



Consolidated Results of Operations

The Second Quarter, Fiscal Year Ending March 31, 2021

USS Co., Ltd.
November 2020

Results of Operations Second Quarter Fiscal Year Ending March 2021

1H FY3/21 Results

- Net sales ¥34.2 billion (up 5.6% from the plan)
Operating profit ¥15.9 billion (up 19.6% from the plan)
 - The downturn in auto auctions ended in 1Q and performance started recovering in 2Q.
 - In the used vehicle purchasing and selling business, the number of vehicles purchased decreased but this business became profitable in 2Q due to the strength of the auto auction market.
 - The recycle business became profitable in 2Q as the price of ferrous scrap recovered.

FY3/2021 (Forecast)

- Net sales ¥71.2 billion (up 5.8% from the previous forecast (Aug. 2020))
 - The revised FY3/2021 plan is 2.53 million vehicles consigned, an increase of 190,000, 1.60 million vehicles contracted, an increase of 180,000, and a contract completion ratio of 63.2% compared with the originally planned 60.7%.
- Operating profit ¥32.6 billion (up 19.9% from the previous forecast)

Earnings Distributions

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

1H FY3/2021 – Summary of Consolidated Results of Operations

- Sales decreased 11.6% YoY to ¥34.27 billion, operating profit was down 11.2% to ¥15.90 billion, and profit attributable to owners of parent decreased 10.5% to ¥10.94 billion.
- Although COVID-19 reduced the number of vehicles consigned, a recovery started after the state of emergency ended.

(Million yen)

	1H FY3/20	1H FY3/21	Year on year	1H FY3/21 Initial plan (Aug. 3, 2020)	VS. plan
Net sales	38,792	34,277	88.4%	32,450	105.6%
Cost of sales (Per sales)	15,337 (39.5%)	13,311 (38.8%)	86.8%	13,924 (42.9%)	95.6%
Gross profit (Per sales)	23,455 (60.5%)	20,966 (61.2%)	89.4%	18,525 (57.1%)	113.2%
Selling, general and administrative expenses (Per sales)	5,548 (14.3%)	5,064 (14.8%)	91.3%	5,225 (16.1%)	96.9%
Operating profit (Per sales)	17,907 (46.2%)	15,901 (46.4%)	88.8%	13,300 (41.0%)	119.6%
Ordinary profit (Per sales)	18,216 (47.0%)	16,314 (47.6%)	89.6%	13,600 (41.9%)	120.0%
Profit attributable to owners of parent (Per sales)	12,232 (31.5%)	10,945 (31.9%)	89.5%	9,100 (28.0%)	120.3%

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

Net sales

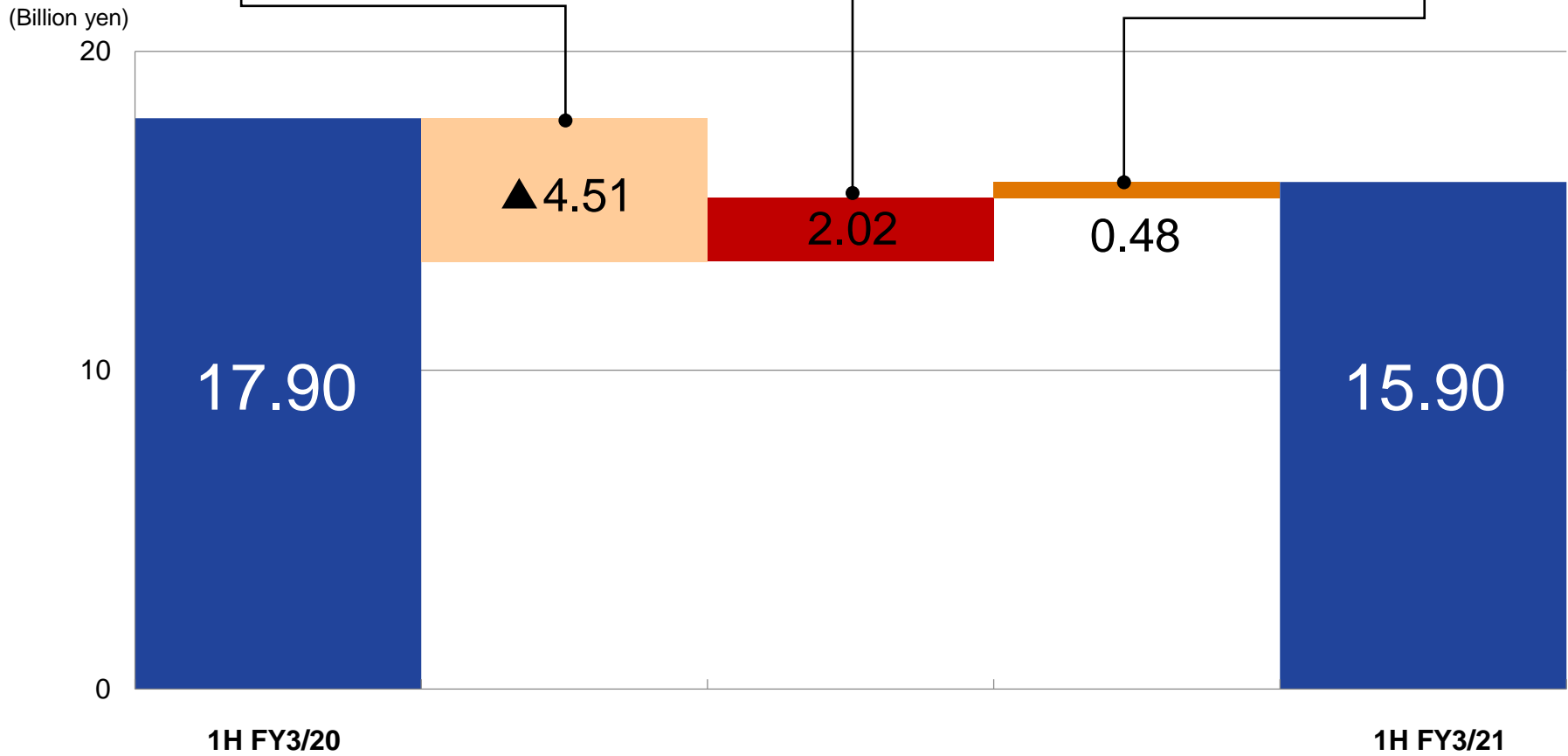
Decrease in vehicles consigned	▲3.91bn
Used vehicle sales/purchases	▲0.74bn

Cost of sales

Decrease in cost of goods sold	1.48bn
Decrease in cost of materials purchased	0.13bn
Decrease in expenses for supplies	0.12bn
Decrease in employee salaries and bonuses	0.10bn

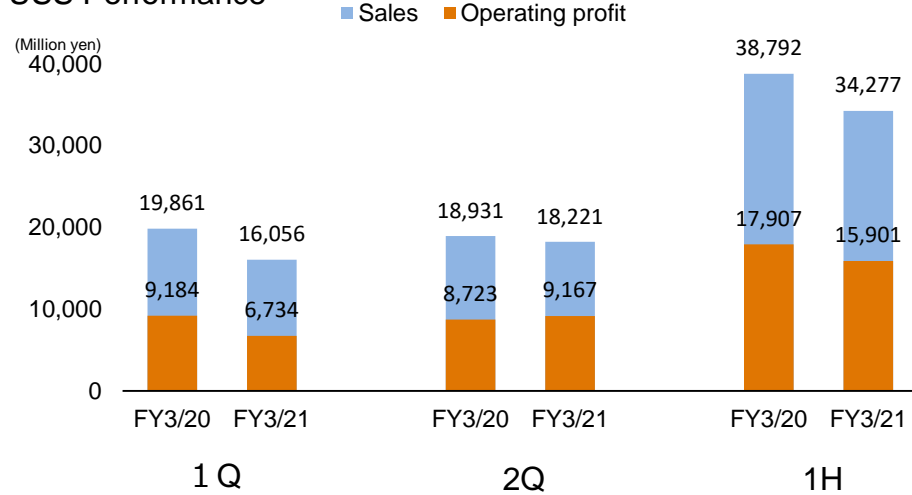
SG&A expenses

Decrease in goodwill amortization	0.11bn
Decrease in sales promotion expenses	0.08bn
Decrease in employee salaries and bonuses	0.04bn
Decrease in cost of transportation	0.03bn

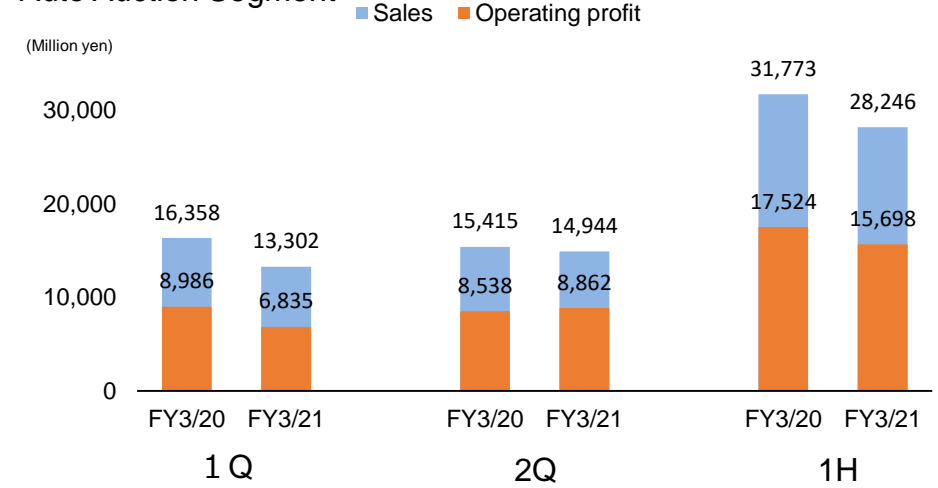


1H FY3/2021 – Business Segment Quarterly Performance (Year-on-year change)

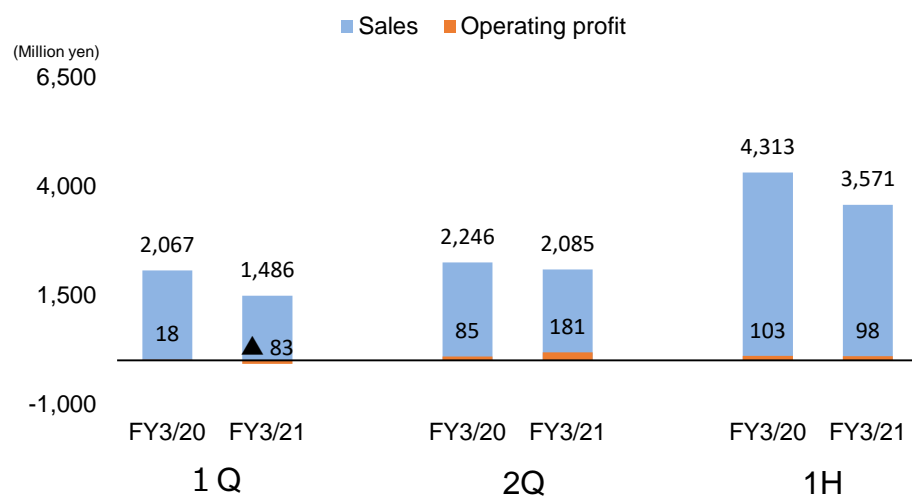
USS Performance



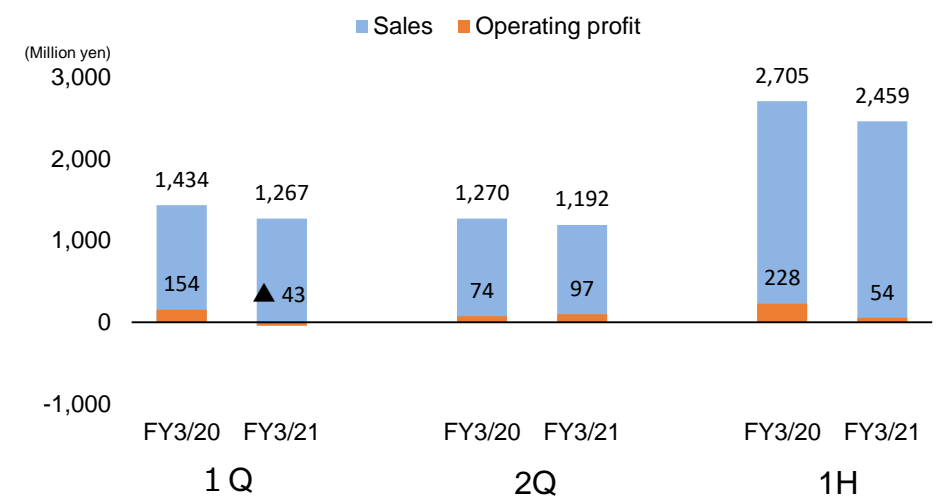
Auto Auction Segment



Used Vehicle Purchasing and Selling Segment



Other Segment



- 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: 83.6%

Consolidated Balance Sheets (Summary)

