COMPANY RESEARCH AND ANALYSIS REPORT

IDOM Inc.

7599

Tokyo Stock Exchange Prime Market

14-Nov.-2025

FISCO Ltd. Analyst

Taizo Yamamoto

FISCO Ltd.
https://www.fisco.co.jp

IDOM (TSE Code: 7599)

Robust Sales Driven by Strengthening of Large Domestic Stores; High Expectations for Enhanced Gulliver Brand Performance

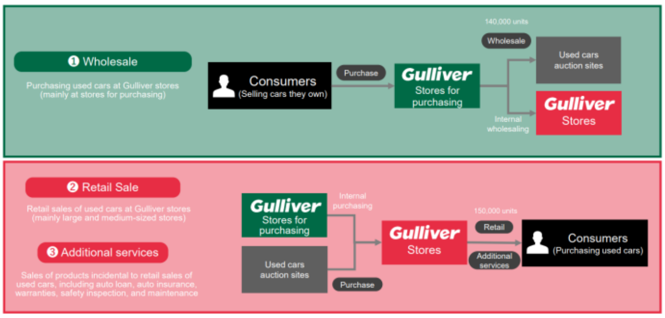
Executive Summary

A long-established used car company with strong performance at large domestic stores.
Capital cost-conscious, with room for further growth.

Company Overview

IDOM began as a used car purchasing business and has since grown into one of Japan's leading used car dealers. Today, its core business centers on retailing used vehicles to general consumers, along with related services. Operating under the Gulliver brand, the company manages 424 company-owned stores (as of February 2025), where it displays and sells vehicles acquired through auctions and customer trade-ins. In addition to retail sales, the company also wholesales vehicles to auction markets.Overview

Figure 1 Distribution Flow of Core Domestic Business



Source: IDOM IR Materials.

KEY STATISTICS

IDOM Inc.

Key Stock Statistics	
Recent Price(10/31/2025)	¥1,154
52-week High/Low	¥1,276/¥947
Shares Outstanding	106,888,000 shares
Market Cap	¥123,348milion
PER	9.27 times
PBR	1.40 times
PSR	0.26 times
Dividend (Dividend Yield)	¥37.35 (3.24%)
Sector	
Sector	Wholesale
Financials (FY02/2026 Forecast)	
Net Sales	¥509,000 million
Operating Profit	20,100million
Operating Profit Margin (%)	3.1%
Management	
CEO	Yusuke Hatori
CEO	Takao Hatori
URL	https://idom-inc.com/en/ir/

Competitive Advantages

The company holds competitive advantages in brand power, customer base, sales capabilities, IT integration, and environmental initiatives.

Figure 2 Competitive Advantages of Our Business

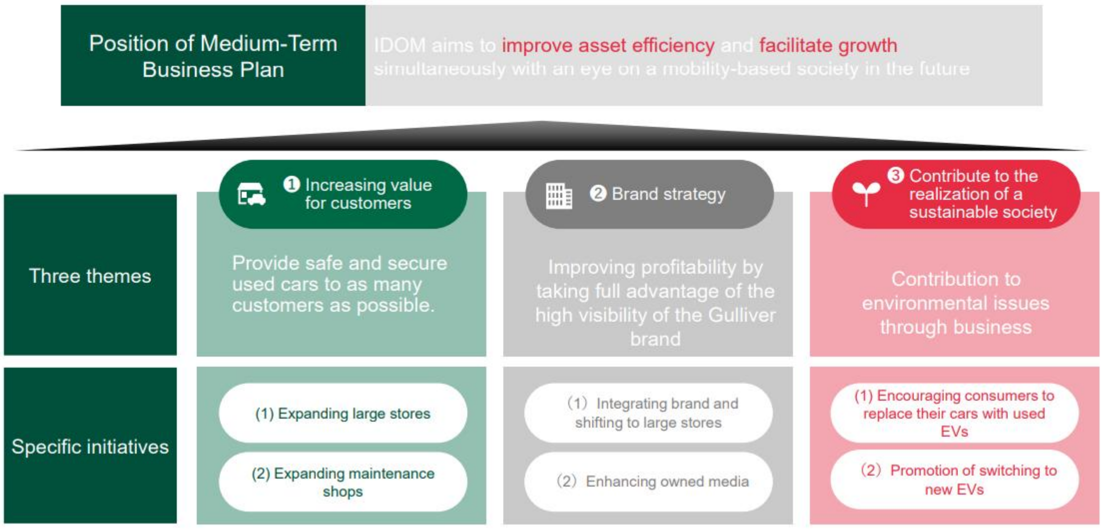
1	**Brand power**	Ability to attract customers using the well-known Gulliver brand	・Brand recognition surveys (IDOMs own survey and surveys by research companies) Recognition rate of the “Gulliver” brand: 94.9%
2	**Number of customers**	Number of customers based on the huge number of cars that IDOM has traded since its foundation	(Cumulative total) Number of cars purchased + Number of cars sold: 5.5 million units
3	**Sales capabilities**	Development and improvement of long-term human resource development plan focused on recruitment of new graduates	・Cumulative total retail unit sales: More than 1.65 million units ・Enhanced services incidental to retailing
4	**IT utilization capabilities**	Promotion of DX and shift to AI	Concentrated human resources on the retail business by automating the operation of the purchase business and inventory management
5	**Ability to respond to the environment**	From purchasing to retailing	Shifted from purchase-oriented business to retail business by responding flexibly to changes in the business environment

Source: IDOM IR materials.

Growth Strategy

The company's growth strategy includes opening new large-format stores, expanding maintenance facilities, improving existing operations, and launching new businesses. It is especially focused on a "selection and concentration" approach—allocating investments to businesses with high growth potential and strong capital efficiency, particularly in expanding its large-format store network.

Figure 3 Positioning of the Medium-Term Business Plan and Its Three Strategic Themes



Source: IDOM IR materials

View

FY02/2025 Financial Results and FY02/2026 Forecast

In the previous fiscal year, the company made strategic investments to expand its network of large-format stores and grow its workforce. Despite these upfront costs, higher used vehicle sales and improved profit margins in both retail and wholesale segments drove increases in both revenue and profit. For the full year, retail volume growth and margin improvements offset investment costs, resulting in an 18.3% increase in revenue and a 17.5% rise in net profit.

For the current fiscal year, the company expects continued sales growth fueled by strong performance from large-format stores, improved pricing accuracy, and increased ancillary revenue, leading to a projected 10.1% increase in revenue and a 1.1% rise in operating profit.

Changes in Japan's Used Car Market

In recent years, Japan's Auto Auction (AA) system and the company's pioneering nationwide used-car database have become firmly established. As a result, vehicles inspected by professional third parties now dominate the used car distribution market. The Japanese used car market is evolving into one where consumers can confidently choose high-quality vehicles from reputable dealers like the company, or certified pre-owned cars from manufacturer-affiliated dealers. Looking ahead, we believe the share of used cars in Japan will continue to grow as dealership brands strengthen their focus on trust and customer assurance.

Currently, the company is enhancing customer confidence and satisfaction by expanding its large-scale dealership network and upgrading its maintenance services. With these initiatives, the company has built a clear competitive edge over peers, which is expected to drive further market share gains in the near term.

Key Strategic Priorities for the Current and Medium-Term Periods

In the short term, the key focus will be on the stability of the used car market. Ongoing macroeconomic risks—such as a potential peak in global stock prices, shifts in Japan's monetary policy, and continued declines in real wages—pose potential headwinds. Given that automobiles are high-ticket items, sales tend to be sensitive to economic conditions. However, when comparing the valuations of automobile dealers in Japan and the U.S., the company's stock appears fairly valued, with limited risk of relative underperformance. During the current Medium-Term Business Plan (FY02/2023–FY02/2027), the company expects its competitive edge—centered on the expansion of large-format stores and enhanced pit services—to drive growth and help correct its undervalued market position.

