

3rd Quarter Results for Fiscal Year Ending February 28, 2018

January 12, 2018

IDOM Inc.

I . Performance analysis

II . Store openings

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 . Perfomance analysis

3Q summary

	FY 2017 Mar - Nov		FY 2018 Mar - Nov
Number of cars purchased*	135,783 cars	➔	123,574 cars
Number of cars sold*			
Wholesale	78,860 cars	➔	73,128 cars
Retail	70,255 cars	➔	93,114 cars
SG&A expenses (Non-consolidated)	34,291 million yen	➔	36,015 million yen
Operating income (Non-consolidated)	4,008 million yen	➔	5,218 million yen
Operating income (Consolidated)	4,022 million yen	➔	5,204 million yen

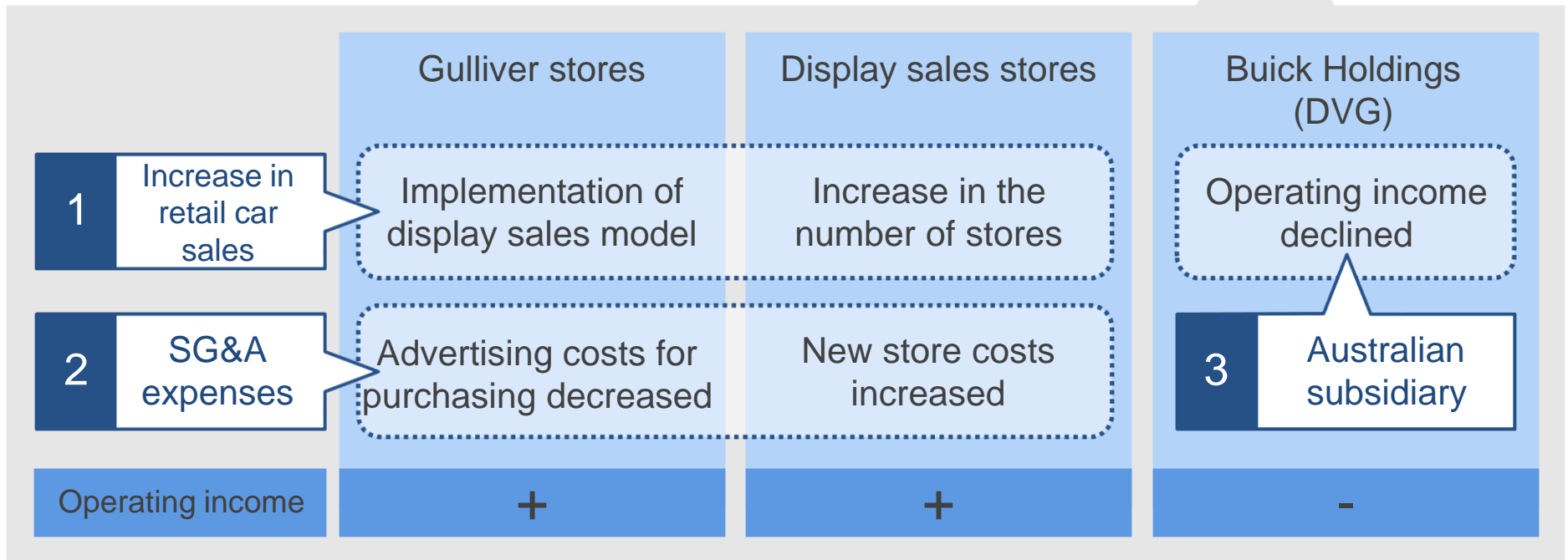
* Number of cars handled at directly managed stores.

[Consolidated] Analysis of changes in operating income

FY 2017 3Q [Consolidated] operating income
4,022 million yen

FY 2018 3Q [Consolidated] operating income
5,204 million yen

Change in provision for merchandise warranties*



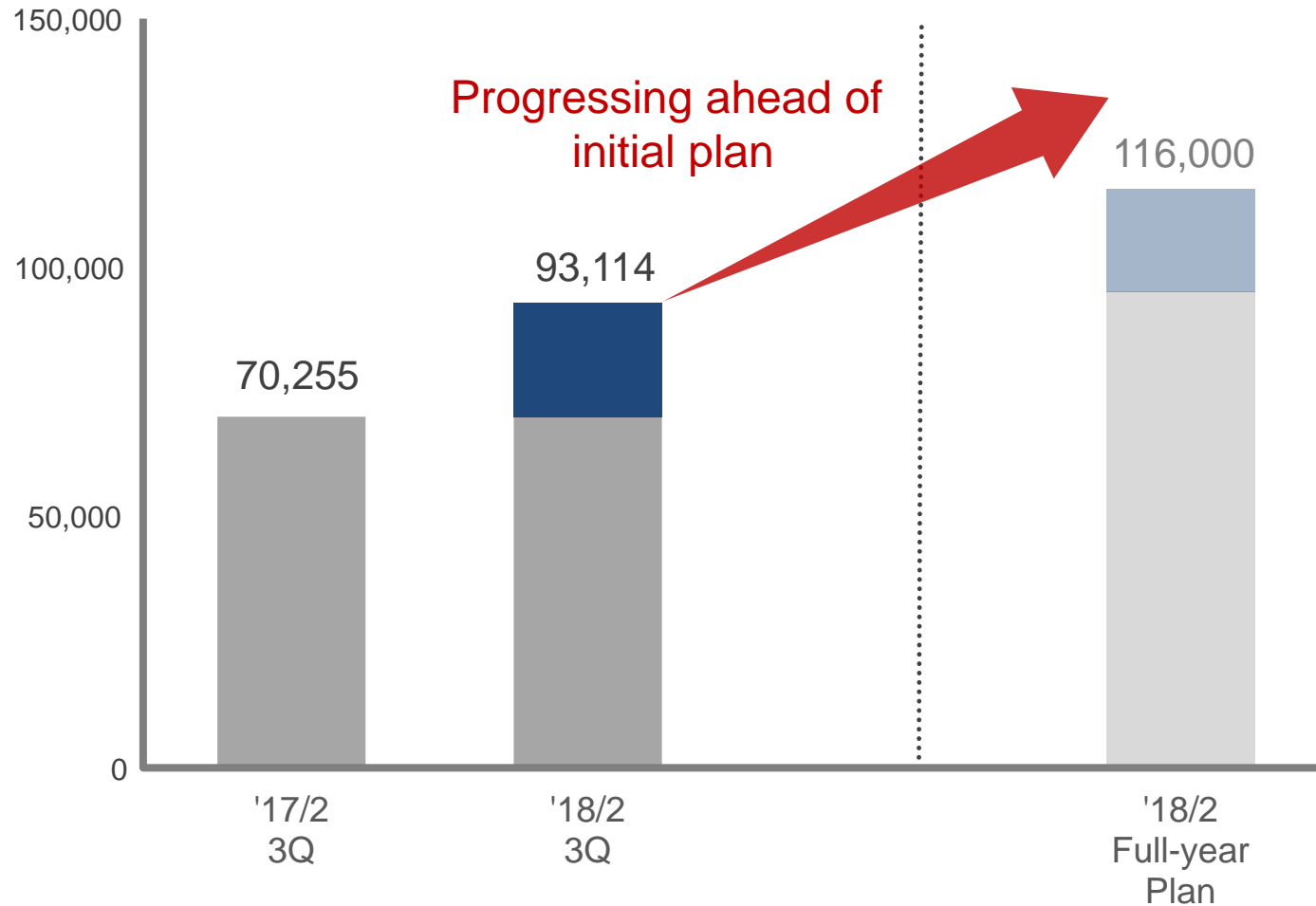
*Effective from FY2018 3Q, the company changed the accounting rule in estimating provision for merchandise warranties on retail cars as a result of increased accuracy in estimation process. Due to this change, cost of sales declined by approximately 350 million yen.

