



Consolidated Results of Operations

The First Quarter, Fiscal Year Ending March 31, 2023

USS Co., Ltd.
August 2022

Results of Operations First Quarter Fiscal Year Ending March 2023

1Q FY3/23 Results

- Net sales ¥21.13 billion (up 3.8% YoY)
Operating profit ¥10.82 billion (up 1.6% YoY)
 - The number of vehicles traded in decreased because of the downturn in new car sales. The number of vehicles consigned decreased slightly, but the contract completion ratio was up.
 - Used car exports were down 3.0% YoY (173.9% compared to 1Q FY3/21). Major destination countries : Russia 41,000 (down 5.9%), UAE 35,000 (down 5.5%), NZ 25,000 (down 12.3%)
 - In the used vehicle purchasing and selling segment, sales increased as auction price levels stayed at high levels, but earnings decreased because of high prices of used vehicles and increase in SG&A expenses.
 - In the recycle business, sales were up but earnings declined because the metal scrap market turned sluggish in May.

FY3/2023 (Forecast)

- Net sales ¥84.1 billion
 - FY3/2023 plan is 2,860 thousand vehicles consigned, 1,850 thousand vehicles contracted and a contract completion ratio of 64.7%.
- Operating profit ¥43.1 billion

Earnings Distributions

- Plan to pay ¥67.4 for FY3/23 ***Aiming for 23 consecutive years growth**
 - Dividend policy: the consolidated payout ratio is at least 55%
- Retirement of treasury stock
 - On June 30, retired 56,250 shares of treasury stock (Ratio to the total shares issued before retirement:17.95%).

1Q FY3/2023 – Summary of Consolidated Results of Operations

- Sales was up 3.8% YoY to ¥21.13 billion, operating profit was up 1.6% to ¥10.82 billion, and profit attributable to owners of parent up 1.2% to ¥7.4 billion.
- Record-high sales, operating profit, ordinary profit and profit attributable to owners of parent

(Million yen)

	1Q FY3/2021	1Q FY3/2022	1Q FY3/2023	Year on year
Net sales	16,056	20,370	21,136	103.8%
Cost of sales (Per sales)	6,808 (42.4%)	7,521 (36.9%)	8,026 (38.0%)	106.7%
Gross profit (Per sales)	9,247 (57.6%)	12,848 (63.1%)	13,109 (62.0%)	102.0%
Selling, general and administrative expenses (Per sales)	2,513 (15.7%)	2,200 (10.8%)	2,288 (10.8%)	104.0%
Operating profit (Per sales)	6,734 (41.9%)	10,648 (52.3%)	10,820 (51.2%)	101.6%
Ordinary profit (Per sales)	6,895 (42.9%)	10,842 (53.2%)	10,996 (52.0%)	101.4%
Profit attributable to owners of parent (Per sales)	4,618 (28.8%)	7,348 (36.1%)	7,437 (35.2%)	101.2%

1Q FY3/2023 – Reasons for Change in Operating Profit (Actual)

Net sales

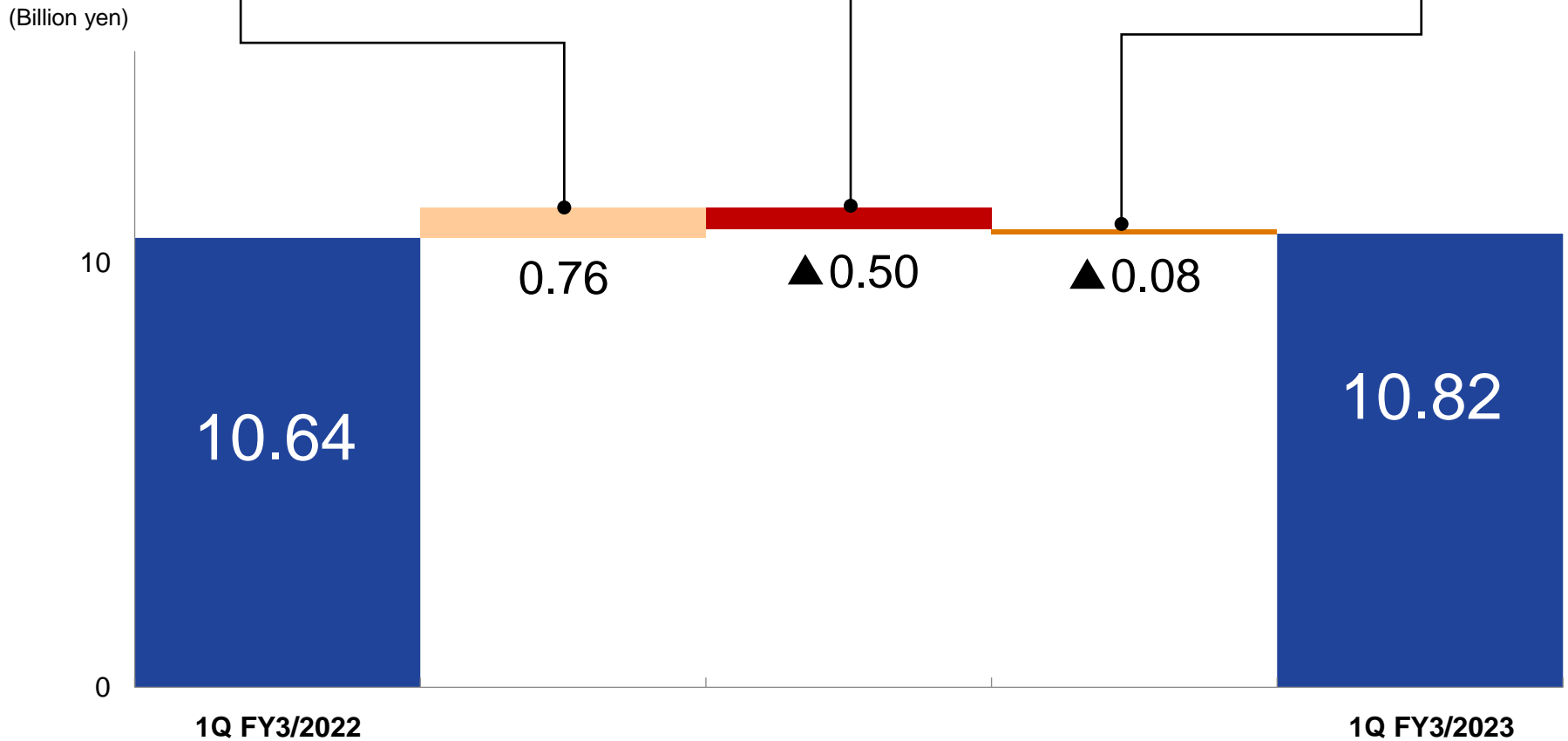
- Increased in low-priced used vehicle purchase guarantee 0.25bn
- Used vehicle sales/purchases 0.19bn
- Increase in contract completion rate 0.14bn
- Increase in recycling 0.14bn

Cost of sales

- Increase in cost of goods sold ▲0.48bn
- Increase in cost of materials purchased ▲0.05bn

SG&A expenses

- Increase in sales promotion expenses ▲0.02bn
- Increase in fees paid ▲0.02bn
- Increase in advertising expenses ▲0.01bn



Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	1Q FY3/2021	1Q FY3/2022	1Q FY3/2023	Year on year
Auto auction	13,302	16,343	16,766	102.6%
Used vehicle purchasing and selling	1,486	2,110	2,302	109.1%
Other	1,267	1,917	2,067	107.8%
Total	16,056	20,370	21,136	103.8%
Operating profit (operating margin)	1Q FY3/2021	1Q FY3/2022	1Q FY3/2023	Year on year
Auto auction	6,835 (51.0%)	10,267 (62.5%)	10,462 (62.1%)	101.9%
Used vehicle purchasing and selling	▲83 (▲5.6%)	18 (0.9%)	12 (0.5%)	65.7%
Other	▲43 (▲3.4%)	357 (18.6%)	341 (16.5%)	95.6%
Elimination of inter-segment transactions	24	4	4	100.2%
Total	6,734 (41.9%)	10,648 (52.3%)	10,820 (51.2%)	101.6%

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

- Acquisition of investment securities and increase in cash and deposits were the primary uses of cash for investing activities.
- The primary use of cash in financing activities was dividends paid.
- Equity ratio : 79.4%

Consolidated Balance Sheets (Summary)

	FY3/2022	1Q FY3/2023
Current assets	103,872	96,921
Cash and deposits	79,380	71,705
Receivables due from member dealers at auction, etc.	24,491	25,216
Non-current assets	125,481	125,383
Property, plant and equipment	100,379	99,698
Other	25,102	25,684
Total assets	229,354	222,304

(Million yen)

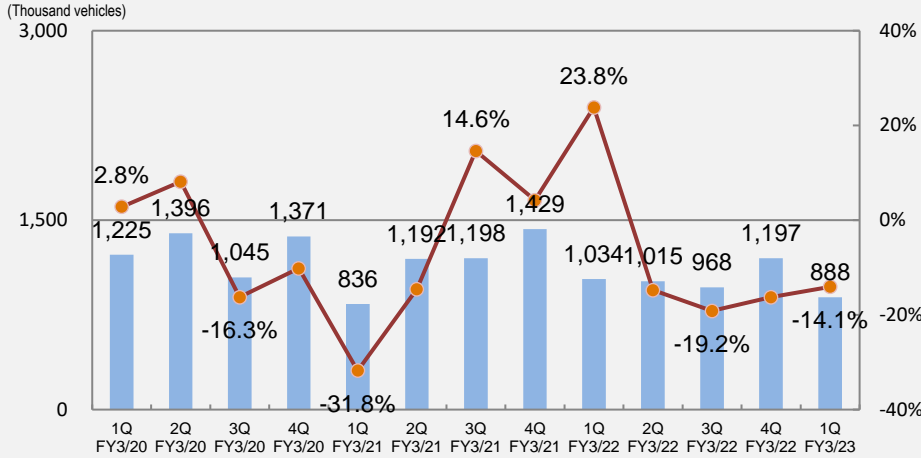
	FY3/2022	1Q FY3/2023
Current liabilities	37,884	34,085
Payables due to member dealers at auction	21,213	22,417
Other	16,670	11,668
Non-current liabilities	8,996	9,000
Total liabilities	46,880	43,085
Total net assets	182,473	179,219
Total liabilities and net assets	229,354	222,304

Consolidated Statements of Cash Flows (Summary)

