

Consolidated Financial Results for the Nine Months Ended December 31, 2010 【Japanese Standards】

Summary of Quick Financial Announcement of Consolidated Financial Information For the Nine Months Ended December 31, 2010.

Company name : AUTOBACS SEVEN CO., LTD.

Code number : 9832

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

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Stock exchange listings : Tokyo and Osaka

Submission of Quarterly Business Report : February 10, 2011.

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, 2010 (From April 1, 2010 to December 31, 2010)

(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, 2010	187,694	0.6	10,724	3.5	11,244	(2.6)
Nine months ended December 31, 2009	186,561	(11.1)	10,364	69.4	11,543	62.4

	Net income		Basic net income per share(Yen)	Basic net income per share-diluted(Yen)
		%		
Nine months ended December 31, 2010	5,862	3.4	168.06	-
Nine months ended December 31, 2009	5,669	413.6	156.04	-

(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, 2010	234,915	147,496	62.6	4,292.91
Fiscal year ended March 31, 2010	210,652	151,852	71.9	4,223.55

(Reference) Equity : **Nine months ended December 31, 2010 : 147,008 million Yen**
Fiscal year ended March 31, 2010 : 151,396 million Yen

2.Dividends

	Dividends per share				(Yen)
	First Quarter	Second Quarter	Third Quarter	Year-end	Annual
Fiscal year ended March 31, 2010	-	60.00	-	65.00	125.00
Fiscal year ended March 31, 2011	-	65.00	-	-	-
Fiscal year ended March 31, 2011 (forecast)	-	-	-	65.00	130.00

Note : Revision to quarterly dividend forecast : None

3. Forecast for the fiscal year 2011 (from April 1, 2010 to March 31, 2011)

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

	Net sales	Operating income		Ordinary income		Net income		Basic net income per share (Yen)	
		%		%		%			
Annual	229,500	(1.5)	10,600	4.2	11,600	(1.3)	5,600	(4.5)	163.53

Note : Revision to for this quarter consolidated performance forecast : None

4. Other

(1) Significant changes in subsidiaries during the third quarter : None

Note: This refers to the existence of changes to specific subsidiaries due to changes in the scope of consolidation in the period under review.

(2) Simplified accounting treatment or special accounting treatment adopted : None

Note: This refers to the adoption of simplified accounting treatment or special accounting treatment for preparing quarterly consolidated financial statements.

(3) Changes in accounting principles, processes, disclosure methods, etc.

1. Changes associated with revision in accounting standards : Yes

2. Other changes : None

Note: This refers to the existence of changes in accounting principles, processes disclosure method, etc., pertaining to the preparation of consolidated quarterly financial statements as stated in "Changes in Accounting Principles, Processes, Disclosure Methods, etc."

(4) Shares outstanding (common stock)

1. Number of shares outstanding (including treasury stock)

Nine months ended December 31, 2010 : 37,454,204 shares

Fiscal year ended March 31, 2010 : 37,454,204 shares

2. Number of treasury stock at the end of period

Nine months ended December 31, 2010 : 3,209,703 shares

Fiscal year ended March 31, 2010 : 1,608,348 shares

3. Average shares outstanding over quarter

Nine months ended December 31, 2010 : 34,880,462 shares

Nine months ended December 31, 2009 : 36,335,631 shares

(5) Other Information

Changes in Accounting Principles, Processes, Disclosures Methods, etc.

1. Application of Accounting Standards Related to Asset Retirement Obligations

Effective the first quarter under review, the Company has applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and "Application Guidance for Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008). As a result of this change, "Gross profit" decreased by 20 million yen, "Operating income" and "Ordinary income" decreased by 68 million yen, and "Income before income taxes and minority interests" decreased by 1,234 million yen compared to the prior period. This amount of change in asset retirement obligations due to the application of these accounting standards was 1,736 million yen.

2. Application of Accounting Standard for Business Combination

Effective the first quarter under review, the Company has applied "Accounting Standard for Business Combination" (ASBJ Statement No.21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008), "Partial Revision of Accounting Standard for R&D Expenses" (ASBJ Statement No.23, December 26, 2008), "Accounting Standard for Business Separation" (ASBJ Statement No.7, December 26, 2008), "Accounting Standard for Equity Method" (ASBJ Statement No.16, announced December 26, 2008), and "Accounting Standard for Business Separation and Application Guideline for Accounting Standard for Business Separation" (ASBJ Guidance No.10, December 26, 2008).

