BRIDGE REPORT Bridge Salon

President Takaaki Naruse

WILLPLUS Holdings Corporation (3538)

WILLPLUS

Company Information

Market	TSE Prime
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
¥1,102	10,004,160 shares		¥11,024 million	19.0%	100 shares
DPS Est.	Dividend Yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥41.17	3.7%	¥183.00	6.0 x	923.02 yen	1.2 x

* The share price is the closing price on March 14. The number of outstanding shares, EPS, and DPS are based on financial results for the second quarter of the term ending June 2023. 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 2019 Act.	29,860	1,118	1,115	730	78.36	13.80
June 2020 Act.	35,068	1,160	1,196	802	85.32	14.00
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 Est.	44,363	2,687	2,686	1,750	183.00	41.17

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

This report includes Willplus Holdings Corporation's profile, medium- to long-term strategies, financial results for the second quarter of the term ending June 2023.

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Key Points

- **Willplus Holdings Corporation is a holding company with four consolidated subsidiaries that operate dealers handling ten brands of imported cars, including Jeep, BMW, Mini, and Volvo. 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.**

- **The company is implementing a new medium- to long-term strategy, while companies are currently required to enhance their social significance and efforts to improve their corporate value to solve social issues. It aims to achieve both the enhancement of social value and corporate value. In other words, the company aspires to realize solutions to social issues and corporate growth simultaneously. Specifically, the company views M&A as a way to acquire new areas and new brands to expand the business actively. At the same time, the company considers "solving the problem of climate change" as an "opportunity" and is committed to "reducing GHG emissions as much as possible" by implementing "greening of stores" while promoting "business maximization."**

- **In the second quarter of FY ending June 2023, the company reported a 3.5% YoY increase in net sales to 20,661 million yen. While new car supply showed improvement, some of the brands handled by the company continued to face supply shortages. However, higher unit prices ensured that new car sales remained unchanged from the previous year. The recurring-revenue business in the maintenance and insurance sectors remained solid. Operating income declined 28.6% YoY to 973 million yen, while gross profit dropped 3.4% year on year due to the impact of lower new car sales, higher procurement costs from the active used car market, and some delays in finalizing incentives (sales incentives) from brand manufacturers, which resulted in no incentives being posted. In addition, SG&A expenses increased 8.1% year on year due to the provision of an inflation allowance, higher utilities costs (mainly electricity), and investments to promote medium/long-term strategies. The majority of incentives, which had been delayed, were finalized and received on February 20, and will be reflected in the company's results in 3Q.**

- **There are no changes to the earnings forecast for FY ending June 2023. Sales are expected to increase 11.8% year on year to 44,363 million yen, and operating income is projected to rise 13.6% year on year to 2,687 million yen. The company expects a recovery in the supply of new vehicles from the second half of the year, and the recurring-revenue business is expected to continue to post solid growth in profit and gross profit. Sales are expected to reach a record high for the first time in two fiscal years, and operating income is projected to reach a record high for the third consecutive fiscal year. The dividend is forecast to be 41.17 yen per share, with a dividend payout ratio of 22.5%. To achieve "maintenance of appropriate capital" and "further enhancement of shareholder returns" simultaneously, the company plans to raise dividend payout ratio to 30% in stages by FY 2026, targeting an ROE of 15% or higher over the medium/long term. From FY 2027 onward, the company intends to maintain and improve stable and continuous returns to shareholders with a dividend payout ratio of 30% as its dividend policy**

and a minimum dividend payout ratio (DOE) of 4.5%.

- **The progress rate in the first half was 46.6% for net sales and 36.2% for operating income. Sales are almost at the same level as in previous years, but operating income is at a low level due to the delay in the finalization of incentives. However, since the majority of incentives were finalized and received on February 20, they will be reflected in the results in Q3, and we would like to pay attention to the progress rate at the end of Q3. In addition, the supply of new cars is on a recovery trend, and the progress in Q3 and Q4 will determine the achievement of the full-year forecast.**

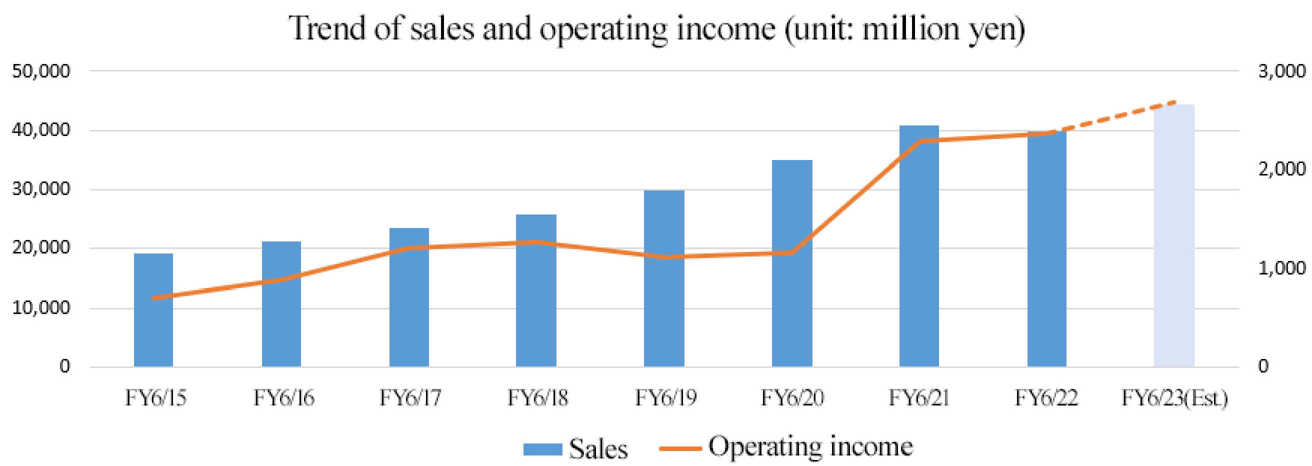
- **The company is making steady progress in its efforts and progress on environmental issues aimed at "enhancing social value." In particular, earning a "B" rating under the CDP, despite being the first response, can be regarded as a significant achievement.**

1. Company Overview

Willplus Holdings Corporation is a holding company with four consolidated subsidiaries that operate dealers handling ten brands of imported cars, including Jeep, BMW, Mini, and Volvo. 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.
In April 2022, it got listed on the Prime Market of the Tokyo Stock Exchange due to market restructuring.



*This figure is created by Investment Bridge Co., Ltd. based on disclosed materials.

[1-2 Corporate Philosophy]

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

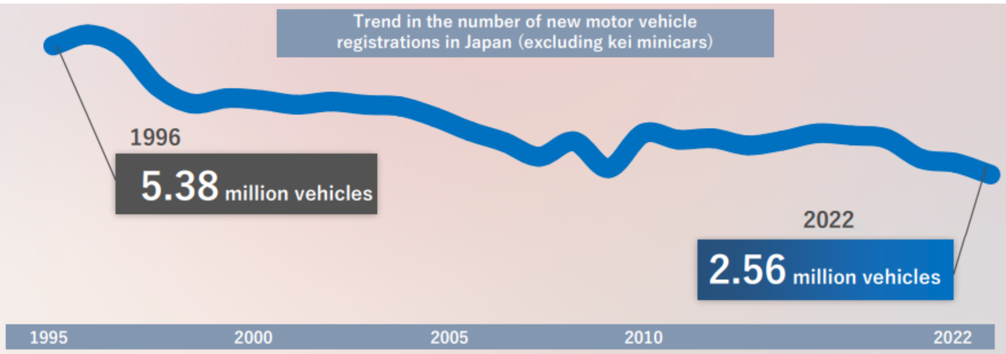
Our Significance (MISSION STATEMENT) We propose a life with imported cars, share affluence, fun, and joy with more people, and continue to take on the challenge of drawing warm smiles on the face of everyone involved.
Core Values ･Love our cars, love our colleagues, and work with pride. ･Always take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

[1-3 Business 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".

