

Translation

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Summary of Consolidated Financial Results for the Year Ended February 28, 2017 (Based on Japanese GAAP)

April 13, 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 of ordinary general meeting of shareholders: May 30, 2017
 Scheduled date to file Securities Report: May 31, 2017
 Scheduled date to commence dividend payments: May 31, 2017
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended February 28, 2017 (from March 1, 2016 to February 28, 2017)

(1) Consolidated operating results

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	%
Year ended February 28, 2017	251,516	19.7	4,498	(40.4)	4,160	(39.1)	2,247	(45.3)
Year ended February 29, 2016	210,085	34.9	7,542	41.6	6,835	27.9	4,111	25.1

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2017	22.17	22.16	5.9	4.0	1.8
Year ended February 29, 2016	40.55	—	11.5	9.0	3.6

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2017	114,047	39,581	33.9	381.05
As of February 29, 2016	94,211	38,245	39.4	365.98

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended February 28, 2017	(4,632)	(8,262)	18,092	14,337
Year ended February 29, 2016	4,121	(17,686)	17,858	9,122

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended February 29, 2016	—	7.50	—	5.00	12.50	1,267	30.8	3.5
Year ended February 28, 2017	—	6.00	—	6.00	12.00	1,216	54.1	3.2
Year ending February 28, 2018 (Forecast)	—	3.50	—	3.50	7.00		25.4	

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
Six months ending August 31, 2017	127,200	2.4	2,100	(3.3)	1,750	(13.4)	1,000	(9.3)	9.86
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 year ended February 28, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation):

No

(2) 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:

Yes

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

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

As of February 28, 2017	106,888,000 shares	As of February 29, 2016	106,888,000 shares
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Number of treasury shares at the end of the period

As of February 28, 2017	5,480,350 shares	As of February 29, 2016	5,480,300 shares
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Average number of shares during the period

Year ended February 28, 2017	101,407,667 shares	Year ended February 29, 2016	101,407,733 shares
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1. Analysis of Operating Results and Financial Position

1. Operating Results

(1) Analysis of consolidated operating results

During the consolidated accounting period from March 1, 2016 to February 28, 2017 (FY2017), annual retail car sales from all directly managed stores totaled 95,333 cars, up 34.8% year on year. This was attributable to an increase in the number of display sale stores and in the number of cars offered per store. On the other hand, amid a prolonged slump in the new car market, we increased advertising and PR expenses to increase customer traffic in response to a decline in the number of cars purchased by Gulliver stores. The increase in advertising costs contributed, resulting in 186,175 cars purchased by all directly managed stores, an increase of 2.9% year on year. However, cost performance relative to customer traffic decreased.

SG&A expenses increased due to the abovementioned increase in advertising and PR expenses, increased personnel expenses related to an increase in personnel hiring, an increase in store management expenses incidental to the increase in the number of display sale stores, and expenses related to the introduction of new services.

The new car market in Western Australia underperformed the previous year and segment performance for the Australia business resulted in an operating loss.

As a result of the above, consolidated business results for the FY2017 were net sales of 251,516 million yen (up 19.7% YoY), operating income of 4,498 million yen (down 40.4% YoY), ordinary income of 4,160 million yen (down 39.1% YoY), and profit attributable to owners of parent of 2,247 million yen (down 45.3% YoY).

Segment-specific earnings are as indicated below.

I. Domestic business

Domestic business resulted in net sales of 209,316 million yen (up 10.4% YoY) and segment income (operating income) of 5,360 million yen (down 27.7% YoY). While revenues increased thanks to an increase in cars sold, income declined as the increase in revenues was not enough to cover the increase in SG&A expenses due to the sluggish market for new car sales.

II. Australia business

The Australia business recorded net sales of 40,596 million yen and segment losses (operating losses) of 462 million yen. The new car market in Western Australia underperformed the previous year. Furthermore, the deemed acquisition date for subsidiaries operating our Australian business was September 30, 2015, which is after the actual date of acquisition. As we treat companies acquired on October 1, which fell during the previous cumulative consolidated 3rd quarter, as being within the scope of consolidation, a year-on-year comparison is not indicated.

