



Challenge to Next Stage

USS Integrated Report 2025



We will transform ourselves into a diversified company that leads the used car distribution industry.

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. Our fifth annual integrated report aims to provide a greater understanding of our approaches and initiatives to enhance medium to long-term corporate value. As a means to this end, we have made the changes below to enhance the information in this report.

- The section entitled “A competitive edge in the auto auction business” provides background information to understand our future strategy. See pp. 7–8.
- The pages containing the “Interview with the Chief Operating Officer” and the “50% Market Share Strategic Project” provide a detailed explanation on our strategy to realize our medium- to long-term management target of achieving 50% market share of the auto auction market. See pp. 19–24.
- The pages containing the “Interview with the Executive Vice President in Charge of Finance” report the upward revision of our ROE (15% to 20%) and other financial targets, our strategy for achieving these targets, and our cash allocation policy. See pp. 29–30.
- The pages containing our “Partner Strategy,” “Human Resource Strategy,” “Environmental Strategy” and “DX Promotion” in particular explain our key non-financial capital strategies. See pp. 31–36.

Period covered by this report

Period: Fiscal 2024
(April 1, 2024 to March 31, 2025)

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.



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 profits 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.

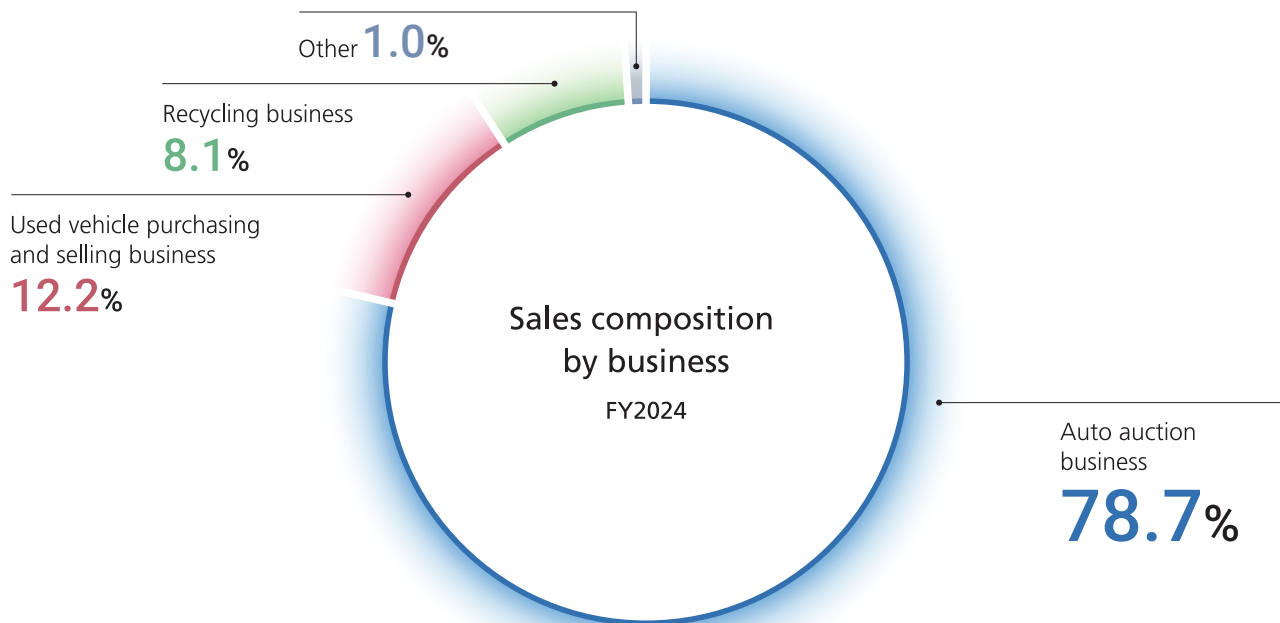
Corporate Strategy

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.

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Business domains



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 the Internet around 19 auction sites throughout Japan.

For more information, see: → pp. 39–40



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. 41–42



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. 43–44



1

Revolutionary auction system

For more information, see:
→ pp. 5–8

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: 41.4%

High profit margin: Over 60%*

* Auto auction business

2

Impartial vehicle inspections

For more information, see:
→ pp. 9–10

The USS Auto Auction earns customer trust by impartially 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

3

Revolutionary recycling systems

For more information, see:
→ pp. 11–12

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 recycling 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

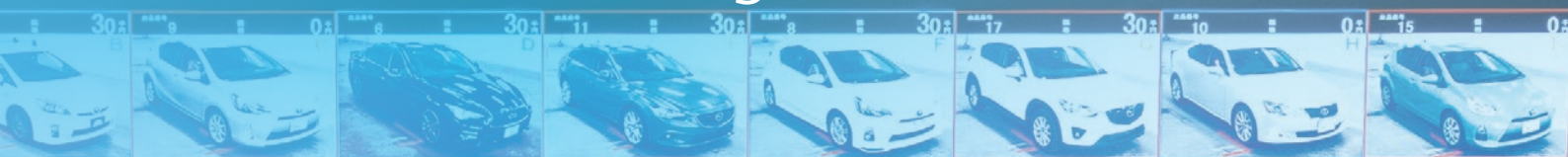
Unique recycling technology

Plant dismantling

1

Revolutionary auction system

Securing a competitive edge through the pursuit of fair and equitable auto auctions with greater convenience





Expanding our market share by pursuing fair and equitable auto auctions with greater convenience

Strict rules are essential to ensure smooth auto auctions that provide a fair and equal standing to everyone. USS devises auto auction rules and revises them to reflect changes over time, while also seeking input from not only external experts but also on-site sales representatives and vehicle inspectors. We have also built a claim management system to more readily share information throughout the Company. Our system aggregates information about complaints and how they are handled by our representatives in a database. This not only enables a rapid data-driven response to complaints when similar claims arise; it also facilitates improvements in the skills of our inspectors by leveraging this data.

Regular upgrades to our bidding system are also essential to enhance customer convenience. Currently, around 50% of the vehicles sold at our auctions (“completed contracts”) are sold via the external bidding system, and we will continue to improve the functionality of this system based on the needs of our customers.

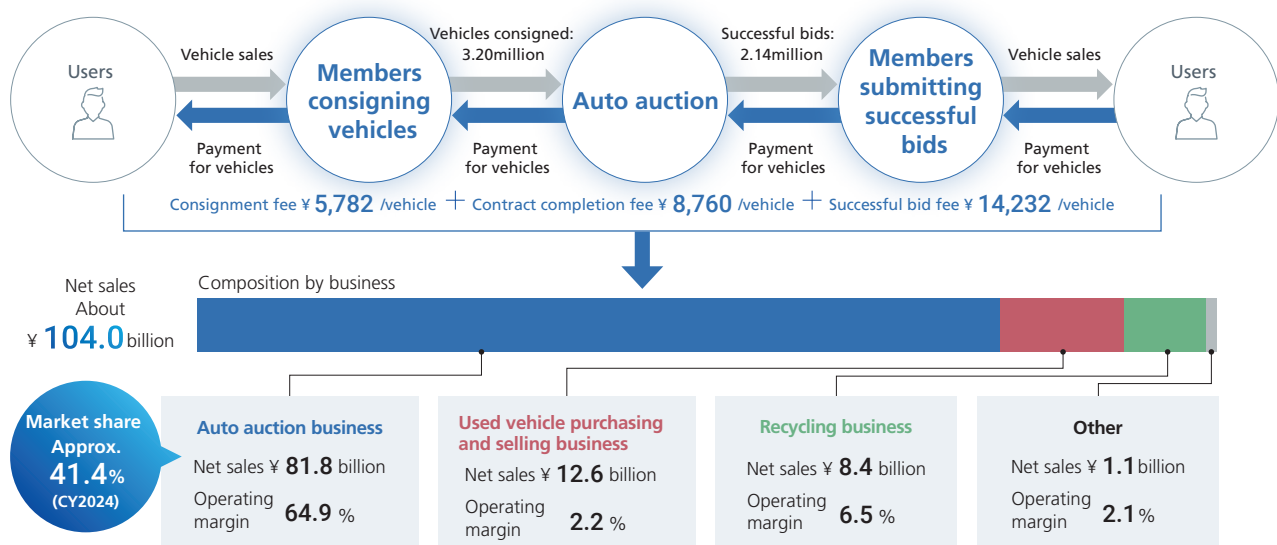
These types of rules, frameworks, and systems cannot be built in a day, which creates a high barrier for entry into the auto auction industry. Although USS currently holds a market share of 41.4%, we will further strengthen our competitive advantage with the aim of acquiring 50% of the market share going forward.

Building a solid revenue base with a stable business model

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 framework also sustains the same level of costs, even as the number of vehicles up for auction increases in the future.

A virtuous cycle exists within the industry whereby auto auction sites with a large number of vehicles tend to attract even larger vehicle volumes (For more information, see p. 8 “A virtuous cycle for stable growth”). While building on this stable business model, USS is striving to improve service quality, revise our fees, and capture revenue opportunities through increases in external bids.

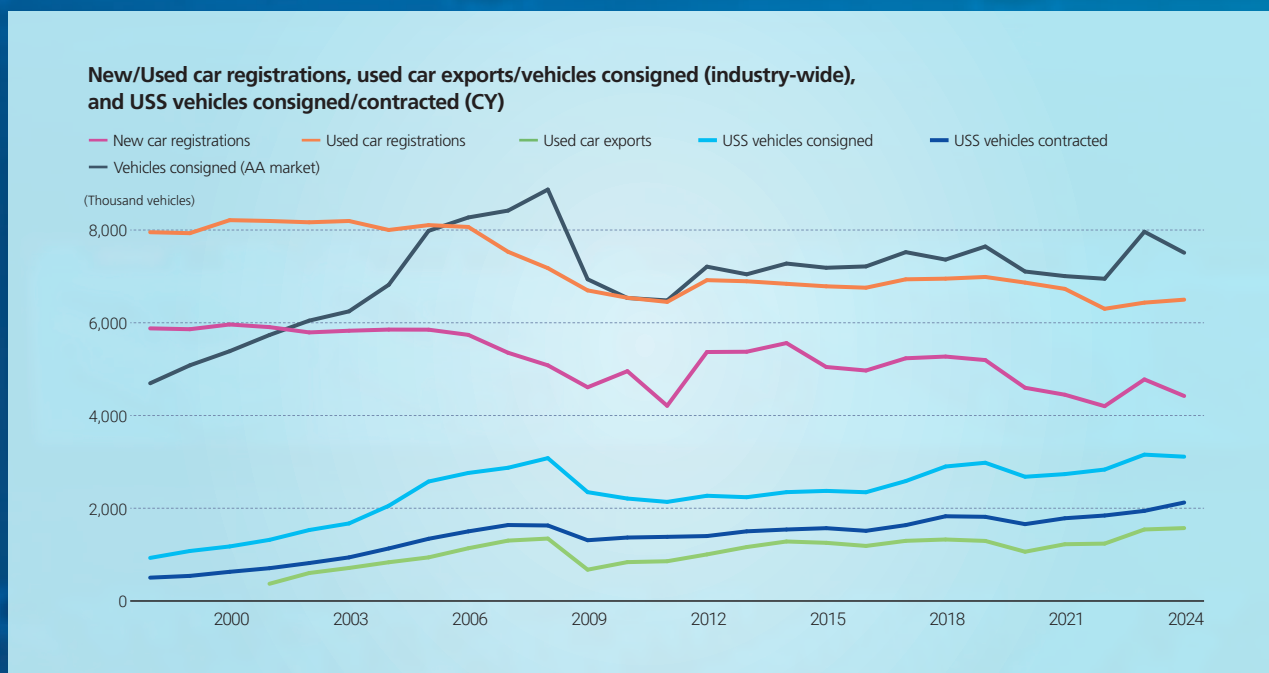
Business model of the auto auction business



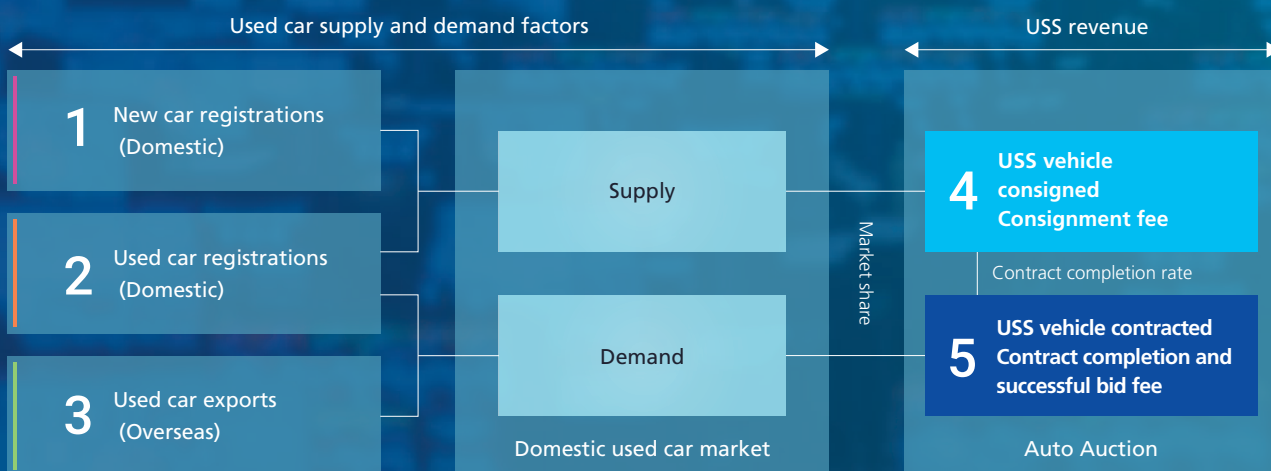
Note: The figures show business performance for the fiscal year ended March 31, 2025

A competitive edge in the auto auction business

Market environment



Automobile market and USS revenue



Market environment in FY 2024

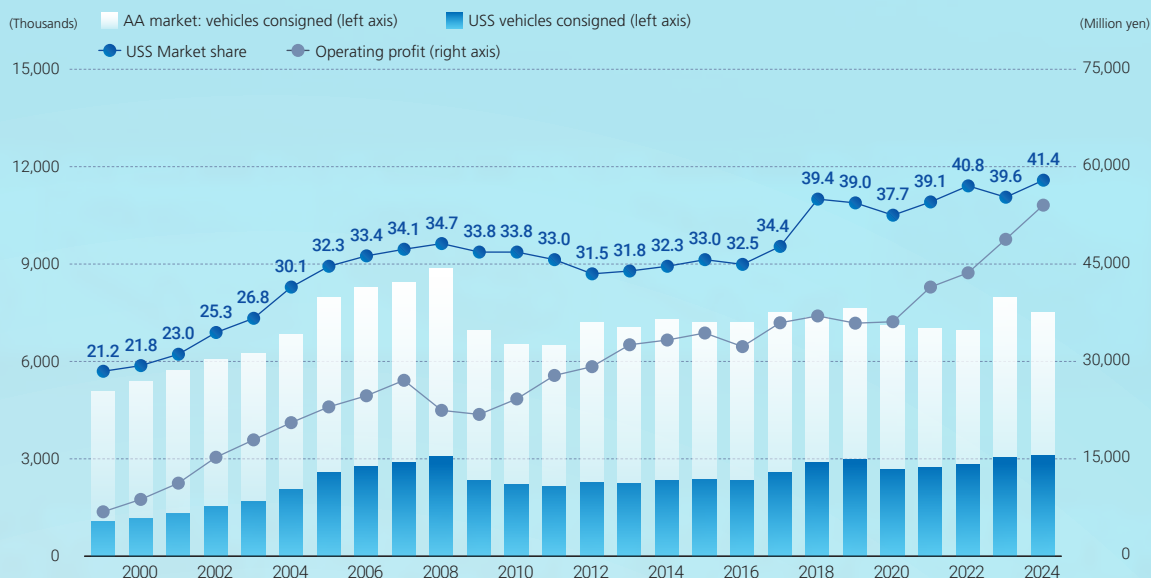
- This increase was partly due to resolution of suspended shipments of certain models due to irregularities in Japanese automaker certifications, with a 1% year-on-year (YoY) increase in new car registrations equivalent to 4.575 million vehicles.
- This increase was mainly due to continued strong demand for used vehicles amidst persistent delays in deliveries of certain models of new vehicles, with a 0.3% YoY increase in used car registrations equivalent to 6.467 million vehicles.
- There were 7.623 million vehicles up for auction (1.9% YoY decrease) and 5.301 million completed contracts (1.3% YoY increase), which equates to a completion rate of 69.5% (67.3% in previous FY).

Prospects in FY 2025

- The recovery in new vehicle sales is projected to continue from FY 2024, and will likely be accompanied by an increase in the number of vehicles sold in the auto auction market.
- The USS Group is pursuing an increased market share in the auto auction industry through proactive capital investments including rebuilding the Yokohama Auction Site.
- Projections for FY 2025 include 3,396 million vehicles up for auction (6.1% YoY increase) and 2,196 million completed contracts (2.4% YoY increase), which equates to a completion rate of 64.7% (67.0% in previous FY).

Our journey towards greater market share

Consigned vehicle volume and market share



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

- Maintained higher market shares and profit in the period of sluggish markets following the financial crisis of 2008–2009.
- The medium/long-term goal is a market share of 50%.

Establishing auto auction sites around Japan

Since its founding, USS has expanded our business by successively opening auto auction sites throughout Japan. We currently operate 19 auction sites nationwide, representing an overwhelming market share of 41.4%. Our auction site network spanning all major areas from Hokkaido to Kyushu is utilized by many customers.

Expanding our facilities and improving our frameworks

USS has been improving the capacity and convenience of its existing auto auction sites through initiatives such as increasing onsite parking garages. We have also facilitated auction participation even from remote locations by providing high quality images of vehicles on auction. These initiatives have allowed us to garner the support of customers and increase our market share.

A virtuous cycle for stable growth

USS auto auctions earn customer trust through the pursuit of fair and equitable auctions with greater convenience. This has generated an increase in the number of vehicles on auction and an environment that attracts quality vehicles, leading to increases in both the average price of vehicle contracted and the contract completion rate. As auction sites with higher consigned vehicle prices tend to attract even larger vehicle volumes, we have succeeded in creating a virtuous cycle whereby we further expand our market share through increased volumes of our vehicles on auction.



2

Impartial vehicle inspections

Earning trust through our unique
human resource development
programs



Earning customer trust by impartial inspecting vehicles for auction

Auto auctions lose customer trust when a vehicle drastically loses value if buyers discover damage, dents, 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.

Rapid development of vehicle inspectors via our new training program

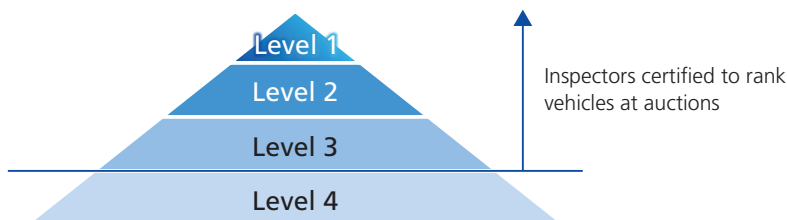
Our impartial vehicle inspection certification system ensures accurate appraisals. Employees in our vehicle inspection departments acquire a certification from Level 1 to Level 4 to learn the knowledge and skills necessary to properly appraise vehicles at auctions.

Only inspectors with a certification of Level 3 or higher may assign a score to a vehicle. However, employees

generally take three years on average to acquire a Level 3 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 3 certification 8 months after joining USS. All 12 training program participants in FY 2023 and all 17 participants in FY 2024 succeeded in obtaining Level 3 certification in their first year of joining the Company. This training program has yielded satisfactory results in the rapid development of our vehicle inspectors, and has become an established part of our human resource development initiatives.

In FY 2025, we plan to achieve a 100% Level 3 certification rate among 7 participants while also reducing the training period by approximately one month. Going forward, we will strive to deliver a compact training program tailored to the number of participants so that each participant can improve their understanding of vehicle inspections and improve their skills in a shorter period. 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, 2025)

291
(41.9 % of employees)

Message from One of Our Vehicle Inspection Instructors



Akira Taniguchi
Vehicle Inspection Department,
Kyushu Auction Site
USS Co., Ltd.

Personalized guidance to develop inspectors with immediate impact

As a vehicle inspection instructor, I have been involved in human resource development efforts such as administering Level 1 to Level 4 certification exams. Based on my experience, I have developed an awareness of the characteristics of individual trainees participating in the inspector training program, including their level of knowledge, strengths, and shortcomings. This has allowed me to recognize the need to provide training commensurate with their learning speed and level of competency. Going forward, I will continue to create a better training environment and contribute to the development of inspectors who can have an immediate impact.



