COMPANY RESEARCH AND ANALYSIS REPORT

WILLPLUS Holdings Corporation

3538

Tokyo Stock Exchange First Section

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Summary

The FY6/21 results exceeded the upwardly revised forecasts and both sales and profits set new record highs. Is pursuing the first-mover advantage by actively responding to the accelerating transition to EVs

WILLPLUS Holdings Corporation <3538> (hereafter, also “the Company”) is a pure holding company with four consolidated subsidiaries that are engaged in sales of imported cars. They sell 10 brands, including Jeep, FIAT, BMW, MINI, Volvo, and Porsche, through authorized dealerships. As of the end of June 2021, the Company manages 34 dealerships, including in Fukuoka Prefecture, where its business originated, and also in Tokyo and Kanagawa Prefecture, Yamaguchi Prefecture, and the Tohoku area.

1. Efforts for the accelerating shift to EVs

In April 2021, the Japanese government announced that, in order to achieve the “realization of a decarbonized society,” one with zero greenhouse gas emissions in actual terms, by 2050, it had raised the 2030 target to reduce CO_2 emissions compared to FY2013 from 26% to 46%. Also, in the Green Growth Strategy Through Achieving Carbon Neutrality in 2050 that it announced in June of the same year, it is enacting comprehensive measures for the electrification of vehicles for sales of all new passenger cars by the middle of the 2030s at the latest. In Europe, which has taken the lead in decarbonization, various vehicle manufacturers have been transitioning to EVs ahead of Japan. But this can actually be said to be an advantage for the Company, as it handles an extensive lineup of EV brands. The policy of the Company, which is conducting offensive management, is to pursue the first-mover advantage for the accelerating transition to EVs, so it is progressing installations of the latest power charging infrastructure at all its dealerships and introductions of EV demonstration cars to provide customers with the experience of test driving an EV at an early stage. Its policy is also to work on developing human resources not only for sales, but also for maintenance.

2. Performance trends

In the FY6/21 results, net sales increased 16.3% year on year (YoY) to ¥40,776mn and operating profit rose 97.3% to ¥2,290mn, and both sales and profits set new record highs. Also, compared to the second upwardly revised forecasts announced in May 2021, net sales were 3.4% and operating profit was 8.7% higher than forecast. The car is being reconsidered as a method of travel during the novel coronavirus pandemic (hereafter, COVID-19), and new car sales were excellent as demand continues to be strong and from the effects of the investment in dealerships. With a short purchase-to-sale cycle and high profit margins, used car sales were also strong and drove the major increase in profits. Also, while the Company continued to invest in dealership openings, the increase in the number of demonstration cars allocated to dealerships in response to the diversification of engines declined, and therefore depreciation was basically unchanged YoY.

For the FY6/22 consolidated results, the Company is forecasting net sales of ¥41,067mn and operating profit to decrease 6.1% YoY to ¥2,149mn*. On the one hand, expectations are rising for the end of the COVID-19 pandemic, but on the other hand, there are signs that the pandemic is spreading once again, so conditions in the future remain uncertain. In addition to this, due to the impact of factors such as the shortage of semiconductors, the supply of new cars continues to be unstable, while changes to the receipt of used cars is also expected to have an impact to some extent. Therefore, in consideration of the effects of conditions for the supply of new cars and changes to the used car market, the forecast is for operating profit to decline slightly YoY.

* At the start of FY6/22, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). Therefore, the consolidated results forecasts are the monetary amounts after the adoption of this accounting standard, so the YoY rate of change for net sales is not shown.

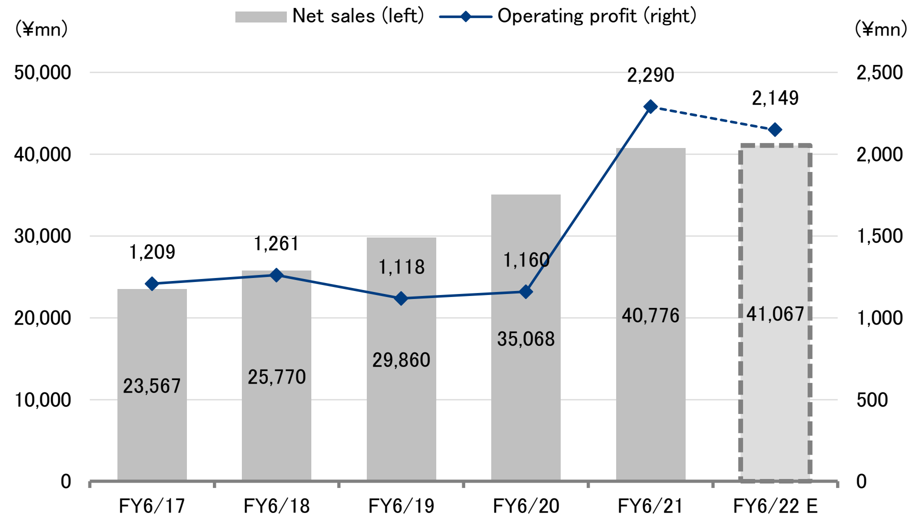
3. Shareholder returns

Until recently, the Company targeted a dividend payout ratio of around 15%, but raised it to 17.5% from FY6/21 and plans to raise it further to 20.0% from FY6/22. Based on this policy, in FY6/22, it intends to pay a dividend per share of ¥29.13 (interim dividend ¥5.0, period-end dividend ¥24.13). In FY6/21, it initially planned to pay a dividend per share of ¥13.59, but after considering factors such as its results and financial condition, it increased the period-end dividend by ¥2.47 from the forecast announced on May 10, 2021 to ¥23.26.

Key Points

- Is pursuing the first-mover advantage by actively responding to the accelerating transition to EVs
- The FY6/21 results exceeded the upwardly revised forecasts, and both sales and profits set new record highs
- From FY6/22, plans to raise the dividend payout ratio target to 20.0%

Performance trends



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

Company profile

Handles 10 brands of overseas vehicle manufacturers at 34 dealerships

1. Company profile

The Company is a pure holding company with four consolidated subsidiaries engaged in sales of imported cars. Its 34 dealerships (as of the end of June 2021) within Japan sell the 10 main brands of Alfa Romeo, FIAT, ABARTH, Jeep, Jaguar, Land Rover, BMW, MINI, Volvo, and Porsche. Also, its dealerships are located in Miyagi Prefecture, Fukushima Prefecture, Tokyo, Kanagawa Prefecture, Yamaguchi Prefecture, and Fukuoka Prefecture.

From its corporate philosophy of "The joy of + in the future," the Company's name is derived from "Providing the future together with imported cars (=WILL) and continuing to take on the challenge of being able to propose a 'joyful life' to everyone involved (=PLUS)."

In the five fiscal years from FY6/17 to FY6/21, the Company newly opened 10 dealerships, acquired 4 dealerships through business takeovers, rebuilt and reopened 6 dealerships from existing dealerships, and renovated 13 dealerships. For the compound annual growth rate (CAGR), net sales increased 14.7%. Conversely, operating profit declined in FY6/19 due to the increase in upfront investment, and while the period to recoup this upfront investment was expected to be from FY6/20 onwards, profits increased by only a small extent due to the impact of COVID-19. In FY6/21, the Company conducted sales activities tailored to the business environment during the COVID-19 pandemic, and as a result operating profit improved significantly, rising 97.3% YoY, and both sales and profits set new record highs.

2. History

In 1997, the father of Takaaki Naruse, the current President, established Sunflower CJ in Kitakyushu City, Fukuoka Prefecture. Soon thereafter, Sunflower CJ acquired a Chrysler (U.S.) dealership and began operating as an official Chrysler dealer. After engaging in new and used car sales, Takaaki Naruse acquired all the shares of Fukuoka Chrysler in October 2004 and became independent. He then opened a dealership in Ota Ward, Tokyo in 2005, and entered Tokyo. After that, he established WILLPLUS Holdings Corporation in 2007.

For its stock market listing, the Company was listed on the Tokyo Stock Exchange (TSE) JASDAQ (standard) market in March 2016, and then upgraded to the TSE Second Section in September 2017 and the TSE First Section in February 2018.

