

# 1st Quarter Results for Fiscal Year Ending February 28, 2018

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July 12, 2017

IDOM Inc.  
(7599)

- I . Summary of 1st quarter (3months ended) results for FY 2018
- II . Performance analysis (The 4 main factors)
- III . Supplementary information on operating results and financial data
- IV . Topics

#### Supplementary information on accounting standards

The IDOM Group has examined the possibility of adopting IFRS for financial reporting from the year-end of the fiscal year ended February 28, 2017, for the purpose of improving comparability of financial information in international capital markets. However, with comprehensive considerations on various factors and impacts on the Group's earnings from estimated costs to occur in relation to adopting IFRS, the Group has concluded not to adopt IFRS for the time being and continue to report financial statements based on Japanese GAAP for a time.

# I . Summary of 1st quarter (3months ended) results for FY 2018

# [Consolidated] Breakdown of operating income by the main companies

FY 2017  
Mar - May

FY 2018  
Mar - May

**IDOM**  
(Non-consolidated)      1,202 million yen → 1,404 million yen

**Buick Holdings**  
(Before deduction of  
amortization of goodwill)      - 5 million yen → - 230 million yen

**Consolidated**      1,245 million yen → 1,243 million yen

## [Non-Consolidated] 1Q summary

	FY 2017 Mar - May		FY 2018 Mar - May
Number of cars purchased*	48,369 cars	➔	48,726 cars
Number of cars sold*			
Wholesale	31,819 cars	➔	31,393 cars
Retail	23,396 cars	➔	32,947 cars
SG&A expenses (Non-consolidated)	11,204 million yen	➔	12,269 million yen
Operating income (Non-consolidated)	1,202 million yen	➔	1,404 million yen

\* Number of cars handled at directly managed stores.

# [Consolidated] Analysis of changes in operating income for 1Q

FY 2017 1Q [Consolidated] operating income  
1,245 million yen

FY 2018 1Q [Consolidated] operating income  
1,243 million yen

Difference

- 1** Display sales model implemented to Gulliver stores  
(Per-unit profits set lower, retail car sales increased) **positive**
- 2** Increases in the number of display sales stores  
(Retail car sales increased) **positive**
- 3** SG&A expenses  
(New store costs increased, advertising costs for purchasing remained the same level YoY) **negative**
- 4** Australian subsidiary  
(Operating income declined) **negative**

## II . Performance analysis (The 4 main factors)

- 1 Gulliver display sales model
- 2 Display sales stores
- 3 SG & A expenses
- 4 Australian subsidiary



Display sales model introduced to Gulliver stores  
The price is set lower in this model



Gulliver stores\*



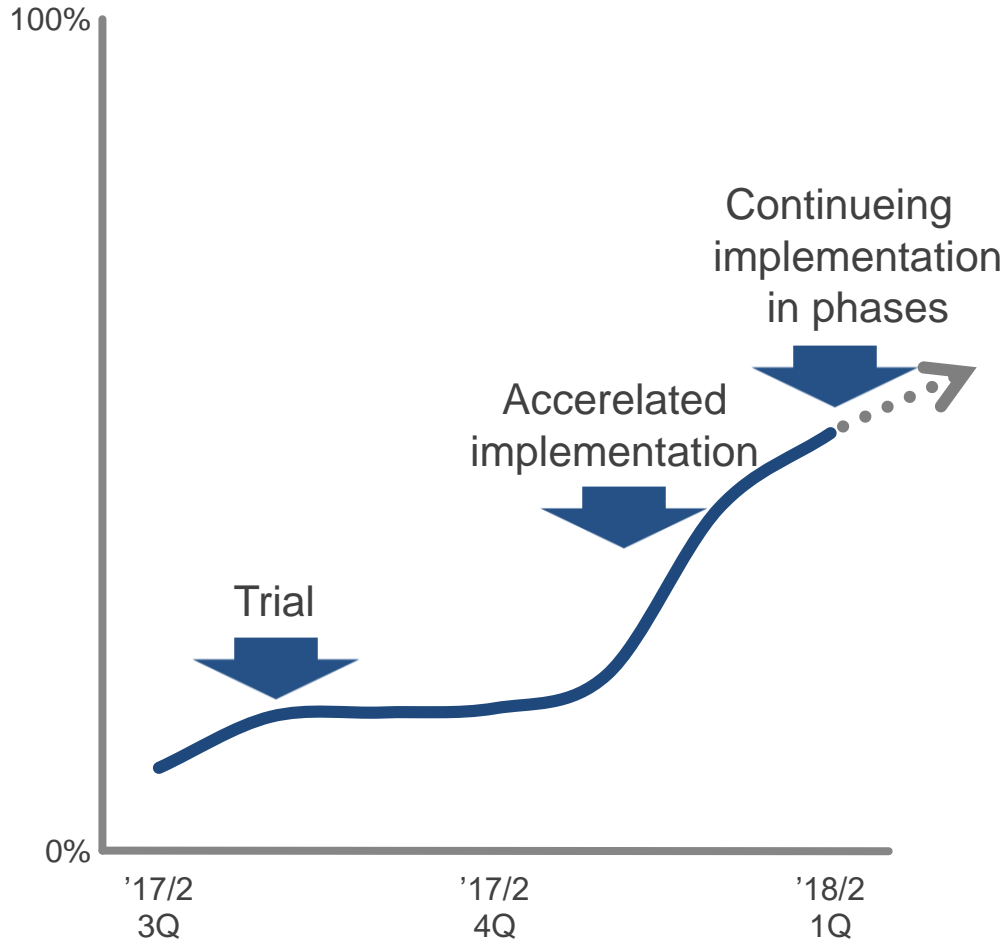
Retail business know-hows  
from OUTLET stores

\*Stores which had focused primarily on purchasing.

Retail sales at Gulliver stores had been made only via the online sales system, Dolphinet.

