January 30, 2018

Consolidated Financial Results for the Nine Months Ended December 31, 2017 【Japanese GAAP】

Summary of Quick Financial Announcement of Consolidated Financial Information For the Third Quarter Ended December 31, 2017.

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Code number : 9832
(URL http://www.autobacs.co.jp/)
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Stock exchange listing : Tokyo
Submission of Quarterly Business Report : February 6, 2018
Start of cash dividend payments : -
Supplementary quarterly materials prepared : Yes
Quarterly results information meeting held : None

1. Results for the Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)

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

(1) Results of operations:

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

	Net sales		Operating income		Ordinary income	
Nine months ended December 31, 2017	**164,609**	**2.4** %	**7,390**	**20.0** %	**8,450**	**18.8** %
Nine months ended December 31, 2016	160,687	(2.5)	6,159	(18.0)	7,111	(15.8)

Note: Comprehensive income : **6,431 million yen for the nine months ended December 31, 2017 : 37.4%**
4,681 million yen for the nine months ended December 31, 2016 : (0.1 %)

	Profit attributable to owners of parent		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
Nine months ended December 31, 2017	**5,296**	**13.9** %	**64.19**	**-**
Nine months ended December 31, 2016	4,650	(13.2)	55.35	-

(2) Financial position:

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

	Total assets	Total net assets	Equity ratio	Net assets per share (Yen)
Nine months ended December 31, 2017	**207,150**	**129,064**	% **62.0**	**1,557.53**
Fiscal year ended March 31, 2017	176,708	127,392	71.9	1,540.12

(Reference) Equity : **Nine months ended December 31, 2017 : 128,512million 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)
Nine months ended December 31, 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
Nine months ended December 31, 2017 : 1,539,825 shares
Fiscal year ended March 31, 2017 : 1,538,020 shares

3. Average shares outstanding over quarter
Nine months ended December 31, 2017 : 82,511,334 shares
Nine months ended December 31, 2016 : 84,011,053 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, these might be cases in which actual results materially differ from forecasts of this report.

5. Qualitative Information Concerning Consolidated Business Results for the Nine Months Ended December 31, 2017

Starting from the first three months of the consolidated fiscal year ending March 2018, the Company reorganized its reportable segments based on changes in the management divisions specified in the 2017 Medium-Term Business Plan, which commenced in the fiscal year ending March 2018, for the allocation of management resources and business performance evaluation.

Explanation of business results

Looking at the trends of the domestic automotive-related industry during the first nine 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 nine months of the consolidated fiscal year under review increased by 2.4% year on year, to 164,609 million yen, gross profit climbed by 1.6% year on year, to 52,241 million yen, and selling, general, and administrative expenses decreased by 0.9% year on year, to 44,850 million yen, resulting in operating income of 7,390 million yen, an increase of 20.0% from a year earlier. Ordinary income increased by 18.8% year on year, to 8,450 million yen. Gain on sale of investment securities of 291 million yen was recorded under extraordinary income, and loss on impairment of fixed assets, etc. of 220 million yen in relation to the wholesale business of automotive goods and services in the Cars, Dealers and BtoB Business and loss on liquidation of subsidiaries and associates of 561 million yen associated with the business transfer of domestic store subsidiaries were recorded under extraordinary loss. Income taxes paid decreased due to the recording of income taxes-deferred associated with business transfers of subsidiaries. As a result, profit attributable to owners of parent increased by 13.9% year on year, to 5,296 million yen.

Results by business segment are as shown below.

[Domestic AUTOBACS Business]

For the first nine 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 1.1% 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, the Company focused on the creation of new markets related to automobiles through the development of products and stores and the training of human resources.

In the first nine months of the consolidated fiscal year under review, the Company increased product lines and improved customer service systems at stores in response to the price increase of tires by domestic tire manufacturers and higher demand for studless tires due to snowfall, which resulted in strong tire sales. Sales of dashcams increased due to growing public interest in dashcams since October 2017. Moreover, the Company expanded the product lines of AQ (Autobacs Quality), a private brand for car interiors and consumables, and JKM and GORDON MILLER, brands that offer car-related lifestyles. The Company also developed products such as electric bicycles equipped with pedals and drones that can be enjoyed alongside automobiles. In addition to these activities, the Company helped its franchise outlets increase their sales capacity by lowering the rate of the cost of goods they

