The following documents are English translations of the USS Co., Ltd. Notice of the 40th Annual General Meeting of Shareholders (for the fiscal year ended March 31, 2020) as well as the Business Report, Consolidated Financial Statements, voting instructions, and information about the location of the shareholders meeting. Of the items that should be disclosed in the Business Report, the original Japanese text is accessible only via the Internet on the USS Web site (https://www.ussnet.co.jp) for the following items: "Matters relating to Stock Acquisition Rights, etc. of the Company", "Management shall ensure sound business practices and update on implementation of this management", "Master policy on corporation management", "Consolidated Statement of Changes in Equity", "Notes on Consolidated Financial Statements", "Non-Consolidated Statement of Changes in Equity" and "Notes on Non-consolidated Financial Statements". USS is providing this translation solely for your convenience and does not make any guarantee that this document is accurate.

(Securities code: 4732)
June 1, 2020

Dear Shareholders:

Yukihiro Ando
Chairman and Representative Director
USS Co., Ltd.
507-20 Shinpo-machi, Tokai, Aichi, Japan

Notice of the 40th Annual General Meeting of Shareholders

You are cordially invited to attend the 40th Annual General Meeting of the Shareholders of USS Co., Ltd. (the "Company"), which will be held as per the schedule below.

To prevent the spread of the new coronavirus, the Japanese government has declared a state of emergency and the national and prefectural governments are strongly urging people to stay home as much as possible. After a thorough examination of how to respond to this situation, USS decided to hold this year's General Meeting of Shareholders while taking appropriate actions for preventing new coronavirus infections.

As people are currently strongly urged to stay at home as much as possible, USS asks shareholders to submit voting instructions in advance in writing or by using electronic means (Internet, etc.) in order to prevent the spread of the new coronavirus. We strongly ask that shareholders refrain from attending this meeting in person regardless of your current health. To submit your voting instructions in advance in writing or by using electronic means (Internet, etc.), please read the Reference Materials for the General Meeting of Shareholders and exercise your voting rights by no later than 5:00 p.m. on Monday, June 22, 2020. You can do this by indicating "for" or "against" for each agenda item shown in the enclosed Form for Exercising Voting Rights and returning it to us, or by accessing the website designated by the Company and entering "for" or "against" for each agenda item. For more information about the procedure for exercising your voting rights by electronic means (via the Internet, etc.), please refer to "Exercising voting rights and other topics" (on pages 13-14).

1. Date and Time:	**Tuesday, June 23, 2020, at 11:00 a.m. (reception opens at 10:00 am)**
2. Venue:	507-20, Shinpo-machi, Tokai, Aichi **Head Office of the Company (the Nagoya Auction Site of the Company)** (Please refer to the access information on the last page)
3. Meeting Agenda:	**Items to be reported:** 1. The contents of the Business Report, the contents of the consolidated financial statements, and the results of the audit of consolidated financial statements by accounting auditors and the Board of Corporate Auditors for the Company's 40th business period (from April 1, 2019 to March 31, 2020) 2. The financial reports for the Company's 40th business period (from April 1, 2019 to March 31, 2020) **Items to be resolved:** Item 1: Appropriation of retained earnings Item 2: Election of eight (8) directors
4. Exercising voting rights	Please refer to "Exercising voting rights and other topics" (on pages 13-14).

Notes: 1. The reception desk opens at 10:00 a.m.
2. Please submit the enclosed Form for Exercising Voting Rights at the reception desk on the day of the meeting.
3. Any change in the Reference Materials for the General Meeting of Shareholders, business report, financial statements or consolidated financial statements will be posted on our website (https://www.ussnet.co.jp). Please visit our site for updates.

New Coronavirus Safety Measures

1. Actions by USS

To prevent the spread of the new coronavirus, there will be no party after this year's shareholders meeting and shareholders will not receive a gift.

If necessary, depending on the situation on the day, USS personnel may run a check on their health, including body temperatures, and wear masks. Hand sanitizer will be placed at the entrance for the use of shareholders and shareholders will be asked not to sit close together and take other preventive measures.

To shorten the meeting in order to prevent the spread of the new coronavirus, there will be no explanations of the details of items to be reported (including the audit report) and items to be resolved. Shareholders are asked to read this information in this shareholders meeting notice in advance.

Shareholders can use the Internet to view a live webcast of the shareholders meeting starting at 11:00 a.m. This webcast can be viewed by accessing the USS website (https://www.ussnet.co.jp).

Notes: 1. The shareholders meeting will be shown from the back of the room and care will be exercised to avoid showing individuals who are attending the meeting. However, individuals may unavoidably be visible at times as part of the overall picture.
2. USS plans to include the shareholder question and answer session in the shareholders meeting webcast. To ask a question, shareholders are requested to submit a request by using only attendance numbers.
3. The shareholders meeting webcast cannot be used to submit votes or questions.

2. Requests to shareholders

USS may revise the actions explained in the preceding section depending on upcoming changes in the severity of the new coronavirus outbreak, government orders and directives, and other events. Please check the USS website (https://www.ussnet.co.jp) for the latest information.

Submitting voting instructions by using the Form for Exercising Voting Rights creates a new coronavirus infection risk associated with sending this form and the subsequent processing of these forms. When submitting voting instructions in advance, shareholders are asked to vote by using electronic means (Internet, etc.) as much as possible.

3. Request to shareholders who plan to attend the meeting

Shareholders plan to attend the meeting are asked to bring masks to wear at the meeting.

USS personnel will check the temperatures of shareholders at the entrance and individuals with an elevated temperature, individuals with a health problem, and individuals who have returned from a trip outside Japan within the past 14 days may not be allowed to attend the meeting. Shareholders who have returned from a trip outside Japan within the past 14 days are asked to provide this information to USS personnel at the reception desk.

REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

Item 1: Appropriation of retained earnings

The Company proposes to appropriate retained earnings as follows:

Matters related to year-end dividends

Our basic policy is to maintain the stability of dividends while linking dividends to results of operations from the standpoint of distributing profits in a suitable manner. Consequently, we use the consolidated dividend payout ratio as our guideline and our current basic policy is a payout ratio of at least 55%.
We have set the dividends at end of period for the current year as follows based on this basic policy.

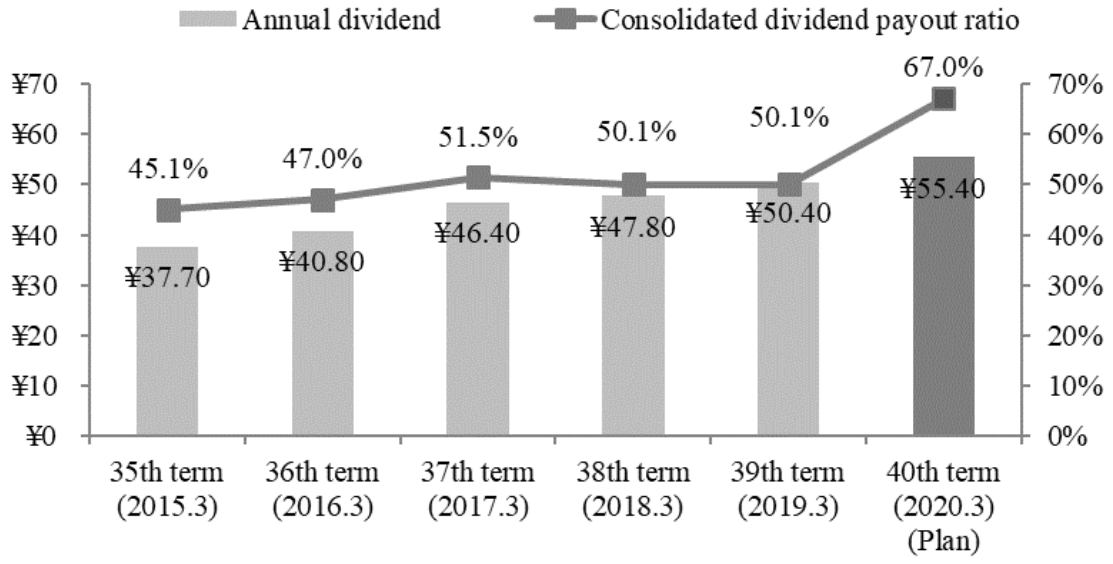
Type of dividend property	Cash

Matters concerning allotment of dividend property and the total amount	Amount per common share 29.80 yen Total Amount 7,436,075,681 yen Since the Company paid an interim dividend of 25.60 yen per share, the final annual dividend will total 55.40 yen per share for the fiscal year under review.

Date when the dividends from retained earnings take effect	June 24, 2020 (proposed)

Reference:

Dividend and consolidated dividend payout ratio



Item 2: Election of eight (8) directors

The terms for all ten (10) present members of the Board of Directors will expire at the close of the 40th Annual General Meeting of Shareholders ("the current Annual General Meeting of Shareholders").

Shareholders are asked to approve the election of the following eight director candidates, including three outside directors. USS proposes to reduce the number of directors by two in order to enable the directors to reach decisions faster and to strengthen the oversight function of the Board of Directors.

Brief information on the candidates is as follows:

Candidate Number	Name (Date of Birth)	Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
1 (Reappointment)	Yukihiro Ando (Dec. 2, 1946)	July 1982 Director of the Company Nov. 1989 Senior Managing Director of the Company June 1995 Executive Vice President of the Company June 2000 Executive Vice President of the Company and Officer of the Nagoya Office June 2006 President and Representative Director of the Company June 2007 President and Representative Director and Chief Executive Officer (CEO) of the Company June 2012 Chairman and President and Representative Director of the Company June 2014 President and Representative Director of the Company June 2019 Chairman and Representative Director, Chief Executive Officer (at present) (Significant Concurrently Held Posts) President and Representative Director of US Butsuryu Co., Ltd. President and Representative Director of Japan Automobile Auction Inc. President and Representative Director of HAA Kobe Inc. (Fiscal 2019 Board Meetings Attendance Record) 100% (Attended all 8 meetings)	9,176,000
(Reasons for selection as Director candidate) Following his election as a Director in July 1982, Mr. Yukihiro Ando was involved as a senior executive in the opening of new auto auction sites and the development of auto auction systems and was the Manager of the Nagoya Office. He became President and Representative Director in June 2006 and was named Chairman, Representative Director and Chief Executive Officer in June 2019. In this position, Mr. Ando has used strong leadership and decision-making backed by many years of experience and accomplishments to oversee large capital expenditures and M&A deals in order to achieve consistent medium to long-term growth of earnings and corporate value. For these reasons, Mr. Ando is a candidate for Director and, if he is elected, we plan to have him remain Chairman, Representative Director and Chief Executive Officer.			

Candidate Number	Name (Date of Birth)	Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
2 (Reappointment)	Dai Seta (Dec. 23, 1966)	Jan. 2004 Executive Officer of the Company and Vice Officer of the Nagoya Office June 2004 Director of the Company and Vice Officer of the Nagoya Office June 2006 Vice President and Representative Director of the Company and Officer of the Auction Operation Office and Officer of the Nagoya Office June 2012 Vice President and Representative Director of the Company and Officer of Auction Operation Office June 2015 Vice President and Representative Director of the Company June 2019 President and Representative Director, Chief Operating Officer (at present) (Significant Concurrently Held Posts) President and Representative Director of USS Support Service Co., Ltd. President and Representative Director of ARBIZ Co., Ltd. (Fiscal 2019 Board Meetings Attendance Record) 100% (Attended all 8 meetings)	9,390,300
(Reasons for selection as Director candidate) Mr. Dai Seta has outstanding knowledge and accomplishments concerning the operation of auction sites and was the Manager of the Auction Operations Department. He has also served as the president of consolidated subsidiaries that operate a recycling business and a finance business. To utilize Mr. Seta's outstanding management skills, he was named President, Representative Director and Chief Operating Officer in June 2019. Since then, he has performed the roles of decision-making and supervising business operations very well. For these reasons, Mr. Seta is a candidate for Director and, if he is elected, we plan to have him remain President, Representative Director and Chief Operating Officer.			

Candidate Number	Name (Date of Birth)	Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
3 (Reappointment)	Masafumi Yamanaka (Dec. 16, 1954)	Jan. 2000 General Manager of the Finance Dept., Supervisory Office of the Company Jan. 2004 Executive Officer and General Manager of the Finance Dept., Supervisory Office of the Company June 2004 Director of the Company and General Manager of the Finance Dept., Supervisory Office June 2006 Junior Managing Director of the Company and Officer of the Supervisory Office June 2012 Senior Managing Director of the Company and Officer of the Supervisory Office June 2016 Executive Vice President of the Company and Officer of the Supervisory Office (at present) (Fiscal 2019 Board Meetings Attendance Record) 100% (Attended all 8 meetings)	30,300
(Reasons for selection as Director candidate) Mr. Masafumi Yamanaka has expertise in the fields of accounting and finance and acquired outstanding management skills as Manager of the Finance Department and was elected a Director in June 2004 to utilize these skills. Mr. Yamanaka is currently Executive Vice President and Manager of the Supervisory Office. He supervises all administrative operations and uses his thorough knowledge of USS business operations for management activities. He is a candidate for Director in order to use his experience and knowledge for decisions and business oversight by the Board of Directors. If he is elected, we plan to have him remain Executive Vice President.			

Candidate Number	Name (Date of Birth)	Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
4 (Reappointment)	Masayuki Akase (Nov. 8, 1962)	Jan. 2001 General Manager of the Customer Services & Market Development Dept., Nagoya Office of the Company Jan. 2004 Executive Officer of the Company and General Manager of the Customer Services & Market Development Dept., Nagoya Office June 2004 Director of the Company and General Manager of the Customer Services & Market Development Dept., Nagoya Office June 2006 Junior Managing Director of the Company and Vice Officer of the Auction Operation Office Apr. 2013 Junior Managing Director of the Company and Manager of Yokohama Auction site Oct. 2016 Junior Managing Director of the Company and Officer of the Auction Operation Office June 2017 Senior Managing Director of the Company and Officer of the Auction Operation Office (at present) (Significant Concurrently Held Posts) President and Representative Director of USS Logistics International Service Co., Ltd. (Fiscal 2019 Board Meetings Attendance Record) 100% (Attended all 8 meetings)	45,400

(Reasons for selection as Director candidate)

Mr. Masayuki Akase has considerable knowledge and accomplishments involving the operation of auto auctions and acquired management skills as General Manager of the Customer Services & Marketing Development Department of the Nagoya Office. He was elected a Director in June 2004 to utilize these skills. As a Director, Mr. Akase was Deputy General Manager of the Auction Operations Department, Manager of the Yokohama Auction Site, and Manager of the Auction Operations Department. He is currently Senior Managing Director and Manager of the Auction Operations Department, where he oversees the entire auto auction business. Mr. Akase has outstanding knowledge of USS business operations and management skills. He is a candidate for Director in order to use his experience and knowledge for decisions and business oversight by the Board of Directors. If he is elected, we plan to have him remain a Senior Managing Director.

