

Toward  
a Circular Economy



# Toward a Circular Economy

The leader in Japan's auto auction industry

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### Management philosophy

#### Creating a fair market

To make the used-vehicle distribution market more fair and transparent, USS creates new solutions and provides an open marketplace based on free market principles, which helps to enhance the social status of the used-vehicle sector as a whole.

#### Serving members better

USS continues to improve its ability to operate auto auction systems because of the commitment to providing member companies with an even more convenient and useful marketplace.

#### Providing services for consumers

Based on the belief that auto auctions should be structured for the benefit of end-users; USS establishes standard market prices for used vehicles. This also helps us to gain the trust of more and more consumers.

#### Passing profit on to shareholders

Over the years, USS has placed priority on maintaining a suitable level of earnings and returning a significant share of earnings to shareholders.

#### Respecting employees

USS always respects its employees. We are stepping up efforts to establish an environment where all employees can maximize their capabilities. In addition, USS has fair evaluation and compensation systems that demonstrate the value we place on employees' contributions, and we will work even harder to reflect their ideas in the management of business operations.

#### Contributing to local communities

Through proactive mutual exchanges with local communities, USS continues to contribute to regional development as a good corporate citizen.

### Corporate strategy

1. We will provide services as a diversified used car distribution organization that is widely recognized as an outstanding corporate citizen.
2. Our organization will always be trusted by both our customers and the public.
3. We will leverage all of our strengths and knowhow to adapt to ongoing changes in our markets.
4. We will build a team of self-reliant individuals who can continue to support and manage the USS Group's growth for many years.
5. We will always incorporate the interests of our shareholders in our business operations and decisions.

#### ■ Editorial policy

The USS Group publishes this integrated report to create a foundation for a constructive dialogue with not only its shareholders and other investors but also all of its stakeholders.

#### Main points of FY2024

- The interview with the Chief Operating Officer, the interview with the Executive Vice President in Charge of Finance, and the medium- to long-term vision and strategy explain USS growth strategies.
- Reasons and the priority subject KPIs covered in priority subjects discloses the impact USS has on society.
- The interview with the Executive Vice President in Charge of Finance reviews the new cash allocation policy.
- A new section on USS digital transformation (DX) promotion reports on DX initiatives and the roadmap forward.
- A new section on human resource strategy reports on the medium- to long-term challenges and measures related to human capital.
- The section on governance outlines deliberations on important matters by the Board of Directors. In addition, this report includes an Outside Director roundtable with a discussion and recommendations made by the outside directors at Board of Director and other meetings.
- The section on society shares the voice of women in management.
- The section on the environment delves into USS climate-related transition plans.

#### ■ Period covered by this report

Period:  
Fiscal 2023  
(April 1, 2023 to March 31, 2024)

Coverage:  
USS and its consolidated subsidiaries

Note: Also includes some information about other periods and recent or current activities

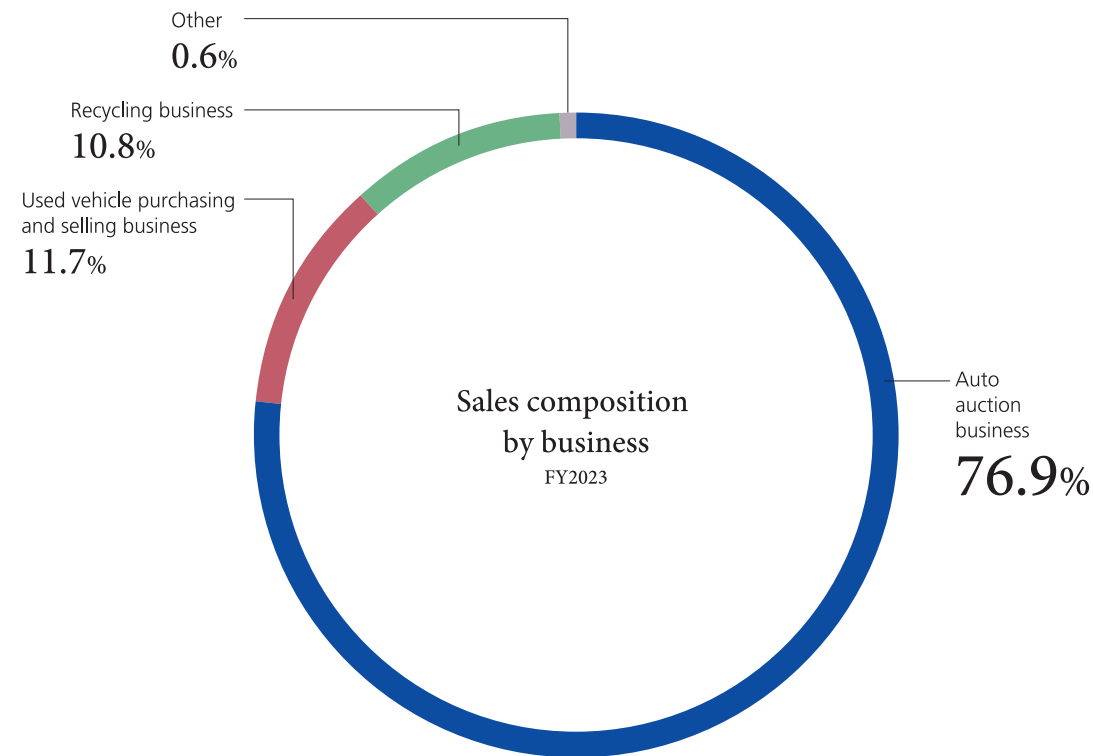
#### ■ Guidelines used as reference

International Integrated Reporting Framework published by the IFRS Foundation

#### ■ Precaution concerning forward-looking information

This report includes forecasts and outlooks about the future plans, strategies and results of operations of the USS Group. These statements are not historical facts. All forecasts and outlooks are based on assumptions and beliefs that use information currently available. In addition, forward-looking statements incorporate risk factors and uncertainties involving the economy, demand for the services of the USS Group, taxes, laws and regulations, natural disasters, and other items. As a result, actual results of operations may differ from the forecasts and outlooks in this report.





## Auto auction business

Auto auction sites support trouble-free circulation of used vehicles. USS currently supports bidding from outside the premises through dedicated terminals and internet auctions around 19 auction sites throughout Japan.

For more information, see: pp. 35–36



## Used vehicle purchasing and selling business

The Rabbit Car Network is launching chains and franchises in all areas of Japan as stores specializing in the purchase of used vehicles from end users. This is the backbone to lively auto auctions. Although most of the vehicles that are bought are sold at auction, some are sold through retail channels.

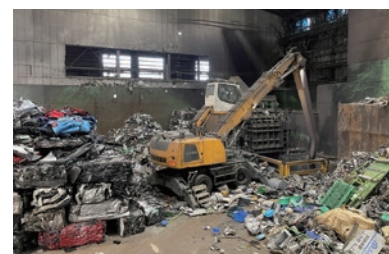
For more information, see: pp. 37–38



## Recycling business

The Recycling Segment centers upon two Group companies. ARBIZ recycles end-of-life automobiles as well as small electronics and other spent products. SMART specializes in the dismantling and recycling of plants and other related equipment.

For more information, see: pp. 39–40



# 1 Revolutionary auction system

USS has put in place rules, vehicle inspection and other frameworks to ensure auto auctions provide greater convenience and a fair and equal standing to everyone. It is not easy to configure these types of systems and difficult to penetrate new fields. The auto auction business is also a commission business. In this market climate, we have an extremely high profit margin of over 60%.

**Keywords**

- High barriers to entry
- Top share: Approx. 40%
- High profit margin: Over 60%\*

\* Auto auction business

For more information, see: pp. 5–6

# 2 Meticulous vehicle inspections

The USS Auto Auction earns customer trust by meticulously inspecting vehicles. The unique USS vehicle inspector certification ensures inspectors have the necessary knowledge and skills to carry out these inspections. This program realizes consistent and highly precise vehicle appraisals at our 19 auction sites throughout Japan. We have been striving to more quickly certify vehicle inspectors since 2023.

**Keywords**

- Earn/maintain trust
- Internal certification system
- Quick certification of vehicle inspectors

For more information, see: pp. 7–8

# 3 Revolutionary recycling systems

Our auto auction and used vehicle purchasing and selling businesses encourage the reuse of automobiles. In the recycling business, ARBIZ recycles end-of-life vehicles and parts by taking advantage of its unique technologies, while SMART Inc reuses and recycles plants and other industrial equipment. These businesses contribute to the realization of a recycling-oriented society.

**Keywords**

- Contribute to a recycling-oriented society
- Unique technology
- Plant dismantling

For more information, see: pp. 9–10





# 1

## Revolutionary auction system Pursuit of fair and equitable auto auctions with greater convenience

### Expanding our market share by devising rules and frameworks to ensure fair and equitable auto auctions

Strict rules are essential to ensure smooth auto auctions that provide a fair and equal standing to everyone. That is why USS seeks input from not only external experts but also on-site sales representatives and vehicle inspectors when devising or revising rules for auto auctions that do change with time. We have also built a claim management system to more readily share information throughout the Company. Our system aggregates information from details about the complaints to handling of these issues by representatives in a database. This enables a rapid data-driven respond to complaints when similar claims arise. USS also works to enhance the skills of every inspector by utilizing this data.

These rules and frameworks cannot be built in a day, which creates a high barrier to entry into the auto auction industry. Although USS already holds a market share of

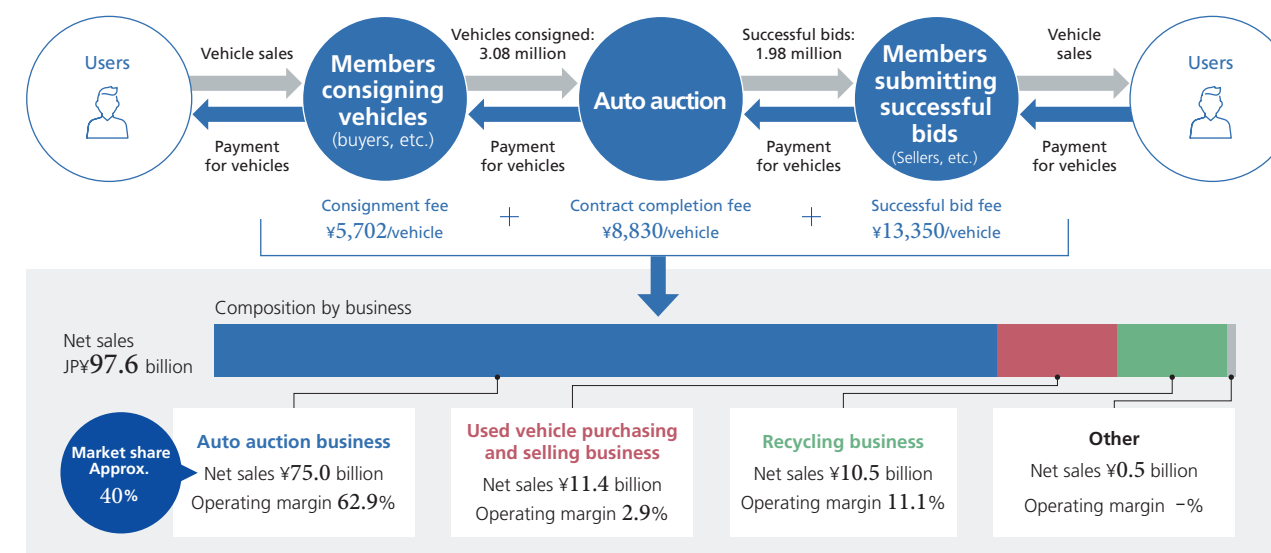
roughly 40%, we will further strengthen our competitive advantages with the aim to acquire 50% of the market share going forward.

### Realizing a high operating margin with a business model dedicated to auto auctions

Auto auctions provide a platform for customers to buy and sell automotive products. These business models earn revenue by auctioning used vehicles, completing contracts of purchases and sales, and generating successful bid fees. The variable cost ratio is low because the operational costs are mainly labor and facility depreciation.

This is the reason that the auto auction business has been able to generate a high operating margin of above 60%. This framework also sustains the same level of costs, even as the number of vehicles up for auction increases in the future.

### Business model of the auto auction business



Note: The figures show business performance for the fiscal year ended March 31, 2024.





## Impartial vehicle inspections A high level of trust sustains brand value

### Earning customer trust by impartial inspecting vehicles for auction

Auto auctions lose customer trust when a vehicle drastically loses value if buyers discover damage, odometer tampering, an accident history or other issues after a purchase. This is why precisely appraising the condition of vehicles at auctions is extremely important. Our impartial vehicle inspections have earned USS significant trust in the auto auction market. Our independent inspection standards have a 10-step scoring system that realizes consistent and highly precise vehicle appraisals at our 19 auction sites throughout Japan.

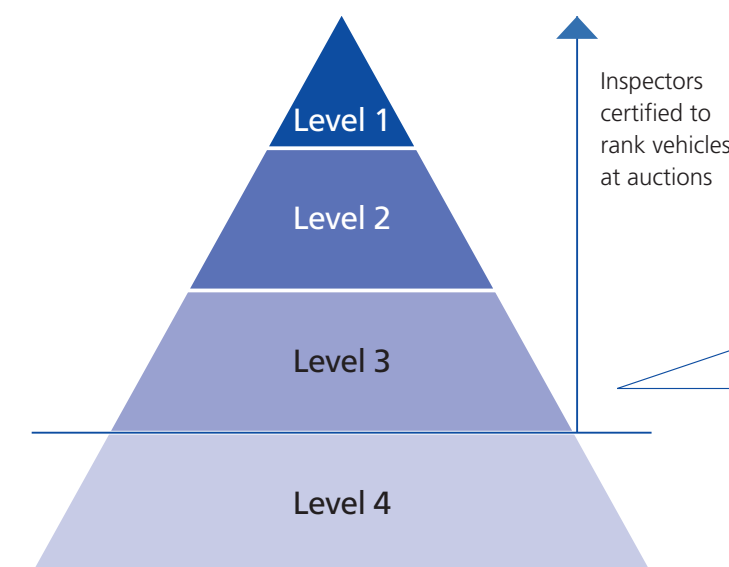
### Quickly certifying inspectors to respond to the increasing number of vehicles at auction

Our meticulous vehicle inspection certification system ensures accurate appraisals. Employees in our vehicle inspection departments acquire a certification from level one to level four to learn the knowledge and skills necessary to properly appraise vehicles at auctions.

Only inspectors with a certification of level three or higher may assign a score to a vehicle. However, employees generally take three years on average to acquire a level three certification after joining the Company. In 2023, we launched a new training program that provides the intensive training necessary for these employees to earn a level three certification about one year after joining USS.

This training program will secure sufficient human resources as inspectors, which will also help us respond to the increasing number of vehicles at auctions in the future.

### Automobile inspector certification system



### Vehicle inspectors (as of March 31, 2024)

**240** 35.4%  
of employees

Inspectors  
certified to  
rank vehicles  
at auctions

Students aim to acquire a level three vehicle inspector certification in roughly **one-third the time** necessary through a new training program.



# 3

## Resource recycling systems Needs of the times: Contribute to a recycling- oriented society



### Realizing a recycling-oriented society and circular economy

As environmental problems become ever more serious today, one challenge society at large faces is shaping itself as one oriented around recycling that efficiently uses and recycles limited resources.

Within this social landscape, companies have a social responsibility to not only ensure sustainable business growth but also engage in management that always considers the environment. In the future, we anticipate many companies will shift to a circular economy that provides recycling and reuse-ready products and services.

### Diverse businesses that help promote reuse and recycling

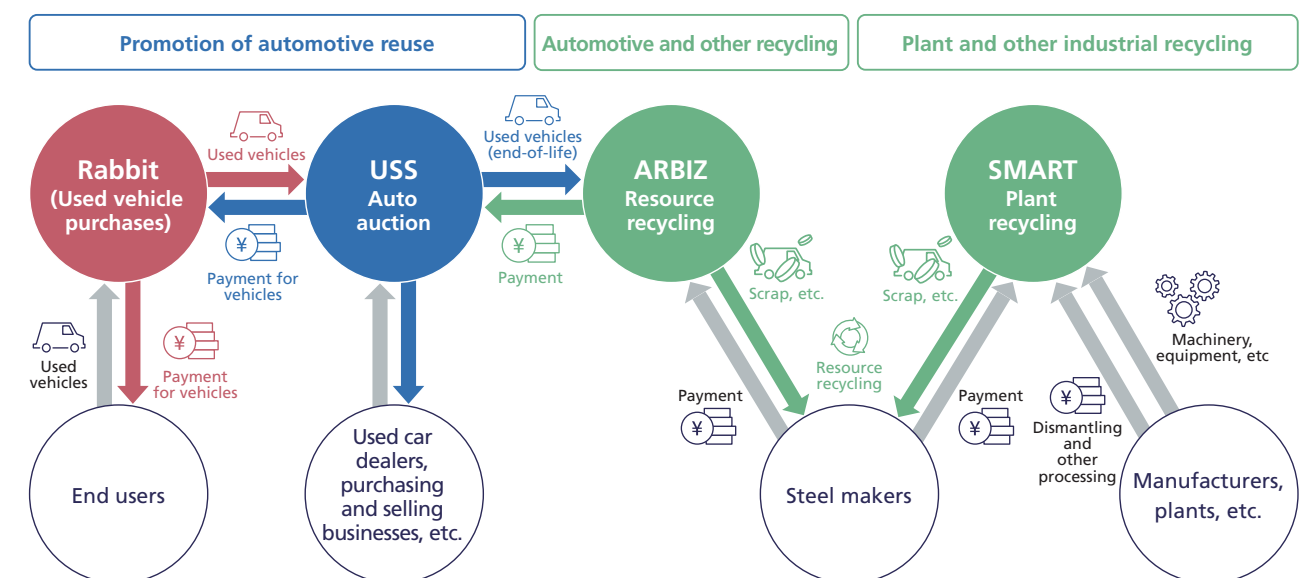
The auto auction system, expertise, and network to buy and sell used automobiles built by USS are vital assets necessary to respond to these social needs. The recycling business possess a wide range of strengths that help not

only recycle end-of-life vehicles but also plants and other industrial equipment.

ARBIZ Co., Ltd. has been developing a business to recycle the metal and plastics produced by end-of-life and other vehicles. The Company possesses unique and patented recycling technology and technology to design plants that can handle a broad range of waste.

SMART Inc. specializes in dismantling plants, wind power generation and other industrial equipment. This company has the specialized technology and expert human resources to handle the dismantling of a variety of plants. Our strength is the ability to provide all of the necessary services under one roof.

### Initiatives to realize a recycling-oriented society







Auto auctions August 1982

Started auctions aiming to give everyone fair and equal standing

Auto auctions July 1995

Started satellite TV auctions (currently dedicated terminal auctions)



Auto auctions November 1999

Established USS CarbankNet Co., Ltd.



December 2000

Listed USS stock on the First Section of the Tokyo Stock Exchange (current Prime Market)



Used vehicle purchasing and selling October 2001

Started used vehicle purchasing and selling business



Recycling December 2003

Established ARBIZ Co., Ltd. and launched the recycling business



Auto auctions October 2005

Started live internet services



Auto auctions March 2018

Acquired Japan Automobile Auction Inc. as a wholly owned subsidiary



Recycling April 2019

Established SMART Inc. and launched the industrial plant recycling business



Auto auctions October 2021

Merged Japan Automobile Auction Inc. and HAA Kobe Inc.



New April 2023

Launched a new auto loan service jointly with Global Mobility Service Inc.

# 1980

Consigned vehicles:

1,253 Auto auction business (FY1981)

2001 Used vehicle purchasing and selling business

2003 Recycling business

Consigned vehicles: 2,148,300 (FY2004)

Consigned vehicles: 2,930,127 (FY2018)

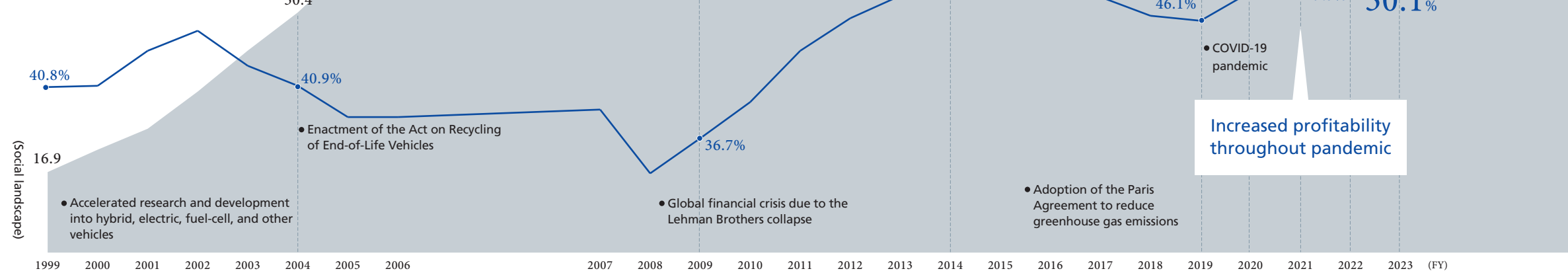
2022 New businesses

## Promoting the development and growth of new businesses centered on the Auto Auction Segment

USS has consistently enhanced its inspection systems and actively adopted the latest technologies since its founding. These efforts have realized not only fair and equal auto auctions but also greater customer convenience. The praise for our approach has earned USS a high level of trust in the auto auction market, which has allowed us to steadily acquire a larger market share. We have also launched and developed a variety of businesses that will help build a circular society. This includes our used vehicle purchasing and selling as well as recycling businesses. To date, these segments have proven effective in realizing sustainable growth.

### Net sales/operating margin

Net sales (billion yen)  
Operating margin (%)





# Value creation process

USS identifies social issues it can help solve as priority subjects (materiality).

Our three businesses will continue to drive an increase in economic value by helping solve these various issues to provide diverse social value.

## Management resources

### Human capital

Highly trusted automotive inspection professionals

• Employees (Nonconsolidated) **677**  
(As of March 31, 2024)

• Vehicle inspectors **240**

### Social capital

1,000 new corporate members join annually with a large member base throughout Japan

• On-site auction members **48,123**  
• CIS (Internet) auction members **34,367**

• Dedicated terminal auction members **1,774**  
• Auction sites **19** locations throughout Japan

• Used car purchasing stores **138** locations (15 directly operated, 123 franchised)  
(As of March 31, 2024)

### Intellectual capital

Actively adopting leading technologies to remain the top market shareholder

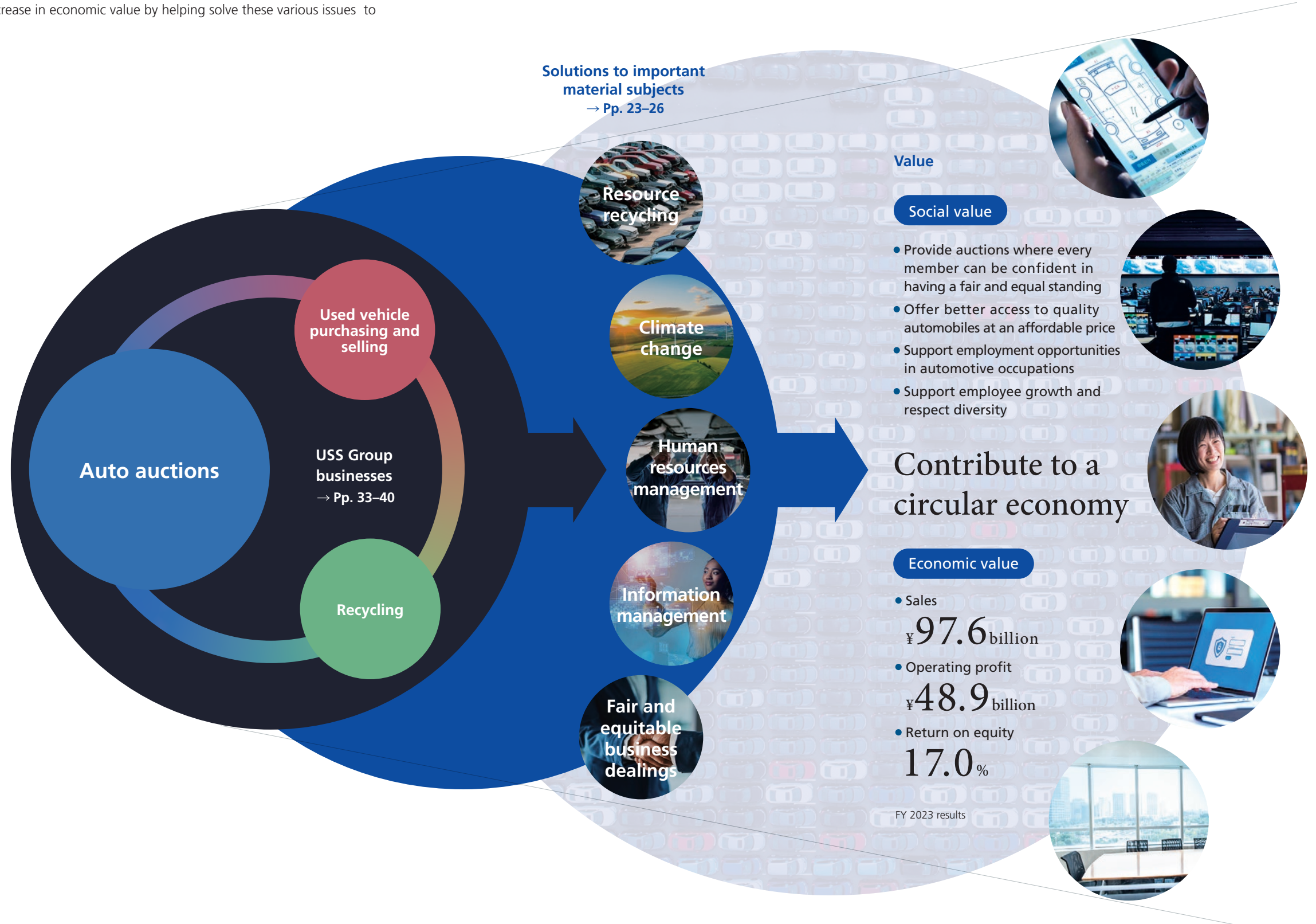
- Matching that uses an enormous volume of data
- A powerful security system
- New car inspection technology using the DX

### Financial capital (FY 2023)

• Total assets **¥271.5 billion**  
• Equity ratio **72.0%**

### Natural capital

- Materials used in automobiles and energy used for USS facilities and logistics
- Vehicles, materials and other items that are recycled





## Yukihiro Ando

Chairman and Representative Director  
(CEO)

### Profile

Yukihiro Ando is one of the five members who founded USS in 1980 after a career in used car dealer management. He was appointed Director in 1982, Senior Managing Director in 1989, Executive Vice President in 1995, and President and Representative Director in 2006 before his appointment as Chairman, Representative Director, and Chief Executive Officer in 2019.