purchased from the Company. As a result, the earning power of franchise outlets including the Company's subsidiaries began to improve.
In the statutory safety inspection and maintenance services segment, the Company launched a project called AUTOBACS GUYS to advertise the technical capabilities and passion for automobile maintenance of the mechanics who actually work in the pits of stores by featuring them as the symbol of "professional and friendly existence," and promoted statutory inspections through television commercials and in stores. As a result, the number of vehicles that underwent statutory safety inspection and maintenance services increased by 2.1% year on year, to approximately 457,800 units. In the automobile purchase and sales segment, a new main character for TV commercials was aired to promote benefits that would differentiate the Company's automobile purchase services. However, sales to used car dealers by means such as auto auctions decreased due to the transfer of personnel engaging in assessment for purchasing vehicles at some stores. As a result, sales of cars at Autobacs Cars franchise stores came to approximately 17,700 units, representing a year-on-year decrease of 8.7%.
As part of the store opening, Autobacs Fuchu was changed to Autobacs Garage Fuchu with a new business model providing an environment where customers with little knowledge of cars can enjoy shopping comfortably and receive the most suitable services. In addition, four Autobacs Mini stores were opened to provide car washes and information on statutory safety inspection services to customers in shopping malls.
Meanwhile, the Company launched the JACK & MARIE brand as Japan's first shop for a motorized lifestyle and the sale primarily of the Company's original goods on ZOZOTOWN, Japan's largest online fashion shopping site. The Company also held events to increase brand recognition, and sales increased steadily as a result. The Company plans to develop merchandise for JKM and GORDON MILLER as brands derived from JACK & MARIE and increase the sales of such merchandise at AUTOBACS group stores.
In addition to these results, the Company transferred the business of its consolidated subsidiaries operating AUTOBACS chain stores to franchise outlets, which, combined with other factors, resulted in a year-on-year decrease of 2.1% to 140,187 million yen in consolidated sales in the domestic AUTOBACS business during the first nine months of the fiscal year under review. Expenses also increased year on year due largely to increased commercials for tires and vehicle purchasing and promotional campaigns for safety inspection services, while the gross profit margin increased thanks to growth in tire sales. Accordingly, segment profit declined by 11.8% year on year, to 13,905 million yen.

[Overseas Business]
For the first nine months of the consolidated fiscal year under review, sales for the Overseas Business increased by 14.8%, to 6,906 million yen, and the segment loss was 452 million yen (segment loss in the same period of the previous year was 453 million yen). The retail and service business in France enjoyed a year-on-year increase in profit thanks chiefly 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, expenses increased due mostly to an increase in personnel for future business expansion despite growth in sales stemming largely from the opening of an in-store shop in a gas station in April this year, which resulted in a decrease in operating income. In Thailand, newly opened small outlets and existing large outlets developed alliances between them and sales increased, which contributed to a reduced loss. In addition, the Company entered into a capital/business alliance with the leading local gas station chain, the PTG Group, with the aim of opening stores for automotive goods and services in these chain stores, and it carried out preparations for the store openings.
As new businesses, the Company launched a service business for vehicles used for car sharing in Singapore and wholesale for retailers in Indonesia and Singapore. In China, the Company is enhancing its strategy for business expansion through the effective use of its strengths such as the capability to

procure products, expertise in services, and the capability of proposals on the store floor by, for instance, investing in a company operating a platform for the distribution and services of automotive goods and manufacturing and sale of on-board aromatics, in addition to its conventional retail business.

[Cars, Dealers and BtoB Business]

For the first nine months of the consolidated fiscal year under review, sales for Cars, Dealers and BtoB Business increased by 35.5% year on year, to 23,301 million yen, and the segment loss was 1,042 million yen (segment loss in the same period of the previous year was 364 million yen). The segment loss increased as a result of a deficiency in the number of assessments below the plan and 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. Meanwhile, the Company commenced exports to overseas companies to sell vehicles purchased in an effort to increase profit. In the imported car dealer business, the number of stores increased after the Company acquired the shares of Motoren Tochigi Corp. and the business in Nerima-ku, Tokyo. The business has been growing steadily together with the existing stores in the Ikebukuro area, resulting in increased sales and profit. Profits for the BtoB business decreased year on year, mainly due to a rise in the cost of oil purchased in the sale of automotive goods to home improvement retailers and higher logistics expenses despite an increase in e-commerce sales of motor sport products and sales of private-brand merchandise.

The stores opened and closed by the Company's group are as follows.
In the domestic business, seven new stores were opened and three stores were closed. The number of stores increased from 601 as of the end of March 2017 to 605. The number of CARS franchise stores at the end of December increased from 468 as of the end of the previous fiscal year to 471. Separately from these stores, 11 store and service bases of the imported car (BMW) dealer business are operated.
In the overseas business, five new stores were opened and three stores were closed. The total number of stores increased by two, from 38 as of the end of March 2017 to 40.