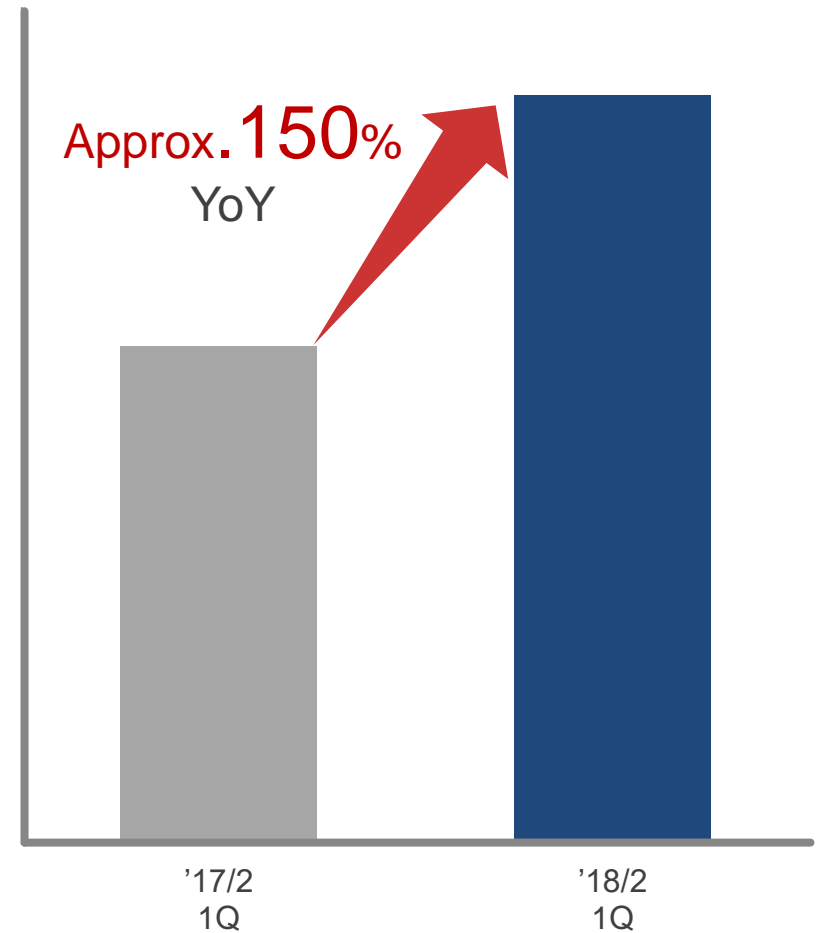
# Gulliver display sales model implementation progress and retail car sales

Implementation of display sales model to Gulliver stores



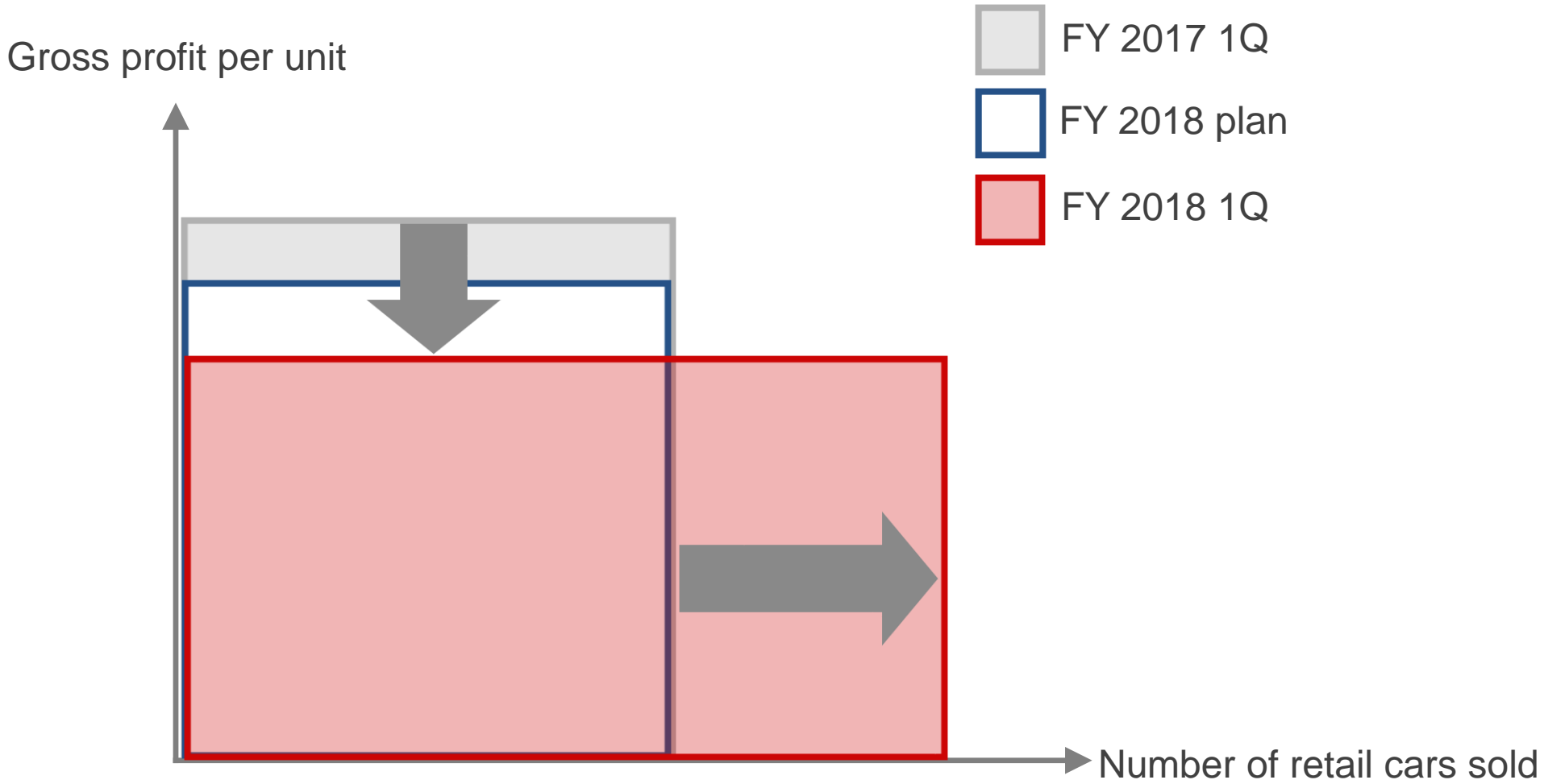
\* The percentage of Gulliver stores in which the display sales model is implemented

Average retail car sales at all Gulliver stores



\* The average monthly retail sales at all the Gulliver stores including the stores the display sales model has not been applied.

