



Consolidated Results of Operations

The First Quarter, Fiscal Year Ending March 31, 2021

USS Co., Ltd.
August 2020

Results of Operations First Quarter Fiscal Year Ending March 2021

- Consolidated results of operations
 - Sales: Down 19% / Operating profit: Down 26%

- Impact of the COVID-19
 - Although new and used car registrations are declining, the current domestic demand for used cars is recovering.
(In Jun. 2020, used car registrations increased 4% YoY)
 - In automobile auction market, vehicles consigned and contracted decreased.
(Vehicles consigned down 11% YoY, vehicles contracted down 20% YoY)
 - Used vehicles exported decreased. (Down 44% YoY)

- Consolidated forecast for FY3/2021
 - Sales: Down 13% / Operating profit: Down 24%

- Shareholder distributions
 - FY3/2021 dividend per share: ¥55.5, **aiming for the 21st consecutive year of dividend increases**
 - Dividend policy: Increased the consolidated payout ratio to at least 55% starting in FY3/2020

- Sales decreased 19.2% YoY to ¥ 16.05 billion, operating profit was down 26.7% to ¥ 6.73 billion, and profit attributable to owners of parent decreased 26.2% to ¥ 4.61 billion.
- The number of vehicles consigned and contract completions decreased because of COVID-19.

(Million yen)

	1Q FY3/2019	1Q FY3/2020	1Q FY3/2021	Year on year
Net sales	19,987	19,861	16,056	80.8%
Cost of sales (Per sales)	7,627 (38.2%)	7,929 (39.9%)	6,808 (42.4%)	85.9%
Gross profit (Per sales)	12,359 (61.8%)	11,931 (60.1%)	9,247 (57.6%)	77.5%
Selling, general and administrative expenses (Per sales)	2,786 (13.9%)	2,747 (13.8%)	2,513 (15.7%)	91.5%
Operating profit (Per sales)	9,573 (47.9%)	9,184 (46.2%)	6,734 (41.9%)	73.3%
Ordinary profit (Per sales)	9,716 (48.6%)	9,331 (47.0%)	6,895 (42.9%)	73.9%
Profit attributable to owners of parent (Per sales)	6,438 (32.2%)	6,258 (31.5%)	4,618 (28.8%)	73.8%

1Q FY3/2021 – Reasons for Change in Operating Profit (Actual)

Net sales

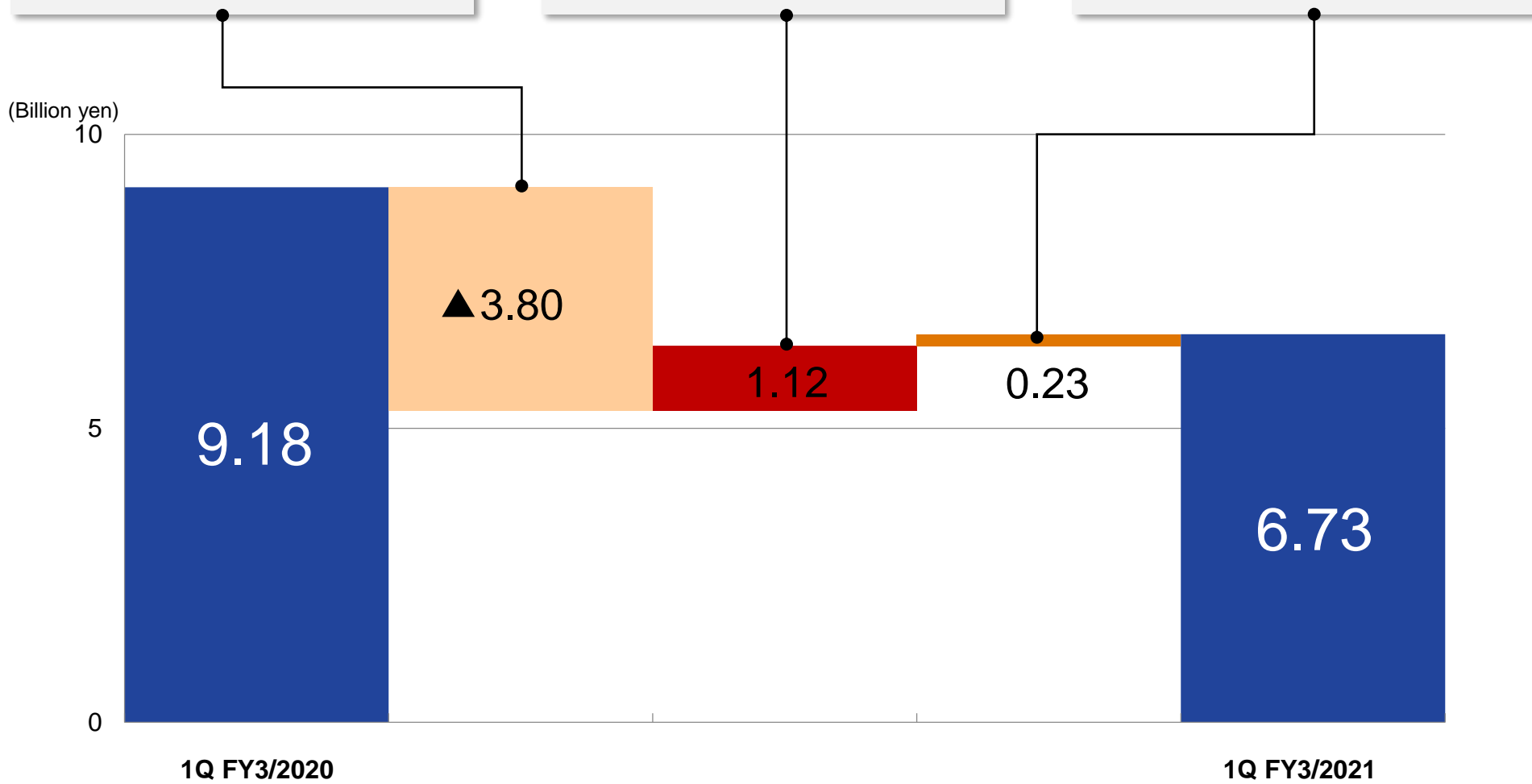
- Decrease in vehicles consigned ▲2.37bn
- Decrease in contract completion rate ▲0.70bn
- Used vehicle sales/purchases ▲0.58bn

Cost of sales

- Decrease in cost of goods sold 0.89bn
- Decrease in outsourcing expense 0.07bn

SG&A expenses

- Decrease in sales promotion expenses 0.07bn
- Decrease in goodwill amortization 0.05bn



Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	1Q FY3/2019	1Q FY3/2020	1Q FY3/2021	Year on year
Auto auction	16,356	16,358	13,302	81.3%
Used vehicle purchasing and selling	2,254	2,067	1,486	71.9%
Other	1,377	1,434	1,267	88.3%
Total	19,987	19,861	16,056	80.8%
Operating profit (operating margin)	1Q FY3/2019	1Q FY3/2020	1Q FY3/2021	Year on year
Auto auction	9,305 (56.5%)	8,986 (54.6%)	6,835 (51.0%)	76.1%
Used vehicle purchasing and selling	48 (2.2%)	18 (0.9%)	▲83 (▲5.6%)	-
Other	194 (14.1%)	154 (10.7%)	▲43 (▲3.4%)	-
Elimination of inter-segment transactions	24	25	24	99.3%
Total	9,573 (47.9%)	9,184 (46.2%)	6,734 (41.9%)	73.3%

* 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 due to the construction of a multi-level parking structure at the R-Nagoya auction site and other projects.
- In financing activities, dividend payments was major uses of cash.
- Equity ratio: 83.2%

Consolidated Balance Sheets (Summary)

(Million yen)

	FY3/2020	1Q FY3/2021
Current assets	68,096	60,074
Cash and deposits	50,729	45,371
Receivables due from member dealers at auction, etc.	17,367	14,703
Non-current assets	151,037	154,236
Property, plant and equipment	106,747	107,742
Other	44,289	46,493
Total assets	219,133	214,311

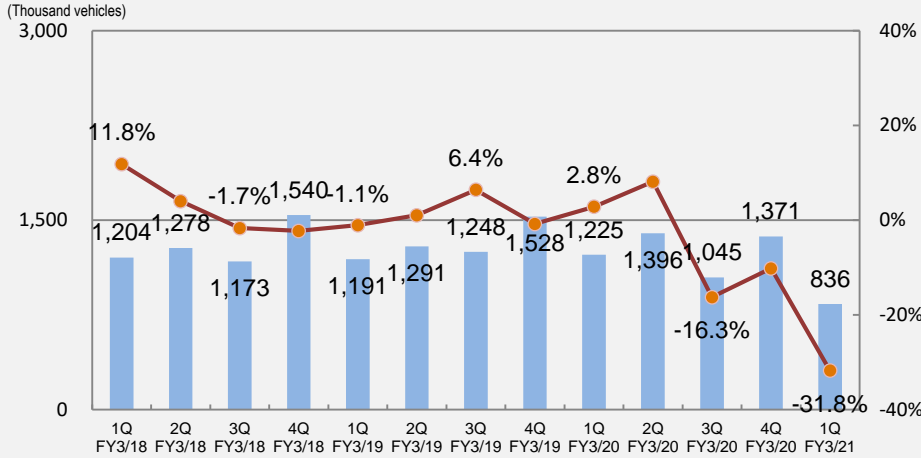
	FY3/2020	1Q FY3/2021
Current liabilities	24,497	22,565
Payables due to member dealers at auction	8,721	9,281
Other	15,776	13,284
Non-current liabilities	10,656	11,523
Total liabilities	35,153	34,089
Total net assets	183,980	180,222
Total liabilities and net assets	219,133	214,311

Consolidated Statements of Cash Flows (Summary)

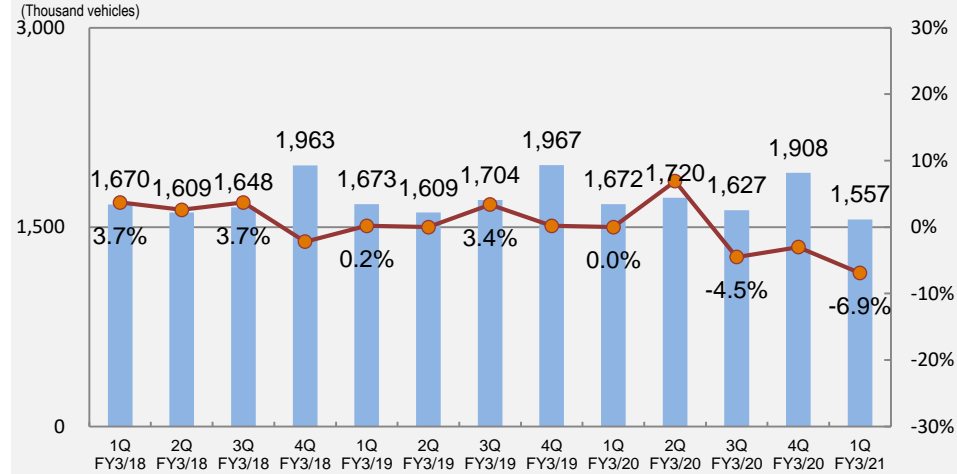
(Million yen)

