

# Corporate Governance

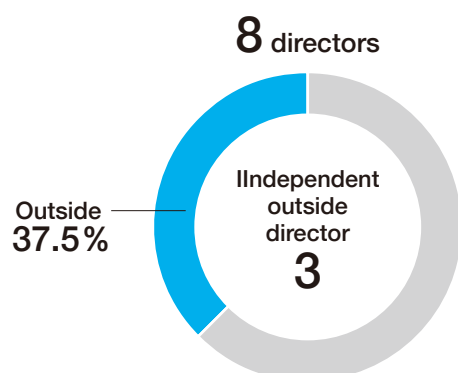


In the USS Group's core auto auction business, our goal is to increase corporate value through continuous business expansion.

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 corporate vision: the creation of a fair market, achieving symbiosis with our members, providing service to consumers, delivering returns to our shareholders, respecting our employees, and making a contribution to the community. 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.

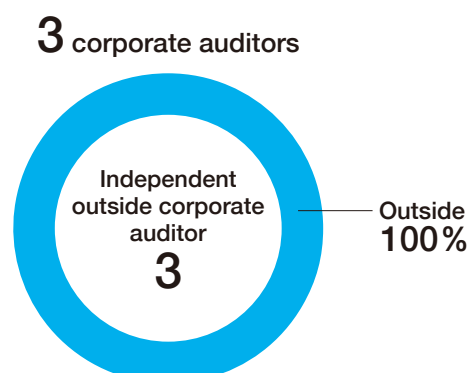
## Board of Directors

The Board of Directors consists of eight directors, including five directors who are USS executive officers and three outside directors, which is within the limit of 12 directors specified in the Articles of Incorporation. Director candidates and executive officers are selected from among individuals with the extensive experience, outstanding knowledge and professional expertise required by these positions.

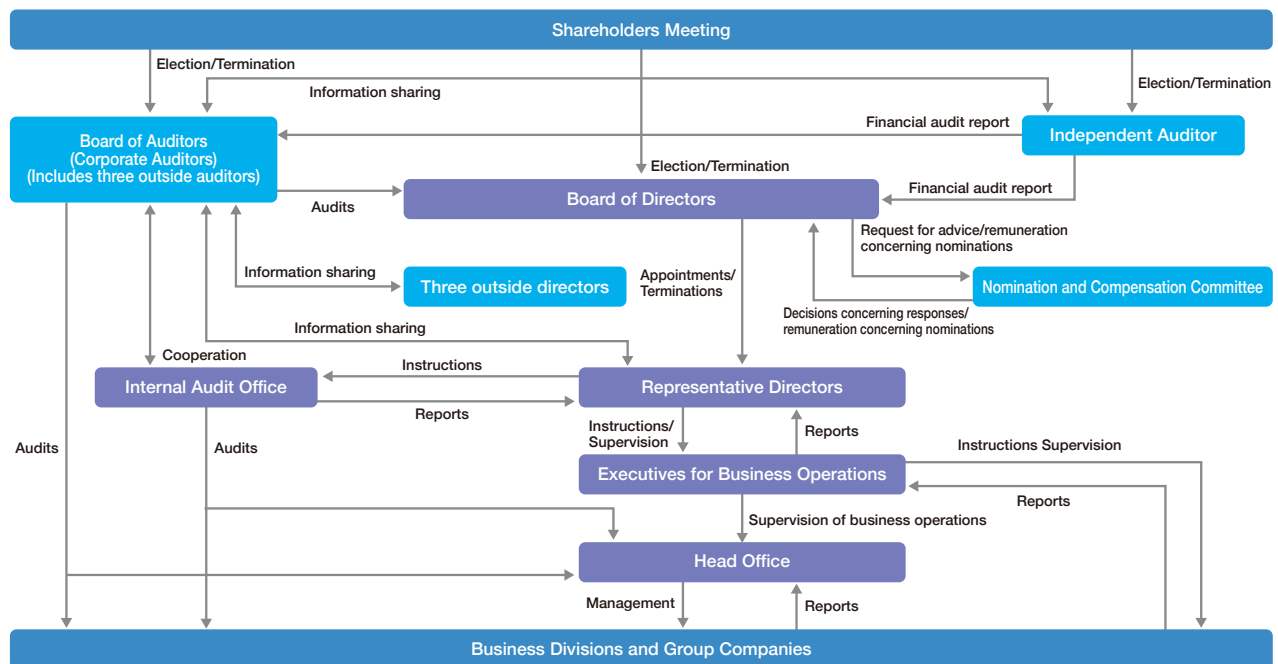


## Board of Corporate Auditors

The Board of Corporate Auditors consists of three members (including three outside corporate auditors), who attend the meetings of the Board of Directors and conduct surveys and audits of the directors' performance and other business considerations. Furthermore, this board works with the Internal Auditing Office, which conducts audits of all divisions and offices (including at USS subsidiaries).



