

Translation

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**Summary of Consolidated Financial Results
for the Six Months Ended August 31, 2020
(Based on Japanese GAAP)**

October 14, 2020

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, 2020
 Scheduled date to commence dividend payments: November 6, 2020
 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, 2020 (from March 1, 2020 to August 31, 2020)

(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, 2020	178,109	(0.7)	4,053	(12.3)	3,147	(13.4)	1,375	(35.3)
Six months ended August 31, 2019	179,276	24.6	4,624	937.3	3,634	-	2,124	-

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2020	13.67		-	
Six months ended August 31, 2019	20.95		-	

(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, 2020	180,186	44,467	24.3	436.51
As of February 29, 2020	183,783	42,586	22.9	415.42

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 29, 2020	-	0.60	-	0.60	1.20
Year ending February 28, 2021	-	5.30	-	-	-
Year ending February 28, 2021 (Forecast)	-	-	-	5.30	10.60

3. Forecast of consolidated financial results for the year ending February 28, 2021 (from March 1, 2020 to February 28, 2021)

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	360,000	(0.5)	8,700	(4.3)	7,000	1.9	4,500	26.9	44.82

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2020
(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, 2020	106,888,000 shares	As of February 29, 2020	106,888,000 shares
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Number of treasury shares at the end of the period

As of August 31, 2020	6,480,571 shares	As of February 29, 2020	5,480,571 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, 2020	100,651,994 shares	Six months ended August 31, 2019	101,407,437 shares
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1. Summary of operating results, etc.

1. Operating results

(1) Analysis of operating results

In the first six months of the fiscal year under review (the “first half”), retail car sales in all directly managed stores in Japan increased 4.1% from the same term of the previous fiscal year, to total 70,590, even when the stay-at-home requests issued by the central and local governments due to COVID-19 infection were effective.

The Company temporarily reduced retail prices from April until mid-May but brought them back to their previous levels in late May. In these retail price changes, gross profit per car from retail sales in the first half was on par with the level of the same term a year ago.

Due to the impact of the COVID-19 infection, the number of cars purchased and gross profit per car in wholesale decreased mainly in the first quarter of the fiscal year. As a result, the number of cars purchased and gross profit per car in wholesale fell in the first half.

The Company curbed advertising expenses based on prospects for sales demand that took into account the impact of the COVID-19 infection. Cost control, including travel and transport costs, was also implemented and overall SG&A expenses decreased.

In response to the stay-at-home requests and the declaration of a state of emergency issued by the central and local governments due to the spread of the COVID-19 infection, the Company reduced its business hours and temporarily closed stores in Japan and Australia. The fixed cost and expenses incurred during the temporary suspension were posted as an extraordinary loss related to the infectious disease. Moreover, in an effort to improve store efficiency, the Company closed stores earlier than originally planned, taking into account the effect of the COVID-19 infection, among other factors. Consequently, the loss on retirement of non-current assets and loss on store closings posted under extraordinary losses increased.

As a result of the above, the consolidated business results for the first half were net sales of 178,109 million yen (down 0.7% year on year), operating profit of 4,053 million yen (down 12.3%), ordinary profit of 3,147 million yen (down 13.4%) and profit attributable to owners of parent of 1,375 million yen (down 35.3%).

The number of visitors to the directly managed stores in Japan that fell due to the impact of the COVID-19 infection recovered rapidly, following the lifting of the declaration of a state of emergency in late May. Accordingly, the Company believes at the present time that the impact of the COVID-19 infection ceased to exist in May.

Regional segment-specific earnings are as indicated below:

I. Japan

The Japan segment resulted in net sales of 138,963 million yen (up 0.5% year on year) and segment income (operating profit) of 3,578 million yen (down 29.2% year on year). Although the number of cars sold in retail trade grew strongly, the number of cars purchased and gross profit per car in wholesale decreased mainly in the first quarter due to the impact of the COVID-19 infection.

II. Australia

The Australia segment recorded net sales of 38,289 million yen (down 3.8% year on year) and segment income (operating profit) of 900 million yen (as compared to a segment loss (operating loss) of 195 million yen in the same period of the previous fiscal year). Given the impact of the COVID-19 infection, the number of visitors to stores declined. Moreover, personnel expenses that correspond to government subsidies related to the COVID-19 infection are transferred to and posted as a loss related to the infectious disease under extraordinary losses. This was a factor for the profit growth.

(2) Analysis of financial position

Assets

Total assets as of the end of the first six months ended August 31, 2020 were 180,186 million yen (down 2.0% compared to the end of the previous fiscal year).

Current assets totaled 125,763 million yen (down 1.8% from the end of the previous fiscal year) as a result of a decrease in merchandise (down 14,879 million yen) and a fall in notes and accounts receivable - trade (down 2,444 million yen) despite an increase in cash and deposits (up 15,240 million yen).

Non-current assets decreased 2.2% from the end of the previous fiscal year to 54,422 million yen due to such factors as a decrease of 906 million yen in buildings and structures and a fall of 274 million yen in construction assistance fund receivables.

Liabilities

Total liabilities as of the end of the first six months ended August 31, 2020 were 135,718 million yen (down 3.9% compared to the end of the previous fiscal year).

Current liabilities totaled 49,973 million yen (down 11.2% from the end of the previous fiscal year) as a result of a decrease in accounts payable - trade (down 5,461 million yen) and a fall in advances received (down 1,912 million yen).

Non-current liabilities stood at 85,744 million yen (up 1.0% from the end of the previous fiscal year) due primarily to a rise in long-term borrowings (up 239 million yen).

