

Translation

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Summary of Consolidated Financial Results for the Six Months Ended August 31, 2023 (Based on Japanese GAAP)

October 13, 2023

Company name: IDOM Inc.
 Stock exchange listing: Tokyo
 Stock code: 7599 URL <https://221616.com>
 Representative: President Yusuke Hatori
 Inquiries: Director CFO Ryo Nishihata TEL 03-5208-5503
 Scheduled date to file Quarterly Securities Report: October 16, 2023
 Scheduled date to commence dividend payments: November 7, 2023
 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, 2023 (from March 1, 2023 to August 31, 2023)

(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, 2023	203,696	(9.7)	7,098	(17.6)	6,918	(16.5)	4,823	(35.8)
Six months ended August 31, 2022	225,478	(1.0)	8,616	(8.7)	8,280	(8.1)	7,516	41.5

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended August 31, 2023	48.04		-	
Six months ended August 31, 2022	74.86		-	

(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, 2023	161,943	65,018	39.7	641.00
As of February 28, 2023	173,293	62,702	35.8	618.34

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended February 28, 2023	-	16.20	-	26.30	42.50
Year ending February 29, 2024	-	14.41	-	-	-
Year ending February 29, 2024 (Forecast)	-	-	-	21.39	35.80

3. Forecast of consolidated financial results for the year ending February 29, 2024 (from March 1, 2023 to February 29, 2024)

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	400,000	(4.0)	19,000	1.7	18,500	1.9	12,000	(15.5)	119.51

4. Notes

- (1) Changes in significant subsidiaries during the six months ended August 31, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of August 31, 2023	106,888,000 shares	As of February 28, 2023	106,888,000 shares
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Number of treasury shares at the end of the period

As of August 31, 2023	6,480,651 shares	As of February 28, 2023	6,480,651 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, 2023	100,407,349 shares	Six months ended August 31, 2022	100,407,350 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, 2023) (the “first half”), retail unit sales at directly managed stores in Japan were 73,777, a record high for first half sales. This mainly owed to the commencement of operation of large stores opened in the previous fiscal year and robust retail unit sales at existing large stores. Gross profit per unit on a retail basis increased approximately 20,000 yen from a year ago, to 380,000 yen, attributable to the curbing of discounts on vehicle prices by head office.

Consolidated operating profit fell 1,518 million yen from the previous fiscal year, when the results at the Australian subsidiary were consolidated for three months (March to May, 2022 before the completion of an equity share transfer in July 2022).

Consolidated selling, general and administrative expenses decreased year on year. The decrease was primarily due to the transfer of equity in the Australian subsidiary. Meanwhile, selling, general and administrative expenses at the parent company increased from a year ago. The increase mainly reflected rises in personnel costs due to higher incentives, an increase in rent expenses on land and buildings due to the relocation of head office and an increase in the number of large stores. It was also attributable to increases in the number of limited-term employees in preparation for the opening of large stores in the latter half of the fiscal year, which led to an increase in personnel cost and recruitment fees.

As a result of the above, the consolidated business results for the first six months under review were net sales of 203,696 million yen (down 9.7% year on year), operating profit of 7,098 million yen (down 17.6%), ordinary profit of 6,918 million yen (down 16.5%), and profit attributable to owners of parent of 4,823 million yen (down 35.8%).

Regional segment-specific earnings are as indicated below:

I. Japan

The results of the Japan segment were net sales of 202,301 million yen (up 12.5% year on year) and segment profit (operating profit) of 7,025 million yen (down 4.9% year on year). The Japan segment recorded higher revenue and lower profits, primarily due to increases in retail unit sales and SG&A expenses.

II. Others

The results of the Other (Differences) segment were net sales of 1,395 million yen (up 27.0% year on year) and segment profit (operating profit) of 49 million yen (up 80.7% year on year).

The Australia segment has been excluded from the scope of consolidation, because all equity shares in the Australian subsidiary were sold in the previous consolidated fiscal year.

(2) Analysis of financial position

Assets

Total assets as of the end of the first six months ended August 31, 2023 were 161,943 million yen (down 6.5% compared to the end of the previous fiscal year).

Current assets were 118,188 million yen (down 10.1% compared to the end of the previous fiscal year), mainly reflecting decreases in cash and deposits (down 6,809 million yen) and merchandise (down 8,130 million yen).

