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July 31, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 【Under Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information for the Three Months Ended June 30, 2024.

Company name: AUTOBACS SEVEN CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 9832
 URL: <https://www.autobacs.co.jp/>
 Representative: Yugo Horii, Representative Director & Chief Executive Officer
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 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

(Note: Amounts less than 1 million Yen have been rounded down. A figure in () indicates a loss or a negative figure.)

1. Consolidated financial results for the for the three months ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Unit: Millions of Yen except for per share information, and % information which indicates increase or decrease(.))

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	54,011	(6.3)	1,057	(48.0)	1,356	(33.9)	730	(45.7)
June 30, 2023	57,668	9.1	2,031	29.8	2,050	12.6	1,345	(23.4)

Note: Comprehensive income: 1,290 million yen for the Three months ended June 30, 2024: (11.0%)

1,449 million yen for the Three months ended June 30, 2023: (54.9%)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	9.37	—
June 30, 2023	17.26	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2024	191,468	127,059	66.3	1,628.11
March 31, 2024	194,948	129,152	66.1	1,652.71

(Reference) Equity: As of June 30, 2024: 126,905 million yen

As of March 31, 2024: 128,845 million yen

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	30.00	—	40.00	70.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		30.00	—	30.00	60.00

Note: Revisions to dividend forecasts published most recently: None

Breakdown of Year-end dividend for the Fiscal year ended March 31, 2024

Ordinary dividend: 30.00 yen Commemorative dividend: 10.00 yen

3. Forecast for the fiscal year ending March 2025 (from April 1, 2024 to March 31, 2025)

(Unit: Millions of Yen, percentage figures denote year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Annual	240,300	4.5	12,000	49.8	12,500	54.4	7,700	21.2	98.79

Note: Revisions to financial forecasts published most recently: None

4. Notes

- (1) Significant changes in the scope of consolidation during the period: None
Newly included: — companies
Excluded: — companies
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
1. Changes in accounting policies due to revisions to accounting standards and other regulations: None
2. Changes in accounting policies due to other reasons: None
3. Changes in accounting estimates: None
4. Restatement: None

(4) Number of issued shares (common shares)

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

As of June 30, 2024	82,050,105 shares
As of March 31, 2024	82,050,105 shares

2. Number of treasury stock at the end of period

As of June 30, 2024	4,103,679 shares
As of March 31, 2024	4,090,227 shares

3. Average shares outstanding over quarter

Three months ended June 30, 2024	77,951,720 shares
Three months ended June 30, 2023	77,947,985 shares

※Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

※Proper use of earnings forecasts, and other special matters

(Statement regarding the proper use of financial forecasts)

These forecast performance figures are based on the information currently available to the Company's management and certain assumptions judged rational. Accordingly, these might be cases in which actual results materially differ from forecasts of this report.

5. Qualitative Information Concerning the Three Months Ended June 30, 2024

(1) Explanation of business results

During the first three months of the fiscal year under review, the Japanese economy maintained a moderate recovery trend with improvements in employment and income. Nonetheless, the economic outlook remained uncertain due to the prolonged conflicts in Ukrainian and the Middle East and sluggish consumer spending attributable to high consumer prices.

As a trend in the domestic automotive-related industry, the number of new cars sold remained below the level of the previous year due to the suspension of production and shipping by some automakers. In the used car segment, used car prices were trending higher due to a decrease in the number of used cars distributed as a result of sluggish new car sales, despite growing demand for exports backed by an increasingly weak yen. The business of automotive goods and services remained challenging due in part to the rising consumer prices.

In this environment, the Group aims to provide “Mobility Lifestyle Infrastructure” for customers on a global scale and is pursuing initiatives with key strategies, including the creation of touch points, the development and supply of products and solutions, and the establishment of new business domains, based on its 2024 Medium-term Business Plan, “Accelerating Towards Excellence.”

As a result, the Group’s sales during the first three months of the consolidated fiscal year under review decreased by 6.3% year on year, to 54,011 million yen, gross profit decreased by 4.3% year on year, to 18,487 million yen, and selling, general, and administrative expenses increased by 0.8% year on year, to 17,430 million yen, resulting in operating income of 1,057 million yen, an decrease of 48.0% from a year earlier. Ordinary income decreased by 33.9% year on year, to 1,356 million yen. As a result, profit attributable to owners of parent decreased by 45.7% year on year, to 730 million yen.

