



Consolidated Results of Operations

The First Quarter, Fiscal Year Ending March 31, 2022

USS Co., Ltd.
August 2021

Results of Operations First Quarter Fiscal Year Ending March 2022

1Q FY3/22 Results

- Net sales ¥20.37 billion (up 26.9% YoY)
Operating profit ¥10.64 billion (up 58.1% YoY)
 - Number of vehicles contracted increased as used car demand rose due to delays in new car deliveries and other reasons
 - Used car exports were up 79.4% year-on-year and only 0.1% below the 2019 (pre-pandemic) level
 - In the used vehicle purchasing and selling segment, sales increased as the number of vehicles sold increased and used car auction prices were high
 - In the recycle business, sales and earnings increased as higher prices of metal scrap raised sales and gross profit and the volume of industrial plant demolition work increased

FY3/2022 (Forecast)

- Net sales ¥77.6 billion
 - FY3/2022 plan is 2,800 thousand vehicles consigned, 1,708 thousand vehicles contracted and a contract completion ratio of 61.0%.
- Operating profit ¥38.4 billion

Earnings Distributions

- Plan to pay ¥58.4 for FY3/22 ***aiming for the 22nd consecutive year of dividend increases**
 - Dividend policy: Increased the consolidated payout ratio to at least 55% starting in FY3/2020

Other

- Absorption of JAA and HAA Kobe
 - USS plans to merge with JAA and HAA Kobe on October 1, 2021

1Q FY3/2022 – Summary of Consolidated Results of Operations

- Sales was up 26.9% YoY to ¥20.37 billion, operating profit was up 58.1% to ¥10.64 billion, and profit attributable to owners of parent up 59.1% to ¥7.34 billion.
- Big recoveries in sales and earnings at all levels from one year earlier, when performance was severely impacted by the pandemic, resulting in record-high quarterly sales and earnings.

(Million yen)

	1Q FY3/2020	1Q FY3/2021	1Q FY3/2022	Year on year
Net sales	19,861	16,056	20,370	126.9%
Cost of sales (Per sales)	7,929 (39.9%)	6,808 (42.4%)	7,521 (36.9%)	110.5%
Gross profit (Per sales)	11,931 (60.1%)	9,247 (57.6%)	12,848 (63.1%)	138.9%
Selling, general and administrative expenses (Per sales)	2,747 (13.8%)	2,513 (15.7%)	2,200 (10.8%)	87.6%
Operating profit (Per sales)	9,184 (46.2%)	6,734 (41.9%)	10,648 (52.3%)	158.1%
Ordinary profit (Per sales)	9,331 (47.0%)	6,895 (42.9%)	10,842 (53.2%)	157.2%
Profit attributable to owners of parent (Per sales)	6,258 (31.5%)	4,618 (28.8%)	7,348 (36.1%)	159.1%

1Q FY3/2022 – Reasons for Change in Operating Profit (Actual)

Net sales

Increase in vehicles consigned	1.34bn
Increase in contract completion rate	1.32bn
Increase in recycling	0.71bn
Used vehicle sales/purchases	0.62bn

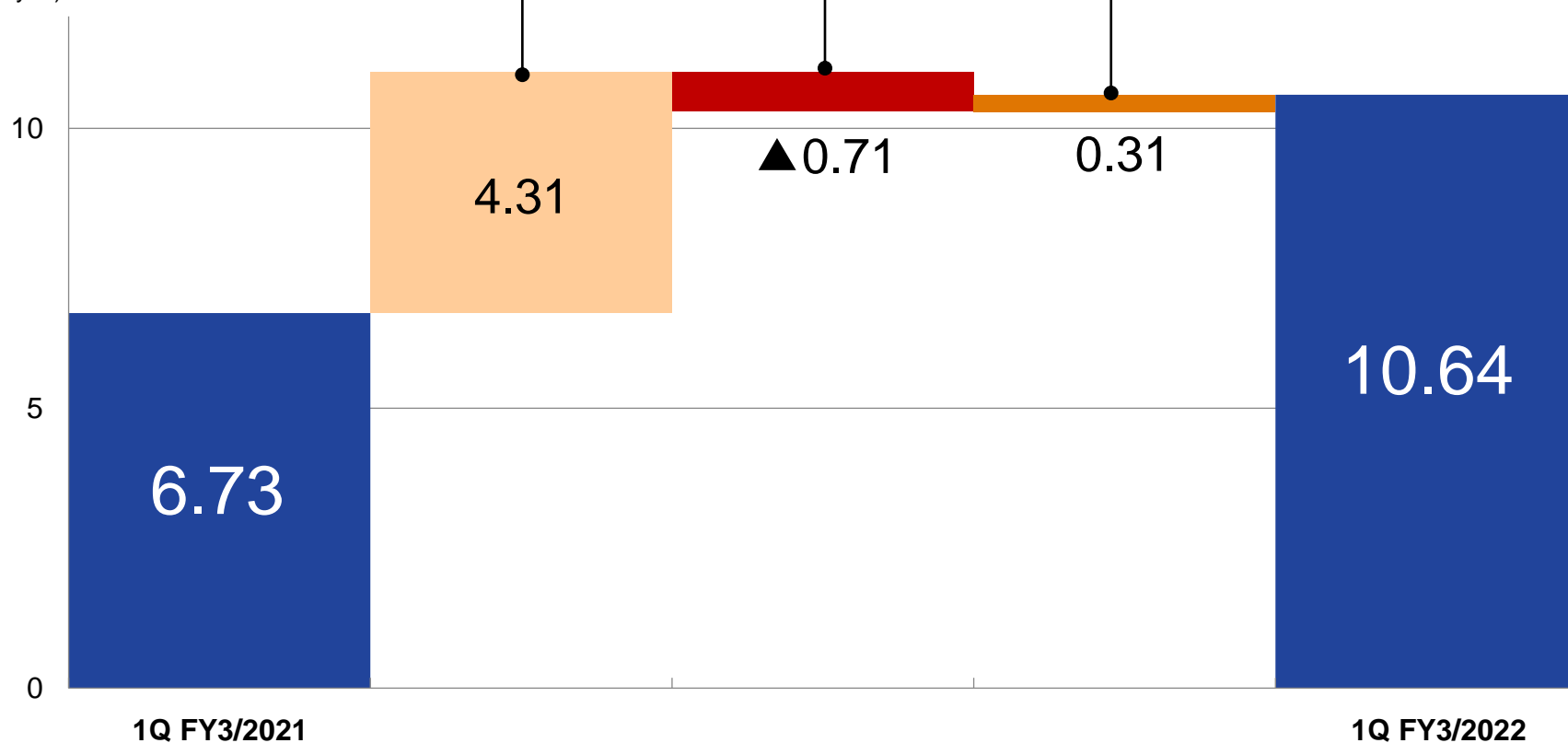
Cost of sales

Increase in cost of materials purchased	▲0.28bn
Increase in cost of goods sold	▲0.20bn
Increase in purchases	▲0.14bn
Increase in employee salaries and bonuses	▲0.09bn

SG&A expenses

Decrease in goodwill amortization	0.30bn
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(Billion yen)



Net Sales and Operating Profit by Business Segment

(Million yen)

Net sales	1Q FY3/2020	1Q FY3/2021	1Q FY3/2022	Year on year
Auto auction	16,358	13,302	16,343	122.9%
Used vehicle purchasing and selling	2,067	1,486	2,110	142.0%
Other	1,434	1,267	1,917	151.3%
Total	19,861	16,056	20,370	126.9%
Operating profit (operating margin)	1Q FY3/2020	1Q FY3/2021	1Q FY3/2022	Year on year
Auto auction	8,986 (54.6%)	6,835 (51.0%)	10,267 (62.5%)	150.2%
Used vehicle purchasing and selling	18 (0.9%)	▲83 (▲5.6%)	18 (0.9%)	-
Other	154 (10.7%)	▲43 (▲3.4%)	357 (18.6%)	-
Elimination of inter-segment transactions	25	24	4	19.7%
Total	9,184 (46.2%)	6,734 (41.9%)	10,648 (52.3%)	158.1%

* 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.

- The primary use of cash in investing activities was the purchase of property, plant and equipment.
- The primary use of cash in financing activities was dividends paid.
- Equity ratio: 83.5%

Consolidated Balance Sheets (Summary)

	FY3/2021	1Q FY3/2022
Current assets	81,528	77,713
Cash and deposits	67,770	63,581
Receivables due from member dealers at auction, etc.	13,757	14,132
Non-current assets	129,171	128,206
Property, plant and equipment	103,302	102,499
Other	25,869	25,707
Total assets	210,699	205,920

(Million yen)

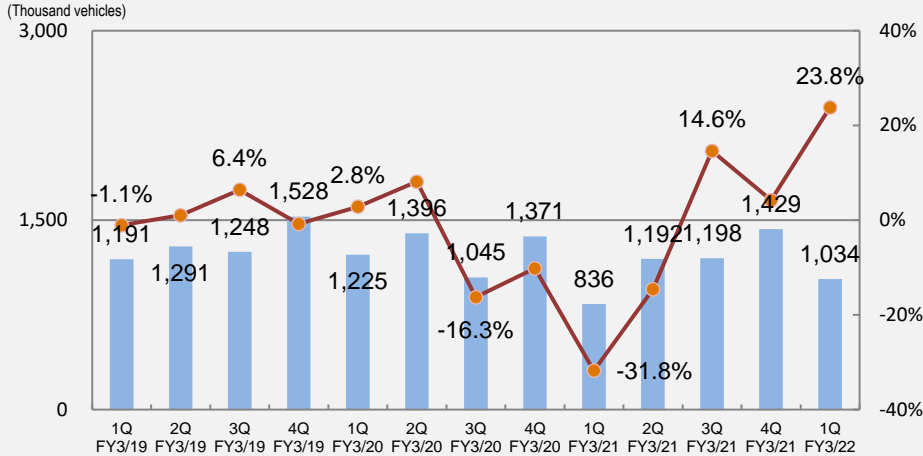
	FY3/2021	1Q FY3/2022
Current liabilities	26,922	21,436
Payables due to member dealers at auction	11,788	9,887
Other	15,133	11,548
Non-current liabilities	10,253	10,228
Total liabilities	37,175	31,664
Total net assets	173,524	174,256
Total liabilities and net assets	210,699	205,920

Consolidated Statements of Cash Flows (Summary)

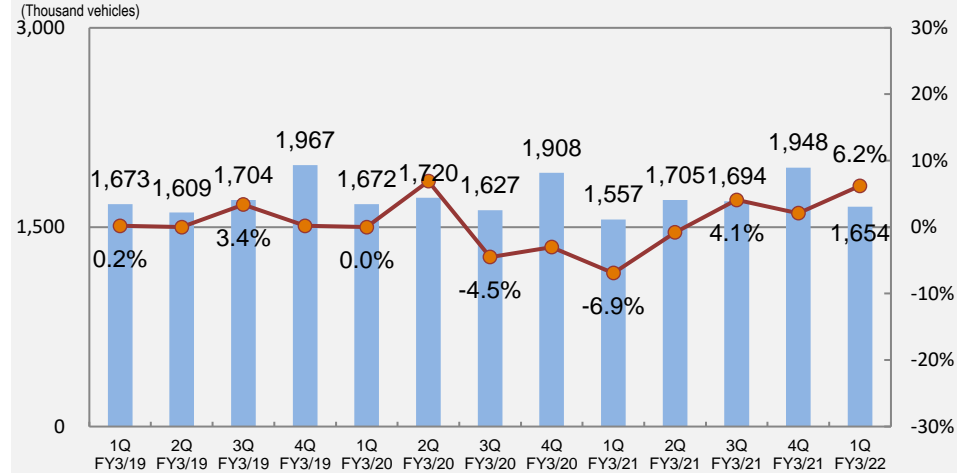
(Million yen)