Looking beyond 2027, the company is laying the foundation for its next phase of growth. Through its subsidiary, IDOM Digital Drive, it is actively securing IT talent and introducing integrated digital technologies at its retail locations to deliver a more flexible and satisfying customer experience. These initiatives position the company well for achieving the goals of its upcoming Medium-Term Business Plan (FY02/2028–FY02/2030).

Combined with a strong financial foundation, the company's ongoing execution of a focused growth strategy reinforces its near-term competitive advantage while setting the stage for long-term expansion. These efforts merit close attention from investors.

FAQs from Meetings with Investors

History

Q1: What is the origin of the company name "IDOM"?

In July 2016, to embody its commitment to "挑む (idomu)"—taking on challenges—in transforming the automotive distribution industry, the company changed its name from Gulliver International Co., Ltd. to IDOM Inc.

Q2: How are responsibilities divided and governance structured under the dual CEO system?

Generally, Yusuke Hatori is responsible for overseeing overseas operations, while Takao Hatori manages domestic operations. However, decisions that impact the entire company—such as mergers and acquisitions—are jointly reviewed by both CEOs and ultimately approved by the Board of Directors, regardless of whether they pertain to domestic or international matters. The dual-CEO system was introduced in 2008 when the founding members transferred management responsibilities to the next generation. As part of the company's governance framework, this structure places two experienced leaders—both major founding-family shareholders with extensive operational expertise—at the helm. While each CEO leads their respective domain, they collaborate closely on important matters, ensuring a well-balanced decision-making process and enabling swift, resilient governance.

Business Model

Q3: Do fluctuations in used car prices affect profit margins?

Yes, it does. Since used car prices fluctuate constantly, we aim to maintain a consistent gross profit per vehicle—set at approximately ¥400,000—rather than targeting a fixed profit margin percentage. As a result, when market prices are high, profit margins decrease, and when prices are low, margins increase. We take this approach to provide highly transparent services to our customers, and therefore expect that profit margins will continue to be affected by changes in the used car market. Our retail sales are primarily focused on mid-range, mass-market vehicles. Because the proportion of high-priced large vehicles, imported cars, and low-cost kei cars is relatively low, we are able to maintain a stable average gross profit per unit. Kei cars are popular in Japan for their compact size and fuel efficiency.

Q4: Do you own any land?

Currently, the company owns only one property used as a purchasing store; all other store locations are leased. We approach new store openings with careful consideration, ensuring that lease agreements include terms that allow for flexibility in the event of store closures or relocations. This disciplined approach to risk management supports our goal of achieving sustainable, long-term growth.

Q5: What challenges does the company face in hiring personnel?

Currently, the company faces no major issues in hiring. Each year, we receive a sufficient number of applications to recruit over 500 employees needed for large-store openings. That said, with Japan's working-age population steadily declining, we recognize the importance of continually improving our working environment. To that end, we are actively enhancing employment conditions—such as optimizing working hours and holidays—and in 2025, we introduced new initiatives including increased child allowances and support for infertility treatment. These efforts are part of our commitment to being a sustainable and attractive employer in a changing labor market.

Business Environment

Q6: What impact does Japan's unique vehicle inspection system have on the used car industry?

In Japan, vehicles are required to undergo inspection approximately once every two years, with mandatory repairs to ensure safety and performance. This system has fostered a market environment in which vehicles are consistently maintained to a high standard. As a result, Japan produces a large volume of high-quality used cars, creating a reliable supply of inventory that is highly sought after both domestically and internationally.

Q7: What is the contribution of maintenance facilities, and how do they impact business performance?

Japan's mandatory biennial vehicle inspection system has created a sizable automotive maintenance market. When designated maintenance facilities are not available, used vehicles must undergo repairs and inspections prior to delivery, followed by final checks at external inspection centers—creating a bottleneck in the delivery process.

By integrating in-house maintenance facilities, the company can streamline these procedures, improve delivery speed, and enhance operational efficiency. Additionally, these facilities increase service transparency, which helps build customer trust and supports the sale of ancillary products such as extended warranties and maintenance packages—further contributing to overall business performance.

Shareholder Returns and Capital Policy

Q8: What is the company's approach to shareholder returns?

We will maintain our current dividend policy of targeting a payout ratio of 30% of consolidated net income for the fiscal year. In addition to dividends, we will consider share buybacks when the price-to-book ratio approaches 1. At the same time, we will prioritize growth investments—particularly in large-format stores—with the goal of enhancing corporate value through increased profitability. In terms of capital policy, we aim to manage the equity ratio at around 40%. To ensure financial flexibility and resilience against various risks, we plan to diversify our funding sources by combining traditional bank financing with corporate bond issuance. For receivables generated from installment sales—a new business initiative—we plan to convert these assets into cash through receivables liquidation, helping us control accounts receivable and maintain healthy free cash flow.

Q9: What are the company's strategies for improving investment efficiency and utilizing free cash flow?

We use Return on Invested Capital (ROIC) as a key measure of investment efficiency and aim to maintain a level of 8% or higher. Given our asset-intensive model—centered on store facilities and inventory—we focus growth investments on expanding large-format stores with high return potential. Free cash flow is primarily allocated to dividend payments and future investments in large-scale store development, striking a balance between shareholder returns and long-term growth.