Results by business segment are as follows.

[Domestic AUTOBACS Business]

In the Domestic AUTOBACS Business, retail sales remained firm as a result of a mild upward trend in consumer spending and its acceleration of sales promotion despite the impact of the soaring prices. Meanwhile, net sales in wholesale decreased 2.0% year on year, to 41,175 million yen, and the segment profit came to 3,622 million yen after falling 14.6% year on year as a reaction from an increase in wholesale before a rise in tire prices in May 2023.

Sales of the entire domestic AUTOBACS chain (including franchise stores) increased 2.5% year on year on a same-store basis and 2.7% year on year on an overall basis.

In the domestic AUTOBACS chain, sales of tires grew as a result of promotional discount on tires, improvement of in-store product lineup, and other factors. In addition, sales of oil and batteries grew in response to demand for the maintenance of existing cars, while service revenue from the replacement of tires, oil, and batteries also remained strong.

As for private brands, the Company has been focusing on developing and selling valuable products that meet various customer needs. In April 2024, the Group launched the sale of AQ Pit Menu, a low-priced, high-quality original pit service from AUTOBACS Quality (AQ). The Company is also selling and planning further products that commemorate the 50th anniversary of its foundation.

As for statutory safety inspection and maintenance services, service pit bookings via the Web became increasingly popular. The number of bookings via the official app increased 27.7% year on year. The number of vehicles that underwent statutory safety inspection and maintenance services decreased 3.7% year on year, to approximately 152,000, reflecting a decrease in the number of vehicles subject to statutory safety inspections.

As for automobile sales, the number of new cars sold fell below the number in the previous year while the number of used cars sold remained at the same level. The total number of automobiles sold in the Domestic AUTOBACS Business decreased by 5.0% year on year, to approximately 7,400, while total sales amount increased by 3.7% year on year, to 8,448 million yen.

As for store openings and closures in Japan, seven new stores opened and one store closed, and the number of stores increased from 1,003 (including 414 annex stores and in-store shops) at the end of March 2024 to 1,009 (including 415 annex stores and in-store shops). The stated number of stores began to include annex stores and in-store shops at the beginning of the fiscal year ending March 2025.

[Overseas Business]

Sales for the Overseas Business decreased 8.0% year on year, to 3,438 million yen, and segment loss was 190 million yen (compared to a segment loss of 33 million yen in the same period of the previous year).

In the retail and service business, sales increased despite the impact of the conflict in Ukraine and worldwide inflation. In the wholesale business, sales decreased as a result of a significant fall in export from Japan.

In France, the Company implemented optimization of price and sales activities. In Singapore, works at service pits performed well by capturing demand for maintenance parts for existing vehicles due to the price increase of certificate of entitlement (COE). In Malaysia, authorized dealerships increased. In Australia, sales decreased mainly due to a decline in consumer appetite against the backdrop of inflation and a sharp rise in interest rates. In China, sales increased due to an increase in exports to Japan.

The total number of stores outside Japan, with five new store openings and one store closure, increased from 109 as of the end of March 2024, to 119.

[Car Dealership, BtoB and Online Alliance Business]

Sales for the Car Dealership, BtoB and Online Alliance Business decreased by 24.7% year on year, to 9,281 million yen, and segment loss was 210 million yen (compared to a segment profit of 32 million yen in the same period of the previous year).

In the Car Dealership Business, sales declined significantly year on year due to the sale of two subsidiaries operating authorized BMW/MINI dealers, offsetting the strong performance of the subsidiary operating authorized Audi dealers and the subsidiary operating authorized BYD dealers.

In the BtoB Business, there was a steady increase in the number of subscribers to the AUTOBACS Corporate Membership System, which enables companies to make lump sum payments for the purchase of items for company cars, including maintenance parts and automotive goods and services. In addition, the Company is promoting collaboration with Nissan Motor Co., Ltd. It developed and sold specific items for Nissan car models.

In the Online Alliance Business, sales expanded, chiefly by increasing the amount of goods handled on the e-commerce site. The Company continues to promote the integration of online and physical stores. It aims to approach potential customers on the MOBILA comprehensive website that offers information services and content essential to car lifestyles and guide customers from this website to AUTOBACS stores.

