Posting a record profit

Consolidated	FY 2021 Mar - May	FY 2022 Mar – May		
	Results	Results	Change	Y/Y
Operating income	-0.15billion yen	5.08billion yen	5.23billion yen	-
Ordinary income	-0.55billion yen	4.91billion yen	5.46billion yen	-
Profit attributable to owners of parent	-0.91billion yen	2.75billion yen	3.66billion yen	-

The Company recorded losses in the previous fiscal year due to a significant fall in the number of visitors to stores because of the COVID-19 pandemic. In the current fiscal year, profits increased significantly with a rise in retail unit sales at directly managed stores in Japan and an increase in new car sales at the Australian subsidiary, since the impact of COVID-19 there was minor. The Company posted a record profit for the first quarter.

Good afternoon. My name is Ryo Nishihata, and I am the CFO of IDOM Inc.
Please let me explain the results for the first quarter of the fiscal year ending February 28, 2020.
I will start with a year-on-year comparison.
Operating income, ordinary income and profit all improved significantly, resulting in a record profit for the first quarter, compared to the same period of the previous year when the Company posted losses due to the impact of state-of-emergency declarations amid the COVID-19 pandemic.

Factors for an Increase in Consolidated Operating Income for FY2022 Q1

		Result for Q1 (vs. previous fiscal year)	Factors for an Increase
1	Retail unit sales of directly managed stores	⬆	• Recovery of the used car market in Japan • Contribution by large stores that newly opened in the previous fiscal year • Effective placement of ongoing advertisements
2	Gross profit per unit	⬆	• Recovery of gross margins per unit, which had declined due to the COVID-19 pandemic in the previous fiscal year
3	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
4	Exchange rate	⬆	• The Australia segment profit rose approximately 0.2 billion yen based on the previous fiscal year's exchange rates, reflecting a weakening of the yen in the foreign exchange market.

Non-consolidates results reflected strong performances of existing stores, including large stores.
Operating income: Loss of 0.45 billion yen in Q1 of the previous fiscal year → Profit of 3.27 billion yen for Q1 of the fiscal year under review.
The Austria segment results reflected the growth of new car sales, as well as continued strong sales of used cars.
Operating income: Profit of 0.17 billion yen in Q1 of the previous fiscal year → Profit of 1.16 billion yen for Q1 of the fiscal year under review (an increase in profit even without the impact of exchange rates)

We continued to work on reaching potential customers via the Internet and improving inventory control, the challenges I described in the April presentation.
Sales were strong at the new large stores that we opened in the previous fiscal year. We also made investments in renovating some existing stores. Given the recovery in the used car market as well, the number of retail unit sales at all directly managed stores, including existing stores as well as large stores, increased 12%. Gross profit per unit also recovered.

In the Australia business, sales of both new cars and used cars remained strong.
Further, with the yen remaining at least 20% weaker against the Australian dollar, yen-based valuations improved about 200 million yen. As a result, we achieved record highs at each profit level.

Posting of Extraordinary Losses

A total of 0.85 billion yen including the expensed undepreciated balance of non-current assets at the current head office and restoration costs was posted as head office relocation expenses in extraordinary losses.

A resolution on the head office relocation was passed at the Board of Directors meeting on July 14.

Current Office

Tokyo Building 24F, 25F
2-7-3 Marunouchi
Chiyoda-ku, Tokyo

→

New Office From February 2022 (planned)

