

August 8, 2008

Consolidated Financial Results for the Three Months Ended June 30, 2008

Summary of Quick Financial Announcement of Consolidated Financial Information For the First Quarter Ended June 30, 2008

Company name : AUTOBACS SEVEN CO., LTD.

Code number : 9832

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

Headquarters : Tokyo, Japan

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Stock exchange listings : Tokyo Stock Exchange, First Section

Submission of Quarterly Business Report : August 14, 2008

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

1. Results for the Three months ended June 30, 2008 (From April 1, 2008 to June 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	
		%		%		%
Three months ended June 30, 2008	68,002	-	18	-	586	-
Three months ended June 30, 2007	64,386	4.8	1,213	(60.5)	2,462	(38.5)

	Net income		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
Three months ended June 30, 2008	2,933	-	76.86	-
Three months ended June 30, 2007	1,154	(45.4)	30.19	30.10

(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, 2008	238,650	163,392	68.1	4,340.40
Fiscal year ended March 31, 2008	234,126	165,205	70.2	4,298.70

(Reference) Equity : Three months ended June 30, 2008 : 162,532 million Yen
For the year ended March 31, 2008 : 164,335 million Yen

2.Dividends

	Dividends per share			
	First Quarter	Second Quarter	Third Quarter	Year -End
Fiscal year ended March 31, 2008	-	30.00	-	70.00
Fiscal year ended March 31, 2009	-	-	-	-
Fiscal year ended March 31, 2009 (forecast)	-	50.00	-	50.00

	Dividends per share	
	Annual	
Fiscal year ended March 31, 2008	100.0	
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	
		%		%		%
Semiannual	136,700	-	2,000	-	2,500	-
Annual	282,000	5.8	7,000	0.9	9,000	48.5

	Net income		Basic net income per share(Yen)	
		%		
Semiannual	3,000	-	80.11	
Annual	6,100	315.8	162.90	

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) : 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 outside (common stock)
 1. Common Stock Issued
Number of shares outstanding (including treasury stock)
First quarter ended June 30,2008 : 39,255,175 shares
Fiscal year ended March 31, 2008 : 39,255,175 shares
 2. Number of treasury stock shares outstanding
First quarter ended June 30, 2008 : 1,808,676 shares
Fiscal year ended March 31, 2008 : 1,026,005 shares
 3. Average shares outstanding over quarter
First quarter ended June 30,2008 : 38,174,589 shares
First quarter ended June 30,2007 : 38,231,415 shares

Qualitative Information and Financial Statements

1. Consolidated Business Results for the First Quarter Ended June 30, 2008

The business environment surrounding the AUTOBACS Group in the consolidated first quarter was severe, especially with respect to automobile-related consumption. This was attributable to the intensifying U.S. economic slowdown in the face of the subprime loan issue, soaring crude oil and other raw materials prices, and the decline in automobile sales.

Consolidated sales during the first quarter under review rose 5.6% from the same period in the previous fiscal year, to 68,002 million yen. In wholesale operations, the decline in sales of car electronics, car exteriors, and motor sports goods was offset by robust sales of tires, wheels, engine oil, batteries, automobiles, and other automotive goods. As a result, sales increased 0.1% year on year. In retail operations, sales of automotive goods and services at domestic stores operated by our subsidiary remained sluggish. However, with the posting of service-related sales from statutory safety inspection and maintenance services, as well as sales of AUTOBACS STRAUSS INC., which had not been posted in the first quarter of the previous fiscal year, sales rose 15.6% from a year earlier. With respect to net income, the gross margin improved 1.1 percentage point from the previous fiscal year, to 29.0%, largely because of the increased sales ratio at overseas subsidiaries, which sells many high-margin auto parts. Meanwhile, selling, general, and administrative expenses increased 17.6% year-on-year, to 19,721 million yen, as a result of the posting of expenses of AUTOBACS Strauss Inc. and higher spending on tire sales advertising in Japan and the deployment of the POS system, which started in 2007. As a result, consolidated operating income slipped 98.5% from the same period in the previous fiscal year, to ¥18 million. Consolidated ordinary income declined 76.2% from a year earlier, to 586 million yen, mainly because of the posting of a ¥981 million loss on the revaluation of investment securities as a non-operating expense. Net income for the first quarter under review was up 154.2% year on year, to ¥2,933 million, chiefly because of the posting of extraordinary income of 5,190 million yen from the change of accounting standards concerning lease transactions.

