

Q2 FY2023

First Half Results for Fiscal Year Ending February 28, 2023

Financials & Business

TSE Prime 7599

IDOM Inc.

July 17th, 2022

Hello, my name is Rayo Nishihata, CFO of IDOM Inc.

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Gulliver

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I will go over the results for the first half of the fiscal year ending February 28, 2023 and revision of earnings forecast.

First Half FY2023 Results Highlights

Gulliver

Financials

(Domestic Core Business) *1
Both net sales and
operating profit increased



• Net sales and operating profit in the Domestic Core Business increased for the first half of FY2023, overcoming a decline in profit attributable to the new revenue recognition standard.

Net sales 179.3 billion yen
YoY +19.0%

Operating profit 7.4 billion yen
YoY +8.6%

Stores

Opened large stores and
maintenance shops highlighted
in the growth strategy



• The Company opened
three large stores.
• The Company also opened
three maintenance shops

Progress in line with
annual plan

Progress in line with
annual plan

M & A

Share transfer of Australian
subsidiaries and posting of
extraordinary income



• The Company completed the share transfer of
Australian subsidiaries in July 2022 and posted
extraordinary income.

IDOM Inc. * Domestic Core Business: Non-consolidated results including subsidiaries Gulliver Insurance and Tokyo Mycar.

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First, please see slide 3.

This slide shows highlights of the results for the first half of the fiscal year ending February 28, 2023.

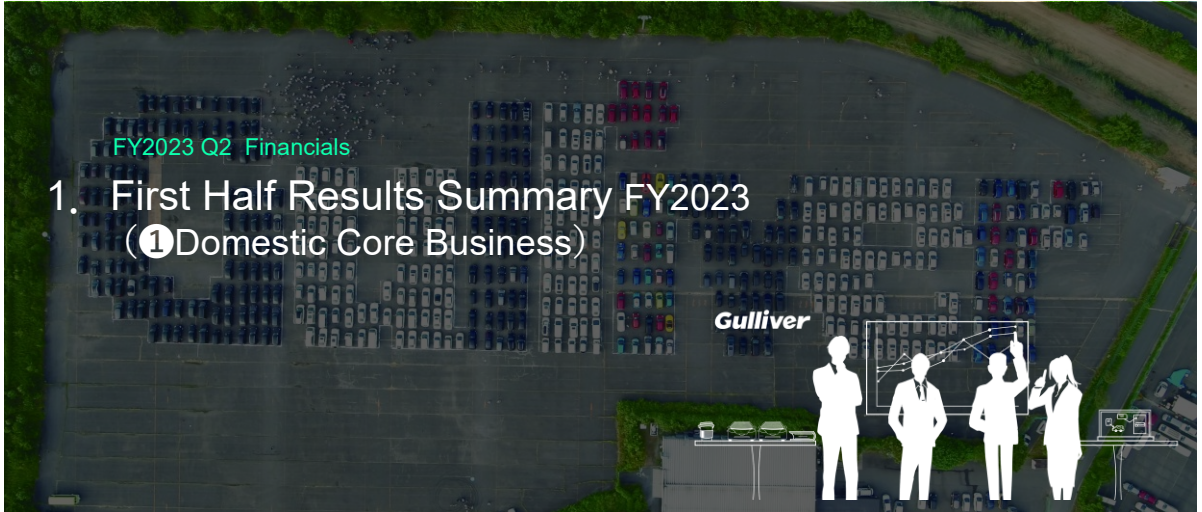
Domestic Core Business, consisting of IDOM and its two subsidiaries in Japan, achieved increases in net sales and in operating profit after overcoming the negative impact of the new revenue recognition standard.

According to the annual plan, we are opening large stores and maintenance shops highlighted in the growth strategies.

The Company completed the share transfer of Australian subsidiaries and posted extraordinary income.

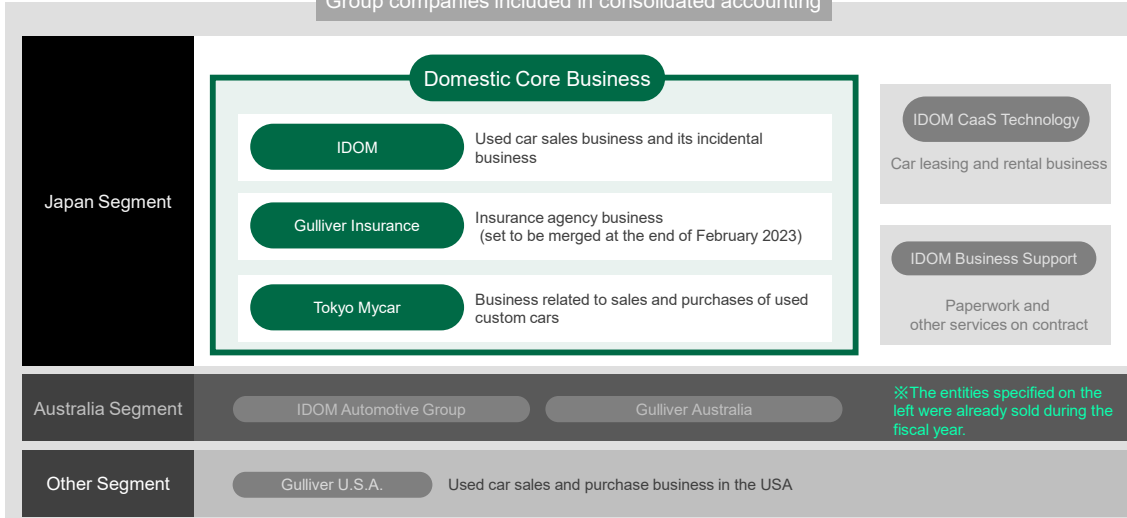
FY2023 Q2 Financials

1. First Half Results Summary FY2023 (① Domestic Core Business)



IDOM Inc.

Group companies included in consolidated accounting



IDOM Inc.

We are now moving on to the first-half results of the Domestic Core Business.

This framework has been employed since the end of the previous fiscal year, following the sale of the dealership business in Australia.

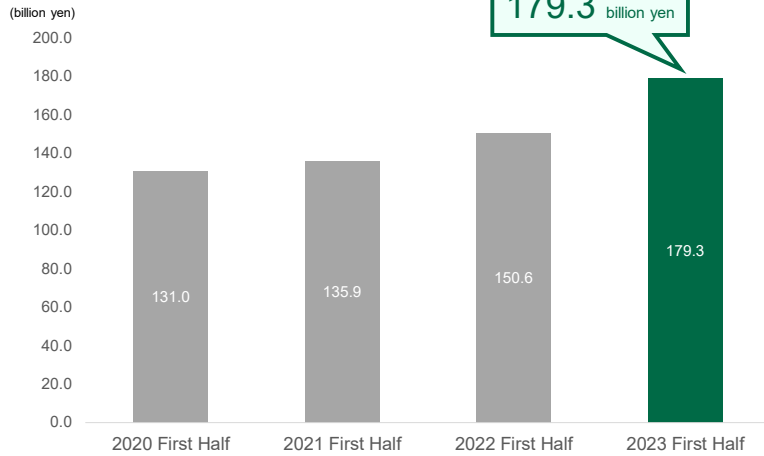
It consists of three companies in the Japan segment: IDOM, Gulliver Insurance and Tokyo Mycar. Gulliver Insurance is an insurance broker and Tokyo Mycar deals in custom cars. It is responsible for a large portion of consolidated net sales, and it is appropriate to focus on this unit when monitoring the actual state of the IDOM Group.

We have long disclosed figures from the Australia segment. We will continue to do so until the end of the fiscal year. However, net sales and operating profit data pertain to the three-month period of the first quarter only.

The Other segment includes US Business.

"Gulliver Insurance" is scheduled to merge with IDOM at the end of February next year.

Trend in net sales

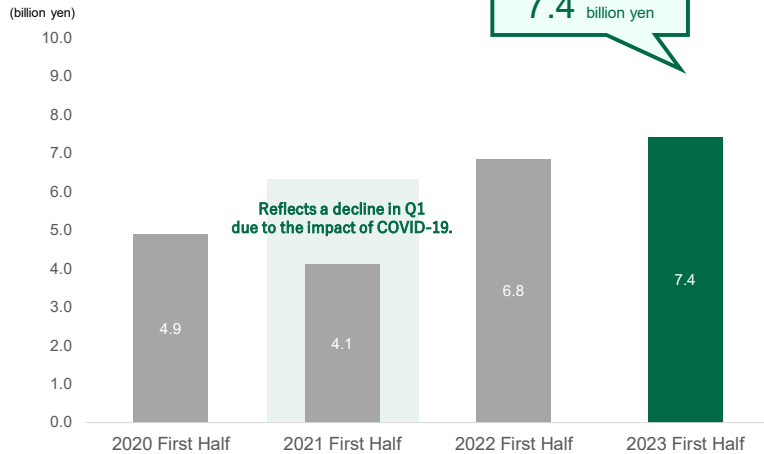


● Domestic Core Business net sales rose 19.0% year on year, to 179.3 billion yen.

The slide shows the trend in net sales of domestic core businesses over the past four years.

The figure grew steadily. It was up 19% year on year.

Trend in operating profit



● Consolidated operating profit grew 8.6% year on year, to 7.4 billion yen (operating profit margin of 4.1%).

Reflects a decline in Q1 due to the impact of COVID-19.

7.4 billion yen

The slide shows the trend in operating profit of domestic core business. In the first half of the fiscal year ended February 28, 2021, COVID-19 continued to have some impact. However, operating profit surged healthily.

Operating profit was up 9% in the first half of this fiscal year.

(billion yen)	Previous Fiscal Year First Half 2022	Fiscal Year Under Review First Half 2023	YoY changes Percent change
Net sales	150.6	179.3	+28.6 +19.0%
Operating profit	6.8	7.4	+0.6
Operating profit margin (%)	4.5%	4.1%	+8.6%
Ordinary profit	6.7	7.2	+0.6
Ordinary profit margin (%)	4.4%	4.0%	+8.5%
Profit attributable to owners of parent	3.7	9.0	+5.3
Profit margin (%)	2.4%	5.0%	+145.1%

① Vehicle prices rose in line with auction market prices.

