

Q1 FY2023

1st Quarter Results for Fiscal Year Ending February 28, 2023

July 14th, 2022

TSE Prime 7599

IDOM Inc.



Hello, my name is Ryo Nishihata, CFO of IDOM Inc.
I will go over the results for the first quarter of the fiscal year ending February 28, 2023.

Contents

Gulliver

1. 1st Quarter Results Summary FY2023	3
2. Topics	16
4. Supplementary Information on Results and Financial Matters	20

FY2023 Financials

1. 1st Quarter Results Summary FY2023

Gulliver



IDOM Inc.

Q1 FY2023 Results Highlights



<p>Financials</p> <p>(Domestic Core Business) Both net sales and operating profit increased</p> <table><tr><td><p>Net sales</p><p>90.3 billion yen +14.4% YoY</p></td><td><p>Operating profit</p><p>4.1 billion yen +8.6% YoY</p></td></tr></table>	<p>Net sales</p> <p>90.3 billion yen +14.4% YoY</p>	<p>Operating profit</p> <p>4.1 billion yen +8.6% YoY</p>	<ul style="list-style-type: none">• Both consolidated net sales and consolidated operating profit hit record highs in Q1 FY2023.• Retail unit sales at directly managed stores decreased due to a decline in the number of stores, but retail unit sales at large stores remained firm.• Wholesale gross profit decreased due to a sharp rise in the auction price in the previous fiscal year.
<p>Net sales</p> <p>90.3 billion yen +14.4% YoY</p>	<p>Operating profit</p> <p>4.1 billion yen +8.6% YoY</p>		
<p>Stores</p> <p>Opened large stores and maintenance shops highlighted in the growth strategy</p>	<ul style="list-style-type: none">• The Company opened two large stores. (Progress in line with annual plan)• The Company also opened two maintenance shops.		
<p>M & A</p> <p>Completion of transfer of shares in consolidated subsidiaries</p>	<ul style="list-style-type: none">• Please see the (Progress of Disclosure Matters) Notice Regarding Completion of Transfer of Shares in Consolidated Subsidiaries announced on July 7, 2022.		

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

4

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

Both net sales and operating profit increased in the domestic core business, which includes non-consolidated sales of Gulliver Insurance and Tokyo My Car, our domestic subsidiaries.

Retail unit sales at directly managed stores decreased due to a decline in the number of stores, but retail unit sales at large stores remained firm.

Wholesale gross profit decreased with the absence of the increase in profit that had occurred in the same period of the previous fiscal year amid a sharp rise in the auction price.

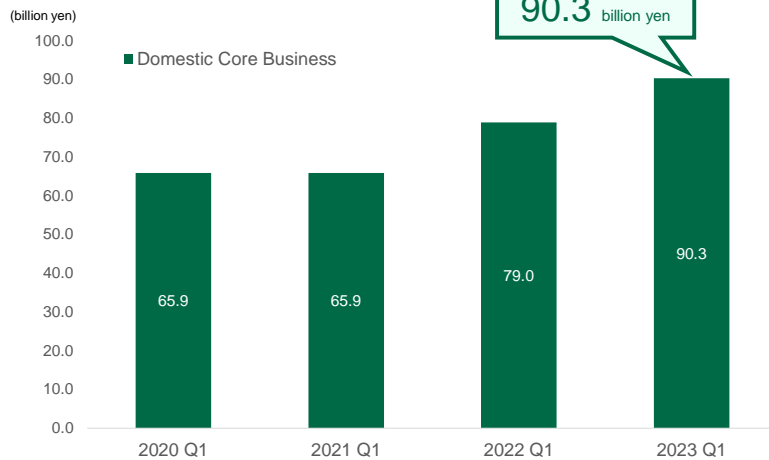
According to the annual plan, we are opening large stores and maintenance shops highlighted in the growth strategies.

Transfer of shares in the Australian subsidiaries completed in July.

(Domestic Core Business) Q1 Trend in Net Sales



Trend in net sales



- Domestic Core Business net sales rose 14.4% year on year, to 90.3 billion yen.
- Retail unit sales at directly managed large stores were steady. The number of stores declined, but retail unit sales per store increased.
- Unit prices for vehicles increased due to a sharp rise in the auction price.