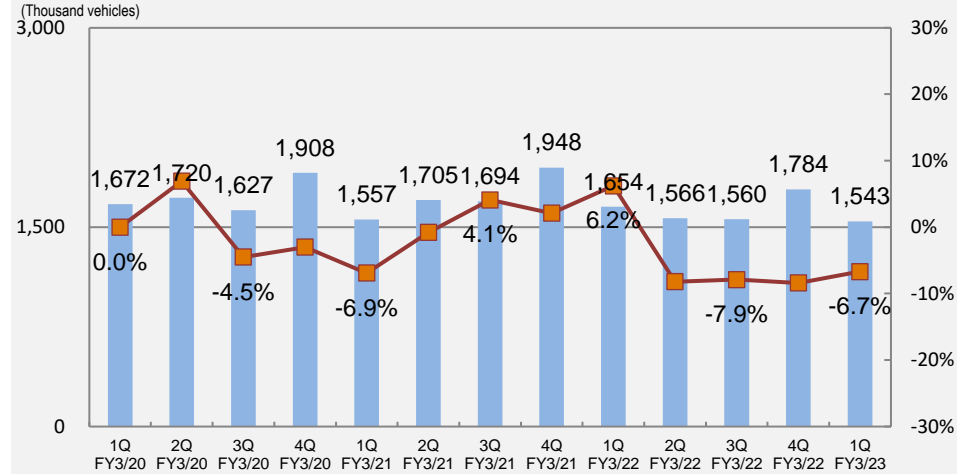
(Million yen)

	1Q FY3/2021	1Q FY3/2022	1Q FY3/2023	Changes
Net cash provided by (used in) operating activities	4,063	2,529	3,304	774
Net cash provided by (used in) investing activities	▲4,001	▲559	▲2,599	▲2,039
Free cash flow	62	1,969	705	▲1,264
Net cash provided by (used in) financing activities	▲7,420	▲6,158	▲9,380	▲3,222
Capital expenditures (Terms of cash flows)	3,954	562	599	37
Depreciation	1,272	1,219	1,116	▲103

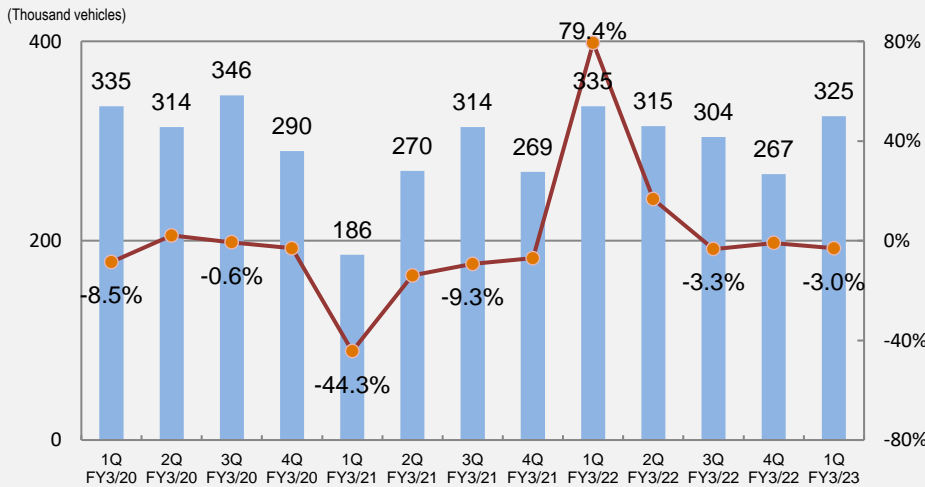
New Car Registrations and YoY Changes



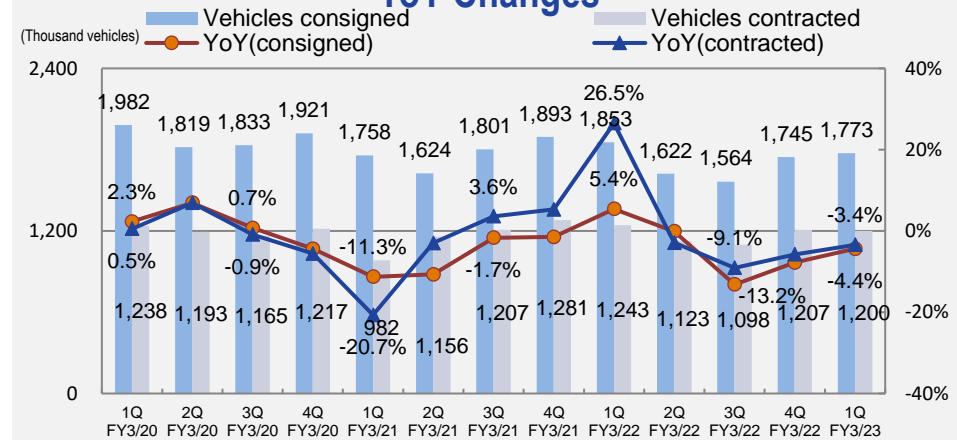
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned/Contracted and YoY Changes



Auto Auction Segment (1)

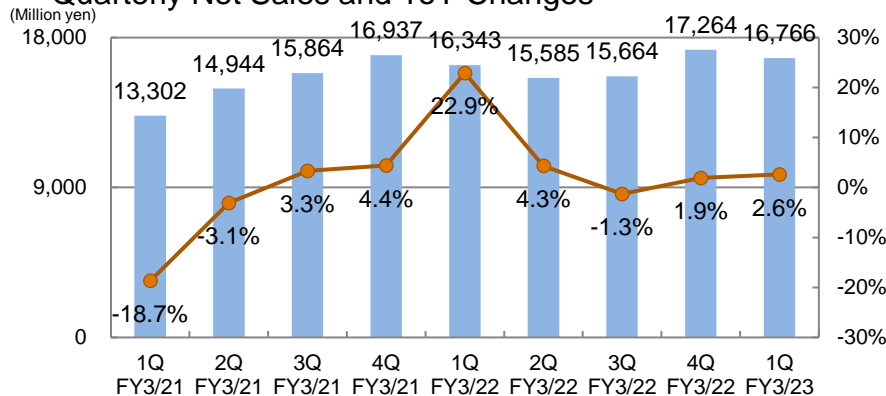
- Vehicles consigned decreased 0.3% YoY to 711 thousand; contract completions increased 1.3% YoY to 455 thousand (contract completion rate: 64.0% against 63.0% in the previous fiscal year)
- Although the number of vehicles consigned declined, sales and earnings were lifted by a higher contract completion ratio.

Auto Auction Segment Performance in 1Q

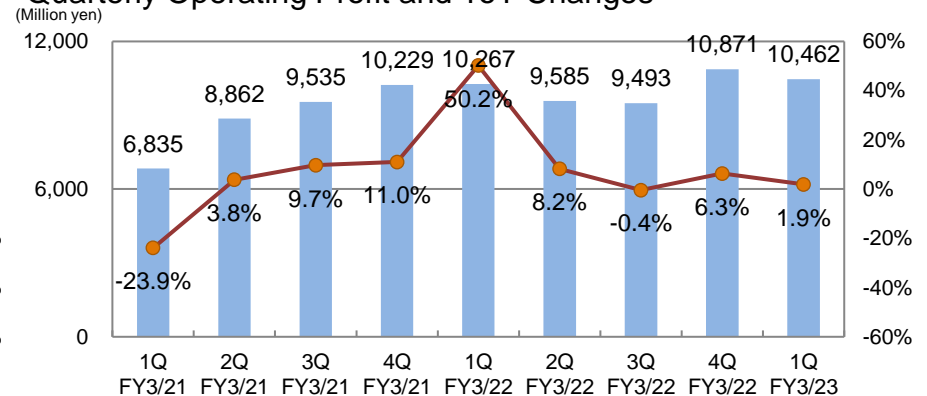
(Million yen)

	1Q FY3/21	1Q FY3/22	1Q FY3/23	Year on year
Net sales	13,302	16,343	16,766	102.6%
Consignment fees	3,193	3,908	3,935	100.7%
Contract completion fees	2,791	3,780	3,811	100.8%
Successful bid fees	4,408	5,817	5,863	100.8%
Other	2,908	2,836	3,155	111.2%
Operating profit	6,835	10,267	10,462	101.9%
Operating margin	51.0%	62.5%	62.1%	-

Quarterly Net Sales and YoY Changes

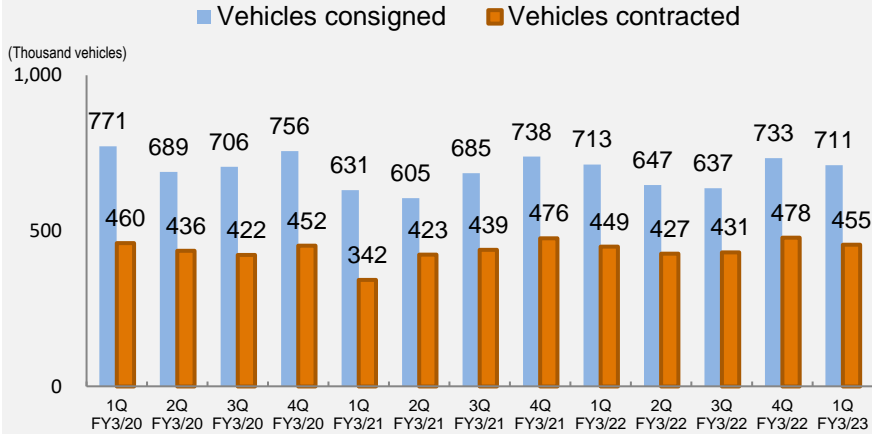


Quarterly Operating Profit and YoY Changes

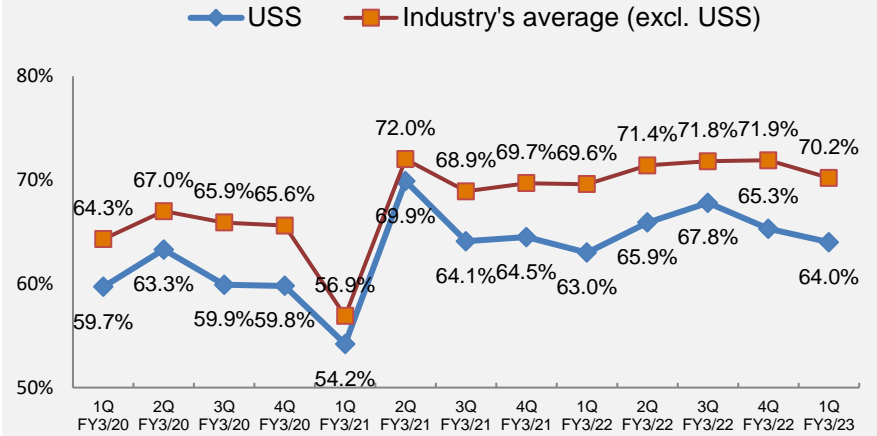


* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

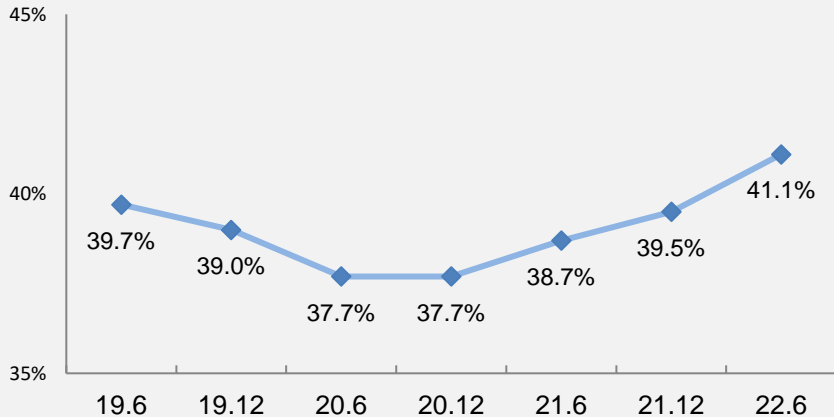
No. of Vehicles Consigned and Vehicles Contracted