	1Q FY3/2019	1Q FY3/2020	1Q FY3/2021	Changes
Net cash provided by (used in) operating activities	3,223	3,952	4,063	111
Net cash provided by (used in) investing activities	▲360	▲1,899	▲4,001	▲2,101
Free cash flow	2,862	2,053	62	▲1,990
Net cash provided by (used in) financing activities	▲6,219	▲10,353	▲7,420	2,933
Capital expenditures (Terms of cash flows)	422	1,622	3,954	2,332
Depreciation	1,267	1,207	1,272	65

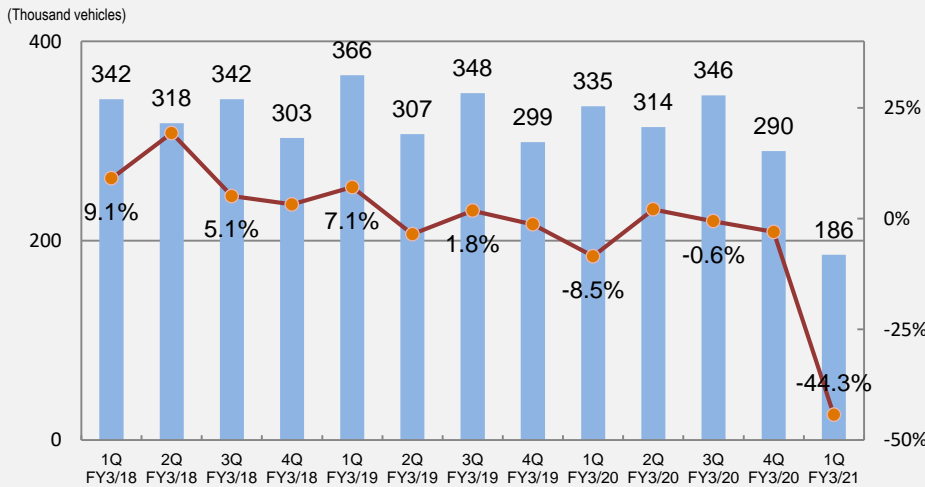
New Car Registrations and YoY Changes



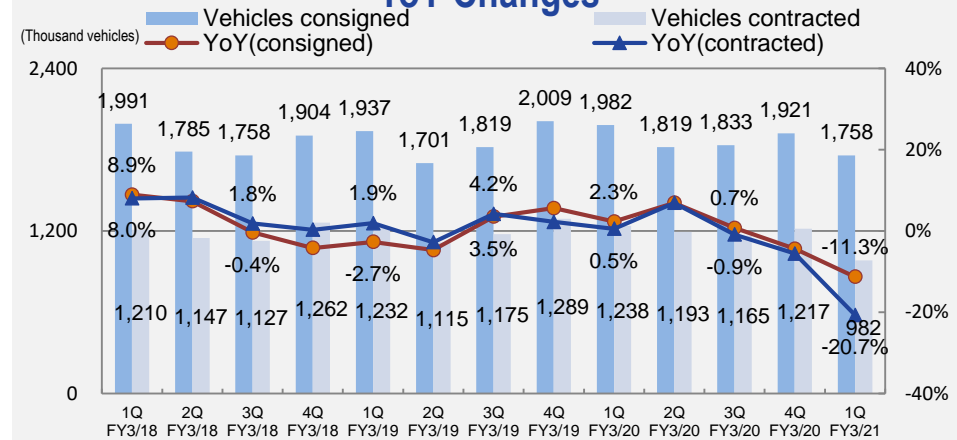
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned and Contracted and YoY Changes



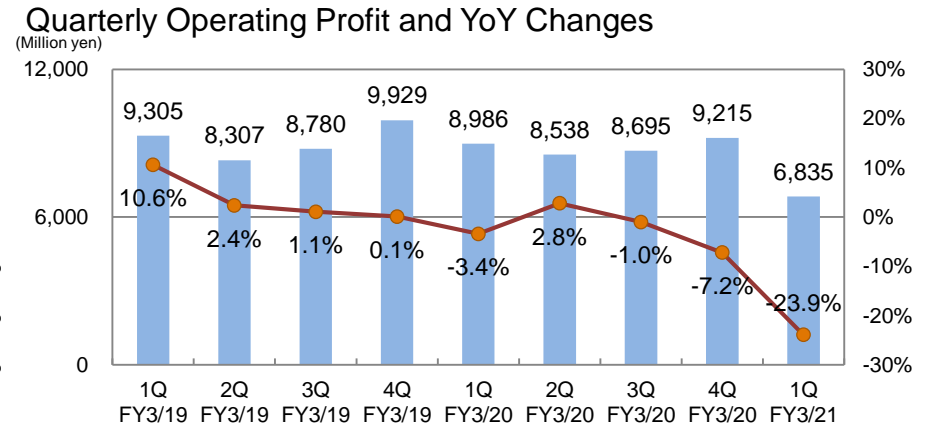
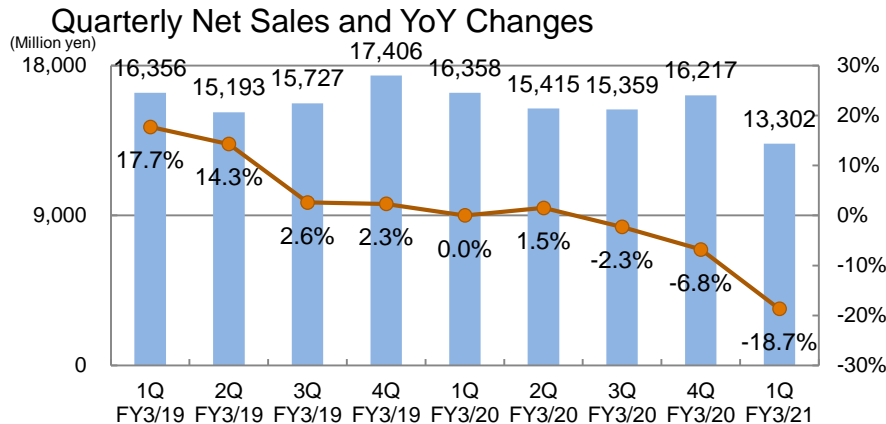
Auto Auction Segment (1)

- Vehicles consigned decreased 18.1% YoY to 631 thousand; contract completions decreased 25.7% YoY to 342 thousand (contract completion rate: 54.2% against 59.7% in the previous fiscal year)
- Auction fees decreased primarily because of decreases in vehicles consigned and the contract completion rate.

Auto Auction Segment Performance in 1Q

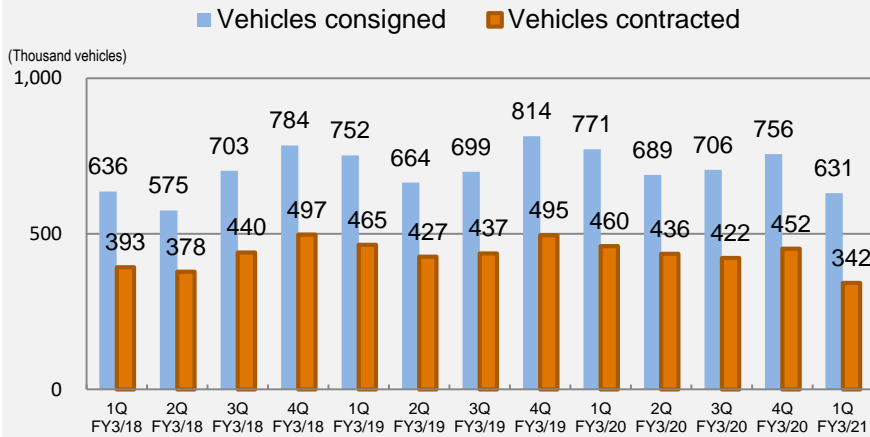
(Million yen)

	1Q FY3/19	1Q FY3/20	1Q FY3/21	Year on year
Net sales	16,356	16,358	13,302	81.3%
Consignment fees	3,923	3,869	3,193	82.5%
Contract completion fees	3,792	3,689	2,791	75.7%
Successful bid fees	5,565	5,546	4,408	79.5%
Other	3,074	3,253	2,908	89.4%
Operating profit	9,305	8,986	6,835	76.1%
Operating margin	56.5%	54.6%	51.0%	-

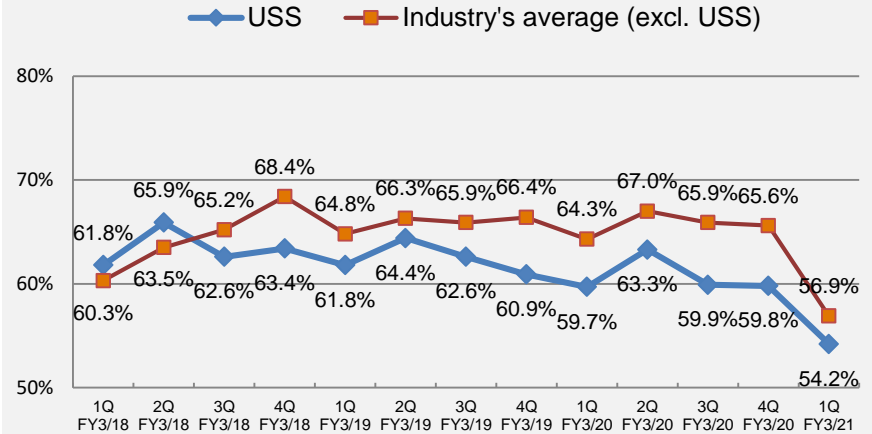


* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

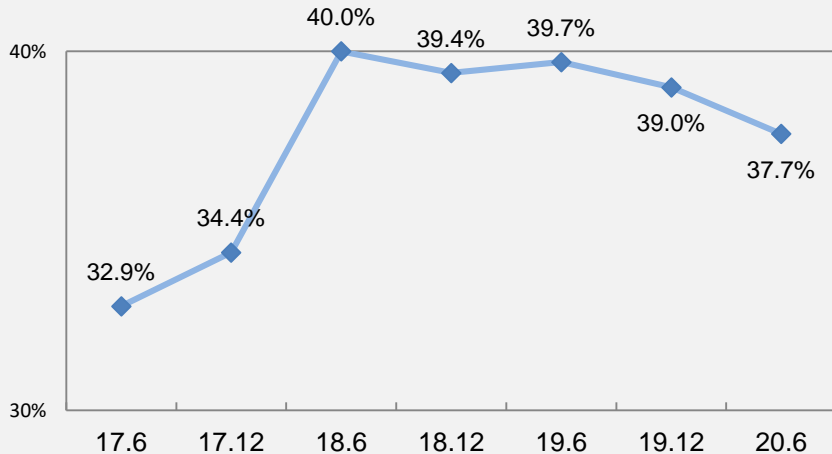
No. of Vehicles Consigned and Vehicles Contracted



