bn
Decrease in cost of goods sold	0.24bn
Decrease in cost of materials purchased	0.21bn
Impact of JBA	▲0.15bn
Impact of Toyo Rubber Chips	0.57bn

SG&A expenses

Increase in enterprise tax	▲0.17bn
Decrease in employee salaries and bonuses	0.16bn
Increase in taxes and dues	▲0.08bn
Impact of JBA	▲0.17bn
Impact of Toyo Rubber Chips	0.07bn



Net Sales and Operating Income by Business Segment

(Million yen)

Net sales	1-3Q FY3/15	1-3Q FY3/16	1-3Q FY3/17	Year on year
Auto auction	36,586	38,206	38,176	99.9%
Used vehicle purchasing and selling	7,192	7,422	6,816	91.8%
Other	5,235	4,732	3,629	76.7%
Total	49,013	50,361	48,622	96.5%
Operating income (operating margin)	1-3Q FY3/15	1-3Q FY3/16	1-3Q FY3/17	Year on year
Auto auction	23,104 (62.3%)	24,527 (63.5%)	22,872 (59.4%)	93.3%
Used vehicle purchasing and selling	307 (4.3%)	431 (5.8%)	185 (2.7%)	42.8%
Other	527 (10.1%)	201 (4.2%)	135 (3.7%)	67.4%
Elimination of inter-segment transactions	116	162	164	101.2%
Total	24,055 (49.1%)	25,323 (50.3%)	23,358 (48.0%)	92.2%

*Net 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

- Equity ratio: 89.4%
- Free cash flow: ¥5.4 billion
- Purchase of treasury shares (4.36 million shares): ¥7.4 billion
- 1-3Q FY3/17 capital investment: ¥5.2 billion (mainly for auto auction sites)

Consolidated Balance Sheets (Summary)

	FY3/16	1-3Q FY3/17
Current assets	81,440	63,399
Cash and deposits	62,290	56,972
Receivables due from member dealers at auction, etc.	19,149	6,427
Noncurrent assets	105,391	106,524
Property, plant and equipment	96,101	97,558
Other	9,289	8,965
Total assets	186,831	169,923

(Million yen)

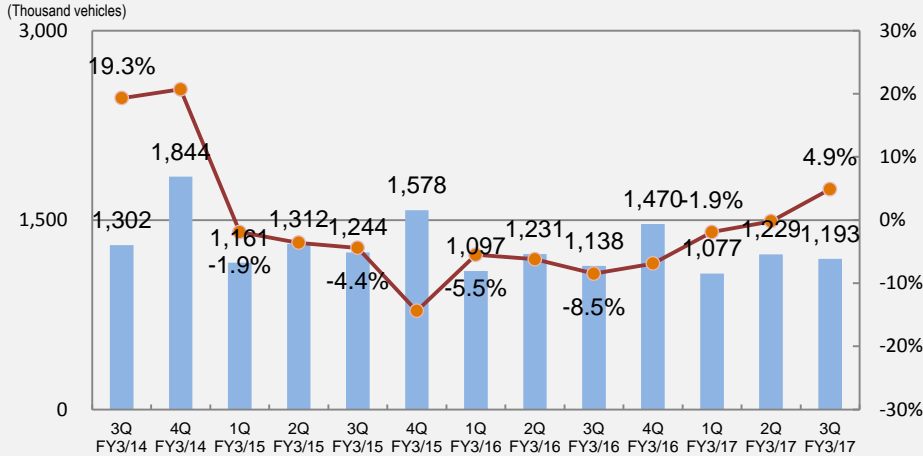
	FY3/16	1-3Q FY3/17
Current liabilities	25,937	11,128
Payables due to member dealers at auction	13,288	3,879
Other	12,649	7,248
Noncurrent liabilities	5,710	5,768
Total liabilities	31,647	16,896
Total net assets	155,183	153,027
Total liabilities and net assets	186,831	169,923

Consolidated Statements of Cash Flows (Summary)

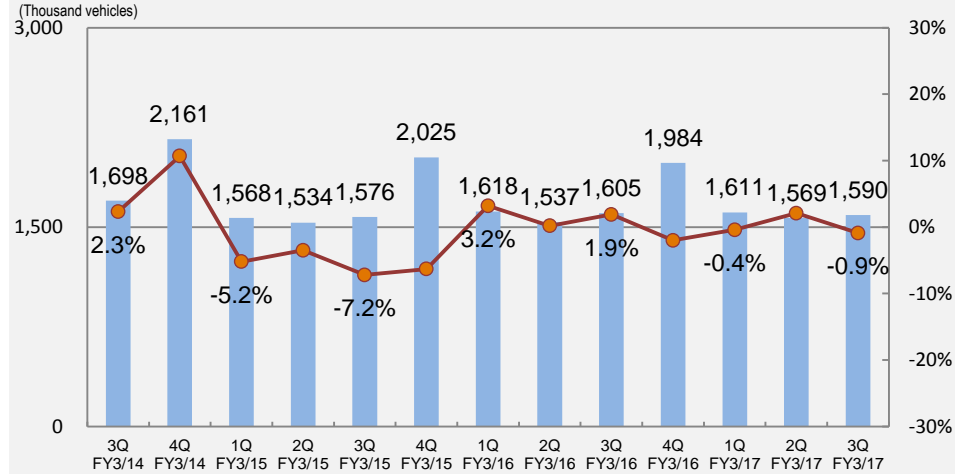
(Million yen)

	1-3Q FY3/15	1-3Q FY3/16	1-Q FY3/17	Changes
Net cash provided by (used in) operating activities	11,062	13,961	14,698	737
Net cash provided by (used in) investing activities	▲15,245	▲8,451	▲9,230	▲779
Free cash flow	▲4,183	5,510	5,468	▲42
Net cash provided by (used in) financing activities	▲9,637	▲10,303	▲17,767	▲7,463
Capital expenditures (Terms of cash flows)	2,117	5,950	5,229	▲720
Depreciation	2,553	2,380	3,289	909

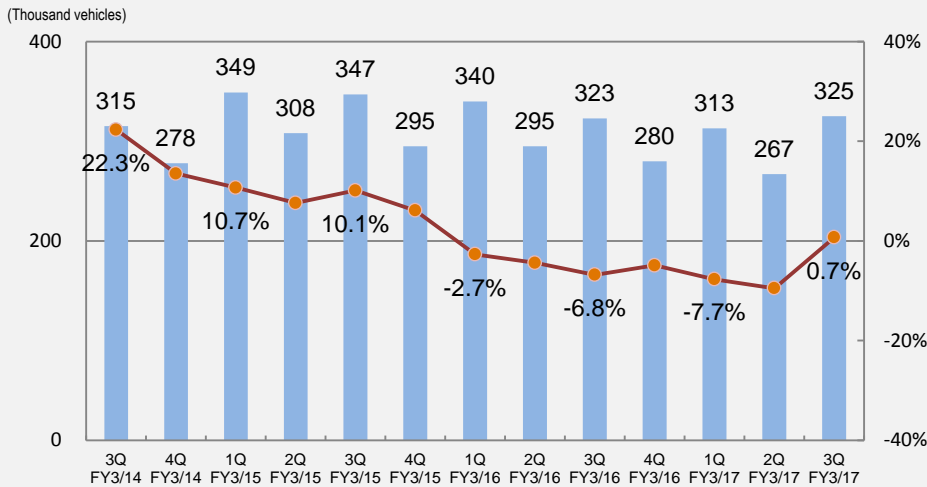
New Car Registrations and YoY Changes



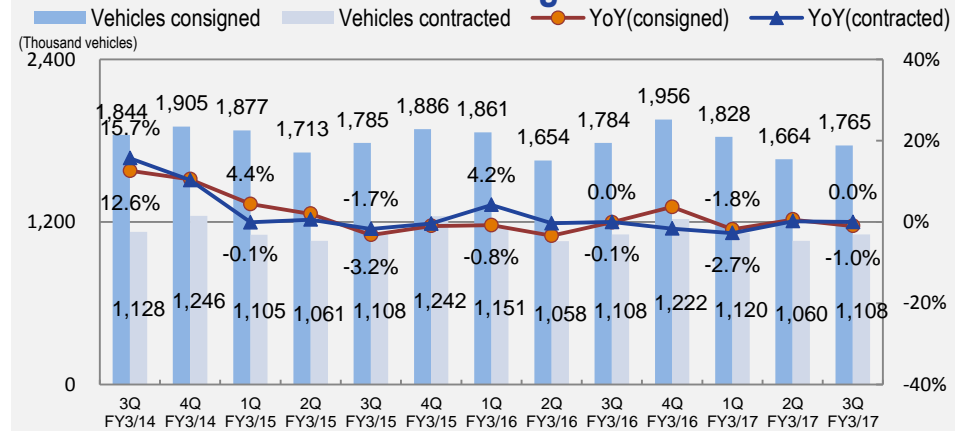
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned and Contracted and YoY Changes



Auto Auction Segment (1)

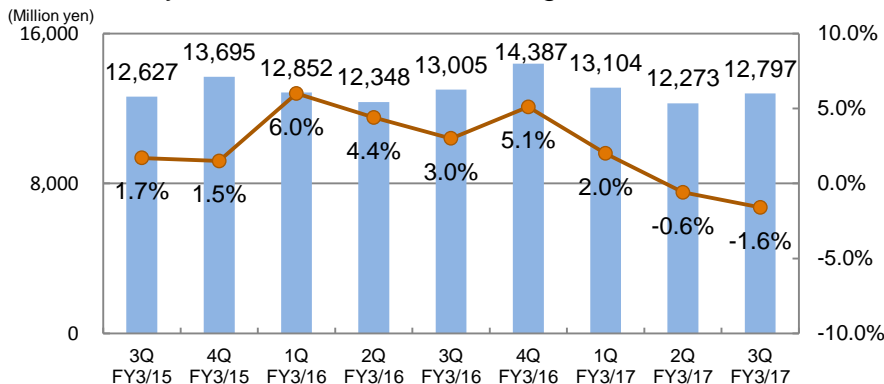
- 1-3Q FY3/17 vehicles consigned declined 2.8% YoY to 1.682 million; contract completions declined 4.3% YoY to 1.085 million (contract completion rate: 64.5% against 65.6% in the previous fiscal year)
- Sales increased due to the inclusion of newly consolidated subsidiary JBA but earnings were down because of decreases in vehicles consigned and the contract completion ratio and an increase in depreciation.

