

Consolidated Financial Results for the Three Months Ended June 30, 2019 【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information for the Three Months Ended June 30, 2019.

Company name: AUTOBACS SEVEN CO., LTD.

Code number: 9832

(URL <https://www.autobacs.co.jp/>)

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Stock exchange listing: Tokyo

Submission of Quarterly Business Report: August 7, 2019

Start of cash dividend payments: -

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: None

1. Results for the three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

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

(1) Results of operations:

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

	Net sales		Operating income		Ordinary income	
Three months ended		%		%		%
June 30, 2019	50,519	3.0	1,214	325.3	1,358	128.7
Three months ended June 30, 2018	49,070	(2.2)	285	(47.3)	593	(6.6)

Note: Comprehensive income: **806 million yen for the Three months ended June 30, 2019: 107.6%**
388 million yen for the Three months ended June 30, 2018: 23.1 %

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
Three months ended		%		
June 30, 2019	818	128.0	10.22	-
Three months ended June 30, 2018	359	19.7	4.35	-

(2) Financial position:

(Unit: Millions of Yen except for per share information)

	Total assets	Total net assets	Equity ratio	Net assets per share (Yen)
Three months ended				
June 30, 2019	178,386	120,463	67.2	1,501.41
Fiscal year ended				
March 31, 2019	181,391	124,187	68.1	1,526.59

(Reference) Equity: **Three months ended June 30, 2019: 119,883 million Yen**

Fiscal year ended March 31, 2019: 123,582 million Yen

2. Dividends

	Dividends per share				(Yen)
	Three months	Second Quarter	Third Quarter	Year -end	Annual
Fiscal year ended					
March 31, 2019	-	30.00	-	30.00	60.00
Fiscal year ended					
March 31, 2020	-	-	-	-	-
Fiscal year ended					
March 31, 2020 (forecast)	-	30.00	-	30.00	60.00

Note: Revisions to dividend forecasts published most recently: None

3. Forecast for the fiscal year ending March 2020 (from April 1, 2019 to March 31, 2020)

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

	Net sales		Operating income		Ordinary income	
		%		%		%
Annual	223,000	4.3	8,000	7.0	8,700	6.1

	Profit attributable to owners of parent		Basic net income per share (Yen)
		%	
Annual	5,800	5.7	72.64

Note: Revisions to financial forecasts published most recently: None

4. Other

- (1) Significant changes in scope of consolidation: None
- (2) Adoption of special accounting policies for quarterly financial statements: None
- (3) Changes in accounting policies, accounting estimation change and restatement
 - 1. Changes due to changes in accounting standard : Yes
 - 2. Changes due to changes in accounting standard except (3)-1. : None
 - 3. Changes due to accounting estimation change : None
 - 4. Restatement : NoneNote: For further details, please refer to “7. Notes on the quarterly consolidated financial statements”, “Changes in Accounting Policy”.
- (4) Shares outstanding (common stock)
 - 1. Number of shares outstanding (including treasury stock)
Three months ended June 30, 2019: 84,050,105 shares
Fiscal year ended March 31, 2019: 84,050,105 shares
 - 2. Number of treasury stock at the end of period
Three months ended June 30, 2019: 4,202,495 shares
Fiscal year ended March 31, 2019: 3,097,001 shares
 - 3. Average shares outstanding over quarter
Three months ended June 30, 2019: 80,120,341 shares
Three months ended June 30, 2018: 82,510,026 shares

※These financial results are not subject to quarterly review procedures by certified public accountants or auditing firms.

※Statement regarding the proper use of financial forecasts and other special remarks
(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 Consolidated Business Results for the Three Months Ended June 30, 2019

Explanation of business results

Looking at the trends of the domestic automotive-related industry during the first three months of the consolidated fiscal year under review, although used car registrations decreased year on year, demand for automotive-related goods was on a recovery trend compared to the same period a year ago, reflecting an improvement in new vehicle sales and growing awareness of defensive driving, which has become a social issue.

To quickly and flexibly respond to the rapidly changing business environment, the Group launched the Five-year Rolling Plan 2019 that sets out its direction for the next five years and began executing the plan in the current fiscal year.

Under these circumstances, we have focused on strengthening our sales system and line-up of products related to “safety and security,” which is one of the values we provide to our customers, such as tires and dashcams.

As a result, the Group’s sales during the first three months of the consolidated fiscal year under review increased by 3.0% year on year, to 50,519 million yen, gross profit increased by 10.5% year on year, to 16,230 million yen, and selling, general, and administrative expenses increased by 4.3% year on year, to 15,016 million yen, resulting in operating income of 1,214 million yen, an increase of 325.3% from a year earlier. Ordinary income increased by 128.7% year on year, to 1,358 million yen. As a result, profit attributable to owners of parent increased by 128.0% year on year, to 818 million yen.

Results by business segment are as shown below.

[Domestic AUTOBACS Business]

For the first three months of the consolidated fiscal year under review, total sales for domestic businesses in the entire AUTOBACS chain (including franchise outlets) increased by 5.0% year on year on a same-store basis, and by 4.5% year on year on an overall-store basis.

