Financial Section **2010**

Contents

Consolidated Six-Year Summary

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

Millions of yen, except per share data

Fiscal year ended on March 31 for each displayed year	2005	2006	2007	2008	2009	**2010**
FISCAL YEAR						
Net sales:						
Tires and wheels	¥ 45,966	¥ 50,025	¥ 50,878	¥ 52,485	¥ 52,587	**¥ 47,954**
Car electronics	65,359	69,185	68,904	66,900	63,708	**63,994**
Oil and batteries	16,565	17,342	17,686	25,456	26,334	**24,246**
Car exterior goods	23,257	25,763	23,644	30,538	28,458	**22,350**
Car interior goods	20,347	22,280	23,686	25,070	23,674	**21,071**
Motor sports goods and others	55,286					
Motor sports goods		22,035	20,109	19,733	17,383	**15,377**
Services		13,255	14,344	18,065	18,472	**16,856**
Others		20,322	23,281	28,182	28,528	**21,089**
Total	226,780	240,207	242,532	266,430	259,144	**232,937**
Operating income	7,368	13,638	12,220	6,937	5,090	**10,171**
Income (loss) before income taxes and minority interests	6,876	13,866	16,549	4,972	(3,938)	**10,575**
Net income (loss)	2,928	7,861	9,165	1,467	(3,398)	**5,866**
Dividends paid	1,384	1,775	2,075	2,294	4,547	**4,023**
Consolidated dividend payout ratio	56.4%	24.7%	24.3%	260.6%	–	**77.2%**
Return (loss) on sales	1.3%	3.3%	3.8%	0.6%	(1.3%)	**2.5%**
Return (loss) on equity	2.0%	5.1%	5.6%	0.9%	(2.1%)	**3.8%**
Return (loss) on assets	1.4%	3.6%	3.9%	0.6%	(1.5%)	**2.7%**
Per share data (Yen):						
Basic net income (loss)	¥ 79.85	¥ 210.36	¥ 239.01	¥ 38.37	¥ (90.29)	**¥ 161.97**
Cash dividends	45.00	52.00	58.00	100.00	100.00	**125.00**
Net cash provided by (used in) operating activities	¥ 10,980	¥ 24,137	¥ 17,216	¥ (646)	¥ 7,028	**¥ 18,949**
Net cash (used in) provided by investing activities	(1,277)	(26,997)	(7,102)	(7,993)	4,543	**(4,694)**
Net cash (used in) provided by financing activities	237	5,177	(4,698)	(729)	(9,259)	**(12,187)**
Capital expenditures	6,349	11,400	10,356	9,753	4,870	**3,061**
Depreciation and amortization	5,620	5,068	6,471	7,463	6,347	**5,207**
AT YEAR-END						
Cash and cash equivalents	¥ 51,150	¥ 53,622	¥ 59,227	¥ 49,637	¥ 51,749	**¥ 53,786**
Current assets	104,214	112,020	119,265	117,407	136,968	**133,883**
Current liabilities	34,610	44,046	48,882	43,571	44,842	**41,521**
Current ratio	301.1%	254.3%	244.0%	269.5%	305.4%	**322.4%**
Total assets	203,225	227,707	240,628	234,126	224,168	**210,652**
Equity	148,983	161,536	167,995	164,336	154,763	**151,397**
Equity ratio	73.3%	70.9%	69.8%	70.2%	69.0%	**71.9%**
Total number of stores	529	532	538	640	634	**537**
Of which, overseas stores	12	19	21	117	116	**26**
Number of employees	4,023	4,406	4,621	6,492	5,933	**4,483**

Review of Fiscal 2010

OPERATIONAL REVIEW

THE AUTOBACS CONSOLIDATED GROUP

The AUTOBACS Consolidated Group consists of AUTOBACS SEVEN Co., Ltd. (the Company), 42 subsidiaries, and 8 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, 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 *Hashiriya Tengoku Secohan Ichiba*, and AUTOBACS EXPRESS. In the automobile purchase and sales business, its brand is AUTOBACS CARS. (Please see pages 28 and 29 of the main section of the annual report for a summary of store numbers and formats). The Group generates revenue through three business segments: 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

	2009		2010	
Stores included in consolidation (retail operations)				
Directly managed stores	17		**14**	
Consolidated subsidiaries (of which, overseas)	221	(97)	**144**	**(14)**
Stores managed by consolidated affiliates (of which, overseas)	37	(4)	**34**	**(2)**
Subtotal	275		**192**	
Stores not included in consolidation				
Stores managed by franchisees, including stores of affiliates (of which, overseas)	360	(15)	**345**	**(10)**
Total stores (of which, overseas)	635	(116)	**537**	**(26)**

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 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 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 7.)

Sales of Main Three Store Types

¥ billion; Stores

		2009	2010
AUTOBACS	Sales	186.0	**188.4**
	Stores	397	**395**
Super AUTOBACS	Sales	87.2	**85.3**
	Stores	77	**77**
AUTO HELLOES	Sales	2.5	**2.4**
	Stores	8	**8**
Total	Sales	275.7	**276.1**
	Stores	482	**480**

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 ¥1,827.4 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 in general. 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 2010 issues

FISCAL 2010—OVERVIEW AND ACHIEVEMENTS

Performance Overview

In the operating environment in fiscal 2010 some industries such as home appliances saw consumption begin to recover on the back of government economic stimulus policies. However, the overall business environment remained harsh amid an ongoing slump in personal spending due to uncertainty over employment and incomes, deflation and other factors. In Japan, the automotive goods and services industry experienced a surge in demand for electronic toll collection (ETC) devices and other goods for long-distance driving*, spurred by a cut in expressway toll charges; but the operating environment remained harsh as consumers continued to cut back on spending and sales prices fell.

In this environment, the Group promoted its mid-term business plan with a focus on increasing management efficiency and enhancing corporate governance, and continued to restructure its businesses. We also responded to remarkable changes in the consumer environment by adjusting our merchandise assortments and pricing. Meanwhile, we focused our efforts on "returning to our roots," and in particular to making preparations for shoring up our franchise business base in Japan.

* Goods used during long-distance driving including cushions, FM transmitters for digital audio, portable toilets and portable navigation systems.

• Sales by Domestic Chain

For automotive goods and services sales at AUTOBACS chain stores in Japan, including franchise chain stores, we sold ETC devices, for which demand has grown, expanded sales of long-distance driving accessories, and conducted newspaper and TV commercial sales campaigns for tires and portable navigation systems. We also launched private and exclusive brand merchandise, mainly tires and wheels, to offer more products to consumers seeking lower prices.

As a result of these efforts, we saw steady sales of ETC devices, portable navigation systems, tires, oil and other items for the first half of the fiscal year. From the third quarter, tire sales slipped by 1.2% compared to the same period in the previous year as the effect of late snows across the whole of Japan and falling prices outweighed growth in demand for snow tires due to heavy snows on Japan's western seaboard. ETC device sales began to decline from October 2009 onwards as the penetration rate climbed and consumers put off purchasing in anticipation of changes to the system for expressway tolls. In statutory inspections and maintenance services, we treated the increasing average vehicle age in Japan as an opportunity to expand sales and conducted in-store sales promotions and a telemarketing campaign targeting members of our point-up card membership program. From November 2009, we launched a maintenance pack service combining maintenance services and products as a new offering. As a result of our efforts, the number of statutory safety inspections increased by 15.3% year on year, to 446,722 vehicles. These efforts saw combined net sales for automotive goods and services and statutory safety inspection and maintenance services at AUTOBACS, Super AUTOBACS, and AUTO HELLOES decline by 0.4% year on year on a same-store basis.

In car sales and purchases, the number of vehicle sales by franchise stores, including sales to the Group, fell by 8.9% year on year, to 14,657 units (excluding sales to used car auctions). This was largely attributable to a reduction in the number of affiliated outlets in this business from fiscal 2010, and liquidation of subsidiary CARS Sapporo Co., Ltd. On the other hand, even as the business environment for the used car industry took a blow with tax breaks for eco-friendly cars eroding the cost-competitiveness of used vehicles, efforts to strengthen the sales framework and enhance training at stores resulted in a 21.9% year-on-year increase in vehicles sold on a same-store basis at AUTOBACS CARS franchise chain stores (188 stores as of March 31, 2010).