Outlook for the fiscal year ending February 28, 2018 (FY2018)

In light of firm retail car sales at display sale stores, we will continue to open new display sale stores. New store openings in FY2017 and 2018 are expected to contribute to increased retail car sales at all directly managed stores.

Based on the above, our full-year forecast is as follows:

net sales of 259,500 million yen (up 3.2% YoY), operating income of 5,500 million yen (up 22.3% YoY), ordinary income of 4,900 million yen (up 17.8% YoY), and net income of 2,800 million yen (up 24.6% YoY).

(2) Analysis of financial position

[Assets, liabilities and net assets]

Assets

As of the end of FY2017, total assets were 114,047 million yen (up 21.1% compared to end of FY2016).

Current assets were 63,765 million yen (up 29.9% compared to end of FY2016) on increased cash and deposits (up 5,188 million yen compared to end of FY2016) and increased merchandise (up 9,484 million yen compared to end of FY2016).

Non-current assets were 50,281 million yen (up 11.4% compared to end of FY2016) on increased buildings and structures (up 2,196 million yen compared to end of FY2016) as a result of new openings of directly managed stores, and increased software (up 1,260 million yen compared to end of FY2016).

Liabilities

As of the end of FY2017, total liabilities were 74,466 million yen (up 33.1% compared to end of FY2016).

Current liabilities were 29,483 million yen (up 3.1% compared to end of FY2016) on increased short-term loans (up 1,363 million yen compared to end of FY2016) and an increase in advances received (up 1,202 million yen compared to end of FY2016).

Non-current liabilities were 44,983 million yen (up 64.4% compared to end of FY2016) on increased long-term loans (up 17,923 million yen compared to end of FY2016).

Net assets

As of the end of FY2017, total net assets were 39,581 million yen (up 3.5% compared to end of FY2016) due to an increase in retained earnings (up 951 million yen compared to end of FY2016), among other factors.

[Cash flow position]

Cash and cash equivalents (hereinafter, "cash") for the end of FY2017 were 14,337 million yen, an increase of 5,214 million yen (up 57.2%) compared to the end of FY2016.

The status of cash flows for FY2017 and respective relevant cash flows are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was 4,632 million yen.

Main components were income before income taxes and minority interests of 3,692 million yen, expenditure of 8,916 million yen for increase in inventories, and expenditures of 2,299 million yen related to decrease in notes and accounts payable - trade, among other factors.

(Cash flows from investing activities)

Net cash used in investing activities was 8,262 million yen.

Cash was mainly used for the purchase of property, plant and equipment due to the opening of directly managed stores as well as payments of construction assistance fund receivables, among other factors.

(Cash flows from financing activities)

Net cash provided by financing activities was 18,092 million yen.

This was mainly attributable to proceeds from long-term loans payable of 18,000 million yen and cash dividends paid of 1,115 million yen.

(Reference) Trends in shareholders' equity and cash flow indicators are as follows:

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Equity ratio (%)	55.3	62.2	60.6	39.4	33.9
Shareholders' equity (mark-to-market) ratio (%)	73.3	150.4	166.1	122.8	65.1
Debt redemption years	2.9	0.4	95.0	6.1	-
Interest coverage ratio	31.2	157.7	1.3	19.4	-

Notes:

1. Breakdown of each indicator

Equity ratio = shareholders' equity/total assets

Shareholders' equity (mark-to-market) ratio = Market capitalization/Total assets

Debt redemption years = Interest bearing debt/Operating cash flow

Interest coverage ratio = Operating cash flow/Interest payments

2. Each index is calculated from consolidated figures.

3. Market capitalization is calculated using the following formula: closing share price at period-end x number of shares issued (excluding treasury stock)

4. Debt redemption years and interest coverage ratio for FY 2017 are not shown in the above table due to a negative figure for operating cash flow.

