

FY3/2025 Earnings Results Briefing Q&A (Summary)

Date: May 14, 2025

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

Q You raised the CIS successful bid fee in April 2024 and the Japan successful bid fee in April 2025 by 3,000 yen each. How did this affect your performance?

A (Ando)

We expect that the total fees will increase by about 1.4 billion yen due to the increase in JAPAN fees. When we announced this increase, we received feedback from a number of our members. However, there has been no decrease in the number of contracted vehicles since the fee went up in April. Auction transactions are the same as before the fee increase.

Q How will higher fixed expenses after the capital expenditures at the Yokohama, Tokyo and HAA Kobe auction sites and the possible addition of more lanes affect your sales and earnings? At the Tokyo auction site, I believe there are losses on retirement and other expenses. Will there be secondary expenses involving these capital expenditures?

A (Ando)

We have been thinking for several years about adding a twentieth auction site. We have made no progress due to the difficulty of determining suitable locations.

Although we are still considering another site, our stance is to make investments to further upgrade our existing locations.

There has been change in our members' needs. For example, some members want more space for buyer seats. That will require a reexamination of the configuration of auction sites. We are planning to have larger tables at buyer seats in the new Tokyo site. The use of our off-site bidding system is increasing and the number of members who come to our auction sites has declined slightly. We want to provide greater convenience for members at our auction sites.

At the Tokyo auction site, which has an area of about 528,000 square meters,

members need to walk a long distance to inspect vehicles before the auction. We want to improve the pre-auction accessibility of these vehicles for members.

Nagoya is the only site where you can get from your car to the auction site without getting wet on rainy day. We will build a parking structure at the Tokyo auction site solely for our members. On arrival, they will be able to go down an elevator and directly to the buyer seats.

We are planning on adding lanes. At the Tokyo auction site, although we will initially have 18 lanes, the structure is designed to have space for up to 20 lanes. The number of vehicles consigned at Tokyo is now more than 20,000 in one auction. We want to reduce the length of auctions for an ending time of no later than 19:00. Another change we are considering is expanding the use of vehicle undercarriage photos to all auction sites. We plan to continue making investments at our auction sites to make auctions even more convenient for our members.

Q Is the increase in the number of lanes at the Tokyo auction site after the site is reconstructed?

A (Ando)

Yes. The auction site has 16 lanes now and the new building will start operations with 18.

Q Have you decided on the timing of investments at auction sites other than Yokohama? When do you expect to make these investments?

A (Ando)

We finished the design of the new Tokyo auction site in early May. We will use this design to receive construction estimates. I have heard that construction expenses are up 30% to 35%. However, we plan to start this project even if, for example, the cost is 30% higher.

Q Do you plan to start construction at the Tokyo auction site soon?

A (Ando)

We want to start operating the new Tokyo auction site by no more than two years from now.

Q I believe that you will have to accelerate the depreciation of the Tokyo

auction site. How will this affect earnings?

A (Yamanaka)

We are planning on accelerated depreciation of the Tokyo auction site based on the assumption that construction of the new Tokyo auction site starts during the second half of this fiscal year. Our plan already includes an increase in depreciation beginning in the second half of this fiscal year.

Q Why did you raise your ROE target from 15% to 20%?

A (Ando)

We raised the ROE target to 20% or higher because our ROE has been above 15% during the last few years.

Q Why did you raise the total shareholder distribution ratio from 80% to 100% and the dividend payout ratio from 55% to 60%?

A (Yamanaka)

We increased the total shareholder distribution ratio to 100% because of the higher ROE target. To achieve a ROE of 20%, we increased the distribution ratio to 100% so that the denominator would not be too large. This is an effort to achieve the ROE target by accumulating profits. The dividend payout ratio increase was made for consistency with the higher total distribution ratio guideline.

Q I believe that U.S. tariffs will not have a significant direct impact on your operations. However, isn't there uncertainty about how these tariffs will affect Japan's new car production and exports of vehicles? What sorts of risk do you think regarding the tariff issue?

A (Ando)

I cannot predict at all what is going to happen. Furthermore, exporters of used vehicles have no idea about potential changes in tariffs on these vehicles in other countries. Our members who export used vehicles have told me that tariffs currently do not have a significant effect on their operations. However, the outlook is uncertain and we will be watching upcoming events very carefully.

Q I believe that your market share is increasing consistently. MIRIVE's market share is decreased, so are you taking market share away from automakers' auction businesses?

Is a structural change that makes sending cars to USS auctions easier

taking place because people buying new cars are selling their current cars at car purchasing companies instead of trading in cars at dealers?

A (Seta)

No significant structural change happening. As we explained earlier, the business climate for USS is extremely favorable. Consigning vehicles at our auctions is easy because we have about 48,000 members (companies), our cars sell at higher prices than at other auction sites, and we have other advantages. This is why the number of members that consigned vehicles at our auctions increased during the past fiscal year.

Our market share increased because of increases in vehicles consigned by small-volume members as well as by large vehicle purchasing companies like Gulliver, Nextage and WECARS. Our goal is to raise our market share to 45% quickly by making large capital expenditures and strengthening our sales activities.

Q Could capital expenditures at the Tokyo auction site be more than 20 billion yen? Also, why did you increase the Yokohama and HAA Kobe auction site capital expenditures by 2 billion yen?

A (Ando)

We can receive estimates for the new Tokyo site because we have finally completed the design. We are planning on a cost of 20 billion yen based on my understanding that construction expenses have increased about 35%. At Yokohama and HAA Kobe, workers are checking for asbestos in buildings that will be torn down. I have heard that there is almost no asbestos at the Yokohama auction site. We do not have a lot of information about the HAA Kobe site because this is an auction site that we acquired. If concrete from structures damaged by the 1995 Kobe earthquake is buried under the HAA Kobe site, the cost of our project there may increase by 3 or 4 billion yen.

Q Do you plan on having fewer buyer seats at the new Tokyo auction site?

A (Ando)

Yes. A large number of our members are using the off-site bidding system. The current Tokyo auction site has about 2,600 buyer seats. The new building will have fewer seats based on our estimate of the number of seats needed.

Q Your long-term goal for the ROE is 20%. However, liabilities are low because

of your 75% equity ratio. Are you considering the appropriate use of low-cost borrowings with measures that could include the use of some leverage for the most efficient use of capital?

A (Yamanaka)

The equity ratio is very high. Our stance is to prevent the equity ratio from becoming even higher by raising the total shareholder distribution ratio rather than to lower the equity ratio by taking on more debt.

If there is an opportunity for a large acquisition that we cannot fund internally, we may have to think about using low-cost borrowings that would bring down the equity ratio. We have sufficient internal funds for the construction projects planned for the Tokyo, Yokohama and HAA Kobe auction sites. Therefore, we have no intention at this time of using debt to fund these expenditures.