



Consolidated Results of Operations

The Third Quarter, Fiscal Year Ending March 31, 2020

USS Co., Ltd.
February 2020

- 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 2020

- Sales decreased 0.3% YoY to ¥58.18 billion, operating profit was down 1.3% to ¥26.74 billion, and profit attributable to owners of parent decreased 1.1% to ¥18.27 billion.
- The number of vehicles consigned and number of contract completions decreased at the JAA auction site and HAA Kobe auction site.

(Million yen)

	1-3Q FY3/18	1-3Q FY3/19	1-3Q FY3/20	Year on year
Net sales	54,003	58,339	58,184	99.7%
Cost of sales (Per sales)	21,268 (39.4%)	22,818 (39.1%)	23,136 (39.8%)	101.4%
Gross profit (Per sales)	32,735 (60.6%)	35,520 (60.9%)	35,047 (60.2%)	98.7%
Selling, general and administrative expenses (Per sales)	6,761 (12.5%)	8,406 (14.4%)	8,298 (14.3%)	98.7%
Operating profit (Per sales)	25,973 (48.1%)	27,114 (46.5%)	26,748 (46.0%)	98.7%
Ordinary profit (Per sales)	26,388 (48.9%)	27,586 (47.3%)	27,233 (46.8%)	98.7%
Profit attributable to owners of parent (Per sales)	17,671 (32.7%)	18,476 (31.7%)	18,270 (31.4%)	98.9%

3Q FY3/2020 – Reasons for Change in Operating Profit (Actual)

Net sales

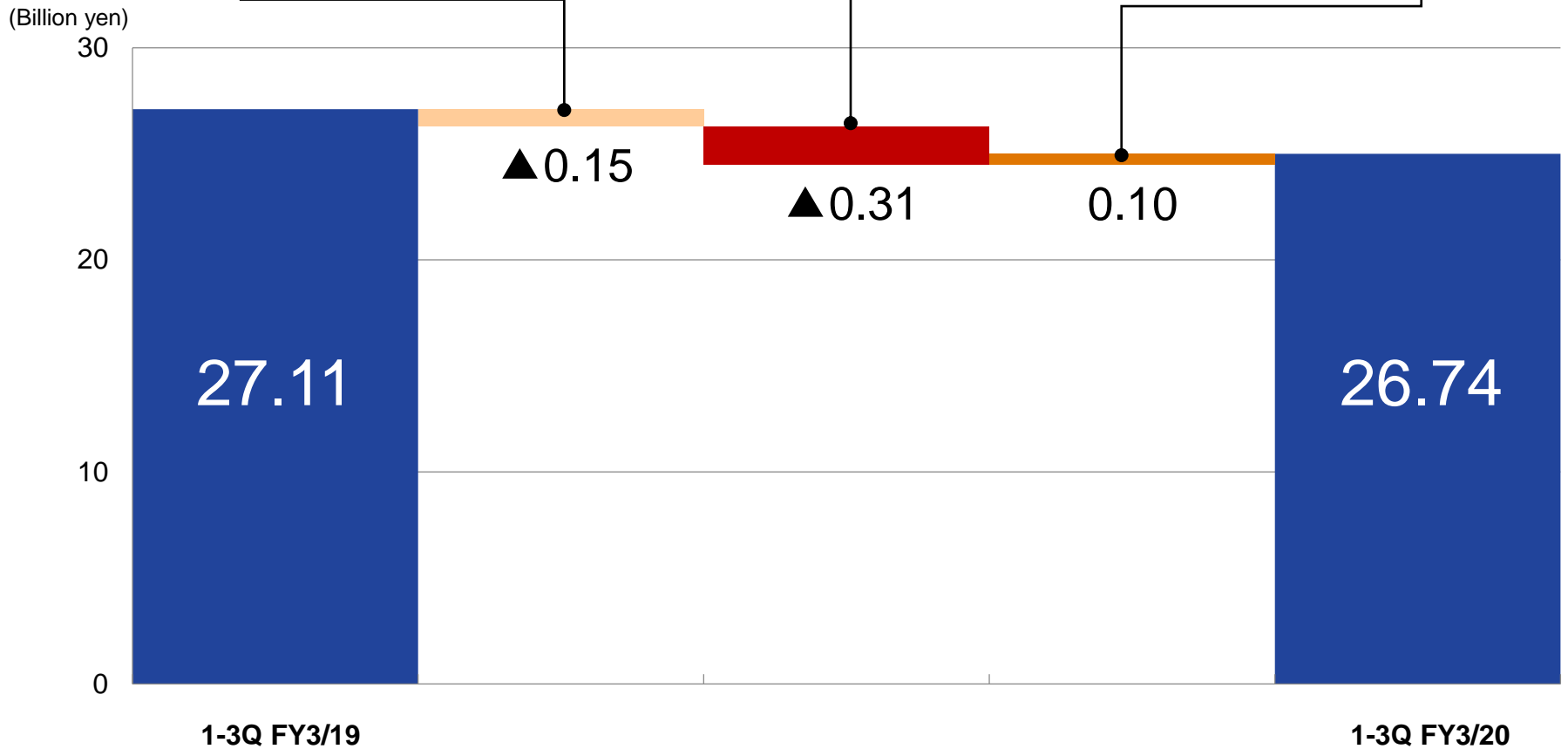
Increase in vehicles consigned 0.93bn
 Increase in CIS (Internet) 0.17bn
 Decrease in contract completion rate ▲0.87bn
 Decrease in fee rates ▲0.36bn

Cost of sales

Increase in purchase of goods ▲0.28bn

SG&A expenses

Decrease in sales commission 0.10bn



Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	1-3Q FY3/18	1-3Q FY3/19	1-3Q FY3/20	Year on year
Auto auction	42,509	47,277	47,133	99.7%
Used vehicle purchasing and selling	7,049	6,951	6,703	96.4%
Other	4,444	4,109	4,347	105.8%
Total	54,003	58,339	58,184	99.7%
Operating profit (operating margin)	1-3Q FY3/18	1-3Q FY3/19	1-3Q FY3/20	Year on year
Auto auction	25,213 (58.8%)	26,394 (55.4%)	26,220 (55.3%)	99.3%
Used vehicle purchasing and selling	151 (2.1%)	164 (2.4%)	131 (2.0%)	79.8%
Other	531 (11.9%)	481 (11.6%)	322 (7.3%)	66.9%
Elimination of inter-segment transactions	77	74	75	101.1%
Total	25,973 (48.1%)	27,114 (46.5%)	26,748 (46.0%)	98.7%

* 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.

- Cash used in investing activities increased mainly due to the rebuilding of the JAA auction site.
- Cash used in financing activities increased mainly because of cash dividends paid and purchase of treasury shares.
- Equity ratio: 87.2%

Consolidated Balance Sheets (Summary)

(Million yen)

	FY3/2019	1-3Q FY3/20
Current assets	77,431	52,848
Cash and deposits	51,352	41,261
Receivables due from member dealers at auction, etc.	26,078	11,587
Non-current assets	155,271	153,144
Property, plant and equipment	104,887	104,333
Other	50,384	48,811
Total assets	232,703	205,992

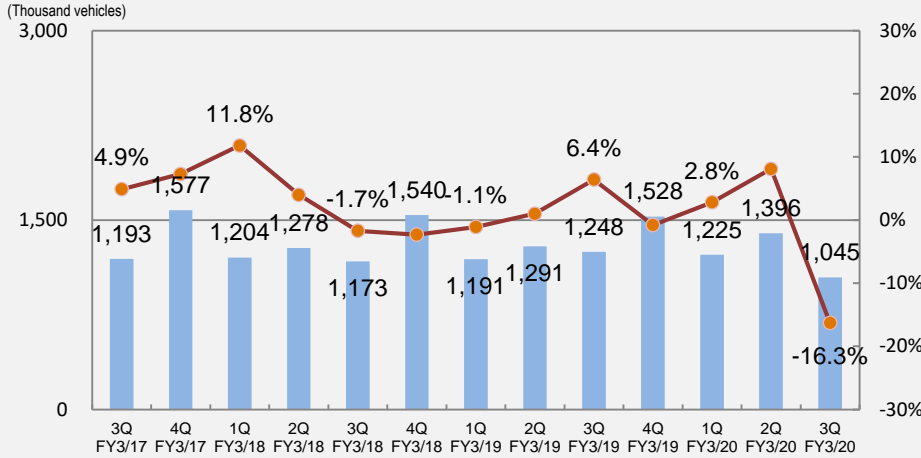
	FY3/2019	1-3Q FY3/20
Current liabilities	38,077	13,507
Payables due to member dealers at auction	22,209	5,079
Other	15,867	8,427
Non-current liabilities	11,090	10,784
Total liabilities	49,168	24,292
Total net assets	183,535	181,700
Total liabilities and net assets	232,703	205,992

Consolidated Statements of Cash Flows (Summary)

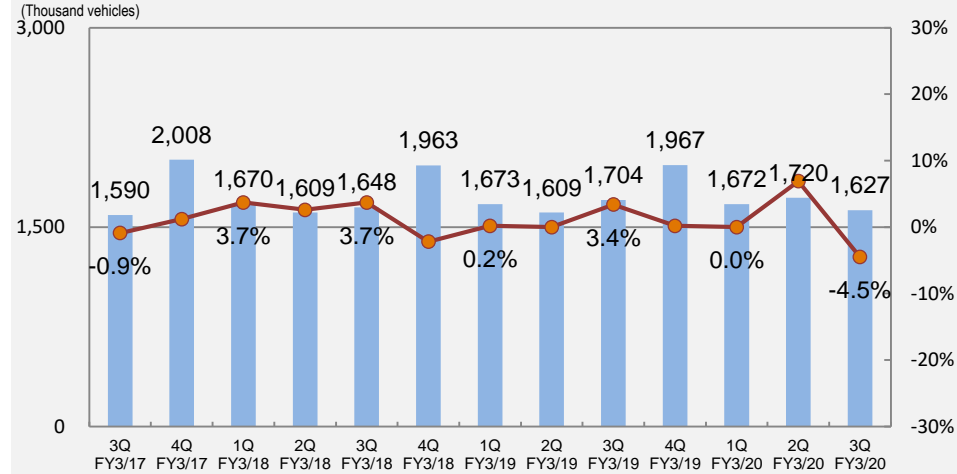
(Million yen)

	1-3Q FY3/18	1-3Q FY3/19	1-3Q FY3/20	Changes
Net cash provided by (used in) operating activities	14,796	15,836	12,223	▲3,613
Net cash provided by (used in) investing activities	▲19,681	▲924	▲3,711	▲2,786
Free cash flow	▲4,885	14,911	8,511	▲6,400
Net cash provided by (used in) financing activities	▲12,046	▲12,819	▲16,602	▲3,783
Capital expenditures (Terms of cash flows)	4,257	1,518	3,471	1,952
Depreciation	3,637	3,984	3,605	▲379

