

Consolidated Financial Results for the Three Months Ended June 30, 2020 【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information for the Three Months Ended June 30, 2020.

Company name: AUTOBACS SEVEN CO., LTD.

Code number: 9832

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

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Stock exchange listing: Tokyo

Submission of Quarterly Business Report: August 7, 2020

Start of cash dividend payments: -

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: None

1. Results for the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

(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	
Three months ended		%		%		%
June 30, 2020	45,026	(10.9)	460	(62.1)	760	(44.0)
Three months ended June 30, 2019	50,519	3.0	1,214	325.3	1,358	128.7

Note: Comprehensive income: **712 million yen for the Three months ended June 30, 2020: (11.6)%**
806 million yen for the Three months ended June 30, 2019: 107.6 %

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
Three months ended		%		
June 30, 2020	372	(54.6)	4.66	-
Three months ended June 30, 2019	818	128.0	10.22	-

(2) Financial position:

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

	Total assets	Total net assets	Equity ratio	Net assets per share (Yen)
Three months ended				
June 30, 2020	175,925	118,269	66.8	1,471.77
Fiscal year ended				
March 31, 2020	172,799	119,966	69.0	1,493.43

(Reference) Equity: **Three months ended June 30, 2020: 117,521 million Yen**

Fiscal year ended March 31, 2020: 119,251 million Yen

2. Dividends

	Dividends per share				(Yen)
	Three months	Second Quarter	Third Quarter	Year -end	Annual
Fiscal year ended					
March 31, 2020	-	30.00	-	30.00	60.00
Fiscal year ended					
March 31, 2021	-	-	-	-	-
Fiscal year ended					
March 31, 2021 (forecast)	-	30.00	-	30.00	60.00

Note: Revisions to dividend forecasts published most recently: None

3. Forecast for the fiscal year ending March 2021 (from April 1, 2020 to March 31, 2021)

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

	Net sales		Operating income		Ordinary income	
		%		%		%
Annual	223,800	1.1	7,600	0.2	8,100	0.5

	Profit attributable to owners of parent		Basic net income per share (Yen)
		%	
Annual	5,500	46.1	68.88

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)
Three months ended June 30, 2020: 84,050,105 shares
Fiscal year ended March 31, 2020: 84,050,105 shares
 - 2. Number of treasury stock at the end of period
Three months ended June 30, 2020: 4,199,411 shares
Fiscal year ended March 31, 2020: 4,199,076 shares
 - 3. Average shares outstanding over quarter
Three months ended June 30, 2020: 79,850,916 shares
Three months ended June 30, 2019: 80,120,341 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 Three Months Ended June 30, 2020

Explanation of business results

During the first three months of the consolidated fiscal year under review, with the novel coronavirus (COVID-19) pandemic, employment, the economy and social lives were seriously affected in Japan due to requests for business suspension and voluntary restraint on outings that local governments announced following the declaration of a state of emergency issued by the government. Consumer spending remained at low levels and purchase trends changed significantly, mainly reflecting the impact of restraint on outings due to worries about the spread of infection, as well as concerns over the future.

Looking at the trend of the domestic automobile-related industry, the number of new cars produced decreased dramatically due to the global spread of COVID-19. In addition, reflecting a significant decline in demand attributable to restraint on outings, the number of new vehicles sold and the number of used cars registrations fell sharply. Demand for automotive-related goods also shrank significantly, reflecting the significant impact of the pandemic on the purchase trend.

Given the spread of COVID-19, the Group considers that top priority should be given to the health and safety of customers in the respective local communities, business partners and employees. With this in mind, it sought to establish an environment in which they can visit stores or engage in services without concern. Under these circumstances, based on the Five Year Rolling Plan 2019 that shows the direction to be pursued by the Group, the Company took a range of measures to establish and link six networks for offering services suited to the scenarios in which customers use cars, with an eye on further business growth by responding to changing demand and continuing to contribute to local customers and communities.