② Profit at all levels reached a record high for the first half of the fiscal year.

③ Temporary gains and losses were posted. (1) (2) (3)

(1) 0.85 billion yen was posted as head office relocation expenses in extraordinary losses in the previous fiscal year.

(2) The goodwill impairment loss posted for the previous fiscal year was deducted from taxable income after the transfer of shares of the Australian subsidiaries.

(3) The Company posted 2.9 billion yen for a gain on sales of shares as extraordinary profit due to the share transfer of Australian subsidiaries.

The slide shows year-on-year comparison of the first half financial results of domestic core business between FY2022 and FY2023.

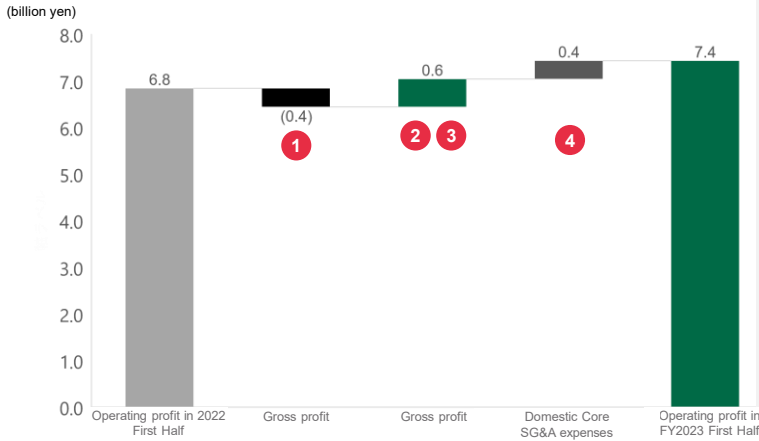
Net sales increased due to due to high auction market prices.

Profit at all levels reached a record high for the first half of the fiscal year.

The operating profit margin stood at 4.1%. It stayed above the 4% mark.

Net income is 9 billion yen. While there was an extraordinary loss arising from the head office relocation in the preceding fiscal year, we enjoyed extraordinary income from the sale of the Australian business and we were able to deduct the amount of the goodwill impairment loss reported in the past year from taxable income for the period under review. As a consequence, we posted a significant increase.

Analysis of Factors in the YoY Change in Operating Profit



- ① Gross profit declined by 0.4 billion yen following the application of the new revenue recognition standard.
- ② Retail unit sales decreased due to a decline in the number of directly managed domestic stores, but retail unit sales at large stores increased year on year. Gross profit per unit increased.
- ③ In wholesale, the number of cars increased. Gross profit per car decreased as a result of the decline in Q1.
- ④ Rent expenses declined due to head office relocation and personnel expenses decreased, reflecting restraints on the employment of new graduates.

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. has been applied since the beginning of the first three months of the consolidated fiscal year under review.

This slide shows an analysis of factors for the year-on-year change in the operating profit of domestic core business between FY2022 and FY2023.

Item (i) reflects the 0.4 billion yen decline following the application of the new revenue recognition standard.

An increase in incidental revenue resulted in the new standard having a major impact.

Regarding retail gross profit in item (ii), the number of units sold declined due to a net decrease in the number of stores. The number of units sold at large stores rose 38%. Gross profit per unit climbed. A trial sales promotion of incidental services is underway.

For item (iii), wholesale gross profit per unit became closer to normal from the same period in the previous year. An increase in units sold resulted in an increase in profit.

(iv) regarding SG&A expenses, a decrease in rent due to the relocation of the head office and a decrease in personnel expenses due to a restraint on hiring new graduates contributed to the increase in profits.

(billion yen)	Initial Forecast	Results for Fiscal Year Under Review	Compared with Initial Forecast
	First Half 2023	First Half 2023	Percent change
Net sales	155.0	179.3 ¹	+24.3 +15.7%
Operating profit	6.8	7.4 ²	+0.7
Operating profit margin (%)	4.4%	4.1%	+10.1%

¹ Net sales rose given that auction market prices were higher than expected and vehicle prices increased.

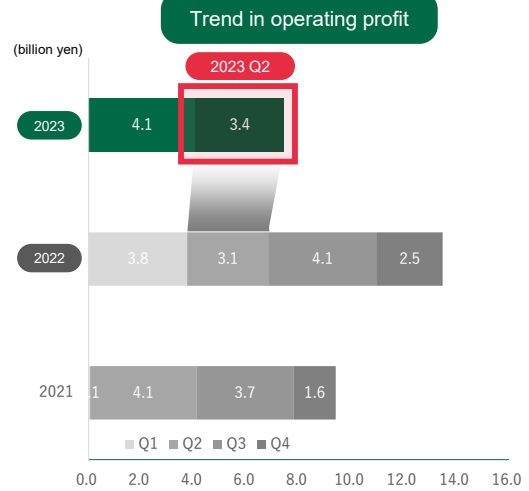
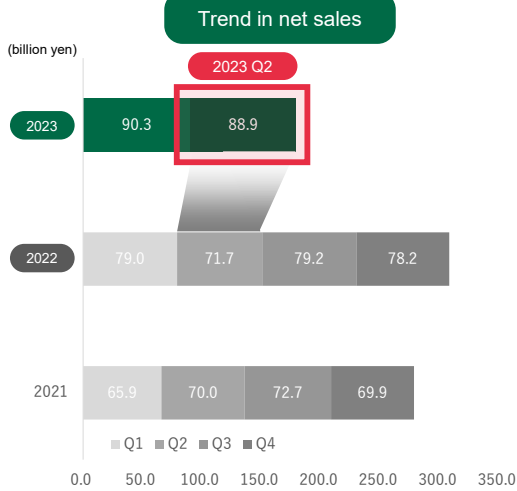
² Operating profit increased due to the impact of the number of cars in wholesales surpassing the forecast and the growth of gross profit per vehicle retailed.

We will now compare the first-half figures of the Domestic Core Business with the initial forecast.

Net sales exceeded the forecast due to high auction market prices.

Operating profit increased by 0.7 billion yen due to the impact of the number of cars in wholesale surpassing the forecast.

Quarterly Trend in Results
(Results over the recent three periods)



In the second quarter alone, operating profit was 3.4 billion yen, up 0.3 billion yen year on year.

As in the first quarter, it continued to grow at a rate of 9% year on year.

FY2023 Q2 Financials

1. First Half Results Summary FY2023
(② Consolidated P/L, Consolidated Balance Sheets,
Consolidated Cash Flows)

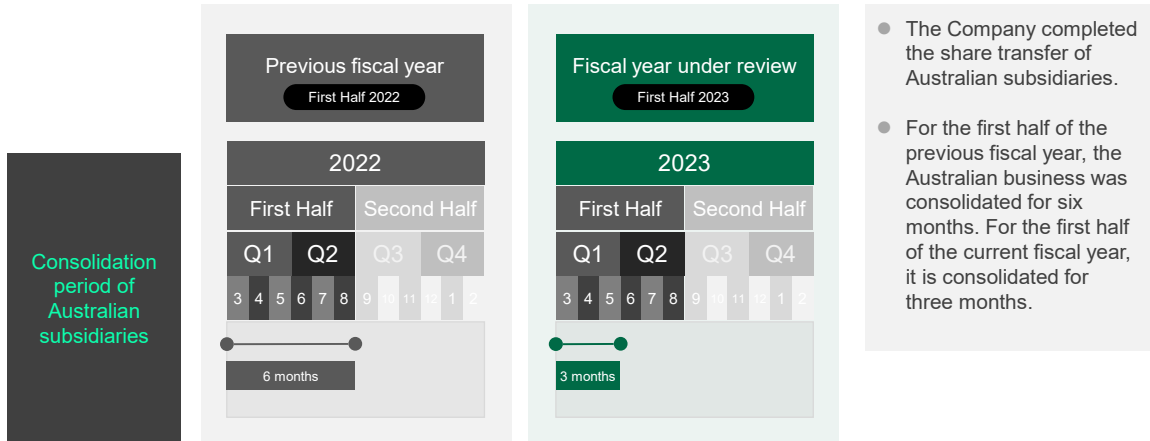
Gulliver



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Consolidation Period in the First Half after Transfer of Shares of Australian Subsidiaries

Consolidation period for the previous and current fiscal years



We will now be taking an in-depth look at results, mainly at consolidated results.

The Australia segment was fully included in the consolidated accounting for the first half in the preceding fiscal year. For the period under review, it was only consolidated for three months due to the sale of the Australian business.

Consolidated First Half FY2023 Results (Year-on-Year)



(billion yen)	Previous Fiscal Year First Half 2022	Fiscal Year Under Review First Half 2023	YoY changes Percent change
Net sales	227.8	225.5	Δ 2.3 ① Δ 1.0%
Operating profit	9.4	8.6	Δ 0.8
Operating profit margin (%)	4.1%	3.8%	Δ 8.7%
Ordinary profit	9.0	8.3	Δ 0.7
Ordinary profit margin (%)	4.0%	3.7%	Δ 8.1%
Profit attributable to owners of parent	5.3	7.5	+ 2.2 ②
Profit margin (%)	2.3%	3.3%	+ 41.5%
Consolidation Period of Australian Subsidiaries	6 months	3 months	

① Net sales, operating profit and ordinary profit declined due to the share transfer of Australian subsidiaries.

② The Company posted a gain on sales of shares of subsidiaries of 0.8 billion yen as extraordinary income.

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The slide shows year-on-year comparison of the consolidated results between FY2022 and FY2023.

As I explained, Net sales, operating profit, and ordinary profit declined due to the sale of Australian subsidiaries.

Profit attributable to owners of parent stood at 7.5 billion yen, reflecting extraordinary income of 0.8 billion yen arising from this sale.

It rose 2.2 billion yen to a new record high.

Other factors in the individual profit figures are identical to those in the Domestic Core Business.

Consolidated

First Half FY2023 Results (Compared with Initial Forecast)

Gulliver

(billion yen)	Initial Forecast First Half 2023	Results for fiscal year under review First Half 2023	Compared with Initial Forecast Percent change
Net sales	206.8	225.5	+18.7 +9.0%
Operating profit	8.6	8.6	+0.0
Operating profit margin (%)	4.2%	3.8%	+0.2%
Ordinary profit	8.2	8.3	+0.1
Ordinary profit margin (%)	3.9%	3.7%	+1.6%
Profit attributable to owners of parent	7.2	7.5	+0.3
Profit margin (%)	3.5%	3.3%	+4.4%
Consolidation Period of Australian Subsidiaries	4 Months	3 Months	

① Net sales rose given that auction market prices were higher than expected and vehicle prices increased.

