

# 2nd Quarter Results for Fiscal Year Ending February 28, 2021

PowerPoint プレゼンテーション

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October 15, 2020

IDOM Inc.

I. First Half Results and Full-Year Results Forecasts

II. Response to the Novel Coronavirus (COVID-19)

III. Supplementary Information on Results and Financial Matters

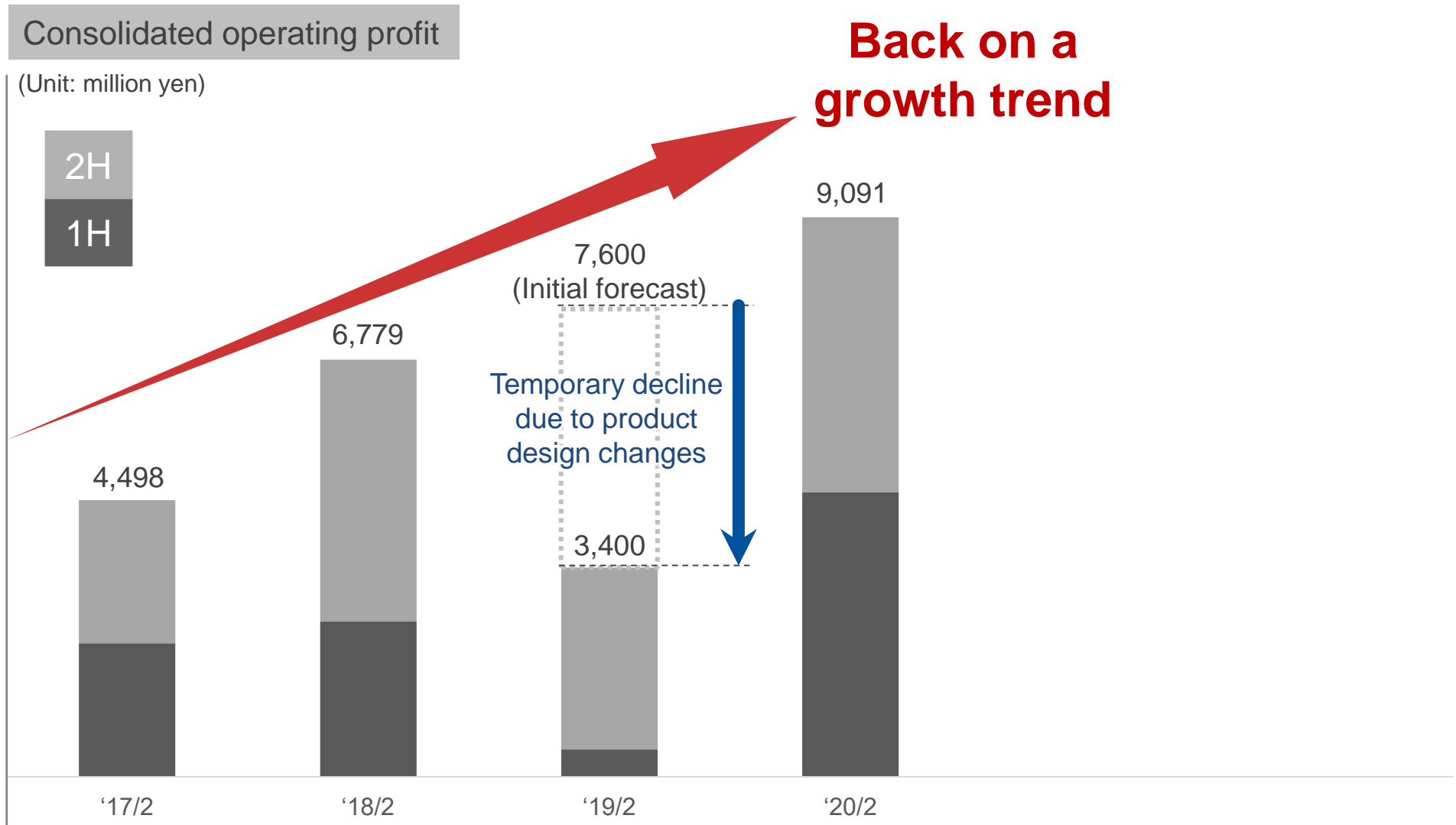
Consolidated earnings forecasts stated herein have been prepared based on the information available to the Company at the time that this report was prepared and contains certain risks and uncertainties.

Depending on market trends, economic conditions and other factors, actual performance may vary from the projected performance.

# I. First Half Results and Full-Year Results Forecasts

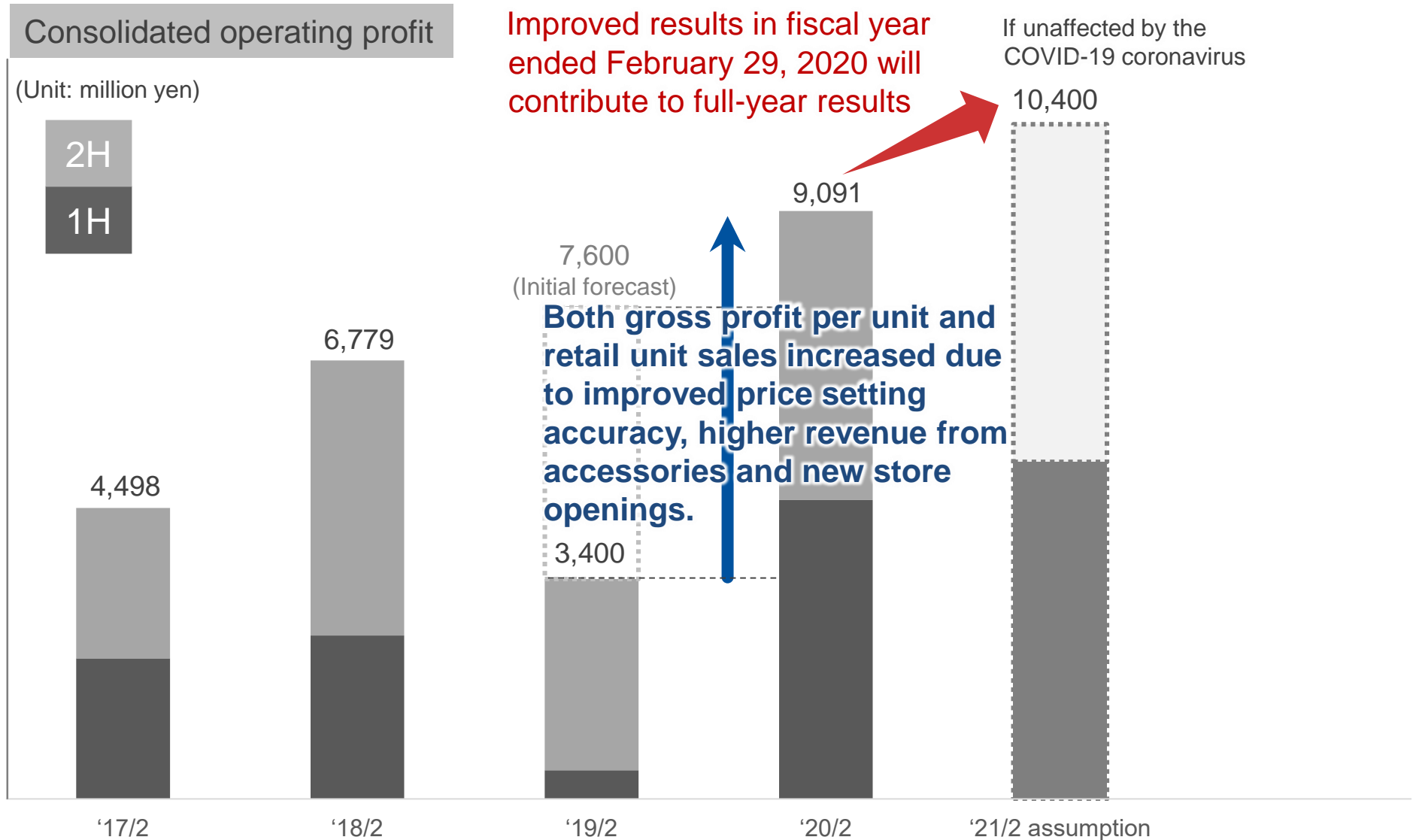
- 1 Assumptions for Initial Forecasts
- 2 Comparisons with Initial Forecasts for First Half
- 3 Revised Forecasts for Full-Year Results
- 4 Store development

