



# Consolidated Results of Operations

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

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USS Co., Ltd.  
November 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 Second Quarter Fiscal Year Ending March 2020

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# 1H FY3/2020 – Summary of Consolidated Results of Operations

- Sales decreased 0.1% YoY to ¥38.79 billion, operating profit was down 1.2% to ¥17.90 billion, and profit attributable to owners of parent decreased 0.8% to ¥12.23 billion.
- The number of vehicles consigned and number of contract completions decreased at the JAA auction site and HAA Kobe auction site.

(Million yen)

	1H FY3/19	1H FY3/20	Year on year	1H FY3/20 Initial plan (May 13, 2019)	VS. plan
Net sales	38,842	38,792	99.9%	39,500	98.2%
Cost of sales (Per sales)	15,108 (38.9%)	15,337 (39.5%)	101.5%	15,238 (38.6%)	100.6%
Gross profit (Per sales)	23,734 (61.1%)	23,455 (60.5%)	98.8%	24,261 (61.4%)	96.7%
Selling, general and administrative expenses (Per sales)	5,606 (14.4%)	5,548 (14.3%)	99.0%	5,661 (14.3%)	98.0%
Operating profit (Per sales)	18,127 (46.7%)	17,907 (46.2%)	98.8%	18,600 (47.1%)	96.3%
Ordinary profit (Per sales)	18,415 (47.4%)	18,216 (47.0%)	98.9%	18,840 (47.7%)	96.7%
Profit attributable to owners of parent (Per sales)	12,333 (31.8%)	12,232 (31.5%)	99.2%	12,560 (31.8%)	97.4%

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

## Net sales

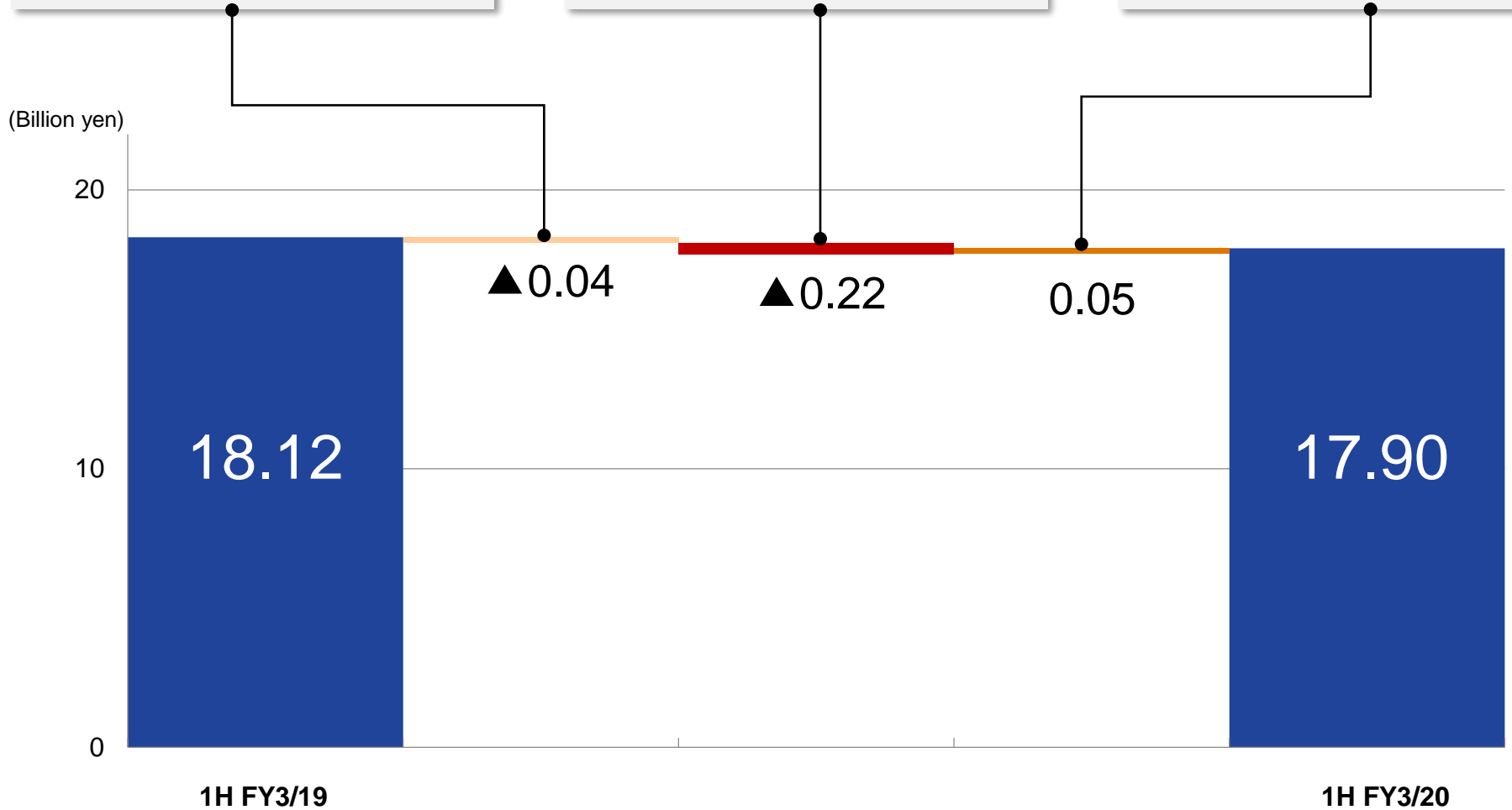
- Increase in vehicles consigned 0.80bn
- Increase in CIS (Internet) 0.13bn
- Decrease in contract completion rate ▲0.48bn
- Decrease in fee rates ▲0.32bn
- Decrease in sales of accident-damaged vehicles ▲0.15bn

## Cost of sales

- Increase in cost of goods sold ▲0.19bn

## SG&A expenses

- Decrease in sales commission 0.07bn



# Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	1H FY3/18	1H FY3/19	1H FY3/20	Year on year
Auto auction	27,186	31,550	31,773	100.7%
Used vehicle purchasing and selling	4,736	4,583	4,313	94.1%
Other	2,899	2,709	2,705	99.9%
<b>Total</b>	<b>34,822</b>	<b>38,842</b>	<b>38,792</b>	<b>99.9%</b>
Operating profit (operating margin)	1H FY3/18	1H FY3/19	1H FY3/20	Year on year
Auto auction	16,527 (60.2%)	17,613 (55.4%)	17,524 (54.8%)	99.5%
Used vehicle purchasing and selling	113 (2.4%)	124 (2.7%)	103 (2.4%)	83.8%
Other	321 (11.1%)	340 (12.5%)	228 (8.4%)	67.2%
Elimination of inter-segment transactions	51	49	50	101.3%
<b>Total</b>	<b>17,013 (48.9%)</b>	<b>18,127 (46.7%)</b>	<b>17,907 (46.2%)</b>	<b>98.8%</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: 82.0%

## Consolidated Balance Sheets (Summary)

(Million yen)

	FY3/2019	1H FY3/2020
Current assets	77,431	65,638
Cash and deposits	51,352	52,191
Receivables due from member dealers at auction, etc.	26,078	13,446
Non-current assets	155,271	153,807
Property, plant and equipment	104,887	104,379
Other	50,384	49,428
<b>Total assets</b>	<b>232,703</b>	<b>219,445</b>

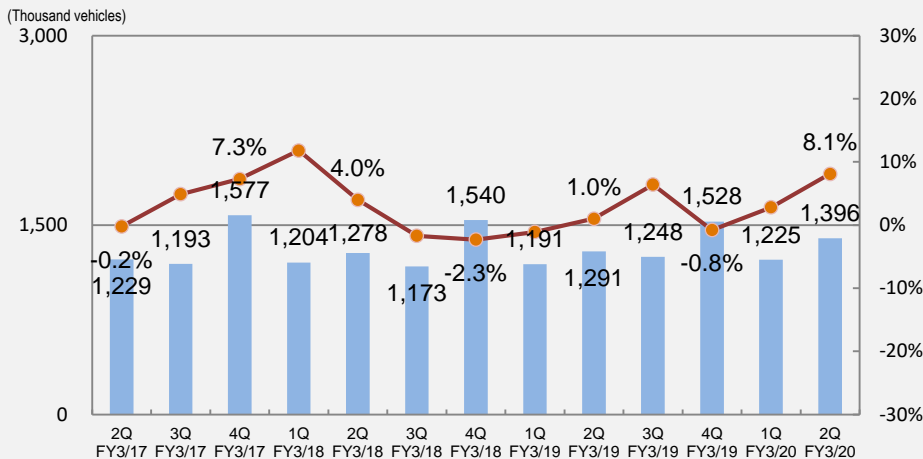
	FY3/2019	1H FY3/2020
Current liabilities	38,077	26,709
Payables due to member dealers at auction	22,209	14,632
Other	15,867	12,076
Non-current liabilities	11,090	10,857
<b>Total liabilities</b>	<b>49,168</b>	<b>37,566</b>
<b>Total net assets</b>	<b>183,535</b>	<b>181,878</b>
<b>Total liabilities and net assets</b>	<b>232,703</b>	<b>219,445</b>

## Consolidated Statements of Cash Flows (Summary)

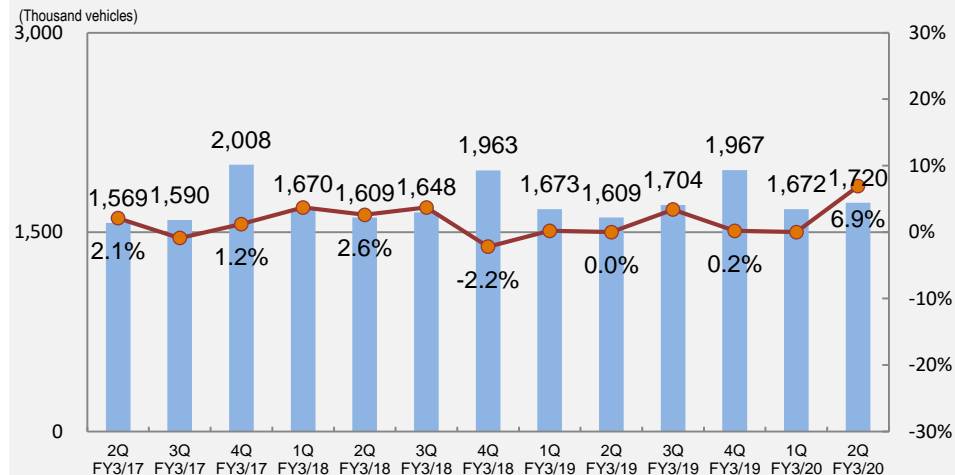
(Million yen)

	1H FY3/2018	1H FY3/2019	1H FY3/2020	Changes
Net cash provided by (used in) operating activities	13,909	14,327	14,522	195
Net cash provided by (used in) investing activities	▲18,942	▲28	▲2,937	▲2,908
Free cash flow	▲5,032	14,298	11,585	▲2,712
Net cash provided by (used in) financing activities	▲6,108	▲6,297	▲10,746	▲4,448
Capital expenditures (Terms of cash flows)	3,567	630	2,701	2,071
Depreciation	2,277	2,630	2,396	▲234

