



Consolidated Results of Operations

Fiscal Year Ended March 31, 2017

USS Co., Ltd.
May 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

Fiscal Year Ended March 2017

FY3/2017 – Summary of Consolidated Results of Operations

- Results of operations: Sales decreased 2.1% YoY to ¥67.17 billion, Operating profit was down 6.1% YoY to ¥32.39 billion, and profit attributable to owners of parent increased 1.9% to ¥22.90 billion.
- Newly consolidated JBA contributed to sales, but total sales decreased mainly because of declines in vehicles consigned, the contract completion rate and the number of vehicles purchased by Rabbit used car purchasing stores.
- Operating profit decreased, partly owing to higher depreciation, but profit attributable to owners of parent increased because of lower income taxes. Overall, earnings exceeded the plan.

(Million yen)

	FY3/2016	FY3/2017	Year on year	Plan (As of Nov. 7, 2016)	VS. plan
Net sales	68,607	67,179	97.9%	66,800	100.6%
Cost of sales (Per sales)	25,867 (37.7%)	26,413 (39.3%)	102.1%	26,610 (39.8%)	99.3%
Gross profit (Per sales)	42,740 (62.3%)	40,765 (60.7%)	95.4%	40,189 (60.2%)	101.4%
Selling, general and administrative expenses (Per sales)	8,248 (12.0%)	8,368 (12.5%)	101.5%	8,489 (12.7%)	98.6%
Operating profit (Per sales)	34,491 (50.3%)	32,396 (48.2%)	93.9%	31,700 (47.5%)	102.2%
Ordinary profit (Per sales)	35,218 (51.3%)	32,999 (49.1%)	93.7%	32,300 (48.4%)	102.2%
Profit attributable to owners of parent (Per sales)	22,477 (32.8%)	22,909 (34.1%)	101.9%	22,200 (33.2%)	103.2%

FY3/2017 – Reasons for Change in Operating Profit (Actual)

Net sales

Used vehicle sales/purchases	▲0.96bn
Decrease in vehicles consigned	▲0.73bn
Decrease in contract completion rate	▲0.52bn
Increase in fee rates (excl. JBA)	0.46bn
Increase in CIS (Internet)	0.43bn
Impact of JBA	0.60bn
Impact of Toyo Rubber Chips	▲0.63bn

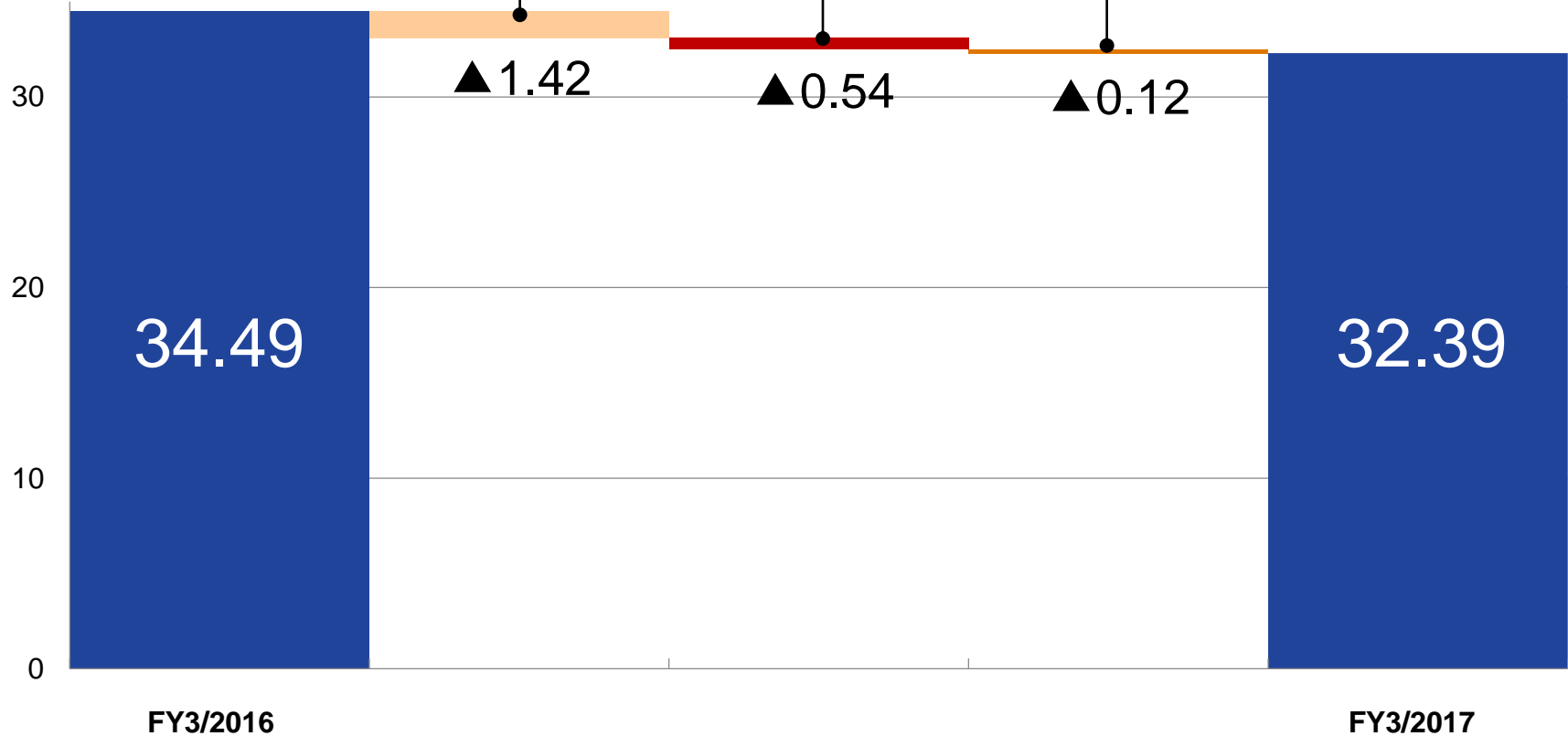
Cost of sales

Increase in depreciation	▲1.26bn
Increase in expenses for supplies	▲0.19bn
Decrease in cost of goods sold	0.31bn
Decrease in cost of materials purchased	0.15bn
Impact of JBA	▲0.15bn
Impact of Toyo Rubber Chips	0.57bn

SG&A expenses

Increase in enterprise tax	▲0.24bn
Decrease in employee salaries and bonuses	0.20bn
Impact of JBA	▲0.17bn
Impact of Toyo Rubber Chips	0.07bn

(Billion yen)



Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	FY3/2015	FY3/2016	FY3/2017	Year on year
Auto auction	50,281	52,594	52,811	100.4%
Used vehicle purchasing and selling	10,083	10,097	9,373	92.8%
Other	7,100	5,915	4,995	84.4%
Total	67,466	68,607	67,179	97.9%
Operating profit (operating margin)	FY3/2015	FY3/2016	FY3/2017	Year on year
Auto auction	32,116 (63.0%)	33,560 (63.1%)	31,869 (59.8%)	95.0%
Used vehicle purchasing and selling	464 (4.6%)	485 (4.8%)	202 (2.2%)	41.7%
Other	675 (9.5%)	237 (4.0%)	111 (2.2%)	47.1%
Elimination of inter-segment transactions	155	208	213	102.2%
Total	33,411 (49.5%)	34,491 (50.3%)	32,396 (48.2%)	93.9%

*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

- Equity ratio: 80.1%
- Free cash flow: ¥24 billion
- Purchase of treasury shares (4.36 million shares): ¥7.4 billion
- FY3/17 capital investment: ¥5.8 billion (mainly for auto auction sites)

Consolidated Balance Sheets (Summary)

	FY3/16	FY3/17
Current assets	81,440	91,462
Cash and deposits	62,290	74,778
Receivables due from member dealers at auction, etc.	19,149	16,683
Non-current assets	105,391	105,911
Property, plant and equipment	96,101	96,868
Other	9,289	9,043
Total assets	186,831	197,374

(Million yen)

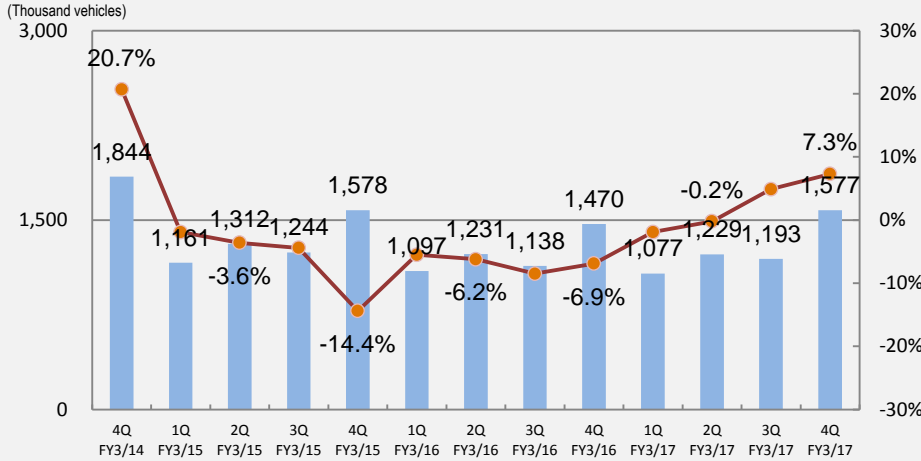
	FY3/16	FY3/17
Current liabilities	25,937	28,801
Payables due to member dealers at auction	13,288	15,051
Other	12,649	13,749
Non-current liabilities	5,710	9,375
Total liabilities	31,647	38,176
Total net assets	155,183	159,197
Total liabilities and net assets	186,831	197,374

Consolidated Statements of Cash Flows (Summary)

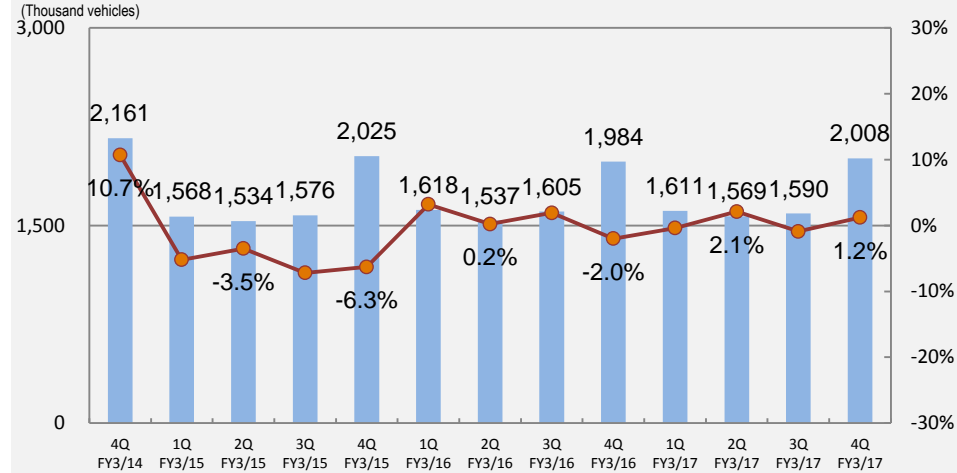
(Million yen)

	FY3/15	FY3/16	FY3/17	Changes
Net cash provided by (used in) operating activities	24,287	26,030	28,882	2,852
Net cash provided by (used in) investing activities	▲19,724	▲5,694	▲4,823	870
Free cash flow	4,563	20,335	24,058	3,722
Net cash provided by (used in) financing activities	▲9,718	▲12,427	▲13,550	▲1,122
Capital expenditures (Terms of cash flows)	2,490	8,731	5,878	▲2,852
Depreciation	3,397	3,325	4,596	1,270

