IDOM Inc.

2nd Quarter Results for Fiscal Year Ending February 28, 2022

IDOM Inc. | October 15, 2021

Hello, my name is Ryo Nishihata, the CFO of IDOM Inc.
I will go over the results for the first half of the fiscal year ending February 28, 2022.

Contents

Consolidated earnings forecasts stated herein have been prepared based on the information available to the Company at the time that this report was prepared and contains certain risks and uncertainties.
Depending on market trends, economic conditions and other factors, actual performance may vary from the projected performance.

I. First Half Results and Full-Year Results Forecasts

* Figures in the graphs and tables are rounded to the nearest whole unit. Percentages are calculated in units of one million yen and subsequently rounded to the nearest percent.

1 Year-on-Year Comparison

2 Comparison with Forecasts

3 Full-Year Results Forecasts

I will talk about the results for the first half in comparison to the first-half results in the previous fiscal year and forecasts and also our full-year forecasts.

First, I will describe year-on-year changes in the results.

First Half FY2022 Results Summary (Year-on-Year)

(unit: billion yen)

Consolidated	FY2021 Mar - Aug	FY2022 Mar - Aug		
	Results	Results	Change	Y/Y
Sales	178.1	227.8	+49.7	+28%
Gross profit	34.0	42.5	+8.5	+25%
SG&A Expenses	29.9	33.0	+3.1	+10%
Operating income	4.1	9.4	+5.4	+133%

Sales rose due to an increase in retail unit sales at directly managed stores in Japan. The number of new cars sold at the Australian subsidiaries also increased. Non-consolidated SG&A expenses remained unchanged. Foreign exchange gains increased at Australian subsidiaries due to the depreciation of the yen. As a result, operating income rose significantly.

Sales increased 28% from 178.1 billion yen in the same period of the previous year to 227.8 billion yen.
This marks a record high for the first half of a fiscal year.

Gross profit grew 25% year on year to 42.5 billion yen.
The growth rate was below that of sales, and gross profit margin decreased.
While non-consolidated gross profit margin is unchanged at 20%, sales in the low-margin business in Australia approximately doubled, which resulted in an increase in the amount of gross profit and a decrease in its percentage.

Control of SG&A expenses is making steady progress.

As a result, operating income more than doubled from 4.1 billion yen in the same period of the previous year to 9.4 billion yen.

First Half FY2022 Results Summary (Year-on-Year)

Posting a record profit

(unit: billion yen)

Consolidated	FY2021 Mar - Aug	FY2022 Mar - Aug		
	Results	Results	Change	Y/Y
Operating income	4.1	9.4	+5.4	+133%
Ordinary income	3.1	9.0	+5.9	+186%
Profit attributable to owners of parent	1.4	5.3	+3.9	+286%

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

This shows profit at each level below operating income.

The growth rate is high owning to low profit in the previous fiscal year due to the state of emergency caused by COVID-19 and the ongoing strong performance of directly managed stores in Japan and the Australian subsidiaries in the fiscal year under review.

Profit at all levels, including operating income, ordinary income, and profit attributable to owners of parent, reached a record high.

Difference Factors of Consolidated Operating Income for First Half FY2022 (Year-on-Year)

		Result (vs. previous fiscal year)	Factors different from the previous fiscal year
1	Retail unit sales of directly managed stores		• Contribution by large stores that newly opened in the previous fiscal year • Effective placement of ongoing advertisements
2	Gross profit per unit		• Remain flat compared with the previous fiscal year
3	Non-consolidated SG&A expenses		• Remain flat compared with the previous fiscal year
4	Australian subsidiary		• Increase in the number of new cars sold, reflecting favorable business conditions in the Western Australian new car market. • Strong sales of used car reflecting ongoing measures to boost sales
5	Exchange rate		• The Australia segment profit rose approximately 0.3 billion yen based on the previous fiscal year's exchange rates, reflecting a weakening of the yen in the foreign exchange market

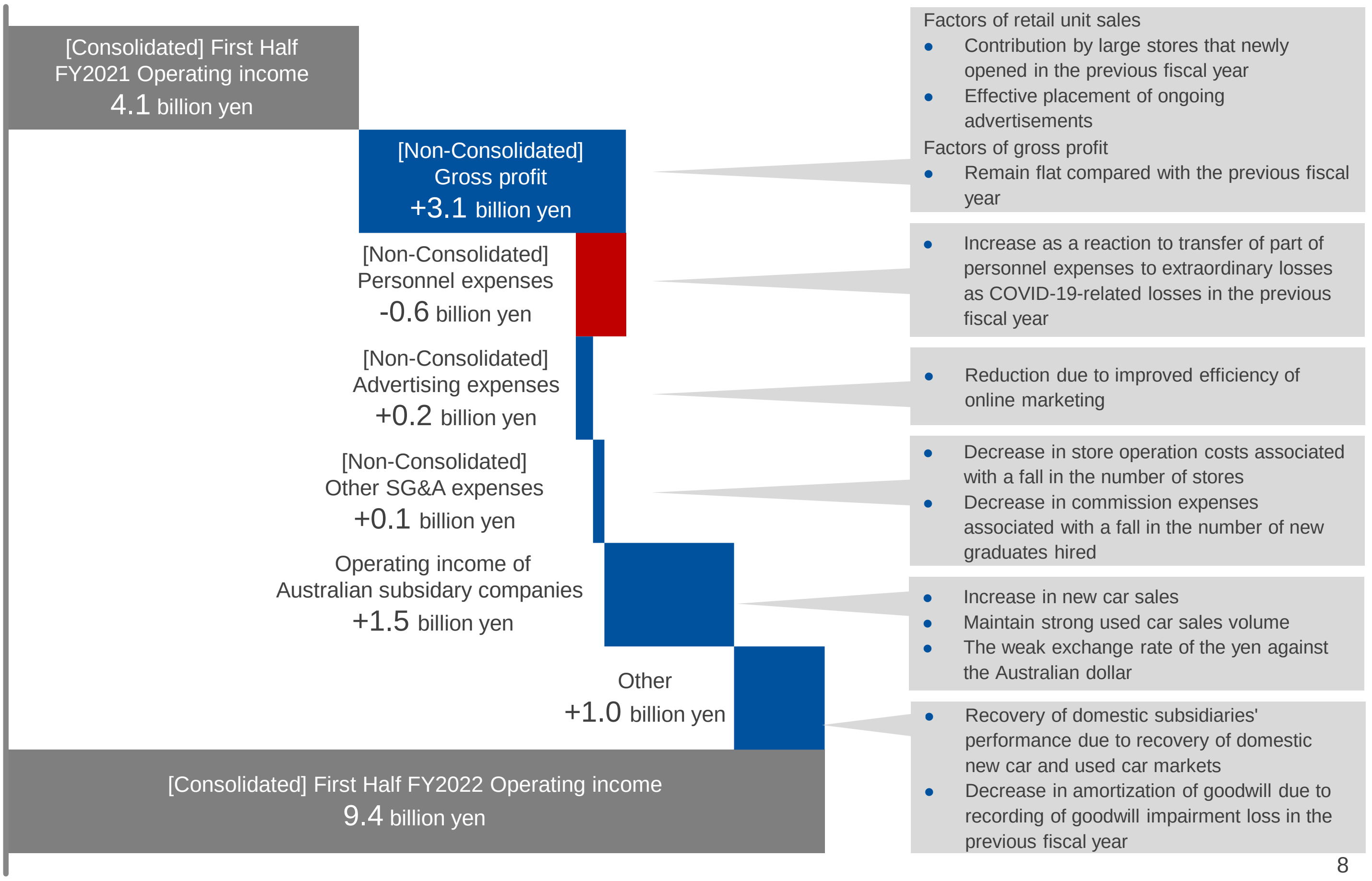
Retail unit sales at directly managed stores was 72,694 (up 3.0% year on year), reaching a record high for the first half of a fiscal year. Profit increased at Australian subsidiaries thanks to a rise in new car sales owing to market growth and the further depreciation of the yen in the foreign exchange market, in addition to continued strength in used car sales.

We will now look at each factor of year-on-year changes in consolidated operating income.

Retail unit sales at directly managed stores increased 3% to 72,694 units, despite a decrease in the number of directly managed stores from 461 at the end of the first half of the previous fiscal year to 452. This is a record high for the first half of a fiscal year.

Gross profit per unit generally remained the same.
SG&A expenses are increasingly efficient, remaining at the same level despite an increase in retail unit sales.
While personnel expenses increased due to the termination of subsidy received in the last year, advertising expenses were effectively used and the amount decreased.
Profit increased at the Australian subsidiaries thanks to strong used car sales, which were up 23%, maintained in Western Australia and a substantial increase in new car sales, which were up 55%, backed by the strong market, in addition to progress in yen depreciation in the foreign exchange market (up 0.3 billion yen in terms of OP).

Difference Factors of Consolidated Operating Income for First Half FY2022 (Year-on-Year)



Slide 8 presents a chart showing the numerical interpretation of the results I just described.

First Half FY2022 Results Summary (Year-on-Year)

Posting a record profit

(unit: billion yen)

Non-Consolidated	FY2021 Mar - Aug	FY2022 Mar - Aug		
	Results	Results	Change	Y/Y
Operating income	3.3	6.1	+2.8	+87%
Ordinary income	3.1	5.9	+2.8	+92%
Net income	2.0	3.2	+1.2	+58%

Retail unit sales reached a record high as a result of the operation of large stores that had opened in the previous fiscal year and growth in the number of visitors to existing stores, including large outlets, reflecting an increase in advertising efficiency. As a result, profit reached a record high for the first half of a fiscal year.

This is the non-consolidated statement of income.

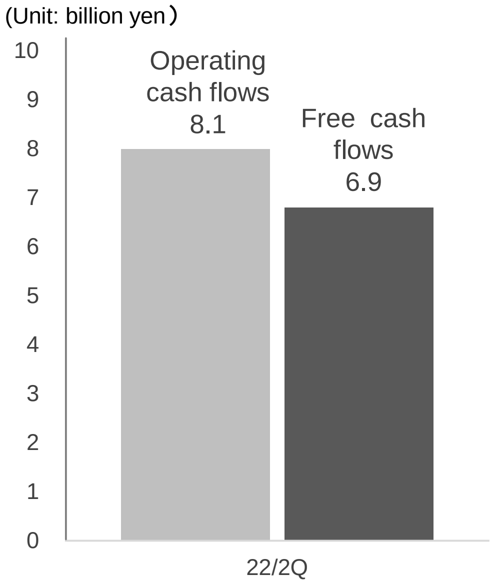
As I noted on the page for factors, the number of units sold at directly managed stores in Japan reached a record high, SG&A expenses continue to be controlled, and profit at each level reached a record high.