# Retail sales at Gulliver stores after display sales model is implemented



# New stores opened under Gulliver display sales model

## Store Opening Policy

- Areas which have no existing Gulliver stores, and
- Meet requirements for opening OUTLET stores

(FY 2017 open)

Uwajima  
Uwajima, Ehime



(FY 2018 1Q open)

R-8 Nagahama  
Nagahama, Shiga



Iizuka  
Iizuka, Fukuoka



Kakegawa  
Kakegawa, Shizuoka

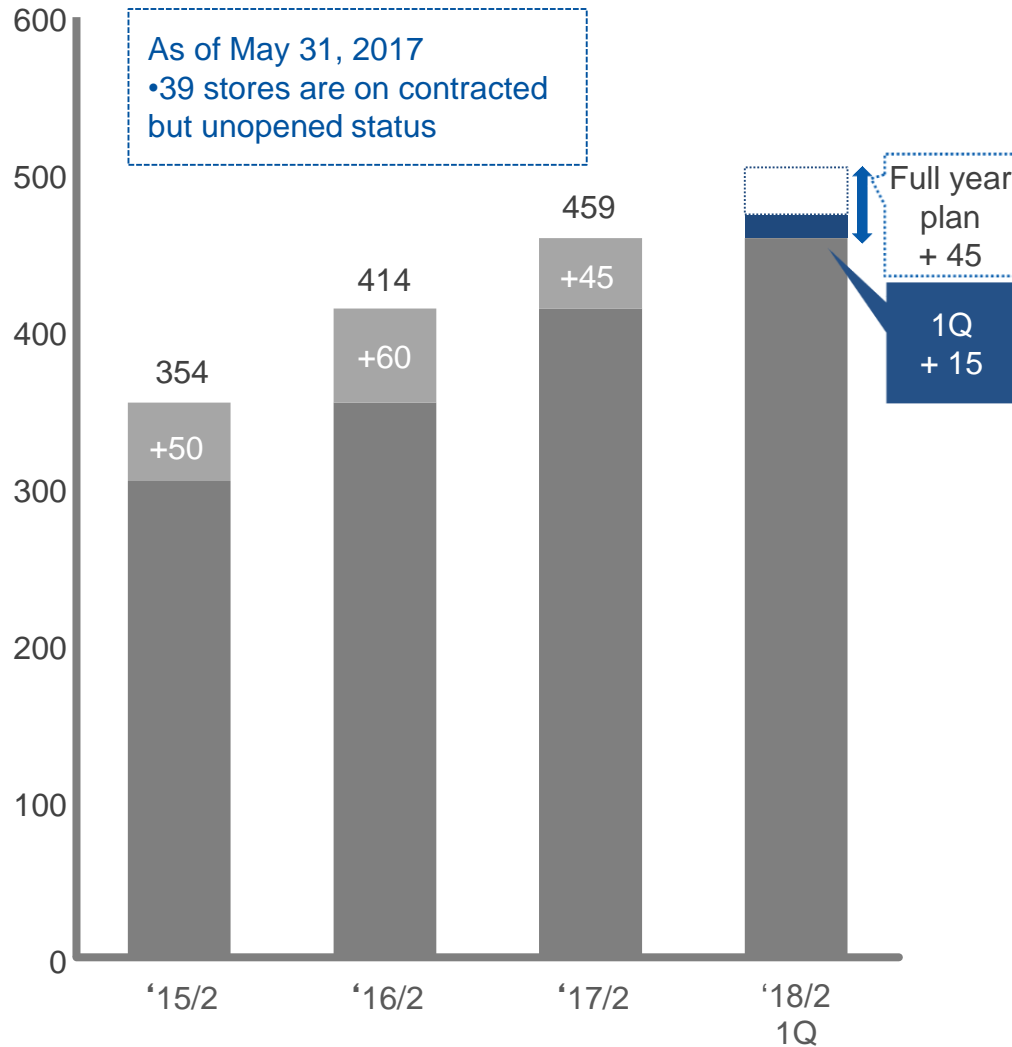


- 1 Gulliver display sales model
- 2 Display sales stores**
- 3 SG & A expenses
- 4 Australian subsidiary

# Directly managed stores

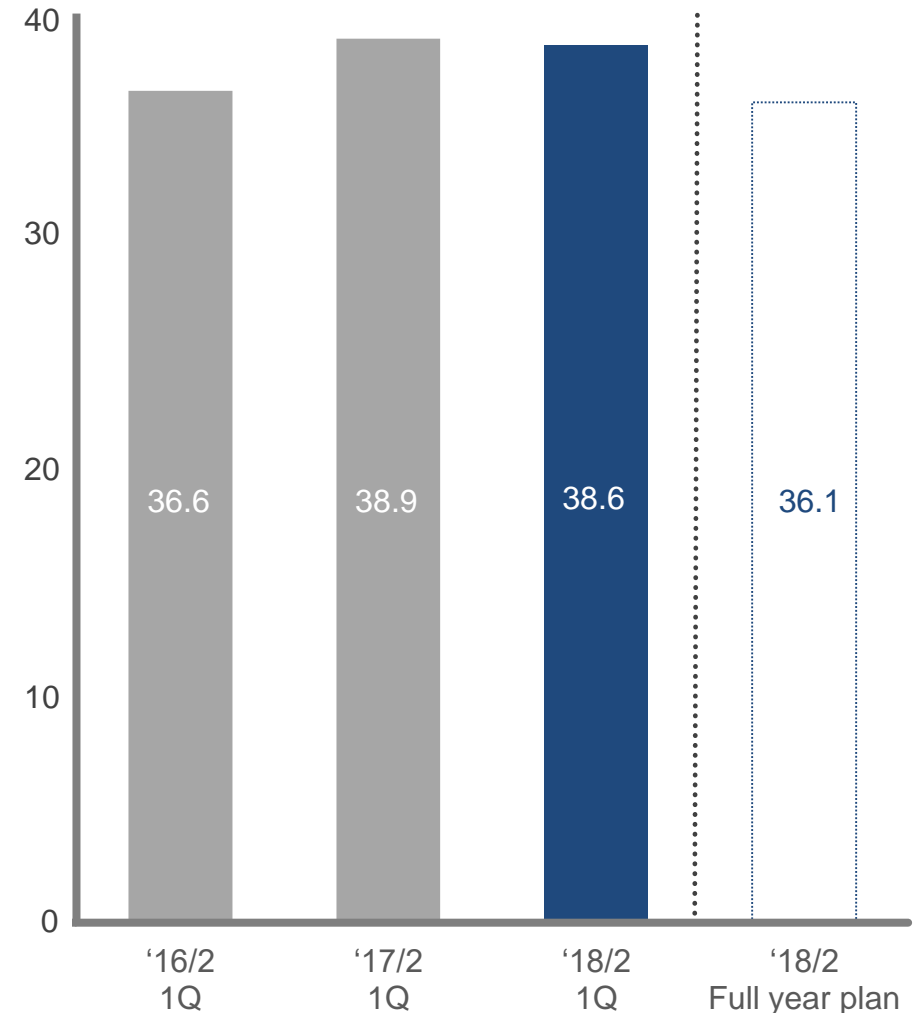
## Number of directly managed stores

(unit: stores)



## Retail car sales at display sales stores (Monthly average at existing stores\*)

(unit: cars)



\*Monthly average number of retail car sales among stores opened by the end of previous fiscal year

