

Consolidated Financial Results for the Three Months Ended June 30, 2016 【Japanese Standards】

Summary of Quick Financial Announcement of Consolidated Financial Information For the First Quarter Ended June 30, 2016.

Company name : AUTOBACS SEVEN CO., LTD.

Code number : 9832

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

Headquarters : Tokyo, Japan

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Stock exchange listing : Tokyo

Submission of Quarterly Business Report : August 5, 2016

Start of cash dividend payments : -

Supplementary quarterly materials prepared : Yes

Quarterly results information meeting held : None

1. Results for the Three months ended June 30, 2016 (From April 1, 2016 to June 30, 2016)

(Note: Amounts less than 1 million Yen have been rounded down. A figure in () indicates a loss or a negative figure.)

(1) Results of operations:

(Unit: Millions of Yen except for per share information, and % information which indicates increase or decrease(.))

	Net sales		Operating income		Ordinary income	
Three months ended		%		%		%
June 30, 2016	47,549	(3.1)	180	(81.4)	539	(59.2)
Three months ended						
June 30, 2015	49,095	1.3	968	-	1,323	229.1

Note: Comprehensive income : **(655) million yen for the three months ended June 30, 2016 : - %**
503 million yen for the three months ended June 30, 2015 : (34.0) %

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
Three months ended		%		
June 30, 2016	210	(63.9)	2.50	-
Three months ended				
June 30, 2015	582	272.1	6.75	-

(2) Financial position:

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

	Total assets	Total net assets	Equity ratio	Net assets per share (Yen)
Three months ended				
June 30, 2016	174,272	128,579	73.6	1,527.19
Fiscal year ended				
March 31, 2016	180,454	131,747	72.8	1,564.86

(Reference) Equity : **Three months ended June 30, 2016 : 128,305 million Yen**

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

2. Dividends

	Dividends per share				(Yen)
	First Quarter	Second Quarter	Third Quarter	Year -end	Annual
Fiscal year ended					
March 31, 2016	-	30.00	-	30.00	60.00
Fiscal year ended					
March 31, 2017	-	-	-	-	-
Fiscal year ended					
March 31, 2017 (forecast)	-	30.00	-	30.00	60.00

Note : Revisions to dividend forecasts published most recently : None

3. Forecast for the fiscal year ending March 2017 (from April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income	
		%		%		%
Semiannual	100,600	1.9	2,500	0.1	2,900	(7.3)
Annual	214,900	3.2	8,000	19.4	8,900	14.4
	Profit attributable to owners of parent		Basic net income per share(Yen)			
		%				
Semiannual	1,700	4.7	20.23			
Annual	5,800	32.7	69.04			

Note : Revisions to financial forecasts published most recently : None

4. Other

- (1) Significant changes in scope of consolidation : None
- (2) Adoption of special accounting policies for quarterly financial statements : None
- (3) Changes in accounting policies, accounting estimation change and restatement
 - 1. Changes due to changes in accounting standard : None
 - 2. Changes due to changes in accounting standard except (3)-1. : None
 - 3. Changes due to accounting estimation change : None
 - 4. Restatement : None
- (4) Shares outstanding (common stock)
 - 1. Number of shares outstanding (including treasury stock)
Three months ended June 30, 2016 : 84,050,105 shares
Fiscal year ended March 31, 2016 : 86,950,105 shares
 - 2. Number of treasury stock at the end of period
Three months ended June 30, 2016 : 36,342shares
Fiscal year ended March 31, 2016 : 2,945,239 shares
 - 3. Average shares outstanding over quarter
Three months ended June 30, 2016 : 84,009,321 shares
Three months ended June 30, 2015 : 86,204,537 shares

※Indication regarding the situation of quarterly review procedures

These financial results are not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time of the disclosure of the financial results, the procedures for reviewing quarterly financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

※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.

(Other special remarks)

The Company is scheduled to adopt the International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2017. However, since we considered the domestic and international situation and others, we have decided to postpone the adoption of IFRS indefinitely.