A business overview of each geographic segment is provided below.

(1) Japan

Sales of automotive goods and services at the AUTOBACS stores in Japan increased with the special price reduction campaign for major tire sales, which was advertised nationally in June in the press. However, overall sales remained flat because of the fall in the number of store visits by customers induced by soaring fuel prices, and because of sluggish sales of audio and higher-priced car navigation systems in the car electronics field, which continue to account for a high percentage of overall sales. Meanwhile, in the field of statutory safety inspections and maintenance, the number of cars that received statutory inspection at our stores increased 19.1%, to 85,040 from a year earlier, because of the increase in the number of designated and certified statutory inspection store locations, as well as the strengthening of marketing at existing stores. In the area of used car sales and purchase, fuller use of the "Sugogai" used-car purchase system, which was introduced in fiscal year ended March 2008, progressed at our stores, and the number of vehicle sales (including sales from franchisee corporations to the Company) rose 30.0%, to 5,507. Reflecting these favorable store sales, the AUTOBACS Group's consolidated domestic sales stood at ¥60,438 million. Accordingly, the gross profit ratio improved with the increased sales ratios for merchandises with higher profit margins as well as statutory safety inspection and maintenance. In addition, we have sought to control selling, general, and administrative expenses, especially in the areas of recruiting expenses and sales promotion-related cost. As a result, operating income in the Japan segment stood at ¥720 million.

(2) Overseas

In North America, we sought to strengthen our merchandise lineup at auto goods and services specialty chain Strauss Discount Auto, whose operations were transferred to us in 2007, while boosting our marketing activities for local customers. In addition, we opened Super AUTOBACS Covina on the West Coast of the United States in April 2008. However, sales were sluggish because of the negative effects of the slowdown of individual consumption, in addition to the posting of store opening expenses. As a result, we posted an operating loss of ¥544 million in the North American segment.

In Europe, recognition of the business style of AUTOBACS continued to grow, and amidst a sustained increase in sales at existing stores, we opened the third French franchise store, AUTOBACS Wittenheim. In addition, because of the hike in the sales unit price and other measures, gross profit improved, and we

continued to take limit selling, general, and administrative expenses. As a result, the operating loss for Europe stood at ¥97 million.

In Asia, sales of existing stores remained favorable. In Thailand, we opened AUTOBACS Chaeng Wattana Store to lend further impetus to sales in that country. In contrast, expenses for business development in China and other parts of Asia increased. As a result, the operating loss in this region stood at ¥60 million.

2. Qualitative information concerning the consolidated financial position

Assets at the end of the consolidated first quarter under review increased 1.9% from the end of the first quarter of the previous fiscal year, rising ¥4,524 million to ¥238,650 million. This is largely the result of higher notes receivable, trades receivable, and inventories, among other items, offsetting a decline in cash, deposits, and securities.

Liabilities increased 9.2% year-on-year, rising ¥6,337 million to ¥75,258 million, chiefly because of the increase in notes payable and accounts payable, among other reasons, despite a decrease in the amount owed.

Net assets slipped 1.1% from the end of the previous consolidated fiscal year, falling ¥1,812 million to ¥163,392 million. This was mainly because of the increase in treasury stock, among other factors.

Cash flows

The outstanding balance of cash and cash equivalents (“cash”) at the end of the consolidated first quarter under review fell ¥7,937 million from the end of the previous consolidated fiscal year, to ¥41,699 million, reflecting cash of ¥1,305 million used in operating activities, cash of ¥1,045 million used in investing activities, and cash of ¥5,773 million used in financing activities.

These cash flows and their major factors are described as follows:

(Cash flow from operating activities)

Cash used in operating activities stood at ¥1,305 million (compared with cash used of ¥622 million in the last consolidated fiscal year). Principle factors included an increase in accounts payable to ¥7,314 million, the posting of ¥5,777 million income before income taxes and minority interests, offset by an increase in trades receivable to ¥4,883 million, a posting loss of ¥4,651 million to offset the application of new lease accounting standards, and a ¥2,026 million payment for corporate and other taxes.