# Display sales stores opened in FY 2018



OL R-8 Takaoka  
Takaoka, Toyama



OL R-8 Kanazawa  
Kanazawa, Ishikawa



OL R-3 Minamitakae  
Kumamoto, Kumamoto



OL R-208 Omuta  
Omuta, Fukuoka



OL 254 Kawagoe  
Kawagoe, Saitama



OL Tendo  
Tendo, Yamagata



OL Hitachi-Tajiri  
Hitachi, Ibaraki



OL Ichinoseki  
Ichinoseki, Iwate



OL Sapporo Shiroishi  
Sapporo, Hokkaido



OL Asakuchi-Konko  
Asakuchi, Okayama



OL Tsuyama  
Tsuyama, Okayama



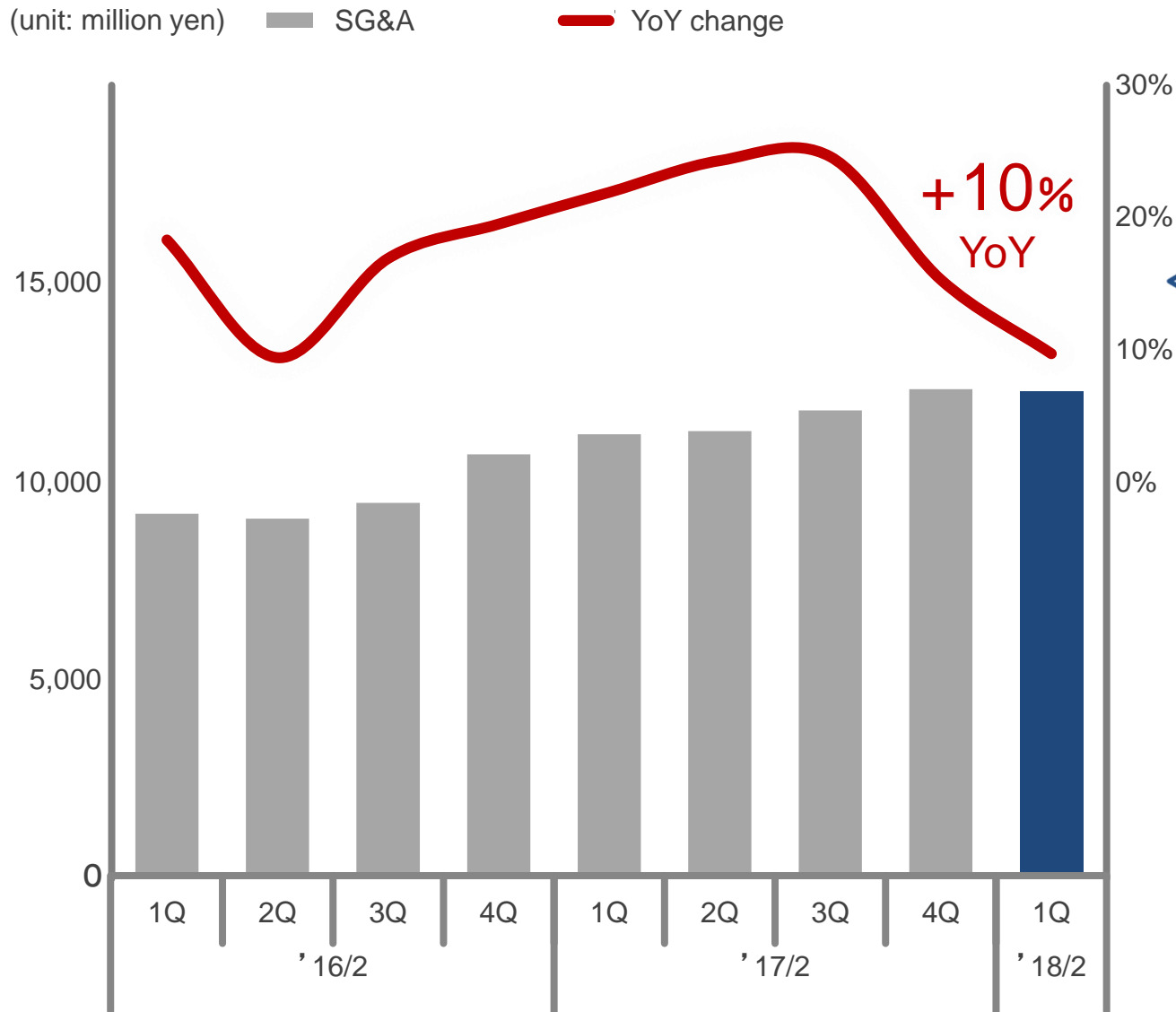
Nobeoka  
Nobeoka, Miyazaki



- 1 Gulliver display sales model
- 2 Display sales stores
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# Changes of SG&A (non-consolidated)