Auto Auction Segment Performance in 1-3Q

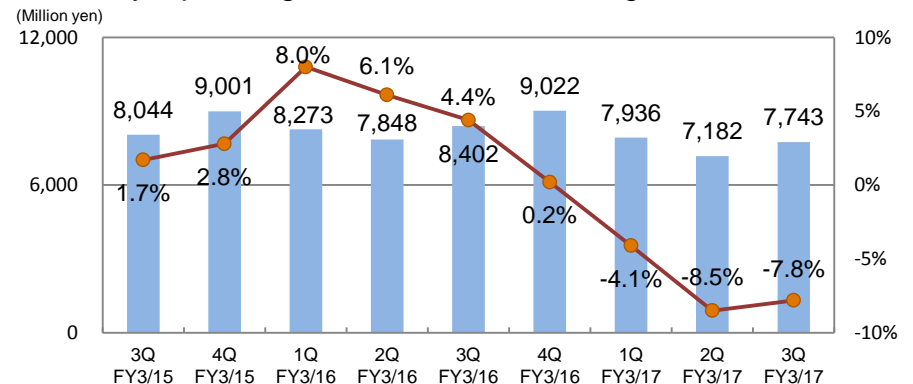
(Million yen)

	1-3Q FY3/15	1-3Q FY3/16	1-3Q FY3/17	Year on year
Net sales	36,586	38,206	38,176	99.9%
Consignment fees	9,325	9,343	8,991	96.2%
Contract completion fees	8,674	8,974	8,679	96.7%
Successful bid fees	12,310	13,138	12,899	98.2%
Other	6,274	6,750	7,605	112.7%
Operating income	23,104	24,527	22,872	93.3%
Operating margin	62.3%	63.5%	59.4%	-

Quarterly Net Sales and YoY Changes

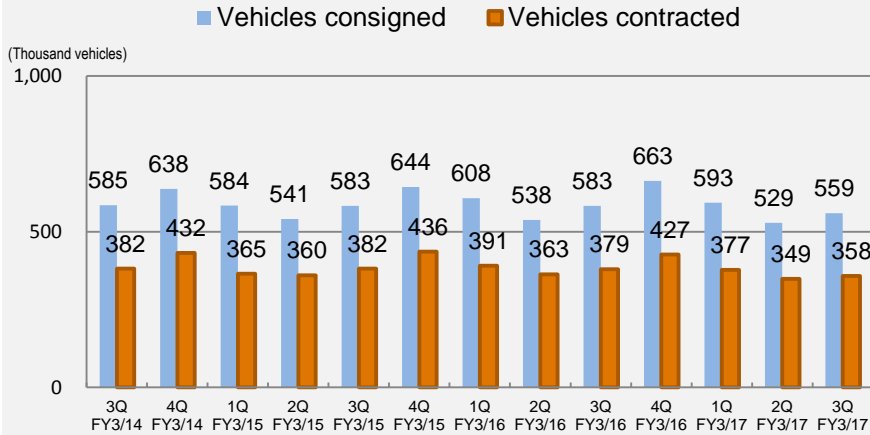


Quarterly Operating Income and YoY Changes

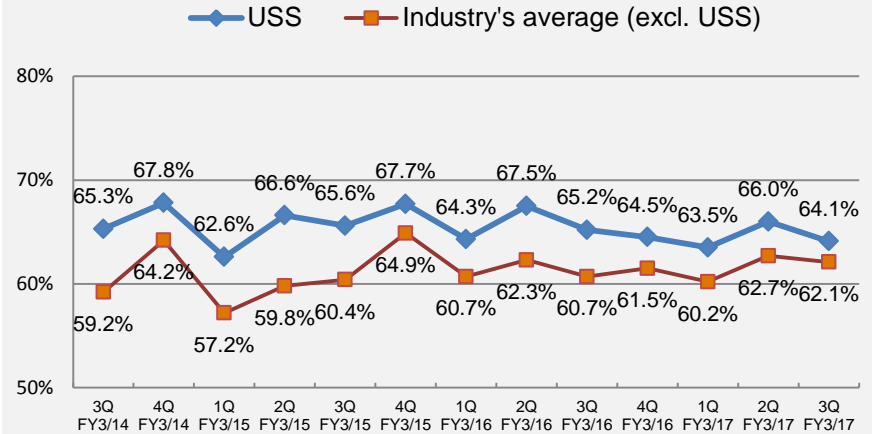


* Net sales are sales to external customers and operating income is based on business segment earnings. Operating margins (shown % in parenthesis) are calculated by Segment income divided by Segment sales

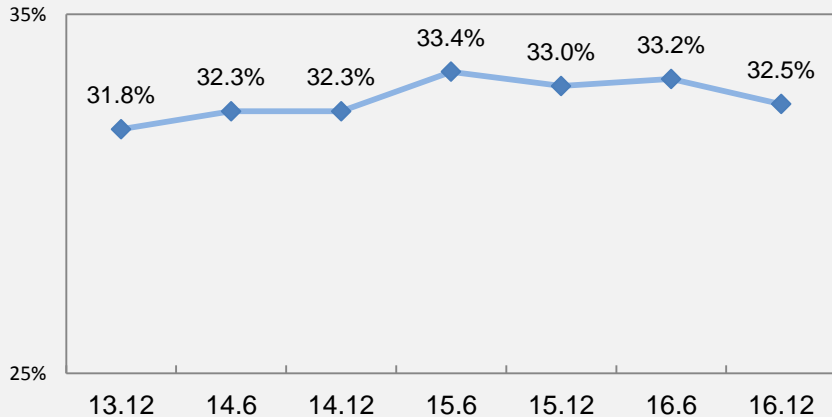
No. of Vehicles Consigned and Vehicles Contracted



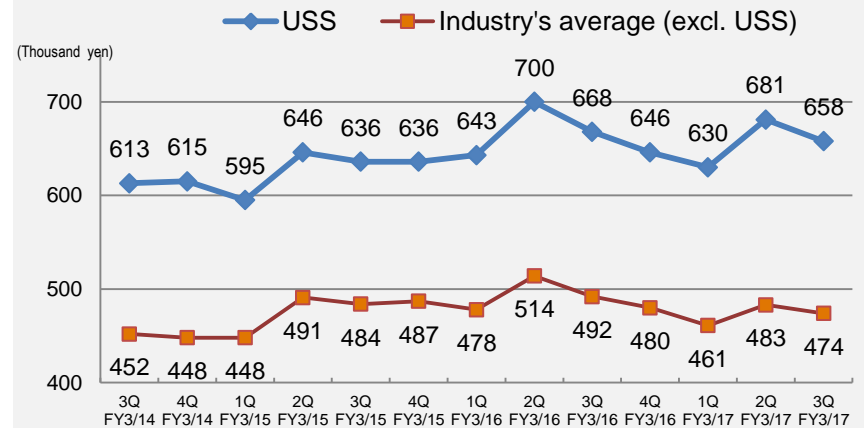
Contract Completion Rate



Market Share

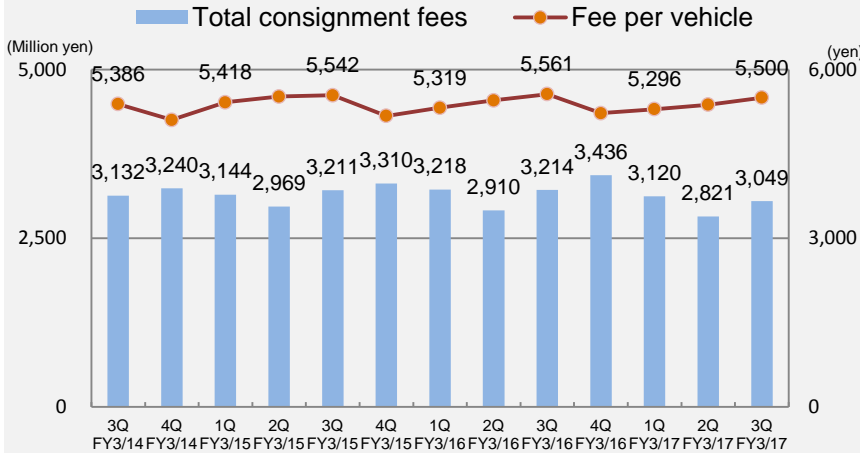


Average Price of Vehicle Contracted

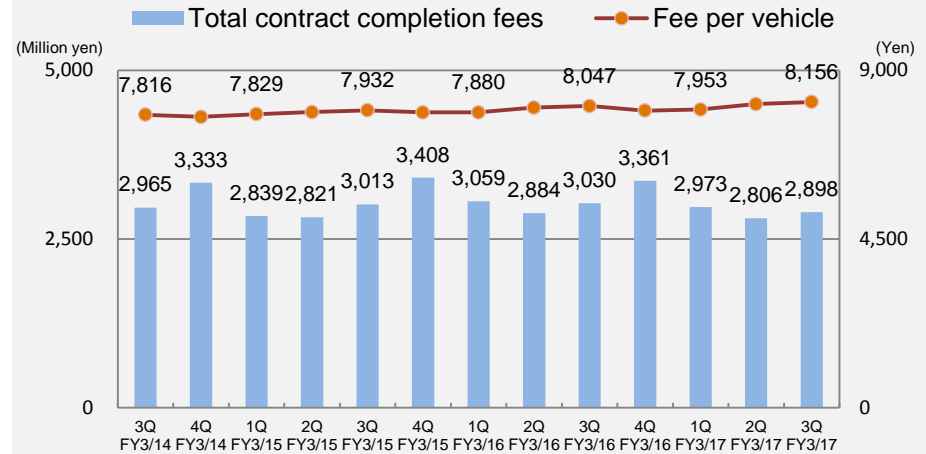


* Period ending in December: 12-month data; Period ending in June: 6-month data.
 * The figures in this slide do not include JBA data.

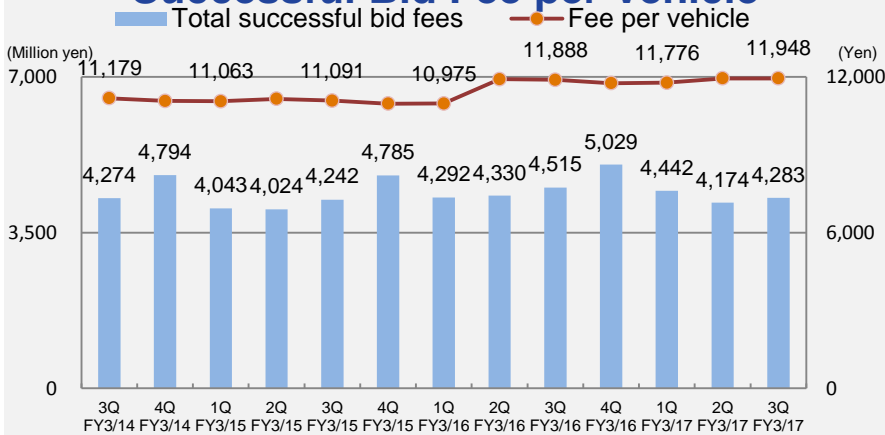
Total Consignment Fees and Consignment Fee per Vehicle



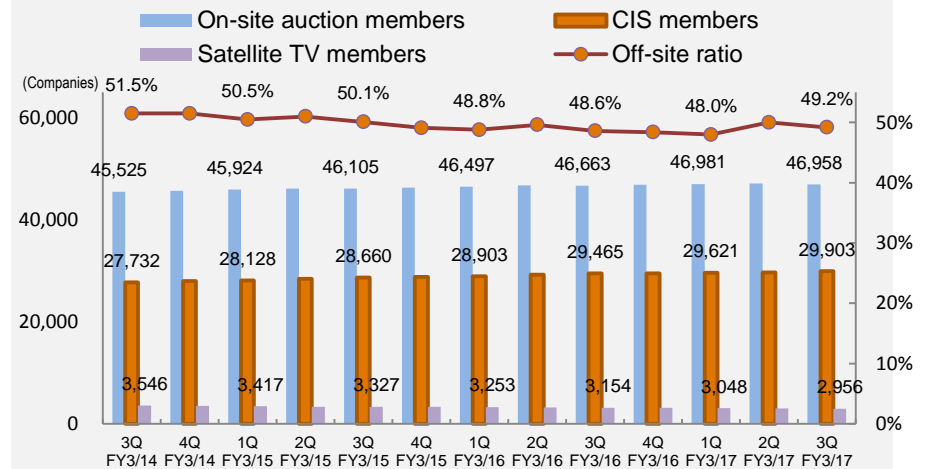
Total Contract Completion Fees and Contract Completion Fee per Vehicle



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 figures in this slide do not include JBA data.