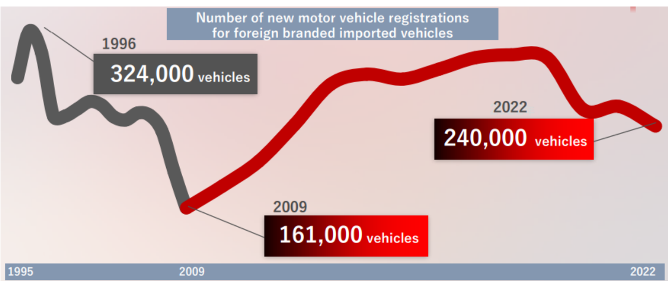
◎ The share of imported cars in the domestic passenger car market continues to increase, and the number of imported cars owned in Japan is growing steadily.

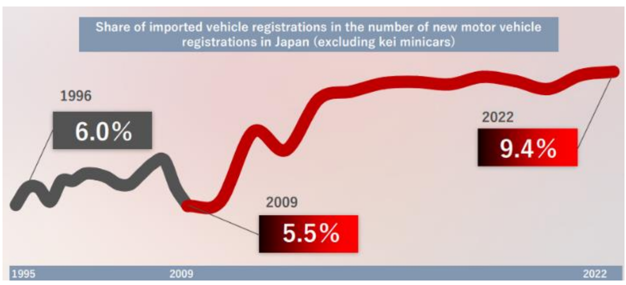
The domestic automobile market is shrinking due to factors such as the declining birthrate, the aging population, the longer vehicle ownership due to improved performance, and changes in consumption styles and preferences (= so-called "disinterest in cars" among young people).



(From the reference material of the company)

Against this backdrop, as seen in the graph below, registrations of new imported cars have been on the rise since the bankruptcy of Lehman Brothers, and the domestic market for imported cars continues to expand. The share of imported cars in the domestic passenger car market (excluding mini cars) is on an upward trend.





(From the reference material of the company)

Imported car manufacturers are releasing a large number of attractive products such as hybrid vehicles, EVs (electric vehicles), PHVs (plug-in hybrid vehicles), diesel vehicles, and various other eco-friendly technologies, as well as unique and excellent designs.
In addition, in this shrinking market, domestic manufacturers have concentrated their energy for development and sales on popular models such as minivans and wagons, resulting in a biased lineup. On the other hand, imported car manufacturers have a diverse lineup with a wide range of prices, sizes, models, and types. Thus, they have won the support of users who seek diversity and more attractive cars. Moreover, active investment in Japan, such as establishing and expanding sales networks, has also increased the imported car manufacturers' market share.

◎ 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	ICDA HLD	28,100	-1.2	1,173	-23.9	4.2%	13.9	5,722	7.4	0.8
3538	**Willplus HLD**	**44,363**	**+11.8**	**2,687**	**+13.6**	**6.1%**	**19.0**	**11,024**	**6.0**	**1.2**
7593	VT HLD	260,000	+9.3	12,500	+22.6	4.8%	25.5	59,571	7.7	1.1
8291	Nissan Tokyo Sales HLD	140,000	+1.2	5,500	+24.8	3.9%	4.6	22,389	8.3	0.5
9856	KU HLD	145,000	+106	9,000	+8.4	6.2%	11.4	64,291	7.8	0.9

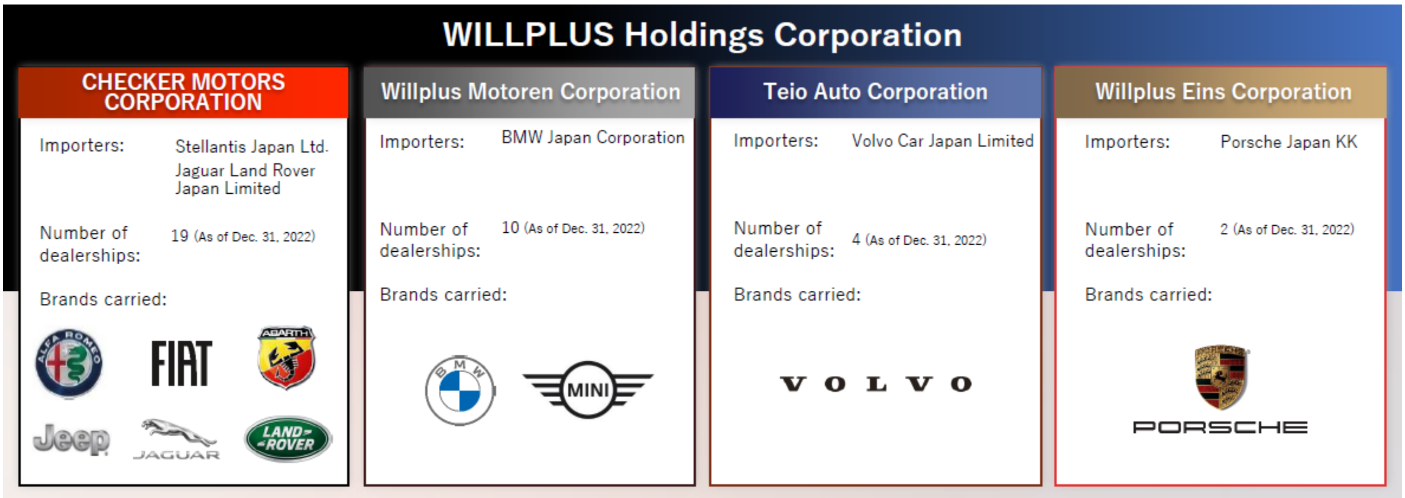
* Units: million yen and %. Sales and operating income are company forecasts for this term. ROE is the result of the previous term. Market capitalization is the number of shares at the end of the most recent quarter × the closing price on March 14, 2023. PER (forecasted figures) and PBR (actual figures) are based on the closing price on March 14, 2023.

The company is the only company that expects double-digit sales and profit growth. 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]

