

# Results for the Nine Months ended December 31, 2015



January 29, 2016

**AUTOBACS SEVEN CO., LTD.**

# Q3 FY March 2016 Consolidated P/L



**Decrease in sales and increase in income: although net sales decreased, the gross margin ratio improved, with expenses kept within plan**

Sales including those of winter products fell substantially in the third quarter due to the impact of a warm winter, in addition to a decline in demand for automotive goods and services in association with a slump in the number of new car sales that persisted from the beginning of the period.

(Billion Yen)

|                               | Nine months ended Dec 31, 2015 |            |                  | Nine months ended Dec 31, 2014 |            |
|-------------------------------|--------------------------------|------------|------------------|--------------------------------|------------|
|                               | Actual result                  | % of Sales | YoY change ratio | Actual result                  | % of Sales |
| Net sales                     | 164.8                          | 100.0%     | -1.8%            | 167.9                          | 100.0%     |
| Gross profit                  | 52.8                           | 32.1%      | +0.1%            | 52.7                           | 31.4%      |
| SG&A                          | 45.3                           | 27.5%      | -1.5%            | 46.0                           | 27.4%      |
| Operating income              | 7.5                            | 4.6%       | +11.6%           | 6.7                            | 4.0%       |
| Non-operating Income/expenses | 0.9                            | -          | -29.4%           | 1.3                            | -          |
| Ordinary income               | 8.4                            | 5.1%       | +4.9%            | 8.0                            | 4.8%       |
| Extraordinary gains/ losses   | 0                              | -          | -                | 0.3                            | -          |
| Net income                    | 5.3                            | 3.2%       | +13.3%           | 4.7                            | 2.8%       |

Amounts are rounded down.

% of Net Sales and YoY comparisons are calculated in the single digits.

# Quarterly P/L



View on Q4: Sales in Q4 will be expected by considering week demand until December, although demand from snowfall seen in January. SG&A expenses increased from a year ago due in part to strategic sales promotion initiatives.

(Billion Yen)

|                                      | 1 <sup>st</sup> Quarter | 2 <sup>nd</sup> Quarter | 3 <sup>rd</sup> Quarter | 4 <sup>th</sup> Quarter<br>(Estimate) | FY March<br>2016<br>(Estimate) |
|--------------------------------------|-------------------------|-------------------------|-------------------------|---------------------------------------|--------------------------------|
| <b>Net sales</b>                     | <b>49.0</b>             | <b>49.5</b>             | <b>66.1</b>             | <b>42.9</b>                           | <b>207.8</b>                   |
| YoY                                  | +1.3%                   | +0.1%                   | -5.3%                   | +3.4%                                 | -0.8%                          |
| <b>Gross margin<br/>(% of Sales)</b> | <b>15.7</b><br>(32.0%)  | <b>16.4</b><br>(33.1%)  | <b>20.7</b><br>(31.3%)  | <b>14.4</b><br>(33.7%)                | <b>67.3</b><br>(32.4%)         |
| YoY                                  | +5.9%                   | +4.2%                   | -6.6%                   | +2.3%                                 | +0.6%                          |
| <b>SG&amp;A</b>                      | <b>14.7</b>             | <b>14.8</b>             | <b>15.7</b>             | <b>14.9</b>                           | <b>60.3</b>                    |
| YoY                                  | -1.8%                   | -1.2%                   | -1.6%                   | +3.6%                                 | -0.3%                          |
| <b>Operating income</b>              | <b>0.9</b>              | <b>1.5</b>              | <b>5.0</b>              | <b>-0.5</b>                           | <b>7.0</b>                     |
| YoY                                  | -                       | +120.4%                 | -19.4%                  | -                                     | +9.3%                          |
| <b>Ordinary income</b>               | <b>1.3</b>              | <b>1.8</b>              | <b>5.3</b>              | <b>-0.1</b>                           | <b>8.3</b>                     |
| <b>Net income</b>                    | <b>0.5</b>              | <b>1.0</b>              | <b>3.7</b>              | <b>-0.4</b>                           | <b>4.9</b>                     |
| <b>Same store sales</b>              | <b>+5.0%</b>            | <b>-2.3%</b>            | <b>-10.1%</b>           | <b>+5.6%</b>                          | <b>-1.1%</b>                   |

Amounts are rounded down.

% of Net Sales and YoY comparisons are calculated in the single digits.

# Analysis for Operating Income

|                              |  |
|------------------------------|--|
| <b>Domestic retail sales</b> | <b>Total stores -2.7% / Same store sales -3.4% (YoY)</b> |
|------------------------------|--|

|                                 |                                    | Operating Income | YoY  |
|---------------------------------|------------------------------------|------------------|--|
| <b>Segments</b>                 | <b>Non-consolidated</b>            | <b>8.07BY</b>    | <b>-900MY</b><br><b>Sales: -8,690MY (-6.3%)</b><br><b>Gross profit: -1,700MY (GPM: 21.0% - up from LY's 20.9%)</b><br>· Gross margin ratio remained at around the same level as a year ago largely due to efforts to improve gross profit and strengthening car purchases and sales<br><b>SG&amp;A -800MY</b><br>· Reviewed advertising through mass media |
|                                 | <b>Domestic store Subsidiaries</b> | <b>-0.59BY</b>   | <b>+860MY</b><br><b>Sales: +90MY (+0.2%)</b><br><b>Gross profit: +660MY (GPM: 38.4% - up from LY's 37.1%)</b><br>· Increased partly due to change in product mix and efforts to improve gross margin ratio   |
|                                 | <b>Overseas Subsidiaries</b>       | <b>-0.07BY</b>   | <b>+180MY</b>  |
|                                 | <b>Others</b>                      | <b>0.39BY</b>    | <b>-50MY</b>   |
| <b>Total segments</b>           |                                    | <b>7.94BY</b>    | <b>+80MY</b>   |
| <b>Consolidation Adjustment</b> |                                    | <b>-0.44BY</b>   | <b>Adjustment amount decreased by 690MY from last year</b><br>· Decreased in adjustment of inventories which were sold from parent company to domestic store subsidiaries  |
| <b>Consolidated</b>             |                                    | <b>7.50BY</b>    | <b>+780MY</b>  |

Amounts are rounded down.

# Segment Information



(Million Yen)

|  |                 | Nine months ended<br>Dec 31, 2015 | Nine months ended<br>Dec 31, 2014 | YoY<br>change |
|--|-----------------|-----------------------------------|-----------------------------------|---------------|
| <b>Non-consolidated</b>                                    | Net Sales       | 129,756                           | 138,451                           | -6.3%         |
|  | Ordinary Income | 8,077                             | 8,978                             | -10.0%        |
| <b>Domestic store<br/>subsidiaries</b>                     | Net Sales       | 52,205                            | 52,115                            | +0.2%         |
|  | Ordinary Income | -594                              | -1,455                            | -             |
| <b>Overseas subsidiaries</b>                               | Net Sales       | 7,061                             | 7,719                             | -8.5%         |
|  | Ordinary Income | 75                                | -106                              | -             |
| <b>Subsidiaries for car<br/>goods supply and<br/>other</b> | Net Sales       | 16,171                            | 11,732                            | +37.8%        |
|  | Ordinary Income | 55                                | 90                                | -38.9%        |
| <b>Subsidiaries for<br/>supporting function</b>            | Net Sales       | 2,453                             | 2,318                             | +5.9%         |
|  | Ordinary Income | 335                               | 357                               | -6.1%         |
| <b>Segment total</b>                                       | Net Sales       | 207,649                           | 212,337                           | -2.2%         |
|  | Ordinary Income | 7,949                             | 7,863                             | +1.1%         |

Amounts are rounded down.