### Corporate Governance Flowchart

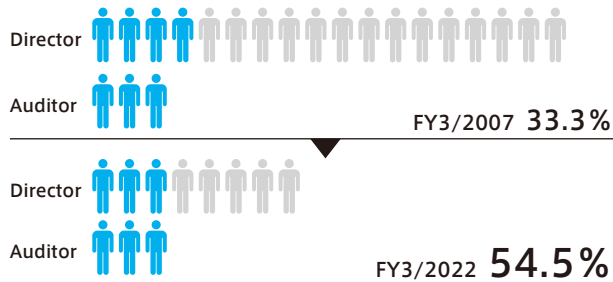


### Internal Audits and Corporate Auditor Audits

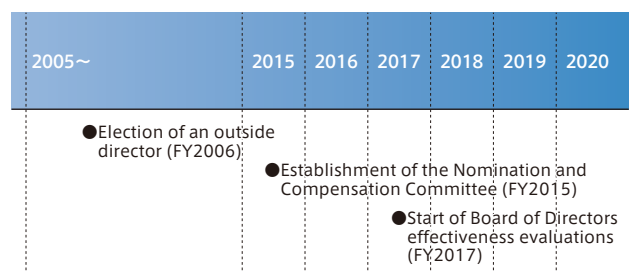
As the organization responsible for internal audits and corporate auditor audits, the Internal Audit Office (2 members) is an independent organization with the goal of strengthening the quality and effectiveness of its functions, including the operation and evaluation of internal controls related to financial reporting. Corporate audits involve three corporate auditors, including tax

accountants, in addition to certified public accountants and lawyers, attending the meetings of the Board of Directors and auditing the directors' performance. Moreover, the corporate auditors collaborate with the Internal Audit Office and the accounting auditors to further improve internal controls, including by performing on-site audits of subsidiaries.

#### <Pct. of outside directors and corporate auditors>



#### <Progress with strengthening corporate governance>

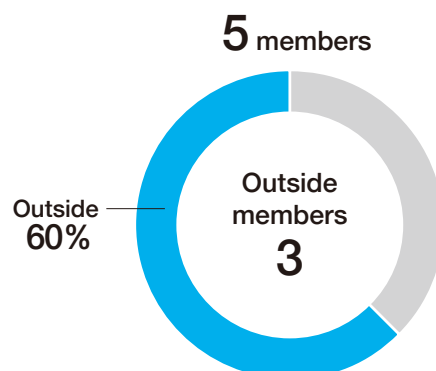


### Nomination and Compensation Committee

The Nomination and Compensation Committee, as an advisory body to the Board of Directors, discusses the suitability of the following proposals submitted to the Board of Directors and submits reports about these proposals to the Board of Directors.

- During the fiscal year that ended in March 2021, the Nomination and Compensation Committee held three meetings.
- (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

In addition, the Nomination and Compensation Committee makes decisions concerning the remuneration of individual directors and executive officers in accordance with the policy for decisions concerning this remuneration.



## Executive Remuneration

### Remuneration in FY3/2021

Executive Classification	Total Amount of Remuneration etc. (Million yen)	Breakdown (Million yen)			Number of Eligible Executives
		Basic Remuneration	Performance-linked remuneration	Stock options	
Directors (Excluding Outside Directors)	251	201	-	49	7
Auditors (Excluding Outside Corporate Auditors)	6	6	-	-	1
Outside Executive Officers	24	24	-	-	5

1.The remuneration in this table includes the remuneration of two directors who were no longer directors following the end of the shareholders meeting held on June 23, 2020. 2.There are no officers who are also employees.

### Basic policy for remuneration of directors and corporate auditors

The USS Group provides competitive remuneration in order to attract and retain talented managers who can contribute to the group's sustained growth and the medium to long-term growth of corporate value. Remuneration is divided in a suitable manner between fixed (basic) remuneration and variable remuneration (stock options used as remuneration linked to medium to long-term results of operations) for the purpose of using remuneration as a sound incentive for achieving sustained growth.

### Level and composition of remuneration of internal directors

A suitable level and composition of remuneration is established based on the business environment for the USS Group and on business and personnel strategies. In addition, objective remuneration survey data from external organizations specializing in this field (Sumitomo Mitsui Trust Bank and Deloitte Tohmatsu Consulting) is used for reference when determining the level and composition of remuneration.

