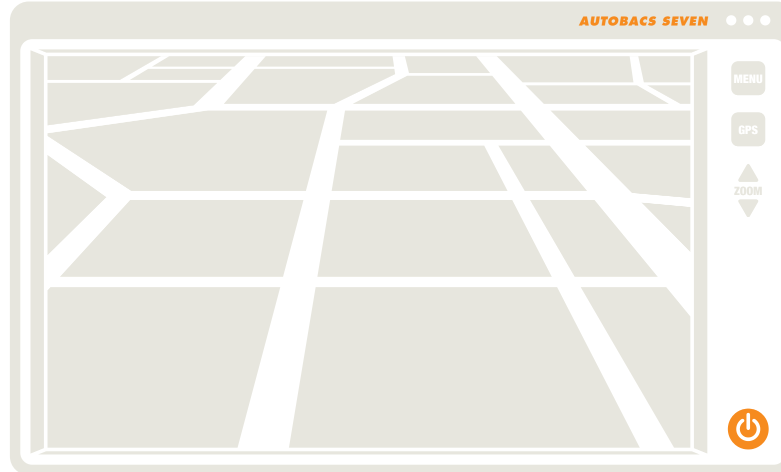
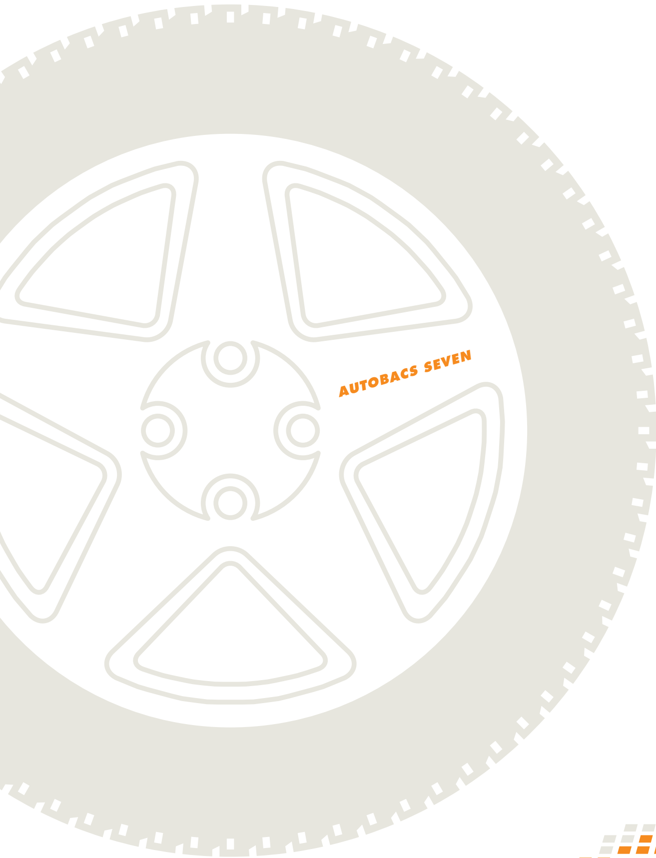
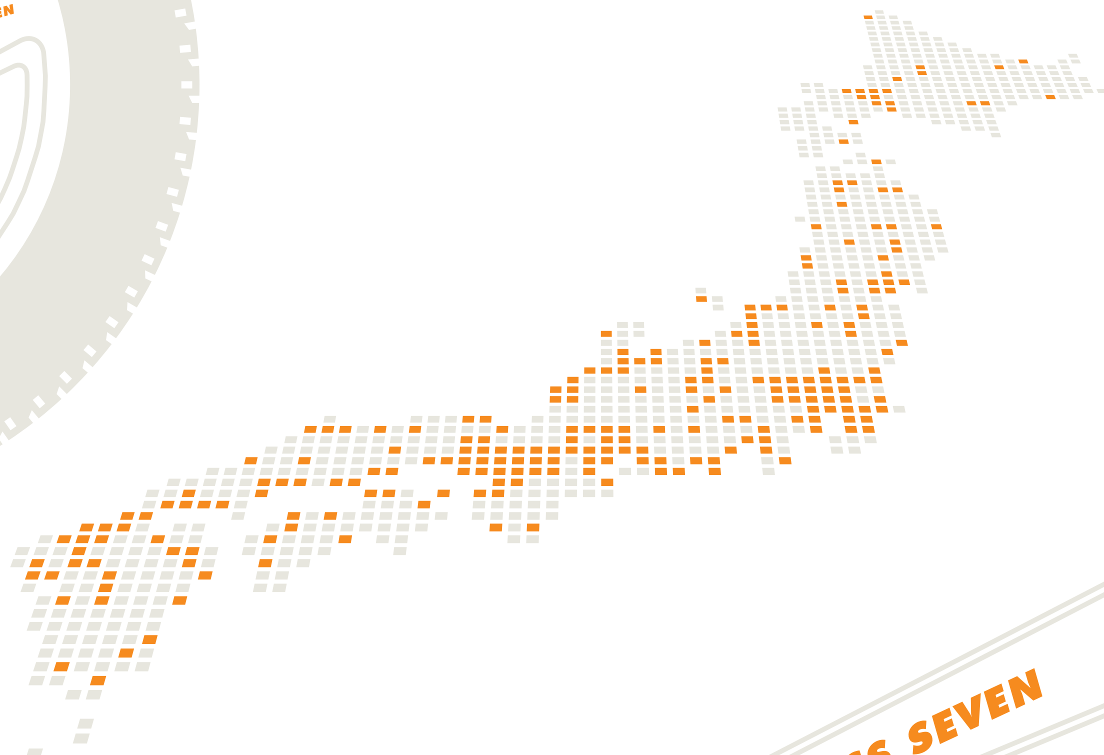
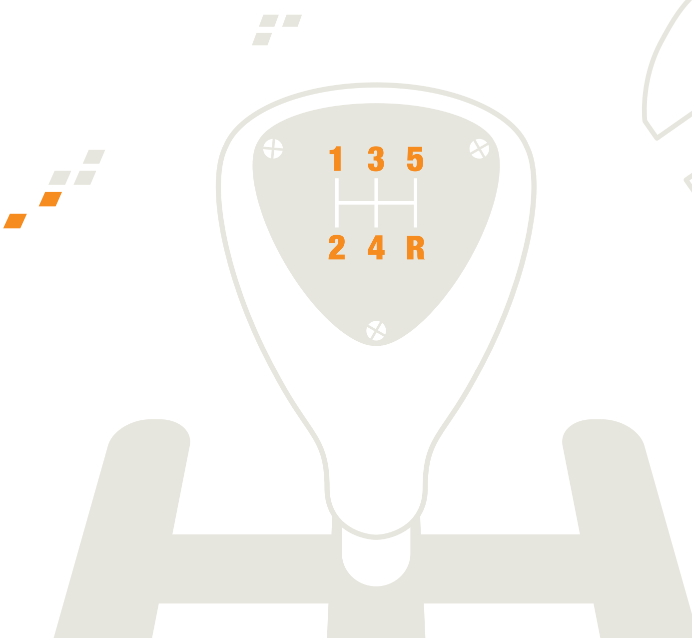
Annual Report 2012









Anything about cars, you find at AUTOBACS

AUTOBACS SEVEN

"Anything about cars, you find at AUTOBACS"

AUTOBACS SEVEN was launched in 1974 as Japan's first one-stop shopping format for automotive goods and services.
Our domestic network of more than 500 stores is one of Japan's largest, extending beyond automotive goods to include maintenance and vehicle sales. Our goal is to create a network that all drivers trust and support, recalling that "Anything about cars, you find at AUTOBACS."

AUTOBACS Chain Management Mission

AUTOBACS' mission is to help create a sustainable society enriched with automobiles by constantly proposing the best ways for customers to enjoy motoring.

AUTOBACS Chain Management Vision

As a comprehensive specialist store chain providing joy and solutions for automobiles, AUTOBACS will "earn" customers' genuine trust in the brand message, "Anything about cars, you find at AUTOBACS."

Contents

530 stores

throughout Japan

27 stores

in 5 overseas regions

Various Services Geared to Motoring Needs

Statutory safety inspections

Automobile goods and services

Car sales

Maintenance

Bodywork

Insurance

Approximately 3,500

nationally qualified auto mechanics in the Group

Approximately 6 million

active point up card members

Highlights of Consolidated Financial Results

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

Fiscal year ended on March 31 for each displayed year	Millions of yen			Thousands of U.S. dollars
	2010	2011	2012	2012
Net sales:				
Wholesale	¥132,389	¥134,690	¥135,571	$1,653,304
Retail	96,813	98,162	98,313	1,198,939
Others	3,733	3,499	3,459	42,183
Total	232,936	236,351	237,343	2,894,427
Operating income	10,171	11,989	13,721	167,329
Income before income taxes and minority interests	10,575	11,501	15,217	185,573
Net income	5,866	6,180	8,403	102,476
Net cash provided by operating activities	¥ 18,949	¥ 15,375	¥ 20,845	$ 254,207
Net cash used in investing activities	(4,694)	(5,002)	(10,156)	(123,854)
Free cash flows	14,255	10,373	10,689	130,354
Net cash used in financing activities	(12,187)	(11,790)	(11,574)	(141,146)
Per share data (Yen and Dollars):				
Basic net income	¥ 161.97	¥ 177.97	¥ 252.85	$ 3.08
Cash dividends	125	135	145	1.77
Dividend payout ratio (%)	77.2%	75.9%	57.3%	
Dividend on equity (DOE)	3.0%	3.2%	3.3%	
Return on equity (%)	3.8%	4.1%	5.7%	
Return on assets (%)	2.7%	3.0%	3.9%	
Capital expenditures	3,061	3,187	7,691	93,793
Depreciation and amortization	5,207	4,798	4,644	56,634
AT YEAR-END				
Cash and cash equivalents	¥ 53,786	¥ 52,317	¥ 51,402	$ 626,854
Current assets	133,883	133,031	141,612	1,726,976
Current liabilities	41,521	40,649	55,650	678,659
Total assets	210,652	207,795	217,949	2,657,915
Equity	151,397	147,505	145,626	1,775,927
Total number of stores	537	538	557	
Of which, overseas stores	26	25	27	
Number of employees	4,483	4,459	4,469	

U.S. dollar amounts are converted at a rate of ¥82=US$1, which prevailed on March 31, 2012.

Cautionary Note Regarding Forward-looking Statements

Forward-looking statements in this annual report that are not historical facts and that concern future strategies and operational developments are management's judgments based on information currently available.

Actual results may differ from such forward-looking statements due to changes in various risk factors. Further information about the main risks facing the AUTOBACS SEVEN Group can be found in the Review of Fiscal 2012 in the online annual report.

Explanation of Names

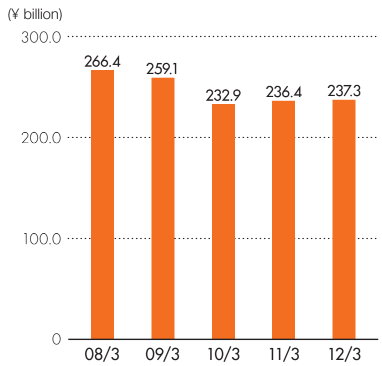
In this report, "AUTOBACS SEVEN" and the "Company" refer to the parent company, while the "AUTOBACS Consolidated Group," the "AUTOBACS SEVEN Group" and the "Group" refer to the consolidated group.

A Review of Fiscal 2012 can be found in the online annual report.

http://www.autobacs.co.jp/en/ir/annual-en.html

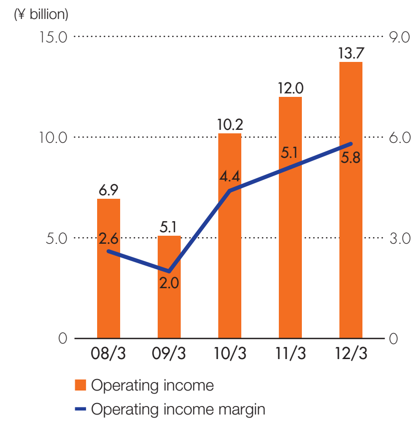
Net Sales

+0.4%



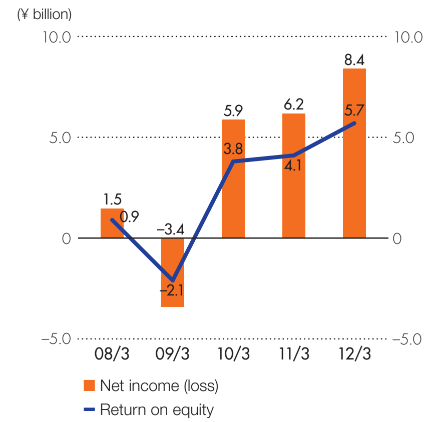
Operating Income and Operating Income Margin

+14.5%

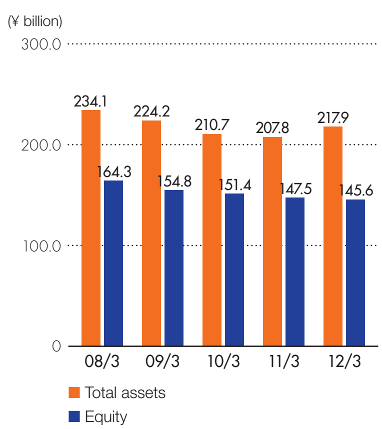


Net Income (Loss) and Return on Equity

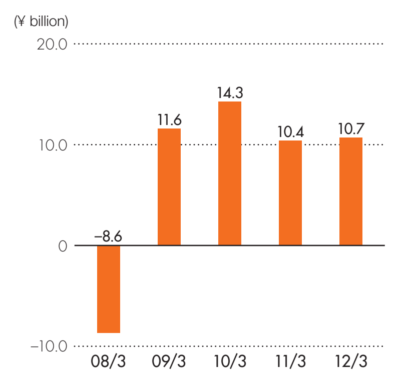
+36.0%



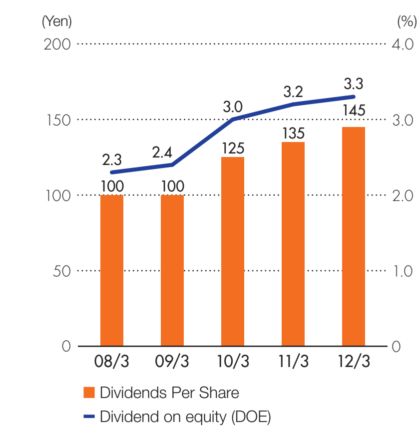
Total Assets and Equity



Free Cash Flows

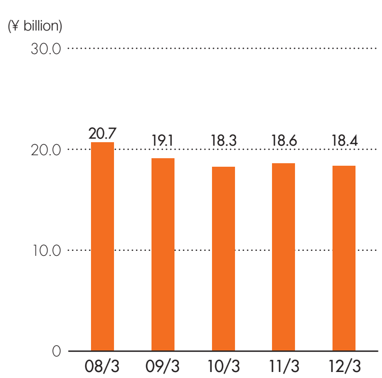


Dividends per Share and Dividend on Equity (DOE)



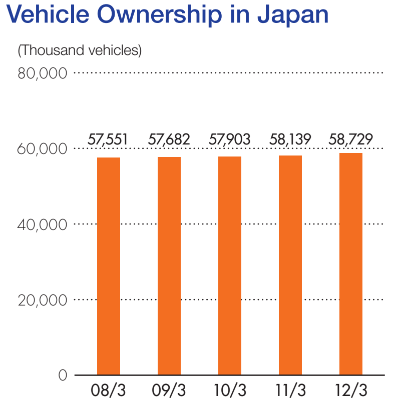
Market Data

Automobile Goods and Services Business



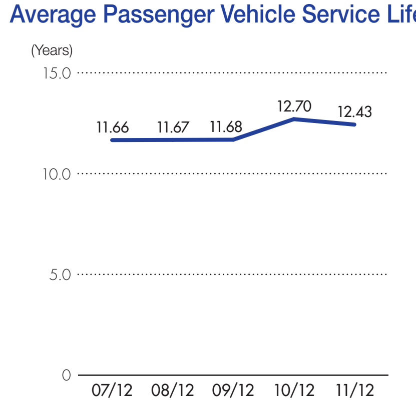
Source: Automart Network Inc.

Vehicle Ownership in Japan



Source: Automobile Inspection & Registration Information Association

Average Passenger Vehicle Service Life



Source: Automobile Inspection & Registration Information Association

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

Two years have passed since we initiated the AUTOBACS 2010 Medium-Term Business Plan, which is now halfway to completion. We reformed the sales floors at existing AUTOBACS stores based on the concept of making it easy to understand and choose merchandise in keeping with a key plan objective of improving store profitability. Our sales, gross margin, and purchasing customer numbers show that our reforms were very well received.

Over the next two years until the end of the plan, we will endeavor to improve store profitability by enhancing the power of individual stores to match specific customer needs. At the same time, we will strive to expand market share by accelerating store openings, including of more small-format stores, to reach the goals of our medium-term business plan. We will cultivate customer support and trust for our stores and enhance the value of the AUTOBACS brand to accomplish our corporate slogan of "Anything about cars, you find at AUTOBACS."

