



USS Co., Ltd.

Financial Results Briefing for the 2nd Quarter, Fiscal Year Ending March 2023

November 9, 2022

Event Summary

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[Participants]	
[Number of Speakers]	3
	Yukihiro Ando Chairman and Representative Director, Chief Executive Officer
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	Masafumi Yamanaka Director, Executive Vice President, Officer of the Supervisory Office
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*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

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Presentation

Moderator: Thank you very much for taking time out of your busy schedules today to participate in our financial results briefing for Q2 of the fiscal year ending March 31, 2023.

In attendance today are Mr. Ando, Chairman and CEO; Mr. Seta, President and COO; and Mr. Yamanaka, Executive Vice President and General Manager of the Supervisory Office.

First, CEO Ando will explain the financial results, followed by a question-and-answer session. The entire briefing is scheduled to last for approximately one hour.

Now, Mr. Ando will start the explanation. Mr. Ando, please go ahead.

Ando: Hello, everyone. Thank you very much for taking time out of your busy schedules to attend our financial results briefing for Q2 of the fiscal year ending March 2023.

As announced by the executive office, the Q&A session has been changed from a chat format to a system that allows two-way communication with you. I will now explain the results while referring to the materials, and then we will move on to the Q&A session. We would be happy to take as many questions as possible as time permits.

Highlights of 1H FY2022



1H FY22 Results

- **Net sales ¥42.4billion**
(up 6.6% YoY)
- **Operating profit ¥21.2billion** (up 3.2% YoY)
 - There was a small decrease in the number of vehicles consigned at USS auctions as the number of used vehicles sold in Japan declined, but the contract completion ratio increased*.
 - In the used vehicle purchasing and selling segment, sales and earnings increased mainly because of higher prices at used car auctions.
 - In the recycle segment, demolition orders were higher and sales increased but earnings were lower.

* USS Auto Auction result in 1H FY2022: vehicles consigned was 1.35 million (down 0.4% YoY), contract completions was 0.90million (up 3.7% YoY), contract completion was rate 67.0%

FY22 Forecast

- **Revisions to the FY2022 plan**
 - Revised upward the FY2022 plan to reflect higher-than-forecasted first half results. No change in the second half plan.
- **Net sales ¥85.5 billion**
 - 1.7% higher than the initial forecast
 - The current plan for FY2022 is 2.81 million vehicles consigned at auctions, 1.5% below the previous plan, 1.85 million contracted vehicles, 0.5% above the previous plan, and a contract completion ratio of 66.0% compared with the previous plan of 64.7%.
- **Operating profit ¥43.4 billion**
 - 0.8% above the previous plan

Earnings Distributions

- **FY2022 dividend forecast has been raised to ¥67.5**
This will be the 23rd consecutive year of dividend increases.
 - In FY2019, the basic policy for dividends was revised as consolidated payout ratio guideline increased to at least 55%.
- **Repurchase of stock**
 - USS repurchased 5.09 million shares of stock at a cost of ¥9.6 billion between November 2021 and May 2022.
 - The dividend forecast was increased to maintain a consolidated payout ratio of at least 55%.

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Now, please see page four. This shows the key points for today.

The first is the consolidated financial results for Q2. Looking at the used vehicle distribution market from April to September, new vehicle sales continued to experience prolonged delivery times and order suspensions for some models. There was a decline in the number of used vehicles by way of replacement with new vehicles.

Looking at the auction market as a whole, both the number of vehicles offered and the number of contract completions declined YoY, with 96.2% and 98.2% of the respective year-before levels. However, USS Co., Ltd.

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secured the same level of vehicles offered as a year earlier. In addition, the number of contract completions was 103.7% of the year-before level, showing our competitiveness. In the consolidated results, all sales and profit items reached record highs.

The second point is the consolidated earnings forecast for the fiscal year ending March 2023. We have revised upward our full-year forecast by adding to the previous full-year forecast the amount by which we exceeded the plan for H1 of the fiscal year. Looking at the business environment in H2 of the fiscal year, the number of new car registrations was on a recovery trend in September and October. The number of vehicles consigned at USS Auctions was 106.8% of the prior-year level in September and 110.9% in October, indicating that the entire used vehicle market has been on a recovery. We believe that the plan for H2 is fully achievable.

The third point is shareholder return. We have revised upward our annual dividend forecast per share to JPY67.50. We repurchased treasury shares in H1, and we have raised the dividend amount in order to secure a consolidated dividend payout ratio of at least 55%, which is our basic policy regarding dividends.

1H FY2022 Summary of Consolidated Results of Operations

- Sales was up 6.6% YoY to ¥42.42 billion, operating profit was up 3.2% to ¥21.22 billion, and profit attributable to owners of parent up 2.7% to ¥14.61 billion.
- Record-high sales, operating profit, ordinary profit and profit attributable to owners of parent

(Million yen)

	1H FY2021	(Per sales)	1H FY2022	(Per sales)	Year on year	Initial plan (May 10, 2022)	(Per sales)	VS. Plan
Net sales	39,784		42,429		106.6%	41,000		103.5%
Cost of sales	14,746	37.1%	16,467	38.8%	111.7%	15,422	37.6%	106.8%
Gross profit	25,038	62.9%	25,962	61.2%	103.7%	25,577	62.4%	101.5%
Selling, general and administrative expenses	4,467	11.2%	4,741	11.2%	106.1%	4,717	11.5%	100.5%
Operating profit	20,570	51.7%	21,220	50.0%	103.2%	20,860	50.9%	101.7%
Ordinary profit	20,945	52.6%	21,586	50.9%	103.1%	21,210	51.7%	101.8%
Profit attributable to owners of parent	14,223	35.8%	14,614	34.4%	102.7%	14,700	35.9%	99.4%

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The slide you are looking at is the consolidated financial results for Q2 of FY2022, as I explained in the financial highlights.

Net sales were JPY42.4 billion, 106% of the year-before level and 103% of the initially planned amount; operating profit was JPY21.2 billion, 103% of the prior-year level and 101% of the initial plan; and ordinary profit was JPY21.5 billion, 103% of the year-before level and 101% of the plan. Profit attributable to owners of parent was JPY14.6 billion, 102% of the year-before level and 99% of the plan, and all sales and profit items posted record highs.

