

Auto auctions

We will improve the USS brand power by further improving convenience.

Hikomitsu Ikeda

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

PROFILE :

Hikomitsu Ikeda joined USS in 1984 and was involved in the launch of new auction sites and system development. He was appointed Junior Management Director in 2006 before being appointed as Officer of the System Office and Auction Site Manager in 2006. In 2022, Hikomitsu Ikeda was appointed to his current position as Officer of the Auction Operation Office.



Fiscal review

The number of used car registrations in Japan during the fiscal year ended March 31, 2023 was 6,293 thousand vehicles, down 4.2% year on year,* due to a lower supply of used vehicles from fewer trade-ins caused by a significant decline in new vehicle purchases during the first half of the fiscal year. In spite of this business environment, the Auto Auction offered 2,958 thousand vehicles at auction, up 8.3% year on year, with 1,863 thousand contract completions, up 4.3% year on year. As a result, the Auto Auction Segment achieved ¥69,304 million in net sales from outside customers, up 6.9% year on year, and an operating profit of ¥42,267 million, up 5.1% year on year. This equates to an increase in both income and profit.

Our auto auction generally gathers quality used vehicles, which brings together a large number of bidders. This often results in a favorable cycle of high winning bids. These results show that customers approve of our approach to realize a fair and equal standing in auto auctions with greater convenience. Especially in the fiscal year ended March

31, 2023, the USS Auto Auction has demonstrated its remarkable ability to bring buyers and sellers together in spite of the dwindling supply of used vehicles. We are proud to put the brand power of USS on display in this industry.

We believe it is necessary to support increases in the types of vehicles which may be up for auction in the future to sustain and enhance our competitive edge. Therefore, we have updated our training programs with the hope of more quickly certifying vehicle inspectors. In the year ended March 31, 2023, we systemized our traditional on-the-job training to create an eight-month training program by selecting instructors from the Tokyo and Nagoya auction sites, which had typically handled training of new employees (see p. 52 for more information). The new training program rolled out in the year ending March 31, 2024 is currently cultivating 13 new employees with the knowledge and techniques required of vehicle inspectors. We will also consider implementing this training program for experienced employees in the next fiscal year.

* 1. Survey by the Japan Automobile Dealers Association and Japan Light Motor Vehicle and Motorcycle Association

Future strategies

We are seeing a gradual recovery in new vehicle sales as the shortage of semiconductors eases. The consolidated results forecast for the fiscal year ending March 31, 2024 estimates the Auto Auction Business will have 3,000 thousand vehicles up for auction, up 1.4% year on year, complete contracts for 1,880 thousand vehicles, up 0.9% year on year, which equates to a completion rate of 62.7% against the 63.0% completion rate in the previous fiscal year.

As the company holding the top market share in Japan, we are contributing to the sound distribution of used vehicles through highly precise vehicle inspections and fair and equitable auctions. USS sites auction off roughly 60,000 vehicles each week. We see these vehicles as shared inventory with our members. That is why we are setting our sights on expanding services to vitalize the business of used car dealers.

SWOT analysis

Strengths	<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
Weaknesses	<ul style="list-style-type: none"> • Decrease in vehicles auctioned because of the increasing diversity of channels for selling used cars • An insufficient number of vehicles procured by Group companies for auction • A labor shortage including automotive management and inspectors
Opportunities	<ul style="list-style-type: none"> • Growth in demand to replace gas and other conventional vehicles with electric vehicles
Threats	<ul style="list-style-type: none"> • Decline in used car dealers • 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

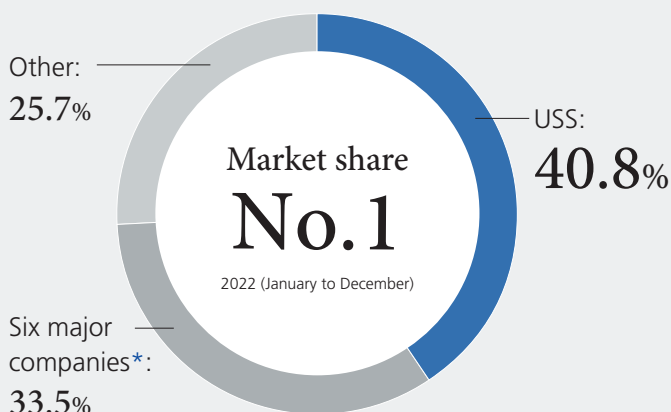
TOPICS

Efforts to develop appraisal criteria and battery diagnostic devices aim to establish inspection systems for electric vehicles.

USS has been furthering preparations of inspection systems for electric vehicles. The structure of electric vehicles differs from that of gasoline cars. Due to the tremendous weight of the batteries, automotive manufacturers use aluminum, FRP and other such materials to make the other components lighter. This means parts that can be repaired on a gasoline vehicle must be replaced on an electric one, which makes unique appraisal criteria necessary for electric vehicles. In particular, we are striving to develop the vital battery diagnostic devices to assess the degradation of those battery components.

Data

Competition in the auto auction market



* Major six companies: TAA (11.7%), MIRIVE (5.8%), CAA (5.1%), Arai AA (5.0%), JU Gifu (3.1%), and KCAA (2.8%)

Source: USEDCAR Co., Ltd.

Overwhelming number of members

48,490 (As of March 31, 2023)

Largest in the industry and expansion of **19** auction sites nationwide

Large-scale auction sites such as Tokyo, Nagoya, and HAA Kobe

External bidding system provided via satellite TV and the internet