



USS focuses on making capital investments and securing human resources with the aim to capture a 50% market share.

Masahiro Mikami

Executive Officer, General Manager in charge of the Auction Operation Office, and Manager of Tokyo Auction Site USS Co., Ltd.

Profile

Masahiro Mikami joined USS in 1994. He served as Manager of the Sales Division at the Tokyo Auction Site before acting as Officer of the Auction Operation Office at the head office in 2014. Masahiro Mikami was involved with formulating auction rules to realize auctions that give a fair and equal standing to everyone, putting together the certification program to train vehicle inspectors, and building our claim management system. He served as the Manager of the Yokohama Auction Site from 2016 before being appointed the Manager of the Tokyo Auction Site in 2019. Masahiro Mikami was appointed Executive Officer in 2023 and General Manager in charge of the Auction Operation Office in 2024.

Fiscal review

In fiscal 2023, the entire auto auction industry cosigned a total of 7,771,000 vehicles, up 6.8% year on year.* In the first half of the year, an increase in the number of new vehicle sales drove up the number of used car trade-ins. This trend increased the number of vehicles cosigned by auctions but greater demand for the supply of used cars decreased prices. The scandal discovered at a major company purchasing and selling used vehicles around August did not greatly affect the auto auction market. The weak Japanese yen has had a larger impact than that scandal. Vehicles for export have been purchased at extremely high prices, which has set record highs for auto auction businesses. In fiscal 2023, export vehicles realized the highest prices that they ever have. The consignment of good-quality luxury vehicles that sell for a high price seems to have contributed to the favorable performance of USS.

The Auto Auction offered 3,084 thousand vehicles at auction, up 4.3% year on year, with 1,986 thousand contract completions, up 6.6% year on year. As a result, the Auto Auction Segment achieved ¥75,066 million in net sales from outside customers, up 8.3% year on year, and an operating profit of ¥47,414 million, up 12.2% year on year. This equates to an increase in both income and profit.

Our business measures have increased commission fees and expanded the Yokohama Auction site from four to six lanes to take advantage of its growing number of consignment vehicles, which raised profit. We also plan to introduce undercarriage imaging system to every auction site. Currently, the Nagoya, Tokyo and HAA Kobe Auction sites have begun providing undercarriage imaging. The undercarriage imaging service can verify oil leaks, rust, and other problems via photographic images, which are particularly important factors for export vehicles. The Kyushu Auction site not only expanded the interior imaging service but also started using the digital consignment done at the Nagoya and Tokyo Auction sites.

Digital consignment is a system to read a 2D barcode on a vehicle certificate to create auction slips, which increases the efficiency of administrative tasks that had typically been done manually in writing in the past. We have an interface to create auction slips based on unique member data for any members who request to use the service. This measure puts in place an environment that increases convenience and makes it easier for members to put vehicles up for auction.

* Source: USED CAR Co., Ltd.

Future strategies

Capital investments/stronger organization

We will expand the number of lanes at the Yokohama Auction site as well as rebuild and renew the facility to achieve our target of acquiring a 50% market share. The Tokyo Auction site plans to expand from 12 to 16 lanes as it handles an average of 15,000 cosigned vehicles. Moreover, the remote bidding system has introduced the ability to bid from not only computers but also smartphones. We believe this both improves convenience and helps shift our auction sites to smart systems. USS traditionally acted as an intermediate between sellers and buyers for any vehicles not sold at auction, but these negotiations take a lot of time. Therefore, we are developing a system to increase the speed and efficiency of these types of business transactions.

The recruitment and training of human resources who run these auctions are indispensable. In April 2023, we began a training program to quickly develop and certify vehicle inspectors. In October, we rolled out a new human resource system (for more information, see Pp. 31–32). As auction sites forecast to see an increase in the number of vehicles handled there, the Yokohama, Tokyo, and HAA Kobe Auction sites plan to rebuild the existing auction site combined with a multi-story garage. Larger vehicle capacity and a leading-edge auction system will improve the convenience for every

member while aiming to further increase the number of vehicles at auction. We can also expect to see an impact on the used vehicle distribution industry due to the logistical problems faced in 2024. We have joined forces with our subsidiary, USS Co., Ltd., to begin bundling and transporting vehicles that have successful bids at USS auction sites that are far away from dealers to neighboring USS auction sites. These efforts are founded in our belief that we must build an efficient used vehicle supply chain going forward.