## USS has been a pioneer in building trust throughout the entire used car industry.

**We will further develop a fair and equitable auto auction market by rebuilding trust in every aspect of the industry while pursuing greater corporate and shareholder value.**

In 2023, trust throughout the used car industry was greatly shaken. A company specializing in the purchase and sale of used vehicles was discovered intentionally damaging vehicles brought in for repairs to fraudulently inflate insurance claims. This dishonesty has fomented consumer distrust in the used car industry. As a member of the used car industry, the Group auto auction business does not do business directly with consumers. Put more simply, USS acts as a B-to-B business that provides a system to ensure above-the-board transactions between members consigning vehicles (sellers) and members submitting successful bids (buyers), which completely differs from the business model of the specific company engaged in fraud.

Nevertheless, we are a member of the used car industry. Since our founding as a leading company that has striven to build fair and equitable auto auctions, USS has had a duty to dispel distrust in the industry so that consumers can be confident in buying used vehicles.

We have overcome rampant dishonesty in the industry from unfair bidding practices to odometer tampering in vehicles at auction since our founding. USS also developed a computerized auction system to address unfair transactions and built a computerized registration system using vehicle identification numbers to eliminate odometer tampering. We have also put in place systems, rules, and inspections to properly distribute vehicles with a history of accidents while preventing any with fraudulent accident/repair histories or those that have been in floods from finding their way to auction. The advancement of initiatives pioneering fair and equitable transactions strive to share information and continue to heighten trust in the auction market.

The quality of inspectors is vital to these fair and equitable transactions too. That is why USS focuses on inspector education and training. We have designed strict inspection standards and a ranking system that not only sustains but enhances the quality of these inspections. This includes providing images of the undercarriage of vehicles and other hard-to-see places.

Going forward, I intend to continue to expand fair transaction systems to win trust from the auto auction market while contributing to innovations throughout the entire industry. At the same time, USS will follow its mission to improve convenience (see p. 21) through more comprehensive online auto auctions, auction site expansions and other capital investments. We will ensure a fair and equal standing for everyone in the auto auction market as well to deliver vehicles and confidence in those vehicles to consumers. Taking advantage of the platform of trust earned by these efforts, USS will foster steady business growth and further enhance shareholder value. This includes plans for active shareholder returns. This includes plans for active shareholder returns. We aim to actively provide not only a dividend payout ratio of at least 55% over the next three years but also a total payout ratio of at least 80% (For more information, see pp. 27–29).

**Our environmental, social, and governance (ESG) initiatives in line with the goals of society will aim to improve the social value of both the Company and the industry.**

We are proud to be the leading company that holds approximately 40% of the auto auction market share. That is why I believe by ramping up these ESG initiatives, the Group will contribute positively to the sustainability of the entire industry.

Our environmental initiatives committed to follow the TCFD recommendations in fiscal 2022 and acquired the SBT certification in fiscal 2023. Our social initiatives introduced a groundbreaking training program to more quickly certify automobile inspectors in fiscal 2023, which strengthens human capital.

Our governance initiatives enhance the effectiveness of the Board of Directors and reform remuneration policies, while I work to devise a succession plan too as the chair of the Nomination and Compensation Committee. The two new executive officers appointed last year have already helped devise each business strategy as well as our human resource strategies. Going forward, we will continue to nurture and train a higher level of human resources for management to solidify a strong foundation for long-term growth and higher corporate value.

USS will advance initiatives to converse the environment and improve trust through our businesses, and I hope contribute to improving the social impression of the used car industry at large.

**Yukihiro Ando**

Chairman and Representative Director (CEO)



## Dai Seta

President and Representative Director (COO)

### Profile

Dai Seta joined USS changing the trajectory of his career from the management of a used car dealer. The shareholders elected him Director in June 2004 before his appointment as Vice President and Representative Director of the Company as well as Officer of the Auction Operation Office and Officer of the Nagoya Office in June 2006. Dai Seta also launched the Finance Business and has been spearheading the recycling business, in which he concurrently serves as the President of ARBIZ, a USS Group company. USS appointed Dai Seta the President, Representative Director, and Chief Operating Officer in June 2019. He is currently striving to promote the digital transformation of the USS auto auction business as well as working to develop a recycling business that can build a circular economy through the distribution of automobiles.



## We will achieve sustainable growth by cultivating next-generation human resources and promoting projects.

**In a business landscape with robust demand, USS will invest in growth while aiming for the auto auction business to acquire 50% of the market share.**

Last year, we promised our shareholders that we would aim to acquire a 50% share of the market in the auto auction business. As a means to this end, we will invest in growth from a medium- to long-term standpoint. Our capital investments plan to construct a Yokohama Auto Auction site and renew our computer systems from fiscal 2024 to fiscal 2025. We have also planned major capital investments over the next several years for the HAA Kobe, Tokyo, and other existing large-scale auto auction sites. Investments in digital technologies renewed USS JAPAN satellite TV auctions in January 2024, which is increasing the number of contracts. Through this renewal, we have lowered the barriers to enter into contracts by not only improving system convenience but also shifting from the lease contracts used for the last five to six years to rental-type contracts. I believe this is what has driven an increase in the number of contracts closed. In fiscal 2024, USS will promote sales activities through its plan for an expansion to 2,000 terminals.

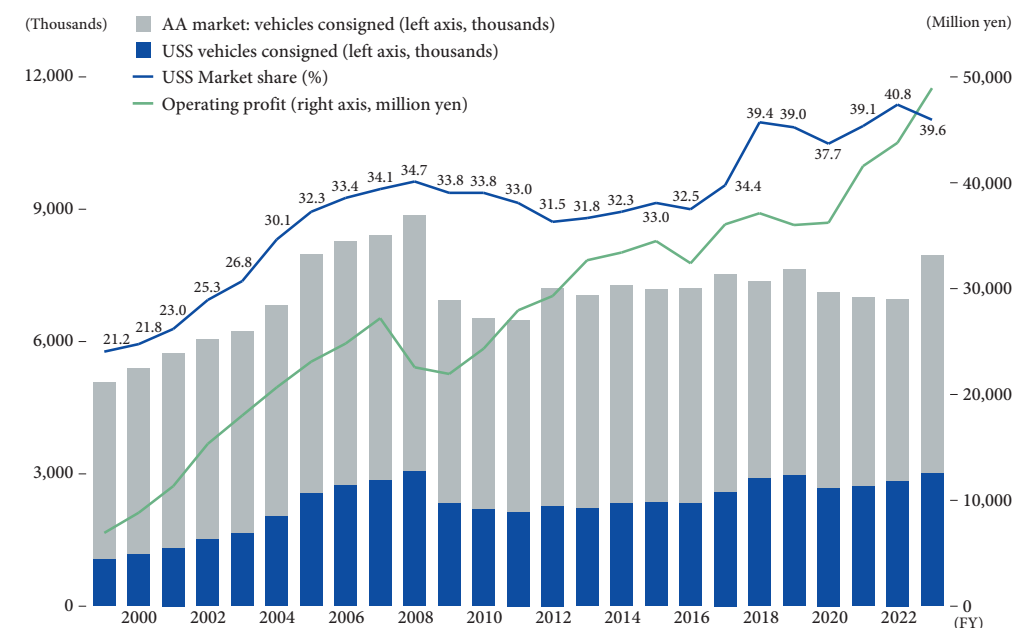
We will also start using an external bidding system around November 2024 that will enable real-time bidding from smartphones. This system is part of a plan to test services that improve convenience for our customers.

When considering the external environment around the auto auction business, the weak Japanese yen and higher prices should have a favorable impact. Used car dealers who are members using our auto auctions are receiving numerous orders from overseas thanks to the weak Japanese yen. This trend will surely continue as long as the yen remains weak. The higher prices are also raising the cost of new vehicles, which is increasing demand in Japan for used vehicles. Stronger demand driven by these two factors not only increases sales but also raises the price of successful bids. The demand in domestic and overseas markets could be seen as a competitive environment. As automotive manufacturers in Japan shift business overseas, the number of new vehicles in Japan is declining depending on the model. Fewer new vehicles means fewer used vehicles, which results in premium prices of successful transactions at auctions that are often higher than the price of new vehicles. Our auctions handle a large volume of quality used vehicles that garner a high price. I expect this business environment to help increase the number of vehicles at our auctions as well as our market share.

Of course, any major changes in the external environment have the potential to greatly impact business. Our plan is to create a road map to steadily increase the market share while anticipating these risks to ensure stable earnings.

To do this, we have launched a project team made up of eight executive officers and core employees in April 2024. This team will analyze and share the strengths and weaknesses of the Group to consider the business trajectory and measures. The purpose of this project is to engage in ongoing discussions on these topics with the management team, which I am part of, to set targets, plan investments, and make various other management decisions. The first presentation is planned sometime between summer and fall of 2024, which I expect to be great. We hope to also take full advantage of our functions in human resource training for the next-generation and our succession plans.

### Used car auction market and USS market share



Note: Market share in 2021 has been revised to reflect revisions to data announced by USED CAR Co., Ltd.




USS will start recycling aluminum and develop the recycling business in other ways as its next core business to broaden its business portfolio.

As the next core business after auto auctions, the recycling business has generated net sales over a total of 10.0 billion yen. This consists of the more than 5 billion yen in net sales generated by ARBIZ, which is expanding the resource recycling business, and the 5 billion yen in net sales generated by SMART, Inc., which is expanding the plant recycling business. Going forward, the resource recycling business and the plant recycling business will each aim to generate 10 billion yen in net sales with the goal of broadening both businesses.

ARBIZ plans to purchase new equipment from Europe to commercialize advanced material recycling of aluminum after fiscal 2025. Cascade recycling makes up a majority of typical aluminum recycling to use as a lower quality material. However, the new equipment from Europe enables a closed recycling system that can recycle aluminum at the same quality level by precisely identifying the quality of the aluminum that has been collected. A higher quality of aluminum sells at a higher price. The plant recycling business has received an order to dismantle a wind power farm in Ibaraki Prefecture after it received high praise for past work dismantling a wind power farm in Aomori Prefecture in fiscal 2023. Our dismantling work not only emphasizes safety but also values performance and experience. We will build a broader track record in order to further develop this business.

Marketability and challenges of automotive aluminum recycling

Automotive aluminum market	Marketability	● Greater weight reductions of automobiles should expand the market in the future	
	Difficulties	Circular economy	<ul style="list-style-type: none"><li>● Almost all aluminum scarp becomes die-cast components through cascade recycling.</li><li>● Aluminum derived from end-of-life vehicles (ELVs) is not very suitable for wrought materials.</li></ul>
		Carbon neutrality	<ul style="list-style-type: none"><li>● The manufacture of wrought materials produces a large amount of CO<sub>2</sub> because most wrought materials use primary aluminum as a raw material.</li><li>● The two melting processes for recycling emit CO<sub>2</sub>.</li></ul>
		Other	<ul style="list-style-type: none"><li>● The European Commission plans to conduct a survey on the feasibility of introducing PCR materials made by recycling spent aluminum within 35 months after sustainability regulations for ELV management go into effect.</li></ul>
Challenges of automotive aluminum	Establishing closed recycling and Mitigating CO <sub>2</sub> emissions		
			
Solution	Introduce technology to sort scarp by aluminum alloy to achieve wrought material to closed recycling of wrought material		

Our new auto loans, which started in April 2023 as a business peripheral to auto auctions, has had a favorable reception over just one year to gain 650 members as of March 2024. Many of these members are used car dealers who are also auto auction members. We have had over 20,000 auto loan applications, 4,000 of which have resulted in contracts equivalent to 5.7 billion yen. The loans act as a tool to sell automobiles to many people and increase used car sales, which in turn increases use of USS auto auctions. Franchise expansion will also strengthen the WIN-WIN relationship with members.

As a corporate conglomerate that plays a part in a circular economy, USS contributes to the realization of a sustainable society and aims to foster long-term growth.

I recognize that USS Group businesses contribute to building a recycling-oriented society and circular economy. Auto auctions are intrinsically a business that contributes to the circulation of automobiles. The more vehicles that the auto auction business handles the larger our contribution to a recycling-oriented society and circular economy. I believe the recycling business also makes the same level of contributions by focusing on truly profitable resource recycling. Beyond simply the aluminum recycling touched on earlier, the recycling business plans to reuse and recycle solar panels estimated to generate 800,000 tons of waste per year (approx. 40,000,000 panels) starting from 2030.

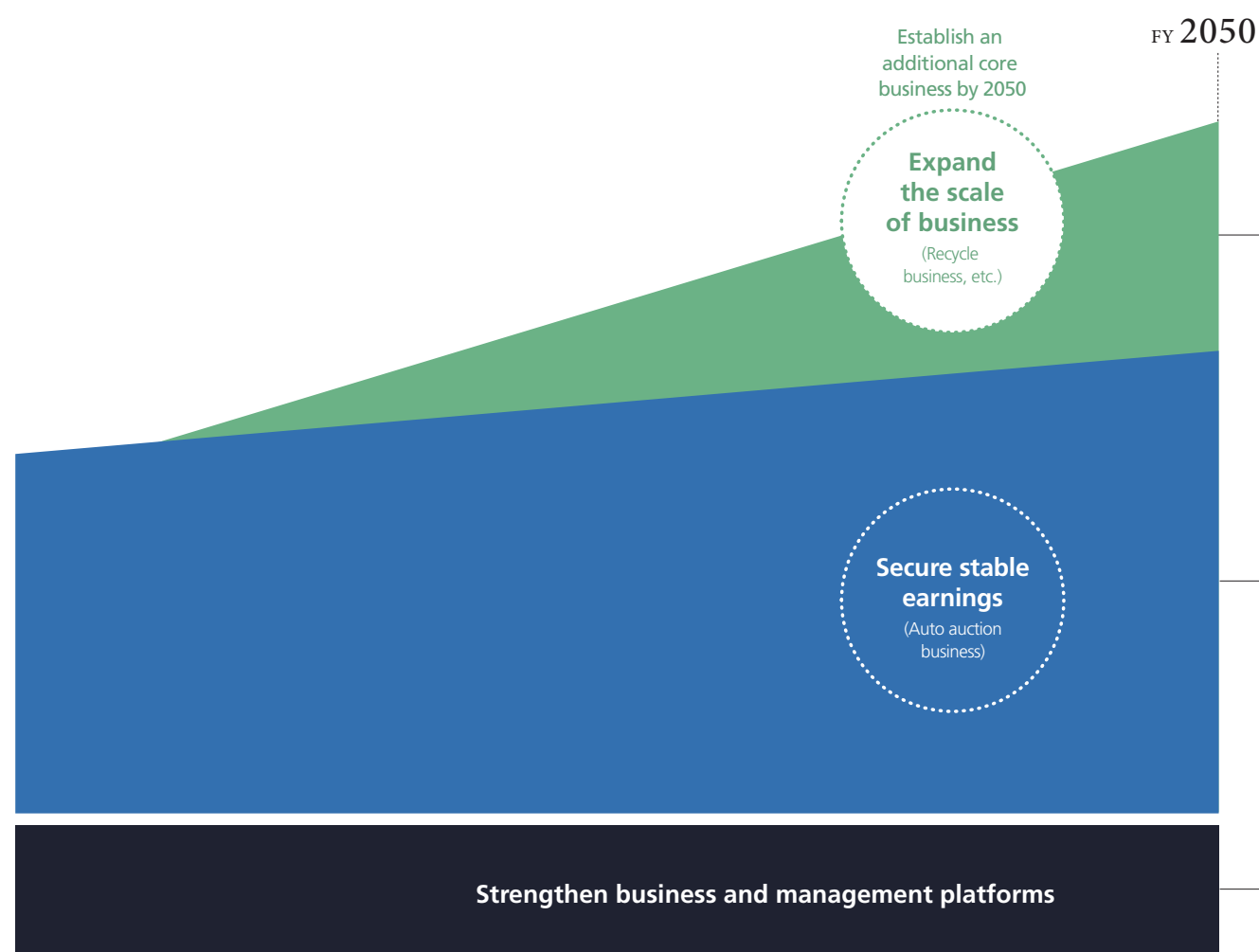
The development of businesses balancing earnings and social benefits contribute to the realization of a sustainable society and increases corporate value.

**Dai Seta**  
President and Representative Director (COO)





Purpose	Ensure the auto auction market remains fair and equitable while always striving for even greater convenience		
Long-term vision	Create new frameworks to ensure fair and equitable business dealings and resource recycling and sustainably enhance corporate value		
Financial targets	ROE over <b>15%</b>	Consolidated payout ratio over <b>55%</b>	Total payout ratio over <b>80%*</b>
	* We have established a shareholder return policy aiming for a total payout ratio of at least 80% for the three years up to the fiscal year ending March 31, 2027.		
Illustration of growth	<ul style="list-style-type: none"> <li>Contribute more to a recycling-oriented society, a circular economy and business expansion</li> <li>Strive to further increase profits by expanding the market share of the auto auction business</li> <li>Establish an additional core business by the fiscal year ending March 31, 2051</li> </ul>		



Targets / key performance indicators (KPIs)	Main growth investments (FY2024–FY2026)	Materiality
<b>Expand the scale of business</b> Net sales target for the resource recycling business <b>JP¥ 10 billion</b> (FY2027) Net sales target for the plant recycling business <b>JP¥ 10 billion</b> (FY2026) → Pp. 39–40	<b>① Commercialize aluminum and other new resource recycling</b> We will commercialize the direct recycling of aluminum and various other resource recycling. <b>② Commercialize solar panel recycling</b> We will commercialize recycling of the large number of solar panels expected in the future. The total investment for ① and ② is about <b>JP¥3 billion</b> .	Resource recycling
Targets / key performance indicators (KPIs)	Main growth investments (FY2024–FY2026)	Materiality
<b>Secure stable earnings</b> Auto auction Share target <b>50%</b> → Pp. 35–36	<b>① Build a new Yokohama Auction Site (FY2024–FY2025)</b> We will build a new auction site with a multi-story parking structure to handle the significant increase of vehicles at auction. The total potential investment is about <b>JP¥8 billion</b> . <b>② Build a new HAA Kobe Auction Site (After FY2025)</b> We plan to build a new auction site with a multi-story parking structure as the largest auction site in western Japan. The total potential investment is about <b>JP¥10 billion</b> . <b>③ Build a new Tokyo Auction Site (After FY2026)</b> The Tokyo Auction Site is the largest in Japan (an average of about 15,000 vehicles always at auction), but was built 20 years ago. We plan to build a new facility to expand its auction capabilities. <b>④ Update core auto auction systems (FY2024–FY2026)</b> We plan to update our system for managing information on listed vehicles and successful bids by the fiscal year ending March 31, 2027. The total potential investment is about <b>JP¥5 billion</b> .	Resource recycling Information management
Targets / key performance indicators (KPIs)	Main initiatives (FY2024–FY2026)	Materiality
<b>Strengthen platforms</b> CO <sub>2</sub> emission reduction target (Base year: FY2021) Total Scope 1 and 2 <b>42%</b> reduction (FY2030) Scope3 <b>25%</b> reduction (FY2030) ...and other materiality KPIs → Pp. 25–26	<b>① Human resource development</b> Expedite inspector training to increase the number of vehicles in auctions. → Pp. 31–32, 56 <b>② Reduce the environmental impact of our businesses</b> • Promote waste recycling → P. 64 • Reduce greenhouse gas emissions → Pp. 58–64 <b>③ Strengthen governance</b> • Disclose information in accordance with corporate governance codes → Pp. 41–46 • Officer remuneration policy that incorporates ESG indicators → Pp. 43–45	Human resources management Resource recycling Climate change Fair and equitable business dealings



# Priority subjects (materiality)

USS identifies the economic, social and environmental impact its businesses and priority subjects it needs to address.

The Board of Directors approved reforms in the fiscal year ended March 31, 2023 from the perspective of long-term








USS financial risks and opportunities.

We have set key performance indicators (KPIs) for each priority subject in the fiscal year ended March 31, 2024.

