

Consolidated Financial Results for the Six Months Ended September 30, 2019 【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information for the Six Months Ended September 30, 2019.

Company name : AUTOBACS SEVEN CO., LTD.

Code number : 9832

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

Headquarters : Tokyo, Japan

Company Representative : Kiomi Kobayashi, Representative Director

Contact for further information : Hiroyuki Takano, General Manager, Finance & Accounting Department

Telephone : +81-3-6219-8787

Stock exchange listing : Tokyo

Submission of Quarterly Business Report : November 6, 2019

Start of cash dividend payments : November 25, 2019

Supplementary quarterly materials prepared : Yes

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

1. Results for the Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

(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, 2019	111,029	13.8	4,447	194.8	4,696	153.9
Six months ended September 30, 2018	97,536	(1.0)	1,508	(32.3)	1,849	(24.5)

Note: Comprehensive income : 2,670 million yen for the six months ended September 30, 2019 : 194.2%
907 million yen for the six months ended September 30, 2018 : (55.7) %

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
		%		
Six months ended September 30, 2019	2,831	375.5	35.40	-
Six months ended September 30, 2018	595	(54.8)	7.22	-

(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, 2019	185,073	122,334	65.8	1,524.70
Fiscal year ended				
March 31, 2019	181,391	124,187	68.1	1,526.59

(Reference) Equity : Six months ended September 30, 2019 : 121,749 million Yen

Fiscal year ended March 31, 2019 : 123,582 million Yen

2. Dividends

	Dividends per share				(Yen)
	First Quarter	Second Quarter	Third Quarter	Year -end	Annual
Fiscal year ended					
March 31, 2019	-	30.00	-	30.00	60.00
Fiscal year ended					
March 31, 2020	-	30.00	-	-	-
Fiscal year ending					
March 31, 2020 (forecast)	-	-	-	30.00	60.00

Note : Revisions to dividend forecasts published most recently : None

3. Forecast for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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

	Net sales		Operating income		Ordinary income	
		%		%		%
Annual	223,000	4.3	8,000	7.0	8,700	6.1

	Profit attributable to owners of parent		Basic net income per share(Yen)
		%	
Annual	5,800	5.7	72.63

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 : Yes
 - 2. Changes due to changes in accounting standard except (3)-1. : None
 - 3. Changes due to accounting estimation change : None
 - 4. Restatement : NoneNote: For further details, please refer to “7. Notes on the quarterly consolidated financial statements”, “Changes in Accounting Policy”.
- (4) Shares outstanding (common stock)
 - 1. Number of shares outstanding (including treasury stock)
Six Months ended September 30, 2019 : 84,050,105 shares
Fiscal year ended March 31, 2019 : 84,050,105 shares
 - 2. Number of treasury stock at the end of period
Six Months ended September 30, 2019 : 4,198,275 shares
Fiscal year ended March 31, 2019 : 3,097,001 shares
 - 3. Average shares outstanding over quarter
Six Months ended September 30, 2019 : 79,984,823 shares
Six Months ended September 30, 2018 : 82,509,831 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.

※The Company will be held the Analysts Meeting on October 31, 2019. The presentation material and video picture of the meeting will be uploaded as soon as possible on the Company's website afterwards.

5. Qualitative Information concerning Consolidated Business Results for the Six Months Ended September 30, 2019

Explanation of business results

During the six months under review (from April 1, 2019 to September 30, 2019), the Japanese economy maintained a slight recovery amid the continued improvement in the employment and individual income environment, along with consumer spending and capital investments remaining on an upward trend. Meanwhile, the country's economic outlook remains uncertain, given the growing concerns about the economic outlook of China and the trade dispute developments along with some manufacturing sector activities remaining weak, reflecting sluggish exports.

On the domestic front, the automotive-related industry during the period enjoyed solid demand in terms of used car registrations and new vehicle sales, with both showing year-on-year growth ahead of the consumption tax hike scheduled for October of this year. Sales of automotive goods remained strong compared to the corresponding period of the previous fiscal year, reflecting growing awareness of safe driving in society and the rush demand for tires in anticipation of sales price hikes to be announced by tire manufacturers.