Through actively conducting M&A, the Company acquired imported car sales rights and commercial areas for leading brands, and at the same time, it rapidly expanded its dealership network through new dealership openings. In 2008, it made CHECKER MOTORS CORPORATION a wholly owned subsidiary, started handling FIAT and Alfa Romeo, and made a full-fledged entry into the Kanto area. In 2009, it acquired 2 Jeep dealerships in the Tokyo metropolitan area and 5 BMW and MINI dealerships through business takeovers, and in 2014, it made a wholly owned subsidiary of Teio Auto Corporation, which sells Volvo vehicles. Furthermore, in 2017, it established Willplus Eins Corporation, which took over the business of Porsche Center Sendai in 2018, thereby handling Porsche and entering the Tohoku area for the first time. In November 2019, the Company newly opened CHECKER MOTORS Approved Munakata, its first dealership specializing in approved imported used cars.

History

Date	Business change	Brand development	Commercial area expansion
October 2007	Established WILLPLUS Holdings Corporation		
July 2008	Converted CHECKER MOTORS CORPORATION into a wholly owned subsidiary	Began handling FIAT/Alfa Romeo vehicles	Full-fledged entry into the Kanto area
July 2009	Took over 2 directly managed dealerships from Chrysler Japan Co., Ltd.		
September 2009	Willplus Motoren Corporation took over the businesses of 5 dealerships	Began handling BMW/MINI vehicles	
April 2014	Converted Teio Auto Corporation into a wholly owned subsidiary	Began handling Volvo vehicles	
November 2017	Established Willplus Eins Corporation		
March 2018	Newly opened Jaguar/Land Rover Kitakyushu	Began handling Jaguar/Land Rover vehicles	
April 2018	Took over the Jaguar/Land Rover Shonan business		
December 2018	Took over the Porsche Center Sendai business	Began handling Porsche vehicles	Entered the Tohoku area for the first time
March 2019	Opened the new MINI Yamaguchi and MINI NEXT Shunan dealerships		Entered the Chugoku area for the first time
April 2019	Took over the Jaguar/Land Rover Mitaka business		
November 2019	Newly opened CHECKER MOTORS Approved Munakata, its first dealership specializing in approved imported used cars		
February 2021	Newly opened Jaguar/Land Rover Sagamihara Newly opened MINI NEXT Fukuoka-Higashi		

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

As of June 30, 2021, the Company Group is managing 34 dealerships. Breaking them down according to the consolidated subsidiary managing them, CHECKER MOTORS, which handles Alfa Romeo, FIAT, ABARTH, Jeep, Jaguar, and Land Rover, is managing 18 dealerships; Willplus Motoren, which handles BMW and MINI, is managing 10 dealerships; Teio Auto, which handles Volvo, is managing 4 dealerships; and Willplus Eins, which handles Porsche, is managing 2 dealerships.

List of Operating Companies

Name	CHECKER MOTORS CORPORATION	Willplus Motoren Corporation	Teio Auto Corporation	Willplus Eins Corporation
Number of dealerships (as of June 30, 2021)	18 dealerships	10 dealerships	4 dealerships	2 dealerships
Importers	FCA Japan Limited Jaguar Land Rover Japan Limited	BMW Japan Corporation	Volvo Car Japan Limited	Porsche Japan KK
Brands handled	Jeep Alfa Romeo FIAT ABARTH Jaguar Land Rover	BMW MINI	Volvo	Porsche

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

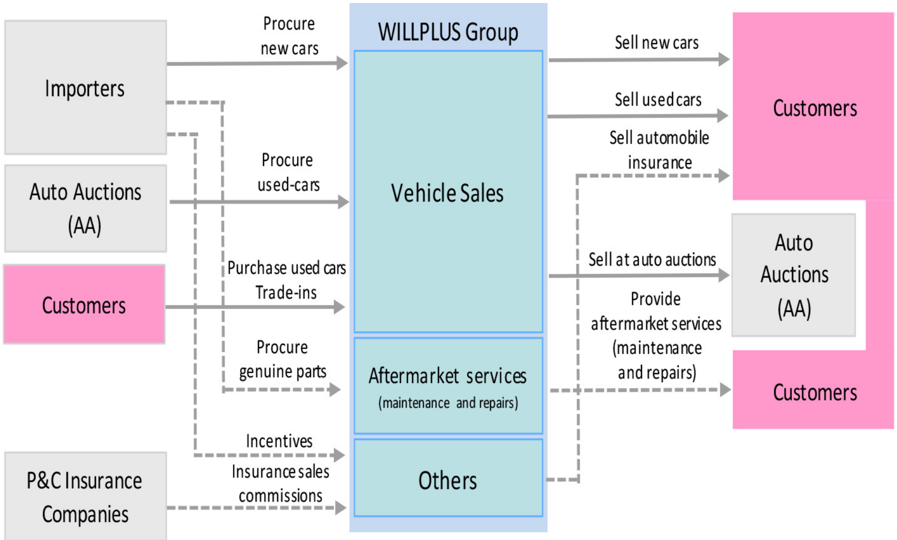
3. Description of business

(1) Business models

As an authorized dealer for the sales of imported cars, the Company purchases new cars from importers (Japanese subsidiaries of overseas auto manufacturers), which it then sells. In terms of the details of the importers, FCA Japan Limited, which is the Japanese subsidiary of the FCA Group (Fiat Chrysler Automobiles N.V.), handles the Alfa Romeo, FIAT, and ABARTH brands of Italy and the Jeep brand of the US. Jaguar Land Rover Japan Limited handles Jaguar and Land Rover, and BMW Japan Corporation handles BMW and MINI. Volvo is handled by Volvo Car Japan Limited and Porsche is handled by Porsche Japan KK.

The Company purchases used cars at auto auctions and through trade-ins. Also, trade-ins of brands not handled by the Company are sold at auto auctions. In addition, alongside sales of cars, it sells automobile insurance and provides after-sales services (maintenance and repairs).

Schematic diagram of the Company Group's businesses

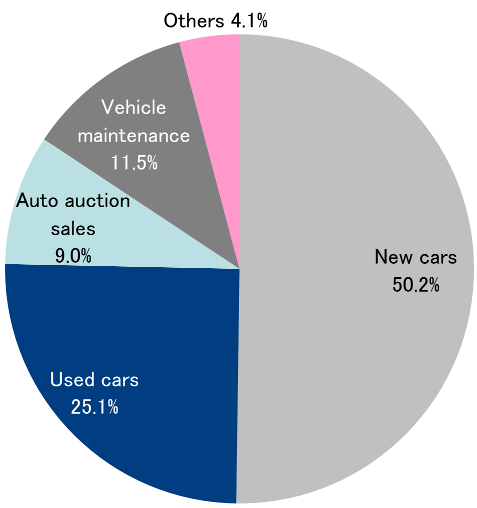


Source: Prepared by FISCO from the Company's results briefing materials

(2) Composition of total net sales

In FY6/21, the composition of total net sales by business were that new cars provided 50.2%, used cars 25.1%, auto auction sales 9.0%, vehicle maintenance 11.5%, and others 4.1%. Meanwhile, in terms of profitability, the cost-of-sales ratio for new vehicles is high, so profitability of new cars is lower than that of used cars. With regards to other services, in addition to the fact that agency commissions are the main source of revenue, insurance fees have become a stable source of revenue, so the profit margin has increased. Auto auction sales are sales of traded-in cars of brands not handled by the Company Group.

