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Summary of Consolidated Financial Results for the Year Ended February 28, 2019 (Based on Japanese GAAP)

April 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 of ordinary general meeting of shareholders: May 30, 2019
 Scheduled date to file Securities Report: May 31, 2019
 Scheduled date to commence dividend payments: May 31, 2019
 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, 2019 (from March 1, 2018 to February 28, 2019)

(1) Consolidated operating results 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	%
Year ended February 28, 2019	309,410	12.0	<u>3,400</u>	<u>(49.8)</u>	<u>2,072</u>	<u>(64.2)</u>	<u>381</u>	<u>(89.3)</u>
Year ended February 28, 2018	276,157	9.8	6,779	50.7	5,797	39.4	3,578	59.2

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended February 28, 2019	<u>3.76</u>	—	<u>0.9</u>	<u>1.4</u>	<u>1.1</u>
Year ended February 28, 2018	35.29	—	9.0	4.7	2.5

(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, 2019	<u>174,097</u>	<u>40,432</u>	<u>22.9</u>	<u>392.88</u>
As of February 28, 2018	130,181	41,494	31.4	403.71

(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, 2019	(19,593)	(11,015)	30,930	22,970
Year ended February 28, 2018	6,989	(5,315)	8,731	22,763

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 28, 2018	—	3.50	—	3.50	7.00	709	19.8	1.8
Year ended February 28, 2019	—	5.50	—	5.50	11.00	1,115	<u>292.2</u>	<u>2.8</u>
Year ending February 29, 2020 (Forecast)	—	0.60	—	0.60	1.20		28.9	

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	<u>8.8</u>	2,200	<u>6.1</u>	420	<u>10.0</u>	4.14

4. Notes

(1) Changes in significant subsidiaries during the year ended February 28, 2019

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

Yes

(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:

No

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, 2019	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 February 28, 2019	5,480,531 shares	As of February 28, 2018	5,480,470 shares
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Average number of shares during the period

Year ended February 28, 2019	101,407,530 shares	Year ended February 28, 2018	101,407,589 shares
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1. Analysis of Operating Results and Financial Position

(1) Analysis of consolidated operating results

In the fiscal year ended February 28, 2019 (FY2019), retail car sales from all directly managed stores totaled 124,527 units, down 0.5% from last fiscal year. Sales per store and gross profit per unit fell due to changes in the pricing structure and sales strategy.

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.

Newly consolidated subsidiaries acquired in October 2018 also contributed the results. IDOM Automotive Essendon Pty Ltd, a newly established subsidiary of IDOM Automotive Group Pty Ltd (IDOM's wholly owned Australian holding company), acquired Melbourne-based new car dealerships under the brand name of Andrew & Wallis Motor Group.

As a result of the above, consolidated financial results of FY2019 were net sales of 309,410 million yen (up 12.0% YoY), operating income of 3,400 million yen (down 49.8%), ordinary income of 2,072 million yen (down 64.2%) and net income attributable to owners of parent of 381 million yen (down 89.3%).

Regional segment-specific earnings are indicated below.

I. Japan

The Japan segment posted sales of 245,045 million yen (up 6.8% YoY) and segment income (operating income) of 3,749 million yen (down 52.7%). The total number of retail car sales at directly managed stores was unchanged YoY but the average selling price increased. Gross profit per vehicle declined.

II. Australia

The Australia segment recorded sales of 62,211 million yen (up 38.7% YoY) and a segment income of 101 million yen (a loss of 767 million yen in last fiscal 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. The five month results (from October 1, 2018 to February 28, 2019) of newly consolidated subsidiaries acquired in October 2018 also contributed the results. The subsidiary which acts as a holding company in Australia, recorded costs incurred in relation to the acquisition as well as up-front expenditures for new business.

Outlook for the fiscal year ending February 28, 2019 (FY2019)

The figures for the outlook do not include the effects of ongoing measures taken to improve the performance at this time but include the full-year contributions of the newly consolidated subsidiaries acquired in October 2018.

Based on the above, our full-year forecast is as follows: net sales of 324,000 million yen, operating income of 3,700 million yen, ordinary income of 2,200 million yen, and net income of 420 million yen.

