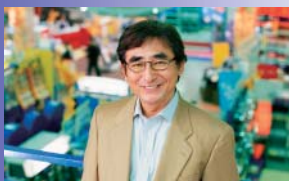




Annual Report 2005

Year ended March 31, 2005

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Forward-Looking Statements

Forward-looking statements in this annual report that are not historical facts and that concern future strategies and operational developments are management's judgments based on information currently available. Actual results may differ from such forward-looking statements due to changes in various risk factors, some of which are described on pages 42 and 43 of this annual report.



The Goals of the AUTOBACS GROUP

— Creating a Utopia for Automobile Enthusiasts — — Making Drivers the World Over into Car Fans —

To achieve these goals, the AUTOBACS Group proposes customer various automobile lifestyles.

In 1974, AUTOBACS SEVEN CO., LTD., developed Japan's first one-stop shopping store format for automotive goods and services. Since our founding, we have been committed to the idea of communicating to customers the joy of cars and providing them with more comfortable driving. It has been more than 30 years since the creation of the AUTOBACS brand. Over that period, the AUTOBACS Group has maintained its position as an industry leader and built a network of more than 500 stores, but the Group's commitment has not changed.

We want to showcase the idea that cars are more than just transportation; they make our lives more comfortable and enjoyable. We want to share with as many people as we can the fun that cars make possible and have people around the world become car fans. We want people to enjoy their cars and to be excited about them.

In the future, we will continue to propose a society that harmonizes people and cars. In this way, we will share with customers the joy of owning and driving cars, and at the same time, we will continue to take on the challenge of achieving customer satisfaction and ongoing growth for the AUTOBACS Group.

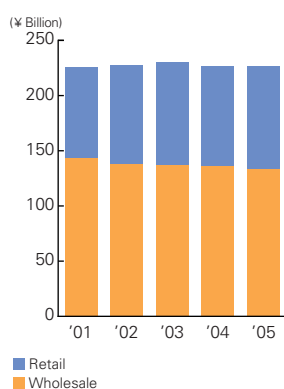
Financial Highlights

AUTOBACS SEVEN CO., LTD. AND SUBSIDIARIES
Years Ended March 31

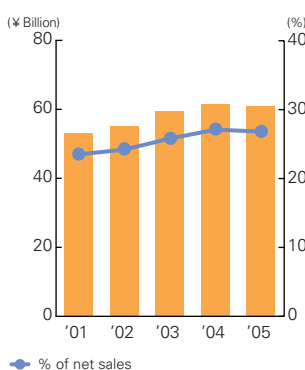
Millions of yen, except per share data

	2003	2004	2005
FOR THE YEAR			
Net sales:			
Tires and wheels	¥ 47,244	¥ 45,514	¥ 45,966
Car electronics	68,672	67,346	65,359
Oils and batteries	19,253	17,653	16,565
Car exterior items	25,970	24,137	23,257
Car interior items	20,776	20,318	20,347
Motor sports goods and others	48,564	52,110	55,286
Total	230,479	227,078	226,780
Operating income	7,652	6,211	7,368
Income before income taxes and minority interests	9,616	9,627	6,876
Net income	4,003	5,444	2,928
Per share data (Yen):			
Basic net income	¥106.76	¥149.80	¥79.85
Cash dividends	36.00	36.00	45.00

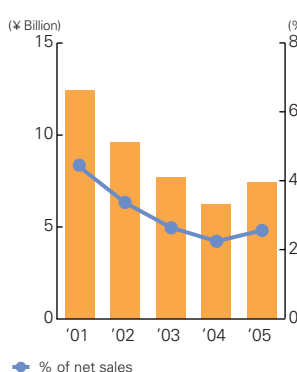
Net Sales



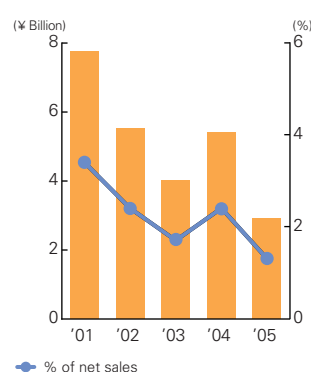
SG&A Expenses



Operating Income

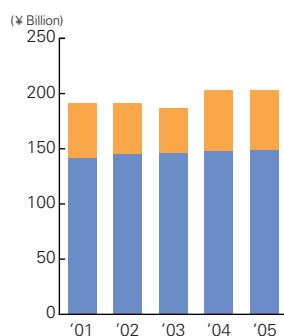


Net Income



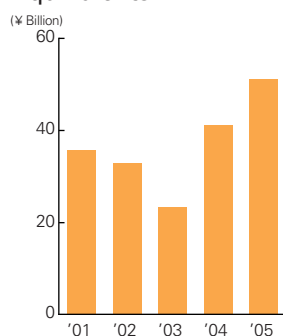
	Millions of yen		
	2003	2004	2005
Cash flow provided by operating activities	¥ 7,926	¥ 13,808	¥ 10,980
Cash flow used in investing activities	(8,003)	(646)	(1,277)
Cash flow provided by (used in) financing activities	(9,099)	4,605	237
Capital expenditures	(10,332)	(7,894)	(6,349)
Depreciation and amortization	5,509	5,957	5,620
AT YEAR-END			
Cash and cash equivalents	23,438	41,155	51,150
Current assets	75,828	94,359	104,214
Current liabilities	29,962	33,684	34,610
Total assets	187,139	202,761	203,225
Shareholders' equity	145,818	147,533	148,983
Number of stores	518	528	529
Overseas stores	10	11	12
Number of employees	3,712	4,008	4,023

Total Assets

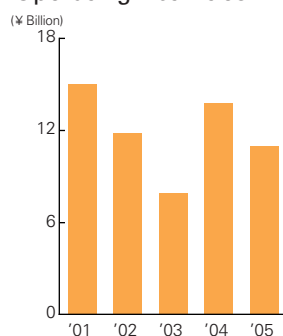


■ Shareholders' equity

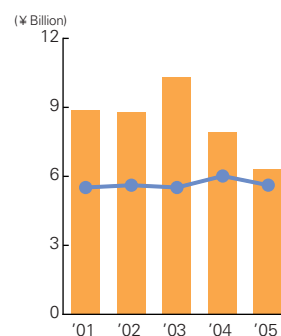
Cash and Cash Equivalents



Cash Flow Provided by Operating Activities



Capital Expenditures



◆ Depreciation and amortization

First Quarter (April to June 2004)

April

- Opened first store in China, the AUTOBACS Shinzan Store.



- Established the Compliance Promotion Office at the Head Office.

The AUTOBACS Group has a broad interpretation of compliance. In addition to ensuring adherence to laws, regulations, and corporate ethics, our compliance efforts emphasize meeting the legitimate expectations of all our stakeholders. To that end, we strictly follow not only all laws, regulations, and Company regulations but also the standards that we must meet as a corporate citizen. The Compliance Promotion Office is responsible for establishing the necessary internal systems and educating and training employees.

May

- Announced results for the fiscal year ended March 2004.
- Began to disclose on the Company's web site the public notice of financial results pursuant to the Japanese Commercial Code.

June

- Held general meeting of shareholders.
- Opened the RICOLAND Tokyo Bay Shinonome store, a large-scale motorcycle accessories specialty store (Tokyo).



- Began publishing A-SELECT, a magazine about enjoyable driving and car parts and accessories selected by the AUTOBACS Group.
- Opened second store in Thailand, the AUTOBACS PATTANAKARN STORE.

Second Quarter (July to September 2004)

July

- Opened the first Techno Cube, the AUTOBACS Techno Cube Fukuoka Hara Store, which provides statutory safety inspection, maintenance, and body work.

Techno Cube sites provide such services as statutory safety inspections, maintenance, and body work. They will be located near AUTOBACS stores, where expansion of pit services has resulted in the need for additional work space.

Techno Cube stores will display clear rates in accordance with the work required and provide the services chosen by the customer.



- Established the Orange Hotline internal reporting system.

August

- Sponsored the AUTOBACS Asia Cross Country Rally 2004*1.



- Began advance sales of Japan's first handheld car navigation system, which was developed by subsidiary Car Information Service Corporation.



- Announced results for first quarter of fiscal year ending March 2005.

September

- Began administration of defined contribution pension plan.

Third Quarter (October to December 2004)

October

- Head Office moved to Koto-ku, Tokyo.

At the new Head Office, which emphasizes costs and practicality, we use open floor plans with no partitions. Officers and employees share the same open space, and a routine, mutual understanding has been achieved through lively discussions.



- Sponsored the sixth Tokyo Philanthropy Open, a golf tournament for people with disabilities.
- Opened AUTOBACS Express Himi, the first store in the new small service area, small-scale AUTOBACS Express format (Toyama).



November

- Announced interim results for first half of fiscal year ended March 2005.

December

- Enhanced the Super AUTOBACS website.
(<http://superautobacs.com>)



- Established the Personal Information Protection Committee at the Head Office.

Fourth Quarter (January to March 2005)

February

- Announced results for third quarter of the fiscal year ended March 2005.

March

- As title sponsor, provided special support for the 2005 AUTOBACS SUPER GT SERIES*¹.

Through the provision of support as the title sponsor for these races, which attract the largest number of spectators in Japan, we have contributed to the promotion of motor sports and have helped to convey the enjoyment of car racing. These activities enable us to share the excitement of racing with motor sports fans and also have the effect of increasing the value of the AUTOBACS Group brand.



*¹ AUTOBACS Asia Cross Country Rally: A 4WD rally held in Thailand and Laos

*² Super GT Series: An eight-round international motor race with the largest number of spectators in Japan

A Message from the CEO



Koichi Sumino

Representative Director
& Chief Executive Officer

FISCAL 2005 OVERVIEW

In fiscal 2005, ended March 31, 2005, the Japanese economy showed signs of improvement in the first half of the fiscal year, such as substantial gains in corporate profitability with support from increased exports and capital investment, as well as a decline in the unemployment rate. However, in the second half of the fiscal year, growing concern that unstable foreign exchange rates and rising crude oil prices would affect the global economy and pension problems and other issues hindered improvement in consumer sentiment. Overall, a sense of uncertainty about the future continued throughout the year.

In the car parts and accessories market, conditions were poor overall. Sales of oil and batteries and some other products were sluggish mainly due to depressed consumer spending. Sales of car electronic products were also slack, as weak sales of audio equipment throughout the year offset comparatively favorable sales of ETC (electronic toll collection) and car navigation systems.

In this environment, the AUTOBACS Group continued its transition from a vendor of car parts

and accessories to a provider of “total car-life support.” In accordance with our medium-term operational strategies, we worked to implement the restructuring of our financial position and to shift to a growth footing. Specific achievements include the start of operational testing of Techno Cube to bolster our statutory safety inspection and maintenance services, which are a key point of emphasis. In addition, in Japan we continued to optimize our store allocation, consolidating and relocating AUTOBACS stores and opening Super AUTOBACS and AUTOBACS *Hashiriya Tengoku Secohan Ichiba* stores. (For an overview of store numbers and formats, see pages 32 to 34.) Overseas, we instituted improvement measures at stores with comparatively weak performances.

As a result, despite the contraction of the car parts and accessories market and the adverse business conditions, net sales in the year under review edged down only slightly, to ¥226.8 billion. We worked to control SG&A expenses, and operating income was up 18.6%, to ¥7.4 billion. Net income, however, was down 46.2%, to ¥2.9 billion, due to losses associated with the early application of impairment accounting for fixed assets.

MID-TERM BUSINESS PLAN

In the year under review, we worked to steadily implement the medium-term operational strategies that we announced in the preceding fiscal year, and we formulated a four-year Mid-Term Business Plan to guide those efforts.

The car parts and accessories market has been the principal competitive arena for the AUTOBACS Group. However, aftermarket needs continue to dwindle, due to such factors as sluggish business conditions, strong pressure on prices, increased vehicle durability, the trend toward the inclusion of car navigation systems as standard equipment, and the large number of consumers who choose to add ETC systems as an option at the time of vehicle purchase. In addition, competition with companies in related industries, such as car dealers, continues to intensify. We have reached the point where the business model that we followed in the past is no longer sufficiently attractive to our customers.

Based on this belief, as a detailed action plan for placing the AUTOBACS Group on a path of strong growth, we formulated the Mid-Term Business Plan, which encompasses three growth strategies—the Area Dominant Strategy, the Total



Car-Life Business Strategy, and the Overseas Business Strategy—as well as measures for bolstering our management structure. This plan, which incorporates the management policy of “realizing renewed growth through enhanced competitiveness,” outlines measures to achieve expanded chainwide sales and improved ROA. As explained in more detail from page 9, this plan does not represent a departure from the AUTOBACS Group’s past operations; rather, it outlines measures to make further progress and achieve strong results. By steadily implementing these measures, we will work to achieve the numerical and operational development goals spelled out for the final year of the plan, the fiscal year ending March 2009.

PERFORMANCE HIGHLIGHTS

- Consolidated net sales edged down 0.1%, to ¥226.8 billion.
- Operating income increased 18.6%, to ¥7.4 billion, due to effective control of SG&A expenses.
- ROE was 2.0%, and ROA was 1.4%.
- Cash dividends per share were ¥45.00, an increase of ¥9.00 from the previous year.

OPERATIONAL DEVELOPMENTS

- We continued to fine-tune our store network in accordance with the Area Dominant Strategy, and at the end of the fiscal year we had a total of 529 stores, an increase of 1 from a year earlier including 12 overseas stores.
- As one facet of our emphasis on statutory safety inspection and maintenance services, we began to open Techno Cube facilities, which are specialized in inspection, maintenance, body work, and painting services.
- Overseas, we opened one store each in China and Thailand and made progress in building a foundation for profitable operations with the closing of one store in France.





PROFIT DISTRIBUTION AND RETURNS TO SHAREHOLDERS

The Company's profit distribution policy is to return of profits to shareholders and to retain adequate internal reserves to enable the development of operations from a medium to long term perspective. For dividends, our basic policy is to achieve stable, incremental payments, while we determine specific dividend levels in light of overall performance and business conditions. For the year under review, dividend payments, in accordance with these policies, were increased ¥9.00, to ¥45.00 per share, reflecting increases of ¥3.00 in interim and year-end dividends and a special dividend of ¥3.00 in commemoration of the 30th anniversary of the founding of AUTOBACS.

Based on its business strategies and to fortify its corporate organization, the Company appropriates retained earnings to expand and consolidate its store network in Japan and overseas, to enhance Group infrastructure, to develop new businesses, and to repurchase treasury stock, thereby increasing overall shareholder value. To secure flexibility in the implementation of treasury stock purchases, the Company's articles of incorporation were updated in June 2004 to allow treasury stock acquisitions to be implemented by resolution of the board of directors.

STRENGTHENED CORPORATE GOVERNANCE

As a good corporate citizen, the Company recognizes the importance of meeting its social responsibilities to its stakeholders. We are working to bolster corporate governance to speed up decision making and raise competitiveness; striving to thoroughly implement compliance with strict observance not only of laws, regulations, and Company rules but also general ethics; and taking an active approach to environmental preservation activities and social contribution activities. We are also continually working to enhance our IR activities.

ACHIEVING FURTHER GROWTH

In formulating and implementing the mid-term business plan, our officers and employees have shared a sense of crisis about the contraction of the car parts and accessories market as well as a sense of enthusiasm about the challenge of achieving renewed growth. I know that everyone is bringing a high degree of motivation to their work each day.

When I visit stores, I am deeply impressed by the way in which all of the staff members, including not only managers but also sales personnel and pit workers, are proud of being members of the AUTOBACS Group and work hard to enhance their skills as they endeavor to create stores that satisfy customers. As a result, my hope that we will be able to achieve renewed growth has been transformed into confidence that we will make it happen.

We have positioned the fiscal year ending March 2006, the first of the Mid-Term Business Plan, as a period for securing a foothold for a return to growth through enhanced competitiveness. We are making steady progress with the plan, and, after realizing full-fledged growth in the fiscal year ending March 2007, we will move forward to meet our management goals. I would like to ask all of our shareholders and other stakeholders for their continued support and understanding of the AUTOBACS Group as we strive for continued progress.

July 2005



Koichi Sumino
Representative Director and Chief Executive Officer

Mid-Term Business Plan

In May 2005, the AUTOBACS Group announced the Mid-Term Business Plan, which covers the period from April 2005 to March 2009. We currently face a challenging operating environment marked by intensifying competition and the contraction of the market for car parts and accessories. In response, we are emphasizing Super AUTOBACS store openings, statutory safety inspection and maintenance services, and car sales. To enable the AUTOBACS Group to record ongoing growth in the years ahead, the Mid-Term Business Plan outlines specific steps to bolster the operational strategies that we have been implementing and to enhance their effectiveness.

Mid-Term Business Plan Objectives

	FY ended 2005/03	FY ending 2009/03
Chainwide retail sales	¥291.4	¥360.0
Consolidated Mauqe* ¹	-0.2	4.5
Consolidated ordinary income* ²	12.6	18.0

The domestic car parts and accessories market has been the primary competitive arena for the AUTOBACS Group, but the automobile after-sales market is contracting for a number of reasons, including the trend toward the inclusion of popular after-sales products as standard equipment and widespread price declines. Even if certain products such as car navigation and ETC systems enjoy increased sales due to technical innovations or temporary trends, smaller numbers of products are generating stable sales over long periods due to market changes. The future course of business conditions is increasingly difficult to forecast. At the same time, competition with companies in related industries, such as car dealers and gasoline stations, is intensifying, and this competition has become a major source of pressure on market conditions.

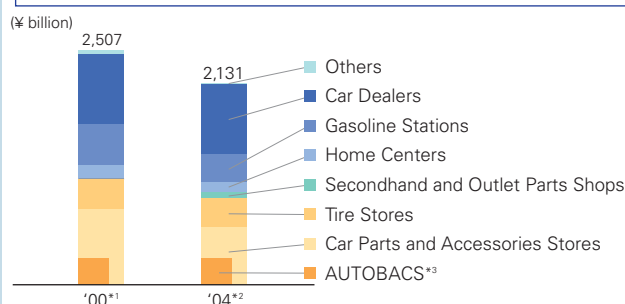
In 1996, when the trend toward market contraction became pronounced, we determined that the potential of our business model of specializing in sales of car parts and

accessories was limited. We took such steps as developing new store formats and entering new fields of business, expanded our share in the shrinking market, and retained our number one position in the industry. Although we maintained our sales, we incurred temporary high costs. At about the same time, due to changes in the market environment, the competitiveness of certain franchisees began to decline, with an adverse effect on the performance of the Group as a whole.

To resolve this situation, the Company decided to implement substantial reforms, including consolidating certain franchisees and making others into subsidiaries. The implementation of these initiatives was essentially completed by March 2003. We then worked to meet customer needs by taking on the full-scale development of Super AUTOBACS stores and expanding the scope of our operations, striving to shift from a vendor of car parts and accessories to a provider of "total car-life support" by March 2005.

As the next step, we formulated the Mid-Term Business Plan. Under this plan, we have positioned the fiscal year ending March 2006 as a year of enhanced competitiveness and the following three years as a period of renewed growth. To measure our progress, in addition to chainwide retail sales and consolidated ordinary income, we will use an original profitability indicator, consolidated Mauqe*. To achieve its goals, the Company will continue to deploy three operational strategies: the Area Dominant Strategy, under which the Company will reorganize its store network; the Total Car-Life Business Strategy, which calls for expanding product and service lineups; and the Overseas Business Strategy, under which the Company will develop operations in key regions. And in accordance with the Mid-Term Business Plan, we will enhance the Group structure and advance our growth strategies.

Estimated Retail Sales of Car Parts and Accessories Market



Source: AM Network magazine, July 2003 and August 2005 issues, published by Jido-sha Sangyo Tsu-shin-sha Co., Ltd.

*1 Estimated values for fiscal 2000

*2 Estimated values for fiscal 2004

*3 Sales at AUTOBACS, Super AUTOBACS, and AUTO HELLOES stores

*1 Mauqe (Measurement of AUTOBACS Universal Quality Earnings): An original profitability indicator
Mauqe = ordinary income – operating assets x hurdle rate

(operating assets = trade notes and accounts receivable + inventories + fixed assets)

*2 Calculated in accordance with Japanese accounting standard



Area Dominant Strategy

The Area Dominant Strategy is aimed at dividing the domestic market into areas categorized by Group benchmarks, reallocating stores to achieve the optimal store format mix for each area's characteristics and competitive environment, and expanding profits within each area. The AUTOBACS Group comprises a number of store formats, including the well-known AUTOBACS stores; large-format Super AUTOBACS Type I and Type II stores with a wide range of products and services; and AUTOBACS Hashiriya Tengoku Secohan Ichiba stores offering used automotive goods. Through combinations of these store formats, each of which has a different group of target customers, we can meet all of the diverse needs of all customer groups without any overlap. Building this type of system is the key objective of the Area Dominant Strategy.



The business plan is already under way. We have divided Japan into 152 areas and begun to consolidate existing stores and open new stores. In considering store allocation for an area-wide organization, we needed to change the scale from the store

level to the area level. This required the leadership of the Head Office, which could oversee the entire store network of the AUTOBACS Group. The responsible departments at the Head Office search for the optimal locations and implement aggressive store development activities.

As we allocate stores in line with the Area Dominant Strategy, we can select the store format in accordance with applications and objectives. AUTOBACS stores offer a lineup of common products for customers seeking consumables, such as oil and batteries. Super AUTOBACS

stores provide customers with a broader range of product varieties and functions. And AUTOBACS Hashiriya Tengoku Secohan Ichiba stores feature used automotive goods at reasonable prices. We plan to establish a system that will make use of the strengths of each format while drawing on Group links, such as referring customers to a nearby Group store if the product or service that they are looking for is not available at the store they visited.

Moreover, another initiative that we are considering is the sharing and utilization of customer information. Customers using AUTOBACS Group stores are given information about the benefits of becoming members and asked to register. In this way, we are building a system that can provide accurate management of information on vehicle maintenance and on product and service purchase histories as well as guidance on products that meet customers' individual tastes and on statutory safety inspections.

Through the steady implementation of these measures, we will secure the trust and loyalty of customers, who will be confident that they will be able to find the products and services they need at an AUTOBACS Group store, and we will earn their support over the long term.





Total Car-Life Business Strategy

To succeed in the automobile after-sales market for car parts and accessories, which is contracting, the AUTOBACS Group must do more than reinforce its operations in the markets where it already has a presence. The Group must expand its fields of operation. The Total Car-Life Business Strategy is aimed at building a system that supports customers through their car life cycles and leveraging synergies with car parts and accessories sales operations in order to achieve growth.

Expanding the scope of the products and services that we handle provides current customers of AUTOBACS Group stores with additional reasons to visit a store and induces consumers who are not yet AUTOBACS customers to utilize our stores. Car parts and accessories are complemented by other operations, which create added value and generate synergies.

Specific areas on which we are focusing resources include statutory safety inspection and maintenance services and car sales. Customer awareness of these services, which are provided at AUTOBACS Group stores, is increasing as we undertake full-fledged development activities. In statutory safety inspection and maintenance services, which are recording higher sales, we are working to raise the number of stores that are certified to perform statutory safety inspections and related maintenance at single-site. At the same time, drawing on the reliable technology and the knowledge and

know-how that we have cultivated in car parts and accessories sales, we have augmented our high-value-added services. In the year under review, to supplement stores that are unable to obtain certification due to zoning restrictions or other issues, we began testing Techno Cube dedicated statutory safety inspection and maintenance facilities. Over the course of the Mid-Term Business Plan, we intend to develop such operations on a full-scale basis. Recently, we have begun to see synergies in the provision of these services, with customers who have come to stores for car parts and accessories using these services, and customers having their cars inspected or maintained purchasing parts and accessories.