The year-on-year decrease in the second quarter alone was caused by a special factor, a reactionary increase in the second quarter of the previous fiscal year.

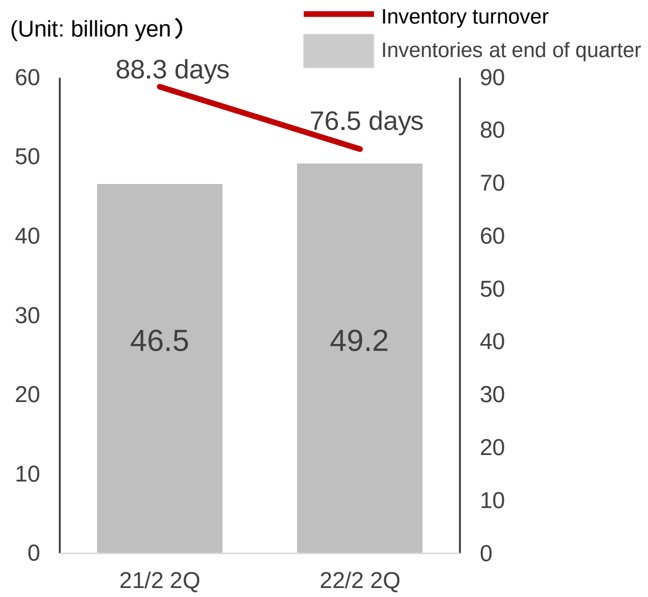
Cash Flow and Inventory Status

Growth in operating income and inventory control resulted in increased FCF.

1H consolidated cash flow*



Inventories at end of quarter and Inventory turnover



Inventory turnover = merchandise (weighted average at beginning and end of period) / cost of sales

Operating income increased. Continuous inventory control corresponding to sales demand resulted in a decrease in inventory turnover, despite an increase in inventory value. Consequently, free cash flow increased.

Slide 10 shows the results of consolidated cash flow and inventory turnover days as KPIs.

In consolidated cash flow,
cash flow from operating activities increased 8.1 billion yen. Cash of 1.2 billion yen was used for capital expenditure and other expenses, and free cash flow increased 6.9 billion yen.
Free cash flow for the fiscal year under review is expected to increase despite the scheduled opening of large stores and operation of car maintenance shops.

Non-consolidated inventory was 46.5 billion yen as of August 31, 2020, and 49.2 billion yen as of August 31, 2021, in line with an increase in units sold.
However, the inventory turnover decreased from 88 days to 77 days, indicating efficient inventory management.

1 Year-on-Year Comparison

2 Comparison with Forecasts

3 Full-Year Results Forecasts

Next, I will talk about the results in comparison to our forecasts.

First Half FY2022 Results Summary (Compared with Forecasts)

(unit: billion yen)

Consolidated	FY2022 Mar - Aug	FY2022 Mar - Aug		
	Forecasts	Results	Change	Y/Y
Operating income	8.4	9.4	+1.0	+12%
Ordinary income	7.8	9.0	+1.2	+15%
Profit attributable to owners of parent	3.9	5.3	+1.4	+36%

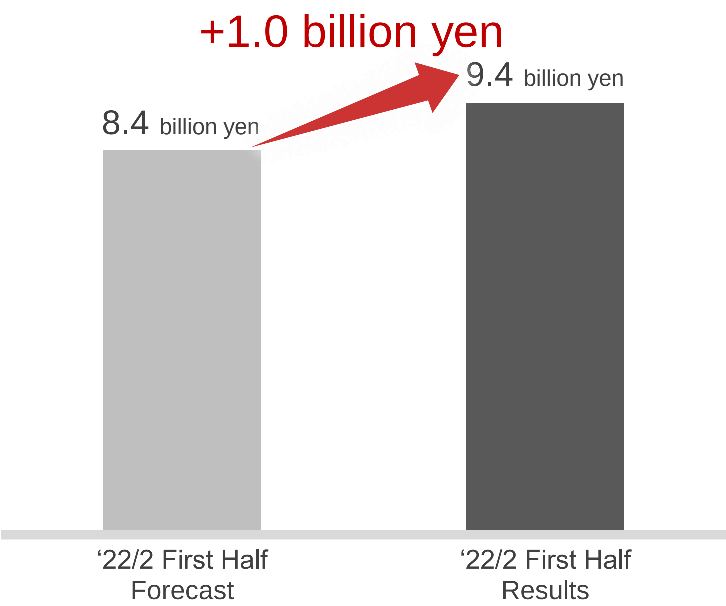
Results at the Australian subsidiaries exceeded expectations and contributed to operating income and ordinary income surpassing forecasts.
Profit attributable to owners of parent exceeded the forecast thanks to profit growth, which was higher than assumed at some Australian subsidiaries having losses carried forward, and a conservative estimate of the tax burden ratio.

Consolidated operating income was forecasted to be 8.4 billion yen.
The result was 9.4 billion yen, exceeding the forecast by about one billion yen. Ordinary income also exceeded the forecast by almost the same amount, or 1.2 billion yen.

While income before tax is also showing the same trend, profit attributable to owners of parent was 5.3 billion yen, exceeding the forecast by 1.4 billion yen, thanks to profit growth at certain Australian subsidiaries having losses carried forward, which was higher than assumed and resulted in a lower tax burden ratio, and a conservative estimate of the tax burden ratio.

Forecast and Results of Consolidated Operating Income for First Half FY2022

Consolidated operating income



Difference factors between forecast and results

Australian subsidary	• Increase in new car sales • Yen depreciation progresses

The difference of one billion yen between the forecast and actual consolidated operating income was a result of 0.7 billion yen from growth in new car sales at Australian subsidiaries above the forecast backed by strong market and 0.3 billion yen from foreign exchange gains.

Difference Factors of Consolidated Operating Income for First Half FY2022 (Compared with Forecast)

Australian subsidary

		Result for Q1 (vs. Forecast)	Factors different from the initial forecast
1	Sales of new cars	↑	Increased more than expected on the back of the strong new car market in Western Australia attributable to a rise in iron ore prices
2	Sales of used cars	→	The result was as expected. (The robust performance was maintained due to stronger sales of used cars.)
3	SG&A expenses	→	The result was as expected (Australian dollar basis)
4	Exchange rate	↑	Operating income exceeded the forecast by about 0.3 billion yen as the yen was weaker against the Australian dollar that originally expected.

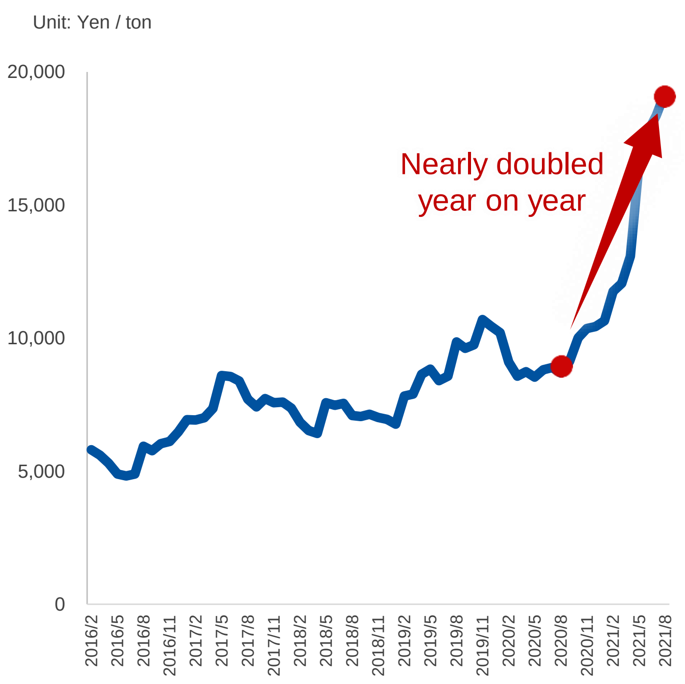
The new car market in Western Australia is stronger than initially assumed due to an increase in the iron ore price. Consequently, growth in new car unit sales exceeded the Company's projection. A further depreciation of the yen in the foreign exchange market also contributed to profit growth at the Australian subsidiaries.

This slide presents the differences between forecasts and results in the Australian business.
Factors of new car sales and foreign exchange were indicated in the previous slide.

Used car sales remained strong, or up 23% year on year, as forecasted.
We also ensure solid control of SG&A expenses in Australian dollars.

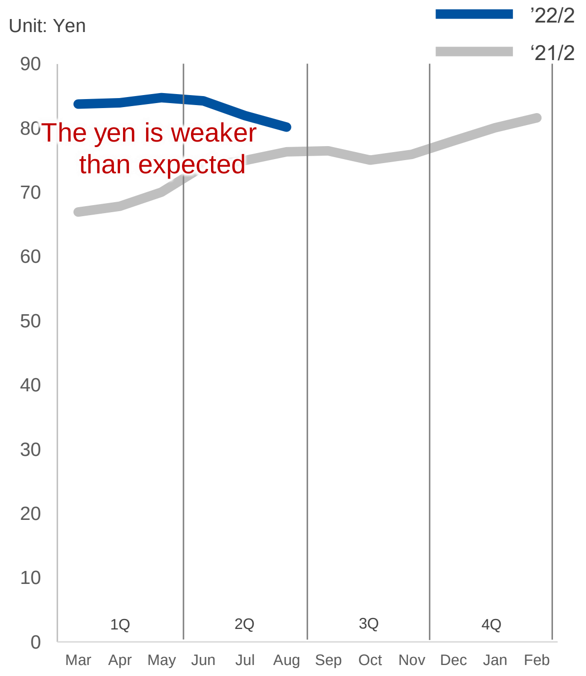
Iron Ore Prices and Yen Depreciation

Changes in iron ore prices



Prepared by the Company based on the Trade Statistics of Japan of the Ministry of Finance

Monthly changes in the yen against the Australian dollar (Mid-month TTM)



Prepared by the Company based on Today’s Exchange Rates of MUFG Bank

The new car market in Western Australia, which the Company had expected would remain flat from the previous second half, was more brisk than expected. The exchange rate of the yen, which the Company had expected to be around the average for the period, was weaker than expected against the Australian dollar.