Matters Concerning Summary Information

Additional Information:

(Application of “Guidance for Recoverability of deferred tax assets”)

“Guidance for Recoverability of deferred tax assets” (ASBJ Guidance No.26, March 28, 2016) applied from the first quarter ended June 30, 2016.

5. Qualitative Information Concerning Consolidated Business Results for the Three Months Ended June 30, 2016

(1) Analysis of Business Results

(i) Business environment

During the first three months of the consolidated fiscal year under review, the Japanese economy remained in a state of uncertainty due to weak business confidence and consumer sentiment stemming from political and economic instability inside and outside Japan. As for domestic consumption of automotive goods and services, conditions remained harsh as sales of light motor vehicles were sluggish, mainly reflecting the impact of the issue of manipulating fuel consumption data, despite the trend of recovery in the number of passenger cars sold.

(ii) Overview of Each Business

[Domestic AUTOBACS Business]

For the first three months of the consolidated fiscal year under review, total sales for domestic businesses in the AUTOBACS chain (including franchise outlets) declined by 5.2% year on year on a same-store basis, and by 3.6% year on year on an overall-store basis.

In the domestic AUTOBACS chain, sales promotion activities for high-profile eco tires, new models of car navigation systems, car video recorders, etc. were conducted through efforts to increase customer traffic to the AUTOBACS chain stores by means such as sending direct mail and email to primarily point card members. In addition, two types of vehicle interior products were added to the product lineup of the private brand AQ. (Autobacs Quality). However, in the sales of automotive goods and services segment, sales of vehicle interior accessories and other merchandise and car navigation systems decreased, affected by the sluggish sales of light motor vehicles. In addition, demand for switching back to normal tires decreased compared to usual years, partly due to the lackluster sales of studless tires in the previous fiscal year.

In the statutory safety inspection and maintenance services segment, despite efforts to promote the provision of information on the services to maintenance members, the number of vehicles that underwent statutory safety inspection and maintenance services decreased by 4.5% year on year, to approximately 136,000 units. This decline reflected the business environment in which the number of vehicles subject to statutory safety inspection decreased. In the automobile purchase and sales segment, sales to used car dealers by means such as auto auctions grew, owing to strengthened initiatives for purchasing vehicles by each store in the midst of the increase in the number of CARS franchise stores. As a result, sales of both new and used cars to consumers came to approximately 5,900 units, representing a year-on-year increase of 2.6%.

In terms of the number of domestic store openings and closings, three new stores were opened, including one AUTOBACS Used Car Purchase Store and one store was closed. As a result, the total number of stores stood at 601, an increase of 2 stores from 599 stores as of the end of March 2016.

The number of CARS franchise stores at the end of June 2016 increased from 480 as of the end of the previous fiscal year to 490.

[Overseas Business]

In the overseas business, the Company is expanding its businesses with the aim of increasing profits in France and developing future key earnings drivers in the ASEAN region. Looking at the situation in major countries, the business environment in France remained in disarray after multiple terrorist attacks last year. Under these circumstances, operating income in France declined year on year due to a decrease in sales, despite efforts to improve the gross margin by increasing the ratio of sales of services that was triggered by the start of tire sales. In Thailand, the Company opened AUTOBACS Jalan store, its seventh store in that country. It is working tirelessly to establish a business model for operating

small stores that capitalize on customers' needs for maintenance in outlying areas. In Malaysia, it seeks to boost the recognition of AUTOBACS brand, primarily through the maintenance services offered at the three stores that opened in the previous fiscal year. The Company's business in Singapore has been performing well.

As a result of one new store opening, the total number of stores outside Japan stood at 34 compared to 33 as of the end of March 2016.

[New Businesses]

As for new businesses, profits improved 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 which started in the previous fiscal year, and the strengthening of target management. As a result, the imported car business achieved operating profitability.