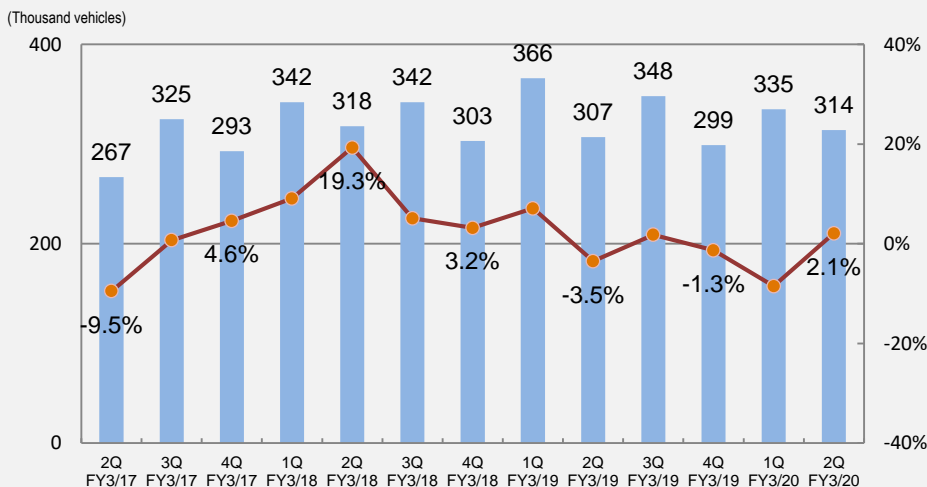
## New Car Registrations and YoY Changes



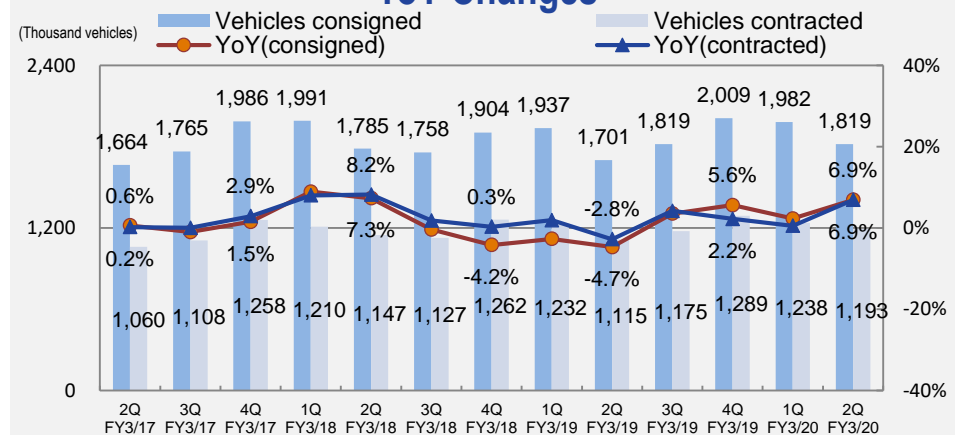
## Used Car Registrations and YoY Changes



## Used Car Exports and YoY Changes



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





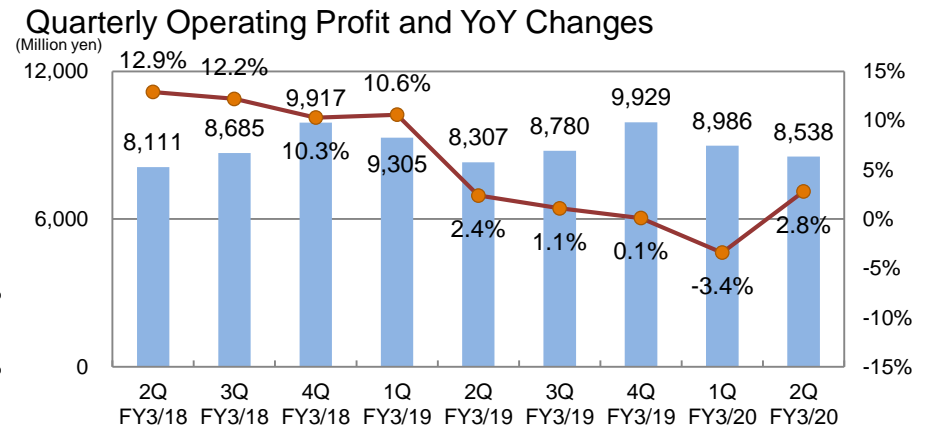
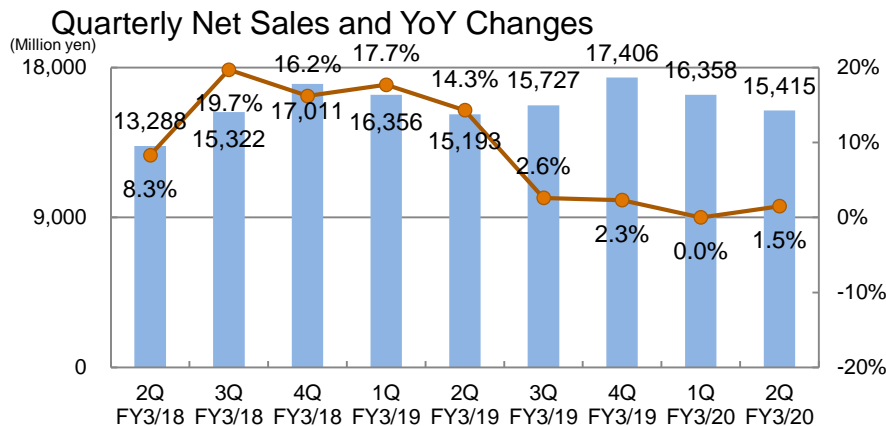
# Auto Auction Segment (1)

- Vehicles consigned increased 3.1% YoY to 1,461 thousand; contract completions increased 0.5% YoY to 896 thousand (contract completion rate: 61.4% against 63.0% in the previous fiscal year)
- Purchase amount 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 1H

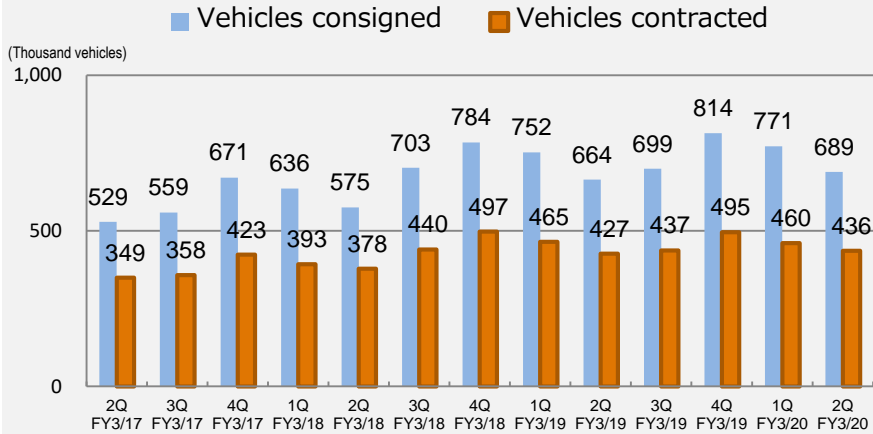
(Million yen)

	1H FY3/18	1H FY3/19	1H FY3/20	Year on year
Net sales	27,186	31,550	31,773	100.7%
Consignment fees	6,344	7,460	7,377	98.9%
Contract completion fees	6,236	7,294	7,253	99.4%
Successful bid fees	9,163	10,797	10,911	101.1%
Other	5,441	5,997	6,231	103.9%
Operating profit	16,527	17,613	17,524	99.5%
Operating margin	60.2%	55.4%	54.8%	-

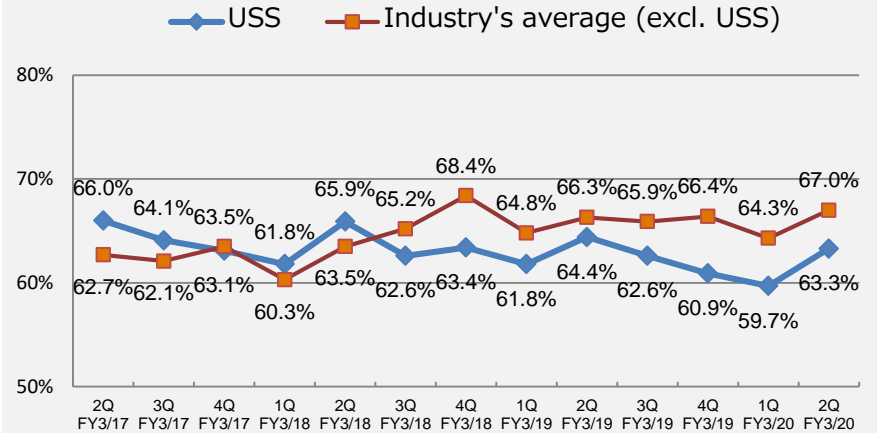


\* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

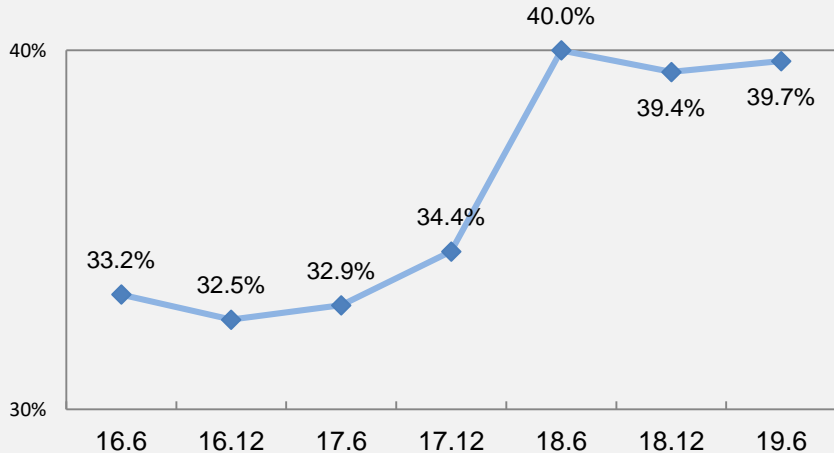
## No. of Vehicles Consigned and Vehicles Contracted



