

Q2 FY2024

First Half Results for Fiscal Year Ending February 29, 2024

October 16th, 2023

TSE Prime 7599

IDOM Inc.



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

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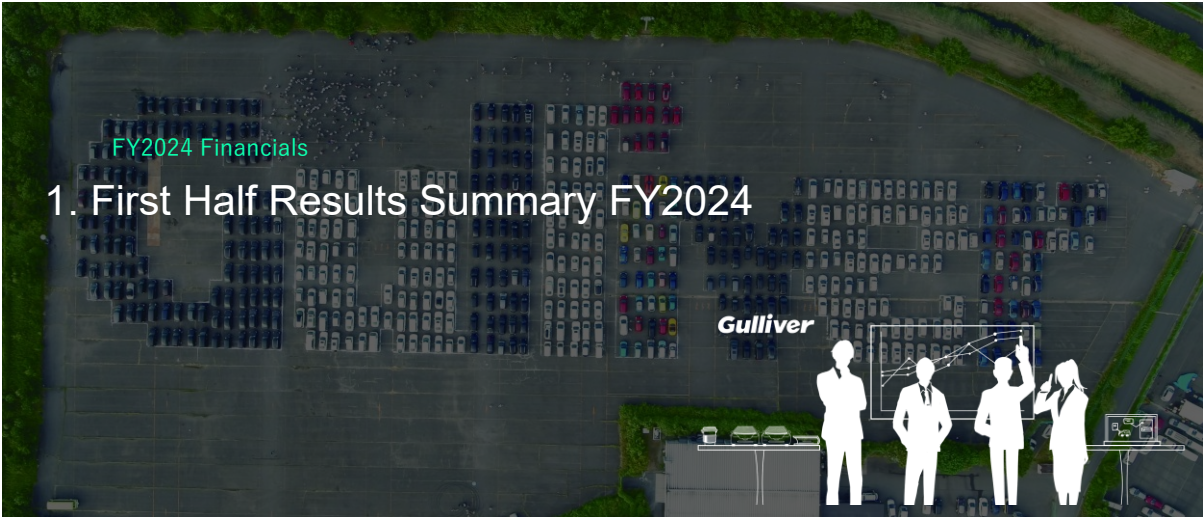
Gulliver

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I will review the first half results for the fiscal year ending February 29, 2024, and financial forecasts.

FY2024 Financials

1. First Half Results Summary FY2024



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First Half FY2024 Results Highlights



Financials Gross profit per retail unit recovered

Gross profit per retail unit 2024 Q1 **330,000 yen** ⇒ 2024 Q2 **450,000 yen**

- The Company improved gross profit per retail unit to 450,000 yen in the second quarter, up from 330,000 yen in the first quarter, by curbing excessive discounts.

Financials Record retail unit sales for the first half

Retail unit sales **73,777 units**
+5.1% YoY

- Retail unit sales at directly managed stores hit a record high for the first half.

Store openings in the second half revised upward

The number of store openings **10 stores** ⇒ **11 stores**

- The planned number of store openings in the second half was revised up to 11 from 10.

Let's start by taking a look at Slide 4.

Let me highlight three key points in the results for the first half.

First, non-consolidated gross profit per unit rose from 330,000 yen in the first quarter to 450,000 yen in the second quarter. In the first half, gross profit per unit stood at 380,000 yen, approaching 400,000 yen, the assumption for creating the full-year forecast.

Next, retail unit sales remained strong.

Retail unit sales were 73,777, a record high for first half sales.

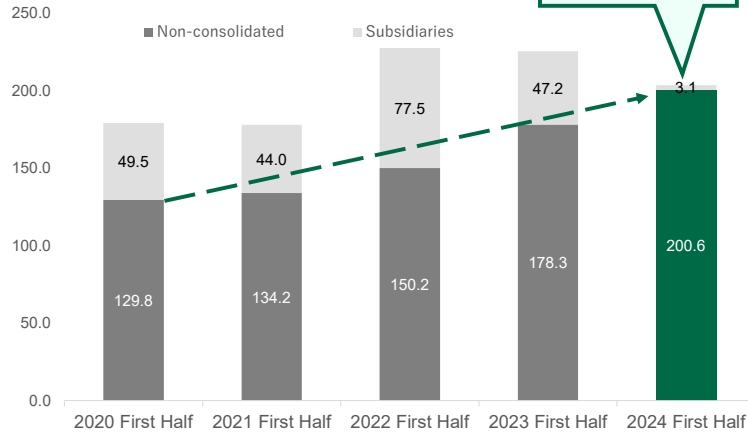
The third point is store openings. The initial plan for the fiscal year under review said that the Company will open ten large stores in the second half. We now plan to open eleven stores in the second half.

Consolidated

First Half FY2024 Trend in Net Sales

Gulliver

(billion yen)



- Non-consolidated net sales **increased for four consecutive year.**
- Consolidated net sales was 203.7 billion yen due to the sale of Australian business.

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* Numerical values in graphs and tables are rounded to the nearest unit and percentage figures are rounded to the nearest unit after calculation in units of million yen.
* 2024 indicates the fiscal year ending February 29, 2024.

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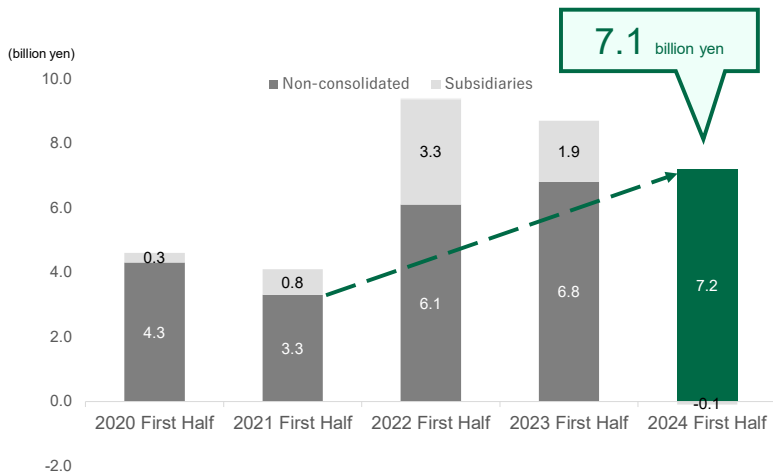
This slide shows the trend in net sales for both consolidated and non-consolidated figures.

Net sales for non-consolidated data showed steady growth. On the other hand, the sale of Australian businesses in the previous year had an impact on the net sales of the consolidated figures.

Consolidated

First Half FY2024 Trend in Operating Profit

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- Non-consolidated operating profit **increased for three consecutive year.**
- Consolidated operating profit was 7.1 billion yen due to the sale of Australian business.
- Given the sale of the Australian business, there was very little difference between consolidated profit and non-consolidated profit.