◎Overview

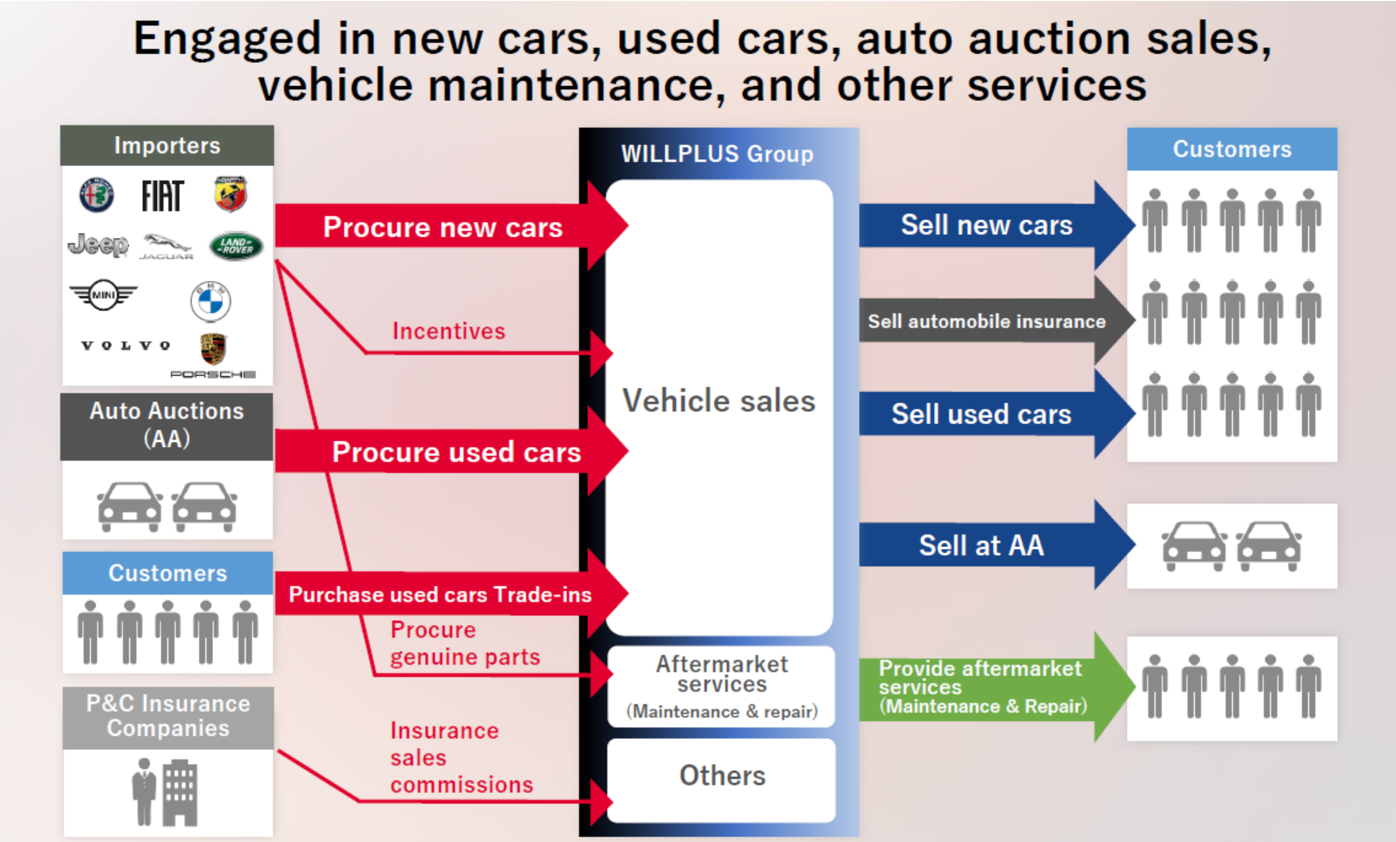
Under the holding company Willplus Holdings Corporation, four consolidated subsidiaries engage in sales of imported new and used cars, vehicle maintenance, and non-life insurance agency business. The company handles ten brands. The company has an official dealer contract with an importer (a company that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



(From the reference material of the company)

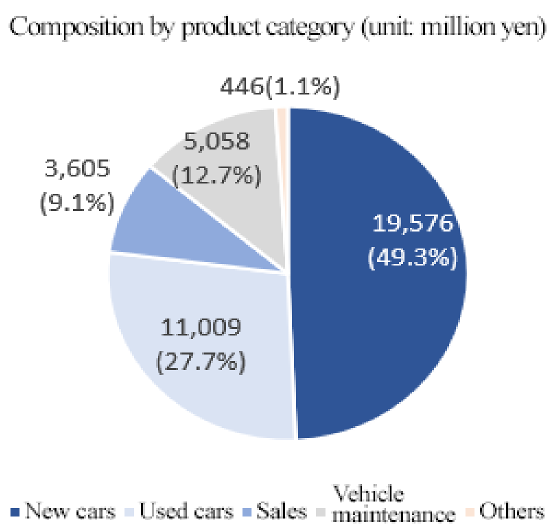
◎ Products and services (business description)

In addition to selling new and used cars, the company handles vehicle maintenance and non-life insurance sales.



(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.



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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.

◎ Number of stores
As of the end of December 2022, the number of stores is 15 in Fukuoka, 16 in Tokyo and Kanagawa, 2 in Yamaguchi, 1 in Miyagi, and 1 in Fukushima, for a total of 35 stores.

[1-5 Characteristics, Strengths, and Competitive Advantages]
(1) Ability 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 ten M&A deals to date. With the exception of the most recent M&A in February 2023, all of nine deals, which were either in the red or extremely low-profit status at the time of acquisition, have turned profitable.

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.
The number of new imported car registrations has been on the rise since the financial crisis in 2008 (due to the Lehman Brothers' bankruptcy), and the imported car market in Japan continues to expand. The share of imported cars in the domestic passenger car market (excluding minicars) is in the 9% range, and the six-year average growth rate (as of 2021) of passenger car ownership (including minicars) in Japan is 0.35%. On the other hand, the ownership of imported cars (passenger cars) increased steadily by 3.54%.
As the market itself continues to grow, further expansion of earnings is expected by expanding the market share through M&A strategies.

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.
Improving social value means realizing a decarbonized society in the Japanese automobile industry.
Specifically, the company has the following three goals as what it aspires to be as an authorized import car dealer.

☆ A leading company in solving climate change issues: Reduction of GHG (greenhouse gas) emissions
☆ To become a dealer chosen by brand car manufacturers: Acceleration of M&A, expansion of store areas and brands
☆ To become a dealer trusted by customers: To increase store profitability and enhance store revitalization

Recognizing "addressing the climate change issue" as an "opportunity," the company will actively work on business expansion with the aim of occupying "new areas" and acquiring "new brands" through "M&A." At the same time, the company is committed to "maximizing the reduction of GHG emissions" by "making its shops green" while "expanding its business as much as possible."

In addition, the company is pursuing the growth strategy described below to enhance its corporate value and aims to increase its medium/long-term corporate value through sustainable growth.

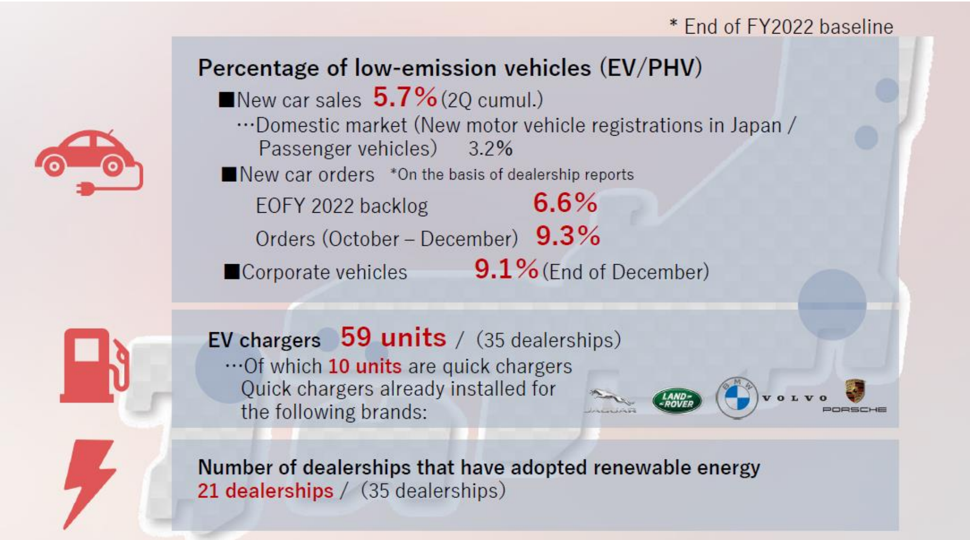
[2-2 Goal]
The company, which aims to be a leading company in solving climate change issues, has set the following GHG emission reduction targets.

To reduce Scope 1 + Scope 2 GHG emissions by 50% in FY 2030 compared to FY 2021.
*Ratio of low-carbon vehicles among company vehicles (including test vehicles): 80% or higher in FY 2030
*Target for the introduction of renewable energy sources: All stores in FY 2025

[2-3 Initiatives of the Willplus Group]
The Willplus Group's initiatives to solve social issues and achieve corporate growth at the same time are as follows.