Process to identify KPIs		Priority subjects (Materiality)	Reason	Long-term financial impact ( <b>O</b> : Opportunity <b>R</b> : Risk)
<div>STEP 1 Identify social issues</div> <div>STEP 2 Prioritize social issues</div> <div>STEP 3 Set and revise priority subjects</div> <div>STEP 4 Set KPIs</div>	USS meticulously identified potential social issues to address by referring to the GRI Standards, Sustainable Development Goals, and other international guidelines.	Resource recycling	<p>In the pursuit of securing the circular economy required by society at large:</p> <ul style="list-style-type: none"> <li>• The auto auction business will contribute to the reuse of automobiles.</li> <li>• The recycling business will contribute to the resource recovery and recycling of automobiles and plant facilities.</li> </ul>	<p><b>O</b> Stable demand of used vehicles (auto auction business)</p> <p><b>O</b> Broader dismantling and recycling needs for automobiles and plants (recycling business)</p> <p><b>R</b> Shrinking used car market due to a sharing economy and other shifts in values</p>
	USS determined the priority of each social issue based on the characteristics of Group businesses, long-term business strategies, and stakeholder requirements.	Climate change	<p>In the pursuit of carbon neutrality throughout society at large:</p> <ul style="list-style-type: none"> <li>• An increase in the EV share of the new car market could have a financial impact on the auto auction business.</li> <li>• USS and everyone throughout the value chain must engage in initiatives to reduce greenhouse gas emissions.</li> </ul>	<p><b>O</b> Demand to shift to EV alternatives energizing the used car market</p> <p><b>R</b> Increasing costs related to the reduction of greenhouse gas emissions (net zero emissions) at USS and throughout the value chain</p>
	USS has set five priority issues with the approval of the Board of Directors. We also clarified the long-term impact for each of these material subjects.	Human resources management	The auto auction business must secure automotive inspectors, digital professionals, and other diverse human resources to foster long-term growth as the workforce in Japan dwindles.	<p><b>O</b> Recruitment of human capital with a wide range of skills</p> <p><b>R</b> Lower number of job seekers due to a smaller workforce</p> <p><b>R</b> Business stagnation due to an aging employee base</p>
		Information management	The auto auction business handles personal member information and confidential information.	<p><b>O</b> Business expansion versatily capitalizing on big data</p> <p><b>R</b> Loss of reputation and decline in membership in the event of any personal or confidential information leaks</p>
	USS set KPIs to manage initiatives to address each priority issue through a PDCA cycle (see pp. 25–26).	Fair and equitable business dealings	Unfair and unequal auctions due to preferential treatment of some members or other inappropriate behavior.	<p><b>O</b> Enhanced brand power made possible by securing and promoting a fair and equal standing for everyone</p> <p><b>R</b> Loss of reputation and decline in membership in the event of any improper business dealings</p>



## KPIs for priority subjects

Priority subjects (materiality)	Main initiatives	Key performance indicators (KPIs)		Scope	Actual (fiscal year)					Target	Relevant pages	Relevant SDGs
					2019	2020	2021	2022	2023			
Resource recycling	<ul style="list-style-type: none"> <li>The auto auction business will enhance the efficiency and member convenience of automotive inspections through the use of digital technologies.</li> <li>The recycling business will promote plant recycling through SMART Inc.</li> </ul>	Waste rate (tons of waste produced / tons of receivables) (%)		ARBIZ Co., Ltd.	16.3	13.1	8.3	6.0	3.6	15% or less in receivables	Pp. 39–40	
		Metal recycling rate (tons of metal shipments / tons of metal receivables) (%)			50.2	45.7	43.7	52.4	54.2	Over 40% in receivables		
		End-of-life vehicle recycling rate (%)			100.0	100.0	100.0	100.0	100.0	100%		
		R2 certification			Yes	Yes	Yes	Yes	Yes	Maintain certification		
		Recycling rate (excluding materials containing asbestos) (%)		SMART Inc.	97.7	95.6	94.3	94.3	96.0	Over 90%		
		Digital consignment rate (%)		USS Co., Ltd.	0	0	10	20	30			
Climate change	<ul style="list-style-type: none"> <li>Surveys and research on handling EV</li> <li>Identification and reduction of greenhouse gas emissions (In the process of promoting activities to reduce Scope 1, 2, and 3)</li> <li>Introduction of energy-saving measures, renewable energy, and solar power generation at business sites</li> </ul>	Total Scope 1 and 2 CO <sub>2</sub> emissions (t-CO <sub>2</sub> )		USS Group	–	16,838	16,735	15,703	14,076	42% reduction by FY2030 (Base year: FY2021)	Pp. 58–64	 
		Scope 3 CO <sub>2</sub> emissions (t-CO <sub>2</sub> )			–	241,146	256,369	265,347	267,692	25% reduction by FY2030 (Base year: FY2021)		
Human resources management	<ul style="list-style-type: none"> <li>Respect of human rights and diversity</li> <li>Fair and equal treatment and working conditions</li> <li>A higher level of education and training</li> <li>Occupational health and safety management</li> </ul>	Employees with a level three or higher vehicle inspector certification (people)		USS Co., Ltd.	250	258	261	255	272		Pp. 31–32 Pp. 53–57	 
		Average length of time necessary to acquire a level three vehicle inspector certification (months)			26 months	26 months	26 months	26 months	15 months	8 months		
		Women appointed as executive officers (deputy senior staff or above) (%)			5.4	5.9	6.8	7.6	8.8 <sup>*2</sup>	Over 8% of all employees		
		Ratio of women in management (%)			0	0	0	0	2.6 <sup>*2</sup>	Over 5% by FY2025 Over 10% by FY2030		
		Acquisition rate of paid leave (%)			50.0	50.6	64.4	63.3	69.6	Maintain an acquisition rate over 60%		
		Employment ratio of persons with disabilities (%)			1.57	1.63	2.09	2.48	2.25	Maintain an employment rate at or above that mandated by law (2.3%)		
		Turnover rate (%)			4.6	2.9	4.7	6.0	6.0	5% or less		
		Number of occupational accidents (incidents)		ARBIZ Co., Ltd.	6	3	2	3	2	0		
		Frequency rate of occupational accidents requiring leave			16.03	9.47	6.53	9.33	6.27	6.0 or less		
		Severity rate of occupational accidents requiring leave			0.37	1.55	0.99	0.05	0.00	0.5 or less		
		Ratio of employees attending external training (regular employee or above excluding those seconded) <sup>*1</sup> (%)			0	3.5	48.2	100.0	46.0	Over 50%		
Information management	<ul style="list-style-type: none"> <li>Establishment of a privacy policy</li> <li>Proper management of member information</li> <li>Acquisition of the PrivacyMark</li> </ul>	Ratio of employees attending PrivacyMark training (%)		USS Co., Ltd.	–	–	100.0	100.0	100.0	100%	P. 53	
		ISO 27001 certification		ARBIZ Co., Ltd.	Yes	Yes	Yes	Yes	Yes	Maintain certification		
Fair and equitable business dealings	<ul style="list-style-type: none"> <li>Thorough awareness-raising about the corporate philosophy to create a fair market</li> <li>Operation of a unique system to monitor inappropriate transactions</li> <li>Formulation and distribution of anti-corruption and other basic policies on websites</li> </ul>	Wrongful acts by employees (incidents)		USS Co., Ltd.	0	0	0	0	0	0	P. 45 P. 53	

<sup>\*1</sup> The training format changed from group training to e-learning in fiscal 2023, which encourages greater employee participation.

<sup>\*2</sup> Data current as of April 1, 2024.



## Masafumi Yamanaka

Executive Vice President and Officer of the Supervisory Office (Executive Vice President in Charge of Finance)

### Profile

Masafumi Yamanaka began his career at MIMATSU Co., Ltd. in 1978 before joining TORII (current AOKI Holdings Inc.) where he prepared the company to list its stock on the Second Section of the Nagoya Stock Exchange in 1990. Masafumi Yamanaka joined USS in 1995. As the manager in charge of preparing USS to go public, Masafumi Yamanaka contributed greatly to the company's Nagoya Stock Exchange listing first on the Second Section in September 1999, and then the First Section of the Tokyo Stock Exchange in December 2000. Since then, Masafumi Yamanaka has been a consistent asset to upper management. He was first elected Director and appointed General Manager of the Finance Department in 2004. Masafumi Yamanaka then moved up the ranks from Junior Managing Director and Officer of the Supervisory Office in June 2006 and Senior Managing Director in 2012 to his current position as an Executive Vice President since 2016.



# The proper allocation of plentiful capital to growth investments and shareholder returns enhances corporate value.

**We have successfully generated higher income and profit for three consecutive fiscal terms while also increasing dividends for 24 consecutive fiscal terms. USS also expects to increase income and profit in fiscal 2024 as well.**

The business performance for the fiscal year ended March 31, 2024 was ¥97,606 million in net sales, up 9.9% year on year, ¥48,937 million in operating profit, up 11.8% year on year, and ¥32,906 million in profit attributable to owners of the parent, up 9.7% year on year, which has successfully increased income and profit for three consecutive fiscal terms. We also had a 17.0% return on equity (ROE), which exceeded our management indicator of 15%. This favorable business performance enabled USS to increase its shareholder returns for the 24th consecutive fiscal term. The year-end dividend per share (after 2-for-1 stock split) rose to ¥37.7. This surpassed our fiscal target for a payout ratio of 55.1%.

As for the outlook in the fiscal year ending March 31, 2025, USS forecasts ¥102,600 million in net sales, up 5.1% year on year, ¥52,500 million in operating profit, up 7.3% year on year,

and ¥36,000 million in profit attributable to owners of the parent, up 9.4% year on year. We also anticipate a year-end dividend per share of ¥41.20.

**We have set a new target for a “total payout ratio of at least 80%” to further enhance shareholder returns.**

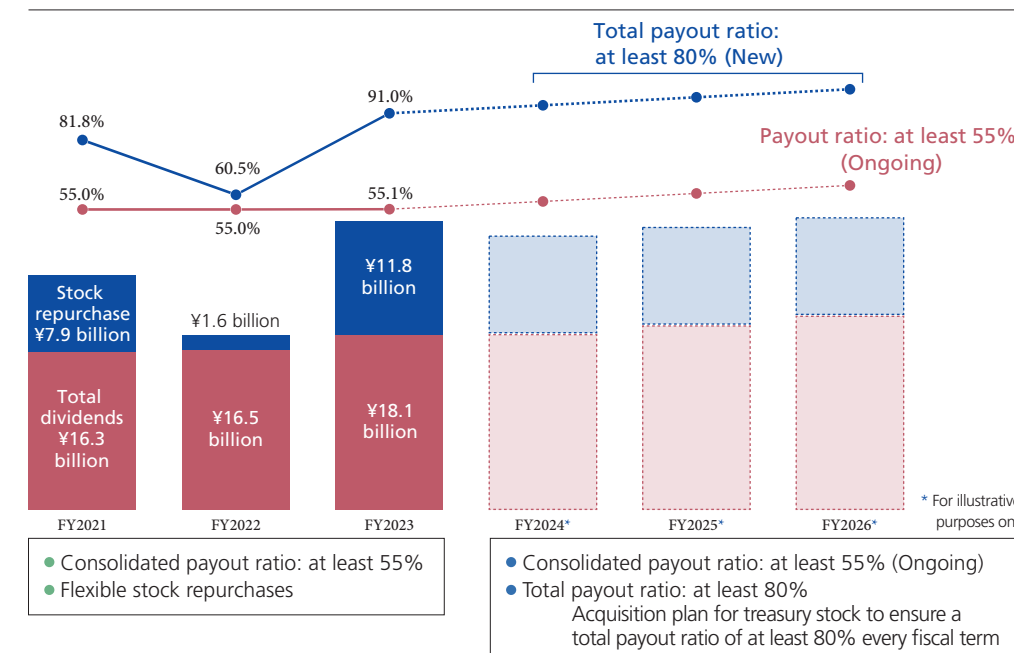
USS adheres to a basic policy for capital measures that advocates making solid investments expected to foster sustainable growth while retaining a standard of shareholder capital that can tolerate the risks brought by our business activities.

Our shareholder return policy has set a consolidated payout ratio of at least 55% thus far. We also make flexible acquisitions of treasury shares considering factors that include the market environment of Company stock, capital investments, and cash flow. Over the last several years while continually increasing income and profit though, we have taken a second look at the importance of capital efficiency and have decided to not only aim to enhance shareholder value but also provide a total payout ratio of at least 80% (FY2024–FY2026). Our plan for the total payout ratio every year will strive to acquire roughly 25% of treasury shares as the Company continues to target a consolidated payout ratio at least 55%. Although the details such as the term and scale of these acquisitions has not yet been determined, we will disclose this information as soon as a decision is made.

Moreover, the reason that we have set a total payout ratio of at least 80% is our aim to clarify the application of funds founded in the goal to enhance shareholder returns. Our business will still retain ¥7 billion if the consolidate net profit is ¥35 billion, even with an 80% shareholder return. For instance, the Company would still have some cash after making ¥10 billion in investments when considering depreciation costs.

More specifically, the figures show that we would have a little more cash and deposits than the Company previously has had. Therefore, even with at least an 80% shareholder return, the construction of one relatively large new auction site is within the range of these cash and deposits after shareholder returns. I think the potential for cash and deposits to have any major change is low. As a result of these considerations, USS sees and has set a total payout ratio of at least 80% as a totally feasible target.

Total payout ratio / dividend payout ratio (illustration over three years)





## The proper allocation of plentiful capital to growth investments and shareholder returns will enhance long-term corporate value based on the new cash allocation policy.

Our cash allocation policy going forward assumes a cumulative total of ¥120 billion in operating cash flows from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027 for application around three axes: investments in needs for medium/long-term growth while maintaining a high total payout ratio, investments for growth of more than ¥20 billion during the three-year period up until the fiscal year ending March 31, 2027, and investments through M&A and business alliances considered separately.

Our investments in growth plan to allocate a total of ¥23 billion in the auto auction business. ¥8 billion will significantly expand the number of vehicles at auction and build a new auction site with a multi-story garage between the fiscal year ending March 31, 2025 and the fiscal year ending March 31, 2026. ¥10 billion is set to rebuild the HAA Kobe Auto Auction site as the largest in western Japan as well as add a multi-story garage in the fiscal year ending March 31, 2026. Roughly ¥5 billion has also been earmarked for investments in core auto auction systems from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027. In addition, we also plan to expand the number of lanes at the Tokyo Auction Site, which is the largest auction site in Japan, in the fiscal year ending March 31, 2025. However, we are also planning to rebuild the entire facility sometime after the fiscal year ending March 31, 2027 to strengthen its auction capabilities because the Tokyo Auction Site is already more than 20 years old. These investments will surely enable USS to capture a 50% market share. We also plan to invest ¥3 billion in the recycling business (ARBIZ) to bolster aluminum, solar panel, and other resource recycling expected to have greater demand in the future.

Estimates foresee about ¥90 billion in shareholder returns over the next three years to achieve our targets for a consolidated payout ratio of at least 55% and total payout ratio of at least 80%. We anticipate sufficient cash and deposits generated up until now in the event of any major M&As in the future.

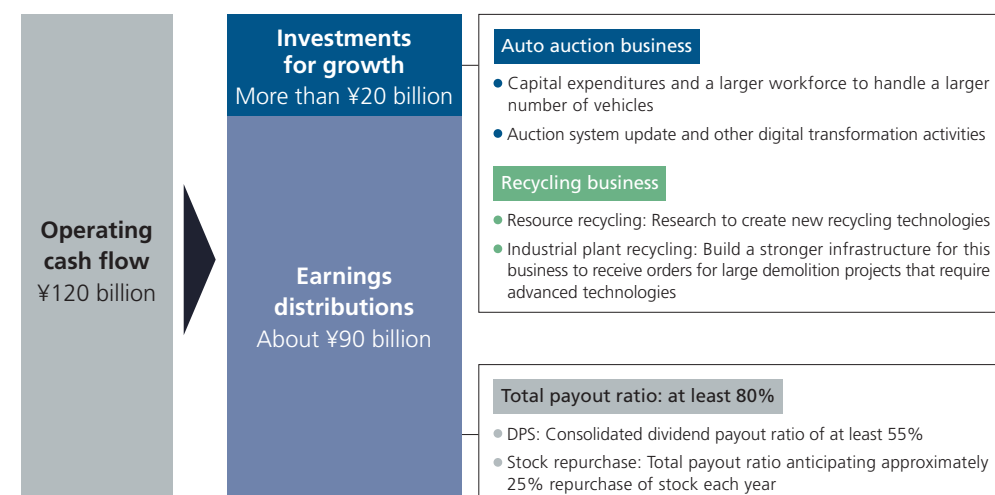
This policy to properly allocate cash will realize corporate growth and higher shareholder value over the medium to long term.

### Masafumi Yamanaka

Executive Vice President and Officer of the Supervisory Office  
(Executive Vice President in Charge of Finance)

#### Cash allocation policy

##### Total for FY2024–2026



## Pursuit of business growth and operational efficiency through a digital transformation

### Greater convenience for sellers and bidders

We believe greater convenience at auto auctions is essential to realize sustainable growth of USS. That is why we are moving forward with digital transformation (DX) initiatives.

For example, USS began digital consignments in fiscal 2022 that do not require manual data entry of vehicle information based on paper auction slips to eliminate the laboriousness of administrative tasks of customers (for more information, see Pp. 35–36). In addition, we introduced an imaging system for vehicle undercarriages to check for oil leaks and rust under each automobile. Nagoya and many of our other auction sites have pioneered the adoption of this system. We plan to expand it to our other auction sites throughout Japan by the end of fiscal 2024.

We have also begun developing a new service through imaging analyses of caution plates (metal plate including vehicle information; for more information, see p. 36).

### Renewing auto auction systems

We decided to update the core auto auction system to manage information related to cosigned vehicles and successful bids in fiscal 2023. Our auto auctions have been using the same system for over 30 years. As this system was developed using an old programming language, we will move to a new system that can makes updates more

efficient. During fiscal 2024, we will select a partner to configure the system with the aim for completion in fiscal 2026. USS is also considering the renewal of bidding systems to place bids at its auctions.

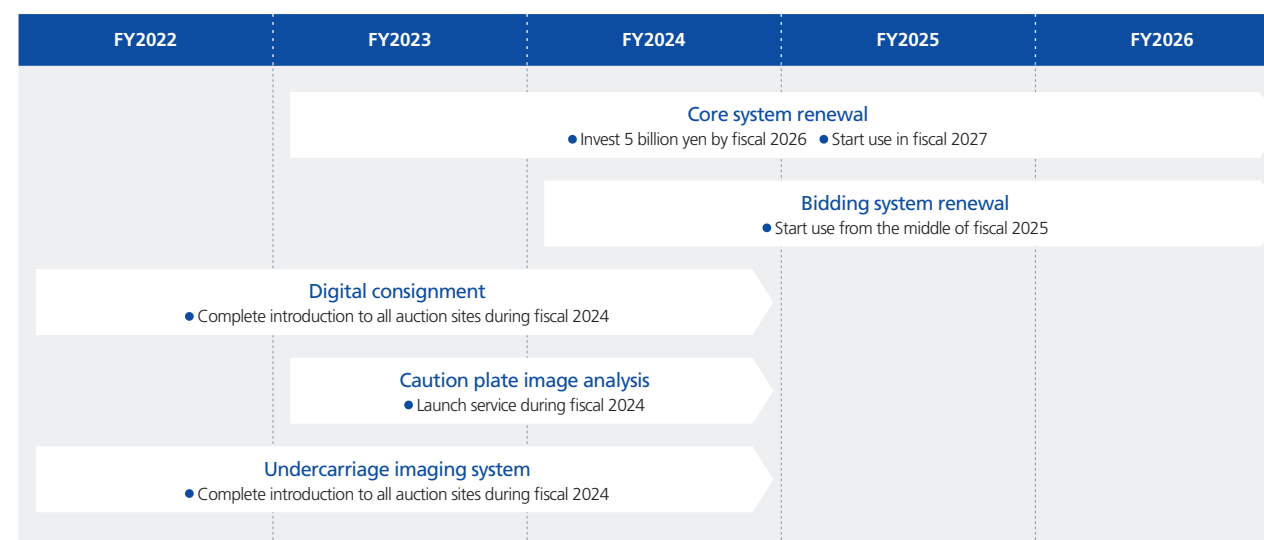
### Increasing internal efficiency

USS is also driving forward DX to heighten operational efficiency and productivity. In fiscal 2023, we enabled the entry of consignment slip data from remote locations, which typically could only be done on an on-site computer. This is not only true for telework but also divides the tasks between employees at different auction sites. This renewal also contributes to the standardization of operations when things are busy. Going forward, we will also consider the employment of people with disabilities who could work from home.

### New ICT businesses

USS is also striving to develop new businesses that take advantage of ICT outside of the auto auction business. In fiscal 2022, we partnered with a fintech company and launched a new auto loan business. These auto loans enable people who cannot generally obtain traditional personal car loans for various reasons to purchase a used car. We can expect this business to have synergy with the auto auction business by expanding the demographic of people purchasing used vehicles. (For more information, see p. 20.)

#### Digital transformation roadmap for the auto auction business







## Yukio Niimi

Executive Officer and Manager of Kyushu and Fukuoka Auction Sites, USS Co., Ltd.

### Profile

Yukio Niimi joined USS in 1989. He was first involved with digitalizing auction sheets in the Information System Department of the Operation Division at the Nagoya Auction Site before acting as the Manager of the R-Nagoya, Shizuoka, Kyushu, and Fukuoka Auction Sites. His work contributed to a larger volume of vehicle transactions at each of these auction sites through measures tailored to each region. In 2020, Yukio Niimi was appointed the Manager of both the Kyushu and Fukuoka Auction Sites, and then he was appointed executive officer in 2023. Capitalizing on the experience that he gained managing auction sites of various scales, Yukio Niimi is working to develop a human resource development plan as a member of the medium to long-term strategy project team.

# USS is focusing on more quickly developing certified vehicle inspectors and expanding management professionals to achieve its management goals.

**To capture 50% of the auto auction market share, we are emphasizing not only faster certification of inspectors as a human resource strategy but also better quality.**

Automobile inspectors play a role in giving rankings to vehicles bought and sold in auto auctions. The quality of these inspections helps build trust in auto auctions. Therefore, these inspectors act as a backbone supporting our business. Securing human capital as vehicle inspectors is an important management challenge as we strive to capture 50% of the auto auction market share, which is a management target announced last year.

USS has launched a unique vehicle inspector training program and requires employees to acquire a certification of at least Level 3 or higher from the four different levels to appraise vehicles on site. Typically, it can take between two to three years to acquire a Level 3 certification. The new training program began in April 2023 to more quickly certify these vehicle inspectors. Unlike typical on-the-job training that teaches job skills through the proper guidance of supervisors and more experienced employees, this new training program provides group training over eight months after at a large auction site right after employees join the Company. The group training bundles all the knowledge and skills necessary for employees to acquire a Level 3 certification as vehicle inspectors. Twelve employees acquired a Level 3 certification during the fiscal year ended March 31, 2024.

USS has fifteen inspectors with a Level 1 certification who rotate around every auction site and play a role as instructors to ensure consistent appraisal standards. This approach builds a system to provide uniform appraisals of vehicles up for auction at all 19 USS auction sites. We also assign vehicle inspectors to act as trainers at each auction site. These trainers stay in close contact with the instructors in an effort to exchange information as well as sustain and improve the quality of vehicle inspections. Another challenge that the Company faces in the workplace for inspectors is the rise in

overtime due to an increase in the number of vehicles for inspection during the busy season around January to April. Currently, we believe the measure to overcome this challenge is continually securing a higher standard of new graduates and mid-career professionals. USS is also working to improve the working environment and reduce employee turnover while also considering recruitment plans.



Left) Vehicle inspection in progress / center & right) group training launched in FY2023

## Our initiatives to strengthen management career plans and develop female management connects directly to our succession plans.

It is vital to develop the skills of human resources so that they can reach their full potential. In particular, the work required of managers of auto auction sites demands a wide range of experience and management expertise. In the future, USS needs to have a career plan to cultivate human capital who can manage auction sites through the proper management skill development and training as well as experience in management divisions outside of auction sites and at different sizes of auction sites in addition to a broad range of other on-the-job training. In the past, we did not really formulated the strategies necessary to increase the number of vehicles at auction, but non-strategic approaches will not be effective to achieve our goal of capturing 50% of the market share going forward. For this reason, we need to develop management professionals who can identify challenges as well as formulate and execute strategies. Management and core employees will regularly engage in discussions on criteria to select management candidates as well as on policy development.

In October 2023, USS started a new human resource program to propel junior employees with practical skills toward becoming assistant managers and managers of auction sites. As an initiative to offer experience to highly motivated employees, we expect this program to help develop core management in the future.

USS is also working to empower women. As of April 2024, two new women have joined the management team, which brought the ratio of women in management to 2.6%. We will actively promote more women as management with the goal of raising this ratio to over 5% by the fiscal year ending March 31, 2026 and over 10% by fiscal year ending March 31, 2031 through measures that encourage active participation, such as interviews about women in management done with the women serving as outside directors. As several auto auction sites, training that includes programs for candidates to become directly involved in management discussions about the auction site, events, and how to bring together a higher number of vehicles for auctions helps up-and-coming employees gain the knowledge necessary for management while cultivating a management mindset.

These initiatives will develop highly diverse human resources for management adept in strategy, which will in turn help solidify succession plans.



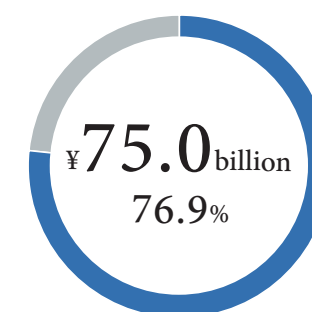
## At a glance

### Auto auction business

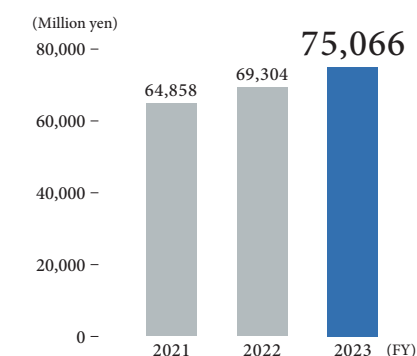


USS has established 19 auction sites throughout Japan since opening the USS Nagoya Auto Auction in 1982. Each of these venues has steadily grown its membership base to become the leading auction in its respective territory. We have also prepared dedicated terminal and internet auctions as two channels to offer members ways to bid on vehicles from off-site locations. These innovations have fostered growth that has made us an industry leader in the number of auction sites, members, and consigned vehicles. All of our auction sites will always support trouble-free circulation of used vehicles.