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Net Sales and Operating Profit by Business Segment



(Million yen)

Net sales	1H FY2020	1H FY2021	1H FY2022	Year on year
Auto auction	28,246	31,929	33,168	103.9%
Used vehicle purchasing and selling	3,571	4,229	5,049	119.4%
Recycling	2,254	3,579	4,162	116.3%
Other	205	46	48	103.8%
Total	34,277	39,784	42,429	106.6%
Operating profit (operating margin)	1H FY2020	1H FY2021	1H FY2022	Year on year
Auto auction	15,698 (55.2%)	19,852 (61.9%)	20,434 (61.4%)	102.9%
Used vehicle purchasing and selling	98 (2.8%)	85 (2.0%)	211 (4.2%)	247.2%
Recycling	38 (1.7%)	589 (16.5%)	527 (12.7%)	89.5%
Other	16 (7.1%)	32 (70.2%)	36 (75.4%)	111.5%
Adjustment	50 (-)	9 (-)	9 (-)	101.2%
Total	15,901 (46.4%)	20,570 (51.7%)	21,220 (50.0%)	103.2%

*1 Net sales are sales to external customers and operating profit is based on business segment earnings. Operating margins (shown % in parenthesis) are calculated by dividing segment profit by segment sales.
 *2 Beginning with Q2 FY2022, the recycle business, which was previously included in "other," is a reportable segment. Figures for "recycling" and "other" have been revised to conform with this change.

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Next is net sales and operating profit by business segment.

First, we reclassified the segment classifications, beginning with the disclosure of Q2 FY2022 results, establishing the recycling business, which was included in the other category, as an independent segment. As I will explain later in the recycling segment, we divide the segment into the recycle business and the industrial plant recycle business. The former includes the ferrous and nonferrous metals recycling business conducted by our subsidiary ARBIZ Co., Ltd. The latter includes demolition work of properties conducted by SMART Inc. as the primary contractor. I will provide the details for each segment later in this presentation.

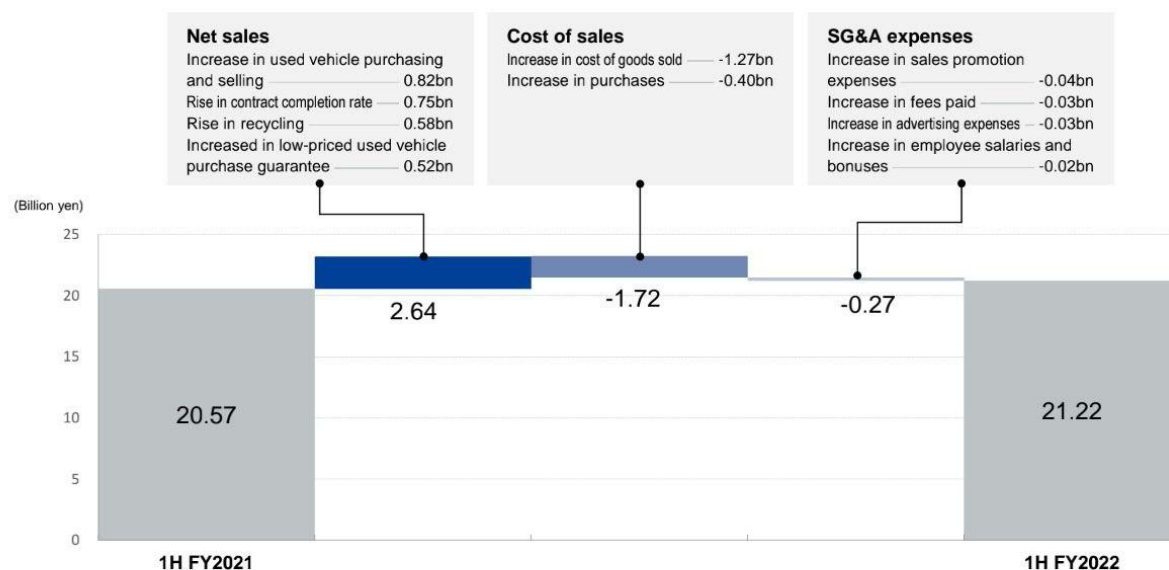
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1H FY2022 Reasons for Change in Operating Profit (Actual)



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This chart shows the reasons for the YoY change in operating profit.

First, in net sales, various fees increased due to a rise in the contract completion rate. The used vehicle purchasing and selling business also performed well on the back of an increase in gross profit due to soaring auction market prices. In recycling, there was an increase in the number of orders for large-scale demolition projects in the industrial plant recycle business. We believe this is the result of continued strong performance from the previous fiscal year.

We also saw an increase in the low-priced used vehicle purchase guarantee business. In some sections of its auction venues, USS conducts auctions for old and low-priced vehicles with high mileage, offering guaranteed purchase prices. The increase in the overall used vehicle market boosted the unit guaranteed purchase price of low-priced vehicles.

The increase in cost of goods sold, a factor in the cost of sales, was also due to higher resale prices for low-priced vehicles with guaranteed purchase prices. Other factors contributing to the cost of sales include higher purchase prices from users due to the soaring auction prices in used vehicle purchasing and selling.

The increase in purchases was due to an increase in the number of large-scale property demolition projects handled by the industrial plant recycle business.

In addition, there is no significant change in SG&A expenses.