Given this situation, the Group has launched the Five-year Rolling Plan 2019, which sets out its direction for the five years to come, beginning in the current consolidated fiscal year, with a range of initiatives for responding to the drastically changing business environments surrounding the Group in a dynamic and flexible manner.

Particularly during the six-month period under review, the Group focused its efforts on enhancing its sales capabilities and lineups of merchandise such as tires and dashcams related to safety and security, which is one of the values that we offer our customers.

Consequently, the Group's sales during the first six months of the consolidated fiscal year under review increased by 13.8% year on year, to 111,029 million yen, gross profit increased by 15.3%, to 35,511 million yen, selling, general and administrative expenses increased by 6.1%, to 31,064 million yen, operating income increased by 194.8%, to 4,447 million yen, ordinary income increased by 153.9%, to 4,696 million yen, and profit attributable to owners of parent increased by 375.5%, to 2,831 million yen.

The results by business segment are as described below.

[Domestic AUTOBACS Business]

During the first six months of the consolidated fiscal year under review, total sales for domestic businesses in the entire AUTOBACS chain stores (including franchise outlets) increased by 11.4% year on year on a same-store basis, and increased by 11.2% year on year on an overall-store basis.

On the domestic front, AUTOBACS chain stores saw significant growth in tire sales, helped by lineup expansions for products including winter tires. Announcements were made at AUTOBACS chain stores nationwide regarding retail price hikes of tires scheduled for October in the wake of price increases for products supplied by tire manufacturers.

In the area of car electronics, sales of dashcams remained strong, reflecting the introduction of an

extensive lineup of high-end models including those with dual cameras or a 360-degree panoramic view in response to tailgating incidents reported since August, along with the rise in safety awareness among customers on driving. Meanwhile, the Pedal Watcher, a device that prevents accidents caused by errors in the use of the accelerator and brake by a driver, continued to attract customers' attention.

Moreover, the Company expanded the product lines of its private brand AQ. (Autobacs Quality.) and its brands that inspire car-related lifestyles, JKM and GORDON MILLER, improving the appeal of its merchandise. Meanwhile, the Company has been continuously bolstering operations at its stores and proceeding with hardware renovations, including sales floors and service bays.

In the statutory safety inspection and maintenance service, against a backdrop of an increase in the number of vehicles that are required to undergo statutory safety inspections during the period, the number of vehicles that underwent statutory safety inspection and maintenance services increased by 7.9% year on year, to approximately 322,000 units, as a result of strengthened efforts in stores, such as 15-minute acceptance inspections.

In automobile purchase and sales, as a result of the increased number of vehicle purchases thanks to the targeted strengthening of sales activities, BtoB sales to automobile auctions fared well, and the total sales volume in the domestic AUTOBACS business increased by 13.2% year on year, to approximately 16,000 units.

The total number of stores in operation as of the end of September 2019 stood at 586, compared with 593 at the end of the previous fiscal year. (Seven stores closed during the six months). The number of CARS franchise stores at the end of September 2019 was 400, compared with 401 recorded six months earlier.

In addition to these results, in March 2019 the Company acquired all the shares of a company operating seven AUTOBACS chain stores, thus making it into a wholly owned subsidiary. As a result, sales in the domestic AUTOBACS business during the first six months of the consolidated fiscal year under review increased by 12.4% year on year, to 91,035 million yen, and the segment profit rose by 43.4% year on year, to 7,735 million yen.

[Overseas Business]

The Group's foreign consolidated subsidiaries have applied IFRS 16 Leases from the beginning of the second quarter under review, but the impact on profit and loss for the first six months of the consolidated fiscal year under review is immaterial.

Sales for the Overseas Business increased by 12.4% year on year, to 6,042 million yen, and the segment loss was 210 million yen (as opposed to segment loss of 357 million yen in the corresponding period of the preceding fiscal year.)

The retail and service business in Thailand enjoyed a year-on-year increase in sales thanks to the opening of a small outlet in the PTG Group's gas station malls in April 2019. In France, growth was achieved in operating income with successful cost reductions, while sales fell short of the previous year's level.