# Review of the Operating Results for the Fiscal Year Ended February 29, 2020



A range of improvement measures contributed to recovery from the temporary decrease that occurred due to changes in product design in the fiscal year ended February 28, 2019. As a result, the business is back on a growth trend.

# Forecasts for the Fiscal Year Ending February 28, 2021 Based on the Assumption that They are Unaffected by the COVID-19 Coronavirus

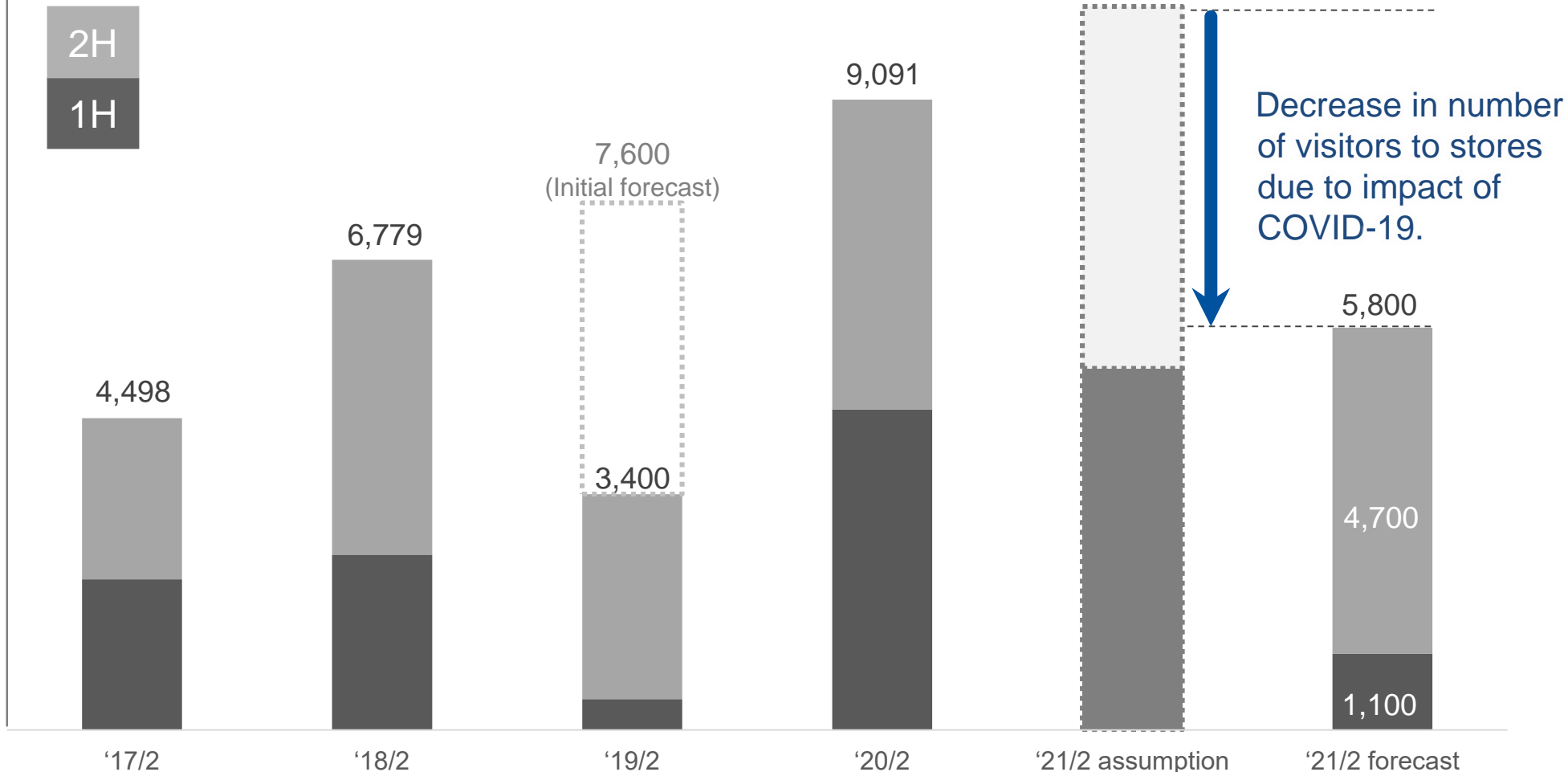


Because the Company anticipated that it would continue to benefit from the effects of a range of improvement measures that it had taken in the fiscal year ended February 29, 2020, it forecast that consolidated operating profit would increase for two consecutive fiscal years in the fiscal year ending February 28, 2021, if there were no impact from the COVID-19 pandemic.

# Initial Forecast of Consolidated Operating Profit for FY2021

## Consolidated operating profit

(Unit: million yen)



Based on the assumption that retail unit sales decreased in the first half, reflecting a fall in the number of visitors to directly managed stores that occurred extraordinarily in the first half due to the impact of COVID-19 and these sales will increase in the second half and beyond to the extent that there is no impact from COVID-19.

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# Consolidated Operating Income The First Half Year Results