Auto Auction Segment (4)

From April 1, 2016 to December 31, 2016

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1-3Q FY3/16	1-3Q FY3/17	1-3Q FY3/16	1-3Q FY3/17	YoY change	1-3Q FY3/16	1-3Q FY3/17	YoY change	1-3Q FY3/16	1-3Q FY3/17
Tokyo	37	36	483,232	456,096	94.4%	345,161	316,379	91.7%	71.4%	69.4%
Nagoya	38	37	333,183	353,604	106.1%	204,696	204,671	100.0%	61.4%	57.9%
Yokohama	37	37	136,799	133,237	97.4%	92,384	91,114	98.6%	67.5%	68.4%
Kyushu	38	37	142,352	118,714	83.4%	86,418	73,998	85.6%	60.7%	62.3%
Sapporo	37	37	104,216	99,194	95.2%	61,793	60,022	97.1%	59.3%	60.5%
R-Nagoya	36	37	88,642	92,249	104.1%	75,314	76,875	102.1%	85.0%	83.3%
Osaka	37	37	87,346	83,603	95.7%	53,832	50,023	92.9%	61.6%	59.8%
Shizuoka	37	37	53,128	52,607	99.0%	31,773	32,523	102.4%	59.8%	61.8%
Okayama	37	37	49,817	48,172	96.7%	32,930	32,397	98.4%	66.1%	67.3%
Tohoku	38	37	49,842	48,138	96.6%	37,586	35,636	94.8%	75.4%	74.0%
Kobe	38	38	41,267	45,871	111.2%	22,878	26,214	114.6%	55.4%	57.1%
Gunma	37	37	48,104	42,518	88.4%	32,009	27,869	87.1%	66.5%	65.5%
Saitama	37	37	36,783	39,241	106.7%	20,624	22,597	109.6%	56.1%	57.6%
Niigata	38	37	31,955	32,586	102.0%	15,545	14,985	96.4%	48.6%	46.0%
Fukuoka	37	37	30,628	26,757	87.4%	13,306	13,887	104.4%	43.4%	51.9%
Hokuriku	37	37	13,220	9,721	73.5%	8,301	6,160	74.2%	62.8%	63.4%
Total	596	592	1,730,514	1,682,308	97.2%	1,134,550	1,085,350	95.7%	65.6%	64.5%

* 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	FY3/15	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	141,275	201,229	1,123,273	186,409	197,643	174,983	172,609			731,644	1,854,917
	YoY Change	▲2.8	▲8.4	3.8	▲6.0	▲1.6	2.4	▲2.1	▲15.9	5.1	1.0	▲4.1			-	-
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	93,386	133,187	726,825	121,245	126,888	110,392	109,986			468,511	1,195,336
	YoY Change	▲3.9	▲6.7	▲0.2	▲8.6	▲5.8	2.5	▲3.7	▲17.2	3.9	▲0.9	▲6.8			-	-
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	66.1	66.2	64.7	65.0	64.2	63.1	63.7			-	-

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

Used Vehicle Purchasing and Selling Segment

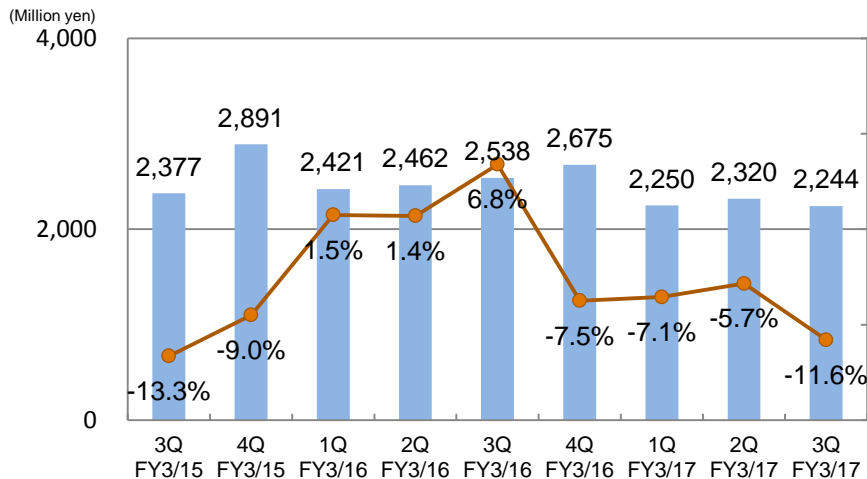
- Decline in vehicles purchased by Rabbit (used car purchasing stores) led to lower net sales and operating income. (Net sales declined 14.6% YoY to ¥ 4,240 million, Operating income declined 60.6% to ¥144 million)
- In the accident-damaged vehicle purchasing business, sales increased as prices of these vehicles were higher but a downturn in gross profit per vehicle caused earnings to decline. (Net sales increased 4.9% YoY to ¥2,576 million, Operating income decreased 37.9% to ¥40 million)

Used Vehicle Purchasing and Selling Segment Performance in 1-3Q

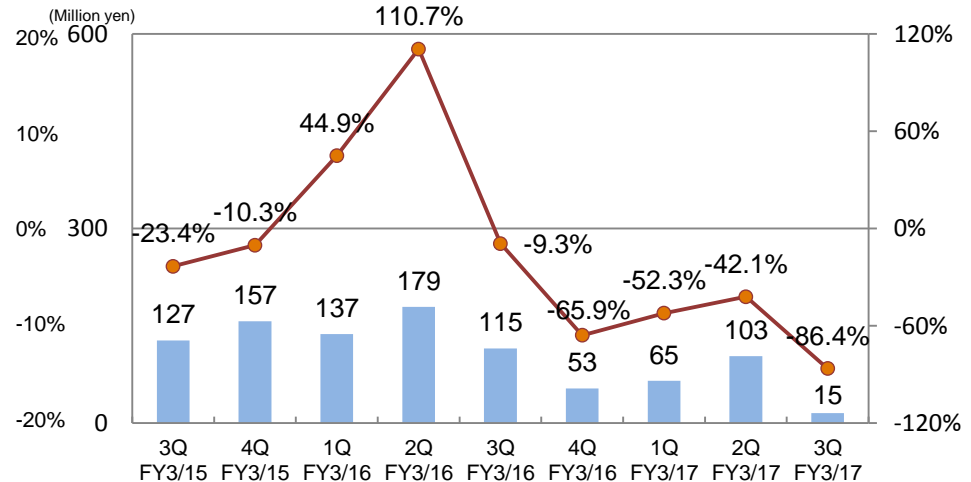
(Million yen)

	1-3Q FY3/15	1-3Q FY3/16	1-3Q FY3/17	Year on year
Net sales	7,192	7,422	6,816	91.8%
Operating income	307	431	185	42.8%
Operating margin	4.3%	5.8%	2.7%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Income and YoY Changes



* Net 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 Segment

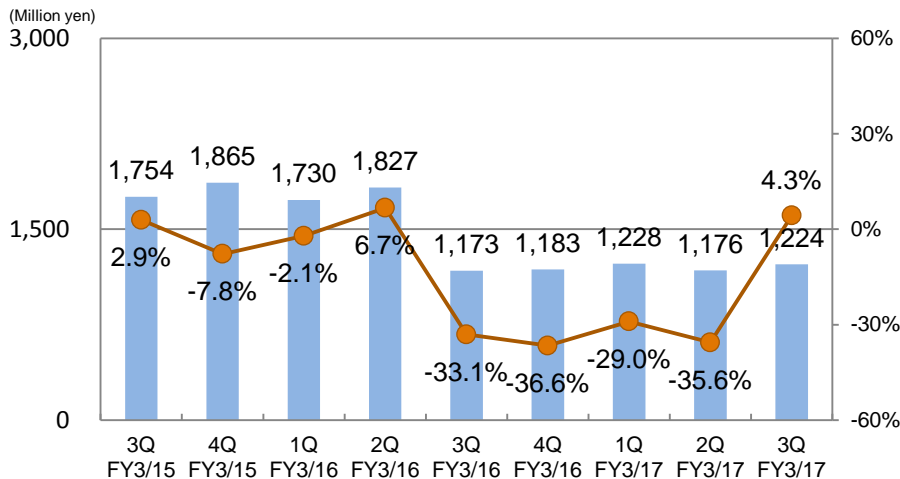
- In the vehicle recycling business, operating income was about the same as one year earlier. The price of steel scrap started climbing in November. (Net sales declined 9.7% YoY to ¥3,265 million, Operating income was down 1.0% YoY ¥135 million)
- In the used vehicle export clearing service, there was an operating loss due to a sharp decline in export volume. (Net sales declined 28.5% YoY ¥296 million, operating loss ¥8 million (operating income of ¥53 million in 1-3Q FY3/16))

Other Segment Performance in 1-3Q

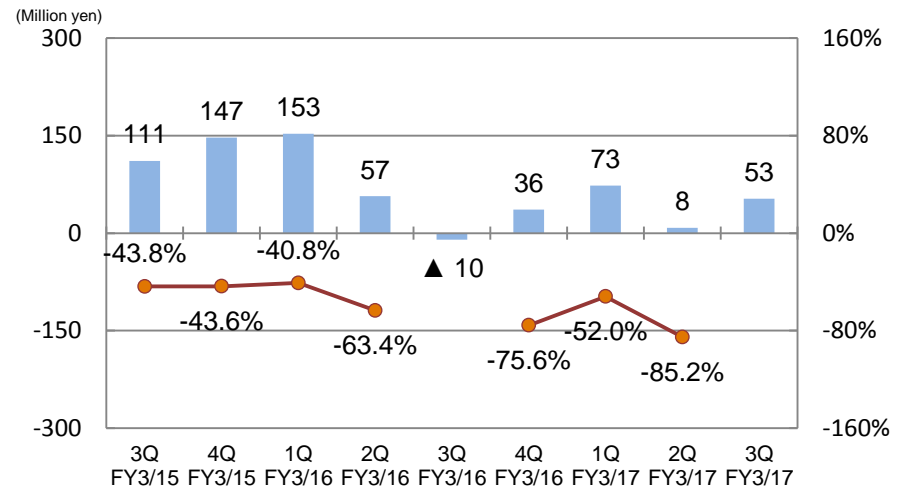
(Million yen)

	1-3Q FY3/15	1-3Q FY3/16	1-3Q FY3/17	Year on year
Net sales	5,235	4,732	3,629	76.7%
Operating income	527	201	135	67.4%
Operating margin	10.1%	4.2%	3.7%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Income and YoY Changes



* Net 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

- No revisions to the FY3/17 forecast announced on November 7, 2016 because performance is generally in line with expectations.

(Million yen)

	FY3/16 (Actual)	FY3/17 Initial plan (May 9, 2016)	Change	FY3/17 Revised plan (Nov. 7, 2016)	Revised plan vs FY3/16
Net sales	68,607	71,450	▲4,650	66,800	97.4%
Gross profit (Per sales)	42,740 (62.3%)	43,835 (61.4%)	▲3,645	40,189 (60.2%)	94.0%
Operating income (Per sales)	34,491 (50.3%)	34,700 (48.6%)	▲3,000	31,700 (47.5%)	91.9%
Ordinary income (Per sales)	35,218 (51.3%)	35,300 (49.4%)	▲3,000	32,300 (48.4%)	91.7%
Profit attributable to owners of parent (Per sales)	22,477 (32.8%)	23,800 (33.3%)	▲1,600	22,200 (33.2%)	98.8%
Profit per share (Yen)	86.92	93.54	-	87.23	100.4%
Capital expenditures (Terms of cash flows)	8,731	10,196	▲2,196	8,000	91.6%
Depreciation	3,325	4,763	▲173	4,589	138.0%

(Thousand vehicles)

	FY3/16 (Actual)	FY3/17 Initial plan (May 9, 2016)	Change	FY3/17 Revised plan (Nov. 7, 2016)	Revised plan vs FY3/16
No. of vehicles consigned	2,394	2,500	▲200	2,300	96.1%
No. of vehicles contracted	1,562	1,600	▲110	1,490	95.4%
Contract completion rate	65.3%	64.0%	-	64.8%	-

2H FY3/2017 – Reasons for Change in Operating Income (Forecast)