Ryoya Kako
Auction Operation Office
USS Co., Ltd.

Accelerating human resource development through continuous improvements

I am in charge of developing inspector training programs, with an emphasis on creating curricula and materials that enable an accurate understanding of vehicle inspection knowledge, which tends to be confusing to participants due to its many technical terms. By annually updating the training curricula, average written and practical test score have increased, and I believe that we have succeeded in expediting the human resource development process.

3

Resource recycling systems

Contributing to a recycling-oriented society in all aspects of our business

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.



Crushed metal materials from ARBIZ Co., Ltd.'s resource recycling business.

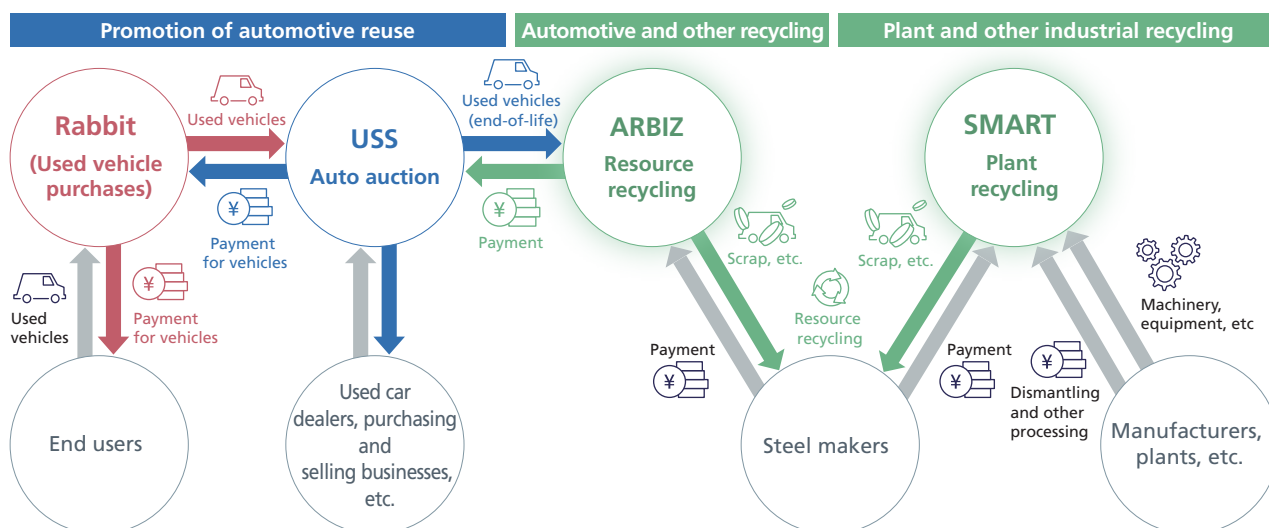
ARBIZ Co., Ltd. has been developing a business to recycle the metal and plastics produced by end-of-life and other vehicles. Our strengths in this business are manifested through our unique and patented recycling technologies and technology to design plants that can handle a broad range of waste. We are also currently involved in commercializing the horizontal recycling of aluminum*, the recycling of solar panels, and the recycling of information security and other IT equipment. Through these efforts, we expect to deliver recycling technologies in areas where demand is expected to increase in future.

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.

* Horizontal recycling refers to a recycling technique that utilizes used products as raw materials to manufacture similar types of products.



Initiatives to realize a recycling-oriented society



History



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.



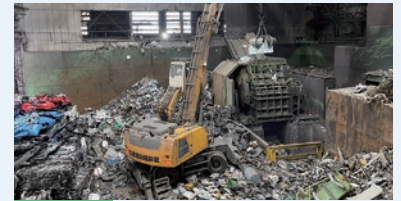
December 2000

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

1980

Consigned vehicles:

1,253

(FY1981)

Auto auction business

2001

Used vehicle purchasing and selling business

2003

Recycling business

Consigned vehicles:

2,148,300

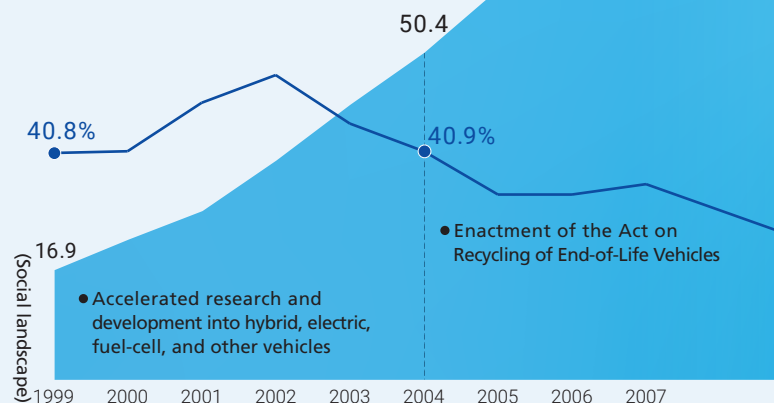
(FY2004)

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 (%)





Auto auctions March 2018

Acquired Japan Automobile Auction Inc. as a wholly owned subsidiary



Auto auctions October 2021

Merged Japan Automobile Auction Inc. and HAA Kobe Inc.



Auto auctions October 2005

Started live internet services



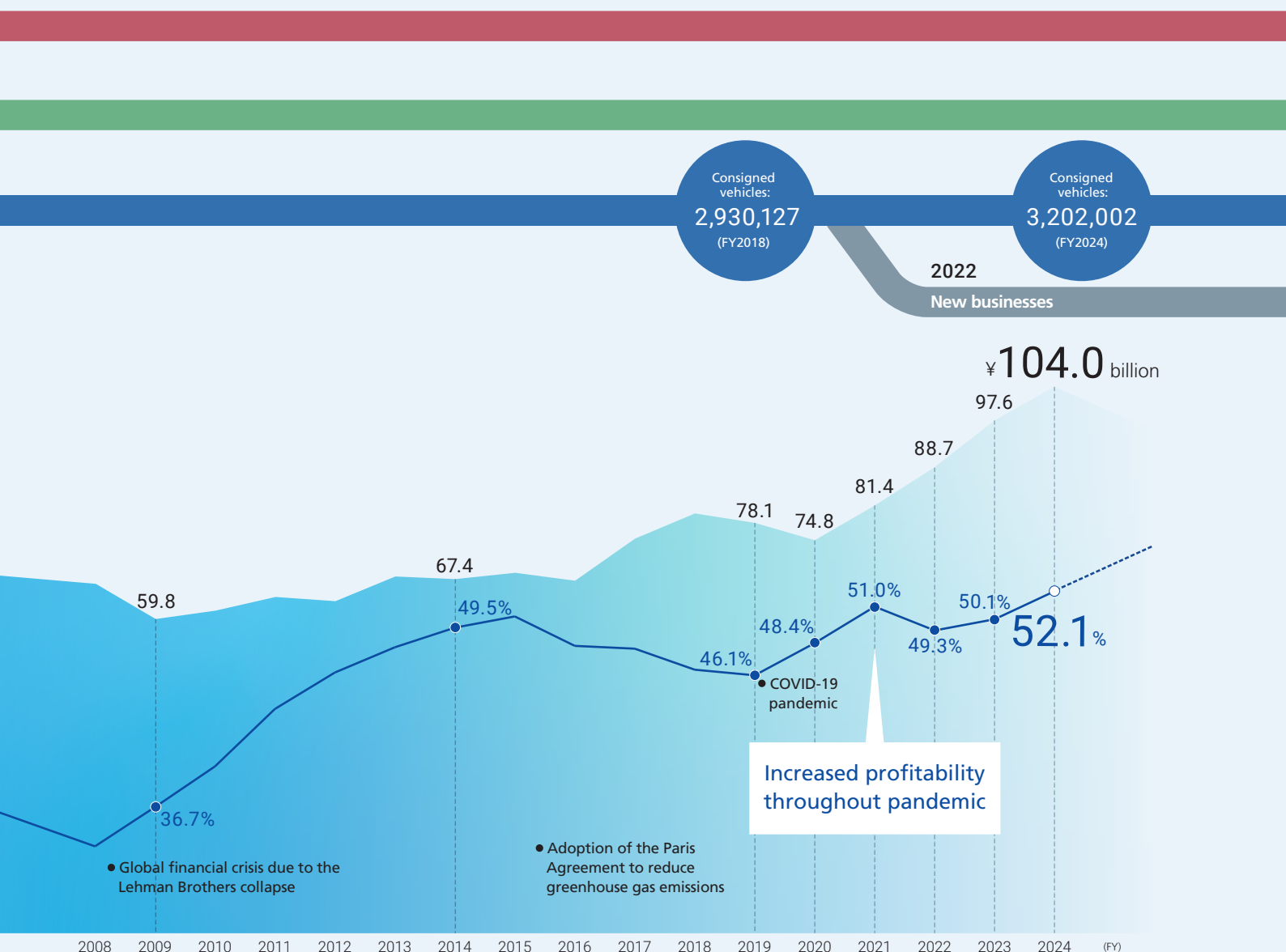
Recycling April 2019

Established SMART Inc. and launched the industrial plant recycling business



New April 2023

Partnered with Global Mobility Service Inc. to launch a new auto loan service



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)
- Vehicle inspectors

695

291

(As of March 31, 2025)

Social capital

More than 1,000 new corporate members join annually, with a large membership base throughout Japan

- On-site auction members
- CIS (Internet) auction members

48,160

35,148

- Dedicated terminal auction members

1,964

- Auction sites

19

locations throughout Japan

- Used car purchasing stores

141

locations (16 directly operated, 125 franchised)

(As of March 31, 2025)

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 2024)

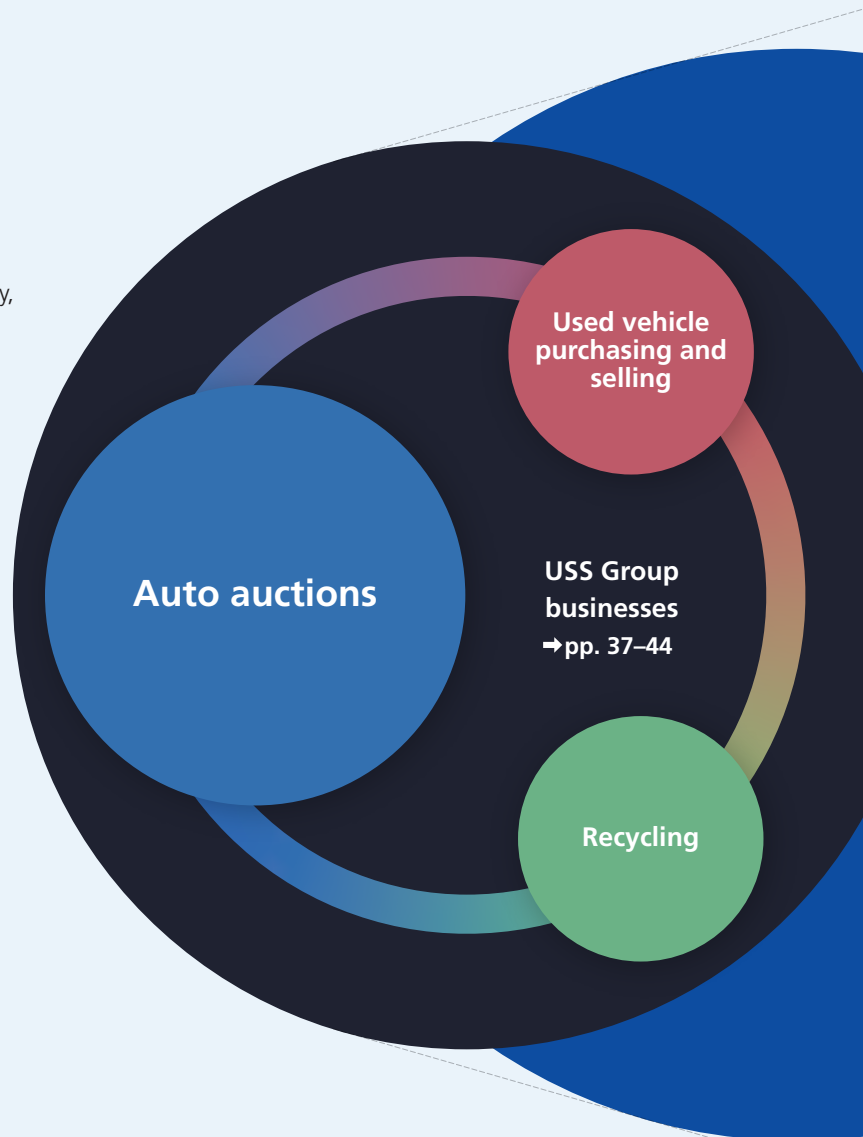
- Total assets
- Equity ratio

¥267.3 billion

76.2 %

Natural capital

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



Solutions to important
material subjects

→ pp. 25–28

Resource
recycling

Climate
change

Human
resources
management

Information
management

Fair and
equitable
business
dealings

Value

Social value

- Provide auctions where every member can be confident in having a fair and equal standing
- Offer better access to quality automobiles at an affordable price
- Support employment opportunities in automotive occupations
- Support employee growth and respect diversity

Contribute to a circular economy

Economic value

- Sales
¥ **104.0** billion
- Operating profit
¥ **54.2** billion
- Return on equity
18.9%

FY 2024 results



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.

We will continue to earn customer trust and realize further corporate growth by expanding the fair and equitable auto auction market.

We will expand our market share through strong competitiveness by adhering to our philosophy of fairness and equality, which has been our strength since founding.

Since its founding, USS has promoted market creation based on the philosophy of providing fair and equitable transactions, and serving all customers equally. Our commitment to practicing this philosophy has earned us a high level of trust and recognition from our customers, and has enabled continuous growth in our auto auction market share and membership base. Many of our long-term auction customers have informed us that the main reason they use USS is that they can trade equally and fairly regardless of how few or how many vehicles are on auction, thus reminding us that our philosophy is our greatest strength.

Meanwhile, the used car industry has again been beset by scandals involving several used car dealers over the past year, calling into question the trust of the entire industry. Although our business model does not involve dealing directly with consumers, as a leading company that has striven to build a fair and equitable auto auction market, we find these improprieties to be very disappointing. By providing opportunities for

transparent and trustworthy transactions, we will continue working to dispel distrust of the industry and create an environment in which people can be confident in buying a used vehicle.

Our medium- to long-term management goal is to achieve a 50% market share of the auto auction business. To achieve this goal, we believe it is important to further enhance the reliability of auto auctions. Going forward, we will continue to build on the foundation of our fair transaction systems to evolve in response to the changing times so as to further enhance our trustworthiness and competitive advantage, leading to the accelerated acquisition of new members and corporate growth.

To enhance our trustworthiness in the market, it is also crucial to raise awareness of our philosophy among our onsite employees. At our auto auction manager meetings held several times a year at the head office, our auction site managers repeatedly communicate the significance of fairness and equality and equal treatment in an effort to raise awareness among our onsite employees. I myself visit each auction site to explain the importance of our philosophy in my own words. Through these efforts, we aim to establish the USS mindset among all of our employees, foster the next generation of management personnel, and achieve sustainable corporate growth. I personally intend to lead our expansion of the fair and equitable auto auction market as a flag bearer for practicing our management philosophies including creating a fair market, and as our management leader for corporate growth.

I will also emphasize enhancement of our shareholder value as one of the responsibilities of a publicly listed company. As part of these efforts, USS plans to proactively provide shareholder returns, including raising the total payout ratio in the three-year period starting from FY 2025 from at least 80% to at least 100% (for more information, see pp. 29-30).

We aim to create long-term value by developing management resilience with a robust governance structure in line with the expansion of our corporate scale.

USS is strengthening its environmental, social, and governance (ESG) initiatives in order to become a model company in the industry. On the environmental front, we have made information disclosures in line with the TCFD and obtained SBT certification. On the social front, we have been actively promoting human resource development. From FY 2025, we are also focusing on strengthening our governance structure to ensure robust management.

We have grown to become a company with consolidated net sales of over ¥100 billion. With a major capital investment of ¥50 billion yen scheduled by FY 2027, our management and auction site employees must work together to rapidly respond to our future business strategies, associated risks, and auction site-related issues. We have therefore established a new management committee in which our management team, auction sites, and head office share information and discuss business strategies.

In order to identify management issues and respond to them in an expedient manner, our management team and outside officers must work together to advance discussions. Whereas our Outside Directors and Outside Auditors have previously exchanged their opinions on an individual basis, going forward we will establish a regular forum for all Outside Directors and Auditors to gather together in discussion. We have also decided to shorten the maximum term for Outside Directors from eight to four years. As prolonged tenures as director involve a risk that management oversight function may become lax, the composition of the Board of Directors will be renewed periodically to establish a more sound governance structure. We believe that this will facilitate more rigorous and focused discussions.

Management issues also tend to change according to the scale of the company and changes in the business environment. We will respond to these changes by promoting organizational reforms and pursuing greater long-term corporate value.



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 promote strategies for sustainable growth with a focus on expanding our market share of the auto auction business.

We have achieved our best financial results while increasing dividends for 25 consecutive fiscal terms.

USS also expects to increase income and profit in fiscal 2025 as well.

In FY2024, the auto auction business performed very well. The driving factors behind the growth in our business performance were not only an increase in the number of vehicles on auction but also a significant increase in the number of completed contracts. One positive factor has been the increase in auction lanes at the Tokyo Auction Site to 16 lanes with the aim of reducing auction times which typically went late into the night, resulting not only in earlier auction finishing times but also more available auction slots during the evening slot which is more amenable to sales, and therefore a greater number of vehicles able to be auctioned. Another factor contributing to our performance has been the high percentage of high quality vehicles on auction, including popular models and luxury vehicles. Above all, we perceive that the intensive increase in the number of vehicles on auction has been due to our brand reputation for fair and equitable transactions that we have fostered over many years.

The business performance for the fiscal year ended March 31, 2025 marked a record high, with net sales of ¥104,021 million, up 6.6% year on year (YoY), operating profit of ¥54,206 million, up 10.8% YoY, and profit attributable to owners of the parent of ¥37,636 million, up 14.4% YoY. We achieved increases in both revenue and profit for the fourth consecutive fiscal year. Return on equity (ROE) was 18.9%, exceeding our mid-term management goal of 15% for the fourth consecutive year. Based on this strong performance, we set the annual dividend per share rose to ¥43.4, representing a payout ratio of 55.0%. As a result, we achieved dividend increases for the 25th consecutive fiscal year since our listing.

As for the outlook in the fiscal year ending March 31, 2026, USS plans ¥111,800 million in net sales, up 7.5% YoY, ¥56,500 million in operating profit, up 4.2% YoY, and ¥38,850 million in profit attributable to owners of the parent, up 3.2% YoY. We also anticipate an annual dividend per share of ¥50.40, aiming to achieve our 26th consecutive year of dividend increases.

In the used vehicle purchasing and selling business, our earnings were solid in the first half of the year but our gross profit per vehicle decreased in the second half, resulting in full-year earnings matching the level of the previous year (for more information, see pp. 41–42).

In the recycling business, the profit level of plant recycling declined significantly compared to FY 2023 and FY 2024 (for more information, see pp. 43–44).

Looking at our performance in the first quarter (April to June) of FY 2025, the number of new vehicle registrations continued to recover. Our auto auction business performed well in the first quarter, with a 20.4% YoY increase in the number of vehicles to 907,000, a 7.8% YoY increase in the number of completed contracts to 571,000, and a 62.9% contract completion rate compared to 70.3% in the same quarter of last year. Accordingly, our consolidated results for the first quarter all reached record levels, with a 6.8% YoY increase in net sales to ¥27.389 billion and a 9.4% YoY increase in operating profit to ¥14.708 billion, leading to an upward revision of our full-year earnings and dividend forecasts.*

* Our forecasts reflect revisions made on August 5, 2025.

We are implementing measures that will lead to an increase in members and auctioned vehicles through strategic projects toward a 50% market share.

Amidst these circumstances, from FY 2025 USS has shifted its medium- to long-term management goal to a policy of driving company-wide growth by concentrating resources on the auto auction business and realizing the 50% Market Share strategic project described later in this report. In terms of our financial targets, we will raise ROE from 15% or higher to 20% or higher, our dividend payout ratio from at least 55% to at least 60%, and our total payout ratio over the three-year period from FY 2025 from at least 80% to at least 100% (for more information, see pp. 29–30).

Medium- to long-term management goal



To achieve this medium- to long-term management goal, in April 2024 we launched the strategic project “50% Market Share” under the leadership of our management team and core employees, and incorporating the knowledge of outside experts.

