

Revised on May 8, 2018

# Results for Fiscal Year Ended February 28, 2018

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April 13, 2018

IDOM Inc.

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# I. Summary of FY2018 results and FY2019 outlook

# FY2018 results

	FY2017	FY2018
<b>Non-consolidated</b>		
Gross profit	51,166 million yen	55,720 million yen
SG&A expenses	46,632 million yen	48,797 million yen
Operating income	4,534 million yen	6,922 million yen
<b>Consolidated</b>		
Operating income	4,498 million yen	6,779 million yen

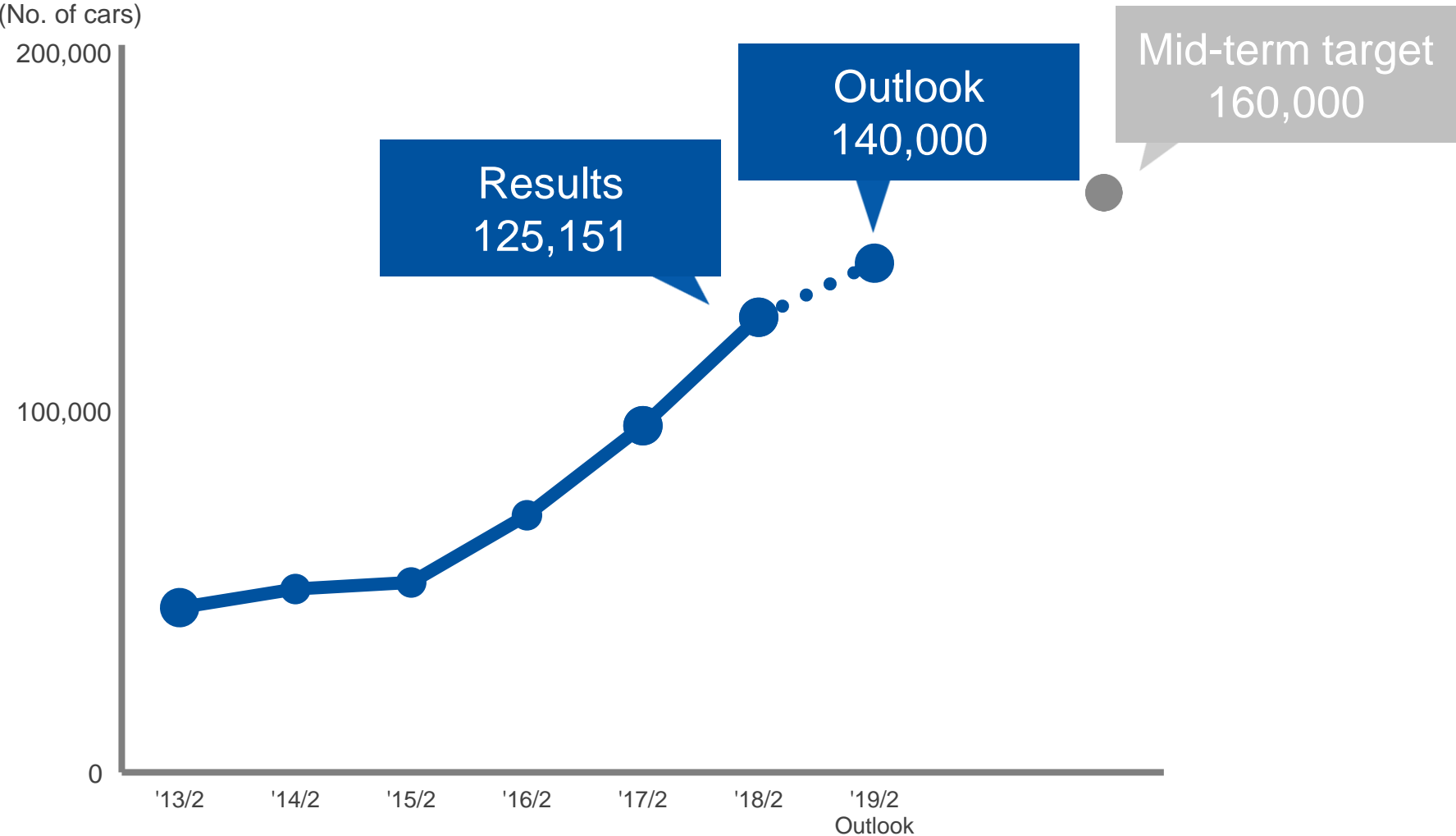
Notes: FY2018 results include the effect of changes in estimating the provision for merchandise warranties, of 364 million yen. In Q3 and Q4 of FY2018, the company changed the accounting rule used in estimating the provision for merchandise warranties on retail cars, owing to increased accuracy of estimation. Due to this change, cost of sales declined by 364 million yen (350 million yen in Q3 and 14 million yen in Q4) .

	FY2018 results	FY2019 outlook
<b>Non-consolidated</b>		
Gross profit	55,720 million yen	58,400 million yen
SG&A expenses	48,797 million yen	51,200 million yen
Operating income	6,922 million yen	7,200 million yen
<b>Consolidated</b>		
Operating income	6,779 million yen	7,600 million yen

Notes: FY2018 results include the effect of changes in estimating the provision for merchandise warranties, of 364 million yen. In Q3 and Q4 of FY2018, the company changed the accounting rule used in estimating the provision for merchandise warranties on retail cars, owing to increased accuracy of estimation. Due to this change, cost of sales declined by 364 million yen (350 million yen in Q3 and 14 million yen in Q4) .

# Growth in retail

Number of retail cars sold at directly managed stores



## II. Initiatives to expand profits, outlook assumptions

- 1** IDOM (non-consolidated)
- 2** Australian subsidiary



# Initiatives for profit expansion in 9 areas

Retail cars  
sold



1. New-store openings



2. Customer traffic



3. Conversion rate



Gross profit  
per unit



4. Pricing



5. Additional revenues



6. Sourcing higher-margin products



SG&A

(excluding net increase  
by no. of stores)



7. Per-store operation costs



8. Advertising and promotion costs

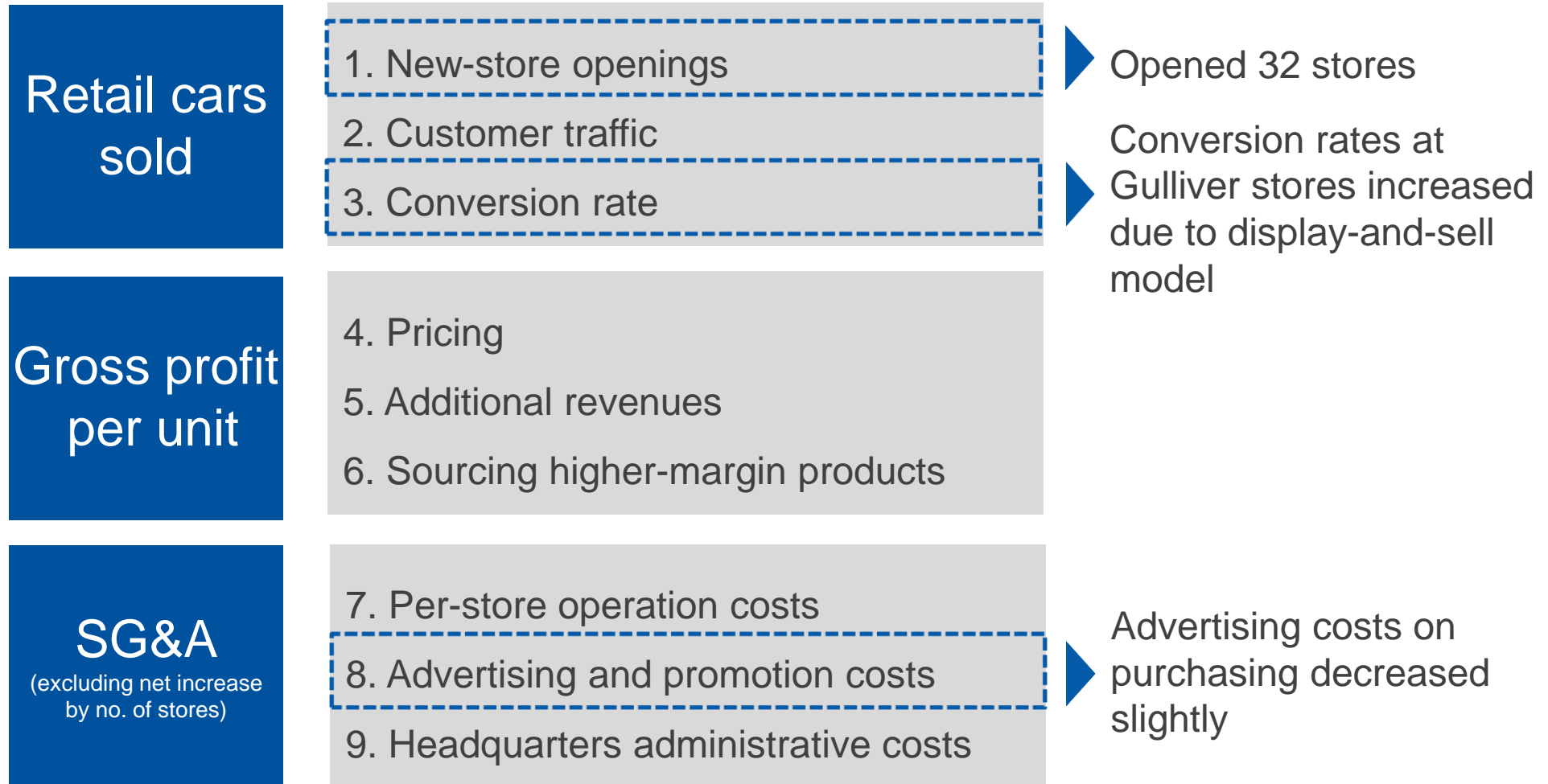


9. Headquarters administrative costs



From FY 2018, IDOM is advancing initiatives in 9 areas to maximize profit [retail gross profit (retail cars sold x gross profit per unit) – SG&A].

