

Consolidated Financial Results for the Six Months Ended September 30, 2014 【Japanese Standards】

Summary of Quick Financial Announcement of Consolidated Financial Information For the Second Quarter Ended September 30, 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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Stock exchange listing: Tokyo

Submission of Quarterly Business Report: November 6, 2014.

Start of cash dividend payments: November 28, 2014.

Supplementary quarterly materials prepared: Yes

Quarterly results information meeting held: Yes (for investors and analysts, etc.)

1. Results for the Six months ended September 30, 2014 (From April 1, 2014 to September 30, 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	
Six months ended		%		%		%
September 30, 2014	98,042	(5.5)	507	(88.6)	1,350	(75.8)
Six months ended						
September 30, 2013	103,740	(6.4)	4,464	5.9	5,591	13.0

Note: Comprehensive income: **1,032 million yen for the six months ended September 30, 2014: (76.6 %)**
4,418 million yen for the six months ended September 30, 2013: 159.5 %

	Net income		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
Six months ended		%		
September 30, 2014	421	(85.9)	4.79	-
Six months ended				
September 30, 2013	2,988	32.8	32.59	-

(2) Financial position:

(Unit: Millions of Yen except for per share information)

	Total assets	Total net assets	Equity ratio	Net assets per share (Yen)
Six months ended				
September 30, 2014	186,425	136,879	73.3	1,579.57
Fiscal year ended				
March 31, 2014	201,481	144,363	71.5	1,608.36

(Reference) Equity: **Six months ended September 30, 2014: 136,661 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)
Six months ended September 30, 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
Six months ended September 30, 2014: 3,431,995 shares
Fiscal year ended March 31, 2014: 3,431,070 shares
 - 3. Average shares outstanding over quarter
Six months ended September 30, 2014: 87,992,978 shares
Six months ended September 30, 2013: 91,705,725 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.

※AUTOBACS SEVEN Co.,Ltd. will be held the Analysts Meeting on October 31, 2014. The presentation material and video picture of the meeting will be uploaded as soon as possible on the Company's website afterwards.

5. Qualitative Information concerning Consolidated Business Results for the six months ended September 30, 2014

(1) Qualitative Information Concerning Consolidated Business Results

1. Business environment

During the first half of the consolidated fiscal year under review, the Japanese economy stayed on a modest recovery trend against the backdrop of the economic and monetary policies of the government. However, consumer spending continued to remain in an unstable condition due to reaction to a last-minute rise in demand attributable to the consumption tax hike in April 2014, coupled with the unseasonable summer weather. 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 half of the consolidated fiscal year under review declined by 8.6% year on year on a same-store basis and by 7.2% year on year on an overall store basis.

In the automotive goods segment, sales decreased from the previous year reflecting a fall in overall consumption and a decline in demand for goods such as car navigation devices and interior accessories due to a drop in the number of new and used cars sold in addition to reaction to an accelerated demand for the changeover from snow tires to regular tires before the consumption tax hike.

In the statutory safety inspections and maintenance segment, the number of statutory safety inspections that were carried out decreased by 3.5% year on year, to about 267,000 reflecting a decrease in vehicles as many customers rushed into stores in early March to carry out the safety inspection prior to the consumption tax hike. A drop in number of vehicles that is required to receive the second statutory safety inspection during the first half due to the harsh new car sales five years ago when Lehman crash has occurred, also had an impact to the decrease in number of statutory safety inspections.

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, despite reaction to a last-minute rise in demand due to consumption tax hike. As a result, the total number of vehicles sold increased by 7.5% year on year, to about 10,600. As of the end of September, the number of CARS franchise stores rose to 407, up from 359 as of the end of the previous fiscal year.

In terms of the number of domestic store openings and closings, seven new stores opened, resulting in an increase in the total number of stores to 578 from 571 as of the end of March 2014.

3. Consolidated business results

Group sales during the first half of the fiscal year under review declined by 5.5% to 98,042 million yen, gross profit fell by 11.7% to 30,569 million yen and selling, general and administrative expenses decreased by 0.4% to 30,062 million yen. Operating income declined by 88.6% year on year, to 507 million yen despite sales measures were strengthened in the second quarter due to a decrease in the sales of stores in the first quarter. Ordinary income decreased by 75.8% year on year, to 1,350 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 85.9% to 421 million yen.

Results by business segment are as shown below.