In the wholesale business, sales grew steadily, mainly supported by engine oil made in Japan for

overseas markets, and the Company is pursuing initiatives to expand sales channels for the future. Revenues and profit both increased in the Group's business in China, buoyed by a significant rise in the wholesale volume there. In Singapore, operating income increased as a result of progress in the introduction of the wholesale of PB products for car maintenance, mainly in convenience stores and hypermarkets. In Australia, AudioXtra Pty Ltd., which became a consolidated subsidiary in October 2018, aims to increase earnings in the Group's overseas wholesale business.

As a result of one store opening and one store closure, the total number of stores in operation outside Japan stood at 46.

[Car Dealer, BtoB and Internet Business]

Sales for the Car Dealer, BtoB and Internet Business increased by 25.7% year on year, to 18,045 million yen, and the segment loss was 121 million yen (as opposed to the 786-million-yen segment loss in the corresponding period of the preceding fiscal year).

In the imported car dealer business, in April 2019 the Company established AUTOBACS Dealer Group Holdings Co., Ltd., which manages the imported car dealer business, to bolster its management system and further increase earnings. In the first six months of the fiscal year under review, the Company took steps to strengthen the sales system at dealers, while bolstering services, in addition to boosting sales of new and used cars.

In the BtoB business, both sales and profits improved, mainly on the strength of initiatives to optimize operating activities at CAP Style Co., Ltd., a company established as a business combination of two wholesalers supplying automotive goods in the previous fiscal year, and initiatives to reduce distribution costs. In addition, in the fleet business, an area of increased focus for the Company in terms of aiming to capture corporate demand, the sales volume of driving safety support products, including dashcams, is expanding.

In the internet business, the Company is working on the renewal of its product lineup and promotions and preparing to update its corporate websites. Moreover, the Company has developed an e-commerce platform for the BtoB business, with testing underway for full-scale operation.

[Other Business]

Sales in the other business decreased by 4.1% year on year, to 1,074 million yen, and the segment profit declined by 7.9% year on year, to 235 million yen.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	30,679	25,741
Notes and accounts receivable - trade	25,159	28,382
Merchandise	19,639	21,684
Accounts receivable - other	22,676	25,125
Income taxes receivable	365	12
Other	9,445	9,234
Allowance for doubtful accounts	(107)	(115)
Total current assets	107,857	110,065
Non-current assets		
Property, plant and equipment		
Land	21,566	21,754
Other, net	19,523	22,868
Total property, plant and equipment	41,090	44,623
Intangible assets		
Goodwill	1,344	1,574
Other	4,692	4,474
Total intangible assets	6,036	6,049
Investments and other assets		
Guarantee deposits	13,731	13,526
Other	12,704	10,838
Allowance for doubtful accounts	(30)	(29)
Total investments and other assets	26,405	24,335
Total non-current assets	73,533	75,008
Total assets	181,391	185,073
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,298	21,402
Short-term borrowings	2,412	1,109
Accounts payable - other	13,564	15,490
Income taxes payable	757	1,122
Provision for point card certificates	72	43
Other	6,298	7,024
Total current liabilities	44,404	46,192
Non-current liabilities		
Long-term borrowings	1,300	1,980
Provisions	34	42
Retirement benefit liability	1,479	1,590
Asset retirement obligations	2,184	2,160
Other	7,801	10,772
Total non-current liabilities	12,799	16,546
Total liabilities	57,203	62,739

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,298	34,297
Retained earnings	60,172	60,574
Treasury shares	(5,689)	(7,769)
Total shareholders' equity	122,780	121,101
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,462	1,492
Foreign currency translation adjustment	381	141
Remeasurements of defined benefit plans	(1,042)	(985)
Total accumulated other comprehensive income	801	648
Non-controlling interests	604	585
Total net assets	124,187	122,334
Total liabilities and net assets	181,391	185,073