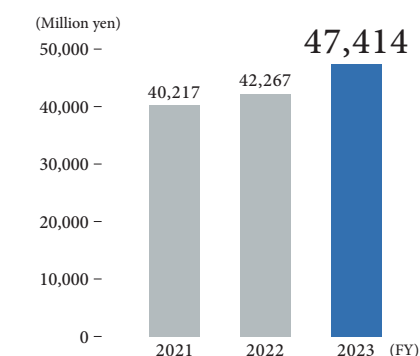
#### Sales composition



#### Changes in net sales



#### Changes in operating profit

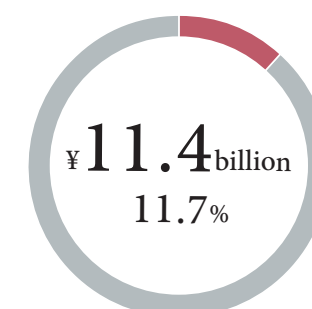


### Used vehicle purchasing and selling business

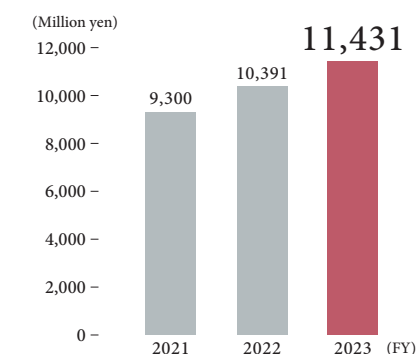


As a network of stores specializing in used car purchases, the Rabbit Car Network provides the supply of quality used vehicles indispensable to USS auto auction. These used vehicles purchased directly from the owners through this nationwide network of stores and put up for auction by USS attract a tremendous number of buyers. This process has created a favorable cycle increasing the number of vehicles offered and sold at auction. The Rabbit Car Network also analyzes the latest market value and purchases vehicles for auction at the highest possible price. This not only ensures quality vehicles for auction but also helps the USS Group acquire an even greater share of the auto auction market.

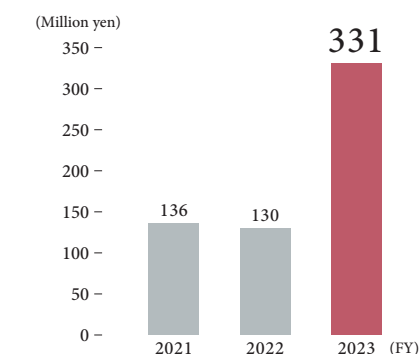
#### Sales composition



#### Changes in net sales



#### Changes in operating profit

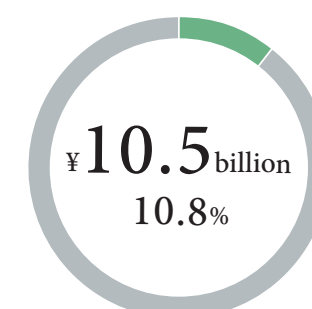


### Recycle business

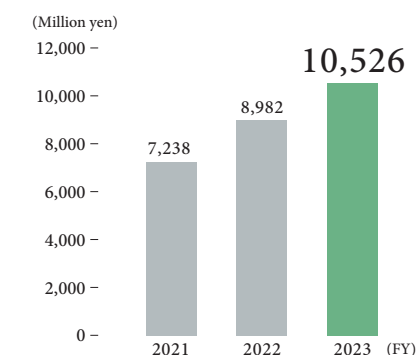


ARBIZ has been disassembling and recycling automobiles, office equipment, electronics, and various other waste since its founding in the fiscal year ended March 31, 2004. In the fiscal year ended March 2020, ARBIZ launched SMART as a waste disposal contractor for industrial equipment and plants. Its services handle everything from plant demolition and equipment removal to the resale and recycling of obsolete machinery and equipment. SMART is able to recycle metals, plastics, and other composite materials that are difficult to process. These capabilities help realize a circular society by encouraging machinery and equipment recycling.

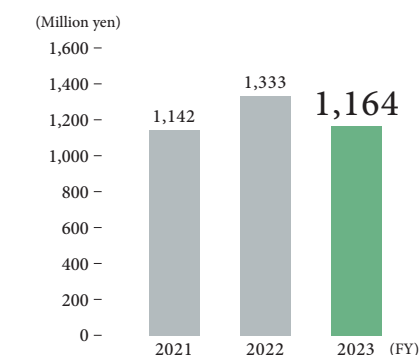
#### Sales composition



#### Changes in net sales



#### Changes in operating profit



Note: Net sales are sales to external customers. Operating profit is based on business segment earnings.





## USS focuses on making capital investments and securing human resources with the aim to capture a 50% market share.

### Masahiro Mikami

Executive Officer, General Manager in charge of the Auction Operation Office, and Manager of Tokyo Auction Site USS Co., Ltd.

#### Profile

Masahiro Mikami joined USS in 1994. He served as Manager of the Sales Division at the Tokyo Auction Site before acting as Officer of the Auction Operation Office at the head office in 2014. Masahiro Mikami was involved with formulating auction rules to realize auctions that give a fair and equal standing to everyone, putting together the certification program to train vehicle inspectors, and building our claim management system. He served as the Manager of the Yokohama Auction Site from 2016 before being appointed the Manager of the Tokyo Auction Site in 2019. Masahiro Mikami was appointed Executive Officer in 2023 and General Manager in charge of the Auction Operation Office in 2024.

### Fiscal review

In fiscal 2023, the entire auto auction industry cosigned a total of 7,771,000 vehicles, up 6.8% year on year.\* In the first half of the year, an increase in the number of new vehicle sales drove up the number of used car trade-ins. This trend increased the number of vehicles cosigned by auctions but greater demand for the supply of used cars decreased prices. The scandal discovered at a major company purchasing and selling used vehicles around August did not greatly affect the auto auction market. The weak Japanese yen has had a larger impact than that scandal. Vehicles for export have been purchased at extremely high prices, which has set record highs for auto auction businesses. In fiscal 2023, export vehicles realized the highest prices that they ever have. The consignment of good-quality luxury vehicles that sell for a high price seems to have contributed to the favorable performance of USS.

The Auto Auction offered 3,084 thousand vehicles at auction, up 4.3% year on year, with 1,986 thousand contract completions, up 6.6% year on year. As a result, the Auto Auction Segment achieved ¥75,066 million in net sales from outside customers, up 8.3% year on year, and an operating profit of ¥47,414 million, up 12.2% year on year. This equates to an increase in both income and profit.

Our business measures have increased commission fees and expanded the Yokohama Auction site from four to six lanes to take advantage of its growing number of consignment vehicles, which raised profit. We also plan to introduce undercarriage imaging system to every auction site. Currently, the Nagoya, Tokyo and HAA Kobe Auction sites have begun providing undercarriage imaging. The undercarriage imaging service can verify oil leaks, rust, and other problems via photographic images, which are particularly important factors for export vehicles. The Kyushu Auction site not only expanded the interior imaging service but also started using the digital consignment done at the Nagoya and Tokyo Auction sites.

Digital consignment is a system to read a 2D barcode on a vehicle certificate to create auction slips, which increases the efficiency of administrative tasks that had typically been done manually in writing in the past. We have an interface to create auction slips based on unique member data for any members who request to use the service. This measure puts in place an environment that increases convenience and makes it easier for members to put vehicles up for auction.

\* Source: USED CAR Co., Ltd.

### Future strategies

#### Capital investments/stronger organization

We will expand the number of lanes at the Yokohama Auction site as well as rebuild and renew the facility to achieve our target of acquiring a 50% market share. The Tokyo Auction site plans to expand from 12 to 16 lanes as it handles an average of 15,000 cosigned vehicles. Moreover, the remote bidding system has introduced the ability to bid from not only computers but also smartphones. We believe this both improves convenience and helps shift our auction sites to smart systems. USS traditionally acted as an intermediate between sellers and buyers for any vehicles not sold at auction, but these negotiations take a lot of time. Therefore, we are developing a system to increase the speed and efficiency of these types of business transactions.

The recruitment and training of human resources who run these auctions are indispensable. In April 2023, we began a training program to quickly develop and certify vehicle inspectors. In October, we rolled out a new human resource system (for more information, see Pp. 31–32). As auction sites forecast to see an increase in the number of vehicles handled there, the Yokohama, Tokyo, and HAA Kobe Auction sites plan to rebuild the existing auction site combined with a multi-story garage. Larger vehicle capacity and a leading-edge auction system will improve the convenience for every

member while aiming to further increase the number of vehicles at auction. We can also expect to see an impact on the used vehicle distribution industry due to the logistical problems faced in 2024. We have joined forces with our subsidiary, USS Co., Ltd., to begin bundling and transporting vehicles that have successful bids at USS auction sites that are far away from dealers to neighboring USS auction sites. These efforts are founded in our belief that we must build an efficient used vehicle supply chain going forward.

#### Medium- to long-term challenges and strategies

Every auction site must make sure there are no inconsistencies in the mandatory paperwork necessary for not only vehicle payment but also to change the name on the title of the used vehicle before turning that vehicle over to the dealer with the successful bid. Currently, USS is reconfiguring its core auto auction system to put in place a more efficient framework for these operations at each auction site. Some innovations include workflow digital transformations and the adoption of AI.

Presently, we are working to develop a system that uses the caution plate of vehicles to improve fair and equitable business dealings and enhances convenience. The caution

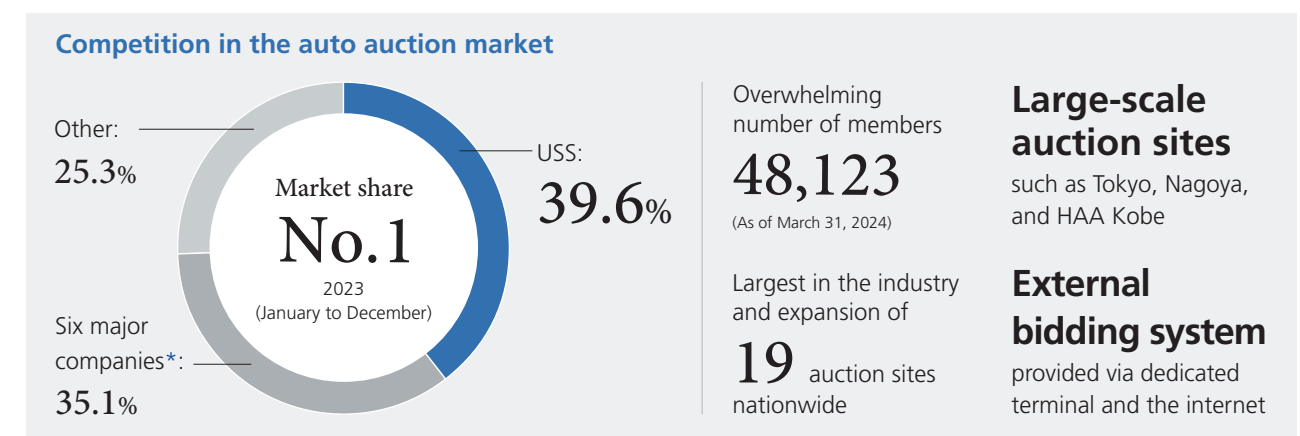
plate includes vehicle information, which enables an analysis of each vehicle based on an image of this plate. Links between the information obtained from the caution plate and the vehicle certificate allows us to create a digital consignment slip, disclose vehicle specifications in advance, change the name on titles, and check the condition of a vehicle that has been in previous auto auctions. The data on the caution plate also lets us select the proper components when conducting repairs.

Another issue raised as a medium- to long-term challenge is EV battery diagnostics. In April 2024, USS joined the Battery Association for Supply Chain, which consists of members that include major automotive manufacturers, battery manufacturers, and resource trading companies. The Association is working to develop a sustainable battery supply chain (parts/materials) with the aim of contributing to the battery industry not just in Japan but in the rest of the world. USS is currently considering ways to detect storage battery performance. We are exchanging ideas about diagnostics to assess storage battery degradation with a wide range of relevant professionals but this search continues as we have not yet reached a method that provides highly accurate diagnostics. USS will continue these initiatives in the future with the hope of contributing to a circular economy.

### SWOT analysis

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• The largest number of members and vehicles in Japan's auto auction industry</li> <li>• Highly advanced vehicle inspection technologies</li> </ul>	<ul style="list-style-type: none"> <li>• High prices of vehicles sold at auctions due to the sale of quality automobiles</li> <li>• The industry leader using the digital transformation</li> </ul>	<ul style="list-style-type: none"> <li>• Strict technologies for fair and equitable transactions</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>• Slowdown in the volume of used vehicles due to delays in the supply of new vehicles</li> <li>• An insufficient number of vehicles procured by Group companies for auction</li> <li>• A labor shortage including automotive management and inspectors</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>• Growth in demand to replace gas and other conventional vehicles with electric vehicles</li> <li>• Broader demographic of people buying used vehicles by making a new auto loan commonplace</li> <li>• Increase in the needs for Japanese vehicles overseas</li> </ul>		
<b>Threats</b>	<ul style="list-style-type: none"> <li>• Changing perception of the value of cars due to the shift from ownership to services (mobility as a service (MaaS))</li> <li>• Capturing of the used car market by automakers using connected technologies</li> </ul>		

### Data



\* Six major companies: TAA (12.9%), MIRIVE (5.4%), Arai (5.3%), CAA (5.3%), JU Gifu (3.4%), and KCAA (2.9%)  
Source: USED CAR Co., Ltd.



Used vehicle purchasing and selling

## Rabbit Car Network will cultivate a brand image of reliability and trust to realize sustainable growth.

### Haruyoshi Kimura

Director and General Manager of Business Division, Rabbit Car Network Co., Ltd.

#### Profile

Haruyoshi Kimura handled sales, marketing, and the launch of new business for major enterprises the likes of Sogo Co., Ltd. (current Sogo & Seibu Co., Ltd.) and the Shiseido Company, limited. He joined the Rabbit Car Network in 2022 and was appointed Director in 2023. Haruyoshi Kimura will work to cultivate customers and develop human resources.

### Fiscal review

The Used Vehicle Purchasing and Selling Segment generated ¥11,431 million in net sales from outside customers, up 10.0% year on year, and an operating profit of ¥331 million, up 154.9% year on year. This equates to a dramatic increase in both income and profit.

Rabbit Car Network was able to generate ordinary profit at every one of its chain stores for the first time in fiscal 2023. In addition, each store showed record highs in the number of appraisals, purchases and completion rates. More customers visiting our stores is one reason for this growth while a higher number of direct inquiries through our homepage and other mediums is another. The Rabbit Car Network set “Rabbit Reliability and Trust” as its brand image last January to differentiate itself from its competitors while establishing a Rabbit Code of Conduct. These guidelines aim to fundamentally reform the standard practices and common sense rooted in the industry for the purpose of cultivating completely new customer-oriented values. To make the Code of Conduct commonplace on site at every store, the Rabbit Car Network is raising employee awareness and changing the corporate culture. Consumers have less trust in the used car industry than new car dealers. The discovery of fraud at a major company purchasing and selling used vehicles has further degraded the reputation of the industry. As a result of our initiatives in this market environment, word-of-mouth and other feedback have come to praise Rabbit stores, which is driving more people to stop by and make inquiries.

The Rabbit Car Network has also shifted away from its traditional business model that did not focus much on retail sales. Every store now creates a space that continuously displays five to ten retail vehicles at the storefront. These vehicles provide a prosperous ambiance that attracts a retail consumer demographic, which is new customer base for our stores. This has both increased the number of retail vehicles

as well as cultivated demand for trade-ins. This shift toward retail seems to be another reason more customers are visiting Rabbit stores.

Consistent measures like this have enable the Rabbit Car Network to dramatically increase the number of direct appraisal requests from owners rather than the bulk competitive price appraisals done for multiple used car dealers that buy and sell vehicles. This success is in part thanks to an initiative that began last year aiming to build a brand chosen by customers rather than one chasing after customers.

### Future strategies

#### Promoting a corporate brand around reliability and trust

I am most focused on consistently improving the reputation of our stores. To create completely new values in the industry from the consumer perspective, the Rabbit Car Network aims to solidify its present as network of stores providing the highest level of reliability and trust. Our intension is to enhance brand value with an emphasis on reliability and trust that diversifies the Rabbit Car Network from the used car industry. I know this will help sustain and improve business performance as well as foster medium- to long-term business growth.

It is also important to broaden the recognition of the Rabbit Car Network to cultivate this type of brand. We are actively promoting the brand through X, Instagram, YouTube, and other social media channels as measures to improve our presence. The Rabbit Car Network has expanded its Rabbit Car character logo to all media as well to ingrain an association between rabbits and our Rabbit Car character. At the same time, we will renovate our existing stores that are showing signs of age. These



renewals will aim to improve store recognition to attract a higher number of customers.

The Rabbit Car Network considers fiscal 2024 a major transitional period. Over the next five years, we will make active growth investments into this type of corporate branding.

We cannot expect results through an ongoing pursuit of business growth done by always visiting multiple used car dealers who buy and sell vehicles for bulk appraisals. An important condition to sustainable business growth is gaining new customer demographics different from the current customer base. To do this, the Rabbit Car Network has to solidify “Rabbit Reliability and Trust” as its brand image. We will continue to investigate and promote corporate branding measures toward growth.

#### Expanding chain stores and strengthen support of franchises

One measure to increase earnings is expanding the number of stores in anticipation of greater brand recognition. In April, the Rabbit Car Network opened a new chain store in Makuhari, Chiba for the first time in ten years. The addition of this store brings the total number of chain stores to 16. Going forward, the Company will open two to three chain stores each year to reach a total of 30 chain stores by fiscal 2029 while considering the location as well as access to and training of human resources. Rabbit Car Network is also expanding its franchisees from 122 to 170 stores with the

aim to reach a total of 200 stores. One reason for the decline in franchises is due to franchisees exiting the business because of the price war that makes it difficult to turn a profit to overcome this challenge, Rabbit Car Network will strengthen its business training for franchisees in an effort to ensure profitability and expand the number of franchise stores.

The Company overcame its challenges toward a digital transformation too by upgrading the appraisal system at chain stores. Franchises began introducing this system as well starting in August 2024. The system increases operational efficiency of course, and helps solidify a brand of reliability and trust by providing consistent services.

The used car industry still has a lot of room for improvement, which offers tremendous business opportunities and can foster growth by truly transforming the Company and its employees. Today, the Rabbit Car Network operates 138 chain stores and franchises. Leveraging this sense of scale, we know all of the Rabbit staff will come together in real efforts to realize this transformation, which will make Rabbit Car Network a brand chosen by customers and a company fostering significant growth.

The creation of new customer-oriented value will not only make the Company the only choice in the industry but also bring joy and happiness to customers and foster sustainable growth.

### SWOT analysis

Strengths	<ul style="list-style-type: none"> <li>● A business model closely linked to USS auctions</li> <li>● A widely recognized brand in the used car purchasing market</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>● Delays in online systems and other digital transformation efforts</li> <li>● Human resource recruitment, development and retention</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>● Strong demand in other countries for used vehicles made in Japan</li> <li>● New ways to use preowned vehicle inventories for services generating a steady income, such as leases and subscriptions</li> </ul>
Threats	<ul style="list-style-type: none"> <li>● Reduction in new car ownership as drivers shift away from ownership to car sharing, leasing and rentals.</li> <li>● The result is a longer cycle for the replacement of automobiles.</li> </ul>

### TOPICS

#### Formulating the Rabbit Code of Conduct to raise employee awareness with the aim to lead Japan in reputation, reliability and trust

The Rabbit Car Network has set three goals. First, it will become the number one company purchasing used vehicles in reputation, reliability, and trust. Second, it will improve brand presence to help expand its store network. Third, it will have the highest customer satisfaction on the Oricon CS ranking of any used vehicle purchasing and selling business. To achieve these goals, the Company formulated the Rabbit Code of Conduct in fiscal 2023 and has striven to raise awareness about these guidelines at all of its stores. The Code of Conduct provides guidelines on basic customer services from when a customer arrives until they leave to the approach to handle appraisals, aftercare services, and any complaints. All stores post the Code of Conduct in a place that every employee can see, and managers communicate these guidelines to the staff to heighten awareness about Rabbit reliability and trust.



## Recycling



## Emphasizing paths to new businesses will realize further business growth.

### Takuya Sano

Director and Operating Officer of ARBIZ Co., Ltd.,  
President and Representative Director of SMART Inc.

#### Profile

Takuya Sano joined ARBIZ Co., Ltd. in 2004 after serving in the Japan Air Self-Defense Force. In 2013, he was promoted to General Manager of the metal and plastic recycling business before assuming his current post as the Director and Operating Officer of ARBIZ Co., Ltd. and the President and Representative Director of SMART Inc. in 2019.

### Fiscal review

As the USS Group company developing its resource recycling business, ARBIZ saw higher income and lower profit in fiscal 2023 despite a rise in the volume of end-of-life vehicles due to an increase in depreciation expenses. As the USS Group company developing our plant recycling business though, SMART, Inc. saw an increase in income and decrease in profit despite a larger number of orders and completion of large-scale dismantling projects due to higher outsourcing and labor costs. ARBIZ and SMART, Inc. took on higher fixed costs to improve employee treatment, attract engineers and increase the retention rate as a means to strengthen internal and work systems which are the main reasons for the decline in profit. However, these investments do work to realize our medium-term management plan.

As a result, the Recycling Segment generated ¥10,526 million in net sales from outside customers, up 17.2% year on year, and an operating profit of ¥1,164 million, down 12.7% year on year.

### Future strategies

#### Development of new resource recycling business

The resource recycling business aims to generate ¥10 billion in net sales by fiscal 2027. Some of its ventures include a new closed aluminum recycling system as well as solar panel recycling.

Aluminum is sorted into eight different types. Type 1 has distinct features identifiable by the human eye, but the remaining seven types cannot be sorted visually in the same way. The identification of the aluminum producer can distinguish the kind of material used, but it is impossible to identify the origins of dismantling, general, import, and other such aluminum scrap. Recycling undertaken within these circumstances can only produce a blend of aluminum with

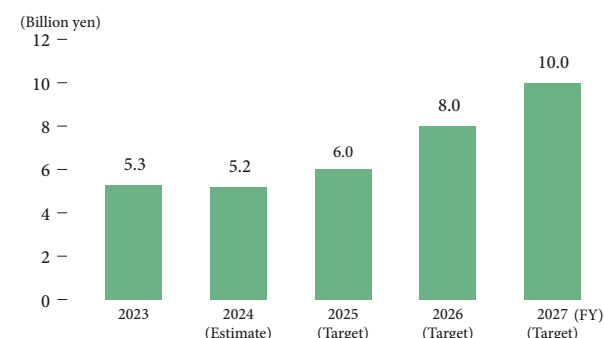
varying material properties. This type of recycling is known as cascade recycling because the quality of the aluminum falls like a waterfall due to the recycling process.

We are working to commercialize a closed recycling system that can recycle aluminum alloy while retaining its original value. This new business should be able to generate higher profit.

There are two requirements to commercialization of a closed recycling system for aluminum alloy. First, the pre-process must remove any contaminants to increase the purity of the scrap-based aluminum alloy. Second, a process needs to sort the aluminum by the type of alloy. Therefore, ARBIZ decided to introduce a system from Europe that facilitates this preprocessing and sorting by the type of aluminum alloy. The Company is the first in Japan to introduce this system. This equipment makes it possible for ARBIZ to carry out closed aluminum recycling. The Company is currently in the proof-of-concept stage, but plans to begin selling and distributing green aluminum to manufacturers worldwide around 2025.

In addition, ARBIZ has entered into a joint project that will begin in the fall of 2024 to prove a recycling concept for the panel waste from solar power generation systems—which is becoming a modern social issue—with Sumitomo

#### ARBIZ (resource recycling business) sales forecast



Corporation and the Sumitomo Mitsui Finance and Leasing Group. On the other hand, we will not even consider trying to do the impossible of trying pursue volume equivalent to the end-of-life vehicles that the Company handles. As the Japanese yen continues to weaken, the export of automobiles overseas from Japan has become commonplace. ARBIZ will not focus on volume but rather expand its business according to market conditions.

Green distribution that shifts from land to sea transport also provides us with a business opportunity. This includes the opportunity to respond to changing situations and social issues. We can also look into joint ventures and business alliances right for each business beyond simply investigating ways to expand ourselves.

The waste plastic recycling business considered previously has set a trajectory to crush partially finished products and create flakes that can be sold to major companies specializing in waste plastics. Conversely, closed aluminum and other recycling will focus on new ventures in other areas.

#### Growth of plant recycling business

The plant recycling business aims to generate ¥10 billion in net sales by fiscal 2026. The net sales target for fiscal 2024 aims to generate 5.2 billion yen. The business has already secured several dismantling projects while working to find other projects to achieve these goals together with Sumitomo Mitsui Finance and Leasing and SMFL MIRAI Partners. We will also take on the challenge of new businesses with dismantling projects at the core.

These dismantling projects are important to increase business performance. Building off our success in fiscal 2023,

we have secured orders to dismantle a medium-scale wind farm in Ibaraki Prefecture during fiscal 2024. At the same time, more power generation plants are shift from fossil fuels to natural gas. This also offers SMART, Inc. a business opportunity. In the past, the Company has experienced the pain of losing orders for projects to dismantle power plants mainly due to a lack of experience. We will keep stepping up to future challenges to build this track record.

