President Takaaki Naruse

# WILLPLUS Holdings Corporation (3538)

## Company Information

| | |
|---|---|
| Market | TSE Standard |
| Industry | Retail (Commercial) |
| President | Takaaki Naruse |
| HQ Address | 5-13-15, Shiba, Minato-ku, Tokyo, Shiba Mita Mori Building 8th Floor |
| Year-end | June |
| Homepage | https://www.willplus.co.jp/en/ir/ |

## Stock Information

| Share Price | Shares Outstanding (Term-end) | | Total Market Cap | ROE Act. | Trading Unit |
|---|---|---|---|---|---|
| ¥1,000 | 10,370,460 shares | | ¥10,370 million | 11.5% | 100 shares |
| DPS Est. | Dividend Yield Est. | EPS Est. | PER Est. | BPS Act. | PBR Act. |
| ¥45.06 | 4.5% | ¥158.12 | 6.3 x | ¥1,078.40 | 0.9 x |

* The share price is the closing price on November 26. The number of outstanding shares, DPS, and EPS are based on financial results for the first quarter of fiscal year ending June 2025. ROE and BPS are the results in the previous fiscal year.

## Earnings Trend

| Fiscal Year | Sales | Operating Income | Ordinary Income | Net Income | EPS | DPS |
|---|---|---|---|---|---|---|
| June 2021 Act. | 40,776 | 2,290 | 2,301 | 1,533 | 161.47 | 28.26 |
| June 2022 Act. | 39,696 | 2,366 | 2,377 | 1,550 | 162.84 | 34.90 |
| June 2023 Act. | 44,115 | 1,867 | 1,943 | 1,302 | 135.45 | 41.17 |
| June 2024 Act. | 47,745 | 1,494 | 1,559 | 1,124 | 116.46 | 43.51 |
| June 2025 Est. | 88,342 | 2,528 | 2,488 | 1,438 | 158.12 | 45.06 |

*Unit: million yen or yen. Estimates are those of the company.

This report includes Willplus Holdings Corporation's financial results for the fiscal year ended June 2024 and the first quarter of the fiscal year ending June 2025, earnings forecast for the fiscal year ending June 2025, and other information.

## Table of Contents



## Key Points

- **Willplus Holdings Corporation is a holding company with 6 dealers handling 16 brands of imported cars, including Jeep, BMW, Mini, and Volvo, and a consolidated subsidiary that operate used-car purchase, wholesale, and export. It is actively working to expand its business through an M&A strategy with an aim to acquire "new areas" and "new brand." At the same time, while continuing to "maximize business," the company is also committed to "maximizing GHG emissions reduction" by "greening its stores," seeing "solving climate change issues" as an "opportunity."**

- **In the fiscal year ended June 2024, sales increased 8.2% year on year to 47,745 million yen. Despite a decline in new car sales, the increase was attributed to higher selling prices and M&A. Operating income decreased 20.0% year on year to 1,494 million yen. Although gross profit increased due to the sales growth, profit declined by double digits due to lower-than-expected incentives, depreciation exceeding the forecast significantly, and M&A-related costs.**

- **In the first quarter of the fiscal year ending June 2025, sales increased 76.0% year on year to 20,018 million yen. Despite sluggish new and used car sales, the acquisition of the shares of ENG conducted in the previous fiscal year contributed significantly. Operating income decreased 5.6% year on year to 241 million yen. Although sales increased more than 70%, gross profit from both new and used car sales dropped, and gross profit increased only 31.8% year on year. This was insufficient to absorb the increase in selling, general, and administrative expenses, including personnel costs, investments in stores, and special setup costs related to the establishment of a special investigation committee for share repurchases exceeding the distributable amount. On a quarterly basis, sales exceeded 20 billion yen for the first time, thanks to M&A activities such as acquiring Volvo Car Fukuoka Higashi and Volvo Car Oita, ENG, and Stellantis Japan Sales, which were conducted in the previous fiscal year.**

- **The company forecasts a significant increase in both sales and operating income for the fiscal year ending June 2025. Sales are expected to surge 85.0% year on year to 88.3 billion yen, while operating income is projected to climb 69.2% year on year to 2.5 billion yen. These figures represent new all-time highs for both sales and operating income. The company anticipates that the negative impact of external factors on the imported vehicle dealer business will soon reach its peak and then begin to subside. The effects of M&A conducted in the previous fiscal year are expected to become more apparent in the second half of the fiscal year. Dividends are projected to increase 1.55 yen per share year on year to 45.06 yen per share, with a projected dividend payout ratio of 28.5%.**

- **The progress rate of the results in the first quarter to the full-year forecast was 22.7% for sales and 9.6% for operating income. While sales were almost in line with those in a typical year, operating income was at a low level. However, the company believes that this is due to the one-time costs for establishing the special investigation committee and that the business is actually progressing smoothly.**

- **On the other hand, M&A activities have been increasing since the second half of the previous fiscal year. In parallel with the growing emphasis on addressing climate change issues, factors such as difficulties in finding successors and deteriorating business environments have contributed to an increase in M&A cases, particularly among small and medium-sized dealers with weak management foundations. We would like to see how quickly the company's core strategy for M&A will accelerate this fiscal year.**

## 1. Company Overview

Willplus Holdings Corporation is a holding company with 6 dealers handling 16 brands of imported cars, including Jeep, BMW, Mini, and Volvo, and a consolidated subsidiary that operate used-car purchase, wholesale, and export. It focuses on improving customer satisfaction and pursues growth through a multi-brand strategy, a dominant strategy, and an M&A strategy. It has a significant advantage in business revitalization capabilities in the M&A field. The company aims for further growth, taking the major environmental changes surrounding automobiles, including the shift to EVs, as an opportunity.

### [1-1 Corporate History]

In January 1997, the father of President Takaaki Naruse established Sunflower CJ Co., Ltd., an imported car sales company, in Kitakyushu City, Fukuoka Prefecture. The company was the first official Chrysler dealer in western Japan.
In October 2004, President Naruse acquired all of the company's shares and started business activities as the Willplus Group. Although it was a small dealer with a few staff members, including President Naruse, it achieved excellent results nationwide in sales of Chrysler cars and received high acclaim, which led him in 2005 to take over Chrysler's directly managed store in Ohta-ku, Tokyo, and advance to Tokyo. In 2006, the company opened a store in Kurume City, Fukuoka Prefecture. It also started a dominant strategy in Tokyo and Fukuoka.
Willplus Holdings Corporation was established in October 2007 to flexibly acquire dealers through optimal allocation of management resources and prompt management decision-making.
Under the holding company structure, the company actively expanded its business scope and was listed on the JASDAQ of the Tokyo Stock Exchange in March 2016. In September 2017, as the market changed, it shifted to the Second Section of the Tokyo Stock Exchange, and then it was listed on the First Section of the Tokyo Stock Exchange in February 2018. The company got listed on the Prime Market of Tokyo Stock Exchange in April 2022 in step with the market restructuring, and then listed on the Standard Market in October 2023.

### [1-2 Corporate Philosophy]

In this section, we state the company's significance and core values.

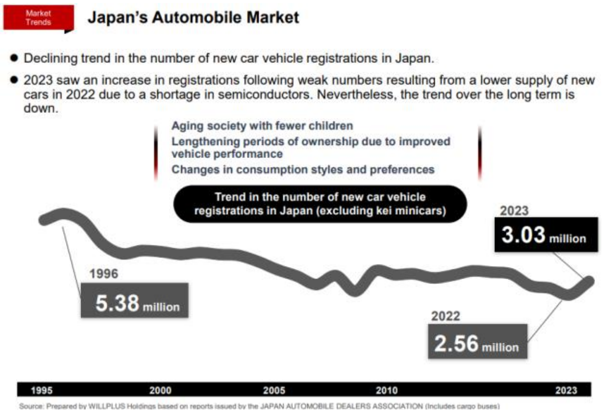
| |
|---|
| **Our Significance (MISSION STATEMENT)**<br>We propose a life with imported cars, share affluence, fun, and joy with more people, and continue to take on the challenge of drawing warm smiles on the face of everyone involved. |
| **Core Values**<br>・Love our cars, love our colleagues, and work with pride.<br>・Always take on challenges and break through our limits.<br>・Achieve great results through teamwork.<br>・Make sure we reach our goal on time.<br>・Never give up until the end, and do our best.<br>・Provide richness, enjoyment, and joy.<br>・Never forget to be sincere and grateful. |

### [1-3 Market Environment]

The business environment, which is essential in understanding the company, is as follows.
Regarding the business environment related to the M&A strategy, which is the company's growth driver, see "2. Medium- to long-term strategy".

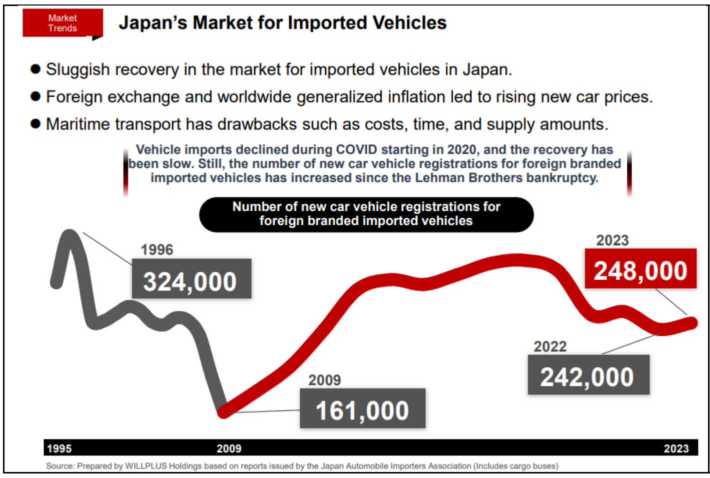
**◎ The share of imported cars in the domestic passenger car market continues to increase, and the number of imported cars owned in Japan is growing steadily.**

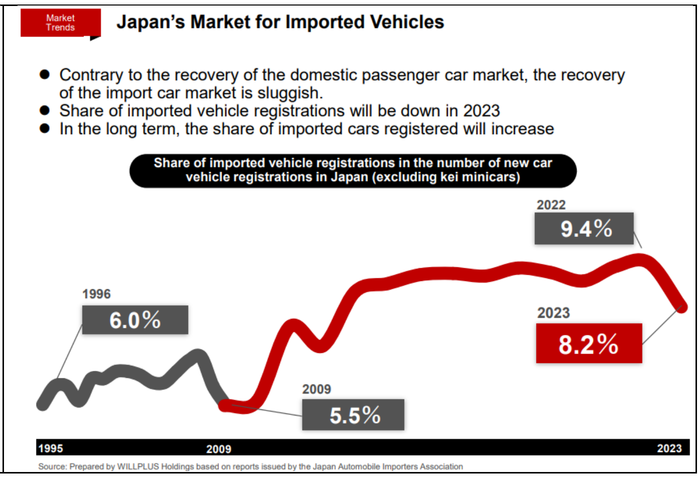
The number of new cars registered in Japan shows a decreasing trend due to the declining birth rates and aging population, the prolongation of the period of owning a car due to the elevation of functionality, changes in consumption styles and preferences (decrease of young people who own automobiles), etc.