Net sales

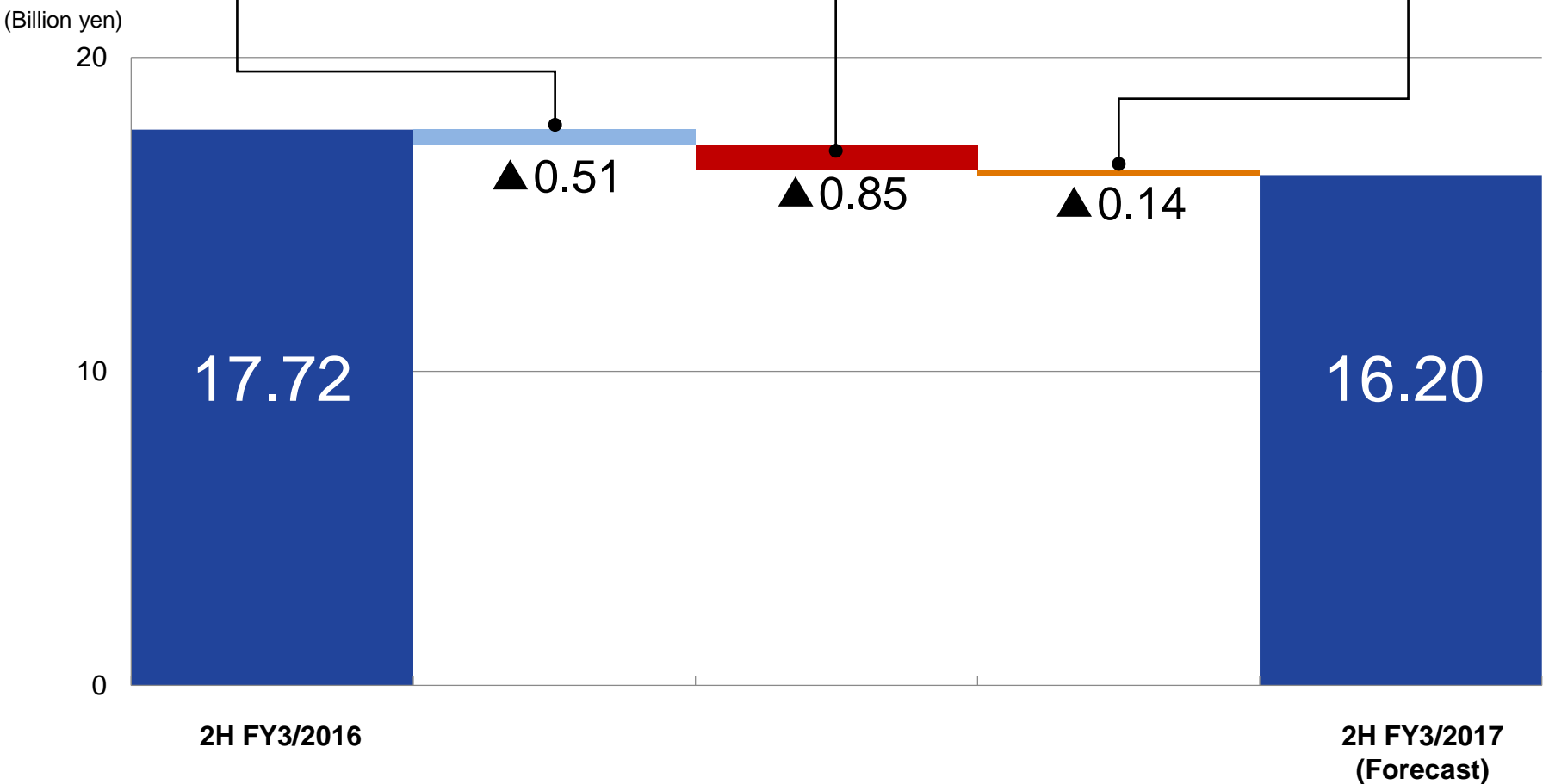
Decrease in vehicles consigned	▲ 1.26bn
Increase in CIS (Internet)	0.37bn
Increase in vehicles, etc. recycling	0.22bn
Impact of JBA	0.18bn

Cost of sales

Increase in depreciation	▲ 0.67bn
Increase in cost of materials purchase	▲ 0.09bn
Impact of JBA	▲ 0.07bn

SG&A expenses

Increase in enterprise tax	▲ 0.13bn
Impact of JBA	▲ 0.05bn



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

Net sales

Increase in fee rates (excl. JBA)	0.28bn
Decrease in vehicles consigned	▲1.69bn
Used vehicle sales/purchases	▲0.41bn
Impact of JBA	0.61bn
Impact of Toyo Rubber Chips	▲0.63bn

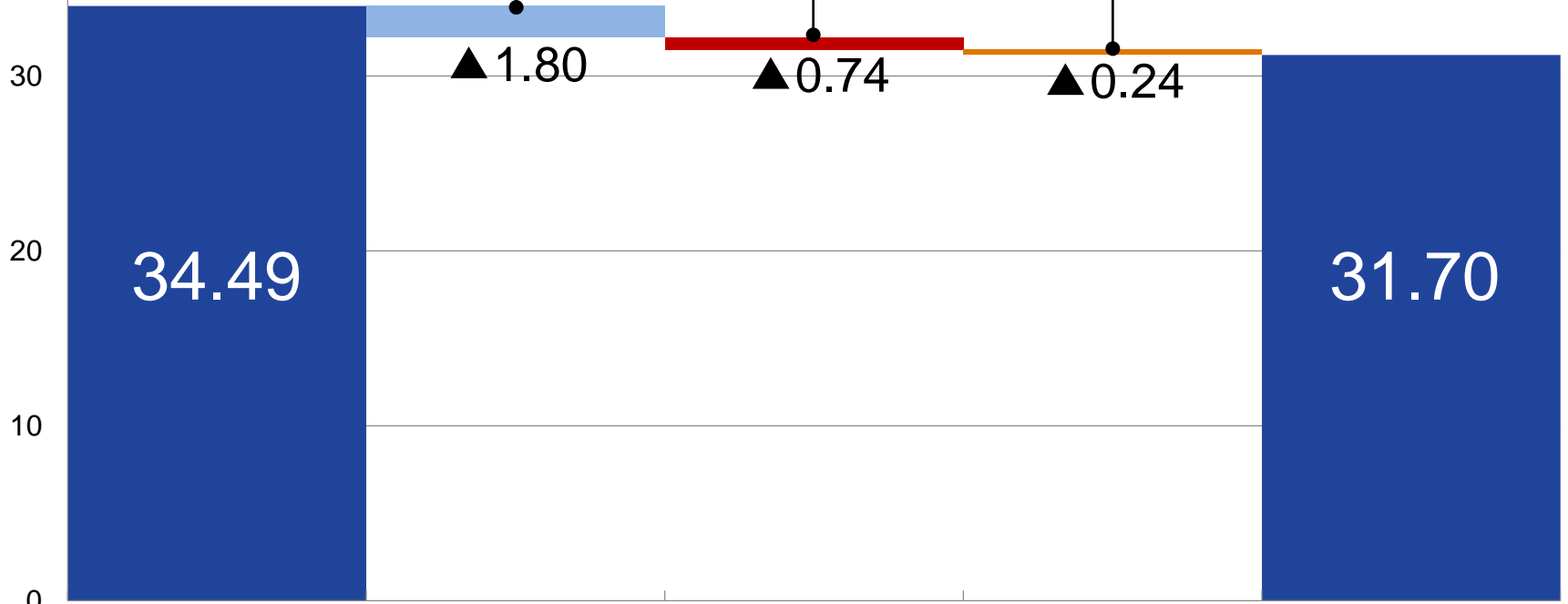
Cost of sales

Increase in depreciation	▲1.23bn
Decrease in cost of materials purchase	0.11bn
Impact of JBA	▲0.16bn
Impact of Toyo Rubber Chips	0.57bn

SG&A expenses

Increase in enterprise tax	▲0.25bn
Decrease in employee salaries and bonuses	0.07bn
Impact of JBA	▲0.17bn
Impact of Toyo Rubber Chips	0.07bn

(Billion yen)



FY3/2016

FY3/2017 (Forecast)

- Also no revisions to the November 7, 2016 forecasts for the used vehicle purchasing and selling and the other segments

(Million yen)

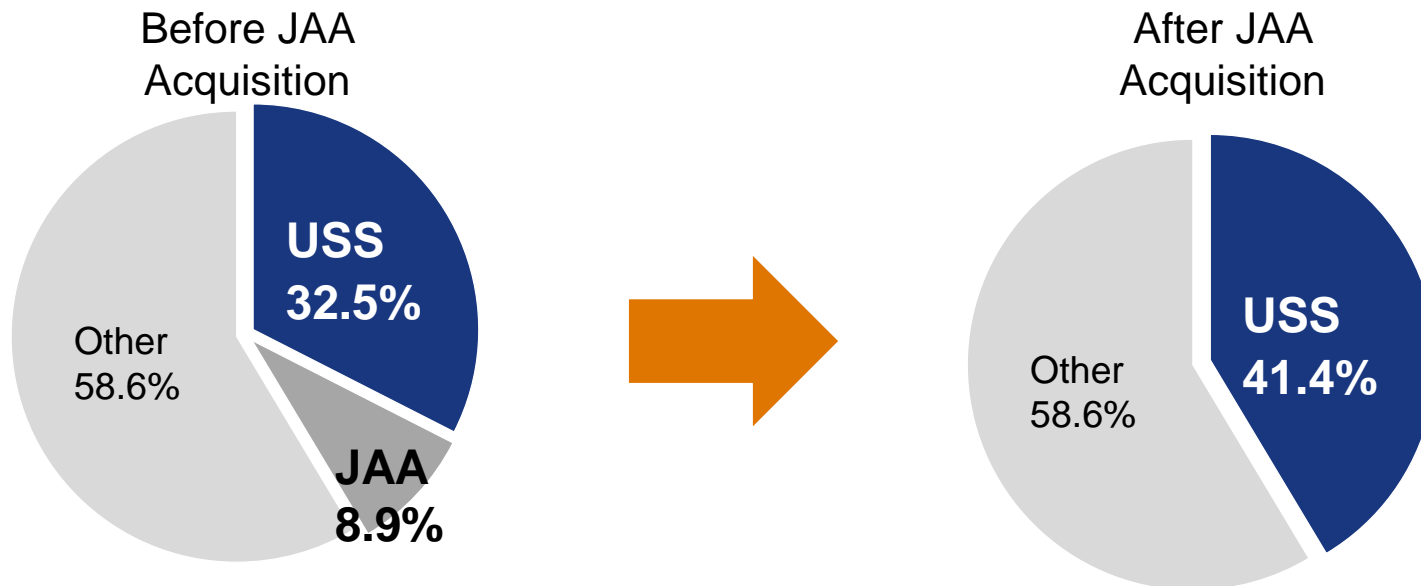
	FY3/16 (Actual)	FY3/17 Initial plan (May 9, 2016)	Change	FY3/17 Revised plan (Nov. 7, 2016)	Revised plan vs FY3/16
Net sales					
Auto auction	52,594	55,047	▲ 3,050	51,996	98.9%
Used vehicle purchasing and selling	10,097	10,819	▲ 973	9,845	97.5%
Other	5,915	5,583	▲ 625	4,957	83.8%
Total	68,607	71,450	▲ 4,650	66,800	97.4%
Operating income (Per sales)	34,491 (50.3%)	34,700 (48.6%)	▲ 3,000	31,700 (47.5%)	91.9%

- The USS board of directors approved a resolution on January 18, 2017 to purchase 66.04% of the stock of Japan Automobile Auction (JAA). Approval of the Fair Trade Commission must be received before this stock can be purchased.