#### Medium- to long-term challenges and measures

The age of facilities presents a challenge for the future. The replacement of aging facilities requires permits and licenses, and gaining permission of the disposal business to remove the old equipment after the new installation. In this case, another issue that arises is whether the existing premise can handle the new facility. Once closed aluminum recycling is up and running, ARBIZ needs to expand to a different location as the current one is not large enough. The timing is an important consideration for investments as well to enhance, replace or newly install these kinds of facilities. Active price pass-through based on market conditions is necessary.

We also see securing and training up-and-coming engineers as a medium- to long-term issue. Veteran engineers currently pair with young engineers on-site to pass down their knowledge and skills. SMART, Inc. also has overtime regulations that provide a shift system for supervisors who work on-site on Saturdays while at the same time furthering automation of heavy machines. These are some of the measures used to deal with the labor shortage. The Company is considering efforts that include M&As of partially owned companies too from the standpoint of securing engineers, which will foster sustainable growth.

#### SWOT analysis

Strengths	ARBIZ	<ul style="list-style-type: none"><li>● An exclusive recycling technology (patented)</li><li>● The largest recycling yard in the Nagoya area and an ideal location for recycling operations</li><li>● Equipment and technologies capable of handling many types of waste materials</li></ul>		
	SMART	<ul style="list-style-type: none"><li>● Collaboration with the Sumitomo Mitsui Group for cost cutting, more sources of information and reuse channels, and better proposals for recycling and reuse</li></ul>		
Weaknesses	ARBIZ	<ul style="list-style-type: none"><li>● Insufficient network to circulate resources internationally</li></ul>		
	SMART	<ul style="list-style-type: none"><li>● Inadequate number of certified employees to foster business growth</li></ul>		
Opportunities	ARBIZ	<ul style="list-style-type: none"><li>● Restructuring of recycling industry to incite a green logistics</li><li>● Configuration of resource recycling system</li></ul>	ARBIZ/ SMART	<ul style="list-style-type: none"><li>● Reexamining the recycling business to contribute to achieving carbon neutrality</li></ul>
	SMART	<ul style="list-style-type: none"><li>● Aging of structures during Japan's many years of rapid economic growth</li><li>● Growth of investments in the manufacturing and energy sectors</li></ul>		
Threats	ARBIZ	<ul style="list-style-type: none"><li>● Difficult to differentiate services in a highly competitive market</li><li>● Fiercer competition for resources from manufacturers and companies entering the market from other industries</li></ul>		
	SMART	<ul style="list-style-type: none"><li>● Emergence of other companies with similar business models</li></ul>		





## Corporate governance

### Basic approach

In the core auto auction business, the USS Group management goal is to increase corporate value through continuous business expansion in a domain distributing used vehicles.

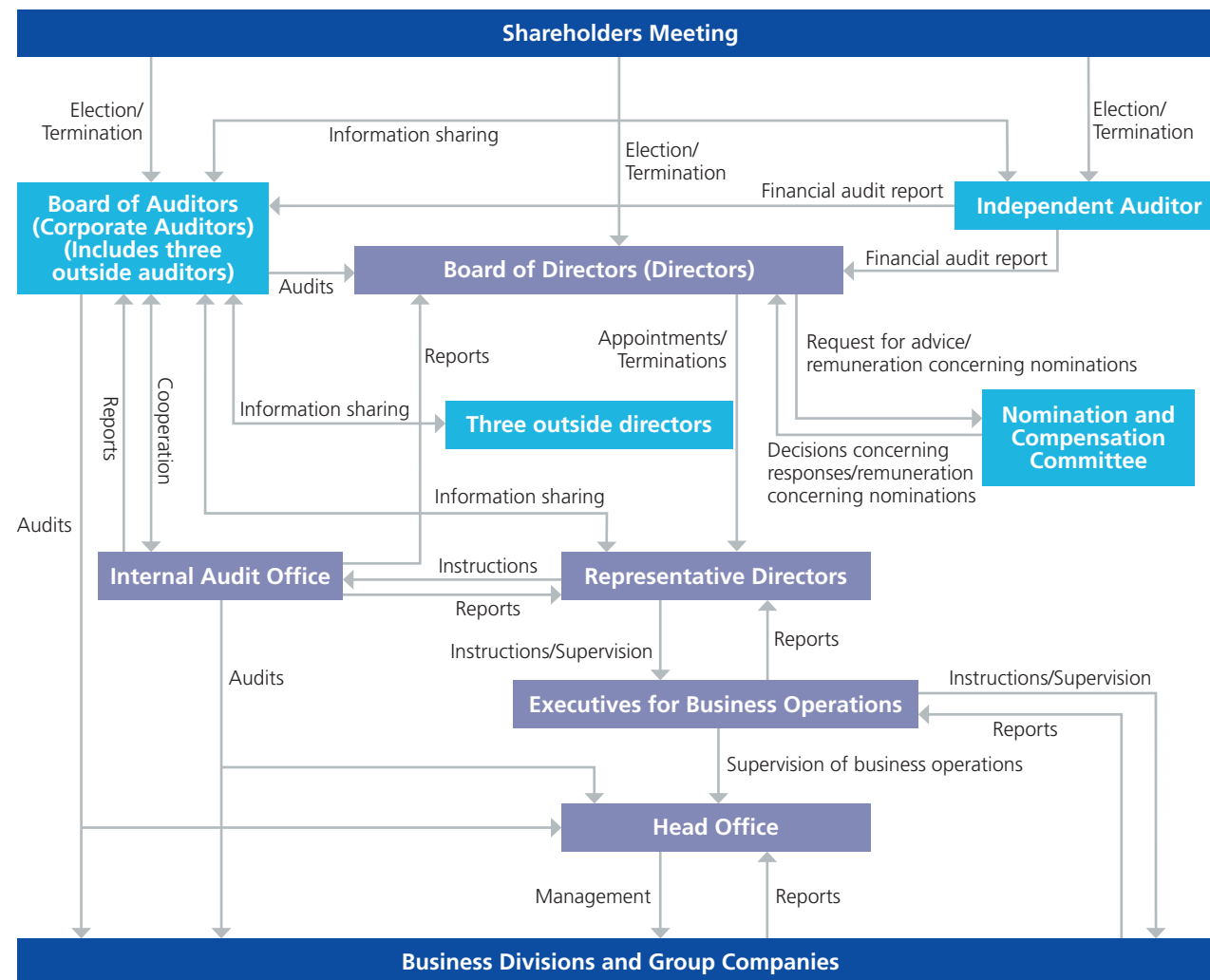
The growth of shareholder value is clearly our most important objective as a publicly owned company. But corporate value is the result of fulfilling our responsibilities to all our stakeholders. This stance is embodied in the six core elements of our management philosophy: creating a fair market, serving members better, providing services for consumers, passing profit on to shareholders, respecting

employees, and contributing to local communities. This is why we manage our operations on the basis of the recognition that shareholder value is achieved through corporate value.

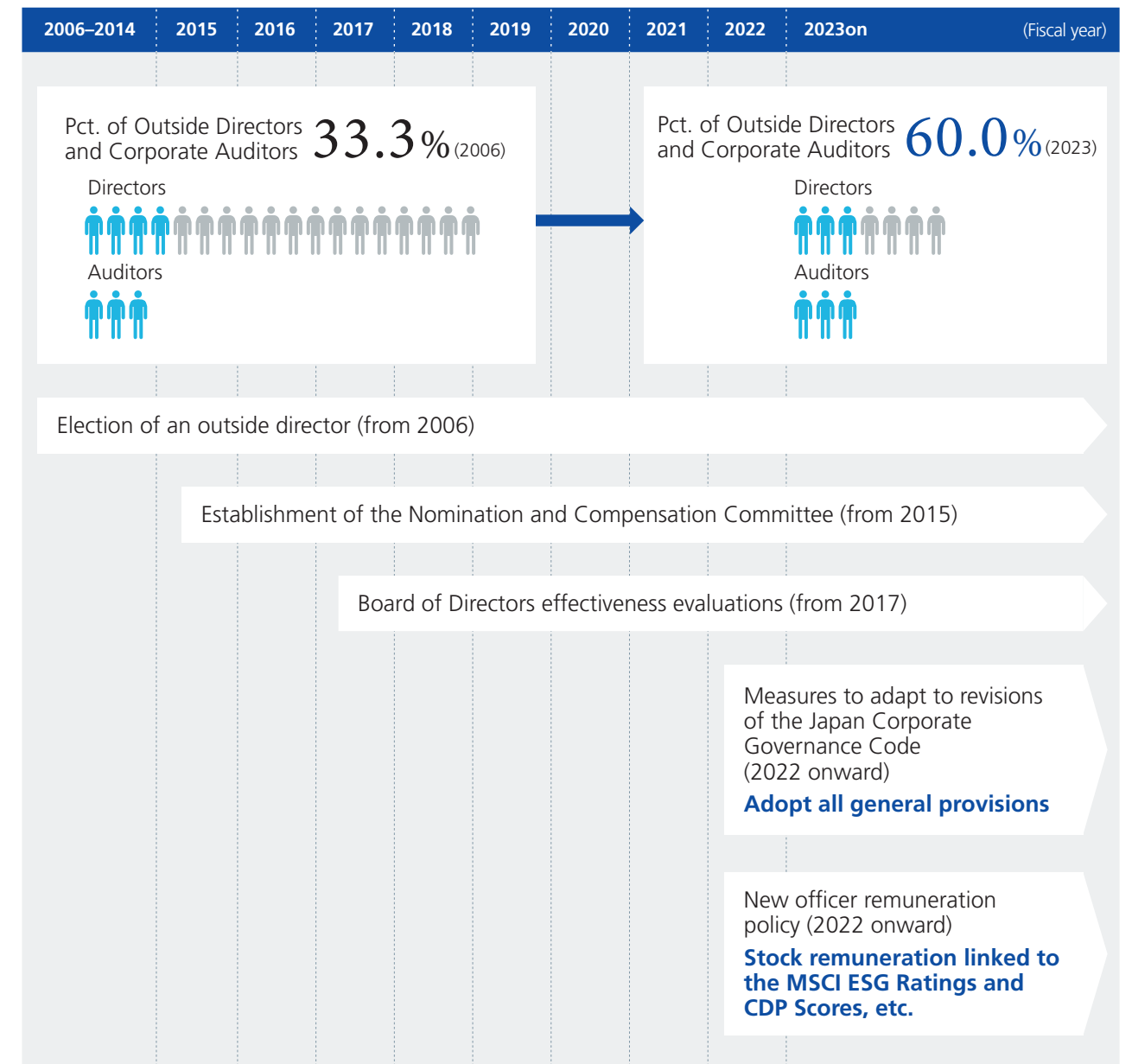
In addition, as members of society, companies have an obligation to comply with social norms. Therefore, it is essential to comply with and to fully satisfy the requirements of both the Basic Policy on Corporate Governance and the Corporate Governance Code. By performing thorough evaluations of our operations and formulating an improvement plan for the next fiscal year at the Board of Directors meeting at the end of each business year, we make every effort to achieve outstanding performance in terms of our accountability (duty to explain and account for our activities) and management transparency, and to improve our corporate governance.

### Structure

Framework (June 2024)



### Organizational reforms



#### Composition ratio (June 2024)

Ratio of Outside Directors on the Board of Directors	42.8%
Ratio of Female Directors on the Board of Directors	28.5%
Ratio of Outside Auditors on the Board of Corporate Auditors	100.0%
Ratio of Outside Directors on the Nomination and Compensation Committee	60.0%

#### No. of meetings (FY 2023)

Board of Directors	9
Board of Corporate Auditors	9
Nomination and Compensation Committee	2





Board of Directors

The Board of Directors is made up of seven Directors, three of whom are Outside Directors. These members discuss management plans and a wide range of other important matters. The Outside Directors hold regular meetings with the Board of Corporate Auditors and the Internal Audit Office. These offer insight into the progress of audits as well as provide other information to the Outside Directors. The Board of Directors also receives reports from the Supervisory Office when working to tackle risks or other issues which arise.

Board of Corporate Auditors

The Board of Corporate Auditors consists of three outside auditors. Each Corporate Auditor not only attends meetings of the Board of Directors but also surveys and audits Directors in the execution of their duties as well as the operational progress and assets of Group companies. Furthermore, this board works with the Internal Auditing Office, which conducts audits of all divisions and offices (including at USS subsidiaries).

Nomination and Compensation Committee

The Nomination and Compensation Committee is made up of five Directors, three of whom are Outside Directors. The Chairman, Representative Director, and Chief Executive Officer (CEO) acts as the chair of this committee. As an advisory body to the Board of Directors, the Nomination and Compensation Committee evaluates and gives the Board of Directors input on the appropriateness of the proposals below.

- (1) Nominations of director candidates and the appointment of executive officers
- (2) Policy for the remuneration of directors and executive officers
- (3) The selection and dismissal of representative directors and directors who are also USS executives
- (4) The termination of directors and executive officers
- (5) Details of director succession plans

The Nomination and Compensation Committee also makes decisions on all Director and Executive Officer remuneration matters on an individual basis according to detailed compensation policies.

Specific discussion by the Board of Directors (FY2023)

Matter	Description
Climate change	<ul style="list-style-type: none"><li>Progress monitoring of greenhouse gas emission reduction initiatives to achieve the SBT targets, such as the introduction of solar power generation systems</li><li>Deliberations on transition plans (roadmap) to mitigate climate change</li></ul>
Human capital	<ul style="list-style-type: none"><li>Deliberations on revisions to personnel policies that incorporate the selection and promotion of up-and-coming employees</li><li>Progress monitoring of initiatives taken to cultivate and empower female employees</li></ul>
Medium- to long-term strategies	<ul style="list-style-type: none"><li>Designation of deeper discussions on medium- to long-term management strategies as a future challenge based on the results of an effectiveness evaluations of the Board of Directors</li><li>Deliberations on launching internal projects to acquire 50% of the auto auction market share</li></ul>
Stock/stock prices	<ul style="list-style-type: none"><li>Deliberations on facility-type stock buybacks for the purpose of improving capital efficiency and enhancing shareholder returns</li><li>Deliberations on the execution of a stock split for the purpose of expanding the investor class</li></ul>

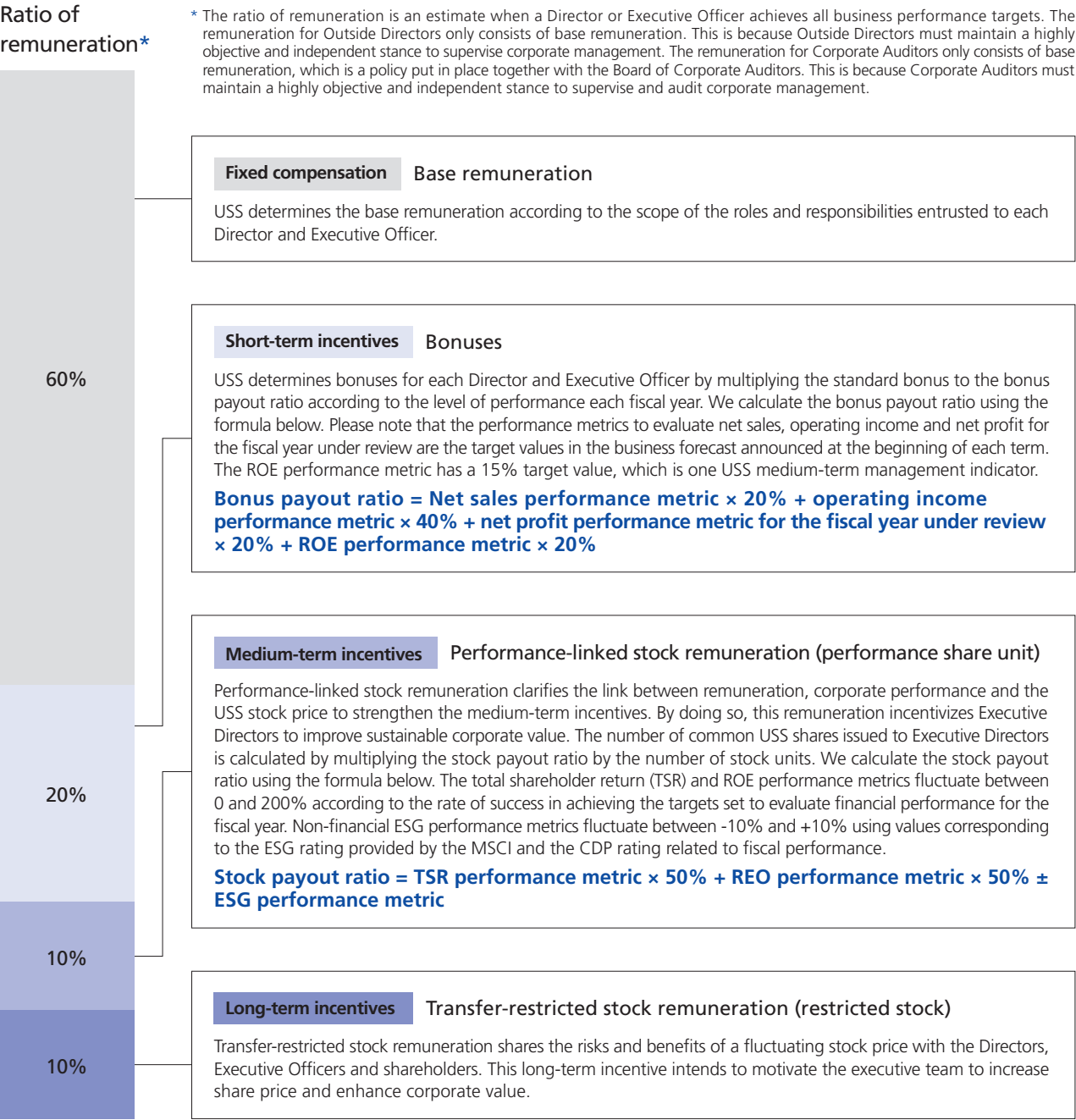
Officer remuneration

Approval process for director remuneration

The Nomination and Compensation Committee made up of a majority of Outside Directors has been entrusted by the Board of Directors to determine policies on the approval of director remuneration and the details of compensation for each individual after an objective discussion.

The Nomination and Compensation Committee meetings also seek the advice of external external organizations as necessary during these deliberations to ensure an objective perspective about remuneration policies and gain expert knowledge and information.

Summary of the officer remuneration policy



\* The ratio of remuneration is an estimate when a Director or Executive Officer achieves all business performance targets. The remuneration for Outside Directors only consists of base remuneration. This is because Outside Directors must maintain a highly objective and independent stance to supervise corporate management. The remuneration for Corporate Auditors only consists of base remuneration, which is a policy put in place together with the Board of Corporate Auditors. This is because Corporate Auditors must maintain a highly objective and independent stance to supervise and audit corporate management.

Deductions or recovery of remuneration (malus and clawback clause)

USS has put in place a malus and clawback clause to deduct or recover performance-linked stock remuneration and transfer-restricted stock remuneration provided to Executive Directors. This clause shall apply to any Executive Director that the Board of Directors has found to have gravely violated a law, regulation, or internal rule, or engaged in serious accounting fraud. The clause shall also pertain to large-

financial losses and other specific conditions designated by the Board of Directors. In this case, the malus and clawback clause will enable USS to either not issue common shares to such Directors and Executive Directors, or to deduct or recover a monetary equivalent to the stock price at the time as an alternative to some or all of the common shares already issued to an Executive Officer. USS shall determine any deductions or recovery and the details through a resolution by the Board of Directors.



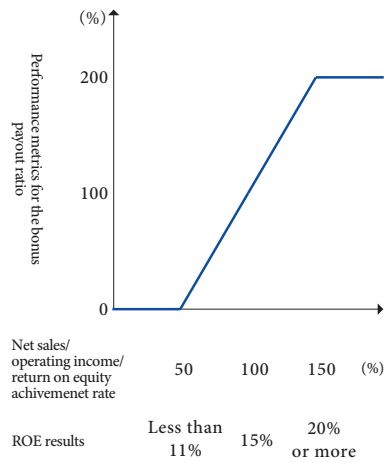


Bonuses (performance-linked monetary remuneration)

Key performance indicators (KPIs)	Change in payment ratio	Weight	Target	Actual	Achievement rate	Bonus payout ratio
Net sales	0%–200%	20%	¥92,400 million	¥97,606 million	105.6%	119.4%
Operating income		40%	¥45,300 million	¥48,937 million	108.0%	
Net profit for the fiscal year under review		20%	¥30,800 million	¥32,906 million	106.8%	
ROE		20%	15%	17.0%	113.5%	

Reason for the selection of the above key performance indicators (KPIs): USS discloses net sales, operating income and the net profit for the fiscal year under review as a forecast of business performance at the beginning of each term. We have selected these as KPIs because of the relevance with determining successful business performance during each fiscal year. The ROE has been chosen as a KPI because an ROE of at least 15% has been set as one USS medium-term management indicator.

Performance-linked stock remuneration formula



Evaluation of the effectiveness of the Board of Directors (FY2023)

To evaluate the effectiveness of the Board of Directors, USS asks all directors and corporate auditors to complete questionnaires.

Evaluation process	Items evaluated
Date: February 2024 Respondents: All Directors and Corporate Auditors (10 including outside officers) Method: Self-assessment using a questionnaire (1) All directors and corporate auditors complete a self-evaluation questionnaire (2) Responses to the questionnaire are compiled and analyzed by the secretariat of the Board of Directors (3) Results and issues are reported to the Board of Directors, which then discusses these subjects	(1) Role, functions and composition of the Board of Directors (2) Operation and deliberations of the Board of Directors (3) Evaluation of the Nomination and Compensation Committee (4) Evaluation of FY2023 targets (5) Relationships with shareholders and other investors (6) Self evaluations

Summary of evaluation results

The use of this evaluation process confirmed that all questionnaire items are generally appropriate and that the Board of Directors is effective. The evaluation also showed that there were measures to deal with the two issues identified the previous fiscal year and that improvements had been made.

- (1) The Board of Directors will deepen discussions on medium to long-term management strategies.**  
The evaluation did show the Board of Directors had set numerical targets for its strategies by business in its integrated report, but there was still room to improve the thoroughness of discussions on creating stories about growth strategies.This is an issue that still requires more action.
- (2) The Board of Directors will deepen discussions about sustainability initiatives (especially those to realize carbon neutrality and enhance human capital)**  
The acquisition of the SBT certification for our climate change initiatives as well as third-party certifications for sustainability initiatives related to GHG emissions (Scope 1, 2 and 3) have helped improve our standing with the CDP and other external assessment bodies. On the other hand, we must continue to work on our human resource initiatives because USS must ramp up discussions on matters that include the formulation of a medium- to long-term vision and strategies to strengthen human capital.

Upcoming activities

- (1) The Board of Directors will deepen discussions on medium to long-term management strategies.**
- (2) The Board of Directors will deepen discussions on human resource development policies to solidify human resource strategies and ensure diversity.**  
We have determined the challenges to address in the fiscal year ending March 31, 2025 in light of the results of the effectiveness evaluation for fiscal year ended March 31, 2024. USS also launched project teams to investigate internal medium- to long-term management strategies to ramp up specific initiatives. In the fiscal year ending March 31, 2025, we will strive to deepen discussions even more and improve the effectiveness of the Board of Directors led by these project team activities.

Compliance

Basic approach and compliance systems

The USS Code of Conduct and Ethics defines the basic principles of compliance. We have also created a compliance manual to ensure these principles are put into practice. We have put in place a USS Group Internal Reporting System to act as a gateway for employees to receive reports about illicit conduct and other such risks.

The Board of Directors not only consults about and receives reports about the grave risks reported to the USS Group Internal Reporting System, but the Representative Director also regularly checks in on its management.There were no compliance issues in the fiscal year ended March 31, 2024.

Issues reported to the USS Group Internal Reporting System

FY2021	FY2022	FY2023
17	21	24

Anti-corruption

USS has embedded its commitment to prevent corruption in its Basic Policy for the Prevention of Corruption and raises awareness about these anti-corruption practices in every Group employee. These measures intend to sustain good relationships with our members, business partners, and all other stakeholders.

Risk management

Basic approach and compliance systems

USS endeavors to mitigate legal and regulatory risks through its compliance system. Each department tackles other risks and reports those that may impact corporate management to the Board of Directors in this risk management system.

Business continuity plan (BCP)

USS has created an emergency response manual for major natural disasters to ensure business continuity. This manual provides guidance on preparing for emergencies in times of peace as well as ways to respond in the event of a large-scale earthquake.





