

BIKE O & COMPANY Ltd.

3377

Tokyo Stock Exchange Second Section

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<https://www.fisco.co.jp>

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Summary

Rolling out a total service based on the corporate vision “A Lifelong Partner for Motorcyclists”

BIKE O & COMPANY Ltd. <3377> (the “Company”) commands a strong image as an operator of motorcycle purchasing specialty stores, boasting an annual transaction volume of more than 100,000 motorcycles. In fact, the Company has articulated its corporate vision as “A Lifelong Partner for Motorcyclists.” In this role, the Company seeks to shape customers’ motorcycle life by offering a wide range of services for selling, buying and enjoying motorcycles. Currently, the Company seeks to evolve from its existing “BIKE O” brand, which is known for motorcycle purchasing specialty stores, to a brand that can be described as “BIKE O for All Your Motorcycle Needs” – one that provides customers with a comprehensive and complete range of services related to motorcycles.

1. FY11/20 results

Looking at FY11/20 results, the Company reported net sales of ¥22,349mn (+11.1% YoY), operating income of ¥707mn (+235.8%), ordinary income of ¥859mn (+139.0%) and net income of ¥594mn (+188.8%). At the end of September 2020, the Company announced revisions to its full-year business forecasts, raising its forecasts of net sales to ¥22,000mn (7.3% higher than the previous forecast), operating income to ¥700mn (3.04 times higher than the previous forecast), ordinary income to ¥850mn (2.30 times higher than the previous forecast), and net income to ¥550mn (2.62 times higher than the previous forecast). Net sales and every level of profit still finished the year above the revised forecasts.

2. FY11/21 forecast

In its FY11/21 guidance, the Company forecasts net sales of ¥23,000mn (+2.9% YoY), operating income of ¥800mn (+13.1%), ordinary income of ¥920mn (+7.0%) and net income of ¥620mn (+4.3%). With concerns about the spread of COVID-19 (“the COVID-19 crisis”) persisting over the long term, the outlook calls for continued uncertainty. In this environment, auction prices and the retail market remain firm in the motorcycle business. Going forward, motorcycles will continue to be an important type of vehicle and mode of transportation underpinning transportation infrastructure. Demand is also predicted to remain intact for motorcycles, because they serve as a means of transportation that can avoid the “Three Cs” (Closed spaces, Crowded places, and Close-contact settings).

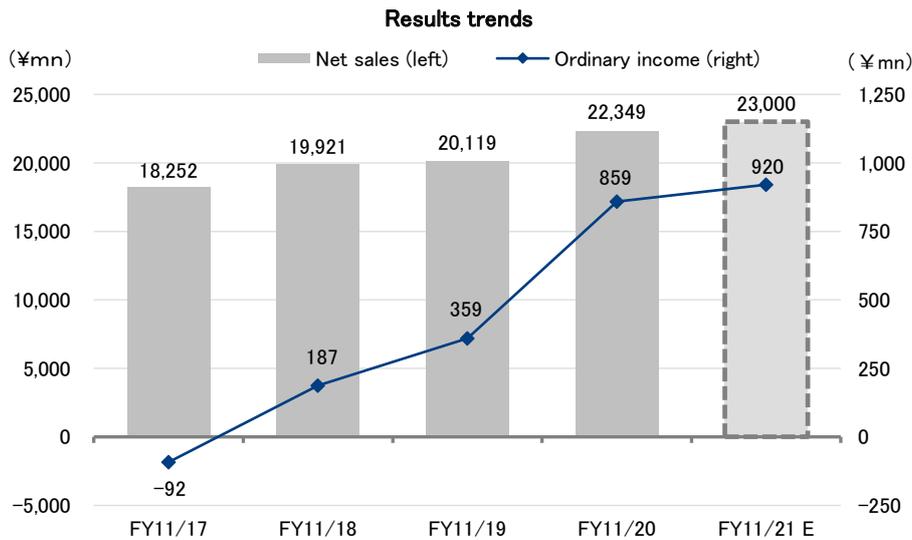
3. Measures to strengthen sales capabilities

The Company plans to implement the following measures to strengthen its sales capabilities. In the Wholesale segment, the Company will work to (1) Keep sales price levels unchanged by continuing to creatively modify sales techniques; (2) Control the optimization of purchasing prices; and (3) Further enhance refurbishment of vehicles to be submitted to auction. In the Retail segment, the Company plans to (4) Expand sales floor areas and develop high-quality properties for which investments can be recovered in a short space of time; (5) Develop sales floors using merchandising techniques; and (6) Create systematic sales manuals and training programs and strengthen employee training.

Summary

Key Points

- Auction prices and the retail market remained firm as high-market-value vehicles were secured
- The Company implemented growth investments to spread out risk, in addition to expanding service areas
- The Company is considering transferring existing mixed-use stores and increasing new stores of this kind, in addition to opening new stores



Source: Prepared by FISCO from the Company's financial results

Company profile

Evolve into a brand that provides a comprehensive and complete range of services related to motorcycles

The Company has articulated its corporate vision as “A Lifelong Partner for Motorcyclists.” In this role, the Company seeks to shape customers’ motorcycle life by offering a wide range of services for selling, buying and enjoying motorcycles. Currently, the Company seeks to evolve from its existing “BIKE O” brand, which is known for motorcycle purchasing specialty stores, to a brand that can be described as “BIKE O for All Your Motorcycle Needs” – one that provides customers with a comprehensive and complete range of services related to motorcycles. Moreover, the Company has been continuously increasing its network of mixed-use stores (stores engaged in both purchasing and retail activities). Along with implementing a touchpoint strategy to strengthen customer touchpoints and communities, the Company is working to build a management platform to advance to the next stage of growth.