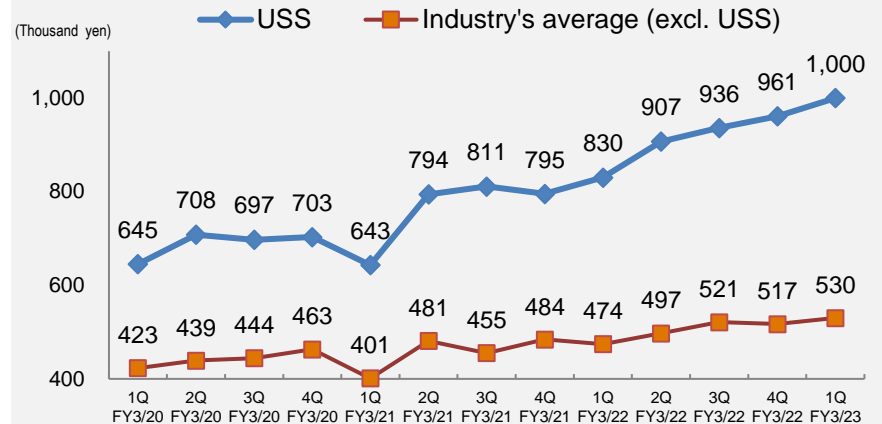
Contract Completion Rate



Market Share



Average Price of Vehicle Contracted

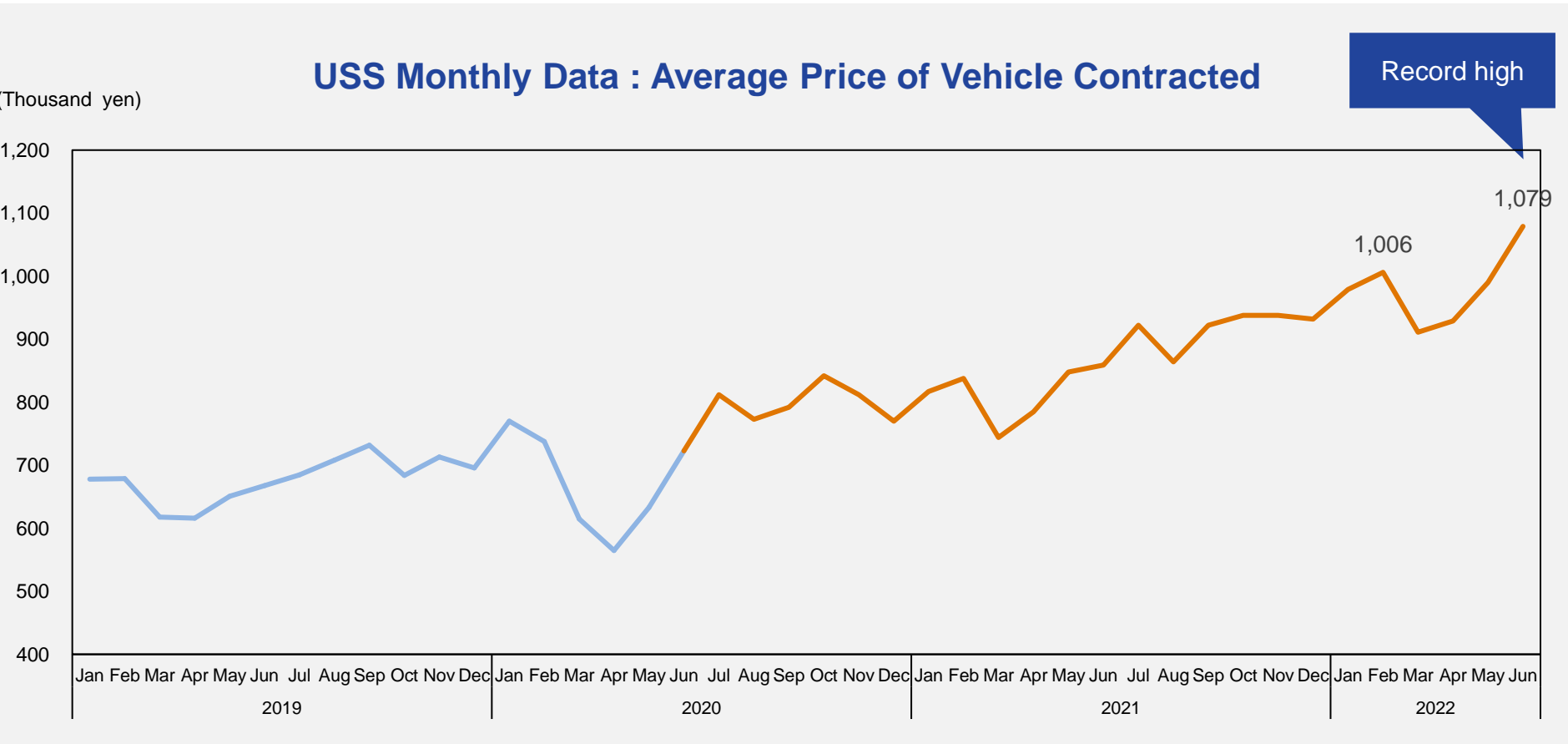


* Period ending in December: 12-month data; Period ending in June: 6-month data.

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

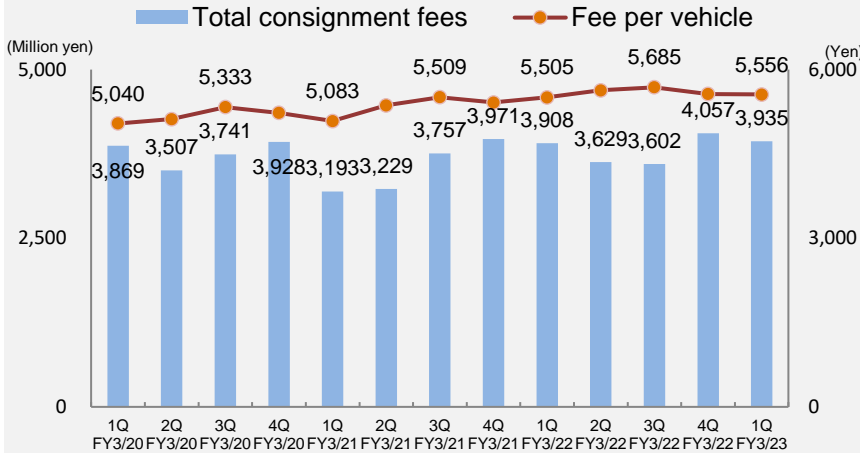
Auto Auction Segment (3)

- Shortage of new cars because of scarcity of auto parts → Decline in trade-in vehicles
 → Decline of the number of used cars on the market → Strained supply-demand balance
 → Spike in auction prices
- Price per contracted vehicle increased year-on-year for 25 consecutive months since June 2020.

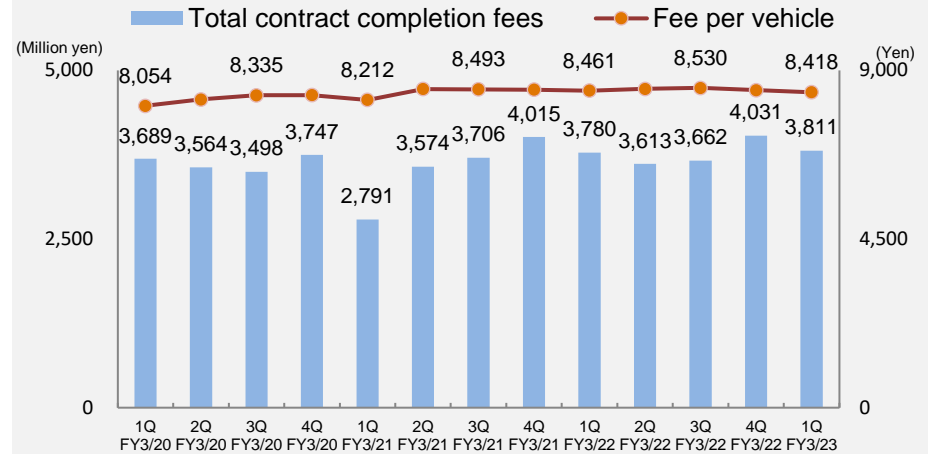


* In auto auctions in Japan, notwithstanding the vehicle contract price, consignment fees, contract completion fees and successful bid fees are fixed for each category. Therefore, commission does not fluctuate with the amount of the contracted price of a vehicle.

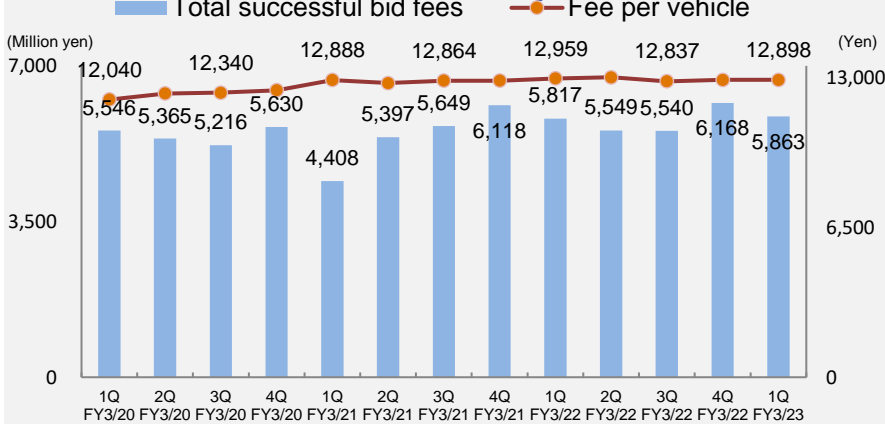
Total Consignment Fees and Consignment Fee per Vehicle



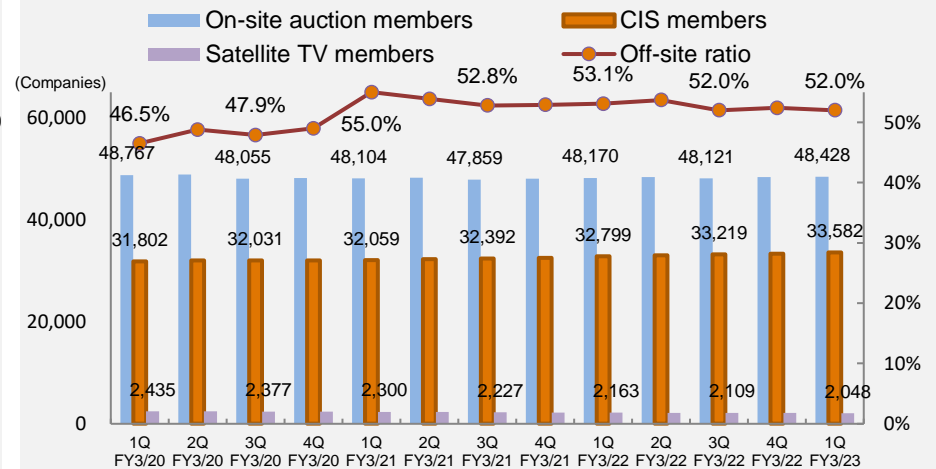
Total Contract Completion Fees and Contract Completion Fee per Vehicle