<Non-consolidated>

Sales fell by 3.7% year on year, to 78,662 million yen. Particularly, in the second quarter, price policy and 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, interior goods, oil and batteries decreased, and total sales declined by 3.7% year on year. In retail operations, sales decreased by 5.2% reflecting a fall in sales of overall goods despite an increase in sales of services. Gross profit declined by 8.4% year on year, to 15,999 million yen reflecting a decline in the sales and gross profit ratio. Selling, general and administrative expenses increased by 8.0% to 13,008 million yen because advertisement and sales promotion were strengthened while making efforts to reduce controllable expenses. As a result, operating income declined by 44.8% to 2,990 million yen.

<Domestic Store Subsidiaries>

Sales declined by 15.0% year on year, to 30,501 million yen, and operating loss expanded by 1,212 million yen from the same period of the previous fiscal year, to 2,397 million yen. Sales declined year on year due to the transfer of stores to franchise outlets, reaction to a last-minute rise in demand before the consumption tax hike, a fall in sales of new cars and the resulting decline in demand for automotive goods. Gross profit fell reflecting a decline in sales and gross profit ratio. The ratio of selling, general and administrative expenses to sales rose because sales promotion measures against stagnant sales after the consumption tax hike continued to be strengthened despite a decrease in selling, general and administrative expenses, which was attributable to the transfer of store subsidiaries to franchise outlets.

<Overseas Subsidiaries>

Sales fell by 1.1% year on year, to 5,241 million yen. Operating loss stood at 68 million yen (operating income of 70 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 goods such as batteries were brisk. However, sales of highly profitable services were low, and sales and gross profit decreased from a year earlier. An operating loss was posted. In China, sales of car washing services were stagnant reflecting continued unseasonal weather. However, the operating loss was reduced thanks to efforts to cut expenses and withdrawal from stores that were in a slump at the end of October 2013. In addition, one store was closed with the aim of improvement of profitability in September, and preparation for a new store opening within the fiscal year under review is being made. In Thailand, sales decreased reflecting the effect of the political disturbance which continued from last year and the closure of one store at the end of June, resulting in increased operating loss. In Singapore, sales of tires were low due to competition with Internet retailers. However, sales of car electronics and wheels were brisk, and the operating income remained at almost the same level as the previous year.

<Subsidiaries for Car Goods Supply and other>

Sales increased by 2.5% year on year, to 7,582 million yen. Operating income declined by 63.5% to 37 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 3.4% year on year, to 1,540 million yen. The 237 million yen in operating income remained at almost the same level as the previous year.

<Adjustments to Consolidated Operating Income>

The adjusted amount from the aggregate amount of all segments' operating income to consolidated operating income increased by 112 million yen from the same period of the previous fiscal year, to 292 million yen.

4. Progress of the 2014 Medium-Term Business Plan

In AUTOBACS business, to build a store model to realize “one-stop car goods and services,” the Group proceeded with examinations for experimental inspections, which would start from the second half by organizing a special team. The Group also started services to install and exchange automotive goods purchased via Amazon.co.jp at AUTOBACS stores to integrate Internet retailing and stores beginning September. In addition, the Group took steps toward a reform to more profitable business by accelerating the introduction of the “AQ.” (AUTOBACS QUALITY) brand, private brand goods.

6. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Millions of Yen)

Assets	March 31, 2014	September 30, 2014
	Amount	Amount
Current assets		
Cash and deposits	45,675	40,378
Trade notes and accounts receivable	22,467	21,516
Marketable securities	801	299
Inventories	16,383	17,677
Other current assets	41,565	31,814
Allowance for doubtful receivables	(183)	(183)
Total current assets	<u>126,709</u>	<u>111,502</u>
Fixed assets		
Tangible fixed assets		
Land	22,849	22,650
Other tangible fixed assets(net)	18,152	18,143
Total tangible fixed assets	<u>41,002</u>	<u>40,794</u>
Intangible fixed assets		
Goodwill	880	810
Other intangible fixed assets	4,712	5,417
Total intangible fixed assets	<u>5,592</u>	<u>6,227</u>
Investments		
Rental deposits	17,709	17,263
Other investments	10,552	10,723
Allowance for doubtful receivables	(84)	(86)
Total investments	<u>28,177</u>	<u>27,900</u>
Total fixed assets	<u>74,771</u>	<u>74,922</u>
Total assets	<u>201,481</u>	<u>186,425</u>

