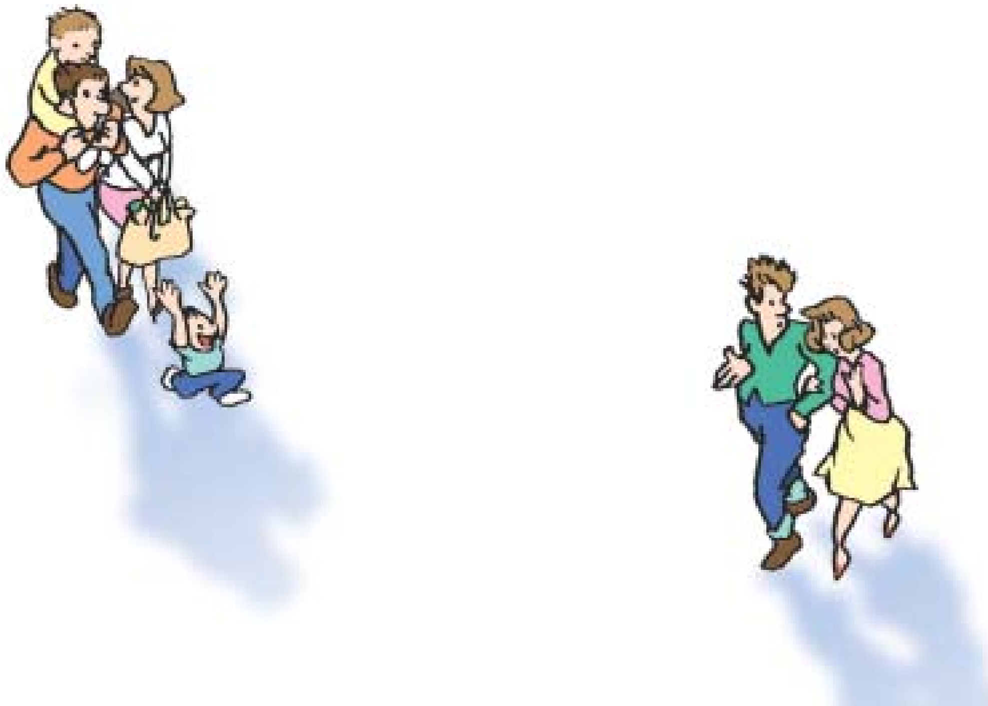
AUTOBACS SEVEN



EXPANDING OUR DOMAINS

ANNUAL REPORT 2007

Year ended March 31, 2007

THE ULTIMATE GOALS OF THE AUTOBACS GROUP

— Creating a Utopia for Automobile Enthusiasts —
— Making Drivers the World Over Car Fans —

To achieve these goals, the AUTOBACS Group will seek to create car-related lifestyles.

In 1974, AUTOBACS SEVEN Co., Ltd. developed Japan's first one-stop shopping store format for automotive goods and services. Since our founding, we have been committed to the idea of communicating to customers the joy of cars and providing them with more enjoyable driving experiences.

We want to showcase the idea that cars are more than just transportation, they make our lives more comfortable and enjoyable. We want to share with as many people as possible the fun that cars can offer and encourage people around the world to become car fans. In short, we want people to enjoy and be excited about their cars.

In the future, we will continue to offer enhanced lifestyles with cars. In this way, we will share with customers the joy of owning and driving cars. We will strive to make an ongoing contribution to the realization of a society that harmonizes people and cars and continue to take on the challenge of achieving further growth for the AUTOBACS Group.

T O T A L   C A R - L I F E

CONTENTS

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this annual report that are not historical facts and that concern future strategies and operational developments are management's judgments based on information currently available. Actual results may differ from such forward-looking statements due to changes in various risk factors, some of which are described on pages 42 and 43 of this annual report.

Explanation of names

In this report, "AUTOBACS SEVEN" or the "Company" refers to the main company, "AUTOBACS Group" refers to the consolidated companies, and "AUTOBACS" refers to the chain network and stores including franchises.

OUR CAPABILITY

56

% Market Share

39,000,000

customers a Year

517

stores Nationwide

SERVICE PROVIDER

OPERATING ENVIRONMENT AND MARKET POSITION OF AUTOBACS GROUP

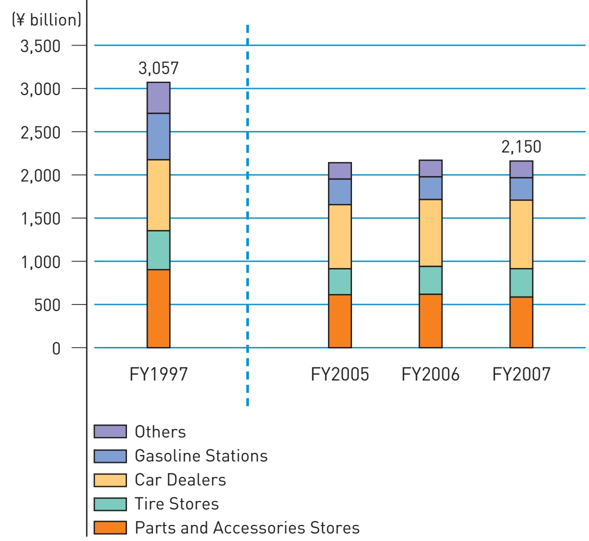
— From "Everything about Automotive Goods, AUTOBACS"...

TOTAL CAR-LIFE

In the fiscal year ended March 31, 1997, estimated retail sales in Japan's car parts and accessories market was ¥3,057 billion. By fiscal 2007, a decade later, this amount had fallen to ¥2,150 billion. This contraction in the market stems from structural factors, including Japan's low birth-rate, aging society and diversification in leisure and recreational consumption. Another factor is increased efforts by automakers and car dealers to offer new vehicles with a range of equipment and accessories as standard or optional specifications.

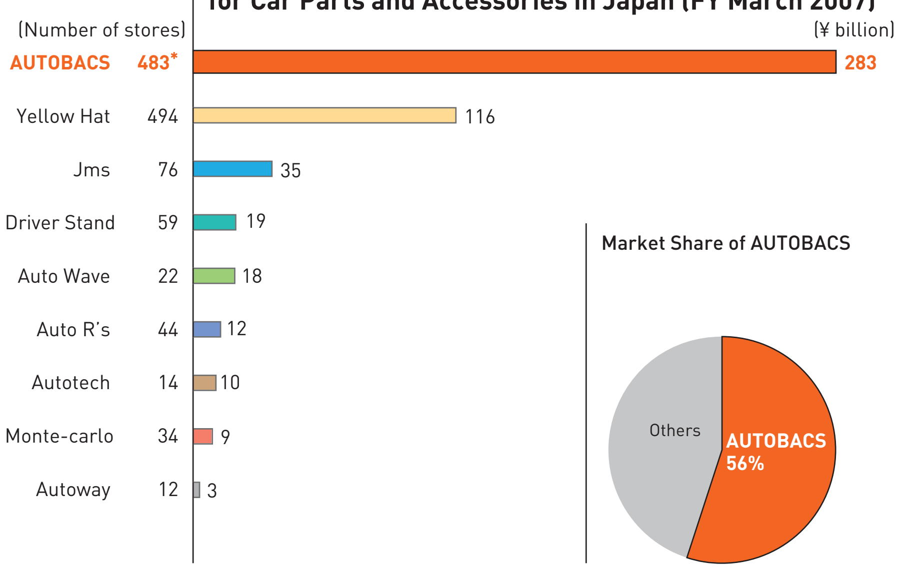
In the more than 30 years since its founding, AUTOBACS has continuously been grown to become No. 1 among the top 9 companies specializing in car parts and accessories in Japan. Indeed, our net sales account for **56%** of combined revenues of the top 9. With a nationwide network of **517** stores boasting **39 million** customer visits annually, the message of the AUTOBACS brand **— Everything about Automotive Goods, AUTOBACS —** has become entrenched. However, in order to achieve further growth at a time when the structure of the industry is changing significantly, we must create a new business model that utilizes the greatest of all of our strengths — economies of scale.

Market for Car Parts and Accessories in Japan



SERVICE PROVIDER

Sales of the Top Nine Specialty Retailer for Car Parts and Accessories in Japan (FY March 2007)



* The number of stores and sales are for AUTOBACS, Super AUTOBACS and AUTO HELLOES.

...to "Everything about Cars, Go to AUTOBACS."

TOTAL CAR-LIFE

For many people, a car is not simply a means of transportation; it's a part of their daily lives. However, only the driver is able to create a more prosperous car related life in accordance with his or her individual personality and lifestyle. At the end of the day, a car is a mere combination of ingredients made by a manufacturer. By adding original and personal touches to these ingredients, we at AUTOBACS can create a vehicle that actually makes drivers' dreams come true. Our aim is to achieve further growth in line with the AUTOBACS goal of providing drivers with comprehensive lifelong support for their car-related needs.

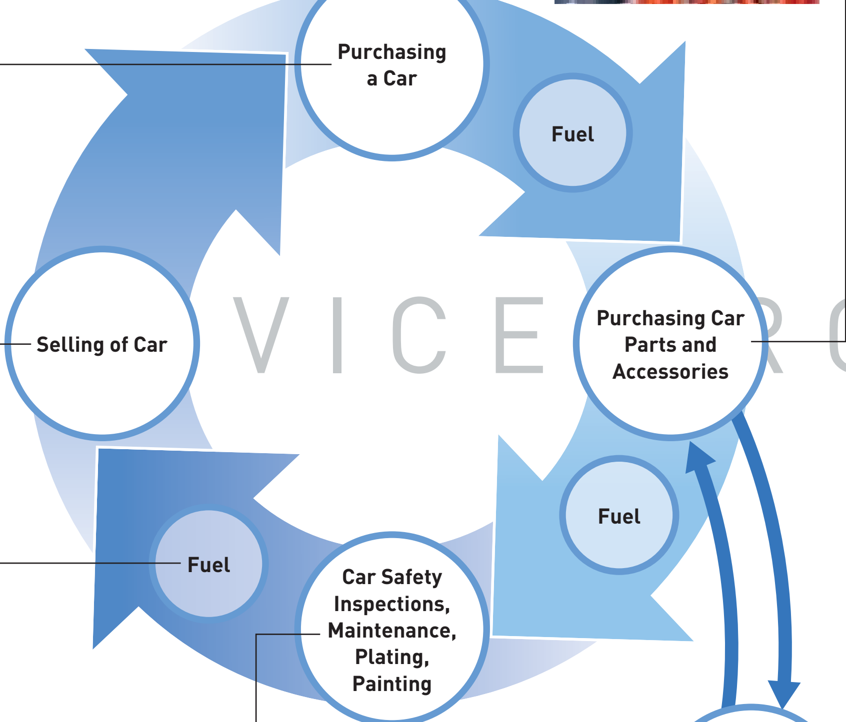
As a first step, we will concentrate on developing two new business areas: statutory safety car inspection ("Safety Inspection") & maintenance services and car sales. By linking these businesses with our core car parts and accessories business, which has an unsurpassed lineup of the latest products and already large sales base, we hope to produce an enormous synergistic effect. Rather than limit our focus on these three business pillars — car parts and accessories, Safety Inspection & maintenance services, and car sales — the AUTOBACS Group will deploy its expertise to meet people's total car-related needs and become a true provider of total car-life services. Through this metamorphosis, we will steer the evolution of the AUTOBACS brand into a message of **"Everything about Cars, Go to AUTOBACS."**

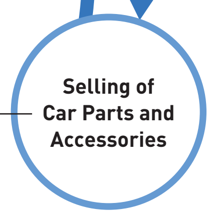
Current Business Domains for AUTOBACS

Sale and purchase of cars

Driving schools

Sale of car parts and accessories





Gas station

Car Safety Inspections, maintenance, plating, painting

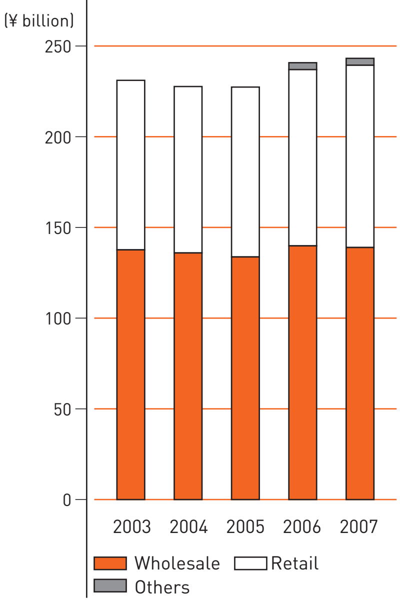
Sale and purchase of used car parts and accessories

CONSOLIDATED FINANCIAL HIGHLIGHTS

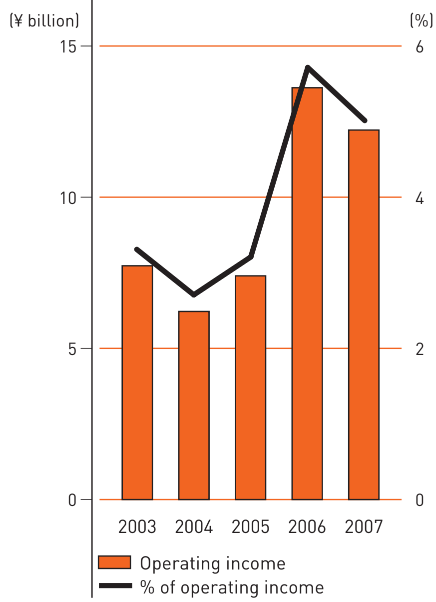
AUTOBACS SEVEN CO., LTD. and Subsidiaries
Years Ended March 31

	Millions of yen			Thousands of U.S. dollars
	2005	2006	**2007**	**2007**
FOR THE YEAR				
Net sales:				
Wholesale	¥ 133,384	¥ 139,544	**¥ 138,586**	**$ 1,174,458**
Retail	93,395	96,865	**100,151**	**848,737**
Others	—	3,798	**3,793**	**32,144**
Total	226,780	240,207	**242,532**	**2,055,356**
Operating income	7,368	13,638	**12,220**	**103,559**
Income before income taxes and minority interests	6,876	13,866	**16,549**	**140,246**
Net income	2,928	7,861	**9,165**	**77,669**
Cash flow provided by operating activities	10,980	24,136	**17,216**	**145,898**
Cash flow used in investing activities	(1,277)	(26,997)	**(7,102)**	**(60,186)**
Free cash flows	9,703	(2,861)	**10,113**	**85,703**
Cash flow (used in) provided by financing activities	237	5,177	**(4,698)**	**(39,814)**
Per share data (Yen and Dollars):				
Basic net income	¥ 79.85	¥ 210.36	**¥ 239.01**	**$ 2.03**
Cash dividends	45.00	52.00	**58.00**	**0.49**
Dividend Payout Ratio	56.4	24.7	**24.3**	
Return on equity (%)	2.0	5.1	**5.6**	
Return on assets (%)	1.4	3.6	**3.9**	
Capital expenditures	¥ 6,349	¥ 11,400	**¥ 10,355**	**$ 87,754**
Depreciation and amortization	5,620	5,068	**6,471**	**54,839**
AT YEAR-END				
Cash and cash equivalents	¥ 51,150	¥ 53,622	**¥ 59,227**	**$ 501,924**
Current assets	104,214	112,020	**119,265**	**1,010,720**
Current liabilities	34,610	44,046	**48,882**	**414,254**
Total assets	203,225	227,707	**240,628**	**2,039,220**
Equity	148,983	161,536	**167,995**	**1,423,687**
Number of stores	529	532	**538**	
Overseas stores	12	19	**21**	
Number of employees	4,023	4,406	**4,621**	

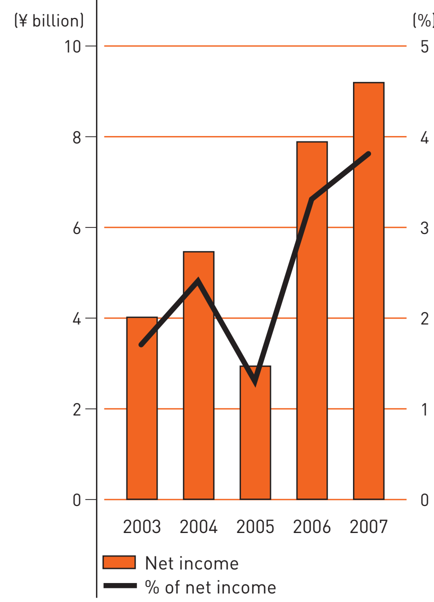
Net Sales



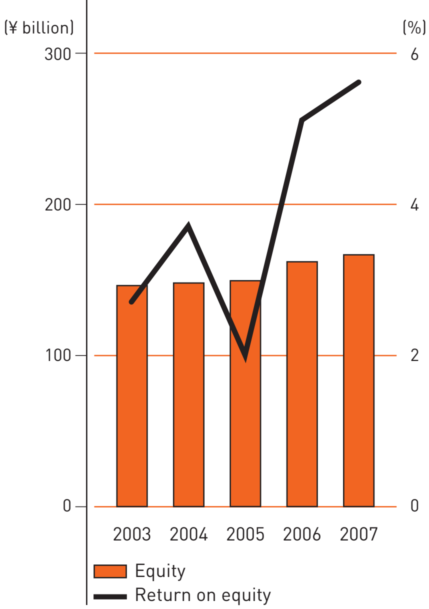
Operating Income



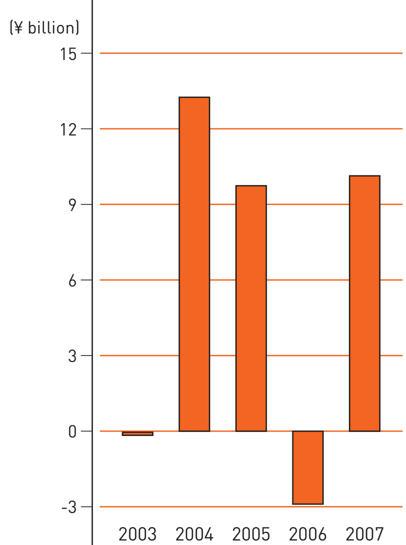
Net Income



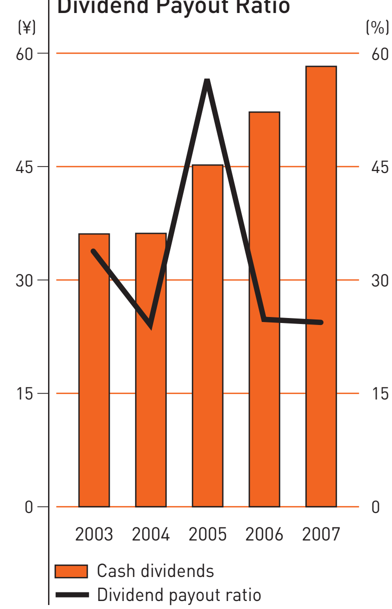
Equity and Return on Equity



Free Cash Flows



Cash Dividends and Dividend Payout Ratio



Due to a change in accounting policies from fiscal 2006, rental income and lease revenue were reclassified from "other income" to "net sales" and related costs were reclassified from "other expenses" and "selling, general and administrative expenses" to "cost of goods sold."

U.S. dollar amounts have been translated at the rate of ¥118=US$1, the approximate exchange rate at March 31, 2007.

A MESSAGE FROM THE CEO

In 2005, the AUTOBACS Group formulated its Mid-Term Business Plan, which centers on its Area Dominant Strategy, Total Car-Life Business Strategy and Overseas Business Strategy. Guided by the plan, we have since continued to advance as a provider of "total car-life services."

In Japan, our three main business fields are car parts and accessories sales, statutory safety inspection ("Safety Inspection") & maintenance services, and car sales. We have continued to generate synergies across these businesses. Overseas, meanwhile, we have implemented successful strategies in each market and improved the profitability of our retail outlets. For example, we acquired car parts and accessories stores in France in January 2006, and those stores are now fully to our specifications. In summary, fiscal March 2007 was a period of steady progress toward the Company's future development.

