

Results for the Three Months ended June 30, 2014



July 31, 2014

AUTOBACS SEVEN CO., LTD.

Q1 FY March 2015 Consolidated P/L



Both net sales and income decreased. Lower net sales and gross income were not offset by the curbing of SG&A expenses.

Store sales fell, primarily for tires, wheels, and car electronics in reaction to last-minute demand before the consumption tax hike. Gross income also decreased, resulting in an operating loss, although SG&A expenses were reduced as planned.

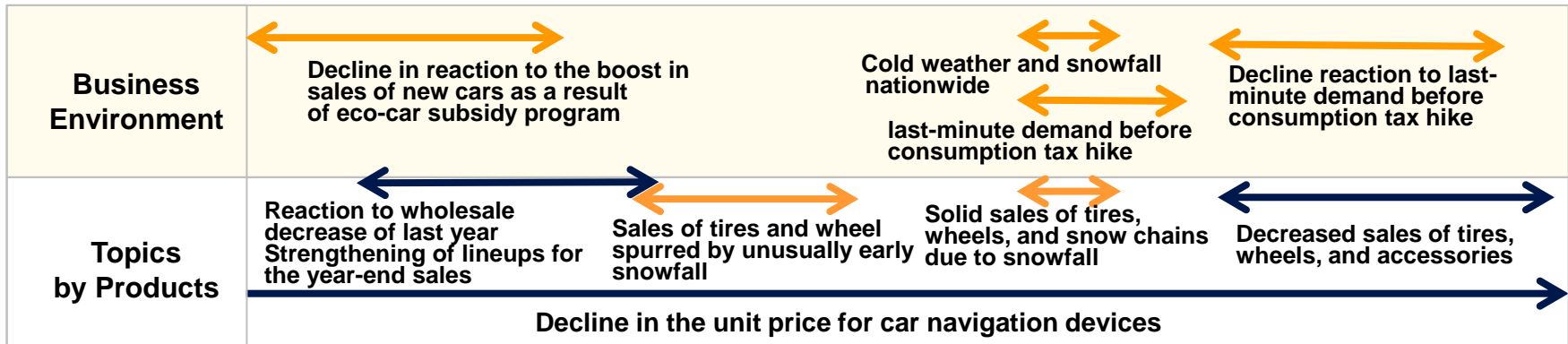
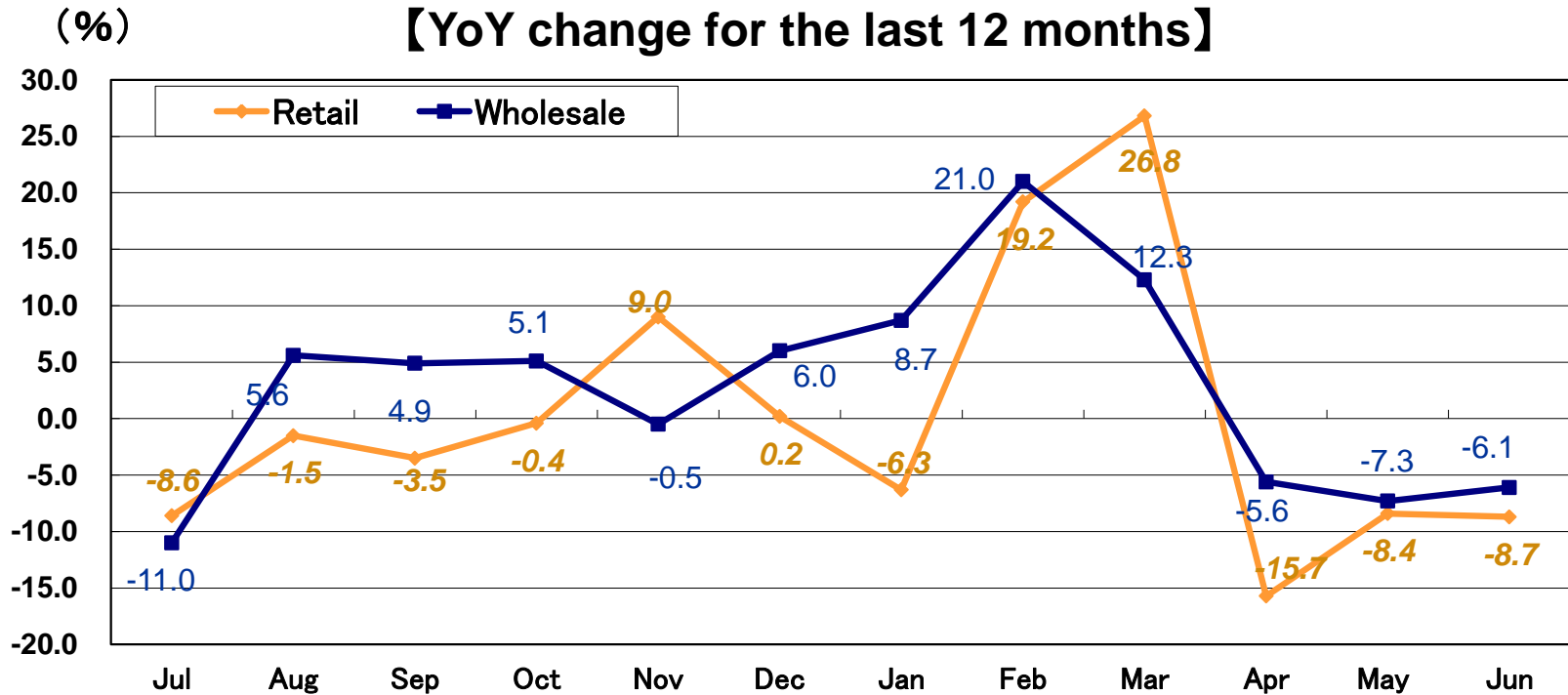
(Billion Yen)

