AUTOBACS SEVEN CO., LTD. 2002 ANNUAL REPORT

AUTOBACS SEVEN

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Profile

Toward a New Growth Stage

AUTOBACS SEVEN CO., LTD. was established in 1948 as a wholesaler and retailer of automobile parts. We pioneered automotive specialty retailing in Japan with the first AUTOBACS store in 1974 in Osaka, and our retail network has since grown to become Japan's largest nationwide automotive products chain of 533 stores. We are also expanding internationally, having already established nine overseas stores.

Based on our corporate philosophy of inspiring excitement in customers for cars and related accessories, we aim to become a "total car-life business," which means supporting customer needs throughout the entire life cycle of their car by offering a full range of products and services that meet the diversifying needs of car owners. To attract an ever broader spectrum of customers, we aim to offer interesting and unique products and services that create a sense of excitement, including attractively priced merchandise, maintenance, repair and other specialist services. In addition to being attractive to customers, we have also differentiated our stores from competitors in that they are optimized by scale and location.

Contents

Regarding Forecasts

This annual report contains estimates and forecasts of the future plans, strategies, and performance of Autobacs Seven. The judgments and assumptions on which these estimates and forecasts are made are based on knowledge now available, while actual results reported in future periods may differ from those estimates and forecasts due to differences in actual experience or changes in assumptions.

AUTOBACS SEVEN CO., LTD. AND SUBSIDIARIES

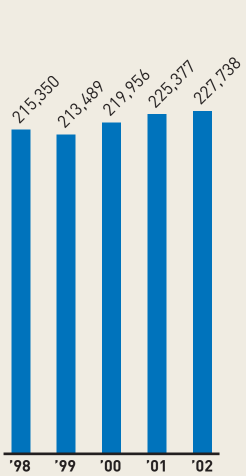
Consolidated Financial Highlights

Years ended March 31

	1998	1999	2000	2001	Millions of Yen 2002	Thousands of U.S. Dollars 2002
For the Year:						
Net sales	¥215,350	¥213,489	¥219,956	¥225,377	**¥227,738**	**$1,712,316**
Income before income taxes and minority interests	16,144	16,210	14,519	13,813	**10,150**	**76,316**
Net income	7,407	7,870	7,913	7,767	**5,520**	**41,504**
Capital expenditures	10,997	8,833	10,531	8,866	**8,770**	**65,940**
Depreciation and amortization	4,844	5,621	4,927	5,485	**5,648**	**42,466**
At Year-End:						
Shareholders' equity	120,593	128,584	135,004	141,096	**145,391**	**1,093,165**
Total assets	161,828	171,869	177,037	191,072	**190,815**	**1,434,699**
Per Share of Common Stock (Yen and U.S. Dollars):						
Net income	¥195.34	¥209.97	¥211.13	¥207.23	**¥147.28**	**$1.11**
Cash dividends	35.50	35.50	36.00	36.00	**36.00**	**0.27**

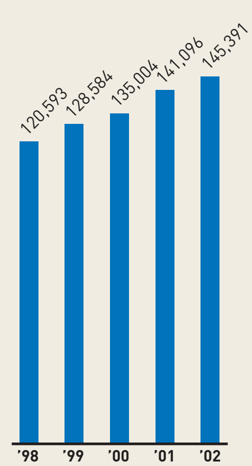
Notes:
U.S. dollar figures are shown for the sake of convenience only and are converted from yen amounts based on an exchange rate of ¥133 = US$1, the prevailing rate on March 31, 2002.

NET SALES
(Millions of yen)

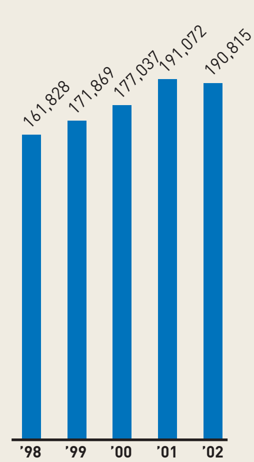


NET INCOME
(Millions of yen)

SHAREHOLDERS' EQUITY
(Millions of yen)



TOTAL ASSETS
(Millions of yen)



Q. 1

How would you evaluate the performance and operating environment of AUTOBACS SEVEN during this fiscal year, ended March 31, 2002?

A. 1

Consolidated net sales were ¥227.7 billion, operating income was ¥9.5 billion, and net income was ¥5.5 billion. Demand for automotive goods in Japan has been hurt by weak personal consumption and growing cost consciousness among consumers, which in turn has led to tougher competition. Other negative factors during the past year included a lower than anticipated winter snowfall. However, we managed to achieve sales growth of 1.0% mainly through aggressive promotional campaigns.

Consolidated operating income fell 22.7% despite the growth in sales because of inventory adjustments and other factors that eroded the gross profit ratio, while selling expenses also increased due to more aggressive promotional campaigns. The loss on the sale of marketable securities related to the bankruptcy of Enron Corporation of the US was partially offset by the reversal of previous charges for bad debt reserves; the net result was a 28.9% decline in net income.

As you can see, the growth in sales was not sufficient to prevent weaker earnings performance compared to the previous term. On the other hand, we are encouraged by the fact that the overall performance of AUTOBACS SEVEN's franchise companies (FCs) improved. We believe that optimal number and location of FC stores is more important than overall market trends in improving the total performance of our FCs as a group. To minimize competition among AUTOBACS stores, we will be implementing measures that include consolidating and closing stores, while expanding the geographical coverage of each store and expanding the variety of merchandise offered.

Q. 2

I'd like to hear about your strategy for increasing sales at each AUTOBACS SEVEN store.

A. 2

Our efforts to expand sales center on statutory safety inspections and used car sales. Up to now, safety inspection services were conducted by each store on their own initiative without the headquarters' strong guidance. In the future, these operations will be standardized. For example, not many first-time customers are interested in car audio equipment or in customizing the interiors of their cars. However, statutory safety inspections are required for every car in Japan, so offering these services is a good way to draw first-time customers. When customers shop for tires, their obvious choices are our AUTOBACS and Super AUTOBACS stores. Similarly, we would like our stores to be the obvious choice for statutory safety inspections.

We have been selling used cars for the past eight years, but our results to date are, as yet, unsatisfactory. Last year we decided to take a new direction. Rather than physically stocking used cars at each store, we decided to use satellite broadcasting and the Internet to bring information on our stock of used cars to the customer. We plan to set up six large used-car exhibition facilities throughout Japan, and transmit detailed information and images of the cars to each of our stores, including information on inventories at affiliated used-car dealers. This information will be updated on a real-time basis, and if a customer is interested enough in a car to want to physically see it, we will bring the car to the store nearest to the customer.

Q. 3

I understand that the focus of your efforts to enhance profitability is the replacement of AUTOBACS stores with SA Type II stores. Could you give us the basic concept of that strategy?

A. 3

When we first conceived the concept of the SA Type I store, we realized that we needed competent technical staff that could perform tune-ups, maintenance, and other technical services. Ideally, these people would have the technical expertise to offer solutions on the spot. There is a large potential market for such services, and the services could be introduced nationwide. One of the key factors for the success of this service is to have plentiful and competent technical staff, so we established a school for automotive technicians and we are training such personnel by ourselves. However, this will take time. An additional issue is the large amount of investment required for SA Type I stores. Earnings-wise, this turned out not to be the most efficient undertaking.

Our solution was to diversify store types. We began with the SA Type I format, but modified it by reducing the minimum required investment per store, and reducing the store's area of geographical coverage. This new format became the SA Type II stores, which have become the focal point of our store expansion efforts. With the SA Type II stores, we can offer a larger and more varied product line than we currently offer in our AUTOBACS stores. In addition, we have added new services, such as statutory safety inspections, maintenance, general car care services, in addition to featuring other facilities that combine fun and function to produce greater customer satisfaction.

Q. 4

I understand that the improvement in AUTOBACS SEVEN's earnings will be strongly affected by the speed of your conversion to SA Type II stores. I'd like to hear about your plans for that. I'd also like to hear about your strategy for developing overseas markets, including your overseas expansion plans.

A. 4

We have established 24 SA Type II stores to date, and plan to increase this to 300 in the future. We are planning for expansion at a pace of 50 new stores in each successive two-year period until our goal is met. Conversely, we would like to keep the number of AUTOBACS stores below 100. While AUTOBACS stores previously had been the focus of our marketing activities, in the future we plan to shift our emphasis to SA stores. We have set a medium-term target of ¥70 billion in revenues from the first 50 SA stores.

Overseas, we would like to broaden our potential customer base to include those consumers who do not usually give much particular thought to their cars. In addition, in the United States, there are relatively few automotive-goods stores that specifically cater to car enthusiasts. Our strategy for the US market is to cater to enthusiasts of Japanese cars, particularly those interested in customizing their cars.

Q. 5

I understand you are trying to improve profitability and trying new approaches to store categorization. Could you elaborate on this?

A. 5

Two major initiatives in this regard are a new store management system, and the classification of our FC stores into three performance "leagues." The new store management system is focused on the optimal operations of our existing AUTOBACS stores. In contrast to the top-down management system we used to employ, individual initiative at the customer-contact point will be emphasized. For instance, when employees change tires, they are expected to always consider what they are doing to increase customer satisfaction. The relationship between the

Focusing on
SA Type II
Vehicle Inspection Services
and Sales of Used Cars

headquarters and stores will also change. While the headquarters proposes business plans, it is the store managers who will play the leading role in implementing these plans. The headquarters is there to give them its full support. Consequently, we've changed the name of our headquarters to the "Store Support Center," and we are already seeing solid progress in the success of our new store management system at those stores where it has been introduced.

Our second major initiative is to classify our FC companies into three performance "leagues." This will allow us to provide guidance that is more appropriate for each FC. Each year, we review the performance of each FC company with respect to their league classification, with an eye toward improving the FC's performance. Until recently, we concentrated on turning around poorly performing franchisees in the "A3 League." In the future, we will be more likely to replace poor performers with other franchisees.

Q. 6

You have announced the commencement of preliminary sales of the AUTOBACS designed and produced Garaiya sports car. What are the management strategies and vision underlying this move, vis-á-vis your strategies and vision for your "car life support" business?

A. 6

The Garaiya is a statement to our customers. The statement is that an automobile is not merely something produced by car manufacturers, but is something that users create. We believe a car should be like a custom-made suit that is tailored to each users specific needs. When our customers see a Garaiya on the street, or see it in the garage undergoing maintenance or a tune-up, it will hopefully change their view of our stores.

We believe that automobiles are not merely a means of transportation. There is a large market for cars as a statement of lifestyle and as a source of pleasure. From the lifestyle state-

"Tower Satellite" corners sell driving music CDs selected by SA from Tower Records. Forty of these corners have been opened in SA and other stores.

“The customer is always the main player. It is the customer rather that automobile manufacturers who create cars.”

ment standpoint, we have identified additional products we can market. For example, we are test marketing watches and sunglasses in our SA stores, with encouraging results. Through such new lifestyle products, in addition to other new services such as statutory safety inspections, repair services, used car sales and sales of used automotive goods through both our stores and related e-commerce channels, we aim to broaden our potential customer base and the market potential of our car enthusiast customers.

Q. 7

Reducing costs is essential to ensuring profitability. What specific measures are you taking to cut selling, general, and administrative expenses? Also, what particular organizational reform measures are you taking?

A. 7

I believe the best way for us to achieve cost reductions is for each store to approach the problem from the bottom-up, in other words, in an autonomous, self-motivated, and independent manner. Individual stores are the front line of our business, and are the most direct and efficient means of offering consulting services to customers. By the same token, it is important that each store be responsible for their own financial results, and that they utilize financial management and verifiable benchmarks in achieving these results.

At the employee level, when a store identifies an employee who not only has a strong commitment to customer service, but also has made a significant contribution to the store's performance, that employee is recognized as a “hero” and rewarded for his performance.

Q. 8

What are your thoughts on shareholder returns, corporate governance and investor relations (IR) activities?