# FY2018 results: Initiatives contributing to profit increases



The three main contributors to increased performance in FY2018 were new store openings (32 stores), improved retail conversion at Gulliver stores, and lower advertising and promotion (A&P) costs. The decrease in A&P costs was due to spending controls in the purchasing business (advertisements to increase customer traffic).

# FY2019 outlook: Assumptions



Although a number of initiatives are in progress, the FY2019 outlook only considers certain factors, such as the increase in retail cars sold due to new-store openings (32 stores based on the same assumptions as in FY2018).

Retail cars  
sold

1. New-store opening
2. Customer traffic
3. Conversion rate

Gross profit  
per unit

4. Pricing
5. Additional revenues
6. Sourcing higher margin products

SG&A

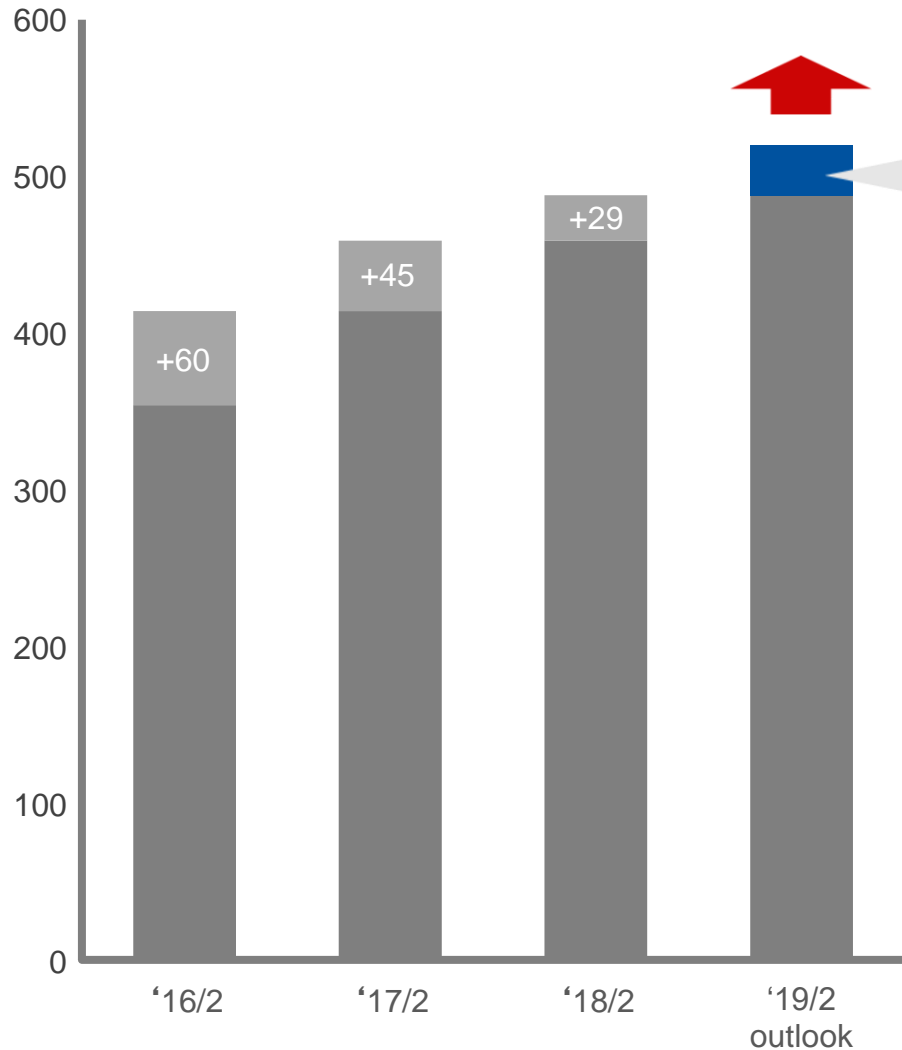
(excluding net increase  
by no. of stores)

7. Per-store operation costs
8. Advertising and promotion costs
9. Headquarters administrative costs

# Store openings

## Number of directly managed stores

(unit: stores)



## Target

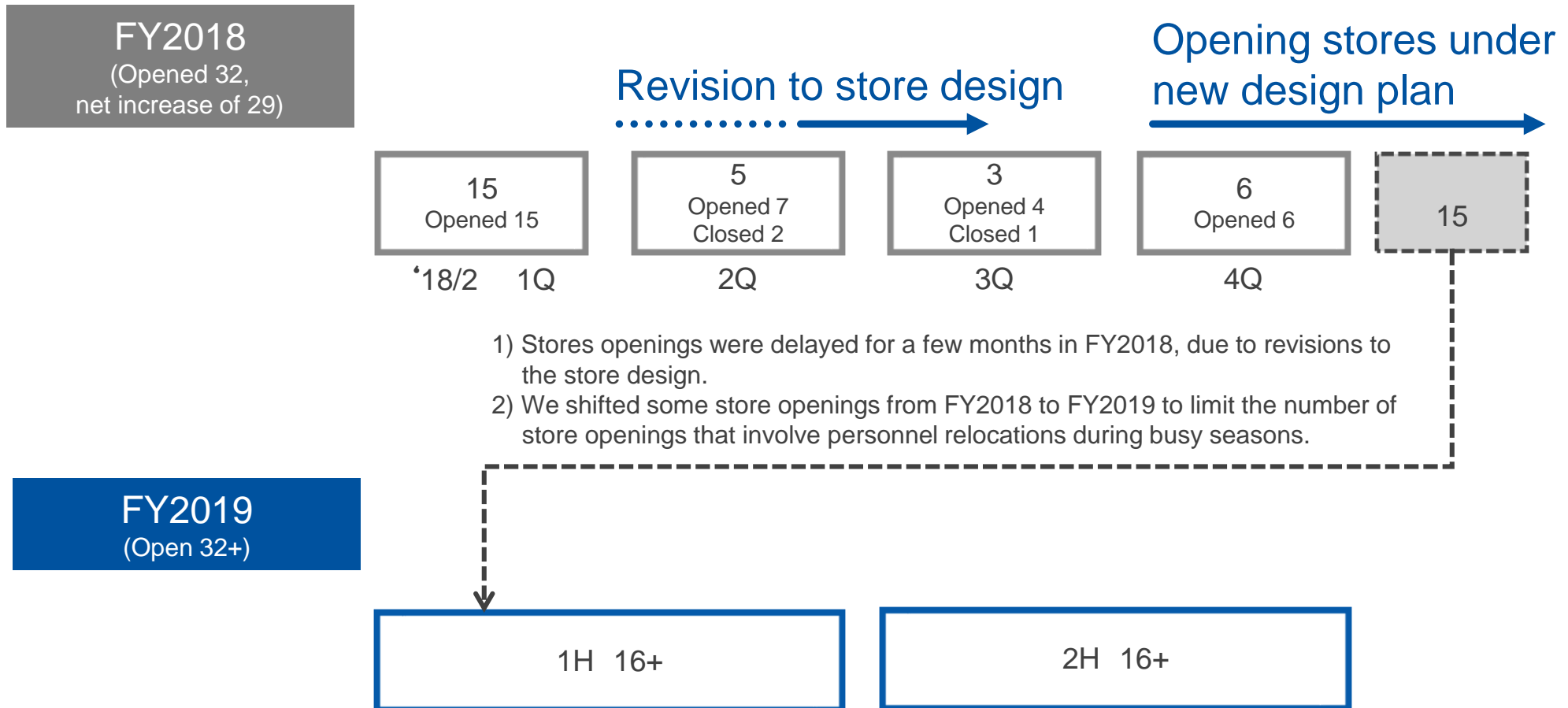
Open 32 + stores

## Assumption

The same number of store openings as in FY2018

	FY 2018 results	FY 2019 outlook
Open	32	32
Close	(3)	-
Net increase	29	32

# Store opening plan



- Opened 6 stores in March

- 48 stores have “contracted and unopened” status\* (as of February 28, 2018)

\* Stores with “contracted and unopened” status include some expected to open after the current fiscal year.

The initial plan was to open more than 45 stores in FY2018, but 15 stores were shifted to FY2019. The FY2019 outlook assumes the same number of store openings as in FY2018.