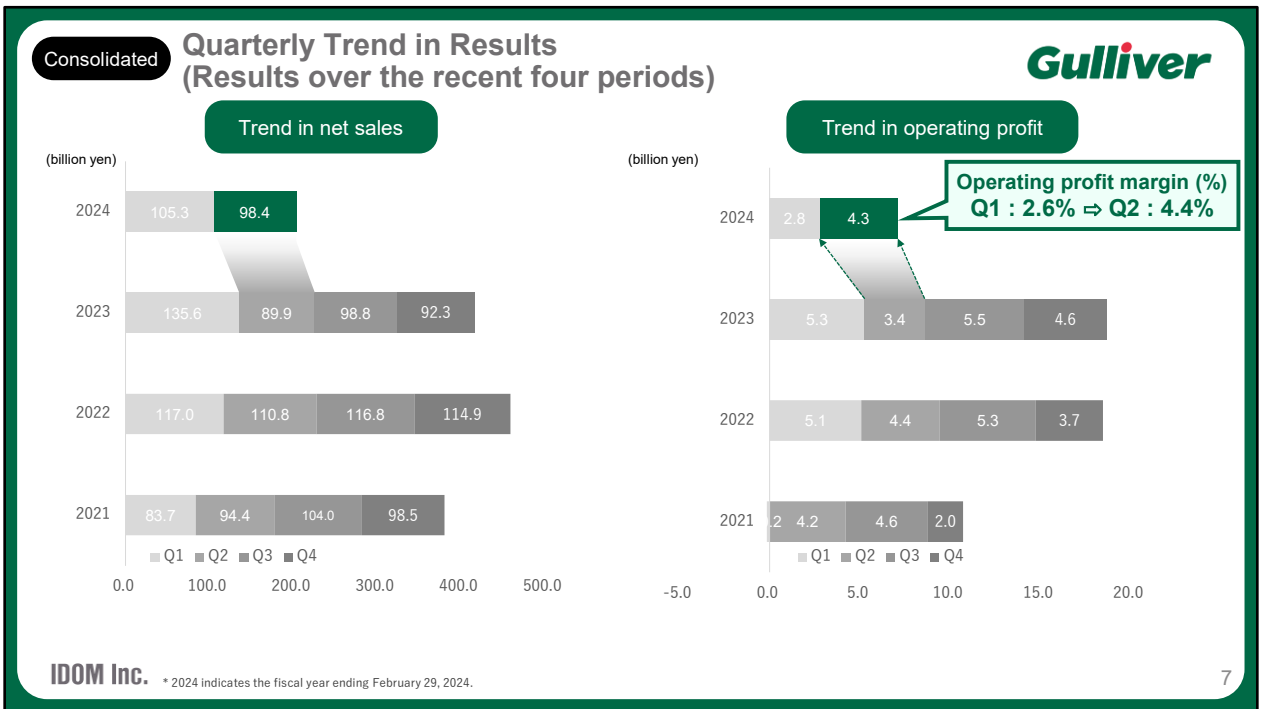
IDOM Inc. * 2024 indicates the fiscal year ending February 29, 2024.

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This slide shows the trend in operating profit.

Like net sales, consolidated operating profit was affected by the sale of the Australia business. Non-consolidated operating profit rose for the third consecutive fiscal year.

Following the sale of the Australia business, there has been little difference between consolidated operating profit and non-consolidated operating profit.



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

Consolidated operating profit in the second quarter was 4.3 billion yen. . This is more than operating profit in the first quarter, which was 2.8 billion yen, and operating profit in the second quarter of the previous fiscal year, which was 3.4 billion yen.

Operating profit margin increased about 2 percentage points, from 2.6% in the first quarter to 4.4%.

Consolidated First Half FY2024 Results (Year-on-Year)



(billion yen)	Previous Fiscal Year FY2023 First Half	Fiscal Year Under Review FY2024 First Half	YoY changes Percent change
Net sales	225.5	203.7	-21.8 -9.7%
Operating profit	8.6	7.1	-1.5
Operating profit margin (%)	3.8%	3.5%	-17.6%
Ordinary profit	8.3	6.9	-1.4
Ordinary profit margin (%)	3.7%	3.4%	-16.4%
Profit attributable to owners of parent	7.5	4.8	-2.7
Profit margin (%)	3.3%	2.4%	-35.8%

- Profit at all levels decreased year on year due to the sale of Australian business.
- Profit attributable to owners of parent in the previous fiscal year reflects tax effects recognized in connection with the transfer of shares in the Australia business.
- The tax burden for the current period is at the normal level.

IDOM Inc. * 2024 indicates the fiscal year ending February 29, 2024.

This slide compares consolidated first half results with the same period last year.

In the first half of the previous fiscal year, sales and profit in the Australia business were included for three months, and both sales and profit declined from a year ago.

Non-Consolidated

First Half FY2024 Results (Year-on-Year)



(billion yen)	Previous Fiscal Year FY2023 First Half	Fiscal Year Under Review FY2024 First Half	YoY changes Percent change
Net sales	178.3	200.6	+22.3 +12.5%
Operating profit	6.8	7.2	+0.5
Operating profit margin (%)	3.8%	3.6%	+6.9%
Ordinary profit	6.6	7.0	+0.5
Ordinary profit margin (%)	3.7%	3.5%	+6.9%
Profit attributable to owners of parent	8.6	4.9	-3.7
Profit margin (%)	4.8%	2.4%	-43.2%

- Net sales, operating profit and ordinary profit **increased.**
- Profit attributable to owners of parent fell from a year ago, reflecting the absence of extraordinary income from the transfer of shares of Australian subsidiaries in the previous fiscal year.

IDOM Inc. * 2024 indicates the fiscal year ending February 29, 2024.

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This slide compares non-consolidated first-half results with the same period last year.

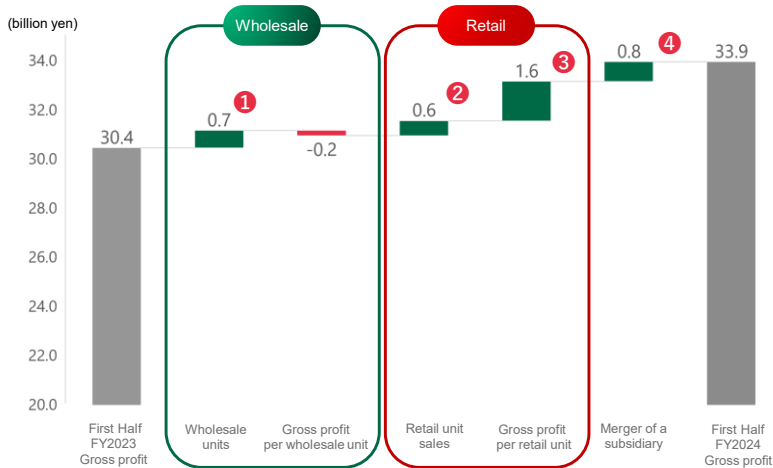
Net sales reached 200.6 billion yen, marking a yearly increase of 22.3 billion yen. Operating profit was 7.2 billion yen, and ordinary profit was 7.0 billion yen. Both increased by 7%.

