



# Consolidated Results of Operations

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

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USS Co., Ltd.  
February 2019

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

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

#### Reference materials

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

# Results of Operations Third Quarter Fiscal Year Ending March 2019

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# 3Q FY3/2019 – Summary of Consolidated Results of Operations

- Results of operations: Sales increased 8.0% YoY to ¥58.33 billion, operating profit was up 4.4% to ¥27.11 billion, and profit attributable to owners of parent increased 4.6% to ¥18.47 billion.
- The number of vehicles handled increased significantly because of the acquisition of JAA.
- The results of JAA, and of HAA Kobe Inc. and AUCTION TRANSPORT Inc. were included in the consolidated income statement from 3Q FY3/2018.

(Million yen)

	1-3Q FY3/17	1-3Q FY3/18	1-3Q FY3/19	Year on year
Net sales	48,622	54,003	58,339	108.0%
Cost of sales (Per sales)	19,195 (39.5%)	21,268 (39.4%)	22,818 (39.1%)	107.3%
Gross profit (Per sales)	29,427 (60.5%)	32,735 (60.6%)	35,520 (60.9%)	108.5%
Selling, general and administrative expenses (Per sales)	6,069 (12.5%)	6,761 (12.5%)	8,406 (14.4%)	124.3%
Operating profit (Per sales)	23,358 (48.0%)	25,973 (48.1%)	27,114 (46.5%)	104.4%
Ordinary profit (Per sales)	23,833 (49.0%)	26,388 (48.9%)	27,586 (47.3%)	104.5%
Profit attributable to owners of parent (Per sales)	16,370 (33.7%)	17,671 (32.7%)	18,476 (31.7%)	104.6%

\* Data for 1-3Q FY3/18 is retroactively adjusted as the provisional accounting treatment applied for the business combination was finalized.

# 3Q FY3/2019 – Reasons for Change in Operating Profit (Actual)

## Net sales

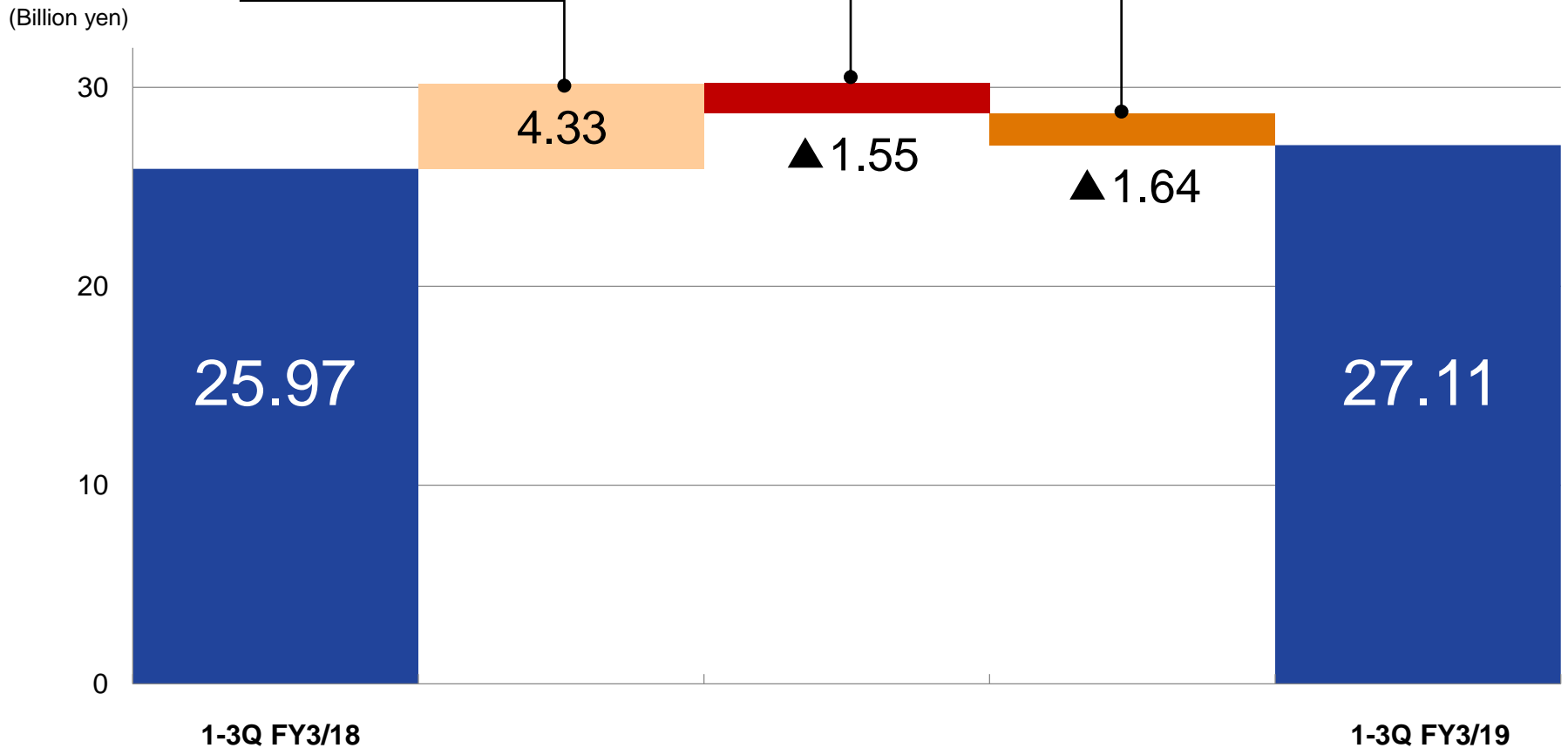
Increase in fee rates	0.82bn
Increase in contract completion rate	0.19bn
Decrease in vehicles consigned	▲0.27bn
Impact of JAA(1H)	3.72bn

## Cost of sales

Decrease in depreciation	0.36bn
Impact of JAA(1H)	▲1.87bn

## SG&A expenses

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



\* "Impact of JAA includes actual JAA data, HAA Kobe and Auction Transport (First half; April-September) data (no YoY comparable data is applicable).

\* Data for 1-3Q FY3/18 is retroactively adjusted as the provisional accounting treatment applied for the business combination was finalized.

# Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	1-3Q FY3/17	1-3Q FY3/18	1-3Q FY3/19	Year on year
Auto auction	38,176	42,509	47,277	111.2%
Used vehicle purchasing and selling	6,816	7,049	6,951	98.6%
Other	3,629	4,444	4,109	92.5%
<b>Total</b>	<b>48,622</b>	<b>54,003</b>	<b>58,339</b>	<b>108.0%</b>
Operating profit (operating margin)	1-3Q FY3/17	1-3Q FY3/18	1-3Q FY3/19	Year on year
Auto auction	22,872 (59.4%)	25,213 (58.8%)	26,394 (55.4%)	104.7%
Used vehicle purchasing and selling	185 (2.7%)	151 (2.1%)	164 (2.4%)	108.3%
Other	135 (3.7%)	531 (11.9%)	481 (11.6%)	90.5%
Elimination of inter-segment transactions	164	77	74	96.4%
<b>Total</b>	<b>23,358 (48.0%)</b>	<b>25,973 (48.1%)</b>	<b>27,114 (46.5%)</b>	<b>104.4%</b>

\* Net sales are sales to external customers and operating profit is based on business segment earnings.

Operating margins (shown % in parenthesis) are calculated by dividing segment profit by segment sales.

\* Data for 1-3Q FY3/18 is retroactively adjusted as the provisional accounting treatment applied for the business combination was finalized.

# Consolidated Balance Sheets and Statements of Cash Flows

- A big increase in auction fees was the main reason for the increase in cash and deposits.
- Other current liabilities were down mainly because income taxes payable and deposits received decreased.
- Free cash flows increased because there were no major capital expenditures.
- Equity ratio: 86.0%

## Consolidated Balance Sheets (Summary)

	FY3/18	1-3Q FY3/19
Current assets	62,777	50,376
Cash and deposits	39,622	41,715
Receivables due from member dealers at auction, etc.	23,154	8,660
Non-current assets	159,514	155,285
Property, plant and equipment	106,508	104,347
Other	53,005	50,937
<b>Total assets</b>	<b>222,292</b>	<b>205,661</b>

(Million yen)

	FY3/18	1-3Q FY3/19
Current liabilities	37,373	15,038
Payables due to member dealers at auction	22,339	6,382
Other	15,033	8,656
Non-current liabilities	12,728	12,114
<b>Total liabilities</b>	<b>50,102</b>	<b>27,153</b>
<b>Total net assets</b>	<b>172,190</b>	<b>178,508</b>
<b>Total liabilities and net assets</b>	<b>222,292</b>	<b>205,661</b>

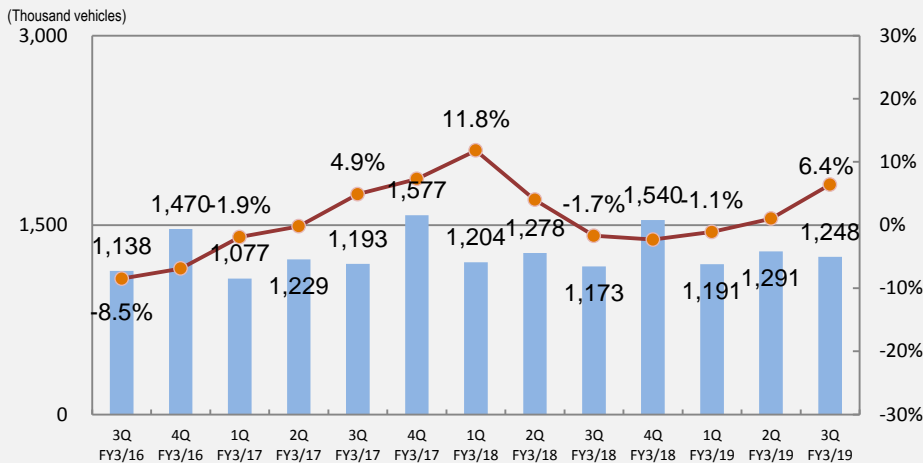
## Consolidated Statements of Cash Flows (Summary)

(Million yen)

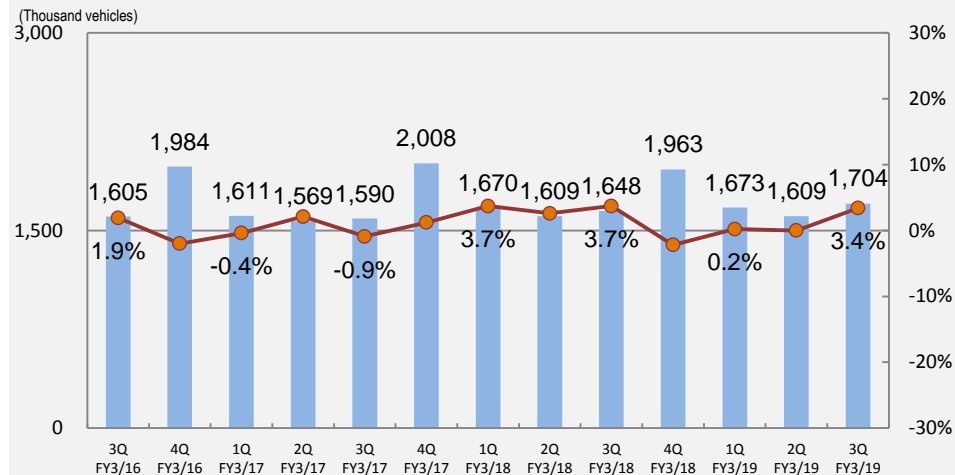
	1-3Q FY3/17	1-3Q FY3/18	1-3Q FY3/19	Changes
Net cash provided by (used in) operating activities	14,698	14,796	15,836	1,040
Net cash provided by (used in) investing activities	▲9,230	▲19,681	▲924	18,756
Free cash flow	5,468	▲4,885	14,911	19,796
Net cash provided by (used in) financing activities	▲17,767	▲12,046	▲12,819	▲772
Capital expenditures (Terms of cash flows)	5,229	4,257	1,518	▲2,738
Depreciation	3,289	3,637	3,984	346

\* Balance sheet figures at the end of FY3/18 have been retroactively adjusted for consistency with partial amendments to the standard for tax effect accounting.  
 \* Cash flows for 1-3Q FY3/18 is retroactively adjusted as the provisional accounting treatment applied for the business combination was finalized.