- 1 Increase in retail car sales [Non-consolidated]
- 2 SG&A expenses [Non-consolidated]
- 3 Australian subsidiary

Total number of retail cars sold at all directly managed stores (9 months)

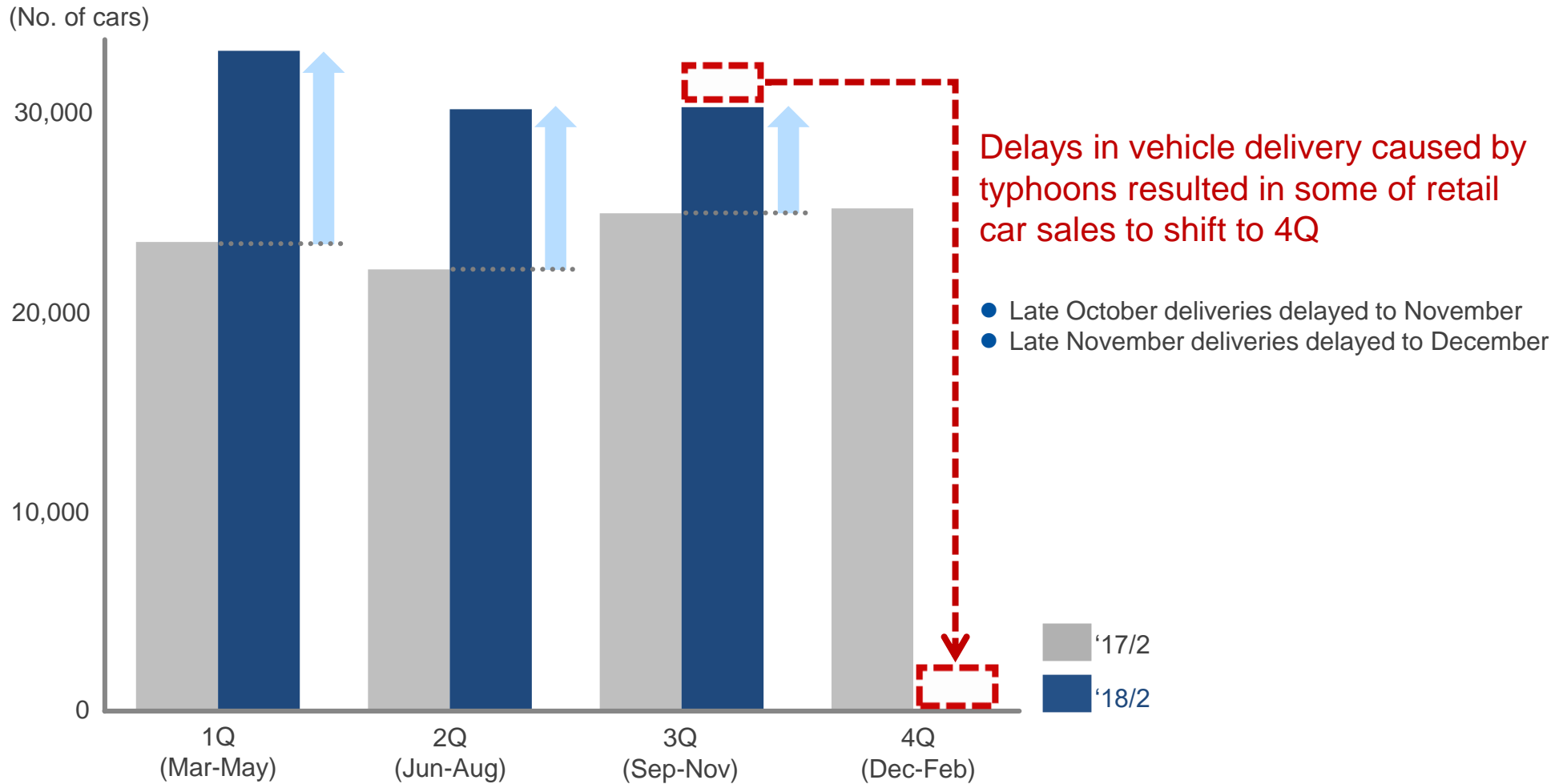
(No. of cars)

(Total number of cars for retail at all directly managed stores including the Gulliver stores)



Retail car sales (quarterly results)

Total number of retail cars sold at all directly managed stores (quarterly results)



Some of the vehicle deliveries initially planned for late October delayed due to typhoons which hit the country two weekends in a row. This delay also pushed back the late November deliveries to December and January.

Gulliver stores



(The original Gulliver stores which had primarily focused on purchasing)

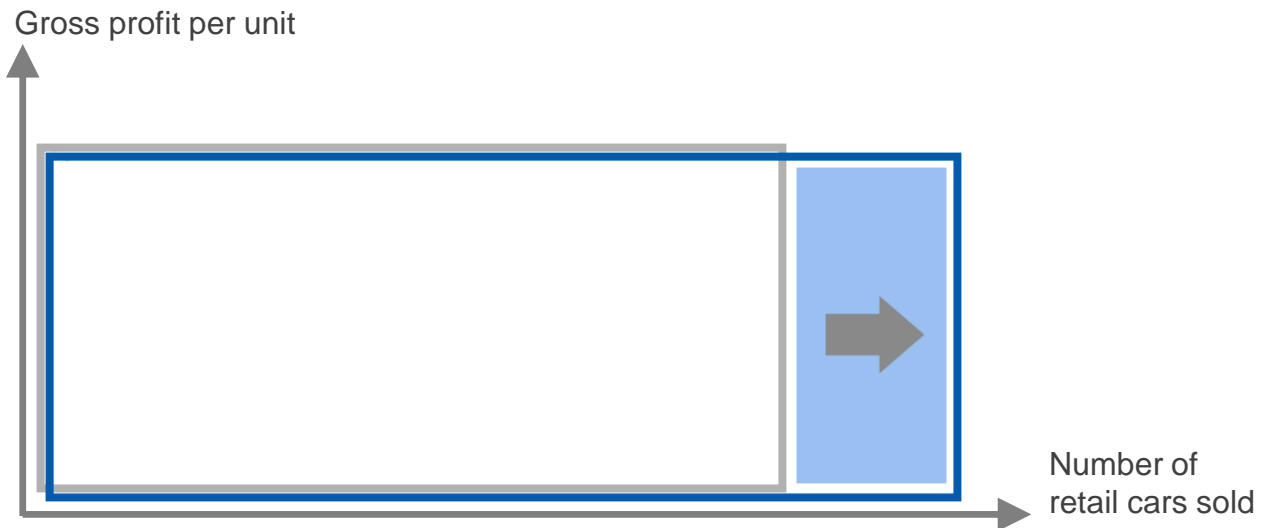
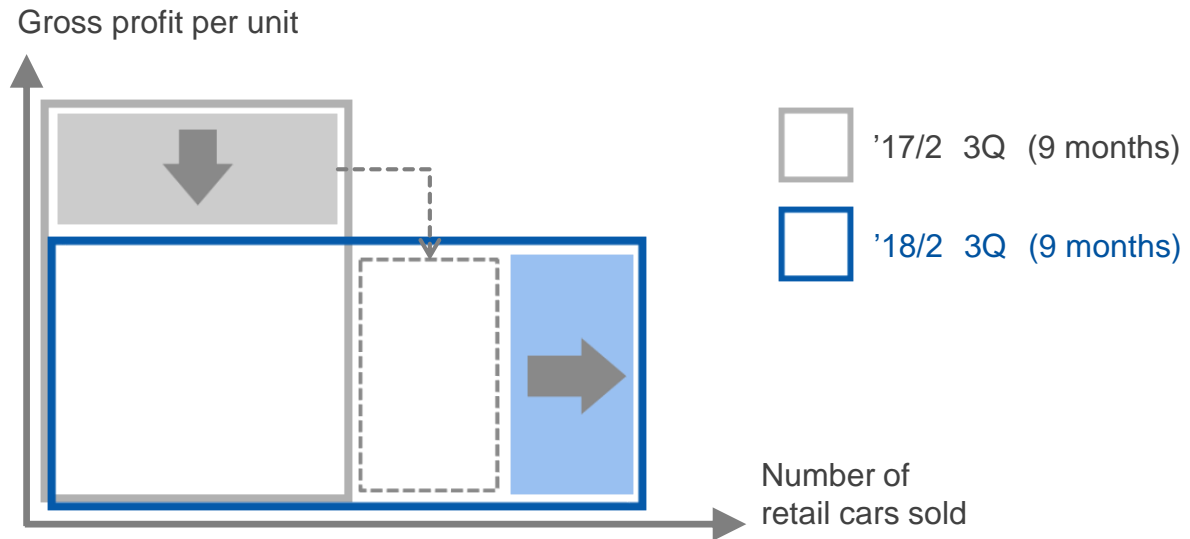
- Implementation of display sales model. The targeted stores completed the model transformation by the end of August.