Company profile

The Company can trace its origins to the incorporation and founding of MAJOR AUTO., LTD., its predecessor, by President and Representative Director Akihiko Ishikawa and Chairman and Director Yoshihiro Kato in 1994. Thereafter, the Company pushed ahead with the systematic development of operations in the motorcycle purchasing business and opened its first roadside store fitted with the “BIKE O” sign in 2002. Subsequently, the Company listed its shares on JASDAQ in 2005 and the Second Section of the Tokyo Stock Exchange in 2006 (currently it is only listed on the Second Section of the Tokyo Stock Exchange). In 2009, the Company achieved the opening of 100 “BIKE O” motorcycle purchasing specialty stores. In March 2011, the Company entered into a business and capital alliance concerning the motorcycle auction business with USS Co., Ltd. <4732> and Japan Bike Auction Co., Ltd. The Company turned Japan Bike Auction Co., Ltd. into an affiliated company through the acquisition of its shares (investment ratio 30.0%). In the past few years, the Company has been focusing on the domestic retail business and has strengthened its growth potential. In November 2016, the Company entered into a capital and business alliance with G-7 HOLDINGS Inc. <7508> In Japan, G-7 HOLDINGS operates the car business under the automotive supplies brand AUTOBACS through its subsidiary G-7 AUTO SERVICE CO., LTD. In addition, it provides comprehensive motorcycle services such as the operation of specialty stores for motorcycle supplies, parts and accessories, and maintenance services through subsidiary G-7 BIKE WORLD CO., LTD. G-7 HOLDINGS also conducts business through G7 RETAIL MALAYSIA SDN. BHD. (Malaysia) and G7 (THAILAND) CO., LTD. which fall under its subsidiary G7 INTERNATIONAL PTE. LTD. With regard to overseas business expansion, the Company explores possibilities by conducting activities such as test marketing as needed, in addition to overseas transactions (such as motorcycle exports and sales), and cautiously considers overseas business expansion initiatives that include opening stores. In August 2011, the Company established the BIKE O Motorcycle Life Research Institute. The purpose of this research institute is to embrace the vision for being “A Lifelong Partner for Motorcyclists” and deliver information widely across society on matters such as the enjoyment of motorcycle life and trends in the motorcycle market. Since March 2017, the Company has operated a motorcycle content website called “Bike Life Lab.” To grow into an information delivery organization with a closer and stronger engagement with motorcycle riders, the Company renamed the BIKE O Motorcycle Life Research Institute as “Bike Life Lab supported by BIKE O,” thereby integrating it with the motorcycle content website. The Company has reinforced information delivery by linking the motorcycle content website with various social media services. In December 2019, the Company turned Yamato Co., Ltd. into a wholly owned subsidiary, with the goal of creating new earnings sources and creating an environment for sustainable preowned motorcycle sales. Also, in November 2020, the Company set up the Contact Center No. 3 to spread out the risk of a stoppage of customer reception services.

Company History

Date History	Company History
Sep. 1994	Founded MAJOR AUTO., LTD., the predecessor of the Company.
Sep. 1998	Founded IK CO., LTD., as a general consulting business for motorcycle purchasing specialty stores.
Dec. 1999	Developed systematic business operations for the motorcycle purchasing business.
Jan. 2001	Began integration of Group companies established as part of a multi-brand strategy (completed in January 2003).
May 2002	Opened an Information Center (currently called the Contact Center).
Dec. 2002	Opened the first roadside store fitted with the “BIKE O” sign.
Nov. 2003	Opened a motorcycle parts store (closed in January 2012 and transitioned to Web-based sales and retail sales at certain stores).
Feb. 2004	Started airing BIKE-O commercials.
Mar. 2005	Centralized information systems into the proprietary mission-critical system “i-kiss.”
June 2005	Listed on the JASDAQ market of the Tokyo Stock Exchange (delisted in October 2006).
Sep. 2005	Opened the Company’s first motorcycle retail store.
Mar. 2006	Founded PARK-OH Co., Ltd., a subsidiary to manage the motorcycle parking business (absorbed through a merger in March 2012).
Aug. 2006	Listed on the Second Section of the Tokyo Stock Exchange.
Feb. 2007	Founded IK MOTORCYCLE CO., LTD. as a subsidiary to manage the retail motorcycle business (absorbed through a merger in June 2008).
Mar. 2007	Assumed the motorcycle sales business of Techno Sport Co., Ltd.
Aug. 2009	Number of “BIKE O” motorcycle purchasing specialty stores reached 100.
Mar. 2011	Commenced a business and capital alliance concerning the motorcycle auction business with USS Co., Ltd. <4732>, which manages auto auctions, and Japan Bike Auction Co., Ltd., which manages motorcycle auctions.

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Company profile

Date History	Company History
Apr. 2011	Turned Japan Bike Auction Co., Ltd. into an affiliated company through a share acquisition (investment ratio 30.0%).
Aug. 2011	Established the BIKE O Motorcycle Life Research Institute as an information delivery organization (currently "Bike Life Lab supported by BIKE O").
Sep. 2012	Company name changed to "BIKE O & COMPANY Ltd."
Feb. 2014	Headquarters moved to Minato-ku, Tokyo.
Jan. 2016	Unified the service brand to "BIKE O" and integrated and redesigned the logo mark.
Nov. 2016	Concluded a capital and business alliance with G-7 HOLDINGS Inc. <7508>, which conducts a motorcycle supplies sales business.
Feb. 2017	Changed the corporate governance model from a company with a Board of Statutory Auditors system to a company with committees system.
Nov. 2017	Transferred the motorcycle parking business by means of a company split (incorporation-type company split) and share transfer.
Dec. 2019	Turned Yamato Co., Ltd. into a wholly owned subsidiary through an acquisition of shares (the Company's investment ratio: 100.0%)
Nov. 2020	Set up Contact Center No. 3 to spread out the risk of a stoppage of customer reception services

Source: Prepared by FISCO from the Company's website

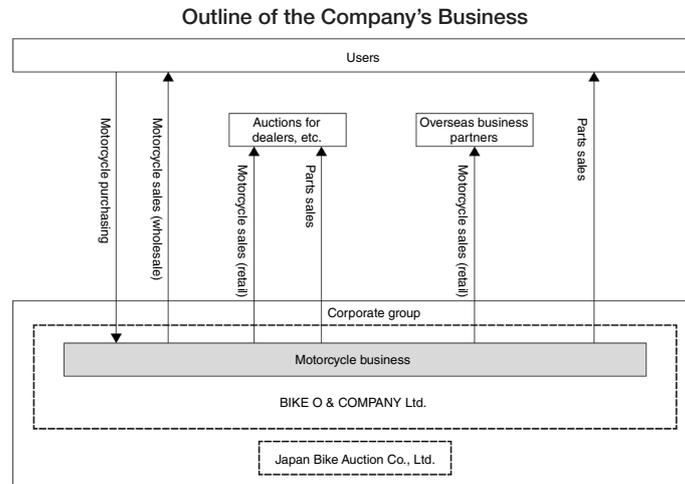
Business overview

Nationwide business roll-out under the "BIKE O" brand, with high-market-value vehicles and continuous service area growth

The Company has rolled out the "BIKE O" brand nationwide, with its main business domains ranging from sales to purchasing of motorcycles. Motorcycles purchased from customers are refurbished to increase their product value and are then sold in the wholesale market via auctions for dealers. In addition, motorcycles are sold in the retail market to individual customers through the Company's stores and other channels. Moreover, the Company provides a variety of services that allow customers to enjoy their motorcycle life according to their lifestyles, beginning with support to facilitate their motorcycle life. The store network covers 5 stores in the Hokkaido and Tohoku area, 24 stores in the Kanto area, 4 stores in the Koshin and Hokuriku area, 8 stores in the Tokai area, 12 stores in the Kinki area, 4 stores in the Chugoku and Shikoku area, and 6 stores in the Kyushu and Okinawa area. The Company also operates Contact Center (Saitama, Saitama Prefecture), Contact Center No.2 (Akita, Akita Prefecture) and Contact Center No.3 (Yamaguchi, Yamaguchi Prefecture). It has logistics centers in three locations, specifically Yokohama (Kanagawa Prefecture), Neyagawa (Osaka), and Kobe (Hyogo Prefecture).

