

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2018 (Based on Japanese GAAP)

October 12, 2018

Company name: IDOM Inc.
 Stock exchange listing: Tokyo
 Stock code: 7599 URL: <https://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 15, 2018
 Scheduled date to commence dividend payments: November 9, 2018
 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, 2018 (from March 1, 2018 to August 31, 2018)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended August 31, 2018	143,937	6.3	445	(82.4)	(106)	–	(598)	–
Six months ended August 31, 2017	135,468	9.0	2,528	16.4	2,032	0.6	1,121	1.8

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2018	(5.90)		–	
Six months ended August 31, 2017	11.06		–	

(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, 2018	138,220	40,157	28.7	391.01
As of February 28, 2018	130,181	41,494	31.4	403.71

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, 2018	–	3.50	–	3.50	7.00
Year ending February 28, 2019	–	5.50			
Year ending February 28, 2019 (Forecast)			–	5.50	11.00

3. Forecast of consolidated financial results for the year ending February 28, 2019 (from March 1, 2018 to February 28, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	290,000	5.0	3,000	(55.7)	2,000	(65.5)	700	(80.4)	6.90

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2018
 (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, 2018	106,888,000 shares	As of February 28, 2018	106,888,000 shares
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Number of treasury shares at the end of the period

As of August 31, 2018	5,480,470 shares	As of February 28, 2018	5,480,470 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, 2018	101,407,530 shares	Six months ended August 31, 2017	101,407,649 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, 2018 to August 31, 2018) retail car sales from all directly managed stores totaled 61,123, down 3.0% from the same term last year. Sales per store and gross profits per unit fell due to changes in pricing structure and sales strategy.

For SG&A expenses, store management expenses increased incidental to the increase in the number of stores.

The Australia business showed an improvement on the back of a growth in sales while the new car market in Western Australia has bottomed out but remained sluggish.

As a result of the above, consolidated business results for the second quarter were net sales of 143,937 million yen (up 6.3% from the same term last year.), operating income of 445 million yen (down 82.4%), ordinary loss of 106 million yen (same term last year was income of 2,032 million yen), and loss attributable to owners of parent of 598 million yen (same term last year was income of 1,121 million yen).

Regional segment-specific earnings are as indicated below.

I. Japan

Japan segment resulted in net sales of 116,542 million yen (up 3.1% from the same term last year) and segment income (operating income) of 538 million yen (down 82.0%). Average selling price was increased, however, retail unit sales and gross profits per vehicle declined.

II. Australia

Australia segment recorded net sales of 26,418 million yen (up 22.5% from the same term last year) and segment income (operating income) of 52 million yen (the same term last year was operating losses of 274 million yen). This was attributable to the increases in sales volume while the new car market in Western Australia has bottomed out but remained sluggish.

(2) Analysis of financial position

Assets

As of the end of second quarter ended August 31, 2018, total assets were 138,220 million yen (up 6.2% compared to the end of the previous fiscal year, February 28, 2018).

Current assets were 84,624 million yen (up 10.0% compared to the end of the previous fiscal year) on increased inventory (up 12,025 million yen) offsetting decreased cash and deposit (down 6,197 million yen). The reason for the increased inventory is the larger percentage of higher-priced cars while unit volume declined.

Non-current assets were 53,596 million yen (up 0.7% compared to the end of the previous fiscal year) on increased buildings and structures (up 1,141 million yen).

Liabilities

As of the end of second quarter ended August 31, 2018, total liabilities were 98,062 million yen (up 10.6% compared to the end of the previous fiscal year).

Current liabilities were 43,168 million yen (up 35.3% compared to the end of the previous fiscal year) on increased short-term loans (up 2,862 million yen), and increased current portion of long-term loans payables (up 12,000 million yen).

Non-current liabilities were 54,894 million yen (down 3.3% compared to the end of the previous fiscal year) on decreased long-term loans (down 2,000 million yen).

Net assets

As of the end of second quarter ended August 31, 2018, total net assets were 40,157 million yen (down 3.2% compared to the end of the previous fiscal year) due to a decrease in retained earnings (down 953 million yen).

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

There are no changes to our consolidated earnings forecasts for FY2019 from the figures released on October 9, 2018 in our “Revision of Earnings Forecast.”

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2018	As of August 31, 2018
Assets		
Current assets		
Cash and deposits	22,763	16,566
Notes and accounts receivable - trade	5,709	6,358
Merchandise	44,479	56,505
Deferred tax assets	1,037	953
Other	3,203	4,305
Allowance for doubtful accounts	(239)	(65)
Total current assets	76,955	84,624
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,602	34,439
Accumulated depreciation	(11,445)	(12,141)
Buildings and structures, net	21,156	22,298
Vehicles	64	49
Accumulated depreciation	(15)	(16)
Vehicles, net	48	33
Tools, furniture and fixtures	4,332	4,451
Accumulated depreciation	(3,446)	(3,562)
Tools, furniture and fixtures, net	886	888
Land	218	218
Construction in progress	777	442
Total property, plant and equipment	23,088	23,881
Intangible assets		
Software	2,981	2,746
Goodwill	8,927	8,413
Other	3,688	3,453
Total intangible assets	15,597	14,613
Investments and other assets		
Investment securities	45	77
Shares of subsidiaries and associates	2,150	2,261
Long-term loans receivable	211	36
Lease and guarantee deposits	5,541	5,815
Construction assistance fund receivables	5,643	5,827
Deferred tax assets	504	472
Other	746	726
Allowance for doubtful accounts	(304)	(116)
Total investments and other assets	14,539	15,100
Total non-current assets	53,225	53,596
Total assets	130,181	138,220

