

Presentation

Moderator: VT HOLDINGS CO., LTD. is pleased to present its financial results for the second quarter of the fiscal year ending March 31, 2026. Thank you very much for taking time out of your busy schedule to watch this video.

Today's presentation will be followed by a question-and-answer period.

Questions can be submitted even during the explanation, so please send them via text from the "Ask a Question" box on the screen. Questions sent in will be answered later during the Q&A session by the attendees. Please note that we may not be able to answer all questions due to time constraints. Please understand this in advance.

The briefing is scheduled to end at 4:00 p.m. After the event, a questionnaire will appear, and we would appreciate your cooperation in answering it.

Here are today's explainers, Mr. Kazuho Takahashi, President and CEO.

Takahashi: My name is Takahashi. Thank you.

Moderator: Mr. Ichiro Yamauchi, Chief Financial Officer.

Yamauchi: My name is Yamauchi. Thank you for your cooperation.

Moderator: I would like to begin, then. Thank you, President Takahashi.

Takahashi: I will explain the financial results.

This is a summary of financial results for the second quarter of the fiscal year ending March 31, 2026.

Revenues increased 8.2% YoY, a record high for H1.

Operating profit also increased by 5.2% YoY, a record high for H1, and both profit before tax and net profit increased.

In the Automobile Sales-Related Business, overseas new car sales increased due to strong sales in Spain and South Africa and used car sales in Japan and overseas also increased due to an improvement in the used car market. In addition, the Service and Car Rental segments continued to perform well, with both revenues and profits increasing.

In the Housing-Related business, despite the impact of persistently high land and building material prices and rising construction labor costs, the detached housing sales segment was able to secure land for properties in favorable locations, resulting in firm orders and deliveries, and the custom construction segment secured stable orders from automobile dealers, commercial facilities, and condominium projects, resulting in an increase in both sales and income.

These are the consolidated business results for the first two quarters of the fiscal year ending March 31, 2026.

Sales revenue and operating profit reached record highs for H1.

Revenue in the Used Car segment increased substantially, while the Service and Housing segments also performed well.

This is the graph of sales revenue. We have been able to achieve record-high sales every year.

Sales revenue by segment, by quarter.

As for quarterly changes in segment sales revenues, all segments increased in both the first and second quarters compared to the same period of the previous year. In particular, the Used Car and Service segments have contributed to the increase in net sales, with an increase in used car sales and stronger service demand, and overall sales have grown for six consecutive fiscal years since 2021.

Gross profit by segment.

In terms of gross profit by segment, the Used Car, Service, and Housing segments all performed well, posting substantial gains.

The Used Car segment secured a gross profit due to improved market conditions, while the Service segment's profit growth was due to stronger efforts to meet service demand.

The Service segment is a recurring revenue business that takes advantage of the depth of the customer base it has built up over the years, and its high gross profit margins enable it to generate stable earnings by supplementing transactional-type new car and used car sales.

The Housing segment also performed well, with an overall increase over the previous year.

Quarterly gross profit by segment.

In both the first and second quarters, all segments increased YoY, with the Used Car, Service, and Car Rental segments performing particularly well, and overall growth has been strong for six consecutive fiscal years since 2021. In the quarterly trend of gross profit by segment, all segments increased in both the first and second quarters compared to the same period of the previous year.

Revenue by region.

In terms of revenue by region, both domestic and overseas sales remained strong, with the overseas ratio remaining unchanged at 47%. For sales composition by region is based on the location of the sales destination, as in the end of the previous fiscal year, Japan accounted for 50% of total sales. Of the remaining 50%, Europe accounted for 40%, and Africa, Oceania, Asia, and North, Central, and South America accounted for the other 10% or so.

In terms of quarterly sales revenue by region, both domestic and overseas sales continued to trend upward, with both first-quarter and second-quarter sales increasing favorably year over year.

New car sales declined in Japan due to the absence of notable new model launches by both Honda Motor Co., Ltd. and Nissan Motor Co., Ltd., while overseas sales volume increased due to strong sales in Spain and South Africa.

The sales volume of used cars increased both in Japan and overseas due to the improvement of the used car market. In Japan, VERNO CARLA, a used car exclusive sales company operated by J-net Rental & Lease Co., Ltd, achieved a significant increase in volume, selling 3,021 units in the current term, up 99.93% from the same period last year. Overseas, group companies in Europe, particularly in Spain, contributed to the increase in sales volume.

