

Consolidated Financial Results for the Year Ended March 31, 2017 【Japanese Standards】

Summary of Quick Financial Announcement of Consolidated Financial Information For the Year Ended March 31, 2017.

Company name : AUTOBACS SEVEN CO., LTD.

Code number : 9832

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

Headquarters : Tokyo, Japan

Company Representative : Kiomi Kobayashi, Representative Director

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Telephone : +81-3-6219-8787

Stock exchange listing : Tokyo

Annual meeting of shareholders : June 27, 2017

Start of cash dividend payments : June 28, 2017

Submission of Annual Securities Report : June 28, 2017

Supplementary materials prepared : Yes

Financial results information meeting held : Yes(for securities analysts and institutional investors, etc)

1. Results for the year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(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(.))

Fiscal year ended	Net sales		Operating income		Ordinary income	
		%		%		%
March 31, 2017	204,033	(2.0)	5,829	(13.0)	7,120	(8.5)
Fiscal year ended March 31, 2016	208,142	(0.6)	6,701	4.6	7,780	(5.7)

Note: Comprehensive income : **3,345 million yen for the year ended March 31, 2017 : (3.0 %)**
3,448 million yen for the year ended March 31, 2016 : (35.0 %)

Fiscal year ended	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
		%		
March 31, 2017	3,015	(31.0)	36.00	-
Fiscal year ended March 31, 2016	4,371	(5.2)	51.60	-

	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net sales
Fiscal year ended		%	%
March 31, 2017	2.3	4.0	2.9
Fiscal year ended			
March 31, 2016	3.2	4.2	3.2

Reference: Equity income on a affiliates :

For the year ended March 31, 2017 : 7 million Yen

For the year ended March 31, 2016 : 27 million Yen

(2) Financial position:

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

	Total assets	Total net assets	Equity ratio	Net assets per share (Yen)
Fiscal year ended			%	
March 31, 2017	176,708	127,392	71.9	1,540.12
Fiscal year ended				
March 31, 2016	180,454	131,747	72.8	1,564.86

(Reference) Equity : **For the year ended March 31, 2017 : 127,078 million Yen**

For the year ended March 31, 2016 : 131,455 million Yen

(3) Statements of cash flows:

(Unit: Millions of Yen)

	Operating activities	Investing activities	Financing activities	Ending balances of cash and cash equivalents
Fiscal year ended				
March 31, 2017	9,488	(7,147)	(7,457)	31,388
Fiscal year ended				
March 31, 2016	10,564	(4,984)	(11,154)	36,579

2.Dividends

	Dividends per share				(Yen)
	First Quarter	Second Quarter	Third Quarter	Year-end	
Fiscal year ended March 31, 2016	-	30.00	-	30.00	
Fiscal year ended March 31, 2017	-	30.00	-	30.00	
Fiscal year ended March 31,2018 (forecast)	-	30.00	-	30.00	

	Full Year	Total Dividends Paid	Payout Ratio	Dividends
		(Full Year) (Millions of Yen)	(Consolidated)	paid/Net Assets (Consolidated)
			%	%
Fiscal year ended March 31, 2016	60.00	5,042	116.3	3.8
Fiscal year ended March 31, 2017	60.00	4,997	166.7	3.9
Fiscal year ended March 31,2018 (forecast)	60.00	-	95.2	-

3. Forecast for the fiscal year ending March 2018 (from April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Ordinary income	
		%		%		%
Annual	205,000	0.5	7,000	20.1	7,500	5.3
	Profit attributable to owners of parent		Basic net income per share(Yen)			
		%				
Annual	5,200	72.4	63.02			

4.Other

- (1) Significant changes in subsidiaries during the year ended : None
- (2) 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 (2)-1. | : None |
| 3. Changes due to accounting estimation change | : None |
| 4. Restatement | : None |
- (3) Shares outstanding (common stock)
1. Number of shares outstanding (including treasury stock)
Fiscal year ended March 31, 2017 :84,050,105 shares
Fiscal year ended March 31, 2016 : 86,950,105 shares
2. Number of treasury stock at the end of period
Fiscal year ended March 31, 2017 : 1,538,020 shares
Fiscal year ended March 31, 2016 : 2,945,239 shares
3. Average shares outstanding over period
Fiscal year ended March 31, 2017 : 83,773,625 shares
Fiscal year ended March 31, 2016 : 84,731,200 shares

※These financial results are not subject to the audit procedures.

