

Consolidated Financial Results for the Nine Months Ended December 31, 2009

Summary of Quick Financial Announcement of Consolidated Financial Information for the Third Quarter Ended December 31, 2009

Company name : AUTOBACS SEVEN CO., LTD.

Code number : 9832

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

Headquarters : Tokyo, Japan

Company Representative : Setsuo Wakuda, Representative Director and Chief Executive Officer

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Telephone : +81-3-6219-8829

Stock exchange listings : Tokyo and Osaka

Submission of Quarterly Business Report: February 12 , 2010.

Adoption of accounting principles generally accepted in the U.S.A.: None

1. Results for the nine months ended December 31, 2009 (From April 1, 2009 to December 31, 2009).

(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, 2009	186,561	(11.1)	10,364	69.4	11,543	62.4
Nine months ended December 31, 2008	209,766	-	6,118	-	7,109	-

	Net income		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
		%		
Nine months ended December 31, 2009	5,669	413.6	156.04	-
Nine months ended December 31, 2008	1,103	-	29.29	-

(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, 2009	240,104	151,747	62.9 %	4,216.34
Fiscal year ended March 31, 2009	224,168	155,478	69.0	4,132.75

(Reference) Equity : Nine months ended December 31, 2009 : 151,140 million Yen
For the year ended March 31, 2009 : 154,763 million Yen

2.Dividends

	Dividends per share (Yen)			
	First Quarter	Second Quarter	Third Quarter	Year -end
Fiscal year ended March 31, 2009	-	50.00	-	50.00
Fiscal year ended March 31, 2010	-	60.00	-	-
Fiscal year ended March 31, 2010(forecast)	-	-	-	60.00

	Dividends per share	
	Annual	
Fiscal year ended March 31, 2009	100.00	
Fiscal year ended March 31, 2010	-	
Fiscal year ended March 31, 2010 (forecast)	120.00	

Note : Revision to expected dividends for this quarter : None

3. Forecast for the fiscal year 2010 (from April 1, 2009 to March 31, 2010)

(Unit: Millions of Yen)

	Net sales		Operating income		Ordinary income	
		%		%		%
Annual	231,300	(10.7)	9,700	90.6	10,900	66.2

	Net income		Basic net income per share(Yen)	
		%		
Annual	5,700	-	159.01	

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

4. Other

- (1) Significant changes in subsidiaries during the third quarter (changes in certain subsidiaries resulting in a change in the consolidation scope) : Yes
Excluded consolidated companies : 1 (AUTOBACS STRAUSS INC.)
- (2) Simplified accounting treatment or special accounting treatment for preparations of quarterly consolidated financial treatment : None
- (3) Changes in accounting principles, procedures disclosure methods ,etc., pertaining to preparation of quarterly consolidated financial statements(Those to be stated as “Changes to the Basis of Presenting Consolidated Financial Statements”).
 - 1.Changes associated with revision in accounting standards : None
 - 2.Other changes : None
- (4) Shares outstanding (common stock)
 1. Common Stock Issued
Number of shares outstanding (including treasury stock)
Third quarter ended December 31, 2009 : 37,454,204 shares
Fiscal year ended March 31, 2009 : 39,255,175 shares
 2. Number of treasury stock shares outstanding
Third quarter ended December 31, 2009 : 1,607,737 shares
Fiscal year ended March 31, 2009 : 1,807,153 shares
 3. Average shares outstanding over quarter
Third quarter ended December 31, 2009 : 36,335,631 shares
Third quarter ended December 31, 2008 : 37,688,691 shares

Qualitative Information and Financial Statements

1. Qualitative Information Concerning Consolidated Business Results

In the consolidated first nine-month period under review, some companies showed signs of recovery, with exports and production turning upward and government stimulus measures beginning to take effect. However, consumption remained weak, as consumers continued to favor saving because of uncertainties over the economic outlook as the employment and income environments remained grim.

In the automotive aftermarket, demand for consumables and merchandise centering on ETC devices and maintenance services rose substantially, particularly until the second quarter, as opportunities to use cars for long-distance driving increased with partial cuts in expressway tolls at the beginning of the current fiscal year. In the third quarter, however, operating conditions became difficult, as the effect of special demand for ETC devices ran its course, sluggish consumption continued and demand for seasonal merchandise fell due to the warm start of this winter season.

