

BIKE O & COMPANY Ltd.

3377

Tokyo Stock Exchange Standard Market

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Summary

Delivered record-high profit in FY11/22, supported by an initiative to purchase and sell high-market-value vehicles

BIKE O & COMPANY Ltd. <3377> (the “Company”) has articulated its corporate vision as “A Lifelong Partner for Motorcyclists.” In this role, the Company seeks to shape customers’ motorcycle life by offering a wide range of services for selling, buying and enjoying motorcycles. Currently, the Company seeks to evolve from a brand that can be described as “BIKE O for Selling Your Motorcycle,” based on the motorcycle purchasing specialty stores it operated when it was founded, to a brand that can be described as “BIKE O for All Your Motorcycle Needs” – one that provides customers with a comprehensive and complete range of services related to motorcycles. In addition, the Company has established a new corporate mission of “Creating Amazement the World Has Not Yet Seen,” targeting sustainable growth and aiming to be a life design company that goes beyond motorcycle life by entering new businesses such as transportation infrastructure, leisure, and life design that generate synergies with the motorcycle business, as well as by fulfilling its social responsibilities by solving societal challenges.

1. FY11/22 results

Looking at FY11/22 results, the Company reported net sales of ¥33,480mn (up 26.0% YoY), operating income of ¥1,653mn (up 6.1%), ordinary income of ¥2,259mn (up 27.6%) and net income of ¥1,550mn (up 26.4%). The success of the effort to source and sell high-market-value vehicles led to higher sales and profit in both the Wholesale segment and the Retail segment, with net sales, ordinary income, and net income each setting new record highs. At the end of FY11/21, the Company had secured inventory in advance of 1Q, and purchases were solid. As a result, the Company was able to achieve strong results even in 1Q, which is the off-season for motorcycles where demand typically declines. The Company’s effort to sell vehicles with even higher demand among high-market-value vehicles (51cc or higher) was successful, and the vehicle sales unit price (net sales per vehicle) increased significantly. However, operating income was ¥1,653mn, falling short of the forecast of ¥1,772mn. Still, this was due to the fact that the Company secures inventory in 4Q of each year, but around the end of 1Q of FY11/23, it secured additional high-quality inventory in 4Q based on the fact that its plan to open the second store for motorcycles no longer in production, which will be a large store, came into focus. A regular store has motorcycles in the ¥500,000 to ¥1,000,000 price range, but the store carrying motorcycles no longer in production has remained popular, and so only displays vehicles no longer in production that are in a higher price range. As a result, the strategy targeting the next fiscal year based on securing a large number of vehicles in the ¥1,000,000 to ¥3,000,000 price range was the reason for operating income falling short of the target.

2. FY11/23 forecast

For FY11/23, the Company forecasts net sales of ¥34,500mn (up 3.0% YoY), operating income of ¥1,900mn (up 14.9%), ordinary income of ¥2,150mn (down 4.8%) and net income of ¥1,470mn (down 5.2%). In the motorcycle industry, although the risk of a dip in demand, especially due to an economic downturn, cannot be ignored, auction prices as well as the retail market are firm. The Company’s core products are high-market-value motorcycles, and both the number of new motorcycles sold as well as the number of motorcycles owned are trending higher, as is the number of people who have newly obtained standard motorcycle licenses and large motorcycle licenses, and at the moment there are no signs of a sudden drop in demand. Going forward, it is expected that motorcycles will continue to support the transportation infrastructure, and that the change in attitude towards motorcycles due to the COVID-19 pandemic and the resulting strong demand will continue.

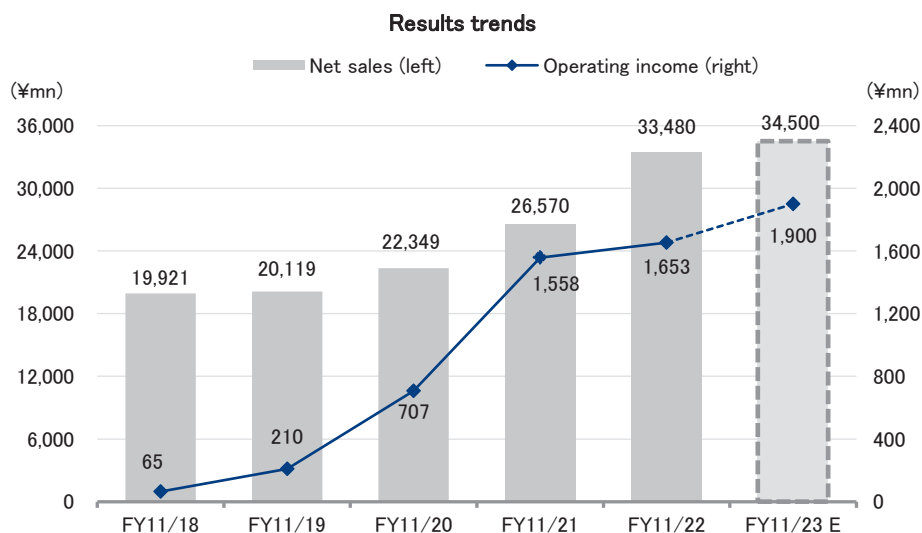
Summary

3. Formulation of new medium-term management plans

In the Company’s three-year medium-term management plan running from FY11/22 to FY11/24, the Company had targeted net sales of ¥31.5bn and ordinary income of ¥2.5bn in FY11/24, the final fiscal year of the plan. Based on the fact that the Company’s net sales in FY11/22 exceeded ¥31.5bn (the net sales target for the final fiscal year of the medium-term management plan) due to store openings, the increase in sales unit prices and other factors, as well as due to the fact that the Company has accumulated an activity track record in new business domains, the Company revised the medium-term management plan in order to always be looking three years ahead, and formulated a new medium-term management plan covering FY11/23 through FY11/25. With this, the Company’s targets for FY11/25 are net sales of ¥39.5bn (FY11/22 results: ¥33.4bn), operating income of ¥2.5bn (¥1.65bn), ordinary income of ¥2.8bn (¥2.25bn) and net income of ¥1.91bn (¥15.5bn). The profit margin targets are a gross profit margin of 39.9% (39.3%), operating profit margin of 6.3% (4.9%), and ordinary profit margin of 7.1% (6.7%).

Key Points

- In FY11/22, aggressively pursued alliances with companies for which synergies can be expected
- Shifted to a UX (user experience) growth model, and maximizing customer LTV
- Achieved the net sales target for FY11/24 (the final fiscal year of the medium-term management plan) of ¥31.5bn two years ahead of schedule, and formulated a new medium-term management plan
- Proactively utilizing outside funds. Bolstering financial soundness by securing stable funding and inventory leading to the future
- In the results forecast for FY11/23, operating income is expected to increase YoY due to the fact that the Company expects an increase in the number of retail motorcycles sold from stores developed in the previous fiscal year, but forecasting a decline in ordinary income due to the impact of the non-recurrence in FY11/23 of extraordinary dividends received from affiliates that were booked in 1Q of the previous fiscal year
- Decided to open a second concept shop in the spring of 2023 centered on motorcycles no longer in production in Chigasaki City, Kanagawa Prefecture



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

■ Company profile

Evolving into a brand encompassing “BIKE O for All Your Motorcycle Needs” – one that provides a comprehensive and complete range of services related to motorcycles

The Company has articulated its corporate vision as “A Lifelong Partner for Motorcyclists.” In this role, the Company seeks to shape customers’ motorcycle life by offering a wide range of services for selling, buying and enjoying motorcycles, and is aiming to be a life design company that goes beyond motorcycle life by entering new businesses such as transportation infrastructure, leisure, and life design that generate synergies with the motorcycle business, as well as by fulfilling its social responsibilities by solving societal challenges. Based on this, in FY11/22 the Company bolstered its mobility business and lifestyle business, aiming to advance its business model and achieve a long-term increase in corporate value. Going forward, the Company will develop businesses with an emphasis on the leisure and outdoor business.

The Company can trace its origins to the incorporation and founding of MAJOR AUTO., LTD., its predecessor, by President and Representative Director Akihiko Ishikawa and Chairman and Director Yoshihiro Kato in 1994. Thereafter, the Company pushed ahead with the systematic development of operations in the motorcycle purchasing business and opened its first roadside store fitted with the “BIKE O” sign in 2002. Subsequently, the Company listed its shares on JASDAQ in 2005 and the Second Section of the Tokyo Stock Exchange (hereinafter, “TSE”) in 2006. In 2009, the Company achieved the opening of 100 “BIKE O” motorcycle purchasing specialty stores. In March 2011, the Company entered into a business and capital alliance concerning the motorcycle auction business with USS Co., Ltd. <4732> and Japan Bike Auction Co., Ltd. The Company turned Japan Bike Auction Co., Ltd. into an affiliated company through the acquisition of its shares (investment ratio 30.0%). In the past few years, the Company has been focusing on the domestic retail business and has strengthened its growth potential. In November 2016, the Company entered into a capital and business alliance with G-7 HOLDINGS Inc. <7508> In Japan, G-7 HOLDINGS operates the car business under the automotive supplies brand AUTOBACS through its subsidiary G-7 AUTO SERVICE CO., LTD. In addition, it provides comprehensive motorcycle services such as the operation of specialty stores for motorcycle supplies, parts and accessories, and maintenance services through subsidiary G-7 BIKE WORLD CO., LTD. G-7 HOLDINGS also conducts business through G7 RETAIL MALAYSIA SDN. BHD. (Malaysia) and G7 (THAILAND) CO., LTD. which fall under its subsidiary G7 INTERNATIONAL PTE. LTD. With regard to the Company’s overseas business expansion, the Company explores possibilities by conducting activities such as test marketing as needed, in addition to overseas transactions (such as motorcycle exports and sales), and cautiously considers overseas business expansion initiatives that include opening stores. In August 2011, the Company established the BIKE O Motorcycle Life Research Institute. The purpose of this research institute is to embrace the vision for being “A Lifelong Partner for Motorcyclists” and deliver information widely across society on matters such as the enjoyment of motorcycle life and trends in the motorcycle market.