Candidate Number	Name (Date of Birth)	Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
5 (Reappointment)	Hiromitsu Ikeda (May 3, 1961)	Jan. 2001 General Manager of the System Planning & Business Relations Service Dept., Nagoya Office of the Company Jan. 2004 Executive Officer of the Company and General Manager of the System Planning & Business Relations Service Dept., Nagoya Office June 2004 Director of the Company and General Manager of the System Planning & Business Relations Service Dept., Nagoya Office June 2006 Junior Managing Director of the Company and Officer of the System Office Oct. 2010 Junior Managing Director of the Company and Officer of the System Office and in charge of Tohoku Auction Site June 2012 Junior Managing Director of the Company and Manager of Tohoku Auction Site Apr. 2015 Junior Managing Director of the Company and Manager of Osaka Auction Site and Kobe Auction Site Apr. 2018 Junior Managing Director of the Company Oct. 2019 Junior Managing Director of the Company and Manager of Shikoku Auction Site (at present) (Significant Concurrently Held Posts) Junior Managing Director of HAA Kobe Inc. (Fiscal 2019 Board Meetings Attendance Record) 100% (Attended all 8 meetings)	38,900

(Reasons for selection as Director candidate)

Mr. Hiromitsu Ikeda has experience with the opening of new auction sites and the development of auction systems. He has considerable knowledge and accomplishments involving these systems and he acquired outstanding management skills at the Nagoya Office. He was elected a director in June 2004 to utilize these skills. As a Director, Mr. Ikeda was Manager of the Systems Office, Manager of the Tohoku Auction Site and Manager of the Osaka and Kobe Auction Sites. He is currently a Junior Managing Director, Manager of the Shikoku Auction Site, and Junior Managing Director of HAA Kobe. In these roles, he oversees auto auction sites and uses his thorough knowledge of USS business operations for management activities. He is a candidate for Director in order to use his experience and knowledge for decisions and business oversight by the Board of Directors. If he is elected, we plan to have him remain a Junior Managing Director.

Candidate Number	Name (Date of Birth)	Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
6 (Reappointment) (Outside) (Independent)	Hitoshi Tamura (Jun. 11, 1946)	Apr. 1971 Joined Ricoh Company, Ltd. Oct. 2002 Corporate Councilor of the said company Apr. 2010 Adviser to the President, Ricoh Japan Corporation June 2011 Retired from the position as Corporate Councilor of Ricoh Company, Ltd. Retired from the position as Adviser to the President, Ricoh Japan Corporation July 2011 President, Customer Satisfaction Research Institute (at present) June 2014 Director of the Company (at present) June 2015 Outside Director, Kitamura Co., Ltd. June 2019 Retired from the position as Outside Director of Kitamura Co., Ltd. (Significant Concurrently Held Posts) President, Customer Satisfaction Research Institute Outside Director, Kitamura Co., Ltd. (Fiscal 2019 Board Meetings Attendance Record) 100% (Attended all 8 meetings)	2,900

(Reasons for selection as Outside Director candidate)

In his role as a Corporate Councilor of Ricoh, Mr. Hitoshi Tamura was involved with measures to increase the quality of Ricoh's management, the formulation of sales strategies and other activities. He has served for many years as a primary judge for the Japan Management Quality Awards. Overall, he has considerable experience and knowledge concerning the improvement of management. Since taking office as an Outside Director in June 2014, he has taken advantage of this knowledge in giving advice on various issues in management in general, and thereby contributed to the enhancement of corporate value. Based on the above, we have presented him as a candidate for Outside Director and we would like him to continue to perform his duties as Outside Director. Mr. Tamura has no experience with corporate management from a position other than outside director; however, for the reasons above, we are confident that he will duly perform his duties as outside director.

Candidate Number	Name (Date of Birth)	Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
7 (Reappointment) (Outside) (Independent)	Akihiko Kato (Jun. 18, 1947)	Apr. 1970 Joined Bank of Japan May 1994 Senior Examiner, Examination Department of the said bank May 1995 Retired from the said bank Director of Gifu Shinkin Bank Oct. 1998 Managing Director of the said Bank June 2007 Full-time Auditor of the said Bank June 2010 Retired from the position as Full-time Auditor of Gifu Shinkin Bank Corporate Auditor of Gifu Shinkin Credit Guarantee Corporation June 2012 Retired from the position as Auditor of Gifu Shinkin Credit Guarantee Corporation June 2014 Director of the Company (at present) (Fiscal 2019 Board Meetings Attendance Record) 100% (Attended all 8 meetings)	1,400
(Reasons for selection as Outside Director candidate) Mr. Akihiko Kato has experience of working at the Bank of Japan, as a Director of the Gifu Shinkin Bank, and also of corporate management as a Managing Director. Since being appointed as an Outside Director in June 2014, he has taken advantage of this knowledge in giving advice on various issues in management in general, and thereby contributed to the enhancement of corporate value. Based on the above, we have presented him as a candidate for Outside Director and we would like him to continue to perform his duties as Outside Director.			

Candidate Number	Name (Date of Birth)	Brief Profile and Position and Duties at USS (and Significant Concurrent Posts)	Number of Shares of the Company Owned by the Candidate
8 (Reappointment) (Outside) (Independent)	Nobuko Takagi (Oct. 22, 1977) (Name on the family register: Nobuko Teraoka)	Oct. 2002 Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) May 2006 Registered as a Certified Public Accountant Aug. 2006 Joined Tohmatsu Tax Co. (currently Deloitte Tohmatsu Tax Co.) Nov. 2007 Joined GCA Savvian Corporation (currently GCA Corporation) Mar. 2011 Joined NEC Corporation Oct. 2016 Partner, Guardian Advisors Inc. Jul. 2017 Representative, Nobuko Takagi Certified Public Accountants' Office (at present) Jul. 2017 Outside corporate auditor, I-ne CO., LTD. (at present) Apr. 2018 Representative Director, COEING AND COMPANY Inc. (at present) June 2018 Director of the Company (at present) (Significant Concurrently Held Posts) Representative, Nobuko Takagi Certified Public Accountants' Office Outside corporate auditor, I-ne CO., LTD. Representative Director, COEING AND COMPANY Inc. (Fiscal 2019 Board Meetings Attendance Record) 100% (Attended all 8 meetings)	900

(Reasons for selection as Outside Director candidate)
As a Certified Public Accountant, Ms. Nobuko Takagi has extensive experience in, and specialist knowledge of, finance, accounting and M&A, including professional experience working in audit corporations and tax accountant corporations, as well as of taking charge of the promotion of M&A activities in M&A advisory companies and business corporations. Since being appointed as an Outside Director in June 2018, she has taken advantage of this knowledge in giving advice on various issues in management in general, and thereby contributed to the enhancement of corporate value. Based on the above, we have presented her as a candidate for Outside Director and we would like her to continue to perform her duties as Outside Director.

Notes: 1. There are no special interests between the Company and each of the candidates.

2. Matters related to candidates for outside directors are as follows:

(1) Hitoshi Tamura, Akihiko Kato and Nobuko Takagi are candidates for outside directors. The Company has designated Mr. Tamura, Mr. Kato and Ms. Takagi as independent directors in accordance with rules of the Tokyo Stock Exchange and Nagoya Stock Exchange and has notified these stock exchanges that they are independent directors. If Mr. Tamura, Mr. Kato and Ms. Takagi are reelected as directors by shareholders, the Company plans to designate them as independent directors.

The Company's transactions with the Ricoh Group, where Mr. Tamura, a candidate for the post of director, has served either at Ricoh Company, Ltd. or Ricoh Japan Corporation until June 2011, account for less than one percent of the Company's consolidated net sales in the current fiscal year. Relatedly, for Ricoh Group, the amounts involved in the transactions with the Company account for less than one percent of its consolidated net sales of the current fiscal year.

As the Company's transaction volume with Ricoh Group is small, the Company does not consider the circumstances of these transactions to be in any way problematic in connection with his assignment as an independent director.

(2) Period in office of incumbent outside directors who are candidates for outside directors

The period in office of incumbent outside directors Hitoshi Tamura and Akihiko Kato will be six (6) years upon closure of the current Annual General Meeting of Shareholders.

The period in office of incumbent outside director Nobuko Takagi will be two (2) year upon closure of the current Annual General Meeting of Shareholders.

(3) Outline of liability limitation agreement

Hitoshi Tamura, Akihiko Kato and Nobuko Takagi are currently outside directors of the Company. In order to assure that outside directors can carry out their expected duties satisfactorily, the Company has a liability limitation agreement with Mr. Tamura, Mr. Kato and Ms. Takagi in accordance with the provisions of Article 427, Paragraph 1, of the Companies Act and Article 27 of the Articles of Incorporation of the Company.

This agreement limits liability to the higher of 4 million yen or the amount designated by laws and regulations.

If Hitoshi Tamura, Akihiko Kato and Nobuko Takagi are reelected as directors by shareholders, the Company plans to renew this liability agreement.

Exercising voting rights and other topics

Voting rights may be exercised by one of the three methods below.

If you will attend the General Shareholders Meeting:

Please submit the Form for Exercising Voting Rights at the venue reception. (Seal is not needed.)

Date & Time	11:00 am, Tuesday, 23 June, 2020 (reception opens at 10:00 am)
Location	Head Office of the Company (the Nagoya Auction Site) (Please refer to the access information on the last page)

If voting rights will be exercised by mail:

Please indicate your approval or disapproval on the enclosed Form for Exercising Voting Rights and mail this form (no postage is needed).

Proxy deadline	We will accept only proxies that are received by 5:00 pm, Monday, 22 June, 2020

If you will be exercising your voting rights online:

Please see “Internet Voting Instructions” (on page 14) for instructions on voting online.

Proxy deadline	5:00 pm, Monday, 22 June, 2020

If a shareholder submits votes by both sending the proxy form by postal mail and voting online, the online votes will be used regardless of whether these votes were received before or after the postal mail proxy form.

Internet Voting Instructions

Shareholders who wish to vote by using the internet are asked to read this section before submitting their votes.

1. Website used for voting

Only the following website that has been designated by the Company for voting its shares can be used to vote using the Internet: https://www.web54.net

2. How to vote

(1) Personal computer

Access the designated website and enter the voting code and password that are on the enclosed proxy form. Then follow the instructions on the screen to enter your votes.

(2) Smartphone

Use the smartphone to scan the smartphone voting website log in QR code on the enclosed proxy form. This will create a link to a voting website exclusively for smartphones that does not require the voting code or password.

To change one or more votes after submitting your votes, you must scan the QR code again and this time you will need to enter the voting code and password.

3. Voting information

(1) Shareholders can submit their votes until 5:00 PM on June 22, 2020 (Monday). Please submit your votes as soon as possible.

(2) If votes are submitted several times using the internet or by using both a personal computer and smartphone, only the votes that were received last will be valid.

(3) When using the internet to vote, there may be Internet service provider or telephone company service fee or other expenses. Shareholders are responsible for all of these expenses.

(4) Accessing the voting website may not be possible when using certain personal computer or smartphone internet connections or settings.

If you need assistance to operate your personal computer to exercise your voting rights via our website, please call the following number.	Sumitomo Mitsui Trust Bank, Ltd., Stock Transfer Agency Web Support Hotline *The service is available in Japanese only. Telephone: 0120-652-031 (*Toll free) (Business hours: 9:00 to 21:00)

* Institutional investors may exercise their voting rights electronically for this 40th Annual General Meeting of Shareholders from the Web-based voting platform operated by ICJ Inc.

(Attached document)

Business Report

(From April 1, 2019 to March 31, 2020)

1. Matters relating to the current state of the USS Group

(1) Progress in the Businesses and the Results

In Japan's automobile sales market, the number of new car registrations was more than 5 million for the fourth consecutive year in the fiscal year that ended in March 2020. One reason was the launch of several new models by automakers. Between April and September 2019, there were 2,621 thousand new vehicle registrations (including mini-vehicles) as people rushed to complete purchases prior to the October 2019 consumption tax hike. This was 5.6% higher than in the same period of 2018. However, total registrations in the fiscal year decreased 4.2% to 5,038 thousand in part because of a big downturn that started in October. Used car registrations (including mini-vehicles) were 3,393 thousand in the fiscal year's first half, 3.4% higher than one year earlier. But due in part to a decline starting in October, total used car registrations decreased 0.4% to 6,929 thousand. (Source: Japan Automobile Dealers Association, Japan Light Motor Vehicle and Motorcycle Association)

Exports of used cars from Japan, which are greatly influenced by changes in demand within Japan for used cars, decreased 2.7% to 1,286 thousand. Among major overseas markets, the number of used vehicles exported to the United Arab Emirates, Russia and Myanmar increased and exports to Pakistan, Sri Lanka and African countries decreased. (Source: Trade Statistics of Japan Ministry of Finance)

In Japan's automobile auction market, the number of vehicles consigned increased 1.2% to 7,556 thousand and the number of contracted vehicles increased 0.0% to 4,814 thousand, resulting in a contract completion rate of 63.7% compared with 64.5% in the previous fiscal year. (Source: USEDCAR Co., Ltd.)

The outbreak of the new coronavirus that started late in 2019 caused dramatic downturns in the economies of Japan and countries worldwide. This global crisis restricted international travel, forced governments to enact lockdowns, halted manufacturing by disrupting supply chains and created significant negative consumer sentiment. In Japan's automobile auction market, the number of vehicles consigned started falling in March because of this crisis.

Consolidated net sales decreased 2.2% to 78,143 million yen, operating profit decreased 3.0% to 36,009 million yen, ordinary profit decreased 3.5% to 36,710 million yen. Due mainly to an extraordinary loss of 3,863 million yen for the goodwill impairment associated with the August 2017 acquisition of Japan Automobile Auction Inc. (JAA), profit attributable to owners of parent decreased 19.2% to 20,634 million yen.

The JAA Auction Site that JAA operates in Edogawa-ku, Tokyo was rebuilt to provide more convenient services to members. The reconstruction of this facility was completed in May 2019. Although there were subsequently many sales activities to attract business to this auction site, its performance was negatively affected by the decline in automobile sales following the October 2019 consumption tax hike and the sharp economic downturn sparked by the new coronavirus crisis. As a result, the decision was made to write down the goodwill of JAA.

	39th term (Year ended March 31, 2019)	40th term (Year ended March 31, 2020)	Year on year
	(million yen)	(million yen)	
Net sales	79,908	78,143	Down 2.2%
Operating profit	37,123	36,009	Down 3.0%
Ordinary profit	38,039	36,710	Down 3.5%
Profit attributable to owners of parent	25,543	20,634	Down 19.2%

Sales by business category at the USS Group are as follows:

Auto Auction Business

USS has been taking numerous actions aimed at medium to long-term growth of its share of Japan's used car auction market. Activities include expanding existing auction sites, increasing and improving services for members, and seeking M&A opportunities. Due to acquisitions and other activities, the market share of USS has increased significantly from 32.3% in 2014 to 39.0% in 2019.