% of Net Sales and YoY comparisons are calculated in the single digits.

# Performance Breakdown (Nine months ended Dec 31, 2015)



## Non-consolidated

|   |  |                           |   |
|---|--|---------------------------|---|
| <b>Net Sales</b><br><b>129.7 BY</b><br><i>YoY: -8.69 BY</i>   | <b>Wholesale</b>   | <b>-9.03 BY</b><br>-6.9%  | ↑ services, overseas-sales<br>↓ tires & wheels, car interior , oil & batteries and etc.                               |
|   | <b>Retail</b>  | <b>+0.57 BY</b><br>+15.0% | ↑ on-line store, car sales, car electronics and etc.<br>↓ fuel, tires & wheels, car interior and etc.                 |
| <b>Gross profit</b><br><b>27.2 BY</b><br><i>YoY: -1.70 BY</i> | <b>Wholesale</b>   | <b>-1.77 BY</b><br>-6.4%  | ↑ services, car sales, car electronics and etc.<br>↓ tires & wheels, car interior oil & batteries, and etc.           |
|   | <b>Retail</b>  | <b>+0.07 BY</b><br>+7.4%  | ↑ on-line store, car sales, motor sports goods and etc.<br>↓ second hand goods, tires & wheels, car interior and etc. |
| <b>SG&amp;A</b><br><b>19.1 BY</b><br><i>YoY: -0.80 BY</i>     | <b>Personnel expenses:</b> Decrease in performance linked remuneration of last year, etc.  |                           |   |
|   | <b>Selling expenses:</b> Decrease in expenses for advertising, such as TV commercials and newspaper ads as well as sales promotion costs           |                           |   |
|   | <b>Equipment expenses:</b> Increase largely due to depreciation of new store operation systems and renovation expenses for the distribution center |                           |   |
|   | <b>Others:</b> No major change   |                           |   |

## Domestic store subsidiaries

|   |  |
|---|--|
| <b>Net Sales: 52.2 BY</b><br><i>YoY: +0.09BY</i>                  | Sales of automotive goods substantially due to record warm temperatures in the winter, despite the rise in sales associated with the transfer of stores from franchise companies. Gross profit grew year on year primarily as a result of changes in the sales composition of products and initiatives aimed at improving the gross margin. SG&A remained at around the same level as a result of a cut in costs from efforts made in sales promotion expenses and other controllable expenses, which offset an increase in expenses associated with the transfer of stores from franchise companies |
| <b>Ordinary Income:</b><br><b>-0.59 BY</b><br><i>YoY: +0.86BY</i> |  |

Amounts are rounded down.

# Performance by Overseas Subsidiaries

|  | FRANCE   |                        | THAILAND   |                        | SINGAPORE   |                        | CHINA  |                        | MALAYSIA  |                        |
|--|--|------------------------|--|------------------------|---|------------------------|--|------------------------|---|------------------------|
| <b>Number of stores at Dec. 31, 2015 -including FC stores-</b> | 11   |                        | 6  |                        | 3   |                        | 0  |                        | 4   |                        |
| <b>Period</b>  | 9 months FY March 2016   | 9 months FY March 2015 | 9 months FY March 2016   | 9 months FY March 2015 | 9 months FY March 2016  | 9 months FY March 2015 | 9 months FY March 2016   | 9 months FY March 2015 | 9 months FY March 2016  | 9 months FY March 2015 |
| <b>Net sales (Million Yen)</b>                                 | 5,505  | 6,051                  | 275  | 365                    | 1,014   | 1,037                  | 255  | 265                    | 10  | -                      |
| <b>SG&amp;A (Million Yen)</b>                                  | 2,820  | 3,110                  | 130  | 180                    | 350   | 350                    | 100  | 140                    | 4   | -                      |
| <b>Operating income (Million Yen)</b>                          | 50   | -145                   | -55  | -49                    | 110   | 115                    | 7  | -27                    | -36   | -                      |
| <b>Business conditions</b>                                     | Gross margin increased with stronger sales of high-margin items and revitalize inventory. The number of customers declined following the terrorist attack in Paris in Nov. |                        | Sales decreased due to closure of unprofitable stores, but operating loss remained at around the same level as a year earlier due to the effort such as sales discounts were kept in check and cost-cutting efforts were made. |                        | Gross margin improved as a result of a rise in the percentage of sales in services, but operating income remained at around the same level as a year earlier due to a decline in sales. |                        | Operating income improved due to the trade business of automotive products doing well as well as the impact of cost-cutting efforts. |                        | Efforts are being made to raise the level of brand recognition for AUTOBACS brand, with one store each opened as local subsidiaries in May and September. |                        |

Amounts are rounded down.

# Store Openings and Closings (Plan)



## < Domestic stores >

|                  | No. of stores as of Mar 31, 2015 | Fiscal year ending March 31, 2016 |           |       |                                  |           |           |       | (Plan)<br>No. of stores as of Mar 31, 2016 |
|------------------|----------------------------------|-----------------------------------|-----------|-------|----------------------------------|-----------|-----------|-------|--|
|                  |                                  | Q1 ~ Q3 (result)                  |           |       | No. of stores as of Dec 31, 2015 | Q4 (Plan) |           |       |  |
|                  |                                  | New                               | S/B · R/L | Close |                                  | New       | S/B · R/L | Close |  |
| AUTOBACS         | 491                              | +9                                | +6/-6     | -2    | 498                              | +1        | +1/-1     | -2    | 497  |
| Super AUTOBACS   | 75                               |                                   |           |       | 75                               |           |           |       | 75   |
| Secohan Ichiba   | 10                               |                                   |           | -1    | 9                                |           |           |       | 9  |
| AUTOBACS EXPRESS | 8                                | +3                                |           |       | 11                               | +1        |           |       | 12   |
| Domestic total   | 584                              | +12                               | +6/-6     | -3    | 593                              | +2        | +1/-1     | -2    | 593  |

S/B=Scrap & Build, R/L=Relocation

## < Overseas stores >

|           | No. of stores as of Mar 31, 2015 | FY March 2016(Results & Forecasts) |                                  |           | (Plan)<br>No. of stores as of Mar 31, 2016 |
|-----------|----------------------------------|------------------------------------|----------------------------------|-----------|--|
|           |                                  | Q1 ~ Q3 (result)                   | No. of stores as of Dec 31, 2015 | Q4 (Plan) |  |
| France    | 11                               |                                    | 11                               |           | 11   |
| China     | 0                                |                                    | 0                                |           | 0  |
| Thailand  | 5                                | +1                                 | 6                                |           | 6  |
| Singapore | 3                                |                                    | 3                                |           | 3  |
| Taiwan    | 6                                |                                    | 6                                |           | 6  |
| Malaysia  | 2                                | +2                                 | 4                                | +1        | 5  |
| Indonesia | -                                | +1                                 | 1                                |           | 1  |
| Total     | 27                               | +4                                 | 31                               | +1        | 32   |

