

Consolidated Financial Results for the Three Months Ended June 30, 2021 【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information for the Three Months Ended June 30, 2021.

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 6, 2021

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, 2021 (From April 1, 2021 to June 30, 2021)

(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, 2021	52,283	-	1,517	-	1,708	-
Three months ended June 30, 2020	45,026	(10.9)	460	(62.1)	760	(44.0)

Note: Comprehensive income: **1,433 million yen for the Three months ended June 30, 2021: -%**
712 million yen for the Three months ended June 30, 2020: (11.6)%

	Profit attributable to owners of parent		Basic net income per share (Yen)		Basic net income per share - diluted (Yen)	
Three months ended		%				
June 30, 2021	1,078	-	13.50		-	
Three months ended June 30, 2020	372	(54.6)	4.66		-	

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. were applied from the beginning of the first three month of the consolidated fiscal year under review. Accordingly, the figures for the three months ended June 30, 2021 reflect said accounting standard, etc., and increase or decrease rates from the same quarter of the previous year are not indicated.

(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, 2021	179,797	122,281	67.6	1,524.29
Fiscal year ended				
March 31, 2021	187,914	123,833	65.6	1,542.40

(Reference) Equity: **Three months ended June 30, 2021: 121,620 million Yen**

Fiscal year ended March 31, 2021: 123,180 million Yen

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. were applied from the beginning of the first three month of the consolidated fiscal year under review. Accordingly, the figures for the three months ended June 30, 2021 reflect said accounting standard, etc.

2. Dividends

	Dividends per share				(Yen)
	Three months	Second Quarter	Third Quarter	Year -end	Annual
Fiscal year ended					
March 31, 2021	-	30.00	-	30.00	60.00
Fiscal year ended					
March 31, 2022	-	-	-	-	-
Fiscal year ended					
March 31, 2022 (forecast)	-	30.00	-	30.00	60.00

Note: Revisions to dividend forecasts published most recently: None

3. Forecast for the fiscal year ending March 2022 (from April 1, 2021 to March 31, 2022)

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

	Net sales		Operating income		Ordinary income	
		%		%		%
Annual	226,500	-	9,500	-	10,000	-
	Profit attributable to owners of parent		Basic net income per share (Yen)			
		%				
Annual	6,700	-	83.97			

Note: Revisions to financial forecasts published most recently: None

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. were applied from the beginning of the current consolidated fiscal year under review. Accordingly, the figures for the forecast of the fiscal year ending March 2022 reflect said accounting standard, etc., and increase or decrease rates from the same period of the previous year are not indicated.

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 Policies”.
- (4) Shares outstanding (common stock)
 - 1. Number of shares outstanding (including treasury stock)
Three months ended June 30, 2021: 82,050,105 shares
Fiscal year ended March 31, 2021: 84,050,105 shares
 - 2. Number of treasury stock at the end of period
Three months ended June 30, 2021: 2,261,532 shares
Fiscal year ended March 31, 2021: 4,187,061 shares
 - 3. Average shares outstanding over quarter
Three months ended June 30, 2021: 79,856,786 shares
Three months ended June 30, 2020: 79,850,916 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 the Three Months Ended June 30, 2021

Explanation of business results

During the first three months of the consolidated fiscal year under review, consumer spending has remained persistently weak in the Japanese economy due to the COVID-19 pandemic. Although vaccination has begun and other measures are being taken, states of emergency have been intermittently declared in some areas, the situation is still uncertain and there is no end in sight.

Looking at trends in domestic automobile-related industries, new car sales showed signs of recovery compared to the same period of the previous year when the sales were affected by the COVID-19 pandemic. However, the outlook remains uncertain due to the global shortage of semiconductors, which has forced the production of some new cars to be reduced. Although automotive goods were trending toward recovery when compared with the same period of the previous year, some car electronics goods were affected by the semiconductor shortage.

To prevent the spread of COVID-19, the Group continues to ensure that the health and safety of its customers in local communities who visit our stores, business partners and employees is its top priority. With this in mind, it seeks to establish an environment enabling everyone to visit stores and engage in services without worry.