PERFORMANCE OVERVIEW

—Safety Inspection & maintenance services and car sales businesses expand countering historically warm winter

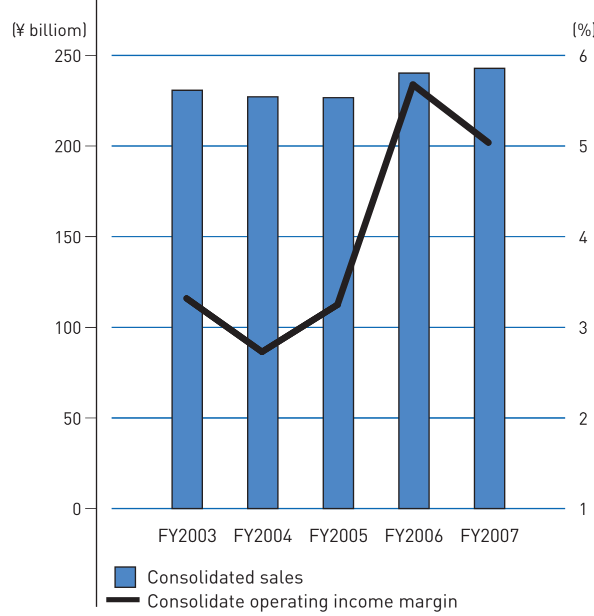
In the fiscal year ended March 31, 2007 (fiscal 2007), AUTOBACS reported a 16.6% year-on-year increase in consolidated net income. This was despite relatively difficult market conditions characterized by a decline in unit sales of new cars and high gasoline prices. Other factors included bad weather on many weekends in the first half of the year and a historically warm winter in the second half.

During the year, the AUTOBACS Group continued pursuing its Mid-Term Business Plan, covering the period from April 2005 to March 2009. Under the plan, we are implementing three main strategies: Area Dominant Strategy, Total Car-Life Business Strategy and Overseas Business Strategy. In Japan, we seek to transform ourselves into a provider of total car-life services. To this end, we complemented our core business in car parts and accessories sales by expanding and upgrading stores handling Safety Inspection & maintenance services and car sales, while also focusing on sales promotion activities.

As a result, consolidated net sales increased 1.0% year-on-year, to ¥242.5 billion, as expansion of our Safety Inspection & maintenance services and car sales businesses compensated for a decline in sales of winter-related items and car electronic products. During the year, we faced difficult conditions, typified by increasingly keener competition with companies in other segments of the industry, as well as the accelerating trend among automakers to include popular large-ticket products as standard in their vehicles. To prevail, we pursued our Total Car-Life Business Strategy, aimed at broadening our customer base and earnings foundation. Consistent with this strategy, we made good progress in developing our Safety Inspection & maintenance services and car sales businesses, and the rewards of such efforts have begun to appear.

Gross profit for the year rose 1.1% thanks to cost-reduction measures in the areas of procurement and distribution. In addition to making strategic investments to grow our Safety Inspection & maintenance services and car sales businesses, we incurred increased costs due to operation of new stores in France. Accordingly, operating income fell 10.4%, to ¥12.2 billion. Ordinary income declined 3.5%, to ¥16.3 billion, despite increases in non-operating income such as dividend income and foreign exchange gains. Net income for the year grew 16.6%, to ¥9.1 billion, owing to a decrease in extraordinary losses stemming from reorganization and consolidation of unprofitable franchisees— a policy we have pursued for some time.

Consolidated Sales and Operating Income Margin

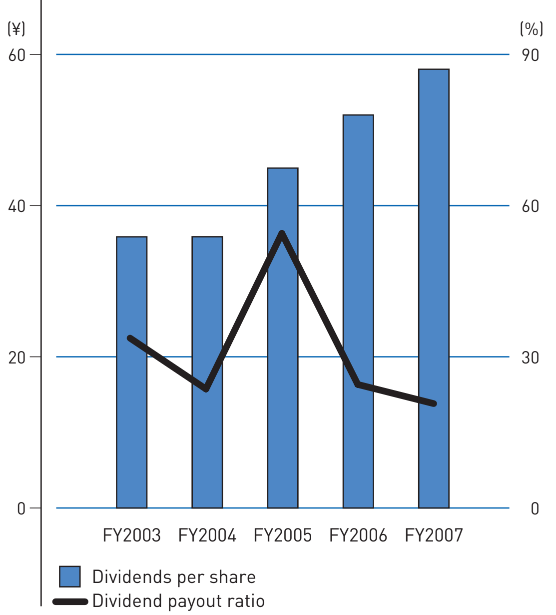


SHAREHOLDER RETURN
—Dividends up ¥6.00;
stable and consistent dividends slated for future

Providing good return to all shareholders and improving return on assets is one of the most important issues for the Company. In appropriating profits, our policy is to retain sufficient financial strength to implement our future growth strategy, which is aimed at advancing as a provider of total car-life services and achieving efficient expansion of our domestic and overseas store networks. Our policy also calls for payment of stable and continuous dividends to shareholders. In fiscal 2007, we bought back 400,000 shares, valued at ¥1.9 billion. Going forward, we will adopt a flexible approach to share buybacks from the perspective of return on assets, and of consideration of M&A activities.

Based on this policy, the Company declared a year-end cash dividend of ¥30.00 per share. Combined with the interim dividend already paid, this brings total annual dividends to ¥58.00 per share, up ¥6.00 from fiscal 2006.

Dividends Per Share and Dividend Payout Ratio



Representative Director and Chief Executive Officer
Koichi Sumino

STATUS OF MID-TERM BUSINESS PLAN
—Steady progress of our three-pronged business strategy

Under our Mid-Term Business Plan, we are pursuing business centering on the three previously mentioned strategies. In terms of financial performance, we are targeting ¥360.0 billion in retail sales from our domestic chain of stores and ¥18.0 billion in consolidated ordinary income for the year ending March 2009.

Through our Area Dominant Strategy, we are reorganizing our store network to competitive positioning and better match local area characteristics while strengthening cooperation among stores, with the aim of efficiently maximizing market share in each marketing area. Despite making good progress to date, economic recovery has made it difficult to procure suitable sites for retail stores, and our store reorganization plan is somewhat behind schedule. Nevertheless, we have steadily improved market share in the marketing areas where store relocations have taken place. With respect to inter-store cooperation, in some of marketing areas, we have formed Area Committees, consisting of top executives of each franchisee company in respective marketing areas. By exchanging local information, these committees have devised and implemented strategies in concert with our head office, and store sales have turned upward in an increasing number of cases.

Our Total Car-Life Business Strategy has provided the impetus for steady expansion of our Safety Inspection & maintenance services and car sales businesses. In addition, customers of these services are making purchases from our stores, thus boosting sales of car parts and accessories. In these ways, we are increasing the number of overall customers and taking advantage of synergies between our businesses.

Under our Overseas Business Strategy, we have focused on broadening our business foundations in the United States, France, and China — our target markets for future expansion. In May 2007, we reached a basic agreement to purchase 89 stores and a distribution center of STRAUSS Discount AUTO, which operates a chain of car parts stores in the United States. This has placed us in a position for full-scale business development in that market. In the previous fiscal year, we purchased six stores in France from a local car parts accessory store network operator. In the year under review, we converted those stores into AUTOBACS outlets and modified their store formats and product selections to our specifications. In January 2007, we opened our first franchised outlet in France, bringing our network there to eight stores. In China, we opened two new stores, for a total of five.

OUTLOOK FOR FISCAL 2008
—Revenue up, earnings down; continue building infrastructure for future growth

In the current fiscal year, ending March 2008, we expect domestic personal consumption to increase, albeit moderately, amid ongoing improvement in the labor market. Given these conditions, we look forward to further proliferation and sales growth of car navigation systems with terrestrial digital tuners as big-selling items in the car parts and accessories market. The AUTOBACS Group will seek to convert this opportunity into solid income by taking advantage of its extensive product procurement and sales capabilities. At the same time, we will promote our transition into a provider of total car-life services through renewed growth in our Safety Inspection & maintenance services and car sales businesses. Based on these strategies, and with the added benefit of new stores in the United States, we are targeting consolidated net sales of ¥272.0 billion in fiscal 2008, up 12.2% year-on-year.

Mid-Term Business Plan Objectives

FY ended March 31 (¥ billion)	FY2005	FY2006	FY2007	FY2009 (Objectives)
Chainwide retail sales	291.4	302.4	298.4	360.0
Consolidated Mauqe*	-0.2	2.4	0.78	4.5
Consolidated ordinary income	12.6	16.9	16.3	18.0

* Mauqe (Measurement of AUTOBACS Universal Quality Earnings): An original profitability indicator.
Mauqe = ordinary income - operating assets x hurdle rate (8.8%)

Proceeding with our Mid-Term Business Plan, in fiscal 2008 we will build a foundation for maintaining a long-term competitive edge. To this end, we will make key future-oriented investments to update our store point-of-sale (POS) systems and create a solid business infrastructure, including development of systems related to purchases and sales of used vehicles. At the same time, we expect costs related to recruitment and training of human resources to rise in line with expansion of our business and store network. There also will be an increase in costs associated with growth of our U.S. store network. Consequently, we are forecasting operating income of ¥10.2 billion (down 16.5% year-on-year), ordinary income of ¥13.5 billion (down 17.3%), and net income of ¥7.3 billion (down 20.4%).

IN CONCLUSION
—"Concierge" vision for 2015

Our Total Car-Life Business Strategy continues to be one of a core focus in our quest to achieve the objectives of our Mid-Term Business Plan, which ends in March 2009. The strategy also represents a platform for realizing our longer-term vision for 2015. Under this vision, we will seek to become a "concierge for all people considering a relationship with the AUTOBACS Group."

This vision calls for the Group to be a specialist provider of all services related to people's automotive lives and form close relationships with customers in order to handle their entire automotive needs. Maintaining an equal distance from all carmakers, our plan is to serve as an impartial and a loyal concierge to drivers — a company in which customers can place their absolute trust, in our quest to become a company unlike any other in the world. Over the mid to long term, we will promote acceptance of this concierge-based brand image through interaction with the 39 million people who make up the current AUTOBACS customer base.

As we target these major advances and global business expansion, management must pay particularly close attention to Groupwide operations. To win the support and confidence of shareholders and all other stakeholders, therefore, we will strengthen corporate governance, build an effective internal control system, and ensure proper compliance with legal and ethical rules.

We thank shareholders and other investors for their ongoing support and understanding as we embrace the challenges of the future.

July 2007

Koichi Sumino
Representative Director
and Chief Executive Officer

INTERVIEW WITH THE CEO

—Mid-Term Business Plan: Three Strategies to Realize Our 2015 Vision—

Area Dominant Strategy

Under this strategy, we are implementing a multiple-format store mix that matches the area's characteristics while stepping up cooperation among stores. Through these measures, we are targeting higher market share and improved profitability in each marketing area.

Can you please explain your Area Dominant Strategy?

Our Area Dominant Strategy centers on two key initiatives: optimally positioning stores to match area characteristics such as population and competitive environment, and strengthening cooperation among stores in each area.

The first initiative involves dividing Japan into 152 marketing areas and efficiently positioning different store formats — such as Super AUTOBACS, AUTOBACS, and AUTOBACS *Hashiriya Tengoku Secohan Ichiba* — within each area. Our aim here is to comprehensively meet the diversified needs of customers in each area. The purpose of strengthening cooperation among stores is to transform unique sales concepts emanating from individual stores into area-wide concepts targeting greater customer satisfaction. In this way, different franchisees in one area can coordinate their actions in a cooperative framework, moving forward together as if operating in unison. As the concept of inter-store cooperation becomes accepted, top managers of each franchisee are joining forces to form Area Committees. They actively share information and progress in step with each other, thus benefiting from smoother communication with the AUTOBACS head office.

In short, the Area Dominant Strategy seeks to fully exploit the strengths of the AUTOBACS Group, which has a share of the domestic car parts and accessories market exceeding 50% and boasts the nation's largest store network.

Can you describe some typical examples of the strategy at work?

Since fiscal 2006, the Group has pursued its Area Dominant Strategy on a full-scale basis, with a number of successes. I will describe three outstanding cases that we feel will serve as models for the future.

The first case involves is the Central Osaka Area. Previously, two medium-sized stores covered two commercial areas in this area. However, we converted one outlet to a Super AUTOBACS store and positioned it as a core outlet, then opened one store nearby, for a total of three. This enabled us to cover a wider zone and thus increase our market share in the area. (Diagram A)

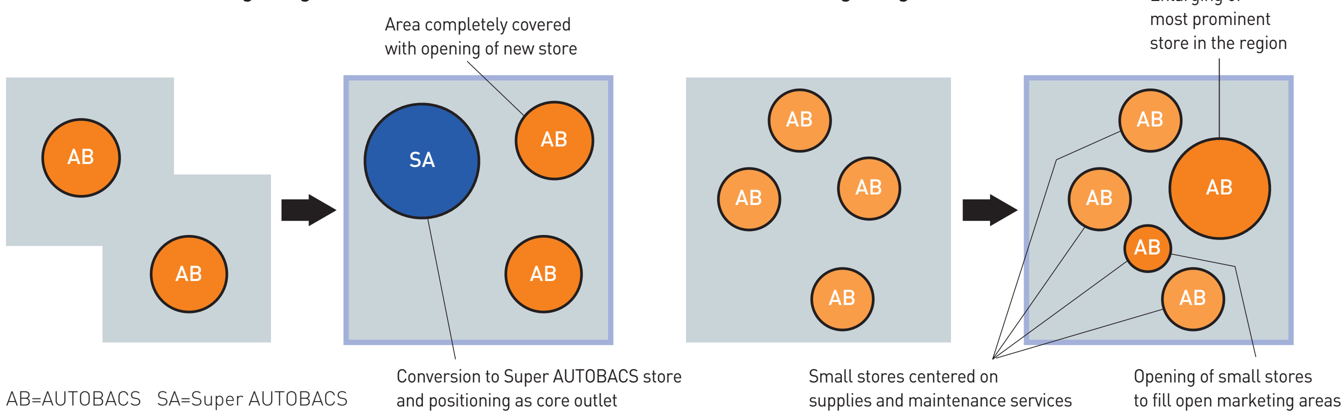
The second case centers on the Fukui Area, where we had a sprinkling of small stores. Here, we transformed the most prominent store into a large-scale outlet to cover the entire marketing area and arranged for the smaller stores, whose business centered on maintenance services, to cover part of the marketing area. This has enabled the small outlets to handle customers' basic requirements, while the large store takes care of higher-end needs. (Diagram B)

The third case did not involve store reorganization. It is sometimes difficult for franchisees to cooperate with each other when another franchisee operates in their marketing area. In the Fukuoka Area, we have two franchisees, each with operations overlapping two marketing areas. In April 2007, we initiated store swaps in order to arrange marketing areas along franchisee lines. As a result, each marketing area has its own franchisee, which can now develop store strategies with greater efficiency.

Images of Before and After Repositioning of Stores in Areas

Diagram A
Central Osaka Area (image diagram)

Diagram B
Fukui Area (image diagram)



With respect to the Area Dominant Strategy, can you describe your future store opening plans and related issues?

As the aforementioned cases show, we are increasing our market share in many areas where our Area Dominant Strategy has been implemented.

It is no longer easy to procure land for retail store use, given that we require sites that are approved for setting up many pit facilities. Moreover, land prices in attractive areas have grown in recent years. Consequently, we are somewhat behind the schedule outlined in our Mid-Term Business Plan. However, we will expedite adjustments among franchisees with a view of energizing existing stores. At the same time, we will implement new store openings, scrap and builds and relocations, with top priority on profitability.

In fiscal 2008, we will continue pursuing our Area Dominant Strategy while updating our store point-of-sale (POS) system, employing point-up membership programs, improving retail spaces, and reinforcing inventory management. In addition, we will actively invest in the improvement of distribution systems for each area.

Plan for Opening and Closing Stores in Fiscal 2008 (Japan)*

	End of March 2007	New stores	Changing of store type		S/B R/L**	Closing of stores	End of March 2008
			AB→SA	AB→SH	AB→AB		
AUTOBACS (AB)***	413	2	-5	0	+5/-5	-1	409
Super AUTOBACS (SA)	70	1	5	—	—	0	76
AUTOBACS *Hashiriya Tengoku Secohan Ichiba*	27	4	—	0	—	0	31
Total number of stores	**510**	**7**	**0**	**0**	**0**	**-1**	**516**

* This plan for the opening and closing of stores does not include AUTOBACS Express stores.
** S/B means scrap and build, and R/L means relocation.
*** Including AUTO HELLOES

Total Car-Life Business Strategy

This strategy involves providing lifelong support to meet the automotive needs of our customers. Specifically, we are leveraging our car parts and accessories sales business — which boasts the strongest and broadest product lineup in the industry — to expand our operations in the car sales and Safety Inspection & maintenance service businesses. In doing so, we are seeking to win new customers while better safeguarding our existing ones.

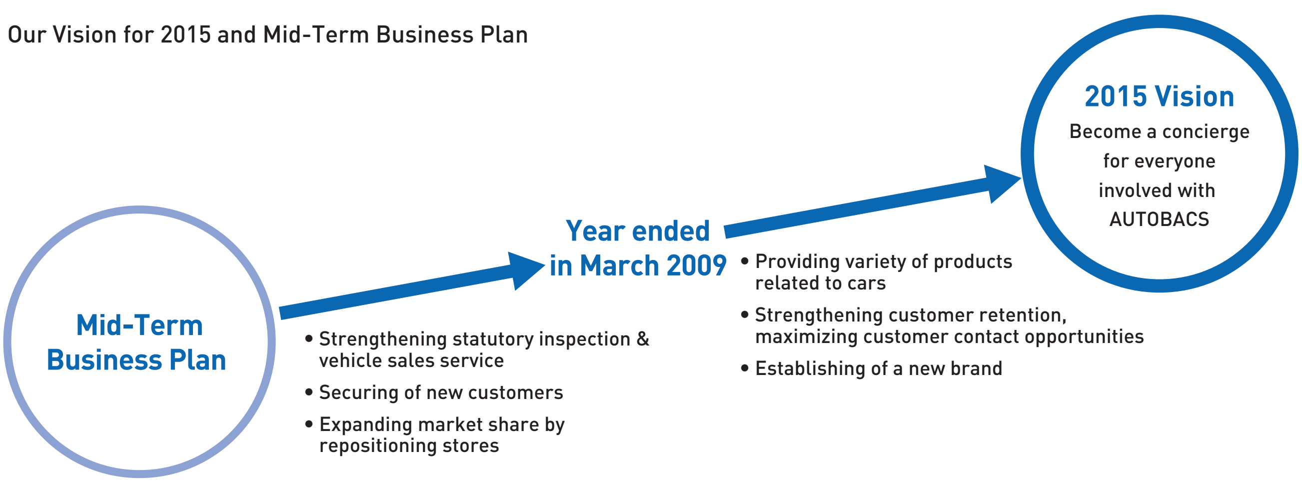
Please describe the background and future scenario for promoting your business in providing total car-life services.

Dedicated car parts and accessories retail outlets are not our only competitors. Indeed, we are engaged in an increasingly keener battle to win customers from car dealers that are affiliated with automakers. This is because of structural factors, notably the emergence of the low-birthrate, graying society and the increasing longevity of vehicles. Such factors have caused domestic demand for new cars to peak, prompting many dealers to equip highly profitable parts and accessories as standard in vehicles sold. Dealers are also actively entering the after-sales service sector in order to diversify their income sources.

To address these changes in the competitive environment, the AUTOBACS Group is working to transform itself from a retail store chain specializing in car parts and accessories to a provider of total car-life services. A key factor in this transformation is our broad product lineup, which is not limited to any specific manufacturer. Leveraging the strength of AUTOBACS in being able to supply the most appropriate products, we will maintain our impartial stance vis-à-vis automakers. Ultimately, our plan is to cover all domains related to cars and thus become a force in providing lifelong support for the automotive needs of our customers. As the first step in this strategy, we are building a three-pronged framework, in which we are adapting our new businesses — cars sales and Safety vehicle Inspection & maintenance — to our existing business in selling car parts and accessories.

