



# Consolidated Results of Operations

## The First Quarter, Fiscal Year Ending March 31, 2020

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USS Co., Ltd.  
August 2019

- 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 First Quarter Fiscal Year Ending March 2020

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- Sales decreased 0.6% YoY to ¥19.86 billion, operating profit was down 4.1% to ¥9.18 billion, and profit attributable to owners of parent decreased 2.8% to ¥6.25 billion.
- The number of vehicles consigned and number of contract completions decreased at the JAA auction site and HAA Kobe auction site.

(Million yen)

	1Q FY3/2018	1Q FY3/2019	1Q FY3/2020	Year on year
Net sales	17,638	19,987	19,861	99.4%
Cost of sales (Per sales)	6,957 (39.4%)	7,627 (38.2%)	7,929 (39.9%)	104.0%
Gross profit (Per sales)	10,681 (60.6%)	12,359 (61.8%)	11,931 (60.1%)	96.5%
Selling, general and administrative expenses (Per sales)	2,041 (11.6%)	2,786 (13.9%)	2,747 (13.8%)	98.6%
Operating profit (Per sales)	8,639 (49.0%)	9,573 (47.9%)	9,184 (46.2%)	95.9%
Ordinary profit (Per sales)	8,776 (49.8%)	9,716 (48.6%)	9,331 (47.0%)	96.0%
Profit attributable to owners of parent (Per sales)	5,995 (34.0%)	6,438 (32.2%)	6,258 (31.5%)	97.2%

# 1Q FY3/2020 – Reasons for Change in Operating Profit (Actual)

**Net sales**

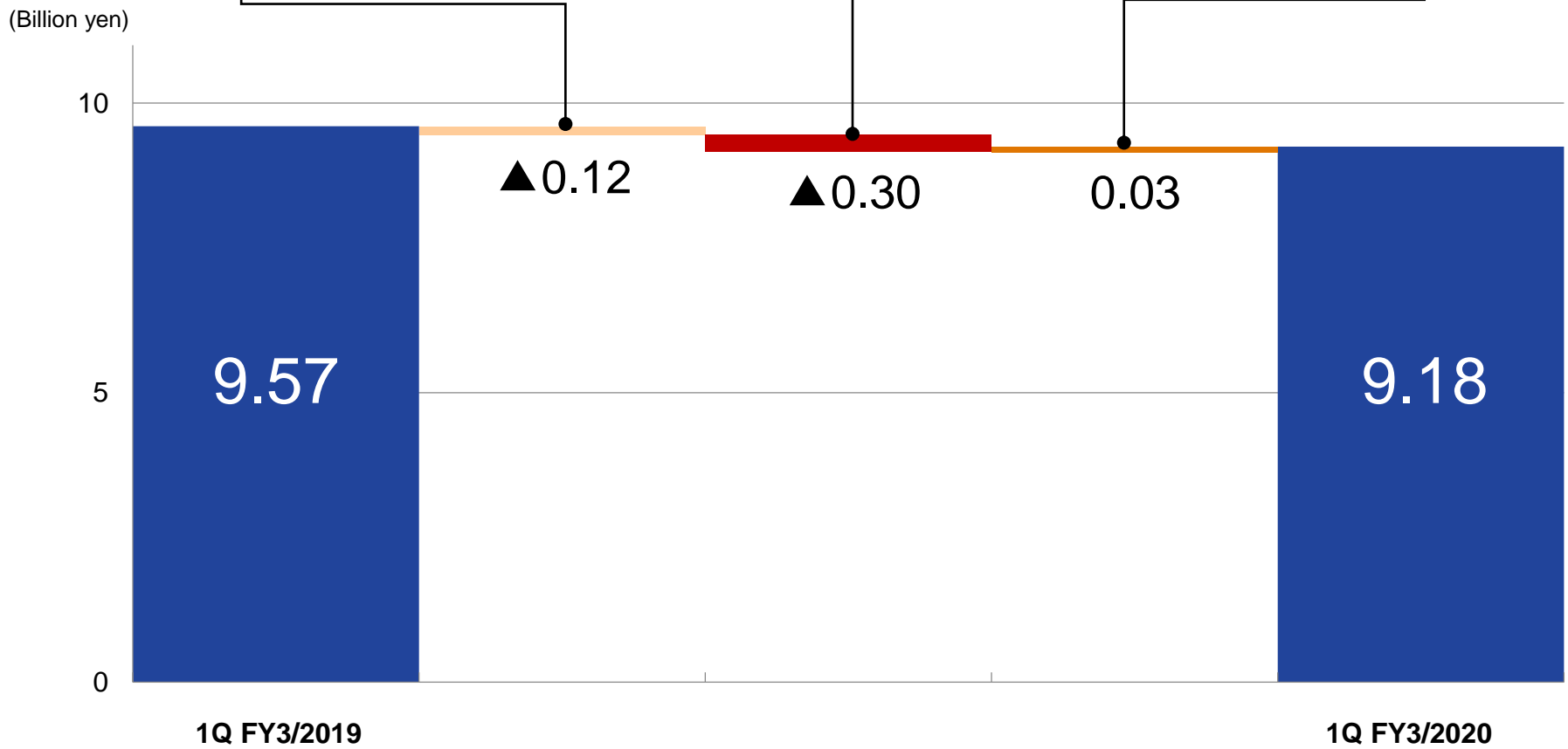
- Increase in vehicles consigned 0.34bn
- Increase in sales of accident-damaged vehicles 0.08bn
- Decrease in contract completion rate ▲0.33bn
- Decrease in fee rates ▲0.18bn

**Cost of sales**

- Increase in cost of goods sold ▲0.18bn
- Increase in expenses for supplies ▲0.09bn

**SG&A expenses**

- Decline in sales commission 0.04bn



# Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	1Q FY3/2018	1Q FY3/2019	1Q FY3/2020	Year on year
Auto auction	13,898	16,356	16,358	100.0%
Used vehicle purchasing and selling	2,294	2,254	2,067	91.7%
Other	1,445	1,377	1,434	104.2%
<b>Total</b>	<b>17,638</b>	<b>19,987</b>	<b>19,861</b>	<b>99.4%</b>
Operating profit (operating margin)	1Q FY3/2018	1Q FY3/2019	1Q FY3/2020	Year on year
Auto auction	8,414 (59.9%)	9,305 (56.5%)	8,986 (54.6%)	96.6%
Used vehicle purchasing and selling	39 (1.7%)	48 (2.2%)	18 (0.9%)	37.7%
Other	159 (11.0%)	194 (14.1%)	154 (10.7%)	79.2%
Elimination of inter-segment transactions	25	24	25	101.6%
<b>Total</b>	<b>8,639 (49.0%)</b>	<b>9,573 (47.9%)</b>	<b>9,184 (46.2%)</b>	<b>95.9%</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.

- Cash used in financing activities increased mainly because of cash dividends paid and purchase of treasury shares.
- Equity ratio: 79.9%

## Consolidated Balance Sheets (Summary)

(Million yen)

	FY3/2019	1Q FY3/2020
Current assets	77,431	65,936
Cash and deposits	51,352	43,051
Receivables due from member dealers at auction, etc.	26,078	22,885
Non-current assets	155,271	154,786
Property, plant and equipment	104,887	104,695
Other	50,384	50,090
<b>Total assets</b>	<b>232,703</b>	<b>220,723</b>

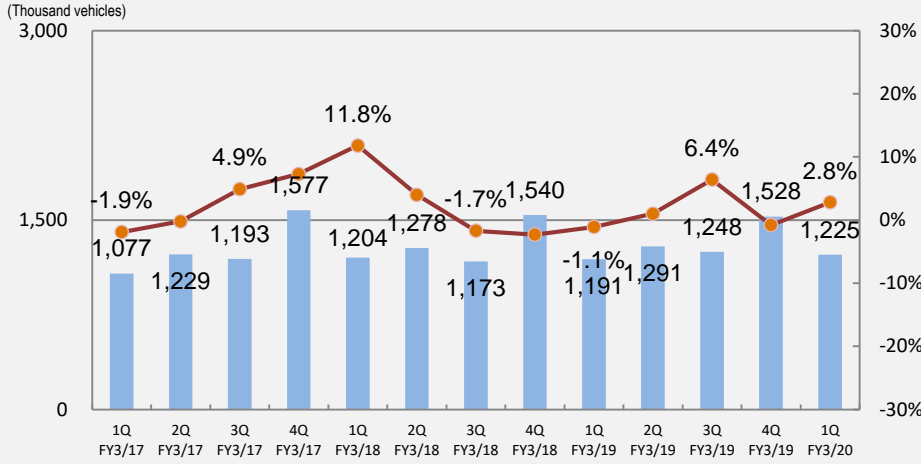
	FY3/2019	1Q FY3/2020
Current liabilities	38,077	31,446
Payables due to member dealers at auction	22,209	19,268
Other	15,867	12,178
Non-current liabilities	11,090	10,998
<b>Total liabilities</b>	<b>49,168</b>	<b>42,445</b>
<b>Total net assets</b>	<b>183,535</b>	<b>178,277</b>
<b>Total liabilities and net assets</b>	<b>232,703</b>	<b>220,723</b>

## Consolidated Statements of Cash Flows (Summary)

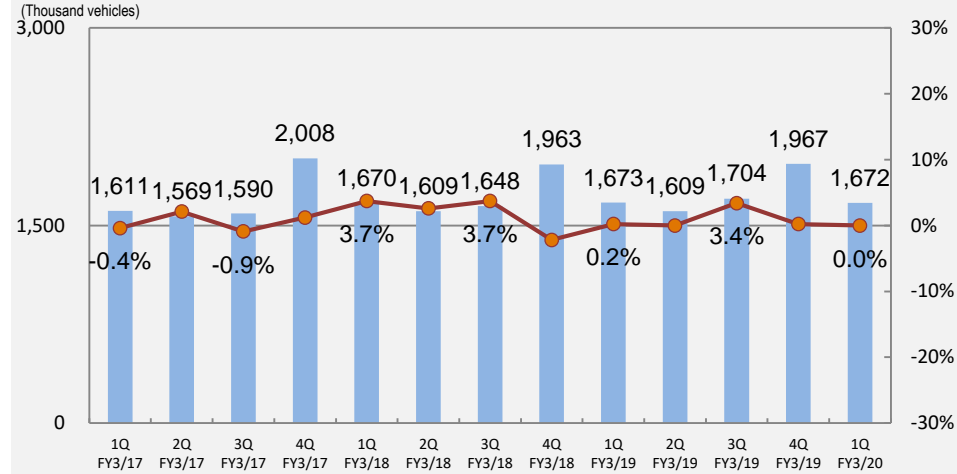
(Million yen)