② The Domestic Core Business recorded a new high profit, although this is almost the same as the initial forecast. This is due to the shortening of the consolidation period of the Australian subsidiaries from the initially forecast four months to three months.

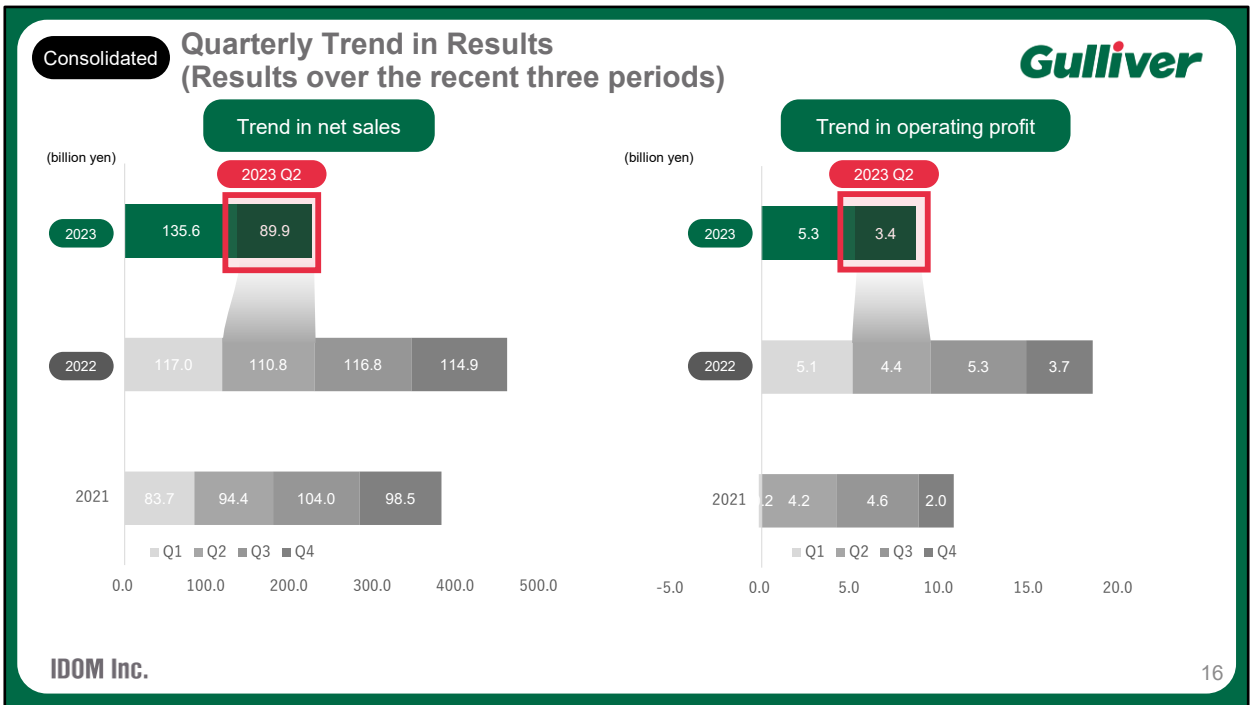
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Next, we will be looking at the comparison with the initial forecast.

Net sales were higher than forecast, reflecting higher prices in the auction market than expected despite the negative impact of the time difference in the sale of the Australian business.

Meanwhile, operating profit and ordinary profit were almost as forecast. The positive factors in the Domestic Core Business offset the negative factors of the time difference in the sale of the Australian business.



The slide shows quarterly trend in consolidated net sales and operating profit.

In the second quarter, these figures decreased due to the sale of the Australian business.

Consolidated Balance Sheet (As of August 31, 2022)

Assets 173.3 billion yen	Cash and deposits 56.5 billion yen	Liabilities 115.7 billion yen	Interest-bearing debt 77.1 billion yen
	Inventories 66.4 billion yen		Other 38.6 billion yen
	Property, plant and equipment 25.1 billion yen		
	Other 25.3 billion yen	Net assets 57.6 billion yen	Equity ratio 33%

- Total assets were 173.3 billion yen. They fell 16.5 billion yen from the end of the previous fiscal year due to the sale of the Australian business.
- Cash rose 10.8 billion yen, due to the sale of the Australian business and because the figure was calculated before the due date for the repayment of interest-bearing debt.
- Net interest-bearing debt decreased 12.3 billion yen from the end of February.
- Other liabilities increased after the application of the new revenue recognition standard. The equity ratio rose nearly 4% from 29% at the end of February to 33% due to the sale of the Australian business.

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. has been applied since the beginning of the first three months of the consolidated fiscal year under review.

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You are seeing a consolidated balance sheet.

Total assets were 173.3 billion yen.

It contracted 16.5 billion yen from the end of the previous fiscal year as a result of the sale of the Australian business.

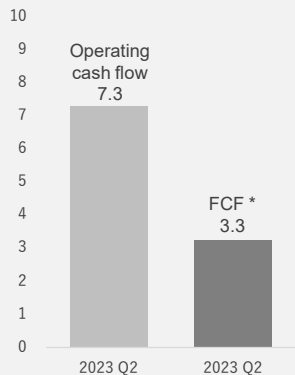
Cash increased 10.8 billion yen. In addition to the positive effect of the sale of the Australian business, this figure reflected the state before the repayment of interest-bearing debt.

Net interest-bearing debt decreased 12.3 billion yen from 32.9 billion yen at the end of the previous fiscal year to 20.6 billion yen.

As a result of the application of the new revenue recognition standard, a liability of 20.3 billion yen was recognized. Even so, the equity ratio rose by around 4% from 29% at the end of February to 33%.

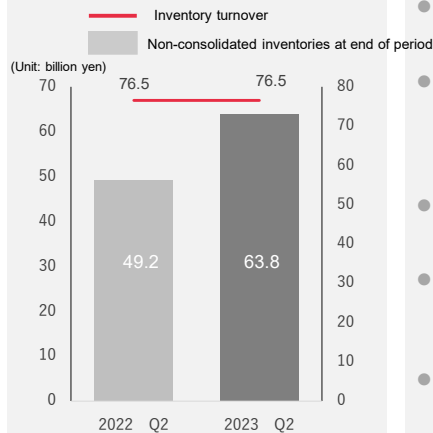
Q2 consolidated cash flows

(Unit: billion yen)



※The impact of the investment cash flow due to the sale of the Australian business is excluded.

Non-consolidated inventories at end of period and inventory turnover



Inventory turnover = Merchandise (Weighted average of inventories at beginning and end of period)/Cost of sales

- Net cash of 7.3 billion yen was provided by operating activities.
- Net cash provided by investing activities, excluding the impact of the sale of the Australian business, reached 4.0 billion yen.
- Free cash flow stood at positive 3.3 billion yen.
- Inventories rose 30% year on year to 63.8 billion yen. This is attributable to the impact of the auction market.
- Inventory turnover days remained flat as a result of continued inventory control in response to sales demand.

This slide explains the consolidated cash flows excluding the impact of Australia.

Net cash of 7.3 billion yen was provided by operating activities. An investment of 4.0 billion yen was made in the purchase of property, plant and equipment and intangible assets.

As a result, free cash flow at normal times stood at positive 3.3 billion yen.

Next, we are looking at non-consolidated inventories.

The figure rose 30% year on year to 63.8 billion yen. The number of inventory units increased and the inventory unit value surged in line with the rise in prices in the auction market.

However, we are continuing to implement inventory control according to sales demand. With an inventory turnover period of 76.5 days, we are maintaining inventory efficiency.

Large Stores Opened in FY2023

Gulliver



Kusatsuminami (Opened in June 2022)

Kusatsu-shi, Shiga
Prefecture

Recent launch of new stores

Opening of large stores

- Nagano (April 2022)
including an attached maintenance shop
- R1 Chiryu (April 2022)
including an attached maintenance shop
- Kusatsuminami (June 2022)
including an attached maintenance shop

3 stores in total
(Plans to open 7 new stores this fiscal year)

Number of
Large Stores

32

(as of August 31, 2022)

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Now I will be talking about the opening of large stores and maintenance shops. It is part of the growth strategy.

A large store was opened in June in Kusatsu in Shiga Prefecture. It is the third store to open this fiscal year.

We are making smooth progress towards the opening of seven stores in accordance with the full-year plan.

Now we have a total of 32 stores. All of them are performing well.

Maintenance Shops Opened in FY2023



Nagano car maintenance shop (Opened in April 2022)

Nagano-shi, Nagano
Prefecture

Recent launch of new maintenance shops

Opening of new maintenance shops

- Nagano (April 2022)
- R1 Chiryu (April 2022)
- Kusatsuminami (June 2022)

3 shops in total

Number of
Maintenance
Shops

11

Seven of them are designated
maintenance shops

IDOM Inc.

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A maintenance shop was opened next to the large store in Kusatsu.

A total of eleven maintenance shops are in operation.

Posting of Extraordinary Income due to the Transfer of Shares of Australian Subsidiaries



Impact on earnings for the fiscal year ending February 28, 2023

- Figures in the forecasts presented in the Summary of Consolidated Financial Results for the Year Ended February 28, 2022 (Based on Japanese GAAP) disclosed on April 14, 2022 remain unchanged.
- Extraordinary income from the gain on sale of shares of subsidiaries and associates of around 0.8 billion yen was recorded on a consolidated basis and around 2.9 billion yen on a non-consolidated basis in the second quarter of FY2023 as planned.

Amount reported of extraordinary income	Consolidated	0.8 billion yen
	Non-consolidated	2.9 billion yen

Reason for difference between consolidated and non-consolidated accounting

In non-consolidated accounting, the calculation is based on the value at the time of acquisition. (The Domestic Core Business adopts the figure used in non-consolidated accounting.)
 In consolidated accounting, accumulated goodwill amortization is deducted from the acquisition value and the net profit of the Australian subsidiaries for each fiscal year is added to it.