## Directors

- ① **Yukihiro Ando**  
Chairman and Representative Director, Chief Executive Officer (CEO)
- ② **Dai Seta**  
President and Representative Director, Chief Operating Officer (COO)
- ③ **Masafumi Yamanaka**  
Executive Vice President and Officer of the Supervisory Office
- ④ **Hiromitsu Ikeda**  
Junior Managing Director
- ⑤ **Nobuko Takagi**  
Outside Director  
Outside Independent
- ⑥ **Shinji Honda**  
Outside Director  
Outside Independent
- ⑦ **Yoshiko Sasao**  
Outside Director  
Outside Independent

## Corporate Auditors

- ⑧ **Kenichi Goto**  
Full-time Corporate Auditor (Outside)
- ⑨ **Keiji Miyake**  
Outside Corporate Auditor
- ⑩ **Jun Ogawa**  
Outside Corporate Auditor

## Executive Officers

- Yukiyasu Sugata**  
Executive Officer and Manager of Sapporo Auction Site
- Yukio Niimi**  
Executive Officer and Manager of Kyushu and Fukuoka Auction Sites
- Masahiro Mikami**  
Executive Officer and Officer of the Auction Operation Office and Manager of Tokyo Auction Site

		Age	Years of service	Attendance at Board of Director meetings	Nomination and Compensation Committee member	Attendance at committee meetings	Skill matrix						
							Corporate management	Accounting/finance	Business strategy/marketing	Digital transformation	Legal affairs/risk management	Administration/human resource development	ESG
① Yukihiro Ando		77	42	100%	○ Chair	100%	○		○				○
② Dai Seta		57	20	100%	○	100%	○		○				○
③ Masafumi Yamanaka		69	20	100%				○			○	○	
④ Hiromitsu Ikeda		63	20	100%					○	○	○		
⑤ Nobuko Takagi		46	6	100%	○	100%		○	○				○
⑥ Shinji Honda		66	2	100%	○	100%	○		○				○
⑦ Yoshiko Sasao		64	2	100%	○	100%	○					○	○
⑧ Kenichi Goto		64	3	100%				○					○
⑨ Keiji Miyake		69	3	100%				○					○
⑩ Jun Ogawa		63	3	100%							○		○

USS expects the Directors and Corporate Auditors to contribute to the fields described below. We have also selected three fields in which USS expects each to make a particularly large contribution according to the experience illustrated by their skill matrix. However, these skill matrices do not indicate the full knowledge possessed by each Director and Corporate Auditor.

- Corporate management: A person who can anticipate changes in the management environment to make appropriate management decisions based on experience and expertise as a top executive in corporate management.
- Accounting / finance: A person who can spearhead proper financial activities to ensure a sound financial constitution based on their knowledge in financial strategies, capital markets, accounting and finance.

- Business strategy/marketing: A person who can accurately anticipate the business environment surrounding USS to build forward-looking strategies and secure a competitive edge in the industry.
- Digital transformation: A person who can review the introduction of new auction systems toward further business development and growth.
- Legal affairs/risk management: A person who can strengthen risk management through expert knowledge in corporate legal and regulatory affairs and compliance to build sustainable growth infrastructure.
- Administration/human resource development: A person who can promote the active use and participation of diverse human resources and the organizational development supporting that goal to foster sustainable growth.
- ESG: A person who can execute management while taking into account ESG factors to foster stable and sustainable USS growth.





### Nobuko Takagi

Outside Director

#### Director Profile

Nobuko Takagi worked in corporate auditing as a certified accountant before taking the lead on M&A projects at M&A advisory and business firms. She currently serves as an advisor on new business development and investment decisionmaking matters. Ms. Takagi possesses extensive experience and expert knowledge in finance, accounting, M&As, and new business development.

### Yoshiko Sasao

Outside Director

#### Director Profile

Yoshiko Sasao helped launch a variety of new businesses at Recruit Co., Ltd. before working on the corporate restructuring of Tepco Partners Co., Inc. through unique human resource development programs. She has broad knowledge on various corporate matters, such as diversity promotion, empowering women in the workplace, work-style reforms, and human resource development.

### Shinji Honda

Outside Director

#### Director Profile

Shinji Honda mainly took charge of strategies and overseas businesses at the Takeda Pharmaceutical Company Limited centered upon group management, corporate strategies, and management planning. He also led its transformations into a global company. Mr. Honda even oversaw all overseas businesses and put together company-wide management plans as well as medium to long-term growth and environmental strategies for Nisshin Foods Holdings Co., Ltd.

## Support to help drive sustainable growth will contribute to greater corporate value.

USS strives to strengthen corporate governance while actively incorporating advice and feedback from its outside directors. Three outside directors have continued to provide a broad range of guidance through Board of Directors and other meetings. This roundtable looks back at the accomplishments made through this guidance and discusses on the future prospects of USS.

### Recommendations and success of growth strategies

#### Strategies for the auto auction business to capture a 50% market share

**Takagi** We outlined the growth strategies for the auto auction business to capture 50% of the market share in the fiscal year ended March 31, 2024. I can sense the great significance in rolling out a policy that intends to make ¥20 billion in growth investments over the next three years (for more information, see pp. 21–22 and pp. 27–29). USS does have ample capital. However, the Company does not have a business model that requires large investments, which led to ongoing considerations about how to use that capital. USS has now rolled out a specific policy though.

Myself and the other outside directors have been advising USS on the necessity to disclose these medium- to long-term strategies, which the Company has now taken the first steps to do. As an organization that already holds 40% of the market share, typical efforts would have difficulty in expanding that market share, especially aiming to do so without pursuing acquisition or other such strategies. I look forward to keeping close track of the progress of these growth strategies.

**Honda** Today, every company is struggling with succession dilemmas. Once the management who has provided strong leadership leaves a company, the next-generation of management will struggle to continue to run the organization in the same way as their predecessors. One priority subject for USS is also how to nurture these successors. To tackle this issue, USS has positioned training opportunities for the next generation of management as part of its project that considers measures for medium- to long-term strategies (for more information, see pp. 17–18). I feel the assignment of managers and general managers of each headquarters to act as members of this project will surely contribute to the USS succession plan.

In the future, all of us as outside directors will share our thoughts on interim reports from these members so that USS may execute specific measures based on those findings. We will continue to monitor the progress and provide the appropriate advice from an outside perspective.

**Sasao** To cultivate the next generation of management, it is important for USS to not only offer management literacy training but also provide up-and-coming leaders opportunities to gain experience as management through a cycle of opportunity for them to join with core management in tackling management issues. If these efforts go as planned, I believe the entire organization will completely change. During the fiscal year ended March 31, 2024, the outside directors had a chance to meet individually with core management, which has already sparked a lot of great ideas that I am excited about.

The USS Group has typically left much discretion about most areas up to each Group company. Recently though, we have put in place some systems for ARBIZ Co. Ltd. and SMART Inc. to share business plans as recycling ventures with the Board of Directors, which we can then monitor.

Recycling businesses come with great market opportunities. This segment tends to make it easy to find partners and launch new ventures fast that can relatively quickly take on new challenges. Conversely, auto auctions are a stable business that have prioritized efforts to offer consistent daily auctions. To realize tremendous growth going forward though, I feel core management candidates in each business need to change their way of thinking.





## Recommendations and success of cash allocation

### Living up to market expectations will realize an 80% total payout ratio.

**Takagi** USS has established a new three-year cash allocation policy running from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027. This policy clearly plans ¥20 billion in growth investments over three years with surplus funds going toward shareholder returns.

The policy on shareholder returns must fully consider the opinions and feedback of shareholders and institutional investors. When I reviewed the policy draft from this investor-oriented perspective, I could see how the target set by USS to achieve an 80% total payout ratio fully responds to these market expectations.

## Recommendations and success of ESG strategies

### USS will strengthen human capital and build an environment empowering diverse human resources.

**Sasao** The ESG initiatives prioritize strengthening human capital above everything else. As I felt the need to raise internal awareness, USS held training on ESG, DE&I\*, and training to promote the active participation of women three times with focus on auto auction site and other management in the fiscal year ended March 31, 2024. Once this training is complete, auto auction site managers have female employees take part in management meetings, expand the scope of jobs, and assign highly difficult work. These are only some of the accomplishments at auto auction sites for the necessary support of human resource development.

In April 2024, USS promoted two highly motivated female employees to management. I can see the Company gradually becoming more inclusive from a workplace that lacked any women in management. USS has also begun efforts to cultivate junior employees through a program to more quickly certify vehicle inspectors. These and other such training programs should help foster growth throughout the entire company.

**Takagi** It is important for DE&I to incorporate diverse ways of thinking into the Company. As an organization that has amassed significant knowledge and expertise through its existing businesses, USS will have trouble bringing in new ideas unless management keeps this need in mind. That is why it is necessary to build an environment where women, youths and a diverse range of other human resources can thrive.

\* Diversity, equity and inclusion refers to efforts to both accept and treat a wide range of human resources with different genders, ages, roots, and values fairly as well as build an environment where each and every person can reach their full potential.



## Recommendations for active climate-related initiatives

**Honda** USS has visualized and made great progress on climate-related initiatives over the last two years. I have emphasized the importance of climate-related initiatives at Board of Directors meetings based on my experience formulating environmental and other medium- to long-term growth strategies. The speed with which the USS secretariat absorbs knowledge is tremendous. It has taken each step to drive forward initiatives with us from support for the Task Force on Climate-Related Financial Disclosure and the acquisition of the SBT certification.

As society at large aims to mitigate the average temperature rise worldwide to 1.5 °C while adapting to climate change, the work done by USS from a medium- to long-term perspective is extremely significant. These climate-related initiatives have risen the external evaluation ranking of the Company and contributed to a higher reputation worldwide and greater corporate value.



## Further recommendations to enhance corporate value

### Support for the success of each initiative helps foster sustainable growth.

**Honda** I believe it is important to formulate clear medium- to long-term growth strategies with specific and objectively persuasive strategy stories and measures, even from an external standpoint. Thorough execution of these strategies must bear fruit and contribute to customers, employees, shareholders and all other stakeholders.

I hope to help contribute to higher corporate value and sustainable growth by supporting each of these efforts in finding success.

**Sasao** USS has many employees who want to make it a better company, which is one of its major strengths. I also feel continually making proposals at Board of Directors meetings will most definitely change the Company for the better. For example, I often review the minutes of auto auction manager meetings. Most of the efforts proposed at these meetings begin to take shape after about six months to year.

**Takagi** One question is how to actively utilize human resources who have a wide range of ideas on site. Another is what kind of career plan to use when training human resources who have a management perspective. I think these are the most important management issues. We need to help increase the driving force of these efforts as a team of independent officers. Our role as independent officers is to lead recommendations and monitor initiatives to tackle these challenges, which I hope will contribute to long-term corporate value.



## Activities with customers

### Ensure the fairness and reliability of auto auctions

#### Responsible management of vehicle data

To evaluate automobiles to be auctioned, we have a 10-step scoring system that uses our own rigorous inspection standards. At all our auction sites, inspections are performed by individuals who have completed the strict USS certification process. Inspection results are entered in a database to allow members to perform searches to view real-time information.

USS employees carry out all of these inspections.



#### Odometer inspection and control system

The used vehicle market has had issues of odometer tampering, which has lost the confidence and trust of car buyers. USS has employed an approach since its founding that strives to eliminate these types of fraud. Illegal practices such as tampering with odometers led to the creation of the Nippon Auto Auction Association in 2001 and its odometer and inspection control system.

This system aggregates vehicle VIN numbers and mileage in a database for vehicles up for auction at auto auctions throughout Japan. By comparing the automobiles up for auction against this database, auto auctions can of course identify any odometer tampering and also verify a history of any flooding and repairs.

#### Prevention of illicit transactions

USS has succeeded in operating auto auctions that always offer people a fair and equal standing since its launch. We strictly control these auto auctions via various proprietary monitoring and other systems to prevent any auctions unjustly overriding a winning bid, which ensures proper business transactions

#### Proper management of member information

All participants in USS used car auctions are registered members and many are businesses that sell used cars. Since the information provided by members includes personal information, we handle this information very carefully in accordance with our personal information protection policy. In March 2022, JIPDEC granted USS license to use the PrivacyMark as a business operator. USS also holds regular training sessions to teach all employees how to properly handle sensitive personal information.

ARBIZ also acquired the ISO 27001 information security management system certification in the fiscal year ended March 31, 2012. Since its initial certification, the Company has maintained this certification for thirteen-consecutive years through the fiscal year ended March 31, 2024.

There were no issues with inappropriate handling of personal information during the fiscal year ended March 31, 2024.

### Greater convenience at auto auctions

#### Building welcoming auction sites

USS members can participate directly in on-site auctions USS Auto Auctions at any of 19 USS sites throughout the country, also can use the Satellite Auctions "USS JAPAN" to participate via a dedicated terminal or use the USS Internet Live service to submit bids via the Internet. USS auction sites hold on-site auctions once every week. These events allow members to inspect vehicles themselves prior to submitting bids.

#### Communication with USS members

Each auto auction site provides a wide range of information to members. Our members rave about our services for taking the chance to provide information according to their needs as an opportunity to help resolve business concerns and difficulties.

#### Appealing auto auction sites

USS auto auction sites categorize sections for auctions by the type of used vehicle and price range. For example, an area dedicated to hybrid, EV and other eco-automobile auctions gives members an easy way to auction and bid on various eco-vehicles. These types of auctions responding to changes in the market also help differentiate USS from its competitors.

Members who take part in these events can also choose a gift from local specialty products or one that helps support the reconstruction of disaster-afflicted areas. This is one of many initiatives that strives to enhance member satisfaction. These gifts are even sent to members who request them on occasion.

#### Need-driven adoption of equipment and systems

USS always strives to ensure smooth transactions. We accept the inspection and registered seal certificates, proof of transfers, and other various documentation necessary to transfer the title of a vehicle during an auction. USS also verifies the payments for vehicles.

USS is also currently in the process of rebuilding and renovating its old auction sites. The construction and renewals are not only focusing on the building itself but also the tables, chairs, and the rest of the interior design. Every aspect is intended to transform the old venue into a more accommodating and welcoming auto auction site.

Members who visit each USS auto auction of course come to bid on a vehicle. However, many also have a need for an informational exchange with other members. USS has set up couch and café spaces to facilitate this type of open communication. Moreover, our restaurants serve food free of charge to accommodate the many members who spend a long period of time at our auction sites. USS has even set up a massage and other relaxation facilities.

#### Member claim processing

USS has established a mediation and arbitration system to handle any claims brought by successful bidders.

We built this claim management system to share more information throughout the Company to quickly address any claims. Our system aggregates information in a database from details about the complaint and the representative handling the issue to the time it took to resolve a matter. We are then able to use this data to response to any similar claims that arise. As an initiative capitalizing on data, USS analyzes the circumstances of claims related to each inspector to enhance the skills of every inspector.

## Our commitment to shareholders and other investors

### Proper information disclosure and communication

#### Shareholders meeting (June 25, 2024)

Percent. of voting rights exercised **86.6%**



The shareholders meeting

#### A dialogue with analysts of institutional investors (Results in FY2023)

One-to-one meetings with analysts

**185 people** from **91 companies**

Note: One-on-one meetings were held several times with some investors.

Conferences

**2 times / 18 companies**

Facility tours

**2 times / 12 people from 12 companies**

#### A dialogue with individual investors

Company information meeting

for individual investors **17**

Note: Two of these seventeen meetings were pre-recorded webinars.





# Activities with employees

## Respect for human rights and diversity

### Respect for human rights

The USS Code of Conduct and Ethics prohibits discrimination in the USS Group's workforce based on race, ethnicity, nationality, gender, religion, beliefs, disability, sexual orientation, gender identity and other personal characteristics. As auto auctions in Japan are the primary activity of the USS Group, problems involving child labor and forced labor are unlikely to occur. There has never been an instance of these problems at the Group.

As part of our normal business activities, we perform checks for the prevention of infringements on human rights, discrimination, child labor and forced labor. Violations by employees of any of these guidelines can be reported by using the Group Internal Reporting System. There were no serious cases of discrimination or violations of human rights in the Group during the fiscal year ended March 31, 2024.

### Issues Reported to the USS Group Internal Reporting System

FY2021	FY2022	FY2023
17	21	24

### Prevention of harassment

The USS Group has established Rules for Preventing Sexual Harassment and Rules for Preventing Power Harassment and has activities to be certain that employee in the Group is aware of these rules.

The USS Group Internal Reporting System is available to employees who want to report harassment or receive more information.

### Our commitment to equal opportunity

The USS Group is dedicated to equal employment opportunities and compensation for everyone regardless of gender. USS recruits people with many backgrounds in order to maintain a diverse workforce with outstanding skills.

### Management training to promote the active participation of women (FY2023)

Management level	No. of participants	Description
Manager of auction site & Acting manager of auction site	16 people	Held online training about promoting the active participation of women, with a female outside director as instructor
Female leadership	6 people	Held career counseling sessions with a female outside director

We actively hire these excellent human resources as both new graduates and as experienced professionals. At USS, 28.5% of directors are women and there are two female outside directors.

In 2022, we launched training with the aim of promoting active participation by women, and are holding training sessions about organization building and work-style reforms on an ongoing basis for management and female employees. Initiatives like these have produced female managers as role models, with two female managers (2.6% of all managers) as of April 1, 2024. We will continue to implement a range of programs to achieve our action plan goal of raising the percentage of female managers to at least 5% in fiscal 2025 and at least 10% in fiscal 2030.

## Workplace health and safety

### Employee health promotion and management

Maintaining the health and safety for everyone at the USS Group is essential to our ability to continue to achieve steady growth. All employees receive periodic medical check-ups. Once individuals reach the age of 45, they must undergo more thorough annual examinations.

We plan to increase activities for preserving and improving the health of our workforce as well as for providing our people with pleasant and safe workplaces.

### Prevention of long working hours

The USS Group closely manages the amount of overtime to maintain a pleasant workplace environment and prevent excessive working hours during peak periods of auction volume. Measures to perform tasks more efficiently and the use of shifts are two ways we are holding down working time. Furthermore, every auction site and subsidiary submits working time reports to the Board of Directors and other supervisory bodies. Directors and others hold discussions in order to determine actions to take as needed.

The monthly average overtime during the fiscal year ended March 31, 2024 was 29.2 hours due to the increase in the number of vehicles handled at auction. We have set a monthly overtime target of 20.0 hours or less. USS will enhance its efficiency and introduce leading-edge technologies to build a more work-friendly environment.

USS has set a relatively short work day for the automotive distribution domain, but the difference in standard annual working hours is minimal because of the few number of annual holidays. In light of this insight, we have increased the number of annual holidays as of April 2023 and adjusted the length of the work day to mitigate this overtime.

## Upgrading education and training programs

### Training for automobile inspectors

Accurately performing inspections of vehicles to be auctioned is vital to the operation of our auctions. Inspections must be performed consistently at every auction site by using the same set of standards to ensure that decisions are made with accuracy.

USS established its Inspector Certification Program in 2006 in order to improve the methods used for inspecting and evaluating vehicles and ensure the consistency of inspections. Every inspector undergoes annual written and practical examinations to acquire a certification from level one

to four. USS has instructors who rotate around each auction site throughout Japan to guide and develop the skills of automobile inspectors and manage inspection certification programs. These training programs strive to build a consistent inspection framework. We have updated our traditional training program to more quickly develop vehicle inspectors in anticipation of an increasing number of vehicles at our auctions in the fiscal year ending March 31, 2024. The new vehicle inspector training program provides employees group training at the Nagoya Auto Auction site right after they join the Company in an effort to develop and certify the skills of inspectors over eight months.

### Training for managers

We revised our human resource systems in October 2023 with the aim to strengthen organizational capabilities while appointing several new managers. These new managers undergo training for new management to strengthen leadership and management skills as well as evaluator training on the evaluation and development of staff. USS continues to conduct these training programs to develop future auction site managers.

## Comments from two new women in management



Akiko Imaizumi

Manager, Second Documentation Division, ration Department, Tokyo Auto Auction

### Building an environment welcoming questions founded in the expertise I've gained thus far

I have valued greater teamwork within the department while building trusting relationships with our other departments since I become started working in document operations after joining the Company in 2000. As the manager, I am currently responsible for assigning the right staff to the right positions as well as overseeing numerous document operations. It is also my duty to provide clear advice to any questions from my staff. I hope to build a workplace where it is easy for everyone to ask these questions by taking advantage of the past experience I have gained. In addition, I am working to train human resources. This includes training my staff to handle the tasks I had once done myself. I look forward to growing while having fun. I would be overjoyed if I can be a role model to help more women aim for management.



Izumi Hamaguchi

Manager, Documentation Division, Kobe Auto Auction

### Taking on a fully supportive role to realize an work-friendly environment

I worked in the Computing Department for twelve years before gaining seven years of experience in the document department. Over that time, I have taken maternity as well as childcare leave twice. I feel my role in the future is to build a work-friendly environment based on my own experiences. To fulfill this duty, I will take care to engage in communication across departmental boundaries in order to act as a liaison between male supervisors and female employees. Many employees have concerns and struggle to adapt to a changing work environment after returning from maternity and childcare leave. I hope to be someone these employees can turn to for advice. I want to fulfill my role in management by supporting employees from the sidelines as a role model for the next generation.



# S

Training for new employees

We have a training program structured specifically for newly hired people centered upon teaching proper business manners. Newly hired people first work with a mentor to learn about business operations and receive advice about any issues and uncertainties involving their responsibilities.

Survey on Group-wide human resource management

The USS Group is aware promoting internal communication is most important when striving to improve employee communication. That is why everyone in the Company

respects one another's opinions and ideas in an effort to build a work-friendly environment.

In the fiscal year ended March 31, 2024, we conducted an employee survey to gather feedback on internal recruitment practices, transfers and other job rotation opportunities as well as stratified training by occupation and position. As a result, we discovered a certain number of employees hope to advance their careers through job rotation opportunities via transfers. USS will regularly conduct this kind of survey to further enhance employee engagement in the future.

Main data

Item	Breakdown	Unit	FY2020	FY2021	FY2022	FY2023
Employees	Number of employees	People	624	681	684	677
	Male employees (ratio)	People	457 (73%)	502 (74%)	508 (74%)	493 (73%)
	Female employees (ratio)	People	167 (27%)	179 (26%)	176 (26%)	184 (27%)
	Average age of employees	Age	38.9	39.6	39.7	39.8
	Male employees	Age	41.2	41.7	41.6	41.8
	Female employees	Age	32.6	33.8	34.2	34.5
	Average years of service	Years	13.1	13.4	13.0	13.3
	Male employees	Years	14.7	14.9	14.2	14.6
	Female employees	Years	8.8	9.3	9.4	9.6
	Number of new hiring	People	62	18	44	41
	Male employees (ratio)	People	32 (52%)	11 (61%)	31 (70%)	22 (54%)
	Female employees (ratio)	People	30 (48%)	7 (39%)	13 (30%)	19 (46%)
Management	Total number of managers	People	31	36	25	76*2
	Male managers (ratio)	People	31 (100%)	36 (100%)	25 (100%)	74 (97%)*2
	Female managers (ratio)	People	0 (0%)	0 (0%)	0 (0%)	2 (3%)*2
Management candidates*1	Total number of management candidates	People	297	333	364	317*2
	Male candidates (ratio)	People	260 (88%)	287 (86%)	312 (86%)	258 (81%)*2
	Female candidates (ratio)	People	37 (12%)	46 (14%)	52 (14%)	59 (19%)*2
Childcare leave	Employees taking time off for child care	People	7	10	14	14
	Male employees (acquisition rate)	People	2 (11%)	4 (31%)	6 (55%)	5 (28%)
	Female employees (acquisition rate)	People	5 (100%)	6 (100%)	8 (100%)	9 (100%)
Paid leave	Percentage of paid leave taken	%	50.6	64.4	63.3	69.6
Overtime	Average monthly overtime	Hours	17.7	23.2	29.3	29.2
Regular employee turnover rate		%	2.9	4.7	6.0	6.0
Employment ratio of people with disabilities		%	1.63	2.09	2.48	2.25

\*1 Starting from October 2023, management candidates refer to persons in a management role from deputy senior staff and leaders to supervisors and assistant management.

\*2 Note 2: Data current as of April 1, 2024.

# E

## Environmental management

Basic approach and environmental system

As a leading company in the auto auction market, the USS Group contributes to the reuse of vehicles by encouraging circular use of automobiles. USS is putting emphasis on its recycling business, which disassembles, sorts, and reclaims any resources from vehicles and plants for reuse and recycling. Through these efforts, we hope to help build a circular economy.

Our environmental policy actively strives to reduce the environmental burden of our business activities as much as possible. These efforts include saving energy at offices and other business sites. USS Group member ARBIZ, which operates a recycling business for vehicles and other items, has established its own Integrated Policy on the Environment and Occupational Health and Safety. This company has received ISO 14001 certification for its environmental management system, which is operated under the oversight of its Environment and Safety Secretariat. One aspect of this system is maintaining close ties with government agencies in order to comply with the frequent revisions to laws and regulations in Japan concerning recycling.