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History of the Company

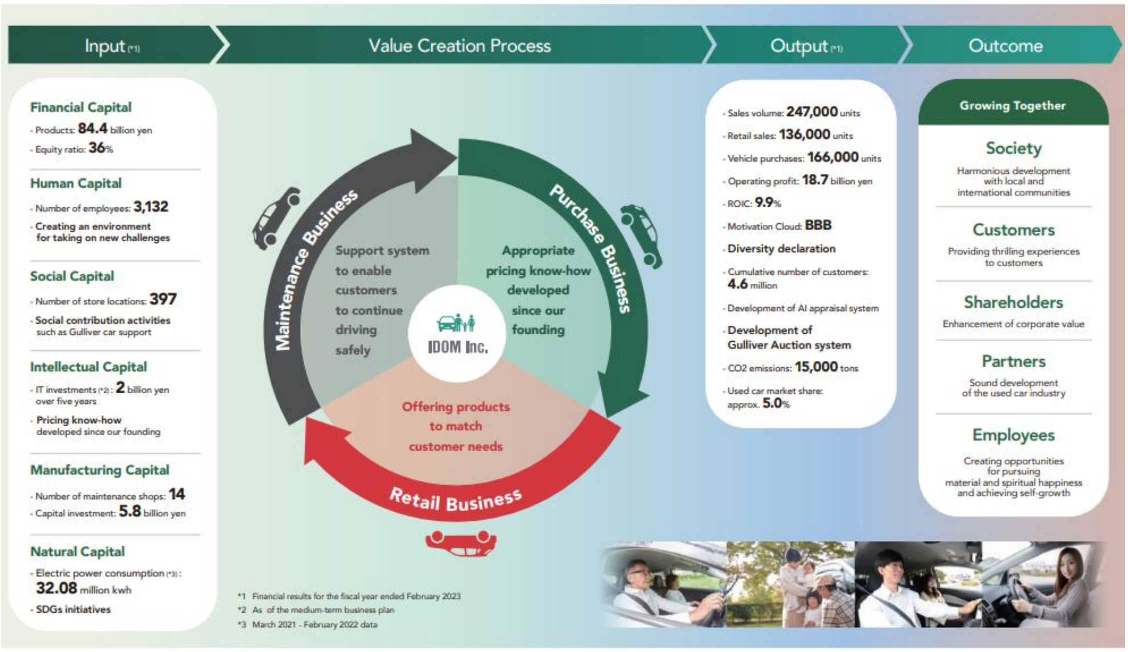
Year	History
Oct. 1994	Gulliver International Corporation was established in Tomida-cho, Koriyama City, Fukushima Prefecture, with the purpose of purchasing used cars.
Feb. 1996	With the expansion of the franchise chain, the Tokyo headquarters was established in Urayasu City, Chiba Prefecture, and franchise headquarters functions were relocated.
Apr. 1996	The company name was changed to Gulliver International Co., Ltd.
Sep. 1996	The head office was relocated to the Tokyo headquarters in Urayasu City, Chiba Prefecture. With this relocation, the Tokyo headquarters was abolished.
Sep. 1997	Pilot introduction of the Dolphinet System.
Feb. 1998	Full-scale operation of the Dolphinet System began.
Mar. 1998	Merged with Gulliver International Co., Ltd. (nominal surviving company) to change the par value of shares.
Dec. 1998	Registered shares with the Japan Securities Dealers Association.
Mar. 2000	Established a wholly owned subsidiary, E-Investment Co., Ltd.
Apr. 2000	Established G Trading Co., Ltd. as a joint venture with Fujiyama Trading Ltd. (70% owned by the Company).
May 2000	Relocated the head office to Chiyoda-ku, Tokyo.
Dec. 2000	Listed on the Second Section of the Tokyo Stock Exchange.
Nov. 2001	Obtained ISO 9001 (2000 edition) certification for appraisal price calculation services.
Dec. 2002	Received the IR Excellence Award from the Japan Investor Relations Association.
Aug. 2003	Designated for listing on the First Section of the Tokyo Stock Exchange.
Jun. 2004	Established Hakobo Co., Ltd. through a joint venture with Carrier-Messe Co., Ltd. (70% owned by the Company).
Oct. 2004	Renamed E-Investment Co., Ltd. to G-One Financial Services Co., Ltd.
Nov. 2004	Established Gulliver USA, Inc. as a wholly owned subsidiary. G Trading Co., Ltd. registered its shares with the Japan Securities Dealers Association.
Dec. 2004	G Trading Co., Ltd. listed its shares on the JASDAQ Securities Exchange.
Nov. 2005	Obtained a patent for an automatic appraisal system (Patent No. 3738160).
Feb. 2006	Moved the head office to Chiyoda-ku, Tokyo.
Nov. 2006	Received the Porter Prize.
Jul. 2007	Became a title sponsor of the Professional Baseball All-Star Game.
Dec. 2007	Initiated social contribution activities by donating a portion of proceeds from purchases and sales.
Mar. 2008	Received the 2nd High Service Japan 300 Award (Service Industry Productivity Council). Transitioned to a dual CEO system.
Dec. 2009	Acquired G Trading Co., Ltd. through a stock swap, making it a wholly owned subsidiary.

Feb. 2011	Renamed subsidiary G. One Insurance Service Co., Ltd. to Gulliver Insurance Co., Ltd.
Aug. 2011	Merged with Hakobo Co., Ltd.
Nov. 2012	Established Motorenglobal Co., Ltd. as a wholly owned subsidiary.
Nov. 2013	Acquired all shares of Tokyo Mycar Sales Co., Ltd., making it a wholly owned subsidiary.
Jun. 2014	Established Gulliver International New Zealand Co., Ltd. as a wholly owned subsidiary.
Jan. 2015	Subsidiary Motorenglobal Co., Ltd. acquired all shares of Nakamitsu Motors Co., Ltd. and its major shareholder Nakamitsu International Co., Ltd., making both wholly owned subsidiaries.
Aug. 2015	Renamed Nakamitsu Motors Co., Ltd. to Motor Glanz Co., Ltd.
Sep. 2015	Gulliver Australia Holdings Pty Ltd. acquired 67.0% of Buick Holdings Pty Ltd., making it a subsidiary.
Jul. 2016	Changed the company name to IDOM Co., Ltd.
Aug. 2016	Launched NOREL, a monthly flat-rate car subscription service.
Dec. 2016	Established IDOM (Jiangsu, China) Trading Co., Ltd. as a wholly owned subsidiary.
Jun. 2017	Selected as a 'Competitive IT Management Company 2017' by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.
Oct. 2018	Subsidiary IDOM Automotive Group Pty Ltd. acquired five AWM Group companies in Australia through share acquisition and asset transfer, making them subsidiaries.
Aug. 2019	Launched “GO2GO,” a peer-to-peer car-sharing service.
Apr. 2020	Launched “Gulliver Car Support” (#SaveMoving), offering free use of company-owned vehicles to approx. 10,000 people, including medical professionals, during the COVID-19 pandemic. Established IDOM CaaS Technology Co., Ltd., a wholly owned subsidiary.
Jun. 2020	Transferred the NOREL and GO2GO businesses to IDOM CaaS Technology via a simplified absorption-type company split.
Sep. 2020	Established FMG Co., Ltd. as a wholly owned subsidiary.
Sep. 2021	Transferred all shares of subsidiary Motoren Glanz Co., Ltd.
Oct. 2021	Transferred all shares of subsidiary Motoren Global Co., Ltd.
Nov. 2021	Received an award from the Japanese government for long-standing social contribution activities, including UNICEF support since 2011.
Jan. 2022	Relocated head office to current location in Chiyoda-ku, Tokyo.
Apr. 2022	Transitioned from the First Section to the Prime Market following the Tokyo Stock Exchange’s market reclassification.
Jul. 2022	Sold all shares of IDOM Automotive Group Pty Ltd. and Gulliver Australia Pty Ltd.
Feb. 2023	Absorbed Gulliver Insurance Co., Ltd. via merger.

Source: IDOM Securities Report for the Fiscal Year Ended February 2024

The Company's Business _Model

Figure 4 Business Model



Source: IDOM IR materials

Results for the Fiscal Year Ended February 2025 and Forecast for the Current Fiscal Year

Summary of FY02/2025 Performance

In the fiscal year ended February 2025, net sales increased 18.3% year-on-year to ¥496.7 billion, operating profit rose 23.4% to ¥19.9 billion, and net income attributable to shareholders grew 17.5% to ¥13.4 billion. While results slightly fell short of internal targets due to higher SG&A expenses from the aggressive expansion of large-format stores, the company delivered record-high sales and operating profit, driven by increased sales volume and effective inventory and pricing controls. To focus on strengthening its domestic business, the company divested its profitable Australian operations (consolidated until Q1 FY02/2023) and continued to invest in the development of large stores in Japan. By maintaining a high retail gross profit per unit and expanding pit service staffing, the company achieved a 3% year-on-year increase in retail unit sales.

Key Factor Trends

Retail unit sales rose 3% year-on-year to a record-high 149,000 units. Retail gross profit per unit reached ¥450,000, exceeding the upper range of the revised forecast (¥410,000–¥440,000). In a sluggish used car market marked by falling prices, effective inventory control and restraint in discounting were key drivers of this performance. Wholesale unit sales increased 13% to 144,000 units, while wholesale gross profit per unit rose by ¥20,000 to ¥120,000, also contributing to overall profit growth.

Strategic Cost Trends

In preparation for the continued rollout of large-format stores, personnel and recruitment expenses rose by ¥5.1 billion compared to the previous fiscal year, while costs related to store expansion—such as rent and advertising—increased by ¥1.9 billion. As a result, total selling, general, and administrative (SG&A) expenses rose by ¥10.4 billion. The company is accelerating its large-format store strategy with a target of 100 locations. In the previous fiscal year alone, 16 new stores were opened, bringing the total to 69.

