

Consolidated Financial Results for the Six Months Ended September 30, 2020 【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information for the Six Months Ended September 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: November 6, 2020

Start of cash dividend payments: November 25, 2020

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: None

1. Results for the six months ended September 30, 2020 (From April 1, 2020 to September 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	
Six months ended		%		%		%
September 30, 2020	99,714	(10.2)	3,583	(19.4)	3,899	(17.0)
Six months ended September 30, 2019	111,029	13.8	4,447	194.8	4,696	153.9

Note: Comprehensive income: **3,132 million yen for the Six months ended September 30, 2020: 17.3%**
2,670 million yen for the Six months ended September 30, 2019: 194.2 %

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
Six months ended		%		
September 30, 2020	2,363	(16.5)	29.60	-
Six months ended September 30, 2019	2,831	375.5	35.40	-

(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, 2020	180,505	120,708	66.4	1,501.42
Fiscal year ended				
March 31, 2020	172,799	119,966	69.0	1,493.43

(Reference) Equity: **Six months ended September 30, 2020: 119,910 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	-	30.00			
Fiscal year ended					
March 31, 2021 (forecast)			-	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	68.87

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, 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
Six months ended September 30, 2020: 4,185,755 shares
Fiscal year ended March 31, 2020: 4,199,076 shares
 - 3. Average shares outstanding over quarter
Six months ended September 30, 2020: 79,855,642 shares
Six months ended September 30, 2019: 79,984,823 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 and a Q&A session regarding the quarterly financial results)

The Company plans to post a results presentation video and supplementary materials regarding results on its website. The Company will not hold any results presentation meetings. However, it will hold an online Q&A session for securities analysts and institutional investors.

5. Qualitative Information Concerning the Six Months Ended September 30, 2020

Explanation of business results

During the first six months of the fiscal year under review, the Japanese economy faced the challenge of the COVID-19 pandemic, but there were signs of a gradual recovery. Meanwhile, global COVID-19 infection trends fluctuated violently, and the future of the global economy is expected to remain uncertain.

Looking at the trend of the domestic automobile-related industry, new car sales recovered gradually after the state of emergency was ended, but the situation faced by the industry continues to be challenging. Sales of used cars were trending toward recovery. From June, they have been on a par with the previous year. Sales of automotive-related goods have also been recovering since June, as the frequency of the use of automobiles has increased.

To prevent the spread of COVID-19, the Group has made the health and safety of its customers in local communities, business partners and employees its top priority. With this in mind, it seeks to establish an environment enabling everyone to visit stores and engage in services without worry. In April and May, sales decreased significantly due to the spread of COVID-19. From June, however, sales were trending toward recovery at a different pace in each segment. The Group continued to make necessary investments and strove to reduce selling, general and administrative expenses.

In these circumstances, based on the Five Year Rolling Plan illuminating the direction to be pursued, the Group enacted a range of measures to establish and link six networks for offering services suited to scenarios in which customers use cars, with an eye on continuing to grow its business by responding to changing demand and continuing to contribute to local customers and communities.

As a result, the Group's sales during the first six months of the consolidated fiscal year under review decreased by 10.2% year on year, to 99,714 million yen, gross profit decreased by 6.5% year on year, to 33,185 million yen, and selling, general, and administrative expenses declined by 4.7%, to 29,602 million yen, resulting in operating income of 3,583 million yen, a decrease of 19.4% from the previous year. Ordinary income decreased by 17.0% year on year, to 3,899 million yen. As a result, profit attributable to owners of parent declined by 16.5% year on year, to 2,363 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]

For the first six months of the consolidated fiscal year under review, total sales for domestic businesses in the entire AUTOBACS chain (including franchise outlets) decreased by 10.1% year on year on a same-store basis, and by 10.1% year on year on an overall-store basis.

In light of the importance of cars in 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 infection through the minimization of physical contact between customers and employees, among other means. Although the state of emergency has been ended, AUTOBACS continues to work to prevent infection.

In April and May, sales decreased significantly due to the impact of government requests that people stay home following the declaration of a state of emergency. From June, however, the number of customers and sales, particularly of maintenance and car washing supplies, recovered to the level of the previous year. In September, sales were far below the level in the same month of the previous year,

when sales rose significantly owing to special demand before the increase of the consumption tax and the price of tires. However, sales recovered to their level in an average year. We believe that sales are on a trend toward recovery.

