COMPANY RESEARCH AND ANALYSIS REPORT

WILLPLUS Holdings Corporation

3538

Tokyo Stock Exchange First Section

24-Apr.-2019

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Index

Summary

WILLPLUS Holdings has achieved strong operating performance through highly-efficient management based on three growth strategies, and is generating a virtuous cycle in which trust leads to subsequent growth opportunities.
Highly-efficient management contributed to a high ROE close to 20%

WILLPLUS Holdings Corporation (hereafter, also "the Company") <3538> is a pure holding company. The Group is engaged in sales of imported cars, and sells 10 automobile brands, including FIAT, Alfa Romeo, JEEP, BMW, MINI, and VOLVO through authorized dealerships, mainly in the Fukuoka area and Tokyo/Kanagawa area. In December 2018, the Company entered the Tohoku region as it opened a Porsche Center in Sendai.

1. Net sales were at a record high pace in 1H FY6/19, but operating profit declined year on year due to the increase in expenses related to the acquisition of dealership equipment and facilities

In 1H FY6/19, net sales totaled ¥13,677mn (+9.7% YoY) and operating profit was ¥565mn (-14.3%). Both net sales and operating profit fell short of initial expectations. During the 1H, new car sales (on an orders received basis) grew solidly, aided by the introduction of new car models. However, operating profit declined year on year due to the increase in both dealership acquisition costs and depreciation. The shortfall versus initial forecasts was largely due to the fact that despite an extremely high level of orders received, deliveries of some brands were delayed, but this is expected to resolve itself in 2H.

2. The Company has created a virtuous cycle whereby strong operating performance due to the three growth strategies generates trust which then leads to more growth opportunities

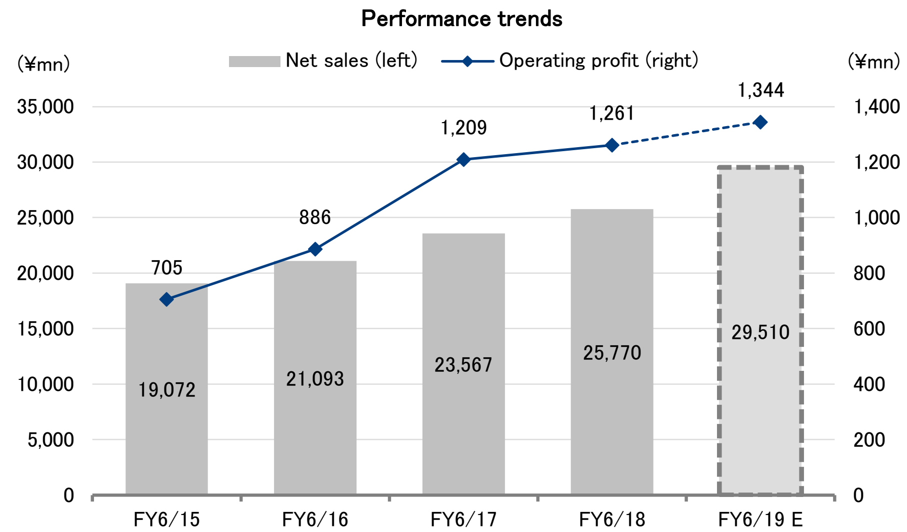
The Company has expanded its business and grown its earnings steadily over the years, largely thanks to the Company's three growth strategies: the multi-brand strategy; the dominant strategy, and the M&A strategy. The Company's efforts to organically combine these three strategies and practice efficient management at the individual dealership level have led to steady growth. The resulting track record has earned the trust of importers and industry peers alike, which in turn has attracted M&A deals and other additional growth opportunities. This virtuous cycle is another one of the Company's strengths.

3. The Company is pursuing management efficiencies and is targeting high ROE

The Company has positioned ROE (return on equity) as a KPI (key performance indicator), and has set ROE of at least 10% as a management target. The Company's ROE in FY6/18 was an extremely high 18.2%. We believe that this high ROE was due not only to growth in net sales and profit, but also the result of management's effort to pursue overall balance sheet efficiency, including shareholders' equity. Opening dealerships is becoming more difficult each year due to factors such as the shortage of properties and rising construction costs, and there are concerns that this will cause a decline in ROE, but as is apparent from past business results, the Company is steadfastly pursuing efficient management. Therefore, we believe that the Company will be able to maintain ROE of at least 10% going forward.

Key Points

- The key is the three strategies of the multi-brand strategy, the dominant strategy, and the M&A strategy
- The Company is leveraging the strong points of each strategy for customer service and efficient personnel assignment, and thereby pursuing growth in dealership earnings
- The high level of trust in the Company is greatly contributing to new growth opportunities, including attracting possible M&A deals



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

Company profile

The Company's current president launched the business immediately after acquiring a family business
Utilizing strong corporate management to grow through M&A

1. History

In 1997, the father of Takaaki Naruse, the current President established Sunflower CJ in Kitakyushu City, Fukuoka Prefecture. Soon thereafter, the Sunflower CJ acquired a Chrysler (U.S.) dealership, changed its name to Fukuoka Chrysler Co., Ltd., and began operating as an official Chrysler dealer.

After engaging in new and used car sales as Fukuoka Chrysler, Takaaki Naruse acquired all the shares of Fukuoka Chrysler in October 2004, and became independent, upon which he launched the business that has led to the present day. In 2005, the Company entered the Tokyo market by opening a dealership in Ota-ku, Tokyo. In 2007, the Company acquired the shares of Four Pillars Co., Ltd. from Quinland Cars Ltd., which was listed on OSE Hercules, and converted the company into a subsidiary. With this as a springboard, WILLPLUS Holdings Corporation was established in October 2007, completing the holding company structure which has been maintained through the present day, with Fukuoka Chrysler and Four Pillars as the two wholly-owned subsidiaries at the time.

WILLPLUS Holdings then reached a major turning point in the 2008-2009 period. During this time, in rapid succession the Company made CHECKER MOTORS CORPORATION, currently the core operating company, a subsidiary, and took over the business of a number of authorized BMW/MINI dealerships. At the time, the imported car market was plummeting due to the impact of the Lehman Brothers bankruptcy. Amid this challenging environment, the Company leveraged its strong management foundation to enter the M&A market as a buyer, and succeeded in acquiring the large platform that has enabled its growth through the present day. Even today, this strong management foundation remains the Company's greatest strength.

In 2014, the Company made authorized VOLVO dealership Teio Auto Corporation a subsidiary, and with this move the current lineup was mostly in place. Most recently, in April 2018, CHECKER MOTORS started the Jaguar/ Land Rover business through a business takeover, and WILLPLUS Holdings itself established its fourth operating company, Willplus Eins Corporation (established November 2017), took over Porsche Center Sendai in December 2018, thereby acquiring Porsche as the Company's tenth brand and also entering the Tohoku market.

WILLPLUS Holdings Corporation listed its shares on the TSE's JASDAQ (Standard) market in March 2016. In September 2017, its shares move to the Second Section of the TSE, and are then reassigned to the First Section of the TSE in February 2018.