	1Q FY3/2018	1Q FY3/2019	1Q FY3/2020	Changes
Net cash provided by (used in) operating activities	3,532	3,223	3,952	729
Net cash provided by (used in) investing activities	16,168	▲360	▲1,899	▲1,538
Free cash flow	19,700	2,862	2,053	▲809
Net cash provided by (used in) financing activities	▲6,016	▲6,219	▲10,353	▲4,134
Capital expenditures (Terms of cash flows)	2,864	422	1,622	1,199
Depreciation	1,131	1,267	1,207	▲59

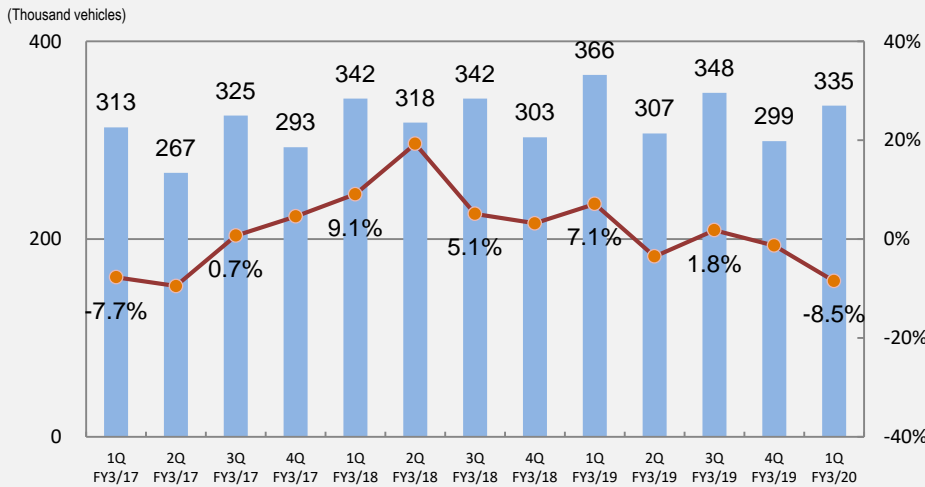
## New Car Registrations and YoY Changes



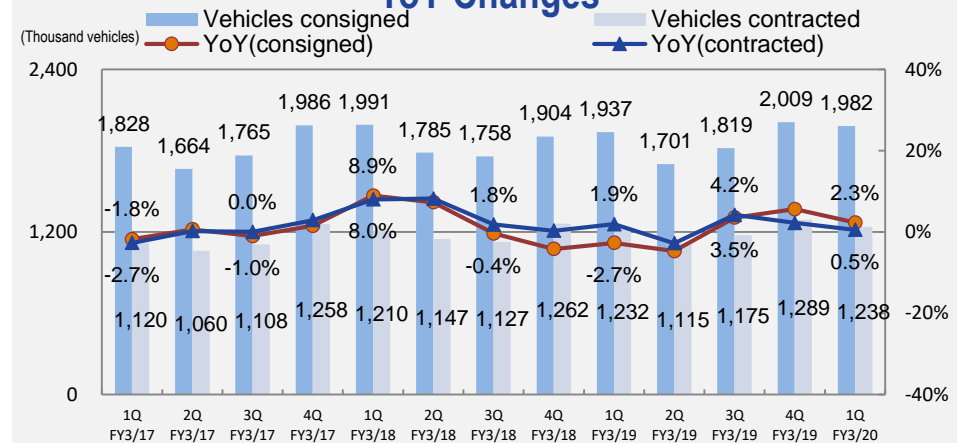
## Used Car Registrations and YoY Changes



## Used Car Exports and YoY Changes



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





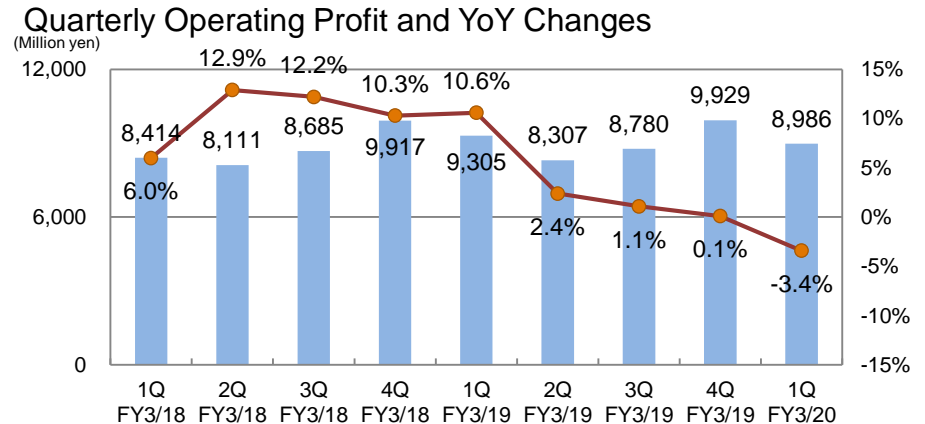
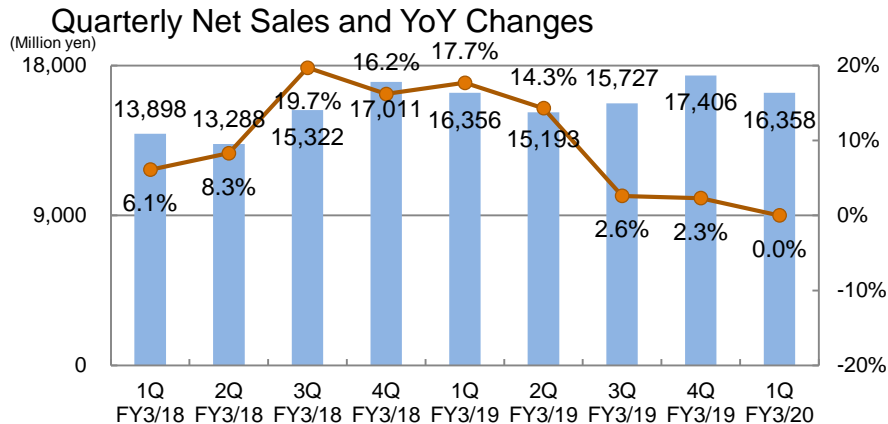
# Auto Auction Segment (1)

- Vehicles consigned increased 2.6% YoY to 771 thousand; contract completions decreased 1.0% YoY to 460 thousand (contract completion rate: 59.7% against 61.8% in the previous fiscal year)
- Purchase price increased because of the larger number of lower-priced vehicles purchased.
- The number of vehicles consigned and number of contract completions decreased at the JAA auction site and HAA Kobe auction site.

## Auto Auction Segment Performance in 1Q

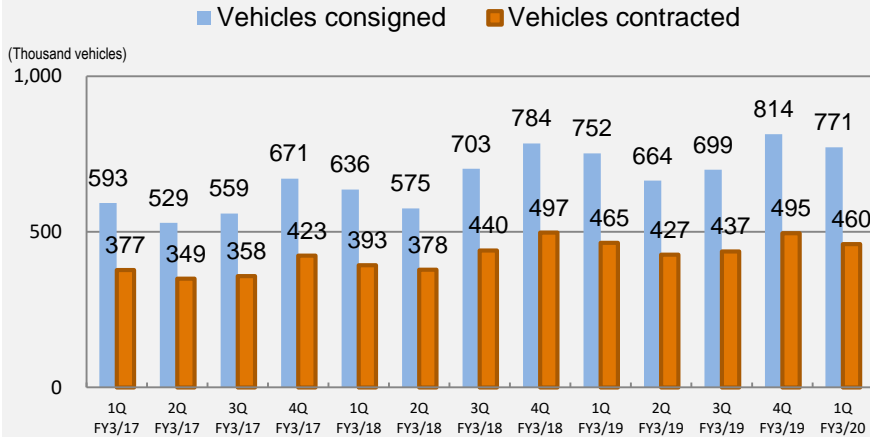
(Million yen)

	1Q FY3/18	1Q FY3/19	1Q FY3/20	Year on year
Net sales	13,898	16,356	16,358	100.0%
Consignment fees	3,308	3,923	3,869	98.6%
Contract completion fees	3,159	3,792	3,689	97.3%
Successful bid fees	4,658	5,565	5,546	99.7%
Other	2,773	3,074	3,253	105.8%
Operating profit	8,414	9,305	8,986	96.6%
Operating margin	59.9%	56.5%	54.6%	-

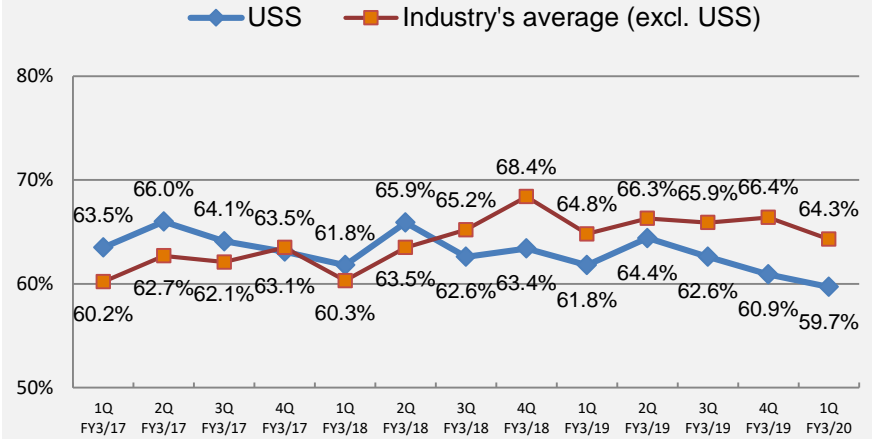


\* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

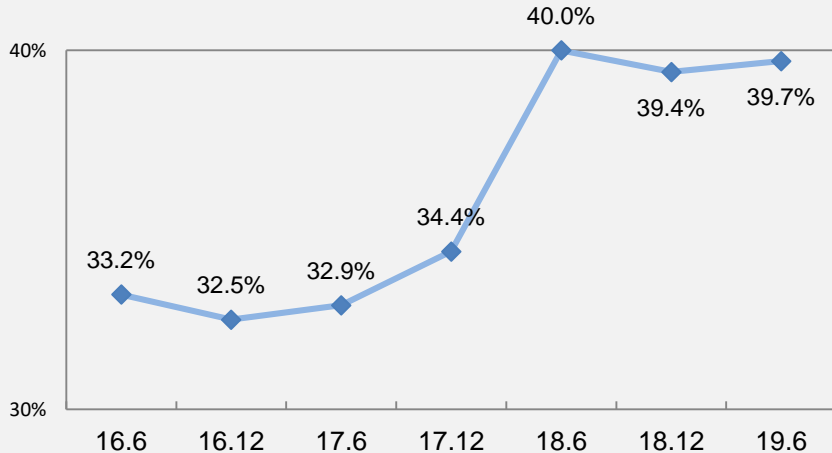
## No. of Vehicles Consigned and Vehicles Contracted



