

*The following documents are English translations of the USS Co., Ltd. Notice of the 41st Annual General Meeting of Shareholders (for the fiscal year ended March 31, 2021) as well as the Business Report, Consolidated Financial Statements, voting instructions, and information about the location of the shareholders meeting. Of the items that should be disclosed in the Business Report, the original Japanese text is accessible only via the Internet on the USS Web site (<https://www.ussnet.co.jp/>) for the following items: "Matters relating to Stock Acquisition Rights, etc. of the Company", "Management shall ensure sound business practices and update on implementation of this management", "Master policy on corporation management", "Consolidated Statement of Changes in Equity", "Notes on Consolidated Financial Statements", "Non-Consolidated Statement of Changes in Equity" and "Notes on Non-consolidated Financial Statements". USS is providing this translation solely for your convenience and does not make any guarantee that this document is accurate.*

(Securities code: 4732)

May 24, 2021

Dear Shareholders:

Yukihiro Ando  
Chairman and Representative Director  
USS Co., Ltd.  
507-20 Shinpo-machi, Tokai, Aichi, Japan

## Notice of the 41<sup>st</sup> Annual General Meeting of Shareholders

You are cordially invited to attend the 41<sup>st</sup> Annual General Meeting of the Shareholders of USS Co., Ltd. (the "Company"), which will be held as per the schedule below.

**USS asks shareholders to submit voting instructions in advance by using electronic means (Internet, etc.) or in writing in order to prevent the spread of COVID-19. We strongly ask that shareholders refrain from attending this meeting in person regardless of your current health. To submit your voting instructions in advance by using electronic means (Internet, etc.) or in writing, please read the Reference Materials for the General Meeting of Shareholders and exercise your voting rights by no later than 5:00 p.m. on Monday, June 14, 2021. You can do this by accessing the website designated by the Company and entering "for" or "against" for each agenda item, or by indicating "for" or "against" for each agenda item shown in the enclosed Form for Exercising Voting Rights and returning it to us.**

<b>1. Date and Time:</b>	<b>Tuesday, June 15, 2021, at 11:00 a.m. (reception opens at 10:00 am)</b>
<b>2. Venue:</b>	507-20, Shinpo-machi, Tokai, Aichi <b>Head Office of the Company (the Nagoya Auction Site of the Company)</b> (Please refer to the access information on the last page)
<b>3. Meeting Agenda:</b>	<p><b>Items to be reported:</b></p> <ol style="list-style-type: none"> <li>1. The contents of the Business Report, the contents of the consolidated financial statements, and the results of the audit of consolidated financial statements by accounting auditors and the Board of Corporate Auditors for the Company's 41st business period (from April 1, 2020 to March 31, 2021)</li> <li>2. The financial reports for the Company's 41st business period (from April 1, 2020 to March 31, 2021)</li> </ol> <p><b>Items to be resolved:</b></p> <ol style="list-style-type: none"> <li>Item 1: Appropriation of retained earnings</li> <li>Item 2: Election of eight (8) directors</li> <li>Item 3: Election of three (3) corporate auditors</li> </ol>

Note: Any change in the Reference Materials for the General Meeting of Shareholders, business report, financial statements or consolidated financial statements will be posted on our website. Please visit our site for updates.

# COVID-19 Safety Measures

## 1. Actions by USS

To prevent the spread of COVID-19, there has been no party after the shareholders meeting and no gift since last year.

If necessary, depending on the situation on the day, USS personnel may run a check on their health, including body temperatures, and wear masks. Hand sanitizer will be placed at the entrance for the use of shareholders and shareholders will be asked not to sit close together and take other preventive measures.

To shorten the meeting in order to prevent the spread of COVID-19, there will be no explanations of the details of items to be reported (including the audit report) and items to be resolved.

Shareholders are asked to read this information in this shareholders meeting notice in advance.

Shareholders can use the Internet to view a live webcast of the shareholders meeting starting at 11:00 a.m. For more information, please refer to "Information concerning the Live Webcast of the 41st Annual General Meeting of Shareholders" (on pages 5-6).

## 2. Requests to shareholders

USS may revise the actions explained in the preceding section depending on upcoming changes in the severity of COVID-19 outbreak, government orders and directives, and other events. Please check the USS website (<https://www.ussnet.co.jp/>) for the latest information.

Submitting voting instructions by using the Form for Exercising Voting Rights creates a new COVID-19 infection risk associated with sending this form and the subsequent processing of these forms. When submitting voting instructions in advance, shareholders are asked to vote by using electronic means (Internet, etc.) as much as possible.

## 3. Request to shareholders who plan to attend the meeting

Shareholders plan to attend the meeting are asked to bring masks to wear at the meeting.

USS personnel will check the temperatures of shareholders at the entrance and individuals with an elevated temperature, individuals with a health problem may not be allowed to attend the meeting.

## Exercising voting rights and other topics

Voting rights may be exercised by one of the three methods below.

<b>Recommended ways to exercise voting rights</b>	<b>If you will be exercising your voting rights online</b>	
	Please see "Internet Voting Instructions" (on page 4) for instructions on voting online.	
	Proxy deadline	5:00 pm, Monday, June 14, 2021
	<b>If voting rights will be exercised by mail</b>	
	Please indicate your approval or disapproval on the enclosed Form for Exercising Voting Rights and mail this form (no postage is needed).	
	Proxy deadline	We will accept only proxies that are received by 5:00 pm, Monday, June 14, 2021

<b>If you will attend the General Shareholders Meeting</b>	
Please submit the Form for Exercising Voting Rights at the venue reception. (Seal is not needed.) By June 1, 2021, please inform us of your means of transportation with the enclosed postcard.	
Date & Time	11:00 am, Tuesday, June 15, 2021 (reception opens at 10:00 am)
Location	Head Office of the Company (the Nagoya Auction Site) (Please refer to the access information on the last page)

If a shareholder submits votes by both sending the proxy form by postal mail and voting online, the online votes will be used regardless of whether these votes were received before or after the postal mail proxy form.

## Internet Voting Instructions

Method of Scanning the QR Code Using Smartphones, etc.
You can simply login to the website for the exercise of voting rights without entering your voting rights exercise code and password.
<ol style="list-style-type: none"> <li>1. Please scan the QR code located on the bottom right of the Exercise Voting Rights Form. * "QR code" is a registered trademark of DENSO WAVE INCORPORATED.</li> <li>2. Indicate your approval or disapproval by following the instructions on the screen.</li> </ol> <p><b>Note that you can exercise your voting rights only once by using "smart vote"</b> If you want to change your votes after exercising your voting rights, please access the PC site, log in with the voting rights exercise code and password on the Exercise Voting Rights Form, and exercise your voting rights again. *It is possible to access the PC site by re-reading the QR code.</p>

Method of Entering the Code
<p>Website for the exercise of voting rights <a href="https://www.web54.net">https://www.web54.net</a></p> <ol style="list-style-type: none"> <li>1. Please access the website for the exercise of voting rights</li> <li>2. Enter your voting rights exercise code printed on the Exercise Voting Rights Form.</li> <li>3. Enter your password printed on the Exercise Voting Rights Form.</li> <li>4. Indicate your approval or disapproval by following the instructions on the screen.</li> </ol>

- Notes:
- (1) Shareholders can submit their votes until 5:00 PM on June 14, 2021 (Monday). Please submit your votes as soon as possible.
  - (2) If votes are submitted several times using the internet or by using both a personal computer and smartphone, only the votes that were received last will be valid.
  - (3) When using the internet to vote, there may be Internet service provider or telephone company service fee or other expenses. Shareholders are responsible for all of these expenses.
  - (4) Accessing the voting website may not be possible when using certain personal computer or smartphone internet connections or settings.

If you need assistance to operate your PC, mobile phone or smartphone to exercise your voting rights via our website, please call the following number.	<p>Sumitomo Mitsui Trust Bank, Ltd., Stock Transfer Agency Web Support Hotline *The service is available in Japanese only. Telephone: 0120-652-031 (*Toll free) (Business hours: 9:00 to 21:00)</p>
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\* Institutional investors may exercise their voting rights electronically from the Web-based voting platform operated by ICJ Inc.

## Information concerning the Live Webcast of the 41st Annual General Meeting of Shareholders

USS is asking shareholders not to attend in person the annual meeting of shareholders to be held on June 15, 2021 in order to help prevent the spread of COVID-19. Due to the importance of this meeting as a means of interacting with shareholders, USS will webcast the shareholders meeting to enable a large number of shareholders to view the meeting.

Participation in this webcast will not use the format of a hybrid attendance virtual shareholders meeting, as prescribed in the Companies Act, at which shareholders can submit their votes electronically. This will instead be a hybrid virtual shareholders meeting at which shareholders can only watch the proceedings. Shareholders will not be able to vote during the webcast. Shareholders who participate in the webcast are asked to submit their voting instructions by using electronic means (Internet, etc.) or in writing prior to the meeting. Furthermore, we regret that there will be no opportunities for shareholders to submit motions (and for motions to be accepted) or questions during the meeting.

Although we will be unable to receive questions during the webcast, we will accept questions submitted prior to the shareholders meeting. These questions will be answered during the shareholders meeting. To ensure the efficiency of the shareholders meeting, each shareholder is limited to 2 questions. We plan to answer all questions from shareholders during the shareholders meeting. However, it may not be possible to reply to some questions due to circumstances involving the operation of this meeting. Thank you for your understanding.

Date and time	June 15, 2021 (Tuesday), 11:00 AM to the end of the meeting
Submission of questions	Questions will be accepted from 9:00 AM on May 24, 2021 (Monday) <u>until 5:00 PM on June 13, 2021 (Sunday)</u>

- Notes:
- (1) The webcast may be interrupted depending on the type of internet connection and hardware and software used. USS accepts no responsibility whatsoever for any inconvenience caused by a webcast interruption.
  - (2) Shareholders are responsible for the cost of the internet connection used to watch the webcast.
  - (3) The webcast will show the shareholders meeting from the back of the room in order to protect the privacy of shareholders attending the meeting and for other reasons. Although care will be exercised to avoid showing shareholders attending the meeting, one or more of these shareholders may appear in the webcast due to unavoidable circumstances. Thank you for your understanding.

## How to Watch the Live Webcast of the Shareholders Meeting

### 1. Log in

Access the following USS virtual shareholders meeting website and enter the required information to log in.

**Website for the live webcast : <https://ussnet-vsm.ir-navi.jp>**

Required user information to log in	
<b>(1) Shareholder number</b>	Shareholder number is printed on the enclosed Form for Exercising Voting Rights. Please enter your own Shareholder number.
<b>(2) Postal code</b>	Please enter the postal code as of March 31, 2021. Please enter your own postal code.

### 2. Submission of questions in advance and watching the webcast

Step 1	To submit a question, each shareholder is allowed to enter 2 questions in the question submission section. Questions must be submitted between 9:00 AM on May 24, 2021 (Monday) and 5:00 PM on June 13, 2021 (Sunday).
Step 2	This website will switch to a live webcast of the shareholders meeting at 11:00 AM on June 15, 2021 (Tuesday).

Contact for questions about this question and webcast system:	Support Hotline *The service is available in Japanese only. Telephone: 0120-980-965 (toll free in Japan) Hours: 9:00 AM to 5:00 PM (closed weekends, holidays and the New Year holiday)
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# REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS

## Item 1: Appropriation of retained earnings

The Company proposes to appropriate retained earnings as follows:

### Matters related to year-end dividends

In order to maintain the stability of dividends and the appropriate distribution of earnings to shareholders, USS has established a consolidated dividend payout ratio target as a policy for paying a dividend that reflects results of operations. Currently, the basic policy is to pay a dividend that results in a consolidated payout ratio of at least 55%.

As is stated on pages 23 to 24 of this shareholders meeting notice, profit attributable to owners of parent in the fiscal year that ended in March 2021 was down 80.5% from the previous fiscal year to ¥4,022 million. This was the result of extraordinary losses of ¥18,801 million for impairment loss on goodwill related to a consolidated subsidiary and ¥2,923 million for the cost of the removal of non-current assets associated with customers. As these extraordinary losses do not affect free cash flows, USS proposes to pay the following year-end dividend based on the basic policy above.

<b>Type of dividend property</b>	Cash
<b>Matters concerning allotment of dividend property and the total amount</b>	<p>Amount per common share 27.75 yen</p> <p>Total Amount 6,928,168,812 yen</p> <p>Since the Company paid an interim dividend of 27.75 yen per share, the final annual dividend will total 55.50 yen per share for the fiscal year under review.</p>
<b>Date when the dividends from retained earnings take effect</b>	June 16, 2021 (proposed)

## Item 2: Election of eight (8) directors

The terms for all eight (8) present members of the Board of Directors will expire at the close of the 41st Annual General Meeting of Shareholders ("the current Annual General Meeting of Shareholders").

Shareholders are asked to approve the election of the following 8 director candidates, including 3 outside directors.


Brief information on the candidates is as follows:


The candidates for election as directors have been selected by the Board of Directors after discussions concerning director candidates held by the Nominations and Remuneration Committee, where the majority of committee members are outside directors.


No.	Name				Current Position and Duties at USS	Nominations and Remuneration Committee	Number of years in office
1	Reelection	Yukihiro Ando	74 years old	Male	Chairman and Representative Director, Chief Executive Officer (CEO)	◎	39
2	Reelection	Dai Seta	54 years old	Male	President and Representative Director, Chief Operating Officer (COO)	○	17
3	Reelection	Masafumi Yamanaka	66 years old	Male	Executive Vice President and Officer of the Supervisory Office		17
4	Reelection	Masayuki Akase	58 years old	Male	Senior Managing Director and Officer of the Auction Operation Office		17
5	Reelection	Hiromitsu Ikeda	60 years old	Male	Junior Managing Director and Manager of Nagoya and R-Nagoya Auction Site		17
6	Reelection Outside Independent	Hitoshi Tamura	75 years old	Male	Outside Director	○	7
7	Reelection Outside Independent	Akihiko Kato	73 years old	Male	Outside Director	○	7
8	Reelection Outside Independent	Nobuko Takagi	43 years old	Female	Outside Director	○	3


- Notes:
1. Ages and number of years in office are as of the close of this shareholders meeting.
  2. A ○ is committee members and ◎ is the chairperson. If these candidates are elected, they are expected to remain members of the Nominations and Remuneration Committee.



1	Yukihiro Ando	Reelection	
Date of Birth		Dec. 2, 1946 (74 years old)	
Number of Shares of the Company Owned by the Candidate		9,176,000	
Fiscal 2020 Board Meetings Attendance Record		100% (Attended all 8 meetings)	
Number of years in office		39	
The chairman of Nominations and Remuneration Committee			
<b>Brief Profile and Position and Duties at USS</b>			
July 1982	Director of the Company		
Nov. 1989	Senior Managing Director of the Company		
June 1995	Executive Vice President of the Company		
June 2000	Executive Vice President of the Company and Officer of the Nagoya Office		
June 2006	President and Representative Director of the Company President and Representative Director of US Butsuryu Co., Ltd. (Concurrent Post) (at present)		
June 2007	President and Representative Director and Chief Executive Officer (CEO) of the Company		
June 2012	Chairman and President and Representative Director of the Company		
June 2014	President and Representative Director of the Company		
Feb. 2018	President and Representative Director of Japan Automobile Auction Inc. (Concurrent Post) (at present) President and Representative Director of HAA Kobe Inc. (Concurrent Post) (at present)		
June 2019	Chairman and Representative Director, Chief Executive Officer of the Company (at present)		
<b>Significant Concurrent Posts</b>			
President and Representative Director of US Butsuryu Co., Ltd.			
President and Representative Director of Japan Automobile Auction Inc.			
President and Representative Director of HAA Kobe Inc.			
<b>Reasons for selection as Director candidate</b>			
Following his election as a Director in July 1982, Mr. Yukihiro Ando was involved as a senior executive in the opening of new auto auction sites and the development of auto auction systems and was the Manager of the Nagoya Office. He became President and Representative Director in June 2006 and was named Chairman, Representative Director and Chief Executive Officer in June 2019. In this position, Mr. Ando has used strong leadership and decision-making backed by many years of experience and accomplishments to oversee large capital expenditures and M&A deals in order to achieve consistent medium to long-term growth of earnings and corporate value. For these reasons, Mr. Ando is a candidate for Director and, if he is elected, we plan to have him remain Chairman, Representative Director and Chief Executive Officer.			


2	Dai Seta	Reelection	
Date of Birth		Dec. 23, 1966 (54 years old)	
Number of Shares of the Company Owned by the Candidate		9,390,900	
Fiscal 2020 Board Meetings Attendance Record		100% (Attended all 8 meetings)	
Number of years in office		17	
Member of Nominations and Remuneration Committee			
<b>Brief Profile and Position and Duties at USS</b>			
Jan. 2004		Executive Officer of the Company and Vice Officer of the Nagoya Office	
June 2004		Director of the Company and Vice Officer of the Nagoya Office	
Mar. 2006		President and Representative Director of USS Support Service Co., Ltd. (Concurrent Post) (at present)	
June 2006		Vice President and Representative Director of the Company and Officer of the Auction Operation Office and Officer of the Nagoya Office	
June 2008		President and Representative Director of ARBIZ Co., Ltd. (Concurrent Post) (at present)	
June 2012		Vice President and Representative Director of the Company and Officer of Auction Operation Office	
June 2015		Vice President and Representative Director of the Company	
June 2019		President and Representative Director, Chief Operating Officer (at present)	
<b>Significant Concurrent Posts</b>			
President and Representative Director of USS Support Service Co., Ltd.			
President and Representative Director of ARBIZ Co., Ltd.			
<b>Reasons for selection as Director candidate</b>			
Mr. Dai Seta has outstanding knowledge and accomplishments concerning the operation of auction sites and was the Manager of the Auction Operations Department. He has also served as the president of consolidated subsidiaries, ARBIZ Co., Ltd. that operates a recycling business, and USS Support Service Co., Ltd. that operates a finance business. To utilize Mr. Seta's outstanding management skills, he was named President, Representative Director and Chief Operating Officer in June 2019. Since then, he has performed the roles of decision-making and supervising business operations very well. For these reasons, Mr. Seta is a candidate for Director and, if he is elected, we plan to have him remain President, Representative Director and Chief Operating Officer.			