(2) Analysis of financial position

Assets

As of the end of FY2019, total assets were 174,097 million yen (up 33.7% compared to the end of FY2018).

Current assets were 113,941 million yen (up 48.1% compared to the end of FY2018) on increased cash and deposits (up 285 million yen) and merchandise (up 29,610 million yen).

Non-current assets were 60,155 million yen (up 13.0% compared to the end of FY2018) on increased buildings and structures (up 1,831 million yen) and goodwill (up 4,904 million yen).

Liabilities

As of the end of FY2019, total liabilities were 133,664 million yen (up 50.7% compared to the end of FY2018).

Current liabilities were 60,646 million yen (up 90.1% compared to the end of FY2018) on increased short-term loans (up 7,829 million yen), current portions of long-term loan (up 12,000 million yen).

Non-current liabilities were 73,017 million yen (up 28.6% compared to the end of FY2018) on increased long-term loans (up 15,343 million yen) .

Net assets

As of the end of FY2019, total net assets were 40,432 million yen (down 2.6% compared to the end of FY2018) due to a decrease in retained earnings (down 530 million yen).

Cash flow position

Cash and cash equivalents (hereinafter, “cash”) for the end of FY2019 were 22,970 million yen, an increase of 206 million yen (up 0.9%) compared to the end of FY2018.

The status of cash flows for FY2019 and respective relevant cash flows are as follows.

(Cash flows from operating activities)

Net cash used in operating activities were 19,593 million yen.

Main components were income before income taxes and minority interests of 1,478 million yen, a decrease in accounts receivable of 5,333 million yen, expenditure of 26,865 million yen for increase in inventories among other reasons.

(Cash flows from investing activities)

Net cash used in investing activities was 11,015 million yen. Cash was mainly used for purchase of shares of subsidiaries, and the purchase of property, plant and equipment due to the opening of directly managed stores as well as payments of construction assistance fund, among other factors.

(Cash flows from financing activities)

Net cash provided by financing activities was 30,930 million yen. This was mainly attributable to proceeds from long-term loans payable of 24,145 million yen.

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

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Equity ratio (%)	60.6	39.4	33.9	31.4	<u>22.9</u>
Shareholders’ equity (mark-to-market) ratio (%)	166.1	122.8	65.1	55.8	<u>21.9</u>
Debt redemption years	95.0	6.1	-	7.7	-
Interest coverage ratio	1.3	19.4	-	10.1	-

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 and FY2019 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 FY2018 and FY2019

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. We calculate the total dividend amount based on “previous consolidated net income x 30%” and then determine the current term per-share dividend amount. This 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 revisions after the initial release.

II. Dividends for FY2019

In accordance with the above, per-share dividends for FY2019 will be 11 yen for the full year (interim dividend of 5.5 yen and a year-end dividend of 5.5 yen).

III. Dividends for FY2020

The per-share dividend (forecast) for the upcoming term will be calculated based on profit attributable to owners of parent in FY2019, resulting in an annual dividend of 1.2 yen (interim and year-end dividends of 0.6 yen each).

2. Basic Approach to Selection of Accounting Standards

Our Group considers adopting IFRS in order to enhance international comparability of its financial information on capital markets, however, we have not determined the timing of adopting these standards.

Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Assets		
Current assets		
Cash and deposits	22,763	23,049
Notes and accounts receivable - trade	5,709	6,774
Merchandise	44,479	74,090
Deferred tax assets	1,037	1,076
Other	3,203	9,043
Allowance for doubtful accounts	(239)	(93)
Total current assets	76,955	113,941
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,602	36,130
Accumulated depreciation	(11,445)	(13,141)
Buildings and structures, net	21,156	22,988
Vehicles	64	167
Accumulated depreciation	(15)	(29)
Vehicles, net	48	137
Tools, furniture and fixtures	4,332	4,333
Accumulated depreciation	(3,446)	(3,481)
Tools, furniture and fixtures, net	886	852
Land	218	218
Construction in progress	777	541
Total property, plant and equipment	23,088	24,738
Intangible assets		
Software	2,981	2,797
Goodwill	8,927	13,832
Other	3,688	3,301
Total intangible assets	15,597	19,931
Investments and other assets		
Investment securities	45	191
Shares of subsidiaries and associates	2,150	2,261
Long-term loans receivable	211	38
Lease and guarantee deposits	5,541	6,083
Construction assistance fund receivables	5,643	5,753
Deferred tax assets	504	531
Other	746	741
Allowance for doubtful accounts	(304)	(116)
Total investments and other assets	14,539	15,485
Total non-current assets	53,225	60,155
Total assets	130,181	174,097