Initial forecast for 2H

2H result

Consolidated

Operating income

1,100million yen

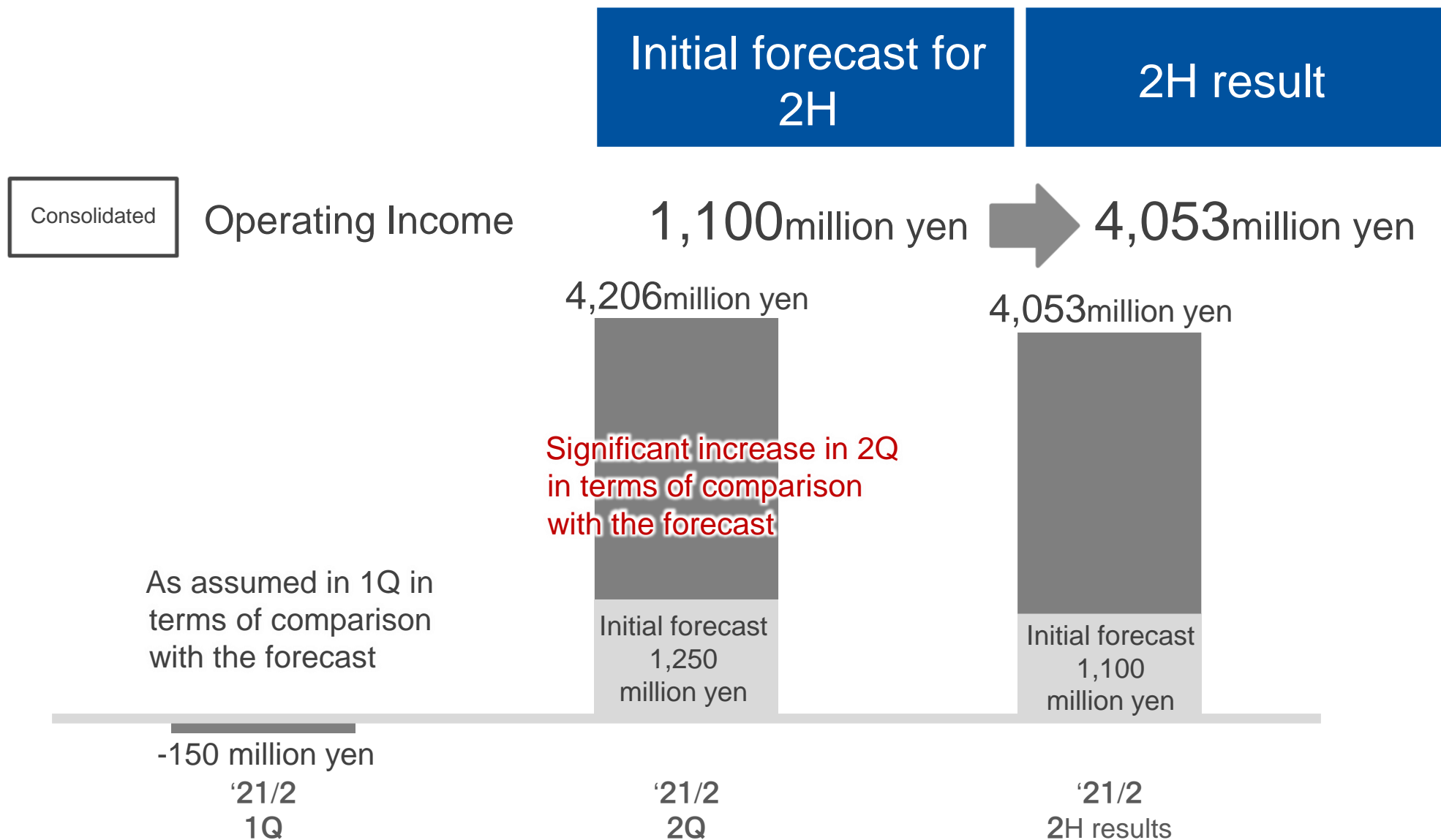


4,053million yen

		Assumptions for initial forecast (vs. FY2020/1H)	1H results (vs. Forecasts)	Key Factors
1	Retail unit sales			Increased from the initial forecast due to a recovery in the number of visitors to stores.
2	Retail gross profit			In line with the initial forecast.
3	Number of units purchased			Declined due to a sluggish new automobile market.
4	Wholesale gross profit			Decreased due to a rapid fall in auction prices that occurred in 1Q.

Given the situation in which the number of visitors to stores decreased due to impact of COVID-19, the number of units purchased and gross profit in wholesale decreased. Despite that, operating profit surpassed the initial forecast because retail unit sales were significantly higher than the initial expectation.

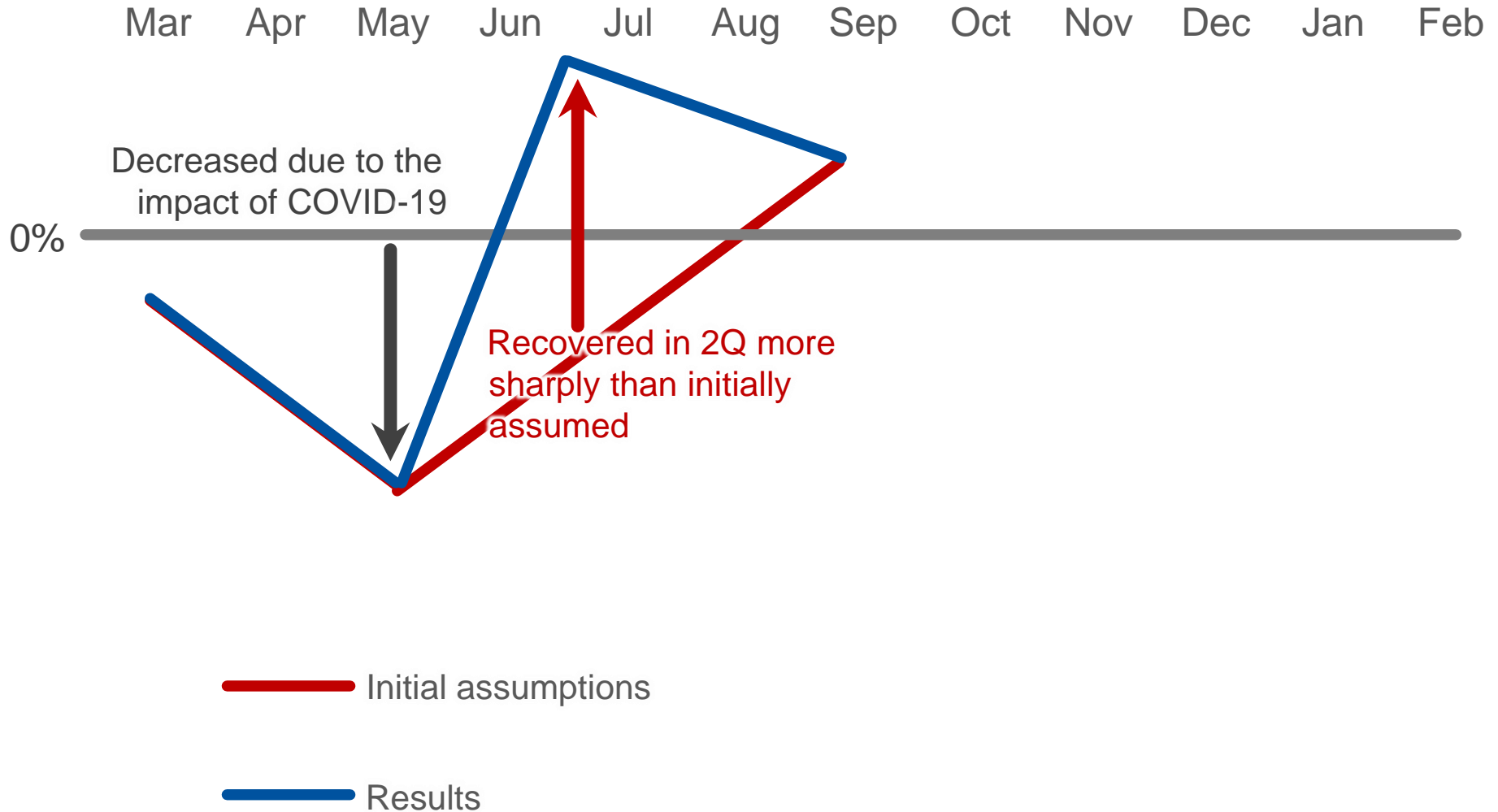
# Consolidated Operating Income Quarter Results



The key factor for the significant increase in 2Q was a rise in retail unit sales that occurred against initial expectations.