(3) Basic policy concerning distribution of profit and dividends for FY2017 and FY2018

Basic dividend policy and targets

I. Dividend basic policy and goals

We apply an earnings performance-linked dividend policy through which we make decisions on dividend payouts based on consolidated performance. While there is no change in the ongoing policy, as of the end of FY2017, we did conduct a partial reevaluation of our dividend judgment method.

In the past, we applied a basic policy of “current consolidated net income x 30%” to calculate the total dividend amount and then determined the per-share dividend amount for that term. However, from the end of FY2017, we will calculate the total dividend amount based on “previous consolidated net income x 30%” and then determine the current term per-share dividend amount.

The former method of linking the dividend amount to current consolidated net income resulted in the possibility of a need to make repeated changes to the initially announced dividend forecasts based on actual earnings from the current term. However, the new dividend calculation method determines the dividend amount for the current term based on actual performance for the previous term, meaning that the initially announced dividend forecast will not require future revisions after the initial release.

II. Dividends for FY2017

In accordance with the above, per-share dividends for FY2017 will be 12 yen for the full year (interim dividend of 6 yen and a year-end dividend of 6 yen).

III. Dividends for FY2018

The per-share dividend (forecast) for the upcoming term will be calculated based on the amount of 2,247 million yen in profit attributable to owners of parent, resulting in an annual dividend of 7 yen (interim and year-end dividends of 3.5 yen each).

2. Business policy

Disclosure has been omitted as there are no significant changes from the content disclosed in the “Summary of Consolidated Financial Results for the Year Ended February 28, 2015 [Based on Japanese GAAP]” (released April 13, 2015).

The abovementioned earnings summary is available from the following URL:

(Our website)

<http://221616.com/edom/en/ir>

3. Basic Approach to Selection of Accounting Standards

Our Group evaluated adopting IFRS beginning with the settlement of accounts for FY2017, in order to enhance international comparability of its financial information on capital markets but decided to prolong the adoption of these standards after giving due consideration to domestic and international conditions. Furthermore, we have not yet determined a period for the adoption of these standards.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
Assets		
Current assets		
Cash and deposits	9,149	14,337
Notes and accounts receivable - trade	5,192	4,655
Merchandise	31,848	41,333
Deferred tax assets	778	785
Other	2,159	2,717
Allowance for doubtful accounts	(54)	(64)
Total current assets	49,074	63,765
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,000	29,766
Accumulated depreciation	(8,564)	(10,134)
Buildings and structures, net	17,435	19,632
Vehicles	435	312
Accumulated depreciation	(180)	(100)
Vehicles, net	255	212
Tools, furniture and fixtures	3,882	4,097
Accumulated depreciation	(2,874)	(3,088)
Tools, furniture and fixtures, net	1,007	1,009
Land	218	218
Construction in progress	826	961
Total property, plant and equipment	19,743	22,033
Intangible assets		
Software	1,941	3,201
Goodwill	9,597	9,687
Other	3,974	4,024
Total intangible assets	15,513	16,914
Investments and other assets		
Investment securities	13	40
Shares of subsidiaries and associates	45	247
Long-term loans receivable	395	229
Lease and guarantee deposits	4,565	5,033
Construction assistance fund receivables	4,304	5,214
Deferred tax assets	274	361
Allowance for doubtful accounts	(209)	(325)
Other	489	533
Total investments and other assets	9,879	11,334
Total non-current assets	45,136	50,281
Total assets	94,211	114,047

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	14,102	12,317
Short-term loans payable	2,045	3,408
Current portion of long-term loans payable	79	—
Accounts payable - other	3,064	3,885
Income taxes payable	1,778	679
Advances received	3,026	4,228
Deposits received	475	383
Provision for bonuses	459	651
Provision for merchandise warranties	1,076	1,149
Other provision	113	175
Other	2,378	2,602
Total current liabilities	28,600	29,483
Non-current liabilities		
Long-term loans payable	22,851	40,774
Long-term guarantee deposited	651	529
Provision for directors' retirement benefits	540	188
Asset retirement obligations	1,653	1,866
Deferred tax liabilities	1,086	1,127
Other provision	388	425
Other	194	70
Total non-current liabilities	27,365	44,983
Total liabilities	55,965	74,466
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	32,869	33,821
Treasury shares	(3,947)	(3,947)
Total shareholders' equity	37,111	38,063
Accumulated other comprehensive income		
Foreign currency translation adjustment	1	578
Total accumulated other comprehensive income	1	578
Subscription rights to shares	—	5
Non-controlling interests	1,131	934
Total net assets	38,245	39,581
Total liabilities and net assets	94,211	114,047

