

Fundamental Policy for Corporate Governance

USS Co., Ltd.

Chapter 1 General Rules

1. Purpose

USS Co., Ltd. has established this Fundamental Policy for Corporate Governance for the purpose of defining the fundamental thinking and framework regarding corporate governance for USS and the USS Group, which consists of USS and its subsidiaries.

2. Fundamental Stance for Corporate Governance

The USS Group operates a used car distribution business that is centered in auctions of used cars. The group's goal is increasing corporate value through the constant growth of business operations.

Since the other companies belonging to the USS Group are incorporated companies, their highest priority is naturally increasing corporate value. In addition, the USS Group is guided by a corporate philosophy with six components: creating a fair market, unifying with members, providing services for consumers, passing profit to shareholders, respecting employees and contributing to local communities. Management at USS is based on the belief that corporate value is the result of fulfilling the responsibilities of this philosophy and that shareholder value is created through corporate value.

As members of society, companies have an obviously obligation to conduct business in a manner that is consistent with accepted standards of behavior. Compliance with this fundamental policy and the Corporate Governance Code is evaluated at the regular meeting of the Board of Directors at the end of each fiscal year. In addition, a plan for improvements in the next fiscal year is established. By taking these actions, the USS Group aims to upgrade its corporate governance while fulfilling its responsibilities concerning accountability and maintaining highly transparent management.

Chapter 2 Relationship with Shareholders

1. Shareholders meeting

At USS, the shareholders meeting is the highest-ranking decision-making body as well as a valuable opportunity for direct communications with shareholders. The following measures are used to properly reflect the wishes of shareholders in the USS Group's management.

- (1) The shareholders meeting is scheduled for a day when as many shareholders as possible can attend, primarily by avoiding days when there are large numbers of shareholders meetings.
- (2) Notices of shareholders meetings are sent to shareholders three weeks prior to the meeting. Furthermore, prior to sending these notices, this information is posted on the USS website and the Tokyo Stock Exchange website. The purpose is to give shareholders sufficient time to consider proposals to be submitted at the meeting. In addition, USS distributes information other than shareholders meeting notices to supply information as needed to enable shareholders to reach decisions properly.
- (3) To allow all shareholders to submit their votes, as prescribed in the Companies Act, USS has an electronic voting system and electronic platform for submitting votes. In addition to providing an infrastructure for electronic voting, USS produces English-language shareholder meeting notices.

- (4) If a proposal is approved by shareholders with an approval ratio of less than 80%, following the shareholders meeting, the Board of Directors reasons for opposition to the proposal and the large number of opposing votes to consider actions that may be needed.
2. Assurance of shareholder rights and equality
 - (1) USS is dedicated to preserving equality for all shareholders as well as protecting the rights of shareholders and enabling shareholders to properly exercise these rights. For this purpose, USS discloses information promptly and maintains an environment conducive to the exercise of shareholder rights.
 - (2) For minority shareholder rights in the Companies Act, USS takes actions aimed at ensuring that rights can be exercised with no difficulty, such as by prescribing methods for exercising rights in the Stock Handling Rules.
 3. Fundamental policy concerning equity
 - (1) For the medium to long-term growth in the USS Group's corporate value, the fundamental policy concerning equity is to maintain a level of equity needed for making investments for sustained growth and accommodating risks associated with business activities.
 - (2) USS places priority on the efficient use of equity. Consequently, the return on equity is a key performance indicator and the medium-term goal is a return on equity of above 15%.
 - (3) The fundamental policy for shareholder distributions is to distribute earnings in a manner that reflects consolidated results of operations as well as the need for actions to further improve profitability and financial soundness. Based on this policy, USS aims to maintain a consolidated dividend payout ratio of at least 50%.
 - (4) When the Board of Directors and corporate auditors approve an equity-related action (increase in equity, management buyout or other action) that would alter control of the company and significantly dilute existing shares, the opinions of independent directors and corporate auditors will be considered and discussions, timetables and other information about the proposed action will be promptly disclosed. In addition, explanations are provided at a shareholders meeting, information meeting or in other ways in order to supply shareholders with sufficient information.
 4. Policy concerning cross-shareholdings
 - (1) USS reaches decisions about the retention of cross-shareholdings or establishment of new cross-shareholdings after determining if these investments contribute to growth of the USS Group's corporate value from a medium to long-term perspective. These decisions also incorporate the effects of cross-shareholdings on business strategies, business relationships and all other applicable factors.
 - (2) When voting stock held as cross-shareholdings, while respecting the management policies of the other companies, USS submits votes with the goals of contributing to corporate value growth at the USS Group and the cross-shareholding counterparty companies from a medium to long-term perspective as well as of preserving the benefits of the ownership of these cross-shareholdings.
 - (3) Once each year, the Board of Directors examines individual cross-shareholdings to determine if the benefits, including contributions to consolidated results of operations, and associated risk are suitable in relation to the cost of capital. The Board of Directors