As we evolve into a provider of total car-life services, as a vision for 2015 we will work to become a "concierge," delivering comprehensive car-related support for customers. In other words, we will seek to become a representative of customers, rather than a representative of manufacturers, in our quest to establish a new brand image as a company in whom customers can trust to handle all their car-related needs.

Our Vision for 2015 and Mid-Term Business Plan



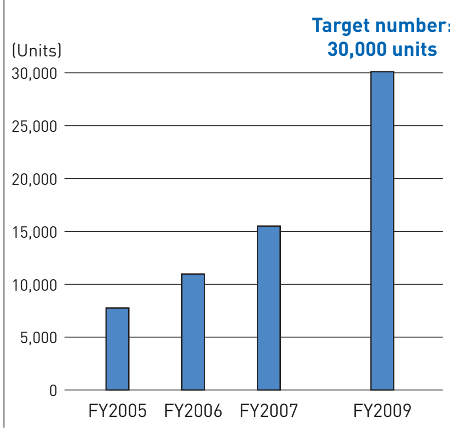
The Mid-Term Business Plan places particular emphasis on expanding your businesses in car sales and Safety Inspection & maintenance services. How is this initiative progressing? Can you also describe the synergistic benefits you expect to gain with your core business in car parts and accessories sales?

Our car sales business is extensive. Customers wanting new vehicles can place orders from the catalogs of all domestic automakers. Alternatively, they can purchase used cars via "CARSNAVI" online information terminals installed in our stores, giving them access to the nationwide inventories of the AUTOBACS Group, as well as vehicles listed at auctions. Customers'(or Consumers') awareness of the Group's car sales capabilities continues to grow. In fiscal 2007, we sold 15,400 vehicles, up 41% from the previous year. Also, at fiscal year-end we had 362 stores handling car sales, up 100 stores year-on-year and equivalent to around 70% of our network.

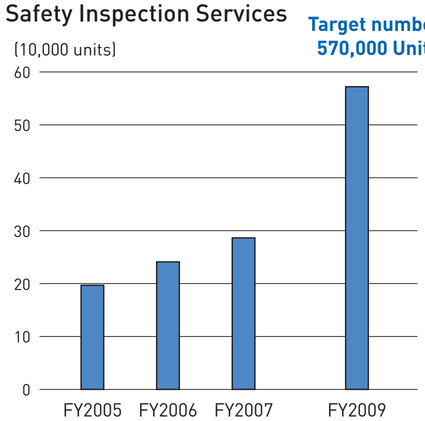
In our Safety Inspection & maintenance services business, we increased the number of stores qualified to perform statutory safety inspections by 21 in fiscal 2007, bringing the total to 237. We also promoted a Group-wide campaign to celebrate haring achieved the one million mark in statutory safety car inspections. In the year under review, we performed 285,000 such inspections, up 18.8%.

Meanwhile, we are generating increased additional sales of car parts and accessories from customers who visit us to receive Safety Inspection & maintenance services or purchase vehicles. In fiscal 2007, such additional sales amounted to ¥14,800 per vehicle in the case of Safety Inspections & maintenance, up from ¥13,900 in fiscal 2006. At the same time, additional sales of parts and accessories from customers purchasing cars grew from ¥66,000 to ¥73,000 per vehicle. Thanks to our car sales and Safety Inspection & maintenance services, the number of first-time visitors to our stores is also growing. As you can see, the synergistic benefits of our Total Car-Life Business Strategy are becoming evident.

Number of Vehicle Sales



Number of Vehicles The AUTOBACS Store Conducted Safety Inspection Services



Can you please explain your initiatives for fiscal 2008?

We will continue strengthening our three-pronged framework centering on car parts and accessories sales, Safety car Inspection & maintenance services, and car sales.

In our car parts and accessories business, we have been conducting a comprehensive reassessment of our store formats to meet changing demand for big-selling products. When performing maintenance and inspections, meanwhile, we will take full advantage of our interface with customers to promote sales of consumables, such as batteries, engine oil, and windshield wipers.

In our Safety Inspection & maintenance business, we will continue our Safety car Inspection campaign. At the same time, we will maximize customer contact opportunities through reinforcing sales promotions aimed at point-up members, annual inspections and other means, in order to boost sales. In other initiatives, we will step up training programs to increase the number of qualified vehicle inspectors and further raise the number of stores able to conduct Safety Inspections.

Due to zoning restrictions, some of our stores are not equipped to carry out inspection & maintenance activities. For such stores, we will set up Techno Cube facilities, which have their own car pits and dedicated equipment, in nearby locations, with the aim of expanding periodic inspections, vehicle diagnostics, and other services. In the car sales business, we will increase the number of stores handling vehicle sales and train salespeople. In July 2007, we introduced a new high powered system for purchasing and selling cars.

Overseas Business Strategy

Our ultimate goal is to "convert people around the world into car fans." Motivated by this goal, we will seek to broaden our overseas operations while preserving profitability, positioning our overseas business as a key growth driver for the AUTOBACS Group in the future.

What are your main target markets and areas of strategic focus overseas?

There exist markets in Europe and North America that are compatible with the AUTOBACS store format. Overseas, we have identified three areas of strategic focus for the time being: Europe, centering on France; the United States, the world's largest car market; and China, where we anticipate considerable market growth thanks to rapid economic development.

I will summarize the current status of our involvement in these areas. In France, we purchased six outlets in the previous fiscal year from the Eldorauto chain of stores. In the year under review, we converted those stores into AUTOBACS outlets and modified their store formats and product selections to our specifications. In January 2007, we opened AUTOBACS Saint Brice, our first franchised outlet in France. These have helped increase recognition of the AUTOBACS brand and boost sales. In fiscal 2008, we will add one more store in France, bringing our network to nine outlets.

In March 2007, we reached a basic agreement to acquire assets of STRAUSS Discount AUTO, which is a chain of car parts stores in the United States. The assets include 89 stores and a distribution center. The acquisition will place us in a position for full-scale business development in the important U.S. market.

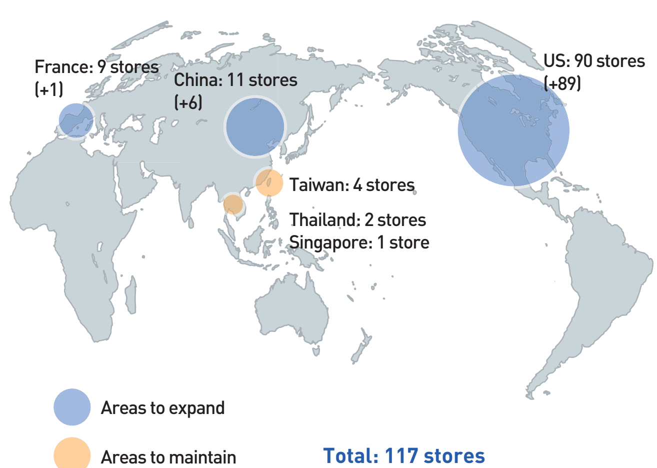
In China, we opened two new stores in the year under review. In the year ahead, we plan to boost the pace of expansion with the addition of six more stores, bringing the total to 11 by March 31, 2008.

STRAUSS Discount AUTO has filed for the Chapter 11 protection. Can you explain the reasons for wanting to acquire its assets?

For some time, we have sought to expedite store openings in the United States in the pursuit of a multiple-store strategy. STRAUSS Discount AUTO has a long history as an operator of car parts stores on the East Coast of the United States. Like AUTOBACS, it has numerous stores that both sell and provide installation services for car parts and accessories — a format that is not so common in overseas countries. It also has a long-established brand. We believe that bringing STRAUSS Discount AUTO into the AUTOBACS Group will generate synergistic benefits, and for this reason we agreed to make the acquisition.

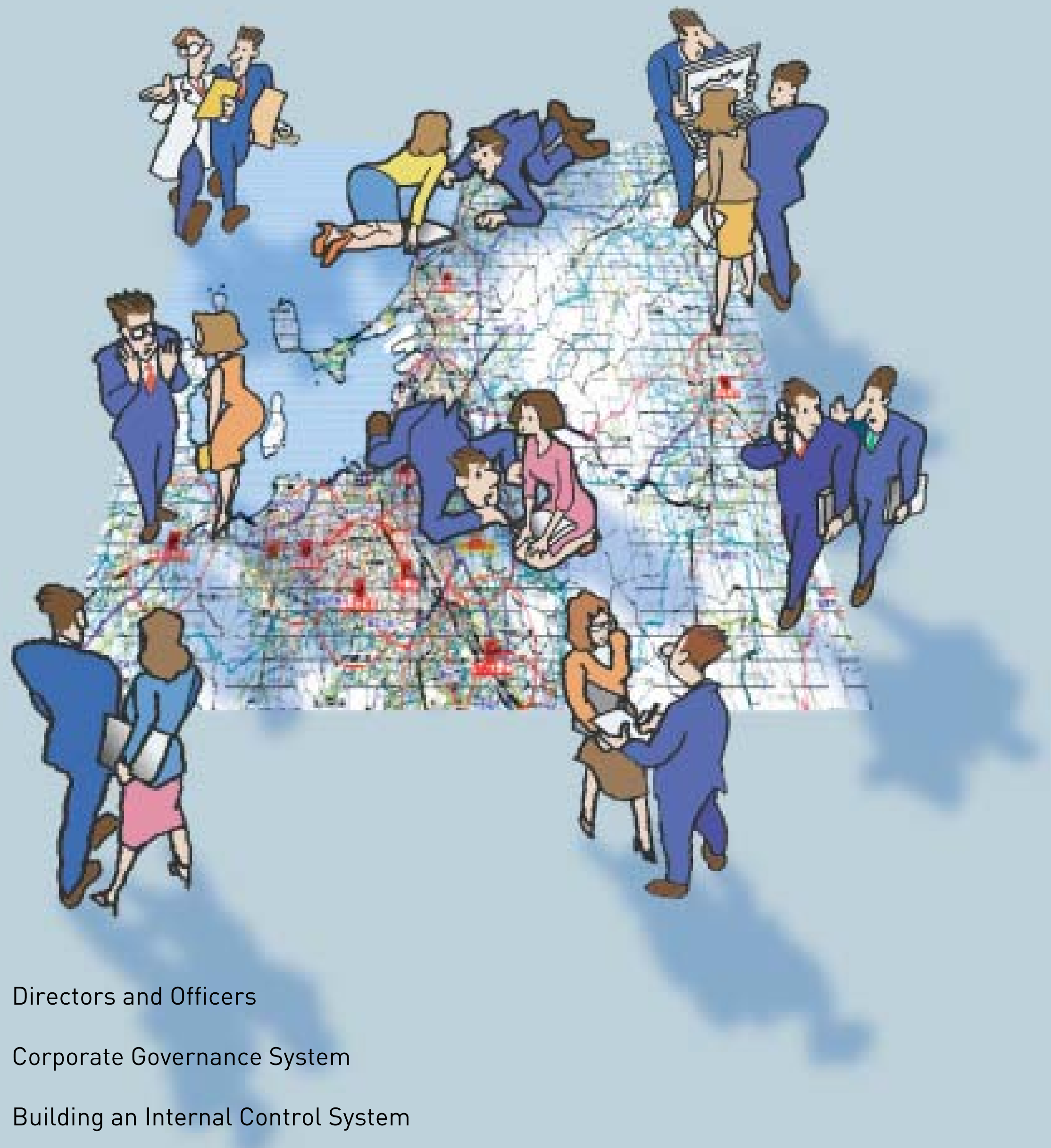
Plans For Year Ended March 2008

(the parentheses show comparisons to the year ended March 2007)



OUR MANAGEMENT SYSTEM

The AUTOBACS Group is proceeding to strengthen its governance and compliance systems in order to gain the support and trust of stakeholders. The AUTOBACS Group is proactively engaging in CSR initiatives as a good corporate citizen, based on the fundamental principle on which the company was founded of "providing people with affluent lives through cars."



DIRECTORS AND OFFICERS

(As of June 27, 2007)

Yasuo Nakata Yasuhiro Tsunemori Setsuo Wakuda Hironori Morimoto Koichi Sumino Takashi Matsuo Kenichi Takeda Eiju Miyauchi

Directors

Representative Director	Koichi Sumino*1	Chief Executive Officer
Directors	Setsuo Wakuda	
	Yasuhiro Tsunemori	
	Takashi Matsuo*1	Chief Strategic Officer Corporate Strategy Co-Chief Operating Officer Overseas Business Strategy
	Yasuo Nakata*2	(President and CEO, Calbee Foods Co., Ltd.)
	Eiju Miyauchi*2	
	Hironori Morimoto*1	Co-Chief Operating Officer Area Dominant Strategy, Total Car-Life Business Strategy and Store Development
	Kenichi Takeda	
Auditors	Akira Nogami	Senior Corporate Auditor
	Kotaro Morino*3	Senior Corporate Auditor
	Hiroshi Sumino	Senior Corporate Auditor
	Kensuke Tanabe*3	(Auditor, Tokai Rokin Bank)

Officers (Excludes officers who serve concurrently as directors)

Hiroaki Ito	Northern Japan Region
Masamichi Ezoe	Northern Kanto Region
Yoshihiro Emoto	Overseas Business Strategy and China Business
Tetsuya Kato	Southern Japan Region
Eiji Kaminishizono	Human Resources and General Service
Kosuke Kaya	AUTOBACS CARS Business and Car Maintenance Business
Kiomi Kobayashi	Product procurement and General Manager of Total Car-life Merchandise Management Department
Satoshi Kohira	Corporate Strategy ,Finance and New Business Development
Masachika Sumikura	Southern Kanto Region
Kozo Sumino	Accounting and Information Systems
Yuzuru Toide	Chubu Region
Teruyuki Matsumura	Kansai Region
Yoshirou Miyama	New Business Promotion and RICOLAND FC Headquarters Department
Masahiro Morimoto	Used Parts Business and Sales Promotion

* 1 Serves concurrently as officer
* 2 Outside corporate director ruled under the Corporate Law of Japan
* 3 Outside corporate auditor ruled under the Corporate Law of Japan

CORPORATE GOVERNANCE SYSTEM

Through the franchise system, the AUTOBACS Group provides a variety of products and services to a large number of customers. We recognize that maintaining and enhancing the AUTOBACS brand to earn further support and trust from all stakeholders is our most important management challenge. Accordingly, we have worked continuously to clarify management responsibilities and increase the speed of decision-making by streamlining our management structure. At the same time, we are striving to raise management transparency by strengthening the management oversight function and enhancing timely disclosure, in order to fulfill our corporate social responsibilities.

DIRECTORS AND EXECUTIVE OFFICERS SYSTEM

In June 2002, AUTOBACS introduced an executive officer system, separating the Board of Directors' responsibilities for corporate decision making and the officers' responsibilities for execution, thereby strengthening the oversight function of the Board of Directors.

The Company has eight directors, three of whom served concurrently as executive officers, including the representative director. The Company also appointed five non-officer directors (including two outside directors) to bolster the oversight function of the Board, and enhance the quality of its deliberations by drawing on the outside directors' management experience in other corporations.

Executive officers are appointed by the Board of Directors. Their tenures are limited to one year (as is the case with Board members) to ensure swift and flexible responses to ever-changing business conditions and clarify their responsibilities on an annual basis.

The Company pursues swift and efficient Groupwide operations through a system of three chief officers — the CEO, a COO in charge of executing business strategies, and a CSO in charge of overall corporate strategy, as well as 14 full-time officers

Furthermore, based on the formulation of "Rules for the Management of Confidential Information" and the establishment of the "Committee for the Protection of Personal Information," efforts are being made to strengthen the system for the management of confidential information and personal information at the company.

DECISION-MAKING AND BUSINESS EXECUTION SYSTEM

In addition to Board of Directors meetings, there is another important decision-making forum — the Executive Committee chaired by the chief officer and attended by all executive officers. The meeting is held once a month.

At meetings of this Committee, mid-term and annual management plans are formulated and the progress of these plans is discussed and checked. At the same time, operating results, including those of subsidiaries, are discussed and measures for improvement are considered. As necessary, the Committee deliberates in advance on matters under the jurisdiction of the Board of Directors or the chief officers.

Executive Officers adhere strictly to instructions and commands under the management system determined by the Board of Directors. They exercise authority in accordance with their delegated authority and execute business appropriately and efficiently. The chief officer (who is also a director) is responsible for reporting matters related to business execution to the Board of Directors.

MANAGEMENT AUDITING AND OVERSIGHT

1. Corporate Auditor System and Auditing Function

The Company has four corporate auditors, including two outside ones. Corporate auditors attend meetings of the Board of Directors and Executive Committee and offer advice and opinions. They also conduct internal audits, as well as audits of subsidiaries in Japan and overseas, in accordance with auditing policies and plans determined by the Board of Corporate Auditors. Corporate auditors implement rigorous oversight of the Board of Directors' decision-making and execution of operations.

2. Internal Auditing Organization

The Audit Office, which was established as an internal auditing organization, flexibly performs internal audits of the Company and its subsidiaries. The Office reports the results of its audits to the corporate auditors, the representative director and CEO, and other officers as well as issues corrective guidance to relevant divisions.

The Compliance Promotion Office, which is under the direct supervision of the CEO, works to ensure widespread observance of the AUTOBACS Group Code of Conduct and its guidelines. These have been established to ensure that directors, officers, and employees strictly comply with all laws and regulations, and that business activities conform to a high level of ethical standards.

To complement these activities, the Group has established the Orange Hotline, a third-party framework enabling employees who notice suspected violations of the Code of Conduct to report such incidents directly. Through the Orange Hotline, the Company is working to further raise the spirit of compliance.

NOMINATIONS AND DETERMINATION OF COMPENSATION

1. Process for the appointment of directors and chief officers

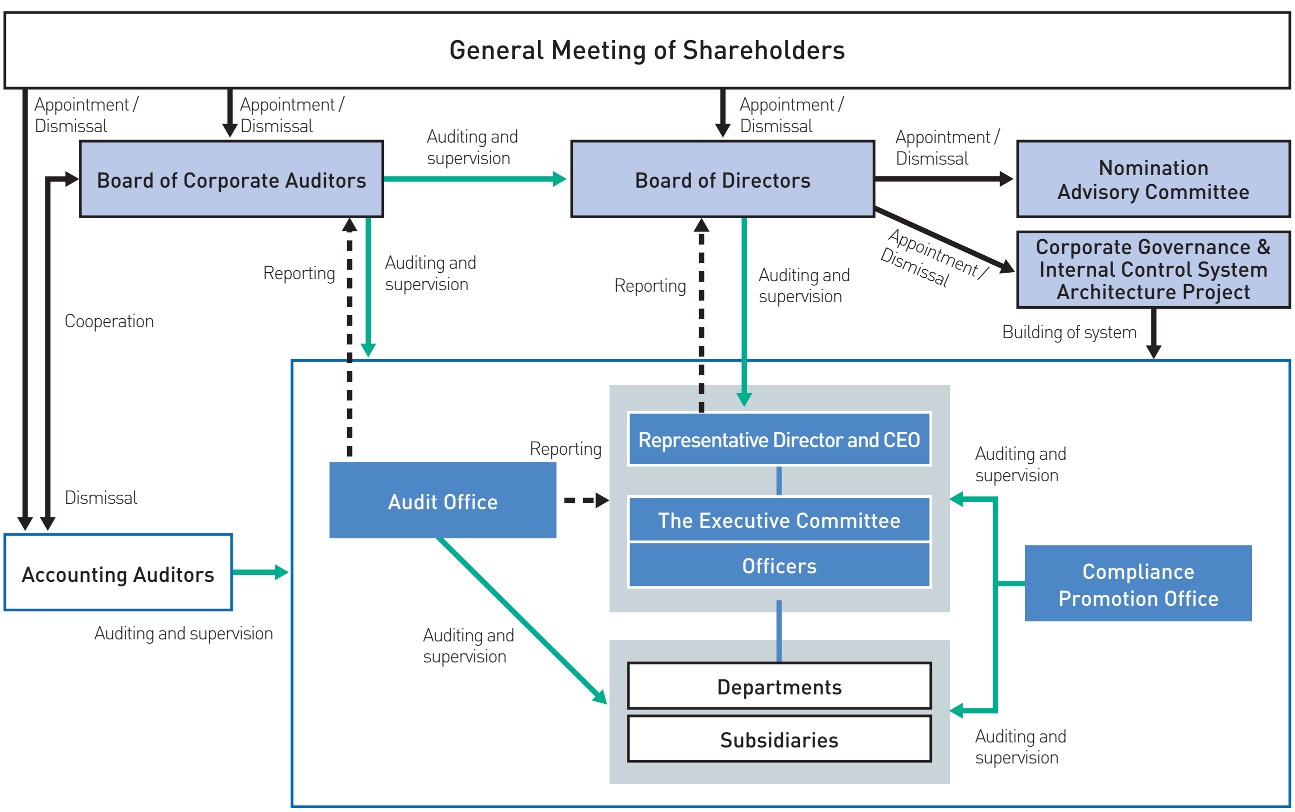
The Nomination Advisory Committee, appointed as an advisory body by the Board of Directors, advises the Board regarding the suitability of candidates for directorships and chief officer positions as an effort to improve the objectivity and transparency of the appointment process. In the appointment standards for the members of the Committee, the most important factor is ensuring the objectivity and transparency of the committee.

