

FINANCIAL SECTION

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CONSOLIDATED SIX-YEAR SUMMARY

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

Millions of yen, except per share data

Fiscal year ended on March 31 for each displayed year	2004	2005	2006	2007	2008	2009
FISCAL YEAR						
Net sales:						
Tires and wheels	¥ 45,514	¥ 45,966	¥ 50,025	¥ 50,878	¥ 52,485	¥ 52,587
Car electronics	67,346	65,359	69,185	68,904	66,900	63,707
Oil and batteries	17,653	16,565	17,342	17,686	25,456	26,334
Car exterior goods	24,137	23,257	25,763	23,644	30,538	28,458
Car interior goods	20,318	20,347	22,280	23,686	25,070	23,673
Motor sports goods and others	52,110	55,286				
Motor sports goods			22,035	20,109	19,733	17,382
Services			13,255	14,344	18,065	18,472
Others			20,322	23,281	28,182	28,528
Total	227,078	226,780	240,207	242,532	266,430	259,144
Operating income	6,211	7,368	13,638	12,220	6,937	5,090
(Loss) income before income taxes and minority interests	9,627	6,876	13,866	16,549	4,972	(3,938)
Net (loss) income	5,444	2,928	7,861	9,165	1,467	(3,398)
Dividends paid	1,303	1,384	1,775	2,075	2,294	4,547
Consolidated dividend payout ratio	24.0%	56.4%	24.7%	24.3%	260.6%	—
Return on sales	2.4%	1.3%	3.3%	3.8%	0.6%	(1.3%)
Return on equity	3.7%	2.0%	5.1%	5.6%	0.9%	(2.1%)
Return on assets	2.8%	1.4%	3.6%	3.9%	0.6%	(1.5%)
Per share data (Yen):						
Basic net (loss) income	¥ 149.80	¥ 79.85	¥ 210.36	¥ 239.01	¥ 38.37	¥ (90.29)
Cash dividends	36.00	45.00	52.00	58.00	100.00	100.00
Cash flow provided by (used in) operating activities	¥ 13,808	¥ 10,980	¥ 24,137	¥ 17,216	¥ (646)	¥ 7,028
Cash flow provided by (used in) investing activities	(646)	(1,277)	(26,997)	(7,102)	(7,993)	4,543
Cash flow (used in) provided by financing activities	4,605	237	5,177	(4,698)	(729)	(9,259)
Capital expenditures	7,894	6,349	11,400	10,356	9,753	4,719
Depreciation and amortization	5,957	5,620	5,068	6,471	7,463	6,347
AT YEAR-END						
Cash and cash equivalents	¥ 41,155	¥ 51,150	¥ 53,622	¥ 59,227	¥ 49,638	¥ 51,749
Current assets	94,359	104,214	112,020	119,265	117,407	136,968
Current liabilities	33,684	34,610	44,046	48,882	43,571	44,842
Current ratio	280.1%	301.1%	254.3%	244.0%	269.5%	305.4%
Total assets	202,761	203,225	227,707	240,628	234,126	224,168
Equity	147,533	148,983	161,536	167,995	164,336	154,763
Equity ratio	72.8%	73.3%	70.9%	69.8%	70.2%	69.0%
Total number of stores	528	530	533	544	648	635
Of which, overseas stores	11	12	19	21	117	116
Number of employees	4,008	4,023	4,406	4,621	6,492	5,933

REVIEW OF FISCAL 2009

OPERATIONAL REVIEW

THE AUTOBACS CONSOLIDATED GROUP

The AUTOBACS Consolidated Group consists of AUTOBACS SEVEN Co., Ltd. (the Company), 55 consolidated subsidiaries, and seven affiliates by the equity method. The Group is mainly engaged in the wholesale and retail sales of automotive goods and accessories in Japan and overseas, as well as statutory safety inspection and maintenance services, purchase and sales of automobiles, and loan and credit services. The Group also provides services for its franchisee companies, including money-lending, store equipment leasing, consulting, back-office agency work, advertising agency, IT support, and casualty insurance services, as well as the operation of driving schools.

In the automotive goods and services business, the Group's main store brands are AUTOBACS, Super AUTOBACS, AUTO HELLOES, AUTOBACS *Hashiriya Tengoku Secohan Ichiba*, and AUTOBACS EXPRESS. In the automobile purchase and sales business, its brand is AUTOBACS C@RS. (Please see pages 24 and 25 of the main section for a summary of store numbers and formats). In the motorcycle goods business, its brand is RICOLAND. (The Company transferred the headquarters of its motorcycle goods franchise chain business in December 2008.) The Group generates revenue through three business segments: wholesale operations, retail operations, and others.

•Wholesale Operations

In wholesale operations, the Group generates revenue from wholesale of automotive goods to franchisees and receives royalties paid by franchisees.

•Retail Operations

In retail operations, revenue is generated through the provision of goods and services by stores that are managed by the Company directly or by its consolidated subsidiaries.

•Others

Revenue in this segment includes rental income from the lease of real estate and equipment to franchisees.

	Stores	
	2008	2009
Stores included in consolidation (retail operations)		
Directly managed stores	19	17
Consolidated subsidiaries (of which, overseas)	226 (105)	221 (97)
Stores managed by consolidated affiliates (of which, overseas)	37 (4)	37 (4)
Subtotal	282	275
Stores not included in consolidation		
Stores managed by franchisees, including stores of affiliates (of which, overseas)	3366 (8)	360 (15)
Total stores (of which, overseas)	648 (117)	635 (116)

Franchise System

•Franchise Contracts

As the headquarters for franchisees, the Company grants franchisees the rights to use its trade name and corporate image and provides management know-how and infrastructure needed for store operations. In return, franchisees pay the Company royalties. Franchisees manage operations based on support and guidance from the headquarters. The aim of the franchise contracts is to ensure the mutual prosperity of the Company and franchisees.

•Royalties

Stores pay a portion of their monthly store sales to the Company that is calculated based on a fixed rate. The fixed rate is 1.0% for AUTOBACS, Super AUTOBACS, and AUTO HELLOES; 7.0% for AUTOBACS *Hashiriya Tengoku Secohan Ichiba* stores; and 3.0% for used cars sold by AUTOBACS C@RS outlets.

•Store Land and Buildings

Much of the land and buildings occupied by the entire Chain are not owned by the Company. In many cases, the franchisee or the landowner constructs a building on the land, and the property is then rented by the franchisee or the Company under a rental agreement. In cases where the landowner constructs the building, the Company provides money guarantees to the landowner. This is because buildings constructed to AUTOBACS' specifications cannot easily be adapted for other purposes. (For more details, please see note on rental deposits on page 23 of the financial section.)

Sales of Main Three Store Types

		¥ billion; Stores	
		2007	2008
AUTOBACS	Sales	192.3	186.0
	Stores	399	397
Super AUTOBACS	Sales	88.4	87.2
	Stores	74	77
AUTO HELLOES	Sales	3.1	2.5
	Stores	10	8
Total	Sales	283.8	275.7
	Stores	483	482

ANALYSIS OF OPERATING ENVIRONMENT

Japan's market for automotive goods and services has been shrinking since around fiscal 1997. It is estimated that retail sales in that market totaled ¥3,057 billion in fiscal 1997. In the year under review, that amount fell to ¥1,912.3 billion*. This market shrinkage has stemmed mainly from stepped-up efforts by automakers to offer new vehicles with various equipment and accessories as standard, as well as falling sales prices in general. In recent years, moreover, the motor sports goods market has diminished, due mainly to changing attitudes among young people towards car ownership.

*Reference: AM-NETWORK, August 2001 and August 2009 issues

Domestic Store Consolidation

(SB: scrap and rebuild; RL: relocation) Stores

	Year Ended March 2009									March 31, 2009
	March 31, 2008	First Half				Second Half				
		New stores	AB→SA	S/B R/L	Stores closed	New stores	AB→SA	S/B R/L	Stores closed	
AUTOBACS (AB)	399	+2	-2	+2/-2	-2	+2	+5/-5	-2	397	
Super AUTOBACS (SA)	74		+2			+1			77	
AUTO HELLOES (AH)	10							-2	8	
AUTOBACS <i>Hashiriya Tengoku Secohan Ichiba</i> (SH)	31	+1			-1			-1	30	
AUTOBACS EXPRESS	9	+1						-4	6	
RICOLAND	8							-7*	1	
Total (Japan)	531	+4	0	0	-3	+3	0	0	-16	519

* Decreased due to transfer of RICOLAND headquarters and stores.

Overseas Store Consolidation

	Stores			
	Year Ended March 2009			
	March 31, 2008	First Half	Second Half	March 31, 2009
United States	89	+1/-1	-6	83
France	9	+2	+1	12
China	12	+1	-1	12
Taiwan	4			4
Thailand	2	+1		3
Singapore	1	+1		2
Total (Overseas)	117	+5	-6	116

FISCAL 2009—OVERVIEW AND ACHIEVEMENTS

Performance Overview

In fiscal 2009, ended March 31, 2009, the overall operating environment was extremely challenging due to the deepening economic slump, as well as increasing restraint among consumers in their automobile-related spending due to surging gasoline prices from spring through autumn of 2008. Other factors included light snowfalls along Eastern Japan. On a positive note, however, demand for electronic toll collection (ETC) devices increased toward the end of the period, due to the government's decision to lower expressway tolls and subsidize the purchase of ETC devices as part of its additional economic stimulus measures.

Facing these challenges, the AUTOBACS Group undertook initiatives under its new mid-term business plan aimed at improving operational efficiency and strengthening corporate governance. One key policy of the plan is to reinforce the domestic franchise chain business. Based on this policy, we continued advancing the three core pillars of our operations—automotive goods and services, statutory safety inspection and maintenance services, and car sales and purchases—to improve customer recognition of our corporate brand under the slogan, "Anything about cars, you find at AUTOBACS." In

its overseas operations, meanwhile, the Company reevaluated various conditions to determine business trends and took actions accordingly.