Five-point environmental policy

- 1

Conduct environmental management and comply with laws and regulations.
- 2

Take climate-related action in accordance with the TCFD recommendations.
- 3

Contribute to resource recycling through automotive recycling and other initiatives.
- 4

Disclose information about targets for environmental impact reductions.
- 5

Provide environmental education for all employees and conduct environmental impact reduction programs.

Compliance with environmental laws and other regulations

The USS Group is strongly committed to strict compliance with environmental laws and other regulations. We did not have any violations or legal disputes related to environmental laws, regulations, ordinances, or other guidelines in the year ended March 31, 2024. There were also no serious environmental incidents, complaints, or reports.

## Public Declaration of Support for Task Force on Climate-Related Financial Disclosure

Basic stance

The major social mission of the USS Group is to run auto auctions that minimize energy consumption and greenhouse gas emissions. Work to limit the average global temperature rise benefits both the Group and society. It not only reduces risks arising due to climate change but also shapes a sustainable carbon-neutral society, which protects the environment for all life. Our public declaration of support for the Task Force on Climate-Related Financial Disclosure (TCFD)\* shapes the Group's approach to disclosures on governance, strategies, risk management, key performance indicators, and targets.

\*The TCFD is an international initiative established by the Financial Stability Board (FSB) in 2015 to encourage companies to disclose information on the financial implications of the risks and opportunities that climate change presents to their businesses.



Information disclosure based on TCFD recommendations

1. Governance

■Oversight of the Board of Directors

Key decisions regarding USS Group climate change issues, including transition plans (related to governance, strategy, risk management, and indicators and targets), are subject to resolution by the Board of Directors.



# E

At least once a quarter, the Board of Directors receives a report from the President on efforts to address climate change-related issues and progress toward established goals, and monitors and supervises climate change issues. The Board of Directors makes decisions on matters deemed important by the President, such as management strategies, management plans, annual budgets, and profit targets, after considering the risks and opportunities of climate change as necessary.

**■ Manager in charge of climate-related oversight**  
Matters related to climate change shall be overseen by the President. The President shall monitor and receive periodic reports on trends in emissions from each business and Group company and on the progress of emissions reduction measures to achieve SBT targets, and shall be responsible for implementing the climate change issues set forth in the following items and shall provide direction for the environmental management activities of the USS Group.

- (1) Conduct an assessment of the impact of climate change issues on the business (at least once a year)
- (2) Develop policies and strategies to minimize identified risks and capture opportunities, and reflect them in plans, budgets, targets, etc.
- (3) Development of transition plans with emission reduction

### Overview of scenario

1.5°C scenario	Business-as-usual scenario
<b>1. Stronger laws and government regulations</b> <ul style="list-style-type: none"><li>● Rapid emissions reductions toward carbon neutrality</li><li>● Full adoption of carbon taxes (carbon pricing)</li></ul> <b>2. Global shift to electric vehicles (EVs)</b> <p>Sharp increase in EV sales ratio (passenger cars) 25% (2025) → 61% (2030)</p>	<b>1. Delay in global EV adoption</b> <p>Global EV sales ratio (passenger cars) 23% (2025) → 36% (2030)</p> <b>2. Manifestation of climate-related risks</b> <ul style="list-style-type: none"><li>● Approx. 4.5°C average temperature rise</li><li>● More than a roughly 230% increase in the torrential and heavy short-term rains</li><li>● Approx. 0.71m average rise in sea levels along Japan coasts</li></ul>

### Reference scenarios

IEA NZE, IEA STEPS	IEA “World Energy Outlook 2023” ( <a href="https://www.iea.org/reports/world-energy-outlook-2023">https://www.iea.org/reports/world-energy-outlook-2023</a> )
RCP1.9, SSP1-1.9, RCP8.5, SSP5-8.5	IPCC “AR5” “AR6” ( <a href="https://www.env.go.jp/earth/ipcc/5th/">https://www.env.go.jp/earth/ipcc/5th/</a> )( <a href="https://www.env.go.jp/earth/ipcc/6th/">https://www.env.go.jp/earth/ipcc/6th/</a> )

- targets as a pillar
- (4) Establishment of KPIs on climate change issues and evaluation of progress, including review of KPI performance
  - (5) Reporting important matters related to climate change issues to the Board of Directors

## 2. Strategy

### ■ Identification and assessment of climate-related risks and opportunities

USS has identified, assessed, and prioritized climate-related transition and physical risks as well as opportunities. We have also created specific climate-related scenarios to gain even greater insight into these risks and opportunities.

### ■ Scenario analysis

USS identifies climate-related risks and opportunities with the potential to greatly impact not only our businesses but also our stakeholders. Two of our climate-related scenarios give us insight into future. The first is a low-carbon economy with a 1.5°C or lower scenario. The second is a business-as-usual scenario. Through the data (parameters) rooted in these scenarios and internal and external information, we assess the business and financial impact of climate-related risks and opportunities.

Note: Scope: Auto Auction business and its entire supply chain  
Note: Target period: Now until 2050

### Risks and opportunities

Types of risks and opportunities			Risk of manifestation			Potential	Financial impact	Response strategies		
Type	Scenario analysis results		Short	Medium	Long					
1.5°C scenario	Transition risks	Regulatory/ legal changes	An increase in energy costs brought by the adoption of European-style carbon taxes and pricing even in Japan to achieve net-zero GHG emissions	●	●	High	Medium	Promote on-site adoption of renewable energy (solar power generation)  Shift to CO <sub>2</sub> -free electricity, Utilization of non-fossil certificates		
			A decline in auction sales due to lower demand for used gasoline car exports as more nations prohibit the sale of gasoline vehicles from Japan	●	●	Medium	Large	Expansion of business portfolio to continue creating schemes for fair and equitable trade and resource recycling ●Expansion of recycling business (contribution to a recycling-oriented society) ●Effective use of auction data (big data) ●Creation of auction peripheral business (auto loans)		
		As the circular economy develops, sharing services will become more prevalent and fewer people will buy and own EVs. EV manufacturers will enclose EV distribution within their own supply chains.	●	●	Medium	Large				
		Reputation	Investment behavior by investors based on climate change risk and the movement to require SBT certification for investment destinations will take root and expand.	●	●	High	Medium	Obtain SBT certification (Obtained SBT in October 2023)		
	Opportunities	Energy sources/ markets	Accelerating replacement demand from gasoline-powered vehicles to EVs for decarbonization, leading to an increase in the number of vehicles sold at our auctions	●	●	High	Large	Promote measures to increase the number of EVs in our auctions ●Increase the number of charging stations for electric vehicles		
		Products and services	An increase in the number of vehicles put on auction by developing the new inspection technologies and rules driven by industries working toward zero emissions	●	●	Medium	Medium	●Research and develop appraisal criteria and inspection systems for electric vehicles  Promote operational efficiency, including expanding the use of digital auction inspection sheets		
	Business-as-usual scenario	Physical risks	Physical risks (acute)	Suspension of business, additional costs to repair equipment, and higher insurance premiums due to damage of the auction house inflicted by typhoons or other natural disasters		●	●	Low	Medium	Regularly revise business continuity plans (BCPs)
Physical risks (chronic)			Costs to rebuild or move the auction house on the coast due to damage caused by flooding and high tides resulting from rising sea levels			●	●	Low	Large	Identify the risks of flooding through hazard maps and enhance evacuation training  Establish data management systems in preparation for disasters
			Higher average temperature and risk of heatstroke			●	●	High	Small	

<Risk of manifestation> Short term: Within 5 years; medium term: 5 to 10 years; long term: 10 to more than 30 years

<Financial impact> Small: ¥100 million or less; medium: ¥100 to ¥5,000 million; large: more than ¥5,000 million

<Potential of manifestation> High: High potential; medium: 50-50; low: low potential

<Definition of significant impact> High potential and medium (¥100 to ¥5,000 million) or large (more than ¥5,000 million) financial impact



# E

## ■ Impact assessments and response strategies

### 1. Impact assessment of carbon tax introduction (risk)

#### 1-1 Increasing business costs due to carbon taxes and pricing

In order to achieve the goals of the Paris Agreement, Japan has made an international commitment to reduce greenhouse gas emissions by 46% by 2030 and to achieve carbon neutrality by 2050, and in order to achieve these goals, “The Basic Policy for the Realization of GX” has been announced.

In the policy, the introduction of a levy on carbon has been announced, and there is a possibility of expanding the scope of the levy and increasing the level of burden in the future.

#### 1-2 Financial impact

USS has calculated the potential financial impact of carbon taxes (carbon pricing). The 1.5°C Scenario has a potential financial impact of ¥350 million by 2030 and ¥620 million by 2050. The business-as-usual scenario has a potential financial impact of ¥300 million by 2030 and ¥330 million by 2050 (Table[1]). This scenario would drive up operational costs.

#### [1] Important parameters (indicators) taking into account the financial impact in 2030 and 2050

	Scenarios	1.5°C scenario		Business-as-usual scenario	
	Year	2030	2050	2030	2050
Without achieving GHG emission reduction targets	Carbon tax (billions of yen)	0.35	0.62	0.30	0.33
When achieving GHG emission reduction targets	Carbon tax (billions of yen)	0.20	0.36	0.17	0.19
Difference	Tax liability (billions of yen)	0.15	0.26	0.13	0.14
Carbon tax and pricing (US\$ per t-CO <sub>2</sub> )		140	250	90	135

(Prerequisites)

- The calculation presumes Japan will put in place a carbon tax with carbon pricing equivalent to nations committed to the IEA WEO 2023 NZE net-zero pledge as well as EU STEPS.
  - Conversion: Scope 1 & 2 Emissions for the Fiscal Year Ending March 31, 2022 × Carbon Tax Price
- Note: Currency converted at US\$1 to ¥150

#### 1-3 Response strategy

##### Promoting solar power and other renewable energy on-site

USS will employ several response strategies to address the potential impact of carbon taxes. These initiatives have been put in place to not only achieve our CO<sub>2</sub> emission reduction targets but also promote on-site renewable

energies. These efforts will mitigate our future tax burden (Table [2]). We will continue to devise plans with the highest benefit to the entire Group to achieve swift results.

#### [2] List of Solar Power Generation Facilities Installed

	Auction site	Operation start
Phase I	R Nagoya	Jan 2023
	Nagoya	Feb 2023
Phase II	Shizuoka	July 2023
	JAA	Aug 2023
	Okayama	Oct 2023
Phase III	Saitama	Jan 2024
	Kobe	Mar 2024
Phase IV	Yokohama	FY2025
Phase V	HAA Kobe	FY2025-
	Tokyo	FY2026-

### 2. Evaluation of effects of increasing EV sales worldwide (Risk, Opportunity)

#### 2-1 USS forecast for the growth of EV utilization

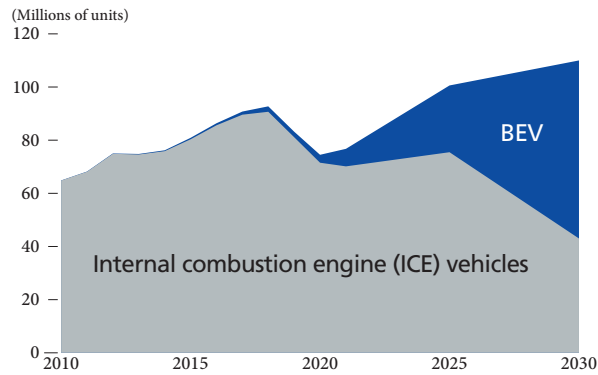
If the use of car sharing services increases as part of measures to achieve a circular economy, there may be a decline in the number of people who own electric vehicles (EVs). Another possibility is the decision of EV manufacturers to buy and sell these vehicles within their own supply chains. Either one of these events could reduce the number of vehicles consigned at USS auctions. However, if various measures are implemented based on the goal set by the Japanese government in its “Green Growth Strategy Through Achieving Carbon Neutrality in 2050” to achieve 100% electric vehicles in new passenger car sales by 2035, a large increase in new car sales (car replacement sales) will lead to a large increase in the number of cars auctioned at the USS auction which will likely have a significant positive impact on our earnings.

#### 2-2 Strategic actions for combating climate change A stronger framework for sales of EVs at auctions

The number of EVs at USS actions is certain to increase. USS is conducting R&D activities for determining EV evaluation standards, establishing an EV inspection system and other purposes.

To be specific, we became a member of Battery Association for Supply Chain, which is engaged in activities such as international standardization of the battery supply chain and construction of a battery ecosystem to realize a decarbonized society, and we are actively working with member companies to address issues such as battery diagnosis in the distribution of EVs through auctions.

#### Number of passenger vehicles in 1.5°C scenario



(Assumptions for these activities)

- The following reference data were used.  
IEA Global EV Outlook 2023 (<https://www.iea.org/reports/global-ev-outlook-2023>), Global EV Data Explorer (<https://www.iea.org/articles/global-ev-data-explorer>)
- For the 1.5°C temperature increase scenario, calculations use the IEA NZE (net zero emission) scenario for determining the share of EV sales based on the premise that the total number of vehicles sold is the same as in IEA STEPS (Stated Policies Scenario).
- Figures for future years other than 2025 and 2030 are calculated using the assumption that changes will occur evenly across all years.

#### More use of digital auction consignment forms

In anticipation of a large increase in the number of vehicles to be auctioned, USS is promoting the streamlining and digitization of its operations. Specifically, in the past, data entry was performed in-house at USS based on the seller's handwritten entry form, which required a large number of staff for the data entry process. The new system allows the seller's to create the entry form on the system, eliminating the need for data entry, improving the accuracy of data, and increasing operational efficiency. This digital auction consignment forms was introduced on a trial basis at the Nagoya in January 2021, and as of the end of March 2024, the system had been extended to all corners of the Nagoya, Tokyo, and HAA Kobe.

#### ■ Transition plan concerning climate change

The USS Group has established a Transition Plan (Roadmap) for measures to combat climate change. The implementation of this plan started in June 2023 following discussions and approval by the Board of Directors. To increase the accuracy

#### Transition plan (roadmap) to achieve goals

	Initiatives up to FY2022	Initiatives during FY2023	Initiatives toward FY2030
Science Based Targets	Setting Science Based Targets and applying for SBT certification	Obtained SBT certification (October 2023)	Annual reporting of emissions and progress of measures Validation of targets
Scope 1, 2, and 3 accounting with verification	Planning for obtaining third-party assurance	Obtained third-party assurance for Scope 1, 2 and 3	Continue to obtain third-party assurance for Scope 1, 2 and 3
Emission reduction initiatives	On-site solar power generation equipment (Nagoya, R-Nagoya) CO <sub>2</sub> -free electricity	On-site solar power generation equipment (Shizuoka, JAA, Okayama, Saitama, Kobe) CO <sub>2</sub> -free electricity	Promote introduction of solar power generation equipment Promote the introduction of high-efficiency energy-saving equipment Non-fossil certificates
Disclosure	Started TCFD disclosure (2022) 2022 CDP Score “C”	Adding Transition plan in TCFD disclosures 2023 CDP Score “B”	Annual update and expansion of climate change disclosures Annual disclosure to investors by CDP
Governance	One of the evaluation indexes for executive compensation is ratings from ESG external evaluation organizations (CDP-MSCI) 2022 MSCI ESG Rating “A”	2023 MSCI ESG Rating “AA”	Expand disclosure on the executive compensation system (calculation method and evaluation results of executive compensation)
Climate-related opportunities associated with decarbonization	Promote measures to increase the number of EVs in our auctions ●Expansion of EV corners ●Increase the number of charging stations for electric vehicles	R&D activities for determining EV evaluation standards, establishing an EV inspection system	Expansion of business portfolio ●Expansion of recycling business ●Effective use of auction data ●Creation of auction peripheral business



# E

of the transition plan, the road map that is the key element of the plan will be updated as necessary based on changes in the internal and external environment for the operations of the USS Group. Furthermore, the Board of Directors will receive progress reports about the transition plan in order to allow the directors to supervise activities involving the plan properly.

## Scope 1 + 2 emissions reductions

Two activities will be required for lowering GHG emissions that result directly from operations of the USS Group: energy conservation and the use of renewable energy. For energy conservation, USS is promoting the introduction of high-efficiency energy-saving equipment for air conditioning, etc. For renewable energy, the USS Group is installing solar power facilities at its business sites because new sources of renewable energy contribute to progress involving the decarbonization of society. Solar panels are placed on the roofs of auction buildings and use power purchase agreements. As of March 2024, solar power generation has installed 7 auction sites out of all 19 auction sites. We will actively promote the installation of solar power generation equipment at the remaining auction sites.

## Scope 3 emissions reduction

Approximately 95% of the GHG emissions across the USS Group's value chain are classified as Scope 3. Consequently, lowering these emissions will require the cooperation of a large number of stakeholders outside the Group.

The GHG Protocol defines 15 categories of Scope 3 emissions. At the USS Group, emissions associated with the use of products sold, which is category 11, account for over half of all Scope 3 emissions. Furthermore, the share of emissions from products and services that are purchased, which is category 1, is about 30%. As a result, emission reduction measures will focus on these two categories.

The reduction of Scope 3 emissions is an important issue for the USS Group and society. Lowering these emissions will therefore require engagement with customers and suppliers. Activities have started for collecting emissions data from suppliers in some categories. There will also be educational activities and engagement campaigns accompanied by the sharing of information about various issues with customers and suppliers.

## 3. Risk management

### ■ Framework to identify and evaluate climate-related risks and opportunities

As the manager in charge of climate-related matters, the president and representative director leads relevant departments and Group companies in identifying and

understanding climate-related risks and opportunities. Our approach leverages a defined risk management framework to make headway. The president and representative director shares this progress with the Board of Directors at annual and extraordinary meetings. The Board of Directors uses these reports to monitor risk management progress as well as the initiatives and targets set to overcome various challenges.

### ■ Climate-related risk management framework

As the manager in charge of climate-related risks, the president and representative director reports and advocates initiatives to combat climate change to the Board of Directors. This includes the planning, proposal, and oversight of a risk management framework to identify, evaluate, and address its Group-wide impact. The Board of Directors has the duty to deliberate on and assess the overall risks presented by climate change using what has been learned from the reports and proposals presented by the president and representative director at these annual and extraordinary meetings.

The Board of Directors will also create risk management policies and strategies to minimize risks from a Group-wide perspective. It will also properly incorporate those policies and strategies into plans, budgets, and targets.

## 4. Indicators and targets

The USS Group has set a CO<sub>2</sub> emission reduction target equivalent to the SBT standard as a goal to be used in managing climate-related risks and opportunities, and has obtained SBT certification in October 2023. To achieve this goal, we have set a target for the ratio of electricity derived from renewable energy sources and are working to reduce GHG emissions by introducing on-site solar power generation equipment, switching to CO<sub>2</sub>-free electricity, and installing high-efficiency energy-saving equipment.

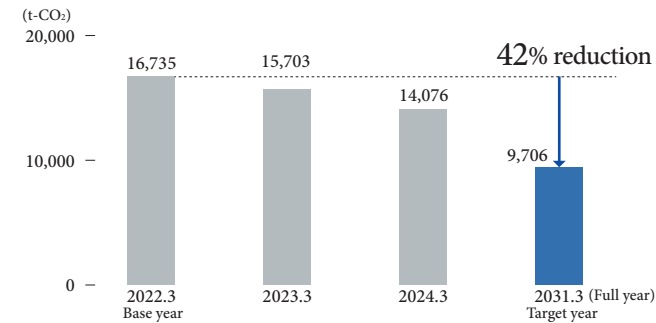
### CO<sub>2</sub> emission reduction target

Total emissions of Scope 1 and 2	42% reduction by FY3/31
Scope 3 emissions	25% reduction by FY3/31
The ratio of electricity derived from renewable energy sources	50% by FY3/31

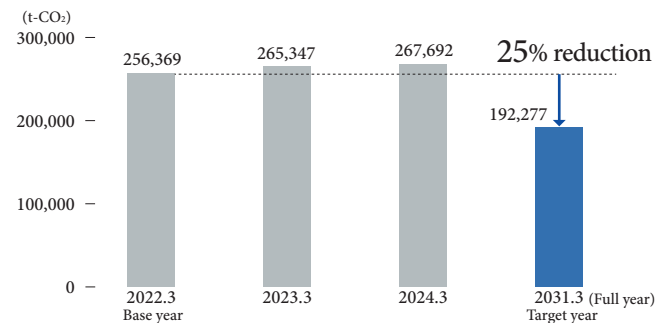
\*The base year for Scope 1, 2, and 3 emissions is the fiscal year ended March 31, 2022.

### ■ GHG emissions

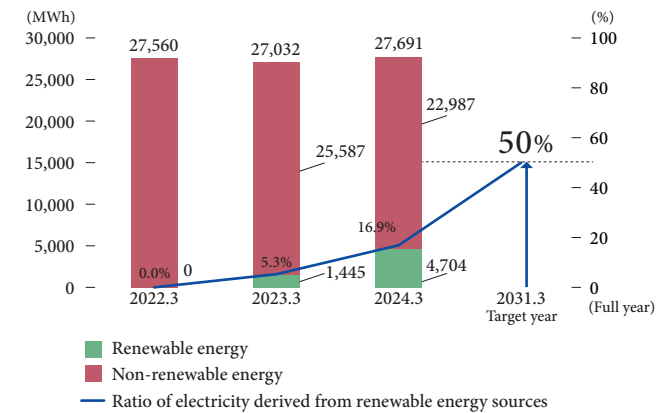
#### Total emissions of Scope 1 and 2



#### Scope 3 emissions



### ■ Electricity consumption & Ratio of electricity derived from renewable energy sources



receivables) of 3.6%, a metal recycling rate (metal shipment/receivables) of 54.2%, and an automotive recycling rate of 100% (see p. 66 for annual changes in these rates). ARBIZ has consistently maintained its status as an R2 certified electronics recyclers and refurbishers adhering to its guidelines since the fiscal year ended March 31, 2020.

The expansion of recycling businesses within corporate supply chains working to realize a circular economy will contribute even more to the circulation of resources. As a subsidiary of USS, Smart is growing as a business disposing of equipment and industrial plants, which reuses machinery and reclaims metal scrap.

### Effective use of dust from automobile shredders

The process for recycling automobiles produces automotive shredder residue (ASR) after reclaiming air bags and other such parts. ASR contains metals, glass, ceramic, synthetic rubber, hard plastics and light dusts, such as foamed plastics and nonwoven textiles, in addition to other material residue.

ARBIZ has succeeded in mixing this dust with iron powder to create a substance that suppresses the formation of slag in blast furnaces. In addition, we have developed a thermo-reactor for a material incorporating aluminum smelting slag for raising the temperature of electric arc furnaces used for steelmaking. This process makes it possible to reuse about 5,000 tons of light dust every year.

## Waste processing at business sites

We sort all waste materials produced at USS Group business sites as required by local regulations and other guidelines. USS selects contracts to dispose of waste using a rigorous examination process and checks manifests to ensure all waste materials are properly handled.

## Water conservation

The USS Group does not require large volumes of water in its business activities. However, we do recognize the importance of water resources and adhere to strict protocols to conserve water on each business site. Our auto auction sites control wastewater using oil separation and purification tanks in accordance with laws and regulations to reduce any impact wastewater may have on the surrounding environment.