Profit attributable to owners of parent decreased from a year ago, reflecting extraordinary income and tax relief related to the sale of the Australia business in the previous fiscal year.

Non-Consolidated

First Half FY2024 Analysis of Factors in YoY Change in Gross Profit

Gulliver



- 1 Gross profit increased by 0.5 billion yen due to increased wholesale units and decreased gross profit per wholesale unit.
- 2 Gross profit increased by 0.6 billion yen due to increased retail unit sales.
- 3 **Gross profit increased by 1.6 billion yen** due to recovered gross profit per retail unit.
- 4 Gross profit increased by 0.8 billion yen due to a subsidiary merger.

IDOM Inc. * 2024 indicates the fiscal year ending February 29, 2024.

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This slide analyzes factors for the year-on-year change in the non-consolidated gross profit.

As stated in (1), wholesale gross profit increased 0.5 billion yen. The number of wholesale units increased. Meanwhile, gross profit per wholesale unit declined in the first quarter, which had an adverse effect.

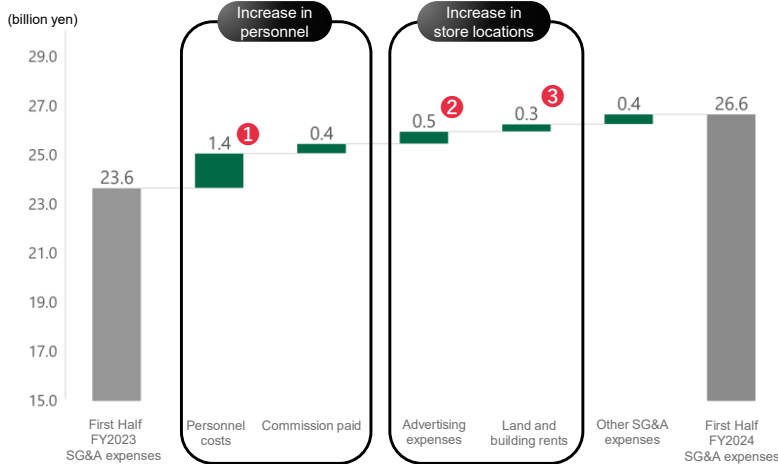
As described in (2), retail unit sales rose, and that contributed to an increase of 0.6 billion yen in gross profit. An improvement in gross profit per retail unit contributed to a rise of 1.6 billion yen in gross profit as stated in (3).

Overall, gross profit in the first half climbed 3.5 billion yen year on year.

Non-Consolidated

First Half FY2024 Analysis of Factors in YoY Change SG&A Expenses

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SG&A expenses increased, reflecting up-front investment in **11 store openings planned in the second half**.

- 1 Personnel costs increased especially due to hiring fixed-term employees.
- 2 Advertising expenses increased to promote sales volume.
- 3 Land and building rents increased due to head office relocation and an increase in the number of stores.

IDOM Inc. * 2024 indicates the fiscal year ending February 29, 2024.

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We opened three large stores in September. We will open eight stores in the second half, and plan to open eleven stores in total for the current fiscal year.

We did not open any large stores in the first half, but allocated funds for selling, general and administrative expenses for large store openings planned in the second half.

Personnel cost increased due to recruitment fees for hiring more limited-term employees and mid-career employees. Advertising expenses also rose.

Rent expenses on land and buildings increased due to the end of the free-rent period for the head office after last year's relocation and an increase in the number of store openings last year.

As a result, non-consolidated SG&A expenses increased by 3.0 billion yen.

Consolidated Balance Sheet
(As of August 31, 2023)

Assets 161.9 billion yen	Cash and deposits 30.7 billion yen	Liabilities 96.9 billion yen	Interest-bearing debt 52.1 billion yen	
	Inventories 76.3 billion yen		Other 44.8 billion yen	
	Property, plant and equipment 27.9 billion yen	Net assets 65.0 billion yen	65.0 billion yen (Equity ratio 40%)	
	Other 27.0 billion yen			

- Total assets were 161.9 billion yen.
- Inventory decreased by 8.1 billion yen from the end of February.
- **Consolidated equity ratio increased from 36% at the end of February to 40%.**

I will explain the consolidated balance sheet.

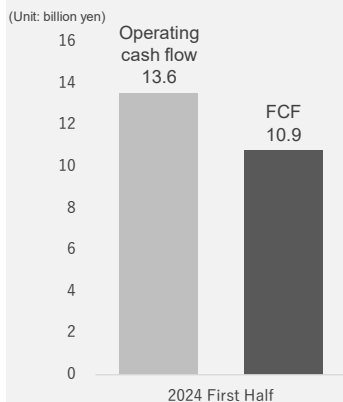
Total assets were 161.9 billion yen, a decrease of approx. 11.4 billion yen from the end of February.

Inventories were 76.3 billion yen, a decrease of 8.1 billion yen from the end of February.

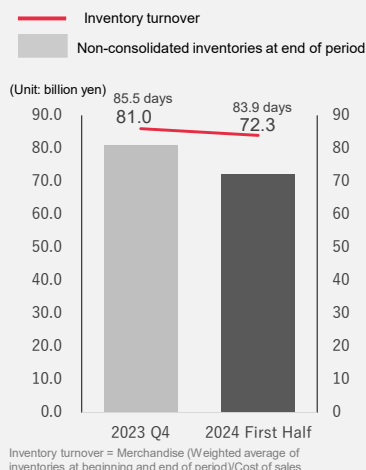
Interest-bearing debt decreased 15 billion yen from the end of the previous fiscal year, to 52.1 billion yen as we proceeded with repayment.

As a result, the equity ratio reached 40%, improved by 4% from the end of February.

First Half consolidated cash flows



Non-consolidated inventories at end of period and inventory turnover



- Free cash flow stood at 10.9 billion yen.
- Inventories at the end of the previous fiscal year were sold and replaced, and the value of inventories decreased. Inventory turnover was 83.9 days, reflecting preparations for store openings in the second half.

This slide shows consolidated cash flow and inventory status.

Consolidated operating cash flow increased 13.6 billion yen, reflecting strong results and inventory control.

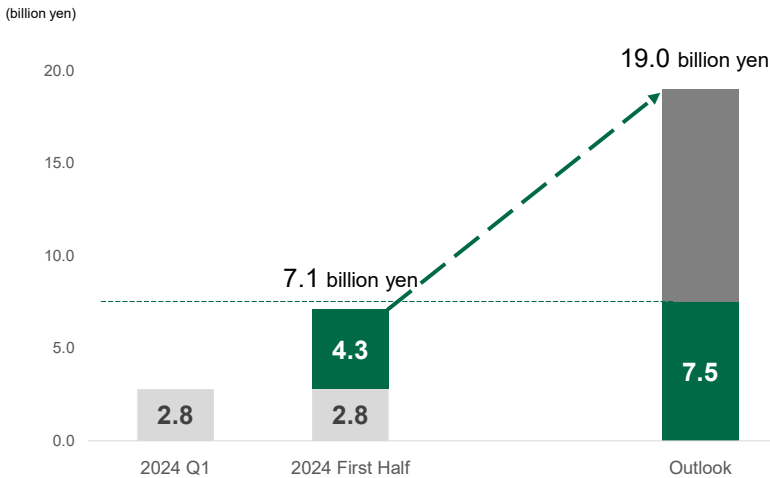
Cash used in investing activities was 2.7 billion yen, and free cash flow increased to 10.9 billion yen.

