

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended November 30, 2018 (Based on Japanese GAAP)

January 11, 2019

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: January 15, 2019
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended November 30, 2018 (from March 1, 2018 to November 30, 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	%
Nine months ended November 30, 2018	216,134	5.8	2,835	(45.5)	2,200	(50.9)	1,029	(62.6)
Nine months ended November 30, 2017	204,338	7.0	5,204	29.4	4,481	14.5	2,749	25.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended November 30, 2018	10.15		–	
Nine months ended November 30, 2017	27.11		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2018	164,317	41,444	24.9	403.77
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 nine months ended November 30, 2018
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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 November 30, 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 November 30, 2018	5,480,471 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)

Nine months ended November 30, 2018	101,407,530 shares	Nine months ended November 30, 2017	101,407,608 shares
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Analysis of Operating Results and Financial Position for the Third Quarter

(1) Analysis of consolidated operating results

In the third quarter of the fiscal year under review (March 1, 2018 to November 30, 2018) retail car sales from all directly managed stores totaled 93,874 units, up 0.8% from the same term last year. Sales per store and gross profit per unit fell due to changes in the pricing structure and sales strategy, but recovered after the second quarter.

In SG&A expenses, store management expenses increased owing to a rise in the number of stores.

The Company's Western Australian subsidiary posted improved results on the back of growth in unit sales, resulting in positive operating income before the deduction of amortization of goodwill.

IDOM Automotive Essendon Pty Ltd, a newly established subsidiary of IDOM Automotive Group Pty Ltd (IDOM's wholly owned Australian holding company) acquired five companies under the Andrew & Wallis Motor Group, a Melbourne-based new car dealership group, in October 2018. The IDOM Group recognizes those companies in its scope of consolidation. However, only the balance sheets are consolidated as of the end of the third quarter. Accordingly, those companies have not yet affected the consolidated financial results except for costs incurred in relation to the acquisition.

As a result of the above, in the third quarter consolidated net sales were 216,134 million yen (up 5.8% from the same term last year), operating income was 2,835 million yen (down 45.5%), ordinary income was 2,200 million yen (down 50.9%), and net income attributable to owners of parent was 1,029 million yen (down 62.6%).

Regional segment-specific earnings are indicated below.

I. Japan

The Japan segment posted sales of 175,361 million yen (up 3.2% from the same term last year) and segment income (operating income) of 3,165 million yen (down 46.7%). The total number of retail car sales at directly managed stores was unchanged year on year. Although the average selling price increased, retail unit sales and gross profit per vehicle declined.

II. Australia

The Australia segment recorded sales of 39,036 million yen (up 18.2% from the same term last year) and a segment loss (operating loss) of 144 million yen (a loss of 473 million yen in the same period of the preceding year). Although the new car market remained sluggish, performance at the Western Australian subsidiary improved on the back of higher unit sales, resulting in positive operating income before the deduction of amortization of goodwill. On the other hand, the subsidiary which acts as a holding company in Australia, recorded costs incurred in relation to the acquisition of a Melbourne-based dealership group as well as up-front expenditures for new business.

(2) Analysis of financial position

Assets

As of the end of third quarter ended November 30, 2018, total assets were 164,317 million yen (up 26.2% compared to the end of the previous fiscal year, February 28, 2018).

Current assets were 104,843 million yen (up 36.2% compared to the end of the previous fiscal year) due to increased inventory (up 30,698 million yen).

Non-current assets were 59,473 million yen (up 11.7 % compared to the end of the previous fiscal year) as a result of increased goodwill (up 4,679 million yen).

Liabilities

As of the end of third quarter ended November 30, 2018, total liabilities were 122,873 million yen (up 38.5% compared to the end of the previous fiscal year).

Current liabilities were 64,384 million yen (up 101.8% compared to the end of the previous fiscal year) as a result of higher short-term loans (up 14,878 million yen).

Non-current liabilities were 58,488 million yen (up 3.0% compared to the end of the previous fiscal year) due to a rise in long-term loans (up 1,414 million yen).

Net assets

As of the end of third quarter ended November 30, 2018, total net assets were 41,444 million yen (down 0.1% compared to the end of the previous fiscal year) due to a decrease in the foreign currency translation adjustment (down 110 million yen).

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

Our consolidated earnings forecasts for FY2019 remain unchanged from the figures released on October 12, 2018 in our “Summary of Consolidated Financial Results for the Six Months Ended August 31, 2018.”