(From the reference material of the company)

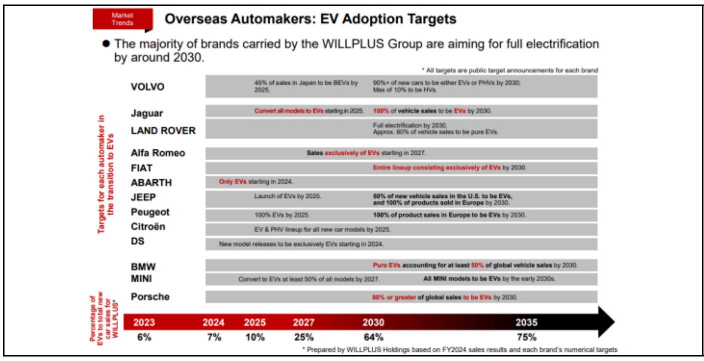
Amid such situation, although the number of new imported cars (made by overseas manufacturers) registered in Japan has been decreasing after 2020 due to the impact of COVID-19, and is recovering slowly, it has grown since the bankruptcy of Lehman Brothers. The recovery of the imported car market is sluggish, unlike the recovery of the domestic passenger car market, and the share of imported cars registered in Japan declined in 2023. However, in the long term, the share of imported cars registered in Japan shows a rising trend.

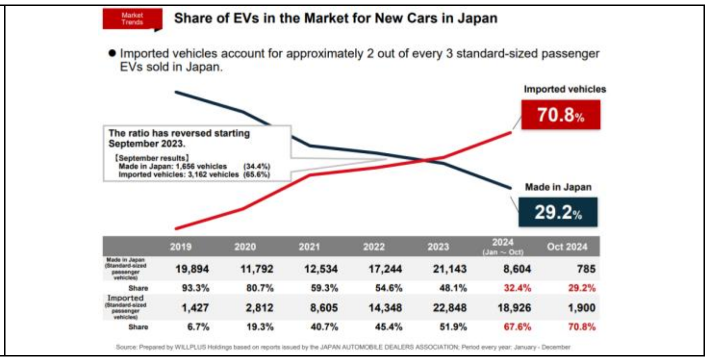



(From the reference material of the company)

The imported car manufacturers are proactively addressing environmental issues and the majority of brands in which the company deals have announced plans aiming for complete electrification by 2030.
While the market share of EVs still accounts for just 1.5% of automobiles in Japan, there are more imported cars than cars manufactured in Japan among the EVs for personal use sold in Japan, which indicates that EVs are increasingly recognized as imported cars.
Moreover, active investment in Japan, such as establishing and expanding sales networks, has also increased the imported car manufacturers' market share.




(From the reference material of the company)

### ◎ Comparison with other companies in the same industry

| Code | Company | Sales | Sales growth rate | Operating income | Profit growth rate | Operating income margin | ROE | Market Capitalization | PER | PBR |
|---|---|---|---|---|---|---|---|---|---|---|
| 3184 | ICDAHLD | 35,000 | +5.7 | 1,536 | -14.5 | 4.4% | 10.6 | 6,264 | 6.1 | 0.7 |
| **3538** | **Willplus HLD** | **88,342** | **+85.0** | **2,528** | **+69.2** | **2.9%** | **11.5** | **10,370** | **6.3** | **0.9** |
| 7593 | VT HLD | 330,000 | +5.9 | 13,000 | +8.3 | 3.9% | 9.8 | 53,588 | 8.2 | 0.8 |
| 8291 | Nissan Tokyo Sales HLD | 150,000 | +0.7 | 7,500 | -13.9 | 5.0% | 13.8 | 28,919 | 6.4 | 0.5 |
| 9856 | KU HLD | 150,000 | -3.0 | 8,700 | -4.4 | 5.8% | 10.3 | 49,509 | 6.1 | 0.6 |

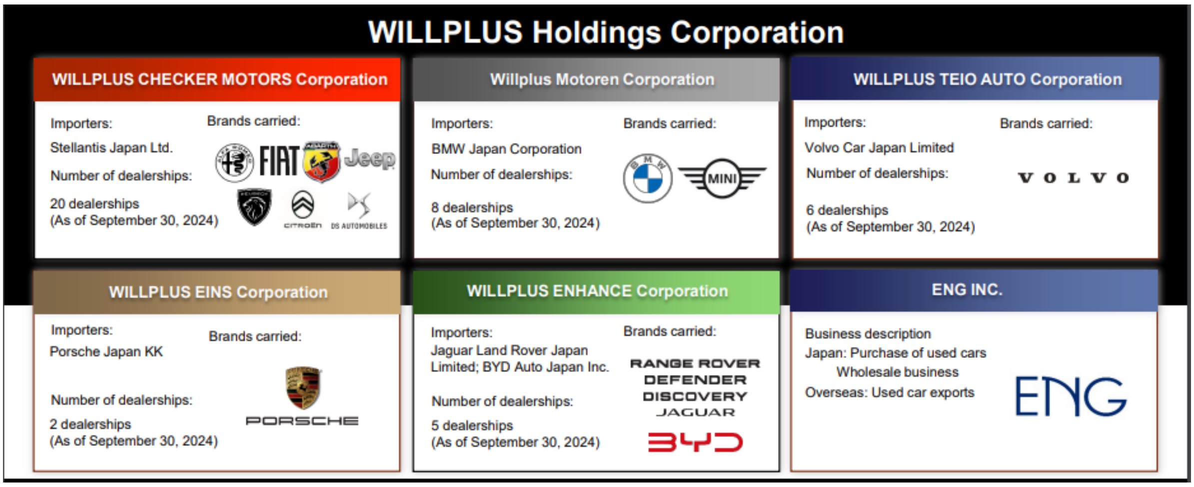
* Units: million yen and %. Sales and operating income are company forecasts for this term. ROE is the result of the previous fiscal year. Market capitalization is the number of shares at the end of the most recent quarter × the closing price on November 26, 2024. PER (forecasted figures) and PBR (actual figures) are based on the closing price on November 26, 2024.

The company expects double-digit increase in both sales and profit. If the market highly evaluates the company's high business revitalization capabilities through M&A, raising its dividend payout ratio to 30%, and an aggressive shareholder return policy aiming for dividend growth that exceeds profit growth, the valuation level will likely change.

## [1-4 Business Description]

### (1) Overview

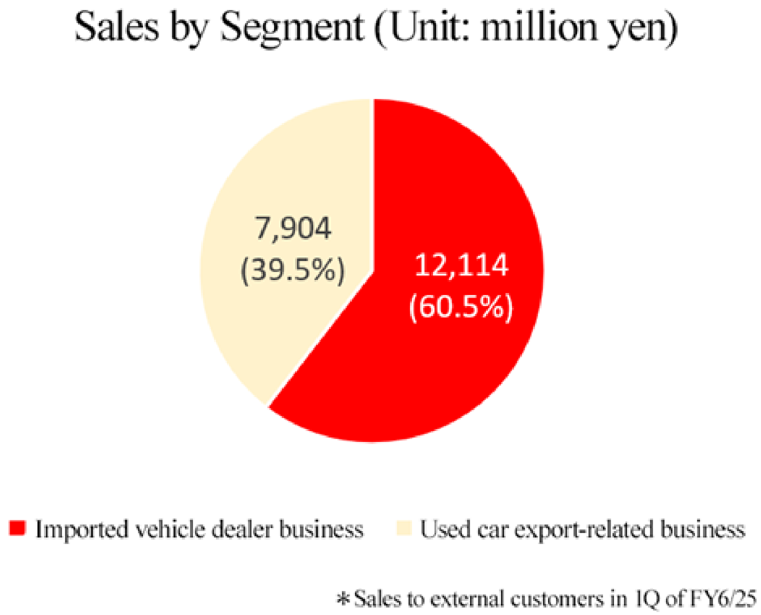
Under the holding company Willplus Holdings Corporation, seven consolidated subsidiaries engage in sales of imported new and used cars, vehicle maintenance, non-life insurance agency business, and used-car export. The company handles 16 brands. The company has an official dealer contract with an importer (a company that handles imported cars in Japan) for each brand it handles.