Company profile

In March 2017, the Company began operating a motorcycle content website called “Bike Life Lab.” To grow into an information delivery organization with a closer and stronger engagement with motorcycle riders, the Company renamed the BIKE O Motorcycle Life Research Institute as “Bike Life Lab supported by BIKE O,” thereby integrating it with the motorcycle content website. The Company has reinforced information delivery by linking the motorcycle content website with various social media services. In December 2019, the Company turned Yamato Co., Ltd. into a wholly-owned subsidiary, with the goal of creating a new source of earnings and creating an environment for sustainable sales of preowned motorcycles. Also, in November 2020, the Company set up the Contact Center No. 3 to spread out the risk of a stoppage of customer reception services. As part of efforts to expand peripheral businesses related to motorcycles, in April 2021, the Company established BIKE O DIRECT Co., Ltd., a subsidiary responsible for operating and managing the Company’s e-commerce website. To capture synergies with vehicle sales and raise customer satisfaction, the Company has launched an e-commerce website that carries vehicles and related accessories and parts.

In April 2022, the Company transferred its shares to the TSE’s Standard Market in conjunction with the TSE’s market reorganization. Also in April 2022, the Company established subsidiary Life & Company Co., Ltd. in order to ensure the development and agile management of new businesses, centered on franchises and business alliances. In May, Life & Company and Rabbit Car Network Co., Ltd., a major player in the automobile wholesale industry, concluded a franchise agreement, with Life & Company as the franchisee, under which Life & Company will engage in the business of purchasing and selling of preowned four-wheel vehicles. In September, Life & Company entered the brand reuse business through a franchise agreement with K-Brand Off Co., Ltd. Meanwhile, in December, the Company concluded a business alliance and a franchise agreement with Bears Co., Ltd. and purchased the shares of Oz Project Co., Ltd., thereby turning it into a wholly-owned subsidiary. In January 2023, the Company introduced “KeePer coating” provided by KeePer Technical Laboratory Co., Ltd. Also, the Company is expanding the reuse business for preowned motorcycle parts and accessories through a franchise agreement between subsidiary BIKE O DIRECT and UP GARAGE CO., LTD.

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Company profile

Company History

Date History	Company History
Sep. 1994	Founded MAJOR AUTO., LTD., the predecessor of the Company.
Sep. 1998	Founded IK CO., LTD., as a general consulting business for motorcycle purchasing specialty stores.
Dec. 1999	Developed systematic business operations for the motorcycle purchasing business.
Jan. 2001	Began integration of Group companies established as part of a multi-brand strategy (completed in January 2003).
May 2002	Opened an Information Center (currently called the Contact Center).
Dec. 2002	Opened the first roadside store fitted with the "BIKE O" sign.
Nov. 2003	Opened a motorcycle parts store (closed in January 2012 and transitioned to Web-based sales and retail sales at certain stores).
Feb. 2004	Started airing BIKE-O commercials.
Mar. 2005	Centralized information systems into the proprietary mission-critical system "i-kiss."
June 2005	Listed on the JASDAQ market of the Tokyo Stock Exchange (delisted in October 2006).
Sep. 2005	Opened the Company's first motorcycle retail store.
Mar. 2006	Founded PARK-OH Co., Ltd., a subsidiary to manage the motorcycle parking business (absorbed through a merger in March 2012).
Aug. 2006	Listed on the Second Section of the Tokyo Stock Exchange.
Feb. 2007	Founded IK MOTORCYCLE CO., LTD. as a subsidiary to manage the retail motorcycle business (absorbed through a merger in June 2008).
Mar. 2007	Assumed the motorcycle sales business of Techno Sport Co., Ltd.
Aug. 2009	Number of "BIKE O" motorcycle purchasing specialty stores reached 100.
Mar. 2011	Commenced a business and capital alliance concerning the motorcycle auction business with USS Co., Ltd. <4732>, which manages auto auctions, and Japan Bike Auction Co., Ltd., which manages motorcycle auctions.
Apr. 2011	Turned Japan Bike Auction Co., Ltd. into an affiliated company through a share acquisition (investment ratio 30.0%).
Aug. 2011	Established the BIKE O Motorcycle Life Research Institute as an information delivery organization (currently "Bike Life Lab supported by BIKE O").
Sep. 2012	Company name changed to "BIKE O & COMPANY Ltd."
Feb. 2014	Headquarters moved to Minato-ku, Tokyo.
Jan. 2016	Unified the service brand to "BIKE O" and integrated and redesigned the logo mark.
Nov. 2016	Concluded a capital and business alliance with G-7 HOLDINGS Inc. <7508>, which conducts a motorcycle supplies sales business.
Feb. 2017	Changed the corporate governance model from a company with a Board of Statutory Auditors system to a company with committees system.
Nov. 2017	Transferred the motorcycle parking business by means of a company split (incorporation-type company split) and share transfer.
Dec. 2019	Turned Yamato Co., Ltd. into a wholly owned subsidiary through an acquisition of shares (the Company's investment ratio: 100.0%)
Nov. 2020	Set up Contact Center No. 3 to spread out the risk of a stoppage of customer reception services
Apr. 2021	Established BIKE O DIRECT Co., Ltd., a subsidiary that operates an e-commerce website carrying vehicles and related accessories and parts.
Jul. 2021	Bike O launched "BIKE O DIRECT," its first e-commerce site offering vehicle and motorcycle accessories
Mar. 2022	BIKE O established the "Bike Future Research Institute"
Apr. 2022	Shares transferred to the TSE's Standard Market Established subsidiary Life & Company Co., Ltd. to develop and manage new businesses through franchise agreements and business alliances
Dec. 2022	Acquired the shares of Oz Project Co., Ltd. (100% investment stake) making it a wholly-owned subsidiary Started a business alliance with Bears Co., Ltd. and concluded a franchise agreement related to the housecleaning business

Source: Prepared by FISCO from the Company's website

Business overview

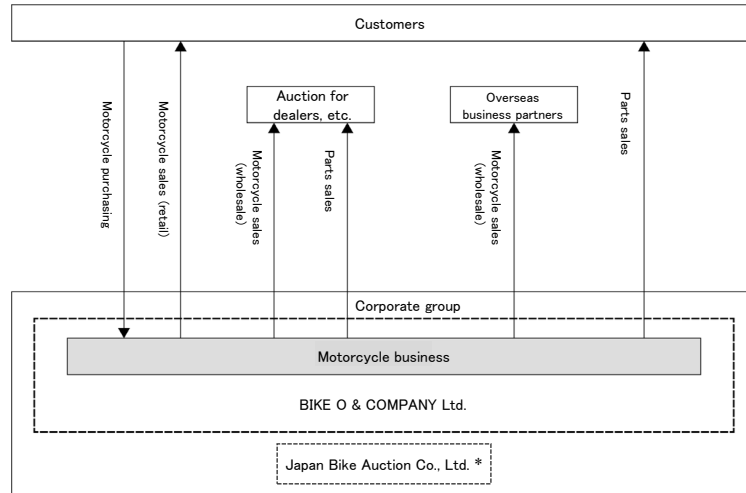
Nationwide business roll-out under the “BIKE O” brand, and in a period of expansion of sourcing of high-market-value vehicles. Expanding the Retail business with new store openings and transitioning to mixed-use stores, as well as proactively entering new businesses

The Company has rolled out the “BIKE O” brand nationwide, with its main business domains ranging from sales to purchasing of preowned motorcycles. Motorcycles purchased from customers are refurbished to increase their product value and are then sold in the wholesale market via auctions for dealers. In addition, motorcycles are sold in the retail market to individual customers through the Company’s stores and other channels. Moreover, the Company provides a variety of services that allow customers to enjoy their motorcycle life according to their lifestyles, beginning with support to facilitate their motorcycle life. The store network covers 5 stores in the Hokkaido and Tohoku area, 28 stores in the Kanto area, 4 stores in the Koshin and Hokuriku area, 8 stores in the Tokai area, 14 stores in the Kinki area, 5 stores in the Chugoku and Shikoku area, and 7 stores in the Kyushu and Okinawa area, with the Company operating a total of 71 stores nationwide. The Company is working on transitioning to mixed-use stores (shifting to a store format that offers both motorcycle purchasing and retail business functions). Currently, 68 of the 71 stores (as of January 10, 2023) nationwide are mixed-use stores. Additionally, in April 2021, the Company established BIKE O DIRECT Co., Ltd., a subsidiary responsible for operation and management of the Company’s e-commerce website, marking its entry into the e-commerce business in earnest. The Company also operates Contact Center (Saitama, Saitama Prefecture), Contact Center No.2 (Akita, Akita Prefecture) and Contact Center No.3 (Yamaguchi, Yamaguchi Prefecture). It has logistics centers in three locations, specifically Yokohama (Kanagawa Prefecture), Neyagawa (Osaka), and Kobe (Hyogo Prefecture). Also, in April 2022 the Company established subsidiary Life & Company which is responsible for developing and managing new businesses through franchising and business alliances. Life & Company concluded a franchise agreement with Rabbit Car Network and entered the business of buying and selling preowned four-wheel vehicles. In September, the Company entered the brand reuse business through a franchise agreement with K-Brand Off. Meanwhile, it entered into a business alliance and concluded a franchise agreement with Bears, a company engaged in the housecleaning business, made Oz Project Co., Ltd. a wholly-owned subsidiary by acquiring its shares, and introduced KeePer coating provided by KeePer Technical Lab. In addition, in January 2023 subsidiary BIKE O DIRECT concluded a franchise agreement with UP GARAGE CO., LTD. which engages in the business of reusing preowned motorcycle parts and accessories, and otherwise expanded both its lifestyle business and mobility business.