A. 8

We strive to offer higher corporate value to our shareholders. One thing we are planning to do in this regard is utilizing treasury stock to facilitate share buy-backs. In addition, we believe it is important to enhance the transparency of the corporation.
With regard to investor relations, we are actively promoting prompt and speedy information disclosure, and enhancing our IR tools, so that investors can maintain continuing interest in us. In the future, we will try harder to provide all investors with the same level of fair disclosure, and I would personally like to take a more active role in this process.

July 2002

Koichi Sumino
Representative Director &
Chief Executive Officer

JUNE 2001

First European Stores Opened in HERBLAY and CROIX BLANCHE, France.

The two new stores opened in France are among that country's largest automotive goods specialty stores. We are trying to differentiate these stores from their local competitors. For example, they feature Japan-made automotive goods, and besides automotive goods, they have soft drinks, CD and DVD software corners that add an element of entertainment to the shopping experience. In addition, these stores offer services ranging from oil sales by exactly the required volume to body repair work. Incorporating our merchandizing know-how developed through the experience of our operations in Japan, these stores form the initial building blocks of our European store expansion strategy, which aims to provide the AUTOBACS SEVEN car lifestyle experience to European customers.

With the addition of these French outlets, we now operate nine overseas stores: five in Taiwan, one in Singapore and one in Thailand. This winter, we are scheduled to open our first U.S. store.

DECEMBER 2001

Introduction of the Garaiya, Our Original Sports Car

AUTOBACS SPORTS CAR LABORATORY Co., Ltd., our sports car development subsidiary, has taken its first step in the development of this new business with the development of the Garaiya sports car. The Garaiya features an all-aluminum monocoque frame, and a high-quality fiber reinforced plastic body cowl. A trusted English factory has been undertaking final production, giving each automobile a hand-made feel. Sales of the Garaiya will begin this winter at selected Super AUTOBACS stores.

FEBRUARY 2002

Establishment of the ITS Research Laboratory

AUTOBACS SEVEN, together with eleven other firms, such as Matsushita Communication Industrial Co., Ltd., has established the ITS Research Laboratory to develop and market a high-performance on-board data terminal for automobiles. The launch of this product is scheduled for fiscal 2004.

Intelligent Transportation Systems (ITS) aims to create integrated information systems encompassing areas related to roads, traffic, and vehicles. The new technology is expected to provide countermeasures to various problems, including traffic jams, pollution, and energy conservation.

Reflecting its close association with the end user, AUTOBACS SEVEN is a key member of this coalition that also includes manufacturers of on-board electronic toll collection (ETC) units, car security systems, prepaid highway toll cards, and road-service firms. The purpose of the coalition is to achieve the necessary inter-industry coordination and cooperation that will ensure the effective development and rapid diffusion of this promising market.

Photo Provided by JH

FEBRUARY 2002

AUTOBACS SEVEN Opens its Fourth AUTOBACS Second-Hand Market

The "Autobacs Hashiriya Tengoku Secohan Ichiba" sells second-hand automotive goods at attractive prices, and together with AUTOBACS stores forms a recycling chain. The market also helps promote replacement demand. The first store opened in south of Tokyo, and we already opened the fourth store in February 2002. AUTOBACS SEVEN directly owns and operates all of them. In the future, we intend to convert these second-hand markets into a new franchise chain, aiming for nationwide expansion.

MARCH 2002

AUTOBACS SEVEN Opens Its 24th SA Type II Store

Following the introduction of our first SA Type II store in November 1998, the pace of new store expansion has accelerated; so far, four new stores in fiscal 1999, five in fiscal 2000, seven in fiscal 2001, and eight in fiscal 2002 bring the cumulative total of SA Type II stores to 24. Including the five SA Type I stores, we now have 29 Super AUTOBACS stores in operation. The performance of the SA Type II stores is steadily improving, as these stores are enjoying growing customer recognition.

APRIL 2002

AUTOBACS SEVEN and Mitsubishi Shoji Sekiyu Co. Ltd. Establish DIA-BACS Co. Ltd.

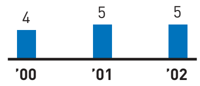
The hybrid DIA-BACS format combines self-service gasoline sales operations with the "wash and lube" store format (i.e., stores that specialize in car wash and car maintenance services such as oil and tires). We opened the first store in Kanagawa Prefecture in April, 2002. By combining Autobacs stores with self-service gas outlets, we hope to attract drivers who have heretofore shown no interest in AUTOBACS stores and our total car life products and services. As consumer awareness and interest in the DIA-BACS stores expands, our customer base should also expand.

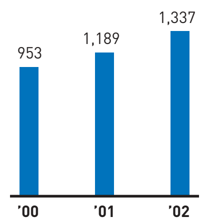
Outline of Major AUTOBACS Group Stores

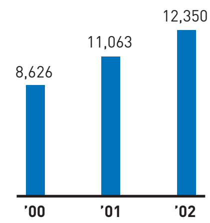
* Figures show totals for directly operated and franchise stores.

Number of stores (stores) | Number of customers (thousand customers) | Sales (Millions of Yen)

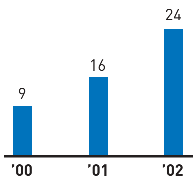
Super AUTOBACS Type I

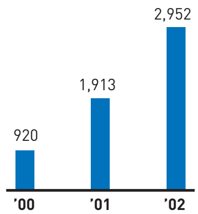


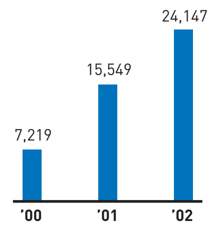




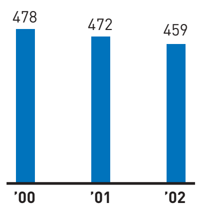
Super AUTOBACS Type II

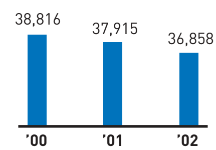


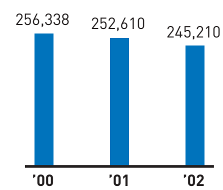




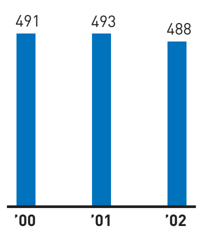
AUTOBACS

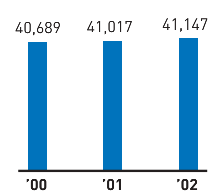


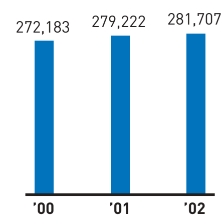




Total







AUTOBACS SEVEN CO., LTD. AND SUBSIDIARIES

Sales Data by Product Category (Millions of Yen)

	Fiscal 2000	Fiscal 2001	Fiscal 2002
Tires and Wheels	45,807 (20.8%)	48,248 (21.4%)	48,341 (21.3%)
Car Electronics	66,396 (30.2%)	66,856 (29.7%)	67,881 (29.8%)
Oils and Batteries	21,557 (9.8%)	20,995 (9.3%)	20,295 (8.9%)
Car Exterior Items	29,138 (13.2%)	28,741 (12.7%)	27,365 (12.0%)
Car Interior Items	21,735 (9.9%)	20,009 (8.9%)	19,854 (8.7%)
Motor Sports Goods and Others	35,323 (16.1%)	40,528 (18.0%)	44,002 (19.3%)
Net Sales	**219,956**	**225,377**	**227,738**

Store Formats

Super AUTOBACS KASHIWA SHONAN Store

Catchment area / population*[1]		1.4 million people per 10km
Estimated share		10%
Positioning		Flagship store to firmly position SA brand
Scope	Total area	9,900m² or more
	Sales floor space	1,650m² or more
	Auto pit numbers	32 or more
	Parking spaces	300 or more
Sales index value*[2]		¥2,300 million

*1 Catchment population is the population required for earnings to reach break-even point.
*2 Sales index value represents the volume of sales required to achieve an operating profit ratio of 3%.

Super AUTOBACS IWADE Store

Catchment area / population*[1]		330,000 people per 5km
Estimated share		20%
Positioning		Next Generation Principal Format
Scope	Total area	4,950m² or more
	Sales floor space	990m² or more
	Auto pit numbers	10 or more
	Parking spaces	80 or more
Sales index value*[2]		¥1,050 million

*1 Catchment population is the population required for earnings to reach break-even point.
*2 Sales index value represents the volume of sales required to achieve an operating profit ratio of 3%.

AUTOBACS SHIODANO Store

Catchment area / population*[1]		120,000 people per 3〜5km
Estimated share		30%
Positioning		Store that has close ties to the local community to become dominant store in catchment
Scope	Total area	2,310m² or more
	Sales floor space	495m² or more
	Auto pit numbers	6 or more
	Parking spaces	50 or more
Sales index value*[2]		¥600 million

*1 Catchment population is the population required for earnings to reach break-even point.
*2 Sales index value represents the volume of sales required to achieve an operating profit ratio of 3%.

Having established Japan's largest automotive goods retail chain, we are now broadening our business activities as our business evolves into a "total car life support business" that encompasses products and services for consumer needs throughout the entire life cycle of their car. Driven by our "customer first" philosophy, we are developing innovative new outlet formats and services. At the same time, as we work to respond promptly to changes in consumer preferences, we are strengthening our information analysis and marketing capabilities, developing new higher value-added products, creating a lineup of top-flight services and improving the quality of our customer service management.

We at AUTOBACS SEVEN continue to set ourselves apart from the competition by our ability to attract new customers and to broaden our customer base, in addition we are strengthening our sales organization by strategically shifting to the new Super AUTOBACS retail format, which incorporates an exciting lineup of products and services with entertaining features. We also continue to have all our stores acquire governmental technical permits, which are required for statutory safety inspection services. Through these, we can expand our menu of safety inspection and other maintenance services.

Our Medium-Term Strategy

The foundation of our medium-term strategy is optimal store size and location. We are well on our way to achieving this through a shift to the SA Type II retail format, and our efforts to optimize existing store operations. The result of these efforts will be a stronger chain management structure and higher revenues per store. This, in turn, will become the springboard for future store development and operation. As we continue to broaden this foundation, our chain value benchmark is shifting from the number of stores to revenue per given market area. The role of the headquarters is also significantly changing, from that of providing our store network with merchandise, to providing the key business initiatives that will allow them to fully develop the revenue and profit potential of their operations (Exhibit 1).

Exhibit 1) Strengthening Our Outlet Platform

Dificit Stores → Profitable Stores

1). Optimizing store size and location

Store format development ⇨ Super AUTOBACS Type Ⅱ

2). Maximizing store operational efficiency

Management reform

New marketing system

League differentiated policies and A3-type FC restructuring

Strengthening Our Headquarters Platform

[Chain value] From number of stores to maximized area profitability
[Headquarters function] From a car accessories business model to a total car life business model

1. Retail Format Development—Realizing Profits at Each SA Type II

Expansion

The pace of new SA Type II store openings is steadily increasing, and expected to accelerate further. This fiscal year we have launched eight SA Type II stores. Although the total number of Type II stores had just reached 24 by March 31, 2002, these stores—which account for 5.7% of total stores—already account for 8.6% of total outlet sales. Our policy now is to have FCs operate SA Type II stores, rather than directly operating them ourselves.

Profitability

Of those SA Type II stores operating for more than one year, there are only two that are currently not profitable (Exhibit 2). We are working to turn around the weaker stores by reinforcing staff through the secondment of key personnel from the headquarters in a concentrated effort to set the unprofitable stores on a solid road to recovery.

Growth Potential

While the performance of existing AUTOBACS stores as a whole has been less than the desired level, growth in both net sales and the number of customers at SA Type II stores averaged approximately 3% this fiscal year.

Since the first of these new store format stores was opened in late 1998, the SA Type II stores have achieved steady growth in the midst of a tough operating environment. We are therefore confident that this store format will continue to gain solid customer support.

Store Ownership Formats

The future driver for our SA Type II expansion strategy will be franchisees.
By maximizing the profitability of each store and by further developing the format, we aim to accelerate the deployment of these stores. In this regard, an important consideration will be achieving a solid investment return for the headquarters.

Our SA Type II store network has been developed in three stages. The first stage was wholly owned subsidiary FCs. The second was self-financed FCs, and the third was headquarters financing and lease to FCs.