The Company has two segments: the Wholesale segment, where it conducts wholesaling activities via auctions for dealers, and the Retail segment, where it conducts sales activities for individual customers through its stores and other channels. Although the Company has not disclosed clear composition ratios for the Wholesale and Retail segments, Wholesale sales account for around 60%, while Retail sales account for around 40% of the whole. Most importantly, the Company does not put emphasis on the sales ratios themselves. Rather, it is working to improve its ability to attract customers by continuously increasing the number of mixed-use stores, in addition to increasing the number of high-market-value vehicles by ensuring a sufficient volume and quality of purchased vehicles. As a result, earnings growth has been increasing as a trend both in the Wholesale and Retail segments.

Business overview



* Japan Bike Auction Co., Ltd. is an affiliated company of BIKE O & COMPANY Ltd.
Source: The Company's website

Strengths

The ability to improve volume and quality centered on brand power and high-market-value vehicles, and perform optimal appraisals tailored to market conditions, regardless of model or make

The Company's strength lies in having two distribution networks, the wholesale network for wholesaling activities via auctions for dealers, and the retail network for sales to individual customers via the Company's stores and other channels. It is a leading company in motorcycle purchasing that practices cash flow-driven management leveraging wholesaling activities via auctions for dealers. By strengthening retail activities that harness its extensive purchasing capabilities, the Company aims to drive further growth. In addition, the Company has tremendous brand recognition, with its brand name recognized even among those who do not ride motorcycles, owing to TV commercials aired continuously since 2004 and proactive web-based commercials. The Company's main priorities are to strengthen purchasing capabilities and sales capabilities. To strengthen its purchasing capabilities, the Company has optimized the mix of mass-media channels and advanced effective advertising initiatives centered on the internet. Concurrently, it has enhanced its framework for rapidly responding to customer inquiries by focusing on the optimal placement, upgrading and expansion and training of personnel. To strengthen its sales capabilities, the Company has promoted the merchandising cycle and worked to relocate stores and enlarge their floor space, in addition to upgrading and expanding retail product lineups. It has also striven to strengthen existing stores by enhancing customer service capabilities and improving sales floors. Through these efforts, purchasing activities have been trending favorably, and the volume and quality of motorcycles, centered on high-market-value vehicles, have improved. The Company has also fully secured optimal levels of inventories for the retail business. By securing a sufficient quantity of retail volume, the average unit sales price and average gross profit have been increasing.

Strengths

In addition, the Company has a network that offers a free-of-charge, home-visit motorcycle purchasing service. With this service, motorcycle life advisers from stores nationwide visit customers at their homes to purchase their motorcycles. The Company can promptly support customer needs by harnessing its nationwide store network. Previously, the preowned motorcycle market had many underdeveloped aspects in terms of distribution routes and appraisal standards. In response, the Company has developed a highly rational and transparent market environment where customers can use its services with peace of mind. The Company can respond to customer inquiries and support their needs 24 hours a day, 365 days a year. At present, the Company has established a No.1 position in terms of the usage rate for motorcycle purchasing services (according to research by Rakuten Insight, Inc. in June 2020).

One important factor for being chosen by customers is appropriate purchasing practices. The Company sells motorcycles using preowned motorcycle auction sites across Japan and the nationwide BIKE O distribution network. Leveraging IT networks, the Company grasps price data from auction sites for preowned motorcycle businesses throughout Japan, so it calculates appraisal prices based on the auction prices. Moreover, BIKE O stores offer a sales service comprising direct sales of motorcycles purchased by the Company from among a wide variety of makes and models. Unlike other companies, the sales prices at BIKE O stores need not be raised to cover an intermediary margin because the motorcycles are directly sourced from the nationwide BIKE O network. This allows for more appropriate and higher purchasing prices.

Trade-in vehicles at ordinary retail stores usually require a long time before they can be resold and can cause inventory management costs to pile up. However, it only takes the Company a short period of time, about one month, before it can submit the vehicles it has purchased to dealer-only auctions, so it can substantially reduce inventory management costs. Moreover, the Company carries a tremendous number of motorcycles (BIKE O's cumulative trading volume from August 2002 – September 2019 was approximately two million vehicles), allowing it to reduce the costs per motorcycle, such as inventory management costs and delivery costs. The Company has accumulated expertise based on its track record of carrying a wide variety of motorcycles. This expertise allows the Company to carry out optimal appraisals tailored to market conditions regardless of make or model. The appraisals facilitate cost savings that are reflected in the purchase price, which is another strength of the Company.

In other areas, the Company is strengthening not only face-to-face sales but also online sales as a means of upgrading and expanding sales services. The Company is working to roll out online sales by seamlessly linking its wealth of inventories nationwide based on the concepts of convenience, peace of mind, and selection. These efforts are guided by an in-house slogan of realizing usability with a “one shop” feel. Online sales feature a range of services. Customers can receive free shipping to their homes if deliveries are made during business hours on weekdays. Shipping between stores is also free of charge if deliveries are made within a designated area. In addition, motorcycles have made even more easier to select for customers through the addition of video-based information that allows confirmation of factors such as engine sound within the official BIKE O website and the inventory information of major preowned motorcycle sales websites. Apart from this, in not only face-to-face sales but also online sales, the Company offers a long-term warranty of up to 7 years* on vehicles that have been purchased and have undergone pre-delivery inspections at BIKE O stores. In these and other ways, the Company provides full support for customers' motorcycle life.

| * The warranty period varies with vehicle, and certain conditions must be met to receive a warranty. |

Strengths

The main features of the Company’s wholesale business include the following: (1) inventory periods are short and product display costs are low; (2) early monetization (accounts receivable collection period of 1 to 3 days); and (3) sales prices can be rapidly reflected in purchase prices. In addition, the main features of the Company’s retail business include the following: (1) Customers can carefully choose from an extensive inventory made possible by having the No.1 usage rate for motorcycle purchasing services; (2) all preowned motorcycles come with a long-term warranty and return merchandise authorization; and (3) customers can take delivery of motorcycles anywhere in Japan by using online sales, even if they do not have access to a store nearby.

