



Consolidated Results of Operations

Fiscal Year Ended March 31, 2020

USS Co., Ltd.
May 2020

Results of Operations

Fiscal Year Ended March 2020

- Consolidated results of operations
 - Sales: Down 3% and 2% below the plan
 - Operating profit: Down 3% and 3% below the plan
- Impact of the COVID-19
 - Continued business operations accompanied by rigorous measures to protect members and employees
 - Consigned and contracted vehicles have both been decreasing since Mar. 2020
Apr. 2020: Vehicles consigned down 4% YoY, vehicles contracted down 24% YoY, contract completion rate 46.9% vs. 59.2% in Apr. 2019 (In Apr. 2020, the second consignment ratio increased because of the decrease in the contract completion rate.)
- Loss of ¥3.86 billion for JAA goodwill impairment
 - Impairment was the result of a conservative reexamination of the business plan to reflect the decline in used car transaction volume due to the consumption tax hike and the rapid economic downturn caused by the COVID-19 crisis
- Shareholder distributions
 - FY3/2020 dividend per share: ¥55.4 as planned, **the 20th consecutive year of dividend increases**
 - Increased the consolidated payout ratio to at least 55% starting in FY3/2020
- There is no FY3/2021 forecast because the COVID-19 crisis makes it impossible to determine a reliable forecast at this time.

FY3/2020 – Summary of Consolidated Results of Operations

- Sales decreased 2.2% YoY to ¥78.14 billion, operating profit was down 3.0% to ¥36.00 billion, and profit attributable to owners of parent decreased 19.2% to ¥20.63 billion.
- JAA goodwill impairment of ¥3.86 billion

(Million yen)

	FY3/2019	FY3/2020	Year on year	Plan (as of Nov. 11, 2019)	VS. plan
Net sales	79,908	78,143	97.8%	79,700	98.0%
Cost of sales (Per sales)	31,391 (39.3%)	30,954 (39.6%)	98.6%	31,439 (39.4%)	98.5%
Gross profit (Per sales)	48,516 (60.7%)	47,188 (60.4%)	97.3%	48,260 (60.6%)	97.8%
Selling, general and administrative expenses (Per sales)	11,393 (14.3%)	11,179 (14.3%)	98.1%	11,260 (14.1%)	99.3%
Operating profit (Per sales)	37,123 (46.5%)	36,009 (46.1%)	97.0%	37,000 (46.4%)	97.3%
Ordinary profit (Per sales)	38,039 (47.6%)	36,710 (47.0%)	96.5%	37,600 (47.2%)	97.6%
Profit attributable to owners of parent (Per sales)	25,543 (32.0%)	20,634 (26.4%)	80.8%	25,100 (31.5%)	82.2%

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

Net sales

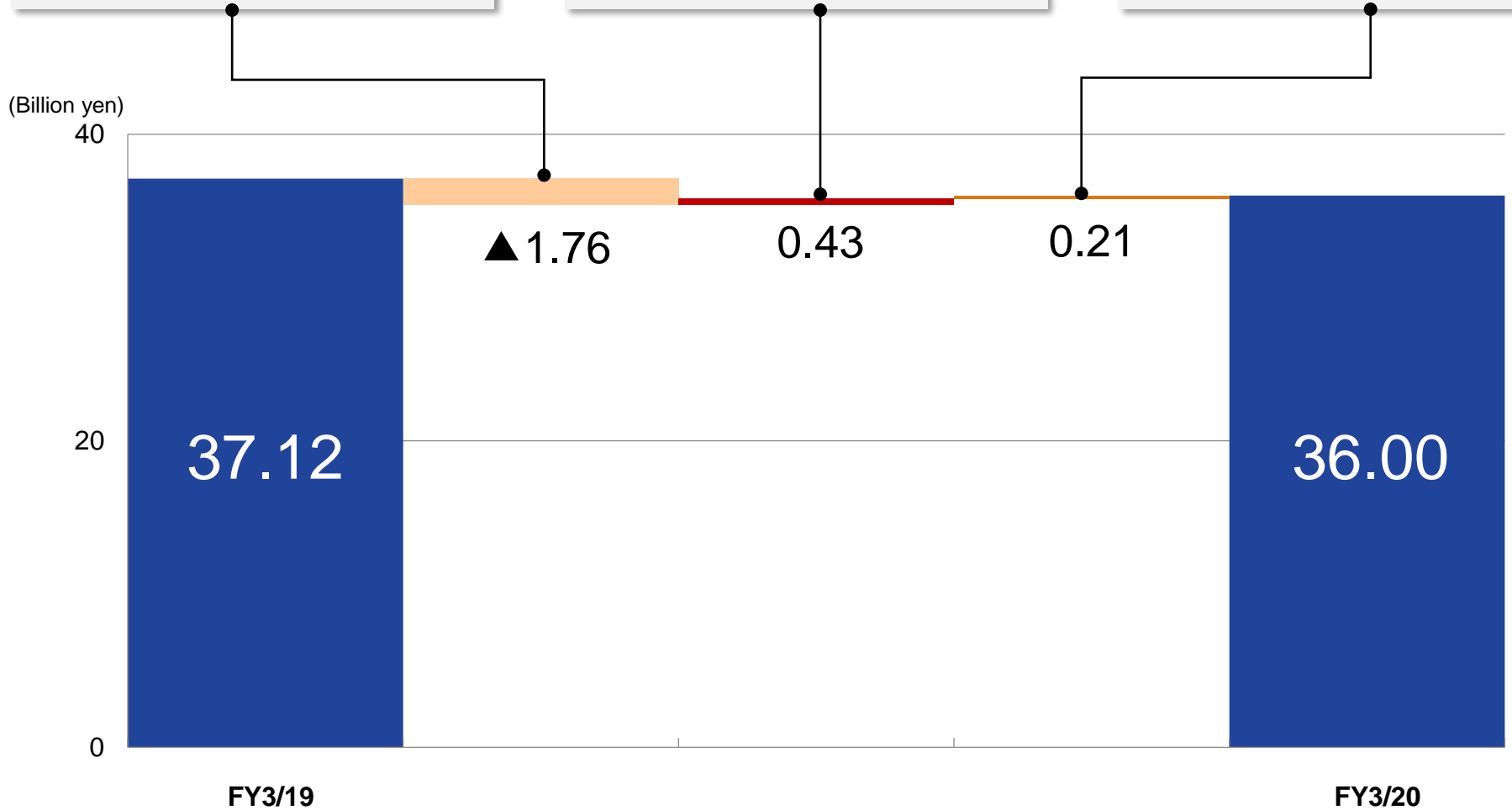
Increase in recycling	0.25bn
Decrease in contract completion rate	▲1.01bn
Used vehicle sales/purchases	▲0.64bn
Decrease in vehicles consigned	▲0.10bn

Cost of sales

Decrease in cost of goods sold	0.65bn
Decrease in depreciation	0.23bn
Increase in purchase of goods	▲0.41bn

SG&A expenses

Decrease in sales commission	0.12bn
Decrease in advertising expenses	0.04bn



Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	FY3/2018	FY3/2019	FY3/2020	Year on year
Auto auction	59,521	64,684	63,350	97.9%
Used vehicle purchasing and selling	9,827	9,701	9,099	93.8%
Other	5,805	5,522	5,692	103.1%
Total	75,153	79,908	78,143	97.8%
Operating profit (operating margin)	FY3/2018	FY3/2019	FY3/2020	Year on year
Auto auction	35,131 (58.5%)	36,323 (55.8%)	35,436 (55.6%)	97.6%
Used vehicle purchasing and selling	171 (1.7%)	116 (1.2%)	103 (1.1%)	88.7%
Other	665 (11.4%)	583 (10.5%)	369 (6.4%)	63.3%
Elimination of inter-segment transactions	103	99	100	100.8%
Total	36,071 (48.0%)	37,123 (46.5%)	36,009 (46.1%)	97.0%

* 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 for the rebuilding of the JAA auction site and other projects.
- In financing activities, dividend payments and the purchase of treasury stock were major uses of cash.
- Equity ratio: 83.0%

Consolidated Balance Sheets (Summary)

(Million yen)

	FY3/19	FY3/20
Current assets	77,431	68,096
Cash and deposits	51,352	50,729
Receivables due from member dealers at auction, etc.	26,078	17,367
Non-current assets	155,271	151,037
Property, plant and equipment	104,887	106,747
Other	50,384	44,289
Total assets	232,703	219,133

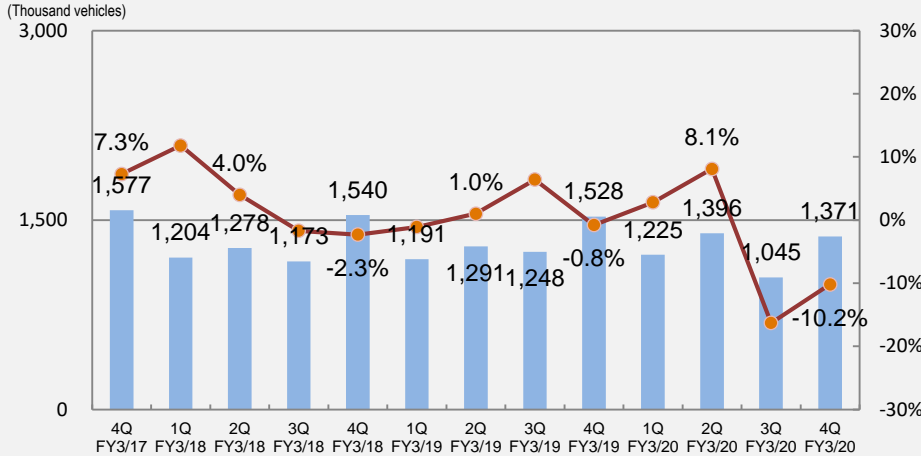
	FY3/19	FY3/20
Current liabilities	38,077	24,497
Payables due to member dealers at auction	22,209	8,721
Other	15,867	15,776
Non-current liabilities	11,090	10,656
Total liabilities	49,168	35,153
Total net assets	183,535	183,980
Total liabilities and net assets	232,703	219,133

Consolidated Statements of Cash Flows (Summary)