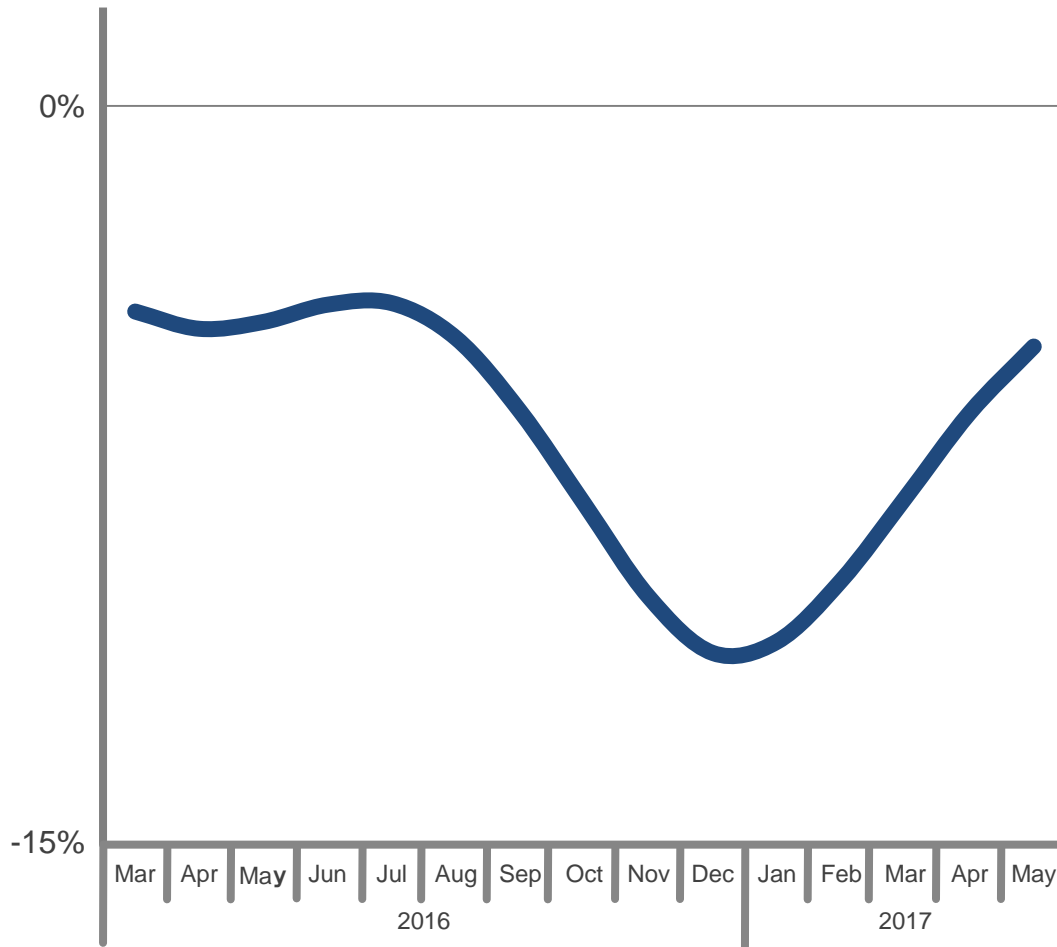


New store costs	Increased
Advertising for purchasing	Same level YoY
New service costs	Decreased

- 1 Gulliver display sales model
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# Australian subsidiary, Buick Holdings (DVG)

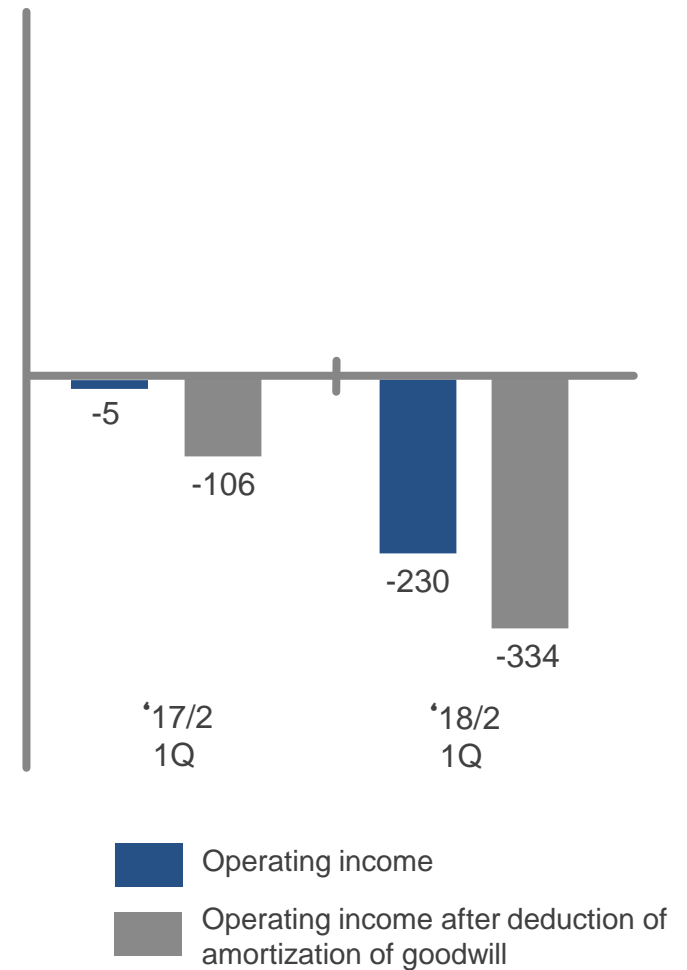
New vehicle market in Western Australia  
(% change YoY )



Source: Sales of New Vehicle, Australian Bureau of Statistics (June 2017)

Operating income and operating income after deduction of amortization of goodwill

(unit: million yen)



## III. Supplementary information on operating results and financial data

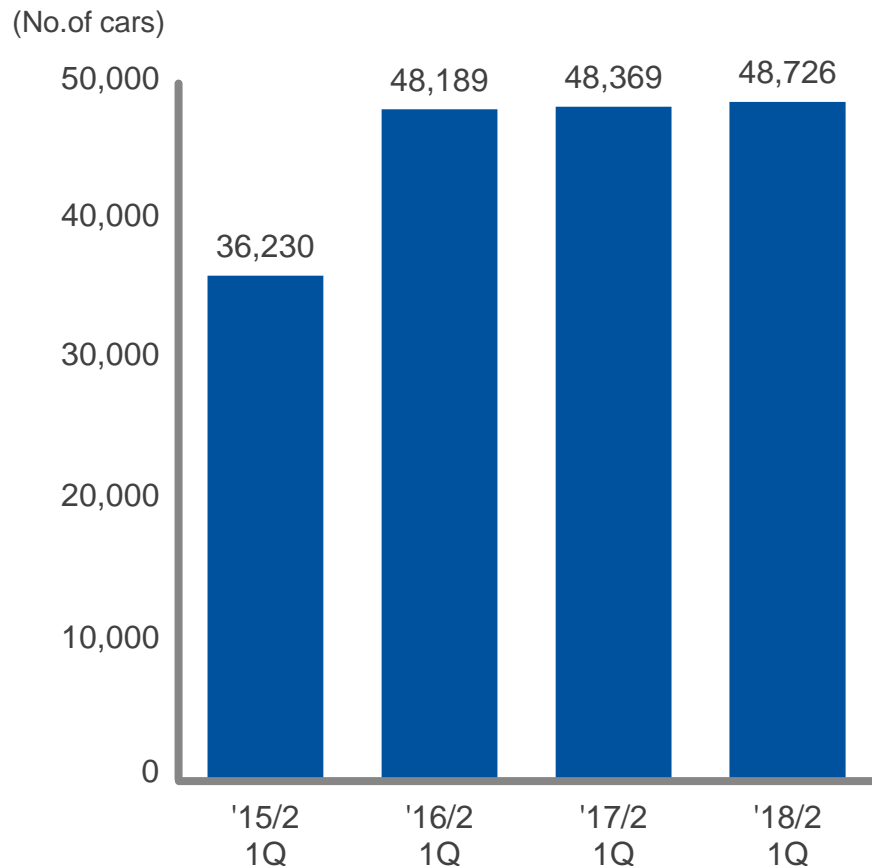
# [Consolidated / Non-consolidated] Income statement