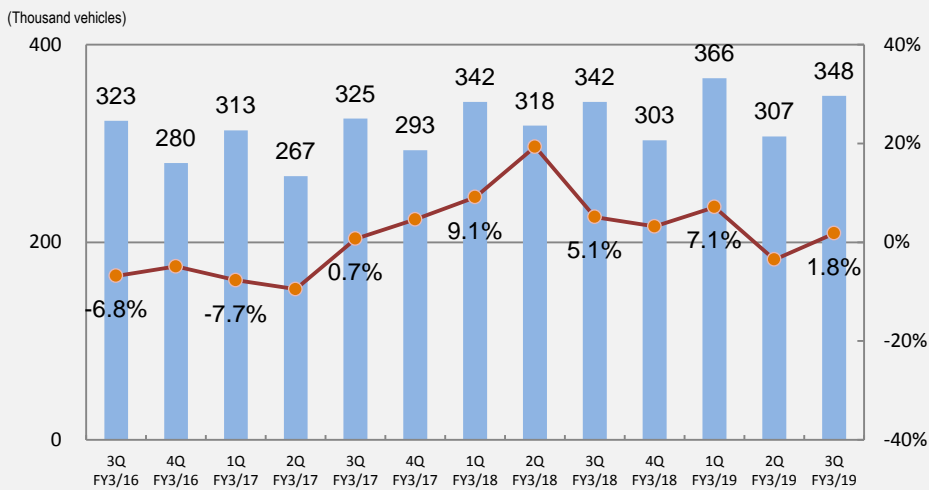
## New Car Registrations and YoY Changes



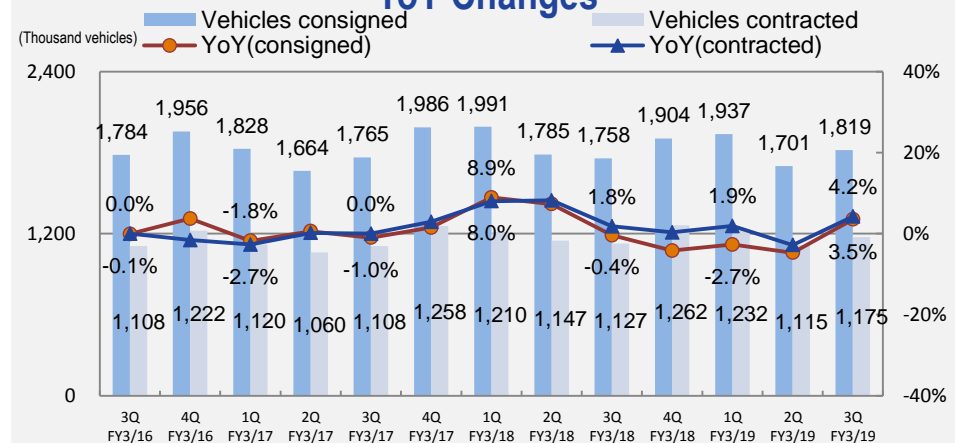
## Used Car Registrations and YoY Changes



## Used Car Exports and YoY Changes



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





# Auto Auction Segment (1)

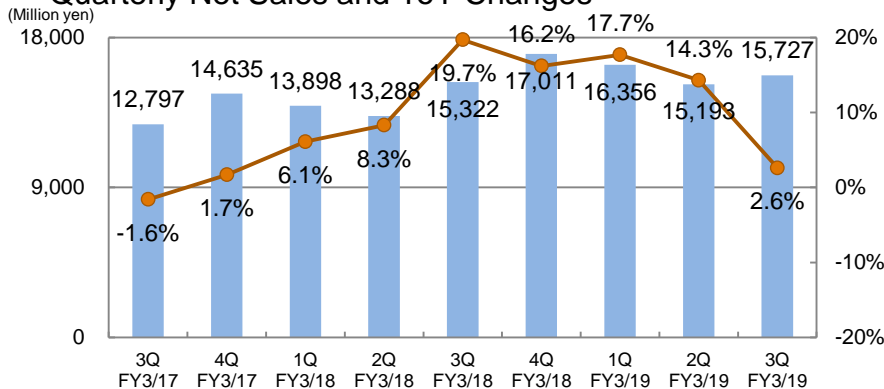
- Vehicles consigned increased 10.5% YoY to 2,115 thousand; contract completions increased 9.7% YoY to 1,330 thousand (contract completion rate: 62.9% against 63.3% in the previous fiscal year) (1,803 thousand vehicles consigned (an increase of 1.5% YoY) at USS's 17 existing auction sites (excluding JAA and HAA Kobe auction site), and 1,162 thousand contract completions (an increase of 2.0% YoY))
- The business results of JAA Inc., which has been made a subsidiary, are included in the consolidated income statement from 3Q FY3/2018

## Auto Auction Segment Performance in 1-3Q

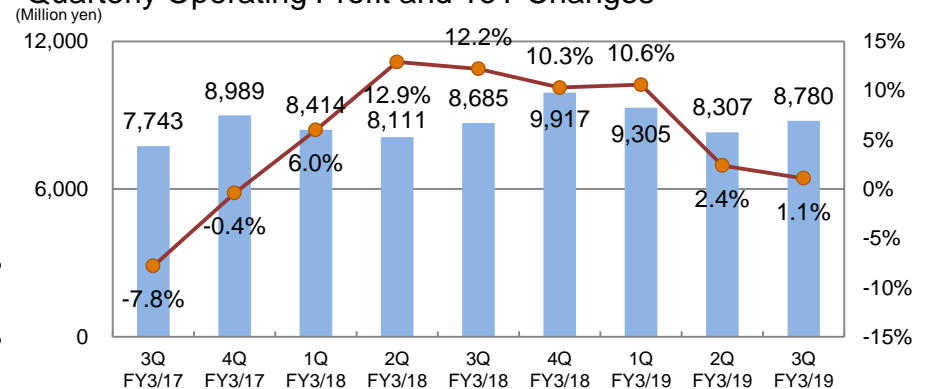
(Million yen)

	1-3Q FY3/17	1-3Q FY3/18	1-3Q FY3/19	Year on year
Net sales	38,176	42,509	47,277	111.2%
Consignment fees	8,991	10,092	11,209	111.1%
Contract completion fees	8,679	9,833	10,879	110.6%
Successful bid fees	12,899	14,270	16,214	113.6%
Other	7,605	8,312	8,975	108.0%
Operating profit	22,872	25,213	26,394	104.7%
Operating margin	59.4%	58.8%	55.4%	-

### Quarterly Net Sales and YoY Changes



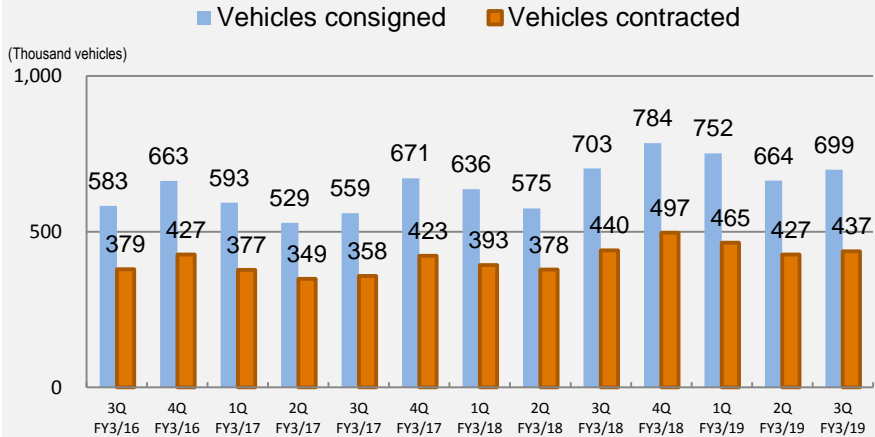
### Quarterly Operating Profit and YoY Changes



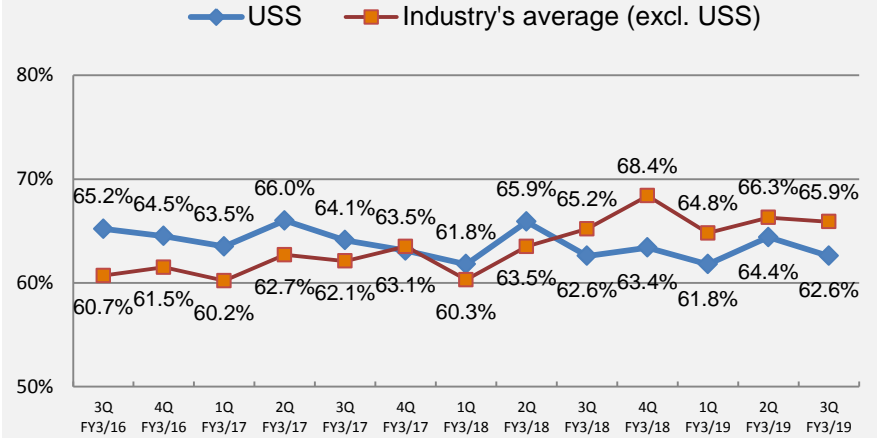
\* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

\* Data for 1-3Q FY3/18 is retroactively adjusted as the provisional accounting treatment applied for the business combination was finalized.

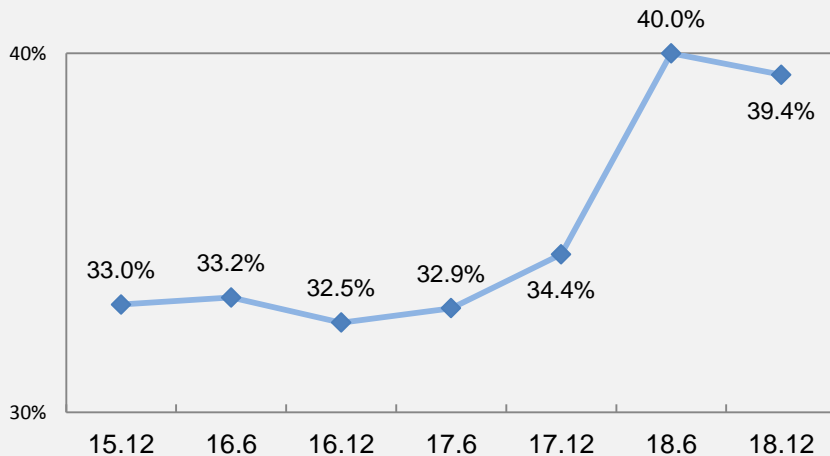
## No. of Vehicles Consigned and Vehicles Contracted



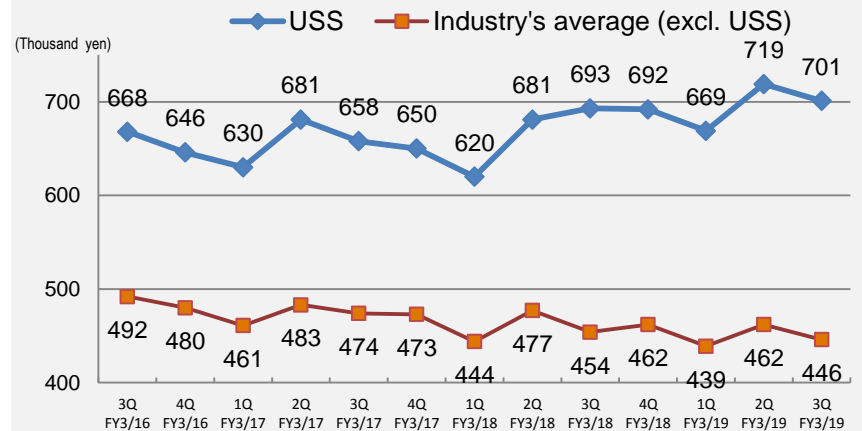
## Contract Completion Rate



## Market Share



## Average Price of Vehicle Contracted

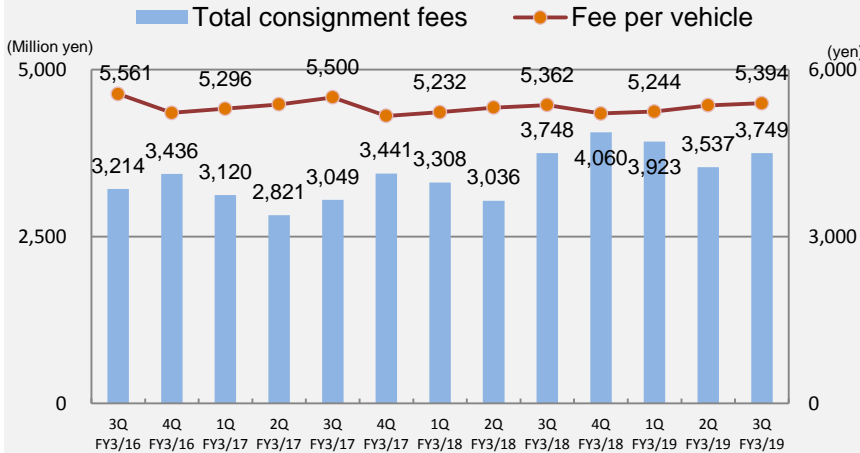


\* Period ending in December: 12-month data; Period ending in June: 6-month data.

