

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2022 (Based on Japanese GAAP)

October 14, 2022

Company name: IDOM Inc.
 Stock exchange listing: Tokyo
 Stock code: 7599 URL <https://221616.com>
 Representative: President Yusuke Hatori
 Inquiries: CFO Ryo Nishihata TEL 03-5208-5503
 Scheduled date to file Quarterly Securities Report: October 17, 2022
 Scheduled date to commence dividend payments: November 7, 2022
 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, 2022 (from March 1, 2022 to August 31, 2022)

(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, 2022	225,478	(1.0)	8,616	(8.7)	8,280	(8.1)	7,516	41.5
Six months ended August 31, 2021	227,775	27.9	9,440	132.9	9,011	186.3	5,311	286.1

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended August 31, 2022	74.86	–
Six months ended August 31, 2021	52.90	–

(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, 2022	173,255	57,558	32.9	567.93
As of February 28, 2022	189,766	55,709	28.5	537.97

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2022	–	2.30	–	2.30	4.60
Year ending February 28, 2023	–	16.20	–	–	–
Year ending February 28, 2023 (Forecast)	–	–	–	16.20	32.40

3. Forecast of consolidated financial results for the year ending February 28, 2023 (from March 1, 2022 to February 28, 2023)

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	410,000	(10.8)	17,000	(8.0)	16,400	(6.6)	12,850	19.0	127.98

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2022
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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: Yes
- 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, 2022	106,888,000 shares	As of February 28, 2022	106,888,000 shares
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Number of treasury shares at the end of the period

As of August 31, 2022	6,480,651 shares	As of February 28, 2022	6,480,641 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, 2022	100,407,350 shares	Six months ended August 31, 2021	100,407,399 shares
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1. Qualitative Information on Quarterly Financial Results

(1) Analysis of operating results

In the Second quarter of the fiscal year under review (March 1 to August 31, 2022) (the "first half"), retail unit sales at directly managed stores in Japan were 70,186, (down 3.5% year on year). Retail unit sales decreased due to a decline in the number of directly managed domestic stores, but retail unit sales at large stores increased year on year.

The Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. has been applied since the beginning of the first three months of the consolidated fiscal year under review. Due to the adoption of the Revenue Recognition Accounting Standard and other standards, operating profit decreased 426 million yen for the first half.

Transfer of shares in the Australian subsidiaries completed in July, 2022. Consequently, the consolidation period for the Australian subsidiary has become three months from March to May 2022, and the Australia segment recorded a decline in profit of 1,117 million yen year on year.

Selling, general and administrative expenses decreased, reflecting lower rent expenses due to the head office relocation and a decline in personnel expenses attributable to a decrease in the number of employees because of restrained new graduate hiring.

As a result of the transfer of the shares of the Australian subsidiary, the Company posted a gain on sales of shares of subsidiaries of 795 million yen for the consolidated results and 2,871 million yen for the nonconsolidated results as extraordinary income.

As a result of the above, the consolidated business results for the first six months under review were net sales of 225,478 million yen (down 1.0% year on year), operating profit of 8,616 million yen (down 8.7%), ordinary profit of 8,280 million yen (down 8.1%), and profit attributable to owners of parent of 7,516 million yen (up 41.5%).

Regional segment-specific earnings are as indicated below:

I. Japan

The results of the Japan segment were net sales of 179,772 million yen (up 14.4% year on year) and segment profit (operating profit) of 7,386 million yen (up 3.8% year on year). The Japan segment recorded an increase in both sales and profit, chiefly reflecting a rise in the vehicle unit price and a decrease in selling, general & administrative expenses.

II. Australia

The results of the Australia segment were net sales of 44,607 million yen (down 35.8% year on year) and segment profit (operating profit) of 1,284 million yen (down 46.5% year on year). Results of the Australian subsidiary underperformed the year-ago level because the consolidation period in the first half has become three months due to the share transfer.

Results for each business segment are described below.

Starting with the first quarter under review, the domestic used car sales business and the new car sales business conducted in Australia including non-consolidated sales of subsidiaries Tokyo My Car and Gulliver Insurance are voluntarily disclosed as the domestic core business segment and the Australian business segment, respectively.

I. Domestic Core Business

The results of the domestic core business segment were net sales of 179,275 million yen (up 19.0% year on year) and segment profit (operating profit) of 7,434 million yen (up 8.6% year on year). Retail unit sales at directly managed domestic stores decreased due to a decline in the number of stores. However, the segment recorded an increase in both sales and profit, reflecting steady retail unit sales at large stores and a decline in selling, general and administrative expenses.

II. Australian Business

The results of the Australia segment were net sales of 44,607 million yen (down 35.8% year on year) and segment profit (operating profit) of 1,284 million yen (down 46.5% year on year). Results of the Australian subsidiary underperformed the year-ago level because the consolidation period in the first half has become three months due to the share transfer.