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 (5)

From April 1, 2022 to June 30, 2022

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1Q FY3/23	1Q FY3/22	1Q FY3/23	1Q FY3/22	YoY change	1Q FY3/23	1Q FY3/22	YoY change	1Q FY3/23	1Q FY3/22
Tokyo	12	12	172,969	167,324	103.4%	116,723	112,765	103.5%	67.5%	67.4%
Nagoya	12	12	112,938	119,673	94.4%	65,969	66,964	98.5%	58.4%	56.0%
HAA Kobe	12	12	65,211	56,842	114.7%	39,734	32,179	123.5%	60.9%	56.6%
Kyushu	12	12	52,461	49,515	105.9%	34,431	30,634	112.4%	65.6%	61.9%
Osaka	12	12	49,582	56,928	87.1%	28,165	29,951	94.0%	56.8%	52.6%
Yokohama	12	12	46,314	46,256	100.1%	30,708	30,637	100.2%	66.3%	66.2%
Sapporo	12	12	35,529	35,213	100.9%	25,306	24,280	104.2%	71.2%	69.0%
Shizuoka	12	12	29,594	27,628	107.1%	15,422	17,186	89.7%	52.1%	62.2%
R-Nagoya	12	12	24,645	27,213	90.6%	20,884	23,359	89.4%	84.7%	85.8%
Kobe	12	12	22,197	21,637	102.6%	13,251	12,674	104.6%	59.7%	58.6%
JAA	12	12	18,282	19,674	92.9%	8,753	11,047	79.2%	47.9%	56.2%
Okayama	12	12	14,834	15,962	92.9%	11,180	12,398	90.2%	75.4%	77.7%
Tohoku	12	12	13,793	12,445	110.8%	10,915	9,725	112.2%	79.1%	78.1%
Gunma	12	12	13,239	13,335	99.3%	8,564	9,352	91.6%	64.7%	70.1%
Niigata	12	12	12,829	15,648	82.0%	7,555	8,874	85.1%	58.9%	56.7%
Saitama	12	12	12,040	12,800	94.1%	7,529	7,215	104.4%	62.5%	56.4%
Fukuoka	12	12	9,503	10,445	91.0%	6,043	6,532	92.5%	63.6%	62.5%
Hokuriku	12	12	5,629	5,033	111.8%	4,052	3,638	111.4%	72.0%	72.3%
Total	216	216	711,589	713,571	99.7%	455,184	449,410	101.3%	64.0%	63.0%

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

Auto Auction Segment (6)

(Vehicles, %)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	First Half	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Second Half	Fiscal Year
No. of Vehicles Consigned	FY3/21	255,293	180,384	196,014	217,449	166,982	221,001	1,237,123	250,352	228,129	207,446	207,691	242,073	288,270	1,423,961	2,661,084
	YoY Change	▲3.8	▲27.4	▲23.9	▲13.0	▲20.6	▲3.6	▲15.3	▲1.0	▲11.3	5.6	▲1.8	▲3.9	▲1.7	▲2.7	▲9.0
	FY3/22	249,661	226,767	237,143	248,298	167,498	232,175	1,361,542	225,057	211,642	200,338	194,069	233,948	305,073	1,370,127	2,731,669
	YoY Change	▲2.2	25.7	21.0	14.2	0.3	5.1	10.1	▲10.1	▲7.2	▲3.4	▲6.6	▲3.4	5.8	▲3.8	2.7
	FY3/23	274,614	198,401	238,574				711,589							-	711,589
	YoY Change	10.0	▲12.5	0.6				-							-	-
No. of Vehicles Contracted	FY3/21	119,644	96,174	126,384	150,887	118,526	153,725	765,340	166,954	145,090	127,329	132,226	156,459	187,412	915,470	1,680,810
	YoY Change	▲23.8	▲36.1	▲17.5	▲2.0	▲10.0	2.1	▲14.7	6.7	▲3.9	10.4	1.2	▲1.0	14.3	4.6	▲5.2
	FY3/22	152,866	145,088	151,456	156,301	113,210	157,678	876,599	153,735	147,200	130,978	130,829	155,225	192,736	910,703	1,787,302
	YoY Change	27.8	50.9	19.8	3.6	▲4.5	2.6	14.5	▲7.9	1.5	2.9	▲1.1	▲0.8	2.8	▲0.5	6.3
	FY3/23	163,077	131,149	160,958				455,184							-	455,184
	YoY Change	6.7	▲9.6	6.3				-							-	-
Contract Completion Rate	FY3/21	46.9	53.3	64.5	69.4	71.0	69.6	61.9	66.7	63.6	61.4	63.7	64.6	65.0	64.3	63.2
	FY3/22	61.2	64.0	63.9	62.9	67.6	67.9	64.4	68.3	69.6	65.4	67.4	66.4	63.2	66.5	65.4
	FY3/23	59.4	66.1	67.5				-							-	-

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

Used Vehicle Purchasing and Selling Segment

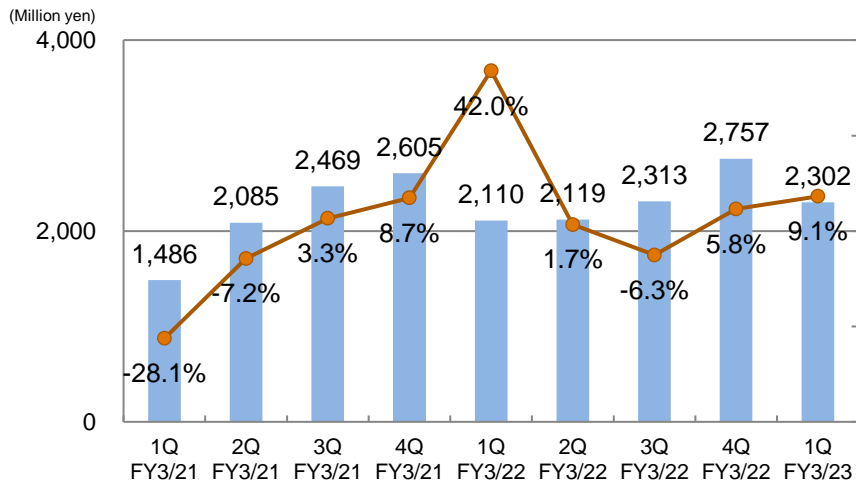
- At Rabbit, which purchases used vehicles, sales increased but earnings were lower. Auction prices of used vehicles were high but the cost of buying used vehicles increased and the selling cost increased. (Net sales increased 9.5% YoY to ¥1,334 million, Operating profit decreased 1.3% YoY to ¥31 million)
- Operating loss in the accident-damaged vehicle purchasing and selling business because the number of high-priced vehicles handled increased, but the number of vehicles sold decreased. (Net sales increased 8.6% YoY to ¥967 million, Operating loss ¥19 million(Operating loss ¥13 million in 1Q FY3/22))

Used Vehicle Purchasing and Selling Segment Performance in 1Q

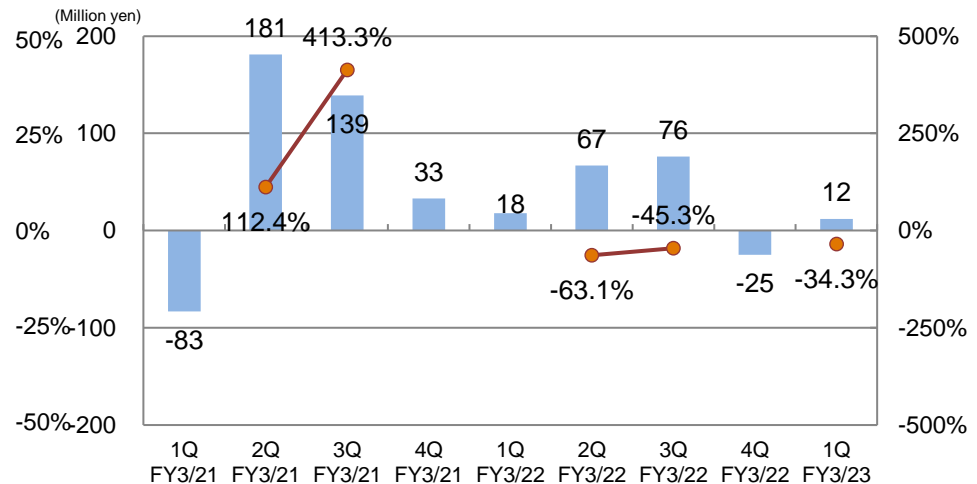
(Million yen)

	1Q FY3/21	1Q FY3/22	1Q FY3/23	Year on year
Net sales	1,486	2,110	2,302	109.1%
Operating profit	▲83	18	12	65.7%
Operating margin	▲5.6%	0.9%	0.5%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Profit and YoY Changes



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

Other Segment

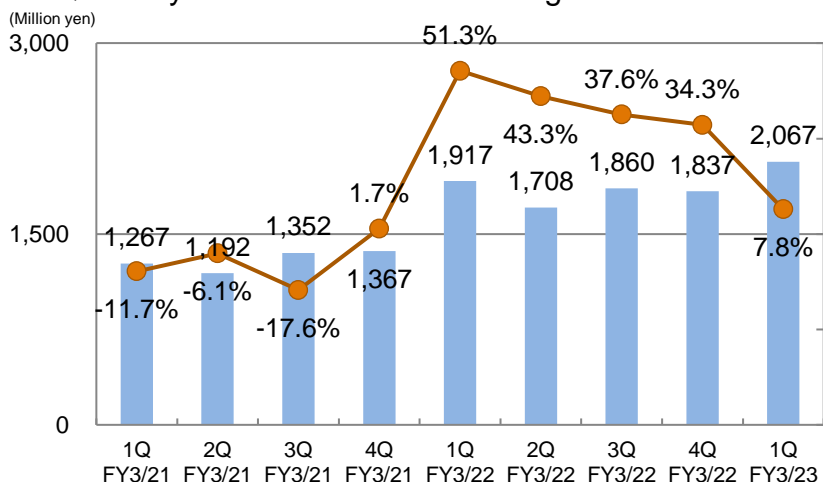
- In the recycle business, sales were up but earnings declined because the metal scrap market plunged in May causing profit margins to shrink. (Net sales increased 7.9% YoY to ¥2,041 million, Operating profit decreased 5.3% to ¥321 million)