The Company has two segments: the Wholesale segment, where it conducts wholesaling activities via auctions for dealers, and the Retail segment, where it conducts sales activities for individual customers through its stores and other channels such as online sales. The sales composition ratios for the Wholesale and Retail segments were just over 70% for the Wholesale segment and just under 30% for the Retail segment in FY11/16, the year that the Company strengthened the Retail segment, but in both FY11/21 and FY11/22 the Retail segment accounted for over 40% of sales as the Company has made steady progress on its retail expansion strategy. It is working to improve its ability to attract customers by continuously increasing the number of mixed-use stores, in addition to increasing the number of high-market-value vehicles by ensuring a sufficient volume and quality of purchased vehicles. As a result, earnings growth has been increasing as a trend both in the Wholesale and Retail segments.

Business overview

Outline of the Company's business



Source: The Company's website

Strengths

Tremendous recognition of the “BIKE O” brand, high-quality services for customers, optimal appraisals regardless of model or make, and two distribution networks for wholesale and retail

The Company has four strengths: (1) it is a leading company in motorcycle purchasing boasting the “BIKE O” brand, which enjoys tremendous brand recognition in preowned motorcycle purchasing services; (2) the Company provides high-quality services to customers, such as receiving applications for purchasing screening 24 hours a day, 365 days a year, and operating a network that offers a free-of-charge, home-visit motorcycle purchasing service; (3) the Company has developed a highly transparent market environment that customers can use with peace of mind through unified nationwide appraisal standards using preowned motorcycle auction sites across Japan and the nationwide BIKE O distribution network; and (4) the Company has two distribution networks, the wholesale network and the retail network.

(1) Tremendous recognition of the “BIKE O” brand

The Company has tremendous brand recognition, with its brand name recognized even among those who do not ride motorcycles, owing to TV commercials aired continuously since 2004 and proactive web-based commercials. The Company has evolved from its existing “BIKE O” brand, which is known for motorcycle purchasing specialty stores, to a brand that can be described as “BIKE O for All Your Motorcycle Needs” – one that provides customers with a comprehensive and complete range of services related to motorcycles. Additionally, the Company is working to expand peripheral businesses related to motorcycles.

Strengths

(2) Providing high-quality services to customers

The Company receives applications for purchasing screening 24 hours a day, 365 days a year in order to satisfy customers' needs. Also, the Company is able to respond quickly to customers utilizing its network, including offering a free-of-charge, home-visit motorcycle purchasing service, where motorcycle life advisors from stores nationwide visit customers in their homes to purchase motorcycles. In other areas, the Company is strengthening not only face-to-face sales but also online sales as a means of upgrading and expanding sales services. The Company is working to roll out online sales by seamlessly linking its wealth of inventories nationwide based on the concepts of convenience, peace of mind, and selection. These efforts are guided by an in-house slogan of realizing usability with a "one-shop" feel. Online sales feature a range of services. Customers can receive free shipping to their homes, limited to days designated by the Company. Shipping between stores is also free of charge if deliveries are made within a designated area. In addition, motorcycles have been made even easier to select for customers through the addition of video-based information that allows confirmation of factors such as engine sound within the official BIKE O website and the inventory information of major preowned motorcycle sales websites. Apart from this, in not only face-to-face sales but also online sales, the Company offers a long-term warranty of up to seven years* on vehicles that have been purchased and have undergone pre-delivery inspections at BIKE O stores. In these ways, the Company provides full support for customers' motorcycle life. The Company seeks to enlarge new customer segments through the establishment of BIKE O DIRECT Co., Ltd. as a subsidiary responsible for operation and management of the Company's e-commerce website.

| * The warranty period varies with vehicle, and certain conditions must be met to receive a warranty. |

(3) Developed a highly transparent market environment through unified nationwide appraisal standards

One important factor for being chosen by customers is appropriate purchasing practices. Previously, the preowned motorcycle market had many underdeveloped aspects in terms of distribution and appraisal standards. The Company has developed a highly rational and transparent market environment where customers can use its services with peace of mind. The Company purchases motorcycles using preowned motorcycle auction sites across Japan and the nationwide BIKE O distribution network. Leveraging IT networks, the Company grasps price data from auction sites for preowned motorcycle businesses throughout Japan, so it calculates appraisal prices based on the auction prices. Moreover, BIKE O stores directly sell motorcycles purchased by the Company from among a wide variety of makes and models. Unlike other companies, the sales prices at BIKE O stores, where bikes are sold directly, do not need to be raised to cover an intermediary margin because the motorcycles are directly sourced from the nationwide BIKE O network. This allows for more appropriate and higher purchasing prices. Additionally, the Company has accumulated expertise based on its track record of carrying a wide variety of motorcycles. This expertise allows the Company to carry out optimal appraisals tailored to market conditions regardless of make or model.

(4) Two distribution networks: wholesale and retail

The Company's strength lies in having two distribution networks, the wholesale network for wholesaling activities via auctions for dealers, and the retail network for sales to individual customers via the Company's stores and other channels. The Company practices cash flow-driven management leveraging wholesaling activities via auctions for dealers, and strengthens retail activities that harness its extensive purchasing capabilities. Through these efforts, the Company aims to drive further growth. Trade-in vehicles at ordinary retail stores usually require a long time before they can be resold and can cause inventory management costs to pile up. However, it only takes the Company a short period of time, about one month, before it can submit the vehicles it has purchased to dealer-only auctions, so it can substantially reduce inventory management costs. Moreover, the Company carries a tremendous number of motorcycles (BIKE O's cumulative trading volume from August 2002 to November 2022 was approximately 2,350,000 vehicles), allowing it to reduce the costs per motorcycle, such as inventory management costs and delivery costs.

Strengths

The main features of the Company's wholesale business include the following: (1) inventory periods are short and product display costs are low; (2) early monetization (accounts receivable collection period of 1 to 3 days); and (3) sales prices can be rapidly reflected in purchase prices. In addition, the main features of the Company's retail business include the following: (1) customers can carefully choose from an extensive inventory made possible by having the No.1 usage rate for motorcycle purchasing services; (2) all preowned motorcycles are provided with a long-term warranty* and return merchandise authorization; and (3) customers can take delivery of motorcycles anywhere in Japan by using online sales, even if they do not have access to a store nearby.

| * Excludes certain vehicles |

The Company's main priorities are to strengthen purchasing capabilities and sales capabilities. To strengthen its purchasing capabilities, the Company has optimized the mix of mass-media channels and advanced effective advertising initiatives centered on the internet. Concurrently, it has enhanced its framework for rapidly responding to customer inquiries by focusing on the optimal placement, upgrading and expansion and training of personnel. To strengthen its sales capabilities, the Company has promoted the merchandising cycle and worked to relocate stores and enlarge their floor space, in addition to upgrading and expanding retail product lineups. It has also striven to strengthen existing stores by enhancing customer service capabilities and improving sales floors. Through these efforts, purchasing activities have been trending favorably, and the volume and quality of motorcycles, centered on high-market-value vehicles, have improved. The Company has also fully secured optimal levels of inventories for the retail business. By securing a sufficient quantity of retail volume, the average unit sales price and average gross profit have been increasing.

The Company tended to incur losses in 1Q because this period falls in the winter, which is the off-season for motorcycle riding. In response, to alleviate the losses recorded in 1Q, the Company implemented a strategy of preparing for the following fiscal year during 4Q. As a result, the Company was able to restore profitability in 1Q of FY11/21, and has maintained profitability since then. In other words, the Company transformed its operations to ensure that it could secure enough motorcycles to sell in 1Q during 4Q. Furthermore, amid the yearly rise in demand for 51cc or higher motorcycles against a backdrop of the motorcycle boom, the Company's effort to purchase and sell high-market-value motorcycles has been successful, and this has led to a rise in overall profitability.

Business trends

Net sales, ordinary income and net income reached record highs. The Company proactively utilized outside funds to bolster investment in store openings. Bolstered financial soundness by securing stable funds and inventory targeting growth

1. FY11/22 results

Looking at FY11/22 results, the Company reported net sales of ¥33,480mn (up 26.0% YoY), operating income of ¥1,653mn (up 6.1%), ordinary income of ¥2,259mn (up 27.6%) and net income of ¥1,550mn (up 26.4%). In addition to the success of the effort to purchase and sell high-market-value vehicles, leading to higher sales and profit in both the Wholesale and Retail segments, in 1Q an extraordinary dividend was received from an affiliate and posted as extraordinary income, so net sales, ordinary income, and net income each set new record highs.

