Annual Report 2011

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."

Contents

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 solutions for automobiles, AUTOBACS will "earn" customers' genuine trust in the brand message, "Anything about cars, you find at AUTOBACS."

Anything about Cars

Through our network, we conduct statutory safety inspections on around 500,000 vehicles annually, and in the fiscal year ended March 31, 2011, we sold about 16,000 cars. We are evolving from a business dealing mainly with automotive goods and services at Group stores into an enterprise whose stores offer diverse car-related support to our customers. Demand is increasing for maintenance, bodywork and insurance services, and around 170 of our stores nationwide buy and sell cars. We are striving to expand our AUTOBACS brand identity as a place where customers always trust in “Anything about cars, you find at AUTOBACS.”

Diverse merchandise lineup inside the stores

Comprehensive maintenance and service corner

Used vehicle display

AUTOBACS stores offer a complete range of automotive merchandise and services, from a lineup of automotive goods, to maintenance and service counters that advise on vehicle inspections and maintenance, and used vehicle displays.

Making Our Stores More Appealing to Customers

One of the key strengths of AUTOBACS is that it offers such a strong merchandise lineup that customers are sure to find what they want. While continuing to maintain this strength, we are upgrading floor spaces to make it easier for customers to understand and select merchandise. Shop employees heartily greet every customer to ensure a comfortable shopping experience.

Bright store interiors, wide main aisles

Sales floors that make it easier to find merchandise

Comprehensive maintenance and service counter

We have undertaken a program to remodel all AUTOBACS format stores by the end of March 2012. We are brightening interiors, widening aisles, and arranging merchandise according to price zone and function in order to provide an optimal customer convenience.

Preparing for the Future

The AUTOBACS YAMATO KORIYAMA Store

The automotive industry today faces pressure to respond to environmental issues. The AUTOBACS SEVEN Group is deploying electric vehicle chargers to accommodate expected growth in the number of hybrid and electric vehicles on the roads while also training service pit crews to provide maintenance for these vehicles. We are also testing the performance of environmentally-enhanced stores at which we introduced solar panels and LED lighting.

LED lighting

Electric vehicle charging stand

Monitor showing power consumption

At this environmentally-enhanced pilot store, we have installed LED lighting, an electric vehicle charging stand, solar panels, and monitors showing interior power consumption. We are assessing environmental impact and comparing installation and running costs.

Anything about Cars, You'll Find at Our Overseas Stores as Well

AUTOBACS CHAENG WATTANA Store in Thailand

We have 25 AUTOBACS stores throughout France, China, Taiwan, Thailand and Singapore as of March 31, 2011. Drivers in these countries have responded positively to our automotive merchandise lineup and service approaches cultivated in Japan. We plan to expand our overseas network, particularly in Asia, where automotive demand is increasing rapidly. Our goal is that in these markets too, consumers will come to seek "Anything about cars" at AUTOBACS.


China
AUTOBACS SHANGHAI CAO AN GON LU Store


Singapore
AUTOBACS UBI Store

France
AUTOBACS CLAYE-SOUILLY Store

Our stores in France, Thailand, Singapore and other countries are supplying automotive goods and services, just as in Japan. In China, we are conducting piloting stores similar to those in Japan but with the additional feature of car washing services.

CEO's Message

We will focus on deploying AUTOBACS 2010 Medium-Term Business Plan to live up to our corporate slogan of "Anything about cars, you find at AUTOBACS."

Basic Strategy of AUTOBACS 2010 Medium-Term Business Plan

Management Targets (FY 2014)

Consolidated operating income:	¥16.0 billion
ROE: (Long-term target: 10%)	7.0%
Consolidated DOE:	3.0%

Business Strategy

Focus on fundamentally strengthening the domestic franchise chain business to increase market share and store profitability

Financial Strategy

Strive to further increase shareholder value through proactive business investment and enhancement of shareholder returns

Living Up to Our Corporate Slogan of "Anything about cars, you find at AUTOBACS"

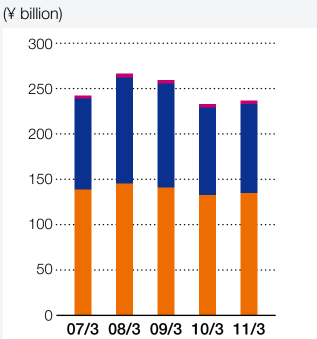
In addition to our traditional line of automotive goods, AUTOBACS stores now offer various automotive services including statutory safety inspections and maintenance, bodywork, and buying and selling cars. Our aim is to ensure that local customers remember AUTOBACS whenever they need help with their cars, and seek our support. To this end, we will keep working with our franchisees to develop stores that customers support and trust, in keeping with our corporate slogan of "Anything about cars, you find at AUTOBACS."

AUTOBACS 2010 Medium-Term Business Plan Initiatives Successful, with Both Revenues and Earnings Increasing

Many factors boosted demand in the fiscal year ended March 31, 2011. They included higher new car sales in response to the Japanese government's tax breaks and subsidies for eco-friendly cars, an extremely hot summer, and heavy snowfalls around Japan in the winter. Among the downsides were a significant fall-off in sales of electronic toll collection (ETC) devices from record high levels we saw in the previous year and restrained consumer sentiment following the Great East Japan Earthquake, inhibiting a recovery in consumption.

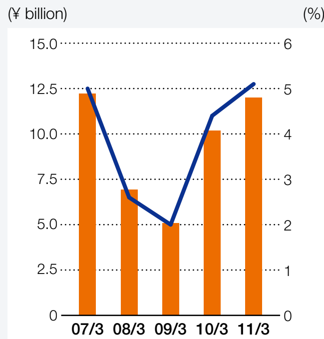
Net Sales

↗ +1.5%
¥236.4 billion



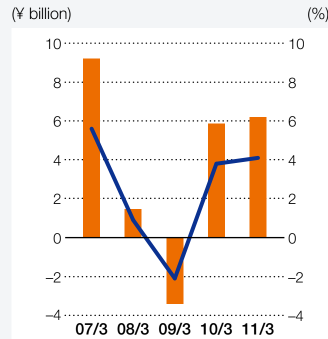
Operating Income and Operating Income Margin

↗ +17.9%
¥12.0 billion



Net Income (Loss) and ROE

↗ +5.4%
¥6.2 billion



We steadily implemented measures under the medium-term business plan against this backdrop. Key business strategies under the plan are to enhance store profitability and improve market share. In our core domestic business of automotive goods and services sales, the top priority is to offset declining ETC device sales by lifting sales of tires and wheels while reinforcing our merchandise lineup and store sales operation and promotion. In response to increased new car demand stoked by government eco-car subsidies and a rise in demand for fitting snow tires following snowy weather, we implemented aggressive merchandise procurement and marketing activities and increased sales of tires and wheels. As a result, domestic AUTOBACS chain store sales rose by 0.2% year on year on a same-store basis, and were unchanged on a total-store basis.

Consolidated net sales increased by 1.5% year on year to ¥236.4 billion. Consolidated operating income was up by 17.9% to ¥12.0 billion, reflecting measures to improve the gross margin and strictly control selling, general and administrative expenses. Net income was up by 5.4% at ¥6.2 billion.

In line with a 3% dividend-on-equity target under the medium-term business plan, we increased annual cash dividends by ¥10, to ¥135 per share. In addition, we repurchased 1.6 million shares during the fiscal year. We cancelled 3.2 million shares of treasury stock shares in May 2011.

Four Key Initiatives to Expand Revenues and Earnings

This year's report of higher revenue and earnings is largely a result of the initiatives in the medium-term business plan. For the fiscal year ending March 31, 2012, the second year of the medium-term business plan, we aim to further expand earnings by undertaking the following initiatives, overcoming an uncertain business environment amid price hikes in crude oil and raw materials and declining consumer sentiment following the Great East Japan Earthquake.

1) Promote more store reforms
2) Continue to improve operations for customer service and treatment
3) Expand sales through tire sales and statutory safety inspections
4) Open stores with small commercial zone format

The AUTOBACS Group strives to win the support and trust of customers by living up to our corporate slogan of "Anything about cars, you find at AUTOBACS."

Thank you for your continued support and encouragement for our efforts.

(Please visit our website for details on progress under the AUTOBACS 2010 Medium-Term Business Plan and an explanation of financial results.)

July 2011

Setsuo Wakuda
Representative Director and
Chief Executive Officer

Business Highlights

Share Buyback
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. The repurchases were conducted through until September 16, 2011, reaching the limit of 1.6 million shares at a cost of around ¥5.2 billion.

Announcing the AUTOBACS 2010 Medium-Term Business Plan
We announced the AUTOBACS 2010 Medium-Term Business Plan, a four-year initiative that started in April 2010.

Under this plan, we will reconstruct the value we provide from the customers' perspective so that we can realize our corporate slogan, "Anything about cars, you find at AUTOBACS." Consolidated financial targets for the fiscal year ending March 31, 2014 are ¥16 billion in operating income, a consolidated return-on-equity (ROE) of 7% and a consolidated dividend-on-equity (DOE) ratio of 3%.

Disclosure of Voting Results of 63rd General Shareholders' Meeting
We disclosed the results of voting for all Annual General Shareholders' Meetings in keeping with a legal requirement implemented in 2010. Shareholders voted in favor of all agenda items. We have voluntarily disclosed voting results since 2009, before such disclosure became mandatory.

Opening a Model Eco-Friendly Store with a Revamped Layout
We opened AUTOBACAS YAMATO KORIYAMA Store, an environmentally-enhanced pilot store with a solar power generation system, green walls and LED lighting. The goal is for the store's CO_2 emissions to be around 30% lower than those of existing stores. Other new features include innovations on existing stores from a customer's perspective. The store has been given a welcoming exterior, a convenient car service counter and a sales floor design that makes it easier for customers to find popular items.

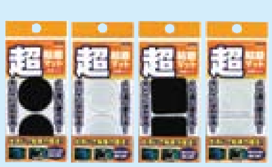
2010 4 5 6 7 8 9

Eco-Car Tax Reductions and Subsidies
As more people took advantage of a tax-reduction and subsidy system for eco-cars that the Japanese government implemented to boost the economy, new car sales soared. Automotive goods and service sales expanded on corresponding growth in demand for car navigation systems and interior accessories for new vehicles.

Pilot Toll-Free Expressway Program Launched
Complementing a system to cap expressway tolls at ¥1,000 per vehicle on holidays, the Japanese government launched a program to eliminate tolls on a trial basis at some expressways. This move increased the number of people driving for pleasure, supporting sales of such car maintenance items as tires, oil and batteries.

Private brand merchandises launched during the year under review

AUTOBACS PRO Series
AD-01 Drink Holder and the AH-01 Kan Haizara (Can-Shaped Ashtray)



AUTOBACS PRO Series
Cho-Nenchaku Mat (Super Adhesive Mat)
Keeps small items in place without using glue or tape, and can be reused and removed without leaving marks.

SP01 5L Keitai Shower (Mobile Shower)
Convenient for washing cars and other leisure activities—even for watering gardens.

AUTOBACS PRO Series
A new line of private brand motor oils that meet new environmental standards.

Installing a Double-Speed Battery Charging Stand for electronic vehicles at Super AUTOBACS KYOTO WOOW WONDER CITY.

We installed a double-speed battery charging stand at this store on a trial basis to enhance convenience for customers with electric and plug-in hybrid cars and to help build an infrastructure for reducing CO_2 emissions.

Opening AUTOBACS SRIRACHA Store in Thailand

This compact store targets a smaller regional city market and is our fourth in Thailand. The store sells automotive goods and provides maintenance services centered on tire sales.

Opening Stores in Smaller Commercial Areas

We have begun opening stores in smaller commercial areas. Such outlets will become familiar parts of communities, focusing on merchandise and services for car maintenance, including oil and tire changes.

10 11 12 **2011** 1 2 3

The AUTOBACS Statutory Safety Inspection Guarantee—An Industry First

We began offering the AUTOBACS Statutory Safety Inspection Guarantee, which covers the engine and around 80 other components (some vehicles excepted) against problems for 21 months until the next check for customers having their cars inspected at any AUTOBACS store. We were the first in Japan to offer such a service nationwide.

The Great East Japan Earthquake

An earthquake struck the Pacific coast of Japan's Tohoku region on March 11, 2011, with the ensuing tsunami damaging more than 50 AUTOBACS Group stores.

Assisting with Restoration after the Great East Japan Earthquake

To assist with recovery from the earthquake, we donated money and raised funds at Group stores, provided relief goods to the disaster management headquarters of stricken areas, and cut power consumption at our stores and offices.

AUTOBACS PRO Series
Power socket with USB power source
Twin sockets for charging iPods and other devices with USB ports

AUTOBACS PRO Series
Cup Noodle Holder
This special holder for cup noodles or Japanese stew containers purchased from convenience stores is ideal for customers who need a secure place to put these items.

AUTOBACS PRO Series
Newly designed sign for senior drivers
Providing Security and Safety to Customers

AUTOBACS PRO Series
Convenient Tray
Both the driver and front seat passenger can access this tray which can be fitted easily to the drink holder.

P&A Series
Large visor for PA-126 PND
This is for larger portable navigation device screens.

Protone Series
This multi-audio player with a 6.1-inch liquid crystal screen can play DVDs.

Compliance

While strengthening our compliance system, we are also working to ensure that AUTOBACS SEVEN head office and all stores of the AUTOBACS Chain, including subsidiary and franchise stores, are fully aware of the importance of legal and ethical business activities.

BASIC APPROACH TO COMPLIANCE SYSTEM

We have clearly defined a Code of Conduct and Guidelines that meet the reasonable expectations of all of our stakeholders, based on the principle that laws, regulations and corporate ethics should be observed as a matter of course, and that compliance consists of the actions that naturally follow such observation. 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.

One specific initiative we have taken is to hold a monthly Compliance Secretariat Meeting, comprising relevant divisions, to determine if there are any activities that fall outside of the scope of the Code of Conduct and its Guidelines. We check such activities and, if they are problematic, deal with them quickly.

■ AUTOBACS SEVEN Group Code of Conduct and Guidelines
http://www.autobacs.co.jp/ja/csr/koudoukihan.html

ORANGE HOTLINE

The Orange Hotline is an internal reporting system to facilitate reporting of compliance-related issues from employees. In addition to providing a reciprocal monitoring function to raise compliance-related awareness among executives and employees, the Hotline is designed to allow quick detection of any unethical behavior against the Code of Conduct and its Guidelines.

Product Quality Control

The Company undertakes quality control guided by its Product Quality Control Regulations. Our quality control system covers not only private brand merchandises, but also national brand items. Working closely with manufacturers and suppliers, we adopt a multifaceted approach to quality control, considering such aspects as the legality and safety of the products themselves and how they are used, as well as protection of consumers based on product liability laws.

Early Detection of Low-quality Products

Many of our private brand merchandises are manufactured at overseas plants. We ensure stable quality by monitoring production sites and offering advice. We inspect private brand merchandises using the globally adopted Acceptable Quality Level (AQL) standard immediately before shipment from factories or on arrival at the logistics centers.

Inspection based on AQL standard

For both private brand and national brand items, we provide all of our business partners with data on merchandise defects in order to prevent low-quality products from entering our business transactions.

Dealing with Low-quality Products

On rare occasions, we will find a defect with a national brand item. In such instances, in order to prevent recurrence, we implement every measure, extending to even our quality assurance systems and manufacturing processes, which includes the mandatory submission of an action plan by the manufacturer. We have also introduced the Defective Product Hotline on the Chain's online bulletin board to ensure that the relevant information is shared among the AUTOBACS Chain stores on a timely basis.

Initiatives to Reduce Environmental Impact

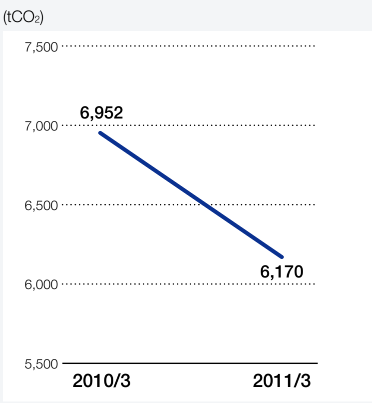
1 Energy-Saving Initiatives

We are committed to reducing our energy consumption. In line with Japan's Act on the Rational Use of Energy and its Act on Promotion of Global Warming Countermeasures, we report to the Japanese government on our energy consumption and CO_2 emissions. These emissions in the years ended March 31, 2010 and 2011 were as follows:

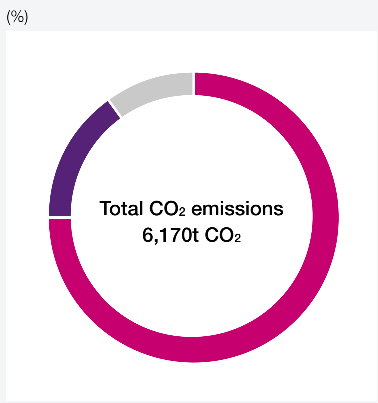
- Total CO_2 emissions: 6,170 tons (down by 12.6% from 6,952 tons in the year ended March 31, 2010)
- Emission intensity*[1]: 4,615 (4,692 in the year ended March 31, 2010)

*[1] Emission intensity formula: Crude oil-equivalent energy consumption/total floor space × 9 operating hours. The above figure represents total CO_2 emissions for the AUTOBACS SEVEN headquarters, offices, directly-managed stores, tenant buildings and the logistics centers.

CO_2 Emissions



Energy Consumption by Source in Year Ended March 31, 2011



- Electricity 75%
- Gas 15%
- Others 10%

Initiatives at AUTOBACS

The Group formulates energy-saving measures covering two to three years.

