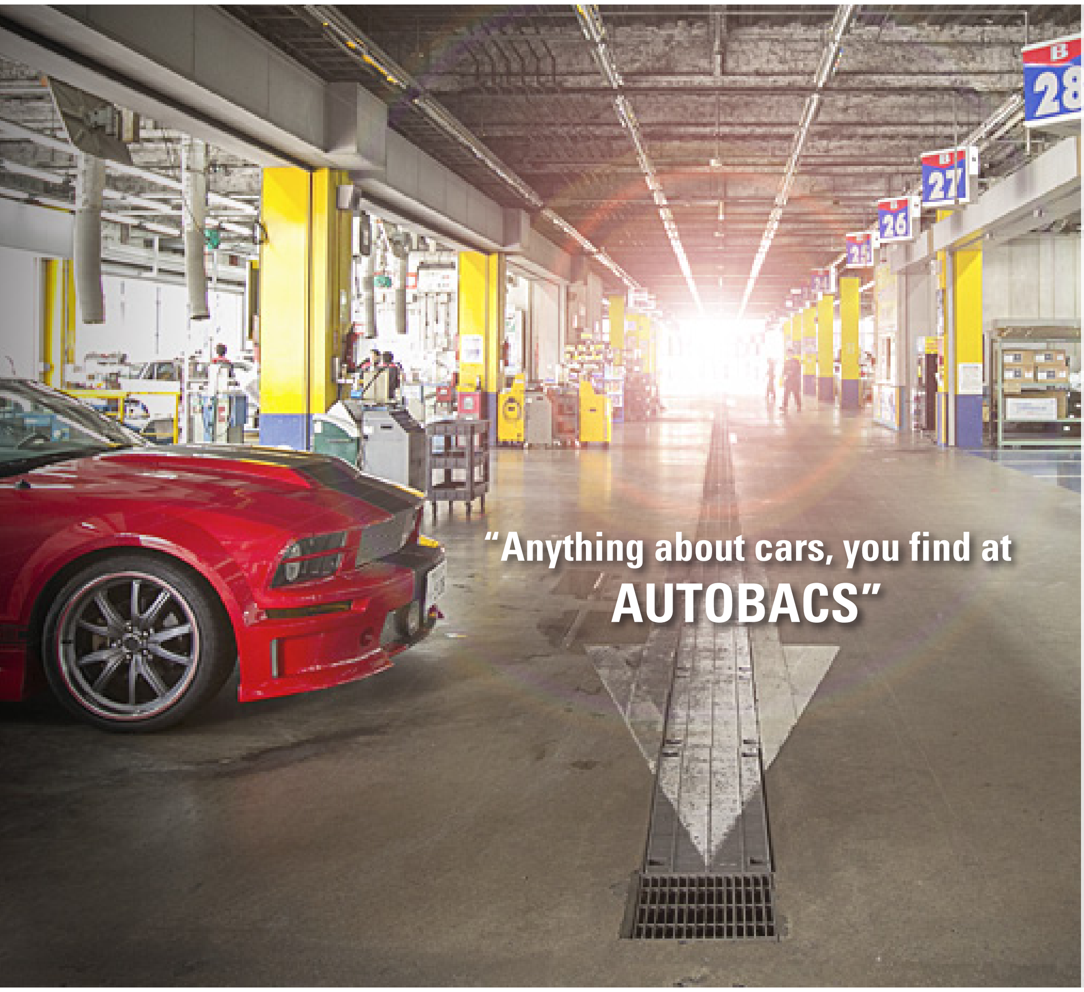
Annual Report 2013



A Closer Presence to Customers

Extensive Product Lineups and Services

Franchisees and Employees Supporting Customers

Sound Financial Position and Capital Policies

Anything about cars, you find at AUTOBACS

AUTOBACS SEVEN

Annual Report 2013 Contents

CEO's Message

Developing Stores from the Customer's Perspective to Accomplish our Slogan:
"Anything about cars, you find at AUTOBACS"

Setsuo Wakuda
Representative Director and Chief Executive Officer
湧田節夫

(1) Business Results for the Fiscal Year Ended March 31, 2013

Net sales were ¥230.2 billion, down 3.0% year on year, operating income was ¥12.7 billion, down 7.1%, and net income was ¥7.6 billion, down 9.7%.

The operating environment during fiscal 2013, the fiscal year ended March 31, 2013, saw demand for automotive goods generally rise in line with demand, buoyed by an increased number of new cars sold, mainly light automobiles and hybrid vehicles, encouraged by government subsidies for the purchase of fuel efficient vehicles. Even after the termination of the subsidies, demand for goods such as snow tires and tire chains remained strong, supported by the effects of cold weather nationwide and snowfall in the Kanto region. On the other hand, unit prices of car navigation devices declined as demand for car navigation devices and digital TV tuners for automobiles fell back after surging with the changeover to terrestrial digital television broadcasting in 2011, and a change in the price range for strong-selling navigation devices. Prices also reflected a more competitive environment, especially with car dealers, among the market participants.

In this business environment, the Company focused its efforts on measures guided by the AUTOBACS 2010 Medium-Term Business Plan. The plan aims to increase store profitability and market share as the core of its business strategy. In the automotive goods business, the Company reinforced sales initiatives tailored to specific models benefitting from government subsidies for the purchase of fuel efficient vehicles. Meanwhile, in sales of snow tires and wheel sets the Company took initiatives to focus on customer convenience by improving the lineup of such goods and offering them in a set unit in each store. As a result of these efforts, the Company generated solid sales of tires, wheels, interior accessories, and car washing goods. At the same time, we were unable to respond swiftly to changes in the markets for such car electronics offerings as car navigation systems. Overall automotive goods sales therefore declined from a year earlier. In the statutory safety inspections and maintenance business, however, the number of automobiles receiving statutory safety inspections grew by 7.1%, to around 573,000. This growth reflected the full-fledged roll-out of our Statutory Safety Inspection Contact Center in April 2012 and extensive efforts to expand sales through telephone and online promotions. On top of that, we established three state-of-the-art auto body repair and painting centers that helped boost bodywork repair sales. In automobile purchase and sales, we increased the number of AUTOBACS CARS franchises from 175 stores at the close of the previous year, to 244, offsetting the impact of lower unit sales to used car distributors as these fell back after surging a year earlier. The number of cars sold thus rose 2.9%, to around 18,400.

As a result of these efforts, the Company's consolidated net sales declined by 3.0% year on year to ¥230.2 billion. Operating income fell 7.1% to ¥12.7 billion, despite efforts to reduce selling, general and administrative expenses. Net income fell 9.7% to ¥7.6 billion due mainly to recording loss on sales of investment securities, net, and an increase in the income tax burden. On the other hand, these declines were partially offset by a recording of a ¥0.1 billion difference in the estimated loss following withdrawal from our business in North America based on the terms of a lawsuit settlement agreement.

(2) Progress on the AUTOBACS 2010 Medium-Term Business Plan

We made steady progress in our strategies of store reforms, human resource and operation reforms, increasing our market share, and developing our business overseas.

Store reform measures for enhancing store profitability, a pillar initiatives of the AUTOBACS 2010 Medium-Term Business Plan, resulted in higher central shelves sales and customer numbers at many outlets. However, the pace of improvements was mixed, prompting management to continue examining measures at stores with comparatively little improvement, and devising further improvements while continuing the measures. During the year under review, we started remodeling at Super AUTOBACS outlets. We sought to reflect the customer attributes and area characteristics of each store location, developing sales floors that would give full play to the strengths of Super AUTOBACS stores while differentiating them from competitor stores.

On the human resources and store operation reform fronts, we continued advanced customer service training while conducting strategy reinforcement training for all the managers of all stores to enhance their managerial capabilities. Assistant managers also received the training to enhance the managerial capabilities of all store executives.

One of our measures to increase market share is new store openings. We opened 30 stores in keeping with our initial plan. We are actively opening stores in areas where there are no Group stores; for example, commercial zones with no automotive goods stores and commercial zones with gaps between other stores where stores had not yet been opened.

Overseas, in an effort to improve profitability in each region, we opened one store and closed three in China while opening one store each in Malaysia and Taiwan. We will keep looking into expanding our business, particularly in the fast-growing ASEAN region. We will seek to capture further profit growth opportunities and are verifying our initiatives from a long-term perspectives.

For more details about progress on the AUTOBACS 2010 Medium-Term Business Plan, please see Feature: Growth Strategy.

(3) Return to Shareholders

Under our policy of enhancing returns to shareholders, we increased the dividend per share by ¥11 year on year to an annual dividend of ¥156, and repurchased ¥7,193 million worth of our own shares.

The Group considers returns to shareholders to be one of its most important management priorities.

We are investing in opening new stores and in other areas as we carry out the growth strategies of the AUTOBACS 2010 Medium-Term Business Plan. We will continue to provide shareholder returns while ensuring that we maintain efficient and strong balance sheets. We have a consolidated dividend on equity target of around 3%. In the fiscal year ended March 31, 2013, we paid an annual dividend of ¥156 per share, up ¥11 from a year earlier. The dividend on equity ratio was 3.4%. We also repurchased 1.8 million shares for ¥7,193 million and canceled 5 million treasury shares.

We made a 1:3 stock split to broaden our investor base and enhance the liquidity of our shares. In the years ahead, we aim to keep enhancing shareholder returns not only through dividends but also through other initiatives.

(4) Outlook for the Fiscal Year Ending March 31, 2014

We are targeting an operating income of ¥13.5 billion and ROE of 5.8%. We will continue to steadily execute the strategies of the 2010 Medium-Term Business Plan, aiming to accomplish our corporate slogan of "Anything about cars, you find at AUTOBACS."

We expect that the operating climate will remain very tough in the fiscal year ending March 31, 2014. This would reflect a fall-back from the surge in new car sales due to government subsidies for the purchase of fuel efficient vehicles, falling ASP of car navigation systems, and soaring gasoline prices as a result of a lower yen and other factors. Under these conditions our product strategies will include tackling the revenue-reducing impact of declining ASP of car navigation systems by reinforcing tire sales in particular, as well as expanding statutory safety inspections and car sales. We will endeavor to increase the local market shares of each store by encouraging repeat visits by AUTOBACS members and by reinforcing initiatives to attract customers near stores. On top of that, we will continue opening stores in areas in which we have had no presence and pursue e-commerce to bolster our overall market share. We will also focus on enhancing the earnings at our domestic store subsidiaries.

The fiscal year ending March 31, 2014, is the final year of the AUTOBACS 2010 Medium-Term Business Plan. Given that the business climate is tougher than we originally envisioned, we project consolidated operating income for the year of ¥13.5 billion, against a plan target of ¥16 billion, and we expect a 5.8% return on equity versus the originally planned 7.0%. Although it will be hard to reach our numerical targets, we will steadily implement the measures of the AUTOBACS 2010 Medium-Term Business Plan to reinforce the capabilities of each store, increase our market share, and achieve our corporate slogan of "Anything about cars, you find at AUTOBACS."

(5) Increasing Corporate Value over the Medium-to Long-Term

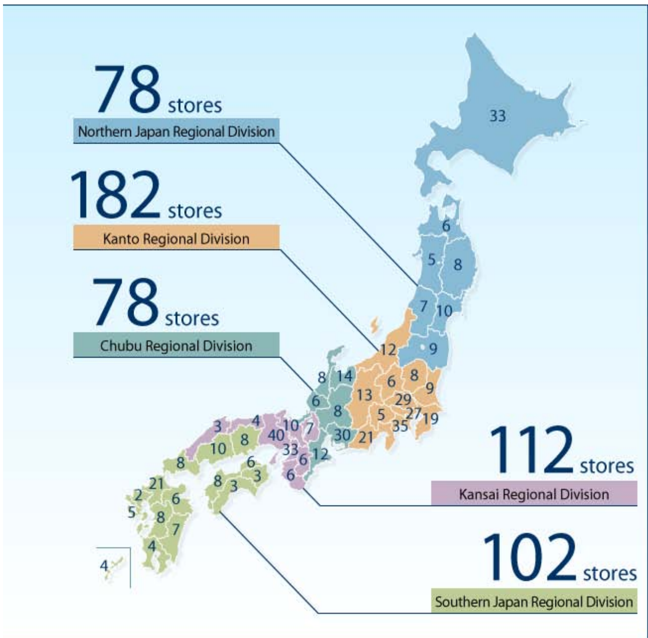
We will aim to strengthen our profitability even further and to increase our market share by enhancing our value to customers to increase their support for us.

The AUTOBACS 2010 Medium-Term Business Plan will be completed in the fiscal year ending March 31, 2014. Our next strategy will be to focus first on expanding AUTOBACS business earnings while exploring new business opportunities to generate stable, ongoing growth.

In our AUTOBACS business, we will strive to enhance our value to customers and increase their support for us, thereby reinforcing the profitability of individual stores and our market share. We will swiftly address changes in the operating climate and decisively cultivate new businesses in Japan and abroad to drive future earnings while remaining committed to the AUTOBACS business so we can realize medium- and long-term corporate growth.

AUTOBACS Snapshot

A Closer Presence to Customers | Extensive Product Lineups and Services | Franchisees and Employees Supporting Customers | Sound Financial Position and Capital Policies

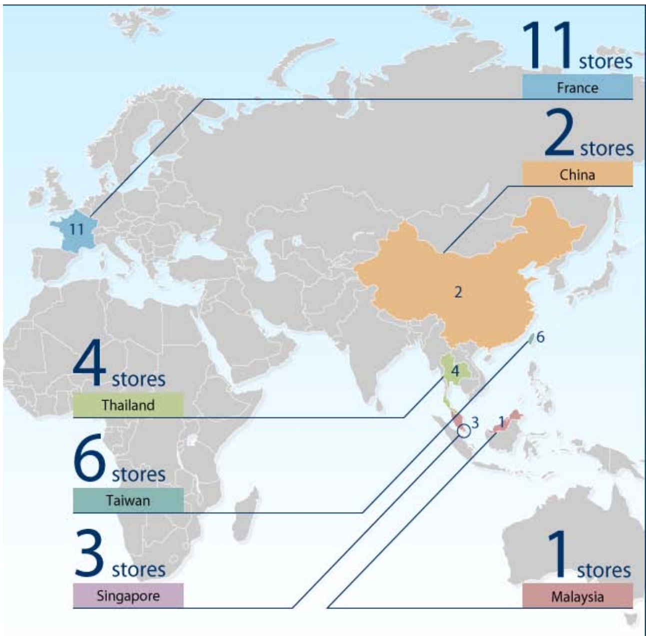


Number of stores in Japan

552 stores

AUTOBACS	455 stores
Super AUTOBACS	76 stores
AUTOBACS Secohan Ichiba	14 stores
AUTOBACS EXPRESS	7 stores
AUTOBACS CARS	244 stores

- Since opening Japan's first automotive goods and services store AUTOBACS in 1974, the AUTOBACS Group has been continuously developing business from the customer's perspective by remaining mindful of its Customer First philosophy.
- As of March 31, 2013, AUTOBACS operated 552 stores in Japan, giving it the largest market share in the field of automotive goods specialty stores.
- AUTOBACS Group stores in Japan are managed by 90 franchisee companies(including AUTOBACS SEVEN and its consolidated subsidiaries).



Number of overseas stores

27 stores

France	11 stores
Taiwan	6 stores
Thailand	4 stores
China	2 stores
Singapore	3 stores
Malaysia	1 stores

- Since opening our first overseas store in Taiwan in 1991, we have been expanding the AUTOBACS store format overseas as well.
- Based on the AUTOBACS store format in Japan, which consists of sales of automotive goods and installation services, AUTOBACS has provided services in line with the needs of customers in each country.
- As of March 31, 2013, there were 18 overseas stores directly managed by AUTOBACS and its subsidiaries, and 9 overseas franchised stores.

AUTOBACS Snapshot

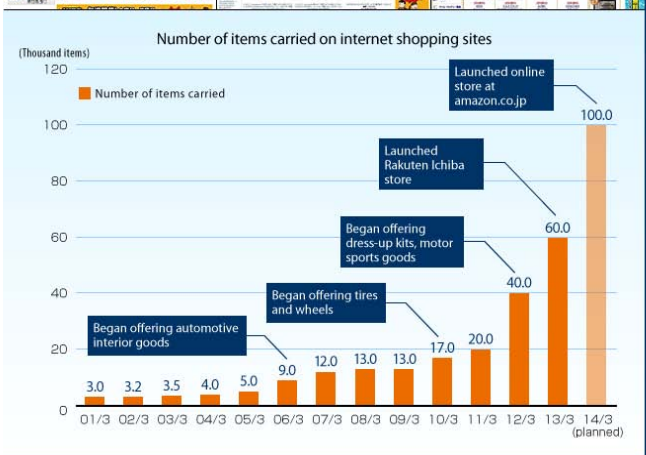
A Closer Presence to Customers | Extensive Product Lineups and Services | Franchisees and Employees Supporting Customers | Sound Financial Position and Capital Policies

Number of new stores in Japan and overseas

33 stores

Hokkaido	2 stores
Tohoku	4 stores
Kanto	4 stores
Chubu	1 stores
Hokuriku	2 stores
Kansai	7 stores
Chugoku	2 stores
Shikoku	2 stores
Kyushu	6 stores
Overseas	3 stores

- We have been opening of new stores in order to increase our market share, which is a key priority under the AUTOBACS 2010 Medium-Term Business Plan.
- Besides opening stores based on the existing store format, we have been stepping up openings of smaller stores at a lower cost in areas where we have yet to develop a presence.
- In the fiscal year ended March 31, 2013, we opened 30 stores across Japan and 3 stores overseas.



Number of items carried on Internet shopping sites

Approx.

60,000 items

Tires, wheels, audio, terrestrial digital TV tuners, monitors, car navigation systems, ETC devices, accessories, child seats, interior, carriers, wipers, filters, oil and batteries, repair items, car wash and chemical products, automotive lights, dress-up kits, tune-up items, horns, security goods, engine starters, leisure goods, miscellaneous items, and others.

- Since opening our first overseas store in Taiwan in 1991, we have been expanding the AUTOBACS store format overseas as well.
- Based on the AUTOBACS store format in Japan, which consists of sales of automotive goods and installation services, AUTOBACS has provided services in line with the needs of customers in each country.
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Private brand ratio

16.6%
(of net sales)

Tires	29.8%
Wheels	12.4%
Car electronics	3.5%
Oil	35.6%
Batteries	63.1%
Maintenance	12.5%
Accessories	6.6%
Car repair	10.3%
Motor sports goods	4.2%

* Includes exclusive AUTOBACS merchandise
* Results from April 2012 to March 2013

- The AUTOBACS Group has been providing high-quality, high value-added private brand merchandise since 1977.
- Development of private brand merchandise begins with an analysis of customer requests, with the goal of creating merchandise that embodies those customer views, while balancing price and performance.
- AUTOBACS currently offers approximately 1,000 items (SKU) of private brand and exclusive merchandise, representing 16.6% of total SKUs sold.