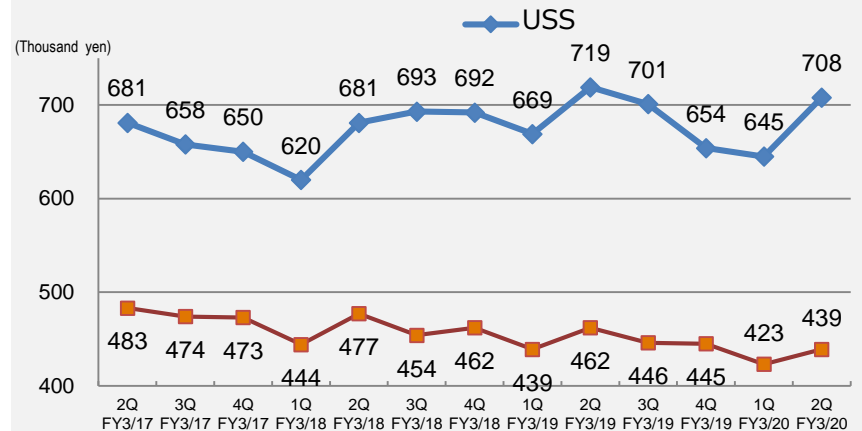
## Contract Completion Rate



## Market Share



## Average Price of Vehicle Contracted

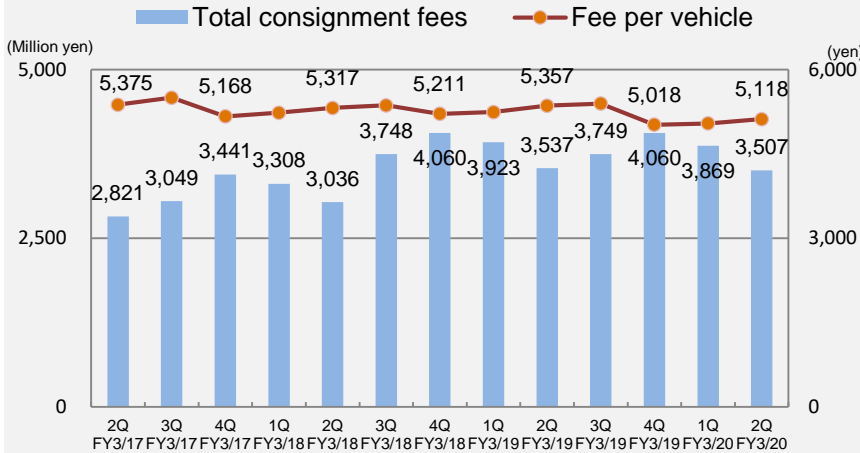


\* Period ending in December: 12-month data; Period ending in June: 6-month data.

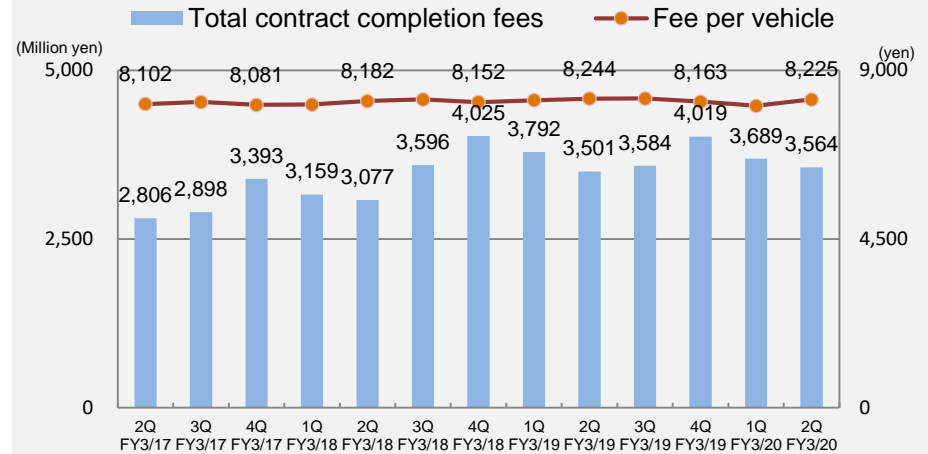
\* The results of JAA, and of HAA Kobe are included from October 2017.

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

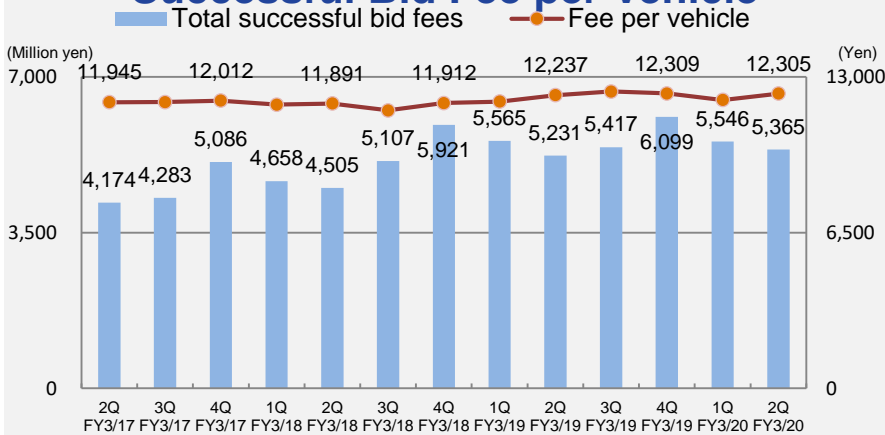
## Total Consignment Fees and Consignment Fee per Vehicle



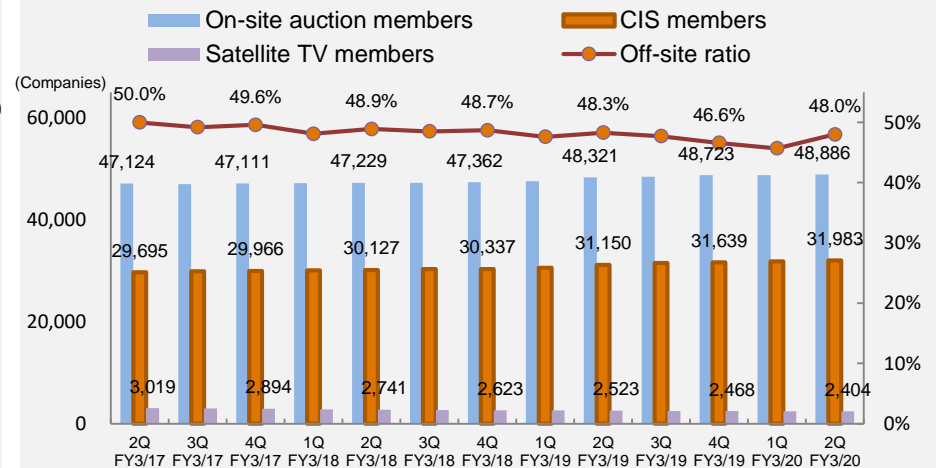
## Total Contract Completion Fees and Contract Completion Fee per Vehicle



## 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 September 30, 2019

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1H FY3/20	1H FY3/19	1H FY3/20	1H FY3/19	YoY change	1H FY3/20	1H FY3/19	YoY change	1H FY3/20	1H FY3/19
Tokyo	24	24	323,661	310,895	104.1%	221,148	217,625	101.6%	68.3%	70.0%
Nagoya	24	25	247,899	246,703	100.5%	133,283	137,537	96.9%	53.8%	55.8%
Osaka	24	25	99,626	81,416	122.4%	52,448	45,258	115.9%	52.6%	55.6%
Yokohama	24	24	96,083	87,444	109.9%	60,619	58,667	103.3%	63.1%	67.1%
Kyushu	24	25	91,122	84,321	108.1%	52,282	51,704	101.1%	57.4%	61.3%
R-Nagoya	24	24	76,612	70,417	108.8%	62,648	59,320	105.6%	81.8%	84.2%
Sapporo	24	24	76,208	74,077	102.9%	48,595	49,062	99.0%	63.8%	66.2%
Shizuoka	24	25	47,441	41,844	113.4%	30,999	27,809	111.5%	65.3%	66.5%
Kobe	24	24	42,241	39,237	107.7%	24,808	22,332	111.1%	58.7%	56.9%
Okayama	24	25	38,398	35,537	108.1%	25,108	24,223	103.7%	65.4%	68.2%
Tohoku	24	24	29,138	29,777	97.9%	20,579	22,173	92.8%	70.6%	74.5%
Gunma	24	25	28,321	27,524	102.9%	18,182	18,942	96.0%	64.2%	68.8%
Saitama	24	25	25,308	24,071	105.1%	14,566	14,256	102.2%	57.6%	59.2%
Fukuoka	24	24	24,496	19,147	127.9%	15,797	12,063	131.0%	64.5%	63.0%
Niigata	24	24	22,025	21,341	103.2%	10,584	9,984	106.0%	48.1%	46.8%
Hokuriku	24	25	9,386	7,213	130.1%	6,265	4,551	137.7%	66.7%	63.1%
JAA	24	24	44,713	57,876	77.3%	24,734	36,125	68.5%	55.3%	62.4%
HAA	24	24	138,415	157,871	87.7%	74,267	81,197	91.5%	53.7%	51.4%
<b>Total</b>	<b>432</b>	<b>440</b>	<b>1,461,093</b>	<b>1,416,711</b>	<b>103.1%</b>	<b>896,912</b>	<b>892,828</b>	<b>100.5%</b>	<b>61.4%</b>	<b>63.0%</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	210,323	229,142	1,461,093	252,790						252,790	1,713,883
	YoY Change	▲0.3	7.1	1.4	11.5	2.0	▲2.1	3.1	7.7						-	-
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						156,496	1,053,408
	YoY Change	▲1.3	2.1	▲3.4	7.2	▲0.2	▲1.0	0.5	3.0						-	-
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						-	-

\* 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

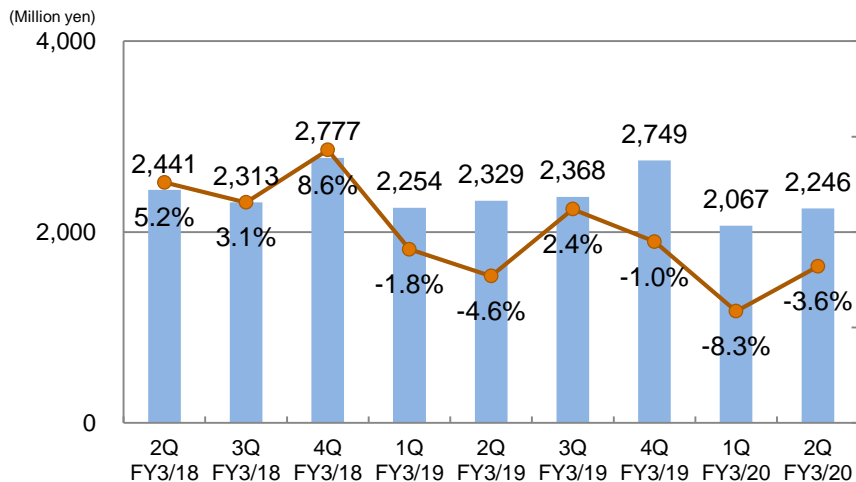
- Sales and earnings decreased at used vehicle purchasing subsidiary Rabbit due to a decline in selling prices caused by a smaller number of expensive vehicles sold and to higher advertising expenses. (Net sales decreased 4.3% YoY to ¥2,542 million, Operating profit decreased 26.4% to ¥75 million)
- In the accident-damaged vehicle purchasing and selling business, the number of vehicles sold declined. Although sales decreased, earnings were higher because of an increase in gross profit per vehicles. (Net sales decreased 8.1% YoY to ¥1,771 million, Operating profit increased 32.0% to ¥28 million)

