

Consolidated Financial Results for the Year Ended March 31, 2022 【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information For the Year Ended March 31, 2022

Company name: AUTOBACS SEVEN CO., LTD.

Code number: 9832

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

Headquarters: Tokyo, Japan

Company Representative: Kiomi Kobayashi, Representative Director, Chief Executive Officer

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Telephone: +81-3-6219-8787

Stock exchange listing: Tokyo

Annual meeting of shareholders: June 23, 2022

Start of cash dividend payments: June 24, 2022

Submission of Annual Securities Report: June 24, 2022

Supplementary materials prepared: Yes

Financial results information meeting held: Yes (for securities analysts and institutional investors, etc.)

1. Results for the year ended March 31, 2022 (From April 1, 2021 to March 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	
Fiscal year ended		%		%		%
March 31, 2022	228,586	—	11,552	—	11,246	—
Fiscal year ended						
March 31, 2021	220,449	(0.4)	10,577	39.4	11,219	39.2
Note: Comprehensive income:	7,725 million yen for the year ended March 31, 2022: -%					
	9,039 million yen for the year ended March 31, 2021: 247.8%					
	Profit attributable to		Basic net income		Basic net income	
Fiscal year ended	owners of parent		per share (Yen)		per share - diluted (Yen)	
Fiscal year ended		%				
March 31, 2022	7,010	—	89.17		—	
Fiscal year ended						
March 31, 2021	7,050	87.3	88.28		—	

	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
Fiscal year ended		%	%
March 31, 2022	5.7	5.9	5.1
Fiscal year ended			
March 31, 2021	5.8	6.2	4.8

Reference: Equity income on a affiliates:

For the year ended March 31, 2022: (672)million Yen

For the year ended March 31, 2021: 70 million Yen

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. were applied from the beginning of the consolidated fiscal year. Accordingly, the figures for the Year Ended March 31, 2022 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)
Fiscal year ended			%	
March 31, 2022	189,910	122,892	64.5	1,572.48
Fiscal year ended			%	
March 31, 2021	187,914	123,833	65.6	1,542.40

(Reference) Equity: For the year ended March 31, 2022: 122,549 million Yen

For the 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 consolidated fiscal year. Accordingly, the figures for the Year Ended March 31, 2022 reflect said accounting standard, etc.

(3) Statements of cash flows:

(Unit: Millions of Yen)

	Operating activities	Investing activities	Financing activities	Ending balances of cash and cash equivalents
Fiscal year ended				
March 31, 2022	5,712	(7,710)	(12,300)	24,751
Fiscal year ended				
March 31, 2021	17,163	(6,085)	(309)	38,903

2. Dividends

	Dividends per share				(Yen)
	First Quarter	Second Quarter	Third Quarter	Year-end	Full Year
Fiscal year ended March 31, 2021	-	30.00	-	30.00	60.00
Fiscal year ended March 31, 2022	-	30.00	-	30.00	60.00
Fiscal year ended March 31, 2023 (forecast)	-	30.00	-	30.00	60.00
	Total Dividends Paid (Full Year) (Millions of Yen)	Payout Ratio (Consolidated)		Dividends paid/Net Assets (Consolidated)	
				%	%
Fiscal year ended March 31, 2021	4,794	68.0		4.0	
Fiscal year ended March 31, 2022	4,678	67.3		3.9	
Fiscal year ended March 31, 2023 (forecast)	-	67.8		-	

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)	10,300	(8.4)
	Profit attributable to owners of parent		Basic net income per share (Yen)			
		%				
Annual	6,900	(1.6)	88.54			

4. Other

(1) Significant changes in subsidiaries during the year ended: None

(2) 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 (2)-1. | : None |
| 3. Changes due to accounting estimation change | : None |
| 4. Restatement | : None |

Note: For further details, please refer to "8. Notes on the consolidated financial statements", "Changes in Accounting Policies".

(3) Shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

Fiscal year ended March 31, 2022: 82,050,105 shares

Fiscal year ended March 31, 2021: 84,050,105 shares

2. Number of treasury stock at the end of period

Fiscal year ended March 31, 2022: 4,116,555 shares

Fiscal year ended March 31, 2021: 4,187,061 shares

3. Average shares outstanding over period

Fiscal year ended March 31, 2022: 78,620,991 shares

Fiscal year ended March 31, 2021: 79,859,708 shares

※These financial results are not subject to audit 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, there might be cases in which actual results materially differ from forecasts of this report. For assumptions used in forecasting business results and precautions regarding the use of business results forecasts, please refer to "5. Summary of Business Results, etc., (1) Summary of Business Results for the Fiscal Year Ended, (2) Outlook for the future".