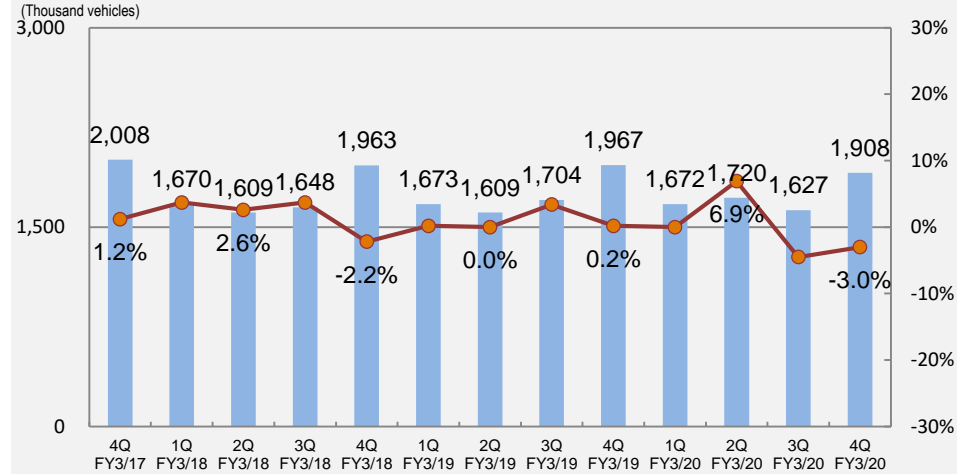
(Million yen)

	FY3/18	FY3/19	FY3/20	Changes
Net cash provided by (used in) operating activities	32,505	32,894	27,245	▲5,648
Net cash provided by (used in) investing activities	▲34,498	▲1,496	▲4,906	▲3,409
Free cash flow	▲1,993	31,398	22,339	▲9,058
Net cash provided by (used in) financing activities	▲12,162	▲19,668	▲16,963	2,705
Capital expenditures (Terms of cash flows)	4,447	2,428	4,523	2,095
Depreciation	4,983	5,299	5,037	▲262

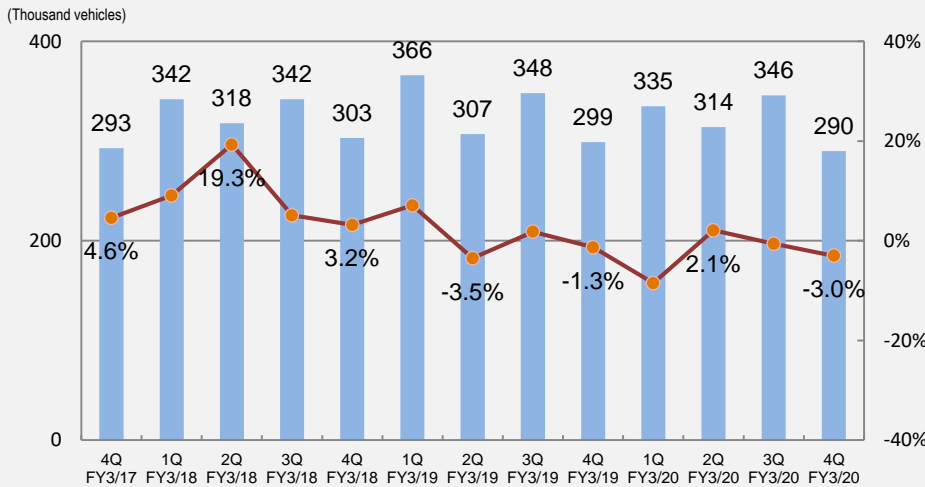
New Car Registrations and YoY Changes



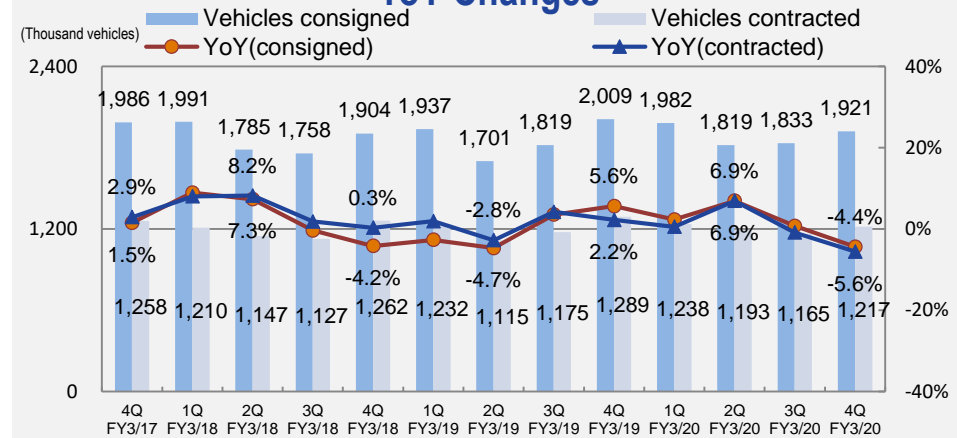
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned and Contracted and YoY Changes



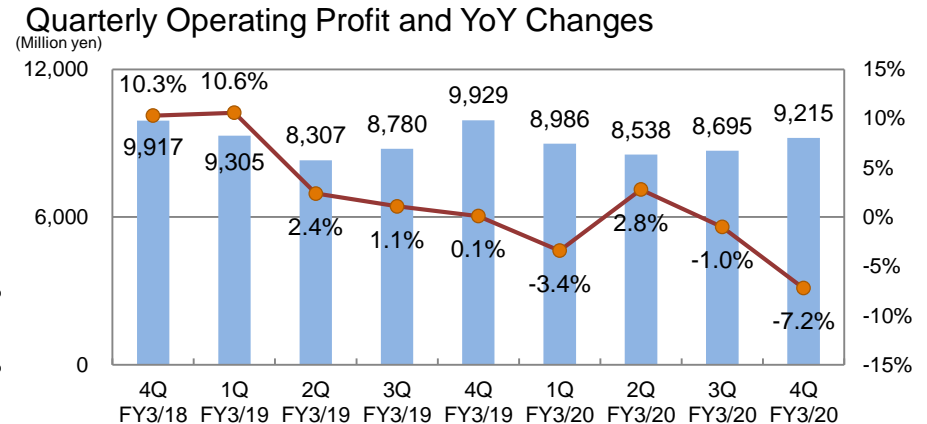
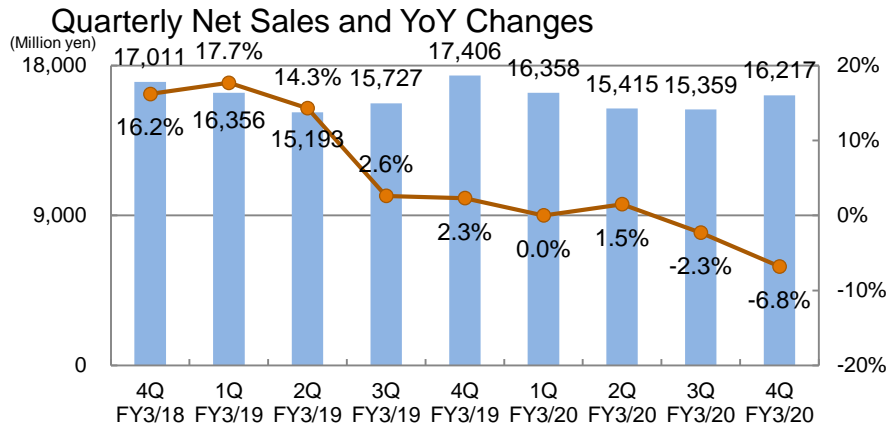
Auto Auction Segment (1)

- Vehicles consigned decreased 0.2% YoY to 2,924 thousand; contract completions decreased 2.9% YoY to 1,772 thousand (contract completion rate: 60.6% against 62.3% in the previous fiscal year)
- Auction fees decreased primarily because of decreases in vehicles consigned and the contract completion rate.

Auto Auction Segment Performance

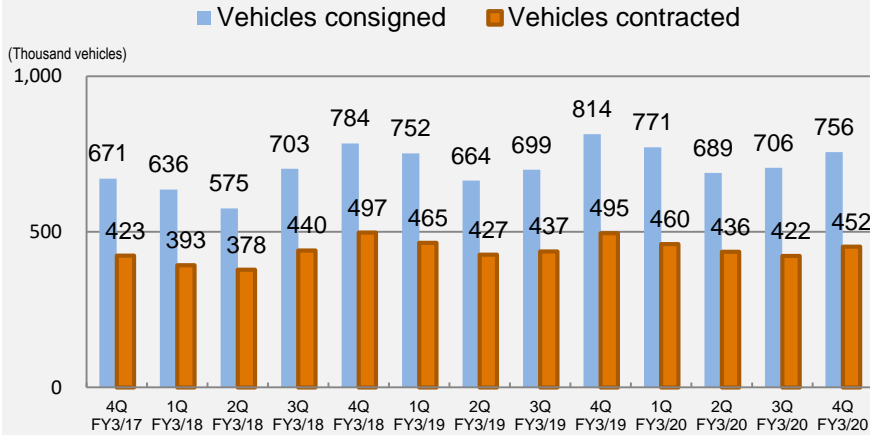
(Million yen)

	FY3/2018	FY3/2019	FY3/2020	Year on year
Net sales	59,521	64,684	63,350	97.9%
Consignment fees	14,153	15,269	15,047	98.5%
Contract completion fees	13,858	14,898	14,499	97.3%
Successful bid fees	20,192	22,313	21,758	97.5%
Other	11,317	12,203	12,044	98.7%
Operating profit	35,131	36,323	35,436	97.6%
Operating margin	58.5%	55.8%	55.6%	-