Slide 15 shows trends in the iron ore price that supports the economy of Western Australia and foreign exchange.
These trends continued until the first half of the fiscal year.

We expect that these is always a possibility that the market moves in the second half.

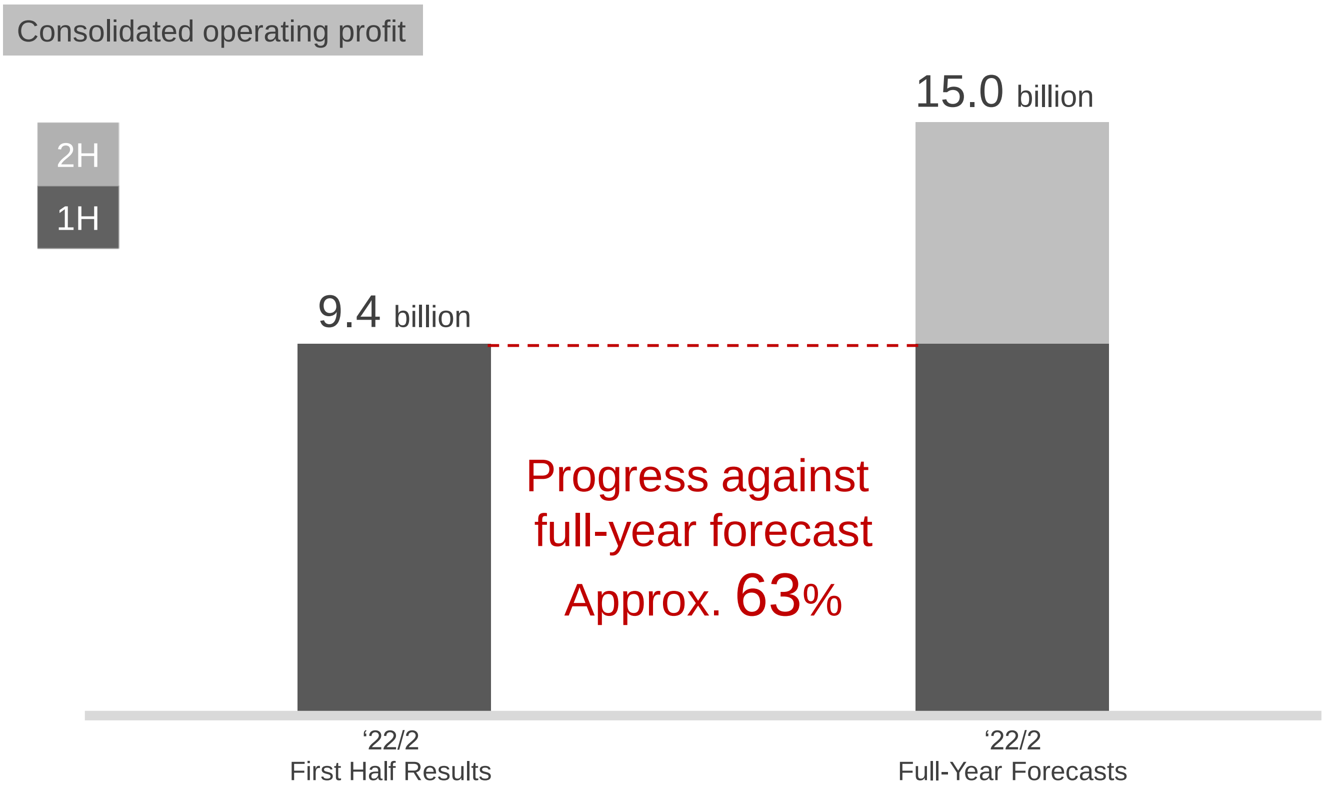
1 Year-on-Year Comparison

2 Comparison with Forecasts

3 Full-Year Results Forecasts

The final part of my presentation is about the full-year forecasts.

Progress of Consolidated Operating Income for First Half FY2022 (Compared with Forecast)



In the first half of the fiscal year, progress against the forecast for full-year consolidated operating income was approximately 63%. Progress in operating income is steady despite the postponement of the new opening of five large stores to the next fiscal year.

The consolidated operating income in the first half was 9.4 billion yen, a progress rate of 63% of the full-year forecast of 15 billion yen.
As we talked in April, we recognize the issues we faced in the past and have been taking measures against them and working to open large stores and car maintenance shops.

Although new investments have been slightly slower than expected, we have been steadily signing contracts and making progress.

Directly managed stores in Japan, used car sales in Australia, and other businesses are growing steadily.

Forecasts for Full-Year Consolidated Results (Year-on-Year)

(unit: billion yen)

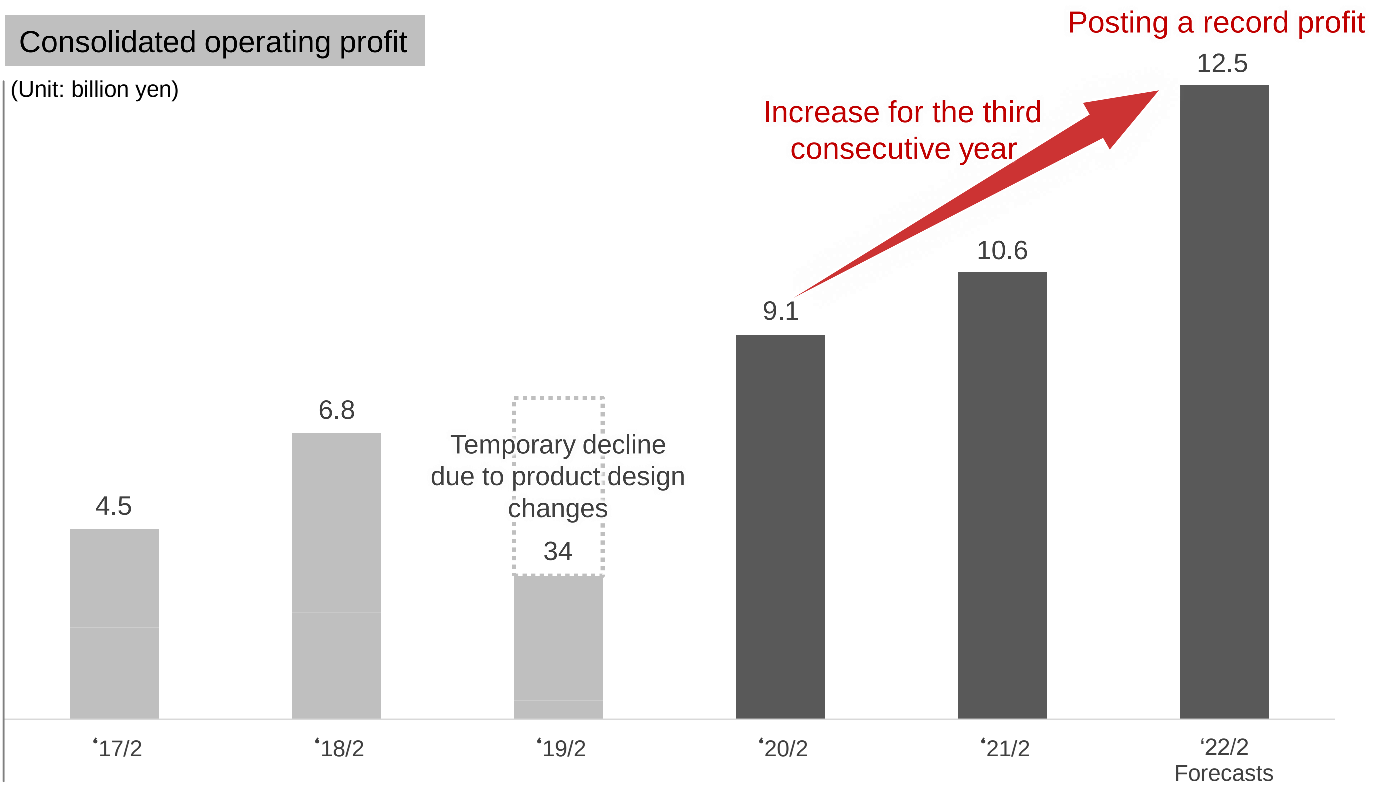
Consolidated	FY2021	FY2022 Forecasts		
	Results	Forecasts	Change	Y/Y
Operating income	10.6	15.0	+4.4	+42%
Ordinary income	9.6	13.9	+4.3	+44%
Profit attributable to owners of parent	1.5	8.0	+6.5	+439%

Forecasts for operating income and ordinary income remain unchanged. Forecast for profit attributable to owners of parent was revised from 7.1 billion yen to 8.0 billion yen based on the revised tax burden ratio, which had been estimated conservatively.

No change has been made to the full-year forecasts for operating income of 15.0 billion yen and ordinary income of 13.9 billion yen.

The forecast for profit attributable to owners of parent has been revised upward to 8.0 billion yen due in part to the conservative forecast for the tax burden ratio.

Trend of Full-Year Results



Consolidated operating profit is expected to rise to a new record of 11.1 billion yen for the third straight year of increase.

We are increasingly confident that we will achieve profit growth in three consecutive years in the fiscal year under review and significant growth above the highest profit of 11.1 billion yen earned in the fiscal year ended February 2007.

We will be making steady steps toward a growth path, and we sincerely ask for your continued support.

II. Progress in Growth Strategies

Hello, my name is Takao Hatori, the President of IDOM Inc.

I will talk about the progress of our growth strategies, which we explained to you in the financial results presentation in April this year.

