

January 31, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

Summary of Quick Financial Announcement of Consolidated Financial Information for the Nine Months Ended December 31, 2022.

Company name: AUTOBACS SEVEN CO., LTD.

Code number: 9832

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

Headquarters: Tokyo, Japan

Company Representative: Yugo Horii, Representative Director, Chief Executive Officer

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Stock exchange listing: Tokyo

Submission of Quarterly Business Report: February 7, 2023

Start of cash dividend payments: -

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: None

1. Results for the Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

(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	%
Nine months ended						
December 31, 2022	178,141	3.6	9,811	11.4	9,869	4.5
Nine months ended						
December 31, 2021	171,937	—	8,804	—	9,443	—

Note: Comprehensive income: 8,608 million yen for the Nine months ended December 31, 2022: 28.3%

6,712 million yen for the Nine months ended December 31, 2021: —%

	Profit attributable to owners of parent	%	Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
Nine months ended				
December 31, 2022	7,038	14.3	90.30	—
Nine months ended				
December 31, 2021	6,158	—	78.11	—

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 ended June 30, 2021. Accordingly, the figures for the nine months ended December 31, 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)
Nine months ended				%
December 31, 2022	221,830	126,849	57.0	1,622.55
Fiscal year ended				
March 31, 2022	189,910	122,892	64.5	1,572.48

(Reference) Equity: Nine months ended December 31, 2022: 126,475 million Yen

Fiscal year ended March 31, 2022: 122,549 million Yen

2. Dividends

	Dividends per share			(Yen)	
	First Quarter	Second Quarter	Third Quarter	Year -end	Annual
Fiscal year ended					
March 31, 2022	—	30.00	—	30.00	60.00
Fiscal year ended					
March 31, 2023	—	30.00	—		
Fiscal year ended					
March 31, 2023					
(forecast)				30.00	60.00

Note: Revisions to dividend forecasts published most recently: None

3. Forecast for the fiscal year ending March 2023 (from April 1, 2022 to March 31, 2023)

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

	Net sales	Operating income	Ordinary income	
	%	%	%	
Annual	230,000	0.6	10,000	(13.4)
Profit attributable to owners of parent		Basic net income		
		per share (Yen)		
Annual	6,900	(1.6)	88.52	

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 : None
 - 2. Changes due to changes in accounting standard except (3)-1. : None
 - 3. Changes due to accounting estimation change : None
 - 4. Restatement : None
- (4) Shares outstanding (common stock)
 - 1. Number of shares outstanding (including treasury stock)
Nine months ended December 31, 2022: 82,050,105 shares
Fiscal year ended March 31, 2022: 82,050,105 shares
 - 2. Number of treasury stock at the end of period
Nine months ended December 31, 2022: 4,101,695 shares
Fiscal year ended March 31, 2022: 4,116,555 shares
 - 3. Average shares outstanding over quarter
Nine months ended December 31, 2022: 77,942,416 shares
Nine months ended December 31, 2021: 78,845,919 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 Nine Months Ended December 31, 2022

Explanation of business results

During the first nine months of the fiscal year under review, social and economic activities in Japan, which had been restricted under the COVID-19 pandemic, were gradually normalizing, with a moderate recovery in consumer spending. However, the outlook for the Japanese economy remained uncertain, given rising prices of goods caused by soaring crude oil and raw material prices and the rapid depreciation of the yen.

Looking at trends in the domestic automotive-related industry, the number of new cars produced, which had declined due to the global shortage of semiconductors, began to recover. However, the number remained low due to the continued effect of supply shortages of auto parts. In addition, the number of used cars for trade-in available in the distribution market fell, and as a result, the number of vehicles registered remained low. Market conditions for automotive goods also remained severe, reflecting the impact of rising prices due to surging crude oil and raw material prices.

The Group made efforts to prevent the spread of COVID-19 and establish an environment enabling everyone to visit stores and engage in services without worry, giving first priority to the health and safety of its customers in local communities, business partners and employees.