※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.

※Autobacs Seven Co.,Ltd. will be held the Analysts Meeting on May 10, 2017. The presentation material and video picture of the meeting will be uploaded as soon as possible on the Company's website afterwards.

5. Analysis of Business Results and Financial Position

(1) Explanation of Business Results

(i) Business Environment

During the consolidated fiscal year under review, the Japanese economy was on a gradual recovery path, supported mainly by government-led economic policies and improved corporate earnings. However, the economic outlook remained uncertain, primarily reflecting the effects of the decelerating growth in emerging economies, Britain's exit from the EU, and the change of government in the United States. As for the domestic consumption of automotive goods and services, sales of new automobiles recovered with the introduction of new models by automobile manufacturers. In addition, demand for winter goods expanded, thanks to heavy snowfall nationwide.

(ii) Overview of Each Business

[Domestic AUTOBACS business]

For the consolidated fiscal year under review, total sales for the domestic businesses in the AUTOBACS chain (including franchise outlets) declined by 1.1% year on year on a same-store basis and by 0.2% year on year on an overall-store basis.

In the automotive goods and services segment in the domestic AUTOBACS chain, sales of car interior accessories and car navigation systems remained sluggish throughout the fiscal year under review, but those of consumable goods, such as tires, oil and batteries, recovered in the latter half of the fiscal year. The Group bolstered the lineups mainly for high-profile car video recorders and new models of car navigation systems and added new car interior accessories, among other things, to the lineups of the private brand "AQ." (Autobacs Quality). In addition, "Pedal Watcher (accelerator controller)," a device that prevents accidents caused by errors in the use of the accelerator and brake by a driver, saw strong sales. Moreover, positive sales were recorded for snow tires and chains, attributable to strengthened sales promotion measures in anticipation that the demand for winter goods would increase year on year.

In the statutory safety inspection and maintenance services segment, a new service called "Three Star Compensation" was launched for customers who have commissioned the Company to perform statutory safety inspections, and TV commercials were aired nationwide to boost recognition of the new service. Despite being faced with a challenging business environment in which the number of vehicles subject to statutory inspection was limited until the second quarter, however reflecting an increase in the number from September, the number of vehicles that underwent statutory safety inspection and maintenance services increased by 6.8% year on year, to approximately 646,000 units.

In the automobile purchase and sales segment, sales to used car dealers by means such as auto auctions grew. This reflected an increase in the number of vehicles purchased due to the fact that the Company strengthened the purchasing of vehicles by each store by broadcasting TV commercials nationally in the same manner as for the services relating to statutory safety inspection, as well as the opening of stores specializing in purchases of used cars. As a result, sales of both new and used cars came to approximately 29,800 units, representing a year-on-year increase of 9.9%.

In terms of the number of domestic store openings and closings, seventeen new stores were opened, one store was opened as a result of the change of the business model, one store was relocated, and fifteen stores were closed, resulting in an increase of two stores, with the total number of stores rising from 599 as of the end of March 2016, to 601.

The number of CARS franchise stores at the end of the fiscal year under review decreased from 480 as of the end of

the previous fiscal year, to 468, reflecting the closure of some stores as a result of profitability and sales structure considerations of each store.

[Overseas business]

In the overseas business, the Company is expanding its businesses with the aim of improving profits in France and developing future key earnings drivers mainly in the ASEAN region. Looking at the situation in major countries, the business environment in France remained challenging following the terrorist attack in September 2015, but began to be more positive in the latter half of the consolidated fiscal year under review. Under these circumstances, operating income declined year on year due to a decrease in sales, despite continued efforts to enhance the electronic commerce website, improve the gross margin by increasing the ratio of sales of services triggered by the start of tire sales, and cut costs. In Thailand, the Company is working tirelessly to establish a business model for operating small stores that capitalize on customers' needs for maintenance in areas surrounding these stores. The Company opened two new stores and relocated one store in Thailand. In Malaysia, the Company is experimenting with different business models centered on the maintenance services offered at the stores that opened in the previous fiscal year. The Company's business in Singapore performed well, partly reflecting the renovation of certain stores and the closure of unprofitable stores as well as the aggressive implementation of sales promotion measures. In Indonesia, the Company opened three stores based on a business model for responding to local customers' needs.

As a result of seven new store openings, one store relocation and two store closures, the total number of stores outside Japan stood at 38 compared to 33 as of the end of March 2016.