Sales mix (FY6/21)



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

Business strategies

The Company's growth strategies are a multi-brand strategy, a dominant strategy, and an M&A strategy

1. Trends in the automotive market in Japan

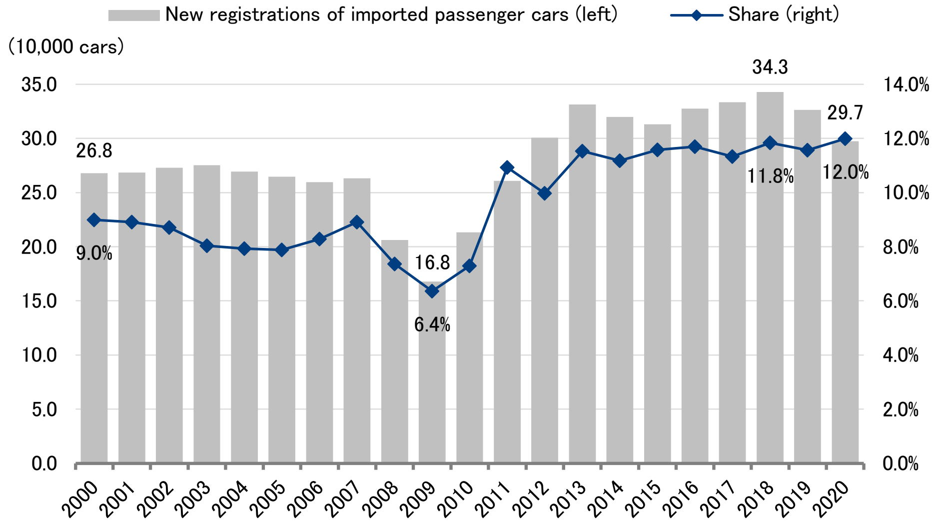
Due to the declining birthrate and aging population, the population of Japan peaked in 2008 at 128.08mn people and is now trending downward. In the estimate for December 2020, the population had declined by slightly more than 2.37mn people from its peak to 125.71mn people. It is considered that young people are tending not to buy a car and elderly people are giving up their driving licenses, but according to the statistics of Japan Automobile Manufacturers Association, Inc., the number of passenger cars owned, including standard-size, small-size, and kei minicars, reached its highest level ever at 61.92mn at the end of March 2021. The number of passenger cars owned increased by 3.78mn over the past 10 years. Breaking this down, standard-size cars increased by 3.14mn, small-size cars decreased by 4.09mn, and kei minicars increased by 4.73mn. In terms of the composition ratio, standard-size cars changed from 29.0% to 32.3%, small-size cars from 40.1% to 31.0%, and kei minicars from 31.0% to 36.7%. As a result, it can be said that the purchasing behavior of consumers is polarizing and small-size cars have lost share. Also, for the kei minicar standards, the engine capacity was increased from 360cc to 550cc, and furthermore to 660cc, while the total body length was increased from 3 meters to 3.4 meters, and the total width increased from 1.3 meters to 1.48 meters. So pragmatic consumers are tending toward owning kei minicars, while people who prioritize hobbies, lifestyle, and values are tending toward owning standard-size cars.

New car sales are affected by factors including the economy, interest rates, and the launch dates of new models. FISCO found that the number of new registrations of passenger cars peaked at 4.768mn in 2004, and registrations fell below 4mn to 3.924mn due to the impact of the Lehman Shock in 2009. This number fell to 3.525mn registrations following the Great East Japan Earthquake in 2011, but subsequently it recovered to 4.301mn registrations in 2019. However, in 2020, the COVID-19 pandemic resulted in a 11.4% YoY decline to 3.809mn registrations.

The number of newly registered imported cars (overseas manufacturers) declined from 268,000 in 2000 to 168,000 in 2009 after the Lehman Shock, but subsequently recovered to 297,000 in 2020 (8.9% YoY decline). The share of imported passenger cars of all registered cars (standard- and small-size passenger cars), not including Japan's unique kei minicar models, was 9.0% in 2000, 6.4% in 2009, and 12.0% in 2020.

The share of imported cars in Germany, home to the world's largest vehicle manufacturer VW, the luxury car brand Mercedes-Benz, and BMW which is also popular in Japan, is high at 39.5%, while it is 24.7% in the US and 76.1% in Italy. Therefore, as the share of imported cars in the Japanese market is just 8.9%, the Company considers there is considerable room for the share of imported cars in Japan to grow. Incidentally, according to the Company, the scale of the Japanese market for imported new cars is ¥1.31tn (2020), and in this market, the consolidation of medium- and small-size dealers is progressing. The Company's market share is more than 3%, but it is aiming to increase this share in the future through M&A.

Trends in the number of new registrations of imported passenger cars



Note: The share of imported cars is the percentage of imported passenger cars of all registered passenger cars (not including kei minicars)
Source: Prepared by FISCO from data provided by the Japan Automobile Importers Association and Japan Automobile Dealers Association

2. Growth strategies

The Company's growth strategies are 1) a multi-brand strategy, 2) a dominant strategy, and 3) an M&A strategy.

(1) Multi-brand strategy

The Company adopts a multi-brand strategy, handling 10 brands. The pattern of car model changes in Europe and the US is around 7–8 years, while full model changes for domestic cars are around every 5–7 years. Although the sales-volume wave is small, it is affected by the slump in sales during a model's end period and the introductions of new models of competitor cars. By adopting a multi-brand strategy, the Company is aiming to eliminate and even-out differences in the timing of launches of new models during the sales-cycle wave due to model changes.

In the ranking of the number of new registrations of cars of overseas manufacturers in 2020 (calendar year), all 10 brands the Company handles were in the top 20. Its standards for selecting a brand are 1) the potential to become a major dealer among the brands and 2) strong brand power that can be expected to realize constant sales. The Company is targeting more than 9 brands which it does not handle. Generally, importers, which are the Japanese subsidiaries of overseas manufacturers, give sales rights to the dealers in each area based on the dealer contract and conduct sales. However, as many areas are already filled, an M&A strategy of acquiring or taking over the businesses of existing dealers is important.

New registrations of cars of overseas manufacturers (calendar year)

(unit: cars)

Ranking		Brand name	2010	2015	2020	Share
1		Mercedes-Benz	30,920	65,159	56,999	22.4%
2	*	VW	46,704	54,765	36,574	14.4%
3		BMW	32,426	46,229	35,712	14.0%
4		Audi	16,854	29,414	22,304	8.8%
5	*	BMW MINI	11,338	21,083	20,196	7.9%
6	*	Volvo	7,767	13,510	15,547	6.1%
7	*	Jeep	1,877	7,129	13,562	5.3%
8		Peugeot	6,021	5,906	10,752	4.2%
9	*	Porsche	3,335	6,690	7,284	2.9%
10		Renault	2,536	5,082	5,963	2.3%
11	*	Fiat	5,562	6,032	5,889	2.3%
12	*	Citroën	2,402	1,978	5,028	2.0%
13		Land Rover	727	2,979	3,945	1.6%
14	*	ABARTH		1,472	2,571	1.0%
15	*	Alfa Romeo	1,816	2,321	1,674	0.7%
16	*	Jaguar	1,138	1,349	1,423	0.6%
17		Ferrari	493	720	1,085	0.4%
18		DS		925	908	0.4%
19		Maserati	287	1,449	898	0.4%
20		Lamborghini	60	349	631	0.2%
		Overseas manufacturers, total	180,255	284,471	298,378	100.0%

Note: Rankings and shares are from 2020 data.
* Brands handled by the Company
Source: Prepared by FISCO using data from Japan Automobile Importers Association

(2) Dominant strategy

The dominant strategy refers to a strategy of opening dealerships in a concentrated manner in a specific region. In addition to new car dealers and showrooms, a used car dealership that handles approved cars (certified used cars) and a service center that performs maintenance and inspections will be set up in the business area to expand the options for purchasers and to provide after-sales services. For the Company, if it is a vehicle sold in-house, the history of the vehicle can be easily ascertained and an appropriate trade-in price can be presented, and there is an advantage that used cars can be purchased through the purchase of models handled by the specific brand.

The Company utilizes a multi-brand strategy to conduct this dominant strategy. The aims of the dominant strategy are to capture customers by offering them multiple choices and increase efficiency through making the human resources within the Group mobile and optimizing their allocation. This method responds to the needs of customers who want to change to another brand during a model-cycle valley, or who want to try a model of another brand (for example, an SUV).

Some specific examples of the Company Group's dominant strategy include its dealership networks in the Kanagawa area and the Kitakyushu area. In the Kanagawa area, it manages 6 dealerships: Jaguar/Land Rover Shonan (approved Shonan/service center), Jaguar/Land Rover Shonan (Shonan showroom/new car sales), Jeep Fujisawa Shonan, Alfa Romeo Fujisawa Shonan, FIAT/ABARTH Hiratsuka, Jaguar/Land Rover Sagamihara. In the Kitakyushu area, it manages 7 dealerships: Volvo Cars Kitakyushu, Jeep Kitakyushu, BMW Kokura, BMW Yahata, MINI Kokura, Jaguar/Land Rover Kitakyushu, and MINI NEXT Fukuoka-Higashi; and newly opened CHECKER MOTORS Approved Munakata (Munakata City, Fukuoka Prefecture), its first multi-brand dealership specializing in approved imported used cars.