The sale of the Australian business produced extraordinary income on both a consolidated basis and a non-consolidated basis. The way that extraordinary income is posted for each of these is different.

According to the accounting rules, extraordinary income is recorded on the basis of the acquisition value in non-consolidated accounting. The Domestic Core Business adopts the figure used in non-consolidated accounting.

However, in consolidated accounting, assets, liabilities and goodwill are recognized based on the acquisition value, and then goodwill is amortized. This lowers the acquisition cost.

In addition, the net profit of the Australian business in each fiscal year is added. In recent years, it has performed well, which is a factor that increases the cost.

On a cash basis, we were able to recover the invested capital in the period from the acquisition in 2015 to today. We believe that we sold the Australian business at a good time from a perspective that includes the interest rate and the foreign exchange rate.

FY2023 Q2 Financials

2. Revision of Earnings Forecast



IDOM Inc.

Consolidated

Full-Year Revised Forecast FY2023 (Compared with initial forecast)

Gulliver

(billion yen)	Initial Forecast First Half 2023	Revised Forecast First Half 2023	Comparisons with Initial Forecast Percent change
Net sales	366.8	410.0	+43.2 +11.8%
Operating profit	15.5	17.0	+1.5
Operating profit margin (%)	4.2%	4.2%	+9.7%
Ordinary profit	14.8	16.4	+1.6
Ordinary profit margin (%)	4.0%	4.0%	+10.8%
Profit attributable to owners of parent	11.6	12.9	+1.3
Profit margin (%)	3.2%	3.1%	+10.8%

1 The Domestic Core Business is expected to stay buoyant.

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Now I will be talking about revision of earnings forecast.

This slide shows the consolidated earnings forecast for the full year.

The retail unit sales for the full year is in line with the initial forecast and is expected to recover in the second half.

The wholesales forecast assumes that the briskness in the first half will continue in the second half.

Assuming this, we have revised full-year operating profit forecast upwards 1.5 billion yen to 17.0 billion yen.

Consolidated

Full-Year Revised Forecast FY2023 (Year-on-Year)

Gulliver

(billion yen)	Results	Revised Forecast	YoY changes
	Full Year 2022	Full Year 2023	Percent change
Net sales	459.5	410.0	Δ 49.5 Δ 10.8%
Operating profit	18.5	17.0	Δ 1.5
Operating profit margin (%)	4.0%	4.2%	Δ 8.0%
Ordinary profit	17.6	16.4	Δ 1.2
Ordinary profit margin (%)	3.8%	4.0%	Δ 6.6%
Profit attributable to owners of parent	10.8	12.9	+2.1
Profit margin (%)	2.3%	3.1%	+19.0%

① Net sales and profit figures are forecast to drop due to the sale of the Australian business.

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This slide compares the new full-year consolidated forecast and the results for the previous fiscal year.

On a full-year basis, there is a wider gap in the period for which the Australian business is included in the consolidated accounting. Net sales and profits are expected to be lower than their levels in the previous fiscal year.

Full-Year Revised Forecast FY2023
(Compared with initial forecast)



(billion yen)	Initial Forecast	Revised Forecast	Comparisons with Initial Forecast
	Full Year 2023	Full Year 2023	Percent change
Net sales	310.0	358.0	+48.0 +15.5%
Operating profit	13.5	15.8	+2.3
Operating profit margin (%)	3.9%	4.4%	+17.0%

① The unit vehicle price, number of wholesale vehicles and retail gross profit per unit are expected to rise as the upward trend of the auction market will continue in the second half.

The number of retail vehicles will rally in the second half, as projected in the initial full-year forecast.

Regarding the number of wholesale vehicles, the trend in the first half will continue in the second half.

Full-year operating profit of the Domestic Core Business is now forecast to be 15.8 billion yen, up 2.3 billion yen from the initially forecasted figure of 13.5 billion yen.

The forecast operating profit margin has been raised to 4.4%.

According to the non-consolidated forecast, a gain on extinguishment of tie-in shares of approximately 5.0 billion yen following the merger with Gulliver Insurance scheduled in February next year will be posted as an extraordinary income.

However, the Domestic Core Business includes IDOM and Gulliver Insurance. This extraordinary income will be offset and it will have no impact.

For details, please refer to the timely disclosure materials.

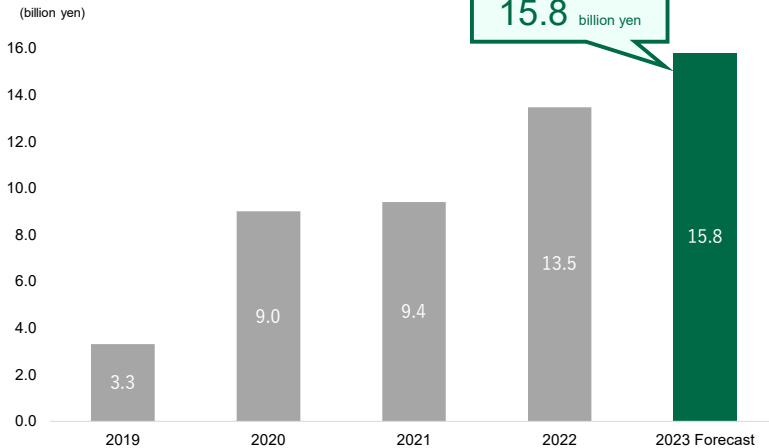
(billion yen)	Results	Revised Forecast	YoY changes
	Full Year 2022	Full Year 2023	Percent change
Net sales	308.0	358.0	+50.0 +16.2%
Operating profit	13.5	15.8 ¹	+2.3
Operating profit margin (%)	4.4%	4.4%	+17.2%

¹ In the Domestic Core Business, operating profit is forecast to grow 2.3 billion yen or 17% year on year.

Next, we are looking at a comparison with the results for the previous fiscal year.

The full-year operating profit for the Domestic Core Business was 13.5 billion yen for the previous fiscal year. The revised forecast suggests a year-on-year rise of 2.3 billion yen or 17%.

Trend in operating profit



- The number of wholesale vehicles and gross profit per vehicle in retail will continue to increase in the second half as well, driven by large stores and maintenance shops.
- The Company will aim to achieve profit growth for a fourth consecutive year.

* 2023 indicates the fiscal year ending February 28, 2023.

We have taken a look at the revised forecast.

We streamlined our business portfolio. With large stores and maintenance shops as growth drivers, we attained profit growth for the fourth consecutive fiscal year and increased operating profit nearly fivefold in the four-year period starting in the fiscal year ended February 2019.

There was a temporary change in the retail to wholesale composition ratio but operating profit margin never fell below 4%.

ROIC surpassed 10%.

Despite harsh external conditions, we will work to unfailingly achieve growth in the second half.

We sincerely ask for your continued support.

FY2023 Q2 Business

First Half Results FY2023 About Medium-Term Business Plan 2023 - 2027

IDOM Inc.



1 About the transfer of shares of the Australian subsidiaries

2 Summary of 「Medium-Term Business Plan 2023 - 2027」

3 Used car purchase business and Used car retail business

4 Questions received from investors

My name is Takao Hatori, President of IDOM Inc.

Today, I will be briefing you about the four items shown on this slide.

Item (i) is the transfer of shares of the Australian subsidiaries. Their sale was completed in July.

Item (ii) is the medium-term business plan announced in April. I will again present a summary.

Item (iii) is growth potential, especially regarding the used car business.

And item (iv) is questions received from investors in and after April. I will answer some of them.

1 About the transfer of shares of the Australian subsidiaries

2 Summary of 「Medium-Term Business Plan 2023 - 2027」

3 Used car purchase business and Used car retail business

4 Questions received from investors



Now I will be talking about the sale of Australian subsidiaries.

We make management decisions on the allocation of management resources based on the business portfolio presented on this slide.

We studied the growth potential and capital efficiency of the recently sold new car dealership business in Australia in light of this business portfolio before deciding to sell it.

We will now move on to the growth potential of the new car dealership in Australia and capital efficiency.

The Growth Potential for New Car Dealer Business in Australia

Gulliver

Past

Manufacturers and dealers' relationships of co-existence and mutual prosperity

New car sales at stores for selling

Future prospects

Shift to manufacturers' direct sales model

Start to focus on online sales as the shift to electric vehicles occurs

The relationships between manufacturers and dealers will change in the future.

The judgment from a medium- and long-term perspective is that a high growth potential cannot be expected.

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First, we are looking at the growth potential of the new car dealership business.

Changes in social circumstances and the consumption environment may change the relationship between new car manufacturers and new car dealers.

The new car dealership business is susceptible to the trends at new car manufacturers. From a medium- and long-term perspective, our judgment was that it would be difficult to expect high growth potential from the business in comparison with the used car sales business in Japan.

Capital Efficiency of New Car Dealer Business in Australia

Gulliver

Stock

It is necessary to hold new cars with high prices in stock.

Non-current assets

A huge capital investment is made in stores.
It is necessary to obtain dealerships through M&A activities.

Profit rate

The business structure has a low profit rate.
The Australian business had a poor operating profit margin of around 2%.*

The new car business has a business structure with a poorer profit rate than the used car business, even though it involves greater capital investment. In other words, its capital efficiency is lower.

IDOM Inc. * Three-year average from the fiscal year ending February 2020 to the fiscal year ending February 2022

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This slide explains capital efficiency of new car dealer business.

This business holds an inventory of high-priced new cars.

In addition, new car dealers make huge capital investments in stores. To expand their business areas, they need to invest in M&A activities to secure dealerships.

However, the operating profit margin of the Australian business was in the range of 2% to 3% whereas that of the Domestic Core Business is around 4%.

This shows that the domestic used car sales business is superior in capital efficiency as well.

Investment decision
criteria

Capital Efficiency and Growth Potential

Process until decision on
transfer

(1) Management decision regarding investment priorities and withdrawal from individual businesses always using the business portfolio with a focus on return on invested capital (ROIC) and growth potential.

(2) For the Australian business, the presidents of the two companies discussed and studied the growth potential of the business for about three years in view of the changes in the macroeconomic situation in the changes in car manufacturers' dealer policies mentioned on the previous page.

(3) There were several discussions at management meetings and meetings of the Board of Directors. The Board of Directors officially decided to sell the business in April 2022.