Transitioning from a period of transition to a period of growth in the retail model (Summary of Financial Results Meeting on April 15, 2021)

Transition period

1 Three challenges and Improvement Measure

	Challenges 15/2~19/2		Improvement Measure 20/2~21/2
(i) Store area	Internal competition in certain areas	→	Stricter standards for opening and closing stores
(ii) Attracting customers via the Internet	Increased cost of attracting customers	→	Optimizing pricing
(iii) Inventory control	Inadequate inventory management	→	Control by management indicator

Growth period

3 Solve three issues and take advantage of accumulated strengths to a growth period

Growth Strategies 22/2~

Development of large stores focusing on capital efficiency × Development of car maintenance shops with latest equipment

Three management indicators important in implementing growth strategies

2 IDOM's Accumulated Strengths
Attract customers using the brand power of Gulliver.
Annual number of customers visiting stores other than those visiting stores via advertising media
Approx. 420,000 (result in 2020)

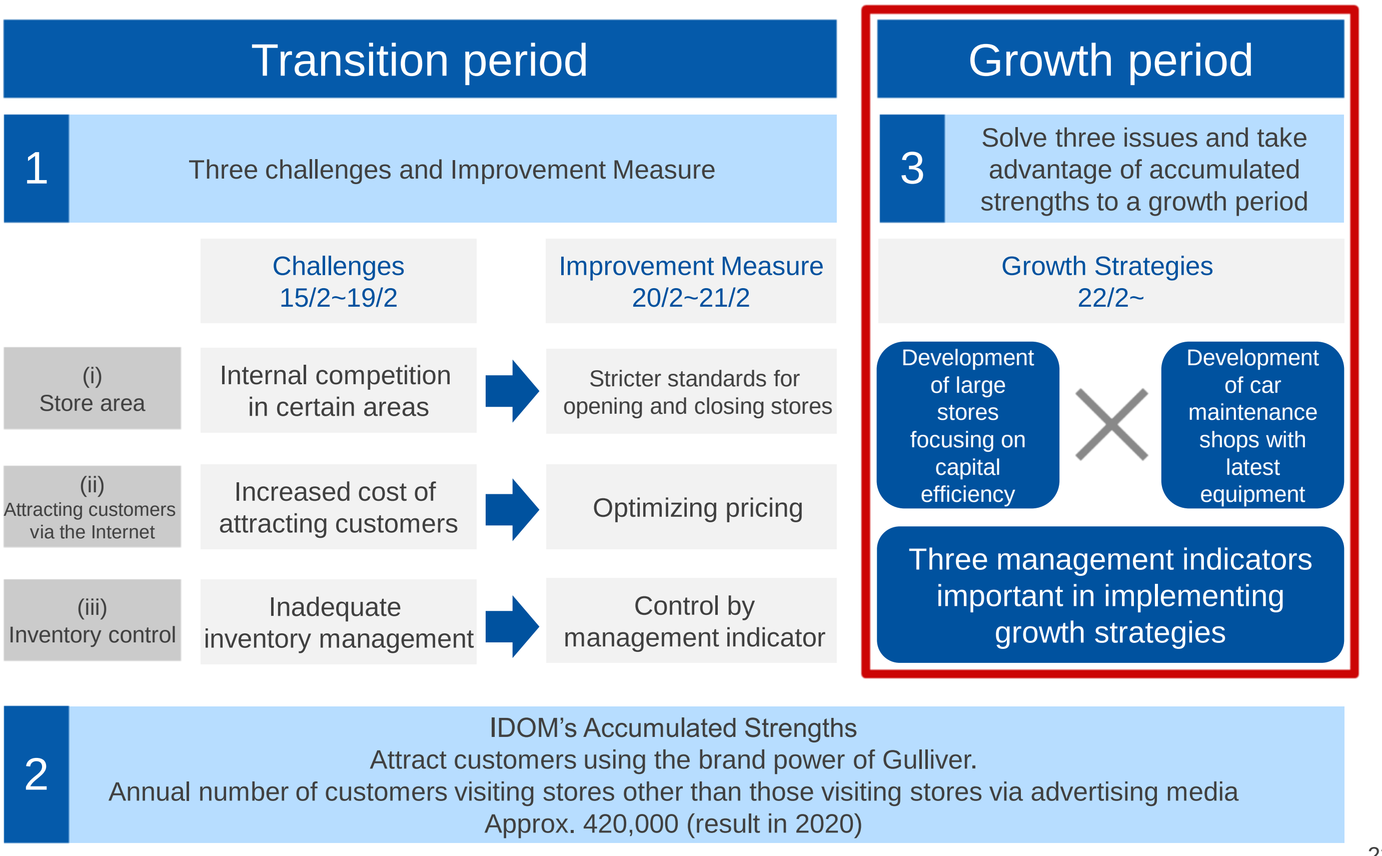
This slide shows the summary of our presentation in April.

As you see in the section 1, we recognized three challenges in the transition period from the purchase model to retail model and took improvement measures over a period of two years from the fiscal year ended February 2020 to find solutions.

We have entered the full-fledged growth period using the brand power of Gulliver as the strength we had steadily accumulated as stated in the section 2.

Beginning the current fiscal year, we have established growth strategies based on the "development of large stores focusing on capital efficiency" and "development of car maintenance shops with latest equipment."
We have also selected three management indicators to focus on in the implementation of the growth strategies.

Transitioning from a period of transition to a period of growth in the retail model (Summary of Financial Results Meeting on April 15, 2021)



I will briefly review the growth strategies and its progress during the growth period in section 3 that we explained to you before and talk about new factors and additional progress in detail.

Growth Strategies for Domestic Business in Growth Period

Development of large stores focusing on capital efficiency

Operate the business in the attractive used car market using the customer appeal of the Gulliver brand.

×

Development of car maintenance shops with latest equipment

Aim to raise cost efficiency by acquiring repeat customers and shifting to in-house operation and operate with latest equipment in the extremely large car maintenance market.

Three management indicators important in implementing growth strategies

1. Increasing operating income
2. Increasing medium- to long-term free cash flow
3. Maximizing ROIC

This slide summarizes our growth strategies in section 3.

Growth Strategies for Domestic Business in Growth Period

Development of large stores focusing on capital efficiency

Operate the business in the attractive used car market using the customer appeal of the Gulliver brand.

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Three management indicators important in implementing growth strategies

1. Increasing operating income
2. Increasing medium- to long-term free cash flow
3. Maximizing ROIC

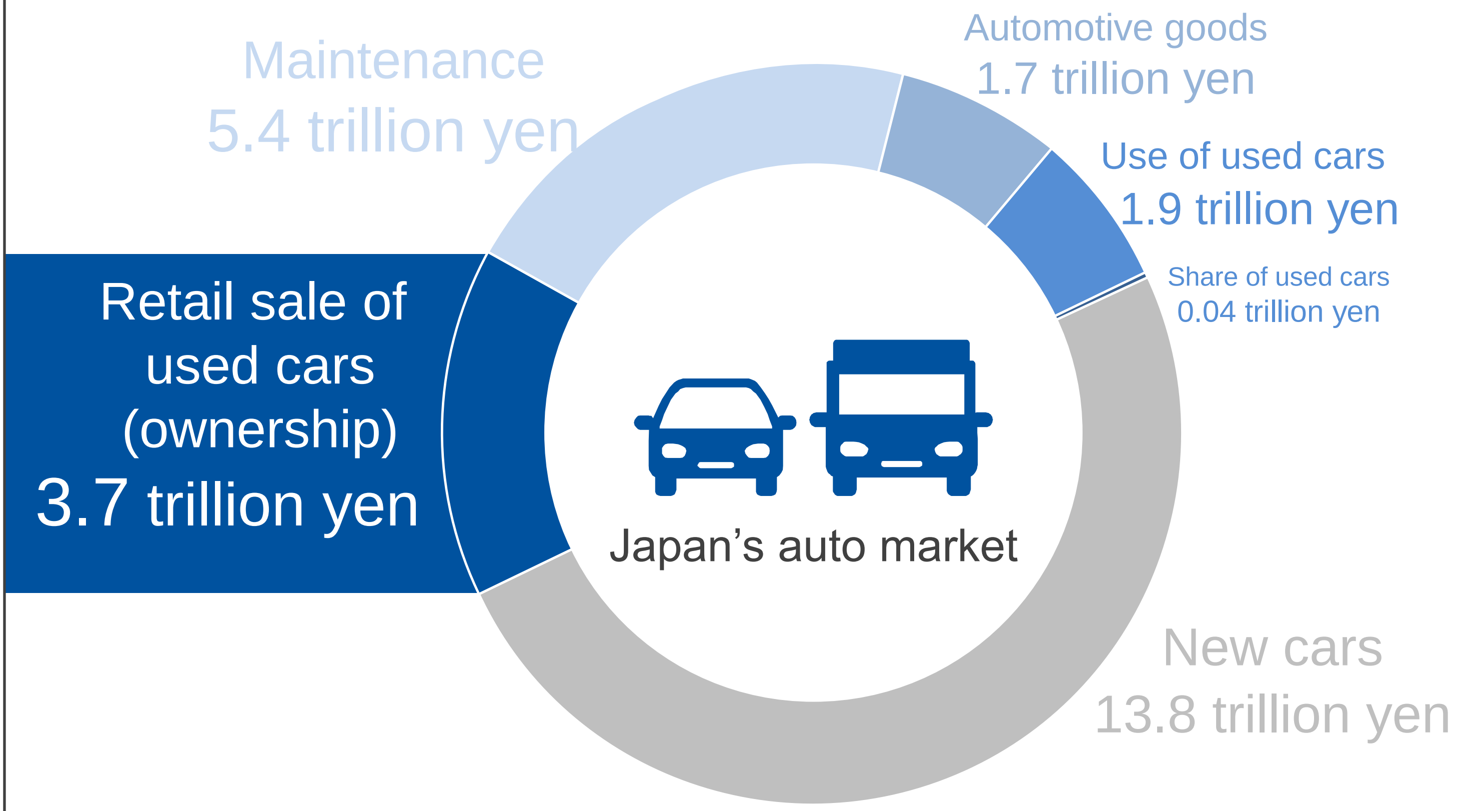
First, one of the elements of our growth strategies is the development of large stores.

The used car market where we are opening large stores is very attractive.

We will operate large stores using the brand power of Gulliver to attract customers, which we have steadily developed in such an attractive used car market.

Let me describe the used car market.

Size of Market



New cars: Japan Automobile Dealers Association
Vehicles other than new cars: 2018 Overview of the Automobile Aftermarket of Yano Research Institute

The size of the used car market is approximately 3.7 trillion yen, which is very large.