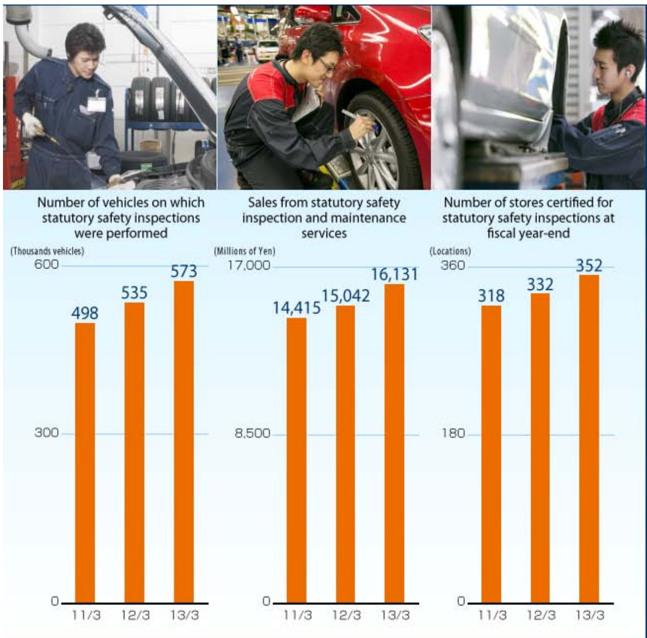
Average no. of items carried per store

Approx.
10,000 - 30,000
items

Store format	Average number of items carried
Super AUTOBACS Type I	Approx. 30,000
Super AUTOBACS Type II	Approx. 20,000
AUTOBACS Large Store	Approx. 17,000
AUTOBACS Medium-Sized Store	Approx. 13,000
AUTOBACS Small Store	Approx. 10,000

- Guided by a Customer First philosophy, AUTOBACS has provided an extensive product lineup far larger than those of competitors. This has reinforced the image that any kind of automotive product can be found at AUTOBACS.
- Besides offering the merchandise of leading manufacturers, AUTOBACS carries numerous novelty products and private brand merchandise items that improve convenience for customers and enhance the pleasure of motoring.
- Standard AUTOBACS stores have a product range of more than 10,000 items per store.

AUTOBACS Snapshot



Statutory safety inspection and maintenance services

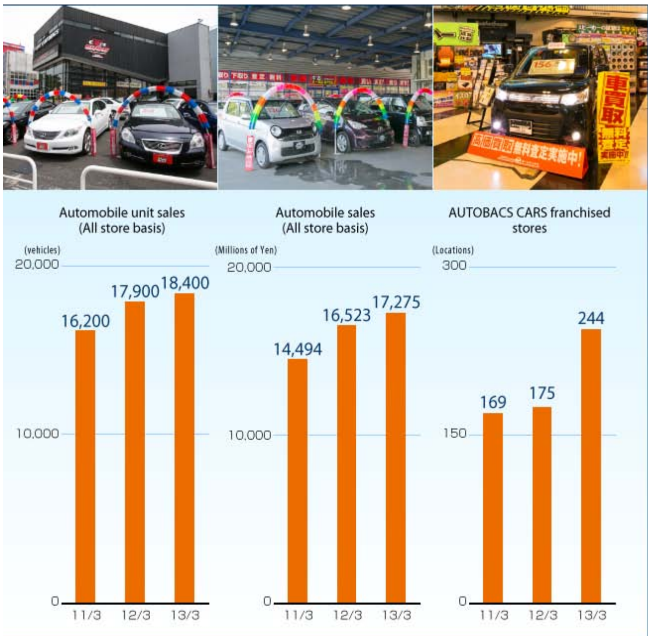
573,000 vehicles
(Up 7.1% year on year)

¥16.1 billion
(Up 7.2% year on year)

Stores certified for statutory safety inspections

352 stores

- We have been providing a wide range of automotive support services, with the aim of living up to our corporate slogan of "Anything about cars, you find at AUTOBACS."
- Statutory safety inspection and maintenance services have grown rapidly, reaching nearly 600,000 vehicles a year as of March 31, 2013.
- We are increasing the number of stores classified as fully certified and designated centers for statutory safety inspection, store locations for performing all work related to safety inspections. At present, the AUTOBACS Group operates 352 such stores.



Automobile purchase and sales business

18,400 vehicles
(Up 2.9% year on year)

¥17.3 billion
(Up 4.5% year on year)

- In the automobile sales and purchase business, the AUTOBACS Group sells new vehicles, along with purchasing and selling used vehicles.
- As of March 31, 2013, this business was conducted at 244 stores. Annual automobile unit sales have grown to more than 18,000 units.

AUTOBACS Snapshot

Number of personnel with national qualifications

Approx. **3,500** people

Statutory safety inspectors Approx. 1,200 people
Class 2 automobile mechanic Approx. 2,700 people
Class 3 automobile mechanic Approx. 3,400 people

AUTOBACS Group qualifications

Approx. **14,800** people

Motoring Advisor Class 1 Approx. 8,700 people
Mechanic Class 3 Approx. 6,100 people

- At the AUTOBACS Group, employees who hold national qualifications such as mechanic and automobile statutory safety inspector offer customers a range of professional advice.
- The AUTOBACS Group has a system for employees to obtain various in-house qualifications, too. Examples include Motoring Advisor, which shows that an employee has obtained product knowledge related to automotive goods, and Mechanic, which shows that an employee has obtained basic automobile maintenance knowledge. These qualifications help to improve confidence and satisfaction among customers.

Store managers of all stores received training on strategic management skills

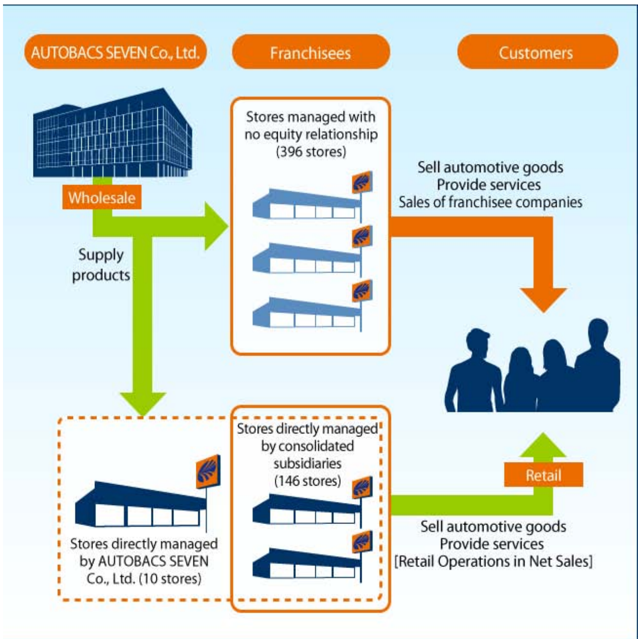
551 people

All staff received customer service training

9,920 people

- The AUTOBACS Group has provided customer service training to all employees to ensure that all customers can shop at its stores comfortably and with confidence. The training reinforces basic conduct such as greeting and interacting with customers and remembering to smile and be cheerful.
- Store managers of all stores have been receiving strategic strength training. We are now extending the scope of training to include assistant managers as well. Through this training, we aim to enhance the management skills of store leaders.
- We aim to continue the customer service training we have implemented to date, with a view to nurturing human resources who are trusted and relied upon even more by customers in local communities.

AUTOBACS Snapshot



Number of franchised stores

396 stores

Consolidated store management subsidiaries

146 stores

Directly managed

10 stores

- The AUTOBACS Group's earnings structure consists of the wholesale operations supplying automotive goods and other merchandise to franchised stores and retail operations at stores managed by consolidated subsidiaries.
- Currently, the AUTOBACS Group's operations are carried out by 396 franchised stores, 146 stores managed by consolidated subsidiaries, and 10 stores directly managed by AUTOBACS SEVEN.

AUTOBACS Snapshot

Equity ratio

69.5%

Debt-equity ratio

0.06 times

- The AUTOBACS Group has a strong financial position, with an extremely high equity ratio of 69.5% and a debt-equity ratio of 0.06 times.
- The AUTOBACS Group has created a positive cycle where its strong financial position and stable earnings structure creates a sense of trust that enables a stable supply of products from business partners, which in turn leads to stronger earnings.

DOE (Dividend on equity)

3.4%

Total return ratio

160.1%

- The Group pays a stable dividend targeting DOE of around 3%, while conducting share buybacks as appropriate.
- Looking ahead, we will continue to make proactive business investments in line with our growth strategy, while striving to enhance our returns to shareholders and increase capital efficiency.

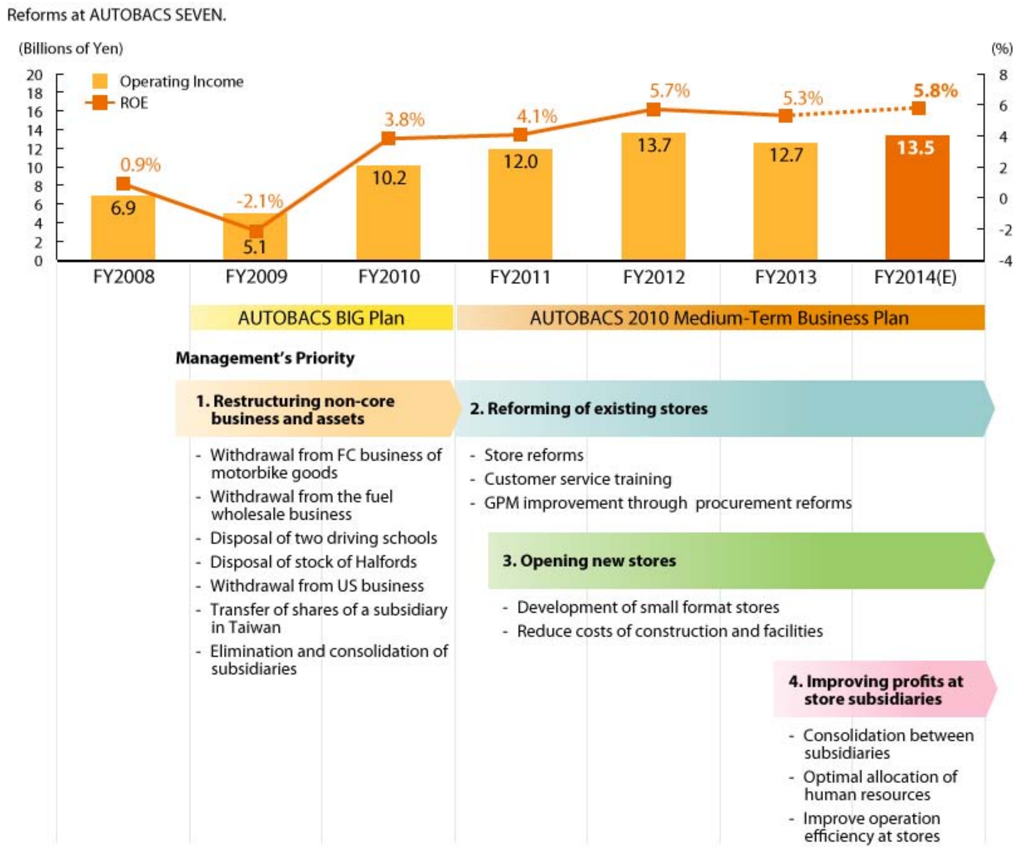
Feature: Growth Strategy

AUTOBACS SEVEN's growth trajectory

Up until the year ended March 31, 2010, we focused on liquidating unprofitable businesses, streamlining costs, and reinforcing our governance structure, but the market climate for the domestic franchise chain business was adverse. We responded by launching the AUTOBACS 2010 Medium-Term Business Plan in the following fiscal year.

We positioned the first two years of that initiative as an expansion preparation period. During that time, we prioritized reinforcing the cost-competitiveness of stores and headquarters so we could offer prices that satisfy customers under an adverse operating climate. We also lowered costs through purchasing reforms and remodeled our sales floors and strengthened operations to make products easier to select and buy and enhance customer enjoyment.

During the latter two years of our plan, we are concentrating on expanding existing businesses based upon our achievements so far. We are expanding the number of stores so customers sense that our stores are closer to them, enabling us to expand market shares in each area. Our objectives are to increase earnings and corporate value.



Rebuilding Our Customer-Oriented Value Proposition to Accomplish Our Slogan:

"Anything about Cars, You Find at AUTOBACS"

Overview of AUTOBACS 2010 Medium-Term Business Plan

We aim to achieve our corporate slogan of "Anything about Cars, You Find at AUTOBACS" by focusing on Measures to Boost Store Profitability and Measures to Increase Market Share.

Basic Policies of the AUTOBACS 2010 Medium-Term Business Plan

Management Targets	Consolidated operating income 160 million yen ROE (Return on equity) 7.0% DOE (Dividend on equity) 3.0%
Business Strategy	Focus on fundamentally strengthening the domestic franchise chain business to increase market share and store profitability
Financial Strategy	Strive to further increase shareholder value through proactive business investment and enhancement of shareholder returns

Rebuilding Our Customer-Oriented Value Proposition to Accomplish Our Slogan:

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Progress on measures to improve store profitability

We are reforming sales spaces based on the concept of a customer-oriented perspective on environments that make products and services easier to select and purchase and which are enjoyable to shop in. We are also reforming human resources and operations to reinforce service so customers feel good when they make purchases.

Measures to Improve Store Profitability	Progress During the Fiscal Year Ended March 31, 2013
(1) Store reforms	Steadily increased central shelves and comprehensive maintenance and service corner sales as a result of renovations. Renovated 19 Super AUTOBACS stores.
(2) Gross margin improvement (purchasing reform)	Negotiated with suppliers and strengthened discount management, thus improving gross margins on many product lines.
(3) Human resource and operation reforms	Completed store manager training. Advanced preparations to diversify store employee skills.

(1) Store reforms

During the first two years of the AUTOBACS 2010 Medium-Term Business Plan, we focused on renovating all AUTOBACS stores to make it easier for customers to select and purchase products. As a result of these enhancements sales of accessories and car maintenance items are starting to show improvement.

We have extended these reforms to Super AUTOBACS stores, renovating 19 stores in the year ended March 31, 2013. We have made these outlets more fun and exciting by providing highly appealing merchandise lineups and sales floors that are unique to Super AUTOBACS. We will continue reforming stores to attain greater customer support.


Vehicle advice counter


Sports seat sales area


Car model specific merchandize area


Pit-Stop Menu Proposal Counter

Feature: Growth Strategy

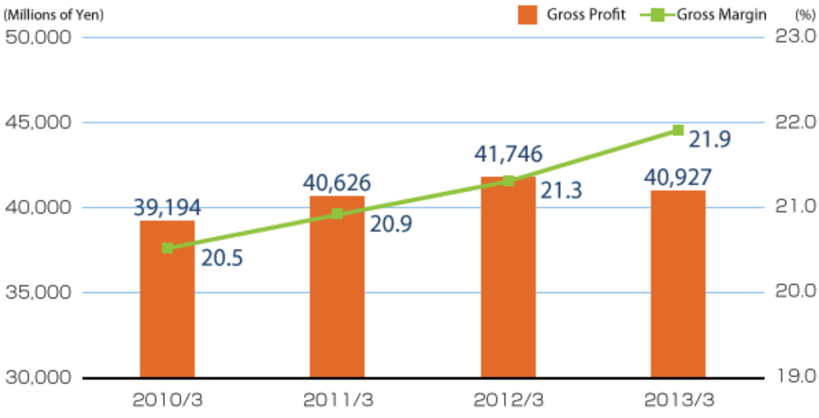
(2) Gross margin improvement (purchasing reform)

Our basic stance on gross margin improvement is to provide customers with valuable products at reasonable prices.

Since launching the AUTOBACS 2010 Medium-Term Business Plan, we have streamlined merchandise lineups and purchased in bulk while reinforcing internal discounting management to bolster the gross margins on numerous product lines.

We will continue to promote strategic initiatives together with suppliers and institute reforms that build win-win relationships by enabling us to offer products to customers at affordable prices while benefiting suppliers.

AUTOBACS SEVEN Non-consolidated Gross Profit and Gross Margin



(3) Human resource and operation reforms

By the year ended March 31, 2012, we completed training for all employees in such service aspects as greeting customers in a friendly manner. A third-party survey found that customer service had improved at our stores, confirming the benefits of training. We are continuing our program, and trained around 1,000 employees in the fiscal year ended March 31, 2013, primarily at new stores.

We have conducted strategic strength training for all store managers. This program encompassed individual store strategies, including local approaches to effectively increase customer numbers. The program has also increased the ability of store managers to better execute tasks by building plan-do-check-act cycles, taking greater initiative, and enhancing their organizational skills to boost results. We have expanded this program to include assistant managers to enhance the managerial capabilities of all store executives.

At stores that maintained a good performance, personnel systems and rules for cooperation across divisions were established and mechanisms to ensure the full use of customer service opportunities were strengthened. By standardizing the mechanism and concepts and deploying them at other stores, the Group will continue to improve customer convenience and bolster its performance.

Advanced customer service training

Strategic strength training in progress

Rebuilding Our Customer-Oriented Value Proposition to Accomplish Our Slogan:

"Anything about Cars, You Find at AUTOBACS"

Progress on measures to increase market share

We are striving to improve our market share by aggressively opening new stores while developing new service formats and our multichannel strategy.

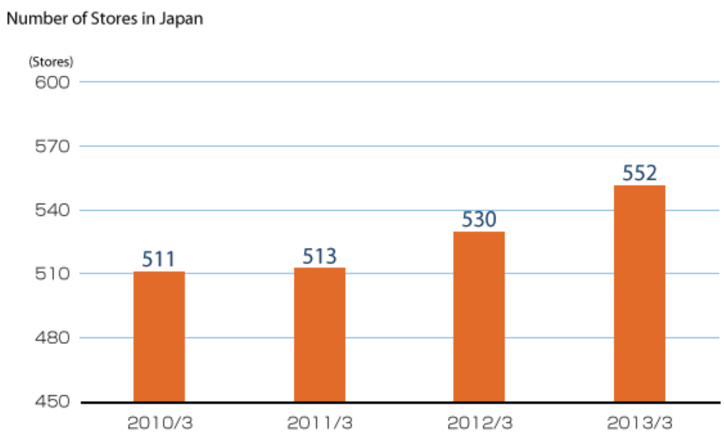
Measures to Increase Market Share	Progress During the Fiscal Year Ended March 31, 2013
(1) Opening new stores	Thirty stores opened (including three AUTOBACS EXPRESS stores). Began opening stores that would require lower capital investments and operational costs and generate annual sales of less than ¥200 million.
(2) Develop service formats	Established Auto Body Repair and Painting Centers (Urayasu, Toda, Fukuoka).
(3) Develop multichannel sales strategy	Started an online reservation service for oil changes, promoted tablet PC use, strengthened Internet sales, opened a store on Rakuten Ichiba.

(1) Opening new stores

We are opening new stores to improve customer convenience and attract more customers. Other sites for store openings include areas lacking automotive goods outlets and small commercial areas in suburbs where we have not opened stores before.