In these circumstances, based on the Five Year Rolling Plan illuminating the direction to be pursued, the Group enacted a range of measures to establish and link six networks for offering services suited to scenarios in which customers use cars, with an eye on continuing to grow its business by responding to changing demand and continuing to contribute to local customers and communities.

As a result, the Group's sales during the first three months of the consolidated fiscal year under review were 52,283 million yen (compared to 45,026 million yen in the same period of the previous year), gross profit was 17,664 million yen (compared to 15,068 million yen in the same period of the previous year), and selling, general, and administrative expenses were 16,147 million yen (compared to 14,608 million yen in the same period of the previous year), resulting in operating income of 1,517 million yen (compared to 460 million yen in the same period of the previous year). Ordinary income was 1,708 million yen (compared to 760 million yen in the same period of the previous year). Consequently, profit attributable to owners of parent stood at 1,078 million yen (compared to 372 million yen in the same period of the previous year).

As the Group has adopted the Accounting Standard for Revenue Recognition, etc. from the beginning of the first three months of the consolidated fiscal year under review, the rates of increase or decrease from the same quarter of the previous year are not stated. However, simple comparisons of the actual results for the current period with those of the previous period are as follows: the Group's net sales increased by 16.1% year on year, gross profit increased by 17.2% year on year, selling, general and administrative expenses increased by 10.5% year on year, operating income increased by 229.7% year on year, ordinary income increased by 124.8% year on year, and net income attributable to shareholders of the parent company increased by 189.6% year on year. Operating income increased by 229.7%, ordinary income increased by 124.8%, and profit attributable to owners of parent increased by 189.6% year on year.

Results by business segment are as follows.

[Domestic AUTOBACS Business]

For the first three months of the consolidated fiscal year under review, total sales of the domestic businesses of the entire AUTOBACS chain (including franchise outlets) increased 9.4% year on year on both a same-store basis and an overall basis.

In light of the importance of cars in people's lives from the perspective of infrastructure even amid a state of emergency, the AUTOBACS chain continued sales operations while simultaneously paying maximum attention to the prevention of infection through the minimization of physical contact between customers and employees, among other means, to aid customers in leading secure and safe lives with their cars. AUTOBACS will continue to make efforts to prevent the spread of infection.

In the same period of the previous year, sales decreased significantly due to the impact of stay-at-home requests following the declaration of a state of emergency. In the first three months of the consolidated fiscal year under review, however, both the number of customers and sales increased over the same period of the previous year thanks to increased car use.

Sales of tires increased, albeit in a market environment made severe by the ongoing trend of refraining from long drives because of self-restraint regarding travel. Sales of car electronics also increased due to strategic product procurement and management, despite the impact of the global shortage of semiconductors on the supply of some goods.

Regarding its private brands, the Company expanded the merchandise lines of AQ. (Autobacs Quality) and GORDON MILLER, improving the appeal of its merchandise. In addition, the Company has been continuously bolstering operations in stores and proceeding with facility renovations, including sales floors and service bays.

In its statutory safety inspection and maintenance services, the Company promoted reservations via the website and phone as an initiative to reduce opportunities for physical contact with customers and increase convenience. Due to this initiative and the market environment backed by the increased number of vehicles subject to statutory safety inspections, the number of vehicles that underwent statutory safety inspection and maintenance services rose by 10.0% year on year, to approximately 158,000.

In automobile purchases and sales, new car sales and car purchases increased along with the recovery of demand, while used car sales decreased. As a result, the total number of automobiles sold increased 23.0% year on year, to approximately 6,900.

The total number of stores in operation in Japan stood at 585, with one store added at the end of March 2021. The number of CARS franchise stores decreased to 392 from 402 as of the end of March 2021.

As a result, sales in the domestic AUTOBACS business during the first three months of the consolidated fiscal year under review were 39,939 million yen (compared to 36,083 million yen in the same period of the previous year), and segment profit was 3,757 million yen (compared to 2,443 million yen in the same period of the previous year).

[Overseas Business]

Sales for the Overseas Business were 2,588 million yen (compared to 1,952 million yen in the same period of the previous year), and segment loss was 147 million yen (compared to a segment loss of 157 million yen in the same period of the previous year).

