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**TSE2**
**IK CO., LTD.**
**A Summary of FY11/11 Business Results Meeting**

On January 16, 2012, IK CO., LTD. (hereinafter IKCO or the Company) held its FY11/11 Business Results Meeting, the summary which is provided below.

**Summary of FY11/11 Consolidated Business Results**

As seen in Table 1, the consolidated business results that IKCO reported for FY11/11 showed year-on-year increases in net sales and incomes. Incomes, moreover, exceeded the Company's forecasts. This was due to a greater than expected decline in SG&A expenses as a result of continuous cost reduction efforts. It should also be noted that IKCO announced an upward revision in its full-year earnings forecast for FY11/12, which reflected a continued cost reducing effect that should result in higher incomes.

The year-on-year data that the Company provided at the Meeting took into account the change of fiscal term in FY11/10 (from August to November), the actual results of the previous fiscal year (from December 2009 to November 2010), as well as the results from a newly realigned business segment.

**●【Table 1】Summary of FY11/11 Consolidated Business Results**

(¥ million)	FY11/10	FY11/11				
	Full Year	Full Year		YoY Chg	vs Fcst	YoY Chg
	Actual	Forecast	Actual	Amount	Chg	Ratio
Net Sales	23,855	23,760	24,056	201	296	0.8%
Gross Profit	12,817	13,081	12,837	20	-244	0.2%
SG&A Expenses	12,139	12,610	12,035	-104	-575	-0.9%
Operating Income	677	471	802	125	331	18.4%
Ordinary Income	705	498	862	157	364	22.4%
Net Income	245	247	441	196	194	79.8%

Note: Forecast announced on January 13, 2011

All tables prepared by Trias Corp. with the data disclosed by IK CO., LTD.

**Summary of FY11/11 Consolidated Business Results by Business Segment**

As for the breakdown by business segment, IKCO's core buyback operation posted declines in net sales and incomes on a year-on-year basis—although net sales was actually in line with the forecast, while incomes surpassed their projected levels. Purchase inquiries fell below projections as cost

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performance was prioritized and the advertising budget was pared, leading to a 97.1% sales achievement rate—or a slight shortfall with regards to the original forecast. However, the gap was made up from a better than expected average sales price per unit and average gross profit per unit. One of the initiatives to enhance business performance in the current term that the Company adopted was to improve the purchase agreement closure rate. This rate improved to a level that exceeded expectations because IKCO not only initiated training programs facilitating knowhow sharing among the staff that engage in cost estimates of target vehicles, it also stepped up the widespread adoption of a marketing/sales regime that prioritize the needs of customers.

As for IKCO's motorcycle retail sales operation, net sales and incomes not only surpassed projected targets, it also showed net sales and incomes increases on a year-on-year basis. This was due to increased sales in both existing outlets and new outlets. In addition, the number of outlets decreased from ten to eight at the term's end—the result of launching two “standardized package” outlets, each with an inventory capacity of 150 to 200 units, while closing four outlets that fell short of that standard. The Company has been evaluating these standardized package outlets for their business efficacy.

At the same time, net sales and incomes in the motorcycle parking service operation failed to meet projections because the execution of plans to expand the number of parking facilities did not proceed smoothly. Although net sales showed a year-on-year increase, incomes remained in the red.