(For supplementary material of financial results)

Autobacs Seven Co., Ltd. will be held the Analysts Meeting online on May 11, 2022. The presentation material of the meeting will be uploaded on the Company's website.

5. Analysis of Business Results and Financial Position

(1) Explanation of Business Results

- Business Results

During the consolidated fiscal year under review, the Japanese economy was weak amid challenging conditions due to the prolonged state of emergency and stricter measures to prevent COVID-19 infections. In addition, a surge in crude oil and raw material prices coupled with the unstable international situation associated with Russia's invasion of Ukraine increased uncertainty.

Looking at trends in the domestic automotive-related industry, the situation surrounding the market remained severe, reflecting a decline in the number of new cars and used cars registered due to reduced automobile production against the backdrop of difficult parts procurement conditions, including the global shortage of semiconductors in particular. In terms of automotive-related goods, demand for winter season items increased in the winter due to cold snaps and snowfalls, offsetting challenges caused by restrictions on activities and restrictions on going out amid the spread of COVID-19 in the summer. On the other hand, the Group, sales of car electronic goods had to be reduced due to the semiconductor shortage.

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. It sought to improve business performance by strategically tapping into demand for winter season items and facilitating customer-oriented activities on an individual segment basis, although performance was affected by the shortage of semiconductors and the COVID-19 pandemic.

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 5-year rolling plan laying out the Group's direction, it will focus on high growth potential areas while striving to strengthen its networks and the foundation of its business and promote its businesses with a view toward the achievement of sustainable growth.

[Domestic AUTOBACS Business]

Net sales in the domestic AUTOBACS business decreased year on year in the first half, mainly due to the impact of COVID-19 infections, but remained favorable in the second half party due to the expansion of demand for winter season products because of cold weather and snowfall. As a result, net sales in this segment totaled 178,274 million yen (sales in the same period of the previous year was 177,937 million yen). Gross profit totaled 60,343 million yen (gross profit in the same period of the previous year was 58,891 million yen), partly reflecting a rise in the composition ratio of goods and services whose profit rates are high. Selling, general, and administrative expenses totaled 40,000 million yen (selling, general, and administrative expenses in the same period of the previous year was 40,134 million yen). As a result, segment profit totaled 20,343 million yen (segment profit in the same period of the previous year was 18,756 million yen).

For the fiscal year under review, total sales for the domestic AUTOBACS chain (including franchise stores) increased by 0.8% year on year on a same-store basis and by 1.0% on an overall-store basis.

In light of the importance of cars in people's lives from the perspective of infrastructure, domestic AUTOBACS chain stores conducted sales operations by paying maximum attention to preventing COVID-19 infections 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.

In the first half of the year, the number of customers decreased because of government requests that

people stay home and not return to their hometowns for holiday due to the COVID-19 pandemic. In the second half of the year, both sales and the number of customers were trending toward recovery as the number of infected people declined. Consequently, sales started to pick up in December, especially for winter products.

Demand for tires was affected by the trend of refraining from long drives due to the impact of people refraining from going out. Even so, sales increased because summer tires and all-season tires began to perform strongly in October due to the enhanced product lineup and sales promotion programs and strategic efforts to capture demand for studless tires that increased due to cold snaps and snowfall. Winter season items such as tire chains were also strong. Sales of car electronics fell, reflecting a decline in demand due to a reduction in new car production and the deterioration of product supply conditions amid the prolonged global shortage of semiconductors.

The Company enhanced the product lines of its private brand Autobacs Quality (AQ.) and GORDON MILLER, a brand offering an exciting garage lifestyle, to move forward with the development and sale of the value items that it highly recommends. Meanwhile, it has been continuously bolstering operations at its stores and proceeding with hardware renovations, including sales floors and service pits.

Regarding 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. Further, the Company added a new feature notifying the timing of car maintenance to its official application which contributed to an increase of convenience for customers. In addition, the Company worked to comply with the automobile-specific maintenance system that was established for the maintenance of advanced safety vehicles equipped with driver assistance and automatic driving functions. Consequently, all 434 stores designated as shops for statutory safety inspections acquired the maintenance of electronic control devices certification. As a result of these initiatives, the number of vehicles that underwent statutory safety inspection and maintenance services rose by 0.1% year on year, to around 652,000.

Automobile purchases and sales were affected by a decline in new car production. However, sales for auction remained strong against the backdrop of increases in rise 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 1.3% year on year, to approximately 29,800.

