

Consolidated Financial Results for the Six Months Ended September 30, 2023 【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information for the Six Months Ended September 30, 2023.

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: November 7, 2023

Start of cash dividend payments: November 27, 2023

Supplementary quarterly materials prepared: Yes

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

1. Results for the six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

(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	
		%		%		%
Six months ended						
September 30, 2023	111,880	4.5	3,452	(1.5)	3,398	(8.5)
Six months ended						
September 30, 2022	107,096	3.4	3,504	20.2	3,715	20.5

Note: Comprehensive income: **5,146 million yen for the Six months ended September 30, 2023: 10.3%**
4,666 million yen for the Six months ended September 30, 2022: 79.6%

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
		%		
Six months ended				
September 30, 2023	5,139	63.2	65.93	—
Six months ended				
September 30, 2022	3,149	66.8	40.41	—

(2) Financial position:

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

	Total assets	Total net assets	Equity ratio	Net assets per share (Yen)
Six months ended				
September 30, 2023	197,276	129,783	65.6	1,660.18
Fiscal year ended				
March 31, 2023	194,327	126,963	65.2	1,624.44

(Reference) Equity: **Six months ended September 30, 2023: 129,429 million Yen**

Fiscal year ended March 31, 2023: 126,622 million Yen

2. Dividends

	Dividends per share				(Yen)
	Three months	Second Quarter	Third Quarter	Year -end	Annual
Fiscal year ended					
March 31, 2023	—	30.00	—	30.00	60.00
Fiscal year ended					
March 31, 2024	—	30.00			
Fiscal year ending					
March 31, 2024 (forecast)			—	30.00	60.00

Note: Revisions to dividend forecasts published most recently: None

3. Forecast for the fiscal year ending March 2024 (from April 1, 2023 to March 31, 2024)

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

	Net sales		Operating income		Ordinary income	
		%		%		%
Annual	234,200	(0.9)	11,900	1.5	11,600	0.2

	Profit attributable to owners of parent		Basic net income per share (Yen)	
		%		
Annual	9,000	24.3	115.44	

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)
Six months ended September 30, 2023: 82,050,105 shares
Fiscal year ended March 31, 2023: 82,050,105 shares
2. Number of treasury stock at the end of period
Six months ended September 30, 2023: 4,089,016 shares
Fiscal year ended March 31, 2023: 4,102,004 shares
3. Average shares outstanding over quarter
Six months ended September 30, 2023: 77,952,668 shares
Six months ended September 30, 2022: 77,938,995 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.

(Availability of quarterly financial results supplementary material)

Autobacs Seven Co., Ltd. will be held the Analysts Meeting online on November 1, 2023. The presentation material of the meeting will be uploaded on the Company's website afterwards.

5. Qualitative Information Concerning the Six Months Ended September 30, 2023

Explanation of business results

During the first six months of the fiscal year under review, the Japanese economy showed signs of improvement in consumer spending due to the normalization of social and economic activity with the easing of activity restrictions under the COVID-19 pandemic. However, the outlook for the Japanese economy remained uncertain, given rising prices of goods caused by the prolonged conflict in Ukraine and soaring raw material and energy costs, as well as concerns about an economic slowdown due to exchange rate fluctuations.

Looking at trends in the domestic automotive-related industry, the number of new cars sold, which had been sluggish with the global shortage of semiconductors, recovered to a level higher than the previous year thanks to the improvement of semiconductor supply. In addition, the number of used cars for trade-in available in the distribution market increased due to the recovery of new car sales, and the number of used cars registered was on the rise. Market conditions for automotive goods were impacted by rising prices linked to surging raw material and energy costs, but there are signs of a recovery, reflecting growing demand for interior goods and automotive accessories such as cushions and floor mats associated with a recovery in the supply of new cars.

Under these circumstances, the Company is working to enhance its competitiveness in the market by responding and adapting to the changes of the society, automobile-related needs, and people's lifestyle. 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 for sustainable growth.

