

Translation

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Summary of Consolidated Financial Results for the Three Months Ended May 31, 2019 (Based on Japanese GAAP)

July 12, 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: July 16, 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 three months ended May 31, 2019 (from March 1, 2019 to May 31, 2019)

(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	%
Three months ended May 31, 2019	90,206	26.3	1,510	298.6	959	826.0	447	–
Three months ended May 31, 2018	71,411	0.4	378	(69.5)	103	(88.5)	(146)	–

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended May 31, 2019	4.41		–	
Three months ended May 31, 2018	(1.45)		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2019	177,355	39,656	22.1	386.71
As of February 28, 2019	173,927	40,432	22.9	392.88

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, 2019	–	5.50	–	5.50	11.00
Year ending February 29, 2020	–	–	–	–	–
Year ending February 29, 2020 (Forecast)	–	0.60	–	0.60	1.20

3. Forecast of consolidated financial results for the year ending February 29, 2020 (from March 1, 2019 to February 29, 2020)

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
Six months ending August 31, 2019	162,000	12.5	1,850	315.0	1,100	–	210	–	2.07
Full year	324,000	4.7	3,700	8.8	2,200	6.1	420	10.0	4.14

4. Notes

- (1) Changes in significant subsidiaries during the three months ended May 31, 2019
(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 May 31, 2019	106,888,000 shares	As of February 28, 2019	106,888,000 shares
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Number of treasury shares at the end of the period

As of May 31, 2019	5,480,571 shares	As of February 28, 2019	5,480,531 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended May 31, 2019	101,407,445 shares	Three months ended May 31, 2018	101,407,530 shares
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Analysis of Operating Results and Financial Position for the First Quarter

(1) Analysis of operating results

In the first quarter of the fiscal year under review (March 1, 2019 to May 31, 2019) retail car sales from all directly managed stores totaled 34,114 (up 6.9% from the same term last year). In the previous term, retail car sales per store and gross profit per unit fell due to changes in price setting of used car sales and sales strategy. However, those indicators have recovered steadily in the current quarter under review.

SG&A expenses increased due to up-front store management expenses resulting from new store openings and up-front personnel costs mainly for the hiring of new graduates.

Associated with the conclusion of the syndicated loan agreement specified in “Conclusion of a Syndicated Loan Agreement” disclosed on March 18, 2019, we paid an arrangement fee to our arranger financial institution and the expenses were accounted for within non-operating expenses/interest expenses in a lump.

IDOM Automotive Essendon Pty Ltd., a newly established subsidiary of IDOM Automotive Group Pty Ltd, our wholly-owned Australian holding company, acquired five companies of a new, Melbourne-based car dealer group in Victoria, Australia in October 2018. We made these five companies our subsidiary in the previous consolidated fiscal year.

As a result of the above, consolidated business results for the first quarter were net sales of 90,206 million yen (up 26.3% from the same term last year), operating income of 1,510 million yen (up 298.6%), ordinary income of 959 million yen (up 826.0%), and profit attributable to owners of parent of 447 million yen (the same term last year experienced a loss of 146 million yen).

Regional segment-specific earnings are as indicated below:

I. Japan

The Japan segment resulted in net sales of 70,949 million yen (up 21.1% from the same term last year) and segment income (operating income) of 1,827 million yen (up 321.1%). An increase in retail car sales from all directly managed stores, including the operation of newly opened stores, resulted in increases in both net sales and operating income.

II. Australia

The Australia segment recorded net sales of 18,830 million yen (up 51.1% from the same term last year) and segment loss (operating loss) of 144 million yen (the same term last year was segment income (operating income) of 62 million yen). The new car dealer group acquired in October 2018 became our subsidiary in the previous consolidated fiscal year (its financial results were consolidated for a period from October 1, 2018 to February 28, 2019). As a result, it contributed substantially to an increase in net sales in the first quarter under review. The subsidiary in Western Australia recorded lower operating income. Up-front expenses, including new business expenses, were generated at the holding company.

(2) Analysis of financial position

Assets

As of the end of first quarter ended May 31, 2019, total assets were 177,355 million yen (up 2.0% compared to the end of the previous fiscal year).

Current assets were 116,888 million yen (up 3.6% compared to the end of the previous fiscal year) on increased cash and deposits (up 11,542 million yen).

Non-current assets were 60,467 million yen (down 1.0% compared to the end of the previous fiscal year) on decreased goodwill (down 777 million yen) offsetting increased deferred tax assets (up 394 million yen).

Liabilities

As of the end of first quarter ended May 31, 2019, total liabilities were 137,699 million yen (up 3.1% compared to the end of the previous fiscal year).

Current liabilities were 53,446 million yen (down 11.9% compared to the end of the previous fiscal year) on decreased short-term loans payable (down 8,049 million yen).

Non-current liabilities were 84,253 million yen (up 15.6% compared to the end of the previous fiscal year) on increased long-term loans payable (up 11,342 million yen).