We inaugurated the AUTOBACS Tire Shop as a format smaller than regular AUTOBACS stores for focusing on sales and service for tires and wheels. Stores in this format also offer regular maintenance and replacements for such items as oil and batteries.

We reviewed individual store fixtures and pit equipment as part of initiatives to further lower costs. We aim to materialize our slogan of "Anything about Cars, You Find at AUTOBACS" by supplying products and services that match local needs.



AUTOBACS NARA DAIANJI Store in Nara

AUTOBACS SHIMA UGATA, Store in Mie

(2) Develop service formats

We have deployed new service formats since the year ended March 31, 2012, opening three Auto Body Repair and Painting Centers (in Urayasu, Chiba Prefecture, Toda, Saitama Prefecture, and Fukuoka, Fukuoka Prefecture). We set up the Statutory Safety Inspection Contact Center to handle customer inquiries and offer consultations about statutory safety inspections, taking reservations for inspections and following up to ensure that customers deliver the vehicles to stores on the agreed dates.

We are engaging in property development for full-service format stores that enhance customer convenience, and are reflecting on what we have learned from pilot stores in efforts to establish new formats.

(3) Develop multichannel sales strategy

We expect sales of automotive products and services to expand through the Internet. The AUTOBACS GROUP has positioned e-commerce as a pillar for supporting growth, and has accordingly enhanced its online store and reinforced its capabilities.

In August 2012, in addition to our AUTOBACS.COM Internet shopping site we opened the AUTOBACS Rakuten Ichiba Store in an Internet shopping mall operated by Rakuten, Inc. In June 2013, we opened an online store on Amazon too. We opened the AUTOBACS store as an official online store on Amazon's Japanese site. As well as offering bargain-priced items one would expect from online shopping, the site supplies essential car maintenance information to increase convenience for people who know little about cars, as part of efforts to propose the best products to our customers.

An increasing number of customers ordering online who have never been to bricks-and-mortar AUTOBACS stores before are now visiting for installations after ordering parts from our online store. We will therefore reinforce Internet sales as a means of attracting new customers.

http://www.autobacs.com/index.html

http://www.rakuten.ne.jp/gold/autobacs/

Feature: Growth Strategy

Rebuilding Our Customer-Oriented Value Proposition to Accomplish Our Slogan:

"Anything about Cars, You Find at AUTOBACS"

Progress on overseas operations

Overseas, we have AUTOBACS stores in France, China, Singapore, Thailand, Taiwan, and Malaysia (the Taiwanese and Malaysian outlets are managed by franchisees). One objective of the AUTOBACS 2010 Medium-Term Business Plan is to make overseas operations profitable, and we achieved this in the year ended March 31, 2012. In the year under review, however, our operations in China made slight losses because of increased store-opening costs and other factors.

This fiscal year, we will continue striving to make our overseas business profitable, as we look to expand operations in the ASEAN region.

Overseas Operations	Progress During the Fiscal Year Ended March 31, 2013
(1) France	Revenues decreased, reflecting a dicline in personal consumption amid economic stagnation in Europe. Other negative factors were an increase in the number of stores unable to operate on Sundays and sluggish sales of winter items.
(2) China	Revenues were down. While we opened our third directly managed store, we closed our first directly managed outlet and two franchise stores. We incurred losses on the store openings and closures.
(3) Singapore	Revenues and earnings increased, reflecting efforts to sell tires, oil, and other maintenance items, and the addition of sales from stores opened in the year ended March 31, 2012.
(4) Thailand	Revenues increased due to aggressive promotions centered on tires, but we posted operating losses owing to increased expenses such as store rental fees.

Areas Operated by Subsidiaries (Including Some Franchise Outlets)

(1) France

We opened our first store in France in January 2001. Having since acquired other locations, we now have 11 stores in France (including two franchise outlets). In the year ended March 31, 2013, we focused on sales of automotive essentials and consumables, centered on tires, against a backdrop of a stagnant European economy and dwindling personal consumption. These efforts enabled us to garner support from local customers. We aim to generate ongoing earnings by endeavoring to reduce selling, general and administrative expenses.

Feature: Growth Strategy

(2) China

We opened our first store in China in 2004. The Chinese automotive goods and services market offers considerable growth potential, and we have been using direct operations stores for testing and verifying store model initiatives. Today, we have two stores in China, directly managed by local subsidiaries. As well as offering automotive goods and services, the stores have car-washing facilities, and are exploring local customer needs.

(3) Singapore

We opened our first store in 1995, and now operate three outlets in Singapore. We have gained solid support from local customers for our extensive merchandise lineups and quality services. Our stores in Singapore have expanded sales on the strength of demand for tires, oil, batteries, and other consumable items and continue to generate operating income.

(4) Thailand

We operate four stores in Thailand, the first of which opened in January 2000. Despite the effect of the floods in 2011, sales at all of these stores have remained healthy, reflecting efforts to reduce expenses and undertake promotional activities.

Areas Operated by Franchisee Companies

(1) Taiwan

We opened our first local store in January 1991, and now have six outlets. The AUTOBACS ZHONGHE Store, which opened in October 2012, offers around 4,500 items, ranging from consumable items to car washing goods, car interior goods, and luxury items. We will continue our initiatives to expand earnings at these stores going forward.

(2) Malaysia

In April 2012, we opened our first outlet in Malaysia, the AUTOBACS Klang Sentral Store. This store offers similar services to those of its counterparts in Japan, including an extensive merchandise lineup as well as oil and tire changes and car inspection services.

Interviews with Outside Directors

Tatsuya Tamura
Director
(Outside, Independent)

Q1
Given your career experience, what role do you think that shareholders and investors expect you to play at AUTOBACS SEVEN?

A1
The Board of Directors is the supreme decision-making body for routine corporate activities. I assume that shareholders and investors wish the board to engage in wide-ranging deliberations about overall corporate value rather than solely considering the interests of the management, employees, and key business partners involved in routine corporate activities. In general, deliberations on the boards of Japanese companies are solely by insiders. I believe that adding outside directors makes it possible to discuss issues that would not arise through internal deliberations, making board discussions fuller and more balanced.

Q2
What do you think of the governance structure of AUTOBACS SEVEN in comparison with those of Japanese companies overall?

A2
The Companies Act of Japan provides two systems that a company may adopt 1) a Company with Committees or 2) a Company with a Board of Corporate Auditors system. Generally, the Company with Committees approach is considered to be the more advanced. That said, neither approach intrinsically determines true governance. The Company has retained a Board of Corporate Auditors, keeping a traditional Japanese corporate governance structure. It has enhanced this structure numerically and qualitatively with outside directors to reinforce actual governance. With this "hybrid" governance structure, we deliver very realistic results. Although there are some differences in governance between companies due to their corporate organization or "form," the important thing is to run a Board of Directors with a strong awareness of what governance or executive matters are. At AUTOBACS SEVEN, I think that the chairman of the Board of Directors makes sufficient decisions on such points and properly runs the board, so in this way the form is ideal.

Norio Hattori
Director
(Outside, Independent)

Q1
Given your career experience, what role do you think that shareholders and investors expect you to play at AUTOBACS SEVEN?

A1
I have spent more than 30 years of my career helping to maintain law and order, and have been involved in administration and management of various-sized organizations. AUTOBACS SEVEN operates with more than 500 stores. I believe that shareholders and investors expect me to constantly keep the whole organization in mind, monitoring management in the Board of Directors, naturally, but also endeavoring to maintain proper business execution.

Q2
What do you think of AUTOBACS SEVEN's compliance and crisis management structures?

A2
The Company's compliance and crisis management structures were inadequate when I was elected as an outside director five years ago. Rules and other safeguards have gradually been established since then. It is important to note, however, the Company could instantly damage its image and brand by erroneously failing to fully adhere to laws and ordinances governing its operations. Such legislation includes the Road Transport Vehicle Act, the Product Liability Act, and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. I believe that it will become more important than ever to repeatedly educate employees and other internal stakeholders about laws and ordinances. Such efforts would go beyond mere formal reporting of specific cases or events and would clarify the issues and help prevent problems from recurring.

Interviews with Outside Directors

Noriaki Shimazaki
Director
(Outside, Independent)

Q1
Given your career experience, what role do you think that shareholders and investors expect you to play at AUTOBACS SEVEN?

A1
I think they expect me to draw on my 11 years of experience as a director of a general trading company to help formulate management strategies and contribute to risk management. In other words, I aim to help optimally allocate accumulated shareholders equity by involving myself in planning to increase the Company's shareholder value and provide appropriate advice. For example, for initiatives to expand existing businesses and build new businesses offering growth potential, I will thoroughly review and monitor everything from the formulation and execution of strategies through to post-implementation operational management.

Q2
In considering the management strategies of AUTOBACS, what do you think are the greatest strengths and opportunities?

A2
The Company's strengths are that it has the highest shareholders' equity in its industry, a robust business network, and very experienced and educated executives and employees. Its strengths are that it has the high quality personnel, merchandise and service, and capital resources that it needs to drive corporate growth. Senior management has the responsibility of fully utilizing these operating resources to pursue corporate growth. The Company has many options it can take. In Japan, it can make preparations to acquire other companies or expand existing businesses. It can leverage its domestic experience and expertise to cultivate a proprietary model in emerging markets. It must urgently cultivate new human resources to undertake such endeavors.

Directors and Officers: Introduction and Messages

Setsuo Wakuda
Representative Director, Chief Executive Officer and Chief Chain Officer

For the past two years as an Outside Director, I have endeavored to provide appropriate advice based on our past experience as to the implementation of business strategies for enhancing the corporate value of the Company and risk management and human resources development for reinforcing the Company's business foundations.
While continuing to perform the aforementioned duties in the fiscal term ending March 31, 2014, I will participate in the discussions for setting out a medium-term business plan for the period beginning in the next fiscal term to provide opinions on growth strategies and capital policies of the Company from the perspective of shareholder value to help create a business plan that satisfies all stakeholders.

Yasuhiro Tsunemori
Director, Vice Chief Executive Officer and Vice Chief Chain Officer

In the fiscal term ending March 31, 2014, which is the final year of the AUTOBACS 2010 Medium-Term Business Plan, I will focus on reinforcing the organizational structure and human resources to address changing market environments and automotive innovations on a continual basis. Also, through focused efforts to ensure customer-oriented management to win the trust and patronage of our customers as expressed in the Group's vision, "Anything about cars, you find at AUTOBACS," I will commit myself not only to current business performance but also to ensuring the sustainable growth of the Company for the years ahead and enhancement of its corporate value.

Hironori Morimoto
Director and Senior Managing Executive Officer, Head of Corporate Administration and Finance & Accounting

Toward the targets set forth in the AUTOBACS 2010 Medium-Term Business Plan, I have engaged in efforts to attain the trust of our customers as expressed in the Group's vision, "Anything about cars, you find at AUTOBACS," thereby enhancing the value for our customers.
I will continue to engage in accommodating rapidly changing business environments in a swift and flexible manner, accelerating business growth by identifying emerging business opportunities, ensuring the best possible allocation of management resources to solidify the Group's business foundations and enhancing the corporate value.

Tatsuya Tamura
Director,
(Outside, Independent)

The automobile after-sales service market is undergoing several major structural changes, against the backdrop of declining car use, emergence of electric and hybrid vehicles, and other factors. The Company must respond flexibly and promptly to those structural changes, while aggressively exploring new business opportunities that might arise in association with said markets. In the automobile after-sales markets especially of the growing Southeast Asian economies, you may find entirely new business opportunities not shared by the Japanese market, and therefore the Company should not fail to conduct up-front investment and market research on a continual basis.
Valuing these perspectives, I would like to actively exchange opinions with the management team and executive officers as an Outside Director and Independent Officer. Through such active interactions, I hope to contribute to enhancing the common interests of the Company, employees, shareholders and franchisees.

Norio Hattori
Director,
(Outside, Independent)

Today, the environment surrounding the automotive industry is undergoing a remarkable change, as we see the steady expansion of hybrid and electric vehicles and the accelerated utilization of information technology integrated with information and telecommunications devices, such as smartphones. In Asia, the remarkable economic growth of not only China but also the ASEAN countries is accelerating the spread of automobiles. Given this background, I will endeavor to obtain accurate information and analyze effectively for continued business expansion, while ensuring good corporate governance, thereby enhancing corporate value.

Teruyuki Matsumura
Director and Senior Executive Officer, Head of Marketing & Sales Strategy Planning

For the past three years, I have engaged in efforts under the AUTOBACS 2010 Medium-Term Business Plan to open new stores, reform existing stores and enhance customer services to increase the convenience of our customers. During the fiscal term ending March 31, 2014, I will work to increase our market share and improve store profitability by creating reliable and enjoyable stores where customers can entrust us with their statutory safety inspections and a wide variety of maintenance services and feel the pleasure of driving experiences, as well as by completing the reforms at Super AUTOBACS stores, striving to ensure the Company's future growth and enhance its corporate value.

Directors and Officers: Introduction and Messages

Kiomi Kobayashi
Director and Senior Executive Officer, Head of Sales Operation and Chain Store Planning

For the three years since being inaugurated as Director, I have been committed to achieving the targets of the AUTOBACS 2010 Medium-Term Business Plan by working to enhance the conduct of store staff as well as the Group employees, and continuing store development efforts. By nurturing the store staff's ability to make consistent efforts to best serve customers even in a rapidly changing business environment and accelerating the development of stores that can flexibly accommodate changing customer needs, I will strive to reinforce individual store strength and increase market share, thereby enhancing the corporate value of the Company.

Noriaki Shimazaki
Director, (Outside, Independent)

For the past two years as an Outside Director, I have endeavored to provide appropriate advice based on our past experience as to the implementation of business strategies for enhancing the corporate value of the Company and risk management and human resources development for reinforcing the Company's business foundations.
While continuing to perform the aforementioned duties in the fiscal term ending March 31, 2014, I will participate in the discussions for setting out a medium-term business plan for the period beginning in the next fiscal term to provide opinions on growth strategies and capital policies of the Company from the perspective of shareholder value to help create a business plan that satisfies all stakeholders.

Hidehiro Ide
Audit & Supervisory Board Member (Full-time)

To date, I have overseen disclosure and budget control and financial strategies as a director, senior executive officer, and finance & accounting officer. I seek to leverage my finance and accounting experience in monitoring and verification roles to further enhance internal control systems in keeping with the requirements of the Companies Act and the Financial Instruments and Exchange Act.

Toshiki Kiyohara
Audit & Supervisory Board Member (Full-time, Outside, Independent)

There were several corporate scandals in Japan that became major social issues in the past two fiscal years. The resulting social pressures appear to have driven considerable changes in society's expectations of companies in terms of corporate governance.
As an outside Audit and Supervisory Board member, I seek to draw on my diverse work experience in providing independent, neutral, and fair opinions to directors and officers while helping to qualitatively improve the Company's governance through auditing activities. At the same time, I will endeavor to enhance the Company's corporate value for all its stakeholders.

Tomoaki Ikenaga
Audit & Supervisory Board Member (Outside, Independent)

Companies are like living entities. They respond to the business environment, and change their management risk awareness and approaches to improving corporate value. Management today must be speedy because change is so drastic. So, if governance and internal controls fail to function, there is an increased risk that the Board of Directors will make irrational decisions in limited time. The task of a modern board of directors is to evaluate sufficient information from diverse angles and make swift and rational management decisions that help increase corporate value. As an attorney specializing in governance, I will continue to oversee whether management is fulfilling its roles, providing advice when necessary, and striving for development of the Company.

Yuji Sakakura
Audit & Supervisory Board Member (Outside, Independent)

I have devoted two years as an outside Audit and Supervisory Board member to creating a corporate governance structure with a more neutral and independent auditing system.
I will continue to draw on the knowledge and experience I accumulated through many years in the financial and capital markets to perform neutral, objective audits, thereby contributing to sound management of the Company.

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Financial Section 2013

Contents

Consolidated Six-Year Summary

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

Millions of yen, except per share data

Fiscal year ended on March 31 for each displayed year	2013	2012	2011	2010	2009	2008
FISCAL YEAR						
Net sales:						
Tires and wheels	**¥56,351**	¥55,348	¥51,416	¥47,954	¥52,587	¥52,485
Car electronics	**44,490**	58,135	59,849	63,994	63,708	66,900
Oil and batteries	**25,568**	24,406	24,566	24,246	26,334	25,456
Car exterior goods	**24,054**	23,000	23,868	22,350	28,458	30,538
Car interior goods	**23,481**	21,735	21,540	21,071	23,674	25,070
Motor sports goods	**14,040**	13,516	14,451	15,377	17,383	19,733
Services	**19,249**	18,462	17,506	16,856	18,472	18,065
Others	**22,931**	22,736	23,155	21,089	28,528	28,182
Total	**230,168**	237,343	236,351	232,937	259,144	266,430
Operating income	**12,745**	13,721	11,989	10,171	5,090	6,937
Income (loss) before income taxes and minority interests	**13,915**	15,217	11,501	10,575	(3,938)	4,972
Net income (loss)	**7,590**	8,403	6,180	5,866	(3,398)	1,467
Dividends paid	**¥4,762**	¥4,706	¥4,555	¥4,023	¥4,547	¥2,294
Consolidated dividend payout ratio	**64.0%**	57.3%	75.9%	77.2%	–	260.6%
Return (loss) on sales	**3.3%**	3.5%	2.6%	2.5%	(1.3%)	0.6%
Return (loss) on equity	**5.3%**	5.7%	4.1%	3.8%	(2.1%)	0.9%
Return (loss) on assets	**3.7%**	3.9%	3.0%	2.7%	(1.5%)	0.6%
Per share data (Yen):						
Basic net income (loss)*	**¥81.22**	¥84.28	¥59.32	¥53.99	¥(30.10)	¥12.79
Cash dividends	**156.00**	145.00	135.00	125.00	100.00	100.00
Net cash provided by (used in) operating activities	**¥10,741**	¥20,845	¥15,375	¥18,949	¥7,028	¥(646)
Net cash (used in) provided by investing activities	**(4,523)**	(10,156)	(5,002)	(4,694)	4,543	(7,993)
Net cash (used in) provided by financing activities	**(14,862)**	(11,574)	(11,790)	(12,187)	(9,259)	(729)
Capital expenditures	**6,249**	7,691	3,187	3,061	4,870	9,753
Depreciation and amortization	**5,194**	4,644	4,798	5,207	6,347	7,463
AT YEAR-END						
Cash and cash equivalents	**¥42,833**	¥51,402	¥52,317	¥53,786	¥51,749	¥49,637
Current assets	**127,203**	141,612	133,031	133,883	136,968	117,407
Current liabilities	**45,021**	55,650	40,649	41,521	44,842	43,571
Current ratio	**282.5%**	254.5%	327.3%	322.4%	305.4%	269.5%
Total assets	**205,527**	217,949	207,795	210,652	224,168	234,126
Equity	**142,862**	145,626	147,505	151,397	154,763	164,336
Equity ratio	**69.5%**	66.8%	71.0%	71.9%	69.0%	70.2%
Total number of stores	**579**	557	538	537	634	640
Of which, overseas stores	**27**	27	25	26	116	117
Number of employees	**4,678**	4,469	4,459	4,483	5,933	6,492

*The Company conducted a 1:3 stock split on common stock, with an effective date of April 1, 2013. Net income per share data has been calculated by number of shares outstanding (excluding treasury stock) after taking into account the 1:3 stock split on common stock.