In the retail and service business and the wholesale business, sales increased due to the recovery from the previous year when the businesses were severely affected by lockdowns and other factors. In France, retail sales increased due to the gradual lifting of curfew restrictions. In Singapore, both retail and wholesale sales increased, despite the impact of the renewed lockdown that began in May 2021. On the other hand, sales declined at SK AUTOMOBILE PTE. LTD., a consolidated subsidiary of the Company that engages in auto body repair, painting, and automobile maintenance services, due to a fall in repairs caused by a decrease in traffic volume. In China, wholesale sales increased due mainly to a rise in authorized dealers and the development of new wholesale customers. Also in Australia, wholesale sales increased due to sales activities such as the introduction of new goods, in addition to car electronics goods and radio equipment, despite the impact of lockdowns in some regions.

In terms of the number of store openings and closures outside Japan, with three store openings and one closure, the number of stores increased from 45 as of the end of March 2021, to 47.

[Car Dealership, BtoB and Online Alliance Business (formerly Car Dealership, BtoB and Internet Business)]

Sales for the Car Dealership, BtoB and Online Alliance Business were 11,760 million yen (8,744 million yen in the same period of the previous year), and segment loss was 45 million yen (174 million yen in the same period of the previous year).

In the car dealership business, sales declined in the same period of the previous year due to the effects of people voluntarily refraining from outings following the declaration of a state of emergency. In the first quarter of the fiscal year under review, however, sales were higher than in the same period of the previous year. In April 2021, Autobacs Dealer Group Holdings, Co., Ltd., a wholly owned subsidiary of the Group, acquired all shares in TA Import Co. Ltd., which operates three authorized Audi dealers in Tochigi Prefecture and the northern part of Chiba Prefecture, to make it a subsidiary (second-tier subsidiary of the Group). With this acquisition, the Company has started to develop its third brand, following BMW and MINI, as a dealership business.

In the BtoB business, in April 2021 the Company acquired all the shares of Joyful Shaken & Tire Center

Co., Ltd., which operates six locations for statutory safety inspection, maintenance, and tire sales in the Kanto region, and started operations as BACS Boots Co., Ltd. In April 2021, the Company entered into a business alliance with Nissan Motor Co., Ltd. in the area of automotive goods and NISSAN/NISMO brand goods, and as a start, the Company agreed and signed a contract to supply automotive goods such as car interior goods and car washing goods handled by the Group to Nissan Motor from the first half of fiscal year 2021.

In the Online Alliance Business (formerly the Internet Business), in April 2021, the Company launched the “KURUMA NO EN” service, a flea market app that allows individuals to buy and sell used cars. With features such as the ability to select items for sale based on the results of more reliable appraisals conducted at Autobacs stores using the patented "assessment Dr.", used car purchasing assessment system, the Company will support person-to-person transactions of used cars as a safe and secure platform connecting sellers and buyers.

[Other Business]

Sales in the Other Business totaled 1,221 million yen (783 million yen in the same period of the previous year), and segment loss totaled 212 million yen (60 million yen in the same period of the previous year).

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	38,940	30,649
Notes and accounts receivable - trade	23,580	23,466
Merchandise	18,327	20,305
Accounts receivable - other	21,954	15,182
Other	7,865	9,874
Allowance for doubtful accounts	(90)	(84)
Total current assets	110,578	99,393
Non-current assets		
Property, plant and equipment		
Land	21,992	22,211
Other, net	20,094	20,975
Total property, plant and equipment	42,086	43,187
Intangible assets		
Goodwill	1,697	2,446
Other	5,459	6,247
Total intangible assets	7,157	8,693
Investments and other assets		
Guarantee deposits	13,008	12,954
Other	15,102	15,586
Allowance for doubtful accounts	(18)	(18)
Total investments and other assets	28,092	28,522
Total non-current assets	77,336	80,403
Total assets	187,914	179,797
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,845	13,982
Short-term borrowings	5,885	1,645
Accounts payable - other	15,104	11,732
Income taxes payable	3,462	539
Other	8,279	11,282
Total current liabilities	46,577	39,183
Non-current liabilities		
Long-term borrowings	2,567	2,950
Provisions	57	42
Retirement benefit liability	3,151	3,197
Asset retirement obligations	2,320	2,462
Other	9,407	9,679
Total non-current liabilities	17,503	18,332
Total liabilities	64,081	57,516