In addition, we are investigating new opportunities, centered on businesses that meet customers' car-related needs. We will take a prudent yet aggressive approach to commercializing these ventures, and, with clear rules for when to proceed and when to withdraw, we will lay the foundation for further growth for the AUTOBACS Group.





Overseas Business Strategy

Overseas operations will be one of the drivers of the AUTOBACS Group's growth in the years ahead, and the Company is developing these operations while maintaining an emphasis on profitability. We have established operations in Asia, France, and the United States, and, now that a certain period of time has passed since the establishment of these operations, we are reevaluating their business viability in line with regional characteristics and growth potential. As a result, in consideration of the direction of the AUTOBACS Group, we will formulate development policies for each region, including the operational development mode and the store format, and in accordance with these policies we will advance our overseas operations.



Reinforcing the Management Structure

The Company is establishing the management structure necessary to smoothly implement the Mid-Term Business Plan and achieve renewed growth for the AUTOBACS Group. To that end, we have implemented a number of initiatives. We have clarified management responsibilities with the introduction of an officer system and taken steps to ensure that employees are thoroughly aware of the management plan and operational policies. As one facet of such initiatives, to bolster the supervisory function of the board of directors, a key decision-making

body, the board has included outside directors since 2004. Outside directors attend the monthly board of directors' meetings and offer objective advice.

In the future, to provide wide-ranging support for the full-scale implementation of the Mid-Term Business Plan, we will reform the management structure to expedite decision making, enhance the corporate organization, and take steps that can be implemented from a variety of directions, such as human resources, logistics, information systems, and finance.

Corporate Social Responsibility

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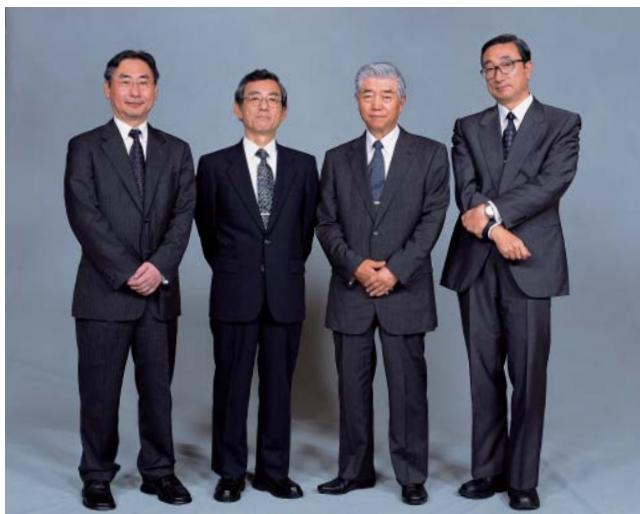
Corporate Governance

The AUTOBACS Group strives to fulfill its obligations as a corporate citizen to all of its stakeholders and to continually enhance corporate value. Accordingly, we are working to bolster corporate governance, including measures to clarify management responsibility and speed up decision making.

SYSTEM

In spring 2002, the AUTOBACS Group added an officer system to its existing system of directors and auditors in order to clarify the responsibilities of management and execution. As a result, directors implement the optimal allocation of management resources, and officers have clearly defined authority and responsibilities in their operational areas. As of June 30, 2005, our top management team comprised 10 directors; 22 officers, 8 of whom were also directors; and 4 corporate auditors. Two directors and three auditors were from outside the Company. To enable flexible responses to changes in the operating environment, we have established a one-year term of office for directors and officers. Officers are selected at board of directors' meetings, and, in addition to the CEO and the COO, Co-COOs have been appointed for two key strategies—the Area Dominant Strategy and the Total Car-Life Business Strategy. In this way, we are working to further expedite decision making.

Corporate Auditors (As of June 30, 2005)



MANAGEMENT DECISION MAKING

The following three major meetings related to management decision-making are convened on a monthly basis, with special meetings held as needed.

◆ Board of Directors Meetings

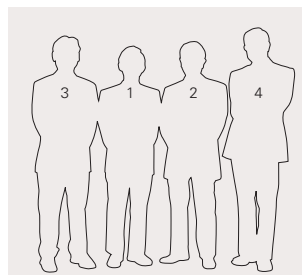
Meetings of the board of directors are attended by all directors and corporate auditors. The representative director serves as the chairman of the board of directors, which is second to the general meeting of shareholders in decision making. The board of directors decides on legal matters and other important matters and supervises the administrative execution of officers.

◆ Management Meetings

At the management meetings, which are chaired by the CEO and attended by officers with responsibility for strategic issues and auditors, Companywide strategies and administrative execution are discussed and supervised to ensure a rapid, flexible response to the management environment.

◆ Strategic Meetings

We have established four strategic meetings for the Area Dominant Strategy, the Total Car-Life Business Strategy, the Overseas Business Strategy, and the Management Structure Enhancement strategy. At these meetings, which are chaired by the CEO or the COO and attended by related officers and departmental managers, strategies are discussed.



1. Kotaro Morino 3. Hiroshi Sumino
2. Harukuni Yoshida 4. Kensuke Tanabe

CORPORATE AUDITOR SYSTEM

Corporate auditors attend all meetings related to management decision making and offer advice and opinions. In addition, they participate in a range of other important meetings to gather information directly and rigorously monitor directors' administrative execution. At the same time, they also have the responsibility of supervising overall Company operations, checking to ensure that strategies are appropriate and execution reasonable. Further, with an emphasis on auditing that is based on logical decisions made from an objective viewpoint, as of June 2005 three of the four corporate auditors were from outside the Company.

The in-house Audit Office flexibly checks operational implementation and performs internal audits. The office reports the results of its audits to the representative director and issues corrective directions to relevant divisions.

COMPENSATION SYSTEM

To further clarify management responsibilities, our compensation system for directors and officers emphasizes links to performance through results-based compensation. We have also instituted a performance-based annual salary system for all employees. We are working to achieve growth and increased productivity on the part of everyone at the Company by improving their attitudes and work habits.

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu, an independent auditor, conducts audits of the Company's accounts. The Company pays compensation to the independent auditor based on audit contracts concluded in accordance with the Law for Special Exceptions to the Commercial Code Concerning Audit and the provisions of the Securities and Exchange Law relating to audits. There are no vested interests, as defined by the certified public accountant law, between the AUTOBACS Group and the independent auditor or its related employees.

Investor Relations

AUTOBACS believes that the implementation of timely, appropriate, and open information disclosure to all shareholders and investors is one of the corporate activities that is indispensable for a public company to maintain the trust of society. In the future, to further deepen the trust of shareholders and investors, the Company will continue working to enhance its provision of information.

FOR SHAREHOLDERS

Twice a year, when we release our interim and full-year results, we hold meetings for analysts and institutional investors. The CEO, the COO, and key directors participate in these meetings, where we work to promote mutual understanding by explaining our results and operational strategies and answering questions. Once a year, we conduct overseas road shows in Europe and the United States. In addition, the CEO, the director in charge of IR, and the IR representatives participate in interviews and small meetings with analysts and institutional investors as needed.

PRODUCTION AND DISTRIBUTION OF INVESTOR RELATIONS TOOLS

We publish a quarterly shareholder newsletter for individual investors, principally in Japan. This newsletter, which also serves as our quarterly report, is a shareholder communications tool that includes information about management strategies, issues that we faced during the quarter, and AUTOBACS stores.

Once a year, we publish annual reports in English and Japanese. These IR tools principally target institutional investors. In addition to management strategies, they include a wide range of material, such as financial information and other management indicators.



INFORMATION DISCLOSURE ON OUR WEB SITE

Taking into account that web sites are the best means of openly providing information to shareholders and investors, on our web site (<http://www.autobacs.co.jp>) we provide a corporate brochure that outlines management

strategies and our business activities, news releases, and IR information, such as annual reports, business reports, and quarterly financial reports, as well as monthly store sales data. These materials are regularly updated.

Compliance System

AUTOBACS SEVEN has a broad interpretation of compliance. In addition to ensuring adherence to laws, regulations, and corporate ethics, our compliance efforts emphasize meeting the legitimate expectations of all our stakeholders. To that end, we strictly follow not only all laws, regulations, and Company regulations but also the standards that we must meet as a corporate citizen.

COMPLIANCE PROMOTION OFFICE

The Compliance Promotion Office was established in April 2004 to implement and advance the Company's compliance activities. The office is establishing the necessary internal systems and educating and training employees.

BEHAVIOR PRINCIPLES AND BEHAVIOR GUIDELINES

We formulated Behavior Principles and Behavior Guidelines so that all employees share common standards in their daily work. We are working to thoroughly inculcate an awareness of these issues through the Behavior Principles, which are our basic approach to customers, suppliers, shareholders, and society, and the Behavior Guidelines, which are specific actions based on the principles.

ORANGE HOTLINE

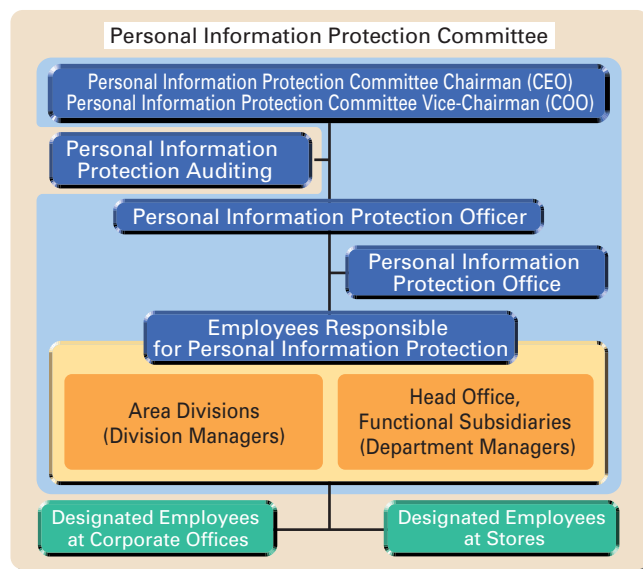
The Orange Hotline, an internal reporting system, relies upon employees supporting each other. The hotline was established with the objective of quickly discovering and correcting violations of laws, regulations, and corporate ethics or the behavior principles and guidelines and creating an open organization. Under this system, we established internal and external contact points to reduce the burden on those reporting issues and made available various reporting methods, such as e-mail, telephone, and mail. Privacy is guaranteed and those making reports are protected. In these ways, we are working to quickly uncover and correct problems.

PROTECTING PERSONAL INFORMATION

Prior to the April 2005 full implementation in Japan of a law regulating the handling of personal information, the AUTOBACS Group was aware of the importance of properly handling personal information and had formulated appropriate countermeasures. Our privacy policy, which is available on our web site, explains our approach to personal information and our policies for handling such information. Further, we established the Personal Information Protection Committee as a Companywide body for control and monitoring, and we continue to reinforce our personal information protection measures and to ensure that they are properly implemented.

We are also implementing safety measures in stores, which collect personal information from customers through various application forms. Each store has an employee responsible for supervising the handling of personal information. In addition, these assigned staffs are conducting training and educational activities through which bulletins and guidance from headquarters are accurately communicated to employees.

We are also taking steps to ensure the proper handling of the personal information of our employees. Internally, we announce the purposes for which this information is used and how it is controlled. Moreover, we have concluded confidentiality agreements with subsidiary Support-A Ltd., which provides human resources support services.



Environmental Preservation Activities

As a company closely linked to the automotive industry, the AUTOBACS Group implements a wide range of measures to reduce the environmental burden of its operations to the greatest extent possible.

APPROPRIATE WASTE DISPOSAL

Our stores' service pits generate waste, such as used parts. Much of this waste is accounted for by metal, plastic, and rubber products that must be handled in accordance with the Waste Disposal Law and other related laws. The AUTOBACS Group is committed to rigorous compliance with these laws and, from the perspective of environmental preservation, also believes that the careful management of waste disposal is essential to creating stores that customers can use with confidence. We conduct periodic checks of how stores and business associates are handling waste, and we have a system where any issues that arise are resolved immediately.

COMPANYWIDE ENVIRONMENTAL AWARENESS

To promote operational activities that reflect concern for the environment, including waste handling, the AUTOBACS Group believes that it is essential for all employees to share a high level of awareness and an accurate understanding of environmental issues. To that end, we have established an educational system that incorporates group training related to relevant laws and environmental preservation, with training provided for store managers, store employees, and headquarters employees. We have also prepared and distributed manuals and guidelines that provide detailed explanations of appropriate waste handling and the End-of-Life Vehicle Recycling Law. Moreover, we publish a monthly environmental magazine and distribute it throughout the Group. Further, we are working to achieve a high level of environmental education through the provision of general environmental information and waste disposal related information.

HEAD OFFICE INITIATIVES

At our Head Office, we are taking steps to reduce paper consumption, such as using recycled paper and double-sided copies and promoting paperless operations. We are also thoroughly separating waste for recycling and disposal and striving to reduce energy consumption by setting electricity and air conditioning to automatically turn off at night. In cooperation with Koto City, we participate in cleanup activities near our headquarters and, with labor union cooperation, volunteer cleanup activities for Mt. Fuji.



LOGISTICS CENTER INITIATIVES

At logistics centers, we are using reusable, collapsible containers for the shipment of products to stores. In addition, the cardboard that is used as packaging when products are delivered from manufacturers is subsequently provided to recyclers, and materials with low environmental burdens are used for other packaging needs.



Social Contribution Activities

The AUTOBACS Group considers its mission as a corporate citizen to include not only the pursuit of economic profit but also the return of profits to society through social contribution activities. The Group's social activities focus on sponsoring sporting and cultural events.

GOLF TOURNAMENT FOR PEOPLE WITH DISABILITIES

The AUTOBACS Group has been a main sponsor of the Tokyo Philanthropy Open, a golf tournament for people with disabilities, since its inauguration in 1999. This tournament is based on the barrier-free concept and is designed to help people with disabilities lead ordinary lives and integrate into their communities. AUTOBACS Group employees participate as volunteers, serving as caddies and retrieving balls, to help the participants who have gathered from around the country to fully enjoy the golfing experience.

MUSICAL EVENTS

The AUTOBACS Group supports a variety of musical events, principally classical music, to provide large numbers of people with opportunities to directly experience music and to cultivate appreciation for the arts. As one facet of those activities, we sponsored the Mostly Classic Opera, a series of four performances. Store employees who are responsible for car audio equipment attend the performances, which provide excellent opportunities for them to directly experience classical music.



Data Section

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List of Principal Consolidated Subsidiaries and Equity Holding

Wholesale	Wholesale of car parts and accessories to franchisees.
Retail	Sale of car parts, accessories, and services, principally to consumers.
Others	Operational support for wholesale operations, retail operations, and franchisees and development of new store formats.

Consolidated Subsidiaries

Company name	Location	Capital stock or equity contribution (¥ million)	Percentage of voting rights held (%)
Retail			
AUTOBACS Kyokuei Ltd.	Asahikawa, Hokkaido	80	100.0
A.M.C. Co., Ltd.	Sapporo, Hokkaido	495	100.0
ADR Ltd.	Shimohei-gun, Iwate	258	80.0
Car Life Ltd.	Sendai, Miyagi	99	100.0
Autobacs Benefit Ltd.	Chiba, Chiba	150	100.0
AUTOBACS Alpha Ltd.	Ichikawa, Chiba	225	100.0
Autobacs Chiba Ltd.	Kashiwa, Chiba	200	100.0
Autobacs Kanagawa Ltd.	Yokohama, Kanagawa	90	91.4
AUTOBACS Yamanashi Ltd.	Kofu, Yamanashi	120	100.0
Super Auto Nagoya Ltd.	Nagoya, Aichi	225	100.0
Kyoto Car Life Ltd.	Kyoto, Kyoto	300	100.0
Hokusetsu Autobacs Ltd.	Takatsuki, Osaka	96	100.0
Autobacs Sun Ace Ltd.	Neyagawa, Osaka	130	100.0
Autobacs Izumi Ltd.	Sakai, Osaka	85	87.7
Union Auto Ltd.	Hiroshima, Hiroshima	113	100.0
O.P.S. Ltd.	Fukuoka, Fukuoka	85	91.3
AUTOBACS U.S.A., Inc.	California, U.S.A.	US\$3.0 million	100.0
SHANGHAI AUTOBACS PAIAN AUTO SERVICE Co., Ltd.	Shanghai, China	US\$4.5 million	65.0
HSINCHU BACS Ltd. (Note 1)	Taipei, Taiwan	NT\$145 million	86.0 (69.0)
Retail and Wholesale			
AUTOBACS SEVEN FRANCE S.A.S.	Pierrelaye, France	3.7 million euro	100.0
AUTOBACS THAILAND Ltd. (Notes 2 and 5)	Bangkok, Thailand	99.0 million Thai baht	49.9 [42.9]
AUTOBACS VENTURE SINGAPORE Pte. Ltd.	Singapore, Singapore	S\$2.0 million	80.0
CARS Sapporo Co., Ltd.	Sapporo, Hokkaido	150	93.3
DIA BACS Co., Ltd.	Koto-ku, Tokyo	100	60.0
Wholesale			
AUTOBACS SEVEN (TAIWAN) Ltd.	Taipei, Taiwan	NT\$117.4 million	100.0
Car Information Service Corporation	Shibuya-ku, Tokyo	400	51.0
Auto Refine Co., Ltd.	Yokohama, Kanagawa	52	97.4
CORES INTERNATIONAL, Inc.	Sakai, Osaka	145	81.4

Company name	Location	Capital stock or equity contribution (¥ million)	Percentage of voting rights held (%)
Others			
Success Know-How Osaka Ltd. (Note 4)	Koto-ku, Tokyo	10	100.0
AUTOBACS Total Service Ltd. (Note 4)	Koto-ku, Tokyo	10	100.0
AUTOBACS Management Service Ltd. (Note 4)	Koto-ku, Tokyo	90	100.0
A.B. Consulting Co., Ltd. (Note 4)	Koto-ku, Tokyo	10	100.0
BACS WING SYSTEM Co., Ltd. (Notes 4 and 6)	Koto-ku, Tokyo	95	65.0
BRAIN-ING Co., Ltd. (Note 4)	Koto-ku, Tokyo	50	90.0
Support-A Ltd. (Note 4)	Shibuya-ku, Tokyo	35	92.9
ALFI Ltd. (Note 4)	Osaka, Osaka	30	100.0
AUTOBACS SPORTS CAR LABORATORY Co., Ltd. (Note 4)	Koto-ku, Tokyo	495	100.0
Tama Driving School Co., Ltd. (Note 4)	Hino, Tokyo	160	100.0

The Company has 22 consolidated subsidiaries in addition to the abovementioned companies, giving a total of 60 consolidated subsidiaries.

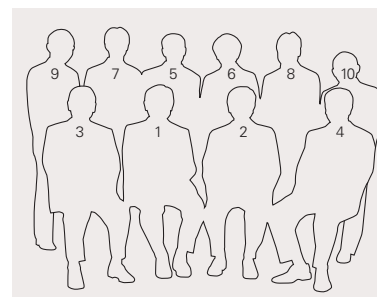
Equity Holding Method Companies

Company name	Location	Capital stock or equity contribution (¥ million)	Percentage of voting rights held (%)
Retail			
Hokuei Shoji Ltd. (Note 7)	Morioka, Iwate	90	16.3
Toyama Drive Co., Ltd. (Note 3)	Toyama, Toyama	17	42.5<14.5>
Puma Ltd.	Tonami, Toyama	16	26.4
AIM Ltd. (Note 7)	Kumagaya, Saitama	69	17.1
Buffalo Ltd. (Note 8)	Kawaguchi, Saitama	510	24.2
Wholesale			
Pal Star Ltd.	Yokohama, Kanagawa	200	25.0
Daytona International Trading Corporation (Note 9)	Shuchi-gun, Shizuoka	412	22.0
AUTOBACS SHANGHAI TRADING Co., Ltd. (Note 10)	Shanghai, China	US\$1.0 million	41.0

- Notes: 1. Figures in () parentheses in the "percentage of voting rights held" column indicate percentage of indirect ownership.
2. Figures in [] parentheses in the "percentage of voting rights held" column indicate percentage of consenting shareholders.
3. Figures in < > parentheses in the "percentage of voting rights held" column indicate percentage of indirect ownership through equity holding method company Puma Ltd.
4. "Others" indicates companies that do not belong to the retail or wholesale business categories.
5. The Company holds 50% or less of the voting rights for this company. However, it is treated as a subsidiary because the Company effectively controls it.
6. For BACS WING SYSTEM Co., Ltd., the percentage of voting rights held became 80.0% as of the end of June 2005.
7. The Company holds 20% or less of the voting rights for this company. However, it is treated as an equity holding method company because the Company effectively influences it.
8. The Company issues financial statements for Buffalo Ltd.
9. The Company issues financial statements for Daytona International Trading Corporation.
10. AUTOBACS SHANGHAI TRADING Co., Ltd., was included in the scope of consolidation as of June 2005 in accordance with the principle of actual control.

