

Consolidated Financial Results for the Nine Months Ended December 31, 2014 【Japanese Standards】

Summary of Quick Financial Announcement of Consolidated Financial Information For the Third Quarter Ended December 31, 2014.

Company name : AUTOBACS SEVEN CO., LTD.

Code number : 9832

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

Headquarters : Tokyo, Japan

Company Representative : Setsuo Wakuda, Representative Director

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Telephone : +81-3-6219-8787

Stock exchange listing : Tokyo

Submission of Quarterly Business Report : February 6, 2015.

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, 2014 (From April 1, 2014 to December 31, 2014)

(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, 2014	167,940	(5.8)	6,727	(43.8)	8,051	(40.1)
Nine months ended						
December 31, 2013	178,297	(2.5)	11,966	5.7	13,440	7.3

Note: Comprehensive income : **5,667 million yen for the nine months ended December 31, 2014 : (41.0 %)**
9,602 million yen for the nine months ended December 31, 2013 : 40.2 %

	Net income		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
Nine months ended		%		
December 31, 2014	4,726	(40.8)	54.02	-
Nine months ended				
December 31, 2013	7,990	20.4	87.53	-

(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, 2014	218,069	138,916	63.6	1,603.03
Fiscal year ended				
March 31, 2014	201,481	144,363	71.5	1,608.36

(Reference) Equity : **Nine months ended December 31, 2014 : 138,690 million Yen**

For the year ended March 31, 2014 : 143,978 million Yen

2. Dividends

	Dividends per share				(Yen)
	First Quarter	Second Quarter	Third Quarter	Year -end	Annual
Fiscal year ended					
March 31, 2014	-	27.00	-	37.00	64.00
Fiscal year ended					
March 31, 2015	-	30.00	-	-	-
Fiscal year ended					
March 31, 2015 (forecast)	-	-	-	30.00	60.00

Note : Revisions to dividend forecasts published most recently : None

Dividend for the year ending March 31, 2014:

ordinary dividend of 27.00 yen and commemorative dividend of 10.00 yen

3. Forecast for the fiscal year ending March 2015 (from April 1, 2014 to March 31, 2015)

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

	Net sales		Operating income		Ordinary income	
		%		%		%
Annual	216,600	(6.5)	9,000	(35.5)	10,800	(34.2)

	Net income		Basic net income per share(Yen)
		%	
Annual	6,000	(38.7)	69.35

Note : Revisions to financial forecasts published most recently : None

4. Other

- (1) Significant changes in scope of consolidation : None
- (2) Adoption of special accounting policies for quarterly financial statements : None
- (3) Changes in accounting policies, accounting estimation change and restatement
 - 1. Changes due to changes in accounting standard : None
 - 2. Changes due to changes in accounting standard except (3)-1. : None
 - 3. Changes due to accounting estimation change : None
 - 4. Restatement : None
- (4) Shares outstanding (common stock)
 - 1. Number of shares outstanding (including treasury stock)
Nine months ended December 31, 2014 : 89,950,105 shares
Fiscal year ended March 31, 2014 : 92,950,105 shares
 - 2. Number of treasury stock at the end of period
Nine months ended December 31, 2014 : 3,432,634 shares
Fiscal year ended March 31, 2014 : 3,431,070 shares
 - 3. Average shares outstanding over quarter
Nine months ended December 31, 2014 : 87,501,244 shares
Nine months ended December 31, 2013 : 91,283,153 shares

※Indication regarding the situation of quarterly review procedures

These financial results are not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time of the disclosure of the financial results, the procedures for reviewing quarterly financial statements pursuant to the Financial Instruments and Exchange Act had not been completed.

※Statement regarding the proper use of financial forecasts and other special remarks

These forecast performance figures are based on the information currently available to the Company's management and certain assumptions judged rational. Accordingly, these might be cases in which actual results materially differ from forecasts of this report.