Market and Room for Market Share Expansion

Retail sale of used cars (ownership)

3.7 trillion yen

There is room for market expansion

The percentage of the total market that is the used car market is low compared with Europe and the US. Japanese resistance to used cars has declined. Attitudes towards cars have changed during the COVID-19 pandemic.

There is room for IDOM to expand its market share

The circulation number of used cars is estimated to be approximately 2.62 million units.
IDOM has a share of about 5% in retail sales (number of units).

Demand is stable

Demand for used cars has been stable even during the COVID-19 pandemic.

Estimated circulation number of used cars:
2020 Overview of the Automobile Aftermarket of Yano Research Institute

Despite such a large market, the ratio of used cars in automobile sales including new cars in Japan is smaller than that in the U.S. and Europe. We think there is room for market growth by raising the ratio closer to the level in the U.S. and Europe.

Although we have the largest share of the market, that share is about 5%. There is still substantial room for expanding our market share.

Demand for used cars is stable and strong against changes in the external environment, such as the COVID-19 pandemic.

We think that Japan’s used car market, which we are developing, is attractive and still offers considerable potential.

Features and Outline of Large Store

Features

(i)	Sophisticated store design
(ii)	Greatest number of cars displayed in the area
(iii)	Price and assortment optimized for each area
(iv)	A negotiation place to enjoy choosing a car

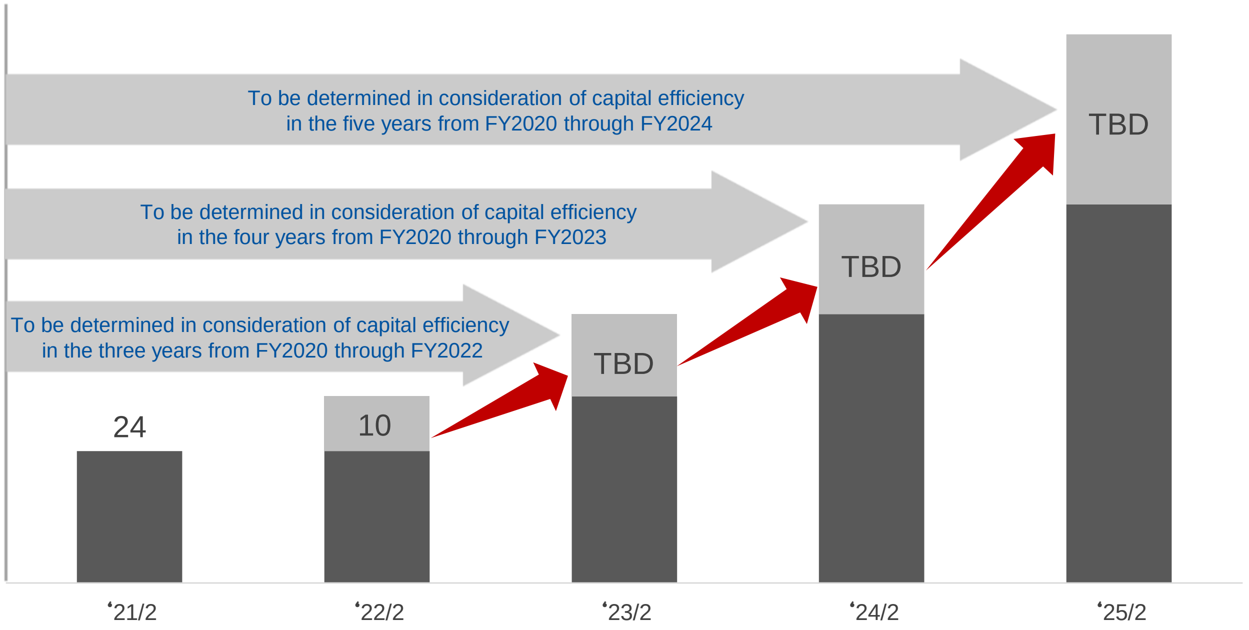

Outline

Site area	8,000 m^2 or more
Number of vehicles displayed	About 300
Capital expenditure	About 200 million yen
Payback period	About 3 years (cash flow after tax, recovery of capital investment)

This slide shows the features and outline of large stores.

The site area is 8,264 m2 or more to exhibit a large number of vehicles.
Capital expenditure is approximately 200 million yen, consisting mostly of investment in buildings.
We will operate the business on the assumption of recovering this 200 million yen investment in approximately three years.

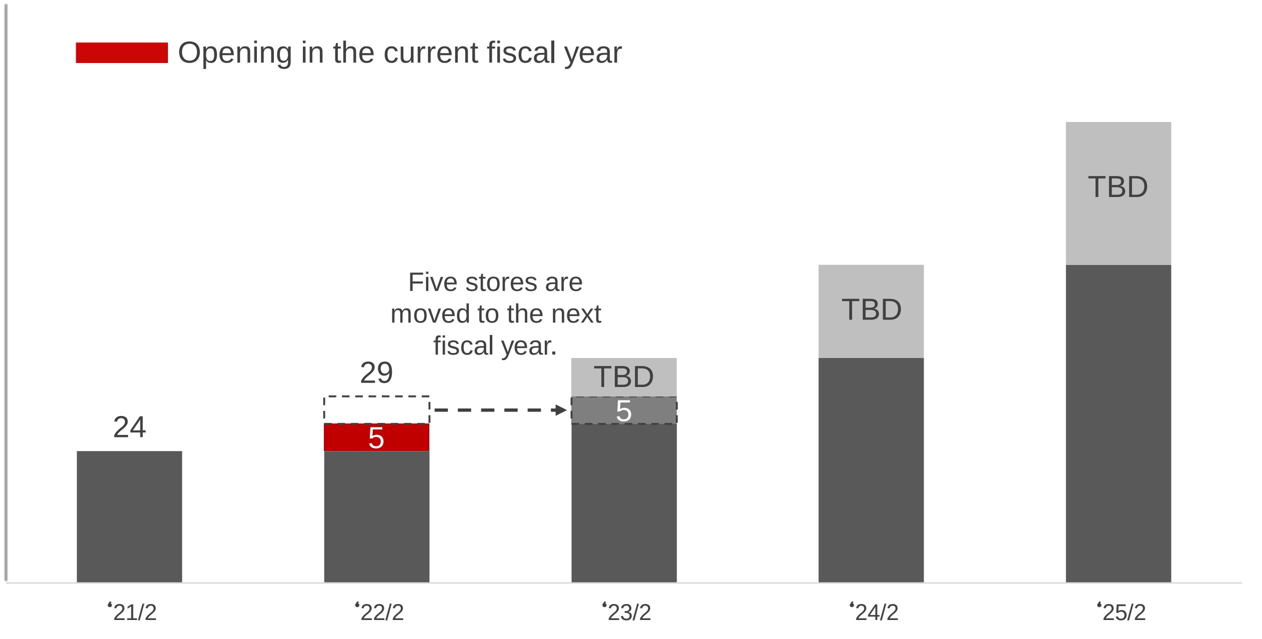
Accelerate the pace of large store openings in stages, while assessing capital efficiency



We have not determined the number of stores. We will determine the pace of store openings, taking into consideration the capital efficiency of existing stores.

We plan to accelerate the opening of large stores in stages while assessing the capital efficiency of existing stores rather than prioritizing the number of stores.

Five of 10 stores planned for opening in the current fiscal year will be moved to the next fiscal year.



Five of 10 stores planned for opening in the current fiscal year are scheduled to open.
The other five stores will be moved to the next fiscal year.

We initially planned to open 10 stores in the current fiscal year.

Of the 10, now, we should be able to open a total of five stores, including three stores already opened, in the current fiscal year.

We have secured land and signed contracts for the remaining five stores.

We carefully selected the sites from a large amount of property information collected.
This caused us to take slightly more time to the point of store opening than we had planned, and we moved the openings to the first half of the next fiscal year.

Newly opened large stores

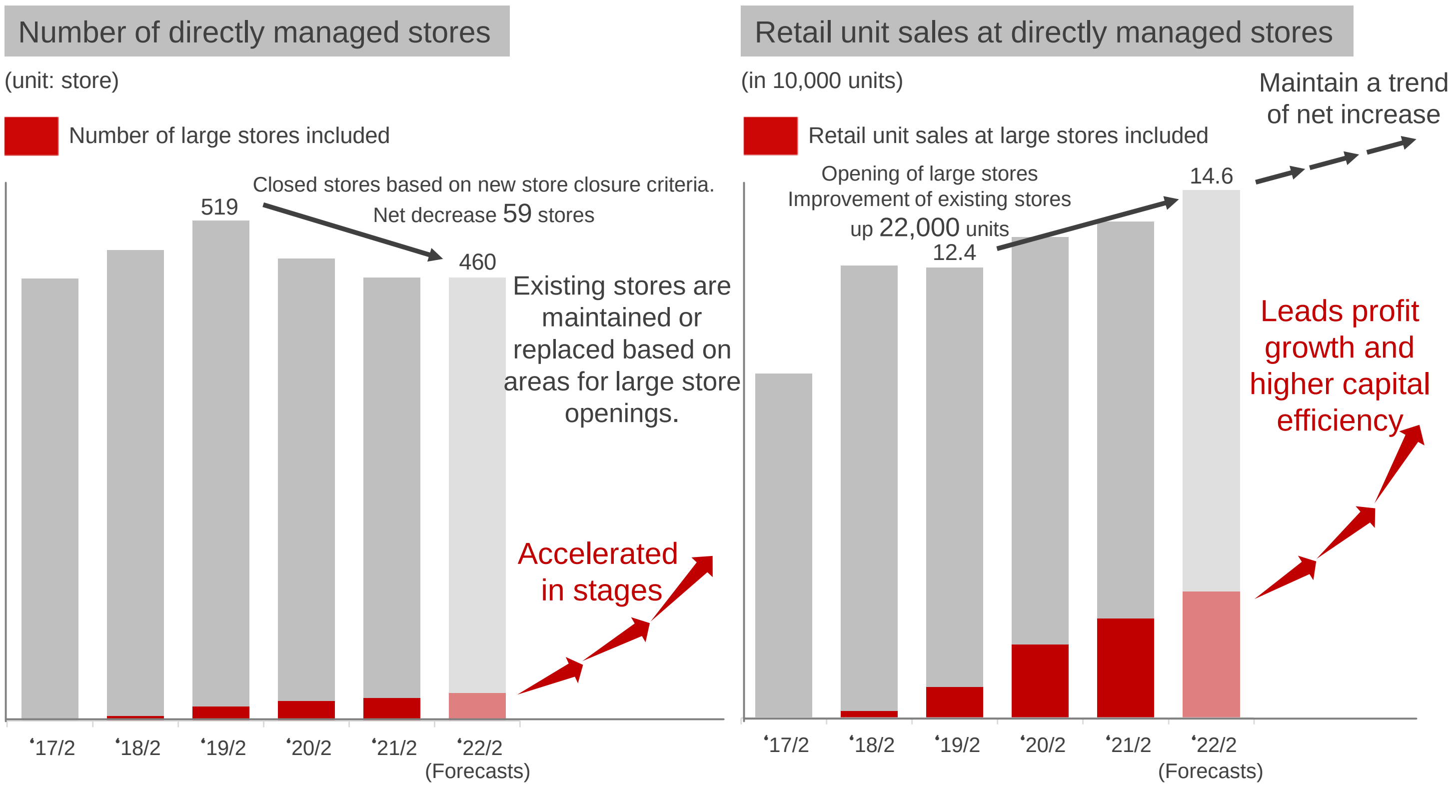
Oyama (September 2021 Opened)
Oyama, Tochigi

Moriokaminami (October 2021 Opened)
Morioka, Iwate

LIBERALA Chiba (September 2021 Opened)
Chiba, Chiba

These are the large stores we opened this fiscal year.
Oyama store and Moriokaminami store have a car maintenance shop equipped with latest equipments on the sites, which I will explain later.