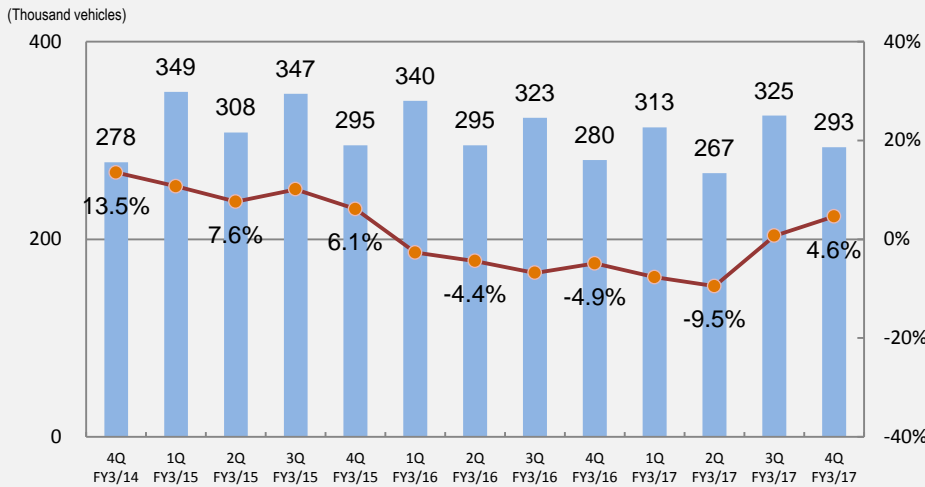
New Car Registrations and YoY Changes



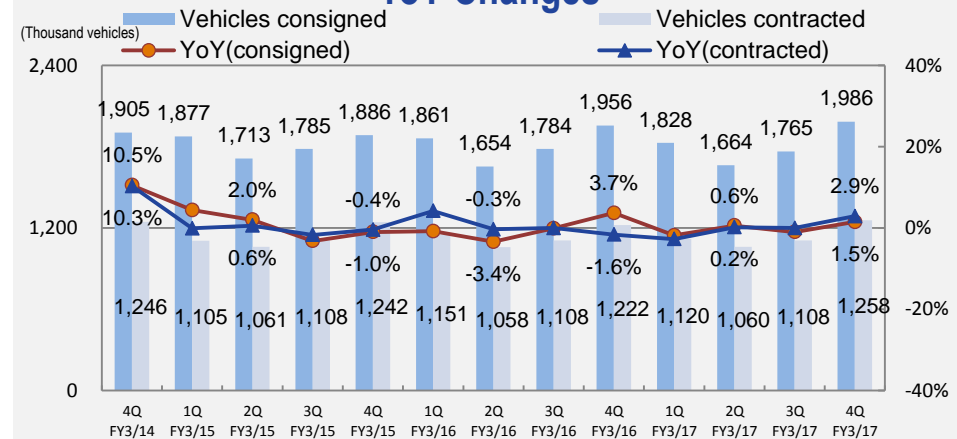
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned and Contracted and YoY Changes



Auto Auction Segment (1)

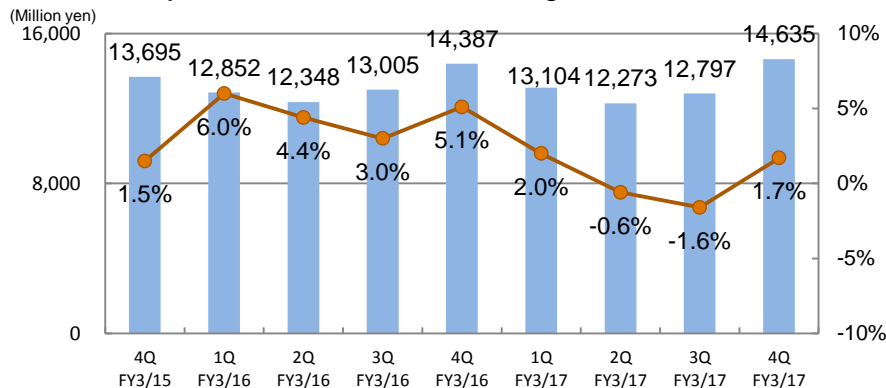
- Vehicles consigned declined 1.7% YoY to 2.353 million; contract completions declined 3.4% YoY to 1.508 million (contract completion rate: 64.1% against 65.3% in the previous fiscal year)
- Sales increased due to sales of newly consolidated JBA, but decreases in vehicles consigned and the contract completion rate along with a big increase in depreciation brought down earnings.

Auto Auction Segment Performance

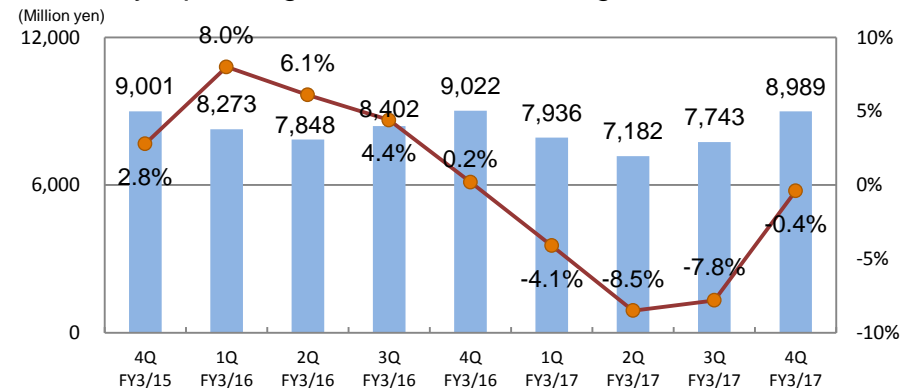
(Million yen)

	FY3/2015	FY3/2016	FY3/2017	Year on year
Net sales	50,281	52,594	52,811	100.4%
Consignment fees	12,636	12,780	12,432	97.3%
Contract completion fees	12,083	12,335	12,073	97.9%
Successful bid fees	17,096	18,168	17,986	99.0%
Other	8,465	9,310	10,319	110.8%
Operating profit	32,116	33,560	31,869	95.0%
Operating margin	63.0%	63.1%	59.8%	-

Quarterly Net Sales and YoY Changes



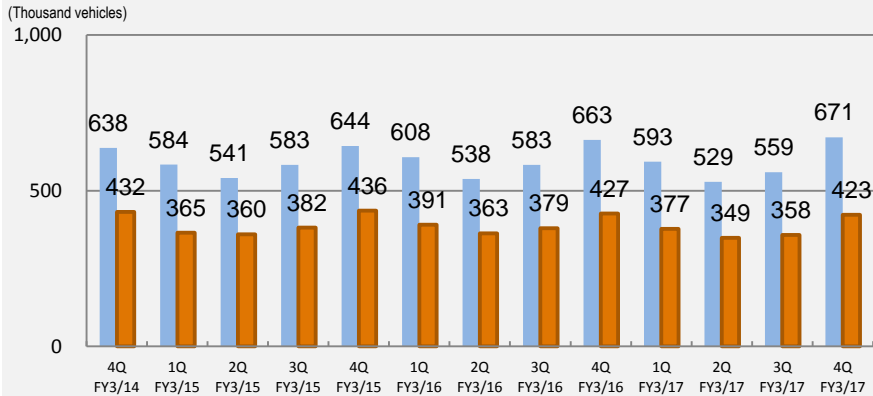
Quarterly Operating Profit and YoY Changes



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

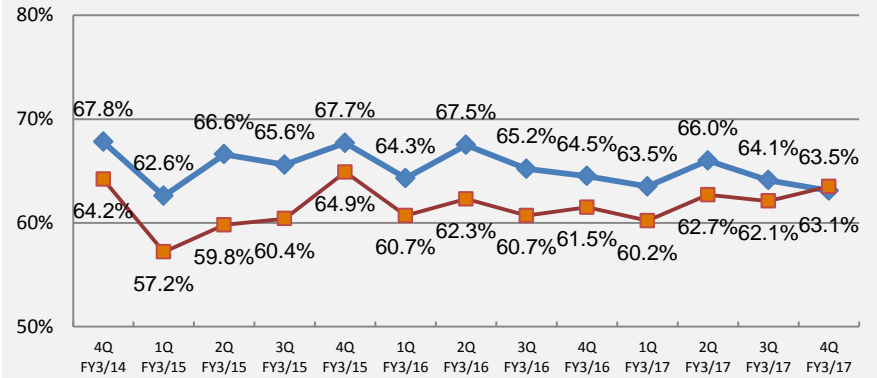
No. of Vehicles Consigned and Vehicles Contracted

■ Vehicles consigned ■ Vehicles contracted

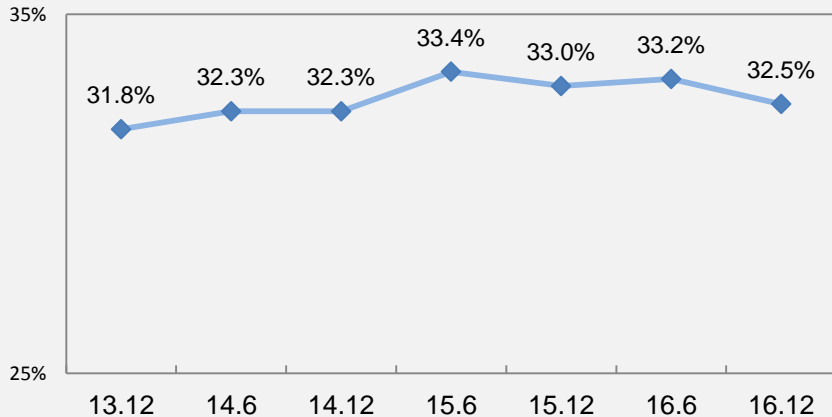


Contract Completion Rate

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

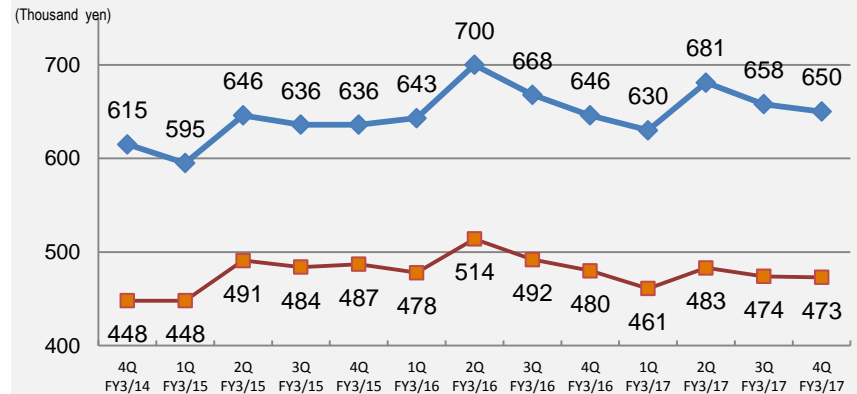


Market Share



Average Price of Vehicle Contracted

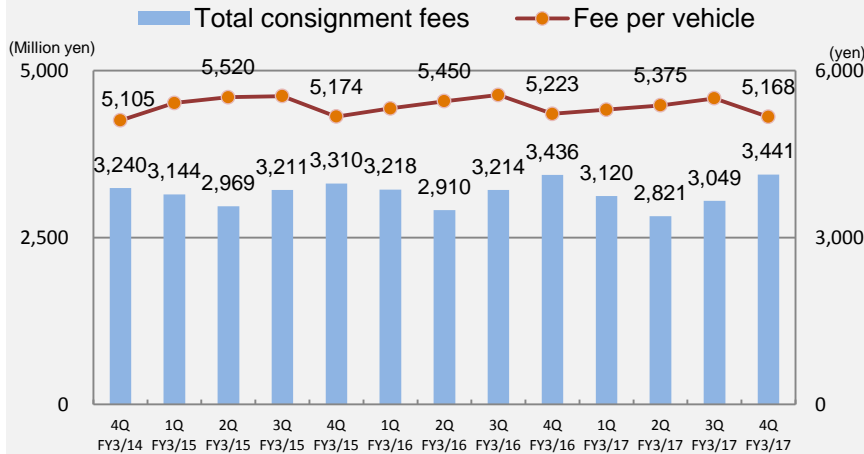
◆ USS ■ Industry's average (excl. USS)



