

Revised on May 8, 2019

Results for Fiscal Year Ended February 28, 2019

April 15, 2019

IDOM Inc.

- I. FY2019 results summary
 - II. Performance analysis
 - III. FY2020 outlook
-

Reference

- IV. Supplementary information (1)
- V. Supplementary information (2)

I. FY2019 results summary

FY2019 results

	FY 2018	FY 2019
Non-consolidated		
Gross profit	55,720 million yen	52,770 million yen
SG&A expenses	48,797 million yen	50,018 million yen
Operating income	6,922 million yen	2,751 million yen
.....		
Consolidated		
Operating income	6,779 million yen	3,400 million yen

FY 2018

FY 2019

Consolidated

Operating income

6,779 million yen



3,400 million yen

Impacts on
operating income (YoY)

[Non-consolidated]

- Changes in the retail revenue structure

(1) Retail sales per store decreased



(2) Retail gross profit per unit decreased



[Consolidated]

- Australian subsidiaries

(1) Improvement at Buick



(2) Essendon newly consolidated



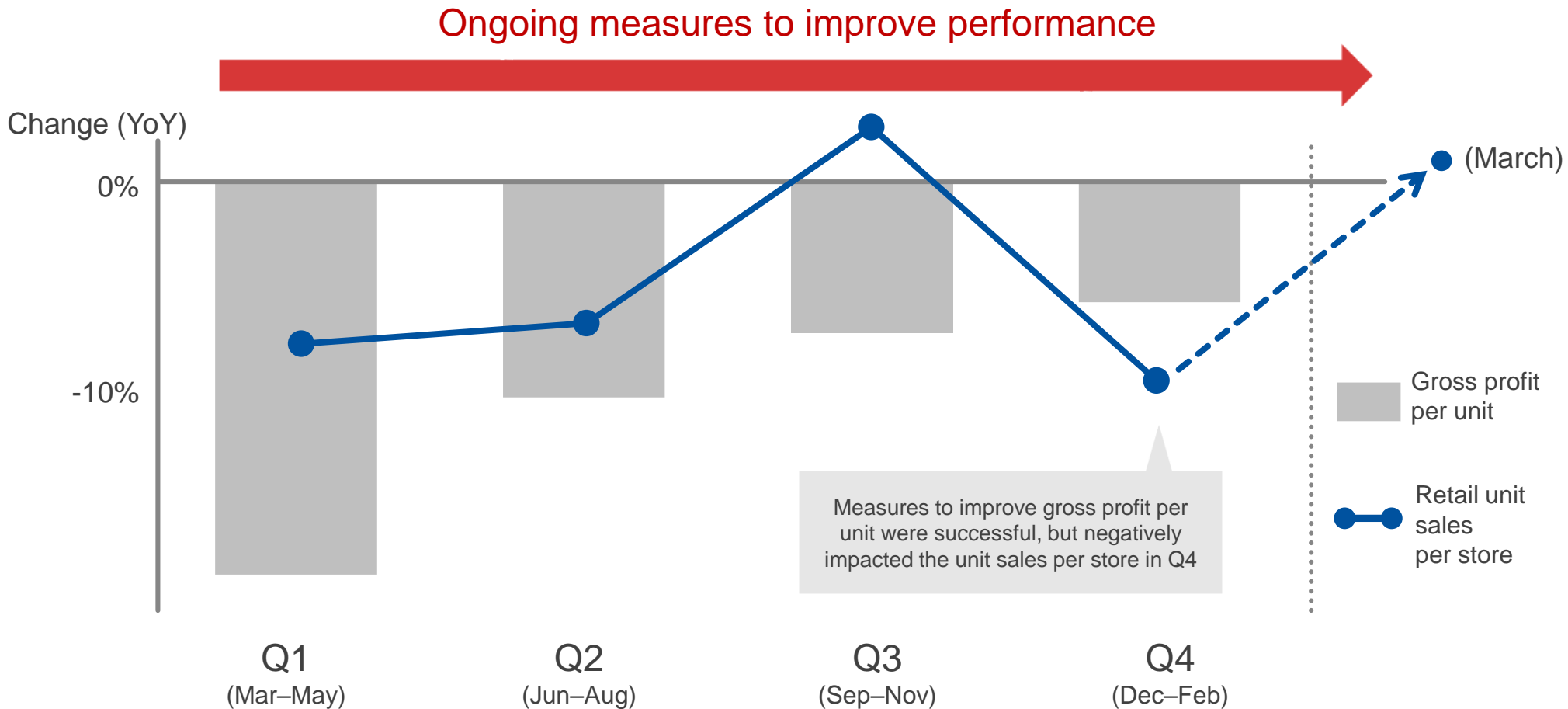
II. Performance analysis

1 IDOM (non-consolidated)

2 Australian subsidiaries

FY2019 performance (impacts of changes in the revenue structure)

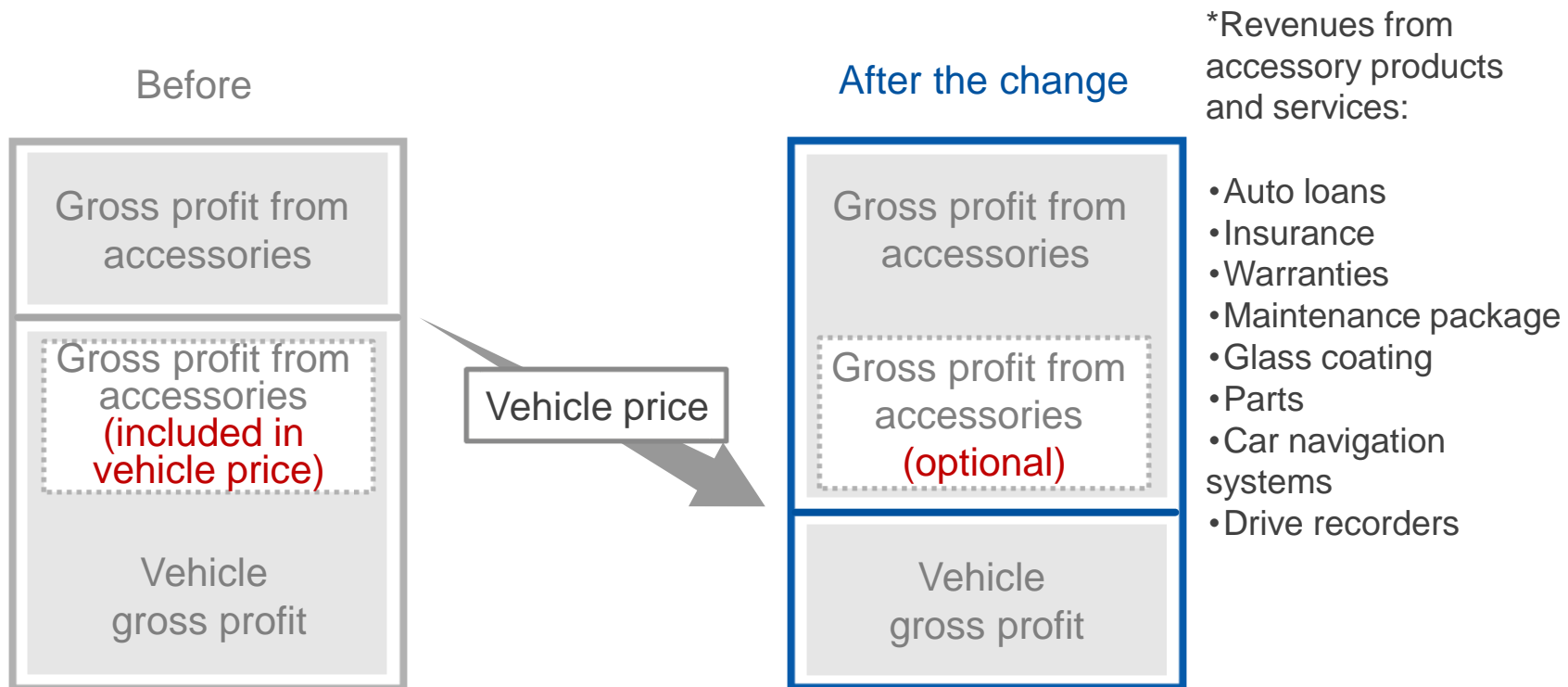
- Retail unit sales per store and gross profit per unit down YoY following change in pricing in mid-April 2018



Details of the change

Change

Changed the structure of retail gross per unit
(Vehicle gross profit + gross profit from accessories)



After mid-April, some accessory revenues that were previously included in vehicle price, were made optional.