Responding to this business environment, in the automotive goods and services business in the AUTOBACS Chain, including its franchise outlets in Japan, sales of ETC devices, portable car navigation systems, oil, and merchandise used for long-distance driving remained firm up to the second quarter. The third quarter saw evidence of declines in demand for ETC devices and in sales of snow tires and tire chains on a year-on-year basis, because of the lack of snowfall, particularly in large cities on the Pacific Ocean side. In statutory safety inspection and maintenance services, taking advantage of the rising demand of its customers, the Company stepped up its efforts at outlets and promoted its services to point-up card program members through telephone calls. As a result, the number of cars that the AUTOBACS Chain stores inspected rose by 16.5% year on year, to approximately 311,000 units. Consequently, total sales of automotive goods and services and statutory safety inspections and maintenance from AUTOBACS, SUPER AUTOBACS, and AUTO HELLOES stores rose by 1.4% from the previous year on a total store basis, and were up by 0.7% on a same-store basis.

In the car sale and purchase business, the number of vehicle sales of the AUTOBACS Chain including sales by franchise outlets to the Company for the consolidated first nine months of the fiscal year under review fell by 16.3% year on year, to 10,310 units. This reflected the Group's initiative, starting the year under review, to scale back the number of outlets engaged in this business. In contrast, the number of vehicle sales has risen by 12.9% year on year on a same-store basis, reflecting the Group's commitment to developing a successful business model for the AUTOBACS Chain by providing sales trainings at each store and adopting other effective measures.

Receiving the upper sales results of the AUTOBACS Chain, including its franchise outlets in Japan, the Group's consolidated sales for the first nine months of the fiscal year under review fell by 11.1% year on year, to 186,561 million yen. With respect to wholesales operations that consist of sales to franchise outlets in Japan, sales of ETC devices and repair goods were robust, while sales of wheels and motor sports goods fell, reflecting the economic slump and the trend of young people's decreasing interest in cars. Sales of tires also fell, primarily reflecting a fall in sales of winter tires due to seasonal factors, a surge in demand in the year-ago period in anticipation of a price hike, as well as the Company's higher weighting of low-end merchandise, centering on private brands and exclusive merchandise. Sales of motorcycle goods declined as the result of the transfer of the franchise business, following the Company's execution of the mid-term business plan, and sales of fuels fell, reflecting the liquidation of DIA BACS Co., Ltd., a joint venture. In addition, sales of vehicles decreased on the Company's above-mentioned initiatives to reduce the number of

stores engaged in the business. As a result of the above factors, sales of wholesales operations were down by 7.4% from the previous year, to 108,894 million. In retail operations, sales of ETC devices and statutory safety inspections were strong at its subsidiary stores in Japan. In its overseas operations, sales of overseas subsidiaries fell, primarily reflecting the economic slowdown in France, a cutback in the number of stores in China, and the impact of exchange rates. Moreover, with the adoption of the measures set out in the mid-term business plan, sales fell, reflecting the withdrawal from businesses in United States, share transfer of subsidiaries in Taiwan and the sale of the motorcycle-related goods retail business, in addition to the liquidation of CARS Sapporo Co., Ltd. negatively impacted sales. As a result, sales from retail operations fell by 16.2% year on year, to 74,802 million yen.

Although gross profit fell, primarily as a result of the streamlining of operations, the gross margin rose to 31.1%, up from 30.5% a year earlier, mainly reflecting the impact of initiatives to further reduce sales costs in Japan through measures such as streamlining the number of merchandises, a rise in the share of sales of ETC devices and their installation charges, and the withdrawal from businesses with poor gross margins. Selling, general, and administrative expenses declined by 17.6% from the previous year, to 47,726 million, mostly because of a decline in overall expenses with the streamlining of overseas subsidiaries and a reduction in IT system and advertising expenditures, along with other costs, although expenses increased associated with the acquisition of stores from franchise outlets. The ratio of selling, general, and administrative expenses to sales also improved to 25.6%, up from 27.6% a year earlier. As a result, consolidated operating income rose by 69.4% year on year, to 10,364 million yen. Consolidated ordinary income increased by 62.4% from the previous year, to 11,543 million yen, principally because of lower losses on foreign exchange transactions and revaluation of investment securities posted as a non-operating expense, offsetting a decline in dividend income compared with the previous year. The Group also recorded extraordinary income of 3,924 million yen from the reversal of the allowance for business restructuring following the transfer of all shares of AUTOBACS STRAUSS INC. to third parties, and profits from the sales of those shares. Meanwhile, the Group recorded extraordinary losses of 5,107 million yen, primarily attributable to the transfer to an allowance for doubtful receivables following the transfer of all shares of AUTOBACS STRAUSS INC., and impairment losses on fixed assets associated with Tama Driving School Co., Ltd. and Seibu Driving School Co., Ltd., as well as business restructuring expenses in France. As a result, net income for the first nine months of the fiscal year under review jumped by 413.6% from the previous year, to 5,669 million yen.

