

Consolidated Financial Results for the Six Months Ended September 30, 2017 【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information For the Second Quarter Ended September 30, 2017.

Company name : AUTOBACS SEVEN CO., LTD.

Code number : 9832

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

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Stock exchange listing : Tokyo

Submission of Quarterly Business Report : November 7, 2017

Start of cash dividend payments : November 27, 2017

Supplementary quarterly materials prepared : Yes

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

1. Results for the Six months ended September 30, 2017 (From April 1, 2017 to September 30, 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(.))

	Net sales		Operating income		Ordinary income	
Six months ended		%		%		%
September 30, 2017	98,105	3.5	1,860	88.2	2,451	56.8
Six months ended September 30, 2016	94,820	(3.9)	988	(60.4)	1,563	(50.0)

Note: Comprehensive income : **2,047 million yen for the six months ended September 30, 2017** : - %

(61 million yen for the six months ended September 30, 2016 : - %

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
Six months ended		%		
September 30, 2017	1,317	84.6	15.97	-
Six months ended September 30, 2016	714	(56.0)	8.50	-

(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, 2017	186,577	127,158	67.9	1,534.66
Fiscal year ended				
March 31, 2017	176,708	127,392	71.9	1,540.12

(Reference) Equity : **Six months ended September 30, 2017 : 126,626 million Yen**

For the year ended March 31, 2017 : 127,078 million Yen

2. Dividends

	Dividends per share				(Yen)
	First Quarter	Second Quarter	Third Quarter	Year -end	Annual
Fiscal year ended					
March 31, 2017	-	30.00	-	30.00	60.00
Fiscal year ended					
March 31, 2018	-	30.00	-	-	-
Fiscal year ended					
March 31, 2018 (forecast)	-	-	-	30.00	60.00

Note : Revisions to dividend forecasts published most recently : None

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	

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, 2017 : 84,050,105 shares
Fiscal year ended March 31, 2017 : 84,050,105 shares
 - 2. Number of treasury stock at the end of period
Six months ended September 30, 2017 : 1,539,123 shares
Fiscal year ended March 31, 2017 : 1,538,020 shares
 - 3. Average shares outstanding over quarter
Six months ended September 30, 2017 : 82,511,622 shares
Six months ended September 30, 2016 : 84,010,590 shares

※These financial results are not subject to the quarterly review 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.

※The Company will be held the Analysts Meeting on November 1, 2017. The presentation material and video picture of the meeting will be uploaded as soon as possible on the Company's website afterwards.

1. Qualitative Information concerning Consolidated Business Results for the Six Months Ended September 30, 2017

(1) Explanation of business results

Looking at the trends of the domestic automotive-related industry during the first six months of the consolidated fiscal year under review, the volumes of new vehicle sales and used car registrations have been recovering, and this has translated into an improvement in demand for automotive goods and services from the same period of the previous year.

Under these circumstances, the Group announced the 2017 Medium-Term Business Plan in May 2017, and according to this, it is focusing on measures to enhance earnings growth and asset efficiency based on the Group vision of “Turnaround of domestic AUTOBACS business” and “Development of future growth drivers.”

The Group’s sales during the first six months of the consolidated fiscal year under review increased by 3.5% year on year, to 98,105 million yen, gross profit climbed by 3.4% year on year, to 31,693 million yen, and selling, general, and administrative expenses increased by 0.6% year on year, to 29,833 million yen, resulting in operating income of 1,860 million yen, an increase of 88.2% from a year earlier. Ordinary income increased by 56.8% year on year, to 2,451 million yen. Gain on sale of investment securities of 123 million yen was recorded under extraordinary income and loss on impairment of fixed assets of 166 million yen was recorded under extraordinary loss in relation to the wholesale business of automotive goods and services in the Used car buying, dealers and BtoB Business. As a result, profit attributable to owners of parent increased by 84.6% year on year, to 1,317 million yen.

Results by business segment are as shown below.

[Domestic AUTOBACS Business]

For the first six months of the consolidated fiscal year under review, total sales for domestic businesses in the AUTOBACS chain (including franchise outlets) increased by 1.2% year on year on a same-store basis, and by 0.8% year on year on an overall-store basis.