(Cash from investing activities)

Despite cash of ¥1,500 million, mainly received from the redemption of securities and investment securities, a ¥2,429 million payment for the acquisition of tangible and intangible fixed assets, among other factors, resulted in cash used of ¥1,045 million (compared with cash used of ¥6,263 million in the last consolidated fiscal year).

(Cash flow from financial activities)

Cash used in investment activities stood at ¥5,773 million (compared with cash used of ¥1,530 million in the last consolidated fiscal year), largely because of dividend payments of ¥2,669 million and payment of ¥2,453 million for acquisition of treasury stocks, among other factors.

3. Qualitative information concerning consolidated business forecast

Looking at results for the consolidated first quarter under review and the business environment surrounding the automotive sector, as have described above, there is a possibility that the consolidated business forecast for the fiscal year ending March 31, 2009 may be revised downwards. Nonetheless, the AUTOBACS Group remains determined to achieve its forecasts, improving its profits by reviewing marketing strategies and instituting a comprehensive cost-cutting program. We have not made a change in the business forecast at this point because the performance of the AUTOBACS Group fluctuates substantially as a result of sales of car parts and accessories depending on snowfall during the winter season.

[Changes in accounting principles, procedures, presentation methods, etc. concerning the preparation of consolidated quarterly financial statements]

(1) Inventory assets

Beginning in the first consolidated quarter under review, the Accounting Standards for Measurement of Inventory Assets, ASBJ Statement No. 9 dated July 5, 2006, is applied. Accordingly, the measurement standard was changed from the conventional cost method to the cost method of devaluing book value upon decline of profitability. As a result, operating income, ordinary income, and income before income taxes and minority interests decreased 65 million yen respectively.

(2) Application of accounting standards concerning lease transactions, etc.

With respect to financing lease transactions other than ownership transfer, such transactions had been conducted based on accounting methods for leasing and rental transactions. However, beginning in the first consolidated quarter under review, on and after April 1, 2008, it became possible to apply the Accounting Standards for Lease Transactions, ASBJ Statement No. 13 dated June 17, 1993, with final revision on March 30, 2007, as well as the Guidance on Accounting Standard for Lease Transactions, ASBJ Guidelines No. 16 dated January 18, 1994, with final revision on March 30, 2007. Accordingly, the accounting standards have been applied starting the consolidated first quarter under review, changing the previous treatment of lease transactions to accounting methods for conventional sales and purchase transactions. With respect to financing lease transactions other than an ownership transfer with the lease start date before the initial year of application of the new method, the accounting method concerning conventional lease and rental transactions continues to be employed. In addition, the basis for recording profit regarding financing lease transactions other than ownership transfer is to record sales and sales cost at the time of receiving the lease fee and depreciation for leased assets uses the method of assuming the lease period as the expected lifetime, and calculating depreciation by setting the residual value as zero.

As a result, in the consolidated quarterly earnings statement, operating income and income before income taxes and minority interests increased ¥21 million and ¥4,673 million, respectively.

In addition, in the consolidated quarterly cash flow statements, cash used in operating activities rose 935 million yen, and cash used in investment activities decreased by the same amount.

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

Assets	June 30, 2008 Amount	March 31, 2008 Amount
Current assets		
Cash and deposits	33,768	37,663
Trade notes and accounts receivable	27,054	19,309
Marketable securities	10,470	15,484
Inventories	25,509	23,267
Other current assets	34,785	22,256
Allowance for doubtful receivables	(245)	(574)
Total current assets	131,342	117,406
Fixed assets		
Tangible fixed assets		
Land	24,834	25,069
Other fixed assets (net)	20,311	28,697
Total tangible fixed assets	45,145	53,767
Intangible fixed assets		
Goodwill	5,676	5,241
Other intangible fixed assets	10,932	11,184
Total intangible fixed assets	16,609	16,425
Investments		
Rental deposits	21,654	21,805
Other investments	24,526	25,539
Allowance for doubtful receivables	(627)	(818)
Total investments	45,553	46,526
Total fixed assets	107,308	116,719
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Total assets	238,650	234,126

(Unit: Millions of Yen)