## Used Vehicle Purchasing and Selling Segment Performance in 1H

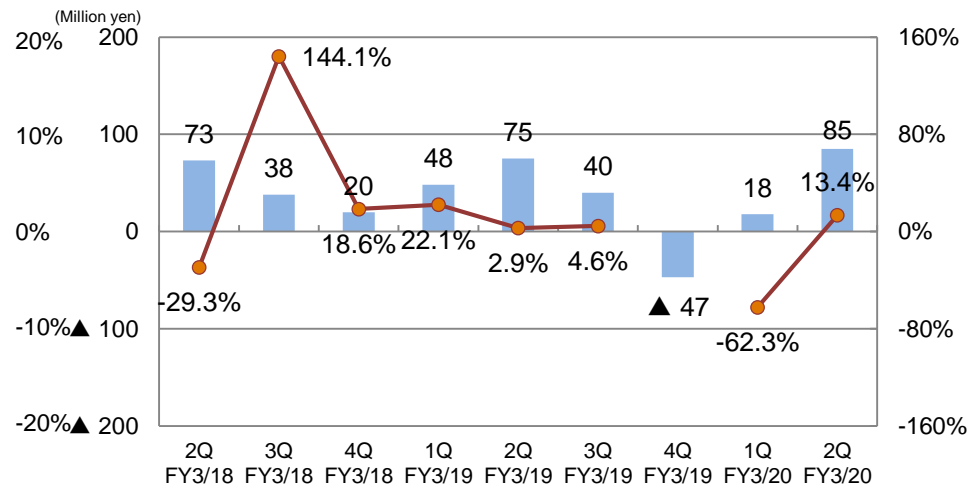
(Million yen)

	1H FY3/18	1H FY3/19	1H FY3/20	Year on year
Net sales	4,736	4,583	4,313	94.1%
Operating profit	113	124	103	83.8%
Operating margin	2.4%	2.7%	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

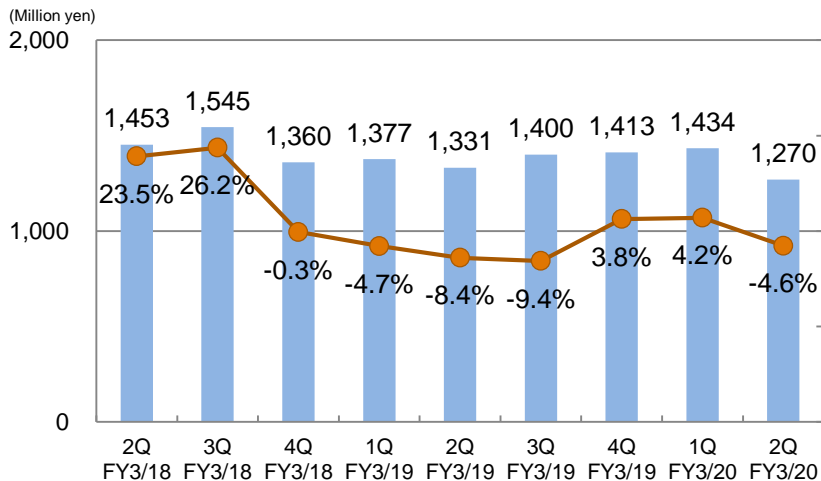
- The recycle business posted higher sales but lower earnings as although the volume of end-of-life vehicles handled increased, higher personnel expenses and lower metal scrap prices started in April 2019 weighed on earnings. (Net sales increased 2.4% YoY to ¥2,430 million, Operating profit decreased 28.7% to ¥192 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 18.6% YoY to ¥228 million, Operating profit decreased 65.2% to ¥16 million)

## Other Segment Performance in 1H

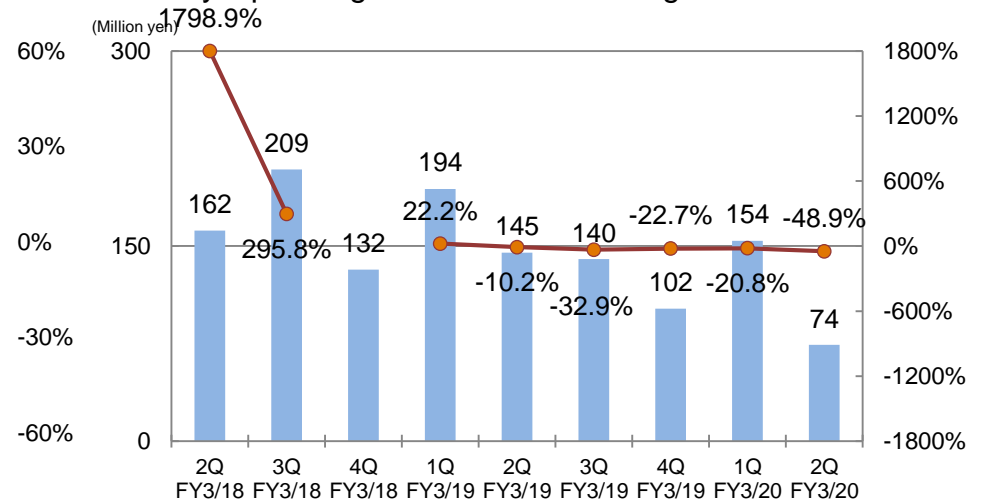
(Million yen)

	1H FY3/18	1H FY3/19	1H FY3/20	Year on year
Net sales	2,899	2,709	2,705	99.9%
Operating profit	321	340	228	67.2%
Operating margin	11.1%	12.5%	8.4%	-

## 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.

# Consolidated Forecast for FY3/2020

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- We have revised our March 2020 fiscal year earnings forecast because the first-half sales and operating profit were below the forecast.

(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

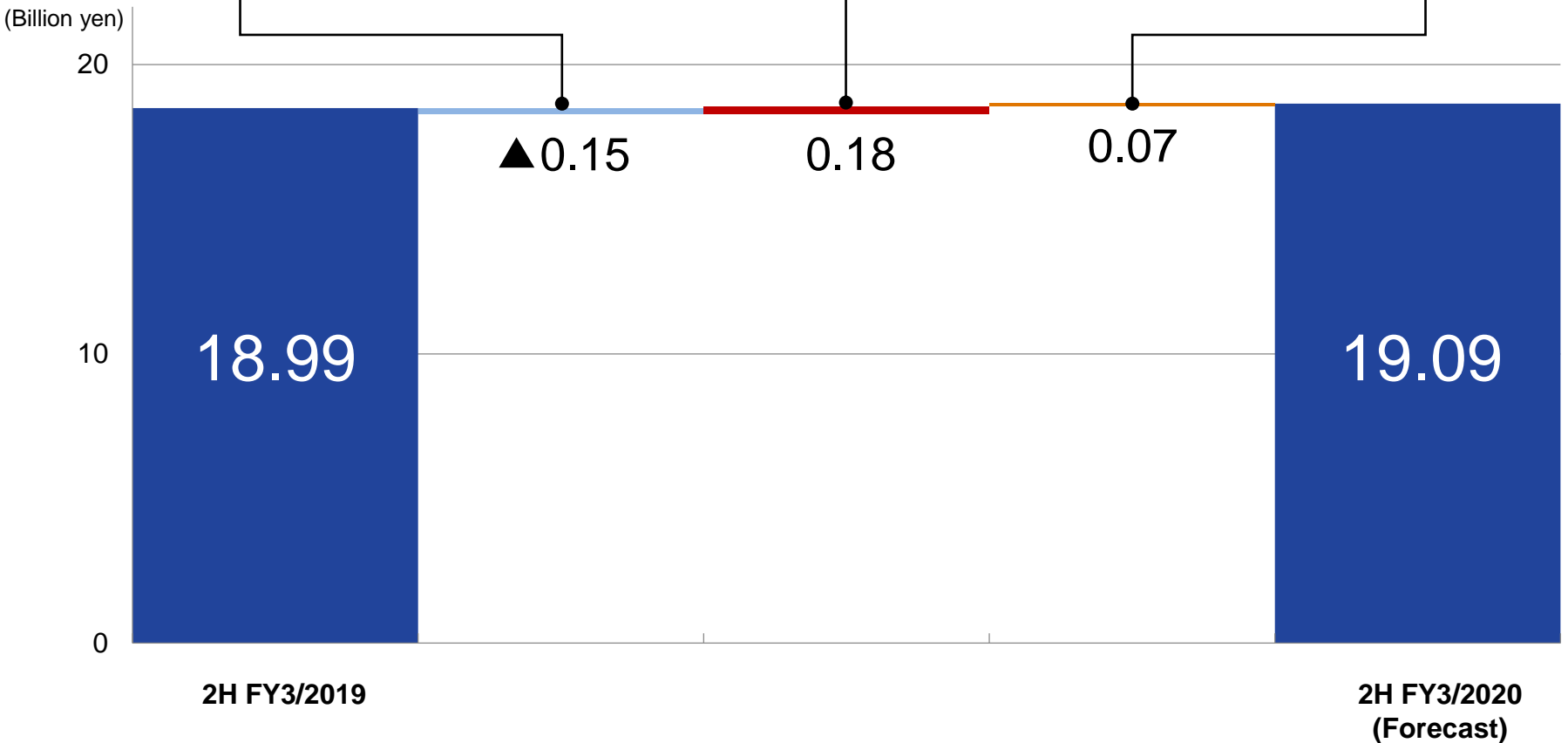
Increase in vehicles consigned 0.27bn  
 Decrease in fee rates ▲0.32bn