Inventories declined from the end of the previous fiscal year, to 72.3 billion yen, attributable to a decrease in the number of cars and a fall in the unit inventory price.

The inventory level changes depending on the status of store openings. We will nonetheless continue to manage inventory efficiently.

Key Points

Operating Profit vs. the Plan



- The Company corrected course in the second quarter and recorded an operating profit of 7.1 billion yen versus 7.5 billion yen, the plan for the first half.
- The full-year plan, 19.0 billion yen, remains unchanged.

IDOM Inc. * 2024 indicates the fiscal year ending February 29, 2024.

Consolidated operating profit in the first quarter stood at 2.8 billion yen. The start was a little slow compared with the operating profit forecast for the first half of 7.5 billion yen. In the second quarter, we recorded an operating profit of 4.3 billion yen, and operating profit in the first half came to 7.1 billion yen.

In the second half, we will maintain the gross profit per unit and increase unit sales chiefly by opening large stores.

Selling, general and administrative expenses, including up-front investment, will be used in store openings in the second half.

We are not changing the initial full-year operating profit forecast, 19.0 billion yen. This is an ambitious goal. We will work to achieve it.

Key Points

The number of maintenance shops and sheet-metal workshops



		Number of workshops operating before 2014	Number of new workshops included in Medium-Term Business Plan	Number of workshops as of August 31
The number of workshops	Designated maintenance shops	5	10	15
	Certified designated workshops	3	4	7
	Sheet-metal workshops	1	7	8

The Company has disclosed the number of workshops included in the Medium-Term Business Plan as a KPI. From now on, the Company will disclose the numbers of all workshops.

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In April 2021, we announced that we would invest in large stores and maintenance shops as growth drivers. We did not change the direction in the Medium-Term Business Plan we announced in April 2022. Before that, we had workshops for internal use, such as workshops for testing commercial viability and workshops for maintenance before delivery. From now on, we will disclose figures about all workshops of the Company.

Conclusion

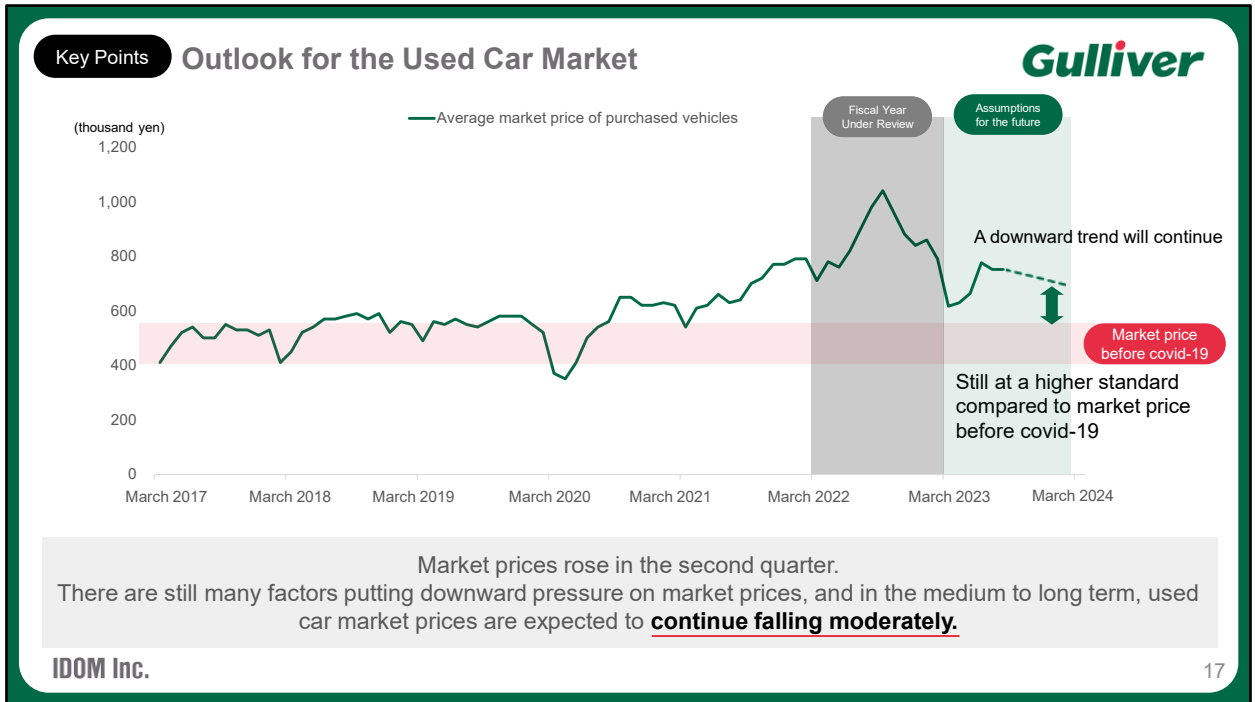
This year is the final year in which results in the first half reflect the impact of the sale of the Australia business. Meanwhile, customers' trust in the industry overall is declining. We are in a challenging environment. We will continue to work seriously to continue growing with five groups of stakeholders, namely society, customers, partners, shareholders and employees.

We sincerely ask for your continued support.



IDOM Inc.

Hello, my name is Takao Hatori, President of IDOM Inc.
I will provide an explanation of our initiatives for the first half of the fiscal year ending February 2024.



This graph shows trends in the market prices of used cars.

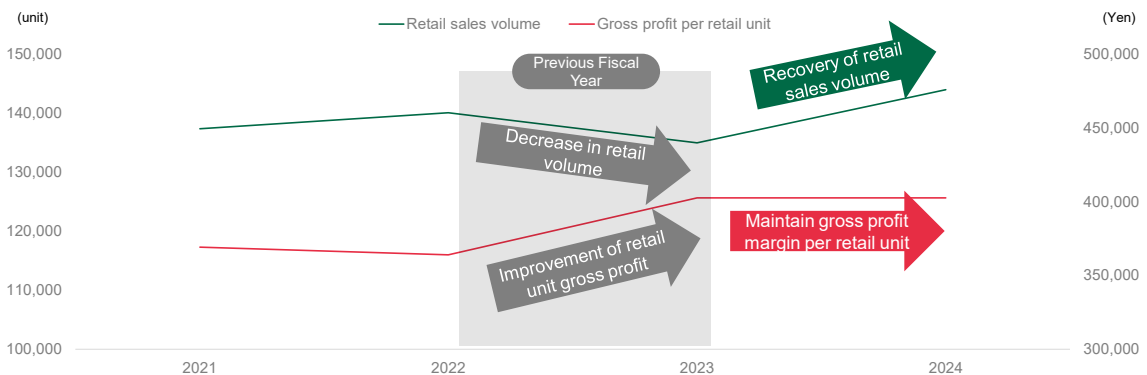
In the first quarter, the market price, which was falling, began to rise. In the second quarter, the market price remained high.