At domestic AUTOBACS chain stores, according to the slogan of “becoming a professional and friendly existence” under the 2017 Medium-Term Business Plan, we focused on the creation of new markets related to automobiles through the development of products and stores and the training of human resources.

For the first six months of the consolidated fiscal year under review, in response to the price increase of tires by domestic tire manufacturers, the price and lineup of products were reviewed and the system for service for customers at stores was strengthened. We offered highly convenient products through the release of new products, especially private brand products of AQ. (AUTOBACS QUALITY.) for car interiors and consumables. Moreover, the launch of JKM and GORDON MILLER, brands to offer new lifestyles that feature cars, was announced and sales of merchandise and goods to improve the motorized lifestyle and the time spent in garages were commenced. The sales force of franchise outlets was strengthened by lowering the rate of the cost of goods purchased by stores from the Company. These efforts were effective in achieving strong sales of tires, etc. The earning power of franchise outlets including the subsidiaries of the Company has improved. The sales of car navigation system decreased because the demand for the navigation was still shrinking. In the statutory safety inspection and maintenance services segment, in a business environment in which the number of vehicles subject to statutory inspection increased, the project called AUTOBACS GUYS for conveying the technical capabilities and passion for automobile maintenance of mechanics who actually work in the pit of a store by featuring them as the symbol of “professional and friendly existence” commenced. The campaign for statutory inspection was conducted via television commercials and in stores using the phrase “good mechanics.” As a result, the number of vehicles that underwent statutory safety inspection and maintenance services increased by 7.4% year on year, to approximately 317,800 units. In the automobile purchase and sales segment, a new main character for TV commercials was aired to showcase to customers the factors that differentiate the Company’s automobile purchase services. However, due to the decrease of personnel engaged in assessment for purchasing vehicles at some stores, sales to used car dealers by means such as auto auctions decreased. As a result, sales of both new and used cars came to approximately 12,300 units, representing a year-on-year decrease of 3.8%.

AUTOBACS Fuchu was changed to AUTOBACS Garage Fuchu with the new business model to provide an environment where mainly customers with little knowledge of cars can carry out shopping comfortably and receive

the most suitable services. In addition, two AUTOBACS Mini stores were opened to provide car washes and information on statutory safety inspection services to customers in shopping malls.

Meanwhile, JACK&MARIE, Japan's first shop for a motorized lifestyle, was launched and sales of our original goods, among others, commenced in ZOZOTOWN, Japan's largest shopping site for fashion, resulting in good sales. JKM and GORDON MILLER, which are distributed at AUTOBACS chain stores as described above, were developed as the brand derived from JACK&MARIE.

Consequently, for the first six months of the consolidated fiscal year under review, sales in the domestic AUTOBACS business decreased by 1.6 % year on year, to 82,145 million yen due to the transfer of domestic subsidiaries which operated AUTOBACS chain store stores to franchisee companies. As a result, segment profit increased by 7.2% year on year, to 6,111 million yen.

[Overseas Business]

For the first six months of the consolidated fiscal year under review, sales for the Overseas Business increased by 15.2%, to 4,595 million yen, and the segment loss was 320 million yen (loss of 293 million yen in the same period of the last fiscal year). The main regions that had an impact on earnings included France, where an increase in profit from the first quarter was recorded with a surplus, primarily attributable to a trend toward a recovery in business confidence and a rise in sales from tires and service pits designated for vehicle service. In Singapore, costs increased due to the opening of an in-store shop in a gas station in April this year and an increase in personnel for future business expansion, among other reasons, resulting in a decrease in operating income. However, efforts to increase future earnings by means such as launching a service business for vehicles used for car sharing and wholesale to DIY stores commenced. In Thailand, sales increased due to the opening of stores for the last fiscal year, and loss has decreased partly due to the advancement of the process for the establishment of the model for small outlets. In addition, the Company entered into a capital/business alliance with the leading local gas station chain, PTG group, with the aim of opening stores for automotive goods and services in the said chain stores. In Malaysia and the Philippines, wholesale to local partner companies commenced. In China, the Company invested funds in the company that manages the platform for the distribution and services of automotive goods and services and produces and distributes on-board aromatics. Totally in the overseas business, we have strengthened the strategy for business expansion by making the most of our strengths, specifically the capability to procure products, know-how of services and the capability of proposals on the store floor, as well as our conventional business model with the opening of retail stores.