## 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

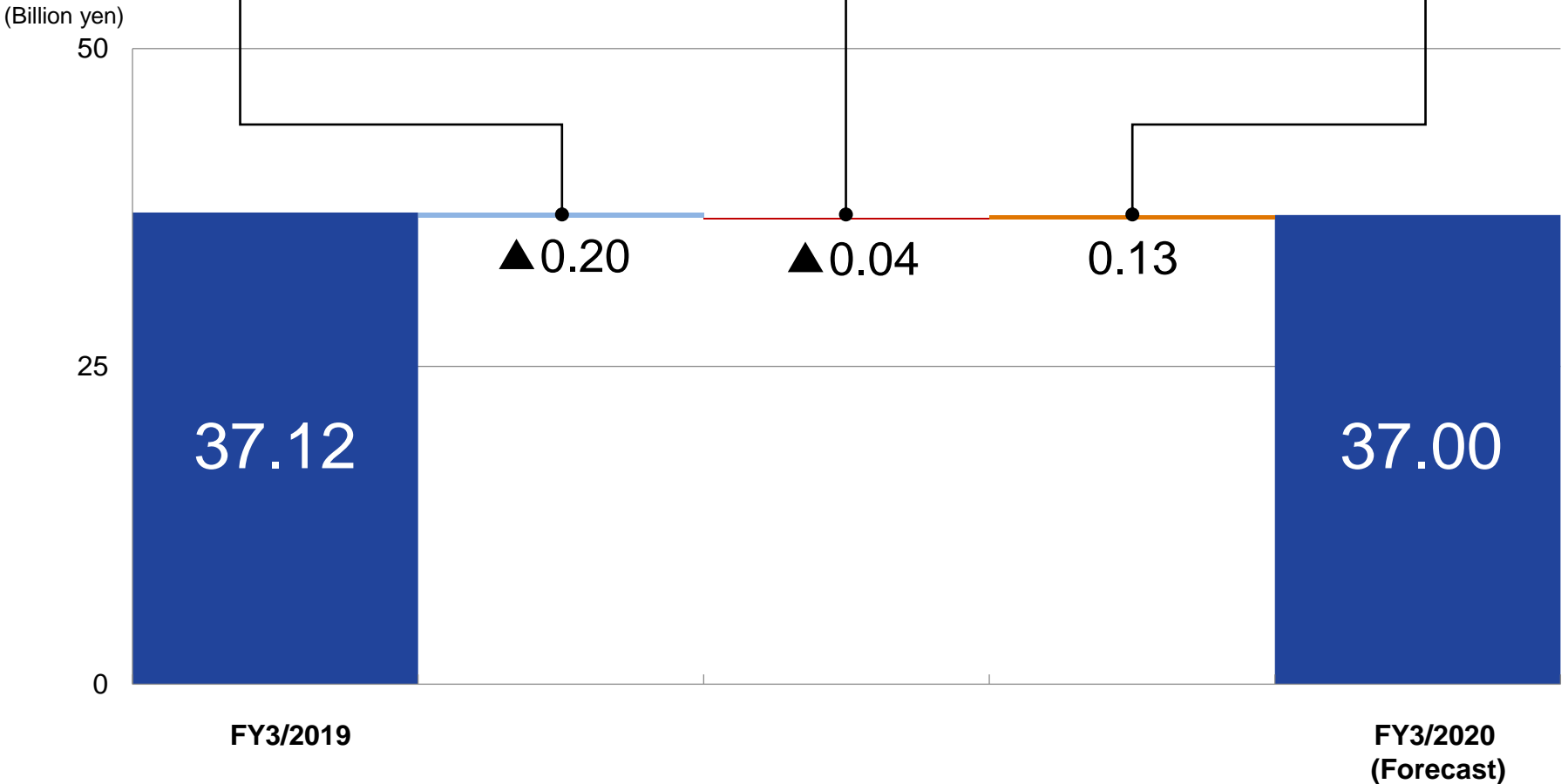
Increase in vehicles consigned 1.07bn  
 Decrease in fee rates ▲0.64bn  
 Decrease in contract completion rate ▲0.47bn

## 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
<b>Net sales</b>					
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%
<b>Total</b>	<b>79,908</b>	<b>80,800</b>	<b>▲ 1,100</b>	<b>79,700</b>	<b>99.7%</b>
<b>Operating profit (Per sales)</b>	<b>37,123 (46.5%)</b>	<b>38,200 (47.3%)</b>	<b>▲ 1,200</b>	<b>37,000 (46.4%)</b>	<b>99.7%</b>

# Market Overview

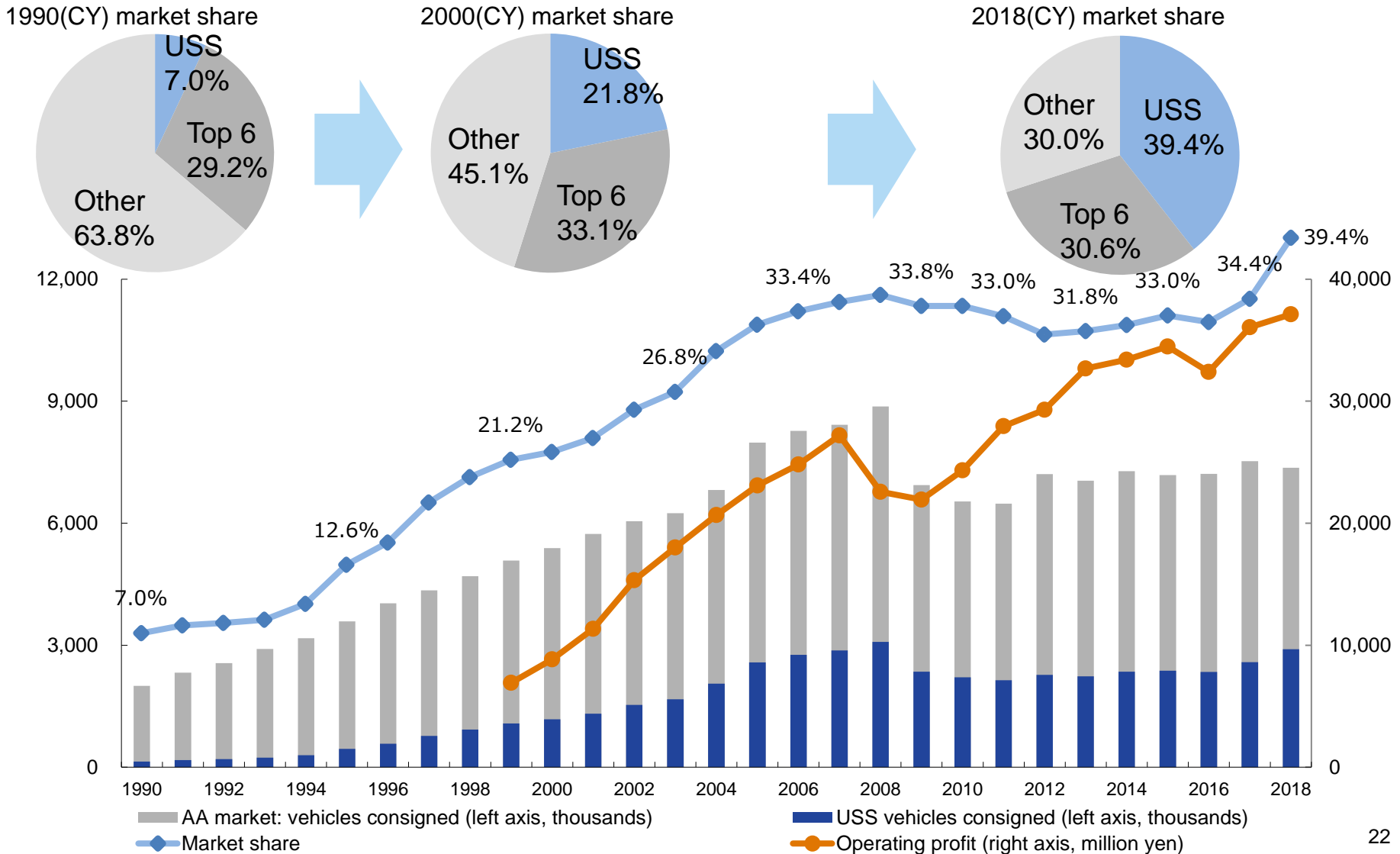
## Strategy for Creating Value Over the Medium Term

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# Used Car Auction Market and USS Market Share

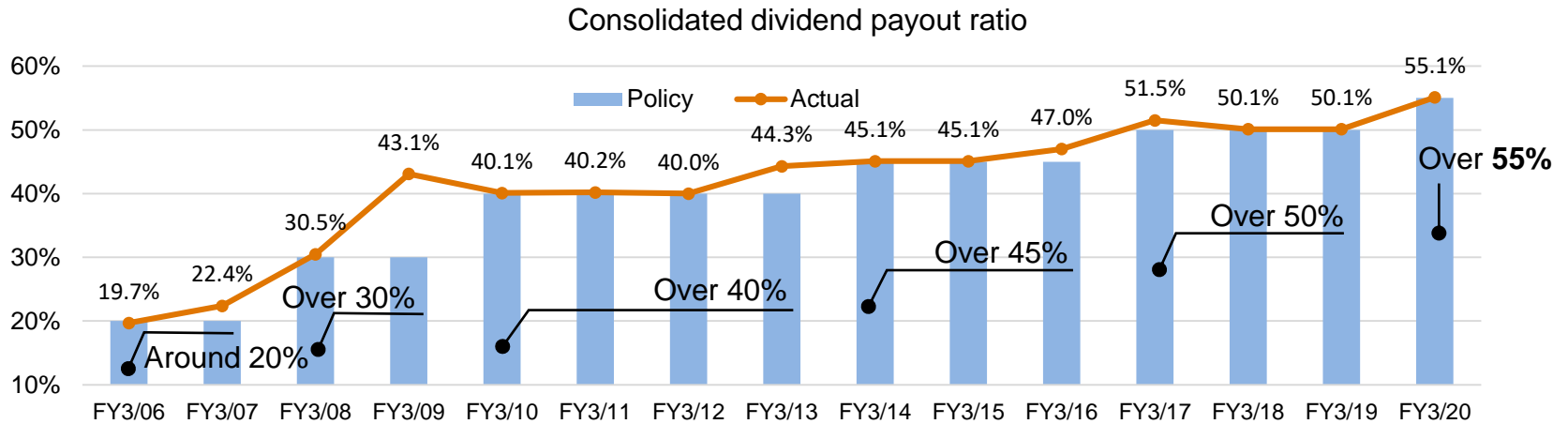
■ Maintained higher market shares and profit in the period of sluggish markets following the financial crisis of 2008-2009.

■ 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

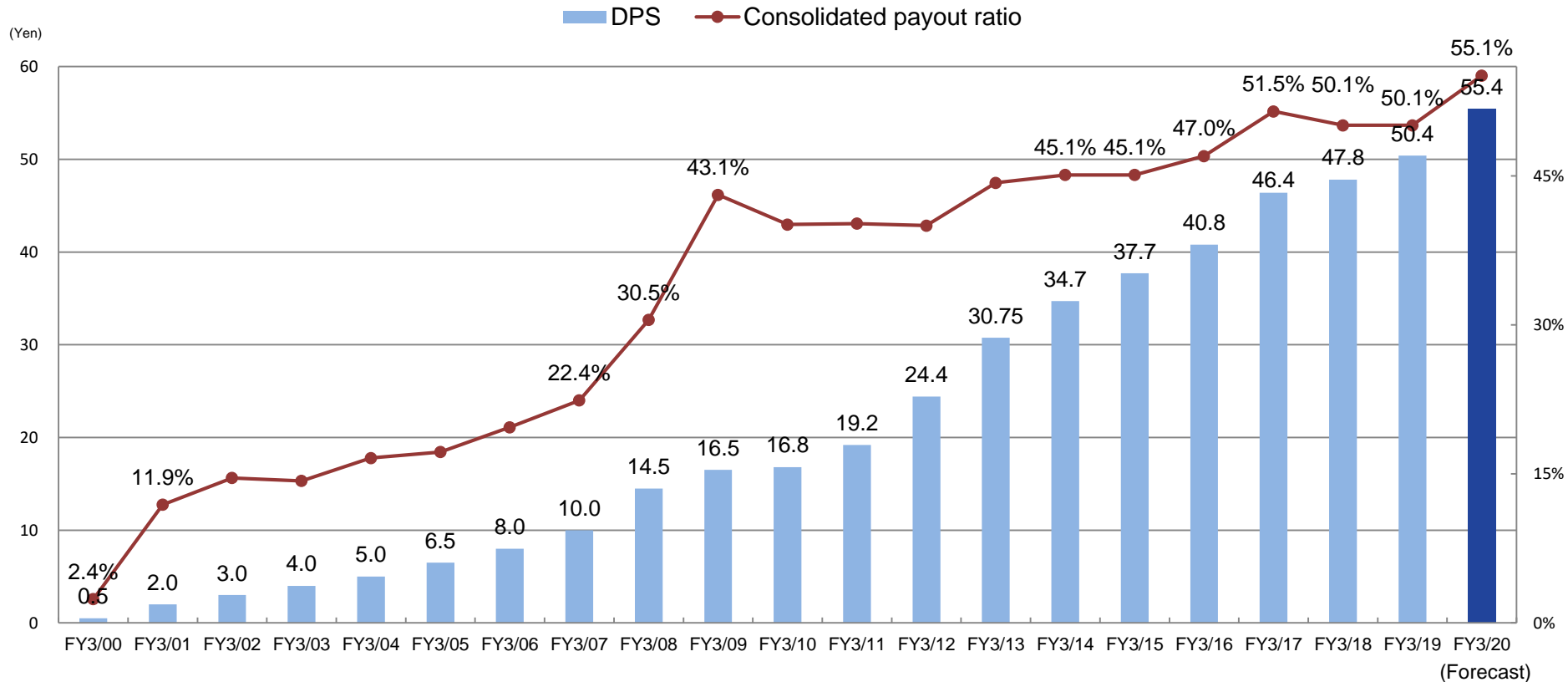
Stock Repurchase Data (latest figures)