(Millions of yen)

	As of February 28, 2018	As of August 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	14,327	14,702
Short-term loans payable	1,201	4,064
Current portion of long-term loans payable	—	12,000
Accounts payable - other	3,845	2,830
Income taxes payable	2,029	408
Advances received	4,581	5,210
Deposits received	314	166
Provision for bonuses	815	838
Provision for merchandise warranties	871	551
Other provision	315	428
Other	3,597	1,966
Total current liabilities	31,901	43,168
Non-current liabilities		
Long-term loans payable	52,680	50,680
Long-term guarantee deposited	499	441
Asset retirement obligations	2,008	2,105
Deferred tax liabilities	1,008	926
Other provision	395	386
Other	191	352
Total non-current liabilities	56,784	54,894
Total liabilities	88,686	98,062
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	36,373	35,420
Treasury shares	(3,947)	(3,947)
Total shareholders' equity	40,615	39,662
Accumulated other comprehensive income		
Foreign currency translation adjustment	323	23
Deferred gains or losses on hedges	—	(34)
Total accumulated other comprehensive income	323	(11)
Subscription rights to shares	3	3
Non-controlling interests	551	502
Total net assets	41,494	40,157
Total liabilities and net assets	130,181	138,220

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, 2017	Six months ended August 31, 2018
Net sales	135,468	143,937
Cost of sales	103,654	113,771
Gross profit	31,813	30,165
Selling, general and administrative expenses	29,285	29,719
Operating profit	2,528	445
Non-operating income		
Interest income	25	29
income of compensation for damage	2	-
Other	11	1
Total non-operating income	39	31
Non-operating expenses		
Interest expenses	410	342
Foreign exchange losses	6	126
Share of loss of entities accounted for using equity method	75	103
Other	42	11
Total non-operating expenses	535	584
Ordinary profit (loss)	2,032	(106)
Extraordinary income		
Gain on sales of non-current assets	0	-
Subsidy income	-	22
Total extraordinary income	0	22
Extraordinary losses		
Loss on retirement of non-current assets	75	155
Provision of allowance for doubtful accounts	31	-
Special retirement expenses	38	-
Other	10	40
Total extraordinary losses	156	196
Profit (loss) before income taxes	1,876	(281)
Income taxes - current	1,080	247
Income taxes - deferred	(175)	93
Total income taxes	905	340
Profit (loss)	970	(621)
Loss attributable to non-controlling interests	(151)	(23)
Profit (loss) attributable to owners of parent	1,121	(598)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Profit (loss)	970	(621)
Other comprehensive income		
Foreign currency translation adjustment	95	(334)
Share of other comprehensive income of entities accounted for using equity method	4	24
Deferred gains or losses on hedges	—	(34)
Total other comprehensive income	100	(345)
Comprehensive income	1,071	(967)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,214	(918)
Comprehensive income attributable to non-controlling interests	(143)	(48)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2017	Six months ended August 31, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	1,876	(281)
Depreciation	1,497	1,458
Amortization of goodwill	259	252
Increase (decrease) in allowance for doubtful accounts	20	(360)
Increase (decrease) in provision for bonuses	134	22
Increase (decrease) in provision for directors' retirement benefits	(188)	–
Increase (decrease) in provision for merchandise warranties	37	(319)
Interest and dividend income	(25)	(29)
Share of (profit) loss of entities accounted for using equity method	75	103
Interest expenses	410	342
Foreign exchange losses (gains)	(2)	–
Loss (gain) on sales of non-current assets	(0)	–
Loss on retirement of non-current assets	75	155
Decrease (increase) in notes and accounts receivable - trade	(867)	(162)
Decrease (increase) in inventories	4,047	(12,361)
Increase (decrease) in accrued consumption taxes	894	(1,913)
Increase (decrease) in notes and accounts payable - trade	142	700
Increase (decrease) in accounts payable - other	(826)	(901)
Other, net	(374)	(367)
Subtotal	7,186	(13,662)
Interest and dividend income received	25	29
Interest expenses paid	(368)	(341)
Income taxes paid	(513)	(1,733)
Net cash provided by (used in) operating activities	6,329	(15,707)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,706)	(2,060)
Purchase of intangible assets	(399)	(269)
Payments for asset retirement obligations	(7)	(12)
Purchase of investment securities	–	(33)
Payments of loans receivable	(0)	(12)
Collection of loans receivable	1	31
Payments for lease and guarantee deposits	(306)	(357)
Proceeds from collection of lease and guarantee deposits	83	83
Payments of construction assistance fund receivables	(374)	(491)
Collection of construction assistance fund receivables	328	276
Purchase of shares of subsidiaries and associates	–	(111)
Other, net	(182)	(11)
Net cash provided by (used in) investing activities	(2,565)	(2,968)

	(Millions of yen)	
	Six months ended August 31, 2017	Six months ended August 31, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,038)	2,862
Proceeds from long-term loans payable	12,039	10,000
Repayments of long-term loans payable	(93)	–
Cash dividends paid	(610)	(355)
Proceeds from issuance of subscription rights to shares	2	–
Other, net	(0)	–
Net cash provided by (used in) financing activities	9,298	12,507
Effect of exchange rate change on cash and cash equivalents	13	(28)
Net increase (decrease) in cash and cash equivalents	13,076	(6,197)
Cash and cash equivalents at beginning of period	14,337	22,763
Cash and cash equivalents at end of period	27,413	16,566