Review of Fiscal 2013

OPERATIONAL REVIEW

THE AUTOBACS CONSOLIDATED GROUP

The AUTOBACS Consolidated Group ("the Group") consists of AUTOBACS SEVEN Co., Ltd. ("the Company"), 35 subsidiaries, and 7 affiliates accounted for by the equity method. The Group is mainly engaged in the wholesale and retail sales of automotive goods and accessories in Japan and other countries, as well as safety inspection and maintenance services, purchase and sales of automobiles, and loan and credit services. The Group also provides services for franchisee companies, including money-lending, store equipment leasing, consulting, back-office agency work, and IT support, as well as casualty insurance services.

In the automotive goods business, the Group's main store brands are AUTOBACS, Super AUTOBACS, AUTO HELLOES, AUTOBACS Secohan Ichiba, and AUTOBACS EXPRESS. In the automobile purchase and sales business, its brand is AUTOBACS CARS. In October 2012, the AUTO HELLOES brand was integrated with the AUTOBACS brand.

Sales by Business Category

The Group generates revenue through three business categories: wholesale operations, retail operations, and others.

• Wholesale Operations

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

• Retail Operations

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

• Others

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

	Stores			
	2013		2012	
Stores included in consolidation (retail operations)				
Directly managed stores	**10**		12	
Consolidated subsidiaries (of which, overseas)	**164**	**(18)**	155	(18)
Subtotal	**174**		167	
Stores not included in consolidation				
Stores managed by franchisees, including stores of affiliates (of which, overseas)	**405**	**(9)**	390	(9)
Total stores (of which, overseas)	**579**	**(27)**	557	(27)

Franchise System

• Franchise Contracts

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

• Royalties

Franchisees pay a fixed portion of their store sales to the Company. The fixed rate is 1.0% for main formats AUTOBACS, Super AUTOBACS, and AUTO HELLOES.

• Store Land and Buildings

Much of the land and buildings occupied by the entire AUTOBACS Chain ("the Chain") are not owned by the Company. In many cases, the franchisee or the landowner constructs a building on the land, and the property is then rented by the franchisee or the Company under a rental agreement. In cases where the landowner constructs the building, the Company provides a rental deposit to the landowner. This is because buildings constructed to AUTOBACS' specifications cannot easily be adapted for other purposes. (For more details, please see Rental Deposits on page 8.)

Sales by Store Type in Japan

¥ Million; Stores

		2013	2012
AUTOBACS	Sales	**192,426**	194,136
	Stores	**455**	430
Super AUTOBACS	Sales	**76,936**	81,649
	Stores	**76**	76
AUTO HELLOES	Sales	**30**	350
	Stores	**0**	1
AUTOBACS CARS	Sales	**17,276**	16,523
	Stores	**244**	175
AUTOBACS Secohan Ichiba	Sales	**2,016**	2,430
	Stores	**14**	18
AUTOBACS EXPRESS	Sales	**3,113**	2,453
	Stores	**7**	5
Total Sales	Sales	**291,797**	297,542
	Stores	**452**	530

Analysis of Operating Environment

Japan's market for automotive goods and services has been shrinking since around fiscal 1997. It is estimated that retail sales in this market totaled ¥3,057 billion in fiscal 1997. In the year ended March 31, 2012, retail sales fell to ¥1,838.4 billion*. This market shrinkage has stemmed mainly from increased efforts by automakers to offer new vehicles with various equipment and accessories as standard features, as well as falling sales prices of car electronics goods. In recent years, moreover, the market for after-market wheels and motor sports goods has been declining, due mainly to young people losing interest in cars.

* Reference: AM+NETWORK, August 2001 and August 2012 issues. Data for fiscal 2013 could not be obtained because publication was stopped.

FISCAL 2012—OVERVIEW AND ACHIEVEMENTS

Performance Overview

Domestic consumption of automotive goods and services during fiscal 2013, the fiscal year ended March 31, 2013, generally rose in line with demand, buoyed by an increased number of new cars sold, mainly light automobiles and hybrid vehicles, encouraged by government subsidies for the purchase of fuel efficient vehicles. Even after the termination of the subsidies, demand for goods such as snow tires and tire chains remained strong, supported by the effects of cold weather nationwide and snowfall in the Kanto region. However, unit prices of car navigation devices declined as demand for car navigation devices and tuners for automobiles fell back after surging in the previous fiscal year with the changeover to terrestrial digital television broadcasting. Prices also reflected a more competitive environment, especially with car dealers among the market participants.

In this business environment, the Company focused its efforts on measures guided by the AUTOBACS 2010 Medium-Term Business Plan. The plan aims to increase store profitability and market share as the core of its business strategy.

•Overview of the Domestic AUTOBACS Chain Business

Overall sales of the businesses of the Chain in Japan decreased 4.5% year on year on a same-store basis and 2.0% on a total-store basis. Meanwhile, the number of customers visiting stores rose 0.5% on a same-store basis due to the effects of store reforms and customer service training, which the Group had been undertaking as part of the AUTOBACS 2010 Medium-Term Business Plan.

In "automotive goods," sales of tires, wheels, interior accessories, car washing supplies and other goods performed well. This reflected an initiative to strengthen promotional campaigns aimed at AUTOBACS members and tailoring them to specific car models benefiting from government subsidies for the purchase of fuel efficient vehicles. Meanwhile, sales of snow tires and wheel sets increased, thanks to the Group's initiatives to focus on customer convenience by improving the lineup of such goods and offering them as a set unit in each store. Moreover, as the number of smartphone users continues to increase, sales of goods related to smartphones remained robust as the Group expanded selling space for these goods. In car electronics, however, there was a sharp drop in sales due to a fall-back in demand for car navigation devices and tuners for automobiles following a surge in the previous fiscal year accompanying the shift to terrestrial digital television broadcasting, a change in the price range for strong-selling navigation devices, and falling unit prices due to price competition with car dealers and others. As a result, overall sales of automotive goods declined from the previous fiscal year. As a result, sales of automotive goods (excluding statutory safety inspections and maintenance) decreased 3.0% year on year to ¥254,500 million.

In "satatutory safety inspections and maintenance services," demand for statutory safety inspections declined due to strong sales of new cars. However, the Group undertook an aggressive sales promotion and, starting in April of this fiscal year, the Statutory Safety Inspection Contact Center began full-scale operations, responding to telephone and Internet inquiries from customers. As a result, the number of automobiles receiving safety inspections rose by 7.1% year on year to approximately 573,000 units. Sales of bodywork and painting services also rose, reflecting the opening of three Auto Body Repair and Painting Centers, which offer sophisticated plating skills in addition to the bodywork and painting services to repair small scars and dents that the Group had already been providing.

"The automobile purchase and sales business" saw strong sales of new cars associated with government subsidies for the purchase of fuel efficient vehicles. However, the number of used cars sold to distributors declined, mainly due to a fall in used cars purchased as demand fell back after surging in the previous year following the Great East Japan Earthquake. As a result, the total number of vehicles sold was up 2.9% year on year, to 18,400 units.

The number of "CARS" franchise chain stores increased from 175 stores as of the end of March 31, 2012 to 244 stores as of the end of March 31, 2013.

The opening and closure of stores in Japan included the opening of 30 new stores, and the opening and closure of five stores through scrap and build relocation and store format conversion, and the closure of nine stores. In addition, four AUTOBACS Secohan Ichiba stores were converted into in-stores within other types of business. These in-store operations are not included in the number of the Chain stores, and there were five such stores at the end of the fiscal year under review. As a result, the total number of stores in the Chain in Japan increased by 22 stores from 530 stores at the end of the previous fiscal year to 552 stores.

*AUTOBACS, Super AUTOBACS and AUTO HELLOES stores

Domestic Store Consolidation

	Stores							
		Year Ended March 2012						
		First Half			Second Half			
	March 31, 2012	New stores	S&B* relocation	Stores closed	New stores	S&B* relocation	Stores closed	March 31, 2013
AUTOBACS	430	+11	0	-1	+16	+1	-2	455
Super AUTOBACS	76							76
AUTO HELLOES	1		-1					0
AUTOBACS Secohan Ichiba	18		-3			-1		14
AUTOBACS EXPRESS	5	+2		-1	+1			7
Total (Japan)	530	+13	-4	-2	+17	0	-2	552

* S&B: scrap and build

Progress of the AUTOBACS 2010 Medium-Term Business Plan

The Company has executed a number of initiatives including business and financial strategies, and CSR and governance activities under the AUTOBACS 2010 Medium-Term Business Plan, which was announced in May 2010.

In existing store reform—a key policy aimed at strengthening the domestic business—the Group achieved improved results due to the effects of sales space renovating in many of the stores. In human resources reform, a training program designed to improve store managers' managerial capabilities was launched, in addition to ongoing customer service training for store staff. This is expected to strengthen personnel capabilities to enhance the effects of the store reform that the Group has been implementing. New store openings are slightly behind the initial plan, with a cumulative total of 57 new stores opened in the three years from April 2010. However, in the fiscal year under review the Group stepped up its store development and opened 30 new stores as planned.

<Business Strategy>

As in the previous year, the Group emphasized strengthening of the domestic franchise business as a business strategy and sought to improve the profitability of the existing AUTOBACS stores.

In existing store reform, the Group worked during the fiscal year under review to maximize the benefit of the renovating efforts at AUTOBACS stores until the previous fiscal year. The Group stepped up initiatives for enhancing product appeal and presentation capabilities on the sales floor, such as collecting and distributing information about strong-selling items and standardizing sales floor development patterns. At many of the stores, earnings and store operating efficiency improved as initially planned, although the extent of the improvement differed among the stores. For stores with comparatively little improvement, underlying factors were studied in detail and tailored measures were developed and implemented for each store. The results were then examined to devise further improvements while continuing the measures. At stores that maintained a good performance, personnel systems and rules for cooperation across divisions were established and mechanisms to ensure the full use of customer service opportunities were strengthened. By standardizing the mechanism and concepts and deploying them at other stores, the Group will continue to improve customer convenience and bolster its performance.

Using know-how developed through the renovating of the sales floors of existing AUTOBACS stores, the renovating of the sales floors of Super AUTOBACS stores was launched in the fiscal year under review as part of the Group's commitment to improving the profitability of the stores. To develop sales floors that would give full play to the strengths of Super AUTOBACS stores while differentiating them from competitor stores, the Group renovated them in line with customer attributes and area characteristics at each store location. The sales floors of 19 Super AUTOBACS stores were renovated during the fiscal year under review, and an improved performance was seen at the renovated stores.

In human resources reform, approximately 1,000 employees, mainly those of new stores, attended customer service training, which has been an ongoing focus since the launch of the Medium-Term Business Plan. In addition, customer service trainers have been assigned to each regional office to oversee ongoing training. Moreover, as part of store operating innovation, the Group conducted strategic strength training for all store managers to improve their managerial capabilities. Assistant managers also received the training to enhance the managerial capabilities of all store executives.

In efforts to open new stores, the Group launched 30 new stores to improve customer convenience and attract more customers. The Group is opening stores in areas where there are no Group stores; for example, commercial zones with no automotive goods stores and commercial zones with gaps between other stores where stores had not yet been opened. Meanwhile, the Group studied the business performance of the new stores by conducting performance analysis and examinations for each store to identify issues. The results were fed back into measures for preparing the next store opening. Store fixtures and service bay equipment were also checked individually to advance the Group's cost-cutting efforts.

As a new service format, the Group established Auto Body Repair and Painting Centers in three locations (Urayasu City, Chiba Prefecture; Toda City, Saitama Prefecture; and Fukuoka City, Fukuoka Prefecture). This is one of the Group's initiatives for future growth and it is currently conducting testing and verification to maximize the power of the AUTOBACS brand, and establish a business model for bodywork and painting services.

With respect to “CRM Strategy Implementation” which started in the year ended March 31, 2013, the Group is pursuing initiatives to strengthen customer ties by taking a fresh look at its relationship with its customers and at changes in customers’ feelings about cars, and focusing on future trends in the market environment. Based on this concept, a new customer relationship management system has been developed to offer proposals and information on services and merchandise that cater to the individual needs of customers, by utilizing data about customers’ lifestyles, hobbies, opinions, and other aspects.

Strengthening e-commerce is one of the pillars supporting the future growth of the AUTOBACS Group, given that Internet-based sales of automotive-related goods and services are expected to increase going forward. In addition to enhancing and strengthening functions of the Company’s own online shopping site, it opened a store in Rakuten Ichiba, an Internet shopping mall, to develop a new sales channel. Sales at Rakuten Ichiba have exceeded the original plan. Going forward, the Group will continue to conduct testing and verification of Internet sales.

Other policies include revising procurement to provide merchandise at an attractive price to customers, and enhancing merchandise and services provided to customers by strengthening sales of vehicles and statutory safety inspections.

Overseas, in an effort to improve profitability overseas, including the ASEAN region, France, and China, the Group opened one store and closed three in China and opened one store each in Malaysia and Taiwan. In China, in particular, the Group conducted testing and verification at the two directly managed stores for establishing store models. Going forward, the Group will conduct testing and verification from a long-term perspective and will look ahead to developing business outside its conventional business areas to further expand earnings in the future.

<Financial Strategy>

The Group’s financial strategy is aimed at increasing future operating cash flow. Based on this goal, the Group opened 30 new stores in Japan and made other business investments in a proactive manner. The Group will continue to proactively invest in businesses during fiscal 2014 and beyond.

The Group’s financial strategy is aimed at improving capital efficiency. In fiscal 2013, the Company purchased a total of 1.8 million of its own shares for approximately ¥7.2 billion based on a policy of increasing shareholder returns. Taking into consideration the management goal of maintaining a dividend on equity (DOE) ratio of at least 3%, and to strengthen shareholder returns, the Company increased the year-end dividend by ¥6 from the previous fiscal year to ¥81 per share. This will result in the annual dividend increasing by ¥11, to ¥156 per share. In addition, the Company implemented a stock split at a ratio of 1:3, effective April 1, 2013.

<CSR and Governance>

The AUTOBACS Group positions CSR activities as an important management issue. With the aim of operating the business in an environmentally friendly manner, six of the Group’s regional business establishments received ISO 14001 certification during the fiscal year under review, following the Toyosu Headquarters, which received certification in the previous fiscal year. The Toyosu Headquarters and regional offices continuously promoted environmentally conscious activities and significantly exceeded their goals for electricity conservation and reduction of copy paper and waste. Going forward, the entire Group will continue its concerted efforts to raise environmental awareness. The head office and stores have also established “AUTOBACS Day” –a day for cleaning up the neighborhood as a contribution to local communities.

As part of the Group’s efforts to enhance risk management, the method of administration for the Risk Management Committee, which had been established for the purpose of managing and minimizing risks in the AUTOBACS Group, was revised. To improve the effectiveness and efficiency of the Group’s response to risk, situation reporting and discussions took place in the Officers' Committee meeting for sharing the nature of risks and the Group’s responses among officers who are familiar with the actual situation on store floors. Moreover, the Group advanced its measures against anti-social forces in response to the Organized Crime Exclusion Ordinance that was enforced in the previous fiscal year. The Group’s efforts for strengthening risk management included preparation of the Manual for Responding to Antisocial Forces for the Group’s subsidiaries and the introduction of anti-racketeering provisions in contracts with existing trade connections.

FINANCIAL REVIEW

1. INCOME AND EXPENSES

Net Sales

In fiscal 2013, ended March 31, 2013, consolidated net sales amounted to ¥230,168 million, approximately the same level as fiscal 2012.

¥ Million (Percentage of net sales)

	2013		2012		Increase (Decrease)
Wholesale operations	**131,859**	**(57.3%)**	135,571	(57.1%)	(3,713)
Retail operations	**94,770**	**(41.2%)**	98,313	(41.4%)	(3,543)
Others	**3,539**	**(1.5%)**	3,459	(1.5%)	79
Total	**230,168**	**(100.0%)**	237,343	(100.0%)	(7,175)

• Wholesale Operations

Most of the revenue in the wholesale operations segment derives from sales to franchisees. In fiscal 2013, segment sales decreased by 2.7% year on year to ¥131,859 million. Overall segment sales declined significantly in line with falling unit prices for car navigation systems, which were partially offset by strong performances for car interior goods, car exterior goods, oil, and batteries.

• Retail Operations

The retail operations category consists of retail sales of stores that are managed directly by the Company or its consolidated subsidiaries. In fiscal 2013, sales of retail operations decreased by 3.6% year on year to ¥94,770 million. This decrease was mainly due to a decline in sales in line with lower unit prices of car navigation devices and lower demand for ETC devices, despite strong performances in tires and wheels.

• Others

Sales from other businesses increased by 2.3% to ¥3,539 million, mainly due to an increase in real estate rental income from domestic franchise operators.

Gross Profit

Gross profit was ¥75,730 million, down by 1.7% from a year earlier as a result of lower gross profit in car electronics. However, the gross margin improved from 32.5% to 32.9%, mainly due to more stringent control of expenses and a strong focus on sales of tires and wheels.

SG&A Expenses

Selling, general and administrative (SG&A) expenses declined by 0.5% year-on-year to ¥62,985 million as a consequence of lower sales promotion expenses associated with reviewing sales promotion methods. Meanwhile, depreciation and amortization costs increased, as did commissions paid.

	¥ Million		
	2013	2012	Increase (Decrease)
Personnel expenses	**29,190**	29,650	(460)
Employee compensation	**23,415**	23,835	(421)
Sales promotion expenses	**10,762**	11,415	(654)
Equipment expenses	**12,888**	12,592	296
Land and building rent	**6,106**	6,104	1
Depreciation	**4,359**	3,937	422
Administrative expenses	**10,145**	9,659	486
Provision for allowance for doubtful receivables	**83**	43	40
Total	**62,985**	63,316	(332)

Personnel expenses decreased by 1.6% to ¥29,190 million, and constituted 46.3% of SG&A expenses. This change was mainly because of a decrease in employee compensation.

Sales promotion expenses decreased by 5.7% to ¥10,762 million, or 17.1% of SG&A expenses. This was mainly due to cost reductions associated with a review of sales promotion methods.

Equipment expenses increased by 2.4% to ¥12,888 million, representing 20.5% of SG&A expenses. This was mainly attributable to an increase in depreciation cost following investment in information systems.

Administration expenses increased by 5.0% to ¥10,145 million, representing 16.1% of SG&A expenses. This was mainly due to increases in commissions paid and in the amortization of goodwill associated with making franchise chain corporations subsidiaries.

As a result of the above factors, operating income decreased by 7.1% to ¥12,745 million.