History

January 1997	Establishment of Sunflower CJ in Kitakyushu City, Fukuoka Prefecture
January 1997	Trade name changed to Fukuoka Chrysler Co., Ltd. The company establishes a new office in Fukuoka City, and begins new car sales as the first official Chrysler dealership in western Japan
October 2004	Current President Takaaki Naruse acquires all of the company's shares with his personal funds and begins business
July 2005	Dealership opened in Ota-ku, Tokyo
July 2007	Acquires 90% of the issued shares of Four Pillars Co., Ltd., a wholly-owned subsidiary of Quinland Cars Co., Ltd., through a third-party allotment. The Company begins operating a Ford dealership, starts an imported car business, the PDI business, and the parts wholesale business
October 2007	WILLPLUS Holdings Corporation established in Ota-ku, Tokyo, through a share transfer. Fukuoka Chrysler Co., Ltd. and Four Pillars Co., Ltd. are converted into wholly-owned subsidiaries
July 2008	Converted authorized FIAT/Alfa Romeo dealer CHECKER MOTORS CORPORATION into a wholly-owned subsidiary
July 2009	Chrysler Japan Co., Ltd. transfers the business of Chrysler/JEEP/Dodge Setagaya and Chrysler/JEEP/Dodge Yokohama to the Company
September 2009	Willplus Motoren Corporation (established in May 2009) takes over the businesses of BMW and MINI, and begins carrying BMW and MINI vehicles
July 2010	Merger of Fukuoka Chrysler Co., Ltd., Four Pillars Co., Ltd., and CHECKER MOTORS CORPORATION. The trade name is changed to CHECKER MOTORS CORPORATION
April 2014	Authorized VOLVO dealer Teio Auto Corporation and its subsidiary Teio Auto Service Co., Ltd., engaged in the Jaguar vehicle maintenance business, are converted into wholly-owned subsidiaries
March 2016	Listing on the Tokyo Stock Exchange JASDAQ (Standard)
May 2017	Teio Auto Corporation takes over the business of VOLVO Cars Odawara
September 2017	Listing changed to the TSE Second Section
November 2017	Willplus Eins Corporation established for the purpose of being an authorized Porsche dealer
February 2018	Listing changed to the TSE First Section
April 2018	CHECKER MOTORS CORPORATION takes over the business of Jaguar/Land Rover Shonan from Ivy Auto Corporation and starts business as an authorized dealer
December 2018	Subsidiary Willplus Eins Corporation (established in November 2017) took over Porsche Center Sendai and launched operations as an authorized Porsche dealer. This was also the Company's first entry into the Tohoku market

Source: Prepared by FISCO from Company materials

With four operating companies under the pure holding company, WILLPLUS Holdings operates a total of 27 authorized import car dealerships

2. Business overview

(1) Status of the Corporate Group

WILLPLUS Holdings is engaged in business related to imported car sales. The Company itself is a pure holding company and has four operating companies (all are wholly-owned subsidiaries) under its umbrella, and each operating company is an authorized dealer for imported cars. As of December 31, 2018, there are a total of 27 dealerships.

The Group is structured this way because in many cases contracts with importers (exclusive import agency, an automaker's Japanese subsidiary in many cases) prohibit a single operating company from being an authorized dealer for another automaker. CHECKER MOTORS carries a wide range of brands because: 1) CHECKER MOTORS was originally an authorized dealer of FIAT and Alfa Romeo, but Chrysler and FIAT became FCA (Fiat Chrysler Automobiles) after business integration, and; 2) Both importers (FCA and Jaguar/Land Rover Japan) accepted auction sales with other brands. As of December 31, 2018, CHECKER MOTORS operates a total of 14 dealerships, including JEEP Meguro which opened in November 2018. For 2019, the Company is planning to take over Jaguar/Land Rover Mitaka in April.

Willplus Motoren Corporation operates authorized dealerships for BMW and MINI. As of December 31, 2018, the company operates a total of seven dealerships, five of which are in Fukuoka Prefecture while the remaining two are in Tokyo. Subsequently, in March 2019, the company opened the MINI Yamaguchi dealership and the MINI NEXT Shunan dealership, thereby covering the entire Yamaguchi Prefecture commercial area for the MINI brand.

Teio Auto Corporation was engaged in the authorized dealer business for VOLVO in Fukuoka Prefecture. After the company was added to the Group, VOLVO Cars Odawara was acquired through a business takeover in May 2017. As of December 31, 2018, Teio Auto Corporation operates a total of five dealerships. Four of these are located in Fukuoka Prefecture and one is in Kanagawa Prefecture.

In December 2018, Willplus Eins Corporation acquired its first dealership, Porsche Center Sendai, in a business take-over, and with this the company entered the Tohoku area market for the first time. Following this, in January 2019, Willplus Eins newly opened Porsche Center Koriyama, and with this the two dealerships cover the entire Tohoku commercial area.

List of Operating Companies

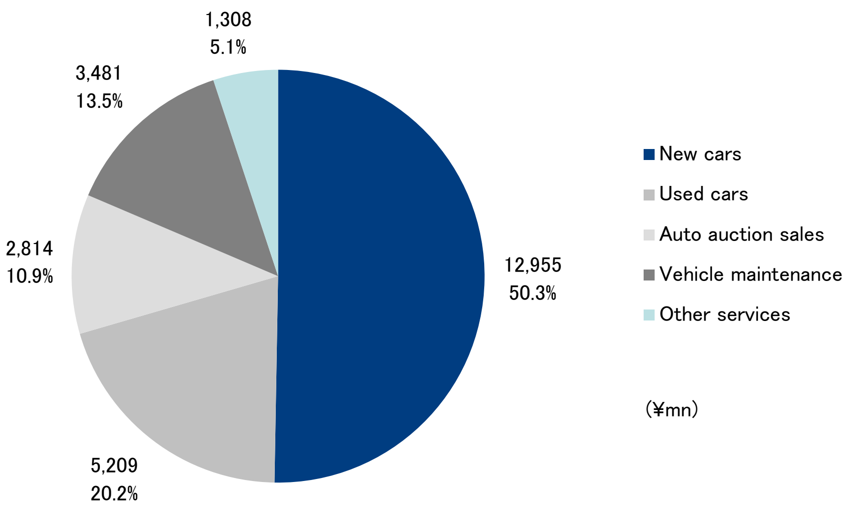
Name	CHECKER MOTORS CORPORATION	Willplus Motoren Corporation	Teio Auto Corporation	Willplus Eins Corporation
Capital	¥50mn	¥50mn	¥30mn	¥10mn
Number of dealerships (as of December 31, 2018)	14	7	5	1
Importers	FCA JAPAN Limited Jaguar Land Rover Japan Limited	BMW Japan Corporation	Volvo Car Japan Limited	Porsche Japan KK
Brands carried	JEEP Alfa Romeo FIAT ABARTH Jaguar Land Rover	BMW MINI	VOLVO	PORSCHE

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

(2) Description of business

Each of the dealership engages in the following: purchase and sales of new cars, purchase and trade-ins of used cars, maintenance, repairs and other after-services, and the automobile insurance agency business. Accordingly, WILLPLUS Holdings discloses a breakdown of sales by category for the full-year financial results.

Net sales by category (FY6/18)



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

It goes without saying that new car sales are positioned as the core in the Company's import car authorized dealer business but the Company also frequently purchase used cars that customers had owned in the course of selling a new car in replacement. Used car sales are an important part of the Company's business, with sales to both individual and corporate customers, centered on certified, late-model used cars with low mileage (accounted for as Used car sales). Meanwhile, the Company uses automobile auctions and other means to sell used cars of other brands acquired through trade-ins (domestic cars, for example) and other vehicles that do not meet the standards for classification as a certified used car (accounted for as Auto auction sales). Others includes automobile insurance (voluntary insurance) agency commissions and new car sales-related incentives, among other items. The Company is focusing on insurance sales as a recurring revenue-based business, and the new voluntary automobile insurance attachment rate (the ratio of new car buyers who simultaneously enroll in voluntary insurance) is 36.4% (FY6/18 results), which is more than double the industry average of approximately 17%.

The category with the highest profitability is Other services, which includes insurance agency commissions and incentives, while New car sales are the least profitable category. While this category's low profitability is due to the high cost of sales of new car sales, new car buyers are highly loyal to the dealership and the brand itself, so they often bring their cars to the dealership where they purchased it for maintenance, inspections, and other services. The aforementioned insurance enrollment is one such example. Constant engagement with customers over the long term has helped to maintain a solid level of profitability on the whole.