[New businesses]

As for new businesses, operating income improved significantly year on year at the subsidiary that operates the imported car dealer business. This improvement was mainly attributable to expanded service revenues, the ongoing initiative of developing employees that commenced in the previous fiscal year, the strengthening of target management, and the share transfer of all shares of Motoren Tochigi Corp. in January 2017.

(iii) Overview of Consolidated Business Results

The Group's sales during the consolidated fiscal year under review decreased by 2.0% year on year, to 204,033 million yen, gross profit declined by 1.2% year on year, to 66,162 million yen, and selling, general, and administrative expenses increased by 0.1% year on year, to 60,332 million yen, resulting in operating income of 5,829 million yen, a decrease of 13.0% from a year earlier. Ordinary income declined by 8.5% year on year, to 7,120 million yen. Moreover, an impairment loss for non-current assets related to welfare facilities and land and buildings for stores of 2,161 million yen, a loss on sales of shares of subsidiaries of 274 million yen was posted as an extraordinary loss and a loss on retirement of non-current assets related to the refurbishment of Eastern Japan Logistics Center of 209 million yen were recorded. As a result of the above and other factors such as a decrease in the burden of corporate tax owing to the sale of shares of subsidiaries, profit attributable to owners of parent declined by 31.0% year on year, to 3,015 million yen.

Results by business segment are as shown below.

<Non-consolidated>

Sales fell by 3.3% year on year, to 153,054 million yen, and operating income declined by 27.0% year on year, to 5,164 million yen. Although sales of winter goods increased in the second half as a result of snowfall, wholesale sales to stores decreased over the entire fiscal year under review. This reflected a decline in sales of tires and wheels, car accessories and other items at domestic AUTOBACS franchise stores and the improvement of inventory efficiency at domestic AUTOBACS franchise stores. Meanwhile, the ratio of gross profit to sales for the full fiscal year stood at around the same level as a year earlier, recording 20.5% (compared to 20.6% a year ago), owing to measures to improve the gross margin ratio, despite the decline in sales. As for selling, general, and administrative expenses, efforts were made to reduce advertising expenses and other expenses, while expenses associated with the replacement of facilities in the Eastern Japan and Western Japan Logistics Centers increased.

<Domestic store subsidiaries>

Sales decreased by 3.1% year on year, to 66,444 million yen, while the operating income improved by 1,244 million yen year on year, to 270 million yen. The segment continued to make an effort in the same manner as previous terms to enhance inventory efficiency, improve the gross margin ratio and achieve the efficient use of expenses. As a result, sales in the second half recovered and the segment recorded a significant year-on-year increase in operating income to regain profitability.

<Overseas subsidiaries>

Sales fell by 13.5% year on year, to 7,870 million yen, while an operating loss of 178 million yen was recorded (compared to operating income of 30 million yen for the previous fiscal year). This mainly reflected the deterioration in revenue of the French subsidiary and an increase in pre-emptive expenses related to the opening of a store in Thailand.

<Subsidiaries for car goods supply and other>

Sales increased by 5.7% year on year, to 22,467 million yen, and operating income rose by 448.7% year on year, to 101 million yen. This was attributable to improvements in the profits of the subsidiary operating the imported car dealer business and the one undertaking the wholesale of oil and other merchandise. In addition to the above, the acquisition of shares of Motoren Tochigi Corp. contributed to the increases in sales and operating income.

<Subsidiaries for supporting functions>

Sales decreased by 8.3% year on year, to 2,937 million yen, and operating income declined by 12.6%, to 350 million yen.

The relationship between the categories for carrying out business strategies, the domestic AUTOBACS business, the overseas business and the new businesses, and the segments are as follows.

The domestic AUTOBACS business, the category to which the Company, domestic store subsidiaries and subsidiaries for car goods supply and other belong, is comprised of wholesale to franchise outlets and retail sales of automotive goods and services.

The overseas business, the category to which mainly overseas subsidiaries belong, is chiefly comprised of retail sales of automotive goods and services.

The new businesses, the category to which mainly subsidiaries for car goods supply and other belong, are chiefly comprised of the imported car dealer business.

(iv) Future Outlook

The management environment in which the Group operates is expected to continue to undergo significant and rapid changes, including expanding new markets such as the change to electric-powered mobility and the digitalization of automobiles and the sharing economy, intensifying competition with peers, car dealers, and other industries such as sales companies that use the Internet, and diversifying customer composition such as female and elderly drivers and evolving customer needs. The Group recognizes that promptly dealing with these changes in the management environment will become more important in the future.