•Sales by Domestic Chain

With respect to automotive goods and services at AUTOBACS stores in Japan, the Group strengthened its lineup of low-priced tires, including private brand offerings, and ran an intensive sales campaign involving newspaper advertisements. In car electronics, we strove to expand our share of the growing market for portable navigation devices by bolstering our lineup. We also recorded healthy sales of child safety seats due to legislation mandating use of seatbelts by rear-seat passengers, as well as ETC equipment, which saw a surge in demand as expressway tolls were lowered. As the sales promotion activity, we continued developing more female-friendly sales atmosphere in each store as part of a project encouraging female customers to visit our stores. In October 2008, meanwhile, we launched a points-based alliance with T Card, thus extending our marketing activities to customers who have not yet visited AUTOBACS stores. However, sales of snow tires, tire chains, and other seasonal merchandises declined due to light snowfalls along Eastern Japan during the winter. Sales of motor sports goods and car audio equipments also decreased, reflecting sluggish demand, while sales of high-priced in-dash car navigation systems were down as a result of the market transition to portable navigation systems. Together, these factors had a significant effect on overall sales.

In the field of statutory safety inspections and maintenance services, the number of cars that underwent statutory inspections at our stores increased by 15.5% from the previous year, to 389,407. This was attributable to an increase in the number of designated and certified statutory inspection locations (282 centers at fiscal year-end, up by 17 from a year earlier), as well as sales promotion activities via nationwide television advertisements and the impact of telephone solicitation calls

initiated by the Company. As a result, total sales from automotive goods and services and statutory safety inspection and maintenance services provided by our mainstay stores—AUTOBACS, Super AUTOBACS, and AUTO HELLOES—declined by 2.9% year-on-year overall and by 3.3% on a same-store basis.

In the area of car sales and purchases, the number of vehicle sales, including sales from franchisee companies to the Group, rose by 2.9% year-on-year, to 21,241 units. This increase was attributable to the growing number of stores adopting the *Sugokai* used car purchasing system, introduced in the previous fiscal year, and the use of television advertising to increase recognition. However, overall sales slowed down in the second half of the period, due to the worldwide slump in the automotive market, which pushed down the trading volume of used cars, as well as our reassessment of our involvement in this business.

With respect to store consolidation, the Chain newly opened a total of seven stores: four AUTOBACS stores, one Super AUTOBACS store, one AUTOBACS *Hashiriya Tengoku Secohan Ichiba* store, and one AUTOBACS EXPRESS store. Meanwhile, we closed a total of 12 stores: four AUTOBACS stores, two AUTO HELLOES stores, two AUTOBACS *Hashiriya Tengoku Secohan Ichiba* stores, and four AUTOBACS EXPRESS stores. We also transformed two stores from an AUTOBACS to a Super AUTOBACS, and we carried out scrap-and-build programs and relocation of seven AUTOBACS stores. In the motorcycle goods business, we had eight RICOLAND stores at the beginning of the period. During the year, however, we transferred headquarters of this business and spun off six of our RICOLAND franchised operations and also sold one of our directly managed stores. At fiscal year-end, therefore, there was only one directly managed RICOLAND store in operation. Consequently, the overall domestic network including franchise stores at fiscal year-end consisted of 519 stores, down 12 from a year earlier.

•Overseas Business

In North America, the Group focused on strengthening its lineup of low-priced merchandise and replacement parts at STRAUSS Discount AUTO, an automotive goods and services specialty chain operating on the U.S. East Coast, in order to improve store quality and bolster sales. As a result, same-store sales in the first half of the period increased year-on-year. Subsequently, however, sales growth slowed as the economic downturn gathered momentum in the autumn of 2008. On the West Coast, we opened one new store near Los Angeles, but sales remained weak due to high gasoline prices, sluggish consumer demand, and the declining ability of commercial facilities to attract customers. As a result, net sales in North America edged up 0.1%, to ¥15.8 billion yen. The Group reported an operating loss of ¥2.3 billion on its

North American business, decreased by ¥48 million from the previous year. Earnings were affected by added costs associated with the opening of new stores.

In Europe, the Group posted an increase in sales on a local currency basis owing to the opening of three new stores in France, growing recognition of the AUTOBACS brand, and enhanced store selling environments. Due to the yen's appreciation against the euro, however, sales in Europe declined by 8.6%, to ¥7.9 billion. Nevertheless, the regional operating loss decreased by ¥0.3 billion to ¥0.5 billion, thanks to an improved gross margin following a revision of unit sales prices, as well as reductions in selling, general, and administrative expenses.

In Asia, we reported healthy sales in Thailand, Singapore, and Taiwan. During the year, we opened one new store in Thailand and another in Singapore. In China, we also opened a new store, which helped boost sales on a local currency basis above the previous year's level. However, growth of same-stores sales in China waned in tandem with the economic slowdown. As a result, total sales in Asia declined by 16.2%, to ¥3.3 billion, due to foreign exchanges factors, the sale of shares in a Taiwanese subsidiary, and the exclusion of a consolidated Taiwanese subsidiary from the scope of consolidation in the fourth quarter. The regional operating loss increased by ¥0.1 billion, to ¥0.2 billion, due to higher business development costs, including costs for new store openings.

Progress of Mid-Term Business Plan

Under its new mid-term business plan, announced in May 2008, the Company shifted its management policy from business expansion, which had been pursued through the previous fiscal year, to a focus on profitability. Guided by the plan, we have been implementing measures aimed at strengthening our business strategy, financial strategy, and corporate governance system.

•Business Strategy

Under our current business strategy, we are pursuing three key initiatives: reinforce the franchise chain business in Japan, reassess overseas businesses, and increase the efficiency of headquarters functions and expenditures.

With respect to reinforcing the franchise chain business in Japan, the Company focused on improving profitability of stores, rebuilding its area strategy, and reviewing new domestic businesses (fuel business, motorcycle goods business, and automobile driving school business). To improve profitability of stores, we took steps to strengthen sales of maintenance-related items, centering on tires, oil, and batteries. At the same time, we sought to bolster store revenues and gross margins by stepping up sales promotion for our statutory safety inspection and maintenance services, while

reassessing store costs. To rebuild our area strategy, we revamped our management structure to enhance profitability and efficiency. Initiatives here included rationalization of subsidiaries and sale of stores aimed at strengthening the competitiveness of each store in its local area. In reviewing new domestic businesses, the Company decided to withdraw from the fuel business and motorcycle goods business, which were judged to make little contribution to the domestic franchise business and have minimal growth potential in the future. Consequently, we liquidated subsidiaries associated with these businesses and sold the related businesses.

With respect to reassessing its overseas businesses, the Company examined each overseas operation from the perspectives of market growth potential and our competitive superiority. As a result, we decided to withdraw our support of two U.S. subsidiaries—AUTOBACS U.S.A., Inc. and AUTOBACS STRAUSS Inc.—based on our conclusion that these subsidiaries would have difficulty establishing a competitive edge and would be unable to improve their earnings in the short term given the depressed state of the economy and the automotive industry. Those two subsidiaries have filed for bankruptcy proceedings under Chapter 11 of U.S. bankruptcy laws. Both subsidiaries are expected to be removed from the scope of consolidation as their shares are sold off in the course of the bankruptcy process. The discussion for the possibility of the Company's debt collection is to be advanced with the parties concerned.

With respect to its business in Taiwan, the Company sold all of its shares in a Taiwanese subsidiary after considering the growth potential of that market. We also examined our operations in France, Thailand, and Singapore, and we decided to continue those businesses as it would be difficult to sell them under current market conditions. For the time being, therefore, we will focus on improving their profitability and corporate value, and will determine their business direction at the appropriate time. Meanwhile, our subsidiary in France posted a ¥3.2 billion impairment loss on goodwill at the end of the fiscal year under review. Regarding our business in China, we have decided to continue operations in light of that nation's high market growth potential. Going forward, we will strive to rebuild a business model in the future by changing the management structure.

With respect to making the headquarters functions and expenditures more efficient, the Company took measures to cut expenses of its headquarters and business offices. We also rationalized functions that were dispersed or duplicated by the Company and its shared service subsidiaries to improve operational efficiency and cut costs. In addition, we implemented an early retirement program for employees as part of our business portfolio restructuring. A total of 39 employees have

opted for early retirement under the program.

•Financial Strategy

With respect to its financial strategy, the Company is working to improve asset and capital efficiency. To this end, during the year we sold investment securities, including all of our shareholdings in Halfords Group Plc of the United Kingdom, which had a low business correlation with the Group. We also sold welfare facilities and other assets that were not fully utilized. In addition, the Company carried out a share buyback in accordance with its policy of enhancing returns to shareholders while maintaining proper financial stability.

•Reinforcing Corporate Governance

With respect to enhancing its corporate governance system, the Company appointed two additional outside directors and one outside auditor, following a resolution made at the General Meeting of Shareholders held in June 2008. As a result, four of our nine directors and three of our five corporate auditors come from outside the Company. Through these appointments, we have boosted the effectiveness of deliberation in Board of Directors meetings and improved the decision-making process. Moreover, we have a Governance Committee, consisting of the representative director and outside directors, to strengthen its corporate governance system. The Committee examines management issues identified by the Board of Directors and presents proposals to the Board on an ongoing basis.

Fiscal 2010 Outlook

In the year ending March 2010, we envisage a challenging business environment, with various factors having both positive and negative effects on our operations. On the negative side, we expect consumer sentiment to remain weak and sales of new vehicles to decline as the domestic economy languishes. On a positive note, however, we look forward to an increase in demand for car maintenance services stemming from rising vehicle use brought about by lower expressway tolls and stable gasoline prices.

In this environment, we will pursue a number of initiatives under our slogan of "Anything about cars, you find at AUTOBACS." These include (1) enhancing store competitiveness by improving sales of automotive goods and services; (2) strengthening sales of maintenance-related goods, such as tires, oil, and batteries, by bolstering relationships with customers of our statutory safety inspection and maintenance services; and (3) improving productivity through appropriate allocation of corporate resources. In these and other ways, we will strive to expand our market share and to enhance profitability. In addition, the Group will work to establish a successful business model for its car sales and purchases business.

FINANCIAL REVIEW

INCOME AND EXPENSES

Net Sales

In fiscal 2009, ended March 31, 2009, consolidated net sales amounted to ¥259.1 billion, down by ¥7.3 billion, or 2.7%, from fiscal 2008.