The profitability of used car sales exceeds that of new car sales if one's view is limited to the profits related to the sale of vehicles alone. On the other hand, because online purchases can be made by customers anywhere in Japan, it is usually difficult to maintain an ongoing relationship with such customers after a car is sold; remote buyers often take the vehicle to a local dealership for maintenance and other services.

Vehicle maintenance is a highly profitable category, and we see profits in this category continuing to grow over the medium to long term. One reason for this is the increase in the cumulative number of vehicles sold. Another reason is that automobile owners are increasingly taking their vehicles to dealers for maintenance and repairs, as automobiles are increasingly using electronics, while automakers are increasingly enclosing customers by keeping diagnostic equipment and software out of the hands of outside technicians. As automobiles become more functional and complex, consumers are also looking more and more to take their cars to authorized dealers for maintenance for safety concerns and to gain peace of mind.

Performance trends

Net sales in 1H FY6/19 were a record high for the first half due to strong sales of new cars, but operating profit declined year on year due to the increase in expenses related acquisitions of dealership equipment and facilities

1. Overview of 1H FY6/19 results

In 1H FY6/19, the Company posted lower profit on higher sales, as net sales totaled ¥13,677mn (+9.7% YoY), operating profit was ¥565mn (-14.3%), ordinary profit was ¥559mn (-14.7%), while profit attributable to owners of parent was ¥336mn (-17.6%).

Net sales were 1.4% (¥200mn) lower than the initial forecast, and this resulted in operating profit and all lower profit lines falling slightly short of initial projections.

Overview of 1H FY6/19

(¥mn)

	FY6/18			FY6/19					
	1H	2H	Full year	1H forecast	1H	YoY	vs. initial forecast	Progress rate	Full-year forecast
Net sales	12,470	13,299	25,770	13,877	13,677	9.7%	-1.4%	46.3%	29,510
Gross profit	2,636	2,798	5,435	-	2,821	7.0%	-	-	-
SG&A expenses	1,977	2,197	4,174	-	2,255	14.1%	-	-	-
Operating profit	659	601	1,261	594	565	-14.3%	-4.8%	42.1%	1,344
Operating profit margin	5.3%	4.5%	4.9%	4.3%	4.1%	-	-	-	4.6%
Ordinary profit	656	598	1,255	587	559	-14.7%	-4.6%	42.1%	1,331
Profit attributable to owners of parent	408	406	815	374	336	-17.6%	-10.0%	39.6%	850

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

Net sales grew solidly, increasing 9.7% year on year. During 1H FY6/19, new models were launched, including JEEP's Wrangler, Alpha Romeo's Stelvio SUV, BMW's X4, and VOLVO's V60, and sales were strong for all of these new models. Sales were also solid for the new MINI car which received minor changes as well as used car sales for VOLVO.

Net sales from Jaguar/Land Rover Shonan, which was acquired in April 2018, as well as from Porsche Center Sendai, which opened on December 1, 2018, contributed to the net increase in net sales. Also, vehicle maintenance, insurance, and other recurring business revenue grew steadily.

On the profit side, as discussed above, net sales increased 9.7% (¥1,206mn) year on year, and gross profit increased by ¥184mn. However, depreciation rose ¥110mn year on year due to the increase in demonstration cars in conjunction with new openings as well as depreciation due to the acquisition of dealership equipment and facilities. In addition, the rise in personnel expenses (¥75mn) and various other expenses (¥91mn) resulted in a ¥278mn year-on-year increase in selling, general and administrative expenses. As a result of these factors, operating profit declined ¥94mn (14.3%) year on year.

Actual results fell short of the initial forecasts as, despite orders received being stronger than expected for certain brands, there were delayed starts of deliveries from manufacturers of some brands and insufficient inventory provision, and these two factors were responsible for vehicle deliveries being pushed back to 2H FY6/19 and beyond. Sales of other new models released in 1H FY6/19, including the Stelvio, the X4, and the V60, were all as expected. Because these new models are not volume sales models for each brand, the Company itself had tempered its own sales projections.

Operating cash flow was negative due to the increase in new car inventories in conjunction with new dealership openings and other factors, but this is only temporary
The increasing trend in the dealership opening costs needs to be watched going forward

2. Financial position

In 1H FY6/19, operating cash flow was negative ¥33mn. Investing cash flow was minus ¥747mn due to the purchase of property, plant and equipment, transfer of business, and other factors. Financing cash flow was positive ¥425mn due to the increase in short-term loans payable, but cash and cash equivalents declined ¥354mn from June 30, 2018.

The biggest reason for operating cash flow turning negative was the increase (¥1,254mn) in inventories. This was because: (1) Inventories increased by two dealerships' worth after the Company started carrying Porsche; (2) The Company stocked up on MINI vehicles since production will be halted temporarily from April 2019 due to the impact of Brexit; and (3) The increase in used car inventory and deterioration in turnover in conjunction with the increase in new car sales. All of these factors are temporary, and are expected to go away in 2H FY6/19.

The main factor behind the negative investing cash flow was the purchase of property, plant and equipment, in accordance with new store openings or relocations. Business transfers also led to negative investing cash flow.

We feel that the negative operating cash flow will improve on a full fiscal year basis, and we have no concerns. On the other hand, we are closely watching the growing decline in cash in conjunction with the purchase of property, plant and equipment. In opening new dealerships, the Company has kept new dealership opening costs down and prevented its balance sheet from becoming bloated by leasing furnished, existing dealerships from car dealers. This activity in 1H FY6/19 suggests that the Company's strategy for opening dealerships has gradually become difficult due to factors including the shortage of properties and soaring construction costs. The Company aims to achieve high-ROE management, but it should be noted that an increase in property, plant and equipment could lead ROE to trend downwards. The details will be discussed later.

Simplified balance sheets

(¥mn)

	End-FY6/15	End-FY6/16	End-FY6/17	End-FY6/18	End-1H FY6/18
Current assets	4,134	4,912	5,889	7,212	7,728
Cash and time deposits	974	1,380	1,416	1,463	1,109
Accounts receivable – trade	207	155	121	148	129
Non-current assets	2,819	3,002	3,464	4,100	5,362
Property, plant and equipment	1,791	2,030	2,558	3,121	4,200
Intangible assets	638	561	483	390	473
Investments and other assets	389	410	422	588	689
Total assets	6,954	7,914	9,354	11,312	13,091
Current liabilities	3,792	3,849	4,399	5,215	6,852
Accounts payable – trade	1,531	1,595	1,927	2,143	2,811
Short-term loans payable	1,180	880	1,051	1,439	2,134
Non-current liabilities	826	545	812	1,302	1,175
Long-term loans payable	732	452	672	1,113	911
Shareholders' equity	2,335	3,520	4,142	4,793	5,064
Capital stock	168	168	168	193	197
Capital surplus	689	1,101	1,101	1,126	1,131
Retained earnings	1,812	2,305	2,927	3,608	3,868
Total net assets	2,335	3,519	4,142	4,793	5,064
Total liabilities and net assets	6,954	7,914	9,354	11,312	13,091

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

Statements of cash flows

(¥mn)

	FY6/15	FY6/16	FY6/17	FY6/18	1H FY6/19
Cash flows from operating activities	-115	562	441	-161	-33
Cash flows from investing activities	-178	-266	-672	-454	-747
Cash flows from financing activities	292	109	267	663	425
Net increase (decrease) in cash and cash equivalents	-1	405	36	47	-354
Cash and cash equivalents at beginning of period	976	974	1,380	1,416	1,463
Cash and cash equivalents at end of period	974	1,380	1,416	1,463	1,109

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

There was a net increase of one dealership in 1H FY6/19. In addition to becoming more dominant in the Tokyo/Kanagawa area, the Company succeeded in bringing all of Tohoku under its business scope for Porsche

3. Status of dealership changes

In 1H FY6/19, two dealerships were newly opened (including an acquisition through M&A) and one dealership was closed, for a net increase of one dealership versus June 30, 2018. This resulted in there being 27 dealerships at the end of 1H FY6/19.