Retail cars  
sold

1. New-store opening
2. Customer traffic
3. Conversion rate

Examples of projects

Gross profit  
per unit

4. Pricing
5. Additional revenues
6. Sourcing higher margin products

SG&A

(excluding net increase  
by no. of stores)

7. Per-store operation costs
8. Advertising and promotion costs
9. Headquarters administrative costs

# [Project 1] Change new-store design (aim to improve customer traffic)

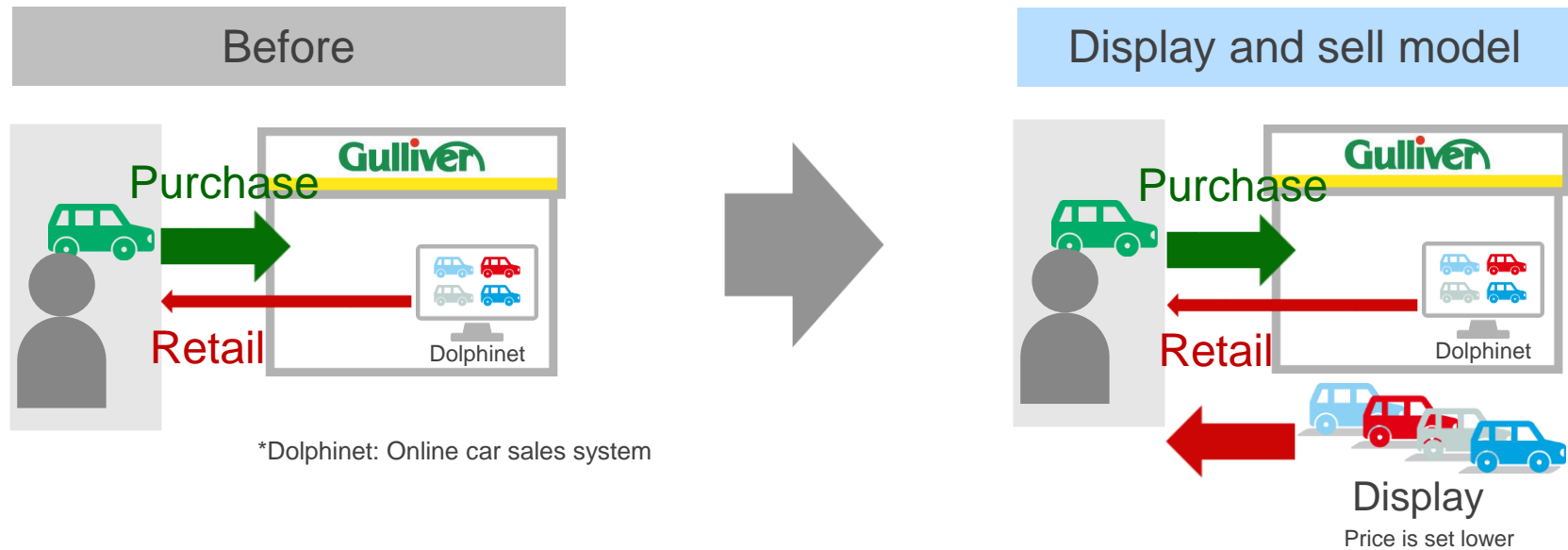
Advanced store design and layout aimed at increasing customer traffic flow



The new design, used in stores opening after December 2017, involves revisions to store interiors and exteriors, including vehicle displays and entrances. For stores of the same size, the new design has the same operating costs and initial investment as the old plan.



## Increased conversion rates through 1) display-and-sell model and 2) affordable cars



Gulliver stores adopted the display-and-sell model to raise profitability. Under this model, Gulliver stores display and sell cars at lower prices alongside the conventional approach of purchasing and selling through Dolphinet. By end-August 2017, all targeted stores had converted to the new model. We expect to continue using the display-and-sell model in FY2019.

Retail cars  
sold

1. New store opening
2. Customer traffic
3. Conversion rate

Gross profit  
per unit

4. Pricing
5. Additional revenues
6. Sourcing higher margin products

SG&A

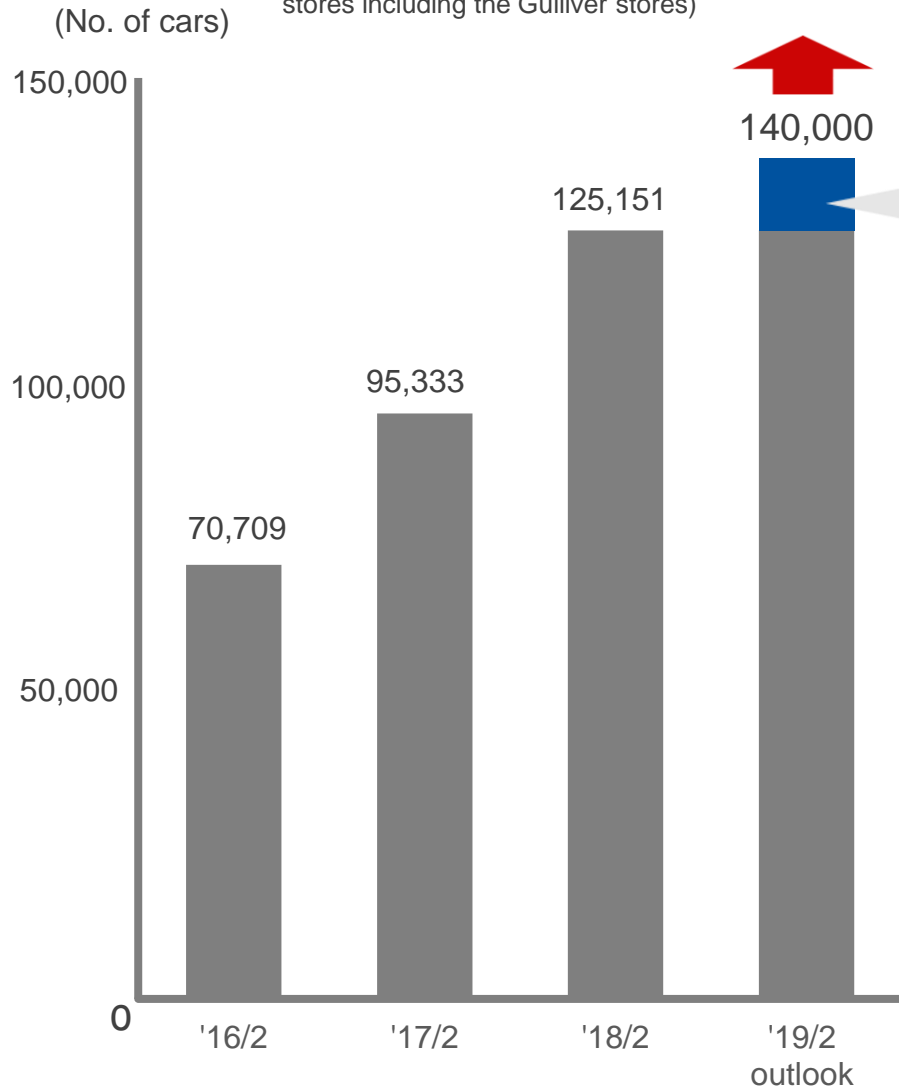
(excluding net increase  
by no. of stores)

7. Per store operation costs
8. Advertising and promotion costs
9. Headquarter administrative costs

# Retail car sales

## Total number of retail cars sold

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



## Target

- Open 32 + stores
- Increase per-store sales

## Assumption

The same number of store openings (32 stores), and per-store sales as in FY2018

Retail cars  
sold

1. New-store opening
2. Customer traffic
3. Conversion rate

Gross profit  
per unit

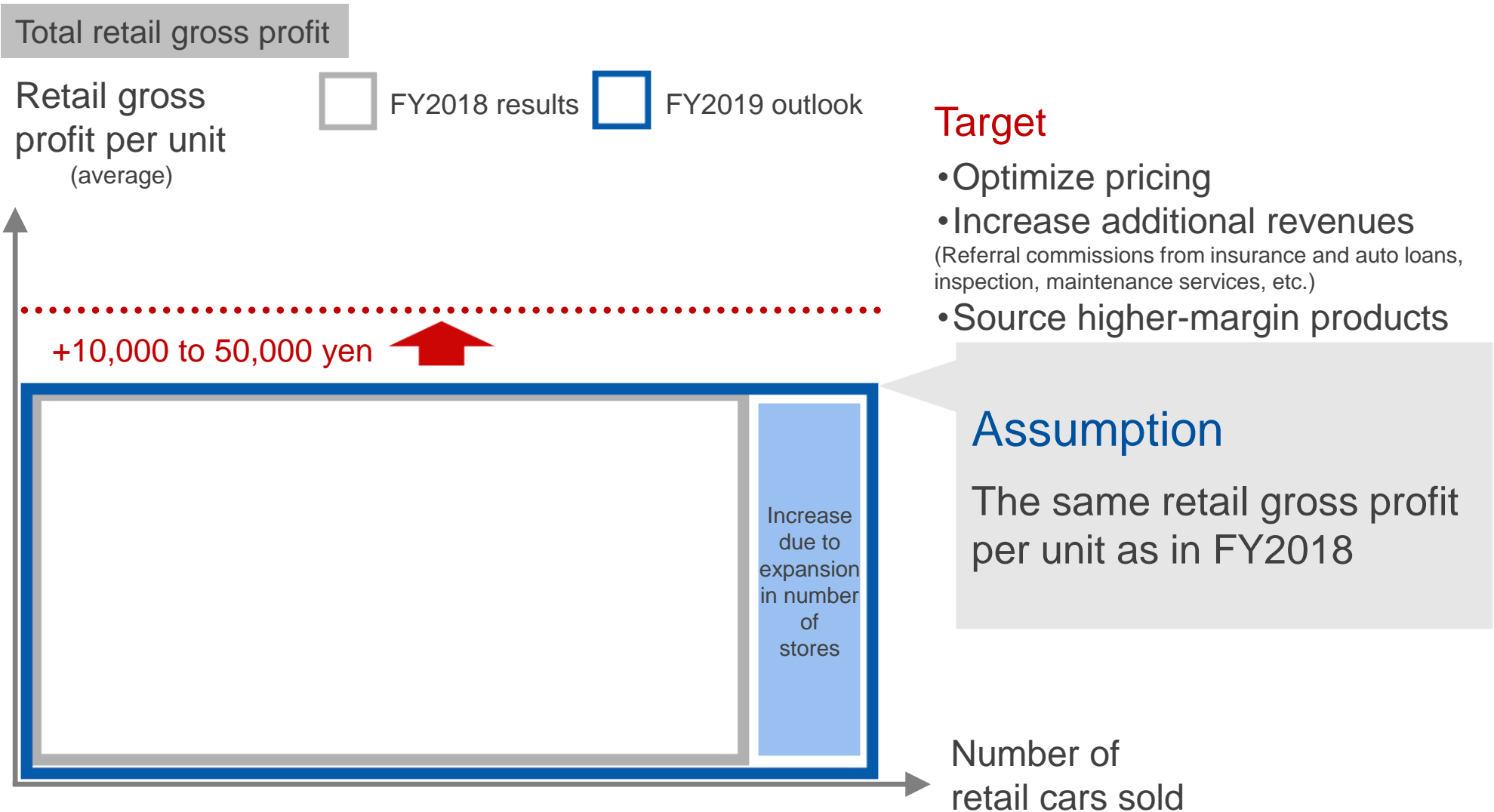
4. Pricing
5. Additional revenues
6. Sourcing higher margin products