After surveying and reviewing the business environment and market trends, our initial target over the next few years is to achieve a 45% market share, with the aim of realizing our ultimate goal of 50% market share. Under our new strategic roadmap developed in September 2024, we have positioned service improvements in both our auction site facilities and equipment and our provision and analysis of information as crucial elements for achieving our goals (for more information, see p. 22).

As part of our activities for the 50% Market Share strategic project, we are implementing the Breakthrough Project to achieve results in a short 90-day intensive period for issues such as acquiring new members and increasing the number of vehicles on auction, and have implemented several measures (for more information, see p. 23).

In addition to marketing measures, we are also promoting a workplace environment improvement project to encourage activities among our young employees. This is an initiative to encourage our young employees to proactively identify issues, consider measures for their improvement, and independently take action. USS will strive to strengthen our human resource base by respecting the individuality of our site employees and enhancing the capabilities of individual human resources while pursuing positive outcomes.

Another one of our priority measures under the 50% Market Share strategic project is to enhance our systems. We are building the USS Digital Platform to provide our members with auction information and business support services by leveraging big data gathered from auto auctions (for more information, see p. 24). We believe that this platform will be a powerful driving force in our efforts to expand market share by contributing to strengthening our marketing power and improving our operational efficiency.

While monitoring changes in the long-term business environment, we will do our utmost to promote the strategic project for achieving a 45% share of the auto auction market in three years.



We are enhancing our existing businesses and expanding into new areas with a basic policy of stabilizing earnings in the recycling business. We will diversify our business portfolio.

In the recycling business, our basic policy is to secure stable earnings. Our group companies ARBIZ, which is expanding the resource recycling business, and SMART, Inc., which is expanding the plant recycling business, are both aiming to achieve net sales of ¥10 billion.

In the resource recycling business, we will expedite the commercialization of closed aluminum recycling and solar panel recycling. We also plan to expand our business into the recycling of IT-related equipment, which has seen increased demand in recent years (for more information, see pp. 43–44).

In the plant recycling business, we are strengthening our marketing activities to restore profitability, and are aiming to increase orders by leveraging the information and expertise of SMBC Group while also deepening collaboration with our partner SMFL Mirai Partners Co., Ltd. (a wholly owned subsidiary of Sumitomo Mitsui Finance and Leasing) (for more information, see p. 44).

In April 2023, USS Support Service, Inc. began offering auto loans and has continued offering this service over the past two fiscal years. As of the end of March 2025, the number of franchise stores was approximately 850 and the number of vehicle loans was approximately 8,000.

Going forward, we will continue to strengthen our existing businesses and diversify our business portfolio, including businesses that contribute to the realization of a recycling-oriented society and circular economy. With the fair and equitable auto auction business at the core of our operations, we will enhance our corporate value to become an entity that continues to earn the trust and confidence of our customers, employees, and all other stakeholders.

Dai Seta

President and Representative Director (COO)

FOCUS 50% Market Share strategic project

To achieve our long-term goal of 50% market share in the auto auction business, we have developed strategies and measures from the perspectives of sales, DX, and human resources.

Project goals and vision

The goal of this project is for our management team and core employees to plan and review measures to enable USS Auto Auction to achieve a 50% market share and to map out a unique growth strategy. In the process, we also aim to strengthen our human resource base of project members and site leaders. The project will proceed based on analysis of the company's internal and external environment, and ongoing reviews of the growth factors and strategic concepts for achieving 50% market share. Moreover, we will work towards digitalization of our auto auction business model with the aim of revitalizing the used car market.

Strategy and goals to achieve 50% market share

In order to make steady progress toward our long-term goal of achieving a 50% market share, we have established a strategic roadmap with the initial goal of achieving a 45% market share in the next three years. This strategy is targeting service improvements through facility and equipment enhancements including the construction of new auto auction sites and increased auction lanes. Moreover, we will build a digital platform that connects users to sellers, bidders, and the auto auction market, promote DX through the use of big data, and strengthen our human resource base. Through these efforts, we will efficiently acquire members and increase the number of vehicles on auction, thereby expanding our market share.

Strategic roadmap to achieve 50% market share

Consigned vehicles					
7.62 million (CY 2025)	Approx. 42% Current share	43% (2026)	44% (2027)	45% (2028)	
Strategy	Apr 2025–Mar 2026		Apr 2026–Mar 2027		Apr 2027–Mar 2028
Constructing new auto auction sites	Enhancing facilities and equipment to increase number of vehicles for auction, completed contracts, and members				
	Constructing Yokohama Auction Site		Tokyo Auction Site		HAA Kobe Auction Site
Increasing number of auction lanes Expanding storage lots	Reducing bidding time				Upgrading systems and expanding storage lots
Expanding data linking services	Proactively linking data to expand long-term membership base				Toward a new business platform based on auto auctions leveraging big data
	Providing bidding result data		Providing business request data		
Promoting digital consignment	Increasing convenience of digital consignment to promote ease-of-participation				
	Leveraging VIN numbers		Expanding search functions		
Collaborating with other companies (vehicle database)	Expanding services and increasing membership through collaboration with other companies				• Initiatives for vehicle consignment from companies in different industries • Collaboration with Rabbit Car Network • Bolstering collaboration with Repro World • Identifying new sources of income
	Linking databases		Expanding market price/appraisal services		
Coordinating sales within the Group	Strengthening sales coordination among auction sites to discover untapped areas				
	Reclaiming non-active members		Promoting logistical streamlining		
Implementing sales promotion measures for new membership Upgrading events	Upgrading sales initiatives and events to increase vehicle collection efficiency				
	Promoting and expanding new memberships		Reviewing PR activities		Optimizing consignment fee rebates and promotional expenses
Expanding customer-facing services Employee training and personnel systems	Building member trust to create an environment amenable to participation				
	Thoroughly implementing an attentive and courteous approach to members		Improving our expedient proposals and responses to member needs		

50%
Market Share
strategy



50% Market Share strategy

Measures and actions to achieve targets

Under our 50% Market Share strategy, we launched the Breakthrough Project for site-based new member acquisition in order to fulfill the strategies outlined in our roadmap. Through this project, each auto auction site is taking the initiative to acquire members and improve operational efficiency by setting priority themes to be implemented toward Market Share 50.

In terms of strategic and systems planning, we will promote development of the USS Digital Platform as an information system to support the operations of existing members. We are developing this service with the goal of providing and using information to support all used vehicle distribution operations including trade-ins, purchases, auctions, sales, and exports.

Breakthrough Project		Strategic and systems planning	
Implementing the 50% Market Share strategy from a site-based approach	+ Fostering organizational unity and self-motivation	Strategy to expand small and medium-sized membership base	+ USS Digital Platform
• New member acquisition project • Project to reclaim non-active members through collaboration among auction sites	• Project to support data entry operations for vehicles on auction • Workplace environment improvement project to encourage self-motivation among young employees	• Marketing strategy to acquire small and medium-sized members • Strategy to support B2C operations • Strategy to support auction site marketing operations	• Strategy to support B2B2C operations • Digital platform marketing strategy • Management resource strategy

Breakthrough Project

We will promote acquisition of new members, operational efficiency, and consolidation of our strengthening of the HR base through site-driven measures.

Under the Breakthrough Project, we identified four projects for priority implementation, and undertook a 90-day pilot initiative beginning in the autumn of 2024. (1)Under the project to attract new members and plan attractive services, we conducted intensive membership marketing at four auction sites. (2)Under the project to reclaim non-active members through auction site collaboration, we conducted marketing activities to reclaim members who have not

auctioned any vehicles for at least six months through auction site collaboration in each area. (3)Under the project to support data entry operations for vehicles on auction by balancing the workload among auction sites, and strengthened our emergency response capabilities. (4)Under the workplace environment improvement project to encourage self-motivation among young employees, our young employees planned and implemented improvements to promote interactions with other departments, employee health and work-friendly environments, and subsequently provided follow-up feedback. As a result of the pilot, each project achieved outcomes that exceeded our initial expectations (see table below).

We plan to continue implementing multiple projects in FY 2025 and beyond.

Four priority projects and outcomes

Project	Structure for implementation	Target	Outcome
(1)Attract new members and plan attractive services	Collaboration among 4 auction sites	Total of 100 new corporate members at 4 auction sites	Total of 120 new corporate members
(2)Reclaim non-active members through collaboration among auction sites	Collaboration among neighboring auction sites in 3 areas	Kansai area: 45 companies Chugoku/Shikoku area: 35 companies Koshinetsu area: 20 companies	Kansai area: 95 companies Chugoku/Shikoku area: 154 companies Koshinetsu area: 104 companies
(3)Support data entry operations for vehicles on auction	Collaboration among neighboring auction sites in 3 areas	Data operations for 10% of vehicles on auction in all areas to be preformed at other auction sites	Kansai area: 1.9% (4-week average) Chugoku/Shikoku area: 17.7% (2-week average) Koshinetsu area: 23.4% (4-week average)
(4)Workplace environment improvements to encourage self-motivation among young employees	Young employees at head office management division and Nagoya Auction Site	Execute plan for improvement (single theme)	Young employees to take initiative in implementing proposals First step in transforming workplace environment

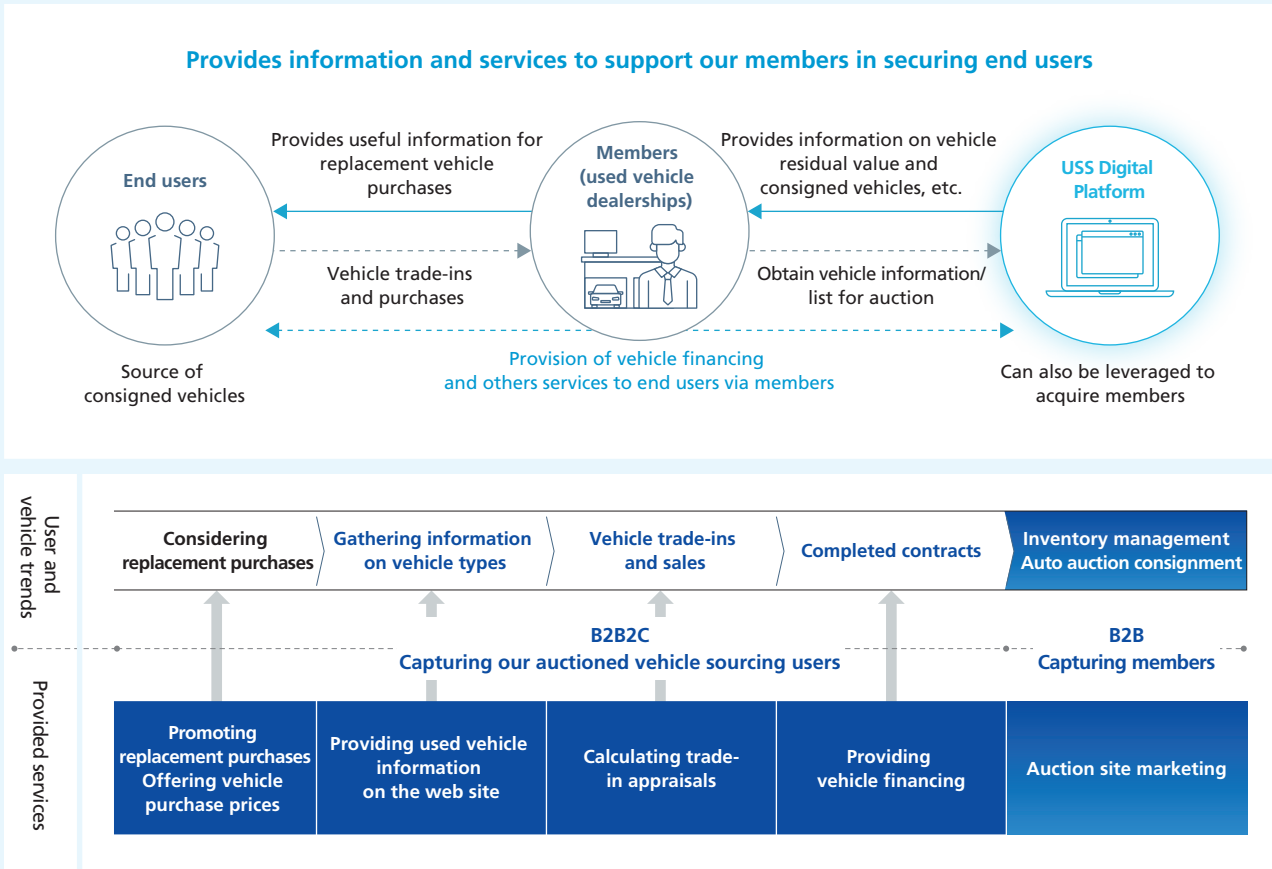
Strategic and systems planning

Strategy to support operations of auction members through development of the USS Digital Platform

One initiative under this strategy is our information provision service during end user replacement vehicle purchasing and information gathering stages. We will incorporate an AI-based system capable of predicting residual values of end user-owned vehicles into our existing USS member internet auction system (CIS) to support our members in securing end users.

Furthermore, our sales representatives and auction site operations staff use our USS Digital Platform to conduct more efficient sales activities for our existing, non-active, and potential members, backed by data on auction site and area market attributes.

USS Digital Platform



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)

Resource recycling	
Climate change	
Human resources management	
Information management	
Fair and equitable business dealings	

Reason	Long-term financial impact (O : Opportunity R : Risk)
In the pursuit of securing the circular economy required by society at large: • The auto auction business will contribute to the reuse of automobiles. • The recycling business will contribute to the resource recovery and recycling of automobiles and plant facilities.	O Stable demand of used vehicles (auto auction business) O Broader dismantling and recycling needs for automobiles and plants (recycling business) R Shrinking used car market due to a sharing economy and other shifts in values
In the pursuit of carbon neutrality throughout society at large: • An increase in the EV share of the new car market could have a financial impact on the auto auction business. • USS and everyone throughout the value chain must engage in initiatives to reduce greenhouse gas emissions.	O Demand to shift to EV alternatives energizing the used car market R Increasing costs related to the reduction of greenhouse gas emissions (net zero emissions) at USS and throughout the value chain
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.	O Recruitment of human capital with a wide range of skills R Lower number of job seekers due to a smaller workforce R Business stagnation due to an aging employee base
The auto auction business handles personal member information and confidential information.	O Business expansion versatily capitalizing on big data R Loss of reputation and decline in membership in the event of any personal or confidential information leaks
Unfair and unequal auctions due to preferential treatment of some members or other inappropriate behavior.	O Enhanced brand power made possible by securing and promoting a fair and equal standing for everyone R Loss of reputation and decline in membership in the event of any improper business dealings

KPIs for priority subjects

Priority subjects (materiality)	Main initiatives	Key performance indicators (KPIs)	
Resource recycling	- The auto auction business will enhance the efficiency and member convenience of automotive inspections through the use of digital technologies. - The recycling business will promote plant recycling through SMART Inc.	Digital consignment rate at auto auctions (%)	
		Waste rate (tons of waste produced / tons of receivables) (%)	
		Metal recycling rate (tons of metal shipments / tons of metal receivables) (%)	
		End-of-life vehicle recycling rate (%)	
		R2 certification	
		Recycling rate (excluding materials containing asbestos) (%)	
Climate change	- Surveys and research on handling EV - Identification and reduction of greenhouse gas emissions (In the process of promoting activities to reduce Scope 1, 2, and 3) - Introduction of energy-saving measures, renewable energy, and solar power generation at business sites	Total Scope 1 and 2 CO ₂ emissions (t-CO ₂)	
		Scope 3 CO ₂ emissions (t-CO ₂)	
Human resources management	- Respect of human rights and diversity - Fair and equal treatment and working conditions - A higher level of education and training - Occupational health and safety management	Employees with a level three or higher vehicle inspector certification (people)	
		Average length of time necessary to acquire a level three vehicle inspector certification (months)	
		Women appointed as executive officers (deputy senior staff or above) (%)	
		Ratio of women in management (%)	
		Acquisition rate of paid leave (%)	
		Employment ratio of persons with disabilities (%)	
		Turnover rate (%)	
		Number of occupational accidents (incidents)	
		Frequency rate of occupational accidents requiring leave	
		Severity rate of occupational accidents requiring leave	
Information management	- Establishment of a privacy policy - Proper management of member information - Acquisition of the PrivacyMark	Ratio of employees attending PrivacyMark training (%)	
		ISO 27001 certification	
Fair and equitable business dealings	- Thorough awareness-raising about the corporate philosophy to create a fair market - Operation of a unique system to monitor inappropriate transactions - Formulation and distribution of anti-corruption and other basic policies on websites	Wrongful acts by employees (incidents)	

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

Scope	Actual (fiscal year)					Target	Relevant pages	Relevant SDGs
	2020	2021	2022	2023	2024			
USS Co., Ltd.	0.0	0.2	2.0	7.6	29.3	Online vehicle consignment rate of 50% or higher	pp. 43 –44	
ARBIZ Co., Ltd.	13.1	8.3	6.0	3.6	3.4	15% or less in receivables		
	45.7	43.7	52.4	54.2	60.2	Over 40% in receivables		
	100.0	100.0	100.0	100.0	100.0	100.0%		
	Yes	Yes	Yes	Yes	Yes	Maintain certification		
SMART Inc.	95.6	94.3	94.3	96.0	95.6	Over 90%		
USS Group	16,838	16,735	15,703	14,076	13,866	42% reduction by FY2030 (Base year: FY2021)	pp. 60 –66	 
	241,146	256,369	265,347	267,692	268,954	25% reduction by FY2030 (Base year: FY2021)		
USS Co., Ltd.	258	261	255	272	291		pp. 33 –34 pp. 55 –59	 
	26 months	26 months	26 months	15 months	8 months	8 months		
	5.9	6.8	7.6	8.9	9.4	Over 8% of all employees		
	0	0	0	2.6 *2	3.9	Over 5% by FY2025 Over 10% by FY2030		
	50.6	64.4	63.3	69.6	61.4	Maintain an acquisition rate over 60%		
	1.63	2.09	2.48	2.25	2.47	Maintain an employment rate at or above that mandated by law (2.3%)		
	2.9	4.7	6.0	6.0	5.1	5% or less		
ARBIZ Co., Ltd.	3	2	3	2	9	0		
	9.47	6.53	9.33	6.27	27.28	6.0 or less		
	1.55	0.99	0.05	0.00	0.08	0.5 or less		
	3.5	48.2	100.0	46.0	64.0	Over 50%		
USS Co., Ltd.	–	100.0	100.0	100.0	100.0	100.0%	p. 55	
ARBIZ Co., Ltd.	Yes	Yes	Yes	Yes	Yes	Maintain certification		
USS Co., Ltd.	0	0	0	0	0	0	p. 49 p. 55	

*2 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.

We will promote appropriate shareholder returns and growth investments to realize corporate growth over the medium to long term.

We aim to deliver even higher shareholder value by targeting ROE of 20% or higher and a total payout ratio of 100% or higher.

Under our medium-term management targets announced in May 2025, we raised our return on equity (ROE) target from 15% or higher to 20% or higher. As the company has continued to increase revenues and profits over the past several years, ROE has increased continuously to 17% in FY2023 and 18% in FY 2024. Given that leaving this target unchanged would raise concerns from the stock market about our future growth potential, we have raised our ROE to 20% or higher as a feasible financial target.

While profit growth is certainly very important, reducing equity through share buybacks and our dividend policy are also effective means for realizing this goal. We have therefore established a policy to raise the total payout ratio from at least 80% in FY 2024 to at least 100% over the three-year period from FY 2025 to FY 2027, and to perform a certain amount of share buybacks every year. We will optimize our capital efficiency and aim for an ROE of at least 20%.

With cash and deposits exceeding ¥100 billion, USS maintains a very sound financial position. As USS

will have ample cash on hand even after deducting the approximate ¥30 billion planned for shareholder returns, we have determined that there will be no financial issues and will therefore adopt a proactive policy of shareholder returns.

At the same time, we plan to make ¥50 billion in growth investments with a focus on the auto auction business over a three-year cumulative period from FY 2025 to FY2027. Based on these growth investments, we will expand our business and steadily increase our profits by way of capital expenditures, a larger workforce, and digital transformation (DX) via upgrades of our auto auction systems.

Through these initiatives, we intend to improve our stock price and expectations for future growth. Currently, our price-to-earnings ratio (PER)—one of the indicators used to evaluate a company's future growth potential—has risen 20-fold. To maintain this benchmark, we aim to further increase shareholder value by continuing to pursue both business strategies and capital policies oriented towards profit growth.

With our strong financial base, we will further expand shareholder returns and growth investments to deliver medium- to long-term corporate growth.

Our cash allocation policy going forward assumes a cumulative total of ¥140 billion in operating cash flows from the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2028 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 ¥50 billion during the three-year period up until the fiscal year ending March 31, 2028, and investments through M&A and business alliances considered separately.