For internal directors, the level, format and composition of remuneration are determined with the objective of further clarifying the

### Process for determining remuneration for directors

To further increase the transparency and objectivity of decisions concerning remuneration for directors, these decisions are entrusted to the Nomination and Compensation Committee by a resolution of the Board of Directors. More than half of committee members are independent outside directors. This committee makes decisions based on all applicable factors, including an individual's title, responsibilities and contribution to results of operations, and within the limit established by a resolution approved by shareholders.

## Evaluation of the Effectiveness of the Board of Directors

To evaluate the effectiveness of the Board of Directors, USS asks all directors and corporate auditors to complete questionnaires. The results of this survey are reported to the Board of Directors.

### [Evaluation process]

Time: March 2021 Participants: All directors and corporate auditors (including outside directors and corporate auditors)

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

### Type and category of remuneration for directors

Type of remuneration, etc.	Category		
	Internal Directors (Note.1)	Outside Directors (Note.2)	Auditors (Note.3)
Basic Remuneration	●	●	●
Stock-remuneration type stock options(Variable)	●	-	-

(\*1) Internal directors receive basic remuneration and stock option remuneration. Basic remuneration is a fixed monthly payment based on the roles and responsibilities of each individual's executive position. Stock option remuneration is based mainly on points granted to individuals in accordance with the number of years as a director, contributions to results of operations and other accomplishments. The stock options can be exercised only after an individual is no longer a director, corporate auditor or executive officer.

(\*2) Remuneration for outside directors is only basic remuneration that is a fixed monthly payment because these directors oversee management from an highly objective and independent perspective.

(\*3) Remuneration for corporate auditors is determined by mutual agreement of the corporate auditors. This remuneration is only basic remuneration that is a fixed monthly payment because the corporate auditors oversee management and perform audits from a highly objective and independent perspective.

link between remuneration and results of operations and of further increasing motivation to contribute to the medium to long-term growth of sales and earnings and corporate value. The level, format and composition of remuneration are reexamined periodically.

Type of remuneration	Composition
Basic Remuneration	70~90%
Stock-remuneration type stock options	10~30%

### Policy for determining remuneration for executive officers

The policy for determining the remuneration for executive officers is based on the policy for determining the remuneration of directors. Consequently, executive officer remuneration consists of basic and stock option remuneration.

### [Items evaluated]

- (1) Composition of the Board of Directors - Size and composition (diversity, professional knowledge)
- (2) Operation of the Board of Directors - Frequency of meetings, length of discussions of agenda items, materials provided to directors
- (3) Support for the Board of Directors - Training programs, information provided to outside directors and corporate auditors
- (4) Discussions by directors - Discussions concerning management strategies and equity policies and actions
- (5) Board of Directors risk management - Risk management, activities concerning social and environmental problems

[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 activities to deal with the two issues identified by the last year's evaluation and that improvements have been made.

- (1) Increase the percentage of independent outside directors Following the June 2020 annual shareholders meeting, three of the eight directors (37.5%) were independent outside directors as this percentage surpassed one-third.
- (2) Opportunities for outside directors and corporate auditors and the internal audit personnel to share information and opinions Outside directors and corporate auditors and internal audit personnel hold meetings to provide a place for sharing information and opinions.

[Upcoming activities]

Based on the results of this effectiveness survey, the following actions will be used to further improve discussions at the Board of Directors and make the board more effective.

- (1) Discussions concerning medium to long-term business plans will be upgraded and directors will be provided with the necessary information.
- (2) Opportunities will be increased for the directors to hold discussions and receive reports concerning ESG, the SDGs, and other social and environmental issues.

## Compliance

### ● Basic Stance

The USS Group has a large volume of information about auction members, vehicles consigned, bids submitted and other items required for auto auctions. Conducting auctions that are fair and equitable requires strict compliance with laws, regulations and other guidelines. These auctions are vital for the establishment of a highly transparent market for the purchase and sale of used vehicles. We are committed to compliance for growth of the USS Group and for strengthening the social standing of the entire auto auction industry.

### Risk Management System/Business Continuity Plan

Risk management is closely related to our internal compliance system. We have established our USS Behavior and Code of Ethics to improve awareness of corporate ethics and comply with laws and regulations. We have created and published a Compliance Manual and conducted training programs and other activities to comply with laws and regulations and social guidelines and to firmly establish a culture of sound corporate ethics. In addition, in order to promptly detect and correct behavior and actions that violate or are contrary to our code for behavior and ethics, we operate the USS Corporate Ethics Helpline, an internal reporting system for USS Group employees.