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Consolidated Balance Sheets and Statements of Cash Flows



- Increase in time deposits and acquisition of investment securities were the primary uses of cash for investing activities.
- The primary use of cash in financing activities was dividends paid.
- Equity ratio : 77.2%

Consolidated balance sheets (summary)

(Million yen)

	FY21	End of Q2 FY22		FY21	End of Q2 FY22
Current assets	103,872	113,544	Current liabilities	37,884	42,831
Cash and deposits	79,380	88,628	Payables due to member dealers at auction	21,213	28,107
Other	24,491	24,916	Other	16,670	14,723
Non-current assets	125,481	124,632	Non-current liabilities	8,996	8,806
Property, plant and equipment	100,379	99,260	Total liabilities	46,880	51,637
Other	25,102	25,371	Total net assets	182,473	186,539
Total assets	229,354	238,176	Total liabilities and net assets	229,354	238,176

Consolidated statements of cash flows (summary)

(Million yen)

	1H FY20	1H FY21	1H FY22	Changes
Net cash provided by (used in) operating activities	16,644	14,982	20,051	5,069
Net cash provided by (used in) investing activities	-8,067	-914	-4,150	-3,235
Free cash flow	8,577	14,067	15,901	1,833
Net cash provided by (used in) financing activities	-7,525	-6,453	-8,653	-2,199
Capital expenditures (Terms of cash flows)	8,058	927	1,201	274
Depreciation	2,572	2,446	2,249	-196

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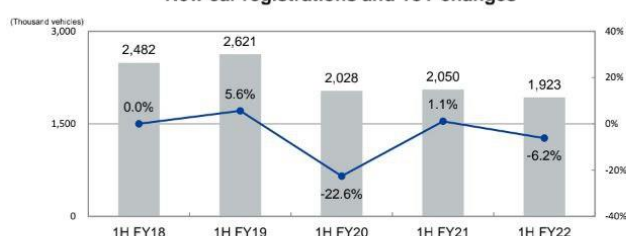
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Next, the consolidated balance sheets show that the equity ratio was 77.2%, indicating a continuously high level of financial stability.

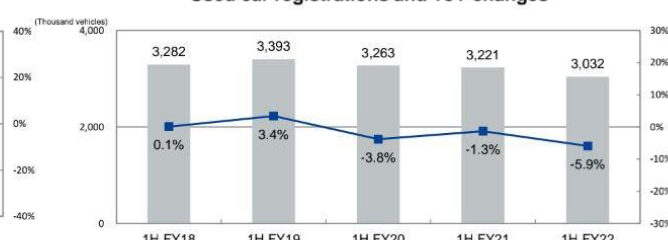
Automobile Market



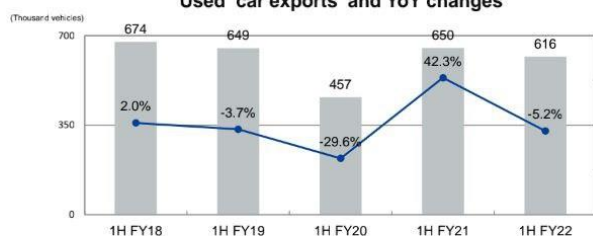
New car registrations and YoY changes



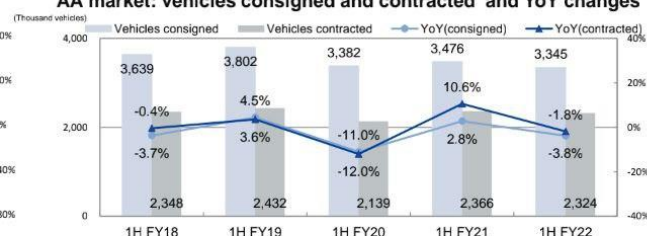
Used car registrations and YoY changes



Used car exports and YoY changes



AA market: vehicles consigned and contracted and YoY changes



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From here, I would like to explain the trends in the automobile market.

I already explained the trends of new and used vehicles at the beginning of this presentation. Used vehicle exports have a significant impact on the overall demand in the auto auction market. In H1 of the current fiscal year, used vehicle exports were down about 5% YoY, due in part to a shortage of containers and rising ocean freight costs. Currently, demand is growing very strong especially exports bound for Malaysia.

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Auto Auction Segment (1) Overview



- Higher sales and earnings with no change YoY in vehicles consigned but an increase in the contract completion ratio

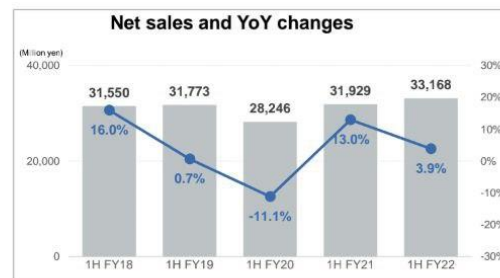
No. of vehicles consigned
1.356 million
down 0.4% YoY

No. of contract completions
0.908 million
up 3.7% YoY

Contract completion rate
67.0%
64.4% (in 1H FY21)

Auto auction segment performance in 1H

	1H FY20	1H FY21	1H FY22	Year on year
Net sales	28,246	31,929	33,168	103.9%
Consignment fees	6,422	7,538	7,595	100.8%
Contract completion fees	6,365	7,394	7,619	103.0%
Successful bid fees	9,806	11,367	11,653	102.5%
Other	5,651	5,629	6,300	111.9%
Operating profit	15,698	19,852	20,434	102.9%
Operating margin	55.2%	61.9%	61.4%	-



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

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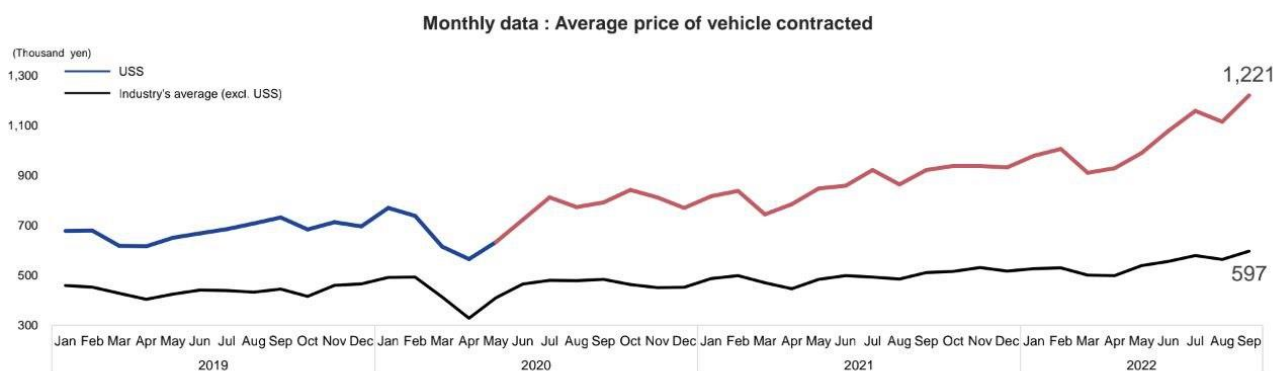
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I would now like to explain the auto auction segment. I will provide a detailed explanation from the next page onward.