(Million yen)

	FY3/2020	1H FY3/2021
Current assets	68,096	68,576
Cash and deposits	50,729	54,780
Receivables due from member dealers at auction, etc.	17,367	13,795
Non-current assets	151,037	152,622
Property, plant and equipment	106,747	106,657
Other	44,289	45,964
Total assets	219,133	221,198

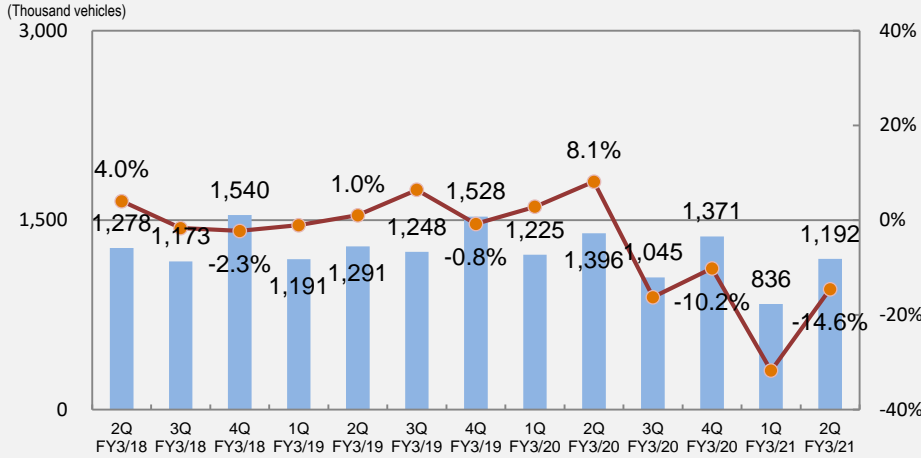
	FY3/2020	1H FY3/2021
Current liabilities	24,497	22,988
Payables due to member dealers at auction	8,721	11,234
Other	15,776	11,754
Non-current liabilities	10,656	11,379
Total liabilities	35,153	34,368
Total net assets	183,980	186,830
Total liabilities and net assets	219,133	221,198

Consolidated Statements of Cash Flows (Summary)

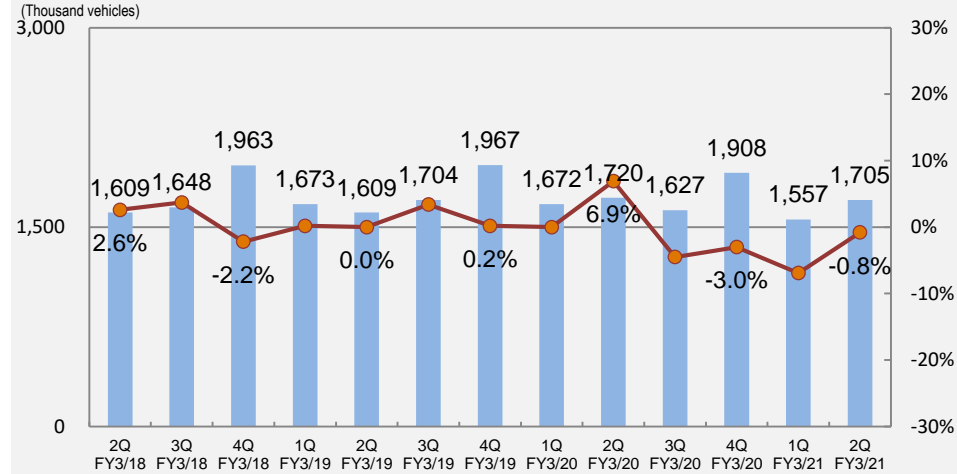
(Million yen)

	1H FY3/2019	1H FY3/2020	1H FY3/2021	Changes
Net cash provided by (used in) operating activities	14,327	14,522	16,644	2,121
Net cash provided by (used in) investing activities	▲28	▲2,937	▲8,067	▲5,130
Free cash flow	14,298	11,585	8,577	▲3,008
Net cash provided by (used in) financing activities	▲6,297	▲10,746	▲7,525	3,220
Capital expenditures (Terms of cash flows)	630	2,701	8,058	5,356
Depreciation	2,630	2,396	2,572	176

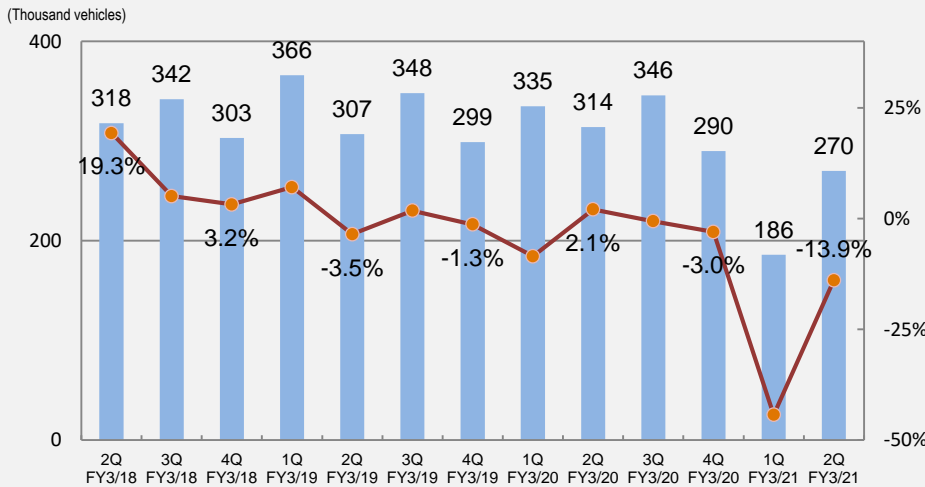
New Car Registrations and YoY Changes



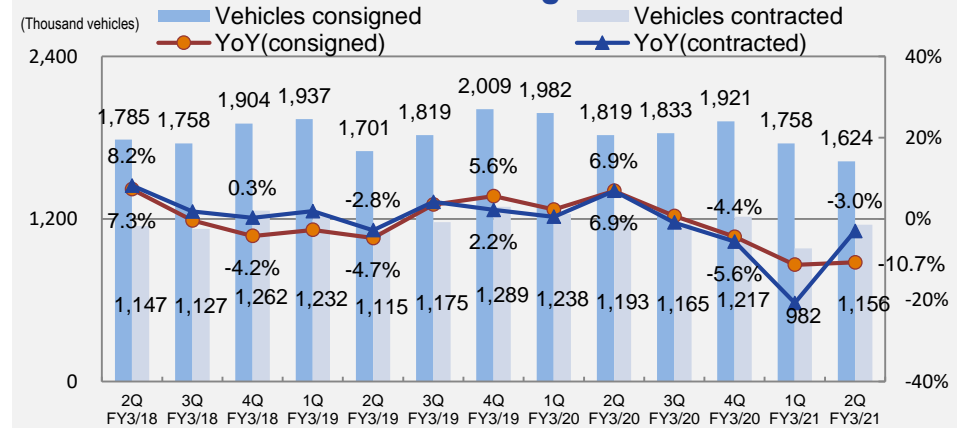
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned and Contracted and YoY Changes



Auto Auction Segment (1)

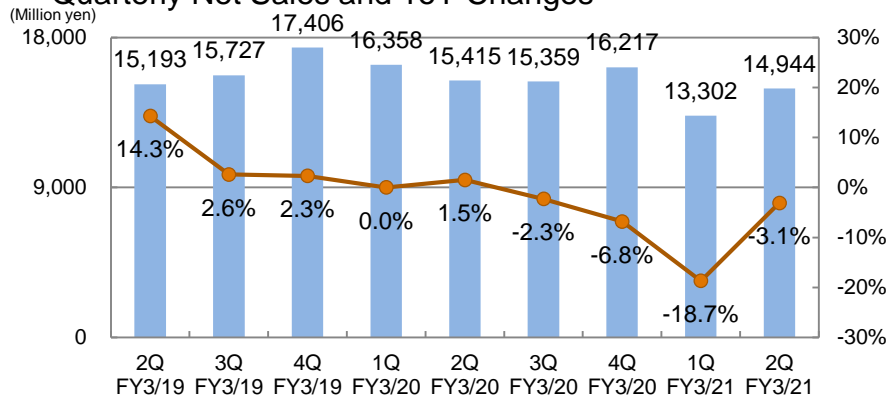
- Vehicles consigned decreased 15.3% YoY to 1,237 thousand; contract completions decreased 14.7% YoY to 765 thousand (contract completion rate: 61.9% against 61.4% in the previous fiscal year)
- Auction fees decreased primarily because of decreases in vehicles consigned.

Auto Auction Segment Performance in 1H

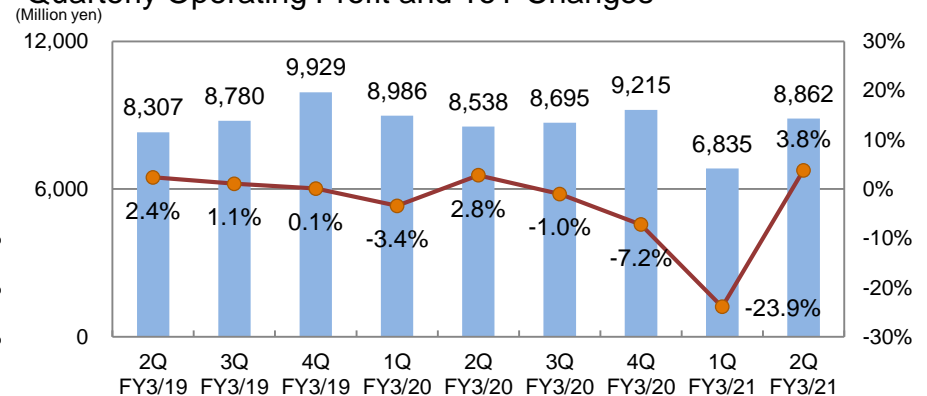
(Million yen)

	1H FY3/19	1H FY3/20	1H FY3/21	Year on year
Net sales	31,550	31,773	28,246	88.9%
Consignment fees	7,460	7,377	6,422	87.1%
Contract completion fees	7,294	7,253	6,365	87.8%
Successful bid fees	10,797	10,911	9,806	89.9%
Other	5,997	6,231	5,651	90.7%
Operating profit	17,613	17,524	15,698	89.6%
Operating margin	55.4%	54.8%	55.2%	-