3	Masafumi Yamanaka	Reelection	
Date of Birth		Dec. 16, 1954 (66 years old)	
Number of Shares of the Company Owned by the Candidate		30,900	
Fiscal 2020 Board Meetings Attendance Record		100% (Attended all 8 meetings)	
Number of years in office		17	
<b>Brief Profile and Position and Duties at USS</b>			
Jan. 2000		General Manager of the Finance Dept., Supervisory Office of the Company	
Jan. 2004		Executive Officer and General Manager of the Finance Dept., Supervisory Office of the Company	
June 2004		Director of the Company and General Manager of the Finance Dept., Supervisory Office	
June 2006		Junior Managing Director of the Company and Officer of the Supervisory Office	
June 2012		Senior Managing Director of the Company and Officer of the Supervisory Office	
June 2016		Executive Vice President of the Company and Officer of the Supervisory Office (at present)	
June 2020		President and Representative Director of Reproworld Co., Ltd. (Concurrent Post) (at present)	
<b>Significant Concurrent Posts</b>			
President and Representative Director of Reproworld Co., Ltd.			
<b>Reasons for selection as Director candidate</b>			
Mr. Masafumi Yamanaka has expertise in the fields of accounting and finance and acquired outstanding management skills as Manager of the Finance Department and was elected a Director in June 2004 to utilize these skills. Mr. Yamanaka is currently Executive Vice President and Manager of the Supervisory Office. He supervises all administrative operations and uses his thorough knowledge of USS business operations for management activities. In June 2020, Mr. Yamanaka was named president of Reproworld Co., Ltd., which buys and sells accident-damaged vehicles. He is a candidate for Director in order to use his experience and knowledge for decisions and business oversight by the Board of Directors. If he is elected, we plan to have him remain Executive Vice President.			

4	Masayuki Akase	Reelection	
Date of Birth	Nov. 8, 1962 (58 years old)		
Number of Shares of the Company Owned by the Candidate	46,100		
Fiscal 2020 Board Meetings Attendance Record	100% (Attended all 8 meetings)		
Number of years in office	17		
<b>Brief Profile and Position and Duties at USS</b>			
Jan. 2001	General Manager of the Customer Services & Market Development Dept., Nagoya Office of the Company		
Jan. 2004	Executive Officer of the Company and General Manager of the Customer Services & Market Development Dept., Nagoya Office		
June 2004	Director of the Company and General Manager of the Customer Services & Market Development Dept., Nagoya Office		
June 2006	Junior Managing Director of the Company and Vice Officer of the Auction Operation Office		
Apr. 2013	Junior Managing Director of the Company and Manager of Yokohama Auction site		
Dec. 2013	President and Representative Director of USS Logistics International Service Co., Ltd. (Concurrent Post, Retired in Mar. 2021)		
Oct. 2016	Junior Managing Director of the Company and Officer of the Auction Operation Office		
June 2017	Senior Managing Director of the Company and Officer of the Auction Operation Office (at present)		
<b>Significant Concurrent Posts</b>			
-			
<b>Reasons for selection as Director candidate</b>			
<p>Mr. Masayuki Akase has considerable knowledge and accomplishments involving the operation of auto auctions and acquired management skills as General Manager of the Customer Services &amp; Marketing Development Department of the Nagoya Office. He was elected a Director in June 2004 to utilize these skills. As a Director, Mr. Akase was Deputy General Manager of the Auction Operations Department, Manager of the Yokohama Auction Site, Manager of the Auction Operations Department, and President of USS Logistics International Service Co., Ltd. which operates export procedure agency service. He is currently Senior Managing Director and Manager of the Auction Operations Department, where he oversees the entire auto auction business. Mr. Akase has outstanding knowledge of USS business operations and management skills. He is a candidate for Director in order to use his experience and knowledge for decisions and business oversight by the Board of Directors. If he is elected, we plan to have him remain a Senior Managing Director.</p>			


5	Hiromitsu Ikeda	Reelection	
Date of Birth		May 3, 1961 (60 years old)	
Number of Shares of the Company Owned by the Candidate		39,500	
Fiscal 2020 Board Meetings Attendance Record		100% (Attended all 8 meetings)	
Number of years in office		17	
<b>Brief Profile and Position and Duties at USS</b>			
Jan. 2001		General Manager of the System Planning & Business Relations Service Dept., Nagoya Office of the Company	
Jan. 2004		Executive Officer of the Company and General Manager of the System Planning & Business Relations Service Dept., Nagoya Office	
June 2004		Director of the Company and General Manager of the System Planning & Business Relations Service Dept., Nagoya Office	
June 2006		Junior Managing Director of the Company and Officer of the System Office	
Oct. 2010		Junior Managing Director of the Company and Officer of the System Office and in charge of Tohoku Auction Site	
June 2012		Junior Managing Director of the Company and Manager of Tohoku Auction Site	
Apr. 2015		Junior Managing Director of the Company and Manager of Osaka Auction Site and Kobe Auction Site	
Apr. 2018		Junior Managing Director of the Company Junior Managing Director of HAA Kobe (Concurrent Post, Retired in Mar. 2021)	
Oct. 2019		Junior Managing Director of the Company and Manager of Shikoku Auction Site	
Apr. 2021		Junior Managing Director of the Company and Manager of Nagoya and R-Nagoya Auction Site (at present)	
<b>Significant Concurrent Posts</b>			
-			
<b>Reasons for selection as Director candidate</b>			
<p>Mr. Hiromitsu Ikeda has experience with the opening of new auction sites and the development of auction systems. He has considerable knowledge and accomplishments involving these systems and he acquired outstanding management skills at the Nagoya Office. He was elected a director in June 2004 to utilize these skills. As a Director, Mr. Ikeda was Manager of the Systems Office, Manager of the Tohoku Auction Site, Manager of the Osaka and Kobe Auction Sites, Manager of the Shikoku Auction Site, and Junior Managing Director of HAA Kobe which is a consolidated subsidiary. He is currently Manager of Nagoya and R-Nagoya Auction Site. In these roles, he oversees auto auction sites and uses his thorough knowledge of USS business operations for management activities. He is a candidate for Director in order to use his experience and knowledge for decisions and business oversight by the Board of Directors. If he is elected, we plan to have him remain a Junior Managing Director.</p>			

6	Hitoshi Tamura	Reelection
		Outside
		Independent
Date of Birth		Jun. 11, 1946 (75 years old)
Number of Shares of the Company Owned by the Candidate		3,500
Fiscal 2020 Board Meetings Attendance Record		100% (Attended all 8 meetings)
Number of years in office		7
Member of Nominations and Remuneration Committee		
<b>Brief Profile and Position and Duties at USS</b>		
Apr. 1971      Joined Ricoh Company, Ltd.		
Oct. 2002      Corporate Councilor of the said company		
Apr. 2010      Adviser to the President, Ricoh Japan Corporation		
July 2011      President, Customer Satisfaction Research Institute (at present)		
June 2014      Director of the Company (at present)		
June 2015      Outside Director, Kitamura Co., Ltd. (Retired in Jun. 2019)		
<b>Significant Concurrent Posts</b>		
President, Customer Satisfaction Research Institute		
<b>Reasons for selection as Director candidate</b>		
In his role as a Corporate Councilor of Ricoh, Mr. Hitoshi Tamura was involved with measures to increase the quality of Ricoh's management, the formulation of sales strategies and other activities. He has served for many years as a primary judge for the Japan Management Quality Awards. Overall, he has considerable experience and knowledge concerning the improvement of management. Since being elected as an Outside Director in June 2014, he has taken advantage of this knowledge in giving advice on various issues in management in general, and thereby contributed to the enhancement of corporate value. Based on the above, we have submitted him as a candidate for Outside Director and we would like him to continue to perform his duties as Outside Director.		
If Mr. Tamura is reelected, we expect that he will use his knowledge concerning the preparation of business plans and other items from the perspective of improving management at Board of Directors and other meetings and oversee progress concerning business plans and other items. In addition, we plan to have him participate from an independent standpoint in decisions concerning director candidates, director remuneration and other matters as a member of the Nominations and Remuneration Committee.		
Mr. Tamura has no experience with corporate management from a position other than outside director; however, for the reasons above, we are confident that he will duly perform his duties as outside director.		



7	Akihiko Kato		Reelection	
			Outside	
			Independent	
	Date of Birth	Jun. 18, 1947 (73 years old)		
	Number of Shares of the Company Owned by the Candidate	1,700		
Fiscal 2020 Board Meetings Attendance Record	100% (Attended all 8 meetings)			
Number of years in office	7			
Member of Nominations and Remuneration Committee				
<b>Brief Profile and Position and Duties at USS</b>				
Apr. 1970		Joined Bank of Japan		
May 1994		Senior Examiner, Examination Department of the said bank		
May 1995		Director of Gifu Shinkin Bank		
Oct. 1998		Managing Director of the said Bank		
June 2007		Full-time Auditor of the said Bank		
June 2010		Corporate Auditor of Gifu Shinkin Credit Guarantee Corporation (Retired in Jun. 2012)		
June 2014		Director of the Company (at present)		
<b>Significant Concurrent Posts</b>				
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<b>Reasons for selection as Director candidate</b>				
<p>Mr. Akihiko Kato has experience of working at the Bank of Japan, as a Director of the Gifu Shinkin Bank, and also of corporate management as a Managing Director. Since being elected as an Outside Director in June 2014, he has taken advantage of this knowledge in giving advice on various issues in management in general, and thereby contributed to the enhancement of corporate value. Based on the above, we have submitted him as a candidate for Outside Director and we would like him to continue to perform his duties as Outside Director.</p> <p>If Mr. Kato is elected, we expect that he will continue to perform his duties as an Outside Director properly concerning important decisions concerning management, the oversight of how business operations are conducted and other matters. In addition, we plan to have him participate from an independent standpoint in decisions concerning director candidates, director remuneration and other matters as a member of the Nominations and Remuneration Committee.</p>				



8	<b>Nobuko Takagi</b> (Name on the family register: Nobuko Teraoka)		Reelection Outside Independent	
	Date of Birth	Oct. 22, 1977 (43 years old)		
	Number of Shares of the Company Owned by the Candidate	1,600		
	Fiscal 2020 Board Meetings Attendance Record	100% (Attended all 8 meetings)		
	Number of years in office	3		
Member of Nominations and Remuneration Committee				
<b>Brief Profile and Position and Duties at USS</b>				
Oct. 2002      Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)				
May 2006      Registered as a Certified Public Accountant				
Aug. 2006      Joined Tohmatsu Tax Co. (currently Deloitte Tohmatsu Tax Co.)				
Nov. 2007      Joined GCA Savvian Corporation (currently GCA Corporation)				
Mar. 2011      Joined NEC Corporation				
Oct. 2016      Partner, Guardian Advisors Inc.				
July 2017      Representative, Nobuko Takagi Certified Public Accountants' Office (at present) Outside corporate auditor, I-ne CO., LTD. (at present)				
Apr. 2018      Representative Director, COEING AND COMPANY Inc. (at present)				
June 2018      Director of the Company (at present)				
<b>Significant Concurrent Posts</b>				
Representative Director, COEING AND COMPANY Inc.				
Representative, Nobuko Takagi Certified Public Accountants' Office				
Outside corporate auditor, I-ne CO., LTD.				
<b>Reasons for selection as Director candidate</b>				
As a Certified Public Accountant, Ms. Nobuko Takagi has extensive experience in, and specialist knowledge of, finance, accounting and M&A, including professional experience working in audit corporations and tax accountant corporations, as well as of taking charge of the promotion of M&A activities in M&A advisory companies and business corporations. Since being elected as an Outside Director in June 2018, she has taken advantage of this knowledge in giving advice on various issues in management in general, and thereby contributed to the enhancement of corporate value. Based on the above, we have submitted her as a candidate for Outside Director and we would like her to continue to perform her duties as Outside Director.				
If Ms. Takagi is reelected, we expect that she will use her knowledge of finance and accounting as well as her experience as a management consultant, outside officer of a publicly owned company and in other posts in order to oversee the management of USS from a new perspective that differs from that of directors who have specialized knowledge of USS business operations. In addition, we plan to have her participate from an independent standpoint in decisions concerning director candidates, director remuneration and other matters as a member of the Nominations and Remuneration Committee.				
Ms. Takagi has no experience with corporate management from a position other than outside director; however, for the reasons above, we are confident that he will duly perform his duties as outside director				



- Notes:
1. There are no special interests between the Company and each of the candidates.
  2. USS has agreements with an insurance company concerning director, etc. liability insurance policies stipulated in Article 430-3-1 of the Companies Act. In the event that a director or other insured individual, as a result of activities (including oversight) performed as a director or other officer of USS, is required to pay damages, the insurance policy will pay these damages, litigation expenses and other expenses. However, the policy does not cover certain activities of an individual, such as bribery or other criminal acts or an intentionally illegal act. USS plans to renew these insurance policies during the term of office of the directors with policies having similar terms. Premiums for these policies are paid entirely by USS.
  3. Matters related to candidates for outside directors are as follows:
    - (1) Hitoshi Tamura, Akihiko Kato and Nobuko Takagi are candidates for outside directors. The Company has designated Mr. Tamura, Mr. Kato and Ms. Takagi as independent directors in accordance with rules of the Tokyo Stock Exchange and Nagoya Stock Exchange and has notified these stock exchanges that they are independent directors. If Mr. Tamura, Mr. Kato and Ms. Takagi are reelected as directors by shareholders, the Company plans to designate them as independent directors.

The Company's transactions with the Ricoh Group, where Mr. Tamura, a candidate for the post of director, has served either at Ricoh Company, Ltd. or Ricoh Japan Corporation until June 2011, account for less than one percent of the Company's consolidated net sales in the current fiscal year. Relatedly, for Ricoh Group, the amounts involved in the transactions with the Company account for less than one percent of its consolidated net sales of the current fiscal year.

As the Company's transaction volume with Ricoh Group is small, the Company does not consider the circumstances of these transactions to be in any way problematic in connection with his assignment as an independent director.
    - (2) Period in office of incumbent outside directors who are candidates for outside directors

The period in office of incumbent outside directors Hitoshi Tamura and Akihiko Kato will be 7 years upon closure of the current Annual General Meeting of Shareholders.

The period in office of incumbent outside director Nobuko Takagi will be 3 year upon closure of the current Annual General Meeting of Shareholders.
    - (3) Outline of liability limitation agreement

Hitoshi Tamura, Akihiko Kato and Nobuko Takagi are currently outside directors of the Company. In order to assure that outside directors can carry out their expected duties satisfactorily, the Company has a liability limitation agreement with Mr. Tamura, Mr. Kato and Ms. Takagi in accordance with the provisions of Article 427, Paragraph 1, of the Companies Act and Article 27 of the Articles of Incorporation of the Company.

This agreement limits liability to the higher of 4 million yen or the amount designated by laws and regulations.

If Hitoshi Tamura, Akihiko Kato and Nobuko Takagi are reelected as directors by shareholders, the Company plans to renew this liability agreement.


### Item 3: Election of three (3) corporate auditors

The terms for all three (3) Corporate Auditors will expire at the close of the current Annual General Meeting of Shareholders. The Company proposes to elect three (3) Corporate Auditors, including 3 outside Corporate Auditors.

The consent of the Board of Corporate Auditors was gained in advance regarding the proposal of this resolution.

The candidates for Corporate Auditor are as follows.

1	Kenichi Goto	New Outside Independent	
Date of Birth		Sep. 7, 1959 (61 years old)	
Number of Shares of the Company Owned by the Candidate		-	
<b>Brief Profile and Position and Duties at USS</b>			
Apr. 1978		Joined Nagoya Regional Taxation Bureau	
Jul. 2009		Deputy District Director of Mishima Tax Office	
Jul. 2011		Chief Investigator, Criminal Investigation Department, Nagoya Regional Taxation Bureau	
Jul. 2015		Director, Information Division, Criminal Investigation Department, Nagoya Regional Taxation Bureau	
Jul. 2016		Director, First Co-ordination Division, Criminal Investigation Department, Nagoya Regional Taxation Bureau	
Jul. 2018		District Director of Gifu-Minami Tax Office (Retired in Jul. 2020)	
Aug. 2020		Registered as a Certified Public Tax Accountant	
		President, Kenichi Goto Certified Public Tax Accountant office (at present)	
<b>Significant Concurrent Posts</b>			
		President, Kenichi Goto Certified Public Tax Accountant office	
<b>Reasons for selection as an outside corporate auditor candidate</b>			
Mr. Kenichi Goto has expertise involving taxes and finance and experience in important posts in the public sector. He is a candidate for election as an outside company auditor because we believe he can oversee the management of USS from a neutral and objective standpoint. Although Mr. Goto has no experience involving direct involvement in corporate management, we believe that for the reasons above he is well suited to perform the duties of an outside corporate auditor.			

2	Keiji Miyake	New Outside Independent	
Date of Birth		Oct. 26, 1954 (66 years old)	
Number of Shares of the Company Owned by the Candidate		-	
<b>Brief Profile and Position and Duties at USS</b>			
Apr. 1978		Joined Nomura Securities Co.,Ltd.	
Oct. 1984		Joined Marunouchi & Co. (currently Deloitte Touche Tohmatsu LLC)	
May 1988		Registered as a Certified Public Accountant	
Jul. 2009		Joined GYOSEI & CO.	
Oct. 2010		Partner, GYOSEI & CO. (Retired in Sep. 2020)	
Oct. 2020		President, Keiji Miyake Certified Public Accountant Office (at present)	
<b>Significant Concurrent Posts</b>			
President, Keiji Miyake Certified Public Accountant Office			
<b>Reasons for selection as an outside corporate auditor candidate</b>			
Mr. Keiji Miyake has many years of experience as a certified public accountant and expertise in the fields of finance and accounting. He is a candidate for election as an outside company auditor because we believe he can oversee the management of USS from a neutral and objective standpoint. Although Mr. Miyake has no experience involving direct involvement in corporate management, we believe that for the reasons above he is well suited to perform the duties of an outside corporate auditor.			