	Three months ended June 30, 2014			Three months ended June 30, 2013	
	Actual result	% of Sales	YoY change ratio	Actual result	% of Sales
Net sales	48.5		- 7.5%	52.4	
Gross margin	14.8	30.6	- 13.0%	17.0	32.5
SG&A	15.0	31.0	- 0.9%	15.1	28.9
Operating income	(0.2)	(0.4)	—	1.9	3.6
Non-operating Income/expenses	0.6	1.2	+9.7%	0.5	1.0
Ordinary income	0.4	0.8	- 83.5%	2.4	4.6
Extraordinary gains/ losses	*0.4	0.8	—	(0.1)	0.3
Net income	0.2	0.3	- 87.6%	1.3	2.4

* Gain on sales of subsidiaries and affiliates' stocks

Amounts are rounded to the nearest hundred million yen. % of Net Sales and YoY comparisons are calculated in million yen.

Sales Trend : Retail & Wholesale (July 2013 – June 2014)



*Domestic retail sales including FCs: Major format stores (AB, SA)
+ Used car goods + New & Used cars + Fuel

Sales Ups & Downs by Merchandise (Q1)

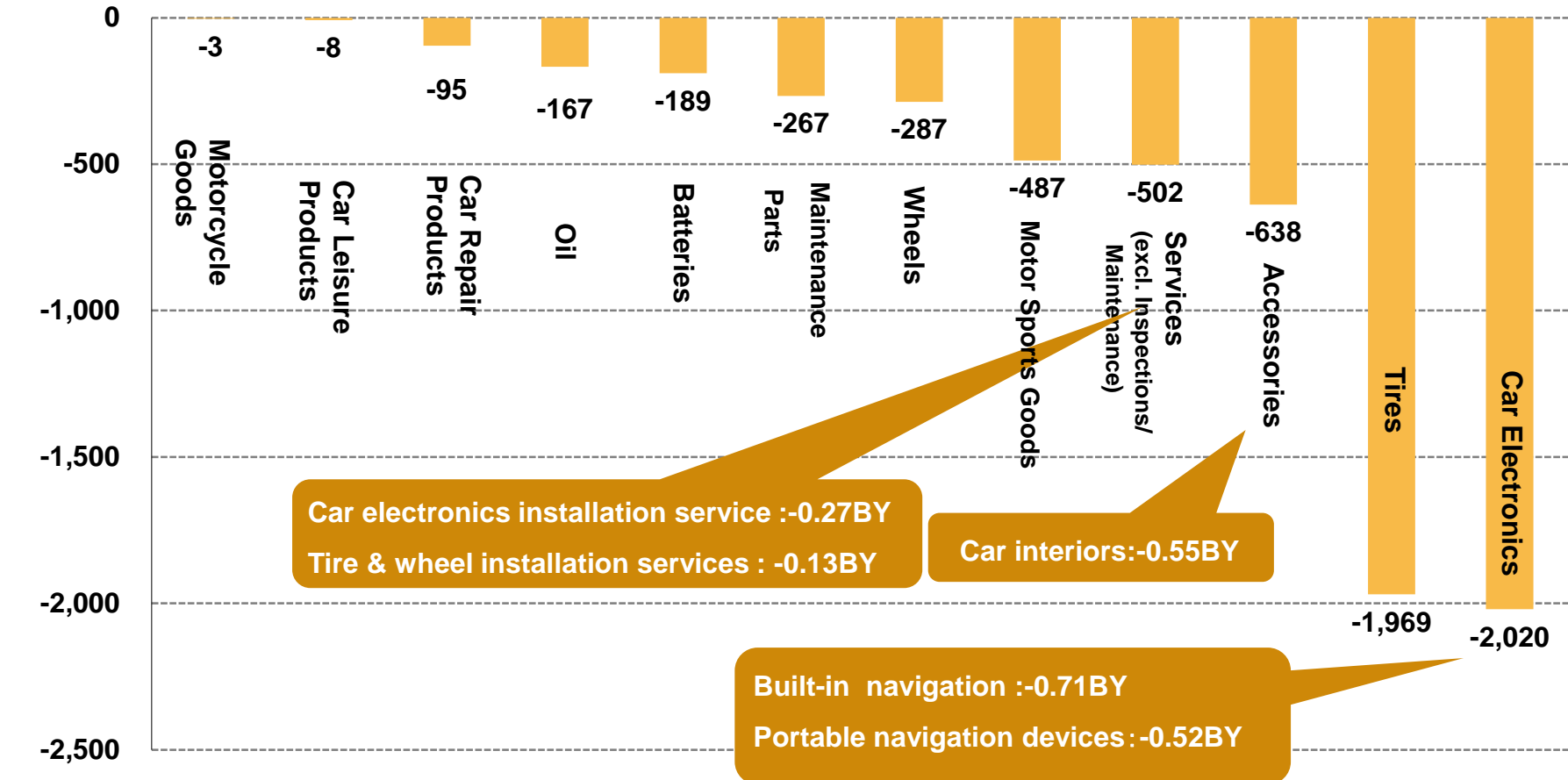


【Same Store Basis】 Sales: - 12.6% YoY, Number of customers: - 6.1% YoY

Retail sales ups and downs by merchandise category

(for three months ended June 30 2014, YoY change in amount, total store basis)

(Million Yen)



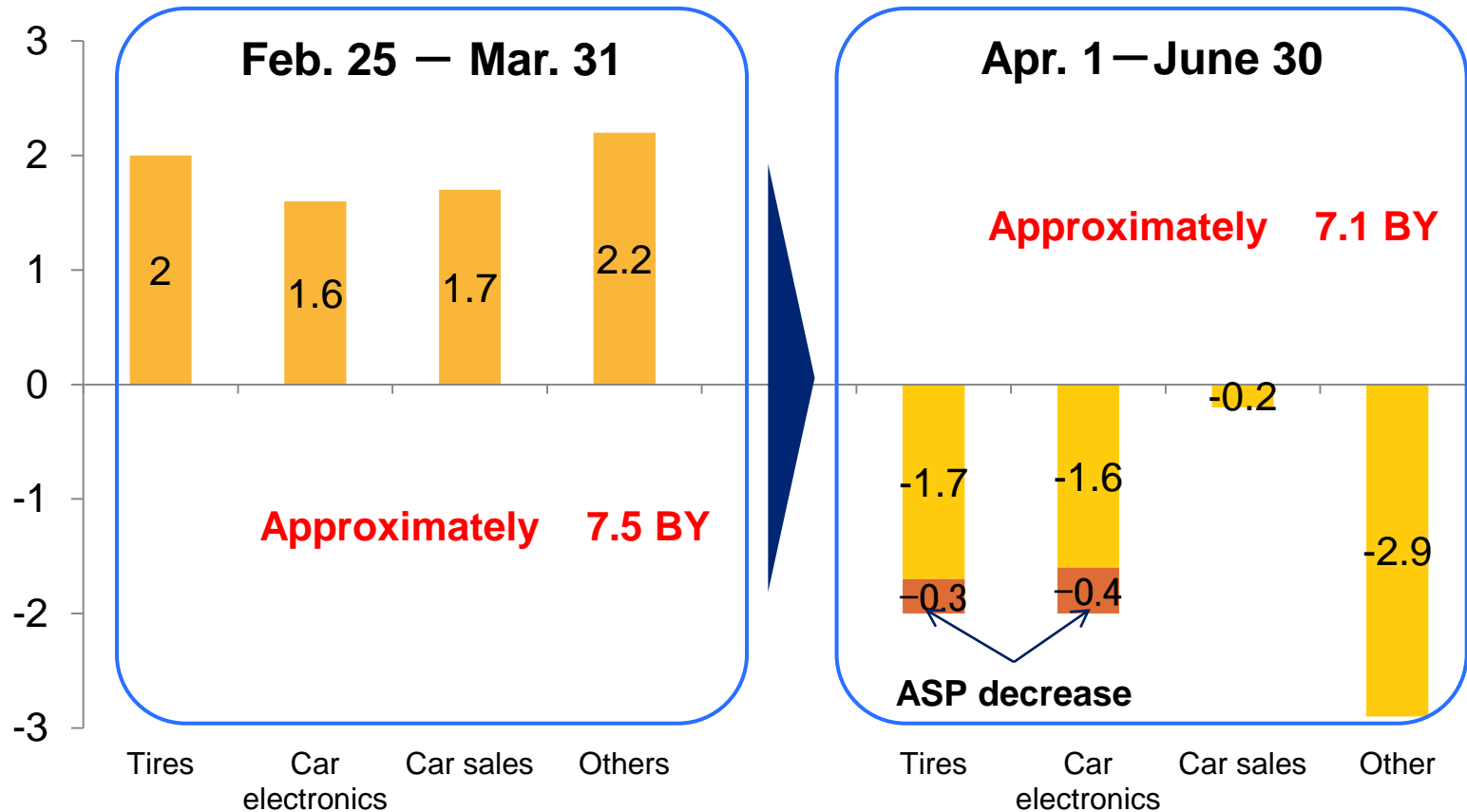
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+ Used car goods +New & Used Cars+ Fuel