The total number of stores in operation in Japan stood at 588, with four stores added at the end of March 2022.

[Overseas Business]

Sales for the Overseas Business totaled 11,084 million yen (sales in the same period of the previous year was 10,077 million yen), and the segment loss was 321 million yen (the segment loss in the same period of the previous year was 172 million yen).

In the Retail and Service business, sales decreased due to the impact of closures and people voluntarily refraining from outings due to the pandemic, while in the wholesale business, sales increased mainly due to the acquisition of new customers. In France, there were signs of a gradual recovery of sales, despite continuing unstable conditions due to the government repeatedly imposing and lifting restrictions on going out to prevent COVID-19 infections. In Singapore, sales fell reflecting the impact of people voluntarily refraining from and restrictions on outings due to the significant rate of COVID-19 infection, especially since September. In Malaysia, sales increased due mainly to a rise in

authorized dealers. In China, sales increased, reflecting progress in the development of wholesales to other countries, despite the difficulty of acquiring new domestic wholesale customers in China. In Australia, despite the impact of lockdowns in some regions, sales rose due to sales activities such as the development of new wholesale customers and the introduction of new OEM goods, in addition to the strong performance of car electronics goods and radio equipment.

As a result, the total number of stores outside Japan became 62, with 18 new store openings and 1 store closure, including the opening of 16 franchise stores in Thailand .

[Car Dealer, BtoB and Online Alliance Business]

Sales for the Car Dealer, BtoB and Online Alliance Business totaled 48,527 million yen (sales in the same period of the previous year was 41,408 million yen), and the segment loss was 339 million yen (segment loss in the same period of the previous year was 287 million yen).

In the Car Dealership Business, earnings were higher than the same period of the previous year due chiefly to optimized sales activities, offsetting the impact of reductions in new car production attributable to the shortage of semiconductors. 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).

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. The Company started operations as BACS Boots Co., Ltd., with the stores named AUTO IN Shaken & Tire Center. In April 2021, the Company entered into a business alliance with Nissan Motor Co., Ltd.,(hereinafter, "Nissan") based on which automotive goods such as car wash products supplied by the Company were presented in catalogs for new Nissan cars and the development of items for cars featuring special specifications is conducted. The Company also began offering the AUTOBACS corporate membership program for corporate customers. The program skips the process of making payments for the maintenance and automotive goods of company cars that had hitherto been settled at each sales facility every time they were incurred, enabling companies to make lump sum payments on a monthly basis.

In the Online Alliance business, the Company strengthened its lineup of goods including starting to carry National-branded tires and Nissan NISMO-branded products on its e-commerce site. In addition, it facilitated the improvement of its platforms, such as expanding its search function, with a view toward improving customer convenience. Moreover, to help eliminate drunk driving, the Company launched the ALC Cloud, a service for companies, in which the inebriation of drivers is checked before driving company cars and the relevant information is managed on the cloud. In addition, the Company is promoting business development through its efforts to revitalize local communities and solve local issues in collaboration with local governments.

[Other Business]

Sales in the Other Business totaled 5,003 million yen (sales in the same period of the previous year was 3,471 million yen), and the segment loss stood at 795 million yen (segment loss in the same period of the previous year was 518 million yen).

(2) Outlook

The outlook for the global economy will likely remain uncertain, considering the prolonged impact of the COVID-19 pandemic, the surge in resource prices, the consequent rises in consumer prices, growing geopolitical risks and other factors.

The auto industry is facing a time of great change that comes perhaps once in a century, in which the movement toward things such as the electrification of powertrains to achieve carbon neutrality is accelerating. The development and wide use of advanced safety technologies such as autonomous driving and driving supports are increasing, which requires that maintenance technologies respond to these such next-generation automobiles in the after-sale market. In addition, the shortage of automobile mechanics remains a challenge. The market environment is expected to change rapidly and significantly due to increasingly diverse services catering to changing customer needs, such as car sharing and car subscription services, and intensifying competition beyond the boundary of industries and business types.

The Group will increase its market competitiveness by promptly adapting to and capturing the opportunities arising from trends in society, cars, and people's lives amid the ever-growing uncertainty surrounding the changing business environment. To be a company continuously chosen by customers, the Group established the Five-year Rolling Plan in 2019 which lays out its direction for the future. The Group has been continuously adjusting its direction over the five years and revising its strategies in line with current trends. The fiscal year ending March 2023 is the fourth year since the establishment of the Rolling Plan, in which the Group will, in addition to the focus on businesses with a more growth potential, strengthen the Five (5) Business Infrastructures, HR Infrastructure, IT Infrastructure, Logistics Infrastructure, Financial Instruments, and Information Infrastructure, and operate its business to achieve sustainable growth. More specifically, this business infrastructure plays an important role in creating new value from networks with other companies cooperating or affiliated with the Group to contribute to the Seven (7) Businesses (Domestic AUTOBACS Business, Overseas Business, Car Dealership Business, BtoB Business, Online Alliance Business, Lifestyle Business, and Expansion Business) for their continued development. Therefore, the Group will continue to invest in the improvement of the Five (5) Business Infrastructures.