Display stores



- Retail car sales increased due to the growth in number of stores.

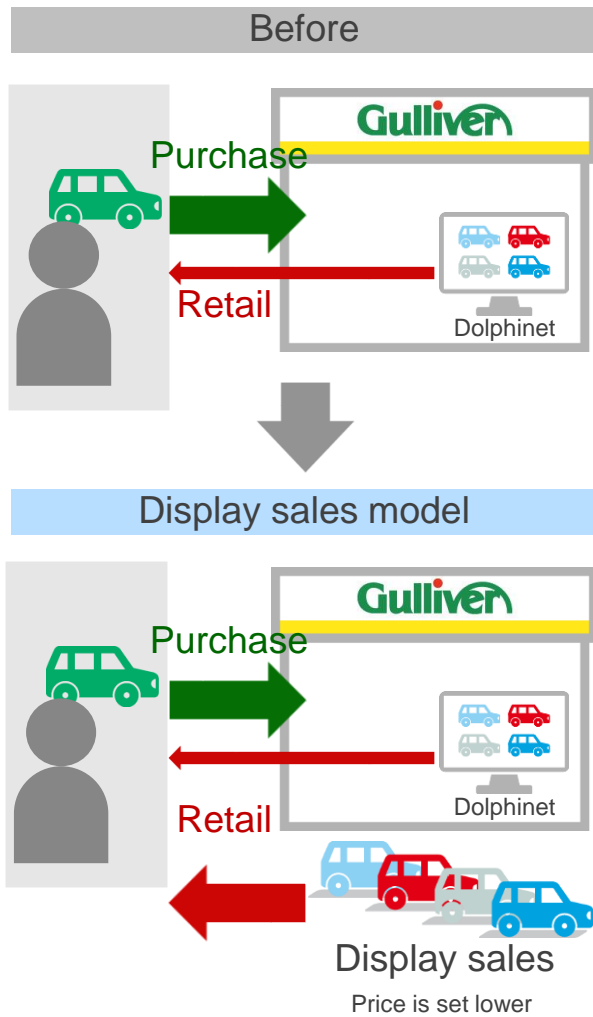
Total retail gross profits expanded



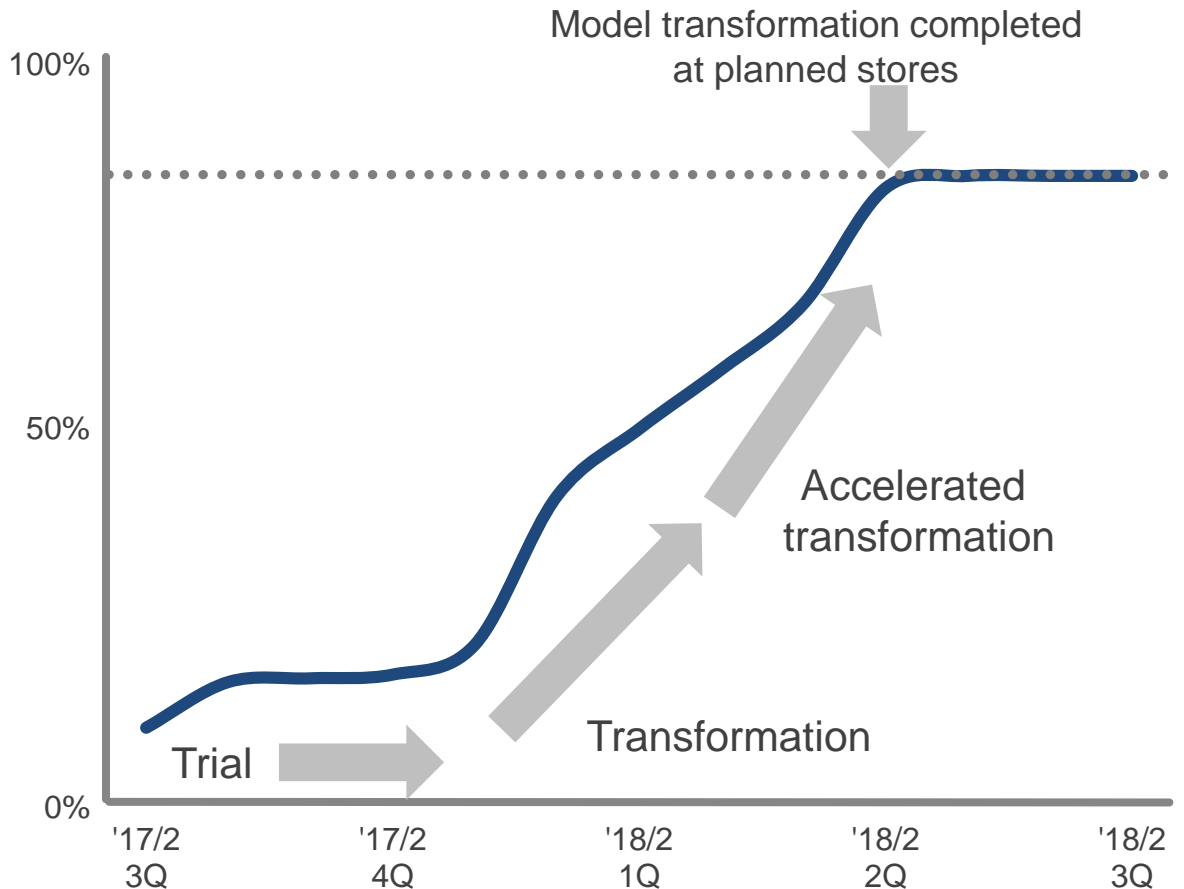
Gulliver stores: Strategic price change (lowering unit price) increased the unit sales. Gross profit per unit decreased but the total gross profit increased YoY.

Display stores: Unit sales grew on the back of the increase in the number of stores. Resulted in gross profit per unit to increase YoY.

