

## Consolidated Financial Results for the Three Months Ended June 30, 2014 【Japanese Standards】

### Summary of Quick Financial Announcement of Consolidated Financial Information For the First Quarter Ended June 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 : August 7, 2014.

Start of cash dividend payments : -

Supplementary quarterly materials prepared : Yes

Quarterly results information meeting held : None

#### 1. Results for the Three months ended June 30, 2014 (From April 1, 2014 to June 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	
<b>Three months ended</b>		%		%		%
<b>June 30, 2014</b>	<b>48,467</b>	<b>(7.5)</b>	<b>(185)</b>	<b>-</b>	<b>402</b>	<b>(83.5)</b>
Three months ended						
June 30, 2013	52,405	(9.7)	1,899	(9.2)	2,434	(1.5)

Note: Comprehensive income : **762 million yen for the three months ended June 30, 2014 : (48.4) %**  
1,478 million yen for the three months ended June 30, 2013 : 57.2 %

	Net income		Basic net income per share (Yen)	Basic net income per share - diluted (Yen)
<b>Three months ended</b>		%		
<b>June 30, 2014</b>	<b>156</b>	<b>(87.6)</b>	<b>1.76</b>	<b>-</b>
Three months ended				
June 30, 2013	1,262	(4.9)	13.68	-

(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>Three months ended</b>				
<b>June 30, 2014</b>	<b>187,817</b>	<b>138,239</b>	<b>73.5</b>	<b>1,577.60</b>
Fiscal year ended				
March 31, 2014	201,481	144,363	71.5	1,608.36

(Reference) Equity : **Three months ended June 30, 2014 : 138,024 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	-	-	-	-	-
Fiscal year ended					
March 31, 2015 (forecast)	-	<b>30.00</b>	-	<b>30.00</b>	<b>60.00</b>

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	
		%		%		%
Semiannual	98,100	(5.4)	1,400	(68.6)	2,400	(57.1)
Annual	221,800	(4.3)	11,000	(21.1)	13,000	(20.8)

	Net income		Basic net income per share(Yen)
		%	
Semiannual	1,300	(56.5)	14.86
Annual	7,700	(21.3)	88.01

Note : Revisions to financial forecasts published most recently : Yes

For the revision of the Consolidated financial forecast, please see "AUTOBACS SEVEN announces revision of financial forecast for the first half and full fiscal year ending March 31, 2015", which was announced on July 31, 2014.

#### 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)  
**Three months ended June 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  
**Three months ended June 30, 2014 : 2,459,603 shares**  
Fiscal year ended March 31, 2014 : 3,431,070 shares
  - 3. Average shares outstanding over quarter  
**Three months ended June 30, 2014 : 88,813,424 shares**  
Three months ended June 30, 2013 : 92,294,830 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 Three Months Ended June 30, 2014

### (1) Qualitative Information Concerning Consolidated Business Results

#### (i) Business environment

During the first three months of the consolidated fiscal year under review, the Japanese economy remained in an uncertain situation due to the reaction to the last-minute surge in demand ahead of the increase in consumption tax, although there were signs of a moderate recovery on the back of the government's economic and financial policies. Domestic automobile-related spending remained sluggish overall due to weak demand for new and used cars after the consumption tax hike.

#### (ii) Overview of the domestic retail business

For the first three months of the consolidated fiscal year under review, overall sales for the domestic business in the AUTOBACS chain (including franchise outlets) decreased by 12.6% year on year, or a decline of 11.1% on an overall store basis.

Overall sales in the automotive goods and services segment dropped due to the negative impact of accelerated demand to replace studless snow tires with ordinary tires that occurred before the consumption tax hike, as well as weak demand for car navigation devices associated with domestic car sales that have been declining since April.

In the statutory safety inspection and maintenance segment, the number of statutory safety inspections decreased by 8.7% year on year, totaling approximately 121,000 inspections, as more automobiles were inspected in March ahead of the deadline, given the consumption tax increase, and the number of cars subject to inspection was relatively small this year, which happened to be five years after the Lehman shock.

In the automobile purchase and sales segment, the number of appraised and contracted vehicles for purchase increased as more stores took up this business. However, sales to used car dealers such as auto auctions and sales of new and used cars to consumers were lower than those of the previous year. As a result, total number of vehicles sold declined by 6.4% year on year, to approximately 4,200 cars. As of the end of June, the number of CARS franchise stores rose to 383 from 359 as of the end of the previous fiscal year.