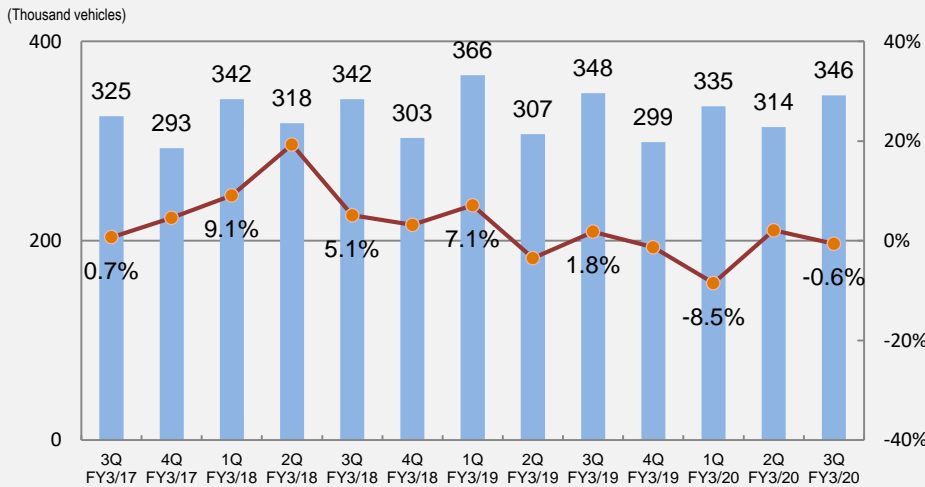
New Car Registrations and YoY Changes



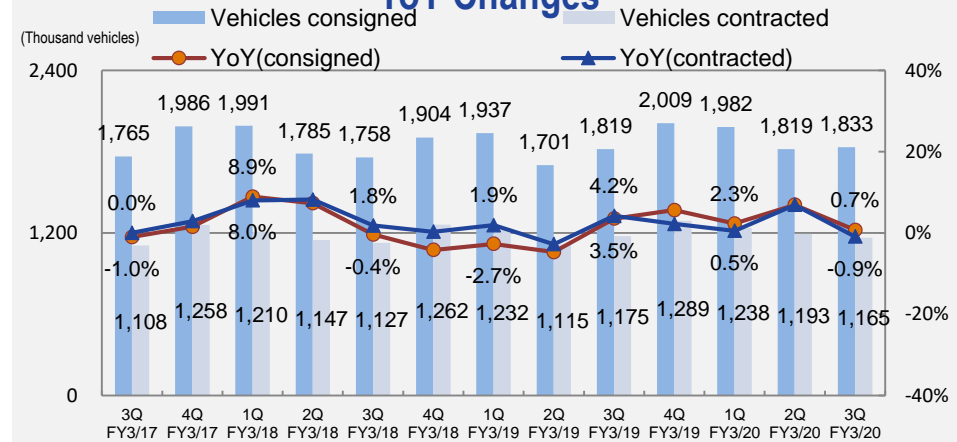
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned and Contracted and YoY Changes



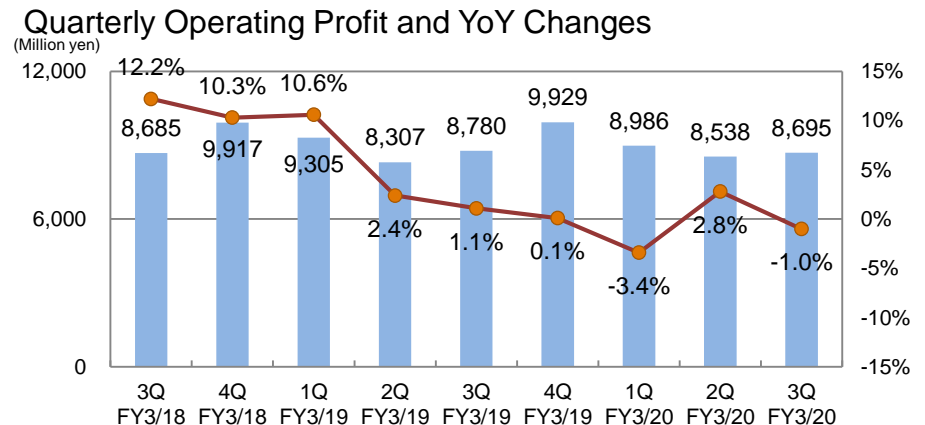
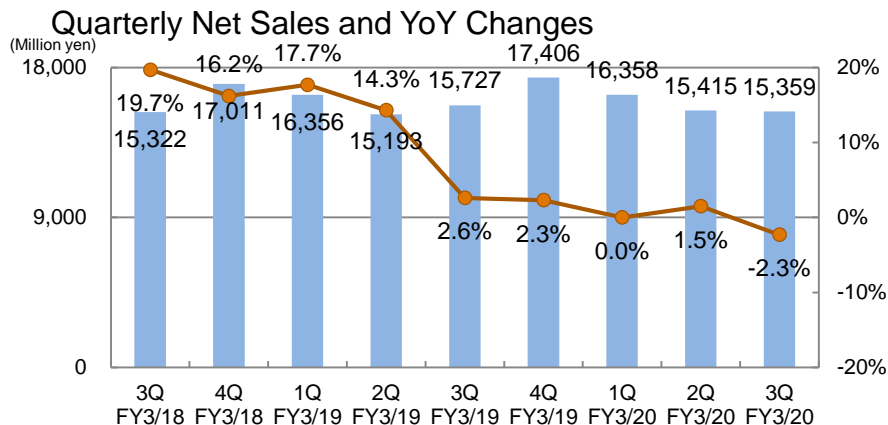
Auto Auction Segment (1)

- Vehicles consigned increased 2.4% YoY to 2,167 thousand; contract completions decreased 0.8% YoY to 1,319 thousand (contract completion rate: 60.9% against 62.9% in the previous fiscal year)
- Auto auction fees decreased due mainly to decline in the contract completion rate.
- Purchase amount increased because of the larger number of lower-priced vehicles purchased.

Auto Auction Segment Performance in 1-3Q

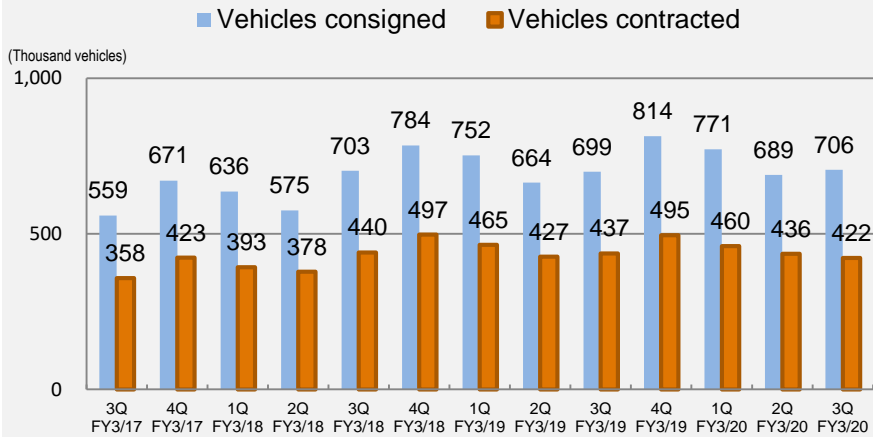
(Million yen)

	1-3Q FY3/18	1-3Q FY3/19	1-3Q FY3/20	Year on year
Net sales	42,509	47,277	47,133	99.7%
Consignment fees	10,092	11,209	11,118	99.2%
Contract completion fees	9,833	10,879	10,751	98.8%
Successful bid fees	14,270	16,214	16,128	99.5%
Other	8,312	8,975	9,134	101.8%
Operating profit	25,213	26,394	26,220	99.3%
Operating margin	58.8%	55.4%	55.3%	-

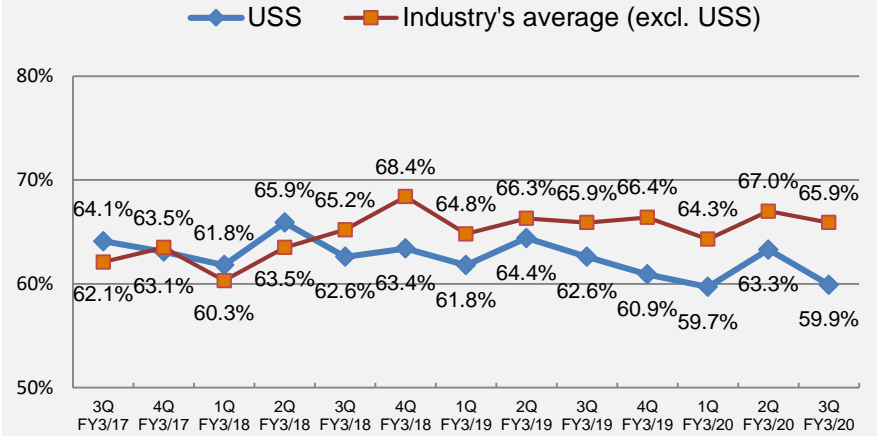


* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

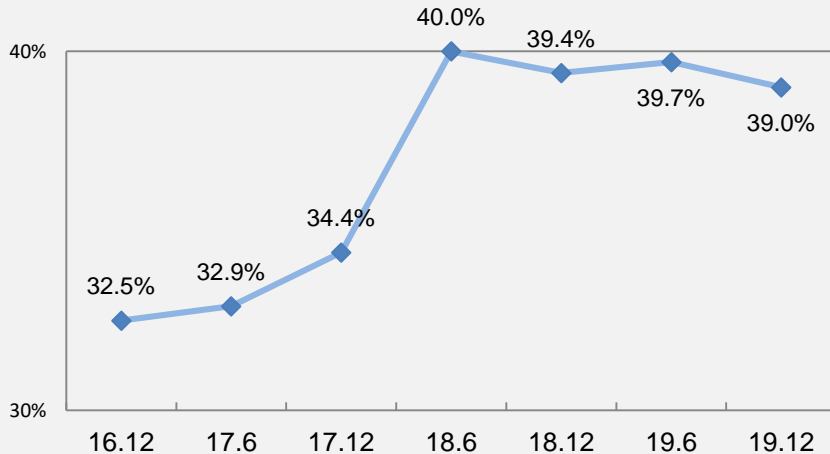
No. of Vehicles Consigned and Vehicles Contracted



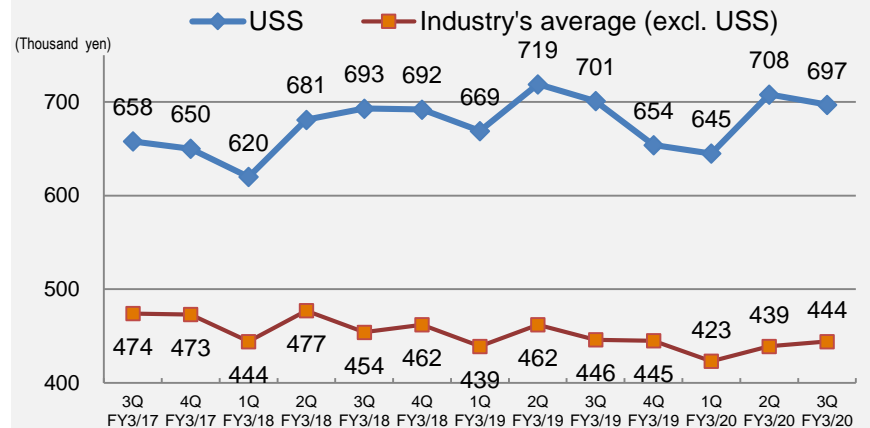
Contract Completion Rate



Market Share



Average Price of Vehicle Contracted

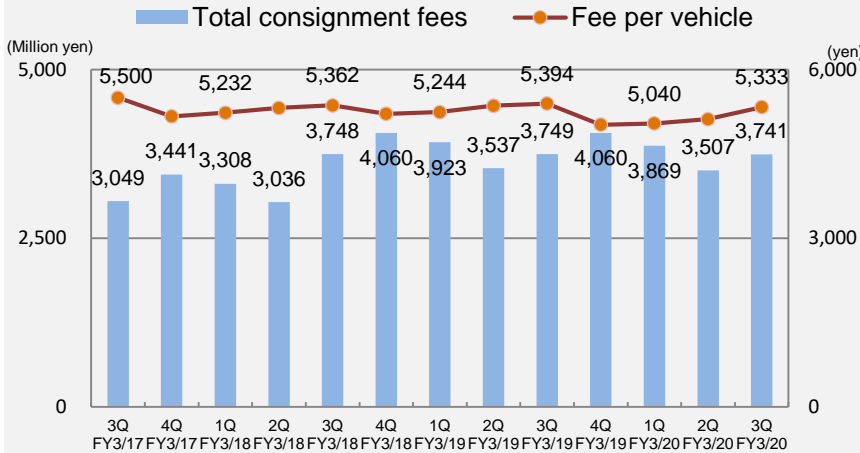


* Period ending in December: 12-month data; Period ending in June: 6-month data.