Note: In December 2024, the company acquired 100% of the shares of Orion Auto Sales Co., Ltd., which operates Volvo Car Kagoshima and Volvo Car Nagasaki, and changed the company name to Willplus Orion Co., Ltd.
(From the reference material of the company)

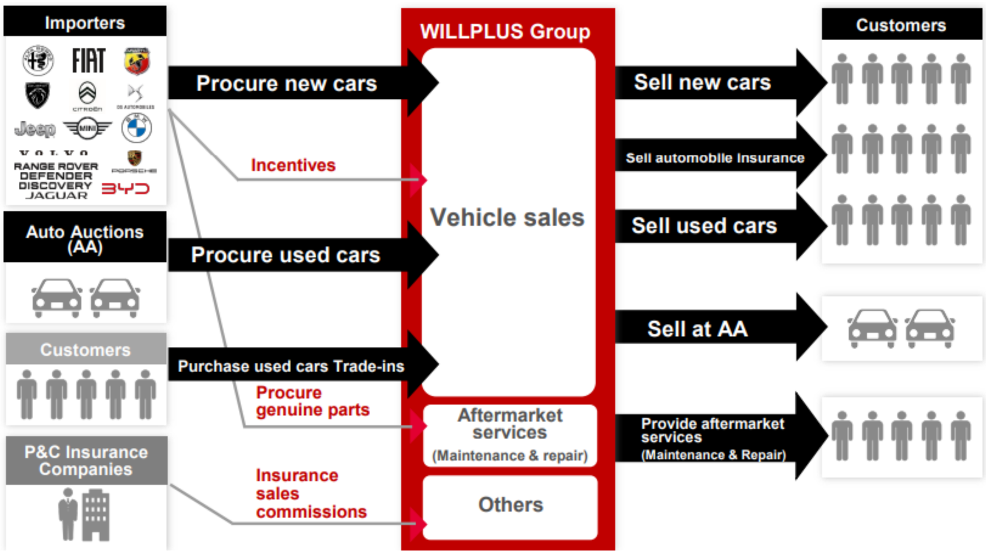
**(2) Segments**

Previously, they reported a single segment, "imported vehicle dealer business." However, with the acquisition of all shares of ENG in May 2024 and its inclusion in the consolidated financial statements, and the inclusion of ENG's income statement in the scope of consolidation in the first quarter of the fiscal year ending June 2025, "used car export-related business" has been added as a segment to be reported. Additionally, the name of the previous "imported vehicle dealer business" has been changed to "imported vehicle dealer business."



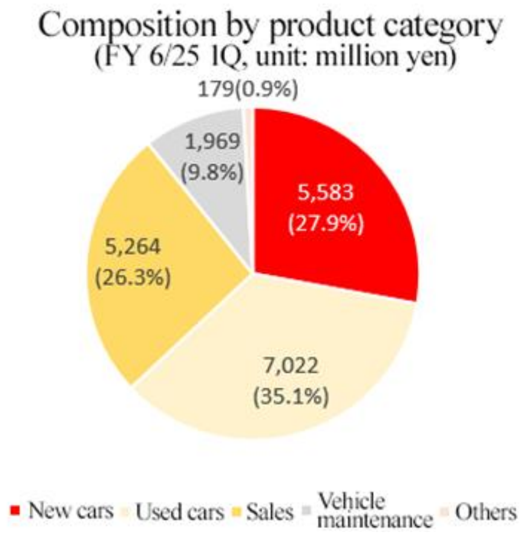

**(3) Products and services (business description)**

The company discloses sales classified into the categories of new cars, used cars, auto auction sales, vehicle maintenance and other services in the summary of financial results. In conjunction with the commencement of the "used car export-related business," the company started disclosing the domestic and overseas breakdowns of used car sales in the first quarter of the fiscal year ending June 2025.




(From the reference material of the company)

| Products and Services | Description |
|---|---|
| New cars | As authorized dealers, the companies sell all new car brands procured from each importer. |
| Used cars | It mainly sells certified used cars of recent models of each brand with a short travel distance. Products are purchased through trade-ins at the time of selling new cars, purchases, and automobile auctions. |
| Sales | It sells trade-in used cars of other brands at automobile auctions. In addition, at the request of dealers of other companies, it may sell new and used vehicles owned by the corporate group. |
| Vehicle maintenance | The main services are maintenance, repair, and inspection of the sold vehicles. With the exception of some stores, service centers are set up alongside showrooms. |
| Others | It sells compulsory automobile liability insurance and voluntary insurance as an agent for non-life insurance companies. Incentive income related to new car sales from importers is also included. |




Although the sale of new cars is the main business, the company is focusing on the sale of used cars and strengthening customer relationships by providing services that customers need after purchasing a car, such as vehicle maintenance and car insurance sales.
Regarding vehicle maintenance, maintenance packages are provided to ensure maintenance after sale. As for insurance sales, the provision of detailed information on insurance products has been highly evaluated, and the enrollment and retention rates are higher than the industry average.
In this way, “the increase in sales quantity = expansion of retailer business model earnings” leads to the expansion of recurring revenues through the increase in the number of vehicle maintenance and insurance purchases.
Additionally, the inclusion of the "used car export-related business" in the business portfolio has enabled the company to enter a growing market and mitigate foreign exchange risk on a group-wide basis.

**(4) Number of stores**
As of the end of September 2024, the number of stores is 18 in Kyushu, 20 in Tokyo and Kanagawa, 1 in Yamaguchi, 1 in Miyagi, and 1 in Fukushima, for a total of 41 stores.

## [1-5 Characteristics, Strengths, and Competitive Advantages]
**(1) Advanced capability to revitalize business through M&A**
From the perspective of "purchasing time," many companies currently use M&A strategies as a pillar of their growth strategies. It goes without saying that finding excellent deals and executing them at appropriate prices are essential for a successful M&A. However, the post-M&A process called PMI (Post Merger Integration) to create the expected synergy effect is seen as more important.
There are countless cases of M&A failing due to a lack of prior assessment of factors that impede integration and the inability to manage differences in corporate culture.
Under such circumstances, investors should pay attention to the company's business revitalization ability.
Since the establishment of Willplus Holdings in October 2007, the company has carried out 9 M&A deals to date. All deals have turned profitable. *Excluding those conducted within the last three fiscal years.

**Examples of post-M&A profitability improvements**

(Unit: ¥1M)

| Case ① | FY Before M&A | 3rd FY After M&A | Recent Results |
|---|---|---|---|
| Net Sales | 4,228 | 6,139 | 10,615 |
| Operating Profit | -390 | 215 | 402 |
| Operating Profit Margin | - | 3.5% | 3.8% |

| Case ② | FY Before M&A | 3rd FY After M&A | Recent Results |
|---|---|---|---|
| Net Sales | 1,489 | 2,206 | 2,672 |
| Operating Profit | -10 | 131 | 139 |
| Operating Profit Margin | - | 5.9% | 5.2% |

| Case ③ | FY Before M&A | 3rd FY After M&A | Recent Results |
|---|---|---|---|
| Net Sales | 3,456 | 4,813 | 17,047 |
| Operating Profit | -79 | 231 | 598 |
| Operating Profit Margin | - | 4.7% | 3.5% |

| Case ④ | FY Before M&A | 3rd FY After M&A | Recent Results |
|---|---|---|---|
| Net Sales | 2,228 | 2,368 | 3,732 |
| Operating Profit | -86 | 118 | 139 |
| Operating Profit Margin | - | 4.9% | 3.7% |

*6 months following M&A counted as a fiscal year

(From the reference material of the company)

The key to a successful M&A is sharing philosophies, such as pursuing the improvement of customer satisfaction and clarifying the evaluation criteria, which includes respecting challenges to the maximum extent possible. The company believes these key factors can drastically change companies and has great confidence in its ability to revitalize its business.

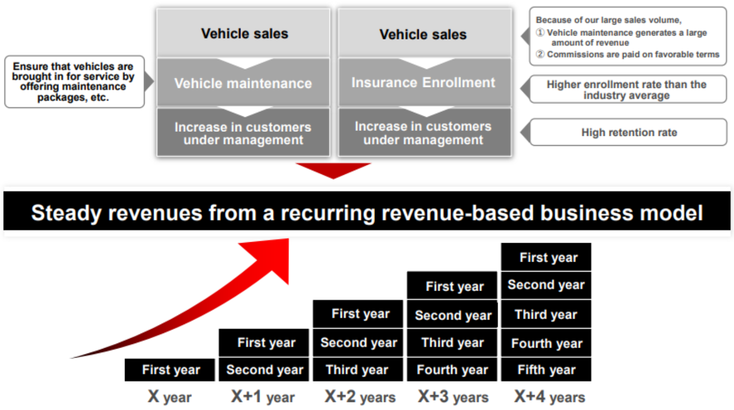
**(2) The only listed company whose main business is being an authorized dealer of imported cars**

While there are many companies that are authorized dealers of imported cars while mainly relying on selling used cars, the company is the only listed company that mainly sells new cars.
Believing that the share of imported cars in the domestic passenger car market (excluding mini cars) shows an increasing trend in the long term, the company intends to pursue further growth of revenues by expanding their market share based on an M&A strategy.

**(3) Stable revenue structure based on the recurring revenue-type business**

The stable revenue structure based on car maintenance and insurance sales, which are recognized as recurring revenue-type businesses, represents another significant characteristic and forte of the company.

While a significant increase of owned cars in Japan can hardly be expected, a rising trend can be seen in the average number of years of using a car due to the changes in the economic situation, elevation of awareness concerning the environment, etc., inevitably making maintenance more important.
In addition, with the development of "CASE," maintenance work is expected to become more complex, and maintenance work for imported vehicles is expected to be concentrated at authorized dealers.
Given these factors, the company believes that opportunities for earnings in the vehicle maintenance business will continue to increase, and it will seek to strengthen the foundation of this business by increasing the percentage of vehicles that come in for maintenance by adding maintenance packages and extended warranties for new vehicles.
In addition, the company will continue to brush up its staff's insurance knowledge to further improve customer satisfaction with regard to insurance commission income, which has been growing every fiscal year, and further strengthen the foundation for stable growth in the stock-type business of insurance sales and vehicle maintenance.




(From the reference material of the company)

## 2. Mid- to Long-Term Strategy

While today's companies are required to improve their social significance and corporate value to solve social issues, the company formulated and implemented a mid- to long-term strategy based on its basic growth strategies (multi-brand strategy, dominant strategy, M&A strategy).

### [2-1 Willplus Group Policy]

The company aims to enhance social value and corporate value. In other words, the company aspires to solve social issues and achieve corporate growth.

The company will strive to "contribute to the realization of a sustainable society" and "create social value" as a step toward the elevation of their social value.
Concretely, they will forge ahead with making their stores greener and decarbonizing the store areas, aiming for an enterprise that is needed by society.