One major goal is to cut emission intensity by 8% over three years until the fiscal year ending March 31, 2013, by gradually upgrading to more efficient lighting.

At headquarters, we launched the Promotion Committee, chaired by the executive officer for internal control, who oversees energy management, to produce plans to conserve energy and assess progress in regular meetings.

Initiatives at Franchise Chain Stores

We opened the AUTOBACS YAMATO KORIYAMA Store and the AUTOBACS FUCHU Store during the fiscal year ended March 31, 2011, as model eco-friendly outlets. Their facilities include energy-efficient air-conditioning and lighting, solar power generators and rooftop gardens. Such setups should enable the AUTOBACS YAMATO KORIYAMA Store to conserve 80 tons of CO_2 annually (equivalent to 565 cedar trees), with the AUTOBACS FUCHU Store saving 100 tons (equivalent to 708 cedar trees).

We will consider deploying similar facilities at new and existing stores after verifying the results.

2 Initiatives to Conserve Resources

Logistics Initiatives

Our logistic centers handle approximately 21 million tons of freight annually.

To help reduce CO_2 emissions, we have started shipping some products in rail containers.

To reduce consumption of packaging resources, we employ reusable folding containers to distribute products to stores, thereby reducing the consumption of disposable cardboard boxes and reducing waste.

Reducing Packaging Materials

In the fiscal year ended March 31, 2011, the Group used 115 tons of containers and packaging subject to recycling obligations under the Containers and Packaging Recycling Act.

We have implemented the following initiatives to use fewer plastic shopping bags and less containers and packaging for private brand merchandises.

Cutting the Use of Plastic Bags

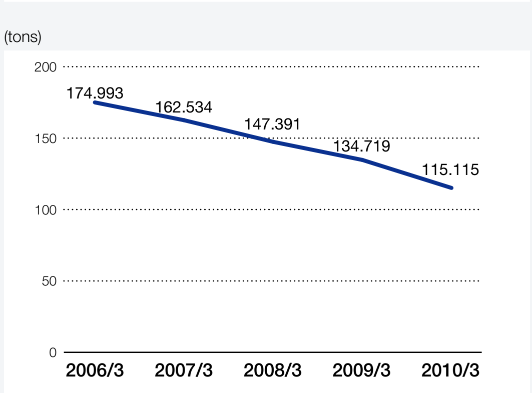
AUTOBACS stores consume around 11 tons annually of containers and packaging, including plastic shopping bags.

The Group is striving to use fewer plastic shopping bags with the understanding and cooperation of customers. For example, our point-of-purchase displays and cash register staffers encourage customers to forgo bags for small purchases and use bags that are appropriately sized.

Revamping Private Brand Packaging

In developing private brand merchandises, we explore ways to minimize containers or packaging by reducing the volume and considering alternative materials.

Mandatory Recycling Amount for Containers



Disposing and Recycling Waste

Proper Waste Disposal

We commission licensed industrial waste management subcontractors to dispose of waste generated from parts replacements at our service pits properly. We also use our own systems to ensure proper waste processing by confirming that waste is being processed in compliance with the law.

Recycling Waste

Most of the waste from our stores is tires, oil and batteries, which we recycle as follows:

1. Waste Tires
   Special contractors shred the tires, which are mainly used for fuel at cement and paper plants, with some of the material also used in cement.

2. Waste Oil
   Specialist contractors refine and recycle the oil, which is used mainly as boiler fuel.

3. Waste Batteries
   Specialist contractors separate the lead and plastics for recycling to create new batteries.

Reuse

We promote product reuse by buying merchandise from our customers for resale through the AUTOBACS Second-Hand Market.

3 Introduction of Environmental Management System

As part of efforts to further the lower environmental impact of its businesses, the Company is preparing to secure certification under ISO 14001, the international standard for environmental management systems, aiming to achieve this benchmark in the fiscal year ending March 31, 2012.

Social Contribution Initiatives

Cleanup Activities

Every autumn since the fiscal year ended March 31, 2003, we have joined with franchisees to voluntarily clean up the area around the extensive Aokigahara Forest at the base of Mt. Fuji. During the October 2010 effort, we collected 530 kilograms of waste. Employee families also participate in this annual activity, which helps raise awareness among children about environmental issues to help prepare them for the future.

We have regularly cleaned the area surrounding the head office since 2005. Since the fiscal year ended March 31, 2010, franchise stores have also cleaned the areas around their stores once a week on what we call AUTOBACS Day.

Cleanup activities on Mt. Fuji

Other Initiatives

Pavilions at KidZania Occupational Theme Parks

We set up the "Car Life Support Center" pavilion at both KidZania Tokyo and KidZania Koshien, theme parks that provide children with a chance to experience different occupations in a hands-on setting. In addition to giving children an opportunity to experience the joy of engaging with cars, the pavilion aims to promote the understanding of traffic rules and to contribute to the creation of a traffic-safe society.

Sponsoring Motorsport

We believe that providing people with spaces and opportunities to enjoy cars is another way that we can contribute to society. We co-sponsor the SUPER GT series, Japan's most popular car race, and have established the ARTA (AUTOBACS Racing Team AGURI) Project to support the development of world-class Japanese drivers.

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.

Corporate Governance System

The Company is a company with a Board of Corporate Auditors. Under this system, the Board of Directors is responsible for oversight of business execution and corporate auditors are responsible for audit of the whole Company, thereby ensuring the double-checking of management.

We have taken the following measures to enhance corporate governance:

1. Introduction of officer system: Clarification of management responsibilities by separation of business execution and oversight
2. Ratio of outside directors above 30%: Enhancement of the oversight function
3. Establishment of a committee primarily comprising outside directors: To ensure transparent, objective and sound management
4. Appointment of independent outside directors and outside auditors: To protect general shareholders' interests
5. Establishment of Executive Committee and Officers' Committee: To ensure appropriate and swift decision-making

Rationale for Adopting this System

We employ this system for several reasons. We aim to ensure proper corporate management by internal directors with expertise in automotive franchise businesses and by independent outside directors with diverse backgrounds. The role of auditors is to scrutinize management. We enhanced our system as described above to create a corporate governance structure that delivers more transparent, objective and appropriate management.

Directors and Officers (As of June 24, 2011)

Directors

Setsuo Wakuda
Representative Director

Yasuhiro Tsunemori
Director

Hironori Morimoto
Director

Tatsuya Tamura
Director (Outside)

Norio Hattori
Director (Outside)

Teruyuki Matsumura
Director

Kiomi Kobayashi
Director

Noriaki Shimazaki
Director (Outside)

Key Corporate Governance Initiatives in Fiscal 2011

When choosing director candidates and determining executive remuneration, we consult with the Corporate Governance Committee,* which advises the Board of Directors, to ensure transparency and objectivity. This committee constantly reviews governance matters and makes recommendations to the Board of Directors as needed.

Key recommendations in the year under review were as follows:

1. Selection of outside director and auditor candidates
   The Corporate Governance Committee recommended three outside candidates to the Board of Directors—one for a directorship and two for roles as auditors. In making its choices, the committee confirmed that all candidates satisfied the Outside Director Independence Requirements resolved at a meeting of the Board of Directors in February 2010.
2. Executive remuneration
   In reporting its recommendations to the Board of Directors, the committee drew on a third party-managed database to compare remuneration levels with industry peers and other companies of a similar scale. These comparisons helped the committee to judge the rationality of remuneration levels and finalize them.
3. Peer assessment of directors
   We continued the system of peer assessments by directors and officers in the year under review. The Corporate Governance Committee refers to these evaluation results for making selections of director candidates and for officer personnel changes.

* An advisory body for the Board of Directors, comprising all outside directors and the representative director and chaired by an outside director.

Auditors

Hidehiro Ide
Senior Corporate Auditor
(Full-Time)

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

Tomoaki Ikenaga
Corporate Auditor
(Outside)

Yuji Sakakura
Corporate Auditor
(Outside)

Officers

Setsuo Wakuda
Chief Executive Officer and
Chief Chain Officer

Yasuhiro Tsunemori
Vice Chief Executive Officer, Vice Chief Chain Officer, Head of Finance & Accounting and Overseas Operations

Hironori Morimoto
Senior Managing Executive Officer,
Head of Human Resources,
General Affairs and Information Systems

Teruyuki Matsumura
Executive Officer, Head of Marketing & Sales Strategy Planning, Car Goods & Services, Car Maintenance & Insurance Services and Car Sales

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

Eiji Kaminishizono
Executive Officer, Chubu Region

Hiroki Yoshiyama
Executive Officer, Corporate Strategy

Yoshihiro Emoto
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

Masachika Sumikura
Officer, Car Goods & Services

Kosuke Kaya
Officer, China Business

Yuzuru Toide
Officer, Internal Control

Satoshi Kohira
Officer, IFRS

Masahiko Katsushima
Officer, Finance & Accounting

Isao Hirata
Officer, Human Resources, General Affairs and Information Systems

AUTOBACS Chain Store Formats and Network

Main Formats

AUTOBACS

Position:	Standard-type stores
Number of stores in Japan:	404
Annual sales per store:	¥469 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:	¥1,161 million
Storefront area:	From 990 m^2
Commercial area:	10 km radius

AUTO HELLOES

This format is operated in Hokkaido. The storefront area is substantially the same as that of the AUTOBACS format.

In fiscal 2011, the annual sales per store came to ¥301 million.

Super AUTOBACS Type I

Position:	Large format store (Flagship store)
Number of stores in Japan:	6
Annual sales per store:	¥2,094 million
Storefront area:	1,650 m^2
Commercial area:	20 km radius

Other formats

AUTOBACS Hashiriya Tengoku Secohan Ichiba

These stores specialize in the purchase and sale of automotive goods traded in by customers at AUTOBACS Chain stores and outlet products from manufacturers.

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.

Overseas Store Network (as of March 31, 2011)

France

Stores managed by consolidated subsidiary:	8
Stores managed by franchisees:	3

Thailand

Stores managed by consolidated subsidiary:	4

China

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

Singapore

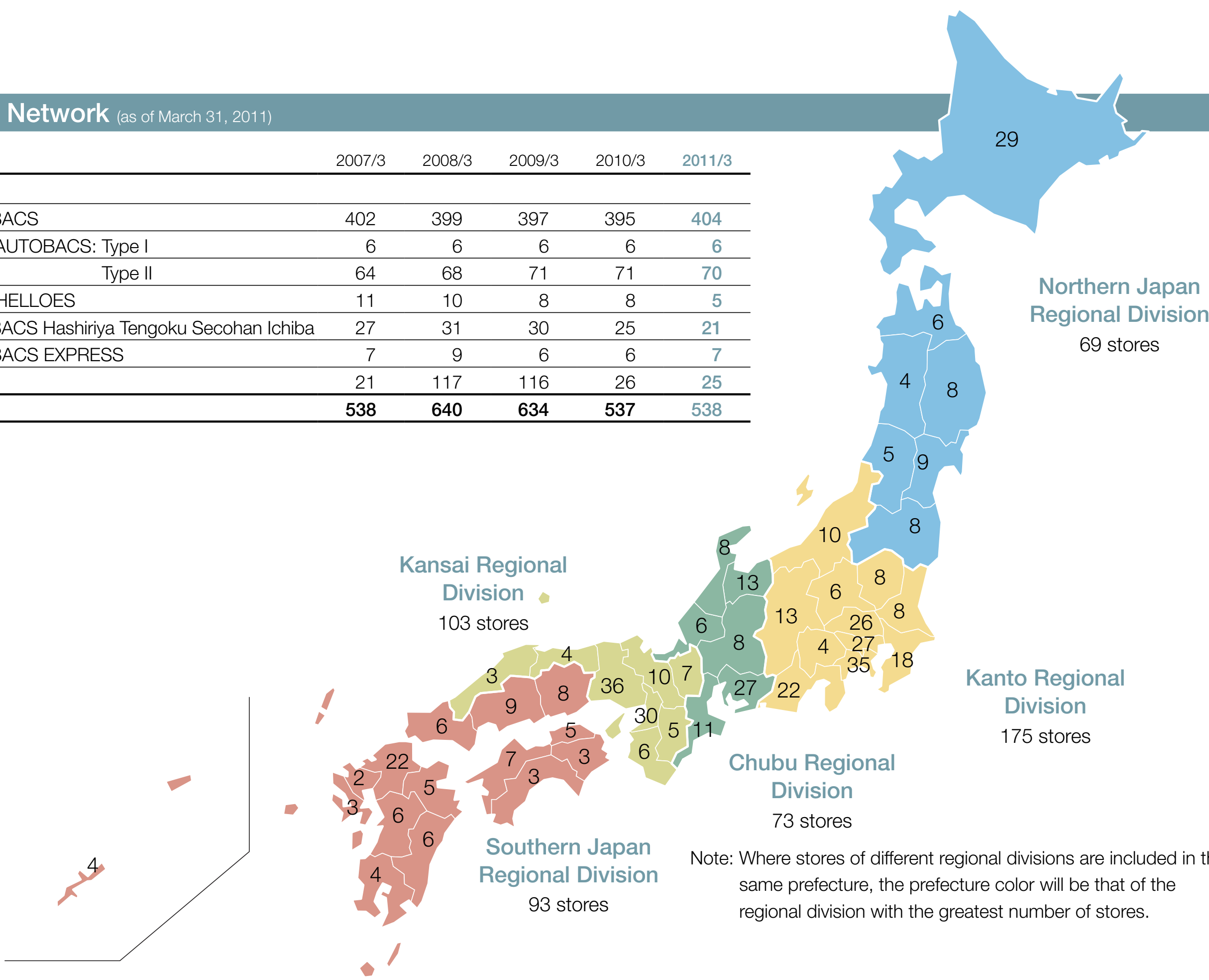
Stores managed by consolidated subsidiary:	2

Taiwan

Stores managed by franchisees:	4

Store Network (as of March 31, 2011)

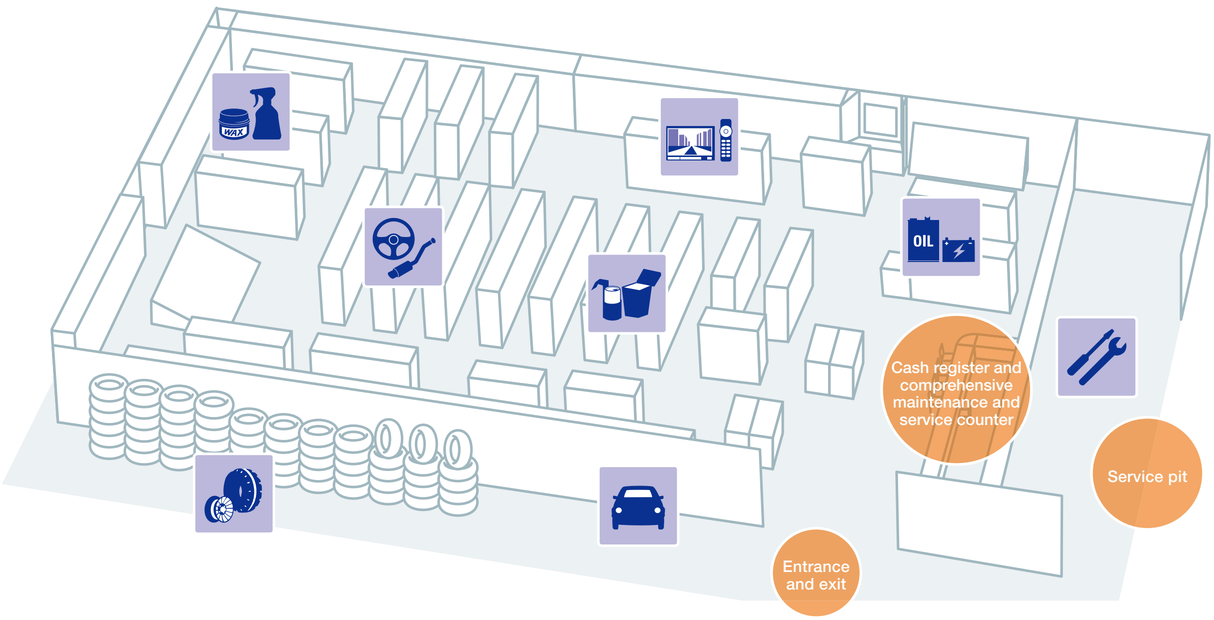
	2007/3	2008/3	2009/3	2010/3	2011/3
Domestic					
AUTOBACS	402	399	397	395	404
Super AUTOBACS: Type I	6	6	6	6	6
Type II	64	68	71	71	70
AUTO HELLOES	11	10	8	8	5
AUTOBACS Hashiriya Tengoku Secohan Ichiba	27	31	30	25	21
AUTOBACS EXPRESS	7	9	6	6	7
Overseas	21	117	116	26	25
Total	**538**	**640**	**634**	**537**	**538**



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.