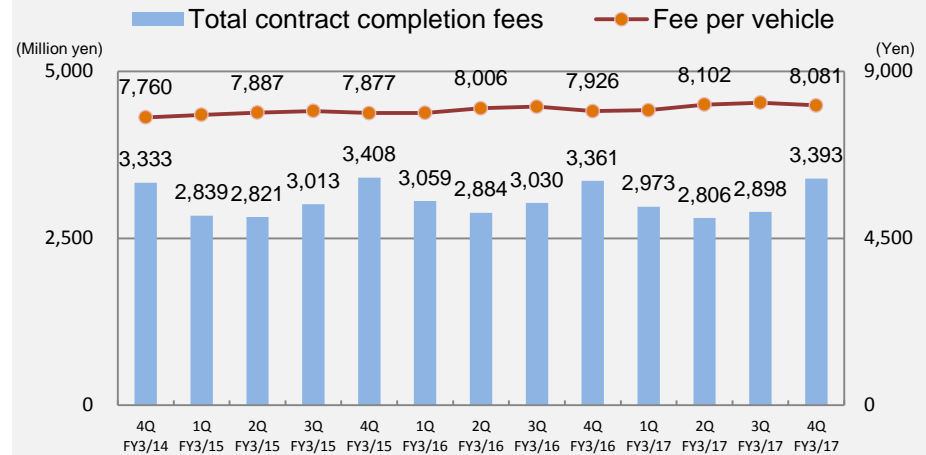
* Period ending in December: 12-month data; Period ending in June: 6-month data.

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

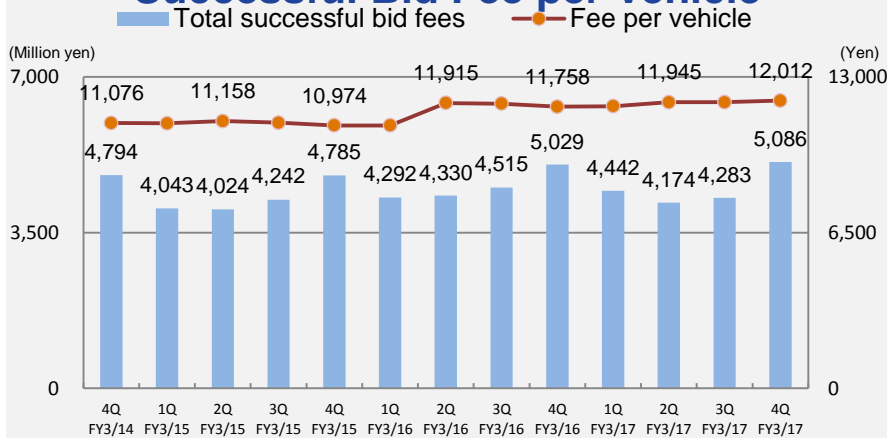
Total Consignment Fees and Consignment Fee per Vehicle



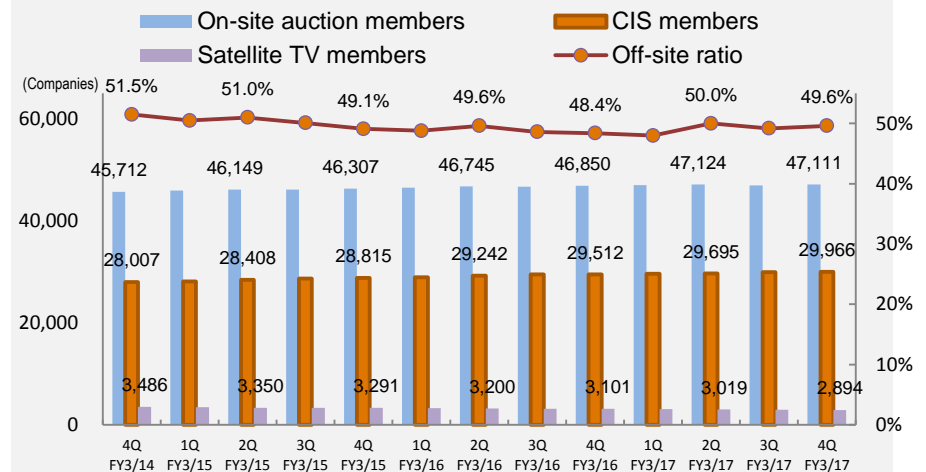
Total Contract Completion Fees and Contract Completion Fee per Vehicle



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 March 31, 2017

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	FY3/16	FY3/17	FY3/16	FY3/17	YoY change	FY3/16	FY3/17	YoY change	FY3/16	FY3/17
Tokyo	50	48	679,843	639,025	94.0%	480,568	438,675	91.3%	70.7%	68.6%
Nagoya	50	50	458,775	501,512	109.3%	278,999	285,025	102.2%	60.8%	56.8%
Yokohama	49	49	190,089	186,808	98.3%	129,068	126,249	97.8%	67.9%	67.6%
Kyushu	50	49	194,567	165,907	85.3%	118,490	103,537	87.4%	60.9%	62.4%
Sapporo	50	49	139,012	133,454	96.0%	81,334	81,882	100.7%	58.5%	61.4%
R-Nagoya	49	49	125,921	127,938	101.6%	106,153	106,639	100.5%	84.3%	83.4%
Osaka	49	50	119,200	119,426	100.2%	72,649	70,753	97.4%	60.9%	59.2%
Shizuoka	49	49	72,184	74,212	102.8%	43,605	46,804	107.3%	60.4%	63.1%
Okayama	49	49	68,718	67,622	98.4%	45,300	45,334	100.1%	65.9%	67.0%
Tohoku	50	49	70,545	66,398	94.1%	52,635	48,840	92.8%	74.6%	73.6%
Kobe	50	50	55,493	61,733	111.2%	31,461	36,184	115.0%	56.7%	58.6%
Gunma	49	49	66,203	59,668	90.1%	43,457	39,005	89.8%	65.6%	65.4%
Saitama	49	50	50,061	55,090	110.0%	28,617	31,572	110.3%	57.2%	57.3%
Niigata	50	49	43,150	43,594	101.0%	20,649	19,970	96.7%	47.9%	45.8%
Fukuoka	50	49	43,145	37,522	87.0%	18,711	19,782	105.7%	43.4%	52.7%
Hokuriku	49	50	17,103	13,627	79.7%	10,703	8,592	80.3%	62.6%	63.1%
Total	792	788	2,394,009	2,353,536	98.3%	1,562,399	1,508,843	96.6%	65.3%	64.1%

* 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	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
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	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
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	64.9	61.4	63.6	64.1

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

Used Vehicle Purchasing and Selling Segment

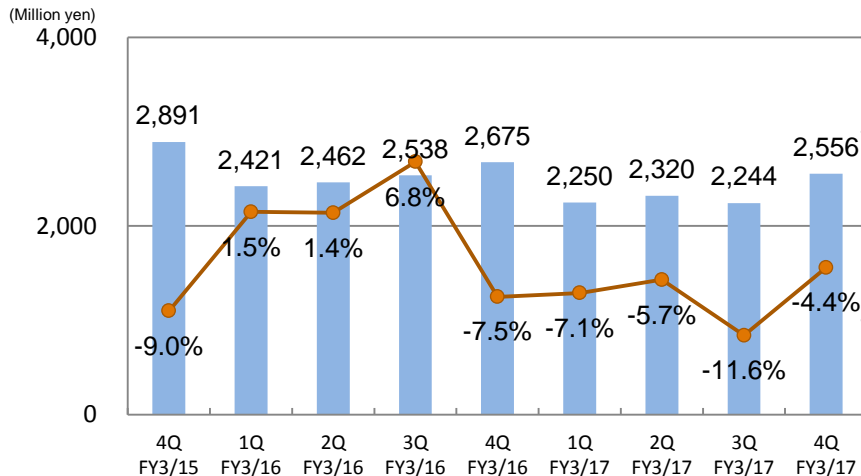
- Sales and earnings declined at the Rabbit used car purchasing business primarily because of downturns in vehicles purchased and gross profit per vehicle. (Net sales declined 14.2% YoY to ¥5,804 million, Operating profit declined 67.6% to ¥125 million)
- In the accident-damaged vehicle purchasing business, sales increased as prices of these vehicles were higher but a downturn in gross profit per vehicle caused earnings to decline. (Net sales increased 7.1% YoY to ¥3,568 million, Operating profit decreased 22.1% to ¥77 million)

Used Vehicle Purchasing and Selling Segment Performance

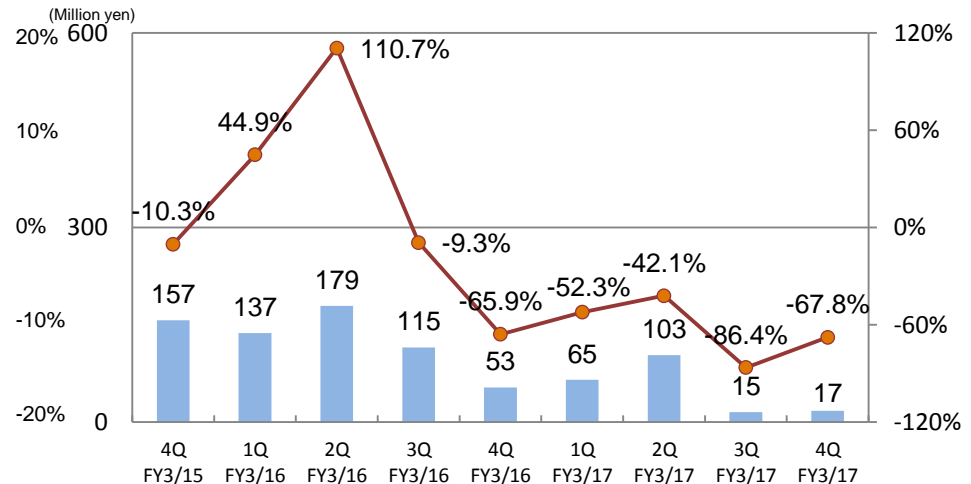
(Million yen)

	FY3/2015	FY3/2016	FY3/2017	Year on year
Net sales	10,083	10,097	9,373	92.8%
Operating profit	464	485	202	41.7%
Operating margin	4.6%	4.8%	2.2%	-

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 (shown % in parenthesis) are calculated by Segment profit divided by Segment sales

Other Segment

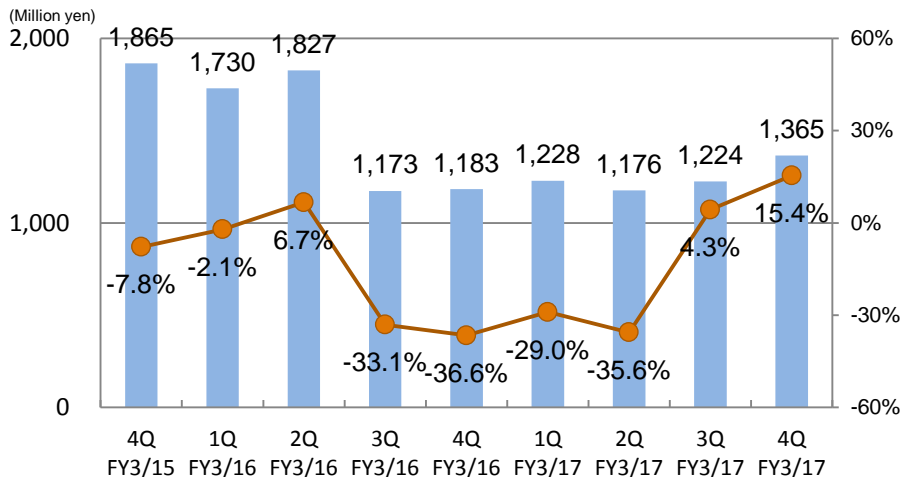
- In the vehicle recycling business, performance benefited from an upturn in steel scrap prices that began in November. But the decline in vehicles handled, expenses for purchasing land for a business site and other factors brought down sales and earnings. (Net sales declined 3.4% YoY to ¥4,507 million, Operating profit was down 32.8% YoY ¥114 million)
- In the used vehicle export clearing service, there was an operating loss due to a sharp decline in export volume. (Net sales declined 24.8% YoY ¥398 million, operating loss ¥11 million (operating profit of ¥60 million in FY3/16))