BIKE O Hachioji Horinouchi Store



Source: The Company’s website

BIKE O Higashiosaka Store



Business trends

Substantial growth both in sales and profits in FY11/20, above upwardly revised forecasts

Secured high-market-value vehicles and delivered a solid performance in the Wholesale and Retail segments

1. FY11/20 results

Looking at FY11/20 results, the Company reported net sales of ¥22,349mn (+11.1% YoY), operating income of ¥707mn (+235.8%), ordinary income of ¥859mn (+139.0%) and net income of ¥594mn (+188.8%). At the end of September 2020, the Company announced revisions to its full-year business forecasts, raising its forecasts of net sales to ¥22,000mn (7.3% higher than the previous forecast), operating income to ¥700mn (3.04 times higher than the previous forecast), ordinary income to ¥850mn (2.30 times higher than the previous forecast), and net income to ¥550mn (2.62 times higher than the previous forecast). Net sales and every level of profit still finished the year above the revised forecasts.

Business trends

FY11/20 results

	(¥mn)			
	FY11/19	FY11/20	Amount of change	Percentage change
Net sales	20,119	22,349	2,229	11.1%
Cost of sales	11,239	12,182	942	8.4%
Gross profit	8,880	10,167	1,286	14.5%
SG&A expenses	8,669	9,459	790	9.1%
Operating income	210	707	496	235.8%
Ordinary income	359	859	500	139.0%
Net income	205	594	388	188.8%
Net income per share (Yen)	14.7	42.5	27.8	-

Source: Prepared by FISCO from the Company's results briefing materials

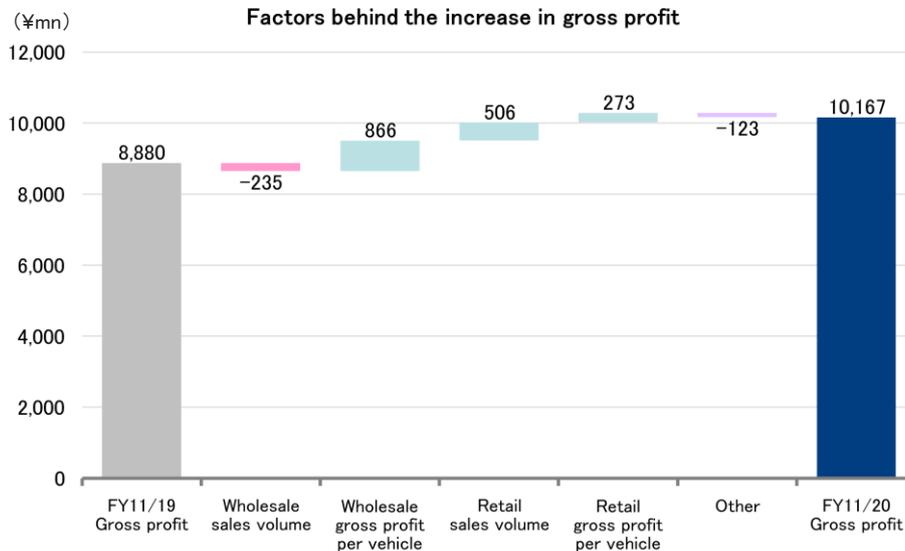
The Company focused on enhancing customer satisfaction by working harder to strengthen its purchasing and sales capabilities at mixed-use stores, as it has done to date. The Company enhanced its framework for rapidly responding to customer inquiries and conducted campaigns to strengthen purchasing by focusing on the optimal placement, upgrading and expansion and training of personnel, in addition to optimizing the mix of mass-media channels and advancing effective advertising initiatives centered on the internet. Moreover, the Company promoted the merchandising cycle as a means of strengthening sales capabilities. In addition, in the Wholesale segment, the Company responded at an early stage to the drop in auction prices seen at the beginning of the COVID-19 crisis by taking steps such as creatively modifying sales techniques so that it could keep sales price levels unchanged. These steps produced successful results. Helped in part by the recovery in the retail market, unit sales prices for vehicles in the Wholesale segment have started to rise. The purchasing volume of high-market-value vehicles amounted to 82,400 (down 1.7% YoY), indicating that the effect of the COVID-19 crisis cannot be ignored. Even so, the Company managed to secure a volume of high-market-value vehicles on a par with the previous fiscal year.

Additionally, amid the COVID-19 crisis (the "With COVID-19" era), the Company has been continuing its business activities as much as possible after conducting adequate COVID-19 prevention measures, in order to continue supplying motorcycles, which can serve as a crucial mode of transportation underpinning transportation infrastructure. Following the lifting of the state of emergency declaration issued in April 2020, the Company shifted back to ordinary operations after taking rigorous measures to prevent COVID-19 infections. Beginning in August 2020, the Company introduced a telework system as part of efforts to promote work style reforms.

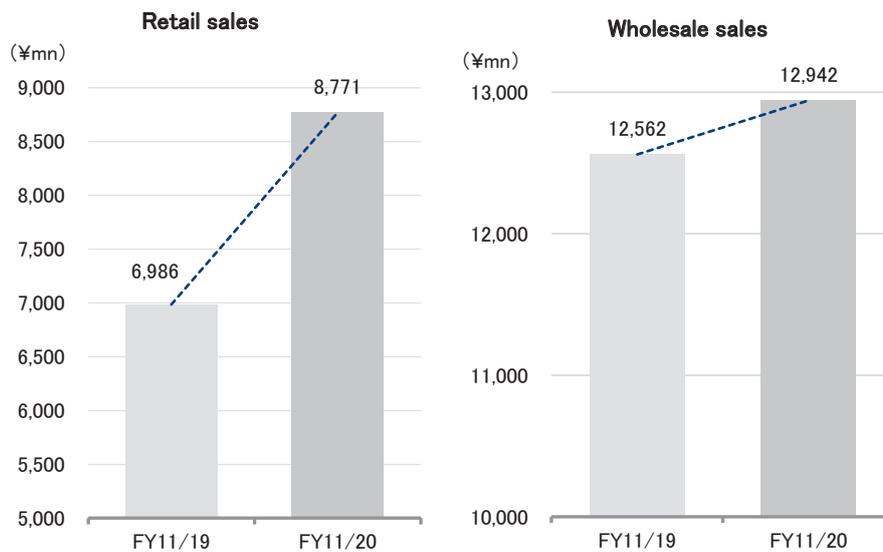
2. Reasons for increases in gross profit

Retail volume increased YoY, while wholesale volume decreased slightly YoY. Overall, sales volume was mostly unchanged from the previous fiscal year. However, the Company's main focus is high-market-value vehicles, obtained by securing a sufficient quantity and quality of purchased vehicles. As a result of securing high-market-value vehicles, the unit sales price per vehicle (net sales per motorcycle) surpassed the previous year's level. In FY11/20, gross profit amounted to ¥10,167mn (+14.5% YoY). In the Wholesale segment, the decrease in sales volume reduced gross profit by ¥235mn, while the increase in gross profit per vehicle increased gross profit by ¥866mn, leading to a net increase of ¥631mn on gross profit. In the Retail segment, the factors increasing gross profit were an increase in retail sales volume of ¥506mn, and an increase in gross profit per vehicle of ¥273mn.