● **[Table 2] Summary of FY11/11 Business Results by Segment**

(¥ million)	FY11/10 Full Year Actual	FY11/11				
		Full Year Forecast	Full Year <b>Actual</b>	YoY Chg Amount	vs Fcst Chg	YoY Chg Ratio
<b>Auction-Based Pre-Owned Motorcycles Transaction</b>						
Net Sales	21,590	21,224	<b>21,513</b>	-77	289	-0.4%
Gross Profit	11,753	11,839	<b>11,572</b>	-181	-267	-1.5%
SG&A Expenses	11,106	11,481	<b>10,975</b>	-131	-506	-1.2%
Operating Incom	647	357	<b>596</b>	-51	239	-7.9%
<b>Motorcycle Retail Sales</b>						
Net Sales	2,933	3,330	<b>3,964</b>	1,031	634	35.2%
Gross Profit	1,015	1,141	<b>1,251</b>	236	110	23.3%
SG&A Expenses	967	1,053	<b>1,016</b>	49	-37	5.1%
Operating Incom	48	88	<b>234</b>	186	146	387.5%
<b>Motorcycle Parking</b>						
Net Sales	500	709	<b>644</b>	144	-65	28.8%
Gross Profit	51	108	<b>47</b>	-4	-61	-7.8%
SG&A Expenses	73	87	<b>80</b>	7	-7	9.6%

Note: Forecast announced on January 13, 2011

● **【Table 3】 Key FY11/11 Indicators of Auction-Based Pre-Owned Motorcycle Transaction Business**

	FY11/10 Full Year Actual	FY11/11			
		Full Year		YoY Chg	vs. Fcst Chg
		Forecast	<b>Actual</b>		
Advertising Cost (¥ million)	3,730	3,864	<b>3,564</b>	-4.4%	-7.8%
Purchase Agreement Closure Rate (%)	84.9%	86.1%	<b>86.4%</b>	1.8%	0.3%
Number of Vehicles Sold (Unit)	166,354	167,400	<b>161,125</b>	-3.1%	-3.7%
Average Sales Price Per Unit (¥)	128,572	125,800	<b>132,055</b>	2.7%	5.0%
Average Gross Profit Per Unit (¥)	70,128	69,700	<b>70,639</b>	0.7%	1.3%

Note: Forecast announced on January 13, 2011

**【Table 4】 Key FY11/11 Indicators of Motorcycle Retail Sales Business**

	FY11/10 Full Year Actual	FY11/11			
		Full Year		YoY Chg	vs. Fcst Chg
		Forecast	<b>Actual</b>		
Number of Vehicles Sold (Unit)	6,487	7,687	<b>7,680</b>	18.4%	-0.1%
Average Sales Price Per Unit (¥)	381,241	374,300	<b>430,226</b>	12.8%	14.9%
Average Gross Profit Per Unit (¥)	103,198	100,100	<b>110,412</b>	7.0%	10.3%

Note 1: Forecast announced on January 13, 2011

Note 2: Average gross profit per unit refers to nominal auction prices for vehicles purchased and in-house procurement

## **FY11/12 Earnings Forecast**

The consolidated business forecasts for FY11/12 are summarized in Table 5. While net sales are expected to remain at FY11/11 levels, operating income is projected to increase 10.3% year-on-year.

As for its buyback operation, while IKCO is expecting improved results from the money it spends for advertising, net sales and gross profit are expected to remain at levels to those posted in FY11/11 as the Company projects average unit sales price and gross profit per unit to also remain on par with figures achieved in the previous fiscal year, although the number of vehicles sold should be slightly lower. Meanwhile, IKCO anticipates a 33.1% increase in operating income. This is due to a number of factors, from reduced costs allocated for auctions, which fall under SG&A expenses, to a reassessment of common expenses (transferred from the Company's buyback operation to motorcycle retail sales operation). However, advertising costs are expected to rise slightly as the Company intends to aggressively step up PR activities to reinforce and strengthen its Bike-Oh brand.

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In the retail sales operation, net sales are expected to increase 8.7% on a year-on-year basis, while operating income is projected to post a significant decline of 57.7% year-on-year. This is due to cost increases resulting from the increase in the number of outlets, as well as the reassessment of common expenses—meaning operating income will in fact rise. Meanwhile, the number of outlets is expected to increase from eight to 11 by the term's end.