Store Opening Policy and Outlook for Retail Unit Sales



Despite a net decrease in the number of stores due to the tightening of store closure criteria in 2019, retail unit sales increased. Increase in retail unit sales based on gradual acceleration of large store opening will lead profit growth and an increase in capital efficiency. Will maintain the trend of a net increase in retail unit sales.

I will summarize our store opening policy and outlook for retail unit sales.

The graph on the left-hand side shows the trend in the number of directly managed stores.
Looking back on the past, we reviewed and tightened our store opening and closing criteria in 2019, and the number of stores shows a net decrease of 59 in four years.
Meanwhile, as we see in the graph on the right-hand side, the retail unit sales at our directly managed stores increased by 22,000 units.

We will accelerate the opening of large stores in stages and push up retail unit sales.
Large stores with high productivity will drive both our profit growth and an increase in capital efficiency.

We plan to decide whether to keep existing stores or integrate them into large stores depending on the areas for opening large stores.
We think the overall retail unit sales continue to be on the trend of net increase.

Growth Strategies for Domestic Business in Growth Period

Development of large stores focusing on capital efficiency

Operate the business in the attractive used car market using the customer appeal of the Gulliver brand.

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Development of car maintenance shops with latest equipment

Aim to raise cost efficiency by acquiring repeat customers and shifting to in-house operation and operate with latest equipment in the extremely large car maintenance market.

Three management indicators important in implementing growth strategies

1. Increasing operating income
2. Increasing medium- to long-term free cash flow
3. Maximizing ROIC

I will describe the development of car maintenance shops, which is another element of our growth strategies.

Q

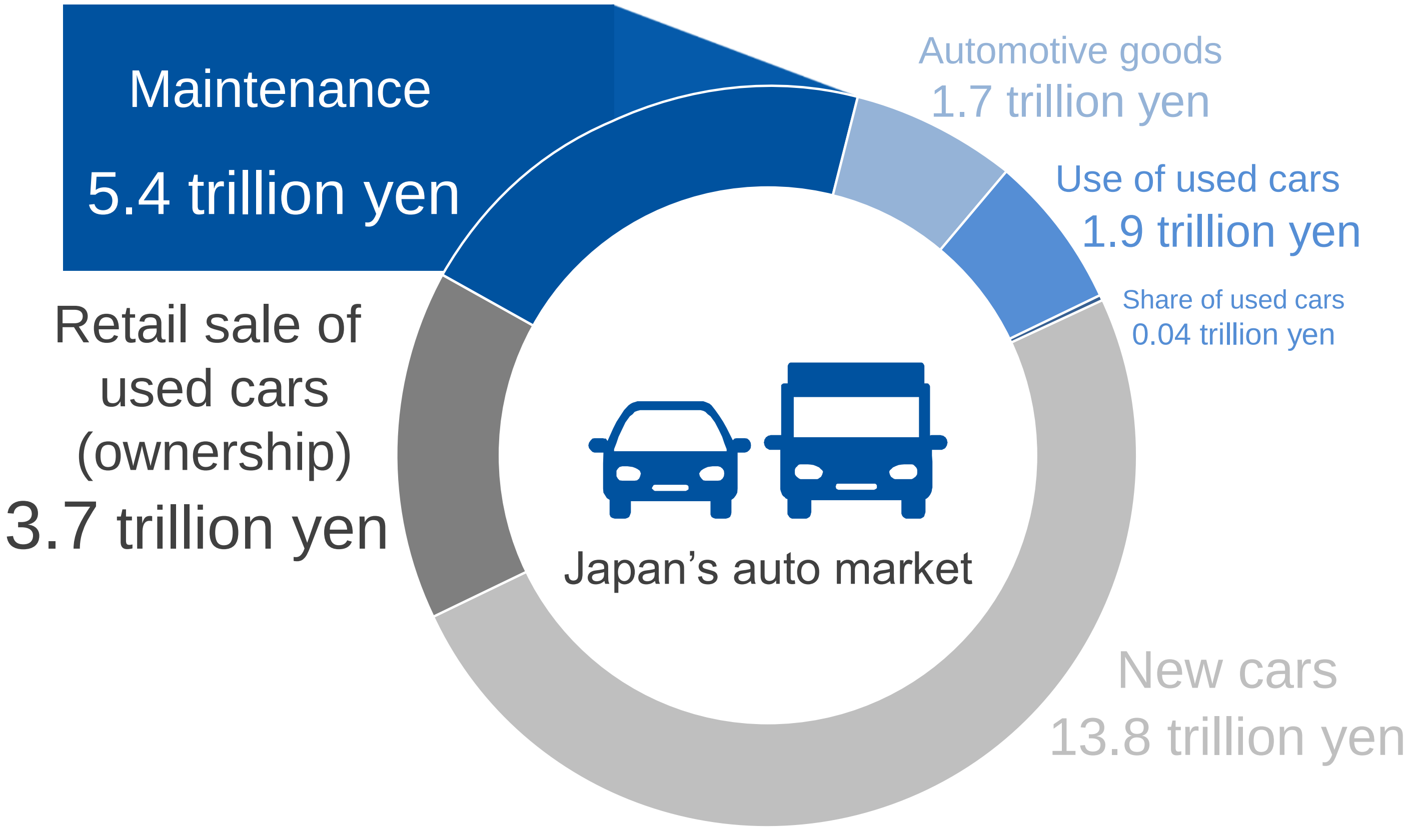
Why will IDOM begin investing in maintenance shops now?

A

There are four reasons.

Let me briefly explain again why we are developing maintenance shops.
There are four reasons.

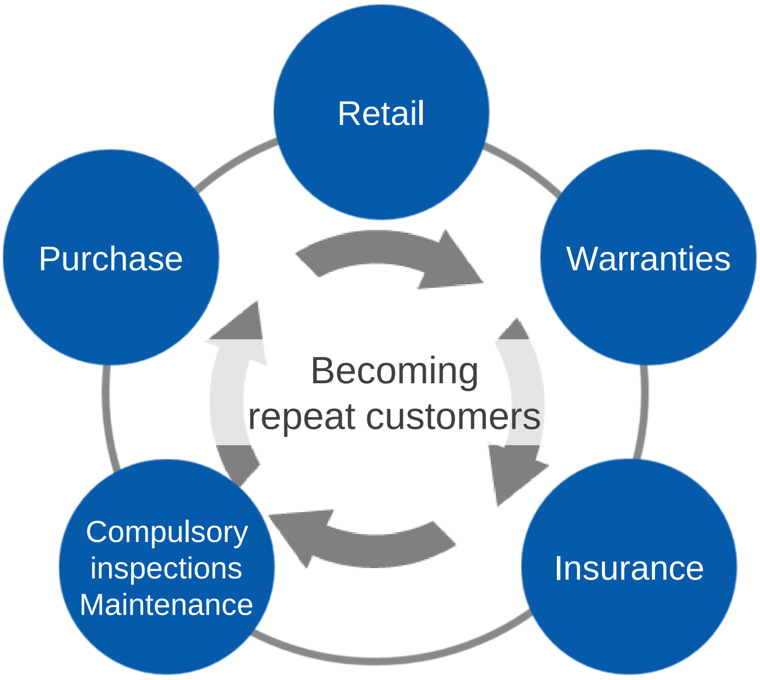
1. Size of Japan's Used Car Retail Market



New cars: Japan Automobile Dealers Association
Vehicles other than new cars: 2018 Overview of the Automobile Aftermarket of Yano Research Institute

First, the size of the automobile maintenance market in Japan is approximately 5.4 trillion yen. It is a very large market like the used car market.

Expand the cycle of transactions to increase repeat customers and retain them as lifetime customers



Next, we can connect the maintenance business to the retail used car business in a cycle of transactions.
We believe that we will gain repeat customers by increasing the points of contact with customers and will be able to maximize lifetime value by making these people lifetime customers of IDOM.

The enhancement of efficiency through in-house operations will accelerate as retail unit sales expand.

Retail unit sales
at directly managed stores
About 1 million units
(Cumulative total)

×

Outsourcing costs
(maintenance before car delivery + compulsory inspections)

Let's talk about the third reason.
In the past, we built an alliance group called a maintenance network with car maintenance shops across Japan and outsourced the maintenance work.

A significant increase in cost efficiency can be expected by shifting the pre-delivery maintenance and statutory safety inspections from outsourcing to in-house operations alone.
The cumulative total number of cars sold since our business foundation exceeds one million units. All of those customers can be potential customers of maintenance shops.

I will go into a little more detail about this later.