Gulliver stores display sales model transformation



Display sales model transformation at Gulliver stores



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

*Dolphinet: Online car sales system

Gulliver stores adopted display sales model to raise its profitability. Under this model, Gulliver stores display and sell lower price cars in addition to the conventional operation of purchasing and selling through Dolphinet. Model transformation was accelerated in 2Q and completed by the end of August at all the targeted stores planned in April.

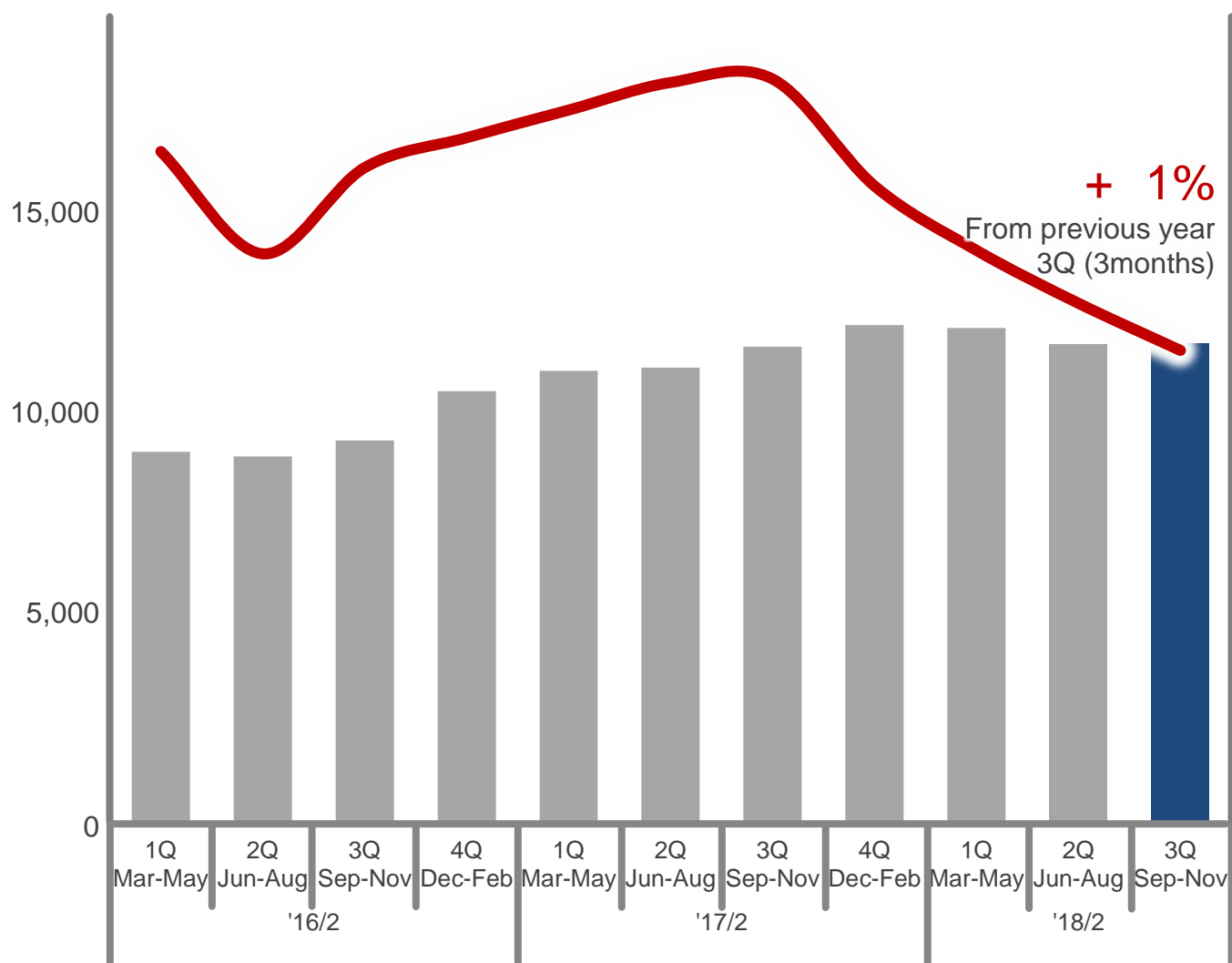
- 1 Increase in retail car sales [Non-consolidated]
- 2** SG&A expenses [Non-consolidated]
- 3 Australian subsidiary

[Non-consolidated] Trends in SG & A expenses

(unit: million yen)

■ SG&A expenses
(non-consolidated)

— YoY change



Factors for the YoY change

[1] Store operation costs	Increased by a growth in the number of stores
[2] Advertising for purchasing.	Slightly decreased
[3] New service costs	Decreased

SG&A is shifting in to a restraining trend from the upturn trend resulted from increases in advertising costs for purchasing business.

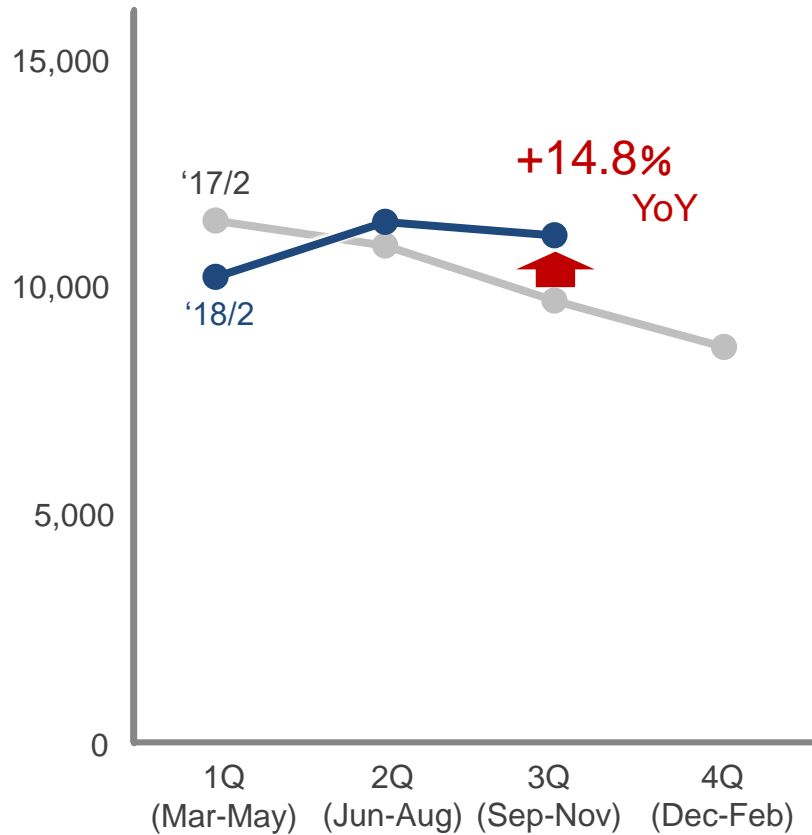
[2] The advertising costs for purchasing decreased YoY from 2Q.

[1] Increase in the store operation costs and [3] decrease in new service costs are in line with the plan.