SG&A

(excluding net increase  
by no. of stores)

7. Per-store operation costs
8. Advertising and promotion costs
9. Headquarters administrative costs

# Retail gross profit per unit



## Retail cars sold

1. New-store opening
2. Customer traffic
3. Conversion rate

## Gross profit per unit

4. Pricing
5. Additional revenues
6. Sourcing higher margin products

## SG&A

(excluding net increase by no. of stores)

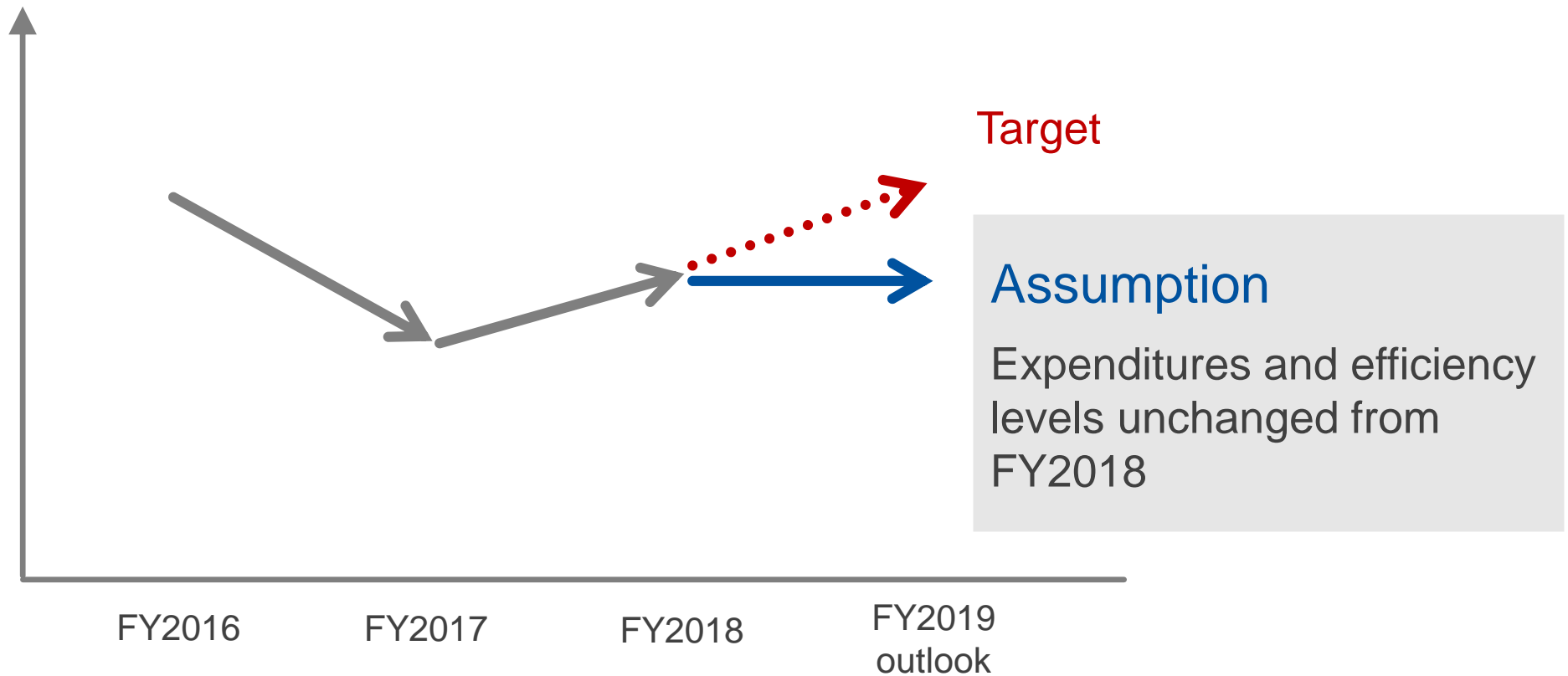
7. Per-store operation costs
8. Advertising and promotion costs
9. Headquarters administrative costs

## SG&A expenses

	FY2018 results, YoY change	FY2019 outlook, YoY change
Per-store operation costs Note: The total amount will increase as the number of stores grows	Costs reduced at some stores	Flat
Advertising and promotion costs	Advertisement for purchasing decreased slightly	Flat
Headquarters administrative costs	Total amount approximately the same as in the previous year Started implementing efficiency plans	Flat

# Advertisement costs for purchasing

Efficiency of advertising costs for purchasing  
(Number of appraisals / expenditures)



In FY2018, expenditures decreased slightly, and efficiency (number of appraisals / expenditures) improved by a small amount. We plan to continue promoting efficiency, but our outlook assumes the same level as in FY2018.