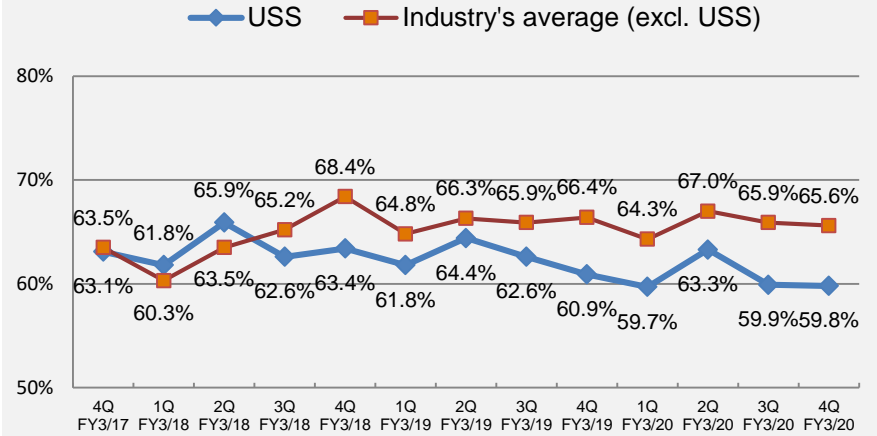


* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

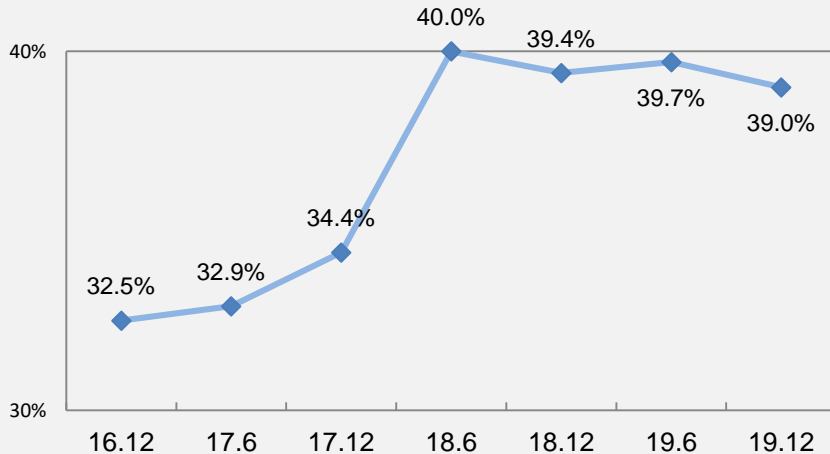
No. of Vehicles Consigned and Vehicles Contracted



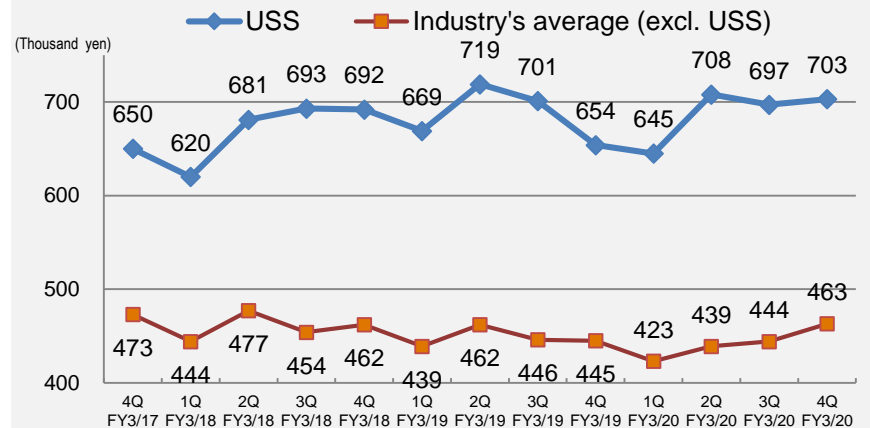
Contract Completion Rate



Market Share



Average Price of Vehicle Contracted

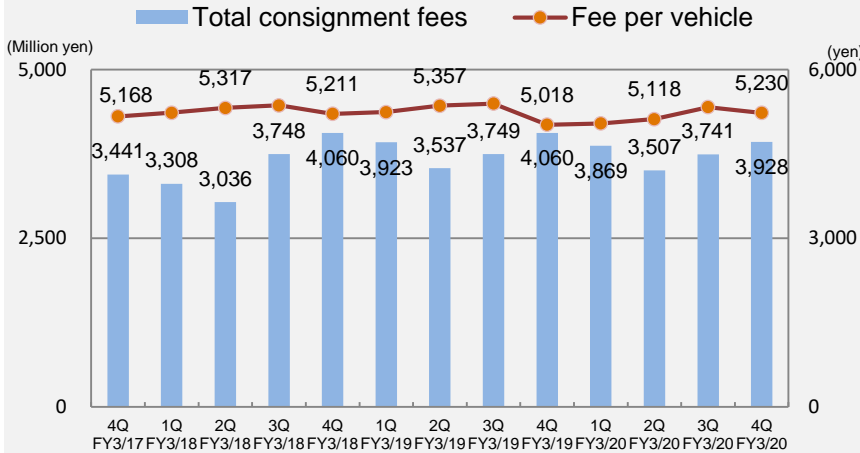


* Period ending in December: 12-month data; Period ending in June: 6-month data.

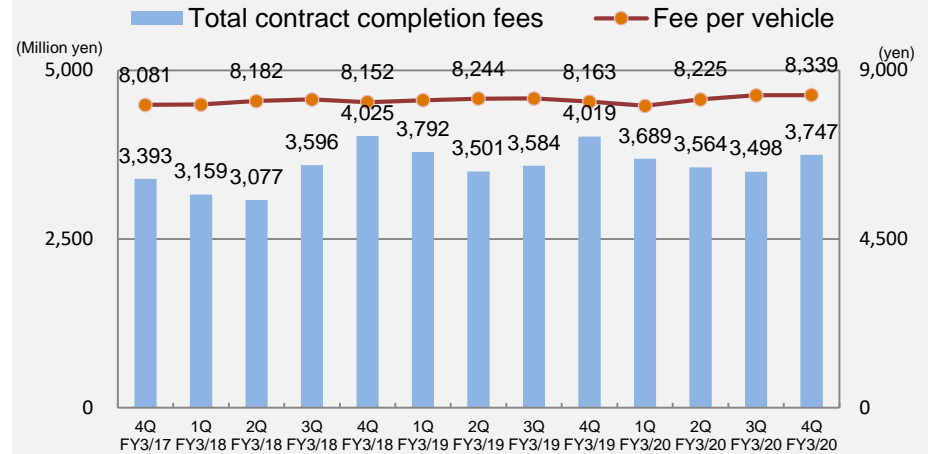
* The results of JAA, and of HAA Kobe are included from October 2017.

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

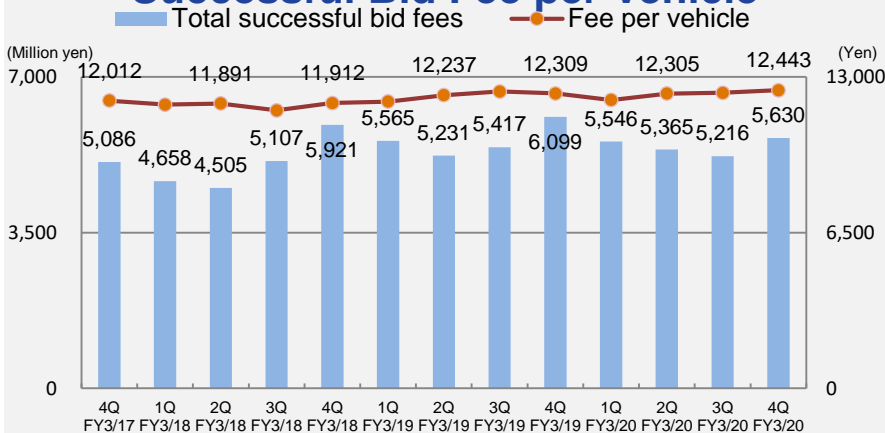
Total Consignment Fees and Consignment Fee per Vehicle



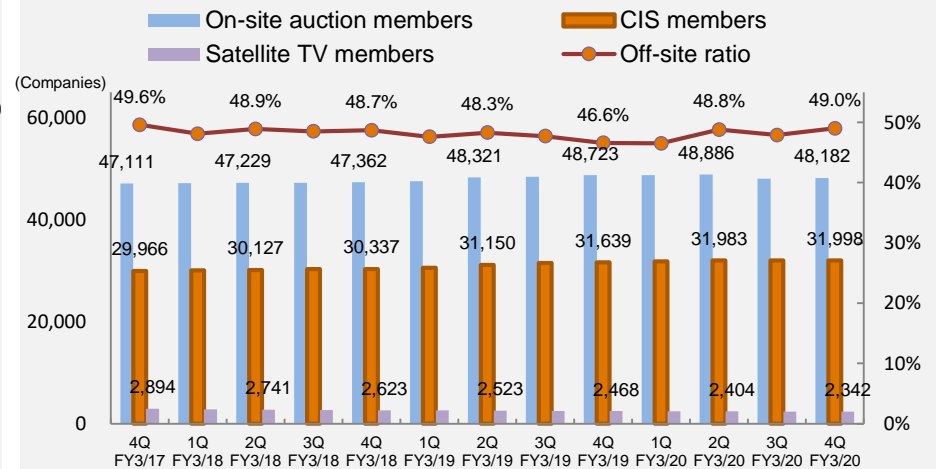
Total Contract Completion Fees and Contract Completion Fee per Vehicle



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.

*The method used for calculating the off-site ratio was revised in April 2019.