Quarterly Net Sales and YoY Changes



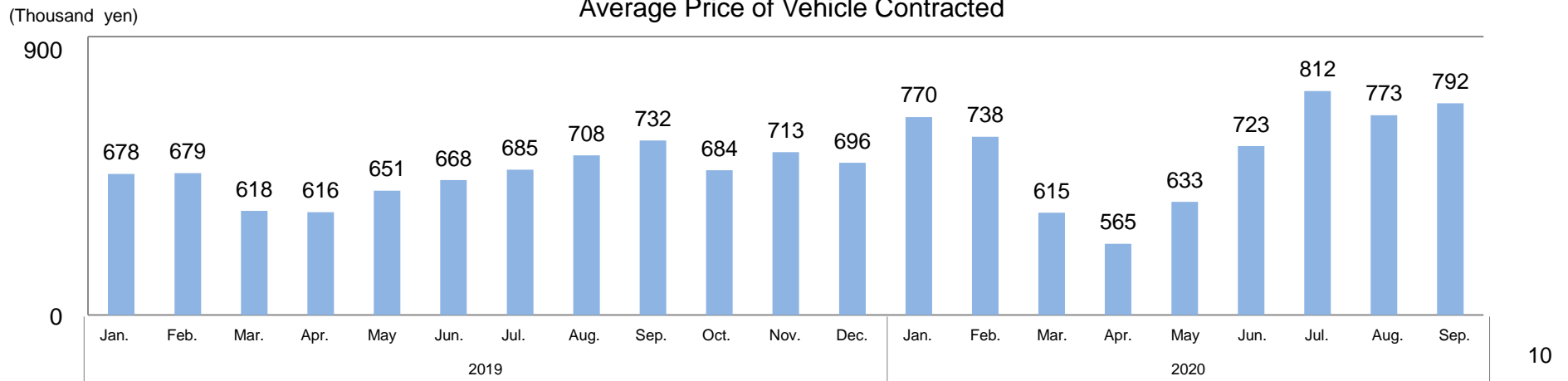
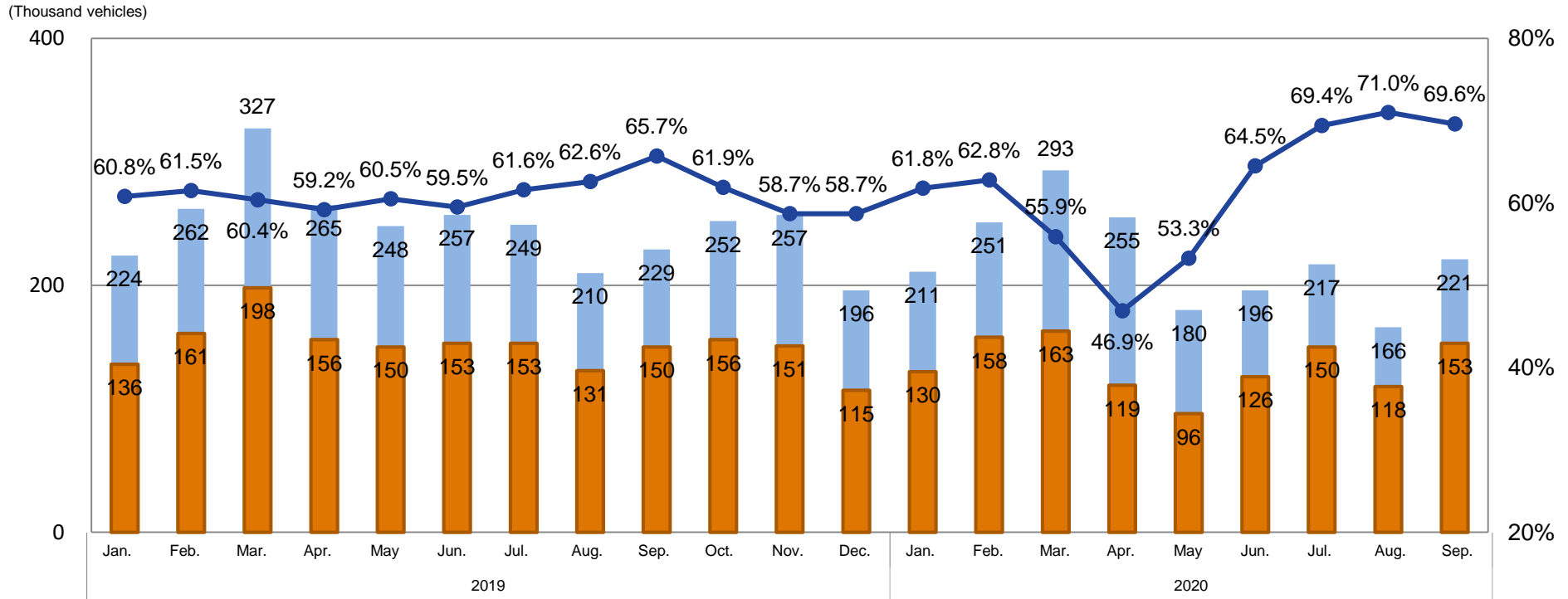
Quarterly Operating Profit and YoY Changes



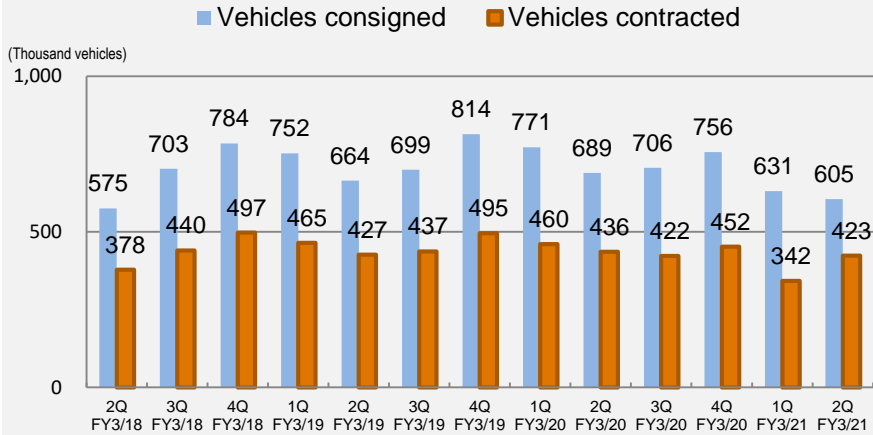
* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

Auto Auction Segment (2) Monthly Data

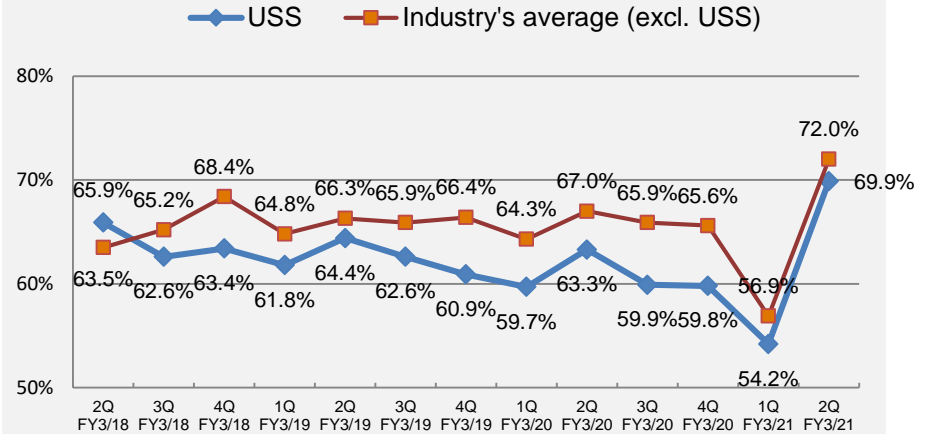
■ Vehicles consigned
 ■ Vehicles contracted
 ● Contract completion rate



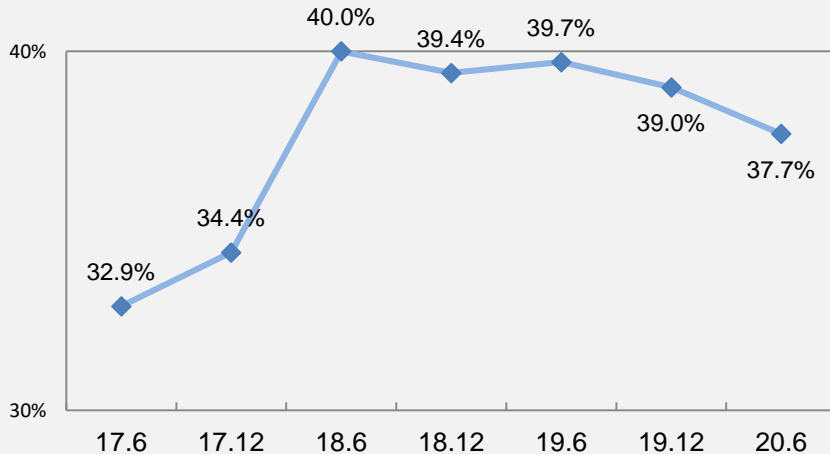
No. of Vehicles Consigned and Vehicles Contracted



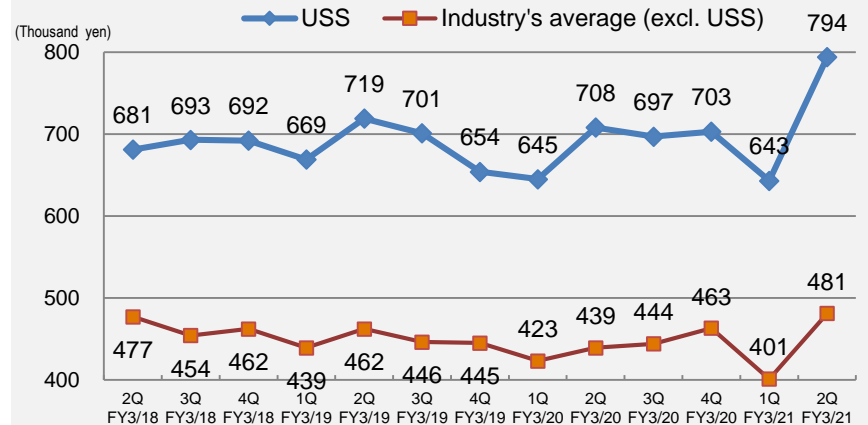
Contract Completion Rate



Market Share



Average Price of Vehicle Contracted

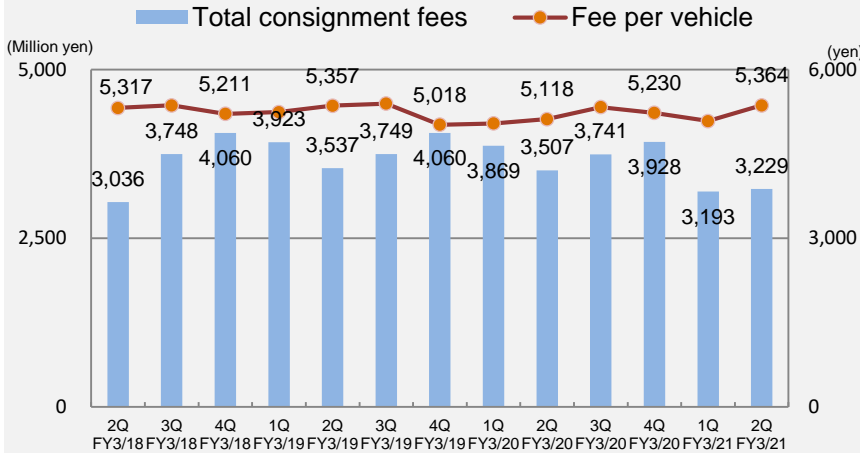


* Period ending in December: 12-month data; Period ending in June: 6-month data.

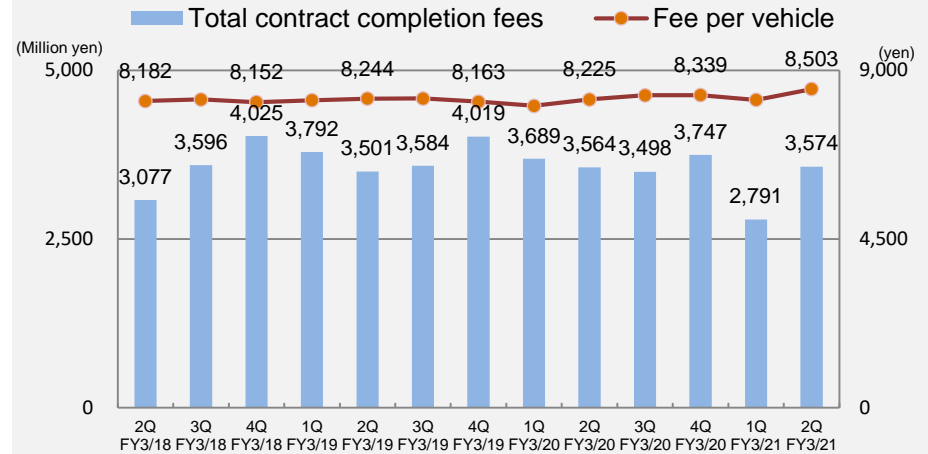
* The results of JAA, and of HAA Kobe are included from October 2017.