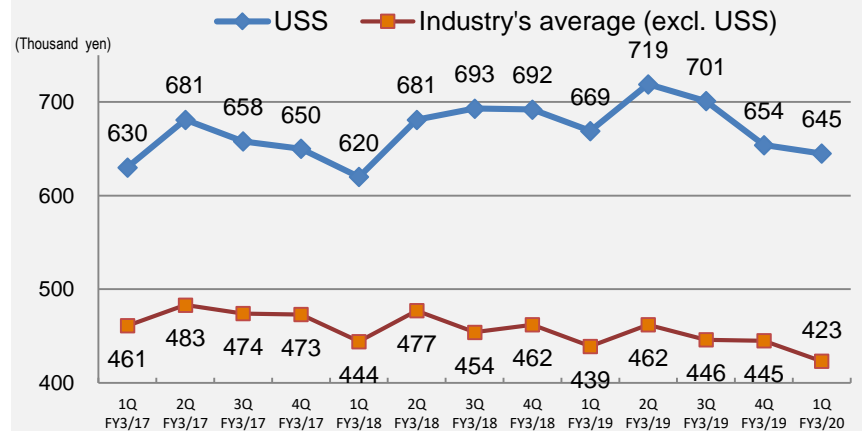
## Contract Completion Rate



## Market Share



## Average Price of Vehicle Contracted

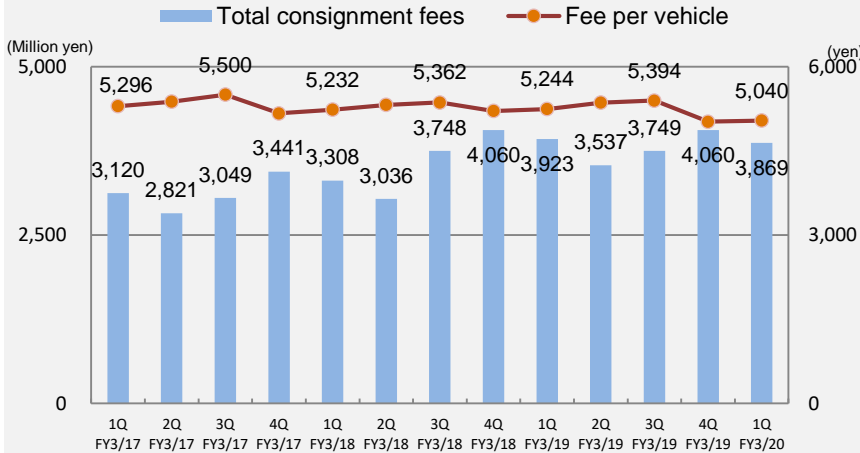


\* Period ending in December: 12-month data; Period ending in June: 6-month data.

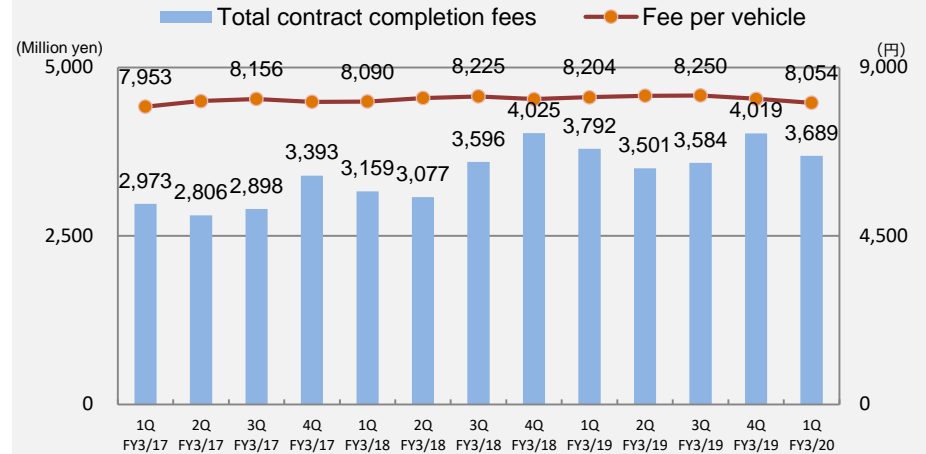
\* The results of JAA, and of HAA Kobe are included from October 2017.

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

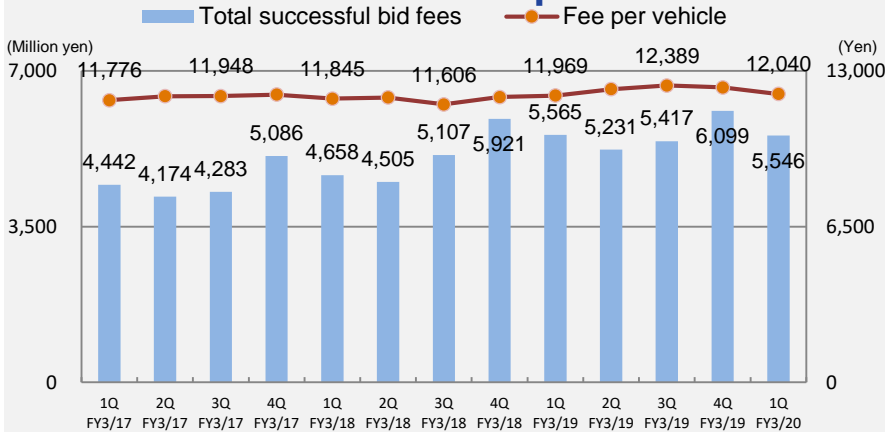
## Total Consignment Fees and Consignment Fee per Vehicle



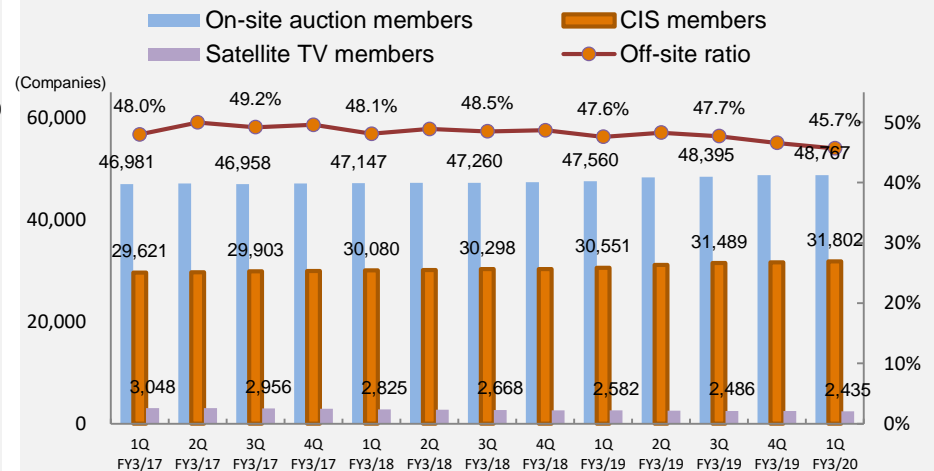
## Total Contract Completion Fees and Contract Completion Fee per Vehicle



## 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.

# Auto Auction Segment (4)

From April 1, 2019 to June 30, 2019

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1Q FY3/20	1Q FY3/19	1Q FY3/20	1Q FY3/19	YoY change	1Q FY3/20	1Q FY3/19	YoY change	1Q FY3/20	1Q FY3/19
Tokyo	12	12	171,332	163,869	104.6%	114,373	112,316	101.8%	66.8%	68.5%
Nagoya	12	12	127,662	127,328	100.3%	65,693	69,364	94.7%	51.5%	54.5%
Osaka	12	12	52,649	41,681	126.3%	26,513	23,266	114.0%	50.4%	55.8%
Yokohama	12	12	49,595	46,317	107.1%	30,480	30,331	100.5%	61.5%	65.5%
Kyushu	12	12	47,936	43,492	110.2%	26,251	26,218	100.1%	54.8%	60.3%
R-Nagoya	12	12	41,566	37,768	110.1%	33,472	31,448	106.4%	80.5%	83.3%
Sapporo	12	12	40,487	39,291	103.0%	25,598	25,921	98.8%	63.2%	66.0%
Shizuoka	12	12	25,288	22,373	113.0%	16,131	14,234	113.3%	63.8%	63.6%
Kobe	12	12	22,943	21,029	109.1%	13,437	11,973	112.2%	58.6%	56.9%
Okayama	12	12	18,420	17,203	107.1%	12,011	11,641	103.2%	65.2%	67.7%
Tohoku	12	12	14,844	15,215	97.6%	10,357	11,333	91.4%	69.8%	74.5%
Gunma	12	12	14,605	14,331	101.9%	9,165	9,902	92.6%	62.8%	69.1%
Saitama	12	12	13,653	12,943	105.5%	7,509	7,715	97.3%	55.0%	59.6%
Fukuoka	12	12	13,542	10,128	133.7%	8,493	6,234	136.2%	62.7%	61.6%
Niigata	12	12	11,825	11,165	105.9%	5,235	5,222	100.2%	44.3%	46.8%
Hokuriku	12	12	5,191	4,156	124.9%	3,603	2,529	142.5%	69.4%	60.9%
JAA	12	12	26,845	31,992	83.9%	14,324	19,578	73.2%	53.4%	61.2%
HAA	12	12	73,309	91,954	79.7%	38,087	45,950	82.9%	52.0%	50.0%
<b>Total</b>	<b>216</b>	<b>216</b>	<b>771,692</b>	<b>752,235</b>	<b>102.6%</b>	<b>460,732</b>	<b>465,175</b>	<b>99.0%</b>	<b>59.7%</b>	<b>61.8%</b>

\* 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			1,021,628								-	1,021,628
	YoY Change	▲0.3	7.1	1.4	11.5			-								-	-
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			614,621								-	614,621
	YoY Change	▲1.3	2.1	▲3.4	7.2			-								-	-
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			-							-	-	