In sourcing motorcycles, the Company worked to carry out effective advertising and strengthen its personnel and organization, and by securing and selling vehicles with particularly high demand among the high-market-value vehicles (51cc or higher), the vehicle sales unit price (net sales per vehicle) increased significantly by 15.6% YoY. In addition, amid an increase in the number of returning riders and growth in new riders, existing stores and stores developed in the previous fiscal year performed well, and the number of vehicles sold also increased.

In the Retail segment, the Company optimized product lineups as part of its merchandising strategy, opened new stores (eight stores), relocated stores with enlarged floor space (three stores), strengthened the sales capabilities of existing stores by improving customer service capabilities and improving sales floors, and also bolstered online sales. In addition, in cooperation with driving schools and vocational schools, the Company expanded contact points with customers, secured maintenance infrastructure, and gained more BIKE O fans by reviewing sales operations, as well as opened the Company's first authorized dealership of KTM, an overseas motorcycle manufacturer, and opened a preowned Harley-Davidson specialty store. Furthermore, in December 2022 the Company relocated and expanded one store. In Wholesale, the Company worked to devise sales methods to maintain sale price levels, and in 4Q the Company secured Retail and Wholesale inventory in advance of FY11/23.

FY11/22 Results

	FY11/21 Results	Forecasts at beginning of fiscal year	Revised forecasts (March 30)	Revised forecasts (June 29)	Revised forecasts (September 27)	Results	YoY change
Net sales	26,570	27,500	28,600	30,057	32,500	33,480	26.0%
Operating income	1,558	1,750	1,770	1,772	1,772	1,653	6.1%
Ordinary income	1,770	1,950	2,310	2,336	2,336	2,259	27.6%
Ordinary income margin	6.7%	7.1%	8.1%	7.8%	7.2%	6.7%	0.0pt
Net income	1,226	1,300	1,610	1,618	1,618	1,550	26.4%
Annual dividend per share (¥)	15.5	20.0	20.0	20.0	20.0	24.0*	8.5
Dividend payout ratio	17.7%	21.5%	17.3%	17.3%	17.3%	21.6%	3.9pt
Net income per share (¥)	87.80	93.09	115.28	115.87	115.87	110.99	23.2%

*Includes a ¥4 special dividend

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

Business trends

2. Net sales composition

Net sales are mainly comprised of two sales channels: Wholesale and Retail. Wholesale net sales comprise sales of motorcycles to dealers such as motorcycle retail stores through wholesaling activities via auctions for dealers, while Retail net sales comprise sales of motorcycles to general customers via the Company's stores or online sales.

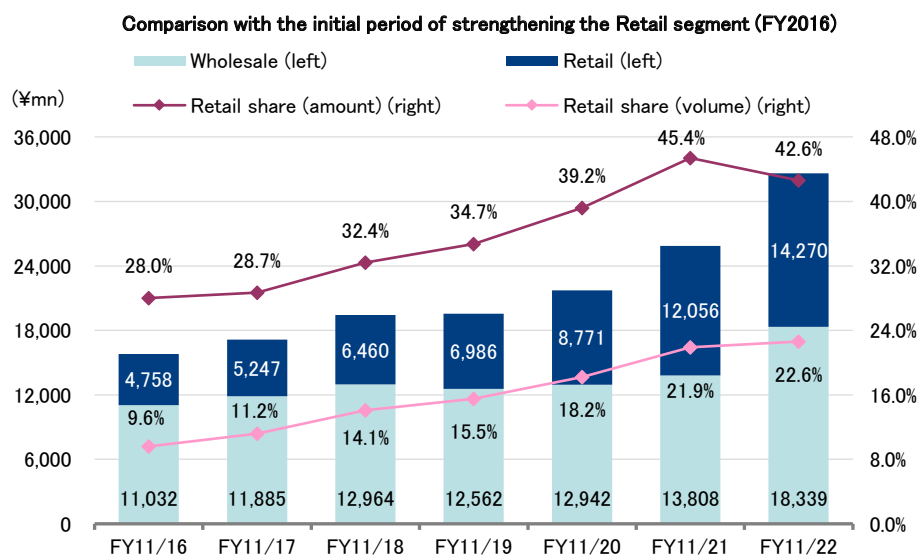
Unit sales prices for vehicles rose significantly in the Wholesale segment, and the Company enjoyed strong sales of inventory secured in advance of the busy season from April onward as well as solid purchases, and therefore the number of units sold increased significantly, with the ratio of sales rising from 52.0% to 54.8%. In terms of the breakdown of the increase in sales, the number of units accounted for ¥1,120mn while the unit sales price accounted for ¥3,410mn of the increase. In the Retail segment, sales increased substantially as there was growth in both the vehicle sales unit price and the number of vehicles sold. However, because the increase in net sales in the Wholesale segment was larger, the ratio of sales fell from 45.4% to 42.6%. In terms of the breakdown of the increase in sales, the number of units accounted for ¥1,502mn while the unit sales price accounted for ¥711mn of the increase.

Net sales composition

	¥mn					
	FY11/21	FY11/22	YoY change		Net sales composition	
			Amount	Percentage change	FY11/21	FY11/22
Net sales	26,570	33,480	6,910	26.0%	100.0%	100.0%
Wholesale	13,808	18,339	4,530	32.8%	52.0%	54.8%
Retail	12,056	14,270	2,214	18.4%	45.4%	42.6%
Other	704	871	166	23.6%	2.6%	2.6%

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

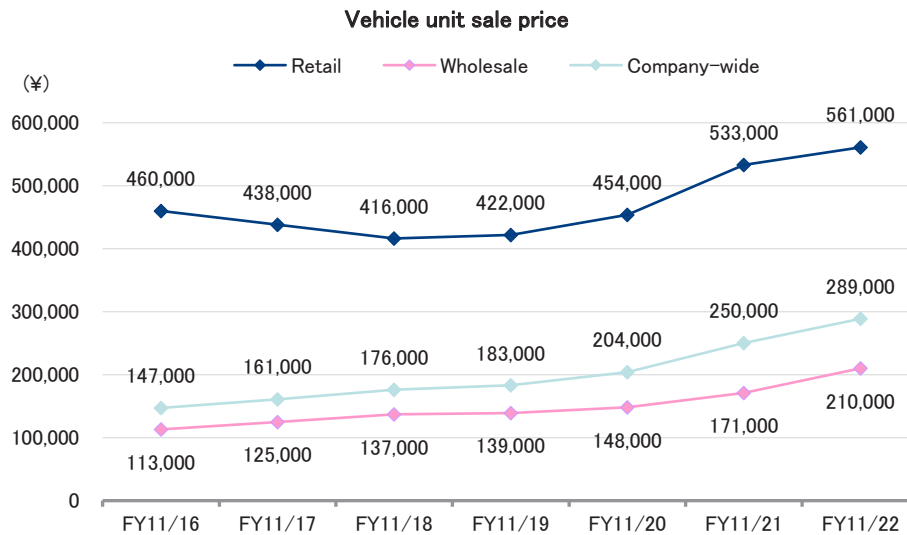
The Company started to strengthen the Retail segment in FY11/16. Retail net sales grew from ¥4,758mn in that fiscal year to ¥14,270mn in FY11/22. This was the result of successful efforts to secure high-market-value vehicles with higher demand and to expand mixed-use stores, resulting in an increase in both vehicle unit sales price and the number of vehicles sold.



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

Business trends

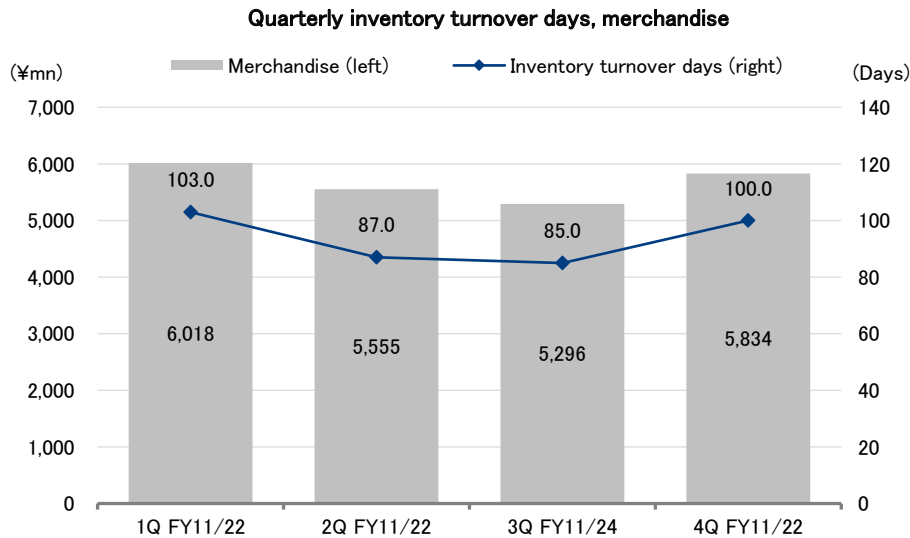
Looking at trends in vehicle unit sales prices, Wholesale unit sale price increased from ¥113,000 in FY11/16 to ¥210,000 in FY11/22, while Company-wide vehicle unit sale price rose from ¥147,000 to ¥289,000. In Retail, the rising trend has continued due to the increase in the ratio of high-market-value vehicles, with the unit sale price increasing from ¥460,000 in FY11/16 to ¥561,000 in FY11/22.