5. Qualitative Information concerning Consolidated Business Results for the Nine Months ended December 31, 2014

(1) Qualitative Information Concerning Consolidated Business Results

1. Business environment

During the first nine months of the consolidated fiscal year under review, the Japanese economy stayed on a modest recovery path in the backdrop of the economic and monetary policies of the government. However, the consumer spending outlook remained uncertain, largely due to reaction to a last-minute rise in demand attributable to the consumption tax hike coupled with a prolonged slump in consumer sentiment and increasingly thrifty consumers. As for domestic automobile-related consumption, sluggish demand for new and used cars after the consumption tax hike continued. Conditions were harsh overall.

2. Overview of the domestic retail business

Total sales for businesses in the AUTOBACS chain (including franchise outlets) in Japan for the first nine months of the consolidated fiscal year under review declined by 7.5% year on year on a same-store basis and by 6.3% year on year on an overall store basis.

In the automotive goods segment, sales during the first nine months decreased year on year, reflecting decline in demand for merchandise such as car navigation devices and interior accessories as a result of continued downturn in consumption after the consumption tax hike and lackluster car sales, offsetting stronger demand for snow tires associated with snowfall.

In the statutory safety inspections and maintenance segment, the number of statutory safety inspections that were carried out increased by 0.1% year on year, to about 405,000, reflecting a moderate recovery in demand in the third quarter. This offset a challenging business environment during the first half, largely attributable to a rush to carry out the statutory safety inspection in March prior to the consumption tax hike and a drop in number of vehicles requiring the second statutory safety inspection due to weak new car sales five years ago when the Lehman crash occurred.

In the automobile purchase and sales segment, the number of appraised and contracted vehicles for purchase increased reflecting a rise in the degree of adeptness of stores which started handling such from the previous year, and sales to used car dealers such as in auto auctions grew. Retail sales of new and used cars to consumers were higher than the previous year's results. As a result, the total number of vehicles sold increased by 6.8% year on year, to about 16,400. As of the end of December, the number of CARS franchise stores rose to 433, up from 359 as of the end of the previous fiscal year.

In terms of the number of domestic store openings and closings, 13 new stores opened, resulting in an increase in the total number of stores to 584 from 571 as of the end of March 2014.

3. Consolidated business results

Group sales during the first nine months of the fiscal year under review declined by 5.8% to 167,940 million yen, gross profit fell by 10.0% to 52,777 million yen and selling, general and administrative expenses decreased by 1.3% to 46,050 million yen. Operating income declined by 43.8% year on year, to 6,727 million yen. Ordinary income decreased by 40.1% year on year, to 8,051 million yen. The gain of 401 million yen on the sale of affiliated company's shares was posted as extraordinary income due to the sale of AUTOBACS Kanagawa Ltd. shares. Net income declined by 40.8% to 4,726 million yen.

Results by business segment are as shown below.

<Non-consolidated>

Sales fell by 4.8% year on year, to 138,451 million yen. Particularly from the second quarter, sales promotion measures were implemented to increase sales in the stores despite a harsh consumption environment. In wholesale operations for franchise outlets, sales of cars and fuel rose, but sales of car

electronics, tires, wheels and interior goods decreased, and total sales declined by 5.0% year on year. In retail operations, sales decreased by 2.3%, reflecting a fall in sales of automotive goods generally, despite an increase in online sales of automotive goods and sales of services. Gross profit declined by 6.3% year on year, to 28,911 million yen, reflecting a decline in the gross profit ratio for interior goods, oil and batteries associated with decreased sales generally, which offset an increase in the gross profit ratio for tires and wheels. Selling, general and administrative expenses increased by 4.1% to 19,933 million yen because advertisement and sales promotion were strengthened while making efforts to reduce controllable expenses. As a result, operating income declined by 23.4% to 8,978 million yen.