Other Segment Performance

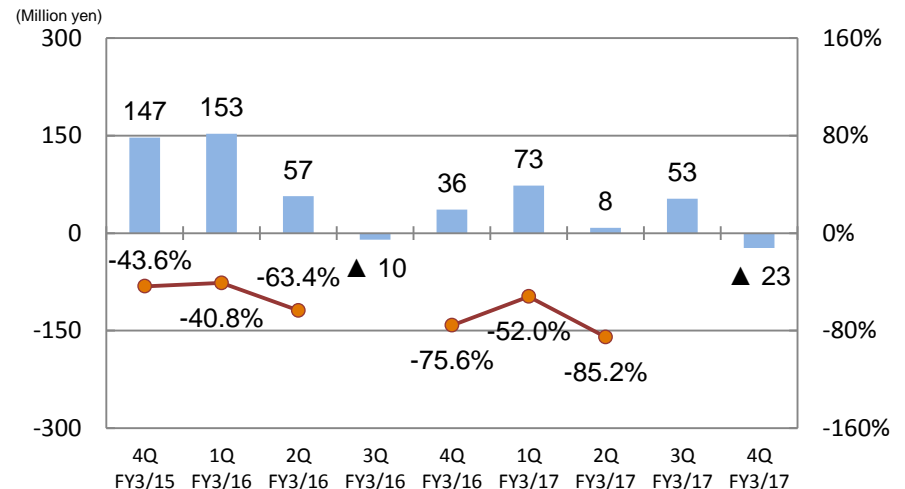
(Million yen)

	FY3/2015	FY3/2016	FY3/2017	Year on year
Net sales	7,100	5,915	4,995	84.4%
Operating profit	675	237	111	47.1%
Operating margin	9.5%	4.0%	2.2%	-

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 (shown % in parenthesis) are calculated by Segment profit divided by Segment sales

Consolidated Forecast for FY3/2018

- No significant change is expected in the number of new car registrations in Japan. USS is making capital expenditures for projects aimed at increasing the number of vehicles consigned.

(Million yen)

	FY3/16 (Actual)	FY3/17 (Actual)	FY3/18 (Forecast)	VS. previous year
Net sales	68,607	67,179	68,800	102.4%
Gross profit (Per sales)	42,740 (62.3%)	40,765 (60.7%)	41,932 (60.9%)	102.9%
Operating profit (Per sales)	34,491 (50.3%)	32,396 (48.2%)	33,400 (48.5%)	103.1%
Ordinary profit (Per sales)	35,218 (51.3%)	32,999 (49.1%)	33,900 (49.3%)	102.7%
Profit attributable to owners of parent (Per sales)	22,477 (32.8%)	22,909 (34.1%)	23,200 (33.7%)	101.3%
Profit per share (Yen)	86.92	90.02	91.34	101.5%
Capital expenditures (Terms of cash flows)	8,731	5,878	5,100	86.8%
Depreciation	3,325	4,596	4,627	100.7%
Auto Auction Business (excl. JBA)				
	FY3/16 (Actual)	FY3/17 (Actual)	FY3/18 (Forecast)	VS. previous year
No. of vehicles consigned (Thousands)	2,394	2,353	2,400	102.0%
No. of vehicles contracted (Thousands)	1,562	1,508	1,520	100.7%
Contract completion rate	65.3%	64.1%	63.3%	-

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

Net sales

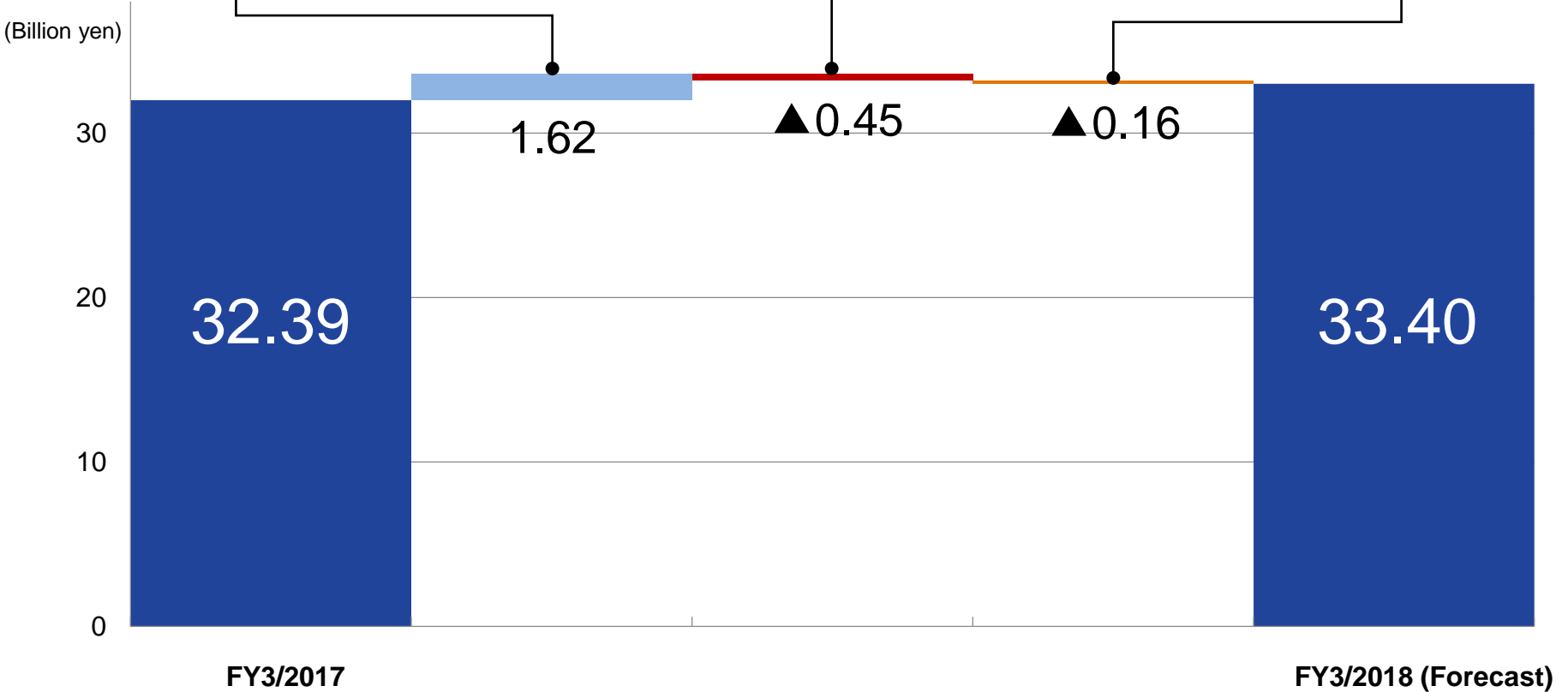
Increase in vehicles consigned	0.83bn
Increase in vehicles, etc. recycling	0.52bn
Increase in CIS (Internet)	0.32bn
Increase in fee rates (excl. JBA)	0.25bn
Decrease in contract completion rate	▲0.37bn

Cost of sales

Increase in cost of materials purchase	▲0.35bn
Increase in employee salaries and bonuses	▲0.11bn
Increase in outsourcing expenses	▲0.10bn
Decrease in expenses for supplies	0.13bn

SG&A expenses

Increase in sales promotion expenses	▲0.11bn
Increase in employee salaries and bonuses	▲0.08bn
Increase in advertising expenses	▲0.04bn
Decrease in taxes and dues	0.07bn



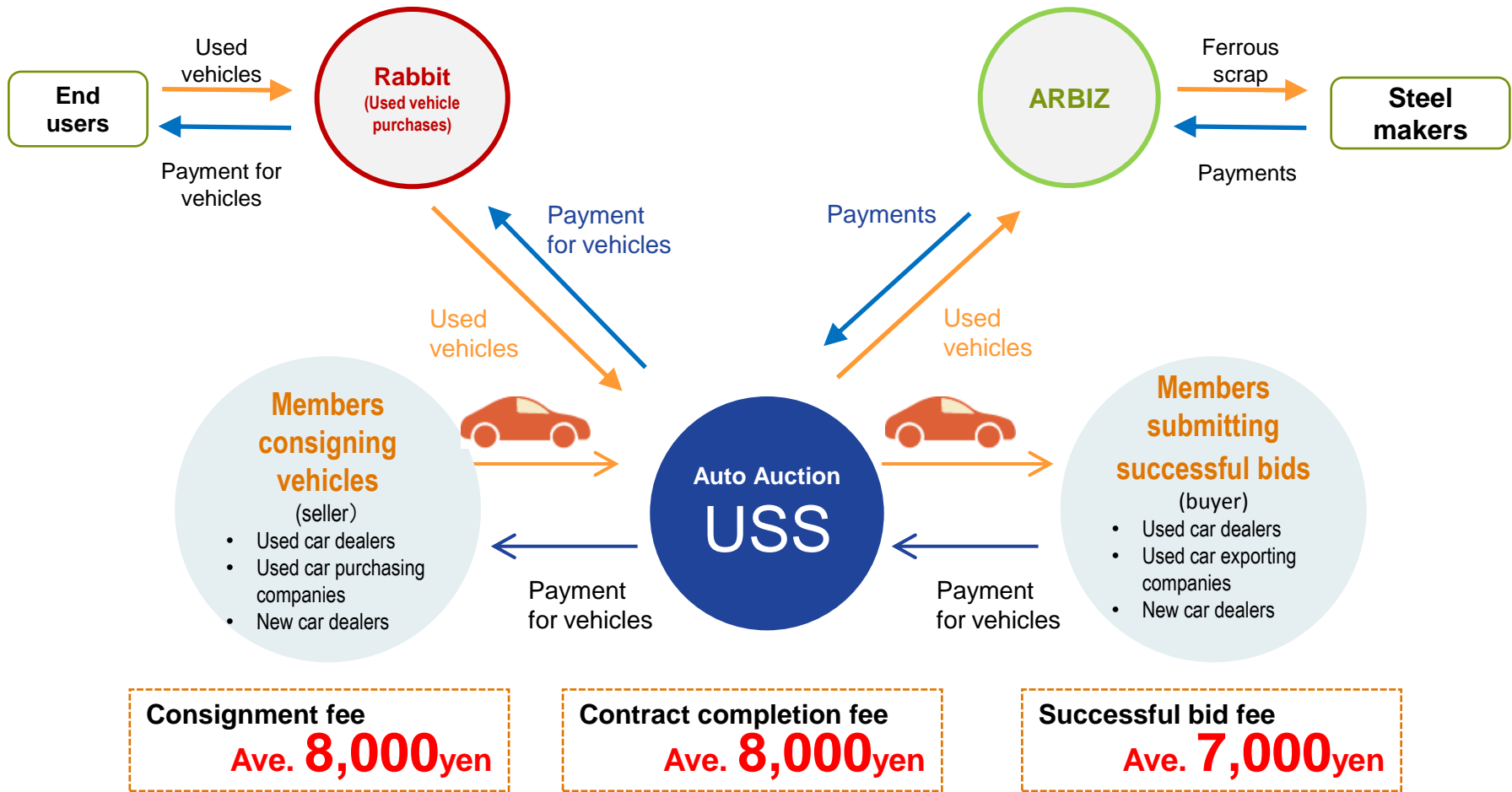
- All businesses currently face severe operating environment and going forward there is no room for optimism. Despite the challenging situation, USS will strive to revive performance through concerted efforts.