With respect to store consolidation, we opened 3 new stores, including format changes: 2 AUTOBACS stores and 1 Super AUTOBACS store. Meanwhile, we closed 10 stores: 4 AUTOBACS stores, 1 Super AUTOBACS store and 5 AUTOBACS *Hashiriya Tengoku Secohan Ichiba* stores. We also relocated 4 AUTOBACS stores, and sold 1 Company-operated RICOLAND motorcycle goods specialty store. Consequently, the overall network in Japan, including franchise stores, at fiscal year-end consisted of 511 stores, down 8 from a year earlier.

Domestic Store Consolidation

	Stores							
		Year Ended March 2010						
		First Half			Second Half			
	March 31, 2009	New stores	S&B* Relocation	Stores closed	New stores	S&B* Relocation	Stores closed	March 31, 2010
AUTOBACS	397	+2	+1			+3	–4	395
Super AUTOBACS	77			–1	+1			77
AUTO HELLOES	8							8
AUTOBACS *Hashiriya Tengoku Secohan Ichiba*	30			–2			–3	25
AUTOBACS EXPRESS	6							6
Total (Japan)	518	+2	+1	–3	+1	+3	–8	511

* S&B: scrap and build

• Overseas Business

In our overseas businesses in France, the effects of the economic slump caused one franchisee to close shop following the withdrawal from franchise operation amid a persistently harsh business environment. Against this backdrop, we gave guidance on implementing the same sort of measures as in Japan, namely bolstering services from the customer's perspective, reviewing store operation, and strengthening sales of essentials and consumables, mainly tires. Despite these measures, sales decreased by 5.3% year on year on a same-store basis. We also worked to reform our cost structure, including overhauling the management structure for stores and reducing the number of employees at local affiliates.

In China, we worked to rebuild our business model by dissolving our contracts with some franchisees and reviewing the management structure of our local subsidiary. This led to the closing of seven stores, resulting in a decline in sales. We also undertook fresh initiatives in China, and started to develop a new store model, with a local subsidiary opening one new store in Shanghai in March 2010.

In other areas of Asia (Taiwan, Thailand, and Singapore), we worked at existing stores to expand sales of consumable goods, mainly tires, oil and batteries, and to control costs. As a result, our business results here were largely in line with our targets.

Overseas Store Consolidation

	Stores			
		Year Ended March 2010		
	March 31, 2009	First Half	Second Half	March 31, 2010
United States	83			–
France	12		–1	11
China	12	–6	+1/–1	6
Taiwan	4			4
Thailand	3			3
Singapore	2			2
Total (Overseas)	116	–6	–1	26

Market Outlook and Business Strategies (New Medium-Term Business Plan)

In Japan, the automotive goods and services business is expected to see ongoing market contraction due to a decline in vehicle ownership, a growing trend by consumers to economize and declining interest in cars among the younger generation. Based on this outlook for the business environment, we formulated the new AUTOBACS 2010 Medium-Term Business Plan, which will cover the period from fiscal 2011, the year ending March 2011, through to fiscal 2014.

The Group's business strategy is to concentrate on its core operation, the AUTOBACS domestic business, and make sweeping enhancements. At the same time, we will reconstruct the value we deliver from the customer's perspective, focusing on quality merchandise and services at reasonable prices, convenience, and security and reliability. Our aim is to realize our slogan "Anything about cars, you find at AUTOBACS," and a store network and a business that are supported and trusted by customers, and in doing so to increase our market share and store profitability. In our financial strategy, we will make aggressive investments to help us achieve our business strategy. We will focus on generating cash flow from our operations and increasing returns to investors, while improving asset efficiency. In this way, we will achieve a continuous increase in shareholder value.

The specific challenges that we must face to realize these strategies are as follows.

(1) Reinforce AUTOBACS' Domestic Business

We will seek to improve store profitability by reforming our store fronts, our merchandise and purchasing systems, and our human resources and operations. In reforming our store fronts we aim to create enjoyable stores that make it easy for new customers to select and purchase merchandise. To this end, we will completely review our store layouts, our methods of displaying merchandise, and our sales promotion tools. In reforming our merchandise and purchasing systems, we will provide merchandise and services matched to customers' needs at reasonable prices. In addition to pricing, we will develop private and exclusive brand merchandise to cater to new demand, and promote a sales structure that has a stronger emphasis on maintenance than before. In terms of reforming our human resources and operations, we will enhance our treatment of customers to increase customer service efficiency and ensure that they have a positive shopping experience. We will also train staff to be able to serve customers across an extended range of merchandise, and train pit staff to be proficient in a broad range of technologies.

In order to increase our market share, we will develop new store formats that are free to depart from the traditional AUTOBACS format, and that reflect the results of the above reforms, and move swiftly to open them. We will also seek future growth by developing formats for services such as statutory safety inspections, maintenance, and body work services. And we will start work on a multi-channel strategy, allowing customers to use the internet, or in-store terminals in addition to our existing store network. Finally, we will set up a business management structure to improve the execution of the plan by training key people within the Group, promoting the plan internally, strengthening monitoring systems and other measures.

(2) Financial Strategy

To realize this business strategy we plan to make capital expenditures of approximately ¥30 billion over 4 years for opening new stores and for store refurbishments relating to store front reforms.

With respect to shareholder returns, we will aim for dividend-on-equity (DOE) of 3% and buy-back our own shares and cancel treasury stock as deemed appropriate. We will also improve inventory efficiency and put in place an investment management framework that focuses on profitability of investments to improve asset and capital efficiency.

(3) Strengthening CSR Activities

Social contribution activities will be an important focus for management within the Group. We are shifting to operations that place less of a burden on the environment, and reusing and recycling materials. We will step up our activities in other areas too, including contribution to society, compliance and risk management.

FINANCIAL REVIEW

INCOME AND EXPENSES

Net Sales

In fiscal 2010, ended March 31, 2010, consolidated net sales amounted to ¥232.9 billion, down by ¥26.2 billion, or 10.1%, from fiscal 2009.

¥ billion (Percentage of net sales)

	2009		**2010**		Increase (Decrease)
Wholesale operations	140.7	(54.3%)	**132.4**	**(56.8%)**	**(8.3)**
Retail operations	114.6	(44.2%)	**96.8**	**(41.6%)**	**(17.8)**
Others	3.8	(1.5%)	**3.7**	**(1.6%)**	**(0.1)**
Total	259.1	(100.0%)	**232.9**	**(100.0%)**	**(26.2)**

• Wholesale Operations

Most of the revenue in the wholesale operations segment derives from sales to franchisees. In fiscal 2010, segment sales declined by 5.9% year on year to ¥132.4 billion. Brisk sales of ETC devices and car navigation systems, as well as of maintenance goods, were outweighed by a decline in sales of wheels and motor sports goods, reflecting economic stagnation and a declining interest in cars among the younger generation.

• Retail Operations

The retail operations segment consists of retail sales of stores that are managed directly by the Company or its consolidated subsidiaries. In fiscal 2010, sales in this segment declined by 15.5% from the previous period to ¥96.8 billion. This was due in part to a decline in sales following structural reforms under our mid-term business plan, including withdrawal from our United States business, transfer of shares in a Taiwan subsidiary, withdrawal from the motorcycle accessories retail business, and liquidation of CARS Sapporo Co., Ltd. Also, while our subsidiaries in Japan saw sales growth for ETC devices, oil and statutory safety inspection services, they recorded lower sales overall as sales declined for wheels and motor sports goods, and battery prices were reduced by the Company, among other factors. Overall sales at overseas subsidiaries also declined following a reduction in the number of stores in France and China, and the impact of exchange rate movements.

• Others

Sales from other businesses declined by 1.8% to ¥3.7 billion, due mainly to decreases in real estate rental income and store equipment lease income from domestic franchise operators.

Gross Profit

Gross profit declined by ¥7.2 billion to ¥74.0 billion, mainly due to lower net sales following business restructuring. However, the gross margin improved from 31.3% in the previous period to 31.8%, as a result of efforts in Japan to reduce cost of goods sales, including reducing merchandise items, and increase the ratio of sales of ETC devices and associated installation services. The withdrawal from businesses with low gross margins also helped.