Net assets

Total net assets as of the end of the first six months ended August 31, 2020 were 44,467 million yen (up 4.4% compared to the end of the previous fiscal year) due to an increase in retained earnings (up 1,314 million yen).

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

The Company has revised its consolidated earnings forecasts for the fiscal year ending February 28, 2021, announced on April 14, 2020. For more details, please refer to “Notice of Differences between Results and the Forecast for the First Six Months and Revision of the Full-year Forecast” announced today (October 14, 2020).

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Assets		
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
Leasehold 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
Total assets	183,783	180,186

(Millions of yen)

	As of February 29, 2020	As of August 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	21,002	15,540
Short-term borrowings	935	1,043
Current portion of long-term borrowings	11,079	11,044
Accounts payable - other	4,034	3,644
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 provisions	544	717
Other	5,544	6,699
Total current liabilities	56,299	49,973
Non-current liabilities		
Long-term borrowings	79,824	80,063
Long-term guarantee deposits	432	448
Asset retirement obligations	2,633	2,574
Deferred tax liabilities	1,386	1,499
Other provisions	426	492
Other	193	667
Total non-current liabilities	84,897	85,744
Total liabilities	141,196	135,718
Net assets		
Shareholders' equity		
Share capital	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)
Share acquisition rights	3	3
Non-controlling interests	456	635
Total net assets	42,586	44,467
Total liabilities and net assets	183,783	180,186

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, 2019	Six months ended August 31, 2020
Net sales	179,276	178,109
Cost of sales	142,478	144,145
Gross profit	36,797	33,963
Selling, general and administrative expenses	32,173	29,910
Operating profit	4,624	4,053
Non-operating income		
Interest income	24	22
Foreign exchange gains	–	5
Interest on tax refund	18	–
Other	47	15
Total non-operating income	89	42
Non-operating expenses		
Interest expenses	676	547
Foreign exchange losses	313	–
Share of loss of entities accounted for using equity method	86	366
Other	1	35
Total non-operating expenses	1,079	948
Ordinary profit	3,634	3,147
Extraordinary income		
Subsidy income	22	1,232
Other	1	7
Total extraordinary income	23	1,239
Extraordinary losses		
Loss on retirement of non-current assets	224	234
Loss on store closings	–	34
Settlement package	140	–
Loss on COVIT19	–	1,333
Other	1	66
Total extraordinary losses	366	1,669
Profit before income taxes	3,292	2,717
Income taxes - current	1,559	968
Income taxes - deferred	(368)	251
Total income taxes	1,190	1,220
Profit	2,102	1,497
Profit (loss) attributable to non-controlling interests	(22)	121
Profit attributable to owners of parent	2,124	1,375

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Profit	2,102	1,497
Other comprehensive income		
Foreign currency translation adjustment	(1,069)	535
Share of other comprehensive income of entities accounted for using equity method	86	(62)
Total other comprehensive income	(983)	472
Comprehensive income	1,118	1,969
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,238	1,807
Comprehensive income attributable to non-controlling interests	(120)	161

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from operating activities		
Profit before income taxes	3,292	2,717
Depreciation	1,518	1,446
Amortization of goodwill	325	330
Increase (decrease) in allowance for doubtful accounts	46	52
Increase (decrease) in provision for bonuses	176	251
Increase in provision for merchandise warranties	71	59
Interest and dividend income	(24)	(22)
Share of loss (profit) of entities accounted for using equity method	86	366
Interest expenses	676	547
Foreign exchange losses (gains)	361	40
Subsidy income	(22)	(1,232)
Loss on retirement of non-current assets	224	234
Settlement package	140	–
Loss on COVID19	–	1,333
Decrease (increase) in trade receivables	22	265
Decrease (increase) in inventories	(113)	15,638
Decrease (increase) in consumption taxes refund receivable	1,741	69
Decrease (increase) in accounts receivable - other	3,040	271
Increase (decrease) in accrued consumption taxes	1,358	759
Increase (decrease) in trade payables	68	(6,085)
Increase (decrease) in accounts payable - other	63	(389)
Increase (decrease) in deposits received	820	120
Increase (decrease) in accrued expenses	863	256
Other, net	410	627
Subtotal	15,147	17,661
Interest and dividends received	23	20
Interest paid	(643)	(544)
Income taxes paid	180	(1,586)
Subsidies received	22	1,232
Payments for loss on COVID-19	–	(1,333)
Net cash provided by (used in) operating activities	14,731	15,448
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	76	–
Purchase of property, plant and equipment	(1,433)	(443)
Purchase of intangible assets	(598)	(352)
Payments for asset retirement obligations	(121)	(91)
Loan advances	(320)	(63)
Payments of leasehold and guarantee deposits	(56)	(18)
Proceeds from refund of leasehold and guarantee deposits	123	154
Payments of construction assistance fund receivables	(53)	(31)
Collection of construction assistance fund receivables	255	305
Other, net	0	6
Net cash provided by (used in) investing activities	(2,129)	(533)

(Millions of yen)

	Six months ended August 31, 2019	Six months ended August 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(8,100)	108
Proceeds from long-term borrowings	16,450	234
Repayments of long-term borrowings	(12,517)	(45)
Purchase of treasury shares	–	(397)
Dividends paid	(553)	(61)
Proceeds from share issuance to non-controlling shareholders	–	370
Other, net	(0)	–
Net cash provided by (used in) financing activities	(4,722)	208
Effect of exchange rate change on cash and cash equivalents	(201)	116
Net increase (decrease) in cash and cash equivalents	7,677	15,240
Cash and cash equivalents at beginning of period	22,970	37,295
Cash and cash equivalents at end of period	30,648	52,536