Regarding future market conditions, we anticipate a gradual decrease for approximately one year due to factors such as the recovery of new car supply.

Initial Strategy

Axis of Strategy for FY2024 (from Q4 of FY2023)

Gulliver



*Gross profit per retail unit is profit per unit from the retail sale of used cars including incidental items such as auto insurance.

Focused on incidental gross profit, which is less susceptible to the market, improved unit gross profit in FY2023. The company will focus on recovering retail sales volume to the planned level while maintaining the gross profit per unit in FY2024.

IDOM Inc. * 2024 indicates the fiscal year ending February 29, 2024.

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This slide illustrates the strategic axis for FY2024, which I presented at the end of the previous fiscal year.

We adopted a strategy of continuing to expand incidental items and increase gross profit per unit, which we worked to implement in the fiscal year ended February 2023, and increasing retail unit sales, which were declining.

Comparison of KPI Results in First Half of FY2024 with Plans

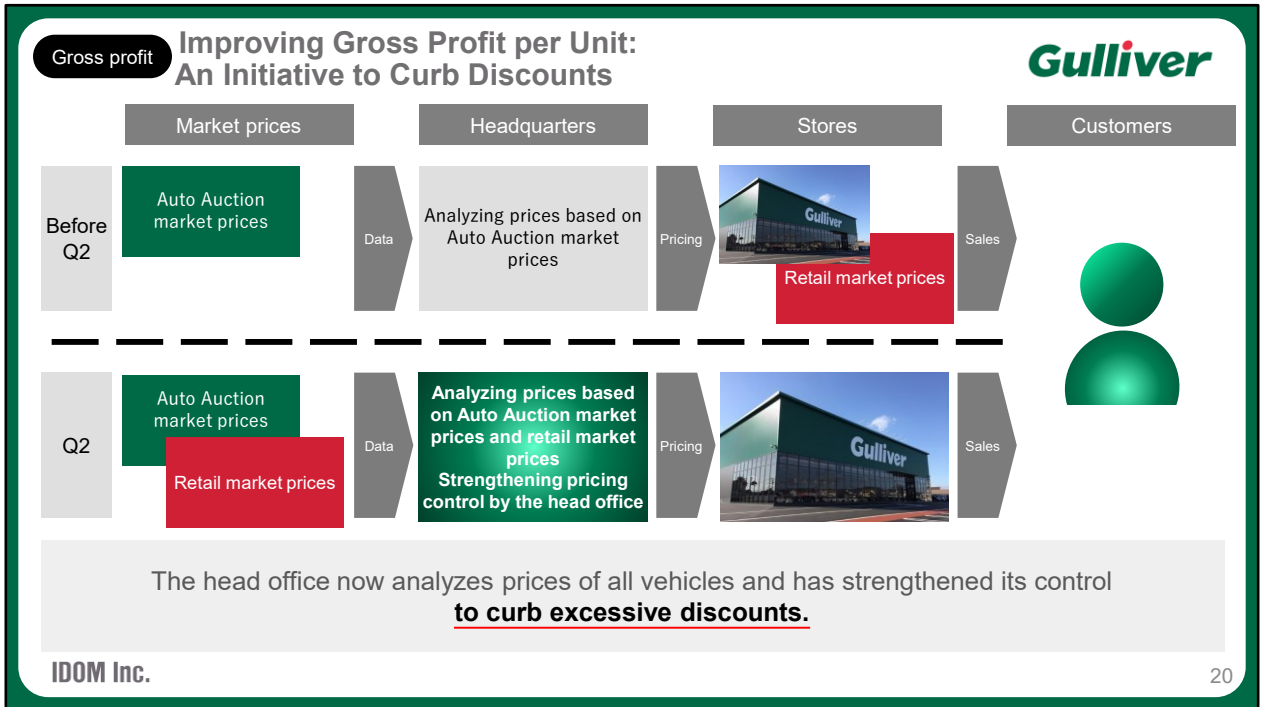
		First Half FY2023	First Half FY2024 Outlook	First Half FY2024 Results	YoY change	Difference from the plan
Number of stores	Store opening of large stores (store)	4	0	0	-4	0
Number of units	Number of unit sales (ten thousand unit)	12.5	12.6	13.6	+1.1	+1.0
	Number of retail unit sales (ten thousand unit)	7.0	7.1	7.4	+0.4	+0.3
	Number of wholesales unit (ten thousand unit)	5.5	5.5	6.2	+0.7	+0.7
Gross profit per unit	Gross profit per retail unit (ten thousand yen)	36	40	38	+2	-2
	Gross profit per wholesale unit (ten thousand yen)	10	10	10	0	0

The total number of car sales went as initially planned. However, gross profit per unit declined significantly in **Q1, and the Company put more emphasis on gross profit per unit.**

This slide shows a comparison of major KPIs in the first half of FY2024 with those in the previous year and the forecast.

Unit sales went as planned partly due to large store openings in the previous fiscal year.

Meanwhile, gross profit per retail unit remained lower than the plan.

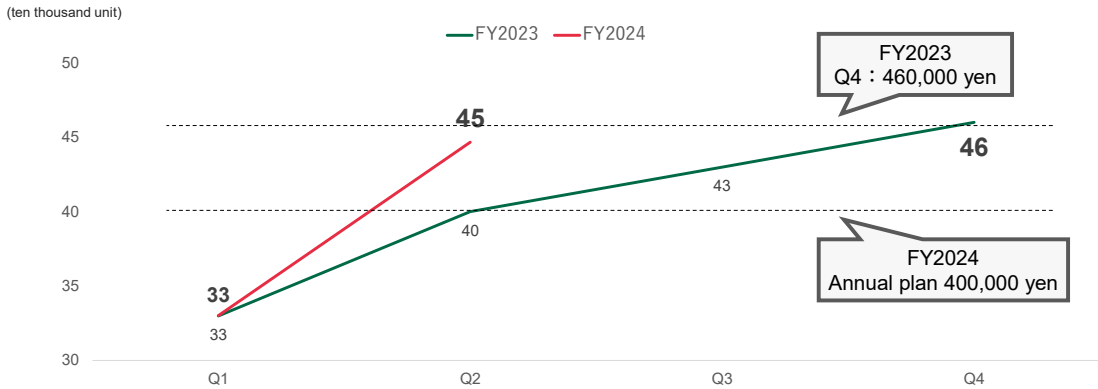


Let me explain here an initiative that we undertook in Q2 to achieve a recovery in gross profit per unit, which had declined.

Previously, the headquarters had been providing recommended prices based on auction market trends, and each branch determined the retail prices.

