3rd Quarter Results for Fiscal Year Ending February 28, 2019

January 11, 2019

IDOM Inc.

Contents

I. Summary of 3rd quarter (9 months ended) results for FY 2019

Q3 (9 months) summary

		FY 2018 Mar - Nov	FY 2019 Mar - Nov
Non-consolidated	Gross profit	41,233 million yen	39,504 million yen
	SG&A expenses	36,015 million yen	37,262 million yen
	Operating income	5,218 million yen	2,241 million yen
Consolidated	Operating income	5,204 million yen	2,835 million yen

Q3 (9 months) analysis

		FY 2018 Mar - Nov		FY 2019 Mar - Nov
Consolidated	Operating income	5,204 million yen	→	2,835 million yen

[Non-consolidated]

- Changes in the retail revenue structure
  (1) Retail sales per store decreased (YoY decreases in Q1 & Q2, same level in Q3)
  (2) Retail gross profit per unit decreased

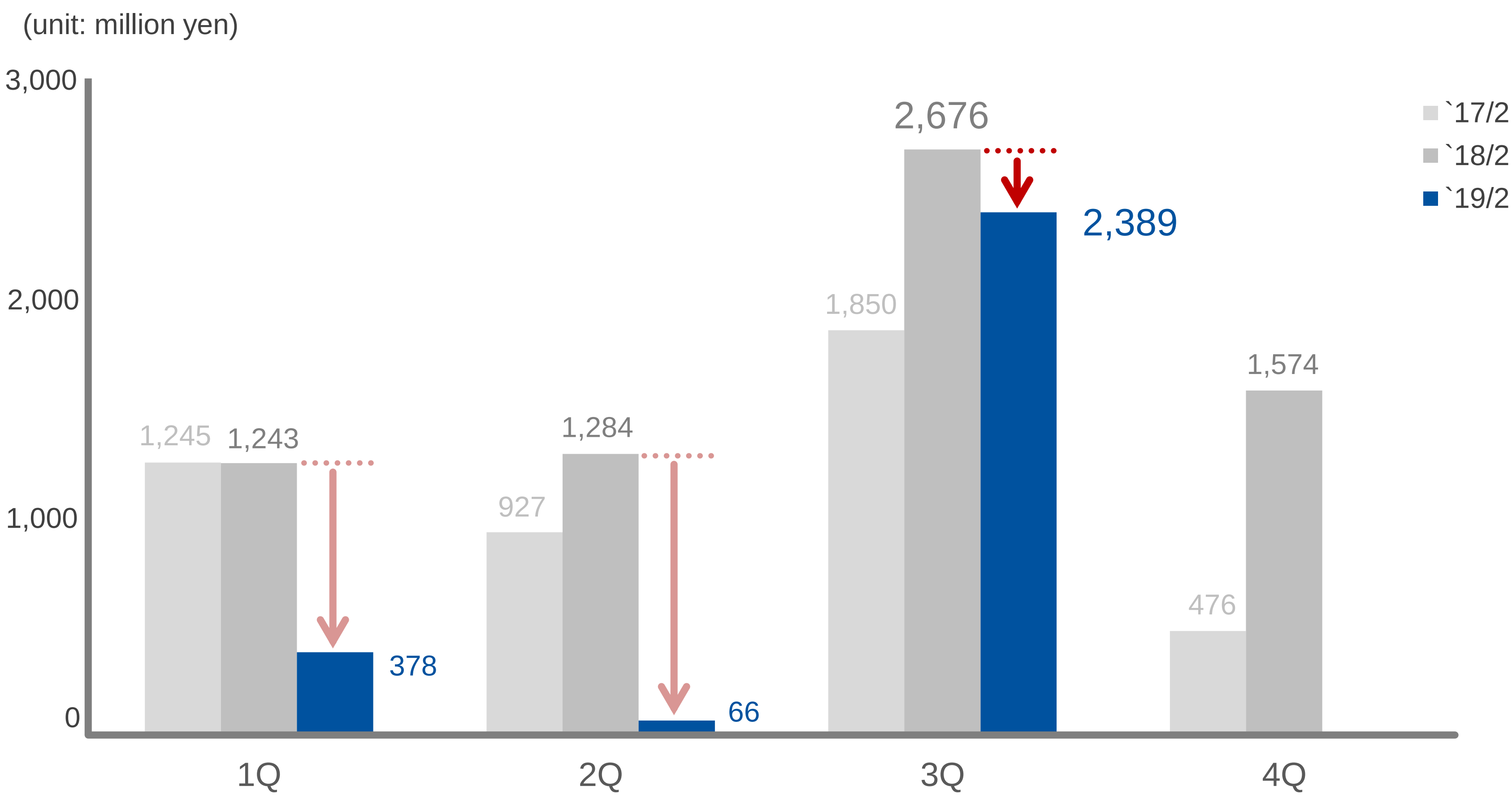
[Consolidated]

- Improvement at our Australian subsidiary

Performance trends by quarter

- The measures taken to improve performance lessened the rate of decline rate

Consolidated operating income (quarterly)