Opportunities for differentiation will be created through the introduction of the latest equipment*

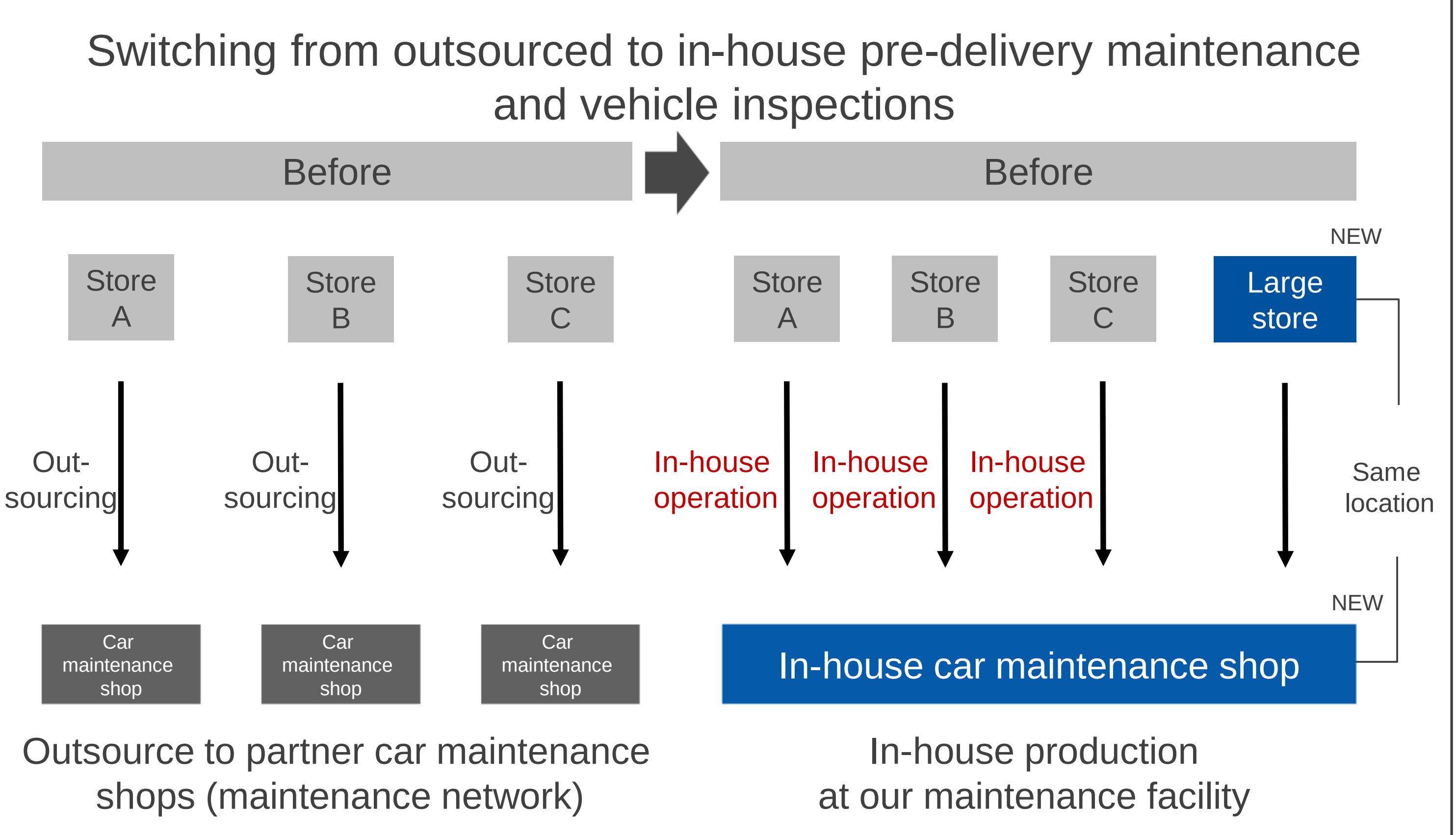
* The revised Road Vehicles Act came into force in April 2020. The enforcement of this act creates a need for maintenance shops able to perform the maintenance of electronic control devices and other maintenance, including the adjustment of sensors attached to advanced safety devices, as well as overhaul by removing engines and brakes, which had been performed. Maintenance shops where new investment is possible will be differentiated.

About the last reason.

A revision of the relevant law in last April requires more new investment in maintenance shops than before.

We believe that now is the time to invest in the latest equipment under the new law and start this new business.

In-house Production to Own Maintenance Facility



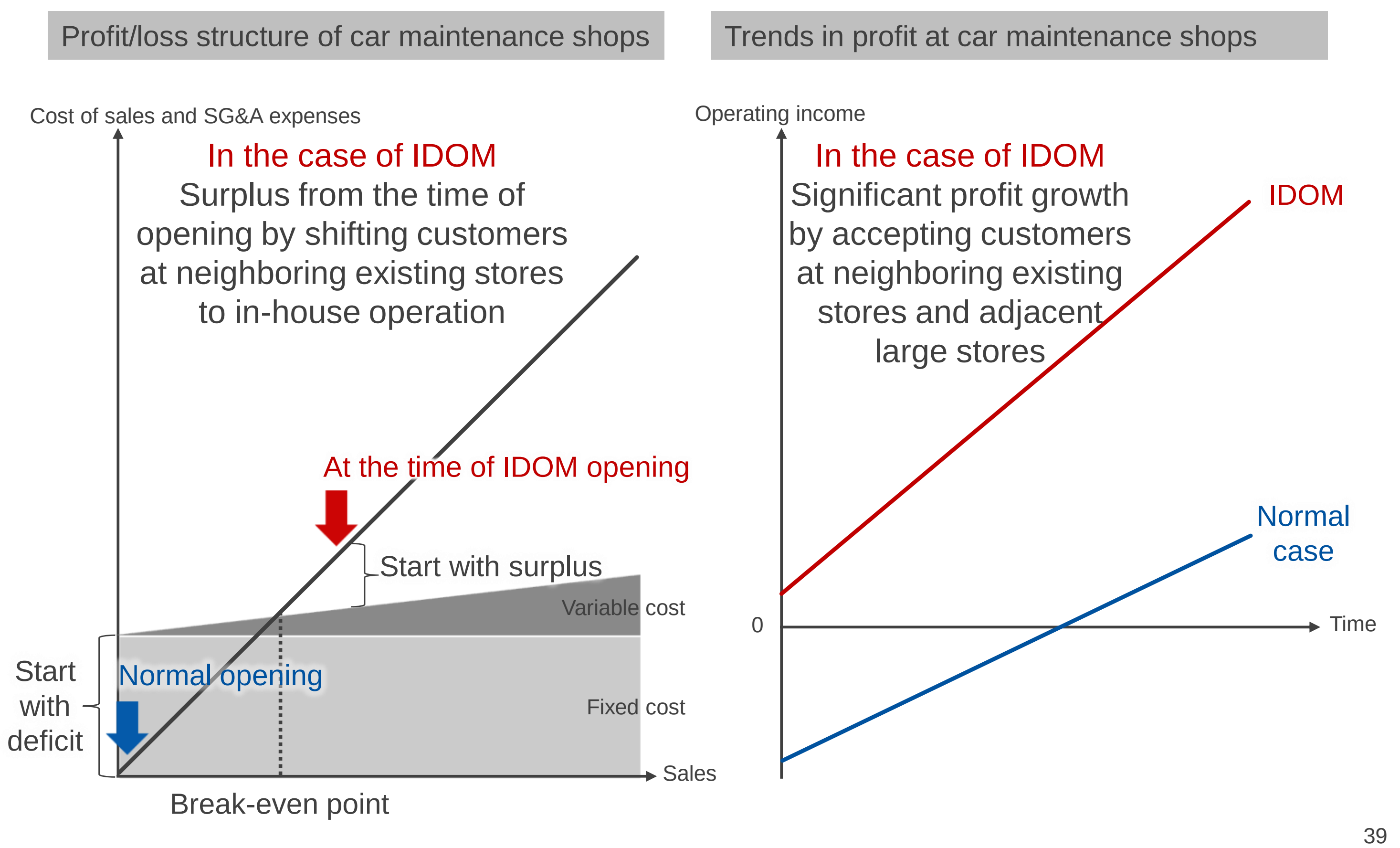
We will give you a few more details about the increase in efficiency through in-house operation, which was our third reason for developing maintenance shops.

As shown in the diagram on the left-hand side, we built an alliance group called a maintenance network with maintenance shops across Japan and outsourced pre-delivery maintenance and statutory safety inspections in the past.

Going forward, we will perform pre-delivery maintenance and safety inspections, which were previously outsourced, as part of our in-house operation by building our own maintenance shops, as you can see in the diagram on the right-hand side.

We are also certain that in-house operation will not only help reduce outsourcing expenses, but improve our customer service by reducing the lead time to vehicle delivery and the time needed for safety inspections.

Profit/Loss Structure of Car Maintenance Shops and Image of Profit Trend



These are comparisons of profit/loss structures and profit trends between general maintenance shops and our maintenance shops.

The graph on the left-hand side shows the profit-loss structure.
Because a maintenance shop typically opens when there are no sales, the business starts at a loss. Our maintenance shops, on the other hand, from the start receive many customers for pre-delivery maintenance and safety inspections from our nearby existing stores. Therefore, our maintenance shops can turn a profit from the time of their opening.

The graph on the right-hand side shows changes in profit over time. In general, securing enough customers is a big challenge when opening a maintenance shop. We will be able to significantly increase profit only by switching pre-delivery maintenance and safety inspections at nearby existing stores from outsourcing to in-house operation.

We also expect to be able to pull back our retail customers, who went to other companies for inspections and repairs because we did not have maintenance shops.
Therefore, our maintenance shops will be a low-risk investment.

Operating Kanto Shohinka (commercialization) Center since 2011, the designated shop* for pre-delivery maintenance for Kanto suburban stores.

- Have expertise in operating car maintenance shops
- Have a place for mechanic development

Kanto Shohinka (commercialization) Center, Noda, Chiba Pref.

* Shops designated by the director of the District Transport Bureau after meeting all of the required conditions such as having facilities for statutory safety inspections and automobile inspectors qualified to perform inspections, in addition to maintenance facilities above certain standards. These are generally called private-sector statutory safety inspection shops, which are able to perform everything from inspections and maintenance to statutory safety inspections.

We have received some questions about the development of maintenance shops from our investors, so please let me explain this to you.

The first question is whether we will be able to readily get the operation of maintenance shops on track without prior experience. The second question is whether we will be able to train mechanics.