(1) Contribute to the realization of a decarbonized society by promoting green store operations
As brand car manufacturers promote the reduction of GHG emissions in their own supply chains, etc., they have been asking authorized dealers to accurately gauge GHG emissions in their store operations, set reduction targets, and implement measures to achieve specific targets (Ratio of EVs to demo vehicles, ratio of renewable energy, and recycling rate of waste).

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 its store areas and the domestic automobile industry. The company has shown the following results until the end of FY 12/2022.

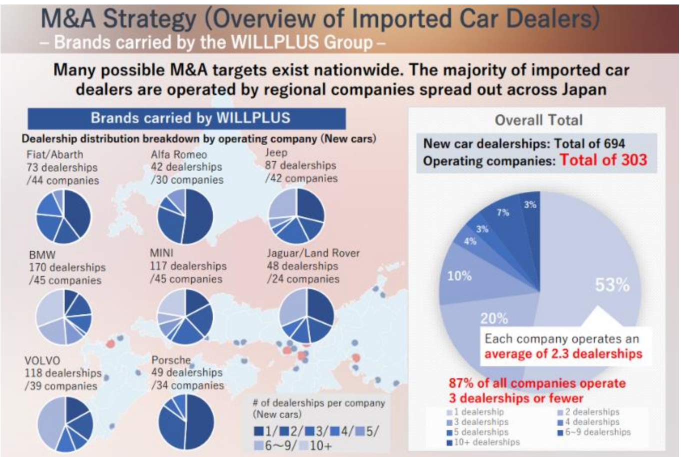


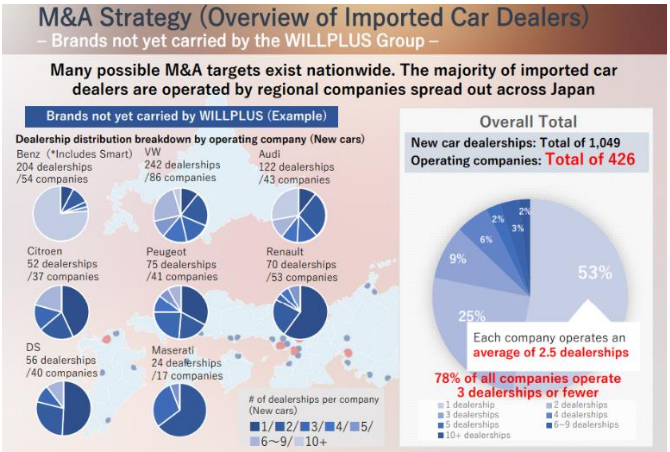
(From the reference material of the company)

From the end of June 2022, the ratio of the sales of low-carbon vehicles to new vehicle sales increased from 3.2% to 5.7%. The number of EV chargers remains at 59.
The company has increased the number of stores that has adopted renewable energy from 17 to 21, with three new stores added in the Tohoku/Chugoku areas and one in the Kanagawa area this fiscal year. It is expected that renewable energy will account for more than 60% of the annual electricity consumption on a consumption basis this fiscal year.
The company's target is to adopt renewable energy at all stores by the end of June 2025, using the fiscal year 2021 as the reference year.

(2) "Enhancement of social value" and "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.

1) Business Environment for M&A Promotion
According to the company's assessment, there will be 729 imported automobile dealers operating throughout Japan by the end of 2022, with a total of 1,743 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.



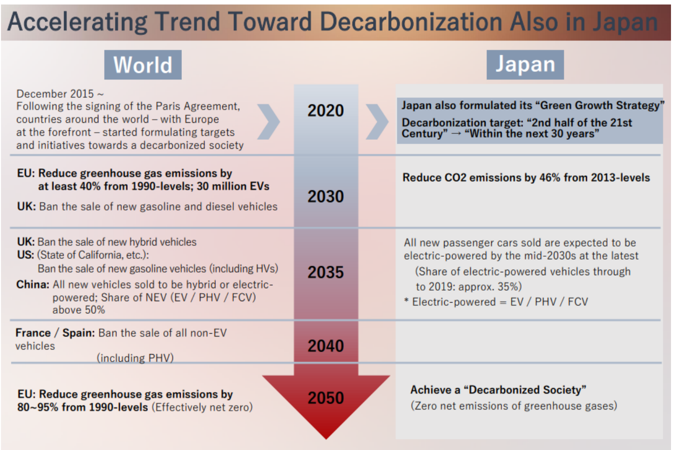


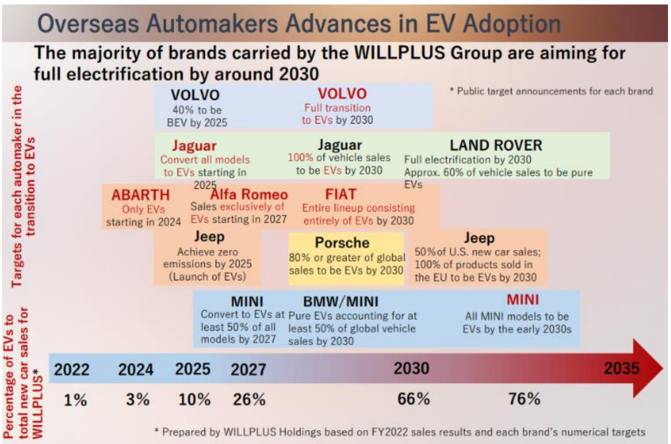
(From the reference material of the company)

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.
Manufacturers headquartered in Europe, which has long had a high degree of environmental awareness, have been particularly engaged in the transition to EVs.

As previously stated, 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 combining and restructuring vendors who can respond appropriately to such demand.





(From the reference material of the company)

◎ 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. Data about the status of the automobile, road conditions, and information transferred between cars and other cars, as well as between cars and infrastructure, are all gathered and analyzed for use in services.
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.

2) The company's policy on M&A

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.

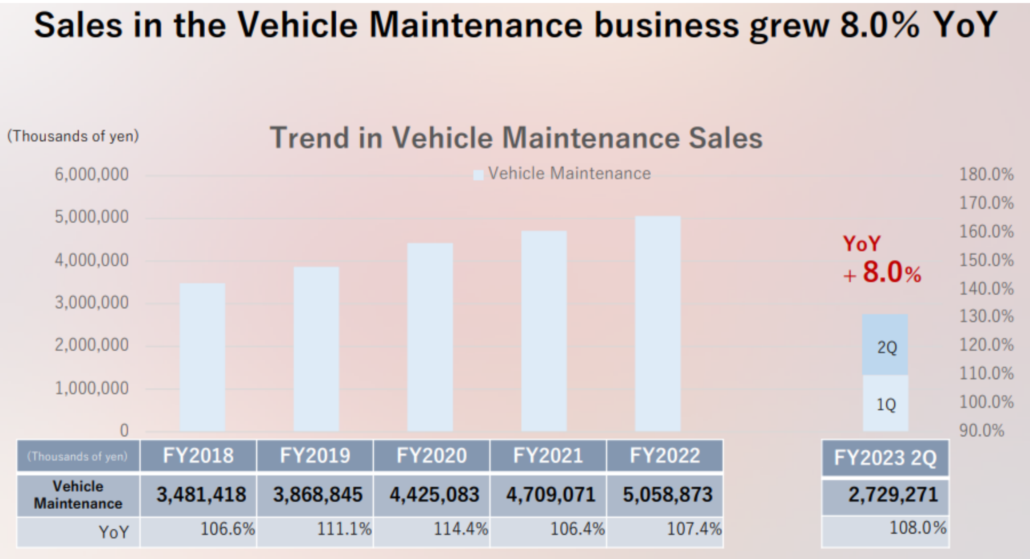
As imported vehicle dealers confront succession concerns and increase their attention to tackling climate change issues, it is anticipated that the company's primary strategy, M&A, will accelerate in the future.