(Million yen)

	FY3/16 (Actual)	FY3/17 (Actual)	FY3/18 (Forecast)	VS. previous year
Net sales				
Auto auction	52,594	52,811	53,747	101.8%
Used vehicle purchasing and selling	10,097	9,373	9,496	101.3%
Other	5,915	4,995	5,555	111.2%
Total	68,607	67,179	68,800	102.4%
Operating profit (Per sales)	34,491 (50.3%)	32,396 (48.2%)	33,400 (48.5%)	103.1%

Market Overview

Strategy for Creating Value Over the Medium Term



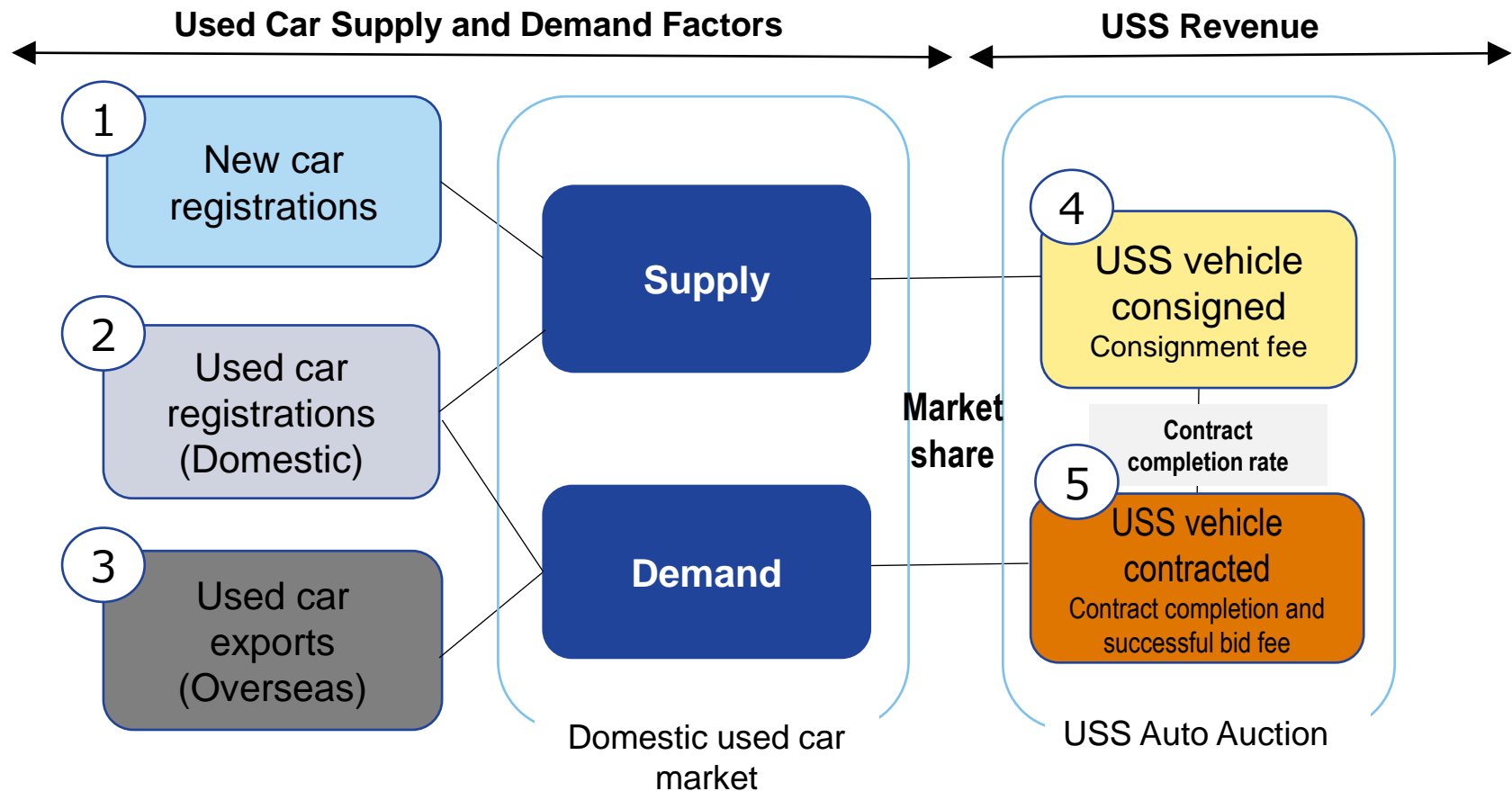
Vehicles consigned
2.35 million units(FY3/2017)

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

Contract completion rate
64.1%(FY3/2017)

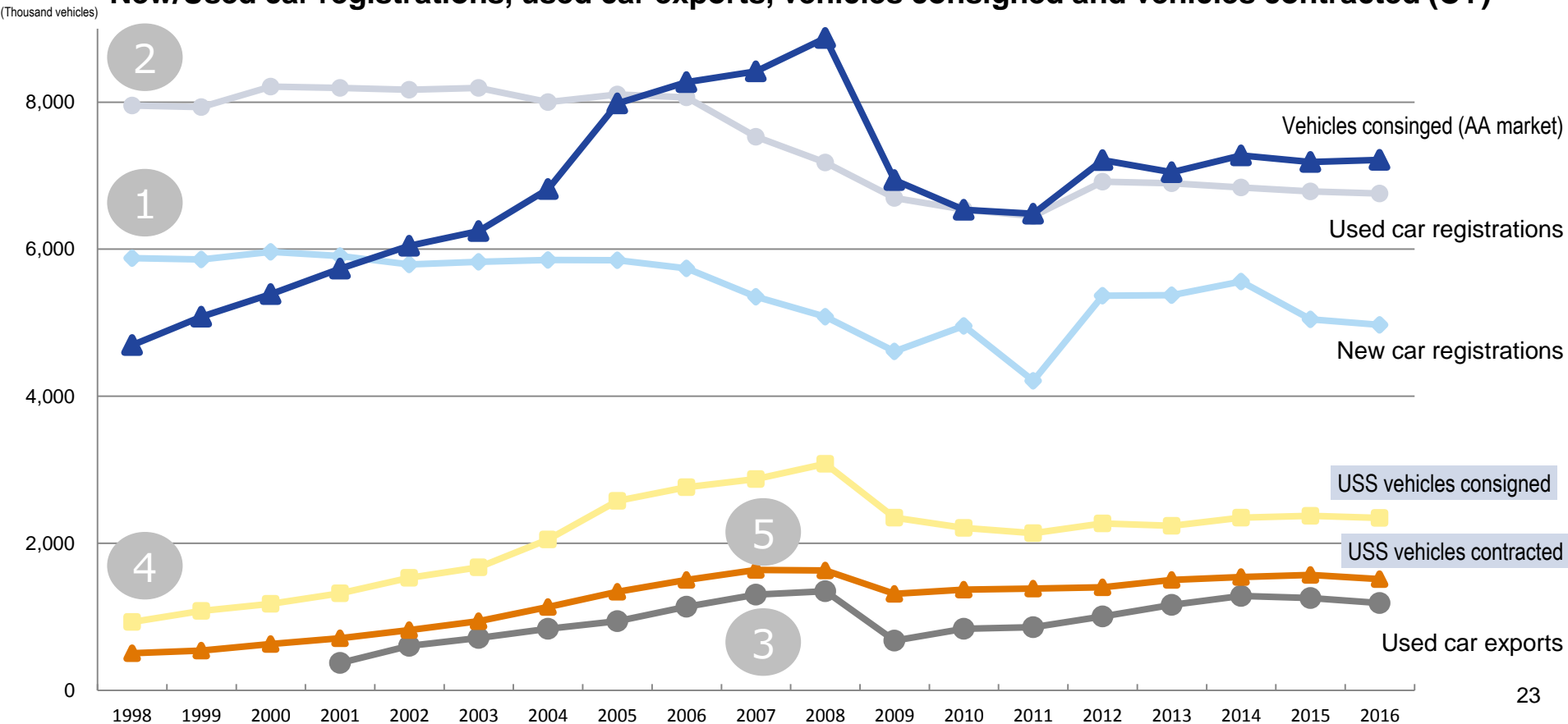
Automobile Market and USS Revenue

- 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). ➔ **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; 47,000 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: 80.1%)

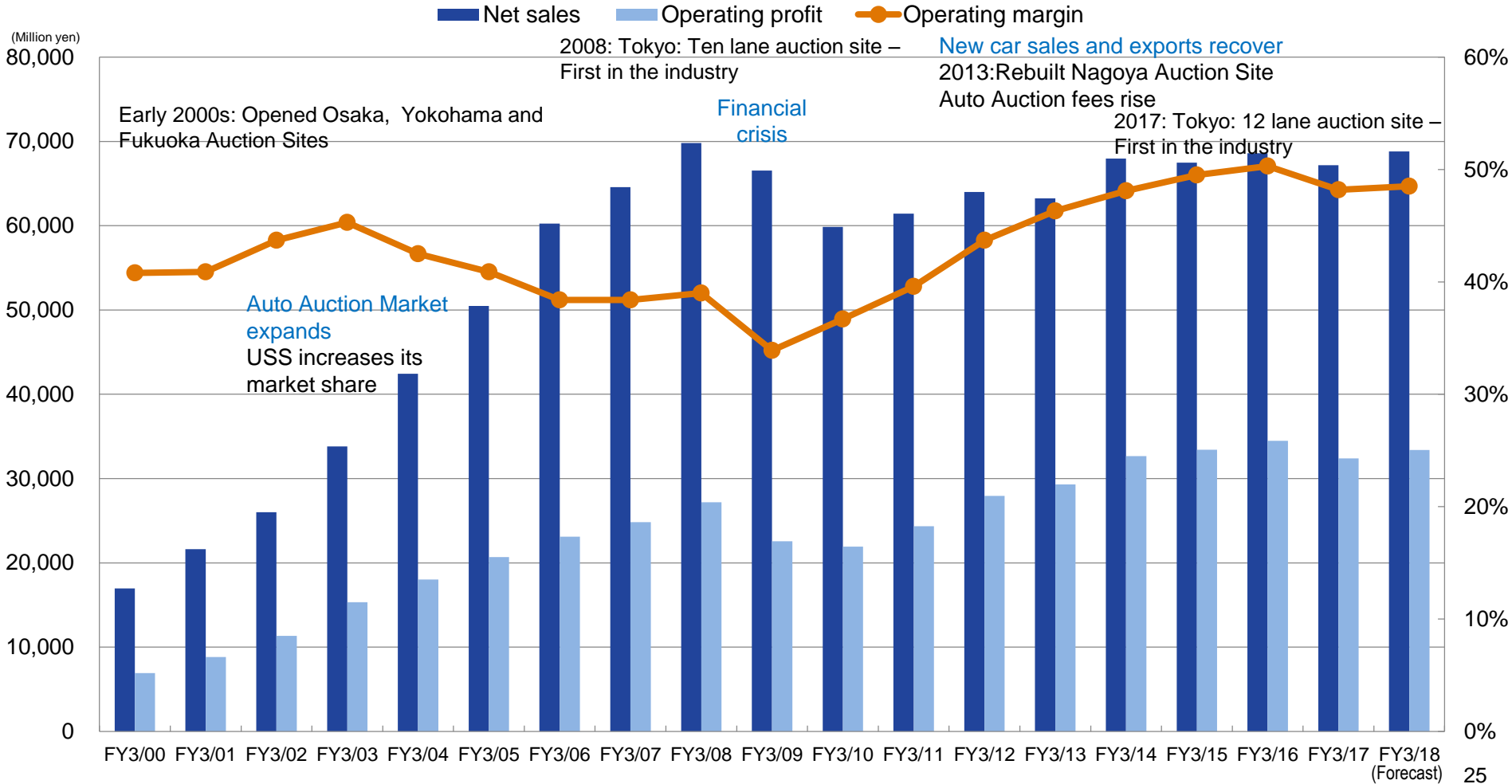


High quality used cars concentrate at USS
→Contract completion ratio surpassing industry
average
(Share of **vehicles contracted: 33.5%** (CY2016))