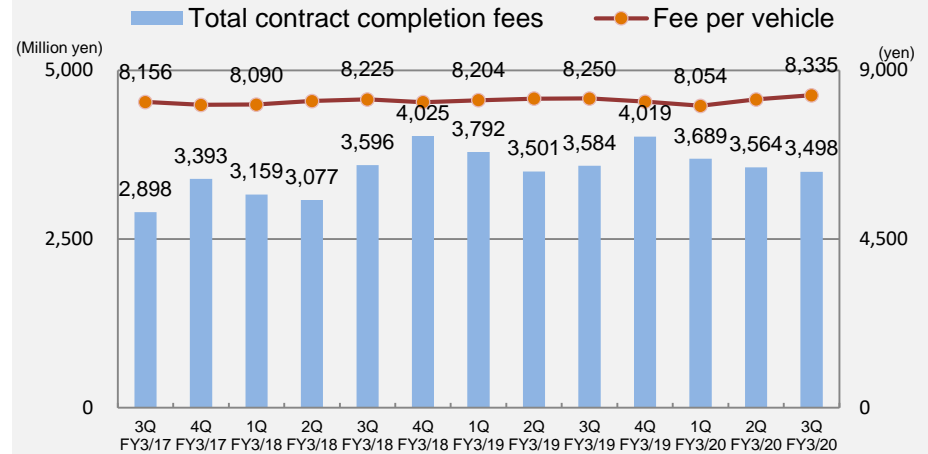
* The results of JAA, and of HAA Kobe are included from October 2017.

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

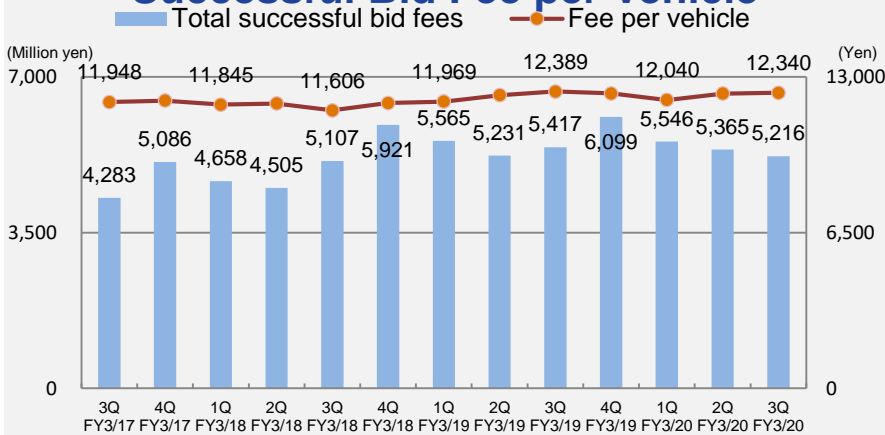
Total Consignment Fees and Consignment Fee per Vehicle



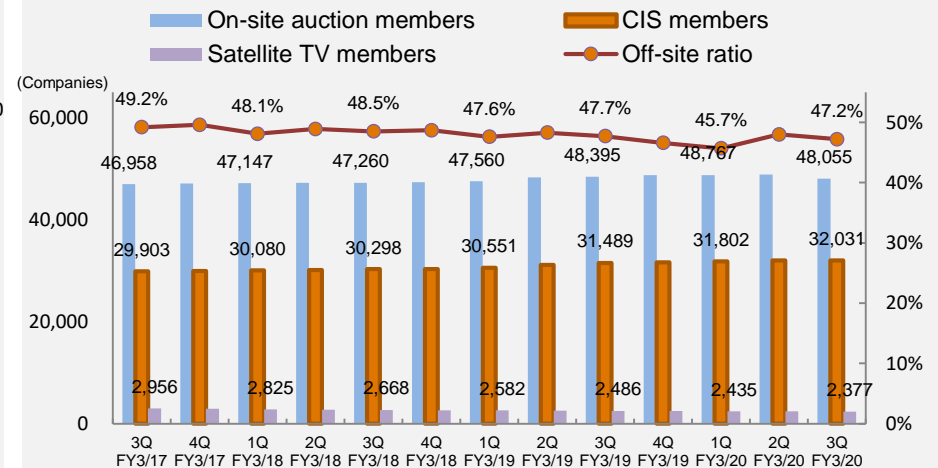
Total Contract Completion Fees and Contract Completion Fee per Vehicle



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, 2019 to December 31, 2019

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1-3Q FY3/20	1-3Q FY3/19	1-3Q FY3/20	1-3Q FY3/19	YoY change	1-3Q FY3/20	1-3Q FY3/19	YoY change	1-3Q FY3/20	1-3Q FY3/19
Tokyo	37	37	487,485	472,243	103.2%	328,092	328,430	99.9%	67.3%	69.5%
Nagoya	37	37	370,688	361,974	102.4%	195,281	201,014	97.1%	52.7%	55.5%
Osaka	37	37	150,645	124,936	120.6%	78,827	69,615	113.2%	52.3%	55.7%
Yokohama	37	37	143,429	131,736	108.9%	90,386	87,977	102.7%	63.0%	66.8%
Kyushu	36	37	137,534	126,759	108.5%	78,707	77,195	102.0%	57.2%	60.9%
Sapporo	37	37	110,605	111,561	99.1%	70,600	74,469	94.8%	63.8%	66.8%
R-Nagoya	37	37	109,686	103,586	105.9%	89,550	87,464	102.4%	81.6%	84.4%
Shizuoka	36	37	70,191	63,002	111.4%	45,374	42,097	107.8%	64.6%	66.8%
Kobe	37	37	63,671	60,659	105.0%	37,254	34,659	107.5%	58.5%	57.1%
Okayama	36	37	55,034	53,465	102.9%	36,266	36,384	99.7%	65.9%	68.1%
Tohoku	37	37	42,539	44,798	95.0%	30,152	33,121	91.0%	70.9%	73.9%
Gunma	36	37	42,332	41,413	102.2%	27,367	28,262	96.8%	64.6%	68.2%
Saitama	37	37	37,425	35,338	105.9%	21,938	21,218	103.4%	58.6%	60.0%
Fukuoka	37	37	35,236	28,648	123.0%	22,845	18,223	125.4%	64.8%	63.6%
Niigata	37	37	32,754	31,577	103.7%	15,938	14,699	108.4%	48.7%	46.5%
Hokuriku	36	37	13,387	11,370	117.7%	8,955	7,202	124.3%	66.9%	63.3%
JAA	37	37	63,891	85,543	74.7%	35,161	51,826	67.8%	55.0%	60.6%
HAA	36	36	200,984	227,341	88.4%	107,050	116,419	92.0%	53.3%	51.2%
Total	660	665	2,167,516	2,115,949	102.4%	1,319,743	1,330,274	99.2%	60.9%	62.9%

* 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	FY3/18	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	262,464	327,663	1,513,416	2,930,127
	YoY Change	13.5	26.4	16.1	14.4	21.6	11.5	16.8	▲1.5	2.8	▲3.4	11.1	7.3	▲3.0	1.7	8.5
	FY3/20	265,360	248,623	257,709	249,936	210,323	229,142	1,461,093	252,790	257,226	196,407	211,406			917,829	2,378,922
	YoY Change	▲0.3	7.1	1.4	11.5	2.0	▲2.1	3.1	7.7	▲0.1	▲5.1	▲5.6			-	-
No. of Vehicles Contracted	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	161,389	198,004	933,163	1,825,991
	YoY Change	14.9	26.7	14.2	12.7	17.4	9.3	15.5	▲0.1	2.9	▲5.3	5.3	2.6	▲5.9	▲0.4	6.8
	FY3/20	156,986	150,529	153,217	153,889	131,750	150,541	896,912	156,496	151,044	115,291	130,627			553,458	1,450,370
	YoY Change	▲1.3	2.1	▲3.4	7.2	▲0.2	▲1.0	0.5	3.0	▲6.5	▲6.9	▲4.2			-	-
Contract Completion Rate	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	61.5	60.4	61.7	62.3
	FY3/20	59.2	60.5	59.5	61.6	62.6	65.7	61.4	61.9	58.7	58.7	61.8			-	-

* 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

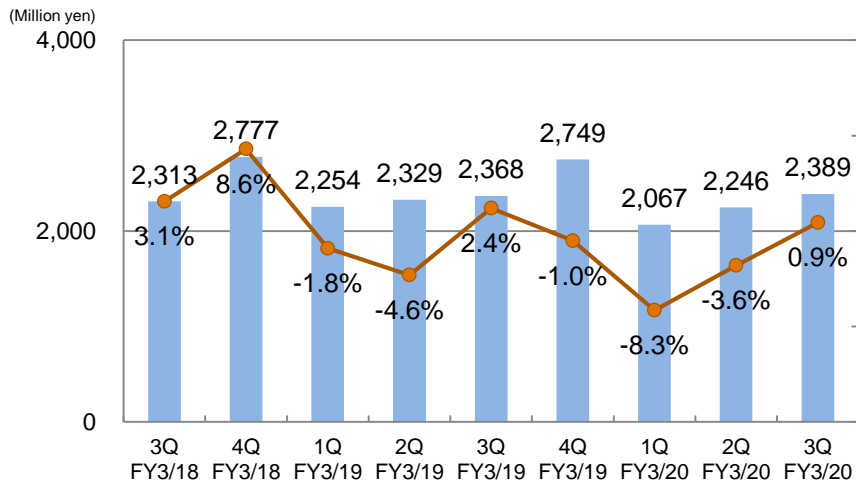
- Sales and earnings decreased at used vehicle purchasing subsidiary Rabbit due to a decrease in the number of vehicles sold and higher advertising expenses. (Net sales decreased 7.2% YoY to ¥3,715 million, Operating profit decreased 31.9% to ¥86 million)
- Sales and earnings increased at accident-damaged vehicle purchasing and selling business, because of an increase in gross profit per vehicles. (Net sales increased 1.4% YoY to ¥2,987 million, Operating profit increased 20.0% to ¥44 million)