Tire sales fell sharply in April and May due to the government requests that people stay home, but increased year on year in June, reflecting demand carried over. From July, tire sales fell below the level of the previous year due to the trend of refraining from long-distance driving, chiefly because of the guidelines discouraging inter-prefectural travel and special demand before the increase of tire prices last October. Sales of car electronics, particularly car navigation units, fell sharply due to a decrease in new vehicle sales. However, following the strengthening of penalties for road rage at the end of June, demand for dashcams recovered and sales were solid from July. Sales of batteries grew, particularly sales of special batteries for non-idling vehicles, reflecting automobile replacement cycles for new vehicles purchased three years ago when sales were strong. Sales of car washing supplies and car body damage repair items rose. Sales of car interior accessories also grew, chiefly reflecting an increase in the frequency of use of vehicles.

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 6.1% year on year, to approximately 303,000 units.

In automobile purchases and sales, new car sales decreased significantly due to the impact of COVID-19. From June, used car sales and car purchases were on par with the previous year. As a result, the total number of automobiles sold declined by 18.6% year on year, to approximately 13,300 units.

In terms of the number of store openings and closures in Japan, reflecting one store opening and four closures, the number of stores decreased from 585 as of the end of March 2020, to 582. The number of CARS franchise stores at the end of September rose from 400 as at the end of March 2020, to 402.

As a result, sales in the Domestic AUTOBACS Business during the first six months of the consolidated fiscal year under review decreased by 12.0% year on year, to 80,009 million yen, and segment profit fell by 11.5% year on year, to 7,277 million yen.

[Overseas Business]

Sales for the Overseas Business decreased by 13.6% year on year, to 5,221 million yen, and the segment profit was 34 million yen (segment loss of 210 million yen in the same period of the previous year).

In the retail and service business and the wholesale business, sales decreased, reflecting stores' suspension of business and limited operations due to government regulations and requests that people stay home amid the COVID-19 pandemic. After regulations were relaxed, sales overall have been trending toward recovery at a different pace in each country. Stores in France were seriously affected because most were closed until May pursuant to a government request, excluding certain stores. From June, when the restrictions were lifted, sales exceeded the plan. In Thailand, the number of customers and sales decreased, reflecting the impact of the state of emergency and a decline in consumer confidence. 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 due to government requests. Despite that, sales remained firm at SK AUTOMOBILE PTE. LTD., a local subsidiary whose main business is automobile maintenance services.

In Australia, the volume of wholesale decreased chiefly due to people refraining from going out. From July, sales, particularly sales of car electronics and radios, exceeded the level of the previous year. As a result, overseas sales decreased significantly in April and May. Even so, there were signs of recovery in these countries from June. In these countries, efforts were made to take full advantage of government support programs for corporations and reduce expenses, chiefly through negotiations to reduce rents. As a result, segment profit, which was negative during the same period of the previous fiscal year, moved into the black.

As a result of a store opening and two store closures, the total number of stores outside Japan was 44.

[Car Dealer, BtoB and Internet Business]

Sales for the Car Dealer, BtoB and Internet Business increased by 1.7% year on year, to 18,440 million yen, and the segment loss was 322 million yen (segment loss in the same period of the previous year was 250 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 from June, resulting in an increase in the number of business negotiations and a recovering trend in sales. 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.

In the BtoB business, sales fell chiefly due to restrictions on sales activities for securing new contracts because of COVID-19. In wholesale operations, which rely mainly on sales to wholesalers, sales decreased due to the impact of the suspension of business at stores and people's eschewing going out. In the fleet business, an area of increased focus for the Company in terms of aiming to capture corporate demand, sales declined, reflecting a fall in demand mainly from public offices. Two subsidiaries, which rely mainly on sales to wholesalers, were also affected, but online sales operated by the subsidiaries were strong. Sales at two subsidiaries that provide statutory safety inspection, maintenance services and paint/body work services were firm and in line with projections.

In the internet business, sales decreased in April and May chiefly regarding merchandise that required installation, due to the suspension of in-store delivery services during the state of emergency. Nevertheless, sales recovered from June after in-store delivery services restarted. The corporate website for e-commerce was updated on August 1 to increase customer convenience.

[Other Business]

Sales in the Other Business increased by 21.5% year on year, to 1,683 million yen, and the segment loss stood at 88 million yen (segment loss in the same period of the previous year was 123 million yen).