Representative Director and Chief Executive Officer
Setsuo Wakuda

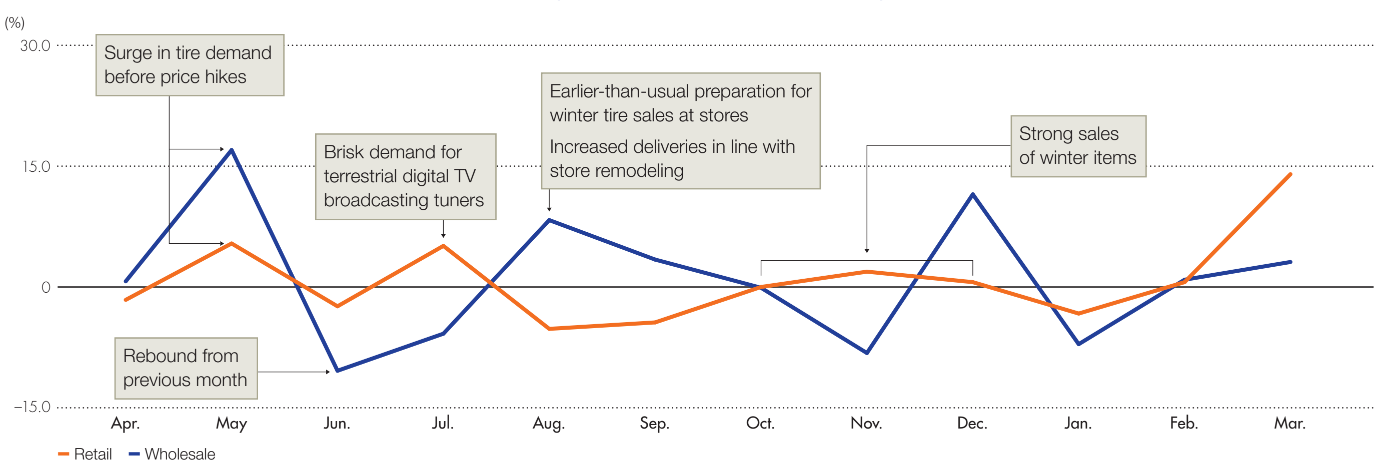
In a Rapidly Changing Business Climate, We Achieved Higher Earnings by Advancing the AUTOBACS 2010 Medium-Term Business Plan

We experienced a challenging business climate in the fiscal year ended March 31, 2012. This was partly because of lower demand owing to a decline in production and sales of new automobiles as a result of the Great East Japan Earthquake. Another factor was that flood damage at production sites in Thailand adversely affected our merchandise lineup for car navigation systems. On the upside, we enjoyed increased digital tuner demand in line with the shift to terrestrial digital broadcasting. Demand was higher for car maintenance items and used vehicles, reflecting restoration efforts centered in the Tohoku region. We also benefited from higher tire prices and greater demand for snow tires owing to a particularly cold winter.

We responded flexibly to the dramatic changes, with management efforts centering on the AUTOBACS 2010 Medium-Term Business Plan, which was in its second year. In automotive goods and services sales, all stores of the AUTOBACS chain, including franchise stores, saw sales remain roughly level, increasing by 0.2% from a year earlier. This reflected higher sales of tires, wheels, and terrestrial digital television turners, which offset a decline for car navigation systems. Meanwhile, in the statutory safety inspections and maintenance service business, the number of automobiles receiving statutory safety inspections grew by 7.3%, to around 535,000. This solid growth stemmed from phone-based sales promotions and other ongoing activities at stores. In the automobile purchase and sales segment, we increased the number of cars sold by 10.1%, to around 18,000, as higher demand in disaster-affected areas reinvigorated the used vehicle market.

As a result of these efforts, consolidated net sales increased by 0.4% year on year to ¥237.3 billion. Consolidated operating income was up by 14.5% to ¥13.7 billion, reflecting a higher gross margin due to success in the medium-term business plan measure aimed at purchasing reform, and the effect of reducing selling, general and administrative expenses. Net income rose by 36.0% to ¥8.4 billion.

Retail Sales and Wholesale Sales Year on Year (Year Ended March 31, 2012)



Targets of the AUTOBACS 2010 Medium-Term Business Plan (Fiscal Year Ending March 2014)

Consolidated operating income
¥16.0 billion

Return on equity (ROE)
7.0%

Dividend on equity (DOE)
3.0%

Steady Implementation of Measures to Boost Store Profitability, Completing Remodeling at All Stores and Training for All Employees

We progressed as scheduled with measures to enhance store profitability, a key focus of the first two years of the AUTOBACS 2010 Medium-Term Business Plan, completing all store remodeling and training all employees. We believe that we are a step closer to achieving stores with layouts that are easy for customers to understand and which make choosing merchandise easy.

In store reforms, we found that sales, customer numbers, and gross margins were greater at remodeled stores than at stores that have yet to be remodeled. Moreover, remodeled stores also saw higher sales of maintenance-related items and services, one of the objectives of the reform. Nonetheless, remodeling had little impact at some stores, so our next challenge is to drive further improvements by having stores share know-how.

In our gross margin improvement program, we have streamlined merchandise line-ups and undertaken strategic initiatives with suppliers to improve gross margins.

On the human resources and store operation reform fronts, 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 has improved at our stores, confirming the benefits of training. We will continue initiatives to deepen customer service reforms while improving customer service skills. We will also verify and improve store operations.

In the fiscal year ending on March 31, 2013, we will boost store profitability by analyzing the cost structures and operational efficiency of stores managed by subsidiaries and initiating improvements.

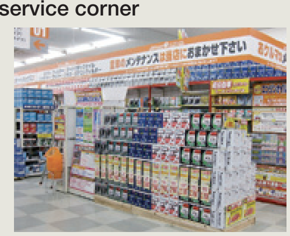
Comparison of Remodeled and Pre-remodeled Stores

Year-on-Year Sales Comparison (Year ended March 31, 2012)

Pre-remodeled stores **97.9%** Remodeled stores **101.7%**

Sales floor

Comprehensive maintenance and service corner



Make items easier to choose by putting maintenance-related merchandise together.

Advice and sales counters

Make inquiries easier for customers by installing standing-type counters that make sales staff more accessible.

We Will Swiftly Accomplish Our Goal of Opening 120 New Stores

We aim to open 120 new stores during the four years of the AUTOBACS 2010 Medium-Term Business Plan. In two years through the end of March 2012, we opened 27 new stores, although we did open seven of them in one month in March 2012. We intend to maintain momentum in launching more stores.

Compared with existing stores, many new ones are in small commercial zones. To generate profits in new stores, we aim to cut costs comprehensively, including in terms of structures, store fixtures, and pit equipment.

AUTOBACS ANAN Store opened in Anan City, Tokushima, on March 15, 2012

While Verifying the Performance of Two Pilot Stores in China, We Will Focus on Cultivating Our Business in ASEAN Countries

As of the end of March 2012, we had 27 stores in France, China, Thailand, Singapore, and Taiwan. We are verifying the performance of two pilot stores in Shanghai, China, where the automotive goods market has strong prospects. We have decided to extend our experimental period in China, and to open two or three more pilot stores with different formats to identify the needs of Chinese customers. In Singapore, we opened a third compact store in December 2011. We established the ASEAN branch to conduct regional market research. We will continue to develop stores that optimally match local needs to achieve our corporate slogan of “Anything about cars, you find at AUTOBACS” overseas as well to ensure long-term growth.

AUTOBACS SHANGHAI CAO AN GONG LU Store opened in China on May 14, 2011

Progress of the AUTOBACS 2010 Medium-Term Business Plan

Item	Progress Status
1. Measures to improve store profitability	
1) Store reform	We completed AUTOBACS format store remodeling and shared know-how throughout the Group.
2) Gross margin improvement	We improved the gross margin through a process of selection and concentration of suppliers.
3) Human resources and store operation reform	We completed advanced customer service training for all employees.
4) Expansion of statutory safety inspection services	We increased revenues from these services through phone call-based promotions and other initiatives. We also made steady progress in staff training for next-generation vehicles.
5) Growth in automobile sales	We increased sales by stepping up purchasing at stores and employing our used-vehicle sales website.
2. Measures to increase market share	
1) New store openings	We opened 27 of 120 new stores we plan to launch.
2) Development of service formats	In April 2012, we established an Auto Body Repair and Painting Center to handle bodywork repairs.
3) Development of multichannel strategy	Sales of tires and wheels were strong, reflecting initiatives that included redesigning our Internet shopping website and enhancing its merchandise lineup.
3. Overseas business	We continued experimenting at two stores in Shanghai, China, and opened our third Singapore store.
4. Streamlining headquarters	We continued to cut headquarters costs and drive efficiency.
5. CSR/Corporate governance	Toyosu headquarters obtained certification under ISO 14001, an international standard for environmental management systems.

Advanced customer service training

Aiming to Increase AUTOBACS Brand Value by Enhancing the Power of Individual Stores

Although the automotive goods market will probably decline over the medium and long terms, we expect demand in the automotive maintenance market to remain stable as more people in Japan use their cars for longer, while the number of car registrations should stay unchanged (please see the market data on page five). A greater environmental awareness among consumers is raising interest in minicars and compact cars. These vehicles generally have fewer accessories, so we look for automotive goods demand to expand among owners of such cars.

During the first two years of the AUTOBACS 2010 Medium-Term Business Plan, we consolidated our foundations for future growth under all operating climates by reforming stores and undertaking human resources and store operation reforms, complementing our existing strengths such as high market share, a dominant store network, and stable financial position. In the last two years of this initiative, we will develop AUTOBACS's strengths even further, and focus on expanding our market share by enhancing the power of individual stores to improve their quality while opening more stores.

Enhancing the power of individual stores entails each store seeking to become No.1 in its respective commercial zone. Automotive lifestyle preferences differ markedly in every region throughout Japan. We believe that offering merchandise and services that best match each area will earn customer support and trust for each store, taking us closer to achieving our corporate slogan of "Anything about cars, you find at AUTOBACS." We will create stores that local customers support and trust by continuing to reform our stores, human resources and operations at each store.

We will expand market share by opening new stores, including 30 in the fiscal year ending March 31, 2013. We will draw heavily on small-format stores cultivated over the past two years to achieve our store opening goals and expand market share.

Through the initiatives above, we are targeting consolidated net sales of ¥242,500 million for the fiscal year ending on March 31, 2013, up by 2.2% from a year earlier.

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

Creating Stores That Help Customers to Understand and Select Merchandise

Over the past two years, we have remodeled the sales floors at all AUTOBACS format stores, and focused on developing merchandise that meets customers' needs and offering high quality merchandise at affordable prices. These reform efforts have seen positive feedback from customers who have found the reforms made it easier to understand and select merchandise. We have also seen an increase in sales of maintenance-related goods. Over the next two years, we intend to widen the scope of these reforms to Super AUTOBACS stores.

Becoming Closer and More Convenient for Our Customers

In the fiscal year ending March 31, 2013, we will begin a radical overhaul of our customer relationship management strategy, aiming to win the support and trust of our customers as a closer and more convenient part of their motoring lifestyle. This will involve analyzing the purchase data of the approximately 6 million AUTOBACS members to gain insights into their purchasing behavior at stores. We will use these insights to provide merchandise and services that are better suited to our customers' vehicles, lifestyles, and life stages.

Kiomi Kobayashi
Senior Executive Officer,
Head of Sales Operation and
Area Strategy & Planning

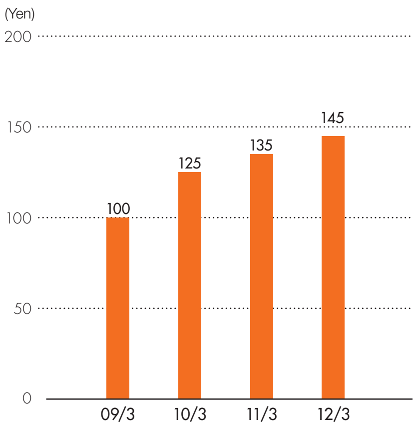
A Store Opening Strategy Focused on Customer Needs in Small Commercial Areas

Up until now, AUTOBACS has opened stores mainly in commercial areas of 100,000 to 150,000 people. As such, we have been unable to provide adequate service to small commercial zones of around 50,000 people. We have now begun addressing the demand for close, reliable stores to help with the motoring needs of people in such areas. We have completely reassessed our construction methods, store fixtures, pit equipment, and store operations, and proceeded to open 27 new low-cost stores in a format for small commercial areas over the past 2 years. Looking ahead, we plan to open a total of 120 of these stores by the end of March 2014 by using the know-how we have gained to accelerate our store development.

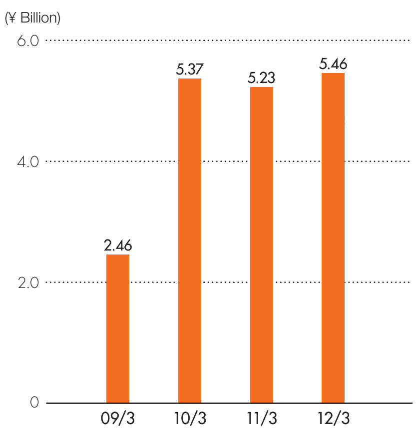
Developing Human Resources Who Local Customers Support and Trust

We believe that the quality of store employees is important because they are the interface between stores and customers. Advanced customer service training for employees at all stores over the past two years has begun to bear fruit, with noticeable improvements in employees' manner and attitude as they serve customers. In fiscal 2013, we will implement management training for managers at all stores in a drive to enhance the power of individual stores. The training will focus on developing managers' abilities to think about area-specific ways to effectively increase footfall and to work efficiently, their ability to establish PDCA cycles and work decisively and effectively, and their ability to think and act on their own initiative, deliver results, and create an organization. Through these efforts, AUTOBACS is developing people customers will support and trust, reinforcing the notion that "Anything about cars, you find at AUTOBACS."

Dividend per Share



Amount of Own Share Buyback



Strengthening Shareholder Returns

We intend to invest aggressively as we progress with the growth strategies under our medium-term business plan. On the other hand, we aim to generate a consolidated return-on-equity of 7%, to improve capital efficiency and to strengthen shareholder returns. We have a consolidated dividend-on-equity target of 3%. In the fiscal year ended March 31, 2012, we paid an annual dividend of ¥145 per share, up ¥10 from a year earlier. The dividend-on-equity ratio was 3.3%. We also repurchased 1.6 million shares for ¥5,458 million and canceled treasury stockholdings. While considering current cash flow and investments focused on medium-term growth, we will also reinforce shareholder returns.

Promoting CSR and Reinforcing Corporate Governance to Ensure Sustainable Growth

The Group considers CSR a core management focus and is actively promoting CSR initiatives. We recognize a particular need to advance environmental efforts, and have implemented activities to lower our environmental impact. Our headquarters in Koto-ku, Tokyo, has obtained certification under ISO 14001, an international standard for environmental management systems. We will undertake activities to reduce our environmental impact further by expanding our environmental management system to encompass our distribution centers and regional bases.

AUTOBACS SEVEN is also reinforcing and improving its ongoing systems for corporate governance. AUTOBACS SEVEN is a company with a Board of Corporate Auditors. However, three out of the eight members of the Board of Directors are outside directors. We have also established a Corporate Governance Committee, which consists of all outside directors and the representative director. Thus we maintain a hybrid corporate governance system based on the company with a Board of Corporate Auditors system and with the functions of a company with a committee system. By ensuring that all six outside officers (three outside directors and three outside auditors) are independent, we improve the independence of these roles, and protect the interests of regular shareholders. (Please see pages 18–21 for further information about corporate governance.)

Environmentally-enhanced store
(Solar panels installed)

ISO 14001 registration certificate

Aiming to Achieve Our Corporate Slogan of “Anything about cars, you find at AUTOBACS”

We have moved ahead to date by prioritizing the customer’s perspective from various aspects, including in terms of sales space design and customer service. All AUTOBACS stores can now handle statutory safety inspections and perform light bodywork repairs, augmenting their sales of automotive goods sales. More of our stores purchase and sell automobiles. Our automotive service offerings for customers are thus expanding.

Our goal for this fiscal year is to ensure that stores garner solid support and trust by enhancing the power of individual stores to offer merchandise and services that match local customer needs. Through these initiatives and the measures of our medium-term business plan, we will make the AUTOBACS brand more valuable, achieving our corporate slogan of “Anything about cars, you find at AUTOBACS” while reinforcing the Group’s corporate value. Thank you for your continued support and understanding of our efforts.

July 2012
Setsuo Wakuda
Representative Director and Chief Executive Officer

湧田節夫

Repurchase and Cancellation of Shares

To improve capital efficiency and bolster shareholder returns, the Board of Directors resolved to buy back up to 1.6 million shares for a maximum of ¥5.6 billion. At the same time, the board resolved to cancel 3,202,599 shares of treasury stock. The repurchases were conducted through until November 30, 2011, reaching the limit of 1.6 million shares at a cost of around ¥5.5 billion.

AUTOBACS SHANGHAI CAO AN GONG LU Store Opens

We opened a directly-managed store in Shanghai with improved pit service. The store concept is to be No. 1 in service in terms of merchandise, facilities, technologies, and the environment. Pit service enhancements include car washing and maintenance. A pit area with around 14 service bays accounts for approximately 80% of the floor space. Two lanes are for car washing. As well as basic service offerings, notably car washing, oil changes, tire installation, and wheel alignment, the store also provides such pit services as car body coating and polymer sealant car polishing.

New Television Commercial Aired

We started airing a new television commercial that promotes the reliability and security that comes with buying tires from AUTOBACS. The commercial focuses on tires, a key offering from the Group, and highlights the appeal and value of AUTOBACS stores for drivers by using the catch-phrase: “Anything about tires, you find at AUTOBACS.”

2011 4 5 6 7 8 9 10

New Concept Second-Hand Auto Parts Stores Open

In response to growing demand for recycling and reuse amid increasing consumer sentiment for saving money and protecting the environment, we have opened new types of second-hand auto parts store to accommodate a wider range of customers. Under this new concept, AUTOBACS *Secohan Ichiba* stores will gradually switch their lineup focuses away from motor sports toward offerings reflecting more diverse customer needs for tires, wheels, and car electronics, as at regular AUTOBACS stores.

Singapore AUTOBACS LOYANG Store Opens

This is our third store in Singapore. It offers the basic lineup of AUTOBACS small-format stores, which are expanding their market share. The lineup includes maintenance items such as oil, car electronics, and interior and exterior accessories. The store also provides an enhanced lineup of Japanese-made car accessories, which are popular in Singapore, as well as car washing and motor sports goods to differentiate from competing outlets. The store sells a broad range of tire brands to cater for diverse customer needs, including Pirelli, Yokohama, Dunlop, and Gerruti, as well as Michelin and Bridgestone, which have leading market shares in Singapore.

AUTOBACS for Coating Painting and Bodywork!—All AUTOBACS Stores Now Handle Car Bodywork

We are deploying AUTOBACS Quick Repair, a proprietary commissioning and estimate system, on the basis that offering bodywork and painting services at every store should increase customer convenience. This setup complements the advanced bodywork and painting services that some AUTOBACS stores already handle. At the same time, we have enabled all stores to offer bodywork and painting services by having some AUTOBACS stores commission partner workshops to produce estimates and perform the work.

