

Consolidated Financial Results for the Nine Months Ended December 31, 2019 **【Japanese GAAP】**

Summary of Quick Financial Announcement of Consolidated Financial Information for the Nine Months Ended December 31, 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 : February 7, 2020

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, 2019 (From April 1, 2019 to December 31, 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	
		%		%		%
Nine months ended December 31, 2019	176,639	6.5	8,871	24.2	9,475	19.5
Nine months ended December 31, 2018	165,902	0.5	7,142	(10.0)	7,931	(6.1)

Note: Comprehensive income : 6,718 million yen for the Nine months ended December 31, 2019 : 59.1%

4,221 million yen for the Nine months ended December 31, 2018 : (34.4) %

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
		%		
Nine months ended December 31, 2019	6,237	33.7	78.03	-
Nine months ended December 31, 2018	4,667	(11.9)	56.56	-

(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, 2019	199,757	124,088	61.7	1,544.75
Fiscal year ended				
March 31, 2019	181,391	124,187	68.1	1,526.59

(Reference) Equity : Nine months ended December 31, 2019 : 123,349 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	72.64			

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 | : None |
- Note: 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)
- Nine months ended December 31, 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
- Nine months ended December 31, 2019 : 4,198,839 shares
Fiscal year ended March 31, 2019 : 3,097,001 shares
3. Average shares outstanding over quarter
- Nine months ended December 31, 2019 : 79,940,299 shares
Nine months ended December 31, 2018 : 82,509,631 shares

※These financial results are not subject to quarterly review procedures by certified public accountants or auditing firms.

※Statement regarding the proper use of financial forecasts and other special remarks

(Statement regarding the proper use of financial forecasts)

These forecast performance figures are based on the information currently available to the Company’s management and certain assumptions judged rational. Accordingly, these might be cases in which actual results materially differ from forecasts of this report.

5. Qualitative Information concerning Consolidated Business Results for the Nine Months Ended December 31, 2019

Explanation of business results

During the nine months under review (from April 1, 2019 to December 31, 2019), the Japanese economy maintained a slight recovery as seen primarily in the solid domestic demand amid the improvement in the employment and individual income environment. Meanwhile, the country's economic outlook remains uncertain, given the slowdown in the global economy and the ongoing trade disputes.

On the domestic front, the automotive-related industry during the period faced an uncertain outlook due to a reactionary plunge in demand following the rush demand ahead of the consumption tax hike in October 2019 and sales price increase announced by tire manufacturers. The number of used car registrations and the number of new vehicles sold were both slightly lower than the corresponding period of the previous fiscal 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.

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

Consequently, the Group's sales during the first nine months of the consolidated fiscal year under review increased by 6.5% year on year, to 176,639 million yen, gross profit increased by 8.4%, to 56,208 million yen, selling, general and administrative expenses increased by 5.9%, to 47,336 million yen, operating income increased by 24.2%, to 8,871 million yen, ordinary income increased by 19.5%, to 9,475 million yen, and profit attributable to owners of parent increased by 33.7%, to 6,237 million yen.

The results by business segment are as described below.

[Domestic AUTOBACS Business]

During the first nine months of the consolidated fiscal year under review, total sales for domestic businesses in the entire AUTOBACS chain stores (including franchise outlets) increased by 2.0% year on year on a same-store basis, and increased by 2.0% year on year on an overall-store basis.

On the domestic front, AUTOBACS chain stores faced an unclear business outlook, primarily due to a reactionary plunge in demand following the rush demand in anticipation of the consumption tax hike implemented in October 2019. In an attempt to tackle this situation, the AUTOBACS Group took steps to raise sales with active sales promotion activities, including the 45th Anniversary Sale.

Rush demand for tires occurred due to the impact of the retail price hikes implemented in the wake of price increases for products supplied by tire manufacturers at the time of the consumption tax hike. Whereas tires maintained the sales compared to the previous year, despite warm weather among east and west area of nation and record low snowfall on the Sea of Japan coast in December. In the area of car electronics, sales of dashboard cameras 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 1.3% year on year, to approximately 458,000 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 5.7% year on year, to approximately 23,000 units. The total number of stores in operation as of the end of December 2019 stood at 587, compared with 593 at the end of the previous fiscal year. (two stores opened and eight stores closed during the nine months). The

number of CARS franchise stores at the end of December 2019 was 401, compared with 400 recorded nine months earlier.

In addition to these results, the Company acquired the shares of a company operating seven AUTOBACS chain stores in March 2019 and another company operating eight AUTOBACS chain stores in the same year of November, thus making it into a wholly owned subsidiary. As a result, sales in the domestic AUTOBACS business during the first nine months of the consolidated fiscal year under review increased by 3.1% year on year, to 144,739 million yen, and the segment profit rose by 7.1% year on year, to 13,194 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 nine months of the consolidated fiscal year under review is immaterial.

Sales for the Overseas Business increased by 9.6% year on year, to 9,207 million yen, and the segment loss was 154 million yen (as opposed to segment loss of 599 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 November 2019, along with a new outlet previously opened in April of the same year. In France, growth was achieved in operating income with successful cost reductions, while sales fell short of the previous year's level due to the transfer of the store. AUTOBACS acquired shares in SK AUTOMOBILE PTE. LTD, a company operating a sheet metal painting and maintenance factory in Singapore, in November 2019, and SK AUTOMOBILE PTE. LTD became a consolidated subsidiary of AUTOBACS.

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. Sales increased in the Group's business in China, buoyed by a significant rise in the wholesale volume there. In October 2019, AUTOBACS made additional investments into the CarHouse Group, aiming to expand its wholesale business and enhance collaboration for manufacturing of private brand products in China. Consequently, the CarHouse Group became an equity-method company of AUTOBACS. 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 two stores opening and two stores closure, the total number of stores in operation outside Japan stood at 46.