Sales at Stores After Consumption Tax Hike



Sales at Stores* After Consumption Tax Hike

(Billion Yen)



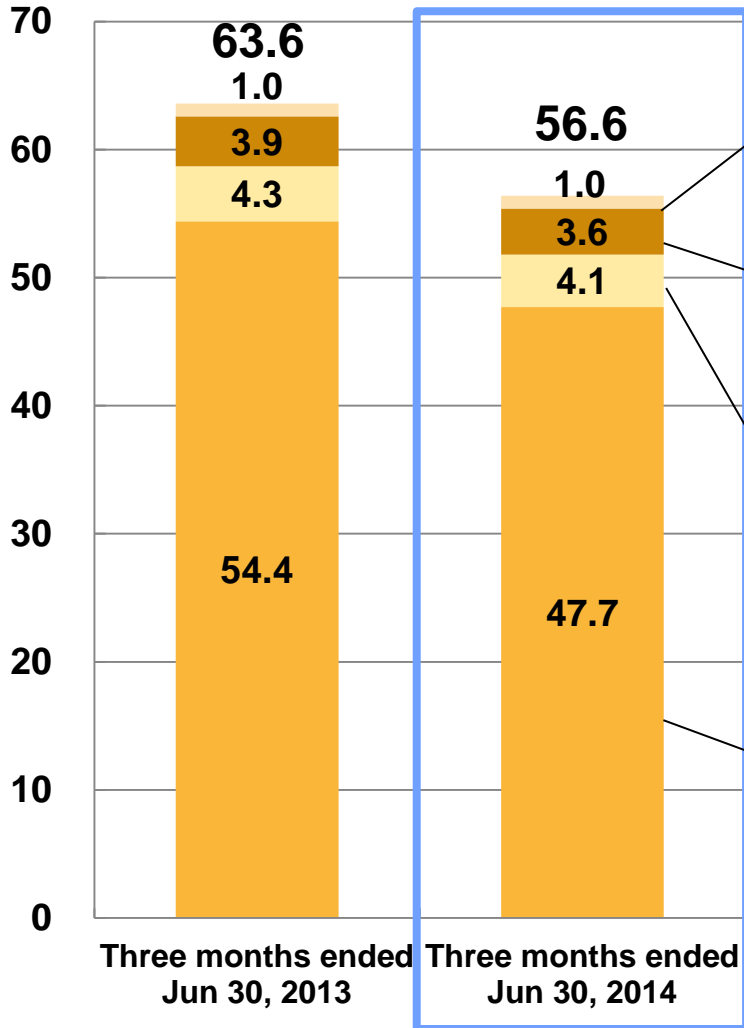
*Domestic retail sales including FCs

Retail Sales Including Franchisees



RETAIL SALES INCLUDING FCs*: 56.6billion yen (-11.1% YoY)

(Billion Yen)



Second hand goods & Fuel: 1.0BY (+5.2% YoY)

Statutory safety inspection: 3.6BY (-7.3% YoY)

Number of cars inspected: 121,000 cars (-8.7% YoY)
Number of fully certified & designated stores: 379stores

Car purchase & sales: 4.1BY (-4.3% YoY)

Number of cars sold: 4,242cars (-6.4% YoY)

Number of CARS franchise stores : 383stores

(Up from 359 stores at March 31,2014)

Car related goods & services: 47.7BY (-12.2% YoY)

*Domestic retail sales including FCs: Major format stores (AB, SA)
+ Used car goods + New & Used cars + Fuel

