

November 7, 2008

## Consolidated Financial Results for the Six Months Ended September 30, 2008

### Summary of Quick Financial Announcement of Consolidated Financial Information For the Second Quarter Ended September 30, 2008

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

Contact for further information: Hidehiro Ide, Director and Senior Executive Officer

Telephone: +81-3-6219-8728

Stock exchange listings: Tokyo and Osaka

Submission of Quarterly Business Report : November 14, 2008

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

1. Results for the six months ended September 30, 2008 (From April 1, 2008 to September 30, 2008).

(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>Six months ended September 30, 2008</b>	<b>129,299</b>	<b>-</b>	<b>415</b>	<b>-</b>	<b>1,423</b>	<b>-</b>
Six months ended September 30, 2007	129,551	11.0	3,032	(48.8)	4,817	(44.1)

  

	Net income		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
<b>Six months ended September 30, 2008</b>	<b>1,692</b>	<b>-</b>	<b>44.75</b>	<b>-</b>
Six months ended September 30, 2007	2,035	(59.4)	53.23	53.08

(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>Six months ended</b>			%	
<b>September 30, 2008</b>	<b>225,985</b>	<b>161,348</b>	<b>71.0</b>	<b>4,286.40</b>
Fiscal year ended March 31, 2008	234,126	165,205	70.2	4,298.70

(Reference) Equity: Six months ended September 30, 2008: 160,507 million Yen  
For the year ended March 31, 2008: 164,335 million Yen

2. Dividends

	Dividends per share (Yen)			
	First quarter	Second quarter	Third quarter	Year -end
<b>Fiscal year ended March 31, 2008</b>	-	<b>30.00</b>	-	<b>70.00</b>
Fiscal year ended March 31, 2009	-	50.00	-	-
Fiscal year ended March 31, 2009 (forecast)	-	-	-	50.00

	Dividends per share	
	Annual	
<b>Fiscal year ended March 31, 2008</b>	<b>100.0</b>	
Fiscal year ended March 31, 2009	-	
Fiscal year ended March 31, 2009 (forecast)	100.0	

Note: Revision to quarterly dividend forecast: None

3. Forecast for the fiscal year 2009 (from April 1, 2008 to March 31, 2009)

(Unit: Millions of Yen)

	Net sales		Operating income		Ordinary income	
Annual	267,700	0.5 %	3,700	(46.7) %	4,900	(19.2) %
	Net income		Basic net income per share(Yen)			
Annual	500	(65.9) %	13.35			

Note : Revision to quarterly consolidated performance forecast : Yes

#### 4. Other

- (1) Significant changes in subsidiaries during the second quarter (changes in certain subsidiaries resulting in a change in the consolidation scope): None
- (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: Yes
  - 2.Other changes: Yes
- (4) Shares outstanding (common stock)
  1. Common Stock Issued  
Number of shares outstanding (including treasury stock)  
**Second quarter ended September 30, 2008: 39,255,175 shares**  
Fiscal year ended March 31, 2008: 39,255,175 shares
  2. Number of treasury stock shares outstanding  
**Second quarter ended September 30, 2008: 1,809,304 shares**  
Fiscal year ended March 31, 2008: 1,026,005 shares
  3. Average shares outstanding over quarter  
**Second quarter ended September 30, 2008: 37,810,305 shares**  
Second quarter ended September 30, 2007: 38,231,014 shares

#### 5. Qualitative Information and Financial Statements

##### (1) Consolidated Business Results for the First Quarter Ended June 30, 2008

In the consolidated first half, the sense of stagnation in the Japanese economy has been shown more evidently in corporate earnings and capital investment as the growth of the global economy slowed, reflecting heightened financial insecurity triggered by the subprime mortgage crisis in the United States. With employment and household income becoming increasingly difficult and the prices of basic materials and food rising, consumers became more focused on saving money and preserving their lifestyles.

In the automotive goods and services sales industry, the operating environment was extremely challenging following the effect of shrinking demand for automobiles on the back of record high gasoline prices and the corresponding heightened money saving orientation. Factors placing downward pressure on sales increased, such as a decline in the unit sales price of automotive goods including car navigation systems and the longer period taken to replace consumable supplies like tires and oils. With car ownership rates falling in inner-city areas and car use becoming less frequent in local regions, competition intensified as automobile manufacturers and dealers enhanced their handling of automotive goods and services.