5. Qualitative Information and Financial Statements

(1) Qualitative Information Concerning Consolidated Business Results

During the first nine months of the fiscal year under review, domestic automotive goods and services-related industries faced a generally difficult operating environment. This reflected a continued consumer tendency to save because of a sense of uncertainty over the future of the domestic economy, as well as a reactionary fall in sales of ETC devices to last year's brisk performance, despite factors that supported demand for automotive goods and services, such as an increase in the number of new vehicle sold thanks to the government's tax cuts and subsidies for eco-vehicles, the extreme summer heat, and heavy snowfall in winter.

Responding to this business environment, sales for all business outlets of the AUTOBACS chain (including franchise outlets) in Japan decreased by 0.1% and 0.5%, respectively, on a same-store basis and total store basis from a year earlier. In the mainstay business—namely AUTOBACS, Super AUTOBACS and AUTO HELLOES store—total sales of automotive goods and services, including statutory safety inspection and maintenance, declined by 0.9% and 1.1%, respectively, on a same-store basis and total store basis from a year earlier. Sales in the major merchandise categories are set out below.

Sales of automotive goods and services: The Group strengthened its lineup and sales system at stores, particularly in the sales of tires and wheels, and launched a promotional campaign involving newspaper advertisements. As a result, sales of tires and wheels increased substantially, backed by replacement demand for winter tires for new vehicles that increased with the government's subsidies for eco-vehicles and other external factors, including heavy snowfall, particularly in areas along the Sea of Japan. Sales of maintenance goods such as tire chains and windshield wiper blades also increased, helped by snowfall in December. In car electronics goods, sales of terrestrial digital broadcasting tuners rose substantially from a year ago, reflecting the upward demand before the planned switch over to digital in July 2011, while sales of ETC devices, which had been robust in the previous fiscal year, were down. Sales of car navigation systems also decreased with a fall in the number of new vehicles sold in the third quarter and the lower price range of hot-selling merchandise.

Statutory safety inspection and maintenance: The operating environment was severe, reflecting weaker demand for statutory safety inspection associated with an increase in the number of new vehicle sales up to the second quarter and more intense competition. However, thanks to sales promotion at stores and the implementation of telemarketing to members of the points card program, the number of vehicles for which the AUTOBACS chain carried out a statutory inspection rose by 10.4% year on year, to about 344 thousand vehicles (for all business outlets).

Car sales and purchase: the number of vehicles sold (excluding vehicles sold for the auction of used vehicles) rose by 12.8% year on year, to above 11 thousand units, helped by the posting of vehicle information on the websites of the Group and other companies, enhanced car appraisal at stores, and strong demand for new vehicles up to the second quarter.

The Group's consolidated sales for the first nine months of the fiscal year under review increased by 0.6% from a year earlier, to 187,694 million yen. The gross margin rose by 0.2% year on year, to 58,220 million yen. Selling, general and administrative expenses decreased by 0.5%, to 47,496 million yen. As a result, consolidated operating income increased by 3.5%, to 10,724 million yen. Consolidated ordinary income declined by 2.6% from a year earlier, to 11,244 million yen, principally because of an increase in exchange losses related to loans receivable overseas. As extraordinary gains, the Group recorded gains from the sale of fixed assets of 437 million yen and a reversal of the allowance for doubtful accounts of 504 million yen. Extraordinary losses included 1,166 million yen, representing the effect of the application of the asset retirement obligation accounting standards, along with a special retirement allowance of 460 million yen, required due to the merger of a subsidiary, BRAIN-ING Co., Ltd. As a result, net income for the first nine months under review was up by 3.4% year on year, to 5,862 million yen.

With respect to the progress in the "AUTOBACS 2010 Medium-Term Business Plan," the Group adopted targets and schedules for each initiative and then remodeled sales floors at 63 AUTOBACS stores (excluding five that were relocated or converted to a different business category) and consolidated suppliers of certain merchandise and adopted category management. The Group also provided customer service and sales skill-up training to approximately 5,400 employees (including franchise employees) and began considering new store models in earnest, in preparation for phased store-opening after the next fiscal year.

With respect to the lawsuit that was brought by AUTOBACS STRAUSS INC., etc. in the United States in December 2009, the parties are presently submitting their claims at court. As a consequence, there is no particular disclosure to make.

Results by business segment are as shown below.