- 1 Increase in retail car sales [Non-consolidated]
- 2 SG&A expenses [Non-consolidated]
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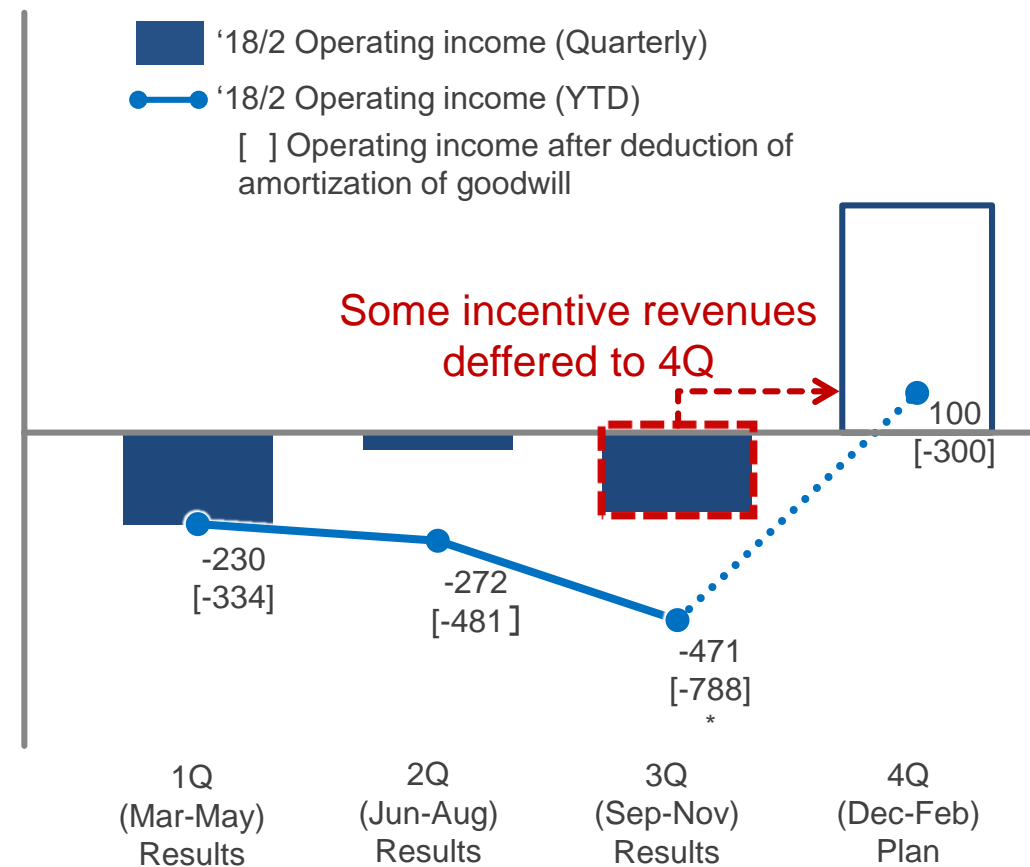
Net sales (Quarterly)

(unit: million yen)



Operating income (Quarterly and YTD)

(unit: million yen)



* '17/2 Operating income (9 months) -46 million yen [-337million yen]

Net sales : Amid the continued stagnation in new car market in Western Australia, the initiatives to increase the sales contributed 14.8% growth YoY in 3Q.

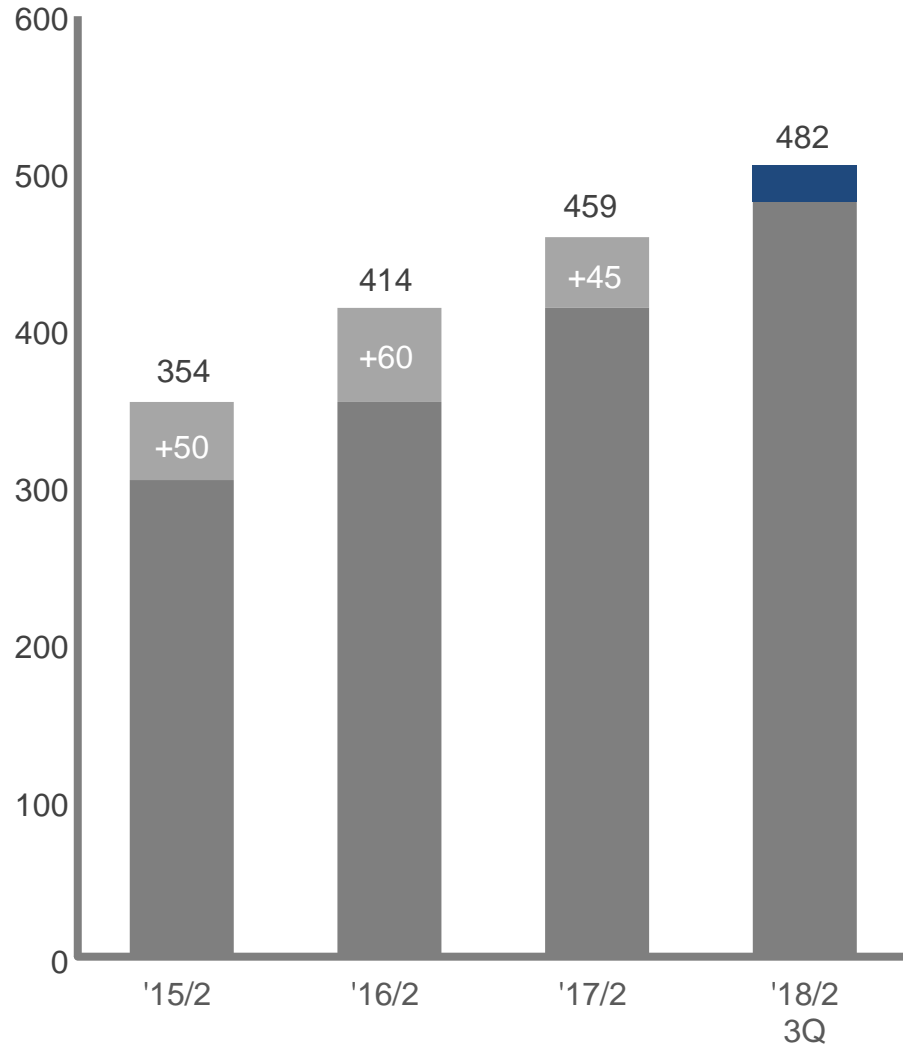
Operating income: Lay-off conducted in 2Q reduced SG&A expenses, however, a portion of incentive revenues from manufacturers has been deferred to 4Q resulting 3Q results to fall in loss. No amendment has been made to the full-year plan.

II . Store openings

Store openings

Number of directly managed stores

(unit: stores)