They aim for "sustainable growth" and "elevation of corporate value in the medium term" as a step toward the elevation of their corporate value.
Concretely, they will promote their growth strategy, centered on M&A, and engage in solving issues through corporate revitalization in the car sales industry, where many small and medium-sized enterprises exist, by resolving the challenge of finding a successor, reusing assets (resources), improving profitability, and reeducating and stimulating human resources (human capital) while aiming for the maximization of sales and profit, as described below.

They view "the solving of issues concerning climate change" as an "opportunity," aim for acquiring "new areas" and "new brands," make proactive efforts to expand their business through "M&A" and work toward the "maximization of market capitalization" through the elevation of their social value and corporate value.

### [2-2 Goal]

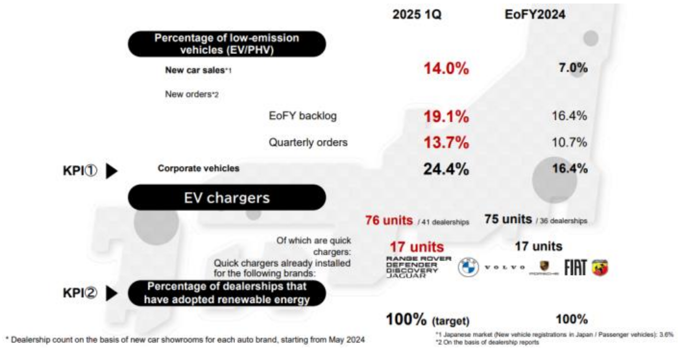
As the commitment to issues concerning climate change including the supply chain is sought, brand manufacturers are starting to demand the accurate grasping of GHG emissions from store operation, setting of goals for the reduction of GHG emissions and concrete initiatives to achieve these goals (ratio of EVs among demo cars, ratio of renewable energy use, ratio of recycled waste, etc.) from official dealers.
The company, which aims to be a leading company in solving climate change issues, has set the following GHG emission reduction targets.

**To reduce Scope 1 + Scope 2 GHG emissions by 50% in FY 2030 compared to FY 2022 (6.25% reduction per year).**
Concretely, we set goals of "increasing the ratio of low-carbon vehicles to company vehicles (including test-vehicles) to 80% or higher by FY 2030" and "adopting renewable energy at all stores by FY 2025."

### [2-3 Initiatives of the Willplus Group]

The company's initiatives for realizing "the elevation of social value" and "elevation of corporate value" at the same time are outlined below.

**(1)Social Value Enhancement**
**①Contribute to the realization of a decarbonized society by promoting green store operations**
In addition to setting the above reduction targets, the company intends to make capital investments to promote the spread of EVs in its store areas as an imported car dealer striving to be one of the first to promote green store operations, thereby contributing to the decarbonization of the domestic automobile industry.
The achievements they have made so far are as follows.




(From the reference material of the company)

* The energy the company consumed was 100% renewable in the fiscal year 2024, like in the fiscal year 2023.
* In April 2024, the company obtained third-party assurance for its GHG emissions performance in the fiscal year 2023.
* For Scope 2 emissions, the company achieved zero emissions through the switch to renewable energy contracts and the utilization of green certificates.
* The company achieved the group goal of a 50% reduction in GHG emissions by the fiscal year 2030 ahead of schedule, in the fiscal year 2023.

**②Other Initiatives and Responses**

**◎Obtained the score B in the CDP "Climate Change" questionnaire for two consecutive years**

In response to requests from institutional investors and purchasing companies around the world, we answered the questionnaire regarding climate change conducted by the international organization Carbon Disclosure Project (CDP), which promotes companies to disclose environmental information, in 2023 like in 2022, and obtained Score B for two consecutive years.

The CDP questionnaire is aimed at evaluating each organization's disclosure of environmental information with the grades A to F as a global standard regarding "E" of ESG (environment, society, and governance). As of 2023, about 23,000 companies, which account for over two thirds of the global market cap, disclosed environmental information through CDP, and institutional investors and purchasing companies around the world refer to such information when making decisions. In Japan, about 2,000 companies, including over 1,000 companies listed on the Prime Market, answered the questionnaire.

The score B corresponds to about 24% high-ranking companies out of respondents around the world, and the company ranked at a top position this time again among the ten companies in related industries, which are listed on the Prime Market of TSE, alongside NEXTAGE (Prime Market of TSE, 3186) and USS (Prime Market of TSE, 4732). They have acquired the same rating as companies that represent Japan, such as Suzuki, Lawson, Calbee, JR Central and ORIX.
The company aims to obtain an "A" or "A-" rating, which corresponds to the top 0.08% of companies worldwide, by 2026.

**(2) Enhancement of corporate value through promotion of M&A**

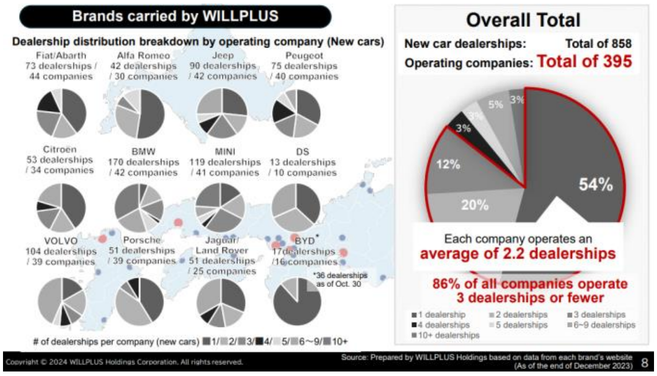
M&A is an important measure for quickly entering new areas, acquiring new brands, and expanding the market shares of existing brands. In the saturated domestic automobile market, the company believes that M&A is the most appropriate and priority strategy from the perspectives of customer acquisition, early return on investment, and securing profits.
Armed with the "advanced capability to revitalize business through M&A" mentioned in [1-5 Characteristics, Strengths, and Competitive Advantages,] they will strive to expand their sales and profit through M&A and steady PMI.

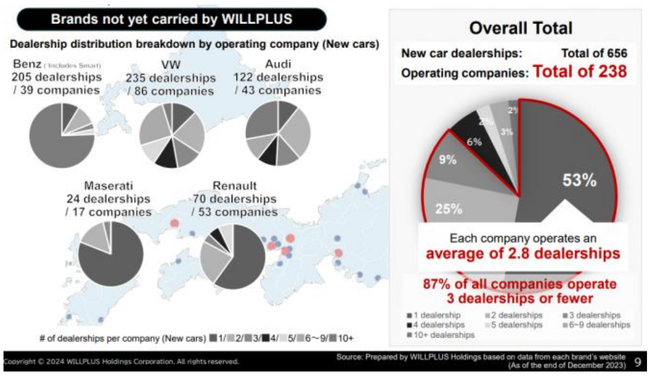
**①Business Environment for M&A Promotion**

**◎ Dealer Status**

According to the company's assessment, there will be 633 imported automobile dealers operating throughout Japan by the end of 2023, with a total of 1,514 new car sales offices. Each company had an average of 2.4 shops, while small and medium-sized businesses with three or fewer shops accounted for over 90% of the total number of dealers.

Store operation varies from brand to brand, and some brands are consolidating capital.
In addition, many dealers are struggling with the difficulty in finding successors, a common problem for small and medium-sized companies in Japan.





(From the reference material of the company)

For these imported car dealers, the "CASE" of automobiles, of which "Electric Vehicle" and "Connected" are the most important management issues for the future.
"CASE" stands for Connected, Autonomous, Shared & Services (which may refer to car sharing and services/sharing only), and Electric. They are drastically changing the conventional concept of a "car" and creating new demand and markets in each of these areas.

**◎ Enhanced Environmental Awareness and the Progress of the Shift to EVs**
With heightened awareness of the global warming crisis, efforts to reduce greenhouse gas emissions and realize a decarbonized society are progressing rapidly.
One of the most significant concerns is reducing automotive emissions, and as governments try to attain carbon neutrality by 2050, automobile manufacturers are shifting from traditional gasoline and diesel engine cars to electric vehicles (EVs) in order to survive.
As mentioned in [1-3 Market Environment], manufacturers headquartered in Europe, which has long had a high degree of environmental awareness, have been particularly engaged in the transition to EVs.
On the other hand, while Japanese manufacturers set targets for the number and ratio of sold EVs, the expansion pace is sluggish in comparison with overseas competitors and there is a high possibility that the shares of imported cars will continue growing in regard to the sale of EVs in Japan.

At the same time, brand car manufacturers must commit to developing a firm understanding of emissions throughout their supply chains and to reducing them, so they are increasingly urging dealers to not only understand their current emissions, but also to make appropriate capital investments and responses to climate change issues, such as increasing EV purchases, installing quick chargers, and disclosing emission reduction targets.
Many dealers, however, face financial and human resource limits that make it difficult for them to respond adequately, and some analysts predict that brand car manufacturers may take the lead in further combining and restructuring vendors who can respond appropriately to such demand.

**◎ Complication of car maintenance through the spread of connected systems and EVs**
The term "connected" refers to the usage of communication equipment in automobiles to enable continuous external contact. Equipping vehicles with a SIM card will allow for grasping the state of a car and the situation on a road, exchange of information between cars and between a car and infrastructure, remote control, etc.

The connected automobile will evolve into smartphone-like devices, improving convenience while potentially complicating maintenance work in the case of a breakdown or vehicle inspection.
Furthermore, the previously noted shift to EVs will have a significant influence on car maintenance. Through the distribution of EVs, high-voltage battery and generator failures will increase, and vehicle maintenance will need to manage high-voltage

systems, prompting substantial investment in high-voltage equipment and special training for safety reasons. Because the shift to connected systems and electric cars will need greater investment in both hardware and software, maintenance work for imported vehicles is likely to be concentrated in the hands of authorized dealers and large capital organizations with substantial investment capacity.