The risk management system consists of the Auction Management Headquarters for risks related to the auto auction business, the IT System Headquarters for risks related to information processing, and the General Headquarters for risks related to finance, personnel, disasters and other items. We are determined to respond promptly and properly to problems and implement

### Whistleblower System

In order to promptly respond to any actions that may result in USS losing the trust of the public, such as violations or infringements of laws and contracts, violations of the Articles of Incorporation and regulations, violations of the USS Code of Behavioral Ethics, or abuse of rank or status. To respond to these problems in a timely manner, USS operates the USS Corporate Ethics Helpline to provide an internal reporting system for group employees. The USS Corporate Ethics Helpline covers full-time employees as well as temporary and part-time people and accepts consultation and notification messages via email. The helpline reception desk is located at a third-party organization (Integrex Inc.), with the USS Headquarters subsequently being notified of reports received. However, unless required by law, the names and affiliations of people involved will not be reported to

### Basic Policy for Compliance

We have established and codified the basic principles of our compliance policy as the USS Code of Conduct and Ethics, and our directors take the lead in adhering to our corporate ethics guidelines. We have also created and published a Compliance Manual in order to thoroughly enforce the USS Code of Conduct and Ethics. Training programs and other activities are used to be certain that all employees have a thorough understanding of the contents of this manual. We want everyone at the USS Group to have a resolute commitment to compliance with laws, social guidelines and corporate ethics.

preventive measures. We have a system for submitting reports to the president through the director who oversees the business section where the problem occurred. In addition, directors submit reports to the Board of Directors about risk factors that affect business operations.

USS has a manual that prescribes responses to a major natural disaster. This manual includes items concerning responses to a major earthquake and measures to be prepared for an earthquake. In addition, there are training programs to give everyone at USS a thorough understanding of the business continuity plan. To confirm the safety of everyone at USS following a major earthquake, USS has system linked to the earthquake bulletins of the Japan Meteorological Agency that automatically sends messages to all USS personnel. This system makes it possible to quickly determine the status of everyone in the event of an earthquake.

the USS Headquarters without the consent of the adviser and the whistleblower. This ensures that the people providing information remain anonymous and that the neutrality of the system is maintained.

<b>FY3/2021 Reports submitted to the USS Corporate Ethics Helpline</b>	14
<b>Significant violations of laws and regulations</b>	0

## Directors and Executive Officers

(As of August 31, 2021)



Number of years  
in office 39  
Board meetings  
attendance record  
100%

Reelected

**Yukihiro Ando** (74 years old)

Chairman and Representative Director,  
Chief Executive Officer (CEO)



Number of years  
in office 17  
Board meetings  
attendance record  
100%

Reelected

**Dai Seta** (54 years old)

President and Representative Director,  
Chief Operating Officer (COO)



Number of years  
in office 17  
Board meetings  
attendance record  
100%

Reelected

**Masafumi Yamanaka** (66 years old)

Executive Vice President and  
Officer of the Supervisory Office



Number of years  
in office 17  
Board meetings  
attendance record  
100%

Reelected

**Masayuki Akase** (58 years old)

Senior Managing Director and  
Officer of the Auction Operation Office



Number of years  
in office 17  
Board meetings  
attendance record  
100%

Reelected

**Hiromitsu Ikeda** (60 years old)

Junior Managing Director and  
Manager of Nagoya and R-Nagoya Auction Site



Outside

Independent

Number of years  
in office 7  
Board meetings  
attendance record  
100%

Reelected

**Hitoshi Tamura** (75 years old)

Outside Director



Outside

Independent

Number of years  
in office 7  
Board meetings  
attendance record  
100%

Reelected

**Akihiko Kato** (74 years old)

Outside Director



Outside

Independent

Number of years  
in office 3  
Board meetings  
attendance record  
100%

Reelected

**Nobuko Takagi** (43 years old)

Outside Director



Outside

Independent

Newly elected

**Kenichi Goto** (61 years old)

Full-time Outside Corporate Auditor



Outside

Independent

Newly elected

**Keiji Miyake** (66 years old)

Outside Corporate Auditor



Outside

Independent

Newly elected

**Jun Ogawa** (60 years old)

Outside Corporate Auditor



## Skill Matrix

Name	Position	Management experience	Sales/Marketing	Business site development/Auction system	Finance and accounting/M&A	Legal affairs/Risk management
Yukihiro Ando	Chairman and Representative Director, Chief Executive Officer	●	●	●		
Dai Seta	President and Representative Director, Chief Operating Officer	●	●			
Masafumi Yamanaka	Executive Vice President				●	●
Masayuki Akase	Senior Managing Director		●	●		
Hiromitsu Ikeda	Junior Managing Director		●	●		
Hitoshi Tamura	Director		●			
Akihiko Kato	Director	●				
Nobuko Takagi	Director				●	
Kenichi Goto	Corporate Auditor				●	
Keiji Miyake	Corporate Auditor				●	
Jun Ogawa	Corporate Auditor					●