The number of vehicles consigned during the first half of the fiscal year increased 3.1% to 1,461 thousand. But for the entire fiscal year, vehicles consigned decreased 0.2% to 2,924 thousand because of the decline following the October 2019 consumption tax hike and the big downturn in March caused by the new coronavirus crisis. Furthermore, the number of contracted vehicles decreased 2.9% to 1,772 thousand and the contract completion rate decreased from 62.3% in the previous fiscal year to 60.6%. These declines were mainly attributable to the smaller number of people going to auction sites because of the new coronavirus crisis and the low level of used car exports from Japan.

As a result, sales to external customers decreased 2.1% to 63,350 million yen and operating profit decreased 2.4% to 35,436 million yen.

Used Car Purchasing and Selling Business

At the Rabbit used car purchasing business, sales and earnings decreased as the negative effect of a decrease in the number of vehicles sold, partly the result of closing unprofitable stores, outweighed the contribution to earnings of an increase in the gross profit per vehicle.

In the accident-damaged vehicle purchasing business, sales increased but earnings were down. The number of higher-priced vehicles sold increased but the number of vehicles sold decreased, in part because of closing unprofitable stores, and the gross profit per vehicle decreased.

As a result, sales to external customers decreased 6.2% to 9,099 million yen and operating profit decreased 11.3% to 103 million yen.

Other Businesses

In the vehicle recycling business, sales increased and earnings decreased due to the combination of a higher volume of industrial plant demolition projects and a continuation of the decline in prices of ferrous scrap. To add a new field of business, consolidated subsidiary ARBIZ Co., Ltd., which operates a recycling business, established a jointly owned company called SMART Inc. on April 25, 2019 for the purpose of expanding operations involving the disposal of industrial equipment and plants. SMART is owned jointly with SMFL MIRAI Partners Co., Ltd., a subsidiary of Sumitomo Mitsui Finance and Leasing Co., Ltd.

Used vehicle export clearing service sales and earnings decreased primarily because of a decline in the number of vehicles handled.

As a result, sales to external customers increased 3.1% to 5,692 million yen and operating profit decreased 36.7% to 369 million yen.

(2) Capital Expenditures

Consolidated capital expenditures totaled 6,560 million yen on an end-of-manufacturing basis in the fiscal year ended March 31, 2020. At the R-Nagoya Auction Site, construction of two multi-level parking structures was completed in March 2020 and the third structure was completed in April 2020.

1) Major facilities completed during the fiscal year

Category	Office name	Description of site
Auto Auction Business	R-Nagoya Auction Site	Two multi-level parking structures
	JAA Auction Site	Auction site reconstruction and new auction system equipment
	Osaka Auction Site	New auction system equipment
	Kobe Auction Site	New auction system equipment
	Okayama Auction Site	New auction system equipment
	Niigata Auction Site	New auction system equipment
	Shikoku Auction Site	Auction site reconstruction and new auction system equipment

2) Ongoing establishment, extension and improvement of major facilities at the end of the fiscal year

Category	Office name	Description of site
Auto Auction Business	R-Nagoya Auction Site	One multi-level parking structure

(3) Financing

Not applicable

(4) Important Issues

The outlook for new automobile sales in Japan is expected to remain uncertain for a while because of the new coronavirus crisis. Furthermore, the October 2019 consumption tax hike is still having an effect on consumer sentiment involving the purchase of new automobiles. In the used car sales market, there are concerns about a prolonged slump in sales in Japan and exports from Japan because of economic downturns in Japan and other countries. As a result, the outlook for this market as well is likely to remain unclear.

To support Japan’s used car sales market, the USS Group is taking actions concerning the following issues while implementing the rigorous measures for preventing COVID-19 that are needed to continue business operations. For all of these actions, the health and safety of auto auction members and USS Group employees are the highest priority.

1) Increase convenience for auction members
   We will prioritize capital expenditures that will improve the level of convenience for members, thus increasing their overall satisfaction.
2) Conduct effective mergers and acquisitions
   Considering mergers and acquisitions as ways to capitalize on opportunities for growth, the USS Group plans to invest aggressively in deals that can lead to growth in our future cash flow.
3) Collaborate with companies in various business fields
   We will forge alliances with companies in different business fields where business and/or capital alliances have the potential to produce synergies.
4) Reinforce the used car purchasing and selling business and other businesses
   The USS Group aims to become an integrated organization that will lead Japan's used car distribution market by expanding the used car purchasing and selling business and recycling businesses around our core auto auction business.

Furthermore, we will maintain a sound financial foundation, place emphasis on the equity ratio, maintain the return on equity (ROE) as an important performance indicator, and aim for an ROE of at least 15% as a medium-term goal.

ROE in the Past Five Years

Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
15.1%	14.7%	14.8%	14.5%	11.3%

The consolidated business forecast for the fiscal year ending March 2021 is not established at this time because it is difficult to reasonably predict the impact of the spread of the COVID-19 pandemic. USS will promptly announce the forecast when it becomes possible.

For the consistent payment of dividends and the appropriate distribution of earnings to shareholders, USS uses the consolidated dividend payout ratio as the indicator for the dividend as a dividend policy linked to results of operations. As was announced in November 2019, the fundamental policy for dividends has been changed by raising this payout ratio from at least 50% to at least 55% beginning with the fiscal year that ended in March 2020.

The outlook continues to be uncertain because of the severe impact of the new coronavirus on economic activity of all types. USS regards dividend forecasts as a promise to shareholders. Consequently, the year-end dividend for the fiscal year that ended in March 2020 is planned to be 29.80 yen as announced. This will result in a fiscal year dividend of 55.40 yen and a consolidated dividend payout ratio of 67.0%. USS therefore plans to increase the dividend for the 20th consecutive year, resulting in a dividend increase every year since the initial stock listing.

For the fiscal year ending in March 2021, there is no dividend forecast because USS has not determined a forecast for consolidated sales and earnings.

We ask shareholders for your continued support.

(5) Financial Highlights

1) USS Group selected financial data

Item	36th term (Year ended March 31, 2016)	37th term (Year ended March 31, 2017)	38th term (Year ended March 31, 2018)	39th term (Year ended March 31, 2019)	40th term (Year ended March 31, 2020) (Consolidated fiscal year under current review)
Net sales (million yen)	68,607	67,179	75,153	79,908	78,143
Ordinary profit (million yen)	35,218	32,999	36,676	38,039	36,710
Profit attributable to owners of parent (million yen)	22,477	22,909	24,285	25,543	20,634
Profit per Share (yen)	86	90	95	100	82
Total assets (million yen)	186,831	197,374	222,292	232,703	219,133
Net assets (million yen)	155,183	159,197	172,190	183,535	183,980
Net assets per share (yen)	597	622	672	717	729

Note: The Company started using the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) at the beginning of the fiscal year that ended in March 2019 and these amendments have been applied retroactively to the fiscal year that ended in March 2018.

2) Business segment sales, income and assets (Millions of yen)

Business segment	Item	36th term (Year ended March 31, 2016)	37th term (Year ended March 31, 2017)	38th term (Year ended March 31, 2018)	39th term (Year ended March 31, 2019)	40th term (Year ended March 31, 2020) (Consolidated fiscal year under current review)
Auto auction business	Net sales	52,594	52,811	59,521	64,684	63,350
	Operating profit	33,560	31,869	35,131	36,323	35,436
	Total assets	183,452	190,790	215,021	225,269	211,517
Used car purchasing and selling business	Net sales	10,097	9,373	9,827	9,701	9,099
	Operating profit	485	202	171	116	103
	Total assets	1,960	1,809	2,081	2,145	1,696
Other businesses	Net sales	5,915	4,995	5,805	5,522	5,692
	Operating profit	237	111	665	583	369
	Total assets	2,799	6,373	6,781	6,805	7,059

Notes: 1. Segment sales based on external customer sales.
2. The Company started using the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) at the beginning of the fiscal year that ended in March 2019 and these amendments have been applied retroactively to the fiscal year that ended in March 2018.

(6) Update on Our Significant Reorganizations

Consolidated subsidiary ARBIZ Co., Ltd. established a jointly owned company called SMART Inc. on April 25, 2019. SMART is owned jointly with SMFL MIRAI Partners Co., Ltd., a subsidiary of Sumitomo Mitsui Finance and Leasing Co., Ltd. ARBIZ owns 51.0% of the equity of SMART.

(7) Major Parent Company and Subsidiaries

1) Parent company

Not applicable

2) Major subsidiaries

The Company has 10 consolidated subsidiaries and no equity-method affiliate.

Company	Capital outlay (million yen)	Percentage by equity participation (%)	Primary businesses
US Butsuryu Co., Ltd.	30	100.0	Arrangement of freight transport and consignment business relating to operation of auctions
USS Support Service Co., Ltd.	45	100.0	Financial services business, etc.
Reproworld Co., Ltd.	63	100.0	Purchase and sales of accident-damaged vehicles
Rabbit Car Network Co., Ltd.	50	100.0	Purchase and sale of used vehicles
ARBIZ Co., Ltd.	270	51.0	Recycling of end-of-life automobiles and other goods
USS Logistics International Service Co., Ltd.	50	100.0	Export procedure agency service for used cars
Japan Bike Auction Co., Ltd.	212	66.2	Operation of motorcycle auctions
Japan Automobile Auction Inc.	100	100.0	Operation of auto auction
HAA Kobe Inc.	480	100.0 (100.0%)	Operation of auto auction
SMART Inc.	100	26.0% (26.0%)	Disposal of equipment and industrial plants

Notes: 1. The figures in parentheses in the Percentage by equity participation column indicate the indirect investment ratio.
2. Indirect investment ratios are calculated by multiplying the USS ownership ratio of the subsidiary that directly holds the stock of the company where the indirect investment was made by the direct investment ratio in that company of the subsidiary.
3. Consolidated subsidiary ARBIZ Co., Ltd. and SMFL MIRAI Partners Co., Ltd., a subsidiary of Sumitomo Mitsui Finance and Leasing Co., Ltd., jointly established a company called SMART Inc. on April 25, 2019. SMART is classified as a consolidated subsidiary.

3) Specified Wholly Owned Subsidiary as of End of Fiscal Year

Name of specified wholly owned subsidiary	Address	Book value of stock of the subsidiary as the end of the fiscal year
Japan Automobile Auction Inc.	3-2-1, Rinkaicho, Edogawa-ku, Tokyo	56,039 million yen

Note: The amount of total assets as of March 31, 2020 is 213,696 million yen.

(8) Major Business Activities (as of March 31, 2020)

Auto auction business, used car purchasing and selling business and recycling business

(9) Principal business sites (as of March 31, 2020)

	Business segment	Site or company	Location	Note
USS	Auto auction business	Nagoya Auction Site	Tokai, Aichi	Head office
		Kyushu Auction Site	Tosu, Saga	Branch
		Fukuoka Auction Site	Chikushino, Fukuoka	Branch
		Tokyo Auction Site	Noda, Chiba	Branch
		Okayama Auction Site	Akaiwa, Okayama	Branch
		Shizuoka Auction Site	Fukuroi, Shizuoka	Branch
		Sapporo Auction Site	Ebetsu, Hokkaido	Branch
		Saitama Auction Site	Iruma, Saitama	Branch
		Gunma Auction Site	Fujioka, Gunma	Branch
		Tohoku Auction Site	Murata-machi, Shibata, Miyagi	Branch
		Osaka Auction Site	Osaka, Osaka	Branch
		Yokohama Auction Site	Yokohama, Kanagawa	Branch
		R - Nagoya Auction Site	Tokai, Aichi	Branch
		Kobe Auction Site	Kobe, Hyogo	Branch
		Hokuriku Auction Site	Hakusan, Ishikawa	Branch
		Niigata Auction Site	Mitsuke, Niigata	Branch
		Shikoku Auction Site	Matsuyama, Ehime	Branch
		Internet Division	Chuo, Tokyo	Provides used car information via the Internet
Subsidiaries	Auto auction business	US Butsuryu Co., Ltd.	Tokai, Aichi	17 branch offices in Japan
		USS Support Service Co., Ltd.	Tokai, Aichi	Finance services business, etc.
		Japan Bike Auction Co., Ltd.	Yokohama, Kanagawa	Operation of motorcycle auction
		Japan Automobile Auction Inc.	Edogawa, Tokyo	Operation of auto auction
		HAA Kobe Inc.	Kobe, Hyogo	Operation of auto auction
	Used car purchasing and selling business	Reproworld Co., Ltd.	Noda, Chiba	15 shops in Japan in the purchase and sales of accident-damaged vehicles business
		Rabbit Car Network Co., Ltd.	Chiyoda, Tokyo	Used car purchase and sales shop Rabbit; 15 direct shops, 137 franchise shops.
	Other business	ARBIZ Co., Ltd.	Nagoya, Aichi	Recycling plant for end-of-life automobiles and other goods
		USS Logistics International Service Co., Ltd.	Yokohama, Kanagawa	Export procedure agency service for used cars
		SMART Inc.	Nagoya, Aichi	Disposal of equipment and industrial plants

(10)Employees (as of March 31, 2020)

1) Employees of the USS Group

Business segment	Numbers of employees		Change since end of previous fiscal year	
Auto auction business	752	(115)	down 17	(down 15)
Used car purchasing and selling business	167	(6)	down 14	(-)
Other businesses	151	(42)	up 7	(-)
Corporate (for all business segments)	25	(2)	up 4	(-)
Total	1,095	(165)	down 20	(down 15)

Notes: 1. Numbers of employees refers to employees on payroll (including employees seconded to Group companies from outside of the Group). The figures in parentheses, which are not included in the immediately preceding figures, indicate the average numbers of temporary employees (including Shokutaku employees [a Japanese type of full-time contract employee], contract employees, part-timers and dispatched employees) for the fiscal year that ended in March 2020 (converted at 7.5 work hours per day).

2. Employees in the corporate (common to all business segments) category are individuals assigned to administrative departments who cannot be allocated to a particular business segment.

2) Employees of the Company

Number of employees	Change since end of previous fiscal year	Mean age	Mean service years
588 (102)	up 16 (down 7)	39.4	13.1

Note: Numbers of employees refers to employees on payroll (including employees seconded to the Company from outside of the Company and excluding those from the Company to outside of the Company). The figures in parentheses, which are not included in the immediately preceding figures, indicate the average numbers of temporary employees (including Shokutaku employees [a Japanese type of full-time contract employee], contract employees, part-timers and dispatched employees) for the fiscal year that ended in March 2020 (converted at 7.5 work hours per day).

(11) Major creditors (as of March 31, 2020)

Lender	Loan (million yen)
Sumitomo Mitsui Banking Corporation	2,940

Notes: 1. This loan includes 2,640 million yen that is the remaining balance of a 3,300 million yen loan obtained in March 2017 for the purpose of funding the acquisition by subsidiary ARBIZ of a business site and other assets that were owned by USS.