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	14,327	20,026
Short-term loans payable	1,201	9,031
Accounts payable - other	3,845	<u>3,809</u>
Current portion of long-term loans payable	–	12,000
Income taxes payable	2,029	312
Advances received	4,581	11,177
Deposits received	314	249
Provision for bonuses	815	820
Provision for merchandise warranties	871	562
Other provision	315	507
Other	3,597	2,148
Total current liabilities	<u>31,901</u>	<u>60,646</u>
Non-current liabilities		
Long-term loans payable	52,680	68,023
Long-term guarantee deposited	499	432
Asset retirement obligations	2,008	2,279
Deferred tax liabilities	1,008	1,529
Other provision	395	561
Other	191	191
Total non-current liabilities	<u>56,784</u>	<u>73,017</u>
Total liabilities	<u>88,686</u>	<u>133,664</u>
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	36,373	<u>35,842</u>
Treasury shares	(3,947)	(3,947)
Total shareholders' equity	<u>40,615</u>	<u>40,084</u>
Accumulated other comprehensive income		
Foreign currency translation adjustment	323	(243)
Total accumulated other comprehensive income	<u>323</u>	<u>(243)</u>
Share acquisition rights	3	3
Non-controlling interests	551	588
Total net assets	<u>41,494</u>	<u>40,432</u>
Total liabilities and net assets	<u>130,181</u>	<u>174,097</u>

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

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Net sales	276,157	309,410
Cost of sales	210,298	244,707
Gross profit	65,859	64,702
Selling, general and administrative expenses	59,080	61,301
Operating profit	6,779	3,400
Non-operating income		
Interest income	55	59
Other	50	39
Total non-operating income	106	98
Non-operating expenses		
Interest expenses	734	868
Foreign exchange losses	69	139
Share of loss of entities accounted for using equity method	197	396
Other	86	21
Total non-operating expenses	1,087	1,426
Ordinary profit	5,797	2,072
Extraordinary income		
Gain on sales of property, plant and equipment	0	–
Subsidy income	–	22
Gain on reversal of share acquisition rights	3	0
Total extraordinary income	4	22
Extraordinary losses		
Loss on retirement of non-current assets	182	305
Impairment loss	148	158
Provision of allowance for doubtful accounts	165	–
Special retirement expenses	54	–
Loss on disaster	–	92
Other	30	60
Total extraordinary losses	580	617
Profit before income taxes	5,221	1,478
Income taxes - current	2,482	1,061
Income taxes - deferred	(476)	54
Total income taxes	2,005	1,116
Profit	3,215	361
Loss attributable to non-controlling interests	(363)	(19)
Profit attributable to owners of parent	3,578	381

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Profit	3,215	<u>361</u>
Other comprehensive income		
Foreign currency translation adjustment	(288)	<u>(605)</u>
Share of other comprehensive income of entities accounted for using equity method	14	9
Total other comprehensive income	<u>(273)</u>	<u>(595)</u>
Comprehensive income	<u>2,941</u>	<u>(233)</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,323	<u>(185)</u>
Comprehensive income attributable to non-controlling interests	(382)	(48)

Consolidated statements of changes in equity

Fiscal year ended February 28, 2018

(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	33,821	(3,947)	38,063
Changes of items during period					
Dividends of surplus			(963)		(963)
Profit attributable to owners of parent			3,578		3,578
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation			(63)		(63)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	2,552	(0)	2,552
Balance at end of current period	4,157	4,032	36,373	(3,947)	40,615

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	578	578	5	934	39,581
Changes of items during period					
Dividends of surplus					(963)
Profit attributable to owners of parent					3,578
Purchase of treasury shares					(0)
Change of scope of consolidation					(63)
Net changes of items other than shareholders' equity	(254)	(254)	(1)	(382)	(639)
Total changes of items during period	(254)	(254)	(1)	(382)	1,913
Balance at end of current period	323	323	3	551	41,494