By brand, the Company has been actively investing in MINI. In November 2019, it reopened the renovated MINI Hakata/MINI NEXT Hakata dealership, which is compliant with the latest corporate identity (CI). In January 2020, it relocated the MINI Yamaguchi/MINI NEXT Yamaguchi dealership to a more prime location and opened a newly constructed dealership compliant with the latest CI. In February 2021, the Company newly opened MINI NEXT Fukuoka-Higashi, a dealership specializing in sales of certified used MINI vehicles that is compliant with the latest CI. Also, in March 2019, it entered the Chugoku area for the first time, choosing Yamaguchi Prefecture for its close proximity to Fukuoka Prefecture, an existing sales base in the Kyushu area. As of the end of February 2021, it has 2 MINI dealerships in Yamaguchi Prefecture and 5 in Fukuoka Prefecture, and it is the major authorized dealer of this brand in those areas.

In December 2020, the Company integrated Jaguar/Land Rover Approved Hiratsuka (certified used car sales) and Jaguar/Land Rover Shonan Service (service center) into the Jaguar/Land Rover Approved Shonan and Jaguar/Land Rover Shonan Service dealership, and reopened them, conforming to the latest CI features.

The Company Group's dealership network by region (As of the end of June 2021)

Miyagi Prefecture				
Sendai				[PS] New and used car sales and after-sales services
Fukushima Prefecture				
Koriyama				[PS] New and used car sales and after-sales services
Tokyo				
Shinjuku		[MINI] New and used car sales and after-sales services		
Ikebukuro			[FT/AB] New and used car sales and after-sales services	
Meguro	[JP] New and used car sales			
Ota		[AR] New and used car sales and after-sales services	[FT/AB] After-sales services	
Setagaya	[JP] New and used car sales and after-sales services	[AR] New and used car sales and after-sales services	[FT/AB] New and used car sales and after-sales services	
Denenchofu			[FT/AB] New and used car sales	
Mitaka				[JG/LR] New and used car sales and after-sales services
Kanagawa Prefecture				
Shonan	[JP] New and used car sales and after-sales services	[AR] New and used car sales and after-sales services		[JG/LR] New and used car sales and after-sales services
Hiratsuka			[FT/AB] New and used car sales and after-sales services	
Sagamihara				[JG/LR] New and used car sales and after-sales services
Yamaguchi Prefecture				
Yamaguchi		[MINI] New and used car sales and after-sales services		
Shunan		[MINI] Used car sales		
Fukuoka Prefecture				
Kokura		[MINI] New and used car sales and after-sales services	[BMW] New and used car sales and after-sales services	
Yahata		[MINI] Used car sales	[BMW] New and used car sales and after-sales services	
Kitakyushu	[JP] New and used car sales and after-sales services			[VC] New and used car sales and after-sales services [JG/LR] New and used car sales and after-sales services
Fukuoka-Higashi		[MINI] Used car sales		
Fukuoka-Nishi	[JP] New and used car sales and after-sales services	[MINI] New and used car sales and after-sales services		
Fukuoka	[JP] New and used car sales and after-sales services	[MINI] New and used car sales and after-sales services		[VC] New and used car sales and after-sales services
Fukuoka-Minami				[VC] New and used car sales and after-sales services
Kurume	[JP] New and used car sales and after-sales services			[VC] New and used car sales and after-sales services
Munakata	Used car sales			

Note: JP: Jeep, AR: Alfa Romeo, FT: FIAT, AB: ABARTH, JG: Jaguar, LR: Land Rover, VC: Volvo, PS: Porsche
Source: Prepared by FISCO from the Company's results briefing materials and press releases

(3) M&A strategy

The M&A strategy is to 1) enter new areas, 2) acquire new brands (multi-brand strategy), and 3) increase the shares of existing brands. Areas that are candidates for entry include government-designated cities* with a population of more than 1mn people and core regional cities with a population of more than 400,000 people.

* Government-designated cities with a population of more than 1mn people include Sapporo, Sendai, Saitama, Yokohama, Kawasaki, Nagoya, Kyoto, Osaka, Kobe, Hiroshima, and Fukuoka.

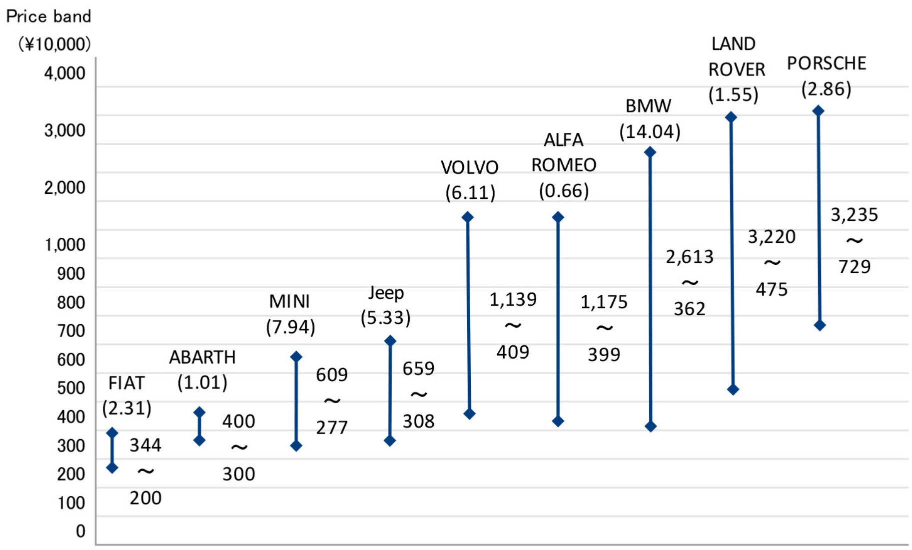
In December 2018, Willplus Eins took over the business of Porsche Center Sendai, thereby entering Tohoku for the first time. This case is an entry into a new area and at the same time, the acquisition of a new brand. In order to cover all the commercial areas in the Tohoku area, it opened Porsche Center Koriyama as the second dealership in Fukushima Prefecture in January 2019. Normally, when entering a new area, the Company chooses locations adjacent to existing bases as the success rate of locations that are not adjacent to an existing base tends to be low. Porsche, which is synonymous with luxury sports cars, has a stable sales track record and ranked 9th in the top 10 for new registrations of cars of overseas manufacturers in 2020, so this could be said to be an attempt to strategically capture a new brand.

The nationwide network of authorized dealers of imported cars is not as large as that for domestically produced cars, but there is considerable room for growth for the Company. Specifically, in the Japanese domestic market, the numbers of bases, including new cars, used cars, and services, are 246 for BMW, 207 for MINI, and 123 for Volvo new car dealers (as of the end of September 2021).

For introductions of M&A proposals, the Company directly approaches importers, financial institutions, or brokerage firms, or the other party approaches it. It examines aspects including future growth potential and business synergies, and after completing various types of due diligence, formulates a business plan and confirms elements such as the investment-recovery period. In order to be preferentially introduced to proposals, the Company works on building good relations with importers. On the other hand, in the case of financial institutions and brokerage firms, there is often competitive bidding. In this case, the Company Group bids in accordance with factors such as its internal investment-recovery standard.

Moreover, the models and price bands of the brands handled by the Company Group are rich in variety. Sales prices range from ¥2.0mn to ¥3.44mn for FIAT, ¥2.77mn to ¥6.09mn for MINI, and ¥7.29mn to ¥32.35mn for Porsche (as of the end of September 2021). Previously, the image was that “owners of imported cars are wealthy” and “imported cars break down easily,” but the price difference between imported cars and domestically produced cars has narrowed and their quality has also improved. In terms of price, they have become more affordable and their user groups are expanding.

