

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2017 (Based on Japanese GAAP)

October 12, 2017

Company name: IDOM Inc.
 Stock exchange listing: Tokyo
 Stock code: 7599 URL: <http://221616.com>
 Representative: President Yusuke Hatori
 Inquiries: General Manager, Finance IR Division Masayuki Matsumoto TEL 03-5208-5503
 Scheduled date to file Quarterly Securities Report: October 13, 2017
 Scheduled date to commence dividend payments: November 9, 2017
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended August 31, 2017 (from March 1, 2017 to August 31, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2017	135,468	9.0	2,528	16.4	2,032	0.6	1,121	1.8
Six months ended August 31, 2016	124,244	30.8	2,172	(46.8)	2,020	(50.0)	1,102	(57.0)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2017	11.06		-	
Six months ended August 31, 2016	10.87		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2017	124,083	40,046	31.6	387.03
As of February 28, 2017	114,047	39,581	33.9	381.05

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 28, 2017	-	6.00	-	6.00	12.00
Year ending February 28, 2018	-	3.50			
Year ending February 28, 2018 (Forecast)			-	3.50	7.00

3. Forecast of consolidated financial results for the year ending February 28, 2018 (from March 1, 2017 to February 28, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	259,500	3.2	5,500	22.3	4,900	17.8	2,800	24.6	27.61

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2017
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of August 31, 2017	106,888,000 shares	As of February 28, 2017	106,888,000 shares
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Number of treasury shares at the end of the period

As of August 31, 2017	5,480,440 shares	As of February 28, 2017	5,480,350 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended August 31, 2017	101,407,649 shares	Six months ended August 31, 2016	101,407,682 shares
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Analysis of Operating Results and Financial Position for the Second Quarter

(1) Analysis of consolidated operating results

In the second quarter of the fiscal year under review (March 1, 2017 to August 31, 2017) retail car sales from all directly managed stores totaled 62,979 cars, up 38.7% from the same term last year. This was attributable to an increase in the number of display sales stores such as “Gulliver OUTLET” and foreign car specialized “LIBERALA”, as well as reinforcement in retail sales at the original Gulliver stores which were primarily focused on purchasing of used cars.

SG&A expenses increased with a rise in store management expenses incidental to the increase in the number of display sales stores.

In relation to the conclusion of a syndicated loan agreement (announced on March 15, 2017), arrangement fees were paid to the arranger institution, and this is recorded in non-operating expenses as interest expenses.

The new car market in Western Australia underperformed the previous year and the segment performance for the Australia business recorded a decline in net sales and an increase in operating losses. The operating loss were decreased on quarterly (3 months) based from the first quarter.

As a result of the above, consolidated business results for the second quarter were net sales of 135,468 million yen (up 9.0% from the same term last year.), operating income of 2,528 million yen (up 16.4%), ordinary income of 2,032 million yen (up 0.6%), and profit attributable to owners of parent of 1,121 million yen (up 1.8%).

Regional segment-specific earnings are as indicated below.

I. Japan

Japan segment resulted in net sales of 112,987 million yen (up 11.8% from the same term last year) and segment income (operating income) of 2,983 million yen (up 29.9%). An increase in retail car sales resulted in increases in both net sales and operating income.

II. Australia

Australia segment recorded net sales of 21,569 million yen (down 3.2% from the same term last year) and segment losses (operating losses) of 274 million yen (operating income in the same term last year were 61 million yen) as the new car market in Western Australia underperformed the same term last year.

(2) Analysis of financial position

Assets

As of the end of second quarter ended August 31, 2017, total assets were 124,083 million yen (up 8.8% compared to the end of the previous fiscal year, February 28, 2017).

Current assets were 73,284 million yen (up 14.9% compared to the end of the previous fiscal year) on increased cash and deposits (up 13,076 million yen) while merchandise decreased (down 3,974 million yen).

Non-current assets were 50,799 million yen (up 1.0% compared to the end of the previous fiscal year) on increased buildings and structures (up 1,131 million yen).