Our investments in growth plan to allocate a total of ¥47 billion in the auto auction business. Among these, around ¥42 billion will be invested in building new facilities and adding a multi-store garage at our auto auction sites in Yokohama, Tokyo and HAA Kobe, and roughly ¥5 billion has also been earmarked for investments in core auto auction systems. These investments will surely enable USS to capture a 45% market share.

We also plan to invest around ¥3 billion in the recycling business (ARBIZ) to bolster aluminum, solar panel, and other resource recycling expected to have greater increase in demand in the future.

Estimates foresee about ¥120 billion in shareholder returns over the next three years to achieve our raised targets for a consolidated payout ratio of at least 60% and total payout ratio of at least 100%.

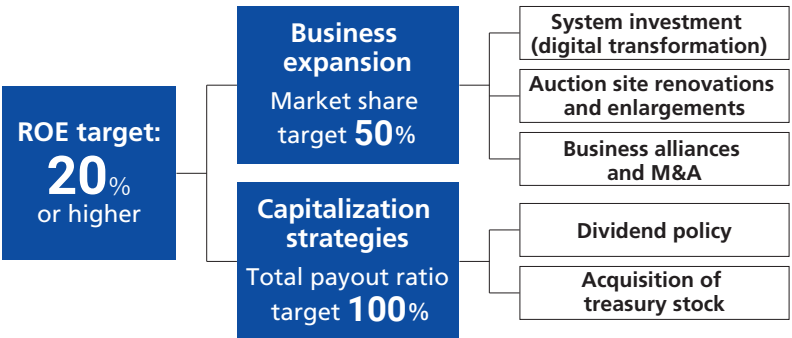


Masafumi Yamanaka

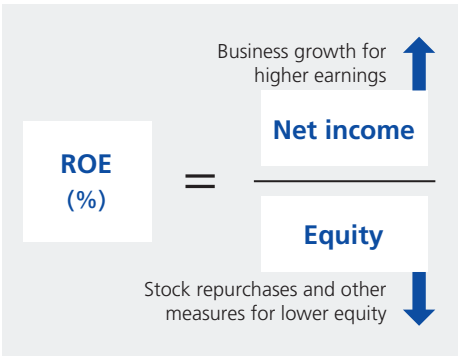
Executive Vice President and Officer of the Supervisory Office
(Executive Vice President in Charge of Finance)

Measures for improving ROE

KPI for raising the ROE and actions



ROE formula/improvement measures



Hiromitsu Ikeda

Junior Managing Director /
President and Representative
Director of US Butsuryu Co., Ltd.

Profile

Hiromitsu Ikeda joined USS in 1984 and was involved in the launch of new auction sites and system development. He was appointed Junior Managing Director in 2006 before being appointed as Officer of the System Office, Auction Site Manager, and Manager in charge of the Auction Operation Office. In 2024, Hiromitsu Ikeda was appointed to his current position of President and Representative Director of our subsidiary US Butsuryu Co., Ltd., and concurrently serves as a Junior Managing Director of USS Co., Ltd.



We are building good relationships with our partner companies to support stable auction operations.

We work with our partner companies to perform on-site operations that are essential for auto auctions, such as moving and photographing consigned vehicles.

Many partner companies are involved in supporting USS auction operations. At the USS auto auctions held Tuesday through Saturday at 19 auction sites nationwide, we provide essential on-site operations consisting of photographing and moving consigned vehicles and then rearranging vehicles after each auction concludes. Our subsidiary US Butsuryu Co., Ltd. (hereinafter “US Butsuryu”) undertakes these and various other on-site operations at USS auction sites. At our small auction sites, US Butsuryu uses locally hired staff to handle on-site operations. However, at our large-scale auction sites, staffing requirements can reach 200 personnel per day so we secure this workforce by collaborating with our partner companies primarily in the transportation and trucking industries.

US Butsuryu has established stable collaborative frameworks while concluding annual contracts with partner companies. Many of our partner companies have been doing business with us since our founding, and we conduct our operations based on a relationship of trust. Our on-site operations require extensive experience and expertise to efficiently and safely position ever-changing numbers of consigned vehicles within the limited confines of the vehicle storage lot. Due to the high level of expertise required, our outsourcing to partner companies with a proven track record has a direct impact on our operational efficiency and safety.

Moreover, faced with the social issue of a shrinking workforce, US Butsuryu is actively developing new

outsourcing partners. By leveraging our robust relationships with existing partners, we will add new partners to support stable and sustainable auction operations.

We will develop our transportation services to enhance convenience and cost effectiveness for our members and aim to strengthen our supply chain.

At the USS auto auctions, transportation services such as picking up consigned vehicles and delivering contracted vehicles are essential. US Butsuryu arranges vehicle pick-ups and deliveries from and to used car dealers who are USS auction members. We outsource our transportation services to over 30 companies ranging from major nationwide transportation companies to locally-based companies. Similar to our on-site operations, we have annual contracts with these transportation companies with an emphasis on compliance and safety. We also visit our partner companies on a quarterly basis to assess their current operations by discussing matters such as the scale of their carrier fleet, operating systems, number of drivers, and transportation routes. Based on this information, we develop and execute efficient and highly feasible transportation plans.

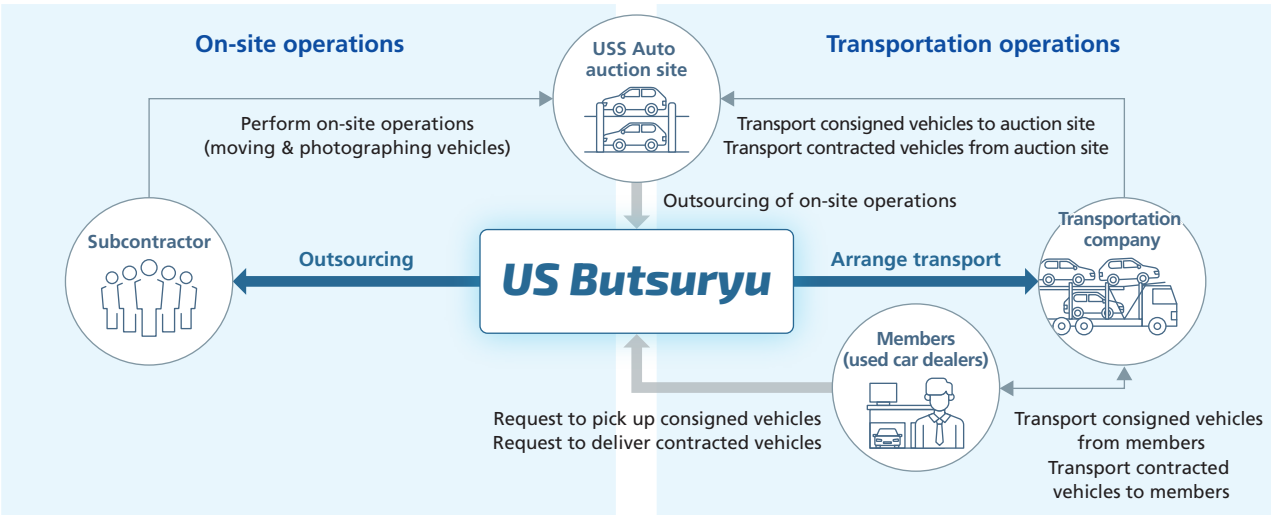
One initiative unique to US Butsuryu is that we provide an inter-auction site transportation service connecting each of our auction sites. For instance, if an auction member located in the Kanto Region successfully bids on a vehicle at the Nagoya Auction Site, we can transport the vehicle to the nearest site in the Kanto Region for handover to the auction member at their request. US Butsuryu integrates its transportation arrangements and consolidates shipments across multiple vehicles, thereby delivering a high level of convenience to our members by reducing transportation costs and shortening delivery times. This integrated approach also provide benefits for our partner companies such as efficient routing operations and improved load efficiency resulting in stable operations. Our consolidated shipment system also contributes to reducing environmental impact.

By expanding our inter-auction site transportation service, US Butsuryu will increase member convenience and pursue sustainable growth while collaborating with our partner companies. We believe that building a robust supply chain to support USS auto auctions will directly link to stable business operations and industry growth.

Hiromitsu Ikeda

Junior Managing Director /
President and Representative Director of US Butsuryu Co., Ltd.

US Butsuryu operations and supply chain



Yukio Niimi

Executive Officer and Manager of Kyushu and Fukuoka Auction Sites

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 expanding its human capital toward achieving its goal of 50% Market Share

Under our Workplace Environment Improvement Project, we will create an attractive workplace environment which will lead to the recruitment and retention of outstanding human resources.

We recognize that expanding our human capital is a key issue for implementing our 50% Market Share strategic project and achieving our targets toward the long-term growth of the auto auction business. That is why we have launched the Workplace Environment Improvement Project as one measure for addressing this issue, wherein our employees take the initiative to improve member convenience, increase operational efficiency, and improve the workplace environment throughout the Project with the aim of creating opportunities for growth and leveraging their abilities to create greater job satisfaction from the perspective of human resource training. One major objective of the project is to improve the competitiveness of our human resources in an environment where it is difficult to recruit young people due to Japan's declining population. Going forward, we look forward to receiving proposals from project participants that will lead to employee growth and job satisfaction. The project provides an opportunity for participants to think about issues and gain new insights, and we hope that managing the project will also lead to the development of management personnel.

Although we recruit human resources every year by hiring new graduates and mid-career professionals, a certain number of employees also leave the company each year, so improving the working environment and reforming our personnel policies are also issues that we need to prioritize. Under the 50% Market Share

project, our management goal is to increase our share of the number of vehicles on auto auction, which will in turn lead to an increase in the number of vehicles for inspection. However, one dilemma that arises from pursuing this goal is an increase in overtime work due to the increase in vehicle inspections and data entry for vehicles on auction. Given this situation, under our “Breakthrough Project” (for more information, see p. 23) and our promotion of DX to improve operational efficiency (for more information, see p. 36), we are striving to reduce overtime work through measures including the use of IT to improve the efficiency of our inspection work. By doing so, we are aiming to expand our human capital through the creation of an attractive workplace environment, the recruitment of outstanding human resources, and a reduction in the turnover rate.

The current lack of coordination among our 19 auto auction sites throughout Japan is another issue that needs to be resolved in order to realize the 50% Market Share project. Therefore, within the Breakthrough Project, we have developed and implemented a project in which our main auction sites collaborate to attract new members, and a project in which auto auction sites collaborate to balance the workload of data entry for vehicles on auction. These projects have achieved a certain level of success through the united efforts of our auction site managers, departmental management, and onsite employees, and we intend to continue implementing these projects in the future.

We are continuing our efforts in our vehicle inspector training program which has yielded positive results, and our efforts to promote women's empowerment.

From FY 2023, we introduced a vehicle inspector training program that has already yielded some successes. The vehicle inspector training program launched in April 2023 is intended to help employees obtain our proprietary Level 3 vehicle inspection certification in a short period of time soon after joining the company. The vehicle inspector certification provides Level 1 to Level 4 certifications, and employees cannot appraise a vehicle on an auction site until they have acquired a Level 3 or higher certification. Previously, our new employees took roughly three years to acquire Level 3 certification, but we have been able to condense this training through an intensive education program that enables rapid development. A total of 17 employees participated in the training in FY 2024, all of whom obtained Level 3 certification in the eight-month period from April to November 2024. In FY 2025, the training has started with seven participants and is proceeding with the goal of having them obtain Level 3 certification in seven months through a compact training program with a concentrated curriculum made possible by the small number of participants.

In terms of empowering our female employees, three new female managers joined the team, which brought the ratio of women in management to 3.9%. Going forward, we will continue to actively promote our female employees and support their empowerment through a variety of measures. We will increase our ratio of female managers to 5% and then 10% through training measures in which female management candidates participate in weekly management meetings held at our auto auction sites, and through our Workplace Environment Improvement Project initiatives.

I believe that my role in our human resource strategy is to focus on planning and implementing measures to expand our human capital in my capacity as a manager and facilitator of the Workplace Environment Improvement Project and the Breakthrough Project. I will also focus on passing on to other site managers the management know-how on auction site operations that I have developed through my experience as a site manager overseeing three sites.

Yukio Niimi

Executive Officer and Manager of Kyushu and Fukuoka Auction Sites

Establishing a resource-recycling business model linking the reuse of vehicles with the recycling of various resources

USS is promoting the advancement of a resource-recycling business model that combines vehicle reuse and resource recycling, with auto auctions as our starting point. In addition to expanding the reuse market by leveraging the strengths of our equitable transactions platform and highly accurate vehicle inspections, USS is also consolidating our inspection system and digitizing our auction slips in anticipation of the increased distribution of EVs.

We are also focusing on the recycling of end-of-life vehicles and plant equipment through our group companies ARBIZ and SMART. Furthermore, we are strengthening our response to new recycling needs, such as closed recycling of aluminum and recycling of solar panels and IT equipment. Through this series of initiatives, USS aims to enhance its competitiveness and increase its corporate value.

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

Contributing to the resolution of environmental issues through our business

	Key contributions to the environment	Effects of Measures
Auto auction business	Promoting reuse through auctions, purchasing, and sales of used vehicles	Pursuing reductions in greenhouse gas emissions through business expansion including deploying solar equipment at our auction sites (for more information, see pp. 63–66)
Used vehicle purchasing and selling business		
Recycling business (ARBIZ Co., Ltd., SMART Inc.)	Recycling of end-of-life vehicles, small home appliances, plant equipment, etc.	Enhancing the scope of our contribution by expanding our business into the fields of “closed recycling” of aluminum and recycling of solar panels and IT equipment (for more information, see pp. 43–44)

Basic structures and information disclosures

Structure	Information disclosures
- Formulating environmental policy and promoting activities to reduce environmental impact (for more information, see p. 60) - President and Representative Director assumes overall responsibility for climate change and reports quarterly to the Board of Directors (for more information, see pp. 60–61) - Identifying environment-related items as materiality and setting KPIs (for more information, see pp. 27–28) - Establishing stock remuneration linked to MSCI ESG Ratings and CDP ratings for director remuneration (for more information, see pp. 47–49)	- Acquired SBT certification (for more information, see p. 62) - Made disclosures in accordance with TCFD recommendations (scenario analysis, GHG reduction targets, risks/opportunities, transition plans (for more information, see pp. 60–66)

We will accelerate our efforts to promote DX based on pre-development stage verification.

Our basic approach to promoting DX

In order to accelerate our promotion of digital transformation (DX), from FY 2024 USS began performing proof of concept (PoC) in the pre-development stage of system development in collaboration with various partner companies. Under our previous model of system development, we commenced development after refining our plan and defining the system requirements and overall functional design, which required a considerable amount of time until actual implementation. However, since we began conducting PoC, we have been verifying whether new system concepts are suitable for our business and what they can and cannot do, and have subsequently implemented those systems that we have confirmed to be feasible. We believe that this approach will shorten the time required for system implementation and enable more rapid promotion of DX.

Status and results of our FY 2024 initiatives

We completed the roll out of our digital consignment system at all auction sites in FY 2024 as scheduled. We are currently working to update this system based on member feedback in order to further increase the percentage of digital consignments.

Our undercarriage imaging system has faced difficulties, with only about half of all sites having completed its implementation by the end of FY 2024. One reason for the delay is that an existing imaging studio must be fabricated in order to implement the system, and this has not progressed due to building structure issues at our auction sites. We expect to complete installation at all sites by the end of FY 2026 at the latest.

We are currently conducting PoC on the development of a service that utilizes “vehicle caution plates.”* We initially aimed to develop a service that would enable creation of digital consignment slips and management of vehicle title changes by analyzing the vehicle information appearing on the caution plate and linking this information to the vehicle certificate. However, after encountering difficulties in developing the image analysis technology, we are now considering alternative approaches to acquiring vehicle information, including the use of AI technology, with the aim

* A metal plate containing the VIN number and other vehicle information.

of launching the service in FY 2025.

Upgrading our auto auction systems

Our core auto auction systems can be broadly classified into the following two systems. The first system is used by our employees for back-office operations such as data entry for vehicles on auction, post-bid document management, and accounting. The second is the G-AIS system used by our members to check information on consigned vehicles via their buyer terminals at our auction sites.

The system for back-office operations is currently under re-development, with plans for a full upgrade in FY 2028. Given the predicted labor shortage during the implementation phase, we are working to secure sufficient human resources by recruiting mid-career professionals and other means. We will also expand use of the G-AIS system in conjunction with the planned opening of the newly constructed Yokohama Auction Site in January 2026.

Separate from these core systems, we are also building a front-end system to connect with our users as part of our digital platform under the 50% Market Share strategy. Going forward, we are planning to make this system available to our members to improve their convenience.

Our future DX promotion plan

USS has accumulated a vast amount of data on auto auctions over many years. Going forward, we will continue to promote DX while leveraging this data in order to realize auto auctions with greater convenience that provide a fair and equal standing to everyone. We will also establish a system that allows our member used car dealers to utilize our accumulated data, thereby contributing to smoother distribution of used vehicles. We believe that this will lead to an increase in the number of vehicles on auction at our auto auction sites, which will in turn lead to an increase in our market share.

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.

Used vehicle purchasing and selling business



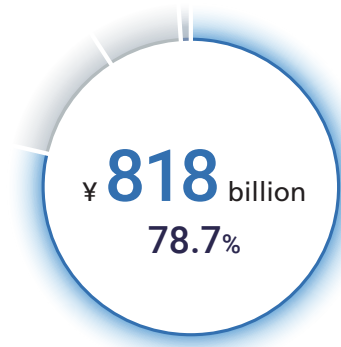
As a network of stores specializing in used car purchases, the Rabbit Car Network provides the supply of quality used vehicles indispensable to USS auto auctions. These used vehicles purchased directly from the owners through this nationwide network of stores and put up for auction by USS attract a tremendous 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.

Recycle business



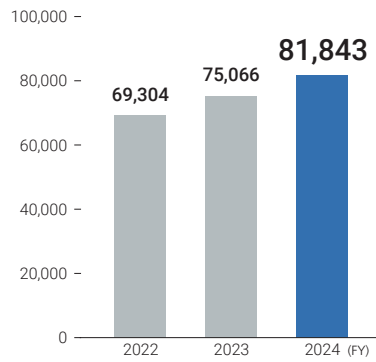
ARBIZ has been disassembling and recycling automobiles, office equipment, electronics, and various other waste since its founding in the fiscal year ended March 31, 2004. In the fiscal year ended March 2020, ARBIZ launched SMART as a waste disposal contractor for industrial equipment and plants. Its 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



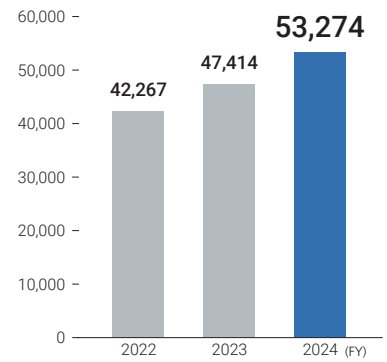
Changes in net sales

(Million yen)



Changes in operating profit

(Million yen)

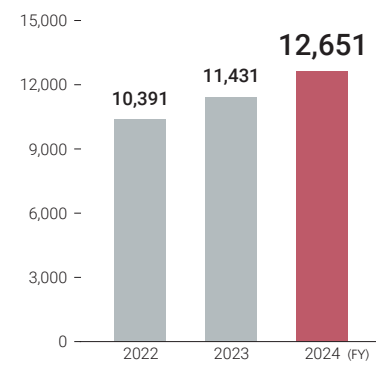


Sales composition



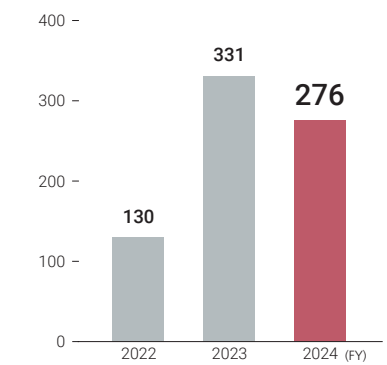
Changes in net sales

(Million yen)

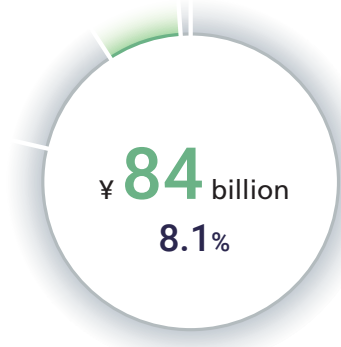


Changes in operating profit

(Million yen)

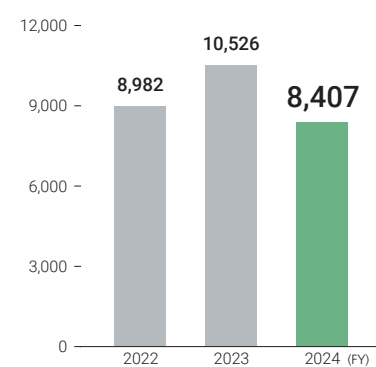


Sales composition



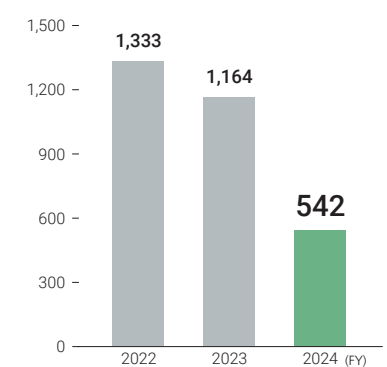
Changes in net sales

(Million yen)



Changes in operating profit

(Million yen)



Auto auctions

We will achieve our goal of 50% Market Share by focusing on attracting new members.