<Non-Consolidated>

Sales increased by 0.3% from a year earlier, to 157,755 million yen. In the wholesale operations for franchise outlets, sales rose by 1.0% year on year, thanks to firm sales of tires, wheels, car navigation devices, terrestrial digital broadcasting tuners, and car accessories, as well as solid car sales, which outweighed a substantial decline in sales of ETC devices. In retail operations, sales were down by 11.0% from a year earlier, reflecting the closure of directly managed second-hand automotive goods stores and the transfer of the motorcycle goods business in the previous fiscal year, as well as a decline in sales of ETC devices. Gross profit remained almost on a par with the year-ago level at 31,794 million yen. This result reflected higher sales of tires, wheels, and car accessories, offsetting lower sales of ETC devices and second-hand automotive goods. Selling, general and administrative expenses increased by 1.9% from a year earlier, to 21,556 million yen, with the extension of sales promotion activities for automotive goods and services, centering on tires. As a result, operating income was down by 4.0% year on year, to 10,238 million yen.

<Domestic Store Subsidiaries>

Sales increased by 2.3% year on year, to 62,582 million yen. Sales increased with the change of franchise outlets to Group subsidiaries, although sales at all stores operated by existing subsidiaries were down slightly. Operating income decreased by 21.5%, to 368 million yen, reflecting a decline in the gross margin attributable to a fall in sales and installation services of ETC devices and other changes in the sales mix, as well as higher expenses due to active sales promotion activities and a larger number of subsidiaries, despite improvement in the gross margin on tires and wheels.

<Overseas Subsidiaries>

Sales were up by 4.6% from a year earlier, to 6,647 million yen, principally because of higher sales at existing stores, offsetting the effect of exchange rate fluctuations. The operating loss improved by 683 million yen from a year earlier, to 66 million yen, achieving steady results toward moving into operating income in the overseas business. In France, operating income was improving significantly thanks to an increase in sales due to sales of consumables centering on tires, the expansion of pit services, and the positive effect of snowfall, as well as cost cutting through restructuring. In Singapore, sales remained firm on the back of economic development. In Thailand, income remained close to the level of the previous year through cost control, despite smaller sales due to political upheavals. In China, despite a decline in wholesale sales with the closure of certain stores operated by franchisees, the operating loss diminished thanks to the effect of continued management streamlining and an increase in retail sales associated with the opening of stores operated by local subsidiaries.

<Subsidiaries for Car Goods Supply and Other>

Sales increased by 1.7% year on year, to 10,448 million yen, with a rise in the wholesale sales of oils and other goods, despite the exclusion of two driving school companies and Auto Refine Co., Ltd. from consolidation in July 2009 and June 2010, respectively. Operating income in this segment declined by 12.6% year on year, to 312 million yen, primarily attributable to the effect of changes in cost of goods on oil wholesale.

<Subsidiaries for Supporting Functions>

Sales declined by 46.8% year on year, to 5,360 million yen and Operating income declined by 37.0%, to 445 million yen, principally reflecting the change of AB SYSTEM SOLUTIONS Co., Ltd. from a subsidiary to an equity method company in October 2009 and the merger of BRAIN-ING Co., Ltd. in August 2010.. The management services, the leasing business, and the financial insurance business for franchise outlets, the main operations of this segment, decreased due to the liquidation of businesses and subsidiaries of the Group but remained almost in line with the plan.

(2) Qualitative Information on Consolidated Results Forecasts

With respect to consolidated results forecasts for the fiscal year ending March 31, 2011, there is no change to the projected figures announced on November 4, 2010. Actual results may differ from the projected figures due to various factors in the future, including weather.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

Assets	December 31, 2010	March 31, 2010
	Amount	Amount
Current assets		
Cash and deposits	47,057	43,829
Trade notes and accounts receivable	40,438	23,256
Marketable securities	10,667	13,996
Inventories	20,384	16,711
Accounts receivable-other	24,030	17,440
Other current assets	18,413	18,941
Allowance for doubtful accounts	(275)	(293)
Total current assets	160,715	133,882
Fixed assets		
Tangible fixed assets		
Land	21,695	22,693
Other tangible fixed assets(net)	14,923	15,183
Total tangible fixed assets	36,619	37,877
Intangible fixed assets		
Goodwill	886	1,027
Other intangible fixed assets	5,023	6,210
Total intangible fixed assets	5,910	7,237
Investments and Other assets		
Rental deposits	19,849	20,561
Other investments	15,469	15,200
Allowance for doubtful accounts	(3,648)	(4,108)
Total investments and other assets	31,670	31,653
Total fixed assets	74,200	76,769
Total assets	234,915	210,652