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

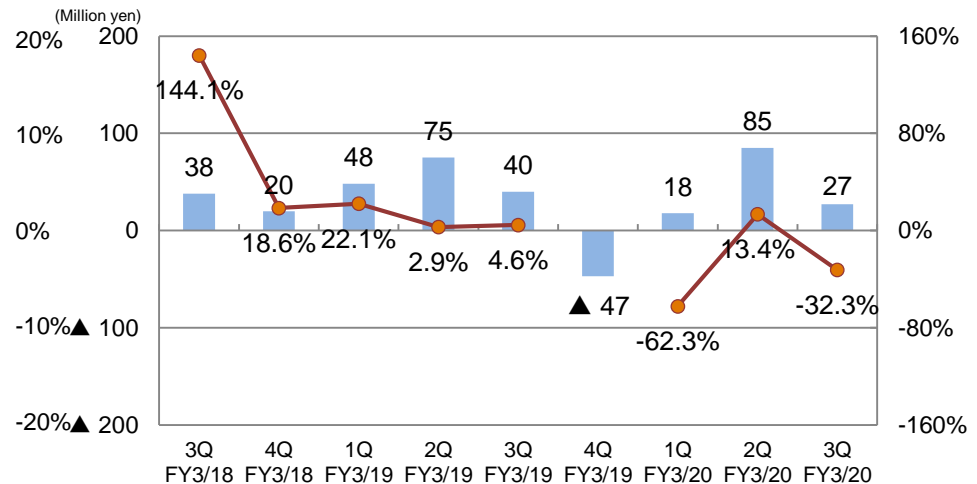
(Million yen)

	1-3Q FY3/18	1-3Q FY3/19	1-3Q FY3/20	Year on year
Net sales	7,049	6,951	6,703	96.4%
Operating profit	151	164	131	79.8%
Operating margin	2.1%	2.4%	2.0%	-

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

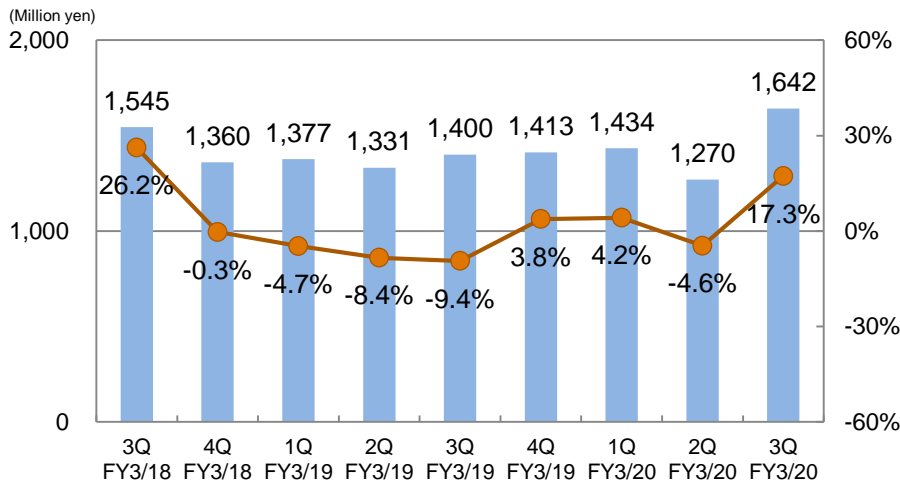
- The recycle business posted higher sales but lower earnings as the volume of plant demolition work increased but declining metal scrap prices from April weighed on earnings. (Net sales increased 8.3% YoY to ¥3,931 million, Operating profit decreased 31.7% to ¥266 million)
- In the used vehicle export clearing service business, sales and earnings decreased due to decline in the volume of orders received. (Net sales decreased 13.7% YoY to ¥349 million, Operating profit decreased 53.8% to ¥29 million)

Other Segment Performance in 1-3Q

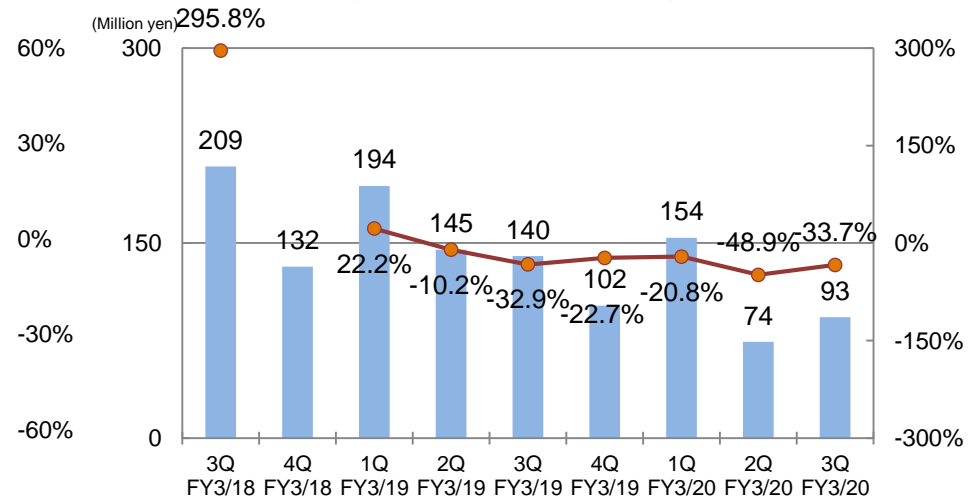
(Million yen)

	1-3Q FY3/18	1-3Q FY3/19	1-3Q FY3/20	Year on year
Net sales	4,444	4,109	4,347	105.8%
Operating profit	531	481	322	66.9%
Operating margin	11.9%	11.6%	7.3%	-

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 FY3/2020

- No revisions to the FY3/20 forecast announced on November 11, 2019.

(Million yen)

	FY3/19 (Actual)	FY3/20 Initial plan (May 13, 2019)	Change	FY3/20 Revised plan (Nov. 11, 2019)	Revised plan vs FY3/19
Net sales	79,908	80,800	▲ 1,100	79,700	99.7%
Gross profit (Per sales)	48,516 (60.7%)	49,570 (61.3%)	▲ 1,309	48,260 (60.6%)	99.5%
Operating profit (Per sales)	37,123 (46.5%)	38,200 (47.3%)	▲ 1,200	37,000 (46.4%)	99.7%
Ordinary profit (Per sales)	38,039 (47.6%)	38,700 (47.9%)	▲ 1,100	37,600 (47.2%)	98.8%
Profit attributable to owners of parent (Per sales)	25,543 (32.0%)	25,800 (31.9%)	▲ 700	25,100 (31.5%)	98.3%
Profit per share (Yen)	100.54	102.18	▲ 1.89	100.29	99.8%
Capital expenditures (Terms of cash flows)	2,428	7,400	▲ 2,400	5,000	205.9%
Depreciation	5,299	5,114	▲ 162	4,951	93.4%

Auto Auction Business (excl. JBA)	FY3/19 (Actual)	FY3/20 Initial plan (May 13, 2019)	Change	FY3/20 Revised plan (Nov. 11, 2019)	Revised plan vs FY3/19
No. of vehicles consigned (Thousands)	2,930	3,000	▲ 10	2,990	102.0%
No. of vehicles contracted (Thousands)	1,825	1,870	▲ 30	1,840	100.8%
Contract completion rate	62.3%	62.3%	-	61.5%	-

2H FY3/2020 – Reasons for Change in Operating Profit (Forecast)

Net sales

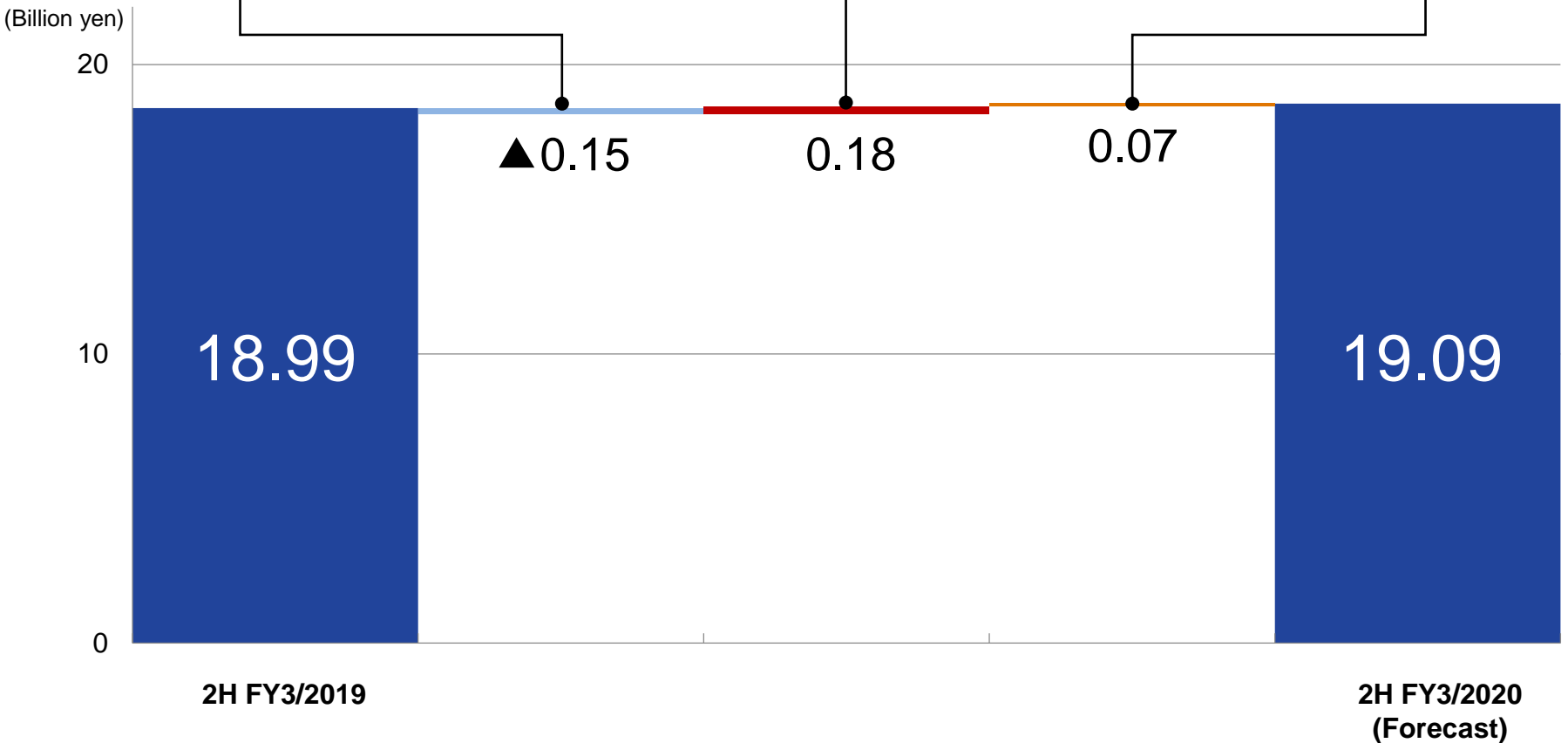
Increase in vehicles consigned 0.27bn
 Decrease in fee rates ▲0.32bn

Cost of sales

Decrease in depreciation 0.11bn
 Decrease in cost of goods sold 0.09bn

SG&A expenses

Decrease in advertising expenses 0.09bn



FY3/2020 – Reasons for Change in Operating Profit (Forecast)