In Q2, the headquarters conducted a comprehensive price analysis based on both auction market trends and retail market data to strengthen price control.

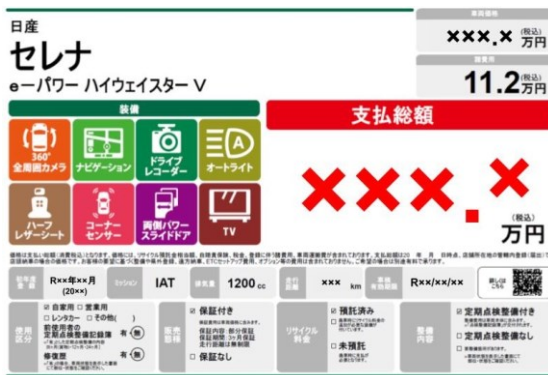
Improving Gross Profit per Unit:
Quarterly Changes in Gross Profit per Unit



In Q1, gross profit per retail unit was 70,000 yen lower than the plan due to discounts for increasing unit sales. In Q2, excessive discounts were curbed, and **gross profit per unit recovered to the standard level at the end of the previous fiscal year.**

This has enabled sales at fair prices, leading to an improvement in gross profit. Gross profit per unit has recovered to the level of the previous period.

We expect that we will achieve the full-year plan while keeping the present gross profit per unit unchanged.



Displaying Total Payments

Displaying a total payment, which is the price of a vehicle plus expenses

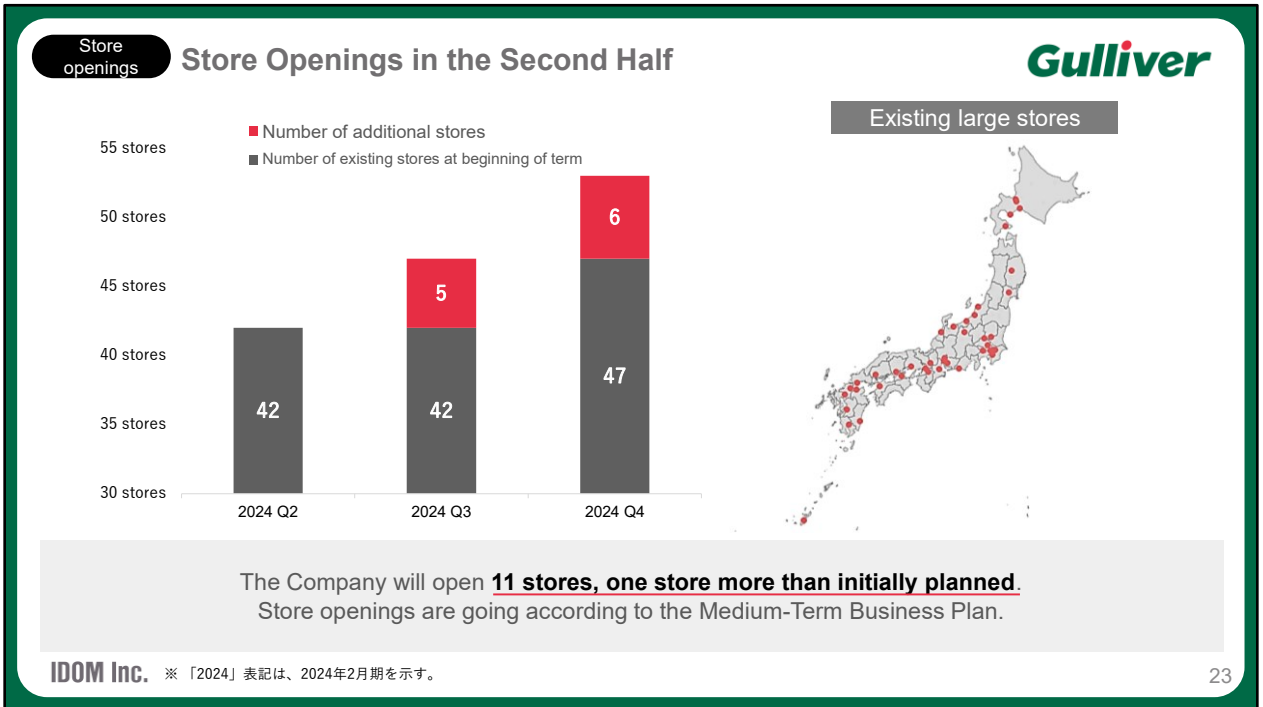
Expenses related to insurance, taxes, registration, and the like are categorized as miscellaneous expenses

Creating a price board that shows warranties, maintenance, and equipment

We have transitioned from traditional price displays to showing the total payment amount, including all associated fees that should be included in the vehicle price. This change allows for a clearer and more user-friendly vehicle selection, as customers can instantly see the total payment amount.

We started to display total payments on October 1.

IDOM began to display total payments in September under the automobile fair competition code for customers to purchase vehicles without worries.

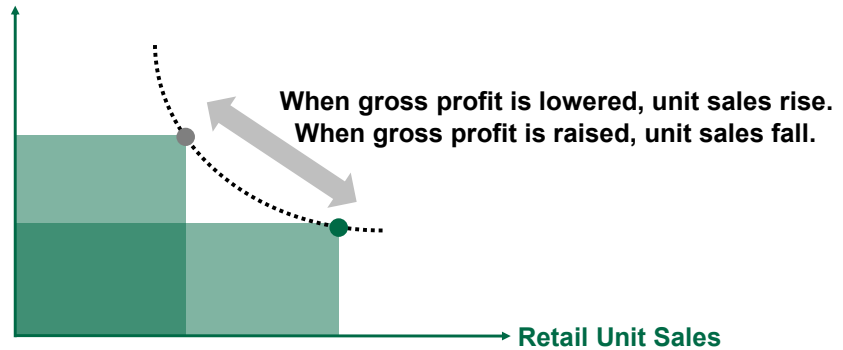


This slide shows the store openings in the fiscal year ending February 29, 2024.

The number of new store openings for the first half is now at 0 stores, but we have plans to open 5 stores in the third quarter and 6 stores in the fourth quarter, for a total of 11 new store openings.

This is an upward revision from the originally planned 10 stores, indicating smooth progress in alignment with our mid-term business plan."

Gross Profit per Unit

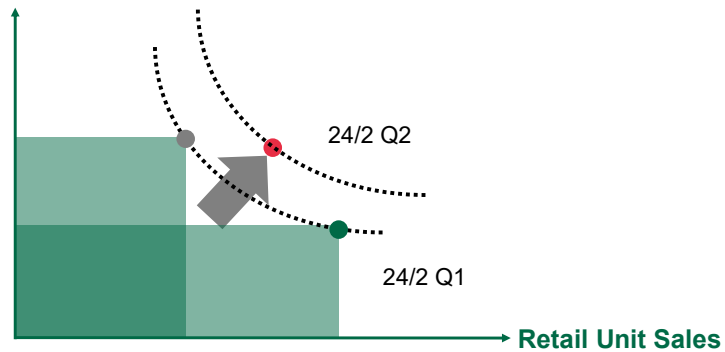


Until now, there has been a trade-off relationship between gross profit per retail unit and retail unit sales.