Auto Auction Segment (4)

From April 1, 2019 to March 31, 2020

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	FY3/20	FY3/19	FY3/20	FY3/19	YoY change	FY3/20	FY3/19	YoY change	FY3/20	FY3/19
Tokyo	49	49	662,972	658,344	100.7%	441,547	454,142	97.2%	66.6%	69.0%
Nagoya	49	49	501,171	498,213	100.6%	263,145	273,082	96.4%	52.5%	54.8%
Osaka	49	49	211,353	177,167	119.3%	109,542	97,655	112.2%	51.8%	55.1%
Yokohama	50	49	198,179	184,752	107.3%	122,944	120,197	102.3%	62.0%	65.1%
Kyushu	48	49	192,538	181,153	106.3%	110,511	109,144	101.3%	57.4%	60.2%
R-Nagoya	50	49	144,196	143,056	100.8%	117,353	120,027	97.8%	81.4%	83.9%
Sapporo	49	49	140,841	148,218	95.0%	90,757	97,557	93.0%	64.4%	65.8%
Shizuoka	48	49	94,433	89,485	105.5%	61,257	59,943	102.2%	64.9%	67.0%
Kobe	49	49	82,643	84,203	98.1%	48,193	48,773	98.8%	58.3%	57.9%
Okayama	48	49	73,453	76,131	96.5%	48,494	51,401	94.3%	66.0%	67.5%
Gunma	48	49	57,395	57,520	99.8%	37,586	38,838	96.8%	65.5%	67.5%
Tohoku	49	49	56,703	62,537	90.7%	40,320	45,616	88.4%	71.1%	72.9%
Saitama	49	49	49,888	49,518	100.7%	29,301	29,232	100.2%	58.7%	59.0%
Fukuoka	49	49	47,355	42,234	112.1%	30,352	26,670	113.8%	64.1%	63.1%
Niigata	49	49	42,908	43,358	99.0%	21,200	19,687	107.7%	49.4%	45.4%
Hokuriku	48	49	18,060	16,505	109.4%	12,308	10,488	117.4%	68.2%	63.5%
JAA	49	49	82,008	108,980	75.3%	44,811	65,359	68.6%	54.6%	60.0%
HAA Kobe	48	48	267,956	308,753	86.8%	142,822	158,180	90.3%	53.3%	51.2%
Total	878	881	2,924,052	2,930,127	99.8%	1,772,443	1,825,991	97.1%	60.6%	62.3%

* Data of the Shikoku auction site that was included in the Okayama auction site data is included in the HAA Kobe auction site data from January 2020.

* 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	251,864	293,266	1,462,959	2,924,052
	YoY Change	▲0.3	7.1	1.4	11.5	2.0	▲2.1	3.1	7.7	▲0.1	▲5.1	▲5.6	▲4.0	▲10.5	▲3.3	▲0.2
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	158,104	163,969	875,531	1,772,443
	YoY Change	▲1.3	2.1	▲3.4	7.2	▲0.2	▲1.0	0.5	3.0	▲6.5	▲6.9	▲4.2	▲2.0	▲17.2	▲6.2	▲2.9
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	62.8	55.9	59.8	60.6

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

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Used Vehicle Purchasing and Selling Segment

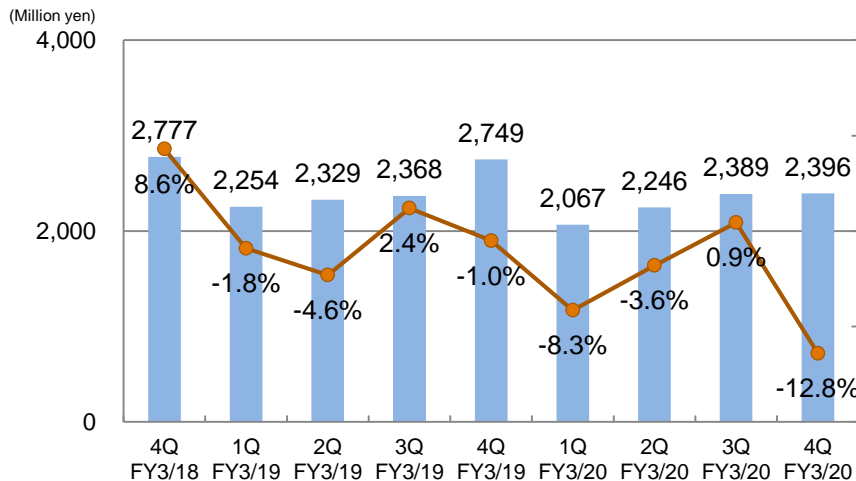
- At used vehicle purchasing subsidiary Rabbit, gross profit per vehicle increased but sales and earnings were down because of the smaller number of vehicles sold. (Net sales decreased 11.3% YoY to ¥5,059 million, Operating profit decreased 0.9% to ¥64 million)
- In the accident-damaged vehicle purchasing and selling business, sales increased because of more sales of higher-priced vehicles but earnings decreased due to the smaller number of vehicles sold and a decrease in gross profit per vehicle. (Net sales increased 1.0% YoY to ¥4,039 million, Operating profit decreased 24.4% to ¥38 million)

Used Vehicle Purchasing and Selling Segment Performance

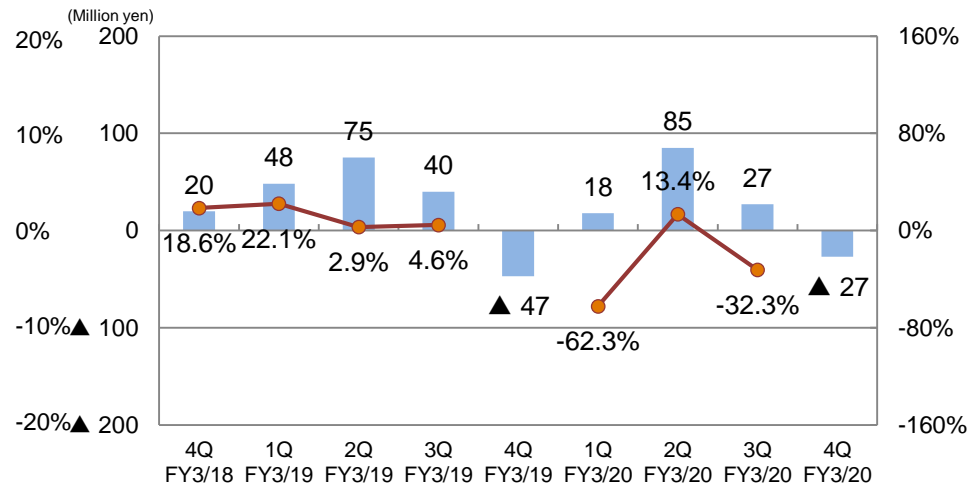
(Million yen)

	FY3/2018	FY3/2019	FY3/2020	Year on year
Net sales	9,827	9,701	9,099	93.8%
Operating profit	171	116	103	88.7%
Operating margin	1.7%	1.2%	1.1%	-

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.

Other Segment

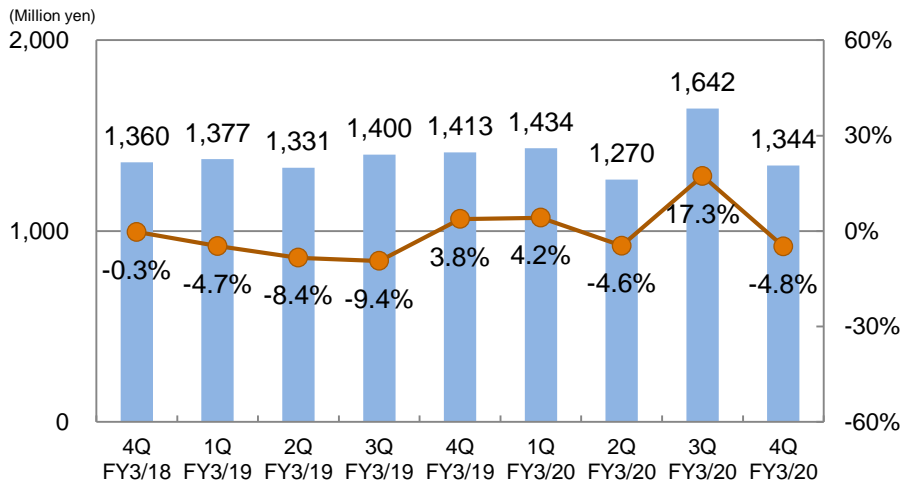
- The recycle business posted higher sales but lower earnings as the volume of plant demolition work increased but declining metal scrap prices from April weighed on earnings. (Net sales increased 5.1% YoY to ¥5,161 million, Operating profit decreased 35.6% to ¥309 million)
- In the used vehicle export clearing service business, sales and earnings decreased due to decline in the volume of orders received. (Net sales decreased 13.2% YoY to ¥450 million, Operating profit decreased 56.8% to ¥32 million)

Other Segment Performance

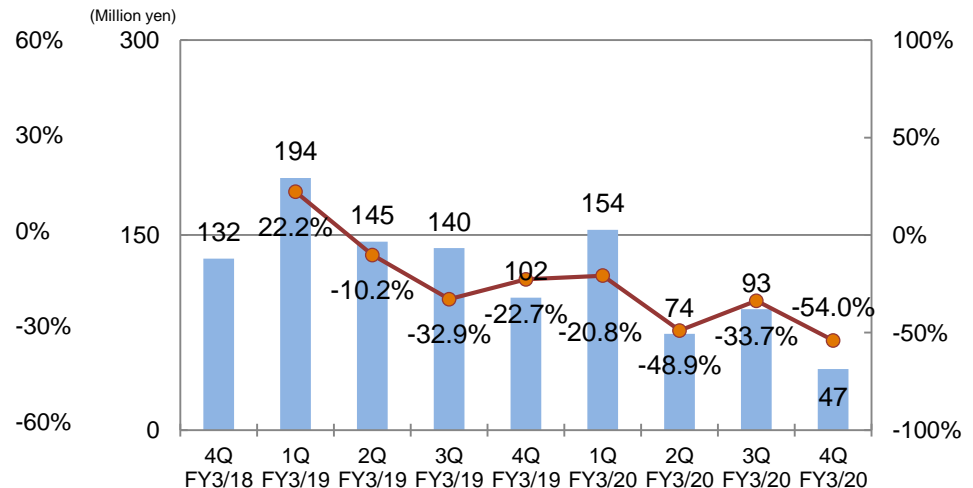
(Million yen)

	FY3/2018	FY3/2019	FY3/2020	Year on year
Net sales	5,805	5,522	5,692	103.1%
Operating profit	665	583	369	63.3%
Operating margin	11.4%	10.5%	6.4%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Profit and YoY Changes