Medium- to long-term challenges and strategies

Every auction site must make sure there are no inconsistencies in the mandatory paperwork necessary for not only vehicle payment but also to change the name on the title of the used vehicle before turning that vehicle over to the dealer with the successful bid. Currently, USS is reconfiguring its core auto auction system to put in place a more efficient framework for these operations at each auction site. Some innovations include workflow digital transformations and the adoption of AI.

Presently, we are working to develop a system that uses the caution plate of vehicles to improve fair and equitable business dealings and enhances convenience. The caution

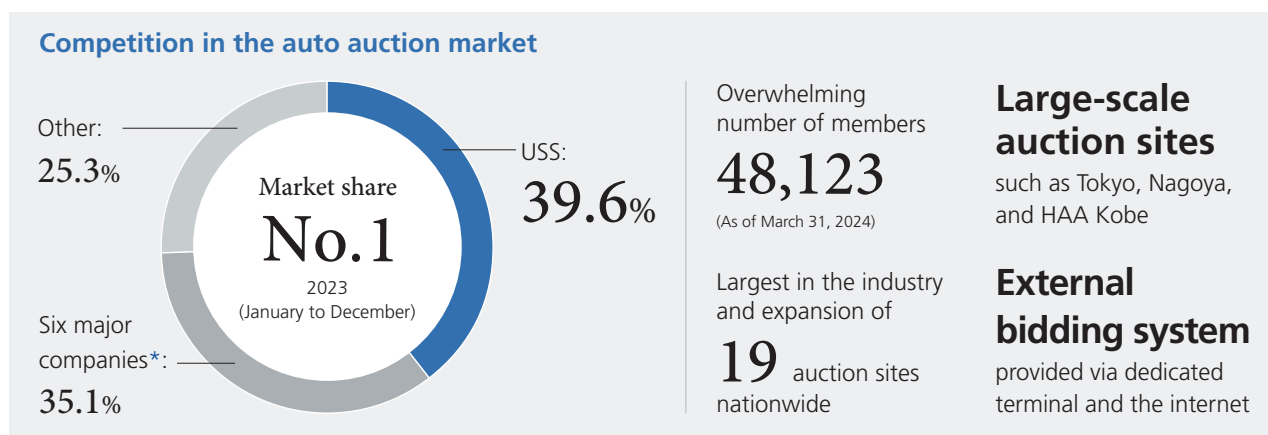
plate includes vehicle information, which enables an analysis of each vehicle based on an image of this plate. Links between the information obtained from the caution plate and the vehicle certificate allows us to create a digital consignment slip, disclose vehicle specifications in advance, change the name on titles, and check the condition of a vehicle that has been in previous auto auctions. The data on the caution plate also lets us select the proper components when conducting repairs.

Another issue raised as a medium- to long-term challenge is EV battery diagnostics. In April 2024, USS joined the Battery Association for Supply Chain, which consists of members that include major automotive manufacturers, battery manufacturers, and resource trading companies. The Association is working to develop a sustainable battery supply chain (parts/materials) with the aim of contributing to the battery industry not just in Japan but in the rest of the world. USS is currently considering ways to detect storage battery performance. We are exchanging ideas about diagnostics to assess storage battery degradation with a wide range of relevant professionals but this search continues as we have not yet reached a method that provides highly accurate diagnostics. USS will continue these initiatives in the future with the hope of contributing to a circular economy.

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 	<ul style="list-style-type: none"> • High prices of vehicles sold at auctions due to the sale of quality automobiles • The industry leader using the digital transformation 	<ul style="list-style-type: none"> • Strict technologies for fair and equitable transactions
Weaknesses	<ul style="list-style-type: none"> • Slowdown in the volume of used vehicles due to delays in the supply of new vehicles • 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 • Broader demographic of people buying used vehicles by making a new auto loan commonplace • Increase in the needs for Japanese vehicles overseas 		
Threats	<ul style="list-style-type: none"> • 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 		

Data



* Six major companies: TAA (12.9%), MIRIVE (5.4%), Arai (5.3%), CAA (5.3%), JU Gifu (3.4%), and KCAA (2.9%)
Source: USED CAR Co., Ltd.