Other Segment Performance in 1Q

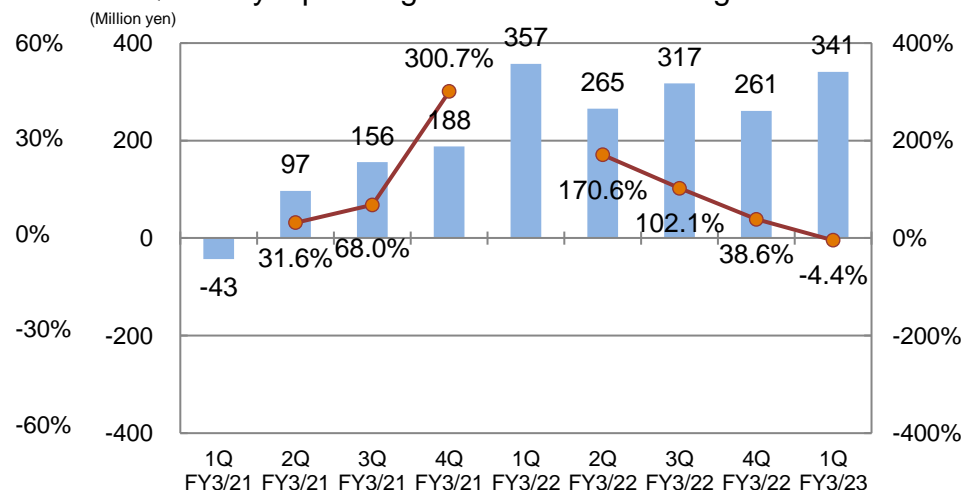
(Million yen)

	1Q FY3/21	1Q FY3/22	1Q FY3/23	Year on year
Net sales	1,267	1,917	2,067	107.8%
Operating profit	▲43	357	341	95.6%
Operating margin	▲3.4%	18.6%	16.5%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Profit and YoY Changes



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

Consolidated Forecast for FY3/2023

- No revisions to the FY3/23 forecast announced May 10, 2022

	(Million yen)			
	FY3/21 (Actual)	FY3/22 (Actual)	FY3/23 (Forecast)	VS. previous year
Net sales	74,874	81,482	84,100	103.2%
Gross profit (Per sales)	46,533 (62.1%)	50,772 (62.3%)	52,685 (62.6%)	103.8%
Operating profit (Per sales)	36,227 (48.4%)	41,574 (51.0%)	43,100 (51.2%)	103.7%
Ordinary profit (Per sales)	36,996 (49.4%)	42,374 (52.0%)	43,800 (52.1%)	103.4%
Profit attributable to owners of parent (Per sales)	4,022 (5.4%)	29,745 (36.5%)	30,000 (35.7%)	100.9%
Profit per share (Yen)	16.13	119.80	122.68	102.4%
Capital expenditures (Terms of cash flows)	8,985	2,036	6,800	333.9%
Depreciation	5,334	4,959	4,770	96.2%
Auto Auction Business (excl. JBA)				
	FY3/21 (Actual)	FY3/22 (Actual)	FY3/23 (Forecast)	VS. previous year
No. of vehicles consigned (Thousands)	2,661	2,731	2,860	104.7%
No. of vehicles contracted (Thousands)	1,680	1,787	1,850	103.5%
Contract completion rate	63.2%	65.4%	64.7%	-

* Profit per share (FY3/2023) is restated to reflect the changes in treasury shares to the end of June 2022.

FY3/2023 – Reasons for Change in Operating Profit (Forecast)

Net sales

Increase in vehicles consigned 2.50bn
 Used vehicle sales/purchases 0.68bn
 Decrease in contract completion rate ▲0.45bn

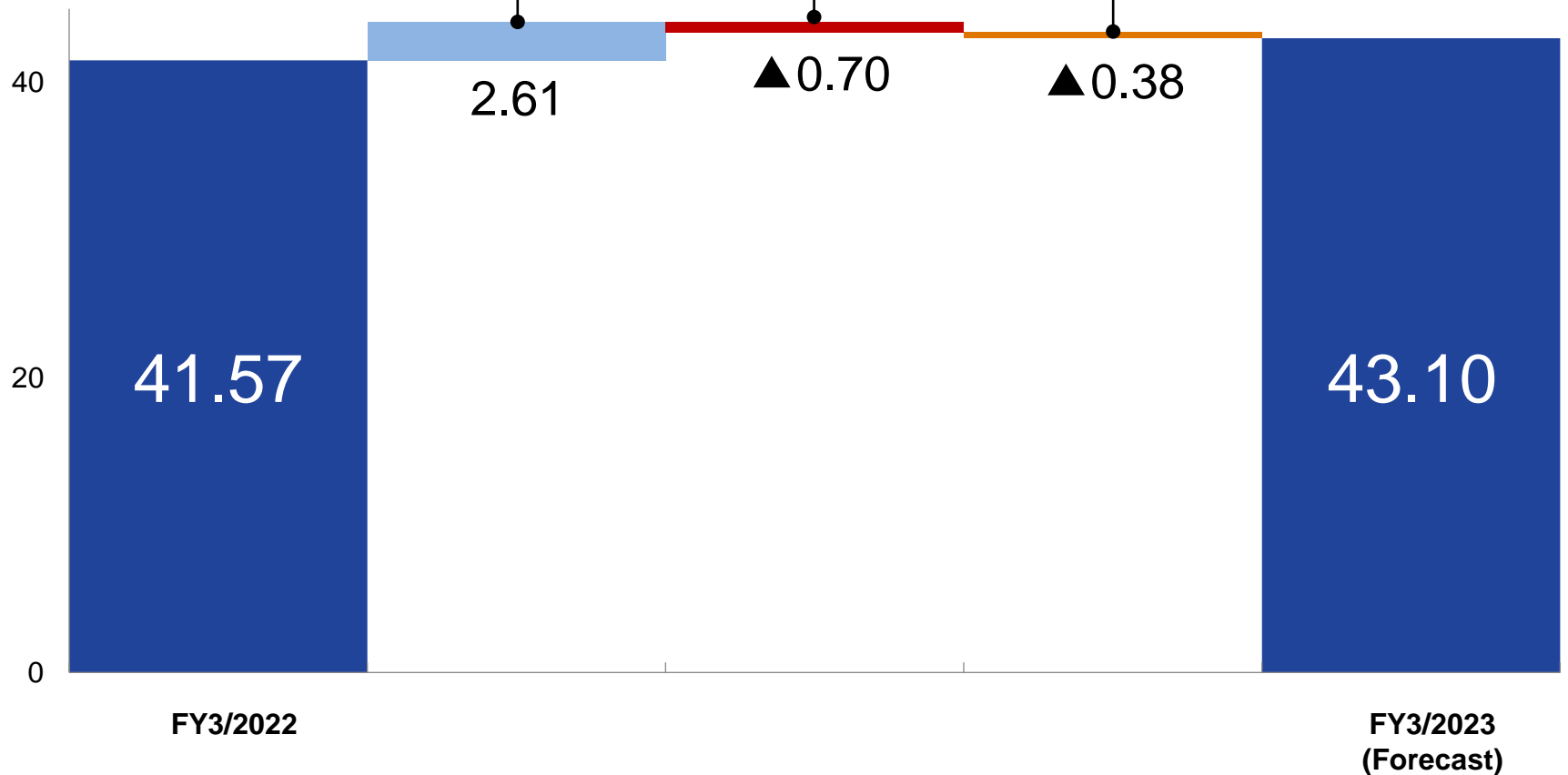
Cost of sales

Increase in cost of goods sold ▲0.46bn
 Increase in purchases ▲0.33bn

SG&A expenses

Increase in sales promotion expenses ▲0.16bn
 Increase in taxes and dues ▲0.05bn
 Increase in employee salaries and bonuses ▲0.04bn

(Billion yen)



(Million yen)

	FY3/21 (Actual)	FY3/22 (Actual)	FY3/23 (Forecast)	VS. previous year
Net sales				
Auto auction	61,048	64,858	67,035	103.4%
Used vehicle purchasing and selling	8,646	9,300	9,989	107.4%
Other	5,180	7,323	7,074	96.6%
Total	74,874	81,482	84,100	103.2%
Operating profit (Per sales)	36,227 (48.4%)	41,574 (51.0%)	43,100 (51.2%)	103.7%

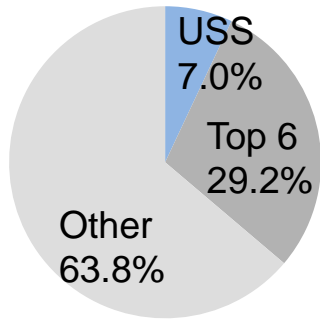
Market Overview

Strategy for Creating Value Over the Medium Term

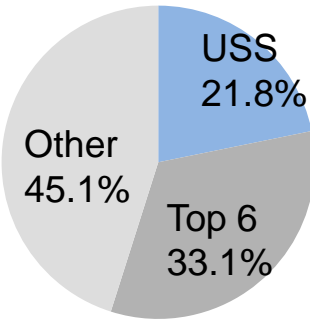
Used Car Auction Market and USS Market Share

- Maintained higher market shares and 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 (August 2017 M&A of the company)

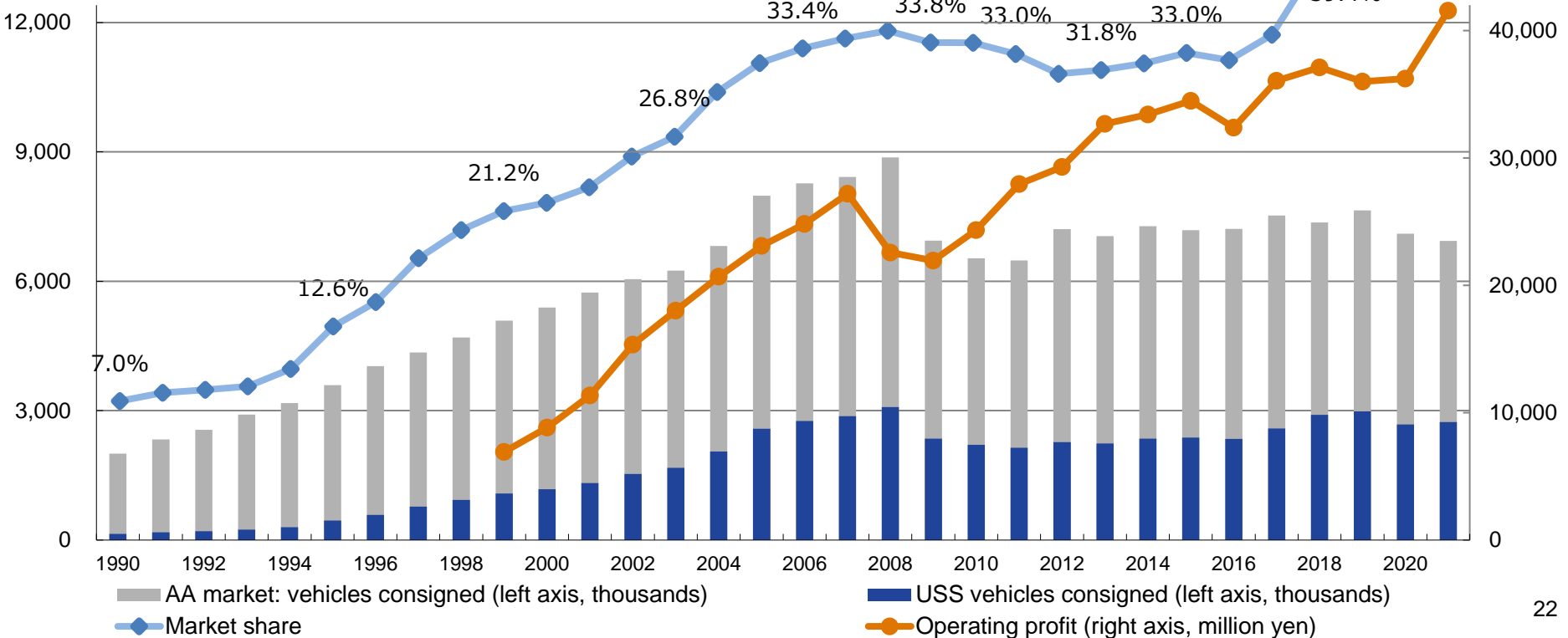
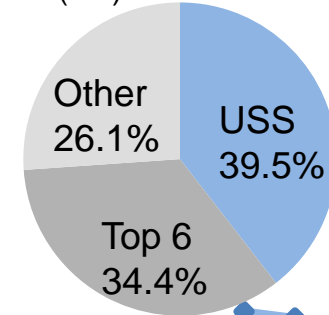
1990(CY) market share