Auto Auction Segment (2) Average Price of Vehicle Contracted



- Shortage of new cars because of shortage of auto parts → Decline in trade-in vehicles
→ Decline of the number of used cars on the market → Strained supply-demand balance
→ Spike in auction prices
- Price per contracted vehicle increased year-on-year since June 2020.



* In auto auctions in Japan, notwithstanding the vehicle contract price, consignment fees, contract completion fees and successful bid fees are fixed for each category. Therefore, commission does not fluctuate with the amount of the contracted price of a vehicle.

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The slide you see shows the changes in the unit price per contracted vehicle for USS and the overall industry excluding USS since January 2019.

Since around May 2020, due to the coronavirus pandemic, the auction market has been soaring and the unit price per contracted vehicle has also been rising as demand for used vehicles as a means of transportation

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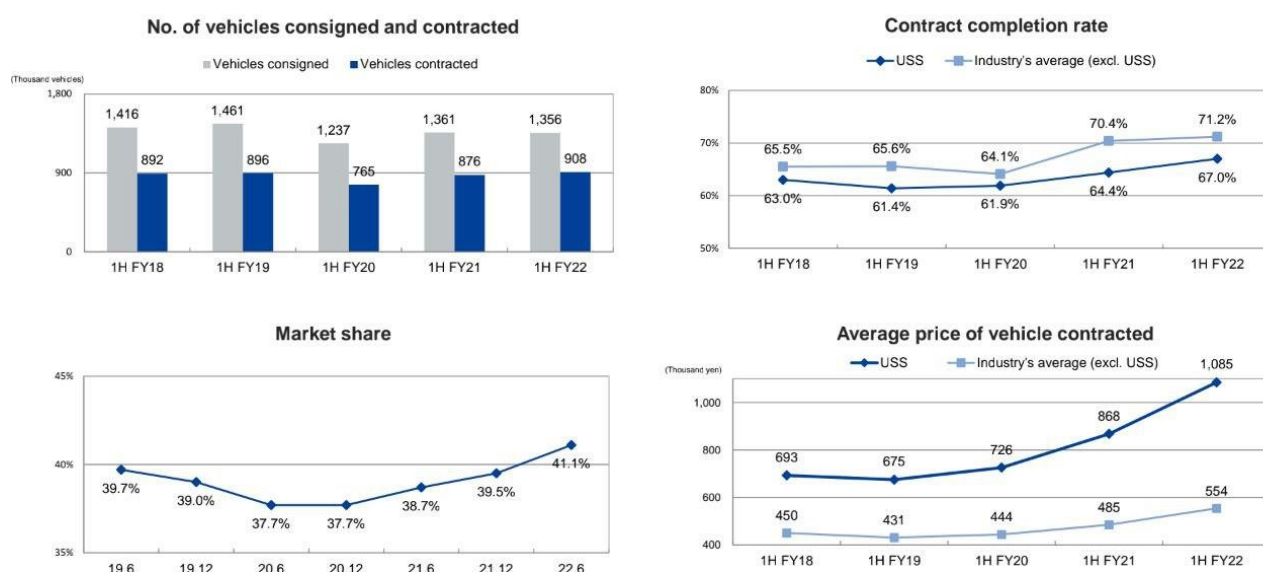


increased, used vehicles were in short supply due to the reduced production of new vehicles caused by the global shortage of semiconductors, and the yen continued to depreciate.

As you can see, the difference between USS and the industry average excluding USS was about JPY200,000 around January 2019, but widened to about JPY600,000 in September this year.

Due to this price difference, we believe that USS has an overwhelming competitive edge in the industry for three- and five-year-old vehicles with relatively high unit prices, which are considered to be mainly for retail use.

Auto Auction Segment (3) No. of Vehicles Consigned and Contracted, etc.



* Period ending in December: 12-month data; Period ending in June: 6-month data. * The figures in this slide do not include JBA data.

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This slide shows the changes in auction results.

The market share trend on the lower left shows that from January to June 2022, the market share was 41%, and there were three factors that contributed to the increase in the market share.

The first is that, as a replacement business for new vehicles, demand for late and middle model used vehicles with relatively high unit prices increased, and USS is best suited to this price range.

Secondly, the decline in new vehicle sales reduced the market share of automaker-affiliated auction venues.

Thirdly, the distribution of low-priced vehicles decreased YoY, and the number of vehicles offered at cooperative-sponsored auctions, which mainly deal with low priced vehicles, declined. If new car sales recover in the future, the number of vehicles offered at auctions affiliated with automobile manufacturers will recover and the USS's market share may decline. However, the number of used vehicles in the market will increase, and as a result, USS will also see an increase in the number of vehicles to be auctioned.

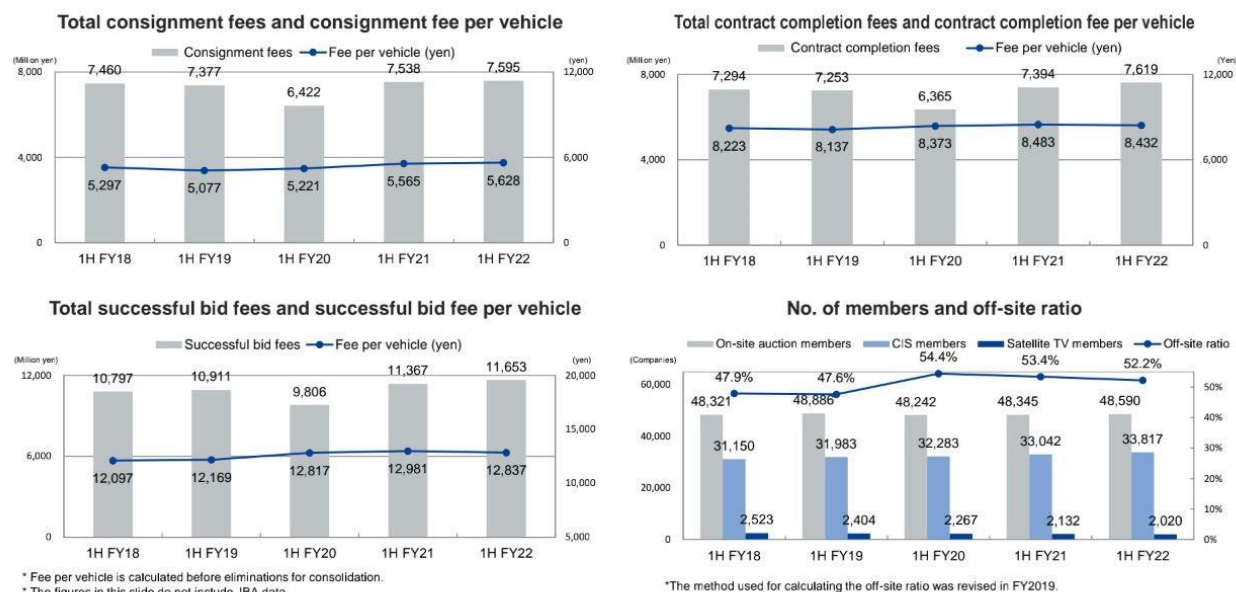
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Auto Auction Segment (4) Fees, etc.