[Cars, Dealers and BtoB Business]

For the first six months of the consolidated fiscal year under review, sales for Cars, Dealers and BtoB Business increased by 34.6% year on year, to 14,593 million yen, and the segment loss was 748 million yen (loss of 309 million yen in the same period of the last fiscal year). The increase in segment loss resulted from a deficiency in the number of assessments below the plan and expenses incurred ahead of new store openings, although the number of used car buying rose with an increase in the number of used car buying stores, which reflected a rise in the number of stores directly operated by the Company. Sales and profits for the imported car dealer business grew steadily, attributable to an increase in the number of stores that was associated with the transfer of all the shares of Motoren Tochigi Corp, resulting in good results together with Autoplatz K.K. in the Ikebukuro area. Profits for the BtoB business decreased year on year, mainly due to a rise in costs for the purchase of oil and expenses relating to systems for online sales and logistics, and this was not fully offset by an increase in sales of merchandise and goods to home improvement retailers and an increase in e-commerce sales.

The stores opened and closed by the Company's group are as follows.

In the domestic business, three new stores were opened and three stores were closed. The number of stores 601 stores remained the same as at the end of March 2017. The number of CARS franchise stores at the end of September increased from 468 as of the end of the previous fiscal year to 471. Separately from these stores, seven stores of imported car dealer business are operated.

In the overseas business, three new stores were opened and two stores were closed. The total number of stores increased by 1, from 38 at the end of March 2017 to 39.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	March 31, 2017 Amount	September 30, 2017 Amount
Assets		
Current assets		
Cash and deposits	31,520	37,086
Notes and accounts receivable - trade	20,032	27,999
Merchandise	15,317	16,307
Accounts receivable - other	20,863	16,710
Income taxes receivable	503	34
Other	13,992	13,650
Allowance for doubtful accounts	(70)	(70)
Total current assets	102,159	111,719
Non-current assets		
Property, plant and equipment		
Land	22,188	22,188
Other, net	19,988	19,742
Total property, plant and equipment	42,176	41,930
Intangible assets		
Goodwill	853	852
Other	5,743	5,139
Total intangible assets	6,597	5,992
Investments and other assets		
Guarantee deposits	15,357	14,539
Other	10,487	12,450
Allowance for doubtful accounts	(70)	(55)
Total investments and other assets	25,774	26,935
Total non-current assets	74,548	74,858
Total assets	176,708	186,577
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,838	26,053
Short-term loans payable	5,969	5,636
Accounts payable - other	11,489	9,083
Income taxes payable	473	1,097
Provision for point card certificates	477	411
Other	6,013	5,261
Total current liabilities	37,263	47,544
Non-current liabilities		
Long-term loans payable	679	962
Provision	98	84
Net defined benefit liability	129	75
Asset retirement obligations	2,285	2,253
Other	8,858	8,498
Total non-current liabilities	12,052	11,874
Total liabilities	49,315	59,419

	March 31, 2017 Amount	September 30, 2017 Amount
Net assets		
Shareholders' equity		
Capital stock	33,998	33,998
Capital surplus	34,299	34,298
Retained earnings	59,188	58,030
Treasury shares	(2,769)	(2,771)
Total shareholders' equity	124,717	123,555
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,025	2,522
Foreign currency translation adjustment	335	548
Total accumulated other comprehensive income	2,360	3,070
Non-controlling interests	314	532
Total net assets	127,392	127,158
Total liabilities and net assets	176,708	186,577