Liabilities and Net assets	March 31, 2014 Amount	September 30, 2014 Amount
Current liabilities		
Trade notes and accounts payable-trade	17,600	14,888
Short-term borrowings	4,394	5,598
Income taxes payable	1,818	1,312
Allowance for business restructuring	194	74
Other Allowances	477	417
Other current liabilities	19,547	14,998
Total current liabilities	44,033	37,290
Long-term liabilities		
Bonds	15	-
Long-term debt	2,312	982
Allowances	152	142
Net defined benefit liability	189	135
Asset retirement obligations	2,005	1,964
Other long-term liabilities	8,409	9,030
Total long-term liabilities	13,084	12,255
Total liabilities	57,118	49,545
Shareholders' equity		
Common stock	33,998	33,998
Capital surplus	34,278	34,278
Retained earnings	78,679	71,267
Treasury stock at cost	(5,165)	(5,697)
Total shareholders' equity	141,790	133,846
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,588	2,073
Foreign currency translation adjustments	599	740
Total accumulated other comprehensive income	2,188	2,814
Minority interests		
	384	218
Total net assets	144,363	136,879
<hr/>		
Total liabilities and net assets	201,481	186,425

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

	Six months ended September 30, 2013 Amount	Six months ended September 30, 2014 Amount
Net sales	103,740	98,042
Cost of goods sold	69,107	67,472
Gross profit	34,633	30,569
Selling, general and administrative expenses	30,168	30,062
Operating income	4,464	507
Non-operating income		
Interest income	47	42
Dividend income	31	59
Lease revenue-system equipment	636	689
Other non-operating income	1,500	1,115
Total non-operating income	2,216	1,906
Non-operating expenses		
Interest expenses	47	36
Equity in loss of affiliates	24	90
Lease cost-system equipment	587	581
Foreign exchange losses	60	3
Other non-operating expenses	369	352
Total non-operating expenses	1,089	1,063
Ordinary income	5,591	1,350
Extraordinary gains		
Gain on sales of subsidiaries and affiliates' stocks	-	401
Total extraordinary gains	-	401
Extraordinary losses		
Impairment losses on fixed assets	194	19
Total extraordinary losses	194	19
Income before income taxes and minority interests	5,397	1,732
Income taxes		
Current	635	1,205
Deferred	1,764	128
Total income taxes	2,399	1,334
Income before minority interests	2,997	398
Minority interests in net income (losses)	8	(23)
Net income	2,988	421
Minority interests in net income (losses)	8	(23)
Income before minority interests	2,997	398
Other comprehensive income		
Valuation difference on available-for-sale securities	1,176	483
Foreign currency translation adjustment	244	148
Share of other comprehensive income of associates accounted for using equity method	0	2
Total other comprehensive income	1,421	634
Comprehensive income	4,418	1,032
Comprehensive income attributable to		
Owners of the parent	4,410	1,047
Minority interests	8	(15)

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

	Six months ended September 30, 2013 Amount	Six months ended September 30, 2014 Amount
Operating Activities:		
Income before income taxes and minority interests	5,397	1,732
Depreciation and amortization	2,128	2,115
Impairment losses on fixed assets	194	19
Amortization of goodwill	72	107
Increase (decrease) in allowance for business restructuring	2	(119)
Increase (decrease) in allowance for doubtful accounts	(3,909)	2
Interest and dividend income	(79)	(101)
Interest expenses	47	36
Equity (income) loss on affiliates	24	90
Loss (gain) on sales of investment in securities	(5)	-
Loss (gain) on sales of stocks of subsidiaries and affiliates	-	(401)
Decrease (increase) in trade notes and accounts receivable	10,045	11,319
Decrease (increase) in investments in lease	499	471
Decrease (increase) in inventories	25	(1,300)
Increase (decrease) in trade notes and accounts payable	(7,179)	(2,704)
Others	113	(5,263)
Subtotal	7,374	6,003
Interest and dividend received	112	126
Interest paid	(48)	(37)
Litigation settlement paid	(858)	-
Income taxes paid	(2,222)	(1,597)
Net cash provided by (used in) operating activities	4,357	4,494
Investing Activities:		
Payments into time deposits	(1,391)	(416)
Proceeds from withdrawal of time deposits	5,392	285
Payment for tangible and intangible fixed assets	(2,696)	(3,154)
Proceeds from sales of tangible fixed assets and intangible fixed assets	10	758
Purchase of investment securities	(0)	(0)
Proceeds from sales and redemption of investment securities	1,010	500
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	-	545
Collection of loans receivable	270	56
Others	(154)	12
Net cash provided by (used in) investing activities	2,441	(1,414)