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

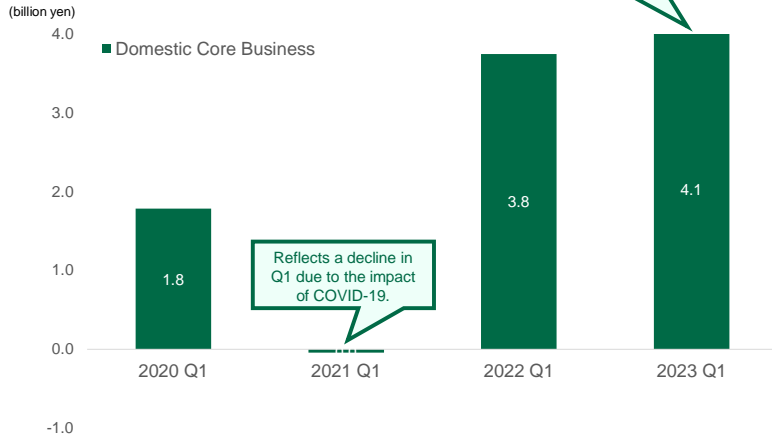
* Domestic Core Business: Non-consolidated results including subsidiaries Gulliver Insurance and Tokyo Mycar.

5

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

(Domestic Core Business) Q1 Trend in operating profit

Trend in operating profit



- Consolidated operating profit grew 8.6% year on year, to **4.1 billion yen** (operating profit margin of 4.5%).

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

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

The slide shows the trend in operating profit of domestic core business. In the first quarter of the fiscal year ended February 28, 2021, we temporarily suffered a significant impact on operating profit because emergency countermeasures were about to be taken against COVID-19 for the first time. Except for this factor, profit increased steadily.

(Domestic Core Business) Q1 FY2023 Results (Year-on-Year)



(billion yen)	Previous fiscal year FY2022 Q1	Fiscal year under review FY2023 Q1	YoY changes
Net sales	79.0	90.3	+11.4 +14.4%
Operating profit	3.8	4.1	+0.3
Operating profit margin (%)	4.8%	4.5%	+8.6%
Ordinary profit	3.7	4.0	+0.3
Ordinary profit margin (%)	4.7%	4.5%	+8.8%
Profit attributable to owners of parent	1.8	4.9	+3.1
Profit margin (%)	2.2%	5.4%	+117.2%

1 Retail unit sales at directly managed stores increased, but wholesale gross profit decreased due to the impact of a sharp rise in the auction price in the previous fiscal year. In SG&A expenses, personnel and rent expenses declined.

2 Profits at all levels increased.

3 0.85 billion yen was posted as head office relocation expenses in extraordinary losses in the previous fiscal year. Tax effects attributable to an impairment loss on goodwill posted in prior years associated with the acquisition of the Australian subsidiary were recognized on a non-consolidated basis.

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

7

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

Directly managed large stores saw increased retail unit sales, while simultaneously maintaining gross profit. Despite such solid performances, wholesale gross profit decreased due to the absence of the increase in profit that had occurred in the previous fiscal year amid a sharp rise in the auction price.

Operating profit rose, reflecting a fall in SG&A expenses due to decreases in personnel expenses and rents.

The decline in gross profit was more moderate than the initially expected 1.0 billion yen, because the auction price remained at higher-than-expected levels.

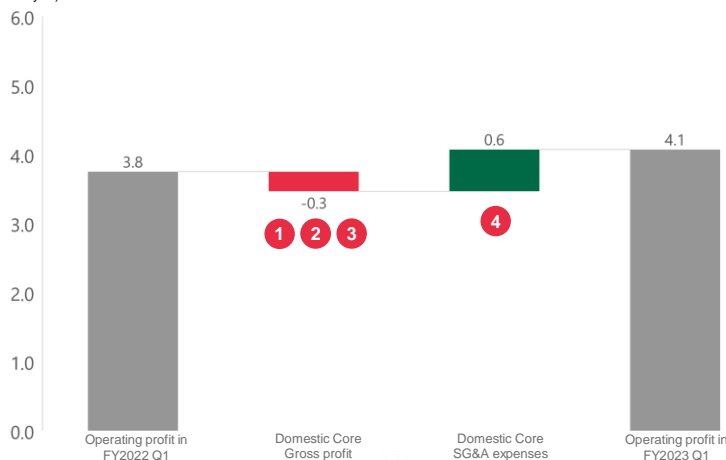
Profit attributable to owners of parent climbed sharply, reflecting the absence of an extraordinary loss that had occurred in the previous fiscal year due to head office relocation expenses and the recognition of tax effects attributable to the sale of the Australian subsidiary in the fiscal year under review, as well as improved profitability at all levels.

