



Consolidated Results of Operations

The Third Quarter, Fiscal Year Ending March 31, 2018

USS Co., Ltd.
February 2018

- USS acquired 66.04% of the voting rights of Japan Automobile Auction Inc. on August 24, 2017. As a result, auction site operated by JAA and the HAA auction site operated by HAA Kobe (JAA's wholly owned subsidiary) became USS Group auction sites.

- 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 rounded down.
- 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 Third Quarter Fiscal Year Ending March 2018

3Q FY3/2018 – Summary of Consolidated Results of Operations

- Results of operations: Sales increased 11.1% YoY to ¥54.00 billion, Operating profit was up 11.4% to ¥26.02 billion, and Profit attributable to owners of parent increased 8.0% to ¥17.67 billion.
- Sales and earnings increased because of growth in vehicles consigned and contracts completed.
- Due to the acquisition of 66.04% of JAA Inc. stock on August 24, 2017, the results of this company, and of HAA Kobe Inc. and AUCTION TRANSPORT Inc. are included in the consolidated income statement from the third quarter.

(Million yen)

| | 1-3Q FY3/16 | 1-3Q FY3/17 | 1-3Q FY3/18 | Year on year |
|--|-------------------|-------------------|-------------------|--------------|
| Net sales | 50,361 | 48,622 | 54,003 | 111.1% |
| Cost of sales (Per sales) | 19,110 (37.9%) | 19,195 (39.5%) | 21,279 (39.4%) | 110.9% |
| Gross profit (Per sales) | 31,251 (62.1%) | 29,427 (60.5%) | 32,724 (60.6%) | 111.2% |
| Selling, general and administrative expenses (Per sales) | 5,927 (11.8%) | 6,069 (12.5%) | 6,702 (12.4%) | 110.4% |
| Operating profit (Per sales) | 25,323 (50.3%) | 23,358 (48.0%) | 26,021 (48.2%) | 111.4% |
| Ordinary profit (Per sales) | 25,878 (51.4%) | 23,833 (49.0%) | 26,436 (49.0%) | 110.9% |
| Profit attributable to owners of parent (Per sales) | 16,485 (32.7%) | 16,370 (33.7%) | 17,674 (32.7%) | 108.0% |

3Q FY3/2018 – Reasons for Change in Operating Profit (Actual)

Net sales

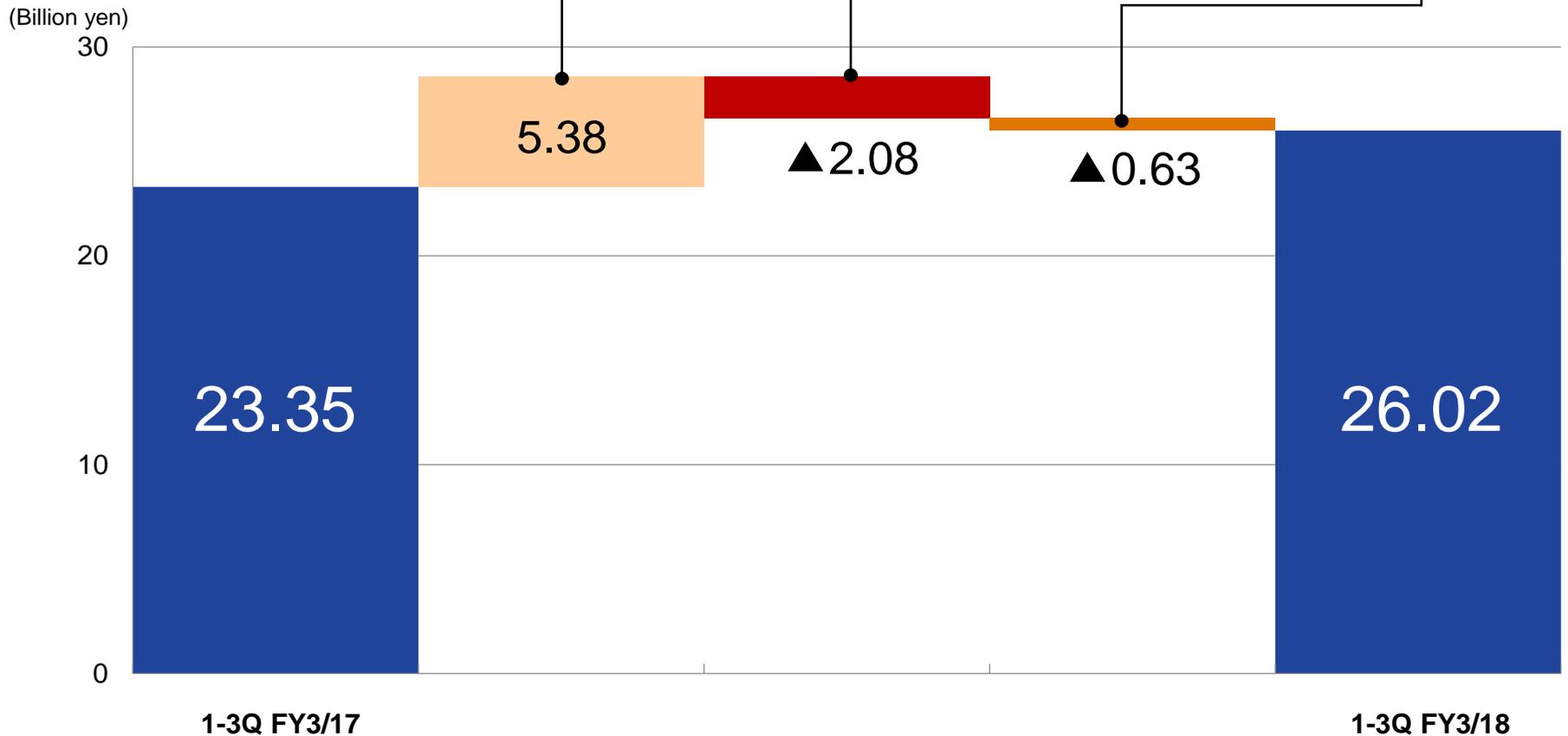
| | |
|--|--------|
| Increase in vehicles consigned (excl. JAA) | 1.71bn |
| Increase in vehicles, etc. recycling | 0.75bn |
| Increase in CIS (Internet) | 0.29bn |
| Increase in sales of accident-damaged vehicles | 0.24bn |
| Impact of JAA | 2.27bn |

Cost of sales

| | |
|---|---------|
| Increase in cost of goods sold | ▲0.56bn |
| Increase in cost of materials purchased | ▲0.27bn |
| Increase in depreciation | ▲0.18bn |
| Increase in outsourcing expenses | ▲0.11bn |
| Impact of JAA | ▲0.81bn |

SG&A expenses

| | |
|----------------------------------|---------|
| Impact of JAA | ▲0.74bn |
| (of which goodwill amortization) | ▲0.34bn |



* "Impact of JAA" includes JAA Inc., HAA Kobe Inc. and AUCTION TRANSPORT Inc.

Net Sales and Operating Profit by Business Segment

(Million yen)

| Net sales | 1-3Q FY3/16 | 1-3Q FY3/17 | 1-3Q FY3/18 | Year on year |
|---|---------------------------|---------------------------|---------------------------|---------------|
| Auto auction | 38,206 | 38,176 | 42,509 | 111.4% |
| Used vehicle purchasing and selling | 7,422 | 6,816 | 7,049 | 103.4% |
| Other | 4,732 | 3,629 | 4,444 | 122.4% |
| Total | 50,361 | 48,622 | 54,003 | 111.1% |
| Operating profit (operating margin) | 1-3Q FY3/16 | 1-3Q FY3/17 | 1-3Q FY3/18 | Year on year |
| Auto auction | 24,527 (63.5%) | 22,872 (59.4%) | 25,261 (58.9%) | 110.4% |
| Used vehicle purchasing and selling | 431 (5.8%) | 185 (2.7%) | 151 (2.1%) | 81.9% |
| Other | 201 (4.2%) | 135 (3.7%) | 531 (11.9%) | 392.3% |
| Elimination of inter-segment transactions | 162 | 164 | 77 | 46.8% |
| Total | 25,323 (50.3%) | 23,358 (48.0%) | 26,021 (48.2%) | 111.4% |

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

- Net cash used in investing activities was ¥19.6 billion, due to decreases in time deposits, etc., for the acquisition of JAA stock.
- Due to the JAA acquisition, some cash and deposits became business assets with a high return
- Equity ratio: 83.8%

Consolidated Balance Sheets (Summary)

| | FY3/17 | 1-3Q FY3/18 |
|--|----------------|----------------|
| Current assets | 91,462 | 51,698 |
| Cash and deposits | 74,778 | 41,846 |
| Receivables due from member dealers at auction, etc. | 16,683 | 9,851 |
| Non-current assets | 105,911 | 144,163 |
| Property, plant and equipment | 96,868 | 106,257 |
| Other | 9,043 | 37,905 |
| Total assets | 197,374 | 195,861 |

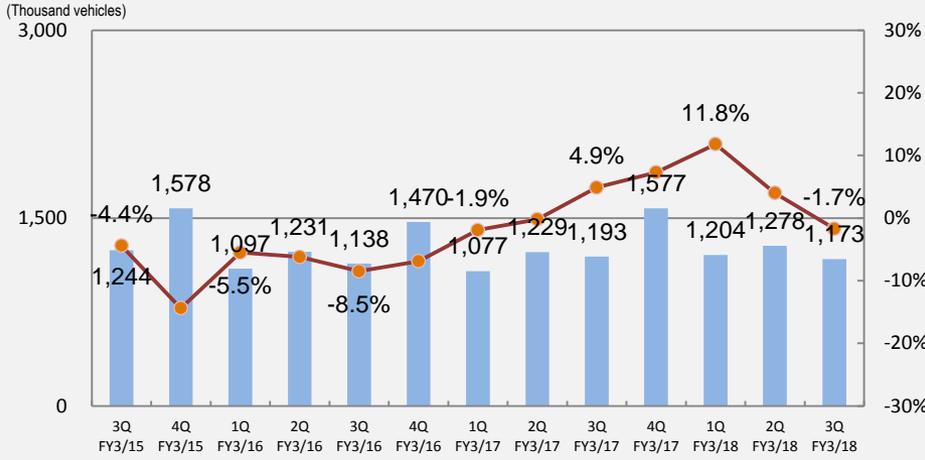
(Million yen)

| | FY3/17 | 1-3Q FY3/18 |
|---|----------------|----------------|
| Current liabilities | 28,801 | 14,589 |
| Payables due to member dealers at auction | 15,051 | 6,043 |
| Other | 13,749 | 8,546 |
| Non-current liabilities | 9,375 | 11,086 |
| Total liabilities | 38,176 | 25,675 |
| Total net assets | 159,197 | 170,185 |
| Total liabilities and net assets | 197,374 | 195,861 |

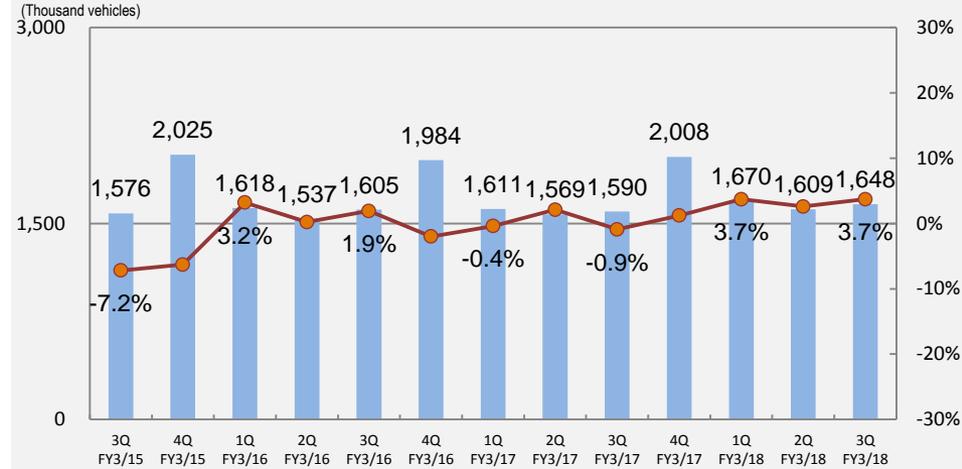
Consolidated Statements of Cash Flows (Summary)

| | 1-3Q FY3/16 | 1-3Q FY3/17 | 1-3Q FY3/18 | Year on year |
|---|-------------|-------------|-------------|--------------|
| Net cash provided by (used in) operating activities | 13,961 | 14,698 | 14,796 | 97 |
| Net cash provided by (used in) investing activities | (8,451) | (9,230) | (19,681) | (10,451) |
| Free cash flow | 5,510 | 5,468 | (4,885) | (10,353) |
| Net cash provided by (used in) financing activities | (10,303) | (17,767) | (12,046) | 5,720 |
| Capital expenditures (Terms of cash flows) | 5,950 | 5,229 | 4,257 | (971) |
| Depreciation | 2,380 | 3,289 | 3,554 | 264 |