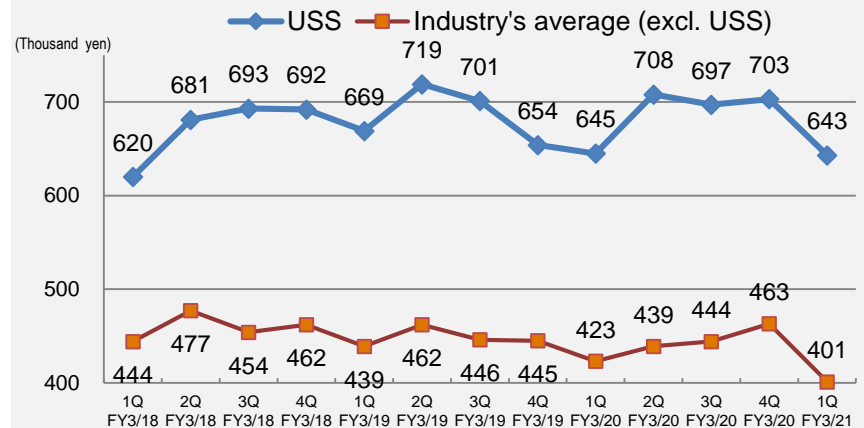
Contract Completion Rate



Market Share



Average Price of Vehicle Contracted

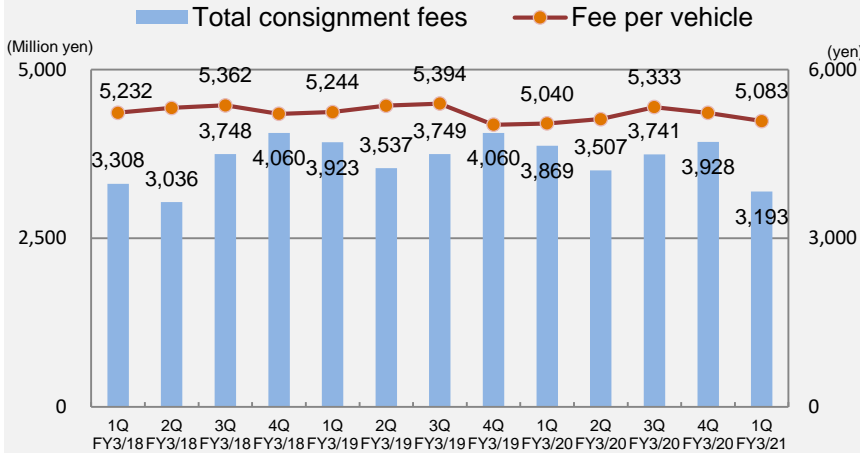


* Period ending in December: 12-month data; Period ending in June: 6-month data.

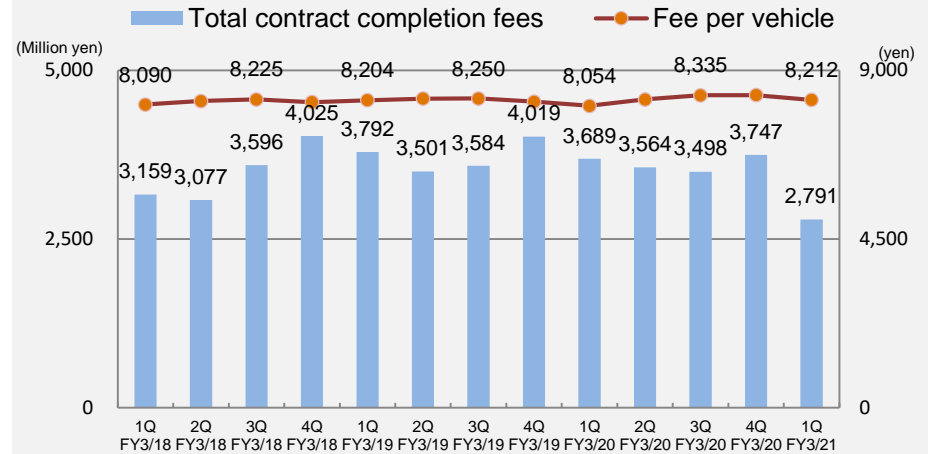
* The results of JAA, and of HAA Kobe are included from October 2017.

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

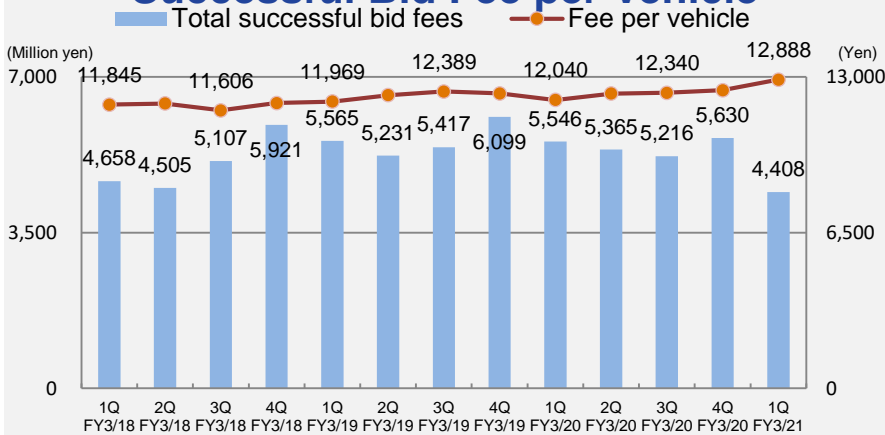
Total Consignment Fees and Consignment Fee per Vehicle



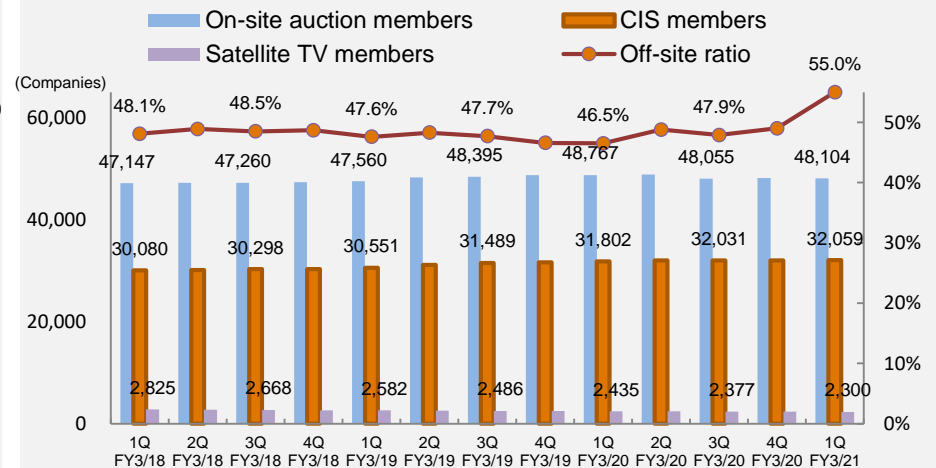
Total Contract Completion Fees and Contract Completion Fee per Vehicle



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, 2020 to June 30, 2020

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1Q FY3/21	1Q FY3/20	1Q FY3/21	1Q FY3/20	YoY change	1Q FY3/21	1Q FY3/20	YoY change	1Q FY3/21	1Q FY3/20
Tokyo	12	12	141,725	171,332	82.7%	83,261	114,373	72.8%	58.7%	66.8%
Nagoya	12	12	102,615	127,662	80.4%	49,152	65,693	74.8%	47.9%	51.5%
Osaka	12	12	50,144	52,649	95.2%	21,873	26,513	82.5%	43.6%	50.4%
Yokohama	12	12	41,815	49,595	84.3%	23,308	30,480	76.5%	55.7%	61.5%
Kyushu	12	12	40,540	47,936	84.6%	20,536	26,251	78.2%	50.7%	54.8%
Sapporo	12	12	32,111	40,487	79.3%	20,025	25,598	78.2%	62.4%	63.2%
R-Nagoya	12	12	30,483	41,566	73.3%	23,333	33,472	69.7%	76.5%	80.5%
Shizuoka	12	12	22,272	25,288	88.1%	12,883	16,131	79.9%	57.8%	63.8%
Kobe	12	12	15,144	22,943	66.0%	7,714	13,437	57.4%	50.9%	58.6%
Okayama	12	12	14,018	18,420	76.1%	8,505	12,011	70.8%	60.7%	65.2%
Niigata	12	12	12,891	11,825	109.0%	5,846	5,235	111.7%	45.3%	44.3%
Saitama	12	12	12,457	13,653	91.2%	6,069	7,509	80.8%	48.7%	55.0%
Gunma	12	12	12,356	14,605	84.6%	7,219	9,165	78.8%	58.4%	62.8%
Tohoku	12	12	11,404	14,844	76.8%	7,494	10,357	72.4%	65.7%	69.8%
Fukuoka	12	12	11,217	13,542	82.8%	6,178	8,493	72.7%	55.1%	62.7%
Hokuriku	12	12	4,646	5,191	89.5%	2,859	3,603	79.4%	61.5%	69.4%
JAA	12	12	20,893	26,845	77.8%	10,284	14,324	71.8%	49.2%	53.4%
HAA Kobe	12	12	54,960	73,309	75.0%	25,663	38,087	67.4%	46.7%	52.0%
Total	216	216	631,691	771,692	81.9%	342,202	460,732	74.3%	54.2%	59.7%

* 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	FY3/19	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
	FY3/21	255,293	180,384	196,014	217,449			849,149							-	849,149
	YoY Change	▲3.8	▲27.4	▲23.9	▲13.0			-							-	-
No. of Vehicles Contracted	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
	FY3/21	119,644	96,174	126,384	150,887			493,089							-	493,089
	YoY Change	▲23.8	▲36.1	▲17.5	▲2.0			-							-	-
Contract Completion Rate	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
	FY3/21	46.9	53.3	64.5	69.4			-							-	-