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

To summarize USS' business conditions in FY 2024, the average auction price increased after the continuing recovery in the supply of new vehicles caused an uptick in new vehicle purchases (hereinafter “vehicle replacement”) and a resulting market influx of quality used vehicles with a high trade-in price. Moreover, the increase in auction lanes at the Tokyo Auction Site from 12 to 16 lanes has reduced the daily auction finishing times by two to three hours, leading to further increases in the number of vehicles on auction.

Reducing working hours has recently become an important issue for our members participating in auto auctions. Shorter transaction times are highly beneficial to our members because they facilitate better business efficiency and work-style reforms. We believe that this type of initiative to improve convenience has been well received by our members, and has led to an increase in the number of vehicles on auction. The reduction in auction times has also had similar benefits for our own Company and employees.

We are also implementing other measures to streamline the auto auction process and reduce auction times through digital transformation (DX). One such measure is our digital consignment system which generates an auction sheet simply by reading the 2D barcode on a vehicle certificate. The use of digital consignment is steadily increasing at our main auction sites, and now accounts for more than 50% of all consigned

vehicles. Through these and other enhancements to our facilities and services, we believe that our ability to provide fair and equitable auto auctions and to foster trust over the years is one of our Company's strengths.

As a result of these market conditions and our efforts, in FY 2024, the number of vehicles on auction at our auto auctions reached 3.202 million vehicles (3.8% year-on-year [YoY] increase) and the number of contract completions reached 2.145 million (8.0% YoY increase). Furthermore, our Auto Auction Segment achieved an increase in both income and profit, with ¥81.843 billion in net sales from outside customers, up 9.0% YoY, and operating profit of ¥53.274 billion, up 12.4% YoY.

We recognize that the recruitment and training of human resources is an immediate challenge in terms of expanding our market share of vehicles on auction, which is directly linked to our business performance. One particularly pressing issue that we face is to supplement our human resources charged with vehicle inspections and document verification. We also recognize the need to expand our storage lots for storing vehicles on auction. Going forward, we intend to refine our storage lot expansion concept while envisaging the shifts in Japan's population and new and used car volumes.

Future strategies

Short- to medium-term strategies and practices

Under our auto auction business model, an increase in the number of members is directly linked to an increase in the number of vehicles on auction, which in turn leads to an uptick in revenue due to a proportional increase in fee income. Therefore, over the next one to two years, we will focus on acquiring new members and will consolidate our sales and service infrastructure in order to increase members.

We also introduced a new membership system to attract new members. While guarantors were required to obtain membership under the previous system, membership can be obtained without guarantors and members can participate in auto auctions at all sites under the new system. While the new system requires new members who successfully bid on an auctioned vehicle to pay for the vehicle before it can be shipped, we anticipate that the

ability to become a member without guarantors will expand our base of registered members. This new system is intended to increase the number of new members and expand opportunities for auto auctions.

As a measure aimed at reducing auto auction times, we are currently considering the addition of more lanes at the Nagoya and Osaka Auction Sites similar to that of the Tokyo Auction Site. Furthermore, to improve the convenience of external bidding, we have started providing 360 degree images of vehicle exteriors at the Nagoya Auction Site, and will gradually introduce this feature at large-scale site such as the Tokyo and HAA Kobe Auction Sites.

In terms of recruiting and training human resources, our training program introduced in FY 2023 to quickly develop vehicle inspectors (for more information, see pp. 9–10) has significantly improved the speed at which we are able to develop our human resources. We have also started training new graduates and mid-career personnel in FY 2025, and will expedite efforts to expand our immediate workforce.

Toward achieving our goal of 50% Market Share

We have also established these initiatives as measures under our strategic project entitled 50% Market Share (for more

information, see pp. 22–24). Through the continued implementation of this project in FY 2025 and beyond, we will achieve a steady increase in our market share of vehicles on auction, leading to increased revenue in our auto auctions. Furthermore, we recognize that in order to implement and achieve the goals of this project, it is crucial to establish a satisfactory working environment for our employees. Under our 50% Market Share strategic project, we have established the Workplace Environment Improvement Project (for more information, see p. 23, pp. 33–34, and p. 59) wherein our employees will consider and implement ways to promote self-motivation and job satisfaction, self-development, and training.

Through this strategic project that we are undertaking on a company-wide level, our management team will also need to develop and grow. We recognize the importance of laying the groundwork for this project over the next two to three years, and will continue our efforts to achieve the project goals.

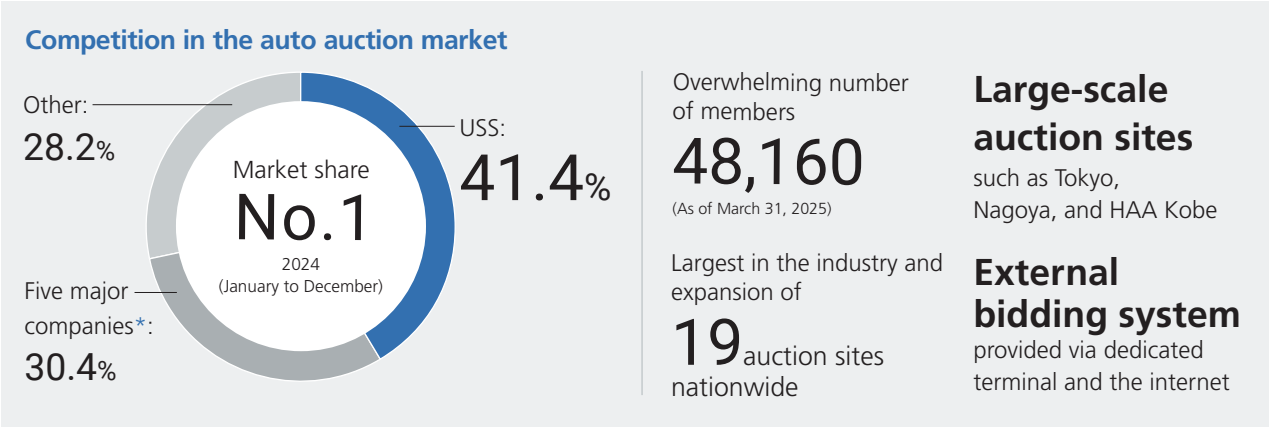
Masahiro Mikami

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

SWOT analysis

	Description	Responses & Countermeasures
Strength	• The largest number of members and vehicles in Japan's auto auction industry • Highly advanced vehicle inspection technologies	• Maintain fair and equitable transactions and improve technologies • Implement a short-term intensive vehicle inspector training program
Weakness	• An insufficient number of vehicles procured by Group companies for auction due to inadequate Group collaboration • A labor shortage including automotive inspectors and document verification staff	• Develop systems under the 50% Market Share strategic project and strengthen Group collaboration through the introduction of new services • Recruit new employees and improve the workplace environment through the Workplace Environment Improvement Project and other initiatives
Opportunity	• Replacement demand due to the increased supply of new vehicles within Japan • Increased sophistication and diversification of AI technologies	• Implement new membership system eliminating the need for guarantors • Introduce new services by linking VIN numbers and improve member convenience by improving provided images of vehicles
Threat	• Stagnation in land transport due to lack of drivers • Pressure from manufacturer-affiliated auto auctions	• Review various measures such as improving the operational efficiency of auto auction sites and establishing vehicle storage lot depots • Provide new services to specialized used car dealers

Data



* Five major companies: TAA (11.9%), CAA (5.7%), Arai (5.7%), MIRIVE (4.0%), and JU Gifu (3.1%)
Source: USED CAR Co., Ltd.

Used vehicle purchasing and selling

We will strive to further enhance our brand and increase the number of store visits and appraisals.

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

In FY 2024, the Used Vehicle Purchasing and Selling Segment generated an increase in sales but a decrease in profit, with ¥12.651 billion in net sales from outside customers, up 10.7% YoY, and an operating profit of ¥276 million, down 16.6% YoY. This outcome may have been due to the fact that, although our Rabbit Car Network which specializes in the purchase of used vehicles achieved both higher sales and profit, our accident-damaged vehicle purchasing and selling business posted an increase in sales volume but a decline in gross profit per vehicle, resulting in a decrease in profit.

In terms of market conditions, the first half of the fiscal year was affected by a shortfall in the supply of new vehicles due to reduced manufacturing by Japanese vehicle manufacturers that has continued since the previous fiscal year. However, the market price of used cars rose due to strong demand, yielding an increase in the gross profit per vehicle. Meanwhile, increases in the supply of new vehicles and the number of used cars in circulation in the latter half of the fiscal year caused a decline in auto auction market prices.

Amidst these circumstances, the Rabbit Car Network's strategic efforts over the past several years to become Japan's most trusted used car buyer are coming to fruition, with a steady increase in the number of store visitors. We have

achieved stable growth by not being overly concerned about market prices, by ensuring customer service that provides peace of mind and earns trust, and by continuing our efforts to increase appraisal opportunities and the number of purchased vehicles.

Outside of our industry, the perception of the used car industry in Japan continued to deteriorate as several used car dealers, including major companies were found to be involved in the same irregularities as last year. Although the Rabbit Car Network also tends to be perceived in a similar manner to these companies, more than 90% of its business essentially consists of used vehicle purchasing via directly managed chain stores, and it is not directly involved in automobile maintenance and repair stores or auto damage insurance. However, some of our franchise stores are involved in these business areas so we are providing comprehensive guidance to these stores to ensure that such irregularities do not occur. This situation also presents an opportunity for the Rabbit Car Network which operates on the basis of reliability and trust, and we are committed to further strengthening and differentiating our brand as the customer's brand of choice.

Future strategies

Corporate branding strategy to increase trust and recognition

One measure that we have taken to improve our brand recognition and increase the number of visits to our stores is brand development with our original character called "Rabbicar" (a rabbit-shaped car) positioned in the foreground of our brand logo. After distributing Rabbicar stuffed toys to customers whose vehicles were appraised at our stores, we received very positive feedback. We have since received numerous requests from people wishing to obtain or purchase this stuffed toy, and have launched an official online

store for Rabbicar-related products, as well as Rabbicar-themed stickers on the LINE instant messaging app. Rabbicar-related goods have even been featured on social networking sites such as Instagram, thus making a significant contribution to greater brand awareness among a wide range of customers.



As a measure to improve the level of trust among our customers, we launched an appraisal system at our franchise stores in October 2024. As of May 2025, this system has been rolled out at around 58% of our franchise stores. While appraisals were previously handled by fax, the new system incorporates data including vehicle images, thus enabling very precise, time-saving appraisals. We are now able to provide more reliable appraisals to our customers, and have also managed to improve operational efficiency. Going forward, we will continue our efforts with the goal of rolling out this new appraisal system to all of our franchise stores.

Another important measure to improve trust and brand recognition among our customers is the renovation of our existing Rabbit Car Network stores. In December 2024, the Yokohama/Eda Ekimae store underwent renovations including installation of backlit signage and a fresh interior, resulting in increased customer visits. In particular, the number of store visits by female customers increased. In the current fiscal year, we intend to launch one or two stores throughout the year with similar store branding on a prioritized basis.

Expanding chain stores and broadening support for franchise stores

As store expansion is crucial to increased earnings, we plan to open one new chain store in Sapporo and one in Osaka in June and October of 2025, respectively. This will bring the

total number of chain stores to 18, and we are currently on track to achieve our goal of 30 chain stores by FY 2029.

However, despite opening five franchise stores during the past year, there were also three store closures. Although we are planning to open four stores in the first half of FY 2025, strengthening the recruitment of franchisees is an issue given the possibility of similar store closures. We have set a goal of 170 franchise stores by FY 2029, and will leverage all means currently at our disposal to achieve this goal.

As a measure to expand the number of franchise stores, since May 2025 we have started marketing activities at all nationwide USS auction sites to promote franchisee membership. We are also displaying advertisements to recruit Rabbit Car Network franchisees on monitors at our auction sites. Moreover, this year we placed our first recruiting advertisements for Rabbit Car Network franchisees on the CIS website, which is an information portal for USS members. By strengthening cooperation with other USS Group companies, we intend to achieve our designated goals for the Rabbit Car Network by increasing the number of franchise inquiries and striving to increase the number of franchise stores.

Haruyoshi Kimura

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

SWOT analysis

	Description	Responses & Countermeasures
Strength	• A business model closely linked to USS auctions • A trusted brand in the used car purchasing market	• Develop business through better Group cooperation • Strengthen corporate branding with a focus on reliability and trust
Weakness	• Delays in online systems and other digital transformation efforts • Human resource recruitment, development and retention	• Expand roll-out of new appraisal system and leverage systems developed by USS • Expand personnel recruiting budget and methods, and review and improve work styles
Opportunity	• Strong demand in other countries for used vehicles made in Japan • Deterioration in perceived corporate image due to fraud by other companies in the industry	• Attract new customers from manufacturer-affiliated dealers by promoting a brand strategy • Enhance differentiation from competitors based on our brand of reliability and trust
Threat	• Fluctuations in the used car market and foreign exchange rates • Decrease in the number of franchise stores due to store closures	• Promote store and brand strategies to increase the number of appraisals • Expand the number of franchise stores by bolstering Group cooperation

TOPICS

Implementing a system to improve the accuracy and shorten the length of appraisals

Our appraisal system currently being implemented at all of our stores can be used with both smartphones and tablets, and vehicle data can be obtained simply by reading the 2D barcode on a vehicle certificate. This will allow our on-site sales representatives and appraisers to obtain more vehicle information, such as checking vehicle image data which was difficult to do with our previous fax-based appraisals. Stores that have already implemented this system can immediately determine vehicle grades and optional equipment based on image data, which has not only improved the accuracy of appraisals but has also significantly reduced the time required for each appraisal. Another major advantage for our stores is the ability to digitally list their vehicles directly on USS Auto Auction.



PC management screen for the appraisal system

Recycling

We aim to further grow our business by expanding our business portfolio.

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

In FY 2024, ARBIZ Co., Ltd.—a USS Group company which operates a resource recycling business—posted a slight increase in net sales and a slight decrease in operating profit that were almost unchanged from the previous year. These results were due to our price revisions and marketing efforts, and despite the effects of a decrease in end-of-life vehicles and an increase in energy costs. Meanwhile, in the USS Group's plant recycling business SMART Inc., new construction and rebuilding projects for large-scale properties were postponed due to a sharp rise in construction costs, leading to a series of delays in dismantling projects for

existing properties. Consequently, the number of demolition projects decreased and price competition intensified, which meant that SMART lost out on a number of potential contracts due to lower bids by other companies. This in turn led to a halving of net sales and a significant decrease in operating profit compared to the previous fiscal year.

As a result, the Recycling Segment generated ¥8,407 million in net sales from outside customers, down 20.1% year on year (YoY), and an operating profit of ¥542 million, down 53.4% YoY.

Future strategies

Expansion of business portfolio

In our resource recycling business, our performance targets for FY 2025 are net sales of ¥6.1 billion and operating profit of ¥700 million. Key to achieving these targets are the horizontal recycling of aluminum and the recycling of solar panels. We will therefore expedite our business development efforts in both of these areas.

In the area of aluminum horizontal recycling, we will focus on the aluminum recycling business within the automotive sector, where demand is expected to continue. Within the automotive sector, horizontal recycling of wrought-to-wrought recycling is rare, with the majority of wrought material (i.e., cold-rolled aluminum plates) for automotive use being manufactured from 100% new ingots. However, if the recovered aluminum can be sorted by alloy type, various aluminum components can be directly recycled into manufacturing raw materials without undergoing a secondary alloy manufacturing process. In order to realize the horizontal recycling of wrought-to-wrought aluminum that can be used as automotive parts, we will initially aim to establish a direct recycling system for wrought aluminum. We have therefore proposed a joint venture with UACJ Corporation, which is also an aluminum consumer, and Yano

Research Institute Ltd., which excels in market research, and are currently working to fast-track the business while conducting pilot projects.

In the area of solar panel recycling, we commenced a pilot study in FY 2024 as a joint project with Sumitomo Corporation and Sumitomo Mitsui Finance and Leasing Group (SMFL Group). Through this joint project, we have already established a recycling method for the glass portion of solar panel as part of our scheme to ensure profitability based on the 800,000 tons of solar panel waste that is projected to be generated annually in the 2030s.

Moreover, as a means of expanding our business portfolio, we intend to make IT-related services another pillar of our business. Specifically, this business will promote the recycling and reuse of IT-related materials through the secure deletion of data from IT equipment containing personal information, such as PCs, servers, and ATMs. ARBIZ Co., Ltd. has been working to establish certain parts of this business over the past several years and has obtained R2 certification (short for "Responsible Recycling")—a recycling management system guideline that is specific to the electrical and electronic equipment recycling business. R2 certification is widespread in the U.S., but has only been obtained by a dozen or so companies

in Japan. As a leading R2-certified company, ARBIZ is committed to the recycling of electrical and electronic equipment. In addition to the disposal of hard disks from ATMs and data centers, the comprehensive disposal of tablets and PCs distributed to elementary and junior high schools is scheduled to be carried out from 2025 to 2026. ARBIZ will capture this demand by leveraging its reliability as evidenced by its R2 certification, as well as its comprehensive capabilities in the bulk disposal of IT equipment including PCs and server peripherals. Through these efforts, ARBIZ aims to help realize a circular economy and expand its business.

Strengthening our sales structure in the plant recycling business

In the plant recycling business, our performance targets for FY 2025 are net sales of ¥5.2 billion and operating profit of ¥300 million. While we currently have an order backlog of

approximately ¥3.5 billion, we will also need to strengthen our sales structure in order to recover from the poor performance of the previous fiscal year. We have therefore jointly established a Sales Promotion Department with the SMFL Group as a unit tasked with directly approaching customer upper management during the marketing phase. After receiving sales personnel on secondment from the SMFL Group and enhancing our internal sales structure from April 2025, SMART's recycling capabilities have gained widespread recognition, with positive signs of prospective growth in orders received. We are also planning to expand our business domains by entering into public works projects and building demolitions.

Takuya Sano

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

SWOT analysis

	Description		Responses & Countermeasures	
Strength	A	● An exclusive recycling technology (covered by multiple patents) ● Equipment and technologies capable of handling many types of waste materials	● Expand the scope of our technologies by strengthening co-development with other companies	
	S	● Leveraging all of our strengths including collaborating with the Sumitomo Mitsui Finance and Leasing Group for cost cutting and developing proposals	● Maximize benefits by further strengthening our collaborations	
Weakness	A	● Insufficient network to circulate resources internationally	● Promote collaboration with trading companies ● Promote collaboration in North America, the EU, and Southeast Asia	
	S	● Inadequate number of certified employees to foster business growth	● Increase the number of certified employees by raising the benchmark of our upskilling program	
Opportunity	A	● Configuration of resource recycling system ● Increased demand for IT-related equipment	ARBIZ / SMART	● Realize the horizontal recycling of aluminum ● Realize the safe disposal of IT-related equipment by obtaining R2 certification
	S	● Aging of structures during Japan's many years of rapid economic growth ● Growth of investments in the manufacturing and energy sectors		● Expand our business domains to include non-plant public works and buildings
Threat	A	● Difficult to differentiate services in a highly competitive market ● Fiercer competition for resources from manufacturers and companies entering the market from other industries	ARBIZ / SMART	● Establish a scheme to ensure earnings in the recycling business with our joint venture partners
	S	● Entry of medium-sized general contractors to the dismantling business		● Entry of foreign capital ● Bolster our marketing power by reviewing our existing sales structure



Mineo Asano

General Manager
Flat Rolled, Foundry and Forged
Product Development Department
Research & Development Center
Marketing & Technology Division
UACJ Corporation

Closed recycling of aluminum through advanced sorting technology

We are participating in a joint project to realize closed recycling in which aluminum scrap sorted by alloy type is recycled into aluminum products of the same alloy type. I am responsible for identifying the alloy components that can be reused by the Company while also assessing the sorting capacity of our sorting machines. Going forward, we aim to reduce our GHG emissions and streamline our economic efficiency by eliminating the reclaimed bulk process through the use of advanced sorting technologies.