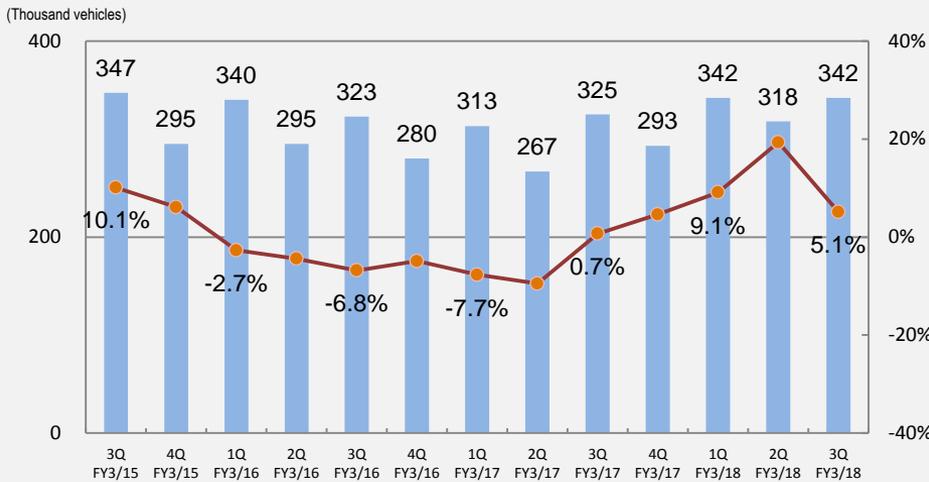
New Car Registrations and YoY Changes



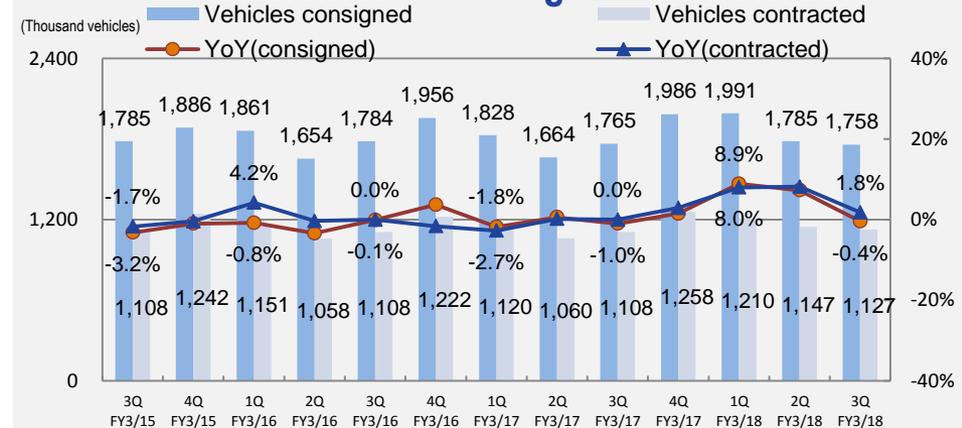
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned and Contracted and YoY Changes



Auto Auction Segment (1)

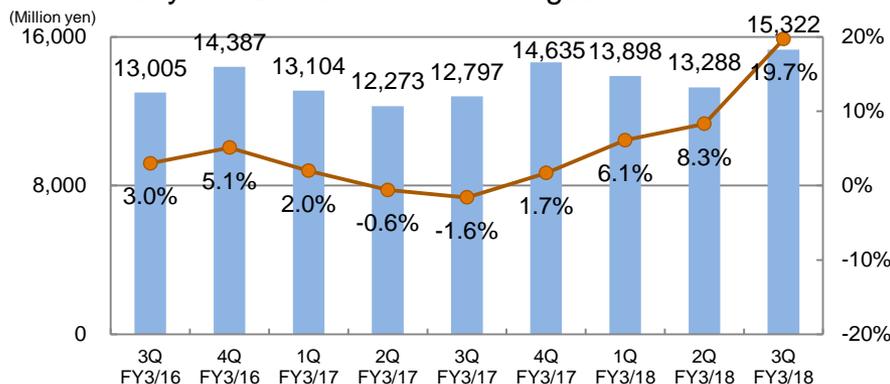
- 1-3Q FY3/18 vehicles consigned increased 13.9% YoY to 1.915 million; contract completions increased 11.7% YoY to 1.212 million (contract completion rate: 63.3% against 64.5% one year earlier) (1.776 million vehicles consigned (an increase of 5.6% YoY) at USS's 17 existing auction sites (excluding JAA auction sites and HAA auction sites), and 1.138 million contract completions (an increase of 4.9% YoY))
- The business results of JAA Co., Ltd., which has been made a subsidiary, are included in the consolidated income statement from the third quarter.

Auto Auction Segment Performance in 1-3Q

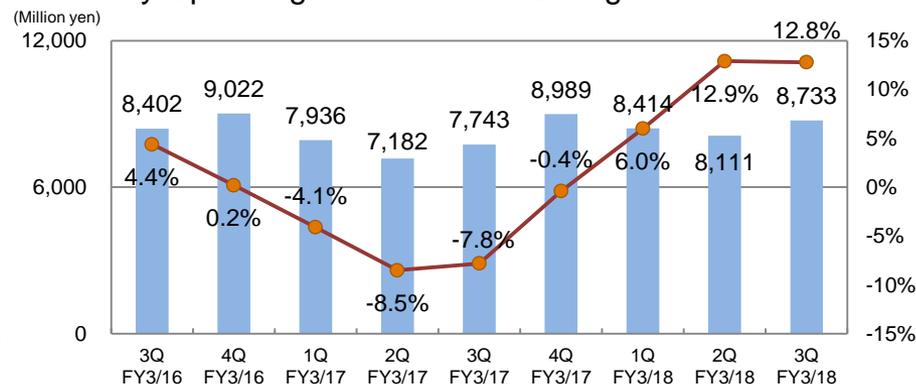
(Million yen)

| | 1-3Q FY3/16 | 1-3Q FY3/17 | 1-3Q FY3/18 | Year on year |
|--------------------------|-------------|-------------|-------------|--------------|
| Net sales | 38,206 | 38,176 | 42,509 | 111.4% |
| Consignment fees | 9,343 | 8,991 | 10,092 | 112.3% |
| Contract completion fees | 8,974 | 8,679 | 9,833 | 113.3% |
| Successful bid fees | 13,138 | 12,899 | 14,270 | 110.6% |
| Other | 6,750 | 7,605 | 8,312 | 109.3% |
| Operating profit | 24,527 | 22,872 | 25,261 | 110.4% |
| Operating margin | 63.5% | 59.4% | 58.9% | - |

Quarterly Net Sales and YoY Changes



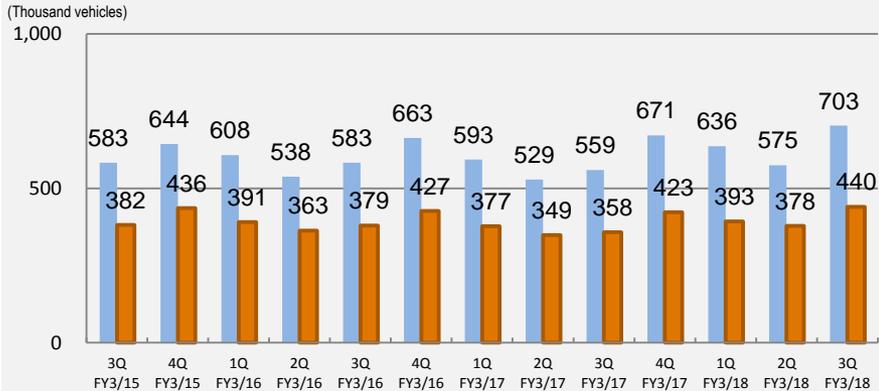
Quarterly Operating Profit and YoY Changes



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

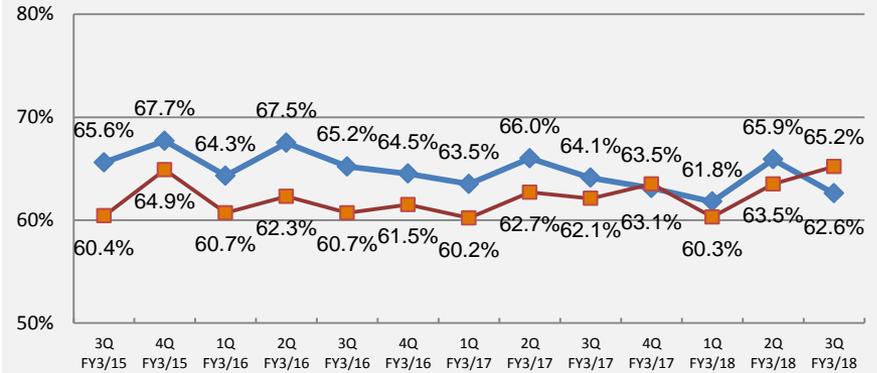
No. of Vehicles Consigned and Vehicles Contracted

■ Vehicles consigned ■ Vehicles contracted

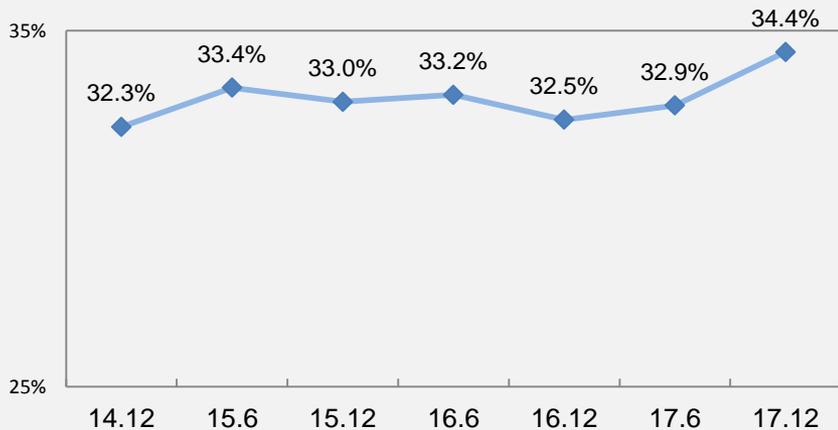


Contract Completion Rate

◆ USS ■ Industry's average (excl. USS)

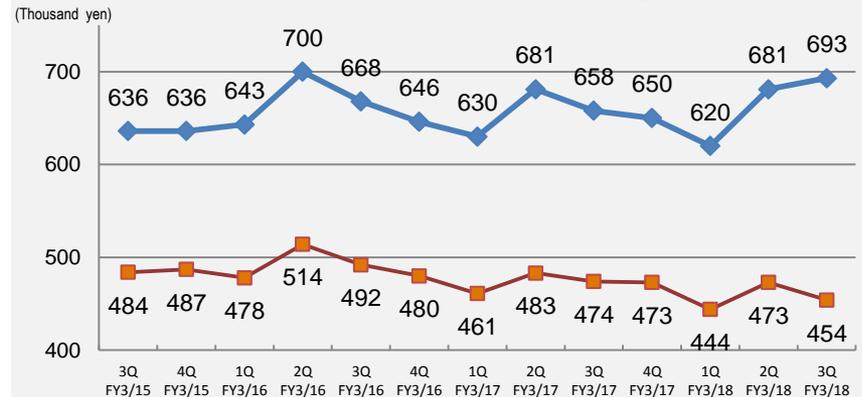


Market Share



Average Price of Vehicle Contracted

◆ USS ■ Industry's average (excl. USS)

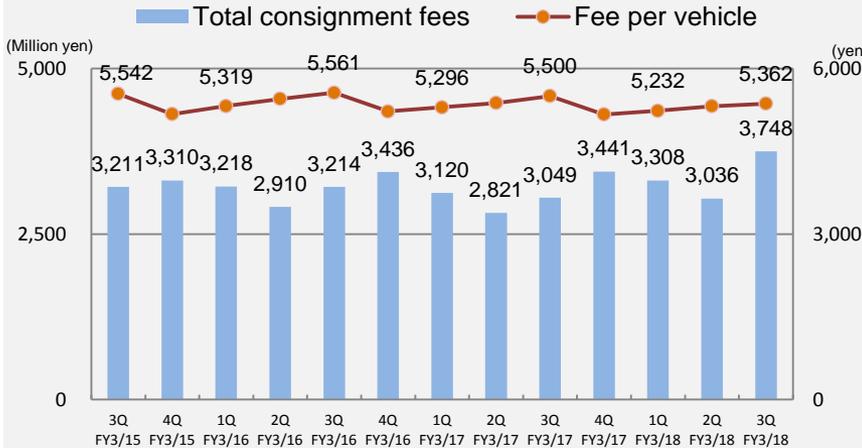


* Period ending in December: 12-month data; Period ending in June: 6-month data.

