

Consolidated Financial Results for the Three Months Ended June 30, 2009

Summary of Quick Financial Announcement of Consolidated Financial Information For the First Quarter Ended June 30, 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: August 14, 2009.

Adoption of accounting principles generally accepted in the U.S.A.: No

1. Results for the Three months ended June 30, 2009 (From April 1, 2009 to June 30, 2009).

(Note: Amounts less than 1 million Yen have been rounded down. Figures in () indicate loss or negative figures.)

(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, 2009	59,538	(12.4)	2,085	-	2,635	349.2
Three months ended June 30, 2008	68,002	-	18	-	586	-

	Net income		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
		%		
Three months ended June 30, 2009	873	(70.2)	23.48	-
Three months ended June 30, 2008	2,933	-	76.86	-

(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, 2009	218,971	151,510	68.9 %	4132.44
Fiscal year ended March 31, 2009	224,168	155,478	69.0	4,132.75

(Reference) Equity: Three months ended June 30, 2009: 150,782 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	-	-	-	-
Fiscal year ended March 31, 2010(forecast)	-	50.00	-	50.00

	Dividends per share	
	Annual	
Fiscal year ended March 31, 2009	100.0	
Fiscal year ended March 31, 2010	-	
Fiscal year ended March 31, 2010 (forecast)	100.0	

Note : Revision to quarterly dividend forecast : 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	
		%		%		%
Semiannual	112,600	(12.9)	4,000	863.1	4,600	223.1
Annual	229,300	(11.5)	9,000	76.8	10,000	52.5
	Net income		Basic net income per share(Yen)			
Semiannual	2,600	53.7	69.43			
Annual	5,700	-	152.21			

Note: Revision to quarterly consolidated performance forecast : None

4. Other

- (1) Significant changes in subsidiaries during the first 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)
First quarter ended June 30, 2009: 37,454,204 shares
Fiscal year ended March 31, 2009: 39,255,175 shares
 2. Number of treasury stock shares outstanding
First quarter ended June 30, 2009: 966,700 shares
Fiscal year ended March 31, 2009: 1,807,153 shares
 3. Average shares outstanding over quarter
First quarter ended June 30, 2009: 37,205,716 shares
First quarter ended June 30, 2008: 38,174,589 shares

Qualitative Information and Financial Statements

Qualitative Information Concerning Consolidated Business Results

In the consolidated first quarter period under review, the Japanese economy continued to confront a severe economic environment. Corporate earnings were weak and the employment and income environments suffered in the global economic downturn that began in the previous fiscal year.

Although spending on automobiles was influenced by the decline in the number of registered new and used cars, a result of the economic slowdown, partial cuts in expressway tolls bolstered demand for ETC equipments and merchandises that make long-distance journeys by car more comfortable.

Responding to this business environment, in the automotive goods and services business in AUTOBACS Chain, including its franchise outlets in Japan, the Chain strove to ensure the availability and prompt sales of highly popular ETC equipments at stores, and to bolster sales of car navigation devices, targeting rising demand for the systems used for long-distance driving, and maintenance related goods, such as tires, oil, and repair goods. As a result, sales of the above goods remained strong. In statutory safety inspection and maintenance services, the number of cars that the AUTOBACS Chain stores inspected rose by 13.7% year-on-year, to 96,447 units, bolstered by ongoing initiatives to strengthen sales at stores. Total sales of automotive goods and services and statutory safety inspections and maintenance from AUTOBACS, SUPER AUTOBACS, and AUTO HELLOES—which are the Group’s mainstay stores—rose by 4.1% year-on-year on a total store basis, and by 3.3% on a same-store basis.

In the car sales and purchases business, starting the consolidated fiscal year under review, the Group has been striving to develop a successful business model for the AUTOBACS chain by carefully selecting outlets operating this business. The number of vehicle sales declined by 26.3% from a year earlier, to 3,918.

