

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.

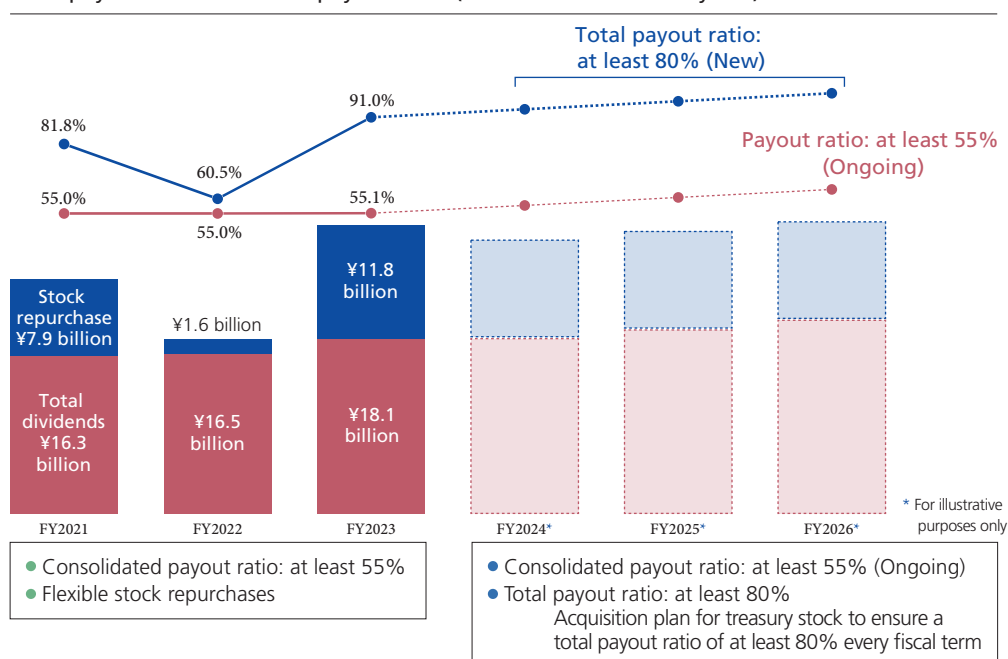
USS adheres to a basic policy for capital measures that advocates making solid investments expected to foster sustainable growth while retaining a standard of shareholder capital that can tolerate the risks brought by our business activities.

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.

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Cash allocation policy

Total for FY2024–2026