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

	Six months ended September 30, 2016 Amount	Six months ended September 30, 2017 Amount
Net sales	94,820	98,105
Cost of sales	64,167	66,412
Gross profit	30,653	31,693
Selling, general and administrative expenses	29,664	29,833
Operating profit	988	1,860
Non-operating income		
Interest income	33	38
Dividend income	46	61
Share of profit of entities accounted for using equity method	—	58
Lease revenue-system equipment	501	355
Other	870	959
Total non-operating income	1,451	1,474
Non-operating expenses		
Interest expenses	16	17
Share of loss of entities accounted for using equity method	49	—
Lease cost-system equipment	464	428
Loss on retirement of non-current assets	35	220
Other	310	216
Total non-operating expenses	876	883
Ordinary profit	1,563	2,451
Extraordinary income		
Gain on sales of investment securities	—	123
Total extraordinary income	—	123
Extraordinary losses		
Impairment loss	—	166
Total extraordinary losses	—	166
Profit before income taxes	1,563	2,408
Income taxes - current	627	938
Income taxes - deferred	239	130
Total income taxes	867	1,068
Profit	695	1,339
Profit attributable to		
Profit attributable to owners of parent	714	1,317
Profit (loss) attributable to non-controlling interests	(18)	21
Other comprehensive income		
Valuation difference on available-for-sale securities	(338)	492
Foreign currency translation adjustment	(386)	209
Share of other comprehensive income of entities accounted for using equity method	(31)	5
Total other comprehensive income	(756)	708
Comprehensive income	(61)	2,047
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(30)	2,027
Comprehensive income attributable to non-controlling interests	(31)	20

7. Segment Information

I Six months ended September 30, 2016

1. Information about sales and profit (loss)

(Unit : Millions of yen)

	Reportable segments				Others (Note1)	Total	Reconciling items (Note2)	Per quarterly consolidated financial statement (Note3)
	Domestic AUTOBACS Business	Overseas Business	Used Car Buying, Car Dealer and BtoB Business	Total Reportable segments				
Sales								
Revenues from external customers	83,216	3,896	7,221	94,334	486	94,820	-	94,820
Transactions with other segments	246	91	3,619	3,957	400	4,357	(4,357)	-
Net sales	83,463	3,987	10,840	98,291	886	99,178	(4,357)	94,820
Operating profit (loss)	5,701	(293)	(309)	5,098	24	5,122	(4,134)	988

Notes:

1. "Others" is a business segment which is not included in reportable segments such as lease business operated by subsidiary and etc.
2. The amount (4,134) million yen of "Reconciling items" of Operating profit (loss) is the corporate administrative expense which is not allocable to each reportable segment.
3. 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, 2017

1. Information about sales and profit (loss)

(Unit : Millions of yen)

	Reportable segments				Others (Note1)	Total	Reconciling items (Note2)	Per quarterly consolidated financial statement (Note3)
	Domestic AUTOBACS Business	Overseas Business	Used Car Buying, Car Dealer and BtoB Business	Total Reportable segments				
Sales								
Revenues from external customers	81,972	4,446	11,193	97,611	494	98,105	-	98,105
Transactions with other segments	173	149	3,400	3,723	302	4,026	(4,026)	-
Net sales	82,145	4,595	14,593	101,335	796	102,131	(4,026)	98,105
Operating profit (loss)	6,111	(320)	(748)	5,042	39	5,081	(3,221)	1,860

Notes:

1. "Others" is a business segment which is not included in reportable segments such as lease business operated by subsidiary and etc.
2. The amount (3,221) million yen of "Reconciling items" of Operating profit (loss) is the corporate administrative expense which is not allocable to each reportable segment.
3. Operating profit (loss) corresponds to Operating profit in the Consolidated Statements of Income and Comprehensive Income.

2. Matters concerning change in reportable segments

Starting from the first quarter ended June 30, 2017, the Company changed its reportable segments because the Company changed management unit to allocate resources and assess performance according to the “2017 Medium-Term Business Plan” (from April 1, 2017 to March 31, 2020).

Segment information for the six months ended September 30, 2016 was prepared based on the changed reportable segment.

3. Impairment losses of assets, goodwill, and others, by reportable segments

In the “Used Car Buying, Car Dealer and BtoB Business”, the book value of the group of assets recording continuous losses was reduced its value to the recoverable value. The relevant decrease, the Company recorded as an impairment loss under extraordinary losses. The impairment loss of this Business was 166 million yen for the six months ended September 30, 2017.