JP Tower 26F 2-7-2 Marunouchi
Chiyoda-ku, Tokyo

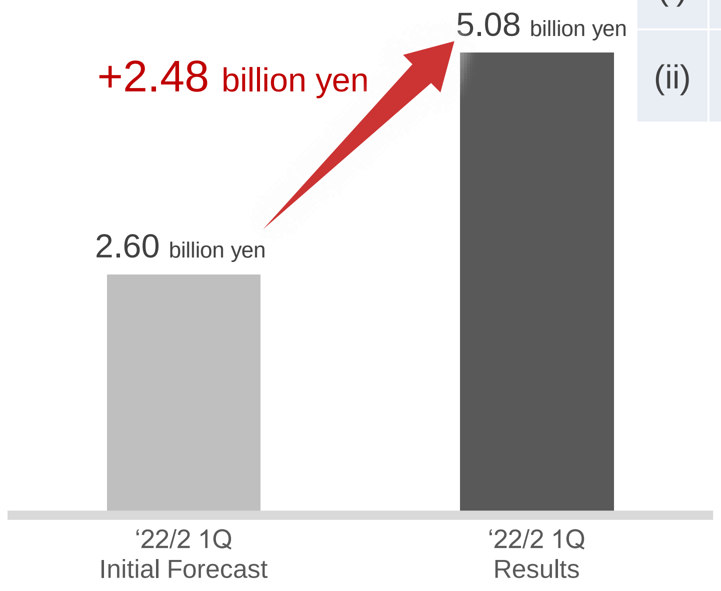
Satellite Office From July 2021

Hibiya Park Front 18F, 2-1-6
Uchisaiwaicho Chiyoda-ku, Tokyo

We posted an extraordinary loss of 850 million yen for the first quarter in association with the head office relocation.
I will describe the background and purpose of the head office relocation in the last slide.

Initial Forecast and Results of Consolidated Operating Income for FY2022 Q1

Consolidated operating income



Difference factors between
initial forecast and results

(i)	Non-consolidated	Increase in retail unit sales
(ii)	Australian subsidary	-Increase in new car sales -Yen depreciation progresses

We projected consolidated operating income of 2.6 billion yen for the first quarter in the initial forecast. The result was 5.1 billion yen, exceeding the initial forecast of 2.6 billion yen by 2.5 billion yen.

Difference Factors of Consolidated Operating Income for FY2022 Q1

(i)Non-consolidated

		Result for Q1 (vs. Forecast)	Factors different from the initial forecast
1	Retail unit sales	⬆	Increased with a stronger-than-expected revitalization of the used car market and a higher-than-expected increase in the number of visitors to existing stores, including large stores
2	Retail gross profit	➡	The result was as expected
3	SG&A expenses	➡	The result was as expected (Advertising expenses decreased due to more efficient online marketing)

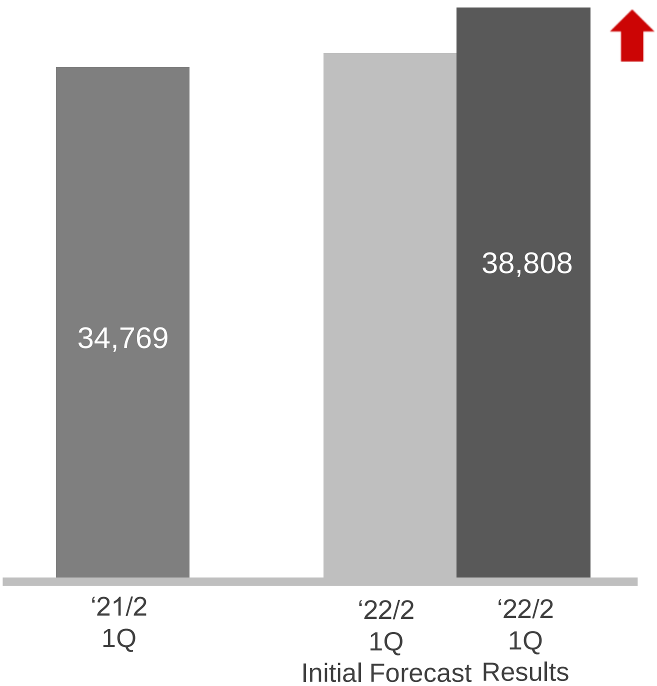
Although retail unit sales had also been expected to increase year on year in the initial forecast, they increased more than expected due to an unexpectedly robust increase in the number of visitors to large stores mainly, including existing stores in addition to a stronger-than-expected revitalization of the used car market. The effect of advertising also contributed to an increase in the number of customers visiting large stores.