\* 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

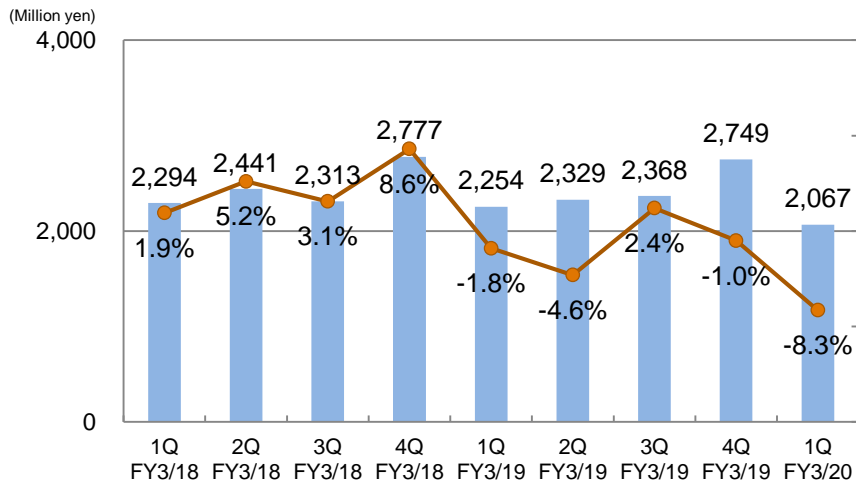
- Sales and earnings decreased at used vehicle purchasing subsidiary Rabbit due to a decline in selling prices caused by a smaller number of expensive vehicles purchased and to higher advertising expenses. (Net sales decreased 4.1% YoY to ¥1,282 million, Operating profit decreased 41.7% to ¥29 million)
- The accident-damaged vehicle purchasing and selling business had an operating loss because of a decrease in the number of vehicles purchased. (Net sales decreased 14.3% YoY ¥784 million, operating loss ¥11 million (operating loss of ¥2 million in 1Q FY3/19))

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

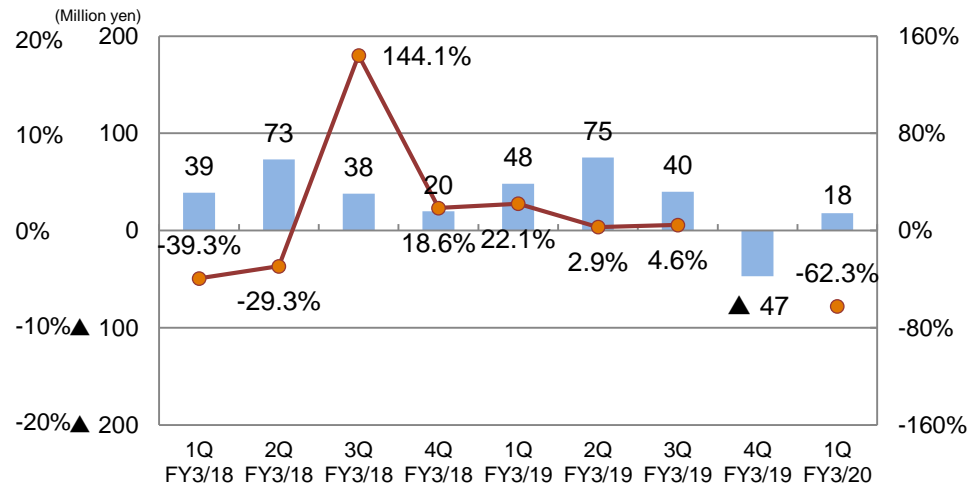
(Million yen)

	1Q FY3/18	1Q FY3/19	1Q FY3/20	Year on year
Net sales	2,294	2,254	2,067	91.7%
Operating profit	39	48	18	37.7%
Operating margin	1.7%	2.2%	0.9%	-

**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

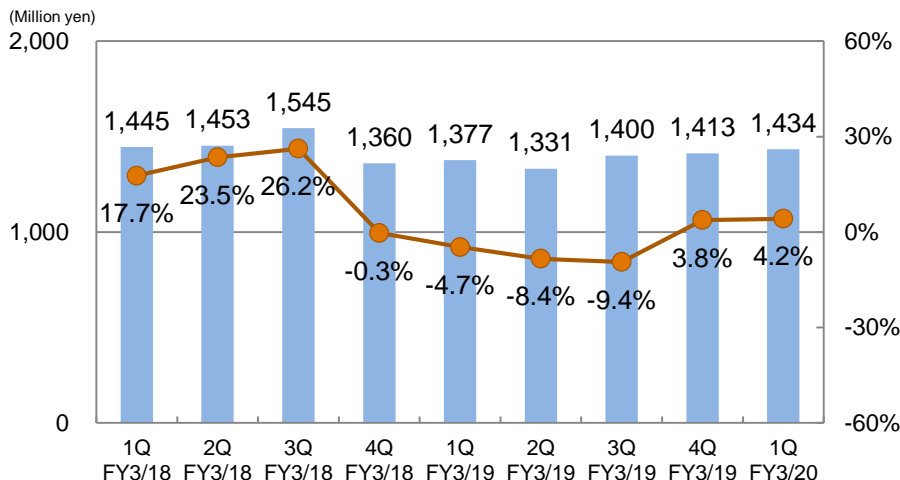
- The recycle business posted higher sales and lower earnings as the volume of end-of-life vehicles handled increased but prices of metal scrap started to fall in April 2019. (Net sales increased 7.4% YoY to ¥1,291 million, Operating profit decreased 16.7% to ¥133 million)
- In the used vehicle export clearing service business, sales and earnings decreased due to decline in the volume of orders received. (Net sales decreased 19.7% YoY to ¥118 million, Operating profit decreased 63.1% to ¥9 million)

## Other Segment Performance in 1Q

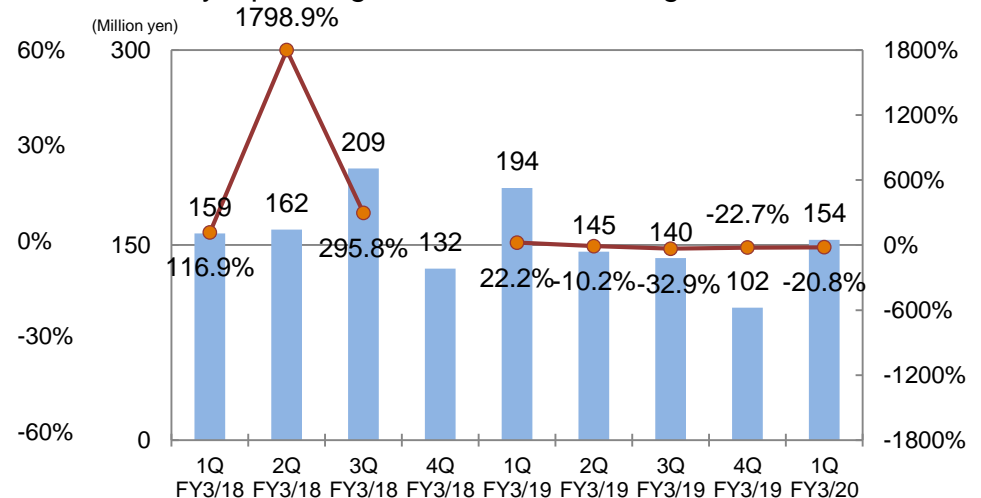
(Million yen)

	1Q FY3/18	1Q FY3/19	1Q FY3/20	Year on year
Net sales	1,445	1,377	1,434	104.2%
Operating profit	159	194	154	79.2%
Operating margin	11.0%	14.1%	10.7%	-

### 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

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- New car registrations are expected to remain flat from FY3/2019.
- Replacement of auction systems, including renewal of auction sites, planned.

(Million yen)

	FY3/18 (Actual)	FY3/19 (Actual)	FY3/20 (Forecast) (May 13, 2019)	VS. previous year
Net sales	75,153	79,908	80,800	101.1%
Gross profit (Per sales)	45,979 (61.2%)	48,516 (60.7%)	49,570 (61.3%)	102.2%
Operating profit (Per sales)	36,071 (48.0%)	37,123 (46.5%)	38,200 (47.3%)	102.9%
Ordinary profit (Per sales)	36,676 (48.8%)	38,039 (47.6%)	38,700 (47.9%)	101.7%
Profit attributable to owners of parent (Per sales)	24,285 (32.3%)	25,543 (32.0%)	25,800 (31.9%)	101.0%
Profit per share (Yen)	95.59	100.54	102.18	101.6%
Capital expenditures (Terms of cash flows)	4,447	2,428	7,400	304.7%
Depreciation	4,983	5,299	5,114	96.5%
(				
Auto Auction Business (excl. JBA)	FY3/18 (Actual)	FY3/19 (Actual)	FY3/20 (Forecast)	VS. previous year
No. of vehicles consigned (Thousands)	2,700	2,930	3,000	102.4%
No. of vehicles contracted (Thousands)	1,709	1,825	1,870	102.4%
Contract completion rate	63.3%	62.3%	62.3%	-

\* No revisions to the FY3/20 forecast announced on May 13, 2019.

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

## Net sales

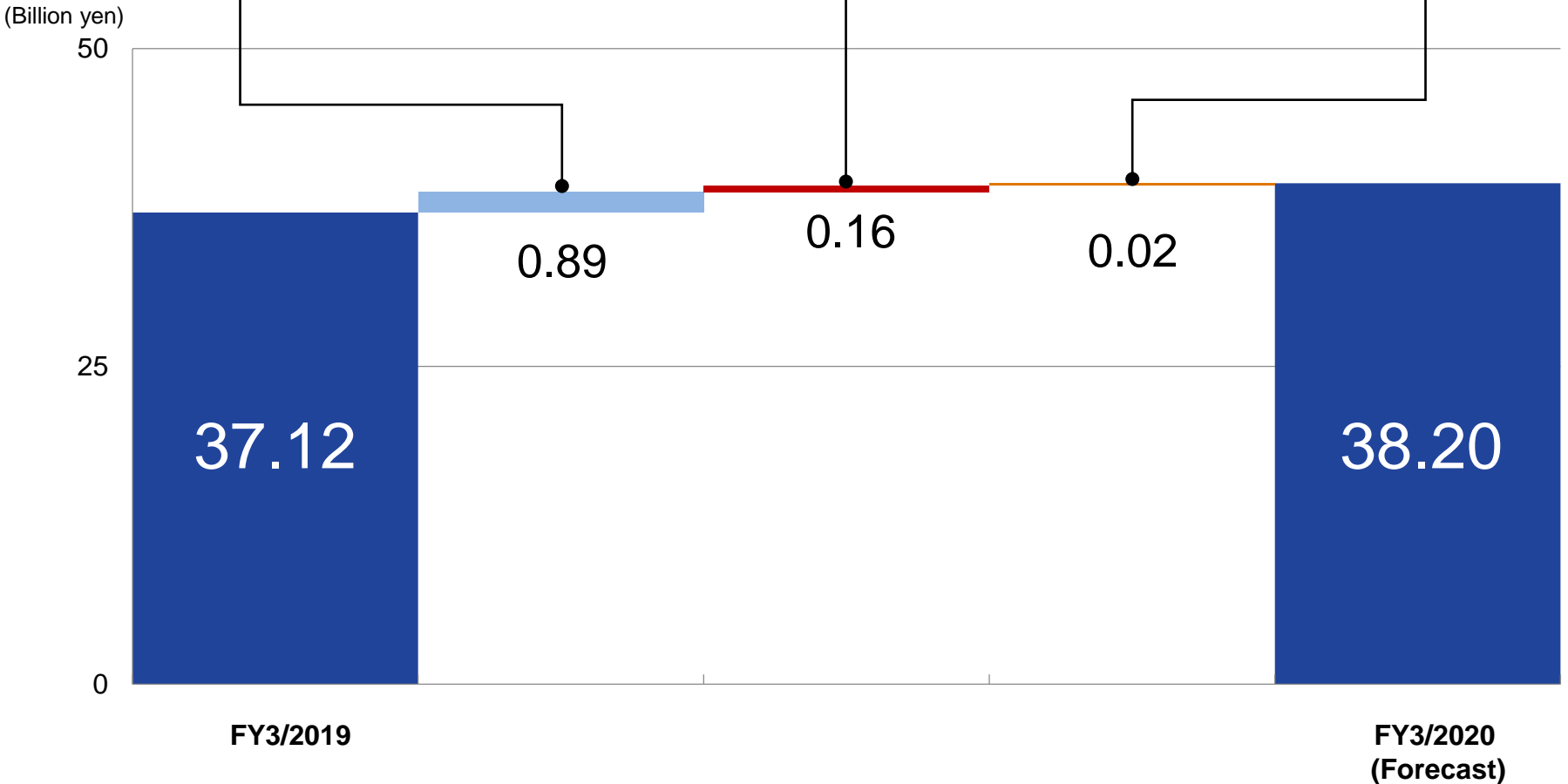
Increase in vehicles consigned 1.25bn  
 Used vehicle sales/purchases ▲0.41bn