As a result, the Group's sales during the first three months of the consolidated fiscal year under review decreased by 10.9% year on year, to 45,026 million yen, gross profit decreased by 7.2% year on year, to 15,068 million yen, and selling, general, and administrative expenses declined by 2.7% year on year, to 14,608 million yen, resulting in operating income of 460 million yen, a decrease of 62.1% from a year earlier. Ordinary income decreased by 44.0% year on year, to 760 million yen. As a result, profit attributable to owners of parent declined by 54.6% year on year, to 372 million yen.

Results by business segment are as follows.

Starting from the three months under review, 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]

For the first three months of the consolidated fiscal year under review, total sales for domestic businesses in the entire AUTOBACS chain (including franchise outlets) decreased by 10.6% year on year on a same-store basis, and by 10.5% year on year on an overall-store basis.

In light of the importance of cars for people's lives from the perspective of infrastructure even amid a state of emergency, the AUTOBACS chain focused its sales efforts on maintenance services to aid customers in leading secure and safe lives with their cars. In addition, it continued sales operations while simultaneously paying maximum attention to the prevention of the spread of infection through the minimization of physical contact between customers and employees, among other means. Although the declaration was lifted, AUTOBACS will continue to make efforts to prevent the spread of infection.

In April and May, sales decreased significantly due to the impact of stay-at-home requests following the declaration of a state of emergency. In June, however, the number of customers and sales recovered to the year-ago levels, mainly reflecting an increase in maintenance demand.

Tire sales declined sharply in April and May due to the voluntary restraint on outings, but increased year on year in June, reflecting demand carried over and an increase in car usage as a measure against infection. Even so, sales for the period from April to June decreased on a cumulative basis. Regarding car electronics,

sales of car navigation units and dashcams, among other items, fell sharply due to the impact of the decline in sales of new and used vehicles. Meanwhile, sales of batteries grew, particularly those of special batteries for no-idle type vehicles, reflecting automobile replacement cycles for new vehicles purchased three years ago when sales were strong. Sales also grew for merchandise that keeps vehicles clean, such as car washing supplies and car body damage repair items, reflecting an increase in demand.

Moreover, the Company expanded the product lines of its private brand AQ. (Autobacs Quality.) and GORDON MILLER, improving the appeal of its merchandise. In addition, the Company has been continuously bolstering operations in stores and proceeding with facility renovations, including sales floors and service bays.

In conjunction with the statutory safety inspection and maintenance services, the Company promoted online- and telephone-based bookings as an initiative to reduce face-to-face contact with customers. However, reflecting harsh market conditions against the backdrop of a decrease in the number of vehicles that are required to undergo statutory safety inspections and maintenance services, the number of vehicles that underwent statutory inspections and maintenance services decreased by 7.4% year on year, to approximately 143,000 units.

In automobile purchases and sales, both new car sales and automobile purchases decreased due to the impact of COVID-19. On the other hand, used car sales remained at the year-ago level. As a result, the total number of automobiles sold declined by 25.2% year on year, to approximately 5,600 units.

In terms of the number of store openings and closures in Japan, reflecting one store opening and three closures, the number of stores decreased from 585 as of the end of March 2020, to 583. The number of CARS franchise stores at the end of June rose from 400 as at the end of March 2020, to 402.

As a result, sales in the domestic AUTOBACS business during the first three months of the consolidated fiscal year under review decreased by 12.5% year on year, to 36,083 million yen, and segment profit fell by 17.6% year on year, to 2,443 million yen.

[Overseas Business]

Sales for the Overseas Business decreased by 34.7% year on year, to 1,952 million yen, and the segment loss was 157 million yen (the segment loss in the same period of the previous year was 115 million yen).