The arrows show the trends in respective factors in the non-consolidated sales.
The number of retail unit sales was more robust than expected. I will explain it in the next slide.
Retail gross profit was as expected.
SG&A expenses were also in line with expectations, showing efficient cost management.

Factors for Increasing Retail Unit Sales

Retail unit sales

(Unit: Unit)



Number of customers visiting stores, including existing stores, increased more than expected, mainly at large stores.

- Stronger-than-expected revitalization of the used car market
- Effective advertising has been successful.

Although the used car market had been expected to remain flat compared with the trend in the previous second half, it was more robust than expected. Refined and effective use of advertising was successful. The number of customers visiting our stores, especially large stores, increased more than expected.

The number of retail unit sales at directly managed stores increased from 34,800 to 38,800, a rise of 4,000 units.
This was due to a significant rise in the number of visitors to stores, large stores in particular, against the backdrop of the revitalization of the used car market and the success of advertising.

Difference Factors of Consolidated Operating Income for FY2022 Q1

(ii)Australian subsidary

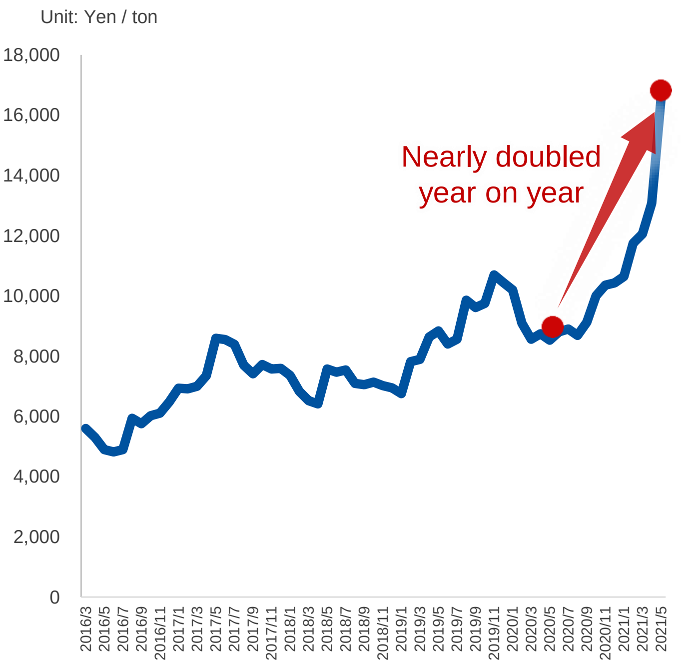
		Result for Q1 (vs. Forecast)	Factors different from the initial forecast
1	Sales of new cars	↑	Increased more than expected on the back of the strong new car market in Western Australia attributable to a rise in iron ore prices
2	Sales of used cars	→	The result was as expected. (The robust performance 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 0.2 billion yen as the yen was weaker against the Australian dollar that originally expected.

The new car market in Western Australia was more robust than initially expected due to a rise in iron ore prices, and as a result, new car sales increased more significantly than expected. The weak exchange rate of the yen against the Australian dollar was also a factor to increase profits at the Australian subsidiary.

Used car sales and SG&A expenses were as expected in the Australia business as well, indicating solid business development there.
In addition, sales of new cars rose more than projected, reflecting brisk business conditions due to a surge in iron ore prices. In terms of exchange rates, the yen continued to weaken.
Consequently, operating income exceeded the plan in the Australia business as well.