Net sales

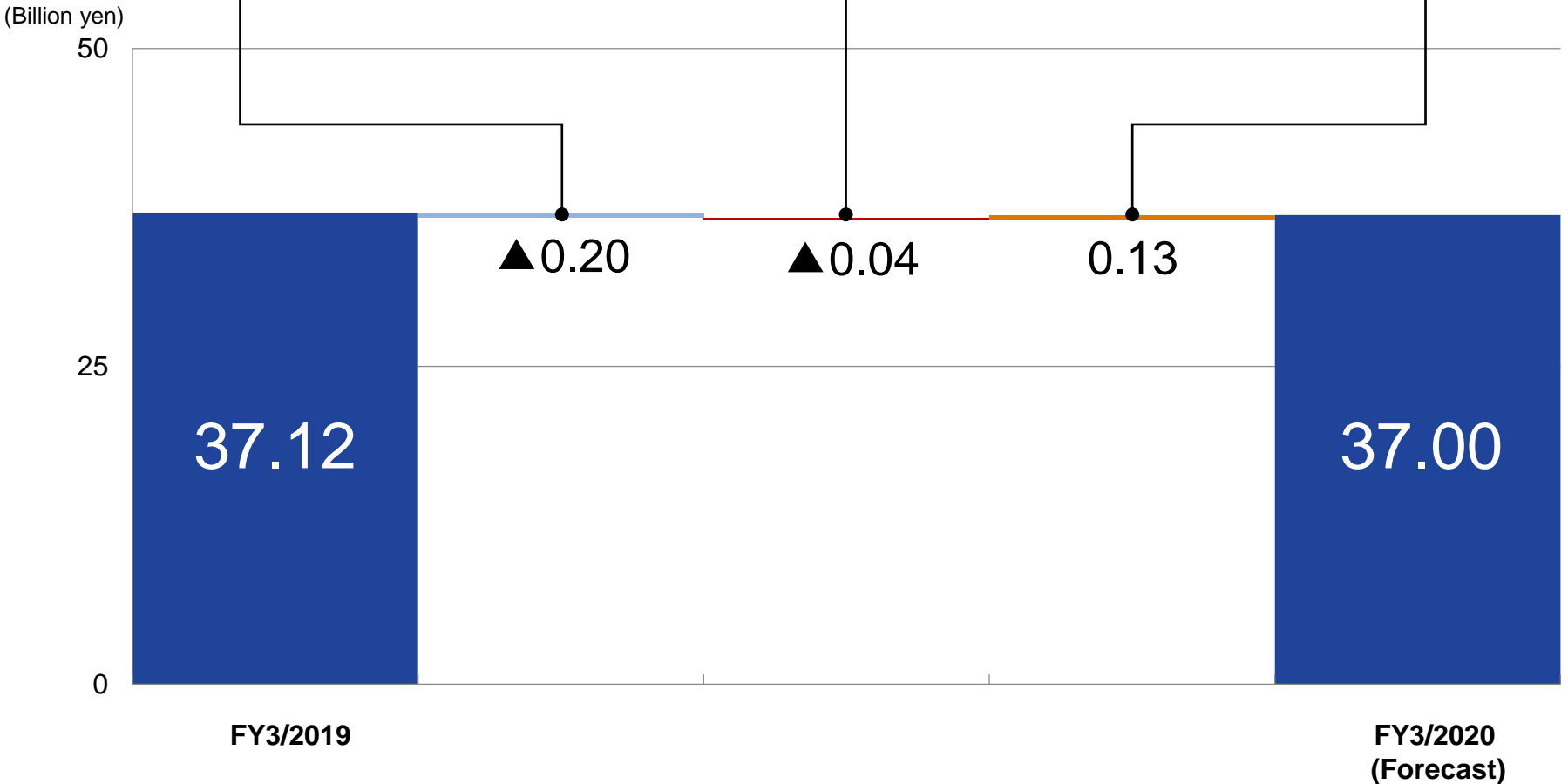
Increase in vehicles consigned 1.07bn
 Decrease in fee rates ▲0.64bn
 Decrease in contract completion rate ▲0.47bn

Cost of sales

Decrease in depreciation 0.34bn
 Increase in expenses for supplies ▲0.12bn
 Increase in employee salaries and bonuses ▲0.12bn
 Increase in cost of goods sold ▲0.10bn

SG&A expenses

Decrease in sales commission 0.12bn



(Million yen)

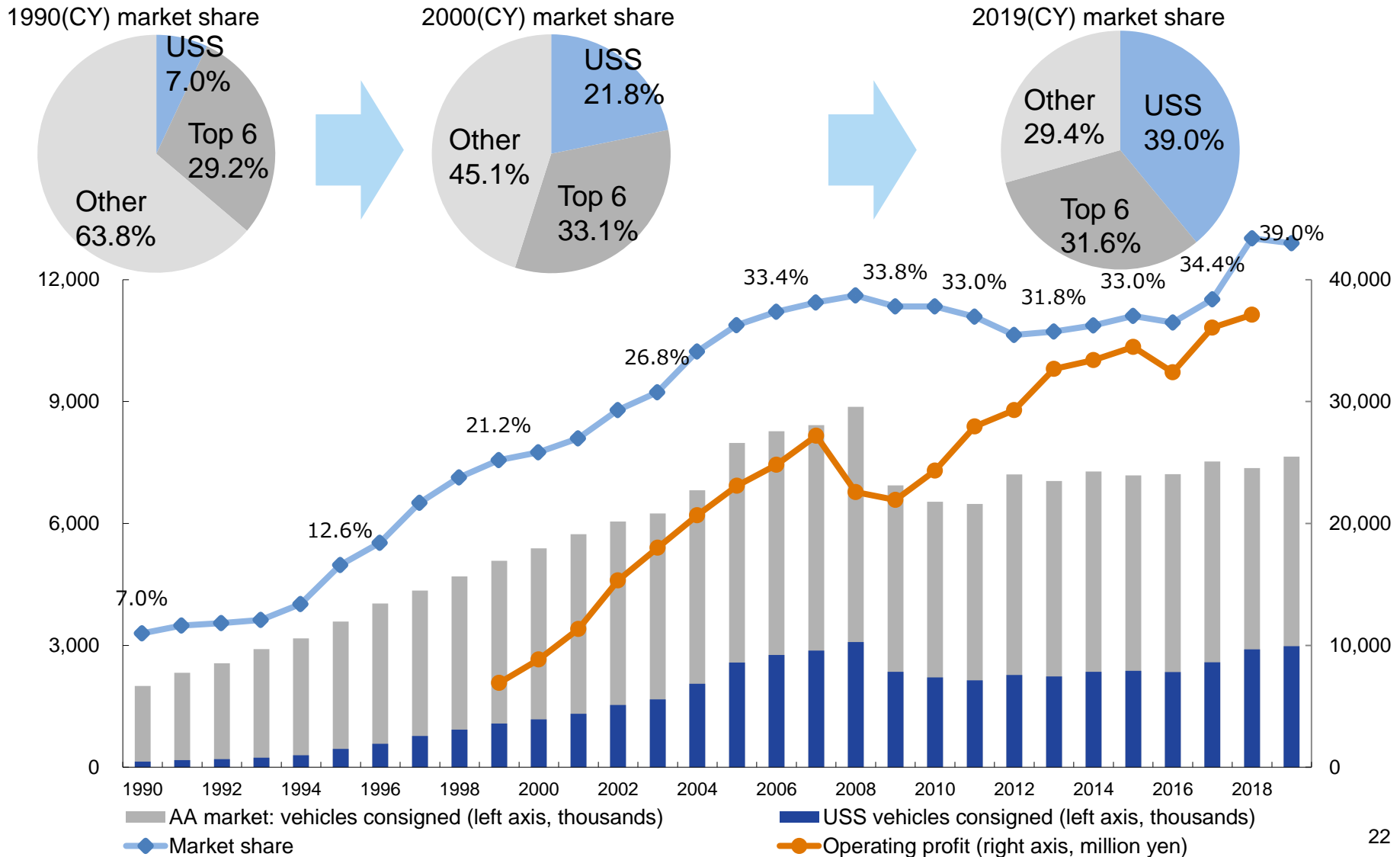
	FY3/19 (Actual)	FY3/20 Initial plan (May 13, 2019)	Change	FY3/20 Revised plan (Nov. 11, 2019)	Revised plan vs FY3/19
Net sales					
Auto auction	64,684	65,892	▲ 934	64,957	100.4%
Used vehicle purchasing and selling	9,701	9,472	▲ 367	9,104	93.9%
Other	5,522	5,435	202	5,637	102.1%
Total	79,908	80,800	▲ 1,100	79,700	99.7%
Operating profit (Per sales)	37,123 (46.5%)	38,200 (47.3%)	▲ 1,200	37,000 (46.4%)	99.7%

Market Overview

Strategy for Creating Value Over the Medium Term

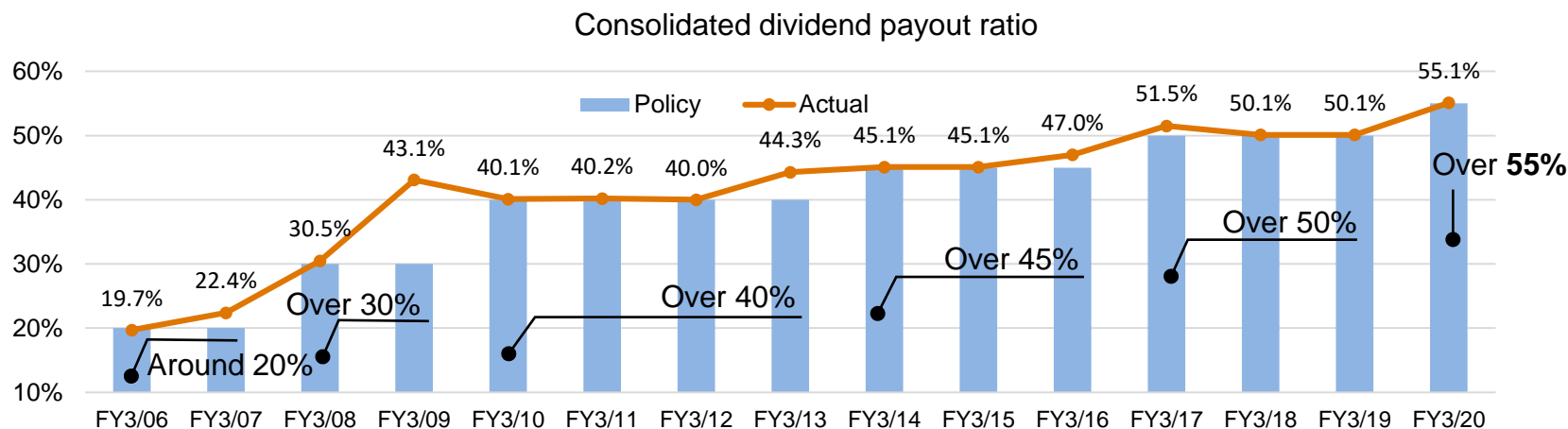
Used Car Auction Market and USS Market Share