Profile of JAA

Name	Japan Automobile Auction Inc.
Address	3-2-1 Rinkai-cho, Edogawa-ku, Tokyo
Representative	Toshihiko Tabata, Representative Director, President and Chief Executive Officer
Business activities	Used car auctions and associated activities
Net sales	9,615 million yen (FY3/2016)
Auction sites	JAA Tokyo site : 3-2-1 Rinkai-cho, Edogawa-ku, Tokyo HAA Kobe (HAA Kobe Inc.) : 21-1 Onohama-cho, Chuo-ku, Kobe , Hyogo
Market share (CY2016)	JAA : 8.9% (USS : 32.5%)

Market Share (CY2016, non-consolidated)



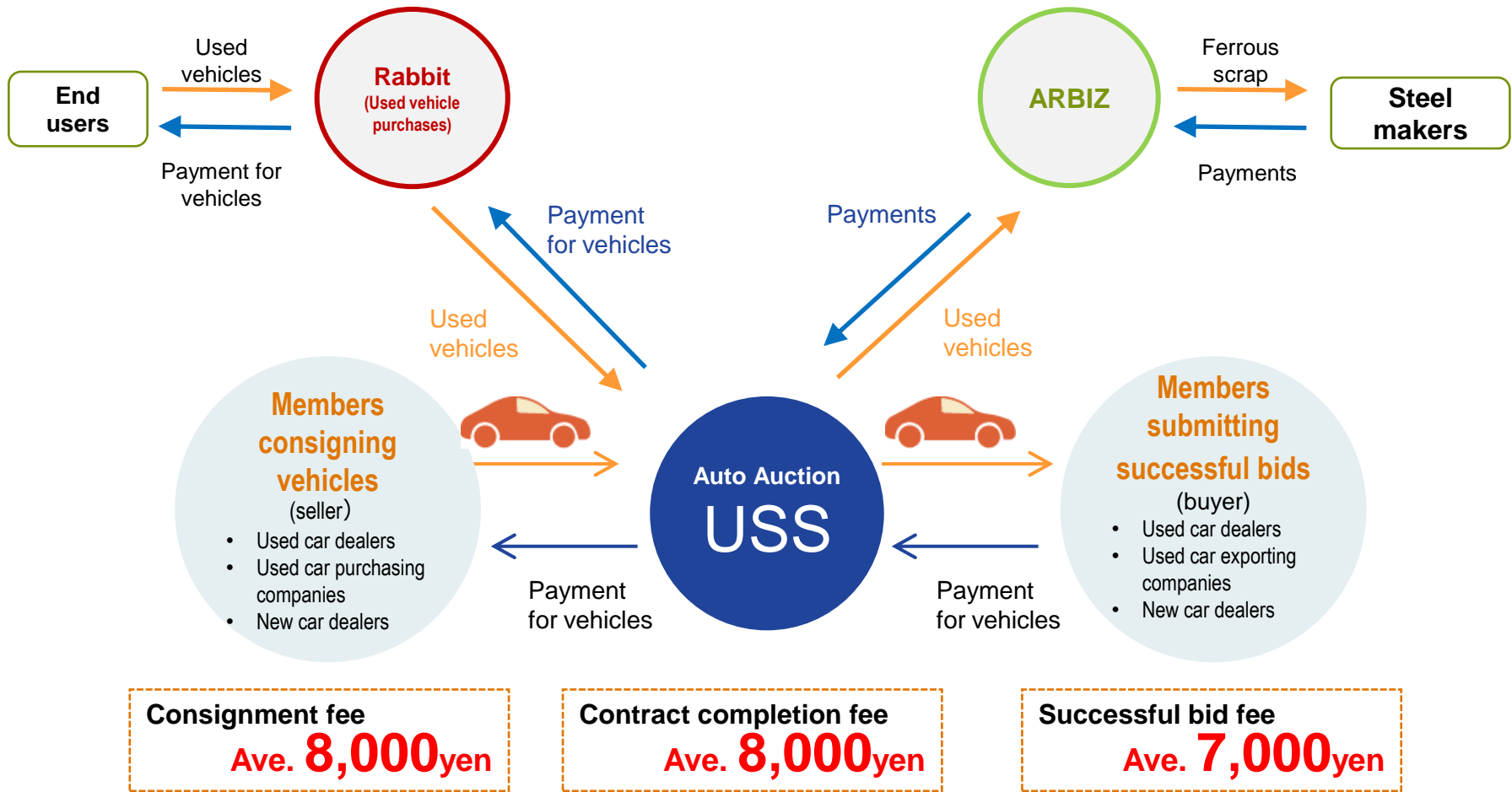
Consolidated Sales and Earnings (FY3/16)

(Million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
USS	68,607	34,491	35,218	22,477
JAA	9,615	3,923	3,985	2,548

Market Overview

Strategy for Creating Value Over the Medium Term

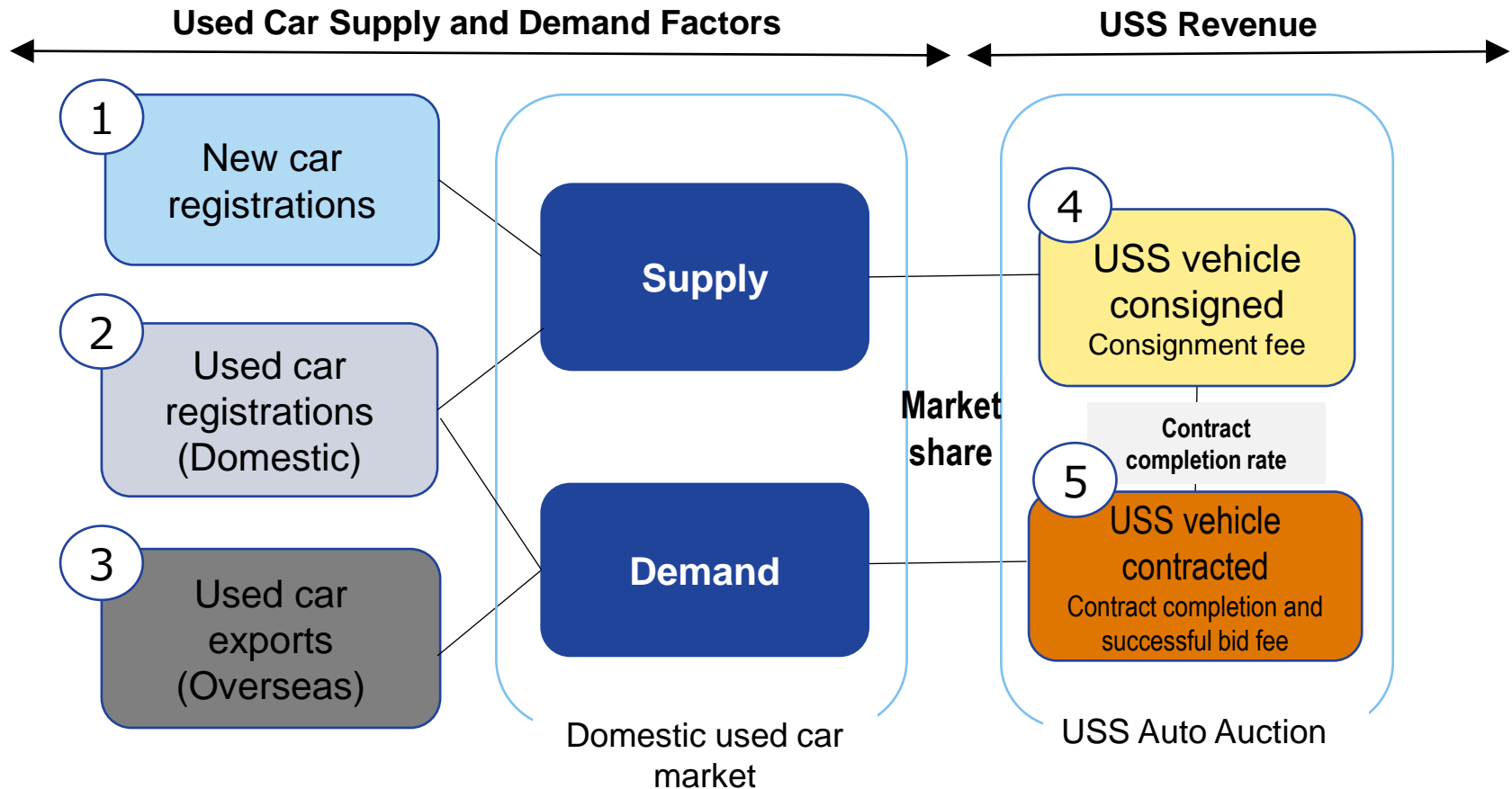


Vehicles consigned
2.39 million units(FY3/2016)

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

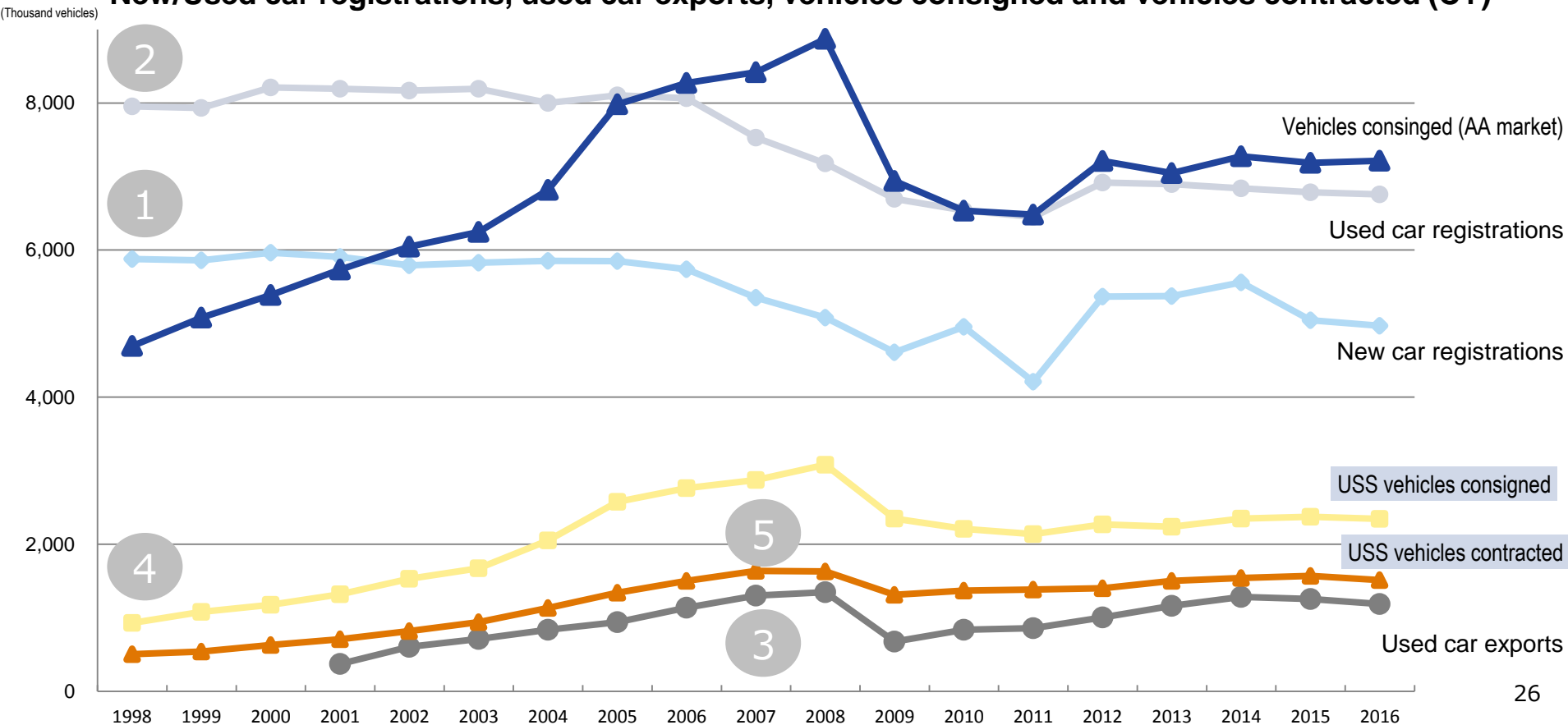
Contract completion rate
65.3%(FY3/2016)

- The number of vehicles consigned is correlated through trade-ins 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 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). ➔ **Both are on the decline from 2014**

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



■Largest in the auction market

(Share of vehicles consigned: 32.5% (CY2016))

- A nationwide network of 17 auction sites; 46,000 members

■Tokyo Auction Site (Largest in Japan) and Nagoya Auction Sites (Third) 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:89.4%)



High quality used cars concentrate at USS
→Contract completion ratio surpassing industry
average
(Share of vehicles contracted: 33.5% (CY2016))