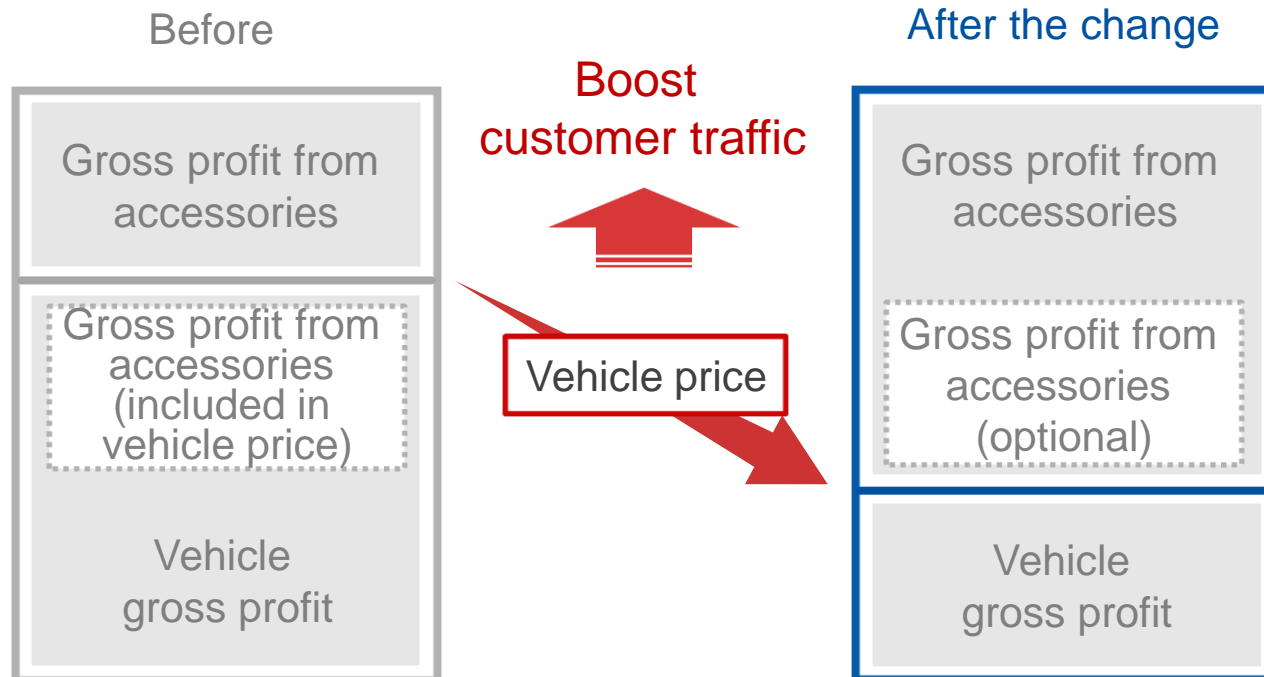
Aims and reasons (1)

Aim

Change pricing to increase customer traffic and boost retail unit sales

Reason

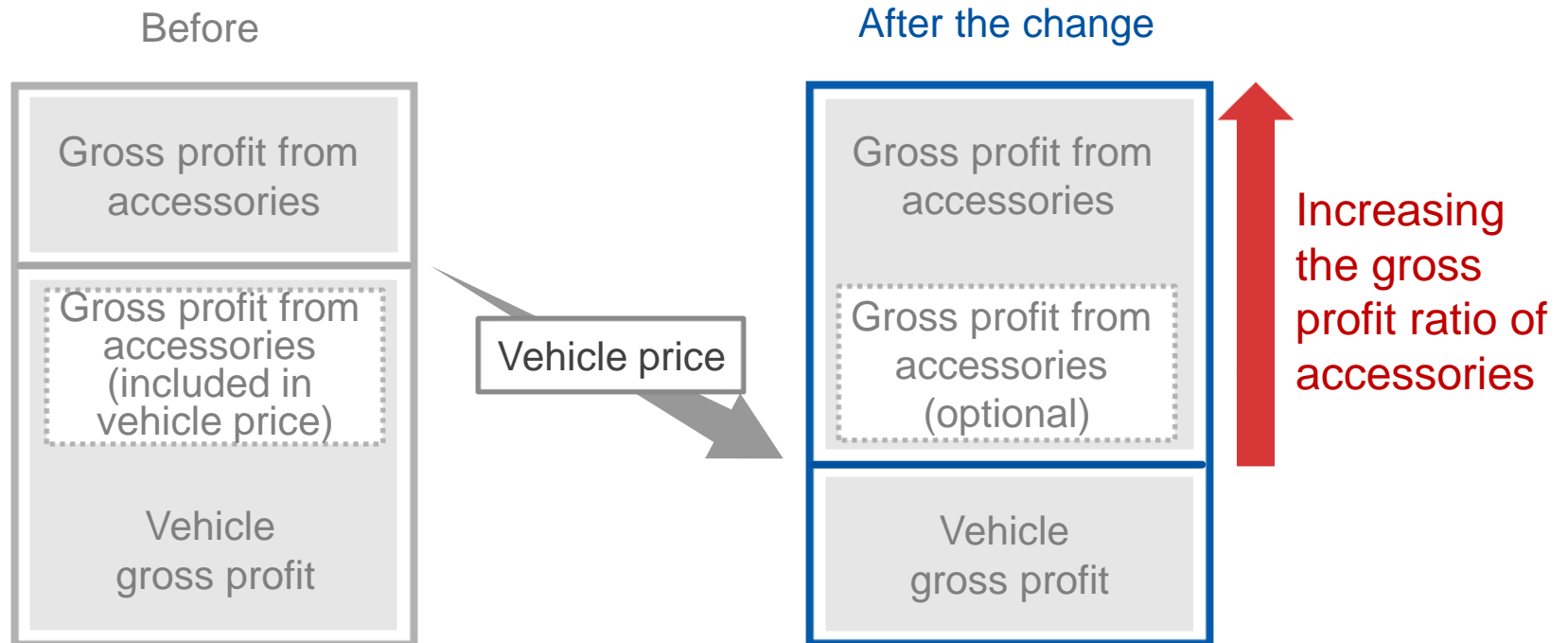
We expect customer behavior in searching and comparing prices online to continue to increase



We made standard accessories (previously included in the vehicle price) into optional accessories to make vehicle prices more attractive, especially to online customers. By doing so, we aim to increase customer traffic and boost retail unit sales.

Aims and reasons (2)

Aim	Enhance accessory business	Reason	The accessory business has greater scale advantages than vehicle sales
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The scale advantages of buying and selling pre-owned vehicles are limited. However, as trading volume increases, there are larger scale advantages (leading to higher margins) for accessories and services.