SG&A Expenses

Selling, general and administrative (SG&A) expenses decreased by ¥12.3 billion, or 16.1%, to ¥63.8 billion. Despite an increase in expenses relating to the acquisition of stores from franchisees, SG&A expenses fell with a reduction in expenses following business streamlining of overseas subsidiaries, and other reductions, including in IT system-related and advertising expenses.

¥ billion

	2009	2010	Increase (Decrease)
Personnel expenses	32.9	**29.0**	(3.9)
Employee compensation	26.5	**23.3**	(3.2)
Sales promotion expenses	12.3	**10.8**	(1.5)
Equipment expenses	17.6	**13.3**	(4.3)
Land and building rent	9.0	**6.3**	(2.7)
Depreciation	5.1	**4.2**	(0.9)
Administrative expenses	13.2	**10.8**	(2.4)
Information processing expenses	2.2	**1.8**	(0.4)
Provision for allowance for doubtful receivables	0.1	**0**	(0.1)
Total	76.1	**63.8**	(12.3)

Personnel expenses fell by 12.0% to ¥29.0 billion, and constituted 45.4% of SG&A expenses. This change was mainly because of the contraction of overseas business. At the end of fiscal 2010, there were 551 employees in wholesale operations (down by 11 year on year), 3,451 employees in retail operations, down 1,228 year on year), and 481 employees in corporate-wide operations (down by 211 year on year).

Sales promotion expenses decreased by 12.8% to ¥10.8 billion, or 16.9% of SG&A expenses. This was mainly due to contraction of our overseas business and a reduction in sales promotion expenses at our stores in Japan.

Equipment expenses fell by 24.8% to ¥13.3 billion, or 20.8% of SG&A expenses. This was primarily due to a reduction in expenses relating to information systems following business streamlining.

Administration expenses fell by 18.0% to ¥10.8 billion, representing 16.9% of SG&A expenses. This was mainly due to declines in travel expenses, primarily at our overseas businesses, and fees for consulting services.

As a result of the above factors, operating income increased by 99.8% to ¥10.2 billion.

Other Income (Expenses)

In other items, other income—net was ¥0.4 billion, a turnaround from net other expense of ¥9.0 billion in the previous fiscal year. The main factors behind this were a reduction in foreign exchange loss, net, a reduction in loss on revaluation of investment securities, the absence of restructuring costs following the withdrawal from our business in the United States, and a reduction in the effect of changes relating to lease accounting that occurred in the previous period. The Group also posted ¥3.7 billion from the reversal of the allowance for business restructuring due to the transfer of all shares of AUTOBACS STRAUSS INC. to a third party following withdrawal from our business in the United States, and gains on the sales of those shares. At the same time, the Group posted ¥3.7 billion as provision of allowance for doubtful accounts following the AUTOBACS STRAUSS share transfer. The Group also posted impairment losses on fixed assets of ¥0.6 billion associated with Tama Driving School Co., Ltd., and Seibu Driving School Co., Ltd., and loss on business restructuring of ¥0.6 billion associated with activities in France.

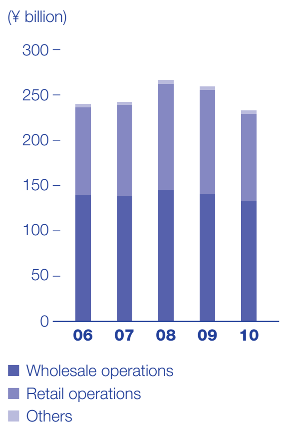
Income Taxes

Income taxes for the period were by ¥4.6 billion. Despite the absence of major changes in deferred taxes, the effective tax rate rose from minus 13.6% in the previous period to 43.7% because the Group posted a net loss before tax in the previous year.

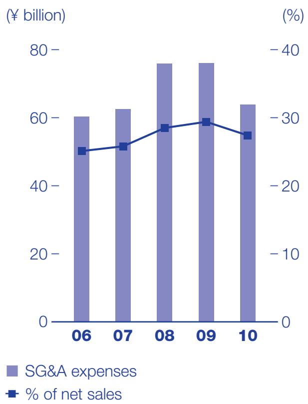
Net Income (Loss)

Net income (loss) increased by ¥9.3 billion from the previous period to ¥5.9 billion, bringing net income per share to ¥161.97. Indicators all improved, with the net income (loss) ratio turning from minus 1.3% in the previous year to 2.5%, ROA moving from minus 1.5% to 2.7%, and ROE increasing from minus 2.1% in the previous year to 3.8%.

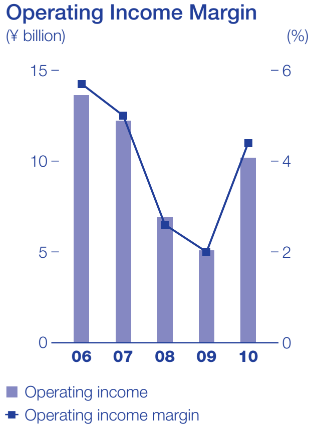
Net Sales



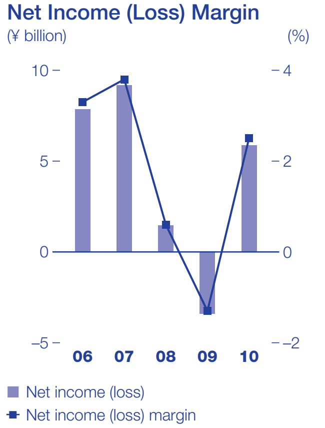
SG&A Expenses



Operating Income and Operating Income Margin



Net Income (Loss) and Net Income (Loss) Margin



FINANCIAL POSITION

1. BALANCE SHEET ITEMS

Current Assets

Current assets declined by ¥3.1 billion year on year to ¥133.9 billion. This was attributable in part to a decline in inventories following the sale of a subsidiary in the United States, and investments in lease for domestic franchise business, in addition to a decrease in inventories at the Company.

Property and Equipment, Investments and Other Assets

Net property and equipment was ¥37.9 billion, down by ¥3.1 billion year on year. The main factor in this was the sale of land belonging to Tama Driving School Co., Ltd.

Total investments and other assets declined by ¥7.3 billion from the previous period to ¥38.9 billion. The change was largely attributable to conversion of investment securities into marketable securities, and a decrease in deferred tax assets following the withdrawal from operations in the United States.

Current Liabilities

Total current liabilities were down by ¥3.3 billion to ¥41.5 billion. The main factors in this were declines in payables and in allowance for business restructuring following the withdrawal from operations in the United States.

Long-term Liabilities

Total long-term liabilities decreased by ¥6.6 billion to ¥17.3 billion. The main factors in this were a decrease in other liabilities following the withdrawal from operations in the United States and a decrease in long-term debt at the Company.

Equity

Total equity including minority interests fell by ¥3.6 billion to ¥151.9 billion. We recorded net income of ¥5.9 billion and cash dividends of ¥4.0 billion, and purchased our own shares at a cost of ¥5.4 billion.

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 2010 declined by ¥1.7 billion year on year to ¥14.6 billion.

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 ¥0.7 billion from the previous year-end to ¥20.6 billion.

CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥18.9 billion, compared with ¥7.0 billion in the previous year. This was mainly due to a reduction in provision for business restructuring of ¥3.5 billion, and an increase in receivables (including allowance for doubtful accounts) of ¥1.9 billion. Also, the Company recorded income before income taxes and minority interests of ¥10.6 billion, depreciation of ¥4.9 billion, and increase in provision for doubtful receivables of ¥3.1 billion.

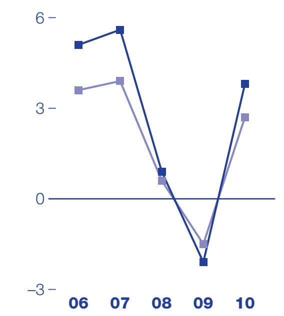
Cash Flows from Investing Activities

Net cash used in investing activities was ¥4.7 billion, compared with ¥4.5 billion in net cash provided in the previous year. The main factors were redemption or sale of investment securities of ¥1.2 billion; outweighed by capital expenditures of ¥3.1 billion for the purchase of land for new stores and acquisition of tangible and intangible fixed assets associated with building new stores or carrying out refurbishments, and an increase in time deposits of ¥1.7 billion.

Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a net inflow of ¥14.3 billion.

Return (Loss) on Equity and Return (Loss) on Assets

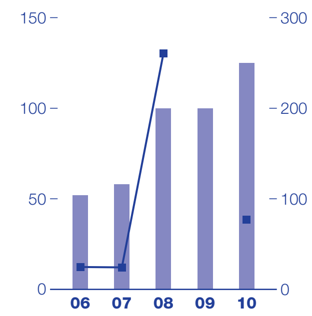
(%)



Return (loss) on equity
Return (loss) on assets

Dividends Per Share and Dividend Payout Ratio (Consolidated)

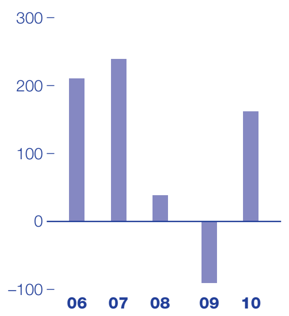
(¥) (%)



Dividends per share
Dividend payout ratio (consolidated)

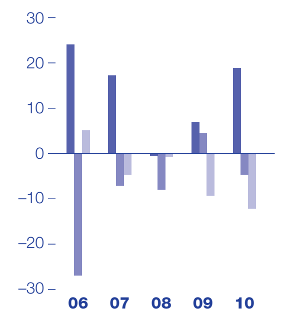
Basic Net Income (Loss) Per Share

(¥)



Cash Flow

(¥ billion)



Cash flow provided by (used in) operating activities
Cash flow (used in) provided by investing activities
Cash flow (used in) provided by financing activities

• **Capital Expenditures**

In fiscal 2010, capital expenditures amounted to ¥3.1 billion. These investments were associated mainly with acquisition of land 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 2010 is shown below.

¥ billion

	2009	2010	Increase (Decrease)
Wholesale operations	0.2	**0.1**	(0.1)
Retail operations	2.4	**2.1**	(0.3)
Others	2.4	**0.9**	(1.5)
Total	4.9	**3.1**	(1.8)

* Not including consumption tax

Major Capital Expenditures in Fiscal 2010

¥ billion

Opening new stores	0.1
Scrap-and-build or relocation	0.4
Purchase of land for store locations	1.3
POS system development and IT investments	0.5
Other	0.8
Total	3.1

Cash Flows from Financing Activities

Net cash used in financing activities was ¥12.2 billion, compared with ¥9.3 billion in fiscal 2009. This was mainly due to ¥5.4 billion paid for buy-back of the Company's shares and ¥4.0 billion in dividends paid, as well as ¥2.9 billion used for repayment of long-term debt.

As a result of the above, cash and cash equivalents at fiscal year-end stood at ¥53.8 billion, up by ¥2.0 billion 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 ¥18.9 billion, net cash used in investing activities of ¥4.7 billion, and net cash used in financing activities of ¥12.2 billion.

Basic Policy on Distribution of Profits, Dividends for Fiscal 2010 and Fiscal 2011

AUTOBACS SEVEN views the return of profits to shareholders as an important management responsibility. 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 2010, we paid an annual dividend of ¥125 per share, comprising a year-end dividend of ¥65 (up by ¥15 year on year) and an interim dividend of ¥60. This resulted in a DOE of 3%.

In fiscal 2011, we plan to pay an interim dividend of ¥65 per share and a year-end dividend of ¥65 per share, for an annual dividend of ¥130 per share, an increase of ¥5 from fiscal 2010.

BUSINESS RISKS

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

(1) Competition

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

(2) Unusual Weather Conditions

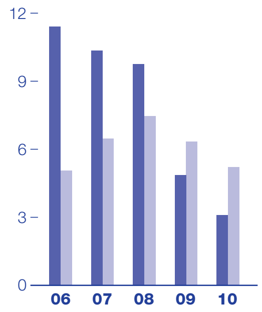
Merchandise sold by the AUTOBACS Chain include seasonal products, for which the number of units sold is significantly affected by weather conditions. Accordingly, in the event of unusual weather conditions, such as cool summers and/or warm winters, the Group's business performance could be affected by lower sales for seasonal products or a shift in demand season.

(3) Future Overseas Expansion

The 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.

Capital Expenditures and Depreciation and Amortization

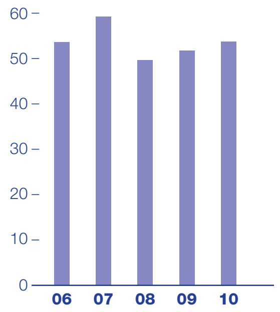
(¥ billion)



Capital expenditures
Depreciation and amortization

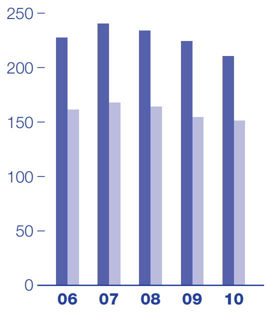
Cash and Cash Equivalents

(¥ billion)



Total Assets and Equity

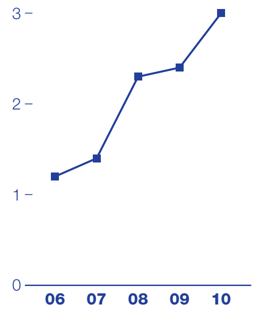
(¥ billion)



Total assets
Equity

Dividends on Equity (DOE)

(%)



(4) 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.

(5) 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.

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

Due to various factors, merchandise sold by the Chain could be subject to unexpected fluctuations in procurement prices and raw materials prices. Also, sales prices of its merchandise could 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.

(7) 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.

(8) 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.

(9) 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.

(10) Exchange Rate Fluctuations

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

(11) Lawsuits

The 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 proceeding, 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 proceeding, damages for loss of the value of AB Strauss's business, and other losses including the costs of the bankruptcy proceeding, (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, 2010 and 2009

ASSETS	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	¥ 53,786	¥ 51,749	$ 578,344
Time deposits with an original maturity over 3 months (Note 16)	2,040	383	21,935
Marketable securities (Notes 3 and 16)	2,000	839	21,505
Receivables (Note 16):			
Trade notes and accounts	22,350	22,841	240,323
Associated companies	944	854	10,151
Other	17,701	18,008	190,333
Allowance for doubtful receivables	(294)	(683)	(3,161)
Inventories	16,712	21,201	179,699
Deferred tax assets (Note 14)	2,154	3,045	23,161
Investments in lease (Notes 2. M, 4 and 16)	14,595	16,295	156,936
Prepaid expenses and other current assets	1,895	2,436	20,376
Total current assets	133,883	136,968	1,439,602
PROPERTY AND EQUIPMENT:			
Land (Notes 5 and 9)	22,694	23,908	244,022
Buildings (Note 5)	33,766	33,835	363,075
Furniture and equipment (Note 5)	18,199	19,423	195,688
Lease assets (lessee) (Note 6)	283	701	3,043
Construction in progress	74	5	796
Total	75,016	77,872	806,624
Accumulated depreciation	(37,139)	(36,879)	(399,344)
Net property and equipment	37,877	40,993	407,280
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 16)	2,190	3,734	23,548
Investments in associated companies (Note 16)	1,640	1,544	17,634
Rental deposits and long-term loans (Notes 8 and 16)	21,104	21,433	226,925
Goodwill (Notes 5 and 7)	1,028	1,431	11,054
Deferred tax assets (Note 14)	5,123	6,956	55,086
Other (Note 5)	7,807	11,109	83,946
Total investments and other assets	38,892	46,207	418,193
TOTAL	¥ 210,652	¥ 224,168	$ 2,265,075