As a result, the Group's sales during the first six months of the consolidated fiscal year under review increased by 4.5% year on year, to 111,880 million yen, gross profit increased by 3.3% year on year, to 37,442 million yen, and selling, general, and administrative expenses increased by 3.8% year on year, to 33,990 million yen, resulting in operating income of 3,452 million yen, a decrease of 1.5% from a year earlier. Ordinary income decreased by 8.5% year on year, to 3,398 million yen. As a result, profit attributable to owners of parent increased by 63.2% year on year, to 5,139 million yen, as an extraordinary profit of 3,971 million yen related to the transfer of businesses of two consolidated subsidiaries was recorded.

Results by business segment are as follows.

From the first quarter of the current fiscal year, the Company changed the classification of reporting segments. With respect to comparisons with results for the same period of the previous year, comparisons and analyses were made based on figures for the three-month period a year before reclassified into revised segments.

[Domestic AUTOBACS Business]

Sales of the entire domestic AUTOBACS chain (including franchise stores) increased 2.5% year on year on a same-store basis and 2.9% year on year on an overall basis.

As for AUTOBACS chain stores, engine oil and batteries performed strongly due to maintenance demand for existing owned cars. Sales from services associated with these products also remained strong.

Tire sales saw a decline from a year ago, which can be attributed to the surge in demand just before the price hike in the previous year, despite growth in sales of low-priced products such as private brand tires and tires exclusively sold by the AUTOBACS Group.

As for private brands, the Company has been focusing on developing and selling valuable products that meet various customer needs, such as "AQ. (AUTOBACS Quality.)", and "GORDON MILLER", a brand that proposes an exciting garage lifestyle.

The Company gradually expanded its statutory safety inspection and maintenance services, through integrating new features into its official app. In addition to allowing users to book work at service pits, the app informs them about the work history of major maintenance items and the timing of parts replacement. Service pit bookings via the Web became increasingly popular. “Machijikan Yoyaku,” a function of the app that enables users to reserve a time slot for an engine oil change on the day of booking, which was introduced last year, performed well. The number of bookings via the official app increased 24.3% year on year. The number of vehicles that underwent statutory safety inspection and maintenance services increased 4.4% year on year, to approximately 326,000, reflecting an increase in the number of vehicles subject to statutory safety inspections.

As for automobile sales, sales performed strong against the backdrop of increases in the number of units purchased. The total number of automobiles sold in the Domestic AUTOBACS Business increased by 19.8% year on year, to approximately 15,400.

The total number of stores in operation in Japan, reflecting two stores opening and one store closure, increased from 588 as of the end of March 2023, to 589 .

As a result, sales of the Domestic AUTOBACS Business increased by 4.4% year on year, to 81,541 million yen, and segment profit decreased by 0.6% year on year, to 7,875 million yen.

[Overseas Business]

Sales for the Overseas Business increased 14.0% year on year, to 7,771 million yen, and segment profit was 46 million yen (compared to a segment loss of 110 million yen in the same period of the previous year).

In the retail and service business, sales increased despite the impact of the conflict in Ukraine and worldwide inflation. In the wholesale business, sales rose, mainly reflecting stepped up sales and marketing to existing customers.

In France, sales increased due to optimization of price and sales activities, despite the decrease in the demand for summer season items due to the cool summer weather and rainfall. On the other hand, labor expenses increased due to a rise in the legal minimum wage. In Singapore, works at service pits performed well by capturing demand for maintenance parts for existing vehicles due to the price increase of certificate of entitlement (COE). In Malaysia and Australia, sales decreased mainly due to a decline in consumer appetite against the backdrop of inflation and a sharp rise in interest rates. In China, sales declined due to falling exports to Japan.

The total number of stores outside Japan, with 15 new store openings and two stores closure, increased from 78 as of the end of March 2023, to 91.

[Car Dealership, BtoB and Online Alliance Business]

Sales for the Car Dealership, BtoB and Online Alliance Business increased by 5.4% year on year, to 23,544 million yen, and segment loss was 106 million yen (compared to a segment profit of 28 million yen in the same period of the previous year).

