



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.

USS will create new business from a long-term perspective while capturing a greater auto auction share.

QUESTION 1 : **Could you please tell us about future targets and strategies for USS?**

ANSWER 1 : **The promotion of active capital investments toward sustainable growth aims for the auto auction business to capture a 50% market share.**

USS held a 40.8%* share of the auto auction market between January to December 2022, which equates to one full year that the auto auction business has surpassed the tremendous milestone of a 40% market share. This is thanks to higher customer satisfaction realized through our pursuit of fair and equitable auto auctions with greater convenience and efforts to enhance capital investments and services. Although we have solidified a serious competitive edge in the domestic market, we will continue to persevere with the goal to sustain a 50% operating margin while aiming to capture a 50% market share over the long term.

To gain more customer support than ever before, we will work to enhance convenience even more through further capital investments. One such effort is the rapid expansion of lanes at existing auction sites. The number of vehicles cosigned at our auction sites is increasing annually, leading to

* Source: USED CAR Co., Ltd.

auctions that do not finish until late into the night. As society at large undergoes work-style reforms, USS must update its facilities to reduce the length of these auctions considering not only customer needs but also employee work styles. For example, the Kyushu auction site expanded its facility from four to six lanes. This lane expansion increases our auction capacity by 200 vehicles while reducing the time from start to finish by almost an hour. In the future, USS will also examine lane expansions at its auction sites from Tokyo and Yokohama to Osaka. We will also invest in digital technologies. Very soon, USS plans to renew the USS JAPAN satellite TV auctions and release a new external bidding system to enable members to bid using smartphones. These innovations will encourage the foundation of a more accessible auto auction environment so that anyone can bid from anywhere in Japan. Over the medium term, USS also plans to renew its core auto auction systems. The current system is based on technology that is more than 30 years old, which has led to a very complex configuration after various reforms made by each auction site. Over the next several years, we will also standardize the operational flow across all auction sites and shift to a shared Group-wide system. These reforms should not only drive operational efficiency and enhance customer convenience but also reduce service and maintenance costs.

These measures will continue to provide services that will attract as many new used car dealers as possible to join with the goal of bolstering stable earnings in the auto auction business.

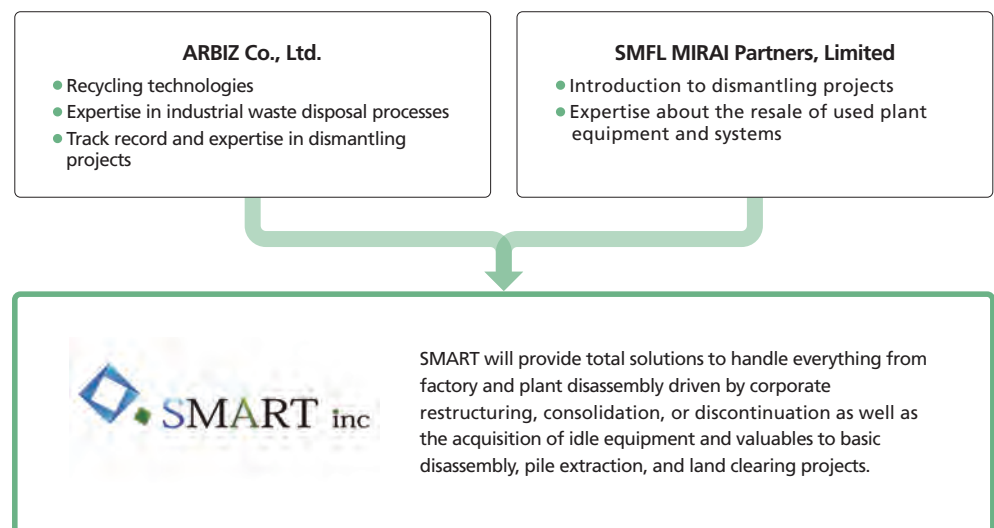
QUESTION 2 :

How about non-auto auction businesses?