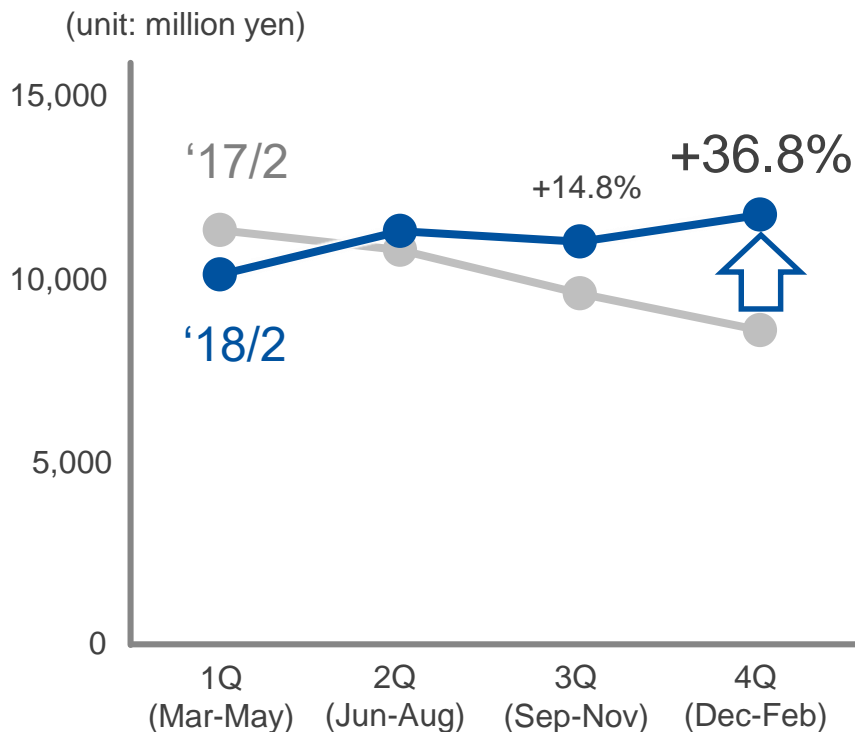


**1** IDOM (non-consolidated)

**2** Australian subsidiary

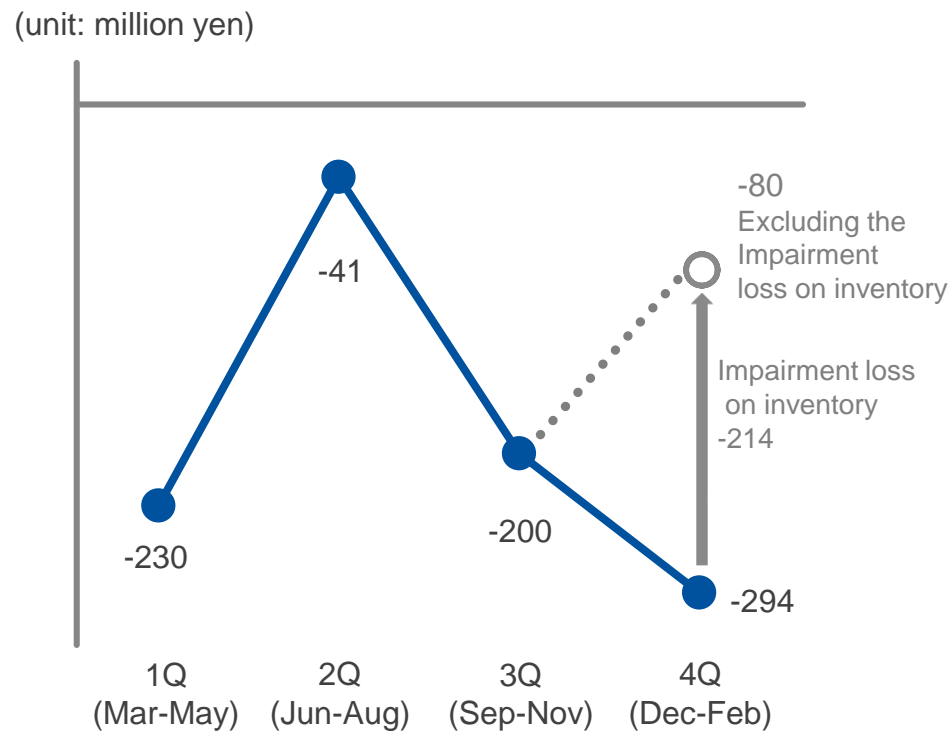
# Australian subsidiary, Buick Holdings (DVG) results

## Net sales (Quarterly)



## Operating income (Quarterly)

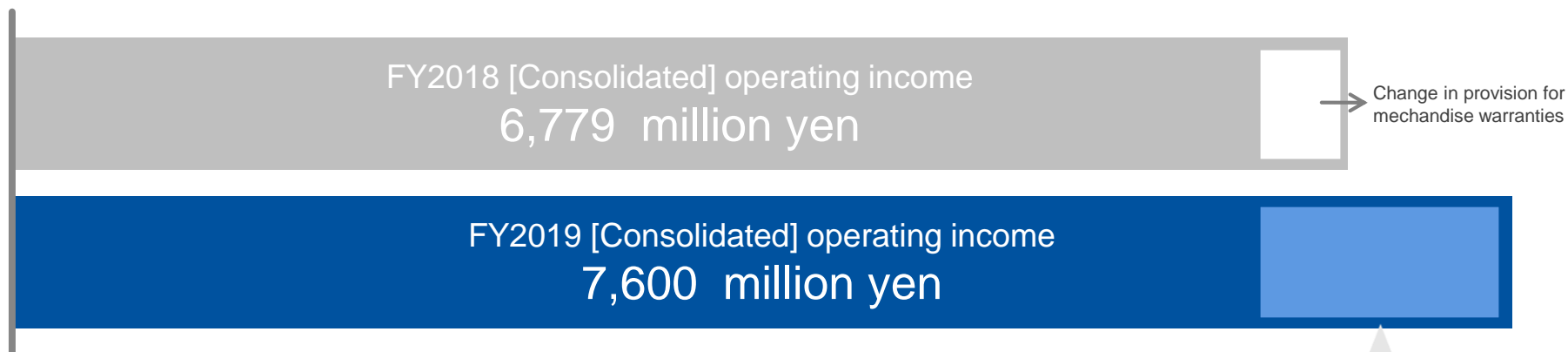
Before deduction of amortization of goodwill



	FY2018 results	FY2019 outlook
Operating income ( Full-year, before deduction of amortization of goodwill)	-765 million yen	200 million yen
Amortization of goodwill	423 million yen	400 million yen

Net sales improved YoY from 2Q. Impairment loss on inventory of 214 million yen was recorded in 4Q. Initiatives to improve performance is expected to be effective in FY2019.

# FY2019 outlook summary



## Assumption

[Non-consolidated]

The same number of store openings as in FY2018

[Consolidated]

Australian subsidiary (profit improvement)

Other subsidiaries (conservative outlook)

Notes: FY2018 results include the effect of changes in estimating the provision for merchandise warranties of 364 million yen.

# Dividend payout

**Dividend policy** Earnings performance-linked dividends

## Method

In principle, the dividends are calculated based on consolidated net income of **previous fiscal year** x 30%  
(changed from FY2017 dividends)

## Dividends per share

(Unit: yen)

	FY2017	FY2018	FY2019 (plan)
Interim dividend	6.00	3.50	5.50
Year-end dividend	6.00	3.50	5.50
Annual dividend	12.00	7.00	11.00



Based on  
consolidated net  
income of FY2018

# III. Diversification in sourcing, products and services

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**Q.** If IDOM diversifies sourcing, can it still leverage its competency in the purchasing business?

**Q.** Wasn't the utilization of purchased vehicles in inventory the main focus of IDOM's business?

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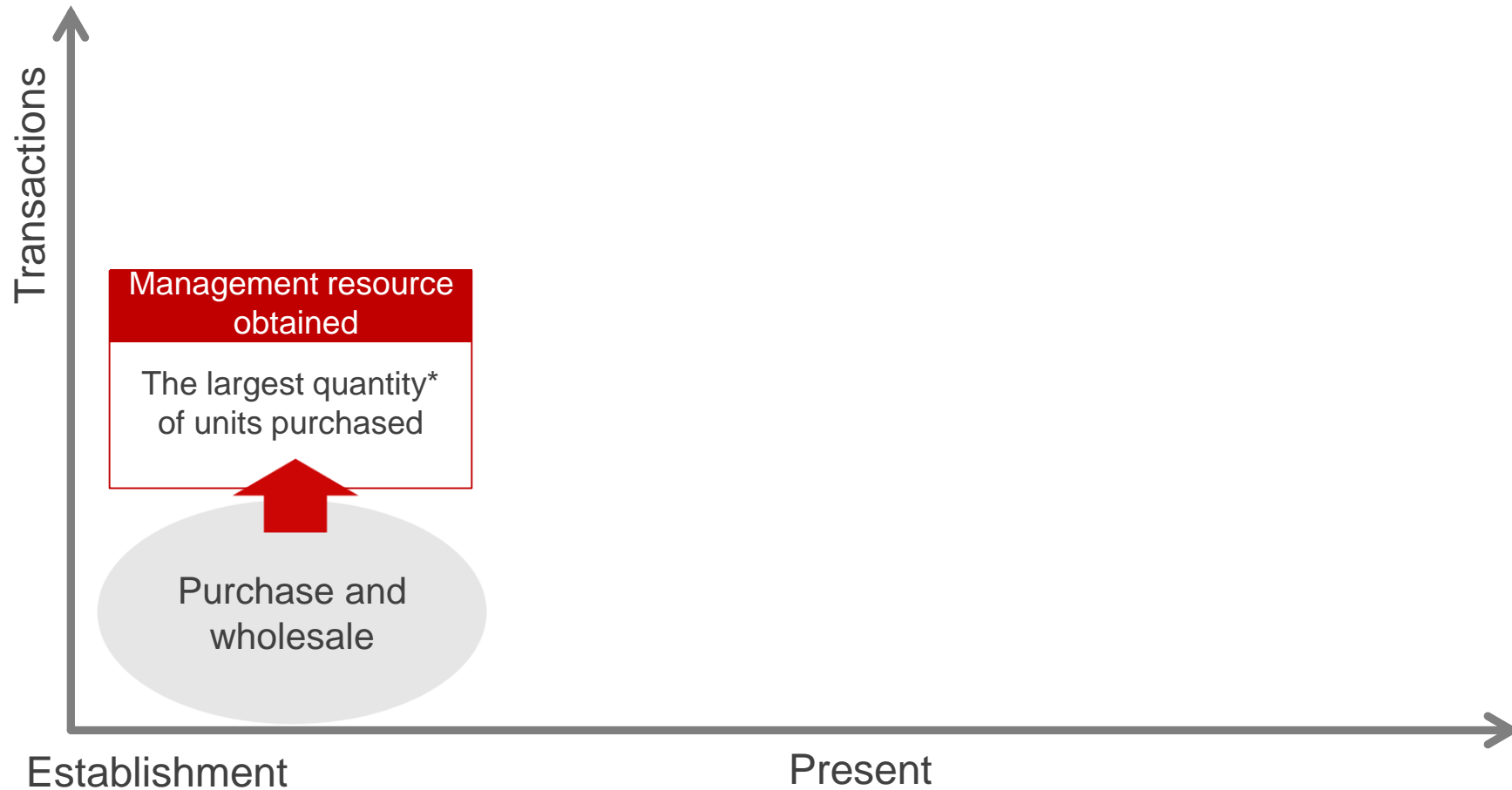
**Q.** If IDOM diversifies sourcing, can it still leverage its competency in the purchasing business?