Hirotsugu Harada

Senior Managing Executive Officer
Sumitomo Mitsui Finance
and Lease Co., Ltd.

Supporting the frontline of dismantling and recycling

To support SMART's business expansion, we are introducing dismantling projects leveraging the customer base of Sumitomo Mitsui Financial Group and Sumitomo Corporation. In FY 2025, we despatched four new personnel, including a department manager, to strengthen SMART's sales structure. Going forward, we will deepen our collaboration in various circular economy-related initiatives such as metal recycling and solar panel reuse.



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.

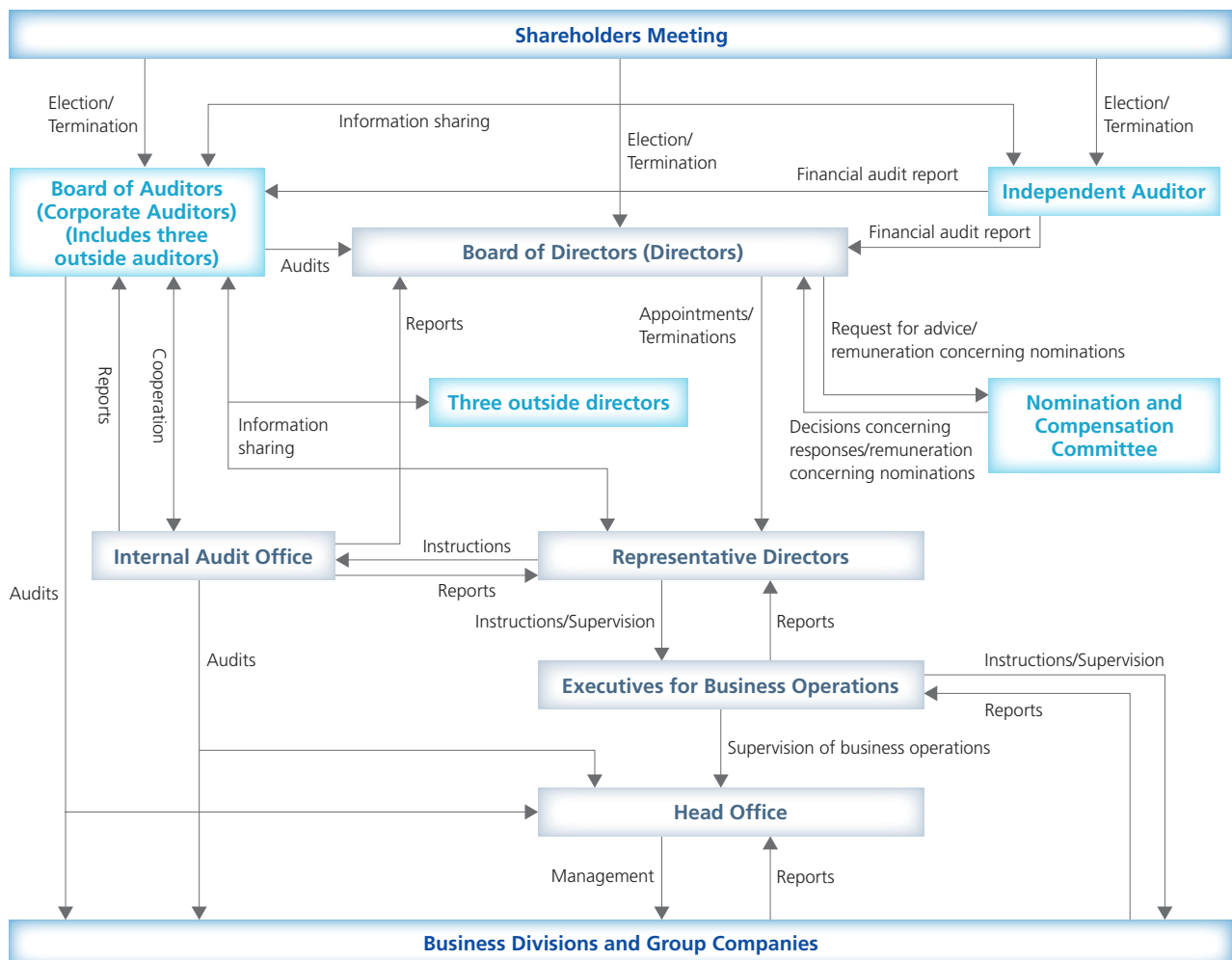
The growth of shareholder value is clearly our most important objective as a publicly owned company. But corporate value is the result of fulfilling our responsibilities to all our stakeholders. This stance is embodied in the six core elements of our management philosophy: creating a fair market, serving 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.

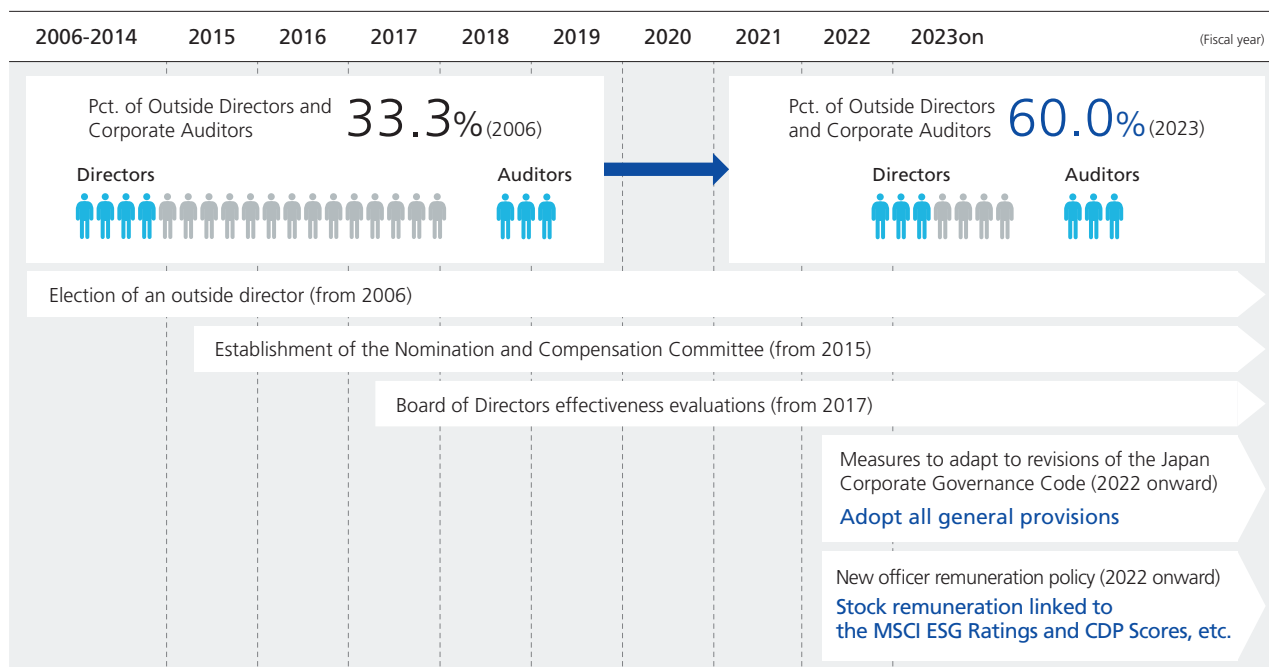
In addition, as members of society, companies have an obligation to comply with social norms. Therefore, in terms of our handling of the Basic Policy on Corporate Governance and the Corporate Governance Code, we evaluate our operations and formulate an improvement plan for the next fiscal year at the Board of Directors meeting at the end of each business year in an effort to improve our corporate governance by fulfilling our accountability and ensuring management transparency.

Structure

Framework (June 2025)



Organizational reforms



Composition ratio (June 2025)

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%

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).

No. of meetings (FY 2024)

Board of Directors	9
Board of Corporate Auditors	9
Nomination and Compensation Committee	1

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 (FY2024)

Matter	Description
Shareholder returns	After reviewing the importance of capital efficiency and determining that greater increases in shareholder returns are necessary to further enhance shareholder value, we formulated following two measures. • An increase to at least 60% in the consolidated payout ratio that constitutes the USS Group's basic dividend policy • An increase to at least 100% over the next 3 years (between FY 2025 and 2027) in the total payout ratio that constitutes the shareholder return policy
Shareholder benefits system	After reviewing the importance of having more people continuously hold the Company's shares over the medium to long term, we formulated the following two measures to make investing in the Company's shares more attractive. • Expanding the shareholder benefits system • Introducing a benefits system for long-term shareholders
Climate change	We conducted discussions and monitoring with a focus on the following two measures to achieve the SBT targets. • Monitoring the progress of initiatives to reduce greenhouse gas emissions • Designating a new target of a 50% ratio of electricity derived from renewable energy sources, and adding details of this target to our TCFD disclosure
Human capital	We will engage in discussions focused on the following three measures to strengthen our human capital. • Monitoring the status of recruitment activities • Monitoring the implementation of leadership training for organizational executives, training for mid-level employees, compliance training, and seminars for promoting women's empowerment • Monitoring the progress of targets including the ratio of women in management

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.

Deductions or recovery of remuneration (malus and clawback clause)

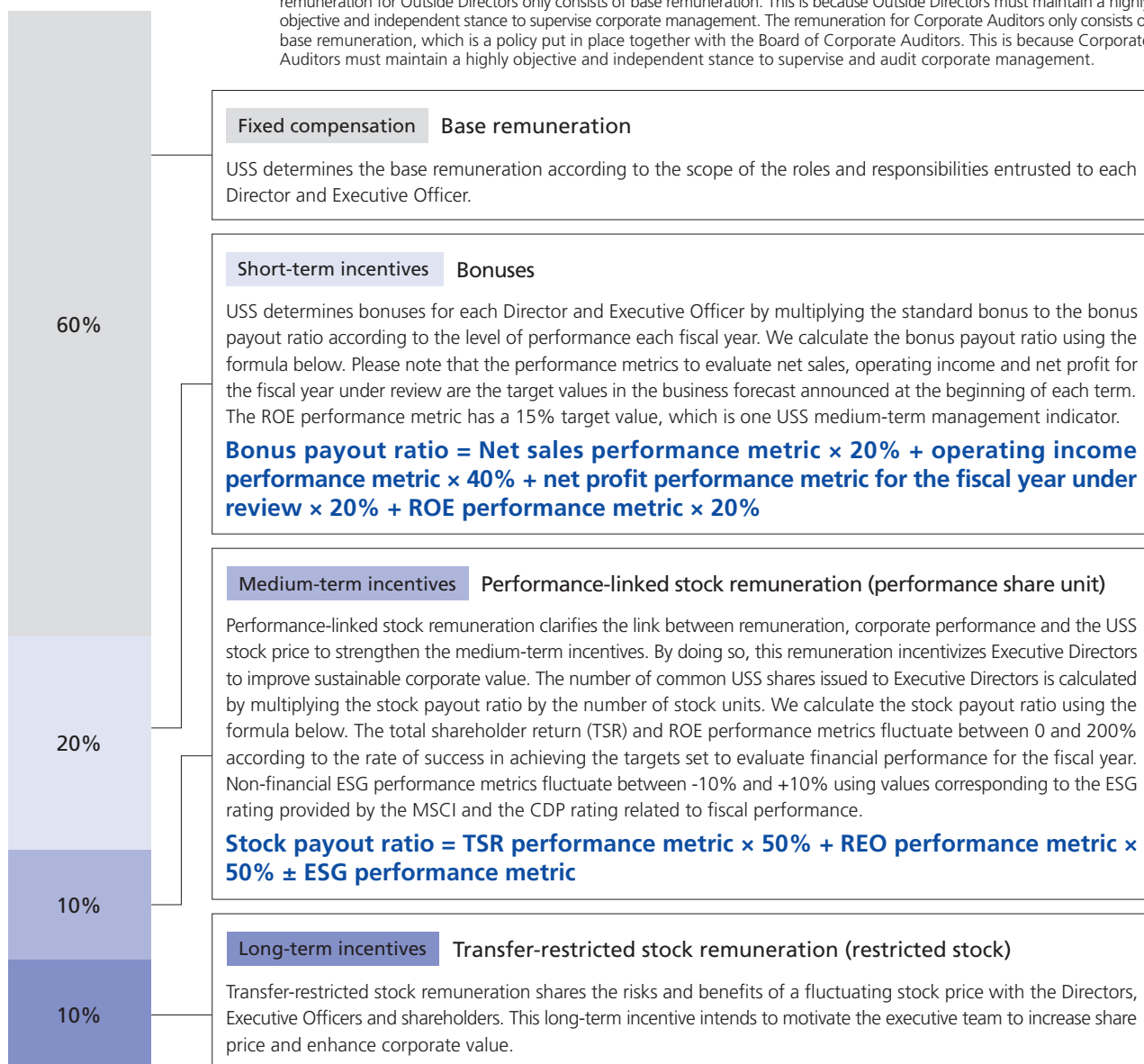
USS has put in place a malus and clawback clause to deduct or recover performance-linked stock remuneration and

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.

Summary of the officer remuneration policy

Ratio of remuneration*

* 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.



Bonuses in FY 2024 (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%	101,900 million	104,021 million	102.0%	120.0%
Operating income		40%	51,500 million	54,206 million	105.2%	
Net profit for the fiscal year under review		20%	35,000 million	37,636 million	107.5%	
ROE		20%	15%	18.9%	126.0%	

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 has been set as one USS medium-term management indicator.

Governance



Performance-linked stock remuneration (performance share unit) (FY2024)

Key performance indicators (KPIs)	Change in payment ratio	Weight	Target	Actual	Achievement rate	Stock payout ratio
TSR	0%–200%	50%	100%	Our TSR growth rate 155.0%	108.0%	140.2%
				TOPIX growth rate 143.5%		
ROE	0%–200%	50%	15%	18.9%	160.0%	
ESG	–10%–+10%	–	–	MSCI ESG rating: A CDP 2024 (climate change) rating: A-	+6.2%	

The ESG achievement rate is calculated based on the MSCI ESG rating assessment and CDP 2024 (climate change) score at the end of March 2025.

Total remuneration (FY2024)

Type of corporate officer	Total remuneration (millions of yen)	Total by type of remuneration (millions of yen)				Eligible corporate officers (people)
		Fixed	Variable			
		Monetary		Stock		
		Base remuneration	Performance-linked bonuses	Performance-linked stock remuneration	Transfer-restricted stock remuneration	
Directors (Outside Directors)	439 (17)	237 (17)	87 (-)	77 (-)	36 (-)	7 (3)
Auditors (Outside Auditors)	17 (17)	17 (17)	- (-)	- (-)	- (-)	3 (3)
Total (Outside Officers)	456 (34)	254 (34)	87 (-)	77 (-)	36 (-)	10 (6)

There are no directors serving concurrently as employees.

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. In FY 2024, we conducted compliance training for all employees in an effort to further ensure compliance with relevant laws and regulations.

Issues reported to the USS Group Internal Reporting System

FY2022	FY2023	FY2024
21	24	21

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.

Evaluation of the effectiveness of the Board of Directors (FY2024)

To evaluate the effectiveness of the Board of Directors, each Director and Corporate Auditor completes a questionnaire and the results are reported to the Board of Directors.

Evaluation process	Items evaluated
Date: March 2025 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 FY2024 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. However, some respondents indicated that there is room for improvement in the following areas, which the Company recognizes as challenges to be resolved.

- Although the majority of the Nomination and Compensation Committee is made up of Outside Directors, it would be preferable to consider appointing an Outside Director to chair the Committee from the perspective of further strengthening governance.
- While the current internal questionnaire-based method of evaluating the effectiveness of the Board of Directors is functioning effectively, it would be preferable to consider introducing an external evaluation including interviews.
- From the perspective of further encouraging substantive discussions, it would be preferable to review the Board of Directors, including having an Outside Director as its chair, establishing a management committee, and expanding opportunities for Outside Directors and Representative Directors to exchange opinions.

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.

To further promote discussions on medium- to long-term management strategies, we launched a project team made up of executive officers and core employees in April 2024. This team is undertaking a review of medium- to long-term management strategies while also analyzing and sharing information on the strengths and weaknesses of the Group.

(2) The Board of Directors will deepen discussions on human resource development policies to solidify human resource strategies and ensure diversity.

In FY 2024, we expanded our employee training programs to strengthen our human capital. Specifically, we conducted leadership training for auto auction site and other managers, training for mid-level employees, compliance training for all employees, and a seminar for promoting women's empowerment.

Upcoming activities

Drawing on the results of the effectiveness evaluation for FY 2024, we will continue the activities of the project team launched in April 2024 and comprising executive officers and core employees, in order to further promote discussions on medium- to long-term management strategies. Moreover, in order to further strengthen our governance structure, the Company will conduct the necessary reviews on the state of our meeting bodies, such as by establishing a management committee and expanding opportunities for Outside Directors and Representative Directors to exchange opinions.

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 and Executive Officers (June 2025)

	Yukihiro Ando Chairman and Representative Director, Chief Executive Officer (CEO)		Dai Seta President and Representative Director, Chief Operating Officer (COO)
	Etsuko Nishijima Outside Director Outside Independent		Hisao Takahashi Outside Director Outside Independent
	Kenichi Goto Full-time Outside Corporate Auditor Outside Independent		Keiji Miyake Outside Corporate Auditor Outside Independent

			Age	Years of service	Attendance at Board of Director meetings	Nomination and Compensation Committee member	
Directors	Yukihiro Ando	Chairman and Representative Director, Chief Executive Officer (CEO)	78	43	100%	○ Chair	
	Dai Seta	President and Representative Director, Chief Operating Officer (COO)	58	21	100%		
	Masafumi Yamanaka	Executive Vice President and Officer of the Supervisory Office	70	21	100%	○	
	Hiromitsu Ikeda	Junior Managing Director	64	21	100%		
	Etsuko Nishijima	Outside Director Outside Independent	65	New appointment	—		
	Hisao Takahashi	Outside Director Outside Independent	64	New appointment	—	○	
	Nobuko Sowa	Outside Director Outside Independent	62	New appointment	—	○	
Corporate Auditors	Kenichi Goto	Outside Corporate Auditor Outside Independent	65	4	100%	○	
	Keiji Miyake	Outside Corporate Auditor Outside Independent	70	4	100%		
	Jun Ogawa	Outside Corporate Auditor Outside Independent	64	4	100%		
Executive Officers	Yukiyasu Sugata	Executive Officer					
	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					



Masafumi Yamanaka

Executive Vice President and
Officer of the Supervisory Office



Hiromitsu Ikeda

Junior Managing Director



Nobuko Sowa

Outside Director

Outside Independent



Jun Ogawa

Outside Corporate Auditor

Outside Independent

	Attendance at committee meetings	Skill matrix					
		Corporate management	Accounting /finance	Business strategy /marketing	Promoting IT and DX	Legal affairs /risk management	Promoting diversity
	100%	◎		○			
	100%	◎		○			
			◎			○	
				◎	○		
	—			●			●
	—	●		●			
	—				●		●
			●			●	
			●			●	
						●	●

USS expects the Directors and Corporate Auditors to contribute to the fields described below. We have also selected two fields in which USS expects each to make a particularly large contribution according to the experience illustrated by their skill matrix. For Internal Directors, areas in which they have knowledge and experience are indicated by ○, and areas in which they are expected to make a particular contribution are indicated by ◎. For Outside Directors and Auditors, the areas in which they are expected to make a particular contribution are indicated by ●

- Corporate management: Appropriate business decision-making capability and experience in managing a large company as a top executive
- Accounting / finance: Knowledge of financial strategies, capital market responses, mergers and acquisitions, etc.
- Business strategy / marketing: Knowledge of business development, market analysis, and customer strategy
- Promoting IT and DX: Knowledge of business innovation and business creation using digital technologies
- Legal affairs / risk management: Knowledge of governance structure development, compliance, and risk management
- Promoting diversity: Knowledge on leveraging diverse human resources, organizational development, and human resource development

Message from the Outside Directors



Hisao Takahashi
Outside Director



Etsuko Nishijima
Outside Director



Nobuko Sowa
Outside Director



Director Profile

After working in automobile development at Toyo Kogyo Co., Ltd. (now Mazda Motor Corporation) and Honda R&D Co., Ltd., Hisao Takahashi was in charge of automobile development and promoting development process reforms at Honda Motor Co., Ltd. Since 2024 he has served as an outside director of Maruka Furusato Corporation and Nitta Gelatin Inc., and in June 2025 he was appointed as an Outside Director of USS.