(iii) Overview of consolidated business results

The Group's sales during the first three months of the consolidated fiscal year under review decreased by 3.1% year on year, to 47,549 million yen, gross profit declined by 5.4%, to 14,858 million yen, and selling, general, and administrative expenses decreased by 0.4% year on year, to 14,678 million yen, resulting in operating income of 180 million yen, a decrease of 81.4% from a year earlier. Ordinary income declined by 59.2% year on year, to 539 million yen. As a result, profit attributable to owners of parent declined by 63.9% year on year, to 210 million yen.

Results by business segment are as shown below.

<Non-consolidated>

Sales fell by 5.8% year on year, to 35,867 million yen, and operating income declined by 65.2% year on year, to 591 million yen. Wholesale sales of tires and wheels, vehicle interior accessories, and other items to stores fell due to the decline in sales at domestic AUTOBACS chain stores. Furthermore, the gross margin dropped to 18.6% from 19.8% recorded a year ago, due mainly to a decline in the gross margin associated with a decrease in the number of tires sold. As for selling, general, and administrative expenses, advertising expenses were reduced, while expenses associated with the replacement of facilities in the Western Japan Logistics Center increased.

<Domestic Store Subsidiaries>

Sales decreased by 3.0%, to 15,383 million yen, while operating loss improved by 51 million yen year on year, to 656 million yen. Operating income/loss improved year on year as a result of enhanced inventory efficiency, improvement in the gross margin, and the efficient use of expenses, despite falling sales at stores.

<Overseas Subsidiaries>

Sales fell by 19.9% year on year, to 1,959 million yen, while operating loss of 44 million yen was recorded (compared to operating income of 24 million yen for the same period of the previous fiscal year). This mainly reflects the deterioration of revenue of the French subsidiary.

<Subsidiaries for Car Goods Supply and Other>

Sales increased 2.4% year on year, to 5,284 million yen, and operating profitability was achieved, recording operating income of 20 million yen (compared to operating loss of 42 million yen a year ago). This is attributable to improvements in the profits of the subsidiary operating the imported car dealer business and the one undertaking the wholesale of oil, etc.

<Subsidiaries for Supporting Functions>

Sales decreased 11.8% year on year, to 736 million yen and operating income declined 8.3%, to 99 million yen.

<Adjustments to Consolidated Operating Income>

The adjusted amount from the aggregate amount of the operating income of all segments to the consolidated operating income was plus 152 million yen. This was mainly attributable to a year-on-year change in unrealized profits.

(iv) Progress of the 2014 Medium-term Business Plan

In regards to the progress of the measures set out in the 2014 Medium-Term Business Plan, in the Domestic AUTOBACS Business the Company added two items in maintenance member privileges to further convey their appeal to customers, and continued to promote business activities that would lead to sales of statutory safety inspection and maintenance services and to the sales of tires. In the statutory safety inspection and maintenance services segment, it developed the Three Relief Star Compensation, which consists of insurance services offered to customers who have commissioned the Company for statutory safety inspection, and launched it in July 2016. In the automobile purchase and sales segment, the number of CARS franchise stores increased, while a total of three AUTOBACS Used Car Purchase Stores, a business category for used car purchases, have been opened since March 2016 to help promote the purchase of vehicles in urban areas where the Company had not previously conducted such purchases. In addition, as for the improvement of profitability of domestic store subsidiaries, although the business environment remains challenging, the measures for the reform that it has taken on an ongoing basis are steadily achieving results.

The Group aims to expand the Overseas Business and New Businesses. In addition to the previously described measures, it has also been reviewing the possibilities of alliances with other companies and M&As.

As announced in the Consolidated Financial Results dated May 10, 2016, a review of the management objectives, concrete strategies, and measures set out in the 2014 Medium-term Business Plan is currently being conducted under the new management team.