Of the Seven (7) Businesses operated, the Expansion Business led by the Sustainability Transformation Department established in April 2022 will begin working to increase long-term, sustainable corporate value in response to the drastically changing social environment and an increase in demand for a sustainable society. More specifically, the Group will promote sustainability transformation including solutions to social issues related to traffic of local communities, in addition to taking on the challenge of the new mobility market by seeking businesses such as maintenance, the sale of electric vehicles and drones and the electrification of existing vehicles.

Furthermore, the Group will achieve the sustainable growth of the Group, its consolidated subsidiaries, and the Autobacs franchise chain through the strategic distribution of management resources and the reorganization of the operation system to facilitate and accelerate the implementation of strategies.

Due to the uncertainty surrounding the prolonged COVID-19 pandemic which is expected to continue to impact the world, the Group's forecasts for the next fiscal year includes a year-on-year increase in net sales of 0.6% to 230 billion yen, a year-on-year decrease in operating income of 13.4% to 10 billion yen, a year-on-year decrease in ordinary income of 8.4% to 10.3 billion yen, and a year-on-year fall in profit attributable to owners of parent of 1.6% to 6.9 billion yen.

6. Basic Concept for the Selection of Accounting Standards

The Group will continue to prepare its consolidated financial statements under Japanese standards for the foreseeable future, taking into account the comparability of the terms of consolidated financial statements and the comparability among companies.

Going forward, the Group will examine the possibility of applying international accounting standards considering progress in the development of overseas business and trends in the adoption of international accounting standards among other Japanese companies in the same industry.

7. Consolidated Financial Statements
(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	38,940	24,800
Notes and accounts receivable - trade	23,580	—
Notes receivable - trade	—	410
Accounts receivable - trade	—	25,432
Investments in leases	4,912	4,270
Merchandise	18,327	21,516
Short-term loans receivable	163	263
Accounts receivable - other	21,965	25,778
Other	2,779	5,500
Allowance for doubtful accounts	(90)	(54)
Total current assets	110,578	107,917
Non-current assets		
Property, plant and equipment		
Buildings and structures	43,151	45,079
Accumulated depreciation	(31,191)	(32,493)
Buildings and structures, net	11,960	12,585
Machinery, equipment and vehicles	7,872	8,332
Accumulated depreciation	(4,436)	(5,145)
Machinery, equipment and vehicles, net	3,435	3,187
Tools, furniture and fixtures	11,178	11,527
Accumulated depreciation	(9,624)	(9,710)
Tools, furniture and fixtures, net	1,553	1,816
Land	21,992	24,529
Leased assets	606	857
Accumulated depreciation	(254)	(231)
Leased assets, net	352	626
Right-of-use assets	3,433	3,577
Accumulated depreciation of Right-of-use assets	(899)	(1,253)
Right-of-use assets, net	2,534	2,323
Construction in progress	257	199
Total property, plant and equipment	42,086	45,268
Intangible assets		
Goodwill	1,697	2,215
Software	3,400	4,080
Other	2,058	2,654
Total intangible assets	7,157	8,951
Investments and other assets		
Investment securities	8,970	8,710
Long-term loans receivable	204	44
Deferred tax assets	4,861	5,238
Guarantee deposits	13,008	12,744
Other	1,065	1,053
Allowance for doubtful accounts	(18)	(16)
Total investments and other assets	28,092	27,773
Total non-current assets	77,336	81,993
Total assets	187,914	189,910

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,845	17,702
Short-term borrowings	5,885	1,724
Lease liabilities	694	692
Accounts payable - other	15,104	14,480
Income taxes payable	3,462	1,987
Contract liabilities	—	1,389
Other	7,584	8,818
Total current liabilities	46,577	46,795
Non-current liabilities		
Long-term borrowings	2,567	4,917
Lease liabilities	3,519	3,429
Deferred tax liabilities	389	562
Provision for retirement benefits for directors (and other officers)	57	19
Retirement benefit liability	3,151	3,233
Asset retirement obligations	2,320	2,675
Other	5,499	5,385
Total non-current liabilities	17,503	20,223
Total liabilities	64,081	67,018
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,286	34,156
Retained earnings	61,359	59,442
Treasury shares	(7,747)	(7,016)
Total shareholders' equity	121,897	120,581
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,367	2,308
Foreign currency translation adjustment	505	1,065
Remeasurements of defined benefit plans	(1,590)	(1,406)
Total accumulated other comprehensive income	1,283	1,967
Non-controlling interests	653	342
Total net assets	123,833	122,892
Total liabilities and net assets	187,914	189,910