[Car Dealership, BtoB and Internet Business]

Sales for the Car Dealership, BtoB and Internet Business increased by 32.0% year on year, to 29,395 million yen, and the segment profit was 152 million yen (as opposed to 784 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 nine 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 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 dashboard cameras, is expanding along with the growth in transactions with operators doing business across the nation.

In the internet business, the Company is working on the renewal of its product lineup and promotions, while aiming to expand sales through digital marketing initiatives on the strength of artificial intelligence technologies. Efforts are currently underway to update its shopping websites.

[Other Business]

Sales in the other business decreased by 4.7% year on year, to 1,615 million yen, and the segment profit increased by 17.0% year on year, to 347 million yen.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	30,679	27,613
Notes and accounts receivable - trade	25,159	37,090
Merchandise	19,639	23,710
Accounts receivable - other	22,676	25,885
Income taxes receivable	365	17
Other	9,445	8,796
Allowance for doubtful accounts	(107)	(341)
Total current assets	107,857	122,771
Non-current assets		
Property, plant and equipment		
Land	21,566	21,754
Other, net	19,523	22,909
Total property, plant and equipment	41,090	44,664
Intangible assets		
Goodwill	1,344	2,103
Other	4,692	4,667
Total intangible assets	6,036	6,771
Investments and other assets		
Guarantee deposits	13,731	13,440
Other	12,704	12,140
Allowance for doubtful accounts	(30)	(31)
Total investments and other assets	26,405	25,550
Total non-current assets	73,533	76,986
Total assets	181,391	199,757
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,298	32,289
Short-term borrowings	2,412	2,783
Accounts payable - other	13,564	17,029
Income taxes payable	757	1,538
Provision for point card certificates	72	—
Other	6,298	6,495
Total current liabilities	44,404	60,136
Non-current liabilities		
Long-term borrowings	1,300	1,014
Provisions	34	34
Retirement benefit liability	1,479	1,589
Asset retirement obligations	2,184	2,252
Other	7,801	10,640
Total non-current liabilities	12,799	15,532
Total liabilities	57,203	75,669

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,298	34,297
Retained earnings	60,172	61,584
Treasury shares	(5,689)	(7,770)
Total shareholders' equity	122,780	122,110
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,462	1,911
Foreign currency translation adjustment	381	285
Remeasurements of defined benefit plans	(1,042)	(957)
Total accumulated other comprehensive income	801	1,239
Non-controlling interests	604	738
Total net assets	124,187	124,088
Total liabilities and net assets	181,391	199,757

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	165,902	176,639
Cost of sales	114,065	120,430
Gross profit	51,837	56,208
Selling, general and administrative expenses	44,695	47,336
Operating profit	7,142	8,871
Non-operating income		
Interest income	50	48
Dividend income	78	65
Share of profit of entities accounted for using equity method	505	450
Lease revenue-system equipment	548	543
Other	890	811
Total non-operating income	2,073	1,920
Non-operating expenses		
Interest expenses	21	56
Lease cost-system equipment	604	593
Loss on retirement of non-current assets	84	33
Other	573	632
Total non-operating expenses	1,284	1,316
Ordinary profit	7,931	9,475
Extraordinary income		
Insurance claim income	169	—
Gain on step acquisitions	—	93
Total extraordinary income	169	93
Extraordinary losses		
Impairment loss	—	177
Extra retirement payments	273	—
Loss on retirement of non-current assets	—	155
Loss on disaster	962	—
Voluntary product recall-related loss	—	141
Total extraordinary losses	1,235	475
Profit before income taxes	6,865	9,093
Income taxes - current	1,983	2,649
Income taxes - deferred	225	161
Total income taxes	2,208	2,811
Profit	4,656	6,282
Profit attributable to		
Profit attributable to owners of parent	4,667	6,237
Profit (loss) attributable to non-controlling interests	(10)	44
Other comprehensive income		
Valuation difference on available-for-sale securities	(385)	452
Foreign currency translation adjustment	(91)	(106)
Remeasurements of defined benefit plans, net of tax	53	84
Share of other comprehensive income of entities accounted for using equity method	(10)	5
Total other comprehensive income	(434)	435
Comprehensive income	4,221	6,718
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,236	6,676
Comprehensive income attributable to non-controlling interests	(14)	42

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 7,770 million yen as of December 31, 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 Nine months ended December 31, 2019 is minimal.

8. Segment Information

I Nine months ended December 31, 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	139,358	8,178	17,090	1,275	165,902	-	165,902
Transactions with other segments	969	223	5,185	419	6,798	(6,798)	-
Net sales	140,328	8,402	22,275	1,695	172,701	(6,798)	165,902
Operating profit (loss)	12,317	(599)	(784)	296	11,230	(4,088)	7,142

Notes:

1. The amount (4,088) 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

(Material changes in the amount of goodwill)

In the “Overseas Business”, we acquired shares of AudioXtra Pty Ltd. which operates wholesaling wireless equipment mounted on cars and ships and manufacturing and wholesaling car electronics in Australia, and we have made AudioXtra into our consolidated subsidiary since October, 2018. The increase in goodwill resulting from this matter was 279 million yen in the nine months ended December 31, 2018.

II Nine months ended December 31, 2019

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	143,717	8,981	22,694	1,244	176,639	-	176,639
Transactions with other segments	1,021	225	6,700	370	8,318	(8,318)	-
Net sales	144,739	9,207	29,395	1,615	184,957	(8,318)	176,639
Operating profit (loss)	13,194	(154)	152	347	13,540	(4,668)	8,871

Notes:

1. The amount (4,668) 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.