Strengths of USS (main management resources)

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.

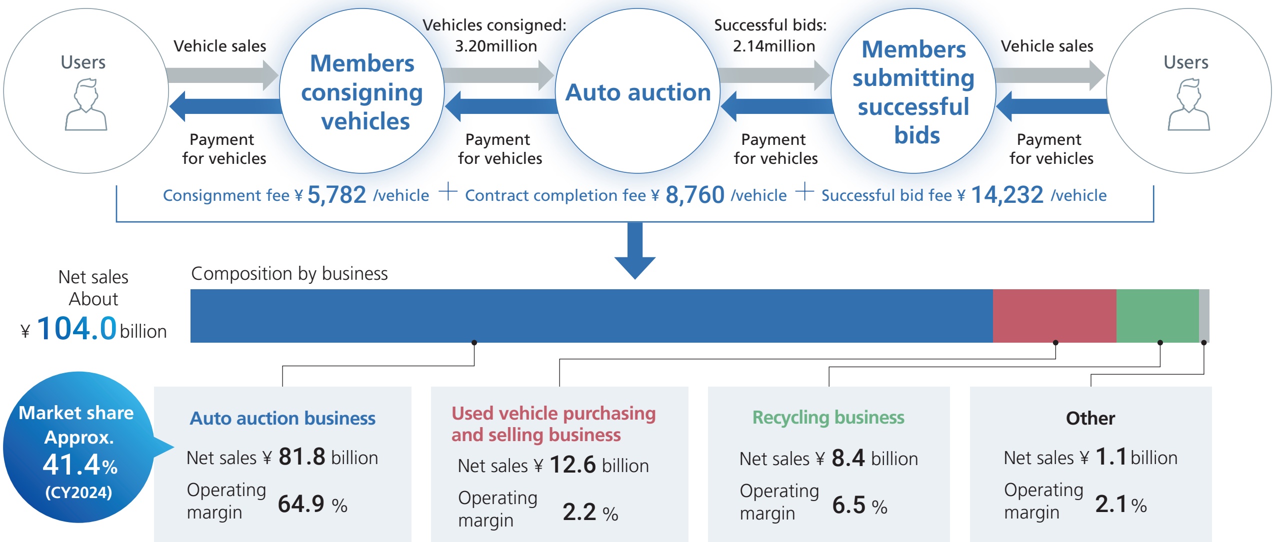
These types of rules, frameworks, and systems cannot be built in a day, which creates a high barrier for entry into the auto auction industry. Although USS currently holds a market share of 41.4%, we will further strengthen our competitive advantage with the aim of acquiring 50% of the market share going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

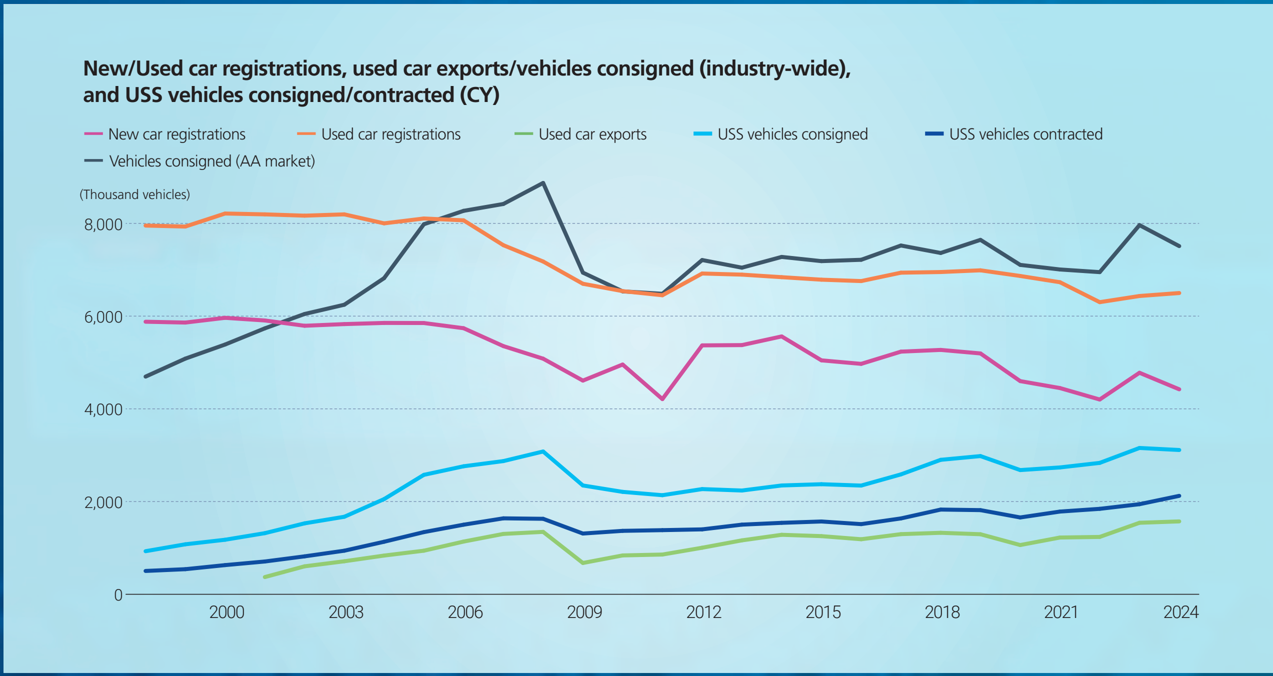
Business model of the auto auction business