Liabilities and Net assets	June 30 , 2008	March 31, 2008
	Amount	Amount
Current liabilities		
Trade notes and accounts payable-trade	25,212	17,716
Short-term borrowings	2,674	2,667
Accounts Income Taxes	1,471	2,205
Allowances	1,149	1,049
Other current liabilities	20,347	19,931
Total current liabilities	50,855	43,570
Long-term liabilities		
Bonds	70	85
Long-term debt	14,492	14,934
Allowances	516	572
Other long-term liabilities	9,323	9,758
Total long-term liabilities	24,402	25,350
Total liabilities	75,258	68,921
Owners' equity		
Common stock	33,998	33,998
Capital surplus	34,512	34,512
Retained earnings	102,465	102,247
Treasury stock at cost	(8,005)	(5,541)
Total owners' equity	162,971	165,217
Valuation and translation adjustments		
Net unrealized gain on available-for-sale securities	(538)	(625)
Foreign currency translation adjustments	99	(256)
Total valuation and translation adjustments	(438)	(882)
Minority interests	859	869
Total net assets	163,392	165,205
Total liabilities and net assets	238,650	234,126

(2) Consolidated Statements of Income

(Unit: Millions of Yen)

Three months ended
June 30, 2008
Amount

Net sales	68,002
Cost of goods sold	48,262
Gross profit	19,739
Selling, general and administrative expenses	19,721
Operating income	18
Non-operating income	
Interest income	90
Dividend income	15
Lease revenue - system equipment	398
Foreign exchange gain	670
Other non-operating income	1,258
Total non-operating income	2,434
Non-operating expenses	
Interest expenses	68
Equity in loss of affiliates	35
Loss on revaluation of investment securities	981
Lease cost - system equipment	464
Other non-operating expenses	316
Total non-operating expenses	1,865
Ordinary income	586
Extraordinary gains	
Effect of application of accounting standard for leased assets	4,651
Other extraordinary gains	538
Total extraordinary gains	5,190
Income before income taxes	5,777
Income taxes - current	1,344
Income taxes - deferred	1,512
Total Income Taxes	2,856
Minority interests in net loss	(13)
Net income	2,933

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

Three months ended
June 30, 2008
Amount

Operating Activities:	
Income before income taxes	5,777
Depreciation	1,471
Amortization of goodwill	101
Decrease in allowance for doubtful account	(522)
Interest and dividend income	(105)
Interest expenses	68
Gain on foreign currency translation	(439)
Equity in loss of affiliates	35
Effect of application of accounting standard for leased assets	(4,651)
Loss on revaluation or loss on sale of investment securities	981
Increase in trade notes and accounts receivable	(4,883)
Increase in lease investment assets	(935)
Increase in inventories	(1,546)
Increase in trade notes and accounts payable	7,314
Others	(1,995)
Subtotal	667
Interest and dividend received	133
Interest paid	(79)
Taxes paid	(2,026)
Net cash used in operating activities	(1,305)
Investing Activities:	
Proceeds from sales of marketable securities	500
Payment for tangible and intangible fixed assets	(2,429)
Disposition of investment securities	1,000
Cash of subsidiaries acquired	(236)
Payment for loans	(230)
Collection of loans	182
Others	167
Net cash used in investing activities	(1,045)
Financing Activities:	
Net decrease in short-term borrowings	(109)
Repayments of long-term debt	(496)
Purchase of treasury stock	(2,453)
Dividends paid	(2,669)
Others	(42)
Net cash used in financing activities	(5,773)
Effect of exchange rate changes on cash and cash equivalents	186
Net decrease in cash and cash equivalents	(7,937)
Cash and cash equivalents, beginning of year	49,637
Cash and cash equivalents, end of period	41,699

6. Segment Information

(1) Geographical Segments

	Japan	North America	Europe	Asia	Total	Elimination or Corporate	Consolidated
Sales							
(1) Sales to outside customers	60,299	4,382	2,347	971	68,002	-	68,002
(2) Intersegment sales	138	-	-	55	194	(194)	-
Total	60,438	4,382	2,347	1,027	68,196	(194)	68,002
Operating income (loss)	720	(544)	(97)	(60)	18	-	18

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

	North America	Europe	Asia	Total
Sales to foreign customers	4,382	2,347	774	7,504
Consolidated sales				68,002
Sales to foreign customers as a percentage to consolidated sales	% 6.4	% 3.5	% 1.1	% 11.0

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