	1Q FY3/2020	1Q FY3/2021	1Q FY3/2022	Changes
Net cash provided by (used in) operating activities	3,952	4,063	2,529	▲1,534
Net cash provided by (used in) investing activities	▲1,899	▲4,001	▲559	3,441
Free cash flow	2,053	62	1,969	1,906
Net cash provided by (used in) financing activities	▲10,353	▲7,420	▲6,158	1,261
Capital expenditures (Terms of cash flows)	1,622	3,954	562	▲3,391
Depreciation	1,207	1,272	1,219	▲52

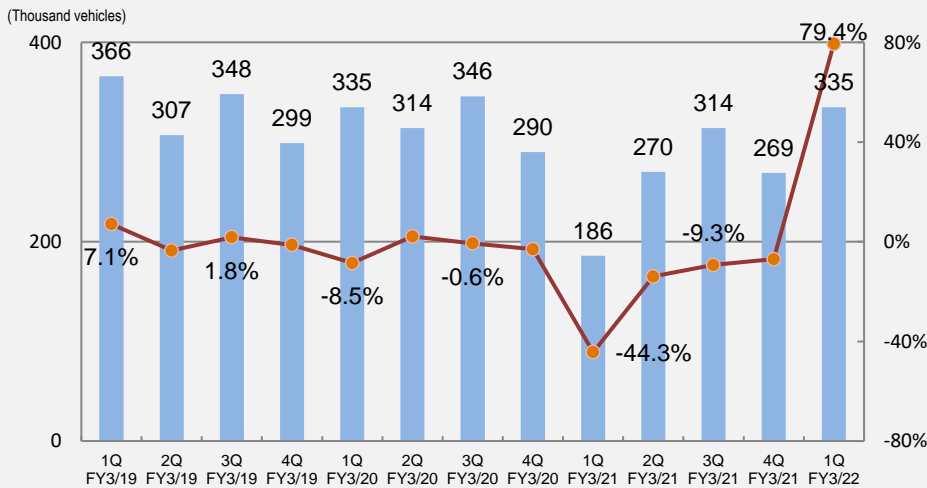
New Car Registrations and YoY Changes



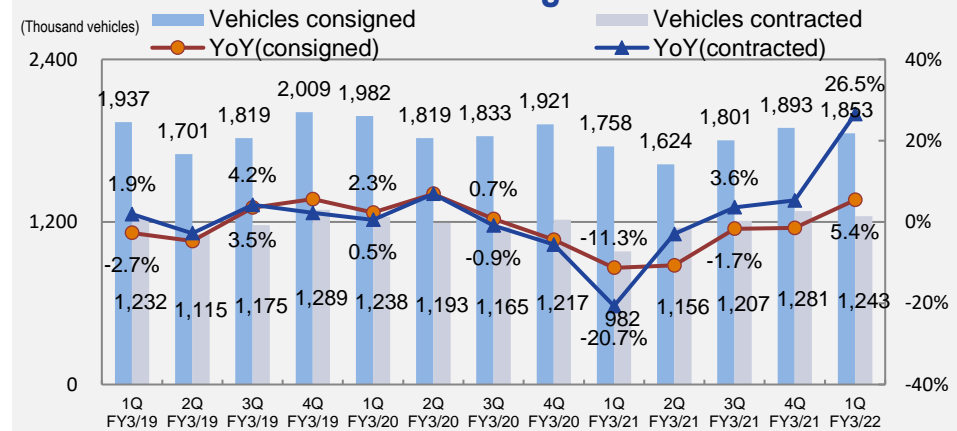
Used Car Registrations and YoY Changes



Used Car Exports and YoY Changes



AA Market: Vehicles Consigned and Contracted and YoY Changes



Auto Auction Segment (1)

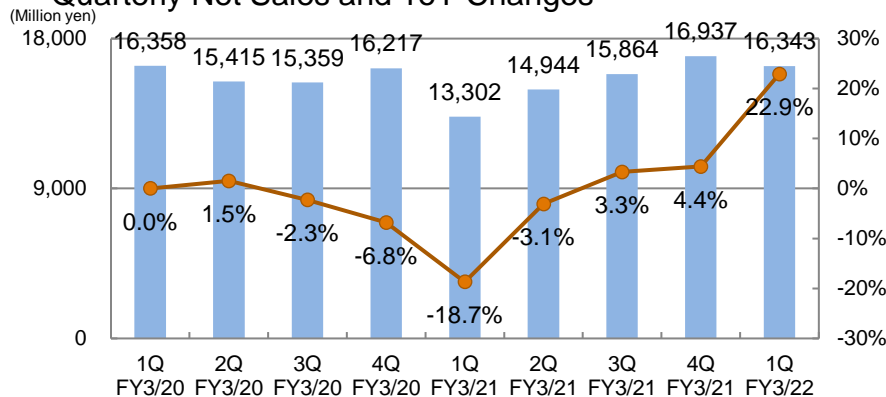
- Vehicles consigned increased 13.0% YoY to 713 thousand; contract completions increased 31.3% YoY to 449 thousand (contract completion rate: 63.0% against 54.2% in the previous fiscal year)
- Sales and earnings increased because of the larger number of vehicles handled, the higher contract completion rate and other reasons.

Auto Auction Segment Performance in 1Q

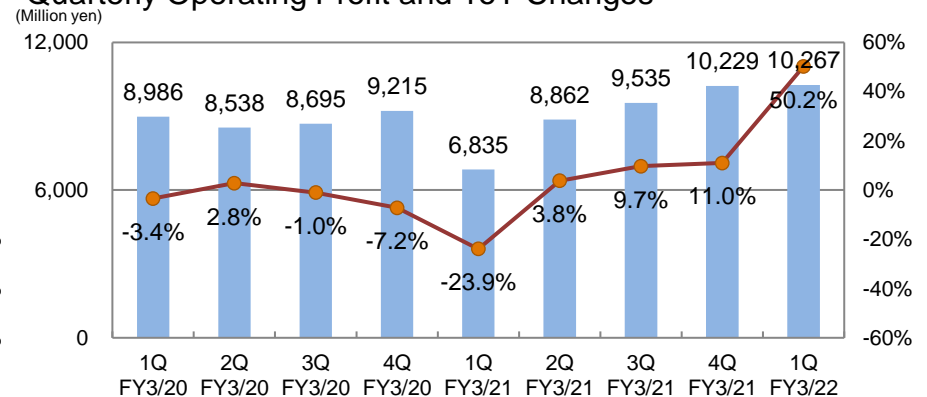
(Million yen)

	1Q FY3/20	1Q FY3/21	1Q FY3/22	Year on year
Net sales	16,358	13,302	16,343	122.9%
Consignment fees	3,869	3,193	3,908	122.4%
Contract completion fees	3,689	2,791	3,780	135.4%
Successful bid fees	5,546	4,408	5,817	132.0%
Other	3,253	2,908	2,836	97.5%
Operating profit	8,986	6,835	10,267	150.2%
Operating margin	54.6%	51.0%	62.5%	-

Quarterly Net Sales and YoY Changes



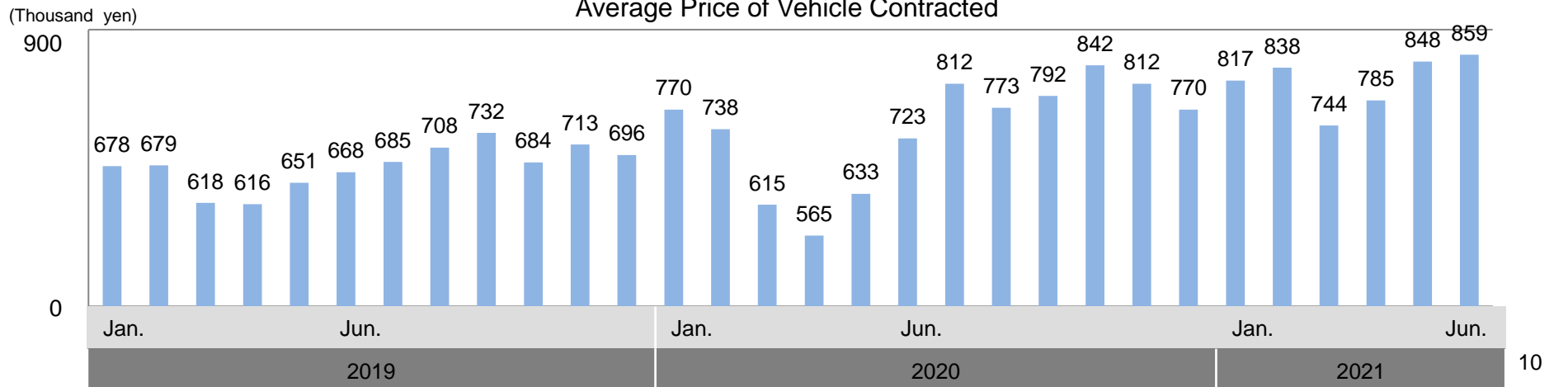
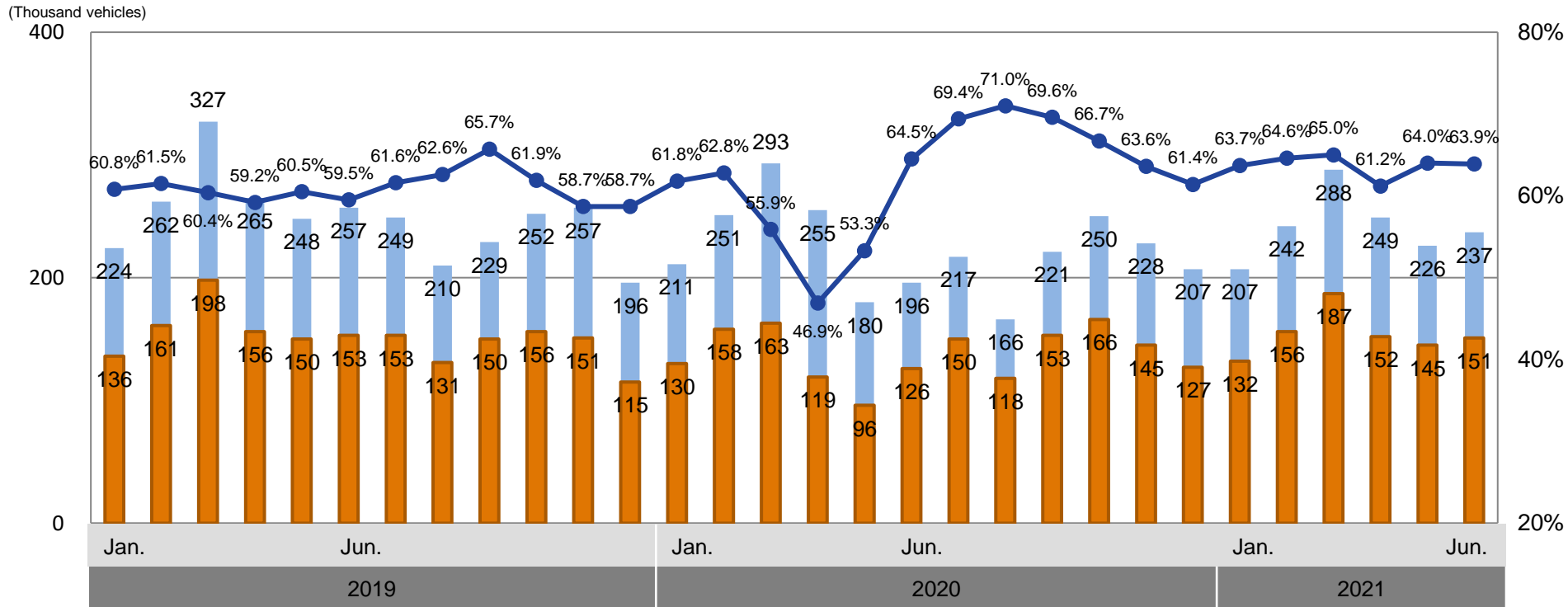
Quarterly Operating Profit and YoY Changes