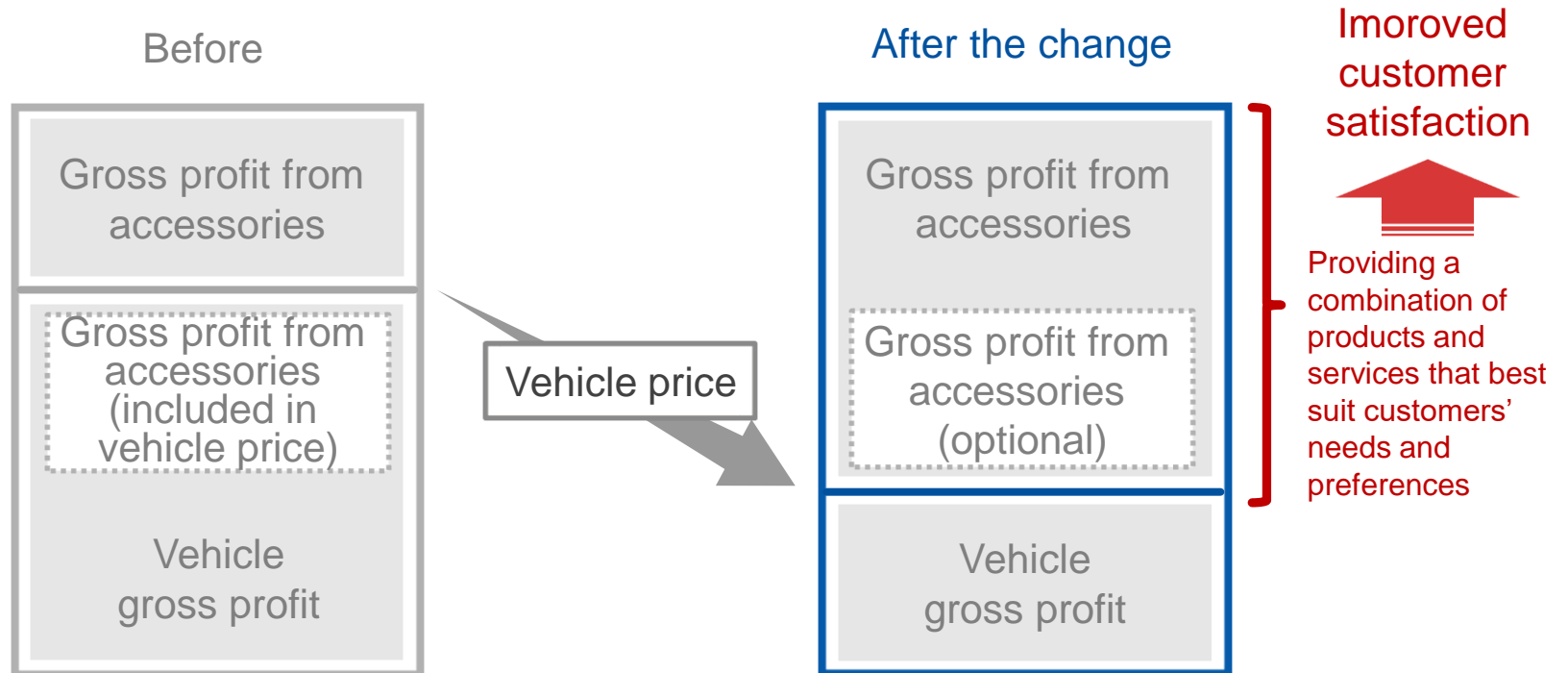
Aims and reasons (3)

Aim

Improve customer satisfaction to increase repeat customers, as well as use of other services

Reason

Needs of customers change over time



We aim to improve customer satisfaction by providing accessory products and services that best suit customers' needs and preferences. We think this will lead to repeat customers and the use of other services we offer.

Issues and Initiatives taken in FY2019

Issues

Although the initiative succeeded in boosting customer traffic, **sales per store fell** due to low conversion rates.

Gross profit per unit fell due to weak revenue from accessories.

Causes

1) Planning lacks detail

- Low revenues from accessories on lower-priced cars
- Insufficient plans by regions and stores

2) Insufficient implementation process

- Inadequate trainings caused unclear sales style
- Slow penetration to sales staff

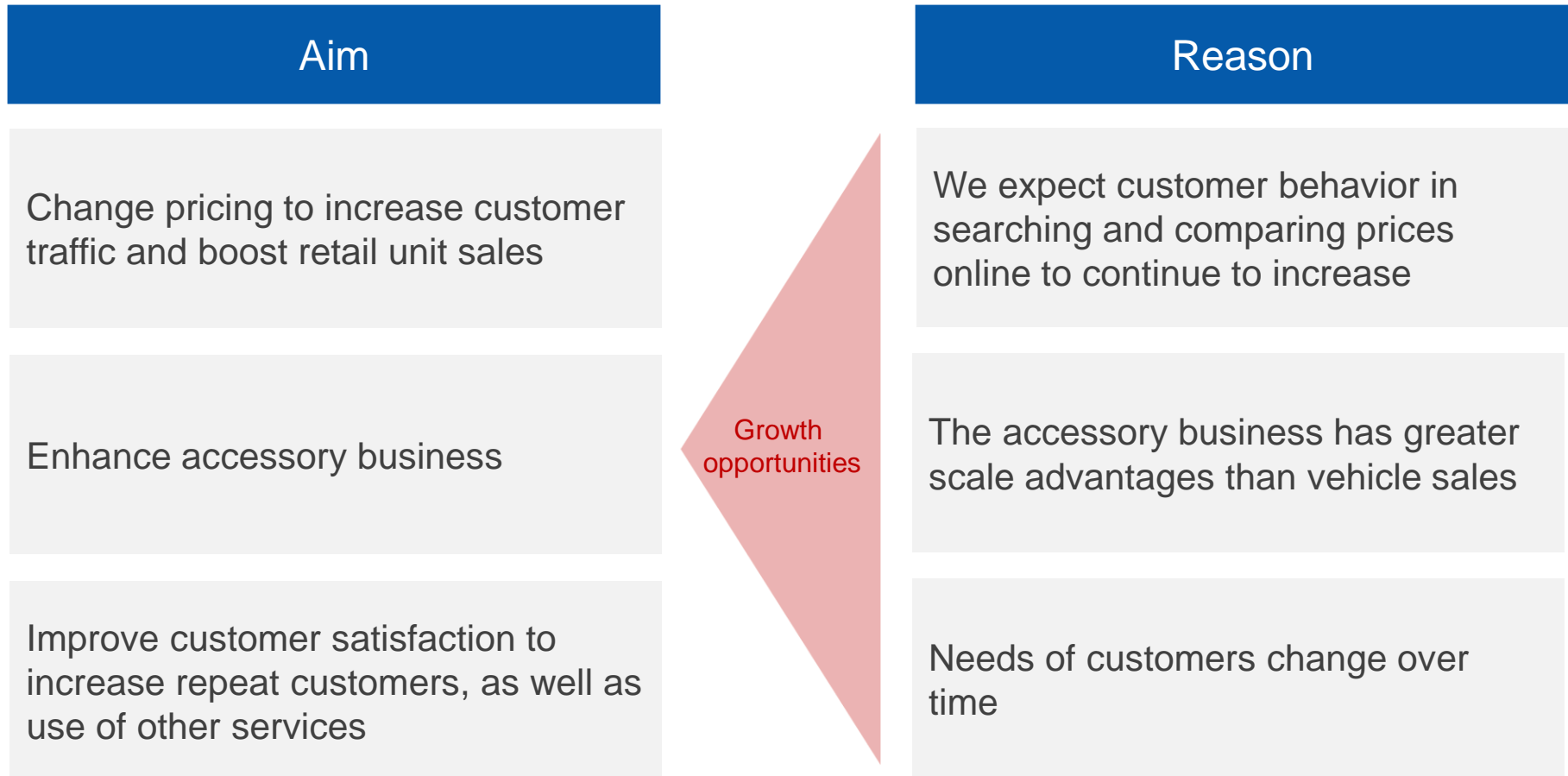
Initiatives

- Segment strategies by area and vehicles
- Reinforced regional marketing
- Campaigns to promote accessory business

- Introduce tools and measures to help standardize sales process
- Modify incentive structure to improve motivation
- Training of staff
- Sales staff becoming experienced with the new approach