2. Compensation for directors and chief officers

A concept for compensation and a compensation system for directors and chief officers have been developed, and efforts are being made to improve the objectivity and transparency of the compensation system.

With regard to incentives for officers, a system is being maintained focusing on the concept of a connection with performance and results.

Corporate Governance System



BUILDING AN INTERNAL CONTROL SYSTEM

For AUTOBACS, making efforts to "strengthen brand power" and thus further boost the support and trust of stakeholders is equally important as improving its financial results. To this end, the Company works hard to fulfill its social responsibilities by developing a management system that ensures the appropriateness of daily operations.

Accordingly, in May 2006 the Board of Directors of AUTOBACS adopted the "Basic Policy for Building an Internal Control System."

STATUS OF BUILDING AN INTERNAL CONTROL SYSTEM

In July 2006, the Company established the "Corporate Governance & Internal Control System Architecture Project." At present, the project has six full-time members and seven part-time ones. In February 2007, the Company formulated the "Master Plan for Building an Internal Control System," and the following efforts are under way.

(1) System to ensure that directors and employees observe legal regulations and the Company's Articles of Incorporation when executing their duties

Through various means, such as adoption of an executive officer system and appointment outside directors, the Company has already enhanced the directors' supervision function. Corporate auditors receive periodic progress reports of building an internal control system, and they attend important internal meetings to monitor directors' execution of duties. Meanwhile, the Company continues to upgrade its internal rules while reinforcing its Orange Hotline, an internal direct reporting system for violations of laws and regulations and other aspects of compliance. At the same time, the Company has continuously sought to maintain and boost the overall awareness of executives and employees regarding legal and ethical compliance.

(2) System for storing and managing information related to the execution of duties by directors

The Company has developed internal information management rules and procedures pertaining to the storage of internal meeting materials and other important information, in both hard copy and electronic form. The information is protected and managed through various security measures, such as devices for limiting access and use of passwords.

(3) Regulations and other systems for managing risk of losses

AUTOBACS is conducting a "companywide risk diagnosis" to identify and evaluate risks associated with overall operations. It has also formulated "Risk Information Management Regulations" as part of a system to prevent problems occurring in the first place. Furthermore, regular meetings of chief officers are held to receive reports and swiftly consider countermeasures to address events that will have potentially a significant impact on the Company's operations.

(4) System to ensure the efficient execution of duties by directors

Based on Article 370 of the Company Law, AUTOBACS has cited "Omission of resolutions at Board of Directors meetings" to facilitate efficient execution of duties. However, the Company emphasizes in-depth deliberation of all relevant matters at its Board meetings and thus has clearly defined this rule's application to prevent its abuse. In addition, the Company has incrementally reduced the number of directors serving concurrently as executive officers to help them perform their duties more efficiently.

(5) System to ensure that the operations of the AUTOBACS Group (the parent company and its subsidiaries) are conducted appropriately

Through operational guidelines for subsidiaries and Group corporate auditor meetings, AUTOBACS is endeavoring to boost awareness about the importance of legal and ethical compliance.

To cite a specific example, the Company is rebuilding its IT system to enable real-time sharing of sales figures and other key information between AUTOBACS and its stores, including those operated by franchisees. The Company also deploys various operational systems to review expenses, fixed assets, and financial results as required. In these ways, AUTOBACS is stepping up efforts to ensure the adequacy of its operations.

(6) Matters concerning assignment of employees whose assistance is requested by corporate auditors

Following requests by and discussions with corporate auditors, since April 2007 the Company has assigned employees to assist corporate auditors in the pursuit of their duties.

(7) Matters concerning independence of aforementioned employees from directors

The assignment and replacement of employees to assist corporate auditors are to be discussed by corporate auditors and directors. Performance evaluation of such employees is to be conducted via meetings of corporate auditors.

(8) System enabling directors and employees to report to corporate auditors; other systems for reporting to corporate auditors

Through various forums, such as Board of Directors and management meetings attended by corporate auditors, directors and officers are to report to corporate auditors on a regular basis regarding the status of execution of duties, as well as important matters in corporate and business management. If a matter that could lead to a significant loss for the Company is identified, it is to be reported immediately to the corporate auditors.

(9) Other systems for ensuring effective performance of audits by corporate auditors

In addition to meetings of the Board of Directors, corporate auditors participate in other meetings as deemed necessary, and request reports from directors, officers, and employees as appropriate. Through such reports, corporate auditors gain an understanding of the status of operations. Through periodic meetings with the Company's representative director, corporate auditors endeavor to deepen mutual understanding and build trusting relationships.

Directors instruct personnel in charge of management of subsidiaries to participate in Group corporate auditor meetings, which are attended by corporate auditors of AUTOBACS and its subsidiaries. This is to ensure that communication and information gathering/exchanges are carried out appropriately. In executing their duties, corporate auditors are able to work with lawyers, certified public accountants, and other external experts as necessary, without restriction. The Company also gives corporate auditors opportunities to meet with outside specialists as needed.

COMPLIANCE SYSTEM

In addition to strengthening its compliance system, the Company widely promotes the importance of business activities that conform to legal and ethical rules to all members of the AUTOBACS Group, including the head office, subsidiaries, and franchise stores.

From the AUTOBACS Group's standpoint, compliance extends far beyond adherence to legal regulations and corporate ethics. We define compliance to mean meeting the legitimate expectations of all our stakeholders. This is clearly explained in our Code of Conduct and its guidelines which forms the basis of our compliance system. Based upon this basis we are working hard to promote compliance.

Specific initiatives are spearheaded by the Compliance Task Force, which consists of representatives from relevant departments and meets monthly. The Task Force submits reports on behavior that contradicts the Code of Conduct and its guidelines to the chief officer and corporate auditors. In these ways, we are building a system to ensure swift Groupwide responses to compliance-related issues.

AUTOBACS Code of Conduct

(1) To customers	We consider peace of mind, satisfaction, and trust from the customer's viewpoint and provide the best products, technologies, and services to meet customer expectations for total car-life services.
(2) To suppliers	We build fair relationships with all suppliers and implement sincere transactions in accordance with laws, regulations, and contracts.
(3) To shareholders and other investors	We act in the manner expected of a public company, fulfill our social responsibilities, and provide appropriate, timely disclosure of accurate company information, so that shareholders and investors can evaluate and understand the Company correctly.
(4) To society	We observe social rules and work for the betterment of the society, as a member of society.
(5) To employees	We value diversity and inclusion and strive to create a sound and healthy work environment.
(6) To company assets	We manage and protect all of the company's tangible and intangible assets and rights and we do not use them inappropriately. At the same time, we respect the assets and rights of others.

ORANGE HOTLINE

The Group established the Orange Hotline, an internal reporting system, to facilitate reporting of legal violations and compliance-related issues. In addition to providing a reciprocal monitoring function to raise compliance-related awareness among executives and employees, the Hotline is designed to allow quick detection of unethical behavior. At its meeting in December 2006, the Board of Directors resolved to further strengthen the compliance system by formulating a set of regulations aimed at reinforcing the effectiveness of the Orange Hotline. In the year under review, 10 cases were reported via the Hotline.

INFORMATION MANAGEMENT SYSTEM

In March 2006, the Group established Document Management Regulations and Confidential Information Management Regulations in order to promote more effective management of information on a Groupwide basis. Important paper documents — such as materials distributed at meetings of the Board of Directors and Executive Committee, as well as minutes of such meetings — must be stored in securely locked cabinets. Access to the Group's information systems is strictly limited and encryption techniques used, while electronic documents must be password-protected.

To create a system for the proper protection of personal information, we also set up the Personal Information Protection Committee, which reports directly to the CEO. The Committee held 30 in-house training sessions in the year under review and pursues other initiatives aimed at assuring effective information management throughout the Group, including at the Company, subsidiaries, and stores.

PRODUCT QUALITY CONTROL SYSTEM

The AUTOBACS Group undertakes quality control according to its Product Quality Control Regulations, which were revised in March 2007. Our quality control system covers not only in-house brand products but also national brand items. Working closely with manufacturers and suppliers, we adopt a multifaceted approach to quality control, considering such aspects as the legality and safety of the products themselves and how they are used, as well as protection of consumers based on product liability laws.

With the most abundant product lineup in the industry, the AUTOBACS Group is stepping up activities aimed at providing consistent levels of quality control across the entire aftermarket.

CSR INITIATIVES

The Company's aim is to "offer a prosperous life through cars" to every person associated with the AUTOBACS Group. With this in mind, we actively engage in environmental protection initiatives and a wide range of support activities as part of our business operations.

ENVIRONMENTAL PROTECTION

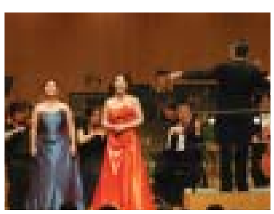
As a company whose business is associated with cars, The Company fully recognizes the need for an ongoing commitment to environmental protection. In line with this belief, we have an Internet reporting system to check the status of waste disposal consignment at all Group stores, minimize and eliminate potential risks posed by any illegal waste disposal, and ensure that all waste is handled properly. Our Logistics Center works hard to reduce packaging materials that place a burden on the environment. For example, it uses reusable foldable containers for distributing products to stores. The AUTOBACS sells secondhand products traded in by customers at AUTOBACS *Hashiriya Tengoku Secohan Ichiba* stores, with the aim of maximizing product life cycles. As a responsible corporate citizen, we undertake a range of other environmental initiatives. These include an annual volunteer work on Mount Fuji to remove garbage and a weekly clean-up of the area surrounding the Company's head office.

Annual clean-up activities at Mount Fuji

SUPPORT ACTIVITIES

Music

The Company supports musical concerts as a way to enable as many people as possible to come into direct contact with music and thus enjoy and appreciate the beauty of the arts. Here, we mainly support classical music concerts, including the Mostly Classical: Opera no Hana concert series.



Mostly Classical: Opera no Hana concert

Motor Sports

The AUTOBACS Racing Team Aguri (ARTA) Project puts world-class Japanese drivers onto the global motor racing stage. Its aim is to enliven motor sports and give dreams, hope, and excitement to motor racing fans around the world. To this end, ARTA competes in many races in Japan, from top-end events to those that foster rookie drivers. It also takes a sponsorship role in the Super GT and other races on the Japanese circuit.

ARTA drivers and staff competing in the Super GT

Kidzania Tokyo

The Company established the Car Life Support Center at Kidzania Tokyo, a for-children-by-children town opened in October 2006. At the Center, we teach children the enjoyment of cars and promote understanding of traffic rules, with the aim of positively contributing to a safe car society.

Children being taught at the Car Life Support Center at Kidzania Tokyo

Overseas Performances of Kamigata-Style Rakugo

The Company sponsors performances by the Kamigata-style rakugo artist, Katsura Koharudanji, scheduled for Broadway in August 2007. Katsura Koharudanji Ⅲ, a Special Advisor for Cultural Exchange for the Agency for Cultural Affairs government organization, performs the Kamigata style of rakugo (traditional Japanese comic storytelling), which originated in Osaka. We have decided to support this, since we are endeavoring to introduce Japanese car life style to U.S.A. through acquisition of 89 STRAUSS Discount AUTO stores and Katsura's undertaking to introduce Japanese traditional culture has lots in common with our attempt.

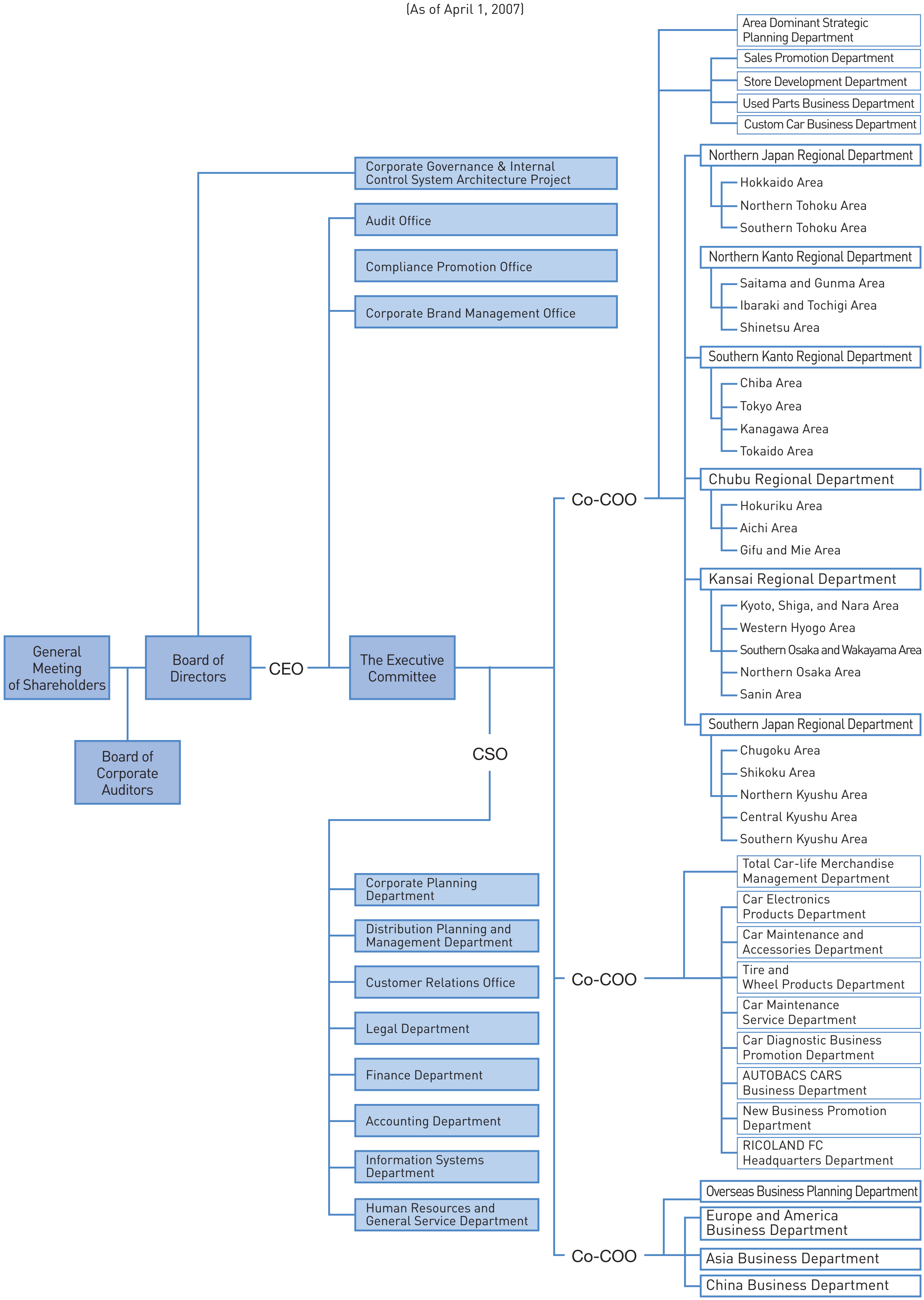
Katsura Koharudanji Ⅲ

M-1 Grand Prix

AUTOBACS has been a special sponsor of the M-1 Grand Prix, an annual comedian contest, since its inauguration in 2001. Through our sponsorship, we help discover and foster new talent among up-and-coming comedians.

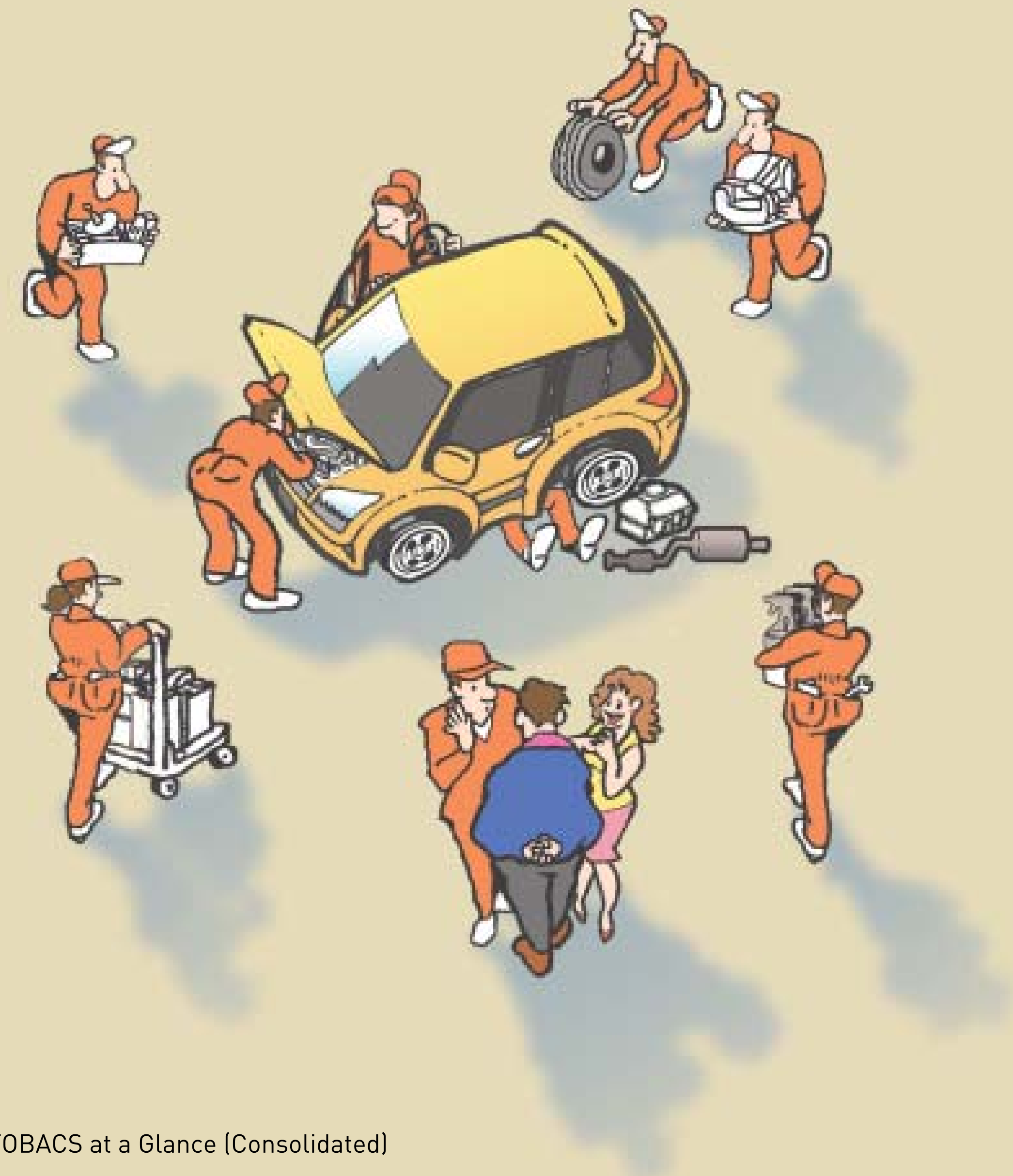
CORPORATE ORGANIZATION

(As of April 1, 2007)



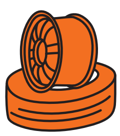
AUTOBACS IN FIGURES

The more our domains expand with the aim of being a provider of "Total Car-Life Services," the more the scope of our competitors expands. In this section, we present business data pertaining to AUTOBACS group which will help in understanding our market position among a broad range of competitors.