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

Used Vehicle Purchasing and Selling Segment

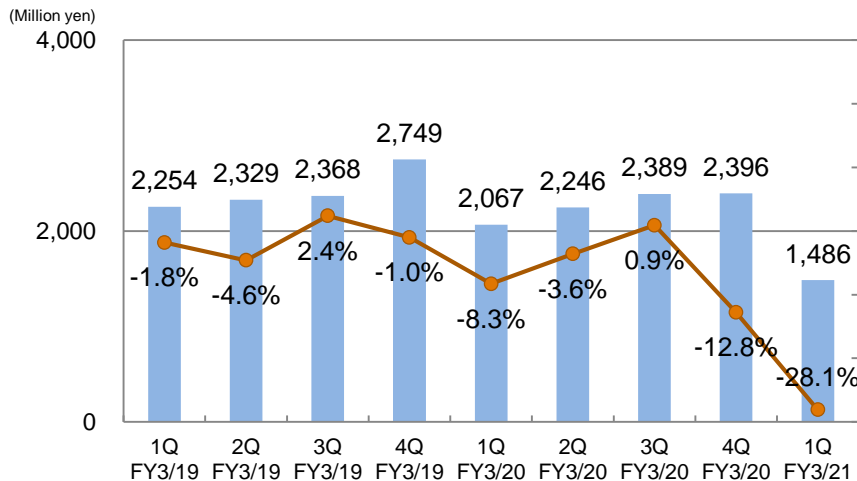
- Operating loss at Rabbit, which buys and sells used vehicles, because of a decline in the number of vehicles sold as fewer people visited stores following the April 7 declaration of a state of emergency. (Net sales decreased 39.9% YoY to ¥771 million, Operating loss ¥37 million (operating profit of ¥29 million in 1Q FY3/20))
- Operating loss in the accident-damaged vehicle purchasing and selling business mainly because of a lower gross profit per vehicle caused by a temporary decline in auction prices. (Net sales decreased 8.9% YoY to ¥715 million, Operating loss ¥45 million (operating loss of ¥11 million in 1Q FY3/20))

Used Vehicle Purchasing and Selling Segment Performance in 1Q

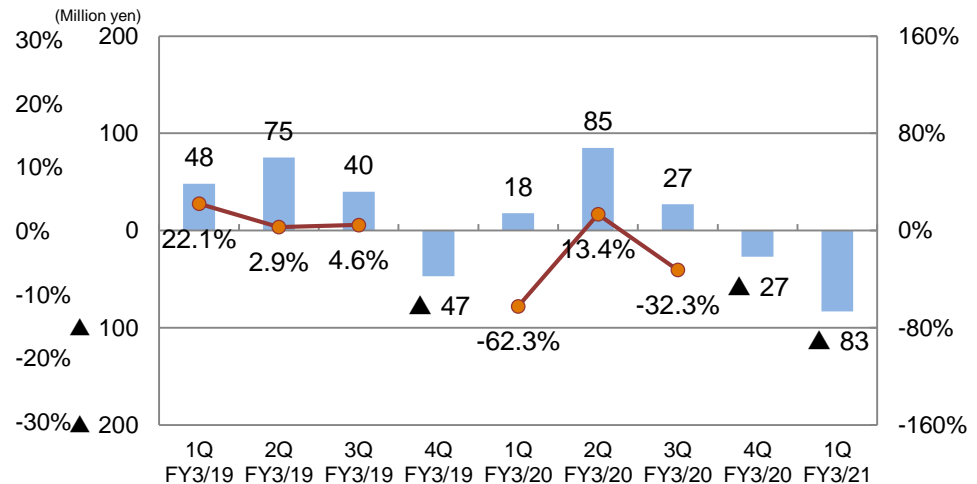
(Million yen)

	1Q FY3/19	1Q FY3/20	1Q FY3/21	Year on year
Net sales	2,254	2,067	1,486	71.9%
Operating profit	48	18	▲ 83	-
Operating margin	2.2%	0.9%	▲ 5.6%	-

Quarterly Net Sales and YoY Changes



Quarterly Operating Profit and YoY Changes



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

Other Segment

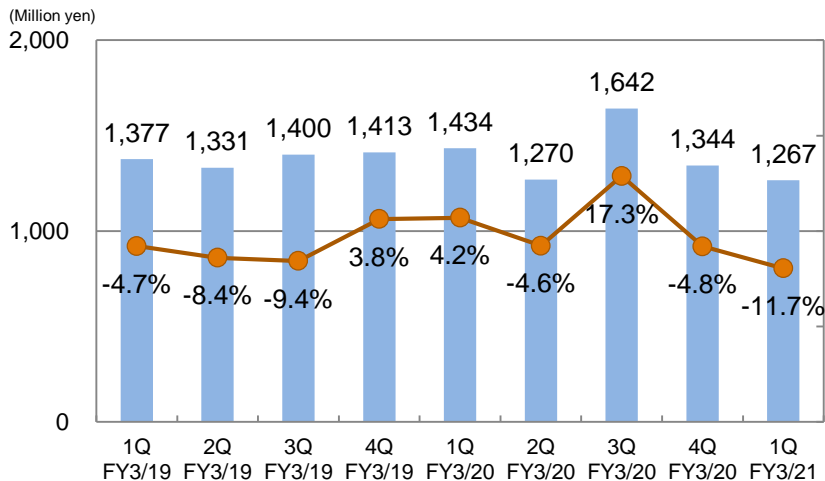
- Operating loss in the recycle business because of low prices of metal scrap. (Net sales decreased 8.7% YoY to ¥1,179 million, Operating loss ¥43 million (operating profit of ¥133 million in 1Q FY3/20))
- Operating loss in the used vehicle export clearing service business because of a smaller volume of orders received caused by a big downturn in the number of used vehicles exported. (Net sales decreased 44.6% YoY to ¥65 million, Operating loss ¥11 million (operating profit of ¥9 million in 1Q FY3/20))

Other Segment Performance in 1Q

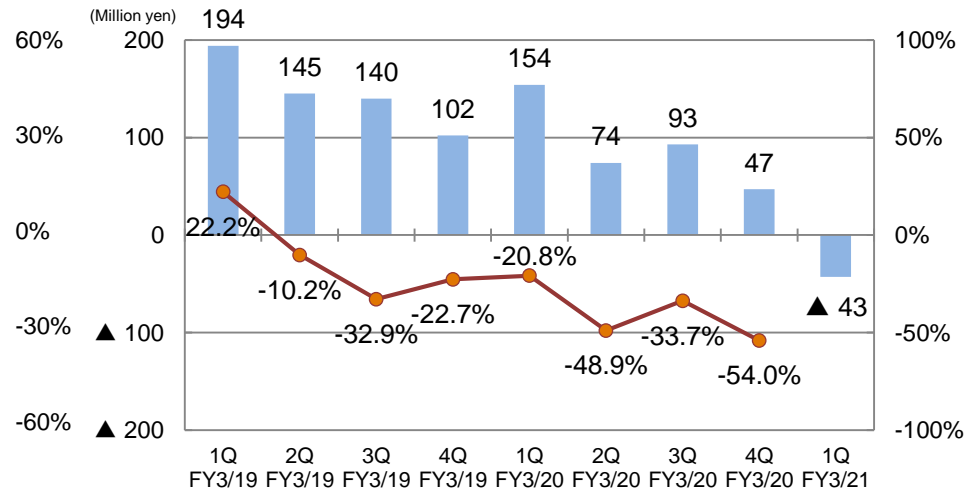
(Million yen)

	1Q FY3/19	1Q FY3/20	1Q FY3/21	Year on year
Net sales	1,377	1,434	1,267	88.3%
Operating profit	194	154	▲43	-
Operating margin	14.1%	10.7%	▲3.4%	-

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 FY3/2021

- New car registrations and used vehicle exports remain uncertain because of the COVID-19.

(Million yen)

	FY3/19 (Actual)	FY3/20 (Actual)	FY3/21 (Forecast)	VS. previous year
Net sales	79,908	78,143	67,300	86.1%
Gross profit (Per sales)	48,516 (60.7%)	47,188 (60.4%)	37,870 (56.3%)	80.3%
Operating profit (Per sales)	37,123 (46.5%)	36,009 (46.1%)	27,200 (40.4%)	75.5%
Ordinary profit (Per sales)	38,039 (47.6%)	36,710 (47.0%)	27,800 (41.3%)	75.7%
Profit attributable to owners of parent (Per sales)	25,543 (32.0%)	20,634 (26.4%)	18,400 (27.3%)	89.2%
Profit per share (Yen)	100.54	82.44	73.81	89.5%
Capital expenditures (Terms of cash flows)	2,428	4,523	10,500	232.1%
Depreciation	5,299	5,037	5,576	110.7%
Auto Auction Business (excl. JBA)				
Auto Auction Business (excl. JBA)	FY3/19 (Actual)	FY3/20 (Actual)	FY3/21 (Forecast)	VS. previous year
No. of vehicles consigned (Thousands)	2,930	2,924	2,340	80.0%
No. of vehicles contracted (Thousands)	1,825	1,772	1,420	80.1%
Contract completion rate	62.3%	60.6%	60.7%	-

FY3/2021 – Reasons for Change in Operating Profit (Forecast)

Net sales

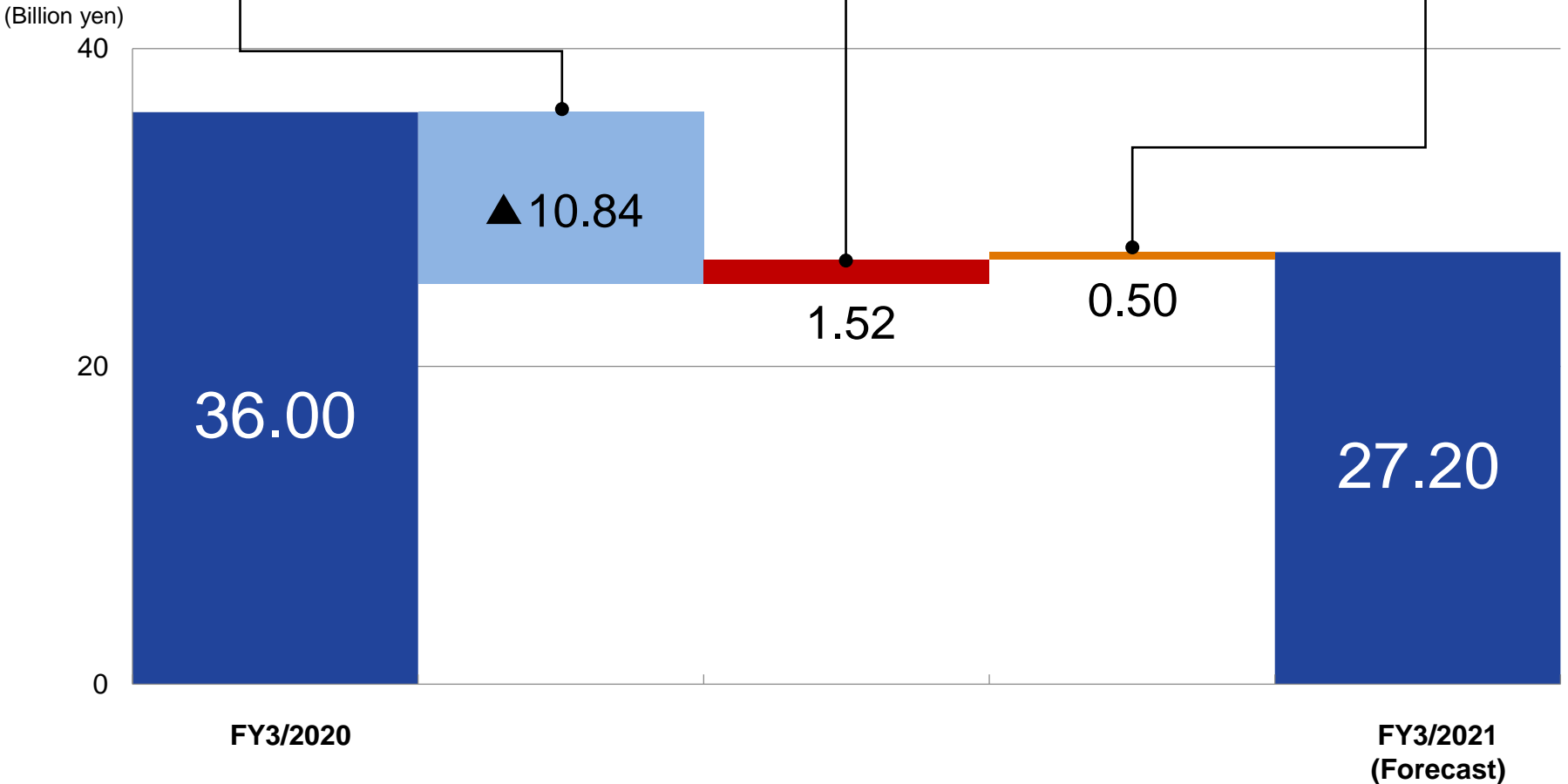
Decrease in vehicles consigned ▲ 10.24bn
 Used vehicle sales/purchases ▲ 1.27bn
 Decrease in recycle ▲ 0.10bn
 Increase in fee rates 0.99bn