(Domestic Core Business) Q1 Analysis of Factors in YoY Change in Operating Profit



Analysis of Factors in the YoY Change in Operating Profit

(billion yen)



① Retail sales decreased due to a decline in the number of stores. Gross profit per unit remained at the previous year's level.

② Profit decreased approximately 0.6 billion yen in comparison with a decline in profit of 1.0 billion yen expected due to a sharp rise in the auction price in Q1 of the previous fiscal year.

③ Profit increased approximately 0.1 billion yen, reflecting the impact of prior year adjustments due to the adoption of the Accounting Standard for Revenue Recognition. However, the forecast of a decline of 0.9 billion yen for the full year remains unchanged.

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.

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

8

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.

Items (i) to (iii) relate to about gross profit. Retail unit sales rose and gross profit per unit remained almost unchanged, mainly at large stores. Looking at the three-month period under review, however, retail unit sales declined slightly, partly reflecting a decrease in the number of stores. The decline in retail unit sales during the three-month period under review was within our expectations because the decrease in the number of stores and the opening of large stores occurred at the end of April.

Wholesale unit sales remained strong. However, wholesale gross profit decreased year on year, reflecting the absence of an increase in profit that had occurred in the previous year due to the impact of a surge in the auction price. Operating profit is expected to fall by 0.9 billion yen on a full-year basis given the impact of changes in the Revenue Recognition Standard. Looking at the first three-month period, however, it rose 0.1 billion yen due to prior year adjustments, which are carried out in the first quarter of every fiscal year to recognize sales to customers who have cancelled guarantee programs mainly because of the purchase of new cars during the previous one-year period.

Such factors comprehensively contributed to a decrease of 0.3 billion yen in gross profit.

SG&A expenses, reflect improvements in efficiency through work system reforms such as head office relocation, and restrained new graduate hiring.

(Consolidated) Q1 FY2023 Results (Year-on-Year)



(billion yen)	Previous fiscal year FY2022 Q1	Fiscal year under review FY2023 Q1	YoY changes
Net sales	117.0	135.6	+18.6 +15.9%
Operating profit	5.1	5.3	+0.2
Operating profit margin (%)	4.3%	3.9%	+3.4%
Ordinary profit	4.9	5.1	+0.1
Ordinary profit margin (%)	4.2%	3.7%	+2.9%
Profit attributable to owners of parent	2.8	5.4	+2.6
Profit margin (%)	2.4%	4.0%	+95.4%

① Japan segment: 4 billion yen (up 0.1 billion yen YoY), Australia segment: 1.3 billion yen (up 0.1 billion yen YoY)

② Profits at all levels (operating profit, ordinary profit and profit attributable to owners of parent) reached record highs.

③ 0.85 billion yen was posted as head office relocation expenses in extraordinary losses in the previous fiscal year. Tax effects attributable to an impairment loss on goodwill posted in prior years associated with the acquisition of the Australian subsidiary were recognized.

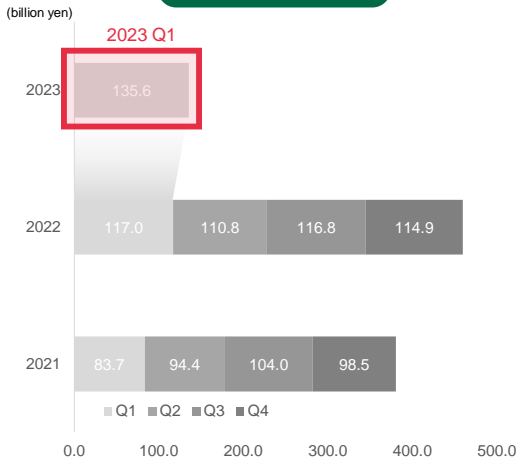
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9

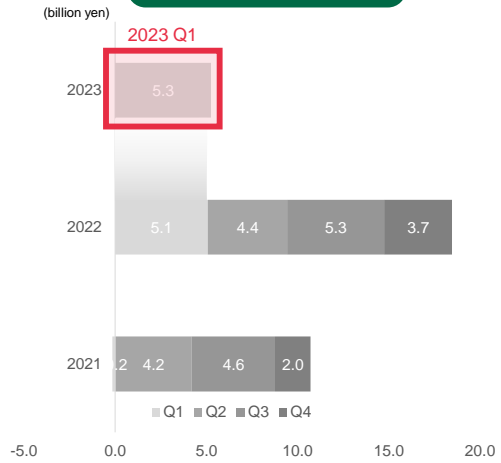
The Australian segment continued to perform strongly, which is reflected in the consolidated results.