In this situation, consolidated sales for the AUTOBACS Group declined 0.2% in the first half under review from the same period in the previous fiscal year, to 129,299 million yen. In wholesale operations, the increase in sales of tires, wheels, automobiles and fuels was unable to offset the decline in sales of car electronics, motor sports goods, car exteriors, and other automotive goods. As a result, wholesale sales decreased 0.3% year on year. In retail operations, sales of automotive goods and services at domestic stores were sluggish. However, service-related sales from statutory safety inspection and maintenance services, along with an increase in sales at overseas stores, contributed to a 0.2% rise in sales compared to a year earlier. With

respect to gross profit, although sales increased at overseas subsidiaries, which sell many high-margin auto parts, the gross profit margin fell for services and sales of used cars in Japan. As a result, gross profit remained virtually flat from a year ago at 39,590 million yen. Meanwhile, selling, general, and administrative expenses increased 6.8% year on year, to 39,174 million yen, despite our efforts to reduce administrative expenses in Japan. This reflected also intensive tire advertising this period in Japan and the deployment of the POS system, which commenced in 2007.

From the above-mentioned factors, consolidated operating income resulted in slipping 86.3% from the same period in the previous fiscal year, to 415 million yen. Consolidated ordinary income declined 70.4% from a year earlier, to 1,423 million yen, mainly due to a 1,146 million yen loss on the revaluation of investment securities being posted as a non-operating expense. Net income for the first half under review was down 16.9% year on year, to 1,692 million yen. This resulted from extraordinary income of 4,651 million yen due to the change of accounting standards concerning the lease transactions of buildings to franchisee corporations, and extraordinary loss of 1,300 million yen resulting from the impairment loss of fixed assets.

A business overview of each geographical division is provided below.

#### Japan

Sales of automotive goods and services at the AUTOBACS stores in Japan declined with sluggish sales of car audio systems and a fall in unit prices owing to the expansion of the market for lower-priced portable navigation devices in the car electronics field, which continue to account for a high percentage of overall sales. Positive factors included the special price reduction campaign for major tire sales, which was advertised nationally in June in the press and a surge in consumer spending in anticipation of price hikes of tires, and also a rise in the unit price of batteries. Even in an environment where consumers curtailed spending on automobiles, there were robust sales of products with special attributes, such as child and junior seats associated with the mandatory use of safety belts in the rear seats of vehicles, and safety hammers reflecting the accidents of the severe rainstorms this summer. Meanwhile, in the field of statutory safety inspections and maintenance, the number of cars that underwent statutory inspection at our stores increased 15.8% from a year earlier to 179,711. This was because of the increase in the number of designated and certified statutory inspection store locations, as well as sales promotion activities via nationwide TV advertisements. In the area of used car sales and purchases, the number of vehicle sales (including sales from franchisee corporations to the Company) rose 23.6%, to 11,135. This was attributable to the higher number of stores that adopted the “Sugogai” used-car purchase system, which was introduced in the fiscal year ended March 2008, and the use of television advertisements to increase recognition. As a result, the AUTOBACS Group’s consolidated domestic sales, which consist of wholesale sales (primarily to franchise stores) and retail sales of directly-managed and subsidiary stores, stood at 114,003 million yen. Operating expenses were 112,220 million yen, with the increase in sales promotion expenses for tires and system-related expenses. As a result, operating income in the Japan segment stood at 1,783 million yen.

#### Overseas

In North America, we strengthened our merchandise lineup and marketing activities to local customers at Strauss Discount Auto, an auto goods and services specialty chain we operate on the East Coast of the United States. In addition, we opened Super AUTOBACS Covina near Los Angeles on the West Coast. While consumer spending stalled, sales at existing stores of Strauss Discount Auto increased from a year earlier through improvements in store layouts. On the West Coast, sales were sluggish because of the negative effects of the slowdown in individual consumption associated with rising gasoline prices, in addition to the weakened attractiveness of the shopping malls, where we have opened our stores, to

attract potential customers. As a result of the above factors, as well as the effect of higher costs for opening new stores, we posted an operating loss of 1,144 million yen in the North American segment.

In Europe, we expanded business by opening AUTOBACS WITTENHEIM Store and AUTOBACS SAINT MAXIMIN in France as the third and fourth franchise stores. Thanks to heightened recognition of AUTOBACS and the increase in sales due to the improvement of sales sites, in addition to higher gross profit margin owing to the revision of unit sales prices and the reduction in selling, general, and administrative expenses, the operating loss for Europe improved to 86 million yen.