(2) Consolidated Statement of Income and Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	220,449	228,586
Cost of sales	147,160	151,436
Gross profit	73,288	77,150
Selling, general and administrative expenses	62,711	65,598
Operating profit	10,577	11,552
Non-operating income		
Interest income	52	52
Dividend income	55	78
Share of profit of entities accounted for using equity method	70	—
Commission income	47	56
Lease revenue-system equipment	692	643
Other	1,364	1,047
Total non-operating income	2,283	1,878
Non-operating expenses		
Interest expenses	65	76
Share of loss of entities accounted for using equity method	—	672
Lease cost-system equipment	638	578
Loss on retirement of non-current assets	119	130
Other	817	726
Total non-operating expenses	1,640	2,184
Ordinary profit	11,219	11,246
Extraordinary losses		
Impairment losses	418	238
Total extraordinary losses	418	238
Profit before income taxes	10,801	11,008
Income taxes - current	4,238	4,224
Income taxes - deferred	(747)	(234)
Total income taxes	3,490	3,990
Profit	7,311	7,018
Profit attributable to		
Profit attributable to owners of parent	7,050	7,010
Profit attributable to non-controlling interests	260	7

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Other comprehensive income		
Valuation difference on available-for-sale securities	810	(54)
Foreign currency translation adjustment	492	456
Remeasurements of defined benefit plans, net of tax	326	184
Share of other comprehensive income of entities accounted for using equity method	99	121
Total other comprehensive income	1,728	706
Comprehensive income	9,039	7,725
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,717	7,694
Comprehensive income attributable to non-controlling interests	322	30

(3) Consolidated Statement of Changes in equity
Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,998	34,297	59,110	(7,771)	119,635
Changes during period					
Dividends of surplus			(4,793)		(4,793)
Profit attributable to owners of parent			7,050		7,050
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares			(7)	27	20
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(11)			(11)
Net changes in items other than shareholders' equity					
Total changes during period	—	(11)	2,249	23	2,261
Balance at end of period	33,998	34,286	61,359	(7,747)	121,897

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,550	(16)	(1,917)	(383)	714	119,966
Changes during period						
Dividends of surplus						(4,793)
Profit attributable to owners of parent						7,050
Purchase of treasury shares						(3)
Disposal of treasury shares						20
Change in treasury shares arising from change in equity in entities accounted for using equity method						0
Change in ownership interest of parent due to transactions with non-controlling interests						(11)
Net changes in items other than shareholders' equity	817	522	326	1,666	(61)	1,605
Total changes during period	817	522	326	1,666	(61)	3,867
Balance at end of period	2,367	505	(1,590)	1,283	653	123,833

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,998	34,286	61,359	(7,747)	121,897
Cumulative effects of changes in accounting policies			(479)		(479)
Restated balance	33,998	34,286	60,879	(7,747)	121,417
Changes during period					
Dividends of surplus			(4,736)		(4,736)
Profit attributable to owners of parent			7,010		7,010
Purchase of treasury shares				(3,003)	(3,003)
Cancellation of treasury shares			(3,707)	3,707	—
Disposal of treasury shares			(4)	27	23
Change in ownership interest of parent due to transactions with non-controlling interests		(129)			(129)
Net changes in items other than shareholders' equity					
Total changes during period	—	(129)	(1,437)	731	(835)
Balance at end of period	33,998	34,156	59,442	(7,016)	120,581

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,367	505	(1,590)	1,283	653	123,833
Cumulative effects of changes in accounting policies					(0)	(479)
Restated balance	2,367	505	(1,590)	1,283	653	123,353
Changes during period						
Dividends of surplus						(4,736)
Profit attributable to owners of parent						7,010
Purchase of treasury shares						(3,003)
Cancellation of treasury shares						—
Disposal of treasury shares						23
Change in ownership interest of parent due to transactions with non-controlling interests						(129)
Net changes in items other than shareholders' equity	(59)	559	184	684	(310)	373
Total changes during period	(59)	559	184	684	(310)	(461)
Balance at end of period	2,308	1,065	(1,406)	1,967	342	122,892