Even in these circumstances, the Company is working to enhance its competitiveness in the market by responding and adapting to changes in society, automobile-related needs and people's lives ahead of other companies. Therefore, based on its Five-year Rolling Plan laying out the Group's direction, it will focus on high growth potential areas while striving to strengthen its networks and business infrastructures, and promote its businesses with a view toward the achievement of sustainable growth.

As a result, the Group's sales during the first nine months of the consolidated fiscal year under review increased by 3.6% year on year, to 178,141 million yen, gross profit increased by 4.3% year on year, to 59,820 million yen, and selling, general, and administrative expenses increased by 3.0% year on year, to 50,008 million yen, resulting in operating income of 9,811 million yen, an increase of 11.4% from a year earlier. Ordinary income increased by 4.5% year on year, to 9,869 million yen. As a result, profit attributable to owners of parent increased by 14.3% year on year, to 7,038 million yen.

Results by business segment are as follows.

[Domestic AUTOBACS Business]

Sales of the entire domestic AUTOBACS chain (including franchise outlets) increased by 4.2% year on year on a same-store basis, and by 4.4% year on year on an overall basis.

The domestic AUTOBACS chain remained firm as a result of our efforts to strengthen sales promotions, in addition to signs of a recovery in personal consumption, despite concerns about the impact of rising prices due to soaring prices of crude oil and raw materials. In particular, following the growing demand for maintenance parts that are essential for users to continue to drive the cars they currently own, due to the declining number of new cars and used cars registered, sales of related products and services remained strong. Moreover, demand for winter season items rose to the level of the same period of the previous year due to cold snaps and snowfalls in December.

The Company revised in-store prices for tires twice in May and September after manufacturers implemented price increases. Even so, sales remained strong, aided by the rich product line-up, sales promotion programs and solid demand for maintenance parts for existing owned cars. In addition, sales of tires increased since snow tires performed well due to cold snaps and snowfalls in December. Sales of car electronics decreased, given a decline in demand due to the impact of the decreased number of new cars produced. Regarding sales of oil and batteries, they were also strong thanks to effective sales promotions and increased demand for maintenance.

As for private brands, the Company developed sales of mainly "AQ. (AUTOBACS Quality.)". Sales of AQ. snow tire product, "North Trek N5," which the Company launched in September 2022, performed well.

Meanwhile, the Company focused on developing and selling valuable products that meet various customer needs, such as GORDON MILLER, a brand that proposes an exciting garage lifestyle.

With respect to statutory safety inspection and maintenance services, vehicle diagnostic services, which use scan tools to electronically check the condition of vehicles, performed well against the backdrop of customers' needs for safer and more reliable driving. In addition, the Company worked to comply with the automobile-specific maintenance system that provides the maintenance of advanced safety vehicles equipped with driver assistance and automatic driving functions. Consequently, all stores designated as shops for statutory safety inspections acquired the maintenance of electronic control devices certification.

Moreover, the Company has been taking measures to improve customer convenience, such as making it possible to promptly reserve pit services by expanding functions on official app.

The number of vehicles that underwent statutory safety inspection and maintenance services decreased 0.1% year on year, to approximately 469,000, reflecting to severe market conditions given a decline in the number of vehicles subject to statutory safety inspections.

As for automobile purchases and sales, sales for auction remained strong against the backdrop of increases in the unit prices of used cars and the number of units purchased. The total number of automobiles sold in the Domestic AUTOBACS Business increased by 12.3% year on year, to approximately 24,200.

The total number of stores in operation in Japan stood at 589 with one store added from the end of March 2022, reflecting three stores opening, two stores closure and one store change of business format.

As a result, sales of the Domestic AUTOBACS Business increased by 3.4% year on year, to 138,105 million yen, and segment profit decreased by 0.4% year on year, to 14,745 million yen.