Number of Employees by Segment

	Number of Employees				
	2013		2012		Increase (Decrease)
The Company	**1,177**	(94)	1,060	(90)	117
Domestic Store Subsidiaries	**2,614**	(920)	2,558	(1,069)	56
Overseas Subsidiaries	**670**	(-)	651	(-)	19
Subsidiaries for Car Goods Supply and Other	**149**	(13)	128	(9)	21
Subsidiaries for Supporting Functions	**68**	(21)	72	(18)	(4)
Total	**4,678**	(1,048)	4,469	(1,186)	209

Note: These figures show the number of regular full-time employees. The number of temporary employees is shown in parentheses as an approximate average for the year.

Other Income and Expenses

In other items, other income—net was ¥1,170 million, down from other income–net of ¥1,496 million in the previous fiscal year. The main factor behind this was a foreign exchange gain (net) of ¥534 million. Meanwhile, other expenses included a loss on sale of investment securities of ¥468 million, and an impairment loss on fixed assets of ¥89 million.

Income Taxes

Income taxes for the period were ¥6,347 million. The income tax burden increased from 44.8% in the previous fiscal year to 45.6% due to expressing the difference in recovery potential for deferred tax assets at subsidiaries.

Net Income

Net income declined by 9.7% from the previous year to ¥7,590 million, bringing basic net income per share to ¥81.22. Financial indicators all worsened; net income ratio declined from 3.5% in the previous year to 3.3%, ROA declined from 3.9% to 3.7%, and ROE declined from 5.7% in the previous year to 5.3%.

2. SEGMENT INFORMATION

The Group's segments are as follows:

The Company: The Company operates wholesale trade, selling of automobile-related goods, etc., (major products include tires and wheels and car electronics) to franchisees, and retail trade, selling and providing installation services for automobile-related goods, primarily to general consumers (major store brands are AUTOBACS, Super AUTOBACS, AUTO HELLOES, and AUTOBACS Secohan Ichiba). It also operates a leasing business providing real estate for stores mainly to franchisees.

Domestic Store Subsidiaries : Domestic Store Subsidiaries mainly sell and provide installation services for automobile-related goods, primarily to general consumers.

Overseas Subsidiaries: Overseas Subsidiaries operate wholesale trade, selling automobile-related goods, etc., to franchisees, and retail trade, selling and providing installation services for automobile-related goods primarily to general consumers.

Subsidiaries for Car Goods Supply and Others: Subsidiaries for Car Goods Supply and Others operate wholesale trade, selling mainly automobile-related goods, etc., and engine oil.

Subsidiaries for Supporting Functions: Subsidiaries for Supporting Functions mainly operate money-lending business and leasing business, supplying loans and providing store equipment and facilities to franchisees, as well as the loan and credit business, non-life insurance agency services and office support business.

Relationship between Segments and Segmental Sales

The Company's reportable segments are the constituents of the Company for which financial information is separately available and which are subject to the board of directors' periodic review to determine allocation of managerial resources and evaluate their performance.

The Group is developing AUTOBACS franchise chains both domestically and overseas mainly for sales of automotive goods, safety inspection and maintenance services, and automobile purchase and sales, and consists of segments of Group companies engaging in these businesses in wholesale and retail operations.

Based on the above, the Group has five reportable segments: the Company, Domestic Store Subsidiaries, Overseas Subsidiaries, Subsidiaries for Car Goods Supply and Others and Subsidiaries for Supporting Functions.

The context of each segment's operations is as follows:

	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Others	Subsidiaries for Supporting Functions
Automotive goods	Wholesale-Retail	Retail	Wholesale-Retail	Wholesale	—
Safety inspection and maintenance services	Wholesale-Retail	Retail	Retail	Retail	—
Automobile purchase and sales business	Wholesale-Retail	Retail	—	Retail	—
Other	Lease business	—	—	—	Lease business

Note: 'Other' of subsidiaries for supporting functions are loan credit business, non-life insurance agency and office support business.

Profits and Losses by Segments

<Non-Consolidated>

Sales decreased 4.2% year on year to ¥187,299 million. In wholesale operations for franchisees, sales of car interior goods, tires and wheels, and car exterior goods increased, while sales of car electronics declined significantly. As a result, sales fell 4.5% compared to the previous fiscal year. In retail operations, sales decreased 1.6% year on year, mainly reflecting the significant effects of sluggish sales of car electronics, which offset higher automobile sales. Gross profit decreased 2.0% year on year, to ¥40,927 million, due mainly to decreased sales of car electronics. The gross margin rose, however, thanks to the effects of gross profit innovation and an improved profit mix. Selling, general, and administrative expenses shrank 3.4% year on year, to ¥27,192 million, mainly attributable to detailed checking and reduction of controllable expenses such as spending on advertising and sales promotions, which offset rising depreciation costs for information systems and commissions paid. As a result, operating income increased 1.1% year on year, to ¥13,735 million.

<Domestic Store Subsidiaries>

Sales fell 4.5% year on year to ¥78,057 million, and the operating income came to a loss of ¥789 million (compared to operating income of ¥435 million in the previous fiscal year). Sales declined given the effect of sluggish sales of car electronics and their installation labor charges, although sales of interior accessories, tires, and wheels performed well. Gross profit decreased, due to rises in the weighting of tires, wheels, and accessories, while the gross margin remained on a par with the level of the previous fiscal year. Selling, general, and administrative expenses increased year-on-year in the first quarter, swinging back upward after dipping in the wake of the Great East Japan Earthquake in the previous fiscal year, but by the end of the fiscal year were at the same level as a year ago, as a result of efforts from the second quarter to reduce expenses.

<Overseas Subsidiaries>

Sales fell 3.5% year on year to ¥8,781 million, and operating income declined to a loss of ¥72 million (compared to operating income of ¥86 million in the previous fiscal year). In France, sales declined with an increase in the number of stores not permitted to operate on Sundays and continued weakness in demand for winter merchandise, in addition to a slump in consumer spending associated with the sluggish European economy. These circumstances produced an operating loss, in spite of initiatives to raise the ratio of sales of services and control expenses. In China, sales declined because of the closure of the local subsidiary's first directly managed store in Shanghai and two other stores operated by franchisees, although the local subsidiary opened its third directly managed store. As a consequence, an operating loss was recorded, reflecting the cost of opening the new store and the loss associated with the closure, despite cost-cutting initiatives to offset sluggish sales. In Singapore, both sales and operating income increased from the previous fiscal year, reflecting the addition of sales from a store that was opened in the previous fiscal year and the effect of measures to boost sales of maintenance merchandise, such as tires and oil. In Thailand, although sales increased thanks to active sales promotion activities, especially for tires, an operating loss was posted due to increases in rents for stores and other expenses.

Opening and Closing of Stores Overseas

	Stores			
		Year Ended March 2013		
	March 31, 2012	First Half	Second Half	March 31, 2013
France	11			**11**
China	4	-1	-1	**2**
Taiwan	5		+1	**6**
Thailand	4			**4**
Singapore	3			**3**
Malaysia	0	+1		**1**
Total	27			**27**

<Subsidiaries for Car Goods Supply and Others>

Sales increased by 13.9% year on year, to ¥14,355 million, as PALSTER K.K., which operates the wholesale distribution of oils and other merchandise, saw a rise in the number of products handled by the company and the expansion of its sales channels, and Yanaka Corporation, which operates Auto Body Repair and Painting Centers, became a consolidated subsidiary of the Group. Operating income rose 45.5% year on year, to ¥163 million, reflecting a rise in gross profit as a result of increased sales, which outweighed year-on-year rises in distribution and personnel expenses.

<Subsidiaries for Supporting Functions>

Sales declined 0.2% year on year to ¥3,376 million, and operating income fell 3.2% to ¥417 million, about the same as the previous fiscal year.

Information about Sales and Profit (Loss)

	¥ Million					
	Year Ended March 2013					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Others	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	**136,062**	**77,272**	**8,533**	**7,298**	**1,003**	**230,168**
Intersegment sales or transfers	**51,237**	**785**	**248**	**7,057**	**2,373**	**61,700**
Total	**187,299**	**78,057**	**8,781**	**14,355**	**3,376**	**291,868**
Segment profit	**13,735**	**(789)**	**(72)**	**163**	**417**	**13,454**

Details of Adjustments to Consolidated Operating Income

The adjustment to derive consolidated operating income from the sum of operating income for all segments was minus ¥708 million. The main reason for the change in the consolidated adjustment from a positive value in the previous fiscal year is a rise in fixed asset adjustment within the Group, while there was also an increase in the amortization of goodwill associated with converting franchise chain corporations into subsidiaries.

Reconciliation of Published Figures and Aggregate of Reportable Segments

	¥ Million	
Net sales	2013	2012
Total reportable segments	**291,868**	302,400
Elimination of intersegment transactions	**(61,700)**	(65,057)
Net sales in consolidated financial statements	**230,168**	237,343

¥ Million

Operating Income	2013	2012
Total reportable segments	**13,454**	14,654
Elimination of intersegment transactions	**(383)**	(477)
Inventories	**(298)**	(325)
Allowance for point cards	**(36)**	(83)
Amortization of goodwill	**(263)**	(77)
Fixed assets	**179**	8
Others	**92**	21
Operating Income in consolidated financial statements	**12,745**	13,721

FINANCIAL POSITION

1. BALANCE SHEET ITEMS

Current Assets

Current assets decreased by ¥14,409 million year on year to ¥127,203 million. The main factors were decreases in marketable securities and investments in lease.

Property and Equipment, Investments and Other Assets

Net property and equipment was ¥41,453 million, up by ¥1,930 million year on year. The main factors were increases in buildings and structures and land in line with new store openings.

Total investments and other assets increased by ¥58 million from the previous period to ¥36,871 million. The increase was mainly due to an increase in investment securities associated with the acquisition of shares of Broadleaf Co., Ltd. The increase was partially offset by a decrease in software.

Current Liabilities

Total current liabilities were down by ¥10,629 million to ¥45,021 million. The main factors in this were decreases in short-term borrowings, other payables, and income taxes payable.

Long-term Liabilities

Total long-term liabilities increased by ¥1,100 million to ¥17,205 million. The main factors behind this were increases in long-term debt and lease obligations, although bonds decreased.

Equity

Total equity including minority interests fell by ¥2,892 million to ¥143,301 million. We recorded net income of ¥7,590 million and cash dividends of ¥4,762 million, and purchased our own shares at a cost of ¥7,196 million.

2. SPECIAL ITEMS ON THE BALANCE SHEET

Investments in Lease

We lease store buildings and equipment to some franchisees, and record finance leases that are deemed not to transfer ownership to the lessee as investments in lease. Investments in lease for fiscal 2013 decreased by ¥1,052 million year on year to ¥12,361 million.

Rental Deposits

The Chain's stores are built to the specifications of AUTOBACS business and leased for periods of 15 or 20 years under an irrevocable lease. The Company pays the lessor part or all of the construction cost for a store as a rental deposit. Rental deposits at March 31, 2013 were down by ¥603 million from the previous year-end to ¥18,618 million.

CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥10,741 million. The main factors for increasing cash were income before income taxes and minority interests of ¥13,915 million, depreciation and amortization of ¥4,921 million and a decrease in receivables of ¥2,264 million. The main factors decreasing cash were income taxes paid of ¥8,320 million and a decrease in other payables and accruals of ¥2,798 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥4,523 million. The main factors were disposition of investment securities of ¥2,927 million, capital expenditures of ¥6,249 million, and acquisition of investment securities of ¥2,156 million. Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a net inflow of ¥6,218 million.

•Capital Expenditures

In fiscal 2013, capital expenditures amounted to ¥6,249 million. These investments were associated mainly with acquisition of land and buildings for opening new stores, store expansions and renovations, and investments in the Company's internal information systems. A breakdown of capital expenditures (including intangible fixed assets) in fiscal 2013 is shown below.

Major Capital Expenditures in Fiscal 2013

	¥ Million
Opening new stores	2,943
Scrap and build or relocation of stores	346
Purchase of land for store locations	158
POS system development and IT investments	1,585
Other	1,214
Total	6,249

Capital Expenditures by Segments

	¥ Million		
	2013	2012	Increase (Decrease)
The Company	**4,959**	6,255	(1,296)
Domestic Store Subsidiaries	**258**	439	(181)
Overseas Subsidiaries	**153**	127	26
Subsidiaries for Car Goods Supply and Others	**52**	16	36
Subsidiaries for Supporting Functions	**825**	852	(27)
Total	**6,249**	7,691	(1,442)

Note: Amounts shown do not include cosumption tax, etc.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥14,862 million. This was mainly due to ¥7,196 million for purchase of treasury stock, ¥5,069 million for repayment of long-term debt, and ¥4,762 million for dividends paid.

As a result of the above, cash and cash equivalents at the fiscal year-end stood at ¥42,833 million, down by ¥8,569 million from a year earlier. This includes adjustments for the effect of exchange rate changes on cash and cash equivalents; and represents net cash provided by operating activities of ¥10,741 million, net cash used in investing activities of ¥4,523 million, and net cash used in financing activities of ¥14,862 million.

Basic Policy on Distribution of Profits, Dividends for Fiscal 2013 and Fiscal 2014

The Company views the return of profits to shareholders as an important management issue. Our fundamental stance on distribution of profits is to secure the necessary liquidity on hand to continue business operations while maintaining consolidated DOE of at least 3%. We intend to pay stable and consistent dividends as deemed appropriate, giving due consideration to our business results and financial stability.

For fiscal 2013, we paid an annual dividend of ¥156 per share, comprising a year-end dividend of ¥81 (up by ¥6 year on year) and an interim dividend of ¥75. This resulted in a DOE of 3.4%.

In fiscal 2014, we plan to pay interim and year-end dividends of ¥27 per share each, for an annual dividend of ¥54 per share, representing an effective dividend increase based on the 3-for-1 stock split mentioned below. The Company canceled 5 million of its own shares on May 16, 2013. Furthermore, we plan to repurchase up to 3 million of our own shares for a maximum of ¥5.0 billion from May 13, 2013 to February 20, 2014. The Company conducted a 3-for-1 stock split on common stock, with an effective date of April 1, 2013.

BUSINESS RISKS

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

(1) Competition

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

(2) Unusual Weather Conditions

Merchandise sold by the Chain includes seasonal products, for which the number of units sold is significantly affected by weather conditions.

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

(3) Future Overseas Expansion

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

(4) Regulations Governing Opening of New Stores

The Chain's development of stores is under the regulation of the Law Concerning the Measures by Large-Scale Retail Stores for Preservation of the Living Environment. This law applies to the opening of all new stores with sales floor areas exceeding 1,000 square meters and to the expansion of existing stores that will result in sales floor areas exceeding the limit. The law's purpose is to maintain the living environment of local residents. A local prefecture or a designated city office carries out predetermined checks on noise levels, traffic congestion, waste disposal, and other factors. In opening new stores larger than 1,000 square meters, the Chain's policy is to consider the local environment from the initial planning stage and to work closely with nearby residents and the local government. Due to the aforementioned regulations and other factors, however, the Group may not be able to open new stores as planned, which could have a negative impact on its business results.

(5) Observance of Laws and Regulations

With respect to the observance of laws and regulations, the Chain is working to enhance its internal control system. The Company established the Compliance Department to enhance internal control, and set a Code of Conduct and Guidelines to ensure ethical business conduct by its directors, officers and employees. However, in the unlikely event that a director, an officer or an employee violates laws or regulations, either intentionally or unintentionally, this could result in claims for compensation, which could affect the Group's business performance. In addition, the Chain holds a huge volume of consumer information. While careful attention is paid to the handling of such information, in the event of an external leakage of customer information due to unauthorized actions or other reasons, the Group could lose credibility and its business performance could be negatively affected.

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

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

(7) Natural Disasters

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

(8) Franchisees

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

(9) Store Operations

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

(10) Exchange Rate Fluctuations

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

(11) Lawsuits

The Group faces many and varied risks of lawsuits arising in the course of its operations in Japan and other countries. Although internal management has been established through the preparation of an internal control system, this cannot completely eliminate risk, and there is a possibility that the Group may be named in a lawsuit filed by a concerned.

(Reference: Resolution of Important Litigation)

The Company has executed a settlement agreement (the “Settlement Agreement”) with AUTOBACS STRAUSS INC.; 1945 Route 23 Associates, Inc.; and R&S Parts and Service, Inc. (collectively, the “Plaintiffs”) with respect to the damages lawsuits filed by the Plaintiffs against the Company in the United States Bankruptcy Court for the District of Delaware and the United States District Court for the District of New Jersey. The Settlement Agreement has come into effect following its approval by the United States Bankruptcy Court for the District of Delaware and the United States Bankruptcy Court for the District of New Jersey.

(1) Circumstances From Filing to Settlement of the Lawsuits

The Plaintiffs filed the damages lawsuits against the Company in the United States Bankruptcy Court for the District of Delaware on December 11, 2009 (North American Eastern Standard Time), and in the United States District Court for the District of New Jersey on December 17, 2009, respectively (collectively, the “Lawsuits”). After the lawsuit in its entirety was referred from the United States District Court for the District of New Jersey to the United States Bankruptcy Court for the District of New Jersey, it was decided on June 9, 2010 (United States time) to transfer this lawsuit from the United States Bankruptcy Court for the District of New Jersey to the United States Bankruptcy Court for the District of Delaware.

While the Company has responded to the Lawsuits, after comprehensively taking into account various factors, including the potential costs to be incurred due to the ongoing Lawsuits, the Company has agreed to settle with the Plaintiffs. Accordingly, the Company executed the Settlement Agreement with the Plaintiffs as of March 29, 2013 (North American Eastern Standard Time).

(2) Contents of the Settlement

The principal terms of the settlement are as follows.

1) The Company shall pay to the Plaintiffs US$8.5 million.

2) All of the Company’s proof of claim in the bankruptcy case of AUTOBACS STRAUSS INC. in the United States Bankruptcy Court for the District of Delaware shall be disallowed.

(3) Effectuation of the Settlement Agreement

The Settlement Agreement came into effect on May 8, 2013 (North American Eastern Standard Time), after the United States Bankruptcy Court for the District of Delaware and the United States District Court for the District of New Jersey entered into the Approval Orders on April 23, 2013 (North American Eastern Standard Time). Based on this Settlement Agreement, the Company paid US$8.5 million to the Plaintiffs on May 10, 2013 (North American Eastern Standard Time).

The Company expects that cash payment, etc., to be made through this settlement will have no material impact on its consolidated financial results from the fiscal year ending March 31, 2014.