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Next, I will talk about the factors behind the sell-off.

Around three years ago, Yusuke Hatori, another president mainly in charge of overseas operations, proposed the exploration of the future potential of the new car dealership.

In response, we studied it from many different perspectives for a long time.

Finally, the Board of Directors discussed the matter and made a decision to sell the business.

I am convinced that the sale of the new car dealership businesses in Australia and in Japan will enable us to focus on our growth drivers, increase operating profit margin and improve capital efficiency.

- 1 About the transfer of shares of the Australian subsidiaries
- 2 Summary of 「Medium-Term Business Plan 2023 - 2027」
- 3 Used car purchase business and Used car retail business
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Release of “Medium-Term Business Plan 2023–2027”



- Release of Medium-Term Business Plan

The Company released “Medium-Term Business Plan 2023–2027” on Friday, 4/15/2022.

[Reference link](#)

https://221616.com/idom/wp-content/uploads/2022/08/e-chukei_20220415.pdf

We already explained the medium-term business plan in April. Now let me recap it.

The Company released “Medium-Term Business Plan 2023–2027” in April 2022.

Position of Medium-Term Business Plan

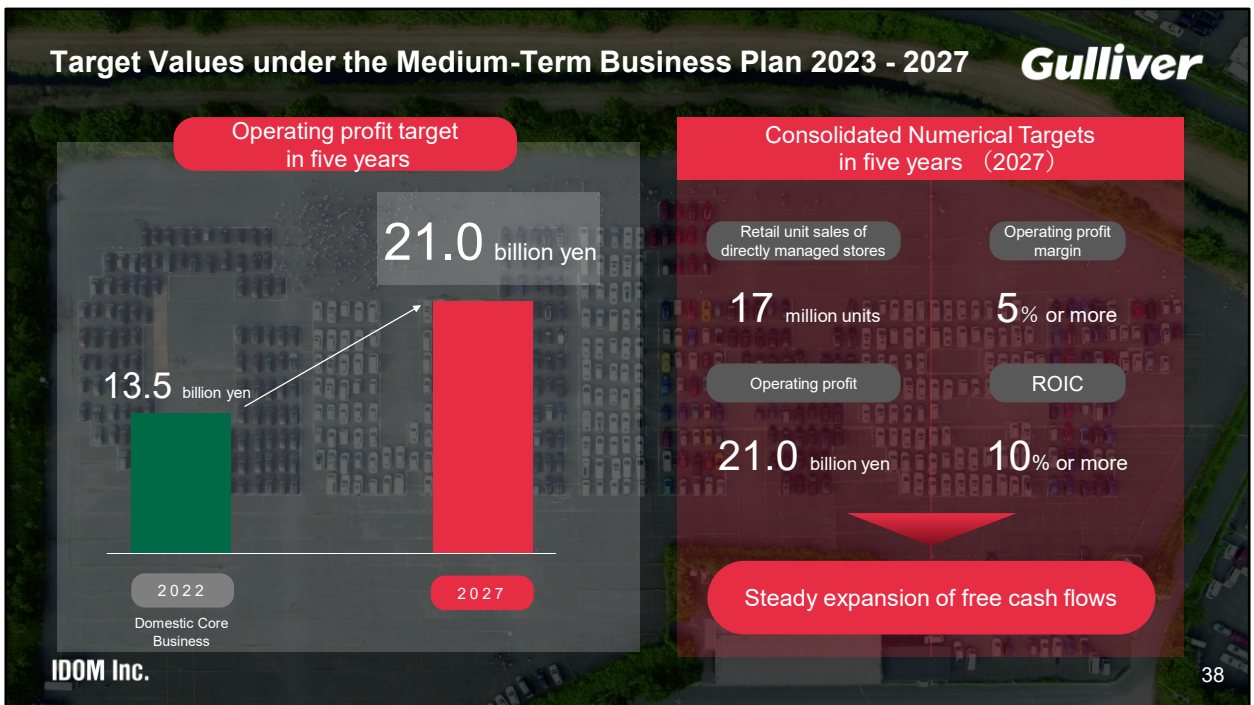
Gulliver



The medium-term business plan is for the five-year period starting in 2023.

It plans for our actions in view of the future of mobility society towards 2050, including changes in goods and in consumer sentiment.

The actions are aimed at increasing capital efficiency and achieving growth.



This slide shows the targets in the medium-term business plan.

Growth potential appears to be poor due to the sale of the Australian business. The plan aims to increase the operating profit of the Domestic Core Business at least 1.5-fold from the current level of 13.5 billion yen to 21.0 billion yen.

Earnings Structure of Core Businesses

Gulliver

1 Used car purchase business

Purchasing used cars at Gulliver stores (mainly stores for purchasing)

Wholesale unit sales



Wholesale Gross profit per car

2 Used car retail business

Retail sales of used cars at Gulliver stores (mainly medium-sized and large stores)

Retail unit sales



Retail Gross profit per car

3 Incidental business

Sales of products incidental to retail sales of used cars, including auto loan, auto insurance, warranties, safety inspection, and maintenance

Unit sales by product



Gross profit by product

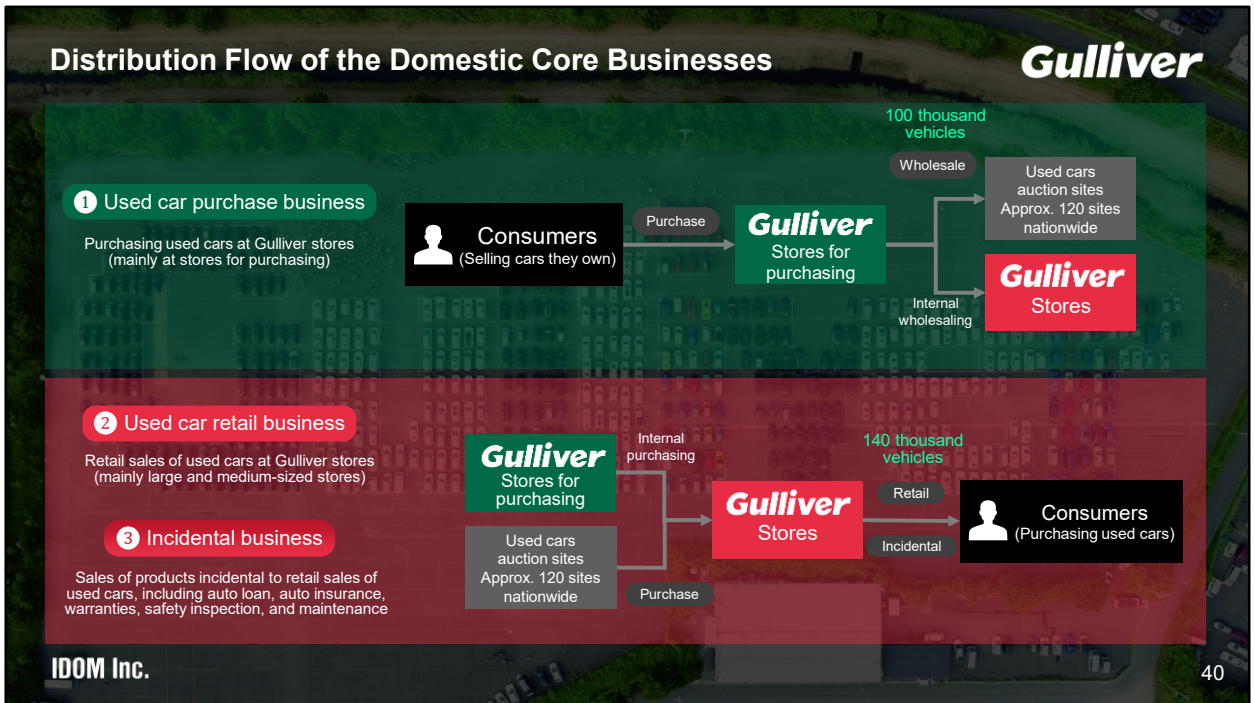
Gross profit from core businesses

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Using this slide, I will briefly explain the gross profit structure of our purchase business, used car retail business, and business selling products incidental to retail.

In the used car business, we handle products without regular prices. This means that the amount of sales depends on the unit price of each car. Therefore, we attach importance mainly to retail unit sales and gross profit per car.






I will explain distribution flow of the domestic core businesses.

In the used car purchase business, we mainly purchase used cars from consumers and sell them at auction or wholesale to Gulliver stores.

In contrast, the distribution flow in the used car retail business and incidental business is as follows. We purchase used cars not only from Gulliver stores for purchasing but also from auctions to offer a lineup that fulfills customers' needs. Then, we retail them.

Two Store Formats

Gulliver

	Stores for purchasing	Stores
Store format		 <p>Medium-sized stores</p> <ul style="list-style-type: none"> Medium-sized store type Store specializing in foreign cars Store specializing in custom cars  <p>Large stores</p> <ul style="list-style-type: none"> Large store type Store with maintenance shop Store with maintenance shop and sheet-metal workshop
Number of stores	218	227
Features	Purchase-only store	<ul style="list-style-type: none"> Stores specialized to suit customer needs Existing stores in candidate areas for opening large stores Far greater number of products than other stores in each area Presence on the roadside Customer services and after-sales services beyond the level of those provided by dealers
Store opening strategy	Pursue efficiency Shift to home-visit purchases	<ul style="list-style-type: none"> Opening of large stores Opening stores proactively in blank areas Increasing shares by replacing existing stores with large ones Opening specialized stores that create new customer needs

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This slide explains our store formats in Japan.

On the leftmost side are stores for purchasing that have been operating since our foundation. They engage mainly in purchasing.