Sales price bands of brands handled by the Company



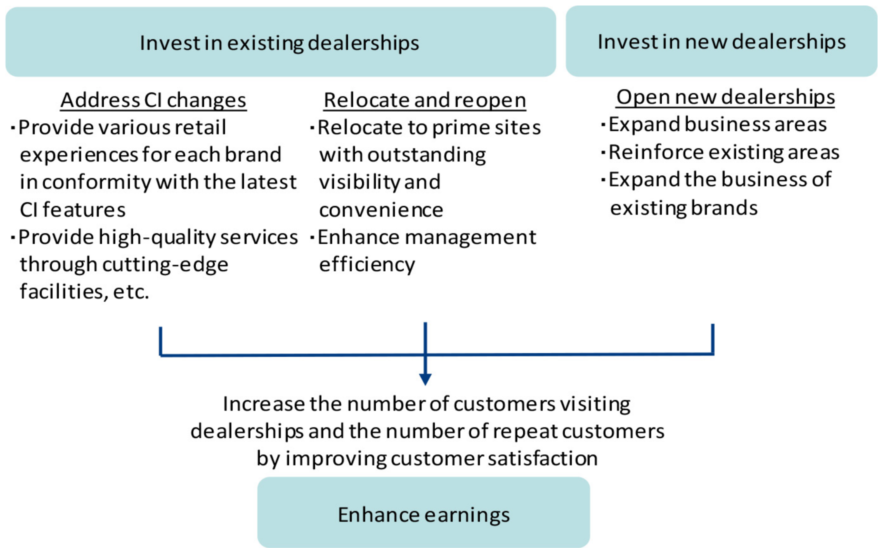
Note: Percentages in parentheses represent the share of new registrations of passenger cars of overseas manufacturers in 2020. Domestic shares are from among cars of overseas manufacturers. Sales prices are as of the end of September 2021
Source: Prepared by FISCO from the Company's materials

(4) Investment in dealerships

By improving the number of visitors to dealerships and customer satisfaction (CS), investment in dealerships leads to an increase in the number of repeat buyers. Therefore, the Company is investing in existing dealerships in order to comply with the latest CI and to improve the quality of services, while at the same time, it is progressing relocations to excellent sites where management efficiency can be expected to improve. Importers seek improvements, such as investment in the latest CI to expand sales and the holding of ample dealer inventory to shorten delivery times. Cases of business transfers involving small-scale dealers with sales rights in existing areas are appearing due to the burden placed on them of investing in dealerships, the increase in demo cars, having to respond to new CI, and the issue of business succession.

The aims of new dealership openings are to expand commercial areas and supplement existing areas and to expand the business scope of existing brands. This is because continuously increasing the number of dealerships through new dealership openings and business takeovers is essential in order to realize sustainable growth. The timings of company acquisitions and business takeovers cannot be determined in advanced, and it is not advisable to miss the investment timing. Therefore, a wave is generated for investment, including for M&A. From FY6/17 to FY6/20, the Company actively invested in dealerships. As a result, CAGR for operating profit decreased 1.4% during this period, but EBITDA increased 10.0%. The dealership renovations have basically been completed, so going forward the Company expects to enter an investment recovery period.

Aims of investing in dealerships



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

Is pursuing the first-mover advantage by actively responding to the accelerating transition to EVs

3. Initiatives towards the accelerating transition to EVs

In April 2021, the Japanese government announced that, in order to achieve the “realization of a decarbonized society,” one with zero greenhouse gas emissions in actual terms, by 2050, it had raised the 2030 target to reduce CO_2 emissions compared to FY2013 from 26% to 46%. Also, in the Green Growth Strategy Through Achieving Carbon Neutrality in 2050 that it announced in June of the same year, it is enacting comprehensive measures for the electrification of vehicles for sales of all new passenger cars by the middle of the 2030s at the latest. Specifically, to promote the spread of types of electric vehicles (EV, PHV, and FCV), it will install a charging infrastructure of 150,000 charging stations, including 10,000 quick chargers at service stations and 30,000 public-use quick chargers, with the aim of realizing a level of convenience equal to that of gasoline vehicles by 2030 at the latest.

In the trend of decarbonization, there is growing speed in the movement to ban the sale of new gasoline and diesel vehicles. One example of this is both the UK and France announcing in 2017 that they would ban the sale of non-EV new cars by 2040. The UK went a step further and will now ban the sale of new gasoline and diesel vehicles in 2030, and ban the sale of new hybrid vehicles in 2035. In addition, the state of California as well as China are advancing similar initiatives. With regards to this, Japan is considering having all new vehicles be electric-powered by the mid-2030s at the latest. Also, ahead of the national government’s move, Tokyo Governor Yuriko Koike has declared that the sale of gasoline vehicles will be banned in Tokyo by 2030.

In Europe, which is leading the way in the decarbonization movement being advanced around the world, automakers are moving to EVs ahead of Japan, but there are many EVs among the brands that the Company handles. These include the Jeep Renegade 4Xe (PHV), FIAT 500e, BMW iX and iX3, MINI Cooper SE, Volvo XC40 Recharge (PHV) and Porsche Taycan. Volvo plans to transition all new cars to EVs by 2030, Jaguar/Land Rover will shift Jaguar to being a full EV brand by 2025, while MINI will shift to being a full EV brand by the start of the 2030s. So in such ways, various companies are ambitiously targeting a complete transition to EVs.

Outlook for transition to EVs by European vehicle manufacturers handled by the Company

	2020	2025	2030
Volvo	■2020 ・Will abolish internal combustion engines for all models (transition to PHEV and HV)	■2025 ・Half of all new cars will be fully EV and the remainder will be hybrids	■2030 ・Will transition all new cars to EVs (will also end sales of hybrid vehicles)
BMW、MINI	■2023 ・Will launch sales of 25 EV models (of which, half will be fully EV)	■2025 ・EV models to provide 30% of global sales (of which, half will be fully EV)	■2030 ・Global sales of EV models to be more than 7mn vehicles (of which, more than 70% will be fully EV) ■Start of the 2030s ・MINI to shift to being a fully EV brand
Porsche			■2030 ・Will transition to EVs providing more than 80% of global new car sales
Jeep FIAT/ABARTH Alfa Romeo (Stellantis)		■2025 ・Jeep to establish fully electrified Jeep 4xe with zero emissions for all of its lineup ■2027 ・New Alfa Romeo models will be EV only in Europe, North America, and China	■2030 ・Aiming for the sales composition for LEVs (low emission vehicles) to be 70% in Europe and more than 40% in the US (in total) by 2030
Jaguar/Land Rover		■2025 ・Jaguar to shift to being a fully EV brand	■2030 ・Will set full battery EV models for all models of both brands

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

The policy of the Company, which is conducting offensive management, is to pursue the first-mover advantage for accelerating the transition to EVs. Specifically, it is progressing installations of the latest charging infrastructure at all dealerships (completed at 84% of its dealerships, and currently sequentially installing quick chargers). It is also progressing introductions of EV demonstration cars to give customers the experience of test driving an EV at an early stage.

Generally, it is said that the life span of an ICE (internal combustion engine) vehicle is 13.6 years. Compared to this, an EV's battery performance is considered to last 7–8 years. However, with the launch of EVs on the market, it can be expected that not only will their performance improve in a short time, but also the replacement-purchase cycle will be shortened. In Europe, it seems that EV maintenance work is handled as high-voltage system work, so it is important to acquire qualifications to handle high-voltage systems. Based on this, the Company's policy is to work on developing its human resources not only for sales, but also for maintenance.

Performance trends

The FY6/21 results exceeded the upwardly revised forecasts and both sales and profits set new record highs

1. Overview of FY6/21

In the FY6/21 results, net sales increased 16.3% YoY to ¥40,776mn, operating profit rose 97.3% to ¥2,290mn, ordinary profit grew 92.3% to ¥2,301mn, and profit attributable to owners of parent increased 91.1% to ¥1,533mn, and both sales and profits set new record highs. Also, compared to the second upwardly revised forecasts announced in May 2021, net sales were 3.4% and operating profit was 8.7% higher than forecast.