3	Jun Ogawa	New Outside Independent	
Date of Birth		Aug. 28, 1960 (60 years old)	
Number of Shares of the Company Owned by the Candidate		-	
<b>Brief Profile and Position and Duties at USS</b>			
Oct. 1987		Passed the National Bar Examination	
Apr. 1990		Registered at Nagoya Bar Association (currently Aichi Bar Association) Joined Tomishima Law Office (currently Tomishima Ogawa Mori Law Office) (at present)	
Apr. 2005		Deputy Chairman of Aichi Bar Association	
Apr. 2006		Member of mediation committee, Ichinomiya Branch of Nagoya Family Court (at present)	
Apr. 2008		Chairman, Human Rights Protection Committee, Aichi Bar Association	
Apr. 2021		Chairman, Editorial Committee, Aichi Bar Association (at present)	
<b>Significant Concurrent Posts</b>			
Tomishima Ogawa Mori Law Office, Attorney			
<b>Reasons for selection as an outside corporate auditor candidate</b>			
As an attorney for many years, Mr. Jun Ogawa has many years of experience as an attorney and an extensive knowledge of legal matters. He is a candidate for election as an outside company auditor because we believe he can oversee the management of USS from a neutral and objective standpoint. Although Mr. Ogawa has no experience involving direct involvement in corporate management, we believe that for the reasons above he is well suited to perform the duties of an outside corporate auditor.			

- Notes:
1. There are no special interests between the Company and each candidate.
  2. USS has agreements with an insurance company concerning company auditor, etc. liability insurance policies stipulated in Article 430-3-1 of the Companies Act. In the event that a director or other insured individual, as a result of activities (including oversight) performed as a director or other officer of USS, is required to pay damages, the insurance policy will pay these damages, litigation expenses and other expenses. However, the policy does not cover certain activities of an individual, such as bribery or other criminal acts or an intentionally illegal act. USS plans to renew these insurance policies during the term of office of the directors with policies having similar terms. Premiums for these policies are paid entirely by USS.
  3. Matters related to candidates for outside corporate auditors are as follows:
    - (1) Kenichi Goto, Keiji Miyake and Jun Ogawa are candidates for the post of outside auditor. Upon approval of the resolution, USS intends to appoint these individuals as independent officers as prescribed by the Tokyo Stock Exchange and Nagoya Stock Exchange and will submit notices to these stock exchanges.
    - (2) Outline of liability limitation agreement  
Kenichi Goto, Keiji Miyake and Jun Ogawa will be appointed as outside auditors of the Company on the premise of approval and resolution of the proposal. In order to assure that outside auditors can carry out their expected duties satisfactorily, the Company plans to enter into a liability limitation agreement with each outside auditor (Kenichi Goto, Keiji Miyake and Jun Ogawa) that limits the liability for damage in accordance with the provisions of Article 427, Paragraph 1 of the Company Law.  
The maximum amount of liability for damage pursuant to the above-mentioned agreement is the higher of 4 million yen or the amount prescribed by the law or regulation.

(Reference) Directors and corporate auditors if proposals 2 and 3 are approved (Planned)

Name	Title	Experience in corporate management	Sales/ Marketing	Auction site development /Auction system	Financial Accounting /M&A	Legal affairs/Risk management
Yukihiro Ando	Chairman and Representative Director Chief Executive Officer	●	●	●		
Dai Seta	President and Representative Director Chief Operating Officer	●	●			
Masafumi Yamanaka	Executive Vice President				●	●
Masayuki Akase	Senior Managing Director		●	●		
Hiromitsu Ikeda	Junior Managing Director		●	●		
Hitoshi Tamura	Director (Outside)		●			
Akihiko Kato	Director (Outside)	●				
Nobuko Takagi	Director (Outside)				●	
Kenichi Goto	Full-time Corporate Auditor (Outside)				●	
Keiji Miyake	Corporate auditor (Outside)				●	
Jun Ogawa	Corporate auditor (Outside)					●

- Note 1. The full-time corporate auditor will be named at the meeting of the Board of Corporate Auditors following this shareholders meeting and at the subsequent Board of Directors meeting, directors with special titles will be determined.
2. This table includes primary areas of expertise of these individuals based on their experience and other considerations and is not intended to show all of the areas of knowledge of these individuals.

(Attached document)

## **Business Report**

(From April 1, 2020 to March 31, 2021)

### **1. Matters relating to the current state of the USS Group**

#### **(1) Business Progress and Results of Operations**

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
74,874 million yen Down 4.2%	36,227 million yen Up 0.6%	36,996 million yen Up 0.8%	4,022 million yen Down 80.5%

During the fiscal year that ended in March 2021, new car registrations in Japan (including mini cars) were 2,028 thousand in the fiscal year's first half, down 22.6% from one year earlier, because of COVID-19. In the second half, new car registrations were up 8.7% to 2,628 thousand, which was attributable in part to the October 2019 consumption tax hike but nevertheless higher than one year earlier.

Used car registration (including mini cars) decreased 3.8% from one year earlier in the first half to 3,263 thousand and increased 3.0% in the second half to 3,643 thousand.

For the fiscal year, new car registrations (including mini cars) decreased 7.6% to 4,656 thousand and used car registrations (including mini cars) decreased 0.3% to 6,907 thousand. (Source: Japan Automobile Dealers Association, Japan Light Motor Vehicle and Motorcycle Association)

Japan's exports of used cars, which have a significant effect on the demand for used cars, were down significantly because of COVID-19, falling 19.0% to 1,041 thousand. (Source: Trade Statistics of Japan Ministry of Finance)

In Japan's automobile auction market, the number of vehicles consigned decreased 6.3% to 7,077 thousand and the number of contracted vehicles decreased 3.9% to 4,628 thousand, resulting in a contract completion rate of 65.4% compared with 63.7% in the previous fiscal year. (Source: USED CAR Co., Ltd.)

Consolidated net sales decreased 4.2% to 74,874 million yen, operating profit increased 0.6% to 36,227 million yen and ordinary profit increased 0.8% to 36,996 million yen.

In August 2017, USS acquired JAA, which operates the JAA Auction Site (Edogawa-ku, Tokyo), and its subsidiary HAA Kobe, which operates the HAA Kobe Auction Site (Kobe, Hyogo prefecture). After joining the USS Group, the operations of these two auction sites were shifted to the same membership standards, auction rules, fee structure and other aspects of other USS auction sites. The purpose was to establish the same highly profitable operating structure as at these other USS auction sites. However, revising standards for the operation of the JAA and HAA auction sites made it difficult to differentiate these sites from other USS auction sites. As a result, there were decreases in the number of people using these two sites as well as in the number of vehicles handled.

In the fiscal year that ended in March 2020, USS posted an extraordinary loss of 3,863 million yen for the impairment of goodwill associated with the JAA Auction Site. As the external environment has deteriorated further due to the prolonged COVID-19 pandemic we reviewed our original plans.

This process led to the conclusion that the HAA Kobe Auction Site can no longer be expected to generate the level of earnings that was initially forecast. Consequently, an extraordinary loss of 18,801 million yen was posted in the fiscal year that ended in March 2021 for the impairment of goodwill associated with the HAA Kobe Auction Site.

In addition, an assessment of customer-related assets at the JAA Auction Site and HAA Kobe Auction Site revealed that more than half of the current members at both of these sites do not meet USS standards for becoming members and are therefore unable to become USS members. This resulted in an extraordinary loss of 2,923 million yen for the disposal of non-current assets. After these extraordinary losses, there was an 80.5% decrease in profit attributable to owners of parent to 4,022 million yen.

Business segment performance is as follows.

### **Auto Auction Business**

The number of vehicles consigned decreased 9.0% to 2,661 thousand and the number of contracted vehicles decreased 5.2% to 1,680 thousand. The contract completion rate was 63.2% compared with 60.6% in the previous fiscal year. Although the number of vehicles handles started to recover after the end of the first state of emergency in May 2020, sales in this business decreased from the previous fiscal year. Operating expenses decreased due mainly to declines in purchase guarantees at the low-priced vehicle corner and in personnel expenses. As a result, sales to external customers decreased 3.6% to 61,048 million yen and operating profit increased 0.1% to 35,463 million yen.

### **Used Car Purchasing and Selling Business**

At the Rabbit used car purchasing business, sales decreased but earnings were higher as the gross profit per vehicle increased. Although the number of vehicles sold decreased, earnings benefited from high prices in auction markets following the end of the first state of emergency in May 2020.

In the accident-damaged vehicle purchasing business, sales decreased but earnings were higher as the gross profit per vehicle increased. Although the number of vehicles sold decreased, earnings benefited from high prices in auction markets following the end of the first state of emergency in May 2020.

As a result, sales to external customers decreased 5.0% to 8,646 million yen and operating profit increased 162.8% to 271 million yen.

### **Other Businesses**

In the vehicle recycling business, sales decreased but earnings increased. The volume of recycled materials decreased but earnings benefited from the increasing price of ferrous scrap during the fiscal year and the closing or reorganization of unprofitable operations.

Used vehicle export clearing service posted an operating loss because of a downturn in the number of vehicles handled as the number of used vehicles exported from Japan plunged.

USS shut down the used vehicle export clearing service on March 31, 2021. Consolidated subsidiary USS Logistics International Service, which operated this business, has been dissolved and is undergoing liquidation proceedings.

As a result, sales to external customers decreased 9.0% to 5,180 million yen and operating profit increased 8.4% to 400 million yen.



## (2) Capital Expenditures

Consolidated capital expenditures totaled 7,506 million yen on an end-of-manufacturing basis in the fiscal year ended March 31, 2021. At the R-Nagoya Auction Site, construction of two multi-level parking structures was completed in March 2020 and the third structure was completed in April 2020.

### 1) Major facilities completed during the fiscal year

Category	Office name	Description of site
Auto Auction Business	R-Nagoya Auction Site	One multi-level parking structure
	Internet Division	New system equipment
	Gunma Auction Site	New auction system equipment
	Tohoku Auction Site	New auction system equipment
	Saitama Auction Site	New auction system equipment

2) Ongoing establishment, extension and improvement of major facilities at the end of the fiscal year  
Not applicable

## (3) Financing

Not applicable

## (4) Important Issues

Due to the third state of emergency and other events involving the COVID-19 pandemic, uncertainty about the outlook for the impact of this crisis will probably continue until signs of an end emerge because of vaccinations and other responses.

In the automobile auction market, the number of vehicles handled has plummeted as COVID-19 reduced the number of people who attend these auctions, reduced used vehicle exports from Japan and affected auctions in other ways. The automobile auction market in Japan has been recovering slowly since May 2020 and the recovery is expected to continue at a moderate pace.

To support the growth of used vehicle sales in Japan, the USS Group will take actions concerning the following issues. These activities will be accompanied by the rigorous COVID-19 preventive measures required to continue holding auctions as we position the health and safety of auction members and employees as our highest priority.

### 1) Increase convenience for auction members

We will prioritize capital expenditures that will improve the level of convenience for members, thus increasing their overall satisfaction. In particular, we will speed up digital investments in order to achieve the digital transformation of our operations.

### 2) Conduct effective mergers and acquisitions

Positioning mergers and acquisitions as ways to capitalize on opportunities for growth, the USS Group plans to invest aggressively in deals that can lead to growth in our future cash flows.

### 3) Collaborate with companies in various business fields

We will forge alliances with companies in different business fields where business and/or capital alliances have the potential to produce synergies.

4) Reinforce the used car purchasing and selling business and other businesses

The USS Group aims to become an integrated organization that will lead Japan's used car distribution market by expanding the used car purchasing and selling business and recycling businesses around our core auto auction business.

In addition, to maintain financial soundness and conduct operations with emphasis on the efficient use of capital, we position the return on equity (ROE) as an important performance indicator. Our medium-term goal is an ROE of at least 15%.

In the 42nd period (April 1, 2021 to March 31, 2022), we forecast consolidated sales of 77,600 million yen, 3.6% higher than in the previous fiscal year, and increases of 6.0% in operating profit to 38,400 million yen, 5.7% in ordinary profit to 39,100 million yen and 558.8% in profit attributable to owners of parent to 26,500 million yen. This forecast assumes that vehicles consigned at our auto auctions will increase 5.2% to 2,800 thousand, vehicles contracted will increase 1.6% to 1,708 thousand, and the contract completion rate will decrease from 63.2% to 61.0%.

For earnings distributions, from the standpoint of maintaining dividend stability and returning a suitable amount of earnings to shareholders, we place emphasis on the consolidated dividend payout ratio as a policy for linking the dividend to results of operations. We are raising this payout ratio in stages. Beginning with the fiscal year that ended in March 2020, the target is a payout ratio of at least 55%.

We plan to pay a dividend of 58.40 yen per share for the fiscal year that ended in March 2021. We have increased the dividend for 22 consecutive years, including every year since we became a publicly owned company.

We ask our shareholders for your continued support.

## (5) Financial Highlights

### 1) USS Group selected financial data

Item	37th term (Year ended March 31, 2017)	38th term (Year ended March 31, 2018)	39th term (Year ended March 31, 2019)	40th term (Year ended March 31, 2020)	41st term Year ended March 31, 2021 (Consolidated fiscal year under current review)
Net sales (million yen)	67,179	75,153	79,908	78,143	74,874
Ordinary profit (million yen)	32,999	36,676	38,039	36,710	36,996
Profit attributable to owners of parent (million yen)	22,909	24,285	25,543	20,634	4,022
Profit per Share (yen)	90	95	100	82	16
Total assets (million yen)	197,374	222,292	232,703	219,133	210,699
Net assets (million yen)	159,197	172,190	183,535	183,980	173,524
Net assets per share (yen)	622	672	717	729	687

Note: The Company started using the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) at the beginning of the fiscal year that ended in March 2019 and these amendments have been applied retroactively to the fiscal year that ended in March 2018.

## 2) Business segment sales, income and assets

(Millions of yen)

Business segment	Item	37th term (Year ended March 31, 2017)	38th term (Year ended March 31, 2018)	39th term (Year ended March 31, 2019)	40th term (Year ended March 31, 2020)	41st term (Year ended March 31, 2021) (Consolidated fiscal year under current review)
Auto auction business	Net sales	52,811	59,521	64,684	63,350	61,048
	Operating profit	31,869	35,131	36,323	35,436	35,463
	Total assets	190,790	215,021	225,269	211,517	202,889
Used car purchasing and selling business	Net sales	9,373	9,827	9,701	9,099	8,646
	Operating profit	202	171	116	103	271
	Total assets	1,809	2,081	2,145	1,696	1,978
Other businesses	Net sales	4,995	5,805	5,522	5,692	5,180
	Operating profit	111	665	583	369	400
	Total assets	6,373	6,781	6,805	7,059	6,704

Notes: 1. Segment sales based on external customer sales.  
2. The Company started using the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) at the beginning of the fiscal year that ended in March 2019 and these amendments have been applied retroactively to the fiscal year that ended in March 2018.

**(6) Update on Our Significant Reorganizations**

Not applicable

## (7) Major Parent Company and Subsidiaries

1) Parent company  
Not applicable

2) Major subsidiaries

The Company has 10 consolidated subsidiaries and no equity-method affiliate.

Company	Capital outlay (million yen)	Percentage by equity participation (%)	Primary businesses
US Butsuryu Co., Ltd.	30	100.0	Arrangement of freight transport and consignment business relating to operation of auctions
USS Support Service Co., Ltd.	45	100.0	Financial services business, etc.
Reproworld Co., Ltd.	63	100.0	Purchase and sales of accident-damaged vehicles
Rabbit Car Network Co., Ltd.	50	100.0	Purchase and sale of used vehicles
ARBIZ Co., Ltd.	270	51.0	Recycling of end-of-life automobiles and other goods
USS Logistics International Service Co., Ltd.	50	100.0	Export procedure agency service for used cars
Japan Bike Auction Co., Ltd.	212	66.2	Operation of motorcycle auctions
Japan Automobile Auction Inc.	100	100.0	Operation of auto auction
HAA Kobe Inc.	480	100.0 (100.0%)	Operation of auto auction
SMART Inc.	100	26.0% (26.0%)	Disposal of equipment and industrial plants

Notes: 1. The figures in parentheses in the Percentage by equity participation column indicate the indirect investment ratio.  
2. Indirect investment ratios are calculated by multiplying the USS ownership ratio of the subsidiary that directly holds the stock of the company where the indirect investment was made by the direct investment ratio in that company of the subsidiary.  
3. USS Logistics International Service Co., Ltd. was dissolved on March 31, 2021 and is currently undergoing liquidation.