Flow of Car Sales and Purchase



Customers



Purchase

1,661 cars

B2B sales

675 cars



Used car dealers and auto auction



B2C sales
2,341 cars

(New cars:718

Used cars:1,623)

Customers



Sales to FC headquarters

1,226 cars



Wholesale

FC Headquarters
(AUTOBACS SEVEN)



Car dealers

Used car dealers

Auto auction

Purchase



B2B sales



Used car dealers

Auto auction

	Q1 FY March 2015 Number of cars sold
Retail to general customers	2,341
Sales from stores to used car dealers and auto auction	675
Sales from stores to AUTOBACS SEVEN	1,226
Total	4,242



Analysis for Operating Income

Domestic retail sales		Total stores -11.1% / Same store sales -12.6% (YoY)	
		OP	YoY
Segments	Non-consolidated	1,370MY	-1,400MY Sales: -2,610MY (-6.2%) Gross profits: -1,190MY (GPM:19.3% - down from LY's 20.9%) Sales reduction, such as tires & wheels, oil and battery SG&A:+220MY Increase in performance linkage remuneration etc.
	Domestic store Subsidiaries	(1,460MY)	-810MY Sales: -3,130MY (-17.6%) Transfer of directly managed stores to franchisees =-1,200MY Reaction to last-minute demand before the consumption tax hike Gross profits: -1,250MY (GPM: 37.3% - down from LY's 37.8%) Reduction of the amount of a gross income accompanying sales reduction
	Overseas Subsidiaries	(150MY)	-140MY
	Others	160MY	-50MY
Total segments		(70MY)	-2,410MY
Consolidation Adjustment		(120MY)	Decreased 320 MY Sold to the domestic store subsidiaries in conjunction with the transfer of store subsidiaries to franchise outlets
Consolidated		(190MY)	-2,080MY

Decrease in Consolidation Adjustments



Consolidation Adjustments

(Million Yen)

	Three months ended June 30, 2014	Three months ended June 30, 2013
Operating Income for segment total	(67)	2,339
Inventories (Unearned income of subsidiary inventories, etc.)	(101)	(395)
Depreciation of Goodwill	(80)	(27)
Allowance for point card	53	3
Adjustment in fixed assets	96	54
Elimination of Intersegment transaction	(104)	(43)
Other	18	(32)
Consolidation adjustment	(117)	(439)
Consolidated operating income	(185)	1,899

Amounts are rounded off to the nearest million yen.

Note: Figures in parentheses are negative.

Performance Breakdown (Three months ended Jun 30, 2014)



Parental company (Non-consolidated)

Net Sales: 39.3 BY <i>YoY: -2.61BY</i>	Wholesale	-2.49 BY -6.3%	↑ used car, fuel, services, ↓ Tires & wheels, Car electronics devices, oil, batteries, etc.
	Retail	-0.12 BY -10.3%	↑ services, ↓ motor sports goods, fuel, Tire & wheels, etc.
Gross Margin: 7.5BY <i>YoY: -1.19BY</i>	Wholesale	-1.09 BY -13.2%	↑ Wholesale to overseas ↓ Tire & wheels, car electronics devices, oil, batteries, etc.
	Retail	-0.04 BY -13.0%	↑ on-line store, Insurance commission income, fuel, ↓ tires & wheels, Motor sports goods, used car, etc.
SG&A: 6.2BY <i>YoY: +0.21BY</i>	Personnel: The increase in performance linkage remuneration etc.		
	Sales promotion costs: On par with previous year's level.		
	Equipment costs: On par with previous year's level.		
	Others: Information processing related costs, such as consumption tax increase correspondence, increase.		

Domestic store subsidiaries

Net Sales: 14.7 BY <i>YoY: -3.13 BY</i>	Net sales and gross income decreased with the transfer of store subsidiaries to member corporations of the franchise as well as a significant reaction to last-minute demand before the consumption tax hike. The ratio of selling, general and administrative expenses to net sales rose as sales promotional efforts were strengthened to combat sluggish sales after the consumption tax increase, offsetting a decrease in expenses associated with the transfer of store subsidiaries to member corporations of the franchise.
Ordinary Income: (1.45BY) <i>YoY: -0.8 BY</i>	

Segment Information



(Billion yen)

		Three months ended June 30, 2014	Three months ended June 30, 2013	YoY change
Non-consolidated	Net Sales	39.3	41.9	-6.2%
	Ordinary Income	1.4	2.8	-50.6%
Domestic store subsidiaries	Net Sales	14.7	17.8	-17.6%
	Ordinary Income	(1.5)	(0.7)	—
Overseas subsidiaries	Net Sales	2.5	2.5	+0.3%
	Ordinary Income	(0.1)	(0.0)	—
Subsidiaries for car goods supply and other	Net Sales	3.9	3.8	+3.0%
	Ordinary Income	0.0	0.1	-55.2%
Subsidiaries for supporting function	Net Sales	0.8	0.8	-6.6%
	Ordinary Income	0.1	0.1	-4.7%
Segment total	Net Sales	61.3	66.9	-8.5%
	Ordinary Income	(0.1)	2.3	—

Note: Figures in parentheses are negative.