I will leverage my experience in the automotive industry to contribute to sustained growth at USS.

For many years I was involved in development operations and development process reforms at automotive manufacturers, where I worked to solve various issues. I believe that I can fully leverage the knowledge I gained through my experience in the automotive industry at USS in the auto auction industry. Automobiles have undergone major changes in recent years due to technological innovations such as intelligent technology and electrification. This is expected to result in significant changes in the supply chain of the entire automotive industry in future, which will also have an impact on the USS Group's business. In order for USS to grow steadily amidst these major changes in the external environment, it is crucial to solidify its existing businesses and to establish new businesses.

The most important task that USS faces in its existing businesses is to continue earning the trust of customers. USS has worked earnestly to realize auto auctions with greater convenience that provide a fair and equal standing to everyone by training personnel with advanced vehicle inspection skills, introducing advanced IT technologies, and establishing auto auction sites with the latest facilities and equipment. The Company's stable performance over many years is a testament to the high regard that its customers have for these efforts. Going forward, I hope to support the Company's measures to enhance customer value, and the creation of a workplace where each and every employee who delivers this customer value can enjoy their work.

In terms of new business, I believe that the USS Group's recycling-related business expertise will become increasingly important given the strong demand in recent years for efforts to realize a recycling-oriented society. I myself have long been interested in the reuse and recycling of automobiles and have followed these trends. I therefore hope to leverage my knowledge to contribute to the growth of the USS Group's recycling business.

I will act as a bridge between management and frontline employees and contribute to transforming organizational culture at USS.

I have experience in a wide variety of areas including sales, business development, marketing, branding, PR, and diversity. The know-how I have developed in building and executing strategies and in realizing the transformation of entire organizations has been a valuable asset to me. I hope to leverage these experiences to help strengthen the USS Group's governance, formulate long-term growth strategies, and transform the organizational culture.

First, in terms of governance, I am focused on thoroughly implementing risk management, which is essential for increasing long-term corporate value. In my capacity as an independent Outside Director, I will work to enhance the transparency of decision-making processes by fulfilling a checking function on management. Next, in terms of the Company's long-term growth strategy, I will support the creation of new business opportunities not bound by conventional frameworks within a rapidly changing market environment, and will support efforts to strengthen the Company's competitive advantages through omni-channel and other advanced measures.

Moreover, I will provide multifaceted perspectives as a bridge between customers and the Company, and between management and front line employees, by leveraging my experience in promoting diversity and transforming corporate culture to help create an environment in which employees with diverse backgrounds can fully demonstrate their abilities.

I will share the USS Group's management philosophy that emphasizes transparency and fairness, provide fair and honest advice from an independent standpoint, and strive to enhance corporate value and achieve sustainable growth as a member of the Board of Directors.



Director Profile

Etsuko Nishijima is responsible for business promotion, MD planning, sales, operational management, and marketing of Mitsui Shopping Park LaLaport at Mitsui Fudosan Retail Management Co., Ltd. In 2015 she was appointed Director of the Group's large-scale retail facility LaLaport Tokyo Bay, and in 2019 she was the first woman at the Mitsui Fudosan Group to become an executive officer. She was appointed as an Outside Director of the USS Group in June 2025.

I will strive to achieve optimal IT utilization and human capital management.

I have worked in the IT industry for 40 years and have been involved in a wide range of areas from system development and operation and maintenance to supporting DX promotion. In addition to my experience as a site project manager, my involvement in management as an executive officer and group company president has provided me with considerable knowledge on human resource development and organization building. Through my appointment as an Outside Director of the USS Group, I will strive to contribute to the Company's further growth, particularly from the perspectives of IT utilization and human capital management.

Optimal IT utilization and DX promotion are now essential elements in all businesses. In its auto auction business, the USS Group is continuing to improve convenience for both customers and employees by introducing advanced IT systems. Their development of a business model that utilizes the internet to allow people to participate in auctions from anywhere in the country has been highly innovative. In recent years, the Company has been focusing on measures to promote DX including system replacement, and I hope to contribute to this progress by leveraging my experience and skills.

Meanwhile, even as technologies evolve, it is people who use them. Human capital management is crucial in realizing sustainable growth. I will strive to help create a corporate culture where the diversity of all employees including women is respected, and where they can work with motivation and enthusiasm. In order to achieve this, we must first deepen mutual understanding among the management team through open and proactive communication. I would also like to make onsite visits to clearly identify pertinent issues and offer recommendations on solutions and future policies.



Director Profile

Nobuko Sowa is involved in building systems for the financial industry at IBM Japan, Ltd. After serving as an executive officer at IBM Japan and president of a group company, she has been involved in corporate management leveraging her knowledge on promoting digital transformation (DX). As a Guest Professor at the University of Osaka's Center for Diversity and Inclusion, Nobuko Sowa is also engaged in promoting women's empowerment and diversity. She was appointed as an Outside Director of the USS Group in June 2025.



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 14 consecutive years through the fiscal year ended March 31, 2025.

There were no issues with inappropriate handling of personal information during the fiscal year ended March 31, 2025.

Greater convenience at auto auctions

Auto auction operating structure

There are three ways to participate in our auto auctions. The first way is to directly attend an auction held at any of 19 USS sites throughout the country. The second way is via USS JAPAN, which broadcasts auto auctions in real time and allows members to participate by renting a dedicated terminal. The third way to participate is via "CIS" which streams auto auctions in real time over the internet on the USS members website.

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 24, 2025)

Percent. of voting rights exercised **84.4%**



The shareholders meeting

A dialogue with analysts and institutional investors (Results in FY2024)

One-to-one meetings with analysts

154 people from **97** companies

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

Conferences

3 times / **31** companies

Facility tours

1 time / 10 people from **8** companies

A dialogue with individual investors

Company information meeting for individual investors **13**

Note: One of these thirteen meetings was pre-recorded webinar.



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. Based on this Code of Conduct and Ethics, we perform checks in the course of daily operational inspections to prevent human rights violations, discrimination, and child and forced labor. 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.

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, 2025.

Issues Reported to the USS Group Internal Reporting System

FY2022	FY2023	FY2024
21	24	21

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.

In FY 2024, USS conducted compliance training for all employees in an effort to further prevent harassment.

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. 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 three female managers (3.9% of all managers) as of March 31, 2025. 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, 2025 was 30.0 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

Management training to promote the active participation of women (FY2024)

Management level	No. of participants	Description
Female employees	56 people	Held the "Seminar to Promote Women's Empowerment" as a forum to listen to the stories of female managers who are active within the company and at other companies as an opportunity for female employees to think about their own careers

enhance its efficiency and introduce leading-edge technologies to build a more work-friendly environment.

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 a large 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.

Employee education and training

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.

We also provide career-oriented training, and in FY 2024 we conducted executive training, mid-career training, and women's empowerment training for eligible employees.

Message from Our Employees

Contributing to balanced workloads during busy periods
by sharing vehicle auction data entry operations among auction sites



Kazuma Yuki

Operation Division, Niigata Auction Site
USS Co., Ltd.

Building a support system while improving efficiency

I am responsible for a wide range of operations at the Niigata Auction Site, from data entry of vehicles on auction to document checking, and incoming and outgoing payment processing. I leverage my expertise in these areas to support data entry operations at the Nagoya Auction Site in cooperation with other auction sites. At the start of the project, we set a goal of supporting 50% of the data entry operations at the Nagoya Auction Site, and underwent a process of trial and error with members from other sites to provide efficient support while also handling operations at our own site. As a result, we succeeded in gradually increasing the amount of time we could devote to data entry support, achieving 58% support in seven weeks. Going forward, we will continue collaborating with other auction sites to balance operating workloads.



Mio Honda

Information System Department, Operation
Division, Yokohama Auction Site
USS Co., Ltd.

Building an environment for streamlined operational support

Because the rules for data entry differ at each auction site, I have strived to gain a thorough understanding of the rules at the Tokyo Auction Site where I was providing support, with the aim of reducing the volume of customer inquiries and the burden of data corrections. In doing so, I recognized the importance of building an environment in which both supporting and supported personnel can proceed with their work smoothly. As this project itself is still in the exploratory phase, with each party experiencing operational hurdles, I will continue efforts to contribute to an improved environment. It has also been a rewarding experience for me to provide support by sharing the burden of data entry operations with other members throughout this project.



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.

Starting in FY 2024, we launched the Workplace Environment Improvement Project as a workplace-driven initiative to strengthen our human capital with the goal of achieving a 50% market share in the auto auction business.

Under this project, our young employees take the lead in planning and implementing improvements to create a more work-friendly environment. We are currently advocating measures to promote community activities based on interactions with other departments and to promote employee health, as well as reviewing work spaces and introducing comfortable work attire. Through this project, we intend to improve employee engagement while also fostering self-motivation among our young employees.

Main data

Item	Breakdown	Unit	FY2021	FY2022	FY2023	FY2024
Employees	Number of employees	People	681	684	677	695
	Male employees (ratio)	People	502 (74%)	508 (74%)	493 (73%)	512 (74%)
	Female employees (ratio)	People	179 (26%)	176 (26%)	184 (27%)	183 (26%)
	Average age of employees	Age	39.6	39.7	39.8	39.9
	Male employees	Age	41.7	41.6	41.8	41.7
	Female employees	Age	33.8	34.2	34.5	34.9
	Average years of service	Years	13.4	13.0	13.3	13.4
	Male employees	Years	14.9	14.2	14.6	14.7
	Female employees	Years	9.3	9.4	9.6	10.0
	Number of new hiring	People	18	44	41	52
	Male employees (ratio)	People	11 (61%)	31 (70%)	22 (54%)	35 (67%)
	Female employees (ratio)	People	7 (39%)	13 (30%)	19 (46%)	17 (33%)
Management	Total number of managers	People	36	25	72	77
	Male managers (ratio)	People	36 (100%)	25 (100%)	72 (100%)	74 (96%)
	Female managers (ratio)	People	0 (0%)	0 (0%)	0 (0%)	3 (4%)
Management candidates*	Total number of management candidates	People	333	364	320	320
	Male candidates (ratio)	People	287 (86%)	312 (86%)	260 (81%)	258 (81%)
	Female candidates (ratio)	People	46 (14%)	52 (14%)	60 (19%)	62 (19%)
Childcare leave	Employees taking time off for child care	People	10	14	14	17
	Male employees	People	4 (31%)	6 (55%)	5 (28%)	5 (29%)
	Female employees	People	6 (100%)	8 (100%)	9 (100%)	12 (100%)
Paid leave	Percentage of paid leave taken	%	64.4	63.3	69.6	61.4
Overtime	Average monthly overtime	Hours	23.2	29.3	29.2	30.0
Regular employee turnover rate		%	4.7	6.0	6.0	5.1
Employment ratio of people with disabilities		%	2.09	2.48	2.25	2.47

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



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 vehicles. USS is putting emphasis on its recycling business, which disassembles, sorts, and reclaims any resources from end-of-life 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 CSR Promotion Division. 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, 2025. 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.

Environmental



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 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

Overview of scenario

1.5°C scenario	Business-as-usual scenario
1. Stronger laws and government regulations • Rapid emissions reductions toward carbon neutrality • Full adoption of carbon taxes (carbon pricing) 2. Global shift to electric vehicles (EVs) Sharp increase in EV sales ratio (passenger cars) 18% (2023) → 95% (2035)	1. Delay in global EV adoption Global EV sales ratio (passenger cars) 18% (2023) → 55% (2035) 2. Manifestation of climate-related risks • Approx. 4.5°C average temperature rise • More than a roughly 230% increase in the torrential and heavy short-term rains • Approx. 0.71m average rise in sea levels along Japan coasts

Reference scenarios

IEA NZE, IEA STEPS	IEA "World Energy Outlook 2024" (https://www.iea.org/reports/world-energy-outlook-2024)
RCP1.9, SSP1-1.9, RCP8.5, SSP5-8.5	IPCC "AR5" "AR6" (https://www.env.go.jp/earth/ipcc/5th/)(https://www.env.go.jp/earth/ipcc/6th/)

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	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 ₂ -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 ● Research and develop appraisal criteria and inspection systems 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	Promote operational efficiency, including expanding the use of digital auction inspection sheets
Business-as-usual scenario	Physical risks	Physical risks (acute)		●	●	Low	Medium	Regularly revise business continuity plans (BCPs) Identify the risks of flooding through hazard maps and enhance evacuation training	
		Physical risks (chronic)		●	●	Low	Large	Establish data management systems in preparation for disasters	
			Higher average temperature and increased 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 or large financial impact



■ 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 ¥350 million by 2030 and ¥390 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)	3.5	6.2	3.5	3.9
When achieving GHG emission reduction targets	Carbon tax (billions of yen)	2.0	3.6	2	2.3
Difference	Tax liability (billions of yen)	1.5	2.6	1.5	1.6
Carbon tax and pricing (US\$ per t-CO ₂)		140	250	140	158

(Prerequisites)

- The calculation presumes Japan will put in place a carbon tax with carbon pricing equivalent to nations committed to the IEA WEO 2024 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

Use of electricity derived from renewable energy sources

As a result of conducting an impact assessment of the carbon tax, we are promoting the introduction of on-site renewable energy, which will not only enable us to achieve the emission reduction targets but also generate significant tax savings in the future. Specifically, we are implementing the following three measures: introduction of on-site

renewable energy, purchase of CO₂-free electricity, and utilization of non-fossil certificates.

[2] List of Solar Power Generation Facilities Installed

Auction site	Operation start
R Nagoya	Jan 2023
Nagoya	Feb 2023
Shizuoka	July 2023
JAA	Aug 2023
Okayama	Oct 2023
Saitama	Jan 2024
Kobe	Mar 2024

Upgrading to high-efficiency energy-saving air conditioning equipment

In addition to utilizing electricity derived from renewable energy, we are promoting the upgrade of air conditioning equipment to the latest energy-saving equipment in order to reduce energy consumption (Table [2]).

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

2-1 USS forecast for the growth of EV utilization

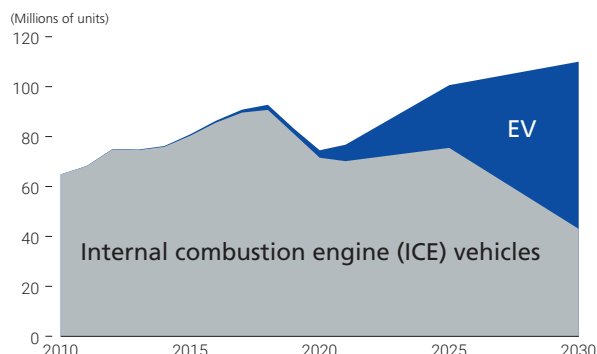
If the use of car sharing services increases as part of measures to achieve a circular economy, there may be a decline in the number of people who own electric vehicles (EVs). Another possibility is the decision of EV manufacturers to buy and sell these vehicles within their own supply chains. Either 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 2024 (<https://www.iea.org/reports/world-energy-outlook-2024>), 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, 2030 and 2035 are calculated using the assumption that changes will occur evenly across all years.

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, by building a system that allows members to create auction consignment data on the system, input work has been eliminated, data accuracy has improved, and operational efficiency has been achieved.

Active investment in auction facilities

We will actively invest in auction facilities to achieve our goal

of a 50% market share in the auto auction business. Specifically, in addition to rebuilding the Yokohama Auction side, we are planning to rebuild Tokyo and HAA Kobe Auction sites to expand our auction processing capacity.

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 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.

Initiatives to reduce Scope 1 and 2 emissions

1. Use of electricity derived from renewable energy sources

1-1 Promotion of on-site solar power installation

From the perspective of contributing to the decarbonization of society by adding and increasing new renewable energy sources, we are promoting the introduction of on-site PPA solar power generation facilities on the roofs of auction sites. As of the end of March 2025, the introduction has been completed at 7 out of 19 sites.

1-2 Purchase of CO₂-free electricity

For electricity that cannot be supplied by on-site solar power generation, we are promoting the purchase of electricity

Transition plan (roadmap) to achieve goals

	Initiatives up to FY2023	Initiatives during FY2024	Initiatives toward FY2030
Science based targets	Obtained SBT certification (October 2023)	Annual reporting of emissions and progress of measures	Review of targets set every five years as stipulated in the SBT
Scope 1, 2 and 3 accounting with verification	Obtained third-party assurance for Scope 1, 2 and 3 (FY2022-)	Continue to obtain third-party assurance for Scope 1, 2 and 3	Consideration of third-party verification other than GHG emissions
Scope 1 and 2 emissions reduction initiatives	CO ₂ -free electricity (2 auction sites) On-site solar power generation equipment (7 auction sites)	Upgrading to high-efficiency energy-saving air conditioning equipment (3 auction sites) Start of purchase of non-fossil certificates	Promote introduction of solar power generation equipment Install high-efficiency energy-saving equipment Utilization of non-fossil certificates
Scope 3 emissions reduction initiatives	Start of calculation of Scope 3 emissions for all categories (FY2020-)	Refinement of calculation methods in Category 11	Implementing specific reduction measures for Scope 3
Disclosure	Adding Transition Plan in TCFD disclosures (2023)	Disclosure of specific reduction measures for Scope 3	Annual update and expansion of climate disclosures
External evaluation	"B" in CDP Climate Change 2023	"A-" in CDP Climate Change 2024 CDP 2024 Climate Change "A-"	Continued response to CDP



menus derived from renewable energy. As of the end of March 2025, such electricity has been purchased at two out of 19 sites.

1-3 Utilization of non-fossil certificates

In addition to on-site solar power generation and CO₂-free electricity, we are implementing indirect reductions in emissions through the use of FIT non-fossil certificates from the fiscal year ended March 31, 2025.

2. Introduction of high-efficiency energy-saving equipment

We have reduced energy consumption by upgrading air conditioning equipment to the latest energy-efficient models.

■ Initiatives to reduce Scope 3 emissions

1. Category 11: Use of Sold Products

Among Scope 3 emissions, Category 11 accounts for the largest share, exceeding 50%, with fuel consumption from the operation of sold vehicles being the primary source of emissions. The Japanese government has set the target of achieving 100% electric vehicles (EVs) in new passenger vehicle sales by 2035. Over the next 5 to 10 years, the sales ratio of electric vehicles (EVs, FCVs, PHEVs, and HEVs) is expected to significantly increase. To accurately calculate the emissions from these electric vehicles, we are refining the calculation methods starting from the emissions for the fiscal year ended March 31, 2025.

2. Category 2: Capital Goods

We will also reduce emissions in Category 2, which covers capital goods such as purchased equipment, by combining the following measures (1) and (2).

- (1) Consider switching from on-premises software and in-house servers to cloud-based solutions (reduction of emissions associated with the procurement, depreciation, and maintenance of in-house hardware)
- (2) Consider renovating auction sites to enable continued use (Reduction of life cycle emissions)

3. Other Categories

For other categories, we will continue to implement measures such as electronic invoicing (Category 1: Reduction of communication costs), promotion of online meetings (Category 6: Reduction of business travel emissions), and promotion of Digital auction consignment forms (Category 5: Reduction of waste), while also actively implementing business improvements that have a reduction effect.

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 CO₂ 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 CO₂-free electricity, and installing high-efficiency energy-saving equipment.

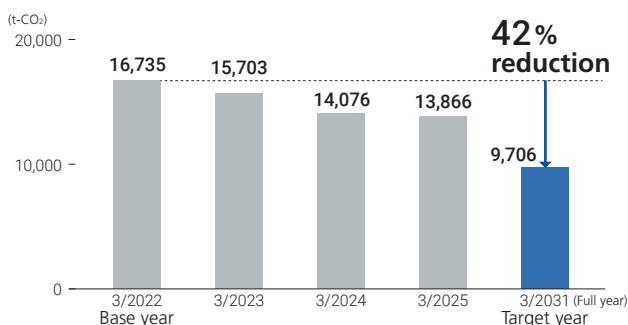
CO₂ emission reduction target

Total emissions of Scope 1 and 2	42% reduction by FY2030
Scope 3 emissions	25% reduction by FY2030
The ratio of electricity derived from renewable energy sources	50% by FY2030

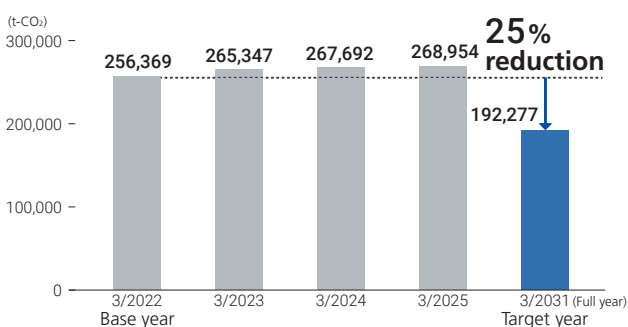
* The base year for Scope 1, 2, and 3 emissions is the fiscal year ended March 31, 2022.