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These are the numbers of new and used cars sold nationwide.

Although these figures are for Japan as a whole, both new and used vehicles have recently increased as manufacturers' vehicle supply shortages have improved. This means that the level is recovering to the pre-COVID-19 pandemic level.

National passenger car ownership in Japan.

I have explained this every quarter, but it has been increasing, albeit slightly, for decades. The number of units is increasing.

The number of passenger cars owned throughout Japan, which is the source of revenue for the service segment, has been increasing at a moderate pace, up 18% from 2001, although the pace of increase has slowed in recent years due to factors such as the lengthening of vehicle ownership, and the average vehicle age continues to increase over time.

In the consolidated B/S for the first half of the fiscal year ending March 31, 2026, total assets increased JPY6.43 billion from the end of the previous fiscal year. This was due to an increase in fixed assets, including the M&A of Motoren Sapporo, capital expenditures for store remodeling, as well as the acquisition of rental cars.

Although the net debt-to-equity ratio increased by 0.2 points from the previous fiscal year end, mainly due to real interest-bearing debt increase related to the full consolidation of Trust and treasury stock purchases, as well as a decrease in shareholders' equity due to the share buyback, the fixed long-term ratio improved.

In terms of consolidated cash flow, operating cash flow decreased by approximately JPY3 billion mainly due to a decrease in trade payables caused by shortening of accounts payable terms at Nissan-affiliated dealers, but free cash flow remained positive due to a decrease in investment cash flow.

Negative financing cash flow includes approximately JPY3 billion spent for the acquisition of Trust shares and approximately JPY2.3 billion spent for the acquisition of treasury stock.

For the full year, we forecast record-high sales revenue and operating profit, as well as higher profit before tax and net profit compared to the previous year, due to a recovery in production by automakers and other factors.

In the first half of the fiscal year, the business performance slightly exceeded the plan. However, there are still many uncertain factors such as production trends of automobile manufacturers and changes in the market environment, etc. Therefore, we have not revised the full-year forecast at this time but have left the plan announced at the beginning of the fiscal year unchanged.

Sales revenue and operating profit since IPO.

Since its IPO, the Company has continuously engaged in M&A activities within the scope of its operating cash flow, aiming for a growth scenario that balances all the themes of "expansion of business scale," "improvement of profitability," and "strengthening of financial position," and has maintained a trend of increased sales and profits.

Regarding dividends policy, for the fiscal year ending March 31, 2026, the Company plans to pay an annual dividend of 24 yen per share, consisting of 12 yen for the interim period and 12 yen for the year-end, for a consolidated dividend payout ratio of 41.5%.

Topics.

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J-net Rental & Lease has been developing VERNO CARLA as a new used-car sales brand since 2023.

It offers reliable quality at affordable prices, focusing on well-maintained vehicles that have been carefully handled as rental cars. Starting with the first store, the Nagoya Midori Store, it opened the Okazaki Store and the Toyokawa Store in 2024, and the Sapporo Kitahiroshima Store in early 2025, which is its first store in Hokkaido. This fiscal year, the scale of the business is steadily expanding, with 3,021 units sold in the first half of the year, up 99.93% from the same period of the previous year.

Subsequent pages are reference pages for the Company's corporate profile, etc. and will be omitted from this explanation.

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Question & Answer

Moderator [Q]: We will now open the floor for questions and answers.

We will read your questions here.

The second quarter results were revised upward, but the full-year plan was left unchanged. You cite a lot of uncertainties as the reason, but what risk factors are you considering from the third quarter onward?

Takahashi [A]: I don't have any particular risk factors in mind. However, there have been various irregularities in the past, such as COVID-19, so we are doing this in the sense that we are leaving it unchanged, but it is not that we are predicting that demand will not grow, but rather that there are many unknowns, so please understand that we have left it unchanged for the time being.

Yamauchi [A]: If I may add a little more from a financial perspective, I think that the full-year forecast should be increased by at least the same amount as the increase in the first half, but as President Takahashi mentioned earlier, the plan itself does not factor in special factors such as impairment losses, so, in the past, impairment losses have occurred every fiscal year, although they are uncertain, and we have left the forecast unchanged because of the possibility that such losses may occur.

Moderator [Q]: Profits tend to be larger in the second half of each fiscal year. What is the forecast for this fiscal year?