The Group's consolidated sales for the first quarter period under review declined by 12.4% year-on-year, to 59,538 million yen. With respect to wholesales operations that consist of sales to franchise outlets in Japan, sales fell by 9.4% from the previous year, to 35,278 million yen. This decline was mainly attributable to a fall in sales of tires, reflecting a surge in demand the year-ago period in anticipation of a price hike, as well as the fall in unit prices recorded on the back of rising shares of private brands and exclusive merchandise. These factors outweighed strong sales of ETC equipments, car navigation devices, batteries, and repair goods. Moreover, lower sales of motorcycle related goods with the transfer of its franchise business, and lower sales of fuels following the liquidation of DIA BACS Co., Ltd., a joint venture, as a result of the Company's execution following the mid-term business plan, reduced the sales of the wholesale operation. With respect to retail operations, sales of automotive goods and services, such as ETC equipments and car navigation devices, from directly managed and subsidiary stores remained strong. In its overseas operations, sales in Asia (excluding China) remained steady, but sales in France fell from the previous year, reflecting the economic downturn. Moreover, with the measures set out in the mid-term business plan, sales fell in the United States and Taiwan. Other factors adversely affecting retail operations were a selling of the motorcycle-related goods store, directly managed by the Group, and the liquidation of CARS Sapporo Co., Ltd. However, an increase in the number of outlets operated by subsidiaries in Japan did make a contribution to sales. Overall, though, sales from retail operations fell by 17.1% year-on-year, to 23,302 million yen.

Although gross profit fell as a result of the streamlining of overseas subsidiaries and other operations, given the impact of initiatives to reduce sales costs in Japan, the gross profit ratio rose to 30.2%, from 29.0% a year earlier. Selling, general, and administrative expenses declined by 19.5% from the previous year, to 15,869 million yen, reflecting a decline in overall expenses with the streamlining of overseas subsidiaries and other operations, as well as a reduction in advertising expenditures. The ratio of selling, general, and administrative expenses to sales also improved to 26.7% from 29.0% in a year earlier. As a result, consolidated operating income rose by 2,067 million yen year-on-year, to 2,085 million yen. Consolidated ordinary income jumped by 349.2% from the previous year, to 2,635 million yen, mainly because of a lower loss on the revaluation of investment securities posted as a non-operating expense, offsetting a decline in foreign exchange profit. The Group also recorded an extraordinary income of 3,750 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 4,457 million yen from 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 Ltd. and Seibu Driving School Co., Ltd.. As a result, net income for the first quarter under review was down by 70.2% year-on-year, to 873 million yen.

AUTOBACS STRAUSS INC., which has filed a petition under Chapter 11 of the U.S. Bankruptcy Code has been excluded from the scope of consolidated subsidiaries following the transfer of all its shares in the consolidated first quarter under review.

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

Assets	June 30, 2009	March 31, 2009
	Amount	Amount
Current assets		
Cash and deposits	38,511	39,140
Trade notes and accounts receivable	29,502	23,645
Marketable securities	13,820	13,830
Inventories	18,977	21,200
Other current assets	39,921	39,833
Allowance for doubtful receivables	(820)	(683)
Total current assets	139,912	136,968
Fixed assets		
Tangible fixed assets		
Land	22,600	23,907
Other fixed assets(net)	16,298	17,085
Total tangible fixed assets	38,899	40,992
Intangible fixed assets		
Goodwill	1,284	1,431
Other intangible fixed assets	7,214	9,399
Total intangible fixed assets	8,499	10,830
Investments		
Rental deposits	21,024	21,279
Other investments	15,120	14,748
Allowance for doubtful receivables	(4,485)	(651)
Total investments	31,660	35,376
Total fixed assets	79,058	87,199
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Total assets	218,971	224,168

(Unit: Millions of Yen)

Liabilities and Net assets	June 30, 2009 Amount	March 31, 2009 Amount
Current liabilities		
Trade notes and accounts payable-trade	20,801	16,457
Short-term borrowings	3,186	3,307
Income taxes payable	2,081	414
Allowances	1,756	5,235
Other current liabilities	18,211	19,427
Total current liabilities	46,037	44,842
Long-term liabilities		
Bonds	110	140
Long-term debt	12,003	12,496
Allowances	371	429
Other long-term liabilities	8,938	10,781
Total long-term liabilities	21,423	23,847
Total liabilities	67,460	68,689
Owners' equity		
Common stock	33,998	33,998
Capital surplus	34,277	34,511
Retained earnings	85,591	94,297
Treasury stock at cost	(3,200)	(8,000)
Total owners' equity	150,666	154,807
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	(23)	(217)
Foreign currency translation adjustments	138	173
Total valuation and translation adjustments	115	(44)
Minority interests	728	715
Total net assets	151,510	155,478
Total liabilities and net assets	218,971	224,168