Under this management environment, the Group recently formulated the 2017 Medium-Term Business Plan based on the recognition that “turnaround in the competitive prowess of the domestic AUTOBACS business” is the greatest challenge for the Group.

In the domestic AUTOBACS business, we will aim to become a company that is relied on by and is popular among local customers as friendly professionals, and we will promote improvements in our understanding of customers to change the merchandise and sales approach and points of contact for customers.

For the purpose of enhancing customers’ convenience and comfort when using our services, AUTOBACS has been working tirelessly to provide fun in people’s lives with automobiles since its foundation. We will create new markets and new AUTOBACS through measures for the development of new business styles, the development of new merchandise and services, and statutory safety inspections and purchases of used cars, and implement initiatives for promoting these measures, including the vitalization and development of the organization and human resources.

In addition, we will endeavor to foster the overseas business and new businesses as growth areas in the future.

In the overseas business, we will develop business to increase earnings based on the two core pillars of the retail/services business and the wholesale business, which will entail partnership with local companies.

In the new businesses, we will develop the car purchase business by making use of our experience in AUTOBACS CARS, in addition to the imported car dealer business, and expand the wholesale business for automotive goods and services targeted at entities outside the AUTOBACS franchise chain.

Regarding profit distribution based on its consolidated business results, the Company will place emphasis on the dividend payout ratio as a replacement for the dividend on equity ratio (DOE) used in the past. During the period covered by the 2017 Medium-Term Business Plan, we will make it our basic policy to target a consolidated dividend payout ratio of between 50% and 100%, in principle, and pay out appropriate dividends that are commensurate with operating results.

As goals in the 2017 Medium-Term Business Plan, we aim to achieve consolidated operating income of 12 billion yen and consolidated ROE of 7% in the fiscal year ending March 2020, and ROE of 8% or more thereafter.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: Millions of Yen)

	March 31, 2016 Amount	March 31, 2017 Amount
Assets		
Current assets		
Cash and deposits	37,052	31,520
Notes and accounts receivable - trade	19,655	20,032
Lease investment assets	9,729	9,125
Merchandise	17,213	15,317
Deferred tax assets	2,320	2,287
Short-term loans receivable	70	40
Accounts receivable - other	19,039	20,863
Income taxes receivable	—	503
Other	2,686	2,538
Allowance for doubtful accounts	(112)	(70)
Total current assets	107,655	102,159
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,126	41,170
Accumulated depreciation	(27,957)	(27,791)
Buildings and structures, net	14,169	13,379
Machinery, equipment and vehicles	4,717	5,863
Accumulated depreciation	(3,600)	(2,806)
Machinery, equipment and vehicles, net	1,116	3,057
Tools, furniture and fixtures	11,882	11,358
Accumulated depreciation	(9,428)	(9,339)
Tools, furniture and fixtures, net	2,454	2,019
Land	22,449	22,188
Leased assets	577	569
Accumulated depreciation	(171)	(176)
Leased assets, net	405	392
Construction in progress	1,669	1,140
Total property, plant and equipment	42,265	42,176
Intangible assets		
Goodwill	852	853
Software	4,312	3,371
Other	740	2,372
Total intangible assets	5,904	6,597
Investments and other assets		
Investment securities	5,831	7,273
Long-term loans receivable	209	1,177
Deferred tax assets	1,102	796
Guarantee deposits	16,198	15,357
Other	1,576	1,240
Allowance for doubtful accounts	(290)	(70)
Total investments and other assets	24,628	25,774
Total non-current assets	72,799	74,548
Total assets	180,454	176,708

	March 31, 2016 Amount	March 31, 2017 Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,835	12,838
Short-term loans payable	2,432	5,969
Lease obligations	214	230
Accounts payable - other	11,219	11,489
Income taxes payable	1,885	473
Provision for point card certificates	532	477
Provision for Business Restructuring	76	—
Other	5,285	5,783
Total current liabilities	35,482	37,263
Non-current liabilities		
Long-term loans payable	2,343	679
Lease obligations	1,307	1,404
Deferred tax liabilities	109	588
Provision for directors' retirement benefits	87	98
Net defined benefit liability	121	129
Asset retirement obligations	2,269	2,285
Other	6,985	6,865
Total non-current liabilities	13,224	12,052
Total liabilities	48,707	49,315
Net assets		
Shareholders' equity		
Capital stock	33,998	33,998
Capital surplus	34,299	34,299
Retained earnings	67,125	59,188
Treasury shares	(5,976)	(2,769)
Total shareholders' equity	129,447	124,717
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,491	2,025
Foreign currency translation adjustment	516	335
Total accumulated other comprehensive income	2,008	2,360
Non-controlling interests	292	314
Total net assets	131,747	127,392
Total liabilities and net assets	180,454	176,708