Net increase

23 stores

Newly opened

26

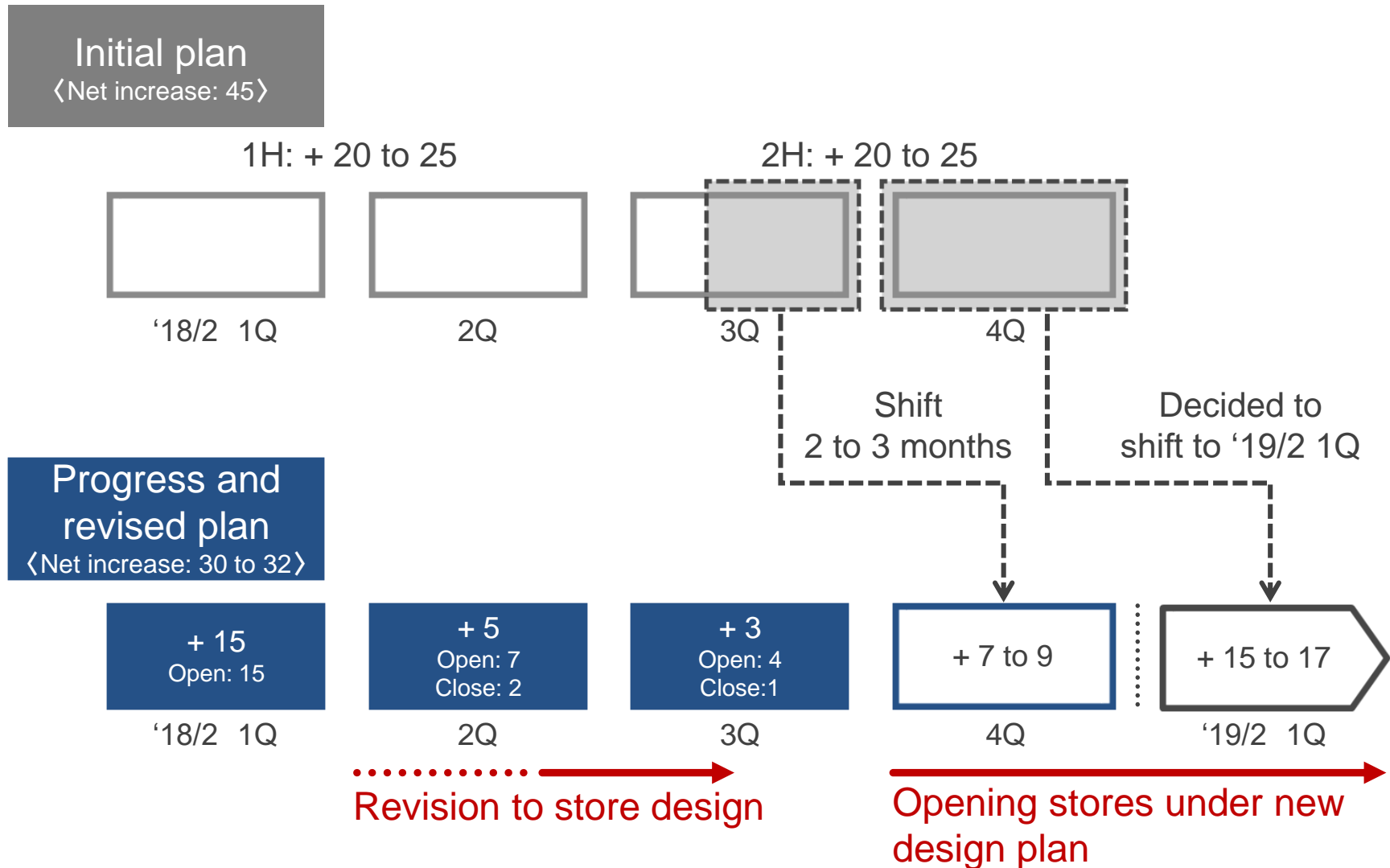
Closed

3

42 stores are under
“contracted & unopened” status
(As of November 30, 2017)

*The number of stores under “contracted & unopened” status includes stores that are expected to open after the current fiscal year.

Store opening plan



- 1) Due to revisions made to the store design, stores initially planned to open after October have been postponed for a few months.
- 2) The decision was made to shift store openings initially planned in 4Q to next fiscal year to control the number of store openings which involve the personnel relocation on busy season (January and February).

New store design

Advanced store design and layout to increase customer traffic flow



Revised in- and outside- store design



Renewed display and entrance space



Revisions have been made to in- and outside- store design and layouts including vehicle display and entrance space for the purpose of increasing customer traffic flow. The new plan is applied to stores opening after December. No change to the operating costs and initial investment from old plan if the store size is same.

Store opening policy remains unchanged

Withdrawal flexibility

Avoids owning land
Each channel's location has same conditions and buildings at same standards

Investment profitability

Investment recovery possible in 36 months

Sales quality

Decide on store openings depending on store manager training and recruitment of sales personnel

Store openings (March - November)



(Gulliver display sales model)

* Display sales store under the original Gulliver brand is opened when the property meets requirements for OUTLET stores and the area is uncovered by existing Gulliver stores.

R-8 Nagahama
Nagahama, Shiga



lizuka
lizuka, Fukuoka



Kakegawa
Kakegawa, Shizuoka



Kurobe
Kurobe, Toyama



Fuji-yoshida
Fuji-yoshida, Yamanashi



Kawauchi
Tokushima



Kouchi
Kouchi



Nagano
Nagano



Wakayama
Wakayama



(Shopping Center)



AEON MALL Tottori-Kita
Tottori



Nobeoka
Nobeoka, Miyazaki



Store openings (March - November)