In consideration of the relatively larger investment amount for FC companies, we anticipate that the headquarters financing and lease to FC format will become the mainstream in the future, so that the investment burden for franchisee can be minimized.

At the same time, we intend to reduce the required start-up costs by continually refining the SA Type II format standard, so that we can at the same time minimize the headquarters' financial burden, and maintain our focus on improving the headquarters' return on investment.

Note 1:
Self-Financed FC format: The FC bears the real-estate acquisition and construction costs.

Note 2:
Headquarters-Financing and lease to FC format: The Headquarters bears all or a portion of the real-estate acquisition and construction costs, and leases the store facilities to the FC.

Sales of car electronics products made a significant contribution to total net sales.
Growth in sales of upmarket car navigation systems with hard disk drives is conspicuous.

Exhibit 2) Status SA Type II Store Profitability

● Profitable ● Unprofitable

		Fiscal 2000		Fiscal 2001		Fiscal 2002	
		First Half	Second Half	First Half	Second Half	First Half	Second Half
Fiscal 1999 New Store Names	TAKATSUKI	Profitable	Profitable	Profitable	Profitable	Profitable	Profitable
	246 EDA	Profitable	Profitable	Profitable	Profitable	Profitable	Profitable
	KORIYAMA MINAMI	Profitable	Profitable	Profitable	Profitable	Profitable	Profitable
	KONAN	Unprofitable	Unprofitable	Profitable	Profitable	Profitable	Profitable
Fiscal 2000 New Store Names	SHIZUOKA NAKAHARA	Opened	Profitable	Profitable	Profitable	Profitable	Profitable
	MITAKA		Opened	Profitable	Profitable	Profitable	Profitable
	MIYAZAKI MINAMI		Opened	Unprofitable	Unprofitable	Profitable	Profitable
	KUMAMOTO HIGASHI BYPASS		Opened	Profitable	Profitable	Profitable	Profitable
	HIGASHI FUKUOKA		Opened	Profitable	Profitable	Profitable	Profitable
Fiscal 2001 New Store Names	KOKURA NISHIMINATO			Opened	Unprofitable	Unprofitable	Unprofitable
	UTSUNOMIYA			Opened	Unprofitable	Unprofitable	Unprofitable
	IWADE			Opened	Profitable	Unprofitable	Profitable
	NISHIKOYA				Opened	Profitable	Profitable
	KUKI				Opened	Profitable	Profitable
	OHITA 21				Opened	Profitable	Profitable
	YOKOHAMA MINATOMIRAI				Opened	Profitable	Profitable
Fiscal 2002 New Store Names	TODA					Opened	Profitable
	SAPPORO					Opened	Profitable
	YOKOHAMA BAY-SIDE					Opened	Profitable
	AIZUWAKAMATSU						Open
	KODAIRA						Open
	NAGAOKA						Open
	ISE						Open
	KANAZAWA						Open

2. Strengthening Store Operations

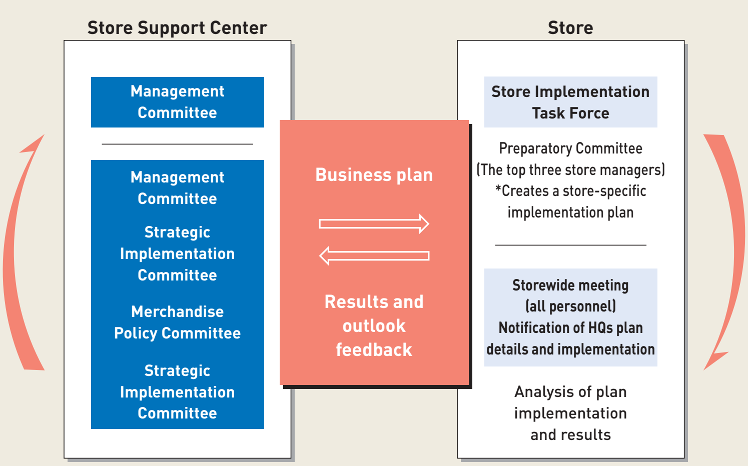
Overview of Our New Store Management System

Under the new system, business plans created by the headquarters are proposed to the stores. The management, together with staff participation of each store, carefully studies these plans and implements them in an appropriate manner. After implementation, each store analyzes and monitors the progress of the plan, assessing future potential. These findings are reported back to the headquarters. The headquarters then analyzes the feedback from the stores, and incorporates this valuable information into new business plans. This continuous, market-tested feedback loop is the essence of the new store management system.

New Store Management System Implementation and Results

The most important change resulting from the implementation of the new management system was that it has raised the awareness of performance targets among the responsible personnel. Store management and key personnel personally design their own store layouts within specified parameters, and the results of these efforts to enhance customer appeal are directly reflected in performance results (Exhibit 3). While the time required for the effects of these measures to emerge varies from store to store, we are already seeing visible improvement in those stores that have adopted the system. Going forward, we intend to promote the new system further and are increasingly confident of its overall success (Exhibit 4).

Exhibit 3) Outline of the New Store Management System



1) Store Support Center presents sales campaign proposal to stores.
2) Store management study the proposal at the advance meeting, then discuss and study implementation plan together with staff participation at storewide meeting.
3) Stores verify the plan that has been executed and compare the results of executions and provide feedback to Store Support Center for future planning.
4) This process is repeated monthly.

Orange County Field is a U.S.-themed goods corner offering an exciting look at directly imported goods and clothing from the United States.

3. Store Performance Guidance by "League" and the Reorganization of "A3" FCs

Management by "League" Classification

We use a benchmarking system that classifies our franchise companies into three performance leagues–from A1 to A3 (Exhibit 5). Based on these classifications, the headquarters can better design and offer detailed guidance for measures that are more appropriate for each FC. In particular, we have more clearly defined our restructuring and liquidation policies for the weakest performing A3 FCs, and have created specific schedules. Every effort we exert to improve the performance of each store enhances the operational strength of the entire group.

Rehabilitating League A3 Franchisees

Due to the termination of one franchisee contract, AUTOBACS SEVEN had 19 franchisees in the A3 league, compared to 20 in June 2001.

Countermeasures such as the seconding of personnel to FCs, the replacement of management personnel, and the conversion of independent franchisees to subsidiaries have produced a substantial improvement in overall performance during the fiscal year under review. Consequently, we believe we are making steady progress in addressing the problem of these poorly performing franchisees.

Exhibit 4)
Examples of Stores That Have Introduced the New Store Management System
[Model Case] AUTOBACS THE MALL ANJO Store (opened June 1996; Introduced new system: September 2000)

Net Sales and Number of Customers (12-Month Moving Average)

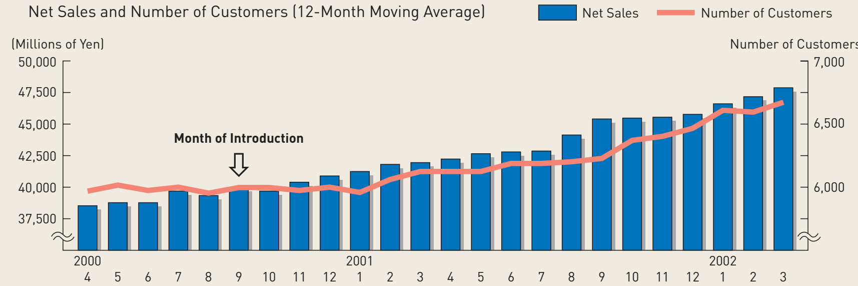


Exhibit 5) Performance by League for Fiscal 2002

Upper Division: Projections for fiscal 2002
Middle Division: Results for first half of fiscal 2002
Lower Division: Results for fiscal 2001

	A1	A2	A3	Total
Number of Companies	46 companies	73 companies	19 companies	138 companies
	46 companies	75 companies	20 companies	141 companies
	37 companies	85 companies	17 companies	139 companies
Number of Stores	228 stores	207 stores	45 stores	480 stores
	227 stores	204 stores	51 stores	482 stores
	171 stores	287 stores	29 stores	487 stores
Sales Share	47.8%	36.1%	8.4%	92.3%
	47.6%	37.0%	9.5%	94.1%
	36.4%	53.9%	4.0%	94.3%
Average Ordinary Income Ratio	3.5%*	1.2%	0.2%	2.0%
	1.6%	-0.6%	-2.2%	1.2%
	3.0%	-0.1%	-4.7%	0.4%

*This does not include the results of two listed companies.

4. A Change in Strategies, and a Reinforcement of the Headquarters System

Chain Value

Previously, our goal was to increase the number of stores in the chain. However, we believe that optimal relocation of stores which may maximize profit in a given market area, may be more important for chain value (Exhibit 6).

Through SA Type II stores, and the revitalization of our existing AUTOBACS stores with the new store management system, we are making steady progress in strengthening the entire chain network. Our investments have been re-prioritized to emphasize higher returns, as exemplified by SA Type II store expansion with headquarters financing and lease to FC format.

Exhibit 6) Status of Store Consolidations and Closures

	Number of Stores at March 31, 2001	Change during the March 31, 2002 Fiscal Year: New store openings	Change during the March 31, 2002 Fiscal Year: Store closings	Number of Stores at March 31, 2002
SA Type I	5	0	0	5
SA Type II	16	8 (6)	0	24
AUTOBACS	472	4 (2)	17 (8)	459
Total	493	12	17	488

Note: Figures in parentheses represent changes due to relocation

At March 31, 2002, 291 stores were certified to perform statutory safety inspections and related maintenance. Autobacs will be reinforcing its safety inspection and maintenance infrastructure by increasing the number of its stores that have this certification.

AUTOBACS C@RS will employ satellite broadcasts to a network of linked terminals installed in AUTOBACS stores nationwide, and customers will be able to choose the car they want through these terminals.

The New Functional Role of the Headquarters

The primary function of the headquarters previously was that of an automotive merchandise distributor for our store network, a place where merchandise procurement and supply was centralized. As we strive to provide our customers with a more diversified menu of products and services, the functional role of the headquarters will shift from manufacturer-driven procurement and sales. Merchandise and services are now being driven from the viewpoint of customer needs. This new approach will also involve product proposals to manufacturers, and where beneficial, entering into strategic alliances, as we strive to provide total car life support services and products that our customers want (Exhibit 7).

Exhibit 7) The Headquarters Functions—Shifting from Supply of Car Products to Comprehensive Car-Life Support

Previous Headquarters Functions

Manufacturers

⇩

AUTOBACS Headquarters

Role: Procurement and supply of automobile parts

⇩

Stores

⇨

Autobacs Headquarters

Total Car-Life Business

Car Merchandising

Automobile Parts	E-Commerce
New Automobiles	Used Automobile Parts
Used Automobiles	Express
Custom Automobiles	Tuning
Maintenance	Insurance
Inspections and Repairs	Finance

Support Business

Capital

Personnel Training and Assignment

Management Guidance

Brand Building

⇩ Address Needs

Super AUTOBACS

Vehicle for realizing total car-life business

Role: Provide service as total car-life business and associated support services

Directors, Auditors, and Officers
(As of June 30, 2002)

Directors

Koichi Sumino
Representative Director and Chief Executive Officer

Tomikazu Nishihara
Managing Director and Executive Officer
Franchisee Corporations (Operation Advisor)

Hiroshi Yamamoto
Managing Director and Executive Officer
Franchisee Corporations (Finance Advisor)

Akira Nogami
Managing Director and Chief Operating Officer
Chief of Store Support Center

Hiroshi Sumino
Director

Kozo Sumino
Director and Executive Officer
Personnel, General Services, Legal and Information Systems

Takashi Matsuo
Director and Executive Officer
Corporate Planning, Accounting, Finance, Public Relations and Investor Relations
General Manager of Corporate Planning & Control Office

Auditors

Kotaro Morino
Senior Corporate Auditor

Katsushi Koyama
Senior Corporate Auditor

Harukuni Yoshida
Senior Corporate Auditor

Kenji Ogawa
Corporate Auditor

Officers

Hidehiro Ide
Executive Officer
Supporting Franchisee Corporations

Kazuyoshi Sawada
Executive Officer
Pit (Technical & Maintenance) Service Strategy