(2) Consolidated Statement of Income and Comprehensive Income
(Unit: Millions of Yen)

	Fiscal year ended March 31, 2016 Amount	Fiscal year ended March 31, 2017 Amount
Net sales	208,142	204,033
Cost of sales	141,174	137,871
Gross profit	66,968	66,162
Selling, general and administrative expenses	60,266	60,332
Operating profit	6,701	5,829
Non-operating income		
Interest income	76	67
Dividend income	83	95
Share of profit of entities accounted for using equity method	27	7
Commission fee	340	394
Lease revenue-system equipment	1,062	1,019
Insurance income	158	92
Other	1,540	1,471
Total non-operating income	3,286	3,147
Non-operating expenses		
Interest expenses	44	35
Lease cost-system equipment	1,113	935
Loss on retirement of non-current assets	204	143
Other	845	741
Total non-operating expenses	2,207	1,856
Ordinary profit	7,780	7,120
Extraordinary income		
Gain on sales of investment securities	363	—
Total extraordinary income	363	—
Extraordinary losses		
Loss on retirement of non-current assets	122	209
Impairment loss	463	2,161
Loss on sales of shares of subsidiaries	—	274
Total extraordinary losses	585	2,645
Profit before income taxes	7,558	4,474
Income taxes - current	3,351	1,359
Income taxes - deferred	(144)	117
Total income taxes	3,206	1,477
Profit	4,351	2,997
Profit attributable to		
Profit attributable to owners of parent	4,371	3,015
Loss attributable to non-controlling interests	(20)	(17)
Other comprehensive income		
Valuation difference on available-for-sale securities	(730)	538
Foreign currency translation adjustment	(146)	(180)
Share of other comprehensive income of entities accounted for using equity method	(26)	(9)
Total other comprehensive income	(903)	347
Comprehensive income	3,448	3,345
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,478	3,368
Comprehensive income attributable to non-controlling interests	(30)	(22)

(3) Consolidated Statement of Changes in equity
Fiscal year ended March 31, 2016

(Unit: Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	33,998	34,278	72,859	(5,699)	135,436
Changes of items during period					
Dividends of surplus			(5,117)		(5,117)
Profit attributable to owners of parent			4,371		4,371
Purchase of treasury shares				(5,264)	(5,264)
Retirement of treasury shares			(4,987)	4,987	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		21			21
Net changes of items other than shareholders' equity					
Total changes of items during period	—	21	(5,733)	(277)	(5,989)
Balance at end of current period	33,998	34,299	67,125	(5,976)	129,447

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	2,224	676	2,901	215	138,553
Changes of items during period					
Dividends of surplus					(5,117)
Profit attributable to owners of parent					4,371
Purchase of treasury shares					(5,264)
Retirement of treasury shares					—
Change in treasury shares of parent arising from transactions with non-controlling shareholders					21
Net changes of items other than shareholders' equity	(733)	(159)	(893)	76	(816)
Total changes of items during period	(733)	(159)	(893)	76	(6,806)
Balance at end of current period	1,491	516	2,008	292	131,747

Fiscal year ended March 31,2017

(Unit: Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	33,998	34,299	67,125	(5,976)	129,447
Changes of items during period					
Dividends of surplus			(5,042)		(5,042)
Profit attributable to owners of parent			3,015		3,015
Purchase of treasury shares				(2,715)	(2,715)
Retirement of treasury shares			(5,910)	5,910	—
Disposal of treasury shares		0		12	12
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	(7,937)	3,207	(4,729)
Balance at end of current period	33,998	34,299	59,188	(2,769)	124,717

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,491	516	2,008	292	131,747
Changes of items during period					
Dividends of surplus					(5,042)
Profit attributable to owners of parent					3,015
Purchase of treasury shares					(2,715)
Retirement of treasury shares					—
Disposal of treasury shares					12
Change in ownership interest of parent due to transactions with non-controlling interests					(0)
Net changes of items other than shareholders' equity	533	(181)	352	22	374
Total changes of items during period	533	(181)	352	22	(4,354)
Balance at end of current period	2,025	335	2,360	314	127,392