Notes Regarding Changes in Consolidation

IDOM Automotive Essendon Pty Ltd and five subsidiaries were consolidated at the end of the third quarter. IDOM Automotive Essendon Pty Ltd is a specified company due to its significance.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	22,763	14,665
Notes and accounts receivable - trade	5,709	7,664
Merchandise	44,479	75,178
Deferred tax assets	1,037	1,160
Other	3,203	6,260
Allowance for doubtful accounts	(239)	(85)
Total current assets	76,955	104,843
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,602	35,314
Accumulated depreciation	(11,445)	(12,543)
Buildings and structures, net	21,156	22,770
Vehicles	64	43
Accumulated depreciation	(15)	(17)
Vehicles, net	48	25
Tools, furniture and fixtures	4,332	4,225
Accumulated depreciation	(3,446)	(3,348)
Tools, furniture and fixtures, net	886	877
Land	218	218
Construction in progress	777	366
Total property, plant and equipment	23,088	24,258
Intangible assets		
Software	2,981	2,783
Goodwill	8,927	13,607
Other	3,688	3,507
Total intangible assets	15,597	19,898
Investments and other assets		
Investment securities	45	194
Shares of subsidiaries and associates	2,150	2,261
Long-term loans receivable	211	38
Lease and guarantee deposits	5,541	5,990
Construction assistance fund receivables	5,643	5,748
Deferred tax assets	504	488
Other	746	712
Allowance for doubtful accounts	(304)	(116)
Total investments and other assets	14,539	15,317
Total non-current assets	53,225	59,473
Total assets	130,181	164,317

(Millions of yen)

As of February 28, 2018 As of November 30, 2018

Liabilities		
	As of February 28, 2018	As of November 30, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	14,327	23,240
Short-term loans payable	1,201	16,080
Current portion of long-term loans payable	—	12,000
Accounts payable - other	3,845	2,408
Income taxes payable	2,029	202
Advances received	4,581	5,457
Deposits received	314	270
Provision for bonuses	815	207
Provision for merchandise warranties	871	561
Other provision	315	486
Other	3,597	3,468
Total current liabilities	31,901	64,384
Non-current liabilities		
Long-term loans payable	52,680	54,094
Long-term guarantee deposited	499	435
Asset retirement obligations	2,008	2,134
Deferred tax liabilities	1,008	941
Other provision	395	543
Other	191	338
Total non-current liabilities	56,784	58,488
Total liabilities	88,686	122,873
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	36,373	36,489
Treasury shares	(3,947)	(3,947)
Total shareholders' equity	40,615	40,731
Accumulated other comprehensive income		
Foreign currency translation adjustment	323	213
Total accumulated other comprehensive income	323	213
Subscription rights to shares	3	3
Non-controlling interests	551	494
Total net assets	41,494	41,444
Total liabilities and net assets	130,181	164,317

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

Consolidated statements of income (cumulative)

	(Millions of yen)	
	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Net sales	204,338	216,134
Cost of sales	155,485	167,691
Gross profit	48,852	48,443
Selling, general and administrative expenses	43,648	45,608
Operating profit	5,204	2,835
Non-operating income		
Interest income	38	30
income of compensation for damage	7	-
Foreign exchange gains	-	15
Other	23	16
Total non-operating income	70	63
Non-operating expenses		
Interest expenses	570	507
Foreign exchange losses	76	-
Share of loss of entities accounted for using equity method	91	177
Other	55	12
Total non-operating expenses	793	697
Ordinary profit	4,481	2,200
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	87	197
Provision of allowance for doubtful accounts	76	-
Special retirement expenses	41	-
Loss on disaster	-	101
Other	33	50
Total extraordinary losses	239	348
Profit before income taxes	4,242	1,873
Income taxes - current	2,100	1,064
Income taxes - deferred	(376)	(158)
Total income taxes	1,724	905
Profit	2,517	967
Loss attributable to non-controlling interests	(231)	(61)
Profit attributable to owners of parent	2,749	1,029

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended November 30, 2017	Nine months ended November 30, 2018
Profit	2,517	967
Other comprehensive income		
Foreign currency translation adjustment	(177)	(107)
Share of other comprehensive income of entities accounted for using equity method	16	(5)
Total other comprehensive income	(161)	(112)
Comprehensive income	2,356	855
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,601	921
Comprehensive income attributable to non-controlling interests	(244)	(66)