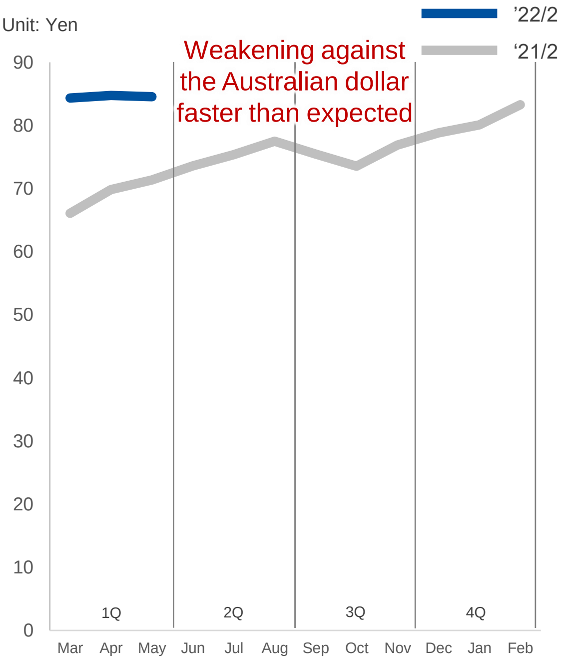
Iron ore prices and yen depreciation

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 (month-end TTM)

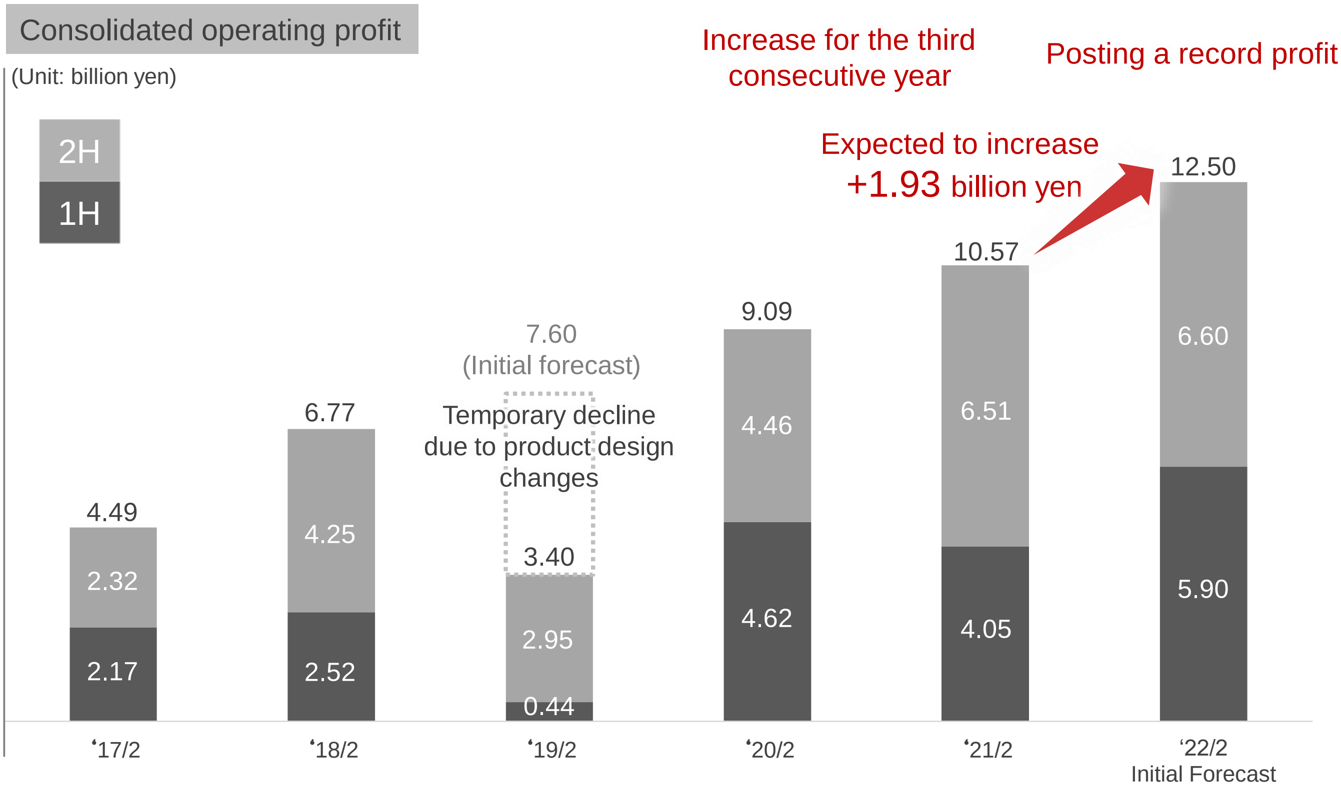


Prepared by the Company based on Today's Exchange Rates of MUFG Bank

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.