**◎ The company's policy on M&A**

**◎ Actively addressing climate change issues**

While responding to EVs and connected automobile is an urgent task for imported car dealers, the company intends to differentiate itself by building stores that are preferred by brand car manufacturers and by acquiring dealers who find it challenging to address these issues through M&A. By doing so, it hopes to expand into new areas and pick up new brands in order to grow and boost its corporate value. Additionally, the company wants to help with social issues by creating new brands and working to make its stores greener.
The company will not only decarbonize the neighboring area and turn the stores green, but it will also reinvigorate the social capital that already exists by repurposing resources and assets including stores, retraining personnel, and enhancing productivity by streamlining processes using DX.

**◎ Favorable M&A Conditions after the subsiding of Covid-19**

The company believes that the M&A strategy is beginning to receive a tailwind as COVID-19 is coming to an end.

**＊2020-2023: Business environment in which M&A (sale of business) is unlikely to be conducted**

In the wake of the outbreak and spread of COVID-19, the demand for automobiles as a safe transportation means or for domestic travel as an alternative to overseas travel grew rapidly from 2020 to 2021.
In 2022, the prices of new automobiles skyrocketed due to the shortage of supply caused by the global shortage of semiconductors and the rise in material prices, and the shortage of new automobiles led to the growth of demand for used automobiles, and the prices of used automobiles rose significantly.

In such business environment, the sale and order receipt of automobile dealers were healthy. Inventory declined, working capital shrank, and order backlog increased steeply, so even dealers with weak marketing capabilities and small capital stock were able to operate business without trouble.
On the other hand, dealers thinking of selling their businesses decreased in that situation. It was unfavorable for the M&A strategy of the company, but the company's growth and operating income margin exceeded the average in the industry, and the company concentrated managerial resources onto M&A in the next phase.

**＊2023-2024: Acceleration of M&A in parallel with the recovery of supply of new automobiles**

The environment has been changing from 2023 to 2024.
The prices of new cars have been high since they were raised considerably in 2022. Meanwhile, the supply of new cars recovered due to the elimination of shortage of semiconductors, the prices of used cars are soft.
Due to the hovering prices of new cars, costs augmented through the increases in investment in company-owned cars and depreciation, decrease in the number of customers visiting the store, and inventory and working capital increased, making cash management difficult and squeezing small and medium-sized dealers.
In addition to these changes in the business environment, the profitability of automobile dealers is trending downward due to the augmentation of costs for enhancing corporate governance and tackling environmental issues.

As the importance of addressing climate change grows, coupled with challenges such as the shortage of successors for imported car dealers and deteriorating business environments, the company anticipates an increase in M&A, particularly among small and medium-sized dealers with weak financial foundations. The company believes that its M&A strategy will accelerate significantly as a result.

## [2-4 Medium- to Long-term Shareholder Return Strategy]

The company, which has increased dividends consecutively since its listing, has established the following policy.

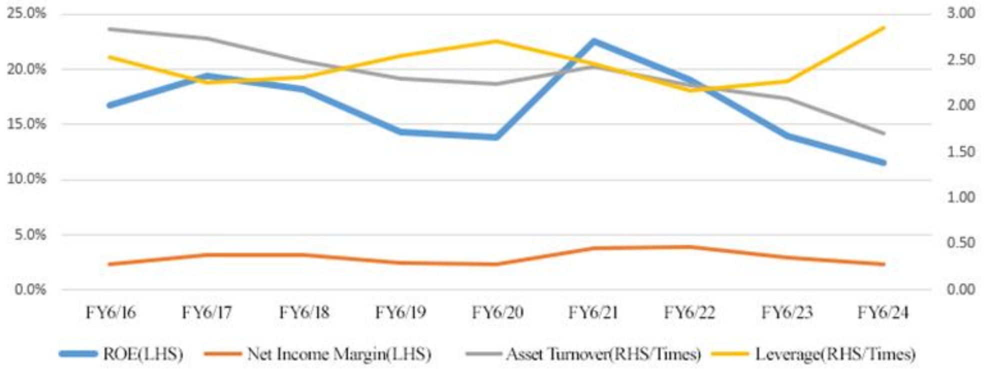
☆ To target a medium- to long-term ROE of 15% or higher (14.0% in the fiscal year ended June 2023).
☆ The company will gradually raise its dividend payment ratio to 30% by fiscal year ending 2026 in order to "keep sufficient capital" and "further boost shareholder return" at the same time.
☆ From the fiscal year 2027 onward, the company will continue to pursue a dividend policy of pursuing a payout ratio of 30% while aiming for progressive dividends.
☆ The company will sustain and increase consistent and ongoing returns to shareholders, with a DOE of 4.5% or higher.

In the term ended June 2024, the dividend remained 43.51 yen/share as forecast, while the company raised payout ratio from 21.4% in the fiscal year ending June 2022 to 37.4%, and achieved a dividend growth exceeding profit growth for the fourth consecutive term.
They are forecasting a dividend of 45.06 yen/share and a payout ratio of 28.5% for this fiscal year ending in June 2025.

In order to demonstrate its extremely aggressive profit growth policy and shareholder return stance, the company aims to achieve ROE that significantly exceeds the cost of shareholders' equity, increase the dividend payout ratio gradually, and increase dividends in excess of profit growth.

**(ROE Analysis)**

| | FY 6/17 | FY 6/18 | FY 6/19 | FY 6/20 | FY 6/21 | FY 6/22 | FY 6/23 | FY 6/24 |
|---|---|---|---|---|---|---|---|---|
| **ROE (%)** | **19.4** | **18.2** | **14.3** | **13.9** | **22.5** | **19.0** | **14.0** | **11.5** |
| Net income margin (%) | 3.16 | 3.16 | 2.44 | 2.29 | 3.76 | 3.91 | 2.95 | 2.36 |
| Total asset turnover (times) | 2.73 | 2.49 | 2.30 | 2.24 | 2.43 | 2.23 | 2.09 | 1.71 |
| Leverage (x) | 2.25 | 2.31 | 2.54 | 2.71 | 2.46 | 2.18 | 2.28 | 2.85 |




While it exceeds the generally expected 8% for Japanese companies, the company's ROE has declined for three consecutive quarters. A recovery in profitability is anticipated.

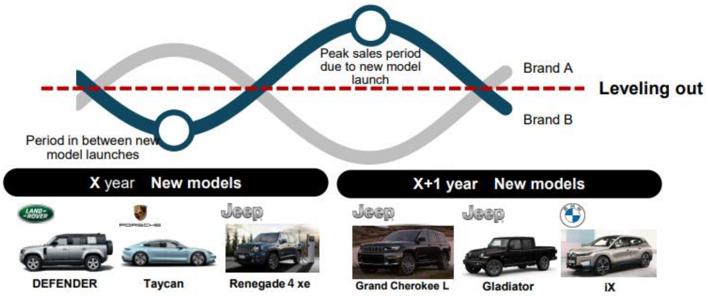
## 3. Growth Strategy

Three strategies promote the company's growth: "multi-brand strategy," "dominant strategy," and "M&A strategy."


(From the reference material of the company)

**[3-1 Multi-brand strategy: Expansion of earnings and leveling of the sales cycle]**

By handling multiple brands without relying on a specific brand, the company aims to even out the impact of the sales cycle caused by differences in the timing of new model launches among brands.
The company currently handles 16 brands and aims to expand the number of brands through M&A strategies.




(From the reference material of the company)

**[3-2 Dominant strategy: Increase the market share and maximize profit in the same trade area]**

The company is opening new stores in cities with a population of 1 million and surrounding cities as specified areas in order to increase its market share by attracting customers in the same trade area, improve productivity through efficient personnel allocation among stores, and maximize profit.
Currently, the company focuses on Tokyo, Kanagawa, and Fukuoka, which are Japan's top markets in terms of new car registrations and ownership of imported cars (passenger cars), but it is also aiming to expand into other areas through the M&A strategy.

**[3-3 M&A Strategy: Speed Up]**

M&A is an important measure for quickly entering new areas, acquiring new brands (multi-brand strategy), and expanding the market share of existing brands. Following the acquisition of a huge number of stores, trade areas, and new brands via M&A, the company has been extending its business by building additional stores in neighboring regions to complement its trade areas.
The company targets more than ten brands, including Mercedes-Benz, Volkswagen, and Audi, and there is a tremendous opportunity for growth through the M&A acquisition of additional brands.
Aside from direct approaches from the company to the target companies and direct contact from the target companies back to the company, the company searches out deals through introductions from importers, financial institutions, and M&A brokerage firms.
The company will carry out due diligence and only engage in negotiations with those agreements that satisfy the company's investment recovery requirements following internal discussions that focus on prospects for future development and synergies.

Since their founding in October 2007, WILLPLUS Holdings has implemented 9 projects of M&A (*Excluding projects implemented within the last 3 fiscal years). They have achieved profitability in all these projects by injecting their know-how, etc. in addition to opening new stores and making investments in stores, including relocation and renovation, and the high level of their PMI capability is attracting attention.