Private Brand Merchandise Launched During Fiscal 2012

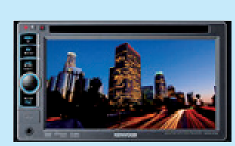
Panasonic SSD portable car navigation system CN-GPA600FVD—exclusive model for AUTOBACS

AUTOBACS PRO series wheel covers—five new types designed with a high-quality feel, compliant with statutory safety requirements

AUTOBACS PRO series car cleaning wipes–four new items

SX-V3 private brand alloy wheel

KENWOOD DDX318 multi-media player with 6.1 inch LCD screen—exclusive model for AUTOBACS



Launching AUTOBACS Tire Shop as a New Format Dedicated to Tire Sales and Service

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 new format also offer regular maintenance and replacements for such items as oil and batteries. This is our first such free-standing format for tires and wheels. By opening outlets specializing in tires and maintenance items in areas without AUTOBACS stores, we intend to build closer ties with customers, and offer them greater convenience.

Toyosu Headquarters Obtained ISO 14001 Certification

On February 22, 2012, our headquarters building in Toyosu, Tokyo, obtained certification under ISO 14001, an international standard for environmental management systems. We have made progress in reducing the environmental impact of our business, notably by lowering energy consumption and CO_2 emissions, conserving resources, and engaging in recycling and reuse initiatives. Since fiscal 2011, we have built an environmental management system to foster more effective and viable activities to obtain certification. Looking ahead, we plan to expand our environmental management system to distribution centers and regional sites to make our activities even more environmentally friendly.

11 12 **2012** 1 2 3

Full-Fledged Launch Roll-Out of Statutory Safety Inspection Contact Center to Improve Customer Convenience

Our Statutory Safety Inspection Contact Center is a call center that handles customer inquiries and offers consultations about statutory safety inspections. The center takes reservations for inspections and follows up to ensure that customers deliver their vehicles to stores on the agreed dates. We set up the center to eliminate inconvenience for customers. Some might need advice on the statutory safety inspections but not know where to go. Others might want to go to a store to consult and to make a reservation but have no time to do so.

Completion of Store Reform Initiative Reforms Based on the Customer's Perspective Made It Easier to Understand and Choose Merchandise

On March 28, 2012, we completed sales area reforms at all existing AUTOBACS stores. These efforts were part of a store reform initiative that was a central priority in the AUTOBACS 2010 Medium-Term Business Plan. With the remodeling completed, we have received a lot of positive feedback from customers on sales areas being easier to understand and merchandise being easier to choose. The initiative has also helped increase store sales, gross profit, and numbers of purchasing customers.

Opening Eight Stores, Including in Smaller Commercial Areas

We opened 23 new stores in fiscal 2012.

AUTOBACS PRO series all purpose paper towels

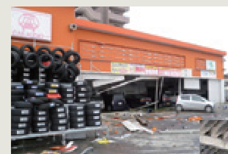
Lowen TS7 private brand alloy wheel

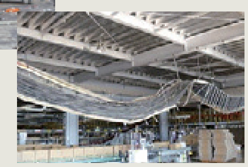
OZ X –Line series "Milano" alloy wheel—exclusive model for AUTOBACS

Overview of Damage from Great East Japan Earthquake and Restoration Efforts

1. After the earthquake and tsunami (March 11, 2011)

In the Tohoku and Kanto regions, merchandise and other items fell off shelves and buildings were damaged at 59 of our stores and other business sites, forcing them to fully or partially suspend operations. The Eastern Japan Logistics Center in Ichikawa, Chiba Prefecture, suffered damage, and halted its logistics and distribution operations. The Western Japan Logistics Center took over shipments to all stores in Japan.





2. Providing support to disaster-hit areas (March 14, 2011)

We donated ¥100 million through the Japanese Red Cross Society to provide support. All of the AUTOBACS Group's approximately 500 stores in Japan began fund-raising activities. Together they donated around 39,000 cell phone car chargers and 5,000 inverters. All of our AUTOBACS Group stores in Japan implemented measures to conserve electricity, including by turning off outdoor sign lighting.

3. Most stores recommenced operations (March 31, 2011)

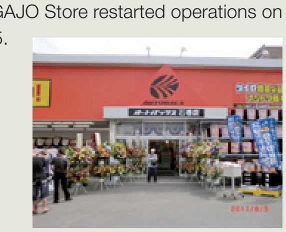
As restoration work progressed, all except three stores recommenced operations. Those three remained closed owing to tsunami damage and the accident at the Fukushima Daiichi Nuclear Power Station.

4. The Eastern Japan Logistics Center reopened (May 2, 2011)

We completed restoration at the Eastern Japan Logistics Center and restarted operations there. At this time facilities still with operations suspended were the AUTOBACS ISHINOMAKI Store, and AUTOBACS TAGAJO Store.

5. Disaster-affected stores restarted operations (August 5 and 15)

The AUTOBACS ISHINOMAKI Store and AUTOBACS TAGAJO Store restarted operations on August 5 and 15.



1. Basic Approach to Compliance System

To further strengthen our compliance system, AUTOBACS SEVEN has clearly defined a Code of Conduct and its Guidelines. These require us not only to observe laws and business ethics, but also to meet the reasonable expectations of all of our stakeholders. The Code of Conduct and its Guidelines form the basic principles for thorough enforcement of compliance and related educational activities that we are undertaking not only internally, but also at franchise chain companies.

Moreover, to prevent misconduct or unethical actions by executives and employees, and to ensure a swift response to deal with such incidents, we have established an internal reporting system called the Orange Hotline. The hotline has both internal and external contact points.

We also conduct a periodic compliance awareness survey to encourage deeper penetration of compliance awareness throughout the Group, and to gain a clear picture of potential risks.

AUTOBACS SEVEN Group Code of Conduct
http://www.autobacs.co.jp/en/csr/compliance_en.html

2. Product Quality Control Initiatives

Our quality control system covers not only private brand merchandise, but also national brand items. Working closely with manufacturers and suppliers, we adopt a multifaceted approach to quality control, considering such aspects as the products themselves and the legality of when used, as well as protection of consumers based on product liability laws.

The quality of our private brand merchandise is controlled according to our internal rules, and we strive to achieve consistent product quality by conducting inspections based on the globally adopted Acceptable Quality Level (AQL) standard.

3. Environmental Management

Environmental problems on a global scale are a common problem for all humanity to tackle.

The Group's initiatives for the environment are part of our contribution to society. To promote business activities that have a low environmental impact, we have acquired ISO 14001 certification for our headquarters, and implement environmental activities in line with our environmental policy.

Going forward, we will continue to widen the scope of our certification, among other efforts to enhance our environmental performance.

AUTOBACS SEVEN Environmental Policy
http://www.autobacs.co.jp/ja/csr/reduction.html (Japanese Only)

AUTOBACS SEVEN Environmental Policy (Excerpts)

With respect to the environmental impacts of its various business activities, AUTOBACS SEVEN will prioritize the following initiatives:

(1) Promote energy conservation and reduce greenhouse gas emissions

(2) Reduce the volume of final waste disposal in landfill

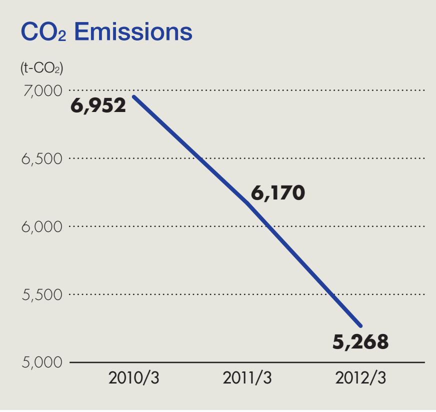
(3) Procure merchandise that is environmentally responsible

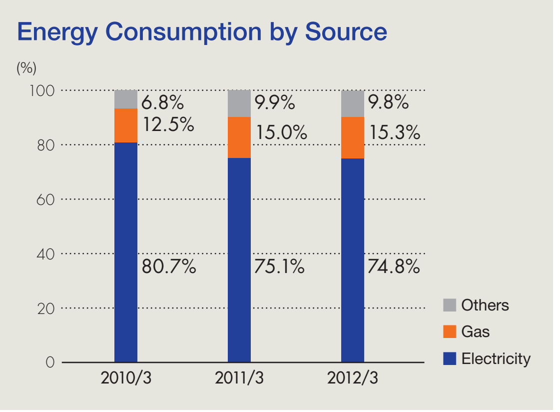
4. Energy Conservation and Greenhouse Gas Emission Reduction

The Company's total CO_2 emissions* in fiscal 2012 were 5,268 tons.

AUTOBACS SEVEN is working to reduce energy consumption and CO_2 emissions in its business activities. We have implemented strict power-saving measures at each office, and we are steadily replacing our equipment with energy-efficient models. To reduce CO_2 emissions, we ship some merchandise from our logistics centers in railway containers.

* Total CO_2 emissions for the AUTOBACS SEVEN head office, regional offices, directly managed stores, and logistics centers.





5. Waste Reduction and Recycling

In fiscal 2012, the Group used 343 tons of containers and packaging, including plastic shopping bags distributed at cash registers, and packaging for private brand merchandise.

To reduce containers and packaging, cash register staff ask customers for their understanding and cooperation in forgoing the use of plastic shopping bags. Furthermore, we have been progressively reviewing our packaging for private brand merchandise, reducing volume and considering alternative materials.

6. Social Contribution Initiatives

Cleanup Activities

Every year since fiscal 2003, we have conducted volunteer cleanup activities in the area around the Aokigahara Forest at the base of Mt. Fuji. We have also regularly cleaned the area surrounding the head office since fiscal 2006. Furthermore, since fiscal 2010, franchise chain stores have also cleaned the areas around their stores once a week on what we call AUTOBACS Day.

Other Activities

· Pavilion at KidZania Occupational Theme Park
· Operation of ARTA (AUTOBACS RACING TEAM AGURI)

Cleanup activities on Mt. Fuji

The AUTOBACS pavilion at KidZania

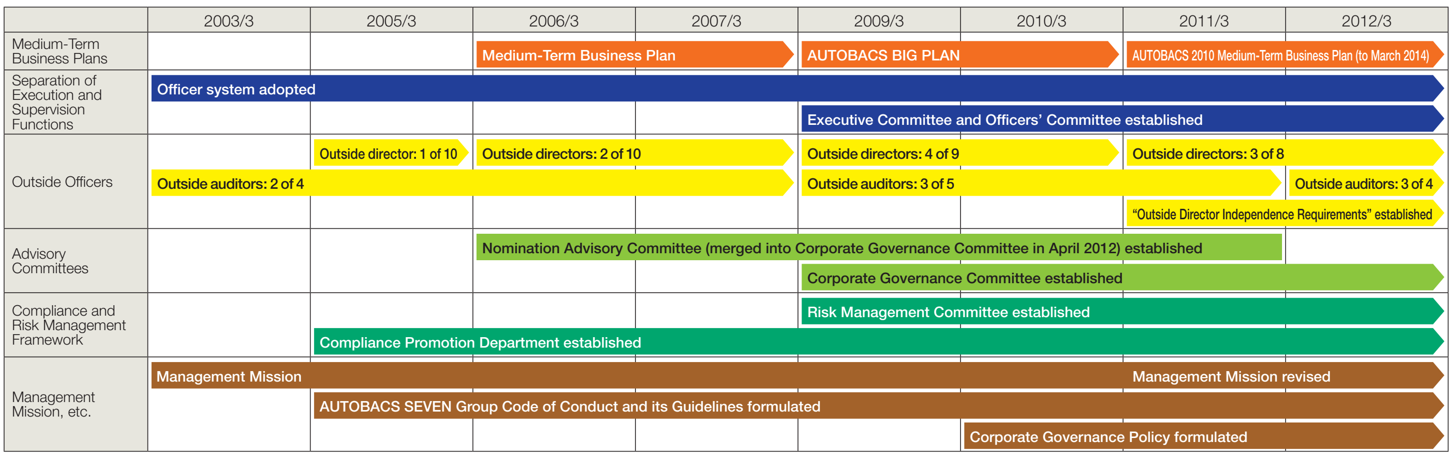
ARTA (AUTOBACS RACING TEAM AGURI)

Corporate Governance

Corporate Governance Philosophy

We recognize that it is vital to maintain and enhance the AUTOBACS brand to earn the support and trust of all stakeholders. We will achieve this through our commitment to providing automotive related goods and services that satisfy customers while fulfilling our corporate social responsibilities. We therefore strive constantly to bolster corporate governance.

Changes to Corporate Governance at AUTOBACS SEVEN



Current Corporate Governance Framework (as of April 1, 2012)

General		Configuration	Company with a Board of Corporate Auditors
Management and Business Execution Structure	Directors & Board of Directors	Board Chairman	Representative director
		Total No. of Directors	8, including 3 outside directors (independent). 5 also serve as officers
		No. of Meetings in FY2012	20 (including 9 ad hoc meetings)
	Executive Committee	Members (Chairman)	Executive officers (Chairman: chief executive officer) Observers: outside directors, auditors
		Role	· Prior Discussion of items to be decided by the Board of Directors · Proposal, etc., of Company policies and plans
		No. of Meetings in Fiscal 2012	9
	Officers' Committee	Members (Chairman)	All officers of the Company (Chairman: chief executive officer) Observers: outside directors, auditors
		Role	· Business strategy progress management, analysis, and countermeasure proposals · Full implementation, etc., of company policies, plans, and strategies
		No. of Meetings in Fiscal 2012	12
Advisory Organs, etc. of the Board of Directors	Corporate Governance Committee	Members (Chairman)	Outside directors (independent) and representative director (Chairman: elected by the outside directors and representative director from within the outside directors (independent))
		Role	· Discuss candidates for officers and executive officers · Discuss remuneration system for directors and officers · Discuss other matters related to governance
		No. of Meetings in Fiscal 2012	9
	Risk Management Committee	Members (Chairman)	Directors serving concurrently as executive officers and officers responsible for internal control (Chairman: representative director and chief executive officer)
		Role	Promotion of smooth and proper risk management
		No. of Meetings in Fiscal 2012	4
Auditors' Audits and Internal Audit Framework	Auditors' Audit	No. of Corporate Auditors	4, including 3 outside auditors (independent)
		Audit Staff	1 (full-time)
		No. of Meetings in Fiscal 2012	19 (including 3 ad hoc meetings)
	Internal Audit	Internal Auditing Department	11 members (reporting to chief executive officer)
		Role	· Evaluation of internal control system · Audits of operations at the Company and its subsidiaries · Reporting of audit results to corporate auditors, representative director & CEO, and other officers, and directing divisions to remedy any issues

Directors and Officers

Directors

Setsuo Wakuda
Representative Director

Yasuhiro Tsunemori
Director

Hironori Morimoto
Director

Tatsuya Tamura
Director (Outside, Independent)

Norio Hattori
Director (Outside, Independent)

Teruyuki Matsumura
Director

Kiomi Kobayashi
Director

Noriaki Shimazaki
Director (Outside, Independent)

Auditors

Hidehiro Ide
Senior Corporate Auditor
(Full-time)

Toshiki Kiyohara
Corporate Auditor
(Full-time, Outside, Independent)

Tomoaki Ikenaga
Corporate Auditor
(Outside, Independent)

Yuji Sakakura
Corporate Auditor
(Outside, Independent)

Officers

Setsuo Wakuda
Chief Executive Officer and Chief Chain Officer

Yasuhiro Tsunemori
Vice Chief Executive Officer and Vice Chief Chain Officer

Hironori Morimoto
Senior Managing Executive Officer, Head of Corporate Administration

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

Kiomi Kobayashi
Senior Executive Officer, Head of Sales Operation and Area Strategy & Planning

Hiroki Yoshiyama
Senior Executive Officer, Head of Overseas Operations

Eiji Kaminishizono
Executive Officer, Chubu Region

Isao Hirata
Executive Officer, Corporate Strategy

Yuzuru Toide
Officer, Store Development and Land Use & Development

Yoshiki Tateuchi
Officer, Northern Japan Region

Eiichi Kumakura
Officer, Kanto Region

Tetsuya Kato
Officer, Kansai Region

Masaru Sasaki
Officer, Southern Japan Region

Shinichi Fujiwara
Officer, Marketing & Sales Strategy Planning and Customer Relationship Management Project

Yoshihiro Emoto
Officer, Car Goods & Services

Katsuhito Matani
Officer, Car Maintenance & Insurance Services

Shinya Kurahayashi
Officer, Car Sales

Naoyuki Koyama
Officer, Asia Market Research Project

Kosuke Kaya
Officer, China Business

Yugo Horii
Officer, Internal Control and Legal

Masahiko Katsushima
Officer, Finance & Accounting

Kazushige Hojo
Officer, Human Resources, General Affairs and Information Systems

Corporate Governance Committee Chairman Interview

AUTOBACS SEVEN has endeavored continuously to improve governance.
The Company focuses particularly on improving management transparency and objectivity and reinforcing its oversight function through its Corporate Governance Committee and its appointment of independent outside officers. We asked Tatsuya Tamura, an outside director and chairman of the Corporate Governance Committee, for his assessment of the Company's governance as an outside officer.

Tatsuya Tamura

Chairman, Corporate Governance Committee (outside director and independent officer)

As the representative director of the NPO Japan Corporate Governance Network, Mr. Tamura works to promote corporate governance in Japan through the spread of the outside director system and other initiatives.
He was appointed as an outside director of AUTOBACS SEVEN in June 2008.
Since then, he has served as the chairman of the Corporate Governance Committee.

When you became a director of the Company, what did you think at the time about its corporate governance?

I was appointed right after AUTOBACS SEVEN submitted improvement status reports to the Tokyo Stock Exchange and the Osaka Securities Exchange for inappropriate disclosures relating to the issuance of convertible bonds. The Company regretted its actions and was accordingly trying to improve and reinforce governance.

The Company believed that it ought to deploy a framework to enable the Board of Directors to monitor management and check its actions if necessary. In particular, the Company thought it important for outside directors to play a role on the board of directors to ensure that deliberations included an awareness of the shareholder's perspective.

During your first year on the Board of Directors, the Company doubled the number of outside directors to four and established the Corporate Governance Committee as an advisory body. What was the thinking behind this action?

We could have opted to change the format to a company with committees, but instead of pushing in that direction, we concluded that we should adopt a format that better matched the Company's individual needs.

It was especially hard for the Board of Directors to make fair judgments on director appointments and remunerations given that most of the directors were internal. So, we decided to establish the Corporate Governance Committee, comprising mainly outside directors, to deliberate particularly on these two issues.