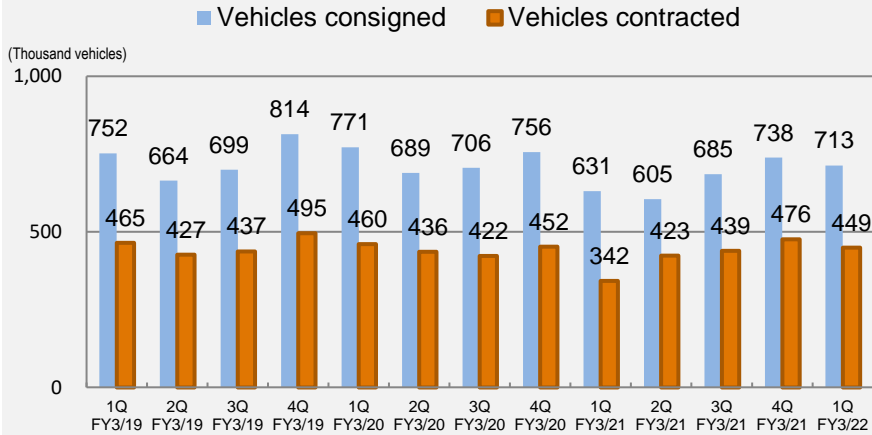
* Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins are calculated by dividing segment profit by segment sales.

Auto Auction Segment (2) Monthly Data

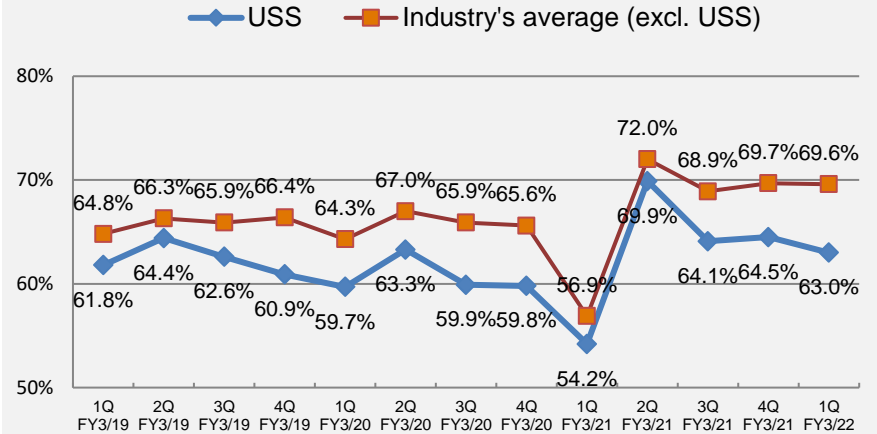
■ Vehicles consigned
 ■ Vehicles contracted
 ● Contract completion rate



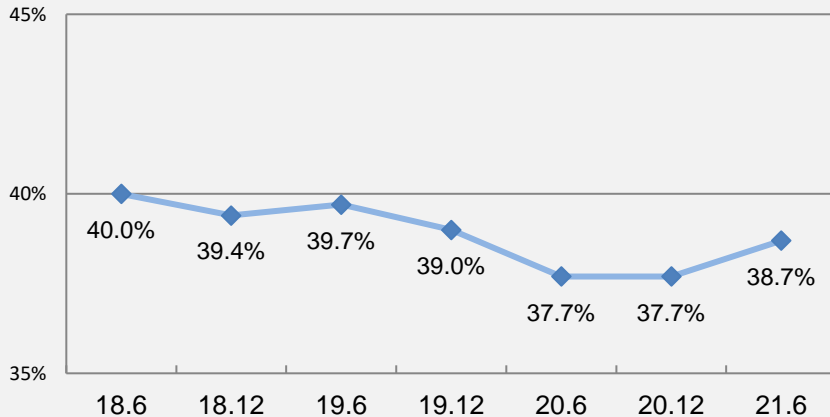
No. of Vehicles Consigned and Vehicles Contracted



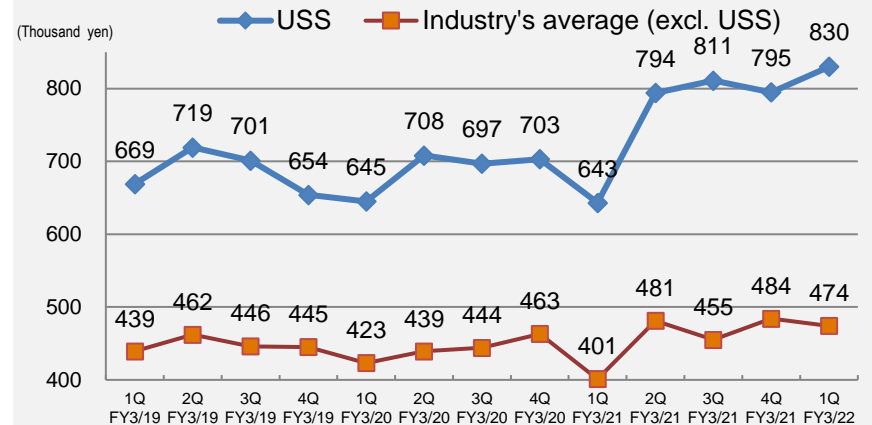
Contract Completion Rate



Market Share



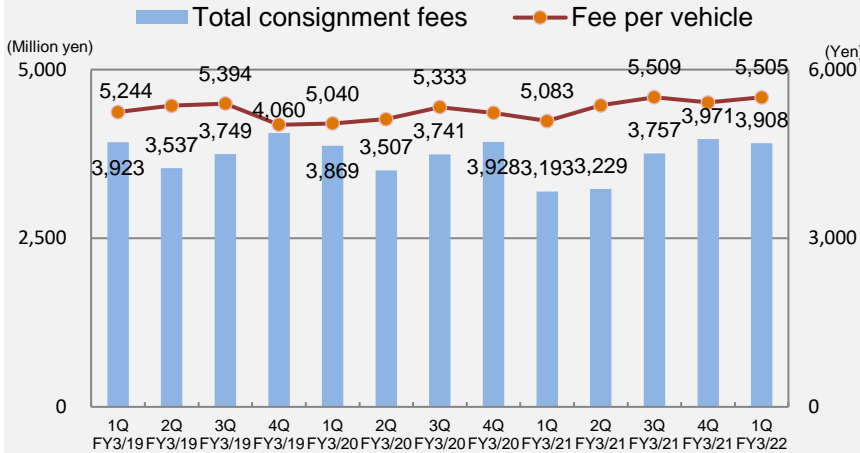
Average Price of Vehicle Contracted



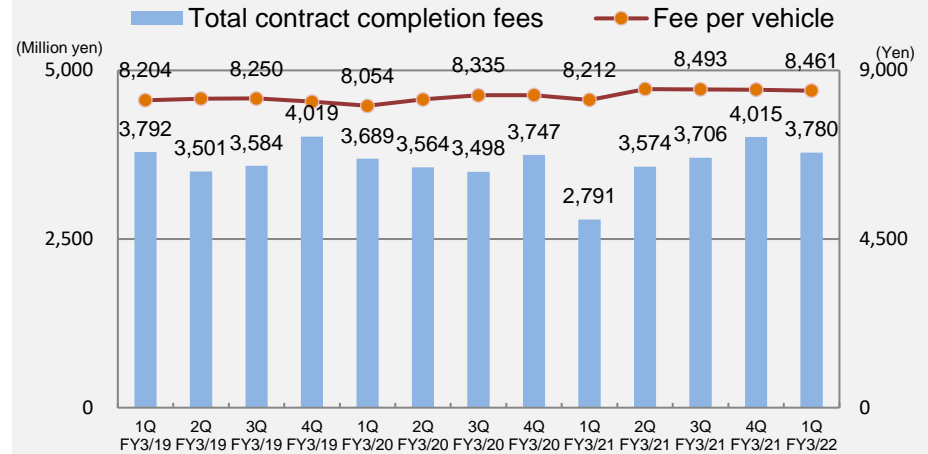
* Period ending in December: 12-month data; Period ending in June: 6-month data.

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

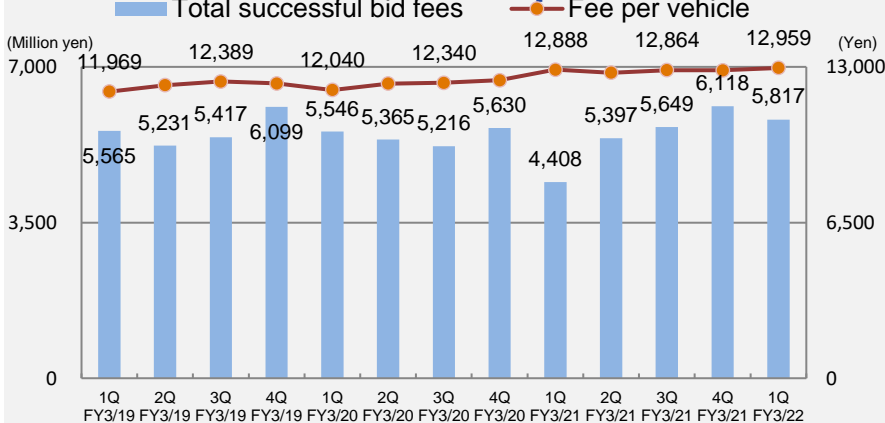
Total Consignment Fees and Consignment Fee per Vehicle



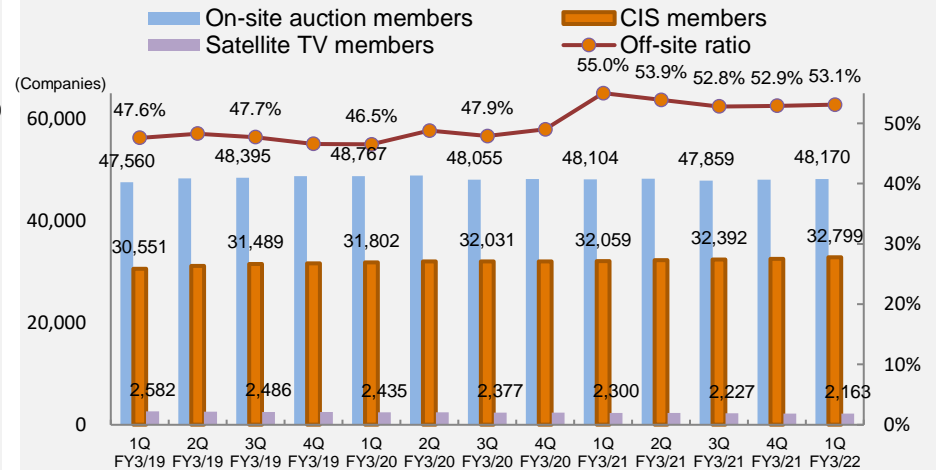
Total Contract Completion Fees and Contract Completion Fee per Vehicle