History of USS Long-term Growth

Before 2000

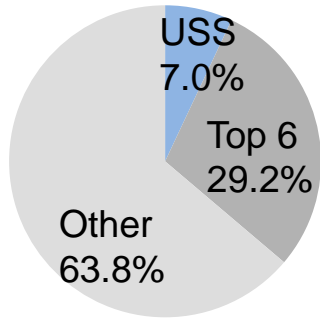
1982: Held the first auction with only 255 vehicles consigned
 1988: Expanded the Nagoya Auction Site. The number of POS seats was 570 (the largest in Japan).
 Early nineties: Opened Kyushu and Tokyo Auction Sites
 Late nineties: Opened Okayama, Shizuoka, Sapporo and West Tokyo (currently the Saitama auction site) Auction Sites



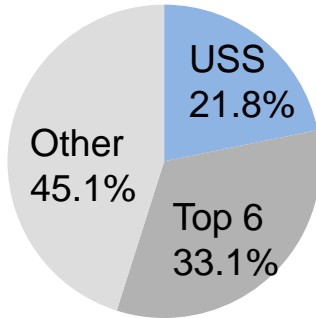
Used Car Auction Market and USS Market Share

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

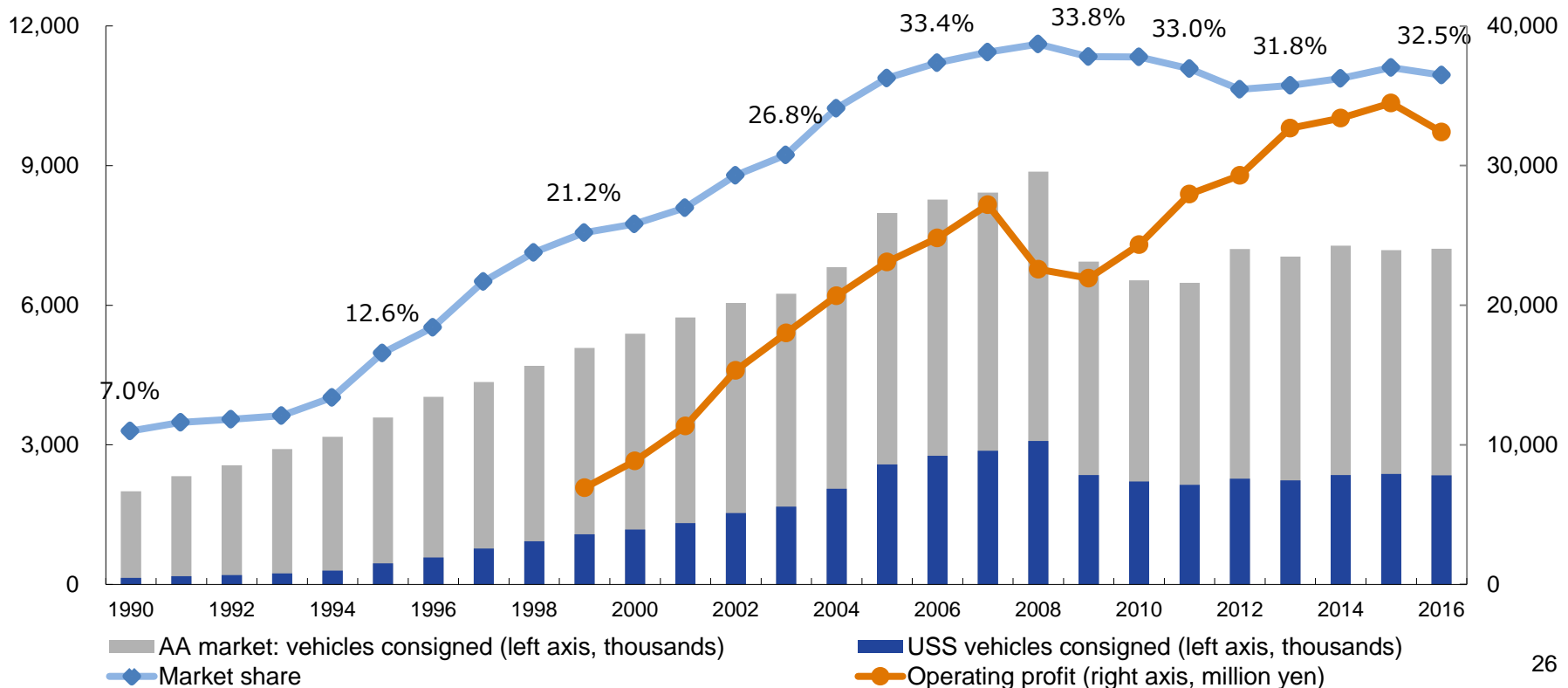
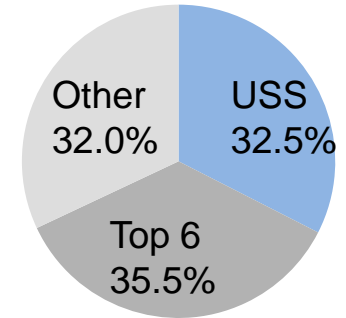
1990(CY) market share



2000(CY) market share



2016(CY) market share

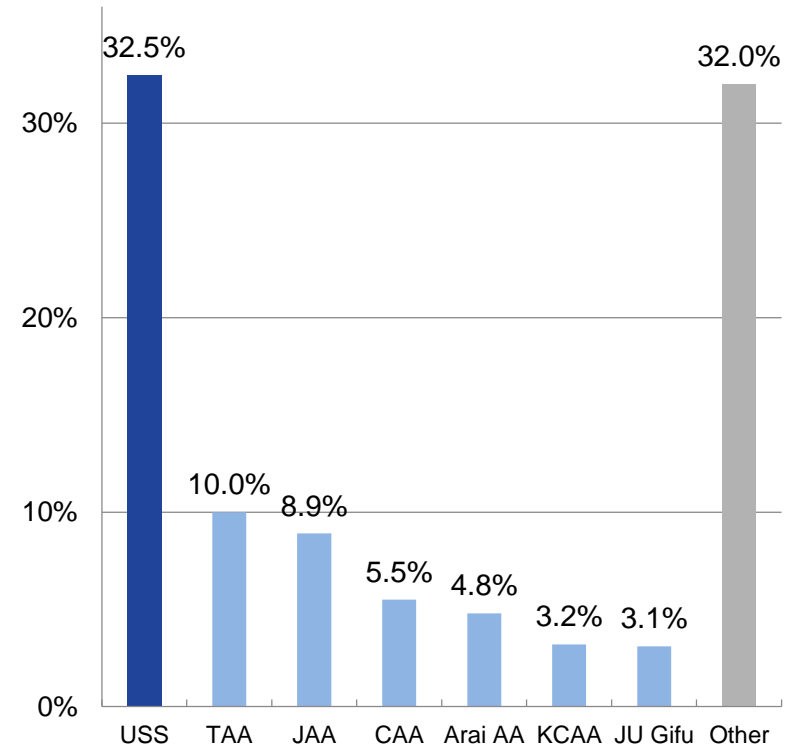


- Increase competitiveness of major auction sites, reorganize the auction site network with the goal of further increasing market share.

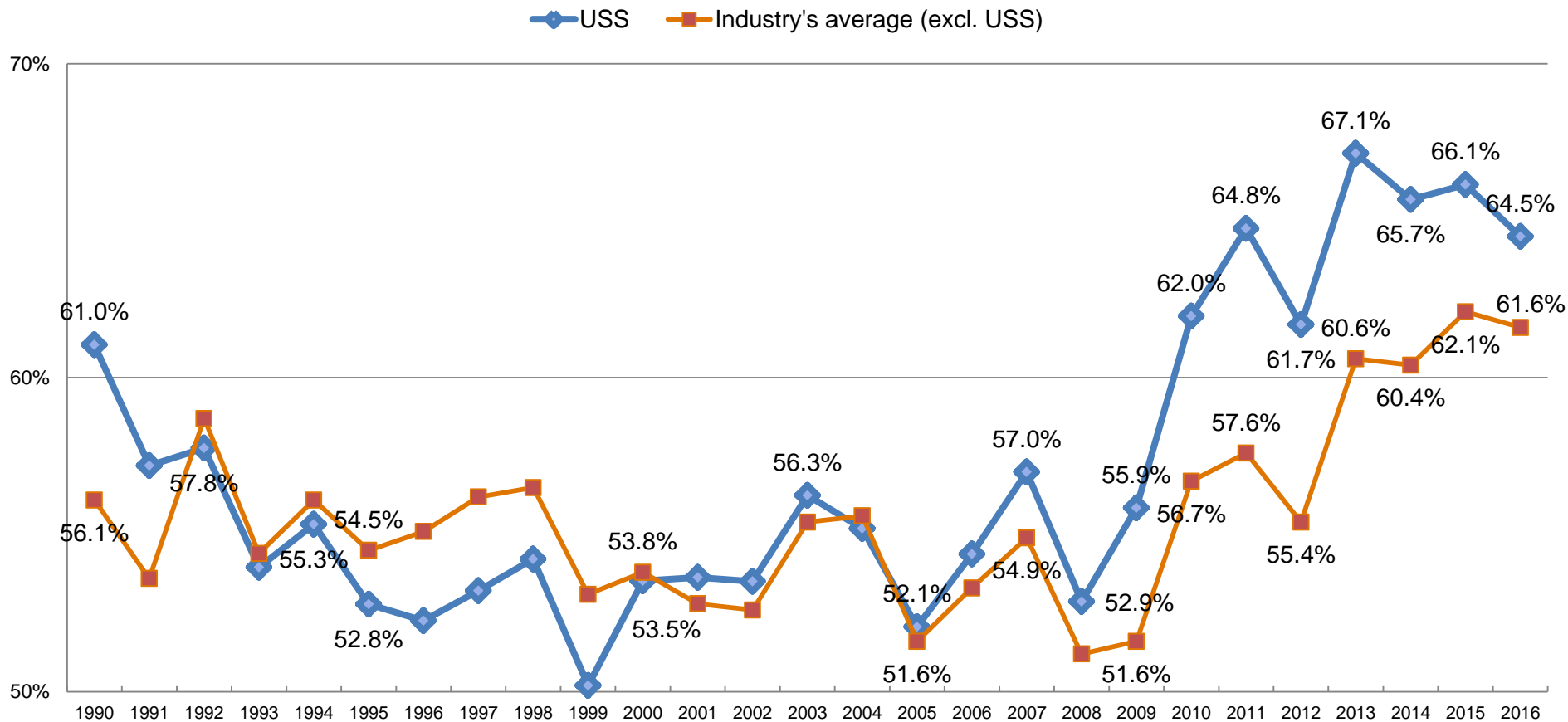
Overview of major players

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.