- 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



Increase shareholder distributions while continuing investment for growth

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



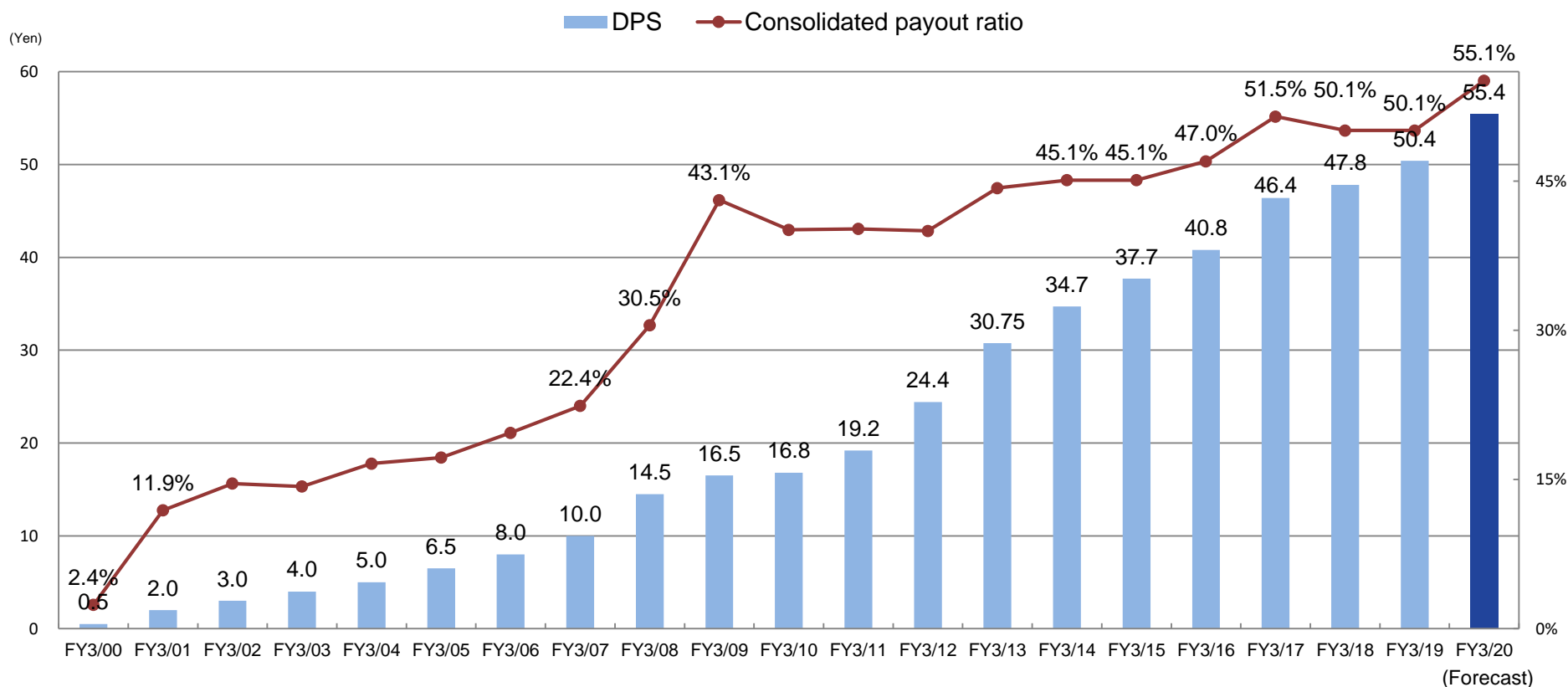
■ Stock repurchases: Buy back stock with flexibility, with due consideration to cash flows, capital investment plans and the market environment

Stock Repurchase Data (latest figures)

4,836,800 shares/9,999,914,700 yen (From Feb. 13, 2019 to Aug. 9, 2019)

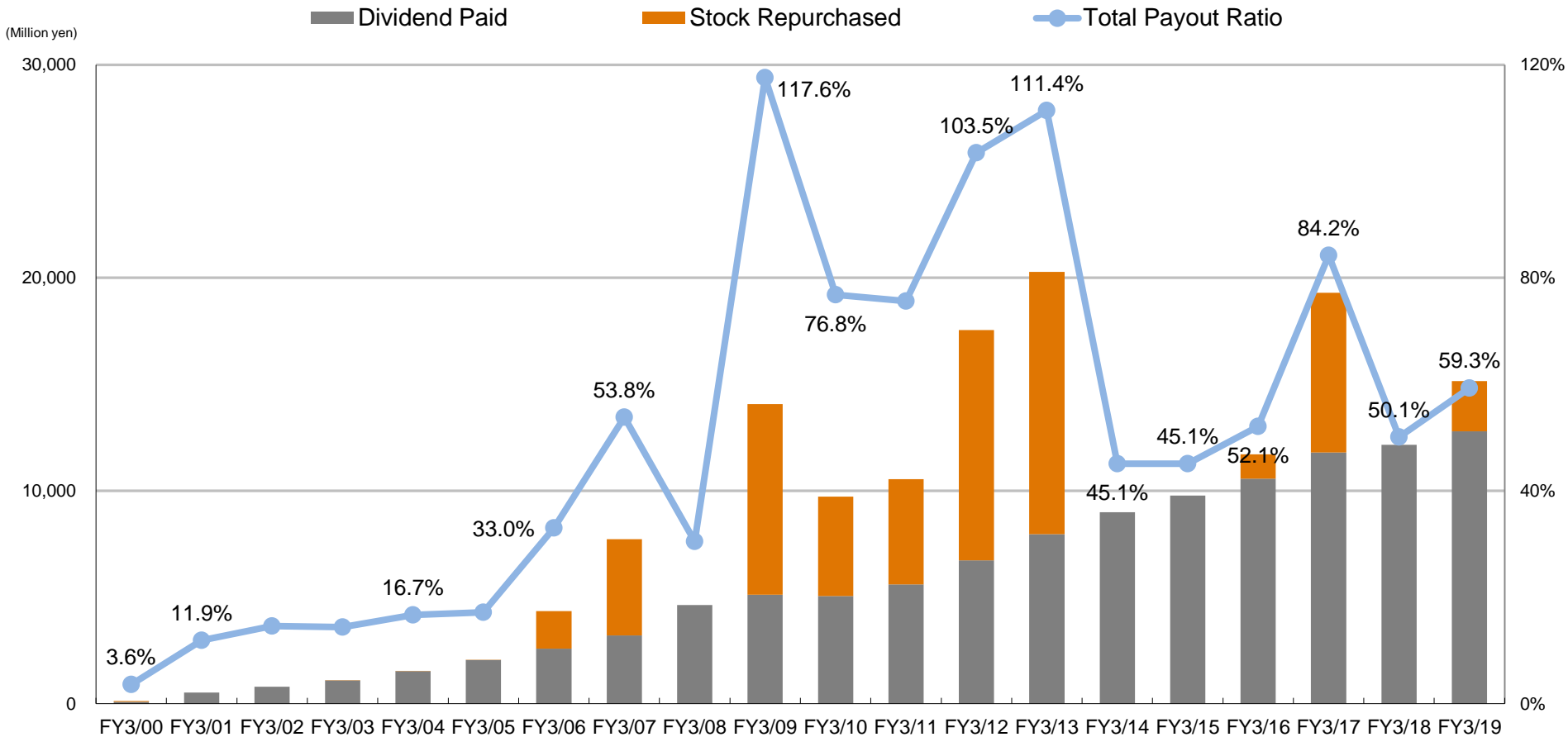
■ Return on equity (ROE): Medium-term goal is at least 15%

- Increase the consolidated payout ratio (50% to 55%) from FY3/2020
- Dividend per share for FY3/2020 **Revised to 55.4 yen** from 51.2 yen (5.0 yen higher than FY3/2019 dividend)
- **20 consecutive years** of dividend growth since listing



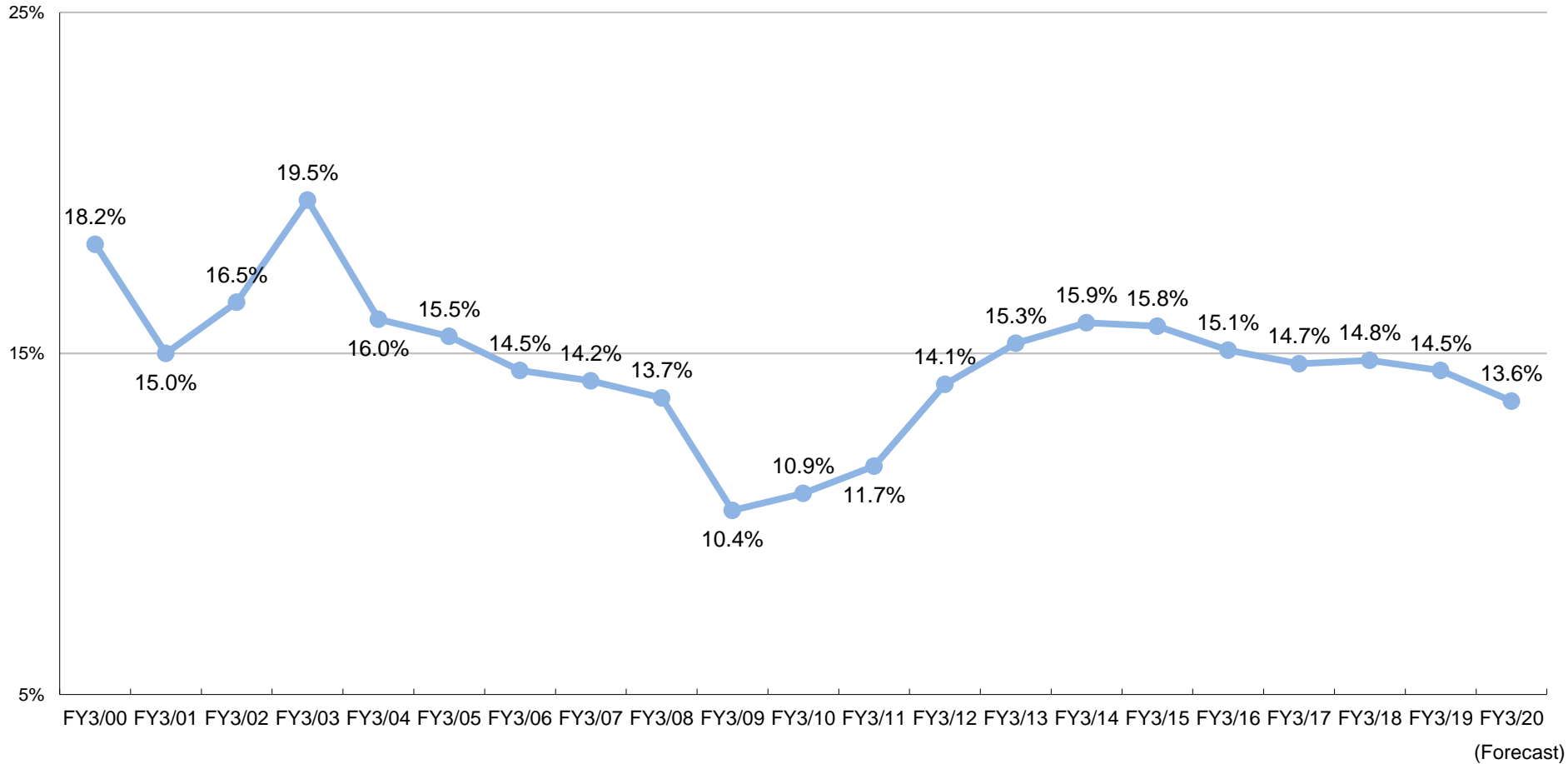
*Dividend per share is retroactively adjusted to the number of shares outstanding as of the effective date (October 1, 2013) of the stock split.

■ Flexible stock repurchases while maintaining stable dividend.