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 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, 2021 to June 30, 2021

(Number of auctions held, Vehicles)

	Number of auctions		Number of consigned vehicles			Number of contract completions			Contract completion rate	
	1Q FY3/22	1Q FY3/21	1Q FY3/22	1Q FY3/21	YoY change	1Q FY3/22	1Q FY3/21	YoY change	1Q FY3/22	1Q FY3/21
Tokyo	12	12	167,324	141,725	118.1%	112,765	83,261	135.4%	67.4%	58.7%
Nagoya	12	12	119,673	102,615	116.6%	66,964	49,152	136.2%	56.0%	47.9%
Osaka	12	12	56,928	50,144	113.5%	29,951	21,873	136.9%	52.6%	43.6%
Kyushu	12	12	49,515	40,540	122.1%	30,634	20,536	149.2%	61.9%	50.7%
Yokohama	12	12	46,256	41,815	110.6%	30,637	23,308	131.4%	66.2%	55.7%
Sapporo	12	12	35,213	32,111	109.7%	24,280	20,025	121.2%	69.0%	62.4%
Shizuoka	12	12	27,628	22,272	124.0%	17,186	12,883	133.4%	62.2%	57.8%
R-Nagoya	12	12	27,213	30,483	89.3%	23,359	23,333	100.1%	85.8%	76.5%
Kobe	12	12	21,637	15,144	142.9%	12,674	7,714	164.3%	58.6%	50.9%
Okayama	12	12	15,962	14,018	113.9%	12,398	8,505	145.8%	77.7%	60.7%
Niigata	12	12	15,648	12,891	121.4%	8,874	5,846	151.8%	56.7%	45.3%
Gunma	12	12	13,335	12,356	107.9%	9,352	7,219	129.5%	70.1%	58.4%
Saitama	12	12	12,800	12,457	102.8%	7,215	6,069	118.9%	56.4%	48.7%
Tohoku	12	12	12,445	11,404	109.1%	9,725	7,494	129.8%	78.1%	65.7%
Fukuoka	12	12	10,445	11,217	93.1%	6,532	6,178	105.7%	62.5%	55.1%
Hokuriku	12	12	5,033	4,646	108.3%	3,638	2,859	127.2%	72.3%	61.5%
JAA	12	12	19,674	20,893	94.2%	11,047	10,284	107.4%	56.2%	49.2%
HAA Kobe	12	12	56,842	54,960	103.4%	32,179	25,663	125.4%	56.6%	46.7%
Total	216	216	713,571	631,691	113.0%	449,410	342,202	131.3%	63.0%	54.2%

* 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	FY3/20	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	228,129	207,446	207,691	242,073	288,270	1,423,961	2,661,084
	YoY Change	▲3.8	▲27.4	▲23.9	▲13.0	▲20.6	▲3.6	▲15.3	▲1.0	▲11.3	5.6	▲1.8	▲3.9	▲1.7	▲2.7	▲9.0
	FY3/22	249,661	226,767	237,143	248,298			961,869							-	961,869
	YoY Change	▲2.2	25.7	21.0	14.2			-							-	-
No. of Vehicles Contracted	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	145,090	127,329	132,226	156,459	187,412	915,470	1,680,810
	YoY Change	▲23.8	▲36.1	▲17.5	▲2.0	▲10.0	2.1	▲14.7	6.7	▲3.9	10.4	1.2	▲1.0	14.3	4.6	▲5.2
	FY3/22	152,866	145,088	151,456	156,301			605,711							-	605,711
	YoY Change	27.8	50.9	19.8	3.6			-							-	-
Contract Completion Rate	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	63.6	61.4	63.7	64.6	65.0	64.3	63.2
	FY3/22	61.2	64.0	63.9	62.9			-							-	-

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

Used Vehicle Purchasing and Selling Segment

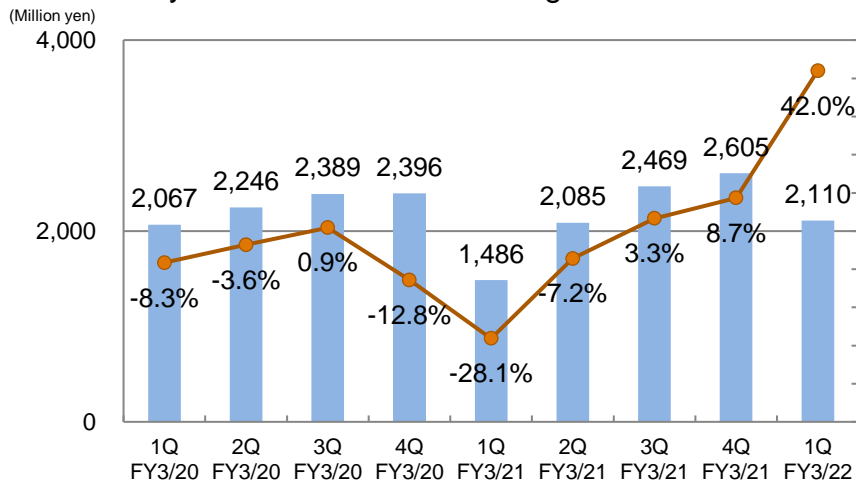
- Sales and earnings increased at Rabbit, which purchases used vehicles, as the number of vehicles sold increased and used car auction prices were high. (Net sales increased 58.1% YoY to ¥1,219 million, Operating profit ¥32 million (operating loss of ¥37 million in 1Q FY3/21))
- In the accident-damaged vehicle purchasing and selling business, the gross profit per vehicle increased but there was an operating loss due to the small number of vehicles sold. (Net sales increased 24.6% YoY to ¥891 million, Operating loss ¥13 million (operating loss of ¥45 million in 1Q FY3/21))

Used Vehicle Purchasing and Selling Segment Performance in 1Q

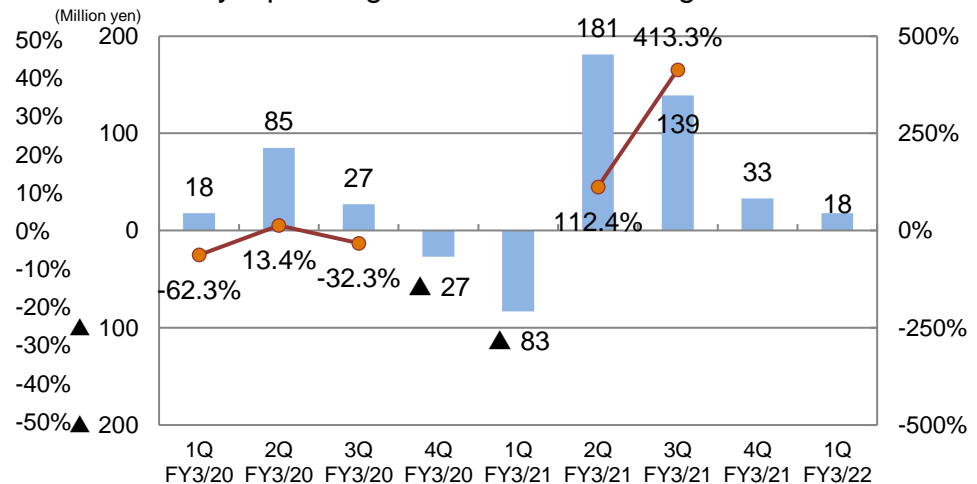
(Million yen)

	1Q FY3/20	1Q FY3/21	1Q FY3/22	Year on year
Net sales	2,067	1,486	2,110	142.0%
Operating profit	18	▲83	18	-
Operating margin	0.9%	▲5.6%	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

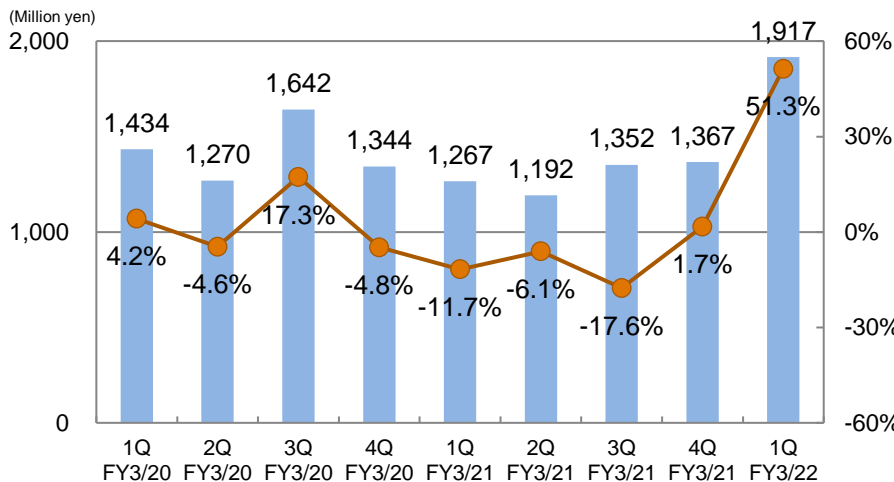
- In the recycle business, sales and earnings increased because high prices of metal scrap raised sales and gross profit and there was a large number and volume of industrial plant demolition projects. (Net sales increased 60.5% YoY to ¥1,892 million, Operating profit ¥340 million (operating loss of ¥43 million in 1Q FY3/21))

Other Segment Performance in 1Q

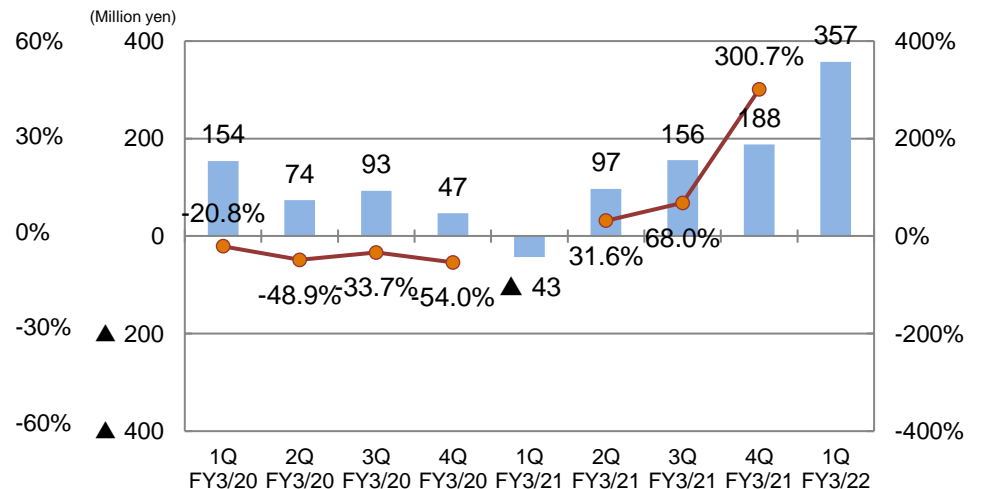
(Million yen)

	1Q FY3/20	1Q FY3/21	1Q FY3/22	Year on year
Net sales	1,434	1,267	1,917	151.3%
Operating profit	154	▲43	357	-
Operating margin	10.7%	▲3.4%	18.6%	-

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.