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Net sales	210,085	251,516
Cost of sales	158,474	190,383
Gross profit	51,610	61,133
Selling, general and administrative expenses	44,067	56,634
Operating income	7,542	4,498
Non-operating income		
Interest income	40	39
Reimbursement claims	1	30
Foreign exchange gains	–	174
Insurance premiums refunded cancellation	11	–
Other	67	87
Total non-operating income	120	332
Non-operating expenses		
Interest expenses	212	473
Provision of allowance for doubtful accounts	1	0
Foreign exchange losses	567	–
Share of loss of entities accounted for using equity method	–	141
Other	46	55
Total non-operating expenses	827	670
Ordinary income	6,835	4,160
Extraordinary income		
Gain on sales of property, plant and equipment	0	15
Gain on liquidation of subsidiaries	3	–
Other	0	–
Total extraordinary income	4	15
Extraordinary losses		
Loss on retirement of non-current assets	67	215
Impairment loss	–	38
Loss on valuation of shares of subsidiaries	31	4
Provision of allowance for doubtful accounts	129	113
Directors' retirement benefits	–	110
Other	0	0
Total extraordinary losses	229	483
Profit before income taxes	6,610	3,692
Income taxes - current	2,441	1,829
Income taxes - deferred	27	(130)
Total income taxes	2,469	1,699
Profit	4,140	1,993
Profit (loss) attributable to non-controlling interests	28	(254)
Profit attributable to owners of parent	4,111	2,247

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Profit	4,140	1,993
Other comprehensive income		
Foreign currency translation adjustment	(177)	637
Share of other comprehensive income of entities accounted for using equity method	–	(18)
Total other comprehensive income	(177)	618
Comprehensive income	3,963	2,611
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,005	2,808
Comprehensive income attributable to non-controlling interests	(42)	(197)

Consolidated statements of changes in equity

Fiscal year ended February 29, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,157	4,032	30,278	(3,947)	34,521
Changes of items during period					
Dividends of surplus			(1,521)		(1,521)
Profit attributable to owners of parent			4,111		4,111
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	2,590	(0)	2,590
Balance at end of current period	4,157	4,032	32,869	(3,947)	37,111

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	108	108	-	34,629
Changes of items during period				
Dividends of surplus				(1,521)
Profit attributable to owners of parent				4,111
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	(106)	(106)	1,131	1,024
Total changes of items during period	(106)	(106)	1,131	3,615
Balance at end of current period	1	1	1,131	38,245

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,157	4,032	32,869	(3,947)	37,111
Changes of items during period					
Change of scope of equity method			(180)		(180)
Dividends of surplus			(1,115)		(1,115)
Profit attributable to owners of parent			2,247		2,247
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	952	(0)	952
Balance at end of current period	4,157	4,032	33,821	(3,947)	38,063

	Accumulated other comprehensive income		Subscription rights to shares	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	1	1	-	1,131	38,245
Changes of items during period					
Change of scope of equity method					(180)
Dividends of surplus					(1,115)
Profit attributable to owners of parent					2,247
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	577	577	5	(197)	384
Total changes of items during period	577	577	5	(197)	1,337
Balance at end of current period	578	578	5	934	39,581