2000(CY) market share

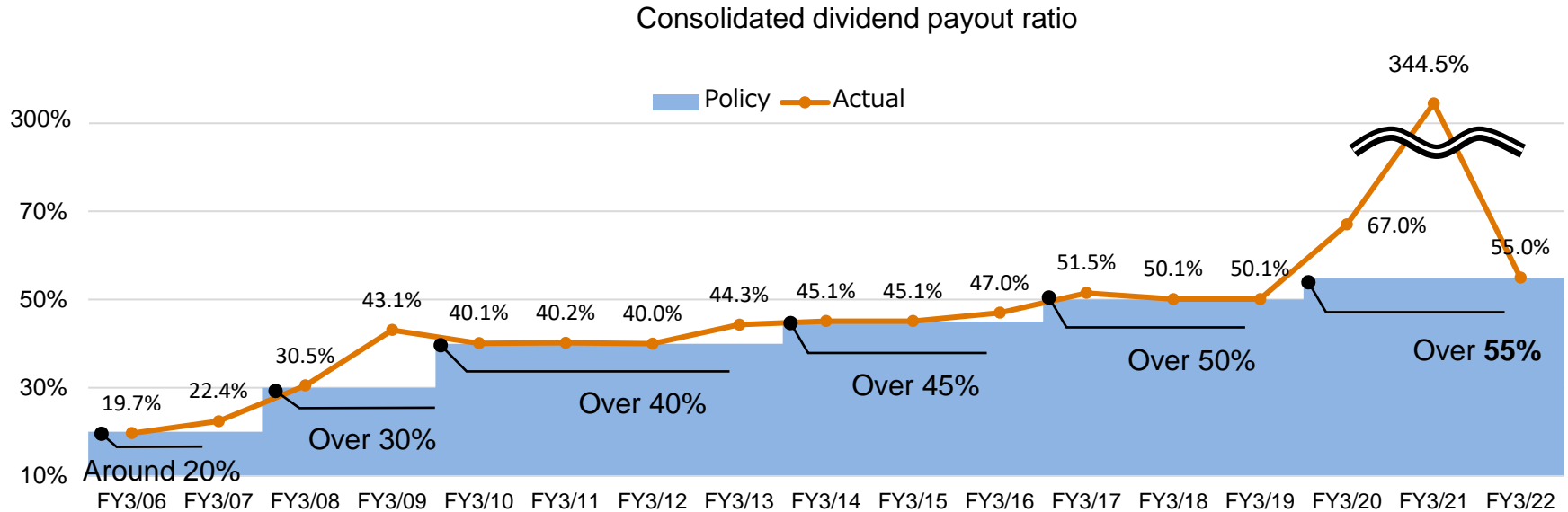


2021(CY) market share



Increase shareholder distributions while continuing investment for growth

■ Consolidated dividend payout ratio: Over **55%** from FY3/2020



■ Return on equity (ROE): Medium-term goal is at least 15%

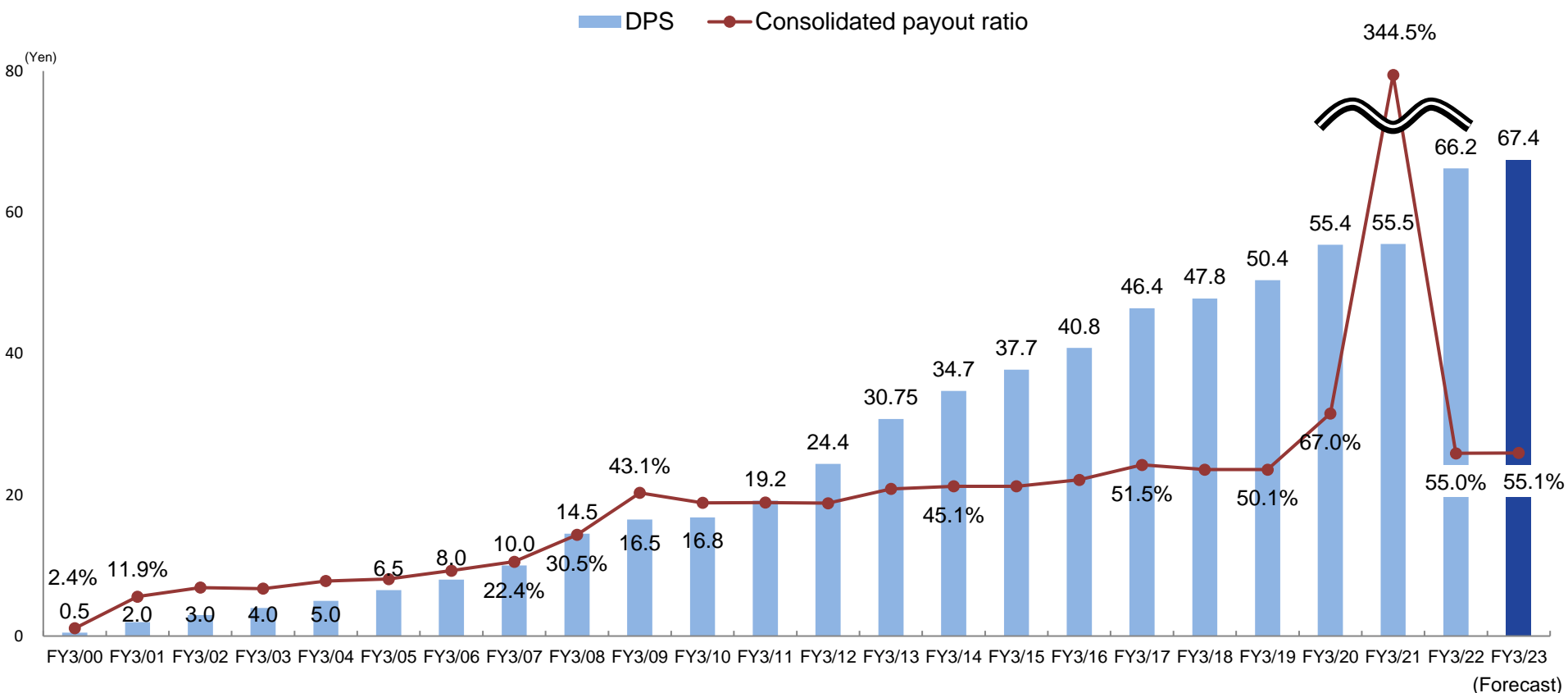
- Stock repurchases: Buy back stock with flexibility, with due consideration to cash flows, capital investment plans and the market environment

- Retired treasury stock on June 30, 2022.

Retirement of treasury shares

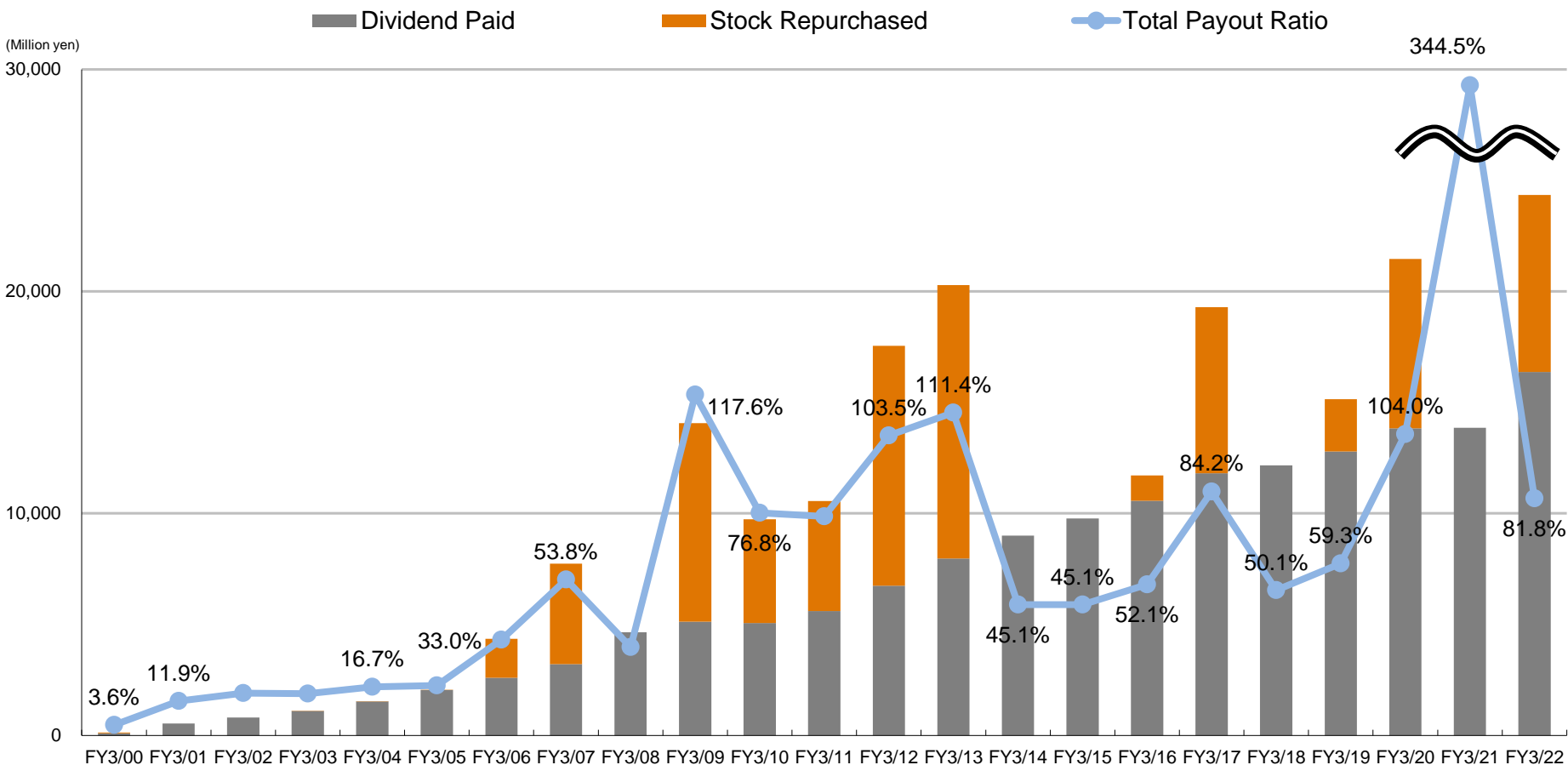
Class of shares to be retired	Common shares of the Company
Number of shares to be retired	56,250,000 shares (Ratio of total shares issued before retirement: 17.95%)
Date of retirement	June 30, 2022
Total number of shares issued after the retirement	257,000,000 shares
Total number of treasury shares after retirement	12,390,286 shares (Ratio to the total shares issued: 4.82%)

- Plan to pay **67.4 yen** dividend per share for FY3/2023 (up 1.2 yen)
- Forecasting **23 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.