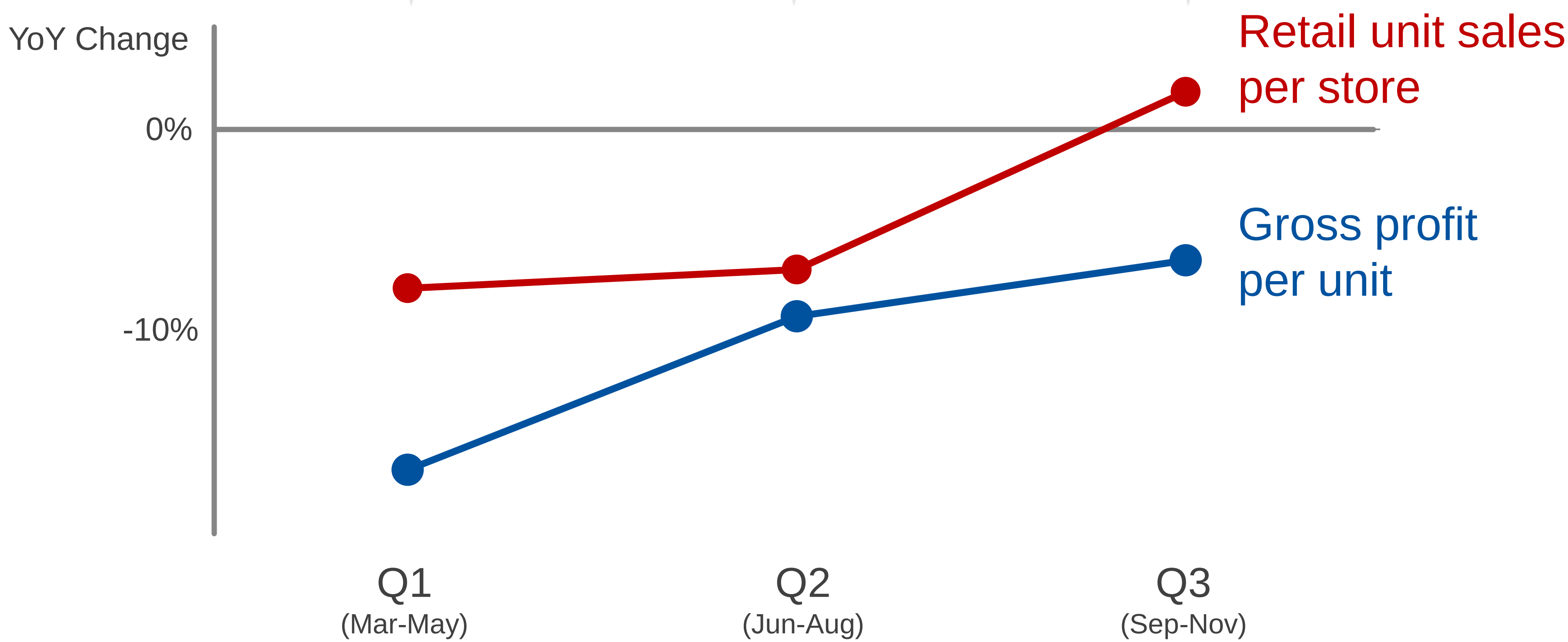
II. Non-consolidated performance analysis

FY2019 performance (impacts of changes in the revenue structure)

- Retail unit sales per store and gross profit per unit down YoY

Retail unit sales and gross profits declined following change in pricing in mid-April

Ongoing measures to improve performance have lessened the rate of decline



Details of the change

Change

Changed the structure of retail gross per unit
(profits from vehicles + revenue from accessories)

Before

Revenue from accessories

Revenues from accessories
(Included in vehicle price)

Vehicle margin

After the change

Revenue from accessories

Revenue from accessories
(Made optional)

Vehicle margin

Revenues from accessory products and services

- Auto loans
- Insurance
- Warranties
- Maintenance package
- Glass coating
- Parts
- Car navigation systems
- Drive recorders

After mid-April, some accessory revenues that were previously included in vehicle price, were made optional.