Shuichi Shino
Executive Officer and Operating Officer
Store Development Strategy and SA Store Promotion

Kenichi Takeda
Executive Officer
Sales Promotion and Customer Relations

Yasuhiro Tsunemori
Executive Officer
Merchandising Strategy

Hideaki Yokoi
Executive Officer
Business Development

Setsuo Wakuda
Executive Officer
Supporting Store Operations

Yoshihiro Emoto
Operating Officer
North Kanto Store Support Division

Naofumi Kamata
Operating Officer
South Kanto Store Support Division

Kosuke Kaya
Operating Officer
Kansai Store Support Division

Kiomi Kobayashi
Operating Officer
Overseas Store Support Division

Yuzuru Toide
Operating Officer
Northern Japan Store Support Division

Teruyuki Matsumura
Operating Officer
Southern Japan Store Support Division

Yoshirou Miyama
Operating Officer
Autobacs C@RS (cars) Division

Hironori Morimoto
Operating Officer
Chubu Store Support Division

Masahiro Morimoto
Operating Officer
Used Parts Sales Division

Financial Section

Contents

Consolidated Five-Year Summary

Years ended March 31

	Millions of Yen, Except per Share Data				
	1998	1999	2000	2001	**2002**
Net Sales:					
Tires and Wheels	¥ 47,496	¥ 44,097	¥ 45,807	¥ 48,248	**¥ 48,341**
Car Electronics	65,003	65,411	66,396	66,856	**67,881**
Oils and Batteries	19,892	20,550	21,557	20,995	**20,295**
Car Exterior Items	32,774	30,387	29,138	28,741	**27,365**
Car Interior Items	18,953	19,077	21,735	20,009	**19,854**
Motor Sports Goods and Others	31,232	33,967	35,323	40,528	**44,002**
Total	215,350	213,489	219,956	225,377	**227,738**
Cost of Goods Sold	157,635	152,862	157,757	160,034	**163,057**
Selling, General and Administrative Expenses	42,413	47,210	49,548	52,957	**55,111**
Income before Income Taxes and Minority Interests	16,144	16,210	14,519	13,813	**10,150**
Income Taxes	8,734	8,374	6,661	6,555	**4,878**
Net Income	7,407	7,870	7,913	7,767	**5,520**
Per Share of Common Stock (Yen):					
Net Income	195.34	209.97	211.13	207.23	**147.28**
Cash Dividends	35.5	35.5	36.0	36.0	**36.0**
Shareholders' Equity	120,593	128,584	135,004	141,096	**145,391**
Total Assets	161,828	171,869	177,037	191,072	**190,815**
Capital Expenditures	(10,997)	(8,833)	(10,531)	(8,866)	**(8,770)**
Depreciation and Amortization	4,844	5,621	4,927	5,485	**5,648**
Cash Flows:					
Operating Activities	7,021	19,219	9,926	15,018	**11,796**
Investing Activities	(2,825)	4,275	(9,887)	(8,990)	**(8,857)**
Financing Activities	(4,074)	(11,380)	(858)	1,186	**(5,297)**
Number of Stores	493	529	538	544	**542**

THE AUTOBACS CONSOLIDATED GROUP

The Autobacs Consolidated Group is comprised of AUTOBACS SEVEN CO., LTD. (the "Company"), 63 subsidiaries, and 7 affiliates. The Group engages in the wholesale and retail businesses of automobile parts and accessories in Japan and overseas, as well as the purchase and resale of used automobiles. In addition, the Group is involved in financial lending, leasing of store facilities, consulting, advertising agency services, and temporary staffing services for the Autobacs Group (the Autobacs Consolidated Group and its franchise chain, together).

The scope, classification, and status of the businesses associated with the Autobacs Consolidated Group is as follows:

Wholesale Operations

Wholesale operations handle the wholesaling of automobile-related goods and parts to franchise chain stores. Main products include tires, wheels, car electronics, and accessories.

Wholesale of Automobile-related Goods and Parts

The Company wholesales car-related goods and products from suppliers in Japan and overseas. In Japan, wholesalers include Auto Helloes Co., Ltd. (subsidiary) and Pal Star Ltd. (equity method company), as well as Autobacs Seven (Taiwan) Ltd. and three other overseas subsidiaries.

Retail Operations

In retail operations, we mainly provide car-related products and installation services to general consumers under the store name brands of AUTOBACS, Super AUTOBACS and Auto Helloes. Our primary products are tires, wheels and car electronics.

Retail of Automobile-related Goods and Parts

Automobile-related goods and parts are sold through stores directly operated by the Company. In Japan, retailers are Auto Helloes Co., Ltd. and its directly operated stores, Autobacs Alpha Ltd. and 44 other subsidiaries, as well as Toyama Drive Ltd. and four other equity method companies. Overseas, operations are conducted through Hsinchu Bacs Ltd. in Taiwan and three other subsidiaries.

Companywide Operations

Support for wholesaling, retailing, and franchise chain store management, as well as new business development, is provided through the Company (including business units not classifiable into particular segments), ALFI Finance Ltd. and 10 other subsidiaries, as well as Japan Automobile Distribution Network Co., Ltd. (equity method company).

MARKET TRENDS

During fiscal 2002, ended March 31, 2002, conditions in the Japanese economy remained stagnant as capital investment continued on a downward trend due to a deflationary cycle that restricted improvements in corporate earnings, and as structural reform pressures further aggravated the already poor employment and income conditions. All this offset a steadily brightening picture for the corporate sector that included signs of recoveries in exports and production as demand recovered due to inventory adjustments in the IT sector in the United States.

In the automobile sector, sales of passenger cars and compact cars were favorable as car manufacturers improved their models and launched new vehicles. However, any improvements in real purchasing power from price declines were eradicated by falling household income. As a result, total domestic automobile sales finished lower than the previous fiscal year.

Demand grew steadily in the automobile-related parts and accessories market, especially for highly functional DVD car navigation systems. However, consumers became more conservative in their spending habits as total unemployment hit record highs. Moreover, price competition was intense among corporations in various markets. The operating environment surrounding the Autobacs Consolidated Group continued to pose tough challenges.

CORPORATE STRATEGY

The Autobacs Consolidated Group is moving away from the image of an automobile-related parts and accessories supplier toward that of being "an exciting car-life support business." We are aggressively making efforts on various fronts toward the realization of a utopia for car enthusiasts. We are also concentrating on differentiating ourselves from rival companies and optimizing store scale and location.

On Differentiating Ourselves from Other Companies

1. Based on the concept of "thrilling excitement," we will provide attractive and original products and services with entertainment value to win over a broad spectrum of customers.
2. Create individualistic stores that provide an aura of "plentitude and dreams" similar to an amusement park.
3. Enhance car customization, accessories installation and maintenance-related work services, as well as providing legally mandated safety inspections at each store.
4. Develop and manufacture products that go beyond the usual in car goods, such as automobile and motor sporting goods, through the launch of the in-house developed sports car named "Garaiya."
5. Review the store structure in Asian regions by opening a Super AUTOBACS Type II store in Taiwan, the first such store overseas, and create a foundation for franchise chain store expansion in Europe by opening two stores in France (the first stores in Europe), through a tie-up with RENAULT Societe Anonyme.

On Optimizing Store Scale and Location

1. Accelerate the opening of Super AUTOBACS Type II stores, which have larger sales floor space and a wider range of products than existing AUTOBACS stores, and also provide pit stop services such as car inspections and maintenance.
2. Reorganize unprofitable outlets in line with area restructuring, including the closure of uncompetitive stores.

FISCAL 2002 RESULTS

Summary

Despite aggressive sales promotion, sales of tire chains, carriers, and other winter products, as well as oil and batteries, declined due to factors such as light snowfall as well as a prolonged slump in consumer spending. Consequently, net sales rose only 1.0% to ¥227.7 billion, an increase of ¥2.4 billion from the previous fiscal year. Operating income declined 22.7%, or ¥2.8 billion, to ¥9.6 billion on account of a decline in the gross profit margin due primarily to inventory adjustments and an increase in the cost of goods sold. Despite a reversal of allowance for doubtful receivables, net income fell 28.9% to ¥5.5 billion, a decrease of ¥2.2 billion owing primarily to an impairment of securities and a loss on the disposal of held-to-maturity debt securities done in conjunction with the bankruptcy of Enron Corporation in the United States.

Net Sales

Sales in Wholesale Operations

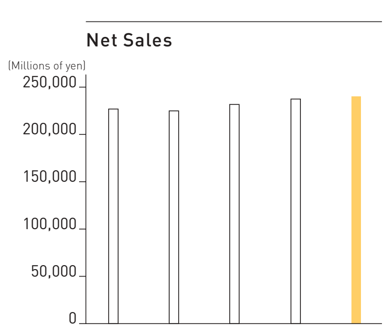
Although sales to franchise chain stores increased due to sales of top-ranked products in line with inventory adjustments, overall demand across all product groups declined, especially low demand for car exterior items such as tire chains and carriers due to seasonal factors. As a result, sales in wholesale operations were down 3.5% to ¥138.4 billion, a decrease of ¥4.9 billion compared with the previous fiscal year.

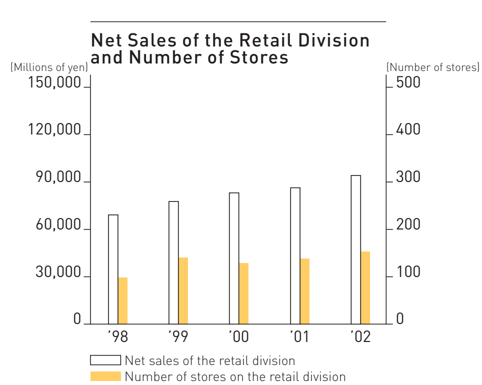
Sales in Retail Operations

Significant contributions were made by the used car business and used car parts business through the Autobacs Hashiriya Tengoku Secohan Ichiba. In addition, sales of car navigation systems were solid in the car electronics segment. Sales in retail operations rose 9.0%, or ¥7.5 billion, to ¥89.4 billion.

Cost of Goods Sold

Cost of goods sold increased ¥3.1 billion to ¥163.1 billion along with the rise in sales. Cost of goods sold as a percentage of net sales increased 0.6 percentage point to 71.6%, owing mainly to measures to spur inventory turnover by replacing aged stocks at stores, based on





head office guidance to improve performance and smoothly promote product sales at stores. This trend in cost of goods sold was also influenced by marketing campaigns during the winter shopping season.

Selling, General and Administrative (SG&A) Expenses

SG&A expenses totaled ¥55.1 billion, up ¥2.2 billion from the previous fiscal year. SG&A expenses as a percentage of net sales were 24.2%, an increase of 0.7 percentage point from a year earlier. A breakdown of major SG&A expenses is as follows:

(Billions of Yen)

	2001	**2002**	Increase or (Decrease)
Employee compensation	15.8	**16.7**	0.9
Land and building rent	5.2	**5.5**	0.3
Depreciation	5.4	**5.4**	0
Provision to allowance for doubtful receivables	2.0	**1.6**	(0.4)

Within SG&A expenses, personnel expenses accounted for 38.7% of the total at ¥21.3 billion, an increase of 5.8%, or ¥1.1 billion, from the previous fiscal year. The primary reason for this increase was 355 additional personnel, from newly consolidated subsidiaries. As of March 31, 2002, the employee total including part-time and temporary employees was 4,921.

Sales promotion expenses were 17.9% of SG&A expenses, totaling ¥9.8 billion for an increase of 17.2%, or ¥1.4 billion, compared with the previous fiscal year. The main factors behind this increase were advertising expenses for newspaper advertisements and TV commercials to proactively expand sales of tires and car electronics, as well as an event launching our original sports car, the "Garaiya."

Equipment expenses as a percentage of SG&A expenses were 23.9%. Equipment expenses rose 2.9%, or ¥0.4 billion, to ¥13.2 billion due to higher land and building rent costs which were included in conjunction with the increase in the number of subsidiaries and Super AUTOBACS stores.

Administrative costs amounted to 19.5% of SG&A expenses. Compared with the previous fiscal year, administrative costs decreased 7.1%, or ¥0.8 billion, to ¥10.8 billion as a result of a decrease in the provision for the allowance for doubtful receivables.