[Overseas Business]

Sales for the Overseas Business increased 23.5% year on year, to 10,246 million yen, and segment loss was 133 million yen (compared to a segment loss of 217 million yen in the same period of the previous year). In the retail and service business, sales increased despite the impact of the Ukraine situation and the worldwide inflation. Sales rose in the wholesale business as well, mainly reflecting the acquisition of new customers.

In France, sales increased due to price optimization and other measures taken, despite the impact of inflation and other factors. In Singapore, sales increased due to the strong performance of pit services, reflecting increased demand for maintenance. In Malaysia, sales soared, reflecting strong wholesale sales due to growth in the number of authorized dealers which expanded to 116 dealers. In China, sales climbed, reflecting the solid performance in wholesale to both domestic and other countries after easing Covid restrictions in December, despite the strong impact by lockdowns. In Australia, sales rose due to sales activities such as the development of new wholesale customers and the introduction of new exclusive goods against the backdrop of the strong performance of car electronics goods and radio equipment.

In terms of the number of store openings and closures outside Japan, with 14 store openings, the number of stores increased from 62 as of the end of March 2022, to 76.

[Car Dealership, BtoB and Online Alliance Business]

Sales for the Car Dealership, BtoB and Online Alliance Business increased by 0.6% year on year, to 37,774 million yen, and segment profit was 707 million yen (compared to a segment loss of 25 million yen in the same period of the previous year).

With respect to the Car Dealership Business, the Company secured the higher level of operating income than in the same period of the previous year by facilitating efficient operations, although sales decreased, strongly affected by a reduction in new car production attributable to the global shortage of semiconductors. The Company signed an authorized dealership agreement with BYD Auto Japan Co. Ltd., the Japanese subsidiary of BYD, electric vehicle manufacturer. Consequently, authorized dealerships that AUTOBACS DEALER GROUP HOLDINGS Co., Ltd. operates become four brands, adding BYD to BMW, MINI and Audi.

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. At subsidiaries that conduct statutory safety inspection, maintenance services and tire sales, and one that wholesales wheels, sales also remained solid against the backdrop of rising demand for maintenance and cold snaps and snow falls in December. The Company also advances the development of private brand products exclusively for wholesale to expand wholesaling to other industries.

In the Online Alliance Business, the Company is aiming to expand sales channels and improve customer convenience with e-commerce website, as well as with official online shopping website, AUTOBACS.COM. For this aim, in November 2022, the Company launched AUTOBACS Rakuten Ichiba Store on the online marketplace. Moreover, with the aim of eliminating drunk driving, the ALC Cloud, a service for companies, in which drivers' alcohol levels are checked before and after they drive company cars and the relevant information is managed on the cloud, is steadily expanding.

[Other Business]

Sales in the Other Business increased 22.8% year on year, to 4,615 million yen, and segment loss totalled 375 million yen (compared to a segment loss of 549 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, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	24,800	29,335
Notes and accounts receivable - trade	25,842	35,619
Merchandise	21,516	26,161
Accounts receivable - other	25,778	33,995
Other	10,033	13,781
Allowance for doubtful accounts	(54)	(37)
Total current assets	<u>107,917</u>	<u>138,855</u>
Non-current assets		
Property, plant and equipment		
Land	24,529	24,734
Other, net	20,738	21,900
Total property, plant and equipment	<u>45,268</u>	<u>46,635</u>
Intangible assets		
Goodwill	2,215	1,981
Other	6,735	7,691
Total intangible assets	<u>8,951</u>	<u>9,672</u>
Investments and other assets		
Guarantee deposits	12,744	12,142
Other	15,046	14,540
Allowance for doubtful accounts	(16)	(16)
Total investments and other assets	<u>27,773</u>	<u>26,665</u>
Total non-current assets	<u>81,993</u>	<u>82,974</u>
Total assets	<u>189,910</u>	<u>221,830</u>
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,702	34,798
Short-term borrowings	1,724	7,161
Accounts payable - other	14,480	20,238
Income taxes payable	1,987	1,688
Other	10,901	14,507
Total current liabilities	<u>46,795</u>	<u>78,395</u>
Non-current liabilities		
Long-term borrowings	4,917	4,686
Provisions	19	19
Retirement benefit liability	3,233	345
Asset retirement obligations	2,675	2,745
Other	9,377	8,787
Total non-current liabilities	<u>20,223</u>	<u>16,585</u>
Total liabilities	<u>67,018</u>	<u>94,980</u>