Objectives

Objective 1

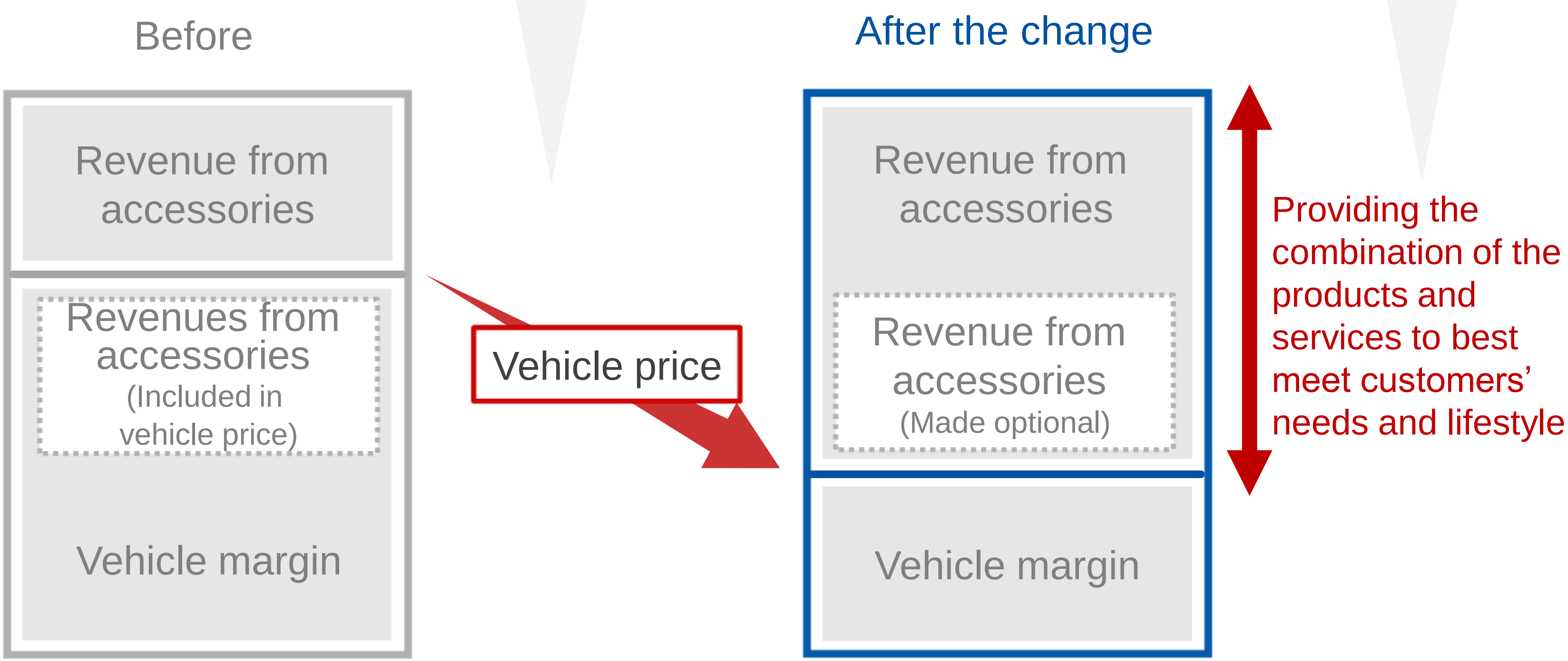
Change pricing
to attract customer traffic

→ Expands retail sales

Objective 2

Provide products and services
to meet cutomers' needs

→
1. Enhance accessory business
2. Improve customer satifaction



1. Making the accesaries which have been included in the vehicle price optional, the vehicle price becomes more attractive. The aim is to increase retail units by increasing the customer traffic especially through the online advertising.
2. By providing accessory products and services that best suit customers' needs and lifestyles, the company aimed to enhance sales capabilities (salespeople's skills and experience for example) in offering accessories and increase customer satisfaction.

Impacts and issues

Impacts

Although the initiative succeeded in boosting customer traffic, sales per store fell due to low conversion rates.
Gross profit per unit fell due to weak revenue from accessories.

Issue 1
Plan

Planning lacks detail

- Low revenues from accessories on lower-priced cars
- Insufficient plans by regions and stores