Liabilities

As of the end of second quarter ended August 31, 2017, total liabilities were 84,037 million yen (up 12.9% compared to the end of the previous fiscal year)

Current liabilities were 27,212 million yen (down 7.7% compared to the end of the previous fiscal year) on decreased short-term

loans (down 2,038 million yen) and a decrease in accounts payable (down 1,137 million yen).

Non-current liabilities were 56,825 million yen (up 26.3% compared to the end of the previous fiscal year) on increased long-term loans (up 11,907 million yen).

Net assets

As of the end of second quarter ended August 31, 2017, total net assets were 40,046 million yen (up 1.2% compared to the end of the previous fiscal year) due to an increase in retained earnings (up 513 million yen).

(3) Consolidated earnings forecast and other forward-looking information

There are no changes to our consolidated earnings forecasts for FY2018 from the figures released on April 13, 2017 in our Summary of Consolidated Financial Results for the Year Ended February 28, 2017 (Based on Japanese GAAP).

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2017	As of August 31, 2017
Assets		
Current assets		
Cash and deposits	14,337	27,413
Notes and accounts receivable - trade	4,655	4,690
Merchandise	41,333	37,358
Deferred tax assets	785	903
Other	2,717	2,970
Allowance for doubtful accounts	(64)	(52)
Total current assets	63,765	73,284
Non-current assets		
Property, plant and equipment		
Buildings and structures	29,766	31,629
Accumulated depreciation	(10,134)	(10,866)
Buildings and structures, net	19,632	20,763
Vehicles	312	168
Accumulated depreciation	(100)	(66)
Vehicles, net	212	101
Tools, furniture and fixtures	4,097	4,250
Accumulated depreciation	(3,088)	(3,242)
Tools, furniture and fixtures, net	1,009	1,007
Land	218	218
Construction in progress	961	265
Total property, plant and equipment	22,033	22,357
Intangible assets		
Software	3,201	3,129
Goodwill	9,687	9,520
Other	4,024	3,968
Total intangible assets	16,914	16,618
Investments and other assets		
Investment securities	40	37
Shares of subsidiaries and associates	247	250
Long-term loans receivable	229	232
Lease and guarantee deposits	5,033	5,253
Construction assistance fund receivables	5,214	5,290
Deferred tax assets	361	383
Other	533	730
Allowance for doubtful accounts	(325)	(356)
Total investments and other assets	11,334	11,823
Total non-current assets	50,281	50,799
Total assets	114,047	124,083

(Millions of yen)

	As of February 28, 2017	As of August 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	12,317	12,545
Short-term loans payable	3,408	1,370
Current portion of long-term loans payable	—	39
Accounts payable - other	3,885	2,748
Income taxes payable	679	1,263
Advances received	4,228	3,459
Deposits received	383	191
Provision for bonuses	651	786
Provision for merchandise warranties	1,149	1,186
Other provision	175	211
Other	2,602	3,410
Total current liabilities	29,483	27,212
Non-current liabilities		
Long-term loans payable	40,774	52,682
Long-term guarantee deposited	529	498
Provision for directors' retirement benefits	188	—
Asset retirement obligations	1,866	1,948
Deferred tax liabilities	1,127	1,105
Other provision	425	398
Other	70	191
Total non-current liabilities	44,983	56,825
Total liabilities	74,466	84,037
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	33,821	34,334
Treasury shares	(3,947)	(3,947)
Total shareholders' equity	38,063	38,576
Accumulated other comprehensive income		
Foreign currency translation adjustment	578	670
Total accumulated other comprehensive income	578	670
Subscription rights to shares	5	7
Non-controlling interests	934	790
Total net assets	39,581	40,046
Total liabilities and net assets	114,047	124,083