also determines if the purpose of the cross-shareholding is suitable after taking into consideration business strategies, business relationships and other factors. As a rule, a cross-shareholding is sold if this process results in the conclusion that the investment cannot be justified.

5. Constructive dialogue with shareholders

- (1) USS is dedicated to sustained growth and the medium to long-term growth of corporate value. To accomplish these goals, USS believes it is important to hold frequent discussions with shareholders and other investors and to reflect their opinions and wishes in the group's management. Consequently, USS has the following policies for conducting constructive dialogues with shareholders.
 - a. A director in charge of investor relations oversees all activities involving dialogues with shareholders.
 - b. The USS General Affairs Department, which is part of the Corporate Administration Division, is responsible for overseeing the collection, management and disclosure of information. This department works with associated departments to ensure that information is disclosed in a timely, fair and proper manner to shareholders.
 - c. USS holds direct discussions about corporate governance and significant management policies with major shareholders with an investment policy that is consistent with the medium to long-term interests of all shareholders. The director in charge of investor relations and/or other managers attend these meetings based on the wishes of each shareholder and the primary topics of discussion.
 - d. In addition to these individual meetings with shareholders, USS holds an information meeting twice each year, gives presentations at securities company conferences and uses other events for investor dialogues. Furthermore, USS gives tours of its auction sites when requested by investors.
 - e. USS uses dialogues with shareholders to gain their understanding of the USS Group's goals. In addition, to reflect shareholders' opinions in how the group is managed, particularly significant feedback is reported to the Board of Directors by the director or other manager who attended the dialogue where this information was received.
 - f. The USS Supervisory Division General Affairs Department and Finance Department are primarily responsible for examining information and other matters involving investor dialogues while ensuring that there are no leaks of insider information, as prescribed by USS internal rules.
- (2) USS discloses targets for sales, operating income, net income per share and other performance indicators in its earnings announcements and other documents. In addition, a return on equity target and fundamental policy for dividends are disclosed in the business report, securities report and other documents. USS uses information meetings and other channels to explain specific initiatives for reaching these targets.
- (3) USS determines the composition of its shareholders by using the list of shareholders of record as of the end of March and September of each year. As needed, USS also performs investigations to identify so-called beneficiary shareholders that hold USS stock in the name of a trust bank or other third party.

6. Prevention of transactions harmful to shareholder interests

USS rules prohibit transactions (excluding transactions between USS and its subsidiaries) other than automobile auction transactions with USS by its directors and corporate auditors,

first or second degree relatives of these individuals, and companies in which any of these individuals have made an investment or hold stock (for listed companies, a holding of more than 1% of all shares issued) or where any of these individuals have effective control or are involved with management. When one of these individuals or companies performs an automobile auction transaction, the transaction must be approved in advance by the Board of Directors. For approval, the terms of the transaction must be the same as for ordinary transactions in order to prevent any negative impact on the interests of shareholders. These transactions are reported at the first meeting of the Board of Directors after each annual shareholders meeting and the directors determine if transactions should be allowed to continue.