	¥ billion (Percentage of net sales)		
	2008	2009	Increase (Decrease)
Wholesale operations	145.1 (54.4%)	140.7 (54.3%)	(4.3)
Retail operations	117.2 (44.0%)	114.6 (44.2%)	(2.6)
Others	4.2 (1.6%)	3.8 (1.5%)	(0.4)
Total	266.4 (100.0%)	259.1 (100.0%)	(7.3)

•Wholesale Operations

Most of the revenue in the wholesale operations segment derives from sales to franchise outlets. In the year under review, segment sales declined by 3.0%, to ¥140.7 billion. For the year, we reported an increase in sales of tires, an area of focus during the period. We also posted higher sales of oil and batteries thanks to increased unit prices, as well as of portable navigation systems, ETC devices, automobiles, and fuel. However, these positive factors were unable to offset declines in sales of tire chains, car audio equipments, wheels, motor sports goods, and other automotive goods.

•Retail Operations

The retail operations segment consists of retail sales of stores that are managed directly by the Company or its consolidated subsidiaries. In fiscal 2009, sales in this

segment were down 2.2%, to ¥114.6 billion. Despite higher sales from services, including statutory safety inspections and maintenance services, sales from domestic stores declined, impacted by such factors as stagnant consumption, high gasoline prices, and light snowfalls along Eastern Japan. Overall sales from overseas stores declined, particularly in North America and Europe, in the face of the economic slowdown and fluctuating exchange rates.

•Others

Sales from other businesses declined by ¥0.4 billion or 8.9%, to ¥3.8 billion, due mainly to decreases in real estate rental income and store equipment lease income from domestic franchise operators.

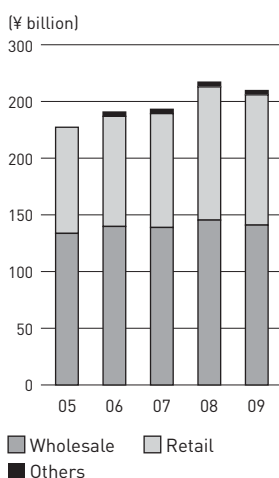
Gross Profit

Gross profit declined by ¥1.7 billion, or 2.0%, to ¥81.2 billion, due to the overall revenue decline and a fall in gross margins, mainly for tires and wheels. This was despite an increase in sales from statutory safety inspection and maintenance services, an area of current focus.

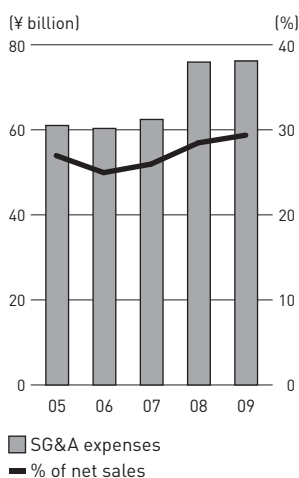
SG&A Expenses

SG&A expenses edged up by ¥0.2 billion, or 0.2%, to ¥76.1 billion, despite efforts to reduce expenses in accordance with the mid-term business plan. This reflected an increase in overall expenses stemming from a rise in the number of stores, both in Japan and overseas. Other factors included active spending on tire-related advertising, expenses related to our new POS system, which started its operations in the previous fiscal year, and spending to promote the mid-term business plan.

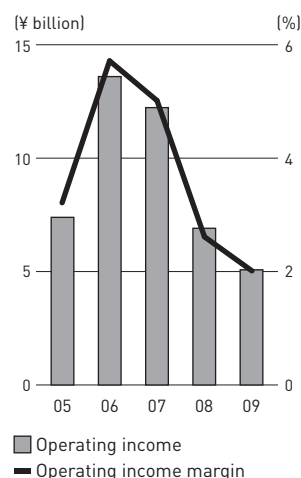
Net Sales



SG&A Expenses



Operating Income



	2008	2009	¥ billion Increase (Decrease)
Personnel expenses	32.4	32.9	0.5
Employee compensation	26.2	26.5	0.3
Sales promotion expenses	11.9	12.3	0.4
Equipment expenses	17.4	17.6	0.2
Land and building rent	8.9	9.0	0.1
Depreciation	4.8	5.1	0.3
Administrative expenses	14.2	13.2	(1.0)
Information processing expenses	2.2	2.2	(0)
Provision for allowance for doubtful receivables	0.3	0.1	(0.2)
Total	75.9	76.1	0.2

Personnel expenses rose by 1.7%, to ¥32.9 billion, and constituted 43.3% of SG&A expenses. Employee numbers at the end of fiscal 2009 were 562 in wholesale operations (down by 32 year-on-year), 4,679 in retail operations (down by 279), and 692 in corporate-wide operations (down by 248).

Sales promotion expenses grew by 3.7%, to ¥12.3 billion, or 16.2% of SG&A expenses. This was mainly due to increases in advertising and sales promotion expenditures aimed at strengthening tire sales at domestic outlets.

Equipment expenses climbed by 1.3%, to ¥17.6 billion, or 23.2% of SG&A expenses. This was mainly due to depreciation and amortization related to our information systems.

Administrative expenses fell by 7.3%, to ¥13.2 billion, accounting for 17.3% of SG&A expenses. This was mainly due to declines in travel expenses and fees for consulting-related services.

As a result of the aforementioned factors, operating income declined by ¥1.8 billion, or 26.6%, to ¥5.1 billion.

Other Income (Expenses)

In other items, there was a net other expense of ¥9.0 billion, up from ¥2.0 billion in the previous fiscal year. This stemmed primarily from a ¥0.9 billion foreign exchange loss on lending to overseas subsidiaries and a ¥1.3 billion loss on valuation of investment securities due to devaluations of securitized products held by the Company (CDOs, SIVs). Other factors included a ¥4.7 billion income incurred by a change in accounting standards for building lease transactions, mainly via-a-vis franchise operators, as well as a business restructuring expense of ¥4.9 billion associated with the withdrawal from operations in the United States, a ¥5.3 billion impairment loss on fixed assets, and a ¥4.0 billion loss on valuation or sales of investment securities. The balance of securitized products held by the Company at March 31, 2009, was ¥150 million. This is expected to have a limited impact on the Company's performance going forward.

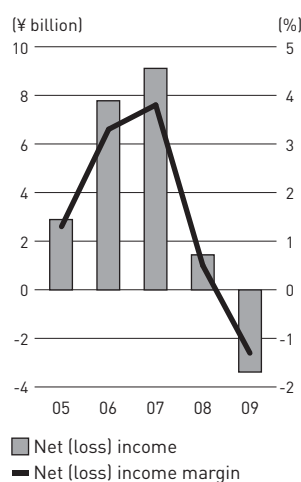
Income Taxes

Income taxes for the year were minus ¥0.5 billion. Because the Group posted a net loss before tax for the year, the effective tax rate fell from 69.1% to minus 13.6%, despite the absence of major changes in adjustment items.

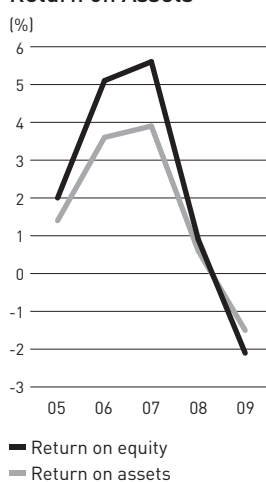
Net Income

The Group posted a net loss for the year of ¥3.4 billion, compared with net income of ¥1.5 billion in the previous year. The net loss per share was ¥90.29. Net income as a percentage of net sales declined from 0.6% in fiscal 2008

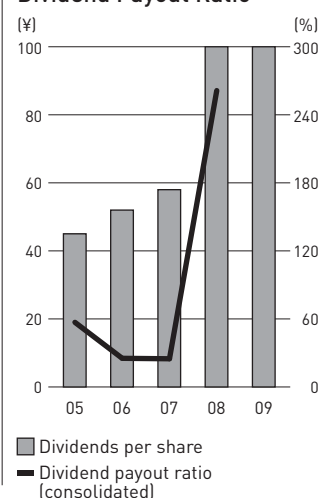
Net (Loss) Income



Return on Equity and Return on Assets



Dividends Per Share and Dividend Payout Ratio



to minus 1.3% in fiscal 2009. ROA slipped from 0.6% to minus 1.5%, and ROE fell from 0.9% to minus 2.1%.

FINANCIAL POSITION

As of March 31, 2009, total assets amounted to ¥224.2 billion, down by ¥10.0 billion, or 4.3%, from a year earlier. This was mainly due to a decline in investment securities.

Total liabilities edged down by ¥0.2 billion, or 0.3%, to ¥68.7 billion. This was due mainly to decreases in long-term debt and trade notes and accounts payable, which outweighed a provision for business restructuring associated with the withdrawal from businesses in the United States.

Net assets fell by ¥9.7 billion, or 5.9%, to ¥155.5 billion. This was mainly due to a decline in retained earnings stemming from dividend appropriations, as well as an increase in treasury stock.

CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥7.0 billion, compared with ¥0.6 billion used in such activities in fiscal 2008. Main factors included the application of accounting standards for leased assets, which had a ¥4.7 negative impact on cash flows, and a ¥3.9 billion loss before income taxes and minority interests. These contrasted with the ¥6.0 billion in depreciation and amortization, ¥5.3 billion in impairment losses, and a ¥4.8 billion provision for business restructuring.

Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥4.5 billion, compared with ¥8.0 billion used in such activities in

the previous fiscal year. This was mainly due to ¥8.1 billion in proceeds from redemption and sales of investment securities, which outweighed ¥4.9 billion in acquisitions of tangible and intangible fixed assets. Free cash flows (sum of cash flows from operating activities and cash flows from investing activities) saw a net inflow of ¥11.6 billion.

•Capital Expenditures

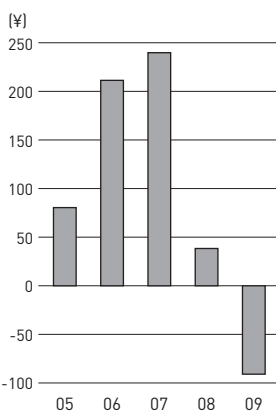
In fiscal 2009, total capital expenditures amounted to ¥4.9 billion. These investments were associated mainly with IT investments (including to upgrade our in-store POS system, personnel system, and car purchasing system), acquisition of land, buildings, and equipment related to the opening of new stores, reformatting of existing ones, scrap-and-build and relocation programs. A breakdown of capital expenditures (including intangible fixed assets) in the fiscal year under review is shown below.