## Cost of sales

Decrease in depreciation 0.21bn  
 Decrease in the cost of demolition 0.18bn  
 Increase in expenses for supplies ▲0.21bn

## SG&A expenses

Decline in sales commission 0.11bn  
 Decrease in advertising expenses 0.05bn  
 Increase in sales promotion expenses ▲0.10bn  
 Increase in enterprise tax ▲0.03bn



(Million yen)

	FY3/18 (Actual)	FY3/19 (Actual)	FY3/20 (Forecast)	VS. previous year
<b>Net sales</b>				
Auto auction	59,521	64,684	65,892	101.9%
Used vehicle purchasing and selling	9,827	9,701	9,472	97.6%
Other	5,805	5,522	5,435	98.4%
<b>Total</b>	<b>75,153</b>	<b>79,908</b>	<b>80,800</b>	<b>101.1%</b>
<b>Operating profit (Per sales)</b>	<b>36,071 (48.0%)</b>	<b>37,123 (46.5%)</b>	<b>38,200 (47.3%)</b>	<b>102.9%</b>

# Market Overview

## Strategy for Creating Value Over the Medium Term

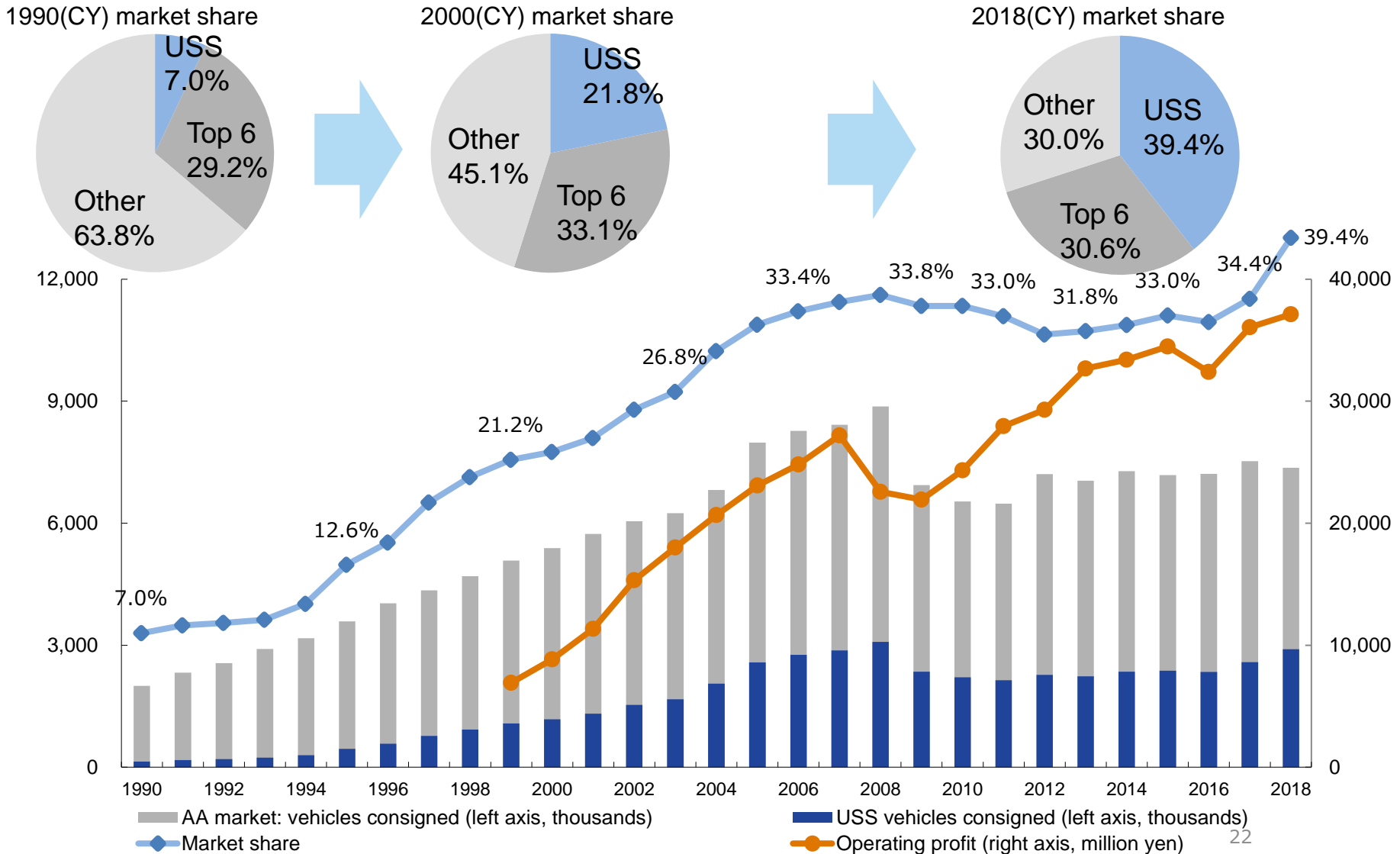
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- New car sales in Japan: Unlikely to see significant growth over the medium term
  - USS's Strategy
    - 1) The JAA acquisition significantly raised the Osaka area market share. The goal is to increase the Tokyo area market share in order to have a market share of more than 40% in all three of Japan's major markets: the Tokyo, Nagoya and Osaka areas.
    - 2) Additional capital expenditures in the JAA 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 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 **50%** since 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

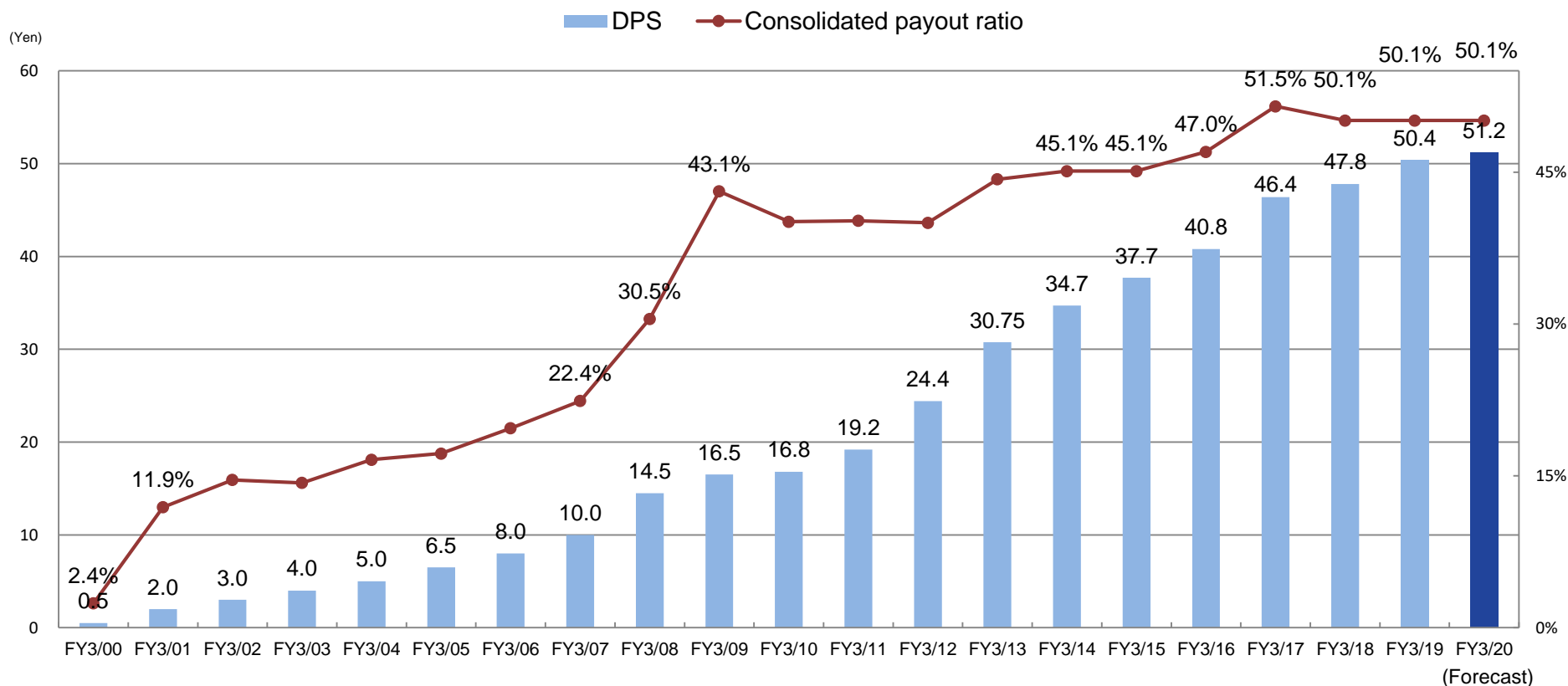
### Stock Repurchase Data (latest figures) (trade date basis)