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	10,801	11,008
Depreciation	3,859	4,160
Impairment losses	418	238
Amortization of goodwill	295	394
Increase (decrease) in allowance for doubtful accounts	(205)	(43)
Increase (decrease) in retirement benefit liability	396	324
Interest and dividend income	(107)	(130)
Interest expenses	65	76
Share of loss (profit) of entities accounted for using equity method	(70)	672
Loss (gain) on sale and retirement of non-current assets	110	101
Loss (gain) on sale of investment securities	8	—
Loss (gain) on valuation of investment securities	82	8
Decrease (increase) in trade receivables	(4,231)	(5,652)
Decrease (increase) in investments in leases	545	497
Decrease (increase) in inventories	2,574	(2,311)
Increase (decrease) in trade payables	1,351	3,440
Other, net	3,514	(1,571)
Subtotal	19,408	11,212
Interest and dividends received	128	145
Interest paid	(53)	(80)
Income taxes paid	(2,319)	(5,565)
Net cash provided by (used in) operating activities	17,163	5,712
Cash flows from investing activities		
Payments into time deposits	(12)	(12)
Proceeds from withdrawal of time deposits	164	—
Purchase of property, plant and equipment and intangible assets	(3,996)	(6,300)
Proceeds from sale of property, plant and equipment and intangible assets	31	65
Purchase of investment securities	(35)	(403)
Proceeds from sale and redemption of investment securities	9	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(174)	(1,078)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(141)	—
Purchase of shares of subsidiaries and associates	(1,079)	(24)
Loan advances	(326)	(100)
Proceeds from collection of loans receivable	13	163
Payments of guarantee deposits	(387)	(288)
Proceeds from refund of guarantee deposits	233	321
Other, net	(384)	(51)
Net cash provided by (used in) investing activities	(6,085)	(7,710)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,830	(5,356)
Proceeds from long-term borrowings	2,064	3,206
Repayments of long-term borrowings	(1,473)	(1,161)
Purchase of treasury shares	(0)	(3,000)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(378)	(690)
Dividends paid	(4,793)	(4,734)
Other, net	(557)	(563)
Net cash provided by (used in) financing activities	(309)	(12,300)
Effect of exchange rate change on cash and cash equivalents	82	145
Net increase (decrease) in cash and cash equivalents	10,851	(14,152)
Cash and cash equivalents at beginning of period	28,051	38,903
Cash and cash equivalents at end of period	38,903	24,751

8. Notes on the consolidated financial statements

(Notes on the Going-concern Assumption)

Not applicable.

(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 current consolidated fiscal year. 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 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 maintenance parts, etc. and provision of maintenance services, etc. 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

The Group has changed its method of accounting for cash back and other consideration paid to customers, which was previously included in selling, general and administrative expenses, by reducing the amount of such consideration from the transaction price.

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

Regarding revenue related to the provision of certain maintenance and other services to customers, the Group had been applying a method in which revenue was recognized upon the conclusion of relevant agreements from the perspective of the materiality of the transaction. Now, it has been decided that revenue such as this will be recognized on a fixed-amount basis either at a point where the various types of services are provided if the performance obligation is to provide services at a certain point in time such as changing tires or oil, or for the contract period of the warranty if the performance obligation is to provide repairs under warranty for a certain period of time.

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 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 consolidated fiscal year under review. Starting with the balance of such retained earnings, the Group applied new

accounting policies.

As a result, in the consolidated balance sheet for the fiscal year under review, sales returns assets, refund liabilities and contract liabilities increased 1,179 million yen, 1,380 million yen and 1,389 million yen, respectively, compared to before the application of the Revenue Recognition Accounting Standards, etc. Sales returns assets are included in Other under current assets and refund liabilities are included in Other under current liabilities. In the consolidated statement of income for the fiscal year under review, net sales, the cost of sales, and selling, general and administrative expenses decreased 5,187 million yen, 4,756 million yen and 525 million yen, respectively, while operating profit, ordinary profit and profit before income taxes all increased 94 million yen.

Looking at the consolidated statements of cash flows for the fiscal year under review, in terms of cash flows from operating activities, profit before income taxes and trade receivable increased 94 million yen and 19 million yen, while inventories and other decreased 16 million yen and 97 million yen, respectively.

The initial balance of retained earnings in the consolidated statement of changes in equity decreased by 479 million yen due to the application of the cumulative effect to net assets as of the beginning of the fiscal year under review.

The effect on per-share information is stated in the relevant sections.