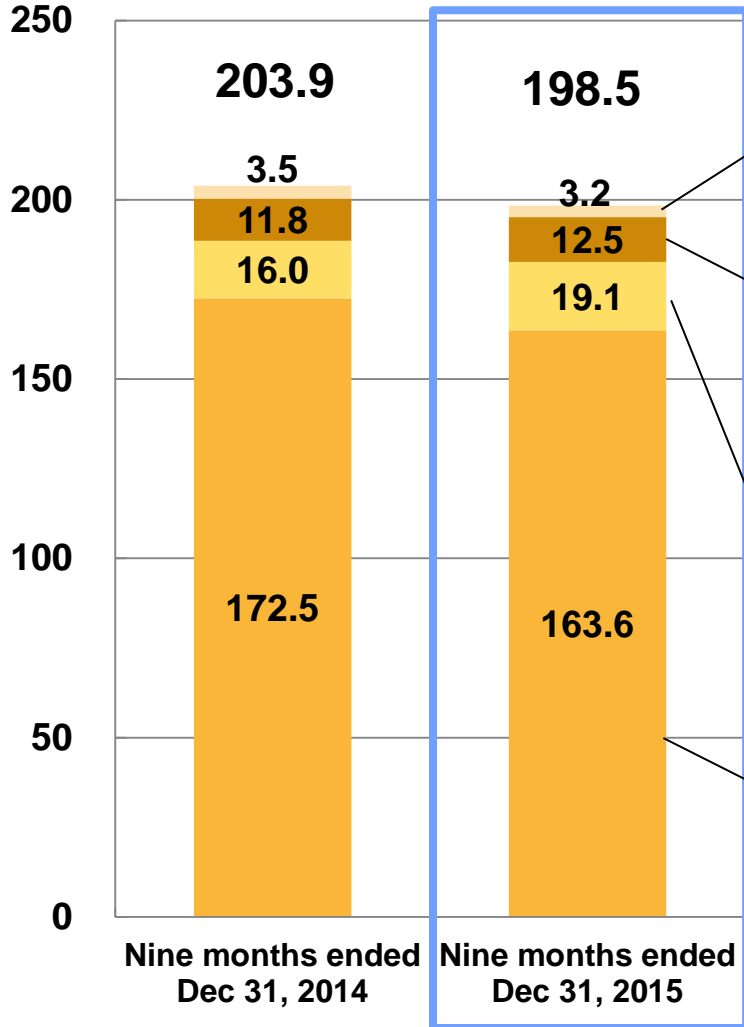


# Retail Sales in Total AUTOBACS Group Stores



**RETAIL SALES INCLUDING FCs\*: 198.5 billion yen (-2.7% YoY)**

(Billion Yen)



**Second hand goods & Fuel: 3.2BY (-8.9% YoY)**

**Statutory safety inspection: 12.5BY (+6.3% YoY)**

Number of cars inspected: 430,000 cars (+6.1% YoY)  
 Number of fully certified & designated stores: 398 stores  
 (Up from 390 stores at March 31, 2015)

**Car purchase & sales: 19.1BY (+19.2% YoY)**

No. of cars sold: 19,348 cars (+17.6% YoY)  
 Number of fully certified & designated stores: 479 stores  
 (Up from 451 stores at March 31, 2015)

**Car related goods & services: 163.6BY (-5.2% YoY)**

\* Sales at all domestic store formats (AUTOBACS, Super AUTOBACS, AUTOBACS CARS, AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS)

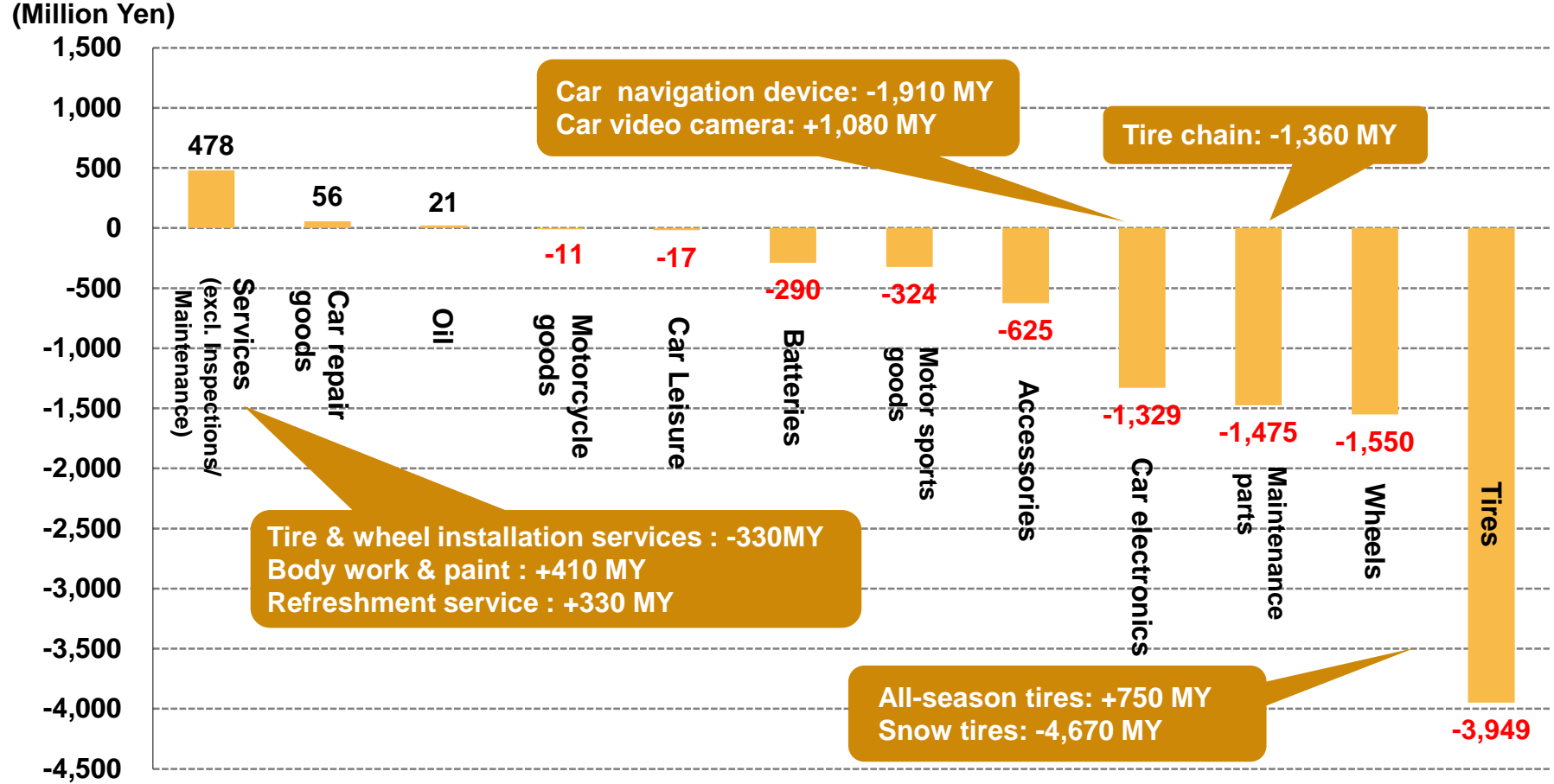
# Sales Variance by Merchandise



**[Same Store Basis] Sales: - 3.4% YoY, Number of customers: -4.2% YoY**

## Retail sales ups and downs by merchandise category

(for nine months ended Dec. 31, 2015, YoY change in amount, total store basis)