Merchandise and Service Information

AUTOBACS store layout

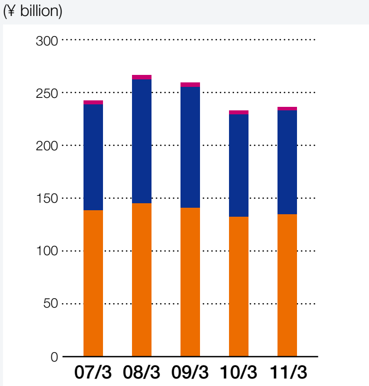


Merchandise Categories

SERVICES	In our services category we offer changing of tires, oil, batteries and other parts; installation of car electronics; statutory safety inspections and maintenance services; body work; and application of window film.	TIRES AND WHEELS	We provide tires and wheels from manufacturers worldwide, as well as AUTOBACS private brand merchandise.
CAR ELECTRONICS	Merchandise in this category includes a range of car electronics appliances from domestic and overseas manufacturers, such as car navigation devices and audio and visual goods.	OIL AND BATTERIES	Our lineup includes private brand items, such as the Vantage series of engine oil and the DYNAGRID series of batteries, as well as oil and batteries from domestic and overseas suppliers.
CAR EXTERIOR GOODS	In this category we offer an extensive range of merchandise for car exteriors, such as wiper blades, tire chains, car washing supplies, waxes, coating agents, repair goods and tools.	CAR INTERIOR GOODS	This category includes air fresheners, deodorizers, dustbins, and other small car interior goods, as well as child safety seats.
MOTOR SPORTS GOODS	We offer a wide range of highly appealing merchandise, such as after-market aero parts, mufflers, headlight bulbs, and theft prevention tools.	OTHERS	This segment includes sales of second-hand automotive goods, vehicles, motorcycle goods, and fuels sold at Company-operated stores and subsidiary stores, revenues from royalties paid by franchisees, and lease payments for stores that franchisees lease from the Group.

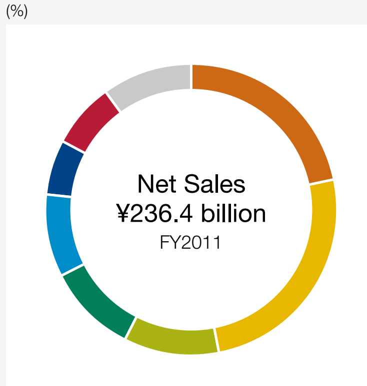
Basic Data

Net Sales



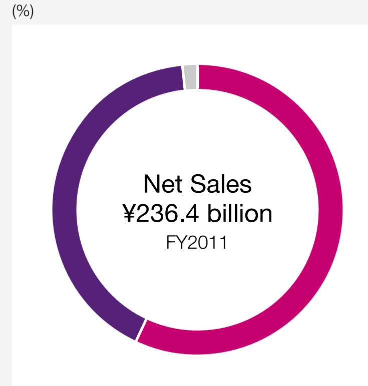
- Wholesale
- Retail
- Others

% of Net Sales by Merchandise



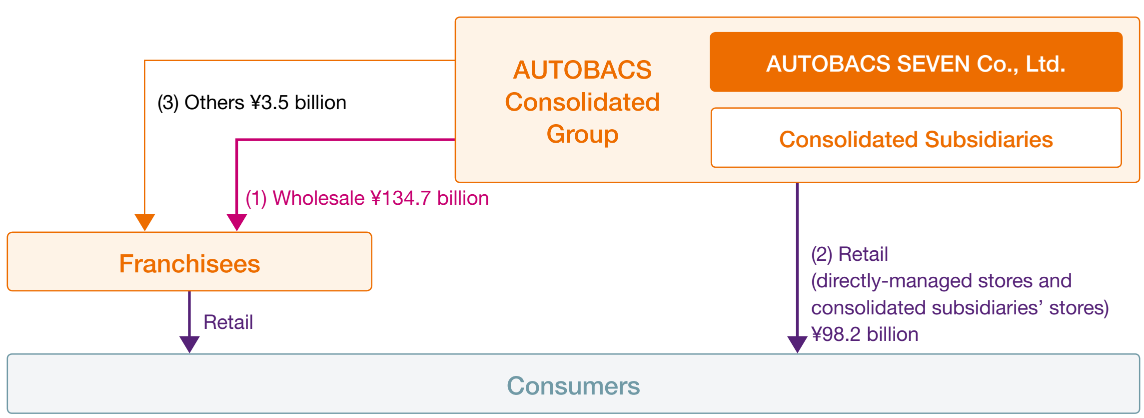
Tires and Wheels	**21.8**
Car Electronics	**25.3**
Oil and Batteries	**10.4**
Car Exterior Goods	**10.1**
Car Interior Goods	**9.1**
Motor Sports Goods	**6.1**
Services	**7.4**
Others	**9.8**

% of Net Sales by Operation



Wholesale	**57.0**
Retail	**41.5**
Others	**1.5**

AUTOBACS Consolidated Group—Profit Structure



Consolidated net sales consist of wholesale sales (1), retail sales from directly-managed stores and consolidated subsidiaries' stores (2), and others sales (3).

Corporate Data

AUTOBACS SEVEN Co., Ltd.

Head Office
6-52, Toyosu 5-chome, Koto-ku, Tokyo, 135-8717, Japan

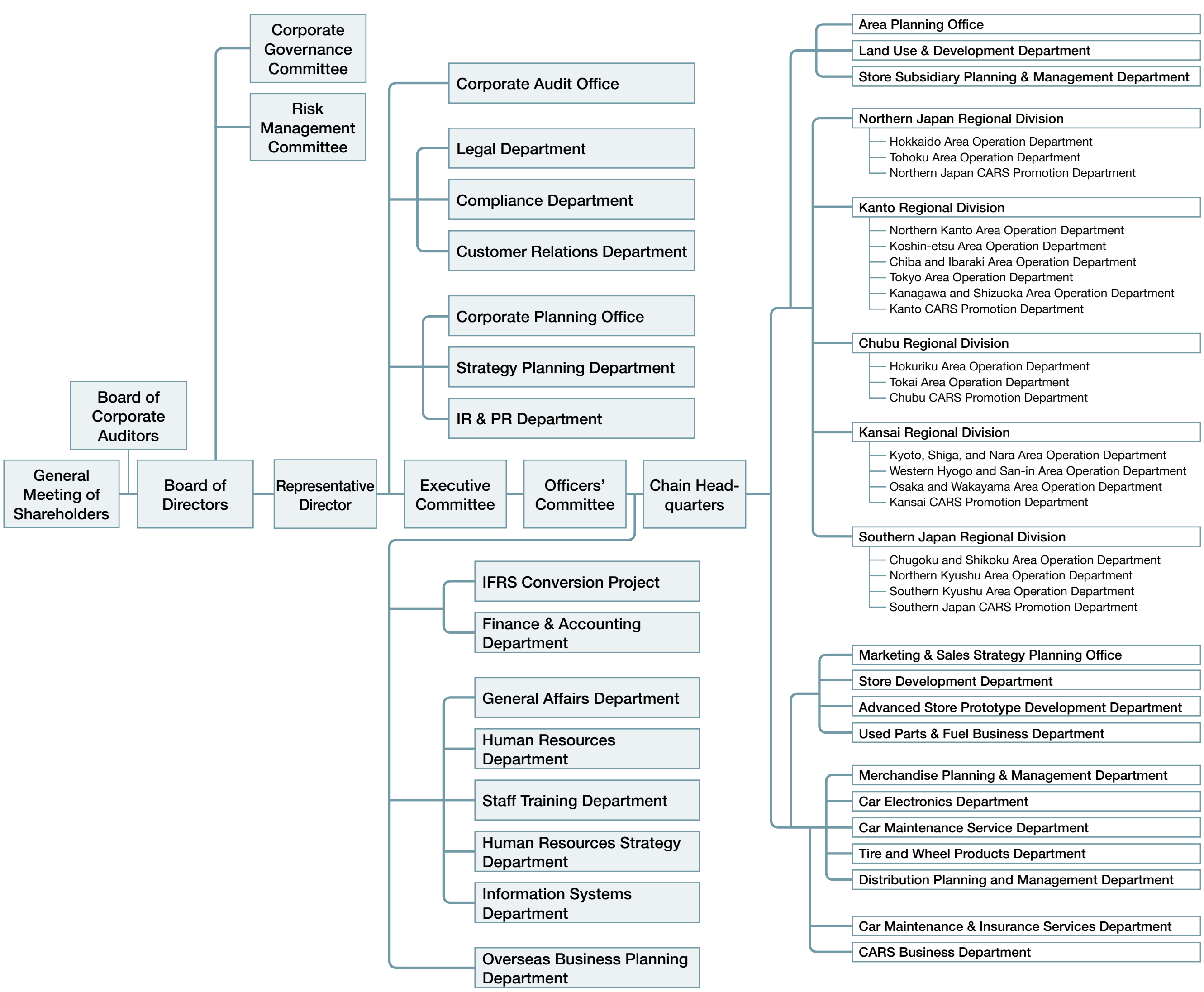
Date of Foundation
February 1947

Paid-in Capital
(As of March 31, 2011)
¥33,998 million

Number of Employees
(As of March 31, 2011)
4,459 (consolidated)

Main Business Offices
(As of April 1, 2011)
Northern Japan Regional Division (Sendai, Miyagi)
Kanto Regional Division (Ichikawa, Chiba)
Chubu Regional Division (Nagoya, Aichi)
Kansai Regional Division (Suita, Osaka)
Southern Japan Regional Division (Fukuoka, Fukuoka)

Organization (As of April 1, 2011)



Web Site Information

Company Information

http://www.autobacs.co.jp/en/company/index.html

Corporate Profile	View basic data about the AUTOBACS SEVEN Group
Business Activities	An explanation of business activities and business structure
Management Message	A message from the Group's Representative Director and CEO
Business Plan	View the "AUTOBACS BIG PLAN" and "AUTOBACS 2010 Medium-term business plan"
Store Network	A look at the number and distribution of AUTOBACS chain stores throughout Japan
History	The history and development of AUTOBACS SEVEN
Directors and Officers	Introducing the Company's directors, auditors, and executive officers
Corporate Organization	An organization chart for the Company
Major AUTOBACS SEVEN Group Stores	Introducing the different store formats in the Group

Investor Relations

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

Management Message	Read a message from the Group's Representative Director and CEO
General Meeting of Shareholders	View convocation notices, resolution notices and voting-related notices
Financial Reports	View graphs for key data including numbers of stores and net sales
Analyst Meetings	See past presentation materials
IR Calendar	View schedules for results announcements and other events
IR Library	View the Company's earnings releases and annual reports
Monthly Retail Sales Reports	View monthly store retail sales data for Japan
Stock Information	View general stock information, major shareholders, and the Convocation Notice of the 62nd Ordinary General Meeting of Shareholders.
Shareholder Information	Information about dividends

Corporate Social Responsibility

http://www.autobacs.co.jp/en/csr/index.html

CSR Initiatives	Introducing the Company's CSR policy, and relationship with stakeholders.
Corporate Governance	Explanation of corporate governance structure, and key policies
Compliance	Explanation of the Company's basic compliance system
Quality Control	Introducing the Company's initiatives for quality control
CSR Activities	View specific examples of CSR initiatives

Overview of Results and External Environment in the Previous Fiscal Year

Q:Could you summarize the results in the fiscal year ended March 2011?

There were more factors boosting demand in the business environment than in usual years, including increases in the unit sales of new cars associated with the continued government policy of giving tax breaks and subsidies for purchases of eco-cars, extreme heat in the summer, and nationwide snowfalls in the winter. However, there were also negative factors that disrupted the recovery in consumption, including a sharp decline in the sales of electronic toll collection (ETC) devices, which were strong in the fiscal year ended March 2010, and a heightened mood of voluntary restraint after the Great East Japan Earthquake.

In this environment, the Group implemented the AUTOBACS 2010 Medium-Term Business Plan, with a business strategy focused on expanding AUTOBACS Chain's market share and steadily raising the profitability of stores. In the first half, the Group did not achieve its gross margin ratio because of a greater-than-expected decline in sales of ETC devices following strong sales in the previous fiscal year and a change in the gross margin mix. However, the weaker-than-expected performance in the first half was offset in the second half as the Group took advantage of strong demand for tires, wheels, and tire chains due to snowfalls. In the overseas business, sales increased, and the operating loss improved substantially through restructuring and improvements in same-store sales. Improvement initiatives produced results steadily in the fiscal year.

Q:How was store performance in Japan?

In the automotive goods and services sales business, the Group enhanced merchandise and the sales system at stores and held sales campaigns using newspaper advertisements. Sales of tires and wheels increased as the Group actively procured and sold goods to take advantage of increases in number of new cars associated with the subsidy system for eco-cars and the demand for snow tires due to snowfalls. In car electronics, sales of car navigation systems were strong, backed by increasing unit sales of new cars, while sales of terrestrial digital TV broadcast tuners rose from last year as analogue broadcasting ended in July 2011. Sales of batteries and tire chains were strong thanks to weather conditions. In contrast, sales of ETC devices declined sharply following especially strong demand in the previous fiscal year.

As unit sales of new cars increased until September 2010, demand for statutory safety inspections declined, and the Group faced increased competition in the statutory safety inspection and maintenance service business. However, the number of statutory safety inspections that AUTOBACS Chain performed increased sharply as a result of sales promotions at stores and telephone calls to Point Up Card members.

In the car sales and purchases business, AUTOBACS Chain posted vehicle information on its website and other websites dedicated to car sales, and the headquarters instructed stores to promote the appraisal and sales of used automobiles. As a result of those initiatives and increased demand for new cars due to the subsidy system for eco-cars, the number of vehicles sold rose substantially.

Q:The overseas business seems to have improved remarkably. How are business conditions?

In the overseas business, the Group is operating 27 stores in five countries: France, China, Singapore, Thailand, and Taiwan (as of June 30, 2011).

Sales in France increased due to a change in the management in May 2010, the expansion of sales of consumables—especially tires—and the service pit menu, and snowfalls. Profits also improved substantially, thanks to cost-cutting through restructuring. Both sales and profits rose in Singapore, backed by a solid economic situation an increase in demand for automotive maintenance. In Thailand, sales declined due to the effects of political turmoil and flooding. The Group especially promoted sales of maintenance-related merchandise and opened a low-cost store focused on tires in December. Operating income was on a par with the previous fiscal year's level as a result of cost control. In China, wholesale sales dropped because of the closing of certain franchise stores. However, the operating loss was reduced, reflecting continued administrative streamlining and a rise in retail sales associated with the opening of a store of a Group subsidiary in Shanghai. The store operated by the subsidiary is continuing trials, especially in relation to car washing.

Q:Could you describe the effects of the Great East Japan Earthquake?

After the Great East Japan Earthquake occurred on March 11, 2011, 35 stores in the Tohoku and Kanto regions suspended their operations (as of March 12). The building and equipment of the Eastern Japan Logistics Center were damaged by the earthquake, and the center stopped operations. Immediately after the earthquake, the Group set up a crisis management task force headed by me, which started support for affected areas and efforts for resumption of operations.

As a result of our efforts, the stores that had suspended operations reopened their doors—except for two of them—as of May 12, 2011. By making the most of the Western Japan Logistics Center, the Group was able to promptly establish a logistics system that enabled goods to be delivered to stores operating in eastern Japan, allowing stores to operate there. The Eastern Japan Logistics Center resumed collection and delivery on May 2, 2011.

The earthquake's effects reduced consolidated net sales by ¥600 million and the gross margin by ¥200 million, while increasing selling, general and administrative expenses by ¥290 million and extraordinary losses by ¥390 million in the fiscal year ended March 2011. The adverse effect of the earthquake on income before income taxes was ¥900 million.

Market Trends in the Short to Medium Term

Q:What is the outlook for the fiscal year ending March 2012?

There are a lot of concerns over the surging prices of crude oil and raw materials, declining consumer confidence after the Great East Japan Earthquake, the effect of power saving, and the scrapping of a highway toll cap. Consequently, the outlook is uncertain. We are passing the rising prices of raw materials on to selling prices. Tires might be particularly affected by rising prices. However, because tires are consumables, I do not expect a sharp decline in demand due to conservative buying associated with rising prices over the full year, although there will be rush demand before the price hikes.

We expect that positive factors for the Group will include an increase in sales associated with a rise in the number of new stores to be opened and store remodeling, an increase in sales of digital terrestrial TV tuners and statutory safety inspections, and an improvement in earnings at overseas subsidiaries. Negative factors will include a decline in demand associated with snowfalls, an increase in expenses for store remodeling, a fall in sales of navigation systems and car accessories associated with declining unit sales of new cars, and a decrease in sales of high-end after-market parts and accessories.

Q: What are your views on the effects of the Great East Japan Earthquake?

We expect a decline in sales at the two stores whose resumption of operations has yet to be determined, a fall in sales at about 200 stores that are saving electricity in the Tohoku and Kanto areas, and a decrease in sales associated with difficulty in sourcing parts and materials. We anticipate that car electronics, including car navigation systems, and snow tires will be affected by difficulty in sourcing goods.

Q: What is your market forecast for the medium term (around three years)?

We expect that the automotive goods and services market will shrink gradually, with falls in the prices of car electronics and the shrinking of the motor sports goods market, although this may be too conservative. However, we do not expect the maintenance-related market will change significantly, a view that is unchanged from when we formulated the medium-term business plan, because people are using automobiles longer. We will bolster maintenance services, considering the situation an opportunity to increase the market share of AUTOBACS Chain.

People are more and more aware of the environment, and we expect demand for mini-cars and hybrid vehicles to increase. Many AUTOBACS customers have mini-cars, and we think the increasing numbers of these vehicles will have positive effects for us. We assume that the increasing numbers of hybrid vehicles will have only a small influence on the Group, because they are based on conventional vehicles. However, if electric vehicles become widely adopted, that may affect sales of engine oil. Stores will be required to provide maintenance services for electric vehicles and hybrid vehicles. To that end, the Group will enhance equipment and employee training.

Our main concern is higher gasoline prices, which would lower consumer confidence and mileage, which would, in turn, cause a fall in demand for maintenance services. That would have a great impact on the Group's business, and we need to monitor it closely.

