

## Consolidated Financial Results for the First Quarter Ended June 30, 2017 【Japanese GAAP】

### Summary of Quick Financial Announcement of Consolidated Financial Information For the First Quarter Ended June 30, 2017.

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 4, 2017

Start of cash dividend payments : -

Supplementary quarterly materials prepared : Yes

Quarterly results information meeting held : None

#### 1. Results for the First quarter ended June 30, 2017 (From April 1, 2017 to June 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	
<b>First quarter ended</b>		%		%		%
<b>June 30, 2017</b>	<b>49,982</b>	<b>5.1</b>	<b>354</b>	<b>96.9</b>	<b>636</b>	<b>17.9</b>
First quarter ended						
June 30, 2016	47,549	(3.1)	180	(81.4)	539	(59.2)

Note: Comprehensive income : **315 million yen for the First quarter ended June 30, 2017** : - %  
(655) million yen for the First quarter ended June 30, 2016 : - %

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
<b>First quarter ended</b>		%		
<b>June 30, 2017</b>	<b>300</b>	<b>42.7</b>	<b>3.64</b>	-
First quarter ended				
June 30, 2016	210	(63.9)	2.50	-

(2) Financial position:

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

	Total assets	Total net assets	Equity ratio	Net assets per share (Yen)
<b>First quarter ended</b>				
<b>June 30, 2017</b>	<b>172,234</b>	<b>125,199</b>	<b>72.5</b>	<b>1,513.84</b>
Fiscal year ended				
March 31, 2017	176,708	127,392	71.9	1,540.12

(Reference) Equity : **First quarter ended June 30, 2017 : 124,909 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	-	-	-	-	-
Fiscal year ended					
March 31, 2018 (forecast)	-	<b>30.00</b>	-	<b>30.00</b>	<b>60.00</b>

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)  
**First quarter ended June 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  
**First quarter ended June 30, 2017 : 1,538,424 shares**  
Fiscal year ended March 31, 2017 : 1,538,020 shares
  - 3. Average shares outstanding over quarter  
**First quarter ended June 30, 2017 : 82,511,962 shares**  
First quarter ended June 30, 2016 : 84,009,321 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.

## 5. Qualitative Information concerning Consolidated Business Results for the Three Months Ended June 30, 2017

Starting from the first three months of the consolidated fiscal year under review, the Company reorganized its reportable segments in order to change the management of its resources allocation and business performance evaluation so that it is in line with the business segments set out in the 2017 Medium-Term Business Plan, which commences in the fiscal year ending March 2018.

### (1) Explanation of business results

Looking at the trends of the domestic automotive-related industry during the first three months of the consolidated fiscal year under review, although volumes of new vehicle sales and used car registration have been recovering, this has yet to translate into an improvement in consumers' appetite for purchasing automotive goods and services.

Under these circumstances, the Group announced the 2017 Medium-Term Business Plan in May 2017 and 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 three months of the consolidated fiscal year under review increased by 5.1% year on year, to 49,982 million yen, gross profit climbed by 3.2% year on year, to 15,332 million yen, and selling, general, and administrative expenses increased by 2.0% year on year, to 14,977 million yen, resulting in operating income of 354 million yen, an increase of 96.9% from a year earlier. Ordinary income increased by 17.9% year on year, to 636 million yen. As a result, profit attributable to owners of parent increased by 42.7% year on year, to 300 million yen.

Results by business segment are as shown below.

#### [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) increased by 5.6% year on year on a same-store basis, and by 5.1% year on year on an overall-store basis.

At domestic AUTOBACS chain stores, sales of merchandise and goods related to car washing were reinforced along with "parent and child car washing" and other events at stores, which were offered as proposals for various ways for customers to enjoy cars. Company reduced the ratio of cost of goods purchased for outlets to enhance sales force of franchise outlets. On the other hand, expenses increased year on year. In addition, sales of tires was robust, mainly reflecting efforts to enhance the customer service systems and merchandise mix at stores in response to rush demand before price increase of tires, which were raised by tire manufacturers in Japan. 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. Meanwhile, JACK&MARIE, Japan's first shop for motorized lifestyle, was launched and its first store was opened in ZOZOTOWN, Japan's largest shopping site for fashion, to offer the Company's original goods, etc. In the statutory safety inspection and maintenance services segment, thanks to a business environment in which the number of vehicles subject to statutory inspection increased and efforts to consistently provide information about said services in the stores, the number of vehicles that underwent statutory safety inspection and maintenance services increased by 13.2% year on year, to approximately 154,800 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. In addition, the number of automobile purchased increased owing to strengthened initiatives for purchasing vehicles by each store, while sales to used car dealers by means such as auto auctions grew. As a result, sales of both new and used cars came to approximately 5,900 units, representing a year-on-year increase of