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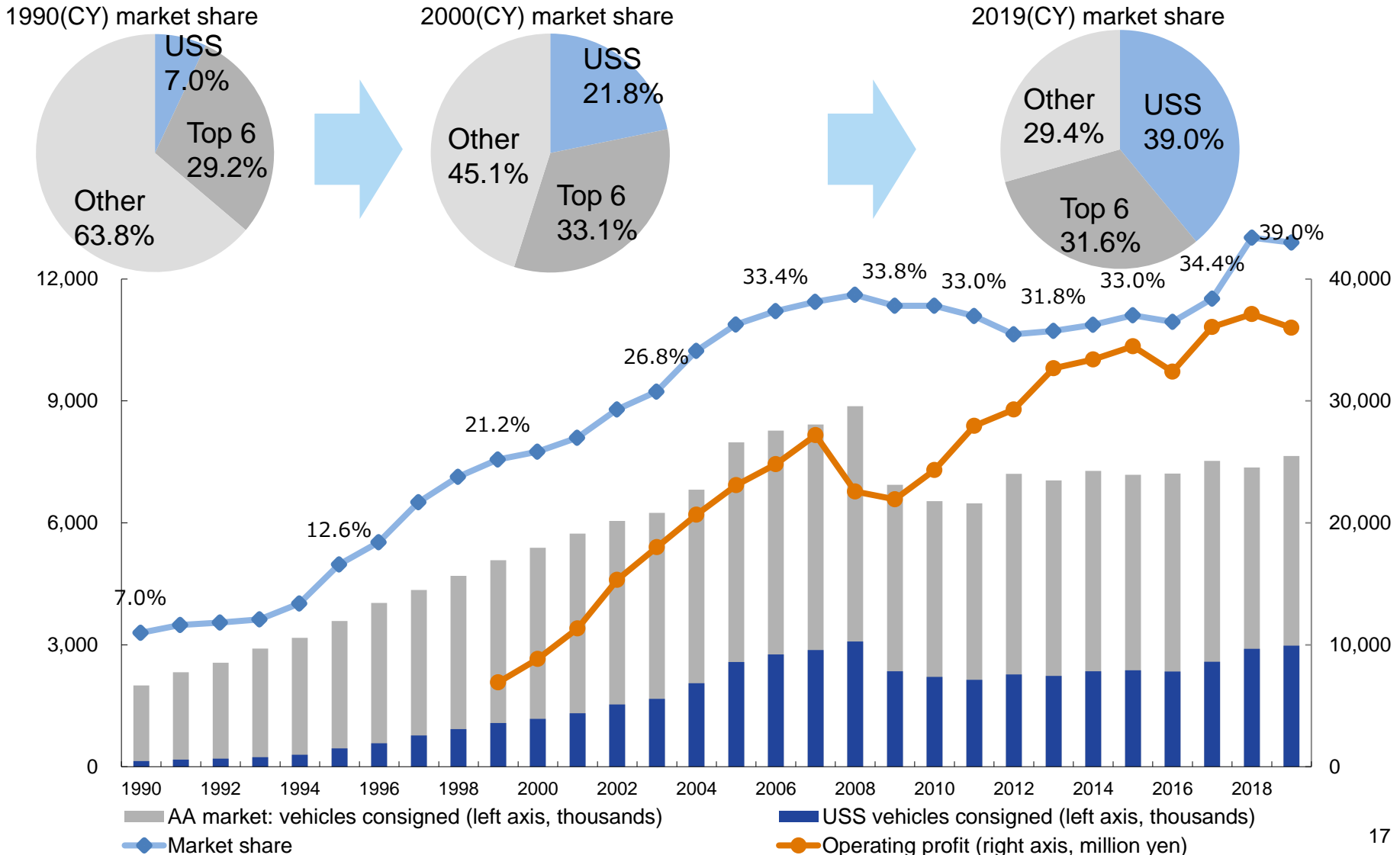
Market Overview

Strategy for Creating Value Over the Medium Term

Used Car Auction Market and USS Market Share

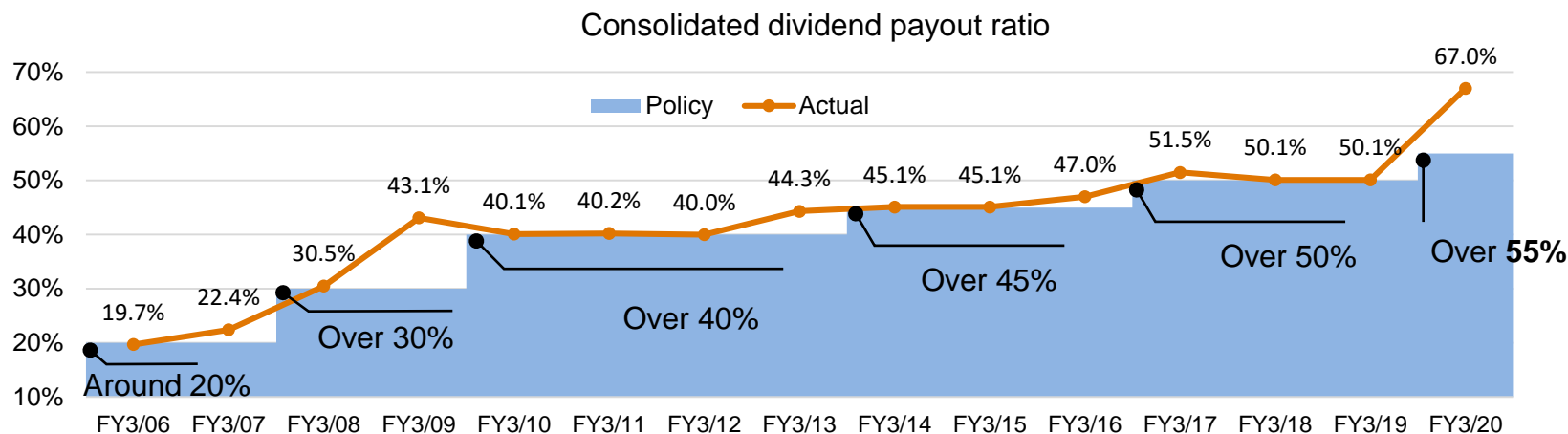
■ Maintained higher market shares and profit in the period of sluggish markets following the financial crisis of 2008-2009.

■ 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



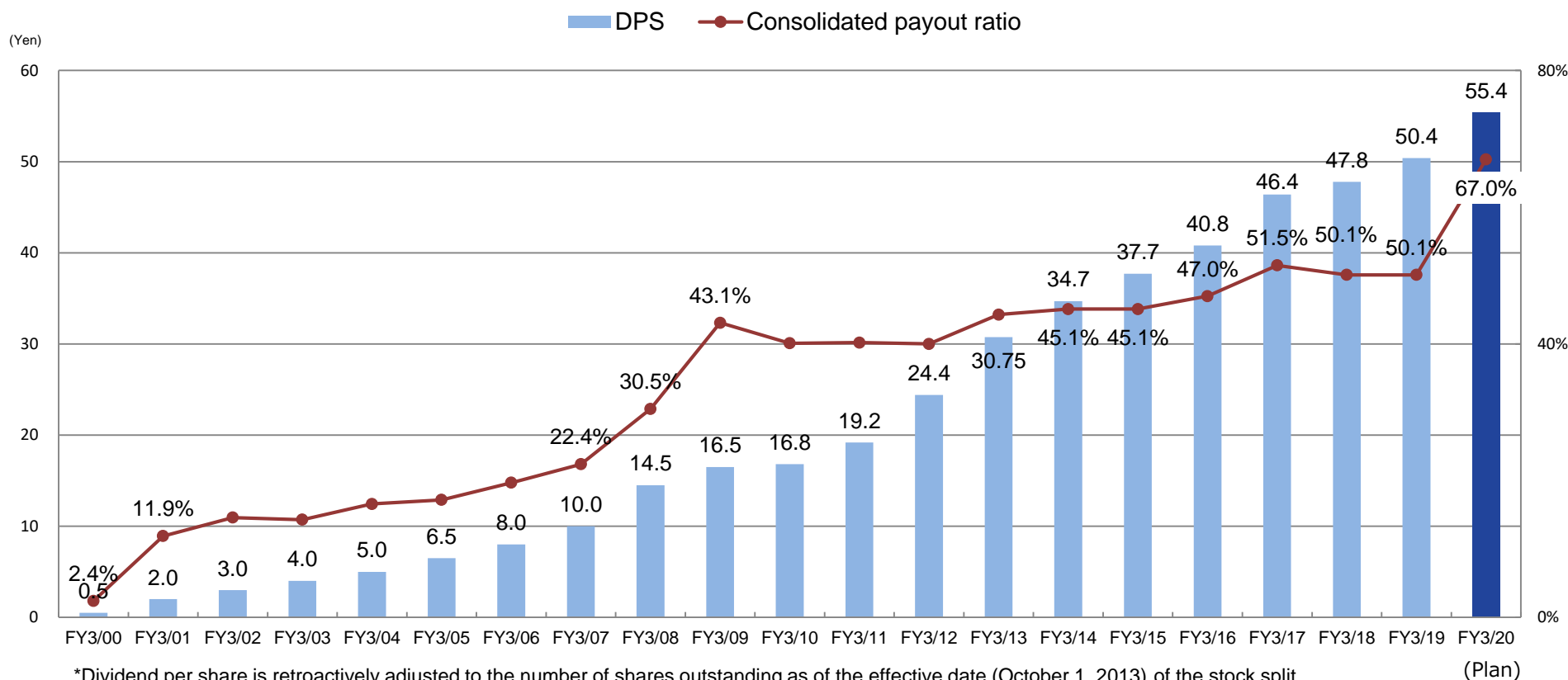
■ Stock repurchases: Buy back stock with flexibility, with due consideration to cash flows, capital investment plans and the market environment

Stock Repurchase Data (latest figures)