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	97,536	111,029
Cost of sales	66,738	75,517
Gross profit	30,797	35,511
Selling, general and administrative expenses	29,288	31,064
Operating profit	1,508	4,447
Non-operating income		
Interest income	34	28
Dividend income	49	35
Share of profit of entities accounted for using equity method	89	221
Lease revenue-system equipment	363	362
Other	629	515
Total non-operating income	1,165	1,163
Non-operating expenses		
Interest expenses	14	35
Lease cost-system equipment	404	394
Loss on retirement of non-current assets	83	28
Other	321	455
Total non-operating expenses	824	914
Ordinary profit	1,849	4,696
Extraordinary income		
Insurance claim income	97	—
Gain on step acquisitions	—	93
Total extraordinary income	97	93
Extraordinary losses		
Impairment loss	—	177
Extra retirement payments	270	—
Loss on retirement of non-current assets	—	155
Loss on disaster	689	—
Voluntary product recall-related loss	—	141
Total extraordinary losses	960	475
Profit before income taxes	987	4,315
Income taxes - current	261	1,201
Income taxes - deferred	148	273
Total income taxes	409	1,474
Profit	577	2,840
Profit attributable to		
Profit attributable to owners of parent	595	2,831
Profit (loss) attributable to non-controlling interests	(17)	8
Other comprehensive income		
Valuation difference on available-for-sale securities	237	32
Foreign currency translation adjustment	63	(243)
Remeasurements of defined benefit plans, net of tax	35	56
Share of other comprehensive income of entities accounted for using equity method	(6)	(14)
Total other comprehensive income	329	(169)
Comprehensive income	907	2,670
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	920	2,678
Comprehensive income attributable to non-controlling interests	(12)	(7)

7. Notes on the quarterly consolidated financial statements

(Notes on the Going-concern Assumption)

Not applicable.

(Notes in case significant changes were made to the amount of shareholders' equity)

Based on the resolution at the meeting of its Board of Directors held on January 31, 2019, AUTOBACS SEVEN CO., LTD. (the "Company") repurchased 1,105,200 shares of common stock for 2,088 million yen.

Also, the meeting of its Board of Directors held on June 28, 2019 resolved to dispose 5,000 Treasury shares as restricted stock remuneration to the directors of the Company. By this disposal, Treasury shares were decreased 9 million yen.

As a result, including purchase of fractional share and etc., Treasury shares were 7,769 million yen as of September 30, 2019.

(Changes in Accounting Policy)

Overseas consolidated subsidiaries of Autobacs group have adopted IFRS 16 "Lease" since the beginning of the three months ended June 30, 2019. Accordingly, lease transaction as lessee, assets and liabilities are recognized for all leases in principal.

In applying IFRS 16, overseas consolidated subsidiaries adopted the way that recognize the cumulative effects of adoption of the standard on the date of adoption as permitted by transitional measures.

As a result, "Other, net" of Property, plant and equipment was increased by 4,122 million yen, "Other" of Current liabilities was increased by 537 million yen and "Other" of Non-current liabilities was increased by 3,585 million yen, respectively.

The impact on the consolidated profit and loss for the six months ended September 30, 2019 is minimal.

8. Segment Information

I Six months ended September 30, 2018

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 Dealer, BtoB and internet business	Other business	Total Reportable segments		
Sales							
Revenues from external customers	80,428	5,232	11,048	827	97,536	-	97,536
Transactions with other segments	592	142	3,308	293	4,337	(4,337)	-
Net sales	81,021	5,374	14,357	1,120	101,873	(4,337)	97,536
Operating profit (loss)	5,394	(357)	(786)	255	4,506	(2,997)	1,508

Notes:

1. The amount (2,997) 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

Not applicable.

II Six months ended September 30, 2019

1. Information about sales and profit (loss)

(Millions of yen)

	Reportable segments					Reconciling items	Per quarterly consolidated financial statements
	Domestic AUTOBACS business	Overseas business	Car Dealer, BtoB and internet business	Other business	Total Reportable segments		
Sales							
Revenues from external customers	90,334	5,884	13,978	831	111,029	-	111,029
Transactions with other segments	701	157	4,067	243	5,169	(5,169)	-
Net sales	91,035	6,042	18,045	1,074	116,198	(5,169)	111,029
Operating profit (loss)	7,735	(210)	(121)	235	7,638	(3,190)	4,447

Notes:

1. The amount (3,190) 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.