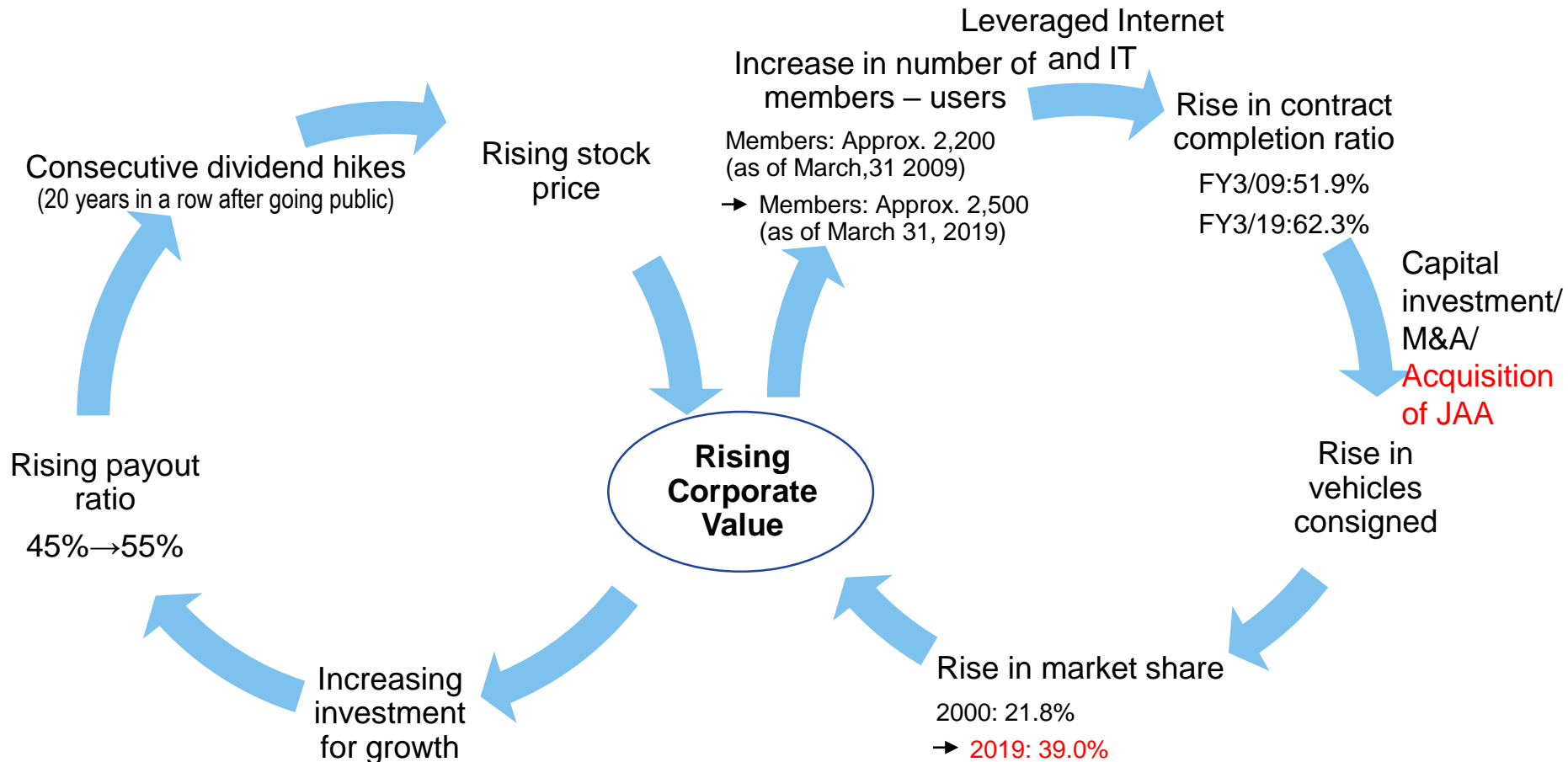


■ No change in the medium-term ROE target of at least 15%.

ROE

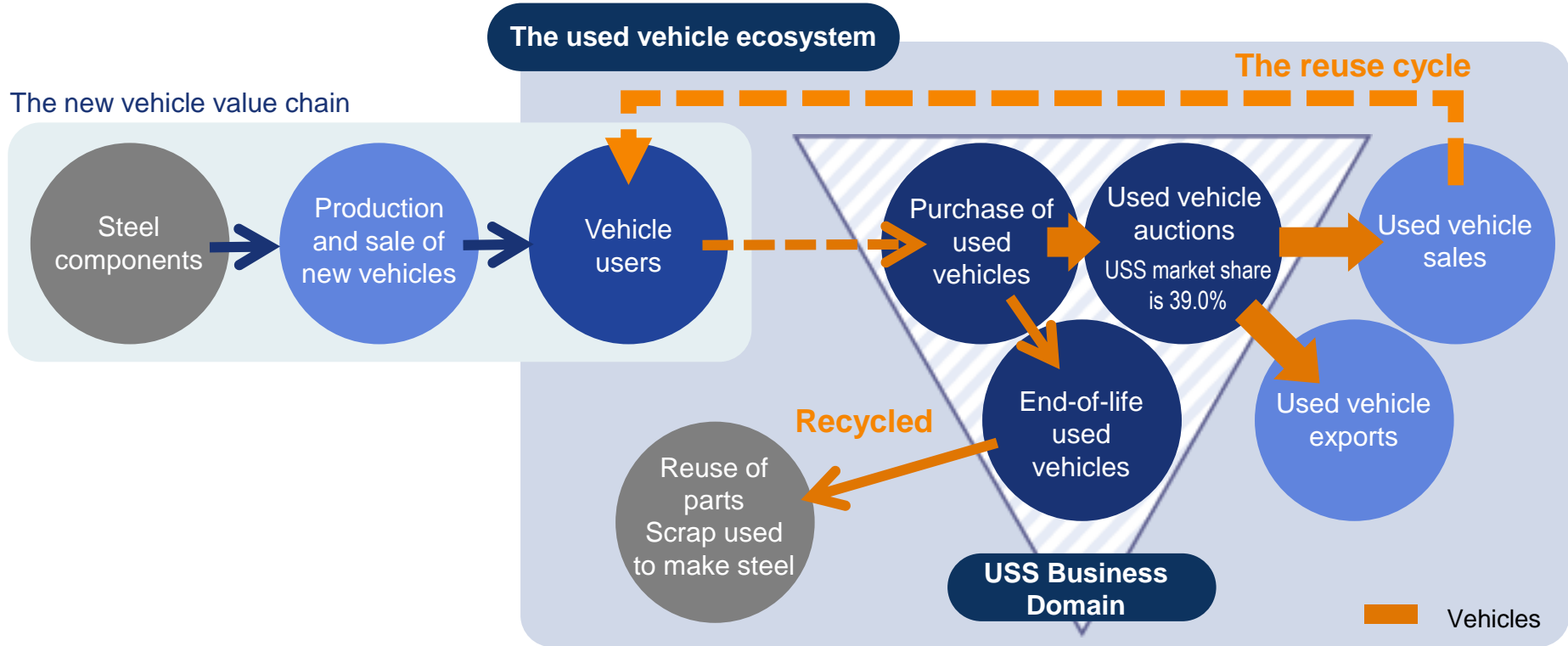


■ Aim at increasing shareholder value by a two-pronged strategy of solid investments in growth and active shareholder distributions



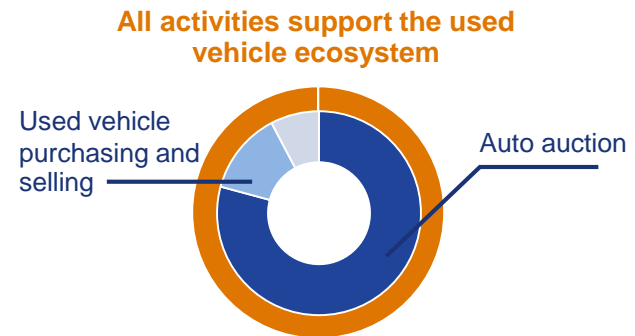
How USS Creates Social and Economic Value