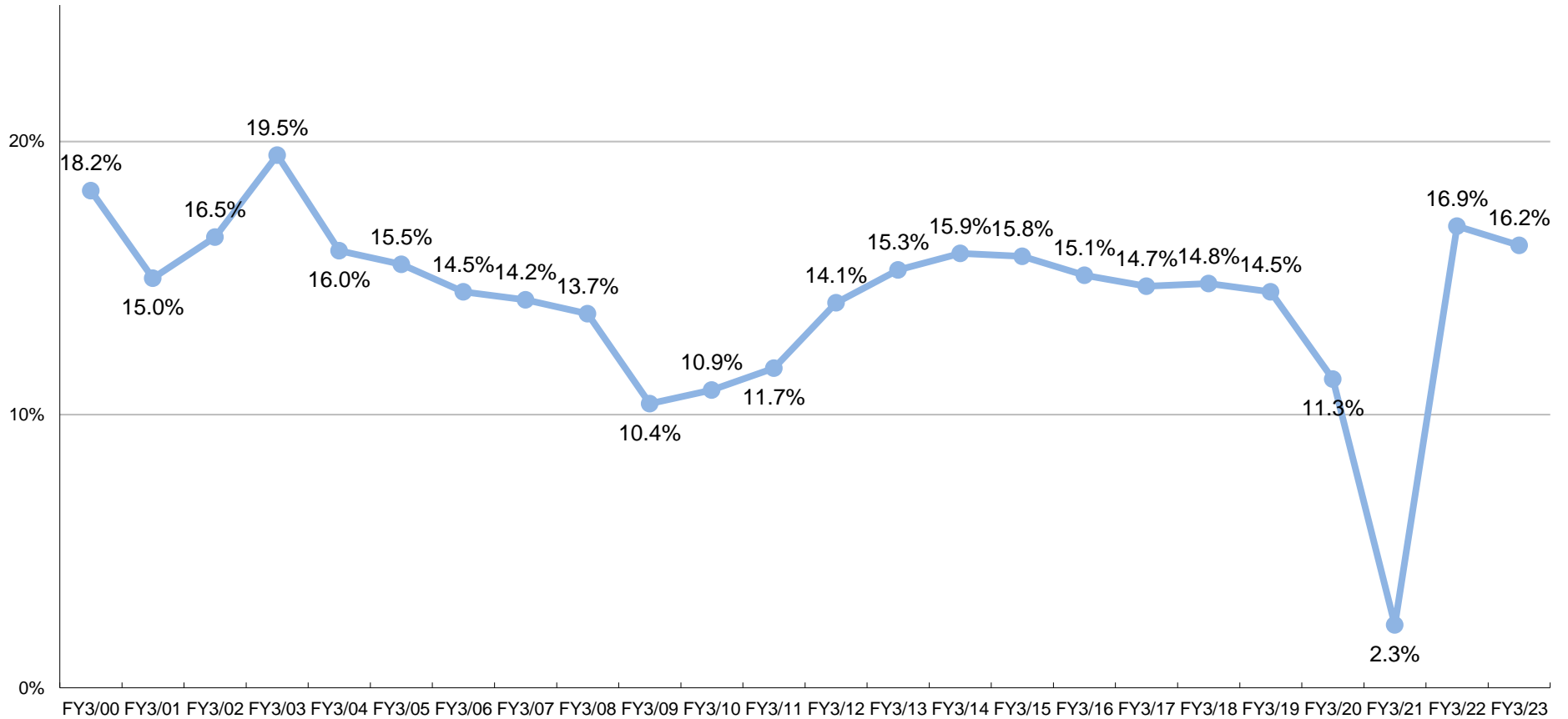
■ Flexible stock repurchases while maintaining stable dividend.



Earnings Distributions – Return on Equity (ROE)

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

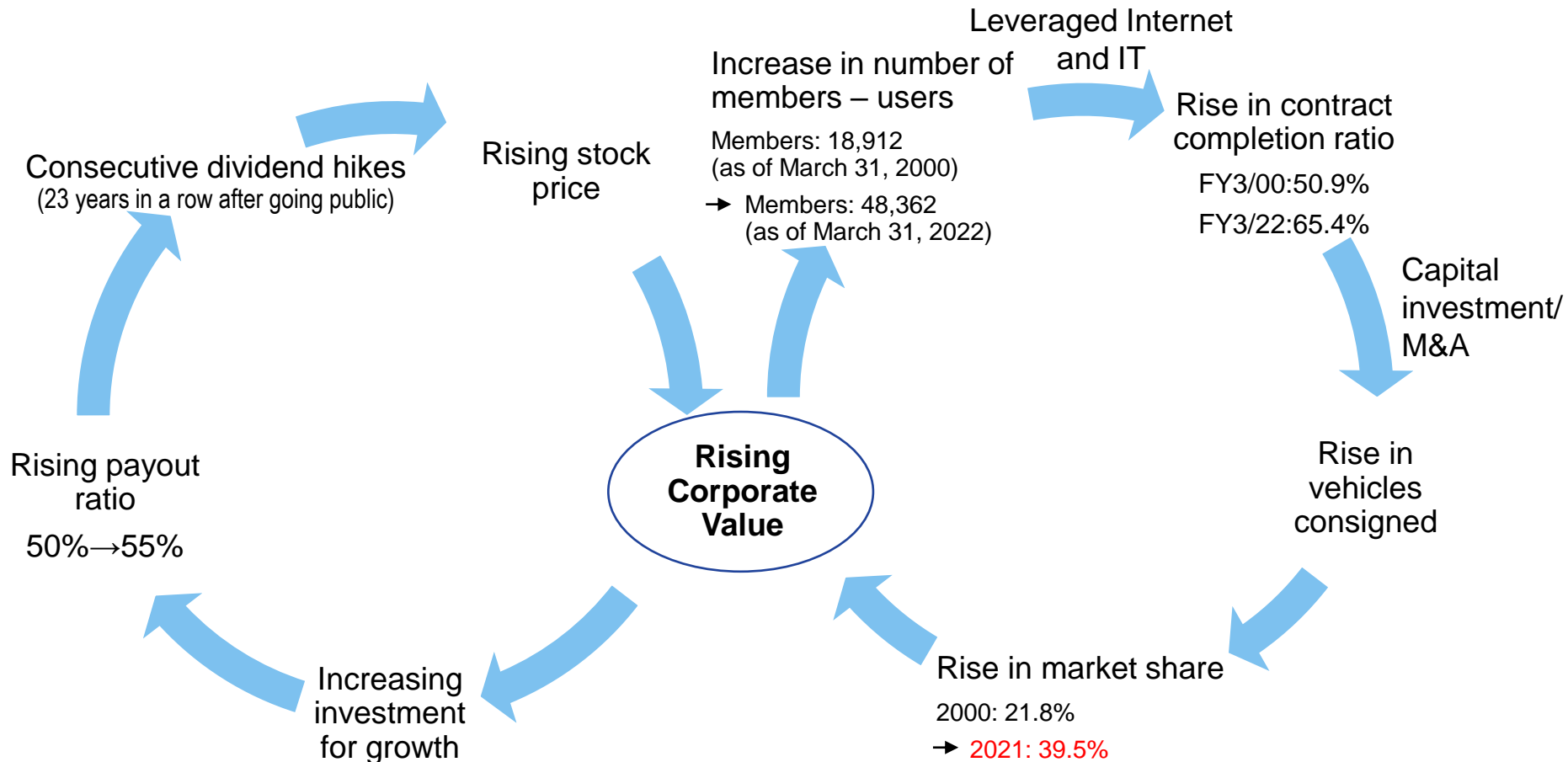
ROE



* ROE (FY3/2023) is restated to reflect the changes in treasury shares to the end of June 2022.

(Forecast)

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



- USS disclosed information based on the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022.
 - USS announced its Scope 1, 2 and 3 CO₂ emissions and medium-term target for lowering CO₂ emissions.
 - * Scope 1: Greenhouse gas emissions directly from business operations (burning fuel, industrial processes) Scope 2: Indirect greenhouse gas emissions due to the use of electricity, heat and steam supplied by other companies Scope 3: Indirect greenhouse gas emissions from sources other than those in Scope 1 and 2 (emissions of other companies associated with the activities of USS)

- Activities
 - Increase the use of renewable energy (solar electricity) at auction sites

- Adopted the evaluation index, ESG external evaluation*, for the evaluation executive compensation
 - * External ESG evaluations are the ESG ratings of MSCI and CDP.

- USS received a “C” score in the climate change category based on a survey of companies conducted by the CDP, a non-profit charity that runs a global disclosure system for environmental impacts.



Information about the USS policies and activities concerning ESG is in the Integrated Report that was issued in 2021.

Integrated Report 2021 <https://www.ussnet.co.jp/en/ir/library/annual/>

Contact Information

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Notes

- This document has been translated from the original Japanese as a guide for non-Japanese investors.
- Forward-looking statements in this material are based on information available to management at the time this material was prepared and assumptions that management believes are reasonable. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these statements for a number of reasons.
- The information provided in this material may include unaudited figures.
- The amounts less than the units shown are discarded.
- Percentages are rounded to the hundredths place.