While it was acceptable to have only outside directors on the committee, we invited the representative director to become a member because we had to communicate with him in deliberations.

The committee is a voluntary advisory entity without decision-making authority. Still, we were confident that AUTOBACS SEVEN's Board of Directors would accept the verdicts and recommendations of the Corporate Governance Committee, and the representative director concurred with us. So, we positioned the committee as an advisory entity for the Board of Directors and started this new mechanism to match the needs of AUTOBACS SEVEN.

Is the Corporate Governance Committee performing well?

It ultimately became a hybrid mechanism in that it combines the frameworks of a Company with a Board of Corporate Auditors and a Company with Committees. I rate the mechanism highly as it is performing most effectively.

The committee deliberates mainly on the issues of remuneration and appointments, which was its initial purpose. We also discuss wide-ranging corporate governance issues, such as how best to run the Board of Directors and identifying areas that need improvement and reinforcement to manage the Company more from a shareholder's perspective.

What's your assessment of the remuneration system?

We review remuneration issues every year, such as how to link remuneration with business performance and what approach to take regarding the ratio between basic fixed remuneration and performance-based remuneration.

The system ensures objectivity by having the representative director and chief executive officer propose remuneration arrangements to the Board of Directors only after they have been discussed by the Corporate Governance Committee, rather than simply laying them on the table directly. I think the system has proven to be effective.

In terms of the direction we take in reviewing the remuneration system in future, we still need to examine what indicators we would link with remuneration. We also have to look at how to couple remuneration with short- and long-term business performance and results.

Another item for discussion is how the remunerations of top management and other officers should differ. A joint-stock company imposes huge responsibilities and pressures on top management, and I think we should reflect that factor sufficiently in remuneration.

The Company makes independence a key priority in choosing outside directors. What do you think about the selection process?

AUTOBACS SEVEN uses a third-party institution for selecting candidates instead of choosing from acquaintances of management or investors or from among business partners. I think this system is extremely fair.

Officers select candidates after assessing the backgrounds and expertise of those people. The Corporate Governance Committee reviews the selections. Still, I think that we can even improve this setup by involving the committee from the start of the candidate selection process.

As an outside director, what do you think of the Company's Board of Directors?

I have been an outside director at several companies, so I can say from experience that proceedings in AUTOBACS SEVEN's Board of Directors meetings are easy for outside directors to participate in.

Agenda items tabled for the Board of Directors are already well discussed from the perspectives of officers in the Executive Committee and Officers' Committee. This mechanism leaves plenty of time in the Board of Directors' meeting for outside directors to question and discuss issues that would not come up from inside the Company. Also, outside directors can attend meetings of the Executive Committee and Officers' Committee to confirm directly how discussions are proceeding. As a result, there has been no confusion in any of our discussions.

What role do you think you should fulfill as an outside director?

I think my role is to monitor management from a shareholder's perspective.

Based on personal experience and knowledge, an outside director can view a company from a different stance than internal specialists and think from the standpoint of a shareholder.

For example, when an investment proposal is brought to the attention of the Board of Directors, it is important to avoid making decisions based solely on investment amounts. You have to also look at the proposal in the context of whether it is for an existing or new business. The perspectives of outside directors are especially valuable in reviewing such differences.

What corporate governance challenges do you think that the Company will face?

AUTOBACS SEVEN is extremely sincere in its corporate governance endeavors. On top of that, the representative director fully understands and faithfully adheres to his responsibilities and roles.

I think that the challenges down the track will be how we cultivate the next generation of management and work out rules for after inside directors retire.

As an outside director, I believe that we must fully discuss these issues.

Corporate Governance Committee Members

Chairman:	Tatsuya Tamura, (outside director, independent officer)
Committee Members:	Norio Hattori, (outside director, independent officer)
	Noriaki Shimazaki (outside director, independent officer)
	Setsuo Wakuda, (representative director)
Observers:	All outside auditors (all independent auditors)

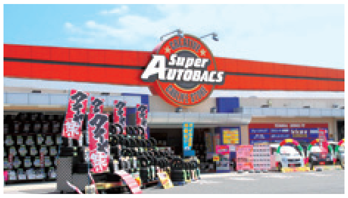
AUTOBACS Chain Store Formats and Network

DOMESTIC STORE FORMATS

AUTOBACS

Position:	Standard-type store
Number of stores in Japan:	430
Annual sales per store:	¥451 million
Storefront area:	From 500 m^2
Commercial area:	5 km radius

Super AUTOBACS Type II



Position:	Large format store
Number of stores in Japan:	70
Annual sales per store:	¥996 million
Storefront area:	From 990 m^2
Commercial area:	10 km radius

Super AUTOBACS Type I

Position:	Large format store (Flagship store)
Number of stores in Japan:	6
Annual sales per store:	¥1,992 million
Storefront area:	1,650 m^2
Commercial area:	20 km radius

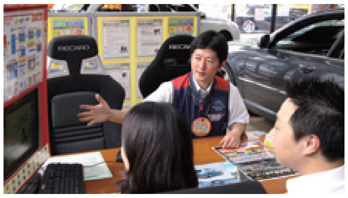
AUTOBACS *Secohan Ichiba*

AUTOBACS *Secohan Ichiba* specializes in the purchase and sale of automotive goods traded in by customers at AUTOBACS Chain stores and outlet products from manufacturers.

AUTOBACS EXPRESS

The AUTOBACS EXPRESS is a gas station type store. The Group expects that many points of driver contact inherent to service stations will send new customers to neighboring AUTOBACS stores.

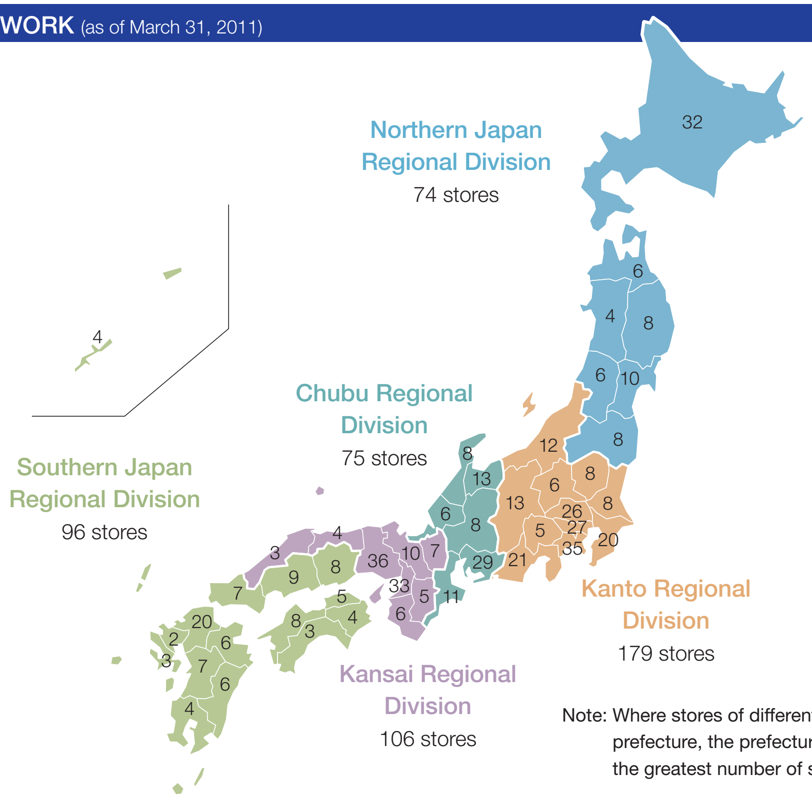
AUTOBACS CARS



AUTOBACS CARS buys and sells used vehicles, as well as selling new vehicles. With a few exceptions, sales areas are located inside AUTOBACS and Super AUTOBACS outlets.

STORE NETWORK (as of March 31, 2011)

Domestic



Domestic		
AUTOBACS		
Super AUTOBACS:	Type I	
	Type II	
AUTO HELLOES		
AUTOBACS *Secohan Ichiba*		
AUTOBACS EXPRESS		
Overseas		
Total		

Note: Where stores of different regional divisions are included in the same prefecture, the prefecture color will be that of the regional division with the greatest number of stores.

OVERSEAS STORE NETWORK (as of March 31, 2012)

France

Stores managed by consolidated subsidiary:	9
Stores managed by franchisees:	2

Thailand

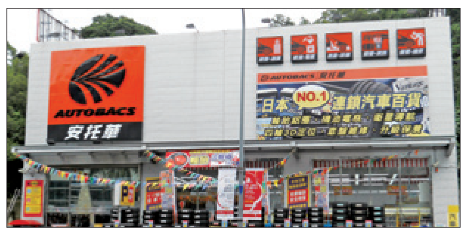
Stores managed by consolidated subsidiary:	4

China

Stores managed by consolidated subsidiary:	2
Stores managed by equity method affiliate:	1
Stores managed by franchisees:	1

Singapore

Stores managed by consolidated subsidiary:	3

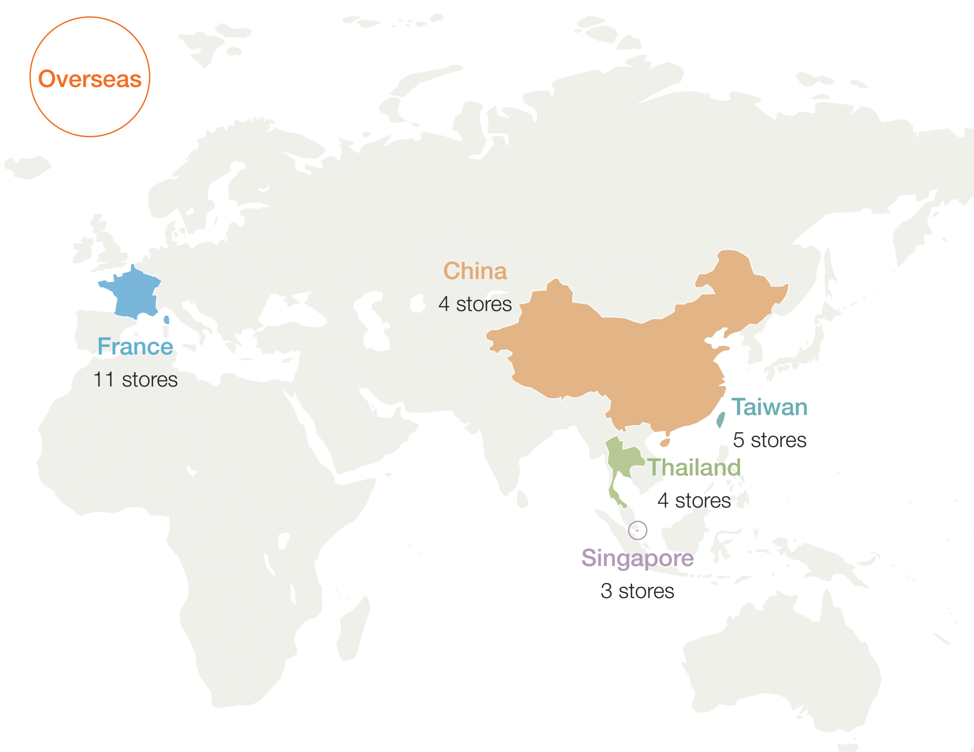


Taiwan

Stores managed by franchisees:	5

STORE NETWORK (as of March 31, 2012)

2008/3	2009/3	2010/3	2011/3	**2012/3**
399	397	395	404	**430**
6	6	6	6	**6**
68	71	71	70	**70**
10	8	8	5	**1**
31	30	25	21	**18**
9	6	6	7	**5**
117	116	26	25	**27**
640	**634**	**537**	**538**	**557**



Corporate Data

AUTOBACS SEVEN Co., Ltd.

Head Office
6-52, Toyosu 5-chome, Koto-ku, Tokyo, Japan

Date of Foundation
February 1947

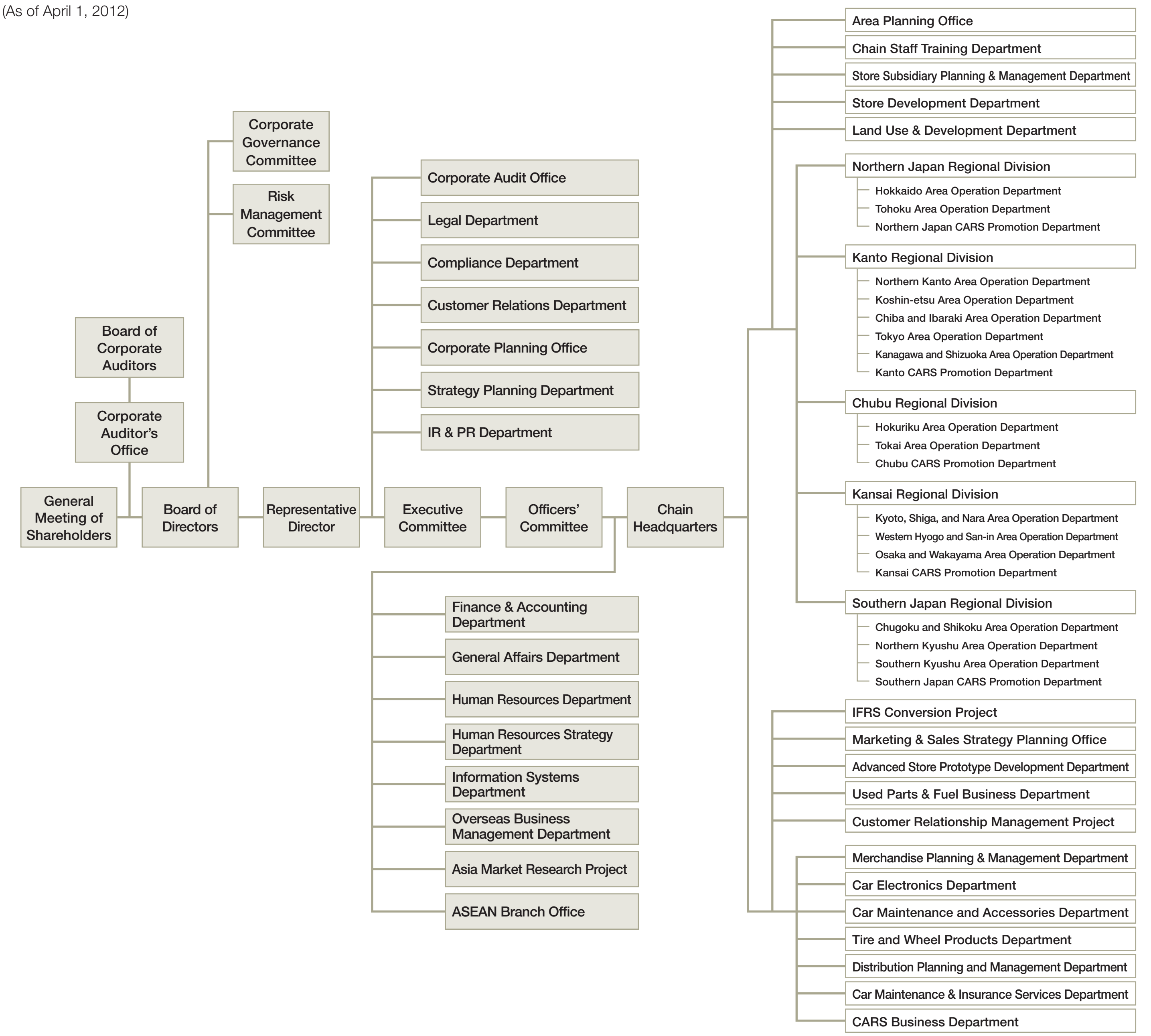
Paid-in Capital
(As of March 31, 2012)
¥33,998 million

Number of Employees
(As of March 31, 2012)
4,469 (consolidated)

Main Business Offices
(As of April 1, 2012)
Northern Japan Regional Division (Sendai, Miyagi)
Kanto Regional Division (Ichikawa, Chiba)
Chubu Regional Division (Nagoya, Aichi)
Kansai Regional Division (Osaka, Osaka)
Southern Japan Regional Division (Fukuoka, Fukuoka)

Organization

(As of April 1, 2012)

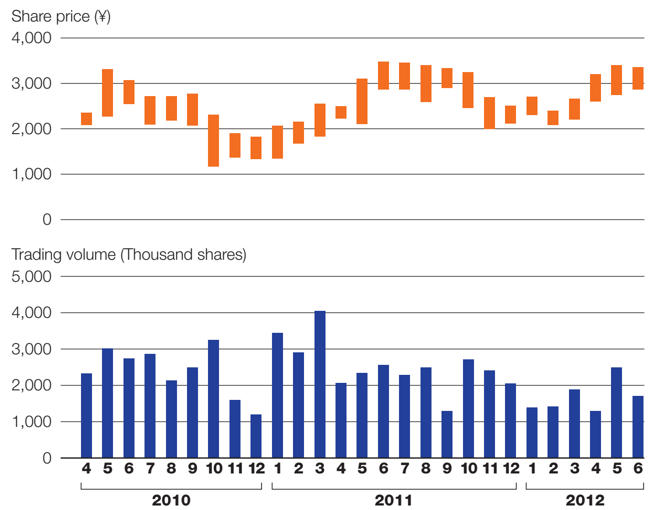


Share Information

(As of March 31, 2012)

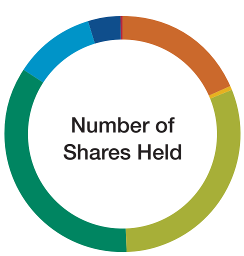
Total Number of Authorized Shares	109,402,300 shares
Common Stock Issued	34,251,605 shares
Number of Shareholders	13,744
Share Trading Unit	100 shares
Stock Listings	Osaka Securities Exchange Tokyo Stock Exchange
Independent Auditor	Deloitte Touche Tohmatsu LLC
Transfer Agent	The Sumitomo Trust and Banking Co., Ltd. 4-1, Marunouchi 1-chome, Chiyoda-ku

Share Price Trend



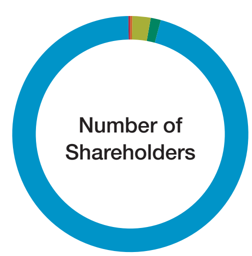
Note: Osaka Securities Exchange

Breakdown of Shareholders (by Size of Shareholding)



Financial Institutions	**18.51%**
Financial Instruments Business Operators	**0.58%**
Other Companies	**30.62%**
Foreign Companies	**34.71%**
Individuals and Others	**10.89%**
Treasury Stock	**4.68%**
National and Local Public Entities	**0.01%**

Breakdown of Shareholders (by Type)

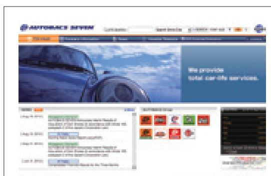


Financial Institutions	**0.33%**
Financial Instruments Business Operators	**0.19%**
Other Companies	**2.26%**
Foreign Companies	**1.46%**
Individuals and Others	**95.74%**
Treasury Stock	**0.01%**
National and Local Public Entities	**0.01%**

Major Shareholders

Name or Trading Name	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
Sumino Holdings, Incorporated	4,980	15.25
Ichigo Trust	3,156	9.66
State Street Bank and Trust Company	1,740	5.33
Northern Trust Co. (AVFC) Sub A/C American Clients	1,638	5.01
The Yuumi Memorial Foundation for Home Health Care	1,330	4.07
Japan Trustee Service Bank, Ltd. (Trust Account)	1,103	3.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	985	3.01
Sumisho Holdings, Ltd.	800	2.45
Northern Trust Co. AVFC Re U.S. Tax Exempted Pension Funds	770	2.35
The Gibraltar Life Insurance Co., Ltd. (General Equity D Account)	500	1.53

Notes: 1. The number of treasury stocks (1,601 thousand shares; percentage of shares held: 4.67%) is excluded from the abovementioned list of major shareholders due to the restrictions on the exercise of voting rights and from the calculation of shareholding ratios.
2. Please refer to the Annual Securities Report for information on other shareholders who have not transferred their shares.