4,836,800 shares/9,999,914,700 yen(From Feb. 13, 2019 to Aug. 19, 2019)

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

# Earnings Distributions – Dividend Policy

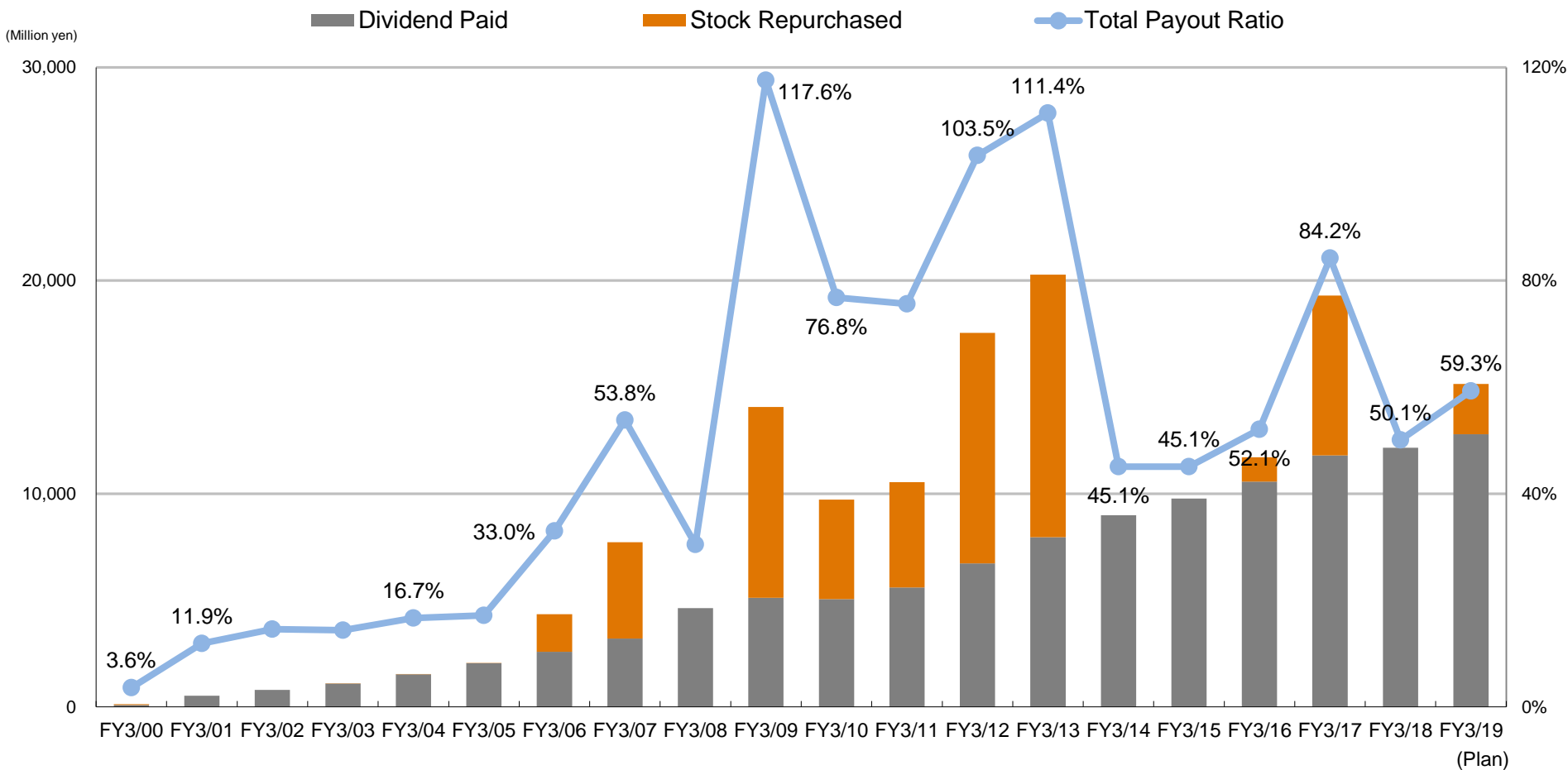
- Planned to increase the consolidated payout ratio (50% to 55%) from FY3/2020
- Dividend per share for FY3/2020 **Revised to 55.4 yen** from 51.2 yen (5.0 yen higher than FY3/2019 dividend)
- **20 consecutive years** of dividend growth since listing



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

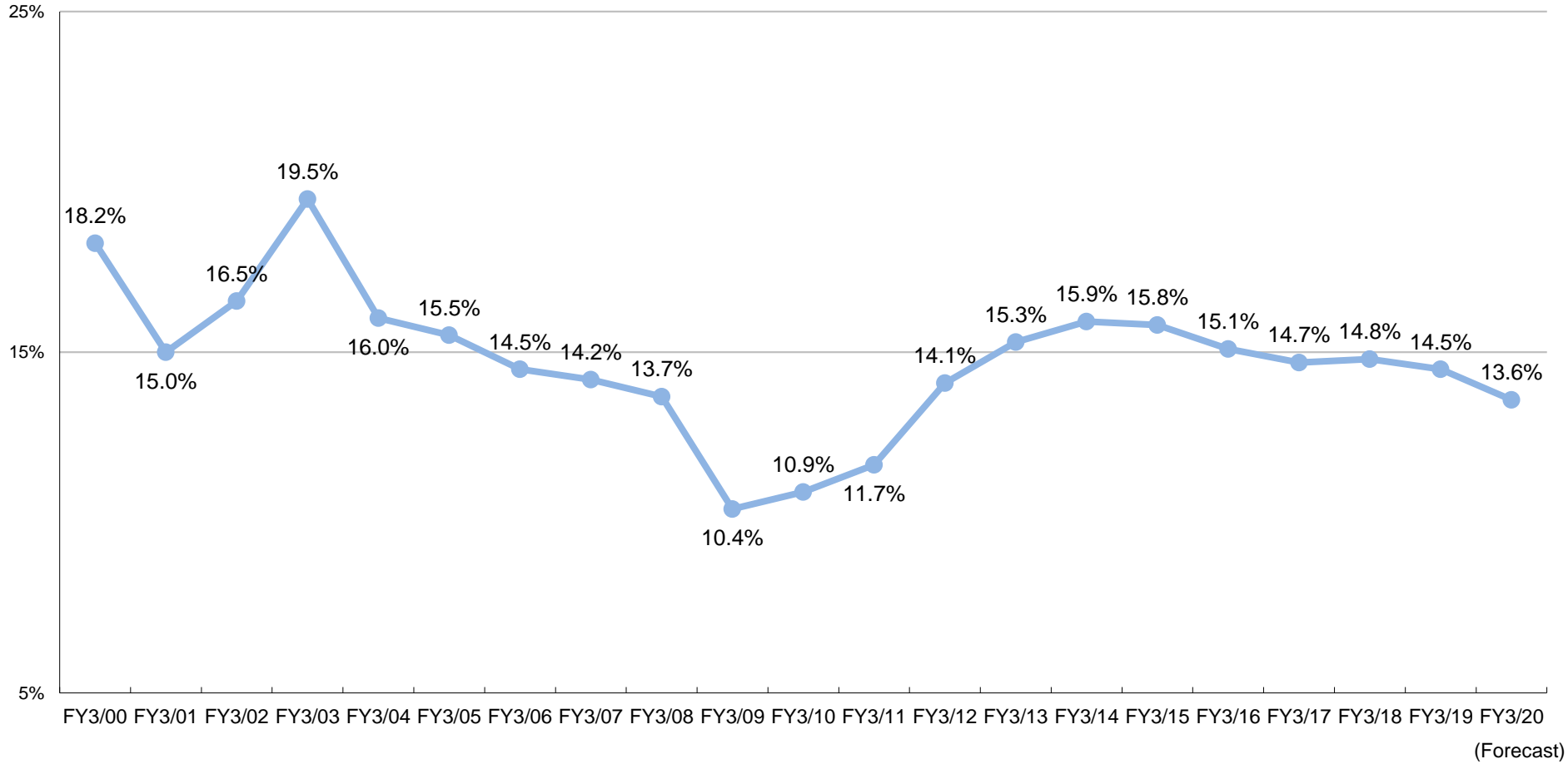


■ Flexible stock repurchases while maintaining stable dividend.