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	28,233	34,916
Notes and accounts receivable - trade	21,963	24,519
Merchandise	20,774	20,115
Accounts receivable - other	18,969	16,334
Other	8,360	8,874
Allowance for doubtful accounts	(73)	(80)
Total current assets	98,227	104,681
Non-current assets		
Property, plant and equipment		
Land	21,519	21,992
Other, net	20,605	20,050
Total property, plant and equipment	42,124	42,042
Intangible assets		
Goodwill	1,880	1,817
Other	4,975	5,110
Total intangible assets	6,856	6,928
Investments and other assets		
Guarantee deposits	13,324	13,007
Other	12,501	14,078
Allowance for doubtful accounts	(234)	(232)
Total investments and other assets	25,591	26,853
Total non-current assets	74,572	75,824
Total assets	172,799	180,505
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,435	15,380
Short-term borrowings	1,880	6,477
Accounts payable - other	13,927	12,207
Income taxes payable	1,311	1,654
Other	6,577	6,842
Total current liabilities	36,131	42,563
Non-current liabilities		
Long-term borrowings	933	1,725
Provisions	42	57
Retirement benefit liability	3,238	3,270
Asset retirement obligations	2,232	2,272
Other	10,254	9,908
Total non-current liabilities	16,701	17,234
Total liabilities	52,833	59,797

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,297	34,297
Retained earnings	59,110	59,070
Treasury shares	(7,771)	(7,745)
Total shareholders' equity	119,635	119,620
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,550	1,954
Foreign currency translation adjustment	(16)	137
Remeasurements of defined benefit plans	(1,917)	(1,802)
Total accumulated other comprehensive income	(383)	289
Non-controlling interests	714	798
Total net assets	119,966	120,708
Total liabilities and net assets	172,799	180,505

(2) Consolidated Statements of Income and Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	111,029	99,714
Cost of sales	75,517	66,529
Gross profit	35,511	33,185
Selling, general and administrative expenses	31,064	29,602
Operating profit	4,447	3,583
Non-operating income		
Interest income	28	26
Dividend income	35	28
Share of profit of entities accounted for using equity method	221	1
Lease revenue-system equipment	362	361
Other	515	617
Total non-operating income	1,163	1,035
Non-operating expenses		
Interest expenses	35	34
Lease cost-system equipment	394	333
Loss on retirement of non-current assets	28	26
Other	455	324
Total non-operating expenses	914	719
Ordinary profit	4,696	3,899
Extraordinary income		
Gain on step acquisitions	93	—
Total extraordinary income	93	—
Extraordinary losses		
Impairment loss	177	90
Loss on retirement of non-current assets	155	—
Voluntary product recall-related loss	141	—
Total extraordinary losses	475	90
Profit before income taxes	4,315	3,809
Income taxes - current	1,201	1,535
Income taxes - deferred	273	(164)
Total income taxes	1,474	1,371
Profit	2,840	2,437
Profit attributable to		
Profit attributable to owners of parent	2,831	2,363
Profit attributable to non-controlling interests	8	73
Other comprehensive income		
Valuation difference on available-for-sale securities	32	401
Foreign currency translation adjustment	(243)	152
Remeasurements of defined benefit plans, net of tax	56	114
Share of other comprehensive income of entities accounted for using equity method	(14)	26
Total other comprehensive income	(169)	694
Comprehensive income	2,670	3,132
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,678	3,036
Comprehensive income attributable to non-controlling interests	(7)	95

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, 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 dealership, BtoB and Internet business	Other business	Reportable segments		
Sales							
Revenues from external customers	89,952	5,884	14,050	1,142	111,029	-	111,029
Transactions with other segments	929	157	4,079	243	5,409	(5,409)	-
Net sales	90,881	6,042	18,129	1,385	116,439	(5,409)	111,029
Operating profit (loss)	8,222	(210)	(250)	(123)	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 reporting segment
Not applicable.

II Six months ended September 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	Car dealership, BtoB and Internet business	Other business	Reportable segments		
Sales							
Revenues from external customers	78,918	4,942	14,483	1,370	99,714	-	99,714
Transactions with other segments	1,091	279	3,956	312	5,640	(5,640)	-
Net sales	80,009	5,221	18,440	1,683	105,355	(5,640)	99,714
Operating profit (loss)	7,277	34	(322)	(88)	6,901	(3,318)	3,583

Notes:

1. The amount (3,318) 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", "Service Pit Network", "Next-generation Maintenance Network", "Automotive-related Goods Sales 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 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.

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 six months ended September 30, 2019 was prepared based on the changed reportable segment.

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

Not applicable.