



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.

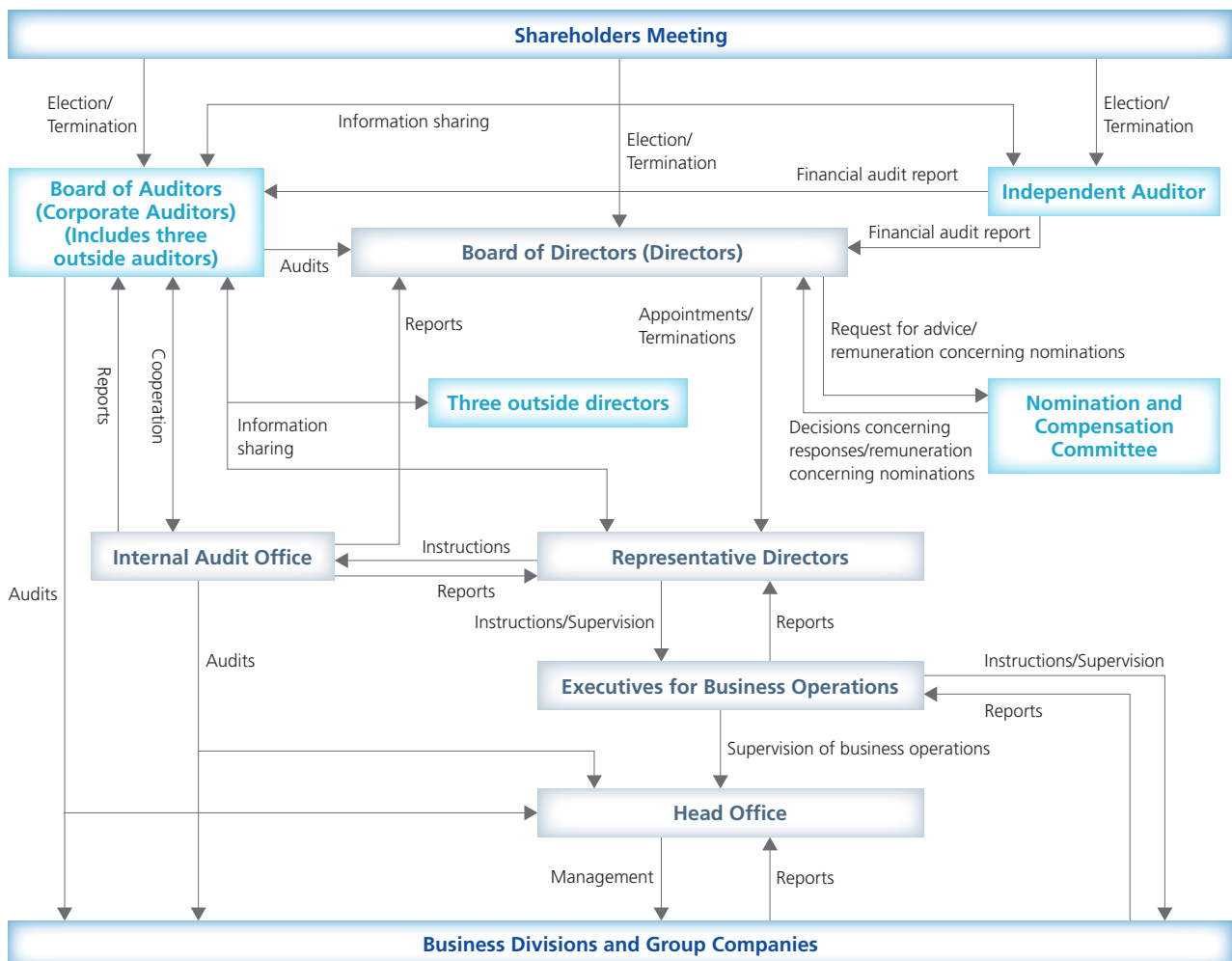
The growth of shareholder value is clearly our most important objective as a publicly owned company. But corporate value is the result of fulfilling our responsibilities to all our stakeholders. This stance is embodied in the six core elements of our management philosophy: creating a fair market, serving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