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

The Company adjusts the standard for the number of inventory turnover days with the annual average of 90 days. The number of inventory turnover days was 103 days in 1Q, but this was temporary, and was the result of the strategy to secure inventory of vehicles with higher demand among high-market-value vehicles ahead of the busy season from April onwards with the aim of securing profits for 1Q FY11/22. In 2Q, as a result of the Company selling the inventory secured for the busy season, both the number of days of inventory turnover and merchandise both declined, falling to 87 days, which is less than the standard. In 3Q, purchasing was strong, and the number of inventory turnover days fell to 85 days due to continued strong sales in both Wholesale and Retail. In 4Q, due to securing Retail and Wholesale inventory ahead of 1Q of FY11/23, merchandise increased and inventory turnover days rose to 100 days. However, because the Company aims to secure inventory as a part of its plans to open new stores, we at FISCO believe that an increase in the number of inventory days is not a cause for concern.

Business trends



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

3. Reasons for increases in gross profit

Gross profit increased ¥1,221mn YoY to ¥13,174mn. The ¥722mn increase in the Wholesale segment was the main reason for the increase. This was due to the significant increase in the number of units sold as a result of the sale of inventory secured in advance of the busy season from April onward as well as strong purchases. Also, average gross profit amount increased owing to efforts to creatively modify sales techniques to maintain sales price levels as well as increase in the ratio of high-emissions vehicles.

In the Retail segment, gross profit increased by ¥531mn. A main factor behind the increase was ¥646mn due to the significant increase in volume due the expansion of exhibit space based on store development in the previous fiscal year, enhanced sales capability at existing stores due to improved customer service capabilities and improvements in sales floors, stronger e-commerce sales, and securing quality inventory. However, there was a decrease factor of ¥115mn due to the unit price, as gross profit fell slightly as a result of securing quality inventory in 4Q ahead of FY11/23 store openings and 1Q sales.

Factors behind changes in gross profit

	FY11/21	Factors behind changes				Total	FY11/22
		Volume	Unit price	Other			
Gross profit	11,952	1,263	-9	-32	1,221	13,174	
Wholesale	-	617	105	-	722	-	
Retail	-	646	-115	-	531	-	
Other	-	-	-	-32	-32	-	

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

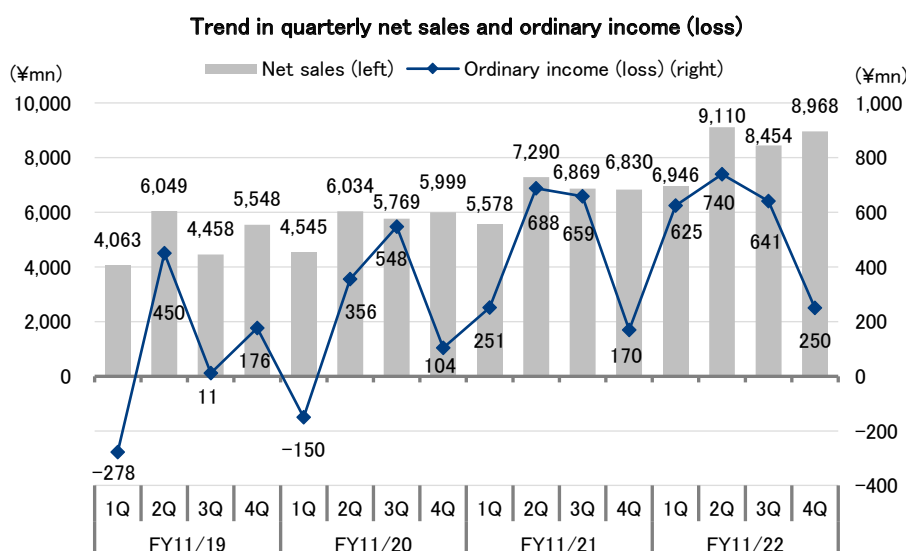
Business trends

4. Trends in quarterly net sales and ordinary income (loss)

In the motorcycle industry, the COVID-19 pandemic which began in March 2020 led to an increase in inquiries about motorcycles as a transportation means that allows one to avoid contact with other people, while there has also been a boom in outdoor leisure activities in recent years. These and other changes in people’s activity patterns were likely one reason for the increase in demand. In addition, the stronger consumer interest in motorcycle riding, as evidenced by the increases in the number of people returning to motorcycle riding and new motorcycle riders, has resulted in a rising trend in the number of people newly obtaining motorcycle licenses. Looking at the annual trend in the number of drivers’ licenses issued in the statistics for drivers’ licenses, in 2021 the total for large motorcycles and standard motorcycles was 310,762*, which was an increase from 268,535* in 2020. Although the ratio is low, there is a rising trend among women obtaining motorcycle driver’s licenses, with a total of 49,330* driver’s licenses for large motorcycles and standard motorcycles obtained by women in 2021, which was higher than the 37,716* driver’s licenses obtained in 2020. While it cannot be denied that this external environment has provided a tailwind, we at FISCO believe that the effects of the Company’s strategy centered on strengthening sales capabilities by expanding mixed-use stores and securing high-market-value vehicles by strengthening its purchasing ability have materialized and should be commended.

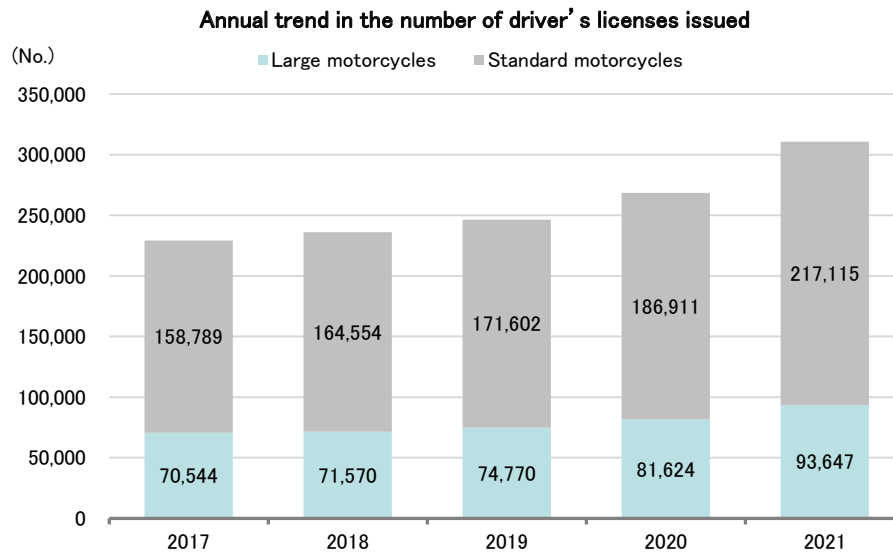
* Calculated from “Annual Trends in the Number of New Driver’s License Issuances by Type (Including the number of new expired issuances)” and “Annual Trends in the Number of Driver’s Licenses Issued by Type”

Looking at the trend in quarterly net sales and ordinary income, it can be noted that the Company’s business results have historically had a structure in which results are affected by seasonal volatility. That said, focusing on securing high-market-value vehicles had a positive impact on not only the Retail segment but also the Wholesale segment. As a result, the Company significantly improved the 1Q earnings structure, and was able to post positive operating income in 1Q of FY11/21. Furthermore, operating income was favorable throughout FY11/22 based on securing inventory. Moreover, in 1Q FY11/22, the Company posted extraordinary dividend income from affiliates of approximately ¥300mn.



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

Business trends



Source: Prepared by FISCO from "Driver's License Statistics" by the National Police Agency

5. Factors behind changes in SG&A expenses

SG&A expenses amounted to ¥11,520mn (up 10.8% YoY). Selling expenses increased 14.8% to ¥4,372mn due to temporary creative efforts for finding buyers to maintain the profit level of high-priced vehicles and measures to strengthen test online advertising in the busy season aimed at maximizing the number of high-market-value vehicles purchased. Personnel expenses increased 7.5% to ¥4,396mn due to the increase in expenses related to the stock benefit trust as well as the 31-person YoY increase in the number of employees. Administrative expenses increased 10.2% to ¥2,751mn, as in addition to the increase in new store openings and relocations with increased floor space, there was a temporary increase due to the expansion of inventory storage space targeting the inventory bolstering in 1Q and 2Q of FY11/22.

Factors behind the changes in SG&A expenses

	(¥mn)			
	FY11/21	FY11/22	YoY change	
			Amount	Percentage change
SG&A expenses	10,393	11,520	1,126	10.8%
Selling expenses	3,807	4,372	564	14.8%
Personnel expenses	4,090	4,396	306	7.5%
Administrative expenses	2,495	2,751	255	10.2%

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

Business trends

6. Key performance indicators and stores

The number of vehicles sold increased due to the focus on sales of high-market-value vehicles for which demand is high, and gross profit increased significantly. Meanwhile, the gross profit margin declined because there was a further rise in the ratio of high-price-range vehicles (the ratio of high-price-range vehicles is low, while the ratio of low-price-range vehicles is high). The operating income margin declined 1.0 percentage points YoY to 4.9% in conjunction with the increase in SG&A expenses, including expenses related to the stock benefit trust introduced in FY11/22. Although the operating income margin declined, the ordinary income margin stayed on par with the previous fiscal year due to the extraordinary dividends received from affiliates. In addition, ROE rose 0.7 points to 24.6% in connection with the increase in net income, and the Company plans to continue working to improve capital efficiency. In terms of the number of stores, the Company opened eight new stores and relocated four stores and enlarged their floor space. The number of Retail vehicles on display increased by approximately 1,030 vehicles compared to the end of the previous fiscal year.