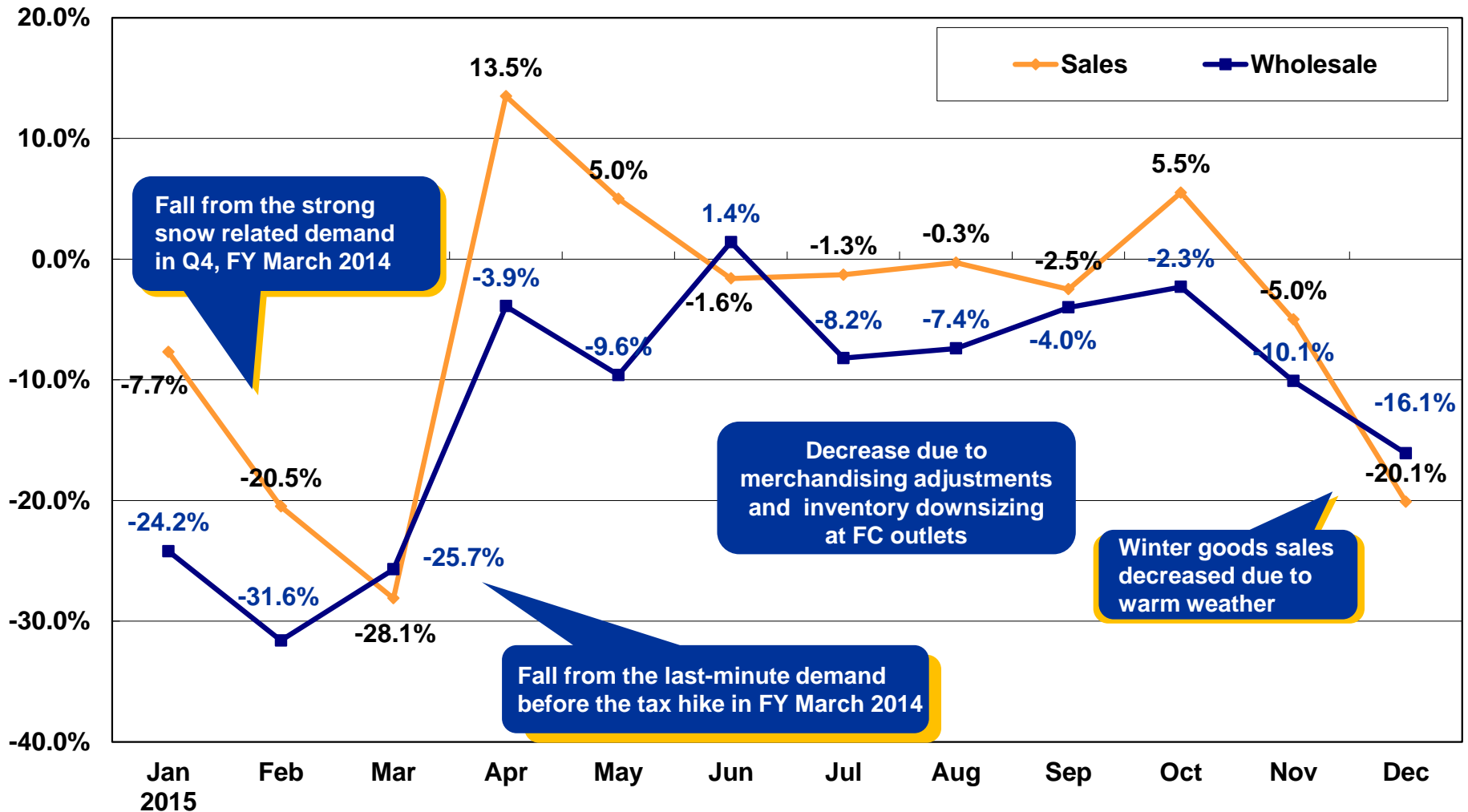


\* Sales at all domestic store formats (AUTOBACS, Super AUTOBACS, AUTOBACS CARS, AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS)