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,156	34,156
Retained earnings	59,442	61,796
Treasury shares	(7,016)	(6,990)
Total shareholders' equity	<u>120,581</u>	<u>122,961</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,308	2,207
Foreign currency translation adjustment	1,065	1,305
Remeasurements of defined benefit plans	(1,406)	—
Total accumulated other comprehensive income	<u>1,967</u>	<u>3,513</u>
Non-controlling interests	<u>342</u>	<u>374</u>
Total net assets	<u>122,892</u>	<u>126,849</u>
Total liabilities and net assets	<u>189,910</u>	<u>221,830</u>

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	171,937	178,141
Cost of sales	114,586	118,321
Gross profit	57,351	59,820
Selling, general and administrative expenses	48,547	50,008
Operating profit	8,804	9,811
Non-operating income		
Interest income	39	47
Dividend income	78	78
Share of profit of entities accounted for using equity method	321	—
Lease revenue-system equipment	472	501
Other	798	779
Total non-operating income	1,709	1,407
Non-operating expenses		
Interest expenses	57	55
Share of loss of entities accounted for using equity method	—	285
Lease cost-system equipment	435	440
Loss on retirement of non-current assets	74	43
Other	503	525
Total non-operating expenses	1,070	1,349
Ordinary profit	9,443	9,869
Extraordinary income		
Compensation for forced relocation	—	286
Gain on termination of retirement benefit plan	—	891
Total extraordinary income	—	1,177
Profit before income taxes	9,443	11,046
Income taxes - current	3,077	3,647
Income taxes - deferred	198	354
Total income taxes	3,276	4,002
Profit	6,166	7,044
Profit attributable to		
Profit attributable to owners of parent	6,158	7,038
Profit attributable to non-controlling interests	8	6
Other comprehensive income		
Valuation difference on available-for-sale securities	158	(104)
Foreign currency translation adjustment	162	262
Remeasurements of defined benefit plans, net of tax	164	1,406
Share of other comprehensive income of entities accounted for using equity method	60	0
Total other comprehensive income	545	1,564
Comprehensive income	6,712	8,608
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,694	8,583
Comprehensive income attributable to non-controlling interests	17	25

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)

Not applicable.

8. Segment Information

I Nine months ended December 31, 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	129,836	8,055	29,842	2,452	170,186	—	170,186
Other revenue	1,295	—	—	455	1,751	—	1,751
Revenues from external customers	131,131	8,055	29,842	2,908	171,937	—	171,937
Transactions with other segments	2,478	241	7,702	850	11,272	(11,272)	—
Net sales	133,610	8,297	37,545	3,758	183,210	(11,272)	171,937
Operating profit (loss)	14,808	(217)	(25)	(549)	14,015	(5,211)	8,804

Notes:

1. The amount (5,211) 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 reportable segments
Important matters to be stated is none.

II Nine months ended December 31, 2022

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	133,451	9,843	29,927	3,169	176,391	—	176,391
Other revenue	1,283	—	—	466	1,749	—	1,749
Revenues from external customers	134,734	9,843	29,927	3,635	178,141	—	178,141
Transactions with other segments	3,370	402	7,846	980	12,600	(12,600)	—
Net sales	138,105	10,246	37,774	4,615	190,741	(12,600)	178,141
Operating profit (loss)	14,745	(133)	707	(375)	14,943	(5,131)	9,811

Notes:

1. The amount (5,131) 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.