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

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

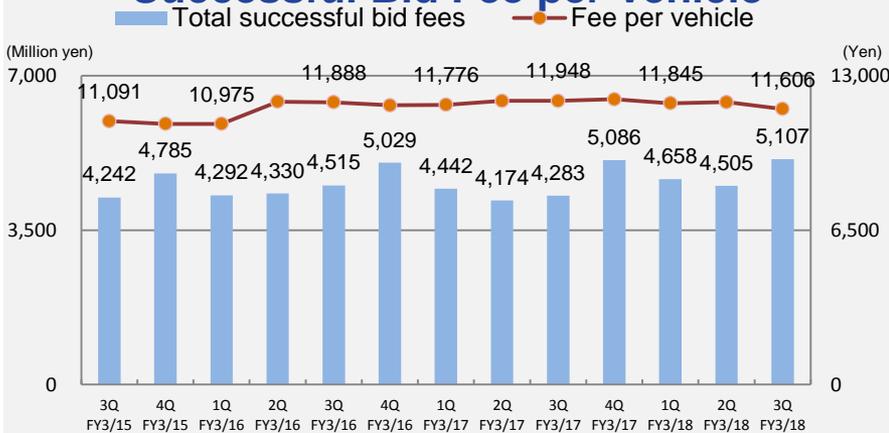
Total Consignment Fees and Consignment Fee per Vehicle



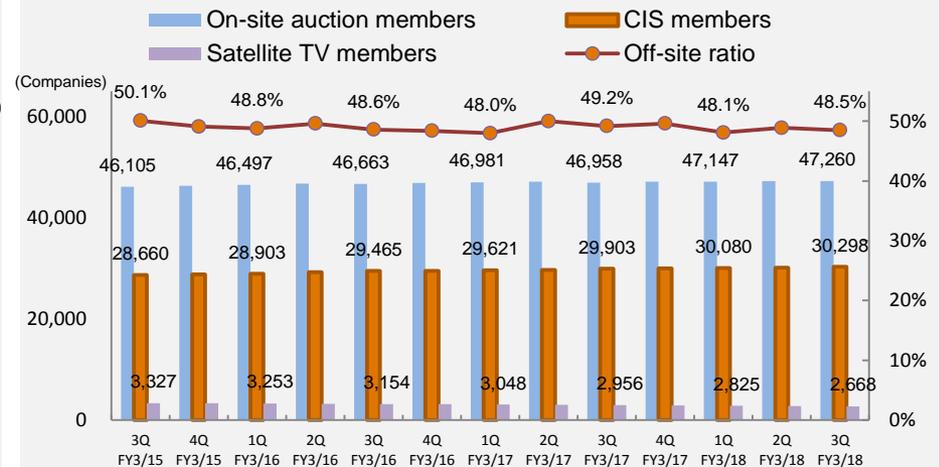
Total Contract Completion Fees and Contract Completion Fee per Vehicle



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 are included from October 2017.

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

* JAA and HAA members are not included in the membership number for 3Q FY3/18.

Auto Auction Segment (4)

From April 1, 2017 to December 31, 2017

(Number of auctions held, Vehicles)

| | Number of auctions | | Number of consigned vehicles | | | Number of contract completions | | | Contract completion rate | |
|--------------|--------------------|-------------|------------------------------|------------------|---------------|--------------------------------|------------------|---------------|--------------------------|--------------|
| | 1-3Q FY3/17 | 1-3Q FY3/18 | 1-3Q FY3/17 | 1-3Q FY3/18 | YoY change | 1-3Q FY3/17 | 1-3Q FY3/18 | YoY change | 1-3Q FY3/17 | 1-3Q FY3/18 |
| Tokyo | 36 | 37 | 456,096 | 466,901 | 102.4% | 316,379 | 324,546 | 102.6% | 69.4% | 69.5% |
| Nagoya | 37 | 37 | 353,604 | 365,230 | 103.3% | 204,671 | 204,478 | 99.9% | 57.9% | 56.0% |
| Kyushu | 37 | 37 | 118,714 | 134,823 | 113.6% | 73,998 | 82,670 | 111.7% | 62.3% | 61.3% |
| Yokohama | 37 | 37 | 133,237 | 132,609 | 99.5% | 91,114 | 88,346 | 97.0% | 68.4% | 66.6% |
| Sapporo | 37 | 37 | 99,194 | 107,128 | 108.0% | 60,022 | 69,103 | 115.1% | 60.5% | 64.5% |
| R-Nagoya | 37 | 37 | 92,249 | 103,056 | 111.7% | 76,875 | 85,338 | 111.0% | 83.3% | 82.8% |
| Osaka | 37 | 37 | 83,603 | 92,561 | 110.7% | 50,023 | 54,207 | 108.4% | 59.8% | 58.6% |
| Shizuoka | 37 | 37 | 52,607 | 61,714 | 117.3% | 32,523 | 39,768 | 122.3% | 61.8% | 64.4% |
| Okayama | 37 | 37 | 48,172 | 53,509 | 111.1% | 32,397 | 35,510 | 109.6% | 67.3% | 66.4% |
| Kobe | 38 | 37 | 45,871 | 53,114 | 115.8% | 26,214 | 30,117 | 114.9% | 57.1% | 56.7% |
| Gunma | 37 | 37 | 42,518 | 47,373 | 111.4% | 27,869 | 31,123 | 111.7% | 65.5% | 65.7% |
| Tohoku | 37 | 37 | 48,138 | 46,404 | 96.4% | 35,636 | 33,390 | 93.7% | 74.0% | 72.0% |
| Saitama | 37 | 37 | 39,241 | 41,220 | 105.0% | 22,597 | 23,952 | 106.0% | 57.6% | 58.1% |
| Niigata | 37 | 37 | 32,586 | 32,585 | 100.0% | 14,985 | 14,535 | 97.0% | 46.0% | 44.6% |
| Fukuoka | 37 | 37 | 26,757 | 27,518 | 102.8% | 13,887 | 15,004 | 108.0% | 51.9% | 54.5% |
| Hokuriku | 37 | 36 | 9,721 | 10,975 | 112.9% | 6,160 | 6,834 | 110.9% | 63.4% | 62.3% |
| JAA | - | 13 | - | 35,571 | - | - | 20,691 | - | - | 58.2% |
| HAA | - | 12 | - | 103,436 | - | - | 53,239 | - | - | 51.5% |
| Total | 592 | 616 | 1,682,308 | 1,915,727 | 113.9% | 1,085,350 | 1,212,851 | 111.7% | 64.5% | 63.3% |

* The figures in this slide include JAA and HAA starting in October 2017.

* 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 | FY3/16 | 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 | 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 | | | 904,972 | 2,117,399 |
| | YoY Change | 0.5 | 11.0 | 12.1 | 4.9 | 20.1 | 4.3 | 7.9 | 27.8 | 26.8 | 22.5 | 16.8 | | | - | - |
| No. of Vehicles Contracted | 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 | 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 | | | 569,631 | 1,342,351 |
| | YoY Change | ▲1.5 | 6.7 | 8.7 | 3.6 | 20.4 | 4.5 | 6.3 | 25.5 | 23.8 | 18.5 | 17.7 | | | - | - |
| Contract Completion Rate | 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 | 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 | | | - | - |

* The figures in this slide include JAA and HAA starting in October 2017.

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

Used Vehicle Purchasing and Selling Segment

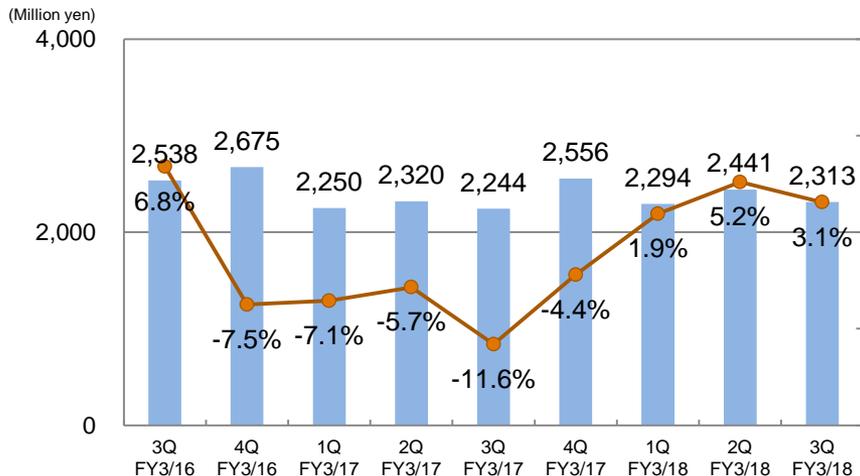
- Sales and earnings declined at the Rabbit used vehicle purchasing business primarily because of declined gross profit per vehicle. (Net sales declined 0.4% YoY to ¥4,224 million, Operating profit declined 20.9% to ¥114 million)
- The accident-damaged vehicle purchasing business, although the number of expensive vehicles handled increased, recorded an increase in revenue but a decline in earnings due to a decrease in the number of vehicles sold. (Net sales increased 9.7% YoY to ¥2,825 million, Operating profit decreased 8.4% to ¥37 million)

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

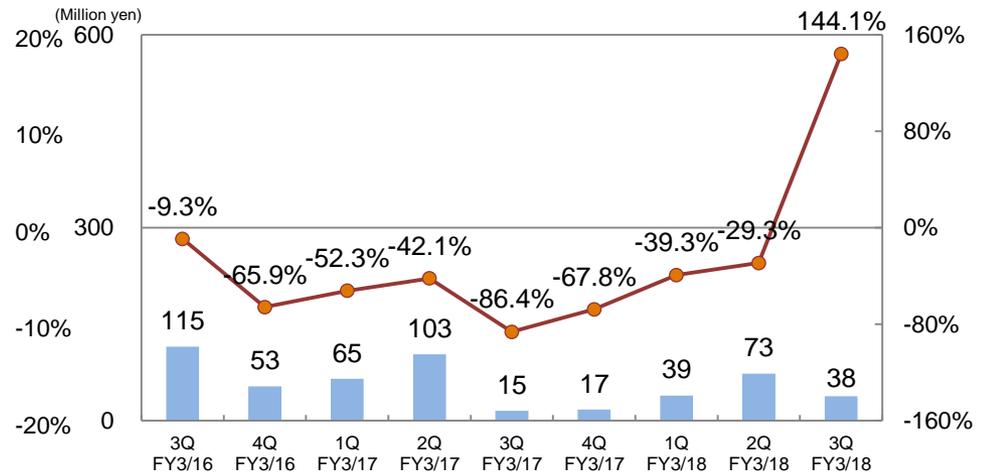
(Million yen)

| | 1-3Q FY3/16 | 1-3Q FY3/17 | 1-3Q FY3/18 | Year on year |
|------------------|-------------|-------------|-------------|--------------|
| Net sales | 7,422 | 6,816 | 7,049 | 103.4% |
| Operating profit | 431 | 185 | 151 | 81.9% |
| Operating margin | 5.8% | 2.7% | 2.1% | - |

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 Segment profit divided by Segment sales.

Other Segment

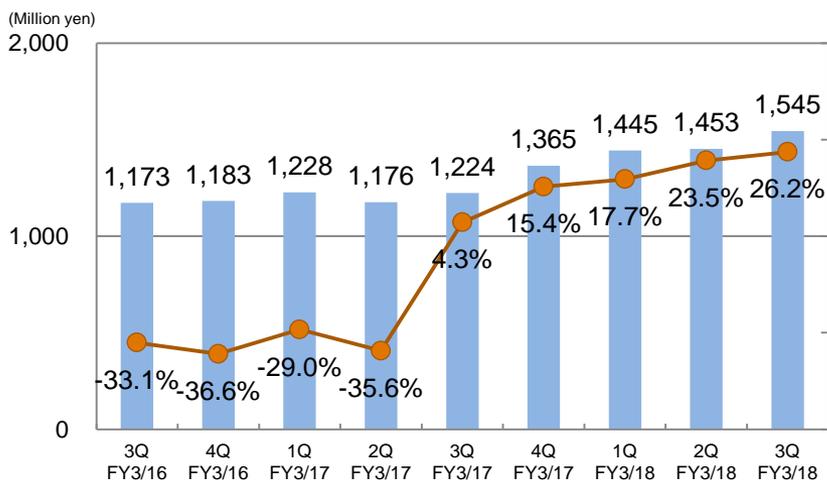
- In the recycling business, sales and earnings increased because of growth in the volume of materials recycled and high prices for metallic scrap. (Net sales increased 23.2% YoY to ¥4,021 million, Operating profit increased 256.9% to ¥485 million)
- In the used vehicle export clearing service business, both sales and earnings increased due to growth in the volume of orders received. (Net sales increased 19.0% YoY ¥352 million, operating profit ¥27 million (operating loss of ¥8 million in 1-3Q FY3/17))

Other Segment Performance in 1-3Q

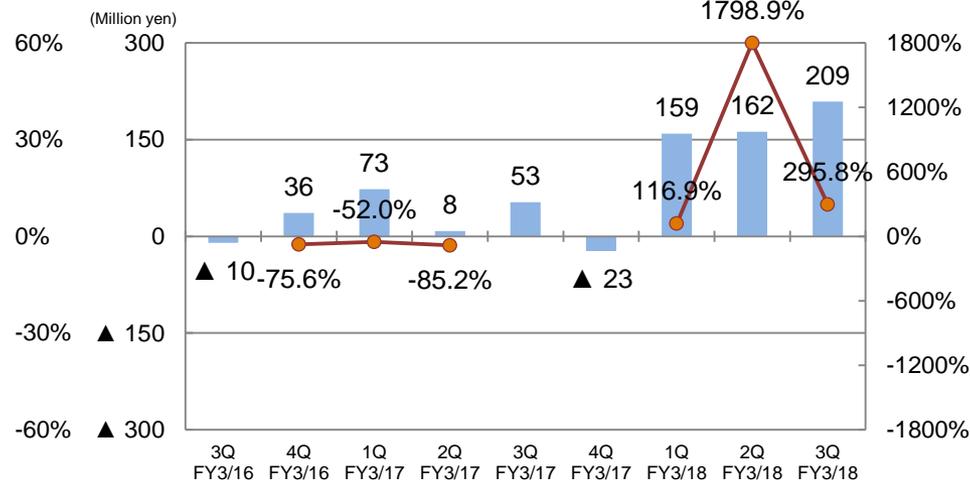
(Million yen)

| | 1-3Q FY3/16 | 1-3Q FY3/17 | 1-3Q FY3/18 | Year on year |
|------------------|-------------|-------------|-------------|--------------|
| Net sales | 4,732 | 3,629 | 4,444 | 122.4% |
| Operating profit | 201 | 135 | 531 | 392.3% |
| Operating margin | 4.2% | 3.7% | 11.9% | - |

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 Segment profit divided by Segment sales.