# Sales Trend: Retail & Wholesale (Jan 2015 – Dec 2015)



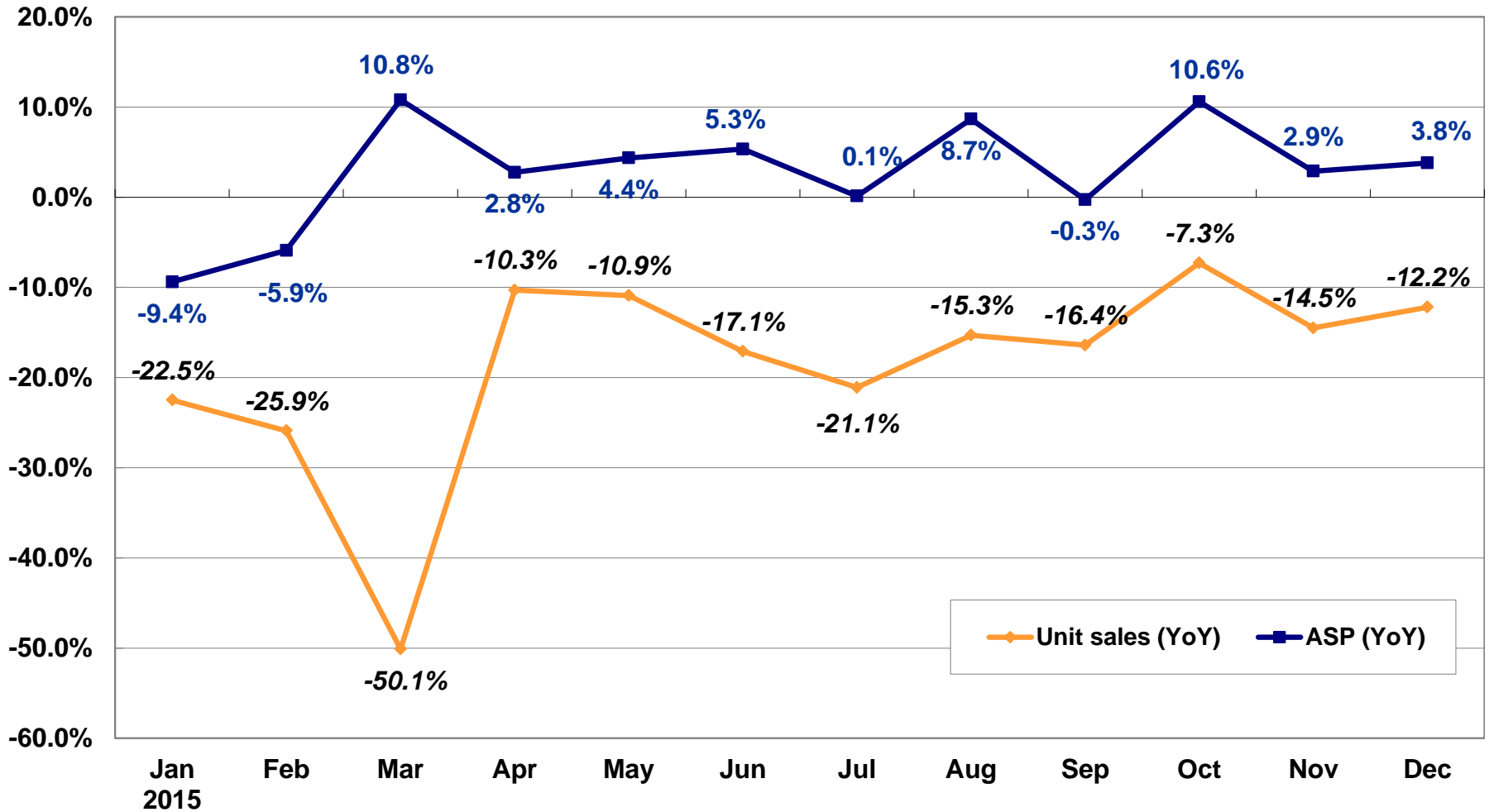
【YoY change for the last 12 months】



\* Sales at all domestic store formats (AUTOBACS, Super AUTOBACS, AUTOBACS CARS, AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS)

# ASP Trends in Car Navigation Devices

## ASP and Unit Sales Trends of Car Navigation Devices (YoY)

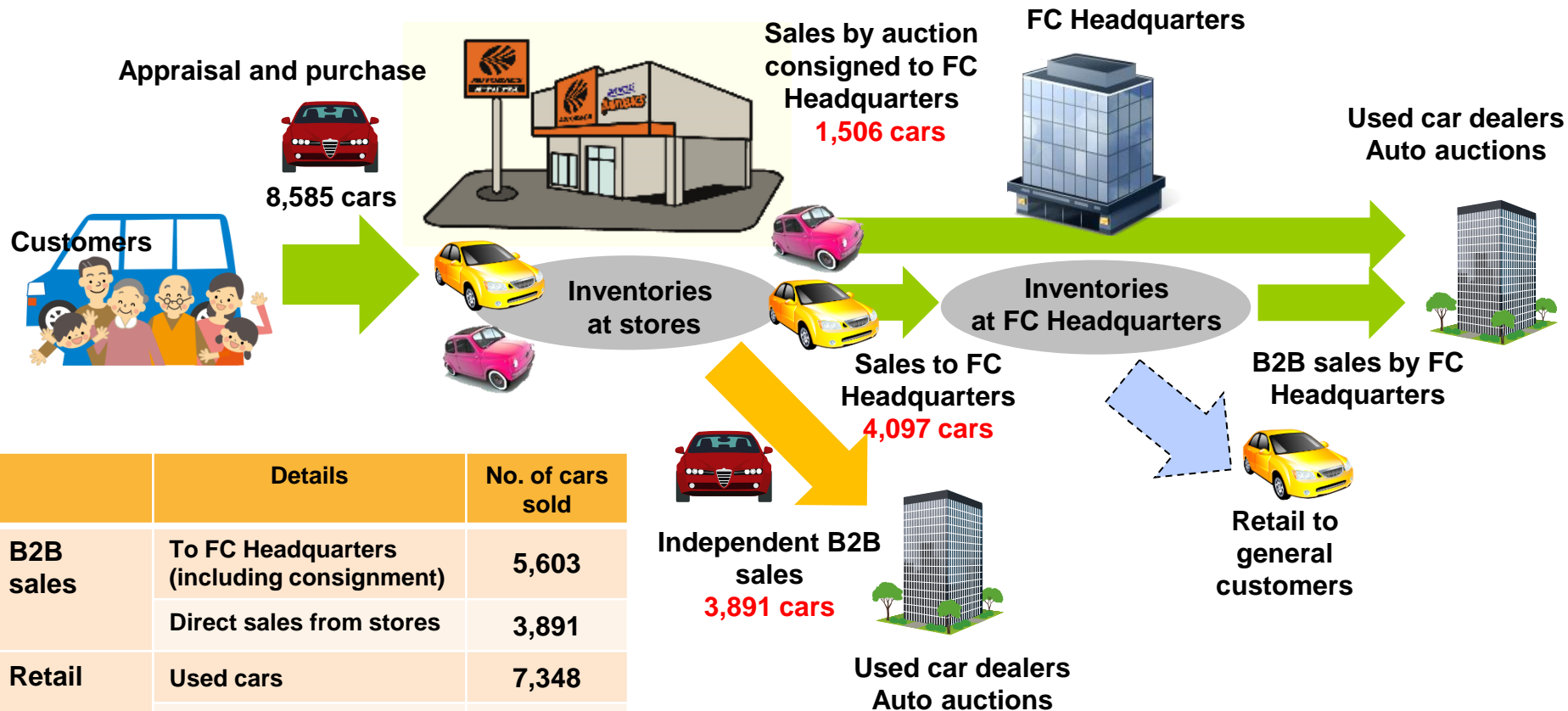


\* Sales at all domestic store formats (AUTOBACS, Super AUTOBACS, AUTOBACS CARS, AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS)

# Automobile purchase and sales (1)

## Commercial flow of car purchase and B2B sales

(No. of cars denotes cumulative units for the nine months ended Dec. 31, 2015)