ANSWER 2 :

SMART Inc. aims to realize ¥10 billion in net sales. We are also developing other relevant businesses that generate synergy with our auto auctions.

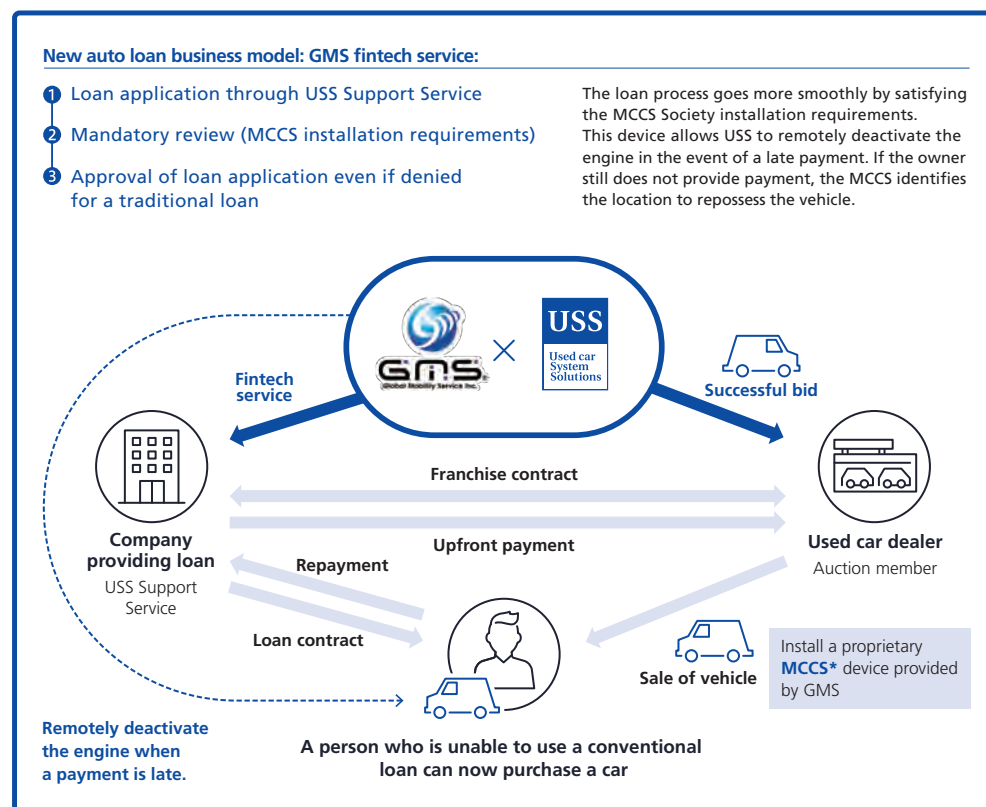
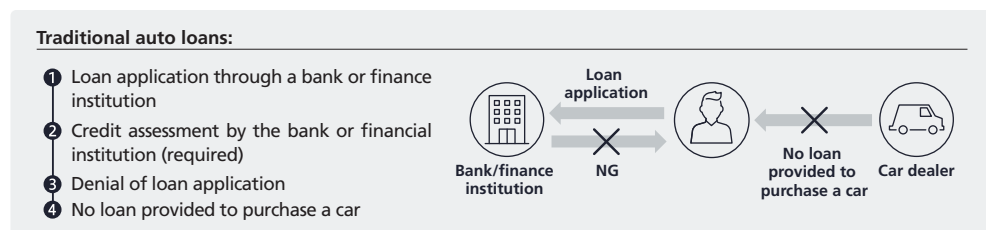
To cultivate new core businesses building off the Auto Auction Segment, USS will expand the Recycling Segment and strive to develop peripheral businesses around the Auto Auction Segment. This will strengthen our business portfolio from a long-term standpoint. As the company expanding our plant and equipment dismantling business in the Recycling Segment, SMART Inc. has been increasing earnings beyond initial forecasts since its launch in the fiscal year ended March 31, 2020. SMART is a joint venture between ARBIZ, a USS Group company, and SMFL MIRAI Partners, Limited, a Sumitomo Mitsui Finance and Leasing Group company. The SMBC Group has introduced SMART to a