Top page of website

Website Information

http://www.autobacs.co.jp/en/index.php

AUTOBACS SEVEN Co., Ltd.
This is the corporate information website of AUTOBACS SEVEN. Contents include a Company Information section detailing the Company's history, management strategies, and profile, as well as News and Investor Relations sections.

http://www.autobacs.co.jp/en/ir/index.php

In the Investor Relations section, investors can view IR materials and stock and shareholder information, as well as previous IR publications.

http://www.autobacs.com/

Autobacs.com is the AUTOBACS Chain's portal website for customers. The site is packed with useful information covering everything from basic tips for enjoyable motoring to sales promotions. The site also has convenient functions to help users find stores, or to shop online.

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	2007	2008	2009	2010	2011	**2012**
FISCAL YEAR						
Net sales:						
Tires and wheels	¥50,878	¥52,485	¥52,587	¥47,954	¥51,416	**¥55,348**
Car electronics	68,904	66,900	63,708	63,994	59,849	**58,135**
Oil and batteries	17,686	25,456	26,334	24,246	24,566	**24,406**
Car exterior goods	23,644	30,538	28,458	22,350	23,868	**23,000**
Car interior goods	23,686	25,070	23,674	21,071	21,540	**21,735**
Motor sports goods	20,109	19,733	17,383	15,377	14,451	**13,516**
Services	14,344	18,065	18,472	16,856	17,506	**18,462**
Others	23,281	28,182	28,528	21,089	23,155	**22,736**
Total	242,532	266,430	259,144	232,937	236,351	**237,343**
Operating income	12,220	6,937	5,090	10,171	11,989	**13,721**
Income (loss) before income taxes and minority interests	16,549	4,972	(3,938)	10,575	11,501	**15,217**
Net income (loss)	9,165	1,467	(3,398)	5,866	6,180	**8,403**
Dividends paid	¥2,075	¥2,294	¥4,547	¥4,023	¥4,555	**¥4,706**
Consolidated dividend payout ratio	24.3%	260.6%	–	77.2%	75.9	**57.3**
Return (loss) on sales	3.8%	0.6%	(1.3%)	2.5%	2.6%	**3.5%**
Return (loss) on equity	5.6%	0.9%	(2.1%)	3.8%	4.1%	**5.7%**
Return (loss) on assets	3.9%	0.6%	(1.5%)	2.7%	3.0%	**3.9%**
Per share data (Yen):						
Basic net income (loss)	¥239.01	¥38.37	¥(90.29)	¥161.97	¥177.97	**¥252.85**
Cash dividends	58.00	100.00	100.00	125.00	135.00	**145.00**
Net cash provided by (used in) operating activities	¥17,216	¥(646)	¥7,028	¥18,949	¥15,375	**¥20,845**
Net cash (used in) provided by investing activities	(7,102)	(7,993)	4,543	(4,694)	(5,002)	**(10,156)**
Net cash (used in) provided by financing activities	(4,698)	(729)	(9,259)	(12,187)	(11,790)	**(11,574)**
Capital expenditures	10,356	9,753	4,870	3,061	3,187	**7,691**
Depreciation and amortization	6,471	7,463	6,347	5,207	4,798	**4,644**
AT YEAR-END						
Cash and cash equivalents	¥59,227	¥49,637	¥51,749	¥53,786	¥52,317	**51,402**
Current assets	119,265	117,407	136,968	133,883	133,031	**141,612**
Current liabilities	48,882	43,571	44,842	41,521	40,649	**55,650**
Current ratio	244.0%	269.5%	305.4%	322.4%	327.3%	**254.5%**
Total assets	240,628	234,126	224,168	210,652	207,795	**217,949**
Equity	167,995	164,336	154,763	151,397	147,505	**145,626**
Equity ratio	69.8%	70.2%	69.0%	71.9%	71.0%	**66.8%**
Total number of stores	538	640	634	537	538	**557**
Of which, overseas stores	21	117	116	26	25	**27**
Number of employees	4,621	6,492	5,933	4,483	4,459	**4,469**

Review of Fiscal 2012

OPERATIONAL REVIEW

THE AUTOBACS CONSOLIDATED GROUP

The AUTOBACS Consolidated Group ("the Group") consists of AUTOBACS SEVEN Co., Ltd. ("the Company"), 36 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.

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

	2011		2012	
Stores included in consolidation (retail operations)				
Directly managed stores	12		12	
Consolidated subsidiaries (of which, overseas)	150	(16)	155	(18)
Subtotal	162	(16)	167	
Stores not included in consolidation				
Stores managed by franchisees, including stores of affiliates (of which, overseas)	376	(9)	390	(9)
Total stores (of which, overseas)	538	(25)	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 9.)

Sales of Three Main Store Types

¥ million; Stores

		2011	2012
AUTOBACS	Sales	189,665	194,136
	Stores	404	430
Super AUTOBACS	Sales	83,406	81,649
	Stores	76	76
AUTO HELLOES	Sales	1,507	350
	Stores	5	1
Total	Sales	274,578	276,136
	Stores	485	507

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

FISCAL 2012—OVERVIEW AND ACHIEVEMENTS

Performance Overview

Domestic consumption of automotive goods and services during fiscal 2012, the fiscal year ended March 31, 2012, was affected by the numerous and diverse events over the course of the year that had seasonal and regional impacts on the Group's business results. From the beginning of the fiscal year until the second quarter, there was a decline in automobile and car navigation unit production attributable to supply chain disruptions and other issues following the Great East Japan Earthquake, although the shift to digital terrestrial broadcasting in July increased demand for digital terrestrial tuners. In the third quarter and fourth quarters, production of some car navigation devices was halted due to flood damage in Thailand, but because of the recovery of the supply chain and government subsidies for the purchase of fuel efficient vehicles, automobile unit sales and sales of automotive goods and services recovered. In addition, unusually heavy snowfall increased demand for snow tires. Further, in the Tohoku region, demand for automobiles and automotive goods and services continued to be high, supported by earthquake recovery activity.

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 increased 0.1% year on year on a same-store basis and 0.9% on a total-store basis.

In "automotive goods," the Chain focused on sales of automobile maintenance merchandise such as tires, oil, and batteries through the use of newspaper advertisements, television commercials, and circulars along with an improved selection of merchandise at the stores and an upgraded sales system. Sales of tires rose, reflecting a delay in the timing for changing snow tires to normal tires until April or later due to the effect of the weather and the earthquake, price hikes for national brand tires, and heavier than normal snowfall, largely along the Japan Sea coast. In car electronics, the earthquake and flooding in Thailand had an impact on the product lineup for car navigation devices, although unit sales of terrestrial digital broadcasting tuners for automobiles and in-dash car navigation devices were positive due to the shift to terrestrial digital television broadcasting. However, because unit prices declined due to changes in strong-selling items, the value of sales declined year on year. Sales of car accessories and interior merchandise declined up to the second quarter, due to sluggish new automobile sales. However, sales of new automobiles recovered after that, and from the third quarter, sales of interior accessories and interior merchandise recovered to exceed last year's levels. As a result, sales of automotive goods (excluding statutory safety inspections and maintenance) increased 0.2% year on year to ¥262,500 million.

Sales in "safety inspections and maintenance services" were sluggish in the first quarter due to the earthquake and the Group's self-restraint in sales promotional activities, but from the second quarter, a telephone sales promotion campaign and continuous promotional activities at the Group's stores led to a recovery. Consequently, the number of automobiles receiving a safety inspection rose by 7.3% year on year to approximately 535,000 units (for all store formats combined).

In "the automobile purchase and sales business," unit sales of new automobiles declined through the second quarter, but the used vehicle market benefited from an increasing demand in the areas affected by the disaster. Consequently, purchasing through stores and retail sales mainly in the Tohoku region were strong. New automobile sales recovered from the third quarter as government subsidies for eco-friendly automobiles were re-introduced. As a result, unit sales during the consolidated fiscal year under review increased by 10.1% year on year to 18,000 units.

The opening and closure of stores in Japan included the opening of 23 new AUTOBACS stores; the closure of one AUTOBACS store, three AUTOBACS *Secohan Ichiba* stores and two AUTOBACS EXPRESS stores; and the opening and closure of 10 AUTOBACS through relocation and store format conversion. As a result, the total number of stores in the Chain in Japan increased by 17 stores from the end of the previous fiscal year to 530 stores.

Domestic Store Consolidation

	Stores							
		Year Ended March 2012						
		First Half			Second Half			
	March 31, 2011	New stores	S&B* relocation	Stores closed	New stores	S&B* relocation	Stores closed	March 31, 2012
AUTOBACS	404	+6	+2		+17	+2	−1	430
Super AUTOBACS	76							76
AUTO HELLOES	5		−4					1
AUTOBACS *Secohan Ichiba*	21						−3	18
AUTOBACS EXPRESS	7			−2				5
Total (Japan)	513	+6	−2	−2	+17	+2	−4	530

* 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.

The Group pursued several important policies for radically strengthening the domestic business. In “existing store reform,” the Group completed store remodeling according to the original schedule, and in “human resources reform,” customer treatment training for store staff has exceeded the original plan. As a result of these reforms the Group has created a base for further growth. Under a further policy, “new store openings” the Group has opened new stores just about in line with the plan due to the strengthened organizational structure.

<Business Strategy>

As it did 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.

With respect to existing store reform, the remodeling of AUTOBACS stores progressed, with 217 stores being remodeled. As a result, a cumulative total of 358 stores have been remodeled, completing the plan for remodeling all of the AUTOBACS stores. An important policy within store reform is sales floor renovation. Here, the Company installs merchandise displays and POP (point of purchase) displays that facilitate comparison and selection of merchandise and services. Meanwhile, for car maintenance merchandise, sales floor renovation includes setting up consultation reception counters and general maintenance counters to create a sales floor based on the customer’s perspective. Most of the stores that have been remodeled have seen an improvement in business results and efficiency. Going forward, the Group will endeavor to make reforms to improve customer convenience and to improve profitability at stores.

With regard to human resources reform, the Company continued, as in the previous year, to implement customer service education designed to provide customers with a safe, reliable and comfortable shopping experience. In addition to group training by a special team, in-store training for all employees raised the efficiency of the training. During fiscal 2012, 8,856 employees completed the training, nearly 100% of all registered employees. Going forward, continuous measures will be taken to firmly establish an awareness of customer service.

In efforts to open new stores, the Group launched 23 new stores to improve customer convenience and attract more customers. Moreover, the development of a low cost, smaller store model by reviewing store fixtures and service bay equipment has strengthened the Group’s ability to open stores in small commercial zones or to fill in gaps between other stores where it had not been possible to open stores before. The Group has strengthened the Land Use & Development Department in preparation for an acceleration of new store openings from fiscal 2013.

One of the new stores is a pilot store that specializes in maintenance merchandise centering on tires and wheels, and also oil and batteries, called AUTOBACS Tire Specialty Shop Ogori Store (Yamaguchi City, Yamaguchi Prefecture). Going forward, as this store is tested and improved, the Group will develop stores that can meet customers’ various needs more conveniently.

The Group has also been preparing to begin “CRM Strategy Implementation,” which will be formally introduced during fiscal 2013. The Group will start by taking a fresh look at its relationship with its customers, at changes in customers’ feelings about cars, and focusing on the future market environment in order to strengthen customer ties. By getting to know the Group’s existing customers even better, relationships can be built to turn them into repeat customers, and as new customers get to know the Group, new relationships can be built on mutual trust. In seeking to build better customer relationships, the Group has been studying specific issues from the customer’s perspective. By taking these steps and creating stores that meet customers’ needs in each region, the Group is making AUTOBACS Chain stronger, store by store.

The Group has also been taking other measures, such as strengthening of safety inspections and automobile sales to enhance merchandise and services offered to customers; reducing the cost of purchases through supplier reform aiming to improve store profitability to enable the Group to offer merchandise at affordable prices; and, reinforcing e-commerce to improve convenience for customers.

Overseas, the Group has opened two stores in China, where it has been testing the business model. The Company will continue to conduct market research and test marketing with a view to expanding its business in China and other Asian countries.

To improve the execution capabilities of headquarters, the Group is taking important steps to reform head office personnel by optimally allocating management resources, and at the same time improving management by developing key personnel and providing training for different levels of management.

<Financial Strategy>

Based on its financial strategies, the Group worked to increase future operating cash flows by opening 23 new stores and relocating 6 stores in Japan, while opening three new stores overseas. The Group plans to actively invest in businesses during fiscal 2013 and beyond.

The Group’s financial strategy is aimed at improving capital efficiency. In fiscal 2012, the Company purchased a total of 1.6 million shares of its own stock for approximately ¥5.4 billion based on a policy of increasing shareholder returns. At the same time, it decided to retire approximately 1.6 million shares of treasury stock and buy back up to a further 1.8 million shares of its own stock. In distributing profits, the Company aimed to maintain a dividend on equity (DOE) ratio of at least 3%, while considering business performance during the fiscal year under review. The dividend per share was ¥145, a ¥10 year-on-year increase.

<CSR Activities>

The Group has positioned CSR activities as an important management issue and has acquired the ISO 14001 certification at its Toyosu Headquarters as part of its aim to pursue environmentally friendly business operations. Going forward, the Group will continue activities to raise environmental awareness, and at the same time, each regional office and the Eastern and Western Logistics Centers are making progress toward getting certified. During the summer, when there were concerns about a shortage of electric power, the head office and the regional offices worked to conserve electricity, while the Group’s stores nationwide turned off wall-mounted signage and reduced in-store lighting. Further, the head office and stores established “AUTOBACS

Day" to conduct clean up activities in their neighborhoods as a contribution to local communities.

In response to the enforcement of the Organized Crime Exclusion Ordinance in all prefectures nationwide in October 2011, the Company formulated the Manual for Responding to Antisocial Forces and reinforced risk management awareness by conducting training sessions for all employees.

FINANCIAL REVIEW

1. INCOME AND EXPENSES

Net Sales

In fiscal 2012, ended March 31, 2012, consolidated net sales amounted to ¥237,342 million, approximately the same level as fiscal 2011.

¥ Million (Percentage of net sales)

	2011		2012		Increase (Decrease)
Wholesale operations	134,690	(57.0%)	**135,571**	**(57.1%)**	880
Retail operations	98,162	(41.5%)	**98,313**	**(41.4%)**	151
Others	3,499	(1.5%)	**3,459**	**(1.5%)**	(39)
Total	236,351	(100.0%)	**237,343**	**(100.0%)**	992

• Wholesale Operations

Most of the revenue in the wholesale operations segment derives from sales to franchisees. In fiscal 2012, segment sales increased by 0.7% year on year to ¥135,571 million. Overall segment sales rose in line with higher sales for tires and higher prices and digital terrestrial TV tuners, despite falling prices for car navigation systems and lower demand for ETC devices.

• 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 2012, sales of retail operations increased by 0.2% year on year to ¥98,313 million. This increase was mainly due to increases in sales for tires in line with higher prices, digital terrestrial TV tuners, and services including safety inspections and maintenance. However, the increase was partially offset by falling prices for car navigation systems and lower demand for ETC devices.

• Others

Sales from other businesses declined by 1.1% to ¥3,459 million, due mainly to decreases in real estate rental income and store equipment lease income from domestic franchise operators.

Gross Profit

Gross profit was ¥77,037 million, up by 1.7% from a year earlier as a result of efforts to improve gross profit, such as reducing the costs of goods purchased and reviewing sales prices. Gross margin improved from 32.0% to 32.5%

SG&A Expenses

Selling, general and administrative (SG&A) expenses declined by 0.7% year-on-year to ¥63,316 million as a consequence of reducing promotional activities after the earthquake and costs as a whole, although expenses related to new store openings and sales floor renovations increased.

¥ Million

	2011	2012	Increase (Decrease)
Personnel expenses	29,089	**29,650**	560
Employee compensation	23,463	**23,835**	371
Sales promotion expenses	11,484	**11,415**	(69)
Equipment expenses	12,602	**12,592**	(10)
Land and building rent	6,088	**6,104**	16
Depreciation	3,906	**3,937**	30
Administrative expenses	10,576	**9,659**	(918)
Provision for allowance for doubtful receivables	115	**43**	(73)
Total	63,751	**63,316**	(436)

Personnel expenses increased by 1.9% to ¥29,649 million, and constituted 46.8% of SG&A expenses. This change was mainly because of an increase in bonuses to employees and an increase in personnel in line with the merger with BRAIN-ING Co., Ltd.

Sales promotion expenses decreased by 0.6% to ¥11,415 million, or 18.0% of SG&A expenses. This was mainly due to reductions in advertising expenses, despite an increase in expenses to support sales floor renovation.