FY6/21 consolidated financial results

(¥mn)

	FY6/20		FY6/21		YoY		vs. forecast
	Results	vs. net sales	Results	vs. net sales	Change	% change	
Net sales	35,068	100.0%	40,776	100.0%	5,707	16.3%	3.4%
Gross profit	6,835	19.5%	8,255	20.2%	1,419	20.8%	-
SG&A expenses	5,675	16.2%	5,965	14.6%	289	5.1%	-
Operating profit	1,160	3.3%	2,290	5.6%	1,129	97.3%	8.7%
Ordinary profit	1,196	3.4%	2,301	5.6%	1,104	92.3%	8.7%
Profit attributable to owners of parent	802	2.3%	1,533	3.8%	731	91.1%	9.6%

Note: Forecast comparisons are based on the upwardly revised forecasts announced on May 10, 2021
Source: Prepared by FISCO from the Company's financial results

Due to continuing strong demand and the effects of investing in dealerships, new car sales were excellent, mainly of new models, while used car sales were also steady. In addition, the recurring revenue-based businesses, including vehicle maintenance and insurance, performed well. The ratio of sales from used car sales, which have a high profit margin, increased, while the Company also continued measures to improve the profit margin, so the gross profit margin rose 0.7 of a percentage point (pp) YoY to 20.2%. On the one hand, alongside rises in the numbers of dealerships and personnel, personnel expenses and land rent, SG&A expenses increased YoY. But on the other hand, training expenses and business trip and transportation expenses decreased, including because meetings and internal and external training were conducted online and as measures were implemented to reduce waste. As a result, the SG&A expenses ratio decreased 1.6pp to 14.6%, and therefore the operating profit margin rose 2.3pp to 5.6%.

(1) Net sales by business

In net sales by business, sales increased in all businesses, particularly in new cars and used cars. New car sales increased 15.3% YoY to ¥20,477mn following the recovery from the delay in the supply periods of new cars globally due to COVID-19, and from the effects of the investment in dealerships and the strong sales of new models. Due to the instability of the supply periods of new cars, sales of used cars, which the Company is focusing on, continued to trend steadily, increasing 30.0% to ¥10,238mn. With a short purchase-to-sale cycle and high profit margins, used car sales drove the significant increase in profits. Also, sales from auto auction sales increased 9.5% to ¥3,662mn, vehicle maintenance rose 6.4% to ¥4,709mn, and others grew 1.4% to ¥1,688mn.

FY6/21 net sales by business

(¥mn)

	FY6/20		FY6/21		YoY	
	Results	vs. net sales	Results	vs. net sales	Change	% change
New cars	17,758	50.6%	20,477	50.2%	2,719	15.3%
Used cars	7,873	22.5%	10,238	25.1%	2,364	30.0%
Auto auction sales	3,345	9.5%	3,662	9.0%	316	9.5%
Vehicle maintenance	4,425	12.6%	4,709	11.5%	283	6.4%
Others	1,665	4.7%	1,688	4.1%	22	1.4%

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

(2) Dealership openings

In FY6/21, the Company opened 2 new dealerships and conducted renovations and relocation renovations for 4 dealerships (all complying with the latest CI), and as a result, it had 34 dealerships at the end of the period. Among the new dealership openings, Jaguar/Land Rover Sagamihara opened in February 2021 in a prime location and featuring an on-site display area for certified used cars. Furthermore, in that same month, MINI NEXT Fukuoka-Higashi was opened as a MINI certified used car specialist dealership compliant with the latest CI in order to strengthen the coverage rate of the Fukuoka-Higashi area, potential of which has risen in recent years as a satellite town for Fukuoka City. For dealership renovations and relocation renovations, FIAT/ABARTH Hiratsuka was relocated and reopened, and in December 2020, CHECKER MOTORS, the Company's subsidiary that has a dealer network, integrated Jaguar/Land Rover Approved Hiratsuka (certified used car sales) and Jaguar/Land Rover Shonan Service (service center) into the Jaguar/Land Rover Approved Shonan and Jaguar/Land Rover Shonan Service dealership, and relocated and reopened them in a newly constructed building (compliant with the latest CI). Other than these, Jeep Fujisawa Shonan and Alfa Romeo Fujisawa Shonan were newly opened. The Company is currently investigating M&A and business takeovers, but it cannot decide on the timings of them in advance and it did not conduct any in FY6/21.

In the last few years, the Company has constantly conducted renovations and relocation renovations at a pace of 4–5 dealerships a year. In spite of COVID-19 restricting the frequency of dealership visits, renovating dealerships to be compliant with the latest CI can improve customer satisfaction in such ways as providing various retail experiences for each brand and high-quality services like using the latest equipment. For relocation renovations as well, an increase in customers visiting dealerships can be expected from relocating them to excellent locations. As a result of these efforts, repeat buyers will increase, which will lead to improved earnings.

Dealership openings

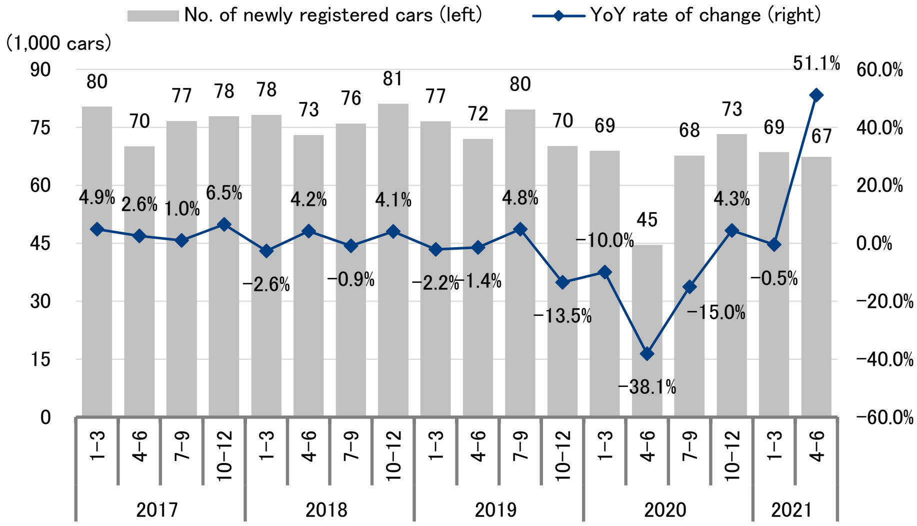
	FY6/18	FY6/19	FY6/20	FY6/21
New dealership openings	2 dealerships	4 dealerships	1 dealership	2 dealerships
	Alfa Romeo Ota (January 2018) Jaguar/Land Rover Kitakyushu (March 2018)	Jeep Meguro (November 2018) Porsche Center Koriyama (January 2019) MINI Yamaguchi (March 2019) MINI NEXT Shunan (March 2019)	CHECKER MOTORS Approved Munakata (November 2019)	MINI NEXT Fukuoka-Higashi (February 2021) Jaguar/Land Rover Sagamihara (February 2021)
Business takeovers	1 dealership	2 dealerships		
	Jaguar/Land Rover Shonan (April 2018)	Porsche Center Sendai (December 2018) Jaguar/Land Rover Mitaka (April 2019)		
Dealership renovations and relocation renovations	3 dealerships	4 dealerships	5 dealerships	4 dealerships
	Alfa Romeo Setagaya (September 2017) FIAT/ABARTH Setagaya (September 2017) Volvo Car Fukuoka-Minami (September 2017) Jeep Kurume (January 2018)	Jeep Kitakyushu (January 2019) FIAT/ABARTH Denenchofu (January 2019) Volvo Car Kurume* (January 2019) Volvo Car Kitakyushu* (January 2019)	MINI Hakata/MINI NEXT Hakata (November 2019) MINI Yamaguchi/MINI NEXT Yamaguchi* (January 2020) Jaguar/Land Rover Kitakyushu* (May 2020) MINI Kokura/MINI NEXT Kokura (May 2020) Porsche Center Sendai (June 2020)	Jaguar/Land Rover Approved Shonan, Jaguar Land Rover Shonan Service* (December 2020) FIAT/ABARTH Hiratsuka (February 2021) Jeep Fujisawa Shonan (March 2021) Alfa Romeo Fujisawa Shonan (March 2021)
No. of dealerships at end of period	27 dealerships	32 dealerships	32 dealerships	34 dealerships

* Relocation to a newly constructed dealership
Source: Prepared by FISCO from the Company's materials

(3) Foot traffic at dealerships

The imported car market is recovering compared to in 2020, which is when the COVID-19 pandemic started, but conditions in the future remain unclear. Looking at the impact of COVID-19 from the trend in the number of newly registered overseas passenger cars, before the increase in consumption tax (July to September 2019), it increased 4.8% YoY, and then declined 13.5% as a reaction to the demand generated prior to the tax hike (October to December of the same year). In contrast, evidence of the great impact caused by the COVID-19 pandemic can be seen in decreases of 38.1% in April to June 2020 and 15.0% in July to September. Subsequently, it recovered from the implementation of anti-COVID-19 measures and the continuation of economic activities, except in some industries such as the food and drink industries. So in January to March 2021, it declined only 0.5% YoY and then in April to June, it recovered to increase 51.1%.