# 4. Fiscal Year ended June 2024 Earnings Results

**[4-1 Overview of Financial Results]**

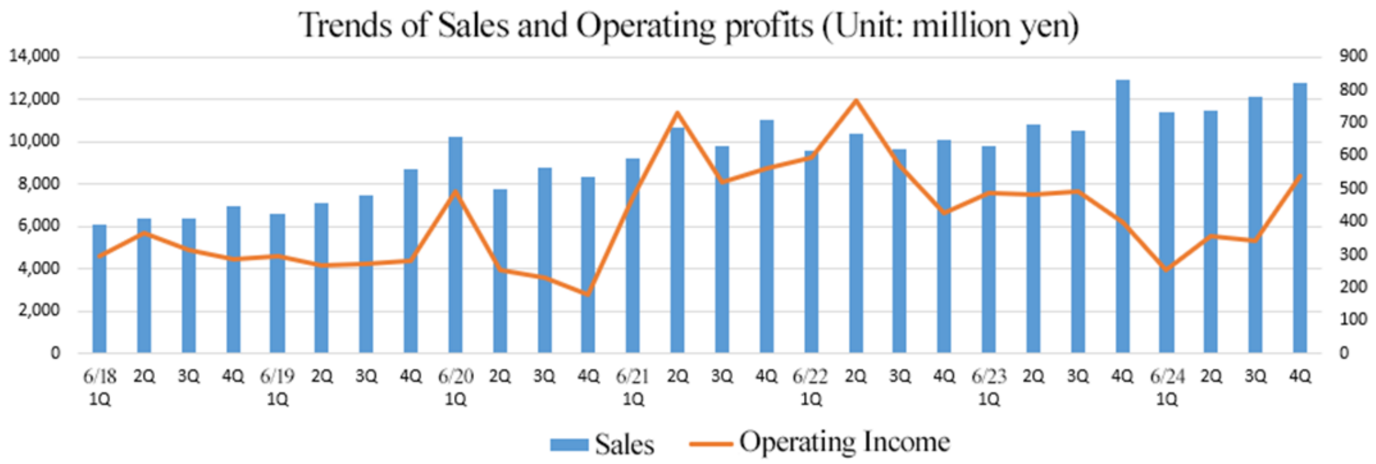
| | FY 6/23 | Ratio to sales | FY 6/24 | Ratio to sales | YoY | Ratio to forecast |
|---|---|---|---|---|---|---|
| Sales | 44,115 | 100.0% | 47,745 | 100.0% | +8.2% | +0.1% |
| Gross Profit | 8,622 | 19.5% | 9,364 | 19.6% | +8.6% | - |
| SG&A | 6,754 | 15.3% | 7,869 | 16.5% | +16.5% | - |
| Operating Income | 1,867 | 4.2% | 1,494 | 3.1% | -20.0% | +16.3% |
| Ordinary Income | 1,943 | 4.4% | 1,559 | 3.3% | -19.8% | +15.3% |
| Net Income | 1,302 | 3.0% | 1,124 | 2.4% | -13.6% | +26.4% |

*Unit: million yen. Net income is net income attributable to owners of the parent.

**Increase in sales, but decrease in income**

Sales increased 8.2% year on year to 47,745 million yen. Despite a decline in new car sales, the increase was attributed to higher selling prices and M&A.

Operating income decreased 20.0% year on year to 1,494 million yen. Although gross profit increased due to the sales growth, profit declined by double digits due to lower-than-expected incentives, depreciation exceeding the forecast significantly, and M&A-related costs.




On a quarterly basis, while the first quarter was sluggish, both sales and operating income have shown an increasing trend toward the fourth quarter.

**[4-2 Market Environment]**

The domestic passenger car market has continued to decline since January, partly due to the impact of inspection irregularities by some domestic automakers.

The imported car market has also been slow to recover from the bottom due to the high vehicle prices caused by global inflation and the depreciation of the yen. While consumers have been hesitant to purchase, there are finally signs of a recovery in the number of orders.

The domestic passenger car market has continued to decline due to the ongoing impact of inspection irregularities. The domestic imported car market has also declined. Following the sharp rebound in the April-June 2023 quarter due to the resolution of the semiconductor shortage, the market has experienced a significant decline.

**[4-3 Trend by product category]**

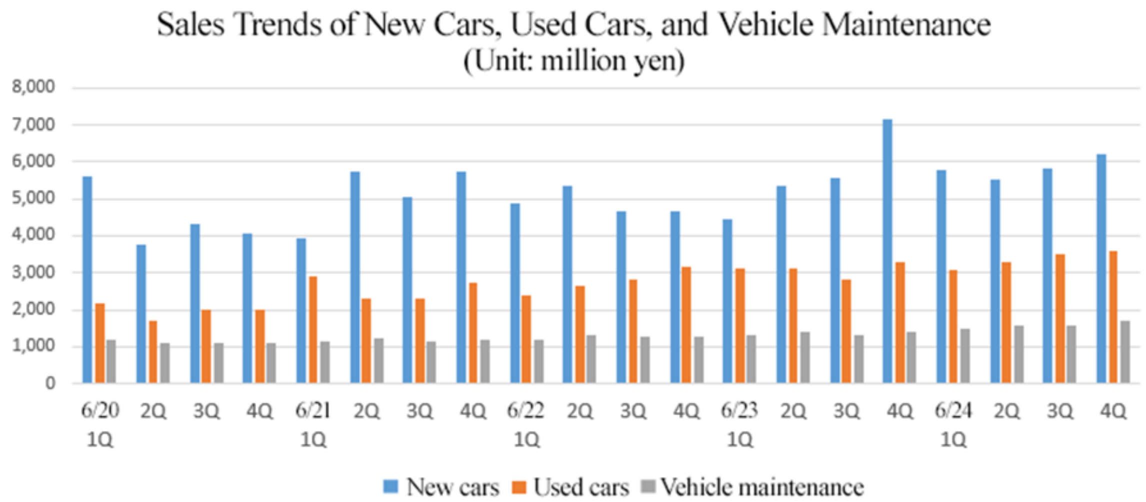
| | FY 6/23 | Composition ratio | FY 6/24 | Composition ratio | YoY |
|---|---|---|---|---|---|
| New cars | 22,475 | 50.9% | 23,359 | 48.9% | +3.9% |
| Used cars | 12,343 | 28.0% | 13,469 | 28.2% | +9.1% |
| Sales by distributors | 3,367 | 7.6% | 3,958 | 8.3% | +17.5% |
| Subtotal for vehicles | 38,186 | 86.6% | 40,786 | 85.4% | +6.8% |
| Vehicle Maintenance | 5,434 | 12.3% | 6,359 | 13.3% | +17.0% |
| Others | 495 | 1.1% | 599 | 1.3% | +21.0% |
| Total | 44,115 | 100.0% | 47,745 | 100.0% | +8.2% |

*Unit: million yen.

*Sale of new cars
Although the new vehicle supply, which had been unstable, is stabilizing, the group's overall sales volume decreased from the previous fiscal year. This is due to factors such as the impact of sales price revisions on order taking for some brands and customer holdbacks due to the end of model cycles. On the other hand, new vehicle sales revenue increased 3.9% year on year due to higher selling prices.

*Used car sales
The used car market, which had previously fluctuated wildly, stabilized, leading to solid performance. Additionally, focusing on used car sales for certain brands nearing the end of their model cycles contributed to an increase in the proportion of total sales generated by used cars. As a result, used car sales revenue increased 9.1% from the previous year.

* Recurring-revenue business
In addition to an increase in the number of stores, the number of customers with continuous transactions has increased, leading to a 17.0% year-on-year increase in vehicle maintenance and a 13.0% year-on-year increase in insurance commissions.




**[4-4 Topics]**

**(1) Acquisition of ENG Co., Ltd. as a subsidiary**

In May 2024, the company acquired 51% of the issued shares of ENG Co., Ltd., which operates a used car export business. The company plans to acquire the remaining shares gradually and eventually own 100% of the company.

**(Background of the Stock Acquisition)**

ENG Co., Ltd. is involved in the export of used Japanese cars to Malaysia and other countries.
While the domestic used car market has reached its peak in terms of the number of vehicles owned and sold, and with the Japanese population expected to decline in the future, the total population of Asia, excluding China, is forecast to increase

until 2055, and given the rising income levels in Asia, the company views the used car export business as a growing business. In particular, although exports of used cars from Japan to Malaysia declined significantly due to the COVID-19 pandemic, they have increased significantly following the subsiding of the pandemic and the lifting of restrictions on travel in Malaysia (in January 2022).
By entering this growing market and adding the "used car export-related business" to its business portfolio, the company believes that it can achieve overall foreign exchange risk equalization.

**(2) Acquisition of Stellantis Japan Sales Co., Ltd. as a subsidiary**
In July 2024, the company acquired all shares of Stellantis Japan Sales Co., Ltd., a subsidiary of Stellantis Japan Co., Ltd. Through this, the company has acquired three new brands: Peugeot, Citroën, and DS. This enables it to handle all brands of passenger cars under the Stellantis Group.
The combined domestic market share of the three brands is 5%. With the addition of these brands, the company now handles 16 brands, increasing its domestic new car sales share to 47.2% when combined with the existing 42.2%.
Additionally, the company acquired five stores, further advancing its dominant position in Tokyo.
This M&A is the 13th M&A for the company and the fourth since the outbreak of COVID-19 pandemic. After a period of stagnation, M&A activities have accelerated.

**(3) Acquisition of Orion Auto Sales Co., Ltd. as a subsidiary**
In December 2024, the company acquired all shares of Orion Auto Sales Co., Ltd. (Kagoshima Prefecture), which operates Volvo Car Kagoshima and Volvo Car Nagasaki.
This aligns with Volvo Car Japan's network strategy. In December 2023, Willplus Holdings acquired Volvo Car Fukuoka Higashi and Volvo Car Oita from NEXTAGE Co. Ltd. With the acquisition of Volvo Car Kagoshima and Volvo Car Nagasaki, the company's Volvo share in Kyushu has expanded to 80% in terms of stores, and by doing so, the company is strongly promoting its strategy to dominate in the Kyushu region.

**(4) Share repurchase**
In May 2024, the company bought 700,000 treasury shares (7.17% of outstanding shares) for a total acquisition cost of approximately 700 million yen.
The acquired shares will be used for human capital management, such as stock-based compensation plans for directors and employees. The aim is to foster a sense of employee participation in management and improve employee retention rate, ultimately maximizing corporate value.

