

# Presentation

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**Moderator:** Hello, everyone. Thank you for your patience. VT HOLDINGS CO., LTD. will now hold a briefing session on the financial results for the fiscal year ended March 31, 2025.

First, I would like to introduce today's speakers.

Kazuho Takahashi, President & CEO.

**Takahashi:** This is Takahashi. Thank you.

**Moderator:** Ichiro Yamauchi, Chief Financial Officer.

**Yamauchi:** My name is Yamauchi. Thank you.

**Moderator:** Now let's get started. President Takahashi, please go ahead.

**Takahashi:** I will now present the financial results of VT HOLDINGS for the fiscal year ending March 31, 2025. Sales for the fiscal year ending March 2025 are 351.63 billion. This is a 12.8% increase over the previous year. Operating profit was 10,859 million. This is a 9.6% decrease from the previous year. Profit before taxes was JPY9,732 million, down 15.1% YoY, for reasons to be discussed later. Profit attributable to owners of parent was JPY5,302 million. This is a 20.8% decrease from the previous year.

There were several positive and negative factors that contributed to the decrease in operating profit compared to the increase in net sales, but the most significant factor affecting operating profit was the approximately JPY500 million increase in total special factors such as provision of allowance for doubtful accounts, impairment loss, and goodwill impairment compared to the previous year. In addition, operating profit of several domestic brand dealer companies fell by approximately JPY1 billion, and although there were some positive factors, they were not enough to fully offset the impact.

Behind this is the fact that they have experienced a long period of time without new Nissan models and a decline in new car sales. The shipment of vehicles by some manufacturers did not go smoothly, among other factors. In addition, labor costs have been increasing due to aggressive wage hikes in recent years.

The next item that had a significant impact on profit before tax was an increase in interest expenses of about JPY300 million from the previous year due to a rise in interest rates on interest-bearing debt financing. There was a foreign exchange gain of about JPY300 million in the previous fiscal year that was lost this fiscal year.

The full-year forecast for the fiscal year ending March 31, 2026 calls for sales of JPY370 billion, up 5.2% from the previous year. Operating profit is 13 billion, up 19.7% from the previous year. Profit before tax is 11.5 billion, up 18.2% from the previous year. Profit attributable to owners of parent is 7 billion, up 32% from the previous year.

For the fiscal year ending March 31, 2025, the Company has decided to pay a year-end dividend of 12 yen per share, in addition to the interim dividend of 12 yen per share already paid, for a total annual dividend of 24 yen per share. The consolidated dividend payout ratio is 54.8%. The Company's target consolidated dividend payout ratio is 40% or more. This is based on the Company's policy regarding dividends and its desire to implement a long-term stable dividend policy, taking into consideration that dividends should not fluctuate significantly in the short term due to transitory factors. The dividend forecast for the fiscal year ending March 31, 2026 is an interim dividend of 12 yen and a year-end dividend of 12 yen, for a total annual dividend of 24 yen. The consolidated dividend payout ratio is 41.5%.

Revenues increased 12.8% YoY, recording an all-time high. In the automobile sales-related business, new vehicle sales fell below the previous year's level as Nissan dealers struggled in the off-season for new model launches, but other sales were relatively steady, and the Group as a whole saw an increase in both new and used vehicle sales, contributing to higher sales revenue.

Operating profit, profit before tax, and profit attributable to owners of parent decreased. While sales volume was secured, gross profit per unit deteriorated at some subsidiaries, resulting in a decrease in operating profit. In addition, certain subsidiaries in the automobile sales-related business recorded a provision for doubtful debt, impairment losses on fixed assets related to unprofitable stores, and impairment of goodwill.

As you can see, there have been some special factors in the past, such as a period in the past when there was a 1.8 billion gain on negative goodwill from M&A, or a gain on negative goodwill on M&A. Sales are steadily rising, and profits may rise or fall depending on special factors such as these, but basically, profits are expected to rise in real terms in proportion to sales.

In the automobile sales related business, new car sales and used car sales were strong, and sales in the service, car rental, and housing sectors were also solid.

Here is the quarterly changes in sales revenues by segment. Q3 and Q4 are circled here. As we have included four quarters in each fiscal year, the left side of the red dotted line is not the previous year, and the other two on left side are the figures for a YOY comparison.

In the automobile sales related business, used car sales, service, and car rentals performed well.

The graphs show growth for five consecutive years since 2021, and the graphs for Q3 and Q4 announced this time are to be compared with the graphs for Q3 and Q4 of the fiscal year ending March 31, 2024.

This is the revenue by region for the fiscal year ending March 31, 2025. The figures are broken down into domestic and overseas sales, but all of them are rising steadily.

As for the sales volume for the fiscal year ending March 31, 2025, while domestic new vehicle sales were sluggish, overseas new vehicle sales improved, and together with the steady progress in used vehicle sales, overall sales volume increased by 5.7% over the previous fiscal year.