Consolidated	3 months ended May 31, 2014		3 months ended May 31, 2015		3 months ended May 31, 2016		3 months ended May 31, 2017			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	38,845	100.0	50,498	100.0	66,192	100.0	71,130	100.0	4,938	7.5
Cost of sales	29,453	75.8	38,766	76.8	51,184	77.3	55,041	77.4	3,857	7.5
Gross profit	9,391	24.2	11,731	23.2	15,007	22.7	16,088	22.6	1,081	7.2
SG&A Expenses	7,915	20.4	9,690	19.2	13,761	20.8	14,845	20.9	1,084	7.9
Operating income	1,476	3.8	2,040	4.0	1,245	1.9	1,243	1.7	-2	-0.2
Ordinary income	1,507	3.9	2,017	4.0	1,173	1.8	903	1.3	-270	-23.0
Income before income taxes and minority interests	1,487	3.8	2,017	4.0	1,050	1.6	802	1.1	-248	-23.6
Profit attributable to owners of parent	910	2.3	1,248	2.5	732	1.1	457	0.6	-275	-37.6

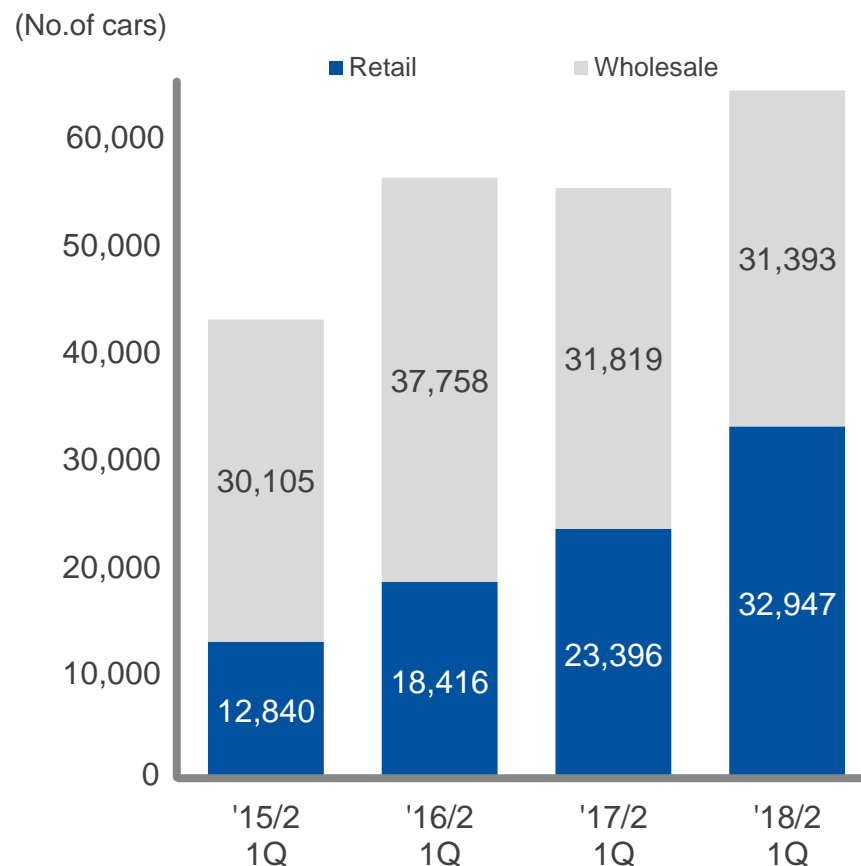
Non-Consolidated	3 months ended May 31, 2014		3 months ended May 31, 2015		3 months ended May 31, 2016		3 months ended May 31, 2017			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	38,172	100.0	47,604	100.0	51,275	100.0	57,444	100.0	6,169	12.0
Cost of sales	29,013	76.0	36,649	77.0	38,868	75.8	43,770	76.2	4,902	12.6
Gross profit	9,158	24.0	10,954	23.0	12,407	24.2	13,673	23.8	1,266	10.2
SG&A Expenses	7,774	20.4	9,194	19.3	11,204	21.9	12,269	21.4	1,065	9.5
Operating income	1,383	3.6	1,760	3.7	1,202	2.3	1,404	2.4	202	16.8
Ordinary income	1,396	3.7	1,737	3.6	1,175	2.3	1,242	2.2	67	5.7
Income before income taxes	1,382	3.6	1,736	3.6	1,057	2.1	1,150	2.0	93	8.8
Net income	838	2.2	1,012	2.1	798	1.6	733	1.3	-65	-8.1

# [Non-consolidated] Unit information at directly managed stores

Number of cars purchased



Number of cars sold (wholesale and retail)



# [Consolidated] Balance sheets

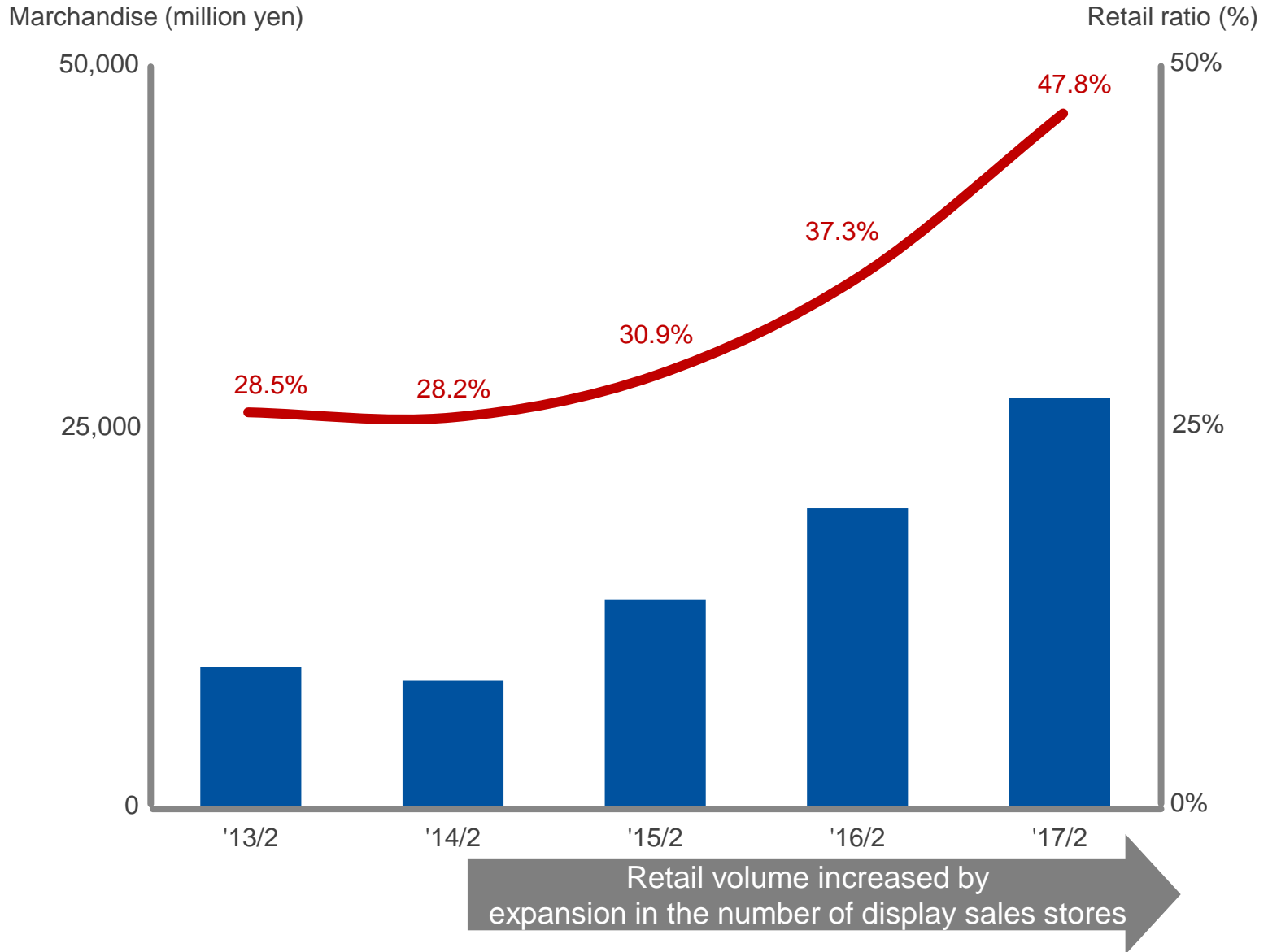
(million yen)