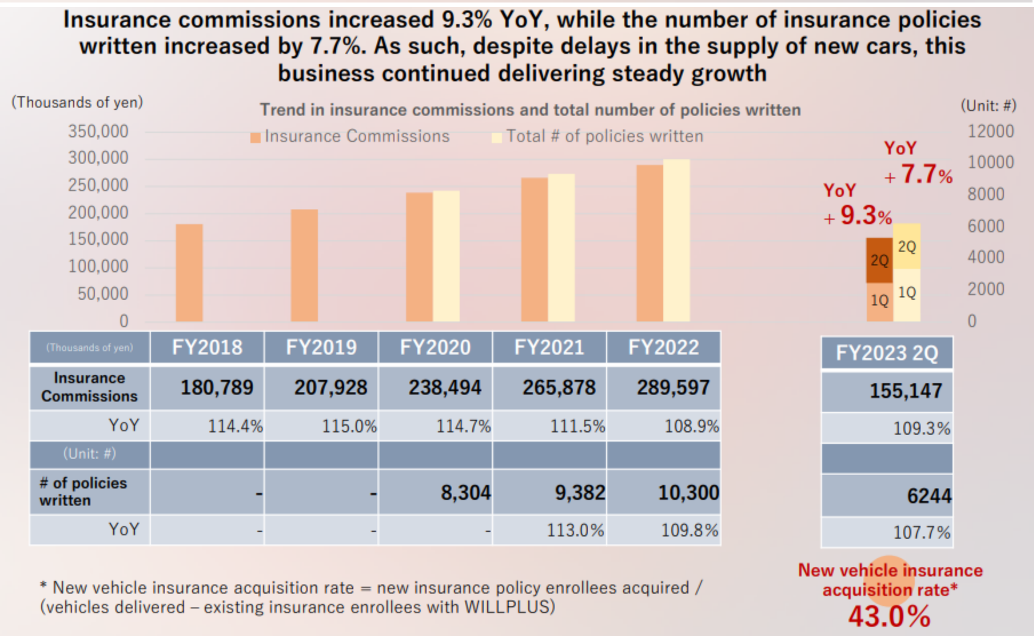
(3) To strengthen the foundation for stable growth through recurring-revenue business

As stated in section 1-3, "Business Environment," the number of passenger vehicles owned in Japan, including mini cars, has been virtually stable, while the number of passenger cars imported has been steadily rising. Additionally, the average number of years a vehicle is used is increasing as a result of the change in economic conditions and the growth of environmental awareness, which unavoidably highlights the significance of maintenance. Furthermore, with the advancement of CASE, maintenance work is anticipated to grow more complex and will concentrate on authorized dealers for imported automobiles.

The company plans to strengthen the foundation of this business by adding maintenance packages and extended warranties for new vehicles to increase the percentage of vehicles that undergo maintenance services because it believes that the vehicle maintenance industry will offer more opportunities for profit-making in the future.

The company will also keep its staff up to date on insurance matters to further enhance customer satisfaction with regard to insurance commission income, which has been increasing at double-digit rates every fiscal year, to further strengthen the foundation for steady growth in the recurring-revenue business of insurance sales and vehicle maintenance.





(From the reference material of the company)

(4) Financial Strategy for Solving Social Issues and Driving Corporate Growth

The company's business strategy centers on greening its stores and executing M&A proactively, while advancing its green initiatives through its financial strategy by increasing the proportion of funds raised through sustainable finance.

The company is actively utilizing the Sustainability Linked Loan (SLL) scheme. The SLL sets Sustainability Performance Targets (SPTs) aligned with the borrower's sustainability strategy and links loan conditions with SPT progress to promote environmentally and socially sustainable economic growth.
By taking measures to achieve the set SPTs, the company aims to promote sustainable management.
In this regard, the company has developed a "Sustainability Framework" based on group goals for implementing SLLs and has obtained a second opinion from Rating and Investment Information, Inc. (R&I) regarding its suitability.

The company has recently implemented three SLLs.

Implementation Date	Sustainability Coordinator	Contract Term	Loan amount	KPI	SPT
November 30, 2022	Sumitomo Mitsui Banking Corporation	5 years	1 billion yen	(1) Reduce GHG emissions (Scope 1 + Scope 2) (2) Adoption of renewable energy for electricity used by stores	(1) Reduce GHG emissions per store by 22% between FY 2021 and FY 2025 (2) Switch to renewable energy sources for electricity purchased by all stores by the end of FY 2025
January 30, 2023	Mizuho Bank	10 years	2 billion yen	CDP Climate Change Score	Earning "A-" or higher during the financing period.
February 28, 2023	Fukuoka Bank	5 years	1 billion yen	(1) Reduce GHG emissions (Scope 1 + Scope 2) (2) Adoption of renewable energy for electricity used by stores	(1) Reduce total GHG emissions per store by 27.5% from FY 2021 by the end of FY 6/2026 (2) Switch to renewable energy sources for electricity purchased at all stores by the end of FY 6/2025.

Through the implementation of SLL, the ratio of sustainable finance has increased. Going forward, the company aims to further increase the ratio of sustainable finance for borrowed funds.
To prepare for the increase in operating funds associated with future M&A, the company plans to increase the proportion of long-term interest-bearing debt, which stood at 60% as of the end of January 2023.

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

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

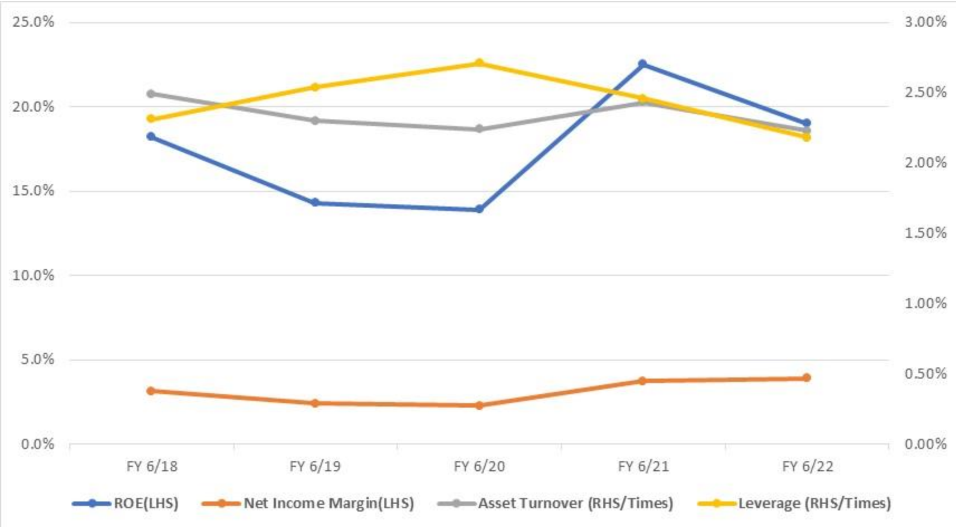
- ☆ To target a medium- to long-term ROE of 15% or higher (19.0% in the prior year).
- ☆ The company will gradually raise its dividend payment ratio to 30% by FY 2026 in order to "keep sufficient capital" and "further boost shareholder return" at the same time.
- ☆ In order to sustain and increase consistent and ongoing returns to shareholders, the company will continue to pay out dividends at a payout ratio of 30% from FY 2027, with a DOE of 4.5% or higher.