This is not the case for our company, but the number of new and used cars sold nationwide in Japan. There are a few bumps in the road, but for the last few years, about four years, there has been a slight uptick, but compared to before that, both new and used cars are in a bit of a decline.

On the other hand, the sales volume is as shown in the previous graph, but if we look at the number of owned cars, the graph is for the last several decades, and it has never fallen below the previous year's level, and the situation is that it is growing little by little. I think the average age of cars is getting longer because of this, or perhaps it is because the cars themselves are more sophisticated and last longer without replacement, but somehow, the situation is steadily and gradually growing.

Total assets increased by JPY5 billion from the end of the previous period. This was mainly due to an increase in the number of rental cars and an increase in fixed assets due to store construction and other factors.

As for real interest-bearing debt, the net debt-to-equity ratio increased by 0.1 percentage point at the end of the previous period due to an increase in real interest-bearing debt associated with capital investment and expansion of the car rental business, but the current ratio and the fixed long-term conforming ratio improved.

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FCF increased significantly from the previous year due to a reduction in inventories and other current assets and an increase in liabilities. This is as shown.

As for the consolidated financial forecast, we expect net sales and operating profit to reach record highs against the backdrop of a recovery in production by automobile manufacturers and other factors. In the previous fiscal year, due to the war in Ukraine and various other problems, there were times when orders were taken but sales did not increase, but this situation has been largely resolved.

Assumed exchange rates for the year ending March 31, 2026. The exchange rates affect our overseas subsidiaries, and there is also a company called Trust Co., Ltd. that exports to other countries, which is also affected by the exchange rates. We have included the exchange rates in a manner in terms of the impact of exchange rates when consolidating overseas companies and dealers.

In terms of measures to realize management that is conscious of cost of capital and stock price, what is the progress toward the numerical targets that we have addressed to realize such management? Our goal is to achieve ROE of 12% or more, and we are struggling a bit here, but we will work hard to achieve it. The dividend payout ratio and the DOE dividend on equity ratio are persistently increasing.

These are sales revenue and operating profit since the Company was listed on the stock exchange. Sales have been steadily increasing, although there were times when they dropped a little when the 2008 Financial Crisis and other things happened. Factors such as whether there are model changes for popular models influence the business performance, resulting in some fluctuations in profit, but profit is generally on a steady increase and is roughly in proportion to sales.

As for our dividend policy, we have been advocating a dividend payout ratio of 40% or more to raise dividends as high as possible, and we have reached such a level. The dividend amount itself has probably never been reduced, but the forecast for the next fiscal year is roughly the same as the previous year, although it may increase depending on the situation.

A topic this term is Motoren Sapporo, a BMW dealer in Hokkaido, and we have acquired 100% of its shares, making it a subsidiary. The company has six locations for new cars and five locations for used cars, located almost entirely in Hokkaido.

**Moderator:** Thank you for your explanation.

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## Question & Answer

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**Moderator [M]:** Now we will start the question-and-answer session.

Let's start with the first question.

**Participant [Q]:** Could you please explain the factors behind the increase in sales and profit for the full year forecast and the outlook for the future? Thank you.

**Takahashi [A]:** Factors contributing to higher profits. In the past two years or so, there was a situation in which sales were slow because of the impact of COVID-19 and other factors that prevented cars from coming in. That area has been almost completely eliminated, so I think we are in a situation where it will increase to that extent, or rather, increase.

We have been continuously engaged in M&A, including small-scale M&A, and we are working daily to add one or two stores to our company, including smaller-scale M&A that do not involve individual companies. We are not in a situation where we have any number of items for sale on the other side, but we are willing to consider anything that comes our way.

M&As are less likely to occur when the economy is booming, and more likely to occur when the economy is in a slump. In such cases, our earnings may decrease a little, but as a result, our earnings will increase ahead through M&A, so we are fine with either situation. However, since there are other parties involved, it is not something we can proactively plan for, so we are taking a wait-and-see approach, or rather, we are considering all options.

**Moderator [M]:** Thank you. Now for the next question.

**Participant [Q]:** Please tell us how you stand on this fiscal year's results. I would like to ask if there is an increase in profit in the automotive and housing sectors compared to the previous fiscal year, and what is the outlook for these two sectors. I would also like to ask why you are forecasting lower profits in the first half of the year. Thank you.

**Yamauchi [A]:** The plan is to increase profits in both the housing and automobile-related businesses. The reason why the first half of the year is not good is that Nissan, which has the highest volume among the manufacturers we deal with, will continue to have an off-peak period when no new models are released until the first half of the year, and new models will be released in the second half of the year.

**Moderator [M]:** Thank you. Now for the next question.

**Participant [Q]:** How do you see the impact of the Trump tariffs? Also, what are the prospects for incorporating this into the current fiscal year's results? Thank you.