(2) Forward-looking statements such as the forecasts of consolidated financial results

Financial forecasts for first half and full fiscal year announced on May 10 were not changed.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	March 31, 2016 Amount	June 30, 2016 Amount
Assets		
Current assets		
Cash and deposits	37,052	37,136
Notes and accounts receivable - trade	19,655	20,670
Merchandise	17,213	16,566
Accounts receivable - other	19,039	12,730
Other	14,806	14,459
Allowance for doubtful accounts	(112)	(112)
Total current assets	107,655	101,451
Non-current assets		
Property, plant and equipment		
Land	22,449	22,449
Other, net	19,816	20,932
Total property, plant and equipment	42,265	43,382
Intangible assets		
Goodwill	852	766
Other	5,052	4,808
Total intangible assets	5,904	5,574
Investments and other assets		
Guarantee deposits	16,198	16,125
Other	8,720	8,046
Allowance for doubtful accounts	(290)	(308)
Total investments and other assets	24,628	23,863
Total non-current assets	72,799	72,820
Total assets	180,454	174,272
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,835	13,458
Short-term loans payable	2,432	2,982
Accounts payable - other	11,219	9,115
Income taxes payable	1,885	342
Allowance for business restructuring	76	70
Other provision	532	531
Other	5,500	6,374
Total current liabilities	35,482	32,875
Non-current liabilities		
Long-term loans payable	2,343	2,042
Provision	87	86
Net defined benefit liability	121	122
Asset retirement obligations	2,269	2,270
Other	8,402	8,296
Total non-current liabilities	13,224	12,818
Total liabilities	48,707	45,693

	March 31, 2016 Amount	June 30, 2016 Amount
Net assets		
Shareholders' equity		
Capital stock	33,998	33,998
Capital surplus	34,299	34,299
Retained earnings	67,125	58,904
Treasury shares	(5,976)	(54)
Total shareholders' equity	129,447	127,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,491	975
Foreign currency translation adjustment	516	181
Total accumulated other comprehensive income	2,008	1,156
Non-controlling interests	292	273
Total net assets	131,747	128,579
Total liabilities and net assets	180,454	174,272

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

	Three months ended June 30, 2015 Amount	Three months ended June 30, 2016 Amount
Net sales	49,095	47,549
Cost of sales	33,391	32,691
Gross profit	15,703	14,858
Selling, general and administrative expenses	14,735	14,678
Operating income	968	180
Non-operating income		
Interest income	19	16
Dividend income	31	25
Lease revenue-system equipment	315	250
Other	617	493
Total non-operating income	984	785
Non-operating expenses		
Interest expenses	15	8
Share of loss of entities accounted for using equity method	14	32
Lease cost-system equipment	461	232
Other	138	152
Total non-operating expenses	629	425
Ordinary income	1,323	539
Profit before income taxes	1,323	539
Income taxes - current	630	259
Income taxes - deferred	119	74
Total income taxes	749	333
Profit	573	205
Profit attributable to		
Profit attributable to owners of parent	582	210
Loss attributable to non-controlling interests	(8)	(4)
Other comprehensive income		
Valuation difference on available-for-sale securities	(221)	(505)
Foreign currency translation adjustment	148	(326)
Share of other comprehensive income of entities accounted for using equity method	3	(28)
Total other comprehensive income	(70)	(860)
Comprehensive income	503	(655)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	509	(641)
Comprehensive income attributable to non-controlling interests	(6)	(13)

7. Notes in case significant changes were made to the amount of shareholders' equity

At the Board of Directors Meeting held on May 10, 2016, the Board approved the cancellation 2,900,000 shares of treasury stock and carried it out on May 31, 2016.

As a result, Retained earnings and Treasury shares were decreased by 5,910 million yen.