	2008	2009	¥ billion Increase (Decrease)
Wholesale operations	0.2	0.2	0
Retail operations	3.7	2.4	(1.3)
Others	5.9	2.4	(3.5)
Total	9.8	4.9	(4.9)

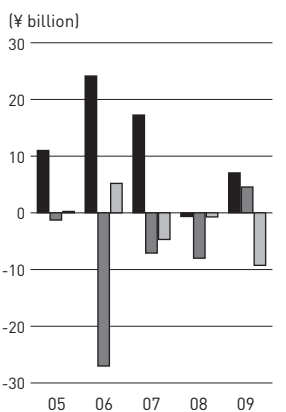
* Not including consumption tax

Major Capital Expenditures in 2009		¥ billion
Retail Operations:		
Opening of new stores, scrap-and-build or relocation or reformatting to Super AUTOBACS		1.1
Purchases of land for relocating stores		0.8
Others:		
IT investments (development of POS system, etc.)		0.9

Basic Net (Loss) Income Per Share

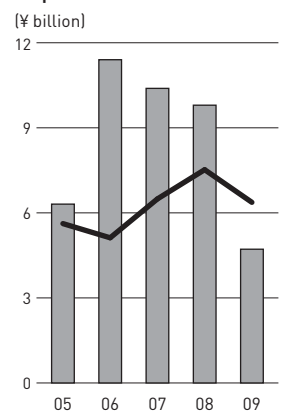


Cash Flow



■ Cash flow provided by (used in) operating activities
 ■ Cash flow provided by (used in) investing activities
 ■ Cash flow (used in) provided by financing activities

Capital Expenditures, Depreciation and Amortization



■ Capital expenditures
 ■ Depreciation and amortization

Cash Flows from Financing Activities

Net cash used in financing activities was ¥9.3 billion, compared with ¥0.7 billion in fiscal 2008. This was mainly due to ¥4.5 billion in dividends paid and ¥2.5 billion in purchase of treasury stock.

Cash and cash equivalents at fiscal year-end stood at ¥51.7 billion, up by ¥2.1 billion from a year earlier. This was the result of the above factors, as well as the effect of exchange rate changes on cash and cash equivalents and a rise in cash and cash equivalents resulting from an increase in the number of consolidated subsidiaries.

BUSINESS RISKS

The following are issues contained in this annual report concerning the AUTOBACS Consolidated Group's operating and financial conditions that are likely to have a significant bearing on the decisions of investors.

(1) Competition

It is possible that competitors in the automotive goods and accessories market could influence the Group's business performance. These competitors include not only franchisees and rival companies currently operating in the same line of business, but also automakers and dealers making a full-scale entry into the market, as well as specialty tire stores, secondhand goods stores, and outlet stores.

(2) Unusual Weather Conditions

Merchandises sold by the AUTOBACS Group include seasonal products, for which the number of units sold is significantly affected by weather conditions. Accordingly, in the event of unusual weather conditions, such as cool summers and/or warm winters, the Group's business performance could be affected by lower sales for seasonal products or a shift in demand season.

(3) Future Overseas Expansion

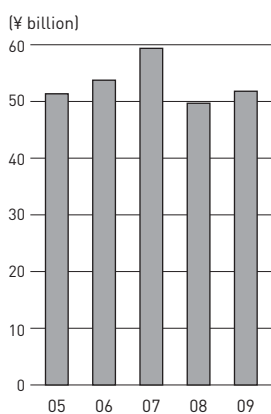
The Group is operating in Europe, United States, and Asia, including China. In the event that the Group fails to respond in a timely manner to various problems and risks in these regions, its business performance could be affected. Such problems include but are not limited to the following: the local culture with respect to cars and car-related goods; competition from existing local retailers; the economic situation; the level of information infrastructure; a lack of protection for intellectual property; an unstable political situation; and outbreaks of infectious disease.

(4) Regulations Governing Opening of New Stores

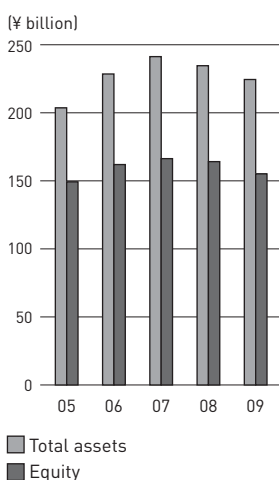
The Group's development of stores is under the regulation of the Law Concerning the Measures by Large-Scale Retail Stores for Preservation of the Living Environment.

This law applies to the opening of all new stores with sales floor areas exceeding 1,000 square meters and to the expansion of existing stores that will result in sales

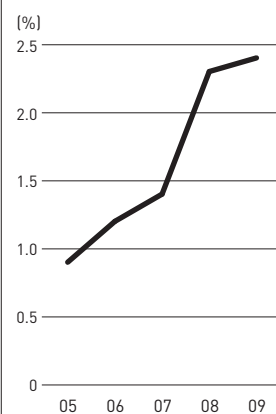
Cash and Cash Equivalents



Total Assets and Equity



Dividends on Equity (DOE)



floor areas exceeding the limit. The law's purpose is to maintain the living environment of local residents. A local prefecture or a designated city office carries out pre-determined checks on noise levels, traffic congestion, waste disposal, and other factors.

In opening new stores larger than 1,000 square meters, the Group's policy is to consider the local environment from the initial planning stage and to work closely with nearby residents and the local government. Due to the aforementioned regulations and other factors, however, the Group may not be able to open new stores as planned, which could have a negative impact on its business results.

(5) Observance of Laws and Regulations

With respect to the observance of laws and regulations, the Group is working to enhance its internal control system. The Company established the Compliance Department to enhance internal control, and set a Code of Conduct and Guidelines to ensure ethical business conduct by its directors, officers and employees.

However, in the unlikely event that a director or an officer or an employee violates laws or regulations, either intentionally or unintentionally, this could result in claims for compensation, which could affect the Group's business performance. In addition, the Group holds a huge volume of consumer information. While careful attention is paid to the handling of such information, in the event of an external leakage of customer information due to malice or other reasons, the Group could lose credibility and its business performance could be negatively affected.

(6) Fluctuations in Product Selling and Procurement Prices, and Raw Materials Prices

Due to various factors, merchandises sold by the Group could be subject to unexpected fluctuations in procurement prices and raw materials prices. Also, sales prices of its merchandises could surge or plummet due to changes in the market environment. As a result, the Group's business performance could be affected by such developments as the selling price falling below the procurement price or declines in demand due to higher prices.

(7) Natural Disasters

In regions where the Group has stores and operational facilities, natural disasters, such as earthquakes and typhoons, could cause damage to Company facilities or harm to directors, statutory auditors, and employees. The Group's business results could be affected by such factors as reduced sales and costs required to restore operations and recruit human resources.

(8) Franchisees

The Company operates as a franchisor for stores that principally provide sales of automotive goods and services, statutory safety inspection and maintenance services and sales and purchase of vehicles. In the event that a franchisee violates the franchise contract or laws and regulations, the business performance of the Group could be affected, irrespective of the Group's holding of equity in the franchisee.

(9) Store Operations

The Group operates retail stores that provide sales of automotive goods and services, statutory safety inspection and maintenance services and sales and purchase of vehicles. These operations have risks associated with the processing of waste generated by store operations, the handling of dangerous substances, and accidents in service bays and other places on the store grounds. The occurrence of these types of events could affect the Group's business performance directly or indirectly through a reduction in customer numbers due to a deterioration of the image of our stores.

(10) Exchange Rate Fluctuations

The Group extends loans denominated in foreign currencies to its overseas subsidiaries. Because foreign currency-denominated amounts are translated into for preparation of financial statements, changes in exchange rates could affect the Group's business performance.

CONSOLIDATED BALANCE SHEETS

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
March 31, 2009 and 2008

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
CURRENT ASSETS:			
Cash and cash equivalents	¥ 51,749	¥ 49,638	\$ 528,051
Time deposits with an original maturity over 3 months	383	513	3,908
Marketable securities (Note 3)	839	2,997	8,561
Receivables:			
Trade notes and accounts	22,841	18,300	233,072
Associated companies	854	1,087	8,714
Other	18,008	17,495	183,755
Allowance for doubtful receivables	(683)	(574)	(6,969)
Inventories	21,201	23,427	216,337
Deferred tax assets (Note 14)	3,045	2,053	31,071
Investments in lease (Notes 2.N and 4)	16,295		166,276
Prepaid expenses and other current assets	2,436	2,471	24,857
Total current assets	136,968	117,407	1,397,633
PROPERTY AND EQUIPMENT:			
Land (Notes 5 and 9)	23,908	25,069	243,959
Buildings (Note 5)	33,835	35,787	345,255
Furniture and equipment (Note 5)	19,423	18,822	198,194
Leased assets (lessor) (Note 6)		20,342	
Lease assets (lessee) (Note 5)	701		7,153
Construction in progress	5	710	51
Total	77,872	100,730	794,612
Accumulated depreciation	(36,879)	(46,963)	(376,316)
Net property and equipment	40,993	53,767	418,296
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	3,734	14,782	38,102
Investments in and advances to associated companies	1,544	1,361	15,755
Rental deposits and long-term loans (Note 8)	21,433	22,007	218,704
Goodwill (Notes 5 and 7)	1,431	5,241	14,602
Deferred tax assets (Note 14)	6,956	6,269	70,980
Other (Note 5)	11,109	13,292	113,357
Total investments and other assets	46,207	62,952	471,500
TOTAL	¥ 224,168	¥ 234,126	\$ 2,287,429