Takahashi [A]: It is the same every year, and it is almost the same in the car industry, but the biggest increase in the number of cars sold during the year is in March. This is due in part to the fact that many companies close their books at the end of March. The next one is September. Since there is a tendency for the second half of the year to be more consistent, the forecast is based on the same trends as in past years.

Yamauchi [A]: In terms of seasonal fluctuations over the year, the ratio tends to be about 45% in the first half of the year and 55% in the second half, and I expect the situation to be similar this year.

Also, among the brands we handle, Nissan is now launching new mini cars, and since we had no new models until the first half of the year, Nissan has more factors to improve in the second half of the year than other brands.

Moderator: [Q]: What were the reasons for the upward swing in the first half? Also, will the factors continue in the second half of the year, and is there continuity?

Yamauchi [A]: Regarding sales revenue and operating profit, sales revenue increased by JPY5.7 billion compared to the plan due to strong new car sales in Spain, as I mentioned earlier in my explanation, and the Chinese brands we are newly handling.

As mentioned in the introduction earlier, a company called J-net Rental & Lease, which sells used cars as VERNO CARLA, also posted an increase of about JPY4.9 billion in value.

Most of the upside is from those two companies. Overall, there were other positive and negative factors, but they were offset, and those two factors remain.

Also, in terms of operating profit, the Automotive segment turned around by about 630 million and the Housing segment by about 440 million, and the strong sales in Spain I mentioned earlier and the strong

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performance of J-net also contributed to the profit, but the other companies also performed reasonably. As for Housing, there were relatively strong sales of built-for-sale housing, especially in Kanagawa and western Tokyo.

These are the main contents of the increase in sales and profit.

As for continuity, therefore, new Chinese brands in Spain are still growing well, so I can't say for sure, but I think it will continue. We are also opening new J-net car rental stores every year and plan to continue at this pace.

Takahashi [A]: Yamauchi, who just spoke, is always the one who makes the business plans, and he is one of the most conservative guys in Japan. I think this is just due to human nature, but I think it tends to be that way.

Moderator [Q]: Since the fiscal year ended March 31, 2024, the dividend has remained unchanged without an increase. If there are no major M&A deals, is there plenty of room to increase the dividend?

Takahashi [A]: I think we will be flexible on that and may increase the dividend, taking that into consideration when the numbers come in, but, at any rate, as I mentioned earlier, we are taking a firm stance in making the forecast.

Some people seem to live on dividends, and we have a relatively high dividend payout ratio. So, I always have the feeling that we are putting out a solid number, just in case, without overstating it too much.

I'm not saying there is no possibility of another upward revision, or even doing it, but for now we are looking at it conservatively.

Yamauchi [A]: We intend to return profits to shareholders in the form of share buybacks. We will continue to actively strive to return profits to shareholders.

Moderator [Q]: What is the breakdown of the Housing segment? Deliveries of both subdivisions and detached houses have been strong, but have they all been profitable? Also, what is your outlook for the full year?

Yamauchi [A]: Both sales of subdivisions and detached houses have been favorable. The same is true for the full year.

In the Housing segment, the segments are quite detailed. I don't have very detailed numbers right now.

Moderator [Q]: Please explain the reasons for your company's strong performance in home sales, breaking it down into external and internal factors.

Yamauchi [A]: As for external factors, I mentioned earlier that Kanagawa and western Tokyo were particularly good, and I think, including the forecast, that condominium prices have risen so much in central Tokyo that it is difficult for office workers to afford them. Prices for detached houses for sale are of course going up, but not as drastically as for condominiums, and I think this is why customers like them so much. Another factor is the ability to find properties in good locations near train stations, which is a skill, or networking with various people in the local area. I think that these are reasons why we have been able to successfully purchase land.

Moderator [Q]: Honda-affiliated sales companies are restructuring, and what is your company's stance? I believe you have an active policy on M&A. The introduction of a system in which dealer margins also fluctuate in line with sales targets may have made the environment more challenging for survival.

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Takahashi [A]: This is a difficult question to answer, but it is not limited to Honda, but all manufacturers have dealers in almost every city, town, and village in Japan, and the only way for us to expand is through M&A.

In M&A, there is a partner, and the partner "wants to sell" or "wants to quit." The two cases occupy almost everything: either the company is falling into the red or there is no successor. When there aren't many of those situations, those deals don't come up. It's not like we can say something rude like, "Why don't you sell your company proactively?"