Consolidated Forecast for FY3/2018

- No revisions to the FY3/18 forecast announced on November 6, 2017.

(Million yen)

| | FY3/17 (Actual) | FY3/18 Initial plan (May 11, 2017) | Change | FY3/18 Revised plan (Nov. 6, 2017) | Revised plan vs FY3/17 |
|--|-------------------|---------------------------------------|--------|---------------------------------------|---------------------------|
| Net sales | 67,179 | 68,800 | 5,900 | 74,700 | 111.2% |
| Gross profit (Per sales) | 40,765 (60.7%) | 41,932 (60.9%) | 3,810 | 45,742 (61.2%) | 112.2% |
| Operating profit (Per sales) | 32,396 (48.2%) | 33,400 (48.5%) | 2,400 | 35,800 (47.9%) | 110.5% |
| Ordinary profit (Per sales) | 32,999 (49.1%) | 33,900 (49.3%) | 2,500 | 36,400 (48.7%) | 110.3% |
| Profit attributable to owners of parent (Per sales) | 22,909 (34.1%) | 23,200 (33.7%) | 800 | 24,000 (32.1%) | 104.8% |
| Profit per share (Yen) | 90.02 | 91.34 | 3.14 | 94.47 | 104.9% |
| Capital expenditures (Terms of cash flows) | 5,878 | 5,100 | ▲400 | 4,700 | 80.0% |
| Depreciation | 4,596 | 4,627 | 200 | 4,827 | 105.0% |

| Auto Auction Business (excl. JBA) | FY3/17 (Actual) | FY3/18 Initial plan (May 11, 2017) | Change | FY3/18 Revised plan (Nov. 6, 2017) | Revised plan vs FY3/17 |
|--|-----------------|---------------------------------------|--------|---------------------------------------|---------------------------|
| No. of vehicles consigned (Thousands) | 2,353 | 2,400 | 360 | 2,760 | 117.3% |
| No. of vehicles contracted (Thousands) | 1,508 | 1,520 | 200 | 1,720 | 114.0% |
| Contract completion rate | 64.1% | 63.3% | - | 62.3% | - |

2H FY3/2018 – Reasons for Change in Operating Profit (Forecast)

Net sales

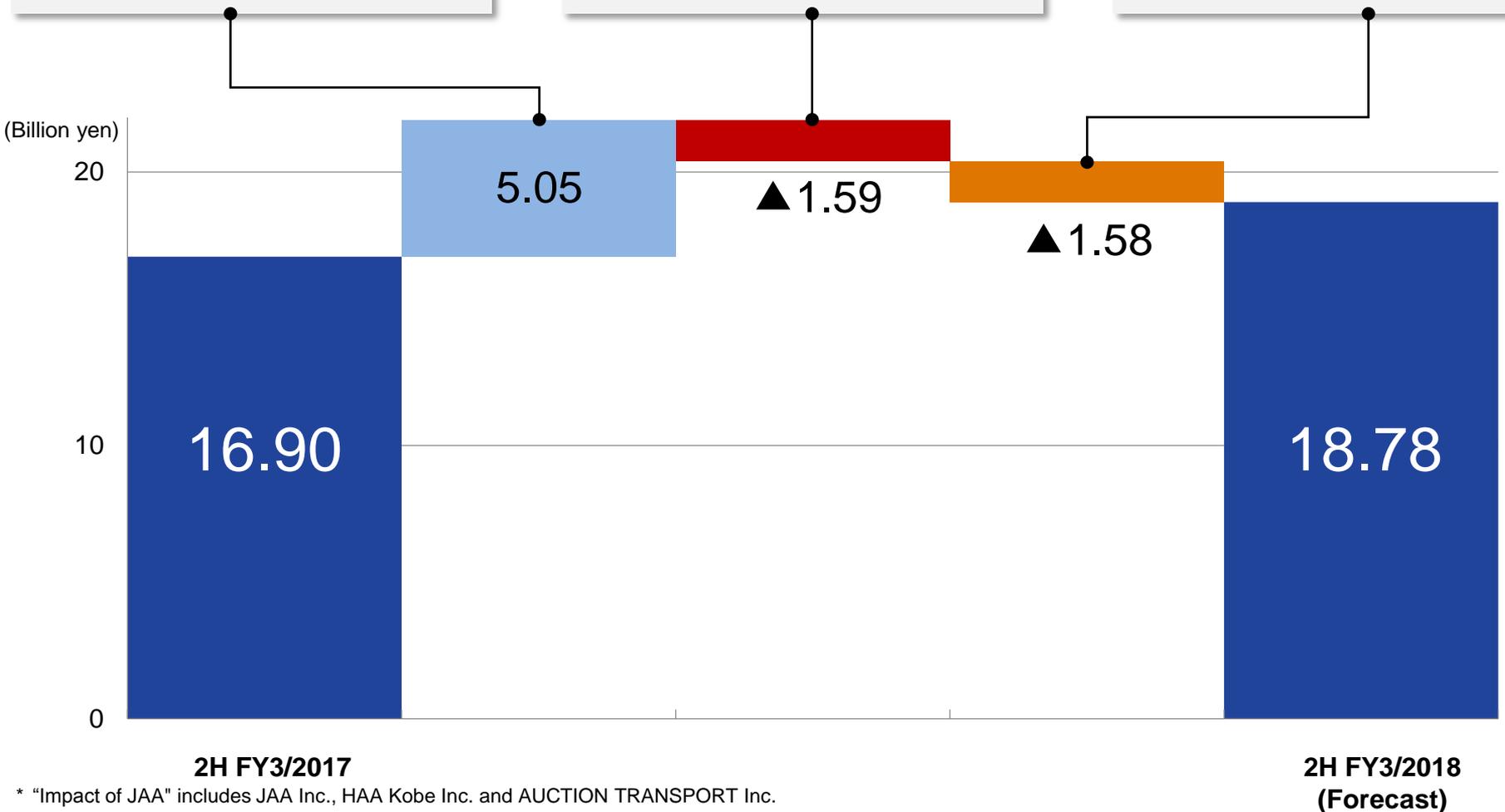
| | |
|--------------------------------------|---------|
| Increase in vehicles, etc. recycling | 0.24bn |
| Used vehicle sales/purchases | ▲0.10bn |
| Decrease in fee rates(excl. JAA) | ▲0.07bn |
| Impact of JAA | 4.97bn |

Cost of sales

| | |
|--|---------|
| Increase in cost of materials purchase | ▲0.14bn |
| Decrease in cost of goods sold | 0.16bn |
| Decrease in expenses for supplies | 0.14bn |
| Impact of JAA | ▲1.67bn |

SG&A expenses

| | |
|---|---------|
| Decrease in taxes and dues | 0.15bn |
| Increase in employee salaries and bonuses | ▲0.13bn |
| Impact of JAA | ▲1.64bn |
| (of which goodwill amortization) | ▲0.67bn |



* "Impact of JAA" includes JAA Inc., HAA Kobe Inc. and AUCTION TRANSPORT Inc.

FY3/2018 – Reasons for Change in Operating Profit (Forecast)

Net sales

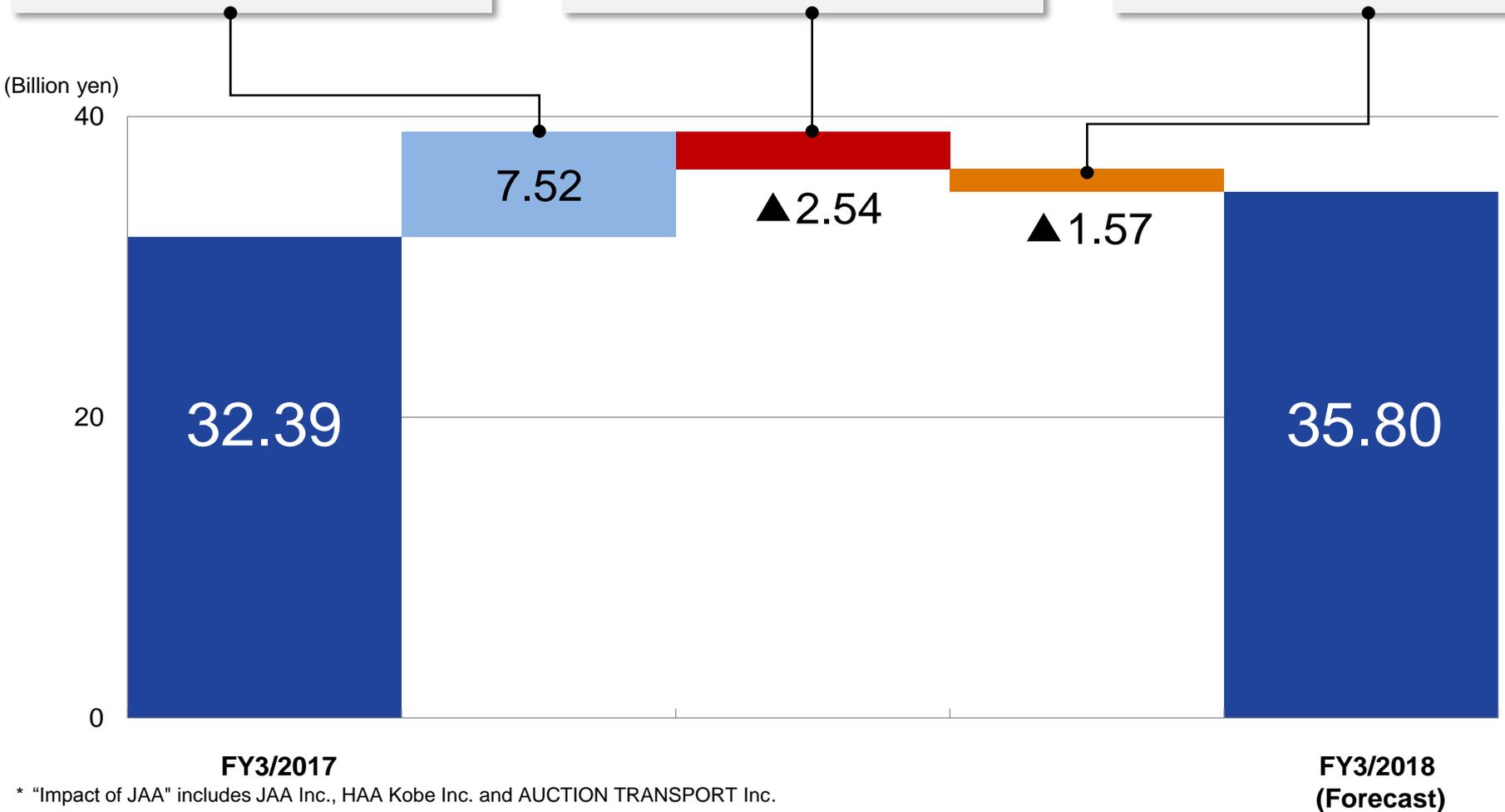
| | |
|---|--------|
| Increase in vehicles consigned(excl. JAA) | 1.54bn |
| Increase in vehicles, etc. recycling | 0.71bn |
| Increase in CIS (Internet) | 0.31bn |
| Impact of JAA | 4.97bn |

Cost of sales

| | |
|--|---------|
| Increase in cost of materials purchase | ▲0.36bn |
| Increase in cost of goods sold | ▲0.33bn |
| Increase in outsourcing expenses | ▲0.12bn |
| Decrease in expenses for supplies | 0.14bn |
| Impact of JAA | ▲1.67bn |

SG&A expenses

| | |
|--|---------------------|
| Decrease in taxes and dues | 0.11bn |
| Impact of JAA (of which goodwill amortization | ▲1.64bn ▲0.67bn) |



FY3/2017

FY3/2018
(Forecast)

* "Impact of JAA" includes JAA Inc., HAA Kobe Inc. and AUCTION TRANSPORT Inc.

(Million yen)

| | FY3/17 (Actual) | FY3/18 Initial plan (May 11, 2017) | Change | FY3/18 Revised plan (Nov. 6, 2017) | Revised plan vs FY3/17 |
|---|---------------------------|---------------------------------------|--------------|---------------------------------------|---------------------------|
| Net sales | | | | | |
| Auto auction | 52,811 | 53,747 | 5,721 | 59,469 | 112.6% |
| Used vehicle purchasing and selling | 9,373 | 9,496 | ▲36 | 9,460 | 100.9% |
| Other | 4,995 | 5,555 | 214 | 5,769 | 115.5% |
| Total | 67,179 | 68,800 | 5,900 | 74,700 | 111.2% |
| Operating profit (Per sales) | 32,396 (48.2%) | 33,400 (48.5%) | 2,400 | 35,800 | 110.5% |

Market Overview

Strategy for Creating Value Over the Medium Term

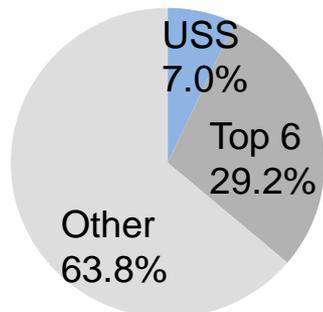
- **New car sales in Japan: Unlikely to see significant growth over the medium term**
 - **USS's Strategy**
 - 1) The JAA acquisition significantly raised the Osaka area market share. The goal is to increase the Tokyo area market share in order to have a market share of more than 40% in all three of 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
 - a) August 2018: Renewal of HAA's auction site
 - b) Early 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

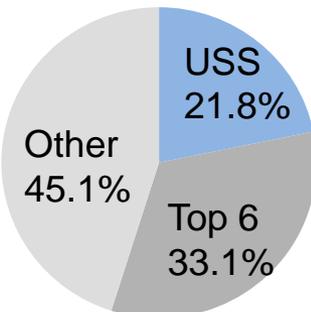
■ Maintained high market shares and increased profit in the period of sluggish markets following the financial crisis of 2008-2009.