[Other Business]

Sales in the Other Business increased 11.2% year on year, to 4,592 million yen, and segment loss totalled 11 million yen (compared to a segment loss of 169 million yen in the same period of the previous year).

(2) Overview of financial condition for the quarter under review

Financial condition is as follows.

Total assets as of June 30, 2024, decreased by ¥3,480 million from the end of the previous fiscal term to ¥191,468 million. This was mainly attributable to a decrease in accounts receivable - other despite an increase in notes and accounts receivable - trade.

Total liabilities decreased by ¥1,387 million from the end of the previous fiscal term to ¥64,409 million. This was mainly attributable to a decrease in income taxes payable and accounts payable - other.

Total net assets decreased by ¥2,092 million from the end of the previous fiscal term to ¥127,059 million. This was due primarily to a decrease in retained earnings due to dividend payment despite an increase in profit attributable to owners of parent.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	31,297	29,857
Notes and accounts receivable - trade	22,383	24,964
Merchandise	22,635	23,177
Accounts receivable - other	26,047	19,891
Other	9,859	9,278
Allowance for doubtful accounts	(31)	(33)
Total current assets	112,191	107,136
Non-current assets		
Property, plant and equipment		
Land	24,576	24,606
Other, net	23,676	24,893
Total property, plant and equipment	48,252	49,500
Intangible assets		
Goodwill	1,080	1,210
Other	6,683	6,540
Total intangible assets	7,763	7,750
Investments and other assets		
Guarantee deposits	11,638	11,757
Other	15,116	15,338
Allowance for doubtful accounts	(13)	(13)
Total investments and other assets	26,741	27,082
Total non-current assets	82,757	84,332
Total assets	194,948	191,468
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,050	22,667
Short-term borrowings	11	514
Accounts payable - other	15,200	13,509
Income taxes payable	2,109	350
Other	9,612	10,682
Total current liabilities	48,984	47,723
Non-current liabilities		
Bonds payable	—	250
Long-term borrowings	6,023	5,534
Provisions	7	7
Retirement benefit liability	256	267
Asset retirement obligations	2,691	2,929
Other	7,832	7,696
Total non-current liabilities	16,812	16,685
Total liabilities	65,796	64,409

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,218	34,124
Retained earnings	63,670	61,280
Treasury shares	(6,970)	(6,983)
Total shareholders' equity	124,917	122,420
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,124	2,352
Foreign currency translation adjustment	1,803	2,132
Total accumulated other comprehensive income	3,928	4,484
Non-controlling interests	307	154
Total net assets	129,152	127,059
Total liabilities and net assets	194,948	191,468

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	57,668	54,011
Cost of sales	38,345	35,523
Gross profit	19,322	18,487
Selling, general and administrative expenses	17,291	17,430
Operating profit	2,031	1,057
Non-operating income		
Interest income	21	25
Dividend income	58	66
Share of profit of entities accounted for using equity method	162	126
Lease revenue-system equipment	263	199
Other	291	366
Total non-operating income	798	784
Non-operating expenses		
Interest expenses	19	13
Lease cost-system equipment	660	247
Loss on retirement of non-current assets	12	15
Other	86	209
Total non-operating expenses	778	485
Ordinary profit	2,050	1,356
Profit before income taxes	2,050	1,356
Income taxes - current	637	199
Income taxes - deferred	71	423
Total income taxes	709	622
Profit	1,341	733
Profit attributable to		
Profit attributable to owners of parent	1,345	730
Profit (loss) attributable to non-controlling interests	(3)	2
Other comprehensive income		
Valuation difference on available-for-sale securities	(166)	228
Foreign currency translation adjustment	228	263
Share of other comprehensive income of entities accounted for using equity method	46	65
Total other comprehensive income	107	557
Comprehensive income	1,449	1,290
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,440	1,287
Comprehensive income attributable to non-controlling interests	8	3

7. Notes on the quarterly consolidated financial statements

(Segment Information)

I Three months ended June 30, 2023

1. Information about sales and profit (loss) and breakdown of sales

(Millions of yen)

	Reportable segments					Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Domestic AUTOBACS business	Overseas business	Car Dealership, BtoB and Online Alliance business	Other business	Total Reportable segments		
Sales							
Revenue from contracts with customers	40,923	3,625	10,218	2,283	57,051	—	57,051
Other revenue	—	21	—	596	617	—	617
Revenues from external customers	40,923	3,646	10,218	2,879	57,668	—	57,668
Transactions with other segments	1,084	88	2,101	1,248	4,523	(4,523)	—
Net sales	42,007	3,735	12,320	4,128	62,192	(4,523)	57,668
Operating profit (loss)	4,243	(33)	32	(169)	4,072	(2,041)	2,031

Notes:

1. The amount (2,041) million yen of “Reconciling items” of Operating profit (loss) is the corporate administrative expense which is not allocable to each reportable segment.
2. Operating profit (loss) corresponds to Operating profit in the Consolidated Statements of Income and Comprehensive Income.