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
CURRENT LIABILITIES:			
Short-term borrowings (Notes 9 and 16)	**¥ 359**	¥ 440	**$ 3,860**
Current portion of long-term debt (Notes 9 and 16)	**4,680**	4,317	**50,323**
Payables (Note 16):			
Trade notes and accounts	**15,751**	16,437	**169,366**
Associated companies	**1,121**	813	**12,054**
Other	**10,096**	10,742	**108,559**
Income taxes payable (Note 16)	**1,771**	415	**19,043**
Accrued expenses	**3,679**	3,672	**39,559**
Allowance for business restructuring	**1,325**	4,827	**14,247**
Other current liabilities	**2,739**	3,179	**29,451**
Total current liabilities	**41,521**	44,842	**446,462**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 9 and 16)	**9,180**	12,642	**98,710**
Liability for retirement benefits (Note 10)	**381**	429	**4,097**
Rental deposits received (Note 8):			
Associated companies	**1,247**	1,293	**13,408**
Other	**6,305**	6,539	**67,796**
Deferred tax liabilities (Note 14)	**74**	415	**796**
Other liabilities	**91**	2,529	**978**
Total long-term liabilities	**17,278**	23,847	**185,785**
Total liabilities	**58,799**	68,689	**632,247**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 15)			
EQUITY (Note 11)**:**			
Common stock, authorized, 109,402 thousand shares; issued, 37,454 thousand shares in 2010 and 39,255 thousand shares in 2009	**33,999**	33,999	**365,581**
Capital surplus	**34,278**	34,512	**368,581**
Retained earnings	**88,399**	94,298	**950,527**
Unrealized losses (gains) on available-for-sale securities (Note 3)	**108**	(218)	**1,161**
Foreign currency translation adjustments	**15**	173	**161**
Treasury stock at cost: 1,608 thousand shares in 2010 and 1,807 thousand shares in 2009	**(5,402)**	(8,001)	**(58,086)**
Total	**151,397**	154,763	**1,627,925**
Minority interests	**456**	716	**4,903**
Total equity	**151,853**	155,479	**1,632,828**
TOTAL	**¥ 210,652**	¥ 224,168	**$ 2,265,075**

Consolidated Statements of Operations

AUTOBACS SEVEN Co., Ltd. and Subsidiaries
Years Ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	**2010**
NET SALES (Note 12)	**¥ 232,937**	¥ 259,144	¥ 266,430	**$ 2,504,699**
COST OF GOODS SOLD	**158,941**	177,951	183,578	**1,709,043**
Gross profit	**73,996**	81,193	82,852	**795,656**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**63,825**	76,103	75,915	**686,290**
Operating income	**10,171**	5,090	6,937	**109,366**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**230**	670	984	**2,473**
Interest expense	**(241)**	(287)	(249)	**(2,591)**
Commission income	**689**	657	668	**7,409**
Impairment losses on fixed assets (Note 5)	**(631)**	(5,289)	(109)	**(6,785)**
Loss on business restructuring	**(610)**	(4,926)		**(6,559)**
Loss on arrangement of stores	**(92)**	(291)	(161)	**(989)**
Loss on revaluation of investment securities	**(127)**	(1,334)	(4,327)	**(1,366)**
Foreign exchange (loss) gain, net	**(97)**	(861)	(275)	**(1,043)**
Lease revenue—system equipment	**1,246**	1,495	1,070	**13,398**
Lease cost—system equipment	**(1,459)**	(1,532)	(714)	**(15,688)**
Provision of allowance for doubtful accounts	**(3,745)**			**(40,269)**
Loss on sale of investment securities		(3,792)	(579)	
Effect of application of revised accounting standard for lease transactions (Note 2. M)		4,652		
Additional retirement benefits		(433)		
Reversal of allowance for business restructuring	**3,436**		186	**36,946**
Other—net	**1,805**	2,243	1,541	**19,408**
Other income (expenses)—net	**404**	(9,028)	(1,965)	**4,344**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	**10,575**	(3,938)	4,972	**113,710**
INCOME TAXES (Note 14)**:**				
Current	**2,273**	1,326	5,223	**24,441**
Deferred	**2,345**	(1,863)	(1,788)	**25,215**
Total	**4,618**	(537)	3,435	**49,656**
MINORITY INTERESTS IN NET INCOME (LOSS)	**91**	(3)	70	**979**
NET INCOME (LOSS)	**¥ 5,866**	¥ (3,398)	¥ 1,467	**$ 63,075**

	Yen			U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2. Q and 18)**:**				
Basic net income (loss)	**¥ 161.97**	¥ (90.29)	¥ 38.37	**$ 1.74**
Diluted net income			38.33	
Cash dividends applicable to the year	**125.00**	100.00	100.00	**1.34**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

Years Ended March 31, 2010, 2009 and 2008

	Thousands		Millions of yen								
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized (Losses) Gains on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2007	39,255	1,024	¥ 33,999	¥ 34,513	¥ 103,075	¥ 1,936	¥ 6	¥ (5,534)	¥ 167,995	¥ 656	¥ 168,651
Net income					1,467				1,467		1,467
Purchase of treasury stock		2						(7)	(7)		(7)
Appropriations:											
Cash dividends, ¥60.00 per share					(2,294)				(2,294)		(2,294)
Net changes of items						(2,562)	(263)		(2,825)	213	(2,612)
BALANCE, MARCH 31, 2008	39,255	1,026	33,999	34,513	102,248	(626)	(257)	(5,541)	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	(218)	173	(8,001)	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**	**¥ 108**	**¥ 15**	**¥ (5,402)**	**¥ 151,397**	**¥ 456**	**¥ 151,853**

	Thousands of U.S. dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized (Losses) Gains on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2009	$365,581	$ 371,097	$1,013,957	$ (2,344)	$ 1,860	$ (86,032)	$ 1,664,119	$ 7,698	$ 1,671,817
Net income			**63,075**				**63,075**		**63,075**
Retirement of treasury stock		**(2,516)**	**(83,236)**			**85,752**			
Purchase of treasury stock						**(57,806)**	**(57,806)**		**(57,806)**
Appropriations:									
Cash dividends, $1.18 per share			**(43,269)**				**(43,269)**		**(43,269)**
Net changes of items				**3,505**	**(1,699)**		**1,806**	**(2,795)**	**(989)**
BALANCE, MARCH 31, 2010	**$365,581**	**$ 368,581**	**$ 950,527**	**$ 1,161**	**$ 161**	**$ (58,086)**	**$ 1,627,925**	**$ 4,903**	**$ 1,632,828**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

Years Ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
OPERATING ACTIVITIES:				
Income (loss) before income taxes and minority interests	¥ 10,575	¥ (3,938)	¥ 4,972	$ 113,710
Adjustments for:				
Income taxes refunded (paid)	407	(4,505)	(6,416)	4,376
Depreciation and amortization	5,207	6,347	7,463	55,989
Impairment losses on fixed assets	631	5,289	109	6,785
Provision for business restructuring	(3,502)	4,783	(230)	(37,656)
Loss on revaluation of investment securities	127	1,536	4,327	1,366
Gain (loss) on sale of investment securities	(213)	3,887	579	(2,290)
Reversal of retirement benefit	(78)	17	(6)	(839)
Effect of application of revised accounting standard for lease transactions		(4,652)		
Changes in operating assets and liabilities:				
Decrease (increase) in receivables	1,852	(3,574)	(5,467)	19,914
Decrease (increase) in investments in lease	1,079	(839)		11,602
Decrease (increase) in inventories	1,808	1,888	(1,953)	19,441
Decrease in other payables and accruals	(331)	(891)	(8,757)	(3,559)
Other	1,387	1,680	4,733	14,914
Net cash provided by (used in) operating activities	18,949	7,028	(646)	203,753
INVESTING ACTIVITIES:				
Capital expenditures	(3,061)	(4,870)	(9,753)	(32,914)
Proceeds from sales of fixed assets	599	202	20	6,441
Acquisition of investment securities	(396)	(0)	(2,800)	(4,258)
Disposition of investment securities	1,188	8,059	7,666	12,774
Proceeds from sales of marketable securities	2,000	500	1,000	21,505
Payments for marketable securities	(1,997)		(499)	(21,473)
Acquisition of business	(593)		(3,179)	(6,376)
Payments for advances and rental deposits	(1,530)	(1,104)	(1,802)	(16,452)
Collection of advances and rental deposits	1,166	973	1,206	12,538
Payments for acquisition of subsidiaries' stock resulting from change in consolidation scope		(236)		
Payments for sales of subsidiaries' stock resulting from change in consolidation scope	(834)			(8,968)
Other	(1,236)	1,019	148	(13,290)
Net cash (used in) provided by investing activities	(4,694)	4,543	(7,993)	(50,473)
FINANCING ACTIVITIES:				
(Decrease) increase in short-term borrowings	(81)	(558)	506	(871)
Repayment of long-term debt	(2,943)	(1,891)	(1,928)	(31,645)
Proceeds from long-term debt	350	480	3,220	3,763
Purchase of treasury stock	(5,373)	(2,458)	(5)	(57,774)
Proceeds from issuance of subsidiary stock			190	
Dividends paid	(4,023)	(4,547)	(2,294)	(43,258)
Other	(117)	(285)	(418)	(1,258)
Net cash used in financing activities	(12,187)	(9,259)	(729)	(131,043)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(31)	(200)	(222)	(334)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,037	2,112	(9,590)	21,903
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,749	49,637	59,227	556,441
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 53,786	¥ 51,749	¥ 49,637	$ 578,344
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—				
ACQUISITION OF BUSINESS:				
Assets acquired	¥ 843		¥ 7,506	$ 9,064
Liabilities assumed	(250)		(3,973)	(2,688)
Acquisition cost	593		3,533	6,376
Cash and cash equivalents			353	
Cash paid	¥ 593		¥ 3,179	$ 6,376
ACQUISITION OF SUBSIDIARIES:				
Fair value of assets acquired		¥ 602		
Liabilities assumed		(377)		
Goodwill		230		
Acquisition cost		455		
Cash and cash equivalents held by subsidiaries		219		
Cash paid for capital		¥ (236)		
SALES OF SUBSIDIARIES:				
Assets by sales	¥ 6,951			$ 74,741
Liabilities by sales	(7,299)			(78,484)
Foreign currency translation adjustments	130			1,398
Gain on sales of subsidiaries' stocks	219			2,355
Sales cost	1			10
Cash and cash equivalents held by subsidiaries	(835)			(8,978)
Cash paid for sales	¥ (834)			$ (8,968)