At domestic AUTOBACS chain stores, tire sales grew, attributable to sales promotion implemented during the Golden Week holidays in April and May and merchandise line-up reviews in the stores. Regarding car electronics, sales of dashcams were solid against a backdrop of growing customer interest in driving safety. In response, the Company expanded product lines, including dual camera model with higher unit prices. Meanwhile, “Pedal Watcher,” a device that prevents accidents caused by errors in the use of accelerate and brake by a driver drew customers’ attention.

Moreover, the Company expanded the product lines of its private brand AQ. (Autobacs Quality.) and brands that offer car-related lifestyles, JKM and GORDON MILLER, improving the appeal of its merchandise. In addition, the Company has been continuously bolstering operations at the stores and proceeding with hardware renovations, including sales floors and service bays.

In the statutory safety inspection and maintenance service, against a backdrop of an increase in the number of vehicles that are required to undergo statutory safety inspections during the period, the number of vehicles that underwent statutory safety inspection and maintenance services increased by 10.6% year on year, to approximately 155,000 units, as a result of strengthened efforts at stores, such as 15-minute acceptance inspections.

In the automobile purchase and sales, as a result of the number of automobile purchases increased thanks to targeted strengthening of sales activities, BtoB sales to automobile auctions fared well, and the total sales volume in the domestic AUTOBACS business increased by 9.5% year on year, to approximately 7,500 units. In terms of the number of store openings and closures, the total number of stores declined by five stores, from 593 as of the end of March 2019, to 588. The number of CARS franchise stores at the end of June was 401, the same as at the end of the previous fiscal year.

In addition to these results, the Company acquired all shares of a company operating seven AUTOBACS chain stores, thus making it into a wholly owned subsidiary in March 2019. As a result, sales in the domestic AUTOBACS business during the first three months of the consolidated fiscal year under review increased by 1.3% year on year, to 41,329 million yen, and segment profit rose by 18.7% year on year, to 2,766 million yen.

[Overseas Business]

The Group's foreign consolidated subsidiaries have applied IFRS 16 Leases from the beginning of the first quarter under review, but the impact on profit and loss for the first quarter of the consolidated fiscal year under review is immaterial.

Sales for the Overseas Business increased by 16.8% year on year, to 2,988 million yen, and the segment loss was 115 million yen (the segment loss in the previous year was 212 million yen). The retail and service business in Thailand enjoyed a year-on-year increase in sales, thanks to the opening, as in the previous year, of a small outlet in the PTG Group's gas station malls. In France, the operating loss contracted, attributable to efforts to improve profitability, although there was a year-on-year decrease in sales. In the wholesale business, sales grew steadily, mainly supported by engine oil made in Japan for overseas markets, and the Company is pursuing initiatives to expand sales channels for the future. Both revenues and profit increased in the Group's business in China, buoyed by a rise in wholesale volume in China. In Singapore, operating income increased as a result of progress in the introduction of wholesale of PB products for car maintenance, mainly in convenience stores and hypermarkets. In Australia, AudioXtra Pty Ltd., which became a consolidated subsidiary in October 2018, aims to expand earnings in the overseas wholesale business. As a result of one store opening, the total number of stores outside Japan stood at 47.

[Car Dealer, BtoB and Internet Business]

Sales for the Car Dealer, BtoB and Internet Business increased by 9.5% year on year, to 8,251 million yen, and the segment loss was 34 million yen (segment loss in the last fiscal year was 467 million yen).

In the imported car dealer business, in April 2019 the Company established AUTOBACS Dealer Group Holdings Co., Ltd., which manages the imported car dealer business, to bolster its management system and further increase earnings. In the first three months of the fiscal year under review, the Company took steps to strengthen the sales system at dealers, while bolstering services, in addition to boosting sales of new and used cars.

In the BtoB business, both sales and profits improved, mainly on the strength of initiatives to optimize operating activities at CAP Style Co., Ltd., a company established in the previous fiscal year, and actions to reduce distribution costs. In addition, in the fleet business, an area of increased focus for the Company, the sales volume of driving safety support products, including dashcams, is expanding.

In the internet business, the Company is working on the reconstruction of its product line-up and promotions and preparing to update its corporate websites. Moreover, the Company has developed an e-commerce platform for BtoB business, with testing underway.

[Other Business]

Sales in the other business decreased by 5.7% year on year, to 517 million yen, and the segment profit declined by 0.5% year on year, to 107 million yen.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	30,679	31,363
Notes and accounts receivable - trade	25,159	24,950
Merchandise	19,639	20,550
Accounts receivable - other	22,676	14,858
Income taxes receivable	365	495
Other	9,445	9,529
Allowance for doubtful accounts	(107)	(108)
Total current assets	107,857	101,639
Non-current assets		
Property, plant and equipment		
Land	21,566	21,421
Other, net	19,523	23,090
Total property, plant and equipment	41,090	44,512
Intangible assets		
Goodwill	1,344	1,442
Other	4,692	4,616
Total intangible assets	6,036	6,059
Investments and other assets		
Guarantee deposits	13,731	13,629
Other	12,704	12,574
Allowance for doubtful accounts	(30)	(28)
Total investments and other assets	26,405	26,174
Total non-current assets	73,533	76,746
Total assets	181,391	178,386
Liabilities		
Current liabilities		
Accounts payable - trade	21,298	20,339
Short-term borrowings	2,412	1,555
Accounts payable - other	13,564	11,805
Income taxes payable	757	344
Provision for point card certificates	72	57
Other	6,298	7,493
Total current liabilities	44,404	41,595
Non-current liabilities		
Long-term borrowings	1,300	1,476
Provisions	34	42
Retirement benefit liability	1,479	1,466
Asset retirement obligations	2,184	2,196
Other	7,801	11,144
Total non-current liabilities	12,799	16,327
Total liabilities	57,203	57,922