2. Impairment losses of assets, goodwill, and others, by reporting segment

Not applicable.

II Three months ended June 30, 2024

1. Information about sales and profit (loss) and breakdown of sales

(Millions of yen)

	Reportable segments					Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Domestic AUTOBACS business	Overseas business	Car Dealership, BtoB and Online Alliance business	Other business	Total Reportable segments		
Sales							
Revenue from contracts with customers	40,020	3,289	7,552	2,561	53,423	—	53,423
Other revenue	—	—	—	587	587	—	587
Revenues from external customers	40,020	3,289	7,552	3,149	54,011	—	54,011
Transactions with other segments	1,154	148	1,729	1,443	4,475	(4,475)	—
Net sales	41,175	3,438	9,281	4,592	58,487	(4,475)	54,011
Operating profit (loss)	3,622	(190)	(210)	(11)	3,210	(2,153)	1,057

Notes:

1. The amount (2,153) million yen of “Reconciling items” of Operating profit (loss) is the corporate administrative expense which is not allocable to each reportable segment.
2. Operating profit (loss) corresponds to Operating profit in the Consolidated Statements of Income and Comprehensive Income.

2. Impairment losses of assets, goodwill, and others, by reporting segment

Not applicable.

(Notes in case significant changes were made to the amount of shareholders' equity)

Not applicable.

(Notes on the Going-concern Assumption)

Not applicable.

(Notes on the quarterly consolidated cash flow statement)

The Company has not prepared the quarterly consolidated cash flow statement for the three months ended June 30, 2024. Depreciation (including depreciation of intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024, are as follows.

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	1,206	1,335
Amortization of goodwill	83	93

(Notes on Significant subsequent events)

Business combination by acquisition

At the Board of Directors' meeting of Autobacs Seven Co., Ltd. (the "Company") held on July 31, 2024, the Board has decided to acquire all shares of Otoron Co., Ltd. and make it a wholly owned subsidiary. A share transfer agreement was signed on the same day.

1. Outline of business combination

(1) Name and business of acquired company

Name of acquired company: Otoron Co., Ltd.

Business: In-house loan based used car sales business

(2) Major reason for business combination

With the purpose of ensuring the safety of our communities while driving and enriching customers' lives, AUTOBACS Group has been seeking to realize a sustainable society in which people and cars can continue to co-exist. In May 2024, the Company announced the 2024 Medium-term Business Plan with the title "Accelerating Towards Excellence" to achieve accelerated growth with an eye toward the sustainable improvement of corporate value on a long-term basis.

The share acquisition is part of key measures to expand new bases, including new store openings, and expand channels (100 bases), undertaken as a strategy for the creation of touch points to continue to support mobility lifestyles, which is one the strategies featured in the medium-term business plan. The Company has come to the decision that the inclusion of Otoron Co., Ltd. in the AUTOBACS Group, which is expected to bring a range of synergies to the Group's existing businesses, contributes to enhancing the competitiveness of its used car sales business, which is considered an important business domain.

(3) Date of business combination (Planned)

August 30, 2024

(4) Legal form of business combination

Acquisition of shares for cash

(5) Company name after combination

No change.

(6) Voting rights acquiring through business combination

100%

(7) Main grounds for determining acquiring company

The Company acquires the shares in exchange for cash.

2. Acquisition cost and breakdown by class of consideration

Consideration for acquisition	Cash	3,360 million yen
Acquisition cost		3,360 million yen

3. Description and amount of major acquisition-related expenses

Nothing is confirmed at this time.

4. Amount, causes, amortization method and amortization period of goodwill incurred

Nothing is confirmed at this time.

5. Amounts of assets acquired and liabilities assumed on the date of combination and major breakdown

Nothing is confirmed at this time.