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

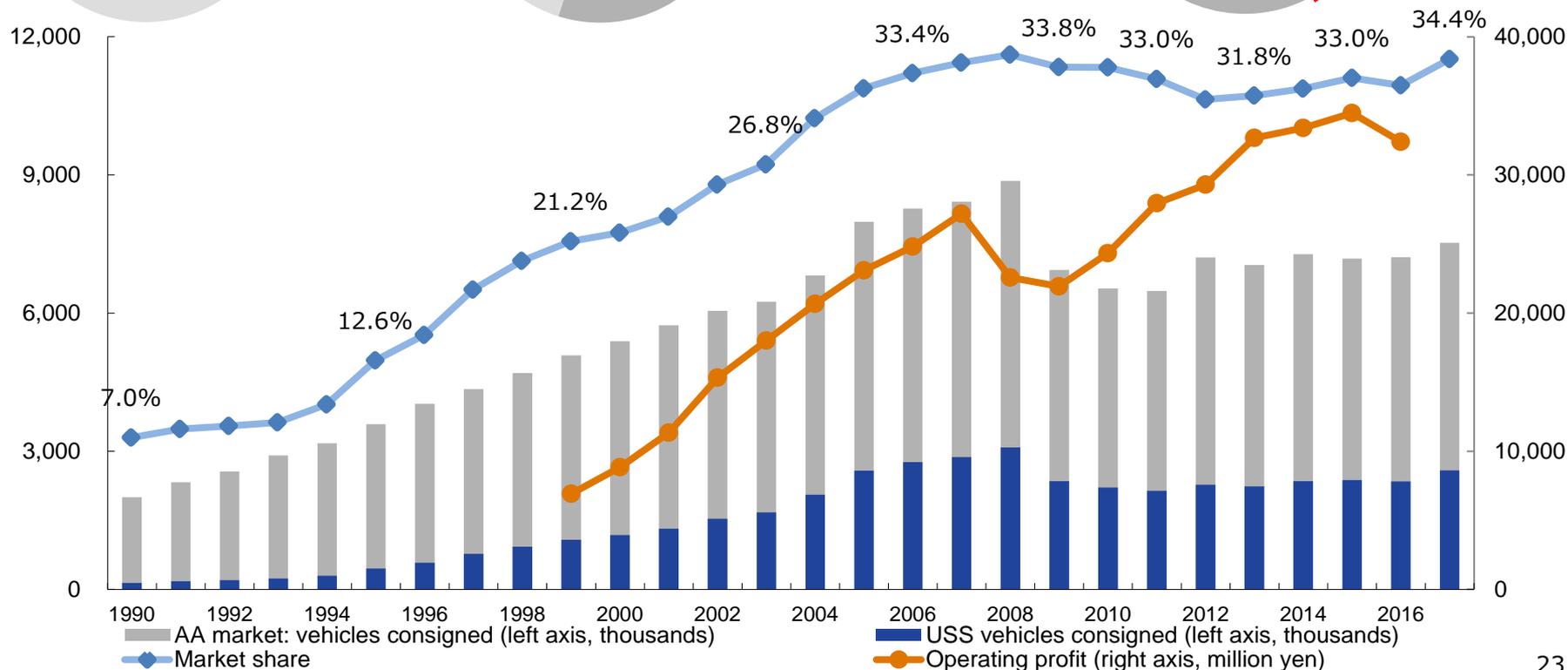
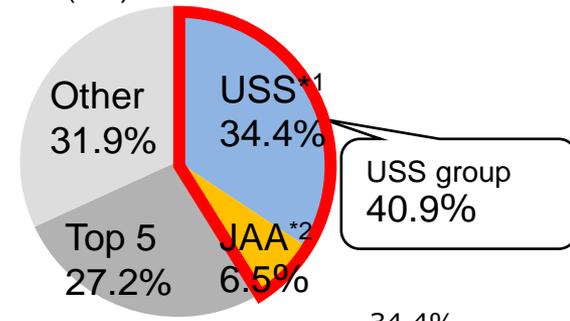
1990(CY) market share



2000(CY) market share



2017(CY) market share



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

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

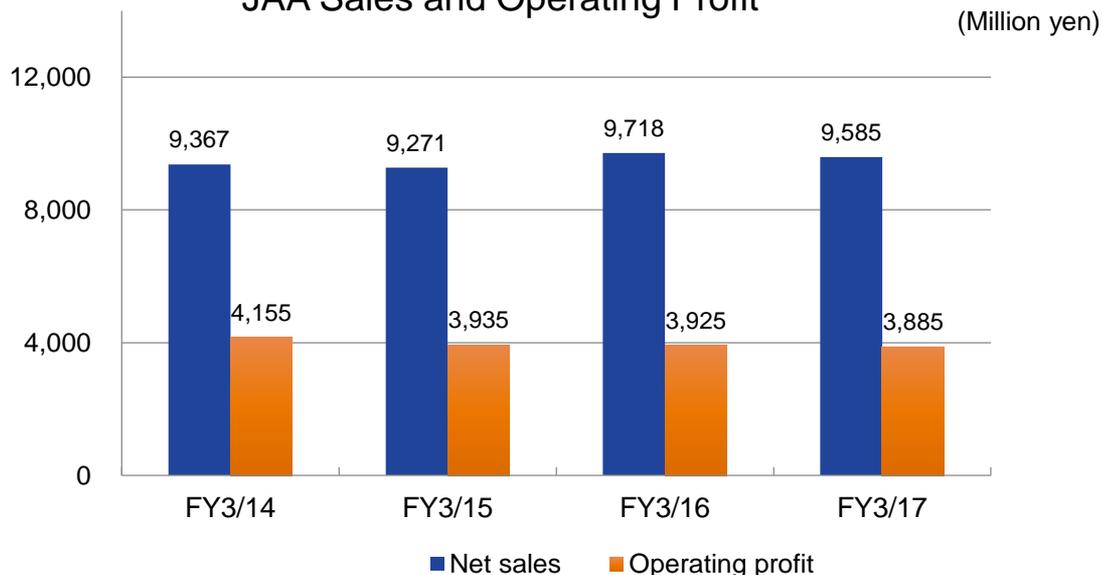
Acquisition of JAA

- USS purchased 66.04% of JAA stock on Aug. 24 following an examination by the Japan Fair Trade Commission
- The amount was ¥36.3 billion
- Discussions are under way to make JAA a wholly owned subsidiary

Effect on results of operations

- For ongoing businesses of JAA, sales are about ¥9.5 billion, the operating margin is almost 40%.
- The goodwill amortization period will be 20 years and the amount of the amortization will be 1.35billion yen/year
- FY3/18 consolidated EBITDA before goodwill amortization will be up approx. 12%

JAA Sales and Operating Profit

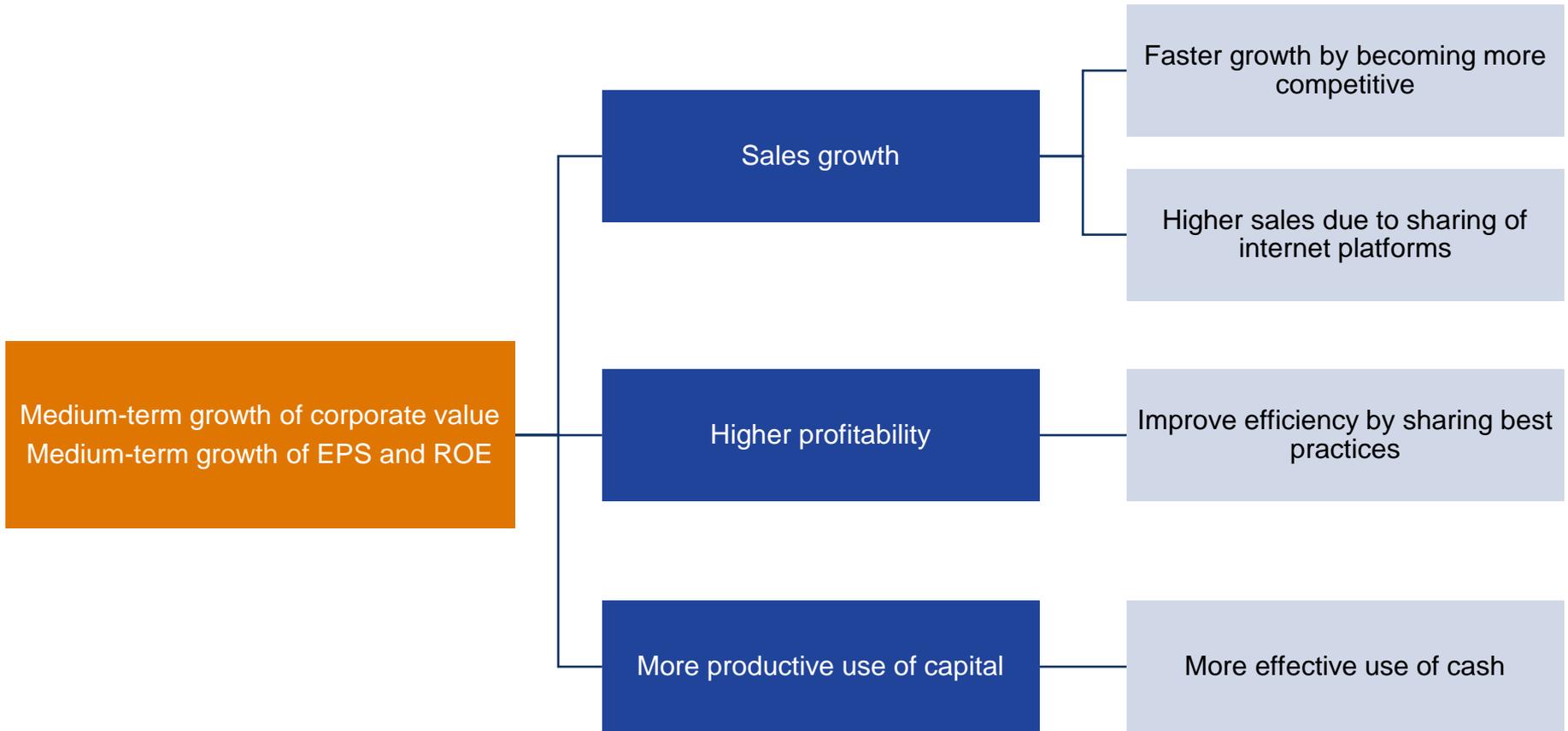


(Million yen)

| FY3/17 Financial Highlights | JAA | USS (ref.) |
|-----------------------------|--------|------------|
| Net sales | 9,585 | 67,179 |
| Operating profit | 3,885 | 32,396 |
| Operating margin | 40.5% | 48.2% |
| Net profit | 2,574 | 22,909 |
| Net assets | 12,680 | 159,197 |
| ROE | 22.7% | 14.7% |
| Market share | 8.9% | 32.5% |
| NAV per market share | 6,179 | 22,187 |

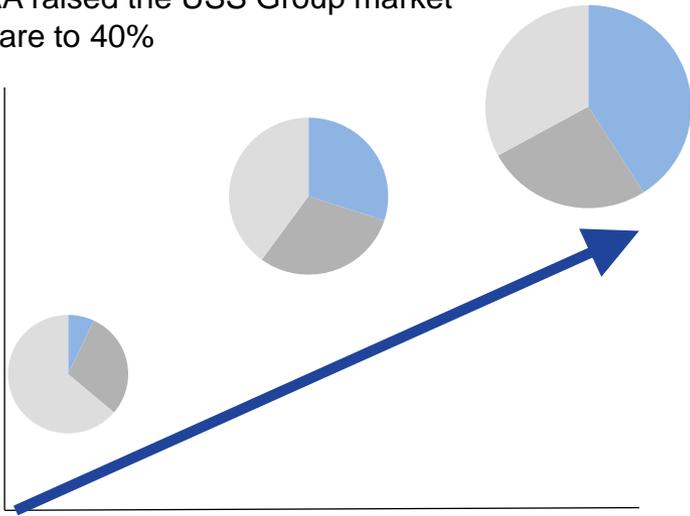
* JAA's business results include HAA Kobe Inc. and AUCTION TRANSPORT Inc. business results. The companies are subsidiaries of JAA and JAA, Co., Ltd.

* The calculation of the amortization does not include the mark-to-market valuation of JAA's assets or the valuation of intangible assets.