Other Income and Expenses

Net other income decreased ¥0.8 billion from the previous fiscal year to ¥0.6 billion. We recorded a ¥0.8 billion of reversal of allowance for doubtful receivables due to a recovery at applicable companies. Moreover, we were relieved of a ¥0.5 billion charge of transitional obligation for employees' retirement benefits posted during the previous fiscal year. However, loss on revaluation of investment securities increased ¥1.0 billion due to falling market prices. We also recorded ¥1.7 billion in loss on sales of investment securities following the bankruptcy of Enron Corporation in the United States. After suffering these losses, the Company changed its investment guidelines to a more conservative approach.

Income Taxes and Minority Interests

Income taxes declined 25.6% to ¥4.9 billion.

Current income taxes fell 18.4%, to ¥6.1 billion due to the decline in net income.

Deferred income taxes increased 36.3% to ¥1.2 billion. The actual effective tax rates for fiscal 2002 and 2001 were 48.1% and 47.4%, respectively.

There is no significant change in minority interests.

(Billions of Yen)

	2001	**2002**
Minority Interests	0.5	**0.2**

Net Income

As a result of the above, net income decreased 28.9%, or ¥2.2 billion, to ¥5.5 billion.

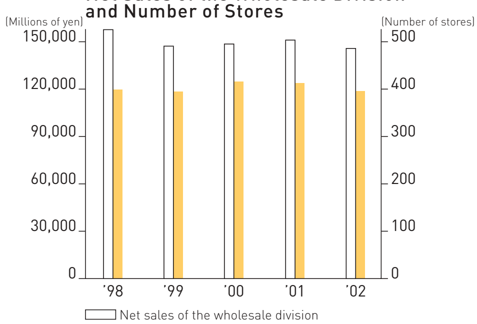
(Billions of Yen)

	2001	**2002**
Net income	7.7	**5.5**
Net income to net sales ratio	3.4%	**2.4%**
Net income to shareholders' equity ratio	5.6%	**3.9%**
Net income per share (Yen)	207.23	**147.28**

Financial Position

At March 31, 2002, total assets stood at ¥190.8 billion, a

Net Sales of the Wholesale Division and Number of Stores



decline of ¥0.3 billion from a year earlier.

Current assets declined ¥4.9 billion to ¥82.0 billion, owing primarily to a ¥2.8 billion decrease in cash and cash equivalents, and a ¥3.1 billion decline in marketable securities due to the refund or sale of bonds and debentures, offsetting a ¥1.4 billion increase in inventories attributed to the increase in the number of consolidated subsidiaries.

Net property and equipment increased ¥2.5 billion to ¥53.9 billion on account of an increase of ¥4.6 billion in land for new store openings.

Investments and other assets rose ¥2.0 billion to ¥54.8 billion, mainly due to an increase of ¥2.6 billion in investment securities from the purchase of corporate bonds.

Current liabilities fell ¥2.6 billion to ¥33.5 billion. The decline was primarily the result of a decrease in short-term borrowings with the initiation of an internal financing system and a decrease in income taxes payable owing to the fall in income, despite an increase in trade notes and accounts payable attributed to the increase in consolidated subsidiaries.

Long-term liabilities totaled ¥10.7 billion, a decrease of ¥1.6 billion from the previous fiscal year. As with current liabilities, the main reason for this decline was a decrease in long-term debt procured externally as a result of the initiation of an internal financing system.

Total shareholders' equity was ¥145.4 billion, an increase of ¥4.4 billion owing to growth in retained earnings.

	2001	**2002**
Shareholders' equity ratio	73.8%	**76.2%**
Shareholders' equity per share	¥3,764.43	**¥3,879.09**

Cash Flows

During the fiscal year ended March 31, 2002, consolidated cash and cash equivalents at end of year amounted to ¥32.8 billion, a decline of 7.7%, or ¥2.8 billion from the end of the previous fiscal year. Although trade receivables increased and payments for marketable securities decreased, income before income taxes and minority interests fell 26.5% to ¥10.1 billion and income taxes paid increased.

A cash flow analysis is as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities declined 21.5% to ¥11.8 billion. Despite a decline due to ¥8.4 billion in income taxes paid (¥6.7 billion in the previous fiscal year), income before income taxes and minority interests amounted to ¥10.1 billion (¥13.8 billion a year earlier), trade payables increased to ¥0.9 billion (¥1.5 billion a year ago), depreciation and amortization was ¥5.6 billion, loss on sales of securities and investments totaled ¥1.7 billion, and loss on revaluation of securities and investments was ¥1.2 billion.

Cash Flows from Investing Activities

Net cash used in investing activities decreased 1.5% to ¥8.9 billion. Cash was generated by the proceeds from sales of marketable securities of ¥6.2 billion (¥13.8 billion a year earlier), the disposition of investment securities of ¥6.3 billion (¥2.3 billion in the previous fiscal year), and the collection of advance and rental deposits of ¥2.9 billion (¥2.4 billion a year ago). The primary uses of cash were payments for marketable securities of ¥5.2 billion (¥12.5 billion a year earlier), acquisition of investment securities of ¥9.8 billion (¥6.2 billion during the previous fiscal year), and capital expenditures of ¥8.8 billion (¥8.9 billion in the previous fiscal year).

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥5.3 billion (net cash provided by financing activities of ¥1.1 billion was recorded in the previous fiscal year). The primary uses of cash were a net decrease in short-term borrowings of ¥2.3 billion (a net increase of ¥1.9 billion over a year earlier) and the repayment of long-term debt of ¥3.0 billion (¥2.2 billion a year ago).

Capital investment

The Autobacs Consolidated Group invests to differentiate itself from competitors and optimize store scale and location. Capital investment is allocated for the opening of Super AUTOBACS stores, the scrapping and building of existing stores, the relocation of outlets, the expansion of handling capacity at the West Japan Logistics Center, the purchase of leasing assets such as store facilities, and investment in IT-related equipment. Capital investment, including intangible fixed assets and long-term prepaid expenses, is broken down as follows for the fiscal year under review:

(Billions of Yen)

Capital investment by business segment	2001	**2002**
Wholesaling Operations	1.0	**1.3**
Retailing Operations	5.0	**4.9**
Companywide (common)	2.9	**2.6**
Total	8.9	**8.8**

In wholesaling operations, capital investment of ¥1.2 billion was allocated for the preparation of the surrounding land to expand facilities at the West Japan Logistics Center.

In retailing operations, to bolster the sales structure and attract new customers, a capital investment of ¥0.2 billion was earmarked for the opening of a Super AUTOBACS Type II store in Taiwan, the first such store to be opened overseas. An additional ¥0.5 billion was assigned to the opening of two stores in France, marking the first stores in Europe. In addition, ¥1.0 billion was invested in assets delivered to franchise chain stores, scrap and build activities at existing stores, and the relocation of outlets. Another ¥3.3 billion was for the purchase of land for new stores.

In Companywide operations, a capital investment of ¥0.7 billion was approved for the purchase of leasing assets such as store facilities through ALFI Finance Ltd. to improve work efficiency through the effective utilization of assets within the Autobacs Group. A further ¥0.8 billion in capital was invested in IT-related equipment for e-business to expand sales over the Internet, including the provision of information via comprehensive search sites for automobile-related parts.

There were no disposals or sales of major facilities during the fiscal year under review.

OUTLOOK

The economic picture for the operating environment surrounding the Autobacs Consolidated Group remains unclear. A recovery in the US economy driven by rising demand for IT around the world is expected. The Japanese government is expected to show measurable progress in structural reforms, and signs of recovery in some parts of the economy are expected to emerge. However, there are concerns over petroleum price fluctuations due to the precarious situation in the Middle East. And in Japan, delays in dealing with nonperforming debt at financial institutions, falling capital investment in line with adjustments to capital stock, and a continued slump in consumer spending owing to uncertainties about the future are expected to weigh on the economy.

Under these operating conditions, the Autobacs Consolidated Group is making every effort to sustain and enhance performance by aiming to become a unique company as it changes from being an automobile-related goods and parts supplier to being an "exciting car-life support business" that has flexibility to respond to increasingly diversified customer needs, improves its ability to be competitive, and increases its income in the distribution market.

From the short- and medium-term perspectives, the Autobacs Consolidated Group aims to build a corporate structure that emphasizes capital efficiency and profitability as well as promotes businesses with growth potential through the following principal strategies:

1) We will continue to optimize store scale and locations by aggressively streamlining stores through the scrapping and building and relocation of stores centered on the Super AUTOBACS Type II store format. We will work to build a new and exciting chain store brand that attracts customers.
2) We will work to expand into new business fields through the development of AUTOBACS Express stores, which offer self-service gasoline stations, together with auto accessories stores and maintenance service pits. Used autoparts and accessories stores named AUTOBACS Hashiriya Tengoku Secohan Ichiba are well supported by customers.
3) We will engage in the manufacture and sale of in-house developed sports cars and work to acquire new car enthusiasts by actively participating in motor sports through Autobacs Racing Team Aguri (ARTA).
4) Making Auto Helloes Co., Ltd. a wholly owned subsidiary, we will strive to improve management efficiency by advancing the unified development and consolidation of Autobacs stores and Auto Helloes stores.
5) We will promote the development of a franchise chain store network in Asia and Europe. At the same time, we will push forward with a global strategy to acquire overseas market presence. This includes plans to open a new store in the suburbs of Los Angeles, California in the United States.

Consolidated Balance Sheets

March 31, 2001 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2001	**2002**	**2002**
CURRENT ASSETS:			
Cash and cash equivalents	¥ 35,576	**¥ 32,836**	**$ 246,887**
Time deposits with an original maturity over three months	380	**362**	**2,722**
Marketable securities (Note 3)	6,884	**3,761**	**28,278**
Receivables:			
Trade notes and accounts	12,778	**12,169**	**91,496**
Associated companies	804	**930**	**6,992**
Other	13,801	**13,445**	**101,090**
Allowance for doubtful receivables	(2,355)	**(2,178)**	**(16,376)**
Inventories	14,482	**15,919**	**119,692**
Deferred tax assets (Note 10)	2,615	**2,833**	**21,301**
Prepaid expenses and other current assets	1,976	**1,965**	**14,775**
Total current assets	86,941	**82,042**	**616,857**
PROPERTY AND EQUIPMENT—At cost (Note 6)**:**			
Land	19,199	**23,763**	**178,669**
Buildings	27,031	**29,538**	**222,090**
Furniture and equipment	11,898	**13,392**	**100,692**
Leased assets (Note 4)	16,897	**15,829**	**119,015**
Construction in progress	1,007	**285**	**2,143**
Total	76,032	**82,807**	**622,609**
Accumulated depreciation	(24,662)	**(28,859)**	**(216,985)**
Net property and equipment	51,370	**53,948**	**405,624**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 6)	13,057	**15,735**	**118,308**
Investments in and advances to associated companies	713	**1,044**	**7,850**
Rental deposits and long-term loans (Note 5)	30,592	**29,536**	**222,075**
Deferred tax assets (Note 10)	2,074	**2,887**	**21,707**
Other	6,325	**5,623**	**42,278**
Total investments and other assets	52,761	**54,825**	**412,218**
TOTAL	¥191,072	**¥190,815**	**$1,434,699**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 2001	Millions of Yen 2002	Thousands of U.S. Dollars (Note 1) 2002
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ 5,816	**¥ 3,802**	**$ 28,587**
Current portion of long-term debt (Note 6)	822	**1,116**	**8,391**
Payables:			
Trade notes and accounts	13,022	**14,110**	**106,090**
Associated companies	188	**511**	**3,842**
Other	6,033	**6,581**	**49,481**
Income taxes payable	4,719	**2,394**	**18,000**
Accrued expenses and other current liabilities	5,535	**4,955**	**37,256**
Total current liabilities	36,135	**33,469**	**251,647**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	4,158	**2,316**	**17,414**
Liability for retirement benefits (Note 7)	1,569	**1,646**	**12,376**
Rental deposits received (Note 5):			
Associated companies	161	**633**	**4,759**
Other	6,386	**5,917**	**44,489**
Other liabilities	37	**186**	**1,398**
Total long-term liabilities	12,311	**10,698**	**80,436**
Total liabilities	48,446	**44,167**	**332,083**
MINORITY INTERESTS	1,530	**1,257**	**9,451**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 5, 11 and 13)			
SHAREHOLDERS' EQUITY (Notes 8 and 15):			
Common stock, authorized, 109,402,300 shares; issued and outstanding no par value 37,481,493 shares	31,959	**31,959**	**240,293**
Additional paid-in capital	31,719	**31,719**	**238,489**
Retained earnings	77,751	**81,901**	**615,797**
Unrealized loss on available-for-sale securities (Note 3)	(315)	**(169)**	**(1,271)**
Foreign currency translation adjustments	(18)	**(17)**	**(128)**
Treasury stock at cost—600 shares in 2002		**(2)**	**(15)**
Total shareholders' equity	141,096	**145,391**	**1,093,165**
TOTAL	¥191,072	**¥190,815**	**$1,434,699**