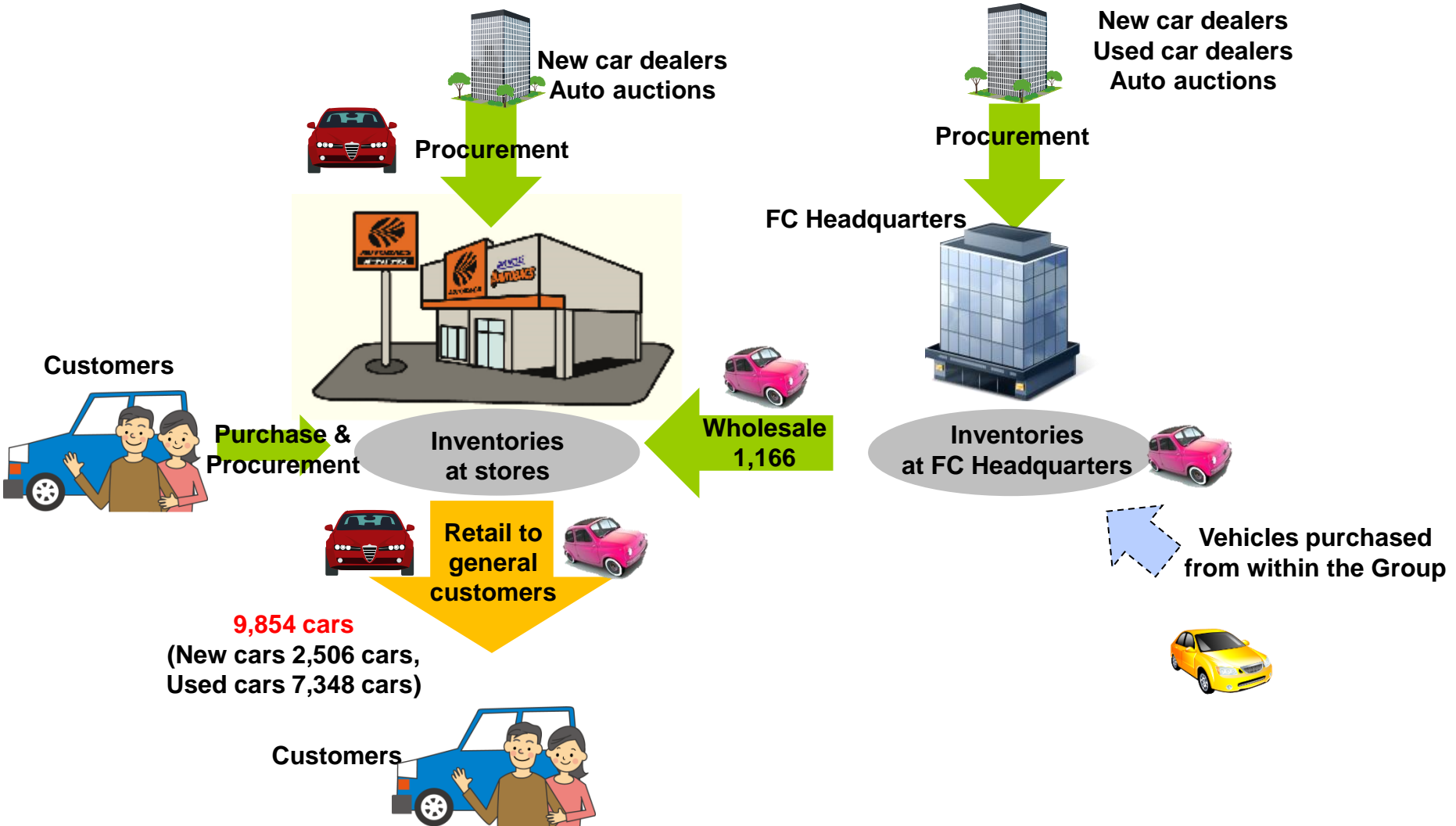


|              | Details                                    | No. of cars sold |
|--------------|--|------------------|
| B2B sales    | To FC Headquarters (including consignment) | 5,603            |
|              | Direct sales from stores                   | 3,891            |
| Retail       | Used cars                                  | 7,348            |
|              | New cars                                   | 2,506            |
| <b>Total</b> |  | <b>19,348</b>    |

# Automobile purchase and sales (2)

## Commercial flow of retail sales

(No. of cars denotes cumulative units for the nine months ended Dec. 31, 2015)



## ■ Net sales of E-commerce (Nine months ended December)

**:2.3 billion yen (+114.5% YoY)**

**Delivered to customers at stores: 1.31 billion yen (+103.4% YoY)**

**Direct delivery to customers: 0.99 billion yen (+131.3% YoY)**

**Percentage of sales by channels**

**( Company website: about 62.5% of total  
Shopping mall: about 37.5% )**

## ■ Results of oil exchange and statutory safety inspection appointments made via website / telephone

**- Oil exchange: 173,000 cars (+31.5% YoY)**

**Percentage in total oil sales number: 4.8%**

**- Statutory safety inspection: 15,000 cars**

**Percentage in total safety inspection: 3.6%**

# Consolidation Adjustments

## Consolidation Adjustments

(Million Yen)

|  | Nine months ended Dec 31, 2015 | Nine months ended Dec 31, 2014 |
|--|--------------------------------|--------------------------------|
| Operating Income for segment total   | 7,949                          | 7,863                          |
| Elimination of Intersegment transaction<br>(Income of subsidiaries for supporting functions, etc.) | -376                           | -344                           |
| Adjustment of Inventories<br>(Unearned income of subsidiary inventories, etc.)                     | -375                           | -823                           |
| Depreciation of Goodwill   | -77                            | -169                           |
| Adjustment in fixed assets   | 373                            | 278                            |
| Recalculation of allowance for loyalty points  | -7                             | -25                            |
| Others   | 21                             | -51                            |
| Consolidation adjustment   | -441                           | -1,136                         |
| Consolidated operating income  | 7,507                          | 6,727                          |

Amounts are rounded down.



# Analysis for Operating Income (3<sup>rd</sup> Quarter)

| Domestic retail sales |                             | Total stores -9.4% / Same store sales -10.1% (YoY) |  |
|-----------------------|-----------------------------|--|--|
|                       |                             | OP   | YoY  |
| Segments              | Non-consolidated            | 4.56BY   | -1,420MY<br>Sales: -5,170MY (-8.7%)<br>Gross profit: -1,480MY (GPM:20.9% - up from LY's 21.6%)<br>• Decrease in gross profit and sales, such as those of tires and wheels<br>SG&A: - 60MY<br>• Reduction as a result of review of advertising expenses   |
|                       | Domestic store Subsidiaries | 0.59BY   | -350MY<br>Sales: -1,720MY (-8.0%)<br>Gross profit: -540MY (GPM:38.3% - up from LY's 37.8%)<br>• Decrease in gross profit as a result of a decline in sales, such as those of wheels and tires<br>• Improved gross margin ratio due to product sales mix and efforts made in gross profit<br>SG&A: - 190MY<br>• Reduction in controllable expenses, such as sales promotion costs |
|                       | Overseas Subsidiaries       | -0.04BY  | -2MY   |
|                       | Others                      | 0.24BY   | +60MY  |
| Total segments        |                             | 5.35BY   | -1,700MY   |
| Consolidated          |                             | 5.01BY   | -1,200MY   |

# Progress of New Store Openings

## New Store Openings from October until December

|   | Store name                       | Ownership of stores | Opening data      | Building with furniture and equipment |
|---|----------------------------------|---------------------|-------------------|---------------------------------------|
| 1 | AUTOBACS IMAZU Store             | FC                  | October 29, 2015  | ○                                     |
| 2 | AUTOBACS EXPRESS MANIWA Store    | FC                  | November 11, 2015 |                                       |
| 3 | AUTOBACS WAKAYAMA-NUNOHIKI Store | FC                  | November 26, 2015 |                                       |

Two new stores are planned to be opened in Q4



AUTOBACS IMAZU Store



AUTOBACS EXPRESS  
MANIWA Store



AUTOBACS  
WAKAYAMA NUNOHIKI

# Items and Initiatives of Mid-term Business Plan



## Initiatives of Domestic AUTOBACS Business

| Items                                | Initiatives   |
|--------------------------------------|---|
| Maintenance membership holders       | <ul style="list-style-type: none"> <li>▪ Continued to promote securing new customers such as through direct mailing to members and receipt coupons</li> <li>▪ Introduction of maintenance card sales floors at all stores</li> <li>▪ Adopted specially priced good for maintenance members</li> </ul> |
| Car parts & accessories              | <ul style="list-style-type: none"> <li>▪ Enhanced lineup for private brand goods</li> <li>▪ Expanded tire storage service</li> <li>▪ Promoted website reservations for tire and oil changes</li> </ul>  |
| Statutory safety inspection services | <ul style="list-style-type: none"> <li>▪ Reinforced efforts to secure appointment for the next car inspection in a bid to improve repeat rate of customers</li> <li>▪ Started education toward adopting quick statutory inspections</li> </ul>  |
| Automobile purchase and sales        | <ul style="list-style-type: none"> <li>▪ Number of membership stores: 479 stores (as of the end of December 2015)<br/>*+28 stores from the end of the previous fiscal year</li> <li>▪ Opened a new store formats centered on car purchases (Cars Narashinodai)</li> </ul>                             |
| Domestic store subsidiary            | <ul style="list-style-type: none"> <li>▪ Managed discount rate, improved terms of procurement, promoted inventory rationalization</li> </ul>  |