Let me explain the relationship between unit sales and gross profit.

There was a trade-off between gross profit and unit sales. When we raised gross profit, net sales fell. When we lowered gross profit, net sales rose.

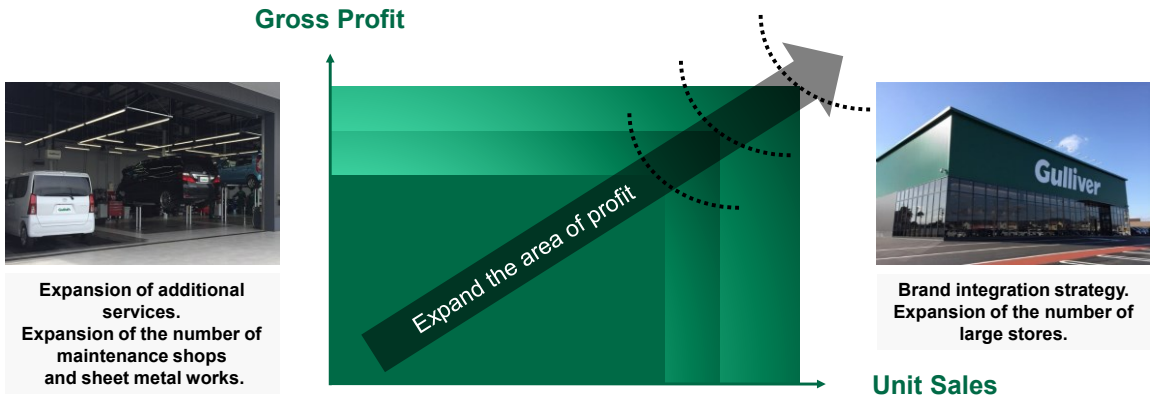
Gross Profit per Unit



In the second quarter, our initiative produced good results.
We succeeded in increasing gross profit, while keeping unit sales unchanged.

In the second quarter, our initiative produced good results.
We succeeded in increasing gross profit, while keeping unit sales
unchanged.

As a result, the "area of profit" increased.



Increasing unit sales by opening large stores and raising LTV gross profit by adding maintenance, sheet metal work and incidental items as new services

This enables us to expand the "area of profit."

Our business strategy is that we will increase LTV by increasing incidental services that encourage customers to use IDOM services for a long time, expanding workshops and thereby increasing gross profit per unit.

Meanwhile, we will increase unit sales by implementing a strategy of consolidating a range of channels the we have developed into Gulliver brand and opening large stores.

We aim to achieve growth along the two axes to expand the "area of profit."

3. IDOM's Initiatives



IDOM Inc.

I will explain IDOM's initiatives.



We aim to continue to grow together with our five key stakeholder groups to achieve a prosperous future through the embodiment of IDOM-ism.

IDOM's corporate philosophy is "Growing Together." We will continue to aim for growth together with society, our customers, partners, shareholders, and all of our employees in the future.



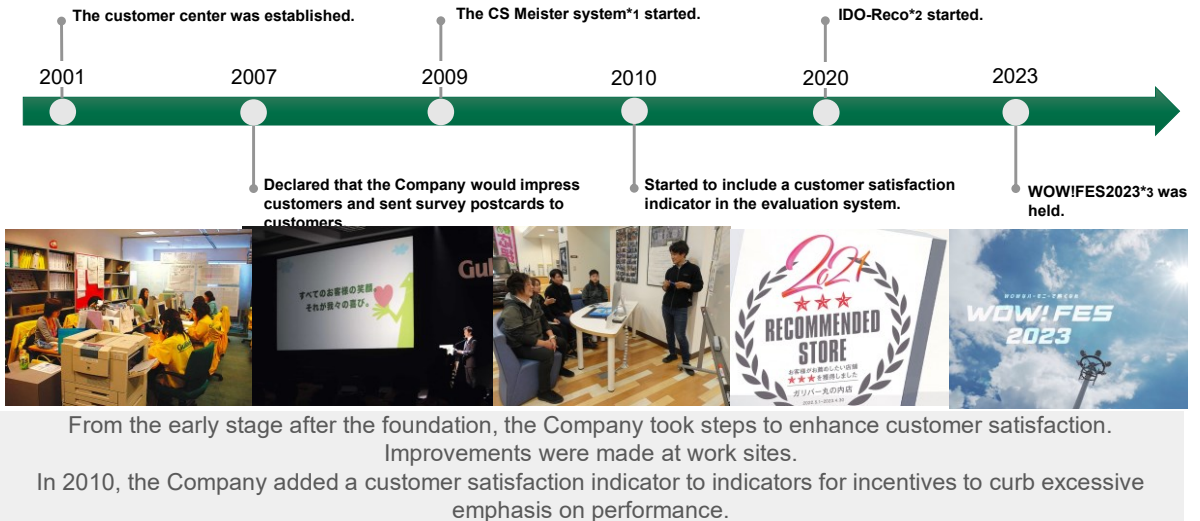
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Let me describe some of the initiatives we are undertaking as part of our philosophy-based management.



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First, I will explain the initiatives of customer satisfaction.



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*1 The CS Meister system : A program to commend employees who have earned high customer satisfaction *2 IDO-Reco: IDOM Recommended Store.
 *3 WOWIFES2023 : A community-based event held at WOW!TOWN Makuhari in August 2023.

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At IDOM, customer satisfaction is an important indicator.

We established a customer center in 2001, and since then we have been conducting CS surveys so that we always hear the opinions of customers who have visited our stores.

In 2010, we started to include a customer satisfaction indicator in the evaluation system to curb the excessive emphasis on performance.

We use a range of customer feedback in customer facing areas at stores and come up with a variety of ideas. Many different services and products have been created based on the feedback we have received from customers.



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Next, I will explain the initiatives of employee satisfaction.

Key Points

Initiatives to Increase Employee Satisfaction (ES)



Establishment of a Hotline in 2006

Launched a Sakura Project to create women-friendly workplaces in 2008

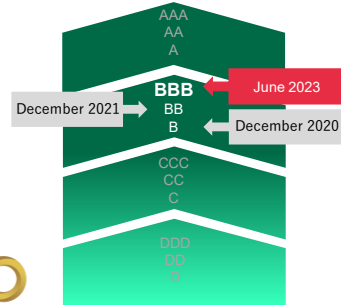
Launched Employee Satisfaction Survey in 2011

Initiation of Motivation Surveys and Inauguration of the ES Committee in 2021

Awarded the Best Motivation Company Award in 2023



Motivation Cloud Rating



In the 15 years since it was launched, the Sakura Project has been promoting the active participation of women. Ten years ago, the Company asked an external organization to conduct employee satisfaction surveys. Since then, the Company has been improving its corporate culture. In 2021, the Company began conducting motivation surveys, which earned high marks from an external organization in 2023.