## 5. 1Q of Fiscal Year ending June 2025 Earnings Results

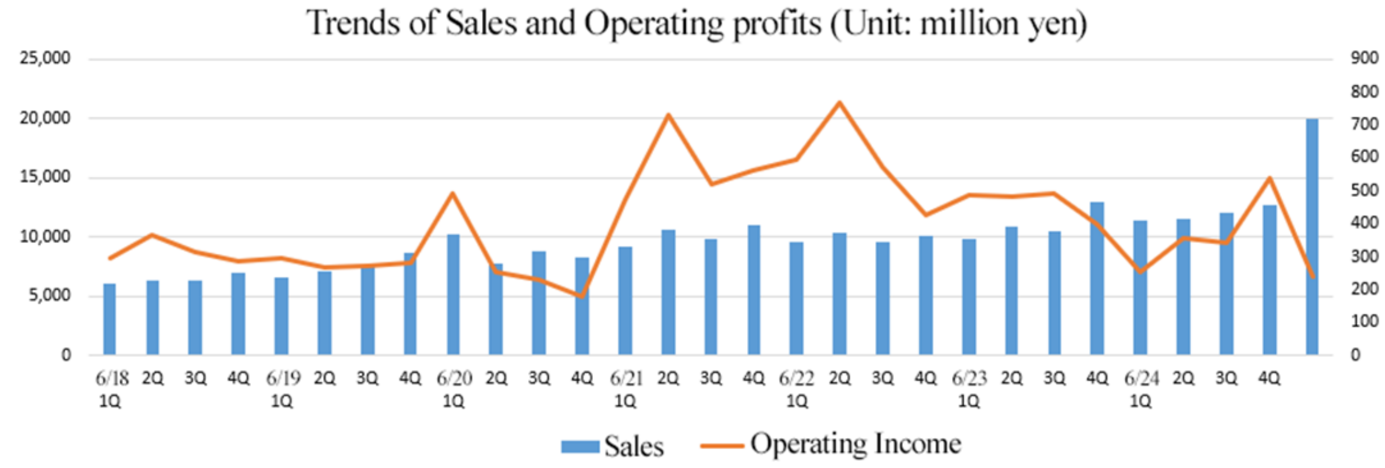
### [5-1 Overview of Financial Results]

| | FY 6/24 1Q | Ratio to sales | FY 6/25 1Q | Ratio to sales | YoY |
|---|---|---|---|---|---|
| Sales | 11,371 | 100.0% | 20,018 | 100.0% | +76.0% |
| Gross Profit | 2,099 | 18.5% | 2,767 | 13.8% | +31.8% |
| SG&A | 1,843 | 16.2% | 2,526 | 12.6% | +37.0% |
| Operating Income | 255 | 2.3% | 241 | 1.2% | -5.6% |
| Ordinary Income | 306 | 2.7% | 259 | 1.3% | -15.3% |
| Net Income | 200 | 1.8% | 272 | 1.4% | +35.9% |

*Unit: million yen. Net income is net income attributable to owners of the parent.

**Increase in sales, but decrease in income**
Sales increased 76.0% year on year to 20,018 million yen. Despite sluggish new and used car sales, the acquisition of the shares of ENG conducted in the previous fiscal year contributed significantly.
Operating income decreased 5.6% year on year to 241 million yen. Although sales increased more than 70%, gross profit from both new and used car sales dropped, and gross profit increased only 31.8% year on year. This was insufficient to

absorb the increase in selling, general, and administrative expenses, including personnel costs, investments in stores, and special setup costs related to the establishment of a special investigation committee for share repurchases exceeding the distributable amount.
The increase in net income was due to a gain on negative goodwill of 187 million yen.
On a quarterly basis, sales exceeded 20 billion yen for the first time, thanks to M&A activities such as acquiring Volvo Car Fukuoka Higashi and Volvo Car Oita, ENG, and Stellantis Japan Sales, which were conducted in the previous fiscal year.




### [5-2 Market Environment]

The domestic passenger car market (new vehicle registrations, ordinary and compact) has shown a slight recovery, with a 1.2% increase year on year in the first quarter (July-September). However, the domestic imported car market continues to face difficulties, with a 10.5% decrease year on year. Although the supply of imported cars is recovering, demand has not recovered due to concerns about high vehicle prices.
The domestic new vehicle registrations (ordinary and compact) of the brands handled by the company in the first quarter (July-September) decreased 1.7% year on year, which is a small decline compared to the overall market. In particular, MINI car registrations have recovered significantly thanks to a full model change.

### [5-3 Trend of each business and sales by product category]

**◎Trend of each business**

| | FY 6/24 1Q | Composition ratio | FY 6/25 1Q | Composition ratio | YoY |
|---|---|---|---|---|---|
| Sales | | | | | |
| Imported vehicle dealer business | 11,371 | 100.0% | 12,114 | 60.5% | +6.5% |
| Used car export-related business | - | - | 7,904 | 39.5% | - |
| Total | 11,371 | 100.0% | 20,018 | 100.0% | +76.0% |
| Segment profit | | | | | |
| Imported vehicle dealer business | 445 | 3.9% | 360 | 3.0% | -19.0% |
| Used car export-related business | - | - | 141 | 1.8% | - |
| Adjustment | -189 | - | -261 | - | - |
| Total | 255 | 2.3% | 241 | 1.2% | -5.6% |

*Unit: million yen. The composition ratio of profit is the profit margin on sales.

**◎Sales by product category**

(1Q of FY6/25)

| | Import (*1) | YoY | Export (*2) | YoY | Total (*3) | YoY |
|---|---|---|---|---|---|---|
| New cars | 5,583 | -3.4% | - | - | 5,583 | -3.4% |
| Used cars (Japan) | 3,354 | +8.7% | 114 | - | 3,469 | +12.4% |
| (Overseas) | - | - | 3,552 | - | 3,552 | - |
| Used car total | 3,354 | +8.7% | 3,667 | - | 7,022 | +127.5% |
| Auto auction sales | 1,033 | +19.7% | 4,230 | - | 5,264 | +509.4% |
| Subtotal of sales of cars | 9,972 | +2.5% | 7,897 | - | 17,870 | +83.7% |
| Car maintenance | 1,969 | +32.5% | - | - | 1,969 | +32.5% |
| Other | 172 | +9.7% | 6 | - | 179 | +14.1% |
| Total | 12,114 | +6.5% | 7,904 | - | 20,018 | +76.0% |

*Unit: million yen. Import (*1) represents imported vehicle dealer business, Export (*2) represents used car export-related business, Total (*3) represents Group total.

**<Imported vehicle dealer business>**

New Car Sales

Some brands saw a year-on-year decline in sales volume due to customers' reluctance to buy at the end of the model year and the intensive delivery of new vehicles to customers in the same period of the previous year as the supply of new vehicles, which had previously been stagnant, improved. As a result of these factors, new vehicle sales volume declined 1.5% year on year, and new vehicle sales revenue fell 3.4% year on year.

*Sale of used cars

The company focused on used car sales, particularly for brands experiencing a decline in new car sales. As a result, sales revenue increased 8.7% year on year.

* Recurring-revenue business

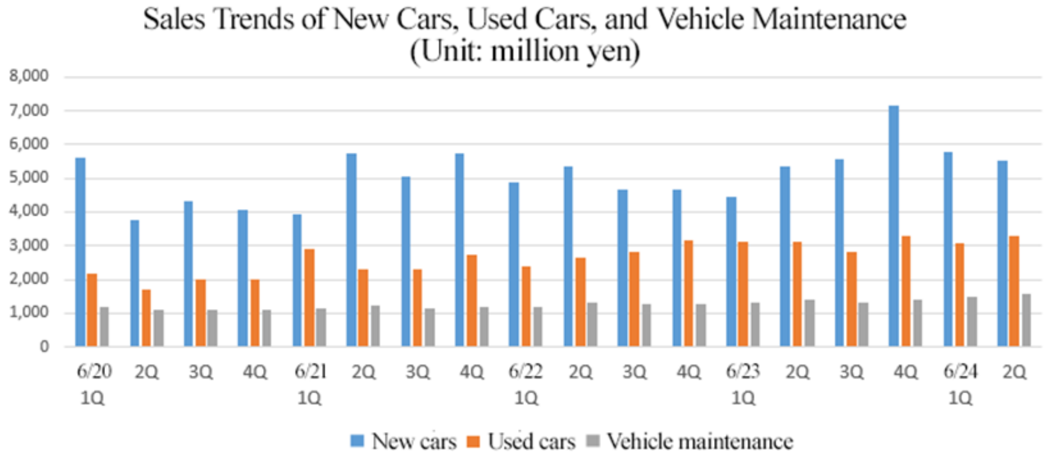
Due to an increase in the number of stores and a steady increase in the number of repeat customers, the business has shown steady growth. Vehicle maintenance income has increased 32.5% year on year, and insurance commission income has increased 26.8% year on year.

**<Used car export-related business>**

Malaysia, the company's primary export destination, has experienced robust domestic economic growth. The ongoing depreciation of the yen against the local currency has acted as a tailwind, driving strong demand for imported cars. As a result, the country's annual import quota for passenger cars was reached in late July, earlier than the typical September-October timeframe.

Despite having conservatively forecast the export volume for the first half of the year in anticipation of this import quota, strong demand for imported cars led to first-quarter (July-September) export volume exceeding the expectation. Additionally, the increase in used car prices led to higher selling prices, resulting in a solid overseas sales revenue of 3.5 billion yen.

Domestic distributor sales revenue reached 4.2 billion yen, making a significant contribution to the group's overall sales revenue from distributorship. The company implemented efficiency measures such as transferring the management functions of ENG to Willplus Holdings.




### [5-4 Financial Standing]

**◎Main Balance Sheet**

| | End of June 2024 | End of September 2024 | Increase/ Decrease | | End of June 2024 | End of September 2024 | Increase/ Decrease |
|---|---|---|---|---|---|---|---|
| Current Assets | 22,920 | 24,470 | +1,550 | Current Liabilities | 13,968 | 16,483 | +2,515 |
| Cash and Deposits | 7,508 | 5,918 | -1,590 | Payables | 3,534 | 4,673 | +1,139 |
| Inventories | 10,779 | 14,058 | +3,279 | ST Borrowings | 6,760 | 8,341 | +1,581 |
| Noncurrent Assets | 9,231 | 9,640 | +409 | Noncurrent Liabilities | 7,109 | 6,238 | -870 |
| Tangible Assets | 7,997 | 8,283 | +285 | LT Borrowings | 6,415 | 5,515 | -899 |
| Buildings and Structures | 4,645 | 4,596 | -48 | Total Liabilities | 21,077 | 22,722 | +1,645 |
| Intangible Assets | 312 | 301 | -11 | Net Assets | 11,073 | 11,388 | +314 |
| Investment, Others | 921 | 1,056 | +135 | Retained Earnings | 9,140 | 9,413 | +272 |
| Total Assets | 32,151 | 34,111 | +1,960 | Total Liabilities and Net Assets | 32,151 | 34,111 | +1,960 |

*Unit: million yen.