In the Car Dealership Business, both the number of new cars sold and the number of used cars sold increased on the back of a recovery in the number of new cars produced and the number of used cars registered. However, sales remained at the same level as the previous year due to the transfer of shares of Autoplatz K.K. and Motoren Tochigi Corp., which operate BMW/MINI authorized dealership business, held by AUTOBACS DEALER GROUP HOLDINGS Co., Ltd., a consolidated subsidiary of the Company, on September 1, 2023. In addition, BACS e-Mobility Co., Ltd., a consolidated subsidiary, has also begun selling ZEVs (zero emission vehicles), including electric vehicles, through measures such as establishing a preparatory office for opening BYD AUTO Tokyo Bay Shinonome, an authorized BYD dealer.

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. Further, against the backdrop of solid demand for vehicle maintenance, a subsidiary engaged in the wholesale of automotive goods, engine oil, and other products, performed well. The on-site installation service, including the installation of dashboard cameras and car navigation devices, also performed strongly. In September 2023, the Company started the on-site installation of equipment for preventing kindergarten children from being left behind on shuttle buses and is installing the equipment also on vehicles for adult day care facilities. In addition, the Company promoted collaboration with Nissan Motor Co., Ltd. It developed and sold specific items for models, namely Kicks Columbia Edition, Nissan Sakura, and Nissan Serena.

In the Online Alliance Business, the Company continues to promote logistics reforms and the integration of online and physical stores. The Company aims to attract potential customers and enhance the satisfaction of existing customers through MOBILA, a comprehensive website that offers car life information, services and content. The Company introduced FLEETGUIDE, a cloud-based system that comprehensively manages company cars usage, including daily driving reports, operation control, and alcohol tests using ALC Cloud, a portable breathalyzer, via a smartphone app or PC.

[Other Business]

Sales in the Other Business decreased 5.7% year on year, to 8,571 million yen, and segment loss totalled 348 million yen (compared to a segment loss of 317 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, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	24,570	35,044
Notes and accounts receivable - trade	26,149	26,985
Merchandise	23,899	24,311
Accounts receivable - other	27,102	19,341
Other	9,703	10,540
Allowance for doubtful accounts	(83)	(84)
Total current assets	111,341	116,139
Non-current assets		
Property, plant and equipment		
Land	24,735	24,309
Other, net	22,022	22,188
Total property, plant and equipment	46,757	46,497
Intangible assets		
Goodwill	1,386	1,221
Other	8,005	7,272
Total intangible assets	9,392	8,494
Investments and other assets		
Guarantee deposits	12,128	11,863
Other	14,724	14,295
Allowance for doubtful accounts	(16)	(13)
Total investments and other assets	26,836	26,145
Total non-current assets	82,986	81,137
Total assets	194,327	197,276
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,629	25,061
Short-term borrowings	1,847	1,241
Accounts payable - other	15,746	12,421
Income taxes payable	2,726	1,664
Other	10,954	9,388
Total current liabilities	48,906	49,777
Non-current liabilities		
Long-term borrowings	6,699	6,525
Provisions	7	7
Retirement benefit liability	341	248
Asset retirement obligations	2,741	2,741
Other	8,667	8,192
Total non-current liabilities	18,458	17,715
Total liabilities	67,364	67,493

(Millions of yen)

As of March 31, 2023 As of September 30, 2023

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,156	34,156
Retained earnings	61,997	64,794
Treasury shares	(6,990)	(6,968)
Total shareholders' equity	123,162	125,981
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,077	1,706
Foreign currency translation adjustment	1,382	1,741
Total accumulated other comprehensive income	3,460	3,448
Non-controlling interests	340	353
Total net assets	126,963	129,783
Total liabilities and net assets	194,327	197,276