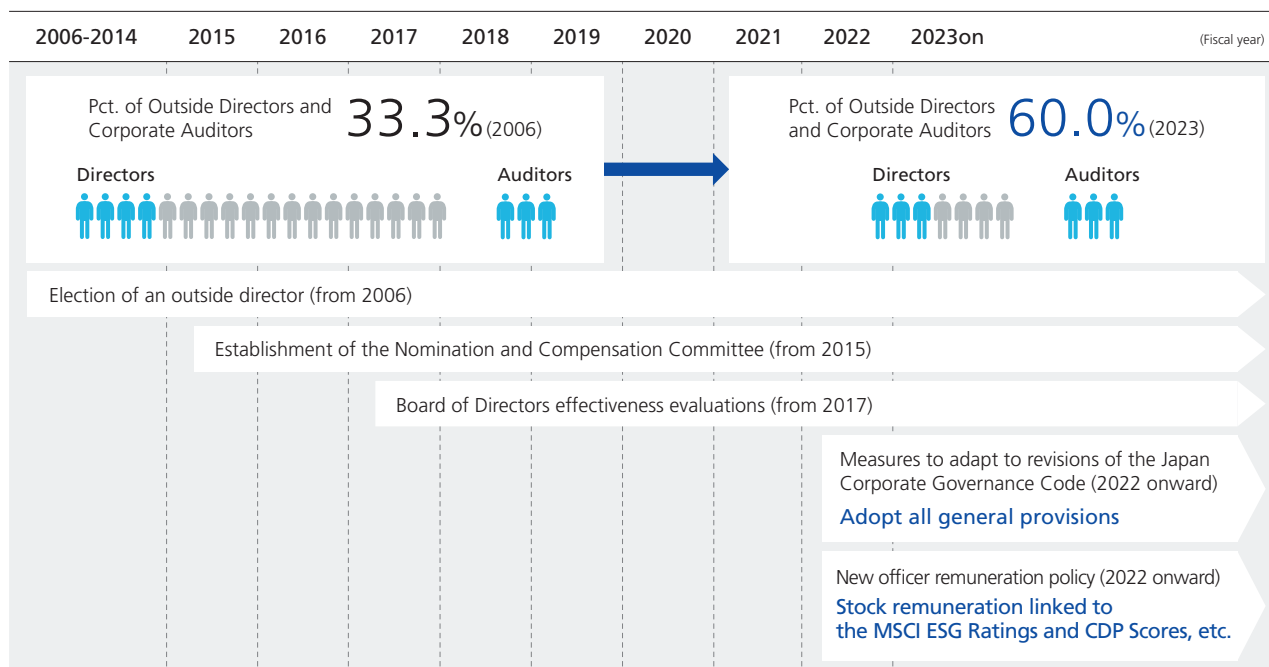
In addition, as members of society, companies have an obligation to comply with social norms. Therefore, in terms of our handling of the Basic Policy on Corporate Governance and the Corporate Governance Code, we evaluate our operations and formulate an improvement plan for the next fiscal year at the 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)

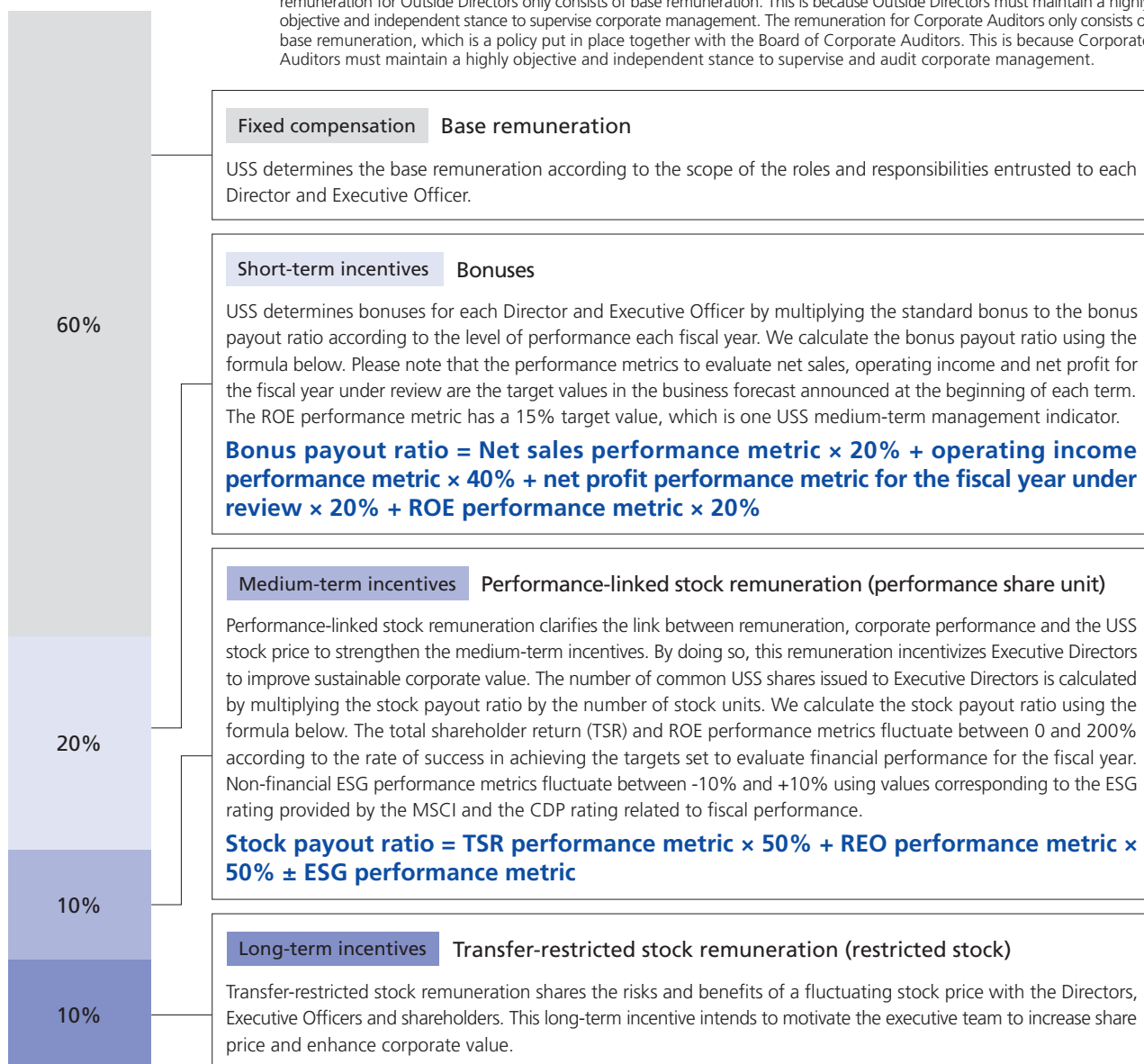
USS has put in place a malus and clawback clause to deduct or recover performance-linked stock remuneration and

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	
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