According to the transitional measures prescribed in paragraph 89-3 of the Revenue Recognition Accounting Standard, there are no notes on revenue recognition pertaining to the results of the previous consolidated fiscal year.

9. Segment Information

(1) Outlines reportable segment

The reporting segments of Autobacs Seven Co., Ltd. (the “Company”) are the components of the Company about which separate financial information is available. These segments are subject to periodic examination to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The companies are engaged in wholesale, retail sales and internet sales of automotive goods and services both in Japan and overseas; automobile purchase and sales; statutory safety inspection and maintenance services; imported car dealership. The companies also provide the AUTOBACS chain with store leasing service and credit related business. The Group has four reporting segments: “Domestic AUTOBACS Business,” “Overseas Business,” “Car Dealership, BtoB and Online Alliance Business” and “Other Business.”

“Domestic AUTOBACS Business” is engaged in wholesale of automotive goods such as Tires and Wheels, Car Electronics to its franchise companies in Japan. It also provides the AUTOBACS chain with store leasing service. Furthermore, it is engaged in sale and installation services of automotive goods, maintenance services, statutory safety inspection, automobile purchase from and sales to domestic customers.

“Overseas Business” is engaged in sale and installation services of automotive goods, maintenance services and operating a sheet metal painting to overseas customers. It also wholesales and exports automotive goods to overseas franchise companies and other retail companies.

“Car Dealership, BtoB and Online Alliance Business” is engaged in retail sale and service of imported car to domestic customers. It is also engaged in wholesale of automotive goods to domestic DIY stores. Moreover, it is engaged in providing automotive goods through the official online shop and the official app cooperated with real stores. It is engaged in statutory safety inspection, maintenance services and operating a sheet metal painting as well.

“Other Business” is engaged in credit related business, insurance agent, individual credit purchase mediation at franchise companies in Japan and issuing alliance card. It also provides the AUTOBACS chain with store equipment leasing service. Moreover, it is engaged in developing lifestyle brand goods suggesting unique worldview inspired by cars, opening internet and real stores and selling car, etc.

(Changes in segment names)

Starting from the beginning of the consolidated fiscal year, 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 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 consolidated fiscal year, 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 consolidated fiscal year under review, when compared to those compiled with the previous method, net sales decreased 4,305 million yen and segment profit increased 101 million yen in the Domestic AUTOBACS Business. Meanwhile, net sales decreased 882 million yen in the Car Dealership, BtoB and Online Alliance Business while segment profit decreased 7 million yen.

(2) Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting treatment methods for the Company's reporting segments have been prepared in accordance with accounting policies used for preparation of the consolidated financial statements.

(3) Segment sales, breakdown of sales, income(loss), assets and others

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segments					Reconciling items (Note 1)	Per 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	175,285	9,625	32,683	2,855	220,449	—	220,449
Transactions with other segments	2,652	452	8,724	616	12,445	(12,445)	—
Net sales	177,937	10,077	41,408	3,471	232,894	(12,445)	220,449
Operating profit (loss)	18,756	(172)	(287)	(518)	17,779	(7,201)	10,577
Assets	94,293	13,171	19,797	26,963	154,226	33,688	187,914
Other items							
Depreciation	2,194	646	403	280	3,525	283	3,808
Amortization of goodwill	72	120	102	—	295	—	295
Investments in entities accounted for using equity method	2,274	1,815	864	—	4,953	80	5,034
Increase in property, plant and equipment and intangible assets	1,864	192	1,271	379	3,708	287	3,996

Notes:

1. The details of “Reconciling items” are as follows:

- (1) The amount (7,201) million yen of “Reconciling items” of Operating profit (loss) is the corporate administrative expense which is not allocable to each reportable segment.
- (2) The amount 33,688 million yen of “Reconciling items” of Assets is the corporate administrative assets such as cash and deposits which are not belong to each reportable segment.
- (3) At Other items, the amount 283 million yen of “Reconciling items” of Depreciation is the depreciation for the corporate administrative assets. The amount 80 million yen of “Reconciling items” of Investments in entities accounted for using equity method is the investment amount to the affiliated company which is not belong to each reportable segment. the amount 287 million yen of “Reconciling items” of Increase in property, plant and equipment and intangible assets is the mainly amount of capital investment for the corporate administrative assets.

2. Operating profit (loss) corresponds to Operating profit in the Consolidated Statements of Income and Comprehensive Income.