5. Consolidated Financial Statements
(1) Consolidated Balance Sheets
(Unit: Millions of Yen)

Assets	December 31, 2009	March 31, 2009
	Amount	Amount
Current assets		
Cash and deposits	47,251	39,140
Trade notes and accounts receivable	41,185	23,645
Marketable securities	9,484	13,830
Inventories	20,592	21,200
Other current assets	44,555	39,833
Allowance for doubtful receivables	(375)	(683)
Total current assets	162,693	136,968
Fixed assets		
Tangible fixed assets		
Land	21,977	23,907
Other tangible fixed assets (net)	15,591	17,085
Total tangible fixed assets	37,569	40,992
Intangible fixed assets		
Goodwill	1,183	1,431
Other intangible fixed assets	6,380	9,399
Total intangible fixed assets	7,563	10,830
Investments		
Rental deposits	20,714	21,279
Other investments	16,394	14,748
Allowance for doubtful receivables	(4,830)	(651)
Total investments	32,278	35,376
Total fixed assets	77,411	87,199
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Total assets	240,104	224,168

(Unit: Millions of Yen)

Liabilities and Net assets	December 31, 2009 Amount	March 31, 2009 Amount
Current liabilities		
Trade notes and accounts payable-trade	40,411	16,457
Short-term borrowings	5,304	3,307
Income taxes payable	4,477	414
Allowance for business restructuring	1,236	4,826
Other allowances	353	408
Other current liabilities	19,191	19,427
Total current liabilities	70,974	44,842
Long-term liabilities		
Bonds	70	140
Long-term debt	8,312	12,496
Allowances	325	429
Other long-term liabilities	8,674	10,781
Total long-term liabilities	17,382	23,847
Total liabilities	88,356	68,689
Owners' equity		
Common stock	33,998	33,998
Capital surplus	34,278	34,511
Retained earnings	88,198	94,297
Treasury stock at cost	(5,400)	(8,000)
Total owners' equity	151,074	154,807
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	33	(217)
Foreign currency translation adjustments	32	173
Total valuation and translation adjustments	65	(44)
Minority interests		
Total net assets	151,747	155,478
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Total liabilities and net assets	240,104	224,168

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Nine months ended December 31, 2008 Amount	Nine months ended December 31, 2009 Amount
Net sales	209,766	186,561
Cost of goods sold	145,697	128,470
Gross profit	64,068	58,090
Selling, general and administrative expenses	57,949	47,726
Operating income	6,118	10,364
Non-operating income		
Interest income	249	154
Dividend income	280	23
Equity in income on affiliates	35	87
Lease revenue-system equipment	1,128	937
Other non-operating income	4,620	2,368
Total non-operating income	6,314	3,570
Non-operating expenses		
Interest expenses	235	185
Loss on revaluation of investment securities	1,146	105
Lease cost-system equipment	1,174	968
Foreign exchange loss	1,874	28
Other non-operating expenses	893	1,103
Total non-operating expenses	5,324	2,391
Ordinary income	7,109	11,543
Extraordinary gains		
Gain from sale of fixed assets	31	52
Effect of application of accounting standard for leased assets	4,651	-
Reversal of allowance for business restructuring	-	3,590
Other extraordinary gains	551	281
Total extraordinary gains	5,234	3,924
Extraordinary losses		
Loss on sales of fixed assets	-	28
Loss on revaluation of investment in securities	1,771	-
Loss on sale of investment in securities	2,208	-
Impairment losses on fixed assets	1,300	493
Reversal of allowance for doubtful receivables	-	3,852
Loss on business restructuring	4,565	540
Other extraordinary losses	167	192
Total extraordinary losses	10,013	5,107
Income before income taxes and minority interests	2,330	10,360
Income taxes		
Current	2,052	4,988
Deferred	(825)	(381)
Total income taxes	1,227	4,607
Minority interests in net (loss) income	(0)	83
Net income	1,103	5,669