Non-current assets stood at 43,755 million yen (up 4.6% from the end of the previous fiscal year), due primarily to an increase in construction in progress (up 1,743 million yen), despite a decrease in buildings and structures (down 481 million yen).

Liabilities

Total liabilities as of the end of the first six months ended August 31, 2023 were 96,924 million yen (down 12.4% compared to the end of the previous fiscal year).

Current liabilities totaled 61,543 million yen (down 4.1% from the end of the previous fiscal year) due to a fall in the current portion of long-term borrowings (down 3,700 million yen) and contract liabilities (down 1,924 million yen from the end of the previous fiscal year).

Non-current liabilities were 35,381 million yen (down 23.8% compared to the end of the previous fiscal year) due to a fall in long-term borrowings (down 11,300 million yen), among other factors.

Net assets

Total net assets as of the end of the first six months ended August 31, 2023 were 65,018 million yen (up 3.7% compared to the end of the previous fiscal year) due chiefly to an increase in retained earnings (up 2,182 million yen).

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

Looking at the consolidated earnings forecasts for the fiscal year ending February 29, 2024, there are no changes in the figures that were presented in the "Summary of Consolidated Financial Results for the Fiscal Year Ending February 28, 2023 (Japanese GAAP)" announced on April 14, 2023.

Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
Assets		
Current assets		
Cash and deposits	37,473	30,664
Notes and accounts receivable - trade	3,927	6,359
Merchandise	84,432	76,301
Other	6,173	5,480
Allowance for doubtful accounts	(528)	(617)
Total current assets	131,478	118,188
Non-current assets		
Property, plant and equipment		
Buildings and structures	41,306	41,601
Accumulated depreciation	(16,873)	(17,649)
Buildings and structures, net	24,433	23,951
Vehicles	236	236
Accumulated depreciation	(148)	(171)
Vehicles, net	88	65
Tools, furniture and fixtures	5,077	5,258
Accumulated depreciation	(3,362)	(3,530)
Tools, furniture and fixtures, net	1,715	1,727
Land	136	136
Construction in progress	67	1,811
Other	–	251
Total property, plant and equipment	26,441	27,943
Intangible assets		
Software	1,300	1,334
Goodwill	86	82
Other	2	2
Total intangible assets	1,389	1,418
Investments and other assets		
Investment securities	0	0
Shares of subsidiaries and associates	29	29
Long-term loans receivable	76	1,258
Leasehold and guarantee deposits	5,045	5,327
Construction assistance fund receivables	3,955	3,740
Deferred tax assets	4,435	3,605
Other	449	440
Allowance for doubtful accounts	(6)	(9)
Total investments and other assets	13,984	14,392
Total non-current assets	41,815	43,755
Total assets	173,293	161,943

(Millions of yen)

	As of February 28, 2023	As of August 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	4,822	4,613
Current portion of long-term borrowings	24,145	20,445
Accounts payable - other	3,812	3,664
Income taxes payable	864	1,582
Contract liabilities	25,336	23,412
Deposits received	309	247
Provision for bonuses	897	1,199
Other provisions	342	90
Other	3,635	6,289
Total current liabilities	64,165	61,543
Non-current liabilities		
Long-term borrowings	43,000	31,700
Long-term guarantee deposits	599	640
Asset retirement obligations	2,643	2,700
Other	183	340
Total non-current liabilities	46,426	35,381
Total liabilities	110,591	96,924
Net assets		
Shareholders' equity		
Share capital	4,157	4,157
Capital surplus	5,250	5,250
Retained earnings	56,738	58,920
Treasury shares	(4,344)	(4,344)
Total shareholders' equity	61,801	63,984
Accumulated other comprehensive income		
Foreign currency translation adjustment	284	376
Total accumulated other comprehensive income	284	376
Share acquisition rights	147	255
Non-controlling interests	468	402
Total net assets	62,702	65,018
Total liabilities and net assets	173,293	161,943