# Assumptions for the Number of Visitors to Stores in 2H

Comparison of the monthly number of visitors to stores with those a year ago

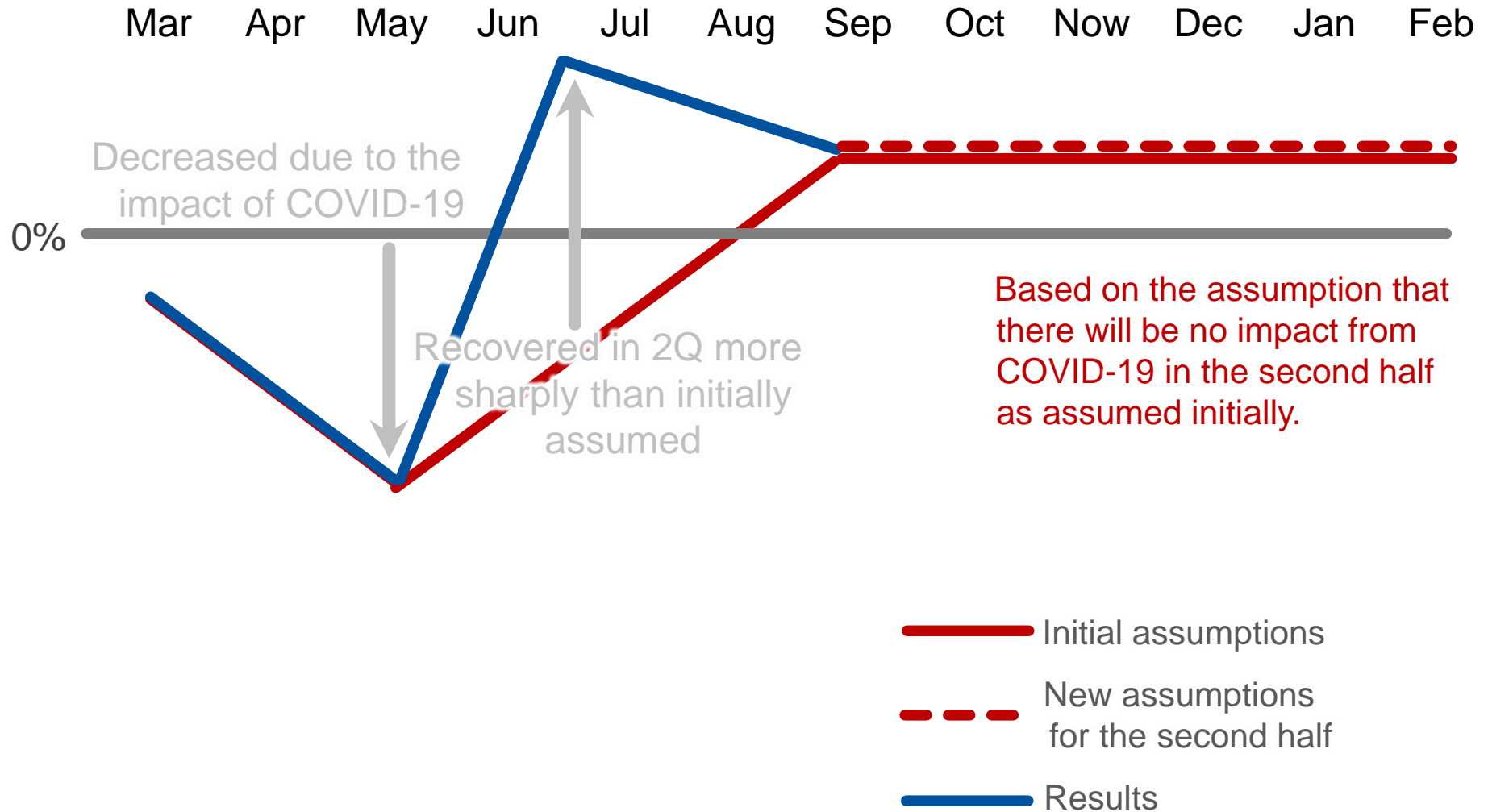


Based on the assumption as of October 14 that the number of visitors to stores will not be affected by COVID-19 in the second half judging from the number of customers who visited stores in the first half or most recently.

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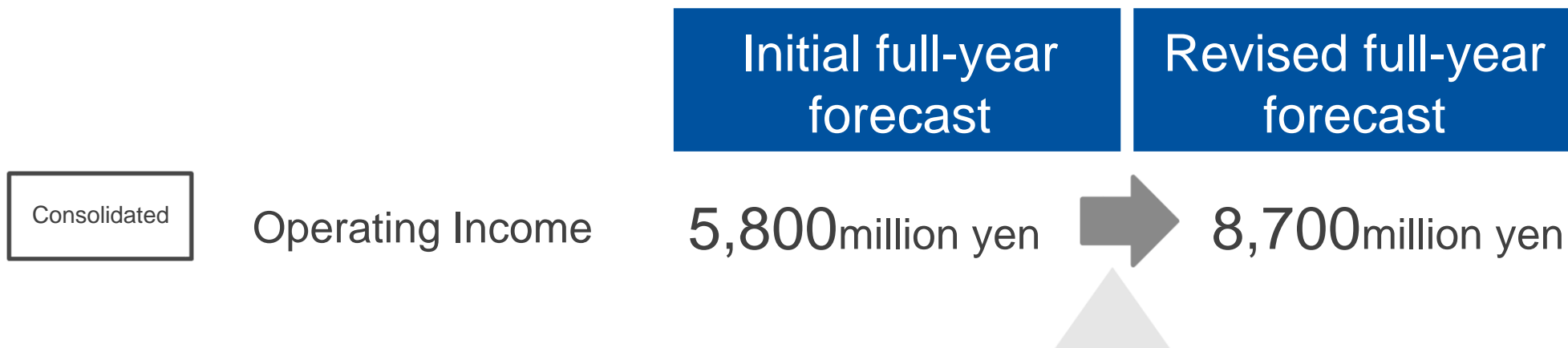
# Assumptions for the Number of Visitors to Stores in 2H

Comparison of the monthly number of visitors to stores with those a year ago



Based on the assumption as of October 14 that the number of visitors to stores will not be affected by COVID-19 in the second half judging from the number of customers who visited stores in the first half or most recently.

# Revised Forecast of Consolidated Operating Profit for FY2021



		1H results (vs. FY2020/1H)	2H forecasts (vs. FY2020/2H)	Assumptions for the second half
1	Retail unit sales	↑	↑	Retail unit sales are assumed to keep rising.
2	Retail gross profit	→	→	Retail gross profit is assumed to remain at the year-ago level.
3	Number of units purchased	↓	→	The number of units purchased is assumed to be unchanged from the year-ago level reflecting signs of recovery in a new automobile market.
4	Wholesale gross profit	↓	→	Wholesale gross profit is assumed to recover to the year-ago level.