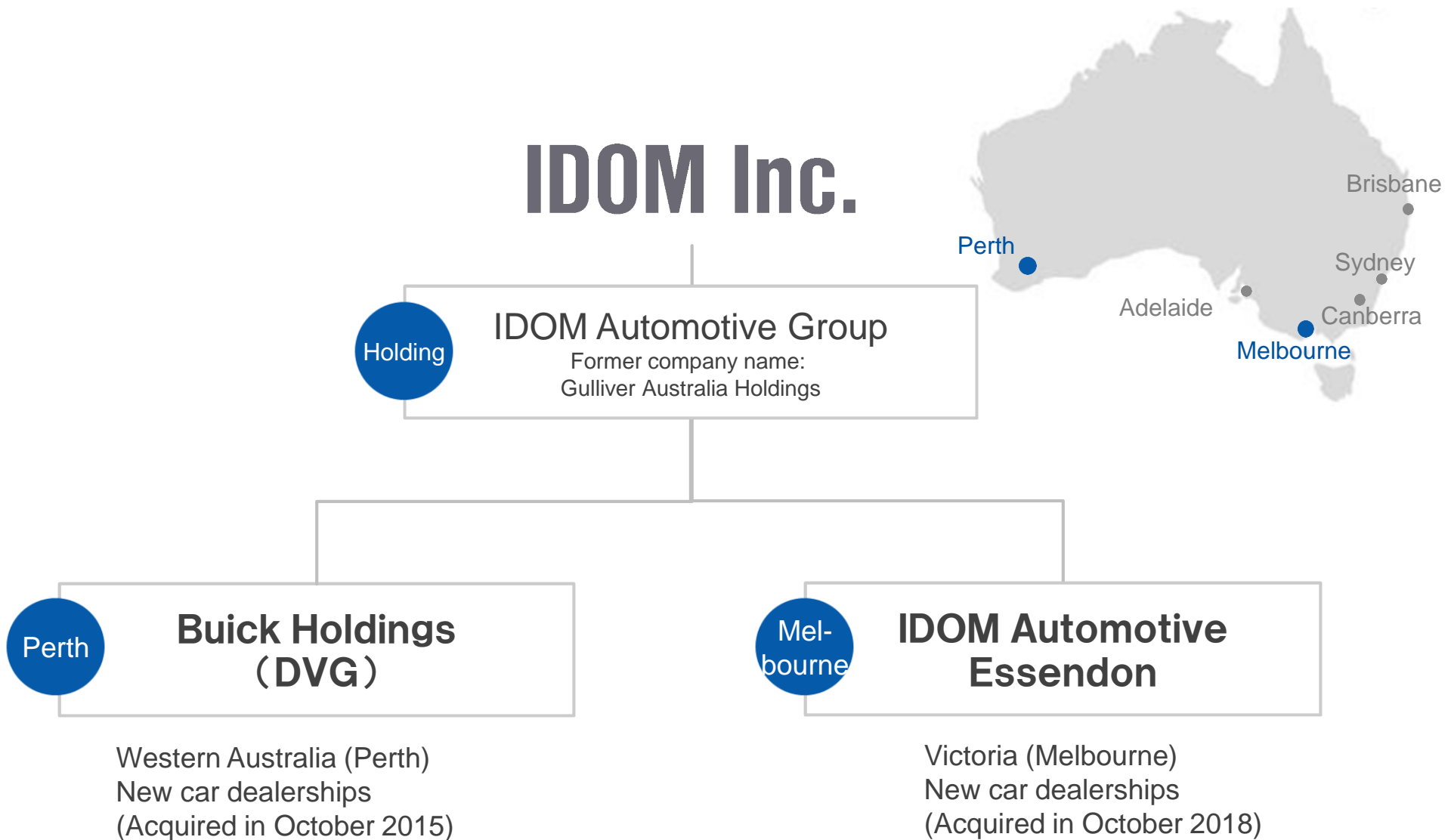
Conclusion and going forward

- Continue the measures for the future growth



1 IDOM (non-consolidated)

2 Australian subsidiaries



*Balance sheets were consolidated in Q3 FY2019, in prior to the consolidation of profits and loss in the Q4 (5 month results were included in the Q4).

Australian subsidiaries

- Improved performance by Buick, and Essendon newly consolidated

		FY 2018	FY 2019
Buick	Operating income (loss) (Before deduction for amortization of goodwill)	-765 million yen	206 million yen
	Amortization of good will ^{*1}	423 million yen	399 million yen
.....			
Essendon	Operating income (loss) (Before deduction for amortization of goodwill)		295 million yen ^{*2}
	Amortization of good will ^{*1}		123 million yen ^{*2}

*1 Japanese GAAP requires amortization of goodwill from acquisitions and recognition as an expense in each fiscal year. Goodwill from the acquisition of the Australian businesses above will be amortized on a straight-line basis over 20 years in IDOM Group's consolidated financial statements.

*2 5 months results (October 2018 to February 2019)

Western subsidiary Buick Holdings (DVG) showed improvement YoY and the results were in line with the initial plan. Melbourne-based subsidiary (Essendon) was newly consolidated (5 months results).

III. FY2020 outlook

FY2020 outlook

[Non-consolidated] Assumption for the outlook:

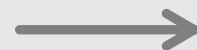
Performance is at the same level as in FY2019 (conservative estimation excluding the effects of ongoing improvement measures)

	FY 2019	FY 2020 outlook
Non-consolidated		
Gross profit	52,770 million yen	53,800 million yen
SG&A expenses	50,018 million yen	51,000 million yen
Operating income	2,751 million yen	2,800 million yen
.....		
Consolidated		
Operating income	3,400 million yen	3,700 million yen

[Consolidated] Assumption for the outlook:

Only included the effects of full-year contribution of the newly consolidated Australian subsidiary (Essendon)




FY2019
5 months



FY2020 (Outlook)
12 months

[Non-consolidated] Assumption for the outlook

- Conservative estimation and excluding the effects of ongoing improvement measures

Retail unit sales per store	 At the same level as in FY2019
Gross profit per unit	 At the same level as in FY2019
Other factors	 Unchanged

Dividend payout

Dividend policy Earnings performance-linked dividends

Method

In principle, the dividends are calculated based on consolidated net income of **previous fiscal year** x 30%
(changed from FY2017 dividends)

Dividends per share

(Unit: yen)

	FY2018	FY2019	FY2020 (plan)
Interim dividend	3.50	5.50	0.60
Year-end dividend	3.50	5.50	0.60
Annual dividend	7.00	11.00	1.20



Based on consolidated net income of FY2019

Reinforcing our sales scheme

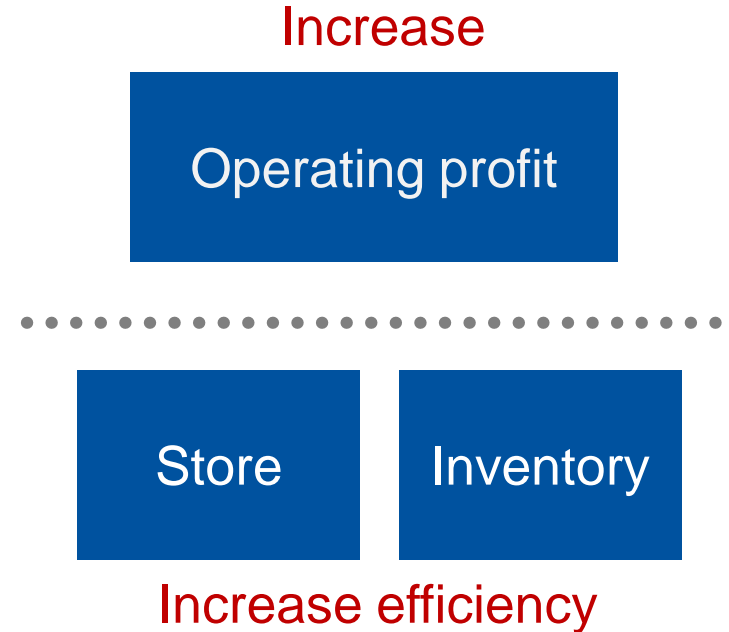
IV. Supplementary information (1)

Increase profitability and efficiency

- Improve return structure by increasing profits and increasing efficiency in store (investment) and inventory (working capital)

1 Initiatives for profit expansion in 9 areas

2 Increase store and inventory efficiency



- 1 Profit expansion in 9 areas
- 2 Higher efficiencies in store and inventory

Profit expansion in 9 areas

- Continue to aim for growth driven by profit expansion in the retail business, while continuing to implement our basic policies.