No. of newly registered overseas passenger cars and rate of change



Source: Prepared by FISCO from data provided by the Japan Automobile Importers Association

The Company books sales when vehicles are delivered, so one can predict that there will be a delay in the aforementioned numbers of newly registered vehicles. However, foot traffic, which is a leading indicator, declined 29% in April 2020, when the declaration of a state of emergency was issued, compared to the same month in the previous year (YoY comparison based on existing dealerships). However, due to efforts including thoroughly conducting anti-infection measures, shortening business hours, and establishing a reservation system for sales discussions, it improved to only a 15% decrease in May and recovered to a positive increase of 2% in June. Since then, it has maintained a high growth rate, with a 34% increase in December. Upon entering FY6/21 2H, foot traffic did not decline but trended at a high level, with increases of 47% in April 2021 and 35% in May, and an overall increase of 20% in FY6/21 4Q. From this result, we understand that the Company's foot traffic is growing remarkably.

2. Financial condition and performance indicators

(1) Financial condition and performance indicators

At the end of FY6/21, total assets were up ¥326mn compared to the end of the previous period to ¥16,972mn. Current assets had increased ¥219mn to ¥9,488mn, mainly because while cash and time deposits increased ¥854mn, inventories decreased ¥711mn. Cash and time deposits rose due to the major increases in sales and profits, but inventories decreased because of the unstable supply of new cars and the active conditions in the used car market. Total liabilities decreased ¥1,080mn to ¥9,441mn. Current labilities declined ¥750mn to ¥8,510mn, mainly because advances received increased ¥546mn due to the rise in orders from customers, but accounts payable – trade decreased ¥1,122mn following efforts to improve the capital turnover rate and as short-term loans payable (including the portion of long-term borrowings scheduled to be repaid within 1 year) declined ¥803mn. Advances received increased ¥546mn compared to the end of the previous period but decreased ¥357mn compared to the end of FY6/21 3Q, from which it seems that deliveries of vehicles were higher than forecast in the 4Q. Net assets increased ¥1,407mn to ¥7,530mn. This was mainly because capital and capital surplus both increased ¥4mn due to the exercising of stock acquisition rights, and as retained earnings increased, primarily because although dividend payments were ¥133mn, profit attributable to owners of parent was ¥1,533mn.

Both ROE (return on equity) and ROA (return on assets), which are indicators of profitability, improved significantly. ROE rose 8.6pp YoY to 22.5% and ROA increased 6.1pp to 13.7%, because profitability and turnover improved despite the fact that financial leverage decreased. The equity ratio, which is a ratio showing long-term financial stability, also improved, rising 7.6pp YoY to 44.4%. Due to the significant increase in profits, interesting-bearing debt declined while cash and time deposits increased, so it can be said that the Company's financial stability improved.

Consolidated balance sheet and performance indicators

(¥mn)

	End-FY6/18	End-FY6/19	End-FY6/20	End-FY6/21	Change
Current assets	7,212	8,247	9,269	9,488	219
Cash and time deposits	1,463	1,412	2,522	3,376	854
Accounts receivable - trade	148	217	177	210	32
Inventories	4,974	5,751	5,853	5,141	-711
Non-current assets	4,100	6,425	7,376	7,483	107
Property, plant and equipment	3,121	5,228	6,197	6,389	191
Intangible assets	390	428	342	259	-82
Investments and other assets	588	768	835	834	-1
Total assets	11,312	14,673	16,645	16,972	326
Current liabilities	5,215	7,492	9,261	8,510	-750
Non-current liabilities	1,302	1,759	1,261	930	-330
Total liabilities	6,518	9,252	10,522	9,441	-1,080
(Interest-bearing debt)	2,552	4,429	5,126	3,894	-1,231
Total net assets	4,793	5,421	6,123	7,530	1,407
Total liabilities and net assets	11,312	14,673	16,645	16,972	326
[Stability]					
Current ratio	138.3%	110.1%	100.1%	111.5%	11.4pt
Equity ratio	42.4%	36.9%	36.8%	44.4%	7.6pt
Profitability					
ROA	12.1%	8.6%	7.6%	13.7%	6.1pt
ROE	18.2%	14.3%	13.9%	22.5%	8.6pt

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

(2) Statement of cash flows

Cash and cash equivalents at the end of FY6/21 was ¥3,376mn, up ¥854mn compared to the end of the previous fiscal year. Net cash provided by operating activities was ¥2,890mn. The decreases in profit before income taxes (¥2,313mn), depreciation (¥1,100mn) and inventories (¥176mn) exceeded the decrease in notes and accounts payable – trade (¥1,121mn). Net cash used in investing activities was ¥676mn, mainly due to expenditure to acquire property, plant and equipment (¥708mn), such as from dealership openings. Net cash used in financing activities was ¥1,359mn because of the repayment of short- and long-term loans payable and the payment of dividends.

Consolidated statement of cash flows

(¥mn)

	FY6/20	FY6/21
Cash flows from operating activities	1,717	2,890
Cash flows from investing activities	-1,201	-676
Cash flows from financing activities	594	-1,359
Cash and cash equivalents at end of period	2,522	3,376

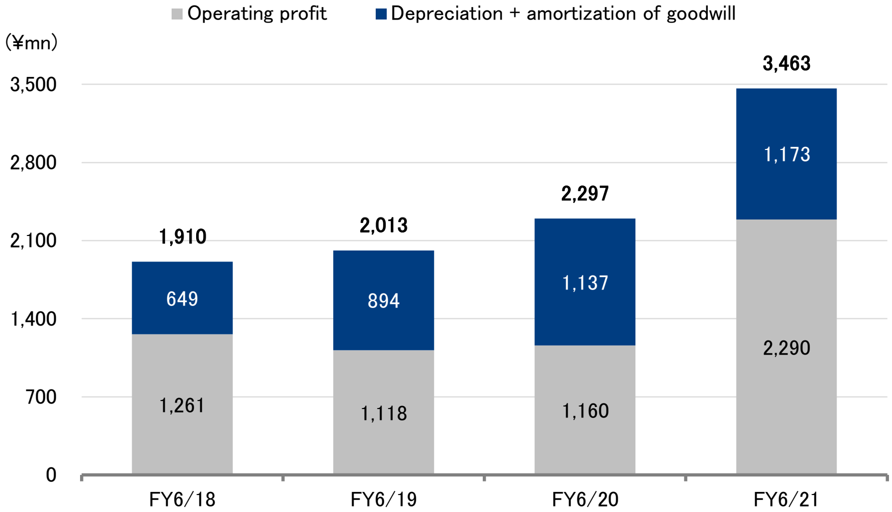
Source: Prepared by FISCO from the Company's financial results

(3) EBITDA

In FY6/21, EBITDA* grew significantly, increasing ¥1,156mn YoY to ¥3,463mn. This was because while depreciation was unchanged YoY, operating profit increased 97.3% and contributed to the strong result. The main reasons why depreciation was unchanged YoY were that although the Company continued to invest in dealership openings, the increase in the number of demonstration cars allocated to dealerships in response to the diversification of engines declined.

* EBITDA = operating profit + depreciation + amortization of goodwill

EBITDA



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

Outlook

From the current conditions, the FY6/22 results forecasts appear cautious

● FY6/22 outlook

For the FY6/22 consolidated results, the Company is forecasting net sales of ¥41,067mn, operating profit to decline 6.1% YoY to ¥2,149mn, ordinary profit to decrease 7.4% to ¥2,132mn, and profit attributable to owners of parent to decline 9.6% to ¥1,386mn. At the start of FY6/22, the Company adopted the Accounting Standard for Revenue Recognition, and these forecasts are based on this standard. Therefore, from within net sales, it plans to remove sales incentives from importers, which were previously recorded as sales, and instead this amount will be deducted from purchase prices.