Chapter 3 Proper Collaboration with Stakeholders Other Than Shareholders

1. Relationship with stakeholders other than shareholders
 - (1) USS understands that collaboration with all stakeholders is vital to achieving sustained growth and increasing corporate value over the medium and long term. The stance concerning relationships with each stakeholder group is defined in the corporate philosophy and can be viewed on the USS website and through other channels.
 - (2) At the USS Group, the management team plays a leading role concerning collaboration with stakeholders. The aim is to foster a corporate culture that respects the rights and standpoints of stakeholders as well as standards for corporate ethics.
2. Relationship with employees
 - (1) The USS Board of Directors has approved the USS Code of Conduct and Ethics as the fundamental guidelines for the activities of all executives and employees at the USS Group. This code is revised as needed. There are activities to ensure that all executives and employees at the group understand this code and there are training programs to reinforce this understanding and awareness.
 - (2) The USS Group is dedicated to maintaining a working environment for women to remain in their jobs and realize their full potential as well as for allowing all employees to achieve the correct balance between their work and other activities. Programs for this purpose include reduced working hours, days off to care for a pre-school child, extended time off to care for an aging family member, extended time off for child care, and others. These programs make it easier for employees to do their jobs. When recruiting employees, selections are made regardless of gender, race, nationality and other characteristics and employees are compensated properly based on their capabilities.
3. Sustainability issues

The USS Group understands that a strong commitment to dealing with social and environmental issues is vital to achieving sustained growth. Group companies are involved with the recycling of automobiles and other products and materials in order to contribute to the creation of an infrastructure for the recycling of almost all products and materials.
4. Internal reporting system
 - (1) The USS Corporate Ethics Help Line, which is operated by an external organization, is a channel for USS Group employees to report illegal behavior by employees and other improper activities. Important information about reports and consultations using this

help line is submitted to the Board of Directors and the directors check the status of help line operations periodically.

- (2) When a problem is reported using the help line, the information is objectively examined to confirm its accuracy and interviews and other appropriate activities are used to verify the problem. These activities are performed by USS General Affairs Department personnel with the support of an attorney or other external specialist as needed. Then proper actions are used for improvements or preventive measures regarding the illegal or improper behavior.
- (3) The external organization that operates the USS Corporate Ethics Help Line notifies USS solely of the content of the calls received. Individuals who submit reports remain anonymous. Furthermore, the USS Group's Rules for the Internal Reporting System clearly state that there will be no negative consequences at all for employees who submit reports using the help line.

Chapter 4 Policy for the Disclosure of Information

1. Information disclosure policy

The disclosure of information is one of the highest priorities of USS. The proper disclosure of information is vital to receiving the understanding of shareholders and other stakeholders. As a result, in addition to announcing information required by laws and regulations, USS uses its website, investors guide and many other methods to make available other information (including non-financial information) that USS believes is important from the standpoint of shareholders and other stakeholders.

2. Disclosure methods

- (1) To provide shareholders and other stakeholders with accurate information, USS uses simple and straightforward expressions in all information that is disclosed.
- (2) As USS has overseas shareholders, there is an English-language version of the USS website. English translations of shareholder meeting notices, information meeting materials and timely disclosure information are posted on the USS website and made available in other ways in order to supply information to overseas investors.

Chapter 5 Corporate Governance

1. Structure of corporate governance

The Board of Directors reaches decisions about important matters involving management and supervises the performance of the directors. In addition, the corporate auditors and Board of Corporate Auditors, which are independent of the Board of Directors, audits the performance of the directors. USS has independent outside directors for a highly effective system of overseeing the performance of the directors. There are also independent outside corporate auditors in order to maintain a highly independent system for overseeing the performance of directors. As advisory units for the Board of Directors, there is a Nominations and Remuneration Committee. These committees help ensure the suitability of selections of director and corporate auditor nominees and of remuneration for directors and corporate auditors and contribute to the transparency of evaluations of results of operations.