	As of February 28, 2017	As of May 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,337	27,616
Notes and accounts receivable - trade	4,655	4,650
Merchandise	41,333	36,510
Deferred tax assets	785	1,026
Other	2,717	2,988
Allowance for doubtful accounts	-64	-53
Total current assets	63,765	72,739
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	29,766	30,997
Accumulated depreciation	-10,134	-10,481
Buildings and structures, net	19,632	20,515
Vehicles	312	207
Accumulated depreciation	-100	-117
Vehicles, net	212	89
Tools, furniture and fixtures	4,097	4,153
Accumulated depreciation	-3,088	-3,167
Tools, furniture and fixtures, net	1,009	985
Land	218	218
Construction in progress	961	365
Total property, plant and equipment	22,033	22,175
<b>Intangible assets</b>		
Software	3,201	3,208
Goodwill	9,687	9,242
Other	4,024	3,812
Total intangible assets	16,914	16,263
<b>Investments and other assets</b>		
Investment securities	40	32
Shares of subsidiaries and associates	247	250
Long-term loans receivable	229	227
Lease and guarantee deposits	5,033	5,157
Construction assistance fund receivables	5,214	5,271
Deferred tax assets	361	379
Other	533	712
Allowance for doubtful accounts	-325	-339
Total investments and other assets	11,334	11,692
Total non-current assets	50,281	50,131
<b>Total assets</b>	<b>114,047</b>	<b>122,871</b>

	As of February 28, 2017	As of May 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	12,317	11,210
Short-term loans payable	3,408	1,342
Current portion of long-term loans payable	-	55
Accounts payable - other	3,885	3,432
Income taxes payable	679	812
Advances received	4,228	3,633
Deposits received	383	400
Provision for bonuses	651	87
Provision for merchandise warranties	1,149	1,187
Other provision (Current)	175	189
Other	2,602	4,628
Total current liabilities	29,483	26,981
<b>Non-current liabilities</b>		
Long-term loans payable	40,774	52,517
Long-term guarantee deposited	529	510
Provision for directors' retirement benefits	188	192
Asset retirement obligations	1,866	1,914
Deferred tax liabilities (Fixed)	1,127	1,069
Other provision (Fixed)	425	419
Other	70	-
Total non-current liabilities	44,983	56,624
<b>Total liabilities</b>	<b>74,466</b>	<b>83,605</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	33,821	33,670
Treasury shares	-3,947	-3,947
Total shareholders' equity	38,063	37,912
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	578	431
Total accumulated other comprehensive income	578	431
Stock acquisition rights	5	5
Minority owner shares worth	934	916
Total net assets	39,581	39,265
<b>Total liabilities and net assets</b>	<b>114,047</b>	<b>122,871</b>

# Expansion in retail sales and changes in inventory volume

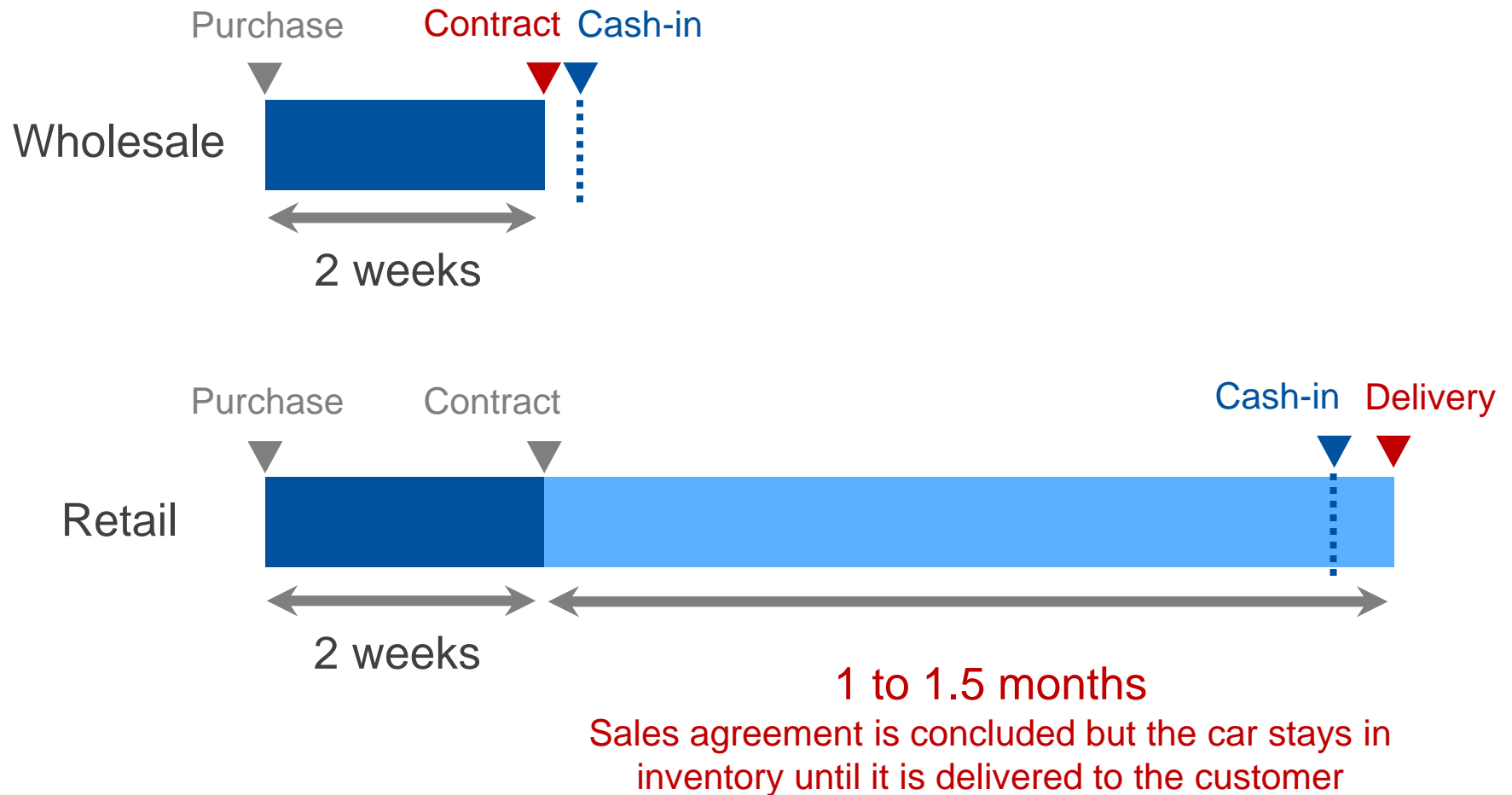
## Merchandise (non-consolidated) and retail ratio (unit base)