Business trends



Source: Prepared by FISCO from the Company's results briefing materials



Source: Prepared by FISCO from the Company's results briefing materials

3. Trends in quarterly sales

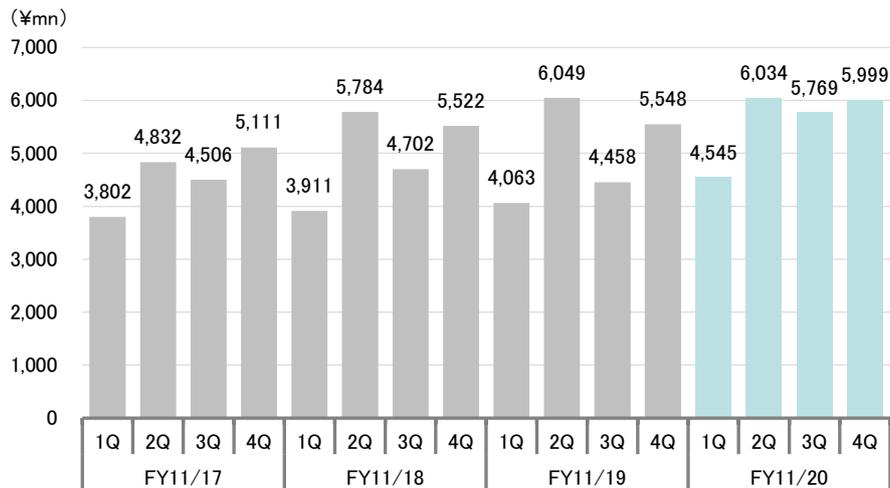
The Company's business results are affected by seasonal factors. First, demand declines in the winter because the winter is the off-season for motorcycle riding. On the other hand, the period from spring to autumn is the on-season. The early spring is the peak season because the disposal of motorcycles is concentrated around March as many people move at this time of year due to graduations, job transfers and other such reasons. Additionally, the light vehicle tax, which applies to all motorcycles including mopeds (scooters), is levied on vehicle owners on April 1 each year. For this reason, motorcycle users who are considering disposing of their vehicles tend to sell them before the end of March so that they will not be subject to the tax. The Company is also impacted by this trend. Thereafter, the trends in the summer to autumn period are shaped by surging demand for motorcycles. As a result, you can see from trends in quarterly sales that sales drop in 1Q, and then recover from 2Q onward.

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Business trends

Looking at quarterly business results for FY11/20, business results trended favorably YoY in 1Q (December 2019 to February 2020), but suffered a downturn in 2Q (March to May 2020) due to a decrease in applications for motorcycle purchasing appraisals due to the COVID-19 crisis and a drop in auction prices. However, the impact on business results remained negligible due to sales efforts. In 3Q (June to August 2020), the Wholesale segment saw auction prices increase from the corresponding period of the previous year, despite numerous uncertainties surrounding the COVID-19 crisis. In the Retail segment, business trends were solid due partly to various initiatives undertaken by the Company as well as a recovery in market conditions. According to statistics on domestic new vehicle sales announced by the Japan Automobile Manufacturers Association (JAMA), the sales volume of new vehicles with engine capacity of 126 cc or higher from June to August 2020, when the state of emergency declaration issued in April 2020 was lifted, was 104.3% higher YoY. The Company offers financial assistance for motorcycle purchasing costs anytime during the year for customers who have newly acquired motorcycle licenses. The number of users for this program during the June-August 2020 period nearly doubled compared with the same months of the previous fiscal year. In 4Q (September-November 2020), as part of a policy to strengthen the Retail segment, the Company took steps to encourage the use of motorcycles by customers and renovate stores. In the Wholesale segment, the Company worked to creatively modify sales techniques so that it could keep sales price levels unchanged. It also reinforced inventories for the Retail segment, among other actions. As a result of these initiatives, the Company posted a substantial increase in sales over the previous year both in the Wholesale and Retail segments.

Trends in quarterly sales



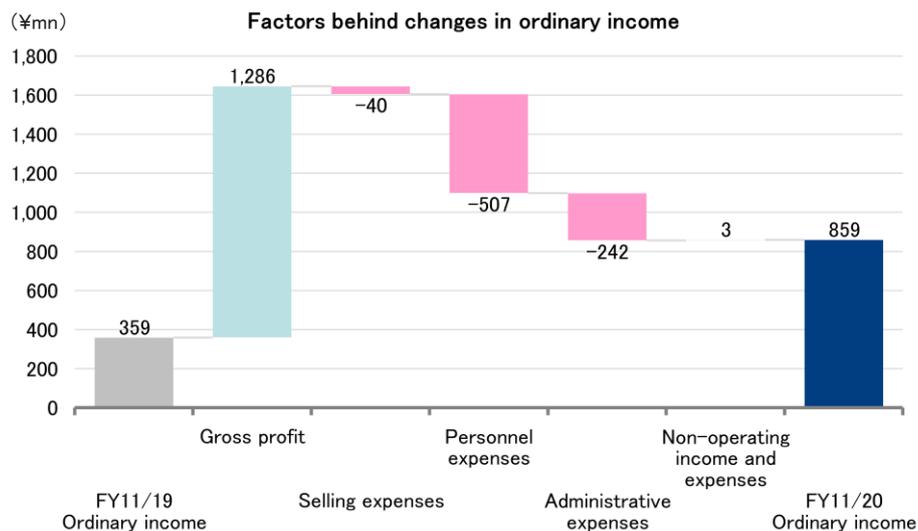
Source: Prepared by FISCO from the Company's results briefing materials

Business trends

Newly established Contact Center No.3 Expanded service areas and made growth investments to spread out risk

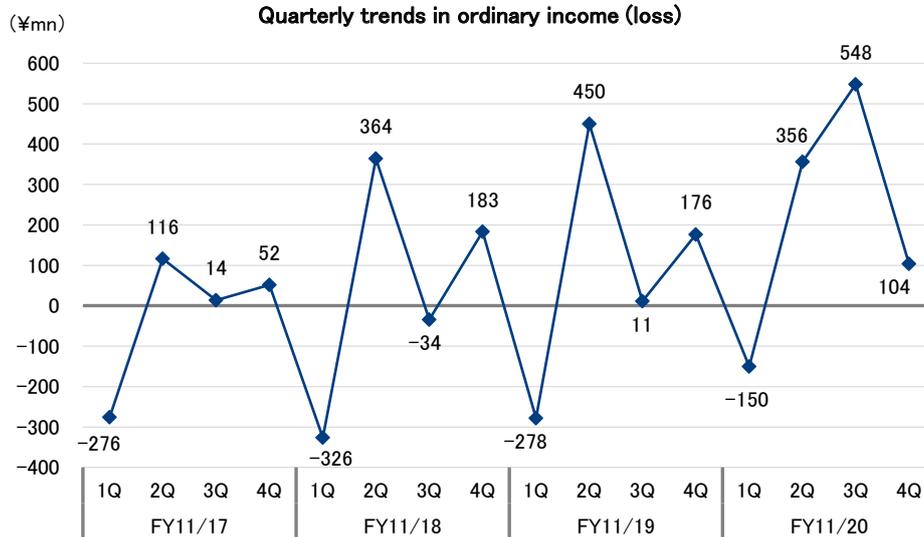
4. Factors behind changes in ordinary income