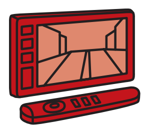
AUTOBACS AT A GLANCE (CONSOLIDATED)

The AUTOBACS Consolidated Group operates a franchise chain that mainly sells car parts and accessories and provides set-up and installation services. The Consolidated Group's net sales consist of a wholesale amount from franchisees and a retail amount through stores operated directly by the Company or its consolidated subsidiaries. The Consolidated Group sells products in the following eight categories.



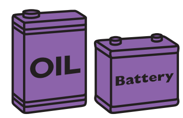
TIRES AND WHEELS

We handle tires and wheels from manufacturers based in Japan and overseas, which include AUTOBACS private brand products. In the fiscal year under review, a historically warm winter had a negative impact on the demand for winter-related items, and sales of studless tires and wheels decreased.



CAR ELECTRONICS

We offer a range of car electronic products from domestic and overseas manufacturers, such as car navigation systems and audio and visual products. In the year under review, we experienced a decline in sales of electronic toll collection (ETC) equipment, which already has a high diffusion rate.



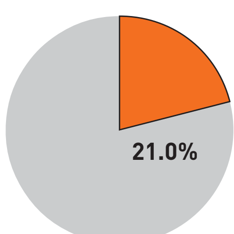
OIL AND BATTERIES

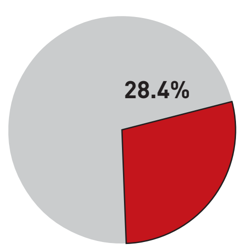
Our product range includes not only private brand products, such as the Vantage series of engine oil and the DYNAGRID series of batteries, but also oil and batteries from domestic and overseas suppliers. In the year under review, our effort to increase sales including promotion for our point-up card members resulted in strong sale of engine oil.

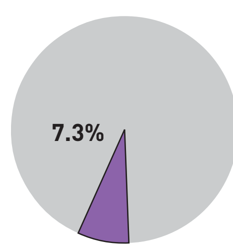
CAR EXTERIOR ITEMS

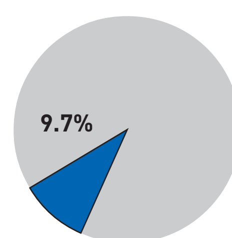
We provide an extensive range of products for car exteriors, such as wiper blades, tire chains, car washing products, waxes, coating agents, repair goods, and tools. In the year under review, we experienced a drastic decrease in sales of tire chains largely due to a historically warm winter.

% of Net Sales by Product Category (FY2007)

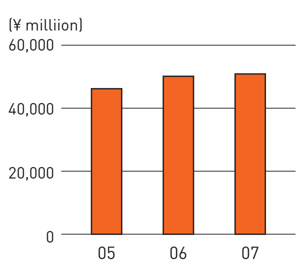


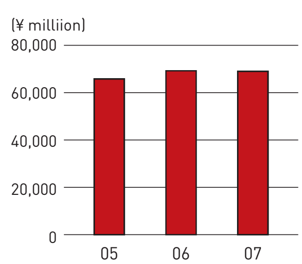


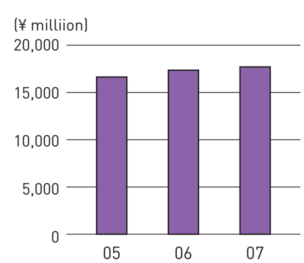


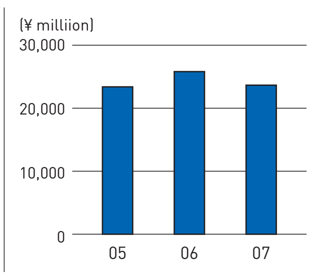


Net Sales by Product Category (Years Ended March 31)

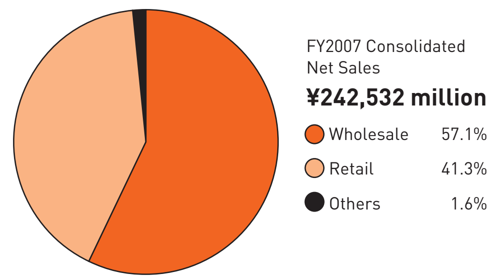


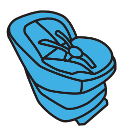






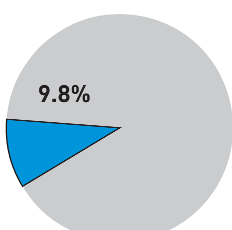
% of Net Sales by Operation

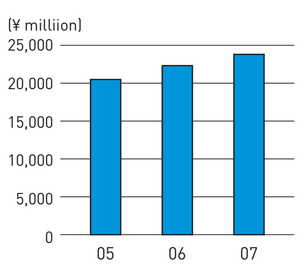


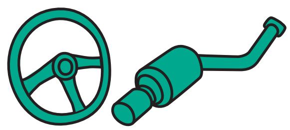


CAR INTERIOR ITEMS

We provide air fresheners, deodorizers, dust boxes and other small interior goods, radar detectors, and child seats. In the fiscal year under review, sales of radar detectors increased.

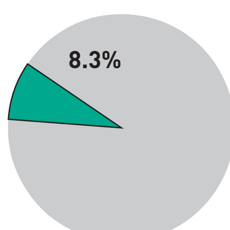


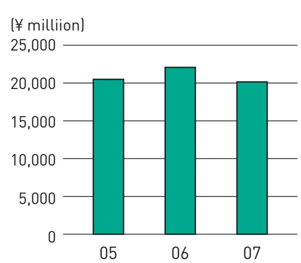


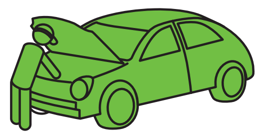


MOTOR SPORTS GOODS

We offer a wide range of products to customers who enjoy customizing and driving cars, such as aero parts, mufflers, headlight bulbs, and theft prevention products. In the fiscal year under review, sales of engine starters and theft prevention products decreased.

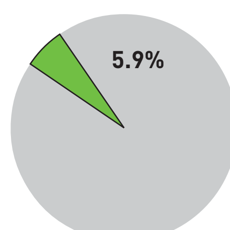


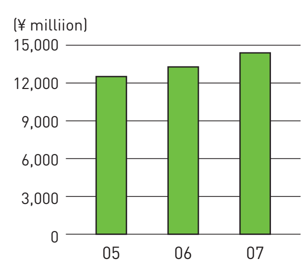




SERVICES

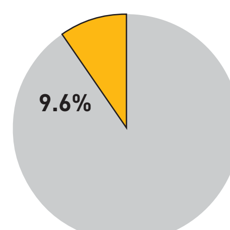
Services include the installation of car electronic products, the changing of tires, oil and batteries, statutory safety inspection and maintenance services, sheet metal work, and the application of window film. Statutory safety inspection and maintenance services are expanding into a major new source of revenues for the Group.

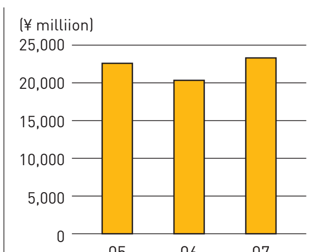




OTHERS

This category includes sales of second-hand parts, cars, motorcycle goods sold at Group stores, sales of fuels sold at service stations, revenues from royalties paid by franchisees, and lease payments for stores that franchisees lease from the Company.

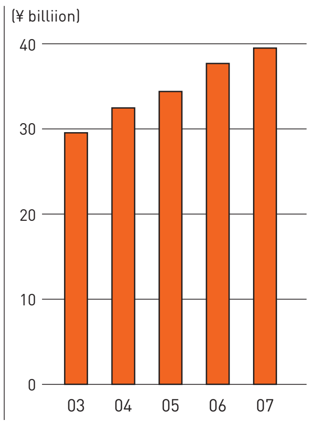




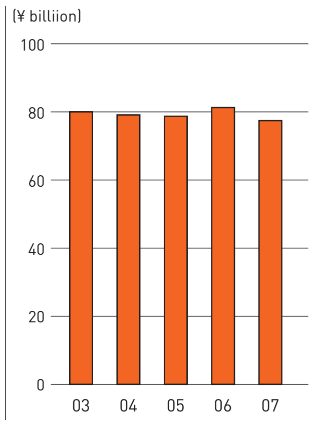
MAJOR MERCHANDISE AND MAJOR STORE SALES*

(Years Ended March 31)

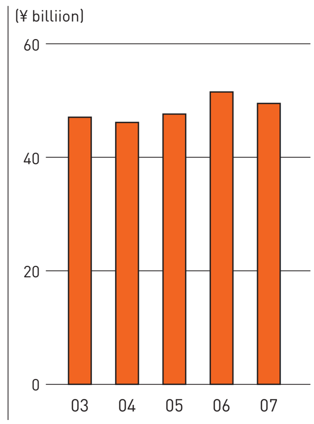
SERVICES
- Tire and oil changes
- Installations and changes of car electronics
- Statutory safety inspections and maintenance
- Body work and painting
- Polymer processing
- Window film application



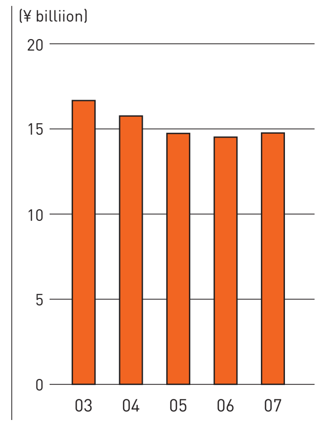
CAR ELECTRONICS
- Car navigation equipment
- Car audio equipment
- Car visual equipment
- ETC equipment



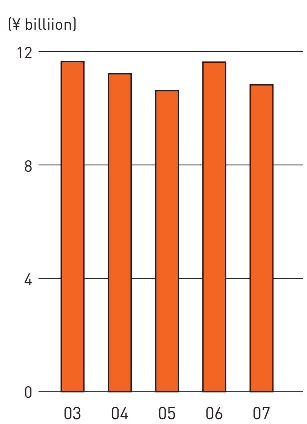
TIRES
- Private brand tires
- National and import brand tires
- High-performance tires
- Studless tires



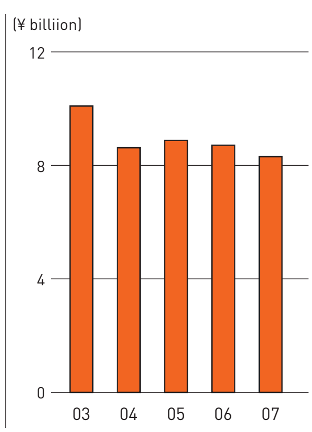
OIL
- Private brand engine oil
- Pure engine oil
- High-performance engine oil
- Transmission and differential gear oil
- Automatic transmission fluid



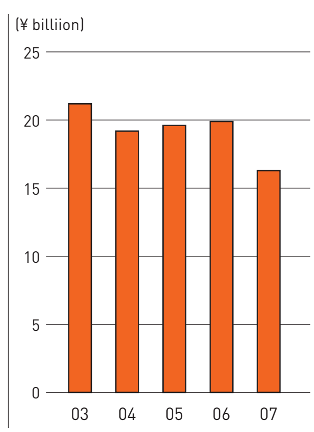
WHEELS
- Private brand wheels
- Luxury wheels for car customizing
- Wheels for various types of vehicles
- Steel wheels



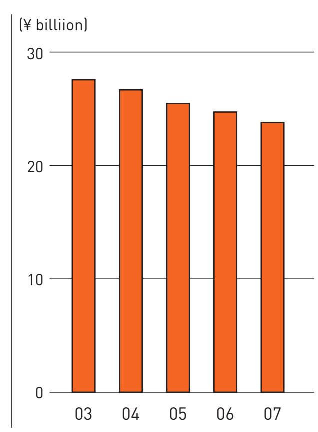
BATTERIES
- Private brand batteries
- High-performance-type batteries
- Batteries for imported vehicles
- Motorcycle batteries



MAINTENANCE PARTS
- Tire chains
- Carriers
- Oil filters and air filters
- Wiper blades
- Tools



MOTOR SPORTS GOODS
- Aero parts
- Tune-up parts (sports mufflers, shock absorbers)
- High-intensity discharge (HID) lights
- Theft prevention products
- Other electric parts

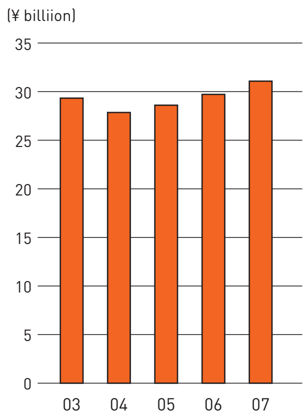


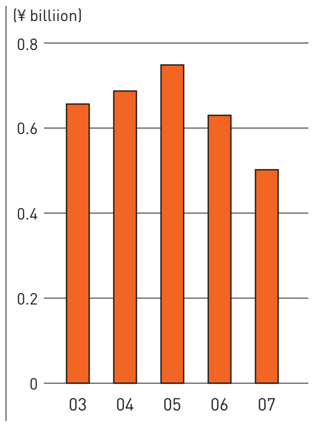
ACCESSORIES
- Radar detectors
- Air fresheners and deodorizers
- Car interior goods
- Seat covers
- Child seats

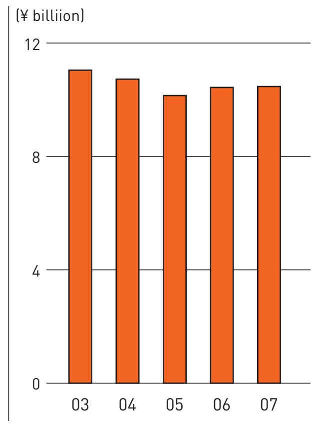
CAR LEISURE
- Books and magazines
- Camping gear
- Sundries and snacks
- CDs and DVDs

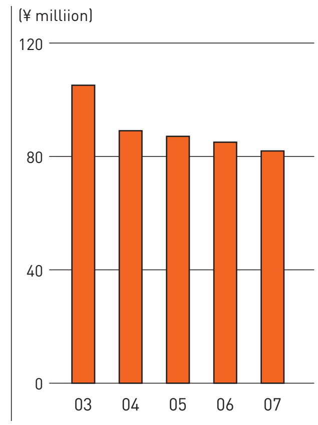
CAR REPAIR GOODS
- Car washing products
- Waxes and coating agents
- Repair products

MOTORCYCLE GOODS
- Helmets
- Riding wear
- Bike covers
- Motorcycle accessories

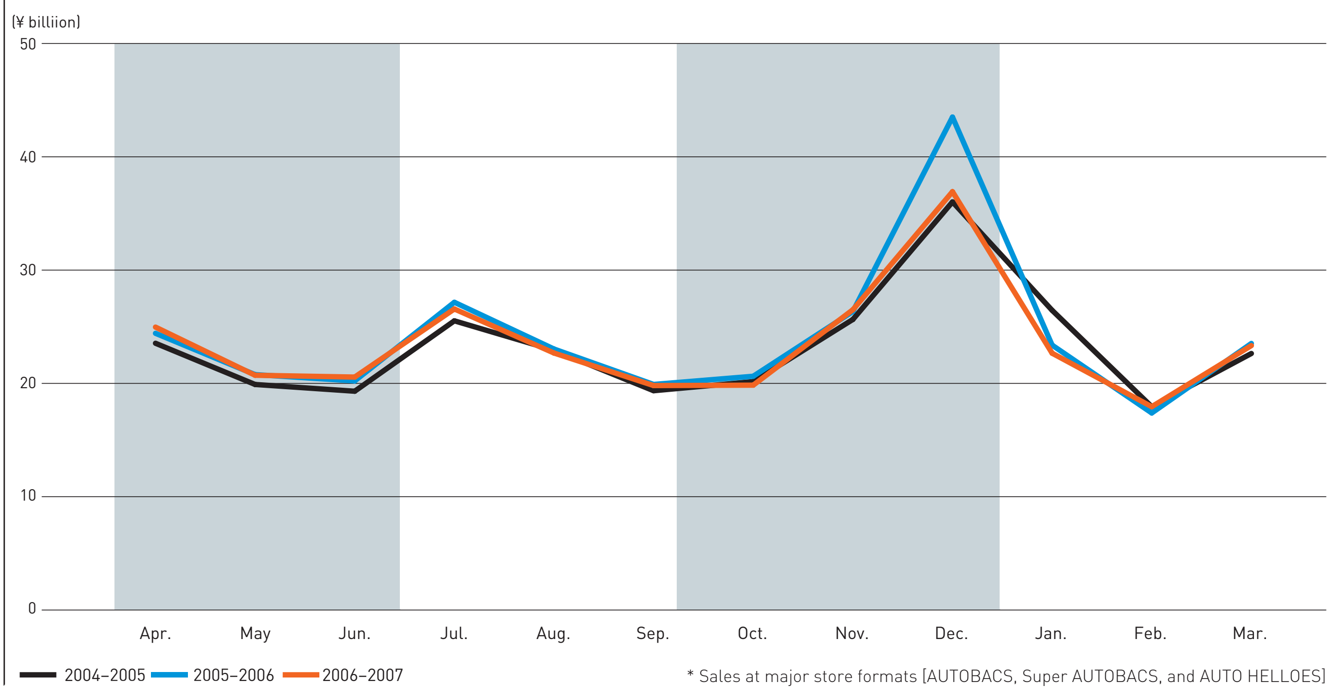








Monthly Major Store Sales*

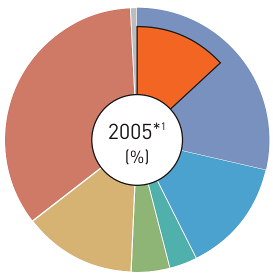


* Sales at major store formats [AUTOBACS, Super AUTOBACS, and AUTO HELLOES]

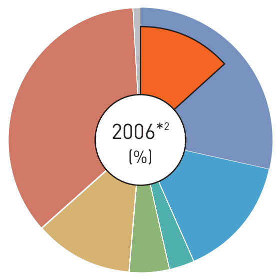
MARKET INFORMATION

SALES AND MARKET SHARE BY SALES CHANNEL

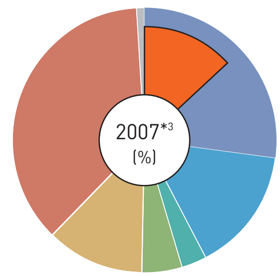
Market Share by Sales Channel (Years Ended March 31)



- 28.6 Car Parts and Accessories Stores
- 14.0 Tire Stores
- 3.4 Secondhand and Outlet Parts Shops
- 4.7 Home Centers
- 13.8 Gasoline Stations
- 34.7 Car Dealers
- 0.8 Others
- **13.1 AUTOBACS*4**



- 28.5 Car Parts and Accessories Stores
- 14.9 Tire Stores
- 3.1 Secondhand and Outlet Parts Shops
- 4.9 Home Centers
- 12.1 Gasoline Stations
- 35.7 Car Dealers
- 0.9 Others
- **13.3 AUTOBACS*4**



- 27.1 Car Parts and Accessories Stores
- 15.2 Tire Stores
- 3.1 Secondhand and Outlet Parts Shops
- 4.9 Home Centers
- 12.0 Gasoline Stations
- 36.7 Car Dealers
- 1.0 Others
- **13.0 AUTOBACS*4**

	Estimated number of stores selling car parts and accessories			Estimated retail sales of car parts and accessories (¥ million)						Estimated market share (%)		
Period of estimate	2005*1	2006*2	2007*3	2005*1	(2005/2004)	2006*2	(2006/2005)	2007*3	(2006/2005)	2005*1	2006*2	2007*3
Car Parts and Accessories Stores*5:												
National Chains	1,046	1,041	1,053	434,100	99.8%	445,500	102.6%	433,300	97.3%	20.37	20.63	20.15
Local Chains	173	179	179	73,200	95.8	77,400	105.7	71,700	92.6	3.44	3.58	3.34
Independent Stores	498	444	406	102,642	86.8	91,737	89.4	77,973	85.0	4.82	4.25	3.63
Subtotal	1,717	1,664	1,638	609,942	96.8	614,637	100.8	582,973	94.9	28.63	28.46	27.11
Tire Stores:												
Manufacturer-Affiliated Chains	1,998	2,092	2,217	211,300	98.8	230,360	109.0	242,660	105.3	9.92	10.67	11.29
Independent Stores	630	583	554	87,616	93.0	90,715	103.5	84,184	92.8	4.11	4.20	3.92
Subtotal	2,628	2,675	2,771	298,916	97.1	321,075	107.4	326,844	101.8	14.03	14.87	15.20
Secondhand and Outlet Parts Shops*6	760	755	760	72,500	114.8	66,000	91.0	66,300	100.5	3.40	3.06	3.08
Home Centers	3,553	3,549	3,540	99,398	98.0	106,313	107.0	105,545	99.3	4.66	4.92	4.91
Discount Stores	599	743	780	16,527	114.0	19,407	117.4	20,913	107.8	0.78	0.90	0.97
Gasoline Stations	39,479	37,397	35,843	294,671	88.1	261,181	88.6	258,070	98.8	13.83	12.09	12.00
Car Dealers	16,607	16,605	16,305	738,765	106.3	770,820	104.3	789,621	102.4	34.67	35.70	36.72
Total	65,347	63,388	61,643	2,130,719	99.3	2,159,433	101.3	2,150,306	99.6	100.00	100.00	100.00

Source: A•M NETWORK magazine, August 2005, September 2006, and August 2007 issues, published by AutoMart Network Inc.