The company kept the dividend at 34.90 yen per share as forecasted for FY 6/2022, increasing the payout ratio to 21.4%, and achieving dividend growth that outpaced profit growth for the second consecutive fiscal year.
With a planned dividend of 41.17 yen per share for the current FY 6/2023, the company has further increased its payout ratio to 22.5%.

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 over the next four years.

(ROE Analysis)

	FY 6/16	FY 6/17	FY 6/18	FY 6/19	FY 6/20	FY 6/21	FY 6/22
ROE (%)	**16.8**	**19.4**	**18.2**	**14.3**	**13.9**	**22.5**	**19.0**
Net income margin (%)	2.34	3.16	3.16	2.44	2.29	3.76	3.91
Total asset turnover (times)	2.84	2.73	2.49	2.30	2.24	2.43	2.23
Leverage (x)	2.54	2.25	2.31	2.54	2.71	2.46	2.18

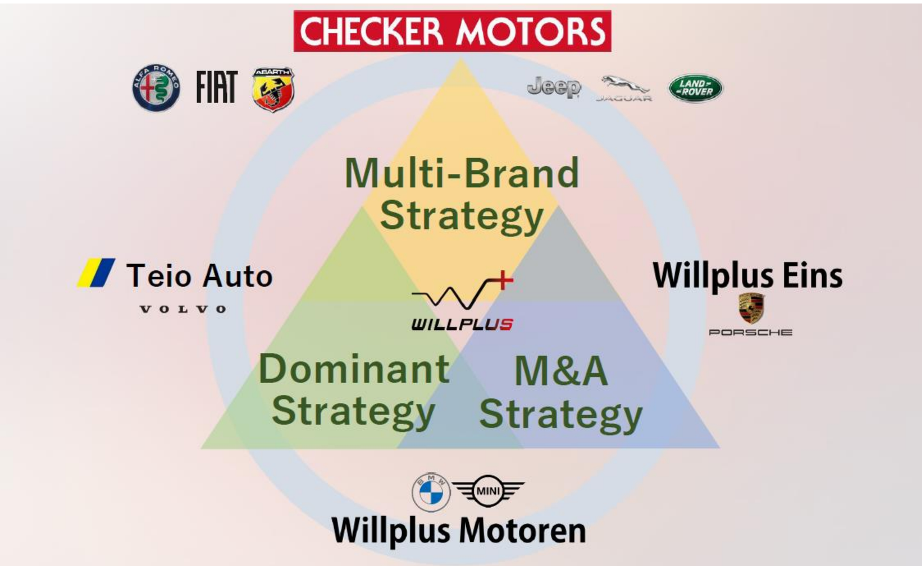


*Created by Investment Bridge based on disclosed material of the company.

While total asset turnover and leverage are on a downward trend, ROE is on an upward trend due to improved profitability.

3. Growth Strategy

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

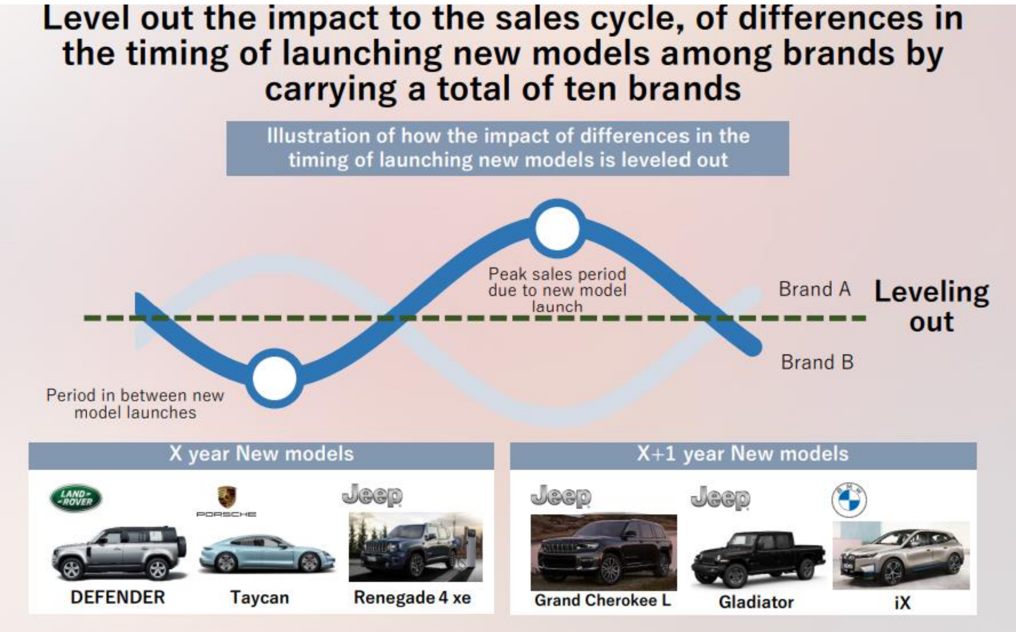


(From the reference material of the company)

[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 ten 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, and expanding the market share of existing brands.
WILPLUS HOLDINGS has executed ten M&A since its establishment in October 2007. 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.

4. Second quarter of the Fiscal Year ended June 2023 Earnings Results

[4-1 Overview of Financial Results]

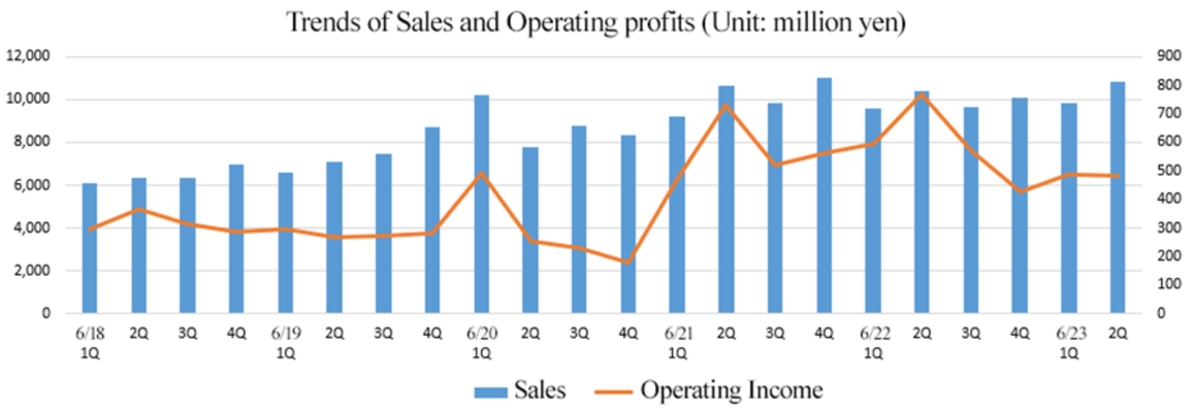
	2Q of FY 6/22 (Total)	Ratio to sales	2Q of FY 6/23 (Total)	Ratio to sales	YoY
Sales	19,968	100.0%	20,661	100.0%	+3.5%
Gross Profit	4,321	21.6%	4,173	20.2%	-3.4%
SG&A	2,958	14.8%	3,199	15.5%	+8.1%
Operating Income	1,362	6.8%	973	4.7%	-28.6%
Ordinary Income	1,367	6.8%	977	4.7%	-28.5%
Net Income	892	4.5%	633	3.9%	-29.0%

*Unit: million yen.

Increase in sales, but decrease in income due to one-time factors

The company reported a 3.5% YoY increase in net sales to 20,661 million yen. While new car supply showed improvement, some of the brands handled by the company continued to face supply shortages. However, higher unit prices ensured that new car sales remained unchanged from the previous year. The recurring-revenue business in the maintenance and insurance sectors remained solid.