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Cash flows from operating activities		
Profit before income taxes	6,610	3,692
Depreciation	2,449	2,964
Amortization of goodwill	274	500
Increase (decrease) in provision for bonuses	23	191
Increase (decrease) in allowance for doubtful accounts	126	125
Increase (decrease) in provision for merchandise warranties	(200)	73
Increase (decrease) in provision for directors' retirement benefits	33	(351)
Interest and dividend income	(40)	(39)
Share of (profit) loss of entities accounted for using equity method	–	141
Interest expenses	212	473
Foreign exchange losses (gains)	–	(3)
Loss (gain) on sales of property, plant and equipment	–	(14)
Loss on retirement of non-current assets	67	215
Impairment loss	–	38
Decrease (increase) in notes and accounts receivable - trade	975	1,695
Decrease (increase) in inventories	(7,536)	(8,916)
Increase (decrease) in notes and accounts payable - trade	1,236	(2,299)
Increase (decrease) in accrued consumption taxes	431	(229)
Other, net	556	545
Subtotal	5,219	(1,197)
Interest and dividend income received	40	39
Interest expenses paid	(212)	(456)
Income taxes paid	(926)	(3,018)
Net cash provided by (used in) operating activities	4,121	(4,632)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,199)	(4,521)
Purchase of intangible assets	(1,162)	(2,084)
Payments for asset retirement obligations	(10)	(47)
Purchase of investment securities	–	(24)
Payments of loans receivable	(356)	(3)
Collection of loans receivable	69	5
Payments for lease and guarantee deposits	(763)	(619)
Proceeds from collection of lease and guarantee deposits	106	121
Payments of construction assistance fund receivables	(1,105)	(1,271)
Collection of construction assistance fund receivables	311	376
Payments into time deposits	(5)	–
Proceeds from withdrawal of time deposits	12	27
Purchase of shares of subsidiaries and associates	(5)	(240)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,579)	–
Other, net	1	22
Net cash provided by (used in) investing activities	(17,686)	(8,262)

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,895	1,363
Proceeds from long-term loans payable	22,680	18,000
Repayments of long-term loans payable	(4,696)	(161)
Redemption of bonds	(495)	–
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,525)	(1,115)
Proceeds from issuance of subscription rights to shares	–	5
Net cash provided by (used in) financing activities	17,858	18,092
Effect of exchange rate change on cash and cash equivalents	(34)	18
Net increase (decrease) in cash and cash equivalents	4,259	5,214
Cash and cash equivalents at beginning of period	4,863	9,122
Cash and cash equivalents at end of period	9,122	14,337

Non-consolidated financial statements
Non-consolidated balance sheets

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
Assets		
Current assets		
Cash and deposits	5,104	10,376
Accounts receivable - trade	2,975	3,665
Merchandise	22,163	30,349
Supplies	164	101
Prepaid expenses	715	898
Deferred tax assets	808	814
Short-term loans receivable	577	443
Other	1,776	1,592
Allowance for doubtful accounts	(175)	(184)
Total current assets	34,110	48,057
Non-current assets		
Property, plant and equipment		
Buildings	14,383	16,060
Structures	2,431	3,053
Vehicles	0	10
Tools, furniture and fixtures	815	780
Land	218	218
Construction in progress	826	961
Total property, plant and equipment	18,675	21,085
Intangible assets		
Goodwill	1	–
Trademark right	0	0
Software	1,937	3,199
Other	14	14
Total intangible assets	1,954	3,214
Investments and other assets		
Investment securities	0	0
Shares of subsidiaries and associates	12,291	12,496
Long-term loans receivable	19	14
Long-term loans receivable from subsidiaries and associates	2,969	4,548
Claims provable in bankruptcy, claims provable in rehabilitation and other	77	80
Long-term prepaid expenses	301	338
Lease and guarantee deposits	4,181	4,655
Construction assistance fund receivables	4,304	5,214
Deferred tax assets	278	368
Other	106	110
Allowance for doubtful accounts	(222)	(640)
Total investments and other assets	24,309	27,186
Total non-current assets	44,938	51,486
Total assets	79,048	99,544

(Millions of yen)