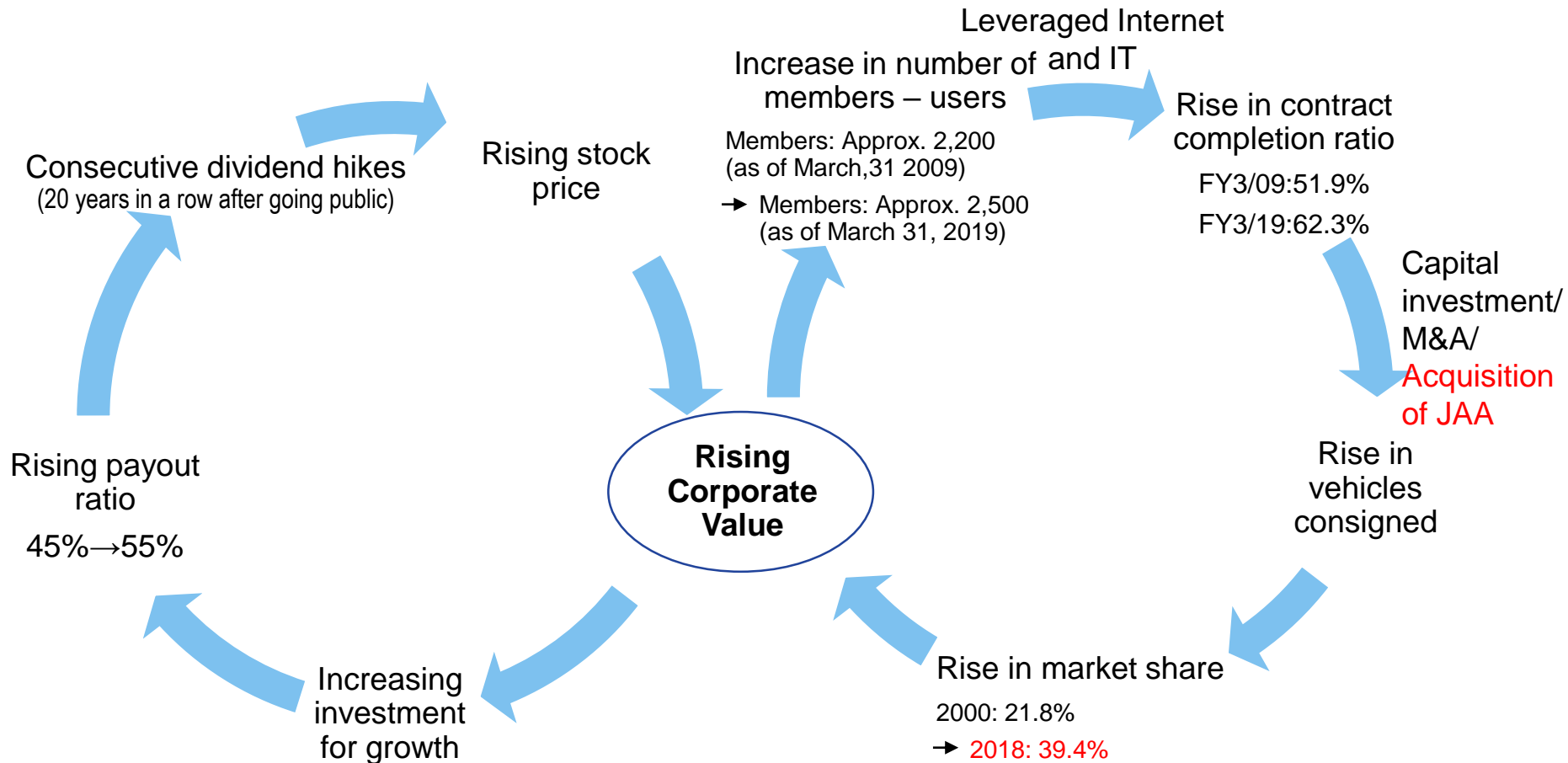


■ No change in the medium-term ROE target of at least 15%.

## ROE

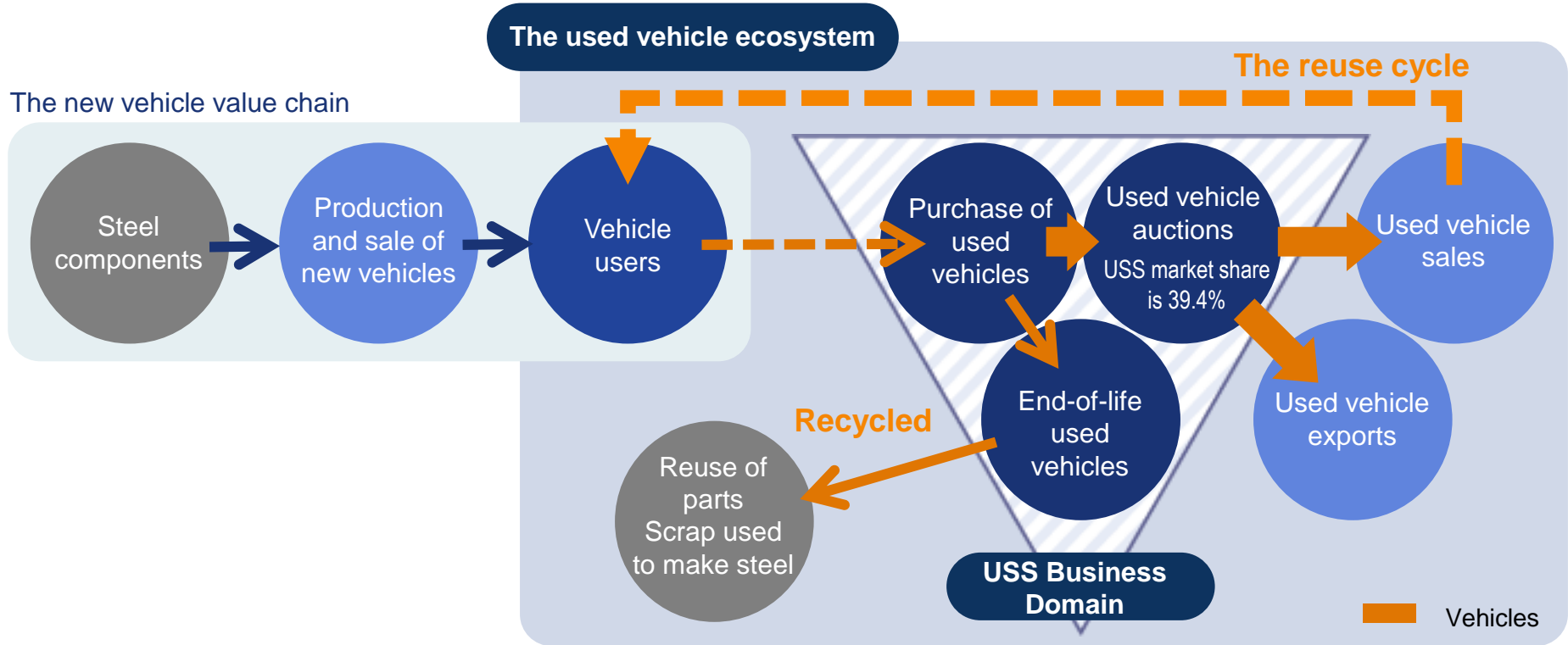


■ Aim at increasing shareholder value by a two-pronged strategy of solid investments in growth and active shareholder distributions



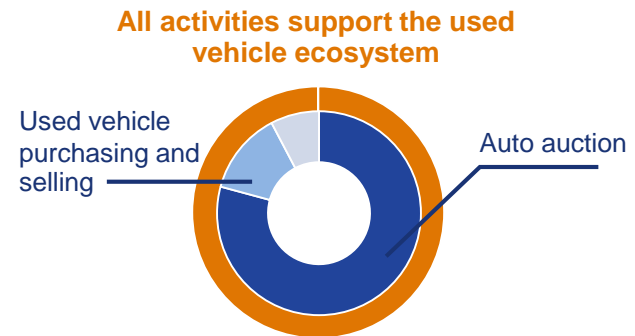
# How USS Creates Social and Economic Value

■ 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

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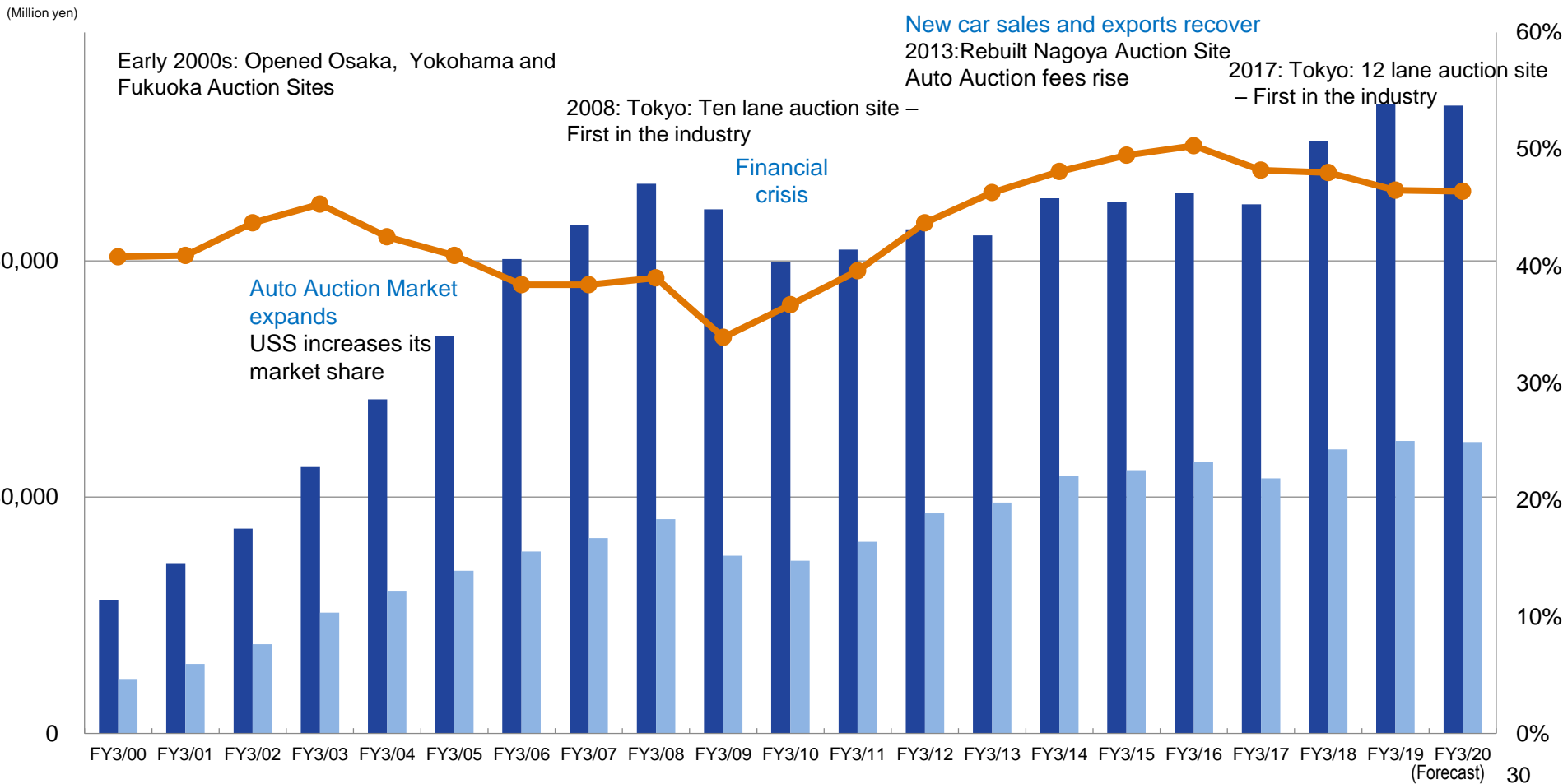
# History of USS Long-term Growth