Type of shares	Common shares
Period of repurchase	From February 13, 2019 to July 31, 2019
Aggregate number of shares repurchased	4,419,400 shares
Aggregate value of shares repurchased	9,179,054,000 yen
Method of repurchase	Purchased on the Tokyo Stock Exchange

(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%

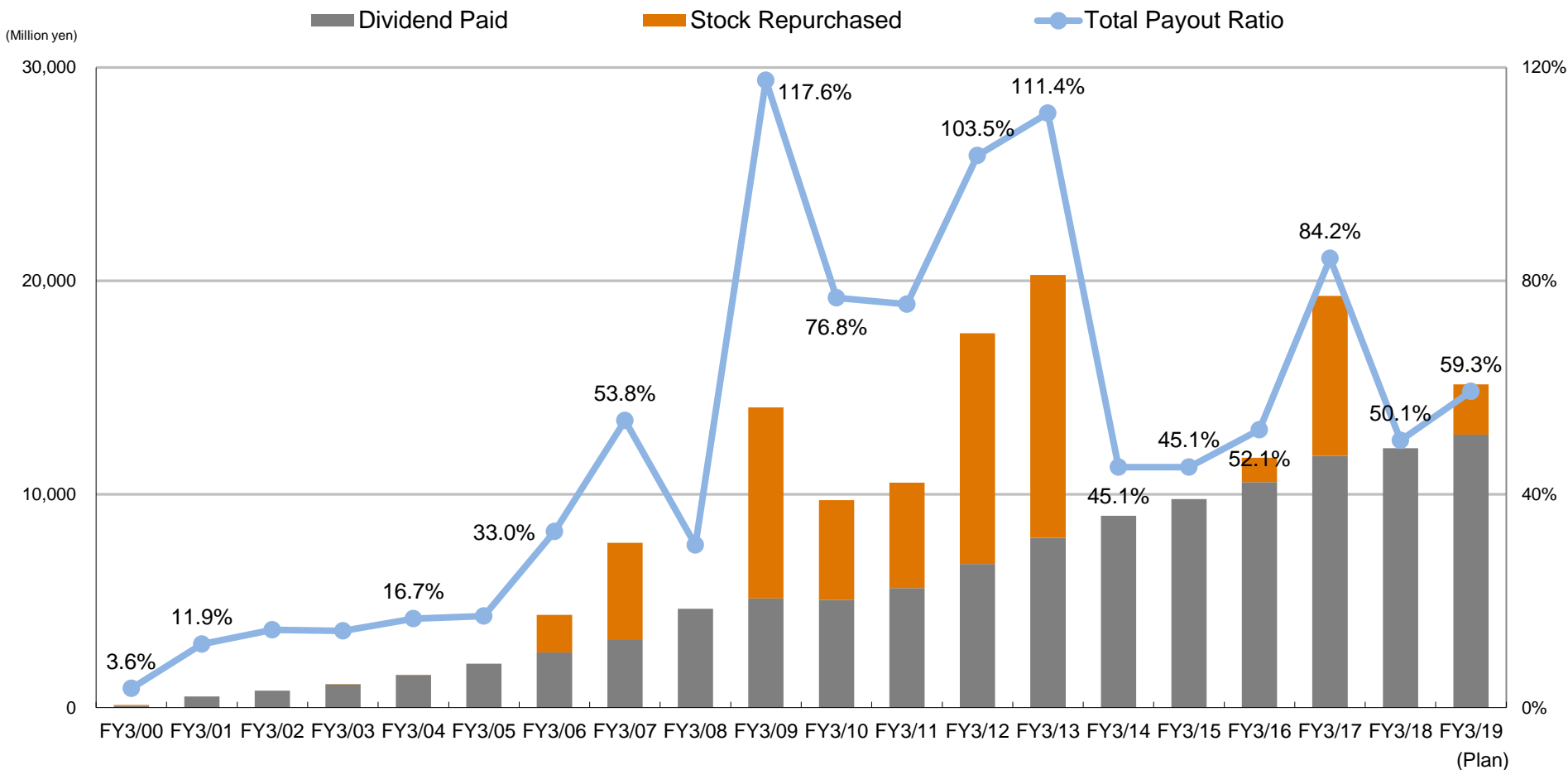
- Plan to pay **51.2 yen** dividend per share for FY3/20 (up 0.8 yen)
- **20 consecutive years** of dividend growth since listing



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

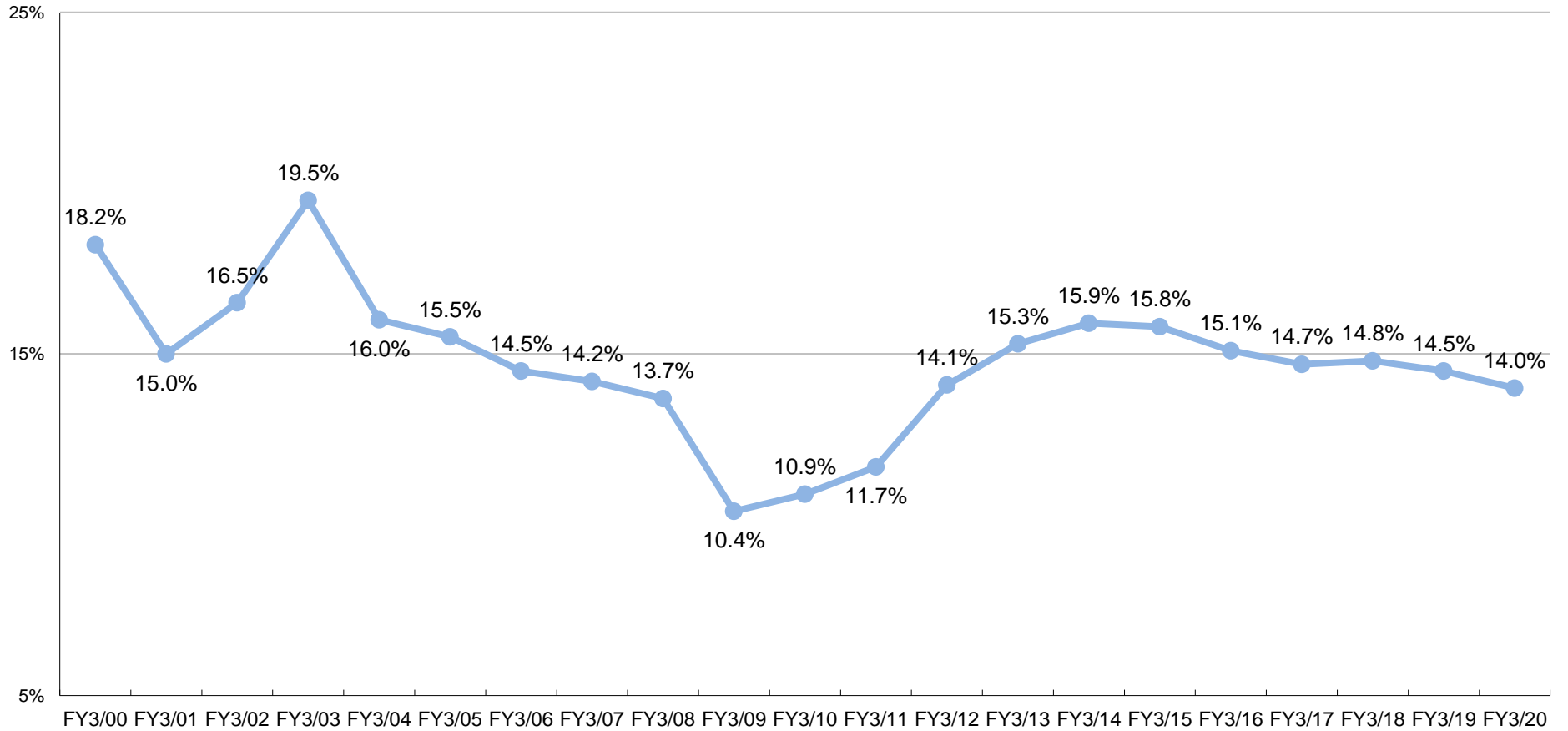


■ Flexible stock repurchases while maintaining stable dividend.  
 (Scheduled to repurchase 5 million shares for 10 billion yen (maximum) in the period from February 13, 2019 to September 20, 2019. )



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

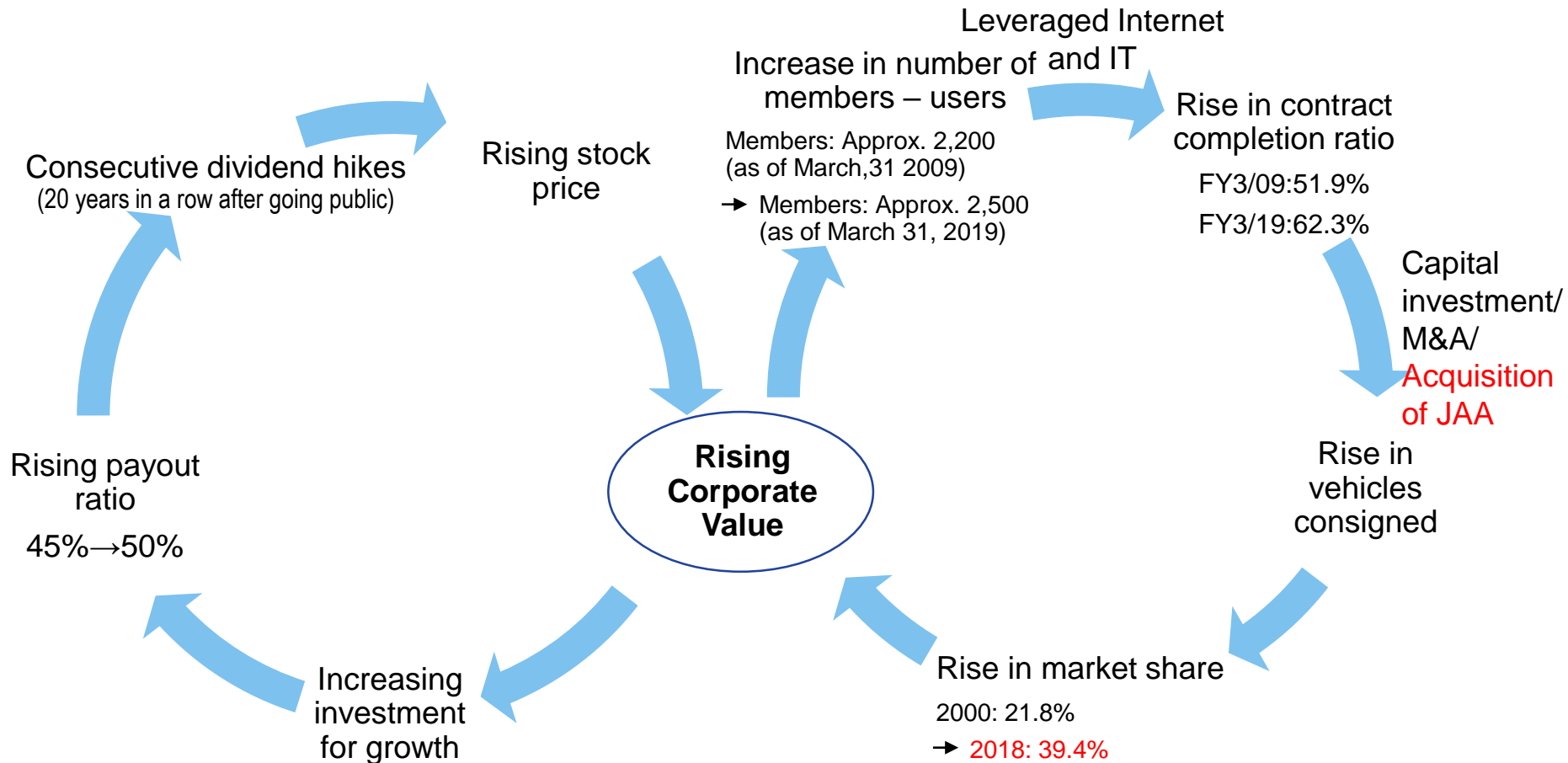
## ROE



\*FY3/20 forecast: ROE is calculated based on including the treasury stock acquired at the end of July 2019. (trade date basis)