Section 1 Board of Directors

2. Roles of the Board of Directors

- (1) The Board of Directors is responsible for medium-term strategies and business plans. The directors have established the management theme of “Challenge to Next Stage,” the targets in earnings announcements and other goals. All this information is available on the USS website. Directors periodically examine the causes of differences between forecasts and actual performance in each fiscal year. The results of these examinations are provided to shareholders and other stakeholders in earnings announcements and in other ways and the results are used when goals are established for the next fiscal year.
- (2) When establishing strategies and business plans, the Board of Directors holds discussions that include the unrestricted exchange of thoughts with the external directors and corporate auditors. The directors then use these strategies and business plan as the basis for important decisions concerning the operation of business operations. To oversee management of the USS Group, at every meeting, the directors receive reports from directors who are also business executives concerning the performance of their respective business units and progress regarding any issues. Directors then hold a constructive discussion including opinions and other statements as needed concerning these business reports from directors.
- (3) In accordance with standards for the submission of agenda items and reports, the Board of Directors reaches decisions about important matters involving management as well as items that must be determined by the directors as prescribed in laws, regulations or the Articles of Incorporation. The directors also reach decisions through a consensus or other method about other items due to their importance, the nature of the matter or other reasons. The directors also define the authority and assignment of responsibilities of division managers, auction site managers and business unit manager in accordance with USS rules.
- (4) USS believes that new ideas from executives who are responsible for conducting business operations are a vital element of the vitality of the USS Group and the ability to sustain growth. This is why USS provides opportunities to submit these ideas at any time to the Board of Directors, individual directors and other executives. The directors thoroughly examine each proposal from an independent and objective perspective. When a proposal is approved by the Board of Directors, the directors and other managers in charge of the corresponding business activities are responsible for taking the necessary actions.

3. Structure and operation of the Board of Directors

- (1) The Board of Directors, which has a maximum of 12 members as stated in the Articles of Incorporation, has the proper composition needed to ensure the effectiveness of discussions. The board has balance and diversity with respect to knowledge, experience, skills and other attributes involving business operations of the USS Group.
- (2) Documents concerning proposals to be submitted at a meeting of the Board of Directors are, as a rule, distributed to directors about one week before each meeting. The General Affairs Department of the Supervisory Division answers questions from directors about proposals and other assistance is provided so that the directors can thoroughly examine each proposal. Outside directors use their professional skills and experience to state their opinions at board meetings and offer suggestions for improvements as needed.
- (3) Meetings of the Board of Directors are held at least once every two months, as a rule. Prior to the start of each fiscal year, the annual schedule for meetings and major items

to be submitted for decisions are determined. The number of items to be submitted for decisions at each meeting is limited so that the directors have sufficient time to discuss each proposal.

- (4) For directors who concurrently serve as a director, corporate auditor or other executive at one or more other publicly owned company, the number of these concurrent positions is held to a reasonable degree to ensure that these directors have sufficient time to perform their duties at USS properly. Information about the other positions of directors and director candidates as a director or corporate auditor or other important role at other publicly owned companies is included in shareholder meeting reference materials and the business report in every fiscal year.

4. Selection of directors and executive officers

- (1) The Board of Directors makes final decisions regarding director candidates and executive officers after taking into consideration the recommendations of the Nominations and Remuneration Committee, where independent outside directors are more than half of all committee members. The standard for these recommendations is whether or not individuals have suitable experience, knowledge and professional skills to serve as a USS director or executive officer.
- (2) If a director or executive officer violates a law or regulation or there is a problem involving the management of business operations, the Board of Directors makes decisions regarding the termination of the individual or individuals involved, the senior directors, and others. These decisions take into consideration recommendations of the Nominations and Remuneration Committee, where independent outside directors are more than half of all committee members.
- (3) USS uses the Tokyo Stock Exchange standards for independence because these standards are believed to be reasonable. These standards are used for the selection of outside director candidates and the designation of independent directors. In addition, USS selects as outside director candidates individuals who are expected to contribute to frank, vigorous and constructive discussions by the directors.
- (4) USS provides explanations of the selections of candidates for election as director in the shareholder meeting reference materials concerning the proposal for the election of directors.