Cost of sales

Decrease in cost of goods sold 1.34bn
 Decrease in outsourcing expense 0.42bn

SG&A expenses

Decrease in goodwill amortization 0.24bn
 Decrease in advertising expenses 0.08bn



(Million yen)

	FY3/19 (Actual)	FY3/20 (Actual)	FY3/21 (Forecast)	VS. previous year
Net sales				
Auto auction	64,684	63,350	54,020	85.3%
Used vehicle purchasing and selling	9,701	9,099	7,821	86.0%
Other	5,522	5,692	5,457	95.9%
Total	79,908	78,143	67,300	86.1%
Operating profit (Per sales)	37,123 (46.5%)	36,009 (46.1%)	27,200 (40.4%)	75.5%

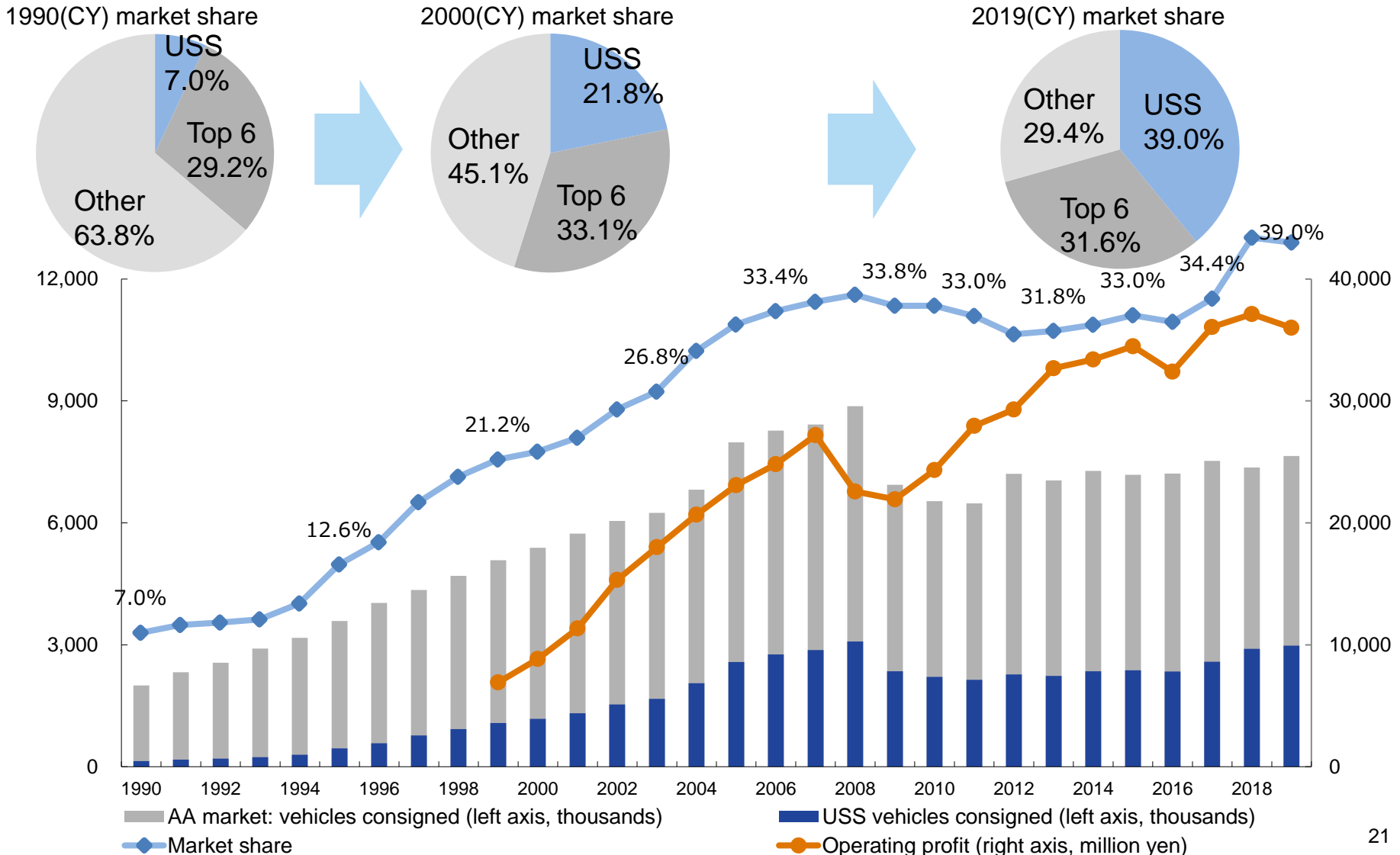
Market Overview

Strategy for Creating Value Over the Medium Term

Used Car Auction Market and USS Market Share

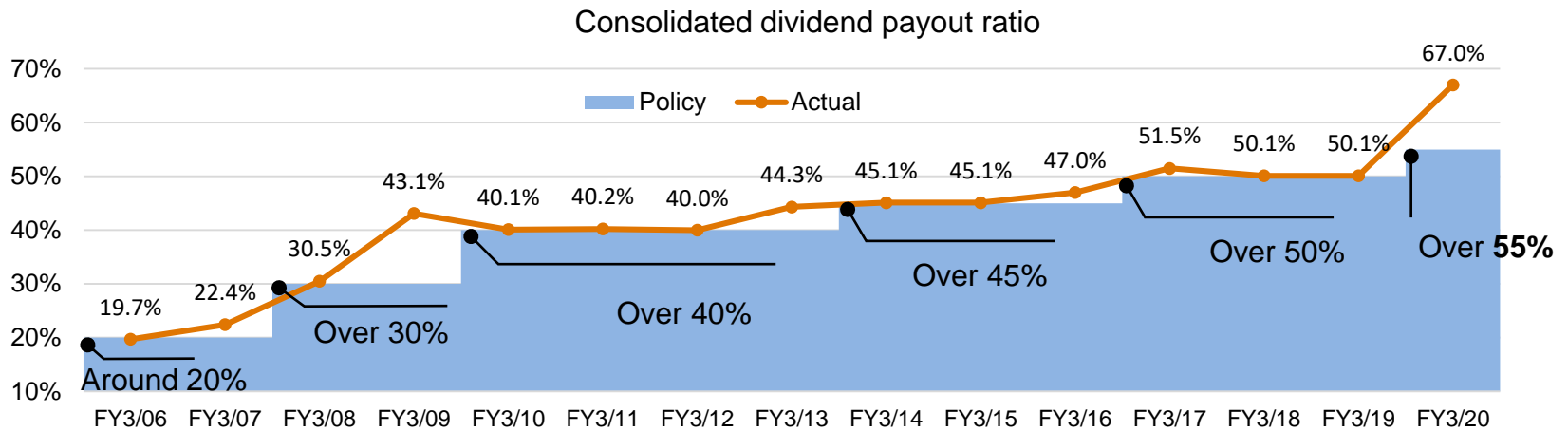
■ Maintained higher market shares and profit in the period of sluggish markets following the financial crisis of 2008-2009.

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



Increase shareholder distributions while continuing investment for growth

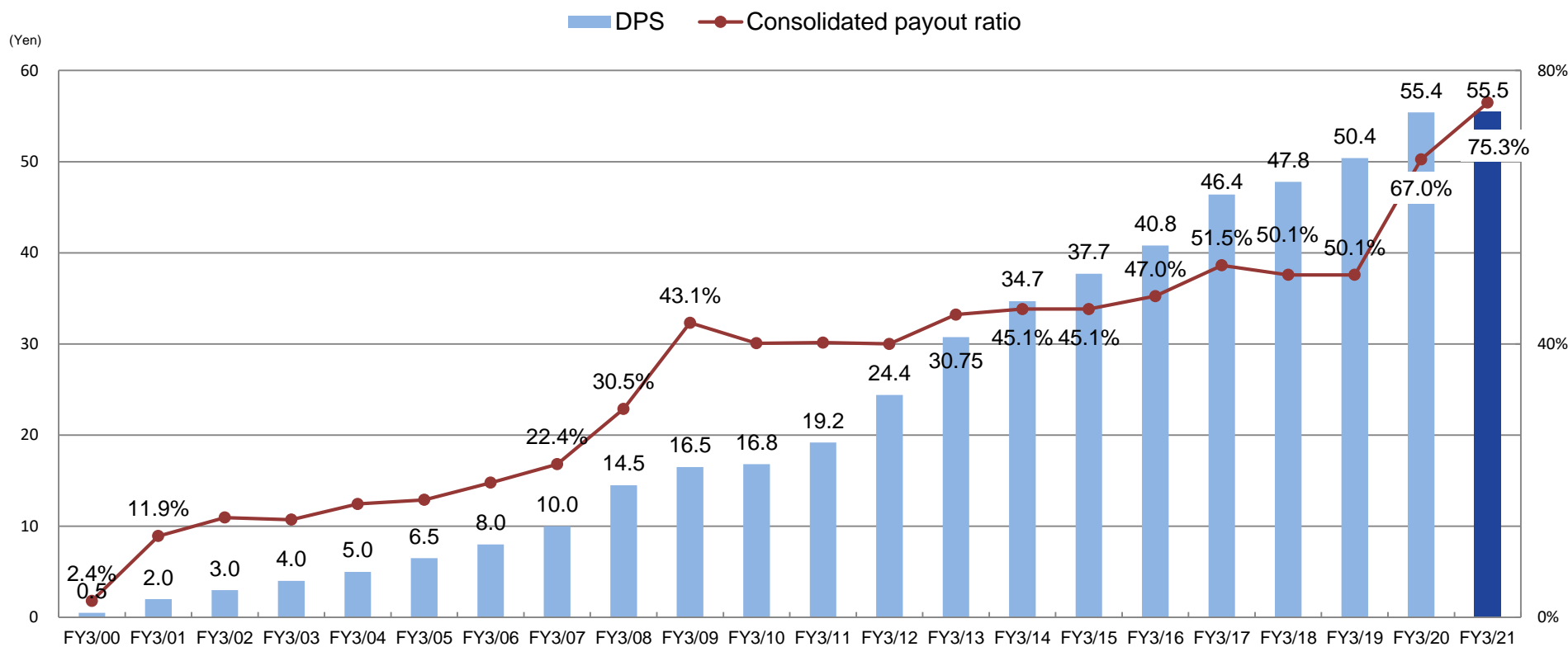
■ Consolidated dividend payout ratio: Over **55%** from FY3/2020