	As of February 29, 2016	As of February 28, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	4,558	3,312
Short-term loans payable	2,000	3,000
Accounts payable - other	1,930	3,056
Income taxes payable	1,680	558
Accrued consumption taxes	489	287
Accrued expenses	1,038	1,276
Advances received	2,846	4,165
Deposits received	296	304
Provision for bonuses	455	639
Provision for merchandise warranties	1,076	1,149
Accounts payable - facilities	582	438
Unearned revenue	78	88
Other provision	113	175
Other	–	1
Total current liabilities	17,146	18,456
Non-current liabilities		
Long-term loans payable	22,680	40,680
Long-term guarantee deposited	651	529
Provision for directors' retirement benefits	540	188
Asset retirement obligations	1,640	1,850
Total non-current liabilities	25,511	43,248
Total liabilities	42,657	61,705
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus		
Legal capital surplus	4,032	4,032
Total capital surpluses	4,032	4,032
Retained earnings		
Legal retained earnings	39	39
Other retained earnings		
Retained earnings brought forward	32,108	33,551
Total retained earnings	32,148	33,591
Treasury shares	(3,947)	(3,947)
Total shareholders' equity	36,390	37,833
Subscription rights to shares	–	5
Total net assets	36,390	37,839
Total liabilities and net assets	79,048	99,544

Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017
Net sales	179,367	198,434
Cost of sales	134,077	147,268
Gross profit	45,289	51,166
Selling, general and administrative expenses		
Advertising expenses	7,068	9,064
Salaries and allowances	9,673	11,471
Provision for bonuses	423	611
Depreciation	2,129	2,514
Rents	6,354	7,532
Provision for directors' retirement benefits	33	19
Provision of allowance for doubtful accounts	40	18
Other	12,725	15,400
Total selling, general and administrative expenses	38,448	46,632
Operating income	6,841	4,534
Non-operating income		
Interest and dividend income	137	47
Reimbursement claims	1	30
Foreign exchange gains	–	175
Other	38	48
Total non-operating income	177	300
Non-operating expenses		
Interest expenses	51	132
Borrowing expenses	–	35
Foreign exchange losses	537	–
Other	45	17
Total non-operating expenses	634	185
Ordinary income	6,384	4,649
Extraordinary income		
Gain on sales of non-current assets	–	11
Other	0	–
Total extraordinary income	0	11
Extraordinary losses		
Loss on retirement of non-current assets	64	209
Impairment loss	–	38
Loss on valuation of shares of subsidiaries	31	34
Provision of allowance for doubtful accounts	129	408
Directors' retirement benefits	–	110
Other	3	–
Total extraordinary losses	229	801
Profit before income taxes	6,155	3,858
Income taxes - current	2,199	1,395
Income taxes - deferred	6	(95)
Total income taxes	2,205	1,300
Profit	3,949	2,558

Non-consolidated statements of changes in equity

Fiscal year ended February 29, 2016

(Millions of yen)

	Shareholders' equity								Total net assets
	Capital stock	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings			
Balance at beginning of current period	4,157	4,032	4,032	39	29,680	29,719	(3,947)	33,962	33,962
Changes of items during period									
Dividends of surplus					(1,521)	(1,521)		(1,521)	(1,521)
Profit					3,949	3,949		3,949	3,949
Purchase of treasury shares							(0)	(0)	(0)
Total changes of items during period	–	–	–	–	2,428	2,428	(0)	2,428	2,428
Balance at end of current period	4,157	4,032	4,032	39	32,108	32,148	(3,947)	36,390	36,390

Fiscal year ended February 28, 2017

(Millions of yen)

	Shareholders' equity								Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings			Treasury shares	Total shareholders' equity		
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings				
Balance at beginning of current period	4,157	4,032	4,032	39	32,108	32,148	(3,947)	36,390	–	36,390
Changes of items during period										
Dividends of surplus					(1,115)	(1,115)		(1,115)		(1,115)
Profit					2,558	2,558		2,558		2,558
Purchase of treasury shares							(0)	(0)		(0)
Net changes of items other than shareholders' equity									5	5
Total changes of items during period	–	–	–	–	1,442	1,442	(0)	1,442	5	1,448
Balance at end of current period	4,157	4,032	4,032	39	33,551	33,591	(3,947)	37,833	5	37,839