■ 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

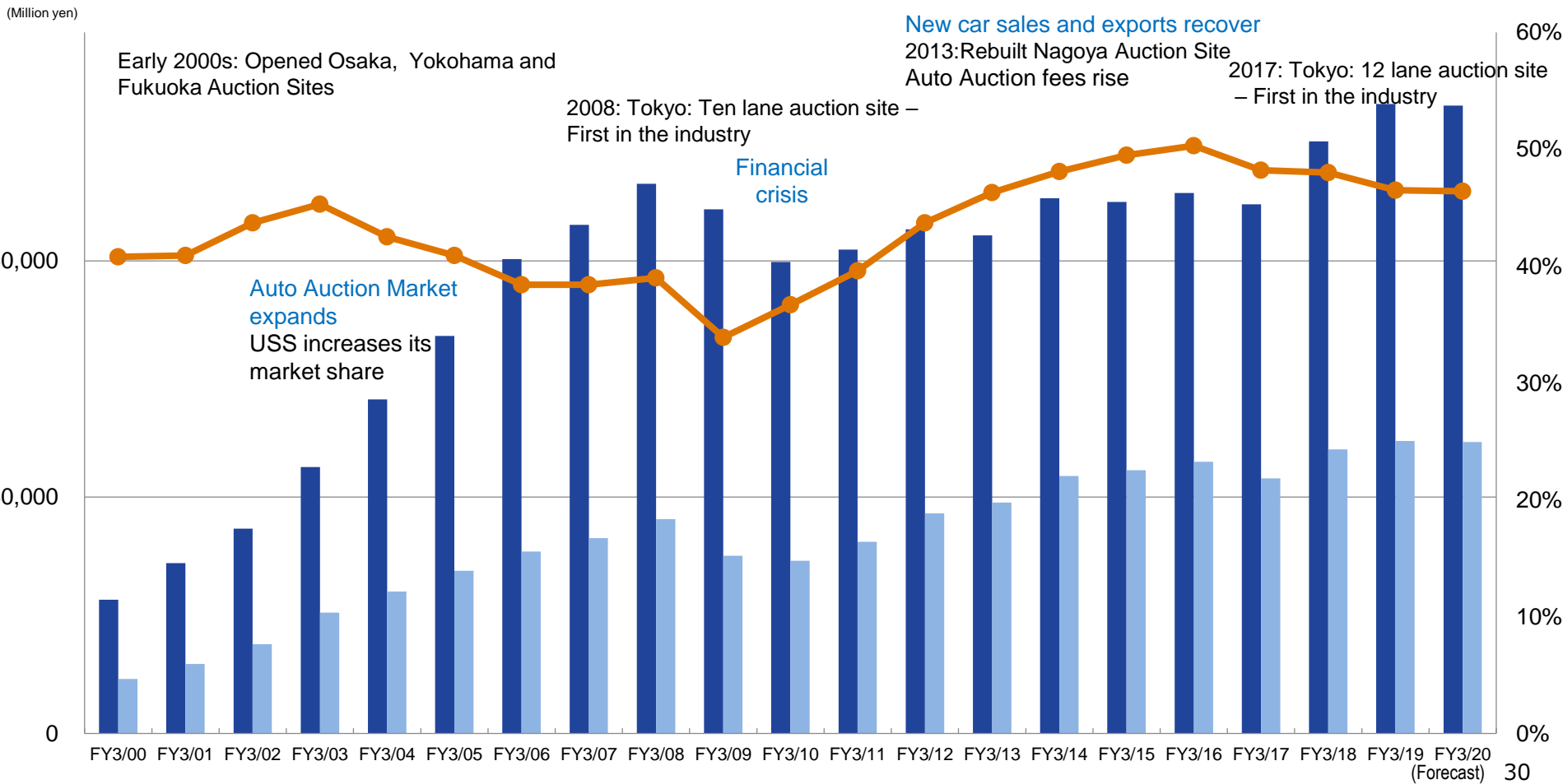
History of USS Long-term Growth

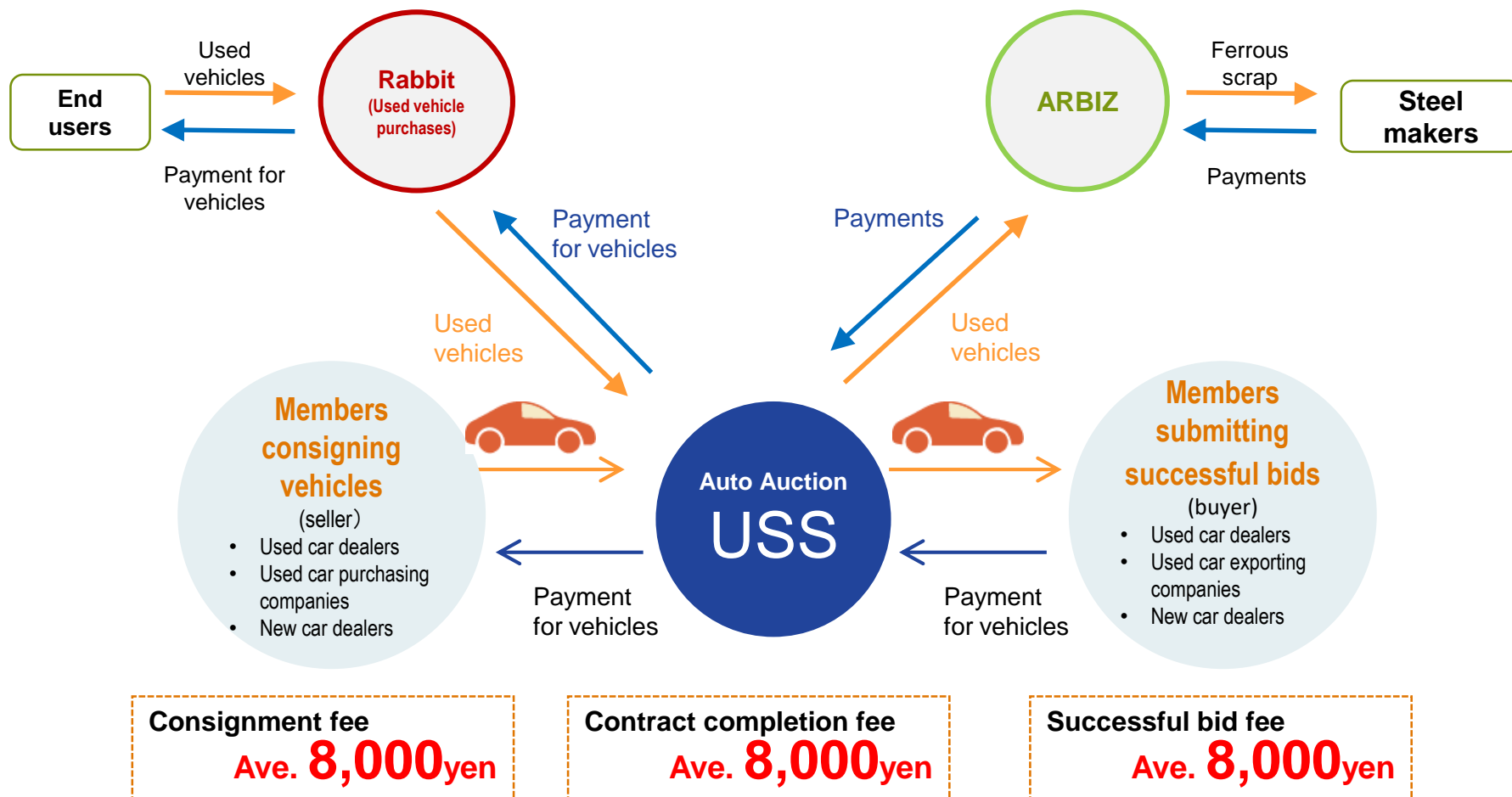
Before 2000

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



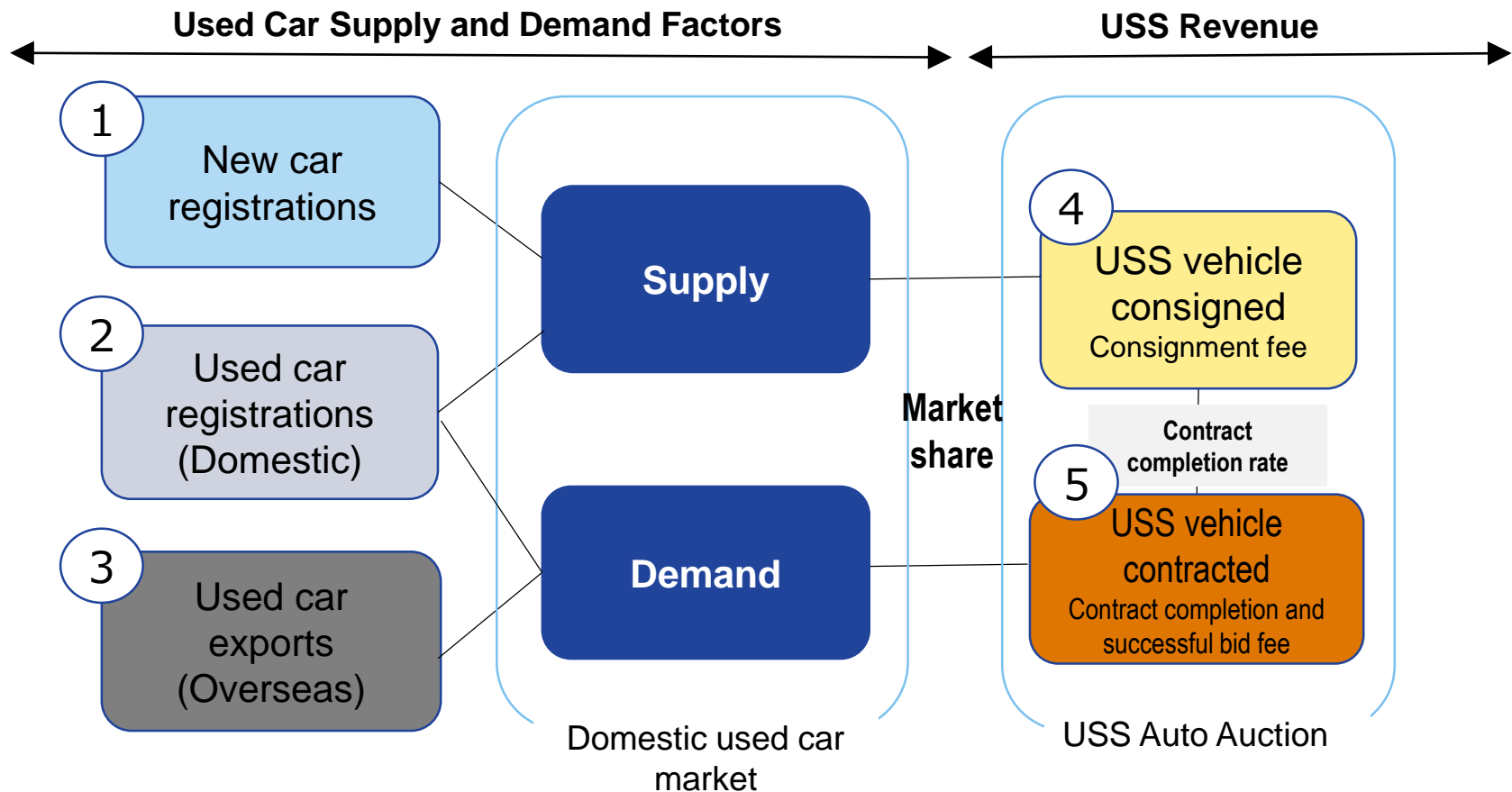


Vehicles consigned
2.93 million units/year
 (FY3/2019)

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

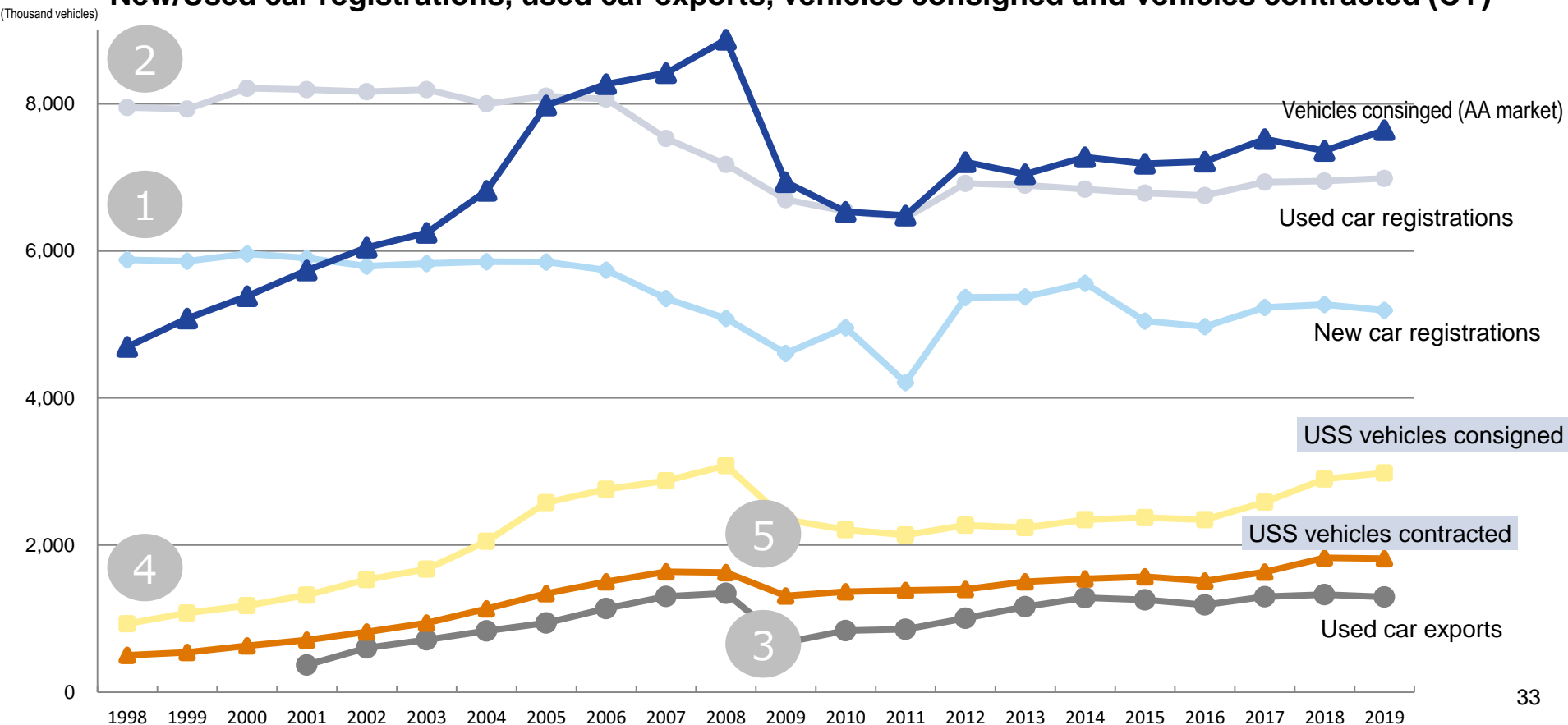
Contract completion rate
62.3% (FY3/2019)

- 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. As a part of this strategy, the company elected Nobuko Takagi, a Certified Public Accountant and a specialized M&A advisory as an outside director.

FY	2005	2007	...	2013	...	2020
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 2020
 Directors: 10 (of which independent outside directors: 3)
 Auditors: 3 (of which independent outside auditors: 2)
 Executive officers: 3