One of the added dealerships was the JEEP Meguro dealership opened by CHECKER MOTORS on November 23, 2018. This dealership was opened in Meguro-ku along the Yamate-dori Avenue as a part of the effort to promote the dominant strategy through existing brands. As a result, CHECKER MOTORS now has five dealerships for the JEEP, Alfa Romeo, and FIAT brands in the Jonan area covering Setagaya-ku, Meguro-ku, and Ota-ku. Meanwhile, CHECKER MOTORS also closed one dealership – Alfa Romeo/FIAT/ABARTH Yokohama Service – thereby increasing dealership efficiency. As a result, CHECKER MOTORS has 14 dealerships as of December 31, 2018, the same as on June 30, 2018.

The other newly opened dealership was Porsche Center Sendai, which was opened by Willplus Eins Corporation as an authorized Porsche dealer. This dealership had been operated by another company, but Willplus acquired it by taking over the business. For some time, Willplus Eins had been planning to open Porsche Center Koriyama (Koriyama City, Fukushima Prefecture) in early 2019, but by acquiring Porsche Center Sendai, the company quickly succeeded in turning the entire Tohoku area into its own commercial area for the Porsche brand.

List of Dealerships (as of December 31, 2018)

Operating Company Name		Dealership Name
CHECKER MOTORS CORPORATION	1	FIAT/ABARTH Den-en-chofu
	2	FIAT/ABARTH Ikebukuro
	3	Alfa Romeo Setagaya, FIAT/ABARTH Setagaya
	4	Alfa Romeo/FIAT/ABARTH Fujisawa Shonan, JEEP Fujisawa Shonan
	5	Alfa Romeo Ota, Alfa Romeo/FIAT/ABARTH Den-en-chofu Service
	6	JEEP Setagaya
	7	JEEP Fukuoka
	8	JEEP Fukuoka-Nishi
	9	JEEP Kurume
	10	JEEP Kitakyushu
	11	JEEP Meguro
	12	Jaguar/Land Rover Shonan Shonan Showroom
	13	Jaguar/Land Rover Shonan Approved Hiratsuka
	14	Jaguar/Land Rover Shonan Service center
Willplus Motoren Corporation	15	Willplus BMW Kokura, BMW Premium Selection Kokura, Willplus BMW Kokura Service center, MINI Kokura Service center
	16	Willplus BMW Yahata, BMW Premium Selection Yahata, Willplus BMW Yahata Service center, MINI NEXT Yahata
	17	MINI Kokura, MINI NEXT Kokura
	18	MINI Fukuoka-Nishi, MINI NEXT Fukuoka-Nishi, MINI Fukuoka-Nishi Service center
	19	MINI Hakata, MINI NEXT Hakata, MINI Hakata Service center
	20	MINI Shinjuku
	21	MINI Shinjuku Service center
Teio Auto Corporation	22	VOLVO Car Fukuoka
	23	VOLVO Car Fukuoka-Minami
	24	VOLVO Cars Kurume
	25	VOLVO Cars Kitakyushu
	26	VOLVO Cars Odawara
Willplus Eins Corporation	27	Porsche Center Sendai

Source: Prepared by FISCO from Company materials

Medium- to long-term growth strategy

Pursuing sustainable growth with three strategies: the multi-brand strategy, the dominant strategy, and the M&A strategy

1. Overall group strategy

The Company is pursuing sustainable growth mainly through the multi-brand strategy, the dominant strategy, and the M&A strategy. The details of each of these strategies will be discussed later, but we view these three strategies as being extremely on-target, as well as both effective and convincing, considering the characteristics and nature of the import car authorized dealer business which the Company is engaged in.

The key point is that the Company recognizes that these three strategies are simply methods and means to achieve growth, and it is pursuing its goal of achieving sustainable growth by combining these strategies as situation and conditions dictate. For example, for companies touting M&A as a growth strategy, it is not uncommon to see them at some point turn M&A (in order to increase sales) into the goal itself. When that happens, the company's profitability often declines, and the company ends up sacrificing even more than it initially gained from the M&A. As discussed below, the Company has not gotten the objective and the means mixed up, and has achieved results in terms of operating performance by leveraging the above three strategies. This has created a positive spiral, as a higher level of trust (including M&A) is generating new growth opportunities.

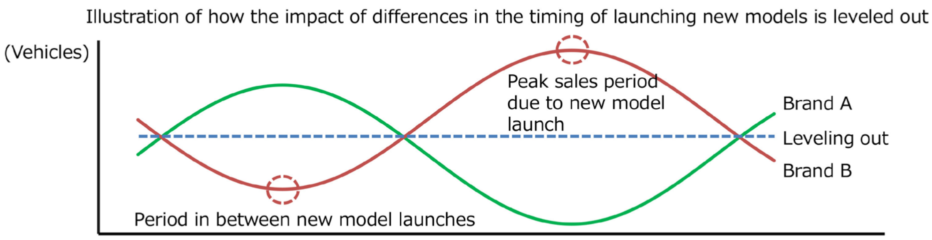
Also, the Company uses ROE as a KPI, and aims to achieve high ROE management just as it pursues growth in operating performance (net sales, profits). As mentioned above, using the three strategies to pursue sustainable growth means, in other words, pursuing efficient management, and this is clearly reflected in the Company's ROE. Because the company itself is highly-conscious of this, it seems that ROE is adopted as a KPI and used as a management guideline.

The Company aims to level out the impact of differences in the timing of new model launches among brands on the sales cycle. We are expecting further acquisitions of major brands

2. Multi-brand strategy

The multi-brand strategy aims to achieve stable growth by carrying multiple brands to level out the fluctuations in earnings caused by the difference in the timing of new model launches between brands.

Illustration of how the multi-brand strategy levels out earnings



Source: The Company's results briefing materials

The Company began the Porsche authorized dealership business in December 2018, bringing the number of brands its carries to 10. While at first glance this number seems large enough to sufficiently realize the multi-brand strategy, we do not necessarily believe this to be the case.

First of all, when regrouped by individual importers, the Company actually only carries five groups: Alfa Romeo/FIAT/ABARTH/JEEP, Jaguar/Land Rover, BMW/MINI, VOLVO and Porsche.

The model change cycle occurs on a model basis, so within a single brand there is a large gap in the number of vehicles sold between popular models and other models. This is an important point.

On an individual operating company basis, while CHECKER MOTORS ranked first in the number of vehicles sold in 2017 (total of five brands under the FCA umbrella), Willplus Motoren and Teio Auto both ranked sixth (for Willplus Motoren, it is the number of MINI vehicles sold. BMW's share seems to be lower). Willplus Eins, which operates the Porsche business, has only two dealerships. Because the number of dealerships and the magnitude of earnings vary greatly among the operating companies, weak performance by one operating company may not be offset by the growth of other operating companies.

Given the above, we believe that the company's multi-brand strategy is still a work in progress. We are not sure when we will be able to judge the multi-brand strategy to be complete, but in order for the Company to realize its aims of increasing profit stability and achieving stable growth through the multi-brand strategy, we think that its near-term goal will be to start carrying another one of the top three brands (Mercedes Benz, Volkswagen, BMW) in the imported car market in terms of share of cars besides BMW. We look for the Company to leverage its considerable management strength based on the dominant strategy described below and its M&A capabilities supported by this management strength to acquire a major brand.

Leveraging the strength of the multi-brand strategy to open multiple dealerships in each area in a dominant manner. Pursuing growth in dealership earnings through customer service and efficient assignment of personnel

3. Dominant strategy

The dominant strategy refers to the strategy of opening dealerships in a concentrated manner in specific areas. However, this is not easy for an imported car dealer to do, as the commercial area per dealership is expansive and the area franchise system exists.