Cash Flow Trends

Cash flow before inventory buildup remained in line with the plan at ¥186 billion. However, free cash flow turned negative by ¥200 billion due to several strategic factors: ¥136 billion in inventory buildup to support large-format store expansion, an ¥80 billion increase in inventory unit prices driven by market conditions, and a ¥100 billion rise in accounts receivable related to the growth of installment sales.

Forecast for the Fiscal Year Ending February 2026

For the fiscal year ending February 2026, the company projects a 10.1% year-on-year increase in net sales to ¥546 billion, an 1.1% increase in operating profit to ¥20.1 billion, and a 7.0% down in net income attributable to shareholders to ¥12.5billion. While the used car market remains somewhat subdued, the company expects to achieve both revenue and profit growth by increasing retail unit sales and maintaining high gross profit per unit—offsetting cost increases associated with large-format store openings. In addition to strengthening its product lineup and improving customer satisfaction, the company is enhancing the Gulliver brand by opening large-format stores equipped with in-house maintenance facilities. Although the forecast may be viewed as conservative, it reflects the company's commitment to delivering steady, sustainable growth. Aligned with its performance-linked dividend policy, the company plans to pay a dividend of ¥40.63 per share for the fiscal year.

Figure 5 Consolidated Results

Accounting Period	FY02/2023	FY02/2024	FY02/2025					FY02/2026
			Q1	Q2	Q3	Q4	Full-year	Full-year CE
Net Sales	416,514	419,852	124,558	125,093	130,864	116,163	496,678	546,800
YoY	(9.4%)	0.8%	18.3%	27.1%	25.8%	3.6%	18.3%	10.1%
Operating Income	18,684	16,117	4,449	5,634	4,975	4,832	19,890	20,100
YoY	1.1%	(13.7%)	60.6%	30.2%	33.4%	(8.6%)	23.4%	1.1%
Operating income Margin	4.5%	3.8%	3.6%	4.5%	3.8%	4.2%	4.0%	3.7%
Net Income	14,205	11,442	2,901	3,584	3,316	3,612	13,413	12,500
YoY	31.6%	(19.5%)	55.3%	21.3%	37.4%	(14.1%)	17.2%	-7.0%
Net Income margin	3.4%	2.7%	2.3%	2.9%	2.5%	3.1%	2.7%	2.3%
EBITDA	21,265	19,007	-	-	-	-	23,138	-

Source: Prepared by FISCO based on company securities reports and IDOM IR materials.

Note: Rounded to the nearest million yen, rounded to one decimal place. CE: "Company Estimate".

Japanese Generally Accepted Accounting Principles (JGAAP) are used as the accounting standards.

Outlook for Japan's Used Car Market

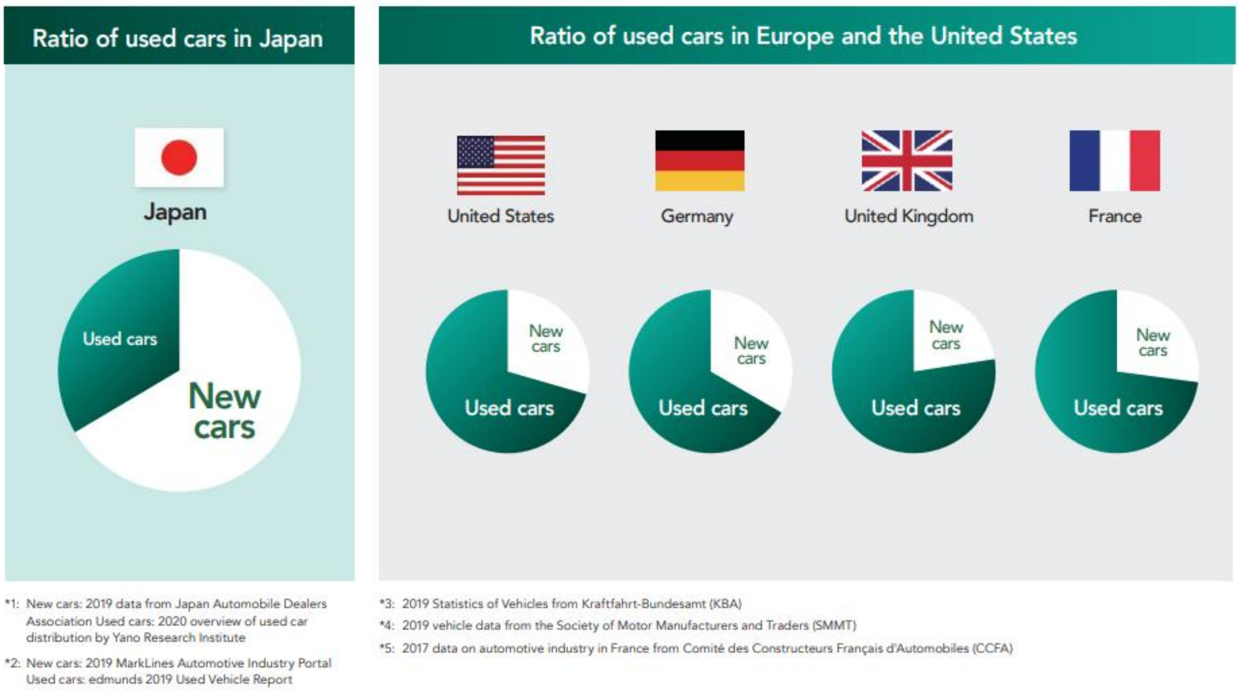
Japan's Used Car Market Has Significant Growth Potential Compared to Europe and the United States

Japan's used car retail market was estimated at approximately 2.601 million units in 2023[1], representing about 35% of the 4.779 million new car sales in the same period[2]. Compared to Europe and the United States—where used car transactions account for over 60% of total sales—Japan's used car market is often viewed as having significant room for growth. FISCO shares this perspective. However, realizing this potential depends on several factors, including the continued effective use of Japan's Auto Auction (AA) system and further efforts by major used car dealers—such as IDOM—to strengthen vehicle quality assurance and customer trust.

Recent scandals, including the former Big Motor incident and subsequent inspections by the Financial Services Agency targeting both independent and manufacturer-affiliated dealers, have heightened consumer concerns about reliability. In this context, maintaining and reinforcing customer trust has become a critical strategic priority.

The company's current initiatives—such as expanding large-format stores and enhancing after-sales services including maintenance and repairs—are well-aligned with these market needs and are expected to contribute to near-term market share gains.