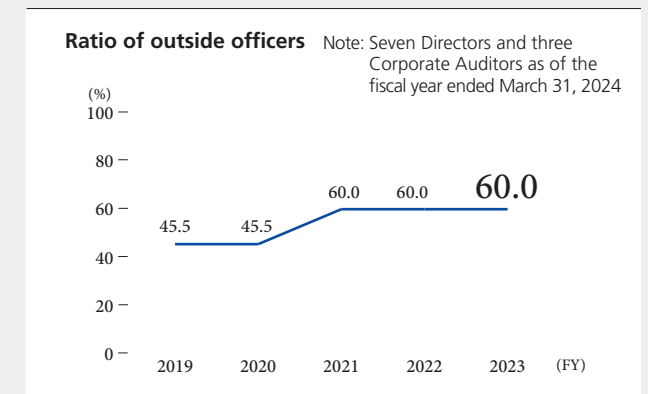
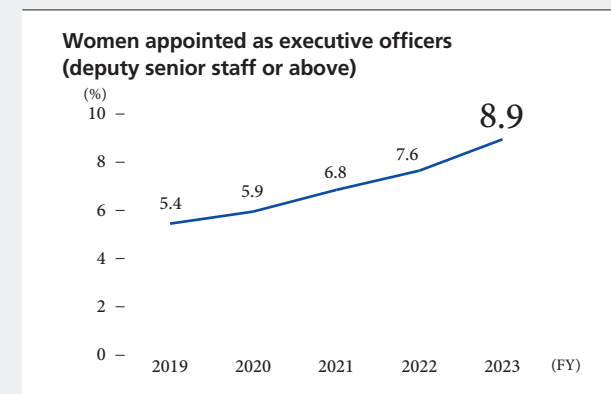
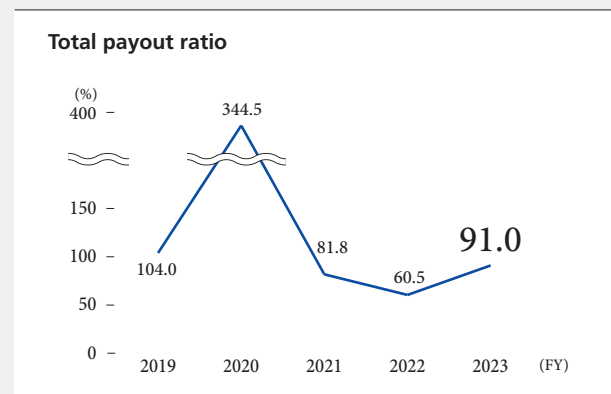
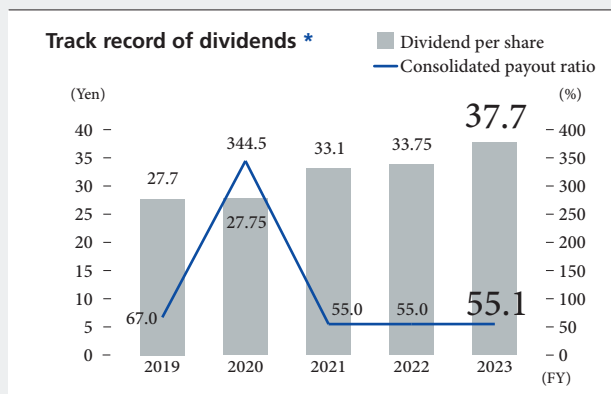
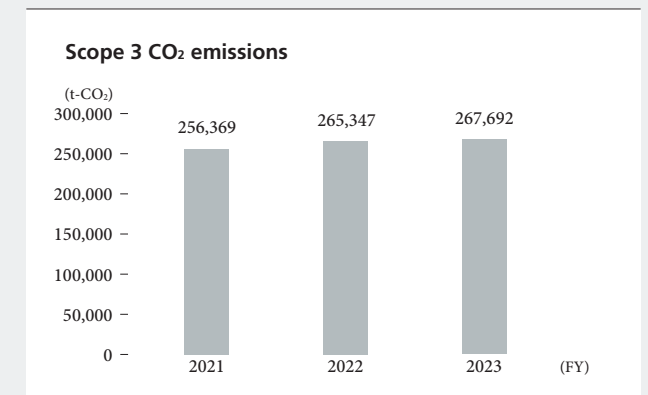
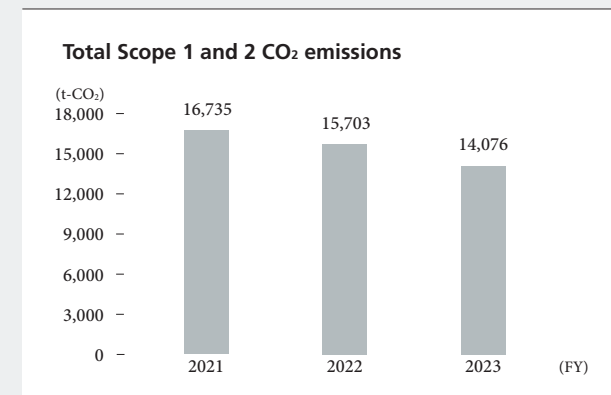
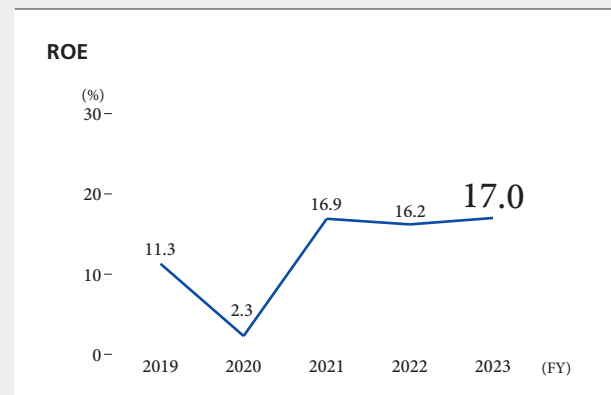
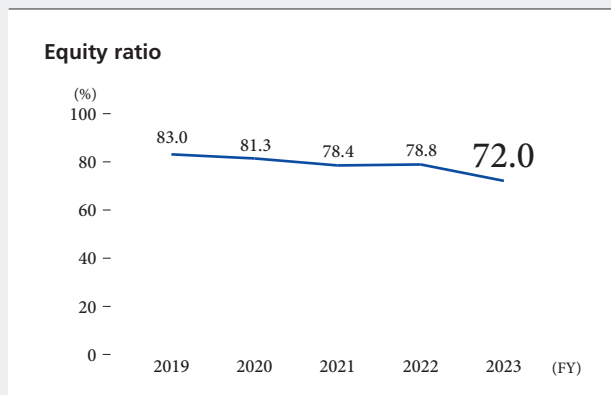
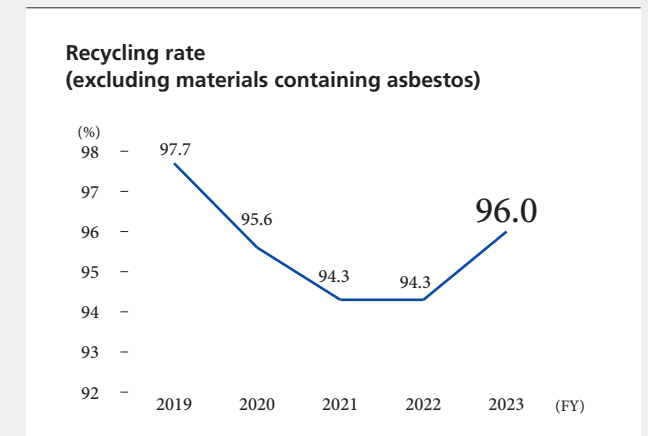
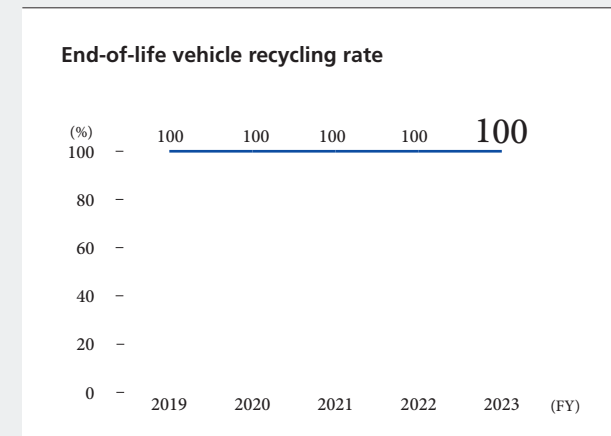
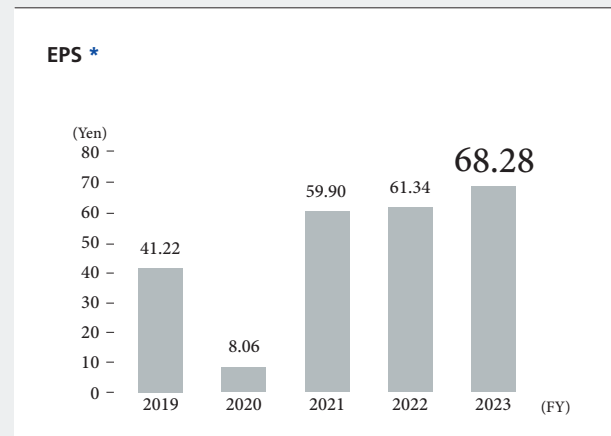
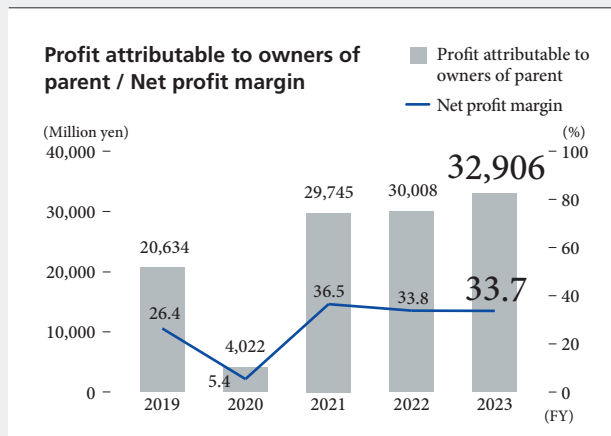
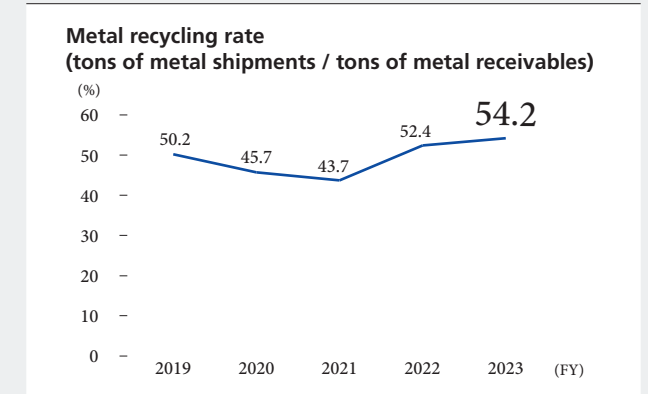
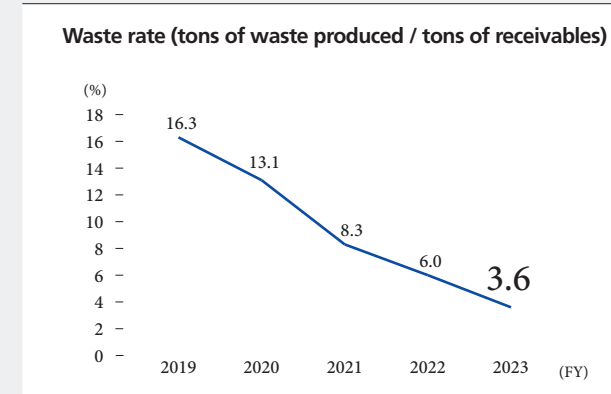
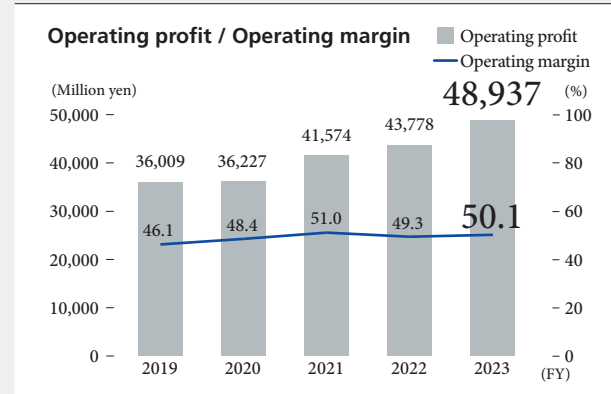
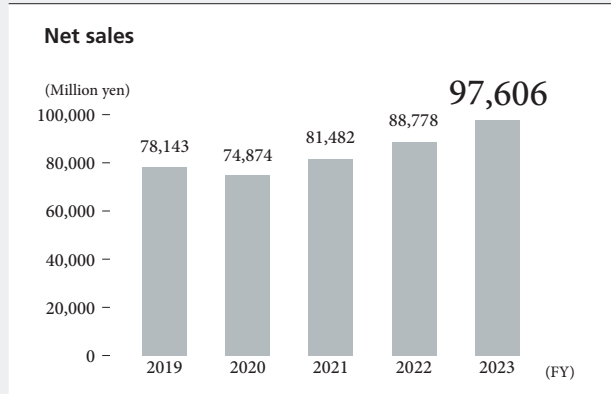
ARBIZ Co., Ltd. only uses city water and circulates rather than disposes of recycled water. We also collect and separate oil from rain water on our auction sites before releasing it back into the environment. USS tests the quality of its water discharge four times per year. SMART Inc. also only uses city water to sprinkle water on its construction sites. It never uses groundwater.

## Resource recycling

### Metal and plastic recycling in the recycling business

ARBIZ uses a highly accurate sorting and reuse system for the metals and plastics recovered from end-of-life vehicles, industrial waste and other scrap. In the fiscal year ended March 31, 2024, ARBIZ had a waste rate (produced/





\* USS underwent a 2-for-1 stock split of common Company shares on April 1, 2024. The data for each share has been adjusted to reflect this stock split.



(Million yen)												
(Item)	FY	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Consolidated operating results												
Net sales		67,949	67,466	68,607	67,179	75,153	79,908	78,143	74,874	81,482	88,778	97,606
Operating profit		32,680	33,411	34,491	32,396	36,071	37,123	36,009	36,227	41,574	43,778	48,937
Ordinary profit		33,275	34,027	35,218	32,999	36,676	38,039	36,710	36,996	42,374	44,491	49,654
Profit attributable to owners of parent		19,966	21,661	22,477	22,909	24,285	25,543	20,634	4,022	29,745	30,008	32,906
Comprehensive income		20,204	21,454	22,473	22,895	25,132	25,848	20,764	4,628	31,187	30,458	33,262
Consolidated financial position												
Assets		164,182	174,106	186,831	197,374	222,292	232,703	219,133	210,699	229,354	242,352	271,557
Cash and deposits		46,318	49,862	62,290	74,778	39,622	51,352	50,729	67,770	79,380	92,692	109,009
Liabilities		32,080	30,067	31,647	38,176	50,102	49,168	35,153	37,175	46,880	48,198	72,535
Interest-bearing debt		670	360	255	4,092	3,569	3,112	3,060	3,174	2,828	2,420	2,665
Net assets		132,102	144,039	155,183	159,197	172,190	183,535	183,980	173,524	182,473	194,154	199,021
Equity capital		131,348	143,098	154,155	158,029	170,767	181,698	181,939	171,394	179,880	190,997	195,558
Per share data												
EPS (yen)		38.64	41.89	43.46	45.01	47.79	50.27	41.22	8.06	59.9	61.34	68.28
Dividends (yen)		17.35	18.85	20.40	23.20	23.90	25.20	27.70	27.75	33.10	33.75	37.70
Other												
Operating margin (%)		48.1	49.5	50.3	48.2	48.0	46.5	46.1	48.4	51.0	49.3	50.1
ROE (%)		15.9	15.8	15.1	14.7	14.8	14.5	11.3	2.3	16.9	16.2	17.0
ROA (%)		20.9	20.1	19.5	17.2	17.5	16.7	16.2	17.2	19.3	18.9	19.3
Dividend payout ratio (%)		45.1	45.1	47.0	51.5	50.1	50.1	67.0	344.5	55.0	55.0	55.1
Equity ratio (%)		80.0	82.2	82.5	80.1	76.8	78.1	83.0	81.3	78.4	78.8	72.0
Number of shares outstanding (excl. treasury shares) (thousand shares)		516,842	517,117	516,294	507,954	508,210	506,150	499,065	498,613	490,396	489,171	480,373
Treasury shares (thousand shares)		109,657	109,382	110,205	118,545	118,289	120,349	127,434	127,886	136,103	24,828	33,626
On-site auction members (excl. JBA)		45,712	46,307	46,850	47,111	47,362	48,723	48,182	48,058	48,362	48,490	48,123
CIS (Internet) auction members		28,007	28,815	29,512	29,966	30,337	31,639	31,998	32,538	33,359	33,934	34,367
Dedicated terminal auction members		3,486	3,291	3,101	2,894	2,623	2,468	2,342	2,197	2,081	1,981	1,774
Number of auction sites (excl. JBA)		17	17	17	17	19	19	19	19	19	19	19
Number of employees		1,348	1,325	1,252	1,220	1,369	1,295	1,260	1,268	1,263	1,282	1,320

Note:

- \* All CIS (Internet) and dedicated terminal members are also on-site members because on-site membership is prerequisite for CIS (Internet) or dedicated terminal membership.
- \* Number of treasury shares includes the shares owned by the USS employee stock ownership plan trust.
- \* The data per share, the number of shares outstanding (excl. treasury shares) and the number of treasury shares are retroactively adjusted for the stock split effective April 1, 2024.
- \* Up to fiscal 2014, net income is presented as profit attributable to owners of parent.
- \* The Company started using Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), etc. at the beginning of the fiscal year ended March 2019. Assets and liabilities for the fiscal year ended March 2018 are retroactively revised.



## Summary of consolidated results of operations / market trends

(Million yen)

Consolidated balance sheets	FY2022	FY2023
Current assets	116,057	148,371
Cash and deposits	92,692	109,009
Receivables due from member dealers at auction, etc.	23,365	39,361
Non-current assets	126,295	123,186
Property, plant and equipment	100,604	98,996
Other	25,690	24,189
<b>Total assets</b>	<b>242,352</b>	<b>271,557</b>
Current liabilities	39,273	63,130
Payables due to member dealers at auction	22,595	43,749
Other	16,678	19,380
Non-current liabilities	8,925	9,404
<b>Total liabilities</b>	<b>48,198</b>	<b>72,535</b>
<b>Total net assets</b>	<b>194,154</b>	<b>199,021</b>
<b>Total liabilities and net assets</b>	<b>242,352</b>	<b>271,557</b>

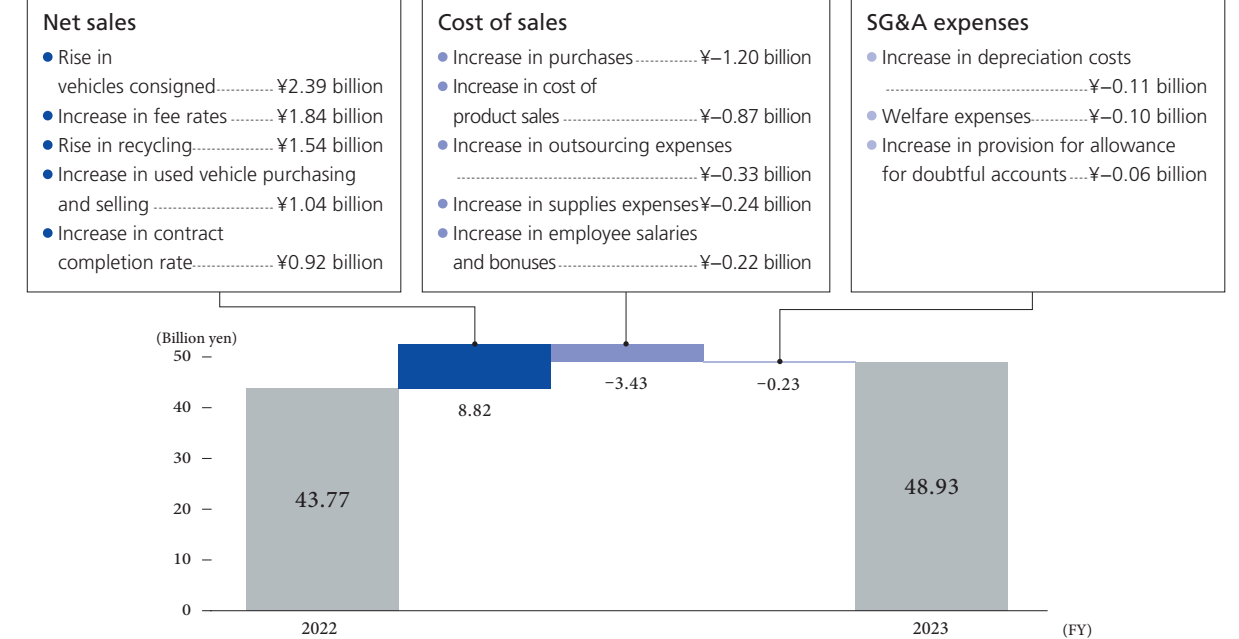
(Million yen)

Consolidated statements of cash flows	FY2022	FY2023	Changes
Net cash provided by (used in) operating activities	36,907	47,150	10,242
Net cash provided by (used in) investing activities	-9,074	-2,646	6,428
<b>Free cash flow</b>	<b>27,832</b>	<b>44,504</b>	<b>16,671</b>
Net cash provided by (used in) financing activities	-17,121	-28,187	-11,065
Capital expenditures (terms of cash flows)	4,567	2,666	-1,901
Depreciation	4,626	4,600	-25

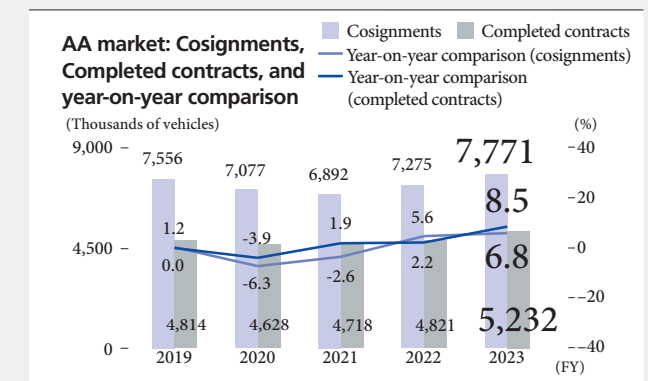
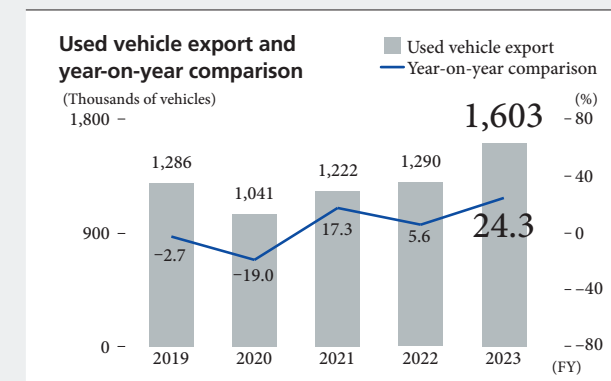
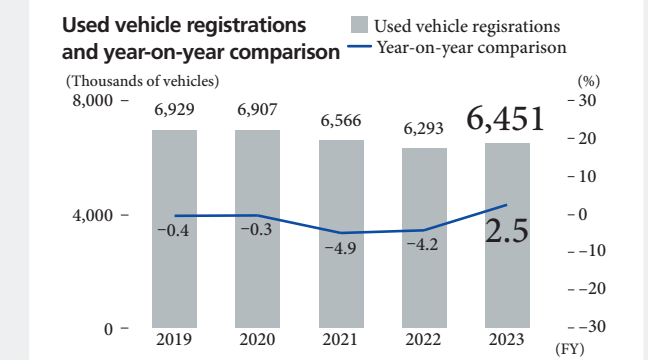
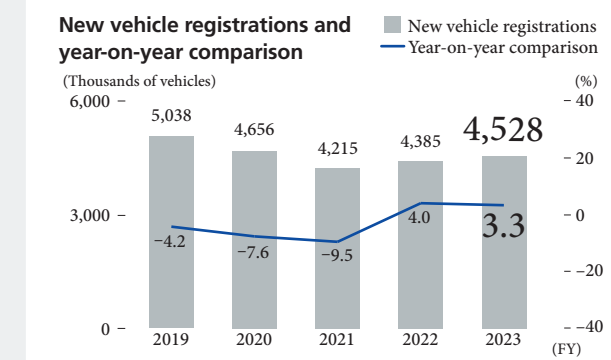
(Million yen)

Consolidated statements of income	FY2022	FY2023
Net sales	88,778	97,606
Cost of sales	35,135	38,571
Gross profit	53,642	59,034
Selling, general and administrative expenses	9,864	10,097
Operating profit	43,778	48,937
Non-operating income	915	922
Non-operating expenses	201	205
Ordinary profit	44,491	49,654
Extraordinary income	72	74
Extraordinary losses	62	1,071
Profit before income taxes	44,501	48,658
Income taxes	13,784	15,133
Profit	30,717	33,525
Profit attributable to non-controlling interests	708	618
<b>Profit attributable to owners of parent</b>	<b>30,008</b>	<b>32,906</b>

### Analysis of change in operating profit



## Market trends



Note: Figures for the cosignments and completed contracts in the AA market for fiscal 2021 have been revised based on corrections to the figures made public by USED CAR Co., Ltd.





**USS Co., Ltd.**

507-20 Shinpo-machi, Tokai-shi, Aichi Prefecture 476-0005 Japan

<https://www.ussnet.co.jp/en>