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

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

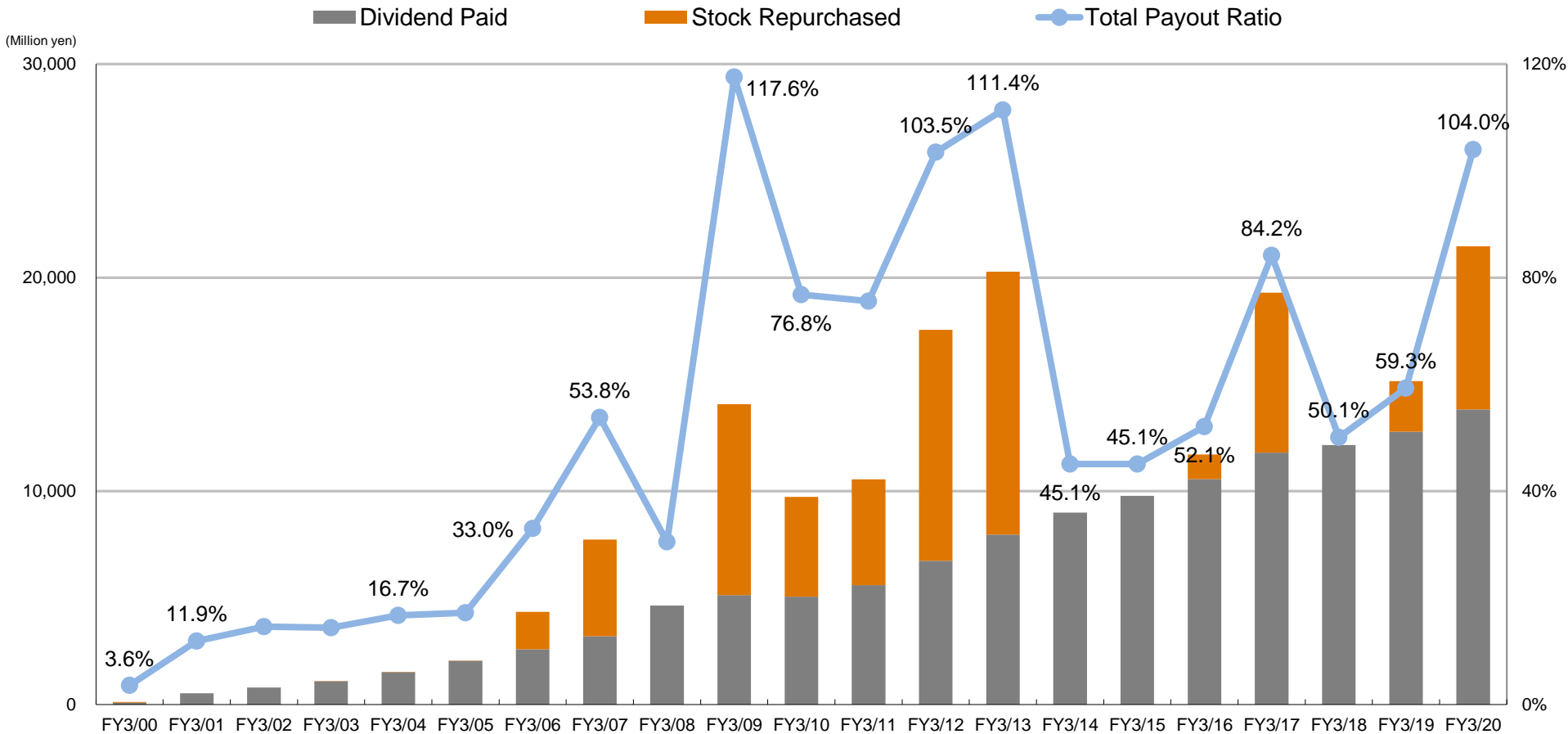
- Increased the consolidated payout ratio (50% to 55%) from FY3/2020
- Plan to pay **55.5 yen** dividend per share for FY3/21 (up 0.1 yen)
- **21 consecutive years** of dividend growth since listing



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

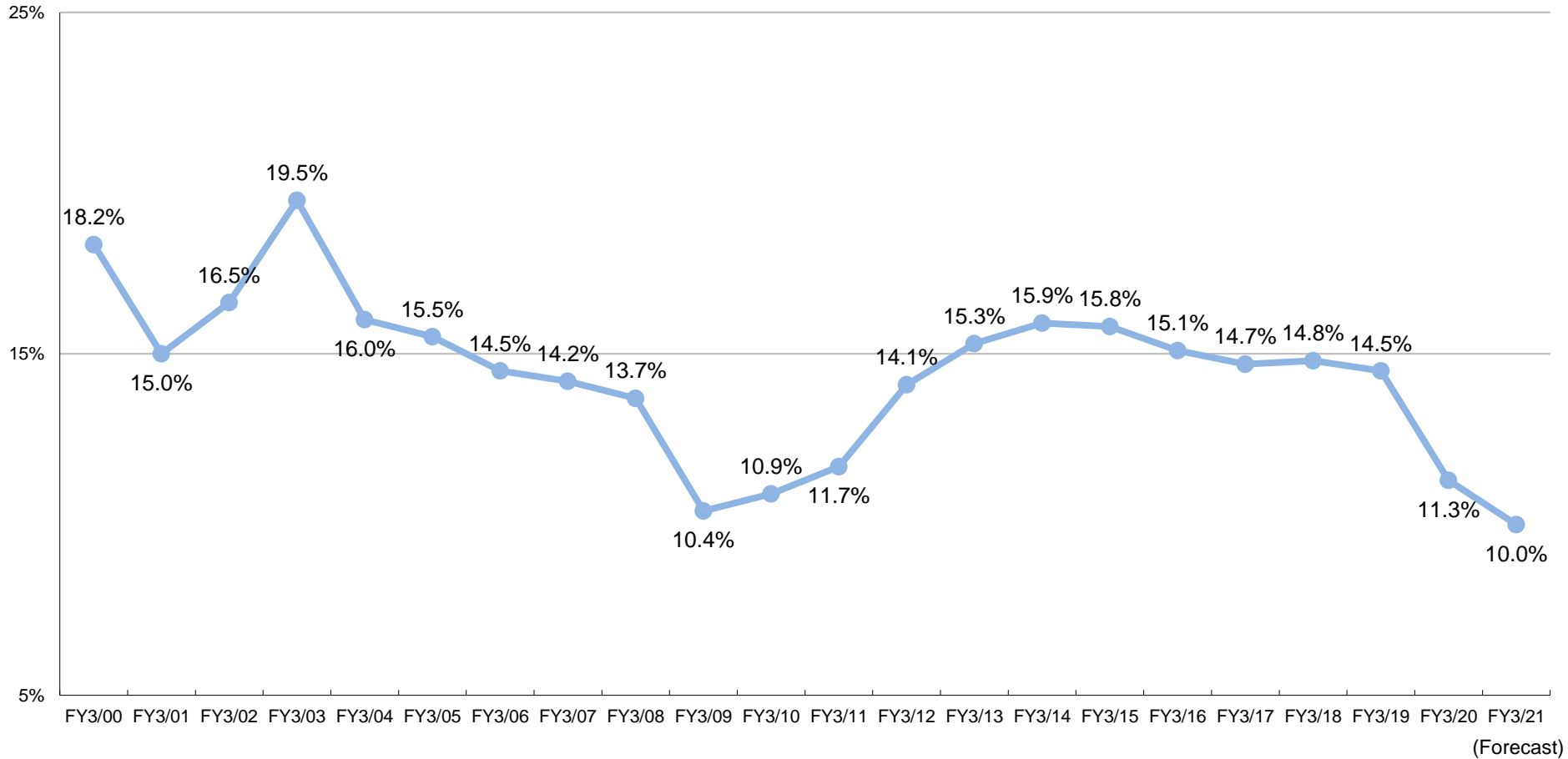
(Forecast)

■ Flexible stock repurchases while maintaining stable dividend.