Figure 6 Comparison of Used Car Ratios in Japan, the United States, and Europe



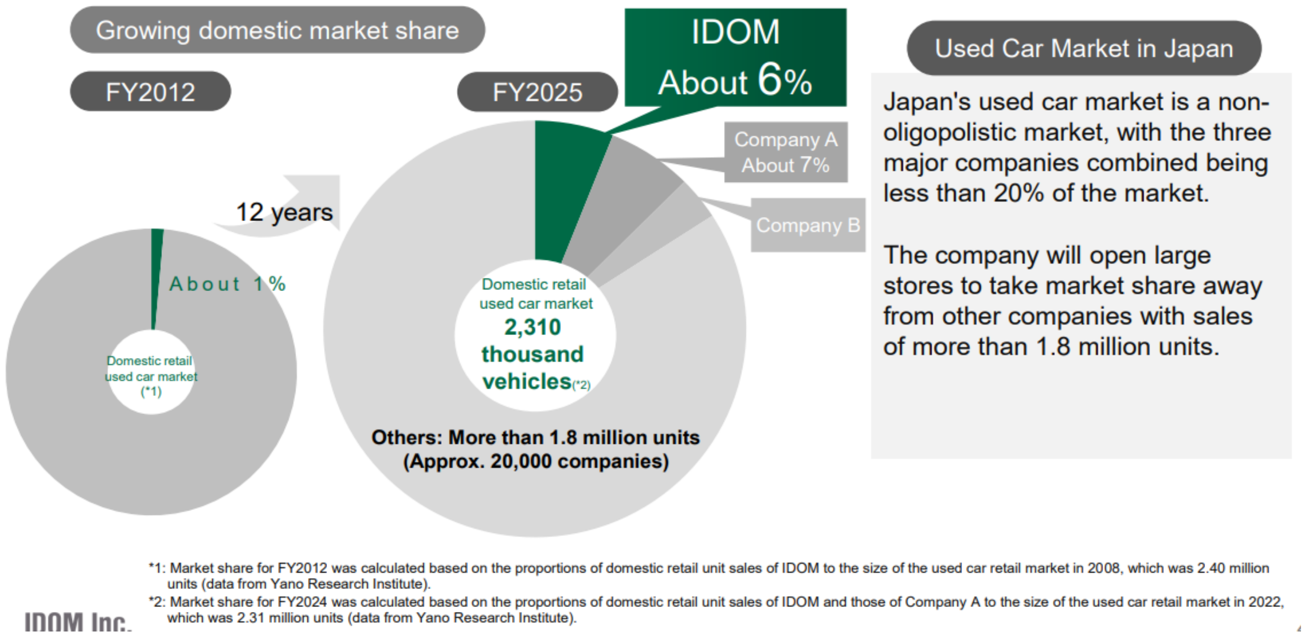
Source: IDOM IR materials.

The Used Car Distribution Market Remains Highly Competitive—Yet the Company Has Ample Room for Growth

While there are no definitive statistics on used car distribution channels in Japan, the market is generally understood to be divided as follows: approximately 50% is controlled by manufacturer-affiliated dealers, around 20% by the three major used car dealers—IDOM, Nextage, and WECARS (formerly Big Motor)—and the remaining 30% by small-scale repair shops, body shops, and specialty dealers.

Historically, before large-scale used car dealers like IDOM expanded their operations, manufacturer-affiliated dealers focused primarily on new car sales and handled only a portion of trade-in vehicles through their used car outlets. The rest of the market was largely fragmented and dominated by independent repair shops and specialty used car dealers.

Figure 7 Japan's Used Car Market – The Company's Expanding Domestic Market Share

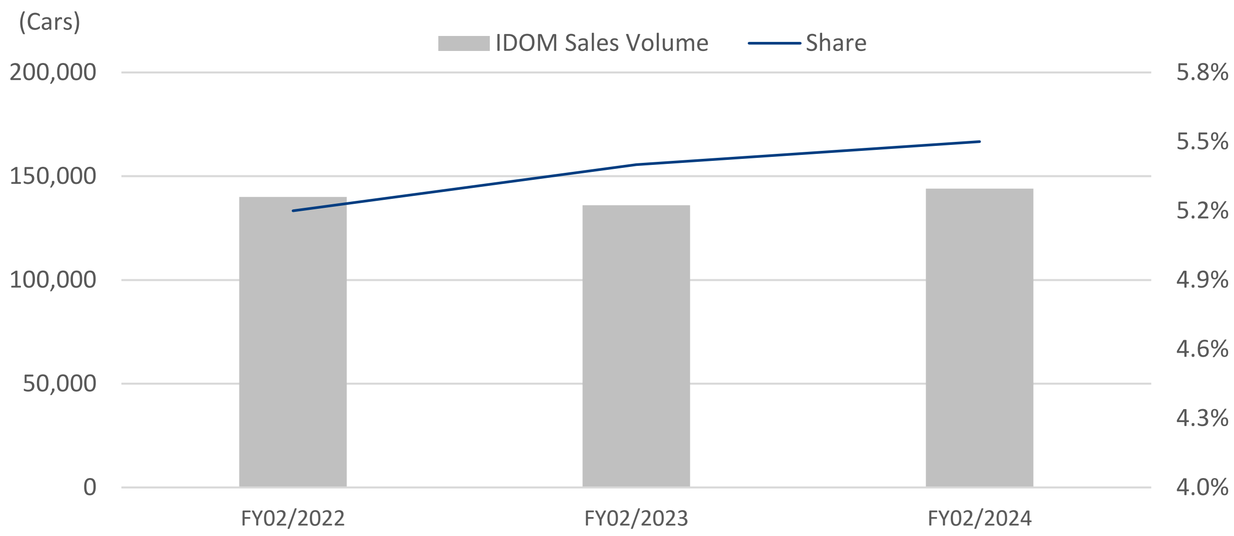


Source: IDOM IR materials

The Auto Auction (AA) system and the foundation of the used car buying business began to take shape in the 1980s and 1990s. Prior to that, used cars in Japan were widely regarded as risky purchases—often associated with accident-damaged vehicles or poor mechanical condition. As a result, many consumers chose to buy new cars for peace of mind. When purchasing used vehicles, it was common for buyers to rely on personal recommendations from friends or acquaintances, directing them to small repair shops or local dealers they could trust. This tradition of trust-based purchasing remains influential today, and is one reason why many consumers still prefer to buy from small-scale dealers or repair shops with whom they have a personal connection.

However, with the expansion and establishment of the Auto Auction (AA) system and the rise of used car buyback stores, a growing portion of used cars in circulation are now handled by professional third parties. This shift has significantly reduced the risk of consumers purchasing poor-quality vehicles. In addition, manufacturer-affiliated dealers have recently strengthened their trade-in programs and expanded the sale of certified pre-owned vehicles, further enhancing the overall trust and credibility of the used car market in Japan.

Figure 8 Market Share Trends – Comparison of the Company's Automobile Sales and Total Used Car Registrations



Source: Prepared by FISCO based on JADA, JAMA.

The Role of Brand Power in Shaping Used Car Purchase Trends

Used cars have traditionally carried a perceived risk of being accident-damaged or in poor condition, leading many consumers to choose new cars for greater peace of mind. However, with the establishment of the Auto Auction (AA) system and the rise of professional used car buyback stores, an increasing number of vehicles in circulation are now handled by trusted third parties—greatly reducing the risk of purchasing low-quality vehicles.