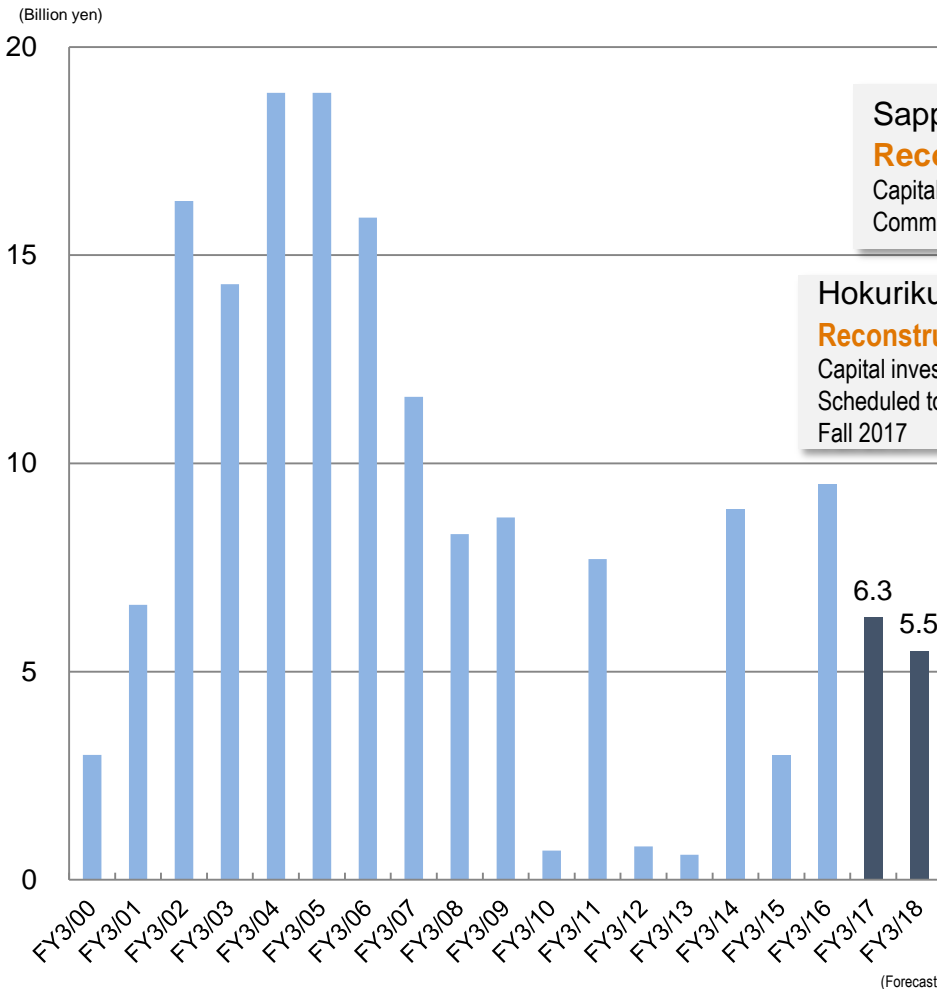
- Domestic new car sales: Unlikely to see significant growth over the medium term
 - USS's Strategy
 - 1) Plans call for capital investment to the tune of 20 billion yen over the two years.
 - ➡ Improve member convenience at all auto auction sites to increase auction participation rates
 - ➡ Concentrate 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 further strengthen competitive power



Sapporo Auction Site

Reconstruction

Capital investment: Approximately ¥3.0 billion
Commenced operations in May 10, 2017

Hokuriku Auction Site

Reconstruction and moving

Capital investment: Approximately ¥0.5 billion
Scheduled to commence operations in or after Fall 2017

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 Feb. 2017 (12 lane auction site – 1st in the industry)
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 ¥1.6 billion
Commenced operations in Jul. 26, 2016

- 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.

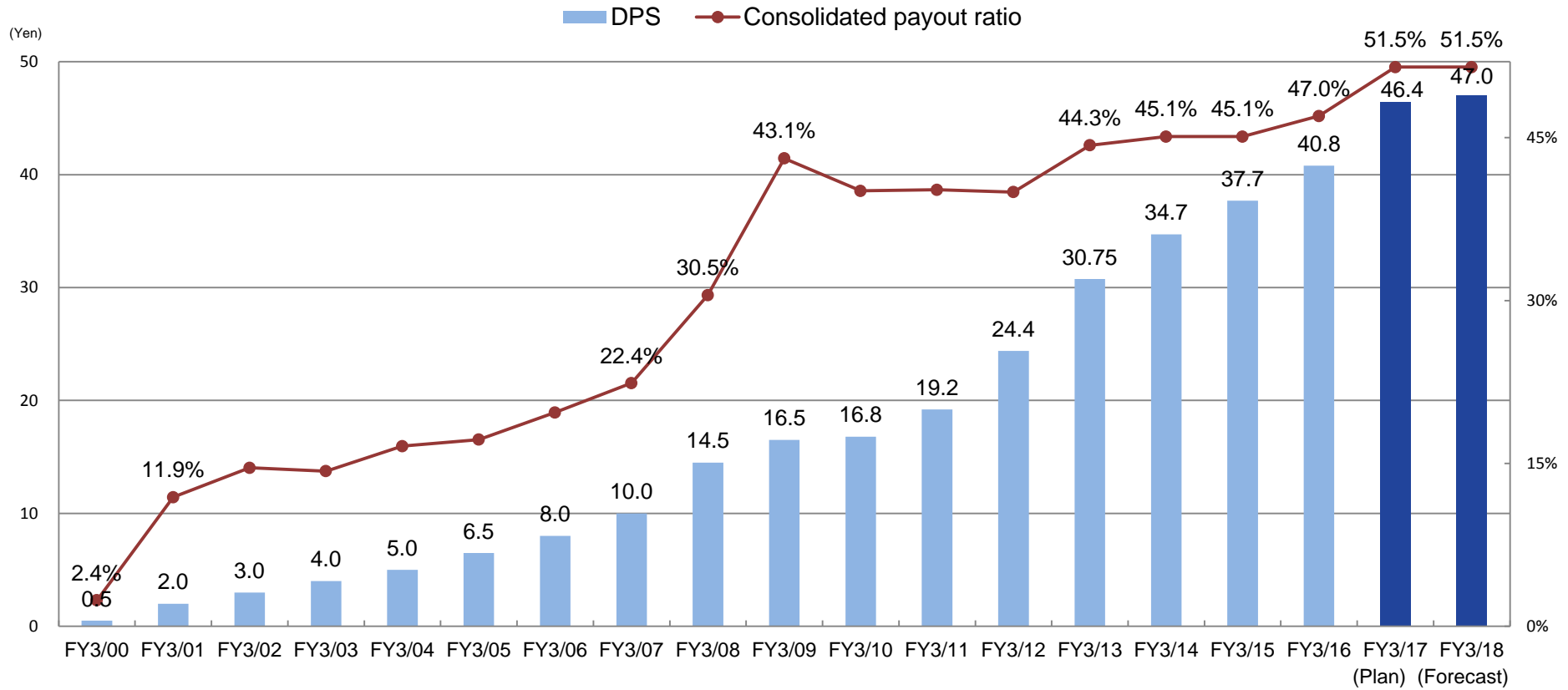
Profile of JAA

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%)

Increase shareholder distributions while continuing investment for growth

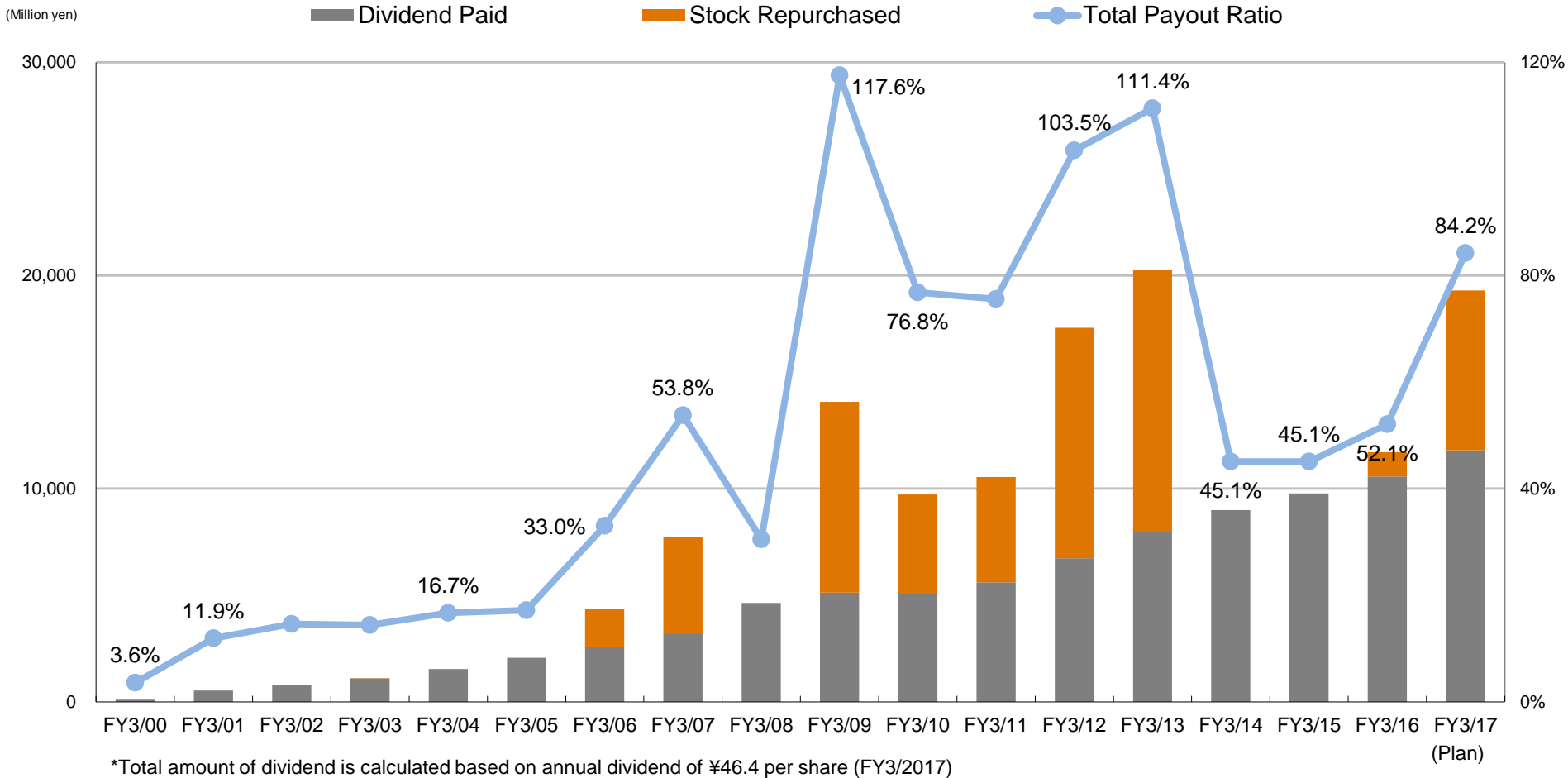
- Consolidated dividend payout ratio: Over **50%** starting in FY3/2017
- Stock repurchases: Buy back stock with flexibility, with due consideration to cash flows, capital investment plans and the market environment (Shares repurchased: 5 million (¥8.6 billion) between March 16 and July 1, 2016)
- Return on equity (ROE): Medium-term goal is at least 15%

- Plan to pay **46.4 yen** dividend per share for FY3/17 (up 5.6 yen)
- Plan to pay **47.0 yen** dividend per share for FY3/18 (up 0.6 yen)
- **18 consecutive years** of dividend growth since listing