# Overseas Business



**Promoted business expansion centered on ASEAN and improved profitability at existing stores**

## **[Areas with existing stores]**

**France: Profitability improved as a result of efforts aimed at improving profits, such as store operation reform and cutting down on inactive inventory**

**Thailand: Store #1 relocated and opened in October**

## **[New areas]**

**Malaysia: New store opening in October**

**One store scheduled for opening in Q4**

**Indonesia: New store opening in July by a joint venture company**

**Planning on new store openings next fiscal year and beyond**

**Philippines: Capital and business alliance with a local company (January, 2016)**

- Offer know-how on store operations**
- Wholesale of automotive goods, etc.**



**AUTOBACS PHARAMA 3 Store  
(Thailand)**

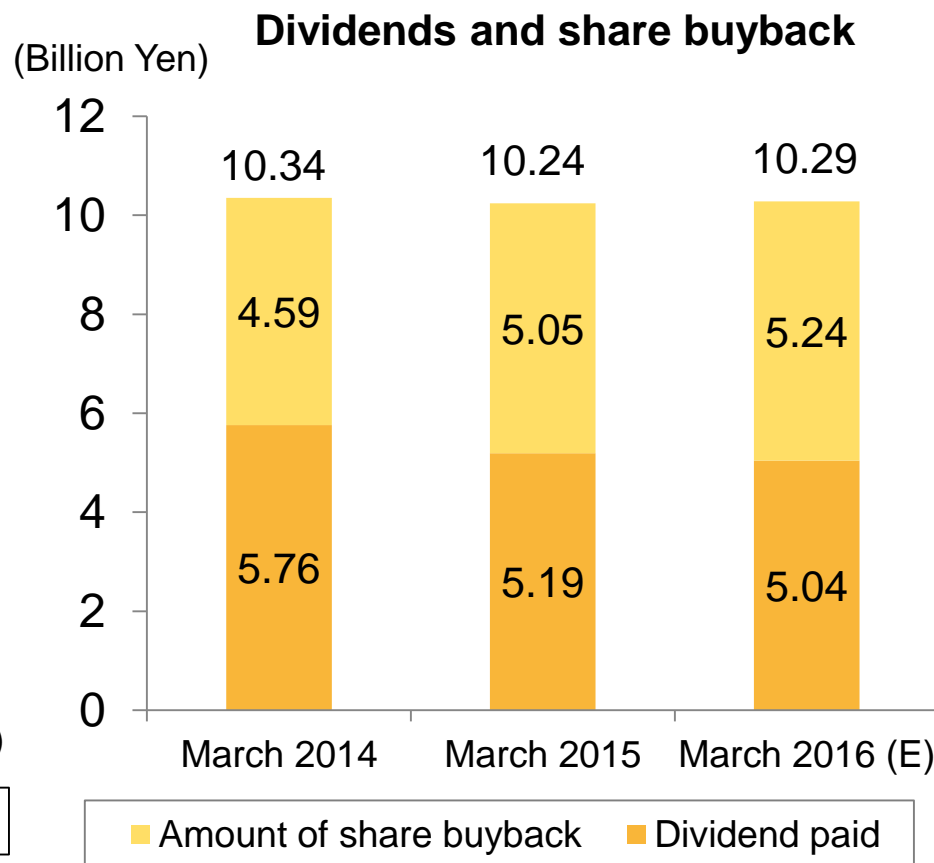
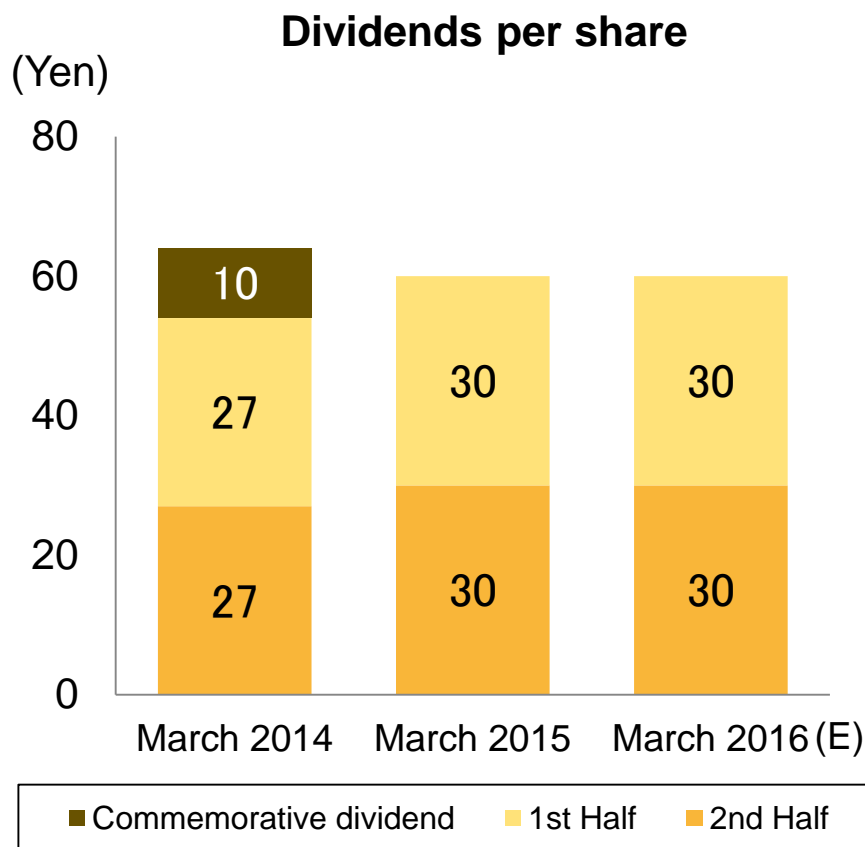