Issue 2
Action

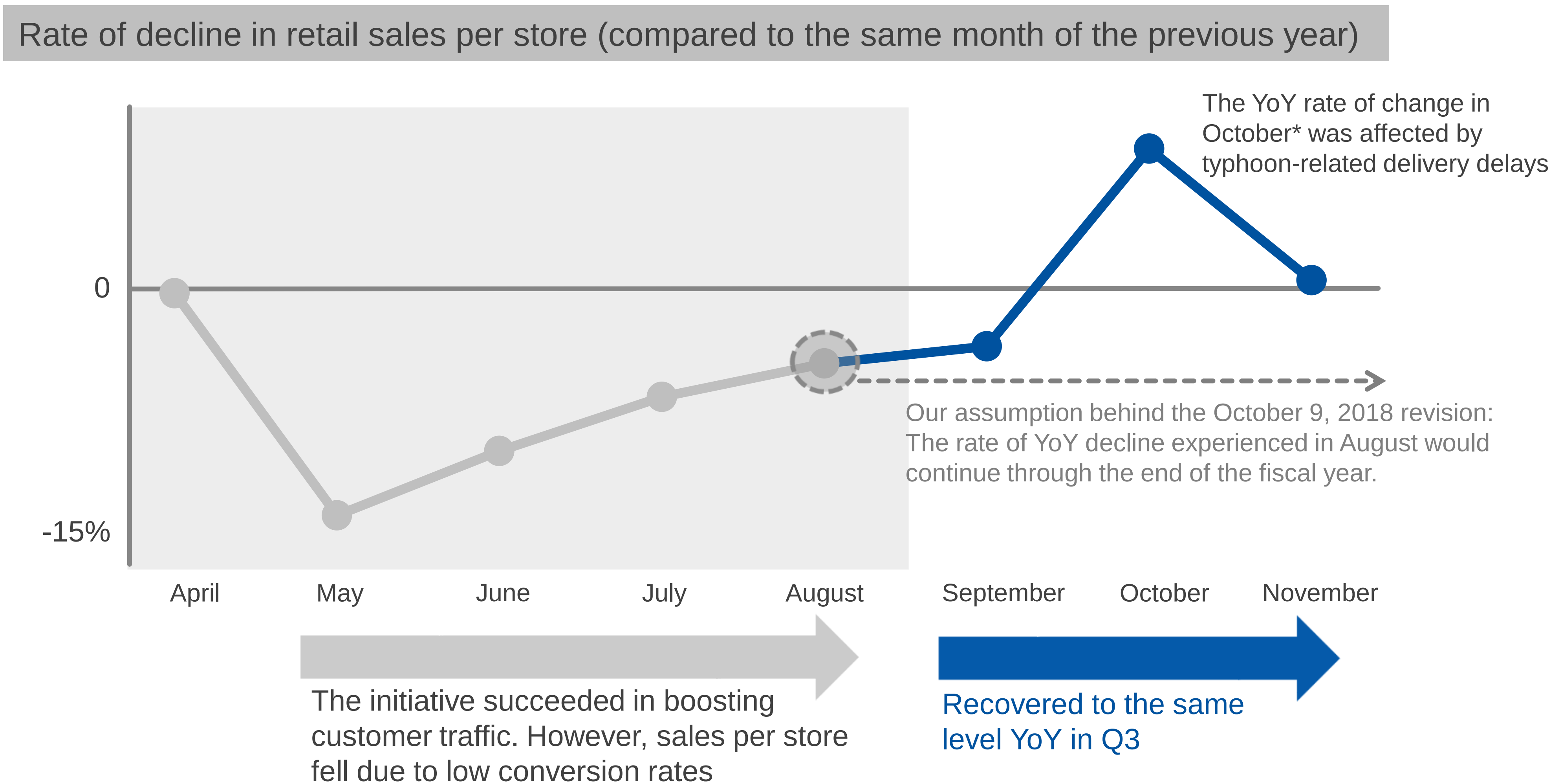
Insufficient implementation process

- Unclear sales style
- Slow penetration to sales staff

Initiatives taken

	Issue	Initiatives
Plan	Planning lacks detail • Low revenues from accessories on lower-priced cars • Insufficient plans by regions and stores	• Segment strategies by area and vehicles • Reiforced regional marketing • Campaigns to promote accessory business
Action	Insufficient implementation process • Unclear sales style • Slow penetration to sales staff	• Introduce tools and measures to help standardize sales process • Modify incentive structure to improve motivation • Training of staff • Sales staff becoming experienced with the new approach