Equipment expenses fell by 0.1% to ¥12, 592 million, or 19.9% of SG&A expenses. This was primarily due to a decrease in utility costs associated with energy saving efforts, despite an increase in repair and maintenance costs and depreciation costs in line with new store openings and sales floor renovation.

Administration expenses fell by 8.7% to ¥9,658 million, representing 15.3% of SG&A expenses. This was mainly due to decreases in costs related to lawsuits in the U.S. and consulting-related costs.

As a result of the above factors, operating income increased by 14.5% to ¥13,721 million.

Number of Employees by Segment

	Number of Employees				
	2011		2012		Increase (Decrease)
The Company	1,067	(90)	**1,060**	(90)	(7)
Domestic Store Subsidiaries	2,588	(1,034)	**2,558**	(1,069)	(30)
Overseas Subsidiaries	613	(–)	**651**	(–)	38
Subsidiaries for Car Goods Supply and Other	124	(11)	**128**	(9)	4
Subsidiaries for Supporting Functions	67	(15)	**72**	(18)	5
Total	4,459	(1,150)	**4,469**	(1,186)	10

Note: These figures show the number of regurar full-time employees.

Other Income and Expenses

In other items, other income—net was ¥1,496 million, a turnaround from other expenses–net of ¥488 million in the previous fiscal year. The main factors behind this were the recording of other expenses in fiscal 2011 that were not recorded in fiscal 2012. Specifically, the expenses booked in fiscal 2011 were ¥286 million in loss on arrangement of stores, ¥1,166 million in effect of application of revised accounting standard for asset retirement obligations, ¥387 million in loss on disaster, owing to the Great East Japan Earthquake, and ¥461 million in additional retirement benefits for the merger with BRAIN-ING Co., Ltd.

Income Taxes

Income taxes for the period were ¥6,812 million. Deferred income tax was negative ¥122 million due to reversal of deferred tax assets as a result of changes in the corporate income tax rate. The income tax burden decreased from 45.9% in the previous period to 44.8%.

Net Income

Net income increased by 36.0% from the previous year to ¥8,403 million, bringing basic net income per share to ¥252.85. Financial indicators all improved, with the return on sales increasing from 2.6% in the previous year to 3.5%, ROA improved from 3.0% to 3.9%, and ROE increased from 4.1% in the previous year to 5.7%.

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	–	–
Automobile purchase and sales business	Wholesale-Retail	Retail	–	–	–
Other	Lease business	–	–	–	Lease business-Others

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 increased by 0.5% from a year earlier to ¥195,601 million. In wholesale operations for franchisees, sales increased by 0.6% thanks to increases in sales of tires and wheels and store fixtures to stores in association with renovations, which were partially offset by declines in sales of car electronics, car exterior goods, and motor sports goods. In retail operations, sales declined by 2.9% from a year earlier, reflecting the closure of directly managed second-hand automotive goods stores and the suspension of operations for renovation at certain stores. Gross profit increased by 2.8% from the previous fiscal year to ¥41,746 million, reflecting an increase in tire sales volume compared to last year and efforts to control the gross margin on car navigation systems. Selling, general, and administrative expenses were down by 2.5% from a year earlier, to ¥28,156 million, reflecting fewer promotion activities following the earthquake, a revision of sales promotions compared to a year ago and a decline in attorney's fees paid in relation to a lawsuit in the U.S. These factors were partially offset by increased bonus payments to employees resulting from improved business results and store remodeling expenses. As a result of these factors, operating income increased by 15.7% year on year to ¥13,590 million.

<Domestic Store Subsidiaries>

Sales in this segment increased by 0.6% year on year to ¥81,714 million and operating income increased by 14.0% to ¥435 million. Sales of tires and wheels, tuners for digital terrestrial broadcasting, and automobile sales drove the increase in sales, and the gross margin improved. Further, nine new stores opened by the domestic store subsidiaries contributed to the increase in sales. Selling, general and administrative expenses increased by 1.4% year on year due to higher personnel and sales expenses in line with store renovation and new store openings.

<Overseas Subsidiaries>

Sales increased by 3.3% to ¥9,098 million while operating income improved by ¥209 million to a profit of ¥86 million. France was affected by economic instability in Europe beginning in the second quarter and by a comparatively mild winter. However, sales promotions featuring tires and Christmas sales of car electronics contributed to an improvement in store sales and gross margins, while selling, general and administrative expenses were brought under control, improving profitability. In China, a local franchisee closed one of the stores it was operating, and in Shanghai, the Group's local subsidiary opened its second directly managed store in May 2011. The Company is continuing to construct its business model, looking for ways to improve customer recognition and operations at directly managed stores. Sales in China increased due to increased exports to Japan and stores in Asia and the operating loss was smaller than the previous fiscal year. The Group opened AUTOBACS LOYANG Store, its third store in Singapore, in December 2011. Due to overwhelming competitive advantages in the local market, sales and operating income increased. In Thailand, the impact of political unrest and flooding resulted in a slight decline of sales and earnings.

Opening and closing of stores overseas were as follows:

Opening and Closing of Stores Overseas

	Stores			
		Year Ended March 2012		
	March 31, 2011	First Half	Second Half	March 31, 2012
France	11			11
China	4			4
Taiwan	4	+1		5
Thailand	4			4
Singapore	2		+1	3
Total	25	+1	+1	27

<Subsidiaries for Car Goods Supply and Others>

Sales decreased by 3.3% year on year to ¥12,604 million, reflecting a decrease in wholesale sales of oil. Operating income declined by 51.9% year on year, to ¥112 million.

<Subsidiaries for Supporting Functions>

Sales decreased by 45.3% to ¥3,383 million and operating income fell by 11.6% year on year to ¥431 million. These declines primarily resulted from the merger with BRAIN-ING Co., Ltd., the Company's subsidiary, in August 2010. Excluding the impact of this merger, sales and operating income in this segment were almost level with those in the previous fiscal year.

Information about Sales and Profit (Loss)

	¥ Million					
	Year Ended March 2012					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Others	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

Details of Adjustments to Consolidated Operating Income

The value of the adjustment to derive consolidated operating income from the sum of the operating income of each segment was ¥933 million, a change of ¥193 million compared to last year. Major changes from last year were as follows: 1) Until last fiscal year, the Company (non-consolidated) posted credit commissions from the Chain as non-operating income but due to the transfer of the credit business, this is now posted as sales of AUTOBACS Management Service Co., Ltd., a subsidiary for supporting functions (This is noted in the table below, “Reconciliation of Published Figures and Aggregate of Reportable Segments” in the item titled “Elimination of intersegment transactions.”); 2) The increase in unrealized profit on sales of merchandise by the Company (non-consolidated) to retail store subsidiaries that is attributable to the increase of new stores (same table, item titled “Inventories”); and 3) Increase in the valuation loss on merchandise at subsidiary stores where shares of the subsidiary or the store has been transferred to a franchisee (same table, item titled “Inventories”).

Reconciliation of Published Figures and Aggregate of Reportable Segments

	¥ Million	
Net sales	2011	2012
Total reportable segments	303,947	302,400
Elimination of intersegment transactions	(67,596)	(65,057)
Net sales in consolidated financial statements	236,351	237,343

	¥ Million	
Income	2011	2012
Total reportable segments	12,728	14,654
Elimination of intersegment transactions	(344)	(477)
Inventories	(66)	(325)
Allowance for point cards	(25)	(83)
Amortization of goodwill	(152)	(77)
Fixed assets	(60)	8
Others	(92)	21
Income in consolidated financial statements	11,989	13,721

FINANCIAL POSITION

1. BALANCE SHEET ITEMS

Current Assets

Current assets increased by ¥8,580 million year on year to ¥141,612 million. This was attributable in part to a decrease in marketable securities due to redemptions and an increase in cash and cash equivalents and other receivables.

Property and Equipment, Investments and Other Assets

Net property and equipment was ¥39,524 million, up by ¥2,592 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 declined by ¥1,019 million from the previous period to ¥36,813 million. The change was largely attributable to decreases in investment securities, deferred tax assets, and rental deposits and long-term loans, despite an increase in software.

Current Liabilities

Total current liabilities were up by ¥15,001 million to ¥55,650 million. The main factors in this were increases in trade notes and accounts payables, short-term borrowings, other payables and accrued income tax.

Long-term Liabilities

Total long-term liabilities decreased by ¥3,078 billion to ¥16,105 million. The main factor behind this was repayment of long-term debt.

Equity

Total equity including minority interests fell by ¥1,769 million to ¥146,194 million. We recorded net income of ¥8,403 million and cash dividends of ¥4,706 million, and purchased our own shares at a cost of ¥5,464 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 2012 increased by ¥17 million year on year to ¥13,413 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, 2012 were down by ¥776 million from the previous year-end to ¥19,221 million.

CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥20,845 million. The main factors for increasing cash were income before income taxes and minority interests of ¥15,217 million, increase in other payables and accruals of ¥9,109 million, and depreciation and amortization of ¥4,644 million. The main factor decreasing cash was an increase in receivables of ¥6,223 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥10,156 million. The main factors were capital expenditures of ¥7,691 million, increase in time deposits of ¥3,608 million and the net use of ¥2,036 million for acquisition and disposition of investment securities.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a net inflow of ¥10,689 million.

• Capital Expenditures

In fiscal 2012, capital expenditures amounted to ¥7,691 million. These investments were associated mainly with acquisition of land and buildings for stores, store renovations, refurbishment of logistics centers, and investments in the Company's internal information systems. A breakdown of capital expenditures (including intangible fixed assets) in fiscal 2012 is shown below.

Major Capital Expenditures in Fiscal 2012

	¥ Million
Opening new stores	1, 550
Scrap-and-build or relocation	1, 363
Purchase of land for store locations	1, 250
POS system development and IT investments	2, 282
Other	1, 244
Total	7, 691

Capital Expenditures by Segments

	¥ Million		
	2011	2012	Increase (Decrease)
The Company	2, 068	**6, 255**	4, 187
Domestic Store Subsidiaries	338	**439**	101
Overseas Subsidiaries	106	**127**	21
Subsidiaries for Car Goods Supply and Others	8	**16**	8
Subsidiaries for Supporting Functions	665	**852**	187
Total	3, 187	**7, 691**	4, 503

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

Cash Flows from Financing Activities

Net cash used in financing activities was ¥11,574 million. This was mainly due to ¥5,464 million used for purchase of treasury stock and ¥4,706 million used for dividends paid, as well as ¥2,753 million used for repayment of long-term debt.

As a result of the above, cash and cash equivalents at the fiscal year-end stood at ¥51,402 million, down by ¥915 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 ¥20,845million, net cash used in investing activities of ¥10,156 million, and net cash used in financing activities of ¥11,574 billion.

Basic Policy on Distribution of Profits, Dividends for Fiscal 2012 and Fiscal 2013

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 2012, we paid an annual dividend of ¥145 per share, comprising a year-end dividend of ¥75 (up by ¥5 year on year) and an interim dividend of ¥70. This resulted in a DOE of 3.3%. Also the Company repurchased 1.6 million of its own shares for ¥5.5 billion in accordance with a resolution by the Board of Directors at a meeting on May 11, 2011.

In fiscal 2013, we plan to pay interim and year-end dividends of ¥75 per share, for an annual dividend of ¥150 per share, an increase of ¥5 from fiscal 2012. The Company also plans to repurchase up to 1.8 million of its own shares shares for a maximum of ¥8.1 billion from May 11, 2012 to December 20, 2012.

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 party. If the Group is named in a lawsuit, the outcome of the lawsuit may have an effect on the business performance of the Group.

The following lawsuits have been filed against the Company. On December 11, 2009 (United States time), AUTOBACS STRAUSS INC. (hereinafter, "AB Strauss"), 1945 Route 23 Associates, Inc. and R&S Parts and Service, Inc. filed a lawsuit against the Company in the United States Bankruptcy Court for the District of Delaware (the "Delaware Action"), while on December 17, 2009 (United States time), these three companies filed a lawsuit against the Company in the United States District Court for the District of New Jersey (the "New Jersey Action").

Delaware Action

The plaintiffs object to the $44 million proof of claim filed by the Company against AB Strauss in its bankruptcy proceeding in accordance with Chapter 11 of the US Bankruptcy Code ("the bankruptcy proceeding") and claim for (i) compensatory damages, including the amount owed by AB Strauss to all its creditors' claims (other than those of the Company) in the bankruptcy proceeding, damages for loss of value of AB Strauss's business, and other losses including the costs of the bankruptcy proceedings, and (ii) punitive damages. The damage amounts are not specified in the complaint, but the compensatory damages are at least $100 million, while punitive damages are at least $250 million.

New Jersey Action

The lawsuit involves claims for (i) compensatory damages, including the amount owed by AB Strauss to all of its creditors' claims (other than those of the Company) in the bankruptcy proceedings, damages for loss of the value of AB Strauss's business, and other losses including the costs of the bankruptcy proceedings, (ii) treble damages, (iii) punitive damages and (iv) declaration of abandonment and cancellation of certain trademark registrations of the Company in the United States. The damage amounts are not specified in the complaint, but the treble damages are at least $300 million (compensatory damages are at least $100 million), and punitive damages will be at least $250 million. 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.

With respect to both lawsuits, the Company believes that both the claims being asserted by the plaintiffs and the claims for damages are groundless and without evidence, and the Company plans to fight the charges, and defend itself in court.

Consolidated Balance Sheet

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
March 31, 2012

ASSETS	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	**¥51,402**	¥52,317	**$626,854**
Time deposits with an original maturity over three months (Note 17)	**5,057**	1,449	**61,671**
Marketable securities (Notes 3 and 17)	**3,423**	3,350	**41,744**
Receivables (Note 17):			
Trade notes and accounts	**25,675**	22,016	**313,110**
Associated companies	**1,157**	1,007	**14,110**
Other	**20,096**	18,328	**245,073**
Allowance for doubtful receivables	**(102)**	(243)	**(1,244)**
Investments in lease (Notes 2.O, 4 and 17)	**13,413**	13,396	**163,573**
Inventories	**17,084**	17,461	**208,341**
Deferred tax assets (Note 15)	**2,327**	1,937	**28,378**
Prepaid expenses and other current assets	**2,080**	2,013	**25,366**
Total current assets	**141,612**	133,031	**1,726,976**
PROPERTY AND EQUIPMENT:			
Land (Notes 5 and 8)	**22,793**	21,695	**277,964**
Buildings and structures (Note 5)	**37,183**	35,865	**453,451**
Furniture and equipment (Note 5)	**18,941**	18,250	**230,988**
Lease assets (lessee)	**299**	277	**3,646**
Construction in progress	**323**	104	**3,939**
Total	**79,539**	76,191	**969,988**
Accumulated depreciation	**(40,015)**	(39,259)	**(487,988)**
Net property and equipment	**39,524**	36,932	**482,000**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 17)	**4,400**	4,704	**53,659**
Investments in associated companies (Note 17)	**1,353**	1,285	**16,500**
Rental deposits and long-term loans (Notes 7 and 17)	**19,498**	20,184	**237,781**
Goodwill (Notes 5 and 6)	**764**	914	**9,317**
Deferred tax assets (Note 15)	**4,169**	4,501	**50,841**
Other (Note 5)	**6,629**	6,244	**80,841**
Total investments and other assets	**36,813**	37,832	**448,939**
TOTAL	**¥217,949**	¥207,795	**$2,657,915**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 17)	**¥432**	¥457	**$5,268**
Current portion of long-term debt (Notes 8 and 17)	**4,837**	2,840	**58,988**
Payables (Note 17):			
Trade notes and accounts	**24,299**	15,254	**296,329**
Associated companies	**1,727**	1,247	**21,061**
Other	**11,631**	9,892	**141,842**
Income taxes payable (Note 17)	**4,958**	3,506	**60,463**
Accrued expenses	**4,237**	3,582	**51,671**
Allowance for business restructuring	**1,090**	1,101	**13,293**
Other current liabilities	**2,439**	2,770	**29,744**
Total current liabilities	**55,650**	40,649	**678,659**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 17)	**6,567**	9,443	**80,085**
Liability for retirement benefits (Note 9)	**325**	381	**3,963**
Rental deposits received (Note 7):			
Associated companies	**1,135**	1,190	**13,841**
Other	**6,194**	6,282	**75,537**
Deferred tax liabilities (Note 15)	**37**	90	**451**
Other liabilities	**1,847**	1,797	**22,525**
Total long-term liabilities	**16,105**	19,183	**196,402**
Total liabilities	**71,755**	59,832	**875,061**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 17)			
EQUITY (Note 11)**:**			
Common stock, authorized, 109,402 thousand shares; issued, 34,252 thousand shares in 2012 and 37,454 thousand shares in 2011	**33,999**	33,999	**414,622**
Capital surplus	**34,278**	34,278	**418,024**
Retained earnings	**83,074**	89,985	**1,013,098**
Treasury stock at cost:1,610 thousand shares in 2012 and 3,210 thousand shares in 2011	**(5,496)**	(10,637)	**(67,024)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 3)	**52**	22	**634**
Foreign currency translation adjustments	**(281)**	(142)	**(3,427)**
Total	**145,626**	147,505	**1,775,927**
Minority interests	**568**	458	**6,927**
Total equity	**146,194**	147,963	**1,782,854**
TOTAL	**¥217,949**	¥207,795	**2,657,915**