Progress of the Medium-Term Business Plan

Q: What is the business strategy of the AUTOBACS 2010 Medium-Term Business Plan?

The domestic business strategy is a growth strategy chiefly for improving store profitability and acquiring a larger market share. To improve profitability at stores, the Group will pursue cost-cutting in every aspect, enhance fixtures and equipment at stores, renovate stores, improve operations at stores, and reduce purchasing costs. To acquire a larger market share, the Group will promote the opening of stores in small commercial zones in which the Group currently does not have many stores, after considering investment profitability. The Group will accelerate the opening of stores in those zones, while cutting costs. We are aiming to open stores that will offer our customers convenience, low prices, and a sense of security, as well as inspire confidence.

In the overseas business, the Group is planning to continue to make profits in countries where it already has stores and to make preparations for growth under the next medium-term business plan.

Q: Could you tell us how the Group will be able to achieve its operating income target?

The medium-term business plan is for the four years from the fiscal year ended March 2011 through the fiscal year ending March 2014. In the first two years, the Group will focus on improving profitability at stores. In the latter two years, the Group will seek to increase its market share, by actively opening new stores, and to achieve its management targets. By streamlining headquarters at the same time, the Group will aim to achieve operating income of ¥16.0 billion.

Item	Progress
Measures to Improve Profitability at Stores (Reform of existing stores)	
(1) Store reform	Carried out reforms at 126 existing stores
(2) Purchasing system reform	Concentration and selection of suppliers and strategic alliances Improve profit margin on some merchandise through store reforms
(3) Human resource/operational reform	Customer service training for approx. 5,600 Group employees
(4) Statutory safety inspection service expansion	Focus on improvements at stores that perform less than 100 inspections per month to improve performance at the lower end
(5) Car sales expansion	Continue efforts to strengthen car purchasing at stores Control profit margin when selling through auctions Effective use of shared inventory throughout the Group
Measures to expand market share	
(1) New stores	6 New stores opened
(2) New service formats development	Start looking into pilot stores
(3) Multi-channel strategies	Strengthening e-commerce under consideration Test operation of pit reservation system at some stores
Overseas Business	Test business model in China (Opened second directly-managed local subsidiary store in May 2011) Considering the possibility of business expansion in the ASEAN region
Streamline Headquarters	Continue to cut costs and promote efficiency at headquarters,
CSR/Governance	Formulate measures to reduce environmental impact Develop an eco-store certification system Continue to promote social contribution activities Strengthen and develop structures for compliance

Store Profitability Improvement Initiatives

Q: Store profitability improvement initiative (1) Could you describe your plans for store reform as well as the results so far?

We initially planned to remodel 100 AUTOBACS-format stores. However, we have remodeled stores at a much faster pace than we expected, and have completed the remodeling of 141 stores from a customer perspective so that customers can choose and buy goods and services more easily. As a result, performance at remodeled stores is better than that at stores yet to be remodeled. In addition, we have received positive feedback from customers, especially female customers and first-time customers, who said that the layouts were easy to understand and that they felt free to consult with the staff. Seeing these results, managers and executives of stores that had not been remodeled were motivated to start remodeling their own stores. I am very pleased with the positive response that remodeled stores are receiving.

The Group will promote the remodeling of the approximately 220 remaining stores and will compare stores that have improved their performance after remodeling with those with disappointing results after remodeling. By sharing improvement strategies, the stores will be able to further enhance the effects of remodeling. With regard to the organization, an officer in charge of marketing and sales strategy planning will also be responsible for advanced store prototype development to enhance the collaboration between the advanced prototype development function and the store development and sales promotion functions and to further promote store reform and improvement.

Q: Store profitability improvement initiative (2) Could you explain your plans for purchasing system reforms as well as the results so far?

These reforms are based on the idea that the Group can cut costs and offer valuable goods for lower prices. We believe that a specific purchasing system is not sustainable unless three parties—suppliers, customers, and the Group—reap the benefits, rather than only the Group making profits. The Group was selective in choosing its suppliers in the fiscal year ended March 2011, i.e., narrowing around 40 wheel suppliers down to around 10.

Private brand merchandise involves a lot of price competition, and the Group has offered lower-priced private brand merchandise rather than national brand merchandise to its customers, but not to its suppliers. I feel that we need to reconsider this strategy. I am considering building a win-win relationship in which the Group will be able to extend the advantage of low-priced private brand merchandise to suppliers as well.

The Group will continue to promote strategic tie-ups and will carry out reforms to the advantage of all three parties.

Q: Store profitability improvement initiative (3) What are your plans for human resource and operational reforms and results so far?

To provide customers with a sense of security and inspire confidence, the Group sought to enhance its customer service capabilities for customers to enjoy shopping. The Group set up a team dedicated to customer service, which provided customer service training, especially for store staff, across the country. A total of 3,775 employees received training—far more than the expected 3,000 participants. Participants in turn provided customer service training at their own stores to increase awareness of customer service. In addition, a total of 2,337 employees participated in a sales upskilling training program.

The Group plans to have all employees participate in training and to carry out training for each store. The Group believes that customer service training along with improvements in operational efficiency at remodeled stores will contribute to improvements in store profitability.

Q: Store profitability improvement initiative (4) Could you describe your plans in regard to statutory safety inspections and results so far?

The number of statutory safety inspections that the Group carried out increased by 11.3% year on year. However, certain stores carried out fewer than 100 statutory safety inspections per month, and we consider the progress to be slow. I believe there are two approaches for expanding the number of statutory safety inspections. One is to approach new customers, and the other is to encourage customers who have had statutory safety inspections to get them done again. I believe that the Group has a weakness when it comes to follow-up. I am considering bolstering the second approach and the systems for it. The Group will aim to expand statutory safety inspections by selling a maintenance package and emphasizing its ability to deal with hybrid vehicles.

Q: Store profitability improvement initiative (5) What are your plans for the expansion of car sales and results so far?

We believe that the expansion of car sales is necessary for enhancing the goods and services that the Group offers to customers. A total of 189 stores are seeking to expand car sales, and they have been steadily producing results. Car sales rose by 11.0% year on year.

The Group regards car sales as a way of living up to its corporate slogan “Anything about cars, you find at AUTOBACS,” and is considering enhancing profitability by having stores that are not currently selling cars begin such sales. To that end, the Group will bolster this business and will promote car sales in the Tohoku region.

Market Share Expansion Initiatives

Q: Market share expansion initiative (1) Could you describe results for new store openings and your plans for the future?

The Group opened four new stores in the fiscal year ended March 2011. We plan to open 120 new stores by the end of the fiscal year ending March 2014, but we are slightly behind schedule. The reason is that we spent some time determining store formats. However, the Group has decided to create small commercial-zone AUTOBACS stores, and we expect that to be able to open 20 to 30 stores in the fiscal year ending March 2012. Meanwhile, the Group has set up a team dedicated to reducing costs at stores. Cost-reduction plans made by the team will be adopted at new stores as they are opened. The Group is verifying low-cost plans at the four stores that opened in the fiscal year ended March 2011.

The Group will develop models of low-cost stores, which will be able to generate profits from lower sales, and will aggressively open stores in small commercial zones, where it did not previously have a presence. The Group will offer convenience for customers by opening stores which are closer to them. Small commercial-zone stores will not necessarily provide all goods and services that the AUTOBACS-format stores provide, but they will offer goods and services tailored to their area. The Group will build a store network where small commercial zone-format stores will cooperate with other AUTOBACS Chain stores near them. In the fiscal year ending March 2012, the Group will develop a more specific low-cost plan, incorporating the results at the four stores that opened in the fiscal year ended March 2011 and the results of reforms at other stores in new stores that are opened. The Group will consequently continue to develop its store models and begin opening stores based on new models in earnest in the fiscal year ending March 2013.

Q: Market share expansion initiative (2) Could you explain progress in the development of service formats and your plans in that area?

We tried new service formats in the fiscal year ended March 2011 and will be pursuing initiatives in this regard from the fiscal year ending March 2012. As new formats, we are considering stores dedicated to limited merchandise, for example tires or oil. The Group opened a store dedicated to tires in Hakodate in the fiscal year ended March 2011 and will examine its performance as a pilot store.

The Group will develop properties for new service formats and will seek to establish new formats, while examining the performance of pilot stores.

Q: Market share expansion initiative (3) What about multi-channel strategies?

In multi-channel strategies, the Group started service pit reservations at certain stores and has begun to study the results. Multi-channel strategies are designed to provide convenience for customers through multiple channels, including the Internet and in-store terminals. Since sales through multiple channels differ from sales at stores in many respects, we will consider the needs of customers through day-to-day operations. For example, we will consider selling goods over the Internet, consolidating inventory management.

To expand e-commerce, the Group will add to the number of listed items offered through this channel and develop the infrastructure of the store chain. We will focus on offering attractive services that will encourage repeat customers, by promoting CRM strategies and reviewing our sales promotion methods. We will also seek to develop convenient systems to offer the same services to customers that do not visit our physical stores, using the Internet and other systems.

Overseas Business

Q: What are the future policies and strategies in the overseas business?

The Group has subsidiaries in four countries: France, China, Thailand, and Singapore. Investors ask us whether the Group needs to develop overseas operations. For the purposes of long-term growth, I believe that we do need to build operations overseas. Through reforms, including operational cutbacks, we expect that we can move operations in each country into the black while aggressively developing our operations. We believe we need to make a particular effort in China, which is still a developing country in terms of automobiles and associated after-sales. We are confident that we will gain a foothold there. The Group is performing well in Thailand and Singapore. Consequently, we will maintain our policies in those countries and open new stores. Our performance in France is improving. We will continue to boost corporate value by achieving positive operating income.

As the number of new vehicles is rising in countries in Asia, we think that demand stemming from drivers maintaining their own cars will increase. We will open stores that have formats geared to each market. Meanwhile, we will bolster our human resources for overseas operations and will deploy management resources, primarily in China and ASEAN countries. We are prioritizing China, with a focus on opening a pilot store in Shanghai with the aim of looking at the results by the end of March 2012. Based on these results, we will determine how to develop operations in China. In the ASEAN region, we are using the ASEAN branch, which was set up in June 2011, as our base and will open several stores in Thailand, Taiwan, and Singapore, where the Group already has a presence, and in Malaysia by the fiscal year ending March 2014, the final year of the medium-term business plan.

Finance Strategy

Q: Could you describe your financial strategy?

The Group held cash and securities of ¥57.1 billion at the end of March 2011. We are looking to improve ROE by reducing cash and securities slightly and then by increasing capital efficiency. We will actively invest in growth strategies under the medium-term business plan, and believe that cash inflows from operating activities each year will be sufficient for those investments. We will continue to seek to increase returns to shareholders, considering the balance between investments and returns.The company's policy is to achieve dividends on equity of 3%, but I would like to increase our shareholder returns further. The company distributed an annual dividend per share of ¥135 for the fiscal year ended March 2011, up ¥10 from the previous fiscal year. We also acquired 1.6 million shares of treasury stock worth ¥5,229 million in the previous fiscal year, and cancelled 3,202,599 shares of treasury stock in May 2011. The company plans to acquire 1.6 million shares of treasury stock worth ¥5.6 billion maximum between May 2011 and December 2011.

CSR/Eco-friendly Initiatives

Q: Could you explain the CSR policy of the Group?

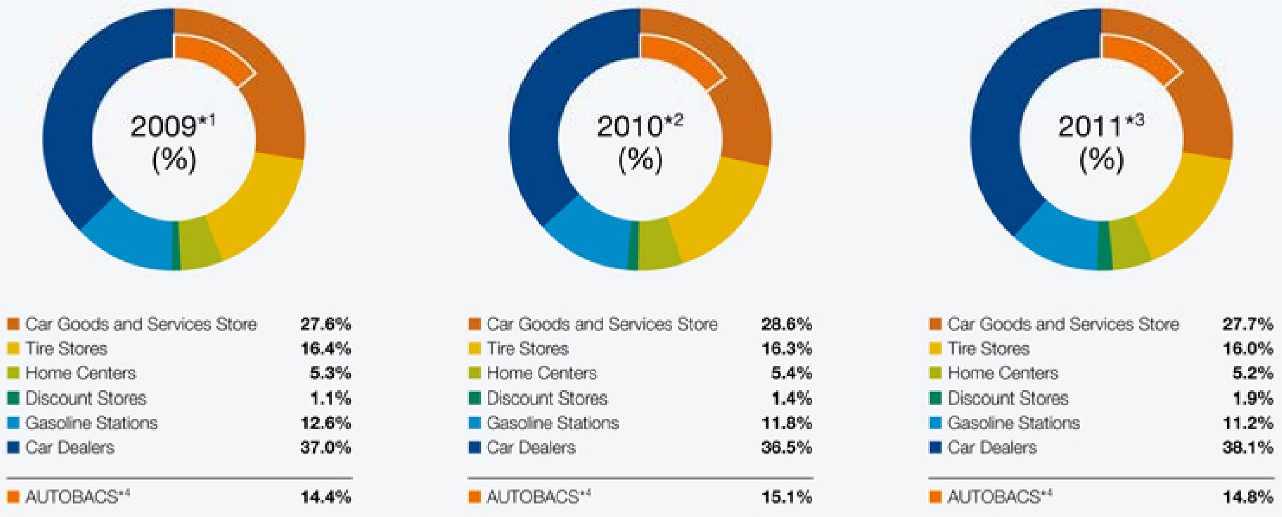
The Group positions CSR as an important business challenge. We are redoubling our focus on CSR, including our management approach. In particular, I believe we need to promote eco-friendly initiatives. In the fiscal year ended March 2011, the Group worked out an environmental impact reduction plan and opened two eco-friendly stores, AUTOBACS YAMATO KORIYAMA and AUTOBACS FUCHU. As a contribution to the community, all member stores cleaned up their neighborhoods on AUTOBACS Day. The head office in Koto-ku, Tokyo plans to acquire ISO14001 certification in March 2012.

The Group donated ¥100 million through the Japanese Red Cross Society for victims of the Great East Japan Earthquake and provided relief supplies to the disaster headquarters in the affected areas. We are continuing fund-raising activities at each store of the AUTOBACS chain so that we can send donations to earthquake victims. To save power during the summer, when there is concern over power shortages, the headquarters and each store will take proactive measures, including turning off some signs at stores and lights in stores and offices, establishing non-working days at stores, reducing business days at the Eastern Japan Logistics Center, and moving major business systems in Tokyo to Western Japan.

Market Information

Sales and Market Share by Sales Channel

Market Share by Sales Channel (Years ended March 31)

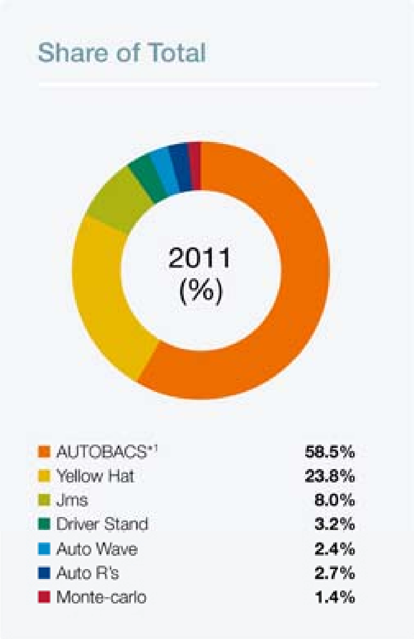


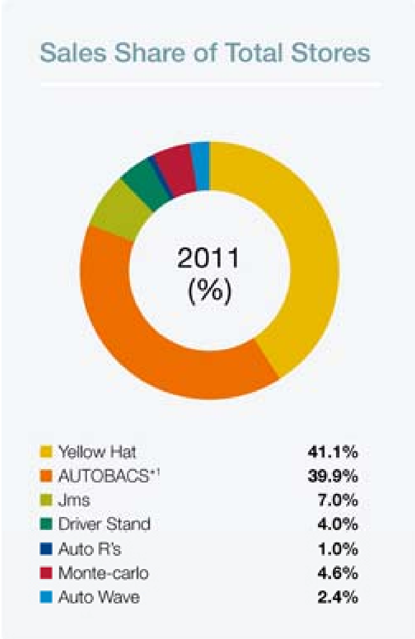
Source: AM+NETWORK magazine, August 2009, August 2010 and August 2011 issues, published by AutoMart Network Inc.
*1 Estimated values from April 2008 through March 2009.
*2 Estimated values from April 2009 through March 2010.
*3 Estimated values from April 2010 through March 2011.
*4 Sales at AUTOBACS, Super AUTOBACS and AUTO HELLOS stores.