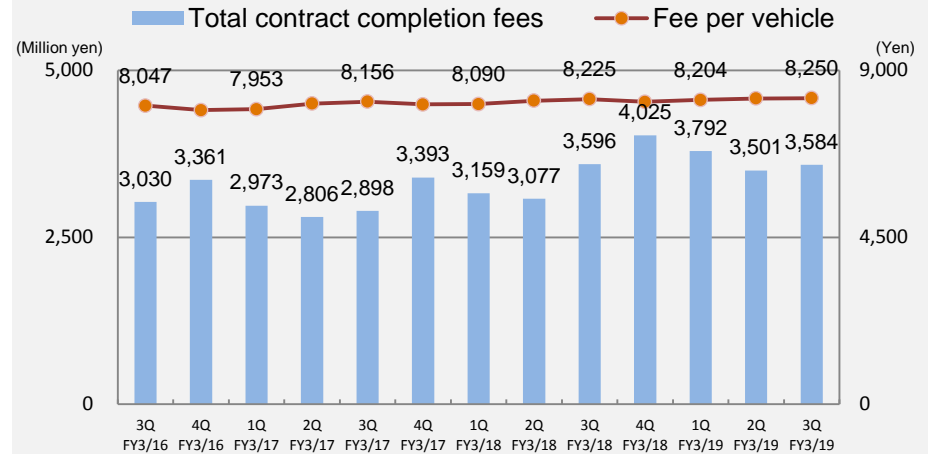
\* The results of JAA, and of HAA Kobe are included from October 2017.

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

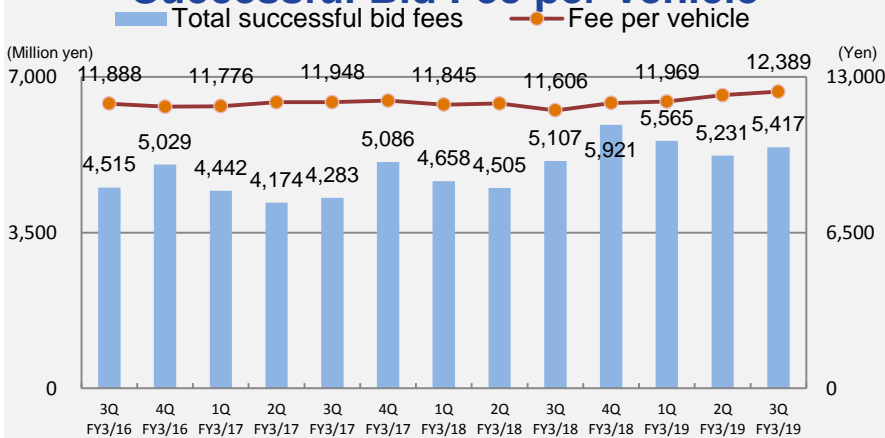
## Total Consignment Fees and Consignment Fee per Vehicle



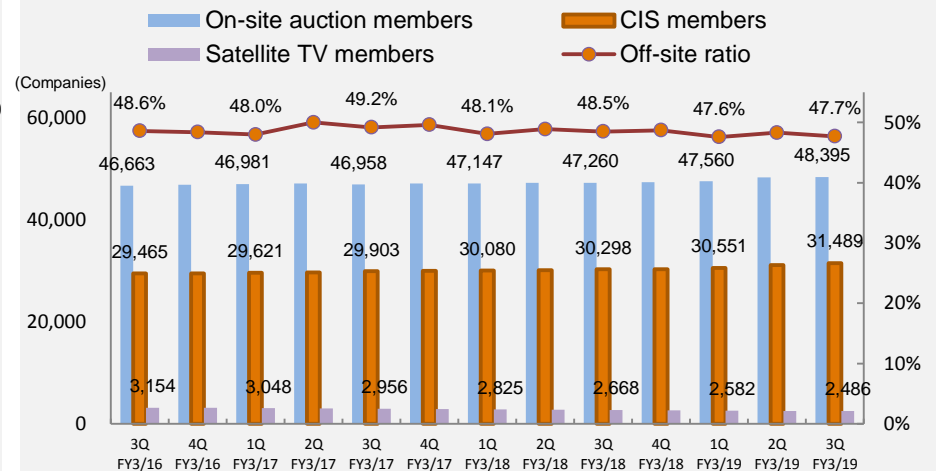
## Total Contract Completion Fees and Contract Completion Fee per Vehicle



## Total Successful Bid Fees and Successful Bid Fee per Vehicle



## No. of Members and Off-site Ratio



\* Fee per vehicle is calculated before eliminations for consolidation.  
 \* The results of JAA, and of HAA Kobe are included from October 2017 onward.  
 \* The figures in this slide do not include JBA data.

# Auto Auction Segment (4)

From April 1, 2018 to December 31, 2018

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1-3Q FY3/18	1-3Q FY3/19	1-3Q FY3/18	1-3Q FY3/19	YoY change	1-3Q FY3/18	1-3Q FY3/19	YoY change	1-3Q FY3/18	1-3Q FY3/19
Tokyo	37	37	466,901	472,243	101.1%	324,546	328,430	101.2%	69.5%	69.5%
Nagoya	37	37	365,230	361,974	99.1%	204,478	201,014	98.3%	56.0%	55.5%
Yokohama	37	37	132,609	131,736	99.3%	88,346	87,977	99.6%	66.6%	66.8%
Kyushu	37	37	134,823	126,759	94.0%	82,670	77,195	93.4%	61.3%	60.9%
Osaka	37	37	92,561	124,936	135.0%	54,207	69,615	128.4%	58.6%	55.7%
Sapporo	37	37	107,128	111,561	104.1%	69,103	74,469	107.8%	64.5%	66.8%
R-Nagoya	37	37	103,056	103,586	100.5%	85,338	87,464	102.5%	82.8%	84.4%
Shizuoka	37	37	61,714	63,002	102.1%	39,768	42,097	105.9%	64.4%	66.8%
Kobe	37	37	53,114	60,659	114.2%	30,117	34,659	115.1%	56.7%	57.1%
Okayama	37	37	53,509	53,465	99.9%	35,510	36,384	102.5%	66.4%	68.1%
Tohoku	37	37	46,404	44,798	96.5%	33,390	33,121	99.2%	72.0%	73.9%
Gunma	37	37	47,373	41,413	87.4%	31,123	28,262	90.8%	65.7%	68.2%
Saitama	37	37	41,220	35,338	85.7%	23,952	21,218	88.6%	58.1%	60.0%
Niigata	37	37	32,585	31,577	96.9%	14,535	14,699	101.1%	44.6%	46.5%
Fukuoka	37	37	27,518	28,648	104.1%	15,004	18,223	121.5%	54.5%	63.6%
Hokuriku	36	37	10,975	11,370	103.6%	6,834	7,202	105.4%	62.3%	63.3%
JAA	13	37	35,571	85,543	-	20,691	51,826	-	-	60.6%
HAA Kobe	12	36	103,436	227,341	-	53,239	116,419	-	-	51.2%
<b>Total</b>	<b>616</b>	<b>665</b>	<b>1,915,727</b>	<b>2,115,949</b>	<b>110.5%</b>	<b>1,212,851</b>	<b>1,330,274</b>	<b>109.7%</b>	<b>63.3%</b>	<b>62.9%</b>

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

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

# Auto Auction Segment (5)

(Vehicles, %)

		Apr.	May	Jun.	Jul.	Aug.	Sep.	First Half	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Second Half	Fiscal Year
No. of Vehicles Consigned	FY3/17	233,303	165,327	195,240	186,899	141,275	201,229	1,123,273	186,409	197,643	174,983	172,609	209,027	289,592	1,230,263	2,353,536
	YoY Change	▲2.8	▲8.4	3.8	▲6.0	▲1.6	2.4	▲2.1	▲15.9	5.1	1.0	▲4.1	0.3	5.3	▲1.3	▲1.7
	FY3/18	234,454	183,593	218,888	195,997	169,623	209,872	1,212,427	238,322	250,552	214,426	201,672	244,650	337,961	1,487,583	2,700,010
	YoY Change	0.5	11.0	12.1	4.9	20.1	4.3	7.9	27.8	26.8	22.5	16.8	17.0	16.7	20.9	14.7
	FY3/19	266,046	232,114	254,075	224,212	206,245	234,019	1,416,711	234,741	257,451	207,046	224,051			932,289	2,340,000
	YoY Change	13.5	26.4	16.1	14.4	21.6	11.5	16.8	▲1.5	2.8	▲3.4	11.1			-	-
No. of Vehicles Contracted	FY3/17	140,412	109,067	127,811	122,962	93,386	133,187	726,825	121,245	126,888	110,392	109,986	135,605	177,902	782,018	1,508,843
	YoY Change	▲3.9	▲6.7	▲0.2	▲8.6	▲5.8	2.5	▲3.7	▲17.2	3.9	▲0.9	▲6.8	▲0.2	2.2	▲3.2	▲3.4
	FY3/18	138,362	116,398	138,964	127,444	112,434	139,118	772,720	152,222	157,094	130,815	129,500	157,319	210,328	937,278	1,709,998
	YoY Change	▲1.5	6.7	8.7	3.6	20.4	4.5	6.3	25.5	23.8	18.5	17.7	16.0	18.2	19.9	13.3
	FY3/19	159,017	147,501	158,657	143,599	131,988	152,066	892,828	152,009	161,603	123,834	136,324			573,770	1,466,598
	YoY Change	14.9	26.7	14.2	12.7	17.4	9.3	15.5	▲0.1	2.9	▲5.3	5.3			-	-
Contract Completion Rate	FY3/17	60.2	66.0	65.5	65.8	66.1	66.2	64.7	65.0	64.2	63.1	63.7	64.9	61.4	63.6	64.1
	FY3/18	59.0	63.4	63.5	65.0	66.3	66.3	63.7	63.9	62.7	61.0	64.2	64.3	62.2	63.0	63.3
	FY3/19	59.8	63.5	62.4	64.0	64.0	65.0	63.0	64.8	62.8	59.8	60.8			-	-

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

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

# Used Vehicle Purchasing and Selling Segment

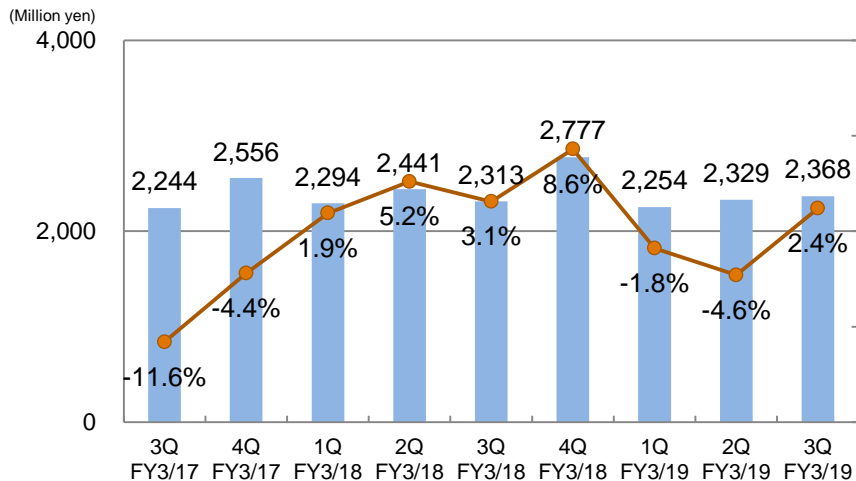
- At the used vehicle purchasing subsidiary (Rabbit), a reexamination of unprofitable stores caused the number of vehicles sold to decline. Although sales decreased as a result, earnings were higher due to a higher profit margin. (Net sales decreased 5.2% YoY to ¥4,004 million, Operating profit increased 11.3% to ¥126 million)
- In the accident-damaged vehicle purchasing and selling business the number of vehicles sold increased but gross profit per vehicle declined. The result was higher sales and lower earnings. (Net sales increased 4.3% YoY to ¥2,947 million, Operating profit decreased 0.7% to ¥37 million)