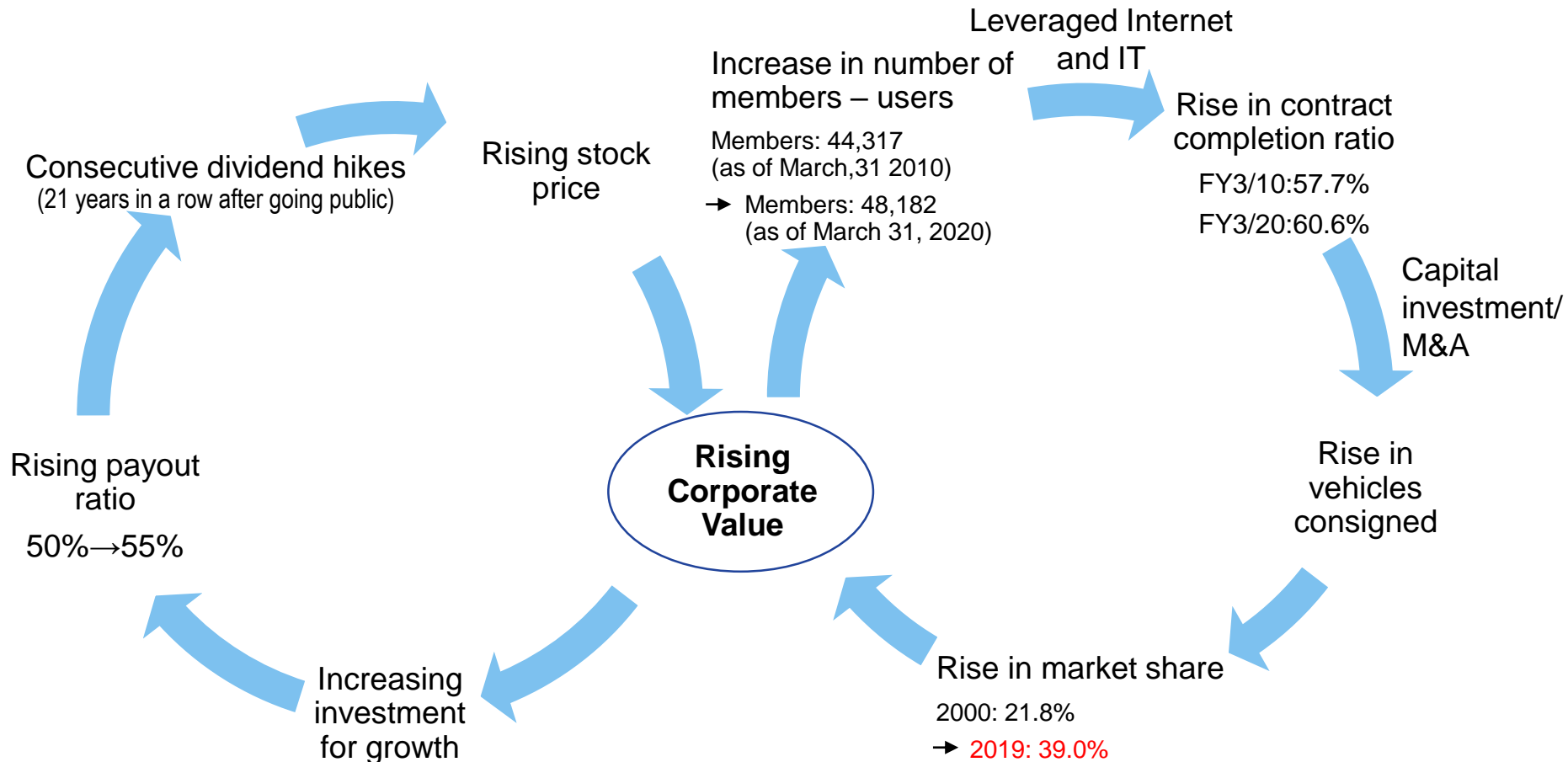


■ No change in the medium-term ROE target of at least 15%.

ROE

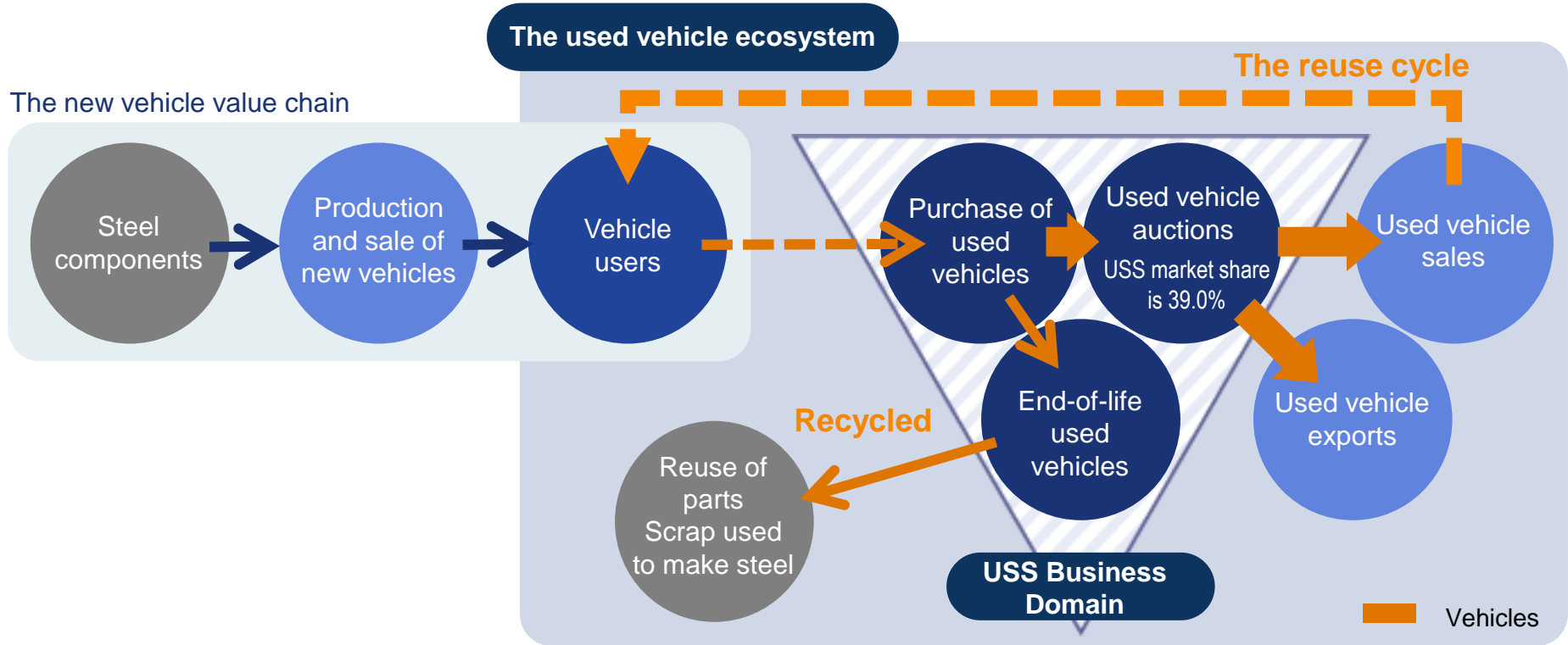


■ Aim at increasing shareholder value by a two-pronged strategy of solid investments in growth and active shareholder distributions



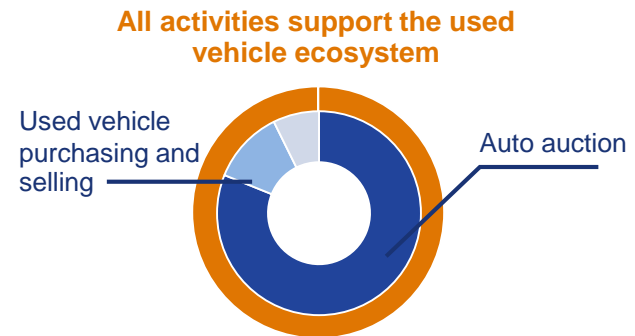
How USS Creates Social and Economic Value

■ 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

**General Affairs Department,
Supervisory Office,
USS Co., Ltd.**

TEL : +81-52-689-1129

E-mail : irinfo@ussnet.co.jp

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

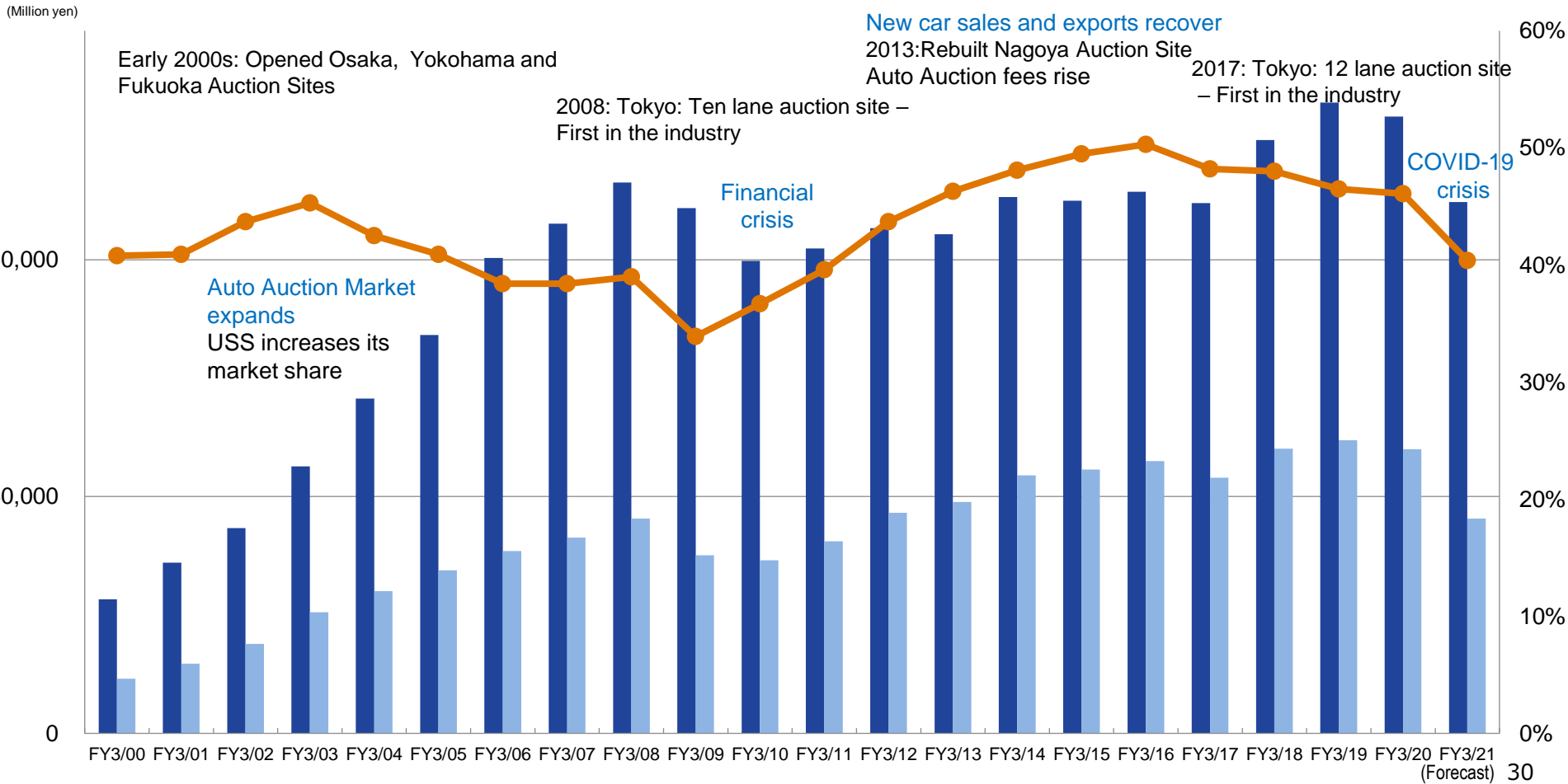
History of USS Long-term Growth

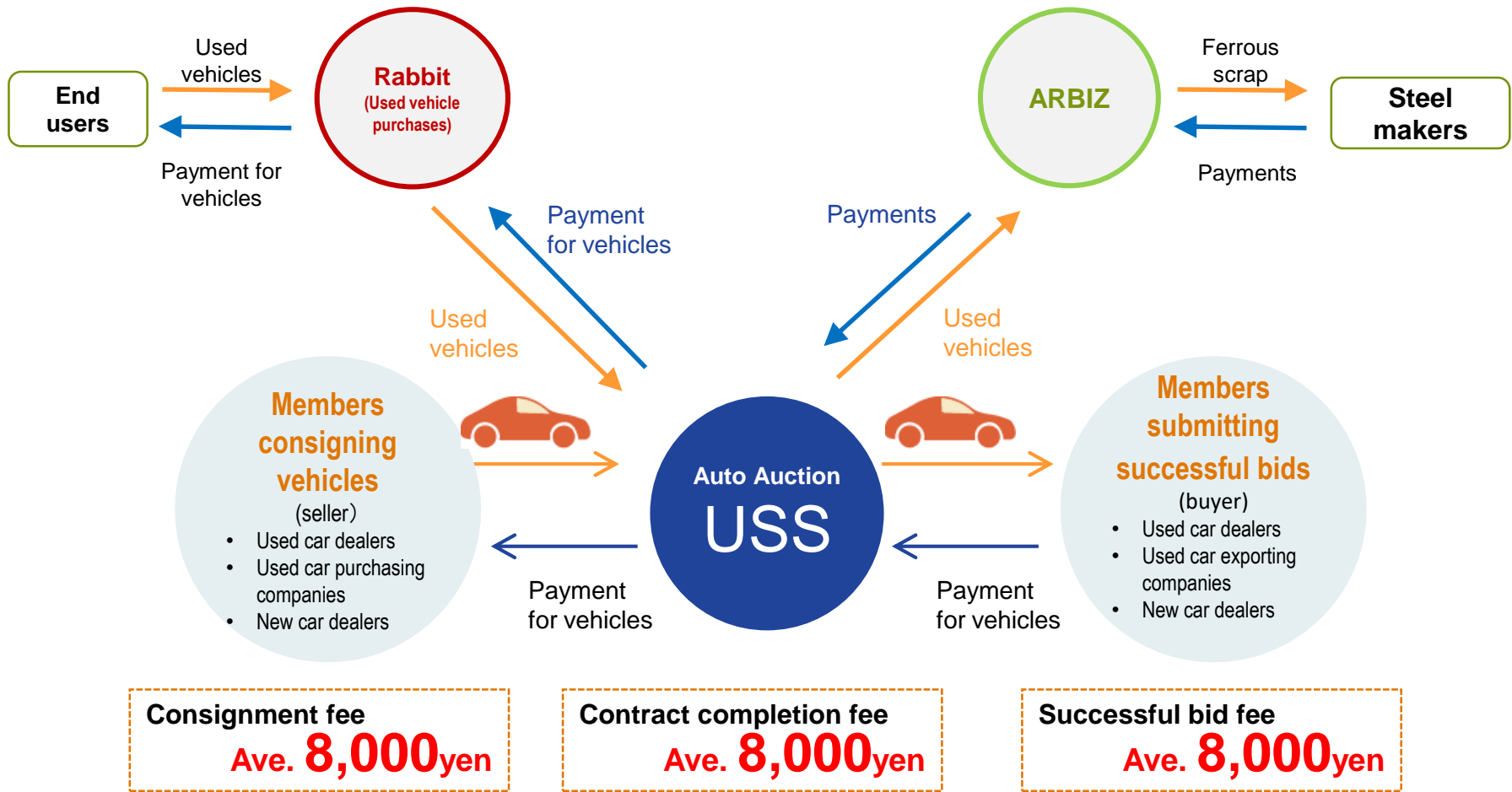
Before 2000

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



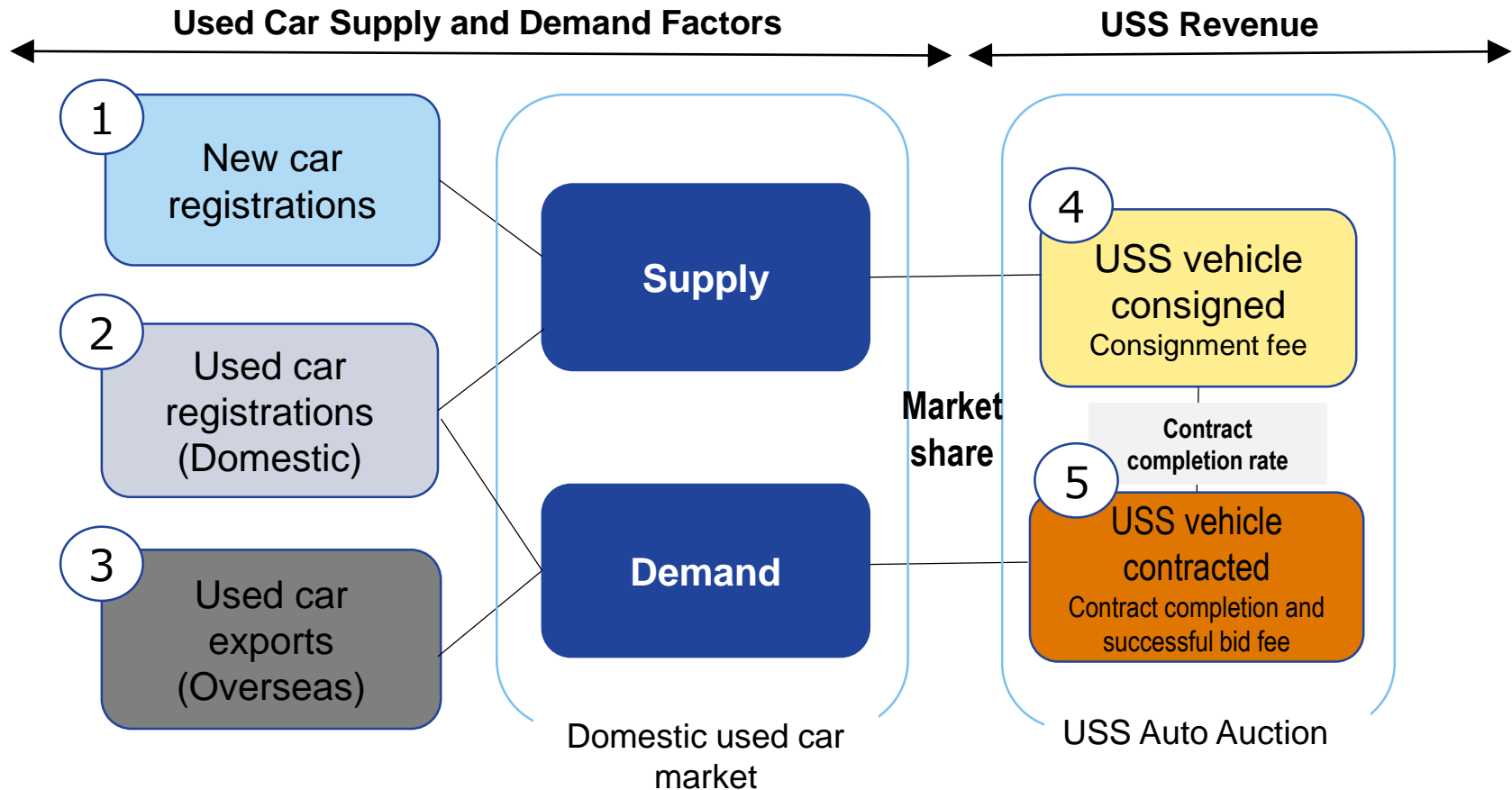


Vehicles consigned
2.92 million units/year
 (FY3/2020)

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

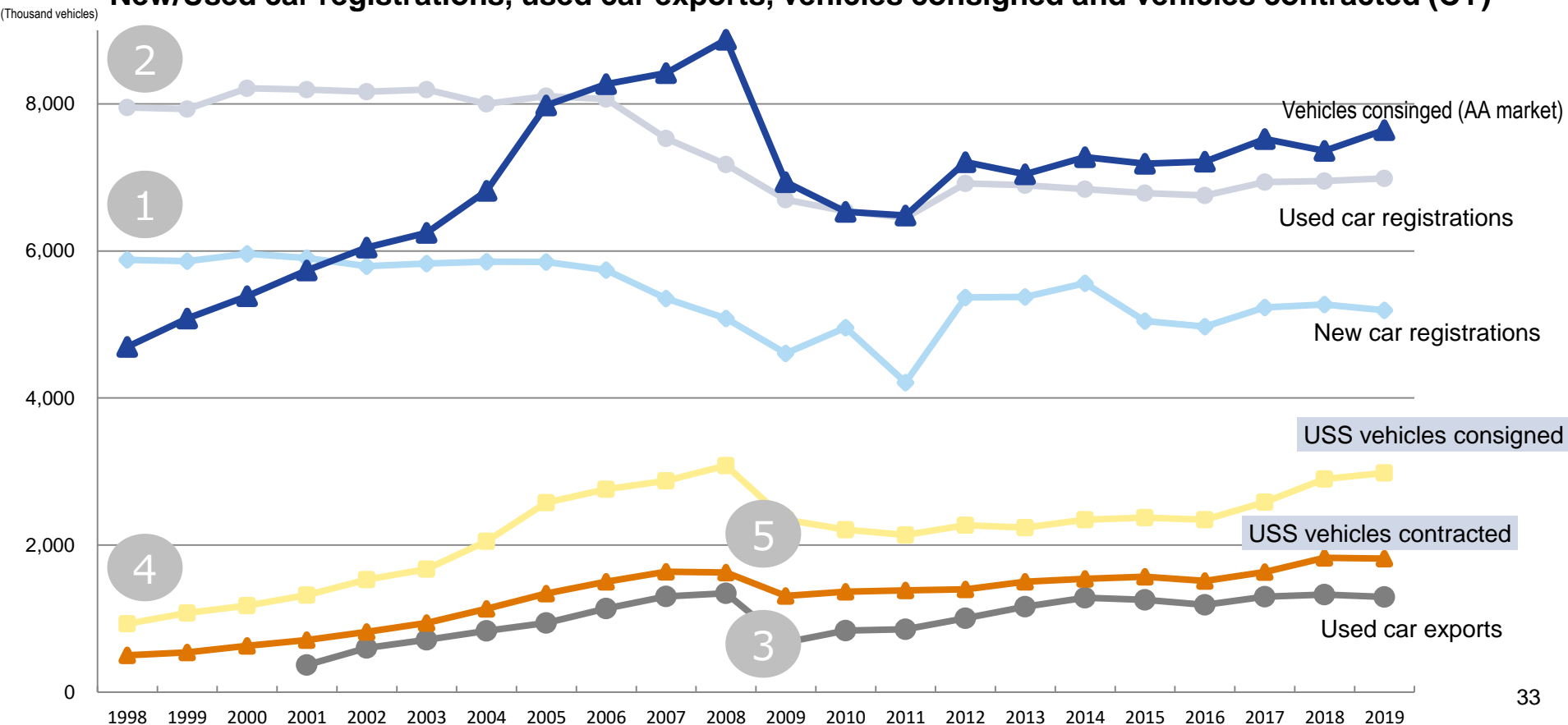
Contract completion rate
60.6% (FY3/2020)

- 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.
- Reduced 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 August 2020
 Directors: 8 (of which independent outside directors: 3)
 Auditors: 3 (of which independent outside auditors: 2)
 Executive officers: 2