Key performance indicators and stores and human resources

	FY11/21	FY11/22	YoY change
Gross profit margin	45.0%	39.3%	-5.7pt
Operating income margin	5.9%	4.9%	-1.0pt
Ordinary income margin	6.7%	6.7%	-
ROE	23.9%	24.6%	0.7pt
Number of stores*	63	71	8
Number of mixed-use stores*	59	68	9
Number of employees (excluding dispatched employees and part-timers)	949	980	31
Retail volume share	21.9%	22.6%	0.7pt

* FY11/21: as of year-end, FY11/22: as of January 10, 2023

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

7. Financial status

As of the end of FY11/22, current assets amounted to ¥9,102mn, an increase of ¥2,350mn compared to the end of FY11/21. This was due to an increase in cash and deposits caused by an increase in profit before income taxes, the increase in short-term borrowings for the purpose of bolstering inventories, as well as the increase in merchandise from securing quality inventory ahead of FY11/23 store openings and 1Q FY11/23 business.

Cash and deposits increased ¥1,824mn compared to the end of the previous fiscal year to ¥2,768mn. This was due to the fact that by actively utilizing external funds to strengthen investment in store openings the Company was able to generate its largest profit ever. At FISCO, we believe that the Company's management strategy that is significantly strengthening financial soundness by securing stable funds and inventories that will support future results is a point that should be commended.

Current liabilities amounted to ¥4,327mn, an increase of ¥1,273mn compared to the end of FY11/21. This was mainly due to the increase in short-term borrowings aimed at bolstering inventory (a decline of ¥500mn compared to the end of 2Q FY11/22) and an increase in advances received resulting from a high level of Retail vehicles.

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Business trends

Balance sheet

	(¥mn)		
	FY11/21	FY11/22	Amount of change
Current assets	6,752	9,102	2,350
Cash and deposits	944	2,768	1,824
Accounts receivable - trade	191	250	58
Merchandise	5,431	5,834	402
Non-current assets	2,496	2,914	417
Property, plant and equipment	853	1,050	197
Intangible assets	710	612	-97
Investments and other assets	933	1,251	317
Total assets	9,248	12,017	2,768
Current liabilities	3,054	4,327	1,237
Accounts payable - trade	277	277	0
Advances received	705	818	113
Short-term borrowings	600	1,100	500
Non-current liabilities	534	763	229
Total liabilities	3,588	5,091	1,503
Total net assets	5,660	6,925	1,265
Total liabilities and net assets	9,248	12,017	2,768

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

Cash flows from operating activities was positive ¥2,102mn (compared to negative ¥583mn in the previous fiscal year). Core operating cash flow increased to ¥3,310mn (compared to ¥2,199mn in the previous fiscal year). This was due to an increase in working capital resulting from a rise in inventory assets as a result of securing quality inventory in advance of store openings in FY11/23 and 1Q FY11/23 business, in addition to securing adequate operating income. Cash flows from investing activities was negative ¥647mn (negative ¥437mn in previous fiscal year). This was due to expenditures in conjunction with the acquisition of property, plant and equipment accompanying store development, as well as the acquisition of affiliates' shares (the establishment of Life & Company). Cash flows from financing activities was positive ¥369mn (positive ¥284mn in the previous fiscal year). This was due to short-term borrowings associated with securing inventories.

Statement of cash flows

	(¥mn)	
	FY11/21	FY11/22
Cash flows from operating activities	-583	2,102
Change in working capital	-2,783	-1,207
Core operating cash flow	2,199	3,310
Cash flows from investing activities	-437	-647
Acquisition of non-current assets	-384	-365
Acquisition of affiliates' shares	-10	-80
Free cash flow	-1,020	1,455
Cash flows from financing activities	284	369
Net change in short-term borrowings (- denotes a decline)	500	500
Dividends paid	-146	-284
Cash and cash equivalents at end of period	944	2,768

*Core operating cash flow = Cash flows from operating activities – change in working capital

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

■ Outlook

Needs will be robust in FY11/23 so there is no concern about a slowdown in growth

● FY11/23 forecasts

In its FY11/23 results, the Company forecasts net sales of ¥34,500mn (up 3.0% YoY), operating income of ¥1,900mn (up 14.9%), ordinary income of ¥2,150mn (down 4.8%) and net income of ¥1,470mn (down 5.2%). In the motorcycle industry, although the risk of a dip in demand, especially due to an economic downturn, cannot be ignored, auction prices as well as the retail market are firm. The Company's core merchandise is high-market-value motorcycles, and both the number of new motorcycles sold as well as the number of motorcycles owned are trending higher, as is the number of people who have newly obtained licenses to drive standard and large motorcycles, so at the moment there are no signs of a rapid decline in demand. Going forward, it is expected that motorcycles will continue to support the transportation infrastructure, and that the change in attitude towards motorcycles due to the COVID-19 pandemic and the resulting strong demand will continue. As assumptions for its outlook, the Company is expecting the vehicle sales unit price to be on par with the previous fiscal year, and it also assumes that the number of units sold will increase YoY for Retail sales, while in Wholesale, the number of units sold will be about the same level as the previous fiscal year. Also, in its store opening plan, the Company plans to develop 11 stores, including some new stores and some stores that will be relocated with enlarged floor space. Since the start of FY11/23, the Company has already developed one store, and has relocated and expanded the floor space of the Nerima Store (which used to be a purchase-only store) as a mixed-use store.

In addition, while up until now large-scale store openings have been mainly in regional areas, the Company plans to promote store openings in a dominant manner in the Tokyo metropolitan area, where the population is concentrated, as well as to prioritize store development starting from highly-profitable areas, mainly in government-designated cities. The payback period is 36 months or less. The Company cites an increase in the number of BIKE O members (currently the number of BIKE O members is about 130,000 people) and the strengthening of the development and operation of a CRM system. In addition, the Company will continue the stock benefit trust system from the previous fiscal year (booking approximately ¥200mn at the end of FY11/23), and it plans for marketing expenses to be at the same level as the previous fiscal year.

Because the Company expects FY11/23 ordinary income to decline, there was a growing sense of caution that there would be a slight slowdown in business performance when the Company announced its results. However, this is largely due to the impact of extraordinary dividends received from affiliates in the previous fiscal year. Excluding this impact, there was an effective increase in ordinary income. At FISCO, we believe that the needs for high-market-value vehicles remain robust, and see no cause for concern about a slowdown in growth.

Outlook

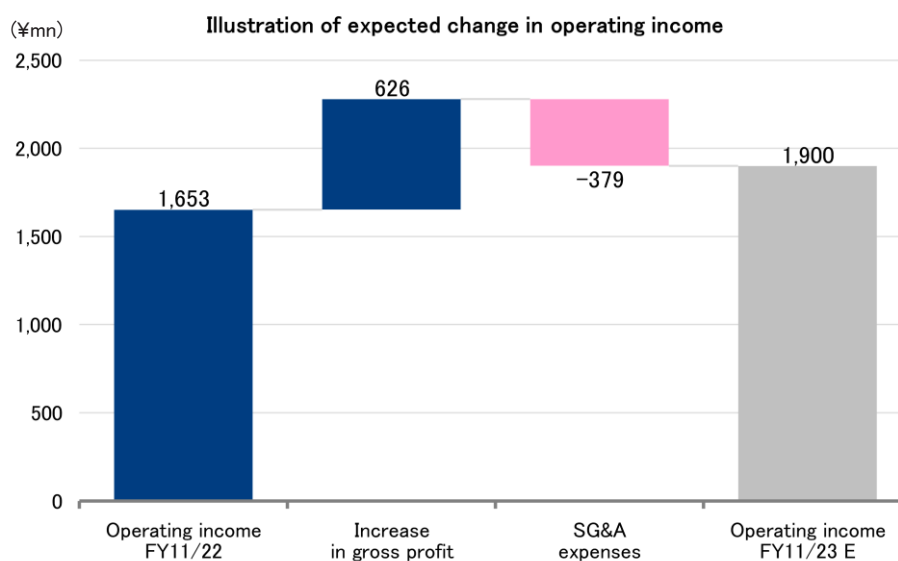
FY11/23 forecasts

	FY11/22		FY11/23		YoY change	
	Results	Forecasts	Percentage change	Amount of change		
Net sales	33,480	34,500	1,019	3.0%		
Operating income	1,653	1,900	246	14.9%		
Ordinary income	2,259	2,150	-109	-4.8%		
Ordinary income margin	6.7%	6.2%	-0.5pt			
Net income	1,550	1,470	-80	-5.2%		
Annual dividends per share (¥)	24.0*	30.0	6			
Dividend payout ratio	21.6%	28.5%	6.9pt			
Net income per share (¥)	110.99	105.26	-5.73			

*Includes a ¥4 special dividend

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

In terms of the change in operating income, although the Company expects FY11/23 gross profit to increase ¥626mn, it expects operating income of ¥1,900mn due to a ¥379mn increase in SG&A expenses. Selling and personnel expenses are forecast to be at the same level as the previous fiscal year, but administrative expenses are expected to increase due to factors including land rentals owing to store development and system development costs due to CRM enhancement.