In terms of the number of domestic store openings and closings, two new stores opened, resulting in an increase in the total number of stores to 573 from 571 as of the end of March 2014.

#### (iii) Consolidated business results

Group sales during the first three months of the consolidated fiscal year under review declined by 7.5% year on year, to 48,464 million yen, gross profit dropped by 12.9%, to 14,846 million yen, and selling, general and administrative expenses decreased by 0.9%, to 15,008 million yen, resulting in operating loss of 162 million yen. This was despite efforts for control such as allotting expenses to sales promotions given the steeper than expected decline in store sales, 162 million yen, or down by 2,061 million yen from the operating income of the previous year. Ordinary income decreased by 82.5% year on year, to 425 million yen. Meanwhile, extraordinary income of 401 million yen was posted, which included a gain on the sale of shares of AUTOBACS Kanagawa Ltd., a store subsidiary. As a result, net income for the quarter decreased by 39.8% year on year, to 1.326 billion yen.

Results by business segment are as shown below:

#### <Non-consolidated>

Sales fell by 6.2% year on year, to 39.312 million yen. In wholesale operations for franchise outlets, sales decreased by 6.3% due to a decline in sales of goods and services such as tires and wheels, car electronics, and oil and batteries, although such sales increased for cars and fuel. In retail operations, sales declined by 10.3% year on year, as sales of goods and services such as goods for motor sports, car electronics, and tires and wheels decreased. Gross profit decreased by 13.6% year on year, to 7,587 million yen, reflecting a decline in gross profit rate attributable to the drop in sales. Selling, general and

administrative expenses increased by 3.6% year on year, to 6,213 million yen, reflecting such factors as an increase in performance-linked pay for the business results of the previous fiscal year. As a result, operating income decreased 50.6% year on year, to 1,373 million yen.

#### <Domestic Store Subsidiaries>

Sales decreased by 17.6% year on year, to 14,700 million yen, while operating loss increased by 805 million yen year on year, to 1,456 million yen. The decreased sales were attributable to a decline in sales associated with the transfer of store subsidiaries to franchise outlets as well as the significant negative impact of last-minute demand ahead of the consumption tax increase. The gross profit decreased due to the decline in sales of tire and wheels, car electronics, and services. The ratio of selling, general and administrative expenses to sales rose as sales promotional efforts were strengthened to address sluggish sales after the consumption tax increase, offsetting a decrease in expenses associated with the transfer of store subsidiaries to franchise outlets.

#### <Overseas Subsidiaries>

Sales rose by 0.3% year on year, to 2,545 million yen. Operating loss increased by 137 million yen year on year, to 145 million yen. Looking at the conditions for each country on a local currency basis, in France, sales of items such as batteries and car washing goods were brisk as the good weather conditions continued, while its pit service such as maintenance was weak, resulting in decreases in sales and gross profit. Furthermore, operating loss increased, reflecting an increase in personnel costs. In China, sales remained poor, primarily for services such as car washing and car body coating as the poor weather conditions continued. Nevertheless, operating income improved as a result of taking measures such as closing underperforming stores at the end of October 2013. In Thailand, the business has been affected since last year by the lingering effect of the coup, resulting in decreased sales and consequently increased operating loss. In Singapore, although sales of tires remained weak due to competition with on-line shopping, operating income remained almost the same as the previous year, as sales of car electronics and wheels remained solid.

#### <Subsidiaries for Car Goods Supply, etc.>

Sales increased by 3.0% year on year, to 3,925 million yen. Operating income declined by 55.3%, to 39 million yen. Although the businesses of wholesale oil and other merchandise were solid, at Palster K.K. in particular, operating income dropped year on year due to such factors as a lower gross profit ratio and increased expenses.

#### <Subsidiaries for Supporting Functions>

Sales declined by 6.7% year on year, to 775 million yen, and operating income fell by 4.6% year on year, to 121 million yen.