Directors and Officers

(As of June 30, 2005)



- | | |
|-----------------------|---------------------|
| 1. Koichi Sumino | 6. Hideaki Yokoi |
| 2. Akira Nogami | 7. Kozo Sumino |
| 3. Setsuo Wakuda | 8. Takashi Matsuo |
| 4. Yasuhiro Tsunemori | 9. Yasuo Nakata |
| 5. Hidehiro Ide | 10. Hideki Miyauchi |

Directors

Representative Director

Koichi Sumino Chief Executive Officer

Directors and Officers

Akira Nogami	Chief Operating Officer
Setsuo Wakuda	Co-Chief Operating Officer, Area Dominant Strategy
Yasuhiro Tsunemori	Co-Chief Operating Officer, Total Car-Life Business Strategy
Hidehiro Ide	Finance
Hideaki Yokoi	Human Resources
Kozo Sumino	Overseas Business Strategy
Takashi Matsuo	Corporate Strategy

Directors

Yasuo Nakata ^{*1}	(President, Chief Executive Officer, Calbee Foods Co., Ltd.)
Hideki Miyauchi ^{*1}	

Auditors

Kotaro Morino ^{*2}	Senior Corporate Auditor
Harukuni Yoshida ^{*2}	Senior Corporate Auditor
Hiroshi Sumino	Senior Corporate Auditor
Kensuke Tanabe ^{*2}	Corporate Auditor

Officers (Excludes officers who serve concurrently as directors)

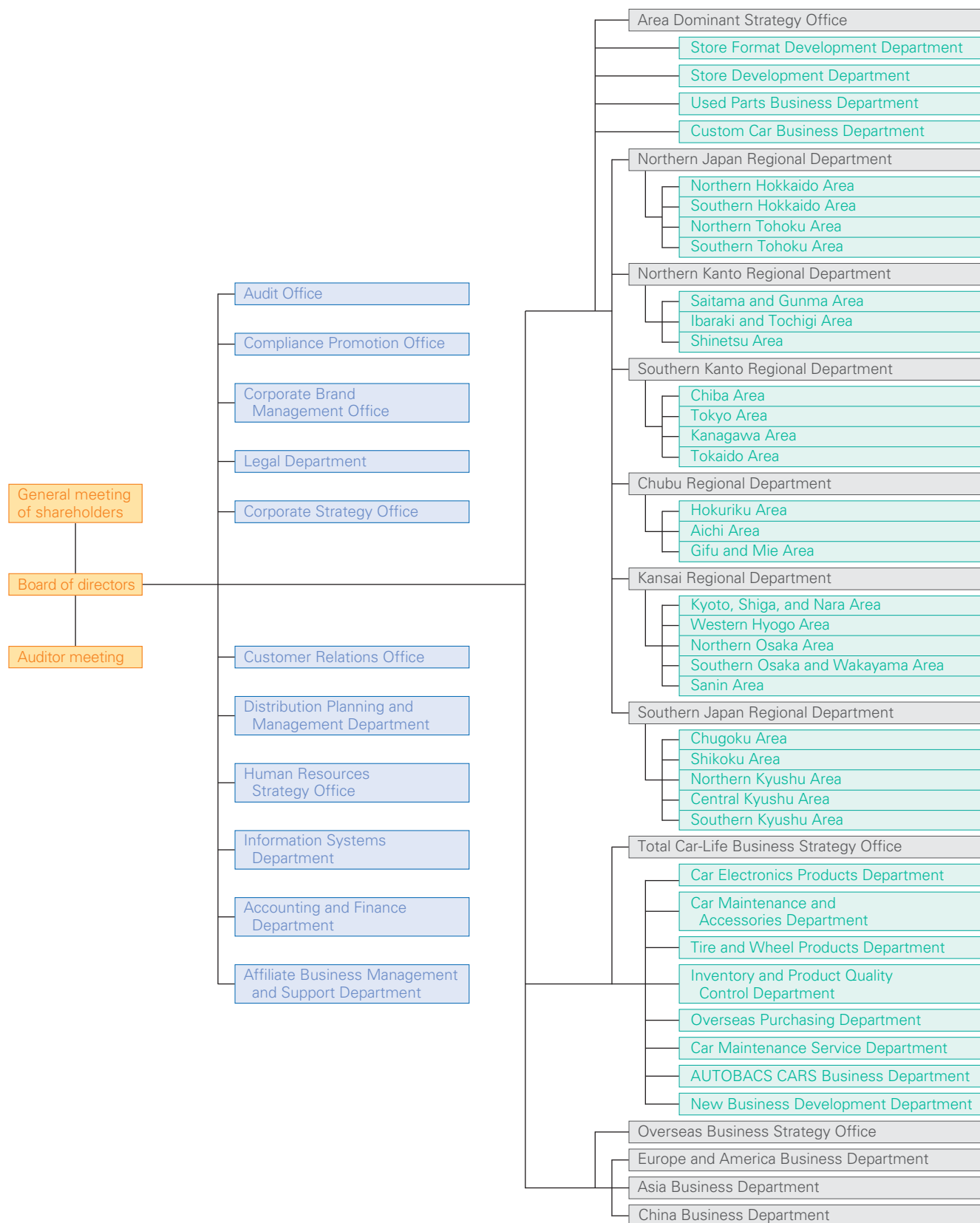
Hironori Morimoto	Area Dominant Strategy, Store Development and Store Format Development
Kenichi Takeda	Total Car-Life Business Strategy
Hiroaki Ito	Northern Japan Region
Kiomi Kobayashi	Northern Kanto Region
Masachika Sumikura	Southern Kanto Region
Yuzuru Toide	Chubu Region
Teruyuki Matsumura	Kansai Region
Yoshihiro Emoto	Southern Japan Region
Masahiro Morimoto	Used Parts Business
Naofumi Kamata	Car Maintenance Business
Kosuke Kaya	AUTOBACS CARS Business
Yoshiro Miyama	New Business Development
Shuichi Shino	China Business
Satoshi Kohira	Business Strategy Operation Support and Information Systems

^{*1} Outside corporate director ruled under the Commercial Code of Japan

^{*2} Outside corporate auditor ruled under the Commercial Code of Japan

Corporate Organization

(As of April 1, 2005)



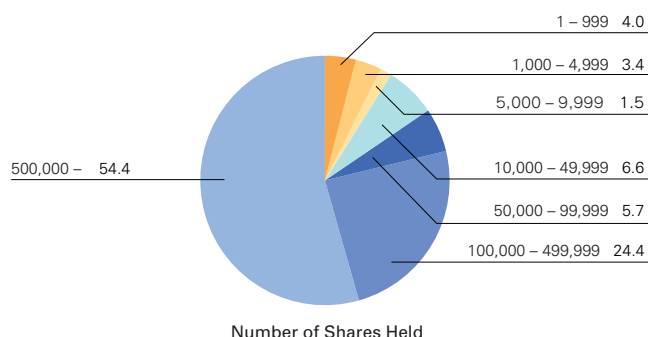
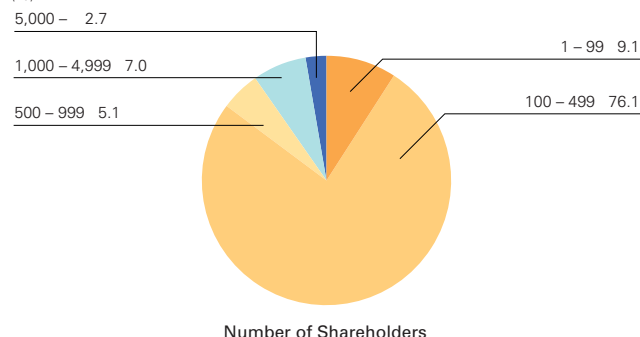
Shareholder Information

(As of March 31, 2005)

Breakdown of Shareholders and Shares Held by Size of Shareholding

Breakdown by Size of Shareholding

(%)

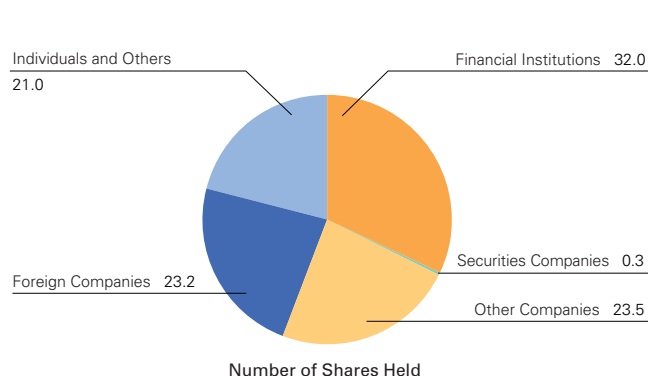
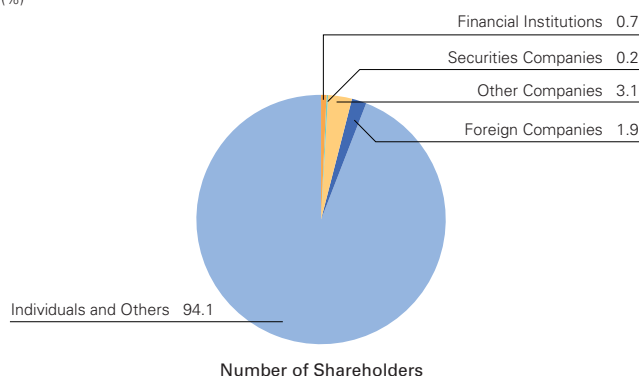


	2000		2001		2002		2003		2004		2005	
Size of Shareholding	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held
1 - 99	954	15,134	943	15,339	941	15,688	1,056	23,626	1,020	22,558	985	22,022
100 - 499	10,265	1,635,348	9,841	1,534,002	8,609	1,286,365	8,402	1,238,459	9,228	1,298,503	8,209	1,139,431
500 - 999	1,179	703,081	1,023	611,529	792	471,768	701	418,503	690	410,907	552	330,147
1,000 - 4,999	1,570	2,430,223	1,343	2,128,790	1,022	1,664,205	899	1,516,025	853	1,445,496	754	1,293,305
5,000 - 9,999	106	681,955	113	744,943	111	740,614	87	594,685	88	584,337	83	557,165
10,000 - 49,999	160	3,597,930	133	2,815,273	131	2,819,861	122	2,678,099	112	2,561,483	111	2,468,248
50,000 - 99,999	32	2,247,273	33	2,437,465	35	2,468,049	36	2,731,077	31	2,300,017	31	2,161,119
100,000 - 499,999	46	9,484,714	49	10,971,127	47	10,008,622	42	8,464,925	48	10,024,920	44	9,205,355
500,000 -	16	16,685,835	15	16,223,025	15	18,006,321	15	19,978,343	8	18,995,521	11	20,466,950
Total	14,328	37,481,493	13,493	37,481,493	11,703	37,481,493	11,360	37,643,742	12,078	37,643,742	10,780	37,643,742

Breakdown of Shareholders and Shares Held by Type of Shareholder

Breakdown by Type of Shareholder

(%)



	2000		2001		2002		2003		2004		2005	
Type of Shareholder	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held
Financial Institutions	105	13,447,040	100	12,142,423	91	13,147,623	91	13,225,623	69	11,382,711	69	12,061,039
Securities Companies	48	461,800	38	197,970	36	180,451	31	158,256	27	233,283	25	131,080
Other Companies	370	7,936,117	361	8,908,852	326	8,908,469	368	9,010,524	357	9,025,489	338	8,834,704
Foreign Companies	194	5,171,568	174	7,325,148	185	7,409,990	188	7,527,672	187	8,537,013	203	8,727,623
Individuals and Others	13,611	10,464,968	12,820	8,907,100	11,065	7,834,960	10,682	7,721,667	11,438	8,465,246	10,145	7,889,296
Total	14,328	37,481,493	13,493	37,481,493	11,703	37,481,493	11,360	37,643,742	12,078	37,643,742	10,780	37,643,742

Major Shareholders

Name or Trading Name	Number of Shares Held (Thousands)	Percentage of Total Shares Issued
Sumino Holdings, Ltd.	5,157	13.70
Japan Trustee Services Bank, Ltd. (Trust Account)	3,679	9.78
The Master Trust Bank of Japan, Ltd.	2,832	7.52
Northern Trust Company (AVFC) Sub Account American Client	1,922	5.11
Japan Trustee Services Bank, Ltd. (Trust Account 4)	880	2.34
The Yuumi Memorial Foundation for Home Health Care	1,000	2.66
Masao Sumino	859	2.28
Northern Trust Co. AVFC RE U.S. Tax Exempted Pension Funds	805	2.14
Koichi Sumino	595	1.58
Trust & Custody Services Bank, Ltd.	578	1.54
Total	18,311	48.64

Notes: 1. AUTOBACS SEVEN Co., Ltd., holds 2,155 thousand shares of treasury stock, or 5.73% of total shares issued. These have not been included in the above list of major shareholders due to restrictions on the exercise of voting rights for shares of treasury stock.

2. Please refer to the Company's financial statements prepared in conformity with Japanese accounting standards for information on shareholders, other than those listed above, that have not undertaken name transfer.

Breakdown of Individual Shareholders by Area of Residence

	2002		2003		2004		2005	
	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held
Domestic:								
Hokkaido	149	63,189	285	81,210	292	77,490	266	73,040
Tohoku	250	70,207	261	51,113	284	60,091	241	41,890
Kanto	3,951	2,777,996	3,780	2,575,640	3,980	2,255,261	3,545	2,038,537
Chubu	1,708	461,271	1,640	416,842	1,849	433,755	1,636	367,201
Kinki	3,717	3,720,066	3,479	2,887,883	3,723	2,882,408	3,330	2,694,540
Chugoku	483	167,701	475	149,803	518	146,532	442	128,489
Shikoku	369	119,260	341	106,265	362	109,161	323	93,450
Kyushu	444	461,427	426	451,489	433	349,436	365	301,608
Subtotal	11,071	7,841,117	10,687	6,720,245	11,441	6,314,134	10,148	5,738,755
Overseas	2	2,100	1	2,000	1	100	2	271,400
Total	11,073	7,843,217	10,688	6,722,245	11,442	6,314,234	10,150	6,010,155

Note: Does not include shareholders who have not undertaken name transfer.

Breakdown of Foreign Individual and Company Shareholders by Area of Residence

	2002		2003		2004		2005	
	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held	Number of shareholders	Number of shares held
North America	34	935,971	36	1,030,794	38	1,500,646	43	1,188,785
Middle East / Africa	3	164,000	1	7,300	3	56,100	9	370,500
Oceania	4	9,300	3	17,900	7	20,400	8	20,500
Europe	112	5,050,214	117	4,911,718	115	6,690,157	120	6,804,406
Asia	9	405,545	9	188,900	6	49,700	9	85,150
Japan	21	841,460	19	1,230,360	16	216,810	11	254,382
Other Regions	2	3,500	3	140,700	2	3,200	3	3,900
Total	185	7,409,990	188	7,527,672	187	8,537,013	203	8,727,623

Note: Does not include shareholders who have not undertaken name transfer.

Share Information

(As of March 31, 2005)

Common Stock Authorized

109,402,300 shares

Common Stock Issued

37,643,742 shares

Number of Shareholders

10,780

Settlement Date

March 31

Annual General Shareholders' Meeting

June

Shareholders of Record Dates

Annual general shareholders' meeting	March 31
Year-end dividends	March 31
Interim dividends	September 30
Prior notice of extraordinary dividends payments made as required.	

Number of Shares in One Trading Unit

100 shares

Newspaper Used for Notifications

Nihon Keizai Shimbun

The Company discloses balance sheets, statements of income, and related information at:
<http://www.autobacs.co.jp/>

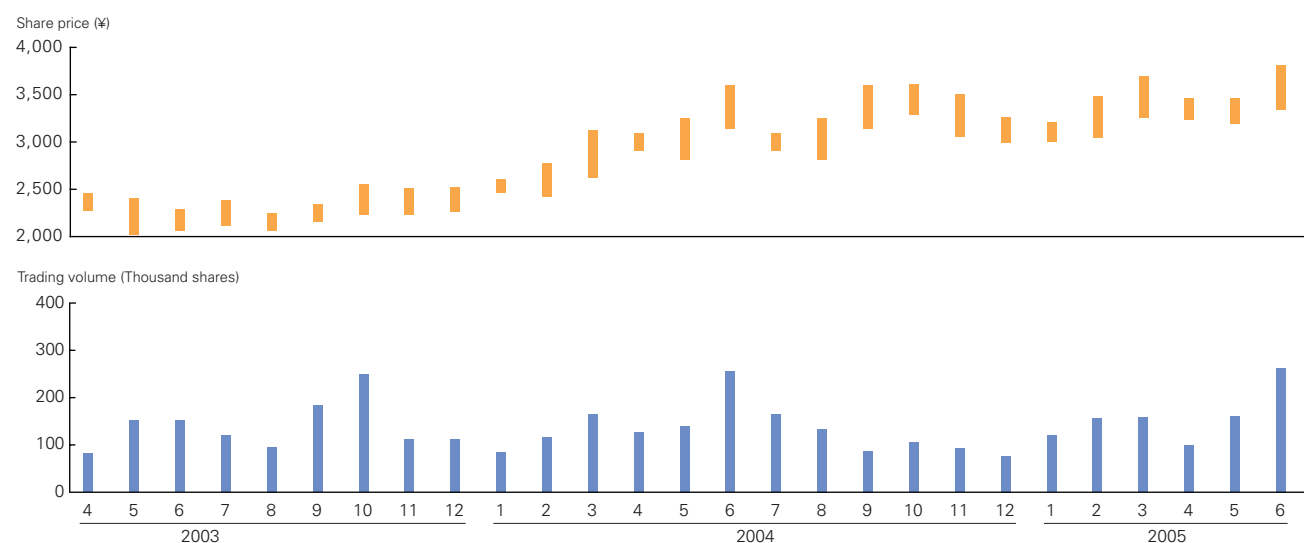
Stock Listings

Tokyo Stock Exchange
Osaka Securities Exchange
London Stock Exchange

Transfer Agent

The Sumitomo Trust and Banking Co., Ltd.
4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Share Price Trends*



* Osaka Securities Exchange

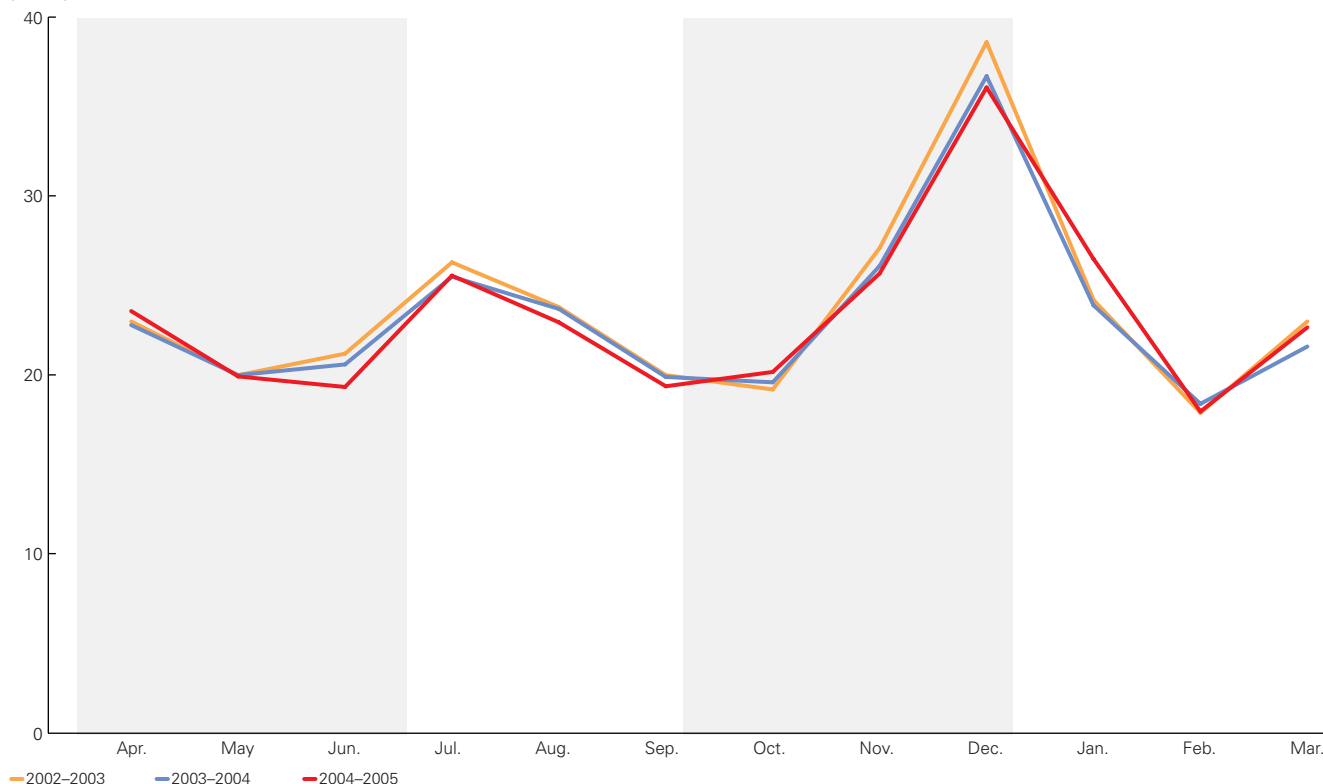
Total Store Sales

(As of March 31, 2005)

Monthly Total Store Sales*

Monthly Total Store Sales*

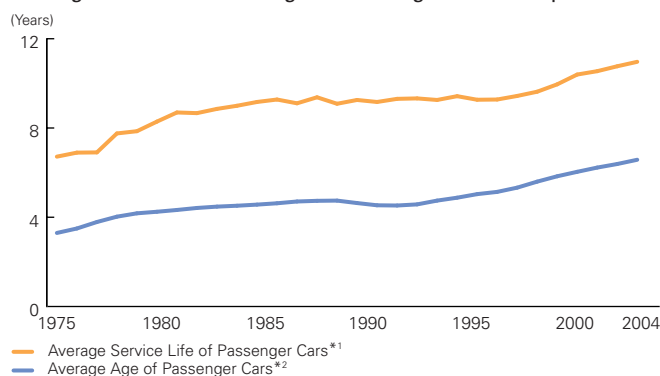
(¥ billion)



* Sales at AUTOBACS, Super AUTOBACS, and AUTO HELLOES stores

Market Trend of Passenger Cars

Average Service Life and Age of Passenger Cars in Japan

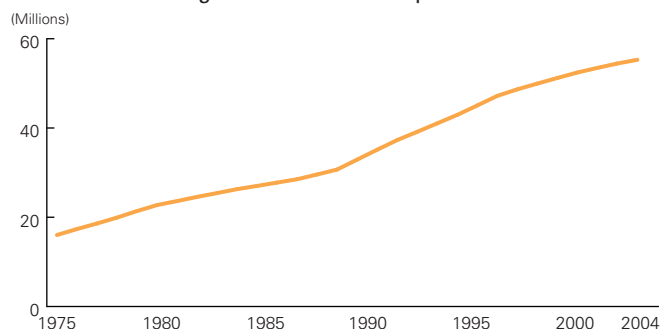


Source: Automobile Inspection Union

*1 Average number of years between initial registration and deregistration

*2 Average number of years since initial registration of vehicles currently in use

Number of Passenger Cars Owned in Japan

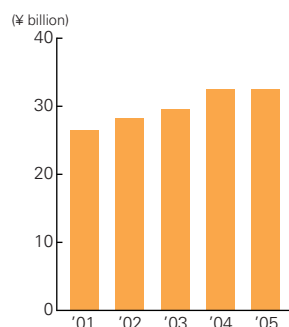


Major Merchandise

The graphs show the sales of each product category*

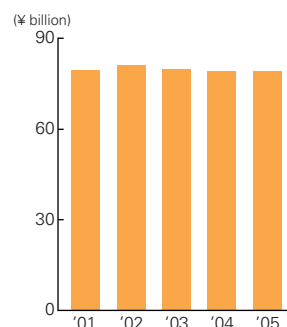
Services

- Tire and oil changes
- Installation of car electronics changes
- Statutory safety inspections and maintenance
- Body work and painting
- Polymer processing
- Window film application



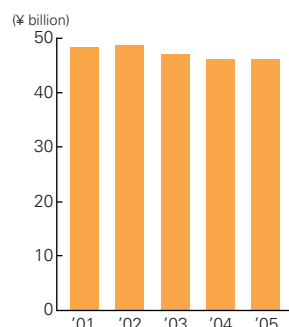
Car Electronics

- Car navigation
- Car audio equipment
- Car visual equipment
- ETC equipment



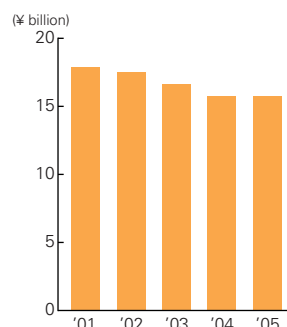
Tires

- National and import brand tires
- High-performance tires
- Private-brand tires
- Studless tires



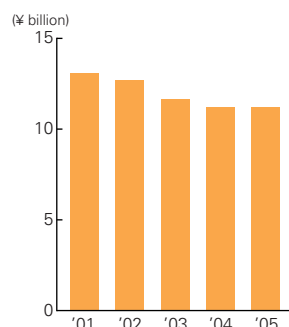
Oil

- Pure engine oil
- High-performance engine oil
- Private-brand engine oil
- Transmission and differential gear oil
- Automatic transmission fluid



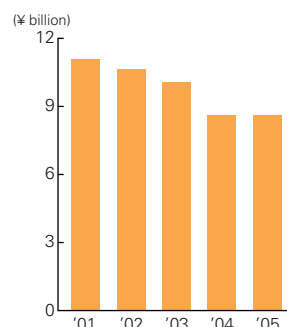
Wheels

- Luxury wheels for car-customizing
- Wheels for various types of vehicles
- Steel wheels



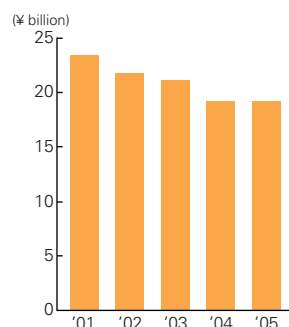
Batteries

- Private-brand batteries
- High-performance type batteries
- Batteries for imported vehicles
- Motorcycle batteries