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



OL R-136 Mishima
Mishima, Shizuoka



OL Kumagaya
Kumagaya, Saitama



OL Mito Bypass
Mito, Ibaraki



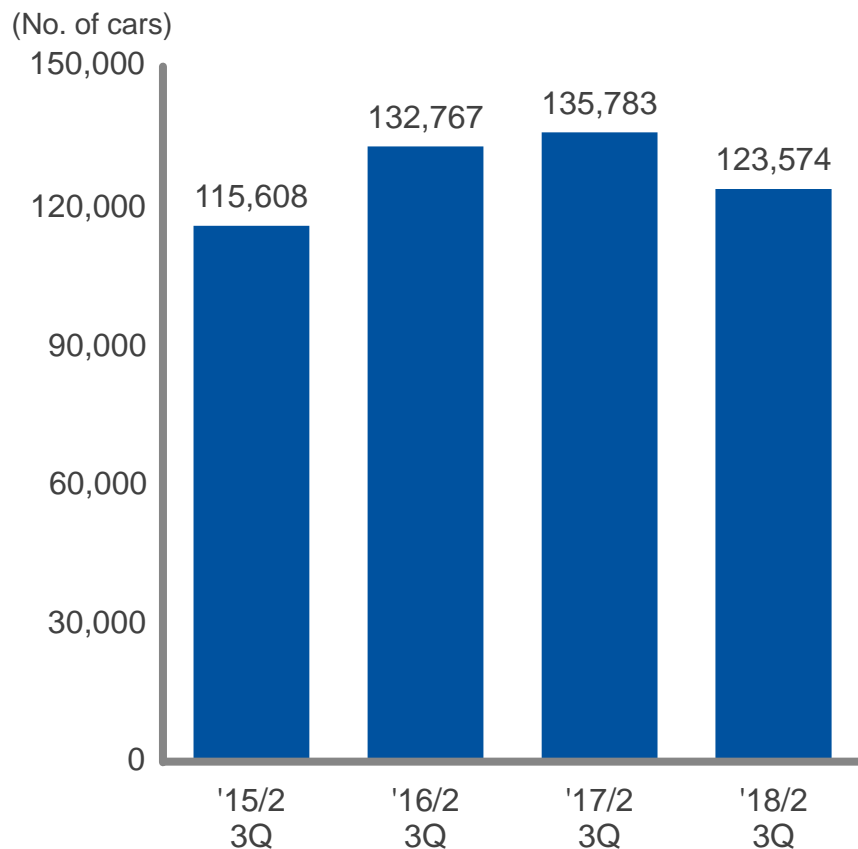
OL R-2 Akashi
Akashi, Hyogo



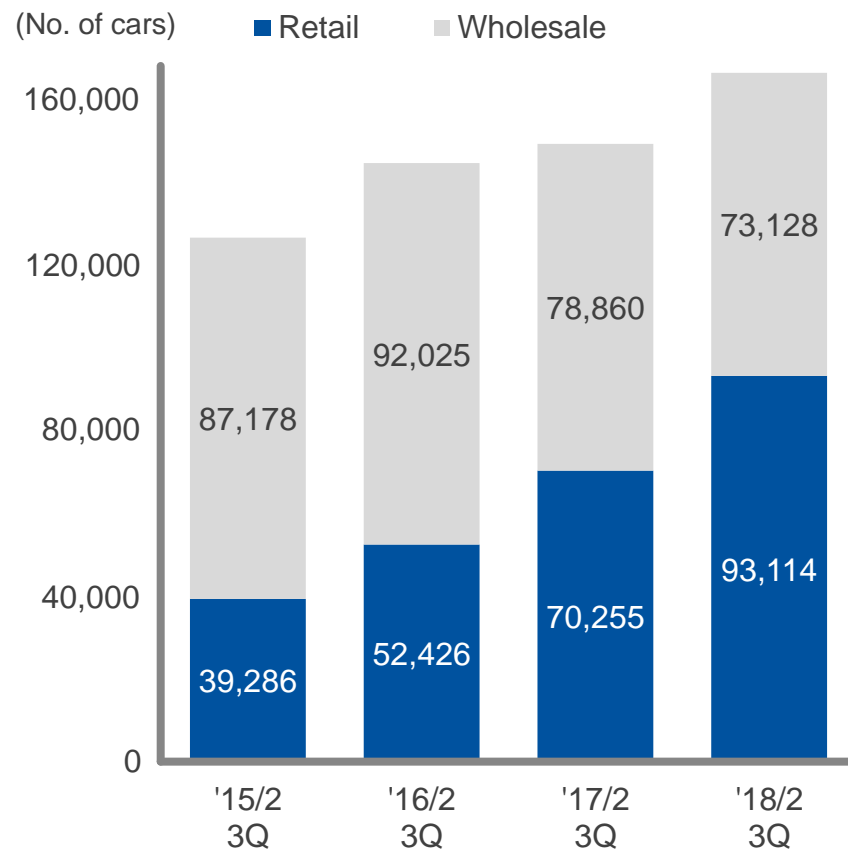
III. Supplementary information on operating results and financial data

[Non-consolidated] Unit information at directly managed stores

Number of cars purchased (9 months)



Number of cars sold (wholesale and retail) (9 months)



[Consolidated / Non-consolidated] 3Q income statement

Consolidated	9 months ended Nov 30, 2014		9 months ended Nov 30, 2015		9 months ended Nov 30, 2016		9 months ended Nov 30, 2017			
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	117,623	100.0	152,082	100.0	191,033	100.0	204,338	100.0	13,305	7.0
Cost of sales	88,374	75.1	114,756	75.5	145,223	76.0	155,485	76.1	10,262	7.1
Gross profit	29,248	24.9	37,325	24.5	45,810	24.0	48,852	23.9	3,042	6.6
SG&A Expenses	24,621	20.9	30,725	20.2	41,787	21.9	43,648	21.4	1,861	4.5
Operating income	4,626	3.9	6,599	4.3	4,022	2.1	5,204	2.5	1,182	29.4
Ordinary income	4,665	4.0	6,856	4.5	3,913	2.0	4,481	2.2	568	14.5
Income before income taxes and minority interests	4,522	3.8	6,804	4.5	3,554	1.9	4,242	2.1	688	19.4
Profit attributable to owners of parent	2,765	2.4	4,221	2.8	2,190	1.1	2,749	1.3	559	25.5

Non-Consolidated	9 months ended Nov 30, 2014		9 months ended Nov 30, 2015		9 months ended Nov 30, 2016		9 months ended Nov 30, 2017			
	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Result (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	115,624	100.0	135,437	100.0	149,555	100.0	160,581	100.0	11,026	7.4
Cost of sales	87,067	75.3	101,606	75.0	111,255	74.4	119,348	74.3	8,093	7.3
Gross profit	28,557	24.7	33,831	25.0	38,300	25.6	41,233	25.7	2,933	7.7
SG&A Expenses	24,181	20.9	27,748	20.5	34,291	22.9	36,015	22.4	1,724	5.0
Operating income	4,376	3.8	6,083	4.5	4,008	2.7	5,218	3.2	1,210	30.2
Ordinary income	4,390	3.8	6,099	4.5	4,101	2.7	4,891	3.0	790	19.3
Income before income taxes	4,259	3.7	6,053	4.5	3,754	2.5	4,673	2.9	919	24.5
Net income	3,577	2.8	2,594	2.2	2,551	1.7	3,035	1.9	484	19.0

[Consolidated] Balance sheets

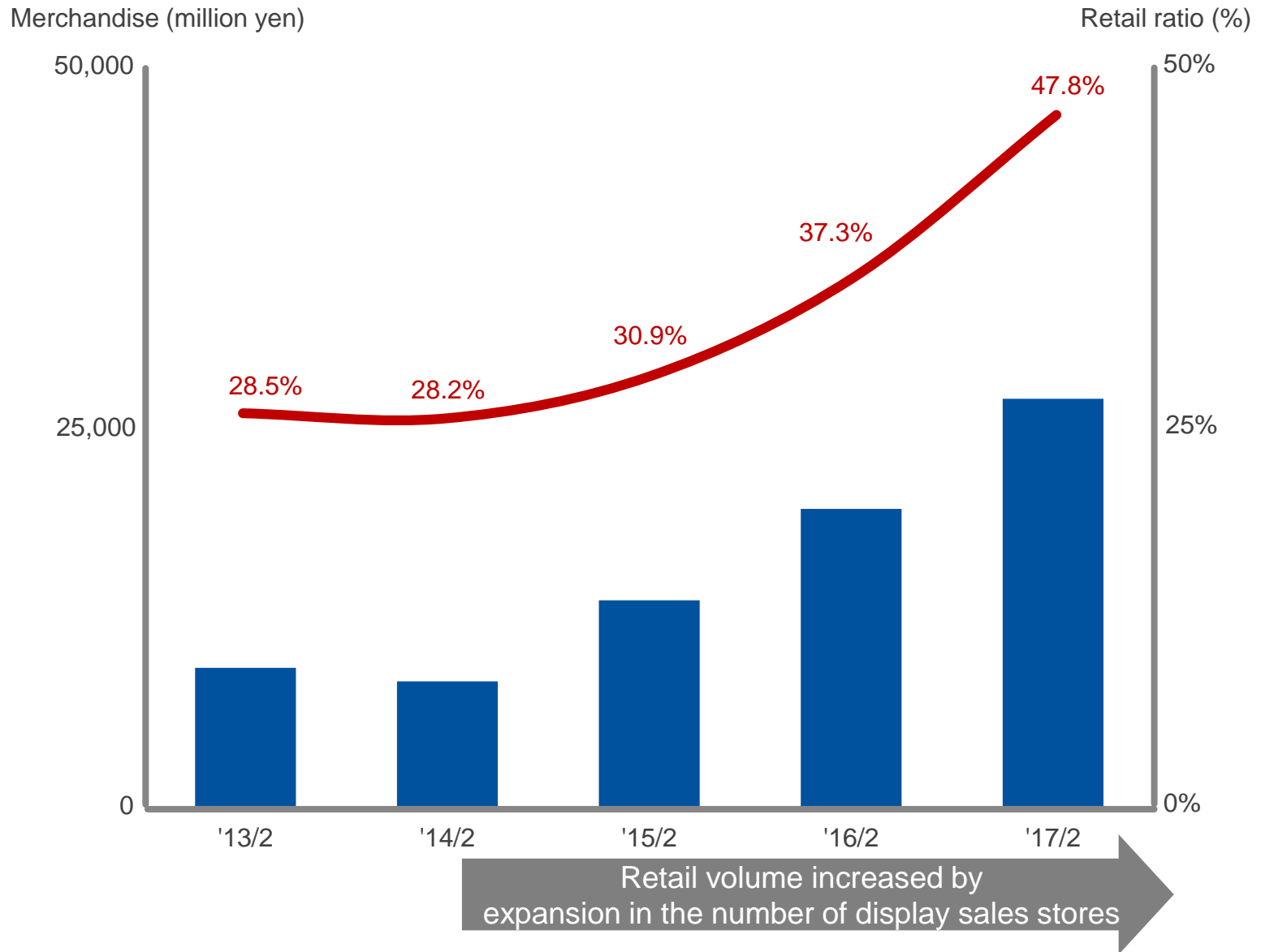
(million yen)