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,157	4,032	36,373	(3,947)	40,615
Changes of items during period					
Dividends of surplus			(912)		(912)
Profit attributable to owners of parent			<u>381</u>		<u>381</u>
Purchase of treasury shares				(0)	(0)
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during period			<u>(530)</u>	(0)	<u>(530)</u>
Balance at end of current period	4,157	4,032	<u>35,842</u>	(3,947)	<u>40,084</u>

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	323	323	3	551	41,494
Changes of items during period					
Dividends of surplus					(912)
Profit attributable to owners of parent					<u>381</u>
Purchase of treasury shares					(0)
Change of scope of consolidation					
Net changes of items other than shareholders' equity	(567)	(567)	(0)	36	(530)
Total changes of items during period	(567)	(567)	(0)	36	<u>(1,061)</u>
Balance at end of current period	(243)	(243)	3	588	<u>40,432</u>

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Cash flows from operating activities		
Profit before income taxes	5,221	<u>1,478</u>
Depreciation	3,044	<u>2,984</u>
Amortization of goodwill	524	<u>623</u>
Increase (decrease) in provision for bonuses	164	4
Increase (decrease) in allowance for doubtful accounts	154	50
Increase (decrease) in provision for merchandise warranties	(277)	(309)
Increase (decrease) in provision for directors' retirement benefits	(188)	–
Interest and dividend income	(58)	(59)
Share of loss (profit) of entities accounted for using equity method	197	396
Interest expenses	734	868
Foreign exchange losses (gains)	(2)	126
Loss (gain) on sales of property, plant and equipment	(0)	–
Loss on retirement of non-current assets	182	305
Impairment loss	148	158
Decrease (increase) in notes and accounts receivable - trade	(957)	5,333
Decrease (increase) in inventories	(3,525)	(26,865)
Increase (decrease) in notes and accounts payable - trade	2,280	2,774
Increase (decrease) in accrued consumption taxes	879	(2,842)
Other, net	383	<u>(763)</u>
Subtotal	<u>8,902</u>	<u>(15,734)</u>
Interest and dividend income received	58	59
Interest expenses paid	(693)	(869)
Income taxes paid	(1,278)	(3,049)
Net cash provided by (used in) operating activities	<u>6,989</u>	<u>(19,593)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,564)	(3,836)
Purchase of intangible assets	(658)	(798)
Payments for asset retirement obligations	(11)	(31)
Purchase of investment securities	(7)	(148)
Payments of loans receivable	(2)	(13)
Collection of loans receivable	37	31
Payments for lease and guarantee deposits	(741)	(782)
Proceeds from collection of lease and guarantee deposits	230	188
Payments of construction assistance fund receivables	(906)	(593)
Collection of construction assistance fund receivables	510	543
Purchase of shares of subsidiaries and associates	–	(111)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(4,354)
Payments for transfer of business	–	(973)
Other, net	(199)	(136)
Net cash provided by (used in) investing activities	<u>(5,315)</u>	<u>(11,015)</u>

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2,207)	7,829
Proceeds from long-term loans payable	12,000	24,145
Repayments of long-term loans payable	(95)	(132)
Dividends paid	(966)	(911)
Other, net	1	(0)
Net cash provided by (used in) financing activities	8,731	30,930
Effect of exchange rate change on cash and cash equivalents	(19)	(114)
Net increase (decrease) in cash and cash equivalents	10,387	206
Cash and cash equivalents at beginning of period	14,337	22,763
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(1,960)	—
Cash and cash equivalents at end of period	22,763	22,970