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

Trend in net sales



Trend in operating profit



The slide shows quarterly trend in consolidated net sales and operating profit. There were a range of factors that worked positively or negatively. In general, though, the Company performed strongly during the three month-period under review.

Summary of Consolidated Balance Sheet



Consolidated Balance Sheet (As of May 31, 2022)

Assets 207.1 billion yen	Cash and deposits 51.5 billion yen	Liabilities 148.9 billion yen	Interest-bearing debt 78.6 billion yen	
	Inventories 89.0 billion yen		Other 70.3 billion yen	
	Property, plant and equipment 25.6 billion yen	Net assets 58.2 billion yen	58.2 billion yen (Equity ratio 27%)	
	Other 41.1 billion yen			

- Total assets were 207.1 billion yen.
- The Company accumulated cash due to the upcoming date for repaying interest-bearing liabilities.
- Net interest-bearing debt decreased 5.8 billion yen from the end of February.
- The equity ratio fell approximately 2% from the level at the end of February, reflecting an increase in other liabilities due to the adoption of the Revenue Recognition Accounting Standard.

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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11

Now I will summarize the consolidated balance sheet.

Total assets were 207.1 billion yen, an increase of 17.3 billion yen from the end of February. The equity ratio fell 2% from the end of February to 27%.

The decline in the equity was attributable to the implementation of an accounting procedure in which retained earnings were reduced by 5.3 billion yen and in addition, approximately 10.0 billion yen was recognized as a liability for guarantee to defer past profits due to changes in the Revenue Recognition Standard.

We accumulated cash to repay interest-bearing liabilities and net borrowings decreased 5.8 billion yen.

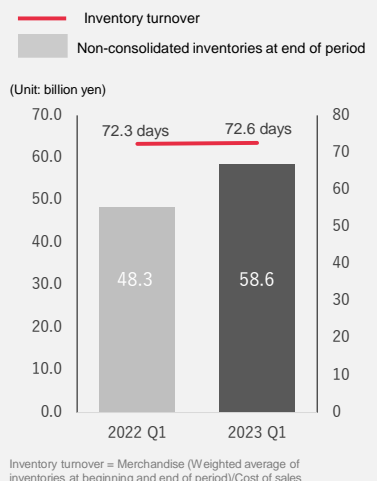
Cash Flow and Inventory Status



Full-year consolidated cash flows



Non-consolidated inventories at end of period and inventory turnover



- Operating profit increased. Free cash flow was positive.
- Inventory turnover days remained flat despite an increase in inventories as a result of continued inventory control in response to sales demand.

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12

The slide shows the status of consolidated cash flows and nonconsolidated inventory turnover days.

Cash from operating activities increased 7.1 billion yen year on year as a result of a successful management despite an increase in inventories. The total amount of investments significantly increased. Still, free cash flow (FCF) stood at 4.6 billion yen.

The Group's overall non-consolidated inventories increased from 48.3 billion yen at the end of the previous fiscal year to 58.6 billion yen. The stock turnover remained at a 72-day level. It remained flat partly because of the opening of large stores that had not occurred in the same period of the previous year. Still, it decreased from 86 days as of the end of February.

Large Stores Opened in FY2023



Nagano (Opened in April 2022)
Nagano-shi, Nagano 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 June 30, 2022)

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13

I will move on to the status of businesses.

We opened two large stores in the first quarter and opened one large store in June. These openings increased the total number of large Gulliver-branded stores to thirty-two. The three stores have been operating successfully since they opened. We plan to open seven stores this fiscal year and things are moving as scheduled.

Maintenance Shops Opened in FY2023



Kusatsuminami car maintenance shop (Opened in June 2022)
Kusatsu-shi, Shiga 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

Four of them are designated
maintenance shops

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14

Three maintenance shops started operating. The total number of maintenance shops increased to eleven. These shops are all attached to large stores. Four of them were certified as designated shops.