3) Specified Wholly Owned Subsidiary as of End of Fiscal Year  
Not applicable

## (8) Major Business Activities (as of March 31, 2021)

Auto auction business, used car purchasing and selling business and recycling business

**(9) Principal business sites (as of March 31, 2021)**

	Business segment	Site or company	Location	Note
USS	Auto auction business	Nagoya Auction Site	Tokai, Aichi	Head office
		Kyushu Auction Site	Tosu, Saga	Branch
		Fukuoka Auction Site	Chikushino, Fukuoka	Branch
		Tokyo Auction Site	Noda, Chiba	Branch
		Okayama Auction Site	Akaiwa, Okayama	Branch
		Shizuoka Auction Site	Fukuroi, Shizuoka	Branch
		Sapporo Auction Site	Ebetsu, Hokkaido	Branch
		Saitama Auction Site	Iruma, Saitama	Branch
		Gunma Auction Site	Fujioka, Gunma	Branch
		Tohoku Auction Site	Murata-machi, Shibata, Miyagi	Branch
		Osaka Auction Site	Osaka, Osaka	Branch
		Yokohama Auction Site	Yokohama, Kanagawa	Branch
		R - Nagoya Auction Site	Tokai, Aichi	Branch
		Kobe Auction Site	Kobe, Hyogo	Branch
		Hokuriku Auction Site	Hakusan, Ishikawa	Branch
		Niigata Auction Site	Mitsuke, Niigata	Branch
		Shikoku Auction Site	Matsuyama, Ehime	Branch
		Internet Division	Chuo, Tokyo	Provides used car information via the Internet
Subsidiaries	Auto auction business	US Butsuryu Co., Ltd.	Tokai, Aichi	17 branch offices in Japan
		USS Support Service Co., Ltd.	Tokai, Aichi	Finance services business, etc.
		Japan Bike Auction Co., Ltd.	Yokohama, Kanagawa	Operation of motorcycle auction
		Japan Automobile Auction Inc.	Edogawa, Tokyo	Operation of auto auction
		HAA Kobe Inc.	Kobe, Hyogo	Operation of auto auction
	Used car purchasing and selling business	Reproworld Co., Ltd.	Noda, Chiba	14 shops in Japan in the purchase and sales of accident-damaged vehicles business
		Rabbit Car Network Co., Ltd.	Chiyoda, Tokyo	Used car purchase and sales shop Rabbit; 15 direct shops, 128 franchise shops.
	Other business	ARBIZ Co., Ltd.	Nagoya, Aichi	Recycling plant for end-of-life automobiles and other goods
		USS Logistics International Service Co., Ltd.	Yokohama, Kanagawa	Export procedure agency service for used cars
		SMART Inc.	Nagoya, Aichi	Disposal of equipment and industrial plants

Note: USS Logistics International Service Co., Ltd. was dissolved on March 31, 2021 and is currently undergoing liquidation.

**(10) Employees (as of March 31, 2021)**

## 1) Employees of the USS Group

Business segment	Numbers of employees		Change since end of previous fiscal year	
Auto auction business	794	(114)	up 42	(down 1)
Used car purchasing and selling business	157	(7)	down 10	(up 1)
Other businesses	128	(37)	down 23	(down 5)
Corporate (for all business segments)	30	(1)	up 5	(down 1)
Total	1,109	(159)	up 14	(down 6)

Notes: 1. Numbers of employees refers to employees on payroll (including employees seconded to Group companies from outside of the Group and excluding those from Group companies to outside of Group companies). The figures in parentheses, which are not included in the immediately preceding figures, indicate the average numbers of temporary employees (including Shokutaku employees [a Japanese type of full-time contract employee], contract employees, part-timers and dispatched employees) for the fiscal year that ended in March 2021 (converted at 7.5 work hours per day).

2. Employees in the corporate (common to all business segments) category are individuals assigned to administrative departments who cannot be allocated to a particular business segment.

## 2) Employees of the Company

Number of employees	Change since end of previous fiscal year	Mean age	Mean service years
624 (98)	up 36 (down 4)	38.9	13.0

Note: Numbers of employees refers to employees on payroll (including employees seconded to the Company from outside of the Company and excluding those from the Company to outside of the Company). The figures in parentheses, which are not included in the immediately preceding figures, indicate the average numbers of temporary employees (including Shokutaku employees [a Japanese type of full-time contract employee], contract employees, part-timers and dispatched employees) for the fiscal year that ended in March 2021 (converted at 7.5 work hours per day).

**(11) Major creditors (as of March 31, 2021)**

Lender	Loan (million yen)
Sumitomo Mitsui Banking Corporation	2,420
MUFG Bank, Ltd.	711

Notes: 1. The loan from Sumitomo Mitsui Banking Corporation is for the purpose of funding the acquisition by subsidiary ARBIZ of a business site and other assets that were owned by USS.

2. The USS Employee Stock Ownership Plan Trust, which was established for the Trust Employee Shareholding Incentive Plan, has borrowed money from MUFG Bank, Ltd. as a source of funds to purchase the Company's shares. For more information about this plan, refer to "2. Matters relating to shares of the Company (5) Other Important Items related to Shares, Overview of the Employee Stock Ownership Plan.

**(12) Other Significant Items Concerning the Status of the USS Group**

Not applicable

## 2. Matters relating to shares of the Company (as of March 31, 2021)

- (1) Total number of shares authorized to be issued: 1,200,000,000 shares
- (2) Total number of shares issued: 313,250,000 shares  
(including 63,586,259 shares of treasury shares)
- (3) Total number of shareholders: 12,264
- (4) Major shareholders (Top 10)

Shareholder	Number of shares held (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	21,509	8.61
SSBTC CLIENT OMNIBUS ACCOUNT	13,949	5.58
Custody Bank of Japan, Ltd.	12,618	5.05
Dai Seta	9,390	3.76
Mamoru Seta	9,200	3.68
Yukihiro Ando	9,176	3.67
The Nomura Trust and Banking Co., Ltd. (retirement benefit trust MUFG Bank, Ltd. account)	8,400	3.36
Hattori Motors Co., Ltd.	7,280	2.91
Hattori International Scholarship Foundation	7,200	2.88
EIGHTEEN Inc.	5,745	2.30

Notes: 1. The list of major shareholders does not include 63,586,259 shares of treasury shares.  
2. The number of shares used to calculate shareholding ratios does not include treasury shares.  
3. The number of shares when less than one thousand is truncated. Shareholding ratios are truncated to the hundredth decimal point.

4. In addition to the above shareholders, the following shareholdings have been reported by the large shareholding report (the amendment report).

- (1) An amendment report submitted by MUFG Bank, Ltd. and 2 other companies on April 16, 2018 stated that the following shares are held as of April 9, 2018. Since USS is unable to confirm the valid number of shares owned as of March 31, 2021, this shareholder is not included in the above list of major shareholders.

Name	Address	Shares (thousands of shares)	Shareholding ratio (%)
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	8,400	3.36
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo	8,196	3.28
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo	1,139	0.45
Total		17,736	7.10



- (2) An amendment report submitted by Massachusetts Financial Services Company and one other company, in their joint names on December 4, 2020, stated that the following shares are held as of November 30, 2020. Since USS is unable to confirm the valid number of shares owned by these firms as of March 31, 2021, these firms are not included in the above list of major shareholders.

Name	Address	Shares (thousands of shares)	Shareholding ratio (%)
Massachusetts Financial Services Company	111 Huntington Avenue, Boston, Massachusetts 02199, USA	11,569	4.63
MFS Investment Management K.K.	Daido Seimei Kasumigaseki Bldg., 1-4-2, Kasumigaseki, Chiyoda Ward, Tokyo	837	0.33
Total		12,407	4.96

- (3) An amendment report submitted by FMR LLC and one other company on March 22, 2021 stated that the following shares are held as of March 15, 2021. Since USS is unable to confirm the valid number of shares owned as of March 31, 2021, this shareholder is not included in the above list of major shareholders.

Name	Address	Shares (thousands of shares)	Shareholding ratio (%)
FMR LLC	245 Summer Street, Boston, Massachusetts 02210, USA	14,936	5.98
National Financial Services LLC	200 Seaport Blvd, Boston, Massachusetts 02210, USA	0	0.00
Total		14,937	5.98

- (4) An amendment report submitted by Invesco Asset Management (Japan) Limited and one other company on April 6, 2021 stated that the following shares are held as of March 31, 2021. Since USS is unable to confirm the valid number of shares owned as of March 31, 2021, this shareholder is not included in the above list of major shareholders.

Name	Address	Shares (thousands of shares)	Shareholding ratio (%)
Invesco Asset Management (Japan) Limited	Roppongi Hills Mori Tower 14F, 6-10-1 Roppongi, Minato-ku, Tokyo	16,117	6.45
Invesco Advisers, Inc.	Two Peachtree Pointe 1555 Peachtree Street, N.E. Suite 1800 Atlanta, Georgia 30309, U.S.A	3,681	1.47
Total		19,798	7.93

## **(5) Other Important Items related to Shares**

### **Overview of the Employee Stock Ownership Plan**

Effective as of the fiscal year that ended on March 31, 2021, the Company has reintroduced a trust employee shareholding incentive plan (the "Plan") for the purpose of providing an incentive to employees of Group companies toward the improvement of medium and long term corporate values.

According to the Plan, the Company shall establish the USS Employee Stock Ownership Plan Trust (the "ESOP Trust") in a bank trust and the ESOP Trust shall purchase the Company's shares in advance, which are expected to be purchased via the USS employee stock ownership plan (the "Employee Stock Ownership Plan"), over three years after its establishment and then continuously sell the Company's shares to the Employee Stock Ownership Plan every month until the trust is built. To procure funds to purchase the Company's shares, the ESOP Trust will take bank loans against which the Company will provide security

If an amount corresponding to the gain on a sale of stock is accumulated in the ESOP Trust at the completion of the trust through the sales of the Company's shares to the Employee Stock Ownership Plan, then an amount corresponding to the gain on the sale of the Company's shares shall be distributed as residual property to certain eligible persons who satisfy the qualification for beneficiaries. Meanwhile, in case an amount corresponding to a loss on the sale of stock is accumulated in the ESOP Trust at the completion of the trust due to a decline in the Company's stock price, the Company shall repay the outstanding balance on bank loans corresponding to this loss on sales of the shares per the nonrecourse promissory note.

The Company's shares held by the ESOP Trust that are recorded on the Company's consolidated balance sheet at the term end were 690 million yen (357 thousand shares) for the current consolidated fiscal year. The ESOP Trust's bank loans were 711 million yen for the current consolidated fiscal year.

### 3. Matters relating to Stock Acquisition Rights, etc. of the Company

#### (1) Stock Acquisition Rights held by officers of the Company as of the end of term (as of March 31, 2021)

Name		5th Stock Acquisition Rights	6th Stock Acquisition Rights	7th Stock Acquisition Rights
Resolution date for issuance		August 28, 2007 (Board Meeting)	June 25, 2008 (Board Meeting)	June 24, 2009 (Board Meeting)
Number of Stock Acquisition Rights		254	290	501
Number of shares subject to Stock Acquisition Rights		25,400 shares of common stock (100 shares per Stock Acquisition Right)	29,000 shares of common stock (100 shares per Stock Acquisition Right)	50,100 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		64,560 yen per right	49,760 yen per right	32,620 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From September 15, 2007 to June 30, 2032	From July 11, 2008 to June 30, 2033	From July 10, 2009 to June 30, 2034
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 5 Number of rights 254 Number of shares subject to Stock Acquisition Rights 25,400	Number of holders 5 Number of rights 290 Number of shares subject to Stock Acquisition Rights 29,000	Number of holders 5 Number of rights 501 Number of shares subject to Stock Acquisition Rights 50,100
	Outside directors	-	-	-
	Corporate auditors	-	-	-

Name		8th Stock Acquisition Rights	9th Stock Acquisition Rights	10th Stock Acquisition Rights
Resolution date for issuance		June 29, 2010 (Board Meeting)	June 28, 2011 (Board Meeting)	June 26, 2012 (Board Meeting)
Number of Stock Acquisition Rights		354	428	379
Number of shares subject to Stock Acquisition Rights		35,400 shares of common stock (100 shares per Stock Acquisition Right)	42,800 shares of common stock (100 shares per Stock Acquisition Right)	37,900 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		45,900 yen per right	43,600 yen per right	58,600 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From July 16, 2010 to June 30, 2035	From July 15, 2011 to June 30, 2036	From July 13, 2012 to June 30, 2037
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 5 Number of rights 354 Number of shares subject to Stock Acquisition Rights 35,400	Number of holders 5 Number of rights 428 Number of shares subject to Stock Acquisition Rights 42,800	Number of holders 5 Number of rights 379 Number of shares subject to Stock Acquisition Rights 37,900
	Outside directors	-	-	-
	Corporate auditors	-	-	-

Name		11th Stock Acquisition Rights	12th Stock Acquisition Rights	13th Stock Acquisition Rights
Resolution date for issuance		June 25, 2013 (Board Meeting)	June 17, 2014 (Board Meeting)	June 16, 2015 (Board Meeting)
Number of Stock Acquisition Rights		267	175	166
Number of shares subject to Stock Acquisition Rights		26,700 shares of common stock (100 shares per Stock Acquisition Right)	17,500 shares of common stock (100 shares per Stock Acquisition Right)	16,600 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		93,540 yen per right	137,400 yen per right	179,500 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From July 13, 2013 to June 30, 2038	From July 5, 2014 to June 30, 2039	From July 4, 2015 to June 30, 2040
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 5 Number of rights 259 Number of shares subject to Stock Acquisition Rights 25,900	Number of holders 5 Number of rights 169 Number of shares subject to Stock Acquisition Rights 16,900	Number of holders 5 Number of rights 159 Number of shares subject to Stock Acquisition Rights 15,900
	Outside directors	-	-	-
	Corporate auditors	-	-	-

Name		14th Stock Acquisition Rights	15th Stock Acquisition Rights	16th Stock Acquisition Rights
Resolution date for issuance		June 14, 2016 (Board Meeting)	June 13, 2017 (Board Meeting)	June 12, 2018 (Board Meeting)
Number of Stock Acquisition Rights		240	261	272
Number of shares subject to Stock Acquisition Rights		24,000 shares of common stock (100 shares per Stock Acquisition Right)	26,100 shares of common stock (100 shares per Stock Acquisition Right)	27,200 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		146,500 yen per right	199,500 yen per right	178,500 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From July 2, 2016 to June 30, 2041	From July 1, 2017 to June 29, 2042	From July 6, 2018 to June 30, 2043
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 5 Number of rights 216 Number of shares subject to Stock Acquisition Rights 21,600	Number of holders 5 Number of rights 236 Number of shares subject to Stock Acquisition Rights 23,600	Number of holders 5 Number of rights 246 Number of shares subject to Stock Acquisition Rights 24,600
	Outside directors	-	-	-
	Corporate auditors	-	-	-

Name		17th Stock Acquisition Rights	18th Stock Acquisition Rights
Resolution date for issuance		June 18, 2019 (Board Meeting)	June 23, 2020 (Board Meeting)
Number of Stock Acquisition Rights		307	407
Number of shares subject to Stock Acquisition Rights		30,700 shares of common stock (100 shares per Stock Acquisition Right)	40,700 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights		192,100 yen per right	133,500 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights		100 yen per right	100 yen per right
Exercise period for Stock Acquisition Rights		From July 11, 2019 to June 30, 2044	From July 11, 2020 to June 30, 2045
Major conditions for the exercise of Stock Acquisition Rights		(Note) 1	(Note) 1
Shares held by officers	Directors (excluding outside directors)	Number of holders 5 Number of rights 280 Number of shares subject to Stock Acquisition Rights 28,000	Number of holders 5 Number of rights 371 Number of shares subject to Stock Acquisition Rights 37,100
	Outside directors	-	-
	Corporate auditors	-	-

- Notes:
1. Main conditions for the exercise of Stock Acquisition Rights are as follows:
    - (1) A Stock Acquisition Right holder may exercise the Stock Acquisition Right only if the Stock Acquisition Right holder loses any and all statuses as a director of the Company (including executive officers in the case of a company with committees), or as an auditor or executive director. However, in that case, the Stock Acquisition Right holder may exercise the Stock Acquisition Right for subscription only during the period from the date following the date on which the holder loses any and all of the above statuses (the "Exercise Period Commencement Date") for ten (10) days after the Exercisable Period Commencement Date.
    - (2) If a Stock Acquisition Right holder waives the Stock Acquisition Right for subscription, the Stock Acquisition Right holder may not exercise the Stock Acquisition Right for the waived subscription.
  2. On February 15, 2017, USS revised the Stock Acquisition Rights allocation contracts for the 5<sup>th</sup> through the 14<sup>th</sup> issues of Stock Acquisition Rights with all directors and executive officers (except directors and executive officers who have resigned or retired) who hold any of these rights. The condition for the exercise of these Stock Acquisition Rights was revised. Previously, the rights could be exercised during the five-year period starting on the Exercise Period Commencement Date. Now, as stated in the preceding note 1. (1), the rights can be exercised for ten (10) days after the Exercise Period Commencement Date.
  3. As a result of the 10-for-one stock split for common stock which was conducted on October 1, 2013, "Number of shares subject to Stock Acquisition Rights" and "Amount of assets paid upon exercise of Stock Acquisition Rights" were adjusted.

**(2) Details of the Stock Acquisition Rights granted to executive officers of the Company as consideration for performance of duties during the fiscal year that ended in March 2021**

Name	18th Stock Acquisition Rights
Resolution date for issuance	June 23, 2020 (Board Meeting)
Number of Stock Acquisition Rights	36
Number of shares subject to Stock Acquisition Rights	3,600 shares of common stock (100 shares per Stock Acquisition Right)
Amount paid of Stock Acquisition Rights	133,500 yen per right
Amount of assets paid upon exercise of Stock Acquisition Rights	100 yen per right
Exercise period for Stock Acquisition Rights	From July 11, 2020 to June 30, 2045
Main conditions for the exercise of Stock Acquisition Rights	(Note) 1
Number of recipients	2

Notes: 1. Regarding the main conditions for the exercise of Stock Acquisition Rights, please refer to (1) Stock Acquisition Rights held by officers of the Company as of the end of term (Note) 1.  
2. There were no Stock Acquisition Rights granted as consideration for performance of duties to officers and/or employees of any subsidiaries of the Company.