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

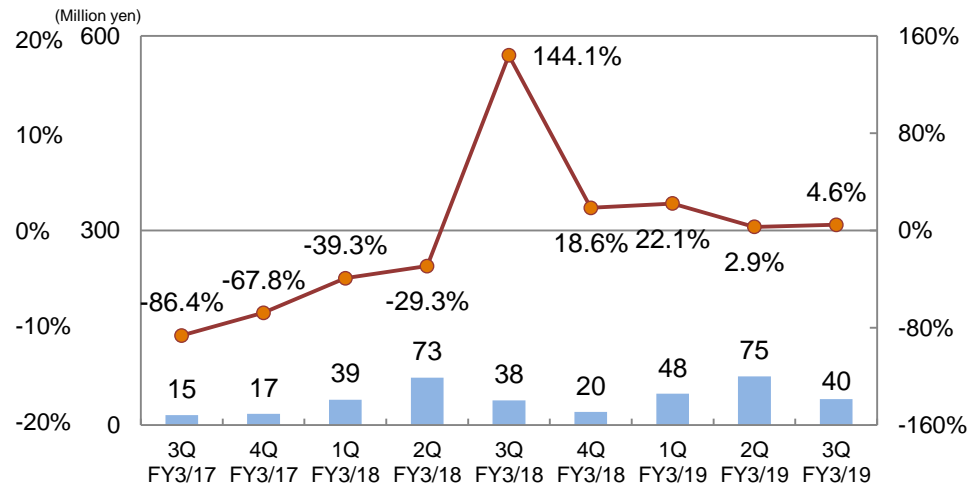
(Million yen)

	1-3Q FY3/17	1-3Q FY3/18	1-3Q FY3/19	Year on year
Net sales	6,816	7,049	6,951	98.6%
Operating profit	185	151	164	108.3%
Operating margin	2.7%	2.1%	2.4%	-

**Quarterly Net Sales and YoY Changes**



**Quarterly Operating Profit and YoY Changes**



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

# Other Segment

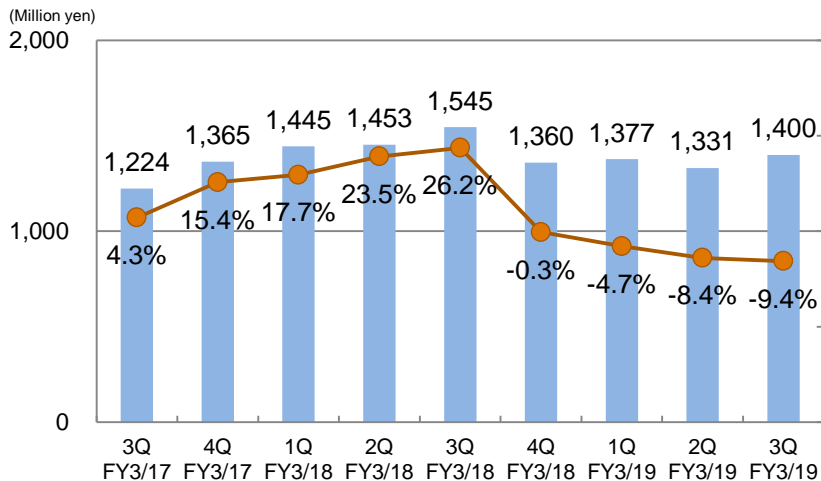
- Recycle business posted lower sales and earnings due to the discontinuing some of the auto part sales business and a decline in the metal scrap market. (Net sales decreased 9.7% YoY to ¥3,630 million, Operating profit decreased 19.5% to ¥390 million)
- In the used vehicle export clearing service business, sales and earnings increased due to growth in the volume of orders received. (Net sales increased 15.0% YoY to ¥405 million, Operating profit increased 130.0% to ¥63 million)

## Other Segment Performance in 1-3Q

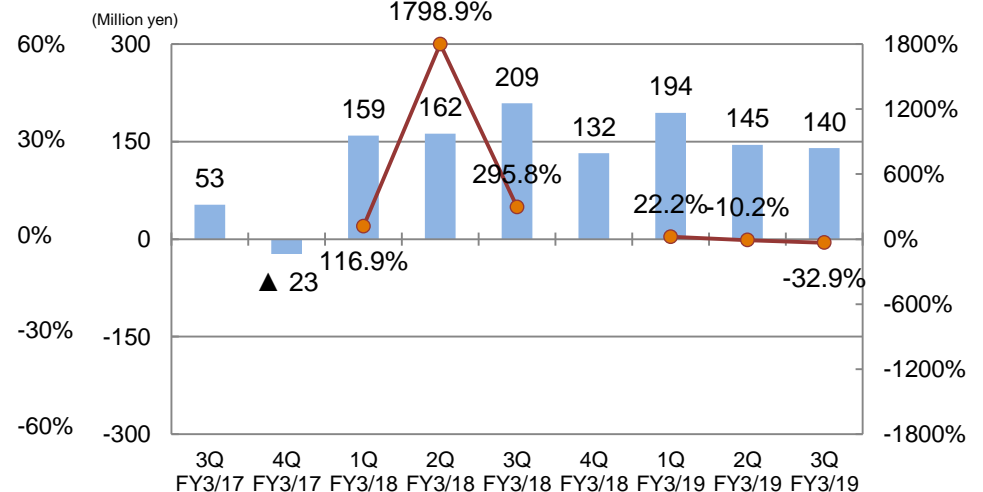
(Million yen)

	1-3Q FY3/17	1-3Q FY3/18	1-3Q FY3/19	Year on year
Net sales	3,629	4,444	4,109	92.5%
Operating profit	135	531	481	90.5%
Operating margin	3.7%	11.9%	11.6	-

## Quarterly Net Sales and YoY Changes



## Quarterly Operating Profit and YoY Changes



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

# Consolidated Forecast for FY3/2019

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- No revisions to the FY3/19 forecast announced on November 12, 2018.

(Million yen)

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

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

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

## Net sales

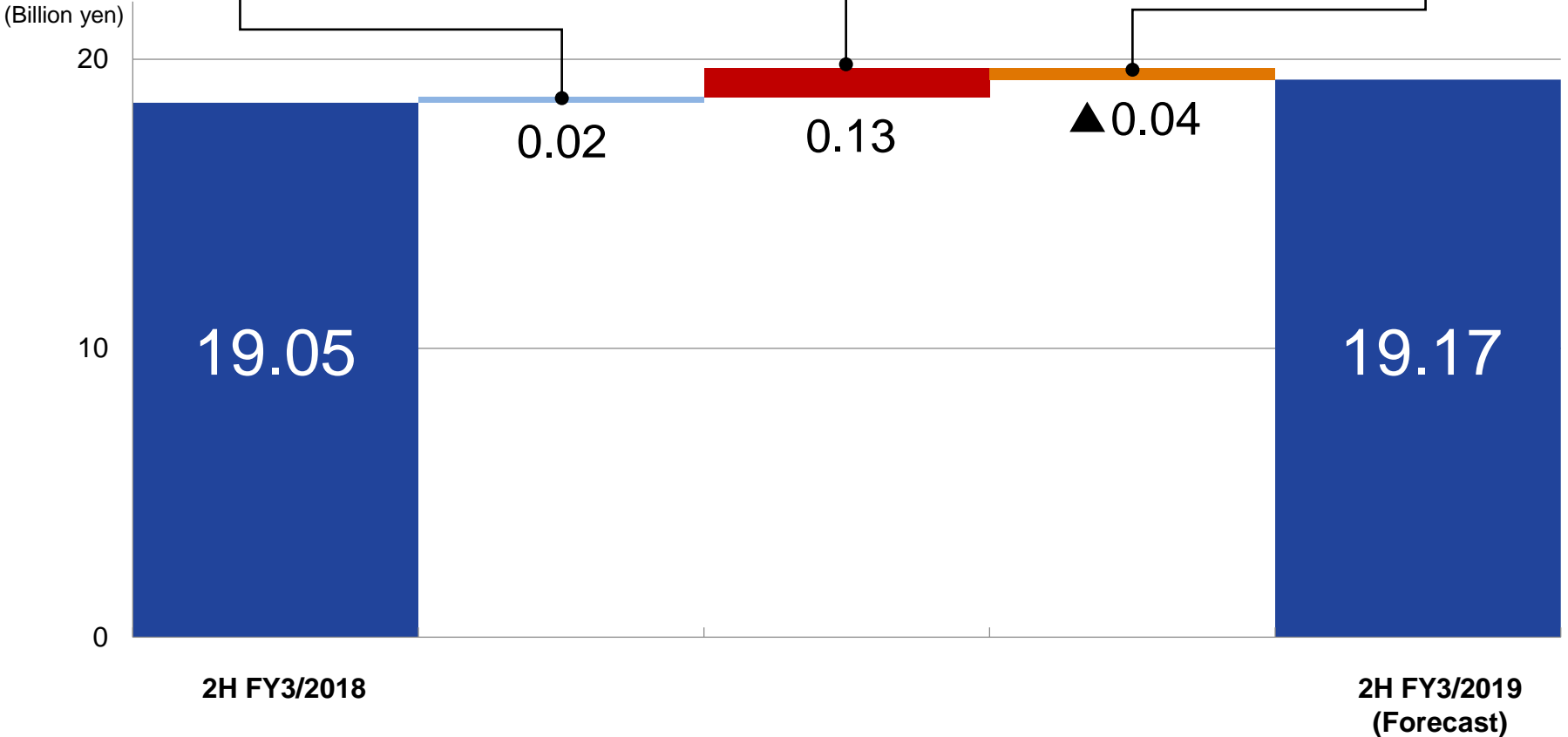
Increase in fee rates	0.94bn
Used vehicle sales/purchases	▲0.29bn
Decrease in vehicles consigned	▲0.25bn
Decrease in contract completion rate	▲0.12bn

## Cost of sales

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

## SG&A expenses

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

## Net sales

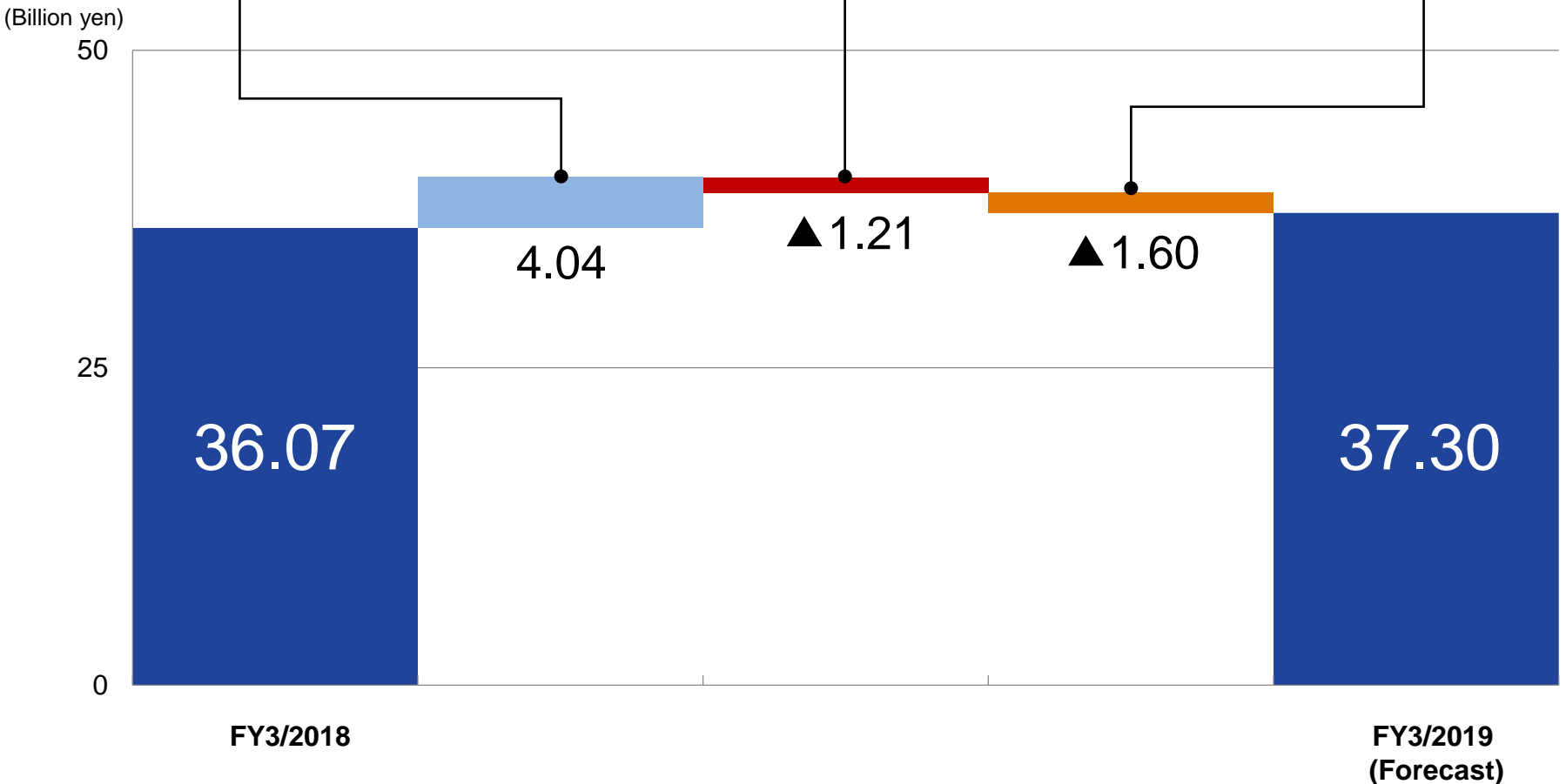
Increase in fee rates	1.40bn
Used vehicle sales/purchases	▲0.47bn
Decrease in vehicles consigned	▲0.45bn
Decrease in sales of accident-damaged vehicles	▲0.19bn
Impact of JAA(1H)	3.72bn

## Cost of sales

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

## SG&A expenses

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



\* "Impact of JAA includes actual JAA data, HAA Kobe and Auction Transport (First half; April-September) data (no YoY comparable data is applicable).