Non-consolidated financial statements
Non-consolidated balance sheets

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Assets		
Current assets		
Cash and deposits	20,251	15,360
Accounts receivable - trade	3,734	5,177
Merchandise	31,961	54,687
Supplies	104	53
Prepaid expenses	994	1,366
Deferred tax assets	1,046	908
Short-term loans receivable	434	–
Other	1,669	<u>6,815</u>
Allowance for doubtful accounts	(698)	(917)
Total current assets	<u>59,497</u>	<u>83,452</u>
Non-current assets		
Property, plant and equipment		
Buildings	17,080	18,207
Structures	3,563	4,223
Vehicles	7	4
Tools, furniture and fixtures	677	559
Land	218	218
Construction in progress	777	539
Total property, plant and equipment	<u>22,325</u>	<u>23,753</u>
Intangible assets		
Trademark right	0	0
Software	2,961	2,779
Other	14	14
Total intangible assets	<u>2,976</u>	<u>2,794</u>
Investments and other assets		
Investment securities	–	30
Shares of subsidiaries and associates	12,496	14,791
Long-term loans receivable from subsidiaries and associates	5,208	11,373
Claims provable in bankruptcy, claims provable in rehabilitation and other	79	79
Long-term prepaid expenses	529	534
Lease and guarantee deposits	5,158	5,684
Construction assistance fund receivables	5,643	5,753
Deferred tax assets	511	549
Other	127	119
Allowance for doubtful accounts	(466)	(310)
Total investments and other assets	<u>29,289</u>	<u>38,606</u>
Total non-current assets	<u>54,590</u>	<u>65,154</u>
Total assets	<u>114,088</u>	<u>148,606</u>

(Millions of yen)

	As of February 28, 2018	As of February 28, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	3,439	3,334
Short-term loans payable	—	8,000
Current portion of long-term loans payable	—	12,000
Accounts payable - other	2,491	<u>2,887</u>
Income taxes payable	1,812	—
Accrued consumption taxes	1,319	—
Accrued expenses	1,325	1,424
Advances received	4,502	9,487
Deposits received	233	216
Provision for bonuses	802	805
Provision for merchandise warranties	871	562
Accounts payable - facilities	278	255
Unearned revenue	133	310
Other provision	315	507
Other	3	—
Total current liabilities	<u>17,529</u>	<u>39,792</u>
Non-current liabilities		
Long-term loans payable	52,680	64,825
Long-term guarantee deposited	499	432
Asset retirement obligations	1,988	2,146
Other	191	191
Total non-current liabilities	<u>55,360</u>	<u>67,595</u>
Total liabilities	<u>72,889</u>	<u>107,387</u>
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus		
Legal capital surplus	4,032	4,032
Total capital surpluses	<u>4,032</u>	<u>4,032</u>
Retained earnings		
Legal retained earnings	39	39
Other retained earnings		
Retained earnings brought forward	36,912	<u>36,933</u>
Total retained earnings	<u>36,952</u>	<u>36,972</u>
Treasury shares	(3,947)	(3,947)
Total shareholders' equity	<u>41,194</u>	<u>41,215</u>
Share acquisition rights	3	3
Total net assets	<u>41,198</u>	<u>41,218</u>
Total liabilities and net assets	<u>114,088</u>	<u>148,606</u>

Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019
Net sales	215,777	234,618
Cost of sales	160,057	181,847
Gross profit	55,720	52,770
Selling, general and administrative expenses		
Advertising expenses	8,536	8,142
Salaries and allowances	11,878	12,222
Provision for bonuses	762	759
Depreciation	2,649	2,626
Rents	8,778	9,713
Provision for directors' retirement benefits	3	—
Provision of allowance for doubtful accounts	(0)	21
Other	16,189	16,533
Total selling, general and administrative expenses	48,797	50,018
Operating profit	6,922	2,751
Non-operating income		
Interest and dividend income	368	407
Reimbursement claims	7	—
Other	16	8
Total non-operating income	392	416
Non-operating expenses		
Interest expenses	342	311
Foreign exchange losses	87	140
Other	34	41
Total non-operating expenses	464	493
Ordinary profit	6,851	2,673
Extraordinary income		
Subsidy income	—	22
Gain on reversal of share acquisition rights	3	0
Total extraordinary income	3	22
Extraordinary losses		
Loss on retirement of non-current assets	179	294
Impairment loss	148	158
Provision of allowance for doubtful accounts	338	382
Loss on disaster	—	92
Other	31	60
Total extraordinary losses	696	988
Profit before income taxes	6,158	1,707
Income taxes - current	2,209	673
Income taxes - deferred	(375)	100
Total income taxes	1,833	774
Profit	4,324	933