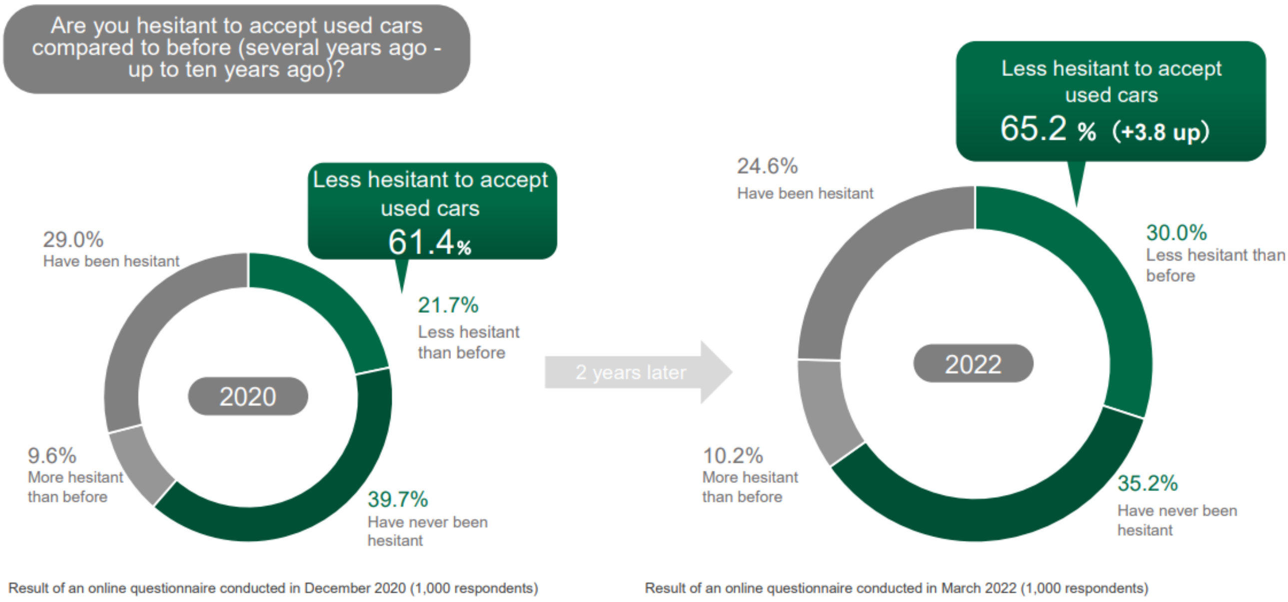
In recent years, manufacturer-affiliated dealers have also enhanced their buyback programs and expanded their certified pre-owned offerings, further strengthening consumer trust in the used car market. In this environment, the brand of the dealership has become just as important as the brand of the vehicle itself. A dealership's brand signifies trust and peace of mind—qualities that cannot be built through large-scale TV or radio advertising alone. Instead, they are earned through consistent, long-term corporate commitment to quality and service.

In the long term, it is possible that the share of used cars in Japan will increase. However, for the market to grow to the same level as Europe and the United States, fundamental changes in the used car distribution system will be necessary.

One of the key challenges lies in the structure of Japan's automotive market, which is dominated by large dealership networks affiliated with manufacturers. These dealers operate a vast number of locations and have a strong incentive to prioritize new car sales, which typically carry higher margins. In contrast, the North American market features many large independent dealers that are not tied to specific manufacturers, allowing consumers to select vehicles based on usage and segment—regardless of whether the car is new or used.

Japanese vehicles are globally recognized for their quality and long-term reliability. Additionally, the average age of vehicles in Japan has been rising over time, and prolonged economic stagnation—combined with declining real personal incomes—has created conditions that could encourage a broader shift toward more economically practical used vehicles. While structural hurdles remain, these underlying trends suggest long-term growth potential for Japan's used car market.

Figure 9 Shifting Consumer Attitudes Toward Used Cars



Source: IDOM IR materials

Comparison of Used Car Distribution Models

Major Used Car Dealers

IDOM (Gulliver), Nextage, and the former Big Motor have each built nationwide used car sales networks through substantial capital investment. While their strategic approaches differ due to their distinct origins, IDOM (Gulliver) is currently regarded as being in the strongest position for immediate growth. The company began as a specialist in used car purchasing before expanding its sales network. Today, the company is focused on enhancing customer satisfaction and driving business growth by expanding its retail footprint and strengthening its in-store maintenance (pit work) capabilities. In contrast, Nextage originated as a used car sales dealer in the Nagoya region. After building strong relationships with major manufacturers and expanding nationwide, it is now placing greater emphasis on developing its used car purchasing operations.

While the buyback business can operate independently, within a broader business model that includes retail outlets, it effectively functions as a procurement arm. In today's market—where the Auto Auction (AA) system is utilized by dealers of all sizes—the buyback business plays a critical role in sourcing high-quality used vehicles. However, the buyback segment is a highly competitive "red ocean" market, with dozens of companies competing for the same customers. Online platforms now allow consumers to easily request multiple appraisals, intensifying price competition. Success in this space depends on the ability to maintain a steady, low-cost inflow of vehicle submissions.

Companies like IDOM and major OEM-affiliated dealers, which have already secured significant volume and quality in their sourcing operations, are in a relatively strong and defensible position within this competitive landscape.

While the former Big Motor may have the potential to regain its footing as a major used car dealer over the long term—supported by the financial backing of a large general trading company and a wide network of business partners—its recovery will not be easily achieved by simply rebranding. Once consumer trust is lost, especially in a business involving high-value, safety-sensitive products like automobiles, rebuilding credibility becomes a significant challenge. Trust is a critical component of brand strength, particularly in the automotive sector, where vehicle reliability and safety are paramount concerns. From this standpoint, IDOM's strategy of reinforcing the "Gulliver" brand through the expansion of large-format stores and the enhancement of pit services is well-aligned with evolving market expectations and consumer priorities.

Manufacturer-Affiliated Dealers

While manufacturer-affiliated dealers continue to prioritize new car sales, their extensive dealership networks also make them the dominant channel for used car distribution—accounting for approximately half of the market. Toyota operates around 5,000 domestic dealerships, followed by Honda with about 3,000, Nissan with 2,000, and Suzuki and Daihatsu with approximately 1,500 each. By comparison, major used car dealers such as Gulliver operate roughly 400 locations (including buyback specialty stores), and Nextage operates around 330, including both new car and buyback outlets.

Manufacturers typically deploy a mix of new car dealerships, dual-purpose dealerships, and dedicated used car dealerships, depending on their sales strategies. Notably, Honda operates approximately 800 used car dealerships, and Daihatsu operates over 700—both far exceeding the scale of independent used car dealers. Although the overall number of manufacturer-affiliated stores has declined due to network consolidations, there is a clear trend toward increasing used car dealership locations, suggesting that major automakers view used car distribution as a strategically important channel for future growth.

The key strengths of manufacturer-affiliated dealers in the used car market include:

1. Credibility of certified used vehicles, serviced by technicians familiar with the brand's specifications.
2. Post-purchase peace of mind, with warranty programs that often rival those offered for new vehicles.
3. Strong manufacturer branding, which reinforces consumer trust and signals a commitment to quality and long-term customer relationships.

Small-Scale Businesses: Independent Used Car Dealers, Repair Shops, and Body Shops

This channel reflects both the strengths and limitations typical of small and medium-sized enterprises (SMEs) in Japan. A key factor shaping Japan's unique automotive distribution system is the country's legally mandated vehicle inspection regime. Under this system, vehicle owners must undergo their first mandatory inspection three years after purchasing a new car, and every two years thereafter—regardless of whether the vehicle shows any issues. These inspections involve statutory fees such as compulsory automobile liability insurance, vehicle weight tax, and stamp duties. Driving a vehicle that has not passed inspection carries severe penalties, including a 30-day license suspension, a deduction of six license points, and fines of up to ¥300,000 or imprisonment for up to six months.

While the system may help reduce the number of non-compliant vehicles on the road, it has also been criticized as a rigid framework that protects incumbent interests. In practice, many manufacturer-affiliated dealers and large used car retailers recommend more frequent, detailed inspections—every six to twelve months—often resulting in the proactive replacement and maintenance of parts and components. This creates a competitive challenge for small-scale operators, who may lack the scale, infrastructure, or brand trust to offer similar after-sales assurance.

Japan's legally mandated vehicle inspection system requires all vehicle owners to have their cars inspected and serviced by licensed mechanics every two years (or every three years for new vehicles in their first registration cycle). Even in the absence of obvious issues, these inspections mandate preventive maintenance—often including part replacements—making trust in the mechanic a critical factor for consumers. As a result, many individuals continue to rely on recommendations from friends or acquaintances and often turn to local repair shops or dealers they know personally. Additionally, the cost of repairs at the time of inspection can prompt consumers to consider replacing their vehicles altogether, making inspection cycles a common trigger for vehicle replacement. This dynamic supports the continued relevance of small-scale repair shops, body shops, and dealerships as part of the used car distribution channel.