2. This loan includes 300 million yen for the purpose of funding an electrical and electronic equipment international recycling system demonstration project in Thailand by subsidiary ARBIZ.

(12) Other Significant Items Concerning the Status of the USS Group

Not applicable

2. Matters relating to shares of the Company (as of March 31, 2020)

(1) Total number of shares authorized to be issued: 1,200,000,000 shares

(2) Total number of shares issued: 313,250,000 shares
(including 63,717,259 shares of treasury shares)

(3) Total number of shareholders: 10,704

(4) Major shareholders (Top 10)

Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,449	6.59
SSBTC CLIENT OMNIBUS ACCOUNT	14,627	5.86
Japan Trustee Services Bank, Ltd. (Trust Account)	10,135	4.06
Dai Seta	9,390	3.76
Mamoru Seta	9,200	3.68
Yukihiro Ando	9,176	3.67
The Nomura Trust and Banking Co., Ltd. (retirement benefit trust MUFG Bank, Ltd. account)	8,400	3.36
State Street Bank and Trust Company 505223	8,288	3.32
Hattori Motors Co., Ltd.	7,280	2.91
Hattori International Scholarship Foundation	7,200	2.88

Notes:
1. The list of major shareholders does not include 63,717,259 shares of treasury shares.
2. The number of shares used to calculate shareholding ratios does not include treasury shares.
3. The number of shares when less than one thousand is truncated. Shareholding ratios are truncated to the hundredth decimal point.
4. In addition to the above shareholders, the following shareholdings have been reported by the large shareholding report (the amendment report).

(1) An amendment report submitted by FMR LLC and one other company on March 23, 2020 stated that the following shares are held as of March 13, 2020. Since USS is unable to confirm the valid number of shares owned as of March 31, 2020, this shareholder is not included in the above list of major shareholders.

Name	Address	Shares (thousands of shares)	Shareholding ratio (%)
FMR LLC	245 Summer Street, Boston, Massachusetts 02210, USA	22,031	8.82
National Financial Services LLC	200 Seaport Blvd, Boston, Massachusetts 02210, USA	0	0.00
Total		22,031	8.82

(2) An amendment report submitted by MUFG Bank, Ltd. and 2 other companies on April 16, 2018 stated that the following shares are held as of April 9, 2018. Since USS is unable to confirm the valid number of shares owned as of March 31, 2020, this shareholder is not included in the above list of major shareholders.

Name	Address	Shares (thousands of shares)	Shareholding ratio (%)
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	8,400	3.36
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	8,196	3.28
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	1,139	0.45
Total		17,736	7.10

(3) A Report on Possession of Large Volume of Shares submitted by Massachusetts Financial Services Company and one other company, in their joint names on February 20, 2020, stated that the following shares are held as of February 14, 2020. Since USS is unable to confirm the valid number of shares owned by these firms as of March 31, 2020, these firms are not included in the above list of major shareholders.

Name	Address	Shares (thousands of shares)	Shareholding ratio (%)
Massachusetts Financial Services Company	111 Huntington Avenue, Boston, Massachusetts 02199, USA	14,566	5.83
MFS Investment Management K.K.	Daido Seimei Kasumigaseki Bldg., 1-4-2, Kasumigaseki, Chiyoda Ward, Tokyo	1,257	0.50
Total		15,823	6.34

(5) Other Important Items related to Shares

1) Purchase of Treasury Shares

USS purchased treasury shares as follows in accordance with a resolution approved by the USS Board of Directors on February 12, 2019.

	Year ended March 31, 2019	Year ended March 31, 2020	Total
Class of shares	USS common shares	USS common shares	—
Shares purchased	1,175 thousand	3,661 thousand	4,836 thousand
Cost of shares purchased	2,359,114 thousand yen	7,640,799 thousand yen	9,999,914 thousand yen
Period of purchase	From February 13, 2019 to March 31, 2019	From April 1, 2019 to August 9, 2019	—

2) Overview of the Employee Stock Ownership Plan (As of May 11, 2020)

USS plans to reestablish a trust employee shareholding incentive plan, assuming that the Board of Directors approves a resolution on May 12, 2020 to take this action. The purpose of this plan is to give USS Group employees a greater incentive to contribute to the medium to long-term growth of corporate value.

USS will establish the USS Employee Stock Ownership Association Trust at a trust bank. Over a certain period of time following its establishment, this trust will purchase in advance the number of shares of USS stock that are expected to be acquired by the USS Employee Stock Ownership Association. This stock will then be sold to this association every month until the trust ends. The trust will use bank loans guaranteed by USS to procure the funds needed to purchase USS stock.

If there is a cumulative gain on sales of stock held by the trust due to the sale of stock to the Employee Stock Ownership Association when the trust ends, an amount equal to this gain will be classified as residual trust assets and will be distributed to trust beneficiaries who meet the qualification requirements. If there is instead a cumulative loss on sales of stock held by the trust because the price of USS stock declined, USS will repay the remaining loan equal to this loss.

3. Matters relating to Stock Acquisition Rights, etc. of the Company

(1) Stock Acquisition Rights held by officers of the Company as of the end of term (as of March 31, 2020)

Name		5th Stock Acquisition Rights	6th Stock Acquisition Rights	7th Stock Acquisition Rights
Resolution date for issuance		August 28, 2007 (Board Meeting)	June 25, 2008 (Board Meeting)	June 24, 2009 (Board Meeting)
Number of Stock Acquisition Rights		347	404	698
Number of shares subject to Stock Acquisition Rights		34,700 shares of common stock (100 shares per Stock Acquisition Right)	40,400 shares of common stock (100 shares per Stock Acquisition Right)	69,800 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		64,560 yen per right	49,760 yen per right	32,620 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From September 15, 2007 to June 30, 2032	From July 11, 2008 to June 30, 2033	From July 10, 2009 to June 30, 2034
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 7 Number of rights 328 Number of shares subject to Stock Acquisition Rights 32,800	Number of holders 7 Number of rights 382 Number of shares subject to Stock Acquisition Rights 38,200	Number of holders 7 Number of rights 659 Number of shares subject to Stock Acquisition Rights 65,900
	Outside directors	-	-	-
	Corporate auditors	-	-	-

Name		8th Stock Acquisition Rights	9th Stock Acquisition Rights	10th Stock Acquisition Rights
Resolution date for issuance		June 29, 2010 (Board Meeting)	June 28, 2011 (Board Meeting)	June 26, 2012 (Board Meeting)
Number of Stock Acquisition Rights		487	589	493
Number of shares subject to Stock Acquisition Rights		48,700 shares of common stock (100 shares per Stock Acquisition Right)	58,900 shares of common stock (100 shares per Stock Acquisition Right)	49,300 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		45,900 yen per right	43,600 yen per right	58,600 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From July 16, 2010 to June 30, 2035	From July 15, 2011 to June 30, 2036	From July 13, 2012 to June 30, 2037
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 7 Number of rights 458 Number of shares subject to Stock Acquisition Rights 45,800	Number of holders 7 Number of rights 553 Number of shares subject to Stock Acquisition Rights 55,300	Number of holders 7 Number of rights 468 Number of shares subject to Stock Acquisition Rights 46,800
	Outside directors	-	-	-
	Corporate auditors	-	-	-

Name		11th Stock Acquisition Rights	12th Stock Acquisition Rights	13th Stock Acquisition Rights
Resolution date for issuance		June 25, 2013 (Board Meeting)	June 17, 2014 (Board Meeting)	June 16, 2015 (Board Meeting)
Number of Stock Acquisition Rights		363	240	224
Number of shares subject to Stock Acquisition Rights		36,300 shares of common stock (100 shares per Stock Acquisition Right)	24,000 shares of common stock (100 shares per Stock Acquisition Right)	22,400 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		93,540 yen per right	137,400 yen per right	179,500 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From July 13, 2013 to June 30, 2038	From July 5, 2014 to June 30, 2039	From July 4, 2015 to June 30, 2040
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 7 Number of rights 323 Number of shares subject to Stock Acquisition Rights 32,300	Number of holders 7 Number of rights 211 Number of shares subject to Stock Acquisition Rights 21,100	Number of holders 7 Number of rights 196 Number of shares subject to Stock Acquisition Rights 19,600
	Outside directors	-	-	-
	Corporate auditors	-	-	-

Name		14th Stock Acquisition Rights	15th Stock Acquisition Rights	16th Stock Acquisition Rights
Resolution date for issuance		June 14, 2016 (Board Meeting)	June 13, 2017 (Board Meeting)	June 12, 2018 (Board Meeting)
Number of Stock Acquisition Rights		307	330	344
Number of shares subject to Stock Acquisition Rights		30,700 shares of common stock (100 shares per Stock Acquisition Right)	33,000 shares of common stock (100 shares per Stock Acquisition Right)	34,400 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		146,500 yen per right	199,500 yen per right	178,500 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From July 2, 2016 to June 30, 2041	From July 1, 2017 to June 29, 2042	From July 6, 2018 to June 30, 2043
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 7 Number of rights 266 Number of shares subject to Stock Acquisition Rights 26,600	Number of holders 7 Number of rights 292 Number of shares subject to Stock Acquisition Rights 29,200	Number of holders 7 Number of rights 304 Number of shares subject to Stock Acquisition Rights 30,400
	Outside directors	-	-	-
	Corporate auditors	-	-	-

Name		17th Stock Acquisition Rights
Resolution date for issuance		June 18, 2019 (Board Meeting)
Number of Stock Acquisition Rights		378
Number of shares subject to Stock Acquisition Rights		37,800 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		192,100 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right
Exercise period for Stock Acquisition Rights		From July 11, 2019 to June 30, 2044
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 7 Number of rights 338 Number of shares subject to Stock Acquisition Rights 33,800
	Outside directors	-
	Corporate auditors	-

Notes: 1. Main conditions for the exercise of Stock Acquisition Rights are as follows:

(1) A Stock Acquisition Right holder may exercise the Stock Acquisition Right only if the Stock Acquisition Right holder loses any and all statuses as a director of the Company (including executive officers in the case of a company with committees), or as an auditor or executive director. However, in that case, the Stock Acquisition Right holder may exercise the Stock Acquisition Right for subscription only during the period from the date following the date on which the holder loses any and all of the above statuses (the "Exercise Period Commencement Date") for ten (10) days after the Exercisable Period Commencement Date.

(2) If a Stock Acquisition Right holder waives the Stock Acquisition Right for subscription, the Stock Acquisition Right holder may not exercise the Stock Acquisition Right for the waived subscription.

2. On February 15, 2017, USS revised the Stock Acquisition Rights allocation contracts for the 5th through the 14th issues of Stock Acquisition Rights with all directors and executive officers (except directors and executive officers who have resigned or retired) who hold any of these rights. The condition for the exercise of these Stock Acquisition Rights was revised. Previously, the rights could be exercised during the five-year period starting on the Exercise Period Commencement Date. Now, as stated in the preceding note 1. (1), the rights can be exercised for ten (10) days after the Exercise Period Commencement Date.

3. As a result of the 10-for-one stock split for common stock which was conducted on October 1, 2013, "Number of shares subject to Stock Acquisition Rights" and "Amount of assets paid upon exercise of Stock Acquisition Rights" were adjusted.

(2) Details of the Stock Acquisition Rights granted to executive officers of the Company as consideration for performance of duties during the fiscal year that ended in March 2020

Name	17th Stock Acquisition Rights
Resolution date for issuance	June 18, 2019 (Board Meeting)
Number of Stock Acquisition Rights	40
Number of shares subject to Stock Acquisition Rights	4,000 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights	192,100 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights	100 yen per right
Exercise period for Stock Acquisition Rights	From July 11, 2019 to June 30, 2044
Main conditions for the exercise of Stock Acquisition Rights	(Note) 1
Number of recipients	3

Notes: 1. Regarding the main conditions for the exercise of Stock Acquisition Rights, please refer to (1) Stock Acquisition Rights held by officers of the Company as of the end of term (Note) 1.
2. There were no Stock Acquisition Rights granted as consideration for performance of duties to officers and/or employees of any subsidiaries of the Company.

4. Matters relating to Officers of the Company

(1) Directors and corporate auditors (as of March 31, 2020)

Title	Name	Duties and Affiliation to Other Companies, etc.
Chairman and Representative Director, Chief Executive Officer	Yukihiro Ando	President and Representative Director of US Butsuryu Co., Ltd. President and Representative Director of Japan Automobile Auction Inc. President and Representative Director of HAA Kobe Inc.
President and Representative Director, Chief Operating Officer	Dai Seta	President and Representative Director of USS Support Service Co., Ltd. President and Representative Director of ARBIZ Co., Ltd.
Executive Vice President	Motohiro Masuda	President and Representative Director of Reproworld Co., Ltd.
Executive Vice President	Masafumi Yamanaka	Officer of the Supervisory Office
Senior Managing Director	Toshio Mishima	
Senior Managing Director	Masayuki Akase	Officer of the Auction Operation Office President and Representative Director of USS Logistics International Service Co., Ltd.
Junior Managing Director	Hiromitsu Ikeda	Manager of Shikoku Auction Site Junior Managing Director of HAA Kobe Inc.
Director	Hitoshi Tamura	President, Customer Satisfaction Research Institute
Director	Akihiko Kato	
Director	Nobuko Takagi	Representative, Nobuko Takagi Certified Public Accountants' Office Outside corporate auditor, I-ne CO., LTD. Representative Director, COEING AND COMPANY Inc.
Full-time Corporate Auditor	Shinji Ozaki	
Corporate Auditor	Toru Niwa	Certified Public Accountant, General Manager of Toru Niwa Certified Public Accountant Office
Corporate Auditor	Ryoichi Miyazaki	Attorney, Representative of Naka Joint Law Office Outside Corporate Auditor for Hatsuho Shoji Co., Ltd.

Notes:
1. Directors: Hitoshi Tamura, Akihiko Kato and Nobuko Takagi are outside directors.
2. Corporate auditors: Toru Niwa and Ryoichi Miyazaki are outside corporate auditors.
3. Full-time corporate auditor Shinji Ozaki has considerable knowledge of finance and accounting as a certified tax accountant.
4. Corporate auditor: Mr. Toru Niwa is well versed in corporate accounting matters as a certified public accountant, and has considerable knowledge of finance and accounting.
5. USS designates the following officers as independent officers as prescribed by the Tokyo Stock Exchange and Nagoya Stock Exchange and has submitted notices to these stock exchanges: Directors Hitoshi Tamura, Akihiko Kato and Nobuko Takagi and corporate auditors Toru Niwa and Ryoichi Miyazaki.
6. There are no specialrelationships between the Company and any significant companies associated with concurrent posts of outside directors and outside corporate auditors.
7. Changes of titles, duties and affiliation to other companies of the Directors in the current fiscal year are as follows:
   (1) On June 18, 2019, Chairman and Representative Director Yukihiro Ando, who was previously President and Representative Director, was named Chairman, Representative Director and Chief Executive Officer.
   (2) On June 18, 2019, President and Representative Director Dai Seta, who was previously Executive Vice President and Representative Director, was named President, Representative Director and Chief Operating Officer.
   (3) On October 1, 2019, Executive Vice President Motohiro Masuda retired from the position as Manager of Tokyo Auction Site.
   (4) On October 1, 2019, Senior Managing Director Toshio Mishima retired from the position as Manager of Kyusyu Auction Site.
   (5) On October 1, 2019, Junior Managing Director Hiromitsu Ikeda became Manager of Shikoku Auction Site.
   (6) On June 13, 2019, Director Hitoshi Tamura retired from the position as outside Director of Kitamura Co., Ltd.

