

Segment Information



Strategies – Auto Auctions

As the leader in Japan’s auto auction market, we are constantly seeking ways to revitalize the market.

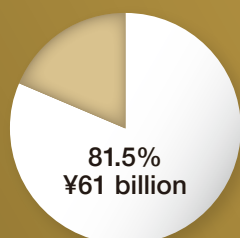
We are also dedicated to providing auction members with reliable services by building an even better environment for attracting and selling more quality vehicles.

USS Co., Ltd.
Senior Managing Director
Officer of the Auction
Operation Office

Masayuki Akase



Sales Composition



[Overview]

2020 (CY)	Vehicles consigned	Vehicles sold	Pct. of consigned vehicles sold
USS (Market share)	Vehicles consigned 2.67 million (37.7%)	Vehicles sold 1.65 million (36.3%)	61.9%
Auto auction market	7.10 million	4.56 million	64.2%

* Auto auction market figures are based on research of USED CAR Co., Ltd.,

SWOT Analysis

Strength	<ul style="list-style-type: none"> ● The largest number of members and vehicles in Japan’s auto auction industry ● Highly advanced vehicle inspection technologies ● Strict standards for fair and equitable transactions ● High prices of vehicles sold at auctions due to the sale of quality automobiles ● The industry leader using the digital transformation 	Weakness	<ul style="list-style-type: none"> ● Decrease in vehicles auctioned because of the increasing diversity of channels for selling used cars ● Weaknesses of vehicle procurement activities of the USS Group
Opportunity	<ul style="list-style-type: none"> ● The pandemic increased the demand to own cars ● Growth in demand to replace older electric vehicles with new models 	Threat	<ul style="list-style-type: none"> ● Major shifts in the automobile industry due to connected cars, car sharing and other new trends ● Decreasing number of new cars sold in Japan ● Changing perception of the value of cars due to the shift from ownership to services (mobility as a service (MaaS)) ● Capturing of the used car market by automakers using connected technologies

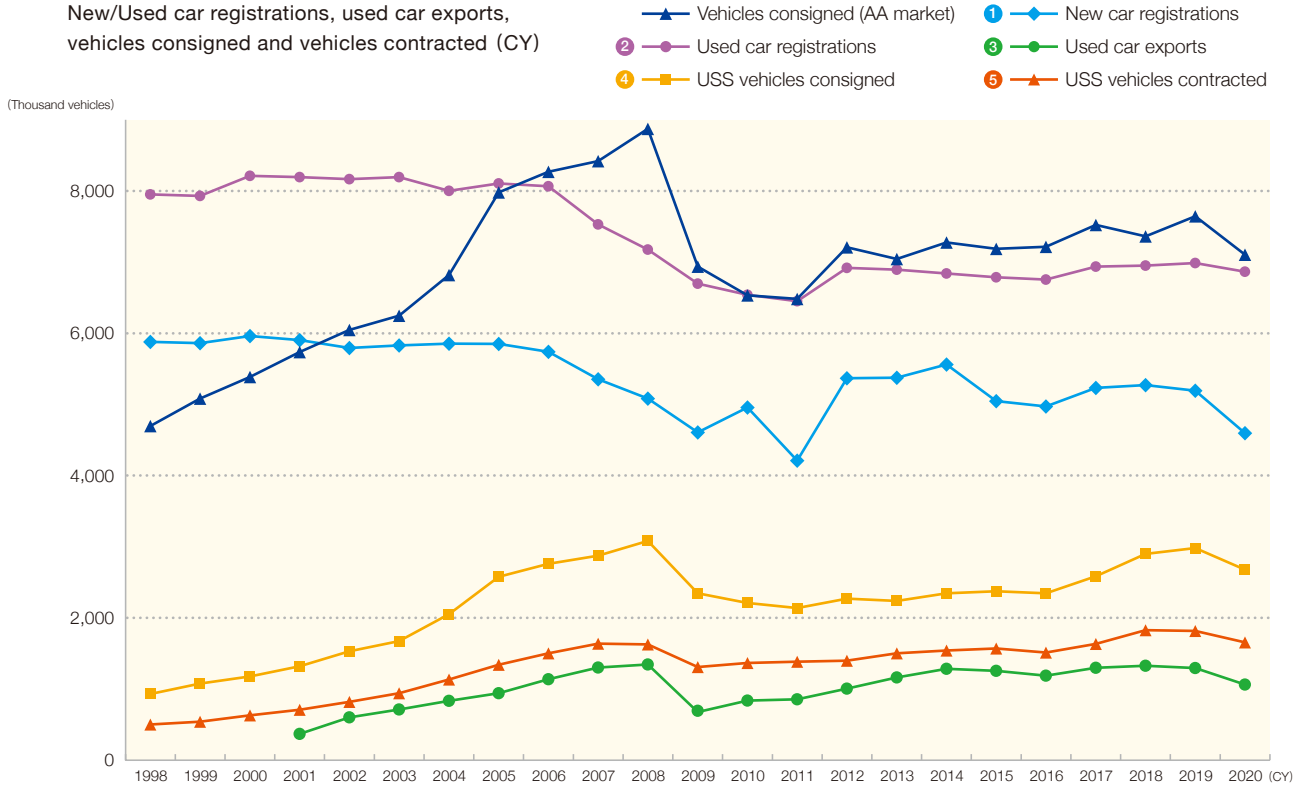
Strategies

- Be the leader in the market in Japan for replacing gasoline-powered vehicles with battery electric vehicles while continuing measures to ensure fair and equitable transactions
- More progress with the digital transformation
 - Increase the efficiency of business operations
 - Quickly provide accurate information to increase opportunities to sell vehicles at auctions
 - Continue activities to upgrade inspection technologies and precision