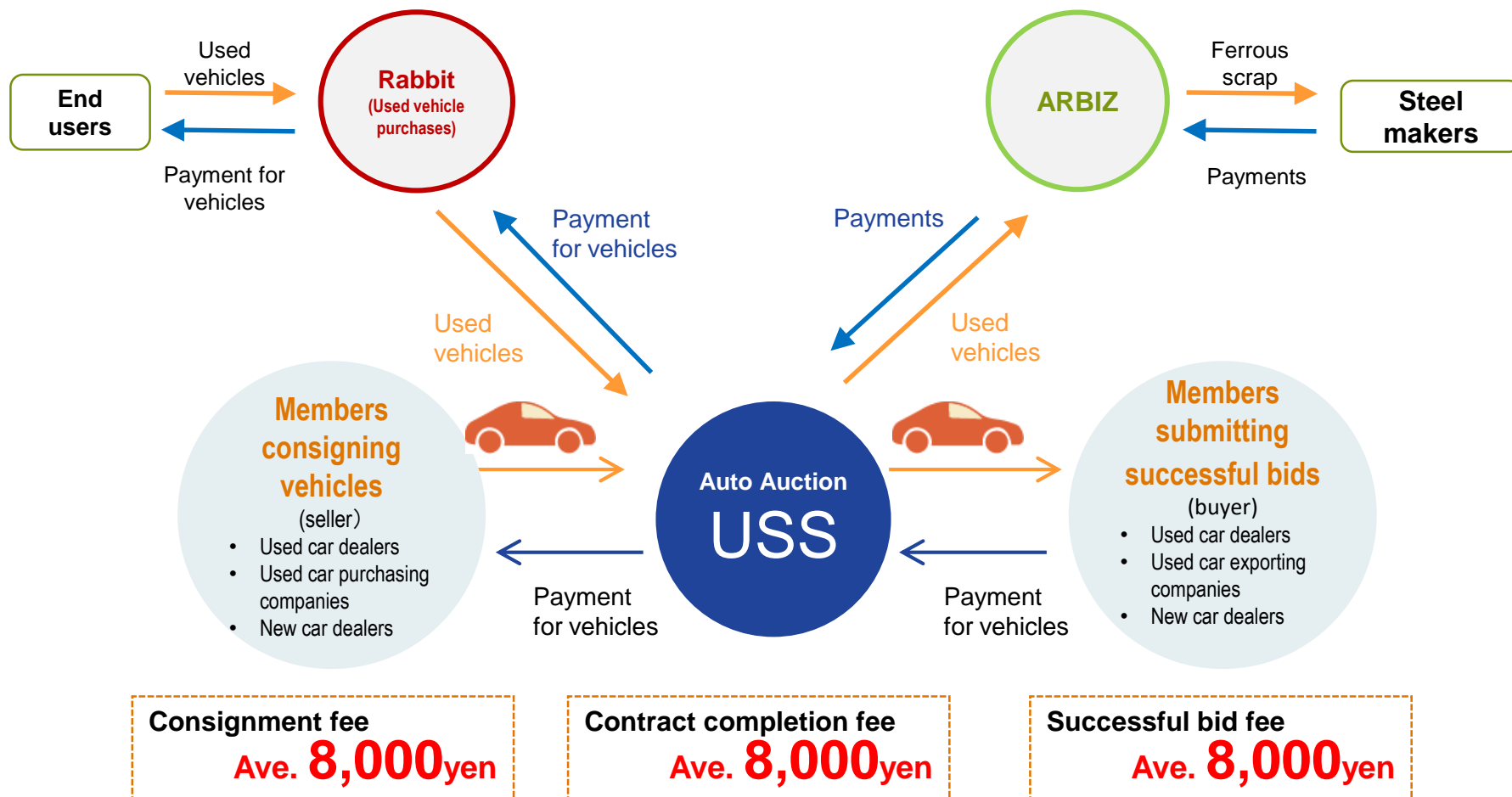
## Before 2000

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



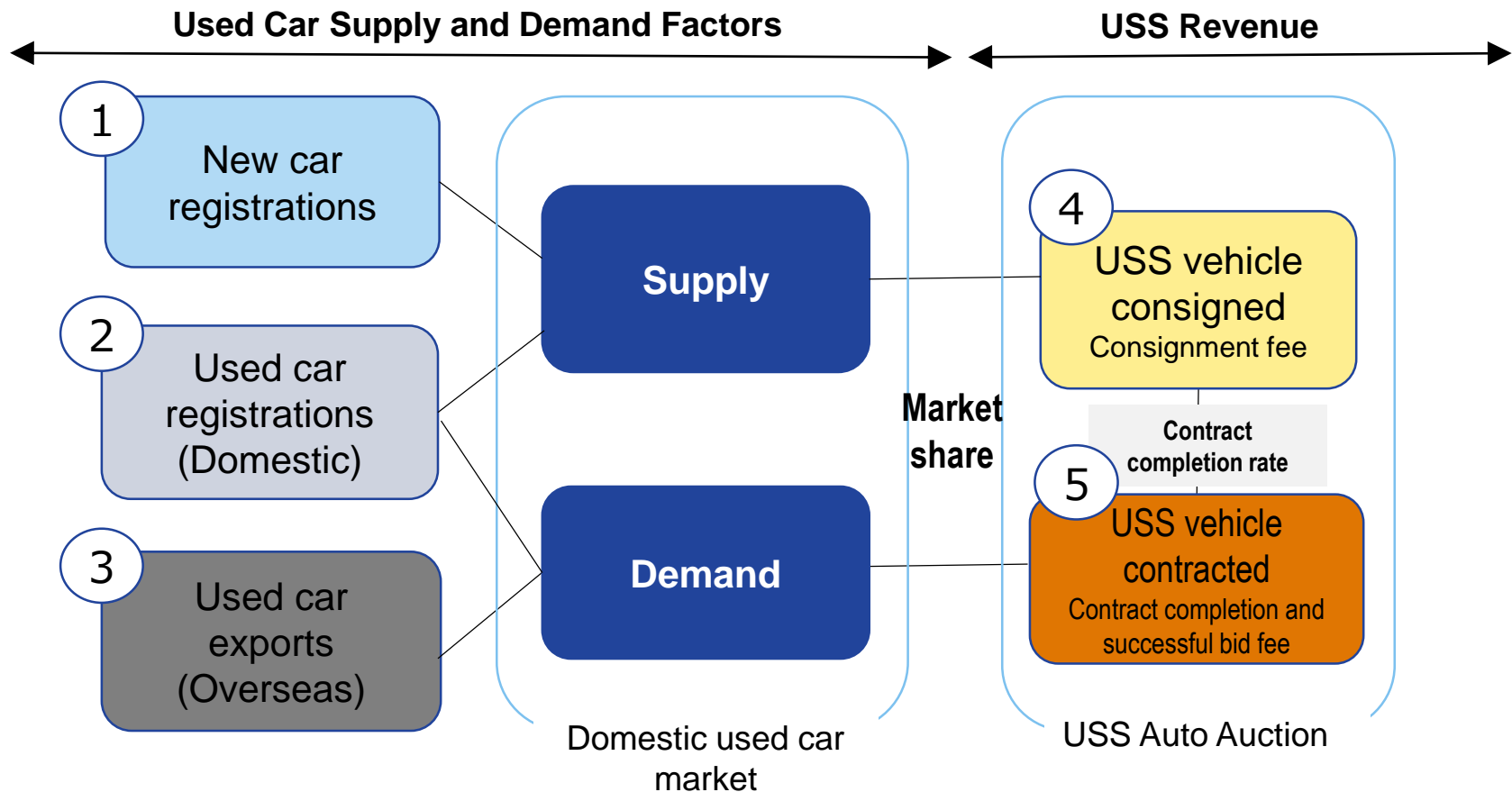


Vehicles consigned  
**2.93** million units/year  
 (FY3/2019)

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

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

- 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.

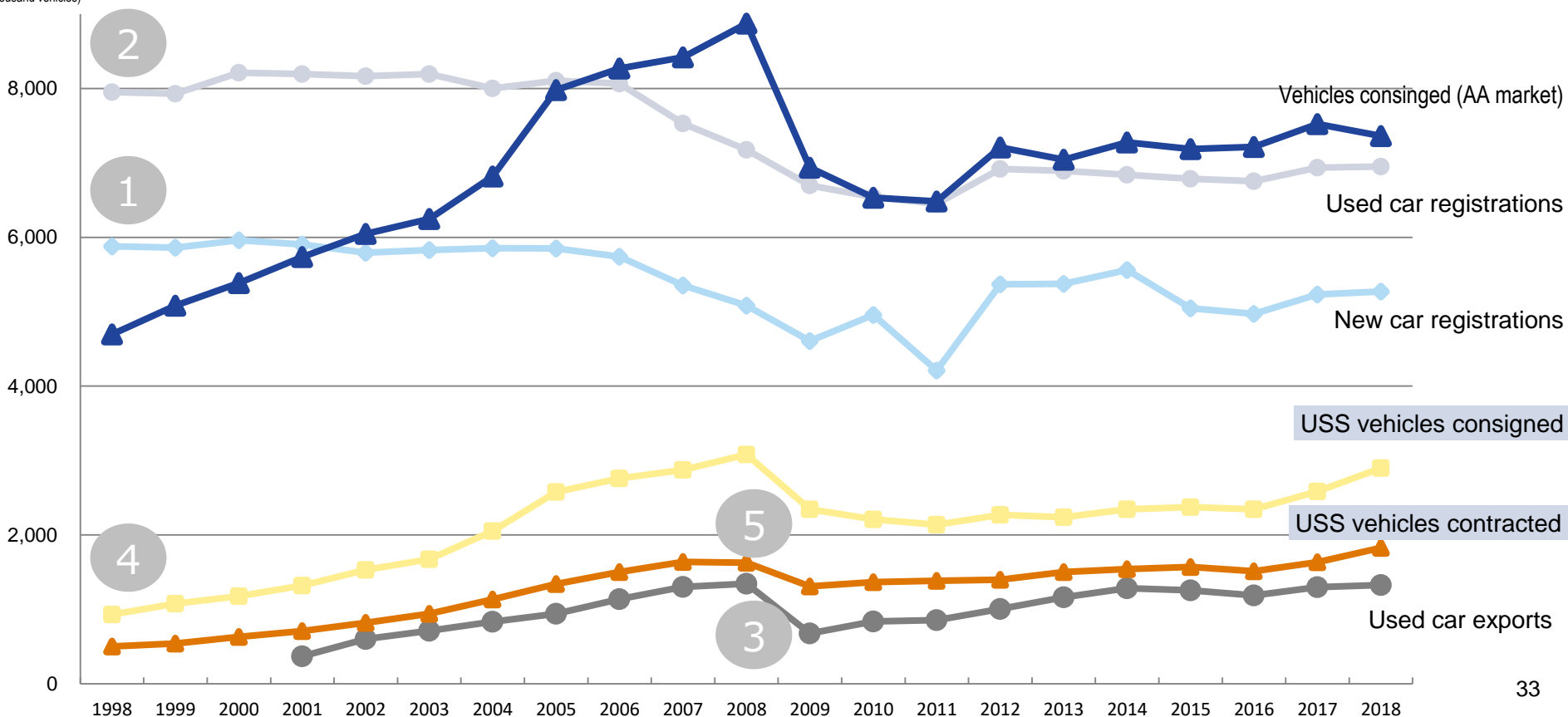




- The auction market continued to expand till 2000 as the share of used vehicles sold through the auction market increased as a share of the total used vehicle market. Starting in the mid-2000s, older vehicles and vehicles with high mileage which would normally have been scrapped started flowing into 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)**

(Thousand vehicles)



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