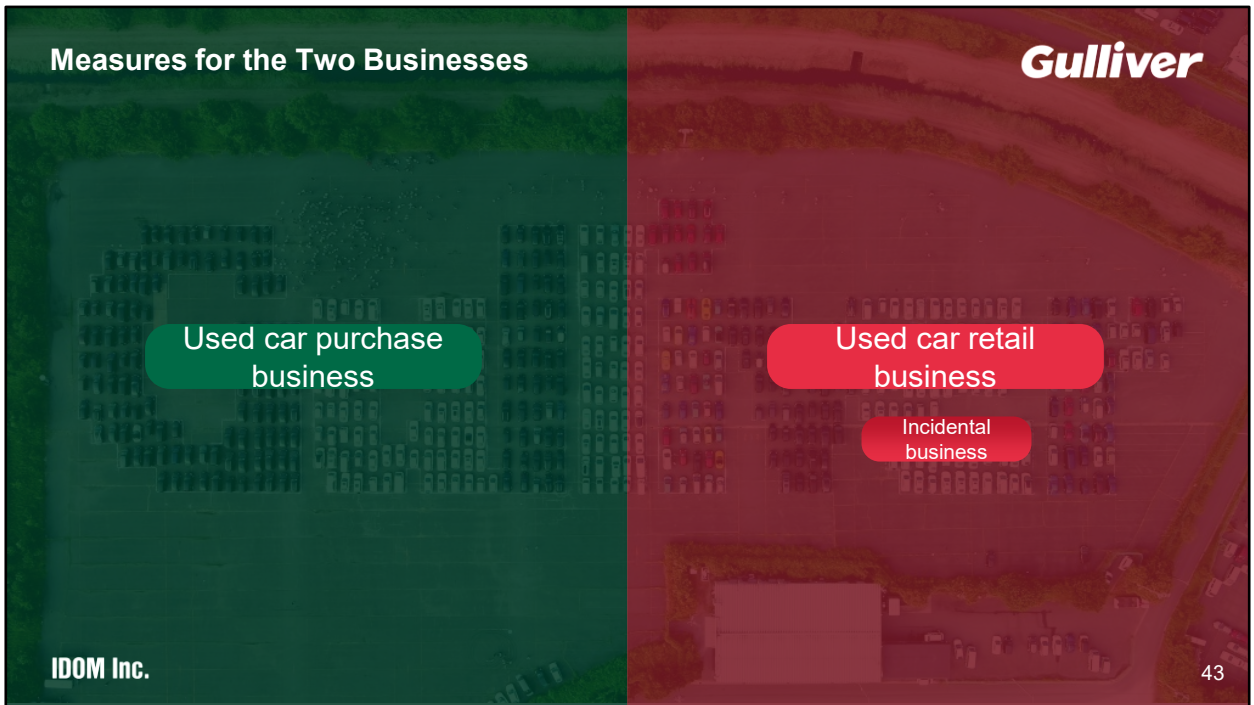
The ones on the right side are the sales stores.

Those on the left side are medium-sized stores that have been operating since 2014. They also run specialized stores suited to customers' needs. Many of our existing stores fall under this category.

On the right side are the large stores. They are classified into three types: standalone large stores, stores with maintenance shops, and stores with maintenance shops and sheet-metal workshops.

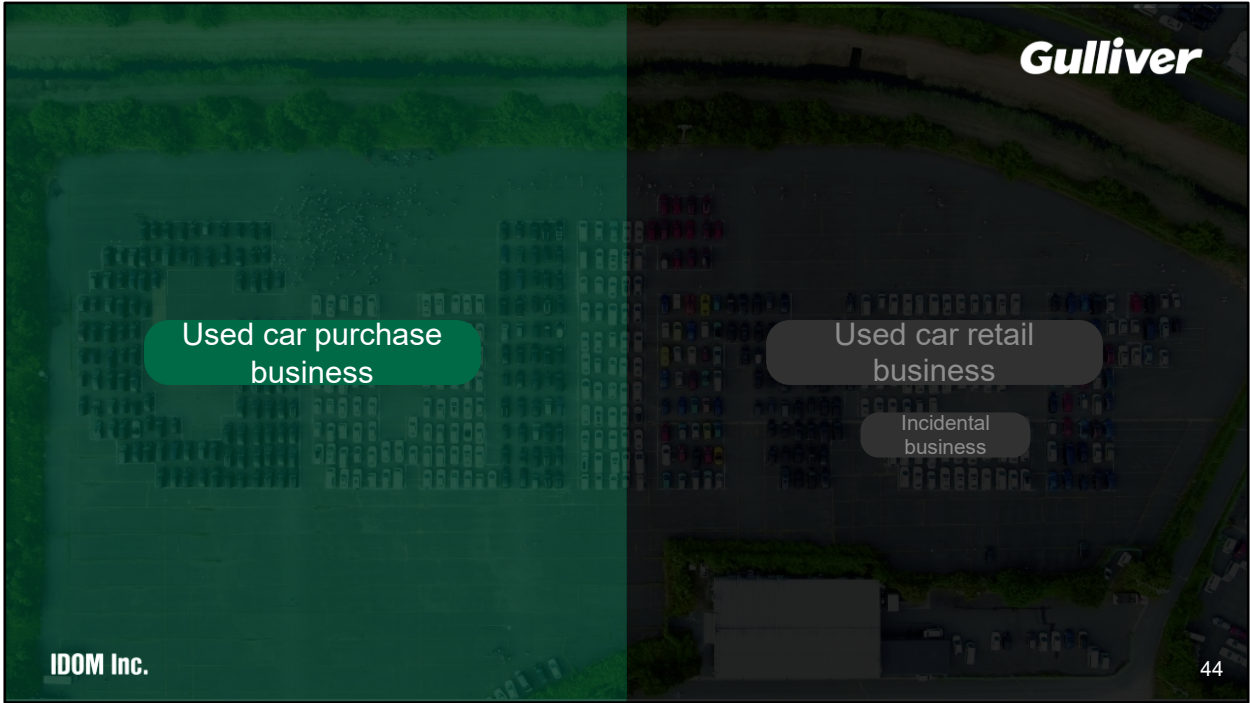
Each large store has a wide space for displaying cars, boasts a far greater number of products than other stores in each area, has a presence on the roadside, and offers meticulous customer services and after-sales services.

- 1 About the transfer of shares of the Australian subsidiaries
- 2 Summary of 「Medium-Term Business Plan 2023 - 2027」
- 3 **Used car purchase business and Used car retail business**
- 4 Questions received from investors



I will mainly talk about the growth potential of the used car business.

Let us take a look at measures for the used car purchase business and the used car retail business. These two businesses constitute a part of the used car business.



First, I will explain the used car purchase business.

Current State of Stores for Purchasing in the Used Car Purchase Business

Gulliver

Used car purchase business

Purchasing used cars at Gulliver stores (mainly at stores for purchasing)

Store opening plan

2022

218 stores

2027

218 stores

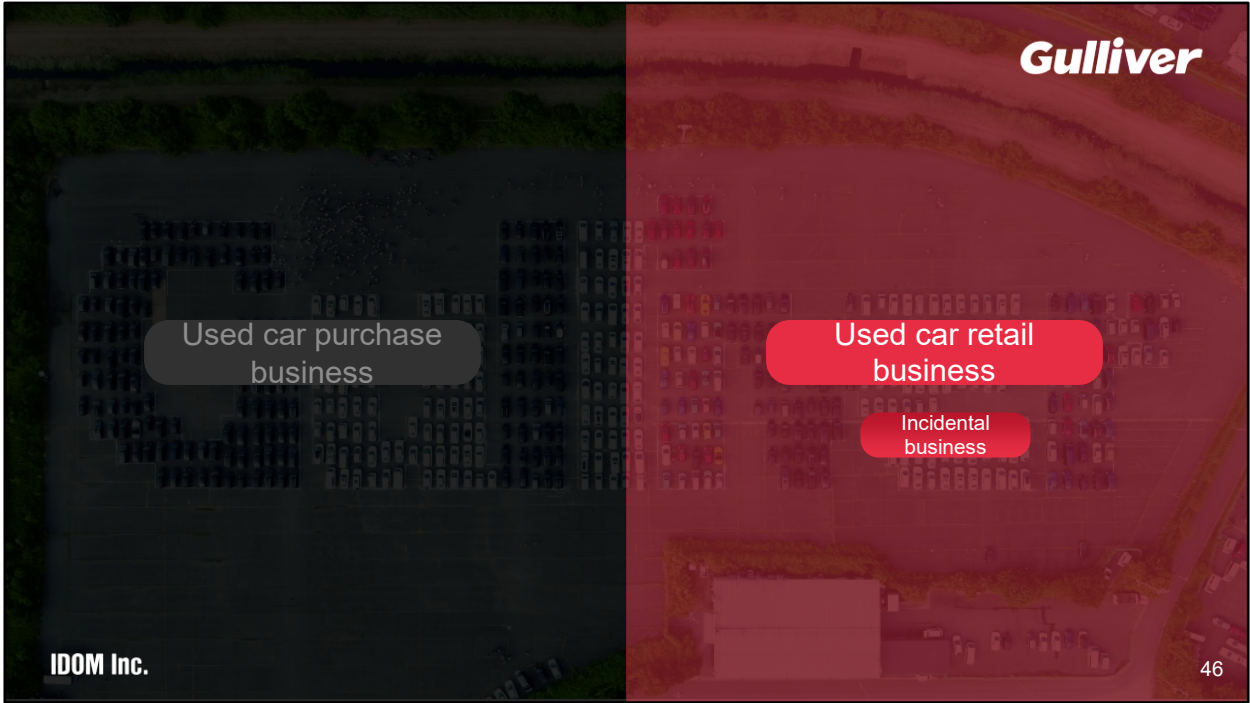
Currently, there are 218 stores for purchasing. They are operating across the country.

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In the used car purchase business, we already run 218 stores for purchasing across the country.

Since we operate nationwide, we believe we are in a stage of increasing the efficiency of existing stores rather than additionally investing in expansion.



Next, I will talk about the used car retail and incidental business.

Expansion of the Used Car Retail Business

Gulliver

Used car retail business

Retail sales of used cars at Gulliver stores (mainly large and medium-sized stores)

Incidental business

Sales of products incidental to retail sales of used cars, including auto loan, auto insurance, warranties, safety inspection, and maintenance.

Store opening plan

	Large store	Medium-sized stores	
2022	29 stores	198 stores	227 stores
2027	80 stores		

Large stores are a growth driver in the medium-term business plan. Incidental business at large and medium-sized stores has room for growth.

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In the used car retail business, we are striving for growth mainly through large stores. It is a key growth strategy in the medium-term business plan.

For incidental business at large and medium-sized stores, our efforts are still incomplete. We believe there is large room for growth.