Net assets

As of the end of first quarter ended May 31, 2019, total net assets were 39,656 million yen (down 1.9% compared to the end of the previous fiscal year) due to a decrease in retained earnings (down 76 million yen).

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

There are no changes to our consolidated earnings forecasts for FY2020 from the figures released on April 12, 2019, in our “Summary of Consolidated Financial Results for the Year Ended February 28, 2019 (Based on Japanese GAAP).” The subsidiary in Western Australia recorded lower operating income in the first quarter under review but this was anticipated in the beginning, and improvements in financial results in the second quarter and onward are expected.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2019	As of May 31, 2019
Assets		
Current assets		
Cash and deposits	23,049	34,591
Notes and accounts receivable - trade	6,774	5,646
Merchandise	74,090	72,172
Other	9,043	4,590
Allowance for doubtful accounts	(93)	(113)
Total current assets	112,865	116,888
Non-current assets		
Property, plant and equipment		
Buildings and structures	36,130	36,456
Accumulated depreciation	(13,141)	(13,263)
Buildings and structures, net	22,988	23,193
Vehicles	167	171
Accumulated depreciation	(29)	(33)
Vehicles, net	137	138
Tools, furniture and fixtures	4,333	4,293
Accumulated depreciation	(3,481)	(3,486)
Tools, furniture and fixtures, net	852	806
Land	218	218
Construction in progress	541	322
Total property, plant and equipment	24,738	24,679
Intangible assets		
Software	2,797	2,824
Goodwill	13,832	13,054
Other	3,301	3,095
Total intangible assets	19,931	18,975
Investments and other assets		
Investment securities	191	184
Shares of subsidiaries and associates	2,261	2,261
Long-term loans receivable	38	180
Lease and guarantee deposits	6,083	6,061
Construction assistance fund receivables	5,753	5,687
Deferred tax assets	1,438	1,833
Other	741	721
Allowance for doubtful accounts	(116)	(116)
Total investments and other assets	16,392	16,812
Total non-current assets	61,062	60,467
Total assets	173,927	177,355

(Millions of yen)

	As of February 28, 2019	As of May 31, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	20,026	18,261
Short-term loans payable	9,031	981
Accounts payable - other	3,809	3,941
Current portion of long-term loans payable	12,000	12,000
Income taxes payable	312	363
Advances received	11,177	11,254
Deposits received	249	353
Provision for bonuses	820	101
Provision for merchandise warranties	562	616
Other provision	507	520
Other	2,144	5,051
Total current liabilities	60,642	53,446
Non-current liabilities		
Long-term loans payable	68,023	79,365
Long-term guarantee deposited	432	417
Asset retirement obligations	2,279	2,320
Deferred tax liabilities	1,363	1,350
Other provision	561	572
Other	191	227
Total non-current liabilities	72,852	84,253
Total liabilities	133,494	137,699
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	35,842	35,766
Treasury shares	(3,947)	(3,947)
Total shareholders' equity	40,084	40,008
Accumulated other comprehensive income		
Foreign currency translation adjustment	(243)	(793)
Total accumulated other comprehensive income	(243)	(793)
Share acquisition rights	3	3
Non-controlling interests	588	437
Total net assets	40,432	39,656
Total liabilities and net assets	173,927	177,355

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

Consolidated statements of income (cumulative)

	(Millions of yen)	
	Three months ended May 31, 2018	Three months ended May 31, 2019
Net sales	71,411	90,206
Cost of sales	56,104	72,521
Gross profit	15,306	17,685
Selling, general and administrative expenses	14,927	16,174
Operating profit	378	1,510
Non-operating income		
Interest income	13	10
Interest on refund	–	12
Other	19	19
Total non-operating income	32	43
Non-operating expenses		
Interest expenses	167	340
Foreign exchange losses	67	170
Share of loss of entities accounted for using equity method	64	83
Other	8	0
Total non-operating expenses	308	594
Ordinary profit	103	959
Extraordinary income		
Subsidy income	–	22
Other	1	–
Total extraordinary income	1	22
Extraordinary losses		
Loss on retirement of non-current assets	124	184
Settlement package	–	60
Other	40	–
Total extraordinary losses	164	244
Profit (loss) before income taxes	(59)	736
Income taxes - current	249	774
Income taxes - deferred	(146)	(436)
Total income taxes	103	338
Profit (loss)	(162)	398
Loss attributable to non-controlling interests	(15)	(48)
Profit (loss) attributable to owners of parent	(146)	447

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Three months ended May 31, 2018	Three months ended May 31, 2019
Profit (loss)	(162)	398
Other comprehensive income		
Foreign currency translation adjustment	(185)	(697)
Share of other comprehensive income of entities accounted for using equity method	10	45
Total other comprehensive income	(175)	(651)
Comprehensive income	(337)	(253)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(313)	(102)
Comprehensive income attributable to non-controlling interests	(24)	(150)