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

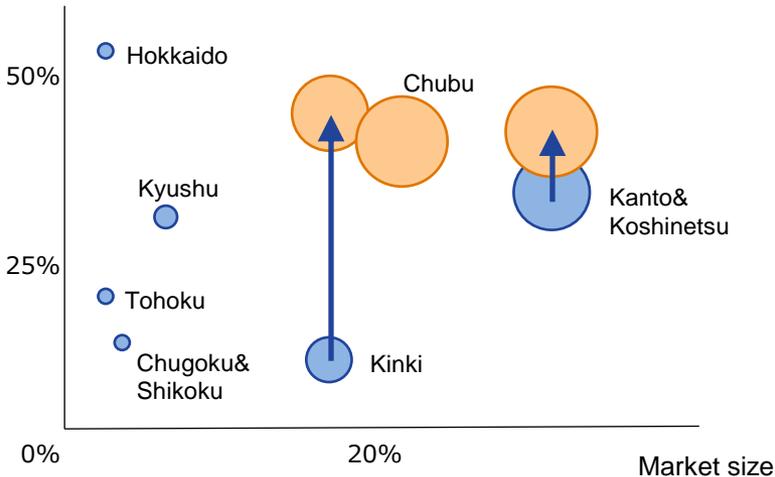
- Market share in Japan: **32.5%→40.9%**
- Market share in Osaka area, which had been low: **14.4%→48.9%**
- Market share in Japan's three major markets (Tokyo, Nagoya and Osaka areas) is now more than 40%

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 | 3.5% | 54.2% | - | 54.2% |
| Tohoku | 4.5% | 19.1% | - | 19.1% |
| Kanto&Koshinetsu | 35.0% | 38.0% | 6.0% | 44.1% |
| Chubu | 22.7% | 44.0% | - | 44.0% |
| Kinki | 18.2% | 14.4% | 34.5% | 48.9% |
| Chugoku&Shikoku | 5.8% | 16.6% | - | 16.6% |
| Kyushu&Okinawa | 9.6% | 30.6% | - | 30.6% |
| TV | 0.7% | - | - | - |
| | 100.0% | 32.5% | 8.4% | 40.9% |

Market share



* January to December 2017

* The USS figures exclude JAA or HAA.

<Kinki region>

14.4% → **48.9%**

| Site Name | Vehicles consigned | Share |
|---------------------|--------------------|-------|
| HAA | 472,346 | 34.5% |
| USS Osaka | 128,384 | 9.4% |
| TAA Kinki | 121,524 | 8.9% |
| Kansai Matsubara AA | 107,150 | 7.8% |
| BAYAUC | 104,637 | 7.6% |
| LAA Kansai | 74,676 | 5.5% |
| USS Kobe | 68,976 | 5.0% |
| IMA Kobe | 68,167 | 5.0% |
| Honda AA Kansai | 55,752 | 4.1% |
| IAA | 51,966 | 3.8% |

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

<Chubu region>

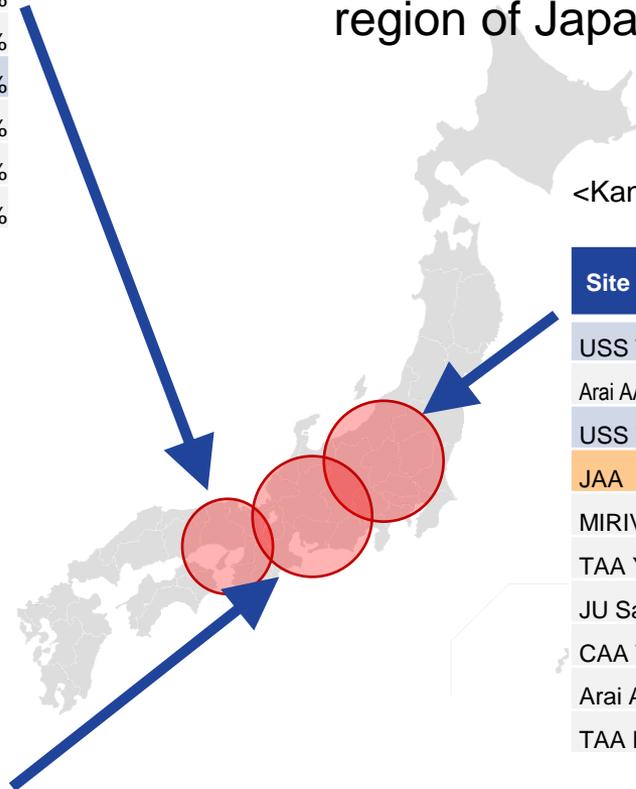
44.0% → 44.0%

| Site Name | Vehicles consigned | Share |
|-----------------|--------------------|-------|
| USS Nagoya | 513,138 | 30.1% |
| JU Gifu | 232,754 | 13.6% |
| CAA Chubu | 187,561 | 11.0% |
| USS-R Nagoya | 138,745 | 8.1% |
| JU Aichi | 138,203 | 8.1% |
| TAA Chubu | 94,304 | 5.5% |
| CAA Gifu | 84,324 | 4.9% |
| USS Shizuoka | 83,319 | 4.9% |
| JU Shizuoka | 46,134 | 2.7% |
| Honda AA Nagoya | 35,214 | 2.1% |

<Kanto&Koshinetsu region>

38.0% → **44.1%**

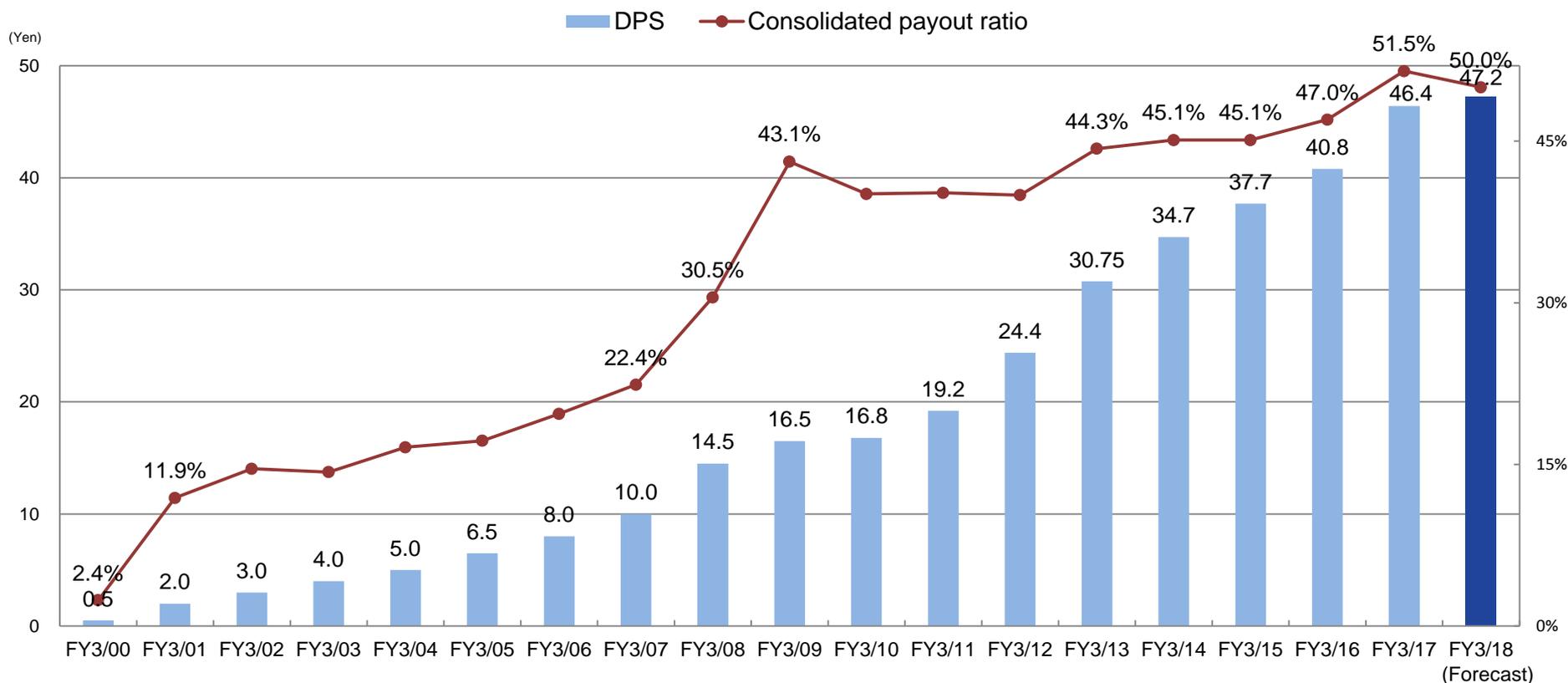
| Site Name | Vehicles consigned | Share |
|-------------------------------|--------------------|-------|
| USS Tokyo | 649,830 | 24.7% |
| Arai AA Oyama (Vans & Trucks) | 187,200 | 7.1% |
| USS Yokohama | 186,180 | 7.1% |
| JAA | 158,438 | 6.0% |
| MIRIVE | 144,620 | 5.5% |
| TAA Yokohama | 140,439 | 5.3% |
| JU Saitama | 107,106 | 4.1% |
| CAA Tokyo | 107,066 | 4.1% |
| Arai AA Bayside | 101,200 | 3.8% |
| TAA Kanto | 100,329 | 3.8% |



Increase shareholder distributions while continuing investment for growth

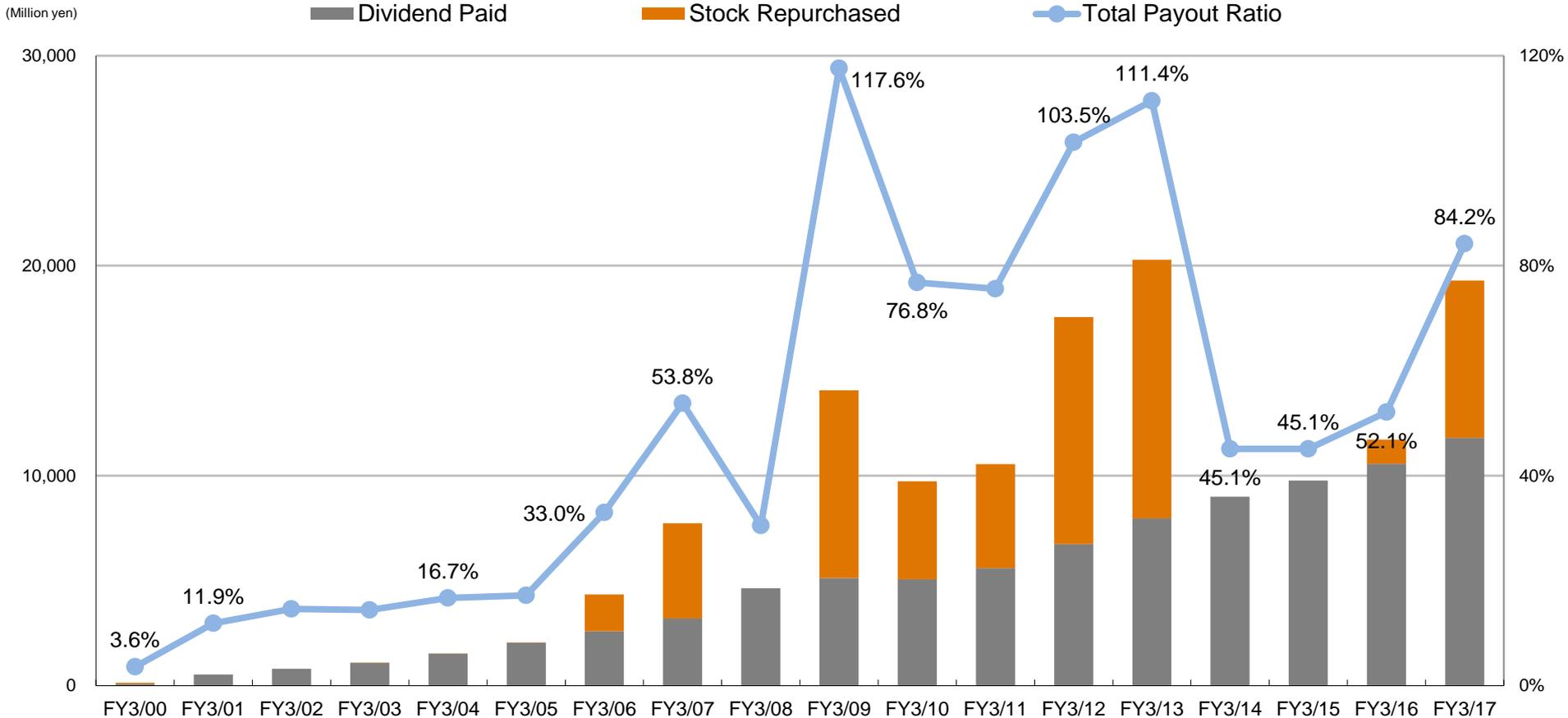
- Consolidated dividend payout ratio: Over **50%** starting in FY3/2017
The JAA acquisition will have no effect on the USS dividend policy of maintaining a consolidated payout ratio of at least 50%.
- Stock repurchases: Buy back stock with flexibility, with due consideration to cash flows, capital investment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

- Plan to pay **47.2 yen** dividend per share for FY3/18 (0.8 yen higher than FY3/17 dividend)
- **18 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.

