

FY3/2023 Earnings Results Briefing Q&A (Summary)

Date: May 10, 2023

Attendees: Chairman and Representative Director, Chief Executive Officer Yukihiro Ando
President and Representative Director, Chief Operating Officer Dai Seta
Executive Vice President, Officer of the Supervisory Office
Masafumi Yamanaka

Q : The forecast for the number of vehicles consigned at 300 million vehicles (up 1.4% from the previous fiscal year) seems to be somewhat conservative. Please explain the reasons for the same.

Yamanaka We have forecast the number of vehicles consigned for the first half at 1.457 million vehicles, that is an increase of 7.4%. The forecast for the second half is 1.543 million vehicles, a decrease of 3.7%. This is mainly because the number of vehicles consigned in the 2nd half of the fiscal year ended March 2023 was very high.

Q : While USS's market share is increasing, that of automaker-affiliated companies is declining. In this business environment, MIRIVE is increasing its market share. What is your take from the standpoint of competition.

Ando MIRIVE opened an auction site (MIRIVE Nagoya) in June 2020. It is only a 20-minute drive to this auction site from our USS Nagoya auction site. It seems that they are consigning about 2,000 vehicles. In addition to this, they also have auction sites in Saitama and Osaka. These two auction sites handle a large number of vehicles. Of particular note is that business is growing rapidly at the Saitama auction site.

MIRIVE is a subsidiary of BIGMOTOR, a major buyer and seller of used vehicles. This gives MIRIVE a significant advantage as it enables the company to consign vehicles purchased by BIGMOTOR. In that sense, unlike USS, which depends entirely on members, MIRIVE seems to be in an advantageous position.

Despite these constraints, we have the upper hand in the Nagoya area at present, thanks to you all.

Q : Your business results have improved steadily over the recent years.

Going forward, the number of used vehicles in the market is expected to increase and the scrap market is likely to be sluggish. Will this adversely affect your earnings in the future?

Ando As our subsidiary ARBIZ is engaged in recycling end-of-life vehicles, it is very particularly sensitive to the steel market trends.

We have an auction site (R-Nagoya Auction site) for low-priced used vehicles near our Nagoya Auction site. Auctions are held weekly at this auction site. The average number of vehicles consigned is 2,200 per auction and the average price of vehicle at this site is 80,000 yen. The contract completion rate at this site is nearly 80%. The R-Nagoya auction site also has a corner for purchasing vehicles that have failed to be contracted. It should be noted that purchase prices fluctuate. Purchase prices are, as a rule, determined in consultation with ARBIZ and reflect the market for steel. There is minimal risk as purchase prices are determined in this fashion.

Q : Your contract completion rate forecast is lower than that of the current fiscal year. Please explain the context of this forecast.

Yamanaka The number of vehicles consigned has been increasing significantly since November 2022. On the other hand, the growth has not been particularly strong from the standpoint of the number of contract completions. Obviously, the contract completion rate has declined. The contract completion rate in April also hovered at a low level in comparison with April last year.

I feel that this situation is likely to continue at least through the first half of the current fiscal year. Our plan is based on this assumption and the low contract completion rate forecast reflects this factor.

Q : We have heard that a vehicle which has failed to be contracted fetches a lower price if it is re-consigned. What is the situation at USS?

Ando The situation varies by auction site. About 30%~40% of the vehicles consigned fail to be contracted. I would like to point out that bidders are not the same when the vehicle is re-consigned. Normally, about 70%~80% are the same bidders. But there is also quite a large number of new participants in the auction.

Moreover, bidders participating through the external bidding system usually come with orders booked through the previous week. These bidders

participate in auctions in search of vehicles they already have firm orders for and therefore bid aggressively.

Just because a vehicle is re-consigned in a week does not necessarily mean that its price will drop. This will be different if tens or hundreds of similar vehicles are consigned simultaneously. Normally, if only a small number, say 10-20 similar vehicles, are consigned in the auction, a re-consigned vehicle may even fetch a higher price from that of the previous week.

Q : What is the situation with the revision of fees and what are the reasons for the same?

Seta First, let me comment on auction fees. From January this year, we have raised the successful bid fee and contract completion fee by 500~2,000 yen at our Nagoya and Tokyo auction sites.

We have also raised the contract completion fee and successful bid fee from April at all other auction sites.

As explained by our chairman in the financial results briefing for the second quarter, we feel that the appropriate timing to raise fees is after a major event or a significant investment. A 3-billion-yen elevated parking lot started operations at the Tokyo Auction site in January. Increase in fees coincided with the completion of the multi-story parking facility.

The cost of electricity, in particular, has increased significantly amid inflation. In addition, all other costs, including labor and transportation costs, have also shot up. We have raised prices to offset these costs even though there was no major event.

We expect an increase in sales of about 1.3~1.5 billion yen as a result of higher fees.