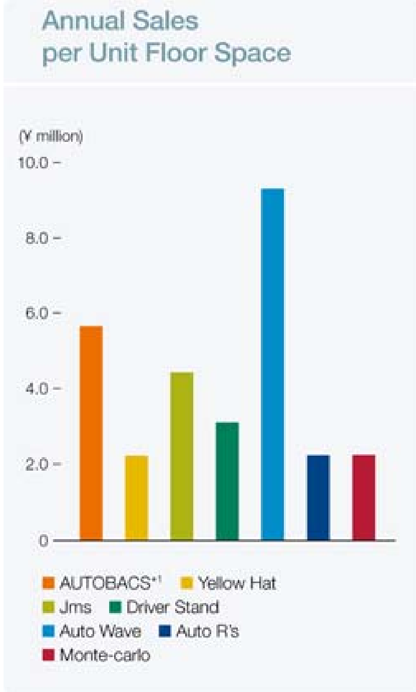
Sales and Market Share by Sales Channel for details

	Estimated number of stores selling car goods and services			Estimated retail sales of car goods and services (¥ million)						Estimated market share (%)		
Period of estimate	2009*1	2010*2	2011*3	2009*1	(2009/2008)	2010*2	(2010/2009)	2011*3	(2011/2010)	2009*1	2010*2	2011*3
Car Goods and Service Stores*4:												
National Chains	1,047	1,049	1,070	415,400	96.3%	419,200	100.9%	423,500	101.0%	21.72	22.94	22.78
Local Chains	161	154	146	56,370	79.5%	50,330	89.3%	45,370	90.2%	2.95	2.75	2.44
Independent Stores	307	273	229	56,282	85.8%	52,330	79.7%	46,048	88.0%	2.94	2.86	2.48
Subtotal	1,515	1,476	1,445	528,052	93.0%	521,860	98.8%	514,918	98.7%	27.61	28.56	27.69
Tire Stores:												
Manufacturer-affiliated Chains	2,286	2,262	2,244	244,580	101.0%	231,020	94.5%	236,730	102.5%	12.79	12.64	12.73
Independent Stores	498	467	419	69,128	93.3%	67,094	97.1%	59,976	89.4%	3.61	3.67	3.23
Subtotal	2,784	2,729	2,663	313,708	99.2%	298,114	95.0%	296,706	99.5%	16.40	16.31	15.96
Home Centers	3,721	3,788	3,853	101,925	104.5%	97,737	95.9%	97,500	99.8%	5.33	5.35	5.24
Discount Stores	795	849	965	19,893	91.9%	26,149	131.5%	34,624	132.4%	1.04	1.43	1.86
Gasoline Stations	31,836	30,829	29,001	241,634	91.6%	215,709	89.3%	208,060	96.5%	12.64	11.80	11.19
Car Dealers	15,992	15,587	15,340	707,108	88.1%	667,790	94.4%	707,657	106.0%	36.98	36.54	38.06
Total	**56,643**	**55,258**	53,267	**1,912,320**	**92.4%**	**1,827,359**	**95.6%**	1,859,465	**101.8%**	**100.00**	**100.00**	100.00

Comparison with Competitors







Source: AM+NETWORK magazine, July 2010 and July 2011 issues, published by AutoMart Network Inc.
*1 Sales at AUTOBACS, Super AUTOBACS and AUTO HELLOS stores.

Comparison with Competitors for details

	Retail sales (¥ billion)		Total number of stores		Total sales floor space (tsubo)		Total number of employees		Annual sales per store (¥ million)	
Period of estimate	2010※2	2011※3	2010※2	2011※3	2010※2	2011※3	2010※2	2011※3	2010※2	2011※3
AUTOBACS *1	2,760	2,745	480	485	99,461	100,548	11,174	11,262	575	565
Yellow Hat	1,066	1,114	484	500	80,071	82,145	5,561	5,226	220	222
Jms	366	376	85	85	21,997	21,997	1,422	1,440	431	442
Driver Stand *4	162	152	54	49	11,162	10,047	760	680	299	310
Auto Wave *5	133	112	16	12	7,614	6,764	340	280	887	931
Auto R's	124	125	51	56	13,940	15,070	711	745	243	223
Monte-carlo	85	65	33	29	4,930	4,070	303	266	257	224
Total	**4,695**	4,689	**1,203**	1,216	**239,175**	240,641	**20,271**	19,899	**390**	386

	Sales floor space per store (tsubo)		Number of employees per store		Annual sales per tsubo (¥ million)		Annual sales per employee (¥ million)	
Period of estimate	2010※2	2011※3	2010※2	2011※3	2010※2	2011※3	2010※2	2011※3
AUTOBACS *1	207	207	23	23	2.8	2.7	24.7	24.7
Yellow Hat	165	164	12	11	1.3	1.4	19.2	21.2
Jms	259	259	17	17	1.7	1.7	25.7	26.1
Driver Stand *4	207	205	14	14	1.4	1.5	21.3	22.4
Auto Wave *5	508	564	23	23	1.7	1.7	39.1	40.0
Auto R's	273	269	14	13	0.9	0.8	17.4	16.8
Monte-carlo	149	140	9	9	1.7	1.6	28.0	24.4
Total	**199**	198	**17**	16	**2.0**	1.9	**23.2**	23.6

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	2006	2007	2008	2009	2010	2011
FISCAL YEAR						
Net sales:						
Tires and wheels	¥50,025	¥50,878	¥52,485	¥52,587	¥47,954	**¥51,416**
Car electronics	69,185	68,904	66,900	63,708	63,994	**59,849**
Oil and batteries	17,342	17,686	25,456	26,334	24,246	**24,566**
Car exterior goods	25,763	23,644	30,538	28,458	22,350	**23,868**
Car interior goods	22,280	23,686	25,070	23,674	21,071	**21,540**
Motor sports goods	22,035	20,109	19,733	17,383	15,377	**14,451**
Services	13,255	14,344	18,065	18,472	16,856	**17,506**
Others	20,322	23,281	28,182	28,528	21,089	**23,155**
Total	240,207	242,532	266,430	259,144	232,937	**236,351**
Operating income	13,638	12,220	6,937	5,090	10,171	**11,989**
Income (loss) before income taxes and minority interests	13,866	16,549	4,972	(3,938)	10,575	**11,501**
Net income (loss)	7,861	9,165	1,467	(3,398)	5,866	**6,180**
Dividends paid	¥1,775	¥2,075	¥2,294	¥4,547	¥4,023	**¥4,555**
Consolidated dividend payout ratio	24.7%	24.3%	260.6%	–	77.2%	**75.9**
Return (loss) on sales	3.3%	3.8%	0.6%	(1.3%)	2.5%	**2.6%**
Return (loss) on equity	5.1%	5.6%	0.9%	(2.1%)	3.8%	**4.1%**
Return (loss) on assets	3.6%	3.9%	0.6%	(1.5%)	2.7%	**3.0%**
Per share data (Yen):						
Basic net income (loss)	¥210.36	¥239.01	¥38.37	¥(90.29)	¥161.97	**¥177.97**
Cash dividends	52.00	58.00	100.00	100.00	125.00	**135.00**
Net cash provided by (used in) operating activities	¥24,137	¥17,216	¥(646)	¥7,028	¥18,949	**¥15,375**
Net cash (used in) provided by investing activities	(26,997)	(7,102)	(7,993)	4,543	(4,694)	**(5,002)**
Net cash (used in) provided by financing activities	5,177	(4,698)	(729)	(9,259)	(12,187)	**(11,790)**
Capital expenditures	11,400	10,356	9,753	4,870	3,061	**3,187**
Depreciation and amortization	5,068	6,471	7,463	6,347	5,207	**4,562**
AT YEAR-END						
Cash and cash equivalents	¥53,622	¥59,227	¥49,637	¥51,749	¥53,786	**¥52,317**
Current assets	112,020	119,265	117,407	136,968	133,883	**133,031**
Current liabilities	44,046	48,882	43,571	44,842	41,521	**40,649**
Current ratio	254.3%	244.0%	269.5%	305.4%	322.4%	**327.3%**
Total assets	227,707	240,628	234,126	224,168	210,652	**207,795**
Equity	161,536	167,995	164,336	154,763	151,397	**147,505**
Equity ratio	70.9%	69.8%	70.2%	69.0%	71.9%	**71.0%**
Total number of stores	532	538	640	634	537	**538**
Of which, overseas stores	19	21	117	116	26	**25**
Number of employees	4,406	4,621	6,492	5,933	4,483	**4,459**

Review of Fiscal 2011

OPERATIONAL REVIEW

THE AUTOBACS CONSOLIDATED GROUP

The AUTOBACS Consolidated Group consists of AUTOBACS SEVEN Co., Ltd. (the Company), 38 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 statutory 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, advertising agency work, and IT support, as well as casualty insurance services.

In the automotive goods and services 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

	2010		2011	
Stores included in consolidation (retail operations)				
Directly managed stores	14		**12**	
Consolidated subsidiaries (of which, overseas)	144	(14)	**149**	**(15)**
Stores managed by consolidated affiliates (of which, overseas)	34	(2)	**35**	**(1)**
Subtotal	192		**196**	
Stores not included in consolidation				
Stores managed by franchisees, including stores of affiliates (of which, overseas)	345	(10)	**342**	**(19)**
Total stores (of which, overseas)	537	(26)	**538**	**(25)**

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 XX.)

Sales of Three Main Store Types

¥ million; Stores

		2010	2011
AUTOBACS	Sales	188,387	**189,665**
	Stores	395	**404**
Super AUTOBACS	Sales	85,348	**83,406**
	Stores	77	**76**
AUTO HELLOES	Sales	2,350	**1,507**
	Stores	8	**5**
Total	Sales	276,085	**274,578**
	Stores	480	**485**

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 under review, retail sales fell to ¥1,859.4 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 2011 issues

FISCAL 2011—OVERVIEW AND ACHIEVEMENTS

Performance Overview

Domestic consumption of automotive goods and services during fiscal 2011 was encouraged by factors that lent more support than usual to demand, including an increase in the number of new automobiles sold thanks to the government's tax cuts and subsidies for eco-friendly automobiles, the extreme summer heat, and heavy snowfalls in the winter. There were, however, factors that discouraged a recovery in consumption, such as a sharp decline in sales of ETC devices in contrast to the brisk sales in the previous year and the spending restraint in the wake of the Great East Japan Earthquake.

In this business environment, the Company developed the AUTOBACS 2010 Medium-Term Business Plan, aiming to increase store profitability and market share as the core of its business strategy. The Company's actions have followed this plan.

• Overview of the Domestic AUTOBACS Chain Business

Overall sales of the businesses of the AUTOBACS chain (including franchise stores) in Japan increased 0.2% year on year on a same-store basis and remained unchanged (0.0% change) on a total-store basis. Sales of "automotive goods and services," "statutory safety inspections and maintenance" combined at main store formats* declined year on year by 0.6%, both on a same-store basis and total store basis.

The "sale of automotive goods and services" placed priority on compensating for the decline in sales of ETC devices, which had sold well in the previous year, with growth in sales of tires and wheels. To this end, the segment increased its merchandise, strengthened the sales operations at stores, and launched a promotional campaign using newspaper advertisements. Active merchandise procurement and sales activities to meet demand for new automobiles, which had increased thanks to the subsidies for eco-friendly automobiles, and demand for replacements with snow tires due to heavy snowfalls, resulted in an increase in the sales of tires and wheels. Among car electronics products, fixed navigation systems sold well as a result of an increase in sales of new automobiles, while tuners for digital terrestrial broadcasting were in greater demand ahead of the end of analog TV broadcasting in July 2011. Meanwhile, sales of ETC devices dropped significantly compared to the previous fiscal year when there was exceptional demand. In addition, the weather encouraged sales of batteries and tire chains. As a result, sales of automotive goods and services were down 1.1% year on year.

The "statutory safety inspections and maintenance" faced a difficult environment owing to intensified competition and a decline in demand for safety inspections with an increase in new automobiles sold by September. Nonetheless, promotional activities at the stores and phone calls made to members of the point card program to provide information, helped increase the number of automobiles receiving a safety inspection 11.3% from a year earlier, to approximately 498,000 units (for all store formats combined).

The "automobile purchase and sales" segment achieved a year-on-year increase in the number of automobiles sold by 11.0% to approximately 16,000 units (excluding the sales for used-car auctions). This increase was a consequence of the demand for new automobiles created by subsidies for eco-friendly automobiles, information on automobiles provided on the Company's website and other specialized websites, and the improved assessment and sale of used cars at stores under the direction of the head office.

The opening and closure of stores in Japan included the opening of four new AUTOBACS stores and one new AUTOBACS EXPRESS store, the opening of four AUTOBACS stores from other formats, the opening and closure of 11 AUTOBACS through relocation and business conversion, and the closure of five AUTOBACS Secohan Ichiba stores. As a result, the total number of stores in the AUTOBACS Group in Japan was 513, the same as the previous consolidated fiscal year.

※AUTOBACS, Super AUTOBACS and AUTO HELLOES

Domestic Store Consolidation

	Stores							
		Year Ended March 2011						
		First Half			Second Half			
	March 31, 2010	New stores	S&B* Relocation	Stores closed	New stores	S&B* Relocation	Stores closed	March 31, 2011
AUTOBACS	395		+4		+4	+1		404
Super AUTOBACS	77		-1					76
AUTO HELLOES	8		-2			-1		5
AUTOBACS Secohan Ichiba	25			-1			-3	21
AUTOBACS EXPRESS	6				+1			7
Total (Japan)	511		+1	-1	+5	0	-3	513

* 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 activities under the AUTOBACS 2010 Medium-Term Business Plan, which was announced in May 2010.

Although fiscal 2011 was only the first year of the medium-term business plan, important measures such as the reform of existing stores and human resources reform and customer service education, which aim to radically strengthen domestic businesses, yielded results that exceeded the initial plan.

<Business Strategy>

The Group emphasized the strengthening of the domestic franchise business as a business strategy and sought to improve the profitability of existing AUTOBACS stores.

While the initial plan called for the renovation of 100 existing stores in the AUTOBACS business, by the end of March 2011, progress was substantially faster than the plan and 141 stores had been renovated.

The sales floor renovation plan (a part of the overall store renovation plan) aimed to create sales floors that would facilitate the selection and purchase of merchandise and services from the perspective of customers. Stores that had undergone renovation outperformed other stores in terms of sales figures, and customers, especially women and first-time visitors, made positive comments that the store was easy to use and they felt comfortable asking questions.

Human resources reform and customer service education were designed to provide customers with a safe, reliable and comfortable shopping experience. A specialized team was formed and provided, in most cases, store employees with customer-service training at locations across Japan. Approximately 3,750 employees completed the training, far exceeding the initial plan of 3,000. These trainees led the customer service training at each store to promote awareness of customer service throughout the entire store.

In efforts to open new stores, a team exclusively in charge of store cost savings was established and developed a cost-cutting plan. The results were applied one by one to new stores. A total of four new stores were established during fiscal 2011. The store model for new stores opening after fiscal 2012 will continue to be improved by making the cost-cutting plan more specific and applying to new stores the lessons learned by verifying the performance at the four stores already in operation as well as the outcome of the renovation process at existing stores. The aim is to achieve the grand opening after fiscal 2013.

Other Group initiatives include the provision of high-quality merchandise and services to customers at affordable prices, reductions in the cost of purchases through supplier reform aiming to improve store profitability, and strengthening of the safety inspection and automobile sales services provided to customers.

As for the improvements at headquarters, expenses were further controlled, while human resource development, including buyer training and level-specific training, continued.

<Financial Strategy>

The Group's financial strategy is aimed at improving capital efficiency. In the period under review, a total of 1.6 million shares of treasury stock were purchased for approximately ¥5,232 million based on a policy of increasing shareholder returns. The target consolidated ratio of dividend on equity (DOE) is 3% and the dividend per share was ¥135, a ¥10 yen year-on-year increase.

<CSR Activities>

The Group has positioned CSR as an important management issue. As part of our CSR activities, we developed a plan to reduce the environmental burden of the business, opened two environmentally friendly stores of AUTOBACS Yamatokoriyama and AUTOBACS Fuchu, and held AUTOBACS Day at all member stores to clean up neighborhoods as a contribution to local communities.

The Group made a donation of ¥100 million through Japan Red Cross for victims of the Great East Japan Earthquake that struck on March 11, 2011, and provided relief supplies (approximately 39,000 car phone chargers and 5,000 inverters) to the disaster headquarters in the affected areas. In addition, each store in the AUTOBACS chain is continuing with fund-raising activities.

FINANCIAL REVIEW

1. INCOME AND EXPENSES

Net Sales

In fiscal 2011, ended March 31, 2011, consolidated net sales amounted to ¥236,351 million, up by 1.5% from fiscal 2010.

¥ Million (Percentage of net sales)

	2010		2011		Increase (Decrease)
Wholesale operations	132,390	(56.8%)	**134,690**	**(57.0%)**	2,300
Retail operations	96,813	(41.6%)	**98,162**	**(41.5%)**	1,349
Others	3,734	(1.6%)	**3,498**	**(1.5%)**	(235)
Total	232,937	(100.0%)	**236,351**	**(100.0%)**	3,414

• Wholesale Operations

Most of the revenue in the wholesale operations segment derives from sales to franchisees. In fiscal 2011, segment sales increased by 1.7% year on year to ¥134,690 million. Sales of ETC devices declined significantly; however, sales of tires, wheels and automobiles increased.

• 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 2011, sales of retail operations increased by 1.4% year on year to ¥98,162 million because of increased sales of tires, wheels, batteries and services. However, sales of ETC devices decreased.

• Others

Sales from other businesses declined by 6.3% to ¥3,498 million, due mainly to decreases in real estate rental income and store equipment lease income from domestic franchise operators.

Gross Profit

Gross profit increased by 2.4% to ¥75,740 billion; the gross margin improved from 31.8% in the previous period to 32.0% as a result of efforts to reduce cost of goods sold and sales mix improvement from sales increases of tires and wheels and services, including statutory safety inspections.

SG&A Expenses

Selling, general and administrative (SG&A) expenses decreased by 0.1% to ¥63,751 million. Despite an increase in expenses relating to the acquisition of stores from franchisees, depreciation costs decreased and the Company made a Group-wide effort to decrease every item of SG&A expenses.