Consolidated Forecast for FY3/2022

■ No revisions to the FY3/22 forecast announced on May 11, 2021

(Million yen)

	FY3/20 (Actual)	FY3/21 (Actual)	FY3/22 (Forecast)	VS. previous year
Net sales	78,143	74,874	77,600	103.6%
Gross profit (Per sales)	47,188 (60.4%)	46,533 (62.1%)	47,620 (61.4%)	102.3%
Operating profit (Per sales)	36,009 (46.1%)	36,227 (48.4%)	38,400 (49.5%)	106.0%
Ordinary profit (Per sales)	36,710 (47.0%)	36,996 (49.4%)	39,100 (50.4%)	105.7%
Profit attributable to owners of parent (Per sales)	20,634 (26.4%)	4,022 (5.4%)	26,500 (34.1%)	658.8%
Profit per share (Yen)	82.44	16.13	106.29	659.0%
Capital expenditures (Terms of cash flows)	4,523	8,985	4,400	49.0%
Depreciation	5,037	5,334	4,909	92.0%
Auto Auction Business (excl. JBA)				
Auto Auction Business (excl. JBA)	FY3/20 (Actual)	FY3/21 (Actual)	FY3/22 (Forecast)	VS. previous year
No. of vehicles consigned (Thousands)	2,924	2,661	2,800	105.2%
No. of vehicles contracted (Thousands)	1,772	1,680	1,708	101.6%
Contract completion rate	60.6%	63.2%	61.0%	-

FY3/2022 – Reasons for Change in Operating Profit (Forecast)

Net sales

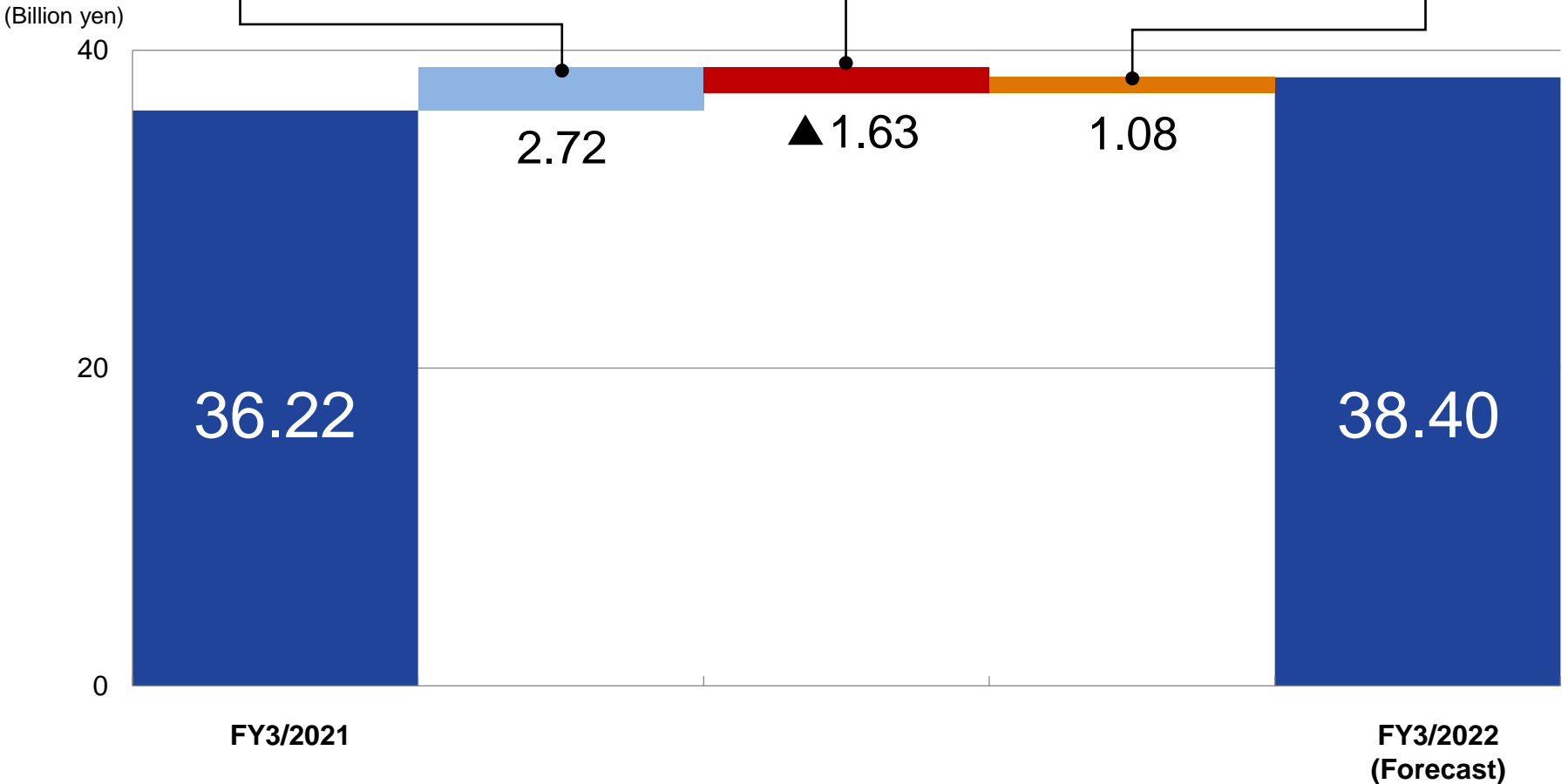
Increase in vehicles consigned 2.60bn
 Increase in recycling 0.94bn
 Used vehicle sales/purchases 0.40bn
 Decrease in contract completion rate ▲1.28bn

Cost of sales

Increase in purchases ▲0.79bn
 Increase in cost of goods sold ▲0.74bn

SG&A expenses

Decrease in goodwill amortization 1.20bn



(Million yen)

	FY3/20 (Actual)	FY3/21 (Actual)	FY3/22 (Forecast)	VS. previous year
Net sales				
Auto auction	63,350	61,048	62,695	102.7%
Used vehicle purchasing and selling	9,099	8,646	9,051	104.7%
Other	5,692	5,180	5,853	113.0%
Total	78,143	74,874	77,600	103.6%
Operating profit (Per sales)	36,009 (46.1%)	36,227 (48.4%)	38,400 (49.5%)	106.0%

Market Overview

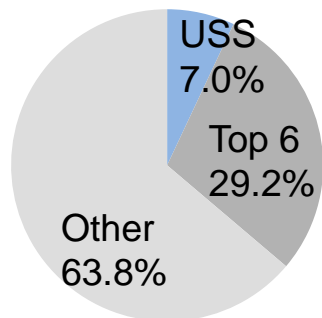
Strategy for Creating Value Over the Medium Term

Used Car Auction Market and USS Market Share

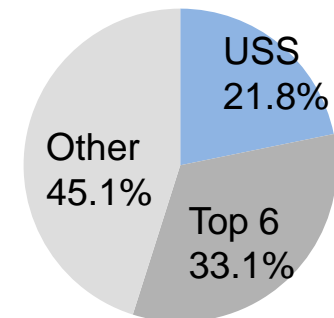
■ Maintained higher market shares and profit in the period of sluggish markets following the financial crisis of 2008-2009.

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

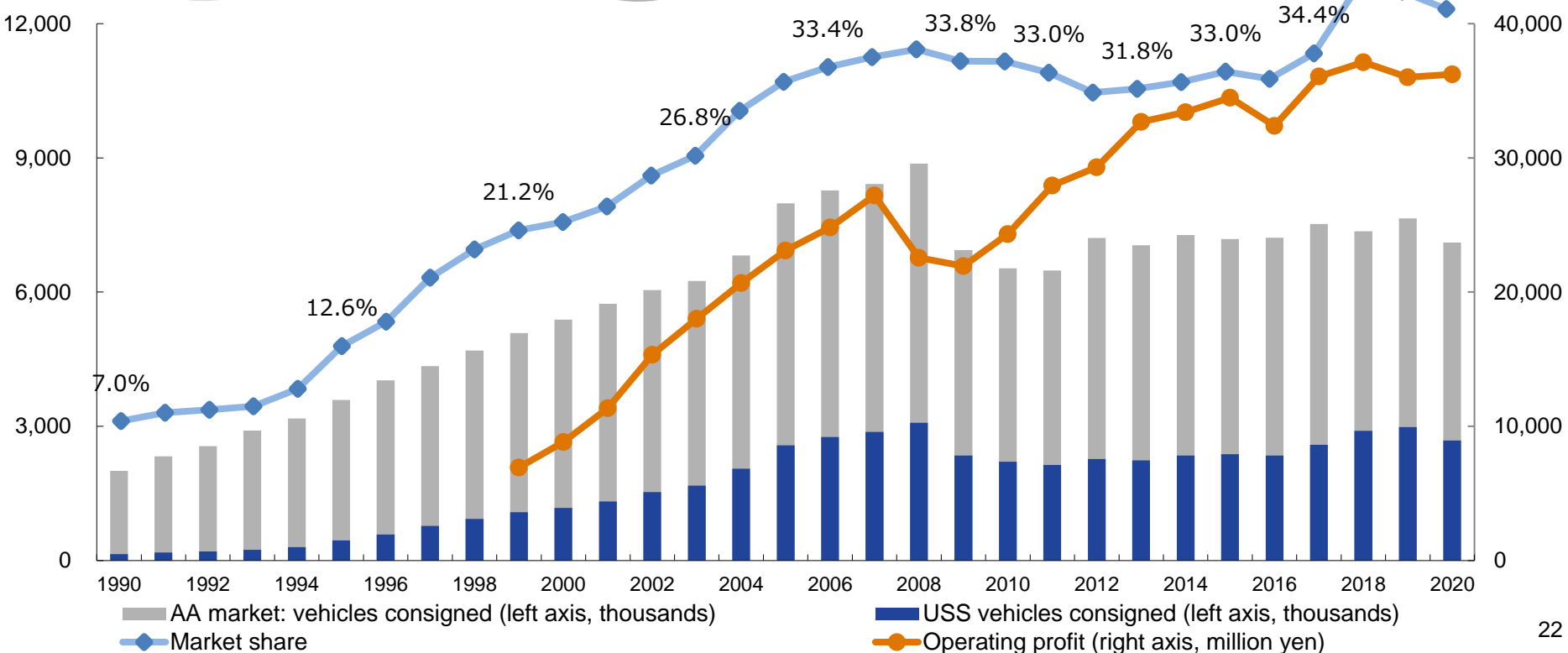
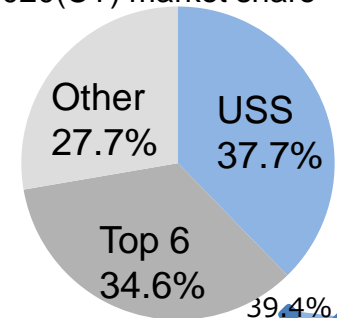
1990(CY) market share