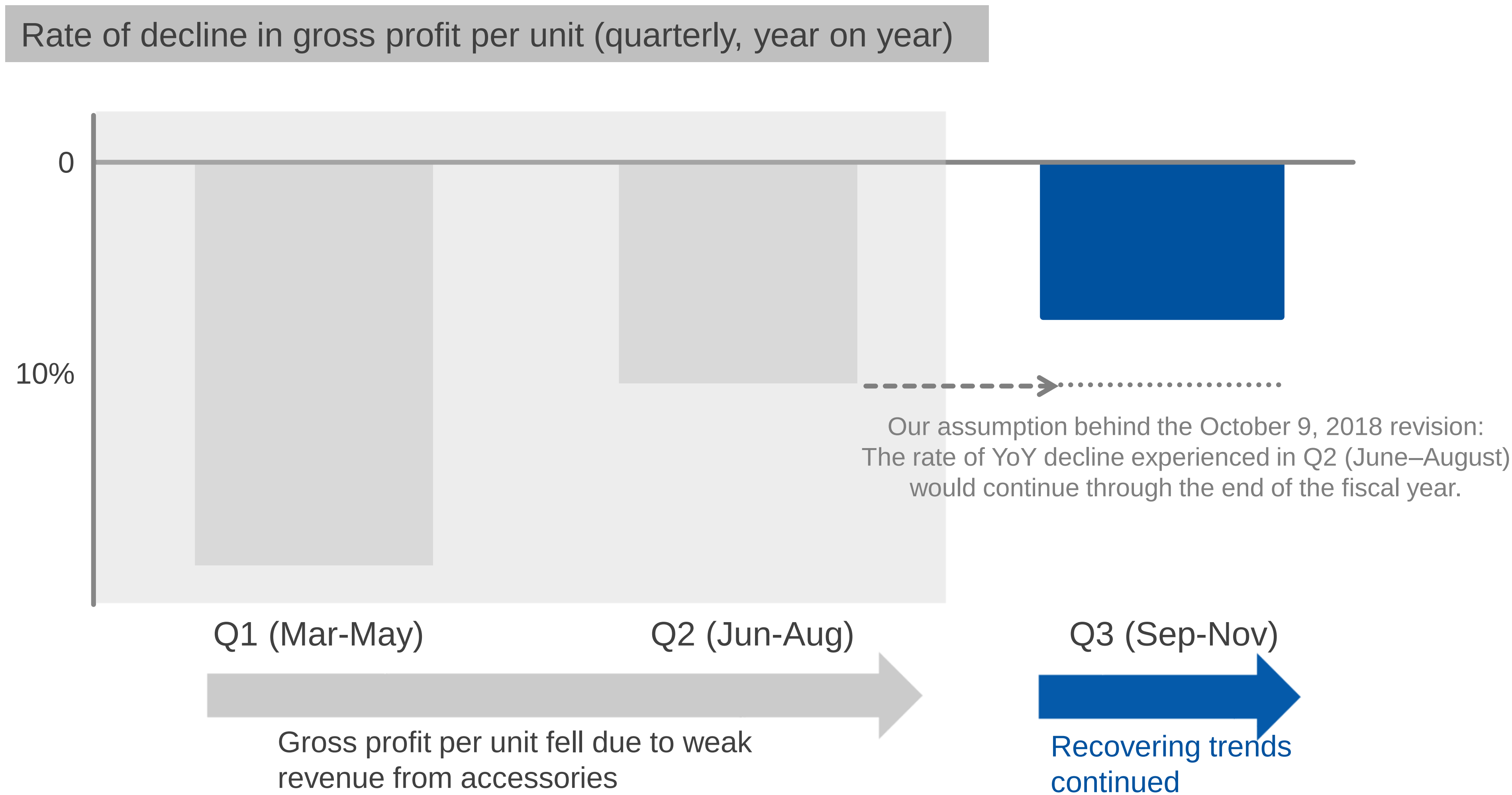
Progress on retail sales per store



Retail sales per store have been down YoY due to low conversion rates. However, in Q3 these sales recovered to the previous year's levels.

*YoY rate of change in October: In 2017, some deliveries that had been planned for October were delayed until November. In 2018, some deliveries that had been planned for September shifted to October. These changes caused the YoY rate to rise.

Progress on gross profit per unit



Gross profit per unit continues to be down YoY. However, the rate of decline is less than in the Q1& Q2.

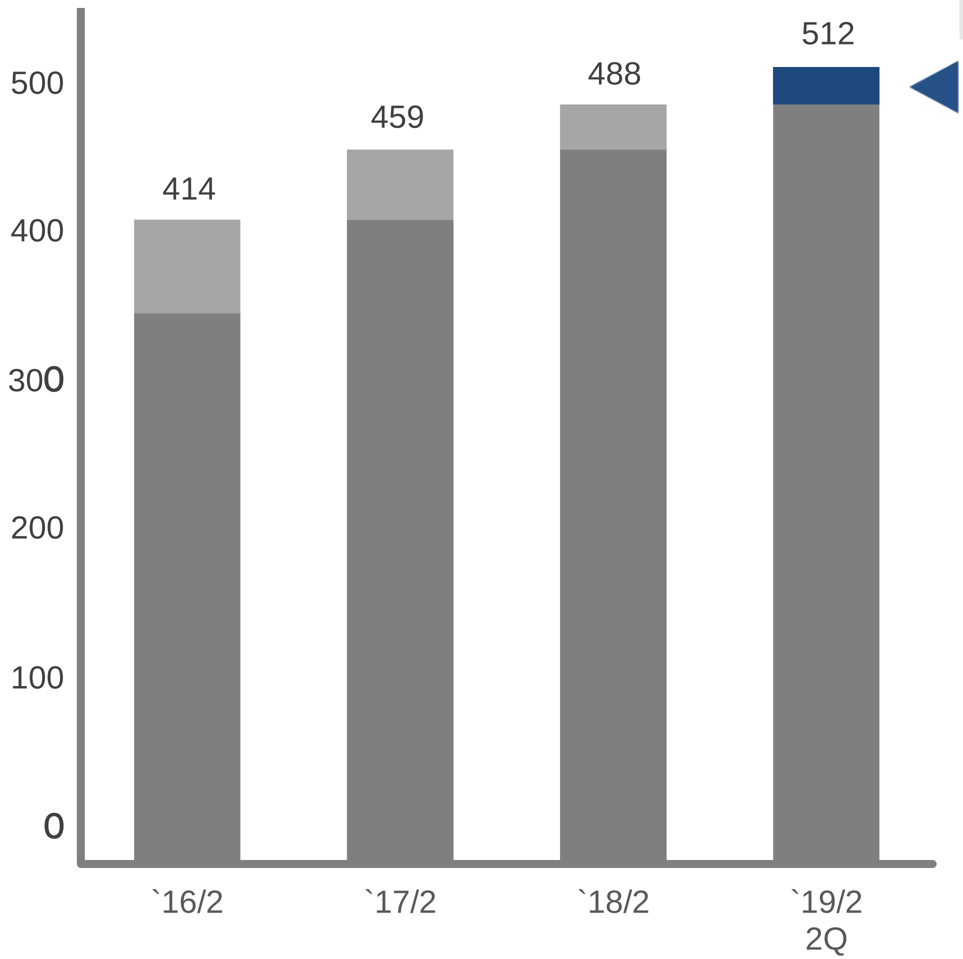
III. Store openings

Store openings

- Store openings are progressing in accordance with the plan.