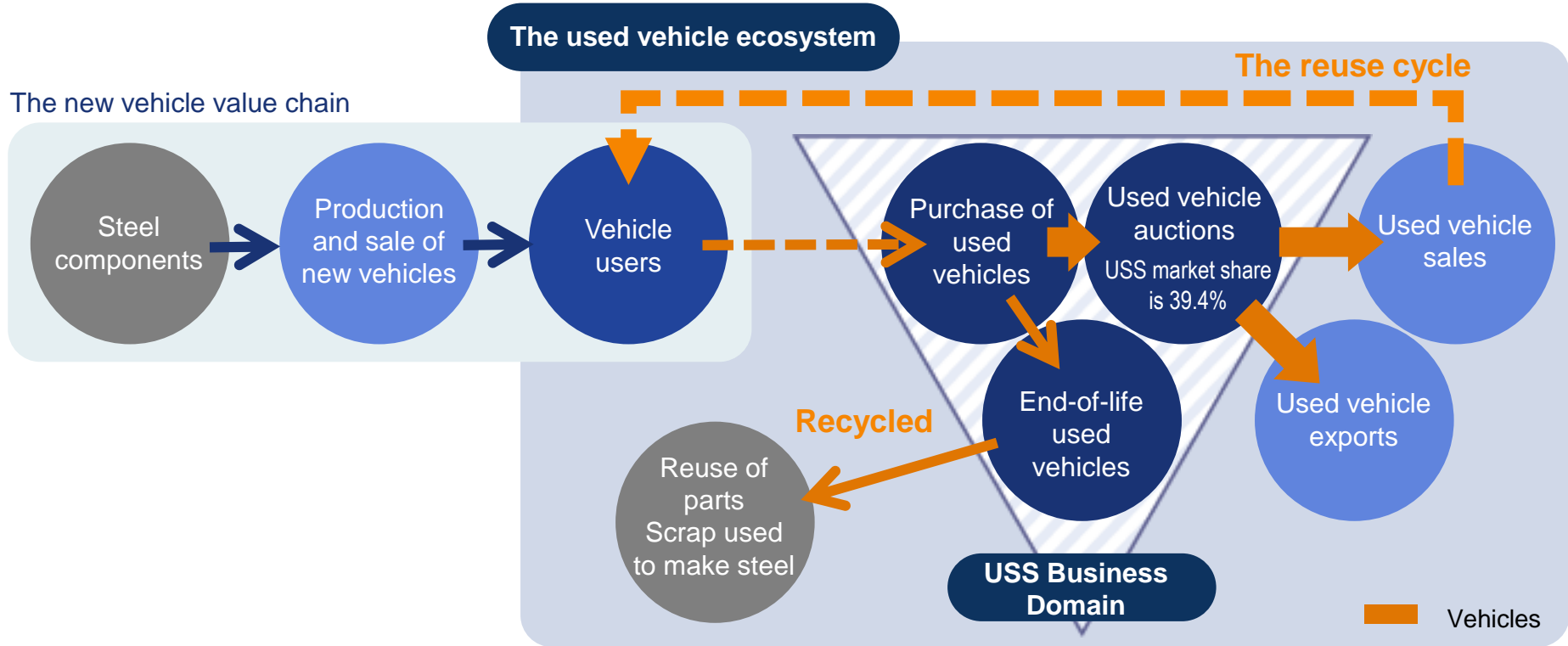
(Forecast)

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



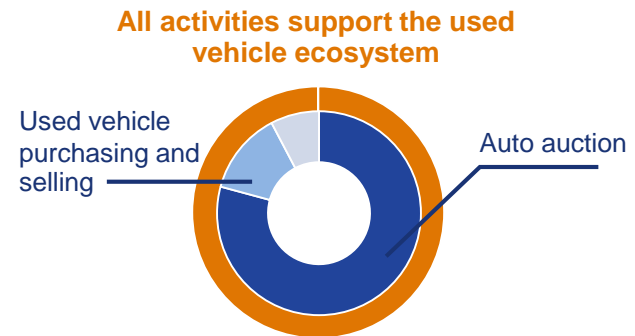
# How USS Creates Social and Economic Value

■ 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

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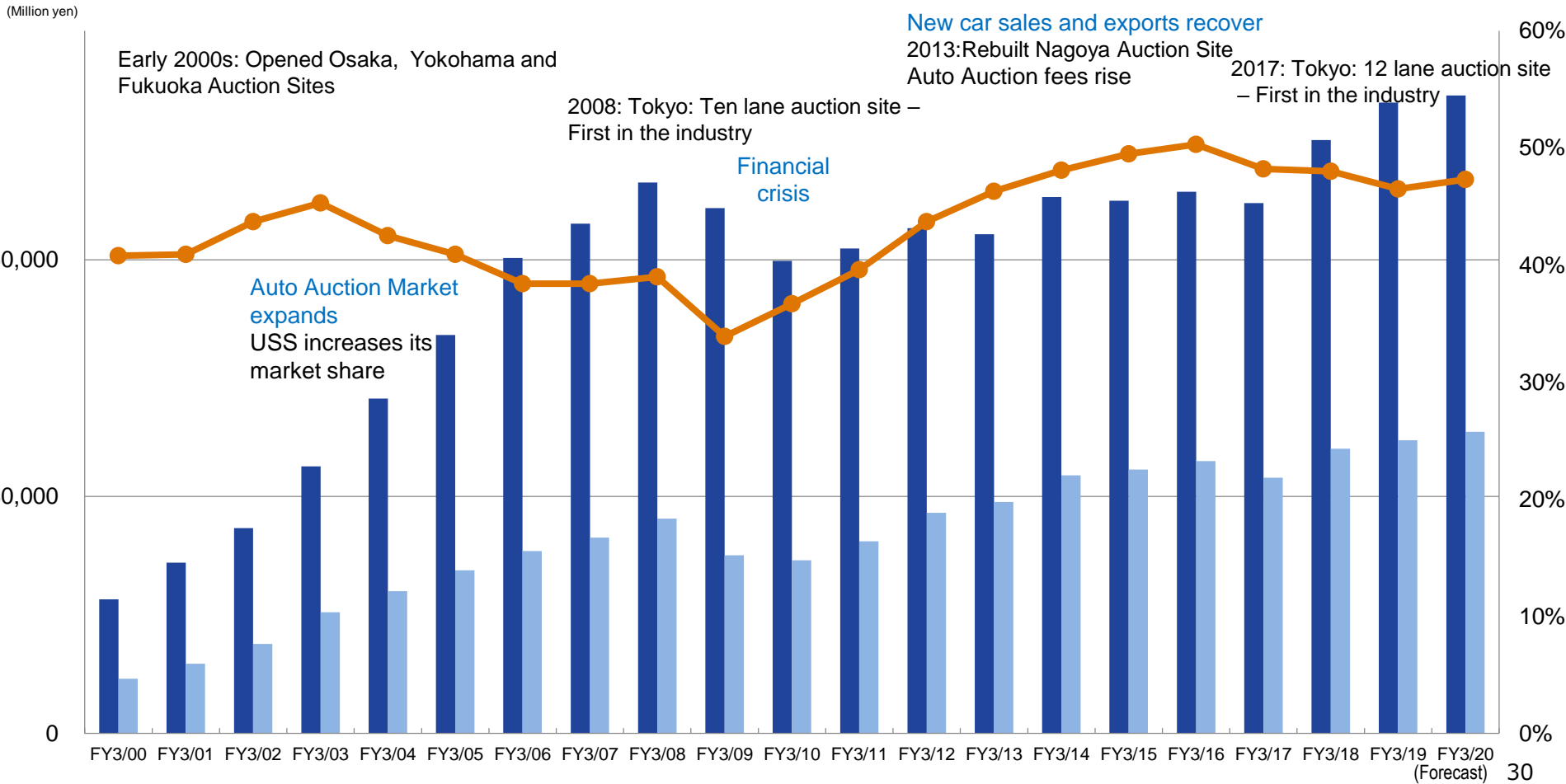
# History of USS Long-term Growth