2000(CY) market share

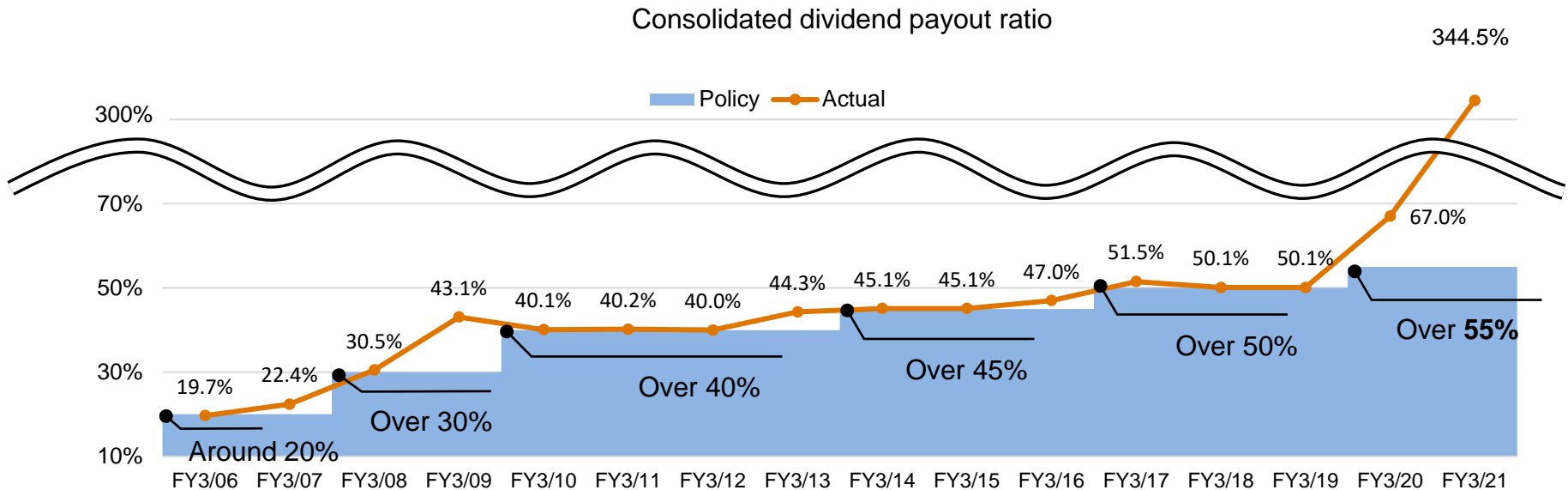


2020(CY) market share



Increase shareholder distributions while continuing investment for growth

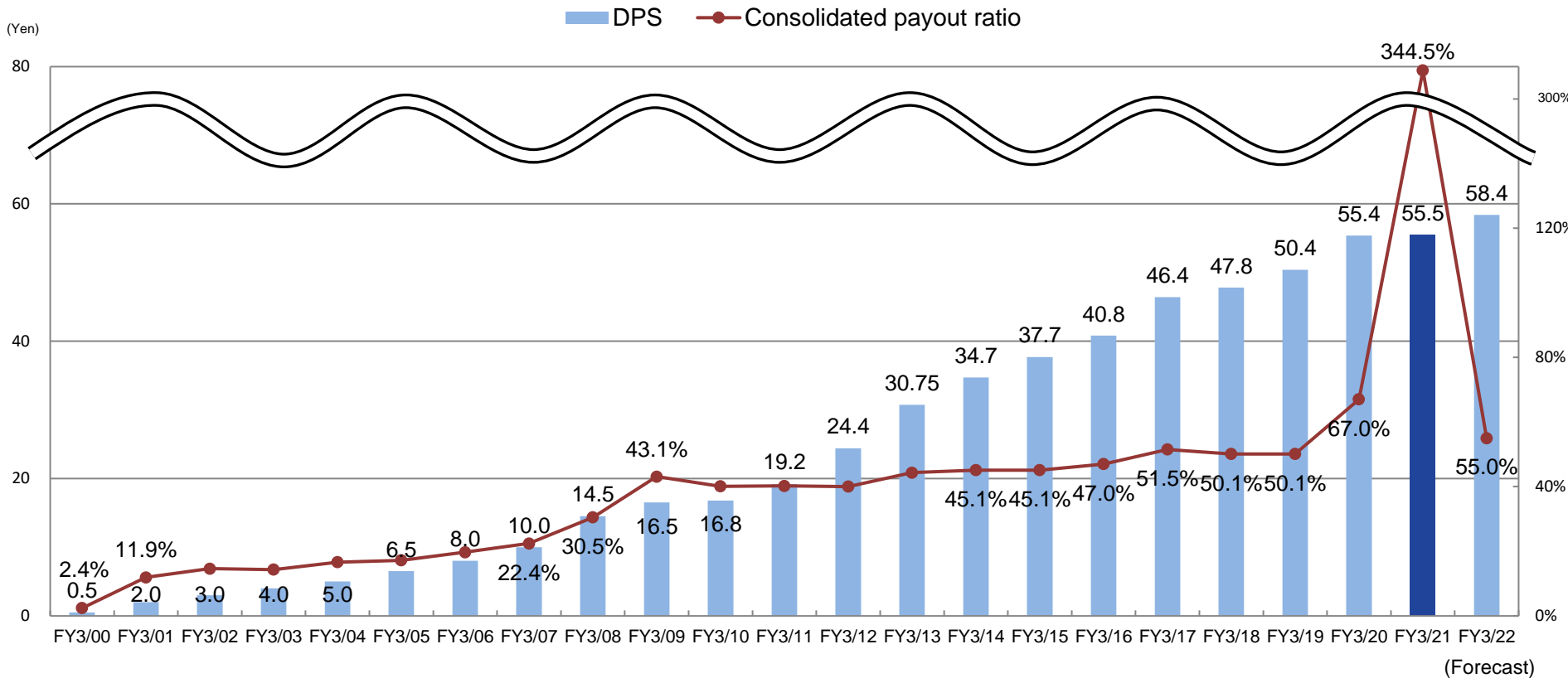
■ Consolidated dividend payout ratio: Over **55%** from FY3/2020



■ 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%

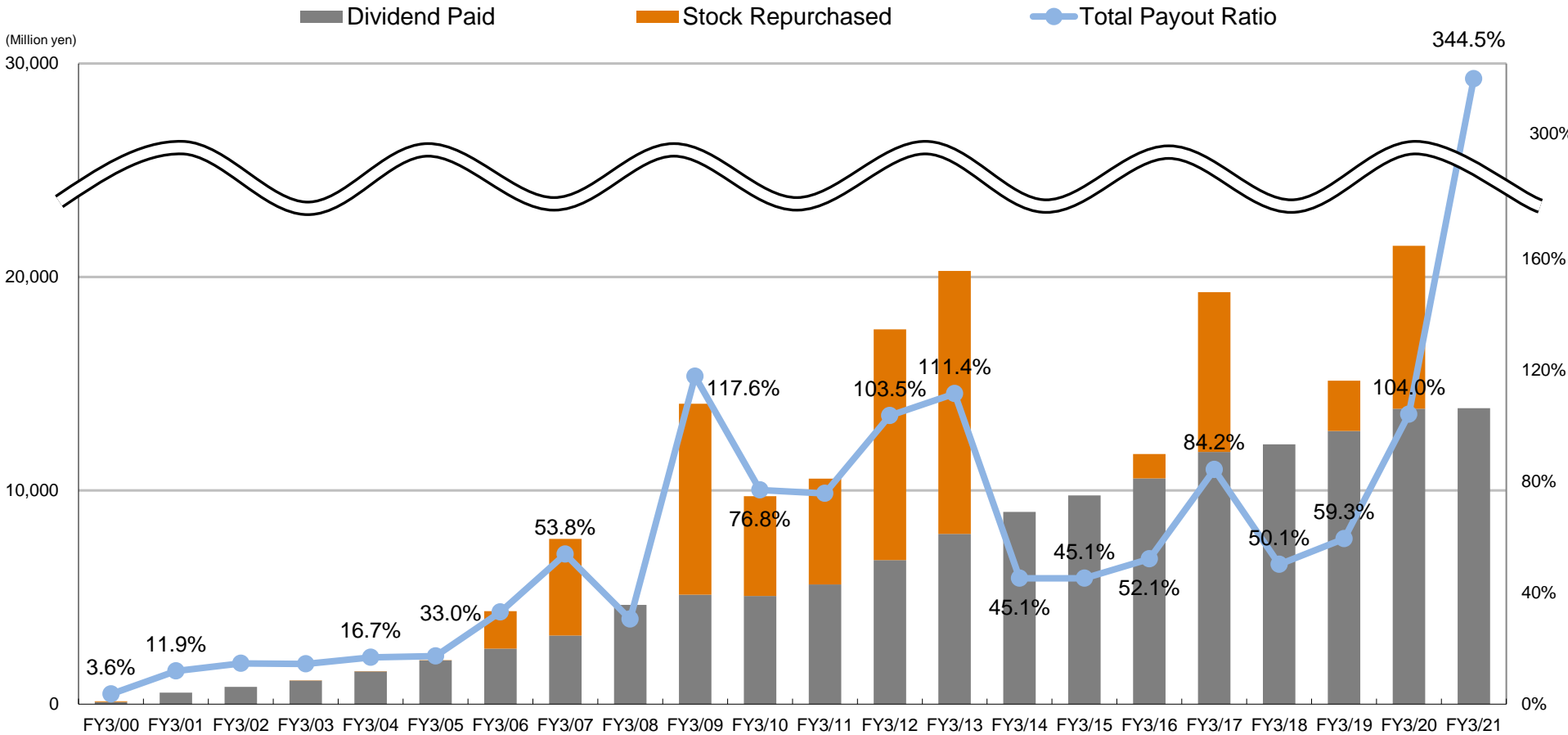
- Plan to pay **58.4 yen** dividend per share for FY3/2022 (up 2.9 yen)
- Forecasting **22 consecutive years** of dividend growth since listing