Consolidated Statements of Income

Years ended March 31, 2000, 2001 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2000	2001	**2002**	**2002**
NET SALES (Note 9)	¥219,956	¥225,377	**¥227,738**	**$1,712,316**
COST OF GOODS SOLD	157,757	160,034	**163,057**	**1,225,993**
Gross profit	62,199	65,343	**64,681**	**486,323**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	49,548	52,957	**55,111**	**414,368**
Operating income	12,651	12,386	**9,570**	**71,955**
OTHER INCOME (EXPENSES):				
Interest and dividend income	535	633	**494**	**3,714**
Rental income	1,104	1,212	**1,539**	**11,571**
Interest expense	(178)	(169)	**(198)**	**(1,489)**
Loss on sales of investment securities	(29)		**(1,697)**	**(12,759)**
Loss on revaluation of securities and investments	(54)	(360)	**(1,211)**	**(9,105)**
Charge of transitional obligation for employees' retirement benefits (Note 7)		(453)		
Other—net	490	564	**1,653**	**12,429**
Other income—net	1,868	1,427	**580**	**4,361**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	14,519	13,813	**10,150**	**76,316**
INCOME TAXES (Note 10)				
Current	7,047	7,422	**6,059**	**45,557**
Deferred	(386)	(867)	**(1,181)**	**(8,880)**
Total	6,661	6,555	**4,878**	**36,677**
MINORITY INTERESTS	55	509	**248**	**1,865**
NET INCOME	¥ 7,913	¥ 7,767	**¥ 5,520**	**$ 41,504**

	Yen			U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 2.m):				
Net income	¥ 211.13	¥ 207.23	**¥ 147.28**	**$ 1.11**
Cash dividends applicable to the year	36.00	36.00	**36.00**	**0.27**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years ended March 31, 2000, 2001 and 2002

	Thousands	Millions of Yen					
	Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 1999	37,481	¥31,959	¥31,719	¥64,943		¥(37)	
Adjustment of retained earnings for newly applied equity method companies (Note 2.a)				(8)			
Net income				7,913			
Changes in foreign currency translation adjustments						(23)	
Appropriations:							
Cash dividends, ¥37.50 per share				(1,406)			
Bonuses to directors and corporate auditors				(56)			
BALANCE, MARCH 31, 2000	37,481	31,959	31,719	71,386		(60)	
Net income				7,767			
Changes in unrealized loss on available-for-sale securities, less applicable tax					¥(315)		
Changes in foreign currency translation adjustments						42	
Appropriations:							
Cash dividends, ¥36.00 per share				(1,349)			
Bonuses to directors and corporate auditors				(53)			
BALANCE,MARCH 31, 2001	37,481	31,959	31,719	77,751	(315)	(18)	
Net income				5,520			
Adjustment of retained earnings for newly applied equity method companies (Note 2.a)				32			
Changes in unrealized loss on available-for-sale securities, less applicable tax					146		
Changes in foreign currency translation adjustments						1	
Purchase and sale of treasury stock, net							¥(2)
Appropriations:							
Cash dividends, ¥36.00 per share				(1,349)			
Bonuses to directors and corporate auditors				(53)			
BALANCE, MARCH 31, 2002	**37,481**	**¥31,959**	**¥31,719**	**¥81,901**	**¥(169)**	**¥(17)**	**¥(2)**

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Unrealized Loss on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2001	$240,293	$238,489	$584,594	$(2,368)	$(135)	
Net income			41,504			
Adjustment of retained earnings for newly applied equity method companies (Note 2.a)			241			
Changes in unrealized loss on available-for-sale securities, less applicable tax				1,097		
Changes in foreign currency translation adjustments					7	
Purchase and sale of treasury stock, net						$(15)
Appropriations:						
Cash dividends, $0.27 per share			(10,143)			
Bonuses to directors and corporate auditors			(399)			
BALANCE, MARCH 31, 2002	**$240,293**	**$238,489**	**$615,797**	**$(1,271)**	**$(128)**	**$(15)**

See notes to consolidated financial statements.

AUTOBACS SEVEN CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended March 31, 2000, 2001 and 2002

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2000	2001	**2002**	**2002**
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	¥14,519	¥13,813	**¥10,150**	**$ 76,316**
Adjustments for:				
Income taxes paid	(8,619)	(6,730)	**(8,381)**	**(63,015)**
Depreciation and amortization	4,927	5,485	**5,648**	**42,466**
Loss on sales of securities and investments			**1,697**	**12,759**
Loss on revaluation of securities and investments	52	360	**1,211**	**9,105**
Lease revenue	(1,153)	(1,421)	**(1,549)**	**(11,647)**
Prior service costs for pension plan	739			
Provision for retirement benefit		1,331	**39**	**293**
Changes in operating assets and liabilities:				
Decrease (Increase) in receivables	444	(2,248)	**369**	**2,775**
(Increase) Decrease in inventories	414	(477)	**(1,087)**	**(8,173)**
Increase (Decrease) in other payables and accruals	(171)	1,469	**926**	**6,963**
Other	(1,226)	3,436	**2,773**	**20,850**
Net cash provided by operating activities	9,926	15,018	**11,796**	**88,692**
INVESTING ACTIVITIES:				
Capital expenditures	(10,531)	(8,866)	**(8,770)**	**(65,940)**
Proceeds from sales of fixed assets	655	117	**183**	**1,376**
Acquisition of investment securities	(45)	(6,191)	**(9,761)**	**(73,391)**
Disposition of investment securities	93	2,275	**6,295**	**47,331**
Proceeds from sales of marketable securities	11,356	13,776	**6,154**	**46,271**
Payments for marketable securities	(10,163)	(12,488)	**(5,188)**	**(39,008)**
Payments for advance and rental deposits	(6,144)	(3,445)	**(2,788)**	**(20,963)**
Collection of advance and rental deposits	3,755	2,416	**2,893**	**21,752**
Lease revenues	1,153	1,421	**1,549**	**11,647**
Other	(16)	1,995	**576**	**4,331**
Net cash used in investing activities	(9,887)	(8,990)	**(8,857)**	**(66,594)**
FINANCING ACTIVITIES:				
Net (decrease) increase in short-term borrowings	518	1,918	**(2,287)**	**(17,196)**
Repayment of long-term debt	(1,904)	(2,188)	**(2,952)**	**(22,195)**
Proceeds from long-term debt	1,634	2,414	**1,154**	**8,677**
Proceeds from issuance of subsidiary stock	300	391	**145**	**1,090**
Dividends paid	(1,406)	(1,349)	**(1,349)**	**(10,143)**
Other			**(8)**	**(60)**
Net cash (used in) provided by financing activities	(858)	1,186	**(5,297)**	**(39,827)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(98)	66	**74**	**556**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(917)	7,280	**(2,284)**	**(17,173)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29,213	28,296	**35,576**	**267,489**
Net increase in cash and cash equivalents from merger			**8**	**60**
Decrease in cash and cash equivalents exclusion of a consolidated subsidiary			**(464)**	**(3,489)**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥28,296	¥35,576	**¥32,836**	**$246,887**
NONCASH INVESTING ACTIVITIES:				
Fair value of assets acquired		¥611	**¥1,623**	**$12,203**
Liabilities assumed		165	**1,465**	**11,015**
Minority interests		263	**21**	**158**
Acquisition cost		183	**137**	**1,030**
Cash and cash equivalents held by subsidiaries		382	**577**	**4,338**
Transfer from investments			**2**	**15**
Cash received for capital		¥199	**¥ 442**	**$ 3,323**

See notes to consolidated financial statements.

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 and practices generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements of International Accounting Standards (IAS). The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 have been made to the 2001 and 2000 consolidated financial statements to conform to the classifications used in the 2002 consolidated financial statements.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133 to US$1.00, the approximate free rate of exchange on March 31, 2002. Such translations should not be construed as representations 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.

The change of retained earnings arising from the change in the scope of associated companies is recognized as "Adjustment of retained earnings for newly applied equity method companies" in the Consolidated Statements of Shareholders' Equity for the years ended March 31, 2002 and 2000.

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.

AUTOBACS Restaurant Systems Inc., and AUTOBACS Seven Singapore Pte. Ltd. were precluded from consolidation due to liquidation of those companies and Japan Automobile Distribution Network Co., Ltd. was precluded from consolidation due to loss of control in 2002.

b. Cash and 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, all of which mature or become due within three months of the date of acquisition.

c. Marketable and Investment Securities

Prior to April 1, 2000, current and non-current marketable securities listed on stock exchanges were stated at the lower of cost, determined by the average method, or market.

Effective April 1, 2000, the Companies adopted a new accounting standard for financial instruments, including marketable and investment securities.

The standard requires all marketable securities to be classified and accounted for, depending on management's intent, as follows:

i) *trading securities* that 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* that 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* not classified as either of the aforementioned securities are classified as available-for-sale securities and 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.

The effect of this change was to increase income before income taxes and minority interests by ¥196 million for the year ended March 31, 2001.

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. Other investments are valued at average cost.

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. Purchased Software

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

g. Retirement and Pension Plan

The company has a non-contributory defined benefit pension plan that covers substantially all of its employees. Prior to April 1, 2000, for the pension plan, the amounts of contributions made to the fund and accruals of prior service costs were charged to income.

Substantially all employees of subsidiaries are covered by an unfunded employee retirement payment plan. Prior to April 1, 2000, the liability for retirement payment plans were provided at 40% of the amount which would be required if all employees had retired at each balance sheet date.

Effective April 1, 2000, the Companies adopted a new accounting standard for employees' retirement benefits under the pension plan and the retirement payment plan and accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet dates. The transitional obligation of ¥453 million at the beginning of the year was fully amortized in 2001 and presented as other expense in the consolidated statements of income. As a result of adopting this new standard, net periodic benefit costs as compared with the prior method increased by ¥55 million and income before income taxes and minority interests decreased by ¥508 million.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all of the directors and corporate auditors of the Company had retired at each balance sheet date.

h. 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 lessee's financial statements.

i. Income Taxes

The provision for income taxes is computed based on the pretax 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.

j. Appropriations of Retained Earnings

Under the Commercial Code of Japan (the "Code"), except for interim cash dividends 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.

k. Foreign Currency Items

Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies were translated into Japanese yen at the current exchange rates in effect at each balance sheet date. Long-term receivables and payables denominated in foreign currencies were translated at historical rates.

Effective April 1, 2000, the Companies adopted a revised accounting standard for foreign currency translations. In accordance with the revised standard, all short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date.

The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts. Other exchange gains and losses are recognized in the fiscal years in which they occur.

The adoption of new accounting standards for foreign currency translations had no material impact on net income.

l. 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 consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rates.

m. Per Share Information

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year, retroactively adjusted for stock splits, if any. The weighted average number of common shares used in the computation was 37,481 thousand for the years ended March 31, 2002, 2001 and 2000.

Diluted net income per share is not disclosed because it is anti-dilutive.

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.

n. 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.

Effective April 1, 2000, the Companies adopted a new accounting standard for derivative financial instruments and a revised accounting standard for foreign currency transactions. These standards require that: a) all derivatives be 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. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

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.