History of USS Long-term Growth

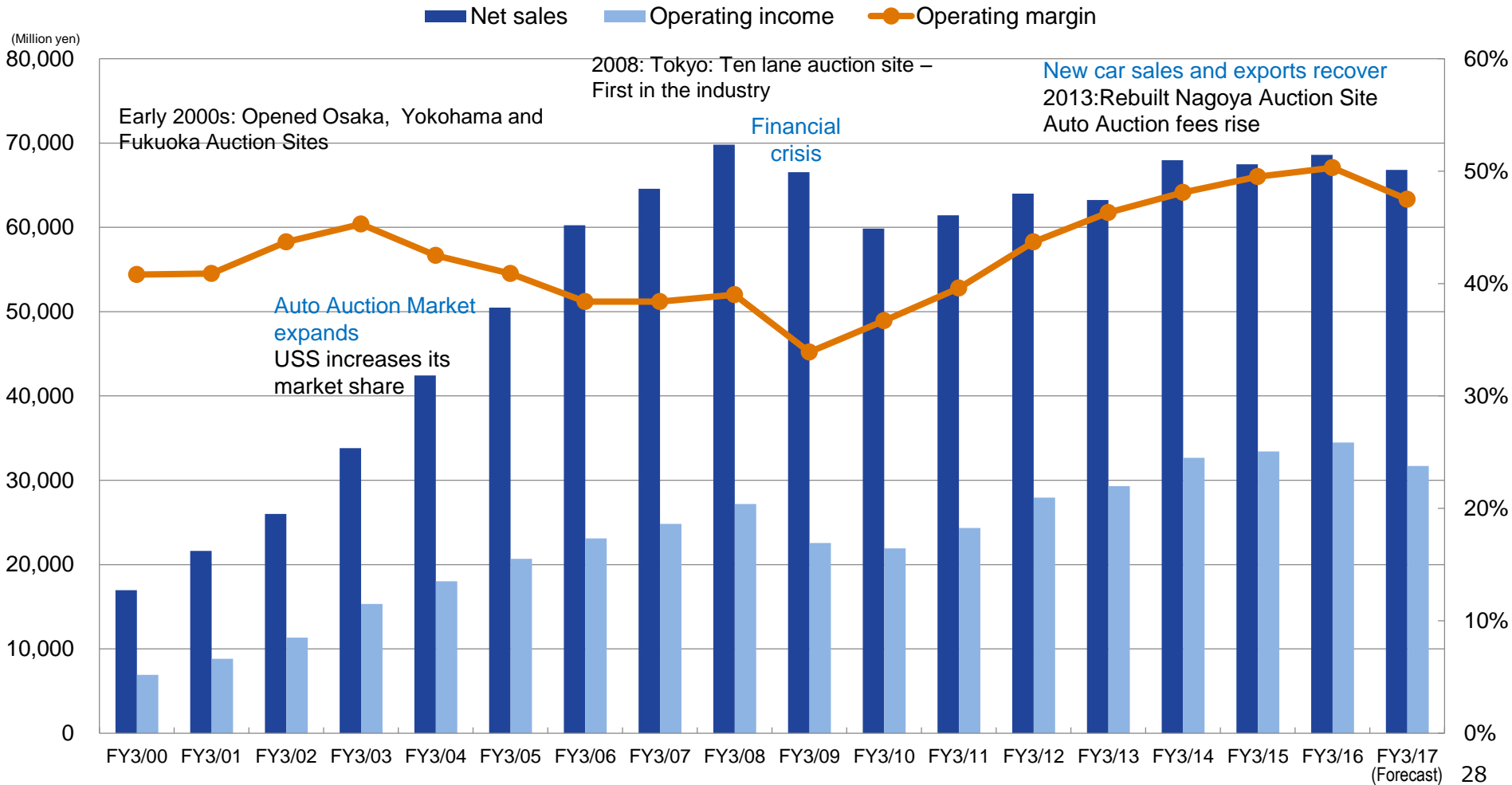
Before 2000

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

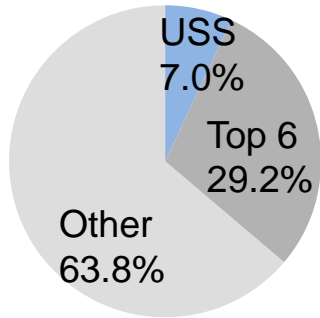
Late nineties: Opened Okayama, Shizuoka, Sapporo and West Tokyo (currently the Saitama auction site) Auction Sites



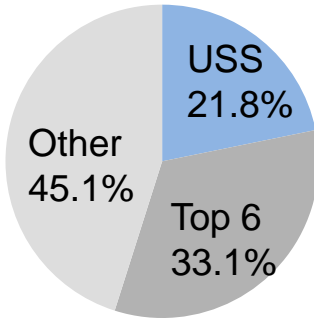
Used Car Auction Market and USS Market Share

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

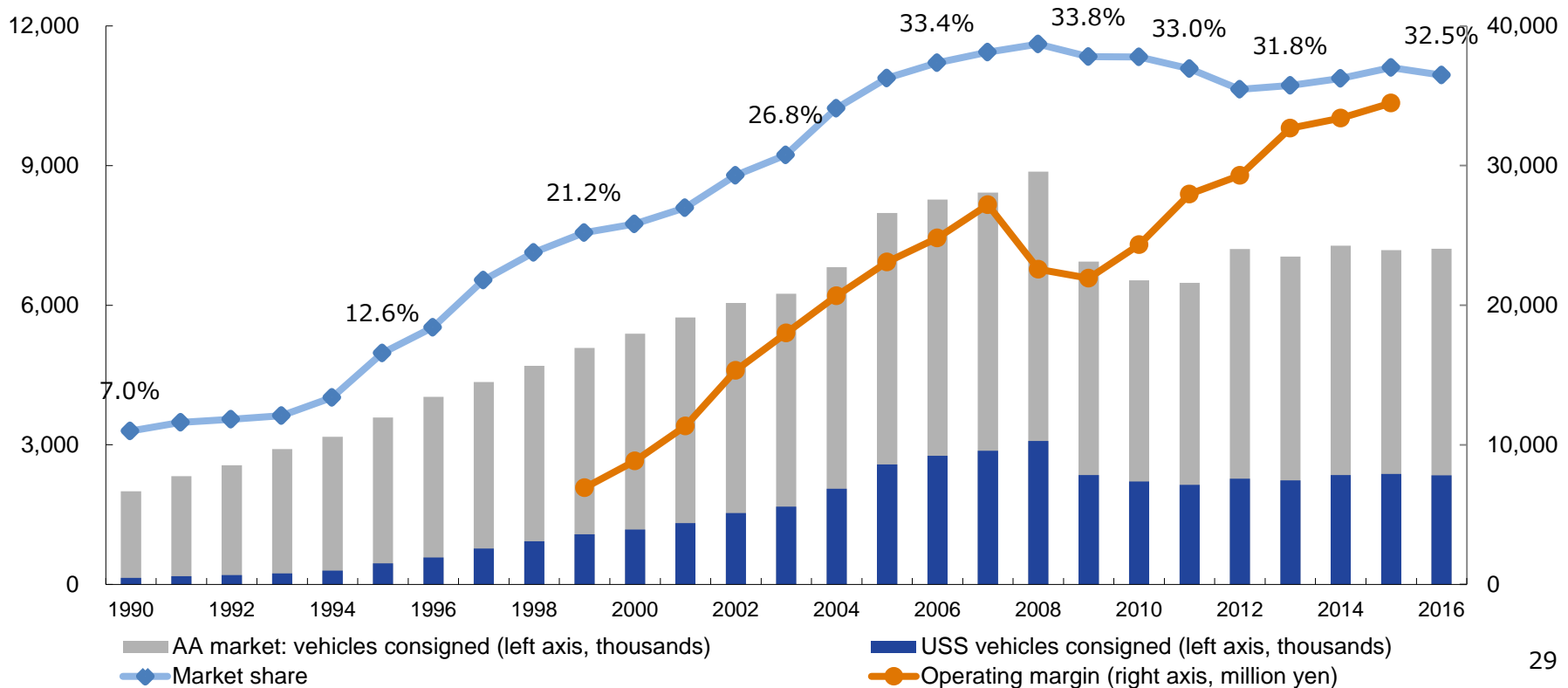
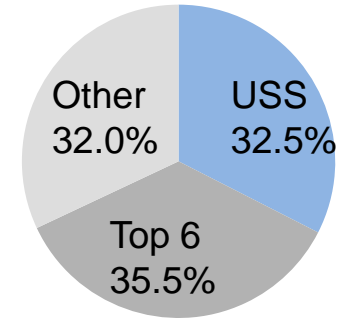
1990(CY) market share



2000(CY) market share



2016(CY) market share

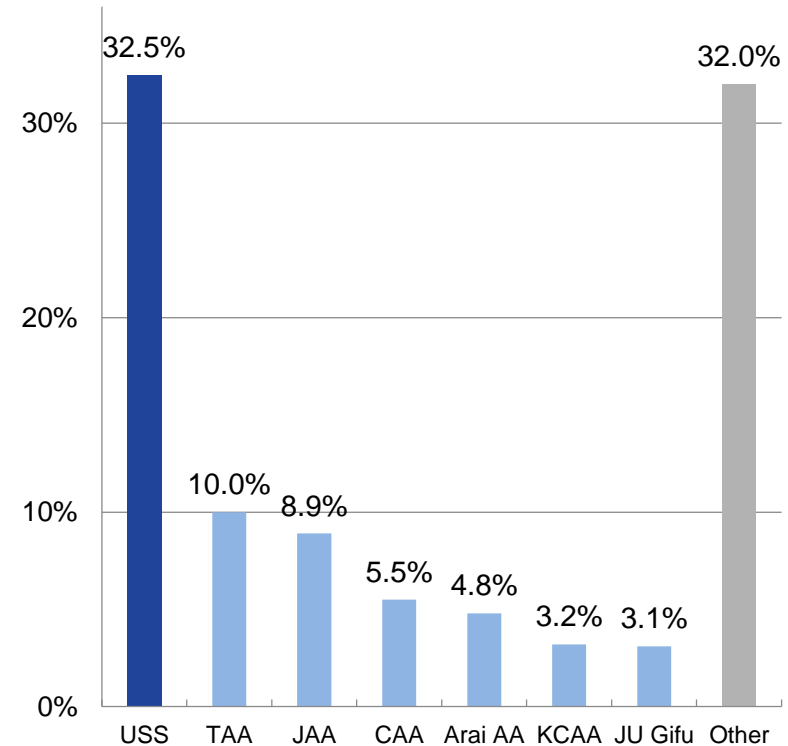


- Increase competitiveness of major auction sites, reorganize the auction site network with the goal of further increasing market share.