*1 Estimated values for fiscal 2005

*2 Estimated values for fiscal 2006

*3 Estimated values for fiscal 2007

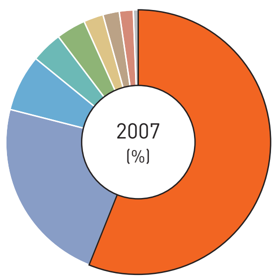
*4 Sales at AUTOBACS, Super AUTOBACS, and AUTO HELLOES stores

*5 Car parts and accessories stores are classified into national chains (AUTOBACS, Yellow Hat, and Jms), local chains (chains with more than 10 stores), or independent stores.

*6 Include sales at AUTOBACS *Hashiriya Tengoku Secohan Ichiba.*

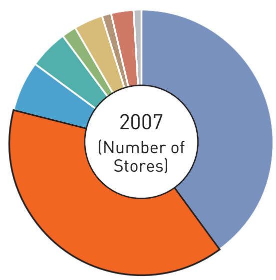
COMPARISON WITH COMPETITORS

Share of Total Sales



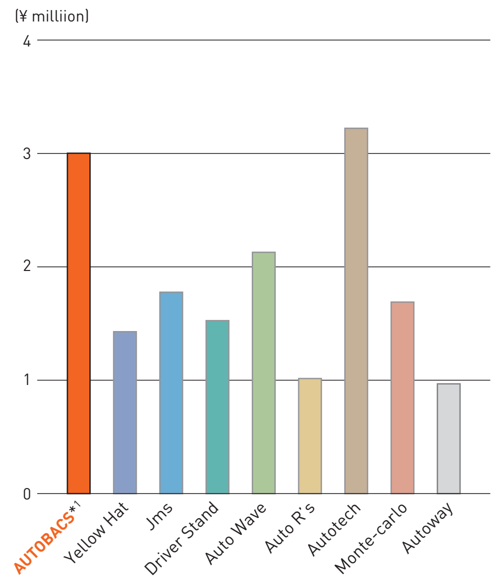
- 56.0 **AUTOBACS***1
- 22.9 Yellow Hat
- 6.9 Jms
- 3.8 Driver Stand
- 3.7 Auto Wave
- 2.4 Auto R's
- 2.0 Autotech
- 1.7 Monte-carlo
- 0.6 Autoway

Share of Total Stores



- 494 Yellow Hat
- 483 **AUTOBACS***1
- 76 Jms
- 59 Driver Stand
- 22 Auto Wave
- 44 Auto R's
- 14 Autotech
- 34 Monte-carlo
- 12 Autoway

Annual Sales per Tsubo (= 3.3m²)



	Retail sales (¥billion)		Total number of stores		Total sales floor space (tsubo)		Total number of employees		Annual sales per store (¥million)		Sales floor space per store (tsubo)		Number of employees per store		Annual sales per tsubo (¥ million)		Annual sales per employee (¥ million)	
Period of estimate	2006*2	**2007*3**	2006*2	**2007*3**	2006*2	**2007*3**	2006*2	**2007*3**	2006*2	**2007*3**	2006*2	**2007*3**	2006*2	**2007*3**	2006*2	**2007*3**	2006*2	**2007*3**
AUTOBACS*1	290.7	**282.9**	479	**483**	91,186	**93,754**	9,028	**9,165**	599	**585**	190	**194**	19	**19**	3.1	**3.0**	31.9	**30.9**
Yellow Hat	122.7	**115.6**	487	**494**	79,744	**80,802**	5,805	**5,548**	252	**234**	164	**164**	12	**11**	1.5	**1.4**	21.1	**20.8**
Jms	35.5	**34.8**	75	**76**	19,222	**19,499**	1,309	**1,322**	473	**457**	256	**257**	18	**17**	1.9	**1.8**	27.1	**26.3**
Driver Stand	20.0	**19.4**	57	**59**	12,486	**12,628**	837	**893**	352	**328**	219	**214**	15	**15**	1.6	**1.5**	24.0	**21.7**
Auto Wave	22.4	**18.4**	22	**22**	9,452	**8,601**	920	**890**	1,018	**837**	433	**391**	42	**40**	2.4	**2.1**	24.3	**20.7**
Auto R's	12.6	**12.3**	41	**44**	11,126	**12,107**	540	**606**	307	**279**	271	**275**	12	**14**	1.1	**1.0**	25.2	**20.3**
Autotech	10.0	**10.2**	13	**14**	3,140	**3,152**	340	**350**	769	**725**	242	**225**	26	**25**	3.2	**3.2**	29.4	**29.0**
Monte-carlo	8.9	**8.5**	34	**34**	5,030	**5,030**	322	**323**	262	**250**	148	**148**	10	**10**	1.8	**1.7**	27.7	**26.4**
Autoway	3.5	**3.0**	12	**12**	3,091	**3,091**	126	**125**	292	**250**	258	**258**	11	**10**	1.1	**1.0**	27.8	**24.0**
Subtotal	522.9	**505.0**	1,220	**1,238**	234,477	**238,664**	19,227	**19,222**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**

Source: A•M NETWORK magazine, August 2006 and July 2007 issues, published by AutoMart Network Inc.
*1 Include figures at major store formats (AUTOBACS, Super AUTOBACS, and AUTO HELLOES).
*2 Estimated retail sales values from April 2005 through March 2006.
Figures for number of stores, sales floor space, and number of employees are as of March 31, 2006.
*3 Estimated retail sales values from April 2005 through March 2006.
Figures for number of stores, sales floor space, and number of employees are as of March 31, 2007.

AUTOBACS GROUP STORE NETWORK

OUTLINE OF MAJOR AUTOBACS GROUP STORES

	Super AUTOBACS Type I	Super AUTOBACS Type II
Definition	Large-service-area, flagship stores that entrench the Super AUTOBACS brand	Large scale stores providing "total car-life services" by using the best facilities and technical capabilities to offer the best goods and services
Commercial area	20km radius	10km radius
Commercial area population	1,000,000 or more	300,000 or more
Size Site size	9,900m² or more	5,610m² or more
Sales floor space	1,650m² or more	990m² or more
Number of service bays	40 or more	15 or more
Number of parking spots	200 or more	80 or more

STORE NETWORK

	2003/3	2004/3	2005/3	2006/3	**2007/3**
Domestic:					
Super AUTOBACS	43	54	60	65	**70**
Type I	5	6	6	6	**6**
Type II	38	48	54	59	**64**
AUTOBACS	435	421	410	403	**402**
AUTO HELLOES	16	16	16	11	**11**
AUTOBACS *Hashiriya Tengoku Secohan Ichiba*	13	22	26	28	**27**
AUTOBACS EXPRESS	1	4	5	6	**7**
Overseas	10	11	12	19	**21**
Total	**518**	**528**	**529**	**532**	**538**

	AUTOBACS	AUTOBACS *Hashiriya Tengoku Secohan Ichiba*
	Community-based, one-stop stores offering automotive goods, mainly popular and high-use products, as well as service	Stores specializing in the sale of automotive goods traded in by customers at AUTOBACS Group stores and outlet products from manufacturers
	5km radius	5—10km radius
	150,000	450,000
	2,640m^2	1,320m^2
	495m^2 or more	396m^2
	7 or more	4
	50 or more	20

AUTO HELLOES

Total car-life service stores in Hokkaido
Commercial areas and store size same as AUTOBACS format

AUTOBACS EXPRESS

*1 *2

Supplemental store format for small commercial area mainly focusing on commodity items
*1 stores attached to gas stations
*2 small-sized stores

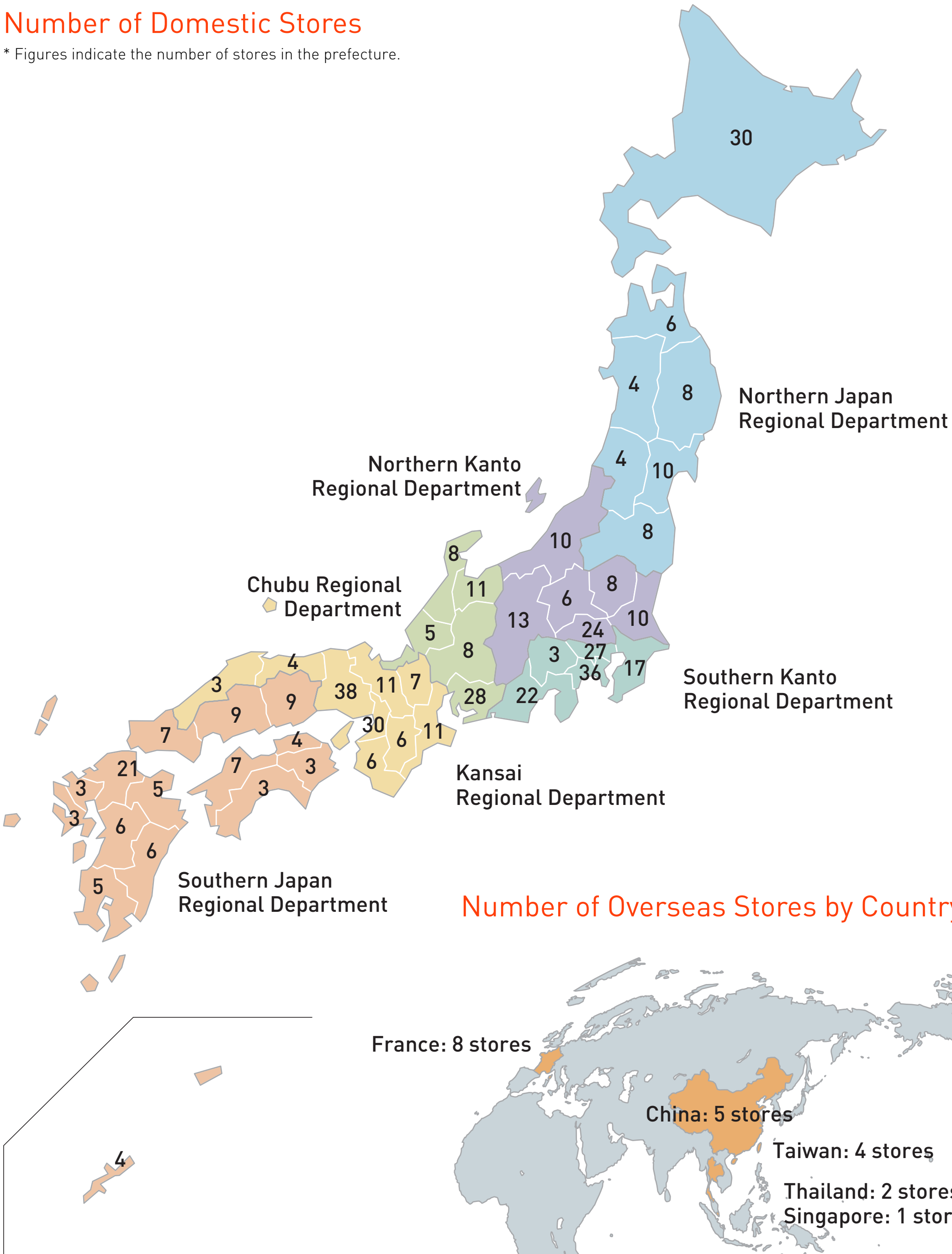
AUTOBACS CARS

Purchase and sale of used cars as well as sale of new cars in existing stores

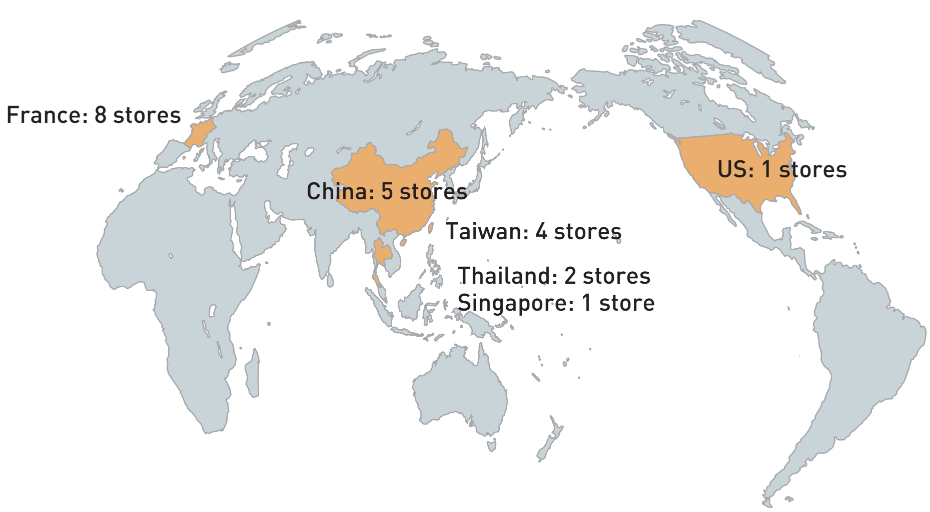
STORE NETWORK (As of the end of March, 2007)

Number of Domestic Stores

* Figures indicate the number of stores in the prefecture.



Number of Overseas Stores by Country



FINANCIAL SECTION

CONSOLIDATED SIX-YEAR SUMMARY

AUTOBACS SEVEN CO., LTD. and Consolidated Subsidiaries
Years Ended March 31

	Millions of yen, except per share data					
	2002	2003	2004	2005	2006	**2007**
FOR THE YEAR						
Net sales:						
Tires and wheels	¥ 48,341	¥ 47,244	¥ 45,514	¥ 45,966	¥ 50,025	**¥ 50,878**
Car electronics	67,881	68,672	67,346	65,359	69,185	**68,904**
Oil and batteries	20,295	19,253	17,653	16,565	17,342	**17,686**
Car exterior items	27,365	25,970	24,137	23,257	25,763	**23,644**
Car interior items	19,854	20,776	20,318	20,347	22,280	**23,686**
Motor sports goods and others	44,002	48,564	52,110	55,286		
Motor sports goods					22,035	**20,109**
Services					13,255	**14,344**
Others					20,322	**23,281**
Total	227,738	230,479	227,078	226,780	240,207	**242,532**
Operating income	9,570	7,652	6,211	7,368	13,638	**12,220**
Income before income taxes and minority interests	10,150	9,616	9,627	6,876	13,866	**16,549**
Net income	5,520	4,003	5,444	2,928	7,861	**9,165**
Dividends paid	1,349	1,349	1,303	1,384	1,775	**2,075**
Consolidated dividend payout ratio	24.4%	33.7%	24.0%	56.4%	24.7%	**24,3%**
Return on sales	2.4%	1.7%	2.4%	1.3%	3.3%	**3.8%**
Return on equity	3.9%	2.7%	3.7%	2.0%	5.1%	**5.6%**
Return on assets	2.9%	2.1%	2.8%	1.4%	3.6%	**3.9%**
Per share data (Yen):						
Basic net income	¥ 146.45	¥ 106.76	¥ 149.80	¥ 79.85	¥ 210.36	**¥ 239.01**
Cash dividends	36.00	36.00	36.00	45.00	52.00	**58.00**
Cash flow provided by operating activities	¥ 11,796	¥ 7,926	¥ 13,808	¥ 10,980	¥ 24,137	**¥ 17,216**
Cash flow used in investing activities	(8,857)	(8,003)	(646)	(1,277)	(26,997)	**(7,102)**
Cash flow provided by (used in) financing activities	(5,297)	(9,099)	4,605	237	5,177	**(4,698)**
Capital expenditures	(8,770)	(10,332)	(7,894)	(6,349)	(11,400)	**(10,355)**
Depreciation and amortization	5,648	5,509	5,957	5,620	5,068	**6,471**
AT YEAR-END						
Cash and cash equivalents	¥ 32,836	¥ 23,438	¥ 41,155	¥ 51,150	¥ 53,622	**¥ 59,227**
Current assets	82,042	75,828	94,359	104,214	112,020	**119,265**
Current liabilities	33,469	29,962	33,684	34,610	44,046	**48,882**
Current ratio	245.1%	253.1%	280.1%	301.1%	254.3%	**244.0%**
Total assets	190,815	187,139	202,761	203,225	227,707	**240,628**
Equity	145,391	145,818	147,533	148,983	161,536	**167,995**
Equity ratio	76.2%	77.9%	72.8%	73.3%	70.9%	**69.8%**
Number of stores	542	518	528	529	532	**538**
Overseas stores	9	10	11	12	19	**21**
Number of employees	3,474	3,712	4,008	4,023	4,406	**4,621**

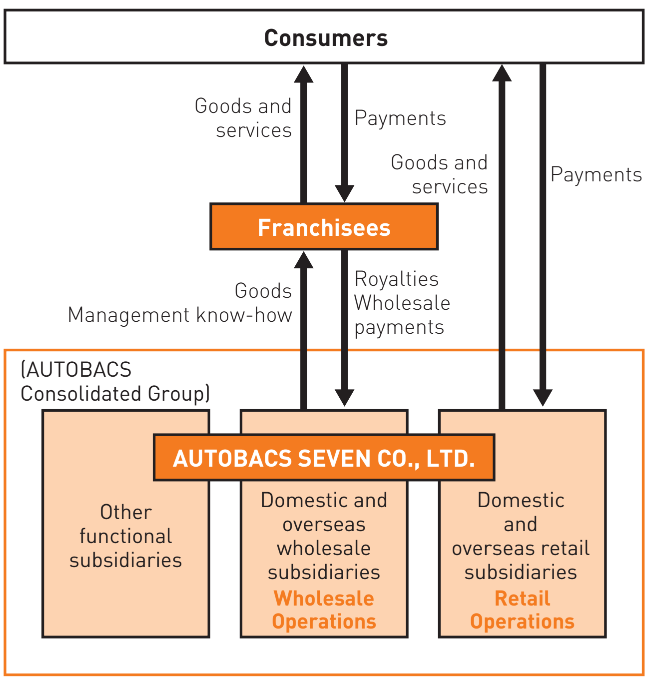
REVIEW OF FISCAL 2007

OPERATIONAL REVIEW

THE AUTOBACS CONSOLIDATED GROUP

Consisting of AUTOBACS SEVEN CO., LTD. (the Company) and consolidated subsidiaries, the AUTOBACS Consolidated Group operates a franchise chains that consists of 538 retail stores (as of March 31, 2007, and including 21 overseas stores), which sell automotive related goods and offer various services through their service bays.