#### <Adjustments to Consolidated Operating Income>

The adjusted amount from the aggregate amount of all segments' operating income to consolidated operating income declined by 321 million yen, to 117 million yen. Major items contributing to the change in the adjusted amount from the previous fiscal year include a decrease in unrealized income associated with the stock at the end of the fiscal year of the goods that the Company sold to the domestic store subsidiaries in conjunction with the transfer of store subsidiaries to franchise outlets.

#### (iv) Progress of the 2014 Mid-term Business Plan

As an initiative for the first year of the mid-term business plan, the Group has begun studying a model store that offers "one-stop car products and services," providing sales and maintenance of cars as well as the joy of getting in the car. In conjunction with the private brand (PB) goods and services, the Group is striving to provide convenience and safety by unifying brands to "AQ" (AUTOBACS Quality) in line with the concept of "security - number one" and gearing up for sales under this concept (with

phase-by-phase renewal to start in July 2014). The Group is also striving to transform its businesses to make them more profitable.

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

The Company revised the forecast announced on May 11, 2014. For matters concerning the forecast of business results, please refer to the “AUTOBACS SEVEN announces revision of financial forecast for the first half and full fiscal year ending March 31, 2015” announced today, July 31, 2014.

## 6. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Unit: Millions of Yen)

<b>Assets</b>	<b>March 31, 2014</b>	<b>June 30, 2014</b>
	<b>Amount</b>	<b>Amount</b>
<b>Current assets</b>		
Cash and deposits	45,675	43,923
Trade notes and accounts receivable	22,467	21,083
Marketable securities	801	800
Inventories	16,383	16,866
Other current assets	41,565	29,933
Allowance for doubtful receivables	(183)	(183)
Total current assets	<u>126,709</u>	<u>112,424</u>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Land	22,849	22,944
Other tangible fixed assets(net)	18,152	18,273
Total tangible fixed assets	<u>41,002</u>	<u>41,218</u>
<b>Intangible fixed assets</b>		
Goodwill	880	834
Other intangible fixed assets	4,712	4,728
Total intangible fixed assets	<u>5,592</u>	<u>5,563</u>
<b>Investments</b>		
Rental deposits	17,709	17,676
Other investments	10,552	11,019
Allowance for doubtful receivables	(84)	(85)
Total investments	<u>28,177</u>	<u>28,611</u>
Total fixed assets	<u>74,771</u>	<u>75,393</u>
<b>Total assets</b>	<u>201,481</u>	<u>187,817</u>

<b>Liabilities and Net assets</b>	March 31, 2014 Amount	June 30, 2014 Amount
<b>Current liabilities</b>		
Trade notes and accounts payable-trade	17,600	14,193
Short-term borrowings	4,394	4,607
Income taxes payable	1,818	347
Allowance for business restructuring	194	193
Other Allowances	477	424
Other current liabilities	19,547	16,283
Total current liabilities	44,033	36,049
<b>Long-term liabilities</b>		
Bonds	15	-
Long-term debt	2,312	2,092
Allowances	152	141
Net defined benefit liability	189	192
Asset retirement obligations	2,005	1,961
Other long-term liabilities	8,409	9,141
Total long-term liabilities	13,084	13,528
Total liabilities	57,118	49,578
<b>Shareholders' equity</b>		
Common stock	33,998	33,998
Capital surplus	34,278	34,278
Retained earnings	78,679	71,002
Treasury stock at cost	(5,165)	(4,067)
Total shareholders' equity	141,790	135,211
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,588	2,314
Foreign currency translation adjustments	599	499
Total accumulated other comprehensive income	2,188	2,813
<b>Minority interests</b>		
	384	214
Total net assets	144,363	138,239
<hr/>		
<b>Total liabilities and net assets</b>	201,481	187,817