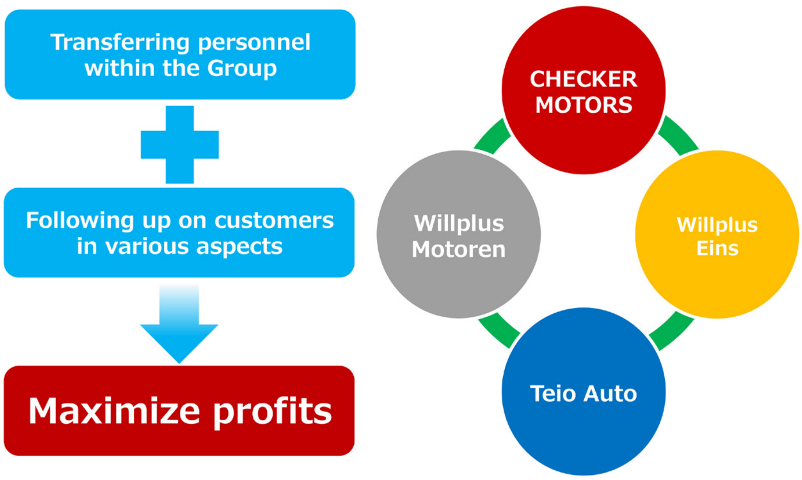
The Company's multi-brand strategy is helping to clear this hurdle. By combining its three operating companies and nine brands, the Company is opening 5 to 10 dealerships in a single region in a dominant manner. (In the future, the Company may be able to use the dominant strategy to expand its business scope in the Tohoku area where it has two Porsche dealerships and in the Chugoku area where it has two MINI dealerships, but it is still in the early stages in these areas, and the discussion about the dominant strategy in this report excludes these two areas from consideration.)

As of December 31, 2018, 13 of the Company's 26 dealerships excluding Porsche Center Sendai are located in Fukuoka Prefecture, while 13 are in the Tokyo/Kanagawa area. The dealerships in Tokyo are concentrated in the Jonan part of Setagaya-ku and Ota-ku (as exceptions, there is one dealership in both Shinjuku and Ikebukuro), so the Company has established regional dominance in the Tokyo/Kanagawa area.

The Company has cited the ability to fluidly and optimally assign personnel within the Group, as well as the ability to follow up with customers in person. Following up with customers in person refers to providing an individual customer with information on all of the three operating companies' brands and keeping this customer within the Group. On this point, we had thought that this approach would not work since imported car owners are very loyal to their brand, but in fact imported car owners like to switch to another brand during downtime in the model cycle or they want to try the same type of car (SUV, for example) of another brand, so the Company's dominant strategy appears to be having the desired effect.

We are paying close attention to the aspect of fluidly and optimally assigning personnel within the Group. As discussed later, the Company has been carrying out its dealership scrap and build initiative at a faster pace than its competitors, and is focused on keeping stores "fresh" and ensuring that dealerships are profitable. We view the dominant strategy as being a major factor making this possible. When engaging in M&A, the Company positions maintaining employment as a major principle, and the same holds true for existing dealerships as well. Maximizing profits by keeping a balance between maintaining employment and efficiently managing and growing dealerships is a key point of the dominant strategy.

Illustration of the Dominant Strategy



Source: The Company's results briefing materials

A point of focus going forward will be the Tohoku area, where the Company has made its first foray into the market with Porsche. Initially, the Company aimed to enter the market in the Tohoku region and start carrying the Porsche brand by opening a new Porsche Center Koriyama, but by acquiring Porsche Center Sendai at almost the same time, the Company was able to cover the entire Tohoku area for Porsche. This itself is more positive than initially expected. However, considering the demographics in the Tohoku region as well as Porsche's price range and lineup, there will likely be no more Porsche dealership openings for the time being. Thus, in order to realize the dominant strategy in the Tohoku area, the Company will need to develop multiple dealerships with other brands. We will keep a close eye on future developments, and as they relate with the multi-brand strategy and the M&A strategy.

On the contrary, choosing not to execute the dominant strategy in Tohoku may also be an option for the Company. Porsche's lineup is concentrated in the high price range, so the profit margin is likely higher than for other brands. If the Company is able to fully leverage the advantage of covering the entire Tohoku area with its two dealerships, it may be able to construct a new growth model different from the growth model it employs in the Fukuoka area and Tokyo/Kanagawa area. We will pay attention to what model the Company uses to build up its business base in Tohoku, a new geographic area for the Company.

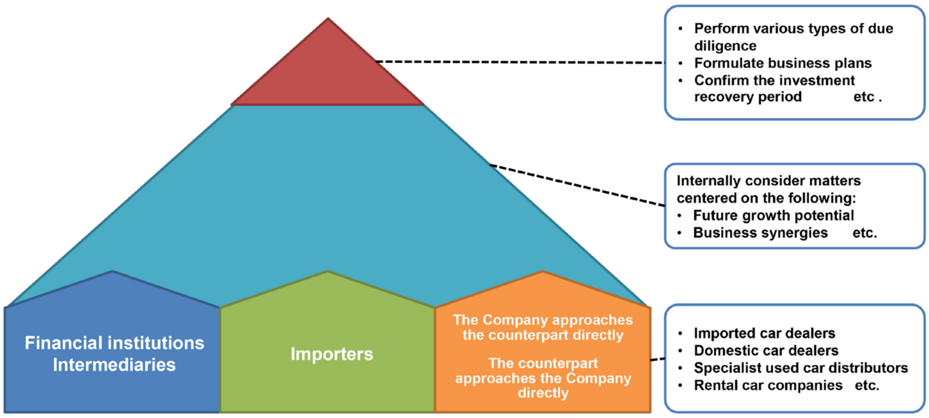
The high level of trust in the Company is contributing significantly to attracting possible M&A deals
When deciding on a particular M&A deal, the Company emphasizes synergies with the dominant strategy and the multi-brand strategy

4. M&A strategy

As explained earlier in the history sections, the Company has fully utilized M&A during its business expansion process. Going forward, the Company plans to continue to proactively utilize M&A in order to: 1) enter new areas; 2) acquire new brands (advance the multi-brand strategy); and 3) expand existing brands.

Sourcing is the most important part of M&A. Broadly speaking, there are three entryways: financial institutions (including securities companies), importers, and direct introductions (the Company's own contacts and contact from other companies' owners), and whether or not these are functioning effectively is important. As discussed below, the Company has gained the trust of companies in the industry based on its being a listed company, as well as other factors, including its steady earnings growth, retaining employees of companies it acquires, and governance. This trust in the Company has led to an increase in M&A possibilities, and the Company always has multiple deals on the table. The Company performs due diligence on those deals that meet its criteria, and follows this with negotiations that ultimately lead to deals being finalized.

Illustration of Process for M&A Strategy



Source: The Company's results briefing materials

As discussed earlier in the section about the overall growth strategy, the Company's unique strength is organically combining these three strategies (multi-brand strategy, dominant strategy, M&A strategy) to grow the Company's earnings. In executing its M&A strategy, the Company places great emphasis on the assessment from the viewpoint of the Company's multi-brand strategy and dominant strategy, not to mention quantitative criteria such as the investment recovery period. The Company steadfastly adheres to its own rule of not acquiring dealerships that are out of its strike zone in terms of its brand strategy or its geographic range, even if a particular M&A deal would be highly profitable.

The Company has earned a high level of trust from importers and other players in the market based on its highly-efficient management at the individual dealership level, and has established a positive spiral in which this trust leads to subsequent growth

5. Strength

We feel that looking at dealership openings and closings over the years is extremely helpful in understanding the Company's growth mechanism and growth process. Between its founding and 1H FY6/19, the Company has operated 37 dealerships either through M&A or new dealership openings on its own. Meanwhile, nine of the Company's dealerships have been closed or merged into other dealerships.