Operating income declined 28.6% YoY to 973 million yen, while gross profit dropped 3.4% year on year due to the impact of lower new car sales, higher procurement costs from the active used car market, and some delays in finalizing incentives (sales incentives) from brand manufacturers, which resulted in no incentives being posted. In addition, SG&A expenses increased 8.1% year on year due to the provision of an inflation allowance, higher utilities costs (mainly electricity), and investments to promote medium/long-term strategies. The majority of incentives, which had been delayed, were finalized and received on February 20, and will be reflected in the company's results in 3Q.



Sales in the second quarter (October-December) increased both year-on-year and quarter-on-quarter (compared to the first quarter). This is due to the gradual recovery of new car supply and price increases.

***Market Environment**

In October-December, the ratio of new car registrations (ordinary and light vehicles) to those in the previous year was 105.5% for domestic passenger cars, while the ratio for foreign passenger cars was 117.4%. The recovery of foreign passenger cars is becoming more evident. However, when considering only the brands dealt in by the company, the recovery momentum is lagging with the ratio of new car registrations being 101.4%.

Although the ratios of new car registrations for the company's main brands, Alfa Romeo and Jeep, to those in the previous year were as low as 76.6% and 63.2%, respectively, in the second quarter, both brands exceeded the performance in the previous year in January 2023, showing a rapid recovery.
On the other hand, neither foreign passenger cars nor the passenger cars of the brands handled by the company have recovered to pre-pandemic levels (2019), indicating significant upside potential.

[4-2 Trend of each business]

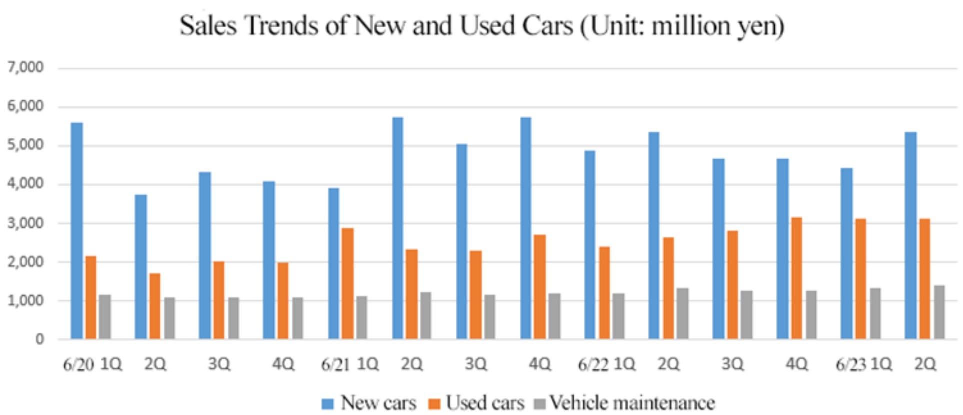
	2Q of FY 6/22 (Total)	Composition ratio	2Q of FY 6/23 (Total)	Composition ratio	YoY
New cars	10,237	51.3%	9,776	47.3%	-4.5%
Used cars	5,046	25.3%	6,238	30.2%	+23.6%
Sale by distributors	1,931	9.7%	1,658	8.0%	-14.1%
Subtotal of sales of cars	17,214	86.2%	17,674	85.5%	+2.7%
Car maintenance	2,527	12.7%	2,729	13.2%	+8.0%
Other	225	1.1%	257	1.2%	+14.2%
Total	19,968	100.0%	20,661	100.0%	+3.5%

*Unit: million yen.

*Sale of new cars
Despite some impact from delayed product arrivals, etc., the new store "Jeep Ota" opened in August 2022 contributed to sales, and sales of high-priced new vehicles from brands whose new car supply is normalizing continued to remain solid, which resulted in a minimal decline in revenue.

*Sale of used cars
As the supply of new cars was stagnant, demand for used cars grew, so the market prices of used cars increased. The company considers the sale of used cars as a priority strategy like the sale of new cars. This time, it enhanced the efforts to increase the trade-in rate, strived to secure products, and increased profit by double digits.

* Recurring-revenue business
Vehicle Maintenance Business performed well, as the number of shops grew and the number of customers who make continuous transactions with the company increased steadily.
In spite of the slowdown in new car supply, the damage insurance agency business has shown robust growth, with a steady increase in both commissions and the total number of cases.



[4-3 Financial Standing and Cash Flows]

◎Main Balance Sheet

	End of June 2022	End of December 2022	Increase/ Decrease		End of June 2021	End of December 2022	Increase/ Decrease
Current Assets	11,374	12,061	+686	Current Liabilities	8,254	8,100	-154
Cash and Deposits	5,538	4,323	-1,214	Payables	1,793	1,821	+28
Inventories	4,882	6,675	+1,793	ST Borrowings	3,549	3,560	+10
Noncurrent Assets	7,255	7,375	+120	Noncurrent Liabilities	1,545	2,141	+595
Tangible Assets	6,274	6,430	+156	LT Borrowings	1,066	1,634	+567
Buildings and Structures	3,664	3,705	+41	Total Liabilities	9,800	10,242	+441
Intangible Assets	174	137	-36	Net Assets	8,829	9,195	+365
Investment, Others	806	807	+0	Retained Earnings	7,566	7,912	+345
Total Assets	18,630	19,437	+807	Total Liabilities and Net Assets	18,630	19,437	+807

*Unit: million yen.

Due to securing products for sale in the second half of the year for both new and used cars, inventory assets increased, resulting in total assets increasing by 800 million yen from the end of the previous term to 19.4 billion yen. Long-term borrowings increased due to the implementation of sustainability-linked loans, resulting in total liabilities increasing by 400 million yen from the end of the previous term to 10.2 billion yen.

Net assets increased 300 million yen from the end of the previous term to 9.1 billion yen due to an increase in retained earnings.

Capital-to-asset ratio fell 0.1 points from the end of the previous term to 47.3%.

◎ **CF**

	2Q of FY 6/22	2Q of FY 6/23	Increase/ decrease
Operating Cash Flow	783	-1,341	-2,125
Investing Cash Flow	-93	-183	-89
Free Cash Flow	689	-1,525	-2,214
Financing Cash Flow	876	310	-566
Cash and Equivalents	4,943	4,323	-619

Operating cash flow and free cash flow turned negative due to a decrease in net income before taxes and other adjustments. The company's cash position decreased.

[4-4 Topics]

(1) Opening of "Jeep Ota"

The company has been opening new stores to expand its market area, complement existing areas, and expand its existing brand business. In August 2022, the company opened "Jeep Ota," a new store that conforms to the latest CI.

(2) Acquisition of MINI dealership business by a subsidiary

In February 2023, the subsidiary, Willplus Motoren Corporation, announced that it will acquire the MINI dealership business of Field Motor Corporation, which operates imported car sales, automobile maintenance, real estate leasing, and damage insurance agency business in Kurume City, Fukuoka Prefecture. They will also acquire some tangible fixed assets and employees of "MINI Kurume" operated by Field Motor Corporation. This is the company's 10th M&A for the first time in four years, and the acquisition is scheduled to take place on April 1, 2023.

Through this acquisition, Willplus Motoren will be responsible for all official MINI dealerships in Fukuoka Prefecture, and expects to further expand its business and strengthen its revenue base. In addition, the company expects many benefits, including the consistency with the dominant strategy and multi-brand strategy of Willplus Holdings group in Fukuoka Prefecture.

(3) Obtained the score B in the 2022 CDP Climate Change Questionnaire
The company obtained the score B in the Climate Change Questionnaire conducted by the international organization CDP (Carbon Disclosure Project) in response to requests from institutional investors and purchasing companies around the world to promote environmental information disclosure of companies.