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

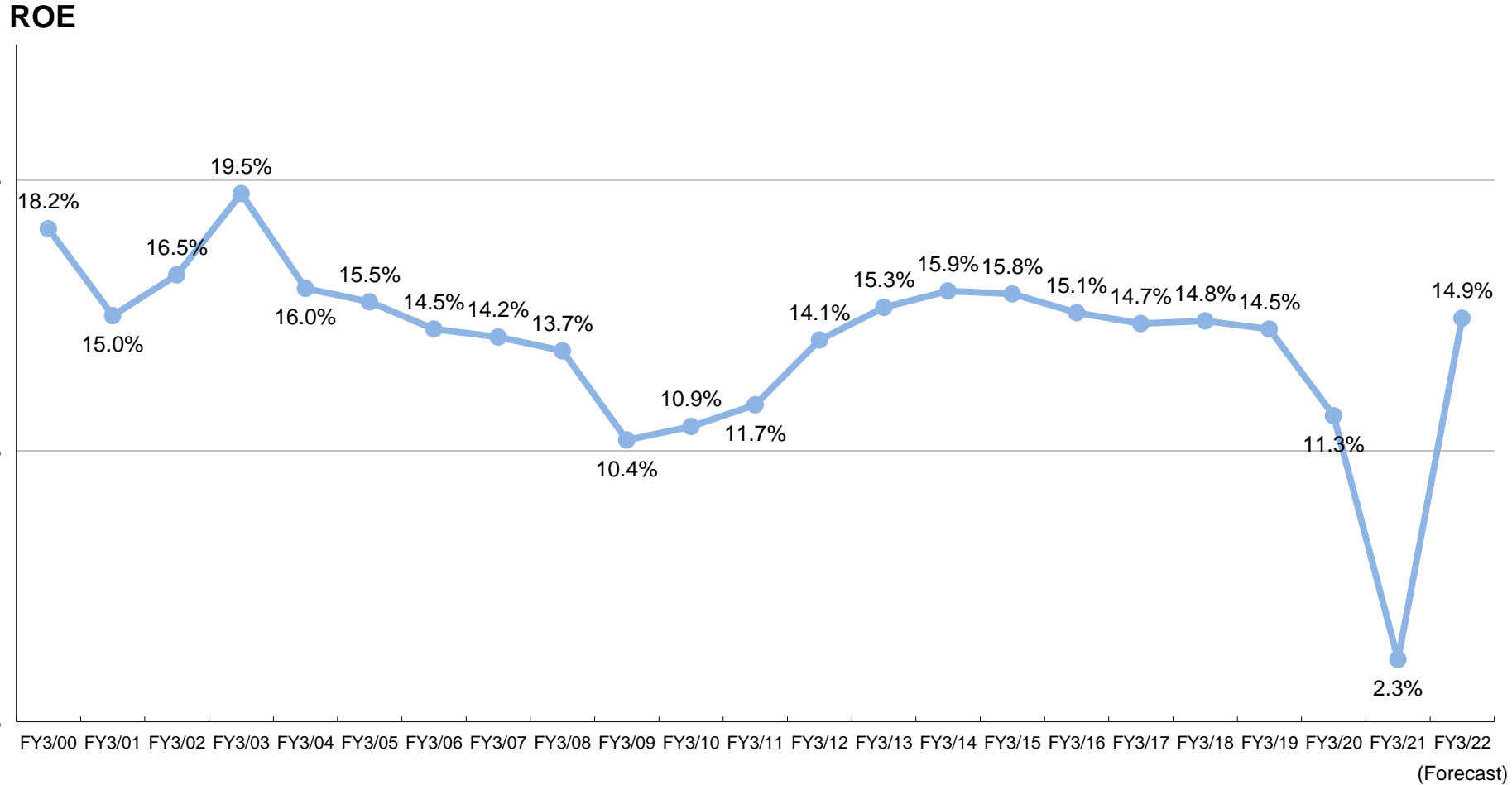
Earnings Distributions – Total Payout Ratio

■ Flexible stock repurchases while maintaining stable dividend.

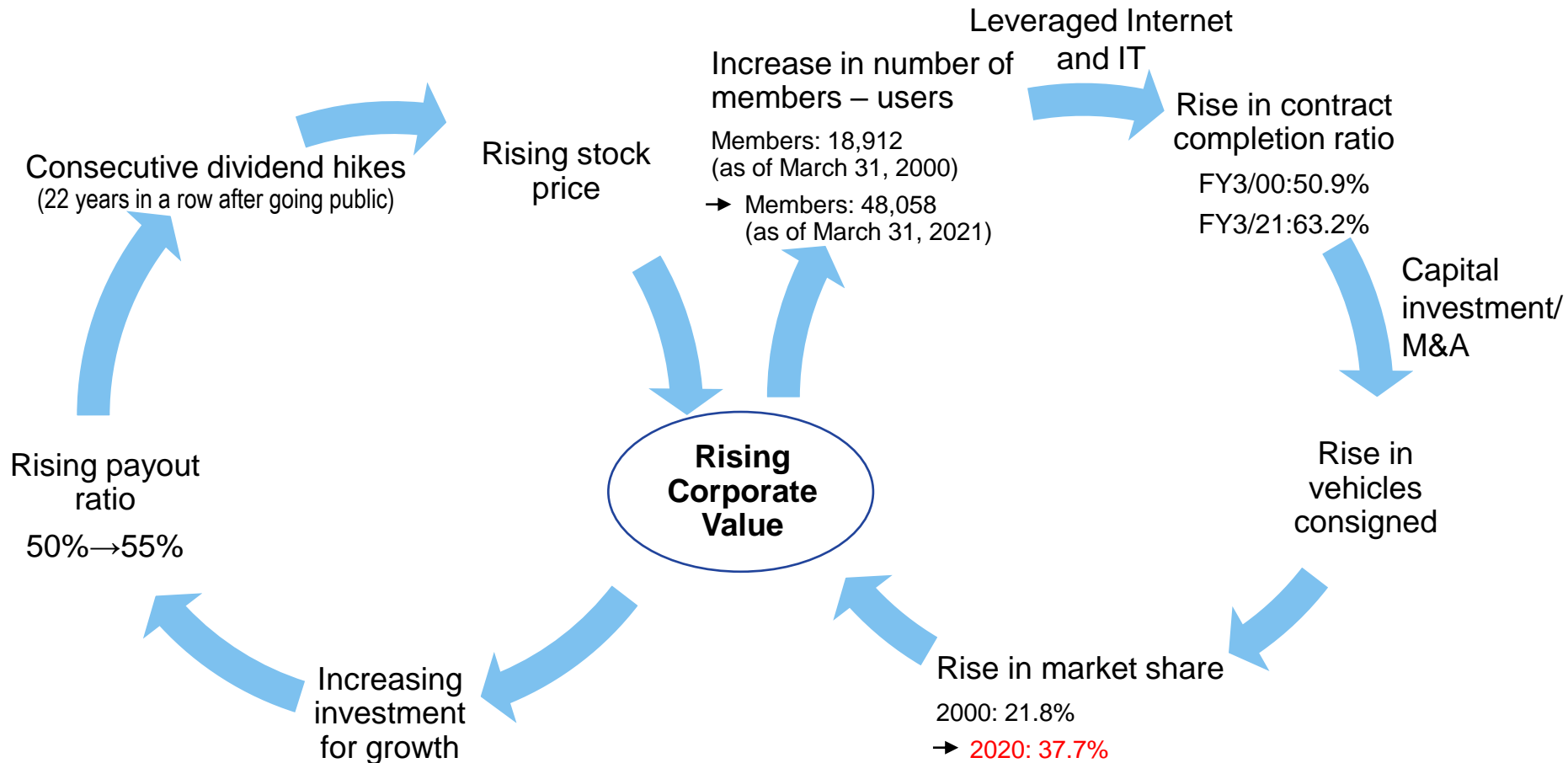


Earnings Distributions – Return on Equity (ROE)

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



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

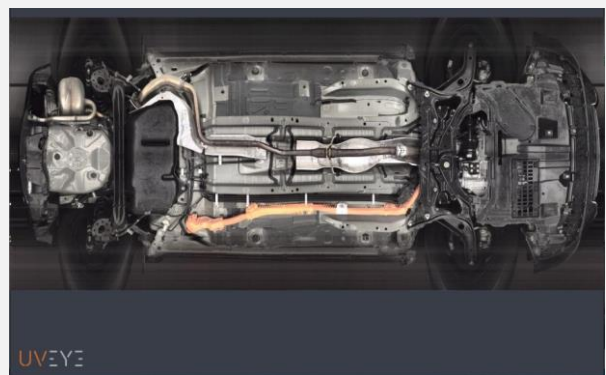


Auto Auction Segment – DX initiatives (1)

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

Underbody imaging system

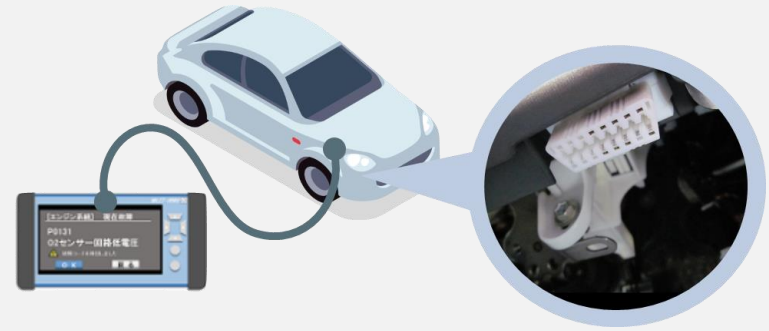
This system is used to inspect underneath vehicles, including tires and wheels. A specialized unit takes pictures that allow finding tiny scratches, dents and other external defects under a vehicle and sides of tires & wheels that are overlooked by a conventional visual inspection. Currently USS is introducing more imaging systems for the Nagoya Auction Site and other locations to expand the use of the underbody imaging system.



A picture of the underbody of a car
 *Accessible only to USS Internet auction members

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, engines, 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

Auto Auction Segment – DX initiatives (2)

- Started work on the digitalization of the auction sheet (entry form). Commenced test operations at the Nagoya and other sites with the aim of launching full-scale operations by the close of the fiscal year ending in March 2022.

Digitization will lead to more efficient auction operations, improve member convenience and expand the range of its applications.

Now

Members write vehicle information on a paper auction sheet and submit it to USS.

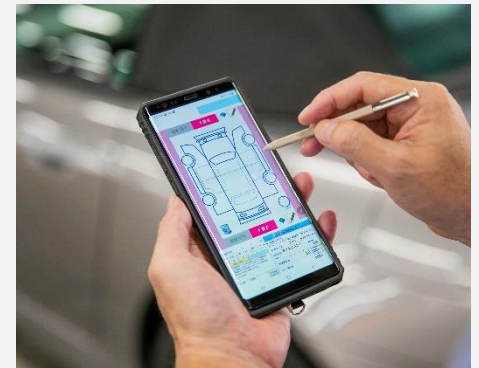
→ A USS inspector inspects the vehicle and writes the evaluation by hand on the auction sheet.

Introduction of digital entry sheet

The member willing to consign a vehicle reads a QR code on the vehicle inspection certificate from a dedicated website, vehicle information can be easily digitized.

The vehicle information will be reflected on the USS inspector's inspection tablet, and the inspector will then enter* the inspection results on the tablet.

* The expressions in the inspection result are unified, as the system employs a selective format for the degrees of scratches and dents.



Inspection tablet

Contact Information

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Notes

- This document has been translated from the original Japanese as a guide for non-Japanese investors.
- Forward-looking statements in this material are based on information available to management at the time this material was prepared and assumptions that management believes are reasonable. These statements are not promises by the Company regarding future performance. Actual results may differ significantly from these statements for a number of reasons.
- The information provided in this material may include unaudited figures.
- The amounts less than the units shown are discarded.
- Percentages are rounded to the hundredths place.