4.6%. In terms of the number of store openings and closings, two stores were closed, with the total number of stores declining by two stores from 601 as of the end of March 2017, to 599. The number of CARS franchise stores at the end of the June 2017 increased from 468 as of the end of the previous fiscal year, to 472.

Consequently, sales in the domestic AUTOBACS business increased by 0.7% year on year, to 42,134 million yen, and segment profit declined by 5.1% year on year, to 2,472 million yen, attributable to increase of expenses such as TV commercials to promote tire sales and car purchases and initiatives to expand sales related to statutory safety inspection services.

### **[Overseas Business]**

For the first three months of the consolidated fiscal year under review, sales for Overseas Business increased by 10.0%, to 2,127 million yen, and the segment loss increased by 0.1% year on year, to 151 million yen. The main regions that had an impact on earnings included France, where a lower loss was recorded, primarily attributable to a trend toward a recovery in business confidence and a rise in sales from service pits designated for vehicle service, as a spillover effect of tire sales. In Singapore, although profits declined due to a temporary decrease in sales from service pits designated for vehicle service, efforts were made to strengthen the future earnings base by means such as launching a service business for vehicles used for car sharing. In Thailand, the number of customers coming to small outlets stabilized and store operations are in line with plans. Beginning with the first three months of the consolidated fiscal year under review, the Company started to recognize Overseas Business as a segment, and earnings from the import and wholesale of overseas merchandise and goods and the export and wholesale of domestic merchandise and goods that have been recognized on a non-consolidated basis are recognized in the Overseas Business segment in the accounting treatment. The effect of this change on segment earnings is minor at this point.

As a result of one new store opening and one store closing, the total number of stores outside Japan stood at 38 as of the end of the June 2017 (no change from the end of the previous fiscal year).

### **[Used car buying, car dealer and BtoB Business]**

For the first three months of the consolidated fiscal year under review, sales for Used car buying, car dealer and BtoB Business increase by 33.4% year on year, to 7,310 million yen, and the segment loss was 366 million yen (segment loss of last fiscal year was 153 million yen). The expenses incurred ahead of new store openings, although the number of used car purchases rose with an increase in the number of used car stores, which reflected a rise in the number of stores directly operated by existing franchisees. Sales for the imported car dealer business grew steadily compared to a year ago, attributable to an increase in the number of stores that was associated with the transfer of all shares of Motoren Tochigi Corp. Sales for BtoB business increase compared to the same period of last fiscal year due mainly to e-commerce sales, however the costs increased for future business expansion.

## **(2) Overview of consolidated business results**

### **Qualitative information concerning consolidated financial position**

Assets at the end of the first quarter of the consolidated fiscal year under review decreased by 2.5% or by 4,435 million yen from the end of the previous fiscal year, to 172,272 million yen. This was mainly due to an increase in cash and deposits and a decrease in accounts receivable- other.

Liabilities decreased by 4.6% or by 2,280 million yen from the end of the previous fiscal year, to 47,034 million yen. This was mainly due to decreases in accounts payable- other and notes and accounts payable-

trade.

Net assets decreased by 1.7% or by 2,155 million yen from the end of the previous fiscal year, to 125,237 million yen. This was mainly due to dividends from surplus.