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

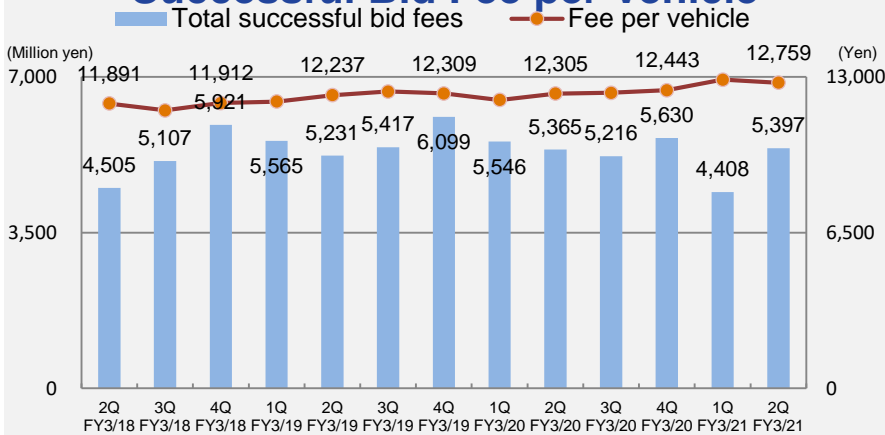
Total Consignment Fees and Consignment Fee per Vehicle



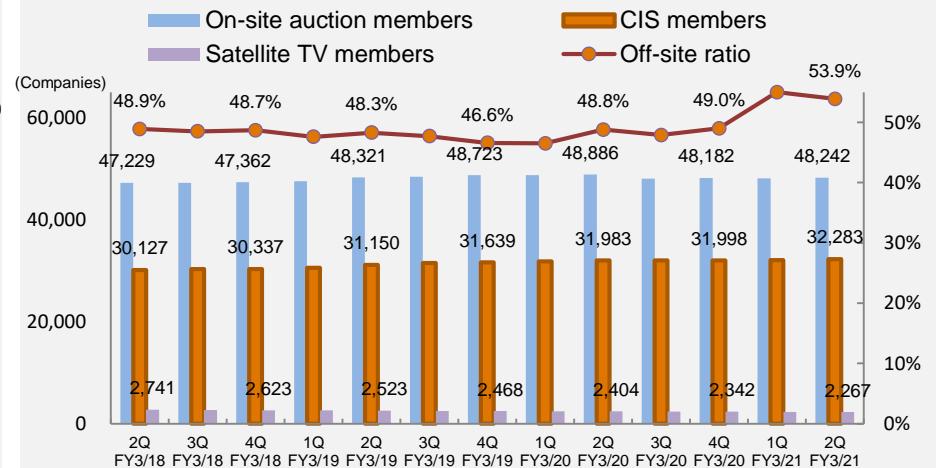
Total Contract Completion Fees and Contract Completion Fee per Vehicle



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 (5)

From April 1, 2020 to September 30, 2020

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1H FY3/21	1H FY3/20	1H FY3/21	1H FY3/20	YoY change	1H FY3/21	1H FY3/20	YoY change	1H FY3/21	1H FY3/20
Tokyo	24	24	280,366	323,661	86.6%	187,040	221,148	84.6%	66.7%	68.3%
Nagoya	24	24	204,095	247,899	82.3%	114,381	133,283	85.8%	56.0%	53.8%
Osaka	24	24	92,896	99,626	93.2%	49,290	52,448	94.0%	53.1%	52.6%
Yokohama	24	24	82,365	96,083	85.7%	52,778	60,619	87.1%	64.1%	63.1%
Kyushu	24	24	82,361	91,122	90.4%	48,962	52,282	93.6%	59.4%	57.4%
Sapporo	25	24	65,010	76,208	85.3%	44,433	48,595	91.4%	68.3%	63.8%
R-Nagoya	24	24	58,412	76,612	76.2%	46,793	62,648	74.7%	80.1%	81.8%
Shizuoka	24	24	45,401	47,441	95.7%	28,201	30,999	91.0%	62.1%	65.3%
Kobe	25	24	33,844	42,241	80.1%	19,333	24,808	77.9%	57.1%	58.7%
Okayama	24	24	30,600	38,398	79.7%	21,220	25,108	84.5%	69.3%	65.4%
Gunma	24	24	24,781	28,321	87.5%	16,088	18,182	88.5%	64.9%	64.2%
Niigata	25	24	24,272	22,025	110.2%	12,250	10,584	115.7%	50.5%	48.1%
Tohoku	25	24	23,967	29,138	82.3%	17,207	20,579	83.6%	71.8%	70.6%
Saitama	23	24	21,491	25,308	84.9%	11,781	14,566	80.9%	54.8%	57.6%
Fukuoka	25	24	20,297	24,496	82.9%	12,527	15,797	79.3%	61.7%	64.5%
Hokuriku	24	24	8,609	9,386	91.7%	5,732	6,265	91.5%	66.6%	66.7%
JAA	25	24	36,747	44,713	82.2%	20,092	24,734	81.2%	54.7%	55.3%
HAA	24	24	101,609	138,415	73.4%	57,232	74,267	77.1%	56.3%	53.7%
Total	437	432	1,237,123	1,461,093	84.7%	765,340	896,912	85.3%	61.9%	61.4%

* 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.

* One auction was canceled at the Saitama Auction Site due to a lightning strike in August 2020.

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

Auto Auction Segment (6)

(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	166,982	221,001	1,237,123	250,352						250,352	1,487,475
	YoY Change	▲3.8	▲27.4	▲23.9	▲13.0	▲20.6	▲3.6	▲15.3	▲1.0						-	-
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	118,526	153,725	765,340	166,954						166,954	932,294
	YoY Change	▲23.8	▲36.1	▲17.5	▲2.0	▲10.0	2.1	▲14.7	6.7						-	-
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	71.0	69.6	61.9	66.7						-	-

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

Used Vehicle Purchasing and Selling Segment

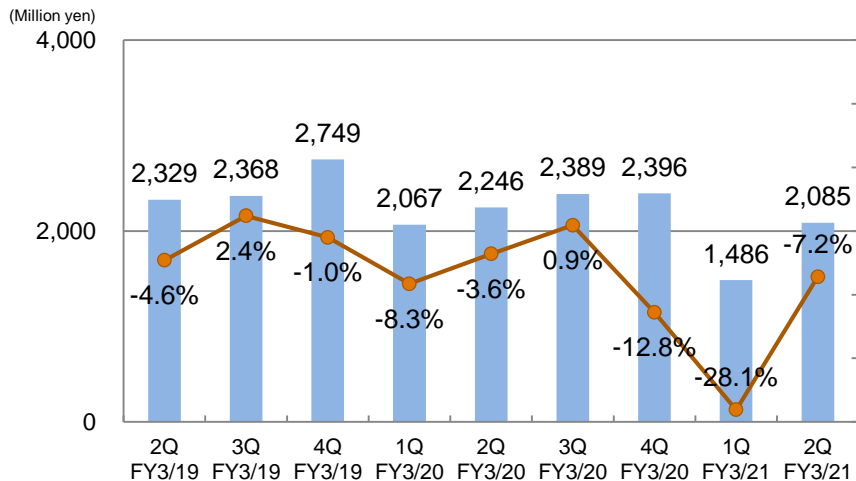
- At Rabbit, which purchases used vehicles, the gross profit per vehicle increased after the end of the state of emergency but sales and earnings were down due to a decline in the number of vehicles sold and other reasons. (Net sales decreased 20.5% YoY to ¥2,021 million, Operating profit decreased 27.3% to ¥54 million)
- In the accident-damaged vehicle purchasing and selling business, the gross profit per vehicle increased after the end of the state of emergency. Sales were down but earnings were higher. (Net sales decreased 12.5% YoY to ¥1,549 million, Operating profit increased 54.0% to ¥43 million)

Used Vehicle Purchasing and Selling Segment Performance in 1H

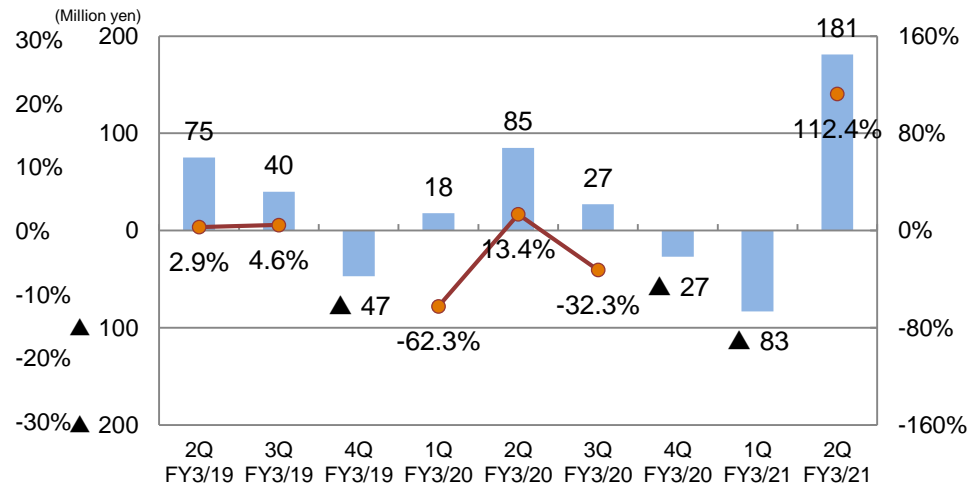
(Million yen)

	1H FY3/19	1H FY3/20	1H FY3/21	Year on year
Net sales	4,583	4,313	3,571	82.8%
Operating profit	124	103	98	95.0%
Operating margin	2.7%	2.4%	2.8%	-

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

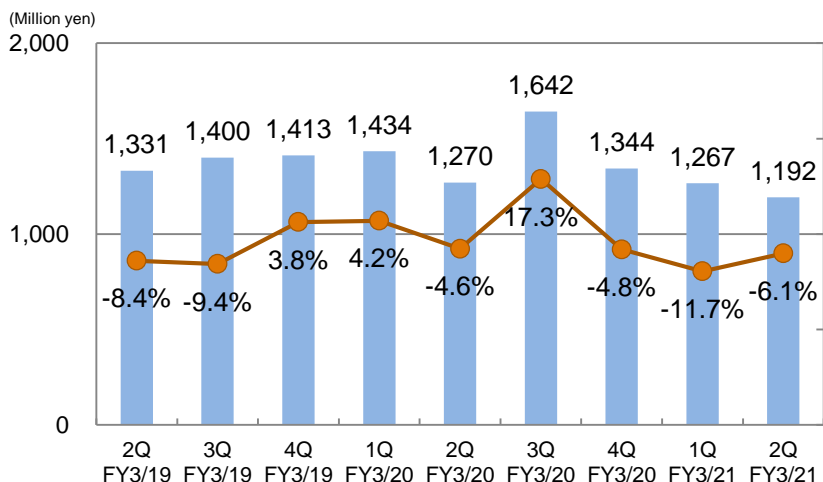
- In the recycle business, sales and earnings were down as the negative effect of a lower volume of materials handled outweighed the benefit of a recovery in the price of ferrous scrap. (Net sales decreased 7.2% YoY to ¥2,254 million, Operating profit decreased 80.2% to ¥38 million)
- Operating loss 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 30.3% YoY to ¥159 million, Operating loss ¥9 million (operating profit of ¥16 million in 1H FY3/20))

Other Segment Performance in 1H

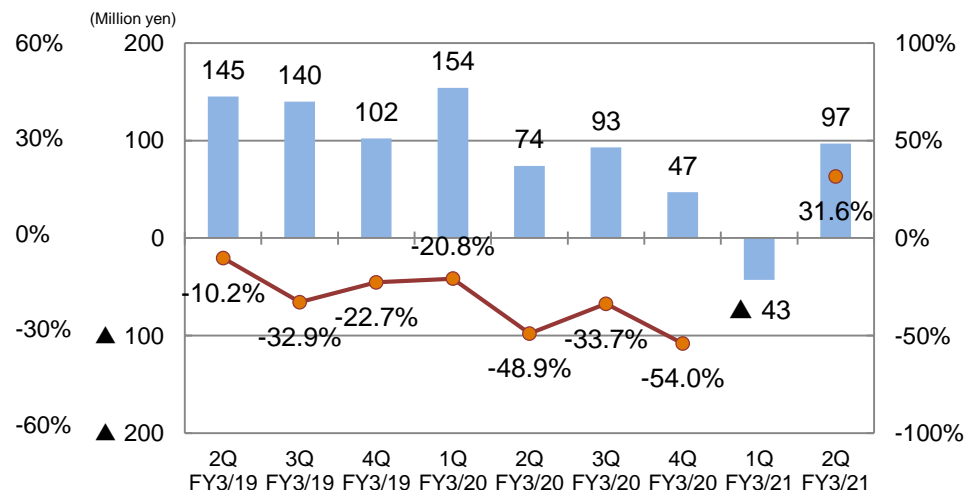
(Million yen)

	1H FY3/19	1H FY3/20	1H FY3/21	Year on year
Net sales	2,709	2,705	2,459	90.9%
Operating profit	340	228	54	23.9%
Operating margin	12.5%	8.4%	2.2%	-

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

- Backed by firm demand for used vehicles in Japan, the number of vehicles consigned and contracted is recovering. → Revised the forecast upward.