In the parking operation, net sales are projected to increase 7.8% year-on-year, while operating income is expected to remain in the red. IKCO will be convening a shareholders meeting in February 2012 to decide whether to merge with its Bike-Oh subsidiary. The Company positions the parking business as a viable and vital operation in that it provides an important service for motorcycle users, developing and refining the cycling environment. Through the merger, IKCO is aiming to recover from Bike-Oh's losses by strengthening the credibility of the parking operation and enhancing profitability.

● **[Table 5] FY11/12 Consolidated Business Forecast**

(¥ million)	FY11/11 Actual			FY11/12 Forecast			YoY Change	
	1H	2H	Full Year	1H	2H	Full Year	Amount	Ratio
<b>Net Sales</b>	<b>11,725</b>	<b>12,329</b>	<b>24,056</b>	<b>11,466</b>	<b>12,582</b>	<b>24,050</b>	<b>-6</b>	<b>-0.0%</b>
Auction-Based Pre-Owned Motorcycle	10,563	10,949	21,513	10,286	11,185	21,474	-39	-0.2%
Motorcycle Retail Sales	1,703	2,260	3,964	1,913	2,394	4,307	343	8.7%
Motorcycle Parking	300	343	644	328	365	694	50	7.8%
<b>Gross Profit</b>	<b>6,504</b>	<b>6,332</b>	<b>12,837</b>	<b>6,455</b>	<b>6,578</b>	<b>13,035</b>	<b>198</b>	<b>1.5%</b>
Auction-Based Pre-Owned Motorcycle	5,939	5,631	11,572	5,816	5,780	11,597	25	0.2%
Motorcycle Retail Sales	569	682	1,251	626	768	1,395	144	11.5%
Motorcycle Parking	11	36	47	29	46	75	28	58.1%
<b>SG&amp;A Expenses</b>	<b>5,991</b>	<b>6,042</b>	<b>12,035</b>	<b>6,095</b>	<b>6,053</b>	<b>12,150</b>	<b>115</b>	<b>1.0%</b>
Auction-Based Pre-Owned Motorcycle	5,459	5,514	10,975	5,445	5,357	10,804	-171	-1.6%
Motorcycle Retail Sales	510	506	1,016	627	668	1,296	280	27.5%
Motorcycle Parking	39	40	80	42	44	87	7	8.2%
<b>Operating Income</b>	<b>511</b>	<b>290</b>	<b>802</b>	<b>360</b>	<b>525</b>	<b>885</b>	<b>83</b>	<b>10.3%</b>
Auction-Based Pre-Owned Motorcycle	478	118	596	370	422	793	197	33.1%
Motorcycle Retail Sales	59	175	234	-0	99	99	-135	-57.7%
Motorcycle Parking	-28	-4	-32	-13	1	-11	21	-
<b>Ordinary Income</b>	<b>555</b>	<b>307</b>	<b>862</b>	<b>395</b>	<b>538</b>	<b>934</b>	<b>72</b>	<b>8.3%</b>
<b>Net Income</b>	<b>302</b>	<b>138</b>	<b>441</b>	<b>198</b>	<b>288</b>	<b>487</b>	<b>46</b>	<b>10.3%</b>

Note: All tables prepared by Trias Corp. with the data disclosed by IK CO., LTD.

## Effecting a Transition in Business Models

IKCO will be strategically facilitating the transition from a business model based on purchases to one based on purchasing and retailing. While previously focused on the purchase/buyback model, the Company aims to establish retail sales of purchased vehicles as the second growth pillar; it is thus preparing a business regime that will link its purchasing operations to retailing services.

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While adopting initiatives to reinforce its core buyback operations, IKCO has not only been working to resell the pre-owned vehicles it purchases through the auction market, but lay the foundations to expand its range of retailing outlets as well. The Company has also been striving to develop marketing solutions to expand its share in two markets: the sellers' market—an area it has traditionally targeted—and the new replacement market.