In Asia, we opened AUTOBACS Chaeng Wattana Store and AUTOBACS UBI Store in Thailand and Singapore, where sales of existing stores remained favorable. In China, our local franchise opened AUTOBACS BEIJING HUAXIANG Store. Although sales increased in China and other parts of Asia, the operating loss in this region stood at 137 million yen, attributable to new store opening costs and higher costs for business operations.

## (2) Qualitative information concerning consolidated business forecast

### Consolidated results

With respect to full-year results, we expect that net sales will be lower than the previous forecast announced on May 15, 2008. Challenging conditions are anticipated to continue, such as consumers defensive attitude to preserve their lifestyles, a fall in car sales and the number of vehicles owned, and the tendency of young people to move away from car ownership, although we are stepping up our efforts to bolster the domestic franchise business by enhancing the merchandise lineup and sales promotion activities.

Operating income is expected to be lower than the previous forecast because of the effect of decreased sales, despite our efforts to reduce selling, general, and administrative expenses. Ordinary income is also expected to fall short of the previous forecast, reflecting the effect of currency fluctuation derived from global financial insecurity.

We also foresee that extraordinary losses will be generated, such as a loss on the disposal of investment securities, because the AUTOBACS Group has set an objective of “improving assets/capital efficiency” in the financial strategy of its mid-term business plan. As a result, we expect that net income will also fall below the previous forecast.

Meantime, the AUTOBACS Group announced to review its overseas operations drastically through the mid-term business plan and the scrutiny of each overseas operation is now reaching at the final stage. Its details are though not fixed yet so any related figures to this review are not reflected in this revised forecast.

6. (1) Consolidated Balance Sheets  
(Unit: Millions of Yen)

<b>Assets</b>	<b>September 30, 2008</b> Amount	<b>March 31, 2008</b> Amount
<b>Current assets</b>		
Cash and deposits	33,414	37,663
Trade notes and accounts receivable	22,176	19,309
Marketable securities	10,389	15,484
Inventories	25,968	23,267
Other current assets	34,713	22,256
Allowance for doubtful receivables	(172)	(574)
Total current assets	126,489	117,406
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Land	24,400	25,069
Other fixed assets (net)	18,874	28,697
Total tangible fixed assets	43,275	53,767
<b>Intangible fixed assets</b>		
Goodwill	4,997	5,241
Other intangible fixed assets	10,563	11,184
Total intangible fixed assets	15,561	16,425
<b>Investments</b>		
Rental deposits	21,596	21,805
Other investments	19,685	25,539
Allowance for doubtful receivables	(621)	(818)
Total investments	40,660	46,526
Total fixed assets	99,496	116,719
<hr/>		
<b>Total assets</b>	<b>225,985</b>	<b>234,126</b>

(Unit: Millions of Yen)

<b>Liabilities and Net assets</b>	<b>September 30, 2008</b>	<b>March 31, 2008</b>
	<b>Amount</b>	<b>Amount</b>
<b>Current liabilities</b>		
Trade notes and accounts payable-trade	18,279	17,716
Short-term borrowings	3,545	2,667
Accounts Income Taxes	1,356	2,205
Allowances	1,224	1,049
Other current liabilities	16,933	19,931
Total current liabilities	41,338	43,570
<b>Long-term liabilities</b>		
Bonds	60	85
Long-term debt	13,358	14,934
Allowances	461	572
Other long-term liabilities	9,418	9,758
Total long-term liabilities	23,298	25,350
Total liabilities	64,636	68,921
<b>Owners' equity</b>		
Common stock	33,998	33,998
Capital surplus	34,512	34,512
Retained earnings	101,222	102,247
Treasury stock at cost	(8,007)	(5,541)
Total owners' equity	161,727	165,217
<b>Valuation and translation adjustments</b>		
Net unrealized gain on available-for-sale securities	(1,249)	(625)
Foreign currency translation adjustments	30	(256)
Total valuation and translation adjustments	(1,219)	(882)
<b>Minority interests</b>	841	869
Total net assets	161,348	165,205
<b>Total liabilities and net assets</b>	<b>225,985</b>	<b>234,126</b>

## (2) Consolidated Statements of Income

(Unit: Millions of Yen)