(4) Consolidated Statement of Cash Flows
(Unit: Millions of Yen)

	Fiscal year ended March 31, 2016 Amount	Fiscal year ended March 31, 2017 Amount
Cash flows from operating activities		
Profit before income taxes	7,558	4,474
Depreciation	3,845	4,167
Impairment loss	463	2,161
Amortization of goodwill	167	217
Provision for business restructuring	(4)	(76)
Increase (decrease) in allowance for doubtful accounts	20	(251)
Increase (decrease) in provision for directors' retirement benefits	(0)	10
Increase (decrease) in net defined benefit liability	11	10
Interest and dividend income	(159)	(163)
Insurance income	(158)	(92)
Interest expenses	44	35
Share of (profit) loss of entities accounted for using equity method	(27)	(7)
Loss (gain) on sales and retirement of non-current assets	324	354
Loss (gain) on sales of investment securities	(309)	(0)
Loss (gain) on sales of shares of subsidiaries	—	274
Decrease (increase) in notes and accounts receivable - trade	(62)	(2,129)
Decrease (increase) in lease investment assets	1,060	458
Decrease (increase) in inventories	(82)	1,433
Increase (decrease) in notes and accounts payable - trade	728	(178)
Other, net	307	1,700
Subtotal	13,728	12,399
Interest and dividend income received	173	180
Interest expenses paid	(44)	(36)
Proceeds from insurance income	158	92
Income taxes paid	(3,451)	(3,147)
Net cash provided by (used in) operating activities	10,564	9,488
Cash flows from investing activities		
Payments into time deposits	(819)	(306)
Proceeds from withdrawal of time deposits	851	619
Purchase of property, plant and equipment and intangible assets	(5,895)	(4,842)
Proceeds from sales of property, plant and equipment and intangible assets	19	53
Purchase of investment securities	(0)	(194)
Proceeds from sales and redemption of investment securities	885	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(170)	(1,603)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	29	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(42)
Purchase of shares of subsidiaries and associates	—	(334)
Payments of loans receivable	(57)	(1,000)
Collection of loans receivable	85	63
Payments for guarantee deposits	(242)	(358)
Proceeds from collection of guarantee deposits	445	638
Other, net	(115)	160
Net cash provided by (used in) investing activities	(4,984)	(7,147)

	Fiscal year ended March 31, 2016 Amount	Fiscal year ended March 31, 2017 Amount
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	732	610
Proceeds from long-term loans payable	1,010	340
Repayments of long-term loans payable	(2,626)	(883)
Purchase of treasury shares	(5,248)	(2,712)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3)	(1)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	134	—
Cash dividends paid	(5,118)	(5,041)
Other, net	(33)	231
Net cash provided by (used in) financing activities	(11,154)	(7,457)
Effect of exchange rate change on cash and cash equivalents	(64)	(73)
Net increase (decrease) in cash and cash equivalents	(5,638)	(5,190)
Cash and cash equivalents at beginning of period	42,218	36,579
Cash and cash equivalents at end of period	36,579	31,388

7. Segment Information

(1) Outlines reportable segment

The Company's reporting segments are the components of the Company about which separate financial information is available. These segments are subject to periodic examination to enable the Company's Board of Directors to decide how to allocate resources and assess performance. The companies operate the AUTOBACS franchise chain consisting of businesses in automotive goods, safety inspections and maintenance services, and sales business and automobile purchase. The Group comprises segments made up of groups of companies based on wholesale division and retail division functions for these businesses. The Group has five reporting segments: "the company," "domestic store subsidiaries," "overseas subsidiaries," "subsidiaries for car goods supply and other," and "subsidiaries for supporting functions."

	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions
Automotive goods	Wholesale Retail	Retail	Wholesale Retail	Wholesale	-
Safety inspection and maintenance services	Wholesale Retail	Retail	Retail	Retail	-
The automobile purchase and sales business	Wholesale Retail	Retail	-	Retail	-
Others	Lease business	-	-	-	Lease business Others

Note : Others of subsidiaries for supporting functions are loan credit business , nonlife insurance agency and office work representation business.