Reference materials

Japan Automobile Dealers Association, Japan Light Motor Vehicle and Motorcycle Association, USED CAR Co., Ltd., Trade Statistics of Japan Ministry of Finance

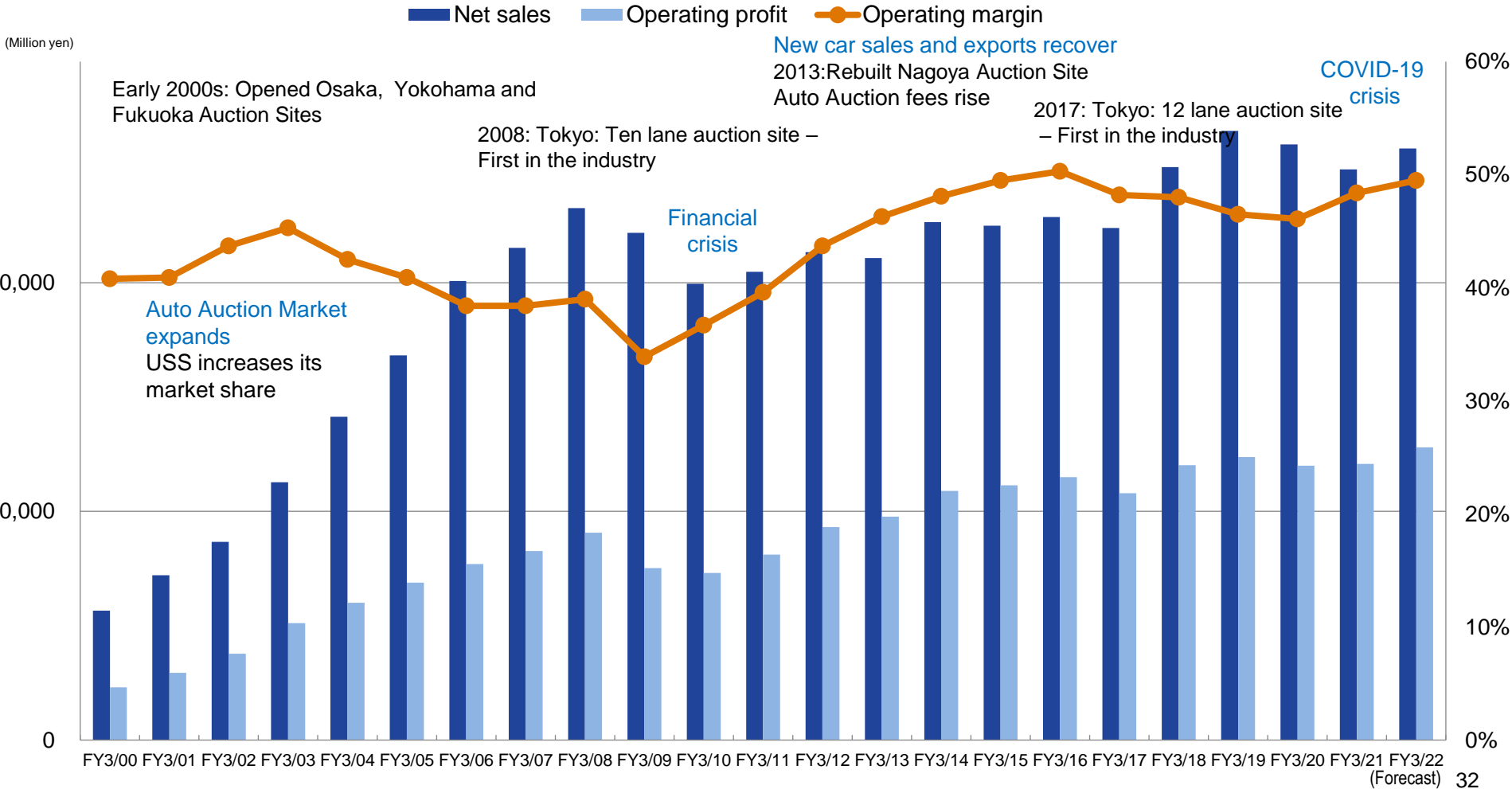
Reference

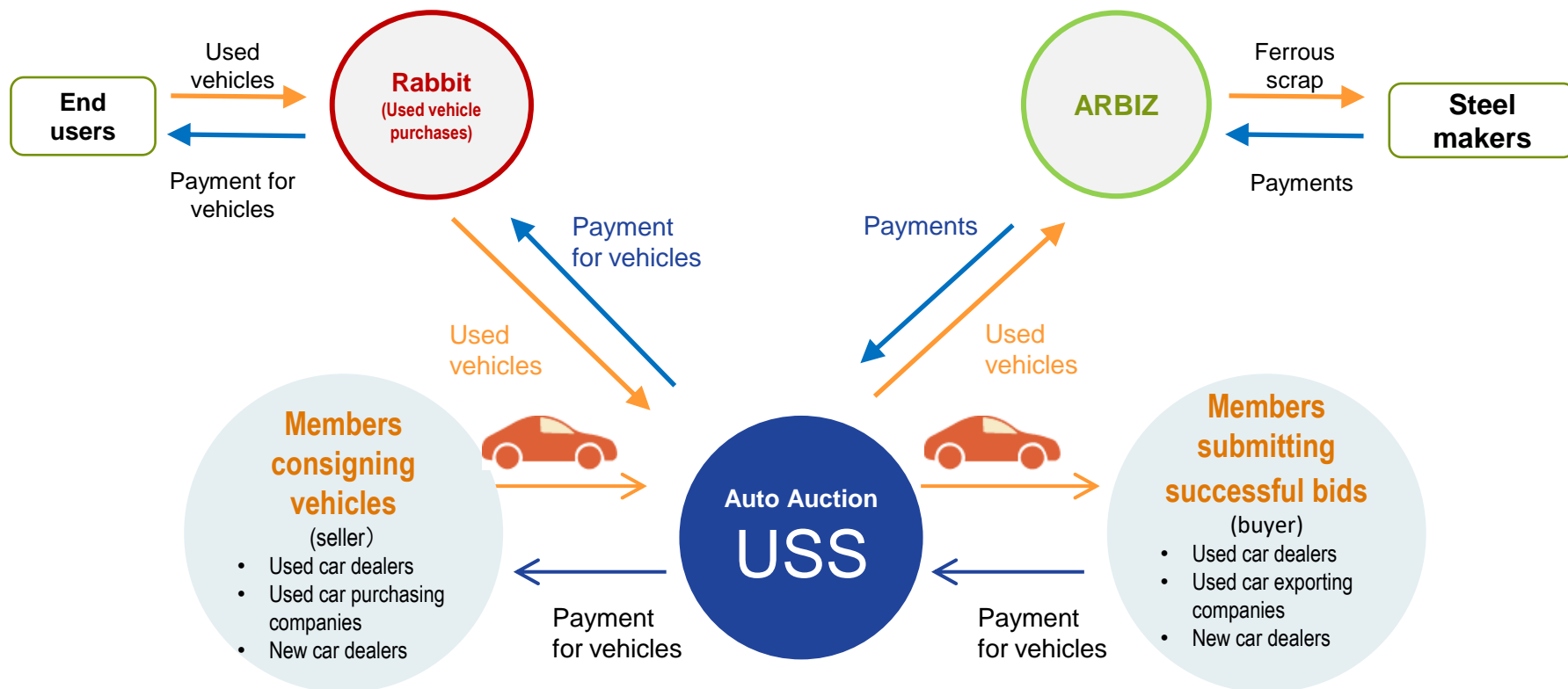
History of USS Long-term Growth

Before 2000

1982: Held the first auction with only 255 vehicles consigned
 1988: Expanded the Nagoya Auction Site. The number of POS seats was 570 (the largest in Japan).
 Early nineties: Opened Kyushu and Tokyo Auction Sites
 Late nineties: Opened Okayama, Shizuoka, Sapporo and West Tokyo (currently the Saitama auction site) Auction Sites

2017: JAA acquisition raises Tokyo/Nagoya/Osaka area market share to more than 40%





Consignment fee
Ave. **8,000yen**

Contract completion fee
Ave. **8,000yen**

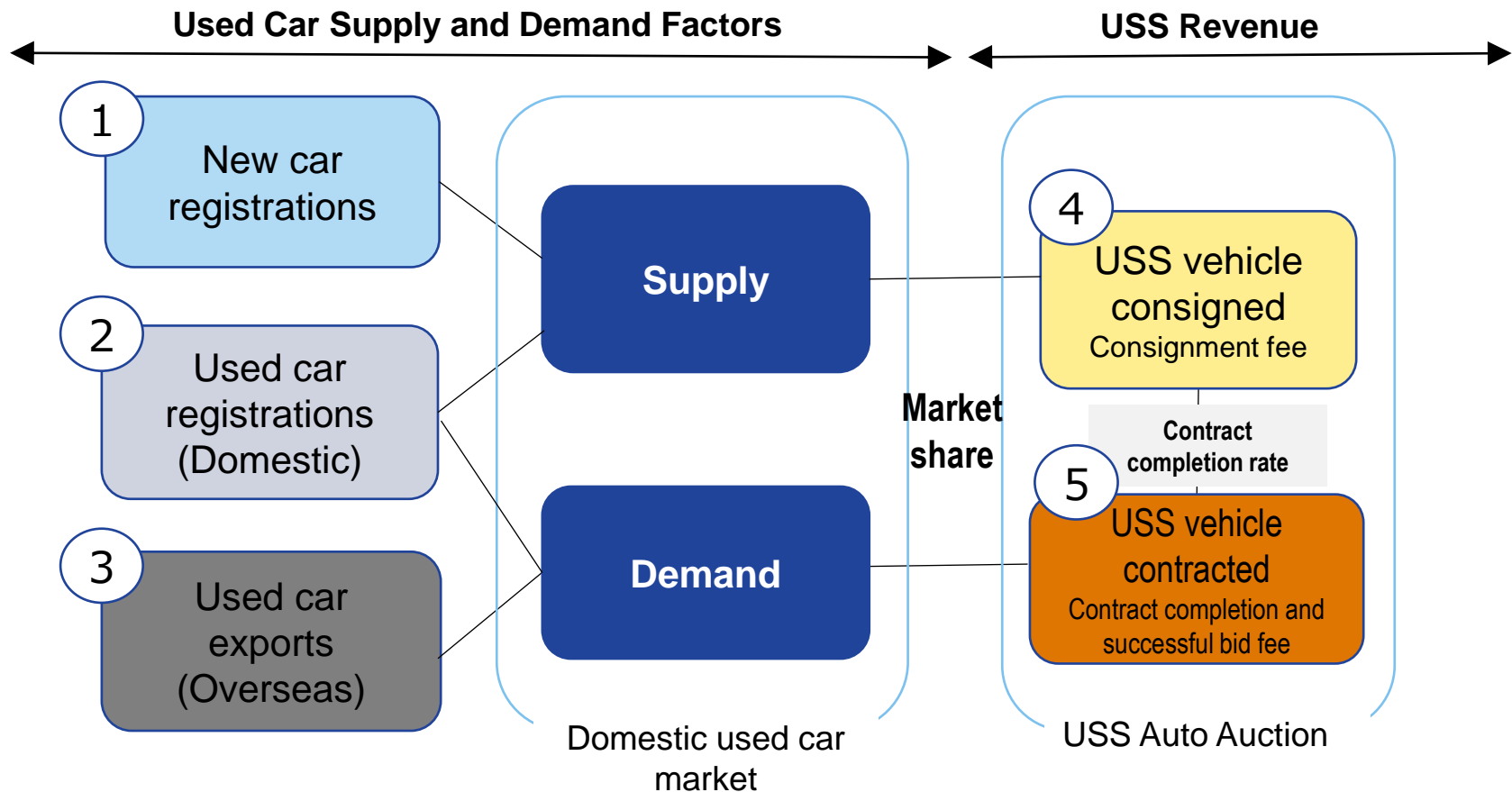
Successful bid fee
Ave. **8,000yen**

Vehicles consigned
2.66 million units/year
(FY3/2021)

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

Contract completion rate
63.2% (FY3/2021)

- 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)