**A.** The largest quantity of units purchased is a management resource we have built up.

**Q.** Wasn't the utilization of purchased vehicles in inventory the main focus of IDOM's business?

**A.** Our focus is on controlling inventory risks.

“The largest quantity of units purchased” was achieved in purchase and wholesale stage



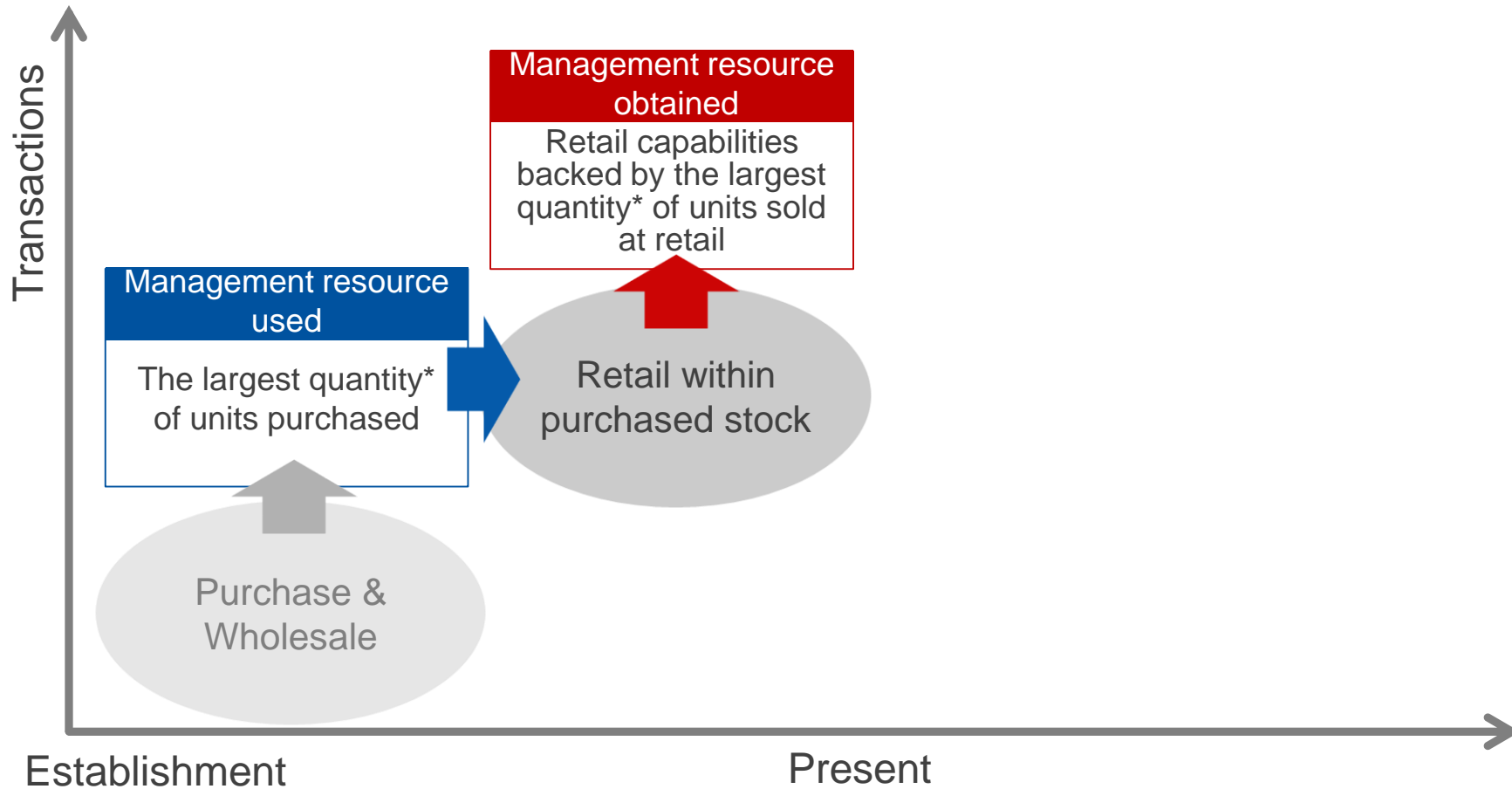
Inventory risk control

Wholesale purchased stock within 2 weeks

\* We are Japan's leader in the number of vehicles purchased and sold at retail by directly managed stores.



# By retailing purchased stock we obtained “retail capabilities”



Inventory risk control

Retail purchased stock within 2weeks of inventory period

\* We are Japan's leader in the number of vehicles purchased and sold at retail by directly managed stores.

1

## Sales infrastructure

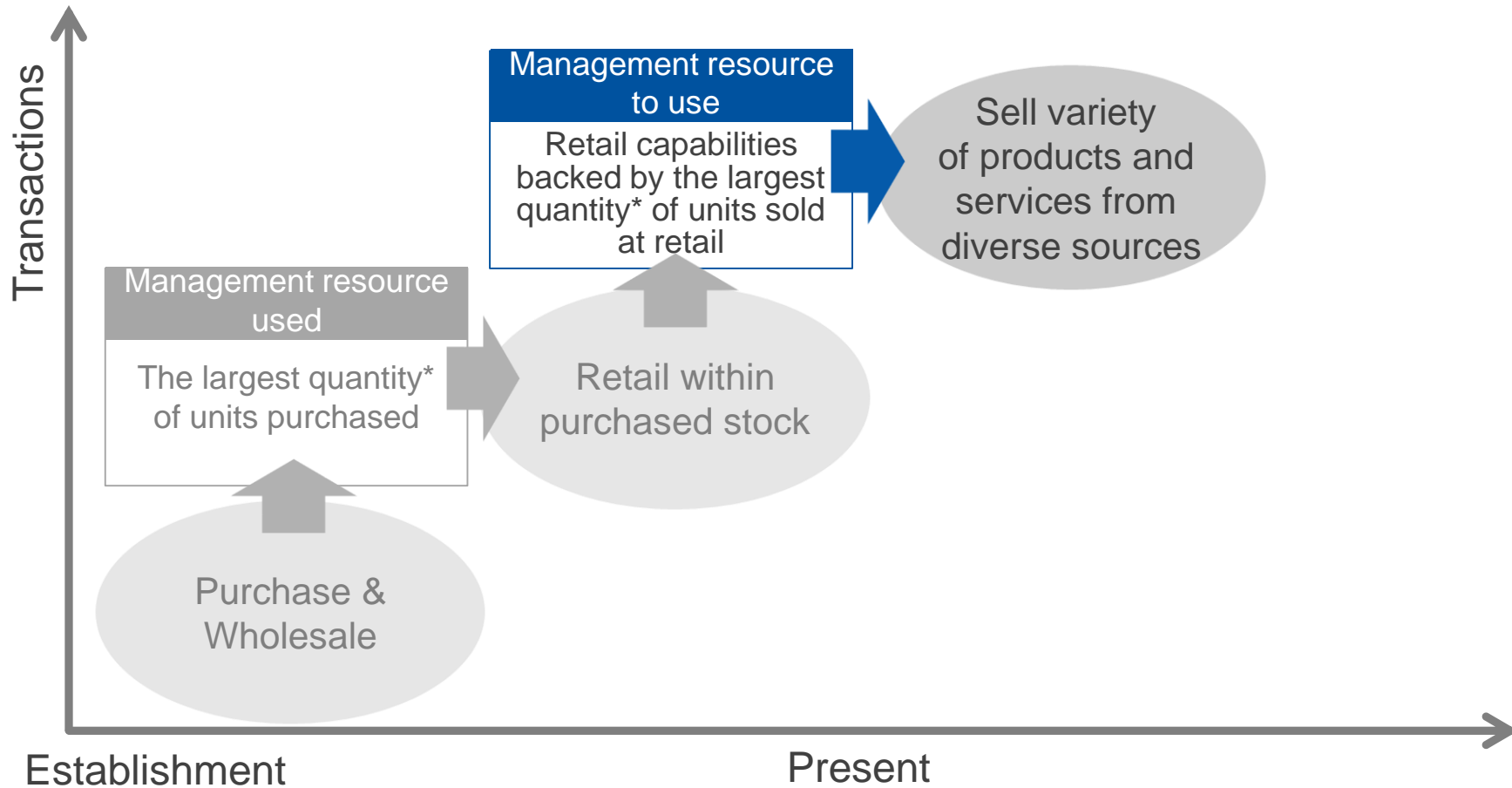
- Nationwide network of 500 stores and skilled salespeople
- Retail style focused on showroom displays and an online in-store system for sharing inventories

2

## Centralized and specialized team

- Specialized team exercises centralized control, from sourcing to sales
- Amassed expertise in identifying sellable cars