(2) Total amount of remuneration, etc. for directors and corporate auditors

Position	Number of officers	Amount of remuneration	Stock options	Total amount of remuneration, etc.
Directors (Outside directors out of all directors)	10 (3)	246 million yen (14 million yen)	64 million yen (-)	311 million yen (14 million yen)
Corporate auditors (Outside corporate auditors out of all corporate auditors)	3 (2)	15 million yen (9 million yen)	- (-)	15 million yen (9 million yen)
Total (Outside officers out of all officers)	13 (5)	261 million yen (24 million yen)	64 million yen (-)	326 million yen (24 million yen)

Notes: 1. There are no directors who also are employees.
2. The maximum amount of remuneration for directors is 500 million yen per year by a resolution at the 26th Annual General Meeting of Shareholders held on June 28, 2006. Also, the maximum amount of stock options for directors of the Company (except for outside directors) is 150 million yen per year in addition to the above remuneration for directors by a resolution at the 27th Annual General Meeting of Shareholders held on June 26, 2007. Therefore, the total maximum amount of remuneration for directors is 650 million yen per year.
3. The maximum amount of remuneration for corporate auditors is 50 million yen per year by a resolution at the 26th Annual General Meeting of Shareholders held on June 28, 2006.
4. Stock option compensation is the amount of expenses recorded in the fiscal year ended in March 31, 2020 for all stock acquisition rights listed under "3. Matters relating to Stock Acquisition Rights, etc. of the Company (1) Stock Acquisition Rights held by officers of the Company as of the end of the term" on pages 25-27 of this report.

(3) Matters concerning outside directors

1) Update on significant concurrent posts at other corporations and the relationship between the Company and corporations at the locations are as shown under "(1) Directors and corporate auditors", which is on page 29.

2) Update on principal activities in the current fiscal year

Position	Name	Major activities
Director	Hitoshi Tamura	Attended all 8 Board meetings held in this fiscal year (attendance record: 100%), and has made comments, when needed, based on his broad knowledge of CS management.
Director	Akihiko Kato	Attended all 8 Board meetings in this fiscal year (attendance record: 100%), and has made comments, when needed, based on his experience and extensive knowledge of management at a financial institution.
Director	Nobuko Takagi	Attended all 8 Board meetings in this fiscal year (attendance record: 100%), and she has made comments, when needed, based on her extensive experience and knowledge concerning finance, accounting and M&A.
Corporate Auditor	Toru Niwa	In addition to covering accounting at USS Group and conducting internal audits, he attended all 9 Board of Auditors meetings in this fiscal year (attendance record: 100%), and has made comments when needed that must be made. He also attended all 8 Board meetings in this fiscal year (attendance record: 100%), and has made comments, when needed, based on his specialist viewpoints as a CPA.
Corporate Auditor	Ryoichi Miyazaki	In addition to covering accounting at USS Group and conducting internal audits, he attended all 9 Board of Auditors meetings in this fiscal year (attendance record: 100%), and has made comments when needed that must be made and as appropriate. He also attended all 8 Board meetings in this fiscal year (attendance record: 100%), and has made comments, when needed, based on his specialist viewpoints as an attorney.

3) Overview of the liability limitation agreement

Each of the outside directors and outside corporate auditors has entered into a liability limitation agreement with the Company that limits the liability for damage pursuant to provisions under Article 427, Paragraph 1, of the Companies Act and Articles 27 and 37 of the Articles of Incorporation of the Company.

This agreement limits liability to the higher of 4 million yen or the amount designated by laws and regulations.

5. Matters relating to Independent Auditors

(1) Name of corporate auditor
KPMG AZSA LLC

(2) Amount of remuneration, etc.

Classification	Amount
Total amount of remuneration, etc. of accounting auditors during the term	32 million yen
Total amount of monies and other properties which the Company and its subsidiaries should pay in remuneration of accounting auditors for their services to the Company and its subsidiaries during the term	36 million yen

Notes: 1. The "total amount of remuneration, etc. of accounting auditors during the term" indicates the total amount of remuneration for audits as defined under the Companies Act and as defined under the Financial Instrument and Exchange Law, because the amounts of remuneration for those two definitions of audits are not distinguished in the audit contracts between the Company and the accounting auditors and such distinction is not possible.
2. Board of Auditors agreed to the figures including the compensation package for accounting auditors after a review of needed materials and reports from and interviews with accounting auditors, Directors, Internal Audit Office and other concerned departments to confirm among other things the state of performance of duties in the current and previous fiscal years and the computation basis for a general estimate of auditor compensation.

(3) Overview of the contents of the liability limitation agreement
Not applicable.

(4) Description of services other than audits
USS pays the corporate auditor for support services for the adoption of an accounting standard concerning the recognition of revenue, which is a task not included in the tasks listed in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(5) Policies on determination of removal or denial of reappointment of accounting auditors
The Board of Corporate Auditors determine whether to reappoint accounting auditors, taking their independence, reliability and other situations related to their performance of duties into account comprehensively.
The Board of Corporate Auditors will, if it deems it necessary to remove or deny reappointment of any of the accounting auditors due to an issue in the performance of their duties or any other reason, decide the contents of the agenda of an Annual General Meeting of Shareholders regarding the removal or denial of reappointment of an accounting auditor. If the Board of Corporate Auditors recognizes that any of the items prescribed in Article 340, Paragraph 1, of the Companies Act apply to any of the accounting auditors, the Board of Corporate Auditors will remove this accounting auditor, subject to a unanimous agreement by the corporate auditors. In such a case, a corporate auditor elected by the Board of Corporate Auditors will report the facts on the removal of the accounting auditor and the reasons at the first General Meeting of Shareholders that is held following the removal.

Notes: 1. Numbers in this Business Report are truncated. Percentages are, however, rounded off to the nearest tenth decimal except the shareholding ratio numbers written in "2. Matters relating to shares of the Company".
2. With respect to the method of calculating consumption tax, etc., the Company uses the tax-excluded method.

6. Management Shall Ensure Sound Business Practices and Update on Implementation of this Management

Basic policy on internal control systems

(1) Management shall ensure compliance by directors and such of USS and its subsidiaries (These members shall include directors of USS and directors, executive officers, officers, and others at our subsidiaries who shall bear the professional duties under Article 598 Paragraph 1 of the Companies Act and other similar persons. Hereafter, the same shall apply.), and to enable their professional duties to be performed in compliance with laws, ordinances, and the Articles of Incorporation.

1) USS Group shall create a compliance manual that includes USS Code of Conduct & Ethics to comply with the laws and ordinances and improve areas including the Directors' and employees' understanding of ethical conduct at our corporation, and shall disseminate and implement this manual.
2) USS Group shall uncover swiftly and prevent any activities in violation of laws and ordinances; shall utilize the USS Helpline on Ethical Conduct, which is USS's internal whistleblowing system to rectify such breaches; and shall implement a roll-out of our mindset on ethical conduct to the employees and Directors of the USS Group.
3) USS Group shall appoint Outside Directors and Outside Auditors to ensure sensible decision-making at Board meetings and improve oversight in the functions of Management, and shall utilize independent experts including but not limited to legal counsel.
4) USS Group shall implement a central accounting system at the head offices to ensure sensible financial reporting; shall centrally manage the financial information and such of the USS Group; and shall comply with accounting standards and other various, related laws and ordinances.
5) USS Group shall not be associated in any way with antisocial forces and shall resolutely stand against such organizations. In the event of demands including but not limited to unlawful requests, concerned departments shall work together under close partnership with expert bodies including but not limited to police, and we shall never work to benefit the assets of such organizations.

(2) Management of retention and organization of information relating to performance of duties by Directors

1) Management of information concerning the performance of duties by Directors shall sensibly retain and control (including disposals) such information in line with rules including but not limited to USS Group's company rules, and when needs arise all rules shall be reviewed and how the rules are enforced shall be checked.
2) Responsible departments shall be established based on information type and on division and organization of roles by job duty of Directors; then this information shall be recorded and saved in document form or on electromagnetic media. Specifically, access privileges, security measures, backup systems, and other controls for electromagnetic information shall be upgraded.
3) For information that requires certain controls under the laws and ordinances on insider information, personal information, and customer information, the method of control that is required under relevant laws and ordinances shall be disseminated fully to the Directors and employees.
4) A Risk and Information Manager shall be appointed at each office and the subsidiaries; a company management structure shall be established where critical information of the USS Group are reported in a timely and sensible manner to the General Affairs Department of the Supervisory Office of Head Office and reported to and reviewed at the Board meetings or by Directors in charge when necessitated; and a system shall be implemented by which company information that should be disclosed is disclosed sensibly and in a timely manner in line with the rules on disclosure.
5) Internal Audit Office shall monitor whether controls are implemented that are in line with the risk and information management rules and division and organization of roles by job duty, and the status shall be reported to the Directors in charge and the Auditors (Board of Auditors).

(3) Regulations on risk management at USS and its subsidiaries concerning damages and such management systems

1) We shall create a risk management structure for the USS Group as a whole including but not limited to instructions, orders, and code of conduct in the event of critical risks, review of countermeasures and avoidance of critical risks, analysis of size in the event of occurrence of risks including but not limited to predictable catastrophes, environment, compliance, business management, and business strategies, and frequency of such risks.
2) Risks shall largely be categorized into (i) risks in business management; (ii) risks in daily business processes; (iii) crisis risks; such risks shall be avoided and business efficiency shall be increased.
3) Risks in business management, about which the company is aware and understands, shall be disclosed to stakeholders as risk information in documentation such as security reports, and such information shall be considered fully at important decision-making at events including but not limited to debated items at Board meetings.
4) Risk and Information Managers at all offices and the subsidiaries shall report necessary information in a timely manner and sensibly to the General Affairs Department of the Supervisory Office of Head Office, and the Auditors and Internal Audit Office shall monitor the risk management systems as part of any audit.

(4) Management shall ensure professional duties by directors and such of USS and its subsidiaries are efficiently performed

1) All offices and subsidiaries shall devise specific plans for the objectives of the USS Group as a whole, including but not limited to medium-term plans and annual budgets; these objectives shall be disseminated to persons including employees; and a management system shall be established to perform these objectives to fulfillment.
2) The Finance Department of the Supervisory Office of Head Office will analyze elements that inhibit the objectives from being achieved and efficiency at all of our offices and subsidiaries based on reports to the Board, comparative analysis of budget against results, and central management of monthly results of all of our offices and subsidiaries, and implement necessary measures.
3) Clearly define the professional duties and the division and organization of roles by job duty of the Directors, executive officers, and site managers who perform the job duties, and establish an efficient and effective business management system in response to business expansion.
4) Auditors shall also perform monitoring of any excessive pressure for efficiency in the performance of jobs by Directors.

(5) Management shall ensure compliance by staff of USS and its subsidiaries in compliance with the laws, ordinances, and company charter when professional duties are performed

1) The Finance Department of the Supervisory Office of Head Office has appointed managers at all offices and subsidiaries and is providing guidance and streamlining activities based principally on the monthly finance reports. In addition, the General Affairs Department and the Management Department of the Supervisory Office of Head Office shall cover general affairs and human resources, Auction Operation Office of Head Office shall cover auction businesses, System Office of Head Office shall cover information management businesses, the management of subsidiaries not including auction businesses shall be performed by appointing a Director in charge, and all shall coordinate to perform management and provide guidance for sensible business operations.
2) In addition to disseminating the Compliance Manual to all persons under the employ of the USS Group, a compliance mindset shall be reared through usage of the USS Helpline on Ethical Conduct, which is USS's internal whistleblowing system that uses an independent and outside organization.

3) For compliance at all offices and subsidiaries, management shall ensure efficiency when responding to business expansions of the USS Group, while ensuring full compliance. Management shall continually maintain the company's Internal controls systems for documents including but not limited to (i) work rules, accounting rules, and other business management rulebooks, and (ii) information processing and controls for the information processing system on which many business processes are dependent.
4) For monitoring, management shall utilize self-audit reports of all offices and subsidiaries and ensure effectiveness of monitoring by way of audits by the Internal Audit Office and Auditors.

(6) Management of reports to USS on matters relating to performance of professional duties by directors and such of its subsidiaries

Management shall hold meetings and provide guidance on strategies for each subsidiary based on budget administration and monthly business reports, and establish an internal control system that covers all subsidiaries of the consolidated group.

(7) Management shall ensure proper operations at corporation groups formed of USS and its subsidiaries

1) The Company shall respect the autonomy of all of its subsidiaries under the master policy, which covers all subsidiaries on the consolidated statement, and all subsidiaries as members of the USS Group shall share the mission statement and compliance mindset, and streamline operations including but not limited to our workforce, human resource, accounting, and treasury management.
2) The Company shall ensure consistency between policy and such of all subsidiaries and the management strategy, management policy and such, and a Director in charge shall be appointed at the Company to provide necessary support and adjustments that are needed for sound advancement and growth at all subsidiaries.
3) Auditors shall coordinate with the Internal Audit Office and Accounting experts, and provide advice and warnings when they believe such are necessary.

(8) Management shall ensure sensible financial reporting

1) As described in (1) through (6) and (10), the Company shall create and implement company controls for all of the USS Group including the consolidated subsidiaries.
2) The Company shall take under consideration not only the purpose that is Credibility of the Financial Reports but also the other purposes of Internal controls (How Valid and Effective are the Businesses; Compliance of Items including but not limited to Laws and Ordinances relating to Business Activities; Protection of Assets).
3) Because Company Controls for Settlement and Financial Reporting Processes are linked directly to financial reporting and these are processes that can have important impact, these controls shall be created such that the controls common to the group are also common to the consolidated subsidiaries.

(9) Items concerning employees when Auditors request said employees to be placed to support their work

In the event auditors make this request, the necessary auditing staff shall be appointed, and they shall be put to provide support for auditing work.

(10) Items on ensuring the performance of instructions by employees and independence of employees in the above paragraph from Directors

1) Auditor staffs in the above paragraph shall not take instructions and orders from Directors and employees when such individuals receive orders necessary for audit work from auditors.
2) In the event staff dedicated to auditing will be named, any instructions, transfer orders, personnel review, and disciplinary action concerning this person shall be cleared in advance by the Auditors (Board of Auditors).