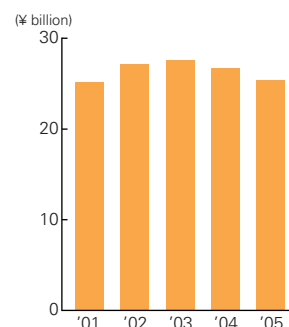
Maintenance

- Tire chains
- Carriers
- Oil filters, air filters
- Wiper blades
- Tools



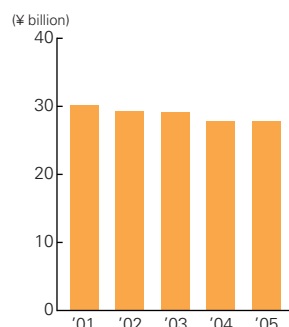
Motor Sports Goods

- Aero parts
- Tune-up parts (Sports mufflers, shock absorbers)
- High-intensity discharge (HID) lights
- Theft prevention products
- Other electric parts



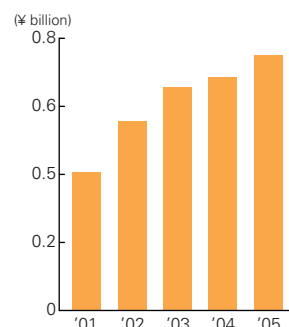
Accessories

- Radar detectors
- Air fresheners, deodorizers
- Car interior goods
- Seat covers
- Child seats



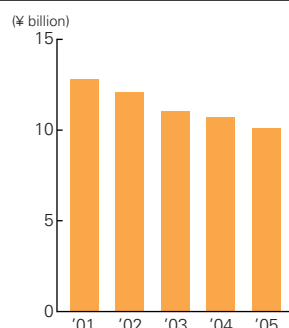
Car Leisure

- Publications
- Camping gear
- Sundries, snacks
- CDs, DVDs



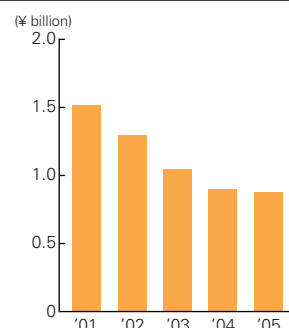
Car Repairs

- Car washing products
- Waxes, coating agents
- Repair products

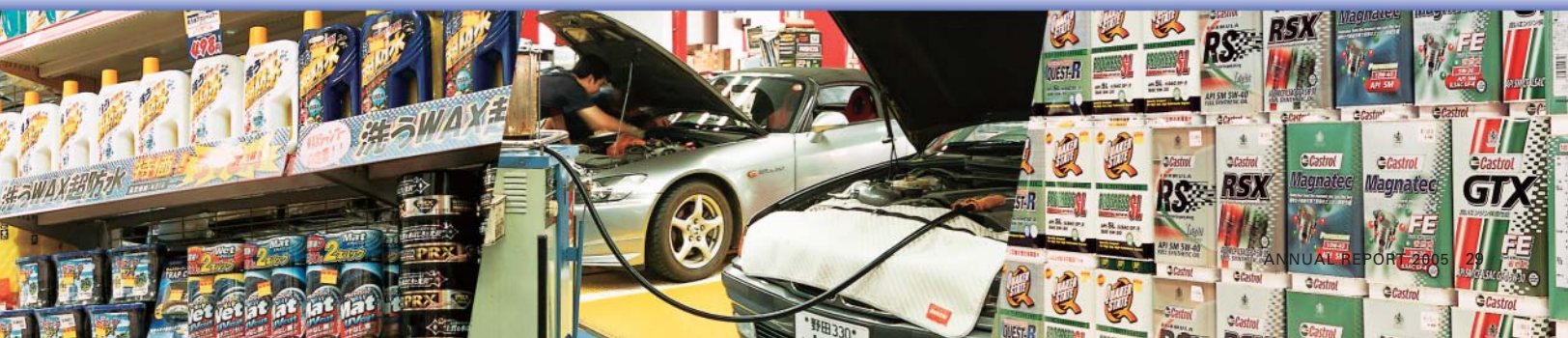


Motorcycle Goods

- Helmets
- Riding wear
- Bike covers
- Motorcycle accessories



* Sales at AUTOBACS, Super AUTOBACS, and AUTO HELLOES stores



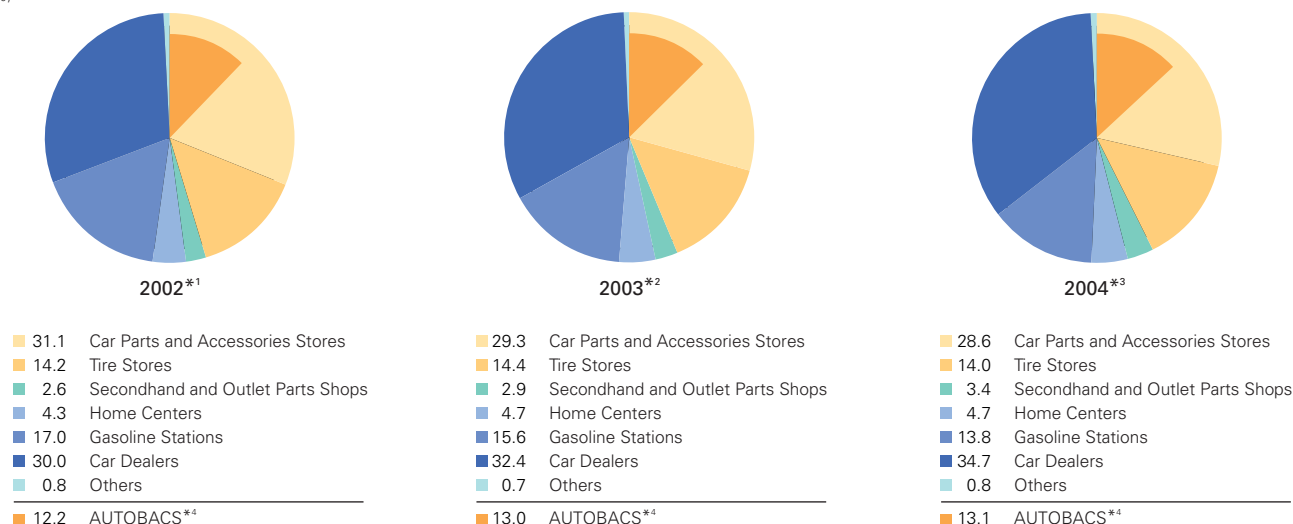
Market Information

Sales and Market Share by Sales Channel

(Fiscal 2002, 2003, and 2004)

Market Share by Sales Channel

(%)



Period of estimate	Estimated number of car parts and accessories stores			Estimated retail sales (¥ million)						Estimated share of retail sales (%)		
	2002* ¹	2003* ²	2004* ³	2002* ¹	(2002 / 2000)	2003* ²	(2003 / 2002)	2004* ³	(2004 / 2003)	2002* ¹	2003* ²	2004* ³
Car Parts and Accessories Stores*⁵:												
National Chains	1,035	1,051	1,046	445,600	102.1%	434,900	97.6%	434,100	99.8%	19.12	20.26	20.37
Local Chains	187	188	173	82,200	80.7	76,400	92.9	73,200	95.8	3.53	3.56	3.44
Independent Stores	637	549	498	196,306	76.3	118,237	60.2	102,642	86.8	8.43	5.51	4.82
Subtotal	1,859	1,788	1,717	724,106	91.0	629,537	86.9	609,942	96.8	31.08	29.33	28.63
Tire Stores:												
Manufacturer-Affiliated Chains	1,956	1,988	1,998	213,700	104.7	213,800	100.1	211,300	98.8	9.17	9.96	9.92
Independent Stores	734	679	630	117,107	86.1	94,192	80.4	87,616	93.0	5.03	4.39	4.11
Subtotal	2,690	2,667	2,628	330,807	97.3	307,992	93.1	298,916	97.1	14.20	14.35	14.03
Secondhand and Outlet Parts Shops	700	730	760	60,000	—	63,150	105.3	72,500	114.8	2.58	2.94	3.40
Home Centers	3,498	3,508	3,553	99,991	69.0	101,464	101.5	99,398	98.0	4.29	4.73	4.66
Discount Stores	556	561	599	13,843	34.9	14,499	104.7	16,527	114.0	0.59	0.68	0.78
Gasoline Stations	42,464	40,920	39,479	395,934	91.5	334,398	84.5	294,671	88.1	16.99	15.58	13.83
Car Dealers	16,861	16,697	16,607	700,800	94.3	695,025	99.2	738,765	106.3	30.08	32.39	34.67
Consumer Electronics Discount Stores	200	—	—	1,000	12.5	—	—	—	—	0.04	—	—
Catalog Retailers	575	—	—	3,400	89.5	—	—	—	—	0.15	—	—
Total	69,403	66,871	65,347	2,329,881	92.9	2,146,065	92.1	2,130,719	99.3	100.00	100.00	100.00

Source: AM Network magazine, July 2003, August 2004, and August 2005 issues, published by Jido-sha Sangyo Tsu-shin-sha Co., Ltd.

*1 Estimated values for fiscal 2002

*2 Estimated values for fiscal 2003

*3 Estimated values for fiscal 2004

*4 Sales at AUTOBACS, Super AUTOBACS, and AUTO HELLOES stores

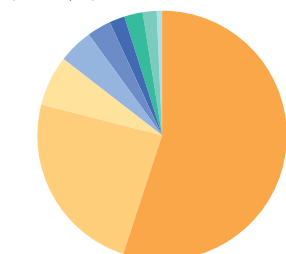
*5 Car parts and accessories stores are classified into national chains (AUTOBACS, Yellow Hat, and Jms), local chains (chains with more than 10 stores), or independent stores.

Comparison with Competitors

(Fiscal 2003 and 2004)

Share of Total Sales

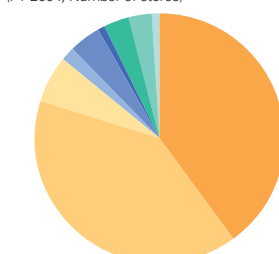
(FY 2004, %)



55.1	AUTOBACS*1
23.9	Yellow Hat
6.5	Jms
4.5	Auto Wave
3.1	Driver Stand
2.0	Autotech
2.4	Auto R's
1.8	Monte-carlo
0.7	Autoway

Share of Total Stores

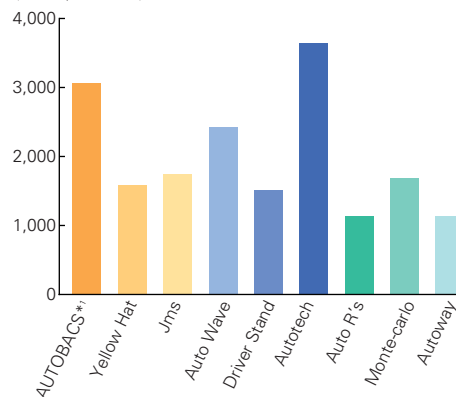
(FY 2004, Number of stores)



486	AUTOBACS*1
486	Yellow Hat
74	Jms
22	Auto Wave
50	Driver Stand
13	Autotech
40	Auto R's
36	Monte-carlo
12	Autoway

Annual Sales per *Tsubo* (= 3.3m²)

(FY 2004, ¥ thousand)



Period of estimate	Retail sales (¥ billion)		Total number of stores		Total sales floor space (<i>tsubo</i>)		Total number of employees		Annual sales per store (¥ million)		Sales floor space per store (<i>tsubo</i>)		Number of employees per store		Annual sales per <i>tsubo</i> (¥ ten thousand)		Annual sales per employee (¥ ten thousand)	
	2003*2	2004*3	2003*2	2004*3	2003*2	2004*3	2003*2	2004*3	2003*2	2004*3	2003*2	2004*3	2003*2	2004*3	2003*2	2004*3	2003*2	2004*3
AUTOBACS*1	278.8	279.7	490	486	90,536	91,326	9,506	9,082	569	575	184.7	187.9	19.4	18.6	308	307	2,932	3,087
Yellow Hat	123.9	121.4	493	486	77,337	77,064	6,184	5,367	251	250	156.8	158.6	12.5	11.0	160	158	2,003	2,262
Jms	32.2	33.0	68	74	18,432	18,994	1,351	1,292	474	446	271.0	257.0	19.9	17.5	175	174	2,383	2,554
Auto Wave	22.8	22.9	21	22	8,334	9,452	910	890	1,085	1,040	397.0	433.0	43.3	40.5	273	242	2,505	2,573
Driver Stand	15.4	15.5	58	50	12,239	10,200	819	681	265	310	211.0	204.0	14.1	13.6	125	152	1,880	2,276
Autotech	11.2	10.0	17	13	3,800	2,742	396	315	588	769	174.2	210.9	19.2	24.2	337	364	3,058	3,174
Auto R's	13.4	12.4	42	40	11,832	10,971	626	503	319	310	282.0	274.0	14.2	12.6	113	113	2,140	2,465
Monte-carlo	9.5	8.9	36	36	5,245	5,245	376	343	265	246	146.0	146.0	10.4	9.5	181	169	2,533	2,582
Autoway	4.1	3.5	14	12	3,670	3,091	165	126	293	292	262.0	257.6	11.8	10.5	112	113	2,484	2,778
Total	511.3	507.3	1,239	1,219	231,425	229,085	20,333	18,599	-	-	-	-	-	-	-	-	-	-

Source: AM Network magazine, July 2004 and July 2005 issue, published by Jido-sha Sangyo Tsu-shin-sha Co., Ltd.

*1 Sales at and total number of stores of AUTOBACS, Super AUTOBACS, and AUTO HELLOES stores

*2 Estimated retail sales values from April 2003 through March 2004

Figures for number of stores, sales floor space, and number of employees are as of March 31, 2004

*3 Estimated retail sales values from April 2004 through March 2005

Figures for number of stores, sales floor space, and number of employees are as of March 31, 2005

AUTOBACS Group Store Network

Outline of Major AUTOBACS Group Stores



Super AUTOBACS Type I

Entertainment Car-Life Megastores

Definition:	Large-service-area, flagship stores that entrench the mainstay Super AUTOBACS brand
Commercial area:	20km radius
Commercial area population:	1,000,000 or more
Size:	Site size 9,900 m ² or more
	Sales floor space 1,650m ² or more
	Service pits 40 or more
	Parking spots 200 or more



Super AUTOBACS Type II

Creative Car-Life Stores

Definition:	Stores providing "total car-life support" by using the best facilities and technical capabilities to offer the best goods and services, that is a core store format of the Area Dominant Strategy
Commercial area:	10km radius
Commercial area population:	300,000 or more
Size:	Site size 5,610m ² or more
	Sales floor space 990m ² or more
	Service pits 15 or more
	Parking spots 80 or more



AUTOBACS

Car-Life Stores

Definition:	Community-based, one-stop stores offering automotive goods, mainly popular and high-use products
Commercial area:	5km radius
Commercial area population:	150,000
Size: Site size	2,640m ²
Sales floor space	495m ² or more
Service pits	7 or more
Parking spots	50 or more



AUTOBACS Hashiriya

Tengoku Secohan Ichiba

Used Car Parts Stores

Definition:	Stores specializing in the sale of automotive goods traded in by customers at AUTOBACS Group stores and outlet products from manufacturers
Commercial area:	5–10km radius
Commercial area population:	450,000
Size: Site size	1,320m ²
Sales floor space	396m ²
Service pits	4
Parking spots	20

Store Network

(As of March 31, 2005)

	2000/3	2001/3	2002/3	2003/3	2004/3	2005/3
Domestic:						
Super AUTOBACS	13	21	29	43	54	60
Type I	4	5	5	5	6	6
Type II	9	16	24	38	48	54
AUTOBACS	478	472	459	435	421	410
AUTO HELLOES.....	39	35	35	16	16	16
AUTOBACS EXPRESS.....	1	3	3	1	4	5
AUTOBACS GARAGE.....	3	4	3	—	—	—
AUTOBACS <i>Hashiriya Tengoku</i>						
<i>Secohan Ichiba</i>	—	2	4	13	22	26
Overseas.....	4	7	9	10	11	12
Total	538	544	542	518	528	529

Domestic

AUTOBACS and AUTO HELLOES

■ Over 21 stores

■ 11–20 stores

■ 6–10 stores

■ 1–5 stores

★ Head Office

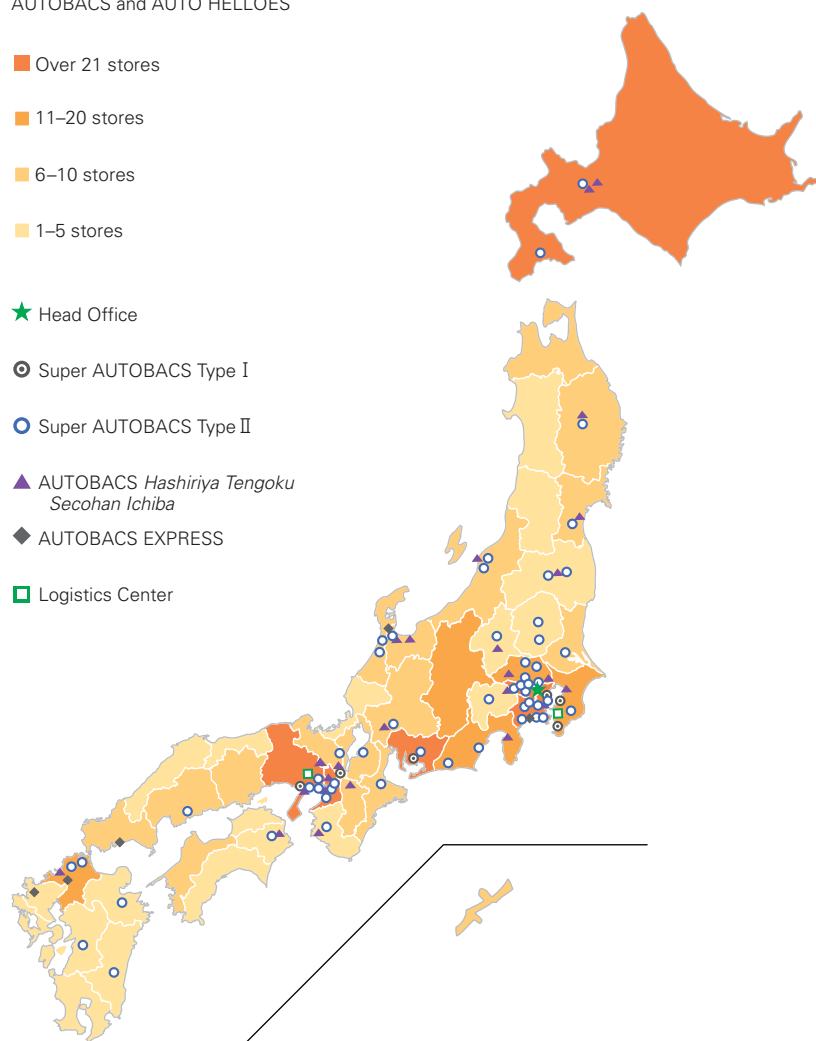
⊙ Super AUTOBACS Type I

○ Super AUTOBACS Type II

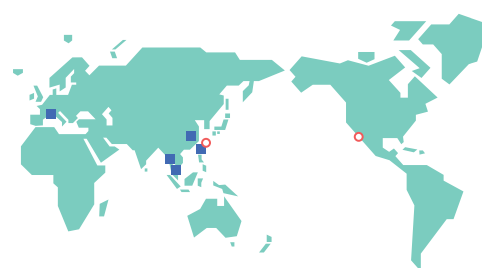
▲ AUTOBACS *Hashiriya Tengoku*
Secohan Ichiba

◆ AUTOBACS EXPRESS

□ Logistics Center



Overseas



■ AUTOBACS ○ Super AUTOBACS Type II

TAIWAN

Super AUTOBACS Panchiao-Tehsin Store
AUTOBACS Hsin-Chu Store
AUTOBACS Nei-Fu Store
AUTOBACS Tao-Yuan Store
AUTOBACS Chung-Li Store
AUTOBACS Taoying Store

SINGAPORE

AUTOBACS Bukit Batok Store

THAILAND

AUTOBACS Sathorn Store
AUTOBACS Pattanakarn Store

FRANCE

AUTOBACS Herblay Store

U.S.A.

Super AUTOBACS Beach & 22 Store

China

AUTOBACS Xinzhuang Store

Financial Section

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37	Fiscal 2005 in Review
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47	Consolidated Statements of Shareholders' Equity
48	Consolidated Statements of Cash Flows
49	Notes to Consolidated Financial Statements
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Consolidated Six-Year Summary

AUTOBACS SEVEN CO., LTD. AND SUBSIDIARIES
Years Ended March 31

	Millions of yen, except per share data					
	2000	2001	2002	2003	2004	2005
FOR THE YEAR						
Net sales:						
Tires and wheels	¥ 45,807	¥ 48,248	¥ 48,341	¥ 47,244	¥ 45,514	¥ 45,966
Car electronics	66,396	66,856	67,881	68,672	67,346	65,359
Oils and batteries	21,557	20,995	20,295	19,253	17,653	16,565
Car exterior items	29,138	28,741	27,365	25,970	24,137	23,257
Car interior items	21,735	20,009	19,854	20,776	20,318	20,347
Motor sports goods and others	35,323	40,528	44,002	48,564	52,110	55,286
Total	219,956	225,377	227,738	230,479	227,078	226,780
Operating income	12,651	12,386	9,570	7,652	6,211	7,368
Income before income taxes and minority interests	14,519	13,813	10,150	9,616	9,627	6,876
Net income	7,913	7,767	5,520	4,003	5,444	2,928
Dividends paid	1,406	1,349	1,349	1,349	1,303	1,384
Dividend payout ratio	17.8%	17.4%	24.4%	33.7%	24.0%	56.4%
Return on sales	3.6%	3.4%	2.4%	1.7%	2.4%	1.3%
Return on equity	6.0%	5.6%	3.9%	2.7%	3.7%	2.0%
Return on assets	4.5%	4.2%	2.9%	2.1%	2.8%	1.4%
Per share data (Yen):						
Basic net income	¥209.73	¥205.83	¥146.45	¥106.76	¥149.80	¥79.85
Cash dividends	36.00	36.00	36.00	36.00	36.00	45.00
Cash flow provided by operating activities	¥ 9,926	¥15,018	¥11,796	¥ 7,926	¥13,808	¥10,980
Cash flow used in investing activities	(9,887)	(8,990)	(8,857)	(8,003)	(646)	(1,277)
Cash flow provided by (used in) financing activities	(858)	1,186	(5,297)	(9,099)	4,605	237
Capital expenditures	(10,531)	(8,866)	(8,770)	(10,332)	(7,894)	(6,349)
Depreciation and amortization	4,927	5,485	5,648	5,509	5,957	5,620
AT YEAR-END						
Cash and cash equivalents	¥ 28,296	¥ 35,576	¥ 32,836	¥ 23,438	¥ 41,155	¥ 51,150
Current assets	84,813	86,941	82,042	75,828	94,359	104,214
Current liabilities	29,297	36,135	33,469	29,962	33,684	34,610
Working capital	55,516	50,806	48,573	45,866	60,675	69,604
Current ratio	289.5%	240.6%	245.1%	253.1%	280.1%	301.1%
Total assets	177,037	191,072	190,815	187,139	202,761	203,225
Shareholders' equity	135,004	141,096	145,391	145,818	147,533	148,983
Equity ratio	76.3%	73.8%	76.2%	77.9%	72.8%	73.3%
Number of stores	538	544	542	518	528	529
Overseas stores	4	7	9	10	11	12
Number of employees	3,351	3,290	3,474	3,712	4,008	4,023

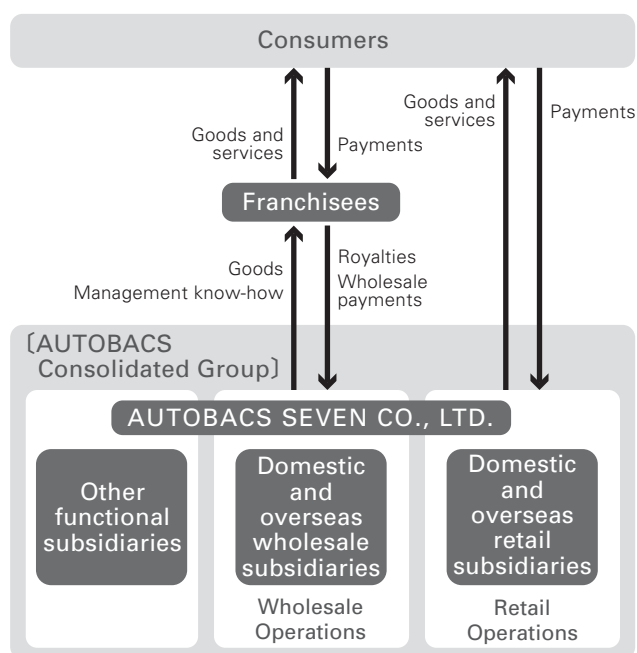
Fiscal 2005 in Review

OPERATIONAL REVIEW

THE AUTOBACS CONSOLIDATED GROUP

Comprising AUTOBACS SEVEN CO., LTD. (the Company), and consolidated subsidiaries, the AUTOBACS Consolidated Group operates a franchise chain that consists of 529 stores (as of March 31, 2005, and including 12 overseas stores) that retail automotive goods and offer pit services.