Previous Second quarter period (From March 1, 2021 to August 31, 2021)

	Domestic core	Australia	Other (Differences)	Amortization of goodwill	Consolidated
Net sales	150,634	69,499	7,641	-	227,775
Segment profit (Operating profit)	6,845	2,401	433	(239)	9,440

Second quarter under review (From March 1, 2022 to August 31, 2022)

	Domestic core	Australia	Other (Differences)	Amortization of goodwill	Consolidated
Net sales	179,275	44,607	1,596	-	225,478
Segment profit (Operating profit)	7,434	1,284	5	(106)	8,616

(2) Analysis of financial position

Assets

Total assets as of the end of the first six months ended August 31, 2022 were 173,255 million yen (down 8.7% compared to the end of the previous fiscal year).

Current assets were 131,215 million yen (down 7.0% compared to the end of the previous fiscal year), mainly reflecting an increase in cash and deposits (up 10,806 million yen), partly offset by decreases in notes and accounts receivable - trade (down 2,745 million yen) and merchandise (down 18,936 million yen).

Non-current assets stood at 42,039 million yen (down 13.5% from the end of the previous fiscal year), due primarily to decreases in goodwill (down 5,904 million yen) and other intangible assets (down 4,312 million yen), despite an increase in buildings and structures (up 1,314 million yen).

Liabilities

Total liabilities as of the end of the first six months ended August 31, 2022 were 115,696 million yen (down 13.7% compared to the end of the previous fiscal year).

Current liabilities totaled 65,383 million yen (up 7.0% from the end of the previous fiscal year) due to a fall in the accounts payable - trade (down 18,828 million yen), a decrease in advances received (down 9,548 million yen from the end of the previous fiscal year) as well as an increase in contract liabilities (up 20,335 million yen from the end of the previous year) attributable mainly to the adoption of the Revenue Recognition Accounting Standard, and an increase in the current portion of long-term borrowings (up 20,000 million yen)

Non-current liabilities were 50,312 million yen (down 31.1% compared to the end of the previous fiscal year) due to a fall in long-term borrowings (down 20,378 million yen), among other factors.

Net assets

Total net assets as of the end of the first six months ended August 31, 2022 were 57,558 million yen (up 3.3% compared to the end of the previous fiscal year) due chiefly to an increase in retained earnings (up 1,996 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, 2023, announced on April 14, 2022. For more details, please refer to "Notice of Differences between Results and Forecasts for the First Six Months of Fiscal Year Ending February 28, 2023, Revision of Full-year Forecasts, and Posting of Extraordinary Income (Gain on Extinguishment of Tie-in Shares) Associated with Absorption-type Merger of a Subsidiary" announced today (October 14, 2022).

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Assets		
Current assets		
Cash and deposits	45,670	56,477
Notes and accounts receivable - trade	5,620	2,875
Merchandise	85,363	66,426
Other	4,907	5,835
Allowance for doubtful accounts	(416)	(398)
Total current assets	141,146	131,215
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,102	38,447
Accumulated depreciation	(16,061)	(16,091)
Buildings and structures, net	21,040	22,355
Vehicles	298	237
Accumulated depreciation	(60)	(105)
Vehicles, net	238	132
Tools, furniture and fixtures	4,279	4,559
Accumulated depreciation	(3,114)	(3,236)
Tools, furniture and fixtures, net	1,164	1,323
Land	136	136
Construction in progress	1,083	1,102
Total property, plant and equipment	23,663	25,050
Intangible assets		
Software	1,465	1,391
Goodwill	5,995	90
Other	4,314	2
Total intangible assets	11,775	1,484
Investments and other assets		
Investment securities	20	0
Shares of subsidiaries and associates	129	29
Long-term loans receivable	228	81
Leasehold and guarantee deposits	4,405	4,788
Construction assistance fund receivables	4,289	4,167
Deferred tax assets	3,677	6,015
Other	438	428
Allowance for doubtful accounts	(8)	(6)
Total investments and other assets	13,181	15,505
Total non-current assets	48,620	42,039
Total assets	189,766	173,255

(Millions of yen)

	As of February 28, 2022	As of August 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	23,618	4,790
Short-term borrowings	1,101	–
Current portion of long-term borrowings	10,000	30,000
Accounts payable - other	4,713	2,143
Income taxes payable	3,960	1,407
Advances received	9,548	–
Contract liabilities	–	20,335
Deposits received	215	176
Provision for bonuses	1,965	1,561
Provision for merchandise warranties	884	–
Other provisions	1,327	408
Other	3,750	4,561
Total current liabilities	61,085	65,383
Non-current liabilities		
Long-term borrowings	67,523	47,145
Long-term guarantee deposits	587	613
Asset retirement obligations	2,236	2,371
Deferred tax liabilities	1,535	–
Other provisions	680	–
Other	407	183
Total non-current liabilities	72,972	50,312
Total liabilities	134,057	115,696
Net assets		
Shareholders' equity		
Share capital	4,157	4,157
Capital surplus	4,361	5,250
Retained earnings	49,673	51,669
Treasury shares	(4,344)	(4,344)
Total shareholders' equity	53,847	56,732
Accumulated other comprehensive income		
Foreign currency translation adjustment	168	291
Total accumulated other comprehensive income	168	291
Non-controlling interests	1,693	533
Total net assets	55,709	57,558
Total liabilities and net assets	189,766	173,255