(11) Management of reports to auditors by directors and such and staff of USS and its subsidiaries (Auditors shall be included in the case of its subsidiaries.), management to ensure that persons who make said report will not be treated unfairly for making such reports, and management of reports to auditors.

1) The Company has adopted a system at the Supervisory Office of Head Office (Finance Department, General Affairs Department, and Management Department) by which the management of treasury, accounting, general affairs, and human resources for all offices and subsidiaries are streamlined, and all important information of the USS Group are controlled by the Supervisory Office of Head Office and reported to the Auditors and Internal Audit Office.
2) The Company shall establish a USS Helpline on Ethical Conduct, which is company's whistleblowing system, by which reports are made to the Auditors and Internal Audit Office via the Supervisory Office of Head Office.
3) The mechanism is such that USS and its subsidiaries shall improve internal management to prevent any individuals who make a report to auditors from receiving unfair treatment for making such reports, and auditors will check whether said management is properly functioning. This mechanism further functions in such a way that any individuals who make a report or seek guidance about violation of laws and ordinances or about improper activity to not be treated unfairly for whistleblowing or seeking guidance about such matters.
4) The Company shall reinforce the system by which the systems in (1) and (2) above are implemented effectively and safely.

(12) Items on prepayment or disbursement of cost incurred by performance of professional duties by auditors and cost incurred by other such professional duties and the policy on repayment procedure

Auditors Board may prepare in advance a budget to cost what it believes is needed to perform the professional duties. Emergency and unscheduled expenditures by auditors may be reimbursed ex post facto by the company.

(13) Management shall ensure that audits by auditors are effectively performed

1) Conduct audits in line with Auditing Criteria for Auditors and with Auditing Criteria on Internal Controls, set by the Board of Auditors. In addition, persons holding auditor posts shall attend Board meetings and other important meetings and submit remarks.
2) Reconfirm the division of duties among the auditors for more effective audit work and confirm this understanding with the Board of Auditors.
3) Hold briefings with the Representative Director, Outside Director, Internal Audit Office, and accounting auditors periodically.

Overview of the State of Our Operations

(1) Framework on compliance

The Board shall set forth the USS Code of Conduct & Ethics as our basic rules on behavior of all officers and persons under our employ; shall disseminate these rules to all officers and persons under our employ within the USS Group, and shall work to achieve this dissemination through in-house training whenever appropriate.

We have established USS Helpline on Ethical Conduct, which is run by a third party, to serve as our whistleblower interface in the event persons under our employ obtain information on risk of illegal activity and such. The Board will receive reports on important risk information that are reported and brought to the attention of the USS Helpline on Ethical Conduct, and the state of this Helpline's operation will be regularly checked. Furthermore, USS's internal whistleblowing system guarantees that the persons under our employ will not suffer negative consequences from making a report to this Helpline.

(2) Assurance of efficiency and sensibility in the professional actions of Directors

We maintain a proper number of Directors. We also have third parties on our Board and have an executive officer system in order to improve Director oversight and make decisions faster.

8 Board meetings were held in the current term. Items to be deliberated by the Board were distributed in advance so that participants had sufficient time to make preparations. The Board then made decisions on important items relating to management such as budgets, decisions on direction of Management, and items to be discussed as required under laws and ordinances. The Board then analyzed, evaluated, and devised strategies on budget performance by monthly business results, and deliberated on all tabled items with compliance to laws, regulations, articles of incorporation and such, and from the perspective of sensible business practice.

(3) Preparation of controls at our subsidiaries

Our Directors and executive officers are appointed as officers to our subsidiaries, and they audit the performance of duties by Directors of our subsidiaries and others to make certain that those duties are efficiently performed. In addition, we have set forth Rules on Management of Affiliates as our rules on subsidiaries management, and implemented, among other things, pre-approvals on matters that require pre-approval such as important decision-making for subsidiary's business management to perform efficient monitoring of business performance at our company group.

(4) Guaranty that audits by auditors are effectively performed

Employees of the Internal Audit Office support the duties of the auditors, and we have opportunities where opinions are exchanged regularly between auditors and the accounting auditors, the Internal Audit Office, the Management, and all Directors including Representative Directors.

(5) State of performance of internal audits

We perform audits under our audit plan prepared by the Internal Audit Office based on our internal audit rules. Audits check whether our and our subsidiaries' corporate activities are proper under our company rules, code of conduct, articles of incorporation, and laws & ordinances, and whether proper controls are functioning in the business operation streams by using an audit method that includes review of documentation and investigations with the support and cooperation of the Board of Auditors.

7. Master policy on corporation management

(1) Master policy

USS believes that persons who control the policy decisions over USS's finances and businesses must above all possess the abilities to ensure and advance USS's corporate value and the interests of our shareholders.
The mission statement of the USS Group is (1) Creation of a fair marketplace; (2) Coexistence with our members; (3) Service to consumers; (4) Returns to our shareholders; (5) Respect for our workforce; (6) Giving back to communities. Our belief is that conducting our businesses under these missions will contribute to USS's corporate value and interests of our shareholders.
Moreover, as a publicly owned company with shares that are freely bought and sold, shareholders should ultimately make decisions about selling shares because of large share purchasing activity. In the event of an action for buying a large amount of our shares, we should not unilaterally oppose the action if it will be beneficial to our corporate value and the interests of our shareholders.
However, there may be a proposal or other action to purchase a large amount of our shares that are inconsistent with our corporate value and the interests of our shareholders. There may be insufficient time and information for the Company and shareholders to examine the proposal and to determine a proposal in response to the offer to buy Company shares. Or a proposed purchase may negatively impact the Company's corporate value and interests of shareholders with respect to management policies after the acquisition and the objective of the acquisition. There may also be proposals that force shareholders to sell their shares or have terms for buying Company stock that are inadequate or inappropriate in relation to our corporate value and the interests of our shareholders.
USS believes that any party that proposes or conducts large-scale purchasing activities like these are not suitable for controlling decisions about the Company's finances and business operations.

(2) Work to put the master policy into force

In addition to working on our businesses, USS will continue to work on the fulfillment of corporate governance duties outlined below under our mission statement so that we may implement the above master policy.
Our group believes that the principal mission of management is to ensure sound and sustainable growth and to fulfill what our stakeholders, including but not limited to our shareholders, have entrusted to us. We will continue to work on the fulfillment of our corporate governance duties because this is the vehicle by which we can accomplish this mission.
Our Board continues to work on swifter decision-making and increased transparency through liaison and coordination between our outside directors, who are highly independent from our organization, and directors who are very knowledgeable about the USS Group's businesses. Furthermore, by using audits by auditors including outside corporate auditors, we continue to work on the fulfillment of our audit functions. We will oversee management by stringent monitoring and the confirmation of items including but not limited to legal compliance, efficiency, and justifiability of duties performed by directors and suitability of decision-making processes.
Our group has established basic rules of compliance, which we call the USS Code of Conduct & Ethics, and our directors lead the program on dissemination of and compliance with the company's rulebook on ethics. Furthermore, we also have established rules on ensuring the credibility of our financial reports and ensuring the appropriateness of our decision-making, which we call the USS Group Internal Governance System. This is an internal governance system to ensure that the operations of our group are performed properly and efficiently.
For the validity of our internal governance system, important items are reported to our board and auditors by our internal audit unit, which performs internal audits based on our annual plan.

(3) Activities in the master policy to prevent decisions about financial and business policies from being controlled by unsuitable persons

USS adopted the proposal to implement countermeasures in the event of a large purchasing activity involving our shares (acquisition defense plan) at the Board meeting of May 16, 2006. The purpose is to prevent any negative impact on the joint interests of our shareholders and the Company's value from a large purchasing activity. This is part of our framework to ensure and improve the joint interests of our shareholders and our corporate value. Thereafter, this acquisition defense plan was approved by our shareholders at the 29th Period General Shareholders Meeting on June 24, 2009, and 32nd Period General Shareholders Meeting on June 26, 2012, under the term that this plan will continue after certain revisions were approved at these meetings (The plan that was approved by our shareholders at the 32nd Period General Shareholders Meeting on June 26, 2012, will hereafter be referred to as the "Plan").
After a review of the management of the Plan expiring on June 30, 2015, in view of the current business environment we have made the determination that it is not essential to continue this Plan. A resolution not to continue the Plan upon its expiration was approved at the Board meeting on May 13, 2015.
USS however shall continue to take proper and appropriate actions, including but not limited to continuing to seek, even after the Plan expires, under the relevant laws and ordinances, the necessary and full disclosure of information from persons who attempt to make large purchase and acquisition proposals concerning our company shares, as needed by our shareholders to make appropriate decisions, and continuing to disclose the views of our Board, and secure the time and information that are needed to conduct a review by our shareholders.

(4) Decision of the Board on implementation of the master policy

USS believes that performing the activities in (2) and (3) above as the measures to implement the master policy will lead to ensuring and advancing the joint interests of our shareholders and our company value. USS also believes that this will make it difficult for persons to conduct large purchase activities and acquisition proposals that do not benefit the joint interests of our shareholders and our company value. Furthermore, we will continue to implement appropriate actions, including but not limited to working to ensure that the sufficient time and information necessary for our shareholders to make appropriate decisions are provided in the event of large purchase activities and acquisition proposals. Therefore, we have determined that the measures in (2) and (3) above are in line with the master policy, and these measures are not for the purpose of enabling our officers to maintain their positions.

Consolidated Balance Sheet
(As of March 31, 2020)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	**68,096**	**Current liabilities**	**24,497**
Cash and deposits	50,729	Payables due to member dealers at auctions	8,721
Receivables due from member dealers at auctions	5,603	Notes and accounts payable – trade	376
Notes and accounts receivable – trade	2,894	Short-term borrowings	300
Securities	6,000	Current portion of long-term borrowings	220
Inventories	1,052	Lease obligations	78
Prepaid expenses	171	Income taxes payable	5,623
Other	1,684	Deposits received	1,771
Allowance for doubtful accounts	△38	Provision for bonuses	713
Non-current assets	**151,037**	Other	6,691
Property, plant and equipment	**106,747**	**Non-current liabilities**	**10,656**
Buildings and structures	36,573	Long-term borrowings	2,420
Machinery, equipment and vehicles	759	Lease obligations	41
Furniture and fixtures	2,536	Long-term accounts payable – other	187
Land	65,031	Deferred tax liabilities	1,655
Lease assets	173	Retirement benefit liability	834
Construction in progress	1,673	Guarantee deposits received	4,907
Intangible assets	**36,120**	Asset retirement obligations	609
Goodwill	29,449	**Total liabilities**	**35,153**
Other	6,671	(Net assets)	
Investments and other assets	**8,168**	**Shareholders' equity**	**187,585**
Investment securities	627	Share capital	18,881
Long-term loans receivable	48	Capital surplus	18,911
Long-term prepaid expenses	73	Retained earnings	206,654
Deferred tax assets	1,507	Treasury shares	△56,861
Deferred tax assets for land revaluation	2,455	**Accumulated other comprehensive income**	**△5,646**
Retirement benefit asset	45	Valuation difference on available-for-sale securities	2
Investment property	2,775	Revaluation reserve for land	△5,633
Other	790	Remeasurements of defined benefit plans	△15
Allowance for doubtful accounts	△157	**Share acquisition rights**	**494**
		Non-controlling interests	**1,546**
		Total net assets	**183,980**
Total assets	**219,133**	**Total liabilities and net assets**	**219,133**

Consolidated Statement of Income
(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Item	Amount	
Net sales		**78,143**
Cost of sales		**30,954**
Gross profit		**47,188**
Selling, general and administrative expenses		**11,179**
Operating profit		**36,009**
Non-operating income		
Interest and dividends income	17	
Rental income from real estate	594	
Gain on adjustment of guarantee deposits received from member dealers	114	
Other	139	866
Non-operating expenses		
Interest expenses	13	
Rental cost on real estate	135	
Other	15	165
Ordinary profit		**36,710**
Extraordinary income		
Gain on sales of non-current assets	38	38
Extraordinary losses		
Loss on sales and retirement of non-current assets	127	
Impairment loss	3,873	
Other	12	4,013
Profit before income taxes		**32,736**
Income taxes – current	12,006	
Income taxes – deferred	△91	11,914
Profit		**20,821**
Profit attributable to non-controlling interests		187
Profit attributable to owners of parent		**20,634**

Consolidated Statement of Changes in Equity
(From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	18,881	18,913	198,940	△49,448	187,287
Changes of items during the period					
Dividends of surplus	—	—	△12,920	—	△12,920
Profit attributable to owners of parent	—	—	20,634	—	20,634
Purchase of treasury shares	—	—	—	△7,641	△7,641
Disposal of treasury shares	—	△1	—	227	225
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	△1	7,714	△7,413	298
Balance at the end of current period	18,881	18,911	206,654	△56,861	187,585

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	60	△5,633	△15	△5,588	423	1,412	183,535
Changes of items during the period							
Dividends of surplus	—	—	—	—	—	—	△12,920
Profit attributable to owners of parent	—	—	—	—	—	—	20,634
Purchase of treasury shares	—	—	—	—	—	—	△7,641
Disposal of treasury shares	—	—	—	—	—	—	225
Net changes of items other than shareholders' equity	△57	—	0	△57	70	133	146
Total changes of items during the period	△57	—	0	△57	70	133	445
Balance at the end of current period	2	△5,633	△15	△5,646	494	1,546	183,980

Notes on consolidated financial statements

I. Basis for preparation of consolidated financial statements

1. Matters related to the scope of consolidation

(1) Number of consolidated subsidiaries: 10

The main consolidated subsidiaries are listed in "Business Report: 1. Matters relating to the current state of the USS Group: (7) Major parent company and subsidiaries: 2) Major subsidiaries" of "Notice of the 40th Annual General Meeting of Shareholders".

(2) Revision to the basis of consolidation

Consolidated subsidiary ARBIZ Co., Ltd. And SMFL MIRAI Partners Co., Ltd., a subsidiary of Sumitomo Mitsui Finance and Leasing Co., Ltd., jointly established a company called SMART Inc. on April 25, 2019. SMART is classified as a consolidated subsidiary.

2. Items concerning application of the equity method

(1) There is no nonconsolidated subsidiary or affiliate to which the equity method will be applied.

(2) Number of affiliates to which the equity method is not applied: 4

PT.JBA Indonesia, JBA Philippines,Inc., P2P Inc. and SBI AutoSupport Co., Ltd.

These four (4) companies were removed from the companies to which the equity method will be applied because they do not materially impact our consolidated financial statement.

3. Matters related to the fiscal years of consolidated subsidiaries, etc.

The fiscal year-end of all consolidated subsidiaries is the same as the one used in the consolidated financial statements.