(Million yen)

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

# Market Overview

## Strategy for Creating Value Over the Medium Term

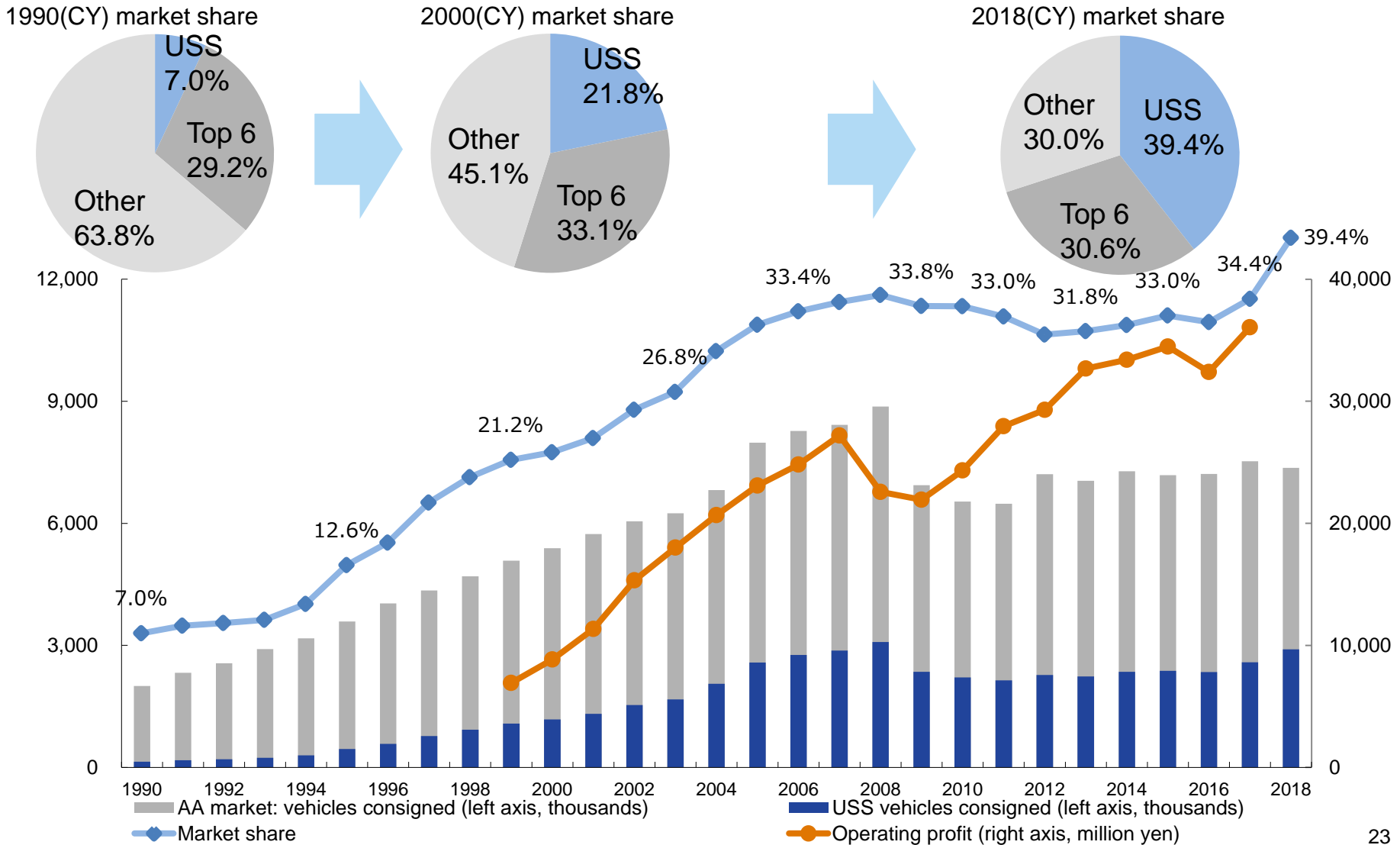
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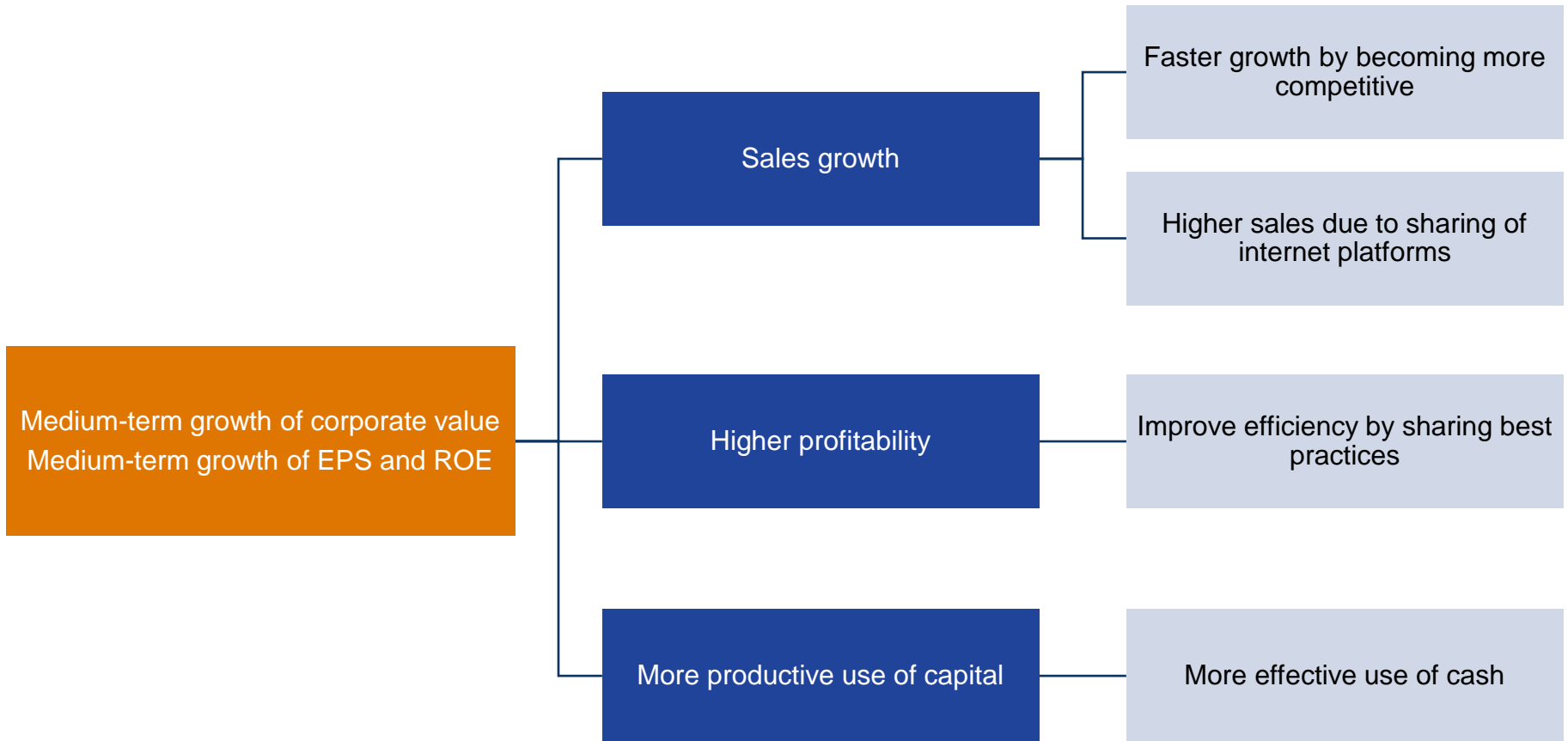
- New car sales in Japan: Unlikely to see significant growth over the medium term
  - USS's Strategy
    - 1) The JAA acquisition significantly raised the Osaka area market share. The goal is to increase the Tokyo area market share in order to have a market share of more than 40% in all three of Japan's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

# Used Car Auction Market and USS Market Share

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

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

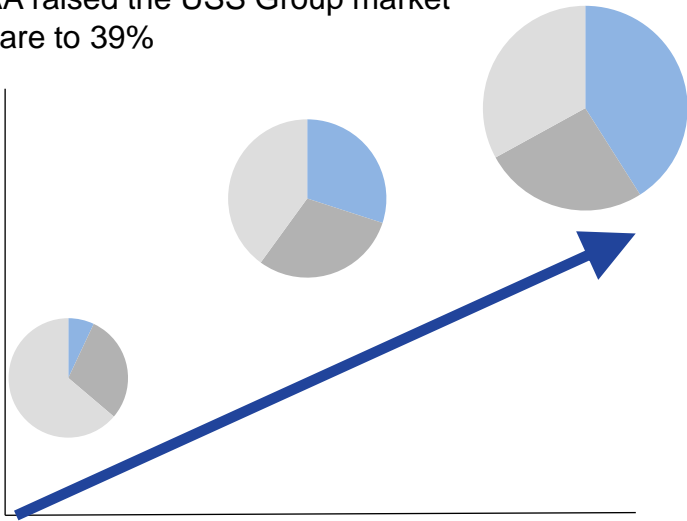






# JAA Acquisition Raised Market Share, Making USS More Competitive

JAA raised the USS Group market share to 39%



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

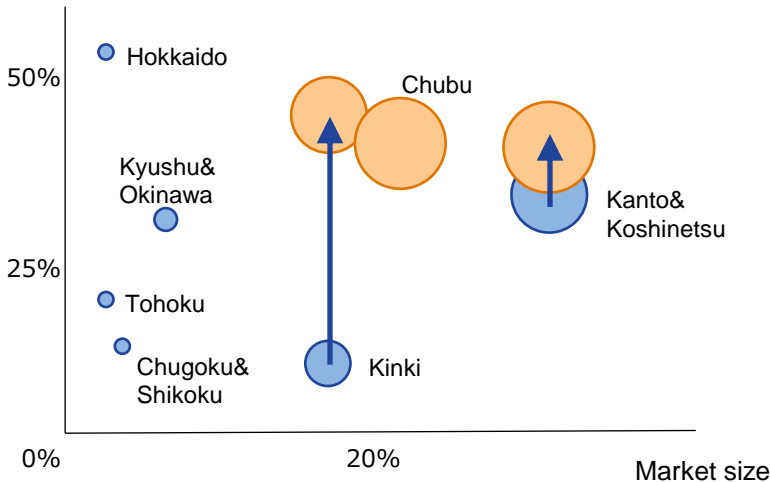
- Market share in Japan: **33.1%→39.4%**
- Market share in Osaka area, which had been low: **19.0%→45.5%**
- Market share in Japan's three major markets (Tokyo, Nagoya and Osaka areas) is now more than **40%**

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	3.6%	54.6%	-	54.6%
Tohoku	4.5%	18.5%	-	18.5%
Kanto&Koshinetsu	35.3%	37.2%	4.6%	41.7%
Chubu	23.1%	43.2%	-	43.2%
Kinki	17.5%	19.0%	26.6%	45.5%
Chugoku&Shikoku	5.9%	16.7%	-	16.7%
Kyushu&Okinawa	9.3%	31.7%	-	31.7%
TV	0.8%	-	-	-
	100.0%	33.1%	6.3%	39.4%

Market share



\* January to December 2018

\* The USS figures exclude JAA or HAA Kobe.