New/Used Car Registrations and Auto Auction Market

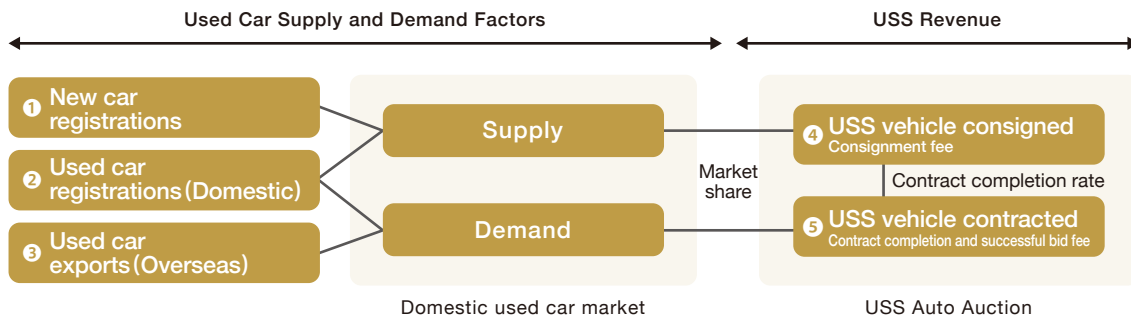
- The auction market continued to expand till 2000 as the share of used vehicles sold through the auction market increased as a share of the total used vehicle market. Starting in the mid-2000s, older vehicles and vehicles with high mileage which would normally have been scrapped started flowing into auto auction sites and steadily drove up the number of vehicles consigned.
- After the financial crisis of late 2008 the auto auction market was largely correlated to new car registrations (supply) and exports (demand).

New/Used car registrations, used car exports, vehicles consigned and vehicles contracted (CY)



Automobile Market and USS Revenue

- The number of vehicles consigned is correlated through trade-ins to ① New car registrations and ② Used car registrations
- Total demand comprises domestic demand ② and overseas demand ③.
- In recent years, total demand has been driven mainly by overseas demand.
- In addition to the above, share of the used car auction market and contract ratio have an important bearing on USS auto auction profits.



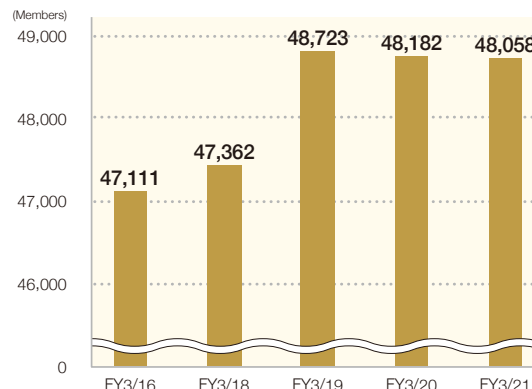
USS Competitive Advantage①

[Overwhelming number of members]

On-site auction members 48,058	Satellite TV auction members 2,197
CIS (Internet) auction members 32,538	Used car purchasing stores 143 locations (15 directly operated, 128 franchised)

* The number of members is on a group-wide basis.
 * Satellite TV and internet members are required to be on-site auction members.

On-site Auction Members



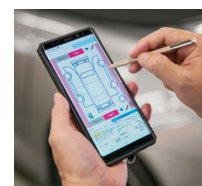
Includes HAA Kobe members added since the first quarter of FY3/19 and JAA members added since the second quarter of FY3/19.

USS Competitive Advantage②

[DX(Digital transformation)]

TOPICS 1 Started trial use of digital vehicle auction data forms at the Nagoya auction site

USS has started using digital auction data forms on a trial basis at the Nagoya auction site. Information obtained from this trial use is expected to result in the use of these forms at other auction sites beginning in the fiscal year ending in March 2022. In addition, USS has developed an app exclusively for these digital forms. Using this system will allow inputting all information needed for auction data forms by using a tablet or other device. This format will be easier to use for members and make auctions more efficient. We plan to explore even more ways to use this technology.



A tablet the size of a smartphone

TOPICS 2 The first on-board diagnostics tablet in Japan's auto auction industry

As one more way to verify the safety of vehicles at auctions, USS started using an on-board diagnostics system at the Nagoya auction site in March 2019. Automobiles that pass an inspection using this system are submitted at auctions by using a section exclusively for these vehicles. Inspecting vehicles with this system to verify safety is expected to increase the percentage of vehicles sold at auctions as well as the number of vehicles consigned at USS Group auctions. Currently, seven auction sites perform on-board diagnostics inspections. The plan is to expand these inspections to all auction sites while including the inspection items that will be added every year starting in October 2021 by the Ministry of Land, Infrastructure, Tourism and Transport.



Inspection of an automobile using the USS on-board diagnostics system

TOPICS 3 The first use in Japan of the vehicle inspection system of UVeye of Israel

In April 2020, the Nagoya auction site started using on a trial basis the underbody imaging system, including the tires and wheels, developed by UVeye Ltd. of Israel and Toyotsu Automotive Creation Corp. We plan to expand the use of this system to other auction sites., this system uses a specialized unit to look for dents and other imperfections under a vehicle that are not easily visible. To make inspections even more efficient, we have R&D programs for the use of AI to analyze images and for other innovations.

[The side of an automobile]



An image of the side of a vehicle

[Underneath an automobile]



An image of the underbody of a vehicle