The Group's main store brands are AUTOBACS, Super AUTOBACS, AUTO HELLOES, AUTOBACS *Hashiriya Tengoku Secohan Ichiba*, and AUTOBACS EXPRESS (please see pages 32 and 33 for a summary of store formats). The Group generates revenue through wholesale operations, retail operations, and others.



• **Wholesale Operations**

In wholesale operations, the Group generates revenue from wholesale of car parts and accessories to franchisees and receives royalties paid by franchisees.

• **Retail Operations**

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

	2006	2007
Stores included in consolidation		
(retail operations)		
Directly managed stores	16	14
Consolidated subsidiaries		
(of which, overseas)	129 (16)	136 (16)
Subtotal	145	150
Stores not included in consolidation		
(wholesale operations)		
Stores managed by franchisees,		
including stores of affiliates		
(of which, overseas)	387 (3)	388 (5)
Total stores (of which, overseas)	532 (19)	538 (21)

Franchise System

Franchisees conclude franchise contracts based on a commitment to pursue value-added operations, with the ultimate goals of "making drivers around the world into car fans" and "creating a utopia for automobile enthusiasts."

• **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 headquarters. The aim of the franchise contracts is to ensure the mutual prosperity of the Company and franchisees.

• **Royalties**

Stores pay a portion of their monthly store sales to the Company that is calculated based on a fixed rate. The fixed rate is 1.0% for all store formats, except AUTOBACS *Hashiriya Tengoku Secohan Ichiba*, for which the rate is 7.0%.

ANALYSIS OF OPERATING ENVIRONMENT

Japan's market for car parts and accessories has been contracting since around 1997. It is estimated that retail sales in that market totaled ¥3,057 billion in fiscal 1997. In the year under review, that amount fell to ¥2,150 billion.

This market shrinkage has stemmed mainly from stepped-up efforts by automakers and car dealers to offer new vehicles with various equipment and accessories as standard, as well as falling sales prices of such items.

* A•M NETWORK magazine, August 2001 and August 2007 issues, published by AutoMart Network Inc.

FISCAL 2007—OVERVIEW AND ACHIEVEMENTS

Performance Overview

In fiscal 2007, the Company faced difficult business conditions, characterized by weak overall demand stemming from a decline in sales of new passenger cars and soaring prices of gasoline, as well as a historically warm winter. Amid these conditions, sales of winter-related items, such as studless tires and tire chains, decreased. Sales of electronic toll collection (ETC) equipment, which already has a high diffusion rate, were also down. However, the Company's revenue was boosted by the addition of sales from six stores in France, acquired in January 2006, as well as increased sales from services, such as Safety Inspection and maintenance.

Accordingly, consolidated net sales for the year reached ¥242.5 billion, up 1.0% from fiscal 2006. However, operating income declined 10.4%, to ¥12.2 billion mainly due to the increase in selling expenses. Net income grew 16.6%, to ¥9.2 billion.

Main Achievements

In fiscal 2007, the Company made progress with reorganizing and optimizing its store network and worked aggressively to advance its three main businesses: car parts and accessories sales, car sales, and statutory safety inspection and maintenance services. At the same time, we continued paving the way for continued growth over the medium and long terms by steadily expanding the scope of our business in line with the goal of advancing from a vendor of car parts and accessories to a provider of "total car-life services."

• Development of Store Network

Aiming to achieve the optimal combination of stores in terms of formats and locations within each area, we took various steps during the year. These included opening new stores, replacing existing stores through scrap-and-build programs and relocations, upgrading

AUTOBACS stores into Super AUTOBACS stores, and opening or closing AUTOBACS *Hashiriya Tengoku Secohan Ichiba* stores. As result, the Group's domestic network increased by four stores in the year under review. Overseas, we opened two stores in China and one in France, and closed one in Taiwan. As a result, the number of stores at fiscal year-end was 538, up six from a year earlier.

• Products and Service Sales

In the car parts and accessories sales segment, we undertook various measures, including modifying our product lineup in response to changing weather conditions, rising fuel prices, and other business conditions. Sales of winter-related items declined, however, due to the warm winter.

In car sales, we increased the number of outlets handling car sales and sought to raise brand recognition via television commercials. Accordingly, the number of cars sold by the AUTOBACS Consolidated Group reached 10,921, an increase of 4,482 from 15,403 in the previous fiscal year.

In statutory safety inspection and maintenance services, the number of stores with official certification rose steadily, to 237, and the number of cars inspected by the AUTOBACS Consolidated Group during the fiscal year was around 285,000, an increase of 45,000 from the previous fiscal year's level of 240,000.

BUSINESS OUTLOOK

Going forward, the Company will need to pay attention to various factors, including oil prices and other market conditions, as well as exchange rate trends and concerns about economic slowdown in the United States. Nevertheless, we believe that the Japanese economic will continue its prolonged expansion. Even personal consumption, which has been slow to improve, is expected to follow an upward trend, in line with a turnaround in employment conditions.

In the car parts and accessories sector, we expect unit sales of new passenger vehicles to continue declining, causing competition among dealers to remain strong. Meanwhile, companies from other industries, such as electric equipment manufacturers, have stepped up their entry into the market. Accordingly, the competitive nature of the Group's business environment is spreading from the car parts and accessories sales sector to the vehicle inspection and car sales sectors.

In response, the AUTOBACS Consolidated Group will accelerate its "total car-life" strategy by continuing to powerfully advance its three business strategies. Specifically, we will leverage our strengths in our core segment, car parts and accessories sales, to promote our capabilities in the vehicle inspection and car sales businesses as a provider of "total car-life services." By promoting a new business model in this way, we will strive to maximize our corporate value. (For more details, please refer to the "Mid-Term Business Plan" section on page 12-16.)

FINANCIAL REVIEW

INCOME AND EXPENSES

Net Sales

In fiscal 2007, ended March 31, 2007, consolidated net sales amounted to ¥242.5 billion, up 1.0% from fiscal 2006. Contributing factors included the acquisition of stores in France in the previous fiscal year, which increased our network in that nation by six outlets. In addition, we opened new stores and transformed or relocated existing ones under our Area Dominant Strategy, while actively advancing our presence in the vehicle inspection and car sales markets.

¥ billion (Percentage of net sales)

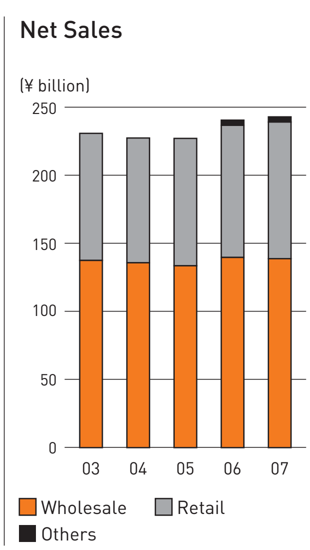
	2006		2007		Increase
Wholesale operations	139.5	(58.1%)	**138.5**	**(57.1%)**	(1.0)
Retail operations	96.9	(40.3%)	**100.2**	**(41.3%)**	3.3
Others	3.8	(1.6%)	**3.8**	**(1.6%)**	0
Total	240.2	(100.0%)	**242.5**	**(100.0%)**	2.3

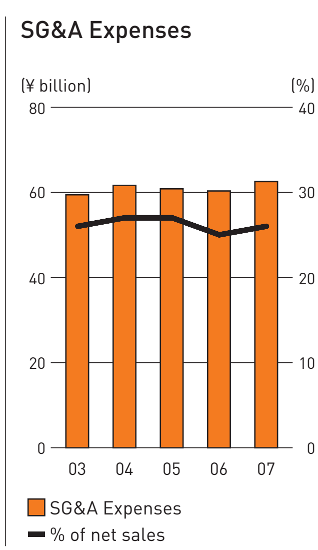
• Wholesale Operations

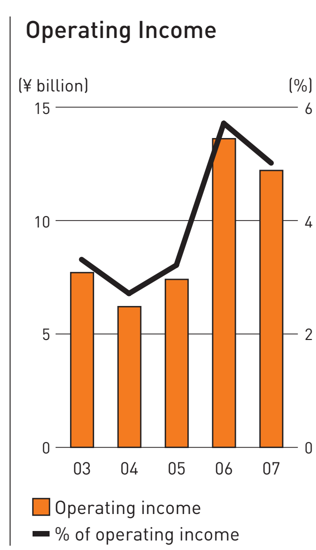
Sales from wholesaling to the Company's franchise chain stores edged down ¥1.0 billion, or 0.7%, to ¥138.6 billion. Positive factors included increased sales of cars, a business that we are aggressively promoting, as well as healthy sales such as tires, wheels, and other parts and accessories. However, these were outweighed by sluggish demand for car electronics equipment and motor sports goods, as well as tire chains and other car exterior items. At fiscal year-end, there were 388 franchise chain stores (including five overseas stores), an increase of one store from a year earlier.

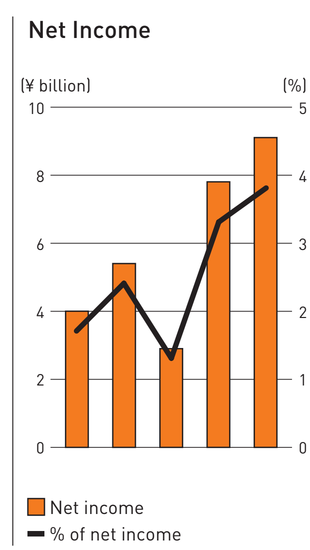
• Retail Operations

The retail operations segment consists of retail sales of stores that are managed directly by the Company or its consolidated subsidiaries. In the year under review, this segment benefited from added sales stemming from the increased stores in France, as well as higher sales of car accessories, except motor sports goods. Sales from services, including Safety Inspection and maintenance services, were particularly strong. We also









enjoyed an increase in car sales and sales of motorcycle goods. As a result, this segment posted a ¥3.3 billion, or 3.4%, rise in sales, to ¥100.2 billion. At fiscal year-end, there were 150 retail stores in this segment (including 16 overseas), up five from a year earlier.

Gross Profit

Gross profit for the increased 1.1%, to ¥74.7 billion. The gross profit ratio remained unchanged, at 30.8%.

• Wholesale Operations

In collaboration with certain suppliers, the Company has introduced a product category management system, which entails consolidating suppliers and reviewing supply contracts, with the aim of reducing product costs. However, gross profit from wholesale operations declined due to decreases in sales of car electronics items, car exterior items, and motor sports goods.

• Retail Operations

Gross profit from retail operations increased thanks to higher sales of car interior items, oil, batteries, and services. Sales from services made a particularly strong contribution to boosting the gross profit ratio for this segment.

SG&A Expenses

SG&A expenses rose 3.7%, to ¥62.5 billion, due to a number of factors. These included higher expenses associated with the increase of stores in France, as well as increased sales promotion costs for our domestic network and higher costs for building IT systems and consulting services. The ratio of SG&A expenses to net sales edged up 0.7 percentage point, to 25.8%. A breakdown of SG&A major expenses is shown below.

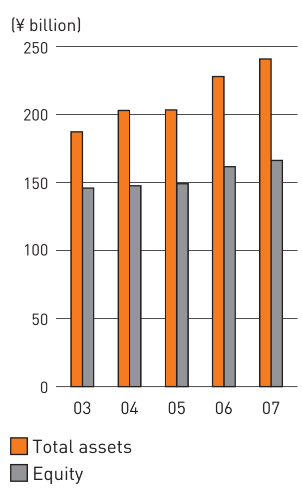
¥ billion

	2006	2007	Increase (decrease)
Personnel expenses	27.6	**27.7**	0.1
Employee compensation	22.0	**22.5**	0.5
Sales promotion expenses	9.8	**10.5**	0.7
Equipment expenses	12.3	**12.9**	0.6
Land and building rent	6.1	**6.2**	0.1
Depreciation	3.7	**3.8**	0.1
Administrative expenses	10.6	**11.5**	0.9
Information processing expenses	1.5	**1.7**	0.2
Provision for allowance for doubtful receivables	0.2	**0.1**	(0.1)
Total	60.3	**62.6**	2.1

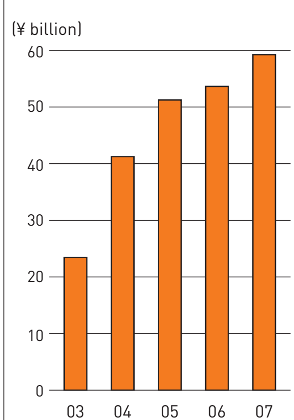
Personnel expenses rose 0.6%, to ¥27.7 billion, and constituted 44.3% of SG&A expenses. Employee numbers at the end of fiscal 2007 were 586 in wholesale operations (up 66 year-on-year), 3,124 in retail operations (up 110), and 911 in other operations (up 39).

Sales promotion expenses grew 6.9%, to ¥10.5 billion, or 16.8% of SG&A expenses. This was mainly due to the opening of new AUTOBACS stores in France, as well as increases in advertising and sales promotion expenditures aimed at strengthening our domestic network.

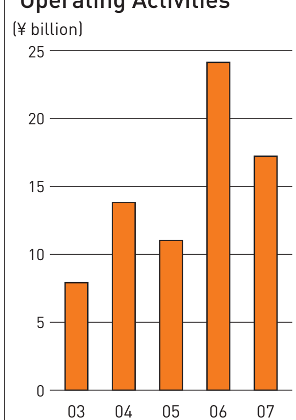
Total Assets and Equity



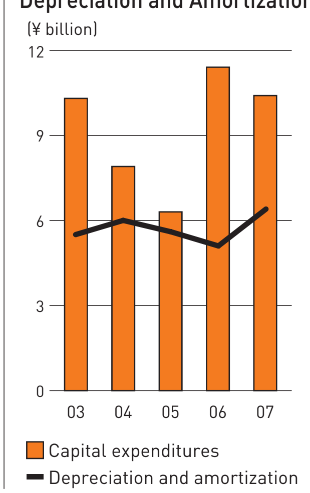
Cash and Cash Equivalents



Cash Flow Provided by Operating Activities



Capital Expenditures, Depreciation and Amortization



Equipment expenses rose 4.4%, to ¥12.9 billion, or 20.6% of SG&A expenses. This was mainly due to increases in property lease and store management costs in France, as well as higher depreciation and amortization.

Administrative expenses climbed 7.9%, to ¥11.5 billion, accounting for 18.3% of SG&A expenses. This was mainly due to amortization of goodwill in our French stores, as well as increased information processing costs for our IT system and higher fees for consulting-related services.

As a result of the aforementioned factors, operating income declined 10.4%, to ¥12.2 billion.

Other Income (Expenses)

Net other income amounted to ¥4.3 billion, up from ¥0.2 billion in the previous year. Major factors included increases in interest and dividend income, as well as declines in impairment loss on fixed assets and business restructuring expenses.

Consequently, income before income taxes and minority interests grew 19.4%, to ¥16.5 billion.

Income Taxes

Income taxes increased 25.4%, to ¥7.5 billion. The effective tax rate was 45.5%, up from 43.3%, due to an increase in valuation allowance, a tax-effect accounting adjustment.

Net Income

Net income for the year climbed 16.6%, to ¥9.2 billion. Net income per share rose 13.6%, to ¥239.01. Net income as a percentage of net sales increase from 3.3% in fiscal 2006 to 3.8% in fiscal 2007. ROA grew from 3.6% to 3.9%, and ROE increased from 5.1% to 5.6%.

FINANCIAL POSITION

As of March 31, 2007, total assets amounted to ¥240.6 billion, up ¥12.9 billion, or 5.7%, from a year earlier.

Total current assets increased ¥7.2 billion, or 6.5%, to ¥119.3 billion. This was mainly due to a rise in notes and accounts receivable and product inventories due to an increase in the number of domestic stores managed by subsidiaries.

Despite a decline in deferred tax assets, net property and equipment grew ¥5.7 billion, or ¥4.9%, to ¥121.4 billion. This was due to a number of factors, including acquisitions of tangible fixed assets pertaining to store openings and renovations, as well as purchases of software as part of the Company's IT investments. The Company also purchased Euroyen bonds during the year as a medium-term investment.

Total liabilities increased ¥6.3 billion, or 9.6%, to ¥72.0 billion. Despite a decline in income taxes payable, this was due to an increase in payables due to the fiscal year-end day falling on a business holiday.

Net assets rose ¥7.1 billion, or 4.4%, to ¥168.7 billion. This was mainly due to an increase in retained earnings. During the year, the Company made open-market purchases of its common stock. Accordingly, net assets per share reached ¥4,394.15 at fiscal year-end, up ¥215.92 from a year earlier.

The equity ratio edged down from 70.9% to ¥69.8%. The debt-to-equity ratio improved from 10.2% to 9.8%, due to the fact that shareholders' equity increased during the year, while interest-bearing debt stayed unchanged.

CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥17.2 billion. Factors holding down cash flows included ¥7.7 billion in income taxes associated with the Company's solid business performance, as well as a ¥2.9 billion increase in receivables and a ¥1.9 billion increase in inventories. By contrast, factors boosting cash flows included ¥16.5 billion in income taxes and minority interests, an ¥8.7 billion increase in payables, and ¥5.9 billion in depreciation and amortization.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥7.1 billion. Total proceeds from sales of marketable and investment securities outweighed total acquisitions of marketable and investment securities by ¥3.7 billion. Also, the Company outlaid ¥7.6 billion for acquisitions of tangible and intangible fixed assets (except software) related to store openings and renovations, as well as ¥2.8 billion or acquisition of software as part of IT investments aimed at enhancing the profitability of the AUTOBACS chain.

Free cash flows (net cash from operating activities minus net cash from investing activities) amounted to ¥10.1 billion. During the year, the Company made a number of outlays, such as store investments related to its Area Dominant strategy, IT investments, and the purchase of Euroyen bonds as a medium-term investment. However, these were outweighed by cash inflows from operating activities, as well as the redemption of Euroyen bonds, held as a short-term investment.

• Capital Expenditures

Through capital expenditures, the AUTOBACS Consolidated Group aims to increase its market share in each area and improve efficiency in accordance with its Area Dominant Strategy. Investment activities are focused on opening Super AUTOBACS stores and AUTOBACS *Hashiriya Tengoku Secohan Ichiba*; scrapping and building or relocating existing stores; and acquiring IT equipment and leasing assets, such as store facilities. A breakdown of capital expenditures in the fiscal year under review is shown below.

¥ billion

	2006	2007	Increase (decrease)
Wholesale operations	0.1	0.4	0.3
Retail operations	7.5	4.7	(2.8)
Others	3.8	5.2	1.4
Total	11.4	10.4	(1.0)

Major Capital Expenditures in 2007	¥ billion
Retail Operations:	
Opening new stores; Scrapping and building or relocating existing stores; converting to Super AUTOBACS stores	2.9
Purchases of land for relocating stores	1.1
Others:	
IT equipment	2.6
Lease of assets, such as store facilities	1.7

Cash Flows from Financing Activities

Net cash used in financing activities was ¥4.7 billion. This was mainly due to ¥3.7 billion in repayments of short-term borrowings and long-term debt, ¥2.1 billion in dividends paid, and ¥1.9 billion in purchase of treasury stock, which outweighed ¥3.0 billion in proceeds from long-term debt.