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, 2021	Six months ended August 31, 2022
Net sales	227,775	225,478
Cost of sales	185,308	187,209
Gross profit	42,466	38,269
Selling, general and administrative expenses	33,025	29,652
Operating profit	9,440	8,616
Non-operating income		
Interest income	15	24
Subsidy income	26	25
Other	52	37
Total non-operating income	93	87
Non-operating expenses		
Interest expenses	464	374
Foreign exchange losses	55	9
Other	4	38
Total non-operating expenses	523	422
Ordinary profit	9,011	8,280
Extraordinary income		
Gain on sale of non-current assets	15	54
Gain on sale of shares of subsidiaries and associates	–	795
Gain on liquidation of subsidiaries	–	19
Compensation income	25	–
Subsidy income	4	91
Other	2	16
Total extraordinary income	47	976
Extraordinary losses		
Loss on retirement of non-current assets	187	51
Head office relocation expenses	870	–
Other	49	24
Total extraordinary losses	1,107	76
Profit before income taxes	7,951	9,181
Income taxes - current	2,801	1,491
Income taxes - deferred	(513)	41
Total income taxes	2,288	1,532
Profit	5,662	7,648
Profit attributable to non-controlling interests	351	132
Profit attributable to owners of parent	5,311	7,516

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Profit	5,662	7,648
Other comprehensive income		
Foreign currency translation adjustment	(233)	310
Share of other comprehensive income of entities accounted for using equity method	17	—
Total other comprehensive income	(216)	310
Comprehensive income	5,446	7,959
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,159	7,639
Comprehensive income attributable to non- controlling interests	286	320

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from operating activities		
Profit before income taxes	7,951	9,181
Depreciation	1,406	1,322
Amortization of goodwill	239	106
Increase (decrease) in allowance for doubtful accounts	14	67
Increase (decrease) in provision for bonuses	(36)	(403)
Increase in provision for merchandise warranties	92	(884)
Interest and dividend income	(15)	(24)
Interest expenses	464	374
Foreign exchange losses (gains)	189	377
Subsidy income	(30)	(116)
Loss (gain) on sale of shares of subsidiaries and associates	–	(795)
Loss (gain) on sale of non-current assets	(15)	(54)
Loss on retirement of non-current assets	187	51
Loss on COVID19	2	–
Loss (gain) on liquidation of subsidiaries	–	(19)
Headquarters relocation cost	870	–
Decrease (increase) in trade receivables	2,467	1,919
Decrease (increase) in inventories	588	(6,296)
Decrease (increase) in consumption taxes refund receivable	(20)	96
Decrease (increase) in accounts receivable - other	(228)	808
Increase (decrease) in accrued consumption taxes	(2,390)	1,157
Increase (decrease) in trade payables	(1,780)	1,703
Increase (decrease) in accounts payable - other	(138)	(665)
Increase (decrease) in deposits received	54	(38)
Increase (decrease) in accrued expenses	(408)	480
Other, net	877	1,984
Subtotal	10,341	10,333
Interest and dividends received	15	24
Interest paid	(461)	(369)
Income taxes paid	(1,815)	(2,786)
Subsidies received	4	91
Payments for loss on COVID-19	(2)	–
Net cash provided by (used in) operating activities	8,081	7,292

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,079)	(3,558)
Proceeds from sale of property, plant and equipment	130	141
Purchase of intangible assets	(230)	(213)
Payments for asset retirement obligations	(18)	(10)
Loan advances	(41)	(2,823)
Proceeds from collection of loans receivable	–	227
Purchase of shares of subsidiaries and associates	(8)	–
Payments of leasehold and guarantee deposits	(93)	(519)
Proceeds from refund of leasehold and guarantee deposits	91	138
Payments of construction assistance fund receivables	(171)	(101)
Proceeds from collection of construction assistance fund receivables	218	223
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	8,597
Proceeds from liquidation of subsidiaries	–	119
Other, net	–	(0)
Net cash provided by (used in) investing activities	(1,204)	2,220

(Millions of yen)

	Six months ended August 31, 2021	Six months ended August 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	24	–
Repayments of long-term borrowings	(1,950)	(169)
Purchase of treasury shares	(0)	(0)
Dividends paid	(536)	(231)
Proceeds from share issuance to non-controlling shareholders	–	1,387
Net cash provided by (used in) financing activities	(2,462)	986
Effect of exchange rate change on cash and cash equivalents	(107)	306
Net increase (decrease) in cash and cash equivalents	4,306	10,806
Cash and cash equivalents at beginning of period	43,179	45,670
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	16	–
Cash and cash equivalents at end of period	47,502	56,477