The strengths of this channel include:

- Low-cost operations driven by family-run or small-scale ownership models
- Customer trust and satisfaction derived from personal relationships and referrals

However, the channel also faces significant challenges:

1. Limited scalability, as word-of-mouth remains the primary source of customer acquisitio
2. Succession issues, with many operators being traditional Japanese SMEs struggling to find successors, leading to closures
3. Technological hurdles, as the increasing computerization of vehicles makes it difficult for small shops to perform necessary repairs or diagnostics

As a result, this segment is expected to gradually lose market share to larger, better-equipped players in the years ahead.

Insurance Fraud Scandal

The insurance fraud scandal involving the former Big Motor and a major property and casualty insurance company had a widespread negative impact on the used car market in 2023. The reputational damage extended beyond Big Motor, affecting consumer perception of major used car dealers as a whole. In response, more cautious customers increasingly gravitated toward certified used vehicles sold by manufacturer-affiliated dealers, which are perceived as more trustworthy. That said, the repercussions are expected to differ significantly among the three major used car dealers. Big Motor, now operating under the Itochu Group, has begun a restructuring process and rebranded its operations under the name "WECARS." Although many stores had resumed operations under the new brand as of 2025. The company announced on October 14, 2025, that it has not received, nor does it expect to receive, a business improvement order or any similar administrative action from the Financial Services Agency, as reported in some media outlets.

Impact on IDOM's Performance

Despite the sale of its Australian business—which had contributed approximately ¥45 billion in revenue—in the previous fiscal year (ended February 2024) as part of a strategic focus on core operations, IDOM's consolidated sales still grew 0.8% year-on-year to ¥416.5 billion. This was driven by a strong performance in the domestic market, where sales rose by approximately 13%, allowing the company to continue expanding its market share relative to total used car registrations. The growth in domestic operations was supported not only by increased sales volume but also by rising prices for popular used car models, stemming from ongoing production delays in the new car market. This price environment further contributed to revenue growth. The company's robust performance is largely attributed to its long-standing efforts to build customer trust. However, it is also believed that IDOM benefited from a temporary shift in consumer demand—particularly from customers who may have otherwise purchased from Big Motor. Going forward, the actions and recovery strategies of major competitors will be a key factor in shaping IDOM's performance trajectory.

Comparison with U.S. Automobile Dealers

While differences in business practices and legal frameworks make a direct comparison difficult, the U.S. used car market provides a useful point of reference given its rapid evolution over the past decade. The U.S. market is highly fragmented. According to Automotive News, as of 2021, the largest dealer brand held only 2.3% of market share, and the top 100 used car dealers collectively accounted for just 11.1%. The market is composed of franchise dealers, independent dealers, and online platforms. Moreover, a significant portion of transactions takes place through private sales, which are often excluded from official statistics—underscoring the decentralized nature of the U.S. market compared to Japan's more consolidated, manufacturer-led structure.

Expansion of the U.S. Market Through Online Dealers, Including Tesla Motors

Tesla Motors exemplifies a new model in automotive distribution, operating its own online dealership division and bypassing traditional third-party dealer networks. This approach stands in contrast to most major U.S. automakers, which do not operate direct sales channels at scale and rely instead on independently owned dealerships—often with no capital ties to the manufacturers. This is a major structural difference from Japan, where distribution is dominated by manufacturer-affiliated dealers with dense retail networks. In the U.S., consumers typically begin by choosing a vehicle segment—such as SUVs, sedans, or sports cars—and then visit a dealer offering multiple brands and both new and used options, allowing for greater flexibility and efficiency in the purchasing process. While this model may not cultivate strong brand loyalty, it prioritizes consumer choice and convenience.

In Japan, although used car dealers may operate separate stores for new vehicles under different branding, new cars are generally not sold through used car dealerships. However, Japanese used car dealers—like their U.S. counterparts—allow customers to choose from a wide range of brands based on individual needs. These contrasting models reflect differences in the historical development of the automotive industry in each country. Nonetheless, as Tesla's success shows, even deeply entrenched distribution systems can change rapidly when supported by new technologies and consumer behaviors. The Japanese market, too, may face significant shifts depending on how emerging business models are adopted and scaled.

Figure10 Market Capitalization of Major U.S. Listed Automobile Dealers — Compared to EV Companies and Major Stock Indices

Name	Price ($)	Market Cap (Mil $)	Enterprise Value (Mil $)	EBITDA (Mil $)	Net Income (Mil $)	PER	PBR	EV/ EBITDA
CARVANA CO.	348	74,926	78,798	1,356	450	166.5	59.5	58.1
CARMAX, INC.	71	10,597	29,677	1,835	479	22.1	1.7	16.2
	(¥)	(Mil ¥)	(Mil ¥)	(Mil ¥)	(Mil ¥)			
IDOM	1,056	112,874	176,735	25,348	13,600	8.30	1.4	7.0
Nextage	1,746	141,094	227,477	21,038	9,500	14.9	1.9	10.8

Note: Stock prices are as of the close of trading on July 3, 2025.

Performance figures for U.S. companies are based on their most recent financial results, while figures for Japanese companies are based on current fiscal year forecasts, with depreciation and amortization figures derived from the previous fiscal year's results.

Source: Prepared by FISCO based on information from company websites and public disclosures.

Online Registration in Japan

From a dealer's perspective, scaling online used car sales in Japan remains difficult due to differences in registration procedures across prefectures. The process is paperwork-intensive, and legal standardization is seen as a key hurdle.

Currently, registering a used car requires numerous documents, including: (1) Registration Identification Information Notification, (2) Transfer Certificate, (3) Garage Certificate, (4) Seal Certification of the New Owner, (5) Inspection and Maintenance Record Book, (6) Automobile Weight Tax Payment Receipt, (7) Compulsory Automobile Insurance Certificate, (8) Fee Payment Receipt, (9) Automobile Tax and Acquisition Tax Declaration Form, and (10) Power of Attorney if handled by a third party. Variations in document formats and the lack of a unified system are often cited as the biggest obstacles to enabling full online registration in Japan.

The Core Issues Facing Online Car Buying in Japan

The core question is whether Japanese consumers truly want to complete a car purchase in just 10 minutes. In Carvana's 2023 Form 10-K, a key insight from the Cox Automotive Car Buyer Journey Study was cited: only 68% of used car buyers were satisfied with their experience. While this may seem low, especially compared to other retail sectors, it highlights longstanding pain points in the traditional used car sales model—namely, its high costs, operational complexity, and limited scalability. Globally, consumers prioritize fairness and transparency. Online platforms remove the influence of salespeople and allow for uniform pricing and standardized service, which builds trust. For example, offering a 7-day return policy helps compensate for the lack of a test drive and demonstrates a retailer's confidence in product quality. Even if consumers don't expect a literal 10-minute transaction, a system that delivers quick, consistent decisions on pricing and service—without human pressure—can elevate trust, reinforce brand value, and support long-term customer loyalty and premium pricing.

IDOM's Shift Toward Online Sales Deserves Close Attention

As of now, no major used car dealers in Japan—including IDOM—have formally announced a full-scale entry into online dealership operations. However, considering that the U.S. faces similar challenges in registration standardization across states and has still managed to systematize online sales, it would be premature to conclude that such a shift is unfeasible in Japan. While the idea of delivering a vehicle within 10 minutes of purchase may serve more as a marketing slogan than a practical reality, the broader advantages of online sales remain significant. For consumers, these include price transparency and service fairness; for businesses, benefits range from cost efficiencies via scale to stronger competitive positioning through brand differentiation—factors that have driven success in the U.S. market.