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,298	34,298
Retained earnings	60,172	58,561
Treasury shares	(5,689)	(7,777)
Total shareholders' equity	122,780	119,081
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,462	1,554
Foreign currency translation adjustment	381	262
Remeasurements of defined benefit plans	(1,042)	(1,013)
Total accumulated other comprehensive income	801	802
Non-controlling interests	604	579
Total net assets	124,187	120,463
Total liabilities and net assets	181,391	178,386

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	49,070	50,519
Cost of sales	34,383	34,288
Gross profit	14,686	16,230
Selling, general and administrative expenses	14,400	15,016
Operating profit	285	1,214
Non-operating income		
Interest income	15	14
Dividend income	39	35
Share of profit of entities accounted for using equity method	111	98
Lease revenue-system equipment	178	182
Other	383	285
Total non-operating income	728	616
Non-operating expenses		
Interest expenses	9	18
Lease cost-system equipment	202	201
Loss on retirement of non-current assets	35	14
Other	171	238
Total non-operating expenses	420	473
Ordinary profit	593	1,358
Profit before income taxes	593	1,358
Income taxes - current	119	237
Income taxes - deferred	124	306
Total income taxes	244	543
Profit	349	814
Profit attributable to		
Profit attributable to owners of parent	359	818
Loss attributable to non-controlling interests	(9)	(4)
Other comprehensive income		
Valuation difference on available-for-sale securities	79	93
Foreign currency translation adjustment	(54)	(119)
Remeasurements of defined benefit plans, net of tax	17	28
Share of other comprehensive income of entities accounted for using equity method	(4)	(10)
Total other comprehensive income	39	(7)
Comprehensive income	388	806
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	401	819
Comprehensive income attributable to non-controlling interests	(12)	(13)

7. Notes on the quarterly consolidated financial statements

(Notes on the Going-concern Assumption)

Not applicable.

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

Based on the resolution at the meeting of its Board of Directors held on January 31, 2019, AUTOBACS SEVEN CO., LTD. (the "Company") repurchased 1,105,200 shares of common stock for 2,088 million yen. As a result, including purchase of fractional share and etc., Treasury shares were increased by 2,088 million yen for the three months ended June 30, 2019 and 7,777 million yen as of June 30, 2019. The Company finished the share buyback scheme based on this resolution on May 16, 2019.

(Changes in Accounting Policy)

Overseas consolidated subsidiaries of Autobacs group have adopted IFRS 16 "Lease" since the beginning of the three months ended June 30, 2019. Accordingly, lease transaction as lessee, assets and liabilities are recognized for all leases in principal.

In applying IFRS 16, overseas consolidated subsidiaries adopted the way that recognize the cumulative effects of adoption of the standard on the date of adoption as permitted by transitional measures.

As a result, "Other, net" of Property, plant and equipment was increased by 4,122 million yen, "Other" of Current liabilities was increased by 537 million yen and "Other" of Non-current liabilities was increased by 3,585 million yen, respectively.

The impact on the consolidated profit and loss for the three months ended June 30, 2019 is minimal.

8. Segment Information

I Three months ended June 30, 2018

1. Information about sales and profit (loss)

(Millions of yen)

	Reportable segments					Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Domestic AUTOBACS business	Overseas business	Dealer, BtoB and internet business	Other business	Reportable segments		
Sales							
Revenues from external customers	40,438	2,495	5,723	413	49,070	-	49,070
Transactions with other segments	358	63	1,814	135	2,372	(2,372)	-
Net sales	40,797	2,558	7,537	548	51,442	(2,372)	49,070
Operating profit (loss)	2,331	(212)	(467)	107	1,759	(1,473)	285

Notes:

1. The amount (1,473) 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, 2019

1. Information about sales and profit (loss)

(Millions of yen)

	Reportable segments					Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Domestic AUTOBACS business	Overseas business	Dealer, BtoB and internet business	Other business	Reportable segments		
Sales							
Revenues from external customers	40,963	2,895	6,261	398	50,519	-	50,519
Transactions with other segments	365	93	1,989	118	2,567	(2,567)	-
Net sales	41,329	2,988	8,251	517	53,087	(2,567)	50,519
Operating profit (loss)	2,766	(115)	(34)	107	2,723	(1,508)	1,214

Notes:

1. The amount (1,508) 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

Important matters to be stated is none.