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").

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, 2009 and 2008, to conform to the classifications and presentations used in the consolidated financial statements for the year ended March 31, 2010.

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 ¥93 to U.S.$1.00, the approximate free rate of exchange on March 31, 2010. 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, 2010 include the accounts of the Company and all subsidiaries [42 in 2010, 55 in 2009 and 61 in 2008].

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 5 or 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.

C. 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.

D. 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.

E. 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.

F. INVENTORIES

Prior to April 1, 2008, inventories before distribution to stores or franchisees are stated at average cost and inventories held at stores are 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 with early adoption permitted. 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 new 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 compared to the prior period.

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

G. 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:	3 to 45 years
Furniture and equipment:	2 to 20 years
Equipment held for lease:	5 to 50 years

H. 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.

I. GOODWILL

Purchased goodwill is amortized on a straight-line basis over 20 years.

J. PURCHASED SOFTWARE

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

K. 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, 2009.

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.

L. ALLOWANCE FOR BUSINESS RESTRUCTURING

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

M. 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 is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Lessee

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be 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 should 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 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 to be 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 should be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should 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.

The consolidated financial statements for the fiscal years ended March 31, 2008 do not reflect this new accounting standard.

N. 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.

O. 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.

P. 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.

Q. PER SHARE INFORMATION

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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

R. 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.

S. NEW ACCOUNTING PRONOUNCEMENTS

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new 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 is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Business Combinations—On December 26, 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 current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and 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, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or the generally accepted accounting principles in the United States 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 is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

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.

Segment Information Disclosures—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.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
CURRENT:			
Debt securities	**¥ 2,000**	¥ 839	**$ 21,505**
NON-CURRENT:			
Equity securities	**¥ 1,752**	¥ 1,229	**$ 18,839**
Debt securities	**438**	2,505	**4,709**
Total	**¥ 2,190**	¥ 3,734	**$ 23,548**

The carrying amounts and aggregate fair values of marketable and investment securities for which market quotations were available at March 31, 2010 and 2009 were as follows:

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, 2009	Millions of yen Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 1,363	¥ 5	¥ 250	¥ 1,118
Debt securities	3,463	1	119	3,345

March 31, 2010	Thousands of U.S. dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 15,720**	**$ 3,398**	**$ 1,462**	**$ 17,656**
Debt securities	**26,226**		**11**	**26,215**

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, 2009 and 2008 was ¥127 million ($1,366 thousand), ¥1,334 million and ¥4,327 million, respectively.

Available-for-sale and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2010 and 2009 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Securities classified as:			
Available-for-sale:			
Equity securities	¥ 110	¥ 110	$ 1,183

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 and 2008 were ¥5,082 million and ¥572 million, respectively. Gross realized losses on these sales for the years ended March 31, 2009 and 2008 were ¥3,792 million and ¥579 million, respectively.

4. INVESTMENTS IN LEASE

A break down of investments in lease as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Gross lease receivables	¥ 19,094	¥ 21,428	$ 205,312
Unearned interest income	(4,499)	(5,133)	(48,376)
Investments in lease	¥ 14,595	¥ 16,295	$ 156,936

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 noninterest-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, 2010 were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 2,416	$ 25,978
2012	2,205	23,710
2013	1,989	21,387
2014	1,639	17,624
2015	1,525	16,398
2016 and thereafter	9,320	100,215
Total	¥ 19,094	$ 205,312

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment for the years ended March 31, 2010, 2009 and 2008, and, as a result, recognized an impairment loss of ¥631 million ($6,785 thousand), ¥5,289 million and ¥109 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, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Land	**¥ 378**	¥ 1,611	¥ 64	**$ 4,065**
Buildings	**96**	317	45	**1,032**
Goodwill	**151**	3,103		**1,624**
Furniture and equipment	**6**	142		**64**
Other		116		
Total	**¥ 631**	¥ 5,289	¥ 109	**$ 6,785**

	2010	2009	2008
Weighted average cost of capital	**7.49%**	7.71%	

6. LEASED ASSETS (lessor)

On March 30, 2007, the ASBJ published ASBJ Statement No. 13, "Accounting Standard for Lease Transaction," and ASBJ Guidance No. 16 "Guidance on Accounting Standard for Lease Transaction."

The revised accounting standard for lease transactions requires that all finance leases that deem not transfer ownership of the leased property to the lessee shall be recognized as investments in lease after April 1, 2008. Depreciation of leased assets for the year ended March 31, 2008 was ¥1,695 million. Rental income for the year ended March 31, 2008 was ¥1,942 million.

7. GOODWILL

Goodwill at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Consolidation goodwill	**¥ 112**	¥ 418	**$ 1,204**
Purchased goodwill	**916**	1,013	**9,850**
Total	**¥ 1,028**	¥ 1,431	**$ 11,054**

8. RENTAL DEPOSITS AND LONG-TERM LOANS

A breakdown of rental deposits and long-term loans as of March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
RENTAL DEPOSITS TO:			
Lessors for distribution facilities and stores of the Companies	**¥ 10,277**	¥ 10,249	**$ 110,505**
Lessors for stores of franchisees	**8,966**	9,730	**96,409**
Lessors for office and other facilities	**1,319**	1,300	**14,183**
Total rental deposits	**20,562**	21,279	**221,097**
LOANS TO:			
Franchisees	**537**	793	**5,774**
Other	**368**	13	**3,957**
Total loans	**905**	806	**9,731**
Allowance for doubtful receivables	**(363)**	(652)	**(3,903)**
Total	**¥ 21,104**	¥ 21,433	**$ 226,925**

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.

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2010 and 2009 consisted of notes to banks and other. The annual interest rates applicable to the short-term borrowings at March 31, 2010 and 2009 ranged from 1.5% to 1.6% and from 1.5% to 1.8%, respectively.

Long-term debt and lease obligations at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Bonds	**¥ 220**	¥ 185	**$ 2,366**
Loans from banks and other, due serially to 2015 with interest rates ranging from 0.9% to 2.7% (2010) and from 0.9% to 2.7% (2009) and other:			
Unsecured	**12,771**	15,363	**137,323**
Lease obligations	**869**	1,411	**9,344**
Total	**13,860**	16,959	**149,033**
Less current portion	**4,680**	4,317	**50,323**
Long-term debt, less current portion	**¥ 9,180**	¥12,642	**$ 98,710**

Annual maturities of long-term debt and lease obligations at March 31, 2010 were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2011	**¥ 4,680**	**$ 50,323**
2012	**2,202**	**23,677**
2013	**4,000**	**43,011**
2014	**693**	**7,452**
2015	**1,308**	**14,065**
2016 and thereafter	**977**	**10,505**
Total	**¥ 13,860**	**$ 149,033**

At March 31, 2010, land of ¥272 million ($2,925 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.