## 4. Matters relating to Officers of the Company

### (1) Directors and corporate auditors (as of March 31, 2021)

Title	Name	Duties and Affiliation to Other Companies, etc.
Chairman and Representative Director, Chief Executive Officer	Yukihiro Ando	President and Representative Director of US Butsuryu Co., Ltd. President and Representative Director of Japan Automobile Auction Inc. President and Representative Director of HAA Kobe Inc.
President and Representative Director, Chief Operating Officer	Dai Seta	President and Representative Director of USS Support Service Co., Ltd. President and Representative Director of ARBIZ Co., Ltd.
Executive Vice President	Masafumi Yamanaka	Officer of the Supervisory Office President and Representative Director of Reproworld Co., Ltd.
Senior Managing Director	Masayuki Akase	Officer of the Auction Operation Office President and Representative Director of USS Logistics International Service Co., Ltd.
Junior Managing Director	Hiromitsu Ikeda	Manager of Shikoku Auction Site Junior Managing Director of HAA Kobe Inc.
Director	Hitoshi Tamura	President, Customer Satisfaction Research Institute
Director	Akihiko Kato	
Director	Nobuko Takagi	Representative Director, COEING AND COMPANY Inc. Representative, Nobuko Takagi Certified Public Accountants' Office Outside corporate auditor, I-ne CO., LTD.
Full-time Corporate Auditor	Shinji Ozaki	
Corporate Auditor	Toru Niwa	Certified Public Accountant, General Manager of Toru Niwa Certified Public Accountant Office
Corporate Auditor	Ryoichi Miyazaki	Attorney, Representative of Naka Joint Law Office Outside Corporate Auditor for Hatsuho Shoji Co., Ltd.

- Notes:
1. Directors: Hitoshi Tamura, Akihiko Kato and Nobuko Takagi are outside directors.
  2. Corporate auditors: Toru Niwa and Ryoichi Miyazaki are outside corporate auditors.
  3. Full-time corporate auditor Shinji Ozaki has considerable knowledge of finance and accounting as a certified tax accountant.
  4. Corporate auditor: Mr. Toru Niwa is well versed in corporate accounting matters as a certified public accountant, and has considerable knowledge of finance and accounting.
  5. USS designates the following officers as independent officers as prescribed by the Tokyo Stock Exchange and Nagoya Stock Exchange and has submitted notices to these stock exchanges: Directors Hitoshi Tamura, Akihiko Kato and Nobuko Takagi and corporate auditors Toru Niwa and Ryoichi Miyazaki.
  6. There are no special relationships between the Company and any significant companies associated with concurrent posts of outside directors and outside corporate auditors.
  7. Changes of titles, duties and affiliation to other companies of the Directors in the current fiscal year are as follows:
    - (1) On June 24, 2020, Executive Vice President Masafumi Yamanaka became President and Representative Director of Reproworld Co., Ltd.
    - (2) On March 31, 2021, Senior Managing Director Masayuki Akase retired from the position as President and Representative Director of USS Logistics International Service Co., Ltd. because of dissolution of the company.
    - (3) On March 31, 2021, Junior Managing Director Hiromitsu Ikeda retired from the position as Manager of Shikoku Auction Site and Junior Managing Director of HAA Kobe Inc., and on April



- 1, 2021, became Manager of Nagoya and R-Nagoya Auction Site.
8. Each of the outside directors and outside corporate auditors has entered into a liability limitation agreement with the Company that limits the liability for damage pursuant to provisions under Article 427, Paragraph 1, of the Companies Act and Articles 27 and 37 of the Articles of Incorporation of the Company. This agreement limits liability to the higher of 4 million yen or the amount designated by laws and regulations.
9. USS has agreements with an insurance company concerning director, etc. liability insurance policies stipulated in Article 430-3-1 of the Companies Act. In the event that a director or other insured individual, as a result of activities (including oversight) performed as a director or other officer of USS, is required to pay damages, the insurance policy will pay these damages, litigation expenses and other expenses. However, the policy does not cover certain activities of an individual, such as bribery or other criminal acts or an intentionally illegal act. USS plans to renew these insurance policies during the term of office of the directors with policies having similar terms. Premiums for these policies are paid entirely by USS.

## (2) Remuneration, etc. for directors and company auditors

### 1) Total amount of remuneration, etc. for directors and corporate auditors

Position	Total amount of remuneration, etc. (million yen)	Breakdown (million yen)			Number of officers
		Monthly remuneration	Performance-linked remuneration	Stock options	
Directors (Outside directors out of all directors)	265 (14)	215 (14)	- (-)	49 (-)	10 (3)
Corporate auditors (Outside corporate auditors out of all corporate auditors)	15 (9)	15 (9)	- (-)	- (-)	3 (2)
Total (Outside officers out of all officers)	281 (24)	231 (24)	- (-)	49 (-)	13 (5)

- Notes: 1. There are no directors who also are employees.  
2. Stock option compensation is the amount of expenses recorded in the fiscal year ended in March 31, 2021 for all stock acquisition rights listed under "3. Matters relating to Stock Acquisition Rights, etc. of the Company (1) Stock Acquisition Rights held by officers of the Company as of the end of the term" on pages 35-38 of this report.

### 2) Shareholders meeting resolutions concerning remuneration, etc. for directors and company auditors

The maximum amounts of remuneration, etc. for USS directors and company auditors in accordance with resolutions approved by shareholders are as follows.

Category	Type of remuneration, etc.	Maximum	Approval at shareholders meeting	Number of applicable individuals at the close of this shareholders meeting
Directors (including outside directors)	Cash	¥500 million per year	26th Annual General Meeting of Shareholders (June 28, 2006)	18 (including 4 outside directors)
Directors (excluding outside directors)	Stock-remuneration type stock options	¥150 million per year	27th Annual General Meeting of Shareholders (June 26, 2007)	14 (excluding outside directors)
Corporate Auditors	Cash	¥50 million per year	26th Annual General Meeting of Shareholders (June 28, 2006)	3

3) Item concerning delegation of authority for determining remuneration, etc. of individual directors

For remuneration, etc. for the fiscal year that ended in March 2021, the USS Board of Directors approved a resolution on June 23, 2020 delegating to Chairman, Representative Director and CEO Yukihiro Ando the authority to determine the remuneration for individual directors. In accordance with this resolution, this remuneration was subsequently determined by Mr. Ando.

Mr. Ando was given this authority because, as chairman and CEO, he is best suited to evaluate the performance of the business sectors supervised by each director and the performance of each director as well as taking into account the overall results of operations of USS. When determining the remuneration of individual directors, in compliance with the limits established by resolutions approved by shareholders, Mr. Ando is required to reflect in his decisions the views of the Nominations and Remuneration Committee, as requested by the Board of Directors, concerning remuneration, etc. for individual directors in order to ensure the suitability of the level of remuneration as well as the transparency of the assessment of results of operations. To determine their views concerning remuneration, etc. for individual directors, members of the Nominations and Remuneration Committee perform comprehensive studies that include the policy for deciding this remuneration and ensuring there are no inconsistencies. The Board of Directors as well confirms the conclusions of the Nominations and Remuneration Committee. Consequently, we believe that remuneration, etc. for individual directors for the fiscal year that ended in March 2021 complies with the USS policy for determining this remuneration.

4) Item concerning the policy for determining remuneration, etc. for individual directors

The USS policy for determining remuneration, etc. for individual directors is established by the Board of Directors. The following is a summary of this policy.

Remuneration for directors is paid monthly in amounts that reflect the roles, responsibilities and other characteristics of each director's title. In addition, directors other than outside directors receive stock options as stock remuneration that is linked to medium to long-term results of operations. (These stock options can be exercised only after the holder is no longer a USS director, company auditor or executive officer.) To ensure the suitability of remuneration and the transparency of performance assessments, the Board of Directors asks the Nominations and Remuneration Committee, where a majority of members are outside directors, to discuss remuneration and report its findings, which the Board of Directors then incorporates in its remuneration decisions.

To further clarify the link between remuneration for directors other than outside directors and overall results of operations, as well as to further increase the motivation of directors to contribute to the medium to long-term growth of sales and earnings and corporate value, there is a periodic reexamination of the level and structure of remuneration as well as the percentages of different types of remuneration and other items.

The Board of Directors gives Chairman and CEO Yukihiro Ando the authority to determine the remuneration of individual directors. When determining the remuneration of individual directors, in compliance with the limits established by resolutions approved by shareholders, Mr. Ando is required to reflect in his decisions the views of the Nominations and Remuneration Committee, as requested by the Board of Directors, concerning remuneration, etc. for individual directors in order to ensure the suitability of the level of remuneration as well as the transparency of the assessment of results of operations.

### (3) Matters concerning outside directors

1) Update on significant concurrent posts at other corporations and the relationship between the Company and corporations at the locations are as shown under “(1) Directors and corporate auditors”, which is on pages 40-41.

2) Update on principal activities in the current fiscal year

Position	Name	Fiscal 2020 Board Meetings Attendance Record	Fiscal 2020 Board of Auditors meetings Attendance Record	Major activities
Director	Hitoshi Tamura	100% (Attended all 8 meetings)	-	Use of customer satisfaction management experience for participation in discussions of proposals and other matters. Attended all three fiscal year meetings of the Nominations and Remuneration Committee as a member, stating opinions from an objective and neutral standpoint concerning the selection of officer candidates, remuneration and other matters, thereby performing the oversight function for these decisions.
Director	Akihiko Kato	100% (Attended all 8 meetings)	-	Use of expertise and experience in financial institution management for participation in discussions of proposals and other matters. Attended all three fiscal year meetings of the Nominations and Remuneration Committee as a member, stating opinions from an objective and neutral standpoint concerning the selection of officer candidates, remuneration and other matters, thereby performing the oversight function for these decisions.
Director	Nobuko Takagi	100% (Attended all 8 meetings)	-	Use of expertise and experience involving finance, accounting and M&A for participation in discussions of proposals and other matters. Attended all three fiscal year meetings of the Nominations and Remuneration Committee as a member, stating opinions from an objective and neutral standpoint concerning the selection of officer candidates, remuneration and other matters, thereby performing the oversight function for these decisions.
Corporate Auditor	Toru Niwa	100% (Attended all 8 meetings)	100% (Attended all 9 meetings)	Accounting and business process audits, use of expertise as a certified public accountant to participate in discussions of proposals and other matters.
Corporate Auditor	Ryoichi Miyazaki	100% (Attended all 8 meetings)	100% (Attended all 9 meetings)	Accounting and business process audits, use of expertise as an attorney to participate in discussions of proposals and other matters.

## 5. Matters relating to Independent Auditors

### (1) Name of corporate auditor

KPMG AZSA LLC

### (2) Amount of remuneration, etc.

Classification	Amount
Total amount of remuneration, etc. of accounting auditors during the term	32 million yen
Total amount of monies and other properties which the Company and its subsidiaries should pay in remuneration of accounting auditors for their services to the Company and its subsidiaries during the term	32 million yen

Notes: 1. The "total amount of remuneration, etc. of accounting auditors during the term" indicates the total amount of remuneration for audits as defined under the Companies Act and as defined under the Financial Instrument and Exchange Law, because the amounts of remuneration for those two definitions of audits are not distinguished in the audit contracts between the Company and the accounting auditors and such distinction is not possible.

2. Board of Auditors agreed to the figures including the compensation package for accounting auditors after a review of needed materials and reports from and interviews with accounting auditors, Directors, Internal Audit Office and other concerned departments to confirm among other things the state of performance of duties in the current and previous fiscal years and the computation basis for a general estimate of auditor compensation.

### (3) Overview of the contents of the liability limitation agreement and the Indemnity agreement

Not applicable.

### (4) Description of services other than audits

Not applicable.

### (5) Policies on determination of removal or denial of reappointment of accounting auditors

The Board of Corporate Auditors determine whether to reappoint accounting auditors, taking their independence, reliability and other situations related to their performance of duties into account comprehensively.

The Board of Corporate Auditors will, if it deems it necessary to remove or deny reappointment of any of the accounting auditors due to an issue in the performance of their duties or any other reason, decide the contents of the agenda of an Annual General Meeting of Shareholders regarding the removal or denial of reappointment of an accounting auditor. If the Board of Corporate Auditors recognizes that any of the items prescribed in Article 340, Paragraph 1, of the Companies Act apply to any of the accounting auditors, the Board of Corporate Auditors will remove this accounting auditor, subject to a unanimous agreement by the corporate auditors. In such a case, a corporate auditor elected by the Board of Corporate Auditors will report the facts on the removal of the accounting auditor and the reasons at the first General Meeting of Shareholders that is held following the removal.

Notes: 1. Numbers in this Business Report are truncated. Percentages are, however, rounded off to the nearest tenth decimal except the shareholding ratio numbers written in "2. Matters relating to shares of the Company".

2. With respect to the method of calculating consumption tax, etc., the Company uses the tax-excluded method.

## **6. Management Shall Ensure Sound Business Practices and Update on Implementation of this Management**

### **Basic policy on internal control systems**

- (1) Management shall ensure compliance by directors and such of USS and its subsidiaries (These members shall include directors of USS and directors, executive officers, officers, and others at our subsidiaries who shall bear the professional duties under Article 598 Paragraph 1 of the Companies Act and other similar persons. Hereafter, the same shall apply.), and to enable their professional duties to be performed in compliance with laws, ordinances, and the Articles of Incorporation.
  - 1) USS Group shall create a compliance manual that includes USS Code of Conduct & Ethics to comply with the laws and ordinances and improve areas including the Directors' and employees' understanding of ethical conduct at our corporation, and shall disseminate and implement this manual.
  - 2) USS Group shall uncover swiftly and prevent any activities in violation of laws and ordinances; shall utilize the USS Helpline on Ethical Conduct, which is USS's internal whistleblowing system to rectify such breaches; and shall implement a roll-out of our mindset on ethical conduct to the employees and Directors of the USS Group.
  - 3) USS Group shall appoint Outside Directors and Outside Auditors to ensure sensible decision-making at Board meetings and improve oversight in the functions of Management, and shall utilize independent experts including but not limited to legal counsel.
  - 4) USS Group shall implement a central accounting system at the head offices to ensure sensible financial reporting; shall centrally manage the financial information and such of the USS Group; and shall comply with accounting standards and other various, related laws and ordinances.
  - 5) USS Group shall not be associated in any way with antisocial forces and shall resolutely stand against such organizations. In the event of demands including but not limited to unlawful requests, concerned departments shall work together under close partnership with expert bodies including but not limited to police, and we shall never work to benefit the assets of such organizations.
- (2) Management of retention and organization of information relating to performance of duties by Directors
  - 1) Management of information concerning the performance of duties by Directors shall sensibly retain and control (including disposals) such information in line with rules including but not limited to USS Group's company rules, and when needs arise all rules shall be reviewed and how the rules are enforced shall be checked.
  - 2) Responsible departments shall be established based on information type and on division and organization of roles by job duty of Directors; then this information shall be recorded and saved in document form or on electromagnetic media. Specifically, access privileges, security measures, backup systems, and other controls for electromagnetic information shall be upgraded.
  - 3) For information that requires certain controls under the laws and ordinances on insider information, personal information, and customer information, the method of control that is required under relevant laws and ordinances shall be disseminated fully to the Directors and employees.
  - 4) A Risk and Information Manager shall be appointed at each office and the subsidiaries; a company management structure shall be established where critical information of the USS Group are reported in a timely and sensible manner to the General Affairs Department of the Supervisory Office of Head Office and reported to and reviewed at the Board meetings or by Directors in charge when necessitated; and a system shall be implemented by which company information that should be disclosed is disclosed sensibly and in a timely manner in line with the rules on disclosure.

- 5) Internal Audit Office shall monitor whether controls are implemented that are in line with the risk and information management rules and division and organization of roles by job duty, and the status shall be reported to the Directors in charge and the Auditors (Board of Auditors).
- (3) Regulations on risk management at USS and its subsidiaries concerning damages and such management systems
    - 1) We shall create a risk management structure for the USS Group as a whole including but not limited to instructions, orders, and code of conduct in the event of critical risks, review of countermeasures and avoidance of critical risks, analysis of size in the event of occurrence of risks including but not limited to predictable catastrophes, environment, compliance, business management, and business strategies, and frequency of such risks.
    - 2) Risks shall largely be categorized into (i) risks in business management; (ii) risks in daily business processes; (iii) crisis risks; such risks shall be avoided and business efficiency shall be increased.
    - 3) Risks in business management, about which the company is aware and understands, shall be disclosed to stakeholders as risk information in documentation such as security reports, and such information shall be considered fully at important decision-making at events including but not limited to debated items at Board meetings.
    - 4) Risk and Information Managers at all offices and the subsidiaries shall report necessary information in a timely manner and sensibly to the General Affairs Department of the Supervisory Office of Head Office, and the Auditors and Internal Audit Office shall monitor the risk management systems as part of any audit.
  - (4) Management shall ensure professional duties by directors and such of USS and its subsidiaries are efficiently performed
    - 1) All offices and subsidiaries shall devise specific plans for the objectives of the USS Group as a whole, including but not limited to medium-term plans and annual budgets; these objectives shall be disseminated to persons including employees; and a management system shall be established to perform these objectives to fulfillment.
    - 2) The Finance Department of the Supervisory Office of Head Office will analyze elements that inhibit the objectives from being achieved and efficiency at all of our offices and subsidiaries based on reports to the Board, comparative analysis of budget against results, and central management of monthly results of all of our offices and subsidiaries, and implement necessary measures.
    - 3) Clearly define the professional duties and the division and organization of roles by job duty of the Directors, executive officers, and site managers who perform the job duties, and establish an efficient and effective business management system in response to business expansion.
    - 4) Auditors shall also perform monitoring of any excessive pressure for efficiency in the performance of jobs by Directors.
  - (5) Management shall ensure compliance by staff of USS and its subsidiaries in compliance with the laws, ordinances, and company charter when professional duties are performed
    - 1) The Finance Department of the Supervisory Office of Head Office has appointed managers at all offices and subsidiaries and is providing guidance and streamlining activities based principally on the monthly finance reports. In addition, the General Affairs Department and the Management Department of the Supervisory Office of Head Office shall cover general affairs and human resources, Auction Operation Office of Head Office shall cover auction businesses, System Office of Head Office shall cover information management businesses, the management of subsidiaries not including auction businesses shall be performed by appointing a Director in charge, and all shall coordinate to perform management and provide guidance for sensible business operations.