And when there is a case like that, it is usually known that we are going to take care of it soon, so the case often comes to us, but since we don't come to them, we really have to wait for the other party. We are always open and waiting, but it is difficult for us to be proactive, and we are in a situation where we have to leave things to the other side.

Moderator [Q]: Is it correct to assume that the guidance for the next fiscal year will be on par with the initial plan for the current fiscal year?

Takahashi [A]: There are some uncertainties, but I believe that we are on track or slightly ahead of our business plan.

Yamauchi [A]: Without M&A, there are several areas where we are rebuilding poor performance, so only the effect of improvement in those areas will add up, and if M&A were to occur, I think the top line would grow a bit more.

I can't say for sure at this stage.

Moderator [Q]: Regarding the VERNO CARLA business, do you have any plans to open new stores in the future?

Yamauchi [A]: I would like to focus on increasing sales at the stores that we are currently running and then doing my best to increase revenue.

Takahashi [A]: For the time being, yes, but if you ask me if there will be no store openings even in the future, I am not sure about that, but I cannot say that there will or will not be depending on the situation.

Moderator [Q]: Do you expect to continue to hold KeePer Technical Laboratory shares?

Takahashi [A]: At the moment, there are no factors to sell or anything like that, so if I had to answer the question under the current circumstances, I would say that we will continue to hold them.

If the other side's circumstances change in some way and a situation arises where that is not the case, then after mutual consultation, we will not unilaterally plan to sell or anything like that, but if the other side requests it, it is not impossible for us to do so.

Moderator [Q]: Honda has reiterated its policy of strengthening domestic sales. Have the sales companies been informed of these developments? With profitability being severe if only mini cars are sold, the company's strategy seems to be to focus on registered cars.

Takahashi [A]: That part is not so easy. Naturally, manufacturers are planning various model changes to increase sales volume, but they cannot be sure whether sales will be as expected until they open the doors to the market.

I am sure that all manufacturers are aiming to increase sales and profits, but not everything can be accepted by the customers, so it is a case-by-case basis, and you don't know until you open the doors, so I think we are

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all going in the same direction. As a result, it's a little difficult to see how it will turn out, and dealers are selling cars made by the manufacturer, so they are not involved from the development stage. Car magazines can detect what is coming out earlier than we can, and they even show pictures of what is coming out, so it is up to the manufacturers.

For us, there is nothing better than new and popular cars, but whether or not such a thing exists, the number of existing customers is more than 10 times the number of units sold, or rather, the number of customers who come in for various services and such, so the system is designed to cover fixed costs by doing our best in the largest volume areas, so the only thing we can do is to make sure we do that properly. The rest is dependent on the manufacturer.

Moderator [Q]: It has been reported that Toyota Motor Corporation has a policy to set the new car cycle to nine years. How will these developments affect new car dealers?

Takahashi [A]: Even if a manufacturer announces such a policy, it is difficult to know whether customers will follow it or not, and it is also difficult to know whether customers will respond to such an alternative cycle as the manufacturer intends.

I think this is because the timing of model changes is intentionally changed in this way, but there is almost no tendency to change the same model to a newer one because it has become old. I think that unless something is done to change the model, it will not lead to sales. From our standpoint as retailers, we feel that way.

Moderator [Q]: New EVs are being introduced by Honda and Nissan, but is there demand for them?

Takahashi [A]: At the moment, infrastructure development and such are still a bit behind, and I think that once those areas are in place, the number will increase a little more. It's a bit of a hard place to read, that's for sure.

Moderator [Q]: I understand that many of the sales companies in your group are also insurance agents, but what is your view of recent trends in the non-life insurance industry?

Takahashi [A]: As an agent, we propose products planned by insurance companies. And it is not a power relationship in which if we make a request, the other side's system will change. This is a bit hard to say, since there is not much more to it than recommending a policy that matches the customer's needs.

Yamauchi [A]: As a supplementary note, the law regarding insurance agency business will be revised in the future, and the FSA will require us to strengthen the compliance aspect very much, so we plan to improve such agency quality through a company-wide project.

Moderator [M]: It appears that the questions have run their course, so we will end the Q&A session.

This concludes today's financial results briefing.

Thank you very much for watching to the end today.

[END]

Document Notes

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