FY6/22 forecasts

(¥mn)

	FY6/21		FY6/22		YoY	
	Results	vs. net sales	Forecast	vs. net sales	Change	% change
Net sales	40,776	-	41,067	-	-	-
Operating profit	2,290	5.6%	2,149	5.2%	-141	-6.1%
Ordinary profit	2,301	5.6%	2,132	5.2%	-169	-7.4%
Profit attributable to owner of parent	1,533	3.8%	1,386	3.4%	-147	-9.6%

Note: At the start of FY6/22, the Company adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29). Therefore, figures for the consolidated results forecasts reflect the adoption of this accounting standard, so the YoY rate of change for net sales is not shown
Source: Prepared by FISCO from the Company's financial results

On the one hand, expectations are rising for the end of the COVID-19 pandemic, but on the other hand, there are signs that the pandemic is spreading once again, so conditions in the future remain uncertain. In addition to this, due to the impact of factors such as the shortage of semiconductors, the supply of new cars continues to be unstable, while changes to the receipt of used cars is also expected to have an impact to some extent. The shortage of semiconductors for imported cars started in February to March 2021, and it further worsened following the container ship grounding accident in the Suez Canal in March. But currently the situation is improving and we can expect conditions to return to normal over the passage of time. If the semiconductor shortage problem is eliminated and the supply of new cars becomes stable, it is anticipated that trade-in cars will appear on the market, which will stimulate conditions in the used car market. However, the Company anticipates that to some extent this will have an impact on its product procurement. Therefore, in consideration of the effects of conditions for the supply of new cars and changes to the used car market, it is forecasting that operating profit will decline slightly YoY.

Initiatives for SDGs

Is aiming for sustainable growth and improved enterprise value by achieving the SDGs

The Company is sequentially implementing initiatives, including reviewing its previous initiatives, such as for saving resources, and introducing new initiatives, through which it is aiming for sustainable growth and improved enterprise value by achieving the SDGs*. Specifically, it is conducting initiatives for 14 goals.

* SDGs (Sustainable Development Goals) are international goals that aim to achieve a more sustainable world by 2030. They are comprised of 17 goals and 169 targets.

(1) Creating environments that are easy to work in

Toward creating environments that are easy to work in, the Company is striving to establish and maintain work-place environments in which each and every employee can utilize their abilities to the greatest possible extent and continue to work for a long time. Its specific initiatives include developing human resources, preventing harassment, promoting workstyle reforms, and advancing diversity. To give some examples of advancing diversity, the Company is conducting initiatives including promoting the activities of women; recruiting senior citizen human resources, overseas human resources and people with disabilities; and promoting the activities of mid-career hires, and these initiatives are achieving results.

(2) Reducing the burden on the environment

In order to reduce the burden on the environment, the Company is aiming to reduce CO_2 emissions and achieve corporate growth through developing together with society. Specifically, it is working on initiatives including installing infrastructure to promote EV sales; conducting green purchasing; utilizing online meetings and sales discussions; reducing usage of paper resources, water, and electricity; managing waste water at maintenance plants and installing oil-water separation tanks; collecting chlorofluorocarbon (CFC) gas; collecting and recycling waste, greening the rooftops of dealerships; and building dealerships that are considerate of the environment.

(3) Social contribution

To contribute to society, the Company is aiming to develop together with its local communities. Specifically, it is working on initiatives including supporting regional revitalization through corporate-version hometown tax payments, supporting areas affected by disasters through shareholder benefits, and supporting environmental groups through specific products.

The Company's specific initiatives for SDGs

SDGs that relate to the Company	The Company's initiatives
	**Creating environments that are easy to work in:** **Establishing and maintaining workplace environments in which each and every employee can utilize their abilities to the greatest possible extent and continue to work for a long time** ・Developing human resources ・Preventing harassment ・Promoting workstyle reforms ・Advancing diversity (promoting the activities of women; recruiting senior citizen human resources, overseas human resources, and people with disabilities; and promoting the activities of mid-career hire)
	**Reducing the burden on the environment:** **Aiming to reduce CO_2 emissions and grow as a company through developing together with society** ・Installing infrastructure to promote EV sales ・Conducting green purchasing ・Utilizing online meetings and sales discussions ・Reducing usage of paper resources ・Reducing usage of water ・Reducing usage of electricity ・Managing waste water at maintenance plants and installing oil-water separation tanks ・Collecting CFC gas ・Collecting and recycling waste ・Greening the rooftops of dealerships ・Building dealerships that are considerate of the environment
	**Social contribution:** **Aiming to be a company that develops together with its local communities** ・Supporting regional revitalization through corporate-version hometown tax payments ・Supporting areas affected by disasters through shareholder benefits ・Supporting environmental groups through specific products

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

Shareholder returns

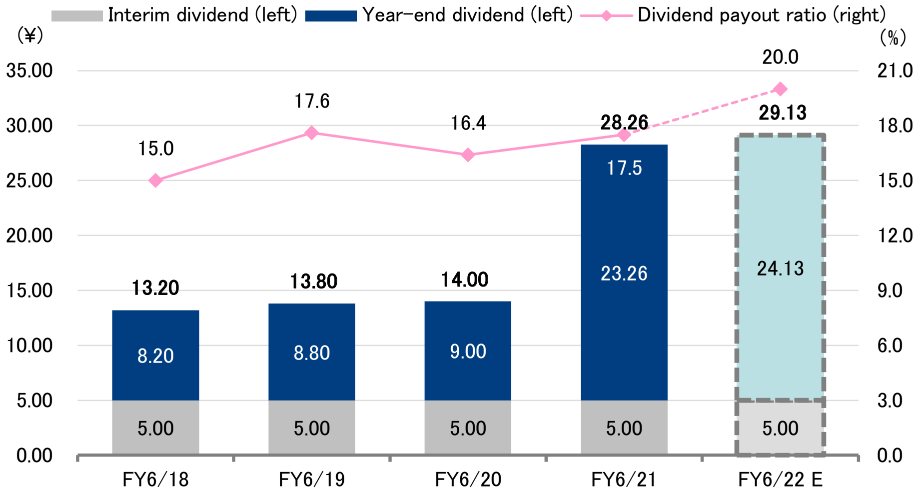
In FY6/22, plans to raise the dividend payout ratio target to 20.0%

1. Dividend policy

The Company has positioned returning profits to shareholders as a priority business issue, and its basic policy is to stably and continuously pay dividends while maintaining a balance with securing internal reserves to improve enterprise value. Up until recently, the Company targeted a dividend payout ratio of around 15%, but raised it to 17.5% from FY6/21 and plans to raise it further to 20.0% from FY6/22.

In FY6/20, it paid a dividend per share of ¥14.0 (interim dividend of ¥5.0, year-end dividend of ¥9.0) for a dividend payout ratio of 16.4%. Compared to this, in FY6/21, it initially planned to pay a dividend per share of ¥13.59 (interim dividend ¥5.0, period-end dividend ¥8.59). But upon considering factors such as its results and financial condition, it increased the period-end dividend by ¥2.47 from the forecast announced on May 10, 2021 to ¥23.26 (increasing the annual dividend by ¥14.26 YoY to ¥28.26). In FY6/22, it is targeting a dividend payout ratio of 20.0% and plans to pay a dividend per share of ¥29.13 (interim dividend ¥5.0, period-end dividend ¥24.13).

Dividend per share and dividend payout ratio



Note: On November 1, 2017, the Company conducted a 2-for-1 share split of ordinary shares. The dividend per share for FY6/18 has been retroactively adjusted
Source: Prepared by FISCO from the Company's financial results

2. Shareholder benefits program

As part of its measures to return profits to shareholders, the Company has introduced a shareholder benefits program in order to increase the appeal of investing in its shares and so that more people will own its shares. Shareholders registered in the shareholders' registry at the end of June in each year and who own 1 unit (100 shares) or more of shares will be given a QUO card worth ¥1,000.

Disclaimer

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