The adoption of new accounting standards for derivative financial instruments had no material impact on net income.

o. Differences between Japanese GAAP and International Accounting Standards

The accompanying consolidated financial statements have been prepared in conformity with Japanese GAAP, which differs in certain respects from the International Accounting Standards (IAS). As of March 31, 2002, the main difference between Japanese GAAP and IAS, 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. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2001 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Current:			
Debt securities	¥ 6,884	**¥ 3,761**	**$ 28,278**
Non-current:			
Equity securities	¥ 2,069	**¥ 1,781**	**$ 13,391**
Debt securities	9,988	**12,954**	**97,398**
Other	1,000	**1,000**	**7,519**
Total	¥13,057	**¥15,735**	**$118,308**

The carrying amounts and aggregate fair values of marketable and investment securities for which market quotations were available at March 31, 2002 and 2001 were as follows:

	Millions of Yen			
March 31, 2002	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 1,267**	**¥22**	**¥207**	**¥ 1,082**
Debt securities	**15,219**	**4**	**108**	**15,115**
Other	**1,000**			**1,000**
Held-to-maturity	**1,600**		**1**	**1,599**

	Millions of Yen			
March 31, 2001	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,316	¥87	¥537	¥ 1,886
Debt securities	13,559	53	145	13,467
Other	1,000			1,000
Held-to-maturity	3,405		3	3,402

	Thousands of U.S. Dollars			
March 31, 2002	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 9,526**	**$165**	**$1,556**	**$ 8,135**
Debt securities	**114,429**	**30**	**812**	**113,647**
Other	**7,519**			**7,519**
Held-to-maturity	**12,030**		**7**	**12,023**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2001 and 2002 were as follows:

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Available-for-sale:			
Equity securities	¥203	**¥700**	**$5,262**

The Company sold held-to-maturity debt securities due to the bankruptcy of Enron Corp. Proceeds from sales of held-to-maturity debt securities for the year ended March 31, 2002 were ¥160 million ($1,203 thousand). Gross realized losses on these sales, computed on the moving average cost basis, were ¥840 million ($6,316 thousand) for the year ended March 31, 2002.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2002 and 2001 were ¥790 million ($5,940 thousand) and ¥9 million, respectively. Gross realized gains and losses on these sales,computed on the moving average cost basis, were ¥4 million ($30 thousand) and ¥960 million ($7,218 thousand), respectively for the year ended March 31, 2002 and were not recorded for the year ended March 31, 2001.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2002 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	¥ 2,161	¥1,600	$ 16,248	$12,030
Due after one year through five years	8,482		63,775	
Due after five years through ten years	3,483		26,188	
Total	¥14,126	¥1,600	$106,211	$12,030

4. LEASED ASSETS

A breakdown of leased assets as of March 31, 2001 and 2002, was shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Buildings	¥10,103	**¥ 9,861**	**$ 74,140**
Furniture and equipment	6,794	**5,968**	**44,875**
Total	16,897	**15,829**	**119,015**
Accumulated depreciation	(5,243)	**(6,155)**	**(46,278)**
Net leased assets	¥11,654	**¥ 9,674**	**$ 72,737**

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, 2002, 2001 and 2000 were ¥2,067 million ($15,541 thousand), ¥1,958 million and ¥1,395, respectively. Rental income for the years ended March 31, 2002, 2001 and 2000 were ¥1,937 million ($14,564 thousand), ¥1,837 and ¥1,462, 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, 2001 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Due within one year	¥1,560	**¥ 1,453**	**$ 10,925**
Due after one year	11,926	**10,491**	**78,880**
Total	¥13,486	**¥11,944**	**$ 89,805**

5. RENTAL DEPOSITS AND LONG-TERM LOANS

An analysis of rental deposits and long-term loans as of March 31, 2001 and 2002 was shown below:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Rental deposits to:			
Lessors for distribution facilities of the Companies	¥13,271	**¥13,148**	**$ 98,857**
Lessors for stores of franchisees	10,968	**10,907**	**82,008**
Lessors for office and other facilities	1,405	**1,795**	**13,496**
Total rental deposits	25,644	**25,850**	**194,361**
Loans to:			
Franchisees	6,513	**5,840**	**43,910**
Employees for housing and other		**2**	**15**
Total loans	6,513	**5,842**	**43,925**
Allowance for doubtful receivables	(1,565)	**(2,156)**	**(16,211)**
Total	¥30,592	**¥29,536**	**$222,075**

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.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2002 and 2001 consisted of notes to banks. The annual interest rates applicable to the short-term bank loans ranged from 0.6% to 8.0% and 0.6% to 7.9% at March 31, 2002 and 2001, respectively.

Long-term debt at March 31, 2001 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Loans from banks, due serially to 2008 with interest rates ranging from 1.2% to 7.6% (2002) and from 1.0% to 3.0% (2001):			
Secured	¥2,075	**¥ 583**	**$ 4,384**
Unsecured	2,905	**2,849**	**21,421**
Total	4,980	**3,432**	**25,805**
Less current portion	822	**1,116**	**8,391**
Long-term debt, less current portion	¥4,158	**¥2,316**	**$17,414**

Annual maturities of long-term debt at March 31, 2002 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2003	¥1,116	$ 8,391
2004	419	3,150
2005	209	1,571
2006	1,100	8,271
2007	585	4,399
2008 and thereafter	3	23
Total	¥3,432	$25,805

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥850 million ($6,391 thousand) and the above collateralized long-term debt at March 31, 2002, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Property and equipment—net of accumulated depreciation	¥1,284	$ 9,654
Investment securities and other	192	1,444
Total	¥1,476	$11,098

As is customary in Japan, the Companies maintain substantial deposit balances with banks with which it has 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.

7. PENSION AND RETIREMENT PLANS

The Company has a non-contributory defined benefit pension plan for employees and a retirement payment plan for directors and corporate auditors. Subsidiaries have retirement payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum retirement payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age. The liability for retirement benefits at March 31, 2002 and 2001 for directors and corporate auditors is ¥262 million ($1,970 thousand) and ¥234 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 ¥4,151 million ($31,211 thousand) at March 31, 2002, which is the most recent date available. The salaries of the employees of the Company for such contributory pension plan appropriated 15.4% of the total salaries of the welfare plan at March 31, 2002. For the welfare pension plan, the amounts of contributions made are charged to income.

In 2002, certain subsidiaries changed from non-contributory defined benefit pension plans to defined contribution pension plans. This change caused income before income taxes and minority interests to decrease for the year ended March 31, 2002 by ¥92 million ($692 thousand).

The liability (asset) for employees' retirement benefits at March 31, 2001 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Projected benefit obligation	¥2,406	**¥2,518**	**$18,932**
Fair value of plan assets	(1,006)	**(1,093)**	**(8,218)**
Unrecognized actuarial loss	(85)	**(41)**	**(308)**
Net amount recognized	¥1,315	**¥1,384**	**$10,406**

Amounts recognized in the statement of financial position consisted of:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Prepaid periodic benefit costs	¥ (20)	**¥ (1)**	**$ (8)**
Accrued benefit liabilities	1,335	**1,385**	**10,414**
Net amount recognized	¥1,315	**¥1,384**	**$10,406**

The components of net periodic benefit costs for the year ended March 31, 2001 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Service cost	¥ 302	**¥ 313**	**$2,353**
Interest cost	55	**56**	**421**
Expected return on plan assets	(23)	**(22)**	**(165)**
Recognized actuarial loss		**9**	**68**
Contribution of contributory welfare pension plan	169	**170**	**1,278**
Additional benefit paid	171	**2**	**15**
Amortization of transitional obligation	453		
Cost of transition to defined contribution pension plan		**92**	**692**
Net periodic benefit costs	¥1,127	**¥ 620**	**$4,662**

Assumptions used for the years ended March 31, 2002 and 2001 are set forth as follows:

	2001	**2002**
Discount rate	2.6%	**1.92-2.6%**
Expected rate of return on plan assets	2.0-2.5%	**2.0–2.5%**
Recognition period of actuarial gain/loss		**5–10 years**
Amortization period of transitional obligation	1 year	

Total charges to income for the retirement and pension plans were ¥649 million ($4,880 thousand), ¥1,156 million and ¥1,072 million for the years ended March 31, 2002, 2001 and 2000, respectively.

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the"Code") to which certain amendments became effective from October 1, 2001.

Prior to October 1, 2001, the Code required at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital were credited to additional paid-in capital. Effective October 1, 2001, the Code was revised and common stock par values were eliminated resulting in all shares being recorded with no par value.

Prior to October 1, 2001, the Code also provided that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be appropriated and set aside as a legal reserve until such reserve equals 25% of stated capital. Effective October 1, 2001, the revised Code allows for such appropriations to be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 25% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 25% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Company's legal reserve amount, which is included in retained earnings, totaled ¥1,297 million ($9,752 thousand) and ¥1,197 million as of March 31, 2002 and 2001, respectively.

Under the Code, companies may issue new common shares to existing shareholders without consideration as a stock split pursuant to a resolution of the Board of Directors. Prior to October 1, 2001, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split could not be less than ¥50. The revised Code eliminated this restriction.

Prior to October 1, 2001, the Code imposed certain restrictions on the repurchase and use of treasury stock. Effective October 1, 2001, the Code eliminated these restrictions allowing 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 after March 31, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The Code permits companies to transfer a portion of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Code also permits companies to transfer a portion of retained earnings, available for dividends, to stated capital by resolution of the shareholders.

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.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2002, retained earnings recorded on the Company's books were ¥81,703 million ($614,308 thousand) which are available for future dividends subject to the approval of the shareholders and legal reserve requirements.

9. SALES

The Company sells automobile-related goods to mostly domestic customers directly or to franchisees including certain affiliates with which the Company has franchise agreements.

Net sales made to franchisees aggregated to approximately 61% of the consolidated net sales for the year ended March 31, 2002, 64% for 2001 and 64% for 2000.

10. 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 42.0% for the years ended March 31, 2002, 2001 and 2000.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Deferred Tax Assets:			
Receivables	¥ 1,580	**¥ 1,755**	**$ 13,195**
Accrued enterprise taxes	438	**213**	**1,602**
Accrued bonuses	271	**341**	**2,564**
Inventories	717	**1,240**	**9,323**
Property and equipment	808	**1,059**	**7,962**
Pension and severance costs	585	**669**	**5,030**
Investment	362	**866**	**6,511**
Tax loss carryforwards	1,987	**2,072**	**15,579**
Other	455	**430**	**3,234**
Less valuation allowance	(1,831)	**(2,146)**	**(16,135)**
Deferred tax assets	¥ 5,372	**¥ 6,499**	**$ 48,865**
Deferred Tax Liabilities:			
Property and equipment	¥ 483	**¥ 483**	**$ 3,632**
Undistributed earnings of associated companies	121	**168**	**1,263**
Other	79	**128**	**962**
Deferred tax liabilities	¥ 683	**¥ 779**	**$ 5,857**
Net deferred tax assets	¥ 4,689	**¥ 5,720**	**$ 43,008**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2000, 2001 and 2002 and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2000	2001	**2002**
Normal effective statutory tax rate	42.0%	42.0%	**42.0%**
Expenses not deductible for income tax purposes	0.8	1.2	**1.2**
Per-capita inhabitants' tax	0.4	0.5	**0.7**
Increase in valuation allowance	1.3	3.1	**3.1**
Other—net	1.3	0.6	**1.1**
Actual effective tax rate	45.8%	47.4%	**48.1%**

At March 31, 2002, certain subsidiaries have tax loss carryforwards aggregating approximately ¥3,509 million ($26,383 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
2003	¥ 526	$ 3,955
2004	919	6,910
2005	460	3,458
2006	1,074	8,075
2007	530	3,985
Total	¥3,509	$26,383

11. LEASES

The Company leases certain machinery, computer equipment, office space and other assets.