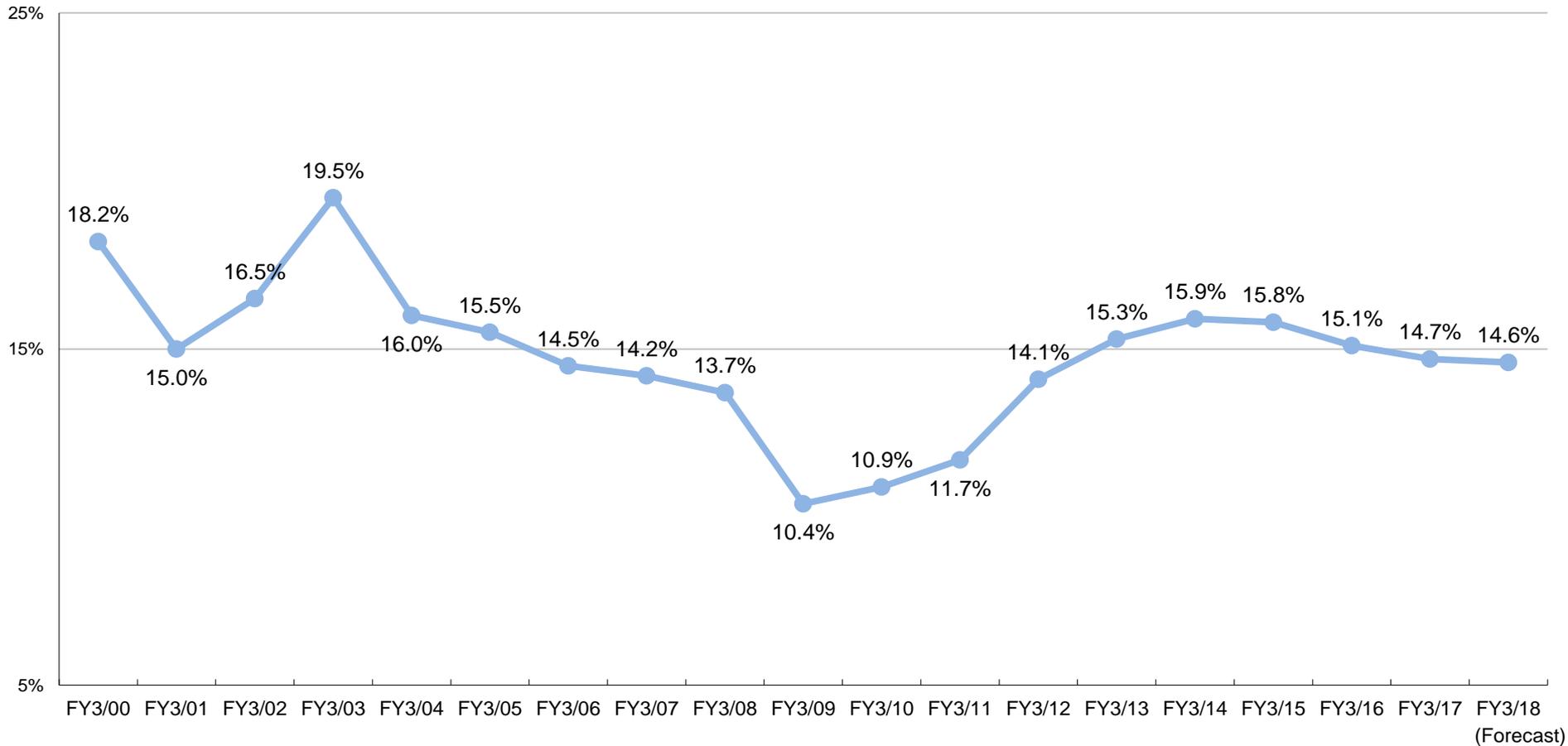
- Flexible stock repurchases while maintaining stable dividend.
- Acquire additional JAA voting rights and draw up capital investment plans for JAA and HAA.



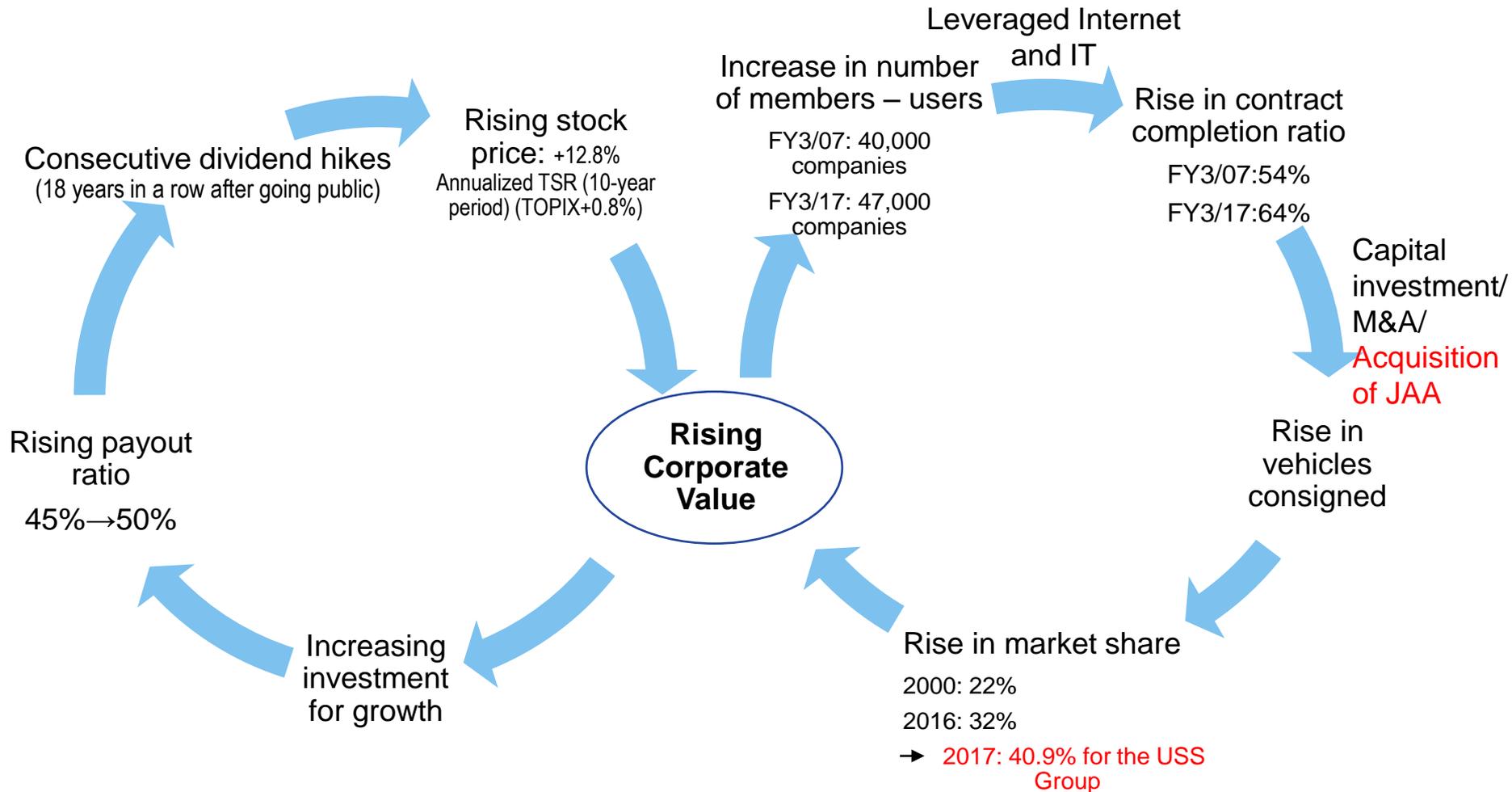
Earnings Distributions – Return on Equity (ROE)

- No change in the medium-term ROE target of above 15%.
- Due to the JAA acquisition, the FY3/18 ROE forecast has been raised from 14.2% to 14.6%.

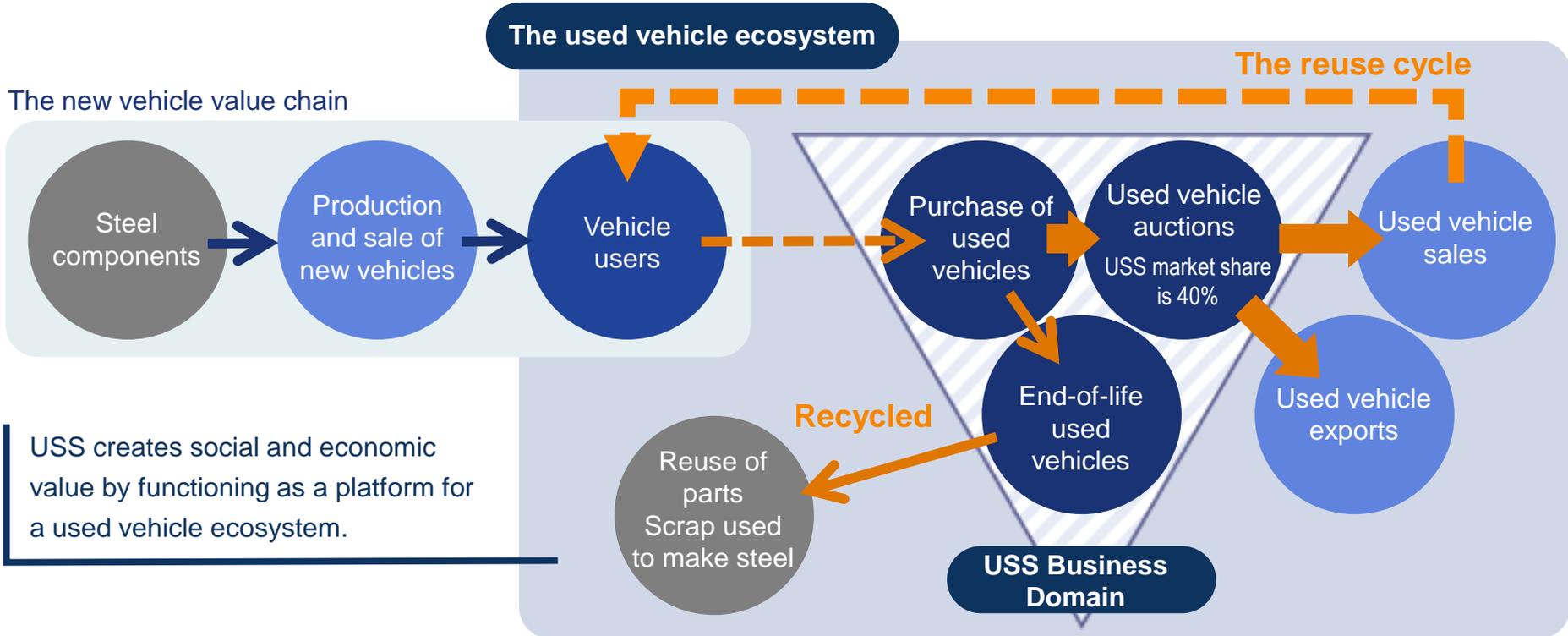
ROE



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



*TSR is calculated as of March 31, 2017



Social 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

Used vehicle purchasing and selling

Auto auction

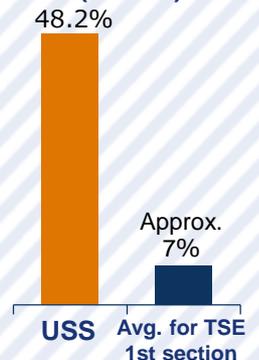


All activities support the used vehicle ecosystem

Economic value

- ◆ USS operates a price determination system that is fair and efficient while also generating fee income from both buyers and sellers. The result is:
- ◆ A high operating margin (48.2% in FY3/17)
- ◆ A high return on equity (14.7% in FY3/17)

Operating Margin (FY3/17)