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

<Kinki region>

19.0% → **45.5%**

Site Name	Vehicles consigned	Share
HAA Kobe	341,374	26.6%
USS Osaka	162,894	12.7%
TAA Kinki	127,328	9.9%
Kansai Matsubara AA	122,393	9.5%
BAYAUC	105,138	8.2%
USS Kobe	80,955	6.3%
IMA Kobe	65,808	5.1%
LAA Kansai	57,857	4.5%
Honda AA Kansai	55,262	4.3%
IAA	46,782	3.6%

<Chubu region>

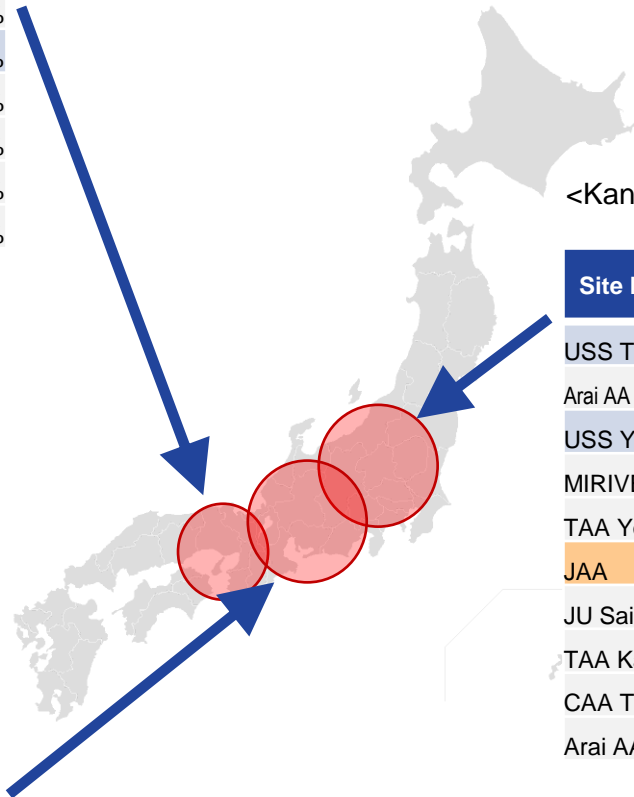
43.2% → 43.2%

Site Name	Vehicles consigned	Share
USS Nagoya	496,916	29.2%
JU Gifu	238,709	14.0%
CAA Chubu	193,766	11.4%
JU Aichi	138,644	8.2%
USS-R Nagoya	137,793	8.1%
TAA Chubu	94,818	5.6%
USS Shizuoka	85,609	5.0%
CAA Gifu	79,845	4.7%
JU Shizuoka	44,027	2.6%
Honda AA Nagoya	34,195	2.0%

<Kanto&Koshinetsu region>

37.2% → **41.7%**

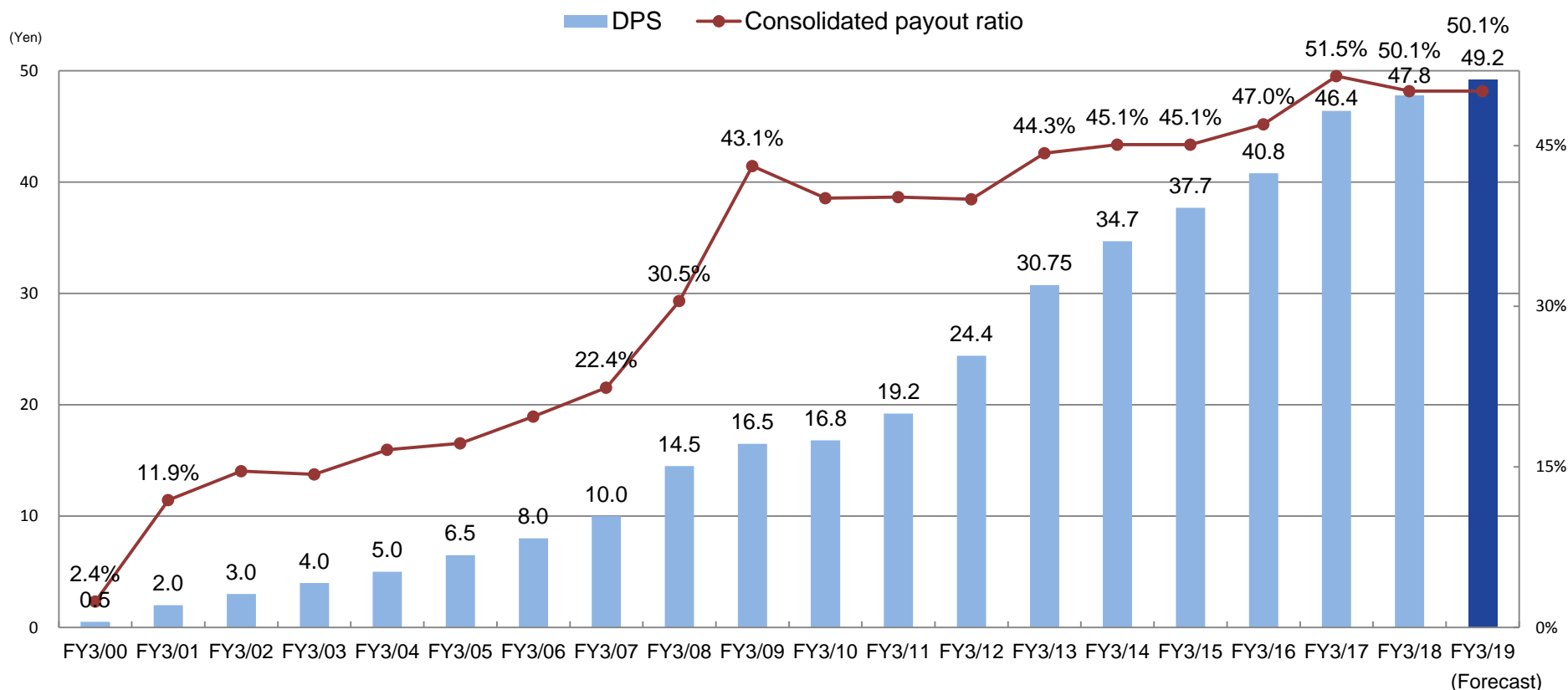
Site Name	Vehicles consigned	Share
USS Tokyo	638,750	24.6%
Arai AA Oyama (Vans & Trucks)	190,119	7.3%
USS Yokohama	180,965	7.0%
MIRIVE	167,938	6.5%
TAA Yokohama	146,167	5.6%
JAA	118,897	4.6%
JU Saitama	112,590	4.3%
TAA Kanto	103,651	4.0%
CAA Tokyo	103,233	4.0%
Arai AA Bayside	98,251	3.8%



## 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  
(Scheduled to repurchase 5 million shares for 10 billion yen (maximum) in the period from February 13, 2019 to September 20, 2019.)
- Return on equity (ROE): Medium-term goal is at least 15%

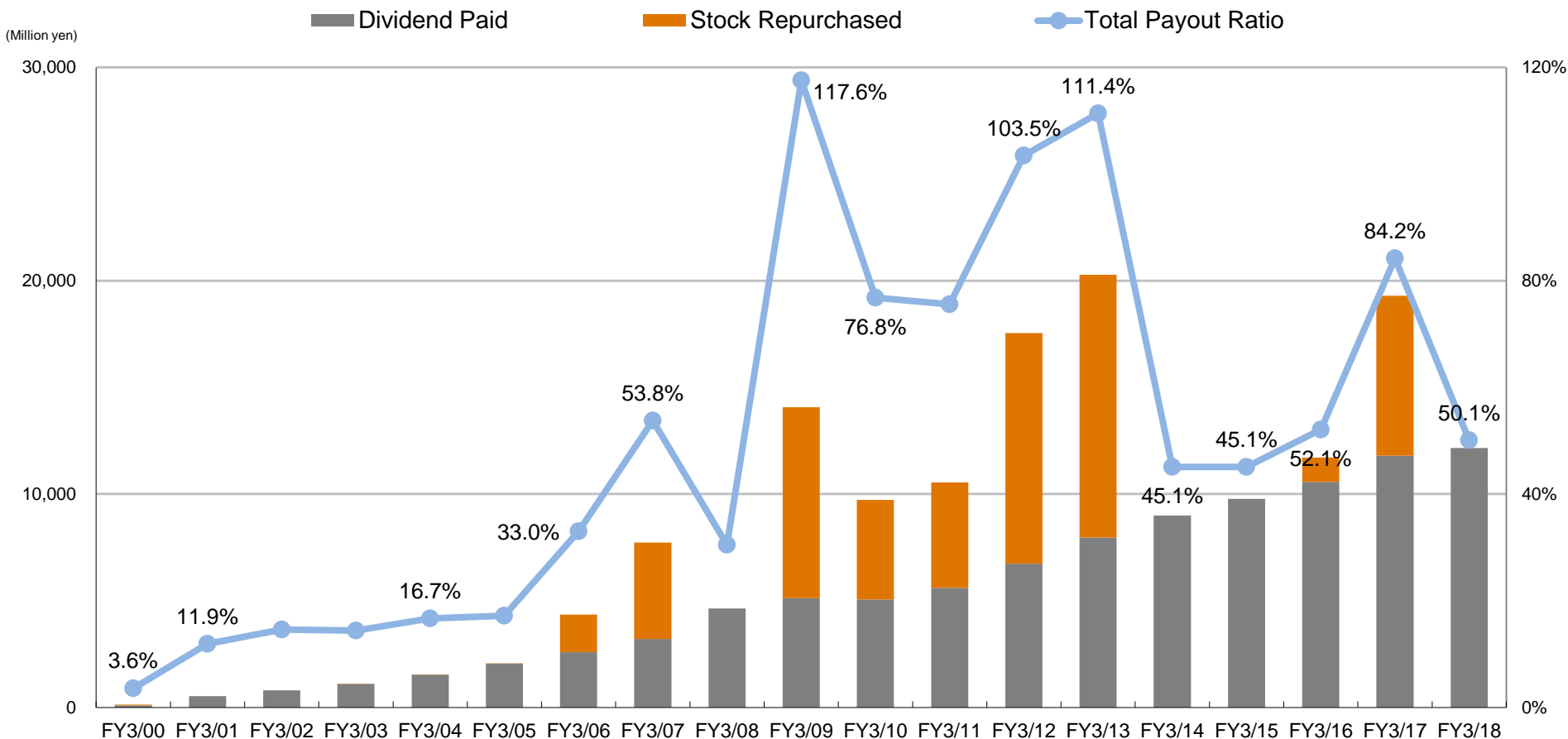
- Plan to pay **49.2 yen** dividend per share for FY3/19 (up 1.4 yen)
- **19 consecutive years** of dividend growth since listing



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

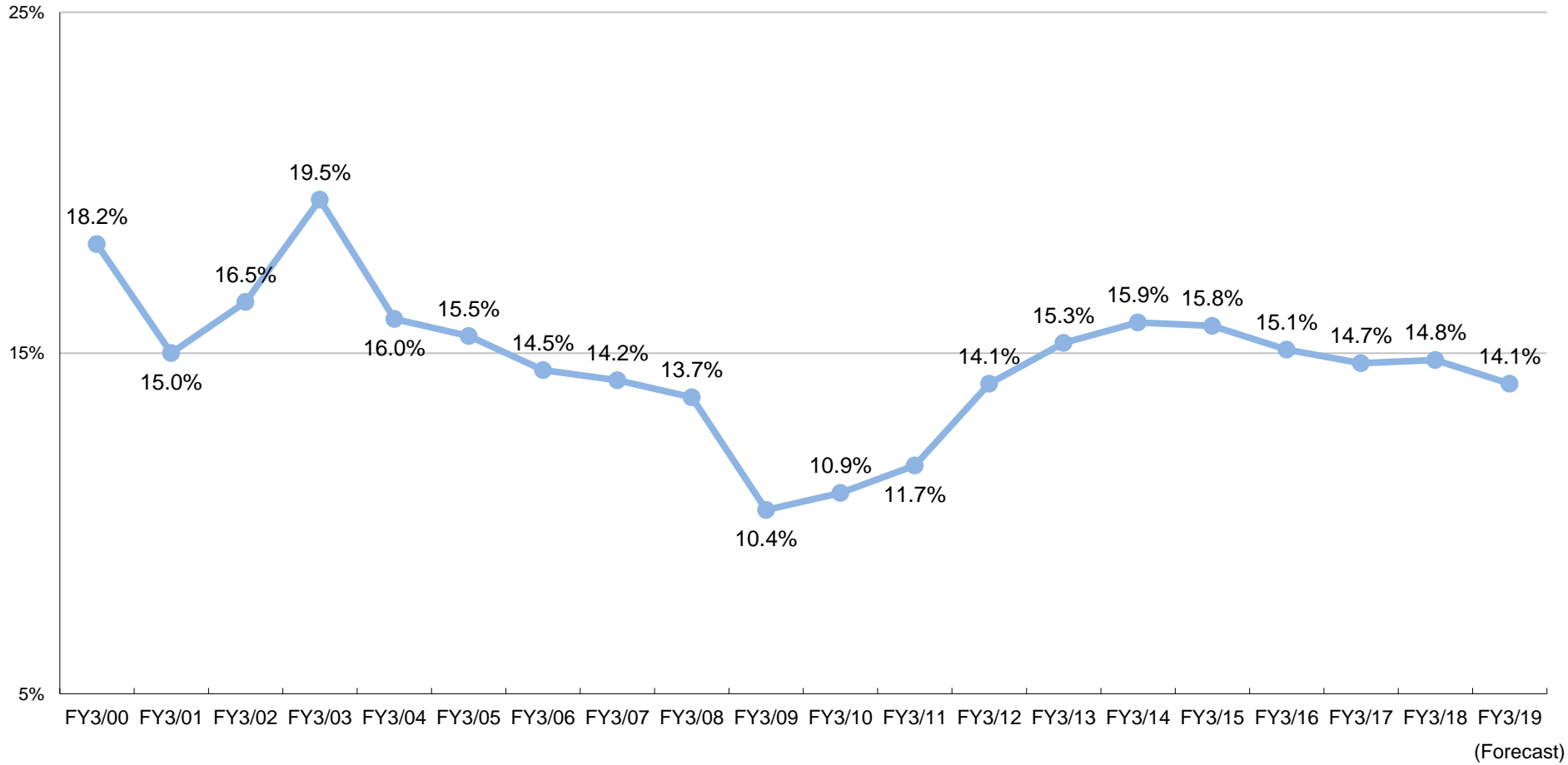
■ Flexible stock repurchases while maintaining stable dividend.  
 (Scheduled to repurchase 5 million shares for 10 billion yen (maximum) in the period from February 13, 2019 to September 20, 2019. )