# By leveraging our “retail capabilities” we diversify sourcing, products and services

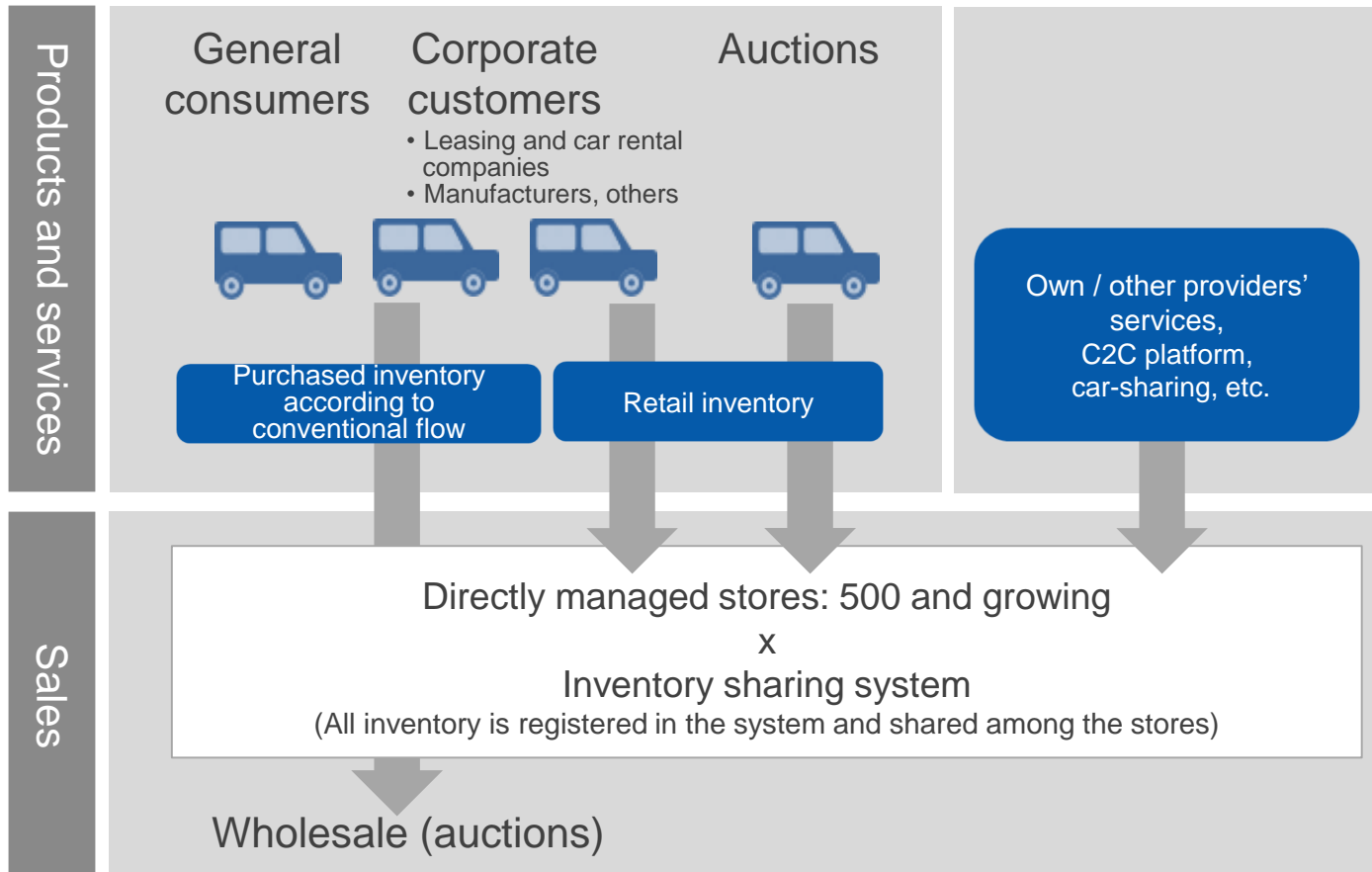


Inventory risk control

Retail inventory are controlled individually and fully sold at retail

\* We are Japan's leader in the number of vehicles purchased and sold at retail by directly managed stores.

# Leveraging our retail capabilities



## 1 Diversify sourcing

- Conventional purchasing
- Direct procurement from companies
- Utilizing auctions

## 2 Diversify products and services

- Wider range of products due to diversified sourcing
- Provision of other services, such as C2C and car-sharing

## 3 Sell all retail inventory at the retail level

We leverage our retail capabilities to diversify sourcing, products, and services. Retail inventories are all controlled individually and sold at retail (100% during trial). We limit the sourcing of vehicles from auctions to the quantity that can be sold.

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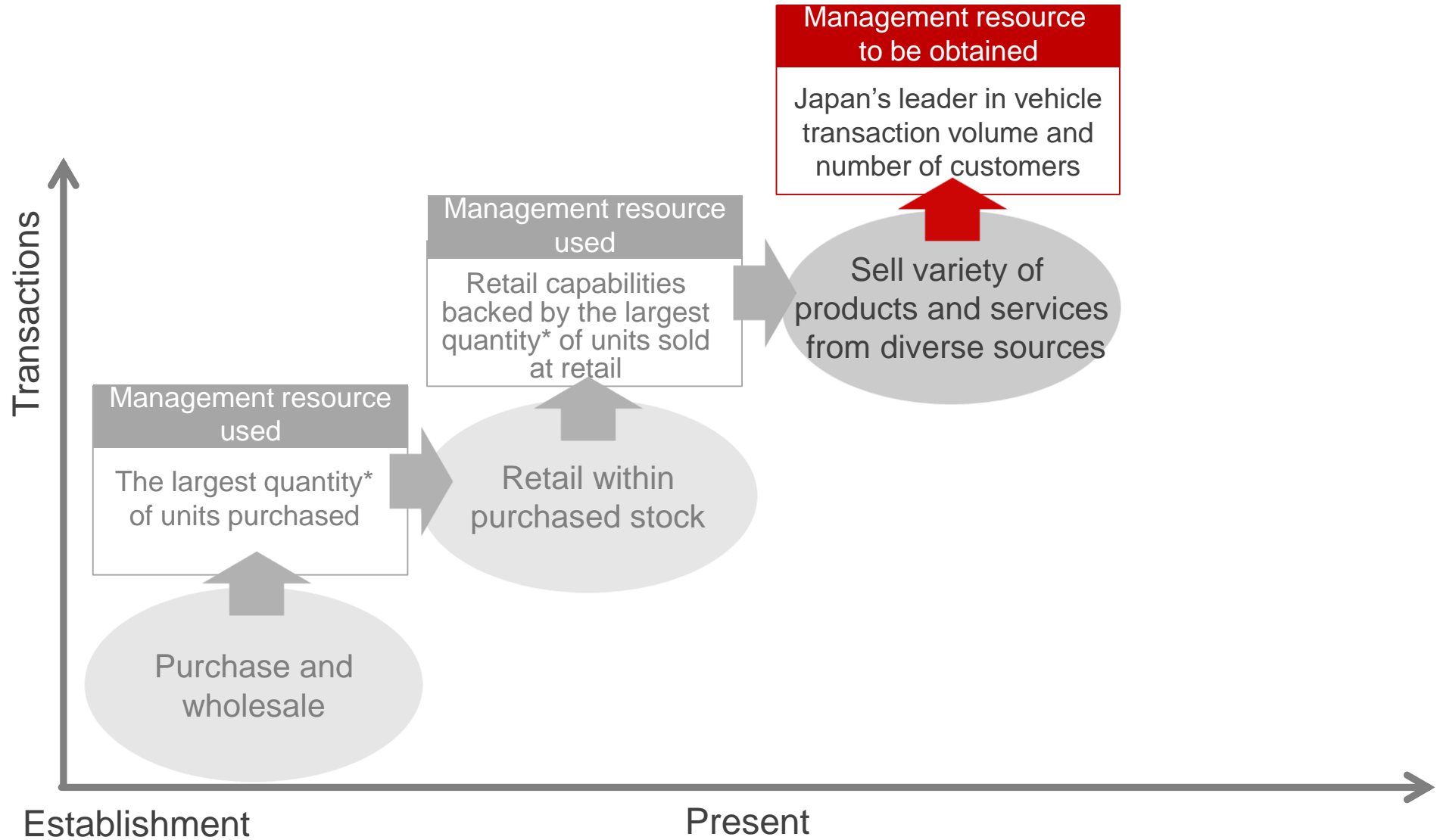
**Q.** If IDOM diversifies sourcing, can it still leverage its competency in the purchasing business?

**A.** The largest quantity of units purchased is a management resource we have built up.  
We have utilized this management resource and created another: retail capabilities.  
By leveraging our retail capabilities, we have begun incorporating a variety of products and services from diverse sources.

**Q.** Wasn't the utilization of purchased vehicles in inventory the main focus of IDOM's business?

**A.** Our focus is on controlling inventory risks.  
This policy has not changed.

# What we are going to achieve



\* We are Japan's leader in the number of vehicles purchased and sold at retail by directly managed stores.

# IV. Topics

# Nomination of the candidate for new Outside Director

## Candidate for Outside Director (to be approved at AGM on May 30, 2018)

Director (candidate) Koichi Noda	Outside	Born January 11, 1966
	Independent	<p>April 1988      Joined Mitsubishi Bank, Ltd (MUFJ Bank, Ltd)</p> <p>June 1998      Graduated Harvard Business School</p> <p>July 1999      Joined Incs, Inc (SOLIZE Corporation)</p> <p>July 2004      Joined Rakuten, Inc.</p> <p>May 2005      Executive Officer, head of marketing member services</p> <p>September 2006      Executive Officer, head of human resources</p> <p>January 2009      Executive Officer, head of financial business office</p> <p>March 2009      Director, Rakuten Securities, Inc.</p> <p>January 2010      Auditor, Bitwallet, Inc. (Rakuten Edy, Inc.)</p> <p>February 2011      Executive Officer, head of business development office</p> <p>February 2013      Executive Officer, head of global human resources</p> <p>December 2016      Chief Human Resources Officer, Walmart Japan Holdings, K.K. (present position)</p>

## Directors and Auditors (As of April 13, 2018)

Directors	President Yusuke Hatori	Internal	President Takao Hatori	Internal	Director Masaru Ohta	Internal	Director Jun Sugie	Outside Independent
	Auditor (Full-time) Kunie Yanagawa	Internal	Auditor Masakatsu Endo	Outside Independent	Auditor Hiroto Nakamura	Outside Independent		