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Next, I will explain the changes in fees.

The listing fee per vehicle was JPY5,628 in H1, up JPY63 YoY. The main factors for the rise included an increase in the percentage of vehicles offered in sections offering high unit fees at the Tokyo venue and others.

Next, the contract completion fee per vehicle was JPY8,432, a YoY decrease of JPY51. The main reason for this was an increase in rebates to large-lot stores.

Next, the successful bid fee per vehicle was JPY12,837, down JPY144 YoY. The main reason for this was a decrease in the ratio of external bids. The ratio of external bids was lower than immediately after the COVID-19 pandemic. Compared to the pre-COVID levels, the ratio still exceeded 50% and remained at a high level.

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Used Vehicle Purchasing and Selling Segment



At Rabbit, which purchases used vehicles, sales and earnings increased because of high prices of used vehicles at auctions and a higher gross profit per vehicle.

Net sales **¥2,867** million
(up 20.9% YoY)

Operating profit **¥121** million
(up 71.9% YoY)

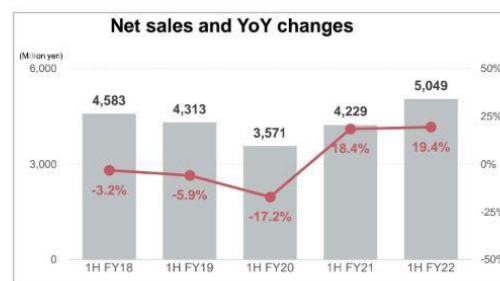
In the accident-damaged vehicle purchasing and selling business, sales and earnings were higher because of an increase in the number of vehicles sold and a larger number of high-priced vehicles, which have a higher profit margin.

Net sales **¥2,181** million
(up 17.5% YoY)

Operating profit **¥90** million
(up 497.9% YoY)

Used vehicle purchasing and selling segment performance in 1H

	1H FY20	1H FY21	1H FY22	Year on year
Net sales	3,571	4,229	5,049	119.4%
Operating profit	98	85	211	247.2%
Operating margin	2.8%	2.0%	4.2%	-



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

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I will explain the used vehicle purchasing and selling segment.

At Rabbit, sales and earnings increased because of high prices of used vehicles at auctions and a higher gross profit per vehicle. Sales were JPY2.8 billion, 120% of the year-before level, and operating profit was JPY120 million, 171%.

In the accident damaged vehicle purchasing and selling business, sales and earnings were higher because of an increase in the number of vehicles sold and a larger number of high-priced vehicles, which have a higher profit margin.

As a result, net sales were JPY2.1 billion, 117% of the year-before level, and operating profit was JPY90 million, 597%.

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Recycling Segment

In the recycle business, sales and earnings were down because of a smaller number of end-of-life vehicles handled and a decline in prices of metal scrap.

Net sales **¥2,613** million
(down 2.9% YoY)

Operating profit **¥280** million
(down 44.2% YoY)

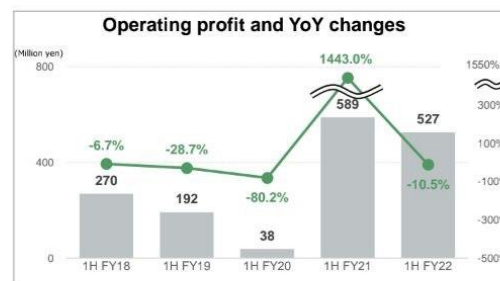
In the industrial plant recycle business, sales and earnings increased because of the larger number of orders for large demolition projects.

Net sales **¥1,549** million
(up 74.4% YoY)

Operating profit **¥246** million
(up 186.5% YoY)

Recycling segment performance in 1H

	1H FY20	1H FY21	1H FY22	Year on year
Net sales	2,254	3,579	4,162	116.3%
Operating profit	38	589	527	89.5%
Operating margin	1.7%	16.5%	12.7%	-



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

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Next, I will explain the recycling segment.

In the recycle business operated by subsidiary ARBIZ Co., Ltd, the profit margin narrowed because of a smaller number of end-of-life vehicles handled and a decline in prices of metal scrap since May after they remained at high levels.

As a result, net sales were JPY2.6 billion, 97% of the year-before figure, and operating profit was JPY200 million, 55% of the prior-year level.

In the industrial plant recycle business operated by SMART Inc., the number of orders for large-scale demolition projects increased.

As a result, net sales were JPY1.5 billion, 174% of the year-before level, and operating profit was JPY200 million, 286%.