	Six months ended September 30, 2013 Amount	Six months ended September 30, 2014 Amount
Financing Activities:		
Net increase (decrease) in short-term loans payable	(183)	600
Proceeds from long-term debt	470	500
Repayments of long-term debt	(560)	(1,225)
Purchase of treasury stock	(2,719)	(5,050)
Dividends paid	(2,500)	(3,312)
Others	(70)	(40)
Net cash provided by (used in) financing activities	(5,563)	(8,528)
Effect of exchange rate changes on cash and cash equivalents	54	26
Net increase (decrease) in cash and cash equivalents	1,290	(5,422)
Cash and cash equivalents, beginning of the period/ year	42,832	45,384
Cash and cash equivalents, end of the period	44,123	39,962

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 Six months ended September 30, 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	58,896	35,420	5,103	3,870	450	103,740
Intersegment sales or transfers	22,764	478	193	3,527	1,144	28,109
Total	81,661	35,899	5,297	7,397	1,594	131,850
Net income (loss)	5,418	(1,185)	70	103	238	4,644

(2) Difference between operating income and Sum of operating income (loss) in reportable segments for the Six months ended September 30

	(Unit: Millions of Yen)
Income	Amount
Total reportable segments	4,644
Inventories	(245)
Elimination of intersegment transaction	(80)
Amortization of goodwill	(61)
Allowance for point card	13
Fixed assets	110
Others	82
Operating income	4,464

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

II Six months ended September 30, 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	59,111	29,394	5,081	4,002	452	98,042
Intersegment sales or transfers	19,550	1,107	160	3,579	1,088	25,486
Total	78,662	30,501	5,241	7,582	1,540	123,528
Net income (loss)	2,990	(2,397)	(68)	37	237	800

(2) Difference between operating income and Sum of operating income (loss) in reportable segments for the Six months ended September 30

(Unit: Millions of Yen)

Income	Amount
Total reportable segments	800
Inventories	(247)
Elimination of intersegment transaction	(215)
Amortization of goodwill	(107)
Allowance for point card	60
Fixed assets	205
Others	12
Operating income	507

(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)

Six months ended September 30, 2014

Divisions	Amount	Ratio	Year-on-Year
			Increase/Decrease
			Ratio
		%	%
Wholesale	59,002	60.2	100.3
Retail	37,429	38.2	86.7
Others (letting and hiring fee of leased object)	1,610	1.6	93.6
Total	98,042	100.0	94.5

Note : Consumption taxes are excluded from the above amounts.

(2) Consolidated Sales Component and Percentage by Product Category

(Unit: Millions of Yen)

Six months ended September 30, 2014

Products	Amount	Ratio	Year-on-Year Increase/Decrease Ratio
Wholesale		%	%
Tires and wheels	14,256	24.2	102.4
Car electronics	12,437	21.1	96.9
Oil and batteries	8,448	14.3	99.6
Car exterior items	5,439	9.2	99.4
Car interior items	6,224	10.5	94.7
Motor sports	3,503	5.9	96.2
Services	1,742	3.0	116.7
Others	6,950	11.8	108.2
Subtotal	59,002	100.0	100.3
Retail			
Tires and wheels	6,914	18.5	84.4
Car electronics	5,486	14.7	80.3
Oil and batteries	3,449	9.2	87.0
Car exterior items	4,381	11.7	90.4
Car interior items	4,274	11.4	85.0
Motor sports	2,261	6.0	82.5
Services	7,001	18.7	86.2
Others	3,659	9.8	105.8
Subtotal	37,429	100.0	86.7
Others (letting and hiring fee of leased object)	1,610	-	93.6
Total			
Tires and wheels	21,170	21.6	95.7
Car electronics	17,924	18.3	91.1
Oil and batteries	11,898	12.1	95.6
Car exterior items	9,821	10.0	95.2
Car interior items	10,498	10.7	90.5
Motor sports	5,764	5.9	90.3
Services	8,744	8.9	91.0
Others	12,220	12.5	105.3
Total	98,042	100.0	94.5

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.