(Million yen)

	FY3/20 (Actual)	FY3/21 Initial plan (Aug 3, 2020)	Change	FY3/21 Revised plan (Nov. 9, 2020)	Revised plan vs FY3/20
Net sales	78,143	67,300	3,900	71,200	91.1%
Gross profit (Per sales)	47,188 (60.4%)	37,870 (56.3%)	5,019	42,889 (60.2%)	90.9%
Operating profit (Per sales)	36,009 (46.1%)	27,200 (40.4%)	5,400	32,600 (45.8%)	90.5%
Ordinary profit (Per sales)	36,710 (47.0%)	27,800 (41.3%)	5,500	33,300 (46.8%)	90.7%
Profit attributable to owners of parent (Per sales)	20,634 (26.4%)	18,400 (27.3%)	3,700	22,100 (31.0%)	107.1%
Profit per share (Yen)	82.44	73.81	-	88.65	-
Capital expenditures (Terms of cash flows)	4,523	10,500	▲ 1,100	9,400	207.8%
Depreciation	5,037	5,576	▲ 192	5,383	106.9%

Auto Auction Business (excl. JBA)	FY3/20 (Actual)	FY3/21 Initial plan (Aug 3, 2020)	Change	FY3/21 Revised plan (Nov. 9, 2020)	Revised plan vs FY3/20
No. of vehicles consigned (Thousands)	2,924	2,340	190	2,530	86.5%
No. of vehicles contracted (Thousands)	1,772	1,420	180	1,600	90.3%
Contract completion rate	60.6%	60.7%	-	63.2%	-

2H FY3/2021 – Reasons for Change in Operating Profit (Forecast)

Net sales

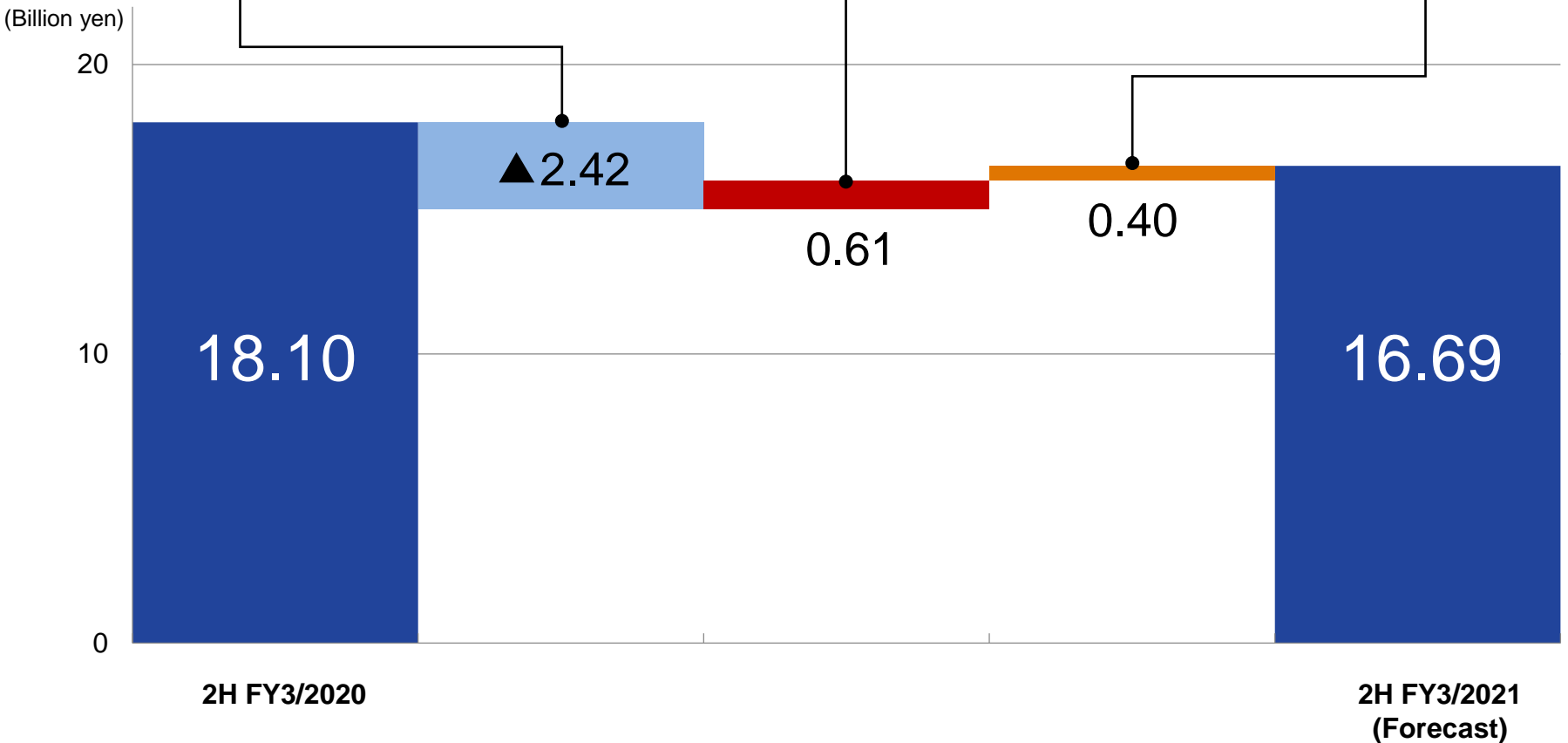
Increase in contract completion rate 1.25bn
 Decrease in vehicles consigned ▲2.99bn
 Used vehicle sales/purchases ▲0.46bn

Cost of sales

Decrease in cost of goods sold 0.45bn
 Decrease in purchases 0.23bn

SG&A expenses

Decrease in goodwill amortization 0.13bn
 Decrease in employee salaries and bonuses 0.07bn
 Decrease in advertising expenses 0.04bn
 Decrease in cost of transportation 0.04bn



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

Net sales

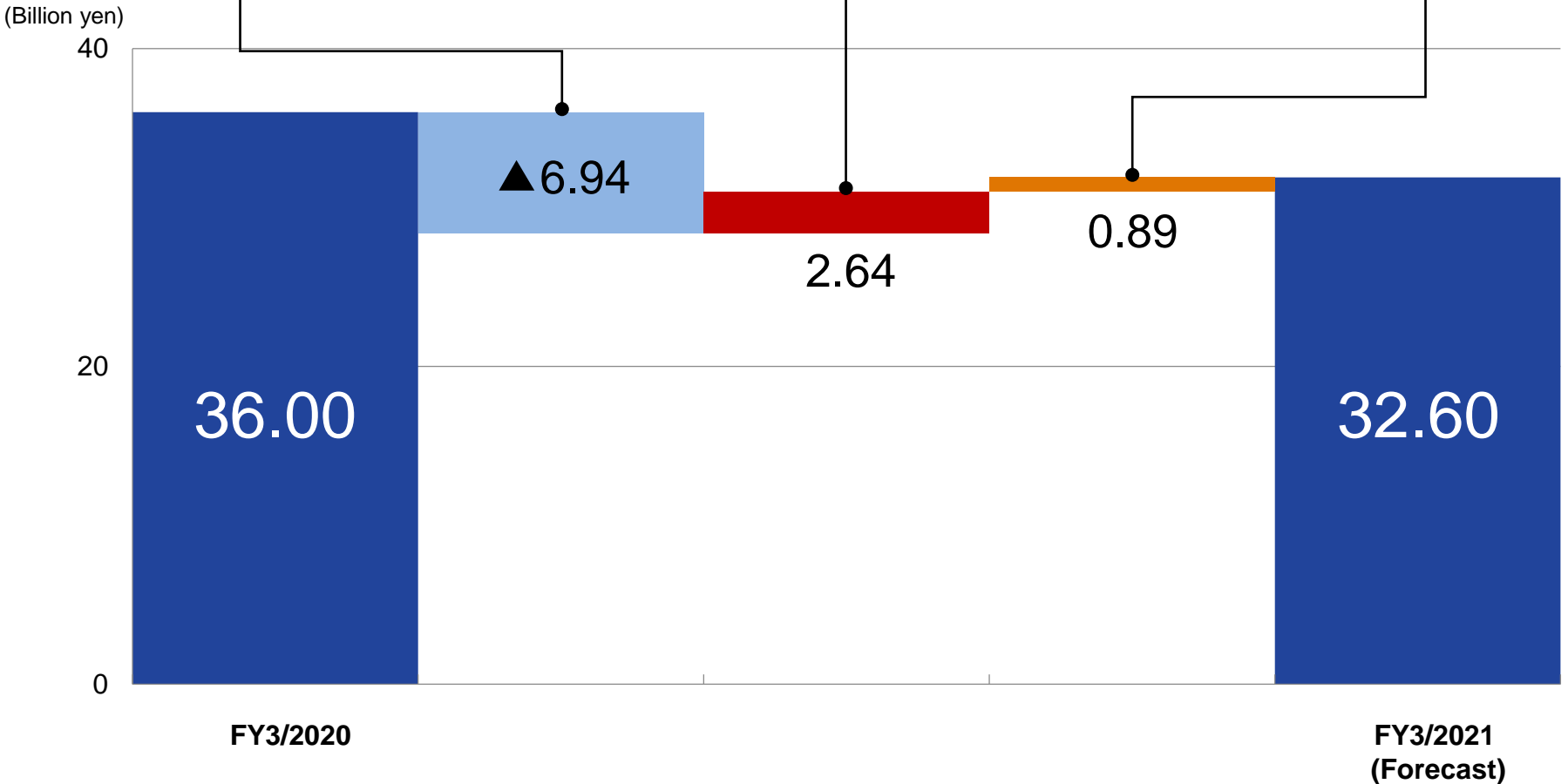
Increase in contract completion rate 1.35bn
 Decrease in vehicles consigned ▲6.91bn
 Used vehicle sales/purchases ▲1.20bn

Cost of sales

Decrease in cost of goods sold 1.93bn
 Decrease in outsourcing expense 0.29bn
 Decrease in employee salaries and bonuses 0.23bn

SG&A expenses

Decrease in goodwill amortization 0.24bn
 Decrease in employee salaries and bonuses 0.12bn
 Decrease in advertising expenses 0.08bn
 Decrease in cost of transportation 0.07bn



(Million yen)

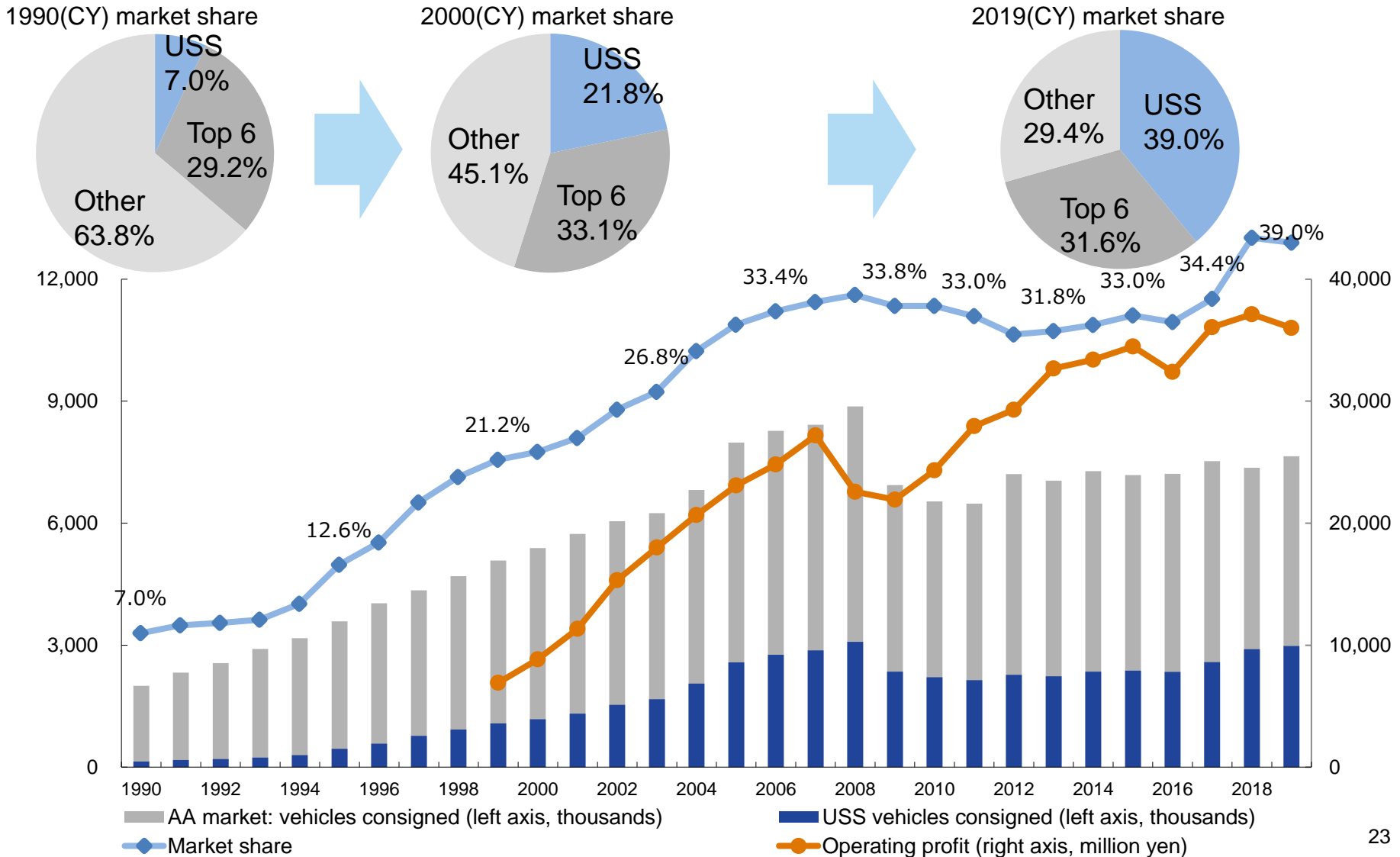
	FY3/20 (Actual)	FY3/21 Initial plan (Aug 3, 2020)	Change	FY3/21 Revised plan (Nov. 9, 2020)	Revised plan vs FY3/20
Net sales					
Auto auction	63,350	54,020	4,097	58,117	91.7%
Used vehicle purchasing and selling	9,099	7,821	70	7,892	86.7%
Other	5,692	5,457	▲267	5,190	91.2%
Total	78,143	67,300	3,900	71,200	91.1%
Operating profit (Per sales)	36,009 (46.1%)	27,200 (40.4%)	5,400	32,600 (45.8%)	90.5%