5. Remuneration of directors and executive officers

- (1) Directors and executive officers receive monthly remuneration that is based on the magnitude of the roles of each position, the scope of responsibilities and other factors. In addition, directors (except outside directors) and executive officers receive stock options (options can be exercised only after the individual is no longer a USS director, corporate auditor or executive officer) as a form of remuneration that is linked to the stock price and varies depending on the company's medium to long-term performance. The Board of Directors makes decisions regarding remuneration after taking into consideration the recommendations of the Nominations and Remuneration Committee, where independent outside directors are more than half of all committee members. This method is used to ensure that the level of remuneration of directors and executive officers is appropriate and to maintain the transparency of evaluations of results of operations.
- (2) For the remuneration of directors (except outside directors), the level of remuneration, the remuneration framework, the allocation of remuneration and other items are reviewed on a regular basis. The purpose is to further increase motivation to contribute

to medium to long-term growth in sales and earnings and corporate value by further clarifying the link between this remuneration and results of operations.

Section 2 Board of Corporate Auditors

6. Roles and structure of the Board of Corporate Auditors
 - (1) The majority of the Board of Corporate Auditors at USS is independent outside auditors. This structure preserves the independence of the board and allows the full-time corporate auditor to exchange opinions and information at all times with the directors who operate business activities. The full-time corporate auditor provides information obtained from performing his duties to the outside corporate auditors at board meetings and at other times. Furthermore, the outside corporate auditors can communicate with the outside directors at the Independent Committee, which consists of the independent directors and corporate auditors.
 - (2) The Board of Directors selects corporate auditor candidates with the prior consent of the Board of Corporate Auditors. Candidates must have the outstanding experience, knowledge and professional skills required to serve as a USS corporate auditor. USS uses the Tokyo Stock Exchange standards for independence because these standards are believed to be reasonable. These standards are used for the selection of outside corporate auditor candidates and the designation of independent corporate auditors.
 - (3) When selecting corporate auditor candidates, at least one individual must have a suitable level of knowledge about finance and accounting.
 - (4) USS provides explanations of the selections of candidates for election as corporate auditor in the shareholder meeting reference materials concerning the proposal for the election of corporate auditors.
 - (5) For corporate auditors who concurrently serve as a director, corporate auditor or other executive at one or more other publicly owned company, the number of these concurrent positions is held to a reasonable degree to ensure that these corporate auditors have sufficient time to perform their duties at USS properly. Information about the other positions of corporate auditors and corporate auditor candidates as a director or corporate auditor or other important role at other publicly owned companies is included in shareholder meeting reference materials and the business report in every fiscal year.
7. Strengthening roles of the corporate auditors
 - (1) The corporate auditors collect the information needed to perform audits in conjunction with the directors and the Internal Audit Office. If this information is insufficient, the full-time corporate auditor will take the lead in activities to receive the required information and documents from the directors in charge of the relevant business units and from other associated departments. These individuals and departments will then supply the information and documents as requested.
 - (2) The staff of the Internal Audit Office assists the corporate auditors. If a member of this department receives an order from a corporate auditor concerning a necessary auditing task, the Board of Directors or any other employee may not submit different instructions concerning this order.