	As of February 28, 2017	As of November 30, 2017
Assets		
Current assets		
Cash and deposits	14,337	24,842
Notes and accounts receivable - trade	4,655	4,863
Merchandise	41,333	41,702
Deferred tax assets	785	1,061
Other	2,717	3,416
Allowance for doubtful accounts	-64	-47
Total current assets	63,765	75,839
Non-current assets		
Property, plant and equipment		
Buildings and structures	29,766	32,017
Accumulated depreciation	-10,134	-11,248
Buildings and structures, net	19,632	20,768
Vehicles	312	123
Accumulated depreciation	-100	-67
Vehicles, net	212	56
Tools, furniture and fixtures	4,097	4,313
Accumulated depreciation	-3,088	-3,337
Tools, furniture and fixtures, net	1,009	975
Land	218	218
Construction in progress	961	559
Total property, plant and equipment	22,033	22,578
Intangible assets		
Software	3,201	3,152
Goodwill	9,687	9,161
Other	4,024	3,798
Total intangible assets	16,914	16,112
Investments and other assets		
Investment securities	40	37
Shares of subsidiaries and associates	247	250
Long-term loans receivable	229	223
Lease and guarantee deposits	5,033	5,283
Construction assistance fund receivables	5,214	5,377
Deferred tax assets	361	396
Other	533	713
Allowance for doubtful accounts	-325	-402
Total investments and other assets	11,334	11,881
Total non-current assets	50,281	50,573
Total assets	114,047	126,412

	As of February 28, 2017	As of November 30, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	12,317	12,551
Short-term loans payable	3,408	1,273
Current portion of long-term loans payable	-	19
Accounts payable - other	3,885	3,080
Income taxes payable	679	1,524
Advances received	4,228	3,951
Deposits received	383	222
Provision for bonuses	651	179
Provision for merchandise warranties	1,149	928
Other provision (Current)	175	238
Other	2,602	4,701
Total current liabilities	29,483	28,671
Non-current liabilities		
Long-term loans payable	40,774	52,680
Long-term guarantee deposited	529	489
Provision for directors' retirement benefits	188	-
Asset retirement obligations	1,866	1,965
Deferred tax liabilities (Fixed)	1,127	1,043
Other provision (Fixed)	425	394
Other	70	191
Total non-current liabilities	44,983	56,764
Total liabilities	74,466	85,435
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	33,821	35,606
Treasury shares	-3,947	-3,947
Total shareholders' equity	38,063	39,848
Accumulated other comprehensive income		
Foreign currency translation adjustment	578	431
Total accumulated other comprehensive income	578	431
Stock acquisition rights	5	7
Minority owner shares worth	934	689
Total net assets	39,581	40,976
Total liabilities and net assets	114,047	126,412

Expansion in retail and changes in inventory volume

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

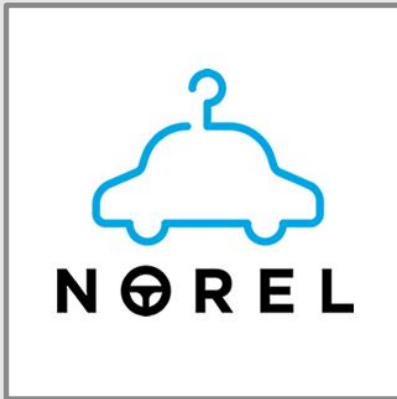


Inventory period and inventory risk



When a car is sold on retail, delivery preparation period of 1 to 1.5 months is required for documentation, transportation, legal inspections, etc. It remains in the company's inventory, however, there is no devaluation risk for contracted and undelivered car.

IV. Topics



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

- In November 2017, service area extended to Osaka, Kyoto, Hyogo, Shiga, Nara, Wakayama, Aichi, Mie, and Gifu
- Monthly options expanded*



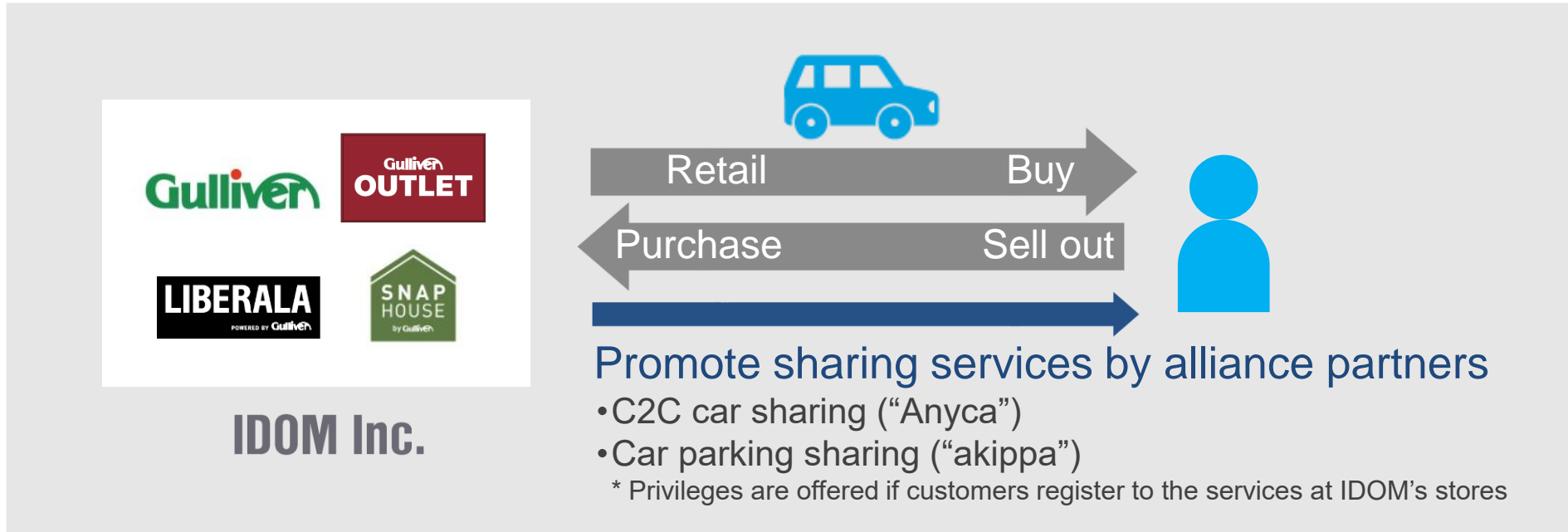
C2C platform option for uncontracted customers

- In June 2017, service name changed to “Gulliver FleMa” from “Kurumajiro”
- Launched new App in July, 2017

* 19,800, 39,800, 59,800, 79,800, 99,800, 200,000, and 300,000 yen

New initiatives

- Promoting C2C sharing service (trial started in Shizuoka)



- Bitcoin payment at LIBERALA stores