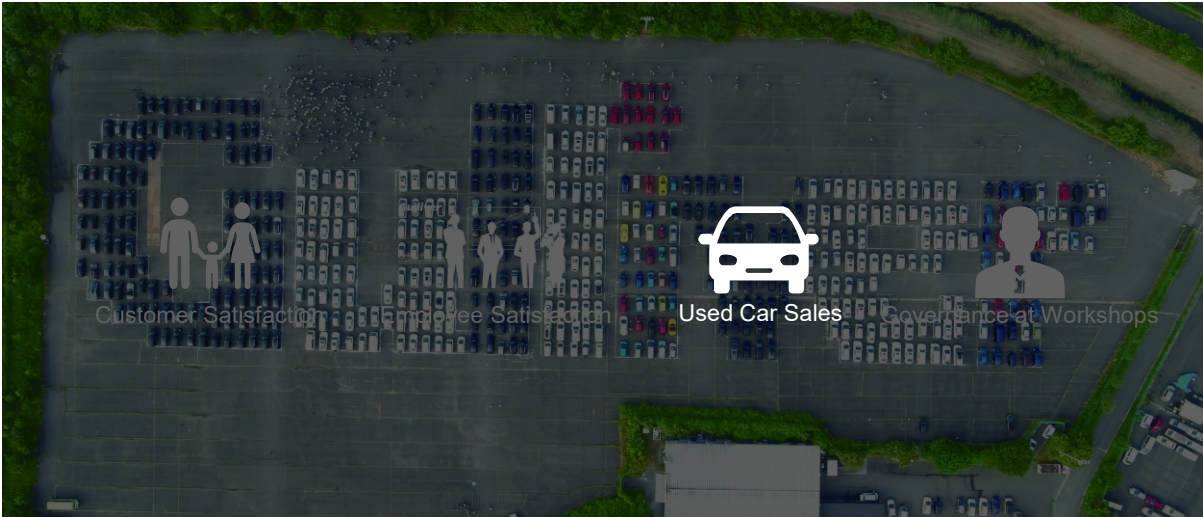
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We launched the Sakura Project based on voices in the Company in 2008 to promote the active participation of women. This project has been ongoing for a continuous 15 years, focusing on internal reforms, communications, and more.

In addition, we launched employee satisfaction Survey in 2011. We have been conducting an employee satisfaction survey every year for more than ten years. Through the surveys, we have identified gaps between what employees want the Company to do for them and what the Company can do for them and have improved our corporate culture.

We began conducting motivation surveys in 2021 and have seen improvements each year. We won the Best Motivation Company Award from an external organization.



IDOM Inc.

Next, I will explain the initiatives of used car sales.

Pursuit of a sense of security 0-10-100

Repaired cars 0*

Paid Long-Term Warranty
Up to 10 years*

Returning Japanese cars
100 days*

External organizations checking the quality of vehicles sold



"Displaying Total Payments" for all vehicles



In the early stages after the foundation, there was concern over the purchase of used cars, and the Company took steps to enable customers to purchase vehicles without concern. The Company has been ensuring a sense of security by asking external organizations to check the quality of all vehicles sold.

IDOM Inc. *Each item has conditions attached to it.

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We have been pursuing initiatives to enable customers to purchase cars without worry and to make the old car industry better.

We have been implementing the 0-10-100 initiative for 11 years since 2012, including the industry's first 10 year guarantee, which is based on the opinions of sales staff about customer satisfaction.

In addition, the quality of cars that are sold is checked by external organizations.

We have started to display total payments for all cars in September this year. We will expand business that will enable customers to buy used cars without worries.



IDOM Inc.

Next I will explain governance at workshops.



At maintenance shops that meet the national government's criteria for approval and which are designated by the district transport bureau as designated automobile maintenance facilities, these three positions* each perform their respective tasks, creating a robust system of checks and balances.

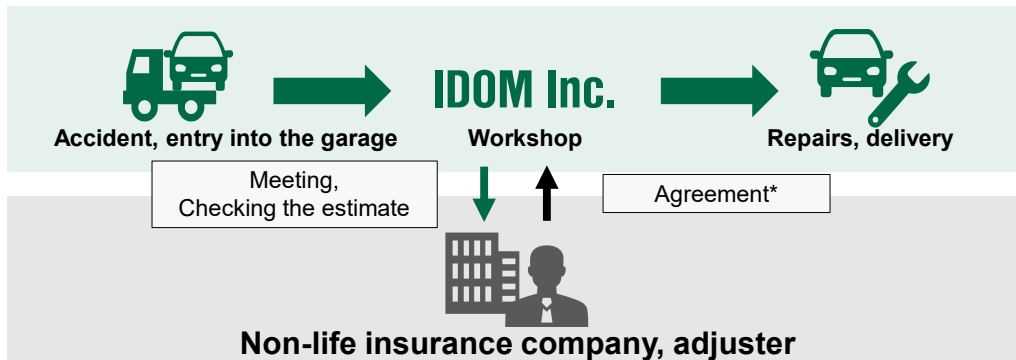
IDOM Inc. *Three positions: lead engineer, work site chief administrator and automobile inspector.

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First, let me describe governance at designated maintenance shops, which conduct vehicle safety inspections.

In the governance system, each of the three supervisors has different evaluation criteria and each are responsible for different parts of the process to prevent excessive or inadequate maintenance. They act as an adequate check on each other.

We also conduct audits at the business unit level and by the compliance team, ensuring a three-tier checking system.



For all cases referred, agreements are reached with the insurance company's adjusters on repair estimates to establish reasonable repair costs.

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*Agreement: An agreement that an adjuster of a non-life insurance company shall specify what to repair, determine the parts to be used and cost, negotiate with the insurance company, and the car repair shop, and determine the cost of repairs.

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This page describes how sheet-metal workshops handle repairs related to accidents.

IDOM started repairs covered by non-life insurance in 2022.

For every accident, we ask an adjuster of a non-life insurance company to specify what to repair and determine the parts to be used and the cost, negotiate with the insurance company, and determine the cost of repairs.



*Video recordings of work



*Cameras installed in a workshop

At workshops, the number of which is increasing, the Company ensures transparency and enables customers to directly see work there.

Cameras are being installed at workshops one by one to expand the scope of work that customers can see.

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To enhance transparency at workshops, we have begun to install cameras to enable customers to see the work in process.

We are installing cameras at workshops one by one.

Toward the Future Mobility Society

Gulliver

NEXT GENERATION MOBILITY CHALLENGE

The start of new challenges

Since its founding, IDOM has been pursuing initiatives to become a used car dealer that is trusted by customers.

We think that this year is an important year for the used car industry. The important thing is to take steps to earn the trust of customers, such as displaying total payments.

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We will raise awareness as a leader in the used car industry and will strive to achieve growth with stakeholders as a company that has their trust.

We hope that you will continue to support IDOM's plans for growth.