Based on the assumption as of October 14 that the business will not be affected by COVID-19 in the second half although the number of units purchased and wholesale unit sales fell due to COVID-19 in the first half.

# Revised Forecast of Consolidated Operating Profit for FY2021

## Consolidated operating profit

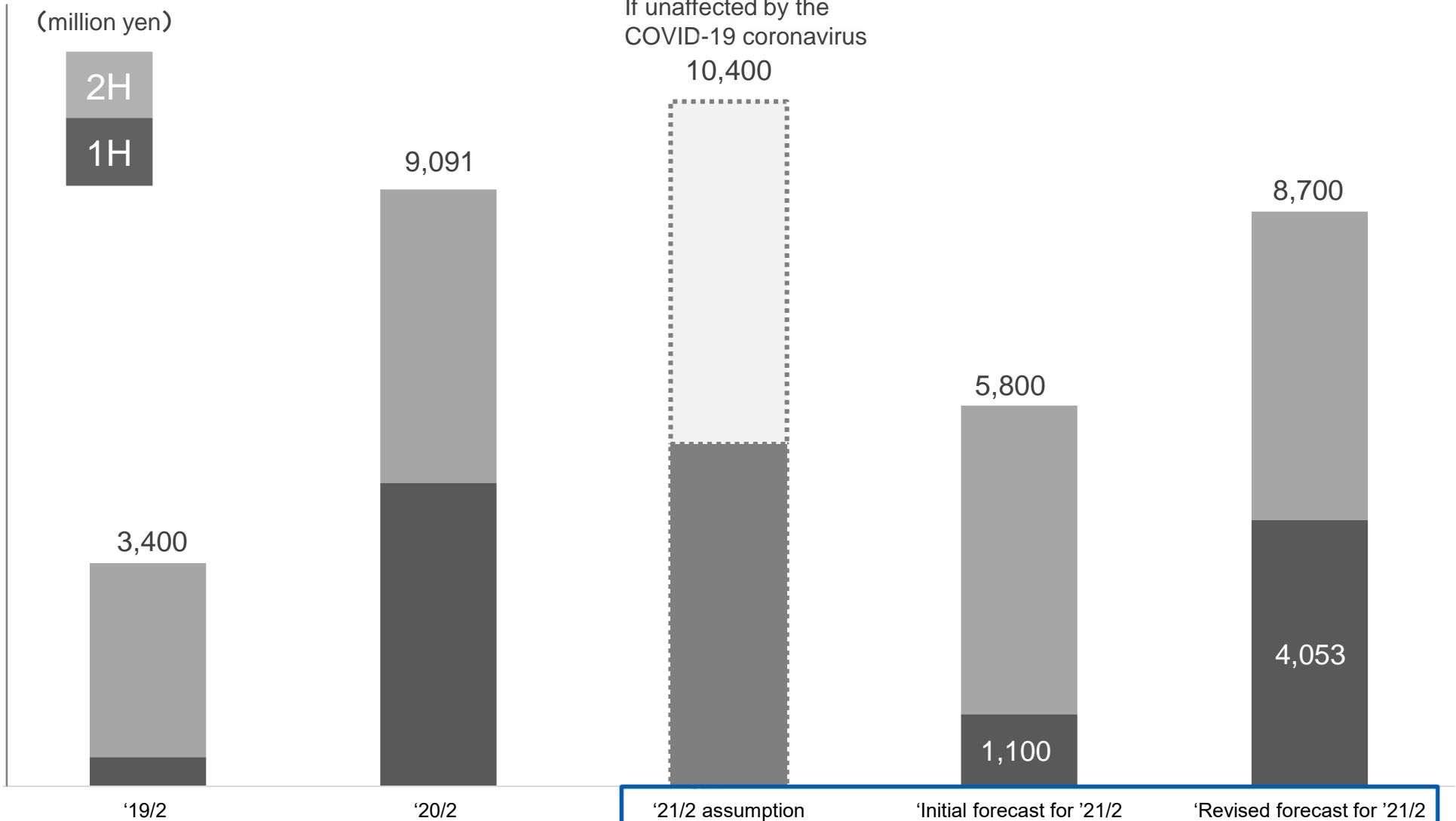
(million yen)

2H

1H

If unaffected by the  
COVID-19 coronavirus

10,400



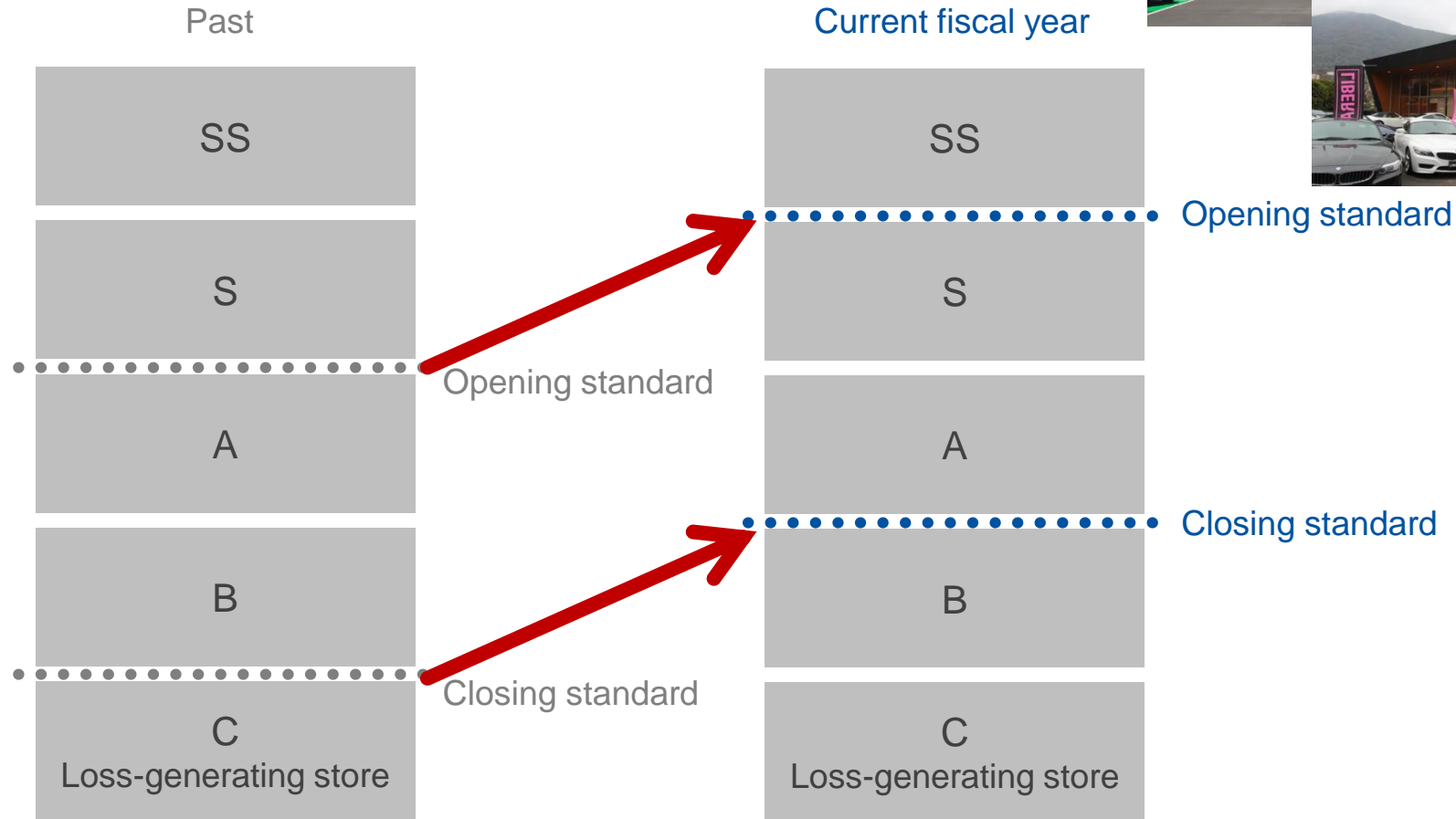
Based on the assumption that there will be no impact from COVID-19 in the second half as assumed initially. Consequently, the full-year forecast was revised upward from 5,800 million yen to 8,700 million yen. Changes may be made depending on a variety of factors such as change in consumption trends and sales operations at directly managed stores.