8. Segment Information

I Three months ended June 30, 2015

(1) Information about sales and profit (loss)

(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	27,633	15,650	2,369	3,175	265	49,095
Intersegment sales or transfers	10,439	212	75	1,984	569	13,282
Total	38,072	15,863	2,445	5,160	834	62,378
Profit(loss)	1,700	(707)	24	(42)	108	1,083

(2) Difference between operating income and Sum of operating income (loss) in reportable segments for the Three months ended June 30

(Unit: Millions of Yen)

Income	Amount
Total reportable segments	1,083
Elimination of intersegment transaction	(172)
Amortization of goodwill	(25)
Inventories	(8)
Provision for point card certificates	(1)
Non-current assets	123
Others	(31)
Operating income	968

(3) Impairment losses of assets, goodwill, and others, by reporting segment
Not applicable.

II Three months ended June 30, 2016
 (1) Information about sales and profit (loss)

(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	26,595	15,194	1,907	3,642	210	47,549
Intersegment sales or transfers	9,271	189	52	1,642	525	11,681
Total	35,867	15,383	1,959	5,284	736	59,231
Profit(loss)	591	(656)	(44)	20	99	11

(2) Difference between operating income and Sum of operating income (loss) in reportable segments for the Three months ended June 30

(Unit: Millions of Yen)

Income	Amount
Total reportable segments	11
Elimination of intersegment transaction	(108)
Amortization of goodwill	(46)
Provision for point card certificates	(2)
Non-current assets	97
Inventories	266
Others	(37)
Operating income	180

(3) Impairment losses of assets, goodwill, and others, by reporting segment
 Not applicable.

9. Additional Information

(1) Consolidated Sales Component and Percentage by Division

(Unit: Millions of Yen)

Three months ended June 30, 2016

Divisions	Amount	Ratio	Year-on-Year Increase/Decrease Ratio
Wholesale	27,020	56.8	97.4
Retail	19,830	41.7	96.3
Others (letting and hiring fee of leased object)	698	1.5	90.9
Total	47,549	100.0	96.9

Note : Consumption taxes are excluded from the above amounts.

(2) Consolidated Sales Component and Percentage by Product Category
(Unit: Millions of Yen)

Three months ended June 30, 2016

Products	Amount	Ratio	Year-on-Year Increase/Decrease Ratio
Wholesale		%	%
Tires and wheels	6,089	22.5	94.4
Car electronics	6,066	22.5	95.7
Oil and batteries	4,179	15.5	104.5
Accessories and maintenance	6,686	24.7	96.4
Statutory safety inspections and services	1,064	3.9	107.9
Sales of automobiles	876	3.3	87.1
Others	2,057	7.6	102.5
Subtotal	27,020	100.0	97.4
Retail			
Tires and wheels	3,381	17.0	90.8
Car electronics	2,568	13.0	92.4
Oil and batteries	1,591	8.0	93.8
Accessories and maintenance	5,141	25.9	94.9
Statutory safety inspections and services	3,941	19.9	98.8
Sales of automobiles	2,557	12.9	114.8
Others	648	3.3	85.4
Subtotal	19,830	100.0	96.3
Others (letting and hiring fee of leased object)	698	-	90.9
Total			
Tires and wheels	9,471	19.9	93.1
Car electronics	8,635	18.2	94.7
Oil and batteries	5,770	12.1	101.3
Accessories and maintenance	11,827	24.9	95.7
Statutory safety inspections and services	5,005	10.5	100.6
Sales of automobiles	3,434	7.2	106.2
Others	3,404	7.2	96.3
Total	47,549	100.0	96.9

Notes : 1. Consumption taxes are excluded from the above amounts.

2. Effective the first quarter of the fiscal year ended March 31, 2017, the Company has reclassified its product category following the change of sales component and percentage. "Car exterior items", "Car interior items" and "Motor sports" have been aggregated to the new classification of "Accessories and maintenance". "Sales of automobiles" has been presented separately which was included in "Others" previously. "Service" has been changed its name to "Statutory safety inspection and services". The Year-on-Year ratio information has been recalculated according to the new sales component.

3. "Others" is consisted of revenue of Car sales, Used car goods sales and Royalty income.

4. The sales amount to application of equity method companies are in the wholesale.