**AUTOBACS SERI-ORKID Store  
(Malaysia)**

# Shareholders Return

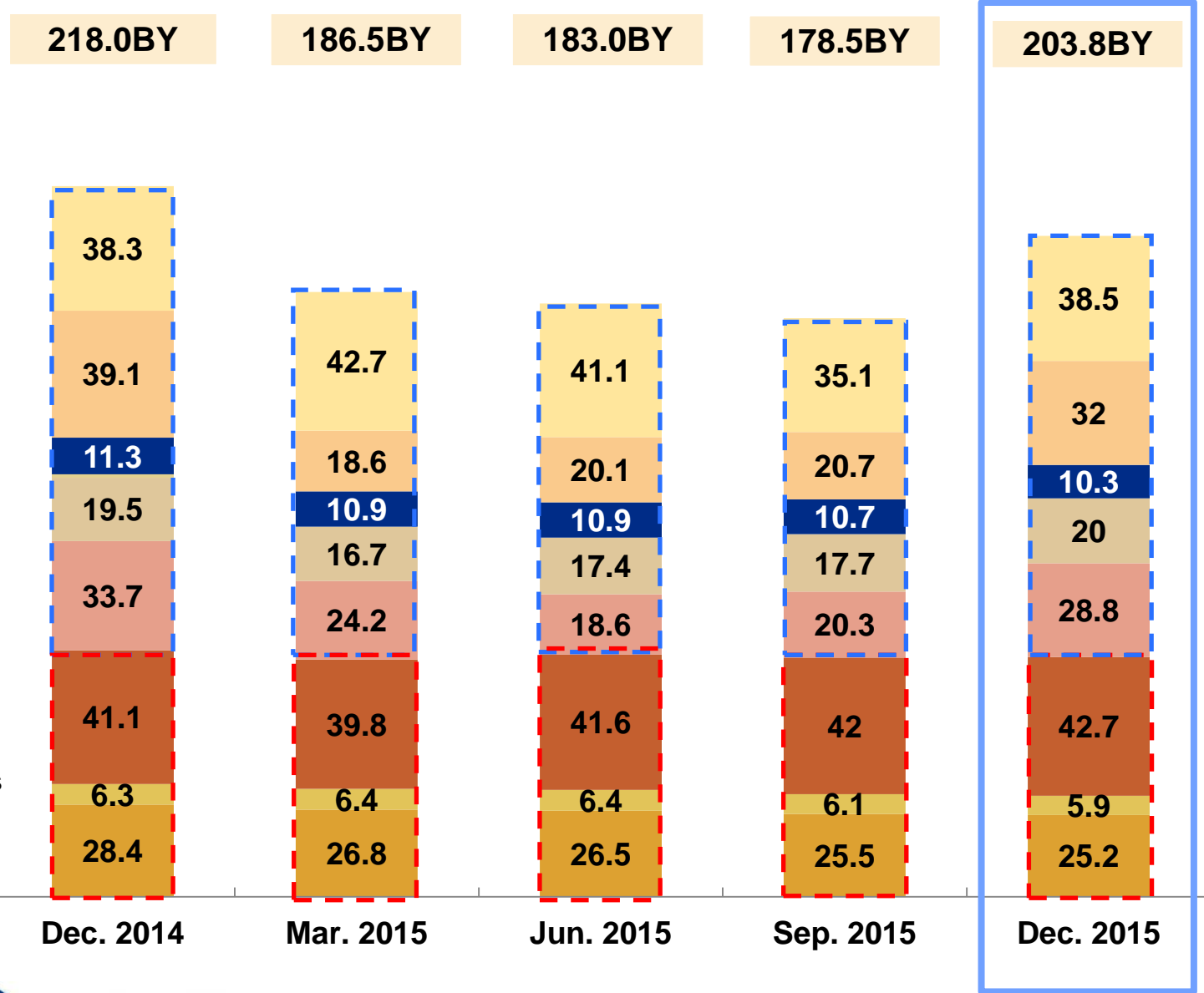
**Dividend of profit: Unchanged according to the policy  
(DOE of 3% or more)**

**Share buyback: Completed buyback announced in May**

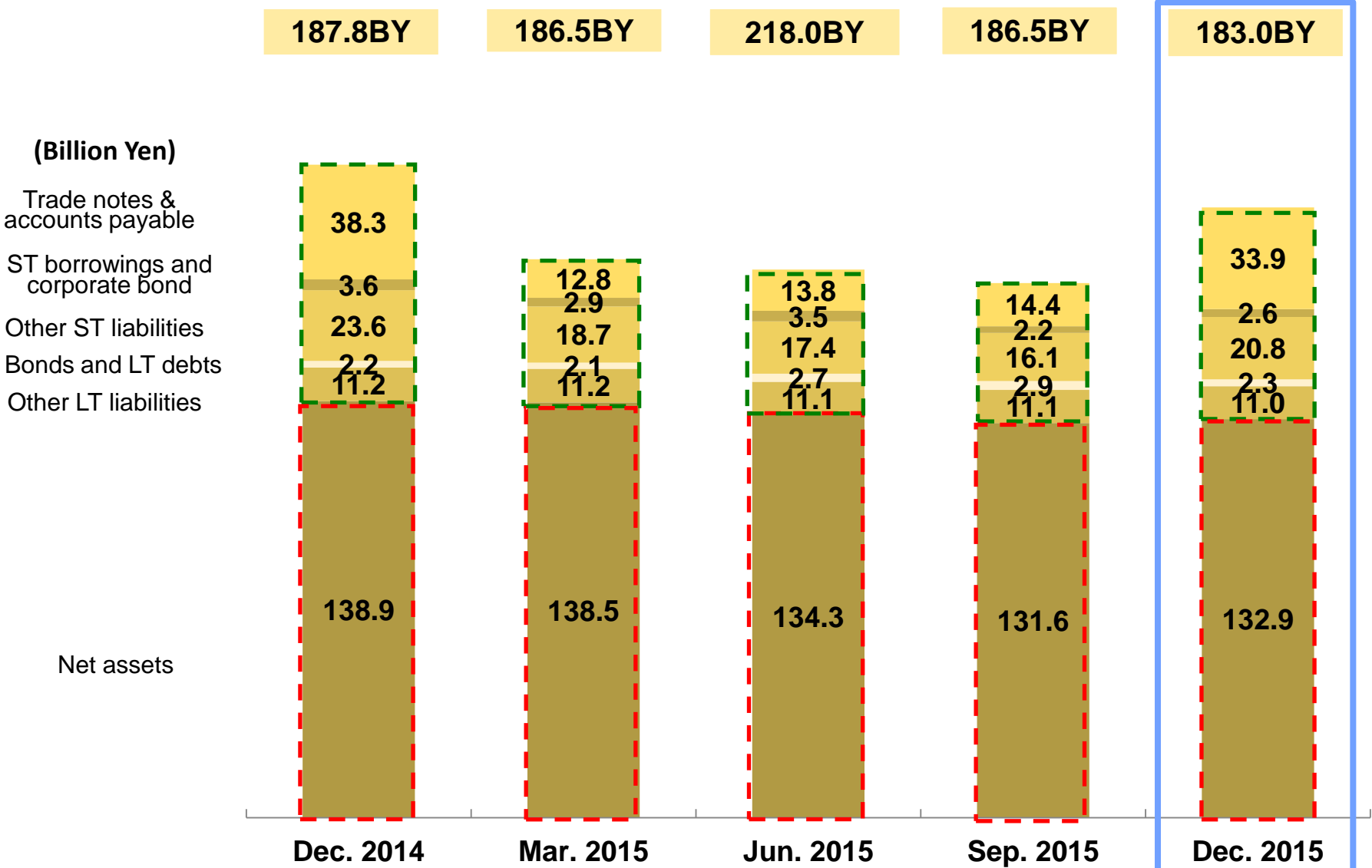


Amounts are rounded down.

# Balance Sheet / Assets



# Balance Sheet / Liabilities & Net Assets





## **Forward-Looking Statements**

These materials include forecasts regarding the Company's future plans, strategies, and performance. This information is based on judgments and estimates made in accordance with information currently available. Actual results may differ materially from forecasts due to such factors as changes in operating circumstances.