■ Draw up capital investment plans for JAA.

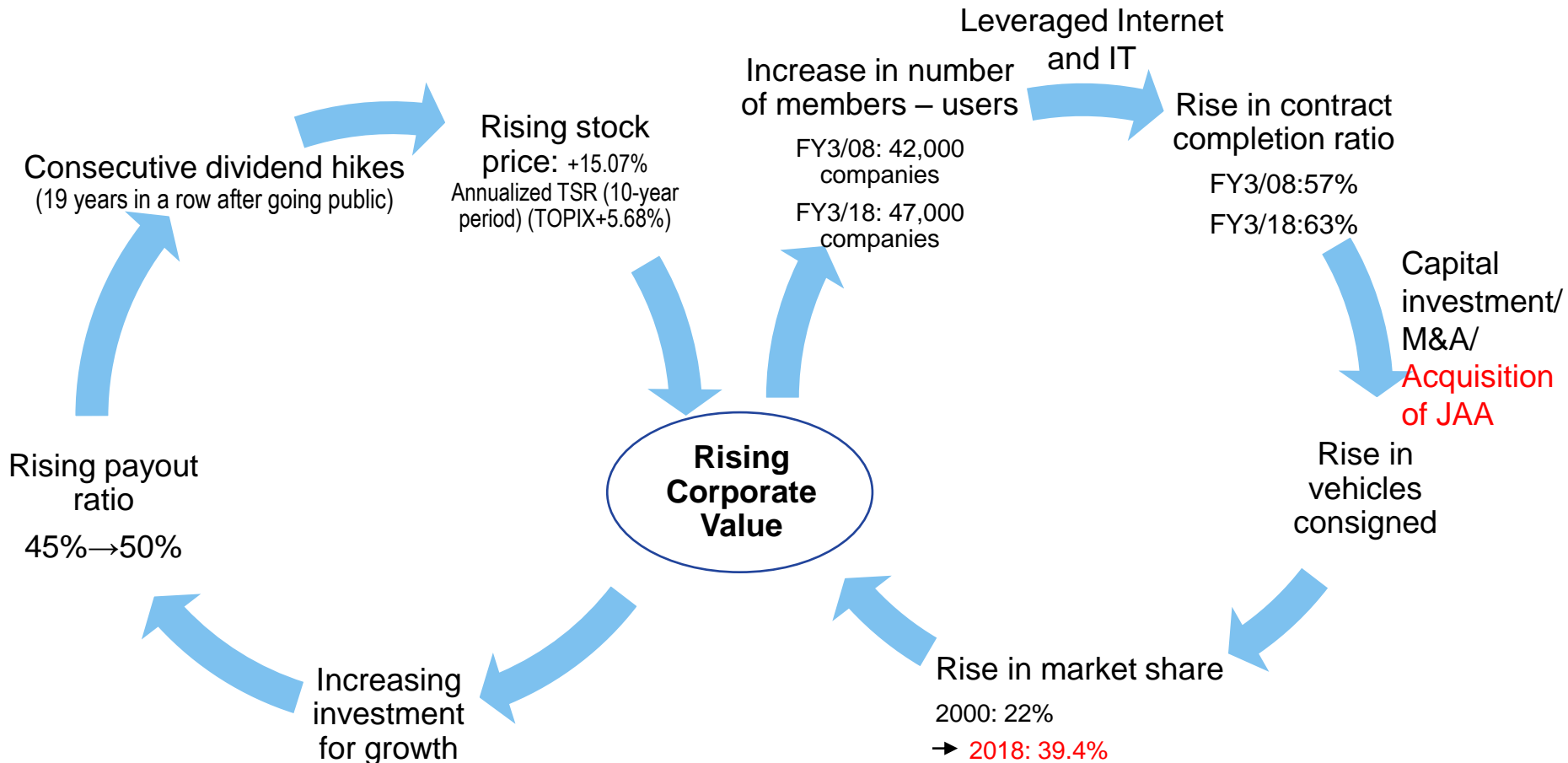


■ No change in the medium-term ROE target of above 15%.

## ROE



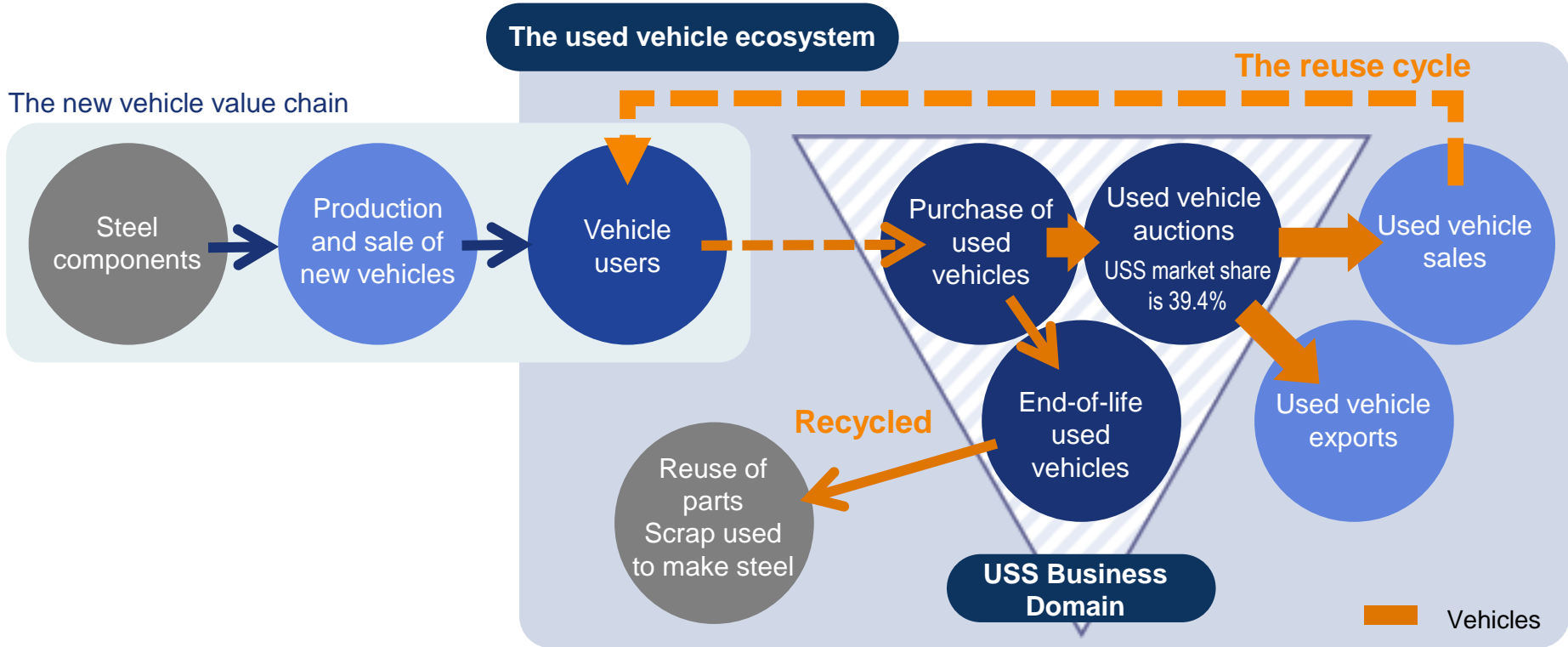
■ Aim at increasing shareholder value by a two-pronged strategy of solid investments in growth and active shareholder distributions



\*TSR is calculated as of March 31, 2018

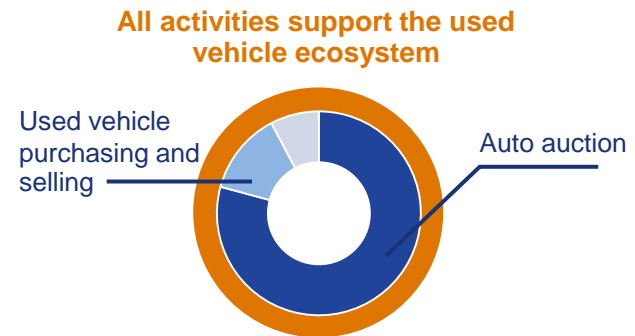
# How USS Creates Social and Economic Value