<Domestic Store Subsidiaries>

Sales declined by 13.8% year on year, to 52,115 million yen, and operating loss came to 1,455 million yen (operating income of 258 million yen for the same period of the previous fiscal year). Sales declined year on year due to the transfer of stores to franchise companies, slowdown in consumption after the consumption tax hike, and decline in demand for automotive goods associated with a fall in sales of new cars. Gross profit fell reflecting a decline in sales. Selling, general and administrative expenses decreased largely due to the transfer of store subsidiaries to franchise companies and reduction in retail store rent.

<Overseas Subsidiaries>

Sales fell by 2.6% year on year, to 7,719 million yen. Operating loss stood at 106 million yen (operating income of 76 million yen for the same period of the previous fiscal year). Looking at the state of each country on a local currency basis, in France, sales of services were weak largely due to the recession, and sales and gross profit decreased from a year earlier. An operating loss was posted. In China, the Shanghai store was closed in September 2014 for reorganization of the retail business in the country. As a result, net sales declined but the operating loss narrowed. The plan moving forward is to import and export goods and examine further store expansion. In Thailand, a new store was opened in October. Nonetheless, sales decreased and the operating loss widened due to the continuing impact of political disturbance which has prevailed since last year. In Singapore, sales decreased and the gross profit ratio declined due to intensifying competition. However, operating income remained at the same level as the previous year thanks to efforts to reduce expenses.

<Subsidiaries for Car Goods Supply and other>

Sales increased by 1.0% year on year, to 11,732 million yen. Operating income declined by 59.3% to 90 million yen. Operating income fell from a year earlier due to an increase in expenses which was chiefly attributable to the expansion of the oil wholesale business in Palster K. K.

<Subsidiaries for Supporting Functions>

Sales declined by 2.4% year on year, to 2,318 million yen. Operating income dropped by 3.4% year on year, to 357 million yen.

<Adjustments to Consolidated Operating Income>

The adjusted amount from the aggregate amount of all segments' operating income to consolidated operating income increased by 455 million yen from the same period of the previous fiscal year, to 1,136 million yen.

4. Progress of the 2014 Medium-Term Business Plan

In AUTOBACS business, the Group began a review of store operations at its AUTOBACS Kaihin-Makuhari Store for the realization of "one-stop car goods and services".

The Group also opened Shaken Depot Shin-Urayasu Store, which provides statutory safety inspection and maintenance services, at the Ito-Yokado Shin-Urayasu Store. In October 2014, the Group began selling batteries under "AQ." (AUTOBACS QUALITY) brand that is affordably priced and easily accessible for purchase.

In overseas business, the Group established a subsidiary AUTOBACS CAR SERVICE MALAYSIA SDN. BHD. in Johor Province in Malaysia, and made preparations for store openings.

(2) Qualitative Information Concerning Financial Position

Total assets stood at 218,069 million yen at the end of the first nine months of the consolidated fiscal year under review, up by 8.2%, or 16,587 million yen from the end of the preceding consolidated fiscal year. This increase is mainly attributable to increase in notes and accounts receivable-trade and accounts receivable-other, offsetting a decrease in cash and deposits.

Total liabilities amounted to 79,152 million yen at the end of the first nine months of the consolidated fiscal year under review, up by 38.6%, or 22,033 million yen from the end of the preceding consolidated fiscal year. This increase primarily reflects increases in notes and accounts payable-trade and accounts payable-other.

Net assets were 138,916 million yen at the end of the first nine months of the consolidated fiscal year under review, down by 3.8%, or 5,446 million yen from the end of the preceding consolidated fiscal year. This decrease is largely attributable to the payment of dividends and the acquisition of treasury shares.