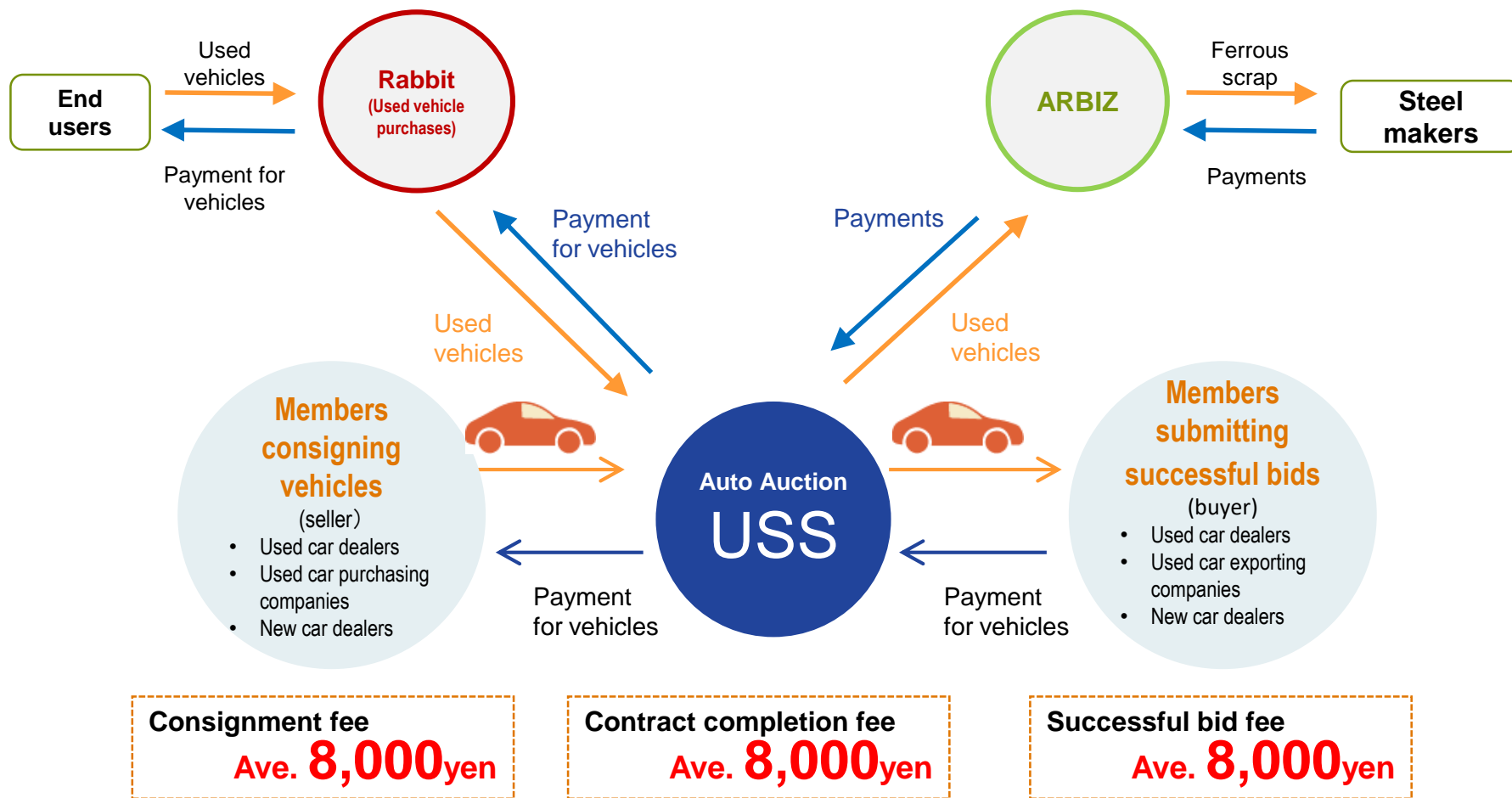
## Before 2000

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%

■ Net sales    ■ Operating profit    ● Operating margin





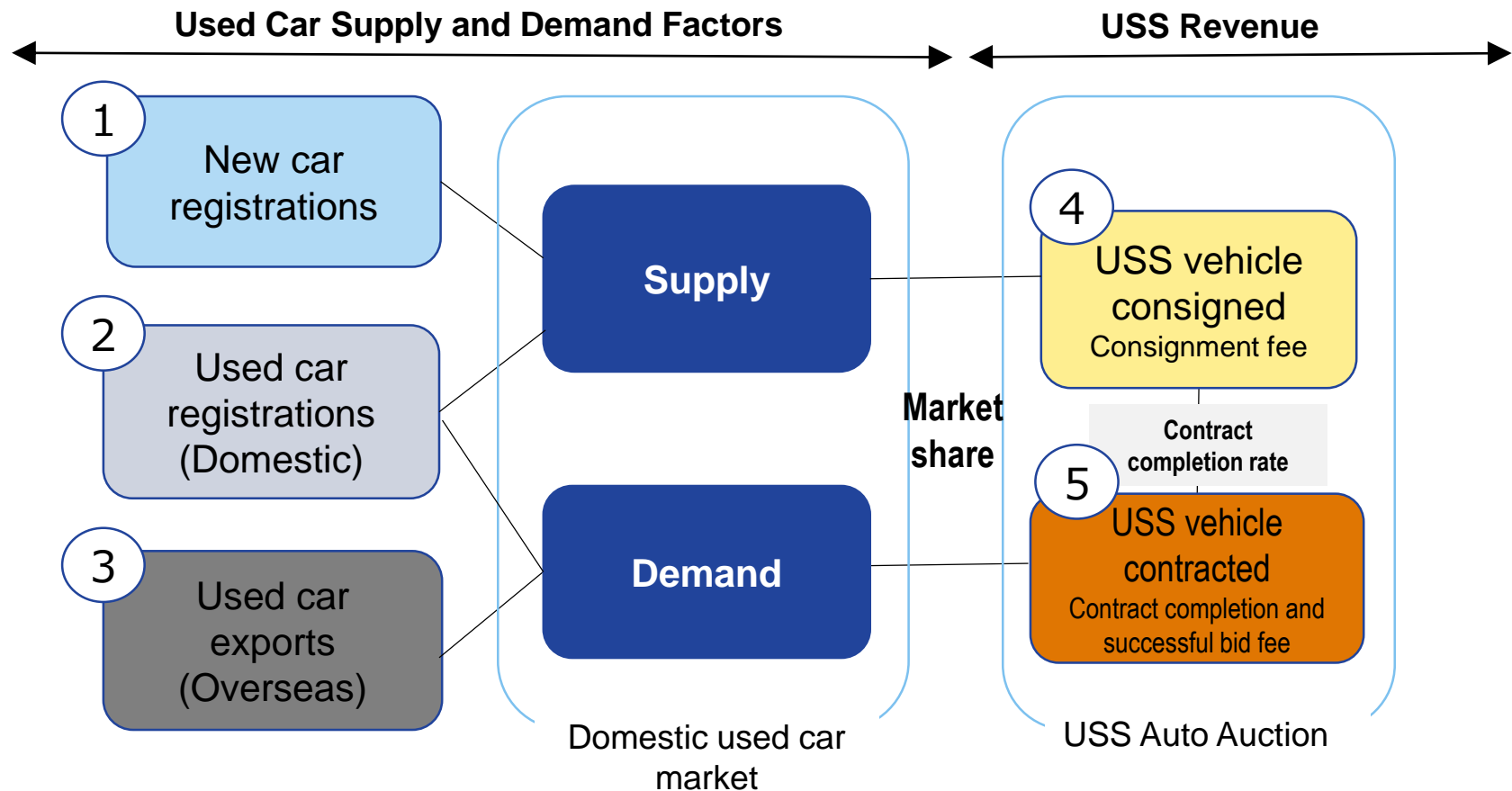
Vehicles consigned  
**2.93** million units/year  
 (FY3/2019)

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

Contract completion rate  
**62.3%** (FY3/2019)

# Automobile Market and USS Revenue

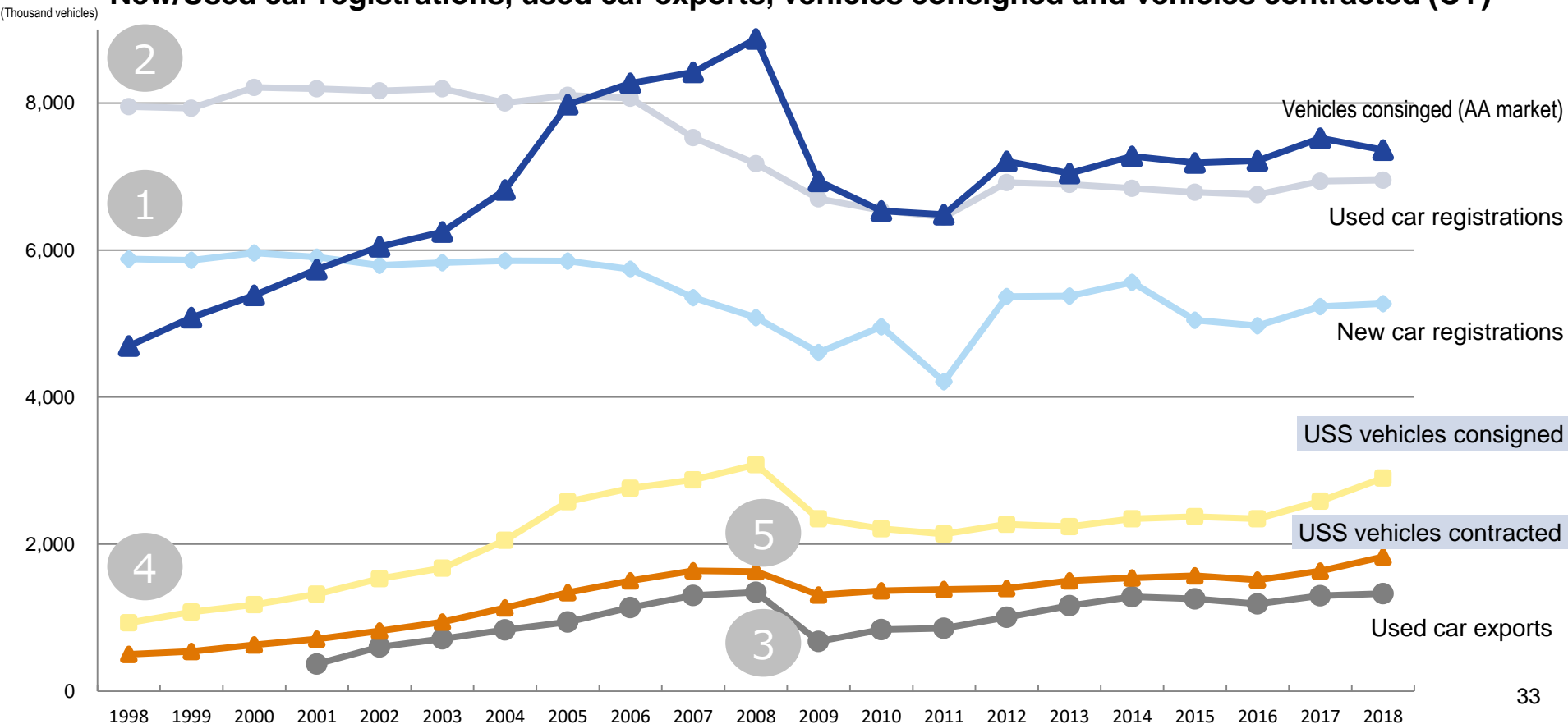
- The number of vehicles consigned is correlated through trade-ins to (1) New car registrations and (2) Used car registrations
- Total demand comprises domestic demand (2) and overseas demand (3). In recent years, total demand has been driven mainly by overseas demand.
- In addition to the above, share 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. 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 August 2019  
 Directors: 10 (of which independent outside directors: 3)  
 Auditors: 3 (of which independent outside auditors: 2)  
 Executive officers: 3