GHG emissions

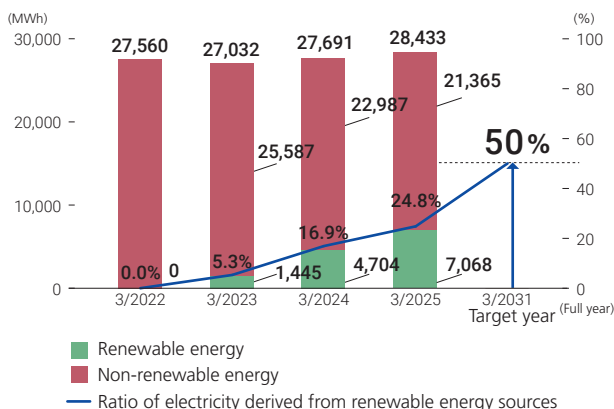
Total emissions of Scope 1 and 2



Scope 3 emissions



Electricity consumption & Ratio of electricity derived from renewable energy sources



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, 2025, ARBIZ had a waste rate (produced/receivables) of 3.4%, a metal recycling rate (metal

shipment/receivables) of 60.2%, and an automotive recycling rate of 100.0% (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 4,626 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.

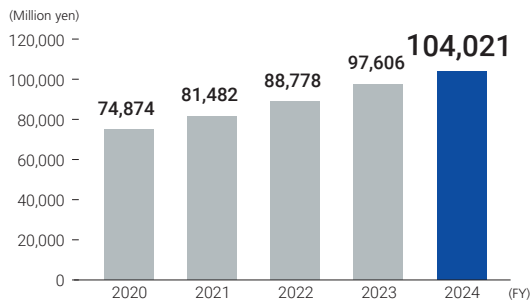
Water conservation

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.

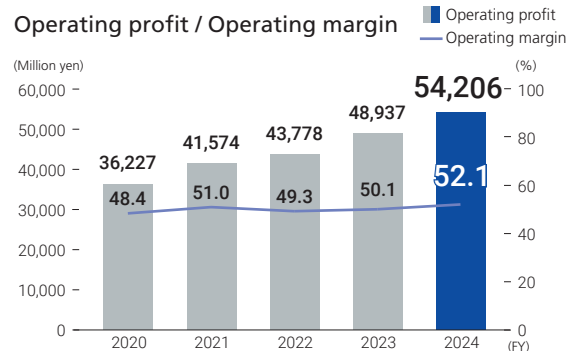
ARBIZ Co., Ltd. only uses city water and circulates rather than disposes of recycled water. We also collect and separate oil from rain water on our auction sites before releasing it back into the environment. USS tests the quality of its water discharge four times per year. SMART Inc. also only uses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

Financial and non-financial highlights

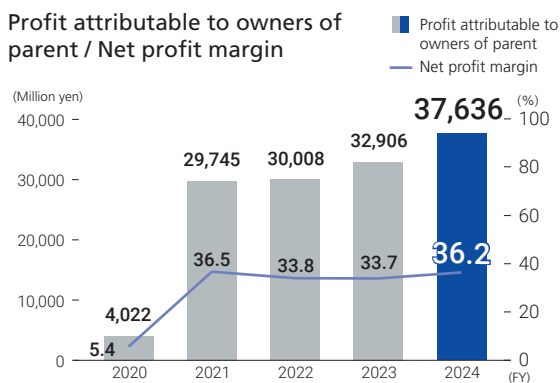
Net sales



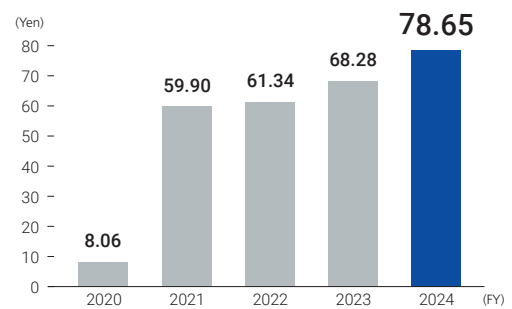
Operating profit / Operating margin



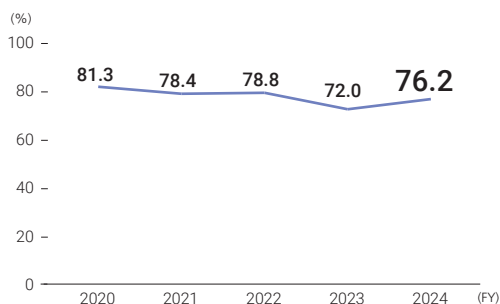
Profit attributable to owners of parent / Net profit margin



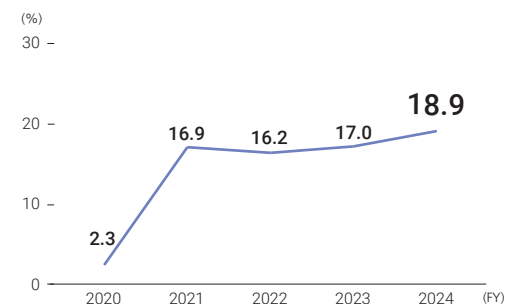
EPS *



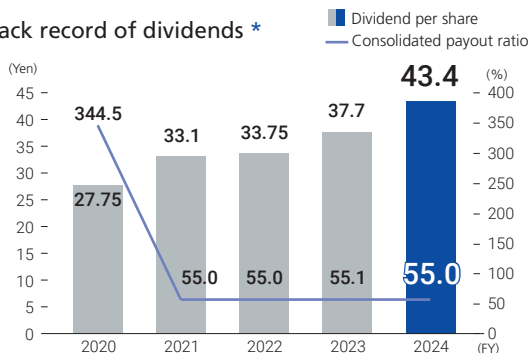
Equity ratio



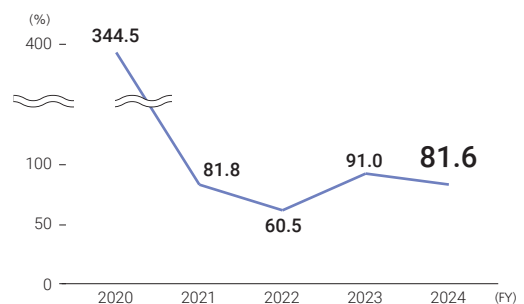
ROE



Track record of dividends *

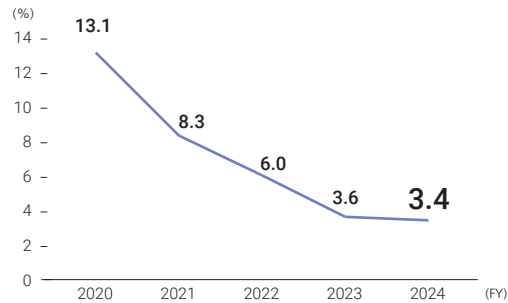


Total payout ratio

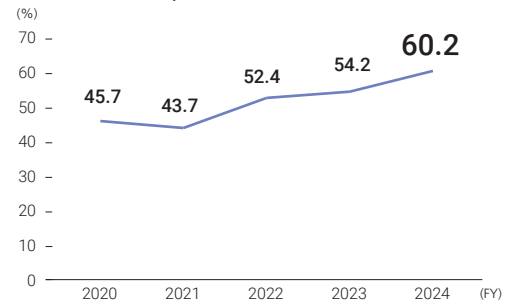


* USS underwent a 2-for-1 stock split of common Company shares on April 1, 2024. The data for each share has been adjusted to reflect this stock split.

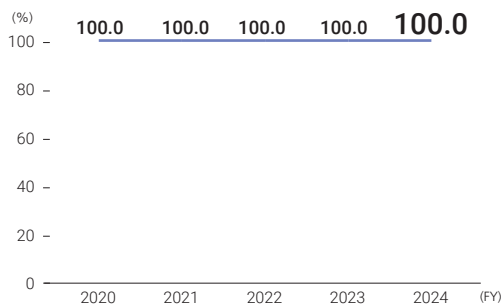
Waste rate
(tons of waste produced / tons of receivables)



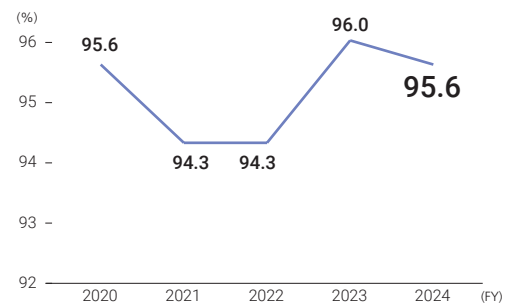
Metal recycling rate
(tons of metal shipments / tons of metal receivables)



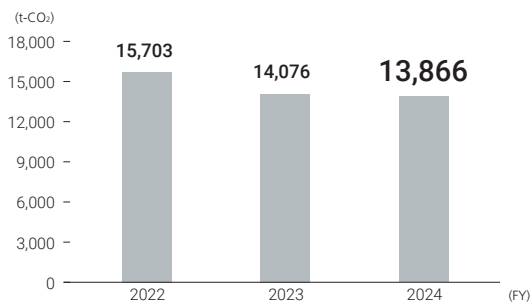
End-of-life vehicle recycling rate



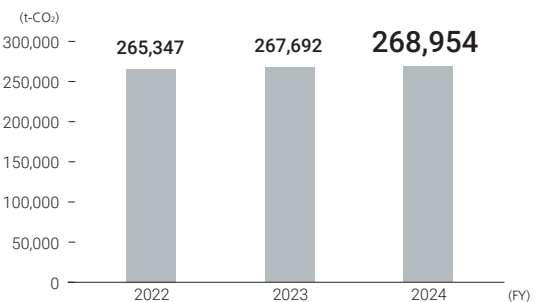
Recycling rate
(excluding materials containing asbestos)



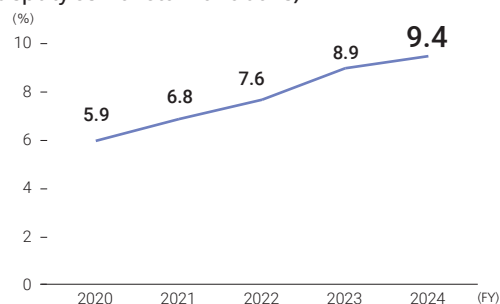
Total Scope 1 and 2 CO₂ emissions



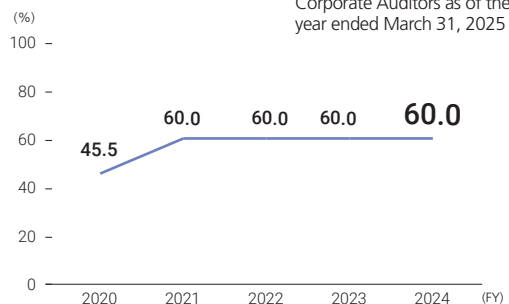
Scope 3 CO₂ emissions



Women appointed as executive officers
(deputy senior staff or above)



Ratio of outside officers Note: Seven Directors and three Corporate Auditors as of the fiscal year ended March 31, 2025



Major consolidated financial data (11 years)

The fiscal year ends on March 31.

(Item)	2014	2015	2016	2017
Consolidated operating results				
Net sales	67,466	68,607	67,179	75,153
Operating profit	33,411	34,491	32,396	36,071
Ordinary profit	34,027	35,218	32,999	36,676
Profit attributable to owners of parent	21,661	22,477	22,909	24,285
Comprehensive income	21,454	22,473	22,895	25,132
Consolidated financial position				
Assets	174,106	186,831	197,374	222,292
Cash and deposits	49,862	62,290	74,778	39,622
Liabilities	30,067	31,647	38,176	50,102
Interest-bearing debt	360	255	4,092	3,569
Net assets	144,039	155,183	159,197	172,190
Equity capital	143,098	154,155	158,029	170,767
Per share data				
EPS (yen)	41.89	43.46	45.01	47.79
Dividends (yen)	18.85	20.40	23.20	23.90
Other				
Operating margin (%)	49.5	50.3	48.2	48.0
ROE (%)	15.8	15.1	14.7	14.8
ROA (%)	20.1	19.5	17.2	17.5
Dividend payout ratio (%)	45.1	47.0	51.5	50.1
Equity ratio (%)	82.2	82.5	80.1	76.8
Number of shares outstanding (excl. treasury shares) (thousand shares)	517,117	516,294	507,954	508,210
Treasury shares (thousand shares)	109,382	110,205	118,545	118,289
On-site auction members (excl. JBA)	46,307	46,850	47,111	47,362
CIS (Internet) auction members	28,815	29,512	29,966	30,337
Dedicated terminal auction members	3,291	3,101	2,894	2,623
Number of auction sites (excl. JBA)	17	17	17	19
Number of employees	1,325	1,252	1,220	1,369

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.

(Million yen)

2018	2019	2020	2021	2022	2023	2024
79,908	78,143	74,874	81,482	88,778	97,606	104,021
37,123	36,009	36,227	41,574	43,778	48,937	54,206
38,039	36,710	36,996	42,374	44,491	49,654	54,883
25,543	20,634	4,022	29,745	30,008	32,906	37,636
25,848	20,764	4,628	31,187	30,458	33,262	37,845
232,703	219,133	210,699	229,354	242,352	271,557	267,348
51,352	50,729	67,770	79,380	92,692	109,009	113,219
49,168	35,153	37,175	46,880	48,198	72,535	59,993
3,112	3,060	3,174	2,828	2,420	2,665	2,246
183,535	183,980	173,524	182,473	194,154	199,021	207,354
181,698	181,939	171,394	179,880	190,997	195,558	203,761
50.27	41.22	8.06	59.90	61.34	68.28	78.65
25.20	27.70	27.75	33.10	33.75	37.70	43.40
46.5	46.1	48.4	51.0	49.3	50.1	52.1
14.5	11.3	2.3	16.9	16.2	17.0	18.9
16.7	16.2	17.2	19.3	18.9	19.3	20.4
50.1	67.0	344.5	55.0	55.0	55.1	55.0
78.1	83.0	81.3	78.4	78.8	72.0	76.2
506,150	499,065	498,613	490,396	489,171	480,373	473,305
120,349	127,434	127,886	136,103	24,828	33,626	40,694
48,723	48,182	48,058	48,362	48,490	48,123	48,160
31,639	31,998	32,538	33,359	33,934	34,367	35,148
2,468	2,342	2,197	2,081	1,981	1,774	1,964
19	19	19	19	19	19	19
1,295	1,260	1,268	1,263	1,282	1,320	1,370

Summary of consolidated results of operations / market trends

(Million yen)

Consolidated balance sheets	2023	2024
Current assets	148,371	144,641
Cash and deposits	109,009	113,219
Receivables due from member dealers at auction, etc.	39,361	31,421
Non-current assets	123,186	122,706
Property, plant and equipment	98,996	98,333
Other	24,189	24,373
Total assets	271,557	267,348
Current liabilities	63,130	51,151
Payables due to member dealers at auction	43,749	30,005
Other	19,380	21,145
Non-current liabilities	9,404	8,842
Total liabilities	72,535	59,993
Total net assets	199,021	207,354
Total liabilities and net assets	271,557	267,348

(Million yen)

Consolidated statements of cash flows	2023	2024	Changes
Net cash provided by (used in) operating activities	47,150	38,157	-8,993
Net cash provided by (used in) investing activities	-2,646	-5,995	-3,349
Free cash flow	44,504	32,162	-12,342
Net cash provided by (used in) financing activities	-28,187	-29,951	-1,764
Capital expenditures (terms of cash flows)	2,666	4,270	1,604
Depreciation	4,600	4,637	36

(Million yen)

Consolidated statements of income	2023	2024
Net sales	97,606	104,021
Cost of sales	38,571	39,199
Gross profit	59,034	64,821
Selling, general and administrative expenses	10,097	10,615
Operating profit	48,937	54,206
Non-operating income	922	881
Non-operating expenses	205	204
Ordinary profit	49,654	54,883
Extraordinary income	74	326
Extraordinary losses	1,071	254
Profit before income taxes	48,658	54,955
Income taxes	15,133	16,966
Profit	33,525	37,988
Profit attributable to non-controlling interests	618	352
Profit attributable to owners of parent	32,906	37,636

Analysis of change in operating profit

Net sales

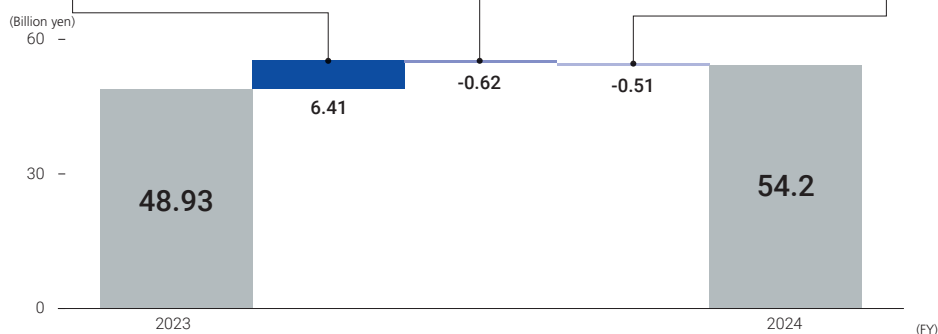
- Increase in vehicles consigned¥2.33 billion
- Increase in fee rates¥1.99 billion
- Rise in contract completion rate¥1.83 billion
- Increase in used vehicle purchasing and selling¥1.21 billion
- Decline in recycling¥-2.11 billion

Cost of sales

- Decrease in purchases¥1.43 billion
- Increase in cost of goods sold¥-0.87 billion
- Increase in outsourcing expenses¥-0.42 billion
- Increase in employee salaries and bonuses¥-0.31 billion

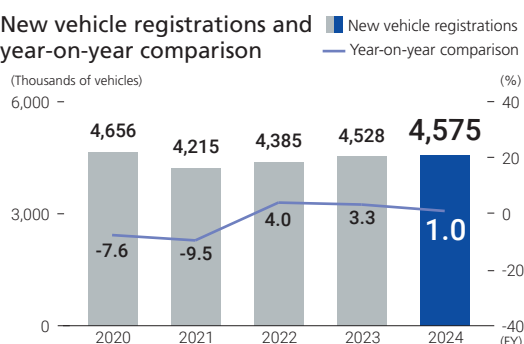
SG&A expenses

- Increase in provision of allowance for doubtful accounts¥-0.25 billion
- Increase in employee salaries and bonuses¥-0.12 billion
- Increase in sales promotion expenses¥-0.10 billion

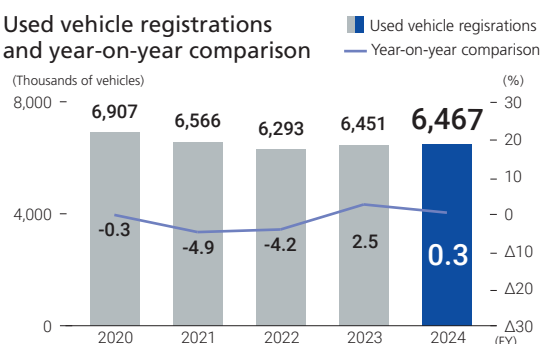


Market trends

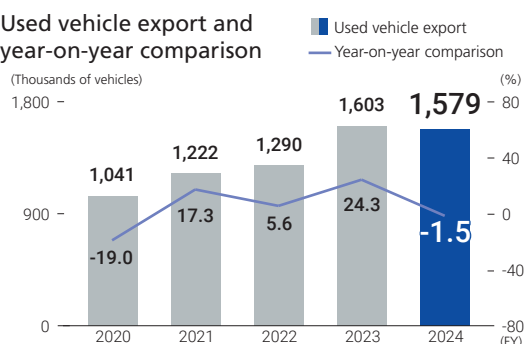
New vehicle registrations and year-on-year comparison



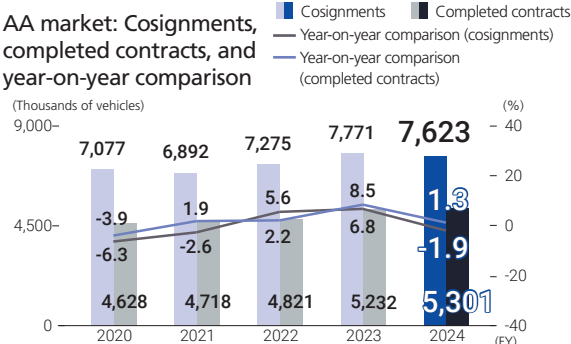
Used vehicle registrations and year-on-year comparison



Used vehicle export and year-on-year comparison



AA market: Cosignments, completed contracts, and year-on-year comparison



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>