Measures for Increasing Retail Gross Profit (number of vehicles x gross profit per vehicle)

Gulliver

number of
vehicles



We will (1) accelerate the opening of large stores (vertical axis) and (2) increase sales of incidental items (horizontal axis) to expand retail gross profit.

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Next, I will be talking about our steps for increasing the gross profit of the used car retail business.

In this diagram, the vertical axis is the number of vehicles and the horizontal axis is gross profit per vehicle. We will take different steps to increase both to expand retail gross profit expressed as a rectangle.

Expansion Policy for Retail Gross Profit (number of vehicles)

Gulliver

number of
vehicles



1

Opening of large stores

Current retail gross
profit

[number of vehicles]

×

[gross profit per vehicle]

gross profit per vehicle

Open large stores to increase the number of cars retailed.

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The step for increasing the number of vehicles on the vertical axis is the opening of large stores.



The step for increasing gross profit per vehicle on the horizontal axis is increasing sales of incidental items.

Currently, many different steps are in progress.

The medium-term business plan is based on the assumption that gross profit per vehicle has upside potential driven by the opening of large stores.

Three Measures in the Used Car Retail Business

Gulliver

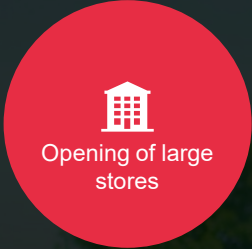


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The used car retail business has three different measures.

First, we will open large stores to increase our market share. Second, we will expand large stores with maintenance shops to enhance automobile inspection and other services. And third, we will promote sales of incidental items to expand gross profit per vehicle.



Now I will explain the opening of large stores.



The used car retail business at large stores has high growth potential and high capital efficiency according to its past results.

We will intensively invest management resources in it.

Features and Outline of Large Stores



Features

- ① Refined store design
- ② Number of displayed cars that is among the largest in each area
- ③ Prices and product lineup optimized for each area
- ④ Negotiation area for enjoying choosing a car

Outline

Site area	8,000 m ² or more
Number of exhibited vehicles	About 300

Capital expenditures	About 200 million yen
Payback period	About 3 years (cash flow after tax, recovery of capital investment)

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This slide shows the features and outline of large stores.

These stores feature a site area of 2,500 tsubo or more, and the number of cars they display is among the largest in their area. Our goal is to build stores that can be easily visited by customers, such as stores with negotiation areas that allow customers to enjoy choosing a car.

We will invest approx. 0.2 billion yen, and the payback period will be approx. 3 years.

Large Stores Opened in FY2023

Gulliver



Kusatsuminami (Opened in June 2022)
Kusatsu-shi, Shiga
Prefecture

Recent launch of new stores

Opening of large stores

- Nagano (April 2022)
including an attached maintenance shop
- R1 Chiryu (April 2022)
including an attached maintenance shop
- Kusatsuminami (June 2022)
including an attached maintenance shop

3 stores in total
(Plans to open 7 new stores this fiscal year)

Number of
Large Stores

32

(as of August 31, 2022)

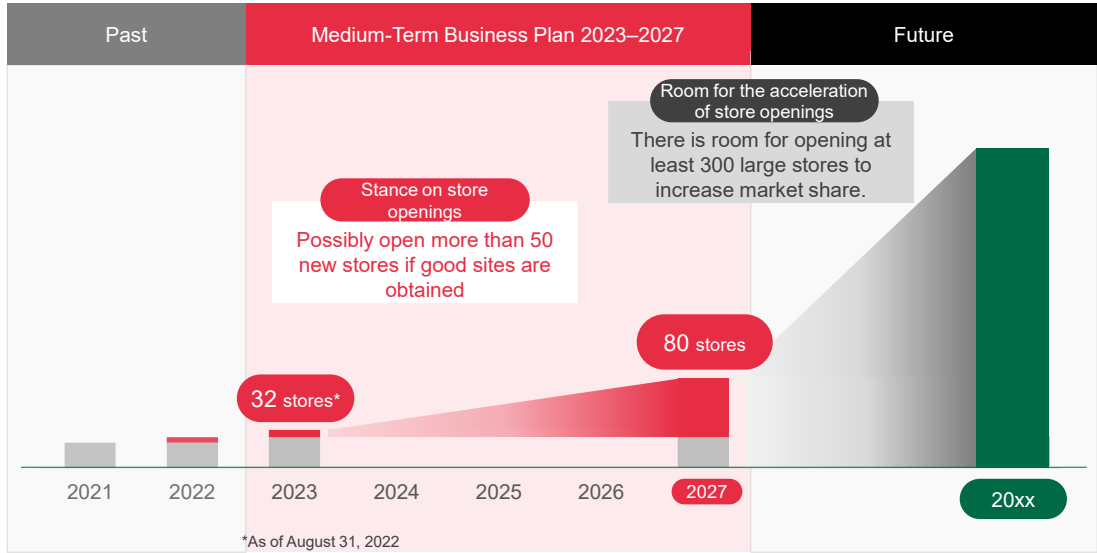
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This slide shows the Kusatsu Minami store that opened this quarter.

We currently have 32 large stores.

Image of Large Store Openings



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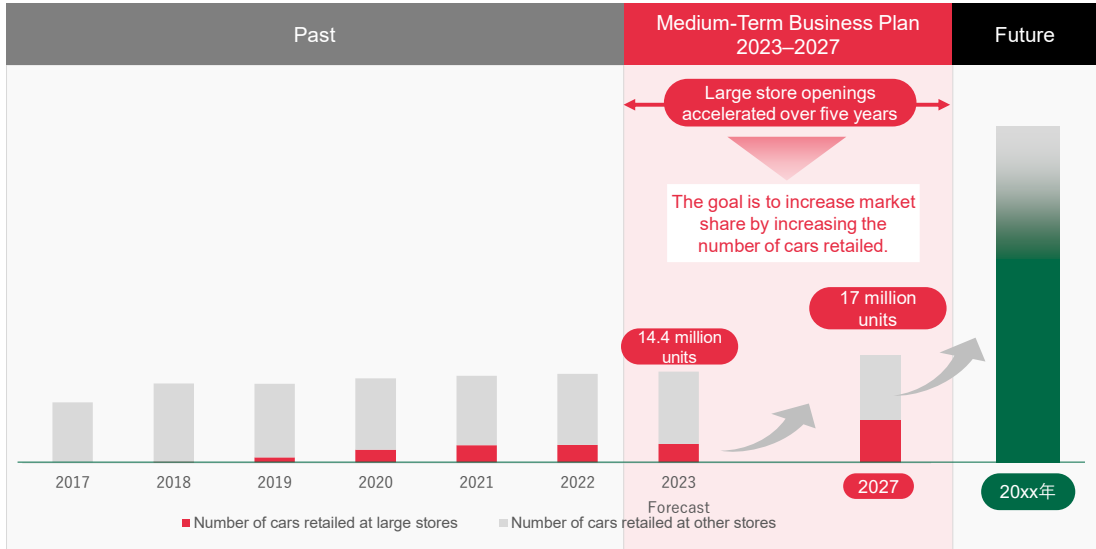
The medium-term business plan sets a target of opening 50 large stores over five years.

We will endeavor to operate 80 stores in the fiscal year ending February 2027.

With this number of stores, we forecast that our market share will be around 6%. To further increase our market share, we think there is room for opening around 300 additional stores.

Number of Cars Retailed Increases in Line with Large Store Openings

Gulliver



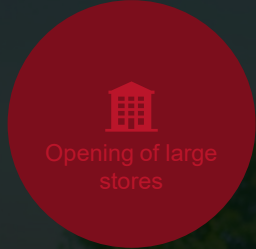
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We will increase the number of vehicles retailed chiefly by opening large stores. The goal of this is to increase our market share.

Recent results show that large stores have healthy performance. The number of vehicles they retailed increased year on year.

We foresee that our market share will grow as we open large stores.



Now I will move on to the maintenance shops attached to large stores.

Features and Outline of the Maintenance Shops



Features

- ① Complete with latest equipment
- ② Attached to a Gulliver store
- ③ Refined exterior design
- ④ Generous waiting area for customers
- ⑤ Sheet-metal workshop also attached in some areas

Outline

Work items	Safety inspections and maintenance before delivery	Capital expenditures	About 200 million yen
Number of Maintenance Shops	11 seven of them are designated maintenance shops. (as of August 31, 2022)	Payback period	About 3 years (cash flow after tax, recovery of capital investment)

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These are the features and outline of the maintenance shops attached to large stores.

These facilities permit maintenance work to be witnessed and checked by customers on a real-time basis. They are complete with latest equipment.

We expect the amount of capital expenditures to be around 0.2 billion yen and the payback period to be approx. 3 years.

Maintenance Shops Opened in FY2023

Gulliver



Nagano car maintenance shop (Opened in April 2022)

Nagano-shi, Nagano
Prefecture

Recent launch of new maintenance shops

Opening of new maintenance shops

- Nagano (April 2022)
- R1 Chiryu (April 2022)
- Kusatsuminami (June 2022)

3 shops in total

Number of
Maintenance
Shops

11

Seven of them are designated
maintenance shops

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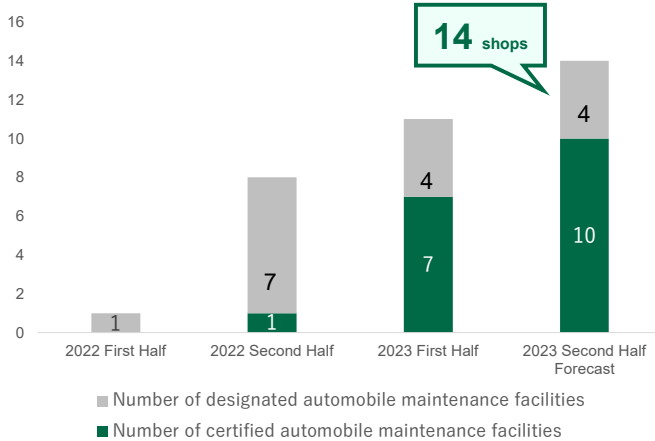
60

This slide shows the Nagano maintenance shop that opened this quarter.