The Group's main store name brands are AUTOBACS, Super AUTOBACS, AUTO HELLOES, and AUTOBACS *Hashiriya Tengoku Secohan Ichiba* (see pages 32 to 34 for a summary of store formats and store format numbers). The Group operates franchise and directly managed stores and generates earnings through wholesale and retail operations.



◆ Wholesale Operations

In wholesale operations, earnings comprise profits from the wholesale of car parts and accessories to franchisees and revenues from royalties paid by franchisees.

◆ Retail Operations

In retail operations, earnings are generated through the sale of goods by stores that are directly managed by the Company or managed by its consolidated subsidiaries.

	2004	2005
Stores included in consolidation		
(retail operations)	145	147
Directly managed stores	18	15
Stores managed by consolidated subsidiaries	127	132
Overseas stores	9	10
Stores not included in consolidation		
(wholesale operations)	383	382
Stores managed by franchisees (including stores of affiliates)	383	382
Overseas stores	2	2
Total stores	528	529

Franchise System

Franchisees conclude franchise contracts based on a commitment to pursue value-added operations, with the overriding goals of making drivers the world over into car fans and creating a utopia for automobile enthusiasts.

◆ Aim of Franchise Contracts

Contracts aim to ensure the mutual prosperity of the Company and franchisees. The Company gives franchisees the right to use its corporate image in the conduct of operations. As the headquarters for franchisees, the Company provides franchisees with management know-how and allows them to use the same trade name that is used by headquarters. In return, franchisees pay the Company a fixed royalty. Franchisees manage operations based on support and guidance from headquarters.

◆ 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 all store formats, except AUTOBACS *Hashiriya Tengoku Secohan Ichiba*, for which the rate is 7.0%.

ANALYSIS OF OPERATING ENVIRONMENT

Japan's market for car parts and accessories has been contracting since around 1996. It is estimated that retail sales in that market totaled ¥3,066 billion* in fiscal 1996. In fiscal 2004, that amount fell to ¥2,131 billion.

This market shrinkage is largely attributable to stepped-up efforts by automakers and car dealers to offer new vehicles with car electronic systems as standard equipment or as

options. As a result, competition is intensifying in the car parts and accessories market.

* Source: *AM Network* magazine, August 2001 and August 2005 issues, published by Jido-sha Sangyo Tsu-shin-sha Co., Ltd.

FISCAL 2005—OVERVIEW AND ACHIEVEMENTS

Performance Overview

The operating environment was challenging due to such factors as the continued contraction of the car parts and accessories market and sluggish consumer spending. However, as a result of the success of ongoing steps taken to enhance the store network, including store format changes, and measures to expand services, such as statutory safety inspections and maintenance, net sales edged down only 0.1%, to ¥226.8 billion. Operating income rose 18.6%, to ¥7.4 billion, as a result of reduced selling, general and administrative expenses that stemmed from lower selling expenses. Meanwhile, net income was down 46.2%, to ¥2.9 billion, reflecting a loss of ¥4.4 billion due to the early application of impairment accounting for fixed assets.

Main Achievements

In fiscal 2005, the Company moved forward with the improvement of its store network and bolstered its statutory safety inspection and maintenance services operations. The Company continued to pave the way for the realization of ongoing growth in the medium to long term by steadily expanding the scope of its business in line with the overriding goal of advancing from a vendor of car parts and accessories to a provider of “total car-life support.”

◆ Store Development

The number of stores at fiscal year-end totaled 529 (including 12 overseas stores), which represented a rise of 1 store from the previous fiscal year-end. This increase resulted from efforts to expand synergies among store formats within areas, such as the opening of Super AUTOBACS stores and the relocation of existing AUTOBACS and AUTOBACS *Hashiriya Tengoku Secohan Ichiba* stores. In accordance with a contract with Riders Support Company Ltd., in June 2004, aiming to increase customer flow, we opened the RICOLAND

Tokyo Bay Shinonome store, a motorcycle accessories specialty shop, next to our Super AUTOBACS Tokyo Bay Shinonome store.

Overseas, the Company continued to thoroughly reevaluate operations in existing areas and, in April 2004, opened a store in Shanghai, its first store in China.

◆ Products and Service Sales

In product sales, in conjunction with an ETC subsidy system introduced by three public highway corporations, the Company focused on sales of onboard ETC systems, and the introduction of an original discount system and a low-priced sales model proved effective. We expanded our menu of pit services, such as statutory safety inspections and maintenance, and increased the number of stores with official certification. In addition, we began to open Techno Cube, dedicated statutory safety inspection and maintenance facilities.

OUTLOOK AND MEASURES GOING FORWARD

In the Japanese economy, a moderate recovery is expected to continue, given the ongoing improvement in corporate profitability and the pickup in consumer spending, as the income situation has bottomed out and disposable incomes have begun to increase. However, there is cause for concern about sluggishness in the global economy, due to the possibility of increases in crude oil prices and slowdowns in the U.S. and Chinese economies. Also, increases in pension premiums and revisions to the tax system may affect consumer sentiment. In this management environment, it remains difficult to make meaningful forecasts.

In the car parts and accessories market, there is concern that conditions will remain challenging due to continued strong deflationary pressures, to improved vehicle durability, and to intensified competition for market share as automakers and car dealers increasingly include electronic systems, such as car navigation, and accessories as standard equipment.

In this environment, the AUTOBACS Consolidated Group has formulated a management policy of “realizing renewed growth through enhanced competitiveness.” In response to the contraction of the car parts and accessories market and to the growing competition with

companies from other industries, we will take steps to rebuild our profit structure, such as streamlining operational assets and eliminating unprofitable operations. To that end, we will continue to implement our Mid-Term Business Plan—the Area Dominant Strategy, the Total

Car-Life Business Strategy, and the Overseas Business Strategy—and will aggressively implement measures to further strengthen our management foundation (see the Mid-Term Business Plan section on pages 9 through 12).

FINANCIAL REVIEW

INCOME AND EXPENSES

Net Sales

In fiscal 2005, ended March 31, 2005, business conditions remained challenging due to continued contraction of the car parts and accessories market and slumping consumer spending. AUTOBACS Group stores recorded higher sales of tires, prices of which were increased due to the rise in crude oil prices, and of onboard ETC systems, due in part to the ETC subsidy system introduced by three public highway corporations and to the launch of an original discount campaign and a specialized sales model. However, sales of car navigation systems were affected by their increasing inclusion as standard equipment by automakers. Sales of oil and batteries were sluggish. As a result, net sales edged down 0.1%, to ¥226.8 billion.

	¥ billion (Proportion of net sales)		
	2004	2005	Increase (decrease)
Wholesale operations	135.6 (59.7%)	133.4 (58.8%)	(2.2)
Retail operations	91.5 (40.3%)	93.4 (41.2%)	1.9
Total	227.1 (100.0%)	226.8 (100.0%)	(0.3)

◆ Wholesale Operations

In wholesaling to the Company's franchise chain stores, sales of tires and wheels were strong, but sales of car electronics, oil, batteries, and motor sports goods declined. As a result, sales decreased 1.6%, to ¥133.4 billion. As of the end of fiscal 2005, there were 382 franchise chain stores (including 2 overseas stores).

◆ Retail Operations

Retail operations consist of the retail sales of stores that are managed directly by the Company or managed by its consolidated subsidiaries.

Sales of car electronic systems were especially weak, but sales of statutory safety inspection and maintenance services increased by a substantial margin. Contributions were also made by the RICOLAND Tokyo Bay Shinonome store, a motorcycle accessories specialty shop opened during the year, and by sales of used automotive goods. Retail operations recorded a 2.0% increase in sales, to ¥93.4 billion. As of the end of fiscal 2005, 147 stores (including 10 overseas stores) were included in the scope of consolidation.

Cost of Goods Sold

Cost of goods sold decreased 0.4%, to ¥158.6 billion, accompanying lower net sales. Cost of goods sold as a percentage of net sales edged down from 70.1% in fiscal 2004 to 69.9%. As a consequence, gross profit rose 0.6%, to ¥68.2 billion.

◆ Wholesale Operations

The Company sought to reduce purchasing costs and to consolidate its suppliers and review supply methods by introducing a supply chain management system in collaboration with certain suppliers. In own-brand products, the Company was able to reduce retail prices while improving gross profit margins by stepping up development activities and reviewing lineups, especially for oil.

◆ Retail Operations

An increase in the proportion of net sales accounted for by statutory safety inspection and maintenance services, which have high gross profit margins, and increased tire prices stemming from the higher price of crude oil, resulted in improved gross profit.

SG&A Expenses

To offset lower sales, the Company took decisive steps to reduce selling and other expenses. As a result, SG&A expenses declined 1.2% year on year, to ¥60.8 billion. The ratio of SG&A expenses to net sales decreased 0.3 percentage points from the previous fiscal year, to 26.8%. A breakdown of major SG&A expenses is as follows:

	¥ billion		Increase (decrease)
	2004	2005	
Personnel expenses	25.2	25.3	0.1
Employee compensation	19.8	19.9	0.1
Sales promotion expenses	10.8	10.3	(0.5)
Equipment expenses	14.2	13.9	(0.3)
Land and building rent	6.0	6.0	0.0
Depreciation	5.8	5.5	(0.3)
Administrative expenses	11.4	11.2	(0.2)
Information processing expenses	2.0	2.0	(0.0)
Provision for allowance for doubtful receivables	0.6	0.7	0.1

Personnel expenses rose 0.5%, to ¥25.3 billion, which represented 41.6% of SG&A expenses. Compared with the previous year-end, employee numbers at the end of fiscal 2005 were down 91 in wholesale operations, to 469; down 37 in retail operations, to 2,702; and up 91 in Companywide operations, to 852.

Sales promotion expenses decreased marginally to ¥10.3 billion, which represented 17.0% of SG&A expenses. The Company assessed the effectiveness of advertising methods in attracting customers to stores and selected the most appropriate methods, such as the effective utilization of direct mail and e-mail. In this way, the Company was able to reduce costs.

Equipment expenses declined slightly, to ¥13.9 billion, equivalent to 22.9% of SG&A expenses. This decline mainly resulted from low depreciation and amortization expenses for assets subject to the early application of impairment accounting for fixed assets and to lower rent following the relocation of headquarters.

Administrative expenses were down 1.3%, to ¥11.2 billion, which accounted for 18.5% of SG&A expenses. This decrease was largely attributable to measures to cut costs, such as meeting, travel, and transportation expenses.

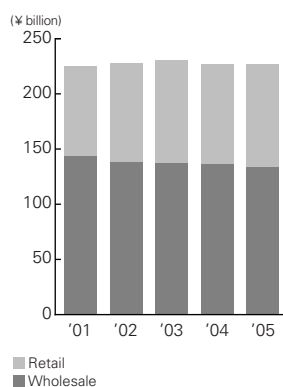
As a result of the above-mentioned factors, operating income rose 18.6%, to ¥7.4 billion.

Other Income (Expenses)

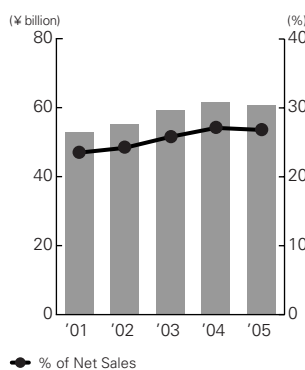
Net other expenses were ¥0.5 billion, compared with net other income of ¥3.4 billion in the previous year. This was primarily the result of a ¥4.4 billion loss stemming from the early application of impairment accounting for fixed assets.

As a consequence, income before income taxes and minority interests declined 28.6%, to ¥6.9 billion.

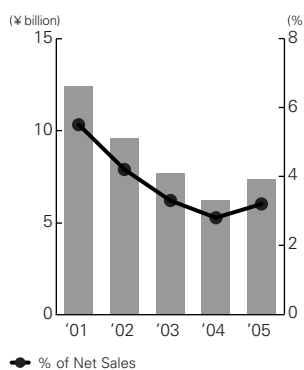
Net Sales



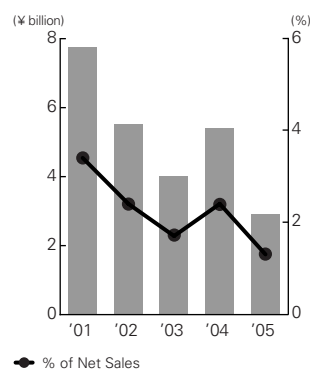
SG&A Expenses



Operating Income



Net Income



Income Taxes

Income taxes were about the same as in the previous fiscal year, at ¥4.2 billion. The effective tax rate was 60.8%, up from 43.5%, due to the decline in income before income taxes and minority interests.

Net Income

As a consequence of the aforementioned factors, net income declined 46.2%, to ¥2.9 billion. Basic net income per share was down 46.7%, to ¥79.85. Net income as a percentage of net sales fell from 2.4% in the previous fiscal year to 1.3%. ROA decreased from 2.8% to 1.4%, and ROE declined from 3.7% to 2.0%.

FINANCIAL POSITION

At fiscal year-end, total assets increased 0.3% from the end of the previous year, to ¥203.2 billion.

Total current assets were up 10.4%, to ¥104.2 billion, which was mainly attributable to higher cash and cash equivalents.

Net property and equipment declined 14.8%, to ¥51.4 billion, which primarily resulted from a ¥6.9 billion aggregate decrease in land and buildings associated with the early application of impairment accounting.

Total investments and other assets at fiscal year-end decreased 1.0% from the previous year-end, to ¥47.6 billion, due to a decline in rental deposits and long-term loans.

Total current liabilities at fiscal year-end rose 2.7% compared with the end of fiscal 2004, to ¥34.6 billion, reflecting a decline in income taxes payable and an increase in short-term borrowings. As a result, working capital grew 14.7% from the previous year-end, to ¥69.6 billion, and the current ratio improved from 2.8 times to 3.0 times.

Total long-term liabilities were down 8.1%, to ¥19.2 billion. Total liabilities declined 1.4%, to ¥53.8 billion.

Total shareholders' equity rose 1.0%, to ¥149.0 billion, which was mainly the result of higher retained earnings. The equity ratio improved from 72.8% at the end of fiscal 2004 to 73.3%. The debt-to-equity ratio rose from 9.4% to 10.3% at fiscal year-end, as a consequence of the increase in borrowing.

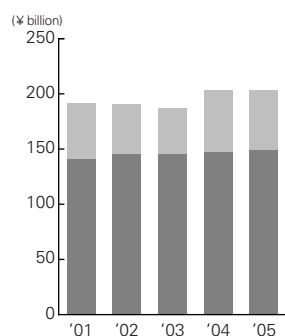
CASH FLOWS

Cash and cash equivalents at year-end climbed 24.3%, to ¥51.2 billion. This rise was principally attributable to an increase in net cash provided by operating activities.

Cash Flows from Operating Activities

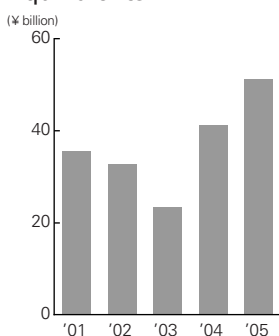
Net cash provided by operating activities was down 20.5%, to ¥11.0 billion. Impairment losses on fixed assets were recorded due to the early application of impairment accounting, but reversal of retirement benefit increased and income taxes paid increased. Depreciation and amortization was down 5.7%, to ¥5.6 billion.

Total Assets

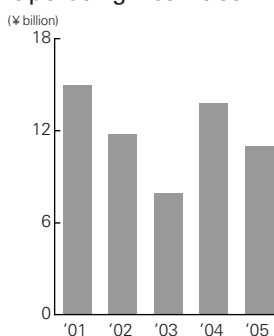


■ Shareholders' Equity

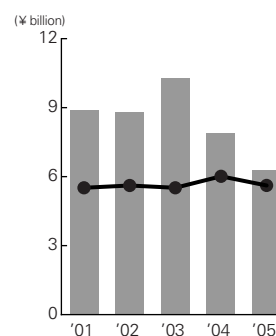
Cash and Cash Equivalents



Cash Flow Provided by Operating Activities



Capital Expenditures



◆ Depreciation and Amortization

Cash Flows from Investing Activities

Net cash used in investing activities increased substantially from ¥0.6 billion in the previous fiscal year to ¥1.3 billion in the year under review. This rise was chiefly on account of increases in payments for marketable securities and collection of advance and rental deposits.

◆ Capital Investment

Through capital investment, the AUTOBACS Consolidated Group aims to increase its market share in each area and improve profitability in accordance with its Area Dominant Strategy. Investment activities are focused on opening Super AUTOBACS stores; scrapping and building or relocating existing stores; and purchasing IT equipment and leasing assets, such as store facilities. A breakdown of capital investment undertaken in the fiscal year under review is as follows:

	¥ billion		
	2004	2005	Increase (decrease)
Wholesale operations	0.1	0.5	0.4
Retail operations	4.8	2.4	(2.4)
Others	3.0	3.4	0.4
Total	7.9	6.3	(1.6)

Major Capital Investment in 2005

	¥ billion
Wholesale Operations	
Investments in assets delivered to franchise chain stores and scrap-and-build / relocation activities for existing stores	1.5
Retail Operations	
Investment in opening new stores and related activities	0.5
Companywide (common)	
Lease of assets, such as store facilities	0.9
IT equipment	2.1

Cash Flows from Financing Activities

Net cash provided by financing activities declined substantially, to ¥0.2 billion, due to the recording in the previous year of ¥10.0 billion in proceeds from issuance of zero coupon convertible bonds. Dividends paid were ¥1.4 billion.

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.

Competition

The AUTOBACS Consolidated Group's core business involves the sale, import, export, and consigned / consignment production of various kinds of car parts and accessories. The Group has developed a chain of one-stop specialty stores throughout Japan comprising both directly managed and franchise stores. It is possible that competitors in the car parts 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 automakers and car dealers making a full-scale entry into the market as well as specialty tire stores, secondhand goods stores, and outlet supplies stores.

Unusual Weather

Products sold by the AUTOBACS Consolidated Group include seasonal products for which the number of units sold is significantly affected by the weather. Accordingly, in the event of unusual weather conditions, such as cool summers and warm winters, the Group's business performance could be affected by lower sales stemming from reduced demand for seasonal products or from a divergence in sales periods.

Future Business Expansion Overseas

The Group conducts operations in China and other countries in Asia, Europe, and the United States. In the event that the Group cannot respond to various problems and risks in these regions, the Group's business performance could be affected. Such factors 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 current economic situation; the level of information infrastructure; a lack of protection for intellectual property; an unstable international situation; and outbreaks of infectious disease.

Regulations Governing Opening of New Stores

The enactment of the Law Concerning the Measures by Large-Scale Retail Stores for Preservation of the Living Environment has had a significant impact on the Group's business.

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 floor areas exceeding this figure. The law was enacted with the aim of maintaining the living environment of local residents. Standardized checks are undertaken by the local prefecture or designated city on noise levels, traffic congestion, waste disposal problems, and other criteria, and restrictions are imposed where necessary.

In opening new stores larger than 1,000 square meters, the AUTOBACS Consolidated 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. However, in the event that new stores cannot be opened as planned due to the above regulations, the Group's business results could be affected.

Observance of Laws and Regulations

In regard to problems with the observance of laws and regulations, the AUTOBACS Consolidated Group is working to enhance its internal control system. The Compliance Promotion Office was established to enhance internal control, and Behavior Principles and Behavior Guidelines were formulated to ensure ethical business conduct by officers and employees. However, conduct by officers or employees that violates laws or regulations, either intentionally or unintentionally, could result in claims for compensation that could affect the Group's business performance. In addition, the AUTOBACS Consolidated Group pays careful attention to the handling of the large volumes of customer information that it maintains. However, in the event of an external leak of customer information, due to malfeasance or other reasons, the Group could lose credibility and its business performance could be affected.

Fluctuations in Product Selling and Procurement Prices and Raw Materials Prices

The products sold by the AUTOBACS Consolidated Group are subject to unexpected fluctuations in procurement prices and raw materials prices, due to any of a number of reasons, and, in selling prices, 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 and declines in demand due to higher prices.

Natural Disasters

In Japan and the other regions where the AUTOBACS Consolidated Group has stores and operational facilities, in the event of damage to Company facilities or harm to Company officers or employees caused by an earthquake, a typhoon, or other natural disaster, the Group's business results could be affected by such factors as reduced sales and costs required to restore operations and recruit human resources.

Franchisees

The Company operates as a franchisor for stores that principally handle car parts and accessories. In the event that the franchisees operating stores in accordance with franchise contracts commit violations of the franchise contracts or of laws and regulations, the business performance of the AUTOBACS Consolidated Group could be affected, without regard to whether or not the Group holds equity in the franchisee.

Store Operations

The AUTOBACS Consolidated Group operates retail stores that handle car parts and accessories and provide related services. These operations include risks associated with the processing of waste generated by store operations, the handling of dangerous substances, the occurrence of accidents in pit operations, and the occurrence of other accidents on store grounds. The occurrence of these types of events could affect the Group's business performance, directly or indirectly, such as through a reduction in customer numbers accompanying a worsening of customer attitudes toward Group stores.