Consolidated Balance Sheet

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
March 31, 2013

ASSETS	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	**¥42,833**	¥51,402	**$455,670**
Time deposits with an original maturity over three months (Note 17)	**5,365**	5,057	**57,075**
Marketable securities (Notes 3 and 17)	**1,001**	3,423	**10,649**
Receivables (Note 17):			
Trade notes and accounts	**23,681**	25,675	**251,926**
Associated companies	**1,127**	1,157	**11,989**
Other	**20,206**	20,096	**214,957**
Allowance for doubtful receivables	**(213)**	(102)	**(2,266)**
Investments in lease (Notes 4 and 17)	**12,361**	13,413	**131,500**
Inventories	**16,576**	17,084	**176,340**
Deferred tax assets (Note 15)	**1,950**	2,327	**20,745**
Prepaid expenses and other current assets	**2,316**	2,080	**24,638**
Total current assets	**127,203**	141,612	**1,353,223**
PROPERTY AND EQUIPMENT:			
Land (Notes 5 and 8)	**22,920**	22,793	**243,830**
Buildings and structures (Notes 5 and 8)	**40,150**	37,183	**427,128**
Furniture and equipment (Note 5)	**18,866**	18,941	**200,702**
Lease assets (lessee) (Note 16)	**435**	299	**4,628**
Construction in progress	**253**	323	**2,691**
Total	**82,624**	79,539	**878,979**
Accumulated depreciation	**(41,171)**	(40,015)	**(437,990)**
Net property and equipment	**41,453**	39,524	**440,989**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 17)	**6,366**	4,400	**67,723**
Investments in associated companies (Note 17)	**1,391**	1,353	**14,798**
Rental deposits and long-term loans (Notes 7 and 17)	**18,748**	19,498	**199,447**
Goodwill (Note 6)	**867**	764	**9,224**
Software	**3,846**	4,695	**40,915**
Deferred tax assets (Note 15)	**3,583**	4,169	**38,117**
Other	**2,070**	1,934	**22,021**
Total investments and other assets	**36,871**	36,813	**392,245**
TOTAL	**¥205,527**	¥217,949	**$2,186,457**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 1) 2013
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 17)	**¥642**	¥432	**$6,830**
Current portion of long-term debt (Notes 8 and 17)	**1,665**	4,837	**17,713**
Payables (Note 17):			
Trade notes and accounts	**21,603**	24,299	**229,819**
Associated companies (Note 21)	**1,195**	1,727	**12,713**
Other	**11,004**	11,631	**117,064**
Income taxes payable (Note 17)	**2,578**	4,958	**27,425**
Accrued expenses	**2,803**	4,237	**29,819**
Allowance for business restructuring	**988**	1,090	**10,510**
Other current liabilities (Note 10)	**2,543**	2,439	**27,053**
Total current liabilities	**45,021**	55,650	**478,946**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 17)	**7,549**	6,567	**80,309**
Liability for retirement benefits (Note 9)	**417**	325	**4,436**
Rental deposits received (Note 7):			
Associated companies	**1,079**	1,135	**11,479**
Other	**6,067**	6,194	**64,543**
Deferred tax liabilities (Note 15)	**65**	37	**691**
Other liabilities (Note 10)	**2,028**	1,847	**21,574**
Total long-term liabilities	**17,205**	16,105	**183,032**
Total liabilities	**62,226**	71,755	**661,978**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 16)			
EQUITY (Notes 11 and 22)**:**			
Common stock, authorized, 328,207 thousand shares; issued, 97,950 thousand shares in 2013 and 102,755 thousand shares in 2012	**33,999**	33,999	**361,692**
Capital surplus	**34,278**	34,278	**364,660**
Retained earnings	**80,438**	83,074	**855,723**
Treasury stock at cost, 5,428 thousand shares in 2013 and 4,828 thousand shares in 2012	**(7,231)**	(5,496)	**(76,926)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 3)	**1,272**	52	**13,532**
Foreign currency translation adjustments	**106**	(281)	**1,128**
Total	**142,862**	145,626	**1,519,809**
Minority interests	**439**	568	**4,670**
Total equity	**143,301**	146,194	**1,524,479**
TOTAL	**¥205,527**	¥217,949	**$2,186,457**

Note. Shares have been restated, as appropriate, to reflect a three-for-one stock split effected April 1, 2013.

Consolidated Statement of Income and Comprehensive Income

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
Year Ended March 31, 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	**2013**
NET SALES (Note 12)	**¥230,168**	¥237,343	¥236,351	**$2,448,596**
COST OF GOODS SOLD	**154,438**	160,306	160,611	**1,642,958**
Gross profit	**75,730**	77,037	75,740	**805,638**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**62,985**	63,316	63,751	**670,053**
Operating income	**12,745**	13,721	11,989	**135,585**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**175**	197	203	**1,862**
Interest expense	**(122)**	(163)	(190)	**(1,298)**
Commission income	**437**	434	749	**4,649**
Impairment losses on fixed assets (Note 5)	**(89)**	(51)	(350)	**(947)**
Loss on arrangement of stores		(74)	(286)	
Foreign exchange gain (loss), net	**534**	(51)	(414)	**5,681**
Lease revenue—system equipment	**1,202**	1,230	1,164	**12,787**
Lease cost—system equipment	**(1,144)**	(1,266)	(1,273)	**(12,170)**
Effect of application of revised accounting standard for asset retirement obligations (Note 2.M)			(1,166)	
Loss on disaster (Note 14)			(387)	
Additional retirement benefits			(461)	
Reversal of allowance for business restructuring		11	137	
Other—net	**177**	1,229	1,786	**1,883**
Other income (expenses)—net	**1,170**	1,496	(488)	**12,447**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**13,915**	15,217	11,501	**148,032**
INCOME TAXES (Note 15):				
Current	**5,912**	6,934	4,370	**62,893**
Deferred	**435**	(122)	906	**4,628**
Total	**6,347**	6,812	5,276	**67,521**
NET INCOME BEFORE MINORITY INTERESTS	**7,568**	8,405	6,225	**80,511**
MINORITY INTERESTS	**(22)**	2	45	**(234)**
NET INCOME	**7,590**	8,403	6,180	**80,745**
MINORITY INTERESTS	**22**	(2)	(45)	**234**
NET INCOME BEFORE MINORITY INTERESTS	**7,568**	8,405	6,225	**80,511**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 18):				
Unrealized gain (loss) on available-for-sale securities	**1,217**	27	(87)	**12,947**
Foreign currency translation adjustments	**417**	(136)	(169)	**4,436**
Share of other comprehensive income of associates	**3**	4	3	**32**
Total other comprehensive income (loss)	**1,637**	(105)	(253)	**17,415**
COMPREHENSIVE INCOME	**¥9,205**	¥8,300	¥5,972	**$97,926**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	**9,197**	8,293	5,937	**97,841**
Minority interests	**8**	7	35	**85**

	Yen			
PER SHARE OF COMMON STOCK (Notes 2. S and 19):				
Basic net income	**¥81.22**	¥84.28	¥59.32	**$0.86**
Cash dividends applicable to the year	**52.00**	48.33	45.00	**0.55**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
Year Ended March 31, 2013

	Thousands		Millions of yen								
							Accumulated other comprehensive income				
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2010	112,363	4,825	¥33,999	¥34,278	¥88,399	¥(5,402)	¥108	¥15	¥151,397	¥456	¥151,853
Net income					6,180				6,180		6,180
Purchase of treasury stock		4,805				(5,235)			(5,235)		(5,235)
Appropriations:											
Cash dividends, ¥43.33 per share					(4,557)				(4,557)		(4,557)
Change in consolidation scope					(37)				(37)		(37)
Net changes of items							(86)	(157)	(243)	2	(241)
BALANCE, MARCH 31, 2011	112,363	9,630	33,999	34,278	89,985	(10,637)	22	(142)	147,505	458	147,963
Net income					8,403				8,403		8,403
Retirement of treasury stock	(9,608)	(9,608)			(10,607)	10,607					
Purchase of treasury stock		4,806				(5,466)			(5,466)		(5,466)
Appropriations:											
Cash dividends, ¥46.67 per share					(4,707)				(4,707)		(4,707)
Net changes of items							30	(139)	(109)	110	1
BALANCE, MARCH 31, 2012	102,755	4,828	33,999	34,278	83,074	(5,496)	52	(281)	145,626	568	146,194
Net income					**7,590**				**7,590**		**7,590**
Retirement of treasury stock	**(4,805)**	**(4,805)**			**(5,464)**	**5,464**					
Purchase of treasury stock		**5,405**				**(7,199)**			**(7,199)**		**(7,199)**
Appropriations:											
Cash dividends, ¥50.00 per share					**(4,762)**				**(4,762)**		**(4,762)**
Net changes of items							**1,220**	**387**	**1,607**	**(129)**	**1,478**
BALANCE, MARCH 31, 2013	**97,950**	**5,428**	**¥33,999**	**¥34,278**	**¥80,438**	**¥(7,231)**	**¥1,272**	**¥106**	**¥142,862**	**¥439**	**¥143,301**

Note. Shares and per share figures have been restated, as appropriate, to reflect a three-for-one stock split effected April 1, 2013.

	Thousands of U.S. dollars (Note 1)								
					Accumulated other comprehensive income				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2012	$361,692	$364,660	$883,766	$(58,469)	$553	$(2,989)	$1,549,213	$6,042	$1,555,255
Net income			80,745				80,745		80,745
Retirement of treasury stock			(58,128)	58,128					
Purchase of treasury stock				(76,585)			(76,585)		(76,585)
Appropriations:									
Cash dividends, $0.53 per share			(50,660)				(50,660)		(50,660)
Net changes of items					12,979	4,117	17,096	(1,372)	15,724
BALANCE, MARCH 31, 2013	$361,692	$364,660	$855,723	$(76,926)	$13,532	$1,128	$1,519,809	$4,670	$1,524,479

Note. Per share figures have been restated, as appropriate, to reflect a three-for-one stock split effected April 1, 2013.

See notes to consolidated financial statement.

Consolidated Statement of Cash Flows

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
Year Ended March 31, 2013

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2013	2012	2011	2013
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥13,915**	¥15,217	¥11,501	**$148,032**
Adjustments for:				
Income taxes paid	**(8,320)**	(5,625)	(2,565)	**(88,511)**
Depreciation and amortization	**5,194**	4,644	4,798	**55,255**
Impairment losses on fixed assets	**89**	51	350	**947**
Reversal of allowance for business restructuring	**(102)**	(11)	(224)	**(1,085)**
Loss(gain) on sale of investment securities	**468**	(71)	(8)	**4,979**
Effect of application of revised accounting standard for asset retirement obligations			1,166	
Changes in operating assets and liabilities:				
Decrease (increase) in receivables	**2,264**	(6,223)	160	**24,085**
Decrease in investments in lease	**948**	484	1,365	**10,085**
Decrease (increase) in inventories	**210**	135	(487)	**2,234**
(Decrease) increase in other payables and accruals	**(2,798)**	9,109	(676)	**(29,766)**
Other	**(1,127)**	3,135	(5)	**(11,989)**
Net cash provided by operating activities	**10,741**	20,845	15,375	**114,266**
INVESTING ACTIVITIES:				
Payments into time deposits	**(13,331)**	(10,836)	(1,438)	**(141,819)**
Proceeds from withdrawal of time deposits	**13,093**	7,227	2,071	**139,287**
Capital expenditures	**(6,249)**	(7,691)	(3,187)	**(66,479)**
Proceeds from sales of fixed assets	**224**	80	1,431	**2,383**
Acquisition of investment securities	**(2,156)**	(2,391)	(2,575)	**(22,936)**
Disposition of investment securities	**2,927**	355	2,157	**31,138**
Proceeds from sales of marketable securities	**1,500**	6,840	2,009	**15,958**
Payments for marketable securities	**(499)**	(4,544)	(5,292)	**(5,309)**
Payments for advances and rental deposits	**(899)**	(843)	(1,094)	**(9,564)**
Collection of advances and rental deposits	**910**	1,084	871	**9,681**
Proceeds from acquisition of subsidiaries' stock resulting in change in scope of consolidation	**141**			**1,500**
Proceeds from sales of subsidiaries' stock resulting in change in scope of consolidation		233		
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation	**(257)**		(258)	**(2,734)**
Payments for sales of subsidiaries' stock resulting in change in scope of consolidation			(9)	
Other	**73**	330	312	**777**
Net cash used in investing activities	**(4,523)**	(10,156)	(5,002)	**(48,117)**
FINANCING ACTIVITIES:				
(Decrease) increase in short-term borrowings	**(5)**	(25)	78	**(53)**
Repayment of long-term debt	**(5,069)**	(2,753)	(5,278)	**(53,926)**
Proceeds from long-term debt	**2,470**	1,380	3,180	**26,277**
Purchase of treasury stock	**(7,196)**	(5,464)	(5,233)	**(76,553)**
Proceeds from issuance of subsidiary stock		138		
Dividends paid	**(4,762)**	(4,706)	(4,555)	**(50,660)**
Other	**(300)**	(144)	18	**(3,191)**
Net cash used in financing activities	**(14,862)**	(11,574)	(11,790)	**(158,106)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**75**	(30)	(52)	**797**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**(8,569)**	(915)	(1,469)	**(91,160)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**51,402**	52,317	53,786	**546,830**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥42,833**	¥51,402	¥52,317	**$455,670**
ACQUISITION OF SUBSIDIARIES:				
Fair value of assets acquired	**¥1,600**		¥1,053	**$17,021**
Liabilities assumed	**(1,277)**		(783)	**(13,585)**
Goodwill	**274**		102	**2,915**
Acquisition cost	**597**		372	**6,351**
Cash and cash equivalents held by subsidiaries	**481**		114	**5,117**
Cash paid for capital	**¥(116)**		¥(258)	**$(1,234)**
SALES OF SUBSIDIARIES:				
Assets by sales		¥425	¥48	
Liabilities by sales		(251)	(49)	
Goodwill		24		
Gain on sales of subsidiaries' stocks		63		
Reversal of allowance for business restructuring			2	
Sales cost		261	1	
Cash and cash equivalents held by subsidiaries		(28)	(10)	
Cash received (paid) for sales		¥233	¥(9)	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

In addition, certain reclassifications and rearrangements have been made in the consolidated financial statements for the years ended March 31, 2012 and 2011, to conform to the classifications and presentations used in the consolidated financial statements for the year ended March 31, 2013.

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 ¥94 to $1, the approximate rate of exchange on March 31, 2013. Such translation 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 of March 31, 2013, include the accounts of the Company and all subsidiaries (35 in 2013, 36 in 2012,and 38 in 2011).

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

Investments in all associated companies (7 in 2013, 2012 and 2011) are accounted for by the equity method. The cost in excess of net assets of the subsidiaries and associated companies at the time of acquisition, which cannot be specifically assigned to individual assets, is amortized on the straight-line basis over twenty years.

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

B. UNIFICATION OF ACCOUNTING POLICIES APPLIED TO FOREIGN SUBSIDIARIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

C. UNIFICATION OF ACCOUNTING POLICIES APPLIED TO FOREIGN ASSOCIATED COMPANIES FOR THE EQUITY METHOD

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

D. BUSINESS COMBINATIONS

In October 2003, the Business Accounting Council issued a Statement of Opinion, “Accounting for Business Combinations,” and in December 2005, the ASBJ issued ASBJ Statement No. 7, “Accounting Standard for Business Divestitures” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures.”

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

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

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

E. CASH EQUIVALENTS

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

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

F. MARKETABLE AND INVESTMENT SECURITIES

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

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

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

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

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

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

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

G. INVENTORIES

Inventories before distribution to stores or franchisees are stated at the lower of cost, determined by the average method, or net selling value.

Inventories held at stores are stated at the lower of cost, determined by the retail method, or net selling value.

H. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost.

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

Estimated useful lives are as follows:

Buildings and structures:	3 to 45 years
Furniture and equipment:	2 to 20 years
Lease assets:	5 to 50 years

I. LONG-LIVED ASSETS

The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

J. GOODWILL

Goodwill is amortized on a straight-line basis over twenty years.

K. PURCHASED SOFTWARE

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

L. RETIREMENT AND PENSION PLAN

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

The Companies recorded expenses for the defined contribution pension plan when the contribution was made. Some subsidiaries accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at each balance sheet date.

In some subsidiaries, retirement allowances for directors are recorded to state the liability at the amount that would be required if all directors retired at each balance sheet date. Certain subsidiaries revised their compensation plan in April 2005 and no additional provisions have been recorded for retirement benefits to be paid to those directors since April 2005.

M. ASSET RETIREMENT OBLIGATIONS

In March 2008, the ASBJ published ASBJ Statement No.18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value in each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The effect of this change was to decrease operating income by ¥90 million and income before income taxes and minority interests by ¥1,256 million for the fiscal year ended March 31, 2011.

Overview of the asset retirement obligations:

For the most part, these comprise obligations to return land used for stores to its original condition under real estate lease contracts.

Method of calculating amounts of asset retirement obligations:

The amount of asset retirement obligations is calculated using either the period of an applicable real estate lease contract or the useful life of property and equipment as the expected period of use, and the interest rate of government bonds for that period on the date of calculation as the discount rate.

N. ALLOWANCE FOR BUSINESS RESTRUCTURING

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

O. LEASE ACCOUNTING

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

Lessee

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

Lessor

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

Recognition of revenues

Revenue and cost of finance leases are recognized when each lease payment becomes due.

P. INCOME TAXES

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income and comprehensive 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.

Q. FOREIGN CURRENCY ITEMS

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

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

R. FOREIGN CURRENCY FINANCIAL STATEMENTS

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

S. PER SHARE INFORMATION

Basic net income per share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.
Diluted net income per share is not disclosed because the effect of potential common shares is anti-dilutive.

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

On April 1, 2013, the Company effected a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors meeting held on February 27, 2013. All prior years share and per share figures have been restated to reflect the impact of the stock split, and to provide data on a basis comparable to the years ended March 31, 2013. Such restatements include calculations regarding the Company's weighted-average number of common shares, EPS, and cash dividends per share.

T. DERIVATIVES AND HEDGING ACTIVITIES

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

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

a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and

b) for derivatives used for hedging purposes, if such 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.

U. ACCOUNTING CHANGES AND ERROR CORRECTIONS

In December 2009, the ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentations:
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates:
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors:
When an error in prior-period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
CURRENT:			
Debt securities	**¥1,001**	¥3,423	**$10,649**
NON-CURRENT:			
Equity securities	**¥5,561**	¥1,534	**$59,159**
Debt securities	**805**	2,866	**8,564**
Total	**¥6,366**	¥4,400	**$67,723**

The carrying amounts and aggregate fair values of marketable and investment securities for which market quotations were available as of March 31, 2013 and 2012, were as follows:

	Millions of yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥3,513**	**¥2,057**	**¥114**	**¥5,456**
Debt securities	**1,805**	**1**		**1,806**

	Millions of yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,357	¥225	¥154	¥1,428
Debt securities	5,288	11	10	5,289
Held-to-maturity	1,000		2	998

	Thousands of U.S. dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$37,372**	**$21,883**	**$1,213**	**$58,042**
Debt securities	**19,202**	**11**		**19,213**

Available-for-sale and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2013 and 2012, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Securities classified as:			
Available-for-sale:			
Equity securities	**¥105**	¥106	**$1,117**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2013, 2012 and 2011, were ¥525 million ($5,585 thousand), ¥291 million and ¥163 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, for the years ended March 31, 2012 and 2011, were ¥6 million and ¥11 million, respectively. Gross realized losses on these sales for the years ended March 31, 2013, 2012 and 2011, were ¥468 million ($4,979 thousand), ¥8 million and ¥0 million, respectively.