Dealership Openings and Closings by Brand

Opening (FY)	Dealership Name	Location	Type of Opening	Remarks
FY6/08	J Fukuoka	Fukuoka	New dealership opened	
	J Ota	Fukuoka	New dealership opened	Closed 2009
	J Kurume	Fukuoka	New dealership opened	
	Four Pillars Ota	Fukuoka	Dealership opened through M&A	Closed 2011
FY6/09	AF Den-en-chofu	Tokyo	Dealership opened through M&A	
	AF Shinjuku	Tokyo	Dealership opened through M&A	Closed 2009
	AF Yokohama	Kanagawa	Dealership opened through M&A	Closed 2018
	AF Suginami	Tokyo	Dealership opened through M&A	Closed 2011
	AB Tokyo	Tokyo	New dealership opened	Merged 2017
FY6/10	J Setagaya	Tokyo	Dealership opened through M&A	
	J Yokohama	Kanagawa	Dealership opened through M&A	Closed 2016
	BMW Kokura	Fukuoka	Dealership opened through M&A	
	BPS Yahata	Fukuoka	Dealership opened through M&A	Merged 2013
	MINI Fukuoka-Nishi	Fukuoka	Dealership opened through M&A	
	MINI Kokura	Fukuoka	Dealership opened through M&A	
	MINI Shinjuku	Tokyo	New dealership opened	
	AF Ikebukuro	Tokyo	New dealership opened	
FY6/12	AF Setagaya	Tokyo	New dealership opened	
	MINI Hakata	Fukuoka	New dealership opened	
FY6/13	AB Setagaya	Tokyo	New dealership opened	
FY6/14	VC Fukuoka	Fukuoka	Dealership opened through M&A	
	VC Fukuoka-Minami	Fukuoka	Dealership opened through M&A	
	VC Fukuoka-Nishi	Fukuoka	Dealership opened through M&A	Merged 2017
	VC Kurume	Fukuoka	Dealership opened through M&A	
	VC Kitakyushu	Fukuoka	Dealership opened through M&A	
	BMW Yahata	Fukuoka	New dealership opened	
	MINI NEXT Nakano	Tokyo	New dealership opened	
	J Kitakyushu	Fukuoka	New dealership opened	
FY6/15	J Fujisawa Shonan	Kanagawa	New dealership opened	
	AF Fujisawa Shonan	Kanagawa	New dealership opened	
	AB Fujisawa Shonan	Kanagawa	New dealership opened	
FY6/17	VC Odawara	Kanagawa	Dealership opened through M&A	
	J Fukuoka-Nishi	Fukuoka	New dealership opened	
FY6/18	JLR Shonan	Kanagawa	Dealership opened through M&A	
	AR Ota	Tokyo	New dealership opened	
FY6/19	J Meguro	Tokyo	New dealership opened	
	PC Sendai	Miyagi	Dealership opened through M&A	

Note: J=JEEP, AF=Alfa Romeo and FIAT, AB=ABARTH, VC=VOLVO Car/VOLVO Cars, AR=Alfa Romeo, BMW= Willplus BMW, BPS=BMW Premium Selection, JLR= Jaguar/ Land Rover, PC= Porsche Center
Source: Prepared by FISCO from Company materials

Of the nine dealerships that have been closed or merged into other dealerships, seven were dealerships acquired through M&A, while only two were dealerships that the Company opened on its own. This large gap in the survival rate is quite interesting. We believe that the reason for this gap lies in the difference in the approach to building and operating dealerships. The Company's basic approach when opening a new dealership is to lease furnished land and buildings from existing car dealers and then refurbish the space in accordance with the brand corporate identity requirements demanded by importers. This approach reduces opening costs, as well as subsequent operating costs. Meanwhile, we believe that there have likely been numerous cases in which dealerships acquired through M&A had excessive investment at opening and a high operating cost structure. For the Company, M&A is just a means, while the objective is acquiring brands (multi-brand strategy) and acquiring commercial areas (dominant strategy). Having a large number of dealerships itself is not part of the Company's growth strategy.

Under this management strategy, when it comes to dealerships acquired through M&A (and because they have been acquired via M&A), the Company manages profitability cool-headedly and makes the necessary management decisions. As a result, it is our view that the dealerships that the Company opened on its own have a high probability of surviving because the Company has been managing them since the initial stage with a strong emphasis on low-cost operations.

The Company's track record of dealership openings and closings also indicates how quickly the Company takes management actions. The Company is operating with a focus on accelerating the scrap and build cycle, and based on what we can tell from past actions we think the Company is doing a good job of this. With regard to making decisions on whether to keep a dealership going or to close it, the Company sometimes monitors a dealership's performance over a period of time before deciding to close it, while other times the Company will quickly close a dealership if it determines that the dealership's future prospects are poor due to changes in the environment. We believe that the Company is able to make such decisions due to its dominant strategy, which is one of its business strategies. The Company has multiple dealerships in close vicinity to one another, and if it is going to close a certain dealership, it can move customers and employees to a nearby dealership, which allows the Company to avoid a decline in service and to keep customers, as well as retain employees. This is a major factor that allows the Company to make decisions quickly.

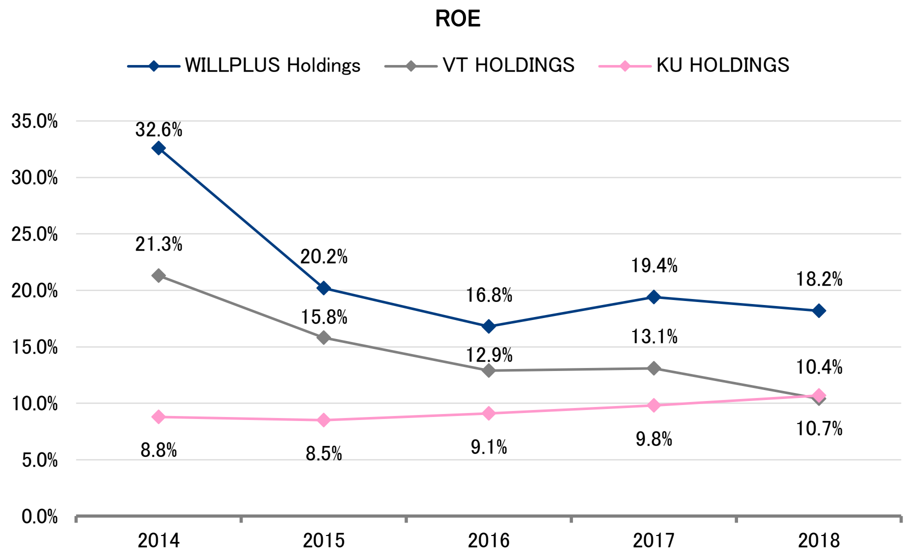
As discussed above, the Company's growth is not simply the result of dealership expansion through M&A, but is attributable to its strong ability to subsequently manage dealerships on an individual basis. The Company currently has a roughly 1:1 ratio of dealerships acquired through M&A and newly-opened dealerships. This is proof of the Company's overall ability to manage dealerships, including site selection and overall costs, such as dealership opening costs and running costs. This track record, along with the Company's ability to keep and retain the employees of companies it has acquired in its series of dealership reorganization through M&A has earned the trust of importers and industry peers alike, which in turn has created a virtuous cycle linking to the Company's three growth strategies in the form of M&A referrals and business area expansion. We believe that this virtuous cycle is the Company's greatest strength.

The Company is achieving high ROE near 20% through its commitment to low-cost operations, including opening costs

6. ROE Analysis

The Company employs ROE as a management assessment indicator, and as discussed above, the Company aims to achieve a high ROE along with growth in operating performance (net sales, profits).

In terms of an ROE target, the Company aims for the highest ROE possible, while setting 10% as the absolute lowest acceptable value. The Company's ROE for FY6/18 was 18.2%, a drop from the 19.4% recorded in FY6/17, but still a very high level, especially when compared to VT HOLDINGS CO., LTD. <7593> and KU HOLDINGS CO., LTD. <9856>, both of which are engaged in the authorized dealer business for imported cars.