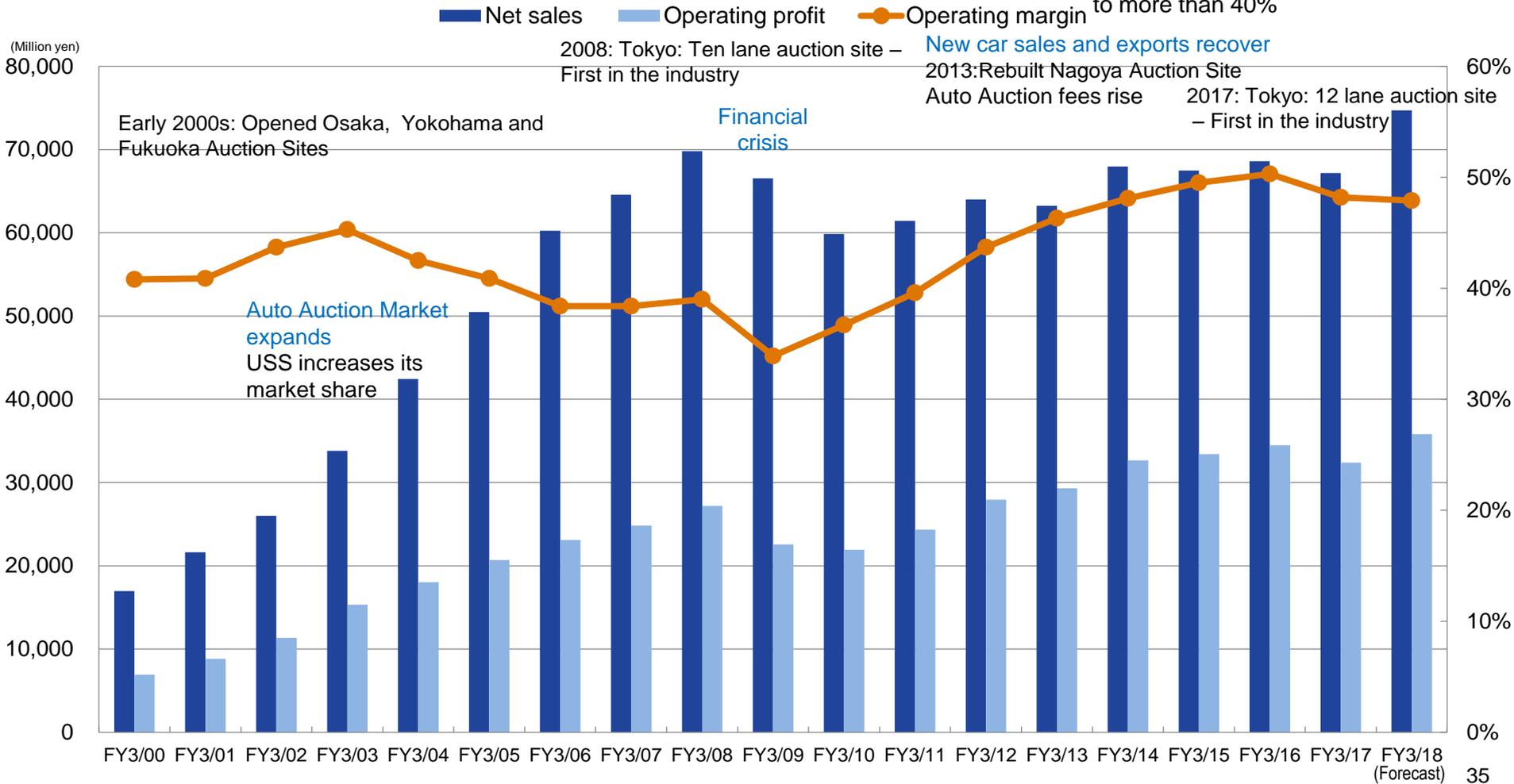
Reference

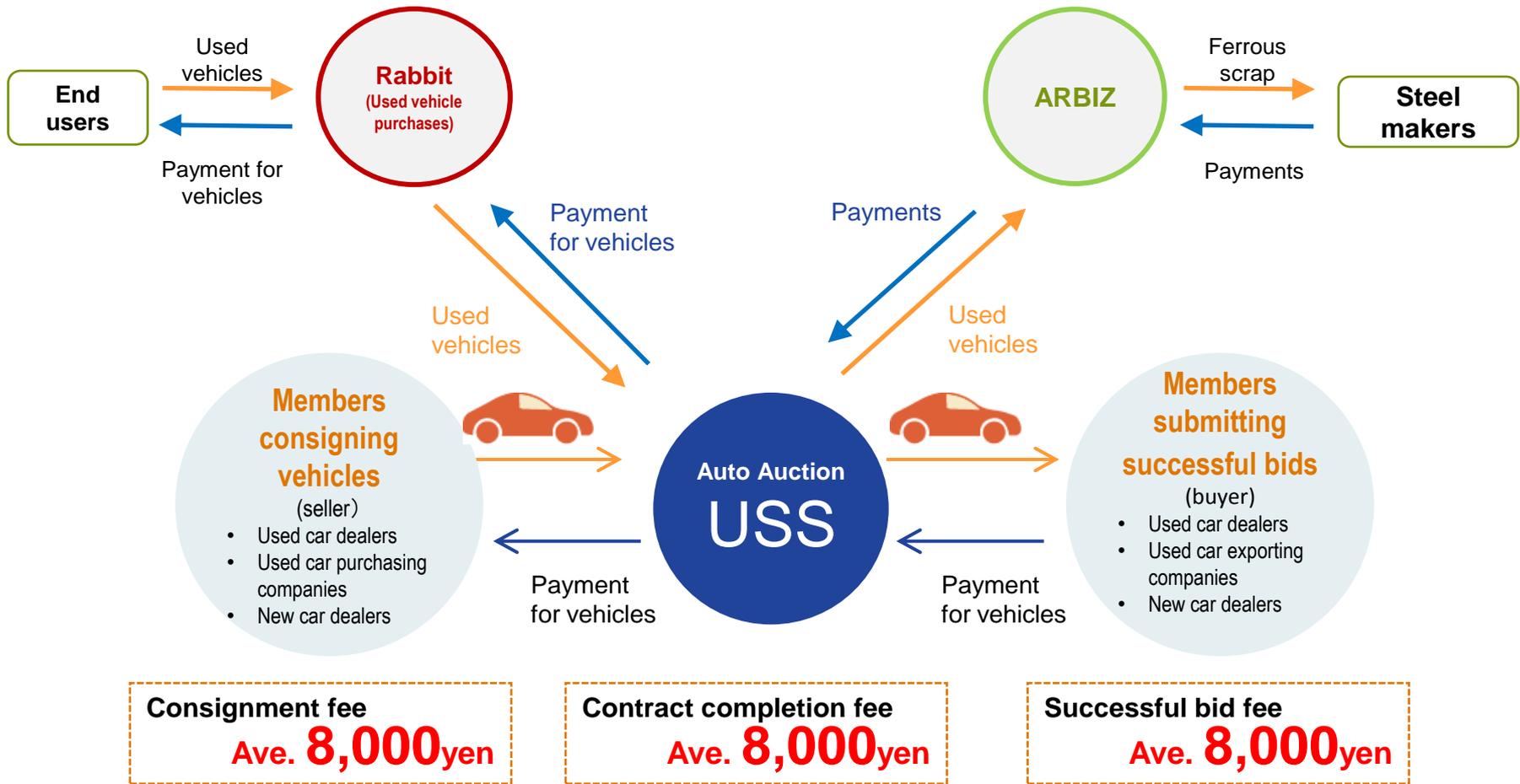
History of USS Long-term Growth

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%





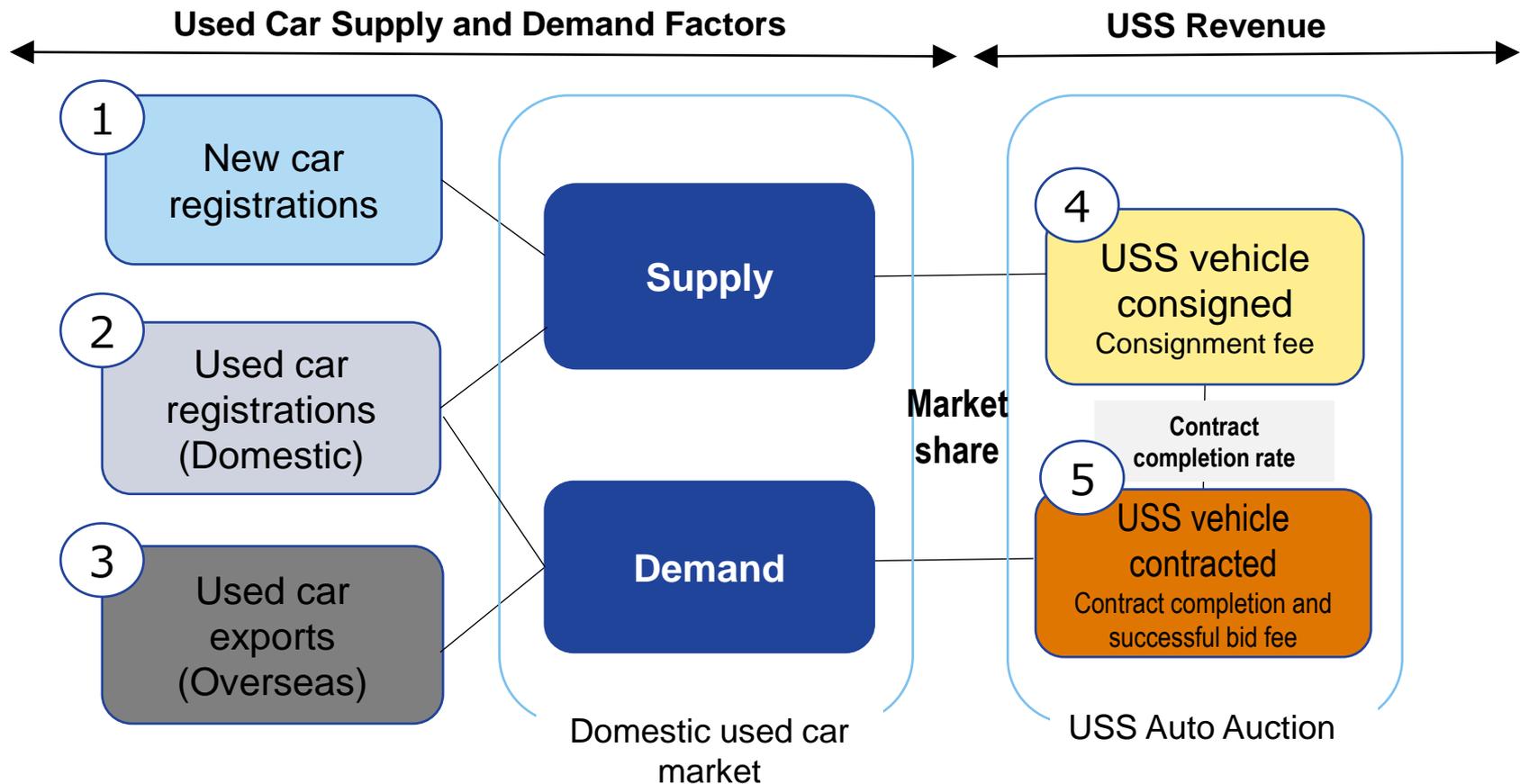
Vehicles consigned
2.35 million units (FY3/2017)

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

Contract completion rate
64.1% (FY3/2017)

* USS raised the contract completion fee at its 17 auction sites (excluding JAA and HAA) from February 2018.

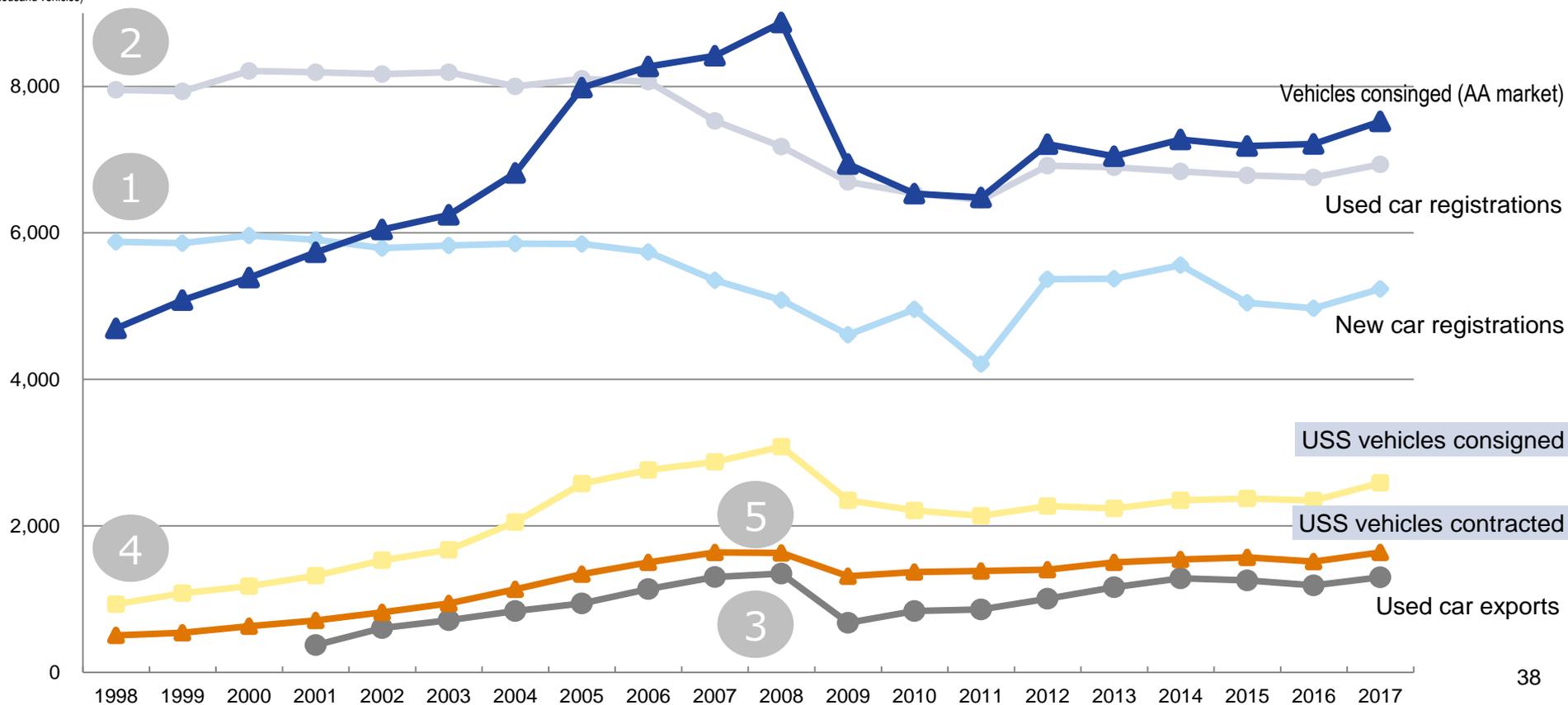
- The number of vehicles consigned is correlated through trade-ins to (1) New car registrations and (2) Used car registrations
- Total demand comprises domestic demand (2) and overseas demand (3). In recent years, total demand has been driven mainly by overseas demand.
- In addition to the above, share 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
- 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 | ... | 2018 |
|-------------------------------|------|------|-----|------|-----|------|
| 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 2018
 Directors: 10 (of which independent outside directors: 3)
 Auditors: 3 (of which independent outside auditors: 2)
 Executive officers: 3