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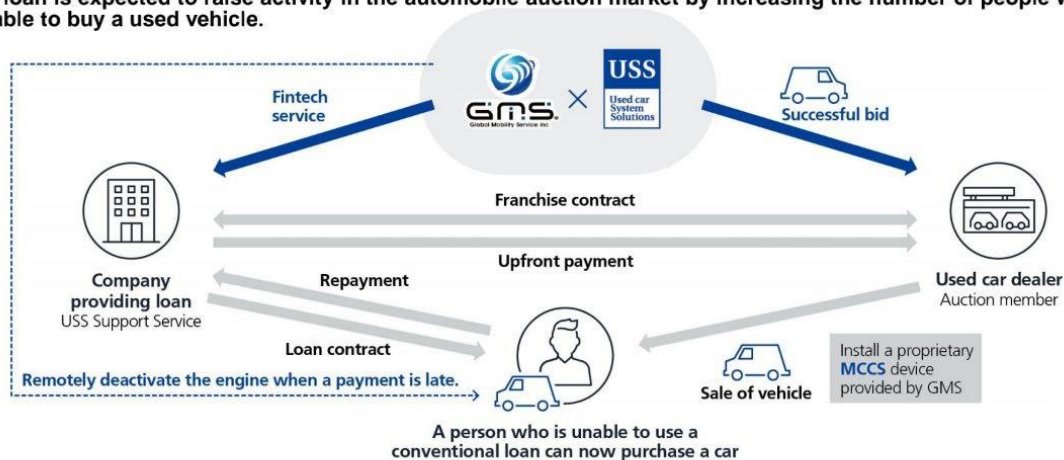
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TOPICS A New Automobile Loan Product Using a Tie-up with GMS



- USS established an equity and business alliance with Global Mobility Service, which is a provider of a diverse lineup of fintech services.
- The launch of this new automobile loan will enable people who previously were unable to obtain a loan for a variety of reasons to finally own a vehicle.
- This loan is expected to raise activity in the automobile auction market by increasing the number of people who are able to buy a used vehicle.



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Next, I will explain the progress of the capital and business alliance with Global Mobility Service Inc., or GMS, which was announced in May.

First, as for the details of the business alliance, used vehicle dealers and agents who are USS Auction members will provide automobile loans to freelancers who have difficulty in passing the automobile loan screening, those who have been working for companies for only a few years, those who have a history of past delinquencies, and foreigners who reside in Japan.

We have heard from our auction members that two to three out of 10 loan applications for them are not approved. In the planned loan business, if you default on your loan, you will be unable to start the engine of your vehicle when you return to your home or other usual stopping place, such as a parking lot. It is GMS that manufactures a device called the MCCA, the mobility-cloud connecting system, which starts the engine when the default is cleared. GMS provides fintech services for default, engine shutdown, payment, and engine reactivation.

USS invested JPY1 billion in GMS to obtain the exclusive rights to sell the MCCA in Japan, and the two companies are working together to recruit agents for USS auction venues.

We are currently in the process of obtaining permits and we expect to be in service as early as January next year. We will be able to report on the extent to which we have achieved in this alliance at the full-year financial results briefing in May next year.

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FY2022 Consolidated Forecast



- Revision of FY2022 forecast : The fiscal year forecast was revised to reflect the strong first half performance, which exceeded initial forecast due to a higher contract completion ratio, more orders in the industrial plant recycle business and other reasons.
- Revision of vehicles handled at auctions : 2.81 million vehicles consigned (1.5% below the previous plan); 1.85 million vehicles contracted (0.5% above the previous plan); contract completion ratio of 66.0% vs. 64.7% in the previous plan

(Million yen)

	FY21 (Actual)	FY22 initial plan (May 10, 2022)	Changes	FY22 revised plan (Nov. 8, 2022)	Revised plan vs FY21
Net sales	81,482	84,100	1,429	85,529	105.0%
Gross profit (Per sales)	50,772 (62.3%)	52,685 (62.6%)	384	53,070 (62.0%)	104.5%
Operating profit (Per sales)	41,574 (51.0%)	43,100 (51.2%)	360	43,460 (50.8%)	104.5%
Ordinary profit (Per sales)	42,374 (52.0%)	43,800 (52.1%)	376	44,176 (51.7%)	104.3%
Profit attributable to owners of parent (Per sales)	29,745 (36.5%)	30,000 (35.7%)	-	30,000 (35.1%)	100.9%
Profit per share (Yen)	119.80	122.68	-0.02	122.66	102.4%
Capital expenditures (Terms of cash flows)	2,036	6,800	-800	6,000	294.6%
Depreciation	4,959	4,770	-22	4,748	95.7%

* Profit per share (FY2022 revised plan) is restated to reflect the changes in treasury shares to the end of September 2022.

Auto Auction Business (excl. JBA)	FY21 (Actual)	FY22 initial plan (May 10, 2022)	Changes	FY22 revised plan (Nov. 8, 2022)	Revised plan vs FY21
No. of vehicles consigned (Thousands)	2,731	2,860	-43	2,816	103.1%
No. of vehicles contracted (Thousands)	1,787	1,850	8	1,858	104.0%
Contract completion rate	65.4%	64.7%	1.3p	66.0%	-

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From here, I will explain our full-year earnings forecast.

As I mentioned at the beginning, our financial results through Q2 exceeded our plan and reached record highs. We have revised our full-year forecast upward to reflect this upswing.

We hope you will take a look later at the details, such as the reasons for the change in operating profit for H2 and the full year, as well as the segment-by-segment forecast, from the next page onward.

Used Car Auction Market and USS Market Share



- Maintained higher market shares and profit in the period of sluggish markets following the financial crisis of 2008-2009.
- The goal is an even larger market share by using opportunities involving the growth of EV sales, emergence of self-driving vehicles and other changes



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Now, please see page 23. I will now explain the market environment and our medium-term initiatives.

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First, here are the changes in market share from 1990 to the present.

