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 **Used vehicle purchasing and selling 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)
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)

Promoting a digital transformation

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 of launching the service in FY 2025.

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

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.