→ See Pp. 37-38

variety of projects, which has led to more orders. The main plant dismantling business received numerous orders to dismantle plants built during the Japanese economic boom post-World War II in preparation for reconstruction. In addition, SMART responded to various other customer needs as well. This included dismantling the Odaiba ferris wheel in the fiscal year ended March 31, 2023 and a project related to reconstructing a windmill at a wind power generation station in the fiscal year ending March 31, 2024. Even with favorable business performance, the shortage of human capital has presented a challenge. Our work to improve the retention rate and roll out training programs has been showing success. The SMART business will surely see dramatic growth if it can build an environment where human resources who have expert skills and qualifications can actively participate. We forecast ¥5 billion in net sales for the fiscal year ending March 31, 2024, up 14.6% year on year, and will increase sales to ¥10 billion by the fiscal year ending March 31, 2027.

USS is driving forward new initiatives in businesses related to auto auctions. One example of these businesses is the effective use of big data. USS possesses a tremendous amount of vehicle and bidding data from its 19 auto auction sites throughout Japan. We can use this data broadly for appraising vehicle trade-ins or purchases or entering into residual value loans with new car dealers. The use of this proprietary data to third parties will also help generate sales and profit. USS will continue to actively engage in sales efforts with the objective of transitioning big data into a highly profitable business.



* MCCS is a proprietary on-board IoT device provided by GMS that can communicate with various mobility and data worldwide (GMS has acquired the patent for this technology).

Through a capital alliance with Global Mobility Service, Inc. (GMS), we have also launched a new auto loan taking advantage of new financial technologies in April this year. People working freelance, temp, or part time as well as foreign nationals and others who would not be eligible via conventional loan screenings for various reasons can use this new auto loan to purchase a used vehicle. Any used car dealer who is a USS auction dealer can sell vehicles to a larger number of people by becoming a franchise who offers these types of loans. This boost in used car sales through the program will help increase use of our auto auctions. Veterans in auto auctions who have strong relationships with used car dealers throughout Japan lead the sales efforts that have steadily expanded our franchises. As of the end of July, 2023, roughly 360 companies have become USS franchises.

QUESTION 3 :

Could you please tell us about the long-term prospects of USS?

ANSWER 3 :

Our management will strive to fulfill our long-term vision with the aim of increasing sustainable corporate value.

The vision that the USS Group should aim for over the long term are those that have a business scheme that continue to ensure fair and equitable transactions and a circular economy as well as foster greater sustainable corporate value.

The foundation solidifying our direction over the medium to long term is operating fair and equal markets. This mission is the reason that the auction business exists and will continue to be the most important unchanging theme. The new auto loan framework will act as a business contributing to this fairness and equality by providing opportunities to people who do not have access to traditional loans.

The origins of the auto auction and used vehicle purchasing and selling businesses have been to put in place the infrastructure to reuse automobiles. The recycling business does exactly what the name implies as a venture recycling automobiles, factories and plants. Businesses like this that contribute to a circular economy have the potential to heighten societal expectations and market demand.

In the future, the new executive officers and the rest of management will exhaustively discuss this vision and the stories born from it. We will streamline medium-term measures by clarifying the future vision and identifying the challenges that USS must overcome to accomplish that vision. I hope everyone will expect great things from the USS Group in the future.

Dai Seta President and
Representative Director (COO)



Left to right: New Executive Officer Yukio Niimi, Chairman and Representative Director Yukihiro Ando, President and Representative Director Dai Seta, and new Executive Officer Masahiro Mikami