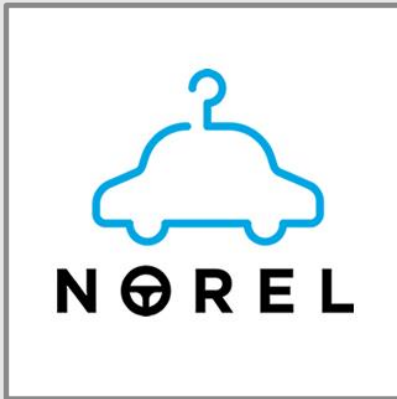


# Inventory volume increases with the expansion of retail sales

Increase in inventories which are contracted but undelivered  
(Thus inventory risk is unchanged)



# IV. Topics



Monthly flat-rate rental service  
using purchased used cars in stock

- Service area expanded  
June Sizuoka  
July Tochigi, Gunma, Ibaraki, Yamanashi
- Sharing allowance up to 5 users  
introduced



C2C platform option for  
uncontracted customers

- In June 2017, service name  
changed to “Gulliver Free Market”  
from “Kurumajiro”

# Additional issue of stock options with performance-based conditions

## The series of stock acquisition rights and the targeted shares

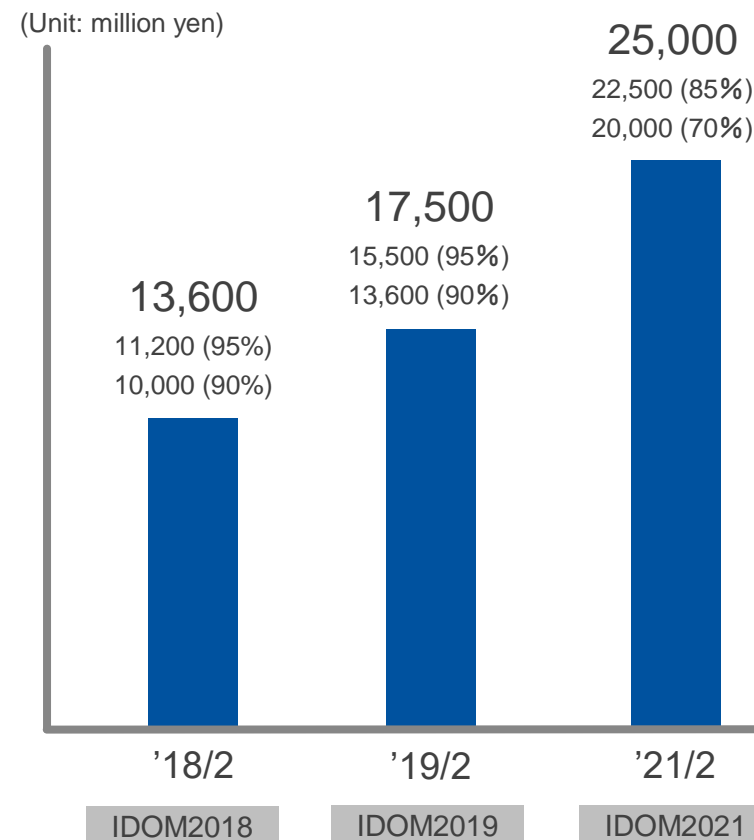
	IDOM2018	IDOM2019 (Newly set)	IDOM2021
Issued October 2016	The 4th (0.9 million shares)	—	The 5th (2.1 million shares)
July 2017	The 6th (0.3 million shares)	The 7th (0.5 million shares)	The 8th (1.2 million shares)

\* The amounts shown in ( ) indicate the number of shares targeted by each series of stock acquisition rights  
 The total number of targeted shares of the 4<sup>th</sup> to 8<sup>th</sup> series: 5 million shares (4.93% of the current total voting rights)

### Features of this stock option program

- Exercisable only if profit targets are achieved
- Eligible allottees can be determined retrospectively from directors and employees
- No expenses are required to be recorded (anticipated)

## Profit target condition (operating income)



\* The percentage shown in ( ) indicates the portion that can be exercised having achieved the stated profits

Please see the Company's announcement made on July 12, 2017 for the details.



## 攻めのIT経営銘柄2017

### Competitive IT Strategy Company

#### IDOM's IT uses and the evaluation

- Active involvement by the management
- Active disclosure (corporate website)

#### I. Management

- New business development utilizing the IT and resources cultivated through the operation of existing business (“NOREL”, “Gulliver Free Market”)
- Improvement of existing business and increasing productivity (cloud servers and BI applications, automated pricing system, call center operation optimization)

- Efficacy valuation with IT-ROI, and PDCA to maximize the IT investments

#### V. Valuation

#### II. Strategic IT use

- ◆ Average (all)
- Average(wholesale)
- ▲ IDOM

- Improvement of existing systems

#### IV. Infrastructure

#### III. Structure & personnel

- Structure established to promote integration of IT and business. (specialized group “Team X”)
- HR management for IT personnel