- 2) In addition to disseminating the Compliance Manual to all persons under the employ of the USS Group, a compliance mindset shall be reared through usage of the USS Helpline on Ethical Conduct, which is USS's internal whistleblowing system that uses an independent and outside organization.
  - 3) For compliance at all offices and subsidiaries, management shall ensure efficiency when responding to business expansions of the USS Group, while ensuring full compliance. Management shall continually maintain the company's Internal controls systems for documents including but not limited to (i) work rules, accounting rules, and other business management rulebooks, and (ii) information processing and controls for the information processing system on which many business processes are dependent.
  - 4) For monitoring, management shall utilize self-audit reports of all offices and subsidiaries and ensure effectiveness of monitoring by way of audits by the Internal Audit Office and Auditors.
- (6) Management of reports to USS on matters relating to performance of professional duties by directors and such of its subsidiaries
- Management shall hold meetings and provide guidance on strategies for each subsidiary based on budget administration and monthly business reports, and establish an internal control system that covers all subsidiaries of the consolidated group.
- (7) Management shall ensure proper operations at corporation groups formed of USS and its subsidiaries
- 1) The Company shall respect the autonomy of all of its subsidiaries under the master policy, which covers all subsidiaries on the consolidated statement, and all subsidiaries as members of the USS Group shall share the mission statement and compliance mindset, and streamline operations including but not limited to our workforce, human resource, accounting, and treasury management.
  - 2) The Company shall ensure consistency between policy and such of all subsidiaries and the management strategy, management policy and such, and a Director in charge shall be appointed at the Company to provide necessary support and adjustments that are needed for sound advancement and growth at all subsidiaries.
  - 3) Auditors shall coordinate with the Internal Audit Office and Accounting experts, and provide advice and warnings when they believe such are necessary.
- (8) Management shall ensure sensible financial reporting
- 1) As described in (1) through (6) and (10), the Company shall create and implement company controls for all of the USS Group including the consolidated subsidiaries.
  - 2) The Company shall take under consideration not only the purpose that is Credibility of the Financial Reports but also the other purposes of Internal controls (How Valid and Effective are the Businesses; Compliance of Items including but not limited to Laws and Ordinances relating to Business Activities; Protection of Assets).
  - 3) Because Company Controls for Settlement and Financial Reporting Processes are linked directly to financial reporting and these are processes that can have important impact, these controls shall be created such that the controls common to the group are also common to the consolidated subsidiaries.
- (9) Items concerning employees when Auditors request said employees to be placed to support their work
- In the event auditors make this request, the necessary auditing staff shall be appointed, and they shall be put to provide support for auditing work.

(10) Items on ensuring the performance of instructions by employees and independence of employees in the above paragraph from Directors

- 1) Auditor staffs in the above paragraph shall not take instructions and orders from Directors and employees when such individuals receive orders necessary for audit work from Auditors.
- 2) In the event staff dedicated to auditing will be named, any instructions, transfer orders, personnel review, and disciplinary action concerning this person shall be cleared in advance by the Auditors (Board of Auditors).

(11) Management of reports to auditors by directors and such and staff of USS and its subsidiaries (Auditors shall be included in the case of its subsidiaries.), management to ensure that persons who make said report will not be treated unfairly for making such reports, and management of reports to auditors.

- 1) The Company has adopted a system at the Supervisory Office of Head Office (Finance Department, General Affairs Department, and Management Department) by which the management of treasury, accounting, general affairs, and human resources for all offices and subsidiaries are streamlined, and all important information of the USS Group are controlled by the Supervisory Office of Head Office and reported to the Auditors and Internal Audit Office.
- 2) The Company shall establish a USS Helpline on Ethical Conduct, which is company's whistleblowing system, by which reports are made to the Auditors and Internal Audit Office via the Supervisory Office of Head Office.
- 3) The mechanism is such that USS and its subsidiaries shall improve internal management to prevent any individuals who make a report to auditors from receiving unfair treatment for making such reports, and auditors will check whether said management is properly functioning. This mechanism further functions in such a way that any individuals who make a report or seek guidance about violation of laws and ordinances or about improper activity to not be treated unfairly for whistleblowing or seeking guidance about such matters.
- 4) The Company shall reinforce the system by which the systems in (1) and (2) above are implemented effectively and safely.

(12) Items on prepayment or disbursement of cost incurred by performance of professional duties by auditors and cost incurred by other such professional duties and the policy on repayment procedure

Auditors Board may prepare in advance a budget to cost what it believes is needed to perform the professional duties. Emergency and unscheduled expenditures by auditors may be reimbursed ex post facto by the company.

(13) Management shall ensure that audits by auditors are effectively performed

- 1) Conduct audits in line with Auditing Criteria for Auditors and with Auditing Criteria on Internal Controls, set by the Board of Auditors. In addition, persons holding auditor posts shall attend Board meetings and other important meetings and submit remarks.
- 2) Reconfirm the division of duties among the auditors for more effective audit work and confirm this understanding with the Board of Auditors.
- 3) Hold briefings with the Representative Director, Outside Director, Internal Audit Office, and accounting auditors periodically.



## **Overview of the State of Our Operations**

### **(1) Framework on compliance**

The Board shall set forth the USS Code of Conduct & Ethics as our basic rules on behavior of all officers and persons under our employ; shall disseminate these rules to all officers and persons under our employ within the USS Group, and shall work to achieve this dissemination through in-house training whenever appropriate.

We have established USS Helpline on Ethical Conduct, which is run by a third party, to serve as our whistleblower interface in the event persons under our employ obtain information on risk of illegal activity and such. The Board will receive reports on important risk information that are reported and brought to the attention of the USS Helpline on Ethical Conduct, and the state of this Helpline's operation will be regularly checked. Furthermore, USS's internal whistleblowing system guarantees that the persons under our employ will not suffer negative consequences from making a report to this Helpline.

### **(2) Assurance of efficiency and sensibility in the professional actions of Directors**

We maintain a proper number of Directors. We also have third parties on our Board and have an executive officer system in order to improve Director oversight and make decisions faster.

8 Board meetings were held in the current term. Items to be deliberated by the Board were distributed in advance so that participants had sufficient time to make preparations. The Board then made decisions on important items relating to management such as budgets, decisions on direction of Management, and items to be discussed as required under laws and ordinances. The Board then analyzed, evaluated, and devised strategies on budget performance by monthly business results, and deliberated on all tabled items with compliance to laws, regulations, articles of incorporation and such, and from the perspective of sensible business practice.

### **(3) Preparation of controls at our subsidiaries**

Our Directors and executive officers are appointed as officers to our subsidiaries, and they audit the performance of duties by Directors of our subsidiaries and others to make certain that those duties are efficiently performed. In addition, we have set forth Rules on Management of Affiliates as our rules on subsidiaries management, and implemented, among other things, pre-approvals on matters that require pre-approval such as important decision-making for subsidiary's business management to perform efficient monitoring of business performance at our company group.

### **(4) Guaranty that audits by auditors are effectively performed**

Employees of the Internal Audit Office support the duties of the auditors, and we have opportunities where opinions are exchanged regularly between auditors and the accounting auditors, the Internal Audit Office, the Management, and all Directors including Representative Directors.

### **(5) State of performance of internal audits**

We perform audits under our audit plan prepared by the Internal Audit Office based on our internal audit rules. Audits check whether our and our subsidiaries' corporate activities are proper under our company rules, code of conduct, articles of incorporation, and laws & ordinances, and whether proper controls are functioning in the business operation streams by using an audit method that includes review of documentation and investigations with the support and cooperation of the Board of Auditors.

## 7. Master policy on corporation management

### (1) Master policy

USS believes that persons who control the policy decisions over USS's finances and businesses must above all possess the abilities to ensure and advance USS's corporate value and the interests of our shareholders.

The mission statement of the USS Group is (1) Creating a fair market; (2) Serving members better; (3) Providing services for consumers; (4) Passing profit on to shareholders; (5) Respecting employees; (6) Contributing to local communities. Our belief is that conducting our businesses under these missions will contribute to USS's corporate value and interests of our shareholders.

Moreover, as a publicly owned company with shares that are freely bought and sold, shareholders should ultimately make decisions about selling shares because of large share purchasing activity. In the event of an action for buying a large amount of our shares, we should not unilaterally oppose the action if it will be beneficial to our corporate value and the interests of our shareholders.

However, there may be a proposal or other action to purchase a large amount of our shares that are inconsistent with our corporate value and the interests of our shareholders. There may be insufficient time and information for the Company and shareholders to examine the proposal and to determine a proposal in response to the offer to buy Company shares. Or a proposed purchase may negatively impact the Company's corporate value and interests of shareholders with respect to management policies after the acquisition and the objective of the acquisition. There may also be proposals that force shareholders to sell their shares or have terms for buying Company stock that are inadequate or inappropriate in relation to our corporate value and the interests of our shareholders.

USS believes that any party that proposes or conducts large-scale purchasing activities like these are not suitable for controlling decisions about the Company's finances and business operations.

### (2) Work to put the master policy into force

In addition to working on our businesses, USS will continue to work on the fulfillment of corporate governance duties outlined below under our mission statement so that we may implement the above master policy.

Our group believes that the principal mission of management is to ensure sound and sustainable growth and to fulfill what our stakeholders, including but not limited to our shareholders, have entrusted to us. We will continue to work on the fulfillment of our corporate governance duties because this is the vehicle by which we can accomplish this mission.

Our Board continues to work on swifter decision-making and increased transparency through liaison and coordination between our outside directors, who are highly independent from our organization, and directors who are very knowledgeable about the USS Group's businesses. Furthermore, by using audits by auditors including outside corporate auditors, we continue to work on the fulfillment of our audit functions. We will oversee management by stringent monitoring and the confirmation of items including but not limited to legal compliance, efficiency, and justifiability of duties performed by directors and suitability of decision-making processes.

Our group has established basic rules of compliance, which we call the USS Code of Conduct & Ethics, and our directors lead the program on dissemination of and compliance with the company's rulebook on ethics. Furthermore, we also have established rules on ensuring the credibility of our financial reports and ensuring the appropriateness of our decision-making, which we call the USS Group Internal Governance System. This is an internal governance system to ensure that the operations of our group are performed properly and efficiently.

For the validity of our internal governance system, important items are reported to our board and auditors by our internal audit unit, which performs internal audits based on our annual plan.

- (3) Activities in the master policy to prevent decisions about financial and business policies from being controlled by unsuitable persons

USS adopted the proposal to implement countermeasures in the event of a large purchasing activity involving our shares (acquisition defense plan) at the Board meeting of May 16, 2006. The purpose is to prevent any negative impact on the joint interests of our shareholders and the Company's value from a large purchasing activity. This is part of our framework to ensure and improve the joint interests of our shareholders and our corporate value. Thereafter, this acquisition defense plan was approved by our shareholders at the 29<sup>th</sup> Period General Shareholders Meeting on June 24, 2009, and 32<sup>nd</sup> Period General Shareholders Meeting on June 26, 2012, under the term that this plan will continue after certain revisions were approved at these meetings (The plan that was approved by our shareholders at the 32<sup>nd</sup> Period General Shareholders Meeting on June 26, 2012, will hereafter be referred to as the "Plan").

After a review of the management of the Plan expiring on June 30, 2015, in view of the current business environment we have made the determination that it is not essential to continue this Plan. A resolution not to continue the Plan upon its expiration was approved at the Board meeting on May 13, 2015.

USS however shall continue to take proper and appropriate actions, including but not limited to continuing to seek, even after the Plan expires, under the relevant laws and ordinances, the necessary and full disclosure of information from persons who attempt to make large purchase and acquisition proposals concerning our company shares, as needed by our shareholders to make appropriate decisions, and continuing to disclose the views of our Board, and secure the time and information that are needed to conduct a review by our shareholders.

- (4) Decision of the Board on implementation of the master policy

USS believes that performing the activities in (2) and (3) above as the measures to implement the master policy will lead to ensuring and advancing the joint interests of our shareholders and our company value. USS also believes that this will make it difficult for persons to conduct large purchase activities and acquisition proposals that do not benefit the joint interests of our shareholders and our company value. Furthermore, we will continue to implement appropriate actions, including but not limited to working to ensure that the sufficient time and information necessary for our shareholders to make appropriate decisions are provided in the event of large purchase activities and acquisition proposals. Therefore, we have determined that the measures in (2) and (3) above are in line with the master policy, and these measures are not for the purpose of enabling our officers to maintain their positions.

**Consolidated Balance Sheet**  
**(As of March 31, 2021)**

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
<b>Current assets</b>	<b>81,528</b>	<b>Current liabilities</b>	<b>26,922</b>
Cash and deposits	67,770	Payables due to member dealers at auctions	11,788
Receivables due from member dealers at auctions	6,596	Notes and accounts payable – trade	707
Notes and accounts receivable – trade	2,215	Current portion of long-term borrowings	220
Securities	3,000	Lease obligations	7
Inventories	1,028	Income taxes payable	7,408
Prepaid expenses	161	Deposits received	1,893
Other	778	Provision for bonuses	767
Allowance for doubtful accounts	△23	Other	4,128
<b>Non-current assets</b>	<b>129,171</b>	<b>Non-current liabilities</b>	<b>10,253</b>
<b>Property, plant and equipment</b>	<b>103,302</b>	Long-term borrowings	2,911
Buildings and structures	35,548	Lease obligations	35
Machinery, equipment and vehicles	872	Long-term accounts payable – other	278
Furniture and fixtures	3,043	Deferred tax liabilities	747
Land	63,686	Retirement benefit liability	776
Lease assets	121	Guarantee deposits received	4,886
Construction in progress	30	Asset retirement obligations	617
<b>Intangible assets</b>	<b>15,188</b>	<b>Total liabilities</b>	<b>37,175</b>
Goodwill	8,906	(Net assets)	
Other	6,281	<b>Shareholders' equity</b>	<b>176,673</b>
<b>Investments and other assets</b>	<b>10,680</b>	Share capital	18,881
Investment securities	1,248	Capital surplus	18,911
Long-term loans receivable	44	Retained earnings	196,315
Long-term prepaid expenses	484	Treasury shares	△57,435
Deferred tax assets	1,615	<b>Accumulated other comprehensive income</b>	<b>△5,278</b>
Deferred tax assets for land revaluation	2,456	Valuation difference on available-for-sale securities	378
Retirement benefit asset	45	Revaluation reserve for land	△5,636
Investment property	4,166	Remeasurements of defined benefit plans	△21
Other	760	<b>Share acquisition rights</b>	<b>432</b>
Allowance for doubtful accounts	△143	<b>Non-controlling interests</b>	<b>1,697</b>
<b>Total assets</b>	<b>210,699</b>	<b>Total net assets</b>	<b>173,524</b>
		<b>Total liabilities and net assets</b>	<b>210,699</b>

**Consolidated Statement of Income**  
**(From April 1, 2020 to March 31, 2021)**

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>74,874</b>
<b>Cost of sales</b>		<b>28,341</b>
<b>Gross profit</b>		<b>46,533</b>
<b>Selling, general and administrative expenses</b>		<b>10,306</b>
<b>Operating profit</b>		<b>36,227</b>
<b>Non-operating income</b>		
Interest and dividends income	75	
Rental income from real estate	636	
Other	238	950
<b>Non-operating expenses</b>		
Interest expenses	13	
Rental cost on real estate	155	
Other	12	181
<b>Ordinary profit</b>		<b>36,996</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	56	
Other	0	57
<b>Extraordinary losses</b>		
Loss on sale and retirement of non-current assets	3,010	
Impairment loss	18,812	
Other	9	21,832
<b>Profit before income taxes</b>		<b>15,220</b>
Income taxes – current	12,141	
Income taxes – deferred	△1,179	10,962
<b>Profit</b>		<b>4,258</b>
Profit attributable to non-controlling interests		235
<b>Profit attributable to owners of parent</b>		<b>4,022</b>

**Consolidated Statement of Changes in Equity**  
**(From April 1, 2020 to March 31, 2021)**

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	18,881	18,911	206,654	△56,861	187,585
Changes of items during the period					
Dividends of surplus	—	—	△14,364	—	△14,364
Profit attributable to owners of parent	—	—	4,022	—	4,022
Purchase of treasury shares	—	—	—	△978	△978
Disposal of treasury shares	—	△0	—	404	404
Reversal of revaluation reserve for land	—	—	2	—	2
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	△0	10,338	△573	△10,912
Balance at the end of current period	18,881	18,911	196,315	△57,435	176,673

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	2	△5,633	△15	△5,646	494	1,546	183,980
Changes of items during the period							
Dividends of surplus	—	—	—	—	—	—	△14,364
Profit attributable to owners of parent	—	—	—	—	—	—	4,022
Purchase of treasury shares	—	—	—	—	—	—	△978
Disposal of treasury shares	—	—	—	—	—	—	404
Reversal of revaluation reserve for land	—	—	—	—	—	—	2
Net changes of items other than shareholders' equity	376	△2	△6	367	△61	150	456
Total changes of items during the period	376	△2	△6	367	△61	150	△10,456
Balance at the end of current period	378	△5,636	△21	△5,278	432	1,697	173,524

## Notes on consolidated financial statements

### I. Basis for preparation of consolidated financial statements

1. Matters related to the scope of consolidation
  - (1) Number of consolidated subsidiaries: 10  
 The main consolidated subsidiaries are listed in "Business Report: 1. Matters relating to the current state of the USS Group: (7) Major parent company and subsidiaries: 2) Major subsidiaries" of "Notice of the 41st Annual General Meeting of Shareholders".
2. Items concerning application of the equity method
  - (1) There is no nonconsolidated subsidiary or affiliate to which the equity method will be applied.
  - (2) Number of affiliates to which the equity method is not applied: 3  
 PT. JBA Indonesia, JBA Philippines, Inc., and SBI AutoSupport Co., Ltd.  
 These three companies were removed from the companies to which the equity method will be applied because they do not materially affect the consolidated financial statements.  
 USS sold its entire holding of the stock of affiliate P2P Inc. on May 28, 2020.
3. Matters related to the fiscal years of consolidated subsidiaries, etc.  
 The fiscal year-end of all consolidated subsidiaries is the same as the one used in the consolidated financial statements.
4. Matters related to accounting policies
  - (1) Standards and methods of valuation of material assets
    - (i) Standards and methods of valuation of securities
 

Other securities	
Those with market value	Market value method based on market prices at year-end (Valuation differences are included directly in net assets, and sales costs are calculated based on the moving average method.)
Those without market value	Cost method based on the moving average method
    - (ii) Standards and methods of valuation of inventories  
 Cost method based on the gross average method (in which book value is reduced to reflect declines in profitability)  
 However, the cost method based on specific-identification method (in which book value is reduced to reflect declines in profitability) is used for vehicles, and cost percentage method (in which book value is reduced to reflect declines in profitability) is used for products in the recycling business.
  - (2) Depreciation methods for important depreciable assets
    - (i) Property, plant and equipment and investment property (excluding lease assets)  
 Declining-balance method  
 However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016.
    - (ii) Intangible assets (excluding lease assets)  
 Depreciation is based on the straight-line method for software used internally over the period the software can be used (five years), for leased land utilization rights over the period that the land can be used (31 to 34 years), and for customer-related intangible assets over the period that there is a benefit (14 to 15 years).
    - (iii) Lease assets  
 Depreciation is based on the straight-line method with the lease term as the useful life and a residual value of zero.