The main factors behind changes in ordinary income of ¥859mn (+139.0% YoY) were as follows. Against the increase in gross profit of ¥1,286mn, the Company recorded selling expenses of ¥40mn, such as advertising expenses and ordinary vehicle distribution expenses, personnel expenses of ¥507mn, such as salaries and allowances and provision for bonuses, administrative expenses of ¥242mn, such as supplies expenses and depreciation. In 4Q, the Company established Contact Center No.3 in Yamaguchi, Yamaguchi Prefecture. FISCO does not believe that a drop in profits in 4Q indicates that profits have peaked out. Rather, FISCO believes that profits were impacted because the Company made growth investments to expand service areas in anticipation of building an adjoining purchasing site and to spread out the risk of a stoppage of customer reception services. Management decided to expand service areas and take a risk diversification approach by newly establishing Contact Center No.3 and decided to take initiatives such as encouraging customers to ride motorcycles and renovating stores in a growth environment. Based on those management decisions, FISCO believes that the Company continues to offer sizable prospects for growth.



Source: Prepared by FISCO from the Company's results briefing materials

Business trends



Source: Prepared by FISCO from the Company's results briefing materials

5. Financial status

As of the end of FY11/20, current assets amounted to ¥5,200mn, an increase of ¥1,063mn from the previous fiscal year-end. The main components of this change were increases in merchandise and cash and deposits, and a decrease in accounts receivable - trade. Non-current assets stood at ¥2,455mn, up ¥411mn from the previous fiscal year-end. This increase was mainly due to an increase in intangible assets, which primarily reflected an increase in software in progress, and an increase in investments and other assets, which primarily reflected an increase in deferred tax assets. Current liabilities amounted to ¥2,604mn, an increase of ¥929mn from the previous fiscal year-end. The main components of this change were increases in accounts payable - other, advances received, income taxes payable, accrued consumption taxes, provision for bonuses, and accounts payable - trade, and a decrease in deposits received. Non-current liabilities stood at ¥470mn, an increase of ¥13mn from the previous fiscal year-end. This change was mainly due to an increase in asset retirement obligations. Net assets amounted to ¥4,580mn, an increase of ¥531mn. This increase was due to an increase in retained earnings, which reflected the recording of net income and shareholder dividends.

Business trends

Balance sheet

	(¥mn)		
	FY11/19	FY11/20	Amount of change
Current assets	4,136	5,200	1,063
Cash and deposits	1,305	1,680	375
Accounts receivable - trade	201	83	-117
Merchandise	2,434	3,179	744
Others	195	256	61
Non-current assets	2,043	2,455	411
Property, plant and equipment	765	770	5
Intangible assets	571	824	252
Investments and other assets	705	859	153
Total assets	6,180	7,655	1,475
Current liabilities	1,674	2,604	929
Accounts payable - trade	201	253	52
Non-current liabilities	456	470	13
Total liabilities	2,130	3,074	943
Total net assets	4,049	4,580	531
Total liabilities and net assets	6,180	7,655	1,475

Source: Prepared by FISCO from the Company's results briefing materials

Statement of cash flows

	(¥mn)	
	FY11/19	FY11/20
Cash flows from operating activities	212	1,071
Cash flows from investing activities	-459	-600
Cash flows from financing activities	-102	-95
Net increase (decrease) in cash and cash equivalents	-349	375
Cash and cash equivalents at beginning of period	1,655	1,305
Cash and cash equivalents at end of period	1,305	1,680

Source: Prepared by FISCO from the Company's results briefing materials

■ Outlook

Auction prices and the retail market remain firm The Company will consider transferring existing mixed-use stores and increasing new stores of this kind, in addition to opening new stores

1. FY11/21 forecasts

In its FY11/21 guidance, the Company forecasts net sales of ¥23,000mn (+2.9% YoY), operating income of ¥800mn (+13.1%), ordinary income of ¥920mn (+7.0%) and net income of ¥620mn (+4.3%). With concerns about the COVID-19 crisis persisting over the long term, the outlook calls for continued uncertainty. In this environment, auction prices and the retail market remain firm in the motorcycle business. Going forward, motorcycles will continue to be an important type of vehicle and mode of transportation underpinning transportation infrastructure. Demand is also predicted to remain intact for motorcycles, because they serve as a means of transportation that can avoid the "Three Cs" (Closed spaces, Crowded places, and Close-contact settings).

Outlook

FY11/21 forecasts

	FY11/20 Results	FY11/21		
		Forecasts	Amount of change	Percentage change
Net sales	22,349	23,000	650	2.9%
Operating income	707	800	92	13.1%
Ordinary income	859	920	60	7.0%
Net income	594	620	25	4.3%
Net income per share (Yen)	42.5	44.3	1.8	-

(¥mn)

Source: Prepared by FISCO from the Company's results briefing materials

2. Measures to strengthen sales capabilities

The Company plans to implement the following measures to strengthen its sales capabilities. In the Wholesale segment, the Company will work to (1) Keep sales price levels unchanged by continuing to creatively modify sales techniques; (2) Control the optimization of purchasing prices; and (3) Further enhance refurbishment of vehicles to be submitted to auction. In the Retail segment, the Company plans to (4) Expand sales floor areas and develop high-quality properties for which investments can be recovered in a short space of time; (5) Develop sales floors using merchandising techniques; and (6) Create systematic sales manuals and training programs and strengthen employee training. The Company's plans for opening new stores are as follows. The Company currently plans to open four stores in Hadano, Hiratsuka, and Fujisawa in Kanagawa Prefecture, and in Takamatsu, Kagawa Prefecture. In addition, it is considering the relocation of five purchasing stores and their conversion into mixed-use stores. The Company is also considering the relocation of existing mixed-use stores and increasing new stores of this kind. FISCO believes that new stores are not incorporated into business results for the current fiscal year, because the Company will consider opening the new stores based on consideration of their investment returns. The Company is expected to increase earnings by working harder to strengthen the purchasing and sales capabilities of mixed-use stores, as it has done to date. Moreover, by attaching warranties to all preowned motorcycles, the Company will strengthen online sales as a means of upgrading and expanding not only face-to-face sales but also sales services.

Sales and Administration Dept.



Refurbishment Dept.