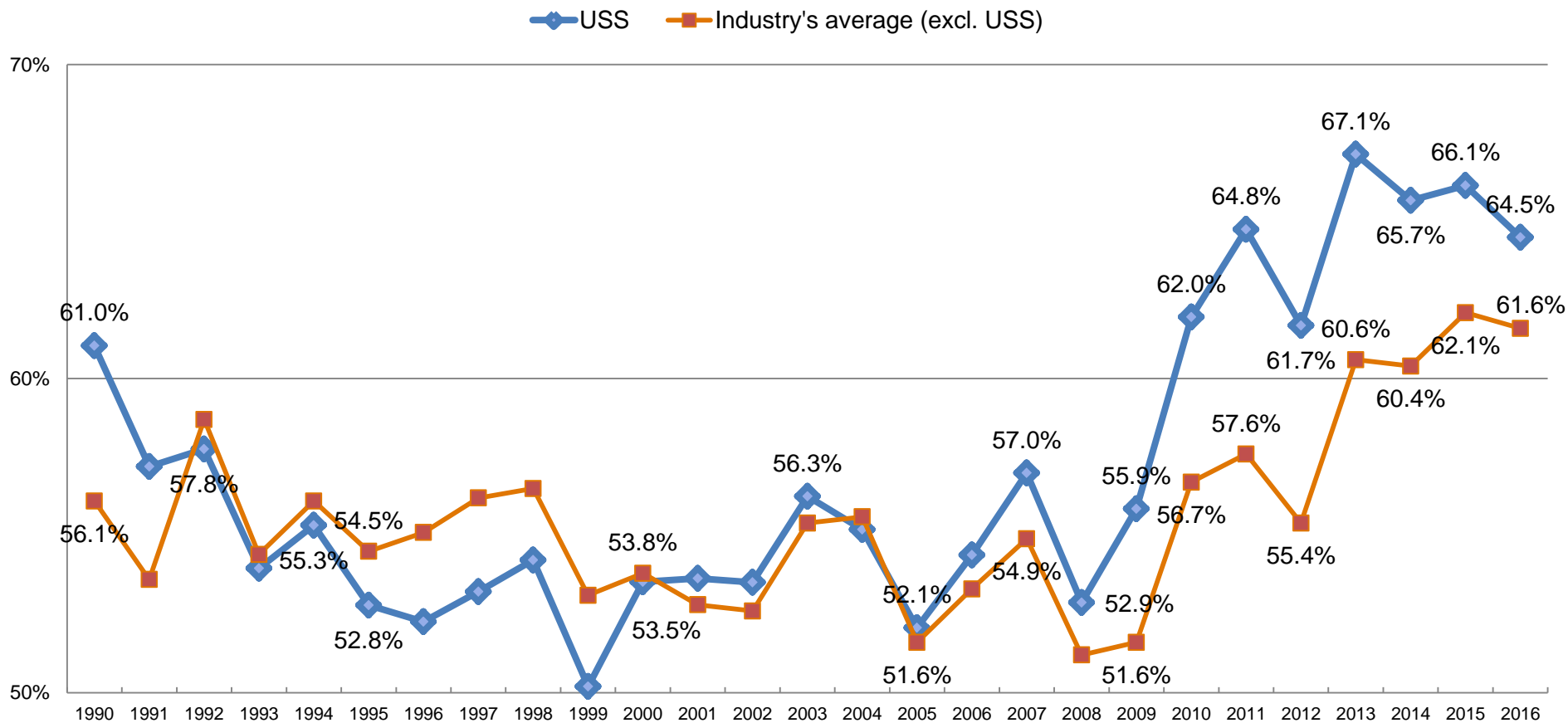
Overview of major players

Group	No. of auction site	Overview
TAA	10	Operated by Toyota UZEC, a wholly owned subsidiary of Toyota Motor Corporation. Vehicles are consigned largely by Toyota dealers. Operates 10 auction sites and three yards at remote locations throughout Japan.
JAA	2	JAA operates two auction sites: JAA Tokyo Auction site and HAA Kobe Auction site (Operated by JAA subsidiary HAA)
CAA	4	Capital alliance with Toyota UZEC. Operates auction sites in Aichi, Chiba, Gifu and Iwate prefectures. Shares systems with TAA.
Arai AA	4	Arai Shoji (headquartered at Hiratsuka City, Kanagawa Prefecture) operates auction sites in Miyagi, Kanagawa and Fukuoka prefectures.
KCAA	4	Kyushu Chuo Auto Auction (Koga city, Fukuoka prefecture) operates auction sites in Miyazaki, Fukuoka, Yamaguchi and Kyoto prefectures.
JU Gifu	1	JU Gifu Hashima Auto Auction (Hashima City, Gifu prefecture) operates one auction site.
Other	-	Operates 70 auctions nationwide (JU affiliate, company, manufacturer, dealer affiliated). Has a market share of 32.0% (CY2016)

Market share in 2016(CY)



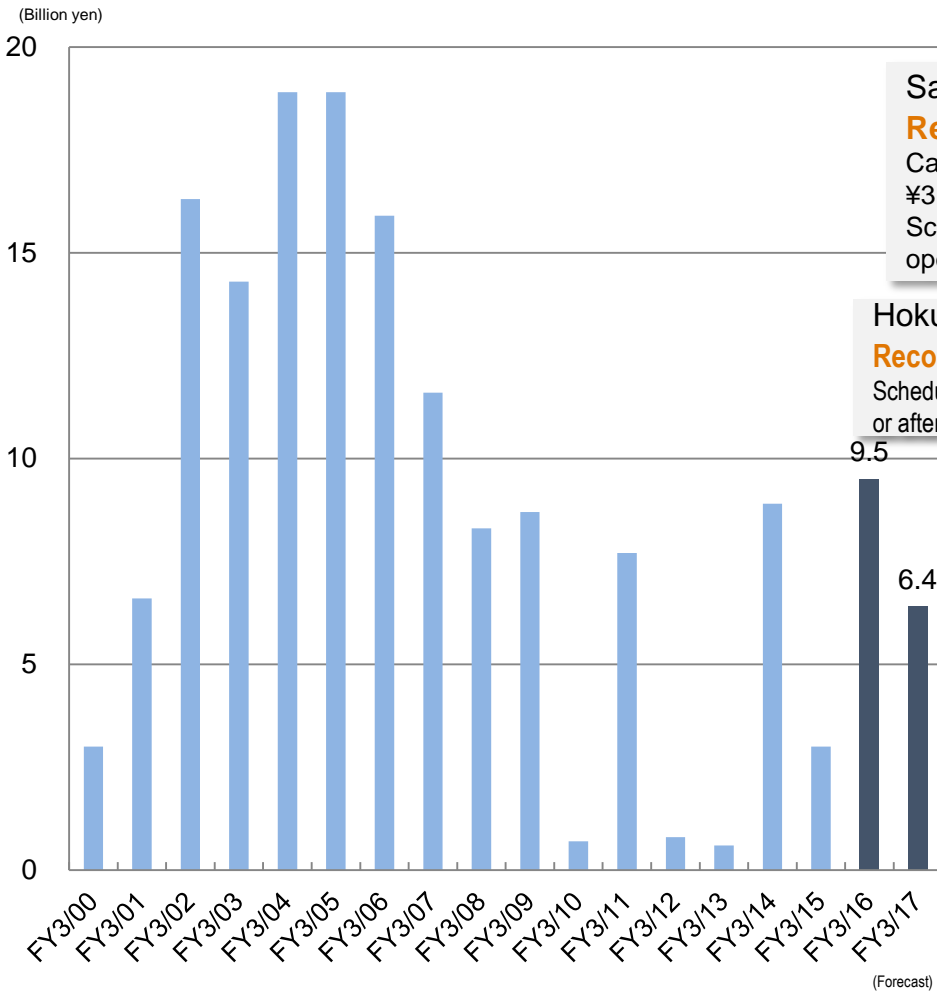
- Increase in off-site auction members due to expansion of the CIS (Internet) system
- Realized contract completion rates surpassing the industry average since the financial crisis of 2008. This is a result of a policy of deemphasizing the volume of vehicles consigned and instead focusing on the contract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



- Domestic new car sales: Unlikely to see significant growth over the medium term
 - USS's Strategy
 - 1) Plans call for capital investment to the tune of 20 billion yen over the two year period to FY3/2017.
 - ➡ Improve member convenience at all auto auction sites to increase auction participation rates
 - ➡ Concentrate management resources on large auction sites (Tokyo and Nagoya) to raise contract completion rate and market shares
 - 2) Continue the strategy of prioritizing contract completion rate

- Used car exports: Exports will slow in the short-term, environment will be difficult due to slowing economic growth in emerging countries, import regulations and other factors
 - USS's Strategy
 - 1) Over the medium-term, there is strong potential for population increase and economic growth in Central and South Asia, Africa, Russia and other regions.
 - ➡ Expectations of growth in high-quality (shaken) used Japanese cars are high.

Capital investment (project completion basis)



Capital investment plan

Capital investment to the tune of 20 billion yen over two years to FY3/2017 to further strengthen competitive power

Sapporo Auction Site

Reconstruction

Capital investment: Approximately ¥3.0 billion
Scheduled to commence operations in May 2017

Hokuriku Auction Site

Reconstruction and moving

Scheduled to commence operations in or after FY3/18

Shizuoka Auction Site

Reconstruction

Capital investment: Approximately ¥1.6 billion
Commenced operations in May 14, 2016

Installed state-of-the-art auction system

at Tokyo and Yokohama Auction Site.
Capital investment: Approximately ¥2.0 billion
Tokyo: Commenced operations in Jan. 2017
Yokohama: Commenced operations in Aug. 2016

Nagoya Multi-level stock house

Capital investment: Approximately ¥7.7 billion
Commenced operations in Feb. 15, 2016

R-Nagoya Reconstruction and moving

Capital investment: Approximately ¥1.5 billion
Commenced operations in Jul. 26, 2016

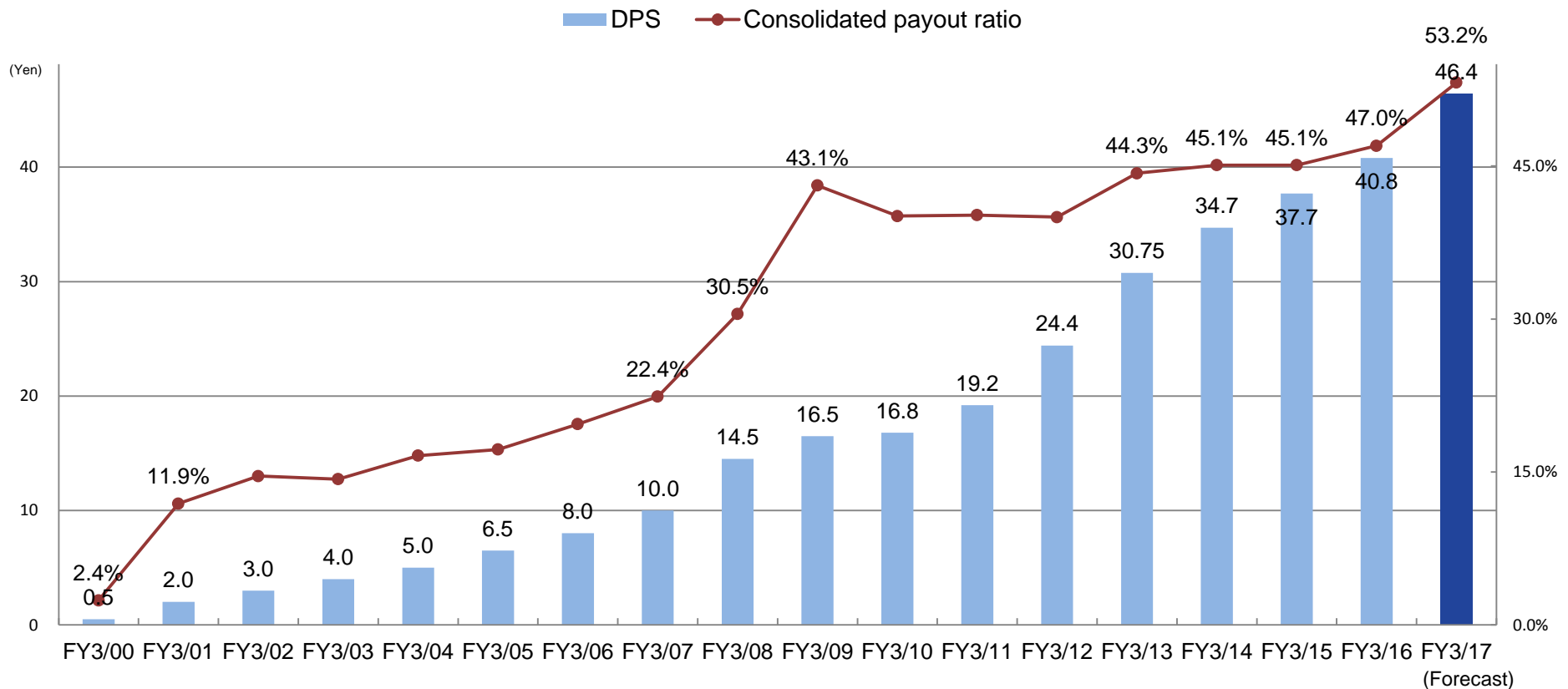
Increase shareholder distributions while continuing investment for growth

- Consolidated dividend payout ratio: Over **50%** from FY3/2017 (Previously 45%)
- Stock repurchase: Implement flexibly, with due consideration to cash flows, capital investment plans and market environment
(Shares repurchased: 5 million shares (¥8.6 billion) between March 16 and July 1, 2016)
- 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.