Implementing online sales in Japan would require reversing the current sequence of operations: dealers would need to first procure vehicles and then invest in maintenance, repairs, and cleaning to bring them to sale-ready condition before listing. This is the opposite of Japan's current model, and while it may initially raise costs, it is a necessary shift for enabling scalable, digital-first sales. Transforming used car sales into a fully online experience is undoubtedly a complex challenge—if it were simple, it would have already been commercialized. However, the U.S. market offers over a decade of operational precedent, and the clear mutual benefits for both consumers and businesses in Japan indicate strong long-term potential. Against this backdrop, IDOM′s continued adoption of technology and its leadership in modernizing Japan's used car distribution model are particularly noteworthy. While short-term growth is expected from the expansion of large-format stores and enhanced pit services, the company's future online initiatives represent a promising next phase of its growth strategy.

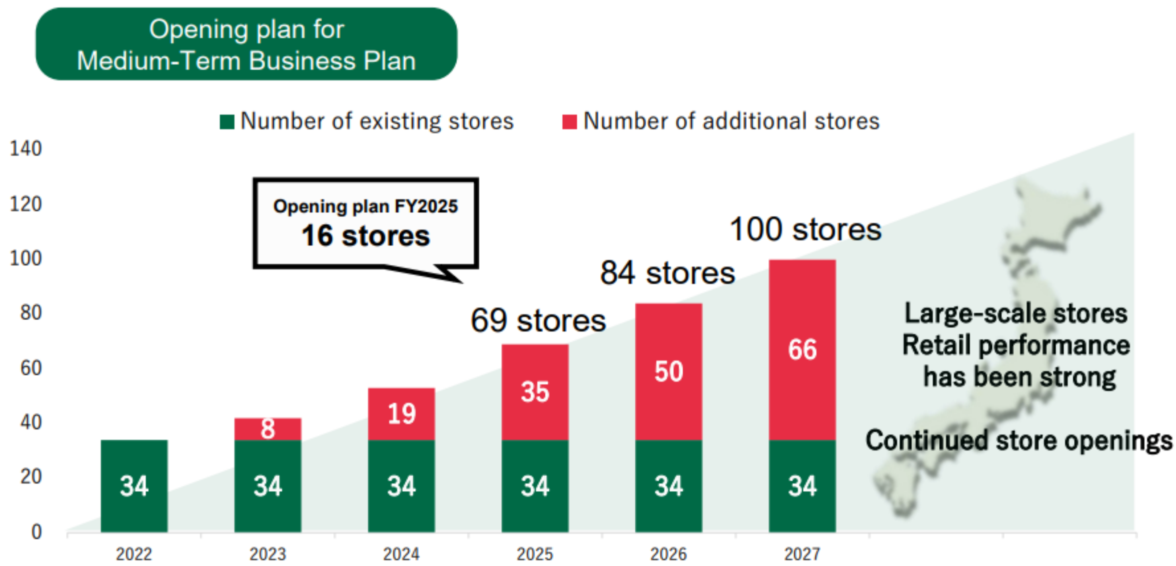
CarMax, the largest used car retailer in the United States, serves as a compelling model for IDOM to reference as it explores future digital strategies. Founded in 1993, CarMax has grown to operate 247 stores nationwide and has successfully integrated online and offline sales through an omnichannel approach. The company began piloting this strategy in Atlanta in 2018 and completed its national rollout in 2021 with the acquisition of Edmunds Holding, a leading provider of online automotive information and digital retail tools. CarMax's omnichannel model allows customers to purchase vehicles entirely online, in-store, or through a hybrid of both—providing a seamless, flexible experience. While this model introduces more operational complexity than purely online or traditional dealership models, it is widely recognized for its ability to enhance customer satisfaction and retention.

IDOM, Japan's largest used car retailer, has not yet announced plans for a full-scale online retail launch. However, it is actively enhancing its digital capabilities by improving online search tools, digitizing financing and insurance options, and offering online trade-in estimates. With the right strategic commitment and system integration, IDOM is well-positioned to become a leader in online used car sales in Japan. Should it pursue this direction, a strategy similar to CarMax's omnichannel model is likely to be the most effective and customer-aligned path forward.

Growth Driven by IDOM's Expansion into Large-Format Domestic Stores

The company is enhancing customer satisfaction by expanding large-format stores with on-site maintenance facilities and strengthening its insurance and financial services. Amid a slowdown in store openings by competitors Big Motor and Nextage, IDOM is the only major used car dealer continuing aggressive expansion. In FY02/2025, the company opened 16 large-format stores, with 15 additional openings planned for FY02/2026. (By comparison, Nextage opened only 3 stores in FY11/2025.) Although construction costs remain high, IDOM benefits from a favorable property acquisition environment as competitors scale back. The wide vehicle selection and visible pit work areas at large-format stores improve customer trust and are expected to support brand value enhancement and steady market share growth. While online channels are already used in Japan's used car market, they are largely limited to aggregators that allow users to compare vehicle condition and prices across dealers. This remains a far cry from the seamless digital retail experiences offered by companies like Carvana or CarMax in the U.S. When platforms such as Amazon and ZOZO TOWN first entered the market, they faced skepticism. However, many consumer goods have since transitioned from brick-and-mortar to online channels through iterative improvements. In the same way, online used car sales—if executed with a focus on customer satisfaction—represent a promising and viable business model in Japan. The company is executing a growth strategy focused on the expansion of large-scale stores and the enhancement of pit services. In parallel, it has established a dedicated subsidiary, IDOM Digital Drive, to attract IT talent and accelerate the integration of physical and digital channels. These efforts aim to deliver a more flexible and satisfying purchasing experience for customers. These initiatives form the foundation of the company's next mid-term business plan (2028–2030). By strengthening its offline presence and preparing for a future shift toward online sales—potentially following a path similar to CarMax's successful omnichannel model—the company is well positioned to gain a competitive edge and capture additional market share. Continued progress on these fronts makes the company one to watch closely.

Figure 11 IDOM Large Store Expansion Plan



Opened 16 new stores in FY2025, up 1 store from the plan, partly due to the opening of unoccupied stores.
In the next fiscal year, the company plans to open 15 large stores and 6 maintenance shops

Source: IDOM IR materials.

Management Indicators

Figure 12 Per-Share Data

Accounting Period	FY02/2020	FY02/2021	FY02/2022	FY02/2023	FY02/2024	FY02/2025
Total Number of Shares Issued and Outstanding (Thousand Shares)	106,888	106,888	106,888	106,888	106,888	106,888
EPS	34.97	14.77	107.51	141.48	113.96	133.93
EPS Adjusted	34.97	14.77	107.51	141.48	113.96	133.93
BPS	415.42	438.18	537.97	618.34	687.34	791.01
DPS	1.20	10.60	4.60	42.50	34.19	40.18

Source: Prepared by FISCO based on company securities reports and company IR materials.

Note: Rounded to the nearest million yen, rounded to one decimal place.

Figure 13 Financial Data (%)

Accounting Period	FY02/2020	FY02/2021	FY02/2022	FY02/2023	FY02/2024	FY02/2025
Return on Assets (ROA)	1.93	0.84	5.69	8.20	6.22	6.65
Return on Equity (ROE)	8.4	3.4	20.0	22.9	17.5	18.1
Equity-to-Asset Ratio	22.9	24.8	28.5	35.8	37.5	36.1

Source: Prepared by FISCO based on company securities reports and company IR materials.
Note: Rounded to the nearest million yen, rounded to one decimal place.

Disclaimer

■ For inquiries, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp