

**Trias Company Memo 2009-11-10****IK CO., LTD. (3377: TSE 2nd Section)****Summary of Business Results Meeting for the Fiscal Year ended August 31, 2009**

On October 15, 2009, IK CO., LTD. (hereinafter “the Company”) held a business results meeting for the fiscal year ended August 31, 2009. The following is a summary of the meeting.

The following representatives of the Company attended the results meeting:

Akihiko Ishikawa, Chairman

Yoshihiro Kato, President & CEO

Maki Otani, Senior Vice President

Takashi Yamagata, Director

Atsushi Sawa, General Manager, Integrated Management Department

Kazuya Takeuchi, Manager, Financial Section, Accounting and Financial Div.

Hirotsuda Nishimoto, Manager, Budget and Management Div., Integrated Management Department

The following is the summary of the presentation by President & CEO Kato:

**【Business Results for FY8/09】**

Given the ongoing economic slump, business results for the Company’s main business line, auction-based transactions of pre-owned motorcycles, did not meet our projected goals, while the results for new business lines - retail sales and Park-Oh - were in line with projections. Net income fell 70.4% year-on-year, to ¥251 million.

**【Auction-Based Transaction of Pre-Owned Motorcycles】**

Hit by the global recession and yen’s appreciation, the pre-owned motorcycle auction market not only continues to suffer from constraints on purchases, primarily by exporters, and price declines. While prices have followed the usual seasonal trends from January, prices of successful tenders had fallen in August despite the Company’s expectations of higher prices, which customarily rise in the warmer season. The Company concurrently implemented initiatives to step up the number of pre-owned motorcycles it purchases; the resulting purchase prices were higher than originally forecast. The average gross profit per vehicle thus fell to ¥71,241 in 4Q (June-August), a decline from the projected ¥82,034. Sales volume for that quarter was 43,654 units versus the 46,423 units originally targeted. This was due to an unexpected delay in identifying the effect of advertising, although the Company managed to improve its CPR\* by optimizing advertisement through analyses of area marketing and media effect. As for the factors that led to a gross profit decline, some 70% was

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due to the decline in average gross profit per vehicle, while the remaining 30% was due to the inability to meet the sales volume target.

\*CPR (Cost Per Response) measures the effectiveness of advertisement expenses, identifying the number of inquiries versus advertising costs.

Bike-Oh opened 15 outlets in the fiscal year, while closing 6 outlets under an efficiency enhancing initiative. The total number of Bike-Oh outlets reached 100 at the end of August 2009.

### 【Retail Sales】

Integrating brands under the Bike-Oh Direct Shop resulted in increased sales and thus sales volume, average price per vehicle, and gross profit per vehicle were all on track of the Company's forecast. As for web-based sales, the Company shuttered its former TECHNO SPORTS site and re-launched it as the Bike-Oh Direct Shop site and sales have consequently increased steadily, particularly through sales of large engine displacement motorcycles.

### 【Park-Oh】

The Company continues to emphasize profitability for its Park-Oh parking lot business while pushing forward development of lots. The average gross profit per vehicle port has been positive for 6 consecutive quarters and the profit structure is improving steadily as a result.

Table1: Consolidated Business Results Summary for FY8/09

(¥ Million)	FY8/08 Value	FY8/09 Value	YoY Change	
			Value	Ratio
<b>Auction-Based Transactions of Pre-Owned Motorcycles</b>				
Net Sales	23,737	22,101	△ 1,636	-6.9%
Gross Profit	12,450	11,873	△ 576	-4.6%
Operating Income	2,255	833	△ 1,421	-63.0%
Ordinary Income	2,274	839	△ 1,435	-63.1%
<b>Retail Sales</b>				
Net Sales	1,431	2,305	874	61.1%
Gross Profit	420	710	289	68.7%
Operating Income	△ 316	△ 165	150	-47.5%
Ordinary Income	△ 299	△ 133	166	-55.5%
<b>Park-Oh</b>				
Net Sales	216	394	178	82.5%
Gross Profit	△ 1	49	50	-
Operating Income	△ 80	△ 24	55	-
Ordinary Income	△ 66	△ 5	60	-
<b>Consolidated</b>				
Net Sales	24,588	23,502	△ 1,086	-4.4%
Gross Profit	12,871	12,632	△ 239	-1.9%
Operating Income	1,864	646	△ 1,217	-65.3%
Ordinary Income	1,904	671	△ 1,232	-64.7%
Net Income	847	251	△ 596	-70.4%

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**【Earnings Forecast for FY8/10】**

Given that the auction market for pre-owned motorcycles remains uncertain, the Company drew up its earnings forecast for FY8/10 without factoring in a market recovery (see Key Financial Data on page 4 for the earnings forecast). While the market remains mired in uncertainty, transaction volume has been improving steadily for the fiscal year. This, together with the fact that its CPR has improved, has led to the Company targeting an increase in purchase volume by optimizing advertising expenses and increasing the volume of ad placement. The Company is also aiming to improve productivity by increasing the transaction volume per outlet. In order to improve quality control, the Company plans to build a new distribution center and reinforce its vehicle maintenance system. In way of facilitating group synergy, moreover, 2 Bike-Oh outlets capable of both purchasing and retailing motorcycles will open in the current fiscal year.

**【Q&A】**

Q1. Given the recent deflationary trend, there is a risk that the auction market will slump even further.

If this is the case, would that adversely impact the Company's earnings?

A1. Under our business model, 90% of all motorcycles that we purchase are destined for the auction market. While we are engaged in the retail business, its scope remains comparatively small. That means any dip in the market would indeed hurt our earnings. However, based on interviews with auction companies and retailers, we do not believe the market will worsen. We are planning to make up for a possible decline in our auction-based sales by stepping up our ad campaign to increase sales volume.

Q2. Since the current situation is expected to continue for some time, won't it be better to take a defensive, low-profile approach than to adopt aggressive strategies?

A2. The reuse business is on an upward trend despite the recession, with the number of customer inquiries actually increasing at this time. Based on this trend, we plan to aggressively increase our advertising budget. However, we are taking a lower profile in terms of our retail sales business and are now examining our options regarding future initiatives.

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**IK CO., LTD. (3377 TSE 2<sup>nd</sup> Section)**
**Key Financial Data and Business Results (Consolidated)**

Key Stock Indicators (Consolidated)		
No. of Shares Issued	Aug. 08	152,856
No. of Treasury Stock	Aug. 08	-
Market Value (¥ million)	Oct.19, 2009	4,716
BPS (¥)	Aug. 08	30,460.5
ROE (%) ※1	Aug. 08	5.5
ROA (%) ※2	Aug. 08	3.9
PER (times )	FY8/09 est.	8.8
PCFR (times) ※3	Aug. 08	7.7
PBR (times)	Aug. 08	1.0
Share Price (¥)	Oct.19, 2009	30,850

Key Financial Data (Consolidated)	
Total Assets (¥ million)	Aug. 08 6,350
Shareholders' Equity (¥ million)	Aug. 08 4,656
Interest-Bearing Debt (¥ million)	Aug. 08 238
Equity Ratio (%)	Aug. 08 73.3
Ratio of Interest-Bearing Debt (%) ※4	Aug. 08 5.1
Free Cash Flows (¥ million) ※5	Aug. 08 △ 81

※1 ROE=Current Net Income÷Averaged Shareholders' Equity  
of beginning of term and term end

※2 ROA=Curent Net Income÷Averaged Total Assets  
of beginning of term and term end

※3 PCFR=Market Value÷(Current Net Income+Depreciation)

※4 Ratio=Interest-Bearing Debts÷Shareholders' Equity

※5 Free Cash Flows(CF)=Operating CF+Investment CF

Consolidated (¥ million )	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	Dividend per Share (¥)
FY8/06	16,709	1,182	1,265	616	4,182	600
FY8/07	20,379	1,574	1,604	740	4,859	300
FY8/08	24,588	1,864	1,904	847	5,555	800
FY8/09	23,502	646	671	251	1,644	1,200
FY2/10 f.	11,081	△ 110	△ 101	△ 108	△ 712	600
FY8/10 f.	24,587	1,016	1,043	536	3,509	1,200

Note: FY2/10 and FY8/10 are the Company's forecasts announced on Oct.14.

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