**Yamauchi [A]:** Conclusively, we have not factored in much. We believe that unless the overall economy stagnates due to the Trump tariffs, which would put a damper on auto sales, there will not be much of an impact.

**Takahashi [A]:** We don't export to the U.S. or anything like that, so I don't think it will have much of an impact directly, but if it causes a downturn in the overall world economy or something like that, it might have some effect. For now, I'm not sure, but I don't feel like it will have an effect here. Probably.

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**Moderator [M]:** Thank you. Now for the next question.

**Participant [Q]:** Can you please reiterate your reason for making Trust a wholly owned subsidiary? Thank you.

**Yamauchi [A]:** The Company had a 72% stake in Trust until now, and as you all know, there have been various proposals from the TSE to dissolve the parent-subsidary listings. One thing we have done is to review our company's way of doing things. In addition, from the parent company's point of view, there are many other things that we wish we could do more of since we are listed on the stock exchange, but since we have to maintain a certain degree of independence in our business operations due to our parent-subsidary listing, it has been difficult to do anything at the parent company's initiative. Therefore, we decided to conduct the TOB to resolve this situation.

**Moderator [M]:** Thank you.

**Participant [Q]:** I have the impression that there have been a lot of M&As of foreign car dealers recently, but I was wondering how the story is brought to you? Thank you.

**Takahashi [A]:** We are considering every proposal that comes our way, but domestic dealers are relatively stable, and the most common reasons for M&A discussions are falling into the red or lack of successors. However, I don't think there are many domestic dealers in such a situation.

The fact is that many foreign car dealers, on the other hand, are small in their own right. For example, with BMW, not all of the models sold by BMW in Germany are available in Japan, and to some extent only a limited number of models for the Japanese market are available, which means that the number of models is smaller than in Germany and that the customer base is also smaller. It is good in the sense that we can actively increase the number of variations, but Japanese manufacturers are larger in scale and have various aspects that are more suited to Japan, making it easier for us to do business with them. Without such a situation, there would be no element of growth at all, so we are working on foreign cars that are expected to generate proper profits.

**Moderator [M]:** Thank you. Now for the next question.

**Participant [Q]:** Honda will completely revise its margin system for dealers in 2027. I am asking if there will be any impact on your company's sales. Thank you.

**Takahashi [A]:** I'm not sure what to say about that yet, but as a dealer, we receive a certain amount of margin from the manufacturer, and within that margin we consider profit, including discounts and such. For example, I think the margin rate is probably going to go down. If this happens, on the contrary, the range of discounts will be reduced a little, and the customer may end up buying something slightly more expensive. I think that discounting is a bit unreasonable because all customers negotiate discounts. There is also a sense of unfairness, as those who are good negotiators can buy at a slightly lower price. I believe that manufacturers are working on the assumption that they will reduce margins but keep the discount rate constant.

It's with the other party, but the area is fixed, for the dealer. I don't think it will have that much of an impact, though. People who buy a car tend to buy the model they like, with the specifications they like, and discounting is secondary. It is true that no one wants to buy at a higher price than others. In general, there are some types of cars that are hardly discounted at all, and they are satisfied with that, so I don't think it will have much of an impact on them.

**Yamauchi [A]:** Also, I believe that margins for small dealers are decreasing rapidly, so I think that the possibility of putting small dealers on the M&A agenda for us to consider may be greater in the future than it is now.

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**Moderator [M]:** Thank you. Now for the next question.

**Participant [Q]:** In terms of M&A of foreign car dealers, WILLPLUS Holdings Corporation is growing with a similar business model. Is there any impact on the current situation, such as competition? I am also asking how you would rate WILLPLUS Holdings. Thank you.

**Takahashi [A]:** First, there is no competition. There is no competition because the areas are different and many of the brands are different, so there is no problem there. I don't think what we are doing is that much different. It's hard to say what's different. We are not that familiar with them, so it is hard to say. There is no part of fighting in the same area, actually. I can't say for sure.

However, we are not sure what their policy is, but for our part, we are aiming for a long-lasting relationship with customers who have already purchased once, and we are aiming for them to replace the products they have purchased again, so we place a great deal of importance on customer satisfaction, and there is a possibility of winning or losing based on whether there is more or less discounting at the moment of purchase. We are aiming for a long-term relationship with our customers, many of whom have bought many cars from us, so I don't think it will have that much of an impact on us in the future.

**Moderator [M]:** Thank you. Now for the next question.

**Participant [Q]:** I understand that you are expecting an increase in profit for housing this fiscal year, but I was wondering if you could give us some more details about the outlook for detached houses and condominiums for sale. Thank you.

**Yamauchi [A]:** In general, there are several divisions, and all of them are increasing their profits, but if we look at the YoY comparison, the condominium division will recover this term.

**Moderator [M]:** Thank you.

As there appear to be no further questions, we would like to conclude today's financial results briefing. Thank you for your participation throughout the entire presentation.

[END]

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