4. Matters related to accounting policies

(1) Standards and methods of valuation of material assets

(i) Standards and methods of valuation of securities

Other securities

Those with market value	Market value method based on market prices at year-end (Valuation differences are included directly in net assets, and sales costs are calculated based on the moving average method.)
Those without market value	Cost method based on the moving average method

(ii) Standards and methods of valuation of inventories	Cost method based on the gross average method (in which book value is reduced to reflect declines in profitability) However, the cost method based on specific-identification method (in which book value is reduced to reflect declines in profitability) is used for vehicles, and cost percentage method (in which book value is reduced to reflect declines in profitability) is used for products in the recycling business.

(2) Depreciation methods for important depreciable assets

(i) Property, plant and equipment and investment property (excluding lease assets)	Declining-balance method However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016.
(ii) Intangible assets (excluding lease assets)	Depreciation is based on the straight-line method for software used internally over the period the software can be used (five years), for leased land utilization rights over the period that the land can be used (31 to 34 years), and for customer-related intangible assets over the period that there is a benefit (14 to 15 years).
(iii) Lease assets	Depreciation is based on the straight-line method with the lease term as the useful life and a residual value of zero.

(3) Standards of accounting for important allowances and reserves

(i) Allowance for doubtful accounts	To prepare for bad debt losses, the following methods are used.
General claims	Method based on actual bad debt rates
Possible bad debts and claims in bankruptcy proceedings	Method of evaluating financial conditions
(ii) Provision for bonuses	To prepare for the payment of bonuses to employees, the Company posts the current year's portion of estimated bonuses.

(4) Accounting method relative to retirement benefits

(i) Method of attributing expected retirement benefits payment to periods

With regard to calculation of retirement benefits obligation, the benefit formula basis has been adopted to attribute expected retirement benefits payment to the period up to the end of the consolidated fiscal year under current review.

(ii) Amortization method for actuarial gains and losses

Actuarial gains or losses are evenly amortized using the straight-line method, over a certain number of years (10 years) within the average remaining service years of employees, at the time of occurrence in each consolidated fiscal year, from the fiscal year following the year of occurrence.

(iii) Accounting method for unrecognized actuarial gains and losses

Unrecognized actuarial gains and losses are recorded in "Remeasurements of defined benefit plans" in "Accumulated other comprehensive income" under Net assets after being adjusted for tax-effects.

(iv) Adoption of the simplified method for small businesses

Some consolidated subsidiaries adopt the simplified method, according to which the amount that would be required to be paid if all eligible employees voluntarily terminated their employment at the end of the corresponding fiscal year shall be deemed retirement benefits obligations in calculating "Retirement benefit liability" and "Retirement benefits expenses."

(5) Matters related to goodwill amortization

Goodwill is amortized using the straight-line method over a period of five or 20 years based on a reasonable estimate of the number of years that there will be benefits associated with the goodwill.

(6) Other basic and important matters for the preparation of consolidated financial statements

Accounting for consumption tax, etc.	Tax exclusion method is used.

II. Note concerning Revision to Presentation Method

(Consolidated Statement of Income)

(1) "Gain on adjustment of guarantee deposits received from member dealers," which was included in "Other" in non-operating income in the fiscal year that ended in March 2019 is now a separate item because this item became more than 10% of total non-operating income. "Gain on adjustment of guarantee deposits received from member dealers" was 43 million yen in the fiscal year that ended in March 2019.

(2) "Impairment loss," which was included in "Other" in extraordinary losses in the fiscal year that ended in March 2019, is now a separate item because this item became more than 10% of total extraordinary losses. "Impairment loss" was 3 million yen in the fiscal year that ended in March 2019.

III. Notes on the consolidated balance sheet

1. Assets pledged as collateral and liabilities secured by collateral

(1) Assets pledged

Buildings and structures	556 million yen
Land	2,456 million yen
Total	3,013 million yen

(2) Liabilities secured

Current portion of long-term borrowings	220 million yen
Long-term borrowings	2,420 million yen
Total	2,640 million yen

Note: Loans are bank loans of consolidated subsidiary ARBIZ Co., Ltd.

2. Cumulative depreciation for property, plant and equipment 49,170 million yen
Cumulative depreciation for investment property 480 million yen

3. Revaluation of land

We have revaluated the land for business usage per the Law on Revaluation of Land (Law No. 34 Enacted on March 31, 1998). We have posted the tax for the valuation difference under Assets as Deferred Tax Asset from Revaluation, and posted the amount less this tax under Net Assets as Land Revaluation Difference Amount.

Method of revaluation of land

The Company revalued the land for business use by making a reasonable adjustment to the valuation in the land tax ledger, as specified by Clause 10, Article 341 of the Local Tax Law, as outlined in Clause 3, Article 2 of the Order for Enforcement of the Act on Revaluation of Land (Ordinance No. 119 promulgated on March 31, 1998).

Date of revaluation: March 31, 2002

Difference between current market value at year-end and book value following revaluation: △772 million yen

4. National government subsidies

In conjunction with application of reduction entries for fixed assets acquired using national government subsidies, the total reduction entry amounts that were deducted directly from the acquisition cost of fixed assets were 10 million yen for buildings and structures, 3 million yen for furniture and fixtures and 161 million yen for land.

IV. Notes on the consolidated statement of changes in equity

1. Matters related to the number of outstanding shares

Class of shares	Number of shares at the beginning of the current consolidated fiscal year	Increase in the number of shares during the current consolidated fiscal year	Decrease in the number of shares during the current consolidated fiscal year	Number of shares at the end of current consolidated fiscal year
Common stock	313,250,000	-	-	313,250,000

2. Matters related to dividends from surplus

(1) Dividend payments and others

(i) Dividend based on the resolution at the 39th Annual General Shareholders' Meeting on June 18, 2019

Total dividends	6,532 million yen
Dividend per share	25.80 yen
Date of record	March 31, 2019
Effective date	June 19, 2019

Note: Total dividends include dividends of 3 million yen for 123,000 shares of the Company on the shareholder register held by the USS Employee Stock Ownership Plan Trust (ESOP Trust).

(ii) Dividend based on the resolution at the Board of Directors' meeting on November 11, 2019

Total dividends	6,387 million yen
Dividend per share	25.60 yen
Date of record	September 30, 2019
Effective date	December 11, 2019

Note: Total dividends include dividends of 1 million yen for 54,000 shares of the Company on the shareholder register held by the ESOP Trust.

(2) Dividends that become effective in the following fiscal year with a record date within the current fiscal year

Total dividends	7,436 million yen
Dividend per share	29.80 yen
Date of record	March 31, 2020
Effective date	June 24, 2020
Dividend resource	Retained earnings

3. Matters related to share warrants as of March 31, 2020

	Type and number of stock		Date of grant
5th Stock Acquisition Rights	Common stock	34,700 shares	September 14, 2007
6th Stock Acquisition Rights	Common stock	40,400 shares	July 10, 2008
7th Stock Acquisition Rights	Common stock	69,800 shares	July 9, 2009
8th Stock Acquisition Rights	Common stock	48,700 shares	July 15, 2010
9th Stock Acquisition Rights	Common stock	58,900 shares	July 14, 2011
10th Stock Acquisition Rights	Common stock	49,300 shares	July 12, 2012
11th Stock Acquisition Rights	Common stock	36,300 shares	July 12, 2013
12th Stock Acquisition Rights	Common stock	24,000 shares	July 4, 2014
13th Stock Acquisition Rights	Common stock	22,400 shares	July 3, 2015
14th Stock Acquisition Rights	Common stock	30,700 shares	July 1, 2016
15th Stock Acquisition Rights	Common stock	33,000 shares	June 30, 2017
16th Stock Acquisition Rights	Common stock	34,400 shares	July 5, 2018
17th Stock Acquisition Rights	Common stock	37,800 shares	July 10, 2019

V. Notes on Financial instruments

1. Status of financial instruments

The USS Group invests funds on a sensible scale and purchases financial assets that are very sound. In addition, bank loans are used to procure funds as required by our capital expenditure plans. Derivatives are used solely for the purpose of shielding the Company from risks associated with interest rate and other volatilities associated with fund procurement and investment activities. Derivatives are never used for speculative activities.

Receivables due from member dealers at auctions, which are a type of trade receivable, are vulnerable to credit risks associated with customers. The Company manages deadlines and balances for each member and takes steps to quickly identify and reduce concerns about collecting the amounts due because of a decline in a member's financial condition or for some other reason.

Securities are held in joint management specified money trusts that are used for the management of short-term surplus funds.

Investment securities, which are stocks, are held for the purpose of pure investment or business promotion. Such securities are subject to credit risk associated with their issuers, risks of interest rate fluctuation, and risk of market price fluctuation. The Company periodically examines market prices, the state of issuers and other items, and regularly reviews its holdings.

Payable due to member dealers at the auctions, which are a type of trades payable, are all due within a short term.

Fair values of financial instruments are based on market and, if there is no market value, it is based on a value determined using reasonable calculations. Since these calculations incorporate variables, the resulting fair values may vary when different assumptions are used.

2. Fair values of financial instruments

Book values of financial instruments on the consolidated balance sheet, fair values and differences between these amounts were as follows as of March 31, 2020 (end of the fiscal year). This table does not include financial instruments for which it is very difficult to determine the fair value (see Note 2) and financial instruments that do not have a substantive effect on the financial statements.

(Millions of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	50,729	50,729	-
(2) Receivables due from member dealers at auctions	5,603	5,603	-
(3) Securities and investment securities			
Other securities	6,305	6,305	-
Total assets	62,637	62,637	-
(1) Payables due to member dealers at auctions	8,721	8,721	-
Total liabilities	8,721	8,721	-

Note 1: Matters related to method for calculating fair value of financial instruments and negotiable securities.

Assets

(1) Cash and deposits

Since all of these items are short-term instruments, the book values are used because the fair values are almost identical to the book values.

(2) Receivables due from member dealers at the auctions

These items are shown at their book values because fair values are virtually the same as book values as all of these items are settled within a short period.

(3) Securities and investment securities

The fair values are stock exchange prices for stocks and the applicable book value for joint management specified money trusts because these trusts are short-term instruments.

Notes concerning securities are as follows.

Notes with regard to securities are as follows.

With regard to other securities, acquisition cost, book value and the differences for each category are as follows.

(Millions of yen)

	Category	Book value	Acquisition cost	Difference
Amount on consolidated balance sheet exceeds acquisition cost	(1) Stocks	199	133	65
	(2) Bond	—	—	—
	(3) Other	—	—	—
	Sub-total	199	133	65
Amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	105	168	△62
	(2) Bond	—	—	—
	(3) Other	6,000	6,000	—
	Sub-total	6,105	6,168	△62
Total		6,305	6,301	3

Notes: 1. Acquisition cost in this table is book value after deduction of impairment charges.
2. There was no change in the purpose of holding to any securities in the fiscal year that ended on March 31, 2020.
3. No impairment charges were recorded for any of the other securities with a fair value in the fiscal year that ended on March 31, 2020.

Liabilities

(1) Payables due to member dealers at the auctions

These items are shown at their book values because fair values are virtually the same as book values as all of these items are settled within a short period.

Note 2: Stocks of affiliates (book value of 278 million yen) and unlisted stocks (book value of 43 million yen) are not included in "(3) Securities and investment securities" because they do not have a market price, therefore future cash flows cannot be estimated and it is very difficult to determine its fair value.

Note 3: Monetary claims and the expected redemption amount after the end of the fiscal period for securities with a maturity

(Millions of yen)

	Within 1 year	1 year+ to 5 years	5 years+ to 10 years	More than 10 years
Cash and deposits	50,729	-	-	-
Receivables due from member dealers at the auctions	5,603	-	-	-
Other securities	6,000			
Total	62,332	-	-	-

VI. Notes on rental real estate

There are no notes on rental real estate because the total value of such real estate is not considerable.

VII. Notes on per share data

1. Net asset per share 729.12 yen
2. Profit per share 82.44 yen

Note: Net assets per share were calculated by including Company's shares held by ESOP Trust in treasury shares, which was deducted from the total number of shares issued. However, there was no deduction because the ESOP Trust owned no USS shares at the end of the fiscal year due to the completion of the sale of all of its remaining USS shares. The average number of USS shares owned by this trust during the fiscal year was 49 thousand.

VIII. Significant Subsequent Events

Not applicable

IX. Other Notes

(Impairment loss)

The USS Group recorded impairment losses in the following asset groups.

(1) Assets impaired and amount of impairment

Location	Use	Category	Impairment loss (Million yen)
Edogawa-ku, Tokyo (JAA Inc.)	Other	Goodwill	3,863
Sendai, Miyagi (Rabbit Sendai Bypass Store)	Assets for disposal	Buildings and structures	7
Ageo, Saitama (Rabbit Route 17 Ageo Midorigaoka Store)	Assets for disposal	Buildings and structures	2

(2) Reason for recognition of impairment loss

When USS acquired JAA Inc., goodwill was recorded based on the belief at that time that JAA was able to generate extra earnings. However, the performance of JAA subsequently fell short of the initial business plan. As a result, in the fiscal year that ended in March 2020, the remaining JAA goodwill was reduced to the amount that can be recovered and this reduction was recognized as an impairment loss in extraordinary losses.

At the Rabbit Sendai Bypass store and Rabbit Route 17 Ageo Midorigaoka store, the book value of this asset group was reduced to the amount that can be recovered due to the decision to relocate these stores. This reduction was recognized as an impairment loss in extraordinary losses.

(3) Method used for grouping assets

For goodwill, assets are grouped by business units for which profitability is constantly monitored. For assets to be disposed, assets are grouped for individual stores.

(4) Method used to calculate amounts that can be recovered

The value of the amount that can be recovered in a particular asset group is measured by using the net selling price or the value of using the asset. For JAA goodwill, the net selling price based on real estate appraisals of this company’s land and buildings was used to measure the amount that can be collected. For the Rabbit Sendai Bypass and Rabbit Route 17 Ageo Midorigaoka stores, utilization value was used to measure the amount that can be collected. This utilization value was not discounted because the expected length of use is short.

(Supplementary information)

1. Accounting procedure for the Trust Employee Shareholding Incentive Plan

   The Company has been conducting transactions to allot its own shares to Employee Stock Ownership Plan through the ESOP Trust for the purposes of improving welfare benefits for employees and granting an incentive to employees to improve the Company's corporate value.

   The Trust Employee Shareholding Incentive Plan

   Outline of the transaction

   In March 2017, the Company reestablished the Trust Employee Shareholding Incentive Plan for the purpose of granting an incentive to employees of the Group companies to improve the Company's medium and long-term corporate values.

   According to the Plan, the Company shall establish ESOP Trust at a trust bank and ESOP Trust shall purchase the Company's shares in advance. These shares are to be purchased through the USS employee stock ownership plan over a period of three years after the ESOP Trust's establishment. Thereafter, the ESOP Trust will continuously sell the Company's shares to the Employee Stock Ownership Plan every month until the ESOP Trust reaches its completion. To procure funds to purchase the Company's shares, the ESOP Trust uses bank loans that are guaranteed by the Company.