In the retail and service business and the wholesale business, sales decreased, reflecting store business suspension and limited operations due to lockdown measures as well as stay-at-home requests. In France, the stores were seriously affected because most had closed until the middle of May pursuant to a request from the government, excluding certain stores. In Thailand, sales decreased, reflecting a decline in the number of customers attributable to the impact of the declaration of a state of emergency by the government. In China, the volume of wholesale decreased mainly due to the suspension of factory operations and wholesalers' sluggish sales. In Singapore, the volume of wholesale decreased because operations were limited to certain maintenance services due to a request for limited operations by the government. Despite that, sales remained strong at SK AUTOMOBILE PTE. LTD., a local subsidiary whose main business is automobile maintenance services. In Australia, the volume of wholesale decreased due to restraint on outings, coupled by a decline in consumer appetite for non-necessities attributable to economic recession and rise in the unemployment rate.

As a result, overseas sales decreased significantly in April and May. Even so, there were signs of recovery in these countries in June as shown by France where sales rose considerably year on year. In these countries, efforts were made to take advantage of respective governments' support programs for corporations as much as possible and reduce expenses through negotiations for rent reductions and other means.

As a result of two store closures, the total number of stores outside Japan stood at 43.

[Car Dealer, BtoB and Internet Business]

Sales for the Car Dealer, BtoB and Internet Business increased by 5.5% year on year, to 8,744 million yen,

and the segment loss was 174 million yen (segment loss in the same period of the previous year was 89 million yen).

In the imported car dealer business, sales decreased, reflecting a decline in the number of business negotiations due to voluntary restraint on outings. The number of customers visiting relevant stores decreased significantly in April and May. However, it rose gradually in June, resulting in an increase in the number of business negotiations. In June, the Company reinforced the management structure of this business by reforming the management of Motoren Tochigi, a subsidiary of AUTOBACS DEALER GROUP HOLDINGS Co., Ltd., which it established in April 2019 to oversee the imported car business.

With respect to wholesale operations, which rely mainly on sales to wholesalers, in the BtoB business, sales decreased due to the impact of store business suspension and the avoidance of outings. Two subsidiaries, which rely mainly on sales to wholesalers, were also affected. Even so, sales exceeded the monthly projection in June, largely reflecting the strong results of online sales operated by subsidiaries. In the fleet business, an area of increased focus for the Company in terms of aiming to capture corporate demand, although sales were lower than projected, they exceeded the year-ago levels in April and May, respectively, thanks to the offering of new merchandise. Two companies that provide statutory safety inspection, maintenance and paint/body work services experienced a delay in the projected booking of company cars for maintenance in the wake of the declaration of a state of emergency. Even so, sales were in line with the projections for the period from April through June on a cumulative basis.

In the internet business, sales decreased in April and May chiefly with respect to merchandise that required installation, due to the suspension of in-store delivery services during a state of emergency. Nevertheless, sales recovered in June after in-store delivery services restarted. In addition, the Company restarted promotions to expand sales through AI-leveraged digital marketing. It is also in the process of making preparations for the opening of its updated corporate website on August 1.

[Other Business]

Sales in the other business increased by 18.1% year on year, to 783 million yen, and the segment profit stood at 60 million yen (as opposed to the segment loss of 38 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, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	28,233	28,730
Notes and accounts receivable - trade	21,963	28,349
Merchandise	20,774	20,226
Accounts receivable - other	18,969	14,581
Other	8,360	8,273
Allowance for doubtful accounts	(73)	(80)
Total current assets	98,227	100,080
Non-current assets		
Property, plant and equipment		
Land	21,519	21,992
Other, net	20,605	20,258
Total property, plant and equipment	42,124	42,251
Intangible assets		
Goodwill	1,880	1,844
Other	4,975	5,023
Total intangible assets	6,856	6,867
Investments and other assets		
Guarantee deposits	13,324	13,165
Other	12,501	13,791
Allowance for doubtful accounts	(234)	(231)
Total investments and other assets	25,591	26,725
Total non-current assets	74,572	75,844
Total assets	172,799	175,925
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,435	13,117
Short-term borrowings	1,880	6,355
Accounts payable - other	13,927	11,983
Income taxes payable	1,311	1,192
Other	6,577	7,319
Total current liabilities	36,131	39,969
Non-current liabilities		
Long-term borrowings	933	2,089
Provisions	42	57
Retirement benefit liability	3,238	3,244
Asset retirement obligations	2,232	2,257
Other	10,254	10,038
Total non-current liabilities	16,701	17,686
Total liabilities	52,833	57,655