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

(1) The used transaction price of all of the top 10 motorcycles in terms of resale price are higher than the sales prices of new vehicles

In March 2022, the Company launched the “Motorcycle Future Research Institute” with the aim of studying a better future for the motorcycle industry, researching new value, and widely disseminating the results of its analyses to society. The Company brought in Hikaru Miyagi (who achieved outstanding results in motorcycle races in Japan and overseas, and who is currently active in various fields including as a motor journalist) as director of the institute. In addition to disseminating information about topics such as the joys of motorcycle life as well as providing proprietary data analyses on the Company's motorcycles, the Company is gradually disseminating content that looks into the “future” envisioned by riders and the motorcycle industry.

Outlook

Covering the period from September 2022 to November 2022, the Motorcycle Future Research Institute announced the top 10 models that are “motorcycles that will have high value when sold again” = “motorcycles with high resale prices.” Motorcycles with high resale prices can also be called “motorcycles with high demand,” that is, “popular motorcycles,” and this metric is proprietarily compiled by Bike Life Lab (the entity that operates the Motorcycle Future Research Institute) based on the data held by BIKE O, which has handled a cumulative total of more than 2.35 million motorcycles. This information is intended to be used as a reference for motorcycle users when purchasing new or used motorcycles.

(2) Launching the KeePer coating service sequentially at stores nationwide

The Company has introduced “KeePer Coating” provided by KeePer Technical Lab, and has been launching it sequentially at nationwide BIKE O stores since January 2023. As the number of new motorcycle license holders is increasing, demand for both new and used motorcycles remains strong, and returning riders and new riders are increasing. Amid this trend, the Company will provide the KeePer coating service, which is well-known for automobiles, to motorcycles to prevent stains on customers’ motorcycles and build an environment in which owners can keep their motorcycles in beautiful condition for a long time. Three types of coatings are available, from a testing type to the highest-level product, and the top-of-the-line ECO Diamond is being used in the motorcycle industry for the first time.

(3) Opened the Company’s first electric mobility select shop “e-bike UENO”

On January 6, 2023, BIKE O DIRECT opened “e-bike UENO,” its first electric mobility select shop. The store has a total of around 25 e-bikes comprising 10 models of electric-assist bicycles featuring unique designs that allow for active riding, in addition to selling scooters and other types of electric mobility products.

Although next-generation electric mobility products are expected in the coming era of carbon neutrality, many customers are worried about riding them because they are new. Against the backdrop of an increase in customers requesting test drives in conjunction with the relaxation of COVID-19-related restrictions on activities, the Company decided to open “e-bike UENO” based on its desire to provide a physical store where people can see, touch, and experience (including test-drives) electric mobility products.

The National Police Agency has decided on a policy of, starting from July 2023, applying the same traffic rules to e-scooters as it does to bicycles for those e-scooters meeting standards such as for maximum speed and size. A new system will be established in the law that allows e-scooters to be classified as “specified small motorized bicycles” if they meet the criteria for maximum speed and other characteristics. At FISCO, we believe that consumer interest may increase due to the fact that some of these e-scooters will not require a driver’s license and riders are only obligated to make an effort to wear a helmet, allowing people to ride them with the same approach as they would take towards riding a bicycle.

Outlook

Various electric mobility products on display



Source: The Company's releases

(4) Subsidiary began purchases and sales of preowned brand-name items

Life & Company, a subsidiary, opened the “BRAND OFF Purchase Specialty - Bunkyo Hakusan Store” in December 2022 to purchase and sell brand-name items. In September 2022, the company concluded a franchise agreement regarding the management of the brand reuse business, focusing on the purchase and auctioning of bags, watches, accessories, jewelry, and other items with K-Brand Off, which franchises and operates a chain of stores that purchase and sell brand-name products, with Life & Company as the franchisee.

Going forward, through Life & Company, the Company will ensure the development and agile operation of new businesses centered on franchises and business alliances, and will strive to enhance corporate value over the medium to long term by developing its business model utilizing the affinity with products in the motorcycle business along with the Company’s know-how.

(5) Conclusion of business alliance and franchise agreement with Bears

In December 2022, the Company concluded a business alliance as well as a franchise agreement concerning the operation of the housecleaning business with Bears, with the Company has the franchisee. Bears is a company that provides services such as handling home chores and housecleaning nationwide.

Based on its track record of more than 2.35 million motorcycles bought and sold on a cumulative basis as well as the customer assets that it has accumulated through that process, the Company aims to establish a service circular-type CRM model and create new customer contact points. This business alliance aims to further expand the business by utilizing the customer assets owned by the Company and Bears to create new customer contact points, and is expected to generate new value for both companies due to the high affinity between age and the lifestyle environment of users of both companies’ services. The Company is working to strengthen its business foundation by entering growth markets not limited to motorcycles utilizing its human resources and know-how that support the realization of high customer satisfaction, as well as its service infrastructure that spans the entire country. The housecleaning market has been growing significantly in recent years against the backdrop of growing needs due to changes in the workplace and home environments. The franchise agreement with Bears will enable rapid store roll-out and smooth store operations, as well as enhance the level of customer satisfaction based on leveraging housecleaning skills to improve the quality of motorcycles it sells as well to offer clean stores.

We encourage readers to review our complete legal statement on “Disclaimer” page.

Outlook

(6) Decision to open a new store in the Shonan area for motorcycles no longer in production

The Company decided to open its second concept shop in Chigasaki City, Kanagawa Prefecture in the spring of 2023, focusing on motorcycles no longer in production. The Shonan area is a popular area for motorcycle riding, so this store is located in a good spot for riders to drop in and take a look while on motorcycle rides. At this store which is focused on motorcycles no longer in production, the Company plans to put on display famous motorcycles with storied histories, and visitors will be able to see and touch them, take pictures, and feel the roar of their engines.

■ Medium-term management plan

Achieved the net sales target through FY11/24 in the medium-term management plan ahead of schedule in FY11/22. Formulated a new medium-term management plan covering the three years through FY11/25

1. Formulated new medium-term management plan

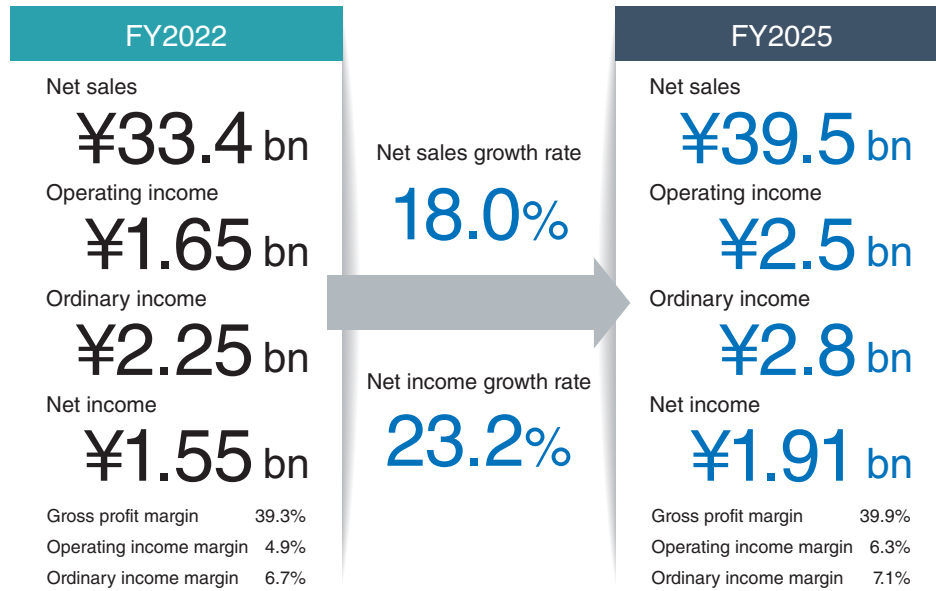
In the Company's three-year medium-term management plan running from FY11/22 to FY11/24, the Company had targeted net sales of ¥31.5bn and ordinary income of ¥2.5bn in FY11/24, the final fiscal year of the plan. Based on the fact that the Company's net sales in FY11/22 exceeded ¥31.5bn (the net sales target for the final fiscal year of the medium-term management plan) due to store openings, the increase in sales unit prices and other factors, as well as due to the fact that the Company has accumulated an activity track record in new business domains, the Company revised the medium-term management plan in order to always be looking three years ahead, and formulated a new medium-term management plan covering FY11/23 through FY11/25.

As a result, the Company's targets for FY11/25 are net sales of ¥39.5bn (FY11/22 results: ¥33.4bn), operating income of ¥2.5bn (¥1.65bn), ordinary income of ¥2.8bn (¥2.25bn) and net income of ¥1.91bn (¥1.55bn). The profit margin targets are a gross profit margin of 39.9% (39.3%), operating profit margin of 6.3% (4.9%), and ordinary profit margin of 7.1% (6.7%).

The Company aims to realize its corporate mission of being "A Lifelong Partner for Motorcyclists" by achieving its aim of shifting to a UX (user experience) growth model by FY11/25. As a result of this, the Company aims to have the top market share in preowned motorcycle sales (retail sales of 35,000 motorcycles).