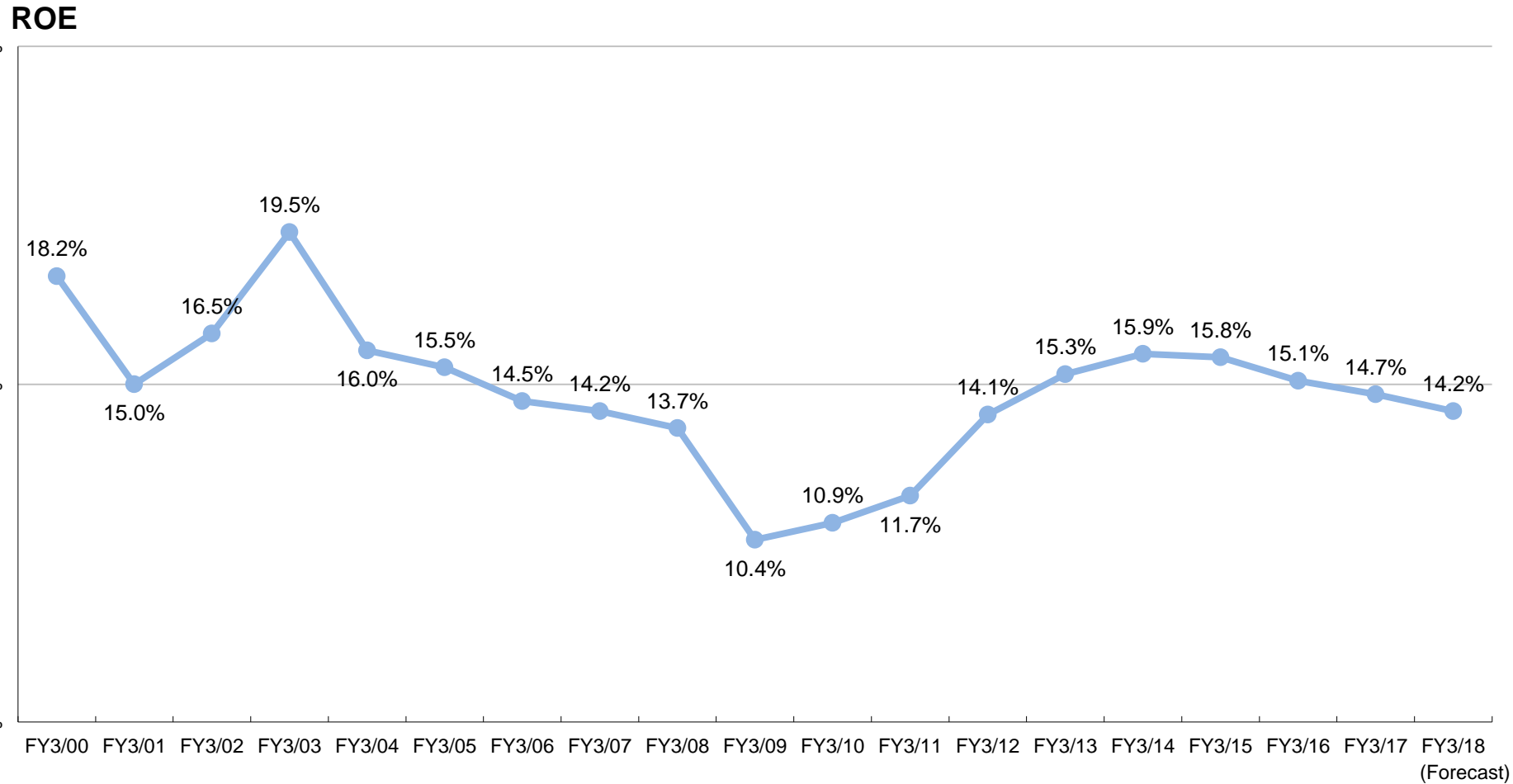


*Dividend per share is retroactively adjusted to the number of shares outstanding as of the effective date (October 1, 2013) of the stock split.

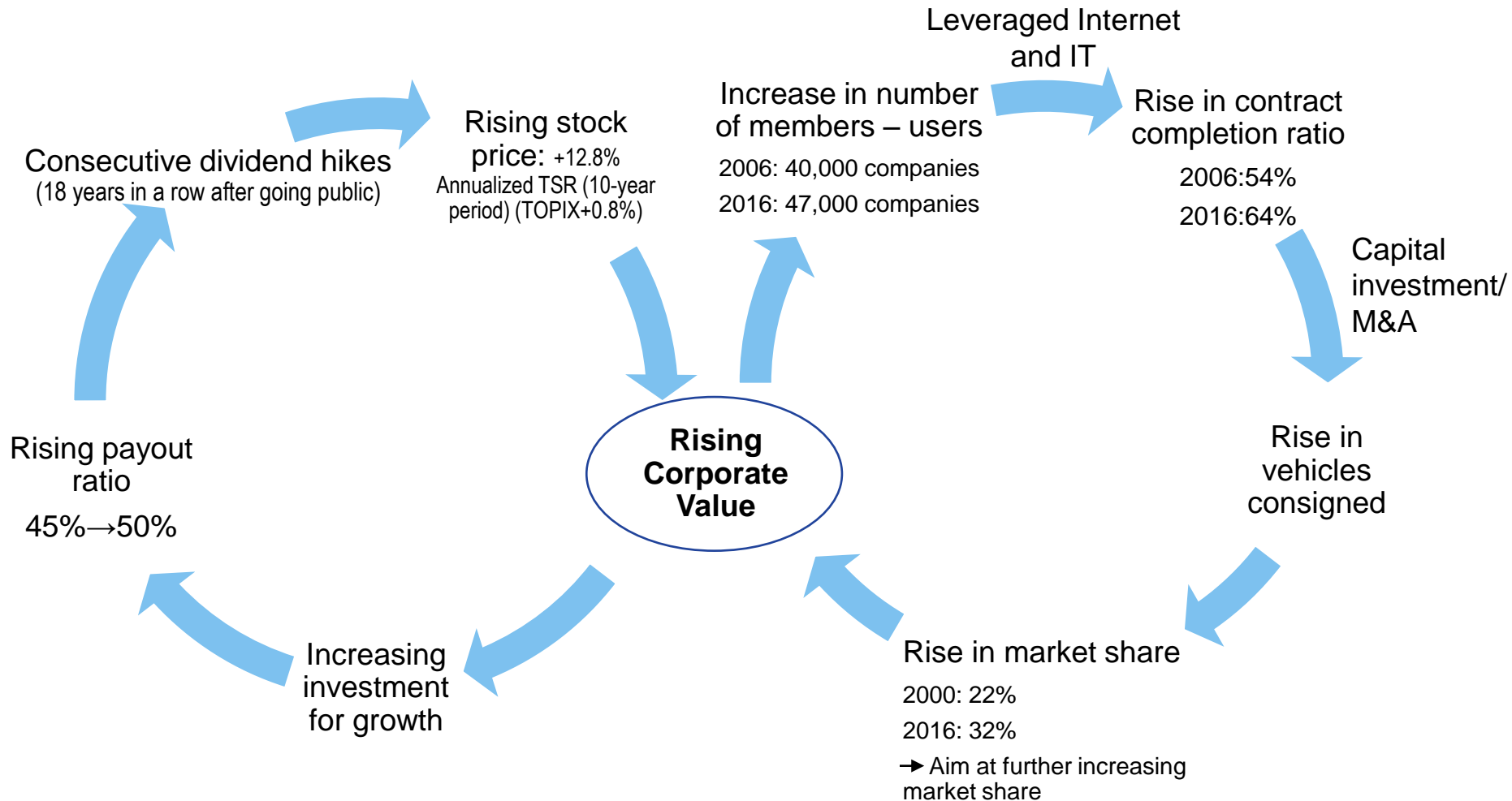
■ Flexible stock repurchases while maintaining stable dividend.

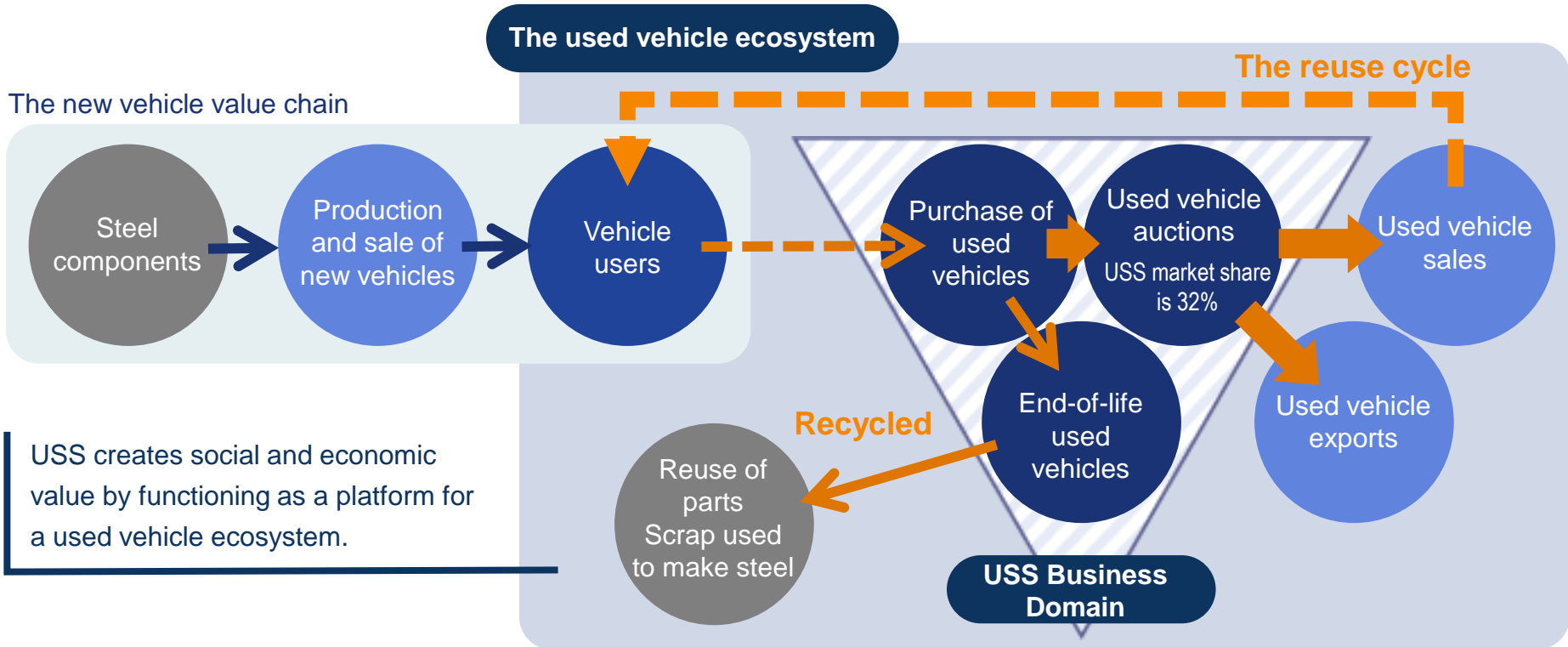


■ No change in the medium-term ROE target of above 15%.



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



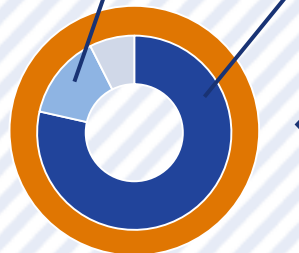


Social value

- ◆ 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

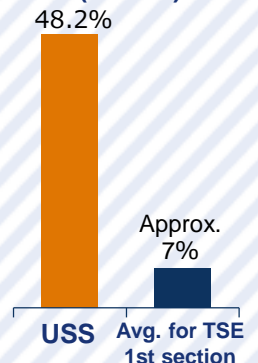


All activities support the used vehicle ecosystem

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)



- 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 May 2017
 Directors 10 (of which outside directors: 3)
 Auditors: 3 (of which outside auditors: 2)
 Executive officers: 5