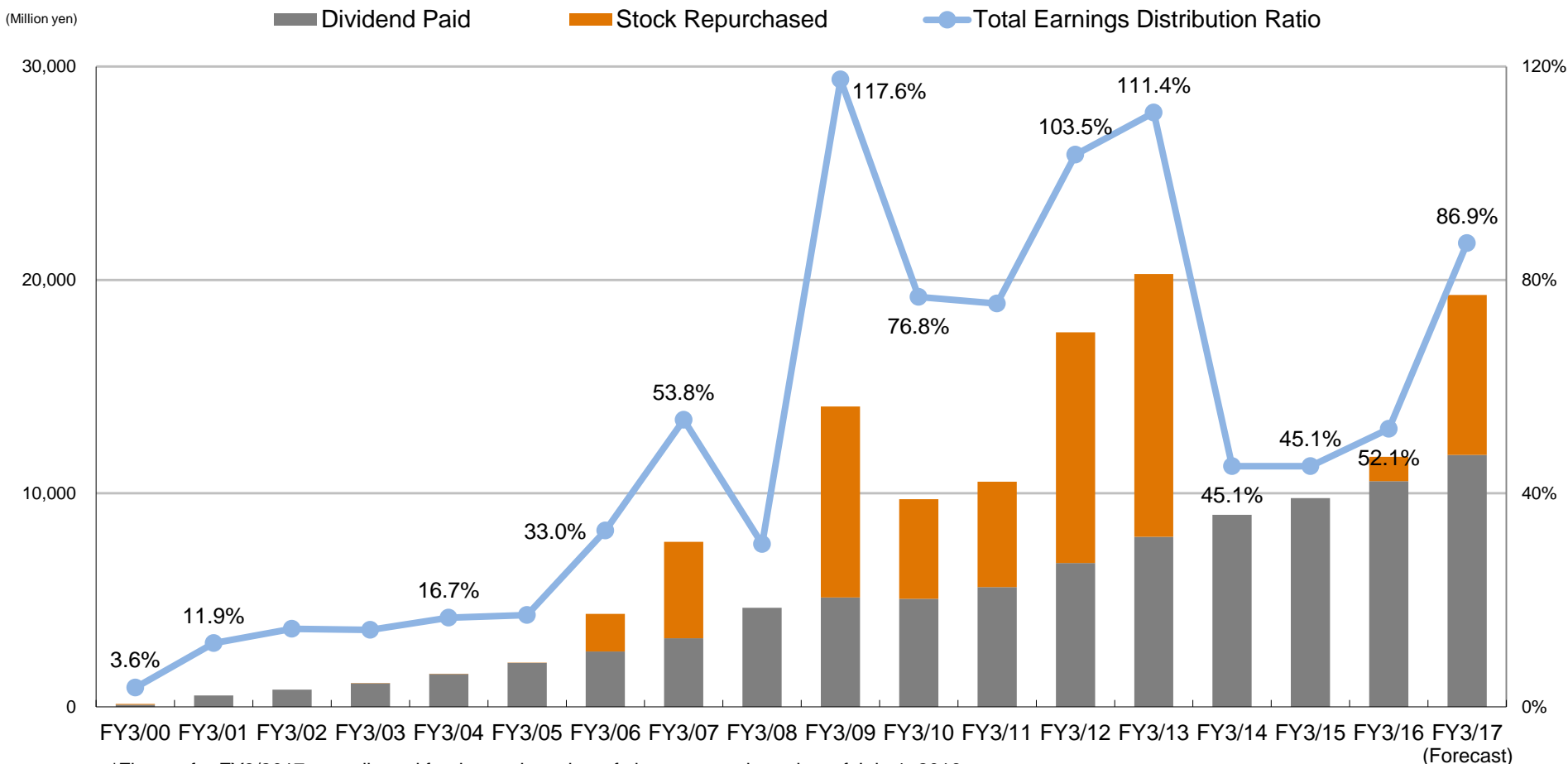
(Previous forecast (announced May 9, 2016) has been left unchanged.)

■ **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.

- Flexible stock repurchases while maintaining stable dividend.
- Estimated total shareholder distribution ratio (FY3/2017): 86.9%

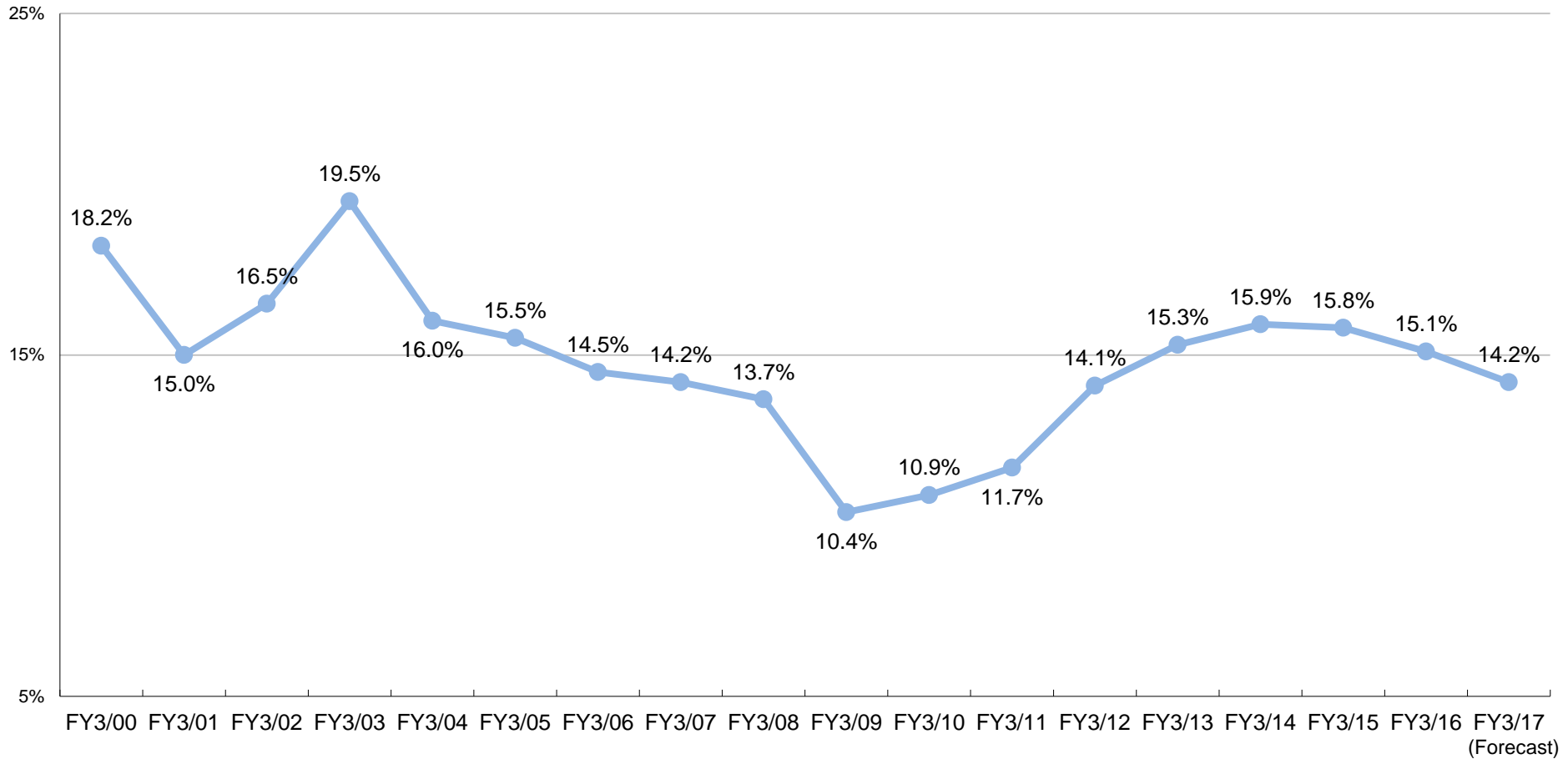


*Figures for FY3/2017 are adjusted for the total number of shares repurchased as of July 1, 2016.
 *Total amount of dividend is calculated based on annual dividend of ¥46.4 per share (FY3/2017)

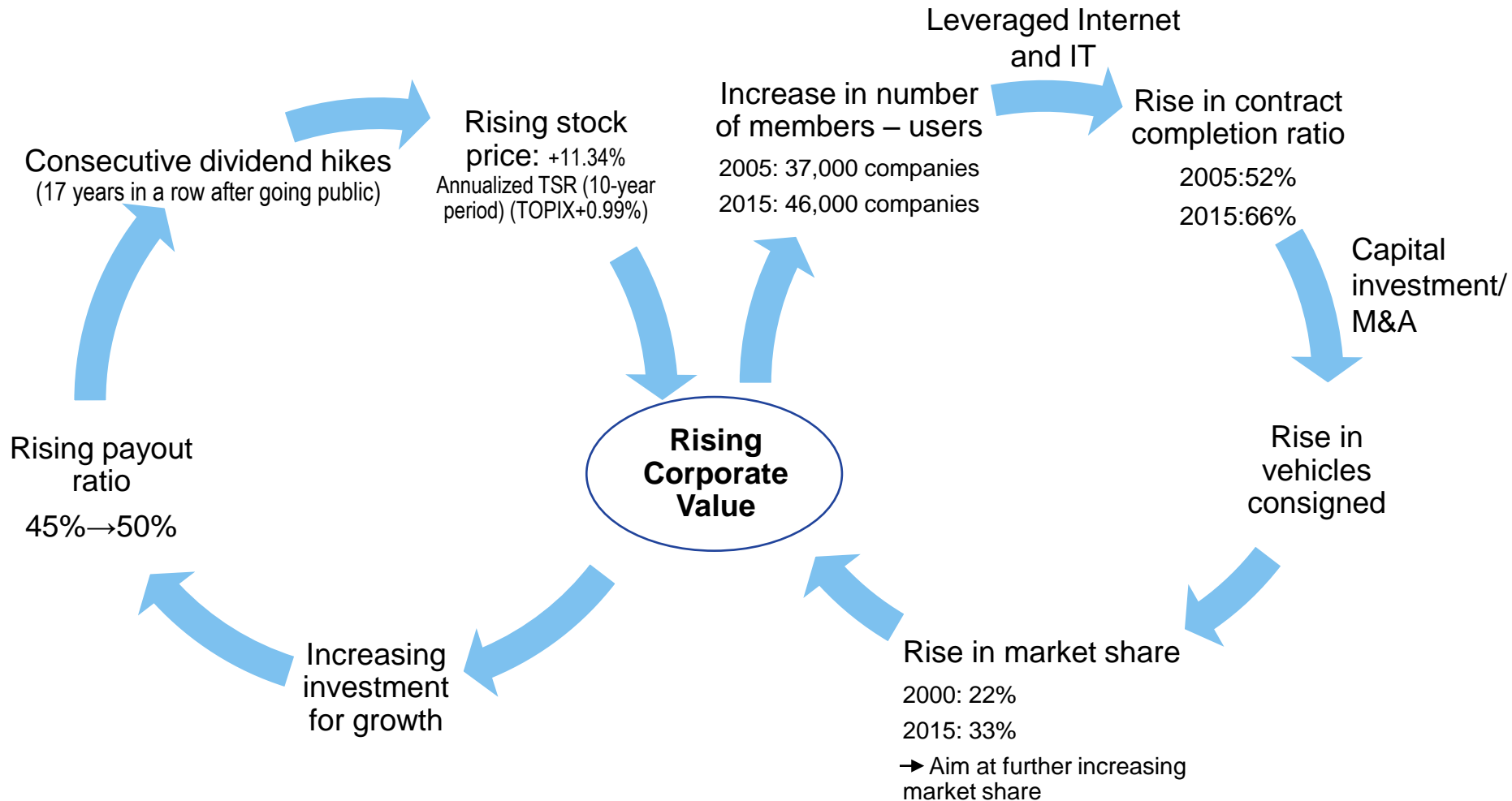
Earnings Distributions –Return on Equity (ROE)

- ROE for FY3/2017 is likely to fall below 15% as earnings are forecast to decline.
- 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



*TSR is calculated as of December 31, 2016.

- The company's governance organization has been expanded in order to work toward the goal of increasing corporate value through continuing business growth
- Strengthened the executive officer system in FY3/2013
- Established nomination and compensation committees in FY3/2016
- Introduced a stock option system for directors and executive officers.

FY	2005	2007	...	2013	...	2017
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 February 2017
 Directors 10 (of which outside directors: 3)
 Auditors: 3 (of which outside auditors: 2)
 Executive officers: 5