Reference materials

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

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%

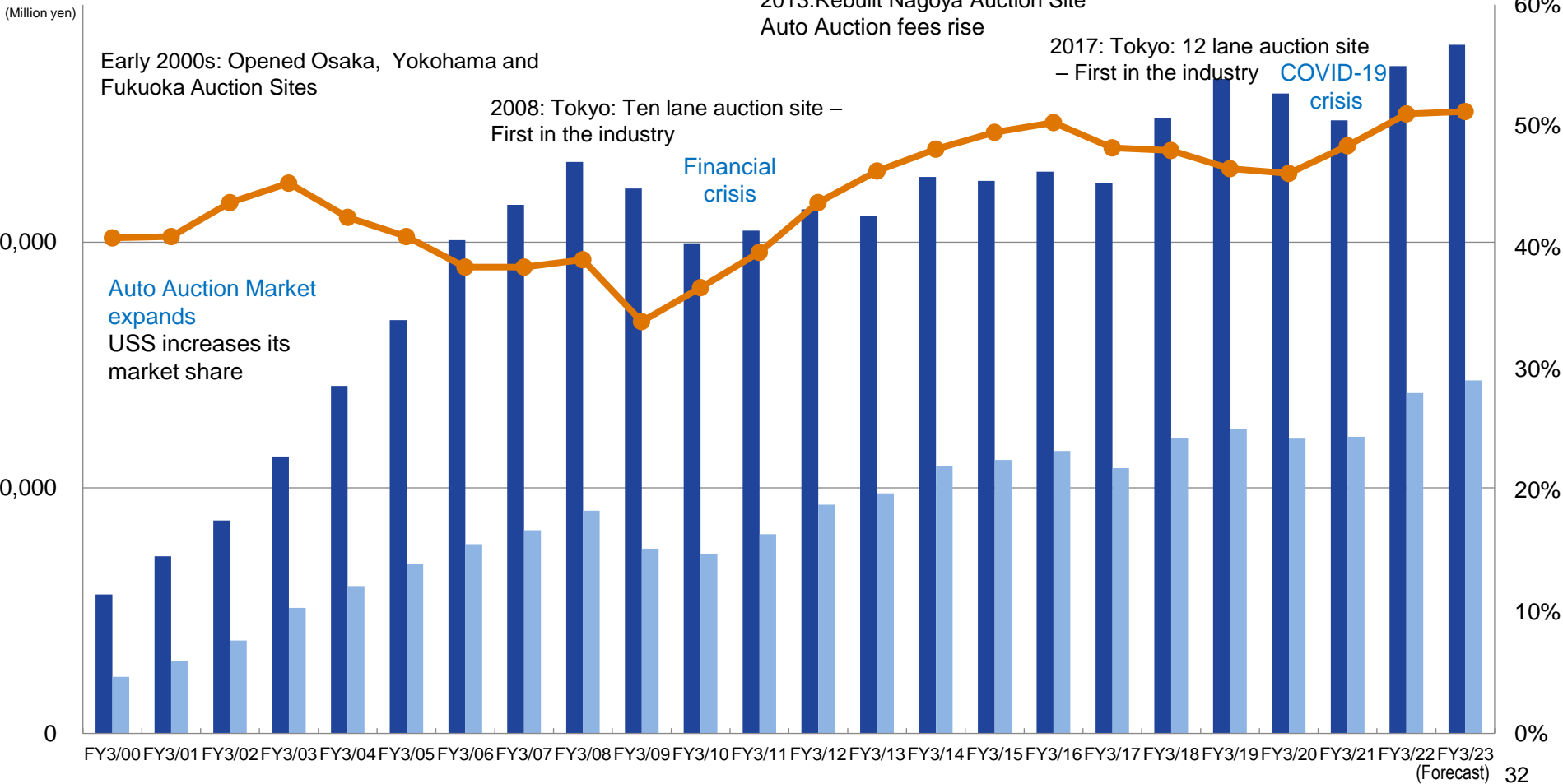
■ Net sales ■ Operating profit ● Operating margin

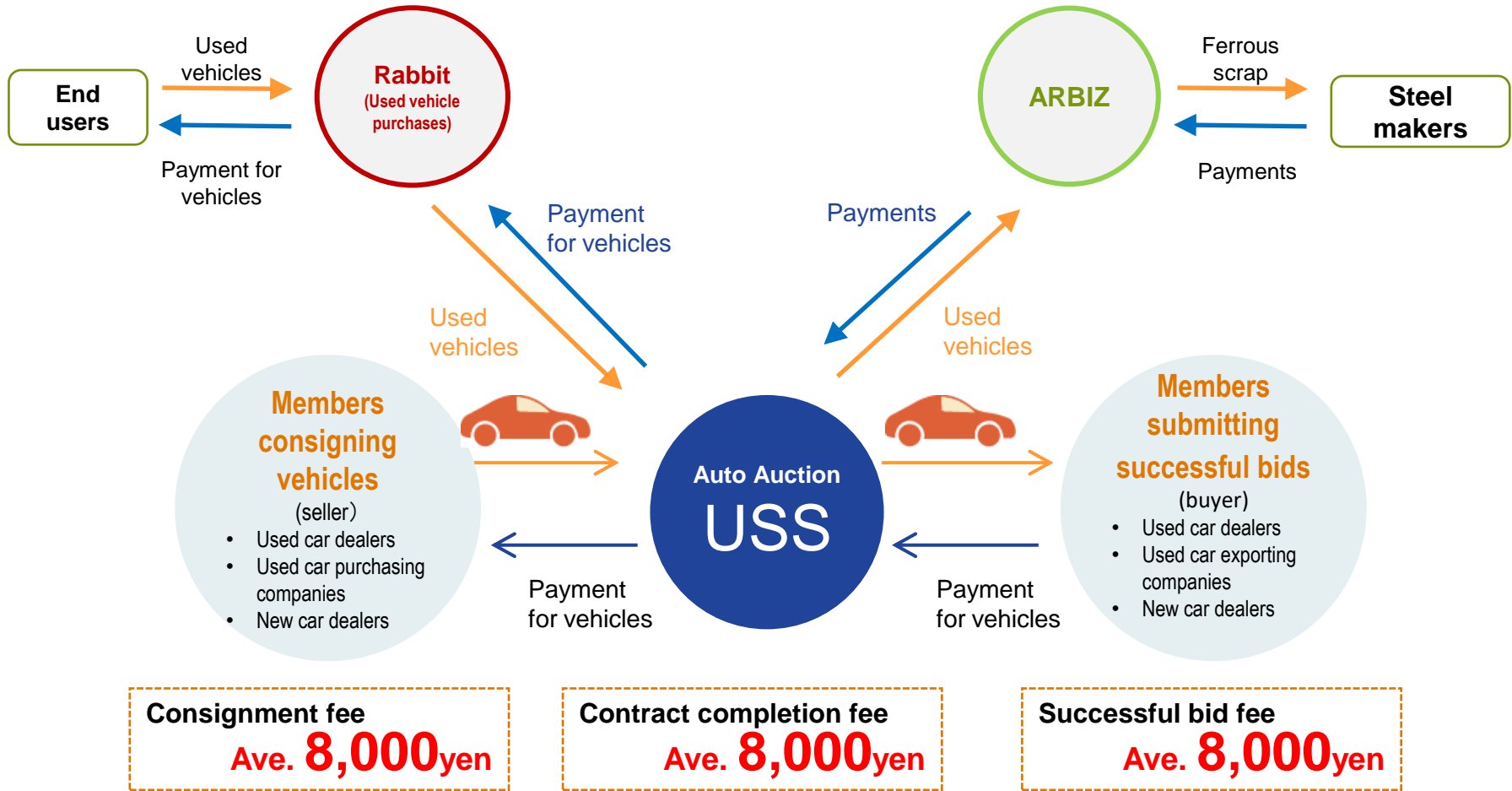
New car sales and exports recover

2013: Rebuilt Nagoya Auction Site
 Auto Auction fees rise

2017: Tokyo: 12 lane auction site
 – First in the industry

COVID-19 crisis



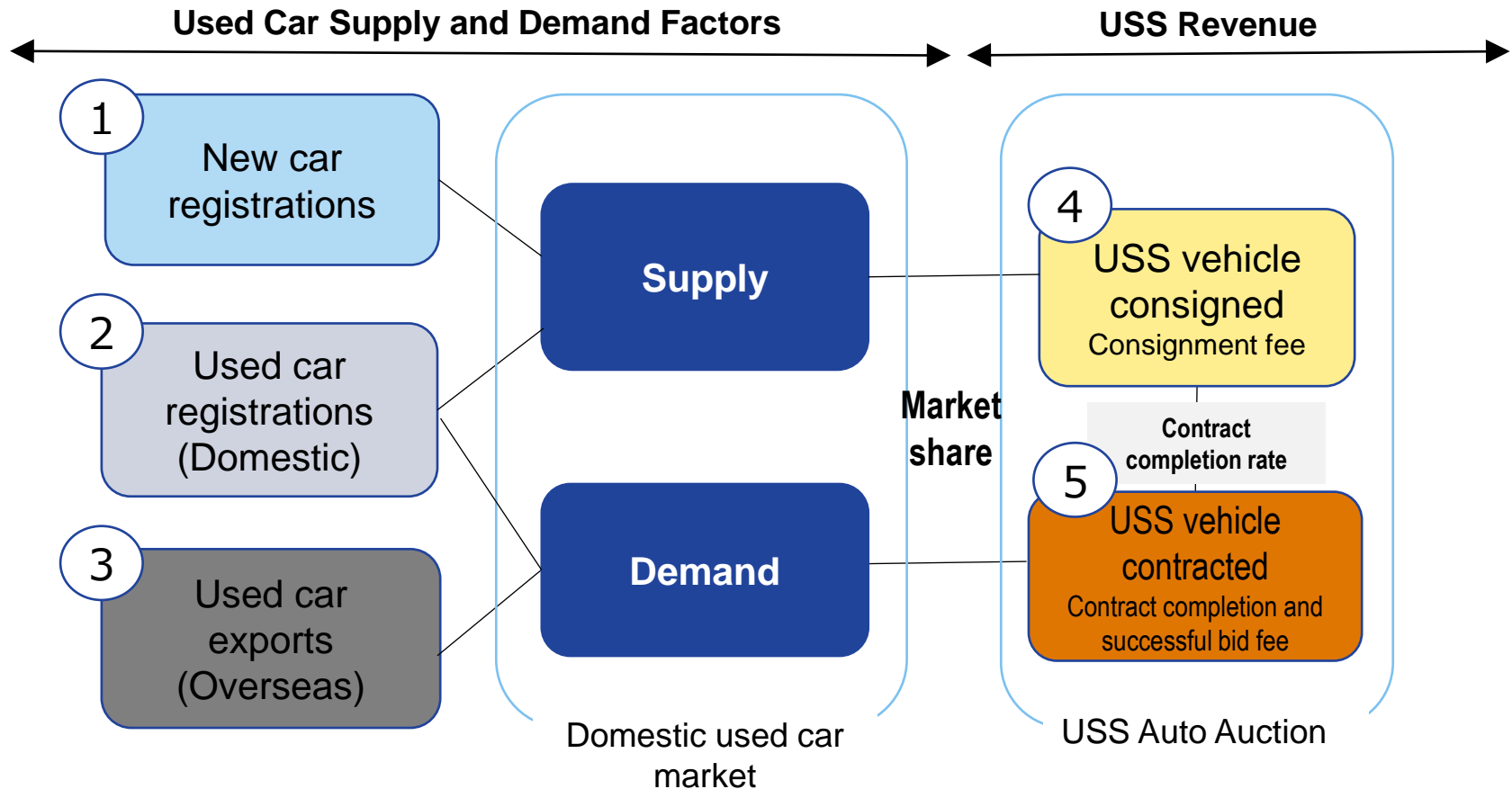


Vehicles consigned
2.73 million units/year
 (FY3/2022)

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

Contract completion rate
65.4% (FY3/2022)

- 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.



New/Used Car Registrations and Auto Auction Market

- 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)