4. INVESTMENTS IN LEASE

A breakdown of investments in lease as of March 31, 2013 and 2012, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Gross lease receivables	**¥14,743**	¥16,333	**$156,841**
Unearned interest income	**(2,547)**	(3,103)	**(27,096)**
Asset retirement obligations	**165**	183	**1,755**
Investments in lease	**¥12,361**	¥13,413	**$131,500**

The Company leases store buildings, which are constructed by the Company, to its franchisees under noncancelable 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 noncancelable lease agreements over five to six years.

Maturities of investment in lease for finance leases that deem not to transfer ownership of the leased property to the lessee as of March 31, 2013, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2014	**¥1,787**	**$19,011**
2015	**1,994**	**21,213**
2016	**1,877**	**19,968**
2017	**1,614**	**17,170**
2018	**1,350**	**14,362**
2019 and thereafter	**6,121**	**65,117**
Total	**¥14,743**	**$156,841**

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment for the years ended March 31, 2013, 2012 and 2011, and, as a result, recognized an impairment loss of ¥89 million($947 thousand), ¥51 million, and ¥350 million, respectively, on rental assets, stores and idle assets. The carrying amount of the relevant fixed assets was written down to the recoverable amount. The recoverable amount of those fixed assets was measured at the net selling price determined by quotations from real estate appraisers and their value in use and the discount rate used for computation of the present value of future cash flows was the Company's weighted-average cost of capital.

Impairment losses of long-lived assets and the weighted-average cost of capital for the years ended March 31, 2013, 2012 and 2011 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Land	**¥30**	¥31	¥135	**$319**
Buildings and structures	**51**	20	105	**543**
Furniture and equipment	**8**		69	
Other			41	**85**
Total	**¥89**	¥51	¥350	**$947**

	2013	2012	2010
Weighted-average cost of capital	**10.02%**	11.06%	7.28%

6. GOODWILL

Goodwill as of March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Consolidation goodwill	**¥151**	¥61	**$1,607**
Purchased goodwill	**716**	703	**7,617**
Total	**¥867**	¥764	**$9,224**

7. RENTAL DEPOSITS AND LONG-TERM LOANS

A breakdown of rental deposits and long-term loans as of March 31, 2013 and 2012, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
RENTAL DEPOSITS TO:			
Lessors for distribution facilities and stores of the Companies	**¥9,260**	¥9,013	**$98,511**
Lessors for stores of franchisees	**8,030**	8,908	**85,425**
Lessors for office and other facilities	**1,329**	1,300	**14,138**
Total rental deposits	**18,619**	19,221	**198,074**
LOANS TO:			
Franchisees	**280**	460	**2,979**
Other		1	
Total loans	**280**	461	**2,979**
Allowance for doubtful receivables	**(151)**	(184)	**(1,606)**
Total	**¥18,748**	¥19,498	**$199,477**

The Companies' operations are conducted in freestanding buildings, a substantial portion of which have been constructed to the Company's specifications and are leased to the Company under noncancelable lease terms generally over twenty years. The lease terms are renewable upon expiration. Usually, the Company provides funds to the lessors in whole or in part for the construction costs of the leased buildings in the form of rental deposits which are non-interest-bearing.

Rental deposits are refundable over the lease term or are refundable upon expiration of the lease term. If the Company cancels the lease agreements during the lease term, the outstanding rental deposits are not refunded. The Company has not experienced significant loss from the forfeiture of rental deposits as a result of cancellation of the lease agreements before expiration.

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

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2013 and 2012, consisted of notes to banks and other. The annual interest rates applicable to the short-term borrowings at March 31, 2013 and 2012, ranged from 0.8% to 1.5% and from 1.0% to 1.5%, respectively.

Long-term debt and lease obligations at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Bonds	**¥135**	¥205	**$1,436**
Loans from banks and other, due serially to 2017 with interest rates ranging from 0.5% to 2.3% (2013) and from 0.6% to 2.3% (2012) and other:			
Unsecured	**7,566**	9,816	**80,490**
Lease obligations	**1,513**	1,383	**16,096**
Total	**9,214**	11,404	**98,022**
Less current portion	**1,665**	4,837	**17,713**
Long-term debt, less current portion	**¥7,549**	¥6,567	**$80,309**

Annual maturities of long-term debt and lease obligations at March 31, 2013, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2014	**¥1,665**	**$17,713**
2015	**4,192**	**44,596**
2016	**2,039**	**21,691**
2017	**170**	**1,809**
2018	**125**	**1,330**
2019 and thereafter	**1,023**	**10,883**
Total	**¥9,214**	**$98,022**

As of March 31, 2013, buildings and land of ¥274 million ($2,915 thousand) were pledged as collateral for payables, short-term borrowings and long-term debt. As is customary in Japan, the Companies maintain substantial deposit balances with banks with which they have borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is 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.

9. RETIREMENT AND PENSION PLAN

The Company has alternative plans consisting of a non-contributory defined contribution pension plan and a plan in which employees receive a retirement payment portion in cash as of March 31, 2013. Subsidiaries have non-contributory defined contribution pension plans, unfunded employee retirement payment plans, non-contributory defined benefit pension plans and smaller enterprise retirement allowance plans for employees as of March 31, 2013.

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 certain subsidiaries and annuity payments from a trustee. Employees are entitled for larger payments if the termination is involuntary, compared with termination by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The Companies have a retirement payment plan for directors. The liability for retirement benefits for directors at March 31, 2013 and 2012, is ¥195 million ($2,074 thousand) and ¥206 million, respectively. The retirement benefits for directors 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.

Details of the welfare plan under which required contribution amounts were treated as retirement benefit expenses were as follows:

The funded status of the entire plan:

	Millions of yen		Thousands of U.S. dollars
	Most recent period	Previous period	**Most recent period**
Plan assets	**¥24,313**	¥26,503	**$258,649**
Retirement benefit obligations under the welfare plan	**35,955**	36,140	**382,500**
Difference	**¥(11,642)**	¥(9,637)	**$(123,851)**

The main factors for the difference were prior service costs (¥6,219 million ($66,160 thousand) in the most recent period; ¥6,541 million in the previous period), and losses carried forward (¥5,423 million ($57,691 thousand) in the most recent period; ¥3,096 million in the previous period). The Company has paid special contributions as prior service cost over twenty years. The amounts of special contributions made and charged to income were ¥171 million ($1,819 thousand), ¥166 million and ¥162 million, for the years ended March 31, 2013, 2012 and 2011, respectively.

Ratio of the Company's payment contributions for the entire plan:

Most recent ratio 24.6% (April 1, 2011 to March 31, 2012)

Previous ratio 24.0% (April 1, 2010 to March 31, 2011)

The ratio of payment contributions does not correspond with the Company's actual share of plan assets.

The liability (asset) for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligation	**¥247**	¥164	**$2,628**
Fair value of plan assets	**(25)**	(45)	**(266)**
Net liability	**¥222**	¥119	**$2,362**

The components of net periodic benefit costs for the years ended March 31, 2013, 2012 and 2011, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	**2013**
Service cost	**¥32**	¥27	¥27	**$340**
Contribution of contributory welfare pension plan	**387**	371	360	**4,117**
Contribution pension plan and other	**267**	240	248	**2,841**
Additional retirement benefits			461	
Net periodic retirement benefit costs	**¥686**	¥638	¥1,096	**$7,298**

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

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Balance at beginning of year	**¥1,824**	¥1,740	**$19,404**
Additional provisions associated with the acquisition of property and equipment	**129**	91	**1,372**
Reconciliation associated with passage of time	**35**	33	**372**
Reduction associated with settlement of asset retirement obligations	**(14)**	(22)	**(149)**
Other	**10**	(18)	**107**
Balance at end of year	**¥1,984**	¥1,824	**$21,106**

11. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

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

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

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

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

On April 1, 2013, the Company effected a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors’ meeting held on February 27, 2013.

(c) Treasury stock and treasury stock acquisition rights

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

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

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

12. SALES

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

Net sales made to franchisees for the years ended March 31, 2013, 2012 and 2011, aggregated to approximately 57%, 57% and 57% of the consolidated net sales, respectively.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of “Selling, general and administrative expenses” for the fiscal years ended March 31, 2013, 2012 and 2011, were as follows:

	Millions of yen			Thousands of U.S. dollars
Year Ending March 31	**2013**	2012	2011	**2013**
Employee salaries and allowances	**¥23,415**	¥23,835	¥23,463	**$249,096**
Provision for retirement allowance	**680**	638	635	**7,234**
Rent payment	**6,106**	6,104	6,088	**64,957**
Depreciation	**4,359**	3,937	3,906	**46,372**
Provision for allowance for doubtful receivables	**83**	43	115	**883**

14. LOSS ON DISASTER

The components of "Loss on disaster" caused by the Great East Japan Earthquake for the fiscal year ended March 31, 2011, were as follows:

March 31, 2011	Millions of yen 2011
Provision of allowance for loss on disaster	¥171
Loss on abandonment of goods	158
Purchase cost of relief supplies	22
Loss on abandonment of noncurrent assets	19
Disaster compensation to franchisees, Others	17
Total	¥387

15. 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 38.0%, 41.0% and 41.0% for the years ended March 31, 2013, 2012 and 2011, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
DEFERRED TAX ASSETS:			
Receivables	**¥1,526**	¥1,318	**$16,234**
Accrued enterprise taxes	**222**	366	**2,362**
Accrued bonuses	**298**	299	**3,170**
Inventories	**922**	1,077	**9,808**
Depreciation and impairment loss	**4,444**	4,465	**47,277**
Provision for business restructuring	**374**	413	**3,979**
Investments	**584**	564	**6,213**
Other accounts payable	**964**	1,148	**10,255**
Tax loss carryforwards	**2,532**	2,006	**26,936**
Other	**1,212**	1,231	**12,894**
Less valuation allowance	**(5,610)**	(4,855)	**(59,681)**
Deferred tax assets	**7,468**	8,032	**79,447**
DEFERRED TAX LIABILITIES:			
Property and equipment	**402**	402	**4,277**
Undistributed earnings of associated companies	**296**	280	**3,149**
Effect of application of accounting standard for leased assets	**275**	572	**2,925**
Unrealized gains on available-for-sale securities	**681**	24	**7,245**
Other	**353**	297	**3,755**
Deferred tax liabilities	**2,007**	1,575	**21,351**
Net deferred tax assets	**¥5,461**	¥6,457	**$58,096**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2013, 2012 and 2011, and the actual effective tax rates reflected in the accompanying consolidated statements of income and comprehensive income is as follows:

	2013	2012	2011
Normal effective statutory tax rate	**38.0%**	41.0%	41.0%
Expenses not deductible for income tax purposes	**0.5**	0.6	0.7
Per-capita inhabitants' tax	**0.6**	0.5	0.7
Changes in valuation allowance	**5.8**	(0.3)	2.8
Amortization of goodwill	**0.6**	0.1	0.4
Effect of tax rate reduction		3.4	
Other—net	**0.1**	(0.5)	0.3
Actual effective tax rate	**45.6%**	44.8%	45.9%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from approximately 41% to 38% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 36% afterwards. The effect of this change was to decrease deferred taxes in the consolidated balance sheet as of March 31, 2012, by ¥514 million and to increase income taxes—deferred in the consolidated statement of income and comprehensive income for the year then ended by ¥517 million.

At March 31, 2013, certain subsidiaries have tax loss carryforwards aggregating approximately ¥10,674 million ($113,553 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
2014	**¥511**	**$5,436**
2015	**178**	**1,894**
2016	**343**	**3,649**
2017	**86**	**915**
2018	**353**	**3,755**
2019	**448**	**4,766**
2020 and thereafter	**8,918**	**94,872**
Total	**¥10,837**	**$115,287**

16. LEASES

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

Total rental expenses for the years ended March 31, 2013, 2012 and 2011, were ¥6,442 million ($68,532 thousand), ¥6,462 million and ¥6,484 million, respectively, including ¥366 million ($3,894 thousand), ¥368 million and ¥394 million of lease payments under finance leases.

Pro forma information of leased property that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2013 and 2012, is as follows:

	As of March 31, 2013			As of March 31, 2012		
	Millions of yen			Millions of yen		
	Equipment	Building and Land	Total	Equipment	Building and Land	Total
Acquisition cost	**¥5**	**¥4,552**	**¥4,557**	¥84	¥4,552	¥4,636
Accumulated depreciation	**4**	**2,946**	**2,950**	73	2,733	2,806
Net leased property	**¥1**	**¥1,606**	**¥1,607**	¥11	¥1,819	¥1,830

	As of March 31, 2013		
	Thousands of U.S. dollars		
	Equipment	Building and Land	Total
Acquisition cost	**$53**	**$48,426**	**$48,479**
Accumulated depreciation	**42**	**31,341**	**31,383**
Net leased property	**$11**	**$17,085**	**$17,096**

Obligations under finance lease contracts:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	**¥254**	¥252	**$2,702**
Due after one year	**1,840**	2,094	**19,575**
Total	**¥2,094**	¥2,346	**$22,277**

Depreciation expense and interest expense under finance lease contracts:

	Millions of yen			Thousands of U.S. dollars
	2013	2012	2011	2013
Depreciation expense	**¥223**	¥225	¥245	**$2,372**
Interest expense	**114**	128	148	**1,213**
Total	**¥337**	¥353	¥393	**$3,585**

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

The minimum rental commitments under noncancelable operating leases as of March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Due within one year	**¥3,610**	¥3,470	**$38,404**
Due after one year	**25,862**	26,142	**275,128**
Total	**¥29,472**	¥29,612	**$313,532**

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and issued ASBJ Guidance No. 19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures.” The Companies applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Companies’ policy for financial instruments

The Companies procure their funds mainly through loans from banks, as necessary, in accordance with a capital investment plan. Temporary reserve funds are invested mainly in highly safe financial assets.

(2) Nature and extent of risks arising from financial instruments

Trade notes and accounts receivable, which are operating receivables, are exposed to the credit risks of the customers.

Marketable and investment securities are mainly composed of held-to-maturity debt securities and available-for-sale securities, including listed stocks, and they are exposed to market risks.

Long-term loans are provided for franchisees and are exposed to the credit risks of the franchisees.

Most of the Companies’ store buildings are based on their unique specifications. They are leased and subleased to franchisees. Rental deposits are mainly composed of deposits provided to the lessors as contractually agreed and are exposed to the credit risks of the lessors.

Investments in lease are mainly the portion of the above-mentioned store buildings that are company-owned assets leased to the franchisees, and they are exposed to the credit risks of the franchisees.

Trade notes and accounts payable, which are operating liabilities, are mostly due within one month.

Borrowings and bonds are made mainly in order to finance operating capital and capital investment, and the redemption dates fall within a period of five years after the balance sheet date.

(3) Risk management for financial instruments

Credit risk management (risk relating to default of agreements of the counterparties)

The Company aims to quickly recognize or mitigate any concerns over the collection of operating receivables and loans resulting from the deterioration of financial positions and other factors, as defined in the Management Regulations for Receivables. Specifically, each business division regularly monitors the financial positions of the main counterparties and manages the due dates and the balances on a counterparty-by-counterparty basis. Similar management is also conducted at subsidiaries in accordance with the Company’s Management Regulations for Receivables.

As for held-to-maturity debt securities and debt securities such as bonds in available-for-sale securities, the credit risk is insignificant since the Company only holds debt securities with high ratings in accordance with the Fund Management Policy.

Market risk management (foreign exchange risk and interest rate risk)

For marketable and investment securities, the Company confirms the fair values and the financial positions of the issuers (counterparties) on a regular basis and continuously reviews the holding status by taking the financial position and market condition into consideration.

The foreign currency and interest rate exposures are not presented herein as the amounts are immaterial.

Liquidity risk management relating to financing (default risk on due date)

The Company manages liquidity risk by securing necessary liquidity and ensuring that cash flow plans are formulated and updated in a timely fashion by the divisions in-charge based on the reports made by each division. For the subsidiaries, financing is mostly made by the Companies’ financing system under which the funds are provided from the Company.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead.

(a)Fair values of financial instruments

	Millions of yen			Thousands of U.S. dollars		
March 31, 2013	Carrying amount	Fair value	Unrealized gain/(loss)	Carrying amount	Fair value	Unrealized gain/(loss)
Cash and cash equivalents	**¥42,833**	**¥42,833**		**$455,670**	**$455,670**	
Time deposits with an original maturity over three months	**5,365**	**5,365**		**57,075**	**57,075**	
Marketable securities	**1,001**	**1,001**		**10,649**	**10,649**	
Receivables	**45,014**	**44,790**	**¥(11)**	**478,872**	**476,489**	**$(117)**
Allowance for doubtful receivables	**(213)**			**(2,266)**		
Investments in lease	**12,196**	**14,595**	**2,399**	**129,734**	**155,255**	**25,521**
Investment securities	**6,261**	**6,261**		**66,606**	**66,606**	
Investments in associated companies	**992**	**389**	**(603)**	**10,553**	**4,138**	**(6,415)**
Rental deposits and long-term loans	**18,748**	**17,701**	**(1,047)**	**199,447**	**188,309**	**(11,138)**
Total	**¥132,197**	**¥132,935**	**¥738**	**$1,406,340**	**$1,414,191**	**$7,851**
Payables	**¥33,802**	**¥33,802**		**$359,596**	**$359,596**	
Short-term borrowings and current portion of long-term debt	**2,307**	**2,404**	**¥97**	**24,543**	**25,574**	**$1,031**
Income taxes payable	**2,578**	**2,578**		**27,425**	**27,425**	
Long-term debt	**7,549**	**7,973**	**424**	**80,309**	**84,820**	**4,511**
Total	**¥46,236**	**¥46,757**	**¥521**	**$491,873**	**$497,415**	**$5,542**

Note. The difference of the above investments in lease and the amount of consolidated balance sheets is asset retirement obligations.

March 31, 2012	Millions of yen Carrying amount	Fair value	Unrealized gain/(loss)
Cash and cash equivalents	¥51,402	¥51,400	¥(2)
Time deposits with an original maturity over three months	5,057	5,057	
Marketable securities	3,423	3,421	(2)
Receivables	46,928	46,802	(24)
Allowance for doubtful receivables	(102)		
Investments in lease	13,230	15,683	2,453
Investment securities	4,294	4,294	
Investments in associated companies	963	331	(632)
Rental deposits and long-term loans	19,498	17,898	(1,600)
Total	¥144,693	¥144,886	¥193
Payables	¥37,657	¥37,657	
Short-term borrowings and current portion of long-term debt	5,269	5,438	¥169
Income taxes payable	4,958	4,958	
Long-term debt	6,567	6,978	411
Total	¥54,451	¥55,031	¥580

Note. The difference of the above investments in lease and the amount in the consolidated balance sheets is asset retirement obligations.

Cash and cash equivalents, time deposits with an original maturity over three months

The fair value of cash and time deposits with an original maturity over three months approximates their carrying amount because of their short-term nature. Thus, the carrying amount of these items is used as fair value. Cash equivalents are measured based on market prices at the exchange or by the prices obtained from financial institutions.