Consolidated Balance Sheets

AUTOBACS SEVEN CO., LTD. AND SUBSIDIARIES
March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2005	2004	2005
CURRENT ASSETS:			
Cash and cash equivalents	¥ 51,150	¥ 41,155	\$ 478,037
Time deposits with an original maturity over three months	157	161	1,467
Marketable securities (Note 4)	5,124	4,777	47,888
Receivables:			
Trade notes and accounts	11,941	11,813	111,598
Associated companies	1,051	711	9,823
Other	14,902	14,336	139,271
Allowance for doubtful receivables	(710)	(1,150)	(6,635)
Inventories	17,247	18,732	161,187
Deferred tax assets (Note 12)	1,907	2,195	17,822
Prepaid expenses and other current assets	1,445	1,629	13,505
Total current assets	104,214	94,359	973,963
 PROPERTY AND EQUIPMENT:			
Land (Note 5)	21,070	26,065	196,916
Buildings (Note 5)	34,424	36,369	321,720
Furniture and equipment	16,724	16,407	156,299
Leased assets (Note 6)	17,225	17,581	160,981
Construction in progress	173	277	1,617
Total	89,616	96,699	837,533
Accumulated depreciation	(38,216)	(36,405)	(357,159)
Net property and equipment	51,400	60,294	480,374
 INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	11,481	10,887	107,299
Investments in and advances to associated companies	1,536	1,514	14,355
Rental deposits and long-term loans (Note 7)	23,658	26,158	221,103
Deferred tax assets (Note 12)	4,802	4,783	44,879
Other	6,134	4,766	57,326
Total investments and other assets	47,611	48,108	444,962
 TOTAL	¥203,225	¥202,761	\$1,899,299

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2005	2004	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Note 8)	¥ 3,534	¥ 1,613	\$ 33,028
Current portion of long-term debt (Note 8)	1,329	517	12,421
Payables:			
Trade notes and accounts	14,042	14,058	131,234
Associated companies	771	621	7,205
Other	8,545	8,396	79,860
Income taxes payable	1,159	3,526	10,832
Accrued expenses and other current liabilities	5,230	4,953	48,878
Total current liabilities	34,610	33,684	323,458
LONG-TERM LIABILITIES:			
Long-term debt (Note 8)	10,424	11,689	97,420
Liability for retirement benefits (Note 9)	816	1,554	7,626
Rental deposits received (Note 7):			
Associated companies	800	794	7,477
Other	6,573	6,165	61,430
Deferred tax liabilities (Note 12)	394	395	3,682
Other liabilities	147	238	1,374
Total long-term liabilities	19,154	20,835	179,009
Total liabilities	53,764	54,519	502,467
MINORITY INTERESTS	478	709	4,467
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 7 and 13)			
SHAREHOLDERS' EQUITY (Notes 10 and 17):			
Common stock,			
authorized, 109,402 thousand shares;			
issued, 37,644 thousand shares in 2005 and 2004	31,959	31,959	298,682
Capital surplus	32,241	32,241	301,318
Retained earnings	90,122	88,652	842,262
Unrealized gain on available-for-sale securities (Note 4)	206	193	1,925
Foreign currency translation adjustments	(427)	(401)	(3,990)
Treasury stock—at cost:			
2,162 thousand shares in 2005 and 2,160 thousand shares in 2004	(5,118)	(5,111)	(47,832)
Total shareholders' equity	148,983	147,533	1,392,365
TOTAL	¥203,225	¥202,761	\$1,899,299

Consolidated Statements of Income

AUTOBACS SEVEN CO., LTD. AND SUBSIDIARIES
Years Ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
NET SALES (Note 11)	¥226,780	¥227,078	¥230,479	\$2,119,439
COST OF GOODS SOLD	158,584	159,272	163,458	1,482,093
Gross profit	68,196	67,806	67,021	637,346
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	60,828	61,595	59,369	568,486
Operating income	7,368	6,211	7,652	68,860
OTHER INCOME (EXPENSES):				
Interest and dividend income	296	358	422	2,766
Rental income	2,212	2,271	1,779	20,673
Interest expense	(61)	(99)	(153)	(570)
Impairment losses on fixed assets (Note 5)	(4,384)			(40,972)
Loss on arrangement of stores	(1,146)	(167)	(184)	(10,710)
Lease revenue–system equipment	862	837	806	8,056
Other–net	1,729	216	(706)	16,159
Other (expenses) income–net	(492)	3,416	1,964	(4,598)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	6,876	9,627	9,616	64,262
INCOME TAXES (Note 12):				
Current	3,910	5,949	5,393	36,542
Deferred	269	(1,765)	300	2,514
Total	4,179	4,184	5,693	39,056
MINORITY INTERESTS IN NET LOSS	231	1	80	2,159
NET INCOME	¥ 2,928	¥ 5,444	¥ 4,003	\$ 27,365
	Yen			U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2, O and 15):				
Basic net income	¥79.85	¥149.80	¥106.76	\$0.75
Cash dividends applicable to the year	45.00	36.00	36.00	0.42

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

AUTOBACS SEVEN CO., LTD. AND SUBSIDIARIES
Years Ended March 31, 2005, 2004 and 2003

	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 Gain (Loss) on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 2002	37,481	3	¥31,959	¥ 31,719	¥81,901	¥(169)	¥ (17)	¥ (8)
Net income					4,003			
Issuance of common stock under exchange offerings	163			522				
Disposal of treasury stock		(3)		1				8
Changes in unrealized loss on available-for-sale securities, less applicable tax						42		
Changes in foreign currency translation adjustments							(162)	
Purchase of treasury stock		1,011						(2,601)
Appropriations:								
Cash dividends, ¥36.00 per share					(1,349)			
Bonuses to directors and corporate auditors					(31)			
BALANCE, MARCH 31, 2003	37,644	1,011	31,959	32,242	84,524	(127)	(179)	(2,601)
Net income					5,444			
Disposal of treasury stock		(1)		(1)	(2)			6
Changes in unrealized gain on available-for-sale securities, less applicable tax						320		
Changes in foreign currency translation adjustments							(222)	
Purchase of treasury stock		1,150						(2,516)
Appropriations:								
Cash dividends, ¥36.00 per share					(1,303)			
Bonuses to directors and corporate auditors					(11)			
BALANCE, MARCH 31, 2004	37,644	2,160	31,959	32,241	88,652	193	(401)	(5,111)
Net income					2,928			
Disposal of treasury stock		(1)			(1)			4
Changes in unrealized gain on available-for-sale securities, less applicable tax						13		
Changes in foreign currency translation adjustments							(26)	
Purchase of treasury stock		3						(11)
Appropriations:								
Cash dividends, ¥39.00 per share					(1,384)			
Bonuses to directors and corporate auditors					(73)			
BALANCE, MARCH 31, 2005	37,644	2,162	¥31,959	¥32,241	¥90,122	¥ 206	¥(427)	¥(5,118)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gain on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2004	\$298,682	\$301,318	\$828,523	\$1,804	\$(3,747)	\$(47,766)
Net income			27,365			
Disposal of treasury stock			(9)			37
Changes in unrealized gain on available-for-sale securities, less applicable tax				121		
Changes in foreign currency translation adjustments					(243)	
Purchase of treasury stock						(103)
Appropriations:						
Cash dividends, \$0.36 per share			(12,935)			
Bonuses to directors and corporate auditors			(682)			
BALANCE, MARCH 31, 2005	\$298,682	\$301,318	\$842,262	\$1,925	\$(3,990)	\$(47,832)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

AUTOBACS SEVEN CO., LTD. AND SUBSIDIARIES
Years Ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	¥ 6,876	¥ 9,627	¥ 9,616	\$ 64,262
Adjustments for:				
Income taxes paid	(6,277)	(4,766)	(5,445)	(58,663)
Depreciation and amortization	5,620	5,957	5,509	52,523
Impairment losses on fixed assets	4,384			40,972
Loss on arrangements of stores	1,146	167	184	10,710
Lease revenue	(1,720)	(1,603)	(1,459)	(16,075)
Reversal of retirement benefit	(1,009)	(25)	(117)	(9,430)
Changes in operating assets and liabilities:				
Increase in receivables	(1,100)	(721)	(638)	(10,280)
Decrease (increase) in inventories	1,493	(1,023)	(842)	13,953
Increase (decrease) in other payables and accruals	136	541	(1,480)	1,271
Other	1,431	5,654	2,598	13,374
Net cash provided by operating activities	10,980	13,808	7,926	102,617
INVESTING ACTIVITIES:				
Capital expenditures	(6,349)	(7,894)	(10,332)	(59,336)
Proceeds from sales of fixed assets	1,376	133	202	12,860
Acquisition of investment securities	(5,370)	(4,665)	(10,236)	(50,187)
Disposition of investment securities	6,383	10,088	7,183	59,654
Proceeds from sales of marketable securities	3,400	100	1,600	31,776
Payments for marketable securities	(4,814)	(100)	(100)	(44,991)
Payments for advance and rental deposits	(3,045)	(2,166)	(1,958)	(28,458)
Collection of advance and rental deposits	3,541	2,680	2,885	33,093
Lease revenues	1,720	1,603	1,459	16,075
Other	1,881	(425)	1,294	17,579
Net cash used in investing activities	(1,277)	(646)	(8,003)	(11,935)
FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings	1,923	(1,510)	(2,562)	17,972
Repayment of long-term debt	(587)	(973)	(3,468)	(5,486)
Proceeds from long-term debt	121	686	773	1,131
Proceeds from issuance of zero coupon convertible bonds.....		10,000		
Purchase of treasury stock	(7)	(2,503)	(2,575)	(65)
Proceeds from issuance of subsidiary stock	197	217	83	1,841
Dividends paid	(1,384)	(1,303)	(1,349)	(12,935)
Other	(26)	(9)	(1)	(243)
Net cash provided by (used in) financing activities	237	4,605	(9,099)	2,215
EFFECT OF EXCHANGE RATE CHANGES				
ON CASH AND CASH EQUIVALENTS	55	(37)	(25)	514
NET INCREASE (DECREASE) IN				
CASH AND CASH EQUIVALENTS	9,995	17,730	(9,201)	93,411
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	41,155	23,438	32,836	384,626
DECREASE IN CASH AND CASH EQUIVALENTS				
EXCLUSION OF A CONSOLIDATED SUBSIDIARY		(13)	(197)	
CASH AND CASH EQUIVALENTS, END OF YEAR	¥51,150	¥41,155	¥ 23,438	\$478,037
NONCASH INVESTING ACTIVITIES—				
Acquisition of Subsidiaries:				
Fair value of assets acquired		¥2,552	¥4,512	
Liabilities assumed		1,709	4,156	
Minority interests		6	44	
Acquisition cost		837	312	
Cash and cash equivalents held by subsidiaries		196	621	
Transfer from investments			7	
Cash (paid) received for capital		¥ (641)	¥ 316	

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 Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted 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, 2004 and 2003, to conform to the classifications and presentations used in the consolidated financial statements for the year ended March 31, 2005.

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 ¥107 to U.S.\$1.00, the approximate free rate of exchange on March 31, 2005. 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 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 (eight for the year ended March 31, 2003) are accounted for by the equity method. Investments in the remaining associated companies are stated at cost as of March 31, 2003. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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 five 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. 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.

C. 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 shareholders' 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.

D. Inventories

Inventories before distribution to stores or franchisees are stated at average cost. Inventories held at stores are valued at cost determined by the retail method.

E. 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.

The estimated useful lives of the assets are principally as follows:

Buildings:

Held for own use: 3 to 45 years

Held for lease: lease periods (15 to 20 years)

Furniture and equipment: 2 to 20 years

F. Long-lived Assets

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan ("ASB") issued the ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets".

These new pronouncements are effective for fiscal years beginning on or after April 1, 2005, with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Company adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Company reviews 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 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.

G. Purchased Software

Purchased software was recorded as other assets and is amortized over five years.

H. Bond Issue Costs

Bond issue costs are charged to income as incurred.

I. Retirement and Pension Plan

The Company had a non-contributory defined pension plan that covers substantially all of its employees.

Substantially all employees of subsidiaries were covered by a non-contributory defined contribution pension plan and an unfunded employee retirement payment plan. At the result of 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, 2005, some subsidiaries has a non-contributory defined contribution pension plan and an unfunded employee retirement payment plan for employees at March 31, 2005.

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

The Companies recorded expenses for 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.

J. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements.

K. Income Taxes

The provision for income taxes is computed based on the pre-tax income included in the consolidated statements of income. 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.

L. Appropriations of Retained Earnings

Under the Commercial Code of Japan (the "Code"), except for interim cash dividend which may be paid upon resolution of the Board of Directors, appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

M. 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.

N. 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 shareholders' equity, which is translated at the historical exchange rate. Differences arising from such translations were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

O. 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.

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.

P. 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 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 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.

Q. Differences between Japanese GAAP and IFRS

The accompanying consolidated financial statements have been prepared in conformity with Japanese GAAP, which differs in certain respects from IFRS. As of March 31, 2005, the main difference between Japanese GAAP and IFRS, which would apply to the Company and may have a material effect on net income, was accounting for leases.

Currently, information is not available to quantify the effect on the net income of the Company for this difference in accounting policies.

3. ACCOUNTING CHANGE

Prior to March 31, 2004, no provision was recorded for retirement benefits to be paid to certain subsidiaries directors and corporate auditors. Certain subsidiaries changed its method of accounting for such retirement benefits to an accrual basis to reflect periodic income and expenses more appropriately due to the reformation of the regulation on officers' retirement allowance during the year ended March 31, 2005. The effect

of this change was to decrease income before income taxes for the year ended March 31, 2005, by ¥305 million (\$2,850 thousand), which included a cumulative effect of ¥227 million (\$2,121 thousand) at March 31, 2004.

This cumulative effect was included in other expenses in the 2005 statement of income.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2005 and 2004, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
CURRENT:			
Debt securities	¥5,124	¥4,777	\$47,888
NON-CURRENT:			
Equity securities	¥ 4,389	¥ 4,378	\$ 41,019
Debt securities	6,092	5,509	56,934
Other	1,000	1,000	9,346
Total	¥11,481	¥10,887	\$107,299

The carrying amounts and aggregate fair values of marketable and investment securities for which market quotations were available at March 31, 2005 and 2004, were as follows:

	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2005				
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,699	¥482	¥161	¥4,020
Debt securities	9,691	49	35	9,705
Other	1,000			1,000
Held-to-maturity	1,511			1,511
	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2004				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 644	¥347	¥17	¥ 974
Debt securities	10,190	3	7	10,186
Other	1,000			1,000
Held-to-maturity	100			100

March 31, 2005	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$34,570	\$4,505	\$1,505	\$37,570
Debt securities	90,570	458	327	90,701
Other	9,346			9,346
Held-to-maturity	14,121			14,121

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004, were as follows:

	Carrying Amount		
	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Available-for-sale:			
Equity securities	¥369	¥3,404	\$3,449

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005, 2004 and 2003, were ¥672 million (\$6,280 thousand), ¥838 million and ¥604 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, for the years ended March 31, 2005, 2004 and 2003, were ¥609 million (\$5,692 thousand), ¥468 million

and ¥9 million, respectively. Gross realized losses on these sales for the year ended March 31, 2003, was ¥46 million.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2005, 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	¥ 3,613	¥1,511	\$ 33,767	\$14,121
Due after one year through five years	7,092		66,280	
Total	¥10,705	¥1,511	\$100,047	\$14,121

5. LONG-LIVED ASSETS

The Company reviewed its long-lived assets for impairment as of April 1, 2004, and, as a result, recognized an impairment loss of ¥4,384 million (\$40,972 thousand) as idle assets and rental assets (land owned in Yokawa, and others), and the carrying amount of the relevant fixed assets was written down to

the recoverable amount. The recoverable amount of that fixed assets was measured at its net selling price determined by quotation from a third-party vendor, and its value in use and the discount rate used for computation of present value of future cash flow was 8.24%.

6. LEASED ASSETS

A breakdown of leased assets as of March 31, 2005 and 2004, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Buildings	¥12,800	¥11,650	\$119,626
Furniture and equipment	4,425	5,931	41,355
Total	17,225	17,581	160,981
Accumulated depreciation	(8,340)	(8,664)	(77,944)
Accumulated impairment loss	(12)		(112)
Net leased assets	¥ 8,873	¥ 8,917	\$ 82,925

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 five to six years.

The construction or acquisition costs, interest and executory costs for the leased assets are paid to the Companies

generally on an installment basis and are accounted for as operating leases. Depreciation of leased assets for the years ended March 31, 2005, 2004 and 2003, was ¥1,884 million (\$17,607 thousand), ¥1,974 million and ¥1,889 million, respectively. Rental income for the years ended March 31, 2005, 2004 and 2003, was ¥1,959 million (\$18,308 thousand), ¥1,988 million and ¥1,818 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, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥ 1,341	¥ 1,467	\$ 12,533
Due after one year	11,606	10,693	108,467
Total	¥12,947	¥12,160	\$121,000

7. RENTAL DEPOSITS AND LONG-TERM LOANS

A breakdown of rental deposits and long-term loans as of March 31, 2005 and 2004, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
RENTAL DEPOSITS TO:			
Lessors for distribution facilities of the Companies	¥12,026	¥13,480	\$112,393
Lessors for stores of franchisees	10,114	8,586	94,523
Lessors for office and other facilities	1,510	2,596	14,112
Total rental deposits	23,650	24,662	221,028
LOANS TO:			
Franchisees	2,495	3,214	23,318
Other	29	55	271
Total loans	2,524	3,269	23,589
Allowance for doubtful receivables	(2,516)	(1,773)	(23,514)
Total	¥23,658	¥26,158	\$221,103

The Companies' operations are conducted in free-standing buildings, a substantial portion of which have been constructed to the Company's specifications and are 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. All of the above-mentioned leases were accounted for as operating leases and rent expenses paid to the lessors and rental income from sublessees have been set off in the consolidated statements of income.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2005 and 2004, consisted of notes to banks and other. The annual interest rates applicable to the short-term borrowings at March 31, 2005 and 2004, ranged from 0.4% to 9.8% and from 0.5% to 4.0%.

Long-term debt at March 31, 2005 and 2004, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Convertible bonds due 2023	¥10,000	¥10,000	\$ 93,458
Loans from banks and other, due serially to 2012 with interest rates ranging from 0.6% to 4.7% (2005) and from 0.6% to 4.7% (2004) and other:			
Unsecured	1,753	2,206	16,383
Total	11,753	12,206	109,841
Less current portion	1,329	517	12,421
Long-term debt, less current portion	¥10,424	¥11,689	\$ 97,420

Annual maturities of long-term debt at March 31, 2005, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 1,329	\$ 12,421
2007	208	1,944
2008	102	953
2009	37	346
2010	24	224
2011 and thereafter	10,053	93,953
Total	¥11,753	\$109,841

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 customary 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.

On September 22, 2003, the Company issued ¥10,000 million zero coupon convertible bonds due 2023 (bonds with the stock acquisition rights) ("Bonds"). The Bonds do not bear interest. The stock acquisition rights are not transferable separately from the Bonds. The Bonds are trading on the London Stock Exchange's market for listed securities.

The Bonds were issued in the denomination of ¥5,000,000 each and each Bondholder is entitled to exercise the stock acquisition rights during the period from October 22, 2003, to September 15, 2023, (unless previously redeemed) into the number of common shares, being the conversion rate of 1,552.79, which will not exceed the maximum conversion rate of 1,976.28, subject to adjustment in certain events. The conversion price shall be the amount in yen obtained by dividing the principal amount of each bond, ¥5,000,000. At March 31, 2005, the conversion price was ¥3,220. The conversion price of the Bonds is subject to adjustments to reflect stock splits and certain other events.

However, the stock acquisition rights may be exercised during any particular quarter only if the market price of the

Company's common stock for any 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the prior calendar quarter is more than 110% of the conversion price effective as of such last trading day.

The exercise of the stock acquisition rights shall not be applicable (1) during any period in which the credit rating assigned to the senior long-term debt of the Company or the credit rating assigned to the Bonds is below a specified level, the Bonds are no longer rated or the credit rating assigned to the Bonds is suspended or withdrawn, (2) if the Bonds have been called for redemption or (3) if specified corporate transactions such as the acquisition of all of the Company's shares by other company shall occur.

Bondholders may require the Company to redeem all or a portion of their Bonds on September 30, 2007, September 30, 2011, September 30, 2015, and September 30, 2019, at 100% of their principal amount. The Company may redeem all, but not some of the Bonds then outstanding for cash at any time on or after September 30, 2007, at 100% of their principal amount.

9. RETIREMENT AND PENSION PLAN

The Company had a non-contributory defined benefit pension plan for employees. Subsidiaries had a non-contributory defined contribution pension plan and a retirement payment plan for employees.

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 a lump-sum retirement payment from the Company or from certain consolidated 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. In the year ended March 31, 2003, certain subsidiaries changed from a non-contributory defined benefits pension plan and a retirement payment plan to a non-contributory defined contribution pension plan. At October 1, 2004, the Company changes from non-contributory defined benefit pension plan to alternative plans consisting of a defined contribution pension plan and a plan in which employees receive retirement payment portion in cash. These changes caused income before income taxes and minority interests to decrease for the years ended March 31, 2005 and 2003, by ¥340 million (\$3,178 thousand) and ¥9 million, respectively.

The Companies have a retirement payment plan for directors and corporate auditors. Certain subsidiaries changed

their accounting for retirement payment plan for directors and corporate auditors during the year ended March 31, 2005. This change caused income before income taxes and minority interests to decrease for the year ended March 31, 2005, by ¥305 million (\$2,850 thousand). The liability for retirement benefits for directors and corporate auditors at March 31, 2005 and 2004, is ¥430 million (\$4,019 thousand) and ¥159 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 ¥5,272 million (\$49,271 thousand) at March 31, 2005, which is the most recent date available. The salaries of the employees of the Company for such contributory pension plan appropriated 18.6% of the total salaries of the welfare plan at March 31, 2005. For the welfare pension plan, the amounts of contributions made are charged to income.

The liability (asset) for employees' retirement benefits at March 31, 2005 and 2004, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Projected benefit obligation	¥ 488	¥ 2,445	\$4,560
Fair value of plan assets	(102)	(1,016)	(953)
Unrecognized actuarial loss		(34)	
Net liability	¥ 386	¥ 1,395	\$3,607

The components of net periodic benefit costs for the years ended March 31, 2005, 2004 and 2003, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Service cost	¥ 291	¥347	¥345	\$ 2,719
Interest cost	17	35	46	159
Expected return on plan assets	(4)	(8)	(17)	(37)
Recognized actuarial loss	4	21	1	37
Contribution of contributory welfare pension plan	280	206	204	2,617
Additional benefit paid	99		377	925
Cost of transition to defined contribution pension plan	340		9	3,178
Contribution pension plan and other	67			626
Net periodic benefit costs	¥1,094	¥601	¥965	\$10,224

Assumptions used for the years ended March 31, 2005, 2004 and 2003, are set forth as follows:

	2005	2004	2003
Discount rate	1.92%	1.92%	1.92-2.60%
Expected rate of return on plan assets	0.97%	0.97%	1.59-2.00%
Recognition period of actuarial gain/loss	10 years	10 years	5-10 years

10. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which various amendments have become effective since October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until

such reserve and additional paid-in capital equals 25% of the amount of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the amount of common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The amount available for dividends under the Code was ¥84,695 million (\$791,542 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are

applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

At October 1, 2002, the Company issued 163 thousand shares for ¥522 million to minority of a subsidiary as exchange of the subsidiary's share. The amount of this issuance of new shares was recorded as capital surplus.

11. SALES

The Companies sell automobile-related goods 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, 2005, 2004 and 2003, aggregated to approximately 59%, 60%, and 60% of the consolidated net sales, respectively.

12. 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%, 42% and 42% for the years ended March 31, 2005, 2004 and 2003, respectively.