The slide shows trends in iron ore prices and exchange rates.

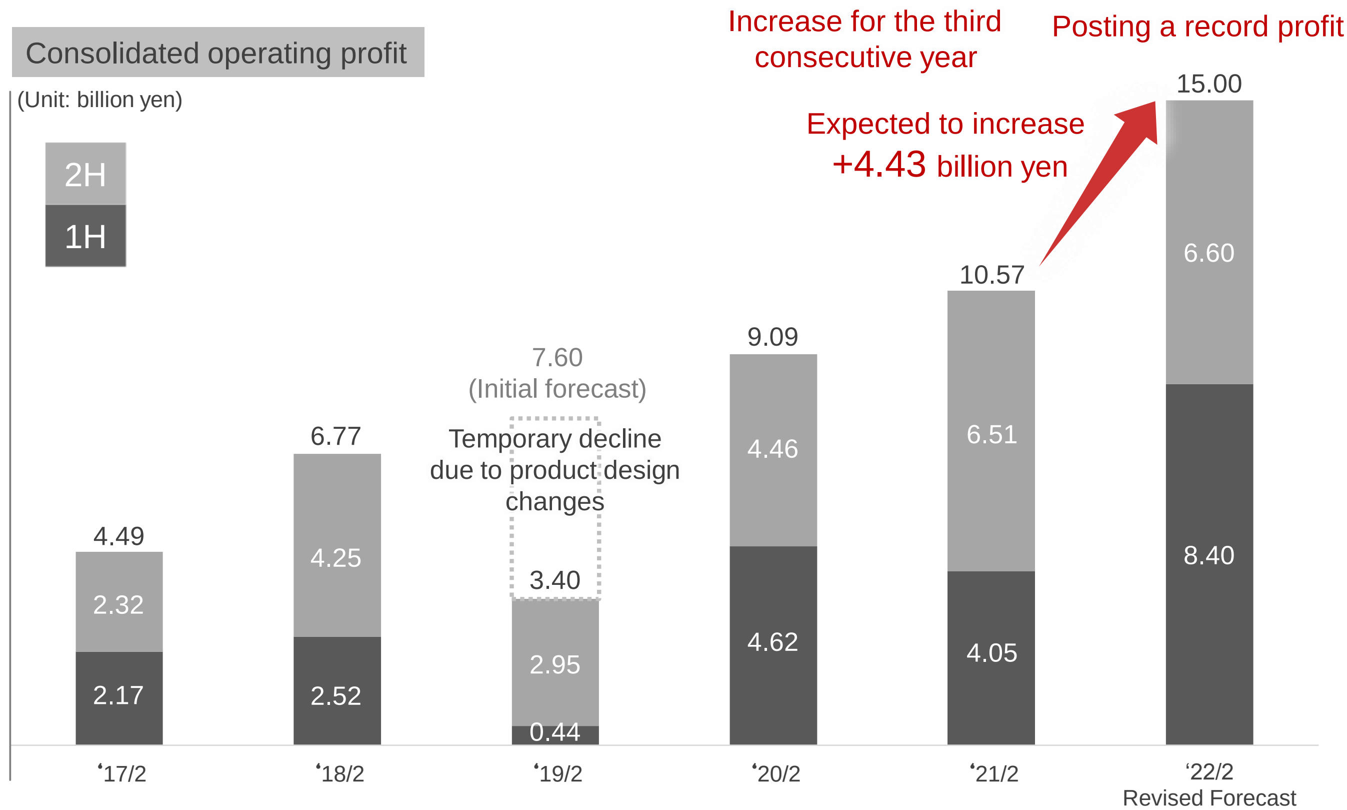
Initial Forecasts for Full-Year Results(Public announcement on April 14, 2021)



Consolidated operating profit is expected to rise to a new record of 11.1 billion yen, rising 1.9 billion yen year on year for the third straight year of increase.

The slide shows trends in operating income based on the initial forecast announced in April of this year.