		¥ Million	
	2010	2011	Increase (Decrease)
Personnel expenses	28,974	**29,089**	115
Employee compensation	23,342	**23,463**	122
Sales promotion expenses	10,766	**11,484**	718
Equipment expenses	13,267	**12,602**	(665)
Land and building rent	6,296	**6,088**	(208)
Depreciation	4,236	**3,906**	(330)
Administrative expenses	10,818	**10,576**	(242)
Information processing expenses	2,046	**2,254**	208
Provision for allowance for doubtful receivables	8	**115**	107
Total	63,825	**63,751**	(74)

Personnel expenses fell by 0.4% to ¥29,089 million, and constituted 45.6% of SG&A expenses. This change was mainly because of the acquisition of stores from franchisees.

Sales promotion expenses decreased by 6.7% to ¥11,484 million, or 18.0% of SG&A expenses. This was mainly due to an increase of sales promotion costs in Japan.

Equipment expenses fell by 5.0% to ¥12,602 million, or 19.8% of SG&A expenses. This was primarily due to a decrease in depreciation costs and rent accounts of overseas subsidiaries.

Administration expenses fell by 2.2% to ¥10,576 million, representing 16.6% of SG&A expenses. This was mainly due to the Group-wide effort to decrease every item of SG&A expenses.

As a result of the above factors, operating income increased by 17.9% to ¥11,989 million.

Number of Employees by Segments

		Number of Empoyees	
	2010	2011	Increase (Decrease)
The Company	1,023	**1,067**	44
Domestic Store Subsidiaries	2,588	**2,588**	0
Overseas Subsidiaries	591	**613**	22
Subsidiaries for Car Goods Supply and Other	109	**124**	15
Subsidiaries for Supporting Functions	172	**67**	(105)
Total	4,483	**4,459**	(24)

Other Income and Expenses

In other items, other expenses—net was ¥488 million, a turnaround from other income–net of ¥404 million in the previous fiscal year. The main factors behind this were ¥414 million in foreign exchange loss, net, ¥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 of BRAIN-ING Co., Ltd.

Income Taxes

Income taxes for the period were ¥5,276 million. The effective tax rate rose from 43.7% in the previous period to 45.9%.

Net Income

Net income increased by ¥314 million from the previous period to ¥6,180 million, bringing basic net income per share to ¥177.97. Financial indicators all improved, with the net income ratio increasing from 2.5% in the previous year to 2.6%, ROA improved from 2.5% to 3.2%, and ROE increased from 3.8% in the previous year to 4.1%.

2. SEGMENT INFORMATION

The Group's segments are as follows:

The Company: The Company operates wholesale trade, selling 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. 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 Other: Subsidiaries for Car Goods Supply and Other 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 automobile-related goods, statutory safety inspection services and maintenance services, and car sales and purchasing, 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 Other 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 Other	Subsidiaries for Supporting Functions
Automobile-related goods	Wholesale-Retail	Retail	Wholesale-Retail	Wholesale	—
Statutory safety inspection services and maintenance services	Wholesale-Retail	Retail	Retail	—	—
Car sales and purchasing	Wholesale-Retail	Retail	—	—	—
Other	Lease business	—	—	–	Lease business -Others

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

Profits and losses by segments

<Non-Consolidated>

Sales rose 2.0% from a year earlier, to ¥194,716 million. In wholesale operations for franchise outlets, sales climbed 2.8% year on year, thanks to strong sales of tires, wheels, tire chains, tuners for digital terrestrial broadcasting, and automobiles, which outweighed a substantial decline in sales of ETC devices. In retail operations, sales were down 10.0% from a year earlier, reflecting the closure of directly managed second-hand automotive goods stores and the transfer of the motorcycle goods business in the previous fiscal year, as well as a decline in sales of ETC devices. Gross profit increased 3.7% year on year, to ¥40,626 million, as a result of higher sales of tires, wheels, and car exterior items, offsetting lower sales of ETC devices and second-hand automotive goods. Selling, general and administrative expenses were up 0.8% from a year earlier, to ¥28,877 million, due primarily to expenses to support sales floor renovation and increased personnel expenses associated with the merger of the Group's subsidiary, BRAIN-ING Co., Ltd. in August of the year under review despite significant efforts to reduce costs, including the concentration of expenses for sales promotion on tires and wheels. As a result, operating income was up 11.5% year on year, to ¥11,750 million.

<Domestic Store Subsidiaries>

While sales at existing stores remained unchanged from the previous year, sales in this segment increased 2.7% year on year, to ¥81,207 million, with the conversion of the franchise outlets to Group subsidiaries. However, operating loss increased by ¥17 million, to ¥90 million, reflecting a fall in sales and installation services of ETC devices, reduced sales associated with the Great East Japan Earthquake, and expenses for active sales promotion activities, offsetting an improvement in the gross margin on tires and wheels that sold well.

<Overseas Subsidiaries>

Sales were up 4.0% from a year earlier, to ¥8,810 million, principally because of higher sales at existing stores, offsetting the effect of exchange rate fluctuations. Operating loss was reduced by ¥527 million from a year earlier, to ¥184 million. In addition, net income of ¥322 million was achieved, which suggests the measures to improve overseas business are becoming effective. In France, where the management team was reorganized in May 2010, operating income grew substantially thanks to an increase in the sales of tires and other consumables, expanded pit services, and the positive effect of heavy snowfall, as well as cost reductions through organizational restructuring. In Singapore, steady economic growth and increased demand for automobile maintenance facilitated growth in sales and operating income. In Thailand, income remained close to the level of the previous year through cost controls, despite decreased sales due to political upheavals and flooding. Also in Thailand, a low-cost store specializing in the sale of tires opened in December. In China, despite a decline in wholesales following the closure of certain stores operated by franchisees, the operating loss was reduced through continued management streamlining and an increase in retail sales associated with the opening of stores operated by the Shanghai subsidiary of the Group.

The number of consolidated overseas stores at the end of the fiscal year under review totals four in Taiwan, two in Singapore, four in Thailand, 11 in France, and four in China.

Opening and Closing of Stores Overseas

	Stores			
		Year Ended March 2011		
	March 31, 2010	First Half	Second Half	March 31, 2011
France	11	0	0	11
China	6	-2	0	4
Taiwan	4	0	0	4
Thailand	3	0	1	4
Singapore	2	0	0	2
Total	26	-2	+1	25

<Subsidiaries for Car Goods Supply and Other>

Sales rose 0.4% year on year, to ¥13,034 million, with an increase in the wholesale of oils despite the exclusion from consolidation of two subsidiaries operating driving schools in July 2009 and Auto Refine Co., Ltd. in June 2010. Operating income in this segment declined 18.0% year on year, to ¥233 million, primarily attributable to the effect of changes in the cost of goods sold in oil wholesale.

<Subsidiaries for Supporting Functions>

Sales declined 51.0% year on year, to ¥6,180 million, and operating income fell by 34.4%, to ¥487 million, principally reflecting the change of AB SYSTEM SOLUTIONS Co., Ltd. from a subsidiary to an equity method company in October 2009 and the merger of BRAIN-ING Co., Ltd. in August 2010. Sales in the management services, leasing business, and the financial insurance business for franchise outlets constituting the main operations of this segment decreased with the liquidation of businesses and subsidiaries of the Group. Control of expenses, however, has helped profit remain generally in line with the plan.

Information about sales and profit (loss) is as follows.

	¥ Million					
	Year Ended March 2011					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Others	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	**140,232**	**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)	**11,750**	**(90)**	**(184)**	**233**	**487**	**12,196**

Reconciliation of published figures and aggregate of reportable segments.

	¥ Million	
Net sales	2010	2011
Total reportable segments	304,068	**303,947**
Elimination of intersegment transactions	(71,131)	**(67,596)**
Net sales in consolidated financial statements	232,937	**236,351**

	¥ Million	
Income	2010	2011
Total reportable segments	10,781	**12,196**
Amortization of goodwill	(320)	**(152)**
Inventories	(83)	**(66)**
Fixed assets	192	**(60)**
Allowance for point cards	92	**(25)**
Elimination of intersegment transactions	(327)	**188**
Others	(164)	**(92)**
Income in consolidated financial statements	10,171	**11,989**

FINANCIAL POSITION

1. BALANCE SHEET ITEMS

Current Assets

Current assets declined by ¥852 million year on year to ¥133,031 million. This was attributable in part to a decrease in securities and lease investment assets for domestic franchise business and an increase in inventories following the purchase of franchisees.

Property and Equipment, Investments and Other Assets

Net property and equipment was ¥36,932 million, down by ¥945 million year on year. The main factor in this was the sale of land belonging to Seibu Driving School Co., Ltd.

Total investments and other assets declined by ¥1,060 million from the previous period to ¥37,832 million. The change was largely attributable to increase of investment securities and a decrease in software, rental deposits and long-term loans, and deferred tax assets.

Current Liabilities

Total current liabilities were down by ¥872 million to ¥40,649 million. The main factors in this were declines in trade notes accounts payables and short-term borrowings and accrued income tax.

Long-term Liabilities

Total long-term liabilities increased by ¥1,905 billion to ¥19,183 million. The main factors behind this were an increase of the asset retirement obligations.

Equity

Total equity including minority interests fell by ¥3,890 million to ¥147,963 million. We recorded net income of ¥6,180 million and cash dividends of ¥4,623 million, and purchased our own shares at a cost of ¥5,232 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 2011 declined by ¥1,199 million year on year to ¥13,396 million.

Rental Deposits

The Group's stores are built to the specification 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, 2010 were down by ¥564 million from the previous year-end to ¥19,998 million.

CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥15,375 million. The main factors for cash inflow were income before income taxes and minority interests of ¥11,501 million, depreciation and amortization of ¥4,798 million, the effect of application of revised accounting standard for asset retirement obligations of ¥1,166 million and decrease in investments in lease of ¥1,365 million. The main factors for cash outflow were income taxes paid of ¥2,565 million, increase in inventories of ¥487 million and decrease in other payables and accruals of ¥676 million.

Cash Flows from Investing Activities

Net cash used in investing activities was ¥5,002 million. The main factors were capital expenditures of ¥3,187 million and acquisition and disposition of investment securities and proceeds from sales of and payments for marketable securities of ¥3,701 million.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a net inflow of ¥10,373 million.

• Capital Expenditures

In fiscal 2011, capital expenditures amounted to ¥3,187 million. These investments were associated mainly with acquisition of land and buildings for stores, refurbishment of logistics centers and investments in the Company's internal information systems. A breakdown of capital expenditures (including intangible fixed assets) in fiscal 2011 is shown below.

Major Capital Expenditures in Fiscal 2011

	¥ Million
Opening new stores	**582**
Scrap-and-build or relocation	**695**
Purchase of land for store locations	**112**
POS system development and IT investments	**947**
Other	**850**
Total	**3,187**

Capital Expenditures by Segments

	¥ Million		
	2010	2011	Increase (Decrease)
The Company	2,126	**2,068**	(58)
Domestic Store Subsidiaries	382	**338**	(44)
Overseas Subsidiaries	251	**106**	(145)
Subsidiaries for Car Goods Supply and Others	7	**8**	1
Subsidiaries for Supporting Functions	292	**665**	373
Total	3,061	**3,187**	126

Cash Flows from Financing Activities

Net cash used in financing activities was ¥11,790 million. This was mainly due to ¥4,555 million in dividends paid and ¥5,233 million paid for purchase of treasury stock, as well as ¥2,098 million used for repayment of and proceeds from long-term debt.

As a result of the above, cash and cash equivalents at fiscal year-end stood at ¥52,317 million, down by ¥1,468 million from a year earlier. This includes adjustments for exchange rate changes on cash and cash equivalents and increase in cash and cash equivalents resulting from an increase in the number of consolidated subsidiaries; and represents net cash provided by operating activities of ¥15,375 million, net cash used in investing activities of ¥5,002 million, and net cash used in financing activities of ¥11,790 billion.

Basic Policy on Distribution of Profits, Dividends for Fiscal 2011 and Fiscal 2012

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 3%. We intend to pay stable and consistent dividends and buy back the Company's shares as deemed appropriate, giving due consideration to our business results and financial stability.

For fiscal 2011, we paid an annual dividend of ¥135 per share, comprising a year-end dividend of ¥70 (up by ¥5 year on year) and an interim dividend of ¥65. This resulted in a DOE of 3.2%.

In fiscal 2012, we plan to pay an interim dividend of ¥70 per share and a year-end dividend of ¥70 per share, for an annual dividend of ¥140 per share, an increase of ¥5 from fiscal 2011.

BUSINESS RISKS

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

(1) Effect of the Great East Japan Earthquake

As of the end of June 2011, operations have been suspended for two stores in the Group. Certain manufacturers supplying tires and car audio equipment to the Group and some of their subcontractors were directly affected by the earthquake and have not resumed manufacturing because of complications such as parts shortages. This could affect the Group's business performance.

(2) Competition

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

(3) Unusual Weather Conditions

Merchandise sold by the AUTOBACS 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.

(4) Future Overseas Expansion

The AUTOBACS 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.

(5) Regulations Governing Opening of New Stores

The AUTOBACS 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.

(6) Observance of Laws and Regulations

With respect to the observance of laws and regulations, the AUTOBACS 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 or an officer or an employee violates laws or regulations, either intentionally or unintentionally, this could result in claims for compensation, which could affect the Group's business performance. In addition, the 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 malice or other reasons, the Group could lose credibility and its business performance could be negatively affected.

(7) 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 surge or plummet due to changes in the market environment. As a result, the Group's business performance could be affected by such developments as the selling price falling below the procurement price or declines in demand due to higher prices.

(8) Natural Disasters

In regions where the AUTOBACS 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. The Group's business results could be affected by such factors as reduced sales and costs required to restore operations and recruit human resources.

(9) Franchisees

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

(10) Store Operations

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

(11) 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.

(12) Lawsuits

The Chain 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 claims 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 Sheets

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
March 31, 2011 and 2010

ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	**¥52,317**	¥53,786	**$630,325**
Time deposits with an original maturity over 3 months (Note 17)	**1,449**	2,040	**17,458**
Marketable securities (Notes 3 and 17)	**3,350**	2,000	**40,361**
Receivables (Note 17):			
Trade notes and accounts	**22,016**	22,350	**265,253**
Associated companies	**1,007**	944	**12,133**
Other	**18,328**	17,701	**220,819**
Allowance for doubtful receivables	**(243)**	(294)	**(2,928)**
Investments in lease (Notes 2. O, 4 and 17)	**13,396**	14,595	**161,398**
Inventories	**17,461**	16,712	**210,373**
Deferred tax assets (Note 15)	**1,937**	2,154	**23,337**
Prepaid expenses and other current assets	**2,013**	1,895	**24,254**
Total current assets	**133,031**	133,883	**1,602,783**
PROPERTY AND EQUIPMENT:			
Land (Notes 5 and 8)	**21,695**	22,694	**261,386**
Buildings and structures (Note 5)	**35,865**	33,766	**432,108**
Furniture and equipment (Note 5)	**18,250**	18,199	**219,880**
Lease assets (lessee)	**277**	283	**3,337**
Construction in progress	**104**	74	**1,253**
Total	**76,191**	75,016	**917,964**
Accumulated depreciation	**(39,259)**	(37,139)	**(473,000)**
Net property and equipment	**36,932**	37,877	**444,964**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 17)	**4,704**	2,190	**56,675**
Investments in associated companies (Note 17)	**1,285**	1,640	**15,482**
Rental deposits and long-term loans (Notes 7 and 17)	**20,184**	21,104	**243,181**
Goodwill (Notes 5 and 6)	**914**	1,028	**11,012**
Deferred tax assets (Note 15)	**4,501**	5,123	**54,229**
Other (Note 5)	**6,244**	7,807	**75,228**
Total investments and other assets	**37,832**	38,892	**455,807**
TOTAL	**¥207,795**	¥210,652	**$2,503,554**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 17)	**¥457**	¥359	**$5,506**
Current portion of long-term debt (Notes 8 and 17)	**2,840**	4,680	**34,217**
Payables (Note 17):			
Trade notes and accounts	**15,254**	15,751	**183,783**
Associated companies	**1,247**	1,121	**15,024**
Other	**9,892**	10,096	**119,181**
Income taxes payable (Note 17)	**3,506**	1,771	**42,241**
Accrued expenses	**3,582**	3,679	**43,157**
Allowance for business restructuring	**1,101**	1,325	**13,265**
Other current liabilities	**2,770**	2,739	**33,373**
Total current liabilities	**40,649**	41,521	**489,747**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 17)	**9,443**	9,180	**113,771**
Liability for retirement benefits (Note 9)	**381**	381	**4,590**
Rental deposits received (Note 7):			
Associated companies	**1,190**	1,247	**14,337**
Other	**6,282**	6,305	**75,687**
Deferred tax liabilities (Note 15)	**90**	74	**1,084**
Other liabilities	**1,797**	91	**21,651**
Total long-term liabilities	**19,183**	17,278	**231,120**
Total liabilities	**59,832**	58,799	**720,867**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 17)			
EQUITY (Note 11)**:**			
Common stock, authorized, 109,402 thousand shares; issued, 37,454 thousand shares in 2011 and 37,454 thousand shares in 2010	**33,999**	33,999	**409,627**
Capital surplus	**34,278**	34,278	**412,988**
Retained earnings	**89,985**	88,399	**1,084,157**
Treasury stock at cost:3,210 thousand shares in 2011 and 1,608 thousand shares in 2010	**(10,637)**	(5,402)	**(128,157)**
Accumulated other comprehensive income :			
Unrealized (loss) gain on available-for-sale securities (Note 3)	**22**	108	**265**
Foreign currency translation adjustments	**(142)**	15	**(1,711)**
Total	**147,505**	151,397	**1,777,169**
Minority interests	**458**	456	**5,518**
Total equity	**147,963**	151,853	**1,782,687**
TOTAL	**¥207,795**	¥210,652	**$2,503,554**