Amounts are rounded down to the nearest ten million Yen.

Results of Overseas Operation by Country



	FRANCE		CHINA		SINGAPORE		THAILAND	
Number of stores at June 30, 2014 -including FCs stores-	11		1		3		3	
Total store sales -including FC stores-	-4.1%		-63.6%		-6.8%		-18.9%	
Period	Q1 FY2015	Q1 FY2014	Q1 FY2015	Q1 FY2014	Q1 FY2015	Q1 FY2014	Q1 FY2015	Q1 FY2014
Net sales (Million Yen)	1,960	1,900	110	110	350	360	130	170
SG&A (Million Yen)	1,120	950	50	90	110	120	50	60
Operating income (Million Yen)	(160)	(10)	(10)	(30)	40	50	(20)	(10)
Business conditions	Thanks to good weather conditions, such goods as batteries and car washing goods sold well. However, because of a poor services business, sales and gross income decreased. Operating losses expanded on increased labor costs.		Due to bad weather conditions, sales were weak, especially for car washing and car body coating. Nevertheless, operating losses narrowed with the closure of underperforming stores at the end of October 2013.		Sales of tires remained weak due to competition with online shopping. However, operating income remained almost on a par with the level of the previous year as the sales of some goods including wheels remained solid.		The business has been affected since last year by the lingering effect of the coup d'état, resulting in decreased sales and consequently increased operating losses.	

Note: Figures in parentheses are negative.

Amounts are rounded down to the nearest ten million yen.

Store Openings and Closings (Plan)



< Domestic stores >

	No. of stores as of March 31, 2014	Fiscal year ending March 31, 2015							(Plan) No. of stores as of March 31, 2015
		Q1 (result)			No. of stores as of June 30, 2014	Q2 – Q4 (Plan)			
		New	S/B · R/L	Close		New	S/B · R/L	Close	
AUTOBACS	478	+2			480	+17	+2 / -2		497
Super AUTOBACS	75				75				75
<i>Secohan Ichiba</i>	10				10				10
AUTOBACS EXPRESS	8				8	+1			9
Domestic total	571	+2			573	+18	+2 / -2		591

< Overseas stores >

S/B=Scrap & Build, R/L=Relocation

	No. of stores as of March 31, 2014	FY March 2015(Results & Forecasts)			(Plan) No. of stores as of Mar 31, 2015
		Q1 (result)	No. of stores as of June 30, 2014	Q2 – Q4 (Plan)	
France	11		11		11
China	2		1		1
Thailand	4	-1	3		3
Singapore	3		3		3
Taiwan	6		6		6
Malaysia	1		2		2
Total	27	-1	26		26

Business environment

Reaction to the consumption tax hike has been subdued. Consumer spending, however, remains low. Sales are expected to remain weak under the current sales of new cars.

Elements to focus on for the rest of the year

Review expenses and allocate them to more effective sales promotional measures and bolster net sales and the gross margin.

Forecast results for the second half remains unchanged from the forecasts announced at the beginning of the year.

Continue to focus on executing measures according to the mid-term business plan.

Initiatives towards increased sales of cars

- Appointed as sub-agent by SUZUKI JIHAN HYOGO CORPORATION Inc
- Opened an outlet in the Super AUTOBACS 43-DOI store.
- Provisioning a broad range of parts and services as a car dealer.



SUZUKI CARS 43-DOI store

AUTOBACS car lease (Scheduled to launch in October phase-by-phase)

- A fusion of the finance lease of Orico Auto Leasing and the AUTOBACS maintenance service package.
- The product will be offered as one option for purchasing a vehicle.

New Unified Private Brand “AQ” (AUTOBACS QUALITY.)



- In the business operated under private brands, the brand will be unified to “AQ” (AUTOBACS Quality), which will be implemented in stores in phases.
- Under the concept of “Safety, the number one priority,” the stores will offer customers, with reasonable pricing and quality, merchandise that make them say “If I cannot decide which to take, I will buy this.”
- Blue is used for the logo to express, poise, reassurance, freshness, and future.
- Aim to increase the PB ratio from 13% to 20%.