Medium-term management plan

Overall numerical targets of medium-term management plan



Source: The Company's medium-term management plan

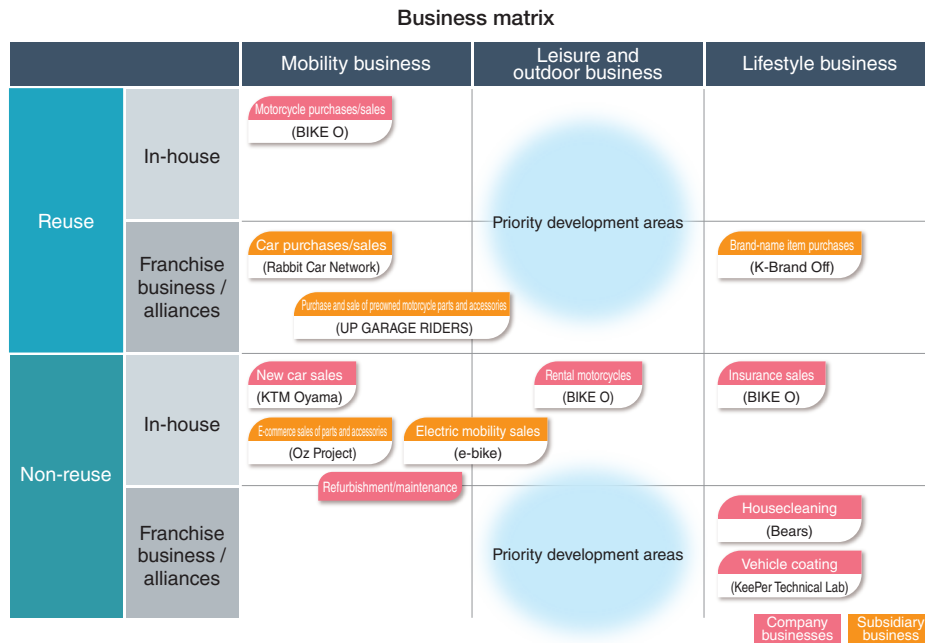
2. Shift to a UX (user experience) growth model

Based on the Company's business background, the Company had a "one-time-only" relationship with its customers, but in the future, the Company will shift to a UX (user experience) growth model and maximize customer LTV, thereby allowing the Company to achieve its vision of being "A Lifelong Partner for Motorcyclists." Under the UX growth model, in addition to increasing the number of touchpoints with customers, including a membership system, one-to-one marketing will help the Company increase the repeat business rate among its customers. In particular, opportunities for earning revenue will increase by accurately grasping the cycle in which motorcyclists tend to get a new motorcycle every three to five years. In order to shift to this UX growth model, establishing a CRM model is an important business strategy, and we view this as a DX strategy that transforms the business model by utilizing digital initiatives.

3. Business matrix

In the Company's business matrix, the Company has expanded its business domains in the mobility business and, in FY11/22, expanded its business domains in the lifestyle business. In the future, in the leisure and outdoor business, the Company plans to expand both reuse and non-reuse as priority development areas.

Medium-term management plan



Source: The Company's medium-term management plan

The Company aims to list its shares on the Prime Market of the Tokyo Stock Exchange by steadily executing its medium-term management plan. As a part of this, the Company has introduced a stock compensation plan in order to raise the level of awareness about enhancing corporate value among members of the management team. To this end, the Company aims to increase corporate value through efforts including improving the value of existing business and expanding business scale by proactively investing in new fields, including via M&A. At the same time, it will bolster its management system as one suitable for a company listed on the Prime Market. This includes with respect to business continuity and the soundness of its profitability and management.

The Company has also introduced an employee stock benefit trust aimed at boosting employee morale and employees' desire to contribute to improving earnings over the medium to long term as well as increasing corporate value. The Company believes that employee morale will increase with certainty as employees are awarded points each year based on their level of contribution and in the future, and see these points converted into shares. This is likely to motivate all employees to work to see the Company get listed on the Prime Market.

The Company's progress on meeting Prime Market listing requirements

	BIKE O & COMPANY	Prime Market	Progress
Number of shareholders	6,528 shareholders	At least 800 shareholders	○
No. of tradable shares	51,076 units	At least 20,000 units	○
Tradable share market cap	¥5.5bn	At least ¥10.0bn	×
Trading value (market cap)	¥16.6bn	At least ¥25.0bn market cap	×
Tradeable share ratio	33.3%	At least 35%	×
Business performance (total profit for recent 2 years)	¥4.0bn	At least ¥2.5bn	○
Financial status (net assets)	¥6.9bn	At least ¥5.0bn	○

Source: Prepared by FISCO from the Company's medium-term management plan

■ ESG issues and initiatives

The Company's contributions to reducing waste through its motorcycle business (purchases and sales) have been recognized

In terms of ESG issues and initiatives, in order to achieve management that is worthy of trust, the Company will ensure the fairness and transparency of management, fulfill its corporate responsibilities, and promote the efficient and circular use of resources from the perspective of contributing to the sustainable development of society and protecting the environment.

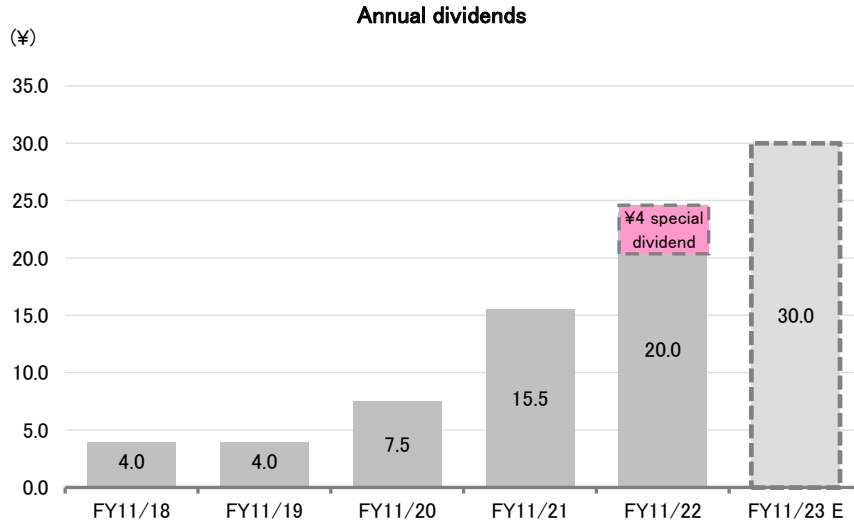
With respect to the Company's basic approach to the "Environment," from the perspective of realizing a circular society through the reuse business for motorcycles and other products, the Company will contribute to the effective use of environmental resources through the provision of services. In addition, as a company involved in the sale of transportation equipment, the Company will focus on efforts to reduce CO₂ emissions from motorcycles as well as energy use at its logistics bases. As its approach with respect to "Social," the Company will hire diverse human resources, respect the character and individuality of each person, improve the work environment and create opportunities for education and training. In addition, the top priority is to protect human dignity, including respect for basic human rights and the prohibition of discrimination. The Company intends to provide reliable and safe services to customers, proactively deepen exchanges with local communities, and contribute to the advancement of society. In terms of "Governance," in order to realize management that can earn the trust of diverse stakeholders, the Company will strengthen management monitoring functions and ensure both fairness and transparency. In addition, the Company will adequately hold constructive dialogue with shareholders and fulfill its duty to be accountable, as well as build and strengthen its corporate governance system to enable prompt and decisive decision-making that contributes to sustainable growth and medium- to long-term enhancement of corporate value.

■ Shareholder return policy

Dividends are scheduled to be increased for the fourth consecutive fiscal year, based on strong business performance. An annual dividend of ¥30.0 per share is forecast for FY11/23, and the forecast dividend payout ratio has been raised to 28.5%

The Company believes that dividends are an important part of shareholder returns. The Company determines the amount of dividends after considering business performance and other factors, while keeping in mind the importance of paying out stable dividends. In accordance with this policy, the Company decided on an annual dividend for FY11/22 of ¥24.0 per share, an increase of ¥8.5 per share from the previous fiscal year. For FY11/23, the Company is planning to pay an annual dividend of ¥30.0 per share, a YoY increase of ¥6.0 per share. The Company aims for a dividend payout ratio of 30% as a basic policy for dividend returns, and its forecast dividend payout ratio for FY11/23 increased to 28.5% (21.6% in the previous fiscal year).

Shareholder return policy



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

Moreover, the Company implements a shareholder benefits program. The benefits consist of vouchers that can be used for motorcycle purchases and enrollment in the Partners Pack*. For shareholders who own more than 1 share unit (100 shares), the benefits comprise: 1) A “¥10,000 shareholder benefits discount voucher for the purchase of 1 motorcycle” that can be used for the purchase of a motorcycle (126 cc or higher) sold by the Company through its retail channel; and 2) A “¥10,000 shareholder benefits discount voucher” that can be used for enrollment in the Partners Pack when purchasing a motorcycle (126 cc or higher). 3) A “¥1,000 worth of points” that can be redeemed at BIKE O DIRECT, which is an e-commerce website that carries motorcycles and related accessories and parts, non-motorcycle-related products, and other items.

* Customers who purchase a motorcycle from the Company and enter a contract for this service can receive regular inspections every six months for a flat fee determined by the engine displacement of their vehicle.

The BIKE O DIRECT e-commerce website carries about 4,000 high-quality preowned motorcycles, and 400,000 items of motorcycle accessories and parts. The site expands the products it carries from not only motorcycle-related products to outdoor leisure and camping goods, electric mobility solutions (power-assisted bicycles and electric scooters), mobility scooters for the elderly, and more. Going forward, the Company will expand the products it offers to capture the needs of users.



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