Consolidated Statement of Income and Comprehensive Income

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
Year Ended March 31, 2012

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
NET SALES (Note 12)	**¥237,343**	¥236,351	¥232,937	**$2,894,427**
COST OF GOODS SOLD	**160,306**	160,611	158,941	**1,954,951**
Gross profit	**77,037**	75,740	73,996	**939,476**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**63,316**	63,751	63,825	**772,147**
Operating income	**13,721**	11,989	10,171	**167,329**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**197**	203	230	**2,402**
Interest expense	**(163)**	(190)	(241)	**(1,988)**
Commission income	**434**	749	689	**5,293**
Impairment losses on fixed assets (Note 5)	**(51)**	(350)	(631)	**(622)**
Loss on business restructuring			(610)	
Loss on arrangement of stores	**(74)**	(286)	(92)	**(902)**
Loss on revaluation of investment securities			(127)	
Foreign exchange loss, net	**(51)**	(414)	(97)	**(622)**
Lease revenue—system equipment	**1,230**	1,164	1,246	**15,000**
Lease cost—system equipment	**(1,266)**	(1,273)	(1,459)	**(15,439)**
Provision of allowance for doubtful accounts			(3,745)	
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	3,436	**134**
Other—net	**1,229**	1,786	1,805	**14,988**
Other income (expenses)—net	**1,496**	(488)	404	**18,244**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**15,217**	11,501	10,575	**185,573**
INCOME TAXES (Note 15):				
Current	**6,934**	4,370	2,273	**84,561**
Deferred	**(122)**	906	2,345	**(1,488)**
Total	**6,812**	5,276	4,618	**83,073**
NET INCOME BEFORE MINORITY INTERESTS	**8,405**	6,225	5,957	**102,500**
MINORITY INTERESTS IN NET INCOME	**2**	45	91	**24**
NET INCOME	**¥8,403**	¥6,180	¥5,866	**$102,476**
MINORITY INTERESTS IN NET INCOME	**2**	45	91	**24**
NET INCOME BEFORE MINORITY INTERESTS	**8,405**	6,225	5,957	**102,500**
OTHER COMPREHENSIVE INCOME (LOSS):				
Unrealized gain (loss) on available-for-sale securities	**27**	(87)	325	**330**
Foreign currency translation adjustments	**(136)**	(169)	(175)	**(1,659)**
Share of other comprehensive income of associates	**4**	3	2	**49**
Total other comprehensive (loss) income	**(105)**	(253)	152	**(1,280)**
COMPREHENSIVE INCOME	**8,300**	5,972	6,109	**101,220**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	**8,293**	5,937	6,033	**101,135**
Minority interests	**7**	35	76	**85**

	Yen			U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2. S and 19)**:**				
Basic net income	**¥252.85**	¥177.97	¥161.97	**$3.08**
Cash dividends applicable to the year	**145.00**	135.00	125.00	**1.77**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
Year Ended March 31, 2012

	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 (Loss) Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	39,255	1,807	¥33,999	¥34,512	¥94,298	¥(8,001)	¥(218)	¥173	¥154,763	¥716	¥155,479
Net income					5,866				5,866		5,866
Retirement of treasury stock	(1,801)	(1,801)		(234)	(7,741)	7,975					
Purchase of treasury stock		1,602				(5,376)			(5,376)		(5,376)
Appropriations:											
Cash dividends, ¥110.00 per share					(4,024)				(4,024)		(4,024)
Net changes of items							326	(158)	168	(260)	(92)
BALANCE, MARCH 31, 2010	37,454	1,608	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		1,602				(5,235)			(5,235)		(5,235)
Appropriations:											
Cash dividends, ¥130.00 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	37,454	3,210	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	**(3,202)**	**(3,202)**			**(10,607)**	**10,607**					
Purchase of treasury stock		**1,602**				**(5,466)**			**(5,466)**		**(5,466)**
Appropriations:											
Cash dividends, ¥140.00 per share					**(4,707)**				**(4,707)**		**(4,707)**
Net changes of items							**30**	**(139)**	**(109)**	**110**	**1**
BALANCE, MARCH 31, 2012	**34,252**	**1,610**	**¥33,999**	**¥34,278**	**¥83,074**	**¥(5,496)**	**¥52**	**¥(281)**	**¥145,626**	**¥568**	**¥146,194**

	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, 2011	$414,622	$418,024	$1,097,378	$(129,719)	$268	$(1,732)	$1,798,841	$5,586	$1,804,427
Net income			102,476				102,476		102,476
Retirement of treasury stock			(129,354)	129,354					
Purchase of treasury stock				(66,659)			(66,659)		(66,659)
Appropriations:									
Cash dividends, $1.71 per share			(57,402)				(57,402)		(57,402)
Net changes of items					366	(1,695)	(1,329)	1,341	12
BALANCE, MARCH 31, 2012	**$414,622**	**$418,024**	**$1,013,098**	**$(67,024)**	**$634**	**$(3,427)**	**$1,775,927**	**$6,927**	**$1,782,854**

See notes to consolidated financial statement.

Consolidated Statement of Cash Flows

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

Year Ended March 31, 2012

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2012	2011	2010	2012
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥15,217**	¥11,501	¥10,575	**$185,573**
Adjustments for:				
Income taxes (paid) refunded	**(5,625)**	(2,565)	407	**(68,598)**
Depreciation and amortization	**4,644**	4,798	5,207	**56,634**
Impairment losses on fixed assets	**51**	349	631	**622**
Reversal of provision for business restructuring	**(11)**	(224)	(3,502)	**(134)**
Loss on revaluation of investment securities			127	
Gain on sale of investment securities	**(71)**	(8)	(213)	**(866)**
Reversal of retirement benefit	**(8)**	(44)	(78)	**(98)**
Effect of application of revised accounting standard for asset retirement obligations		1,166		
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	**(6,223)**	160	1,852	**(75,890)**
Decrease in investments in lease	**484**	1,365	1,079	**5,902**
Decrease (increase) in inventories	**135**	(487)	1,808	**1,646**
Increase (decrease) in other payables and accruals	**9,109**	(676)	(331)	**111,086**
Other	**3,143**	40	1,387	**38,330**
Net cash provided by operating activities	**20,845**	15,375	18,949	**254,207**
INVESTING ACTIVITIES:				
Capital expenditures	**(7,691)**	(3,187)	(3,061)	**(93,793)**
Proceeds from sales of fixed assets	**80**	1,431	599	**976**
Acquisition of investment securities	**(2,391)**	(2,575)	(396)	**(29,159)**
Disposition of investment securities	**355**	2,157	1,188	**4,329**
Proceeds from sales of marketable securities	**6,840**	2,009	2,000	**83,415**
Payments for marketable securities	**(4,544)**	(5,292)	(1,997)	**(55,415)**
Acquisition of business			(593)	
Payments for advances and rental deposits	**(843)**	(1,094)	(1,530)	**(10,280)**
Collection of advances and rental deposits	**1,084**	871	1,166	**13,220**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	**233**			**2,841**
Payments for acquisition of subsidiaries' stock resulting from change in consolidation scope		(258)		
Payments for sales of subsidiaries' stock resulting from change in consolidation scope		(9)	(834)	
Other	**(3,279)**	945	(1,236)	**(39,988)**
Net cash used in investing activities	**(10,156)**	(5,002)	(4,694)	**(123,854)**
FINANCING ACTIVITIES:				
(Increase) decrease in short-term borrowings	**(25)**	78	(81)	**(305)**
Repayment of long-term debt	**(2,753)**	(5,278)	(2,943)	**(33,573)**
Proceeds from long-term debt	**1,380**	3,180	350	**16,829**
Purchase of treasury stock	**(5,464)**	(5,233)	(5,373)	**(66,634)**
Proceeds from issuance of subsidiary stock	**138**			**1,683**
Dividends paid	**(4,706)**	(4,555)	(4,023)	**(57,390)**
Other	**(144)**	18	(117)	**(1,756)**
Net cash used in financing activities	**(11,574)**	(11,790)	(12,187)	**(141,146)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(30)**	(52)	(31)	**(365)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(915)**	(1,469)	2,037	**(11,158)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**52,317**	53,786	51,749	**638,012**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥51,402**	¥52,317	¥53,786	**$626,854**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION— ACQUISITION OF BUSINESS:				
Assets acquired			¥843	
Liabilities assumed			(250)	
Acquisition cost			593	
Cash paid			¥593	
ACQUISITION OF SUBSIDIARIES:				
Fair value of assets acquired		¥1,053		
Liabilities assumed		(783)		
Goodwill		102		
Acquisition cost		372		
Cash and cash equivalents held by subsidiaries		114		
Cash paid for capital		¥(258)		
SALES OF SUBSIDIARIES:				
Assets by sales	**¥425**	¥48	¥6,951	**$5,183**
Liabilities by sales	**(251)**	(49)	(7,299)	**(3,061)**
Goodwill	**24**			**293**
Foreign currency translation adjustments			130	
Gain on sales of subsidiaries' stocks	**63**		219	**768**
Reversal of allowance for business restructuring		2		
Sales cost	**261**	1	1	**3,183**
Cash and cash equivalents held by subsidiaries	**(28)**	(10)	(835)	**(342)**
Cash received (paid) for sales	**¥233**	¥(9)	¥(834)	**$2,841**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of AUTOBACS SEVEN Co., Ltd. (the “Company”) and subsidiaries (together the “Companies”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with generally accepted accounting principles in Japan (“Japanese GAAP”), which are different in certain respects as to 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 accordance with Japanese GAAP, certain comparative disclosures are not required to be, and have not been, presented herein. In addition, the accompanying note information, some of which is not required under Japanese GAAP, is presented herein as additional information.

Certain reclassifications and rearrangements have been made in the consolidated financial statements for the years ended March 31, 2011 and 2010, to conform to the classifications and presentations used in the consolidated financial statements for the year ended March 31, 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥82 to U.S. $1.00, the approximate free rate of exchange on March 31, 2012. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

A. CONSOLIDATION POLICY

The consolidated financial statements of March 31, 2012 include the accounts of the Company and all subsidiaries (36 in 2012, 38 in 2011,and 42 in 2010).

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

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

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

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

In May 2006, the Accounting Standards Board of Japan (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. This standard was applicable to the equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010.

D. BUSINESS COMBINATIONS

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

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

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

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 is 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.

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

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

Hybrid financial instruments, from which an embedded derivative cannot be separated, are stated at fair value and gains or losses are recognized in the consolidated statements of 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
Equipment held for lease:	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 two to five 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 and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors 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 and corporate auditors since April 2005.

M. ASSET RETIREMENT OBLIGATIONS

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

The Company applied this accounting standard effective 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.

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

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

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 were shown as “Foreign currency translation adjustments” in a separate component of equity. Revenue and expense accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the average exchange rate.

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.

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.

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, currency options and interest rate swap contracts are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

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

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

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

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap agreements are recognized and included in interest expense or 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 with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an 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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
CURRENT:			
Debt securities	**¥3,423**	¥3,350	**$41,744**
NON-CURRENT:			
Equity securities	**¥1,534**	¥1,797	**$18,708**
Debt securities	**2,866**	2,907	**34,951**
Total	**¥4,400**	¥4,704	**$53,659**

The carrying amounts and aggregate fair values of marketable and investment securities for which market quotations were available at March 31, 2012 and 2011 were as follows:

	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**

	Millions of yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,652	¥211	¥176	¥1,687
Debt securities	2,969	3	3	2,969
Held-to-maturity	3,288		2	3,286

	Thousands of U.S. dollars			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$16,549**	**$2,744**	**$1,878**	**$17,415**
Debt securities	**64,488**	**134**	**122**	**64,500**
Held-to-maturity	**12,195**		**24**	**12,171**

Available-for-sale and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2012 and 2011 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Securities classified as:			
Available-for-sale:			
Equity securities	**¥106**	¥110	**$1,293**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2012, 2011 and 2010, were ¥291 million ($3,549 thousand), ¥163 million and ¥0 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, for the years ended March 31, 2012, 2011 and 2010, were ¥6 million ($73 thousand), ¥11 million and ¥0 million, respectively. Gross realized losses on these sales for the years ended March 31, 2012 and 2011 were ¥8 million ($98 thousand) and ¥0 million, respectively.

4. INVESTMENTS IN LEASE

A breakdown of investments in lease as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Gross lease receivables	**¥16,333**	¥16,312	**$199,183**
Unearned interest income	**(3,103)**	(3,119)	**(37,842)**
Asset retirement obligations	**183**	203	**2,232**
Investments in lease	**¥13,413**	¥13,396	**$163,573**

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, 2012 were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2013	**¥2,061**	**$25,134**
2014	**1,960**	**23,903**
2015	**1,850**	**22,561**
2016	**1,747**	**21,305**
2017	**1,503**	**18,329**
2018 and thereafter	**7,212**	**87,951**
Total	**¥16,333**	**$199,183**

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment for the years ended March 31, 2012, 2011 and 2010, and, as a result, recognized an impairment loss of ¥51 million($622 thousand), ¥350 million, and ¥631 million, respectively, on rental assets, stores, idle assets and goodwill. The carrying amount of the relevant fixed assets was written down to the recoverable amount. The recoverable amount of those fixed assets was measured at 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, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Land	**¥31**	¥135	¥378	**$378**
Buildings and structures	**20**	105	96	**244**
Goodwill			151	
Furniture and equipment		69	6	
Other		41		
Total	**¥51**	¥350	¥631	**$622**

	2012	2011	2010
Weighted-average cost of capital	**11.06%**	7.28%	7.49%

6. GOODWILL

Goodwill at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Consolidation goodwill	**¥61**	¥107	**$744**
Purchased goodwill	**703**	807	**8,573**
Total	**¥764**	¥914	**$9,317**

7. RENTAL DEPOSITS AND LONG-TERM LOANS

A breakdown of rental deposits and long-term loans as of March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
RENTAL DEPOSITS TO:			
Lessors for distribution facilities and stores of the Companies	**¥8,862**	¥9,855	**$108,073**
Lessors for stores of franchisees	**9,059**	8,839	**110,476**
Lessors for office and other facilities	**1,300**	1,304	**15,854**
Total rental deposits	**19,221**	19,998	**234,403**
LOANS TO:			
Franchisees	**460**	314	**5,610**
Other	**1**	1	**12**
Total loans	**461**	315	**5,622**
Allowance for doubtful receivables	**(184)**	(129)	**(2,244)**
Total	**¥19,498**	¥20,184	**$237,781**

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 20 years. The lease terms are renewable upon expiration. Usually, the Company provides funds to the lessors in whole or in part for the construction costs of the leased buildings in the form of rental deposits which are non-interest-bearing.

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

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

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2012 and 2011 consisted of notes to banks and other. The annual interest rates applicable to the short-term borrowings at March 31, 2012 and 2011 ranged from 1.0% to 1.5% and from 1.0% to 1.6%, respectively.

Long-term debt and lease obligations at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Bonds	**¥205**	¥275	**$2,500**
Loans from banks and other, due serially to 2016 with interest rates ranging from 0.6% to 2.3% (2012) and from 0.8% to 2.7% (2011) and other:			
Unsecured	**9,816**	11,189	**119,707**
Lease obligations	**1,383**	819	**16,866**
Total	**11,404**	12,283	**139,073**
Less current portion	**4,837**	2,840	**58,988**
Long-term debt, less current portion	**¥6,567**	¥9,443	**$80,085**

Annual maturities of long-term debt and lease obligations at March 31, 2012 were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2013	**¥4,837**	**$58,988**
2014	**1,539**	**18,768**
2015	**3,066**	**37,390**
2016	**943**	**11,500**
2017	**90**	**1,098**
2018 and thereafter	**929**	**11,329**
Total	**¥11,404**	**$139,073**

At March 31, 2012, land of ¥242 million ($2,951 thousand) was pledged as collateral for payables, short-term borrowings and long-term debt.

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

General agreements with respective banks provide, as is 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, 2012. 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, 2012

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 and corporate auditors. The liability for retirement benefits for directors and corporate auditors at March 31, 2012 and 2011 is ¥206 million ($2,512 thousand) and ¥253 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

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

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	**¥26,503**	¥30,036	**$323,207**
Retirement benefit obligations under the welfare plan	**36,140**	36,939	**440,731**
Difference	**¥(9,637)**	¥(6,903)	**$(117,524)**

The main factors for the difference were prior service costs (¥6,541 million ($79,768 thousand) in the most recent period; ¥6,867 million in the previous period), and losses carried forward (¥3,096 million ($37,756 thousand) in the most recent period; ¥36 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 ¥166 million ($2,024 thousand), ¥162 million and ¥158 million, for the years ended March 31, 2012, 2011 and 2010, respectively.

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

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

Previous ratio 23.2% (April 1, 2009 to March 31, 2010)

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, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Projected benefit obligation	**¥164**	¥209	**$2,000**
Fair value of plan assets	**(45)**	(81)	**(549)**
Net liability	**¥119**	¥128	**$1,451**

The components of net periodic benefit costs for the years ended March 31, 2012, 2011 and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	**2012**
Service cost	**¥27**	¥27	¥36	**$329**
Contribution of contributory welfare pension plan	**371**	360	350	**4,524**
Contribution pension plan and other	**240**	248	243	**2,927**
Additional retirement benefits		461		
Net periodic retirement benefit costs	**¥638**	¥1,096	¥629	**$7,780**

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, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at beginning of year	**¥1,740**	¥1,737	**$21,220**
Additional provisions associated with the acquisition of property, plant, and equipment	**91**	10	**1,110**
Reconciliation associated with passage of time	**33**	32	**402**
Reduction associated with settlement of asset retirement obligations	**(22)**	(36)	**(268)**
Other	**(18)**	(3)	**(220)**
Balance at end of year	**¥1,824**	¥1,740	**$22,244**

11. EQUITY

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

(a) Dividends

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

12. SALES

The Companies sell automobile-related products 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, 2012, 2011 and 2010 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, 2012, 2011, and 2010 were as follows:

	Millions of yen			Thousands of U.S. dollars
Year Ending March 31	2012	2011	2010	2012
Employee salaries and allowances	**¥23,835**	¥23,463	¥23,342	**$290,671**
Provision for retirement allowance	**638**	635	629	**7,780**
Rent payment	**6,104**	6,088	6,296	**74,439**
Depreciation	**3,937**	3,906	4,236	**48,012**
Provision for allowance for doubtful receivables	**43**	115	8	**524**

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:

	Millions of yen
March 31, 2011	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 41.0% for the years ended March 31, 2012, 2011 and 2010.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
DEFERRED TAX ASSETS:			
Receivables	**¥1,318**	¥1,330	**$16,073**
Accrued enterprise taxes	**366**	289	**4,464**
Accrued bonuses	**299**	329	**3,646**
Inventories	**1,077**	1,099	**13,134**
Property and equipment	**4,465**	5,302	**54,451**
Pension and severance costs	**72**	101	**878**
Provision for business restructuring	**413**	439	**5,037**
Investments	**564**	656	**6,878**
Other accounts payable	**1,148**	1,096	**14,000**
Tax loss carryforwards	**2,006**	2,112	**24,463**
Other	**1,159**	1,125	**14,134**
Less valuation allowance	**(4,855)**	(5,490)	**(59,207)**
Deferred tax assets	**8,032**	8,388	**97,951**
DEFERRED TAX LIABILITIES:			
Property and equipment	**402**	525	**4,902**
Undistributed earnings of associated companies	**280**	307	**3,415**
Effect of application of accounting standard for leased assets	**572**	891	**6,975**
Unrealized gains on available-for-sale securities	**24**	15	**293**
Other	**297**	302	**3,622**
Deferred tax liabilities	**1,575**	2,040	**19,207**
Net deferred tax assets	**¥6,457**	¥6,348	**$78,744**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2012, 2011 and 2010, and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2012	2011	2010
Normal effective statutory tax rate	**41.0%**	41.0%	41.0%
Expenses not deductible for income tax purposes	**0.6**	0.7	0.7
Per-capita inhabitants' tax	**0.5**	0.7	0.7
Changes in valuation allowance	**(0.3)**	2.8	0.5
Amortization of goodwill	**0.1**	0.4	0.6
Effect of tax rate reduction	**3.4**		
Other—net	**(0.5)**	0.3	0.2
Actual effective tax rate	**44.8%**	45.9%	43.7%

Change of deferred tax assets and deferred tax liability by the change of effective statutory tax rate;

The "Law for Partial Revision to the Income Tax, etc., in Order to Construct a Tax System Addressing Changes in the Socio-economic Structure" (Law No. 114 of 2011) and "Act on Special Measures for Securing Necessary Financial Resources to Implement Measures for the Restoration of Damage Following the Great East Japan Earthquake" (Law No. 117 of 2011) were promulgated on December 2, 2011, which resulted in a reduction of corporate tax rates in future and the imposition of special recovery tax as of the consolidated fiscal year starting on or after April 1, 2012. In conjunction with these changes, the effective statutory tax rates used to calculate deferred tax assets and deferred tax liabilities, are changed from the former 41.0% to 38.0% for temporary differences, etc., expected to be eliminated from the consolidated fiscal year beginning on April 1, 2012 to the consolidated fiscal year beginning on April 1, 2014, and to 36.0% for temporary differences, etc., that are expected to be eliminated in the consolidated fiscal year beginning on or after April 1, 2015.