Source: Prepared by FISCO from the Company's results briefing materials

Furthermore, the Company will strive to secure volume and enhance the quality of vehicles by strengthening purchasing capabilities. It will also expand retail business and improve earnings by strengthening sales capabilities. At the same time, it will work to improve retail aftersales service capabilities by strengthening its refurbishment system and enhancing the reliability of refurbishment work. In the area of talent development and PR, the Company holds a Customer Satisfaction (CS) contest as a forum for each store and the headquarters teams to compete on identifying issues and carrying out improvement activities based on the theme of "new customer service ideas that satisfy customers," and to sharpen each other's ideas. Measures recognized as those that will significantly enhance CS are successively implemented at all stores. In addition, the Refurbishment Dept. holds a competition on motorcycle restoration techniques at refurbishment sites set up nationwide and determines the winner of a Grand Prize. These and other initiatives have led to employee development and further improvement in motivation.

We encourage readers to review our complete legal statement on "Disclaimer" page.

Outlook

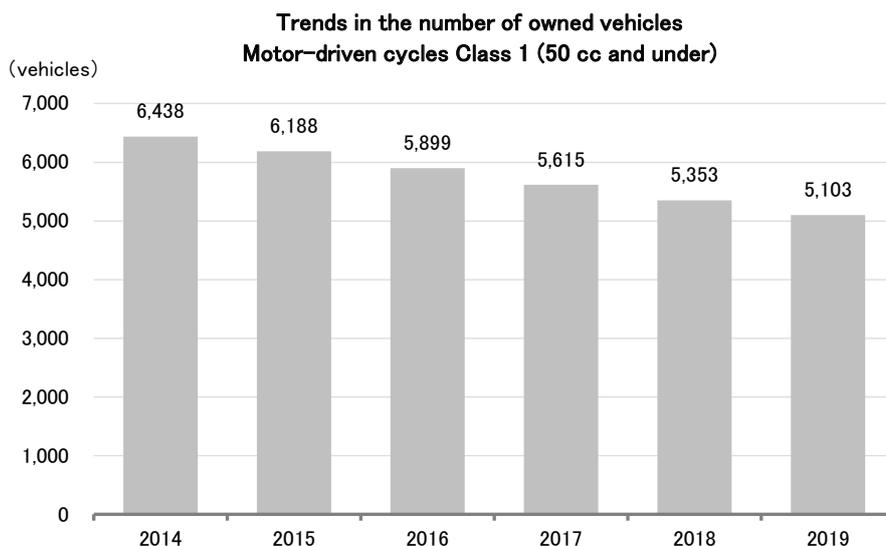
The Company will implement measures such as expanding the earnings of peripheral businesses and monetizing new initiatives; strengthening the organization and personnel management to realize its medium- and long-term management strategy; and transforming its business model and building a forward-looking management platform. These measures will be implemented based on three perspectives: providing services with an emphasis on the customer’s point of view, supporting the growth of employees, and establishing a stable earnings structure.

Market environment

Demand remains favorable for highly rare high-market-value vehicles

1. Trends in the number of owned motorcycles

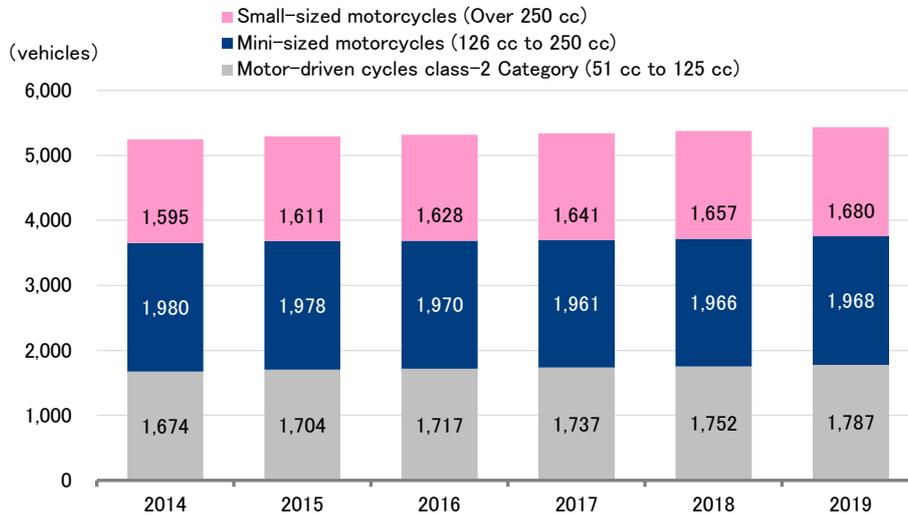
According to trends in the number of owned motorcycles published by the Japan Automobile Manufacturers Association (JAMA), there has been an overall decrease in motorcycle ownership year by year. The main reason for this trend has been a decline in the number of owned vehicles in the Motor-driven cycles Class 1 category (50 cc and under), which accounts for 49.9% of the total. However, FISCO believes that the number of vehicles owned in the Motor-driven cycles Class 2 category (51 cc to 125 cc), which have a high market value and are the Company’s main focus, will follow a continued trend of relatively modest increases. Among the high-market-value vehicles are many highly rare motorcycles, such as the Honda CB750F, Yamaha RZ250, and Kawasaki Z400FX, which were popular in time periods such as the 1970s to the 1980s. A high percentage of buyers of these types of popular models are customers in their 40s and 50s. There are some situations where buyers who had admired these motorcycles when they were younger but could not buy them because they were too expensive are now seeking to purchase them. There is also demand for seeking out rare motorcycles. Furthermore, the retro quality of these motorcycles has given rise to demand and needs for these motorcycles among young people.



Source: Prepared by FISCO from the Company’s results briefing materials

Market environment

Trends in the number of owned vehicles



Source: Prepared by FISCO from the Company's results briefing materials

New demand and needs are expected in the retail industry and other sectors as motorcycles are an important type of vehicle and mode of transportation underpinning transportation infrastructure

2. Impact of the COVID-19 crisis

President Akihiko Ishikawa of BIKE O & COMPANY Ltd. points out that “Amid the COVID-19 crisis, motorcycles are being reassessed because they can be used to avoid the ‘Three Cs’ (Closed spaces, Crowded places, and Close-contact settings).” According to the Company, in response to a resurgence in the spread of COVID-19, the number of people seeking to avoid the “Three Cs” while commuting to work or school has increased rapidly since the second half of 2020. In city centers, more and more people are changing the way they commute from trains to bicycles. If there is a certain amount of distance between homes and workplaces, commuting by motorcycle or car becomes a viable option. Considering the parking situation and other conditions in city centers, FISCO believes that consumers will now start to reconsider their demand for motorcycles, which offer higher maneuverability than cars. The boom in outdoor activities has also supported this trend. As a result of delays in new motorcycle production due to the COVID-19 crisis, one can take the view that demand has increased for preowned motorcycles, which can be driven immediately. With the “new normal” in people’s lifestyles, there has been heightened demand for delivery services from online convenience stores, online supermarkets, and restaurants in response to the COVID-19 crisis. For example, in certain areas, SEVEN-ELEVEN JAPAN CO., LTD. is offering a service that will deliver products ordered from real stores via smartphones to consumers. As these trends are more widely adopted in the industry, FISCO believes that they could lead to demand for delivery motorcycles, which are faster and more maneuverable in small spaces than other types of vehicles. In other areas, the Tokyo Metropolitan Police Department has begun introducing off-road motorcycles that can be driven even on poor roads in preparation for large-scale natural disasters such as an earthquake taking place directly under the Tokyo metropolitan area. In these and other ways, the importance of motorcycles will likely be recognized for their ability to rapidly secure many emergency transportation routes in the event of a natural disaster.