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
CURRENT LIABILITIES:			
Short-term borrowings (Note 9)	¥ 440	¥ 868	\$ 4,490
Current portion of long-term debt (Note 9)	4,317	1,950	44,051
Payables:			
Trade notes and accounts	16,437	17,682	167,725
Associated companies	813	892	8,296
Other	10,742	11,076	109,612
Income taxes payable	415	2,205	4,235
Accrued expenses	3,672	4,537	37,469
Allowance for business restructuring	4,827		49,255
Other current liabilities	3,179	4,361	32,439
Total current liabilities	44,842	43,571	457,572
LONG-TERM LIABILITIES:			
Long-term debt (Note 9)	12,642	15,019	129,000
Liability for retirement benefits (Note 10)	429	528	4,378
Rental deposits received (Note 8):			
Associated companies	1,293	1,348	13,194
Other	6,539	6,508	66,724
Allowance for business restructuring		44	
Deferred tax liabilities (Note 14)	415	416	4,235
Other liabilities	2,529	1,487	25,806
Total long-term liabilities	23,847	25,350	243,337
Total liabilities	68,689	68,921	700,909
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 15)			
EQUITY (Notes 11 and 19):			
Common stock, authorized, 109,402 thousand shares; issued, 39,255 thousand shares in 2009 and 2008	33,999	33,999	346,929
Capital surplus	34,512	34,513	352,163
Retained earnings	94,298	102,248	962,224
Unrealized (gains) losses on available-for-sale securities (Note 3)	(218)	(626)	(2,224)
Foreign currency translation adjustments	173	(257)	1,765
Treasury stock at cost: 1,807 thousand shares in 2009 and 1,026 thousand shares in 2008	(8,001)	(5,541)	(81,643)
Total	154,763	164,336	1,579,214
Minority interests	716	869	7,306
Total equity	155,479	165,205	1,586,520
TOTAL	¥ 224,168	¥ 234,126	\$ 2,287,429

CONSOLIDATED STATEMENTS OF OPERATIONS

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
NET SALES (Note 12)	¥ 259,144	¥266,430	¥242,532	\$ 2,644,327
COST OF GOODS SOLD	177,951	183,578	167,788	1,815,827
Gross profit	81,193	82,852	74,744	828,500
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	76,103	75,915	62,524	776,561
Operating income	5,090	6,937	12,220	51,939
OTHER INCOME (EXPENSES):				
Interest and dividend income	670	984	895	6,837
Interest expense	(287)	(249)	(182)	(2,929)
Commission income	657	668	685	6,704
Impairment losses on fixed assets (Note 5)	(5,289)	(109)	(223)	(53,969)
Loss on business restructuring	(4,926)		(217)	(50,265)
Loss on arrangement of stores	(291)	(161)	(214)	(2,969)
Loss on revaluation of investment securities	(1,334)	(4,327)		(13,612)
Foreign exchange (loss) gain, net	(861)	(275)	536	(8,786)
Lease revenue-system equipment	1,495	1,070	886	15,255
Lease cost-system equipment	(1,532)	(714)	(636)	(15,633)
Loss on sale of investment securities	(3,792)	(579)		(38,694)
Effect of application of revised accounting standard for lease transactions (Note 2.N)	4,652			47,469
Additional retirement benefits	(433)			(4,418)
Other-net	2,243	1,727	2,799	22,887
Other income (expenses)-net	(9,028)	(1,965)	4,329	(92,123)
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(3,938)	4,972	16,549	(40,184)
INCOME TAXES (Note 14):				
Current	1,326	5,223	6,315	13,530
Deferred	(1,863)	(1,788)	1,219	(19,010)
Total	(537)	3,435	7,534	(5,480)
MINORITY INTERESTS IN NET INCOME (LOSS)	3	(70)	150	31
NET (LOSS) INCOME	¥ (3,398)	¥ 1,467	¥ 9,165	\$ (34,673)
		Yen		U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.R and 17):				
Basic net (loss) income	¥ (90.29)	¥ 38.37	¥ 239.01	\$ (0.92)
Diluted net income		38.33	238.34	
Cash dividends applicable to the year	100.00	100.00	58.00	1.02

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

	Thousands		Millions of yen								
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gains (Losses) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	39,255	624	¥ 33,999	¥ 34,513	¥ 96,113	¥ 744	¥ (222)	¥ (3,611)	¥ 161,536		¥ 161,536
Reclassified balance as of March 31, 2006 (Note 2.M)										470	470
Net income					9,165				9,165		9,165
Decrease of treasury stock		(2)						11	11		11
Purchase of treasury stock		402						(1,934)	(1,934)		(1,934)
Appropriations:											
Cash dividends, ¥54.00 per share					(2,075)				(2,075)		(2,075)
Bonuses to directors and corporate auditors					(128)				(128)		(128)
Net changes of items						1,192	228		1,420	186	1,606
BALANCE, MARCH 31, 2007	39,255	1,024	33,999	34,513	103,075	1,936	6	(5,534)	167,995	656	168,651
Net income					1,467				1,467		1,467
Purchase of treasury stock		2						(7)	(7)		(7)
Appropriations:											
Cash dividends, ¥60.00 per share					(2,294)				(2,294)		(2,294)
Net changes of items						(2,562)	(263)		(2,825)	213	(2,612)
BALANCE, MARCH 31, 2008	39,255	1,026	33,999	34,513	102,248	(626)	(257)	(5,541)	164,336	869	165,205
Net loss					(3,398)				(3,398)		(3,398)
Decrease of treasury stock		(4)		(1)				10	9		9
Purchase of treasury stock		785						(2,470)	(2,470)		(2,470)
Appropriations:											
Cash dividends, ¥120.00 per share					(4,549)				(4,549)		(4,549)
Change in consolidation scope					(3)				(3)		(3)
Net changes of items						408	430		838	(153)	685
BALANCE, MARCH 31, 2009	39,255	1,807	¥ 33,999	¥ 34,512	¥ 94,298	¥ (218)	¥ 173	¥ (8,001)	¥154,763	¥ 716	¥155,479

	Thousands of U.S. dollars (Note 1)									
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized (Losses) Gains on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity	
BALANCE, MARCH 31, 2008	\$ 346,929	\$ 352,173	\$ 1,043,347	\$ (6,387)	\$ (2,623)	\$ (56,541)	\$ 1,676,898	\$ 8,867	\$ 1,685,765	
Net loss			(34,673)				(34,673)		(34,673)	
Decrease of treasury stock		(10)				102	92		92	
Purchase of treasury stock						(25,204)	(25,204)		(25,204)	
Appropriations:										
Cash dividends, \$1.22 per share			(46,419)				(46,419)		(46,419)	
Change in consolidation scope			(31)				(31)		(31)	
Net changes of items				4,163	4,388		8,551	(1,561)	6,990	
BALANCE, MARCH 31, 2009	\$ 346,929	\$ 352,163	\$ 962,224	\$ (2,224)	\$ 1,765	\$ (81,643)	\$ 1,579,214	\$ 7,306	\$ 1,586,520	

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
OPERATING ACTIVITIES:				
(Loss) income before income taxes and minority interests	¥ (3,938)	¥ 4,972	¥ 16,549	\$ (40,184)
Adjustments for:				
Income taxes paid	(4,505)	(6,416)	(7,676)	(45,969)
Depreciation and amortization	6,347	7,463	6,471	64,765
Impairment losses on fixed assets	5,289	109	223	53,969
Provision for business restructuring	4,783	(230)	(586)	48,806
Loss on revaluation of investment securities	1,536	4,327		15,674
Loss on sale of investment securities	3,887	579		39,663
Reversal of retirement benefit	17	(6)	(178)	173
Effect of application of revised accounting standard for lease transactions	(4,652)			(47,469)
Changes in operating assets and liabilities:				
Increase in receivables	(3,574)	(5,467)	(4,020)	(36,469)
Increase in investments in lease	(839)			(8,561)
Decrease (increase) in inventories	1,888	(1,953)	(1,942)	19,265
(Decrease) increase in other payables and accruals	(891)	(8,757)	8,651	(9,092)
Other	1,680	4,733	(276)	17,143
Net cash provided by (used in) operating activities	7,028	(646)	17,216	71,714
INVESTING ACTIVITIES:				
Capital expenditures	(4,870)	(9,753)	(10,356)	(49,694)
Proceeds from sales of fixed assets	202	20	364	2,061
Acquisition of investment securities	(0)	(2,800)	(9,457)	(0)
Disposition of investment securities	8,059	7,666	5,879	82,235
Proceeds from sales of marketable securities	500	1,000	20,300	5,102
Payments for marketable securities		(499)	(12,999)	
Acquisition of business		(3,179)		
Payments for advance and rental deposits	(1,104)	(1,802)	(1,785)	(11,265)
Collection of advance and rental deposits	973	1,206	1,490	9,928
Payments for acquisition of subsidiaries' stock resulting from change in consolidation scope	(236)			(2,408)
Other	1,019	148	(538)	10,398
Net cash provided by (used in) investing activities	4,543	(7,993)	(7,102)	46,357
FINANCING ACTIVITIES:				
(Decrease) increase in short-term borrowings	(558)	506	(2,055)	(5,694)
Repayment of long-term debt	(1,891)	(1,928)	(1,693)	(19,296)
Proceeds from long-term debt	480	3,220	3,000	4,898
Purchase of treasury stock	(2,458)	(5)	(1,932)	(25,081)
Proceeds from issuance of subsidiary stock		190	78	
Dividends paid	(4,547)	(2,294)	(2,075)	(46,398)
Other	(285)	(418)	(21)	(2,908)
Net cash used in financing activities	(9,259)	(729)	(4,698)	(94,479)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(200)	(222)	189	(2,041)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,112	(9,590)	5,605	21,551
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	49,637	59,227	53,622	506,500
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 51,749	¥ 49,637	¥ 59,227	\$ 528,051
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION-				
ACQUISITION OF BUSINESS:				
Assets acquired		¥ 7,506		
Liabilities assumed		(3,973)		
Acquisition cost		3,533		
Cash and cash equivalents		353		
Cash paid		¥ 3,179		
ACQUISITION OF SUBSIDIARIES:				
Fair value of assets acquired	¥ 602		¥ 2,335	\$ 6,143
Liabilities assumed	(377)		(2,143)	(3,847)
Goodwill	230		59	2,347
Minority interests			(94)	
The amount appraised by the equity method of acquired stock			(62)	
Acquisition cost	455		95	4,643
Cash and cash equivalents held by subsidiaries	219		210	2,235
Cash received for capital	¥ (236)		¥ 115	\$ (2,408)

See notes to Consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of AUTOBACS SEVEN Co., Ltd. (the "Company") and subsidiaries (together the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with generally accepted accounting principles in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically, in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be, and have not been, presented herein. In addition,

the accompanying note information, some of which is not required under Japanese GAAP, is presented herein as additional information.

Certain reclassifications and rearrangements have been made in the consolidated financial statements for the years ended March 31, 2008 and 2007, to conform to the classifications and presentations used in the consolidated financial statements for the year ended March 31, 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥98 to U.S.\$1.00, the approximate free rate of exchange on March 31, 2009. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Consolidation Policy

The consolidated financial statements of March 31, 2009 include the accounts of the Company and all subsidiaries.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in all associated companies are accounted for by the equity method. The cost in excess of net assets of the subsidiaries and associated companies at the time of acquisition, which cannot be specifically assigned to individual assets, is amortized on the straight-line basis over 5 or 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions between the Companies is also eliminated.

B. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of

minority interests from net income, if contained. PITF No.18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. There was no effect from the adoption of this standard.

C. Business Combination

In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005 the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". These new accounting pronouncements were effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

On May 2, 2007, a subsidiary, AUTOBACS STRAUSS INC. acquired the business of retail sales of automotive parts and accessories and automotive maintenance services from R&S PARTS AND SERVICE, INC. and 1945 Route 23 Associates, Inc.. The Company accounted for this business combination by the purchase method of accounting.

D. Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

E. Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

i) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the

related unrealized gains and losses are included in earnings, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

All marketable securities held by the Companies are classified as held-to-maturity debt securities or available-for-sale securities.

The cost of securities sold is determined based on the average method.

Non-marketable available-for-sale securities are stated at cost determined by the average method. For other than temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

The Company reviews the fair value of its investment securities on a regular basis to determine if the fair value of any individual security has declined below its cost and if such decline is other than temporary. If the decline in value is judged to be other than temporary, the cost basis of the security is written down to fair value. The resulting realized loss is included in the consolidated statements of income in the period in which the decline was deemed to be other than temporary.

Hybrid financial instruments, from which an embedded derivative cannot be separated, are stated at fair value and gains or losses are recognized in the statement of income.

F. Inventories

Prior to April 1, 2008, inventories before distribution to stores or franchisees are stated at average cost, and inventories held at stores are valued at cost determined by the retail method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

The Company applied the new accounting standard for measurement of inventories effective April 1, 2008. As a result of this change, "Operating income" decreased by ¥64 million (\$653 thousand) and "Loss before income taxes" increased by ¥64 million (\$653 thousand) compared to the prior period.

Consolidated statement of Income for the fiscal year ended March 31, 2008 and 2007, do not reflect this new accounting standard.

G. Property and Equipment

Property and equipment are stated at cost.

Depreciation is principally computed by the declining balance method over the estimated useful lives of the assets. Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

Estimated useful lives are as follows:

Buildings:	3 to 45 years
Furniture and equipment:	2 to 20 years
Equipment held for lease:	5 to 50 years

H. Long-lived Assets

The Companies review its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An

impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

I. Goodwill

Purchased goodwill is amortized on a straight-line basis over 20 years.

J. Purchased Software

Purchased software was recorded as other assets and is amortized over 2 to 5 years.

K. Retirement and Pension Plan

As a result of a change from a non-contributory defined benefit pension plan to alternative plans, the Company has plans for employees consisting of a non-contributory defined contribution pension plan and a plan in which employees receive a retirement payment portion in cash.

Substantially, all employees of subsidiaries were covered by a non-contributory defined contribution pension plan, an unfunded employee retirement payment plan and a non-contributory defined benefit pension plan. As a result of a change from a non-contributory defined benefit pension plan and a retirement payment plan to non-contributory defined contribution pension plan by the Company and certain subsidiaries during the three years ended March 31, 2007, some subsidiaries have a non-contributory defined benefit pension plan and an unfunded employee retirement payment plan for employees at March 31, 2009.

Some subsidiaries accounted for the liability for retirement benefits of the defined contribution pension plan and the retirement payment plan based on projected benefit obligations and plan assets at each balance sheet date.

The Companies recorded expenses for the defined contribution pension plan when the contribution was made. Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors of the Company had retired at each balance sheet date.

The Company revised its compensation plan in June 2002 and no additional provisions have been recorded for retirement benefits to be paid to the Company's directors and corporate auditors since July 2002.

Certain subsidiaries revised their compensation plan in April 2005, no additional provisions have been recorded for retirement benefits to be paid to those directors and corporate auditors since April 2005.

L. Allowance for Business Restructuring

The allowance for business restructuring is stated in amounts based on the estimation of potential losses for the Company's investments.

M. Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of

March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

N. Lease accounting

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

Lessor

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as investments in lease.

The Company applied the revised accounting standard effective April 1, 2008.

As a result of this change, "Investments in lease" in "CURRENT ASSETS" increased by ¥16,295 million (\$166,276 thousand) compared to the prior period. And "Operating income" increased by ¥179 million (\$1,827 thousand) and "Loss before income taxes" decreased by ¥4,831 million (\$49,296 thousand), which included a cumulative effect of ¥4,652 million (\$47,469 thousand), compared to the prior period. This change resulted in an increase of net cash provided by operating activities and decrease of net cash provided by investing activities by ¥839 million (\$8,561 thousand) compared to prior period.

The consolidated financial statements for the fiscal years ended March 31, 2008 and 2007, do not reflect this new accounting standard.

O. Income Taxes

The provision for income taxes is computed based on the pretax loss included in the consolidated statements. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

P. Foreign Currency Items

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates in effect at each balance sheet date.

The foreign exchange gains and losses from those translations are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts. Other exchange gains and losses are recognized in the fiscal periods in which they occur.

Q. Foreign Currency Financial Statements

The balance sheet accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical exchange rates. Differences arising from such translations were shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rate.

R. Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

S. Derivatives and Hedging Activities

The Companies use derivative financial instruments to manage their exposure to fluctuations in foreign exchange and interest rates. Currency swap contracts, currency options and interest rate swap contracts are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

- a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and
- b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The currency swap contracts employed to hedge foreign exchange exposures for import transactions and the currency options employed to hedge foreign exchange exposures for foreign currency loans are measured at fair value and the unrealized gains / losses are recognized in income.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

T. New Accounting Pronouncements

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations”. Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Business Combinations—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows:

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

- (3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments”. The new standard requires adjustments to be made to conform the associate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years’ effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
CURRENT:			
Debt securities	¥ 839	¥ 2,997	\$ 8,561
NON-CURRENT:			
Equity securities	¥ 1,229	¥ 8,352	\$ 12,541
Debt securities	2,505	6,430	25,561
Other			
Total	¥ 3,734	¥ 14,782	\$ 38,102

The carrying amounts and aggregate fair values of marketable and investment securities for which market quotations were available at March 31, 2009 and 2008, were as follows:

	Millions of yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,363	¥ 5	¥ 250	¥ 1,118
Debt securities	3,463	1	119	3,345
Held-to-maturity				

	Millions of yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2008				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 9,246	¥ 264	¥ 1,269	¥ 8,241
Debt securities	8,966	3	42	8,927
Held-to-maturity	500			500

	Thousands of U.S. dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
March 31, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 13,908	\$ 51	\$ 2,551	\$ 11,408
Debt securities	35,337	10	1,214	34,133
Held-to-maturity				

Hybrid financial instruments of Available-for-sale-Debt securities are stated at fair value. Loss on revaluation of hybrid financial instruments for the years ended March 31, 2009 and 2008, were ¥1,334 million (\$13,612 thousand) and ¥4,326 million, respectively.

Available-for-sale and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2009 and 2008, were as follows:

	Carrying Amount		Thousands of U.S. dollars
	Millions of yen		
	2009	2008	2009
Securities classified as:			
Available-for-sale:			
Equity securities	¥ 110	¥ 111	\$ 1,122

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009, 2008 and 2007, were ¥5,082 million (\$51,857 thousand), ¥572 million and ¥3,380 million, respectively. Gross realized gains on these sales, computed on the moving

average cost basis, for the years ended March 31, 2007, was ¥3 million. Gross realized losses on these sales for the year ended March 31, 2009, 2008 and 2007, were ¥3,792 million (\$38,694 thousand), ¥579 million and ¥8 million.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Available-for-Sale	Held-to-Maturity	Available-for-Sale	Held-to-Maturity
Due in one year or less	¥ 839	¥	\$ 8,561	\$
Due after one year through five years	2,350		23,980	
Due after five years through ten years	156		1,591	
Due after ten years	0		1	
Total	¥ 3,345	¥	\$ 34,133	\$

4. INVESTMENTS IN LEASE

A break down of investments in lease as of March 31, 2009, was as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Gross lease receivables	¥ 21,428	\$ 218,653
Unearned interest income	(5,133)	(52,377)
Investments in lease	¥ 16,295	\$ 166,276

The Company leases store buildings, which are constructed by the Company, to its franchisees under non-cancelable lease terms generally over 20 years. In certain cases, the Company receives non-interest-bearing rental deposits from the lessees and such rental deposits are refunded to the lessees when the lease term expires.

A finance subsidiary of the Company also leases equipment to the franchisees under non-cancelable lease agreements over 5 to 6 years.

Maturities of investment in lease for finance leases that deem not to transfer ownership of the leased property to the lessee as of March 31, 2009, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 2,612	\$ 26,653
2011	2,452	25,020
2012	2,208	22,531
2013	1,965	20,051
2014	1,584	16,163
2015 and thereafter	10,607	108,235
Total	¥ 21,428	\$ 218,653

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment for the years ended March 31, 2009, 2008 and 2007, and, as a result, recognized an impairment loss of ¥5,289 million (\$53,969 thousand) and ¥109 million and ¥233 million on rental assets, stores and idle assets and goodwill. The carrying amount of the relevant fixed assets was written down to the recoverable amount.

The recoverable amount of those fixed assets was measured at their net selling price determined by quotation from a real-estate appraiser, and their value in use and the discount rate used for computation of the present value of future cash flow was the weighted average cost of capital.

Impairment losses of long-lived assets and the weighted average cost of capital for the years ended March 31, 2009, 2008 and 2007, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Land	¥ 1,611	¥ 64	¥ 196	\$ 16,439
Buildings	317	45		3,235
Goodwill	3,103			31,663
Furniture and equipment	142		27	1,449
Other	116			1,183
Total	¥ 5,289	¥ 109	¥ 223	\$ 53,969
	2009	2008	2007	
Weighted average cost of capital	7.71%		8.23%	

6. LEASED ASSETS (lessor)

A breakdown of leased assets (lessor) as of March 31, 2008, was as follows:

	Millions of yen
	2008
Buildings	¥ 14,901
Furniture and equipment	5,441
Total	20,342
Accumulated depreciation	(11,674)
Accumulated impairment loss	(25)
Net leased assets	¥ 8,643

The revised accounting standard for lease transactions have requires that all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease after April 1, 2008. Depreciation of leased

assets for the years ended March 31, 2008 and 2007, was ¥1,695 million and ¥1,608 million, respectively. Rental income for the years ended March 31, 2008, and 2007, was ¥1,942 million and ¥1,798 million, respectively.