On March 31, 2003, a tax reform law concerning enterprise tax was enacted in Japan which changed the normal effective

statutory tax rate from 42% to 41%, effective for years beginning on or after April 1, 2004. The deferred tax assets and liabilities which will realize on or after April 1, 2004, are measured at the effective tax rate of 41% as at March 31, 2004.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
DEFERRED TAX ASSETS:			
Receivables	¥ 1,245	¥ 1,224	\$ 11,636
Accrued enterprise taxes	112	315	1,047
Accrued bonuses	242	348	2,262
Inventories	1,137	1,132	10,626
Property and equipment	3,631	1,854	33,935
Pension and severance costs	276	571	2,579
Investments	261	351	2,439
Other accounts payable	425	79	3,972
Tax loss carryforwards	3,378	3,934	31,570
Other	603	814	5,635
Less valuation allowance	(3,713)	(2,718)	(34,701)
Deferred tax assets	7,597	7,904	71,000
DEFERRED TAX LIABILITIES:			
Property and equipment	854	866	7,981
Undistributed earnings of associated companies	226	185	2,112
Unrealized gain on available-for-sale securities	134	134	1,252
Other	68	136	636
Deferred tax liabilities	1,282	1,321	11,981
Net deferred tax assets	¥ 6,315	¥ 6,583	\$ 59,019

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2005, 2004 and 2003, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2005	2004	2003
Normal effective statutory tax rate	41.0%	42.0%	42.0%
Expenses not deductible for income tax purposes	1.2	1.0	1.1
Per-capita inhabitants' tax	1.0	0.7	0.8
Changes in valuation allowance	14.5	(4.7)	12.0
Effect of tax rate changes			0.8
Amortization of goodwill	0.5	0.7	0.5
Other-net	2.6	3.8	2.0
Actual effective tax rate	60.8%	43.5%	59.2%

At March 31, 2005, certain subsidiaries have tax loss carryforwards aggregating approximately ¥8,779 million (\$82,047 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
2006	¥ 326	\$ 3,047
2007	828	7,738
2008	1,400	13,084
2009	541	5,056
2010	5,684	53,122
Total	¥8,779	\$82,047

13. LEASES

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

Total rental expenses for the years ended March 31, 2005, 2004 and 2003, were ¥6,668 million (\$62,318 thousand), ¥6,307 million and ¥6,572 million, respectively, including ¥550 million (\$5,140 thousand), ¥732 million and ¥780 million, respectively, of lease payments under finance lease contracts.

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

	As of March 31, 2005 Millions of yen				As of March 31, 2004 Millions of yen			
	Equipment	Furniture	Others	Total	Equipment	Furniture	Others	Total
Acquisition cost	¥483	¥447	¥29	¥959	¥572	¥2,729	¥92	¥3,393
Accumulated depreciation	322	122	20	464	297	2,280	76	2,653
Net leased property	¥161	¥325	¥ 9	¥495	¥275	¥ 449	¥16	¥ 740

	As of March 31, 2005 Thousands of U.S. dollars			
	Equipment	Furniture	Others	Total
Acquisition cost	\$4,514	\$4,177	\$271	\$8,962
Accumulated depreciation	3,009	1,140	187	4,336
Net leased property	\$1,505	\$3,037	\$ 84	\$4,626

Obligations under finance lease contracts:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥186	¥502	\$1,738
Due after one year	322	285	3,010
Total	¥508	¥787	\$4,748

Depreciation expense and interest expense under finance lease contracts:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Depreciation expense	¥514	¥692	¥729	\$4,804
Interest expense	17	27	43	159
Total	¥531	¥719	¥772	\$4,963

Depreciation expense and interest expense, which were not reflected in the accompanying 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, 2005 and 2004, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within one year	¥186	¥ 221	\$1,738
Due after one year	630	816	5,888
Total	¥816	¥1,037	\$7,626

14. DERIVATIVES

The Companies enter into currency swap contracts and interest rate swap contracts to manage their foreign currency and interest rate exposures on certain liabilities.

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, 2005:

	Millions of yen		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts	¥3,896	¥(409)	¥(409)
	Thousands of U.S. dollars		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts	\$36,411	\$(3,822)	\$(3,822)

Currency swap contracts which qualify for hedge accounting for the year ended March 31, 2005, 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.

15. NET INCOME PER SHARE

Basic and diluted net income per share ("EPS") for the years ended March 31, 2005, 2004 and 2003, are as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
		Number of weight-average shares		EPS
For the year ended March 31, 2005	Net income			
Basic EPS:				
Net income.....	¥2,928			
Bonuses to directors and corporate auditors	95			
Net income available to common shareholders	¥2,833	35,482	¥79.85	\$0.75
	Millions of yen	Thousands	Yen	
		Number of weight-average shares		EPS
For the year ended March 31, 2004	Net income			
Basic EPS:				
Net income.....	¥5,444			
Bonuses to directors and corporate auditors	73			
Net income available to common shareholders	¥5,371	35,850	¥149.80	
	Millions of yen	Thousands	Yen	
		Number of weight-average shares		EPS
For the year ended March 31, 2003	Net income			
Basic EPS:				
Net income.....	¥4,003			
Bonuses to directors and corporate auditors	11			
Net income available to common shareholders	¥3,992	37,395	¥106.76	

Diluted EPS is not disclosed because it is anti-dilutive.

16. 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, 2005, 2004 and 2003, 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 and Sales to Foreign Customers

Domestic sales and total assets of the Companies for the years ended, and as of March 31, 2005, 2004 and 2003, represented more than 90% of consolidated sales and total assets of the respective years. Accordingly, geographical segment information and information on sales to foreign customers is not presented herein.

17. SUBSEQUENT EVENT

The general shareholders' meeting held on June 28, 2005, resolved the following appropriations of retained earnings as of March 31, 2005:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥24.00 (\$0.22) per share	¥852	\$7,963
Bonuses to directors and corporate auditors	95	888

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 as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2005, 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 subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 3 to the consolidated financial statements, certain subsidiaries changed its method of accounting for retirement benefits to directors and corporate auditors during the year ended March 31, 2005.

As discussed in Note 2. F to the consolidated financial statements, the Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

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.

Deloitte Touche Tohmatsu

June 28, 2005

Financial Information (Japanese Accounting Standards)

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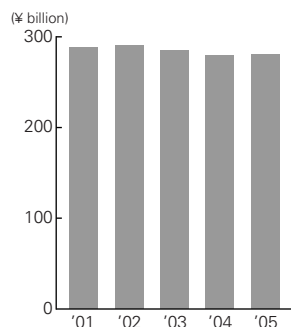
64 Consolidated Financial Data

68 Financial Statements (Japanese Accounting Standards)

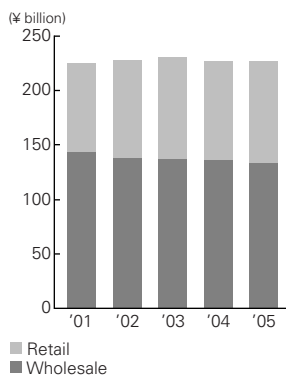
Consolidated Financial Data

Business Results

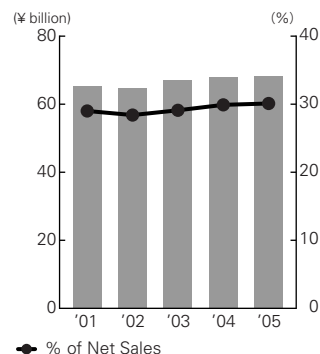
Total Store Sales*



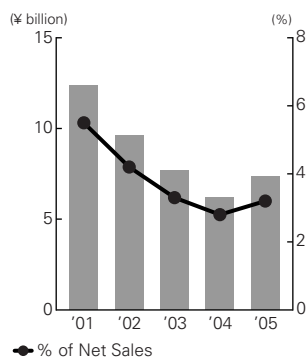
Net Sales



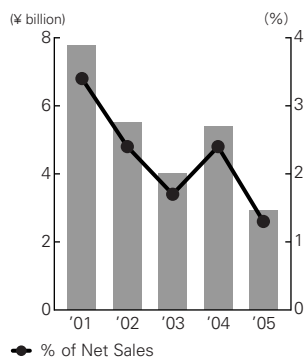
Gross Profit



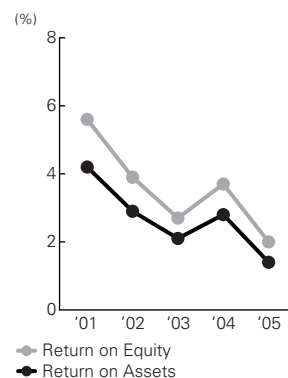
Operating Income



Net Income



Return on Equity and Assets



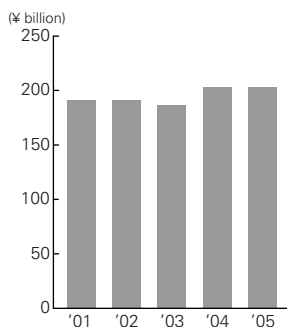
(Millions of yen)

	2001/3	2002/3	2003/3	2004/3	2005/3
Total Store Sales*	288,655	290,064	284,396	278,803	279,800
Net Sales	225,377	227,737	230,478	227,077	226,779
Wholesale	143,391	138,366	137,267	135,551	133,384
Retail	81,985	89,370	93,211	91,526	93,395
Cost of Goods Sold	160,034	163,056	163,457	159,271	158,583
% of Net Sales	71.0	71.6	70.9	70.1	69.9
Gross Profit	65,342	64,680	67,021	67,806	68,196
% of Net Sales	29.0	28.4	29.1	29.9	30.1
Selling, General and Administrative Expenses	52,956	55,111	59,369	61,595	60,827
% of Net Sales	23.5	24.2	25.8	27.1	26.8
Operating Income	12,386	9,569	7,652	6,210	7,368
% of Net Sales	5.5	4.2	3.3	2.8	3.2
Ordinary Income	14,879	12,271	10,273	10,480	12,694
% of Net Sales	6.6	5.4	4.5	4.6	5.6
Net Income	7,767	5,520	4,003	5,443	2,928
% of Net Sales	3.4	2.4	1.7	2.4	1.3
Return on Equity (%)	5.6	3.9	2.7	3.7	2.0
Return on Assets (%)	4.2	2.9	2.1	2.8	1.4

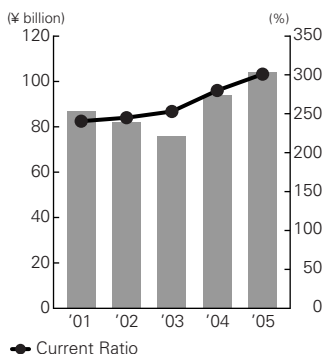
* Sales at AUTOBACS, Super AUTOBACS, and AUTO HELLOES stores

Financial Position

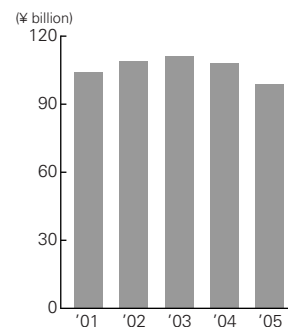
Total Assets



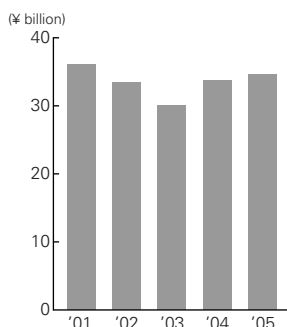
Current Assets



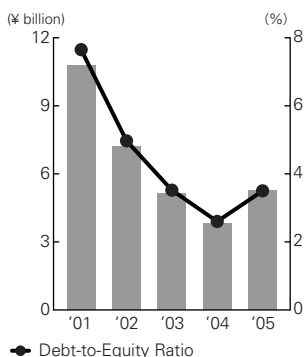
Fixed Assets



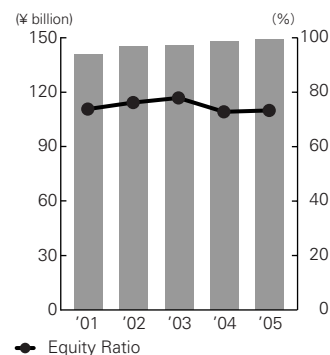
Current Liabilities



Interest-Bearing Liabilities



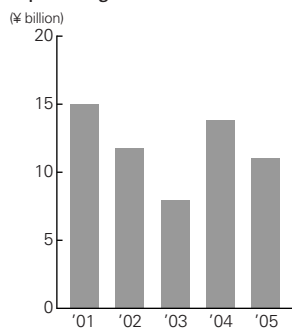
Shareholders' Equity



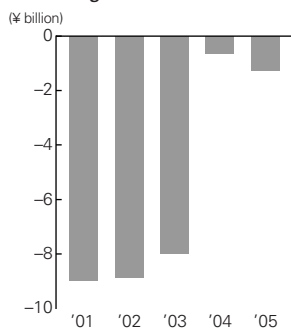
	2001/3	2002/3	2003/3	2004/3	(Millions of yen) 2005/3
Total Assets.....	191,072	190,815	187,138	202,760	203,224
Current Assets	86,941	82,042	75,828	94,358	104,214
Current Ratio (%).....	240.6	245.1	253.1	280.1	301.1
Cash and Deposits	15,450	33,198	23,681	41,316	51,306
Inventories.....	14,481	15,918	17,549	18,731	17,247
Fixed Assets.....	104,130	108,773	111,310	108,402	99,010
Current Liabilities.....	36,134	33,468	29,961	33,684	34,609
Long-Term Liabilities	12,311	10,697	10,834	20,835	19,153
Interest-Bearing Liabilities	10,796	7,233	5,131	3,810	5,286
Debt-to-Equity Ratio (%).....	7.7	5.0	3.5	2.6	3.5
Shareholders' Equity	141,095	145,391	145,817	147,532	148,982
Equity Ratio (%).....	73.8	76.2	77.9	72.8	73.3

Cash Flows

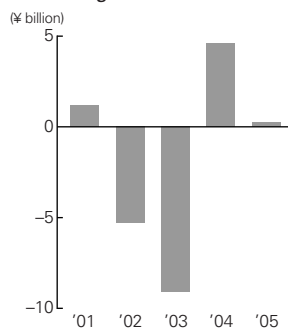
Cash Flows from Operating Activities



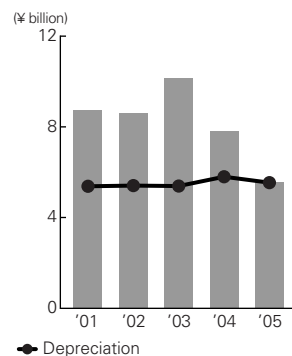
Cash Flows from Investing Activities



Cash Flows from Financing Activities



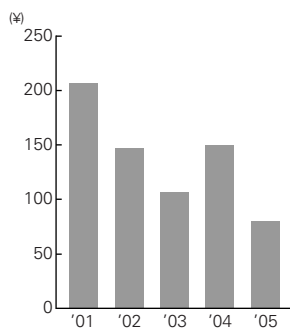
Net Purchase of Fixed Assets



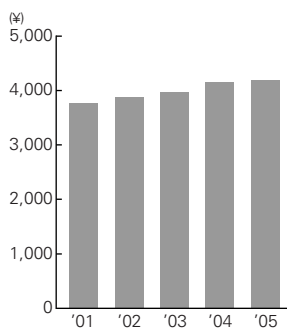
	2001/3	2002/3	2003/3	2004/3	(Millions of yen) 2005/3
Net Cash Provided by Operating Activities	15,017	11,795	7,925	13,807	10,979
Depreciation	5,377	5,409	5,394	5,798	5,536
Net Cash Used in Investing Activities	(8,990)	(8,856)	(8,002)	(645)	(1,276)
Net Purchase of Fixed Assets	(8,749)	(8,587)	(10,129)	(7,760)	(4,972)
Net Cash Provided by (Used in) Financing Activities	1,186	(5,296)	(9,098)	4,605	236

Per Share Data / Share Price

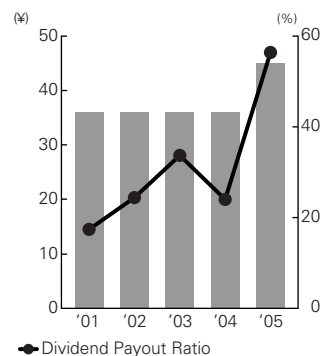
Basic Net Income per Share



Shareholders' Equity per Share



Cash Dividends per Share



	2001/3	2002/3	2003/3	2004/3	(Yen) 2005/3
Basic Net Income per Share.....	207.23	147.28	106.76	149.80	79.85
Shareholders' Equity per Share	3,764.43	3,879.09	3,979.02	4,153.92	4,196.25
Cash Dividends per Share	36.00	36.00	36.00	36.00	45.00
Dividend Payout Ratio (%).	17.4	24.4	33.7	24.0	56.4
Share Price:					
High	3,610	3,580	4,010	3,130	3,680
Low.....	2,310	2,645	2,055	2,015	2,795

Financial Statements (Japanese Accounting Standards)

Consolidated Balance Sheets

	1996/3	1997/3	1998/3
ASSETS			
Current Assets.....	98,785	95,584	86,954
Cash and Deposits	15,862	12,055	7,899
Trade Notes and Accounts Receivable	11,617	13,023	12,742
Marketable Securities	54,301	48,502	42,255
Inventories	11,765	13,359	14,396
Deferred Tax Assets	—	—	—
Short-Term Loans	723	886	1,476
Accounts Receivable—Other	3,553	5,304	5,985
Other Current Assets	1,113	2,605	2,374
Allowance for Doubtful Receivables	(152)	(153)	(175)
Fixed Assets	48,588	64,045	74,298
Tangible Fixed Assets	24,762	34,293	40,672
Buildings and Structures	6,737	8,995	16,707
Machinery, Equipment and Vehicles	610	1,876	2,913
Tools, Furniture and Fixtures	2,208	3,765	5,188
Land	12,631	13,313	14,038
Construction in Progress	2,574	6,342	1,823
Intangible Fixed Assets	224	683	788
Goodwill	—	—	—
Software	—	—	—
Other Intangible Fixed Assets	224	683	788
Investments	23,600	29,068	32,836
Investment Securities	3,151	2,757	2,441
Long-Term Loans	1,905	3,412	5,191
Deferred Tax Assets	—	—	—
Rental Deposits	15,287	19,573	21,350
Other Investments	3,327	3,335	3,913
Allowance for Doubtful Receivables	(70)	(9)	(61)
Deferred Assets	907	598	290
Reserve for Bond Redemption	907	598	290
Foreign Currency Translation Adjustments	32	—	—
Adjustments for Consolidation of Accounts	—	—	285
Total Assets	148,313	160,228	161,828
LIABILITIES			
Current Liabilities.....	24,817	27,000	33,052
Trade Notes and Accounts Payable—Trade	9,331	11,781	10,333
Short-Term Borrowings	182	585	1,730
Current Portion of Long-Term Bond	—	—	7,938
Income Taxes Payable	6,356	6,127	3,052
Equity Warrants Outstanding	1,235	1,235	1,235
Other Current Liabilities	7,708	7,267	8,762
Long-Term Liabilities.....	14,775	15,653	8,044
Bonds and Zero Coupon Convertible Bonds	7,938	7,938	—
Long-Term Debt	840	957	1,737
Liability for Retirement Benefits	—	—	—
Accrued Retirement Benefits for Directors and Corporate Auditors	693	720	750
Other Long-Term Liabilities	5,303	6,037	5,555
Foreign Currency Translation Adjustments	—	76	10
Minority Interests	130	133	137
Total Liabilities	39,723	42,864	41,245
MINORITY INTERESTS	—	—	—
SHAREHOLDERS' EQUITY			
Common Stock	31,958	31,958	31,958
Capital Surplus	31,719	31,719	31,719
Retained Earnings	44,913	53,686	56,904
Net Unrealized Gain (Loss) on Available-for-Sale Securities	—	—	—
Foreign Currency Translation Adjustments	—	—	—
Treasury Stock, at Cost	(0)	(0)	(0)
Total Shareholders' Equity	108,590	117,363	120,583
Total Liabilities, Minority Interests and Shareholders' Equity	148,313	160,228	161,828

(Millions of yen)

1999/3	2000/3	2001/3	2002/3	2003/3	2004/3	2005/3
85,532	84,813	86,941	82,042	75,828	94,358	104,214
11,785	14,139	15,450	33,198	23,681	41,316	51,306
12,076	11,734	13,509	12,859	12,272	12,456	12,919
35,224	30,798	27,389	3,760	5,721	4,776	5,124
14,379	13,962	14,481	15,918	17,549	18,731	17,247
1,964	2,142	2,615	2,832	2,240	2,195	1,906
1,713	1,837	1,835	860	1,333	1,031	841
7,771	9,474	12,039	12,824	13,302	13,372	14,133
2,178	2,052	1,975	1,965	1,826	1,628	1,444
(1,560)	(1,328)	(2,354)	(2,177)	(2,100)	(1,149)	(710)
86,336	92,224	104,130	108,773	111,310	108,402	99,010
48,038	49,389	51,369	53,948	59,463	60,294	51,399
20,104	21,012	22,902	22,646	26,370	26,561	23,917
2,522	2,206	1,905	1,638	1,598	1,478	1,298
5,630	6,381	6,356	5,614	5,906	5,912	4,940
18,856	18,609	19,198	23,762	25,014	26,064	21,070
924	1,179	1,007	285	574	277	172
730	3,967	4,008	3,430	2,795	3,079	4,253
296	227	128	28	—	324	325
—	3,425	3,472	2,878	2,327	2,456	3,151
433	314	408	523	468	298	776
37,568	38,868	48,752	51,395	49,051	45,028	43,357
2,622	2,642	13,727	16,779	16,128	12,277	12,883
5,922	6,471	6,555	5,841	3,614	3,392	2,657
1,235	1,449	2,073	2,886	3,182	4,782	4,802
24,107	25,822	25,644	25,851	25,375	24,662	23,650
3,959	3,120	2,316	2,192	2,069	1,687	1,880
(279)	(638)	(1,565)	(2,156)	(1,319)	(1,773)	(2,516)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
36	59	—	—	—	—	—
—	—	—	—	—	—	—
171,905	177,097	191,072	190,815	187,138	202,760	203,224
31,669	29,296	36,134	33,468	29,961	33,684	34,609
11,668	11,495	13,021	14,170	13,109	14,136	14,335
4,409	4,768	6,638	4,917	3,111	2,130	4,863
300	—	—	—	—	—	—
5,591	4,026	4,719	2,394	2,342	3,525	1,159
—	—	—	—	—	—	—
9,699	9,007	11,755	11,985	11,397	13,891	14,252
10,068	11,321	12,311	10,697	10,834	20,835	19,153
—	—	—	—	—	10,008	10,008
3,694	3,882	4,158	2,316	2,019	1,680	415
—	—	1,334	1,385	1,299	1,394	385
798	843	233	261	233	159	429
5,575	6,595	6,584	6,735	7,281	7,592	7,914
—	—	—	—	—	—	—
—	—	—	—	—	—	—
41,738	40,618	48,446	44,166	40,796	54,519	53,763
1,546	1,414	1,530	1,257	524	708	478
31,958	31,958	31,958	31,958	31,958	31,958	31,958
31,719	31,719	31,719	31,719	32,241	32,241	32,241
64,943	71,386	77,751	81,901	84,523	88,651	90,121
—	—	(315)	(169)	(126)	192	206
—	—	(17)	(16)	(179)	(400)	(426)
(0)	(0)	(0)	(0)	(2,601)	(5,111)	(5,118)
128,620	135,064	141,095	145,391	145,817	147,532	148,982
171,905	177,097	191,072	190,815	187,138	202,760	203,224

