

FY3/2022 Earnings Results Briefing Q&A (Summary)

Data: May 11, 2022

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: Japan's declining population is expected to lower the number of new car and used car registrations. As the market becomes smaller, isn't there a limit to how much making your brand more powerful and increasing market share can produce sales growth? From a long-term perspective, please explain how you plan to achieve top-line growth.

A: In the auction business, demand for replacing cars with electric vehicles and the market share of these vehicles are expected to increase. In operations other than auctions, we are planning on more growth of the recycle business, which is expanding rapidly, and the finance business, which is still small. We are also studying opportunities involving a variety of businesses peripheral to our used car buying and sales operations, where we can expect to benefit from synergies by leveraging our membership base.

Q: For activities to combat climate change, I believe that companies should aim for receiving certifications based on science based targets. What is your stance?

A: For science based target certification, our understanding is that the standard for reducing CO2 emissions is 42% for Scope 1 and 2 and 25% for Scope 3. The USS Group has established a framework capable of measuring emissions up to Scope 3.

To lower CO2 emissions, we will install solar power systems during this fiscal year at the Nagoya Auction Site and R Nagoya Auction Site, which use the most electricity of all of our business sites, and plan to switch to CO2-free electricity. In addition, we are studying many ways to cut CO2 emissions at our other auction sites nationwide. Although we are aiming to achieve the science based target standard, we believe that achieving the Scope 3 reduction will require taking actions as part of initiatives by the entire automobile industry.

We will provide information about our activities concerning the Task Force on Climate-related Financial Disclosures in the corporate governance report that will be distributed after the June shareholders meeting.

Q: Your market share is increasing, but what are the highlights of the number of vehicles consigned and contracted at your auction sites? Also, have there been any changes in your high-volume customers (for both consigning and buying cars)?

A: As you can see in the difference between the average price of vehicles sold at the auctions of USS and other companies, as prices of used cars climb, businesses that send vehicles to auctions want to use auction sites where they can receive the highest prices with the greatest certainty. We believe this is why our auction sites attract a large share of used cars that are relatively new and have low mileage. Although high-volume businesses are increasing slightly as a share of all our members, these businesses are not increasing significantly as a share of the number of vehicles consigned. (The top 30 were 24.9% of vehicles consigned in FY3/21 and 25% in FY3/22.)
Looking at high-volume buyers, there has been a recovery in purchases by companies that export used cars as exports of these vehicles recovered from the downturn during the pandemic lockdown.

Q: You said that the average price of vehicles sold at auctions is increasing. How has the price of equivalent used cars been changing during the past year or so?

A: Naturally prices differ depending on the model. The prices of all models that are popular in Japan have been climbing steadily. Prices of models that are exported are also moving up.

Q: What are the first and second half figures in your plan for 2.86 million vehicles consigned in the current fiscal year? Also, please explain the assumptions used for this plan divided by different viewpoints, such as for the new car market, used car market, auction market, market share and so on. Finally, please explain the reasons for your strong performance in April.

A: The second half accounts for the majority of our plan for 2.86 million vehicles consigned at our auctions during this fiscal year. Every year, the number of used cars sold is usually very high between January and April. This is why we are planning on more vehicles consigned in the second half than in the first half. Seasonal factors were responsible for our strong performance in April.

Q: Why is the number of cars consigned at USS auctions remaining firm despite the limited supply of new cars caused by shortages of semiconductors and other parts?

A: Automobile production is declining because of these shortages and the number of registrations of new cars (including mini cars) in Japan was down 9.5% to 4.21 million in the fiscal year that ended in March 2022. Although the number of vehicles sold is decreasing overall, the demand for used cars has increased dramatically. Prices paid for vehicles at our auctions are moving up as a result. For many years, USS has been able to attract a large number of quality used vehicles. The high volume of these vehicles has further raised prices paid for vehicles at our auctions during the current market environment.
USS members are very sensitive to changes in transaction prices because they are professional used car buyers and sellers. We believe that the ability to sell cars

at higher prices than at the auctions of our competitors will further increase the number of vehicles at our auctions. We believe this is the reason that the number of vehicles at our auctions has remained high.

Q: Have there been any changes in the number of vehicles purchased by used car exporting companies?

A: I am certain that everyone is worried about the effects of the Ukraine crisis. High-volume exporting companies adopted a somewhat cautious stance in the first week of March. This may be due to this crisis or perhaps seasonal factors were responsible. Purchases by these companies have returned to normal since the second week of March. Therefore, Russia's invasion of Ukraine is not having a significant impact on buying by exporting companies at this time.