Liabilities and Net assets (Unit: Millions of Yen)	December 31, 2010 Amount	March 31, 2010 Amount
Current liabilities		
Trade notes and accounts payable-trade	41,671	15,807
Short-term borrowings	3,306	4,901
Income taxes payable	1,951	1,771
Allowance for business restructuring	1,081	1,324
Other allowances	305	307
Other current liabilities	19,629	17,408
Total current liabilities	67,946	41,521
Long-term liabilities		
Bonds	225	140
Long-term borrowing	8,785	8,228
Allowances	386	380
Asset retirement obligations	1,726	-
Other long-term liabilities	8,349	8,528
Total long-term liabilities	19,472	17,278
Total liabilities	87,418	58,799
Owners' equity		
Common stock	33,998	33,998
Capital surplus	34,278	34,278
Retained earnings	89,666	88,398
Treasury stock at cost	(10,636)	(5,402)
Total owners' equity	147,307	151,273
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	63	107
Foreign currency translation adjustments	(362)	15
Total valuation and translation adjustments	(299)	122
Minority interests		
Total net assets	488	456
	147,496	151,852
Total liabilities and net assets	234,915	210,652

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended December 31, 2009 Amount	Nine months ended December 31, 2010 Amount
Net sales	186,561	187,694
Cost of goods sold	128,470	129,473
Gross profit	58,090	58,220
Selling, general and administrative expenses	47,726	47,496
Operating income	10,364	10,724
Non-operating income		
Interest income	154	123
Dividend income	23	34
Equity in income on affiliates	87	39
Lease revenue-system equipment	937	869
Other non-operating income	2,368	2,138
Total non-operating income	3,570	3,205
Non-operating expenses		
Interest expenses	185	149
Loss on revaluation of investment securities	105	-
Lease cost-system equipment	968	873
Foreign exchange losses	28	497
Other non-operating expenses	1,103	1,165
Total non-operating expenses	2,391	2,685
Ordinary income	11,543	11,244
Extraordinary gains		
Gain on sales of fixed assets	52	437
Reversal of allowance for doubtful accounts	-	504
Reversal of allowance for business restructuring	3,590	156
Other extraordinary gains	281	-
Total extraordinary gains	3,924	1,098
Extraordinary losses		
Loss on sales of fixed assets	28	-
Impairment losses on fixed assets	493	318
Provision of allowance for doubtful accounts	3,852	-
Loss on arrangement of stores	-	282
Loss on business restructuring	540	-
Special retirement expenses	-	460
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,166
Other extraordinary losses	192	-
Total extraordinary losses	5,107	2,227
Income before income taxes and minority interests	10,360	10,116
Income taxes		
Current	4,988	2,826
Deferred	(381)	1,372
Total income taxes	4,607	4,199
Income before minority interests	-	5,916
Minority interests in net income	83	54
Net income	5,669	5,862

(3) Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

	Nine months ended December 31, 2009 Amount	Nine months ended December 31, 2010 Amount
Operating Activities:		
Income before income taxes and minority interests	10,360	10,116
Depreciation and amortization	3,689	3,411
Impairment losses on fixed assets	493	318
Amortization of goodwill	201	194
Increase (decrease) in allowance for business restructuring	(3,590)	(242)
Increase (decrease) in allowance for doubtful accounts	3,880	(473)
Interest and dividends income	(177)	(157)
Interest expenses	185	149
Loss (gain) on foreign currency translation	(8)	2
Equity (income) loss on affiliates	(87)	(39)
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,166
Loss (gain) on sales of investment securities	(218)	-
Loss (gain) on valuation of investment securities	105	-
Decrease (increase) in trade notes and accounts receivable	(24,147)	(23,290)
Decrease (increase) in investments in lease	701	1,192
Decrease (increase) in inventories	(2,019)	(3,504)
Increase (decrease) in trade notes and accounts payable	24,210	25,787
Others	2,387	2,294
Subtotal	15,966	16,922
Interest and dividend received	198	183
Interest paid	(179)	(149)
Income taxes refund (paid)	419	(2,545)
Net cash provided by (used in) operating activities	16,404	14,411
Investing Activities:		
Decrease (increase) in time deposits	-	(1,369)
Payment for marketable securities	(1,996)	(3,602)
Proceeds from sales and redemption of securities	2,000	1,000
Payment for tangible and intangible fixed assets	(1,649)	(2,084)
Proceeds from sales of tangible fixed assets and intangible fixed assets	-	1,431
Payment for investment securities	-	(2,573)
Proceeds from sales and redemption of investment securities	401	2,049
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(257)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(833)	(9)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	335	-
Payment of loans receivable	(620)	(140)
Collection of loans receivable	372	215
Others	(1,307)	201
Net cash provided by (used in) investing activities	(3,298)	(5,139)