Note: The fiscal year ends in June for WILLPLUS Holding and in March for other two companies
Source: Prepared by FISCO from the Company's financial results

ROE is comprised of ROA (the ratio of ordinary profit to total assets) and financial leverage (total assets divided by shareholders' equity). (Strictly speaking, a third element of "net income/ordinary profit" is added in order to convert from ordinary profit to net income.) Looking at performance in FY6/18, the ROE of 18.2% was made up of ROA of 12.1%, financial leverage of 2.31x, and a net income to ordinary profit ratio of 64.9%. What was notable was the high ROA of 12.1%. This ROA greatly contributed to the Company's high ROE, and also helped raise the quality of the ROE.

ROA can be broken down into the ordinary profit margin and the total asset turnover ratio. The Company's ROA of 12.1% is made up of an ordinary profit margin of 4.9% and a total asset turnover ratio of 2.49. The Company's ordinary profit margin of 4.9% is quite average, which means that the Company's high ROA was due to a high total asset turnover ratio of 2.49. The Company's total asset turnover ratio is indeed much higher than that of the two industry peers.

The total asset turnover ratio is found by dividing net sales by total assets, so to increase this ratio you need to either control total assets or increase net sales, or do both.

The external factors that impact net sales are not significantly different than those for industry peers, so the first place to look is the specifics of total assets. In this respect, the Company has a property, plant and equipment ratio of 27.6% (calculated value based on figures from June 30, 2018), which is clearly lower than that of the other two companies (34.3% and 47.9%, respectively.) As discussed above, the Company has been very careful not to allow its balance sheet to become bloated in general, and has placed emphasis on controlling operating costs, starting with its strategy of mainly leasing land and buildings when it opens a new dealership. We feel that the Company's total asset turnover ratio is symbolic of its management stance.

ROE Analysis Table

			WILLPLUS Holdings <3538>		VT HOLDINGS <7593>		KU HOLDINGS <9856>	
			FY6/17	FY6/18	FY3/17	FY3/18	FY3/17	FY3/18
Key values	Net sales	¥mn	23,567	25,770	169,560	202,133	79,146	88,068
	SG&A expenses	¥mn	3,774	4,174	23,511	26,992	10,364	11,063
	Operating profit	¥mn	1,209	1,261	7,592	6,780	4,829	5,821
	Ordinary profit	¥mn	1,197	1,255	7,937	7,173	5,011	5,927
	Profit attributable to owners of parent	¥mn	743	815	4,421	3,765	3,487	4,116
	Total assets	¥mn	9,354	11,312	121,493	136,757	54,020	59,513
	Equity	¥mn	4,142	4,793	34,983	37,426	36,731	39,951
	Interest-bearing debt	¥mn	1,724	2,552	28,989	29,649	8,391	8,957
	Depreciation expense	¥mn	514	634	5,662	6,591	1,259	1,465
	EBITDA	¥mn	1,723	1,895	13,254	13,371	6,088	7,286
Profitability / efficiency	ROE	%	19.4%	18.2%	13.1%	10.4%	9.8%	10.7%
	ROA	%	13.9%	12.1%	7.3%	5.6%	10.0%	10.4%
	Financial leverage	(Times)	2.25	2.31	3.2	3.57	1.42	1.48
	Net profit/ordinary profit ratio	%	62.1%	64.9%	55.7%	52.5%	69.6%	69.4%
	Asset turnover ratio (Times/year)	Times/ year	2.73	2.49	1.57	1.57	1.58	1.55
	Ordinary profit margin	%	5.1%	4.9%	4.7%	3.5%	6.3%	6.7%
	Gross profit margin	%	21.1%	21.1%	18.3%	16.7%	19.2%	19.2%
	SG&A margin	%	16.0%	16.2%	13.9%	13.4%	13.1%	12.6%
	Operating profit margin	%	5.1%	4.9%	4.5%	3.4%	6.1%	6.6%
	EBITDA margin	%	7.3%	7.4%	7.8%	6.6%	7.7%	8.3%

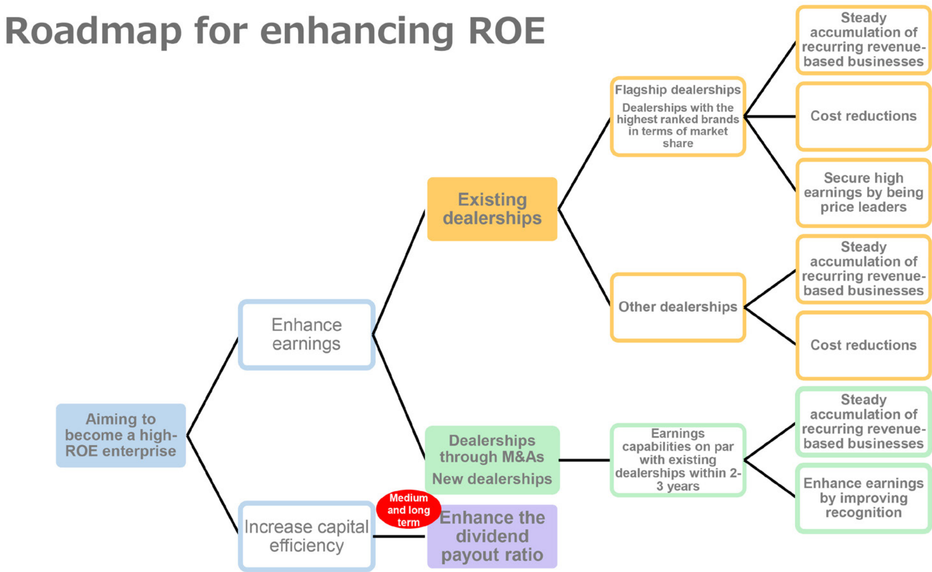
Source: Prepared by FISCO from the Company's financial results

The Company is currently achieving a high ROE near 20%, but no one can predict whether this level can be maintained going forward. One of the concerns is the cost involved in opening a new dealership. Until now, the Company has been able to carry out low-cost dealership openings by leasing existing car dealers' land and buildings as is (furnished), but this method may not be possible in the future. For Porsche Center Koriyama, which was newly opened in January 2019, the Company constructed the building itself because there were no suitable rental properties. In addition, for MINI Yamaguchi, which is currently operating out of a temporary location, there are no suitable rental properties so the Company plans to construct the building on its own. On top of this, construction costs soar from time to time, so constructing buildings on its own could hurt the asset turnover ratio and thus put downward pressure on ROE, compared to the previous cases in which the Company refurbished properties it took over as they were.

It should be noted that the Company's ROE may trend downwards in the future. However, there is no need to be overly pessimistic or concerned about this. Even if there is a slight decline from the current level, we think that the Company will still be able to keep its ROE above its stated minimum line of 10%.

In its financial results, the Company included a roadmap for improving ROE. It was interesting to see how, under "Increase capital efficiency," the Company added "Medium and long term" as a note to "Enhance the dividend payout ratio." As a rule of thumb, we believe that high ROE management is naturally shareholder-focused management, but this confirms that the Company will not be an exception (although keeping down the denominator with the dividend has little effect). In order to improve the numerator in the ROE formula, in other words to improve earnings (net income), the Company has divided its dealerships into existing dealerships and new dealerships (ones it opens on its own and ones acquired through M&A) and noted the initiatives it will undertake to rationally improve the earnings in each category. The emphasis is on increasing earnings stability through "cost reductions," or steadfast implementation of low-cost operations, and the steady accumulation of recurring revenue-based businesses. As discussed above, it is becoming more difficult to find dealership land and buildings at attractive terms, but if the Company steadfastly implements the management policies presented in this roadmap, we see no reason why the Company should not achieve an ROE of at least 10% in light of its track record.