Market Overview

Strategy for Creating Value Over the Medium Term

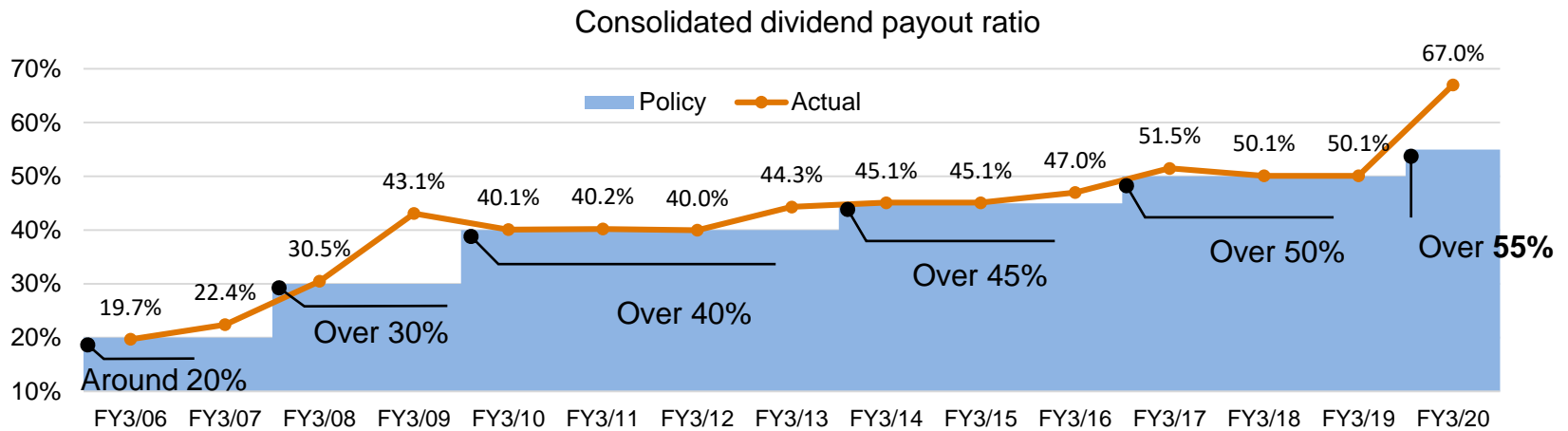
Used Car Auction Market and USS Market Share

- 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

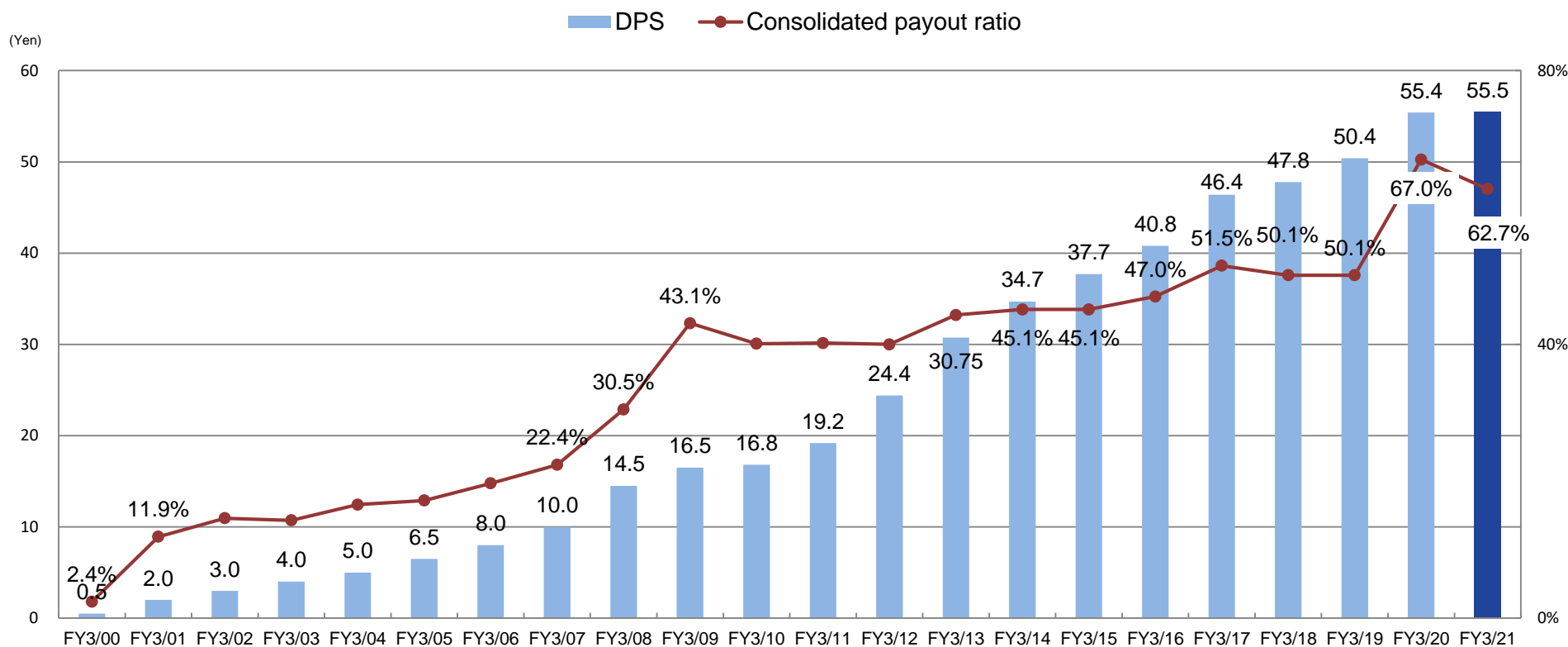
■ Consolidated dividend payout ratio: Over **55%** from FY3/2020



■ 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%

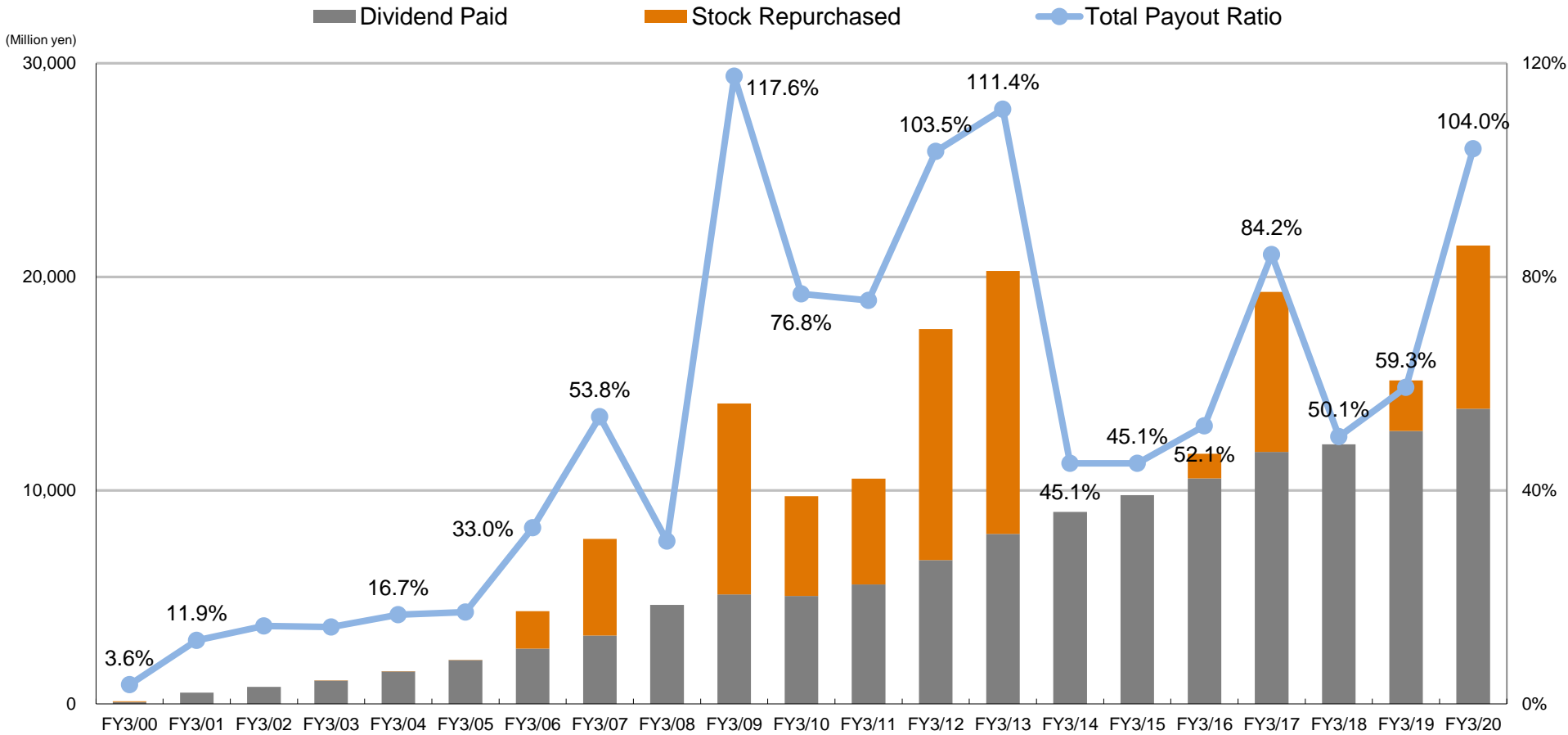
- Increased the consolidated payout ratio (50% to 55%) from FY3/2020
- Plan to pay **55.5 yen** dividend per share for FY3/2021 (up 0.1 yen)
- **21 consecutive years** of dividend growth since listing