Packages for merchandises



Image of sales floor

Opening of stores in the parking areas of freeways

Japan's first store in the parking area of a freeways opened (July 11)

AUTOBACS Pasar Miyoshi store (located at the Tokyo-bound side of the Miyoshi parking area) will attract an overwhelmingly large number of customers with driving and safety goods, and other merchandise.



Reorganization of Store Subsidiaries

Reorganization of Domestic Store Subsidiaries

Measures	Contents
Transfer of shares in Store Subsidiaries	- Transfer of all shares in a store subsidiary in Kanagawa area to a franchisee (include transfer of four stores)
Transfer of store ownership	- Transfer of a store in Tokyo area to a franchisee - Transfer of four stores in Osaka area to a franchisee - Transfer of four stores in Osaka area to the another store subsidiaries
Merger of consolidated subsidiaries	- Consolidation of store subsidiaries in Fukuoka area

At the beginning of the fiscal year : 21* domestic store subsidiaries

* Excluding 1 non-operating subsidiary

As of July 1, 2014 : 18* domestic store subsidiaries

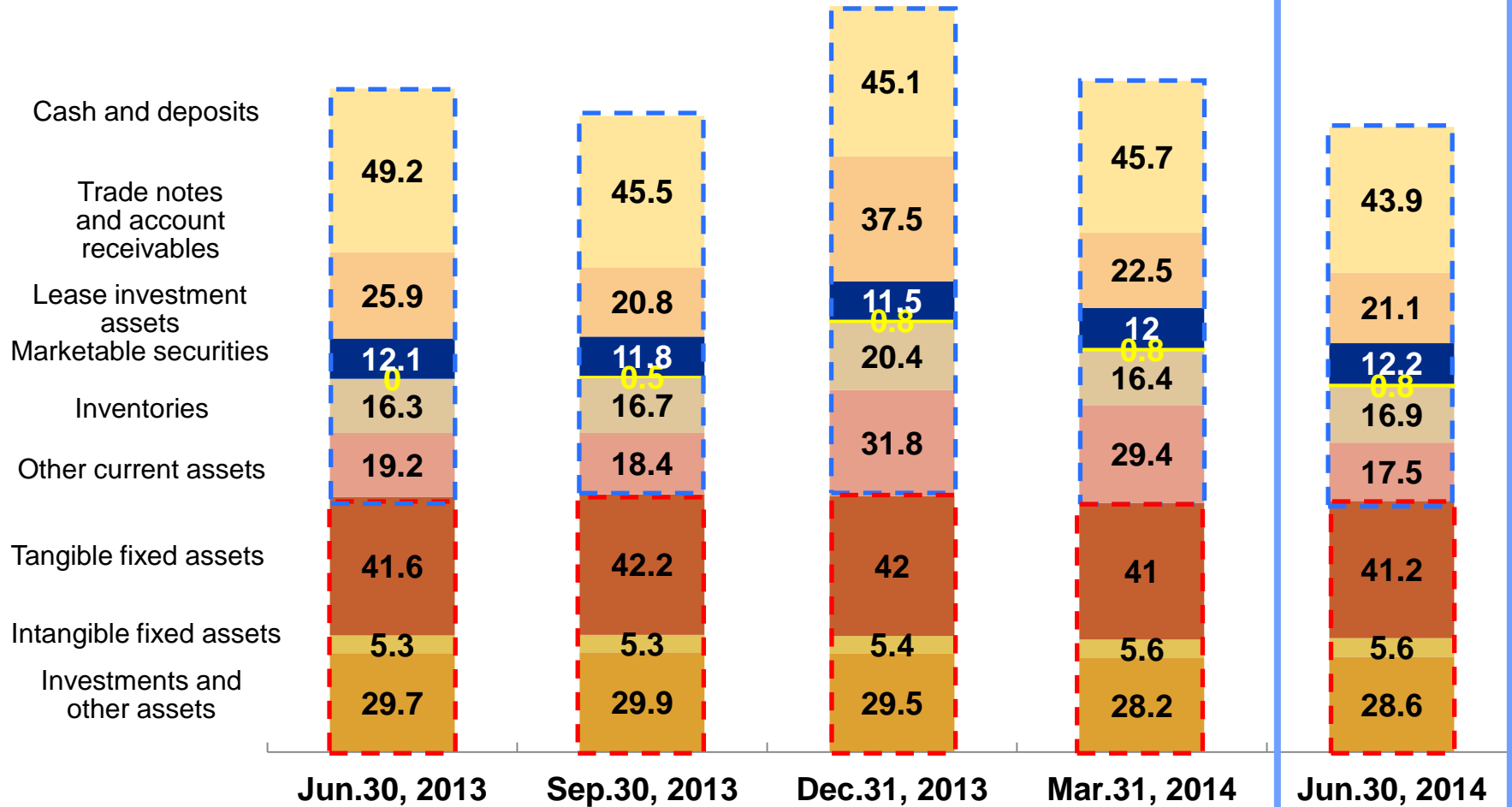
* Excluding 2 non-operating subsidiary

Balance Sheet / Assets



199.4BY 191.0BY 224.0BY 201.5BY 187.8BY

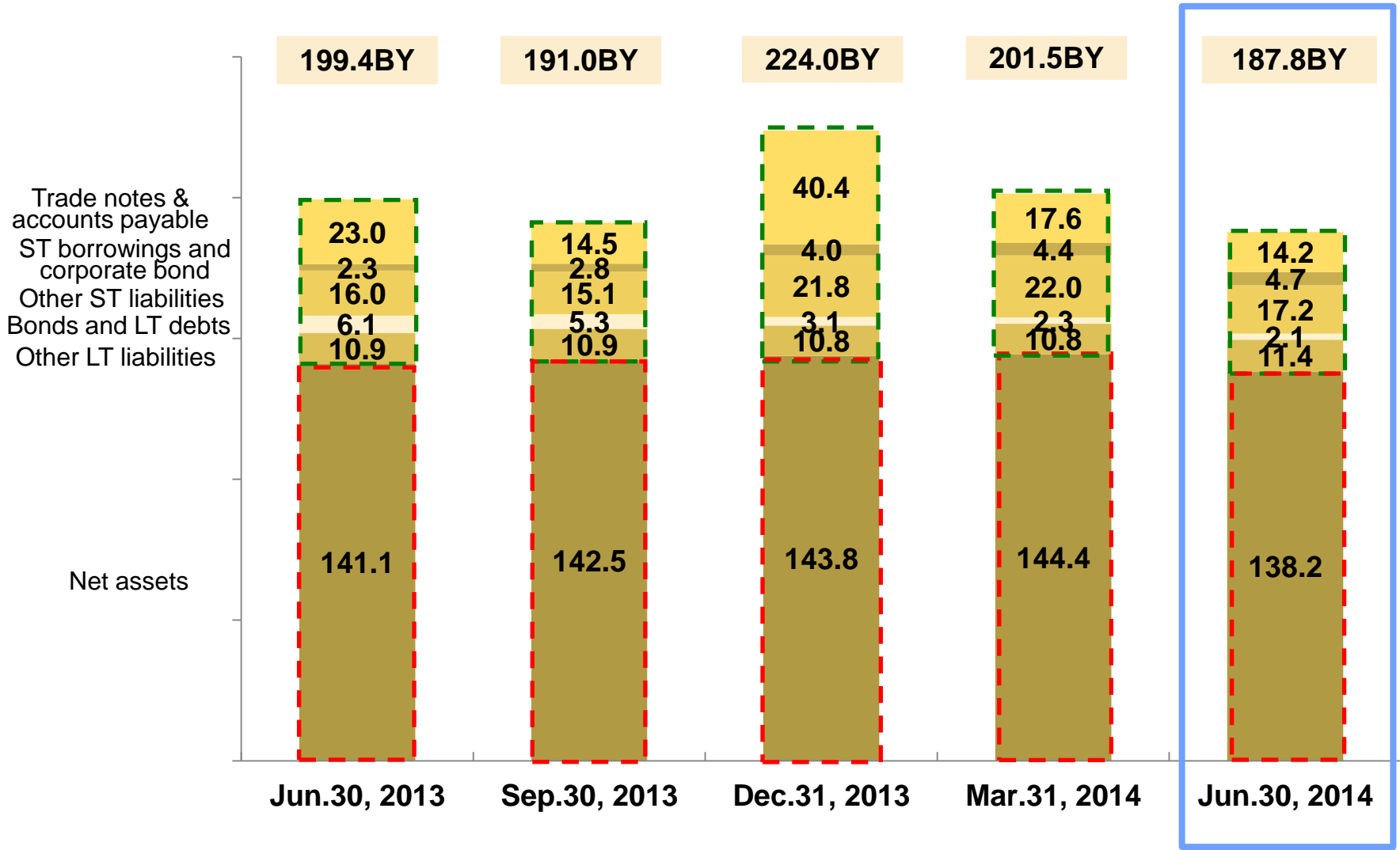
(Billion Yen)



Balance Sheet / Liabilities & Net Assets



(Billion Yen)





Forward-Looking Statements

These materials include forecasts regarding the Company's future plans, strategies, and performance. This information is based on judgments and estimates made in accordance with information currently available. Actual results may differ materially from forecasts due to such factors as changes in operating circumstances.