# V. Supplementary information

# [Consolidated / Non-consolidated] Income statement

Consolidated	FY ended Feb 29, 2016		FY ended Feb 28, 2017		FY ended Feb 28, 2018		FY ending Feb 28, 2019			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Outlook (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	210,085	100.0	251,516	100.0	276,157	100.0	290,000	100.0	13,843	5.0
Cost of sales	158,474	75.4	190,383	75.7	210,298	76.2	220,000	75.9	9,702	4.6
Gross profit	51,610	24.6	61,133	24.3	65,859	23.8	70,000	24.1	4,141	6.3
SG&A Expenses	44,067	21.0	56,634	22.5	59,080	21.4	62,400	21.5	3,320	5.6
Operating income	7,542	3.6	4,498	1.8	6,779	2.5	7,600	2.6	821	12.1
Ordinary income	6,835	3.3	4,160	1.7	5,797	2.1	6,800	2.3	1,003	17.3
Income before income taxes and minority interests	6,610	3.1	3,692	1.5	5,221	1.9	6,100	2.1	879	16.8
Profit attributable to owners of parent	4,111	2.0	2,247	0.9	3,578	1.3	3,900	1.3	322	9.0

Non-Consolidated	FY ended Feb 29, 2016		FY ended Feb 28, 2017		FY ended Feb 28, 2018		FY ending Feb 28, 2019			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Outlook (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	179,367	100.0	198,434	100.0	215,777	100.0	225,000	100.0	9,223	4.3
Cost of sales	134,077	74.8	147,268	74.2	160,057	74.2	166,600	74.0	6,543	4.1
Gross profit	45,289	25.2	51,166	25.8	55,720	25.8	58,400	26.0	2,680	4.8
SG&A Expenses	38,447	21.4	46,632	23.5	48,797	22.6	51,200	22.8	2,403	4.9
Operating income	6,841	3.8	4,534	2.3	6,922	3.2	7,200	3.2	278	4.0
Ordinary income	6,384	3.6	4,649	2.3	6,851	3.2	7,000	3.1	149	2.2
Income before income taxes	6,155	3.4	3,858	2.0	6,158	2.9	6,400	2.8	242	3.9
Net income	3,949	2.2	2,558	1.3	4,324	2.0	4,450	2.0	126	2.9

# [Consolidated / Non-consolidated] Income statement (half year)

Consolidated	6 months ended August 31, 2015		6 months ended August 31, 2016		6 months ended August 31, 2017		6 months ending August 31, 2018			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Outlook (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	95,024	100.0	124,244	100.0	135,468	100.0	142,800	100.0	7,332	5.4
Cost of sales	71,573	75.3	94,539	76.1	103,654	76.5	109,400	76.6	5,746	5.5
Gross profit	23,450	24.7	29,704	23.9	31,813	23.5	33,400	23.4	1,587	5.0
SG&A Expenses	19,371	20.4	27,532	22.2	29,285	21.6	30,700	21.5	1,415	4.8
Operating income	4,079	4.3	2,172	1.7	2,528	1.9	2,700	1.9	172	6.8
Ordinary income	4,043	4.3	2,020	1.6	2,032	1.5	2,300	1.6	268	13.2
Income before income taxes and minority interests	4,021	4.2	1,789	1.4	1,876	1.4	2,100	1.5	224	11.9
Profit attributable to owners of parent	2,563	2.7	1,102	0.9	1,121	0.8	1,150	0.8	29	2.6

Non-Consolidated	6 months ended August 31, 2015		6 months ended August 31, 2016		6 months ended August 31, 2017		6 months ending August 31, 2018			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Outlook (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	89,317	100.0	96,200	100.0	107,606	100.0	111,100	100.0	3,494	3.2
Cost of sales	67,268	75.3	71,544	74.4	80,764	75.1	83,300	75.0	2,536	3.1
Gross profit	22,048	24.7	24,655	25.6	26,841	24.9	27,800	25.0	959	3.6
SG&A Expenses	18,272	20.5	22,487	23.4	24,132	22.4	25,000	22.5	868	3.6
Operating income	3,776	4.2	2,167	2.3	2,709	2.5	2,800	2.5	91	3.4
Ordinary income	3,740	4.2	2,102	2.2	2,489	2.3	2,700	2.4	211	8.5
Income before income taxes	3,721	4.2	1,904	2.0	2,367	2.2	2,500	2.3	133	5.6
Net Income	2,343	2.6	1,343	1.4	1,504	1.4	1,700	1.5	196	13.0

# [Consolidated] Balance sheets

	As of February 28, 2017	As of February 28, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	14,337	22,763
Notes and accounts receivable - trade	4,655	5,709
Merchandise	41,333	44,479
Deferred tax assets	785	1,037
Other	2,717	3,203
Allowance for doubtful accounts	-64	-239
Total current assets	63,765	76,955
Non-current assets		
Property, plant and equipment		
Buildings and structures	29,766	32,602
Accumulated depreciation	-10,134	-11,445
Buildings and structures, net	19,632	21,156
Vehicles	312	64
Accumulated depreciation	-100	-15
Vehicles, net	212	48
Tools, furniture and fixtures	4,097	4,332
Accumulated depreciation	-3,088	-3,446
Tools, furniture and fixtures, net	1,009	886
Land	218	218
Construction in progress	961	777
Total property, plant and equipment	22,033	23,088
Intangible assets		
Software	3,201	2,981
Goodwill	9,687	8,927
Other	4,024	3,688
Total intangible assets	16,914	15,597
Investments and other assets		
Investment securities	40	45
Shares of subsidiaries and associates	247	2,150
Long-term loans receivable	229	211
Lease and guarantee deposits	5,033	5,541
Construction assistance fund receivables	5,214	5,643
Deferred tax assets	361	504
Other	533	746
Allowance for doubtful accounts	-325	-304
Total investments and other assets	11,334	14,539
Total non-current assets	50,281	53,225
Total assets	114,047	130,181

	As of February 28, 2017	As of February 28, 2018
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	12,317	14,327
Short-term loans payable	3,408	1,201
Accounts payable - other	3,885	3,845
Income taxes payable	679	2,029
Advances received	4,228	4,581
Deposits received	383	314
Provision for bonuses	651	815
Provision for merchandise warranties	1,149	871
Other provision	175	315
Other	2,602	3,597
Total current liabilities	29,483	31,901
Non-current liabilities		
Long-term loans payable	40,774	52,680
Long-term guarantee deposited	529	499
Provision for directors' retirement benefits	188	-
Asset retirement obligations	1,866	2,008
Deferred tax liabilities	1,127	1,008
Other provision	425	395
Other	70	191
Total non-current liabilities	44,983	56,784
Total liabilities	74,466	88,686
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	33,821	36,373
Treasury shares	-3,947	-3,947
Total shareholders' equity	38,063	40,615
Accumulated other comprehensive income		
Foreign currency translation adjustment	578	323
Total accumulated other comprehensive income	578	323
Stock acquisition rights	5	3
Minority owner shares worth	934	551
Total net assets	39,581	41,494
Total liabilities and net assets	114,047	130,181

(million yen)

# [Consolidated] Statements of Cash Flows

(million yen)

	FY ended Feb 29, 2016	FY ended Feb 28, 2017	FY ended Feb 28, 2018
I . Cash flows from operating activities	4,121	-4,632	6,989
II . Cash flows from investing activities	-17,686	-8,262	-5,315
III . Cash flows from financing activities	17,858	18,092	8,731
IV . Effect of exchange rate change on cash and cash equivalents	-34	18	-19
V . Net increase in cash and cash equivalents	4,259	5,214	10,387
VI . Cash and cash equivalents at the beginning of period	4,863	9,122	14,337
VII . Increase in cash and cash equivalents from change in consolidation	-	-	-1,960
VIII . Cash and cash equivalents at the end of period	9,122	14,337	22,763

# Store openings (March - February)



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



# Store openings (March - February)



OL Tottori  
Tottori



OL Tomakomai  
Tomakomai, Hokkaido



OL Iyomasaki  
Iyo, Ehime



OL Hakodate-shindo  
Hakodate, Hokkaido



OL Iwata  
Iwata, Shizuoka



(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



R-21 Kani  
Kani, Gifu



# Store openings (March - February)



Kouchi  
Kouchi



Nagano  
Nagano



Wakayama  
Wakayama



(Shopping Center)

AEON MALL Tottori-Kita  
Tottori



Nobeoka  
Nobeoka, Miyazaki





## IDOM Inc.

Established: 1994  
Share listing: 1998  
No. of directly managed stores: 488  
No. of franchised stores: 70  
As of 28 February, 2018

Retail cars sold at directly managed stores by IDOM

**125,151** units  
FY2018 results

## Group companies

### Japan

- [BMW/MINI dealerships]  
Motoren Global  
Motoren Glanz
- Tokyo My Car Sales

### Overseas

- [Western Australia]  
Buick Holdings (DVG)
- [New Zealand]  
Gulliver International New Zealand
- [USA]  
Gulliver U.S.A., Gulliver EAST

Total units purchased by IDOM Group in Japan\*

**230,958** units  
FY2018 results

No. of employees (consolidated)

**3,824**  
As of 28 February ,2018

\* Total number of vehicles purchased by IDOM's directly managed stores and 100% owned subsidiaries in Japan, excluding franchised stores. It includes purchasing and procurement from corporations and excludes disposal vehicles. Internal transactions within Group are not considered.