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

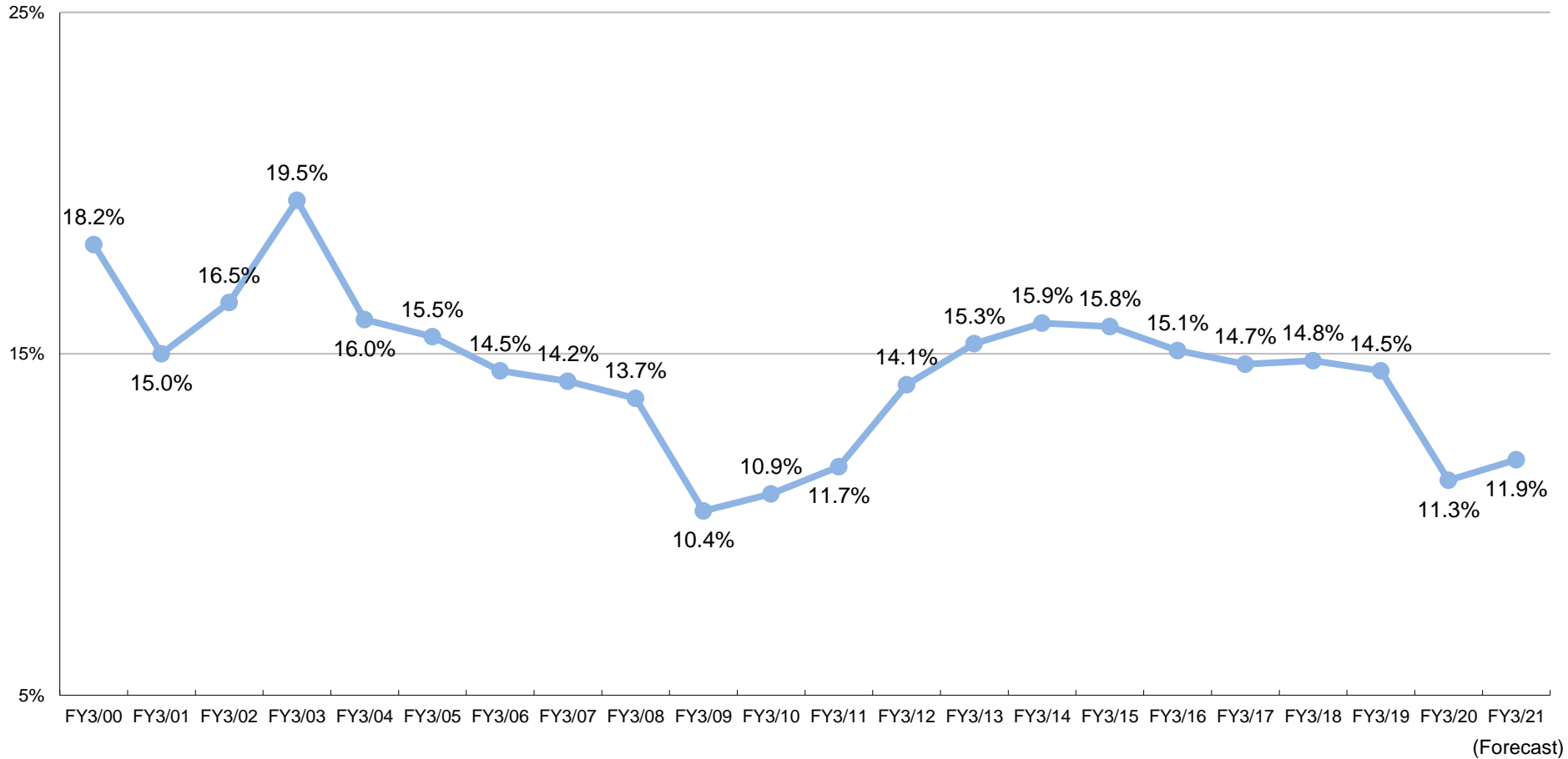
(Forecast)

■ Flexible stock repurchases while maintaining stable dividend.

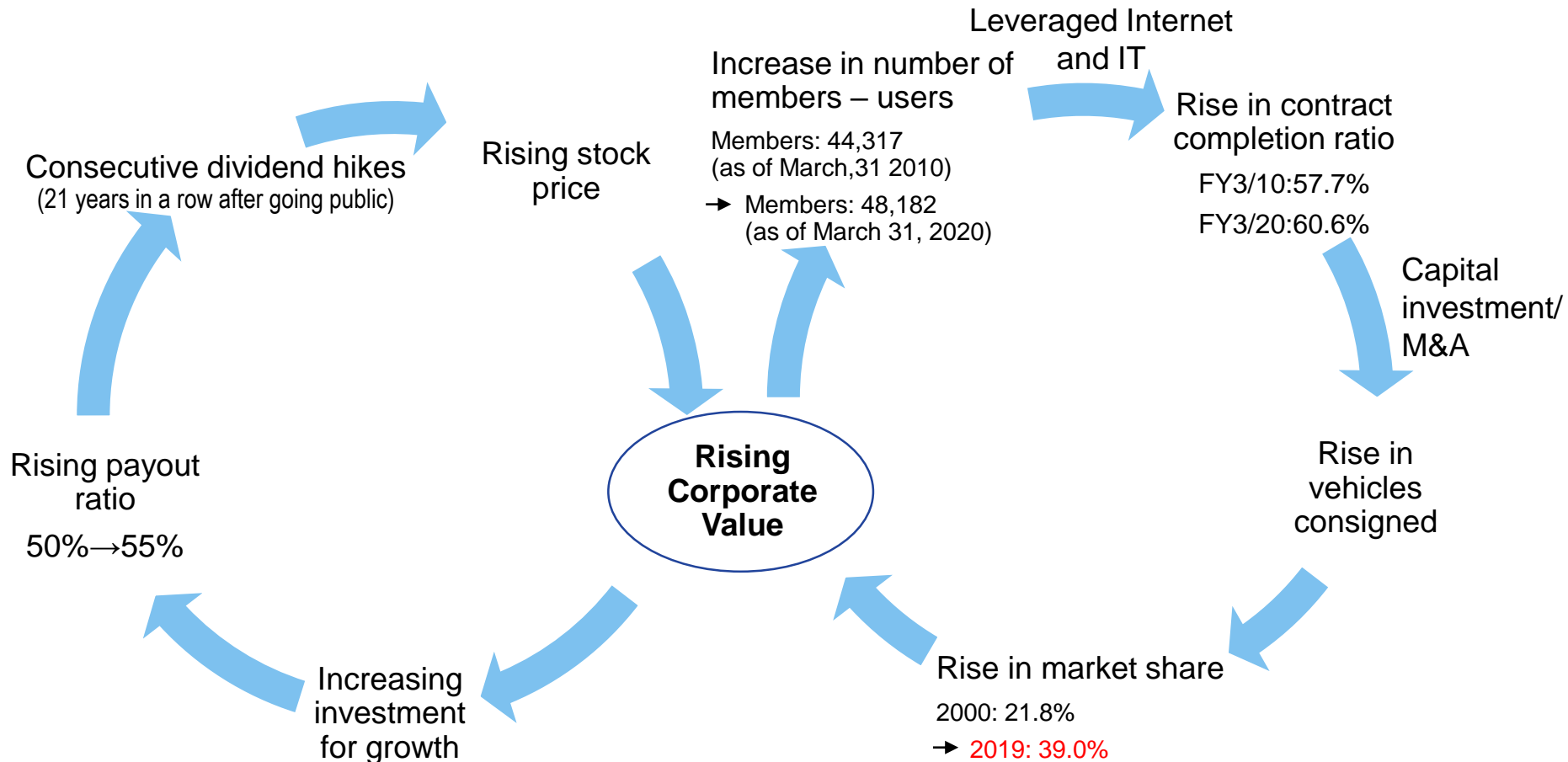


■ No change in the medium-term ROE target of at least 15%.

ROE



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

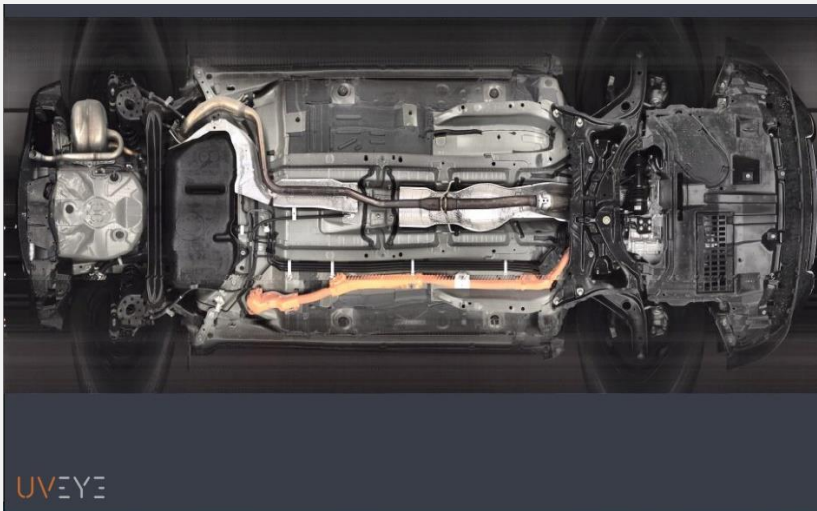


Auto Auction Segment – New initiatives

- Started using new systems for vehicle inspections in order to find defects that are not readily visible

Underbody imaging system

This system is used to inspect underneath vehicles, including tires and wheels. A specialized unit takes pictures that allow finding tiny scratches, dents and other external defects under a vehicle and sides of tires & wheels that are overlooked by a conventional visual inspection.

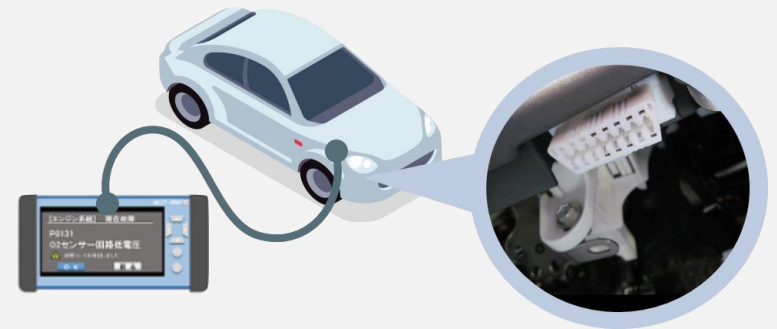


A picture of the underbody of a car

*Accessible only to USS Internet auction members

Start of inspections using on-board diagnostic system scans

USS has become the first auto auction company to use on-board diagnostic system scanners for vehicle inspections. These inspections cover brakes, the engine, safety devices and other components. Auction sites use a special section for the sale of vehicles that pass this inspection.