(Unit: Millions of Yen)	Nine months ended December 31, 2009 Amount	Nine months ended December 31, 2010 Amount
Financing Activities:		
Net increase (decrease) in short-term loans payable	(69)	172
Proceeds from long-term loans payable	250	3,180
Repayment of long-term loans payable	(2,368)	(4,927)
Purchase of treasury stock	(5,372)	(5,232)
Dividends paid	(4,023)	(4,556)
Others	(54)	43
Net cash provided by (used in) financing activities	(11,637)	(11,320)
Effect of exchange rate changes on cash and cash equivalents	(10)	(131)
Net increase (decrease) in cash and cash equivalents	1,458	(2,180)
Cash and cash equivalents, beginning of the period/ year	51,748	53,785
Cash and cash equivalents, end of the period	53,207	51,605

7. Segment Information

(1) Overview of Business Segment

	Non-consolidated	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions
Automotive goods	Wholesale・Retail	Retail	Wholesale・Retail	Wholesale	-
Safety inspection and maintenance services	Wholesale・Retail	Retail	Retail	-	-
The automobile purchase and sales business	Wholesale・Retail	Retail	-	-	-
Others	Lease business	-	-	-	Lease business・Others

Note : Others of subsidiaries for supporting functions are loan credit business , nonlife insurance agency and office work representation business.

(2) Segment sales and Income (Loss)

Nine months ended December 31, 2010

(Unit: Millions of Yen)

Net sales	Non-consolidated	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales to outside customers	113,635	62,135	6,520	4,656	745	187,694
Intersegment sales or transfers	44,119	446	127	5,791	4,614	55,100
Total	157,755	62,582	6,647	10,448	5,360	242,794
Segment net income (loss)	10,238	368	(66)	312	445	11,297

(3)Difference between operating income and Sum of operating income (loss) in reportable operating segments for the Nine months ended December 31, 2010.

(Unit: Millions of Yen)

Income (adjustment)	Amount
Total reportable operating segments	11,297
Inventories	(609)
Depreciation of goodwill	(175)
Allowance for point card	(0)
Fixed assets	34
Elimination of intersegment transaction	171
Others	5
Operating income	10,724

8.Additional Information

(1)Consolidated Sales Component and Percentage By Division

(Unit: Millions of Yen)

Divisions	Nine months ended December 31, 2010		
	Amount	Ratio	Year-on -year Increase/Decrease
			Ratio
		%	%
Wholesale	109,493	58.3	100.6
Retail	75,556	40.3	101.0
Others (letting and hiring fee of leased object)	2,643	1.4	92.3
Total	187,694	100.0	100.6

Note : Consumption taxes are excluded from the above amounts.

(2) Consolidated Sales Component and Percentage By Merchandise Category

(Unit: Millions of Yen)

Nine months ended December 31, 2010

Year-on-year
Increase/Decrease

Merchandises	Amount	Ratio	Ratio
Wholesale		%	%
Tires and wheels	26,341	24.0	103.6
Car electronics	33,332	30.4	95.1
Oil and batteries	12,803	11.7	101.8
Car exterior items	10,382	9.5	99.8
Car interior items	9,642	8.8	102.7
Motor sports	6,434	5.9	93.9
Services	1,502	1.4	102.1
Others	9,054	8.3	117.3
Subtotal	109,493	100.0	100.6
Retail			
Tires and wheels	15,489	20.5	109.3
Car electronics	15,978	21.1	90.7
Oil and batteries	6,465	8.6	101.7
Car exterior items	8,087	10.7	106.6
Car interior items	7,157	9.5	103.1
Motor sports	4,968	6.6	96.6
Services	11,871	15.7	105.2
Others	5,536	7.3	97.3
Subtotal	75,556	100.0	101.0
Others (letting and hiring fee of leased object)	2,643	-	92.3
Total			
Tires and wheels	41,831	22.3	105.6
Car electronics	49,311	26.3	93.6
Oil and batteries	19,269	10.3	101.8
Car exterior items	18,470	9.8	102.7
Car interior items	16,800	8.9	102.9
Motor sports	11,402	6.1	95.1
Services	13,374	7.1	104.9
Others	17,234	9.2	105.9
Total	187,694	100.0	100.6

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

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

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

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