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments					Reconciling items (Note 1)	Per 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	173,167	10,763	39,042	3,267	226,241	—	226,241
Other revenue	1,726	—	—	618	2,344	—	2,344
Revenues from external customers	174,894	10,763	39,042	3,886	228,586	—	228,586
Transactions with other segments	3,379	321	9,484	1,117	14,302	(14,302)	—
Net sales	178,274	11,084	48,527	5,003	242,889	(14,302)	228,586
Operating profit (loss)	20,343	(321)	(339)	(795)	18,886	(7,333)	11,552
Assets	107,721	13,395	21,924	29,289	172,331	17,579	189,910
Other items							
Depreciation	2,188	627	659	318	3,794	320	4,114
Amortization of goodwill	72	160	161	—	394	—	394
Investments in entities accounted for using equity method	2,369	1,225	763	—	4,358	92	4,450
Increase in property, plant and equipment and intangible assets	4,957	218	726	186	6,088	211	6,300

Notes:

1. The details of “Reconciling items” are as follows:

- (1) The amount (7,333) million yen of “Reconciling items” of Operating profit (loss) is the corporate administrative expense which is not allocable to each reportable segment.
- (2) The amount 17,579 million yen of “Reconciling items” of Assets is the corporate administrative assets such as cash and deposits which are not belong to each reportable segment.
- (3) At Other items, the amount 320 million yen of “Reconciling items” of Depreciation is the depreciation for the corporate administrative assets. The amount 92 million yen of “Reconciling items” of Investments in entities accounted for using equity method is the investment amount to the affiliated company which is not belong to each reportable segment. the amount 211 million yen of “Reconciling items” of Increase in property, plant and equipment and intangible assets is the mainly amount of capital investment for the corporate administrative assets.

2. Operating profit (loss) corresponds to Operating profit in the Consolidated Statements of Income and Comprehensive Income.

(4) Impairment loss by reportable segment

Fiscal year ended March 31,2021

(Millions of yen)

	Reportable segments					Reconciling items	Total
	Domestic AUTOBACS business	Overseas business	Car Dealership, BtoB and Online Alliance business	Other business	Total Reportable segments		
Impairment loss	—	294	64	60	418	—	418

Fiscal year ended March 31,2022

(Millions of yen)

	Reportable segments					Reconciling items	Total
	Domestic AUTOBACS business	Overseas business	Car Dealership, BtoB and Online Alliance business	Other business	Total Reportable segments		
Impairment loss	—	78	159	—	238	—	238

(5) Amortization and balance of goodwill by reportable segment

Fiscal year ended March 31,2021

(Millions of yen)

	Reportable segments					Reconciling items	Total
	Domestic AUTOBACS business	Overseas business	Car Dealership, BtoB and Online Alliance business	Other business	Total Reportable segments		
Amortization of goodwill	72	120	102	—	295	—	295
Goodwill	378	965	353	—	1,697	—	1,697

Fiscal year ended March 31,2022

(Millions of yen)

	Reportable segments					Reconciling items	Total
	Domestic AUTOBACS business	Overseas business	Car Dealership, BtoB and Online Alliance business	Other business	Total Reportable segments		
Amortization of goodwill	72	160	161	—	394	—	394
Goodwill	305	1,133	776	—	2,215	—	2,215

(6) Gain on negative goodwill by reportable segment

Fiscal year ended March 31,2021

Not applicable.

Fiscal year ended March 31,2022

Not applicable.

(Per Share Information)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share	1,542.40 yen	1,572.48 yen
Basic net income per share	88.28 yen	89.17 yen

(Notes)

1. Basic net income per share - diluted was not presented because there was no dilution for the fiscal year.
2. As described in Changes in Accounting Policies, the Company applied the Revenue Recognition Accounting Standard, etc. (ASBJ Statement No. 29 dated March 31, 2020) and followed the transitional measures prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. Consequently, net assets per share decreased 4.95 yen and net income per share increased 1.21 yen during the fiscal year under review.
3. The basis of calculating net income per share is as follows.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Basic net income per share		
Profit attributable to owners of parent (Millions of yen)	7,050	7,010
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common shares (Millions of yen)	7,050	7,010
Average shares outstanding over period (Thousand shares)	79,859	78,620

(Subsequent Events)

The Company abolished part of its lump-sum retirement benefit plan on April 1, 2022. Accordingly, Accounting for Transfer between Retirement Benefit Plans (Implementation Guidance on Accounting Standard for Retirement Benefits No.1 December 16, 2016) and Practical Solution on Accounting for Transfer between Retirement Benefit Plans (PITF Report No. 2 February 7, 2007) were applied for the termination of the lump-sum retirement benefit plan.

As a result, 891 million yen will be posted as extraordinary income in the next consolidated fiscal year.