

Consolidated Financial Results for the Nine Months Ended December 31, 2023 【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information for the Nine Months Ended December 31, 2023.

Company name: AUTOBACS SEVEN CO., LTD.

Code number: 9832

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

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

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Stock exchange listing: Tokyo

Submission of Quarterly Business Report: February 7, 2024

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, 2023 (From April 1, 2023 to December 31, 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	
Nine months ended		%		%		%
December 31, 2023	179,637	0.8	8,991	(8.4)	9,311	(5.7)
Nine months ended						
December 31, 2022	178,141	3.6	9,811	11.4	9,869	4.5
Note: Comprehensive income:	8,965 million yen for the Nine months ended December 31, 2023:					4.1%
	8,608 million yen for the Nine months ended December 31, 2022:					28.3%
	Profit attributable to owners of parent		Basic net income per share (Yen)		Basic net income per share - diluted (Yen)	
Nine months ended		%				
December 31, 2023	9,106	29.4	116.82			—
Nine months ended						
December 31, 2022	7,038	14.3	90.30			—

(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, 2023	217,923	131,261	60.1	1,679.92
Fiscal year ended				
March 31, 2023	194,327	126,963	65.2	1,624.44

(Reference) Equity: **Nine months ended December 31, 2023: 130,966 million Yen**

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

2. Dividends

	Dividends per share				(Yen)
	First Quarter	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)
Nine months ended December 31, 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
Nine months ended December 31, 2023: 4,089,829 shares
Fiscal year ended March 31, 2023: 4,102,004 shares
 - 3. Average shares outstanding over quarter
Nine months ended December 31, 2023: 77,955,443 shares
Nine months ended December 31, 2022: 77,942,416 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, there might be cases in which actual results materially differ from forecasts of this report.

5. Qualitative Information Concerning the Nine Months Ended December 31, 2023

Explanation of business results

During the first nine 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.

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 nine months of the consolidated fiscal year under review increased by 0.8% year on year, to 179,637 million yen, gross profit increased by 0.3% year on year, to 59,977 million yen, and selling, general, and administrative expenses increased by 2.0% year on year, to 50,985 million yen, resulting in operating income of 8,991 million yen, a decrease of 8.4% from a year earlier. Ordinary income decreased by 5.7% year on year, to 9,311 million yen. As a result of an extraordinary profit of 3,971 million yen related to the transfer of businesses of two consolidated subsidiaries, profit attributable to owners of parent increased by 29.4% year on year, to 9,106 million yen.

Results by business segment are as follows.

Starting from the first three months of the fiscal year under review, the Company changed the classification of its reporting segments. Regarding the comparisons with the results of the same period of the previous year, comparisons and analyses were made based on figures for the same period of the previous year reclassified into the revised segments.

[Domestic AUTOBACS Business]

Sales of the entire domestic AUTOBACS chain (including franchise stores) increased 0.3% year on year on a same-store basis and 0.5% 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 sluggish sales of snow tires due to the warm winter weather, despite growth in sales of low-priced products such as private brand tires and AUTOBACS Group exclusive tires.

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. The number of bookings via the official app increased 24.5% year on year.

The number of vehicles that underwent statutory safety inspection and maintenance services increased 1.9% year on year, to approximately 478,000, due to the efforts for improving the repeat rate for customers who have had their statutory safety inspection done at our stores, although the number of vehicles subject to statutory safety inspections began to decrease from the first nine months of the current fiscal year.

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 14.9% year on year, to approximately 22,900.

Additionally, the Company has renewed the AUTOBACS Membership System for the first time in 18 years, reviewing the benefits and rank-up program to make it even more attractive.

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

As a result, sales of the Domestic AUTOBACS Business increased by 2.3% year on year, to 134,875 million yen, and segment profit decreased by 4.2% year on year, to 15,172 million yen.

[Overseas Business]

Sales for the Overseas Business increased 14.4% year on year, to 11,726 million yen, and segment profit was 39 million yen (compared to a segment loss of 133 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, 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. While labor expenses increased due to a rise in the legal minimum wage, the Company is taking measures to improve profitability including closing unprofitable stores. 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 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 23 new store openings and four stores closure, increased from 78 as of the end of March 2023, to 97.

[Car Dealership, BtoB and Online Alliance Business]

Sales for the Car Dealership, BtoB and Online Alliance Business decreased by 5.5% year on year, to 35,701 million yen, and segment profit decreased 66.6% year on year, to 236 million yen.

In the Car Dealership Business, sales decreased due to the transfer of shares of two consolidated subsidiaries of the Company on September 1, 2023. In addition, BACS e-Mobility Co., Ltd., a consolidated subsidiary, opened a new authorized dealer of BYD Auto Japan K.K “BYD AUTO Utsunomiya” in November 2023, and has begun selling ZEVs (zero emission vehicles), including electric vehicles.