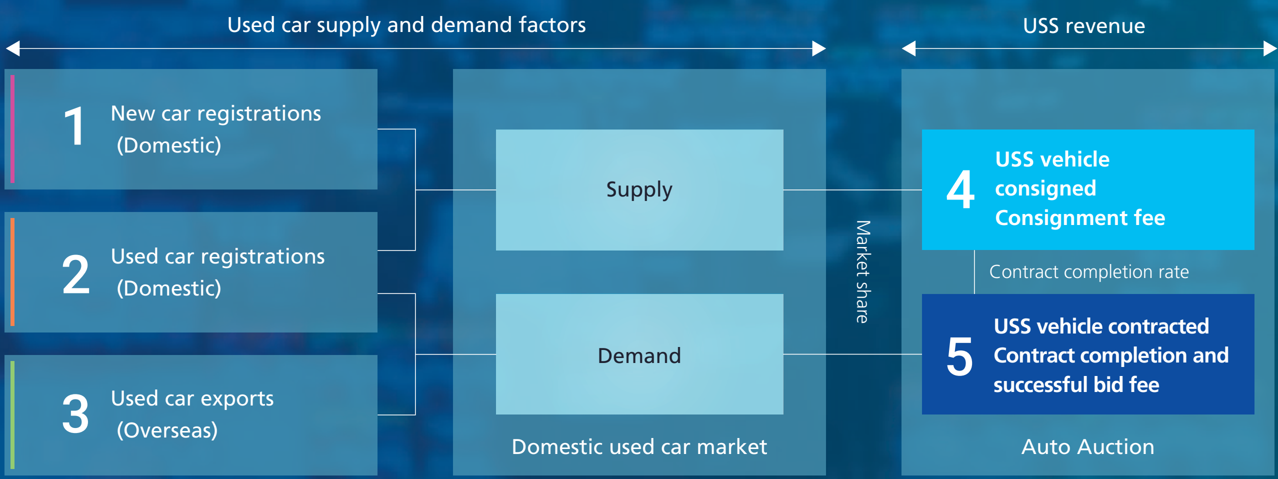
Note: The figures show business performance for the fiscal year ended March 31, 2025

A competitive edge in the auto auction business

Market environment



Automobile market and USS revenue



Market environment in FY 2024

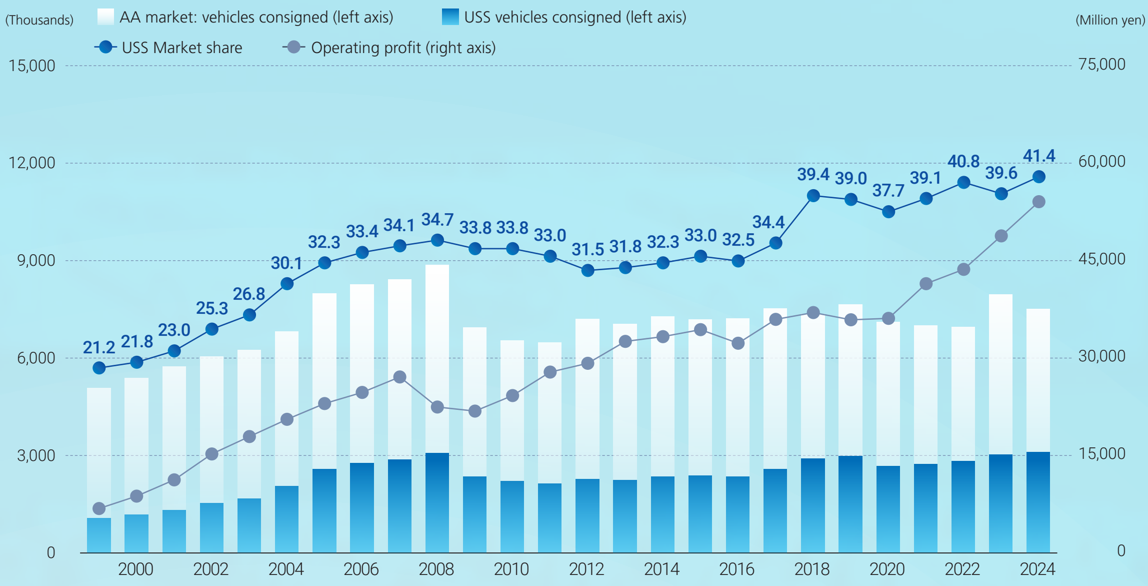
- This increase was partly due to resolution of suspended shipments of certain models due to irregularities in Japanese automaker certifications, with a 1% year-on-year (YoY) increase in new car registrations equivalent to 4.575 million vehicles.
- This increase was mainly due to continued strong demand 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 USEDCAR 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.

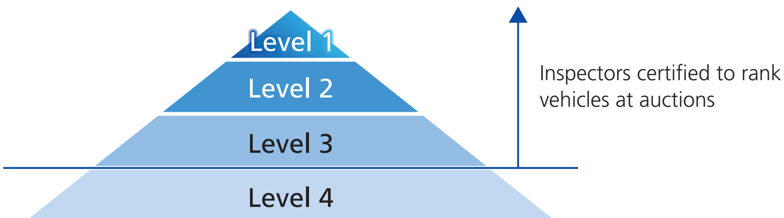
Rapid development of vehicle inspectors via our new training program

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.

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.

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

ARBIZ Co Creating the Future

SMART inc

Initiatives to realize a recycling-oriented society