Retail cars
sold



1. New store openings
2. Customer traffic
3. Conversion rate



Gross profit
per unit



4. Pricing
5. Additional revenues
6. Sourcing higher-margin products



SG&A
(excl. net increase due to
uptick in no. of stores)



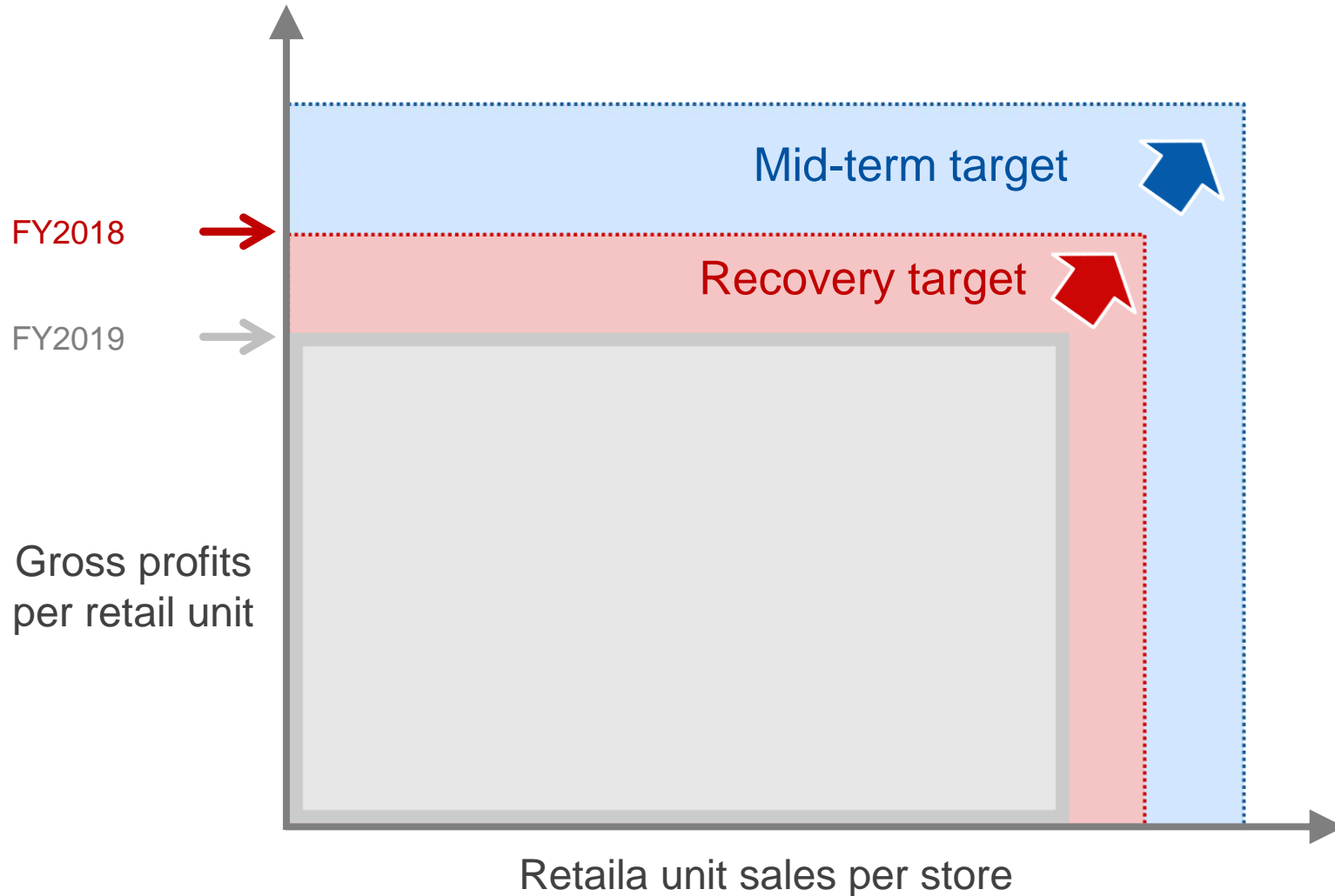
7. Per-store operation costs
8. Advertising and promotion costs
9. Headquarters administrative costs



Continue our
basic policies

Priority measure - Improvement in retail gross profits

- Recover the retail gross profits (per store) to the level of FY2018

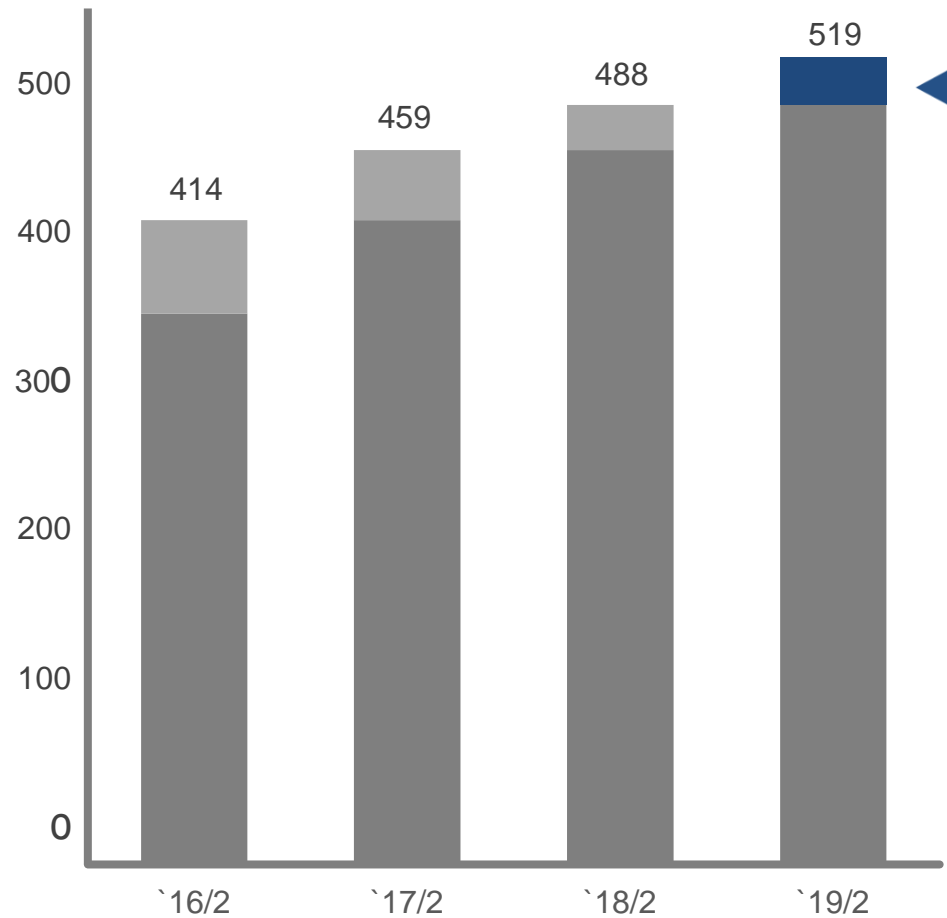


- 1 Profit expansion in 9 areas
- 2 Higher efficiencies in store and inventory

Number of stores FY2019

Number of directly managed stores

(Unit: stores)