## 6. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Unit: Millions of Yen)

	March 31, 2017 Amount	June 30, 2017 Amount
<b>Assets</b>		
Current assets		
Cash and deposits	31,520	33,999
Notes and accounts receivable - trade	20,032	21,380
Merchandise	15,317	14,982
Accounts receivable - other	20,863	13,740
Income taxes receivable	503	612
Other	13,992	14,050
Allowance for doubtful accounts	(70)	(70)
Total current assets	102,159	98,695
Non-current assets		
Property, plant and equipment		
Land	22,188	22,188
Other, net	19,988	20,054
Total property, plant and equipment	42,176	42,242
Intangible assets		
Goodwill	853	859
Other	5,743	5,527
Total intangible assets	6,597	6,387
Investments and other assets		
Guarantee deposits	15,357	14,684
Other	10,487	10,280
Allowance for doubtful accounts	(70)	(55)
Total investments and other assets	25,774	24,909
Total non-current assets	74,548	73,539
Total assets	176,708	172,234
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	12,838	11,703
Short-term loans payable	5,969	5,255
Accounts payable - other	11,489	10,028
Income taxes payable	473	307
Provision for point card certificates	477	446
Other	6,013	7,104
Total current liabilities	37,263	34,845
Non-current liabilities		
Long-term loans payable	679	1,028
Provision	98	82
Net defined benefit liability	129	73
Asset retirement obligations	2,285	2,244
Other	8,858	8,761
Total non-current liabilities	12,052	12,189
Total liabilities	49,315	47,034

	March 31, 2017 Amount	June 30, 2017 Amount
Net assets		
Shareholders' equity		
Capital stock	33,998	33,998
Capital surplus	34,299	34,298
Retained earnings	59,188	57,012
Treasury shares	(2,769)	(2,770)
Total shareholders' equity	124,717	122,539
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,025	1,910
Foreign currency translation adjustment	335	459
Total accumulated other comprehensive income	2,360	2,370
Non-controlling interests	314	289
Total net assets	127,392	125,199
Total liabilities and net assets	176,708	172,234



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

	First quarter ended June 30, 2016 Amount	First quarter ended June 30, 2017 Amount
Net sales	47,549	<b>49,982</b>
Cost of sales	32,691	<b>34,649</b>
Gross profit	14,858	<b>15,332</b>
Selling, general and administrative expenses	14,678	<b>14,977</b>
Operating profit	180	<b>354</b>
Non-operating income		
Interest income	16	<b>19</b>
Dividend income	25	<b>34</b>
Share of profit of entities accounted for using equity method	—	<b>64</b>
Lease revenue-system equipment	250	<b>178</b>
Other	493	<b>594</b>
Total non-operating income	785	<b>891</b>
Non-operating expenses		
Interest expenses	8	<b>10</b>
Share of loss of entities accounted for using equity method	32	—
Lease cost-system equipment	232	<b>221</b>
Loss on retirement of non-current assets	5	<b>205</b>
Other	147	<b>172</b>
Total non-operating expenses	425	<b>610</b>
Ordinary profit	539	<b>636</b>
Profit before income taxes	539	<b>636</b>
Income taxes - current	259	<b>255</b>
Income taxes - deferred	74	<b>75</b>
Total income taxes	333	<b>330</b>
Profit	205	<b>305</b>
Profit attributable to		
Profit attributable to owners of parent	210	<b>300</b>
Profit (loss) attributable to non-controlling interests	(4)	<b>4</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(505)	<b>(118)</b>
Foreign currency translation adjustment	(326)	<b>122</b>
Share of other comprehensive income of entities accounted for using equity method	(28)	<b>6</b>
Total other comprehensive income	(860)	<b>10</b>
Comprehensive income	(655)	<b>315</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(641)	<b>309</b>
Comprehensive income attributable to non-controlling interests	(13)	<b>6</b>

## 7. Segment Information

### I First quarter ended June 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	Reportable segments				
Sales								
Revenues from external customers	41,703	1,926	3,675	47,305	244	47,549	-	47,549
Transactions with other segments	150	8	1,805	1,964	194	2,159	(2,159)	-
Net sales	41,854	1,934	5,480	49,270	439	49,709	(2,159)	47,549
Operating profit (loss)	2,606	(151)	(153)	2,300	11	2,312	(2,132)	180

#### 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 (2,132) 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 First quarter ended June 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	Reportable segments				
Sales								
Revenues from external customers	42,067	2,075	5,588	49,731	250	49,982	-	49,982
Transactions with other segments	67	52	1,721	1,841	161	2,003	(2,003)	-
Net sales	42,134	2,127	7,310	51,572	412	51,985	(2,003)	49,982
Operating profit (loss)	2,472	(151)	(366)	1,953	18	1,972	(1,617)	354

#### 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 (1,617) 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 first quarter ended June 30, 2016 was prepared based on the changed reportable segment.

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

Not applicable.