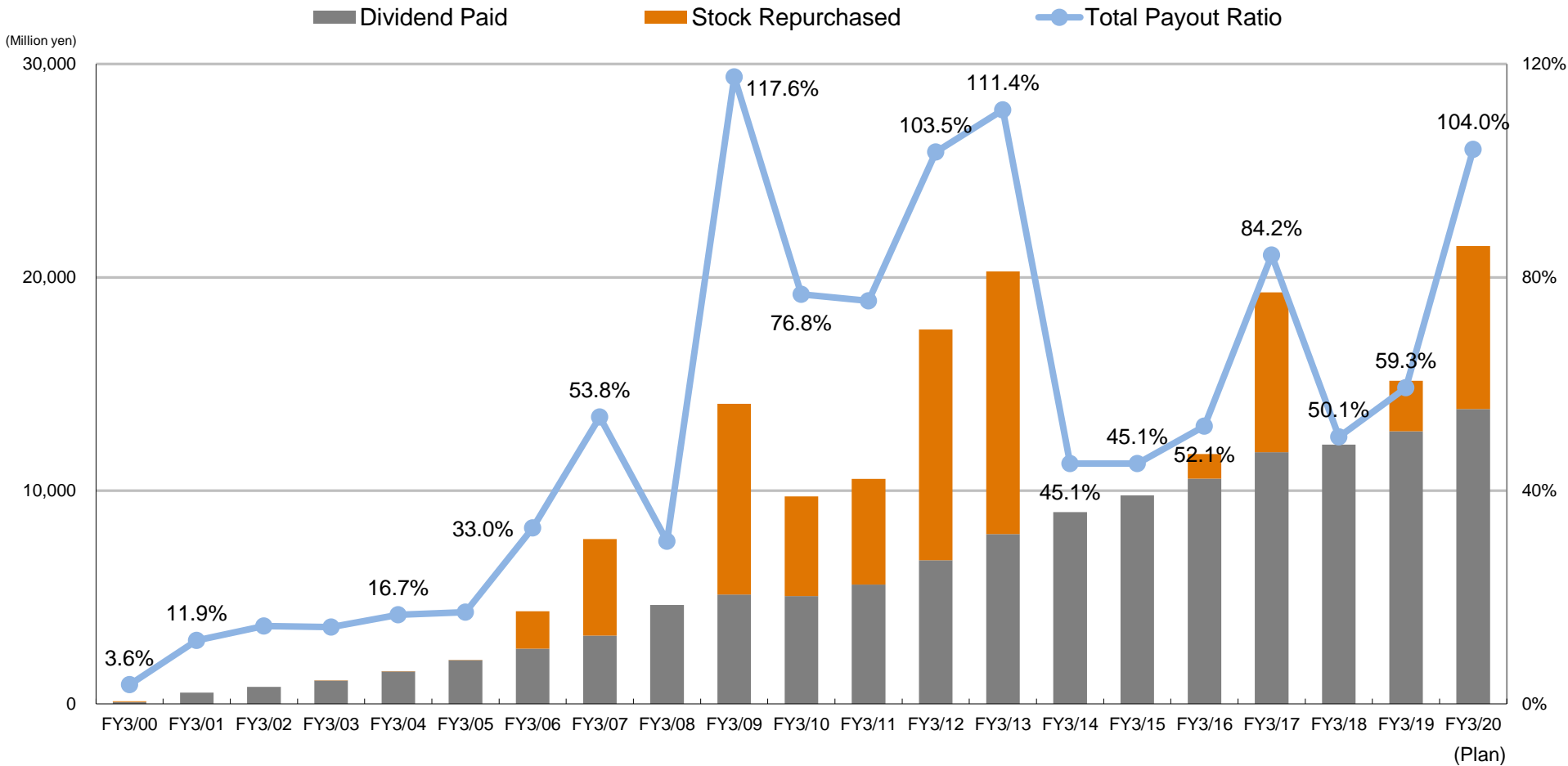
4,836,800 shares/9,999,914,700 yen (From Feb. 13, 2019 to Aug. 9, 2019)

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

- Increase the consolidated payout ratio (50% to 55%) from FY3/2020
- Plan to pay **55.4 yen** dividend per share for FY3/20 (up 5.0 yen)
- **20 consecutive years** of dividend growth since listing

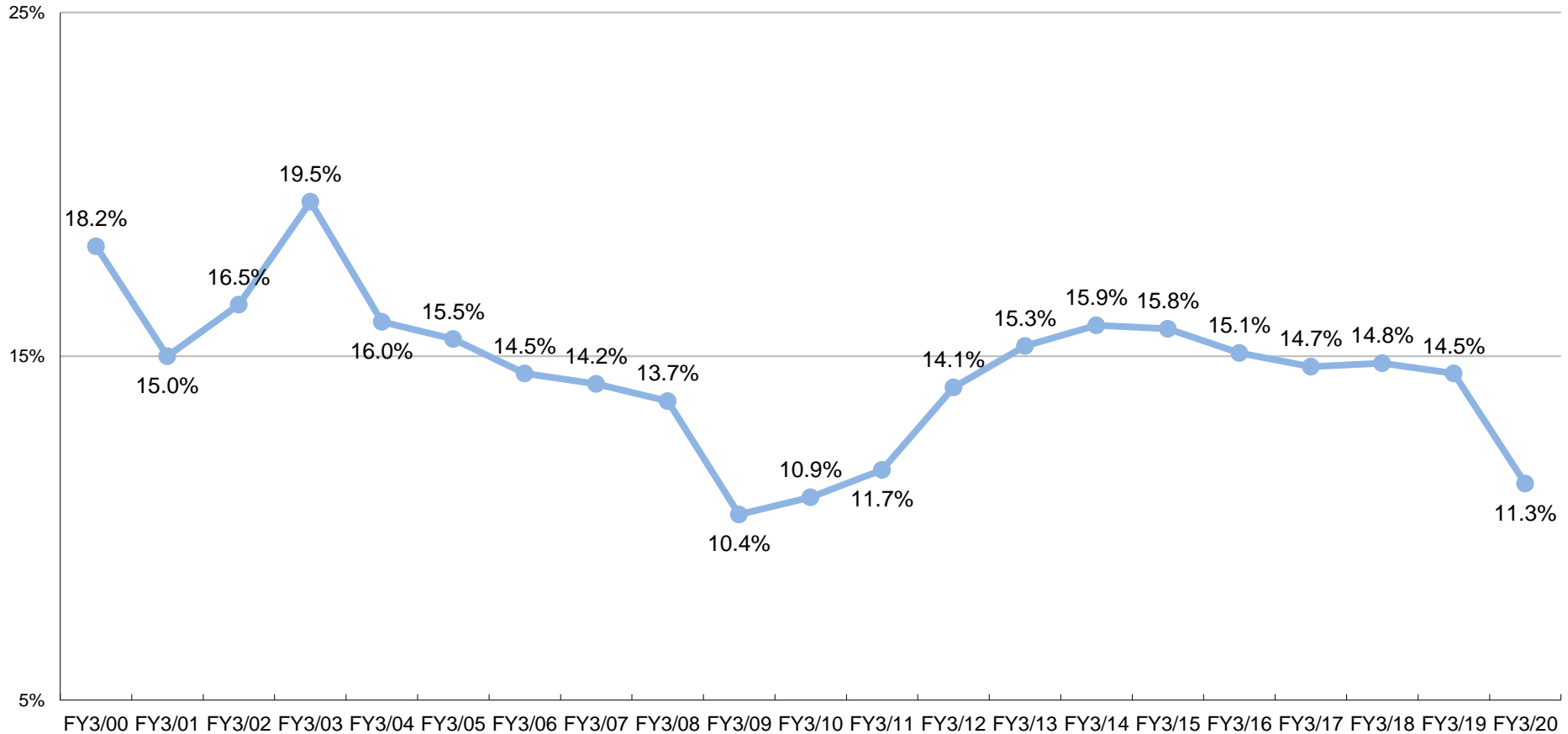


■ Flexible stock repurchases while maintaining stable dividend.

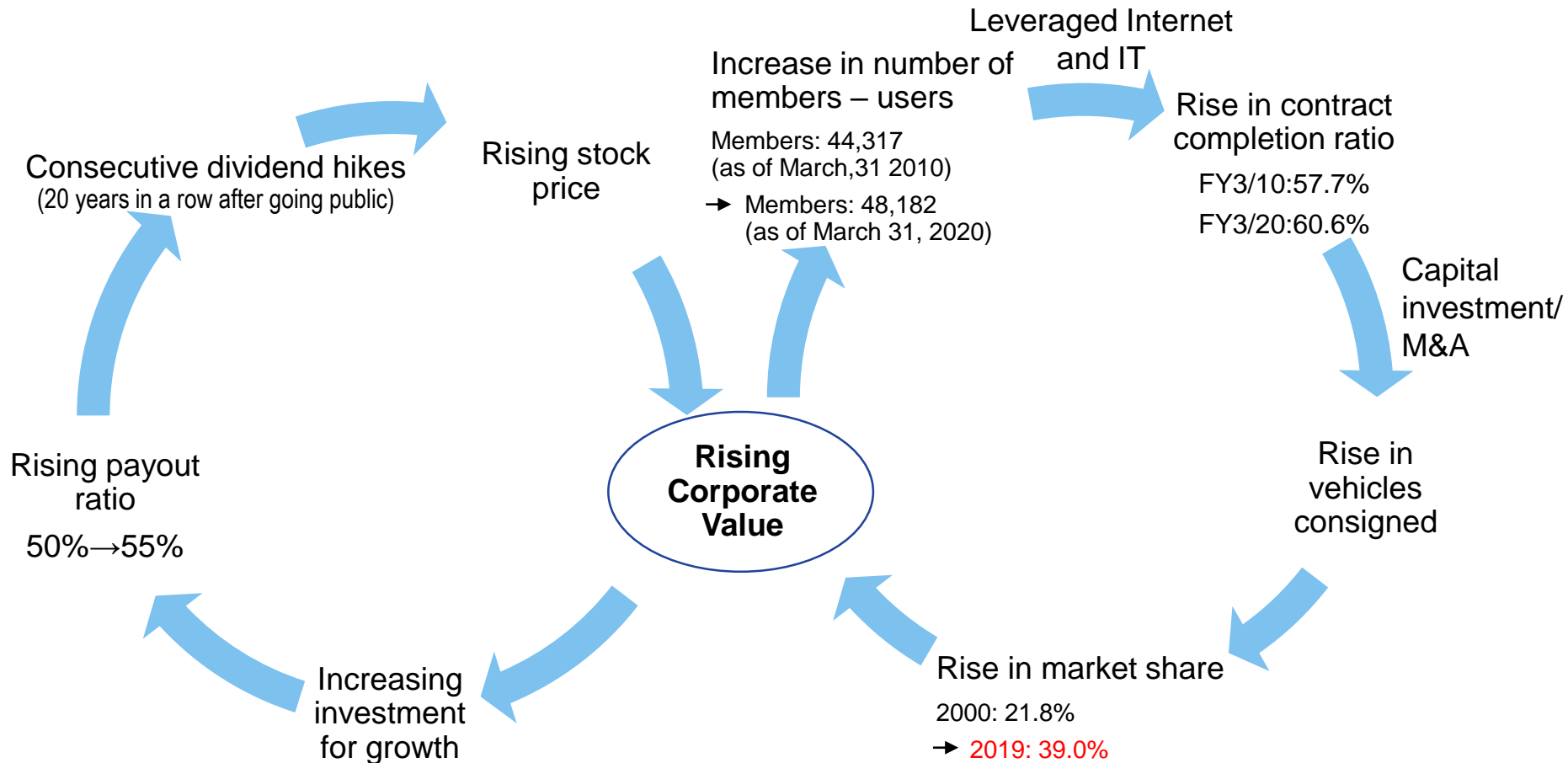


■ No change in the medium-term ROE target of at least 15%.