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# Review of Opening / Closing Standards

Ranking by profit/capital efficiency

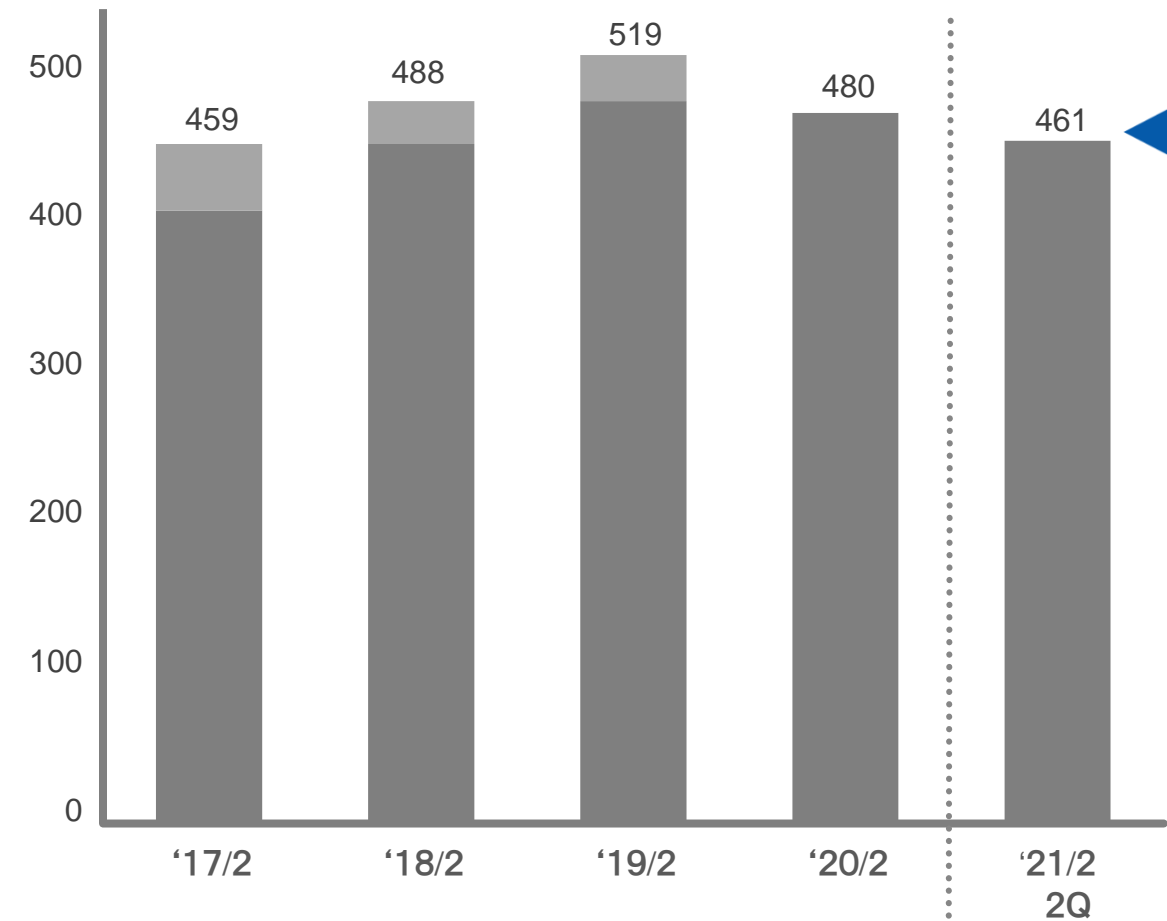


In the current fiscal year, opening and closing standards have become stricter. We will open stores with high profit/capital efficiency and close low profit/capital efficiency stores even if they are in the black, which will enhance the quality of return on investments and working capital (inventory).

# Status of Directly Managed Store Openings / Closings

## Number of directly managed stores

(Unit: stores)



Newly opened
2
Closed
21

Net decrease by 19 stores

The Company moved up store closings in consideration of the impact of COVID-19 while simultaneously improving store efficiency.

# Change in the Store Development Policy

## Store development policy

Reestablish the store network and achieve high capital efficiency by the ability to attract customers with the Gulliver brand power, as well as its accumulated expertise.

### Enhance efforts for the Gulliver brand



Consider the effective use of facilities equipped with the previous tenants' furnishings

Price setting expertise that Gulliver has accumulated since its foundation

Original vehicle display styles and store layouts

Synchronized inventory control between the headquarters and stores

Marketing activities with a focus on efficiency

## II. Response to the Novel Coronavirus (COVID-19)

## **Inventory control**

Controlled inventory levels in line with the outlook for sales demand.