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,297	34,297
Retained earnings	59,110	57,085
Treasury shares	(7,771)	(7,771)
Total shareholders' equity	119,635	117,610
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,550	1,687
Foreign currency translation adjustment	(16)	82
Remeasurements of defined benefit plans	(1,917)	(1,860)
Total accumulated other comprehensive income	(383)	(89)
Non-controlling interests	714	748
Total net assets	119,966	118,269
Total liabilities and net assets	172,799	175,925

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	50,519	45,026
Cost of sales	34,288	29,957
Gross profit	16,230	15,068
Selling, general and administrative expenses	15,016	14,608
Operating profit	1,214	460
Non-operating income		
Interest income	14	14
Dividend income	35	28
Share of profit of entities accounted for using equity method	98	82
Lease revenue-system equipment	182	183
Other	285	299
Total non-operating income	616	608
Non-operating expenses		
Interest expenses	18	18
Lease cost-system equipment	201	170
Loss on retirement of non-current assets	14	8
Other	238	111
Total non-operating expenses	473	308
Ordinary profit	1,358	760
Profit before income taxes	1,358	760
Income taxes - current	237	453
Income taxes - deferred	306	(92)
Total income taxes	543	360
Profit	814	399
Profit attributable to		
Profit attributable to owners of parent	818	372
Profit (loss) attributable to non-controlling interests	(4)	27
Other comprehensive income		
Valuation difference on available-for-sale securities	93	134
Foreign currency translation adjustment	(119)	97
Remeasurements of defined benefit plans, net of tax	28	57
Share of other comprehensive income of entities accounted for using equity method	(10)	23
Total other comprehensive income	(7)	312
Comprehensive income	806	712
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	819	666
Comprehensive income attributable to non-controlling interests	(13)	46

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 Three months ended June 30, 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	Dealer, BtoB and internet business	Other business	Reportable segments		
Sales							
Revenues from external customers	40,784	2,895	6,295	544	50,519	-	50,519
Transactions with other segments	455	93	1,995	118	2,662	(2,662)	-
Net sales	41,239	2,988	8,290	663	53,181	(2,662)	50,519
Operating profit (loss)	2,967	(115)	(89)	(38)	2,723	(1,508)	1,214

Notes:

1. The amount (1,508) 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 Three months ended June 30, 2020

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	Dealer, BtoB and internet business	Other business	Reportable segments		
Sales							
Revenues from external customers	35,688	1,826	6,882	630	45,026	-	45,026
Transactions with other segments	394	126	1,861	153	2,536	(2,536)	-
Net sales	36,083	1,952	8,744	783	47,562	(2,536)	45,026
Operating profit (loss)	2,443	(157)	(174)	(60)	2,051	(1,591)	460

Notes:

1. The amount (1,591) 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

In order to enhance the market competitiveness by grasping and adapting to changes in society, automobiles, and people's lives, the Company will promote the construction of the six networks ("Multi-Dealer Network", "Pit Service Network", "Next-generation Maintenance Network", "AUTOBACS Chain Network", "Overseas Alliance Network" and "Online Network") and coordination among the networks, with a view to becoming a platformer in the aftermarket for automotive goods and services based on the Five-year Rolling Plan 2019 to plot out the future direction of the Group.

Starting from the three months ended June 30, 2020, the Company changed its reportable segments because the Company changes its organizational structure for structural development that enables new business creation to realize this Five-year Rolling Plan 2019.

From FY2021, the department for ICT platform & services in "Domestic AUTOBACS business" transferred to "Car dealership, BtoB and Internet Business". The department for lifestyle business and marketing in "Domestic AUTOBACS business" and some consolidated subsidiaries transferred to "Other business".

Segment information for the three months ended June 30, 2019 was prepared based on the changed reportable segment.

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

Not applicable.