(2)Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

Segment income for each reporting segment is presented on an operating income basis. Internal sales and transfers between segments are based, for the most part, on prevailing market prices. Among the assets of the reporting segments, the goodwill associated with overseas subsidiaries is tested for impairment as a non-amortized asset, while in the consolidated financial statements it is amortized using the straight-line method. In addition, some store buildings, POS systems and other items are subject to lease transactions between segments. The asset and expense items of the reporting segments and their amounts are adjusted as shown below.

	Reportable segment			Consolidated Financial Statement
	The Company	Domestic Store Subsidiaries	Subsidiaries for Supporting Functions	
Assets	Investments in Lease	-	Investments in Lease	Property ,Plant and equipment and Intangible assets
Cost	Cost of goods sold	Rent payment and Lease payment	Cost of goods sold	Depreciation
Amortized method	Interest method	-	Interest method	Straight-line method

(3)Segment sales ,income(loss),assets and others

Fiscal year ended March 31,2016

(Unit: Millions of Yen)

	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Net sales						
Sales to outside customers	117,095	67,338	8,784	13,973	950	208,142
Intersegment sales or transfers	41,193	1,211	319	7,289	2,254	52,267
Total	158,288	68,550	9,104	21,263	3,204	260,410
Net income (loss)	7,074	(974)	30	18	400	6,549
Segment assets	165,023	17,632	9,294	6,855	25,364	224,170
Other items						
Depreciation	2,125	175	221	49	8	2,580
Amortization of goodwill	-	7	-	27	-	34
Share of associates accounted for using equity method	839	-	-	-	-	839
Increase in property and equipment and intangible assets	4,414	243	242	257	0	5,158

Fiscal year ended March 31,2017

(Unit: Millions of Yen)

	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Net sales						
Sales to outside customers	114,490	65,319	7,622	15,775	824	204,033
Intersegment sales or transfers	38,564	1,124	248	6,691	2,112	48,741
Total	153,054	66,444	7,870	22,467	2,937	252,774
Net income (loss)	5,164	270	(178)	101	350	5,707
Segment assets	157,648	15,654	8,723	10,352	26,597	218,977
Other items						
Depreciation	2,412	195	217	76	4	2,907
Amortization of goodwill	-	12	-	27	-	39
Share of associates accounted for using equity method	1,161	-	-	-	-	1,161
Increase in property and equipment and intangible assets	3,404	318	396	410	7	4,537

(4) Reconciliation of published figures and aggregated of reportable operating segment

(Adjustment) (Unit: Millions of Yen)

Net sales	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Total reportable segments	260,410	252,774
Elimination of intersegment transaction	(52,267)	(48,741)
Net sales	208,142	204,033

(Adjustment) (Unit: Millions of Yen)

Income	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Total reportable segments	6,549	5,707
Elimination of intersegment transaction	(480)	(489)
Amortization of goodwill	(132)	(177)
Provision for point card certificates	(15)	(11)
Non-current assets	507	310
Inventories	206	368
Others	67	121
Operating income	6,701	5,829

(Adjustment) (Unit: Millions of Yen)

Assets	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Total reportable segments	224,170	218,977
Elimination of intersegment transaction	(38,036)	(39,271)
Amortization of goodwill	(3,736)	(3,471)
Inventories	(1,265)	(675)
Non-current assets	(1,422)	494
Investments in associates accounted for using equity method	872	1,011
Others	(126)	(356)
Total assets	180,454	176,708

(Unit: Millions of Yen)

Other items	Total reportable segments		Adjustment		Consolidated total	
	Fiscal year ended March 31,2016	Fiscal year ended March 31,2017	Fiscal year ended March 31,2016	Fiscal year ended March 31,2017	Fiscal year ended March 31,2016	Fiscal year ended March 31,2017
Depreciation	2,580	2,907	1,062	1,028	3,642	3,936
Amortization of goodwill	34	39	132	177	167	217
Investments in associated for using equity method	839	1,161	872	1,011	1,711	2,172
Increase in property, plant and equipment and intangible assets	5,158	4,537	737	305	5,895	4,842

Note : The adjustment amounts for other items are as follows.

1. Depreciation and the increase in property and equipment and intangible assets, is principally the adjustment amount for intersegment lease transactions on the consolidated financial statements.
2. The adjustment amount for amortization of goodwill is principally the amount for amortization of goodwill recorded for overseas subsidiaries.
3. The adjustment amount for investments in associates accounted for using the equity method is the adjustment amount according to the equity method.

8.Subsequent Events

Not applicable.