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 solidly. The on-site installation service of the anti-left-behind device for buses transporting children, which started in September 2023, has been used not only for vehicles transporting children to and from kindergartens, but also for vehicles transporting elderly care workers and other vehicles. In addition, the Company is promoting collaboration with Nissan Motor Co., Ltd. It developed and sold specific items for models, namely Nissan Sakura, Nissan Serena and etc.

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 contents. In addition, the Company launched FLEETGUIDE, a cloud-based company vehicle management 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 3.8% year on year, to 13,303 million yen, and segment loss totalled 508 million yen (compared to a segment loss of 665 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 December 31, 2023
Assets		
Current assets		
Cash and deposits	24,570	33,447
Notes and accounts receivable - trade	26,149	32,384
Merchandise	23,899	24,665
Accounts receivable - other	27,102	32,976
Other	9,703	12,737
Allowance for doubtful accounts	(83)	(82)
Total current assets	111,341	136,129
Non-current assets		
Property, plant and equipment		
Land	24,735	24,312
Other, net	22,022	22,776
Total property, plant and equipment	46,757	47,089
Intangible assets		
Goodwill	1,386	1,144
Other	8,005	7,030
Total intangible assets	9,392	8,175
Investments and other assets		
Guarantee deposits	12,128	11,683
Other	14,724	14,859
Allowance for doubtful accounts	(16)	(13)
Total investments and other assets	26,836	26,529
Total non-current assets	82,986	81,794
Total assets	194,327	217,923
Liabilities		
Current liabilities		
Notes and accounts payable - trade	17,629	34,907
Short-term borrowings	1,847	684
Accounts payable - other	15,746	19,063
Income taxes payable	2,726	1,664
Other	10,954	13,299
Total current liabilities	48,906	69,619
Non-current liabilities		
Long-term borrowings	6,699	6,072
Provisions	7	7
Retirement benefit liability	341	252
Asset retirement obligations	2,741	2,708
Other	8,667	8,001
Total non-current liabilities	18,458	17,042
Total liabilities	67,364	86,661

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,156	34,220
Retained earnings	61,997	66,421
Treasury shares	(6,990)	(6,969)
Total shareholders' equity	123,162	127,671
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,077	1,633
Foreign currency translation adjustment	1,382	1,662
Total accumulated other comprehensive income	3,460	3,295
Non-controlling interests	340	294
Total net assets	126,963	131,261
Total liabilities and net assets	194,327	217,923

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	178,141	179,637
Cost of sales	118,321	119,660
Gross profit	59,820	59,977
Selling, general and administrative expenses	50,008	50,985
Operating profit	9,811	8,991
Non-operating income		
Interest income	47	67
Dividend income	78	119
Share of profit of entities accounted for using equity method	—	387
Lease revenue-system equipment	501	564
Other	779	776
Total non-operating income	1,407	1,915
Non-operating expenses		
Interest expenses	55	53
Share of loss of entities accounted for using equity method	285	—
Lease cost-system equipment	440	1,149
Loss on retirement of non-current assets	43	39
Other	525	353
Total non-operating expenses	1,349	1,596
Ordinary profit	9,869	9,311
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	—	90
Total extraordinary losses	—	90
Profit before income taxes	11,046	13,192
Income taxes - current	3,647	3,969
Income taxes - deferred	354	106
Total income taxes	4,002	4,076
Profit	7,044	9,116
Profit attributable to		
Profit attributable to owners of parent	7,038	9,106
Profit attributable to non-controlling interests	6	9
Other comprehensive income		
Valuation difference on available-for-sale securities	(104)	(449)
Foreign currency translation adjustment	262	256
Remeasurements of defined benefit plans, net of tax	1,406	—
Share of other comprehensive income of entities accounted for using equity method	0	42
Total other comprehensive income	1,564	(150)
Comprehensive income	8,608	8,965
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,583	8,941
Comprehensive income attributable to non-controlling interests	25	24

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, 2022

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	128,446	9,843	29,927	8,173	176,391	—	176,391
Other revenue	—	—	—	1,749	1,749	—	1,749
Revenues from external customers	128,446	9,843	29,927	9,923	178,141	—	178,141
Transactions with other segments	3,390	402	7,846	3,901	15,541	(15,541)	—
Net sales	131,837	10,246	37,774	13,824	193,683	(15,541)	178,141
Operating profit (loss)	15,842	(133)	707	(665)	15,750	(5,938)	9,811

Notes:

1. The amount (5,938) 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, 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	130,928	11,271	27,895	7,704	177,799	—	177,799
Other revenue	—	26	—	1,811	1,837	—	1,837
Revenues from external customers	130,928	11,298	27,895	9,515	179,637	—	179,637
Transactions with other segments	3,946	428	7,806	3,787	15,968	(15,968)	—
Net sales	134,875	11,726	35,701	13,303	195,606	(15,968)	179,637
Operating profit (loss)	15,172	39	236	(508)	14,938	(5,946)	8,991

Notes:

1. The amount (5,946) 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 nine 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.