■ ESG initiatives

Promoting a work-life balance essential to women's success

The Company has set forth women's success as a key priority for ESG, an investment activity that considers Environmental, Social and Governance perspectives in investment decisions. Many institutional investors believe that the promotion of women's success will have a positive impact on companies' business performance over the long term. In addition, ESG investment by institutional investors has surpassed ¥1 trillion and is increasing as a trend. For those reasons, promoting women's success, along with other ESG priorities, is an important undertaking. By actively working to develop a workplace environment where women can succeed, the Company aims to be an enterprise where a diverse workforce of employees can continuously create new value and competitiveness by harnessing their individuality and being successful, regardless of factors such as gender, nationality, or age. To realize this vision, the Company has formulated an action plan for promoting a work-life balance essential to women's success at the Company. The Company's ratio of women in managerial roles in the most recent fiscal year stood at 5.7%, mostly the same as the nationwide average. However, the ratio of female workers to the total number of workers hired, and the ratio of female workers to the total number of workers, are both low.

The Company's goals are to develop the work environment through such means as (1) Raising the ratio of female workers to the total number of workers hired to 20%, and raising the ratio of women in managerial roles to 8%; (2) Upgrading and expanding the existing reduced working hours system and introducing a reduced working hours system for regular employees, in order to achieve greater retention of employees after they have taken childcare or nursing care leave, and according to the need for flexible work styles; and (3) Reducing overtime work and encouraging the acquisition of annual paid leave. Currently, the Company actively provides information on successful women in its workforce as part of the content of company presentations it gives when conducting recruitment activities, and on recruitment websites and other channels. The Company also strives to design and implement programs with a view to enhancing the employee welfare and benefits system so that women can continue working at the Company with peace of mind over the long term. In other areas, the Company conducts research on topics such as job categories and tasks that will allow regular employees with reduced working hours to contribute successfully. In order to support the growth of employees, it also conducts activities such as planning and developing personnel management systems (promotion criteria and training programs) that allow employees to fully demonstrate their abilities.

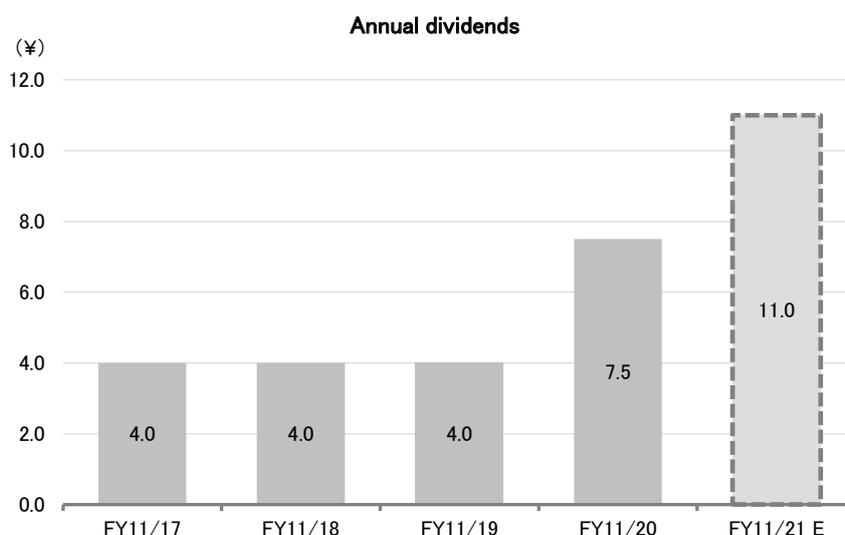
In addition, the Company has a high level of awareness of corporate governance. It is working to strengthen the corporate governance framework, with a view to carrying out timely and bold decision-making that contributes to sustained growth and increased corporate value over the medium and long terms. Notably, the Company changed its corporate governance model to a company with committees system at a relatively early stage. Currently, the Board of Directors comprises 7 directors, including 2 outside directors. By setting up a company with committees system, where outside directors represent a majority of the committee members, the Company has enhanced the outside directors' supervisory functions over business execution and strengthened monitoring functions. By doing so, the Company has determined that it can further enhance the corporate governance framework and increase corporate value further.

Shareholder return policy

Annual dividend of ¥7.5 per share for FY11/20, an increase of ¥3.5 per share

Annual dividend of ¥11 per share is forecast for FY11/21, a further increase of ¥3.5 per share

The Company determines internal reserves and profit distribution based on efforts to strengthen its financial structure and continuously increase corporate value, while considering future business expansion initiatives and related factors. With regard to profit distribution, the Company determines the amount of dividends after considering business performance and other factors, while keeping in mind the importance of paying out stable stock dividends. The Company has continuously maintained steady interim and year-end dividends. For FY11/20, the Company set an annual dividend of ¥7.5 per share, which was ¥2.5 per share higher than the initial forecast and ¥3.5 per share higher than in the previous fiscal year. For FY11/21, the Company plans to increase the annual dividend by ¥3.5 per share compared with the previous fiscal year, bringing the annual dividend to ¥11.0 per share, comprising interim and year-end dividends of ¥5.5 per share each. As a result, the dividend payout ratio will reach 24.8%.



Source: Prepared by FISCO from the Company's financial results

Moreover, the Company implements a shareholder benefits program. The benefits consist of vouchers that can be used for motorcycle purchases and enrollment in the Partners Pack. For shareholders who own more than 1 share unit (100 shares), the benefits comprise: 1) A "¥10,000 shareholder benefits discount voucher for the purchase of 1 motorcycle" that can be used for the purchase of a motorcycle (126 cc or higher) sold by the Company through its retail channel; and 2) A "¥10,000 shareholder benefits discount voucher" that can be used for enrollment in the Partners Pack when purchasing a motorcycle (126 cc or higher). The ¥10,000 discount voucher usable for a motorcycle purchase and the ¥10,000 discount voucher for enrollment in the Partners Pack together represent a total value of ¥20,000. This total value of ¥20,000 can be converted into an annual shareholder benefit yield of more than 100%.



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