Section 3 Other items

8. Assistance for collection of information by directors and corporate auditors

- (1) Directors and corporate auditors can ask directors in charge of business units and managers of departments for information and documents that are required to perform their duties as directors and corporate auditors. The directors and managers must provide the proper information and documents as requested. For requests for information from outside directors and corporate auditors, there is a framework in place to enable all departments to receive such requests at any time via the director in charge or a full-time corporate auditor.
 - (2) The USS Supervisory Division General Affairs Department is responsible for assisting independent outside directors. This department handles communications and other matters involving senior management, the corporate auditors and the Board of Corporate Auditors.
9. Training for directors and corporate auditors
- (1) USS uses seminars by external parties and other activities to upgrade the knowledge and skills of directors and corporate auditors so they can contribute to the sustained growth of the USS Group and medium to long-term growth in corporate value. In addition, USS encourages directors and corporate auditors to participate in external seminars, join associations and establish personal business networks, and pays expenses for these activities, for the purpose of supporting self-improvement activities.
 - (2) USS gives copies of the Articles of Incorporation, company rules and other key corporate documents to newly elected directors and corporate auditors. These individuals also attend external seminars and participate in other activities. The objective is to give new directors and corporate auditors a better understanding of their roles and responsibilities.
 - (3) Newly elected outside directors and outside corporate auditors receive information about the USS Group, including business activities, finances and the organization, from directors and representatives of group companies. As needed, these individuals tour USS Group facilities and participate in other activities to gain a better understanding of the group.
10. Cooperation among directors, corporate auditors and internal audits
- USS has a framework for submitting reports as needed to directors and corporate auditors about problems and other issues about the how business operations are performed that were discovered during an audit by an internal auditing unit. Information is subsequently exchanged between internal auditors and the directors and corporate auditors concerning measures to make improvements regarding the problem or issue and the status of these improvements.
11. Independent accounting auditor
- (1) USS uses an independent accounting auditor to ensure that financial reports are reliable and fulfill other obligations to shareholders and other investors and to ensure that financial reports have been properly audited.
 - (2) The Board of Corporate Auditors monitors and evaluates the performance of the independent accounting auditor by exchanging opinions with this auditor, confirming the status of audits, checking audit reports and performing other activities. Corporate auditors also confirm the independence and professional skills of the independent accounting auditor.

- (3) USS uses the following activities to ensure the effectiveness of audits performed by the independent accounting auditor.
 - a. Based on prior discussions with the independent accounting auditor, a schedule is created that provides sufficient time for the audit.
 - b. If requested by the independent accounting auditor, the company president, directors in charge of business operations and other senior executives will hold meetings with this auditor.
 - c. Accounting audits, quarterly review reports and other activities are used for communications between the external accounting auditor and the corporate auditors. Furthermore, the corporate auditors exchange information with the external accounting auditor and outside directors at any time as needed in order to facilitate interaction between the independent accounting auditor and the outside directors. At any time, the independent accounting auditor can exchange required information with internal auditors and confirm how business operations are being performed. This provides a method for the independent accounting auditor to receive information that is needed.
 - d. If the independent accounting auditor discovers something that is improper and asks for the necessary response, or if there is a flaw or other problem, the company president orders an examination and corrective actions that are conducted primarily by directors in charge of business operations. The results of these activities are reported to the independent accounting auditor.

12. Independent Directors and Corporate Auditors Conference and Nominations and Remuneration Committee

- (1) The Independent Directors and Corporate Auditors Conference, which consists of the independent directors and corporate auditors, is held on a regular basis. This conference reflects the recognition by USS of the importance of the exchange of information and perspectives by these individuals from an independent and objective standpoint. As needed, the members of this conference ask other directors and corporate directors as well as other USS Group executives to attend a meeting to provide a required explanation or for some other purpose. Activities of the conference may also include requests for meetings with the company president or other executives and for other actions.
- (2) The Nominations and Remuneration Committee is an advisory body for the Board of Directors that examines the suitability of the following proposals to be submitted to the directors and gives the directors a report on this examination.
 - a. Selection of director candidates and selection of executive officers
 - b. Policy for remuneration of directors and corporate auditors and remuneration for each individual
 - c. Selection and termination of representative directors and the senior directors
 - d. Termination of directors and executive officers

(Supplementary rules)

- (1) This fundamental policy was enacted on December 15, 2015.
- (2) Sections of this fundamental policy may be amended or deleted by resolutions of the Board of Directors.

- (3) This fundamental policy was amended on December 10, 2018 and the amendments became effective immediately.
- (4) This fundamental policy was amended on June 18, 2019 and the amendments became effective immediately.