ROE

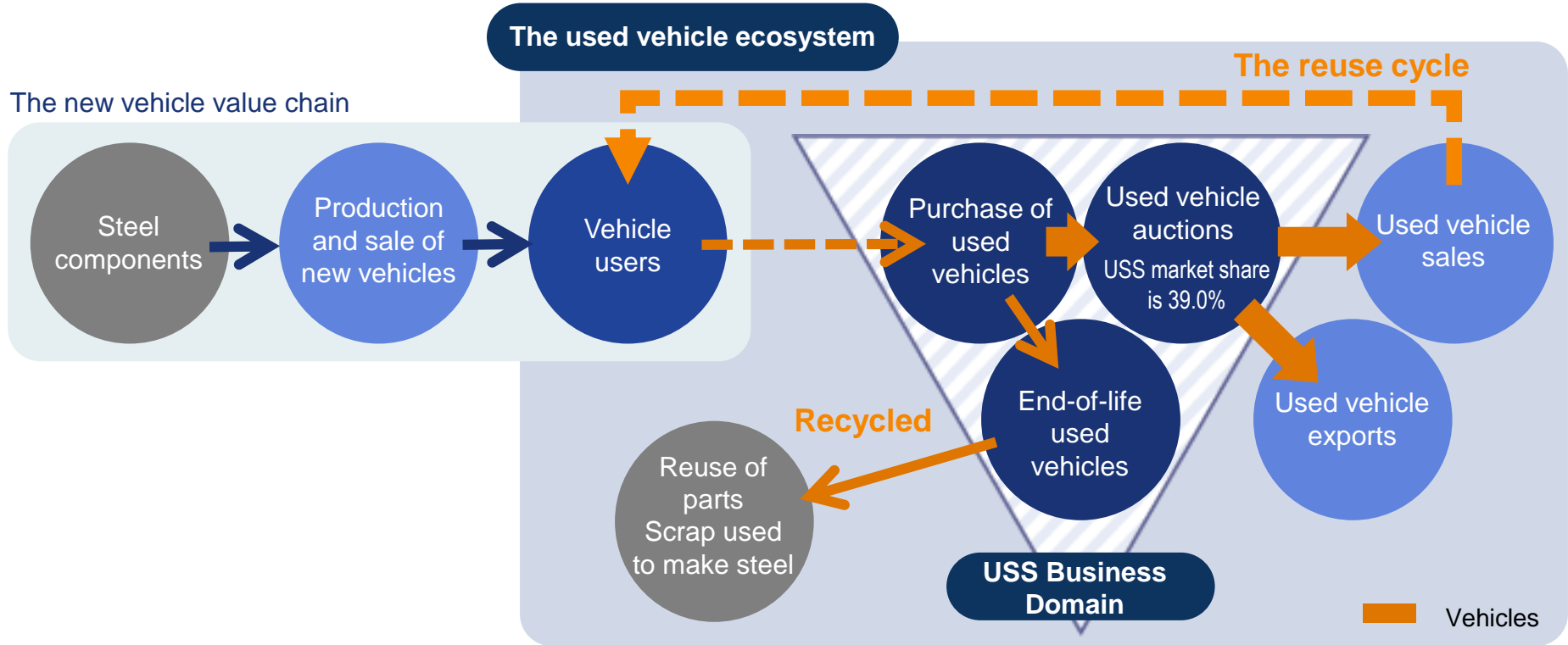


■ Aim at increasing shareholder value by a two-pronged strategy of solid investments in growth and active shareholder distributions



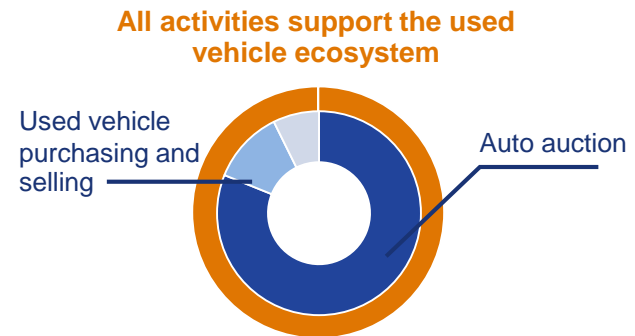
How USS Creates Social and Economic Value