## Reasons for selection as outside directors

Title	Name	Independent	Reasons for selection	FY3/21 Attendance Record
Director	Hitoshi Tamura	○	In his role as a Corporate Councilor of Ricoh, Mr. Hitoshi Tamura was involved with measures to increase the quality of Ricoh's management, the formulation of sales strategies and other activities. He has served for many years as a primary judge for the Japan Management Quality Awards. Overall, he has considerable experience and knowledge concerning the improvement of management. Since being elected as an outside director in June 2014, he has taken advantage of this knowledge to give advice on various issues involving management in general, and thereby contributed to the growth of corporate value. He has been reelected as an outside director in order to use his knowledge at meetings of the Board of Directors concerning the establishment of business plans from the perspective of improving management. Mr. Tamura also has the skills to supervise progress concerning this plan. Mr. Tamura is a member of the Nomination and Compensation Committee. Although he has no experience with corporate management other than as an outside director, USS believes that Mr. Tamura has the skills and knowledge needed to perform his duties as an outside director.	Board Meeting 8 out of 8  Nominations and Remuneration Committee 3 out of 3
	Akihiko Kato	○	Mr. Akihiko Kato has experience of working at the Bank of Japan, as a Director of the Gifu Shinkin Bank, and also of corporate management as a Managing Director. Since his election as an outside director in June 2014, he has used this knowledge to give advice concerning various issues involving management in general, and thereby contributed to the growth of corporate value. Mr. Kato was reelected as an outside director because he is properly performing his duties concerning important decisions involving management, the oversight of how business operations are conducted and other matters. He is a member of the Nomination and Compensation Committee.	Board Meeting 8 out of 8  Nominations and Remuneration Committee 3 out of 3
	Nobuko Takagi	○	As a certified public accountant, Ms. Nobuko Takagi has extensive experience and specialist knowledge concerning finance, accounting and M&A, including professional experience working in audit corporations and tax accountant corporations. Ms. Takagi has also played key roles involving M&A deals at M&A advisory companies and business corporations. Since her election as an outside director in June 2018, she has used this knowledge to give advice concerning various issues involving management in general, and thereby contributed to the growth of corporate value. Ms. Takagi was reelected as an outside director to enable her to continue using her professional skills concerning accounting and finance as well as her experience with management consulting and as an outside officer of other listed companies. This broad knowledge allows Ms. Takagi to oversee the management of USS from a new and different perspective than that of the directors who are directly involved with the business operations of USS. She is a member of the Nomination and Compensation Committee. Although Ms. Takagi has no experience with corporate management other than as an outside director, USS believes that she is well suited for performing the duties of an outside director for the above reasons.	Board Meeting 8 out of 8  Nominations and Remuneration Committee 3 out of 3
Corporate Auditor	Kenichi Goto	○	Mr. Kenichi Goto has expertise involving taxes and finance and experience in important posts in the public sector. He was elected as an outside full-time corporate auditor because of his ability to audit and oversee the management of USS from a neutral and objective standpoint. Although Mr. Goto has no direct experience with corporate management, USS believes that he is well suited for performing the duties of an outside full-time corporate auditor for the above reasons.	—
	Keiji Miyake	○	Mr. Keiji Miyake has many years of experience as a certified public accountant and expertise in the fields of finance and accounting. He was elected as an outside corporate auditor because of his ability to audit and oversee the management of USS from a neutral and objective standpoint. Although Mr. Miyake has no direct experience with corporate management, USS believes that he is well suited for performing the duties of an outside corporate auditor for the above reasons.	—
	Jun Ogawa	○	As an attorney for many years, Mr. Jun Ogawa has many years of experience as an attorney and an extensive knowledge of legal matters. He was elected as an outside corporate auditor because of his ability to audit and oversee the management of USS from a neutral and objective standpoint. Although Mr. Ogawa has no direct experience with corporate management, USS believes that he is well suited for performing the duties of an outside corporate auditor for the above reasons.	—