- (3) Standards of accounting for important allowances and reserves
- |   |  |
|---|--|
| (i) Allowance for doubtful accounts                     | To prepare for bad debt losses, the following methods are used.  |
| General claims  | Method based on actual bad debt rates  |
| Possible bad debts and claims in bankruptcy proceedings | Method of evaluating financial conditions  |
| (ii) Provision for bonuses                              | To prepare for the payment of bonuses to employees, the Company posts the current year's portion of estimated bonuses. |
- (4) Accounting method relative to retirement benefits
- (i) Method of attributing expected retirement benefits payment to periods  
With regard to calculation of retirement benefits obligation, the benefit formula basis has been adopted to attribute expected retirement benefits payment to the period up to the end of the consolidated fiscal year under current review.
- (ii) Amortization method for actuarial gains and losses  
Actuarial gains or losses are evenly amortized using the straight-line method, over a certain number of years (10 years) within the average remaining service years of employees, at the time of occurrence in each consolidated fiscal year, from the fiscal year following the year of occurrence.
- (iii) Accounting method for unrecognized actuarial gains and losses  
Unrecognized actuarial gains and losses are recorded in "Remeasurements of defined benefit plans" in "Accumulated other comprehensive income" under Net assets after being adjusted for tax-effects.
- (iv) Adoption of the simplified method for small businesses  
Some consolidated subsidiaries adopt the simplified method, according to which the amount that would be required to be paid if all eligible employees voluntarily terminated their employment at the end of the corresponding fiscal year shall be deemed retirement benefits obligations in calculating "Retirement benefit liability" and "Retirement benefits expenses."
- (5) Matters related to goodwill amortization  
Goodwill is amortized using the straight-line method over a period of five or 20 years based on a reasonable estimate of the number of years that there will be benefits associated with the goodwill.
- (6) Other basic and important matters for the preparation of consolidated financial statements  
Accounting for consumption tax, etc. Tax exclusion method is used.

## II. Note concerning Revision to Presentation Method

(Consolidated Statement of Income)

"Gain on adjustment of guarantee deposits received from member dealers" (¥41 million in the fiscal year that ended in March 2021), which was a separate item in non-operating income in the fiscal year that ended in March 2020, is included in "miscellaneous income" in the fiscal year that ended in March 2021 due to a decline in financial materiality.

## III. Note concerning accounting estimates

- (1) Amount in the consolidated statements for the fiscal year ended March 2021  
Goodwill of ¥8,906 million



(2) Method for calculating goodwill

USS periodically checks for any indications of the need for the impairment of goodwill by watching for any downturns in the business climate and results of operations of each business unit for which profitability is constantly monitored.

The recoverable amount of assets is the higher of net sales proceeds and utilization value. The recoverable amount is determined for each business unit that produces its own cash inflows.

To determine sales proceeds, a reasonable process is used to calculate the fair value of goodwill and other non-current assets while using information from independent, external asset evaluation firms. Utilization value is calculated by using the discounted cash flow method as well as information from independent, external asset evaluation firms.

If the decision is made that the higher of net sales proceeds and the utilization value is less than the book value of a financial reporting unit, the difference is recorded as an impairment loss.

(3) Primary assumptions used for major accounting estimates

Future cash flows used for the calculation of utilization value are estimates based on business plans that reflect the past performance, current market data and the economic environment concerning each business unit.

These business plans are affected by the level of new car sales, the economy and other factors.

Furthermore, there is significant uncertainty about these plans because they cover many years. As a result, these decisions have a significant effect on the calculation of the value in use.

To calculate the value in use of the HAA Kobe Auction Site, for which an impairment loss was posted in the fiscal year ended March 2021, the growth rate of this auction site was calculated by using the change in the number of vehicles consigned from the previous fiscal year and the number of vehicles consigned at auctions at this site in prior years. Next, this process incorporated seasonal changes in automobile auction volume and the forecast for the used car market based on the forecast for new car sales in Japan in order to obtain a forecast for the number of vehicles consigned at HAA Kobe automobile auctions.

To determine the discount rate, the cost of capital is calculated based on financial indicators and other figures at other companies in Japan's used car sector that are similar to USS.

(4) Effect of major accounting estimates on consolidated financial statements in the fiscal year ending in March 2022

There was an impairment loss of ¥3,863 million involving JAA Auction Site goodwill in the fiscal year that ended in March 2020 and an impairment loss of ¥18,801 million involving HAA Kobe Auction Site goodwill in the fiscal year that ended in March 2021. As of March 2021, there is no goodwill where there are any indications of a need for impairment.

#### IV. Notes on the consolidated balance sheet

##### 1. Assets pledged as collateral and liabilities secured by collateral

###### (1) Assets pledged

Buildings and structures	537 million yen
Land	2,456 million yen
Total	2,993 million yen

###### (2) Liabilities secured

Current portion of long-term borrowings	220 million yen
Long-term borrowings	2,200 million yen
Total	2,420 million yen

Note: Loans are bank loans of consolidated subsidiary ARBIZ Co., Ltd.

2. Cumulative depreciation for property, plant and equipment	51,217 million yen
Cumulative depreciation for investment property	504 million yen

##### 3. Revaluation of land

We have revaluated the land for business usage per the Law on Revaluation of Land (Law No. 34 Enacted on March 31, 1998). We have posted the tax for the valuation difference under Assets as Deferred Tax Asset from Revaluation, and posted the amount less this tax under Net Assets as Land Revaluation Difference Amount.

###### Method of revaluation of land

The Company revalued the land for business use by making a reasonable adjustment to the valuation in the land tax ledger, as specified by Clause 10, Article 341 of the Local Tax Law, as outlined in Clause 3, Article 2 of the Order for Enforcement of the Act on Revaluation of Land (Ordinance No. 119 promulgated on March 31, 1998).

Date of revaluation: March 31, 2002

Difference between current market value at year-end and book value following revaluation:  $\Delta$ 282 million yen

##### 4. National government subsidies

In conjunction with application of reduction entries for fixed assets acquired using national government subsidies, the total reduction entry amounts that were deducted directly from the acquisition cost of fixed assets were 10 million yen for buildings and structures, 3 million yen for furniture and fixtures and 161 million yen for land.

#### V. Notes on the consolidated statement of changes in equity

##### 1. Matters related to the number of outstanding shares

Class of shares	Number of shares at the beginning of the current consolidated fiscal year	Increase in the number of shares during the current consolidated fiscal year	Decrease in the number of shares during the current consolidated fiscal year	Number of shares at the end of current consolidated fiscal year
Common stock	313,250,000	-	-	313,250,000

## 2. Matters related to dividends from surplus

### (1) Dividend payments and others

#### (i) Dividend based on the resolution at the 40<sup>th</sup> Annual General Shareholders' Meeting on June 23, 2020

Total dividends	7,436 million yen
Dividend per share	29.80 yen
Date of record	March 31, 2020
Effective date	June 24, 2020

#### (ii) Dividend based on the resolution at the Board of Directors' meeting on November 9, 2020

Total dividends	6,928 million yen
Dividend per share	27.75 yen
Date of record	September 30, 2020
Effective date	December 11, 2020

Note: Total dividends include dividends of 12 million yen for 441,000 shares of the Company on the shareholder register held by the USS Employee Stock Ownership Plan Trust (ESOP Trust).

#### (2) Dividends that become effective in the following fiscal year with a record date within the current fiscal year

Total dividends	6,928 million yen
Dividend per share	27.75 yen
Date of record	March 31, 2021
Effective date	June 16, 2021
Dividend resource	Retained earnings

Note: Total dividends include dividends of 10 million yen for 364,000 shares of the Company on the shareholder register held by the ESOP Trust.

## 3. Matters related to share warrants as of March 31, 2021

	Type and number of stock	Date of grant
5 <sup>th</sup> Stock Acquisition Rights	Common stock 25,400 shares	September 14, 2007
6 <sup>th</sup> Stock Acquisition Rights	Common stock 29,000 shares	July 10, 2008
7 <sup>th</sup> Stock Acquisition Rights	Common stock 50,100 shares	July 9, 2009
8 <sup>th</sup> Stock Acquisition Rights	Common stock 35,400 shares	July 15, 2010
9 <sup>th</sup> Stock Acquisition Rights	Common stock 42,800 shares	July 14, 2011
10 <sup>th</sup> Stock Acquisition Rights	Common stock 37,900 shares	July 12, 2012
11 <sup>th</sup> Stock Acquisition Rights	Common stock 26,700 shares	July 12, 2013
12 <sup>th</sup> Stock Acquisition Rights	Common stock 17,500 shares	July 4, 2014
13 <sup>th</sup> Stock Acquisition Rights	Common stock 16,600 shares	July 3, 2015
14 <sup>th</sup> Stock Acquisition Rights	Common stock 24,000 shares	July 1, 2016
15 <sup>th</sup> Stock Acquisition Rights	Common stock 26,100 shares	June 30, 2017
16 <sup>th</sup> Stock Acquisition Rights	Common stock 27,200 shares	July 5, 2018
17 <sup>th</sup> Stock Acquisition Rights	Common stock 30,700 shares	July 10, 2019
18 <sup>th</sup> Stock Acquisition Rights	Common stock 40,700 shares	July 10, 2020

## VI. Notes on Financial instruments

### 1. Status of financial instruments

The USS Group invests funds on a sensible scale and purchases financial assets that are very sound. In addition, bank loans are used to procure funds as required by our capital expenditure plans. Derivatives are used solely for the purpose of shielding the Company from risks associated with interest rate and other volatilities associated with fund procurement and investment activities. Derivatives are never used for speculative activities.

Receivables due from member dealers at auctions, which are a type of trade receivable, are vulnerable to credit risks associated with customers. The Company manages deadlines and balances for each member and takes steps to quickly identify and reduce concerns about collecting the amounts due because of a decline in a member's financial condition or for some other reason.

Securities are held in joint management specified money trusts that are used for the management of short-term surplus funds. Investment securities, which are stocks, are held for the purpose of pure investment or business promotion. Such securities are subject to credit risk associated with their issuers, risks of interest rate fluctuation, and risk of market price fluctuation. The Company periodically examines market prices, the state of issuers and other items, and regularly reviews its holdings.

Payable due to member dealers at the auctions, which are a type of trades payable, are all due within a short term.

Fair values of financial instruments are based on market and, if there is no market value, it is based on a value determined using reasonable calculations. Since these calculations incorporate variables, the resulting fair values may vary when different assumptions are used.

### 2. Fair values of financial instruments

Book values of financial instruments on the consolidated balance sheet, fair values and differences between these amounts were as follows as of March 31, 2021 (end of the fiscal year). This table does not include financial instruments for which it is very difficult to determine the fair value (see Note 2) and financial instruments that do not have a substantive effect on the financial statements.

(Millions of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	67,770	67,770	-
(2) Receivables due from member dealers at auctions	6,596	6,596	-
(3) Securities and investment securities			
Other securities	3,845	3,845	-
Total assets	78,213	78,213	-
(1) Payables due to member dealers at auctions	11,788	11,788	-
Total liabilities	11,788	11,788	-

Note 1: Matters related to method for calculating fair value of financial instruments and securities.

## Assets

### (1) Cash and deposits

Since all of these items are short-term instruments, the book values are used because the fair values are almost identical to the book values.

### (2) Receivables due from member dealers at the auctions

These items are shown at their book values because fair values are virtually the same as book values as all of these items are settled within a short period.

(3) Securities and investment securities

The fair values are stock exchange prices for stocks and the applicable book value for joint management specified money trusts because these trusts are short-term instruments.

Notes concerning securities are as follows.

With regard to other securities, acquisition cost, book value and the differences for each category are as follows.

(Millions of yen)

	Category	Book value	Acquisition cost	Difference
Amount on consolidated balance sheet exceeds acquisition cost	(1) Stocks	845	301	543
	(2) Bond	—	—	—
	(3) Other	—	—	—
	Sub-total	845	301	543
Amount on consolidated balance sheet does not exceed acquisition cost	(1) Stocks	—	—	—
	(2) Bond	—	—	—
	(3) Other	3,000	3,000	—
	Sub-total	3,000	3,000	—
Total		3,845	3,301	543

- Notes:
1. Acquisition cost in this table is book value after deduction of impairment charges.
  2. There was no change in the purpose of holding to any securities in the fiscal year that ended on March 31, 2021.
  3. No impairment charges were recorded for any of the other securities with a fair value in the fiscal year that ended on March 31, 2021.

### **Liabilities**

(1) Payables due to member dealers at the auctions

These items are shown at their book values because fair values are virtually the same as book values as all of these items are settled within a short period.

Note 2: Stocks of affiliates (book value of 278 million yen) and unlisted stocks (book value of 124 million yen) are not included in "(3) Securities and investment securities" because they do not have a market price, therefore future cash flows cannot be estimated and it is very difficult to determine its fair value.

Note 3: Monetary claims and the expected redemption amount after the end of the fiscal period for securities with a maturity

(Millions of yen)

	Within 1 year	1 year+ to 5 years	5 years+ to 10 years	More than 10 years
Cash and deposits	67,770	-	-	-
Receivables due from member dealers at the auctions	6,596	-	-	-
Other securities	3,000			
Total	77,367	-	-	-

## VII. Notes on rental real estate

There are no notes on rental real estate because the total value of such real estate is not considerable.

## VIII. Notes on per share data

1. Net asset per share 687.48 yen
2. Profit per share 16.13 yen

Note: Net assets per share were calculated by including Company's shares held by ESOP Trust in treasury shares, which was deducted from the total number of shares issued. The number of shares of the Company held by ESOP Trust at end of the fiscal year under current review was 357,000, and the average during the year was 317,000.

## IX. Significant Subsequent Events

Not applicable

## X. Other Notes

(Impairment loss)

The USS Group recorded impairment losses in the following asset groups.

(1) Assets impaired and amount of impairment (Millions of yen)

Location	Use	Category	Impairment loss
Kobe city, Hyogo Pref (HAA Kobe Inc.)	Other	Goodwill	18,801
Mihama-cho, Chita-gun, Aichi (USS Co., Ltd.)	Idle	Land	11

(2) Reason for recognition of impairment loss

When Japan Automobile Auction Inc. (JAA) became a consolidated subsidiary in August 2017, the extra profitability of the auction site of its subsidiary HAA Kobe was recognized as goodwill. After its acquisition by USS, the HAA Kobe Auction Site revised its operations for consistency with standards used by USS, such as those for becoming an auction member, auction rules and fees. The aim was to establish the same highly profitable framework for operations as at other used vehicle auction sites operated by USS. However, the revisions of standards made it difficult to differentiate the HAA Kobe Auction Site from other used vehicle auction sites of USS. As a result, many users of the HAA Kobe Auction Site shifted to other locations and the number of vehicles consigned and sold at the HAA Kobe Auction Site decreased.

In addition, business plans were reexamined in part because of the downturn in the business climate caused by the prolonged COVID-19 crisis and other reasons. This reexamination process led to the conclusion that the HAA Kobe Auction Site is unlikely to generate the level of earnings that was originally forecast. Consequently, an HAA Kobe Auction Site goodwill impairment loss of ¥18,801 million was posted as an extraordinary loss.

Due to the decline in the fair value of idle assets in Mihama-cho, Chita-gun in Aichi prefecture, an impairment loss was posted as an extraordinary loss for the reduction of the book value of these assets to the amount that can be recovered.

(3) Method used for grouping assets

For goodwill, assets are grouped by business units for which profitability is constantly monitored. Idle assets are grouped separately for each asset.

(4) Method used to calculate amounts that can be recovered

The recoverable amount of assets is the higher of net sales proceeds and utilization value. The recoverable amount is determined for each business unit that produces its own cash inflows.

To calculate the utilization value of the HAA Kobe Auction Site, the growth rate of this auction site was calculated by using the change in the number of vehicles consigned from the previous fiscal year and the number of vehicles consigned at auctions at this site in prior years. Next, this process incorporated seasonal changes in automobile auction volume and the forecast for the used car market based on the forecast for new car sales in Japan in order to obtain a forecast for the number of vehicles consigned at HAA Kobe automobile auctions. The discount rate uses the cost of capital, which is based on financial indicators and other data at peer companies in the used car industry.

In addition to this reduction in the book value to the utilization value, in accordance with the provisions of paragraph 32 of "Practical Guidance on the Capital Consolidation Process for Consolidated Financial Statements" (The Japanese Institute of Certified Public Accountants, final revision February 16, 2018, Accounting System Committee Report No. 7) the impairment loss includes a goodwill impairment of ¥3,391 million associated with the recognition of a valuation loss on related company stock in the USS non-consolidated financial statements.

The net sales proceeds of idle assets were calculated by including a reasonable adjustment based primarily on the appraised values of non-current assets for tax purposes.