   If the amount corresponding to the gain on sales of stocks through the sales of the Company's shares to the Employee Stock Ownership Plan is accumulated in the ESOP Trust at the completion of the trust, the amount corresponding to the gain on sales of the Company's shares shall be distributed as residual property to eligible persons who fulfill the qualification requirements of beneficiaries.

   Also, in the case the amount corresponding to the loss on sales of stocks due to decline in the Company's stock price is accumulated in ESOP Trust at the completion of the trust, the Company shall repay the outstanding balance on the bank loans corresponding to the loss on sales of shares in accordance with the nonrecourse promissory note.

   The ESOP Trust ended in January 2020. All of the trust's loans were repaid, ending the obligation of USS regarding its guarantees of these loans.

2. Figures are rounded down to the nearest whole unit.

Non-Consolidated Balance Sheet
(As of March 31, 2020)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	**55,638**	**Current liabilities**	**20,414**
Cash and deposits	40,131	Payables due to member dealers at auctions	7,540
Receivables due from member dealers at auctions	4,834	Accounts payable – trade	115
Accounts receivable – trade	264	Accounts payable – other	5,464
Securities	6,000	Accrued expenses	78
Merchandise	171	Income taxes payable	5,069
Supplies	86	Deposits received	1,614
Prepaid expenses	50	Provision for bonuses	460
Short-term loans receivable from subsidiaries and associates	3,550	Other	70
Other	552	**Non-current liabilities**	**5,405**
Allowance for doubtful accounts	△4	Long-term accounts payable – other	178
Non-current assets	**158,057**	Provision for retirement benefits	486
Property, plant and equipment	**85,513**	Guarantee deposits received from member dealers	4,466
Buildings	29,022	Asset retirement obligations	273
Structures	3,728	**Total liabilities**	**25,820**
Machinery and equipment	197	(Net assets)	
Vehicles	82	**Shareholders' equity**	**193,013**
Furniture and fixtures	2,059	**Share capital**	**18,881**
Land	49,364	**Capital surplus**	**14,503**
Construction in progress	1,058	Legal capital surplus	4,583
Intangible assets	**1,325**	Other capital surplus	9,919
Leasehold right	70	**Retained earnings**	**216,491**
Software	1,226	Legal retained earnings	370
Other	28	Other retained earnings	216,120
Investments and other assets	**71,219**	Reserve for special depreciation	41
Investment securities	348	Retained earnings brought forward	216,079
Shares of subsidiaries and associates	57,943	**Treasury shares**	**△56,861**
Claims provable in bankruptcy, claims provable in rehabilitation and other	8	**Valuation and translation adjustments**	**△5,631**
Long-term prepaid expenses	59	Valuation difference on available -for-sale securities	2
Deferred tax assets	1,150	Revaluation reserve for land	△5,633
Deferred tax assets for land revaluation	2,455	**Share acquisition rights**	**494**
Insurance funds	59		
Investment property	9,090		
Other	110		
Allowance for doubtful accounts	△8	**Total net assets**	**187,876**
Total assets	**213,696**	**Total liabilities and net assets**	**213,696**

Non-Consolidated Statement of Income
(From April 1, 2019 to March 31, 2020)

(Millions of yen)

Item	Amount	
Net sales		**56,854**
Cost of sales		**16,920**
Gross profit		**39,933**
Selling, general and administrative expenses		**4,877**
Operating profit		**35,056**
Non-operating income		
Interest and dividends income	3,146	
Rental income from real estate	920	
Other	143	4,210
Non-operating expenses		
Rental cost on real estate	234	
Other	7	242
Ordinary profit		**39,024**
Extraordinary income		
Gain on sales of non-current assets	10	
Gain on sales of shares of subsidiaries	22	32
Extraordinary losses		
Loss on sales and retirement of non-current assets	31	
Other	0	31
Profit before income taxes		**39,026**
Income taxes – current	10,937	
Income taxes – deferred	△73	10,863
Profit		**28,162**

Non-Consolidated Statement of Changes in Equity
(From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for special depreciation	Retained earnings brought forward	Total retained earnings	Treasury shares	Total Shareholders' equity
Balance at the beginning of current period	18,881	4,583	9,921	14,504	370	82	200,795	201,248	△49,448	185,186
Changes of items during the period										
Reversal of reserve for special depreciation	–	—	—	—	—	△41	41	—	—	—
Dividends of surplus	—	—	—	—	—	—	△12,920	△12,920	—	△12,920
Profit	—	—	—	—	—	—	28,162	28,162	—	28,162
Purchase of treasury shares	—	—	—	—	—	—	—	—	△7,641	△7,641
Disposal of treasury shares	—	—	△1	△1	—	—	—	—	227	225
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	△1	△1	—	△41	15,284	15,242	△7,413	7,827
Balance at the end of current period	18,881	4,583	9,919	14,503	370	41	216,079	216,491	△56,861	193,013

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of current period	60	△5,633	△5,573	423	180,036
Changes of items during the period					
Reversal of reserve for special depreciation	—	—	—	—	—
Dividends of surplus	—	—	—	—	△12,920
Profit	—	—	—	—	28,162
Purchase of treasury shares	—	—	—	—	△7,641
Disposal of treasury shares	—	—	—	—	225
Net changes of items other than shareholders' equity	△57	—	△57	70	12
Total changes of items during the period	△57	—	△57	70	7,839
Balance at the end of current period	2	△5,633	△5,631	494	187,876

Notes on non-consolidated financial statements

I. Notes on matters related to important accounting policies

1. Standards and methods of valuation of assets

(1) Standards and methods of valuation of securities

Stocks of subsidiaries	Cost method based on the moving average method
Other securities	
Those with market value	Market value method based on market prices at year-end (Valuation differences are included directly in net assets, and sales costs are calculated based on the moving average method).
Those without market value	Cost method based on the moving average method

(2) Standards and methods of valuation of inventories

Merchandise	Cost method based on the moving average method (by which book value is reduced to reflect declines in profitability) However, the cost method based on the specific-identification method (by which book value is reduced to reflect declines in profitability) is used for vehicles.
Supplies	Cost method based on the last cost method However, the cost method based on the specific identification method is used for vehicles.

2. Depreciation methods for depreciable assets

(1) Property, plant and equipment and investment property	Declining-balance method However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016.
(2) Intangible assets	The straight-line method is used for software used internally over the period the software can be used (five years) and for leased land utilization rights over the period that the land can be used (34 years).

3. Standards of accounting for allowances and reserves

(1) Allowance for doubtful accounts	To prepare for bad debt losses, the following methods are used.
General claims	Method based on actual bad debt rates
Possible bad debts and claims in bankruptcy proceedings etc.	Method of evaluating financial conditions
(2) Provision for bonuses	To prepare for the payment of bonuses to employees, the Company posts the current year's portion of the estimated bonuses.
(3) Provision for retirement benefits	To prepare for payments of retirement benefits to employees, estimated amounts of the Company's retirement benefits obligation at the end of the fiscal year was provided. For calculation of retirement benefits obligation, to attribute expected retirement benefits payments for the period up to the end of the fiscal year under current review, the retirement benefits formula basis was adopted. The actuarial gains and losses are evenly amortized using the straight-line method, over a specific number of years (10 years) to be within the average remaining service years of employees, at the time of occurrence in each consolidated fiscal year, from the fiscal year following the year of occurrence.

4. Other general and significant matters in the preparation of financial statements

Accounting for consumption taxes, etc.	Tax exclusion method is used.

II. Notes on the balance sheet

1. Cumulative depreciation for property, plant and equipment 43,040 million yen
   Cumulative depreciation for investment property 1,214 million yen

2. Receivables from, and payables to subsidiaries (excluding independently categorized items)

Short-term receivables	233 million yen
Short-term payables	623 million yen
Long-term payables	18 million yen

3. Revaluation of land

For the 22nd term (Year ended March 31, 2002), land for business used was revalued based on the law related to the revaluation of land (Law No. 34 promulgated on March 31, 1998). Tax on the revaluation difference was recognized as "deferred tax assets for land revaluation" under assets and the margin was recognized as "revaluation reserves for land" under net assets.

Method of revaluation of land

The Company revalued land for business use by making reasonable adjustments to the valuation in the land tax ledger, as specified by Clause 10, Article 341 of the Local Tax Law, and outlined in Clause 3, Article 2 of the Order for Enforcement of the Act on Revaluation of Land (Ordinance No. 119 promulgated on March 31, 1998).

Date of revaluation: March 31, 2002

Difference between current market value at year-end and book value following revaluation: △772 million yen

4. National government subsidies, etc.

In conjunction with the application of reduction entries for fixed assets acquired using national government subsidies and such, the reduction entry amounts that were deducted directly from the fixed assets acquisition value were 10 million yen for buildings and structures, 3 million yen in furniture and fixtures, 161 million yen for real estate for investment (land).

III. Notes on the statement of income

Transactions with affiliated companies

Net sales	898 million yen
Operating expenses	2,739 million yen
Transactions other than business transactions	3,677 million yen

IV. Notes on the statement of changes in equity

The class and number of treasury shares at the end of the fiscal year

Class of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the fiscal year	Decrease in the number of shares during the fiscal year	Number of shares at the end of current fiscal year
Common stock	60,174,839	3,661,820	119,400	63,717,259

Notes: 1. The number of shares at the beginning of the current fiscal year includes 115,100 shares held by the ESOP Trust. There were no ESOP Trust shares at the end of the current fiscal year because this trust completed the sale of all remaining shares.

2. Breakdown of the increase of 3,661,820 shares in treasury shares (common stock) is as follows.

Acquisition of treasury shares by a Board resolution	3,661,700 shares
Increase due to purchase of shares less than one unit	120 shares

3. Breakdown of the decrease of 119,400 shares in treasury shares (common stock) is as follows:

Sale of Company stock by the ESOP Trust to the holding company	115,100 shares
Decrease due to exercise of stock options	4,300 shares

V. Notes on tax effect accounting

Main reasons leading to deferred tax assets and deferred tax liabilities

Deferred tax assets

(1) Amount above limit for deductible in addition to provision for bonus	139 million yen
(2) Accrued enterprise tax denied	279 million yen
(3) Payables denied	38 million yen
(4) Share-based compensation expenses denied	149 million yen
(5) Denial of impairment losses	224 million yen
(6) Asset Retirement Obligations	82 million yen
(7) Provision for retirement benefits denied	147 million yen
(8) Others	122 million yen
Total deferred tax assets	1,184 million yen
Netting with deferred tax liabilities	△33 million yen
Net deferred tax assets	1,150 million yen

Deferred tax liabilities

(1) Valuation difference on available-for-sale securities	1 million yen
(2) Asset Retirement Obligations	14 million yen
(3) Reserve for special depreciation	18 million yen
Total deferred tax liabilities	33 million yen
Netting with deferred tax assets	△33 million yen
Net deferred tax liabilities	- million yen

VI. Notes on transactions with related parties

1. Subsidiaries, etc. (Millions of yen)

Category	Name of company or individual	Location	Capital	Description of business or occupation	Voting rights ratio	Business links	Details of transaction	Transaction amount	Account item	Balance at year-end
Subsidiary	US Butsuryu Co., Ltd.	Tokai, Aichi	30	Automobile transportation service	100% (Direct)	Outsourced services	Outsourced business activities	2,217	Payable	255

Notes: 1. Prices paid to US Butsuryu for outsourced services are determined by negotiations that reflect market prices.
2. The amount of transactions does not include consumption tax and the balance at year end does include consumption tax.

2. Officers, main individual shareholders and others (Millions of yen)

Category	Name of company or individual	Location	Capital	Description of business or occupation	Voting rights ratio	Business links	Details of transaction	Transaction amount	Account item	Balance at year-end
USS Representative Director Yukihiro Ando holds a majority of voting rights	Showa Co., Ltd.	Midori Ward, Nagoya, Aichi	10	Auto sales	-	Auction business	Auction related transaction	15	Payable due to member dealers at auctions	0
USS Director Motohiro Masuda holds a majority of voting rights	Masuda Auto Co., Ltd.	Misato, Saitama	10	Auto sales	-	Auction business	Auction related transaction	42	Payable due to member dealers at auctions Accounts receivable	9 0
USS Director Toshio Mishima holds a majority of voting rights	Metokosu Co., Ltd.	Kasuya, Fukuoka	13	Auto sales	-	Auction business	Auction related transaction	57	Payables due to member dealers at auctions Guarantee deposited Accounts receivable	4 0 0

Notes: 1. Business terms and business term determination method
Under the Company's automobile auction-related regulations, auction transactions are made based on business terms designed for general member dealers.
2. In the "Details of transactions", "Auction related transaction" includes listing fees, contract completion fees, successful bid fees and other auction transactions.
3. Transaction amounts do not include consumption tax and others, but the balances at year-end do include consumption tax and others.

VII. Notes on per share data

1. Net asset per share 750.93 yen
2. Profit per share 112.53 yen

Note: Net assets per share were calculated by including the Company's shares held by the ESOP Trust in treasury shares, which was deducted from the total number of shares issued. However, there was no deduction because the ESOP Trust owned no USS shares at the end of the fiscal year due to the completion of the sale of all of its remaining USS shares. The average number of USS shares owned by this trust during the fiscal year was 49 thousand.

VIII. Notes on significant subsequent events

Not applicable

IX. Other Notes

Supplementary information

1. Accounting procedure for the Trust Employee Shareholding Incentive Plan
This is the same as the content in "Notes on Consolidated Financial Statements, IX. Other Notes, (Supplementary information) 1. Accounting procedure for the Trust Employee Shareholding Incentive Plan."

2. Figures are rounded down to the nearest whole unit.

Venue

Head Office of USS Co., Ltd. (USS Nagoya Auction Site)

507-20 Shinpo-machi, Tokai, Aichi

Instructions for entering the location in a navigation system

Input “507-20 Shinpo-machi, Tokai-shi, Aichi-ken”

Access Information

• By train: Approximately 10 minutes by taxi from Daidocho Station on the Meitetsu Tokoname Line.

In addition, there will be a bus pickup service at 10:00 a.m. and 10:30 a.m. at Daidocho Station.

For this year’s shareholders meeting, the shuttle bus pickup has been changed to Daidocho Station on the Meitetsu Tokoname Line. There are no buses to the shareholders meeting site from JR Odaka Station or from Meitetsu Nawa Station.

Additional information

The following trains provide direct service to Daidocho Station with no need for a transfer to a second train.

Meitetsu Tokoname Line, Semi-express (for Chubu International Airport)

Meitetsu Nagoya Station 9:45, arriving at Daidocho Station 9:58

Meitetsu Nagoya Station 10:15, arriving at Daidocho Station 10:28

• By car: Approximately 5 minutes from the Funami IC Exit of the Nagoya Expressway Route 4.
Approximately 10 minutes from the Tokai IC Exit of the Isewangan Expressway.

If you come by car, please use our parking area.

Contact Information
General Affairs Department, Supervisory Office, USS Co., Ltd.
Telephone: +81-52-689-1129