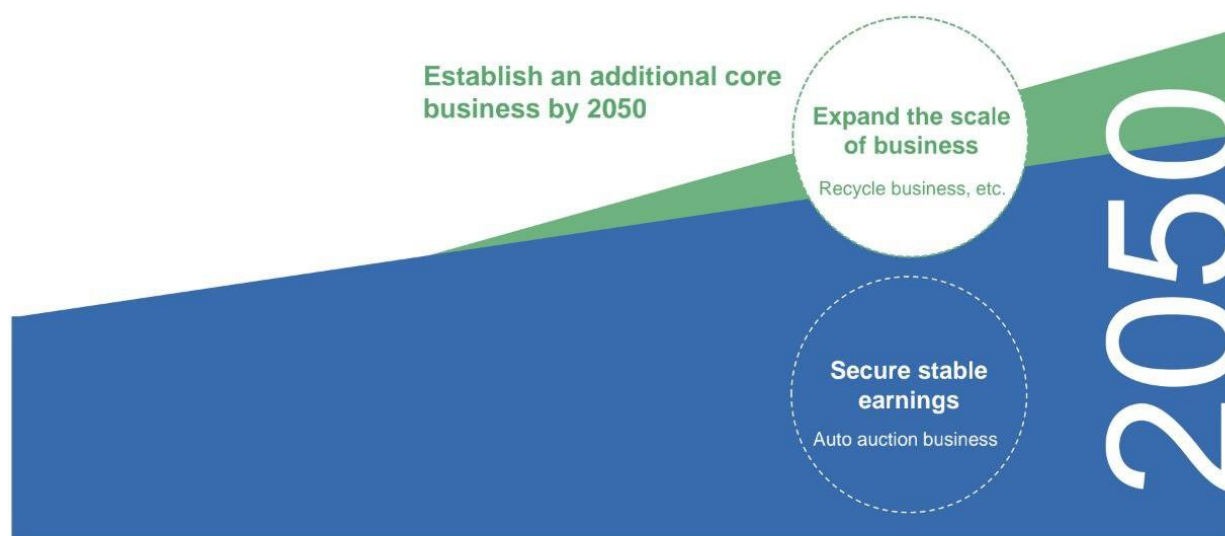
Over the long term, you will see that the USS market share has grown steadily.

The automotive industry is said to be in a period of once-in-a-century change, and USS hopes to achieve stable growth by responding to the spread of electric vehicles and automated driving, and by further expanding its market share. We will continue to prepare for the widespread use of EVs in the future. In order to evaluate EVs, it is important to diagnose battery degradation. To this end, we are working with other companies to develop necessary devices.

Long-term Growth Vision



■ Greater contributions to a circular economy and business expansion



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The slide you see is our long-term growth vision.

We will work to expand the scale of our recycling and other businesses, with the auction business, a stable source of revenue, at the core.

We believe that the alliance with GMS, which I explained earlier, will be one of our efforts to expand the scale of our business.

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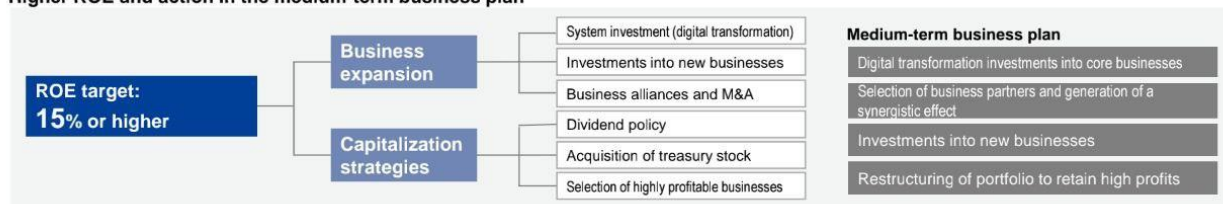
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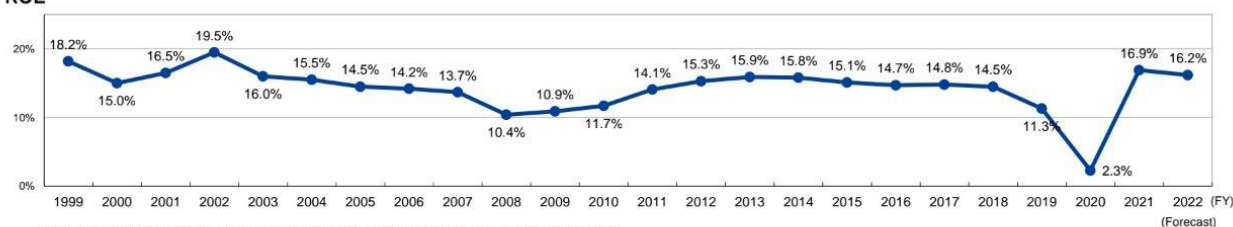
Medium-term Business Plan and Raising the ROE

- The medium-term goal for the ROE is at least 15%.

Higher ROE and action in the medium-term business plan



ROE



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The next slide describes the themes and medium-term plan for USS business expansion and capital policy, with the aim of maintaining a medium-term ROE level of 15% or higher.

In addition, for the executive compensation system, which was revised in June, we have introduced a system to link bonuses to executives for a single fiscal year and medium-term stock compensation with 15% ROE as one of the performance-linked indicators, setting the 15% as the achievement rate of 100. This is a commitment by management to improve ROE, and it is a number that we would like to stick to.

Basic Policy on Finance and Shareholder Distributions (1)

- Increase shareholder distributions while continuing investment for growth
- Consolidated dividend payout ratio: Over 55% from FY2019

Consolidated dividend payout ratio



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I would like to explain our basic policy regarding shareholder returns.

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First, as for our basic policy on dividends, we have been raising the consolidated dividend payout ratio in stages by setting a numerical value, and the target from FY2019 is 55% or more.

Basic Policy on Finance and Shareholder Distributions (2)



- **Stock repurchases:** Buy back stock with flexibility, with due consideration to cash flows, capital investment plans and the market environment
- **Repurchased stock between November 2021 and May 2022**
- **USS retired 56.25 million shares of treasury stock on June 30, 2022.**
Ratio of treasury stock to total number of shares issued : 4.81%(as of September 30, 2022)

Stock Repurchase Data (latest figures)

Type of shares	Common shares
Period of acquisition	From November 9, 2021 to May 31, 2022
Aggregate number of shares repurchased	5,098,500 shares
Aggregate value of shares repurchased	9,605,031,800 yen
Method of acquisition	On the market