Number of directly managed stores

(Unit: stores)



	Q3		Full-year plan
[Newly opened]	30	/	32
[Closed]	6		
[Net increase]	24		

Store openings (March - November)

Gulliver

(Gulliver display sales model)

Nanao
Nanao, Ishikawa

Nakatsu
Nakatsu, Oita

Mizuho
Nishitama, Tokyo

Noboribetsu-Muroran
Noboribetsu, Hokkaido

Chikusei
Chikusei, Ibaraki

Omura
Omura, Nagazaki

Karatsu
Karatsu, Saga

Takeo
Takeo, Saga

Saku
Saku, Nagano

Yame
Yame, Fukuoka

Kawara
Tagawa, Fukuoka

Sumoto
Sumoto, Hyogo

Higashikariki
Sapporo, Hokkaido

Hachioji Minamino
Hachioji, Tokyo

Hamamatsu-Miyatake
Hamamatsu, Miyatake

Store openings (March - November)

Matsue Tamayu
Matsue, Shimane

Ise
Ise, Mie

Masuda Yume-town
Masuda, Shimane

Mutsu
Mutsu, Aomori

Higashiyamasaki
Takamatsu, Kagawa

OL Niigata Sakuragi
Niigata

OL Ishinomaki
Ishinomaki, Miyagi

OL R-8 Tsubame-Sanjo
Sanjo, Niigata

OL Kishiwada-Izumi
Izumi, Osaka

OL Yonezawa
Yonezawa, Yamagata

OL Kawachi-Nagano
Kawachi-Nagano, Osaka

OL R-7 Aomori
Aomori

OL Nonoichi
Nonoichi, Ishikawa

OL R-8 Hikone
Hikone, Shiga

OL Satsuma Kawauchi
Satsumakawauchi, Kagoshima

IV. Australian subsidiaries

Australian subsidiaries

IDOM Inc.

IDOM Automotive Group
Former company name: Gulliver Australia Holdings

Perth

Buick Holdings（DVG）

Western Australia (Perth)
New car dealerships
(Acquired in October 2015)

Melbourne

IDOM Automotive Essendon

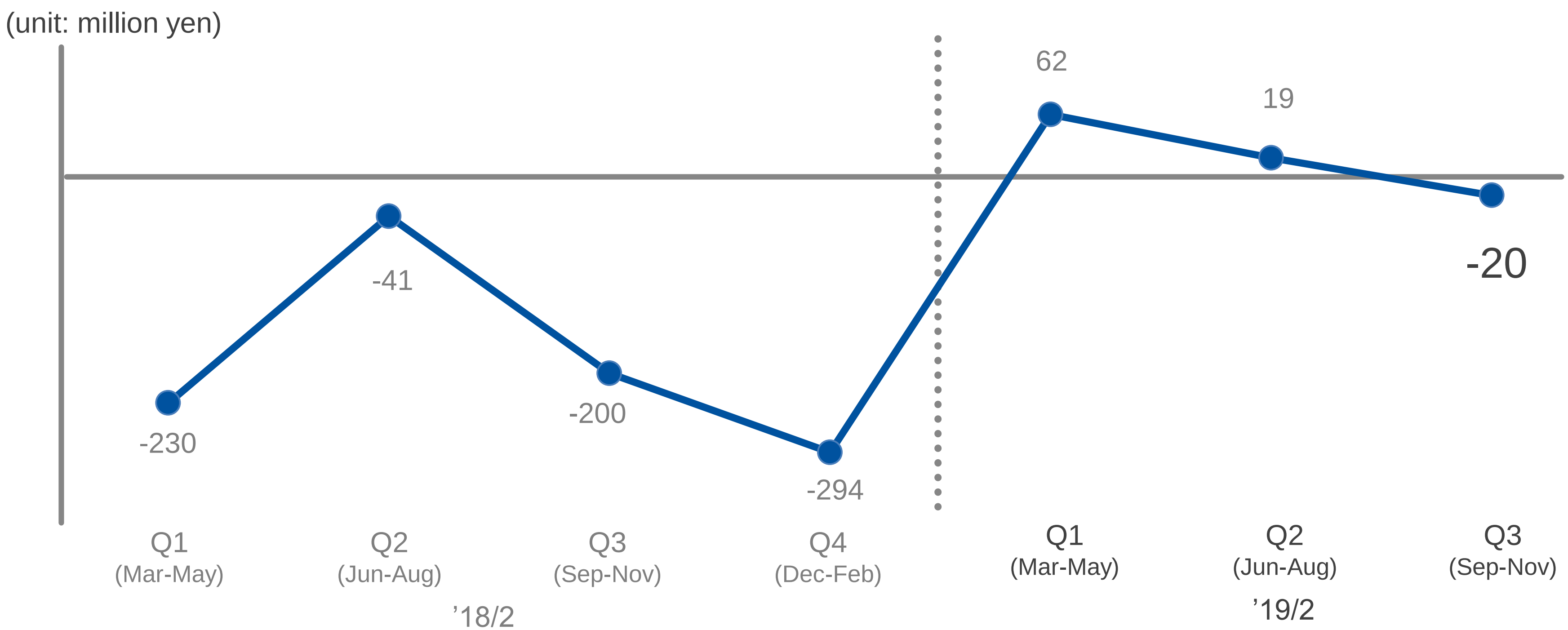
Victoria (Melbourne)
New car dealerships
(Acquired in October 2018)

*Only the balance sheets were consolidated in this Q3.