Consolidated Statements of Income and Retained Earnings

	1996/3		1997/3		1998/3	
Net Sales	198,132	100.0	214,469	100.0	215,350	100.0
Cost of Goods Sold	145,755	73.6	158,618	73.9	157,634	73.2
Gross Profit	52,377	26.4	55,850	26.1	57,715	26.8
Selling, General and Administrative Expenses	35,438	17.9	37,907	17.7	44,312	20.6
Personnel Expenses	14,145		14,458		17,298	
Sales Promotion Expenses	6,741		7,574		7,959	
Equipment Expenses	6,652		7,928		10,999	
Administrative Expenses	7,895		7,946		8,054	
Operating Income	16,938	8.5	17,942	8.4	13,402	6.2
Non-Operating Income	2,963	1.5	3,414	1.6	3,305	1.5
Interest and Dividend Income	1,501		1,275		852	
Rental Income	301		484		815	
Equity Income on Affiliates	—		—		—	
Other Non-Operating Income	1,160		1,653		1,637	
Non-Operating Expenses	1,324	0.6	1,508	0.7	1,753	0.8
Interest Expenses	741		378		410	
Loss on Disposal of Fixed Assets	—		—		222	
Equity Expenses on Affiliates	—		—		—	
Other Non-Operating Expenses	581		1,129		1,119	
Ordinary Income	18,577	9.4	19,848	9.3	14,954	6.9
Extraordinary Gains	30	0.0	70	0.0	—	—
Proceeds from Warrant Exercise	—		—		—	
Other	30		70		—	
Extraordinary Losses	33	0.0	475	0.2	533	0.2
Write Down of Investment Securities	33		475		533	
Other	—		—		—	
Income before Income Taxes and Minority Investments	18,574	9.4	19,442	9.1	14,420	6.7
Corporate and Local Taxes	8,751	4.5	9,207	4.3	6,834	3.2
Income Taxes—Current	—		—		—	
Income Taxes—Deferred	—		—		—	
Minority Interests	8		6		(3)	
Amortization Charges Accruing from Consolidation	73		—		(96)	
Investment (Loss) Gain Accruing from						
Equity Holding Method	38		(230)		(79)	
Foreign Currency Translation Adjustments	(21)		—		—	
Net Income	9,775	4.9	10,010	4.7	7,407	3.4
Retained Earnings at Beginning of Year	36,107		44,913		53,686	
Increase in Retained Earnings	12		—		—	
Decrease in Retained Earnings	983		1,238		4,186	
Cash Dividends	909		1,161		1,351	
Bonuses to Directors and Corporate Auditors	74		77		87	
Retirement of Treasury Stock	—		—		2,748	
Other	—		—		—	
Net Income	9,775		10,010		7,407	
Retained Earnings at End of Year	44,913		53,686		56,904	

Consolidated Statements of Cash Flows

Operating Activities	
Income before Income Taxes and Minority Interests	
Depreciation	
Other	
Taxes Paid	
Net Cash Provided by Operating Activities	
Investing Activities	
Net Purchase of Fixed Assets	
Net (Purchase) Sale of Marketable and Investment Securities	
Other	
Net Cash Used in Investing Activities	
Financing Activities	
Net Increase (Decrease) in Borrowings	
Purchase of Treasury Stock	
Cash Outflow for Bond Redemption	
Dividends Paid	
Proceeds from Issuance of Zero Coupon Convertible Bonds	
Other	
Net Cash Provided by (Used in) Financing Activities	
Effect of Exchange Rate Changes on Cash and Cash Equivalents	
Net Increase (Decrease) in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning of Year	
Net Increase in Cash and Cash Equivalents from Merger	
Decrease in Cash and Cash Equivalents Exclusion of a Consolidated Subsidiary	
Cash and Cash Equivalents, End of Year	

(Millions of yen, %)

1999/3		2000/3		2001/3		2002/3		2003/3		2004/3		2005/3	
213,489	100.0	219,956	100.0	225,377	100.0	227,737	100.0	230,478	100.0	227,077	100.0	226,779	100.0
152,861	71.6	157,757	71.7	160,034	71.0	163,056	71.6	163,457	70.9	159,271	70.1	158,583	69.9
60,627	28.4	62,198	28.3	65,342	29.0	64,680	28.4	67,021	29.1	67,806	29.9	68,196	30.1
47,210	22.1	49,547	22.5	52,956	23.5	55,111	24.2	59,369	25.8	61,595	27.1	60,827	26.8
19,151		20,001		20,171		21,337		24,133		25,184		25,297	
6,952		8,214		8,399		9,848		10,789		10,782		10,349	
12,774		12,531		12,794		13,168		13,975		14,220		13,922	
8,332		8,800		11,576		10,758		10,471		11,408		11,258	
13,417	6.3	12,651	5.8	12,386	5.5	9,569	4.2	7,652	3.3	6,210	2.8	7,368	3.2
4,623	2.1	4,379	2.0	4,685	2.1	5,081	2.2	6,210	2.7	7,009	3.0	7,900	3.5
793		534		632		494		422		358		296	
1,169		1,104		1,211		1,538		1,778		2,271		2,211	
—		25		8		32		58		—		184	
2,659		2,715		2,833		3,016		3,950		4,379		5,208	
2,785	1.3	1,473	0.7	2,191	1.0	2,379	1.0	3,589	1.5	2,738	1.2	2,574	1.1
437		178		168		198		152		99		60	
254		525		208		253		421		190		147	
18		—		—		—		—		17		—	
2,075		769		1,814		1,928		3,016		2,431		2,366	
15,255	7.1	15,557	7.1	14,879	6.6	12,271	5.4	10,273	4.5	10,480	4.6	12,694	5.6
1,235	0.6	144	0.0	97	0.0	900	0.4	480	0.2	1,283	0.5	1,262	0.5
1,235		—		—		—		—		—		—	
—		143		97		900		480		1,283		1,262	
280	0.1	1,183	0.5	1,164	0.5	3,021	1.3	1,137	0.5	2,137	0.9	7,081	3.1
203		52		34		1,083		330		266		17	
75		1,129		1,126		1,938		806		1,870		7,064	
16,210	7.6	14,518	6.6	13,812	6.1	10,149	4.5	9,616	4.2	9,626	4.2	6,875	3.0
—		—		—		—		—		—		—	
10,014	4.7	7,047	3.2	7,421	3.3	6,058	2.7	5,392	2.3	5,948	2.6	3,910	1.7
(1,641)	0.8	(386)	0.2	(866)	0.4	(1,181)	0.5	300	0.2	(1,764)	0.8	268	0.1
33		55		509		247		80		1		231	0.1
—		—		—		—		—		—		—	
—		—		—		—		—		—		—	
—		—		—		—		—		—		—	
7,869	3.7	7,913	3.6	7,767	3.4	5,520	2.4	4,003	1.7	5,443	2.4	2,928	1.3
56,904		64,943		71,386		77,751		81,901		84,523		88,651	
1,558		—		—		32		—		—		—	
1,391		1,470		1,402		1,402		1,381		1,315		1,458	
1,330		1,405		1,349		1,349		1,349		1,303		1,384	
60		56		53		53		31		10		73	
—		—		—		—		—		—		—	
—		8		—		—		131		1		—	
7,869		7,913		7,767		5,520		4,003		5,443		2,928	
64,943		71,386		77,751		81,901		84,523		88,651		90,121	

.....	14,518	13,812	10,149	9,616	9,626	6,875
.....	4,858	5,377	5,409	5,394	5,798	5,536
.....	(835)	2,555	4,617	(1,639)	3,148	4,844
.....	(8,619)	(6,729)	(8,380)	(5,445)	(4,765)	(6,276)
.....	9,925	15,017	11,795	7,925	13,807	10,979
.....	(9,875)	(8,749)	(8,587)	(10,129)	(7,760)	(4,972)
.....	573	(2,628)	(2,499)	(1,552)	5,423	(400)
.....	(586)	2,385	2,230	3,679	1,691	4,097
.....	(9,886)	(8,990)	(8,856)	(8,002)	(645)	(1,276)
.....	548	2,144	(4,084)	(5,256)	(1,796)	1,456
.....	—	—	(1)	(2,575)	(2,503)	(7)
.....	(300)	—	—	—	—	—
.....	(1,405)	(1,349)	(1,349)	(1,349)	(1,303)	(1,384)
.....	—	—	—	—	10,000	—
.....	299	391	138	82	207	171
.....	(858)	1,186	(5,296)	(9,098)	4,605	236
.....	(97)	66	73	(25)	(37)	55
.....	(917)	7,279	(2,284)	(9,200)	17,730	9,994
.....	29,213	28,296	35,575	32,835	23,437	41,155
.....	—	—	8	—	—	—
.....	—	—	(464)	(197)	(12)	—
.....	28,296	35,575	32,835	23,437	41,155	51,150

Non-Consolidated Balance Sheets

	1995/3	1996/3	1997/3	1998/3
ASSETS				
Current Assets	101,782	97,464	93,492	83,506
Cash and Deposits	37,696	15,172	10,741	6,550
Trade Notes and Accounts Receivable	11,096	11,735	14,010	12,690
Marketable Securities	40,126	54,301	48,502	42,255
Inventories	9,836	10,824	10,932	11,119
Deferred Tax Assets	—	—	—	—
Short-Term Loans	899	723	1,582	2,815
Accounts Receivable—Other	1,971	3,587	5,462	6,169
Other Current Assets	315	1,270	2,438	2,091
Allowance for Doubtful Receivables	(162)	(153)	(178)	(189)
Fixed Assets	42,611	48,868	63,764	74,202
Tangible Fixed Assets	20,579	23,504	30,778	35,939
Buildings and Structures	5,762	6,445	8,465	15,869
Machinery, Equipment and Vehicles	617	565	1,803	2,842
Tools, Furniture and Fixtures	2,241	2,133	1,698	2,210
Land	11,059	11,784	12,466	13,912
Construction in Progress	897	2,574	6,342	1,823
Intangible Fixed Assets	222	220	232	233
Options on Rental Property	119	119	139	139
Software	—	—	—	—
Other Intangible Fixed Assets	102	101	92	93
Investments	21,808	25,143	32,753	38,029
Investment Securities	2,830	2,771	2,317	2,136
Equity Holdings in Affiliates	1,268	1,471	2,270	2,598
Long-Term Loans to Affiliates	205	661	5,518	8,557
Long-Term Prepaid Expenses	1,686	1,569	1,770	2,180
Deferred Tax Assets	—	—	—	—
Rental Deposits	12,058	15,225	19,219	21,104
Other Investments	3,837	3,519	1,704	1,532
Allowance for Investment Losses	—	—	—	—
Allowance for Doubtful Receivables	(78)	(76)	(49)	(80)
Deferred Assets	1,216	907	598	290
Proceeds from Bond Issuance	1,216	907	598	290
Total Assets	145,610	147,239	157,854	157,999
LIABILITIES				
Current Liabilities	32,963	24,314	25,224	29,766
Accounts Payable	9,083	9,205	11,522	9,960
Current Portion of Long-Term Bond	12,546	—	—	7,938
Income Taxes Payable	3,902	4,864	4,651	2,263
Income Taxes and Other Taxes Payable	1,169	1,413	1,261	699
Other	6,259	8,828	7,786	8,904
Long-Term Liabilities	14,587	14,136	14,659	6,383
Bonds and Zero Coupon Convertible Bonds	7,938	7,938	7,938	—
Liability for Retirement Benefit	—	—	—	—
Accrued Retirement Benefits				
for Directors and Corporate Auditors	658	693	720	750
Rental Deposits	4,619	4,828	5,671	5,598
Other	1,372	676	329	34
Total Liabilities	47,551	38,450	39,883	36,149
SHAREHOLDERS' EQUITY				
Common Stock	31,055	31,958	31,958	31,958
Capital Surplus	30,816	31,719	31,719	31,719
Retained Earnings	36,186	45,111	54,293	58,171
Net Unrealized Gain (Loss) on Available-for-Sale Securities	—	—	—	—
Treasury Stock, at Cost	—	—	—	—
Total Shareholders' Equity	98,058	108,789	117,971	121,849
Total Liabilities and Shareholders' Equity	145,610	147,239	157,854	157,999

(Millions of yen)

1999/3	2000/3	2001/3	2002/3	2003/3	2004/3	2005/3
78,510	76,584	76,985	76,870	72,986	88,783	98,147
8,619	10,777	10,731	29,256	19,904	36,673	47,646
14,130	14,730	16,152	15,681	15,604	16,090	15,644
35,021	30,633	27,212	3,760	5,721	4,776	5,124
7,931	6,097	6,487	7,496	8,092	8,005	6,860
1,487	1,277	1,720	1,810	1,503	1,325	1,493
3,781	3,813	4,448	7,843	10,472	9,846	8,973
7,382	9,245	11,350	11,782	12,856	12,708	13,425
1,714	1,385	1,198	1,581	1,406	1,045	1,022
(1,561)	(1,378)	(2,320)	(2,343)	(2,575)	(1,690)	(2,043)
82,408	91,260	102,038	106,745	112,886	110,471	99,952
38,089	39,411	41,127	43,198	49,734	49,404	41,779
17,112	18,052	20,073	19,045	23,674	23,677	21,329
2,451	2,152	1,841	1,535	1,469	1,306	1,057
1,684	2,075	1,665	1,322	1,347	1,127	851
15,915	15,970	16,559	21,070	22,932	23,020	18,369
924	1,158	987	224	310	272	172
222	3,632	3,599	3,015	3,258	2,657	3,427
139	139	139	139	137	137	643
—	3,420	3,389	2,796	2,235	1,836	2,329
82	73	70	79	885	683	453
44,096	48,216	57,311	60,530	59,892	58,408	54,745
1,983	1,871	12,856	15,550	14,932	10,780	11,421
5,603	5,972	6,707	8,134	8,118	10,265	10,091
11,320	14,196	12,006	11,271	6,493	9,496	4,359
1,982	854	884	775	831	829	660
1,053	1,546	2,144	3,360	4,639	6,360	5,557
22,168	24,086	23,923	24,182	24,443	24,073	23,158
1,614	1,729	908	855	3,711	3,500	3,114
(1,314)	(1,319)	(537)	(1,391)	(908)	(2,329)	(1,109)
(314)	(723)	(1,584)	(2,208)	(2,368)	(4,569)	(2,509)
—	—	—	—	—	—	—
—	—	—	—	—	—	—
160,918	167,845	179,023	183,616	185,872	199,254	198,099
25,720	24,619	28,539	28,828	28,632	30,738	29,495
11,161	11,329	12,667	12,830	12,070	12,764	12,793
—	—	—	—	—	—	—
5,246	3,817	4,368	2,029	1,834	3,180	557
—	—	—	—	—	—	—
9,311	9,470	11,502	13,968	14,728	14,793	16,144
6,447	7,521	8,128	8,109	8,909	18,642	18,211
—	—	—	—	—	10,000	10,000
—	—	868	872	878	905	—
785	821	211	239	192	119	115
5,630	5,984	7,019	6,976	7,823	7,612	8,009
31	715	27	21	14	4	86
32,167	32,140	36,668	36,938	37,542	49,380	47,706
31,958	31,958	31,958	31,958	31,958	31,958	31,958
31,719	31,719	31,719	31,719	32,241	32,241	32,241
65,072	72,026	78,967	83,139	86,813	90,562	91,079
—	—	(290)	(137)	(106)	192	201
—	—	—	(0)	(2,577)	(5,080)	(5,087)
128,750	135,704	142,355	146,678	148,330	149,874	150,392
160,918	167,845	179,023	183,616	185,872	199,254	198,099

Non-Consolidated Statements of Income

	1995/3		1996/3		1997/3		1998/3	
Net Sales.....	178,537	100.0	195,518	100.0	212,003	100.0	207,660	100.0
Cost of Goods Sold.....	133,259	74.6	145,191	74.3	160,159	75.5	157,412	75.8
Gross Profit	45,277	25.4	50,326	25.7	51,844	24.5	50,248	24.2
Selling, General and Administrative Expenses	30,372	17.0	33,304	17.0	33,617	15.9	36,412	17.5
Personnel Expenses.....	11,244		13,211		12,315		13,197	
Sales Promotion Expenses.....	6,134		6,405		6,898		6,789	
Equipment Expenses	6,346		6,210		6,840		8,832	
Administrative Expenses	6,648		7,478		7,562		7,593	
Operating Income	14,905	8.4	17,022	8.7	18,227	8.6	13,836	6.7
Non-Operating Income	2,843	1.6	2,834	1.5	2,923	1.4	2,924	1.4
Interest and Dividend Income.....	1,873		1,513		1,208		1,060	
Rental Income.....	—		305		499		818	
Other Non-Operating Income	969		1,015		1,213		1,044	
Non-Operating Expenses.....	1,989	1.2	1,279	0.7	1,311	0.6	1,455	0.7
Interest Expenses	1,127		721		350		339	
Other Non-Operating Expenses.....	862		558		961		1,115	
Ordinary Income	15,758	8.8	18,577	9.5	19,839	9.4	15,305	7.4
Extraordinary Gains.....	—	—	30	0.0	70	0.0	—	—
Proceeds from Warrant Exercise	—		—		—		—	
Other	—		30		70		—	
Extraordinary Losses	181	0.1	33	0.0	475	0.2	533	0.3
Write Down of Investment Securities	129		33		475		533	
Other	52		—		—		—	
Income before Income Taxes	15,576	8.7	18,574	9.5	19,433	9.2	14,771	7.1
Income Taxes—Current.....	7,264	4.1	8,666	4.4	9,012	4.3	6,721	3.2
Income Taxes—Deferred.....	—		—		—		—	
Reserve for Long-Term Payment	—		—		—		—	
Net Income.....	8,312	4.6	9,908	5.1	10,420	4.9	8,050	3.9
Retained Earnings Brought Forward	1,228		1,749		2,117		2,661	
Prior Year Adjustments for Adoption of Deferred Tax Accounting.....	—		—		—		—	
Reversal of Special Tax Purpose Reserve with Adoption of Deferred Tax Accounting.....	—		—		—		—	
Interim Cash Dividends.....	410		492		609		609	
Transfer to Legal Reserve	41		49		60		60	
Retirement of Treasury Stock	—		—		—		2,748	
Retained Earnings, End of Year	9,089		11,115		11,867		7,294	

(Millions of yen, %)

1999/3		2000/3		2001/3		2002/3		2003/3		2004/3		2005/3	
201,600	100.0	202,311	100.0	203,776	100.0	201,937	100.0	203,435	100.0	199,490	100.0	194,195	100.0
153,846	76.3	160,225	79.2	160,987	79.0	160,221	79.3	161,739	79.5	158,048	79.2	154,694	79.7
47,753	23.7	42,086	20.8	42,788	21.0	41,715	20.7	41,695	20.5	41,441	20.8	39,501	20.3
33,863	16.8	29,156	14.4	31,537	15.5	32,695	16.2	34,776	17.1	34,311	17.2	32,018	16.4
12,390		9,456		8,992		9,256		9,618		9,677		9,255	
5,257		5,593		5,715		7,541		8,409		7,936		7,238	
8,994		7,304		7,356		7,363		7,497		7,868		7,150	
7,220		6,803		9,474		8,533		9,251		8,829		8,374	
13,890	6.9	12,929	6.4	11,251	5.5	9,020	4.5	6,918	3.4	7,130	3.6	7,482	3.9
3,833	1.9	3,879	1.9	4,972	2.4	4,941	2.4	5,231	2.6	6,370	3.2	6,634	3.4
935		682		691		650		731		693		835	
1,153		1,794		2,082		2,153		2,190		2,920		3,021	
1,744		1,400		2,198		2,137		2,309		2,756		2,777	
2,134	1.1	848	0.4	1,165	0.5	1,357	0.7	1,627	0.8	1,270	0.7	1,511	0.8
305		—		—		15		27		18		4	
1,829		848		1,165		1,342		1,599		1,251		1,506	
15,590	7.7	15,960	7.9	15,058	7.4	12,604	6.2	10,523	5.2	12,230	6.1	12,606	6.5
1,235	0.6	138	0.1	185	0.1	898	0.5	509	0.2	1,180	0.6	2,205	1.2
1,235		—		—		—		—		—		—	
—		138		185		898		509		1,180		2,205	
1,472	0.7	1,236	0.6	766	0.4	3,821	1.9	2,239	1.1	4,719	2.3	9,071	4.7
157		50		27		1,080		294		232		—	
1,314		1,183		737		2,740		1,945		4,486		9,071	
15,353	7.6	14,862	7.4	14,477	7.1	9,682	4.8	8,792	4.3	8,692	4.4	5,740	3.0
9,606	4.8	6,730	3.3	6,965	3.4	5,525	2.7	4,731	2.3	5,383	2.7	3,131	1.6
(1,743)		(282)		(831)		(1,417)		(993)		(1,753)		634	
—		—		—		—		—		—		—	
7,490	3.7	8,415	4.2	8,343	4.1	5,574	2.8	5,055	2.5	5,062	2.5	1,974	1.0
3,007		2,701		2,746		2,720		2,804		2,714		2,571	
797		—		—		—		—		—		—	
483		—		—		—		—		—		—	
599		674		674		674		674		643		745	
59		67		67		—		—		—		—	
—		—		—		—		—		—		—	
11,119		10,374		10,348		7,620		7,184		7,133		3,800	

Corporate Data

(As of March 31, 2005)

Head Office	6-52, Toyosu 5-chome, Koto-ku, Tokyo 135-8717, Japan
Corporate Website	http://www.autobacs.co.jp/
Date of Foundation	February 1947
Paid-in Capital	¥31,959 million
Number of Employees	4,023 (consolidated)
Main Business Offices	Northern Japan Regional Department (Sendai, Miyagi) Northern Kanto Regional Department (Ichikawa, Chiba) Southern Kanto Regional Department (Ichikawa, Chiba) Chubu Regional Department (Nagoya, Aichi) Kansai Regional Department (Suita, Osaka) Southern Japan Regional Department (Fukuoka, Fukuoka) Europe and America Business Department (Koto-ku, Tokyo) Asia Business Department (Koto-ku, Tokyo) China Business Department (Koto-ku, Tokyo)
Stock Listings	Tokyo Stock Exchange Osaka Securities Exchange London Stock Exchange
Independent Auditor	Deloitte Touche Tohmatsu
Transfer Agent	The Sumitomo Trust & Banking Co., Ltd.
Corporate History	
February 1947	The late Toshio Sumino founded Suehiro Syokai as a privately owned wholesaler of automobile parts in Fukushima-ku, Osaka.
August 1948	Suehiro Syokai formed into a joint-stock company to establish Fuji-Syokai Co., Ltd., in Osaka. Began the wholesale of automobile parts.
January 1958	Wholesale division spun off to form DAIHO-SANGYO Co., Ltd.
December 1958	Established the Drive Shop Division.
November 1974	Opened AUTOBACS Higashi Osaka Store as the Company's first directly managed, one-stop specialty store for car parts and accessories.
April 1975	Opened AUTOBACS Hakodate Nakamichi as the Company's first franchise chain store.
February 1978	Changed trade name from Fuji-Syokai Co., Ltd., to AUTOBACS SEVEN Co., Ltd.
March 1979	AUTOBACS SEVEN Co., Ltd., merged with DAIHO-SANGYO Co., Ltd., and Autobacs Higashi Osaka Co., Ltd. New company called DAIHO-SANGYO Co., Ltd.
March 1980	Trade name changed to AUTOBACS SEVEN Co., Ltd.
April 1981	Opened first directly managed store in eastern Japan, in Koshigaya.
June 1984	Head office relocated to Suita, Osaka.
March 1989	Listed on Second Section of Osaka Securities Exchange.
June 1993	Head office relocated to Toyonaka, Osaka.
August 1993	Listed on Second Section of Tokyo Stock Exchange.
September 1993	Designated for listing on first sections of Tokyo Stock Exchange and Osaka Securities Exchange.
March 1995	Listed on London Stock Exchange.
March 1997	Opened first Super AUTOBACS store in Naganuma, Chiba, as a new store format targeting larger commercial areas.
October 1998	Formed capital and operational tie-up with AUTO HELLOES Co., Ltd.
August 1999	Established AUTOBACS SEVEN Europe S.A.S. as a joint venture company with RENAULT Societe Anonyme.
January 2001	Launched Internet shopping website: autobacs.com.
June 2001	Head office relocated to Minato-ku, Tokyo.
October 2002	AUTO HELLOES Co., Ltd., becomes a wholly owned subsidiary through an exchange of shares.
October 2004	Head office relocated to Koto-ku, Tokyo.
March 2005	Store network totaled 529 stores, comprising 180 stores included in consolidation (of which 10 overseas stores and 33 equity-method company stores), 349 AUTOBACS franchise chain stores (of which 2 overseas stores), and 6 AUTO HELLOES franchise chain stores.

For further IR information, please contact:
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