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, 2022	Six months ended August 31, 2023
Net sales	225,478	203,696
Cost of sales	187,209	168,792
Gross profit	38,269	34,903
Selling, general and administrative expenses	29,652	27,805
Operating profit	8,616	7,098
Non-operating income		
Interest income	24	69
Subsidy income	25	–
Other	37	26
Total non-operating income	87	96
Non-operating expenses		
Interest expenses	374	170
Foreign exchange losses	9	67
Other	38	37
Total non-operating expenses	422	275
Ordinary profit	8,280	6,918
Extraordinary income		
Gain on sale of non-current assets	54	–
Gain on sale of shares of subsidiaries and associates	795	–
Gain on liquidation of subsidiaries	19	–
Subsidy income	91	83
Other	16	4
Total extraordinary income	976	87
Extraordinary losses		
Loss on retirement of non-current assets	51	18
Information security expenses	–	131
Other	24	1
Total extraordinary losses	76	152
Profit before income taxes	9,181	6,853
Income taxes - current	1,491	1,265
Income taxes - deferred	41	830
Total income taxes	1,532	2,096
Profit	7,648	4,757
Profit (loss) attributable to non-controlling interests	132	(66)
Profit attributable to owners of parent	7,516	4,823

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Profit	7,648	4,757
Other comprehensive income		
Foreign currency translation adjustment	310	92
Total other comprehensive income	310	92
Comprehensive income	7,959	4,849
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,639	4,915
Comprehensive income attributable to non-controlling interests	320	(66)

Consolidated statements of cash flows

(Millions of yen)

	Six months ended August 31, 2022	Six months ended August 31, 2023
Cash flows from operating activities		
Profit before income taxes	9,181	6,853
Depreciation	1,322	1,269
Amortization of goodwill	106	3
Increase (decrease) in allowance for doubtful accounts	67	91
Increase (decrease) in provision for bonuses	(403)	301
Increase in provision for merchandise warranties	(884)	–
Interest and dividend income	(24)	(69)
Interest expenses	374	170
Foreign exchange losses (gains)	377	12
Subsidy income	(116)	(83)
Share-based payment expenses	–	107
Loss (gain) on sale of shares of subsidiaries and associates	(795)	–
Loss (gain) on sale of non-current assets	(54)	–
Loss on retirement of non-current assets	51	18
Loss (gain) on liquidation of subsidiaries	(19)	–
Information security expenses	–	131
Decrease (increase) in trade receivables	2,062	(4,381)
Decrease (increase) in inventories	(6,296)	8,174
Decrease (increase) in consumption taxes refund receivable	96	–
Decrease (increase) in accounts receivable - other	808	(101)
Increase (decrease) in accrued consumption taxes	1,157	2,190
Increase (decrease) in trade payables	441	(212)
Increase (decrease) in accounts payable - other	(665)	(263)
Increase (decrease) in refund liability	1,261	130
Increase (decrease) in deposits received	(38)	(62)
Increase (decrease) in accrued expenses	480	233
Other, net	1,841	(209)
Subtotal	10,333	14,305
Interest and dividends received	24	69
Interest paid	(369)	(168)
Income taxes paid	(2,786)	(593)
Subsidies received	91	83
Information security expenses paid	–	(131)
Net cash provided by (used in) operating activities	7,292	13,564
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,558)	(2,201)
Proceeds from sale of property, plant and equipment	141	–
Purchase of intangible assets	(213)	(278)
Payments for asset retirement obligations	(10)	(16)
Loan advances	(2,823)	(468)
Proceeds from collection of loans receivable	227	370
Payments of leasehold and guarantee deposits	(519)	(300)
Proceeds from refund of leasehold and guarantee deposits	138	19
Payments of construction assistance fund receivables	(101)	–
Proceeds from collection of construction assistance fund receivables	223	215
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)	(11)
Net cash provided by (used in) investing activities	2,220	(2,671)

	(Millions of yen)	
	Six months ended August 31, 2022	Six months ended August 31, 2023
Cash flows from financing activities		
Proceeds from long-term borrowings	–	5,000
Repayments of long-term borrowings	(169)	(20,000)
Purchase of treasury shares	(0)	–
Dividends paid	(231)	(2,638)
Proceeds from share issuance to non-controlling shareholders	1,387	–
Net cash provided by (used in) financing activities	986	(17,638)
Effect of exchange rate change on cash and cash equivalents	306	(63)
Net increase (decrease) in cash and cash equivalents	10,806	(6,809)
Cash and cash equivalents at beginning of period	45,670	37,473
Cash and cash equivalents at end of period	56,477	30,664