The CDP questionnaire evaluates the disclosure of an organization's environmental information with A to F as a global standard for "E" in ESG information. As of 2022, more than 20,000 organizations, including over 18,700 companies and over 1,100 municipalities, equivalent to half of the world's market capitalization, have disclosed environmental information through CDP, which is used by institutional investors and purchasing companies for decision making. In Japan, over 1,700 companies and organizations, including more than 1,000 companies listed on the Prime Market, responded.

The score B corresponds to the top 24% of the companies surveyed worldwide, and is the highest among the company's related companies listed on the Prime Market of Tokyo Stock Exchange, on par with highly evaluated companies such as Honda Motor, Itochu Corporation, Seven & i Holdings, and Orix Corporation that represent Japan.
The company aims to obtain an "A" or "A-" rating, which corresponds to the top 0.08% of companies worldwide, by 2026.

(4) Willplus Motoren Corporation Receives Eco Mark Certification for 10 BMW and MINI Locations
In December 2022, Willplus Motoren Corporation announced that it has obtained Eco Mark certification for all of its bases (except for MINI Kurume) that handle the BMW and MINI brands in Japan.

Eco Mark is a third-party certification system based on ISO 14024 that recognizes products and services that meet certain environmental criteria established by the Japan Environmental Association.
The "Retail Stores" certification was granted to Willplus Motoren for its efforts to promote environmentally responsible practices in its operations together with consumers. The company achieved this by offering a broad range of environmentally friendly products and visualizing environmental considerations in store operations and eco-activities in which consumers participate.
In addition, the company's activities, such as conducting test drives and exhibitions of EVs and next-generation vehicles, using environmentally friendly products (BMW water-based paint, wooden muddler, soy ink, etc.), installing energy-saving equipment, and weighing and managing waste, were evaluated positively.

(5) Human Resources Strategy Initiatives
① Increase in Incentives for Employee Shareholding Association
In August 2022, the company increased the incentive payment for the employee shareholding association from 10% to 50% of the company's contribution per share unit of ¥1,000 (up to ten units of shares) from ¥100 to ¥500. This was done to improve employee benefits and increase an awareness of employee participation in the company's management.
Approximately 96.5% of the 3,200 listed companies that have adopted employee shareholding associations have set up incentive payments. However, over 90% of the companies that offer incentive payments set the company's contribution at 10% or less, and the average payment per ¥1,000 contribution is ¥88.4.
Only 16 companies bear more than 50% of the cost, placing the company in the top class of listed companies in terms of coverage.

② Introduction of Trust-Type Stock Options
In December 2022, the company adopted a stock compensation system and issued new share subscription rights on January 16, 2023, as part of an Employee Incentive Program.

The purpose of this initiative is to improve employee retention rate, strengthen the hiring capability, and promote employee participation in the company's management.

5. Fiscal Year ending June 2023 Earnings Forecasts

[Earnings Forecast]

	FY 6/22	Ratio to Sales	FY6/23(Est)	Ratio to Sales	YoY	Progress rate
Sales	39,696	100.0%	44,363	100.0%	+11.8%	46.6%
Operating Income	2,366	6.0%	2,687	6.1%	+13.6%	36.2%
Ordinary Income	2,377	6.0%	2,686	6.1%	+13.0%	36.4%
Net Income	1,550	3.9%	1,750	3.9%	+12.9%	36.2%

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

No revision to the earnings forecast. Sales and profit are expected to grow by double digits, and both sales and operating income are projected to hit a record high.

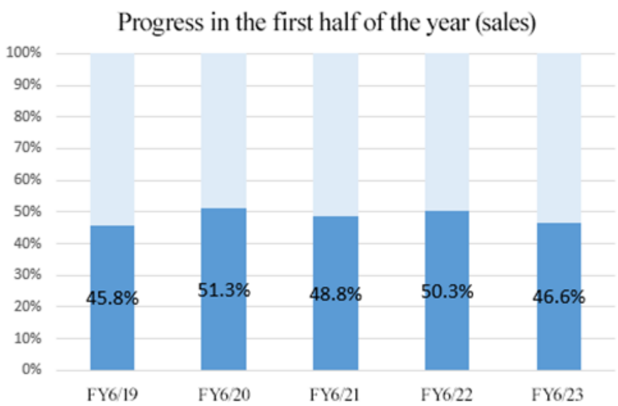
No change in the overall earnings forecast. It is forecast that sales will increase 11.8% year on year to 44,363 million yen and operating income will grow 13.6% year on year to 2,687 million yen. The company expects a recovery in the supply of new vehicles from the second half of the year, and the recurring-revenue business is expected to continue to post solid growth in profit and gross profit.

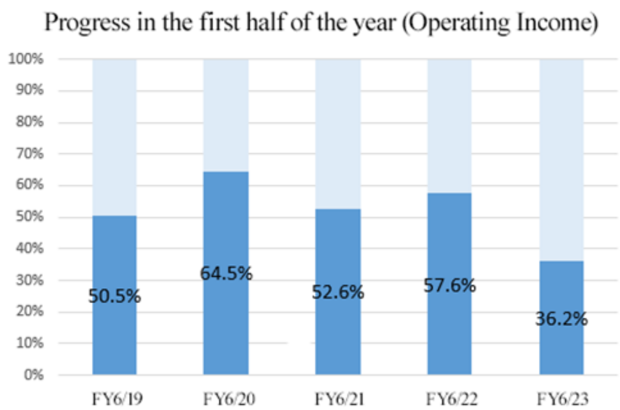
It is projected that sales will hit a record high for the first time in 2 terms and operating income will hit a record high for 3 consecutive terms.

6. Conclusions

The progress rate in the first half was 46.6% for net sales and 36.2% for operating income. Sales are almost at the same level as in previous years, but operating income is at a low level due to the delay in the finalization of incentives. However, since the majority of incentives were finalized and received on February 20, they will be reflected in the results in Q3, and we would like to pay attention to the progress rate at the end of Q3. In addition, the supply of new cars is on a recovery trend, and the progress in Q3 and Q4 will determine the achievement of the full-year forecast.

The company is making steady progress in its efforts and progress on environmental issues aimed at "enhancing social value." In particular, earning a "B" rating under the CDP, despite being the first response, can be regarded as a significant achievement.





* FY6/19 to FY6/22 are Ratio of first-half results to full-year results.

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
Directors	10 directors, including 4 outside directors (4 of which are independent executives)
Audit committee members	5 members, including 4 outside directors (4 of which are independent executives)

◎ Corporate Governance Report

Last update date: September, 29, 2022

<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)>

■ Supplementary Principle 3-1 ③ and Supplementary Principle 4-2 ②【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. Specific initiatives led by these committees are disclosed in documents including the financial results presentation materials.

(https://contents.xj-storage.jp/xcontents/AS01236/078770bd/f7ea/4bc2/872b/e27b99a6bb7b/140120220824523428.pdf)

In addition, our efforts to address climate change issues are disclosed through CDP.

The investment in human capital and intellectual property for enhancing medium/long-term corporate value is currently under discussion by our Executive Board, for which the Board of Directors will formulate and disclose basic policies in the future.

■ 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 each and every employee can maximize their abilities and continue to work for a long period of time, and follows its basic policy to appoint personnel based on their abilities and performance, regardless of gender, internationality, or whether they are mid-career hires or not.

<Proactive and measurable goals for ensuring diversity>

Our company has not set measurable goals for ensuring diversity in our core human resources, however, we will consider setting such goals along with our human resources strategies for enhancing medium-term corporate value.

<Status of ensuring diversity>

Ratio of female employees: 18.2% in FY6/22

Employment of foreign nationals in professional positions: 0.8% in FY6/22

Ratio of mid-career hires in management positions: 93.2% as of the end of June 2022

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

■ 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.

■ 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.