(3) Information on Future Forecasts including Consolidated Financial Results Forecasts

There is no change in the consolidated financial results forecasts announced on October 29, 2014.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

Assets	March 31, 2014 Amount	December 31, 2014 Amount
Current assets		
Cash and deposits	45,675	38,383
Trade notes and accounts receivable	22,467	39,194
Marketable securities	801	-
Inventories	16,383	19,518
Accounts receivable-other	25,219	28,794
Other current assets	16,346	16,394
Allowance for doubtful receivables	(183)	(98)
Total current assets	126,709	142,187
Fixed assets		
Tangible fixed assets		
Land	22,849	22,548
Other tangible fixed assets(net)	18,152	18,565
Total tangible fixed assets	41,002	41,114
Intangible fixed assets		
Goodwill	880	944
Other intangible fixed assets	4,712	5,389
Total intangible fixed assets	5,592	6,334
Investments		
Rental deposits	17,709	17,175
Other investments	10,552	11,558
Allowance for doubtful receivables	(84)	(301)
Total investments	28,177	28,432
Total fixed assets	74,771	75,881
Total assets	201,481	218,069

Liabilities and Net assets	March 31, 2014 Amount	December 31, 2014 Amount
Current liabilities		
Trade notes and accounts payable-trade	17,600	38,310
Short-term borrowings	4,394	3,644
Accounts payable-other	13,998	16,075
Income taxes payable	1,818	1,904
Allowance for business restructuring	194	81
Other Allowances	477	519
Other current liabilities	5,549	5,115
Total current liabilities	44,033	65,651
Long-term liabilities		
Bonds	15	-
Long-term debt	2,312	2,229
Allowances	152	113
Net defined benefit liability	189	137
Asset retirement obligations	2,005	2,036
Other long-term liabilities	8,409	8,983
Total long-term liabilities	13,084	13,500
Total liabilities	57,118	79,152
Shareholders' equity		
Common stock	33,998	33,998
Capital surplus	34,278	34,278
Retained earnings	78,679	72,975
Treasury stock at cost	(5,165)	(5,698)
Total shareholders' equity	141,790	135,554
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,588	2,147
Foreign currency translation adjustments	599	988
Total accumulated other comprehensive income	2,188	3,136
Minority interests		
	384	226
Total net assets	144,363	138,916
<hr/>		
Total liabilities and net assets	201,481	218,069

(2) Consolidated Statements of Income and Comprehensive Income
(Unit: Millions of Yen)

	Nine months ended December 31, 2013 Amount	Nine months ended December 31, 2014 Amount
Net sales	178,297	167,940
Cost of goods sold	119,655	115,163
Gross profit	58,642	52,777
Selling, general and administrative expenses	46,676	46,050
Operating income	11,966	6,727
Non-operating income		
Interest income	68	61
Dividend income	49	78
Equity in earnings of affiliates	32	-
Lease revenue-system equipment	961	1,043
Other non-operating income	2,067	1,654
Total non-operating income	3,179	2,838
Non-operating expenses		
Interest expenses	68	50
Equity in losses of affiliates	-	16
Lease cost-system equipment	889	876
Other non-operating expenses	747	571
Total non-operating expenses	1,705	1,514
Ordinary income	13,440	8,051
Extraordinary gains		
Gain on sales of subsidiaries and affiliates' stocks	-	401
Total extraordinary gains	-	401
Extraordinary losses		
Impairment losses on fixed assets	200	19
Total extraordinary losses	200	19
Income before income taxes and minority interests	13,240	8,433
Income taxes		
Current	3,704	3,876
Deferred	1,518	(143)
Total income taxes	5,223	3,733
Income before minority interests	8,016	4,700
Minority interests in net income (losses)	26	(25)
Net income	7,990	4,726
Minority interests in net income (losses)	26	(25)
Income before minority interests	8,016	4,700
Other comprehensive income		
Valuation difference on available-for-sale securities	996	556
Foreign currency translation adjustment	587	407
Share of other comprehensive income of associates accounted for using equity method	2	2
Total other comprehensive income	1,586	967
Comprehensive income	9,602	5,667
Comprehensive income attributable to		
Owners of the parent	9,568	5,674
Minority interests	33	(6)

7. Notes in case significant changes were made to the amount of shareholders' equity

At the Board of Directors Meeting held on May 8, 2014, the Board approved the repurchase of common stock.

