



Message from the Chief Operating Officer

Advancing to a new stage of growth
by using the enterprising spirit that has
driven our progress since our inception

President and
Representative Director (COO)

Dai Seta

I was the manager of a used car sales company for many years and became a director of USS in June 2004. I was named a representative director and vice president in June 2006, an executive position that included the supervision of auto auction operations as general manager. I also started the USS finance business and served as the president of ARBIZ, a subsidiary that recycles a variety of materials. In June 2019 I was named the president and COO of USS. Two major responsibilities were using the digital transformation (DX) to strengthen our auto auction business and creating a circular economy for automobiles through the growth of our recycling business.

01

Demand for automobiles remained firm even during the pandemic

Sales of new and used cars in Japan fell sharply early in the fiscal year that ended in March 2021 because of The COVID-19 pandemic. However, this drop was followed by a rapid recovery, resulting in a large number of vehicles consigned and sold at USS Group auctions. I believe this demonstrates the recognition of the value of automobiles as a means of transportation with safe distancing during the pandemic. The USS Group sold a large number of mini cars in order to meet the demand for car ownership at a relatively low cost. Furthermore, there was an increase in auction purchases by members using our satellite TV and internet bidding systems because of the pandemic.

In the past fiscal year, we posted an extraordinary loss for writing down goodwill and for other expenses involving the auction sites of JAA (in Tokyo) and HAA Kobe (in Hyogo). We acquired these companies in August 2017 but were subsequently unable to achieve synergies and other expected benefits and the outlook remains challenging. As a result, due to the recovery of the used car market, our sales, operating profit and

ordinary profit in the past fiscal year were about the same as in the previous fiscal year. But profit attributable to owners of parent were much lower because of the extraordinary loss.



02

Using the DX for innovations to advance to a new stage of progress

The pandemic has further increased the speed of the shift to digital technologies. At USS as well, we have stepped up the pace of our DX activities. Conducting auctions that are fair and equitable requires the use of a fair and equitable system for determining the value of vehicles to be auctioned. USS has established its own 10-step valuation standards. We thoroughly inspect every vehicle to establish a value that is not based solely on a car's age, model, engine size and other conventional parameters. In the fiscal year that ended in March 2021, we enhanced this inspection system by adding an underbody imaging system for checking underneath a vehicle, including the tires and wheels. We also started using on-board diagnostic system scanners in our inspections, a first in Japan's auto auction industry. These measures further improve our ability to locate defects and other problems, especially items that cannot be found visually. Currently, we are working on

replacing paper data sheets for vehicles to be auctioned with a digital format. Shifting to this technology will increase convenience for our members and make our auctions more efficient.

I am convinced that the most significant innovations and benefits that will come from the DX are still ahead of us. For example, we hope to automatically detect vehicle issues by using artificial intelligence for the analysis of inspection images. This would further raise the speed and fairness of our inspections. Another opportunity involves the huge volume of data on the condition of pre-owned vehicles. USS has more of this information than any other company does. Utilizing this information as big data may enable us to provide services in sectors other than used vehicles. For instance, we could supply valuable information on vehicle use and aging to automakers, automotive parts manufacturers, insurers and companies in many other industries.

03

A circular economy for solving social and environmental problems

Today, perceptions of companies are shaped not only by sales, earnings and other financial data but also by activities concerning the environment and other important issues, especially involving ESG and the Sustainable Development Goals. Furthermore, these activities have a significant effect on our corporate value.

For many years, we have used our auto auction business to create social and economic value through the establishment of a framework for the reuse and recycling of vehicles. Our subsidiary ARBIZ operates one of the largest recycling facilities in Japan. This company processes end-of-life vehicles in compliance with vehicle recycling laws and regulations. An integrated disassembly and recovery processing line performs all processes for the reuse of parts and recycling of other materials. Every year, ARBIZ accurately sorts and reuses materials obtained from about 15,000 vehicles. This includes iron, aluminum, copper, rare earths and other metals, plastics and other materials. By weight, 97% of

vehicles processed by ARBIZ are recycled.

The USS Group plays an important role in the mobility life cycle by using auctions for the reuse of automobiles and a recycling business for end-of-life vehicles. I believe that we can continue to create even more value and new forms of value as a highly distinctive corporate group dedicated to helping establish a circular economy.

Enormous changes are occurring in our business climate. The automobile industry is in the midst of a fundamental shift centered on CASE. Digitalization is rapidly altering all aspects of business activities as companies deal the pandemic. There are also urgent global issues such as climate change. Since USS started operating, the desire to constantly take on new challenges has been the driving force behind the creation of value. I look forward to more innovations and progress, including acquisitions and overseas operations from a longer-term perspective, as the USS Group continues to leverage its enterprising spirit.