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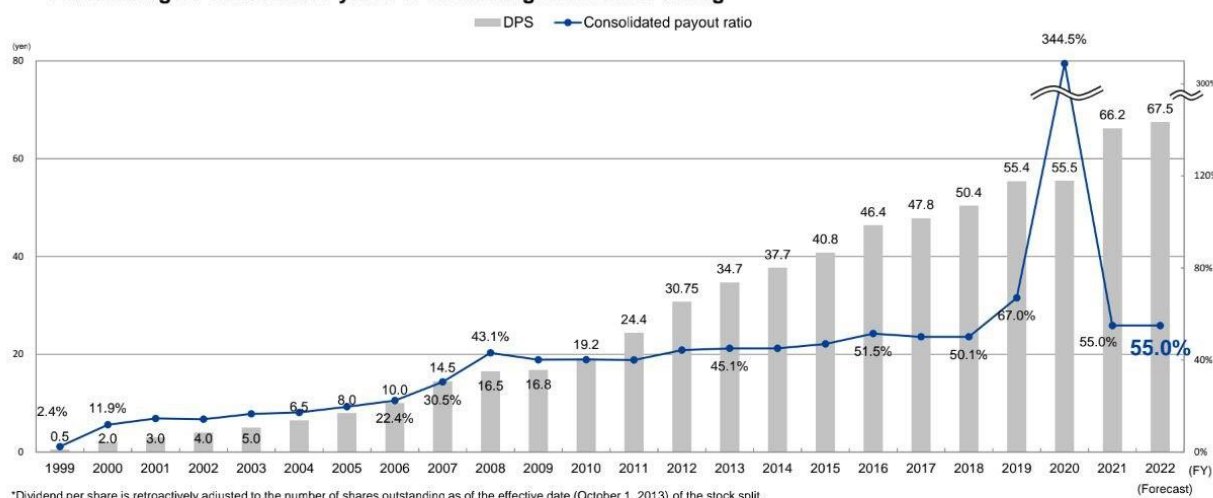
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From November 2021 to May 2022, the Company repurchased 5.09 million treasury shares for JPY9.6 billion.

Earnings Distributions – Dividend Policy



- **The dividend for FY2022 was increased from 67.4 yen to 67.5 yen, 1.3 yen more than the FY2021 dividend.**
- **Forecasting 23 consecutive years of dividend growth since listing**



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This slide shows the change in dividends since our stock was listed.

As I explained at the beginning, we have revised upward the dividend per share for FY2022 to JPY67.50. We are working hard to increase the dividend for the 23rd consecutive fiscal year.

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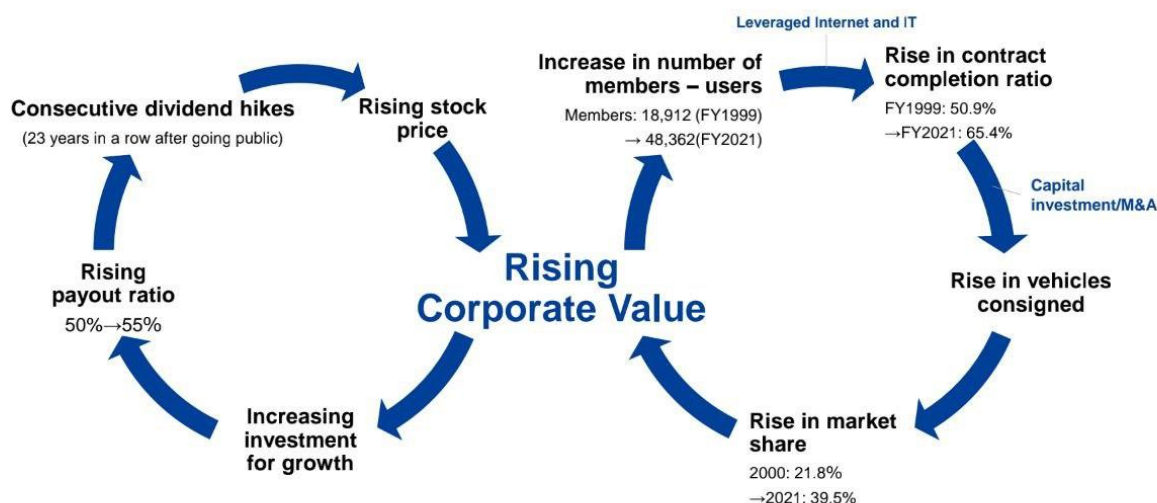
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Cycle of Rising Corporate Value Driven by Business Growth and Shareholder Distributions



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



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Please see page 30. This is a picture of our growth and shareholder returns.

We are working to improve the corporate value of USS by turning not one but two cycles.

ESG Activities



- Steady progress with numerous ESG initiatives to maintain a sound base for sustained growth

Environment

■ Support for the TCFD

In accordance with the Task Force on Climate-Related Financial Disclosure (TCFD), USS discloses information about governance, strategies, risk management, performance indicators and targets involving climate change.

FY30 CO2 Reduction Target (vs. FY20)

Scope 1 & 2 emissions (tCO2)

42% reduction

Scope 3 emissions (tCO2)

25% reduction

Social

■ Training for the advancement of women

For managers and female employees, there are separate training programs concerning the establishment of organizations and implementation of working style reforms. The goal is to raise pct. of female managers to 5% in FY25 and 10% in FY30.

Training programs

Participants	No. of participants
Managers	About 60
Female employees (manager candidates)	About 50

Governance

■ Revisions to compensation

USS has revised compensation to ensure that everyone at the USS Group has a sound incentive for contributing to sustained growth. There is stock compensation linked to results of operations, compensation linked to the TSR (total shareholder return) and ROE, and compensation linked to external assessments of the USS Group's ESG activities.

■ Compliance with the revised Corporate Governance Code

A commitment to all of the principles of this code

More information about ESG activities is in the Integrated Report. <https://www.ussnet.co.jp/en/ir/library/annual/>

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Finally, I would like to talk about our ESG initiatives.

Regarding our response to climate change, we have made disclosures in line with the TCFD, or Task Force on Climate-Related Financial Disclosures, as required by the corporate governance report submitted in June.

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Currently, we are installing solar power generation systems at auction sites nationwide in order to reduce CO2 emissions. We are also promoting the introduction of CO2 free power sources, etc.

Regarding governance, as I explained earlier, we have revised the performance-based executive compensation system and introduced a system in which some of the evaluation factors are linked to the CDP and MSCI evaluations. Please refer to the integrated report uploaded on our website for more information on these efforts.

We will continue to make concrete efforts toward sustainability.

Finally, if you have any questions, please contact us by e-mail or phone.

This concludes my presentation. Thank you very much for your kind attention today.

[END]

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1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
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