From May 12, 2014 to September 17, 2014, Autobacs Seven Co., Ltd. repurchased 3,000,000 shares of common stock for 5,050 millions of yen.

The Board also approved the cancellation 3,000,000 shares of treasury stock at the above Board of Directors and carried it out on May 15, 2014.

As a result, Retained earnings and Treasury stock at cost were decreased by 4,520 millions of yen.

8. Segment Information

I Nine months ended December 31, 2013

(1) Information about sales and profit (loss)

(Unit: Millions of Yen)

	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Net sales						
Sales to outside customers	104,362	59,508	7,655	6,109	661	178,297
Intersegment sales or transfers	41,108	958	272	5,509	1,713	49,562
Total	145,471	60,467	7,928	11,618	2,374	227,860
Net income	11,720	258	76	222	369	12,646

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

(Unit: Millions of Yen)

Income	Amount
Total reportable segments	12,646
Inventories	(750)
Elimination of intersegment transaction	(114)
Amortization of goodwill	(83)
Allowance for point card	(44)
Fixed assets	185
Others	126
Operating income	11,966

(3) Impairment losses of assets, goodwill, and others, by reporting segment
Not applicable.

II Nine months ended December 31, 2014
 (1) Information about sales and profit (loss)

(Unit: Millions of Yen)

	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Net sales						
Sales to outside customers	102,897	50,682	7,496	6,195	668	167,940
Intersegment sales or transfers	35,554	1,432	222	5,536	1,649	44,396
Total	138,451	52,115	7,719	11,732	2,318	212,337
Net income (loss)	8,978	(1,455)	(106)	90	357	7,863

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

(Unit: Millions of Yen)

Income	Amount
Total reportable segments	7,863
Inventories	(823)
Elimination of intersegment transaction	(344)
Amortization of goodwill	(169)
Allowance for point card	(25)
Fixed assets	278
Others	(51)
Operating income	6,727

(3) Impairment losses of assets, goodwill, and others, by reporting segment
 Not applicable.

9. Additional Information

(1) Consolidated Sales Component and Percentage by Division

(Unit: Millions of Yen)

Nine months ended December 31, 2014

Divisions	Amount	Ratio	Year-on-Year Increase/Decrease Ratio
Wholesale	102,785	61.2	98.4
Retail	62,768	37.4	88.1
Others (letting and hiring fee of leased object)	2,386	1.4	93.0
Total	167,940	100.0	94.2

Note : Consumption taxes are excluded from the above amounts.

(2) Consolidated Sales Component and Percentage by Product Category
(Unit: Millions of Yen)

Nine months ended December 31, 2014

Products	Amount	Ratio	Year-on-Year Increase/Decrease Ratio
Wholesale		%	%
Tires and wheels	30,775	30.0	101.6
Car electronics	18,727	18.2	91.8
Oil and batteries	13,678	13.3	98.3
Car exterior items	11,178	10.9	101.4
Car interior items	9,264	9.0	92.9
Motor sports	5,794	5.6	93.6
Services	2,456	2.4	104.5
Others	10,910	10.6	105.4
Subtotal	102,785	100.0	98.4
Retail			
Tires and wheels	15,121	24.1	87.2
Car electronics	8,083	12.9	80.1
Oil and batteries	5,453	8.7	87.1
Car exterior items	7,427	11.8	91.9
Car interior items	6,213	9.9	85.4
Motor sports	3,769	6.0	87.6
Services	10,951	17.4	87.4
Others	5,749	9.2	106.7
Subtotal	62,768	100.0	88.1
Others (letting and hiring fee of leased object)	2,386	-	93.0
Total			
Tires and wheels	45,896	27.3	96.4
Car electronics	26,810	16.0	87.9
Oil and batteries	19,131	11.4	94.9
Car exterior items	18,605	11.1	97.4
Car interior items	15,478	9.2	89.7
Motor sports	9,564	5.7	91.2
Services	13,407	8.0	90.1
Others	19,046	11.3	104.1
Total	167,940	100.0	94.2

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.