(3) Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

	Nine months ended December 31, 2008 Amount	Nine months ended December 31, 2009 Amount
Operating Activities:		
Income before income taxes and minority interests	2,330	10,360
Depreciation	4,602	3,689
Impairment losses on fixed assets	1,300	493
Amortization of goodwill	283	201
Provision for business restructuring	4,553	(3,590)
Increase (decrease) in allowance for doubtful accounts	(595)	3,880
Interest and dividend income	(530)	(177)
Interest expenses	235	185
Loss (gain) on foreign currency translation	(260)	(8)
Equity loss (income) on a affiliates	(35)	(87)
Effect of application of accounting standard for leased assets	(4,651)	-
Loss (gain) on sale of investments in securities	2,208	(218)
Loss (gain) on revaluation of investment in securities	2,917	105
Decrease (increase) in trade notes and accounts receivable	(27,072)	(24,147)
Decrease (increase) in investments in lease	(859)	701
Decrease (increase) in inventories	(2,747)	(2,019)
Increase (decrease) in trade notes and accounts payable	24,685	24,210
Others	(146)	2,387
Subtotal	6,219	15,966
Interest and dividend received	593	198
Interest paid	(230)	(179)
Income taxes refund (paid)	(3,791)	419
Net cash provided by (used in) operating activities	2,791	16,404
Investing Activities:		
Payment for marketable securities	-	(1,996)
Proceeds from sales of marketable securities	500	2,000
Payment for tangible and intangible fixed assets	(4,329)	(1,649)
Disposition of investment securities	6,488	401
Payments for acquisition of subsidiaries' stock resulting from change in the scope of consolidation	(236)	-
Payments for sales of subsidiaries' stock resulting from change in the scope of consolidation	-	(833)
Proceeds from sales of subsidiaries' stock resulting from change in the scope of consolidation	-	335
Payment for loans	(251)	(620)
Collection of loans	399	372
Others	523	(1,307)
Net cash provided by (used in) investing activities	3,094	(3,298)
Financing Activities:		
Increase (decrease) in short-term borrowings	(254)	(69)
Proceeds form long-term debt	400	250
Repayments of long-term debt	(1,319)	(2,368)
Purchase of treasury stock	(2,455)	(5,372)
Dividends paid	(4,548)	(4,023)
Others	(42)	(54)
Net cash provided by (used in) financing activities	(8,221)	(11,637)
Effect of exchange rate changes on cash and cash equivalents	(281)	(10)
Net increase (decrease) in cash and cash equivalents	(2,616)	1,458
Cash and cash equivalents, beginning of the period	49,637	51,748
Cash and cash equivalents, end of the period	47,020	53,207

6. Consolidated Sales Component and Percentage by Division

(Unit: Millions of Yen)

Divisions	December 31,2008		December 31,2009		Increase or (decrease) Ratio
	Amount	Ratio	Amount	Ratio	
		%		%	%
Wholesale	117,568	56.1	108,894	58.4	(7.4)
Retail	89,239	42.5	74,802	40.1	(16.2)
Others	2,958	1.4	2,864	1.5	(3.2)
Total	209,766	100.0	186,561	100.0	(11.1)

Note: "Others" is consisted of revenue of Lease.

Consolidated Sales Component and Percentage by Product Category

(Unit: Millions of Yen)

Products	December 31,2008		December 31,2009		Increase or (decrease) Ratio
	Amount	Ratio	Amount	Ratio	
		%		%	%
Tyres and wheels	44,733	21.3	39,602	21.2	(11.5)
Car electronics	52,204	24.9	52,677	28.2	0.9
Oil and batteries	20,807	9.9	18,937	10.2	(9.0)
Car exterior items	22,397	10.7	17,990	9.7	(19.7)
Car interior items	18,480	8.8	16,327	8.8	(11.6)
Motor sports	13,918	6.6	11,994	6.4	(13.8)
Services	13,997	6.7	12,754	6.8	(8.9)
Others	23,227	11.1	16,277	8.7	(29.9)
Total	209,766	100.0	186,561	100.0	(11.1)

Note: "Others" is consisted of revenue of Car sales, Lease and other.

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