Results from Buick Holdings (DVG), our Australian subsidiary

Operating income (quarterly)

Before deduction for mortization of goodwill



	FY2018 (Mar–Nov)	FY2019 (Mar–Nov)
Operating income (loss) (Before deduction for amortization of goodwill)	(471)	61
Amortization of goodwill	303	302

The results improved YoY, however, a portion of incentive revenues has been deferred to Q4. No amendment has been made to the full-year plan.

V. Supplementary information

[Consolidated / Non-consolidated] 3Q income statement

Consolidated	9 months ended Nov 30, 2015		9 months ended Nov 30, 2016		9 months ended Nov 30, 2017		9 months ended Nov 30, 2018			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	152,082	100.0	191,033	100.0	204,338	100.0	216,134	100.0	11,796	5.8
Cost of sales	114,756	75.5	145,223	76.0	155,485	76.1	167,691	77.6	12,206	7.9
Gross profit	37,325	24.5	45,810	24.0	48,852	23.9	48,443	22.4	-409	-0.8
SG&A expenses	30,725	20.2	41,787	21.9	43,648	21.4	45,608	21.1	1,960	4.5
Operating income	6,599	4.3	4,022	2.1	5,204	2.5	2,835	1.3	-2,369	-45.5
Ordinary income	6,856	4.5	3,913	2.0	4,481	2.2	2,200	1.0	-2,281	-50.9
Income before income taxes and minority interests	6,804	4.5	3,554	1.9	4,242	2.1	1,873	0.9	-2,369	-55.8
Profit attributable to owners of parent	4,221	2.8	2,190	1.1	2,749	1.3	1,029	0.5	-1,719	-62.6

Non-Consolidated	9 months ended Nov 30, 2015		9 months ended Nov 30, 2016		9 months ended Nov 30, 2017		9 months ended Nov 30, 2018			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	135,437	100.0	149,555	100.0	160,581	100.0	174,910	100.0	14,329	8.9
Cost of sales	101,606	75.0	111,255	74.4	119,348	74.3	135,406	77.4	16,058	13.5
Gross profit	33,831	25.0	38,300	25.6	41,233	25.7	39,504	22.6	-1,729	-4.2
SG&A expenses	27,748	20.5	34,291	22.9	36,015	22.4	37,262	21.3	1,247	3.5
Operating income	6,083	4.5	4,008	2.7	5,218	3.2	2,241	1.3	-2,977	-57.1
Ordinary income	6,099	4.5	4,101	2.7	4,891	3.0	2,016	1.2	-2,875	-58.8
Income before income taxes	6,053	4.5	3,754	2.5	4,673	2.9	1,498	0.9	-3,175	-67.9
Net income	2,594	2.2	2,551	1.7	3,035	1.9	787	0.5	-2,248	-74.1

[Consolidated] Balance sheets

(million yen)