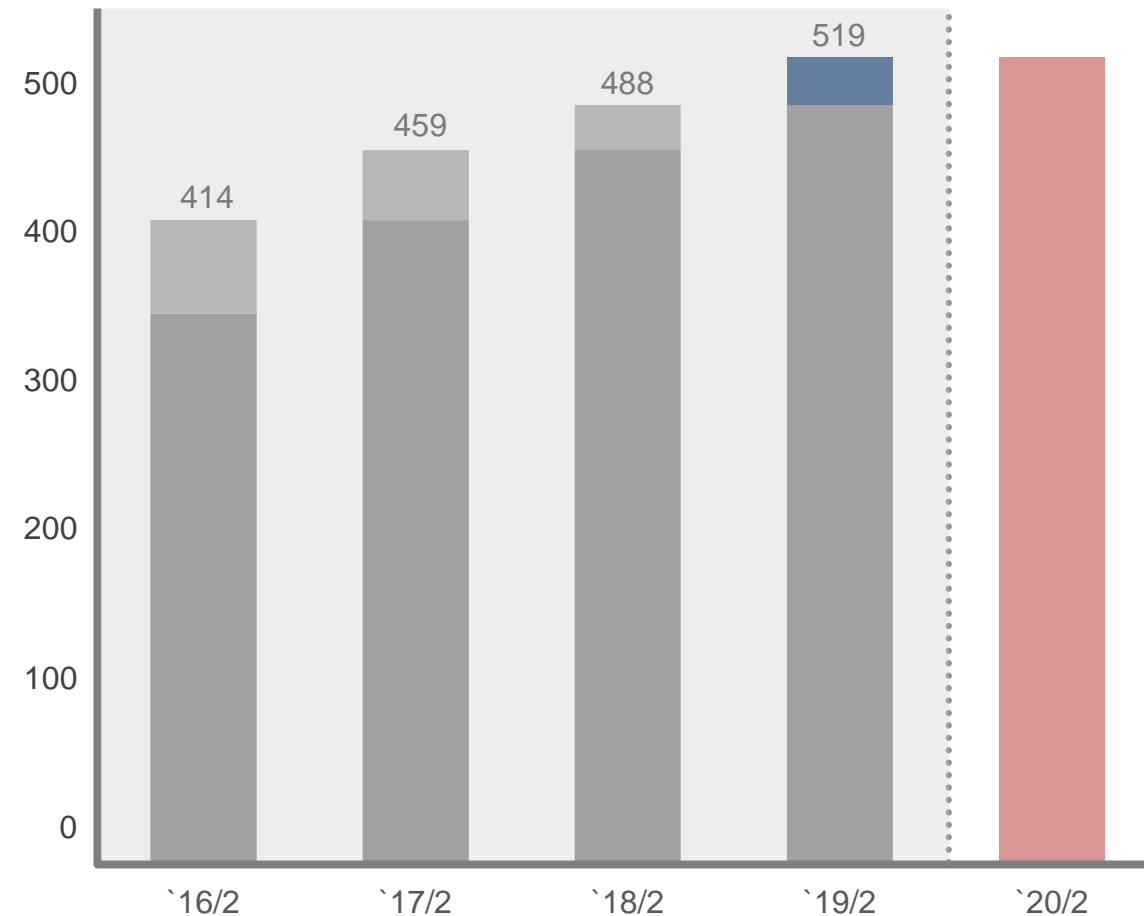
	Actual	Plan
[Newly opened]	40	32
[Closed]	9	
[Net increase]	31	

Number of stores FY2020 outlook

- We have raised our assessment standards on store profitability, and thus expect less stores opened and more stores closed in FY2020 than in FY2019.

Number of directly managed stores

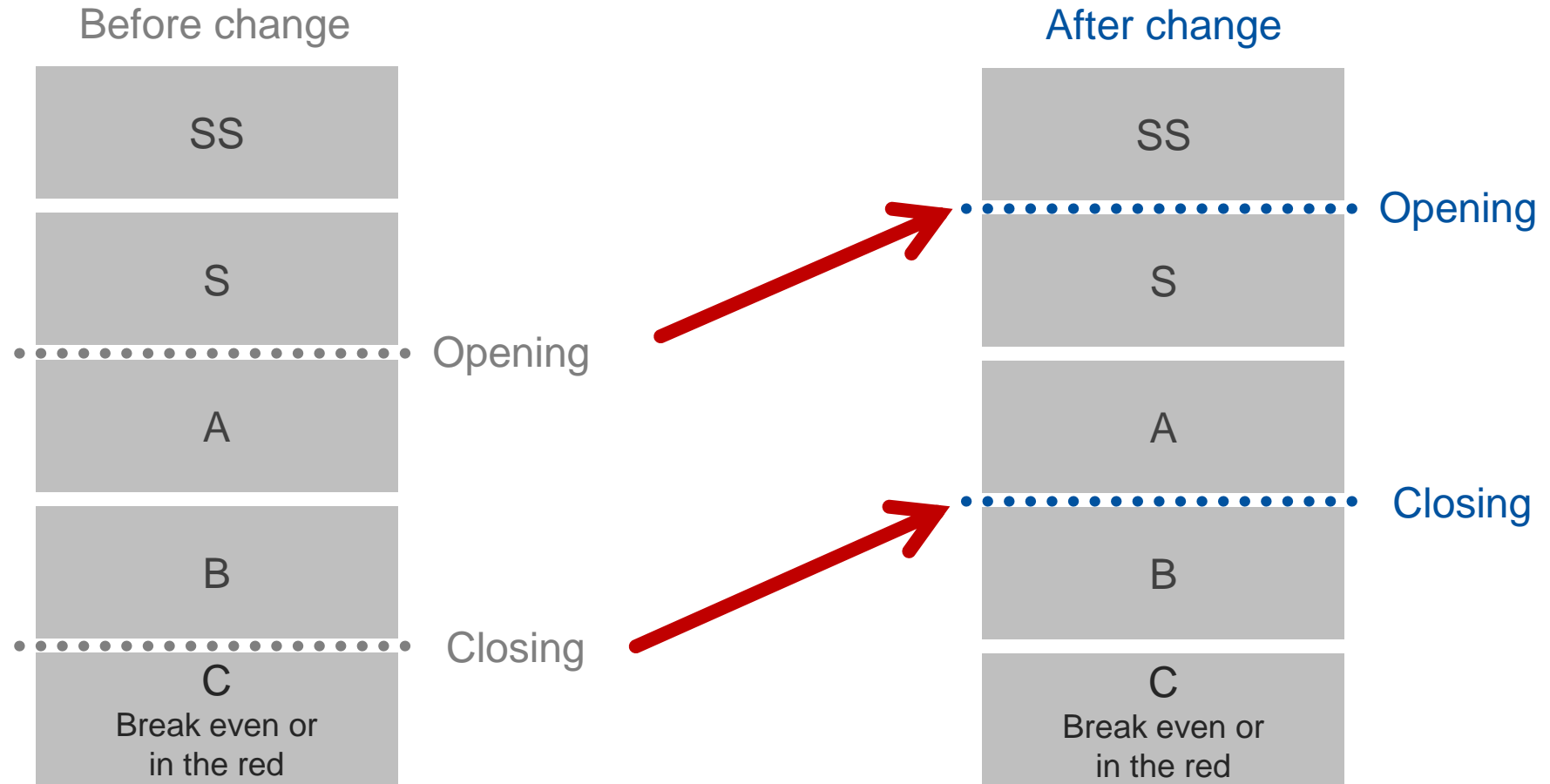
(Unit: stores)



	Outlook
[Newly opened]	20
[Closed]	20
[Net increase]	0

Tougher store opening and closing standards

- Raising the profitability standards on store openings and closures.