Total rental expenses for the years ended March 31, 2002, 2001 and 2000 were ¥5,887 million ($44,263 thousand), ¥5,831 million and ¥6,055 million, respectively, including ¥821 million ($6,173 thousand), ¥843 million and ¥440 million, respectively, of lease payments under finance lease contracts.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, 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, 2001 Millions of Yen				**As of March 31, 2002** Millions of Yen			
	Equipment	Furniture	Others	Total	Equipment	Furniture	Others	Total
Acquisition cost	¥565	¥3,485	¥25	¥4,075	**¥433**	**¥3,324**	**¥18**	**¥3,775**
Accumulated depreciation	239	1,231	15	1,485	**197**	**1,710**	**7**	**1,914**
Net leased property	¥326	¥2,254	¥10	¥2,590	**¥236**	**¥1,614**	**¥11**	**¥1,861**

	As of March 31, 2002 Thousands of U.S. Dollars			
	Equipment	Furniture	Others	Total
Acquisition cost	**$3,255**	**$24,992**	**$136**	**$28,383**
Accumulated depreciation	**1,481**	**12,857**	**53**	**14,391**
Net leased property	**$1,774**	**$12,135**	**$ 83**	**$13,992**

Obligations under finance lease contracts:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Due within one year	¥ 762	**¥ 706**	**$ 5,308**
Due after one year	1,911	**1,215**	**9,136**
Total	¥2,673	**¥1,921**	**$14,444**

Depreciation expense and interest expense under finance lease contracts:

	Millions of Yen			Thousands of U.S. Dollars
	2000	2001	**2002**	**2002**
Depreciation expense	¥404	¥784	**¥759**	**$5,707**
Interest expense	48	78	**62**	**466**
Total	¥452	¥862	**¥821**	**$6,173**

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, 2001 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	**2002**	**2002**
Due within one year	¥ 412	**¥ 415**	**$ 3,120**
Due after one year	1,934	**1,582**	**11,895**
Total	¥2,346	**¥1,997**	**$15,015**

12. 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.

13. CONTINGENT LIABILITIES

At March 31, 2002, the Companies had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 81	$ 609
Guarantees and items of a similar nature for bank loans	488	3,669

14. 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, 2002, 2001 and 2000 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, 2002, 2001 and 2000, represented more than 90% of consolidated sales and total assets of respective the years. Accordingly, geographical segment information and information on sales to foreign customers is not presented herein.

15. SUBSEQUENT EVENT

a. The general shareholders' meeting held on June 27, 2002 approved the stock exchange through with Auto Helloes Co., Ltd. listed on JASDAQ, shall be restructured into a wholly owned subsidiary of the Company on October 1, 2002. The Company shall issue 162,249 shares,which are to be allocated to the shareholders of Auto Helloes Co., Ltd., at the ratio of 1 share of the Company's stock to 20 shares of Auto Helloes Co., Ltd.'s stock.

b. The general shareholders' meeting held on June 27, 2002 resolved the following appropriations of retained earnings as of March 31, 2002:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥18.00 ($0.14) per share	¥675	$5,075
Bonuses to directors and corporate auditors	32	241

c. At such meeting, the Company's shareholders also approved the repurchase of treasury stocks up to a maximum of 2,000,000 shares to the aggregate amount of ¥10,000 million ($75,188 thousand).

Tohmatsu & Co.
MS Shibaura Building
13-23, Shibaura 4-chome
Minato-ku, Tokyo 108-8530, Japan

Tel :+81-3-3457-7321
Fax :+81-3-3457-1694
www.tohmatsu.co.jp

Deloitte
Touche
Tohmatsu

Independent Auditors' Report

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

We have examined the consolidated balance sheets of AUTOBACS SEVEN CO., LTD. and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of AUTOBACS SEVEN Co., Ltd. and subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the changes made as of April 1, 2000, with which we concur, in the accounting for financial instruments, employees' retirement benefits and a revised accounting standard for foreign currency translations, as discussed in Notes 2.c, g, k and n.

Our examinations 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 27, 2002

Consolidated Subsidiaries

Company	Business	Paid-in Capital
DOMESTIC		
Auto Helloes Co., Ltd.	Wholesaling and retailing of automobile-related goods and parts	¥1,670 million
Autobacs Kyokuei Ltd.	Retailing of automobile-related goods and parts	¥80 million
Accellence Ltd.	Retailing of automobile-related goods and parts	¥30 million
Auto Helloes Higashi-Nihon Ltd.	Retailing of automobile-related goods and parts	¥25 million
Auto Planning Ltd.	Retailing of automobile-related goods and parts	¥20 million
Auto Life Pros Inc.	Retailing of automobile-related goods and parts	¥5 million
Car Life Ltd.	Retailing of automobile-related goods and parts	¥269 million
Autobacs Zao Ltd.	Retailing of automobile-related goods and parts	¥30 million
Yumesho Ltd.	Retailing of automobile-related goods and parts	¥60 million
First-A Ltd.	Retailing of automobile-related goods and parts	¥80 million
Craft Ltd.	Retailing of automobile-related goods and parts	¥60 million
Autobacs Alpha Ltd.	Retailing of automobile-related goods and parts	¥225 million
Edogawa Sunauto Ltd.	Retailing of automobile-related goods and parts	¥10 million
Autobacs Keihin RIPS Ltd.	Retailing of automobile-related goods and parts	¥40 million
Autobacs Win Ltd.	Retailing of automobile-related goods and parts	¥30 million
Autobacs MTK Ltd.	Retailing of automobile-related goods and parts	¥50 million
Autobacs Infinity Ltd.	Retailing of automobile-related goods and parts	¥30 million
Autobacs Yamanashi Ltd.	Retailing of automobile-related goods and parts	¥120 million
Autobacs A-One Ltd.	Retailing of automobile-related goods and parts	¥30 million
Autobacs Kanagawa Ltd.	Retailing of automobile-related goods and parts	¥50 million
Autobacs JKS Stage Ltd.	Retailing of automobile-related goods and parts	¥30 million
Autobacs Meinan Ltd.	Retailing of automobile-related goods and parts	¥30 million
Autobacs Higashi-Nagoya Ltd.	Retailing of automobile-related goods and parts	¥30 million
Super Auto Nagoya Ltd.	Retailing of automobile-related goods and parts	¥250 million
Autobacs Tomei Ltd.	Retailing of automobile-related goods and parts	¥60 million
Autobacs Nagoya Ltd.	Retailing of automobile-related goods and parts	¥70 million
Autobacs Yamato Ltd.	Retailing of automobile-related goods and parts	¥50 million
Autobacs Minami-Osaka Ltd.	Retailing of automobile-related goods and parts	¥37 million
Hokusetsu Autobacs Ltd.	Retailing of automobile-related goods and parts	¥50 million
Autobacs Esprit Mino Ltd.	Retailing of automobile-related goods and parts	¥40 million
Autobacs Higashi-Osaka Ltd.	Retailing of automobile-related goods and parts	¥40 million
Autobacs Will Ltd.	Retailing of automobile-related goods and parts	¥40 million
Autobacs Car Field Sakai Ltd.	Retailing of automobile-related goods and parts	¥40 million
Autobacs Izumi Ltd.	Retailing of automobile-related goods and parts	¥30 million
Autobacs Sun-Ace Ltd.	Retailing of automobile-related goods and parts	¥90 million
Autobacs Twenty-One Ltd.	Retailing of automobile-related goods and parts	¥30 million
Union Auto Ltd.	Retailing of automobile-related goods and parts	¥113 million
Auto Messe Ltd.	Retailing of automobile-related goods and parts	¥90 million
Autobacs Takamatsu Ltd.	Retailing of automobile-related goods and parts	¥10 million
Autobacs Marugame Ltd.	Retailing of automobile-related goods and parts	¥20 million
Autobacs Kochi Ltd.	Retailing of automobile-related goods and parts	¥30 million

Nanyo Auto Service Ltd.	Retailing of automobile-related goods and parts	¥30 million
Autobacs Matsuyama Ltd.	Retailing of automobile-related goods and parts	¥50 million
Prince Auto Ltd.	Retailing of automobile-related goods and parts	¥10 million
O.P.S. Ltd.	Retailing of automobile-related goods and parts	¥85 million
Autobacs Frontier Ltd.	Retailing of automobile-related goods and parts	¥80 million
Success Know-How Osaka Ltd.	Education materials sales	¥10 million
ALFI Finance Ltd.	Financial and leasing service	¥30 million
Autobacs Management Service Ltd.	Consulting service	¥90 million
Autobacs Total Service Ltd.	Agency of office work	¥10 million
Support-A Ltd.	Temporary staffing services	¥35 million
Car Life Comprehensive Institute Ltd.	—	¥30 million
AUTOBACS SPORTS CAR LABORATORY Co., Ltd.	Development, production and sales of sports car and its parts	¥495 million
First Stage Ltd.	Wholesaling and retailing of used car	¥250 million
Braining Ltd.	Advertising agency	¥50 million
ITS Research Institute Ltd.	Development of IT information and communication systems	¥200 million
OVERSEAS		
Autobacs Venture Singapore Pte. Ltd.	Import and export, wholesaling and retailing of automobile-related goods and parts	S$2,000 thousand
Autobacs International (H.K.) Ltd.	—	HK$200 thousand
Autobacs Seven (Taiwan) Ltd.	Import and export, wholesaling of automobile-related goods and parts	NT$117,400 thousand
Hsinchu Bacs Ltd.	Retailing of automobile-related goods and parts	NT$145,000 thousand
Autobacs Seven Europe S.A.S.	Import and export, wholesaling and retailing of automobile-related goods and parts	EURO 7,600 thousand
Autobacs Thailand Ltd.	Import and export, wholesaling and retailing of automobile-related goods and parts	THB99,000 thousand
Autobacs U.S.A., Inc.	—	US$4,000 thousand

Corporate Data

Headquarters: Mita 43 Mori Bldg.
13-16, Mita 3-chome, Minato-ku, Tokyo 108-8307, Japan

Established: August 12, 1948

Capital: ¥31,958 million

Employees: 3,474
(Includes employees of AUTOBACS SEVEN and its consolidated subsidiaries.)

Lines of business:
Proprietary brand name merchandising, import and installation of a variety of automobile-related goods, maintenance, replacement, and insurance agencies.

Investors Information
(As of March 31, 2002)

Common Stock:
Authorized: 109,402,300 shares
Issued and Outstanding: 37,481,493 shares
Number of Shareholders: 10,762

Stock Listings:
Tokyo, Osaka and London Stock Exchanges

Independent Auditors:
Deloitte Touche Tohmatsu

Transfer Agent:
The Sumitomo Trust and Banking Co., Ltd.
4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Common Stock Price Range (Osaka Stock Exchange):

	FY1998	FY1999	FY2000	FY2001	FY2002
High	¥9,440	¥4,850	¥7,350	¥3,610	¥3,580
Low	¥3,220	¥2,890	¥2,570	¥2,310	¥2,645

For further IR information, please contact:
Corporate Planning & Control Office IR & Info. Center
at our Head Office in Tokyo.
Tel: +81-3-3454-0891
Fax: +81-3-3454-0892
e-mail: investors@autobacs.com

Making Dreams a Reality for Younger Generations
Our Contribution to Motor Sports

Through the Autobacs Racing Team Aguri (ARTA) project, AUTOBACS SEVEN is a serious participant in motor sports activities. The ARTA project aims to nurture world-class Japanese racing car drivers with the leadership of Mr. Aguri Suzuki, a former Formula One driver. The ARTA project actively participates in major car races at home and abroad.

Moreover, our efforts in motor sports activities effectively blend in with our business activities and contribute to our unique strengths. Through these activities, AUTOBACS SEVEN provides its customers with satisfaction and excitement through products and services that enhance corporate brand value.

Golf Tournament for Disabled Persons-
Tokyo Philanthropy Open Held

We strive for the realization of a society where disabled and elderly persons do not feel any barriers in their daily social life. The "Golf Tournament for Disabled Persons-Tokyo Philanthropy Open" is an event where barriers to society are brought down. AUTOBACS SEVEN has supported this event since the first tournament in 1999. At the tournament, AUTOBACS SEVEN employees have participated as volunteers with other volunteers, deepening their contact with disabled persons by performing as caddies and providing support.

AUTOBACS GROUP STORES

AUTOBACS SEVEN CO., LTD.

Mita 43 Mori Bldg. 13-16, Mita 3-chome, Minato-ku, Tokyo 108-8307, Japan
www.autobacs-seven.com

Printed in Japan