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

	(Millions of yen)	
	Six months ended August 31, 2016	Six months ended August 31, 2017
Net sales	124,244	135,468
Cost of sales	94,539	103,654
Gross profit	29,704	31,813
Selling, general and administrative expenses	27,532	29,285
Operating income	2,172	2,528
Non-operating income		
Interest income	19	25
Reversal of allowance for doubtful accounts income of compensation for damage	0	-
Other	36	2
Other	107	11
Total non-operating income	163	39
Non-operating expenses		
Interest expenses	235	410
Foreign exchange losses	33	6
Share of loss of entities accounted for using equity method	-	75
Other	46	42
Total non-operating expenses	315	535
Ordinary income	2,020	2,032
Extraordinary income		
Gain on sales of non-current assets	11	0
Total extraordinary income	11	0
Extraordinary losses		
Loss on retirement of non-current assets	104	75
Provision of allowance for doubtful accounts	27	31
Directors' retirement benefits	110	-
Special retirement expenses	-	38
Other	0	10
Total extraordinary losses	242	156
Profit before income taxes	1,789	1,876
Income taxes - current	820	1,080
Income taxes - deferred	(82)	(175)
Total income taxes	737	905
Profit	1,051	970
Loss attributable to non-controlling interests	(51)	(151)
Profit attributable to owners of parent	1,102	1,121

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2016	Six months ended August 31, 2017
Profit	1,051	970
Other comprehensive income		
Foreign currency translation adjustment	(509)	95
Share of other comprehensive income of entities accounted for using equity method	–	4
Total other comprehensive income	(509)	100
Comprehensive income	542	1,071
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	646	1,214
Comprehensive income attributable to non-controlling interests	(104)	(143)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2016	Six months ended August 31, 2017
Cash flows from operating activities		
Profit before income taxes	1,789	1,876
Depreciation	1,412	1,497
Amortization of goodwill	245	259
Increase (decrease) in allowance for doubtful accounts	32	20
Increase (decrease) in provision for bonuses	246	134
Increase (decrease) in provision for directors' retirement benefits	(359)	(188)
Increase in provision for merchandise warranties	27	37
Interest and dividend income	(19)	(25)
Share of (profit) loss of entities accounted for using equity method	–	75
Interest expenses	235	410
Foreign exchange losses (gains)	15	(2)
Loss (gain) on sales of non-current assets	(10)	(0)
Loss on retirement of non-current assets	104	75
Decrease (increase) in notes and accounts receivable - trade	1,090	(867)
Decrease (increase) in inventories	(1,332)	4,047
Increase (decrease) in accrued consumption taxes	(2)	894
Increase (decrease) in notes and accounts payable - trade	(1,413)	142
Increase (decrease) in accounts payable - other	612	(826)
Other, net	(237)	(374)
Subtotal	2,435	7,186
Interest and dividend income received	19	25
Interest expenses paid	(262)	(368)
Income taxes paid	(1,802)	(513)
Net cash provided by (used in) operating activities	389	6,329
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,548)	(1,706)
Purchase of intangible assets	(1,380)	(399)
Payments for asset retirement obligations	(11)	(7)
Purchase of investment securities	(18)	–
Payments of loans receivable	(3)	(0)
Collection of loans receivable	2	1
Payments for lease and guarantee deposits	(356)	(306)
Proceeds from collection of lease and guarantee deposits	38	83
Payments of construction assistance fund receivables	(700)	(374)
Collection of construction assistance fund receivables	176	328
Other, net	7	(182)
Net cash provided by (used in) investing activities	(4,793)	(2,565)

	(Millions of yen)	
	Six months ended August 31, 2016	Six months ended August 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,021)	(2,038)
Proceeds from long-term loans payable	18,000	12,039
Repayments of long-term loans payable	(116)	(93)
Cash dividends paid	(507)	(610)
Proceeds from issuance of subscription rights to shares	-	2
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	15,354	9,298
Effect of exchange rate change on cash and cash equivalents	(41)	13
Net increase (decrease) in cash and cash equivalents	10,909	13,076
Cash and cash equivalents at beginning of period	9,122	14,337
Cash and cash equivalents at end of period	20,031	27,413