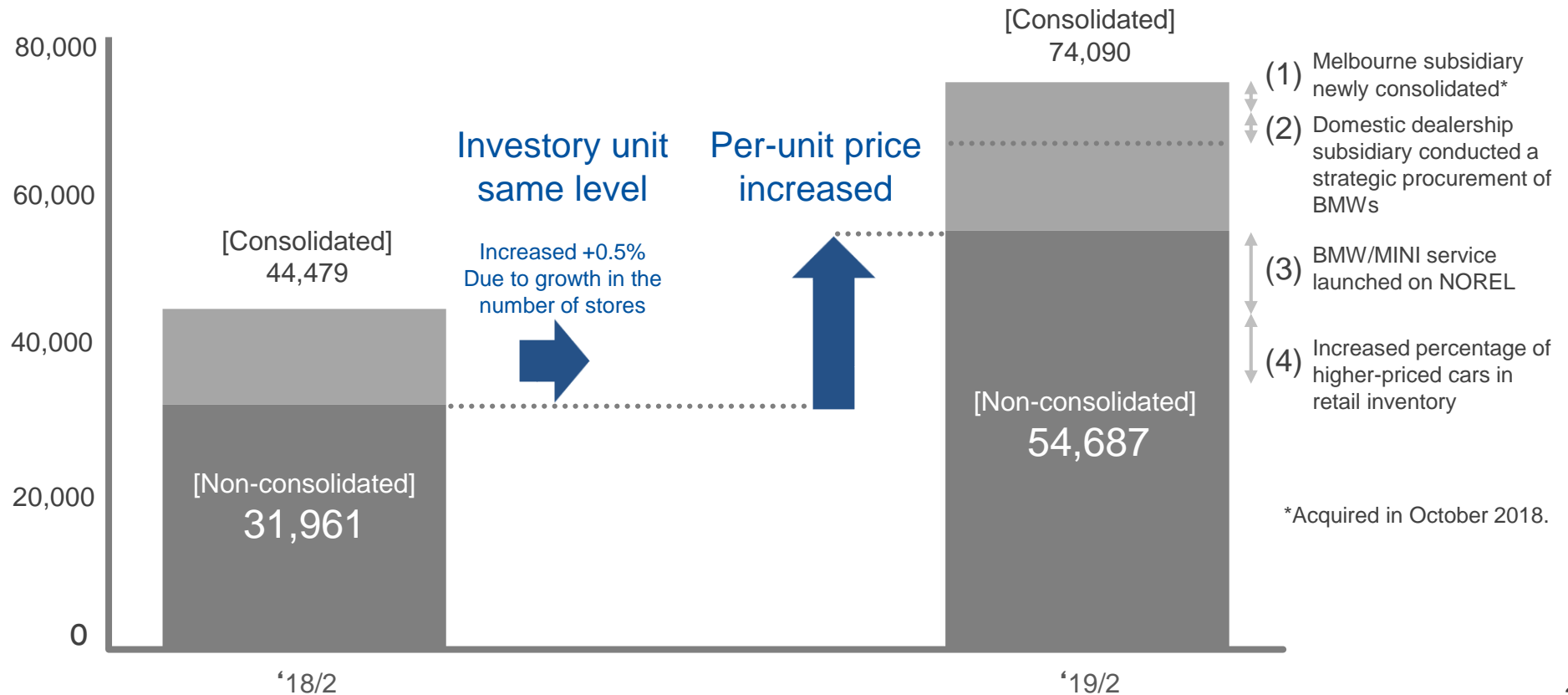
We have introduced tougher standards on profitability, which will likely result in fewer store openings compared with FY2019. We will also consider closing stores with low profitability, even if they are not making a loss.

Inventory as of end-FY2019

- For non-consolidated inventory, unit volume was on par with the end of the previous fiscal year. However, total inventory increased in relation to the launch of NOREL's new car service and other factors

Inventory

(unit: million yen)

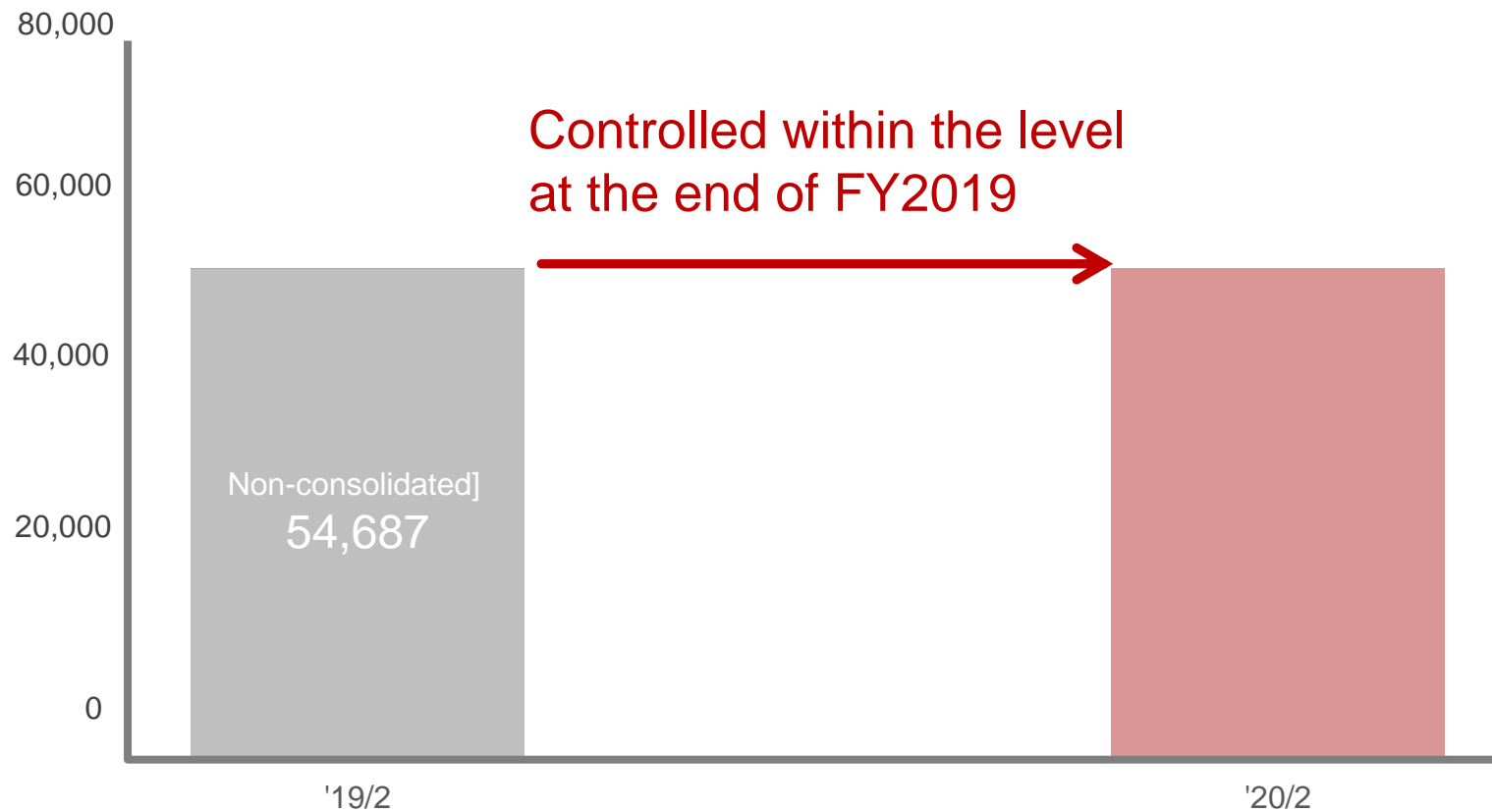


Inventory FY2020 outlook

- We expect to keep the inventory volume below the level at end-FY2019.