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

	Three months ended June 30, 2008 Amount	Three months ended June 30, 2009 Amount
Net sales	68,002	59,538
Cost of goods sold	48,262	41,583
Gross profit	19,739	17,955
Selling, general and administrative expenses	19,721	15,869
Operating income	18	2,085
Non-operating income		
Interest income	90	53
Dividend income	15	12
Equity in income on affiliates	-	0
Lease revenue-system equipment	398	316
Foreign exchange gain	670	133
Other non-operating income	1,258	931
Total non-operating income	2,434	1,446
Non-operating expenses		
Interest expenses	68	61
Equity in loss of affiliates	35	-
Loss on revaluation of investment securities	981	63
Lease cost-system equipment	464	314
Other non-operating expenses	316	457
Total non-operating expenses	1,865	895
Ordinary income	586	2,635
Extraordinary gains		
Effect of application of accounting standard for leased assets	4,651	-
Reversal of allowance for business restructuring	-	3,514
Other extraordinary gains	538	235
Total extraordinary gains	5,190	3,750
Extraordinary losses		
Impairment losses on fixed assets	-	447
Reversal of allowance for doubtful receivables	-	4,009
Total extraordinary losses	-	4,457
Income before income taxes and minority interests	5,777	1,929
Income taxes		
Current	1,344	2,030
Deferred	1,512	(997)
Total income taxes	2,856	1,033
Minority interests in net (loss) income	(13)	22
Net income	2,933	873

(3) Consolidated Statements of Cash Flows
(Unit: Millions of Yen)

	Three months ended June 30, 2008 Amount	Three months ended June 30, 2009 Amount
Operating Activities:		
Income before income taxes and minority interests	5,777	1,929
Depreciation	1,471	1,252
Impairment losses on fixed assets	-	447
Amortization of goodwill	101	168
Increase (decrease) in allowance for doubtful accounts	(522)	3,979
Interest and dividend income	(105)	(65)
Interest expenses	68	61
Gain on foreign currency translation	(439)	(4)
Provision for business restructuring	-	(3,514)
Equity (income)loss on affiliates	35	(0)
Effect of application of accounting standard for leased assets	(4,651)	-
Loss on revaluation of investment securities	981	63
Increase in trade notes and accounts receivable	(4,883)	(4,288)
Decrease (increase) in lease investment assets	(935)	766
Increase in inventories	(1,546)	(497)
Increase in trade notes and accounts payable	7,314	4,544
Others	(1,995)	80
Subtotal	667	4,922
Interest and dividend received	133	209
Interest paid	(79)	(80)
Taxes paid	(2,026)	(415)
Net cash provided by (used in) operating activities	(1,305)	4,636
Investing Activities:		
Payment for marketable securities	-	(1,996)
Proceeds from sales of marketable securities	500	-
Payment for tangible and intangible fixed assets	(2,429)	(489)
Proceeds from sales of investment securities	1,000	0
Payments for acquisition of subsidiaries' stock resulting from change in the scope of consolidation	(236)	-
Proceeds for acquisition of subsidiaries' stock resulting from change in the scope of consolidation	-	(833)
Payment for loans	(230)	(120)
Collection of loans	182	85
Others	167	194
Net cash used in investing activities	(1,045)	(3,160)
Financing Activities:		
Decrease in short-term borrowings	(109)	(70)
Repayments of long-term debt	(496)	(544)
Purchase of treasury stock	(2,453)	(3,173)
Dividends paid	(2,669)	(1,873)
Others	(42)	(508)
Net cash used in financing activities	(5,773)	(6,169)
Effect of exchange rate changes on cash and cash equivalents	186	18
Net decrease in cash and cash equivalents	(7,937)	(4,675)
Cash and cash equivalents, beginning of the period/ year	49,637	51,748
Cash and cash equivalents, end of the period	41,699	47,073

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