How a diagnostic scanner detects problems

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

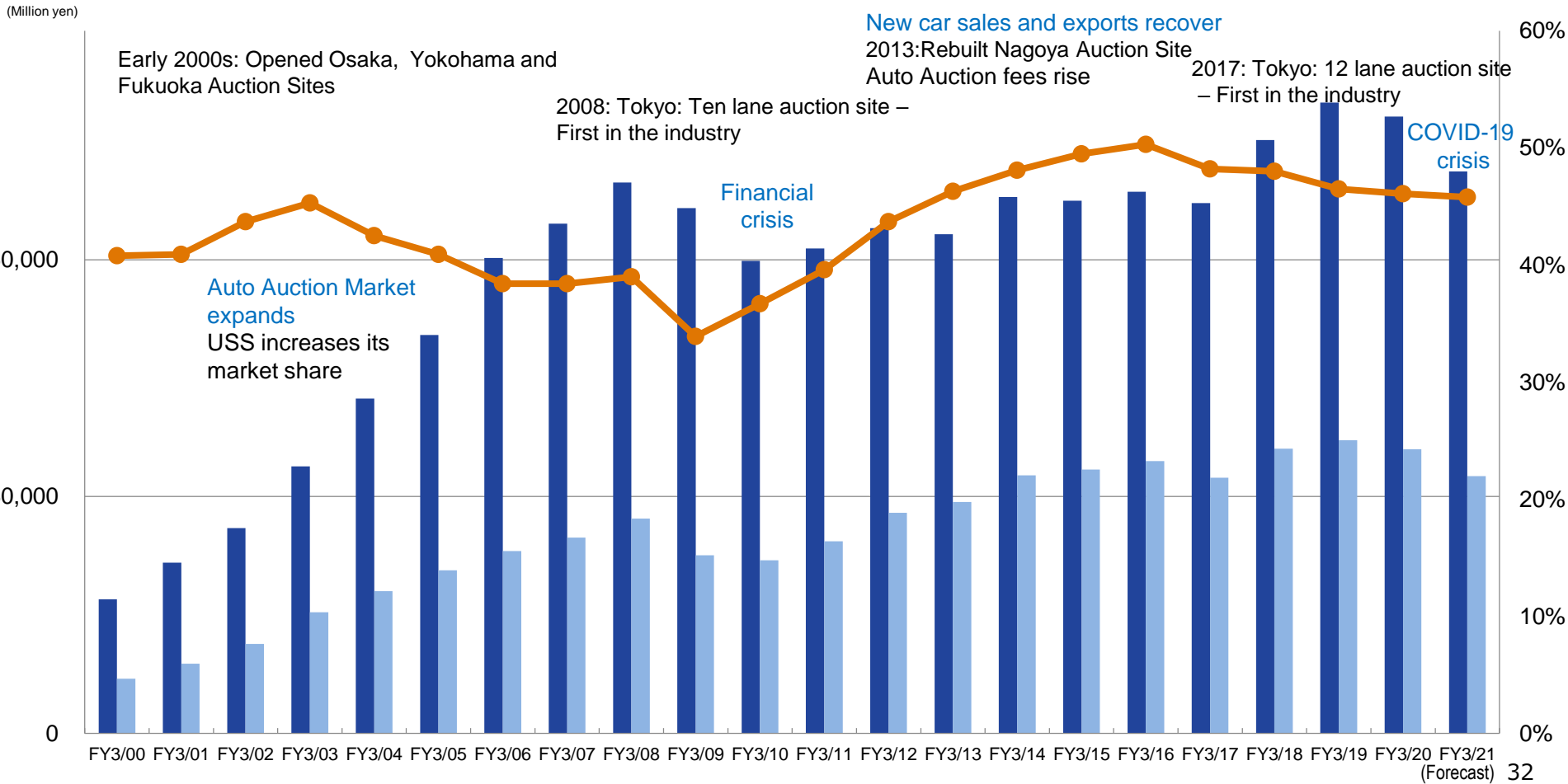
History of USS Long-term Growth

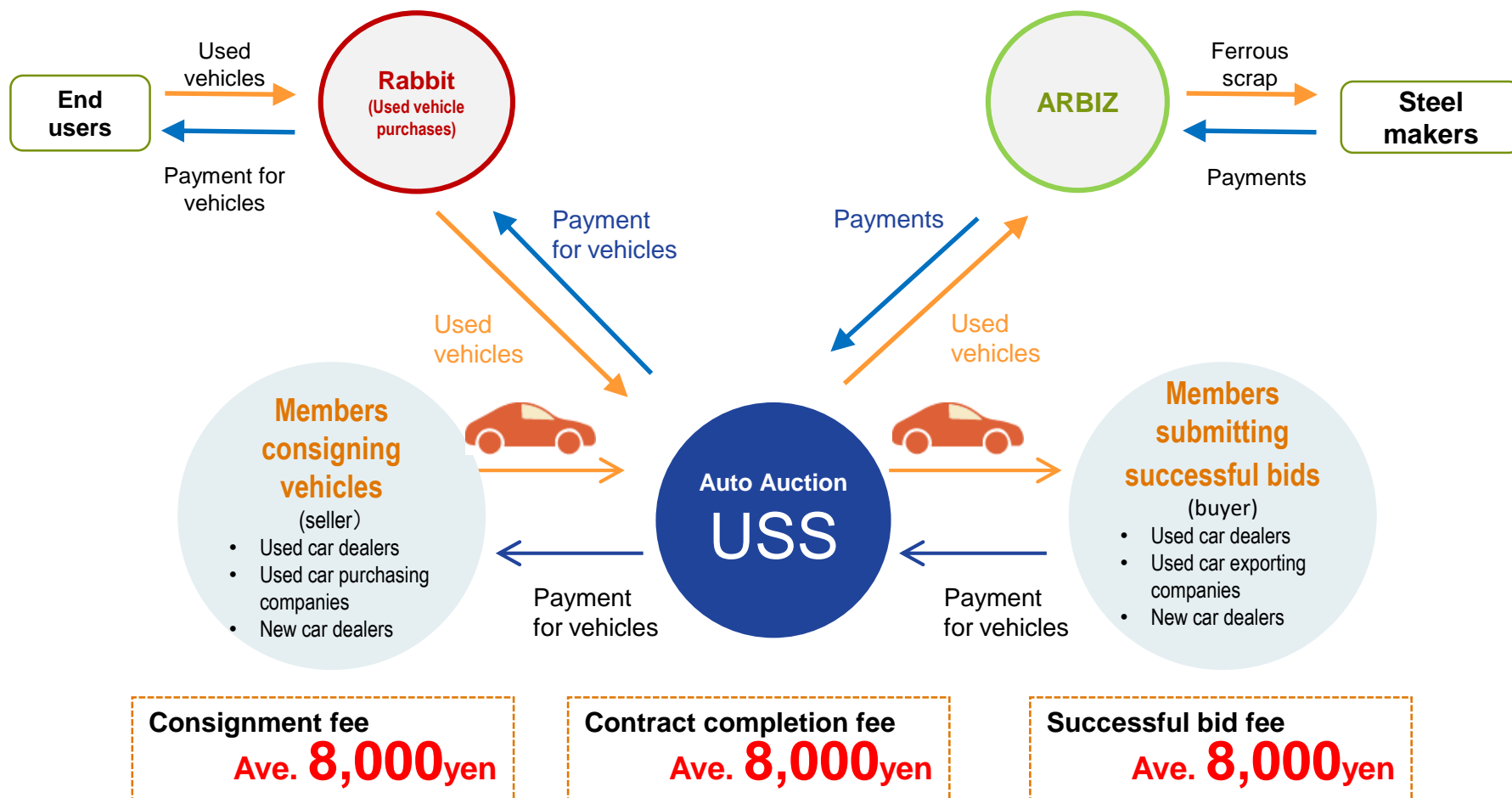
Before 2000

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



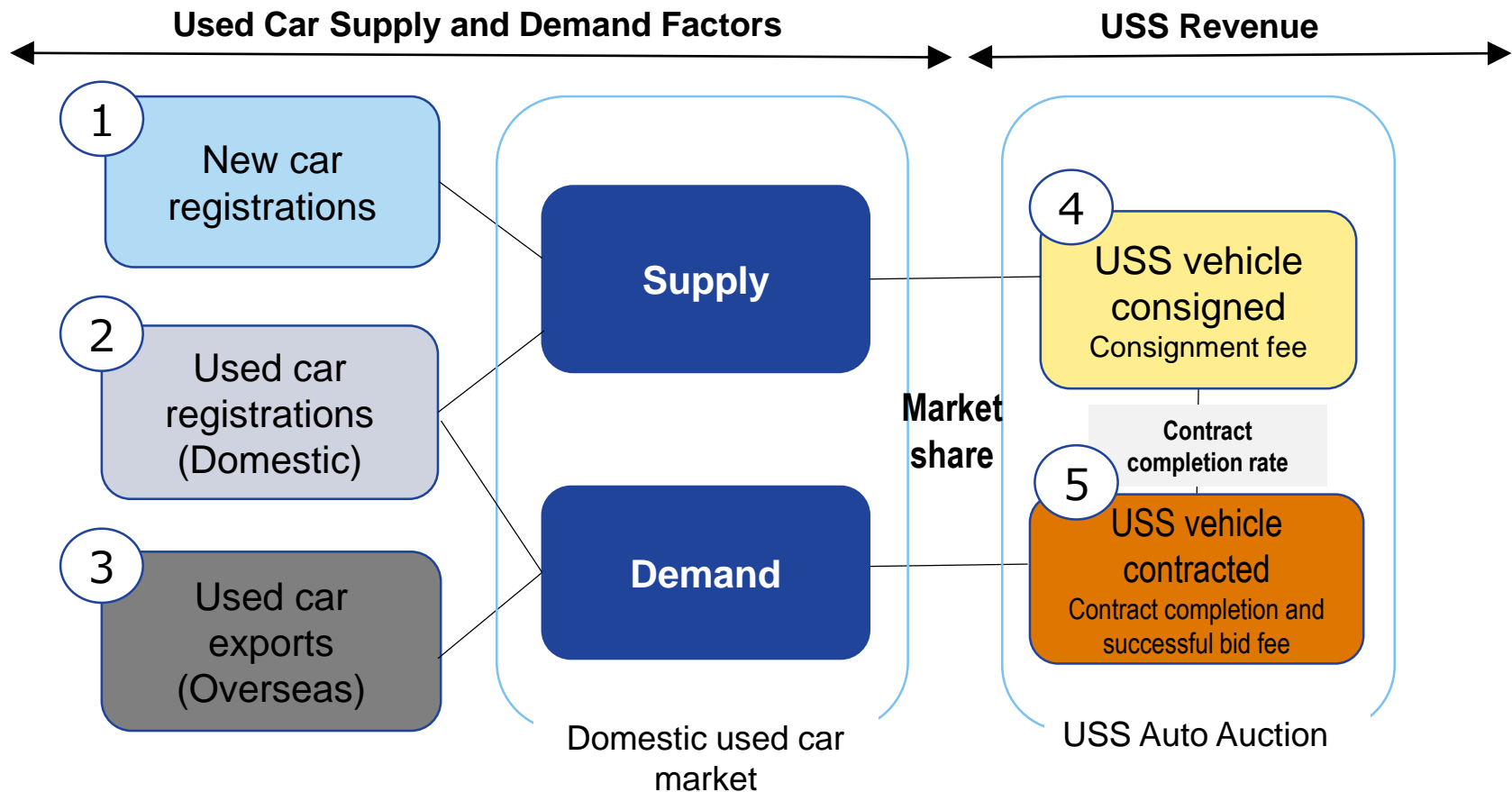


Vehicles consigned
2.92 million units/year
 (FY3/2020)

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

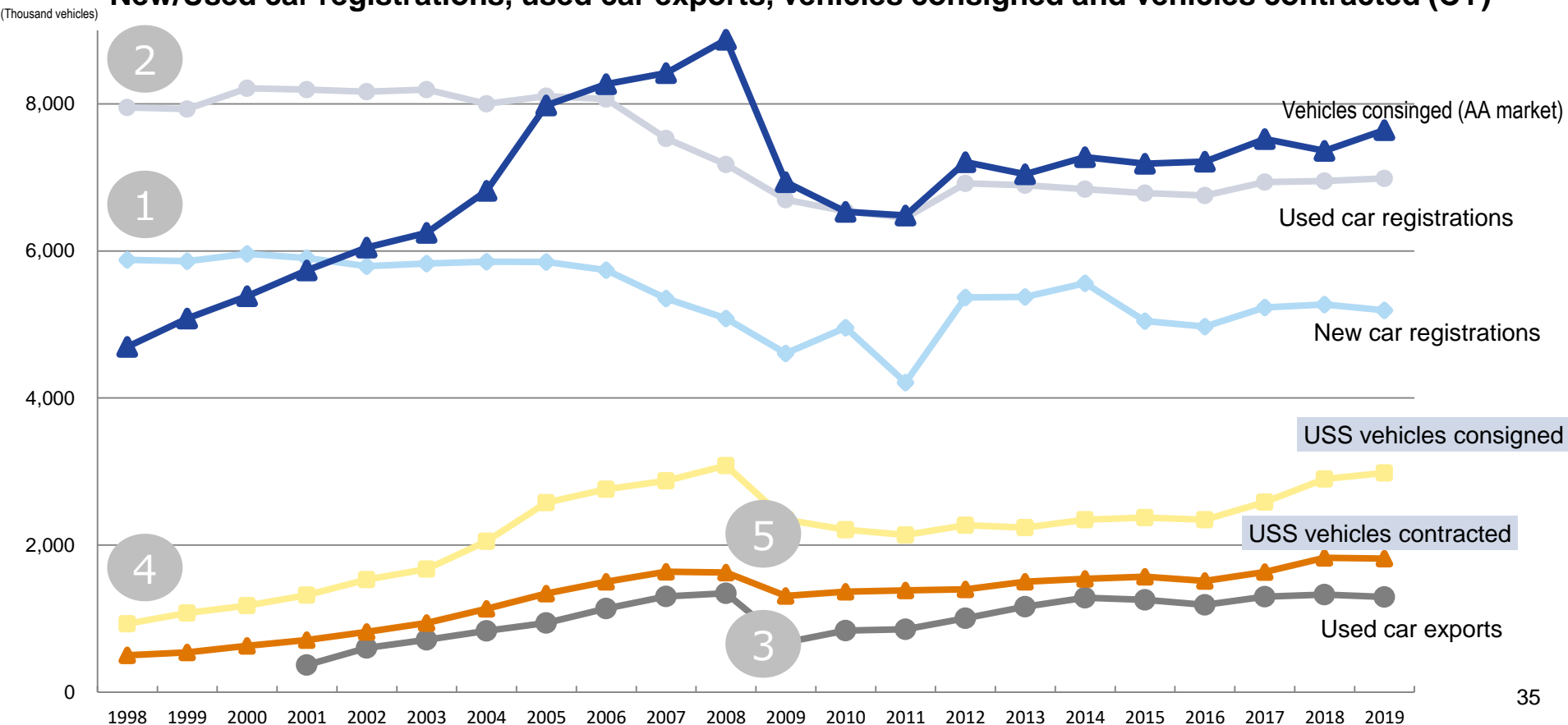
Contract completion rate
60.6% (FY3/2020)

- 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 FY3/2019. 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 November 2020
 Directors: 8 (of which independent outside directors: 3)
 Auditors: 3 (of which independent outside auditors: 2)
 Executive officers: 2