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,286	34,286
Retained earnings	61,359	55,853
Treasury shares	(7,747)	(4,148)
Total shareholders' equity	121,897	119,990
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,367	2,644
Foreign currency translation adjustment	505	521
Remeasurements of defined benefit plans	(1,590)	(1,535)
Total accumulated other comprehensive income	1,283	1,630
Non-controlling interests	653	660
Total net assets	123,833	122,281
Total liabilities and net assets	187,914	179,797

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	45,026	52,283
Cost of sales	29,957	34,619
Gross profit	15,068	17,664
Selling, general and administrative expenses	14,608	16,147
Operating profit	460	1,517
Non-operating income		
Interest income	14	13
Dividend income	28	43
Share of profit of entities accounted for using equity method	82	63
Lease revenue-system equipment	183	157
Other	299	276
Total non-operating income	608	555
Non-operating expenses		
Interest expenses	18	18
Lease cost-system equipment	170	148
Loss on retirement of non-current assets	8	3
Other	111	193
Total non-operating expenses	308	363
Ordinary profit	760	1,708
Profit before income taxes	760	1,708
Income taxes - current	453	506
Income taxes - deferred	(92)	112
Total income taxes	360	619
Profit	399	1,089
Profit attributable to		
Profit attributable to owners of parent	372	1,078
Profit attributable to non-controlling interests	27	11
Other comprehensive income		
Valuation difference on available-for-sale securities	134	278
Foreign currency translation adjustment	97	3
Remeasurements of defined benefit plans, net of tax	57	54
Share of other comprehensive income of entities accounted for using equity method	23	8
Total other comprehensive income	312	344
Comprehensive income	712	1,433
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	666	1,425
Comprehensive income attributable to non-controlling interests	46	7

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)

At the Board of Directors Meeting held on May 10, 2021, the Board approved the repurchase of common stock. From May 11, 2021 to June 30, 2021, Autobacs Seven Co., Ltd. repurchased 74,000 shares of common stock for 107 million yen.

The Board also approved the cancellation 2,000,000 shares of treasury shares at the above Board of Directors and carried it out on May 17, 2021.

As a result, Retained earnings and Treasury shares at cost were decreased by 3,707 million yen.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group started to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, hereinafter "the Revenue Recognition Accounting Standard") at the beginning of the first quarter of the fiscal year under review. Accordingly, it recognized revenue in the amount expected to be received in exchange for promised goods and services at points where control over such goods or services is transferred to customers. Major changes attributable to the application are as follows.

- Sales with return rights

With respect to the sale of certain goods to customers, in the occurrence of returns under certain conditions, the Group had been reducing net sales and the cost of sales upon acceptance of such returns from the perspective of materiality. Now, instead of such handling, the Group has adopted a method in which net sales and amounts equivalent to the cost of sales are not recognized for goods that are expected to be returned.

- Transactions through agents

Regarding the sales of goods and provision of maintenance services to customers, the Group had been recognizing the total amount of consideration received from customers as revenue. Now, for transactions in which the Group provides goods and services to customers as an agent, it decided to recognize net amounts, which are calculated by subtracting amounts to be paid to suppliers from amounts to be received from customers, as revenue.

- Consideration to be paid to customers

In conjunction with certain expenses that had been recorded as selling, general and administrative expenses, the Group decided to reduce net sales by amounts equivalent to such expenses and treat them as a consideration to be paid to customers.

- Obligation to be fulfilled at some point in time or for a certain period of time

With respect to revenue related to the provision of certain maintenance services, the Group had been applying a method in which revenue is recognized upon conclusion of relevant agreements from the perspective of materiality. Now, it decided to recognize such revenue at a point or for a certain period of time in which performance obligation is fulfilled and customers receive benefits.