10. 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, 2010. 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, 2010.

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, 2010 and 2009 is ¥271 million ($2,914 thousand) and ¥294 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 ¥6,307 million ($67,817 thousand) at March 31, 2009, which is the most recent data available. The salaries of the employees of the Company for such contributory pension plan appropriated 24.1% of the total salaries of the welfare plan at March 31, 2009. For the welfare pension plan, the amounts of contributions made are charged to income.

The liability (asset) for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	**¥ 230**	¥ 202	**$ 2,473**
Fair value of plan assets	**(120)**	(71)	**(1,290)**
Prepaid cost		4	
Net liability	**¥ 110**	¥ 135	**$ 1,183**

The components of net periodic benefit costs for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	**2010**
Service cost	**¥ 36**	¥ 34	¥ 26	**$ 387**
Contribution of contributory welfare pension plan	**350**	351	336	**3,763**
Contribution pension plan and other	**243**	340	329	**2,613**
Net periodic retirement benefit costs	**¥ 629**	¥ 725	¥ 691	**$ 6,763**

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

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 to mostly domestic customers directly or to franchisees, including certain affiliates with which the Companies have franchise agreements.

Net sales made to franchisees for the years ended March 31, 2010, 2009 and 2008 aggregated to approximately 57%, 54% 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, 2010, 2009, and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
Year Ending March 31	**2010**	2009	2008	**2010**
Employee salaries & allowances	**¥ 23,342**	¥ 26,461	¥ 26,168	**$ 250,989**
Provision for retirement allowance	**629**	725	691	**6,763**
Rent payment	**6,296**	8,956	8,915	**67,699**
Depreciation	**4,236**	5,064	4,821	**45,548**
Provision for allowance for doubtful receivables	**8**	92	268	**86**

14. 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, 2010, 2009 and 2008.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
DEFERRED TAX ASSETS:			
Receivables	**¥ 1,527**	¥ 1,155	**$ 16,419**
Accrued enterprise taxes	**169**	35	**1,817**
Accrued bonuses	**306**	288	**3,290**
Inventories	**1,182**	1,218	**12,710**
Property and equipment	**5,271**	5,387	**56,678**
Pension and severance costs	**108**	118	**1,161**
Provision for business restructuring	**528**	1,929	**5,678**
Investments	**1,864**	1,835	**20,043**
Other accounts payable	**337**	180	**3,624**
Tax loss carryforwards	**2,346**	4,901	**25,226**
Unrealized losses on available-for-sale securities		144	
Other	**557**	760	**5,989**
Less valuation allowance	**(5,229)**	(6,172)	**(56,226)**
Deferred tax assets	**8,966**	11,778	**96,409**
DEFERRED TAX LIABILITIES:			
Property and equipment	**525**	880	**5,645**
Undistributed earnings of associated companies	**307**	307	**3,301**
Effect of application of accounting standard for leased assets	**768**	844	**8,258**
Unrealized gains on available-for-sale securities	**80**		**860**
Other	**91**	173	**979**
Deferred tax liabilities	**1,771**	2,204	**19,043**
Net deferred tax assets	**¥ 7,195**	¥ 9,574	**$ 77,366**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2010, 2009 and 2008, and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	2010	2009	2008
Normal effective statutory tax rate	**41.0%**	(41.0)%	41.0%
Expenses not deductible for income tax purposes	**0.7**	2.3	1.6
Per-capita inhabitants' tax	**0.7**	2.1	1.5
Changes in valuation allowance	**0.5**	19.9	21.0
Amortization of goodwill	**0.6**	3.6	3.6
Other—net	**0.2**	(0.5)	0.4
Actual effective tax rate	**43.7%**	(13.6)%	69.1%

At March 31, 2010, certain subsidiaries have tax loss carryforwards aggregating approximately ¥10,712 million ($115,183 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
2011	**¥ 1,006**	**$ 10,817**
2012	**857**	**9,215**
2013	**110**	**1,183**
2014	**332**	**3,570**
2015	**398**	**4,280**
2016	**568**	**6,107**
2017 and thereafter	**7,441**	**80,011**
Total	**¥ 10,712**	**$ 115,183**

15. LEASES

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

Total rental expense for the years ended March 31, 2010, 2009 and 2008 was ¥6,679 million ($71,817 thousand), ¥9,373 million and ¥9,470 million, respectively, including ¥396 million ($4,258 thousand), ¥423 million and ¥142 million of lease payments under finance leases.

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

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2010 and 2009 is as follows:

	As of March 31, 2010				As of March 31, 2009			
	Millions of yen				Millions of yen			
	Equipment	Furniture	Building and Land	Total	Equipment	Furniture	Building and Land	Total
Acquisition cost	**¥ 88**	**¥ 20**	**¥ 4,819**	**¥ 4,927**	¥ 100	¥ 69	¥ 4,511	¥ 4,680
Accumulated depreciation	**54**	**16**	**2,393**	**2,463**	50	49	1,969	2,068
Net leased property	**¥ 34**	**¥ 4**	**¥ 2,426**	**¥ 2,464**	¥ 50	¥ 20	¥ 2,542	¥ 2,612

	As of March 31, 2010			
	Thousands of U.S. dollars			
	Equipment	Furniture	Others	Total
Acquisition cost	**$ 946**	**$ 215**	**$ 51,817**	**$ 52,978**
Accumulated depreciation	**581**	**172**	**25,731**	**26,484**
Net leased property	**$ 365**	**$ 43**	**$ 26,086**	**$ 26,494**

Obligations under finance lease contracts:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	**¥ 248**	¥ 224	**$ 2,667**
Due after one year	**2,764**	2,894	**29,720**
Total	**¥ 3,012**	¥ 3,118	**$ 32,387**

Depreciation expense and interest expense under finance lease contracts:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Depreciation expense	¥ 248	¥ 277	¥ 131	$ 2,667
Interest expense	161	169	8	1,731
Total	¥ 409	¥ 446	¥ 139	$ 4,398

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

The minimum rental commitments under non-cancelable operating leases at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥ 3,560	¥ 3,753	$ 38,280
Due after one year	28,506	31,692	306,516
Total	¥ 32,066	¥ 35,445	$ 344,796

16. 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.

The Companies' store buildings, of which most are based on its unique specifications, are leased from lessors 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 six 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 of available-for-sale securities, the credit risk is insignificant since the Company only handles 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 17 for the detail of fair value for derivatives.

(a) Fair values of financial instruments

	Millions of yen			Thousands of U.S. dollars		
March 31, 2010	Carrying amount	Fair value	Unrealized gain/loss	Carrying amount	Fair value	Unrealized gain/loss
Cash and cash equivalents, time deposits with an original maturity over 3 months	**¥ 55,826**	**¥ 55,823**	**¥ (3)**	**$ 600,280**	**$ 600,247**	**$ (32)**
Receivables	**40,995**	**40,732**	**(263)**	**440,806**	**437,978**	**(2,828)**
Investments in lease	**14,595**	**17,827**	**3,232**	**156,935**	**191,688**	**34,753**
Marketable securities, investment securities and investments in associated companies	**5,387**	**4,812**	**(575)**	**57,925**	**51,742**	**(6,183)**
Rental deposits and long-term loans	**21,467**	**18,857**	**(2,610)**	**230,828**	**202,763**	**(28,065)**
Total	**¥ 138,270**	**¥ 138,051**	**¥ (219)**	**$ 1,486,774**	**$ 1,484,419**	**$ (2,355)**
Payables	**¥ 26,968**	**¥ 26,968**	**¥**	**$ 289,978**	**$ 289,978**	**$**
Short-term borrowings and current portion of long-term debt	**5,039**	**5,241**	**202**	**54,183**	**56,355**	**2,172**
Income taxes payable	**1,771**	**1,771**		**19,043**	**19,043**	
Long-term debt	**9,180**	**9,525**	**345**	**98,710**	**102,419**	**3,710**
Total	**¥ 42,958**	**¥ 43,505**	**¥ 547**	**$ 461,914**	**$ 467,796**	**$ 5,882**

Cash and cash equivalents and 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 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 8 for a breakdown of rental deposits and long-term loans.