The aggregate receivables from the lessees including equipment costs, unearned income and executory costs, which were not recorded on the books of account, as of March 31, 2008, were as follows:

	Millions of yen
	2008
Due within one year	¥ 1,343
Due after one year	11,648
Total	¥ 12,991

7. GOODWILL

Goodwill at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Consolidation goodwill	¥ 418	¥ 303	\$ 4,265
Purchased goodwill	1,013	4,938	10,337
Total	¥ 1,431	¥ 5,241	\$ 14,602

8. RENTAL DEPOSITS AND LONG-TERM LOANS

A breakdown of rental deposits and long-term loans as of March 31, 2009 and 2008, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
RENTAL DEPOSITS TO:			
Lessors for distribution facilities and stores of the Companies	¥ 10,249	¥ 10,634	\$ 104,582
Lessors for stores of franchisees	9,730	9,825	99,286
Lessors for office and other facilities	1,300	1,347	13,265
Total rental deposits	21,279	21,806	217,133
LOANS TO:			
Franchisees	793	984	8,092
Other	13	18	132
Total loans	806	1,002	8,224
Allowance for doubtful receivables	(652)	(801)	(6,653)
Total	¥ 21,433	¥ 22,007	\$ 218,704

The Companies' operations are conducted in free-standing buildings, a substantial portion of which has been constructed to the Company's specifications and is leased to the Company under non-cancelable lease terms ranging from 15 to 20 years. The lease terms are renewable upon expiration. Usually, the Company provides funds to the lessors in whole or in part for the construction costs of the leased buildings in the form of rental deposits which are non-interest-bearing.

Rental deposits are refundable over the lease term, or are refundable upon expiration of the lease term. If the Company cancels the lease agreements during the lease term, the outstanding rental deposits are not refunded. The Company has not

experienced significant loss from the forfeiture of rental deposits as a result of cancellation of the lease agreements before expiration.

The Company has leased certain store buildings for which the Company has made rental deposits to lessors and subleased such stores to franchisees. The Company also receives non-interest-bearing rental deposits from the sublessees. Such rental deposits received are presented in long-term liabilities in the consolidated balance sheets. Some of the above-mentioned leases were accounted for as operating leases and rent expense paid to the lessors and rental income from sublessees have been set off in the consolidated statements of income.

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2009 and 2008, consisted of notes to banks and other. The annual interest rates applicable to the short-term borrowings at March 31, 2009 and 2008, ranged from 1.5% to 1.8% and from 1.0% to 2.5%.

Long-term debt and lease obligations at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Bonds	¥ 185	¥ 235	\$ 1,888
Loans from banks and other, due serially to 2015 with interest rates ranging from 0.9% to 2.7% (2009) and from 0.9% to 3.9% (2008) and other:			
Unsecured	15,363	16,734	156,765
Lease obligation	1,411		14,398
Total	16,959	16,969	173,051
Less current portion	4,317	1,950	44,051
Long-term debt, less current portion	¥ 12,642	¥ 15,019	\$ 129,000

Annual maturities of long-term debt and lease obligations at March 31, 2009, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 4,317	\$ 44,051
2011	4,539	46,316
2012	2,056	20,980
2013	3,863	39,418
2014	583	5,949
2015 and thereafter	1,601	16,337
Total	¥ 16,959	\$ 173,051

At March 31, 2009, land of ¥288 million (\$2,939 thousand) was pledged as collateral for payables, short-term borrowings and long term debt.

As is customary in Japan, the Companies maintain substantial deposit balances with banks with which they have borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is cus-

tomary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Companies have never been requested to provide any additional collateral.

10. RETIREMENT AND PENSION PLAN

The Company has plans consisting of a non-contributory defined contribution pension plan and a plan in which employees receive a retirement payment portion in cash as of March 31, 2009. Subsidiaries have a non-contributory defined contribution pension plan, a retirement payment plan, a non-contributory defined benefit pension plan and smaller enterprise retirement allowance plan for employees as of March 31, 2009.

Under most circumstances, employees terminating their employment were entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum retirement payment from certain subsidiaries and annuity payments from a trustee. Employees are entitled larger payments if the termination is involuntary, compared with termination by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Companies have a retirement payment plan for directors and corporate auditors. The liability for retirement benefits for directors and corporate auditors at March 31, 2009 and 2008, is

¥294 million (\$3,000 thousand) and ¥426 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The Company also sponsors a domestic contributory welfare pension plan of an automobile-related company group covering substantially all of its Japanese employees. The benefits of the welfare pension plan are based on years of service and on the average compensation during years of service and subject to governmental regulations. The welfare plan consists of a basic component, which has been specified by the Japanese government's welfare pension regulations, and an additional component established by the automobile-related company group.

The net assets in the fund of the welfare plan were ¥7,767 million (\$79,255 thousand) at March 31, 2008, which is the most recent date available. The salaries of the employees of the Company for such contributory pension plan appropriated 22.6% of the total salaries of the welfare plan at March 31, 2008. For the welfare pension plan, the amounts of contributions made are charged to income.

The liability (asset) for employees' retirement benefits at March 31, 2009 and 2008, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥ 202	¥ 139	\$ 2,061
Fair value of plan assets	(71)	(41)	(724)
Prepaid cost	4	4	41
Net liability	¥ 135	¥ 102	\$ 1,378

The components of net periodic benefit costs for the years ended March 31, 2009, 2008 and 2007, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Service cost	¥ 34	¥ 26	¥ 22	\$ 347
Contribution of contributory welfare pension plan	351	336	324	3,582
Contribution pension plan and other	340	329	303	3,469
Net periodic retirement benefit costs	¥ 725	¥ 691	¥ 649	\$ 7,398

Assumptions used for computation of liability for retirement benefits are not presented because the simplified method is applied.

11. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The company meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirement.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reserved without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. SALES

The Companies sell automobile-related products to mostly domestic customers directly or to franchisees including certain affiliates with which the Companies have franchise agreements.

Net sales made to franchisees for the years ended March 31, 2009, 2008 and 2007, aggregated to approximately 54%, 54% and 57% of the consolidated net sales, respectively.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of "Selling, general and administrative expenses" for the fiscal years ended March 31, 2009, 2008, and 2007, were as follows:

Year Ending March 31	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Employee salaries & allowances	¥ 26,461	¥ 26,168	¥ 22,452	\$ 270,010
Provision for retirement allowance	725	691	650	7,398
Rent payment	8,956	8,915	6,233	91,388
Depreciation	5,064	4,821	3,761	51,673
Provision for allowance for doubtful receivables	92	268	106	939

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of

approximately 41.0% for the years ended March 31, 2009, 2008 and 2007, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
DEFERRED TAX ASSETS:			
Receivables	¥ 1,155	¥ 92	\$ 11,786
Accrued enterprise taxes	35	203	357
Accrued bonuses	288	296	2,939
Inventories	1,218	1,030	12,429
Property and equipment	5,387	4,655	54,969
Pension and severance costs	118	170	1,204
Provision for business restructuring	1,929	11	19,684
Investments	1,835	2,215	18,725
Other accounts payable	180	300	1,837
Tax loss carryforwards	4,901	4,653	50,010
Unrealized losses on available-for-sale securities	144	417	1,469
Other	760	742	7,755
Less valuation allowance	(6,172)	(5,663)	(62,980)
Deferred tax assets	11,778	9,121	120,184
DEFERRED TAX LIABILITIES:			
Property and equipment	880	881	8,980
Undistributed earnings of associated companies	307	239	3,133
Effect of application of revised accounting standard for lease transactions	844		8,612
Other	173	95	1,765
Deferred tax liabilities	2,204	1,215	22,490
Net deferred tax assets	¥ 9,574	¥ 7,906	\$ 97,694

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2009, 2008 and 2007, and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2009	2008	2007
Normal effective statutory tax rate	(41.0)%	41.0%	41.0%
Expenses not deductible for income tax purposes	2.3	1.6	0.5
Per-capita inhabitants' tax	2.1	1.5	0.4
Changes in valuation allowance	19.9	21.0	5.0
Amortization of goodwill	3.6	3.6	
Other-net	(0.5)	0.4	(1.4)
Actual effective tax rate	(13.6)%	69.1%	45.5%

At March 31, 2009, certain subsidiaries have tax loss carryforwards aggregating approximately ¥17,823 million (\$181,867 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 995	\$ 10,153
2011	1,117	11,398
2012	1,015	10,357
2013	247	2,520
2014	800	8,163
2015	458	4,674
2016 and thereafter	13,191	134,602
Total	¥ 17,823	\$ 181,867

15. LEASES

The Companies lease certain machinery, computer equipment, office space and other assets.

Total rental expense for the years ended March 31, 2009, 2008 and 2007, was ¥9,373 million (\$95,643 thousand), ¥9,470 million and ¥6,842 million, respectively, including ¥423 million (\$4,316 thousand), ¥142 million and ¥199 million, of lease payments under finance leases.

Certain land and buildings are treated as finance leases under the revised accounting standard for lease transactions, which

were treated as operating leases under the previous accounting standard. As a result, land and buildings noted in the pro forma information increased compared to prior year.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2009 and 2008 is as follows:

	As of March 31, 2009 Millions of yen				As of March 31, 2008 Millions of yen			
	Equipment	Furniture	Building and Land	Total	Equipment	Furniture	Others	Total
Acquisition cost	¥ 100	¥ 69	¥ 4,511	¥ 4,680	¥ 102	¥ 314	¥ 30	¥ 446
Accumulated depreciation	50	49	1,969	2,068	41	247	27	315
Net leased property	¥ 50	¥ 20	¥ 2,542	¥ 2,612	¥ 61	¥ 67	¥ 3	¥ 131

	As of March 31, 2009 Thousands of U.S. dollars			
	Equipment	Furniture	Building and Land	Total
Acquisition cost	\$ 1,020	\$ 704	\$ 46,031	\$ 47,755
Accumulated depreciation	510	500	20,092	21,102
Net leased property	\$ 510	\$ 204	\$ 25,939	\$ 26,653

Obligations under finance lease contracts:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year	¥ 224	¥ 68	\$ 2,285
Due after one year	2,894	73	29,531
Total	¥ 3,118	¥ 141	\$ 31,816

Depreciation expense and interest expense under finance lease contracts:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Depreciation expense	¥ 277	¥ 131	¥ 176	\$ 2,827
Interest expense	169	8	12	1,724
Total	¥ 446	¥ 139	¥ 188	\$ 4,551

Depreciation expense and interest expense, which were not reflected in the accompanying consolidated statements of income, were computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year	¥ 3,753	¥ 55	\$ 38,296
Due after one year	31,692	171	323,388
Total	¥ 35,445	¥ 226	\$ 361,684

16. DERIVATIVES

The Companies enter into exchange option and currency swap contracts and interest rate swap contracts to manage their foreign currency and interest rate exposures on receivables and payables.