Roadmap to improve ROE



Source: The Company's results briefing materials

Outlook

The Company maintains its forecast for both top and bottom line growth based on its view that the launch of new models of popular cars and the impact of new dealerships will make up for the delayed progress in 1H FY6/19

For FY6/19, the Company has left the initial forecasts unchanged, projecting higher sales and profits, with net sales at ¥29,510mn (+14.5% YoY), operating profit at ¥1,344mn (+6.6%), ordinary profit at ¥1,331mn (+6.1%), and profit attributable to owners of parent at ¥850mn (+4.3%).

Overview of FY6/19 forecast

(¥mn)

	FY6/18			FY6/19				
	1H	2H	Full year	1H	2H forecast	YoY	Full-year forecast	YoY
Net sales	12,470	13,299	25,770	13,677	15,832	19.0%	29,510	14.5%
Operating profit	659	601	1,261	565	778	29.4%	1,344	6.6%
Operating profit margin	5.3%	4.5%	4.9%	4.1%	4.9%	-	4.6%	-
Ordinary profit	656	598	1,255	559	771	28.8%	1,331	6.1%
Profit attributable to owner of parent	408	406	815	336	513	26.2%	850	4.3%

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

The challenge of achieving the earnings in 2H FY6/19 necessary in order to reach the full-year forecast for FY6/19 has become more difficult in reaction to the slight delay in progress in 1H FY6/19. To achieve the initial forecast, the Company will need to post 2H net sales of ¥15,832mn (up 19.0% YoY) and operating profit of ¥778mn (up 29.4%). Although these net sales and profit growth rates seem very high, we feel that they are well within reach.

As discussed above, the delay in progress in 1H FY6/19 was primarily caused by delays in vehicle deliveries by some brands, but we expect this issue to resolve this spring. In addition, BMW is planning to release the new BMW 3 Series this spring. The BMW 3 Series is BMW's mass-sales model, and we fully expect it to contribute to the Company's earnings.

Furthermore, we expect a positive impact from the opening of new dealerships and relocated and renovated dealerships. On top of the fact that JEEP Meguro and Porsche Center Sendai (both of which newly opened in 1H FY6/19) will contribute to earnings for the entire 2H FY6/19, four dealerships will be added in 2H: Porsche Center Koriyama (newly opened on January 12), MINI Yamaguchi and MINI NEXT Shunan (both newly opened on March 1), and Jaguar/Land Rover Mitaka (the Company is scheduled to take over the business on April 1). In addition to these dealerships, the Company also renovated and reopened JEEP Kitakyushu, FIAT/ABARTH Denenchofu, VOLVO Car Kurume, and VOLVO Car Kitakyushu (some of these have been relocated and reopened).

2H FY6/19 Dealership Plan

Timing	Details	Dealership Name	Type of Opening
2H FY6/19	New opening	Porsche Center Koriyama	Opened by the Company
		MINI Yamaguchi	Opened by the Company
		MINI NEXT Shunan	Opened by the Company
		Jaguar/Land Rover Mitaka	Dealership opening through M&A
	Renovation	JEEP Kitakyushu	-
		FIAT/ABARTH Den-en-chofu	-
		VOLVO Car Kurume	Relocation
		VOLVO Car Kitakyushu	Relocation

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

An eye needs to be kept on any possible recurrences of delivery delays for popular car models, as occurred in 1H FY6/19. The delivery delays occurred for extremely popular models, and the 1H FY6/19 delays are expected to be resolved in 2H, but there is a risk of delays in deliveries on the new orders received in 2H FY6/19. The BMW 3 Series is also a popular model, so even if orders are strong there is a possibility that deliveries will not keep pace. These are problems that the Company cannot solve on its own, and although the issue is one that time will resolve with time, the resulting change in earnings could lead to movement in the Company's stock price, so this should be considered as a risk factor.

Simplified statements of income and key indicators

(¥mn)

	FY6/15	FY6/16	FY6/17	FY6/18	FY6/19	
					1H	Full-year forecast
Net sales	19,072	21,093	23,567	25,770	13,677	29,510
YoY	11.2%	10.6%	11.7%	9.3%	9.7%	14.5%
Gross profit	4,169	4,608	4,984	5,435	2,821	-
Gross profit margin	21.9%	21.8%	21.1%	21.1%	20.6%	-
SG&A expenses	3,463	3,721	3,774	4,174	2,255	-
SG&A margin	18.2%	17.6%	16.0%	16.2%	16.5%	-
Operating profit	705	886	1,209	1,261	565	1,344
YoY	-16.2%	25.6%	36.5%	4.3%	-14.3%	6.6%
Operating profit margin	3.7%	4.2%	5.1%	4.9%	4.1%	4.6%
Ordinary profit	673	866	1,197	1,255	559	1,331
YoY	-22.7%	28.7%	38.2%	4.8%	-14.7%	6.1%
Profit attributable to owners of parent	416	492	743	815	336	850
YoY	-16.8%	18.4%	50.9%	9.6%	-17.6%	4.3%
EPS after adjustment for stock split (¥)	56.50	61.20	80.71	88.01	36.20	91.64
Dividend after adjustment for stock split (¥)	0.00	10.75	12.00	13.20	5.00	13.80
BPS after adjustment for stock split (¥)	306.65	381.91	449.40	516.28	-	-

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

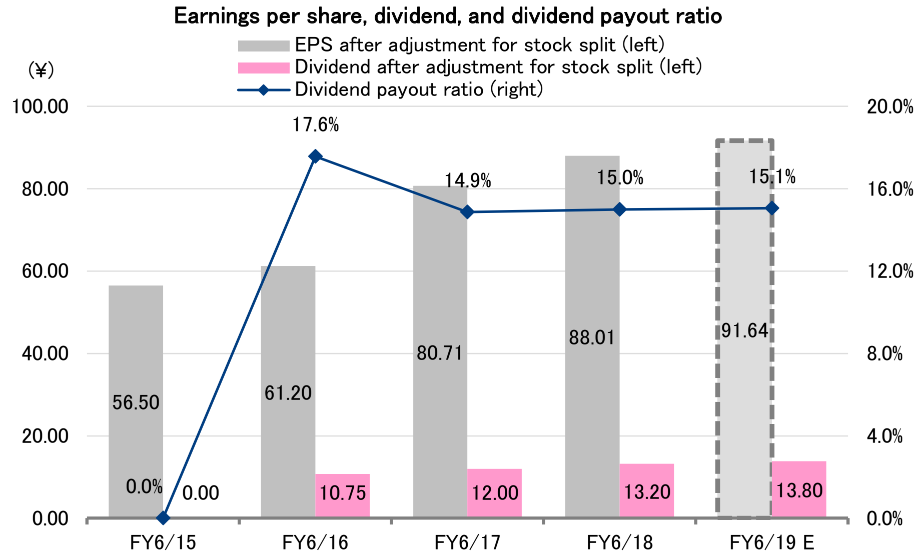
Shareholder returns

Plans to increase dividend by ¥0.6 YoY to ¥13.8 in FY6/19

The Company has positioned shareholder returns as important management issue, and the basic policy is to maintain stable dividends while keeping a balance with internal reserves targeting increased corporate value. The Company has a target dividend payout ratio of around 15%.

For FY6/18, the Company paid an annual dividend of ¥13.2 per share (interim dividend = ¥5.0; year-end dividend = ¥8.2). The Company conducted a 2-for-1 stock split of common shares with an effective date of April 1, 2017. Adjusting for this stock split, the annual dividend for FY6/17 was ¥12 per share, and there was a ¥1.2 per share dividend increase for FY6/18. The dividend payout ratio was 15.0%.

The Company has announced that its forecast annual dividend for FY6/19 is ¥13.8 per share (interim dividend = ¥5.0; year-end dividend = ¥8.8), an increase of ¥0.6 YoY. This would result in a dividend payout ratio of 15.1%, based on net income of ¥91.64 per share. The Company has made no changes to the figures for its initial outlook for operating results or its dividend forecast.



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

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