Given that the Company has begun to see a measure of success being generated by its retail sales operation, it established a special committee to develop new retail strategies on January 16, 2012. From FY11/13, IKCO will push retail sales operation as its second primary growth driver. To achieve this, the Company is studying ways to reorganize its business structure—with one option calling for a cross-departmental lateral reorganization applied to the entire firm—and based on the broader aim of optimizing IKCO's Group of companies itself.

The Company is hoping to build out from the limited relationship it has with motorcycle owners as a one-time buyer of pre-owned bikes, to an enterprise providing a comprehensive range of motorcycle-related services that include repair and maintenance services, as well as owner liability insurance plans.

Among the specific initiatives are to reinforce coordination between the buyback and retail sales operations not only in the area of marketing promotions, but also in the domains of logistics and systems development. Particular effort will be spent on developing the brand image of highly credible specialized shops that core motorcycle users will seek out and support. For example, in the area of marketing promotion, IKCO began airing Bike-Oh's new TV commercial across Japan from January 15, 2012. Dubbed the "Conversation" series, the TV ads not only express the corporate vision of IKCO as a comprehensive planner of motorcycling life, it also demonstrates the Company's commitment to Bike-Oh's services.

Moreover, in an announcement released on January 25, 2012, IKCO reported that it would be changing its name to BIKE O & COMPANY Ltd. from September 1, 2012. The renaming is part of the Company's strategy to maximize its Bike-Oh brand strength—which, according to market research firm Yano Research, was the largest buyback service of pre-owned two-wheeled vehicles in Japan in 2010—and reinforce public recognition of IKCO as the market leader, thus further enhancing its corporate and brand values.

The decision to rename the Company was made from the following two objectives: First, to improve user-friendly services prioritizing the needs of motorcycle users; the second, to create an organization that aims to stimulate the motorcycle market in general and contribute to society as a reuse/recycle enterprise—an organization staffed by employees who are truly committed to one another as well as to


the achievement of their dreams—while promoting the corporate vision as a comprehensive planner of motorcycling life of both IKCO and its Bike-Oh brand.

### Question & Answer Session

**Q1: How long with IKCO continue with its evaluation of the so-called “standardized package” outlets for its retail sales operation?**

A1: Having opened three new outlets from November 2010 to December 2011, these are the only outlets that are being evaluated under the standardized package format. Moreover, since just two outlets have operated for more than a year since their launch, we intend to continue with our evaluation of these outlets for another year. In the days to come, we plan to develop a wide range of guidelines regarding the conduct of our retail sales operation through the special committee to develop new retail strategies.

**Q2: I understand that one of the factors behind the forecast for higher profit for the retail sales operation is due to the revenues that those three new outlets will be contributing. Is it possible to expect higher sales from existing outlets than what the forecast predicts?**

A2: We do expect a certain level of increased sales from our existing outlets. As for the contribution of newly opened outlets, we believe that they will have a limited impact over the course of the full term. This is because the latest outlet, which opened in December 2011, will require more time to gain user recognition and support. Moreover, of those outlets that are slated to open in the current fiscal year, two will be launched in the second half. 