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

	Three months ended June 30, 2013 Amount	Three months ended June 30, 2014 Amount
<b>Net sales</b>	52,405	48,467
Cost of goods sold	35,365	33,640
<b>Gross profit</b>	17,040	14,826
Selling, general and administrative expenses	15,141	15,011
<b>Operating income (loss)</b>	1,899	(185)
Non-operating income		
Interest income	23	20
Dividend income	31	35
Lease revenue-system equipment	318	341
Other non-operating income	719	731
Total non-operating income	1,093	1,128
Non-operating expenses		
Interest expenses	24	19
Equity in loss of affiliates	15	38
Lease cost-system equipment	292	287
Foreign exchange losses	58	2
Other non-operating expenses	167	193
Total non-operating expenses	558	541
<b>Ordinary income</b>	2,434	402
Extraordinary gains		
Gain on sales of subsidiaries and affiliates' stocks	-	401
Total extraordinary gains	-	401
Extraordinary losses		
Impairment losses on fixed assets	135	19
Total extraordinary losses	135	19
<b>Income before income taxes and minority interests</b>	2,299	784
Income taxes		
Current	66	402
Deferred	965	242
Total income taxes	1,031	645
<b>Income before minority interests</b>	1,268	138
<b>Minority interests in net income (losses)</b>	5	(17)
<b>Net income</b>	1,262	156
<b>Minority interests in net income (losses)</b>	5	(17)
<b>Income before minority interests</b>	1,268	138
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	21	723
Foreign currency translation adjustment	187	(102)
Share of other comprehensive income of associates accounted for using equity method	0	2
Total other comprehensive income	210	623
<b>Comprehensive income</b>	1,478	762
Comprehensive income attributable to		
Owners of the parent	1,471	781
Minority interests	7	(19)

## 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 June 30, 2014, Autobacs Seven Co., Ltd. repurchased 2,028,200 shares of common stock for 3,421 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 Three months ended June 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	30,033	17,669	2,463	1,993	245	52,405
Intersegment sales or transfers	11,891	161	73	1,816	585	14,529
Total	41,925	17,831	2,537	3,810	830	66,935
Net income (loss)	2,782	(651)	(7)	87	127	2,339

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

(Unit: Millions of Yen)

Income	Amount
Total reportable segments	2,339
Inventories	(395)
Elimination of intersegment transaction	(43)
Amortization of goodwill	(27)
Allowance for point card	3
Fixed assets	54
Others	(32)
Operating income	1,899

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

II Three months ended June 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	29,271	14,465	2,455	2,051	223	48,467
Intersegment sales or transfers	10,041	234	90	1,873	551	12,792
Total	39,312	14,700	2,545	3,925	775	61,259
Net income (loss)	1,373	(1,456)	(145)	39	121	(67)

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

(Unit: Millions of Yen)

Income	Amount
Total reportable segments	(67)
Elimination of intersegment transaction	(104)
Inventories	(101)
Amortization of goodwill	(80)
Allowance for point card	53
Fixed assets	96
Others	18
Operating (loss)	(185)

(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)

Three months ended June 30, 2014

Divisions	Amount	Ratio	Year-on-Year
			Increase/Decrease
			Ratio
		%	%
Wholesale	29,512	60.9	98.1
Retail	18,148	37.4	84.6
Others (letting and hiring fee of leased object)	807	1.7	92.7
Total	48,467	100.0	92.5

Note : Consumption taxes are excluded from the above amounts.

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

Three months ended June 30, 2014

Products	Amount	Ratio	Year-on-Year Increase/Decrease Ratio
		%	%
Wholesale		%	%
Tires and wheels	6,453	21.9	94.4
Car electronics	6,560	22.2	94.1
Oil and batteries	4,232	14.3	98.5
Car exterior items	2,835	9.6	98.0
Car interior items	3,274	11.1	97.7
Motor sports	1,815	6.2	96.0
Services	787	2.7	111.0
Others	3,552	12.0	113.7
Subtotal	29,512	100.0	98.1
Retail			
Tires and wheels	3,384	18.6	79.6
Car electronics	2,531	13.9	75.9
Oil and batteries	1,624	9.0	88.1
Car exterior items	2,239	12.3	89.1
Car interior items	2,122	11.7	87.0
Motor sports	1,099	6.1	80.8
Services	3,494	19.3	86.6
Others	1,649	9.1	98.9
Subtotal	18,148	100.0	84.6
Others (letting and hiring fee of leased object)	807	-	92.7
Total			
Tires and wheels	9,838	20.3	88.7
Car electronics	9,092	18.8	88.2
Oil and batteries	5,856	12.1	95.3
Car exterior items	5,075	10.5	93.8
Car interior items	5,396	11.1	93.2
Motor sports	2,915	6.0	89.6
Services	4,282	8.8	90.2
Others	6,008	12.4	106.1
Total	48,467	100.0	92.5

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.