## **Control of SG&A expenses**

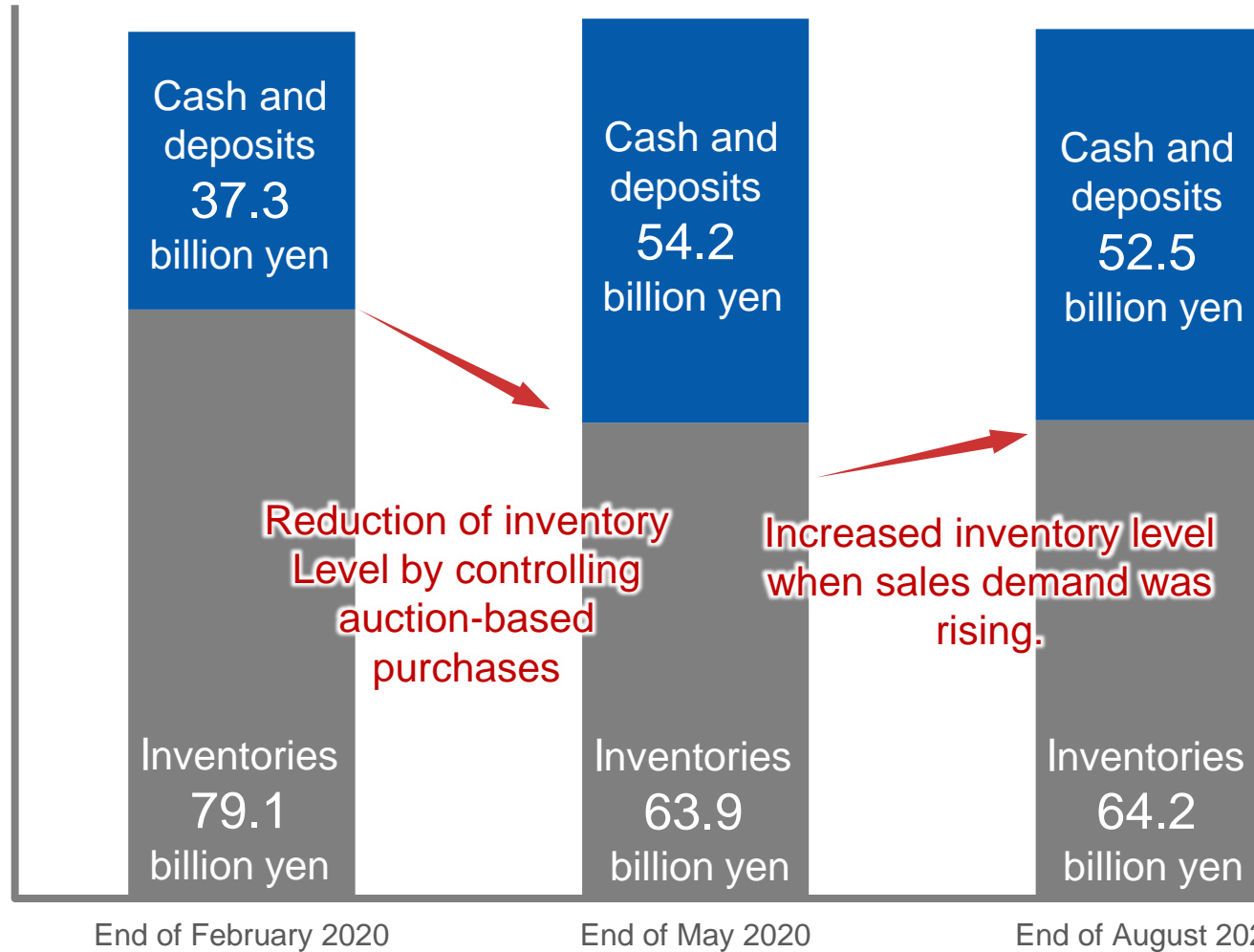
Controlled advertising expenses in response to the outlook for sales demand. In addition, controlled a range of costs including travel expenses.

## **Social contribution**

Launching “Gulliver Car Support,” a project to lend the automobiles owned by the Company free of charge for up to three months to health care providers and other people who need transportation, amounting to 10,000 nationwide, using the network of approximately 500 stores across Japan. (#SaveMoving)

# Implementation of Inventory Control in Line with Sales Demand

## Changes in inventories and cash and deposits (consolidated)



Reduction of inventory Level by controlling auction-based purchases

Increased inventory level when sales demand was rising.

The Company will continue to control inventory levels by carefully assessing sales demand, going forward.

In the first quarter, with the number of customers visiting stores expected to decline due to the impact of COVID-19, the Company took pre-emptive action in March to reduce the inventory level by controlling auction-based purchases. It raised the inventory level in the second quarter with the expectation that the number of visitors to stores would continue to rise.

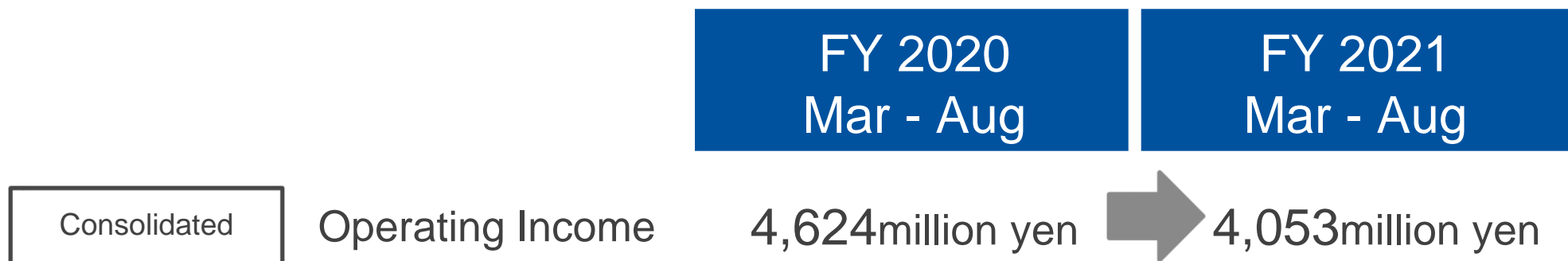
# III. Supplementary Information on Results and Financial Matters

## 2Q Summary

		FY 2020 Mar - Aug	FY 2021 Mar – Aug
<b>Non-consolidated</b>	Gross profit	29,706 million yen	27,004 million yen
	SG&A expenses	25,424 million yen	23,736 million yen
	Operating income	4,282 million yen	3,267 million yen
.....			
<b>Consolidated</b>	Operating income	4,624 million yen	4,053 million yen



# Key Factors of Increase/Decrease in Profit (Year-on-Year Comparison)



<b>1</b>	<b>Retail unit sales</b>	Increased year on year despite the impact of COVID-19.	
<b>2</b>	<b>Retail gross profit</b>	Retail gross profit recovered to the previous fiscal year's level in the first half despite a decline due to the temporary reduction in retail prices (from April to mid-May) against the backdrop of the declining number of customers who visited stores.	
<b>3</b>	<b>Number of units purchased</b>	The number of units purchased decreased and purchasing cost for retail increased due to a sluggish market for new automobiles.	
<b>4</b>	<b>Wholesale gross profit</b>	Recovered in June and thereafter despite a decline due to a rapid fall in auction prices in April and May.	
Gross profit		Impact of the novel coronavirus (COVID-19)	-2,834million yen
SG&A expenses		Reduced by controlling advertising expenses	2,263million yen

# Key Factors for Posting of Extraordinary Income/Extraordinary Losses

(million yen)

Extraordinary income	Subsidy income	COVID-19 related	Japan	Employment adjustment subsidy	252
			Australia	JobKeeper Payment	946
Extraordinary losses	Infectious disease-related losses	COVID-19 related	Japan	Personnel expenses, etc.	387
			Australia	Personnel expenses, etc.	946
	Loss on retirement of non-current assets/ Loss on store closings	Directly managed stores	Japan	Tightening of store closing standards	259

The Company posted subsidies provided in Japan and overseas as COVID-19 related extraordinary income. Fixed expenses incurred by the Company while it was reducing business hours and temporarily closing its stores in Japan and overseas were recorded as infectious disease-related losses under extraordinary losses.