Certified Automobile Maintenance Facilities and Designated Automobile Maintenance Facilities



Maintenance shop trends



Certified Automobile Maintenance Facilities (in operation)	Not permitted to implement all automobile inspection processes internally Maintenance shops licensed to implement automobile disassembly and maintenance services by the Directors-General of Regional Transport Bureaus
Designated Automobile Maintenance Facilities (in full operation)	Permitted to implement all automobile inspection processes internally Maintenance shops licensed to implement designated automobile maintenance services by the Directors-General of Regional Transport Bureaus

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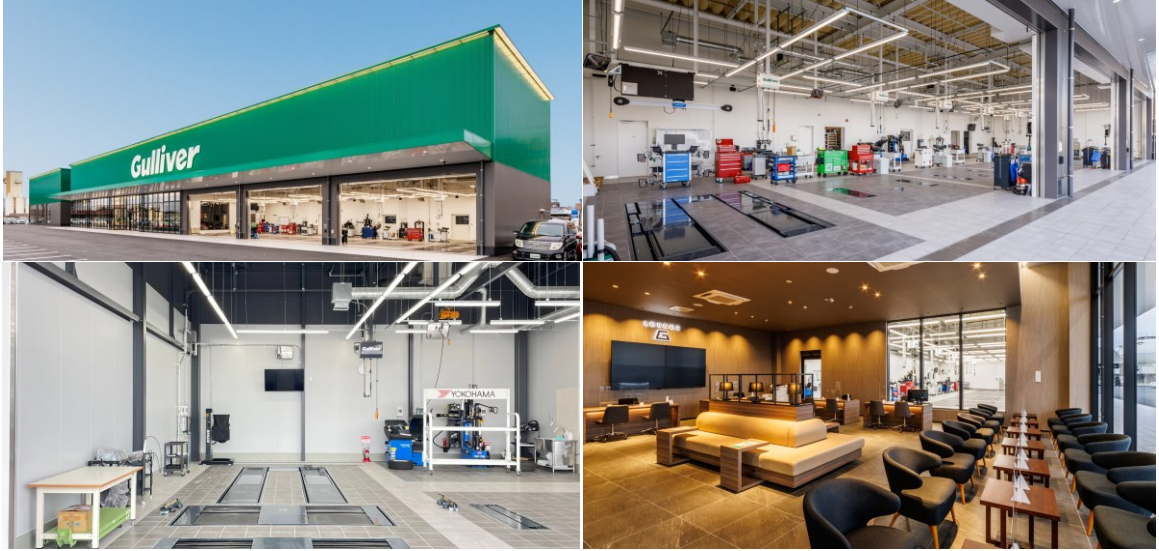
It takes six to twelve months for a maintenance shop to become a designated automobile maintenance facility which is permitted to complete all of the automobile inspection processes independently.

Therefore, it takes some time from opening to the start of full-scale operations including one-day automobile inspections and other services.

Seven of eleven maintenance shops were certified as designated shops, and things are moving as scheduled.

Maintenance Shop Interior and Exterior

Gulliver



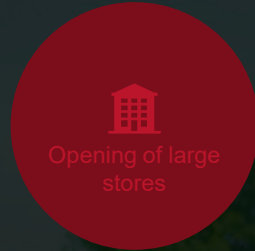
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This slide shows maintenance shop equipment.

Since it opened, it has had the equipment necessary for acquiring the designated automobile maintenance facility status.

It also has a space where customers can view the maintenance work.



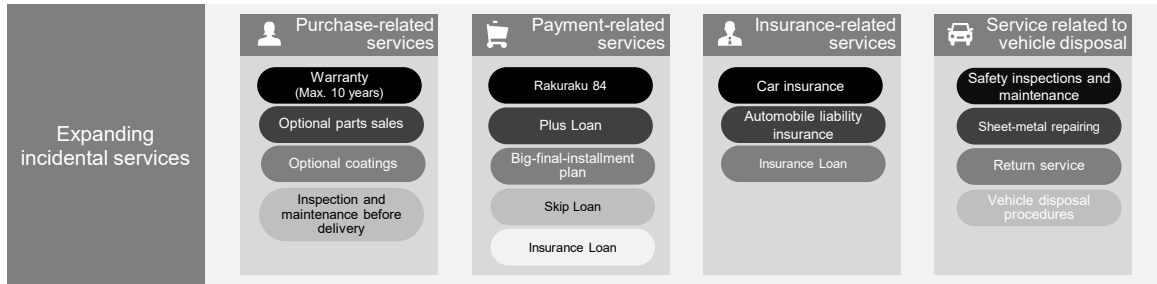
Now I will explain efforts to increase sales of incidental items.

Incidental services line-up



Service as the base

Used car retail



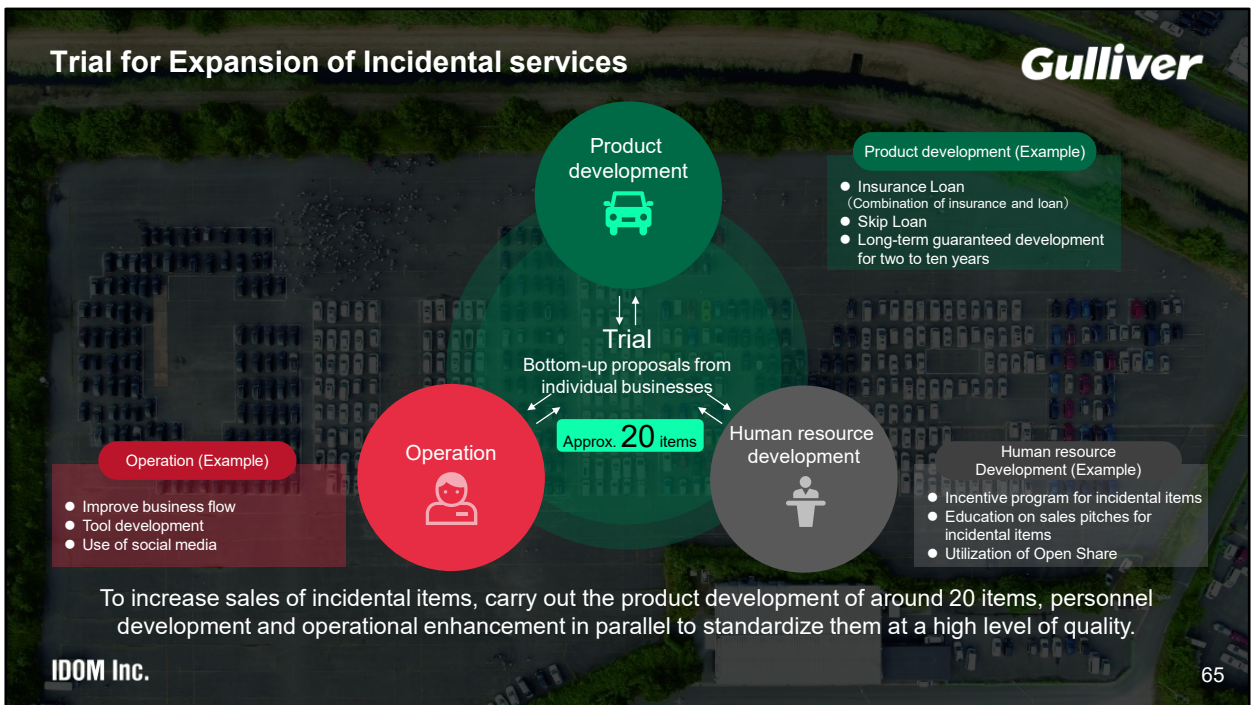
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This is the lineup of our incidental services.

These items are sold in connection with retailing used cars.

We are making different efforts to increase sales of these items.



Different product development, personnel development and operations trials are being carried out in parallel to increase sales of incidental items. We will thus aim to standardize them at a high level of quality so that they can eventually be implemented at all stores.

- **Product development:** Hokeron is a unique product from us that integrates insurance and loans. An insurance policy can be purchased by taking out a loan that lasts a maximum of seven years. It features a long term, a low premium and the absence of the risk of a premium increase during the insurance period.

- **Personnel development:** An incentive program for incidental items was launched, the evaluation system was revised adding capacity evaluation requirements and a personnel education system able to publicize and instantly share information about trials implemented at stores all over the country was established.

- **Operations:** We are also working on the improvement of work flow and on marketing using social media.

The medium-term business plan does not consider the growth of incidental item sales. If positive results are achieved, we will need to revise the target.

1 About the transfer of shares of the Australian subsidiaries

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3 Used car purchase business and Used car retail business

4 Questions received from investors

Since we announced the medium-term business plan in April this year, we have received a number of questions from investors. We have organized them and I will be answering some of them.

Question ①

Auction market prices are staying high. If they fall, will it have any impact on the financial results?

Question ②

It seems that you are shifting from purchases to auctions. What impact will this have on gross profit?

Question ③

Will the increase in EV sales have any impact on IDOM's business?

Answer to question (i)

It will have no impact because prices in the purchase and retail businesses are determined in connection with automobile auction market prices.

If market prices fall, cars will be more affordable to customers and this will stimulate the retail market.

Answer to question (ii)

It is not important for large stores to sell purchased cars.

We define inventories matched to local needs as a key factor for success. We will continue to purchase through auctions to meet local needs.

Answer to question (iii)

We understand that it has no negative impact at all.

We regard it as a great opportunity in which 80 million vehicles will be replaced in the used car market.

We see that currently used electric vehicles are less valued than gasoline vehicles. Their prices will be corrected by new demand following the ubiquitization of vehicle charging facilities and the reuse of high quality batteries for electric vehicles.

We hope that the expansion of the EV market will be a strong favorable wind.

Toward the Future Mobility Society

Gulliver

NEXT GENERATION MOBILITY CHALLENGE

The start of new challenges

IDOM has been pursuing a circulation-based used car distribution business. This means that the company has constantly been responding to changes in society and consumer mindset. IDOM has continued to pursue and provide the value sought by society and customers.

These initiatives and approach will remain unchanged in the future mobility-based society.

IDOM will continue to develop services and content in a constant pursuit of value creation for a mobility-based society.

IDOM begins to take on new challenges.



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Half a year has passed since the announcement of the medium-term business plan.

To meet its targets, we are currently making good progress in terms of opening large stores and other efforts.

I hope that investors will continue to look forward to IDOM's growth.

Your support will be appreciated.