Receivables, investments in lease, rental deposits and long-term loans

The fair value of these accounts is measured at the present values of their future cash flows classified by a specified length of term and by risk category as per credit risk management, at a rate, which has the credit spread added to appropriate indices such as government bond yields.

Please see Note 7 for a breakdown of rental deposits and long-term loans.

Marketable securities, investment securities, and investments in associated companies

While the fair values of equity securities, etc. are measured by market prices at exchange, the fair values of debt securities are measured based on market prices at the exchange or by the prices obtained from financial institutions. Please refer to Note 3 for matters regarding securities by holding purposes.

Payables and income taxes payable

The fair value of these items approximates their carrying amount because of their short-term nature. Thus, the carrying amount is used as fair value.

Short-term borrowings and long-term debt

The fair value of these accounts is measured at the present values calculated by discounting the combined total of principal and interest by an assumed interest rate for similar new borrowings or lease transactions.

(b) Financial instruments whose fair values cannot be reliably determined

	Carrying amount Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Investments in equity instruments that do not have a quoted market price in an active market	**¥504**	¥497	**$5,362**

(5) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2013	Millions of yen Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**¥42,833**			
Time deposits with an original maturity over three months	**5,365**			
Marketable securities	**1,000**			
Receivables	**39,959**	**¥4,886**	**¥169**	
Investments in lease	**1,319**	**5,474**	**3,764**	**¥1,640**
Investment securities		**800**		
Rental deposits and long-term loans	**2,744**	**6,086**	**3,926**	**5,992**
Total	**¥93,220**	**¥17,246**	**¥7,859**	**¥7,632**

March 31, 2012	Millions of yen Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥51,402			
Time deposits with an original maturity over three months	5,057			
Marketable securities	1,000			
Receivables	41,964	¥4,848	¥116	
Investments in lease	1,539	5,540	4,152	¥1,999
Investment securities	2,400	2,800		64
Rental deposits and long-term loans	3,247	5,636	4,169	6,446
Total	¥106,609	¥18,824	¥8,437	¥8,509

March 31, 2013	Thousands of U.S. dollars Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**$455,670**			
Time deposits with an original maturity over three months	**57,075**			
Marketable securities	**10,638**			
Receivables	**425,096**	**$51,978**	**$1,798**	
Investments in lease	**14,032**	**58,234**	**40,043**	**$17,447**
Investment securities		**8,511**		
Rental deposits and long-term loans	**29,191**	**64,745**	**41,766**	**63,745**
Total	**$991,702**	**$183,468**	**$83,607**	**$81,192**

Please see Note 8 for annual maturities of short-term borrowings and long-term debt.

18. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥1,340**	¥22	**$14,255**
Reclassification adjustments to profit or loss	**532**	15	**5,660**
Amount before income tax effect	**1,872**	37	**19,915**
Income tax effect	**(655)**	(10)	**(6,968)**
Total	**¥1,217**	¥27	**$12,947**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥424**	¥(138)	**$4,511**
Reclassification adjustments to profit or loss	**(5)**	2	**(54)**
Amount before income tax effect	**419**	(136)	**4,457**
Income tax effect	**(2)**		**(21)**
Total	**¥417**	¥(136)	**$4,436**
Share of other comprehensive income in associates:			
Gains arising during the year	**¥3**	¥4	**$32**
Total other comprehensive income	**¥1,637**	¥(105)	**$17,415**

The corresponding information for the year ended March 31, 2011, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

19. NET INCOME PER SHARE

EPS for the years ended March 31, 2013, 2012 and 2011, is as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
For the year ended March 31, 2013	Net income	Weighted-average shares	EPS	
Basic EPS:				
Net income available to common shareholders	**¥7,590**	**93,450**	**¥81.22**	**$0.86**

	Millions of yen	Thousands	Yen
For the year ended March 31, 2012	Net income	Weighted-average shares	EPS
Basic EPS:			
Net income available to common shareholders	¥8,403	99,700	¥84.28

	Millions of yen	Thousands	Yen
For the year ended March 31, 2011	Net income	Weighted-average shares	EPS
Basic EPS:			
Net income available to common shareholders	¥6,180	104,172	¥59.32

Note. Shares and per share figures have been restated, as appropriate, to reflect a three-for-one stock split effected April 1, 2013.

20. SEGMENT INFORMATION

Under ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

1. Description of reportable segments

The Company's reportable segments are the components of the Company about which separate financial information is available. These segments are subject to periodic examination to enable the Company's Board of Directors to decide how to allocate resources and assess performance. The Companies operate the AUTOBACS franchise chain consisting of businesses in automotive goods, safety inspections and maintenance services, and automobile purchase and sales business. The Companies comprise segments made up of groups of companies based on wholesale division and retail division functions for these businesses. The Companies have five reportable segments: "the Company," "domestic store subsidiaries," "overseas subsidiaries," "subsidiaries for car goods supply and others," and "subsidiaries for supporting functions."

The main business lines of each segment are described below.

	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Others	Subsidiaries for Supporting Functions
Automotive goods	Wholesale-Retail	Retail	Wholesale-Retail	Wholesale	-
Safety inspection and maintenance services	Wholesale-Retail	Retail	Retail	Retail	-
The automobile purchase and sales business	Wholesale-Retail	Retail	-	Retail	-
Others	Lease business	-	-	-	Lease business-Others

Note:"Others" of subsidiaries for supporting functions are loan credit business, nonlife insurance agency and office work representation business.

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

Segment income for each reportable segment is presented on an operating income basis. Internal sales and transfers between segments are based, for the most part, on prevailing market prices. Among the assets of the reportable segments, the goodwill associated with overseas subsidiaries is tested for impairment as a nonamortized asset in the overseas subsidiary's financial statements, while in the consolidated financial statements it is amortized using the straight-line method. In addition, some store buildings, POS systems and other items are subject to lease transactions between segments. The asset and expense items of the reportable segments and their amounts are adjusted as shown below.

	Reportable segment			
	The Company	Domestic Store Subsidiaries	Subsidiaries for Supporting Functions	Consolidated Financial Statement
Assets	Investments in Lease	-	Investments in Lease	Property, Equipment and Intangible assets
Cost	Cost of goods sold	Rent payment and Lease payment	Cost of goods sold	Depreciation
Amortized method	Interest method	-	Interest method	Declining balance method and Straight-line method

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies". Revenue of support to stores from the Company has been included in Segment profit of Domestic Store Subsidiaries and Overseas Subsidiaries, since April 1, 2011. Segment profit (loss) of the year ended March 31, 2011, has been reclassified.

3. Information about sales, profit (loss), assets and other items is as follows:

	Millions of Yen					
	2013					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	**¥136,062**	**¥77,272**	**¥8,533**	**¥7,298**	**¥1,003**	**¥230,168**
Intersegment sales or transfers	**51,237**	**785**	**248**	**7,057**	**2,373**	**61,700**
Total	**187,299**	**78,057**	**8,781**	**14,355**	**3,376**	**291,868**
Segment profit (loss)	**13,735**	**(789)**	**(72)**	**163**	**417**	**13,454**
Segment assets	**196,532**	**22,747**	**9,508**	**4,750**	**26,883**	**260,420**
Other:						
Depreciation	**2,166**	**334**	**226**	**45**	**12**	**2,783**
Amortization of goodwill		**15**			**7**	**22**
Share of associates accounted for using equity method	**462**					**462**
Increase in property, equipment and intangible assets	**4,153**	**314**	**153**	**53**	**6**	**4,679**

	Millions of Yen					
	2012					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	¥140,755	¥80,785	¥8,850	¥5,973	¥980	¥237,343
Intersegment sales or transfers	54,846	929	248	6,631	2,403	65,057
Total	195,601	81,714	9,098	12,604	3,383	302,400
Segment profit	13,590	435	86	112	431	14,654
Segment assets	208,931	23,772	9,007	3,907	27,787	273,404
Other:						
Depreciation	1,825	353	240	33	14	2,465
Amortization of goodwill		15			7	22
Share of associates accounted for using equity method	505					505
Increase in property, equipment and intangible assets	5,178	497	127	16	30	5,848

	Millions of Yen					
	2011					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	¥140,232	¥80,512	¥8,656	¥5,977	¥974	¥236,351
Intersegment sales or transfers	54,484	695	154	7,057	5,206	67,596
Total	194,716	81,207	8,810	13,034	6,180	303,947
Segment profit (loss)	11,749	382	(123)	233	487	12,728
Segment assets	207,298	22,094	9,282	3,650	16,570	258,894
Other:						
Depreciation	1,847	332	267	31	20	2,497
Amortization of goodwill		19			7	26
Share of associates accounted for using equity method	505					505
Increase in property, equipment and intangible assets	1,336	388	107	9	14	1,854

	Thousands of U.S. Dollars					
	2013					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales Sales to external customers	**$1,447,468**	**$822,043**	**$90,777**	**$77,638**	**$10,670**	**$2,448,596**
Intersegment sales or transfers	**545,075**	**8,351**	**2,638**	**75,074**	**25,245**	**656,383**
Total	**1,992,543**	**830,394**	**93,415**	**152,712**	**35,915**	**3,104,979**
Segment profit (loss)	**146,117**	**(8,393)**	**(766)**	**1,734**	**4,436**	**143,128**
Segment assets	**2,090,766**	**241,989**	**101,149**	**50,532**	**285,990**	**2,770,426**
Other:						
Depreciation	**23,042**	**3,553**	**2,404**	**479**	**128**	**29,606**
Amortization of goodwill		**160**			**74**	**234**
Share of associates accounted for using equity method	**4,915**					**4,915**
Increase in property, equipment and intangible assets	**44,181**	**3,340**	**1,628**	**564**	**64**	**49,777**

4. Reconciliation of published figures and aggregate of reportable segment.

	Millions of yen			Thousands of U.S. dollars
Net sales	2013	2012	2011	2013
Total reportable segments	**¥291,868**	¥302,400	¥303,947	**$3,104,979**
Elimination of intersegment transaction	**(61,700)**	(65,057)	(67,596)	**(656,383)**
Net sales of consolidated financial statements	**¥230,168**	¥237,343	¥236,351	**$2,448,596**

	Millions of yen			Thousands of U.S. dollars
Income	2013	2012	2011	2013
Total reportable segments	**¥13,454**	¥14,654	¥12,728	**$143,128**
Amortization of goodwill	**(263)**	(77)	(152)	**(2,798)**
Inventories	**(298)**	(325)	(66)	**(3,170)**
Fixed assets	**179**	8	(60)	**1,904**
Allowance for point card	**(36)**	(83)	(25)	**(383)**
Elimination of intersegment transaction	**(383)**	(477)	(344)	**(4,075)**
Others	**92**	21	(92)	**979**
Income of consolidated financial statements	**¥12,745**	¥13,721	¥11,989	**$135,585**

Assets	Millions of yen 2013	2012	2011	Thousands of U.S. dollars 2013
Total reportable segments	**¥260,420**	¥273,404	¥258,894	**$2,770,426**
Elimination of intersegment transaction	**(48,504)**	(48,199)	(43,937)	**(516,000)**
Fixed assets	**(3,333)**	(3,787)	(3,886)	**(35,458)**
Amortization of goodwill	**(3,398)**	(3,141)	(3,354)	**(36,149)**
Inventories	**(1,441)**	(1,570)	(1,256)	**(15,330)**
Investments in associates accounted for using the equity method	**929**	848	780	**9,883**
Others	**854**	394	554	**9,085**
Assets of consolidated financial statements	**¥205,527**	¥217,949	¥207,795	**$2,186,457**

	Millions of yen								
	Total reportable segments			Adjustment			Consolidated total		
Other items	2013	2012	2011	2013	2012	2011	2013	2012	2011
Depreciation	**¥2,783**	¥2,465	¥2,497	**¥1,576**	¥1,471	¥1,409	**¥4,359**	¥3,936	¥3,906
Amortization of goodwill	**22**	22	26	**263**	77	210	**285**	99	236
Investments in associates accounted for using the equity method	**462**	505	505	**929**	848	780	**1,391**	1,353	1,285
Increase in property, equipment and intangible assets	**4,679**	5,848	1,854	**1,570**	1,843	1,333	**6,249**	7,691	3,187

(Note) The adjustment amounts for other items are as follows:

1. Depreciation and the increase in property and equipment and intangible assets, are principally the adjustment amount for intersegment lease transactions on the consolidated financial statements.
2. The adjustment amount for amortization of goodwill is principally the amount for amortization of goodwill recorded for the Company and overseas subsidiaries (see Note 2.B).
3. The adjustment amount for investments in associates accounted for using the equity method is the adjustment amount according to the equity method (see Note 2.C).

	Thousands of U.S. dollars		
	Total reportable segments	Adjustment	Consolidated total
Other items	2013	2013	2013
Depreciation	**$29,606**	**$16,766**	**$46,372**
Amortization of goodwill	**234**	**2,798**	**3,032**
Investments in associates accounted for using the equity method	**4,915**	**9,883**	**14,798**
Increase in property, equipment and intangible assets	**49,777**	**16,702**	**66,479**

Related Information

(A) Information by product and service

The Companies have omitted this information as external sales of the Companies' main business of automotive goods and service sales account for more than 90% of the net sales recorded in the consolidated statement of income and comprehensive income.

(B) Information by geographic region

The Companies have omitted this information because sales to external customers within Japan account for more than 90% of the net sales recorded in the consolidated statement of income and comprehensive income and property and equipment within Japan accounts for more than 90% of the property and equipment reported in the consolidated balance sheet.

(C) Information by major customer

The Companies have omitted this information because no sales to any specific external customer represented 10% or more of net sales reported on the consolidated statement of income and comprehensive income.

	Millions of Yen 2013					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	**¥57**		**¥32**			**¥89**

	Millions of Yen 2012					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	¥15			¥36		¥51

	Millions of Yen 2011					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	¥207	¥133			¥10	¥350

	Thousands of U.S. Dollars					
	2013					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	**$606**		**$341**			**$947**

	Millions of Yen						
	2013						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		**¥15**			**¥7**	**¥263**	**¥285**
Goodwill at March 31, 2013		**15**	**¥4,246**		**7**	**(3,401)**	**867**

(Note) The adjustment amounts are as follows:

1. The adjustment amount for amortization of goodwill is principally the amount for amortization of goodwill recorded for the Company and overseas subsidiaries (see Note 2.B)
2. The adjustment amount for goodwill is principally the amount for amortization of goodwill and impairment loss in the past recorded for overseas subsidiaries (see Note 2.B).

	Millions of Yen						
	2012						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		¥15			¥7	¥77	¥99
Goodwill at March 31, 2012		30	¥3,862		13	(3,141)	764

	Millions of Yen						
	2011						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		¥19			¥7	¥210	¥236
Goodwill at March 31, 2011		58	¥4,135		20	(3,299)	914

	Thousands of U.S. Dollars						
	2013						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		**$160**			**$74**	**$2,798**	**$3,032**
Goodwill at March 31, 2013		**160**	**$45,170**		**74**	**(36,180)**	**9,224**

21. RELATED PARTY DISCLOSURES

Transactions of the Company with AB System Solutions Ltd. for the year ended March 31, 2012, were as follows:

(AB System Solutions Ltd.)

	Millions of yen
	2012
Purchase of software	¥2,160

Note 1. AB System Solutions Ltd. was affiliate and was owned 14.9% of its voting rights by the Company.
2. The Company has entrusted the development of software to AB System Solutions Ltd.

The balances due to AB System Solutions Ltd. at March 31, 2012, were as follows:

	Millions of yen
	2012
Payable-Associated company	¥822

22. SUBSEQUENT EVENTS

a. Stock Split

According to the resolution at the Board of Directors meeting held on February 27, 2013, the Company conducted a stock split as follows.

As of April 1, 2013, the Company conducted a three-for-one stock split for its common stock.

(1) Number of shares increased by the stock split

Common stock: 65,300,070 shares

(2) Method of the stock split

Common shares held by shareholders whose names were recorded in the latest Registry of Shareholders on March 31, 2013, were split at a ratio of three-for-one.

b. Appropriations of Retained Earnings

The general shareholders' meeting held on June 25, 2013 resolved the following appropriations of retained earnings as of March 31, 2013:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥27 ($0.3) per share	**¥2,498**	**$26,574**

Per share figures have been restated,as appropriate,to reflect a three-for-one stock split effected April 1,2013.

c. Purchase of Treasury Stock

At the Board of Directors meeting held on May 9, 2013, the Board approved the repurchase of common stock up to a maximum of 3,000,000 shares to the aggregate amount of ¥5,000 million ($53,191 thousand).

By June 26, 2013, the Company repurchased 780,000 shares of common stock for ¥1,214 million ($12,915 thousand) in the market.

d. Cancellation of Treasury stock

At the Board of Directors meeting held on May 9, 2013, the Board approved the cancellation 5,000,000 shares of treasury stock and carried it out on May 16, 2013.

e. Resolution of Important Lawsuits

Concerning the damages lawsuits filed against the Company by AUTOBACS STRAUSS INC., 1945 Route 23 Associates, Inc. and R&S Parts and Service, Inc. (collectively, the “Plaintiffs”), in the United States Bankruptcy Court for the District of Delaware and in the United States District Court for the District of New Jersey, approval orders were entered by the above courts with respect to the settlement agreement (hereafter referred to as the “the Settlement Agreement”) that the Company concluded with the Plaintiffs and came into effect.

(1) Circumstances from the Filing of the Lawsuits to the Settlement

The Plaintiffs filed respective damages lawsuits against the Company in the United States Bankruptcy Court for the District of Delaware on December 11, 2009, and in the United States District Court for the District of New Jersey on December 17, 2009 (collectively the “Lawsuits”).

While the Company has responded to the Lawsuits, after comprehensively taking into account various factors, including the potential costs to be incurred due to the ongoing Lawsuits, the Company agreed to settle with the Plaintiffs and executed the Settlement Agreement on March 29, 2013 (North American Eastern Standard Time).

(2) Contents of the Settlement

The principal terms of the settlement are as follows.

(i) Under the Settlement Agreement, the Company shall pay to the Plaintiffs US $8.5 million.

(ii)All of the Company's proof of claim in the bankruptcy case of AUTOBACS STRAUSS INC. in the United States Bankruptcy Court for the District of Delaware shall be disallowed.

(3) Effectuation of the Settlement Agreement

Concerning the Settlement Agreement, both the United States Bankruptcy Court for the District of Delaware and the United States Bankruptcy Court for the District of New Jersey entered into approval orders on April 23, 2013 (North American Eastern Standard Time), and the Settlement Agreement came into effect as of May 8, 2013 (North American Eastern Standard Time). Under the Settlement Agreement, the Company paid US$8.5 million to the plaintiffs on May 10, 2013.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
AUTOBACS SEVEN Co., Ltd.:

We have audited the accompanying consolidated balance sheet of AUTOBACS SEVEN Co., Ltd. and its subsidiaries as of March 31, 2013, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AUTOBACS SEVEN Co.,Ltd. and its subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 25, 2013

Member of
Deloitte Touche Tohmatsu Limited