Consolidated Statements of Income and Comprehensive Income

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
Years Ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
NET SALES (Note 12)	**¥236,351**	¥232,937	¥259,144	**$2,847,602**
COST OF GOODS SOLD	**160,611**	158,941	177,951	**1,935,072**
Gross profit	**75,740**	73,996	81,193	**912,530**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**63,751**	63,825	76,103	**768,084**
Operating income	**11,989**	10,171	5,090	**144,446**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**203**	230	670	**2,446**
Interest expense	**(190)**	(241)	(287)	**(2,289)**
Commission income	**749**	689	657	**9,024**
Impairment losses on fixed assets (Note 5)	**(350)**	(631)	(5,289)	**(4,217)**
Loss on business restructuring		(610)	(4,926)	
Loss on arrangement of stores	**(286)**	(92)	(291)	**(3,446)**
Loss on revaluation of investment securities		(127)	(1,334)	
Foreign exchange (loss) gain, net	**(414)**	(97)	(861)	**(4,988)**
Lease revenue—system equipment	**1,164**	1,246	1,495	**14,024**
Lease cost—system equipment	**(1,273)**	(1,459)	(1,532)	**(15,338)**
Provision of allowance for doubtful accounts		(3,745)		
Loss on sale of investment securities			(3,792)	
Effect of application of revised accounting standard for lease transactions (Note 2. O)			4,652	
Effect of application of revised accounting standard for asset retirement obligations (Note 2.M)	**(1,166)**			**(14,048)**
Loss on disaster (Note 14)	**(387)**			**(4,663)**
Additional retirement benefits	**(461)**		(433)	**(5,554)**
Reversal of allowance for business restructuring	**137**	3,436		**1,651**
Other—net	**1,786**	1,805	2,243	**21,518**
Other income (expenses)—net	**(488)**	404	(9,028)	**(5,880)**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**11,501**	10,575	(3,938)	**138,566**
INCOME TAXES (Note 15):				
Current	**4,370**	2,273	1,326	**52,650**
Deferred	**906**	2,345	(1,863)	**10,916**
Total	**5,276**	4,618	(537)	**63,566**
NET INCOME BEFORE MINORITY INTERESTS	**6,225**			**75,000**
MINORITY INTERESTS IN NET INCOME (LOSS)	**45**	91	(3)	**542**
NET INCOME (LOSS)	**¥6,180**	¥5,866	¥ (3,398)	**$74,458**
MINORITY INTERESTS IN NET INCOME (LOSS)	**45**			**542**
NET INCOME BEFORE MINORITY INTERESTS	**6,225**			**75,000**
OTHER COMPREHENSIVE INCOME (LOSS):				
Unrealized (loss) gain on available-for-sale securities	**(87)**			**(1,048)**
Foreign currency translation adjustments	**(169)**			**(2,036)**
Share of other comprehensive income of associates	**3**			**36**
Total other comprehensive income (loss)	**(253)**			**(3,048)**
COMPREHENSIVE INCOME	**5,972**			**71,952**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	**5,937**			**71,530**
Minority interests	**35**			**422**

	Yen			U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2. S and 20)**:**				
Basic net income (loss)	**¥177.97**	¥161.97	¥(90.29)	**$2.14**
Cash dividends applicable to the year	**135.00**	125.00	100.00	**1.63**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
Years Ended March 31, 2011, 2010 and 2009

	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, MARCH 31, 2008	39,255	1,026	¥33,999	¥34,513	¥102,248	¥(5,541)	¥(626)	¥(257)	¥164,336	¥869	¥165,205
Net loss					(3,398)				(3,398)		(3,398)
Decrease in treasury stock		(4)		(1)		10			9		9
Purchase of treasury stock		785				(2,470)			(2,470)		(2,470)
Appropriations:											
Cash dividends, ¥120.00 per share					(4,549)				(4,549)		(4,549)
Change in consolidation scope					(3)				(3)		(3)
Net changes of items							408	430	838	(153)	685
BALANCE, MARCH 31, 2009	39,255	1,807	33,999	34,512	94,298	(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**

	Thousands of U.S. dollars (Note 1)								
					Accumulated other comprehensive income				
	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, MARCH 31, 2010	$409,627	$412,988	$1,065,048	$(65,085)	$1,301	$181	$1,824,060	$5,494	$1,829,554
Net income			74,458				74,458		74,458
Purchase of treasury stock				(63,072)			(63,072)		(63,072)
Appropriations:									
Cash dividends, $1.57 per share			(54,903)				(54,903)		(54,903)
Change in consolidation scope			(446)				(446)		(446)
Net changes of items					(1,036)	(1,892)	(2,928)	24	(2,904)
BALANCE, MARCH 31, 2011	**$409,627**	**$412,988**	**$1,084,157**	**$(128,157)**	**$265**	**$(1,711)**	**$1,777,169**	**$5,518**	**$1,782,687**

See notes to consolidated financial statement.

Consolidated Statements of Cash Flows

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
Years Ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	**2011**
OPERATING ACTIVITIES:				
Income (loss) before income taxes and minority interests	**¥11,501**	¥10,575	¥(3,938)	**$138,566**
Adjustments for:				
Income taxes refunded (paid)	**(2,565)**	407	(4,505)	(30,904)
Depreciation and amortization	**4,798**	5,207	6,347	57,807
Impairment losses on fixed assets	**349**	631	5,289	4,205
Provision for business restructuring	**(224)**	(3,502)	4,783	(2,699)
Loss on revaluation of investment securities		127	1,536	
Gain (loss) on sale of investment securities	**(8)**	(213)	3,887	(96)
Reversal of retirement benefit	**(44)**	(78)	17	(530)
Effect of application of revised accounting standard for lease transactions			(4,652)	
Effect of application of revised accounting standard for asset retirement obligations	**1,166**			14,048
Changes in operating assets and liabilities:				
Decrease (increase) in receivables	**160**	1,852	(3,574)	1,928
Decrease (increase) in investments in lease	**1,365**	1,079	(839)	16,446
Decrease (Increase) in inventories	**(487)**	1,808	1,888	(5,867)
Increase (decrease) in other payables and accruals	**(676)**	(331)	(891)	(8,145)
Other	**40**	1,387	1,680	482
Net cash provided by (used in) operating activities	**15,375**	18,949	7,028	185,241
INVESTING ACTIVITIES:				
Capital expenditures	**(3,187)**	(3,061)	(4,870)	(38,398)
Proceeds from sales of fixed assets	**1,431**	599	202	17,241
Acquisition of investment securities	**(2,575)**	(396)		(31,024)
Disposition of investment securities	**2,157**	1,188	8,059	25,988
Proceeds from sales of marketable securities	**2,009**	2,000	500	24,205
Payments for marketable securities	**(5,292)**	(1,997)		(63,759)
Acquisition of business		(593)		
Payments for advances and rental deposits	**(1,094)**	(1,530)	(1,104)	(13,181)
Collection of advances and rental deposits	**871**	1,166	973	10,494
Payments for acquisition of subsidiaries' stock resulting from change in consolidation scope	**(258)**		(236)	(3,108)
Payments for sales of subsidiaries' stock resulting from change in consolidation scope	**(9)**	(834)		(108)
Other	**945**	(1,236)	1,019	11,385
Net cash (used in) provided by investing activities	**(5,002)**	(4,694)	4,543	(60,265)
FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings	**78**	(81)	(558)	940
Repayment of long-term debt	**(5,278)**	(2,943)	(1,891)	(63,590)
Proceeds from long-term debt	**3,180**	350	480	38,313
Purchase of treasury stock	**(5,233)**	(5,373)	(2,458)	(63,048)
Dividends paid	**(4,555)**	(4,023)	(4,547)	(54,880)
Other	**18**	(117)	(285)	217
Net cash used in financing activities	**(11,790)**	(12,187)	(9,259)	(142,048)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(52)**	(31)	(200)	(627)
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS	**(1,469)**	2,037	2,112	(17,699)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**53,786**	51,749	49,637	648,024
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥52,317**	¥53,786	¥51,749	**$630,325**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION— ACQUISITION OF BUSINESS:				
Assets acquired		¥843		
Liabilities assumed		(250)		
Acquisition cost		593		
Cash paid		¥593		
ACQUISITION OF SUBSIDIARIES:				
Fair value of assets acquired	**¥1,053**		¥602	**$**12,687
Liabilities assumed	**(783)**		(377)	(9,434)
Goodwill	**102**		230	1,229
Acquisition cost	**372**		455	4,482
Cash and cash equivalents held by subsidiaries	**114**		219	1,374
Cash paid for capital	**¥(258)**		¥(236)	**$**(3,108)
SALES OF SUBSIDIARIES:				
Assets by sales	**¥48**	¥6,951		**$578**
Liabilities by sales	**(49)**	(7,299)		(590)
Foreign currency translation adjustments		130		
Gain on sales of subsidiaries' stocks		219		
Reversal of allowance for business restructuring	**2**			24
Sales cost	**1**	1		12
Cash and cash equivalents held by subsidiaries	**(10)**	(835)		(120)
Cash paid for sales	**¥(9)**	¥(834)		**$(108)**

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 application and disclosure requirements of International Financial Reporting Standards ("IFRS").

Under Japanese GAAP, a consolidated statement of income and comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 19. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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, 2010and 2009, to conform to the classifications and presentations used in the consolidated financial statements for the year ended March 31, 2011.

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 ¥83 to U.S. $1.00, the approximate free rate of exchange on March 31, 2011. 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, 2011 include the accounts of the Company and all subsidiaries [38 in 2011, 42 in 2010 and 55 in 2009].

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 (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF 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; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. There was no effect from the adoption of this standard on April 1, 2008.

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 International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. This standard was applicable to 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 COMBINATION

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

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 current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (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. This 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 statement of income.

G. INVENTORIES

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

The Company applied the accounting standard for measurement of inventories effective April 1, 2008. As a result of this change, in the consolidated statements of operations in 2009, "Operating income" decreased by ¥64 million and "Loss before income taxes" increased by ¥64 million.

The consolidated statement of income for the fiscal year ended March 31, 2008, does not reflect this new accounting standard.

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 20 years.

K. PURCHASED SOFTWARE

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

L. RETIREMENT AND PENSION PLAN

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

Substantially all employees of subsidiaries were covered by a non-contributory defined contribution pension plan, an unfunded employee retirement payment plan and a non-contributory defined benefit pension plan. As a result of a change from a non-contributory defined benefit pension plan and a retirement payment plan to a non-contributory defined contribution pension plan by the Company and certain subsidiaries during the three years ended March 31, 2007, some subsidiaries have a non-contributory defined benefit pension plan and an unfunded employee retirement payment plan for employees at March 31, 2011.

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

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

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

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

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 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 ($ 1,084 thousand) and income before income taxes and minority interests by ¥ 1,256 million ($ 15,133 thousand).

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 deem 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 accounting 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 deem 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.

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

As a result of this change, in the consolidated statements of operations in 2009, "Operating income" increased by ¥179 million and "Loss before income taxes" decreased by ¥4,831 million, which included a cumulative effect of ¥4,652 million, compared to the prior period. This change resulted in an increase of net cash provided by operating activities and decrease of net cash provided by investing activities for the year ended March 31, 2009 by ¥839 million compared to prior period.

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 is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

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. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Changes and Error Corrections—In December 2009, 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, a 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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
CURRENT:			
Debt securities	**¥3,350**	¥2,000	**$40,361**
NON-CURRENT:			
Equity securities	**¥1,797**	¥1,752	**$21,651**
Debt securities	**2,907**	438	**35,024**
Total	**¥4,704**	¥2,190	**$56,675**

The carrying amounts and aggregate fair values of marketable and investment securities for which market quotations were available at March 31, 2011 and 2010 were as follows:

March 31, 2011	Millions of yen			
	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**

March 31, 2010	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥1,462	¥316	¥136	¥1,642
Debt securities	2,439		1	2,438

March 31, 2011	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$19,904**	**$2,542**	**$2,121**	**$20,325**
Debt securities	**35,771**	**36**	**36**	**35,771**
Held-to-maturity	**39,614**		**24**	**39,590**

Hybrid financial instruments of Available-for-sale-Debt securities are stated at fair value. Loss on revaluation of hybrid financial instruments for the years ended March 31, 2010 and 2009 were ¥127million and ¥1,334 million, respectively.

Available-for-sale and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2011 and 2010 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Securities classified as:			
Available-for-sale:			
Equity securities	**¥110**	¥110	**$1,325**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2011, 2010 and 2009, were ¥163 million ($1,964 thousand), ¥0 million and ¥5,082 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, for the years ended March 31, 2011 and 2010, were ¥11 million ($133 thousand), ¥0 million, respectively. Gross realized losses on these sales for the years ended March 31, 2011 and 2009 were ¥0 million ($0 thousand) and ¥3,792 million, respectively.

4. INVESTMENTS IN LEASE

A breakdown of investments in lease as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Gross lease receivables	**¥16,563**	¥19,094	**$199,554**
Unearned interest income	**(3,167)**	(4,499)	**(38,156)**
Investments in lease	**¥13,396**	¥14,595	**$161,398**

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

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

Maturities of investment in lease for finance leases that deem not to transfer ownership of the leased property to the lessee as of March 31, 2011 were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥2,210	$26,626
2013	2,024	24,386
2014	1,694	20,410
2015	1,585	19,096
2016	1,484	17,879
2017 and thereafter	7,566	91,157
Total	¥16,563	$199,554

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment for the years ended March 31, 2011, 2010 and 2009, and, as a result, recognized an impairment loss of ¥349 million($4,205 thousand), ¥631 million , and ¥5,289 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 weighted average cost of capital.

Impairment losses of long-lived assets and the weighted average cost of capital for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Land	**¥135**	¥378	¥1,611	**$1,627**
Buildings and structures	**105**	96	317	**1,265**
Goodwill		151	3,103	
Furniture and equipment	**69**	6	142	**831**
Other	**41**		116	**494**
Total	**¥350**	¥631	¥5,289	**$4,217**

	2011	2010	2009
Weighted average cost of capital	**7.28%**	7.49%	7.71%

6. GOODWILL

Goodwill at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Consolidation goodwill	**¥107**	¥112	**$1,289**
Purchased goodwill	**807**	916	**9,723**
Total	**¥914**	¥1,028	**$11,012**

7. RENTAL DEPOSITS AND LONG-TERM LOANS

A breakdown of rental deposits and long-term loans as of March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
RENTAL DEPOSITS TO:			
Lessors for distribution facilities and stores of the Companies	**¥9,855**	¥10,277	**$118,735**
Lessors for stores of franchisees	**8,839**	8,966	**106,494**
Lessors for office and other facilities	**1,304**	1,319	**15,711**
Total rental deposits	**19,998**	20,562	**240,940**
LOANS TO:			
Franchisees	**314**	537	**3,783**
Other	**1**	368	**12**
Total loans	**315**	905	**3,795**
Allowance for doubtful receivables	**(129)**	(363)	**(1,554)**
Total	**¥20,184**	¥21,104	**$243,181**

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

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

The Company has leased certain store buildings for which the Company has made rental deposits to lessors and subleased such stores to franchisees. The Company also receives non-interest-bearing rental deposits from the sublessees. Such rental deposits received are presented in long-term liabilities in the consolidated balance sheets. 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, 2011 and 2010 consisted of notes to banks and other. The annual interest rates applicable to the short-term borrowings at March 31, 2011and 2010 ranged from 1.0% to 1.6% and from 1.5% to 1.6%, respectively.

Long-term debt and lease obligations at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Bonds	**¥275**	¥220	**$3,313**
Loans from banks and other, due serially to 2015 with interest rates ranging from 0.8% to 2.7% (2011) and from 0.9% to 2.7% (2010) and other:			
Unsecured	**11,189**	12,771	**134,807**
Lease obligations	**819**	869	**9,868**
Total	**12,283**	13,860	**147,988**
Less current portion	**2,840**	4,680	**34,217**
Long-term debt, less current portion	**¥9,443**	¥9,180	**$113,771**

Annual maturities of long-term debt and lease obligations at March 31, 2011 were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥2,840	$34,217
2013	4,670	56,265
2014	1,393	16,783
2015	1,958	23,591
2016	897	10,807
2017 and thereafter	525	6,325
Total	¥12,283	$147,988

At March 31, 2011, land of ¥265 million ($3,193 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 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, 2011. Subsidiaries have a non-contributory defined contribution pension plan, a retirement payment plan, a non-contributory defined benefit pension plan and a smaller enterprise retirement allowance plan for employees as of March 31, 2011.

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 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, 2011 and 2010 is ¥253 million ($3,048 thousand) and ¥271 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

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

The net assets in the fund of the welfare plan were ¥6,998 million ($84,313 thousand) at March 31, 2010, which is the most recent data available. The salaries of the employees of the Company for such contributory pension plan appropriated 23.3% of the total salaries of the welfare plan at March 31, 2010. For the welfare pension plan, the amounts of contributions made are charged to income.