6. Consolidated Financial Statements

(1)Consolidated Balance Sheets

(Unit: Millions of Yen)

	March 31, 2017 Amount	**December 31, 2017 Amount**
Assets		
Current assets		
Cash and deposits	31,520	**35,213**
Notes and accounts receivable - trade	20,032	**35,990**
Merchandise	15,317	**18,669**
Accounts receivable - other	20,863	**27,740**
Income taxes receivable	503	**30**
Other	13,992	**13,644**
Allowance for doubtful accounts	(70)	**(70)**
Total current assets	102,159	**131,219**
Non-current assets		
Property, plant and equipment		
Land	22,188	**22,879**
Other, net	19,988	**19,512**
Total property, plant and equipment	42,176	**42,391**
Intangible assets		
Goodwill	853	**836**
Other	5,743	**4,957**
Total intangible assets	6,597	**5,793**
Investments and other assets		
Guarantee deposits	15,357	**14,374**
Other	10,487	**13,426**
Allowance for doubtful accounts	(70)	**(54)**
Total investments and other assets	25,774	**27,746**
Total non-current assets	74,548	**75,931**
Total assets	176,708	**207,150**
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,838	**36,382**
Short-term loans payable	5,969	**4,776**
Accounts payable - other	11,489	**15,585**
Income taxes payable	473	**2,241**
Provision for point card certificates	477	**345**
Other	6,013	**5,696**
Total current liabilities	37,263	**65,028**
Non-current liabilities		
Long-term loans payable	679	**2,201**
Provision	98	**86**
Net defined benefit liability	129	**74**
Asset retirement obligations	2,285	**2,271**
Other	8,858	**8,423**
Total non-current liabilities	12,052	**13,057**
Total liabilities	49,315	**78,086**

	March 31, 2017 Amount	**December 31, 2017** **Amount**
Net assets		
Shareholders' equity		
Capital stock	33,998	**33,998**
Capital surplus	34,299	**34,298**
Retained earnings	59,188	**59,532**
Treasury shares	(2,769)	**(2,772)**
Total shareholders' equity	124,717	**125,056**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,025	**2,833**
Foreign currency translation adjustment	335	**621**
Total accumulated other comprehensive income	2,360	**3,455**
Non-controlling interests	314	**552**
Total net assets	127,392	**129,064**
Total liabilities and net assets	176,708	**207,150**

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

	Nine months ended December 31, 2016 Amount	**Nine months ended December 31, 2017 Amount**
Net sales	160,687	164,609
Cost of sales	109,263	112,367
Gross profit	51,424	52,241
Selling, general and administrative expenses	45,264	44,850
Operating profit	6,159	7,390
Non-operating income		
Interest income	48	58
Dividend income	65	86
Share of profit of entities accounted for using equity method	4	336
Lease revenue-system equipment	756	535
Other	1,264	1,342
Total non-operating income	2,139	2,360
Non-operating expenses		
Interest expenses	24	28
Lease cost-system equipment	694	638
Loss on retirement of non-current assets	50	236
Other	417	396
Total non-operating expenses	1,187	1,300
Ordinary profit	7,111	8,450
Extraordinary income		
Gain on sales of investment securities	—	291
Total extraordinary income	—	291
Extraordinary losses		
Impairment loss	—	220
Loss on liquidation of subsidiaries and associates	—	561
Total extraordinary losses	—	782
Profit before income taxes	7,111	7,959
Income taxes - current	2,266	2,791
Income taxes - deferred	203	(165)
Total income taxes	2,470	2,625
Profit	4,641	5,333
Profit attributable to		
Profit attributable to owners of parent	4,650	5,296
Profit (loss) attributable to non-controlling interests	(9)	36
Other comprehensive income		
Valuation difference on available-for-sale securities	164	796
Foreign currency translation adjustment	(128)	285
Share of other comprehensive income of entities accounted for using equity method	3	16
Total other comprehensive income	40	1,098
Comprehensive income	4,681	6,431
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,694	6,391
Comprehensive income attributable to non-controlling interests	(13)	40

7. Segment Information

I Nine months ended December 31, 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	142,643	5,859	11,456	159,960	727	160,687	-	160,687
Transactions with other segments	607	154	5,740	6,501	585	7,086	(7,086)	-
Net sales	143,251	6,013	17,196	166,461	1,312	167,774	(7,086)	160,678
Operating profit (loss)	12,434	(453)	(364)	11,616	39	11,655	(5,495)	6,159

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 (5,495) 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 Nine months ended December 31, 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	139,620	6,644	17,605	163,870	738	164,609	-	164,609
Transactions with other segments	567	261	5,695	6,524	517	7,041	(7,041)	-
Net sales	140,187	6,906	23,301	170,395	1,255	171,651	(7,041)	164,609
Operating profit (loss)	13,905	(452)	(1,042)	12,410	59	12,470	(5,079)	7,390

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 (5,079) 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 nine months ended December 31, 2016 was prepared based on the changed reportable segment.

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

In the "Domestic AUTOBACS Business", due to the decision to close two stores, the book value of these assets 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 54 million yen for the nine months ended December 31, 2017.

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 nine months ended December 31, 2017.