Marketable securities, investment securities and investments in associated companies

While the fair values of equity securities, etc. are measured by market prices at exchange, the fair values of debt securities are measured based on market prices at the exchange or by the prices obtained from financial institutions. Please refer to Note 3 for matters regarding securities by holding 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 17.

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

	Carrying amount	
March 31, 2010	Millions of yen	Thousands of U.S. dollars
Investments in equity instruments that do not have a quoted market price in an active market	**¥ 443**	**$ 4,763**

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

March 31, 2010	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents, time deposits with an original maturity over 3 months	¥ 55,830	¥	¥	¥
Receivables	35,967	4,956	72	
Investments in lease	1,697	5,241	4,672	2,985
Marketable securities, investment securities and investments in associated companies				
Available-for-sale	2,000	412	28	
Rental deposits and long-term loans	3,146	5,642	5,817	6,862
Total	¥ 98,640	¥ 16,251	¥ 10,589	¥ 9,847

March 31, 2010	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents, time deposits with an original maturity over 3 months	$ 600,323	$	$	$
Receivables	386,742	53,290	774	
Investments in lease	18,247	56,355	50,237	32,097
Marketable securities, investment securities and investments in associated companies				
Available-for-sale	21,505	4,430	301	
Rental deposits and long-term loans	33,828	60,667	62,548	73,785
Total	$1,060,645	$ 174,742	$ 113,860	$ 105,882

Please see Note 9 for annual maturities of short-term borrowings and long-term debt.

17. DERIVATIVES

The Companies enter into exchange option and currency swap contracts and interest rate swap contracts to manage their foreign currency and interest rate exposures on receivables and payables.

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

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

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

The companies had the following derivative contracts outstanding for the year ended March 31, 2009:

	Millions of yen		
	2009		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts	¥ 1,566	¥ (2)	¥ (2)

Interest rate swap contracts which qualify for hedge accounting for the year ended March 31, 2010 and 2009 are excluded from the disclosure of market value information.

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

18. NET INCOME (LOSS) PER SHARE

Basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
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**	**$ 1.74**

	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)

	Millions of yen	Thousands	Yen
For the year ended March 31, 2008	Net income (loss)	Weighted average shares	EPS
Basic EPS:			
Net income available to common shareholders	¥ 1,467	38,231	¥ 38.37
Effect of dilutive securities		48	
Diluted net income	¥ 1,467	38,279	¥ 38.33

19. SEGMENT INFORMATION

A. INDUSTRY SEGMENTS

The Companies are primarily engaged in the sale of automobile-related goods and parts. Sales and total assets of the automobile-related goods and parts for the years ended, and as of March 31, 2010, 2009 and 2008 represented more than 90% of consolidated sales and total assets of the respective years. Accordingly, industry segment information is not presented herein.

B. GEOGRAPHICAL SEGMENTS

Domestic sales and total assets of the Companies for the year ended and as of March 31, 2010 represented more than 90% of consolidated sales and total assets of 2010. Accordingly, geographical segment information is not presented herein.

Geographical segment information for the years ended March 31, 2009 and 2008 was as follows:

	Millions of yen						
For the year ended March 31, 2009	Japan	North America	Europe	Asia	Total	Elimination or Corporate	Consolidated
Sales and Operating Income (loss):							
Sales to outside customers	¥ 232,300	¥ 15,759	¥ 7,869	¥ 3,216	¥ 259,144	¥	¥ 259,144
Intersegment sales	381			101	482	(482)	
Total	232,681	15,759	7,869	3,317	259,626	(482)	259,144
Operating expenses	224,478	18,098	8,394	3,566	254,536	(482)	254,054
Operating income (loss)	8,203	(2,339)	(525)	(249)	5,090		5,090
Assets	¥ 196,505	¥ 7,039	¥ 3,666	¥ 2,103	¥ 209,313	¥ 14,855	¥ 224,168

	Millions of yen						
For the year ended March 31, 2008	Japan	North America	Europe	Asia	Total	Elimination or Corporate	Consolidated
Sales and Operating Income (loss):							
Sales to outside customers	¥ 238,269	¥ 15,733	¥ 8,612	¥ 3,816	¥ 266,430	¥	¥ 266,430
Intersegment sales	454			143	597	(597)	
Total	238,723	15,733	8,612	3,959	267,027	(597)	266,430
Operating expenses	228,426	18,120	9,440	4,104	260,090	(597)	259,493
Operating income (loss)	10,297	(2,387)	(828)	(145)	6,937		6,937
Assets	¥ 195,843	¥ 8,779	¥ 8,359	¥ 2,445	¥ 215,426	¥ 18,700	¥ 234,126

1. The classification of overseas sales area segments is made according to geographical distances.
2. Countries/regions in the regional segmentation above:

North America: U.S.A

Europe: France

Asia: China, Taiwan, Thailand and Singapore

3. Corporate assets included in the Elimination or Corporate line item were ¥23,468 million and ¥36,643 million at March 31, 2009 and 2008, respectively, consisting mainly of financial assets of the Company (cash and time deposits, short-term investments in securities, and investments in securities), and assets related to administrative operations.

C. SALES TO FOREIGN CUSTOMERS

Sales to foreign customers of the Companies for the year ended March 31, 2010 represented less than 10% of consolidated sales of 2010. Accordingly, information on sales to foreign customers is not presented herein.

Information on sales to foreign customers for the years ended March 31, 2009 and 2008 was as follows:

	Millions of yen			
For the year ended March 31, 2009	North America	Europe	Asia	Total
Sales to foreign customers	¥ 15,759	¥ 7,870	¥ 2,826	¥ 26,455
Consolidated sales				259,144
Sales to foreign customers as a percentage to consolidated sales	6.1%	3.0%	1.1%	10.2%

	Millions of yen			
For the year ended March 31, 2008	North America	Europe	Asia	Total
Sales to foreign customers	¥ 15,734	¥ 8,612	¥ 3,125	¥ 27,471
Consolidated sales				266,430
Sales to foreign customers as a percentage to consolidated sales	5.9%	3.2%	1.2%	10.3%

"Sales to Foreign Customers" represents net sales and other operating revenue of consolidated subsidiaries in countries and areas outside of Japan.

20. SUBSEQUENT EVENTS

a. The general shareholders' meeting held on June 24, 2010 resolved the following appropriations of retained earnings as of March 31, 2010:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥65 ($0.7) per share	¥ 2,330	$ 25,054

b. At the Board of Directors meeting held on May 13, 2010, 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 ($60,215 thousand).

By June 25, 2010, the Company repurchased 624,400 shares of common stock for ¥2,075 million ($22,312 thousand) in the market.

c. At the Board of Directors meeting of BRAIN-ING Co., Ltd., ("BRAIN-ING"), a consolidated subsidiary wholly owned by the Company, on June 1, 2010, the Board approved to implement a voluntary retirement program.

1. Reason for the voluntary retirement program

The Company and BRAIN-ING are scheduled for merger on August 1, 2010. Those employees seeking a working environment that is more suitable for them after careful consideration of personnel reallocation following the merger and their own career plans are invited to sign up for the program.

2. Outline of the voluntary retirement program

(1) Target number: 40

(2) Application Period: from June 22, 2010 to June 28, 2010

(3) Retirement date: July 31, 2010

(4) Target: regular employees and employees serving as directors

(5) Favorable treatment: special gratuity is to be paid to those who voluntarily resign. The Company also provides job-placement assistance through re-employment support companies.

Special gratuity of about ¥620 million ($6,667 thousand) is scheduled to be posted as other expenses in the term ending March 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, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended March 31, 2010, 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, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2. B, F and M, effective April 1, 2008, the consolidated financial statements have been prepared in accordance with the new accounting standards for Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements, Inventories and Lease Transactions.

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, 2010

Member of
Deloitte Touche Tohmatsu

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