Completion of Transfer of Shares in Australian Subsidiaries



Reason for the transfer	<ul style="list-style-type: none"> The Company has a policy of making management decisions on its investment priorities and the withdrawal from businesses using its business portfolio with a focus on returns on invested capital (ROIC) and growth potential. It will concentrate its management resources on the retail business conducted by its large stores (including attached maintenance shops) in Japan on a medium- to long-term basis because the business has been achieving high returns on invested capital (ROIC) and offers a great deal of room for growth going forward. Based on this policy, it already withdrew from the BMW and MINI new car dealership business in Japan in September 2021. <p>In addition, it has completed to withdraw from the new car dealership business in Australia.</p>
Impact on earnings for the fiscal year ending February 28, 2023	<ul style="list-style-type: none"> 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. The Company expects to post a gain on sales of shares of subsidiaries and associates of approximately 0.8 billion yen on a consolidated basis and approximately 2.9 billion yen on a non-consolidated basis as extraordinary income for the second quarter.
Development of the future Australian business	<ul style="list-style-type: none"> The Company will leverage the expertise and network that it has accumulated through the management of new car dealers. It will leverage new technologies and innovations to develop a platform business to support the operations of car dealers with a view toward pursuing the transparency and fairness of car trades. It intends to invest in the business, which will be positioned as a new business, by setting upper limits for the investments and ensuring that they do not exceed certain levels.

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15

We are in the process of reviewing the business portfolio from the perspectives of growth and capital efficiency improvements. We withdrew from the new car dealership business in Japan. In addition, we completed to withdraw from the new car dealership business in Australia.



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Now, I will provide you with some topics for the three month-period under review.

Certified as a DX Business Operator

Gulliver

Certified by the Ministry of Economy, Trade and Industry as a DX Business Operator



The Company was certified as a DX Business Operator on June 1, 2022 under the DX Certification System established by the Ministry of Economy, Trade and Industry.

Going forward, we will continue to facilitate DX by improving efficiency, attracting customers online, inventory strategy, and shifting to electronic commerce by leveraging IT at existing stores, large stores, and/or maintenance shops.

* The DX Certification System is a system that the government set up to certify companies that are prepared to promote DX through a range of initiatives such as the formulation of a management vision and establishment of strategies and systems in line with the basic items of the Digital Governance Code based on the Act on Facilitation of Information Processing.

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17

The Company was certified as a DX Business Operator under the DX Certification System established by the Ministry of Economy, Trade and Industry. Going forward, we will continue to facilitate DX by attracting customers online, inventory strategy and shifting to electronic commerce by leveraging IT at large stores and/or maintenance shops.

Disclosure in Line with TCFD Recommendations Related to Climate Change

Gulliver



Support for the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

IDOM has expressed its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). IDOM considers the problem of climate change to be one of the key issues that affect its businesses.

Based on the TCFD recommendations, we continued to disclose information regarding governance, risk management, strategies (analysis of risks and opportunities), and indices and goals on our website.

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18

IDOM has expressed its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). IDOM considers the problem of climate change to be one of the key issues that affect its businesses. Based on the TCFD recommendations, we continued to disclose information regarding governance, risk management, strategies (analysis of risks and opportunities), and indices and goals on our website.

Received a Medal with Dark Blue Ribbon (Certificate of Merit)

Gulliver



IDOM Supports Unicef

* Dark Blue Ribbon (Certificate of Merit)
One of the medals of honor awarded by the Emperor of Japan to individuals or companies that donated private assets for the public interest and made remarkable achievements.

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Receiving of a Certificate of Merit related to a Medal with Dark Blue Ribbon in recognition of initiatives for social contribution

Under the priority theme of social contribution that can be facilitated by IDOM through its business operations, we have been engaging in a number of initiatives, including the UNICEF Support Gift program that customers participate in when they buy or sell used cars, since 2011 with a view to creating a sustainable society.

In recognition of these initiatives, we have recently received a Certificate of Merit related to a Medal with Dark Blue Ribbon from the Japanese government.

Going forward, we will continue to engage in social contribution activities and help to build a sustainable society through our businesses.

19

In recognition of the UNICEF Support Gift program that our customers have participated in since 2011, when they buy or sell used cars, we have recently received a Certificate of Merit related to a Medal with Dark Blue Ribbon from the Japanese government.

Despite challenging business environments due to the absence of special factors that had occurred in the previous fiscal year as well as a decrease in the number of stores, etc., our business remained stronger than expected. Sustained efforts are being made to improve the efficiency of SG&A expenses. We have established an organizational structure that enables us to focus on growth areas through the sale of a business and we have confirmed that large stores and maintenance shops are growth drivers.

Going forward, we will continue to make management efforts to facilitate growth. Your support will be appreciated.