Regarding the application of the Revenue Recognition Accounting Standard, etc., the Group followed the provisional measures prescribed in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, it adjusted retained earnings as of the beginning of the first three months of the consolidated fiscal year under review to reflect the cumulative amount of impacts expected to be produced if new accounting policies had been applied prior to the beginning of the first three months of the consolidated fiscal year under review. Starting with the balance of such retained earnings, the Group applied new accounting policies.

As a result, during the first three months of the consolidated fiscal year under review, net sales decreased by 1,002 million yen, the cost of sales declined by 941 million yen, and selling, general and administrative expenses dropped by 114 million yen, while operating income, ordinary income and profit before income taxes each increased by 53 million yen. The balance of retained earnings at the beginning of the fiscal year under review decreased by 479 million yen.

According to the transitional measures prescribed in the paragraph 89-2 of the Revenue Recognition Accounting Standard, the Group did not implement a reclassification that reflects the new method of presentation for the results of the previous consolidated fiscal year. According to the transitional measures prescribed in the paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Group did not include information on the breakdown of revenue arising from contracts with customers in the first three months of the previous consolidated fiscal year.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company started to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, hereinafter the "Fair Value Measurement Accounting Standard") at the beginning of the first quarter of the fiscal year under review. Accordingly it decided to continue to adopt the new accounting policies specified in the Fair Value Accounting Standard and other standards according to the transitional measures prescribed in the paragraph 19 of the Fair Value Measurement and the paragraph 44-2 of the Accounting Standard for Financial Instruments (Accounting Standard (ASBJ Statement No. 10, July 4, 2019)). The application has no effect on quarterly consolidated financial statements.

8. Segment Information

I Three months ended June 30, 2020

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	Car Dealership, BtoB and Online Alliance business	Other business	Total Reportable segments		
Sales							
Revenues from external customers	35,688	1,826	6,882	630	45,026	—	45,026
Transactions with other segments	394	126	1,861	153	2,536	(2,536)	—
Net sales	36,083	1,952	8,744	783	47,562	(2,536)	45,026
Operating profit (loss)	2,443	(157)	(174)	(60)	2,051	(1,591)	460

Notes:

1. The amount (1,591) 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, 2021

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	Car Dealership, BtoB and Online Alliance business	Other business	Total Reportable segments		
Sales							
Revenue from contracts with customers	38,710	2,514	9,694	786	51,705	—	51,705
Other revenue	426	—	—	151	578	—	578
Revenues from external customers	39,136	2,514	9,694	937	52,283	—	52,283
Transactions with other segments	802	73	2,066	283	3,226	(3,226)	—
Net sales	39,939	2,588	11,760	1,221	55,509	(3,226)	52,283
Operating profit (loss)	3,757	(147)	(45)	(212)	3,352	(1,834)	1,517

Notes:

1. The amount (1,834) 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. Matters concerning change in reportable segments

(Changes in segment names)

Starting from the first three months of the consolidated fiscal year under review, the Group changed one of its segment names, renaming the business previously called the "Car Dealership, BtoB and Internet Business" as the "Car Dealership, BtoB and Online Alliance Business" to ensure that the nature of the business is more properly reflected.

This is a change in segment name. It does not have any impact on the segment information.

In addition, the segment information for the first three months of the previous consolidated fiscal year is presented under the altered name.

(Application of Accounting Standard for Revenue Recognition, etc.)

As described in Changes in Accounting Policies, the Group applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first three month of the consolidated fiscal year under review, changing its accounting treatment method with respect to revenue recognition. Reflecting the change, it modified the method for the measurement of profits and losses of its business segments.

As a result, during the first three months of the consolidated fiscal year under review, when compared to those compiled with the previous method, net sales decreased 809 million yen in the Domestic AUTOBACS Business, while segment profit increased 43 million yen. Meanwhile, net sales decreased 193 million yen in the Car Dealership, BtoB and Online Alliance Business while segment profit increased 10 million yen.

According to the transitional measures prescribed in the paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue arising from contracts with customers in the first three months of the previous consolidated fiscal year is not included.

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

Not applicable.