As a result of these tax rate changes, the amount of deferred tax assets (after deduction of deferred tax liabilities) decreased ¥514 million ($6,268 thousand), the adjustment amount for income taxes increased ¥517 million ($6,305 thousand), and Unrealized (loss) gain on available-for-sale securities increased ¥3 million ($37 thousand).

At March 31, 2012, certain subsidiaries have tax loss carryforwards aggregating approximately ¥9,308 million ($113,512 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
2013	**¥421**	**$5,134**
2014	**198**	**2,414**
2015	**178**	**2,171**
2016	**345**	**4,207**
2017	**86**	**1,049**
2018	**138**	**1,683**
2019 and thereafter	**7,942**	**96,854**
Total	**¥9,308**	**$113,512**

16. LEASES

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

Total rental expense for the years ended March 31, 2012, 2011 and 2010 was ¥6,462 million ($78,805 thousand), ¥6,484 million and ¥6,679 million, respectively, including ¥368 million ($4,488 thousand), ¥394 million and ¥396 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, 2012 and 2011 is as follows:

	As of March 31, 2012 Millions of yen			As of March 31, 2011 Millions of yen			
	Equipment	Building and Land	Total	Equipment	Furniture	Building and Land	Total
Acquisition cost	**¥84**	**¥4,552**	**¥4,636**	¥84	¥8	¥4,818	¥4,910
Accumulated depreciation	**73**	**2,733**	**2,806**	62	7	2,623	2,692
Net leased property	**¥11**	**¥1,819**	**¥1,830**	¥22	¥1	¥2,195	¥2,218

	As of March 31, 2012 Thousands of U.S. dollars		
	Equipment	Building and Land	Total
Acquisition cost	**$1,024**	**$55,512**	**$56,536**
Accumulated depreciation	**890**	**33,329**	**34,219**
Net leased property	**$134**	**$22,183**	**$22,317**

Obligations under finance lease contracts:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	**¥252**	¥258	**$3,073**
Due after one year	**2,094**	2,506	**25,537**
Total	**¥2,346**	¥ 2,764	**$28,610**

Depreciation expense and interest expense under finance lease contracts:

	Millions of yen			Thousands of U.S. dollars
	2012	2011	2010	2012
Depreciation expense	**¥225**	¥245	¥248	**$2,744**
Interest expense	**128**	148	161	**1,561**
Total	**¥353**	¥393	¥409	**$4,305**

Depreciation expense and interest expense, which were not reflected in the accompanying consolidated statements 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 at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	**¥3,470**	¥3,590	**$42,317**
Due after one year	**26,142**	27,318	**318,805**
Total	**¥29,612**	¥ 30,908	**$361,122**

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 its 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 price in active markets. If 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, 2012	Carrying amount	Fair value	Unrealized gain/(loss)	Carrying amount	Fair value	Unrealized gain/(loss)
Cash and cash equivalents	**¥51,402**	**¥51,400**	**¥(2)**	**$626,854**	**$626,829**	**$(25)**
Time deposits with an original maturity over three months	**5,057**	**5,057**		**61,671**	**61,671**	
Receivables	**46,928**	**46,802**	**(24)**	**572,293**	**570,756**	**(293)**
Allowance for doubtful receivables	**(102)**			**(1,244)**		
Investments in lease	**13,230**	**15,683**	**2,453**	**161,341**	**191,256**	**29,915**
Marketable securities	**3,423**	**3,421**	**(2)**	**41,744**	**41,719**	**(25)**
Investment securities	**4,294**	**4,294**		**52,366**	**52,366**	
Investments in associated companies	**963**	**331**	**(632)**	**11,743**	**4,036**	**(7,707)**
Rental deposits and long-term loans	**19,682**	**17,898**	**(1,600)**	**240,024**	**218,269**	**(19,512)**
Allowance for doubtful receivables	**(184)**			**(2,243)**		
Total	**¥144,693**	**¥144,886**	**¥193**	**$1,764,549**	**$1,766,902**	**$2,353**
Payables	**37,657**	**37,657**		**459,232**	**459,232**	
Short-term borrowings and current portion of long-term debt	**5,269**	**5,438**	**169**	**64,256**	**66,317**	**2,061**
Income taxes payable	**4,958**	**4,958**		**60,463**	**60,463**	
Long-term debt	**6,567**	**6,978**	**411**	**80,085**	**85,098**	**5,013**
Total	**¥54,451**	**¥55,031**	**¥580**	**$664,036**	**$671,110**	**$7,074**

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

March 31, 2011	Millions of yen Carrying amount	 Fair value	 Unrealized gain/(loss)
Cash and cash equivalents	¥52,317	¥52,315	¥(2)
Time deposits with an original maturity over three months	1,449	1,449	
Receivables	41,351	41,079	(29)
Allowance for doubtful receivables	(243)		
Investments in lease	13,194	15,455	2,261
Marketable securities	3,350	3,349	(1)
Investment securities	4,593	4,593	
Investments in associated companies	934	299	(635)
Rental deposits and long-term loans	20,313	18,090	(2,094)
Allowance for doubtful receivables	(129)		
Total	¥137,129	¥136,629	¥(500)
Payables	26,343	26,343	
Short-term borrowings and current portion of long-term debt	3,297	3,482	185
Income taxes payable	3,506	3,506	
Long-term debt	9,443	9,705	262
Total	¥42,589	¥43,036	¥447
Derivatives	(4)	(4)	

Note. The difference of the above investments in lease and the amount in the consolidated balance sheets is asset retirement obligations.
The net balance of claims and obligations arising from derivative transactions is shown as a net amount, with net obligations shown in brackets ( ).

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 2012	 2011	 Thousands of U.S. dollars 2012
Investments in equity instruments that do not have a quoted market price in an active market	**¥497**	¥463	**$6,061**

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

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**			
Receivables	**41,964**	**¥4,848**	**¥116**	
Investments in lease	**1,539**	**5,540**	**4,152**	**¥1,999**
Marketable securities	**1,000**			
Investment securities	**2,400**	**2,800**		**64**
Rental deposits and long-term loans	**3,274**	**5,793**	**4,169**	**6,446**
Total	**¥106,636**	**¥18,981**	**¥8,437**	**¥8,509**

March 31, 2011	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	¥52,318			
Time deposits with an original maturity over three months	1,449			
Receivables	36,280	¥4,976	¥95	
Investments in lease	1,631	5,144	4,317	¥2,102
Marketable securities	3,290			
Investment securities	62	2,800	49	
Rental deposits and long-term loans	2,879	5,790	5,182	6,462
Total	¥97,909	¥18,710	¥9,643	¥8,564

March 31, 2012	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	**$626,854**			
Time deposits with an original maturity over three months	**61,671**			
Receivables	**511,756**	**$59,122**	**$1,415**	
Investments in lease	**18,768**	**67,561**	**50,634**	**$24,378**
Marketable securities	**12,195**			
Investment securities	**29,268**	**34,146**		**780**
Rental deposits and long-term loans	**39,927**	**70,646**	**50,841**	**78,610**
Total	**$1,300,439**	**$231,475**	**$102,890**	**$103,768**

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 year ended March 31, 2012 were as follows:

	Millions of yen 2012	Thousands of U.S. dollars 2012
Unrealized gain on available-for-sale securities:		
Gains arising during the year	**¥22**	**$269**
Reclassification adjustments to profit or loss	**15**	**183**
Amount before income tax effect	**37**	**452**
Income tax effect	**(10)**	**(122)**
Total	**¥27**	**$330**
Foreign currency translation adjustments:		
Adjustments arising during the year	**¥(138)**	**$(1,683)**
Reclassification adjustments to profit or loss	**2**	**24**
Total	**¥(136)**	**$(1,659)**
Share of other comprehensive income in associates—		
Gains arising during the year	**¥4**	**$49**
Total other comprehensive income	**¥(105)**	**$(1,280)**

The corresponding information for the years ended March 31, 2011 and 2010 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, 2012, 2011 and 2010 is as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
For the year ended March 31, 2012	Net income	Weighted-average shares	EPS	
Basic EPS:				
Net income available to common shareholders	**8,403**	**33,233**	**¥252.85**	**$3.08**

	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	34,724	¥177.97

	Millions of yen	Thousands	Yen
For the year ended March 31, 2010	Net income	Weighted-average shares	EPS
Basic EPS:			
Net income available to common shareholders	¥5,866	36,215	¥161.97

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	-	-
The automobile purchase and sales business	Wholesale-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 years ended March 31, 2011 and 2010 have been reclassified.

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

	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

	Millions of Yen					
	2010					
	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	¥139,258	¥78,494	¥8,308	¥5,817	¥1,060	¥232,937
Intersegment sales or transfers	51,681	572	167	7,160	11,551	71,131
Total	190,939	79,066	8,475	12,977	12,611	304,068
Segment profit (loss)	10,539	129	(602)	284	743	11,093
Segment assets	209,133	21,696	9,706	3,758	18,381	262,674
Other:						
Depreciation	2,164	313	257	38	40	2,812
Amortization of goodwill		19			7	26
Share of associates accounted for using equity method	858					858
Increase in property, equipment and intangible assets	1,952	531	252	8	20	2,763

	Thousands of U.S. Dollars					
	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	**$1,716,524**	**$985,183**	**$107,927**	**$72,842**	**$11,951**	**$2,894,427**
Intersegment sales or transfers	**668,854**	**11,329**	**3,024**	**80,866**	**29,305**	**793,378**
Total	**2,385,378**	**996,512**	**110,951**	**153,708**	**41,256**	**3,687,805**
Segment profit	**165,731**	**5,305**	**1,049**	**1,366**	**5,256**	**178,707**
Segment assets	**2,547,939**	**289,902**	**109,842**	**47,646**	**338,866**	**3,334,195**
Other:						
Depreciation	**22,256**	**4,305**	**2,927**	**402**	**171**	**30,061**
Amortization of goodwill		**183**			**85**	**268**
Share of associates accounted for using equity method	**6,159**					**6,159**
Increase in property, equipment and intangible assets	**63,146**	**6,061**	**1,549**	**195**	**366**	**71,317**

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

Net sales	Millions of yen 2012	2011	2010	Thousands of U.S. dollars 2012
Total reportable segments	**¥302,400**	¥303,947	¥304,068	**$3,687,805**
Elimination of intersegment transaction	**(65,057)**	(67,596)	(71,131)	**(793,378)**
Net sales of consolidated financial statements	**¥237,343**	¥236,351	¥232,937	**$2,894,427**

Income	Millions of yen 2012	2011	2010	Thousands of U.S. dollars 2012
Total reportable segments	**¥14,654**	¥12,728	¥11,093	**$178,707**
Amortization of goodwill	**(77)**	(152)	(320)	**(939)**
Inventories	**(325)**	(66)	(83)	**(3,964)**
Fixed assets	**8**	(60)	192	**98**
Allowance for point card	**(83)**	(25)	92	**(1,012)**
Elimination of intersegment transaction	**(477)**	(344)	(639)	**(5,817)**
Others	**21**	(92)	(164)	**256**
Income of consolidated financial statements	**¥13,721**	¥11,989	¥10,171	**$167,329**

Assets	Millions of yen 2012	2011	2010	Thousands of U.S. dollars 2012
Total reportable segments	**¥273,404**	¥258,894	¥262,674	**$3,334,195**
Elimination of intersegment transaction	**(48,199)**	(43,937)	(44,630)	**(587,793)**
Fixed assets	**(3,787)**	(3,886)	(3,560)	**(46,183)**
Amortization of goodwill	**(3,141)**	(3,354)	(3,532)	**(38,305)**
Inventories	**(1,570)**	(1,256)	(1,222)	**(19,146)**
Investments in associates accounted for using the equity method	**848**	780	782	**10,342**
Others	**394**	554	140	**4,805**
Assets of consolidated financial statements	**¥217,949**	¥207,795	¥210,652	**$2,657,915**

	Millions of yen								
	Total reportable segments			Adjustment			Consolidated total		
Other items	2012	2011	2010	2012	2011	2010	2012	2011	2010
Depreciation	**¥2,465**	¥2,497	¥2,812	**¥1,471**	¥1,409	¥1,424	**¥3,936**	¥3,906	¥4,236
Amortization of goodwill	**22**	26	26	**77**	210	320	**99**	236	346
Investments in associates accounted for using the equity method	**505**	505	858	**848**	780	782	**1,353**	1,285	1,640
Increase in property, equipment and intangible assets	**5,848**	1,854	2,763	**1,843**	1,333	298	**7,691**	3,187	3,061

(Note) The adjustment amounts for other items are as follows:
1. Depreciation and the increase in property and equipment and intangible assets, is 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 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	2012	2012	2012
Depreciation	**$30,061**	**$17,939**	**$48,000**
Amortization of goodwill	**268**	**939**	**1,207**
Investments in associates accounted for using the equity method	**6,159**	**10,341**	**16,500**
Increase in property, equipment and intangible assets	**71,317**	**22,476**	**93,793**

Related Information

(A) Information by product and service

The Companies have omitted this information since external sales of the Group's main business of automotive goods and service sales account for more than 90% of the net sales recorded in the consolidated statements 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 statements 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 sheets.

(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 statements of income and comprehensive income.

	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

	Millions of Yen 2010					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	¥150	¥5		¥476		¥631

	Thousands of U.S. Dollars					
	2012					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	**$183**			**$439**		**$622**

	Millions of Yen					
	2012					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Amortization of goodwill		**¥48**	**¥51**			**¥99**
Goodwill at March 31, 2012		**61**	**703**			**764**

	Millions of Yen					
	2011					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Amortization of goodwill		¥108	¥128			¥236
Goodwill at March 31, 2011		107	807			914

	Millions of Yen					
	2010					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Amortization of goodwill		¥250	¥61	¥2	¥33	¥346
Goodwill at March 31, 2010		112	916			1,028

	Thousands of U.S. Dollars					
	2012					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Amortization of goodwill		**$585**	**$622**			**$1,207**
Goodwill at March 31, 2012		**744**	**8,573**			**9,317**

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	Thousands of U.S. dollars
	2012	2012
Purchase of software	**¥2,160**	**$26,341**

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

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

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Accounts payable-Associated company	**¥822**	**$10,024**

22. SUBSEQUENT EVENTS

a. The general shareholders' meeting held on June 26, 2012 resolved the following appropriations of retained earnings as of March 31, 2012:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥75 ($0.9) per share	**¥2,449**	**$29,866**

b. At the Board of Directors meeting held on May 10, 2012, the Board approved the repurchase of common stock up to a maximum of 1,800,000 shares to the aggregate amount of ¥8,100 million ($98,780 thousand).

By June 27, 2012, the Company repurchased 1,480,000 shares of common stock for ¥5,928 million ($72,293 thousand) in the market.

The above figures include own shares acquired through J-NET Market of Osaka Securities Exchange in May 14, 2012 (Total number of shares purchased: 1,000,000 shares; total purchase price of shares: ¥4,025 million ($49,085 thousand)).

c. At the Board of Directors meeting held on May 10, 2012, the Board approved the cancellation 1,601,570 shares of treasury stock and carried it out on May 17, 2012.

Deloitte.

Deloitte Touche Tohmatsu LLC
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel:+81 (3) 3457 7321
Fax:+81 (3) 3457 1694
www.deloitte.com/jp

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 subsidiaries as of March 31, 2012, 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 conformity 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 misstatements, 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 conformity 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 subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter
As discussed in Notes 2.D, 2.M and 2.U to the consolidated financial statements, AUTOBACS SEVEN Co., Ltd. adopted new accounting standards for Business Combinations and Asset Retirement Obligations, both effective April 1, 2010, and Accounting Changes and Error Corrections, effective April 1, 2011. Our opinion is not qualified with respect to such matters.

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 conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2012

Member of
Deloitte Touche Tohmatsu Limited

Anything about cars, you find at AUTOBACS

AUTOBACS SEVEN

AUTOBACS SEVEN CO., LTD.

AUTOBACS SEVEN Co., Ltd.
IR & PR Department
NBF Toyosu Canal Front, 6-52, Toyosu 5-chome, Koto-ku, Tokyo, 135-8717
PHONE: 03-6219-8718 FAX: 03-6219-8762
E-mail: investors@autobacs.com
URL: http://www.autobacs.co.jp/