Auto auctions

We will achieve our goal of 50% Market Share by focusing on attracting new members.

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

To summarize USS' business conditions in FY 2024, the average auction price increased after the continuing recovery in the supply of new vehicles caused an uptick in new vehicle purchases (hereinafter "vehicle replacement") and a resulting market influx of quality used vehicles with a high trade-in price. Moreover, the increase in auction lanes at the Tokyo Auction Site from 12 to 16 lanes has reduced the daily auction finishing times by two to three hours, leading to further increases in the number of vehicles on auction.

Reducing working hours has recently become an important issue for our members participating in auto auctions. Shorter transaction times are highly beneficial to our members because they facilitate better business efficiency and work-style reforms. We believe that this type of initiative to improve convenience has been well received by our members, and has led to an increase in the number of vehicles on auction. The reduction in auction times has also had similar benefits for our own Company and employees.

We are also implementing other measures to streamline the auto auction process and reduce auction times through digital transformation (DX). One such measure is our digital consignment system which generates an auction sheet simply by reading the 2D barcode on a vehicle certificate. The use of digital consignment is steadily increasing at our main auction sites, and now accounts for more than 50% of all consigned vehicles. Through these and other enhancements to our facilities and services, we believe that our ability to provide fair and equitable auto auctions and to foster trust over the years is one of our Company's strengths.

As a result of these market conditions and our efforts, in FY 2024, the number of vehicles on auction at our auto auctions reached 3.202 million vehicles (3.8% year-on-year [YoY] increase) and the number of contract completions reached 2.145 million (8.0% YoY increase). Furthermore, our Auto Auction Segment achieved an increase in both income and profit, with ¥81.843 billion in net sales from outside customers, up 9.0% YoY, and operating profit of ¥53.274 billion, up 12.4% YoY.

We recognize that the recruitment and training of human resources is an immediate challenge in terms of expanding our market share of vehicles on auction, which is directly linked to our business performance. One particularly pressing issue that we face is to supplement our human resources charged with vehicle inspections and document verification. We also recognize the need to expand our storage lots for storing vehicles on auction. Going forward, we intend to refine our storage lot expansion concept while envisaging the shifts in Japan's population and new and used car volumes.

Future strategies

Short- to medium-term strategies and practices

Under our auto auction business model, an increase in the number of members is directly linked to an increase in the number of vehicles on auction, which in turn leads to an uptick in revenue due to a proportional increase in fee income. Therefore, over the next one to two years, we will focus on acquiring new members and will consolidate our sales and service infrastructure in order to increase members.

We also introduced a new membership system to attract new members. While guarantors were required to obtain membership under the previous system, membership can be obtained without guarantors and members can participate in auto auctions at all sites under the new system. While the new system requires new members who successfully bid on an auctioned vehicle to pay for the vehicle before it can be shipped, we anticipate that the ability to become a member without guarantors will expand our base of registered members. This new system is intended to increase the number of new members and expand opportunities for auto auctions.

As a measure aimed at reducing auto auction times, we are currently considering the addition of more lanes at the Nagoya and Osaka Auction Sites similar to that of the Tokyo Auction Site. Furthermore, to improve the convenience of external bidding, we have started providing 360 degree images of vehicle exteriors at the Nagoya Auction Site, and will gradually introduce this feature at large-scale site such as the Tokyo and HAA Kobe Auction Sites.

In terms of recruiting and training human resources, our training program introduced in FY 2023 to quickly develop vehicle inspectors (for more information, see pp. 9–10) has significantly improved the speed at which we are able to develop our human resources. We have also started training new graduates and mid-career personnel in FY 2025, and will expedite efforts to expand our immediate workforce.

Toward achieving our goal of 50% Market Share

We have also established these initiatives as measures under our strategic project entitled 50% Market Share (for more information, see pp. 22–24). Through the continued implementation of this project in FY 2025 and beyond, we will achieve a steady increase in our market share of vehicles on auction, leading to increased revenue in our auto auctions. Furthermore, we recognize that in order to implement and achieve the goals of this project, it is crucial to establish a satisfactory working environment for our employees. Under our 50% Market Share strategic project, we have established the Workplace Environment Improvement Project (for more information, see p. 23, pp. 33–34, and p. 59) wherein our employees will consider and implement ways to promote self-motivation and job satisfaction, self-development, and training.

Through this strategic project that we are undertaking on a company-wide level, our management team will also need to develop and grow. We recognize the importance of laying the groundwork for this project over the next two to three years, and will continue our efforts to achieve the project goals.

Masahiro Mikami

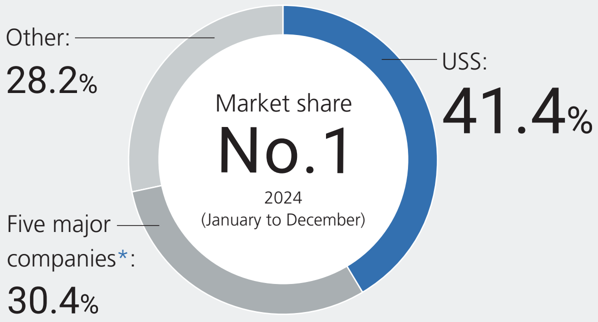
Executive Officer, General Manager in charge of the Auction Operation Office, and Manager of Tokyo Auction Site USS Co., Ltd.

SWOT analysis

	Description	Responses & Countermeasures
Strength	• The largest number of members and vehicles in Japan's auto auction industry • Highly advanced vehicle inspection technologies	• Maintain fair and equitable transactions and improve technologies • Implement a short-term intensive vehicle inspector training program
Weakness	• An insufficient number of vehicles procured by Group companies for auction due to inadequate Group collaboration • A labor shortage including automotive inspectors and document verification staff	• Develop systems under the 50% Market Share strategic project and strengthen Group collaboration through the introduction of new services • Recruit new employees and improve the workplace environment through the Workplace Environment Improvement Project and other initiatives
Opportunity	• Replacement demand due to the increased supply of new vehicles within Japan • Increased sophistication and diversification of AI technologies	• Implement new membership system eliminating the need for guarantors • Introduce new services by linking VIN numbers and improve member convenience by improving provided images of vehicles
Threat	• Stagnation in land transport due to lack of drivers • Pressure from manufacturer-affiliated auto auctions	• Review various measures such as improving the operational efficiency of auto auction sites and establishing vehicle storage lot depots • Provide new services to specialized used car dealers

Data

Competition in the auto auction market



Overwhelming number of members

48,160

(As of March 31, 2025)

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 dedicated terminal and the internet

* Five major companies: TAA (11.9%), CAA (5.7%), Arai (5.7%), MIRIVE (4.0%), and JU Gifu (3.1%)
Source: USEDCAR Co., Ltd.