The liability (asset) for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	**¥209**	¥230	**$2,518**
Fair value of plan assets	**(81)**	(120)	**(976)**
Net liability	**¥128**	¥110	**$1,542**

The components of net periodic benefit costs for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Service cost	**¥27**	¥36	¥34	**$325**
Contribution of contributory welfare pension plan	**360**	350	351	**4,338**
Contribution pension plan and other	**248**	243	340	**2,988**
Additional retirement benefits	**461**		433	**5,554**
Net periodic retirement benefit costs	**¥1,096**	¥629	¥1,158	**$13,205**

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 year ended March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Balance at beginning of year	**¥1,737**	**$20,928**
Additional provisions associated with the acquisition of property, plant and equipment	**10**	**120**
Reconciliation associated with passage of time	**32**	**386**
Reduction associated with settlement of asset retirement obligations	**(36)**	**(434)**
Other	**(3)**	**(36)**
Balance at end of year	**¥1,740**	**$20,964**

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, 2011, 2010 and 2009 aggregated to approximately 57%, 57% and 54% 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, 2011, 2010, and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
Year Ending March 31	2011	2010	2009	2011
Employee salaries & allowances	**¥23,463**	¥23,342	¥26,461	**$282,687**
Provision for retirement allowance	**635**	629	725	**7,651**
Rent payment	**6,088**	6,296	8,956	**73,349**
Depreciation	**3,906**	4,236	5,064	**47,060**
Provision for allowance for doubtful receivables	**115**	8	92	**1,386**

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	Thousands of U.S. dollars
March 31, 2011	2011	2011
Provision of allowance for loss on disaster	**¥171**	**$2,060**
Loss on abandonment of goods	**158**	**1,904**
Purchase cost of relief supplies	**22**	**265**
Loss on abandonment of noncurrent assets	**19**	**229**
Disaster compensation to franchisees, Others	**17**	**205**
Total	**¥387**	**$4,663**

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, 2011, 2010 and 2009.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
DEFERRED TAX ASSETS:			
Receivables	**¥1,330**	¥1,527	**$16,024**
Accrued enterprise taxes	**289**	169	**3,482**
Accrued bonuses	**329**	306	**3,964**
Inventories	**1,099**	1,182	**13,241**
Property and equipment	**5,302**	5,271	**63,880**
Pension and severance costs	**101**	108	**1,217**
Provision for business restructuring	**439**	528	**5,289**
Investments	**656**	1,864	**7,904**
Other accounts payable	**1,096**	337	**13,205**
Tax loss carryforwards	**2,112**	2,346	**25,446**
Other	**1,125**	557	**13,554**
Less valuation allowance	**(5,490)**	(5,229)	**(66,145)**
Deferred tax assets	**8,388**	8,966	**101,061**
DEFERRED TAX LIABILITIES:			
Property and equipment	**525**	525	**6,325**
Undistributed earnings of associated companies	**307**	307	**3,699**
Effect of application of accounting standard for leased assets	**891**	768	**10,735**
Unrealized gains on available-for-sale securities	**15**	80	**181**
Other	**302**	91	**3,639**
Deferred tax liabilities	**2,040**	1,771	**24,579**
Net deferred tax assets	**¥6,348**	¥7,195	**$76,482**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2011, 2010 and 2009, and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2011	2010	2009
Normal effective statutory tax rate	**41.0%**	41.0%	(41.0)%
Expenses not deductible for income tax purposes	**0.7**	0.7	2.3
Per-capita inhabitants' tax	**0.7**	0.7	2.1
Changes in valuation allowance	**2.8**	0.5	19.9
Amortization of goodwill	**0.4**	0.6	3.6
Other—net	**0.3**	0.2	(0.5)
Actual effective tax rate	**45.9%**	43.7%	(13.6)%

At March 31, 2011, certain subsidiaries have tax loss carryforwards aggregating approximately ¥9,630 million ($116,024 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
2012	**¥734**	**$8,843**
2013	**110**	**1,325**
2014	**235**	**2,831**
2015	**284**	**3,422**
2016	**504**	**6,072**
2017	**8**	**97**
2018 and thereafter	**7,755**	**93,434**
Total	**¥9,630**	**$116,024**

16. LEASES

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

Total rental expense for the years ended March 31, 2011, 2010 and 2009 was ¥6,484 million ($78,120 thousand), ¥6,679 million and ¥9,373 million, respectively, including ¥394 million ($4,747 thousand), ¥396 million and ¥423 million of lease payments under finance leases.

Certain land and buildings which were treated as operating leases under the previous accounting standard are treated as finance leases under the revised accounting standard for lease transactions. As a result, land and buildings noted in the pro forma information increased compared to the prior year.

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, 2011 and 2010 is as follows:

	As of March 31, 2011 Millions of yen				As of March 31, 2010 Millions of yen			
	Equipment	Furniture	Building and Land	Total	Equipment	Furniture	Building and Land	Total
Acquisition cost	**¥84**	**¥8**	**¥4,818**	**¥4,910**	¥88	¥20	¥4,819	¥4,927
Accumulated depreciation	**62**	**7**	**2,623**	**2,692**	54	16	2,393	2,463
Net leased property	**¥22**	**¥1**	**¥2,195**	**¥2,218**	¥34	¥ 4	¥2,426	¥2,464

	As of March 31, 2011 Thousands of U.S. dollars			
	Equipment	Furniture	Building and Land	Total
Acquisition cost	**$ 1,012**	**$96**	**$58,048**	**$59,156**
Accumulated depreciation	**747**	**84**	**31,602**	**32,433**
Net leased property	**$265**	**$12**	**$26,446**	**$26,723**

Obligations under finance lease contracts:

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Due within one year	**¥258**	¥248	**$3,108**
Due after one year	**2,506**	2,764	**30,193**
Total	**¥ 2,764**	¥3,012	**$ 33,301**

Depreciation expense and interest expense under finance lease contracts:

	Millions of yen 2011	2010	2009	Thousands of U.S. dollars 2011
Depreciation expense	**¥245**	¥248	¥277	**$2,952**
Interest expense	**148**	161	169	**1,783**
Total	**¥393**	¥409	¥446	**$4,735**

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 non-cancelable operating leases at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Due within one year	**¥3,590**	¥3,560	**$43,253**
Due after one year	**27,318**	28,506	**329,133**
Total	**¥ 30,908**	¥32,066	**$ 372,386**

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." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. 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 comprised 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 comprised 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 abovementioned 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 debt, 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. Also please see Note 18 for the detail of fair value for derivatives.

(a)Fair values of financial instruments

March 31, 2011	Millions of yen Carrying amount	Fair value	Unrealized gain/(loss)	Thousands of U.S. dollars Carrying amount	Fair value	Unrealized gain/(loss)
Cash and cash equivalents	¥52,317	¥52,315	¥(2)	$630,325	$630,301	$(24)
Time deposits with an original maturity over 3 months	1,449	1,449		17,458	17,458	
Receivables	41,108	41,079	(29)	495,277	494,928	(349)
Investments in lease	13,194	15,455	2,261	158,964	186,205	27,241
Marketable securities	3,350	3,349	(1)	40,361	40,349	(12)
Investment securities	4,593	4,593		55,337	55,337	
Investments in associated companies	934	299	(635)	11,254	3,603	(7,651)
Rental deposits and long-term loans	20,184	18,090	(2,094)	243,181	217,952	(25,229)
Total	¥137,129	¥136,629	¥(500)	$1,652,157	$1,646,133	$(6,024)
Payables	26,343	26,343		317,385	317,385	
Short-term borrowings and current portion of long-term debt	3,297	3,482	185	39,723	41,952	2,229
Income taxes payable	3,506	3,506		42,241	42,241	
Long-term debt	9,443	9,705	262	113,771	116,928	3,157
Total	¥42,589	¥43,036	¥447	$513,120	$518,506	$5,386
Derivatives	(4)	(4)		(48)	(48)	

Note. The difference of the above investments in lease and the amount of 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 ( ).

March 31, 2010	Millions of yen Carrying amount	Fair value	Unrealized gain/(loss)
Cash and cash equivalents	¥53,786	¥53,783	¥(3)
Time deposits with an original maturity over 3 months	2,040	2,040	
Receivables	40,995	40,732	(263)
Investments in lease	14,595	17,827	3,232
Marketable securities	2,000	2,000	
Investment securities	2,080	2,080	
Investments in associated companies	1,307	732	(575)
Rental deposits and long-term loans	21,467	18,857	(2,610)
Total	¥138,270	¥138,051	¥(219)
Payables	¥26,968	¥26,968	
Short-term borrowings and current portion of long-term debt	5,039	5,241	¥202
Income taxes payable	1,771	1,771	
Long-term debt	9,180	9,525	345
Total	¥42,958	¥43,505	¥547
Derivatives			

Cash and cash equivalents, time deposits with an original maturity over 3 months

The fair value of cash and time deposits with an original maturity over 3 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 with credit spread added to appropriate indices such as government bond yields.

The difference between the carrying amount of receivables, rental deposits and long-term loans in the above table and the amount in the consolidated balance sheets as of March 31, 2010 is allowance for doubtful receivables.

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

Marketable securities, investment securities, 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 purpose.

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.

Derivatives

The information of the fair value for derivatives is included in Note 18.

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

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Investments in equity instruments that do not have a quoted market price in an active market	**¥463**	¥443	**$5,578**

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

	Millions of yen			
March 31, 2011	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 3 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**

	Thousands of U.S. dollars			
March 31, 2011	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	**$630,337**			
Time deposits with an original maturity over 3 months	**17,458**			
Receivables	**437,108**	**$59,952**	**$1,145**	
Investments in lease	**19,651**	**61,976**	**52,012**	**$25,325**
Marketable securities	**39,639**			
Investment securities	**747**	**33,735**	**590**	
Rental deposits and long-term loans	**34,687**	**69,759**	**62,434**	**77,855**
Total	**$1,179,627**	**$225,422**	**$116,181**	**$103,180**

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

18. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

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

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

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

Derivative transactions to which hedge accounting is not applied

	Millions of yen			
March 31, 2011	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain / Loss
Interest rate swaps: (fixed rate payment, floating rate receipt)	**¥361**	**¥171**	**¥(5)**	**¥(5)**
Interest rate swaps: (floating rate payment, fixed rate receipt)	**100**	**100**	**1**	**1**
Total	**¥461**	**¥271**	**¥(4)**	**¥(4)**

	Thousands of U.S. Dollars			
March 31, 2011	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain / Loss
Interest rate swaps: (fixed rate payment, floating rate receipt)	**$4,349**	**$2,060**	**$(60)**	**$(60)**
Interest rate swaps: (floating rate payment, fixed rate receipt)	**1,205**	**1,205**	**12**	**12**
Total	**$5,554**	**¥3,265**	**$(48)**	**$(48)**

Derivative transactions to which hedge accounting is applied

	Millions of yen			
March 31, 2010	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps: (fixed rate payment, floating rate receipt)	Long-term debt	¥249	¥178	Note

Note: The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are treated together with the total amount of the long-term loan being hedged. Therefore, the fair value is stated including the fair value of the long-term loan.

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

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

19. COMPREHENSIVE INCOME

For the year ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	Millions of yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥6,033
Minority interests	76
Total comprehensive income	¥6,109

Other comprehensive income for the year ended March 31, 2010 consists of the following:

	Millions of yen
	2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥325
Foreign currency translation adjustments	(175)
Share of other comprehensive income in associates	2
Total other comprehensive income	¥152

Note: The information of total comprehensive income for the year ended March 31, 2009 under the new accounting standard is not required.

20. NET INCOME (LOSS) PER SHARE

Net income (loss) per share ("EPS") for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
For the year ended March 31, 2011	Net income (loss)	Weighted average shares	EPS	
Basic EPS:				
Net income (loss) available to common shareholders	**¥6,180**	**34,724**	**¥177.97**	**$2.14**

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

	Millions of yen	Thousands	Yen
For the year ended March 31, 2009	Net income (loss)	Weighted average shares	EPS
Basic EPS:			
Net loss available to common shareholders	¥(3,398)	37,631	¥(90.29)

21. SEGMENT INFORMATION

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures". Under the standard and guidance, 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.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required, however the year ended March 31, 2009 under the revised accounting standard is not required.

1. Description of reportable segments

The Company's reporting 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 Group comprises segments made up of groups of companies based on wholesale division and retail division functions for these businesses. The Group has five reporting segments: "the company," "domestic store subsidiaries," "overseas subsidiaries," "subsidiaries for car goods supply and other," 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 reporting 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 reporting segments, the goodwill associated with overseas subsidiaries is tested for impairment as a non-amortized asset, 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 reporting 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 ,Plant and 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 to those disclosed in Note 2, “Summary of Significant Accounting Policies”.

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

	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	**11,750**	**(90)**	**(184)**	**233**	**487**	**12,196**
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 and 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	10,539	(73)	(711)	284	742	10,781
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 and equipment and intangible assets	1,952	531	252	8	20	2,763

	Thousands of U.S. Dollars					
	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	**$1,689,542**	**$970,024**	**$104,289**	**$72,012**	**$11,735**	**$2,847,602**
Intersegment sales or transfers	**656,434**	**8,373**	**1,856**	**85,024**	**62,723**	**814,410**
Total	**2,345,976**	**978,397**	**106,145**	**157,036**	**74,458**	**3,662,012**
Segment profit	**141,566**	**(1,084)**	**(2,217)**	**2,807**	**5,868**	**146,940**
Segment assets	**2,497,566**	**266,193**	**111,831**	**43,976**	**199,639**	**3,119,205**
Other:						
Depreciation	**22,253**	**4,000**	**3,217**	**373**	**241**	**30,084**
Amortization of goodwill		**229**			**84**	**313**
Share of associates accounted for using equity method	**6,084**					**6,084**
Increase in property and equipment and intangible assets	**16,096**	**4,675**	**1,289**	**108**	**169**	**22,337**

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

	Millions of yen		Thousands of U.S. dollars
Net sales	**2011**	2010	**2011**
Total reportable segments	**¥303,947**	¥304,068	**$3,662,012**
Elimination of intersegment transaction	**(67,596)**	(71,131)	**(814,410)**
Net sales of consolidated financial statements	**¥236,351**	¥232,937	**$2,847,602**

	Millions of yen		Thousands of U.S. dollars
Income	**2011**	2010	**2011**
Total reportable segments	**¥12,196**	¥10,781	**$146,940**
Amortization of goodwill	**(152)**	(320)	**(1,831)**
Inventories	**(66)**	(83)	**(795)**
Fixed assets	**(60)**	192	**(723)**
Allowance for point card	**(25)**	92	**(301)**
Elimination of intersegment transaction	**188**	(327)	**2,265**
Others	**(92)**	(164)	**(1,109)**
Income of consolidated financial statements	**¥11,989**	¥10,171	**$144,446**

Assets	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Total reportable segments	**¥258,894**	¥262,674	**$3,119,205**
Elimination of intersegment transaction	**(43,937)**	(44,630)	**(529,362)**
Fixed assets	**(3,886)**	(3,560)	**(46,819)**
Amortization of goodwill	**(3,354)**	(3,532)	**(40,410)**
Inventories	**(1,256)**	(1,222)	**(15,133)**
Investments in associates accounted for using equity method	**780**	782	**9,398**
Others	**554**	140	**6,675**
Assets of consolidated financial statements	**¥207,795**	¥210,652	**$2,503,554**

	Millions of yen					
	Total reportable segments		Adjustment		Consolidated total	
Other items	2011	2010	2011	2010	2011	2010
Depreciation	**¥2,497**	¥2,812	**¥1,409**	¥1,424	**¥3,906**	¥4,236
Amortization of goodwill	**26**	26	**210**	320	**236**	346
Investments in associated for using equity method	**505**	858	**780**	782	**1,285**	1,640
Increase in property, plant and equipment and intangible assets	**1,854**	2,763	**1,333**	298	**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.
3. The adjustment amount for investments in associates accounted for using the equity method is the adjustment amount according to the equity method.

	Thousands of U.S. dollars		
	Total reportable segments	Adjustment	Consolidated total
Other items	2011	2011	2011
Depreciation	**$30,084**	**$16,976**	**$47,060**
Amortization of goodwill	**313**	**2,530**	**2,843**
Investments in associated for using equity method	**6,084**	**9,398**	**15,482**
Increase in property, plant and equipment and intangible assets	**22,338**	**16,060**	**38,398**

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 statement of income and comprehensive income.

(B) Information by geographic region

The Companies have omitted this information because sales to external customers within Japan account for more than 90% of the net sales recorded in the consolidated statement of income and comprehensive income and property and equipment within Japan accounts for more than 90% of the property and equipment reported in the consolidated balance 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					
	2011					
	The company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	**¥206**	**¥133**			**¥10**	**¥349**

	Thousands of U.S. Dollars					
	2011					
	The company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	**$2,483**	**$1,602**			**$120**	**$4,205**

	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**

	Thousands of U.S. Dollars 2011					
	The company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Amortization of goodwill		**$1,301**	**$1,542**			**$2,843**
Goodwill at March 31, 2011		**1,289**	**9,723**			**11,012**

22. SUBSEQUENT EVENTS

a. The general shareholders' meeting held on June 23, 2011 resolved the following appropriations of retained earnings as of March 31, 2011:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥70 ($0.8) per share	¥2,398	$28,892

b. At the Board of Directors meeting held on May 11, 2011, the Board approved the repurchase of common stock up to a maximum of 1,600,000 shares to the aggregate amount of ¥5,600 million ($67,470 thousand).
By June 24, 2011, the Company repurchased 462,900 shares of common stock for ¥ 1,480 million ($ 17,831 thousand) in the market.

c. At the Board of Directors held on May 11, 2011, the Board approved the cancellation 3,202,599 shares of treasury stock and carried it out on May 18, 2011.

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Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of AUTOBACS SEVEN Co., Ltd. and subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2011, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AUTOBACS SEVEN Co., Ltd. and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

June 24, 2011

Member of
Deloitte Touche Tohmatsu Limited

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