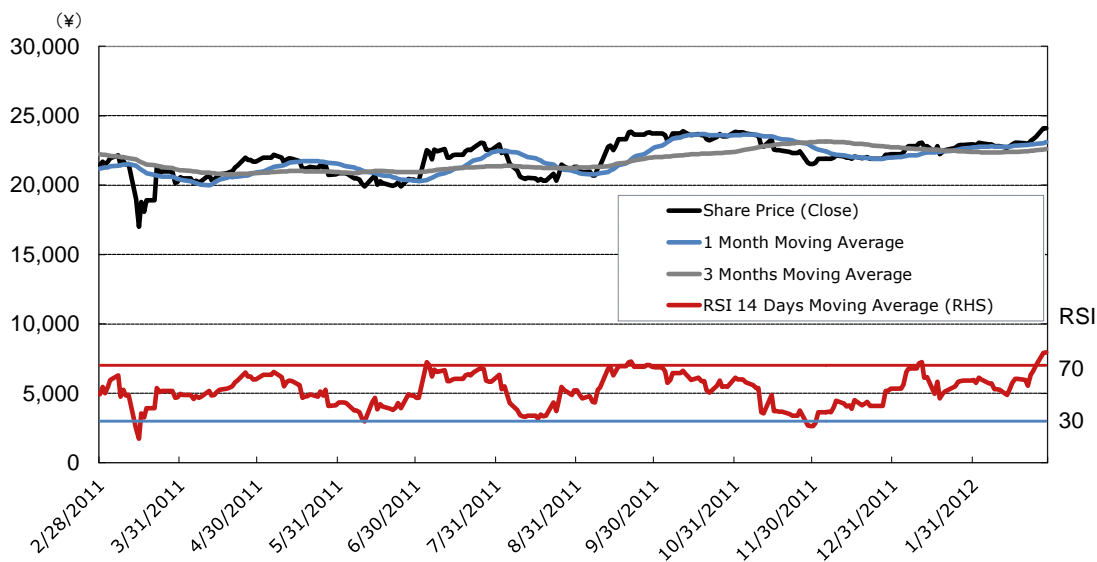
**Reference**
**● Key Indicators and Business Results (Consolidated)**

Key Stock Indicators			Key Financial Data		
No. of Shares Issued	Nov 2011	152,856	Total Assets (¥million)	Nov 2011	6,371
No. of Treasury Stock	Nov 2011	15,000	Shareholders' Equity (¥million)	Nov 2011	4,378
Market Value (¥million)	Feb 28,2012	3,684	Interest-Bearing Debt (¥million)	Nov 2011	238
BPS (¥)	Nov 2011	31,764.99	Equity Ratio (%)	Nov 2011	68.7
ROE (%)	Nov 2011	10.1	Ratio of Interest-Bearing Debt (%)	Nov 2011	5.4
ROA (%)	Nov 2011	6.9	Free Cash Flows (¥million)	Nov 2011	719
PER (times)	Nov.11 Fcst	6.5	Note ROE=Current Net Income÷Shareholders' Equity		
PCFR (times)	Nov 2011	4.9	ROA=Current Net Income÷Total Assets		
PBR (times)	Nov 2011	0.8	PCFR=Market Value÷(Current Net Income+Depreciation)		
Share Price (¥)	Feb 28,2012	24,100	Average Daily Volume=Ave. Daily Vol. for the last 12 months		
Unit Share (shares)	Feb 28,2012	--	Interest-Bearing Debts Ratio=I.B.D.÷Shareholders' Equity		
Average Daily Volume (shares)	Feb 28,2012	111	Free Cash Flows=Operating CF+Investment CF		

(¥ million)	Net Sales	Operating Income	Ordinary Income	Net Income	EPS(¥)	DPS (¥)
FY8/09	23,502	646	671	251	1,643.75	1,200
FY8/10	24,176	708	732	312	2,123.24	1,200
FY11/10	5,412	-299	-297	-244	-1,686.89	300
FY11/11	24,056	802	862	441	3,195.99	1,200
1H FY11/12 Fcst.	11,467	359	395	197	1,433.37	600
FY11/12 Fcst.	24,050	885	934	487	3,534.30	1,200

Note 1: Forecast announced on January 12, 2012

Note 2: Irregular term runs for 3 months (9/10-11/10), which is shown as FY11/10 result.

**● Stock Price and RSI**


Source: Prepared by Trias Corp. with Bloomberg data.

Note: RSI, Relative Strength Index, is the index representing the ratio of overbought or oversold share prices.

In general, over 70 in RSI shows overbought share price range, while below 30 shows oversold share price range.

$RSI = \frac{\text{averaged share price appreciation for N days}}{\text{averaged share price appreciation for N days} + \text{averaged share price decline for N days}} \times 100$

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