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



## Social and economic value

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





# Reference

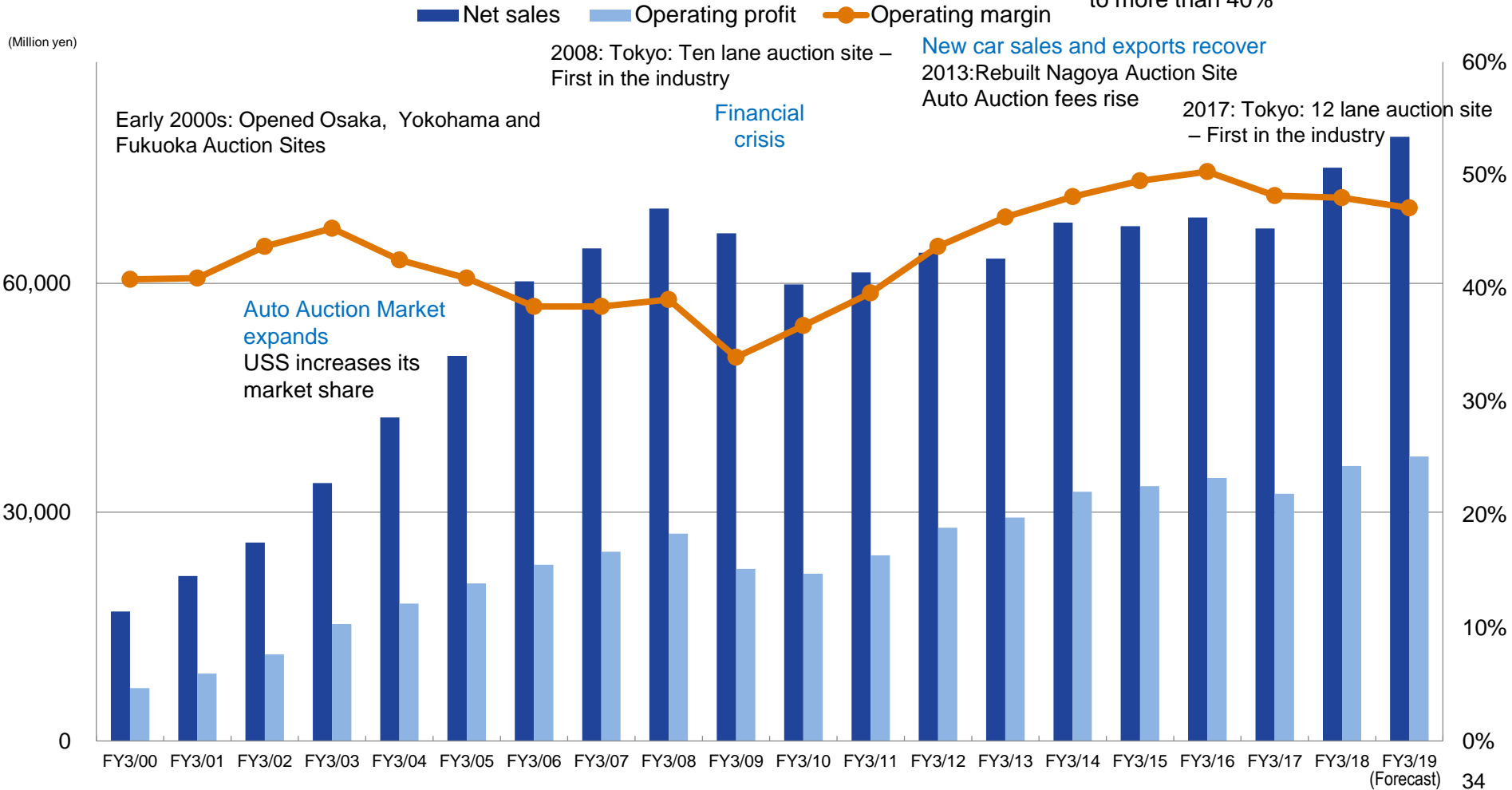
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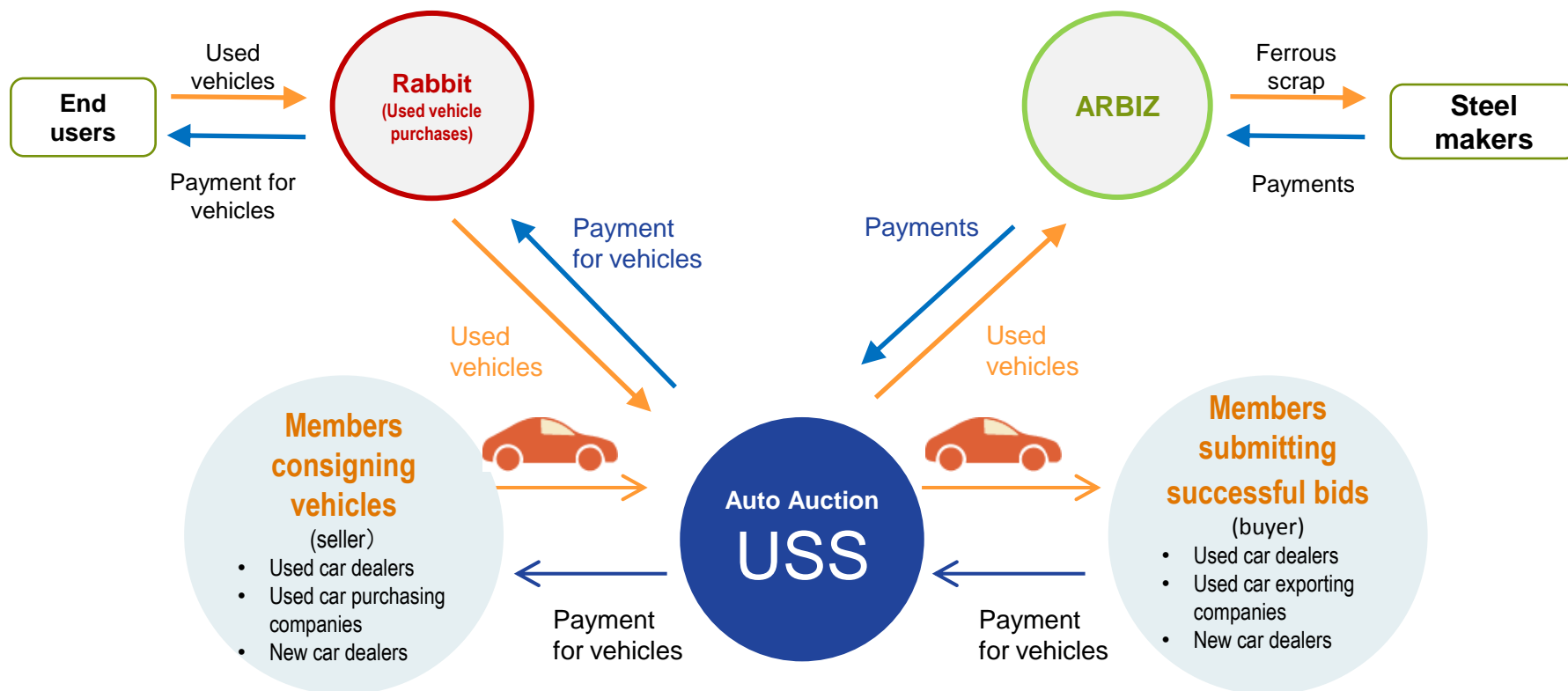
# History of USS Long-term Growth

## Before 2000

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

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





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

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

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

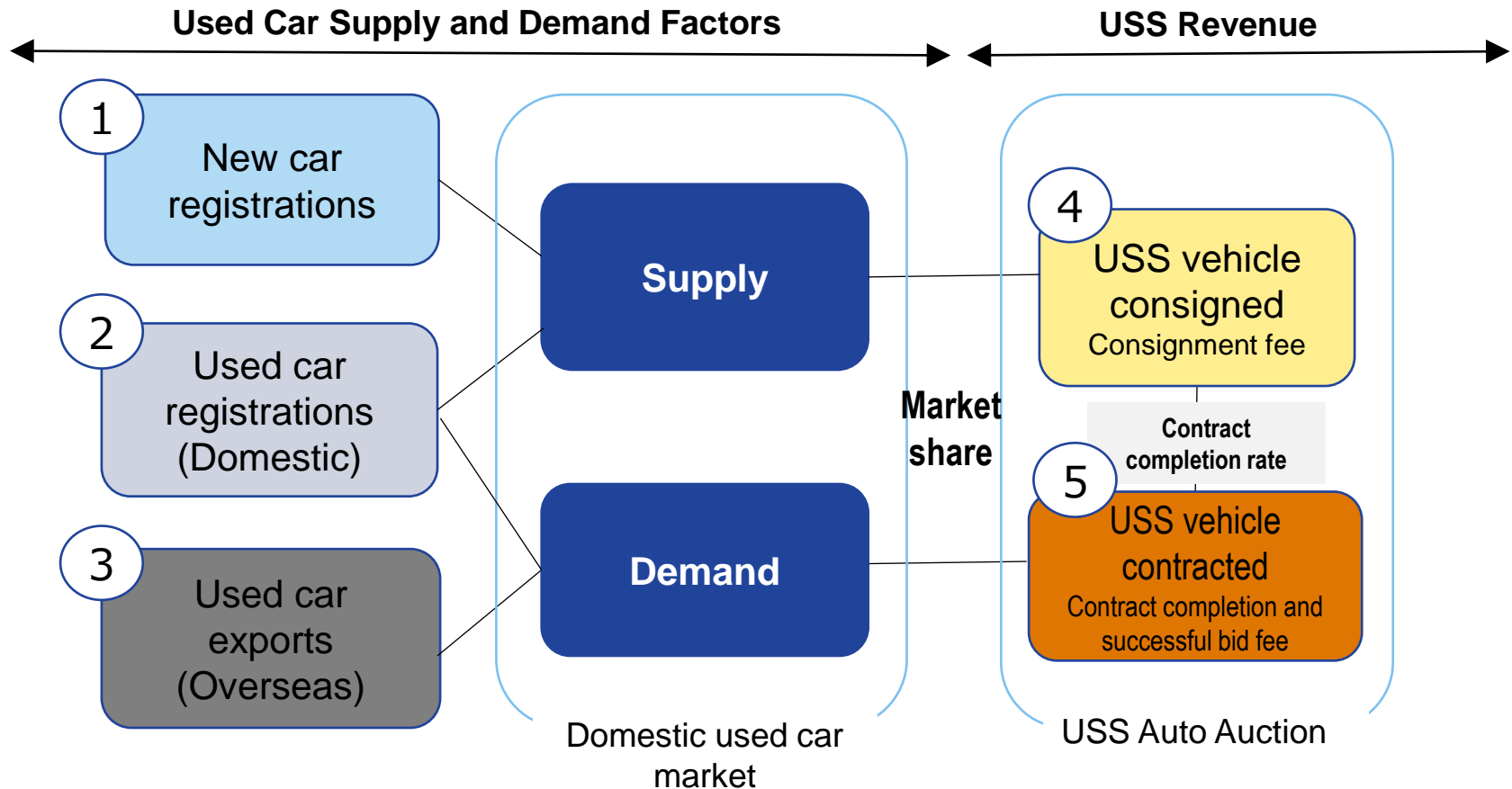
Vehicles consigned  
**2.70** million units/year  
(FY3/2018)

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

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

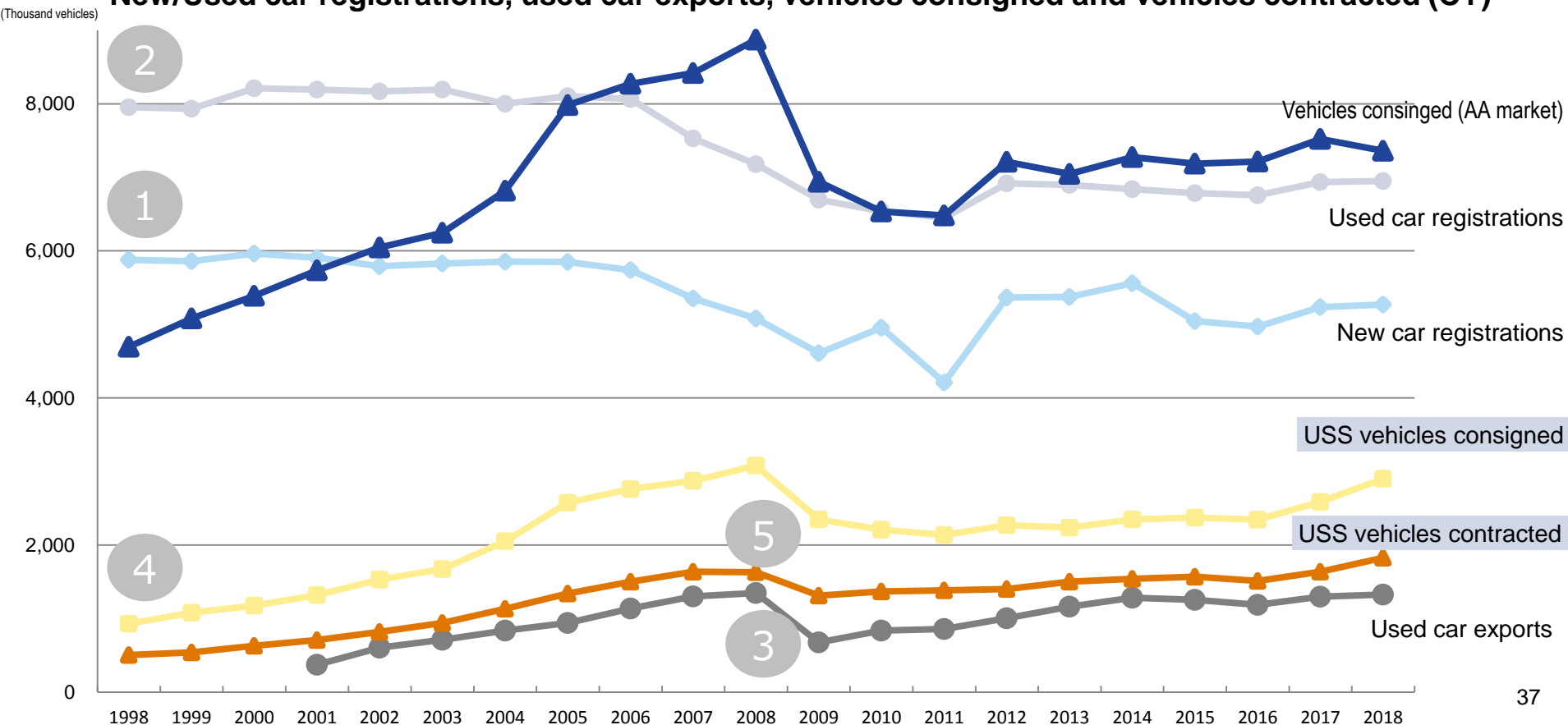
# Automobile Market and USS Revenue

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



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

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



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

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

Adopted the outside director system

Strengthened the executive officer system

Established voluntarily nomination and compensation committees

As of February 2019  
 Directors: 10 (of which independent outside directors: 3)  
 Auditors: 3 (of which independent outside auditors: 2)  
 Executive officers: 3