Six months ended  
September 30, 2008  
Amount

<b>Net sales</b>	<b>129,299</b>
Cost of goods sold	<b>89,708</b>
<b>Gross profit</b>	<b>39,590</b>
Selling, general and administrative expenses	<b>39,174</b>
<b>Operating income</b>	<b>415</b>
Non-operating income	
Interest income	<b>180</b>
Dividend income	<b>266</b>
Lease revenue - system equipment	<b>759</b>
Other non-operating income	<b>2,853</b>
Total non-operating income	<b>4,059</b>
Non-operating expenses	
Interest expenses	<b>136</b>
Equity in loss of affiliates	<b>18</b>
Loss on revaluation of investment securities	<b>1,146</b>
Lease cost - system equipment	<b>806</b>
Other non-operating expenses	<b>942</b>
Total non-operating expenses	<b>3,050</b>
<b>Ordinary income</b>	<b>1,423</b>
Extraordinary gains	
Effect of application of accounting standard for leased assets	<b>4,651</b>
Other extraordinary gains	<b>554</b>
Total extraordinary gains	<b>5,206</b>
Extraordinary losses	
Impairment losses on fixed assets	<b>1,300</b>
Other extraordinary losses	<b>153</b>
Total extraordinary losses	<b>1,453</b>
<b>Income before income taxes</b>	<b>5,176</b>
Income taxes - current	<b>1,217</b>
Income taxes - deferred	<b>2,273</b>
<b>Total Income Taxes</b>	<b>3,491</b>
Minority interests in net loss	<b>(6)</b>
<b>Net income</b>	<b>1,692</b>



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

Six months ended  
September 30, 2008  
Amount

<b>Operating Activities:</b>	
Income before income taxes	5,176
Depreciation	2,998
Impairment Loss on fixed assets	1,300
Amortization of goodwill	199
Decrease in allowance for doubtful account	(600)
Interest and dividend income	(447)
Interest expenses	136
Gain on foreign currency translation	(368)
Equity in loss of affiliates	18
Effect of application of accounting standard for leased assets	(4,651)
Loss on revaluation of investment securities	1,146
Decrease in trade notes and accounts receivable	1,184
Increase in lease investment assets	(1,037)
Increase in inventories	(2,329)
Increase in trade notes and accounts payable	622
Others	(3,812)
Subtotal	(463)
Interest and dividend received	488
Interest paid	(138)
Taxes paid	(2,061)
Net cash used in operating activities	(2,174)
<b>Investing Activities:</b>	
Proceeds from sales of marketable securities	500
Payment for tangible and intangible fixed assets	(3,724)
Disposition of investment securities	3,445
Cash of subsidiaries acquired	(236)
Payment for loans	(230)
Collection of loans	291
Others	440
Net cash provided by investing activities	487
<b>Financing Activities:</b>	
Net decrease in short - term borrowings	(315)
Proceeds from long - term debt	400
Repayments of long - term debt	(954)
Purchase of treasury stock	(2,454)
Dividends paid	(2,674)
Others	(32)
Net cash used in financing activities	(6,031)
Effect of exchange rate changes on cash and cash equivalents	47
Net decrease in cash and cash equivalents	(7,671)
Cash and cash equivalents, beginning of year	49,637
<b>Cash and cash equivalents, end of period</b>	<b>41,966</b>

## 7. Segment Information

### (1) Geographical Segments

(Unit: Millions of Yen)

	Japan	North America	Europe	Asia	Total	Elimination or Corporate	Consolidated
<b>Sales</b>							
<b>(1) Sales to outside customers</b>	113,749	8,666	4,848	2,033	129,299	-	129,299
<b>(2) Intersegment sales</b>	254	-	-	84	338	(338)	-
<b>Total</b>	114,003	8,666	4,848	2,117	129,637	(338)	129,299
<b>Operating income (loss)</b>	1,783	(1,144)	(86)	(137)	415	-	415

Notes: 1.The classification of overseas sales area segments is made accounting to geographical distances.

2.Countries /regions in the regional segmentation above

North America: U.S.A

Europe: France

Asia : China, Taiwan, Thailand and Singapore

### (2) Sales to Foreign Customers

(Unit: Millions of Yen)

	North America	Europe	Asia	Total
<b>Sales to foreign customers</b>	8,666	4,848	1,632	15,148
<b>Consolidated sales</b>				129,299
<b>Sales to foreign customers as a percentage to consolidated sales</b>	% 6.7	% 3.8	% 1.3	% 11.7

Note: "Sales to Foreign Customers " represents net sales and other operating revenue of consolidated subsidiaries in countries and areas outside of Japan.