Inventory

(unit: million yen)



V. Supplementary information (2)

[Consolidated / Non-consolidated] Income statement

Consolidated	FY ended Feb 28, 2017		FY ended Feb 28, 2018		FY ended Feb 28, 2019		FY ending Feb 29, 2020			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Outlook (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	251,516	100.0	276,157	100.0	309,410	100.0	324,000	100.0	14,589	4.7
Cost of sales	190,383	75.7	210,298	76.2	244,707	79.1	256,200	79.1	11,492	4.7
Gross profit	61,133	24.3	65,859	23.8	64,702	20.9	67,800	20.9	3,097	4.8
SG&A Expenses	56,634	22.5	59,080	21.4	61,301	19.8	64,100	19.8	2,799	4.6
Operating income	4,498	1.8	6,779	2.5	3,400	1.1	3,700	1.1	300	8.8
Ordinary income	4,160	1.7	5,797	2.1	2,072	0.7	2,200	0.7	128	6.2
Income before income taxes and minority interests	3,692	1.5	5,221	1.9	1,478	0.5	1,600	0.5	122	8.3
Profit attributable to owners of parent	2,247	0.9	3,578	1.3	381	0.1	420	0.1	39	10.2

Non-Consolidated	FY ended Feb 28, 2017		FY ended Feb 28, 2018		FY ended Feb 28, 2019		FY ending Feb 29, 2020			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Outlook (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	198,434	100.0	215,777	100.0	234,618	100.0	234,700	100.0	81	0.0
Cost of sales	147,268	74.2	160,057	74.2	181,847	77.5	180,900	77.1	-947	-0.5
Gross profit	51,166	25.8	55,720	25.8	52,770	22.5	53,800	22.9	1,029	2.0
SG&A Expenses	46,632	23.5	48,797	22.6	50,018	21.3	51,000	21.7	982	2.0
Operating income	4,534	2.3	6,922	3.2	2,751	1.2	2,800	1.2	49	1.8
Ordinary income	4,649	2.3	6,851	3.2	2,673	1.1	2,700	1.2	27	1.0
Income before income taxes	3,858	2.0	6,158	2.9	1,707	0.7	1,750	0.7	43	2.5
Net income	2,558	1.3	4,324	2.0	933	0.4	970	0.4	37	4.0

[Consolidated / Non-consolidated] Income statement (half year)

Consolidated	6 months ended August 31, 2016		6 months ended August 31, 2017		6 months ended August 31, 2018		6 months ending August 31, 2019			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Outlook (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	124,244	100.0	135,468	100.0	143,937	100.0	162,000	100.0	18,062	12.5
Cost of sales	94,539	76.1	103,654	76.5	113,771	79.0	128,100	79.1	14,328	12.6
Gross profit	29,704	23.9	31,813	23.5	30,165	21.0	33,900	20.9	3,734	12.4
SG&A Expenses	27,532	22.2	29,285	21.6	29,719	20.6	32,050	19.8	2,330	7.8
Operating income	2,172	1.7	2,528	1.9	445	0.3	1,850	1.1	1,404	315.0
Ordinary income	2,020	1.6	2,032	1.5	-106	-	1,100	0.7	1,206	-
Income before income taxes and minority interests	1,789	1.4	1,876	1.4	-281	-	800	0.5	1,081	-
Profit attributable to owners of parent	1,102	0.9	1,121	0.8	-598	-	210	0.1	808	-

Non-Consolidated	6 months ended August 31, 2016		6 months ended August 31, 2017		6 months ended August 31, 2018		6 months ending August 31, 2019			
	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Results (million yen)	Ratio (%)	Outlook (million yen)	Ratio (%)	Change (million yen)	Y/Y (%)
Sales	96,200	100.0	107,606	100.0	110,589	100.0	117,350	100.0	6,760	6.1
Cost of sales	71,544	74.4	80,764	75.1	85,959	77.7	90,450	77.1	4,490	5.2
Gross profit	24,655	25.6	26,841	24.9	24,630	22.3	26,900	22.9	2,269	9.2
SG&A Expenses	22,487	23.4	24,132	22.4	24,337	22.0	25,500	21.7	1,162	4.8
Operating income	2,167	2.3	2,709	2.5	293	0.3	1,400	1.2	1,106	376.9
Ordinary income	2,102	2.2	2,489	2.3	95	0.1	1,350	1.2	1,254	1,320.0
Income before income taxes	1,904	2.0	2,367	2.2	-162	-	875	0.7	1,037	-
Net Income	1,343	1.4	1,504	1.4	-391	-	485	0.4	876	-

[Consolidated] Balance sheets

(million 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

	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	3,809
Current portion of long-term loan payables	—	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	31,901	60,646
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	56,784	73,017
Total liabilities	88,686	133,664
Net assets		
Shareholders' equity		
Capital stock	4,157	4,157
Capital surplus	4,032	4,032
Retained earnings	36,373	35,842
Treasury shares	-3,947	-3,947
Total shareholders' equity	40,615	40,084
Accumulated other comprehensive income		
Foreign currency translation adjustment	323	-243
Total accumulated other comprehensive income	323	-243
Stock acquisition rights	3	3
Minority owner shares worth	551	588
Total net assets	41,494	40,432
Total liabilities and net assets	130,181	174,097

[Consolidated] Statements of Cash Flows

(million yen)

	FY ended Feb 28, 2017	FY ended Feb 28, 2018	FY ended Feb 28, 2019
I . Cash flows from operating activities	-4,632	6,989	-19,593
II . Cash flows from investing activities	-8,262	-5,315	-11,015
III . Cash flows from financing activities	18,092	8,731	30,930
IV . Effect of exchange rate change on cash and cash equivalents	18	-19	-114
V . Net increase in cash and cash equivalents	5,214	10,387	206
VI . Cash and cash equivalents at the beginning of period	9,122	14,337	22,763
VII . Increase in cash and cash equivalents from change in consolidation	-	-1,960	-
VIII . Cash and cash equivalents at the end of period	14,337	22,763	22,970

Store openings (March - February)



(Gulliver display sales model)

Nanao
Nanao, Ishikawa



Nakatsu
Nakatsu, Oita



Mizuho
Nishitama, Tokyo



Noboribetsu-Muroran
Noboribetsu, Hokkaido



Chikusei
Chikusei, Ibaraki



Omura
Omura, Nagazaki



Karatsu
Karatsu, Saga



Takeo
Takeo, Saga



Saku
Saku, Nagano



Yame
Yame, Fukuoka



Kawara
Tagawa, Fukuoka



Sumoto
Sumoto, Hyogo



Higashikariki
Sapporo, Hokkaido



Hachioji Minamino
Hachioji, Tokyo



Hamamatsu-Miyatake
Hamamatsu, Miyatake



Store openings (March - February)

Matsue Tamayu
Matsue, Shimane



Ise
Ise, Mie



Masuda Yume-town
Masuda, Shimane



Mutsu
Mutsu, Aomori



Higashiyamasaki
Takamatsu, Kagawa



Sapporo Kiyota
Sapporo, Hokkaido



R-8 Echizen
Echizen, Fukui



Hitoyoshi
Kuma, Kumamoto



Maizuru
Maizuru, Kyoto



Kumamoto Yatsushiro
Yatsushiro, Kumamoto



Higashiosaka
Higashiosaka, Osaka



Yomitan AEON TOWN
Nakagami, Okinawa



LIBERALA
LIBERALA Sendai
Sendai, Miyagi



LIBERALA Aomori
Aomori



Store openings (March - February)

Gulliver
OUTLET

OL Niigata Sakuragi
Niigata



OL Ishinomaki
Ishinomaki, Miyagi



OL R-8 Tsubame-Sanjo
Sanjo, Niigata



OL Kishiwada-Izumi
Izumi, Osaka



OL Yonezawa
Yonezawa, Yamagata



OL Kawachi-Nagano
Kawachi-Nagano, Osaka



OL R-7 Aomori
Aomori



OL Nonoichi
Nonoichi, Ishikawa



OL R-8 Hikone
Hikone, Shiga



OL Satsuma Kawauchi
Satsumakawauchi, Kagoshima



OL Yachiyo
Yachiyo, Chiba



IDOM Inc.

Established: 1994
Share listing: 1998
No. of directly managed stores: 519
No. of franchised stores: 69
As of 28 February, 2019

Group companies

Japan

- [BMW/MINI dealerships]
Motoren Global
Motoren Glanz
- Tokyo My Car Sales

Overseas

- [Western Australia]
Buick Holdings (DVG)
IDOM Automotive Essendon
- [New Zealand]
Gulliver International New Zealand
- [USA]
Gulliver U.S.A., Gulliver EAST

Retail cars sold at directly
managed stores by IDOM

124,527 units

FY2019 results

Total units purchased by
IDOM Group in Japan*

229,141 units

FY2019 results

No. of employees
(consolidated)

4,386

As of 28 February ,2019

* Total number of vehicles purchased by IDOM's directly managed stores and 100% owned subsidiaries in Japan, excluding franchised stores. It includes purchasing and procurement from corporations and excludes disposal vehicles. Internal transactions within Group are not considered.