# [Consolidated / Non-consolidated] Income statement (revised forecasts)

Consolidated	FY ended Feb 28, 2018		FY ended Feb 28, 2019		FY ended Feb 29, 2020		FY ending Feb 28, 2021			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Outlook (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	276,157	100.0	309,410	100.0	361,684	100.0	360,000	100.0	-1,684	-0.5
Cost of sales	210,298	76.2	244,707	79.1	287,724	79.6	288,000	80.0	275	0.1
Gross profit	65,859	23.8	64,702	20.9	73,959	20.4	72,000	20.0	-1,959	-2.6
SG&A expenses	59,080	21.4	61,301	19.8	64,868	17.9	63,300	17.6	-1,568	-2.4
Operating profit	6,779	2.5	3,400	1.1	9,091	2.5	8,700	2.4	-391	-4.3
Ordinary profit	5,797	2.1	2,072	0.7	6,867	1.9	7,000	1.9	132	1.9
Income before income taxes and minority interests	5,221	1.9	1,478	0.5	3,917	1.1	6,000	1.7	2,082	53.2
Profit attributable to owners of parent	3,578	1.3	381	0.1	3,545	1.0	4,500	1.3	955	26.9

Non-Consolidated	FY ended Feb 28, 2018		FY ended Feb 28, 2019		FY ended Feb 29, 2020		FY ending Feb 28, 2021			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Outlook (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	215,777	100.0	234,618	100.0	259,265	100.0	263,300	100.0	4,035	1.6
Cost of sales	160,057	74.2	181,847	77.5	199,406	76.9	207,500	78.8	8,094	4.1
Gross profit	55,720	25.8	52,770	22.5	59,858	23.1	55,800	21.2	-4,059	-6.8
SG&A expenses	48,797	22.6	50,018	21.3	50,867	19.6	49,000	18.6	-1,867	-3.7
Operating profit	6,922	3.2	2,751	1.2	8,991	3.5	6,800	2.6	-2,192	-24.4
Ordinary profit	6,851	3.2	2,673	1.1	8,221	3.2	6,000	2.3	-2,221	-27.0
Income before income taxes	6,158	2.9	1,707	0.7	2,200	0.8	5,000	1.9	2,800	127.2
Net income	4,324	2.0	933	0.4	2,243	0.9	4,200	1.6	1,957	87.2

# [Consolidated / Non-consolidated] 2Q income statement

Consolidated	6 months ended August 31, 2017		6 months ended August 31, 2018		6 months ended August 31, 2019		6 months ended August 31, 2020			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	135,468	100.0	143,937	100.0	179,276	100.0	178,109	100.0	-1,167	-0.7
Cost of sales	103,654	76.5	113,771	79.8	142,478	79.5	144,145	80.9	1,667	1.2
Gross profit	31,813	23.5	30,165	21.0	36,797	20.5	33,963	19.1	-2,834	-7.7
SG&A expenses	29,285	21.6	29,719	20.6	32,173	17.9	29,910	16.8	-2,263	-7.0
Operating profit	2,528	1.9	445	0.3	4,624	2.6	4,053	2.3	-571	-12.3
Ordinary profit	2,032	1.5	-106	—	3,634	2.0	3,147	1.8	-487	-13.4
Income before income taxes and minority interests	1,876	1.4	-281	—	3,292	1.8	2,717	1.5	-575	-17.5
Profit attributable to owners of parent	1,121	0.8	598	—	2,124	1.2	1,375	0.8	-749	-35.3

Non-Consolidated	6 months ended August 31, 2017		6 months ended August 31, 2018		6 months ended August 31, 2019		6 months ended August 31, 2020			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	107,606	100.0	110,589	100.0	129,806	100.0	134,150	100.0	4,344	3.3
Cost of sales	80,764	75.1	85,959	77.7	100,099	77.1	107,145	79.9	7,046	7.0
Gross profit	26,841	24.9	24,630	22.3	29,706	22.9	27,004	20.1	-2,702	-9.1
SG&A expenses	24,132	22.4	24,337	22.0	25,424	19.6	23,736	17.7	-1,688	-6.6
Operating profit	2,709	2.5	293	0.3	4,282	3.3	3,267	2.4	-1,015	-23.7
Ordinary profit	2,489	2.3	95	0.1	3,721	2.9	3,101	2.3	-620	-16.7
Income before income taxes	2,367	2.2	-162	—	3,397	2.6	2,383	1.8	-1,014	-29.9
Net income	1,504	1.4	-391	—	2,253	1.7	2,005	1.5	-248	-11.0

# [Consolidated] Balance sheets

(million yen)

	As of February 29, 2020	As of August 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	37,295	52,536
Notes and accounts receivable - trade	6,715	4,270
Merchandise	79,119	64,240
Other	5,143	4,928
Allowance for doubtful accounts	-158	-212
Total current assets	128,115	125,763
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,000	36,412
Accumulated depreciation	-14,742	-15,061
Buildings and structures, net	22,257	21,351
Vehicles	256	185
Accumulated depreciation	-21	-25
Vehicles, net	234	159
Tools, furniture and fixtures	4,196	4,216
Accumulated depreciation	-3,487	-3,510
Tools, furniture and fixtures, net	708	706
Land	218	218
Construction in progress	97	67
Total property, plant and equipment	23,517	22,504
Intangible assets		
Software	1,877	1,794
Goodwill	10,911	11,287
Other	4,604	4,801
Total intangible assets	17,393	17,882
Investments and other assets		
Investment securities	152	140
Shares of subsidiaries and associates	119	119
Long-term loans receivable	13	13
Lease and guarantee deposits	5,938	5,801
Construction assistance fund receivables	5,142	4,868
Deferred tax assets	2,811	2,557
Other	625	580
Allowance for doubtful accounts	-48	-47
Total investments and other assets	14,756	14,035
Total non-current assets	55,667	54,422
<b>Total assets</b>	<b>183,783</b>	<b>180,186</b>

	As of February 29, 2020	As of August 31, 2020
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	21,002	15,540
Short-term loans payable	935	1,043
Current portion of long-term loans payables	11,079	3,644
Accounts payable – other	4,034	11,044
Income taxes payable	1,624	1,229
Advances received	9,773	7,861
Deposits received	274	395
Provision for bonuses	823	1,074
Provision for merchandise warranties	662	721
Other provision	544	717
Other	5,544	6,699
Total current liabilities	56,299	49,973
Non-current liabilities		
Long-term loans payable	79,824	80,063
Long-term guarantee deposited	432	448
Asset retirement obligations	2,633	2,574
Deferred tax liabilities	1,386	1,499
Other provision	426	492
Other	193	667
Total non-current liabilities	84,897	85,744
<b>Total liabilities</b>	<b>141,196</b>	<b>135,718</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,384
Retained earnings	38,773	40,088
Treasury shares	-3,947	-4,344
Total shareholders' equity	43,016	44,286
Accumulated other comprehensive income		
Foreign currency translation adjustment	-889	-456
Total accumulated other comprehensive income	-889	-456
Stock acquisition rights	3	3
Minority owner shares worth	456	635
<b>Total net assets</b>	<b>42,586</b>	<b>44,467</b>
<b>Total liabilities and net assets</b>	<b>183,783</b>	<b>180,186</b>

# [Consolidated] Statements of Cash Flows

(million yen)

	6 months ended August 31, 2018	6 months ended August 31, 2019	6 months ended August 31, 2020
I . Cash flows from operating activities	-15,707	14,731	15,448
II . Cash flows from investing activities	-2,968	-2,129	-533
III . Cash flows from financing activities	12,507	-4,722	208
IV . Effect of exchange rate change on cash and cash equivalents	-28	-201	116
V . Net increase in cash and cash equivalents	-6,197	7,677	15,240
VI . Cash and cash equivalents at the beginning of period	22,763	22,970	37,295
VII . Cash and cash equivalents at the end of period	16,566	30,648	52,536