We have been operating Kanto Shohinka (commercialization) Center in Noda, Chiba Prefecture, since 2011 for pre-delivery maintenance of retail vehicles in the Kanto area.
It is a designated pre-delivery maintenance shop, meaning it meets all conditions to be a car maintenance shop.

We have accumulated enough know-how of maintenance shop operation through more than a decade of the commercialization center operation.

We are also developing many mechanics at this maintenance shop.

Features and Outline of Maintenance Shops

Features

(i)	Equipped with the latest equipment
(ii)	Added to Gulliver stores
(iii)	Sophisticated shop design
(iv)	Sufficient waiting space for vehicle inspections
(v)	Some areas have sheet metal plant


Outline

Work item	Compulsory inspections, maintenance before car delivery
Capital expenditure	About 200 million yen (approx. 400 million yen if a sheet metal plant is attached)
Payback period	About three years (cash flow after tax, recovery of capital investment)
Store opening plan	The opening of ten shops is planned, including shops added to existing facilities.

This slide shows the features and outline of the maintenance shop.

Capital expenditure is approximately 200 million yen. As in the case of large stores, we will operate the business on the assumption of an investment recovery in three years.
We will attach maintenance shops to our large-scale stores.
In some areas, we will attach a sheet metal plant. While the investment in a sheet metal plant, combined with a maintenance shop, will be approximately 400 million yen, the investment recovery period will still be approximately three years.

Plan for Opening Car Maintenance Shops

Opening of 10 shops is steadily in line with the plan.

1	Ube car maintenance shop	Opened in Aug. 2021
2	Oyama car maintenance shop	Opened in Sep. 2021
3	Nakatsu car maintenance shop	Opened in Sep. 2021
4	Sapporo Kiyota car maintenance shop	Opened in Sep. 2021
5	Morioka Minami car maintenance shop	Opened in Oct. 2021
6	Wakayama Bypass car maintenance shop	Opened in Oct. 2021
7	Himeji car maintenance shop	Scheduled to open in Nov. 2021
8	Miyazaki Minami car maintenance shop	Scheduled to open in Jan. 2022
9	Preparing for opening	TBD
10	Preparing for opening	TBD

Eight shops are scheduled to open in the current fiscal year.

We are planning to open 10 shops for now.
We will make decisions on expansion while assessing the capital efficiency and other results.

We plan to open eight shops, including six that are already open, during the current fiscal year.
In addition, we have already recruited and trained enough mechanics to operate 10 shops.

Newly Opened Maintenance Shop

Ube car maintenance shop
(August 2021 Opened)
Ube, Yamaguchi

Oyama car maintenance shop
(September 2021 Opened)
Oyama, Tochigi

Sapporo Kiyota car maintenance shop
(September 2021 Opened)
Sapporo, Hokkaido

Nakatsu car maintenance shop
(September 2021 Opened)
Nakatsu, Oita

These are shops that opened in the current fiscal year.

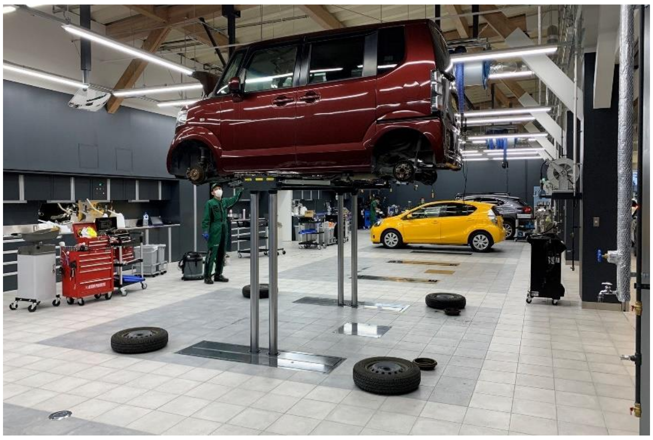
Newly Opened Maintenance Shop

Gulliver

Morioka Minami car maintenance shop
(October 2021 Opened)
Morioka, Iwate

Wakayama Bypass car maintenance shop
(October 2021 Opened)
Wakayama, Wakayama

Car Maintenance Shops with the Latest Equipment



These are pictures of maintenance shops in operation.

We embedded the storage to prevent tools and other materials from being scattered around and placed doors to make it flat.
The simple design with gray and white colors gives a clean impression.
We have standardized the maintenance process by introducing the latest equipment.

This work environment works positively when we hire mechanics.

Growth Strategies for Domestic Business in Growth Period

Development of large stores focusing on capital efficiency

Operate the business in the attractive used car market using the customer appeal of the Gulliver brand.

×

Development of car maintenance shops with the latest equipment

Aim to raise cost efficiency by acquiring repeat customers and shifting to in-house operation and operate with latest equipment in the extremely large car maintenance market.

Three management indicators important in implementing growth strategies

1. Increasing operating income
2. Increasing medium- to long-term free cash flow
3. Maximizing ROIC

I will move on to explain the three management indicators that we focus on in the implementation of our growth strategies.

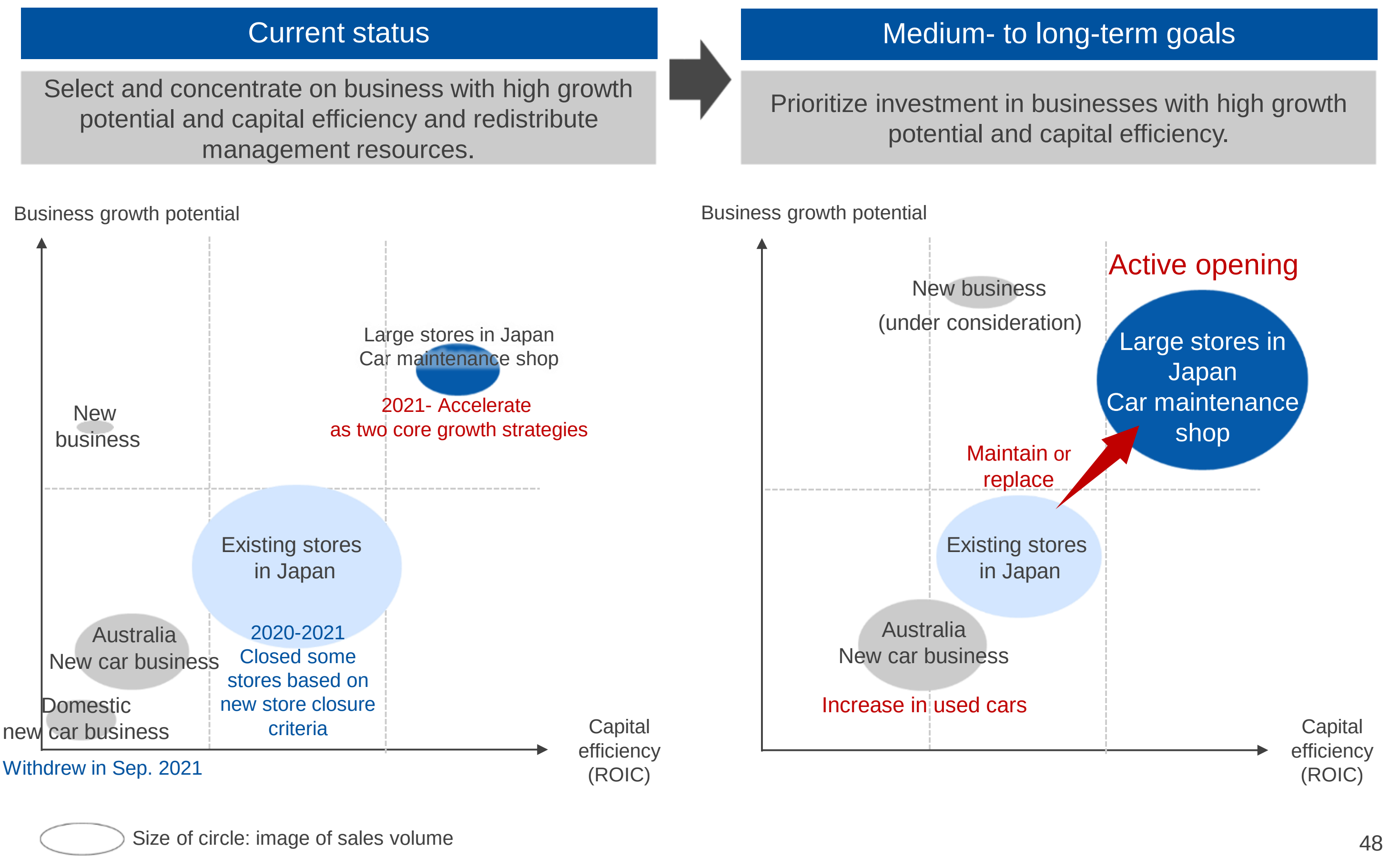
Management Indicators Emphasized by IDOM

1	Operating Income	Steadily increase operating income
2	Free Cash Flow	Grow in the medium to long term while clearly recognizing the investment phase and recovery phase.
3	ROIC	Aim at 10% for the time being while paying attention to capital cost.

The first is operating income. We will ensure a steady increase in operating income.
The second is free cash flow. We will grow free cash flow over the medium to long term while clearly recognizing the investment phase, in which we accelerate the opening of large stores, and the recovery phase.
The last one is return on invested capital. we will aim for ROIC of 10% for now while paying attention to the cost of capital.

We focus on these three indicators in the execution of our growth strategies based on the operation of large stores and maintenance shops.

Medium- to Long-term Target for Business Portfolio



Finally, I will talk about the business portfolio that we will aim to create in the medium to long term.

As you can see in the diagram on the left-hand side, over the past several years we have been selecting and concentrating on businesses with high growth potential and capital efficiency based on the focal management indicators and redistributing our management resources.
As one of these management decisions, we sold our shares in Motoren Glanz Co., Ltd. and Motoren Global Co., Ltd., which are new BMW and MINI dealers, and withdrew from the domestic new car business.

The diagram on the right-hand side shows our medium- to long-term goals.
Starting the current fiscal year, we will develop large stores and maintenance shops as the core of our growth strategies and will intensively invest in those businesses.
We will execute our growth strategies while focusing on the three indicators, including operating income, free cash flow, and ROIC, and work to maximize our shareholder value.

We appreciate your continued support.