Revised Forecasts for Full-Year Results(Public announcement on July 14, 2021)



The forecast for consolidated operating profit has been revised upward from 12.5 billion yen to 15.0 billion yen in light of results for Q1. A new record of 11.1 billion yen is expected, with an increase 4.4 billion yen year on year.

We have made a 2.5 billion yen upward revision to the full-year operating income forecast and expect to achieve 15.0 billion yen, given the amount by which we exceeded the initial forecast in the first quarter.
Based on the revision, we are very confident that operating income will continue to rise for the third straight year and exceed 11.1 billion yen, the existing record high achieved in the fiscal year ended February 28, 2007.

Revised Forecasts for Full-Year Results

Consolidated	Initial Forecast	Revised Forecast	Difference from Initial Forecast	Ratio with Initial Forecast
Operating Income	12.5billion yen	15.0billion yen	2.5billion yen	20.0%
Ordinary Income	11.4billion yen	13.9billion yen	2.5billion yen	21.9%
Profit attributable to owners of parent	5.8billion yen	7.1billion yen	1.3billion yen	22.4%

The forecast for consolidated operating income has been revised upward from 12.5 billion yen to 15.0 billion yen in light of results for Q1.
In terms of the situation of the domestic used car market and the Australian new car market, assumptions for the initial forecast are unchanged.
With respect to the exchange rate, because the Company expects that the impact of weak yen against the Australian dollar compared with the previous fiscal year will diminish going forward, initial assumptions remain unchanged. The forecast for consolidated operating income after Q2 is left unchanged. The forecast for extraordinary losses has been revised from 1.0 billion yen in the initial forecast to 1.5 billion yen in light of the posting of extraordinary losses in Q1.

I will now explain revisions to results forecasts.

The slide provides an overview of revisions to full-year results forecasts. We expect that the domestic used car market and Australian new car market will record the growth initially expected in the second quarter and beyond. We also assume that the foreign exchange situation will be as initially expected. An extraordinary loss, which affects profit for the current fiscal year, is now projected to be 1.5 billion yen, including an extraordinary loss on head office relocation, instead of the initially expected 1.0 billion yen.

Revised Forecasts for Half-Year Results

Consolidated	Initial Forecast	Revised Forecast	Difference from Initial Forecast	Ratio with Initial Forecast
Operating Income	5.9billion yen	8.4billion yen	2.5billion yen	42.4%
Ordinary Income	5.3billion yen	7.8billion yen	2.5billion yen	46.7%
Profit attributable to owners of parent	2.7billion yen	3.9billion yen	1.2billion yen	44.4%

The forecast for consolidated operating income in H1 has been revised upward from 5.9 billion yen to 8.4 billion yen in light of results for Q1. The revised forecast for extraordinary losses for H1 from 0.5 billion yen to 1.0 billion yen has been incorporated.

The slide shows revisions to the results forecasts for the first six months.