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	107,096	111,880
Cost of sales	70,845	74,437
Gross profit	36,250	37,442
Selling, general and administrative expenses	32,746	33,990
Operating profit	3,504	3,452
Non-operating income		
Interest income	29	44
Dividend income	42	58
Share of profit of entities accounted for using equity method	49	69
Lease revenue-system equipment	324	414
Other	515	557
Total non-operating income	961	1,144
Non-operating expenses		
Interest expenses	36	35
Lease cost-system equipment	297	936
Loss on retirement of non-current assets	36	22
Other	380	204
Total non-operating expenses	751	1,198
Ordinary profit	3,715	3,398
Extraordinary income		
Gain on sale of businesses	—	3,971
Compensation for forced relocation	286	—
Gain on termination of retirement benefit plan	891	—
Total extraordinary income	1,177	3,971
Extraordinary losses		
Impairment losses	—	89
Total extraordinary losses	—	89
Profit before income taxes	4,892	7,280
Income taxes - current	1,231	1,896
Income taxes - deferred	513	243
Total income taxes	1,744	2,139
Profit	3,148	5,141
Profit attributable to		
Profit attributable to owners of parent	3,149	5,139
Profit (loss) attributable to non-controlling interests	(1)	1
Other comprehensive income		
Valuation difference on available-for-sale securities	(379)	(376)
Foreign currency translation adjustment	411	304
Remeasurements of defined benefit plans, net of tax	1,406	—
Share of other comprehensive income of entities accounted for using equity method	79	77
Total other comprehensive income	1,518	5
Comprehensive income	4,666	5,146
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,643	5,127
Comprehensive income attributable to non-controlling interests	23	19

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 Six months ended September 30, 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	76,074	6,508	18,006	5,333	105,922	—	105,922
Other revenue	—	—	—	1,174	1,174	—	1,174
Revenues from external customers	76,074	6,508	18,006	6,507	107,096	—	107,096
Transactions with other segments	2,067	310	4,340	2,580	9,298	(9,298)	—
Net sales	78,141	6,818	22,347	9,087	116,395	(9,298)	107,096
Operating profit (loss)	7,922	(110)	28	(317)	7,521	(4,017)	3,504

Notes:

1. The amount (4,017) 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 Six months ended September 30, 2023

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

(Millions of yen)

	Reportable segments					Reconciling items (Note 1)	Per quarterly consolidated financial statements (Note 2)
	Domestic AUTOBACS business	Overseas business	Car Dealership, BtoB and Online Alliance business	Other business	Total Reportable segments		
Sales							
Revenue from contracts with customers	79,217	7,496	19,016	4,908	110,639	—	110,639
Other revenue	—	43	—	1,197	1,240	—	1,240
Revenues from external customers	79,217	7,540	19,016	6,106	111,880	—	111,880
Transactions with other segments	2,323	231	4,527	2,465	9,548	(9,548)	—
Net sales	81,541	7,771	23,544	8,571	121,428	(9,548)	111,880
Operating profit (loss)	7,875	46	(106)	(348)	7,466	(4,014)	3,452

Notes:

1. The amount (4,014) 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

Starting from the first quarter ended June 30, 2023, due to the revision of our business portfolio, the department with functions to promote and manage car purchase and sales has been transferred to the newly established "Car Trading Business" with the aim of expanding its business. Similarly, the department with functions of property development and location development related to store openings, etc. has been transferred to the newly established “Property Development Business” for the purpose of accelerating store openings and making effective use of real estate within the Group. Accordingly, the reportable segment of both functions, which used to be included in the “Domestic AUTOBACS business,” is reviewed and transferred to the “Other business.”

In addition, indirect costs for customer support and logistics facilities, which used to be included in the “Domestic AUTOBACS Business,” are reviewed as company-wide expenses that are not allocable to each reportable segment.

There are no changes in the names of the reportable segments “Domestic AUTOBACS business,” “Overseas business,” “Car Dealership, BtoB and Online Alliance business,” and “Other business.”

Please note that the disclosed segment information during the previous six months of the consolidated fiscal year were prepared based on the classification of the reportable segments after change.

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

Not applicable.