All derivative transactions are entered into to hedge foreign currency and interest rate exposures incorporated within their business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Companies do not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Companies have been made in accordance with internal policies which define the authorization and credit limit amount.

The companies had the following derivative contracts outstanding as of March 31, 2009 and 2008:

	Millions of yen		
	2009		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts	¥ 1,566	¥ (2)	¥ (2)

	Millions of yen		
	2008		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts	¥ 2,817	¥ (144)	¥ (144)

	Thousands of U.S. dollars		
	2009		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts	\$ 15,980	\$ (20)	\$ (20)

Interest rate swap contracts which qualify for hedge accounting for the year ended March 31, 2009 and 2008, are excluded from the disclosure of market value information.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Companies' exposure to credit or market risk.

17. NET INCOME PER SHARE

Basic and diluted net income per share ("EPS") for the years ended March 31, 2009, 2008 and 2007, are as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
	Net income	Weighted average shares	EPS	
Basic EPS:				
Net income available to common shareholders	¥ (3,398)	37,631	¥ (90.29)	\$ (0.92)

	Millions of yen	Thousands	Yen
	Net income	Weighted average shares	EPS
For the year ended March 31, 2008			
Basic EPS:			
Net income available to common shareholders	¥ 1,467	38,231	¥ 38.37
Effect of dilutive securities		48	
Diluted net income	¥ 1,467	38,279	¥ 38.33

	Millions of yen	Thousands	Yen
	Net income	Weighted average shares	EPS
For the year ended March 31, 2007			
Basic EPS:			
Net income available to common shareholders	¥ 9,165	38,347	¥ 239.01
Effect of dilutive securities		107	
Diluted net income	¥ 9,165	38,454	¥ 238.34

18. SEGMENT INFORMATION

A. Industry Segments

The Companies are primarily engaged in the sale of automobile-related goods and parts. Sales and total assets of the automobile-related goods and parts for the years ended, and as of March 31, 2009, 2008 and 2007 represented more than 90% of consolidated sales and total assets of the respective years. Accordingly, industry segment information is not presented herein.

B. Geographical Segments

Domestic sales and total assets of the Companies for the year ended, and as of March 31, 2007 represented more than 90% of consolidated sales and total assets of 2007. Accordingly, geographical segment information is not presented herein.

Geographical segment information for the years ended March 31, 2009 and 2008 was as follows:

	Millions of yen						Consolidated
	Japan	North America	Europe	Asia	Total	Elimination or Corporate	
For the year ended March 31, 2009							
Sales and Operating Income (loss):							
Sales to outside customers	¥ 232,300	¥ 15,759	¥ 7,869	¥ 3,216	¥ 259,144		¥ 259,144
Intersegment sales	381			101	482	¥ (482)	
Total	232,681	15,759	7,869	3,317	259,626	(482)	259,144
Operating expenses	224,478	18,098	8,394	3,566	254,536	(482)	254,054
Operating income (loss)	8,203	(2,339)	(525)	(249)	5,090		5,090
Assets	¥ 196,505	¥ 7,039	¥ 3,666	¥ 2,103	¥ 209,313	¥ 14,855	¥ 224,168

	Millions of yen						Consolidated
	Japan	North America	Europe	Asia	Total	Elimination or Corporate	
For the year ended March 31, 2008							
Sales and Operating Income (loss):							
Sales to outside customers	¥ 238,269	¥ 15,733	¥ 8,612	¥ 3,816	¥ 266,430		¥ 266,430
Intersegment sales	454			143	597	¥ (597)	
Total	238,723	15,733	8,612	3,959	267,027	(597)	266,430
Operating expenses	228,426	18,120	9,440	4,104	260,090	(597)	259,493
Operating income (loss)	10,297	(2,387)	(828)	(145)	6,937		6,937
Assets	¥ 195,843	¥ 8,779	¥ 8,359	¥ 2,445	¥ 215,426	¥ 18,700	¥ 234,126

	Thousands of U.S. dollars						Consolidated
	Japan	North America	Europe	Asia	Total	Elimination or Corporate	
For the year ended March 31, 2009							
Sales and Operating Income (loss):							
Sales to outside customers	\$ 2,370,408	\$ 160,806	\$ 80,296	\$ 32,817	\$ 2,644,327		\$ 2,644,327
Intersegment sales	3,888			1,030	4,918	\$ (4,918)	
Total	2,374,296	160,806	80,296	33,847	2,649,245	(4,918)	2,644,327
Operating expenses	2,290,592	184,673	85,653	36,388	2,597,306	(4,918)	2,592,388
Operating income (loss)	83,704	(23,867)	(5,357)	(2,541)	51,939		51,939
Assets	\$ 2,005,153	\$ 71,827	\$ 37,408	\$ 21,459	\$ 2,135,847	\$ 151,582	\$ 2,287,429

1. The classification of overseas sales area segments is made according to geographical distances.

2. Countries/regions in the regional segmentation above

North America: U.S.A

Europe: France

Asia: China, Taiwan, Thailand and Singapore

3. Corporate assets included in the Elimination or Corporation line item were ¥23,468 million, consisting mainly of financial assets of the Company (cash and time deposits, short-term investments in securities, and investments in securities), and assets related to administrative operations.

C. Sales to Foreign Customers

Sales to foreign customers of the Companies for the year ended March 31, 2007 represented less than 10% of consolidated sales of 2007. Accordingly, information on sales to foreign customers

is not presented herein.

Information on sales to foreign customers for the years ended March 31, 2009 and 2008 was as follows:

	Millions of yen				Thousands of U.S. dollars
	North America	Europe	Asia	Total	Total
For the year ended March 31, 2009					
Sales to foreign customers	¥ 15,759	¥ 7,870	¥ 2,826	¥ 26,455	\$ 269,949
Consolidated sales				259,144	2,644,327
Sales to foreign customers as a percentage to consolidated sales	6.1%	3.0%	1.1%	10.2%	

	Millions of yen			
	North America	Europe	Asia	Total
For the year ended March 31, 2008				
Sales to foreign customers	¥ 15,734	¥ 8,612	¥ 3,125	¥ 27,471
Consolidated sales				266,430
Sales to foreign customers as a percentage to consolidated sales	5.9%	3.2%	1.2%	10.3%

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

19. SUBSEQUENT EVENTS

a. The general shareholders' meeting held on June 25, 2009, resolved the following appropriations of retained earnings as of March 31, 2009:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥50 (\$0.5) per share	¥ 1,873	\$ 19,112

b. At the Board of Directors held on May 15, 2009, the Board approved the repurchase of common stock up to a maximum of 1,600,000 shares to the aggregate amount of ¥5,600 million (\$57,143 thousand).

By June 26, 2009, the Company repurchased 959,800 shares of common stock for ¥3,172 million (\$32,367 thousand) in the market.

c. At the Board of Directors held on May 15, 2009, the Board approved the cancellation 1,800,971 shares of treasury stock and carried it out on May 22, 2009.

d. AUTOBACS STRAUSS INC. (a wholly owned, indirect subsidiary of the Company) and AUTOBACS U.S.A., INC. (a wholly owned subsidiary of the Company), which owns all shares in AUTOBACS STRAUSS INC., both applied for the application of the bankruptcy proceedings under Chapter 11, Title 11 of the U.S. Code on February 4, 2009 and have undertaken the necessary procedures.

In the bankruptcy proceedings for AUTOBACS U.S.A., INC., the process of auctioning the shares in AUTOBACS STRAUSS INC., which are assets held by AUTOBACS U.S.A., INC., was performed under the jurisdiction of the United States Bankruptcy Court, Cali-

fornia. The court, by order, approved the transfer of the shares to GRL Capital Advisors, LLC, a third party that had not had a capital relationship with the Company, on June 12, 2009 (local time).

Details are as follows:

1. The transferee company: GRL Capital Advisors, LLC
2. Date of court order: June 12, 2009 (local time)
3. Details of AUTOBACS STRAUSS INC.
 - (1) Head office location: 2711 Centerville Road, Suite 400, Wilmington, New Castle, DE 19808, U.S.A.
 - (2) Principal business: Retail sales of automotive parts and accessories
 - (3) Business relationship between AUTOBACS STRAUSS INC. and the Company: loan and products supplement
4. Aggregate number of shares to be transferred: 1,000 shares
5. Aggregate transfer price of shares: \$7,500
6. Percentage of shares indirectly held after the transfer: 0%

The effect of the share transfer on the Companies results is immaterial.

Independent Auditors' Report

To the Board of Directors and Shareholders of
AUTOBACS SEVEN CO., LTD.:

We have audited the accompanying consolidated balance sheets of AUTOBACS SEVEN CO., LTD. and subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AUTOBACS SEVEN CO., LTD. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.C, effective April 1, 2006, the consolidated financial statements have been prepared in accordance with the new accounting standard for business combinations.

As discussed in Note 2.B, F and N, effective April 1, 2008, the consolidated financial statements have been prepared in accordance with the new accounting standards for Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements, Inventories and leases.

As discussed in Note 19.d, the jurisdiction of United States Bankruptcy Court, California, by order, approved the transfer of the shares in AUTOBACS STRAUSS INC., on June 12, 2009 (local time).

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



June 25, 2009



AUTOBACS SEVEN CO., LTD.

PR & IR Group, Corporate Planning Office
NBF Toyosu Canal Front, 6-52, Toyosu 5-chome, Koto-ku, Tokyo, 135-8717
Phone: 03-6219-8718 Fax: 03-6219-8762
E-mail: investors@autobacs.com
URL: <http://www.autobacs.co.jp>