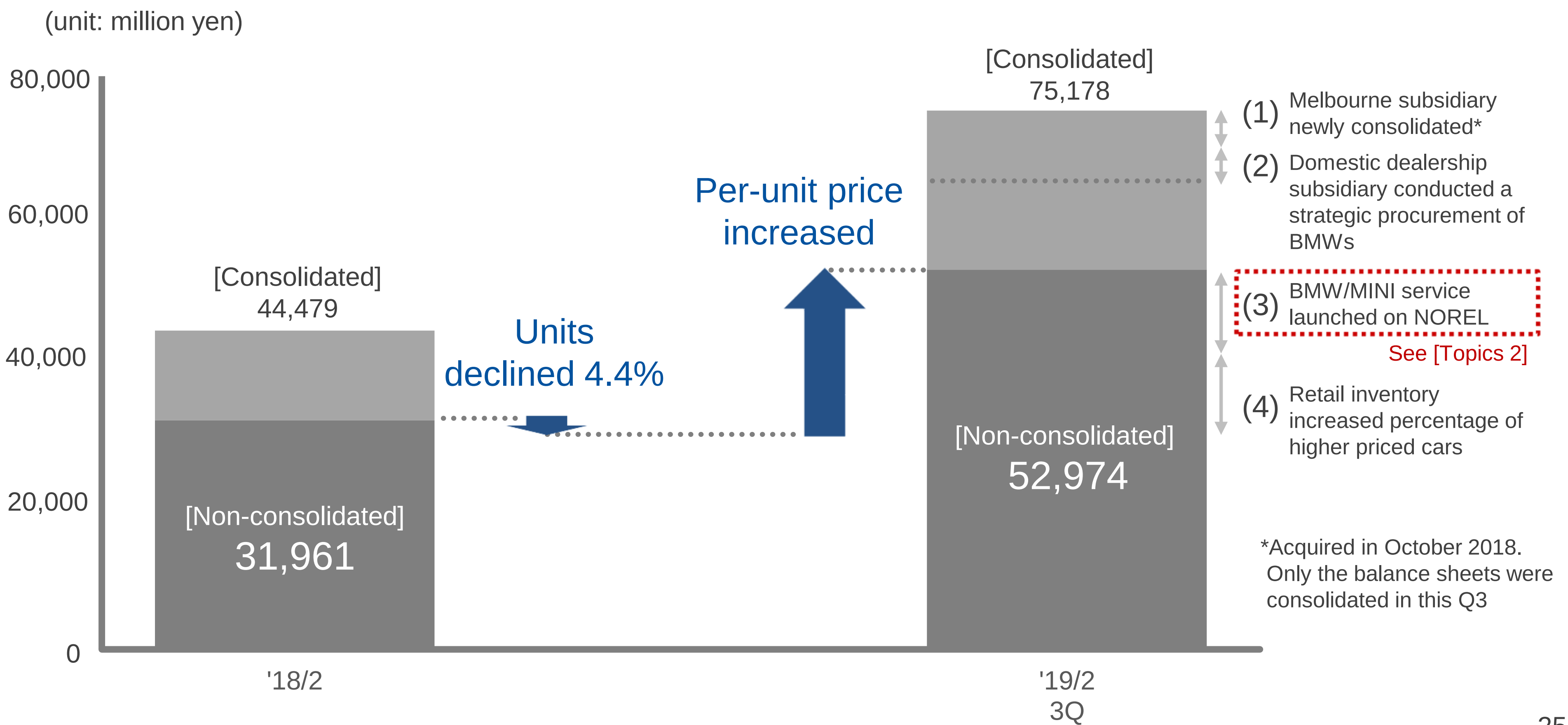
	As of February 28, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	22,763	14,665
Notes and accounts receivable - trade	5,709	7,664
Merchandise	44,479	75,178
Deferred tax assets	1,037	1,160
Other	3,203	6,260
Allowance for doubtful accounts	-239	-85
Total current assets	76,955	104,843
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,602	35,314
Accumulated depreciation	-11,445	-12,543
Buildings and structures, net	21,156	22,770
Vehicles	64	43
Accumulated depreciation	-15	-17
Vehicles, net	48	25
Tools, furniture and fixtures	4,332	4,225
Accumulated depreciation	-3,446	-3,348
Tools, furniture and fixtures, net	886	877
Land	218	218
Construction in progress	777	366
Total property, plant and equipment	23,088	24,258
Intangible assets		
Software	2,981	2,783
Goodwill	8,927	13,607
Other	3,688	3,507
Total intangible assets	15,597	19,898
Investments and other assets		
Investment securities	45	194
Shares of subsidiaries and associates	2,150	2,261
Long-term loans receivable	211	38
Lease and guarantee deposits	5,541	5,990
Construction assistance fund receivables	5,643	5,748
Deferred tax assets	504	488
Other	746	712
Allowance for doubtful accounts	-304	-116
Total investments and other assets	14,539	15,317
Total non-current assets	53,225	59,473
Total assets	130,181	164,317

	As of February 28, 2018	As of November 30, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	14,327	23,240
Short-term loans payable	1,201	16,080
Current portion of long-term loans payables	—	12,000
Accounts payable - other	3,845	2,408
Income taxes payable	2,029	202
Advances received	4,581	5,457
Deposits received	314	270
Provision for bonuses	815	207
Provision for merchandise warranties	871	561
Other provision	315	486
Other	3,597	3,468
Total current liabilities	31,901	64,384
Non-current liabilities		
Long-term loans payable	52,680	54,094
Long-term guarantee deposited	499	435
Asset retirement obligations	2,008	2,134
Deferred tax liabilities	1,008	941
Other provision	395	543
Other	191	338
Total non-current liabilities	56,784	58,488
Total liabilities	88,686	122,873
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	36,373	36,489
Treasury shares	-3,947	-3,947
Total shareholders' equity	40,615	40,731
Accumulated other comprehensive income		
Foreign currency translation adjustment	323	213
Total accumulated other comprehensive income	323	213
Stock acquisition rights	3	3
Minority owner shares worth	551	494
Total net assets	41,494	41,444
Total liabilities and net assets	130,181	164,317

[Topics 1] Inventory

- For non-consolidated inventory, unit volume declined from the end of the previous fiscal year. However, total inventory increased in relation to the launch of NOREL's new car service and other factors

Inventory



*Acquired in October 2018. Only the balance sheets were consolidated in this Q3

- Under the NOREL new car program, customers can change to a new BMW/MINI after 5,000km on a first car.

NOREL website

NOREL is a monthly flat-rate car subscription service. Under the conventional NOREL program, used cars purchased by IDOM are leased to NOREL customers.

[Topics 3] Launch of C2C car-sharing service

- Announced the launch of a C2C car-sharing service

The C2C car-sharing service provides car owners the opportunity to rent out their cars for short periods of time when not in use. As a result, owners can earn extra income and reduce the economic impact of car ownership. The service will be available in April.