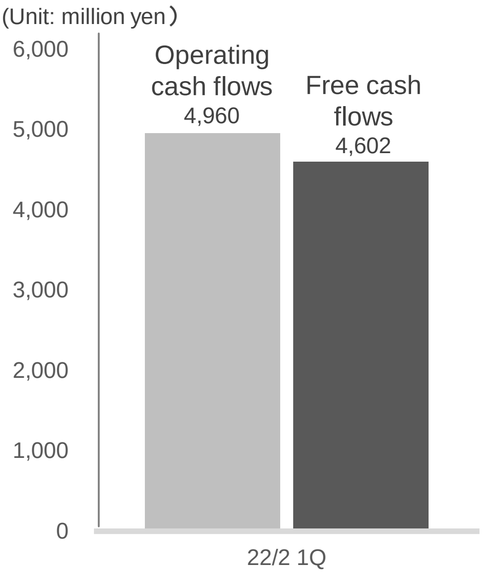
Cash Flow and Inventory Status

Forecast of FCF in FY ending February 2022

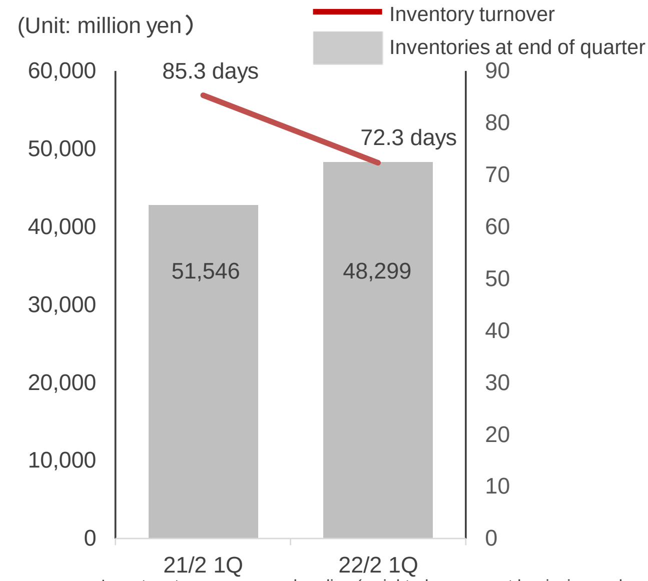
- Consolidated operating income is expected to increase to 15.0 billion yen in the full year.
- Inventory control in response to sales demand will continue to be implemented.
- Opening of large stores and maintenance shops will be advanced after Q2.

Increase is expected

1Q 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

*The consolidated statement of cash flows was not disclosed in Q1 and Q3, but it will be disclosed voluntarily only in presentation materials from Q1 under review.

Next, I would like to touch on two topics.
First, the status of cash flows that we consider as one of our key management indicators.
In the first quarter, cash provided by operating activities amounted to 5.0 billion yen.
Cash used for investments was 0.4 billion yen. As a result, we recorded positive free cash flow of 4.6 billion yen.
We reduced inventories in the same period the previous year as part of the measures we took in response to COVID-19, but subsequently increased them gradually to the usual level starting from the second quarter of the previous year.
Thanks to efforts to strengthen inventory management despite strong sales, inventories at the end of the first quarter stood at 48.3 billion yen and inventory turnover improved significantly from the year-ago level, to 72 days.
We expect that cash provided by operating activities will further increase on a full-year basis, reflecting the upward revision in operating income and the continuing implementation of inventory management.

We will invest in the opening of large stores and maintenance shops in the second quarter and beyond. With these investments made within the scope of operating cash flow, we expect that free cash flow will remain positive.

Purpose of Head Office Relocation

Positioning the head office as a place for decision-making, shifting to a policy of using satellite offices and telework for daily communication and operations

As a result, rents and common service expenses are expected to decrease about 0.5 billion yen (the next fiscal year ending February 2023)

Measures that had been promoted before Corona

-Promote online communication
-Actively introduce efficient work styles through IT investment

The situation of Corona's disaster for about one year

-At the head office, mainly worked from home
-Utilization of IT tools and efficient work procedures have become established

Promote new work styles

New Office From February 2022 (planned)

JP Tower 26F 2-7-2 Marunouchi Chiyoda-ku, Tokyo

Satellite office From July 2021

Wework Hibiya Park Front 18F, 2-1-6 Uchisaiwaicho Chiyoda-ku, Tokyo

Working from home, etc.

Remote work

Finally, please let me explain the head office relocation.
We have been promoting online communication and actively introducing efficient work styles through investment in IT.
Employees assigned to head office worked mainly using teleworking to prevent COVID-19 infections. In doing so, we confirmed that employees can work on their assignments without problem.
Based on this experience, we have decided to change work styles significantly, so that the new head office is positioned as a place for decision-making, satellite offices are used for discussion, and ordinary work is undertaken remotely through teleworking.
Although these measures meant that we posted an extraordinary loss, we expect that rents and common service expenses will decrease about 500 million yen annually from the next fiscal year.

This concludes my presentation of the results for the first quarter.
While external factors made a positive contribution, I believe that the

measures we took are steadily producing results. We are determined to achieve the results forecasts, and appreciate your continued support. Thank you for your attention.