■ 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



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

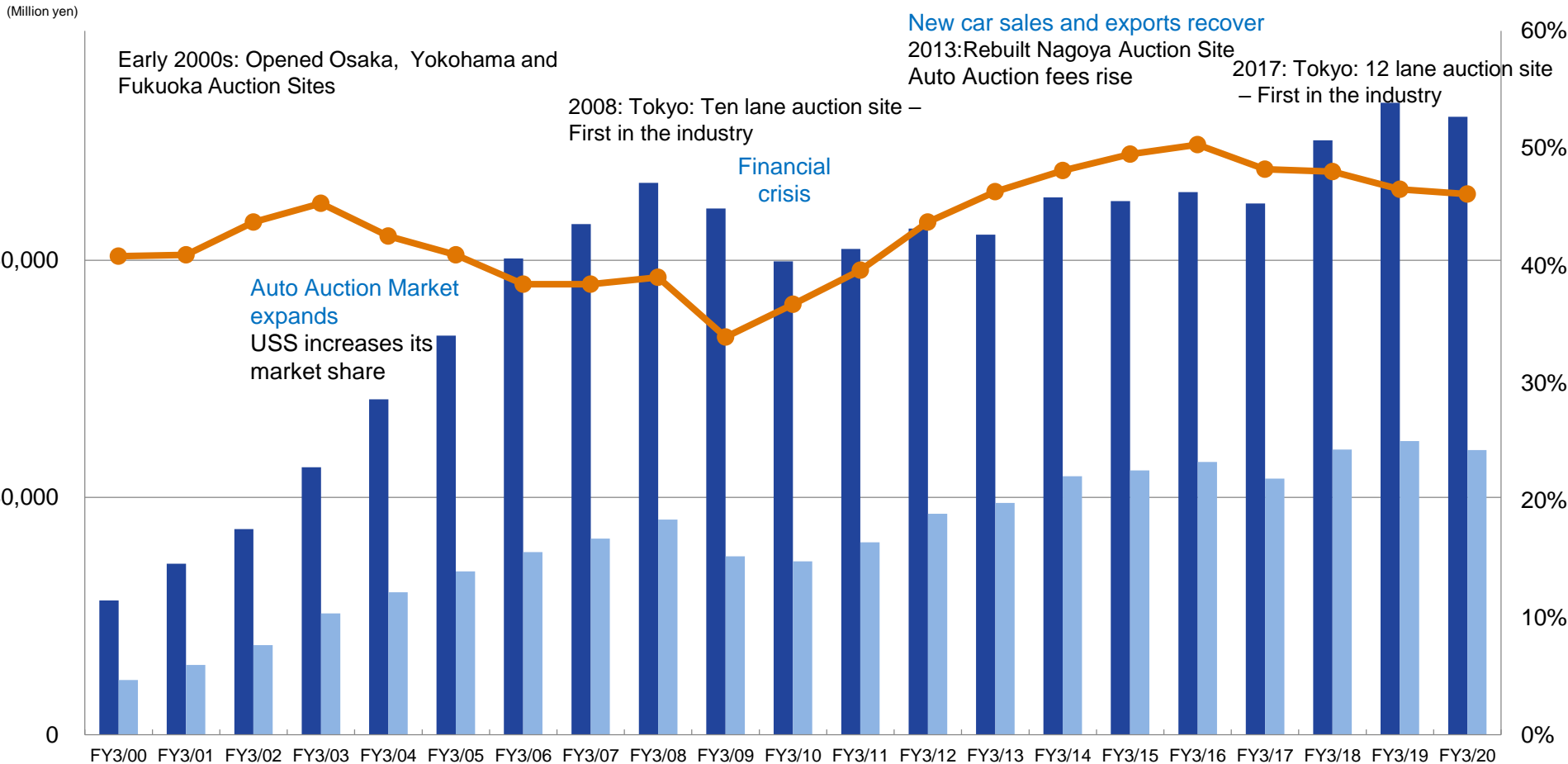
History of USS Long-term Growth

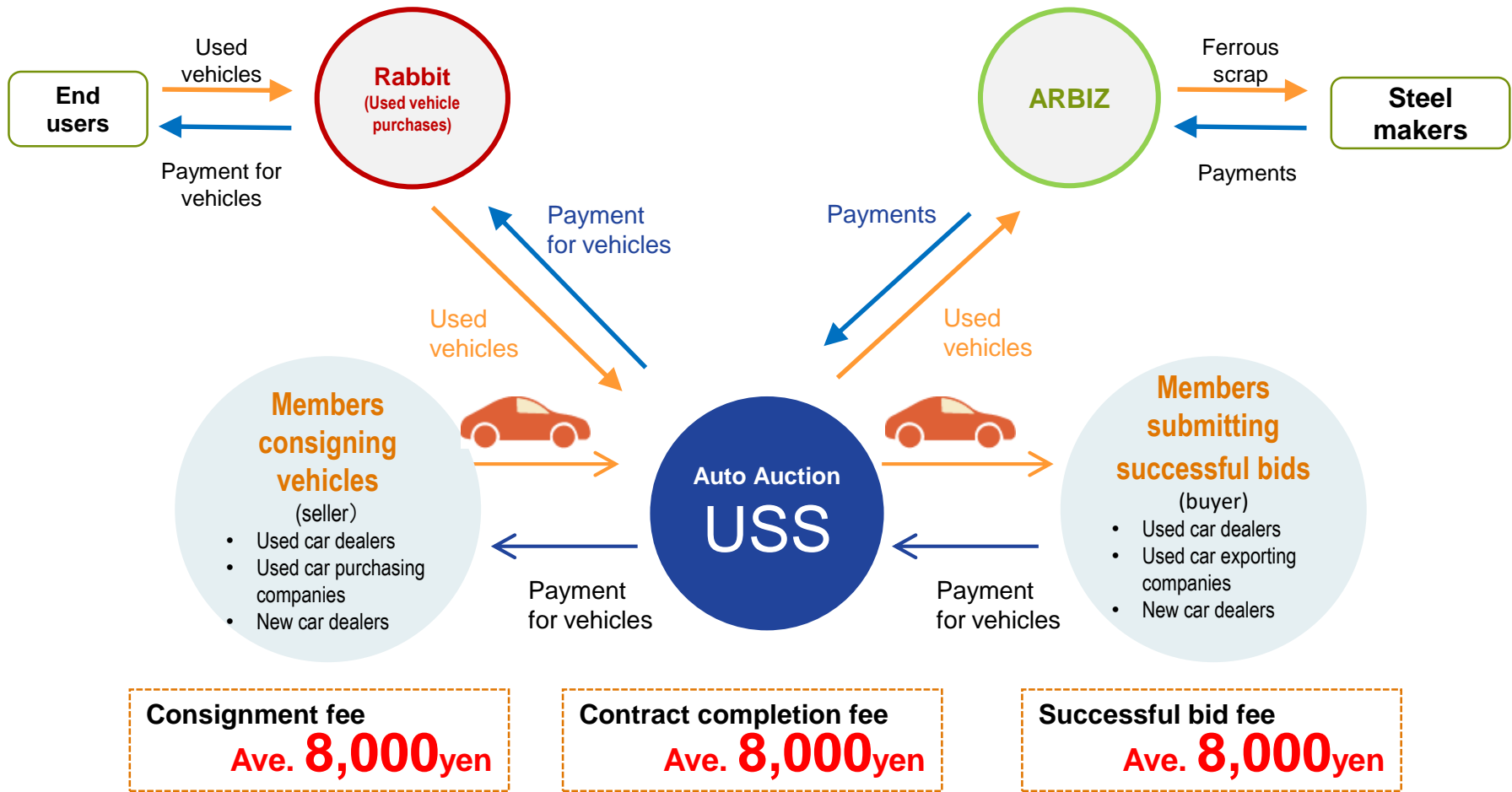
Before 2000

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



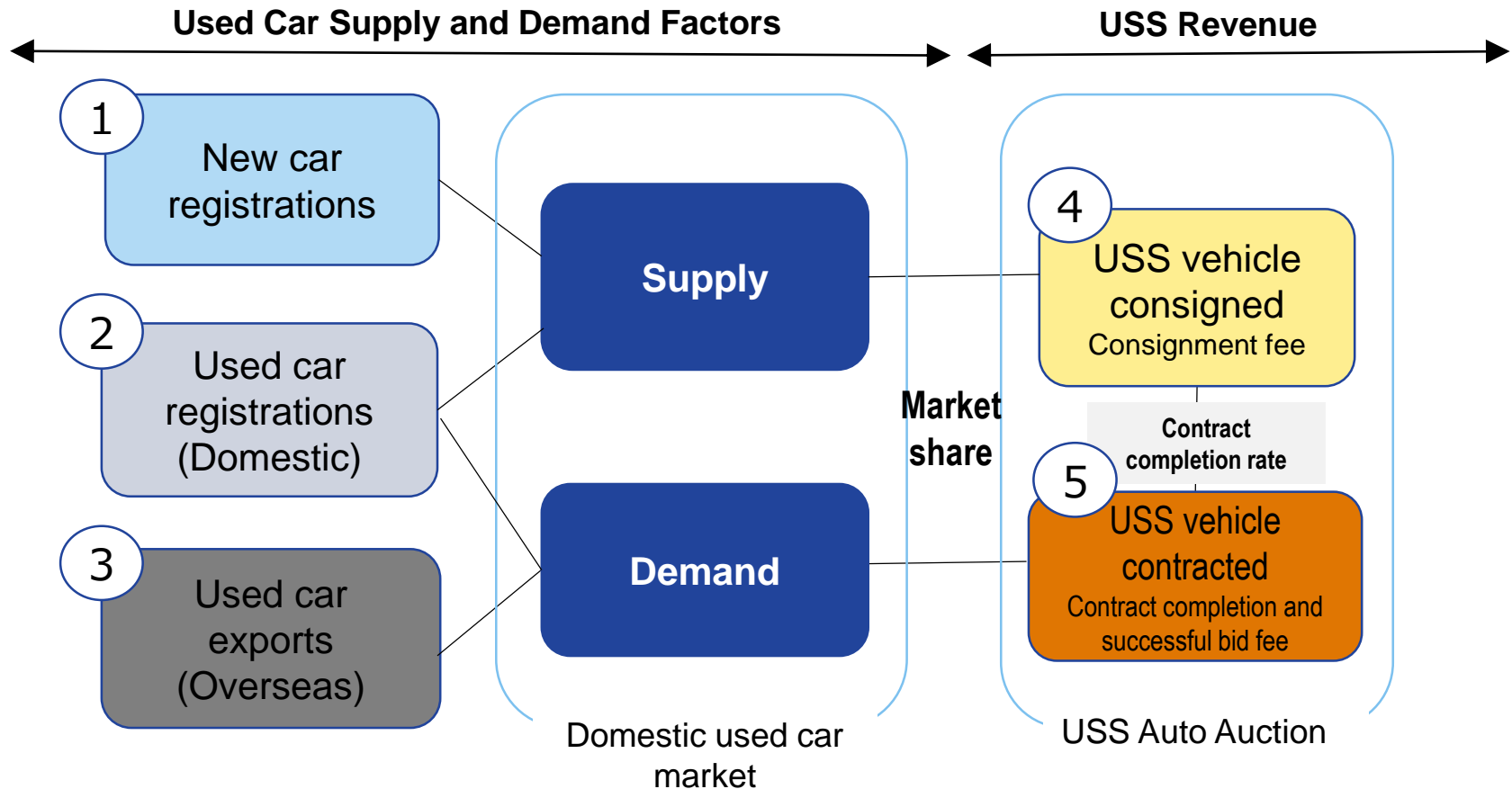


Vehicles consigned
2.92 million units/year
 (FY3/2020)

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

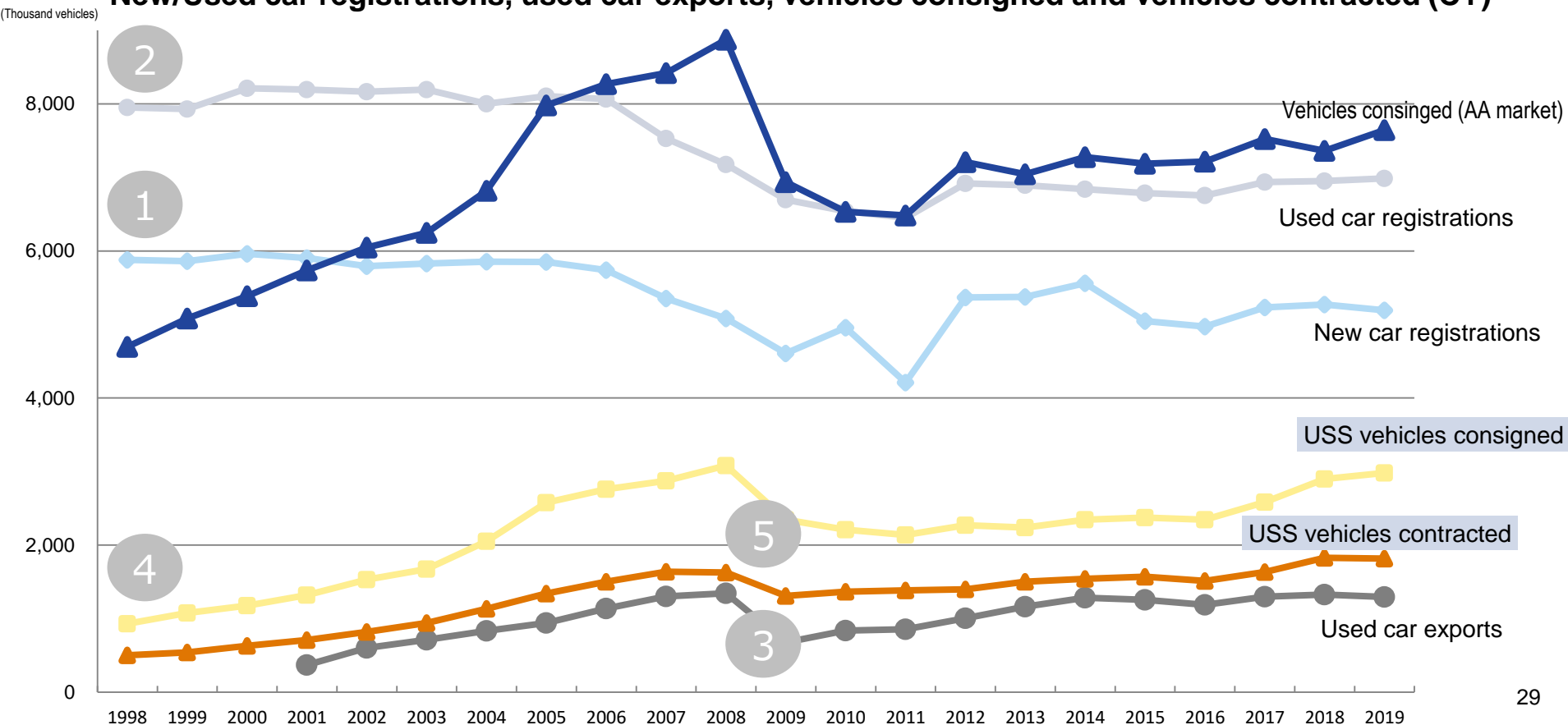
Contract completion rate
60.6% (FY3/2020)

- 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.
- Plan to reduce the number of directors from 10 to 8 to speed-up decision-making and strengthen functions involving the operation of business activities in FY3/2021.

FY	2005	2007	...	2013	...	2020	2021
Directors	12	18	→	12	→	10	8
(of which external directors)		4	→	4	→	3	3

Adopted the outside director system

Strengthened the executive officer system

Established voluntarily nomination and compensation committees

As of June 2020 (plan)
 Directors: 8 (of which independent outside directors: 3)
 Auditors: 3 (of which independent outside auditors: 2)
 Executive officers: 2