Both assets and liabilities increased due to the acquisition of the shares of Stellantis Japan Sales Co. Ltd. The company recognizes that the inventory in the import car dealer business is somewhat excessive.
Capital-to-asset ratio fell 1.0 points from the end of the previous fiscal year to 29.5%.

## 6. Fiscal Year ending June 2025 Earnings Forecasts

### [Earnings Forecast]

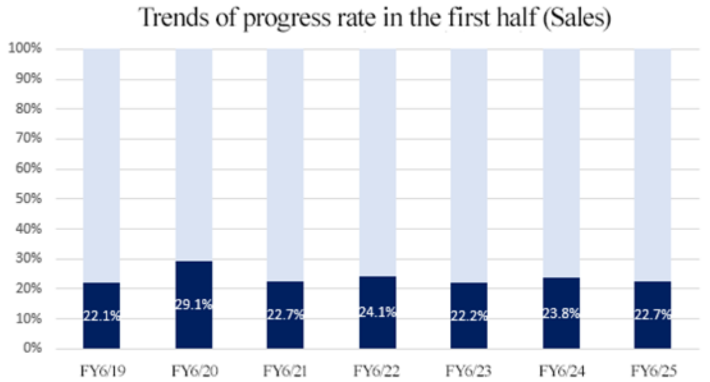
| | FY 6/24 | Ratio to Sales | FY6/25(Est) | Ratio to Sales | YoY | Progress rate |
|---|---|---|---|---|---|---|
| Sales | 47,745 | 100.0% | 88,342 | 100.0% | +85.0% | 22.7% |
| Operating Income | 1,494 | 3.1% | 2,528 | 2.9% | +69.2% | 9.6% |
| Ordinary Income | 1,559 | 3.3% | 2,488 | 2.8% | +59.6% | 10.4% |
| Net Income | 1,124 | 2.4% | 1,438 | 1.6% | +27.8% | 19.0% |

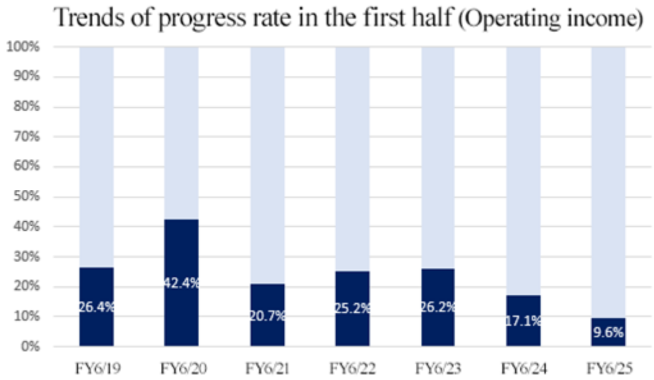
*Unit: million yen. Estimates are those of the company.

**The company forecasts a significant increase in both sales and operating income, reaching record highs.**
Sales are expected to surge 85.0% year on year to 88.3 billion yen, while operating income is projected to climb 69.2% year on year to 2.5 billion yen. These figures represent new all-time highs for both sales and operating income.
The company anticipates that the negative impact of external factors on the imported vehicle dealer business will soon reach its peak and then begin to subside. The effects of M&A conducted in the previous fiscal year are expected to become more apparent in the second half of the fiscal year.
Dividends are projected to increase 1.55 yen per share year on year to 45.06 yen per share, with a projected dividend payout ratio of 28.5%.

## 7. Conclusions

The progress rate of the results in the first quarter to the full-year forecast was 22.7% for sales and 9.6% for operating income. While sales were almost in line with those in a typical year, operating income was at a low level. However, the company believes that this is due to the one-time costs for establishing the special investigation committee and that the business is actually progressing smoothly.
M&A activities have been increasing since the second half of the previous fiscal year. In parallel with the growing emphasis on addressing climate change issues, factors such as difficulties in finding successors and deteriorating business environments have contributed to an increase in M&A cases, particularly among small and medium-sized dealers with weak management foundations. We would like to see how quickly the company's core strategy for M&A will accelerate this fiscal year.




*FY6/19 to FY 6/24 is a ratio to the annual results of the results in the first half

## <Reference: Regarding Corporate Governance>

**◎ Organization type, and the composition of directors and auditors**

| | |
|---|---|
| Organization type | Company with audit and supervisory committee |
| Directors | 8 directors, including 4 outside directors (4 of which are independent executives) |
| Audit committee members | 4 members, including 4 outside directors (4 of which are independent executives) |

**◎ Corporate Governance Report**
Last update date: October 24, 2024

**<Basic Policy>**
Our company's basic approach on corporate governance is to establish a sound management system that can respond to rapid changes in society and is efficient and compliant with laws and regulations, for maximizing our corporate value. To achieve this, we continue to strive to ensure transparent management and appropriate and prompt disclosure, by strengthening our relationships with stakeholders and further enhancing management governance functions.

**<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>**
Our company follows all principles of the Corporate Governance Code.

**<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>**
**■Principle 1-3: Fundamental Capital Policy**
Our fundamental capital policy is to maintain an appropriate capital base, consistently achieve an ROE that exceeds our cost of capital, and enhance corporate value.
Detailed information regarding our efforts to manage the company with a focus on our cost of capital and share price is disclosed on our company website.
https://contents.xj-storage.jp/xcontents/AS01236/fb127719/e85b/4d10/8d4e/2adb59ee5906/140120240814572318.pdf

■ Principle 1-4 [Strategic Shareholding]
(1) Policies concerning strategic shareholding
Our company does not hold shares strategically. Unless such shareholding is necessary to maintain and strengthen relationships for capital tie-ups and collaboration with our business partners and it is determined that their business benefits are worth the risk and cost of capital from the medium/long-term perspective, we shall adhere to our company's policy of not holding shares strategically.
(2) Review process concerning strategic shareholding, and criteria for exercising voting rights related to strategically held shares
If it is considered appropriate to hold shares strategically, we will establish a method to review the reasonableness of continued holding of such shares as well as specific criteria for the exercise of voting rights on such shareholding.

■ Supplementary Principle 2-4 ① [Ensuring Diversity in Appointment of Core Personnel, etc.]
< Our view on ensuring diversity >
Our company aims to provide an environment where every and each staff member can utilize their ability to the maximum extent, and our basic policy is to promote human resources based on individual ability, aptitude, achievements and motivation, regardless of gender, nationality and attributes.

<Voluntary and measurable targets for ensuring diversity>
Regarding ensuring the diversity of core human resources, we have set targets for the ratio of female directors and managers and the ratio of male employees who have taken childcare leave, which serve as indices for ensuring diversity. The targets and results for each category are shown in the chart below.

| | Result in FY 6/24 | FY 6/25 (target) | FY 6/30 (target) |
|---|---|---|---|
| Ratio of female directors | 12.5% | 12.5% | 30.0% |
| Ratio of female managers | 31.6% | 7.0% | 10.0% |
| Ratio of male employees who have taken childcare leave | 100.0% | 40.0% | 50.0% |

*As of the date on which this report was submitted, the ratio of female directors was 12.5%.

We have not set concrete numerical targets for the promotion of foreigners to managerial positions as there are few employees of foreign nationality at our company, but we shall keep discussing the necessity of setting such targets for ensuring further diversity.
Furthermore, as the proportion of highly specialized and experienced mid-career recruits is high in our corporate group, mid-career recruits account for 95.45% of managers (as of the end of June 2024). We have therefore not set any targets for the ratio of mid-career recruits in managerial positions.

■ Supplementary Principle 3-1③ and Supplementary Principle 4-2② [Issues related to Sustainability]
Our company has formulated basic sustainability policies, and established a Sustainability Committee and a Risk Management Committee to strengthen our corporate group's sustainability initiatives and proactive risk management platform, and to focus on expanding our business scope by promoting growth strategies, responding to technological innovations including EVs in the automotive industry, and promoting DX, in order to achieve a sustainable society and enhance corporate value through our corporate activities. Details concerning concrete activities centered on these committees and investments in human capital, etc. for elevating the corporate value in the medium/long term are disclosed in our financial results presentation materials, annual security reports, etc.
(https://contents.xj-storage.jp/xcontents/AS01236/64ab2dc2/2bd7/4aa8/a1e2/476e214a2c86/140120230821544726.pdf)
In addition, our efforts to address climate change issues are disclosed through CDP.

■ Principle 5-1 [Policies concerning the establishment of a system to promote constructive dialogue with shareholders and the initiatives for it]
Our company believes that clearly explaining our management policies and growth strategies to shareholders and institutional investors and deepening their understanding through active and constructive dialogue (interviews) with them will contribute

to enhancing our company's medium/long-term corporate value.
Dialogue with shareholders and institutional investors is conducted reasonably through visits, office visits, telephone calls, etc. by representative directors and IR staff, with the IR Office of the Corporate Strategy Division as a point of contact. In addition to individual interviews, in order to provide opportunities for direct dialogue with many investors, our company holds financial results briefings for investors and analysts as well as briefings for individual investors at which representatives themselves give explanations, and uses such opportunities to promote mutual understanding between our company and investors. Furthermore, we broadly disseminate information by video streaming of the meetings or posting material on our website.
When engaging in dialogue, we take all necessary precautions to ensure that there is no leakage of unpublished important information.

This report is not intended for soliciting or promoting investment activities or offering any advice on investment or the like, but for providing information only. The information included in this report was taken from sources considered reliable by our company. Our company will not guarantee the accuracy, integrity, or appropriateness of information or opinions in this report. Our company will not assume any responsibility for expenses, damages or the like arising out of the use of this report or information obtained from this report. All kinds of rights related to this report belong to Investment Bridge Co., Ltd. The contents, etc. of this report may be revised without notice. Please make an investment decision on your own judgment.

Copyright(C) Investment Bridge Co., Ltd. All Rights Reserved.