(Supplementary information)

1. Accounting procedure for the Trust Employee Shareholding Incentive Plan

The Company has been conducting transactions to allot its own shares to Employee Stock Ownership Plan through the ESOP Trust for the purposes of improving welfare benefits for employees and granting an incentive to employees to improve the Company's corporate value.

The Trust Employee Shareholding Incentive Plan

(i) Outline of the transaction

In June 2020, the Company reestablished the Trust Employee Shareholding Incentive Plan for the purpose of granting an incentive to employees of the Group companies to improve the Company's medium and long-term corporate values.

According to the Plan, the Company shall establish ESOP Trust at a trust bank and ESOP Trust shall purchase the Company's shares in advance. These shares are to be purchased through the USS employee stock ownership plan over a period of three years after the ESOP Trust's establishment. Thereafter, the ESOP Trust will continuously sell the Company's shares to the Employee Stock Ownership Plan every month until the ESOP Trust reaches its completion. To procure funds to purchase the Company's shares, the ESOP Trust uses bank loans that are guaranteed by the Company.

If the amount corresponding to the gain on sales of stocks through the sales of the Company's shares to the Employee Stock Ownership Plan is accumulated in the ESOP Trust at the completion of the trust, the amount corresponding to the gain on sales of the Company's shares shall be distributed as residual property to eligible persons who fulfill the qualification requirements of beneficiaries.

Also, in the case the amount corresponding to the loss on sales of stocks due to decline in the Company's stock price is accumulated in ESOP Trust at the completion of the trust, the Company shall repay the outstanding balance on the bank loans corresponding to the loss on sales of shares in accordance with the nonrecourse promissory note.

(ii) The Company's shares remaining in ESOP Trust at the end of the term

The number of the Company's shares owned by the ESOP Trust as of March 31, 2021 is included at their book value in treasury stock under Net Assets in ESOP Trust (excluding associated expenses). The book value of these shares of treasury stock was 690 million yen and the number of shares was 357,000.

(iii) Book value of the bank loans accounted for by the gross method:

711 million yen

2. Figures are rounded down to the nearest whole unit.



**Non-Consolidated Balance Sheet**  
**(As of March 31, 2021)**

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
<b>Current assets</b>	<b>69,354</b>	<b>Current liabilities</b>	<b>22,685</b>
Cash and deposits	57,357	Payables due to member dealers at auctions	10,331
Receivables due from member dealers at auctions	5,541	Accounts payable – trade	120
Accounts receivable – trade	266	Accounts payable – other	2,996
Securities	3,000	Accrued expenses	85
Merchandise	114	Income taxes payable	6,823
Supplies	89	Deposits received	1,723
Prepaid expenses	48	Provision for bonuses	515
Short-term loans receivable from subsidiaries and associates	2,500	Other	89
Other	439	<b>Non-current liabilities</b>	<b>6,186</b>
Allowance for doubtful accounts	△3	Long-term borrowings	711
<b>Non-current assets</b>	<b>127,543</b>	Long-term accounts payable – other	141
<b>Property, plant and equipment</b>	<b>86,627</b>	Provision for retirement benefits	584
Buildings	27,633	Guarantee deposits received from member dealers	4,473
Structures	4,312	Asset retirement obligations	276
Machinery and equipment	174	<b>Total liabilities</b>	<b>28,871</b>
Vehicles	47	(Net assets)	
Furniture and fixtures	2,717	<b>Shareholders' equity</b>	<b>172,851</b>
Land	51,739	<b>Share capital</b>	<b>18,881</b>
Construction in progress	2	<b>Capital surplus</b>	<b>14,502</b>
<b>Intangible assets</b>	<b>1,685</b>	Legal capital surplus	4,583
Leasehold right	66	Other capital surplus	9,919
Software	1,590	<b>Retained earnings</b>	<b>196,902</b>
Other	28	Legal retained earnings	370
<b>Investments and other assets</b>	<b>39,231</b>	Other retained earnings	196,532
Investment securities	969	Retained earnings brought forward	196,532
Shares of subsidiaries and associates	27,399	<b>Treasury shares</b>	<b>△57,435</b>
Claims provable in bankruptcy, claims provable in rehabilitation and other	6	<b>Valuation and translation adjustments</b>	<b>△5,257</b>
Long-term prepaid expenses	459	Valuation difference on available - for-sale securities	378
Deferred tax assets	1,133	Revaluation reserve for land	△5,636
Deferred tax assets for land revaluation	2,456	<b>Share acquisition rights</b>	<b>432</b>
Insurance funds	59		
Investment property	6,641		
Other	111		
Allowance for doubtful accounts	△5	<b>Total net assets</b>	<b>168,025</b>
<b>Total assets</b>	<b>196,897</b>	<b>Total liabilities and net assets</b>	<b>196,897</b>

**Non-Consolidated Statement of Income**  
**(From April 1, 2020 to March 31, 2021)**

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>55,287</b>
<b>Cost of sales</b>		<b>15,535</b>
<b>Gross profit</b>		<b>39,751</b>
<b>Selling, general and administrative expenses</b>		<b>4,715</b>
<b>Operating profit</b>		<b>35,035</b>
<b>Non-operating income</b>		
Interest and dividends income	322	
Rental income from real estate	947	
Other	164	1,434
<b>Non-operating expenses</b>		
Rental cost on real estate	214	
Other	4	219
<b>Ordinary profit</b>		<b>36,251</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	41	
Gain on sale of shares of subsidiaries and associates	25	66
<b>Extraordinary losses</b>		
Loss on sale and retirement of non-current assets	31	
Loss on valuation of shares of subsidiaries and associates	30,504	
Other	20	30,585
<b>Profit before income taxes</b>		<b>5,732</b>
Income taxes – current	11,107	
Income taxes – deferred	△147	10,959
<b>Profit</b>		<b>5,227</b>

**Non-Consolidated Statement of Changes in Equity**  
**(From April 1, 2020 to March 31, 2021)**

(Millions of yen)

	(millions of yen)									
	Shareholders' equity									Total Shareholders' equity
	Share capital	Capital surplus			Retained earnings			Treasury shares		
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings	
Reserve for special depreciation						Retained earnings brought forward				
Balance at the beginning of current period	18,881	4,583	9,919	14,503	370	41	216,079	216,491	△56,861	193,013
Changes of items during the period										
Reversal of reserve for special depreciation	—	—	—	—	—	△41	41	—	—	—
Dividends of surplus	—	—	—	—	—	—	△14,364	△14,364	—	△14,364
Profit	—	—	—	—	—	—	△5,227	△5,227	—	△5,227
Purchase of treasury shares	—	—	—	—	—	—	—	—	△978	△978
Disposal of treasury shares	—	—	△0	△0	—	—	—	—	404	404
Reversal of revaluation reserve for land	—	—	—	—	—	—	2	2	—	2
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	△0	△0	—	△41	△19,547	△19,588	△573	△20,162
Balance at the end of current period	18,881	4,583	9,919	14,502	370	—	196,532	196,902	△57,435	172,851

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance at the beginning of current period	2	△5,633	△5,631	494	187,876
Changes of items during the period					
Reversal of reserve for special depreciation	—	—	—	—	—
Dividends of surplus	—	—	—	—	△14,364
Profit	—	—	—	—	△5,227
Purchase of treasury shares	—	—	—	—	△978
Disposal of treasury shares	—	—	—	—	404
Reversal of revaluation reserve for land	—	—	—	—	2
Net changes of items other than shareholders' equity	376	△2	373	△61	311
Total changes of items during the period	376	△2	373	△61	△19,850
Balance at the end of current period	378	△5,636	△5,257	432	168,025

## Notes on non-consolidated financial statements

### I. Notes on matters related to important accounting policies

1. Standards and methods of valuation of assets
  - (1) Standards and methods of valuation of securities

Stocks of subsidiaries	Cost method based on the moving average method
Other securities	
Those with market value	Market value method based on market prices at year-end (Valuation differences are included directly in net assets, and sales costs are calculated based on the moving average method).
Those without market value	Cost method based on the moving average method
  - (2) Standards and methods of valuation of inventories

Merchandise	Cost method based on the moving average method (by which book value is reduced to reflect declines in profitability) However, the cost method based on the specific-identification method (by which book value is reduced to reflect declines in profitability) is used for vehicles.
Supplies	Cost method based on the last cost method However, the cost method based on the specific identification method is used for vehicles.
2. Depreciation methods for depreciable assets
  - (1) Property, plant and equipment and investment property  
Declining-balance method  
However, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016.
  - (2) Intangible assets  
The straight-line method is used for software used internally over the period the software can be used (five years) and for leased land utilization rights over the period that the land can be used (34 years).
3. Standards of accounting for allowances and reserves
  - (1) Allowance for doubtful accounts  
To prepare for bad debt losses, the following methods are used.

General claims	Method based on actual bad debt rates
Possible bad debts and claims in bankruptcy proceedings etc.	Method of evaluating financial conditions
  - (2) Provision for bonuses  
To prepare for the payment of bonuses to employees, the Company posts the current year's portion of the estimated bonuses.
  - (3) Provision for retirement benefits  
To prepare for payments of retirement benefits to employees, estimated amounts of the Company's retirement benefits obligation at the end of the fiscal year was provided.  
For calculation of retirement benefits obligation, to attribute expected retirement benefits payments for the period up to the end of the fiscal year under current review, the retirement benefits formula basis was adopted.  
The actuarial gains and losses are evenly amortized using the straight-line method, over a specific number of years (10 years) to be within the average remaining service years of employees, at the time of occurrence in each consolidated fiscal year, from the fiscal year following the year of occurrence.
4. Other general and significant matters in the preparation of financial statements

Accounting for consumption taxes, etc.	Tax exclusion method is used.
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## II. Note concerning change in presentation method

(Statement of income)

"Gain on sales of shares of subsidiaries and associates," which was a separate item in extraordinary income in the fiscal year ended March 2020, has been renamed "gain on sales of shares of related companies" beginning with the fiscal year ended March 2021.

## III. Notes on the balance sheet

1. Cumulative depreciation for property, plant and equipment	44,884 million yen
Cumulative depreciation for investment property	1,107 million yen
2. Receivables from, and payables to subsidiaries (excluding independently categorized items)	
Short-term receivables	153 million yen
Short-term payables	535 million yen
Long-term payables	18 million yen

### 3. Revaluation of land

For the 22<sup>nd</sup> term (Year ended March 31, 2002), land for business used was revalued based on the law related to the revaluation of land (Law No. 34 promulgated on March 31, 1998). Tax on the revaluation difference was recognized as "deferred tax assets for land revaluation" under assets and the margin was recognized as "revaluation reserves for land" under net assets.

#### Method of revaluation of land

The Company revalued land for business use by making reasonable adjustments to the valuation in the land tax ledger, as specified by Clause 10, Article 341 of the Local Tax Law, and outlined in Clause 3, Article 2 of the Order for Enforcement of the Act on Revaluation of Land (Ordinance No. 119 promulgated on March 31, 1998).

Date of revaluation: March 31, 2002

Difference between current market value at year-end and book value following revaluation:  $\Delta$ 282 million yen

### 4. National government subsidies, etc.

In conjunction with the application of reduction entries for fixed assets acquired using national government subsidies and such, the reduction entry amounts that were deducted directly from the fixed assets acquisition value were 10 million yen for buildings and structures, 3 million yen in furniture and fixtures, 161 million yen for real estate for investment (land).

## IV. Notes on the statement of income

Transactions with affiliated companies	
Net sales	861 million yen
Operating expenses	2,332 million yen
Transactions other than business transactions	822 million yen

## V. Notes on the statement of changes in equity

The class and number of treasury shares at the end of the fiscal year

Class of shares	Number of shares at the beginning of the current fiscal year	Increase in the number of shares during the fiscal year	Decrease in the number of shares during the fiscal year	Number of shares at the end of current fiscal year
Common stock	63,717,259	505,800	279,800	63,943,259

- Notes:
1. The number of shares at the beginning of the current fiscal year includes 357,000 shares held by the ESOP Trust.
  2. Breakdown of the increase of 505,800 shares in treasury shares (common stock) is as follows.  
Acquisition of Company stock by the ESOP Trust 505,800 shares
  3. Breakdown of the decrease of 279,800 shares in treasury shares (common stock) is as follows:  
Sale of Company stock by the ESOP Trust to the holding company 148,800 shares  
Decrease due to exercise of stock options 131,000 shares

## VI. Notes on tax effect accounting

### 1. Main reasons for deferred tax assets and deferred tax liabilities

#### Deferred tax assets

Amount above limit for deductible in addition to provision for bonus	156 million yen
Accrued enterprise tax denied	385 million yen
Payables denied	41 million yen
Share-based compensation expenses denied	130 million yen
Denial of Loss on sale of shares of subsidiaries and associates	9,244 million yen
Denial of impairment losses	227 million yen
Asset Retirement Obligations	83 million yen
Provision for retirement benefits denied	177 million yen
Others	118 million yen
Subtotal of deferred tax assets	10,566 million yen
Valuation allowance (Note)	<u>△9,244 million yen</u>
Total deferred tax assets	1,321 million yen
Netting with deferred tax liabilities	<u>△188 million yen</u>
Net deferred tax assets	1,133 million yen

#### Deferred tax liabilities

Valuation difference on available-for-sale securities	165 million yen
Asset Retirement Obligations	12 million yen
Others	<u>10 million yen</u>
Total deferred tax liabilities	188 million yen
Netting with deferred tax assets	<u>△188 million yen</u>
Net deferred tax liabilities	- million yen

Note: The ¥9,244 million yen valuation allowance increase is primarily the increase associated with the denial of the valuation loss on shares of subsidiaries and associates in conjunction with the valuation loss on these shares.

### 2. Major components of significant differences between the statutory tax rate and the corporate income and other effective tax rate after the application of tax effect accounting

Statutory tax rate	30.3%
(Adjustments)	
Expenses not deductible permanently, such as entertainment	1.0
Income not taxable permanently, such as dividend income	△1.8
Uniform allocation of residents tax	0.5
Increase/decrease in valuation allowance	161.3
Others	<u>△0.2</u>
Effective corporate income tax, etc. rate after adjusting for tax effect accounting	191.2

## VII. Notes on transactions with related parties

### 1. Subsidiaries, etc.

(Millions of yen)

Category	Name of company or individual	Location	Capital	Description of business or occupation	Voting rights ratio	Business links	Details of transaction	Transaction amount	Account item	Balance at year-end
Subsidiary	US Butsuryu Co., Ltd.	Tokai, Aichi	30	Automobile transportation service	100% (Direct)	Outsourced services	Outsourced business activities	2,090	Payable	257

- Notes:
- Prices paid to US Butsuryu for outsourced services are determined by negotiations that reflect market prices.
  - The amount of transactions does not include consumption tax and the balance at year end does include consumption tax.

### 2. Officers, main individual shareholders and others

(Millions of yen)

Category	Name of company or individual	Location	Capital	Description of business or occupation	Voting rights ratio	Business links	Details of transaction	Transaction amount	Account item	Balance at year-end
USS Representative Director Yukihiro Ando holds a majority of voting rights	Showa Co., Ltd.	Midori Ward, Nagoya, Aichi	10	Auto sales	-	Auction business	Auction related transaction	13	Receivables due from member dealers at auctions	1
USS former Director Toshio Mishima holds a majority of voting rights	Metokosu Co., Ltd.	Kasuya, Fukuoka	13	Auto sales	-	Auction business	Auction related transaction	13	Guarantee deposited Accounts receivable	0 0

- Notes:
- Business terms and business term determination method  
Under the Company's automobile auction-related regulations, auction transactions are made based on business terms designed for general member dealers.
  - In the "Details of transactions", "Auction related transaction" includes listing fees, contract completion fees, successful bid fees and other auction transactions.
  - Toshio Mishima, who was a USS director until June 23, 2020, owns the majority of the voting rights of Metokosu Co., Ltd. The transaction amount with this company is for the period that ended on June 23, 2020 and the balance at year end is the balance as of June 23, 2020.
  - Transaction amounts do not include consumption tax and others, but the balances at year-end do include consumption tax and others.

## VIII. Notes on per share data

- Net asset per share 672.23 yen
- Profit per share  $\Delta$ 20.96 yen

Note: Net assets per share were calculated by including the Company's shares held by the ESOP Trust in treasury shares, which was deducted from the total number of shares issued. The number of shares of the Company held by the ESOP Trust at end of the fiscal year was 357,000 and the average during the year was 317,000.

## IX. Notes on significant subsequent events

Not applicable

## X. Other Notes

Supplementary information

- Accounting procedure for the Trust Employee Shareholding Incentive Plan  
This is the same as the content in "Notes on Consolidated Financial Statements, IX. Other Notes, (Supplementary information) 1. Accounting procedure for the Trust Employee Shareholding Incentive Plan."
- Figures are rounded down to the nearest whole unit.

## Venue

### Head Office of USS Co., Ltd. (USS Nagoya Auction Site)

507-20 Shinpo-machi, Tokai, Aichi

### Instructions for entering the location in a navigation system

Input "507-20 Shinpo-machi, Tokai-shi, Aichi-ken"

## Access Information

- By train: Approximately 10 minutes by taxi from Daidocho Station on the Meitetsu Tokoname Line.

**In addition, there will be a bus pickup service at 10:00 a.m at Daidocho Station.**

**There are no buses to the shareholders meeting site from JR Odaka Station or from Meitetsu Nawa Station.**

<Additional information>

The following train provides direct service to Daidocho Station with no need for a transfer to a second train.

Meitetsu Tokoname Line, Semi-express (for Chubu International Airport)

Meitetsu Nagoya Station 9:45, arriving at Daidocho Station 9:58

- By car: Approximately 5 minutes from the Funami IC Exit of the Nagoya Expressway Route 4. Approximately 10 minutes from the Tokai IC Exit of the Isewangan Expressway.  
**If you come by car, please use our parking area.**

Contact Information

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