Cash and cash equivalents at fiscal year-end stood at ¥59.2 billion, up 10.5% from a year earlier. This was the result of the above factors, as well as the effect of exchange rate changes on cash and cash equivalents and an increase in cash and cash equivalents resulting from initial consolidation of subsidiary.

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.

Competition

The AUTOBACS Consolidated Group's core business involves the sale, import, export, and consignment production of various kinds of car parts and accessories. The Group has developed a chain of one-stop specialty stores throughout Japan, comprising both directly managed and franchise stores. It is possible that competitors in the car parts 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.

Unusual Weather Conditions

Products sold by the AUTOBACS Consolidated Group 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 warm winters, the Group's business performance could be affected by lower sales for seasonal products or a shift in demand season.

Future Overseas Expansion

The Group is operating in Europe, United States, and Asia, including China. In the event that the Group 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.

Regulations Governing Opening of New Stores

The Group'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 AUTOBACS Consolidated Group'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.

Observance of Laws and Regulations

With respect to the observance of laws and regulations, the AUTOBACS Consolidated Group is working to enhance its internal control system. The Company established the Compliance Promotion Office to enhance internal control, and set a code of conduct and behavioral guidelines to ensure ethical business conduct by its officers and employees.

However, it is possible that conduct by directors, statutory auditors and employees that violates laws or regulations, either intentionally or unintentionally, could result in claims for compensation that could affect the Group's business performance. In addition, the AUTOBACS Consolidated Group 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.

Fluctuations in Product Selling and Procurement Prices and Raw Materials Prices

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

Natural Disasters

In regions where the AUTOBACS Consolidated Group has stores and operational facilities, natural disasters, such as earthquakes and typhoons, could cause damage to Company facilities or harm to Company directors, statutory auditors 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.

Franchisees

The Company operates as a franchisor for stores that principally handle car parts and accessories. In the event that a franchisee violates the franchise contract or laws and regulations, the business performance of the AUTOBACS Consolidated Group could be affected, irrespective of the Group's holding of equity in the franchisee.

Store Operations

The AUTOBACS Consolidated Group operates retail stores that handle car parts and accessories and provide related services. These operations have risks associated with the processing of waste generated by store operations, the handling of dangerous substances, and accidents in service bays and other places on the store grounds. The occurrence of these types of events could affect the Group's business performance directly or indirectly through a reduction in customer numbers due to a deterioration of the image of Group stores.

CONSOLIDATED BALANCE SHEETS

AUTOBACS SEVEN CO., LTD. and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2007**	2006	**2007**
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 59,227**	¥ 53,622	**$ 501,924**
Time deposits with an original maturity over 3 months	**76**	128	**644**
Marketable securities (Note 4)	**4,724**	9,189	**40,034**
Receivables:			
Trade notes and accounts	**14,825**	11,886	**125,636**
Unconsolidated subsidiaries and associated companies	**1,073**	1,109	**9,093**
Other	**15,559**	14,904	**131,856**
Allowance for doubtful receivables	**(360)**	(520)	**(3,051)**
Inventories	**19,654**	17,016	**166,559**
Deferred tax assets (Note 14)	**2,325**	2,795	**19,703**
Prepaid expenses and other current assets	**2,162**	1,891	**18,322**
Total current assets	**119,265**	112,020	**1,010,720**
PROPERTY AND EQUIPMENT:			
Land (Notes 5 and 9)	**23,513**	22,331	**199,263**
Buildings (Note 5)	**34,595**	33,940	**293,178**
Furniture and equipment (Note 5)	**16,903**	17,272	**143,246**
Leased assets (Note 6)	**18,982**	17,885	**160,864**
Construction in progress	**1,151**	277	**9,754**
Total	**95,144**	91,705	**806,305**
Accumulated depreciation	**(43,218)**	(41,911)	**(366,254)**
Net property and equipment	**51,926**	49,794	**440,051**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	**28,015**	24,952	**237,415**
Investments in and advances to unconsolidated subsidiaries and associated companies	**1,355**	1,630	**11,483**
Rental deposits and long-term loans (Note 8)	**22,448**	22,847	**190,237**
Goodwill (Note 7)	**5,645**	5,374	**47,839**
Deferred tax assets (Note 14)	**2,497**	4,035	**21,161**
Other	**9,477**	7,055	**80,314**
Total investments and other assets	**69,437**	65,893	**588,449**
TOTAL	**¥240,628**	¥227,707	**$2,039,220**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars (Note 1) 2007
CURRENT LIABILITIES:			
Short-term borrowings (Note 9)	**¥ 362**	¥ 3,250	**$ 3,068**
Current portion of long-term debt (Note 9)	**1,964**	1,518	**16,644**
Payables (Note 9):			
Trade notes and accounts	**25,465**	15,821	**215,805**
Unconsolidated subsidiaries and associated companies	**794**	973	**6,729**
Other	**10,303**	10,793	**87,313**
Income taxes payable	**3,427**	4,800	**29,042**
Accrued expenses	**4,224**	4,656	**35,797**
Other current liabilities	**2,343**	2,235	**19,856**
Total current liabilities	**48,882**	44,046	**414,254**
LONG-TERM LIABILITIES:			
Long-term debt (Note 9)	**14,114**	11,678	**119,610**
Liability for retirement benefits (Note 10)	**535**	680	**4,534**
Rental deposits received (Note 8):			
Unconsolidated subsidiaries and associated companies	**875**	902	**7,415**
Other	**6,710**	6,867	**56,864**
Allowance for business restructuring	**274**	860	**2,322**
Deferred tax liabilities (Note 14)	**396**	421	**3,356**
Other liabilities	**191**	247	**1,619**
Total long-term liabilities	**23,095**	21,655	**195,720**
Total liabilities	**71,977**	65,701	**609,974**
MINORITY INTERESTS		470	
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 15)			
EQUITY (Notes 9, 11 and 19)**:**			
Common stock, authorized, 109,402 thousand shares; issued, 39,255 thousand shares in 2007 and 2006	**33,999**	33,999	**288,127**
Capital surplus	**34,513**	34,513	**292,483**
Retained earnings	**103,075**	96,113	**873,517**
Unrealized gain on available-for-sale securities (Note 4)	**1,936**	744	**16,407**
Foreign currency translation adjustments	**6**	(222)	**51**
Treasury stock at cost:1,024 thousand shares in 2007 and 624 shares in 2006	**(5,534)**	(3,611)	**(46,898)**
Total	**167,995**		**1,423,687**
Minority interests	**656**		**5,559**
Total equity	**168,651**	161,536	**1,429,246**
TOTAL	**¥240,628**	¥227,707	**$2,039,220**

CONSOLIDATED STATEMENTS OF INCOME

AUTOBACS SEVEN CO., LTD. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
NET SALES (Note 12)	**¥242,532**	¥240,207	¥226,780	**$2,055,356**
COST OF GOODS SOLD	**167,788**	166,257	158,584	**1,421,932**
Gross profit	**74,744**	73,950	68,196	**633,424**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**62,524**	60,312	60,828	**529,865**
Operating income	**12,220**	13,638	7,368	**103,559**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**895**	255	296	**7,585**
Interest expense	**(182)**	(82)	(61)	**(1,542)**
Impairment losses on fixed assets (Note 5)	**(223)**	(1,151)	(4,384)	**(1,890)**
Loss on business restructuring	**(217)**	(1,849)		**(1,839)**
Loss on arrangement of stores	**(214)**		(1,146)	**(1,814)**
Other-net	**4,270**	3,055	4,803	**36,187**
Other income (expenses)-net	**4,329**	228	(492)	**36,687**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**16,549**	13,866	6,876	**140,246**
INCOME TAXES (Note 14):				
Current	**6,315**	6,455	3,910	**53,517**
Deferred	**1,219**	(448)	269	**10,331**
Total	**7,534**	6,007	4,179	**63,848**
MINORITY INTERESTS IN NET LOSS	**150**	2	231	**1,271**
NET INCOME	**¥ 9,165**	¥ 7,861	¥ 2,928	**$ 77,669**

	Yen			U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2. Q and 17):				
Basic net income	**¥239.01**	¥210.36	¥79.85	**$2.03**
Diluted net income	**238.34**	198.57		**2.02**
Cash dividends applicable to the year	**58.00**	52.00	45.00	**0.49**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AUTOBACS SEVEN CO., LTD. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	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 Gains on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2004	37,644	2,160	¥31,959	¥32,241	¥ 88,652	¥ 193	¥ (401)	¥ (5,111)	¥ 147,533		¥147,533
Net income					2,928				2,928		2,928
Disposal of treasury stock		(1)			(1)			4	3		3
Changes in unrealized gain on available-for-sale securities, less applicable tax						13			13		13
Changes in foreign currency translation adjustments							(26)		(26)		(26)
Purchase of treasury stock		3						(11)	(11)		(11)
Appropriations:											
Cash dividends, ¥39.00 per share					(1,384)				(1,384)		(1,384)
Bonuses to directors and corporate auditors					(73)				(73)		(73)
BALANCE, MARCH 31, 2005	37,644	2,162	31,959	32,241	90,122	206	(427)	(5,118)	148,983		148,983
Net income					7,861				7,861		7,861
Disposal of treasury stock		(1)									
Changes in unrealized gain on available-for-sale securities, less applicable tax						538			538		538
Changes in foreign currency translation adjustments							205		205		205
Purchase of treasury stock		697						(3,911)	(3,911)		(3,911)
Conversion of convertible bonds	1,611	(2,234)	2,040	2,272				5,418	9,730		9,730
Appropriations:											
Cash dividends, ¥50.00 per share					(1,775)				(1,775)		(1,775)
Bonuses to directors and corporate auditors					(95)				(95)		(95)
BALANCE, MARCH 31, 2006	39,255	624	33,999	34,513	96,113	744	(222)	(3,611)	161,536		161,536
Reclassified balance as of March 31, 2006 (Note 2.K)										**470**	**470**
Net income					**9,165**				**9,165**		**9,165**
Decrease of treasury stock		**(2)**						**11**	**11**		**11**
Purchase of treasury stock		**402**						**(1,934)**	**(1,934)**		**(1,934)**
Appropriations:											
Cash dividends, ¥54.00 per share					**(2,075)**				**(2,075)**		**(2,075)**
Bonuses to directors and corporate auditors					**(128)**				**(128)**		**(128)**
Net changes of items						**1,192**	**228**		**1,420**	**186**	**1,606**
BALANCE, MARCH 31, 2007	**39,255**	**1,024**	**¥33,999**	**¥34,513**	**¥103,075**	**¥1,936**	**¥ 6**	**¥ (5,534)**	**¥ 167,995**	**¥656**	**¥168,651**

	Thousands of U.S. dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Gains on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2006	$288,127	$292,483	$814,516	$ 6,305	$ (1,881)	$ (30,601)	$1,368,949		$1,368,949
Reclassified balance of March 31, 2006 (Note 2.K)								**3,983**	**3,983**
Net income			**77,669**				**77,669**		**77,669**
Decrease of treasury stock						**93**	**93**		**93**
Purchase of treasury stock						**(16,390)**	**(16,390)**		**(16,390)**
Appropriations:									
Cash dividends, $0.46 per share			**(17,584)**				**(17,584)**		**(17,584)**
Bonuses to directors and corporate auditors			**(1,084)**				**(1,084)**		**(1,084)**
Net changes of items				**10,102**	**1,932**		**12,034**	**1,576**	**13,610**
BALANCE, MARCH 31, 2007	**$288,127**	**$292,483**	**$873,517**	**$16,407**	**$ 51**	**$(46,898)**	**$1,423,687**	**$5,559**	**$1,429,246**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

AUTOBACS SEVEN CO., LTD. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2007	2006	2005	**2007**
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥ 16,549**	¥ 13,866	¥ 6,876	**$ 140,246**
Adjustmens for:				
Income taxes paid	**(7,676)**	(3,025)	(6,277)	**(65,051)**
Depreciation and amortization	**6,471**	5,068	5,620	**54,839**
Impairment losses on fixed assets	**223**	1,151	4,384	**1,890**
Provision for business restructuring	**(586)**	860		**(4,966)**
Loss on arrangement of stores			1,146	
Lease revenue			(1,720)	
Reversal of retirement benefit	**(178)**	(110)	(1,009)	**(1,509)**
Changes in operating assets and liabilities:				
Increase in receivables	**(4,020)**	(1,069)	(1,100)	**(34,068)**
(Increase) decrease in inventories	**(1,942)**	11	1,493	**(16,458)**
Increase in other payables and accruals	**8,651**	1,894	136	**73,314**
Other	**(276)**	5,491	1,431	**(2,339)**
Net cash provided by operating activities	**17,216**	24,137	10,980	**145,898**
INVESTING ACTIVITIES:				
Capital expenditures	**(10,356)**	(11,400)	(6,349)	**(87,763)**
Proceeds from sales of fixed assets	**364**	280	1,376	**3,085**
Acquisition of investment securities	**(9,457)**	(15,865)	(5,370)	**(80,144)**
Disposition of investment securities	**5,879**	5,686	6,383	**49,822**
Proceeds from sales of marketable securities	**20,300**	7,000	3,400	**172,034**
Payments for marketable securities	**(12,999)**	(13,810)	(4,814)	**(110,161)**
Payments for advance and rental deposits	**(1,785)**	(1,219)	(3,045)	**(15,127)**
Collection of advance and rental deposits	**1,490**	1,650	3,541	**12,627**
Lease revenue			1,720	
Other	**(538)**	681	1,881	**(4,559)**
Net cash used in investing activities	**(7,102)**	(26,997)	(1,277)	**(60,186)**
FINANCING ACTIVITIES:				
(Decrease) increase in short-term borrowings	**(2,055)**	(300)	1,923	**(17,415)**
Repayment of long-term debt	**(1,693)**	(1,848)	(587)	**(14,348)**
Proceeds from long-term debt	**3,000**	13,000	121	**25,424**
Purchase of treasury stock	**(1,932)**	(3,909)	(7)	**(16,373)**
Proceeds from issuance of subsidiary stock	**78**	15	197	**661**
Dividends paid	**(2,075)**	(1,775)	(1,384)	**(17,585)**
Other	**(21)**	(6)	(26)	**(178)**
Net cash provided by financing activities	**(4,698)**	5,177	237	**(39,814)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**189**	103	55	**1,602**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,605**	2,420	9,995	**47,500**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**53,622**	51,150	41,155	**454,424**
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM INITIAL CONSOLIDATION OF SUBSIDIARY		52		
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 59,227**	¥ 53,622	¥ 51,150	**$ 501,924**
NONCASH INVESTING AND FINANCING ACTIVITIES-ACQUISITION OF SUBSIDIARIES:				
Fair value of assets acquired	**¥ 2,335**	¥ 144		**$ 19,788**
Liabilities assumed	**(2,143)**	(324)		**(18,161)**
Goodwill	**59**	180		**500**
Minority interests	**(94)**			**(797)**
The amount appraised by the equity method of acquired stock	**(62)**			**(525)**
Acquisition cost	**95**	0		**805**
Cash and cash equivalents held by subsidiaries	**210**	113		**1,780**
Cash received for capital	**¥ 115**	¥ 113		**$ 975**
CONVERSION OF CONVERTIBLE BONDS				
Increase in common stock		¥ 2,040		
Increase in capital surplus		2,272		
Decrease in treasury stock		5,418		
Decrease in convertible bonds		¥ 9,730		

See notes to Consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AUTOBACS SEVEN CO., LTD. and Consolidated Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

On December 27, 2005, the Accounting Standards Board of Japan ("ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the statement of changes in equity" from the current fiscal year.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically, in order to present them in a form which is more familiar to readers outside Japan. In accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be, and have not been, presented herein. In addition, the accompanying note information, some of which is not required under Japanese GAAP, is presented herein as additional information.

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 ¥118 to U.S.$1.00, the approximate free rate of exchange on March 31, 2007. 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, 2007 include the accounts of the Company and its 63 significant (62 in 2006 and 60 in 2005) subsidiaries .

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

Investments in all associated companies are accounted for by the equity method. Investments in two unconsolidated subsidiaries are stated at cost as of March 31, 2006. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.The unconsolidated company was liquidated during the period, and accordingly, none are applicable to the consolidated financial statements for the year ended March 31, 2007.

The cost in excess of net assets of the consolidated 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.

The Company's consolidated overseas subsidiaries changed their closing date for annual consolidation from December 31, 2005 to March 31, 2006 to conform with the parent company's closing date from this period. As a result of this change, the accounting period of consolidated overseas subsidiaries is fifteen months ended March 31, 2006, and "Net sales" increased by ¥1,025 million and "Operating income" and "Net income" decreased by ¥80 million compared to the prior period.

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. 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.

C. 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.

D. Inventories

Inventories before distribution to stores or franchisees are stated at average cost. Inventories held at stores are valued at cost determined by the retail method.

E. Property and Equipment

Property and equipment are stated at cost.

Depreciation is principally computed by the declining balance method over the estimated useful lives of the assets.

The estimated useful lives of the assets are principally as follows:

Buildings:

Held for own use: 3 to 45 years

Held for lease: lease periods (15 to 20 years)

Furniture and equipment: 2 to 20 years

F. Long-lived Assets

In August 2002, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the ASBJ issued the ASBJ Guidance No. 6, "Guidance for Accounting Standard for Implement of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005, with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Company adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Company reviews its 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.

G. Goodwill

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

H. Purchased Software

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

I. 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 consolidated 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 non-contributory defined contribution pension plan by the Company and certain consolidated 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, 2007.

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

J. Allowance for Business Restructuring

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

K. Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

L. Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements.

M. 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.

N. Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the financial statements for the following year upon shareholders' approval.

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 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 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 differential paid or received under the swap agreements is recognized and included in interest expense or income.

S. Differences between Japanese GAAP and IFRS

The accompanying consolidated financial statements have been prepared in conformity with Japanese GAAP which differs in certain respects from IFRS. As of March 31, 2007, the main difference between Japanese GAAP and IFRS, which would apply to the Company and may have a material effect on net income, was accounting for leases.

Currently, information is not available to quantify the effect on the net income of the Company for these differences in accounting policies.

T. New Accounting Pronouncements

Measurement of Inventories

Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories", which is 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 standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. 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.

Unification of Accounting Policies Applied to Overseas Subsidiaries for the Consolidated Financial Statements

Under Japanese GAAP, a company currently can use the financial statements of overseas subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Overseas Subsidiaries for the Consolidated Financial Statements". The new task force 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 preparations of the consolidated financial statements, 2) financial statements prepared by overseas subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States 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) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. RECLASSIFICATIONS

a. Rental Income and Lease Revenue

Effective April 1, 2005, the Company changed the classification of "rental income and lease revenue" and "related costs". Rental income and lease revenue were reclassified from "Other income" to "Net sales" and related costs were reclassified from "Other expenses" and "Selling, general and administrative expenses" to "Cost of goods sold".

As a result of this change, "Net sales", "Gross profit" and "Operating income" increased by ¥3,798 million, ¥1,024 million and ¥2,318 million, respectively, compared to the prior period. This has no impact on "Income before income taxes and minority interests".

Accompanying this change, lease revenue in investing activities of consolidated statements of cash flows has been reclassified to operating activities. This change resulted in increase of net cash provided by operating activities and decrease of net cash used in investing activities by ¥1,501million compared to prior period.

Consolidated statement of Income and cash flows for the fiscal year ended March 31, 2005 is not reclassified and rearranged to the same classification base with the current period.

b. Lease Expense on System Equipment

Effective April 1, 2005, the Company changed the classification of "Lease expense on system equipment". Lease expense on system equipment was reclassified from "Selling, general and administrative expenses" to "Other expenses".

As a result of this change, "Operating income" increased by ¥512 million compared to prior period and this has no impact on "Income before income taxes and minority interests".

Consolidated statement of Income for the fiscal year ended March 31, 2005 is not reclassified and rearranged to the same classification base with the current period.

4. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2007 and 2006, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
CURRENT:			
Debt securities	**¥ 4,724**	¥ 9,189	**$ 40,034**
NON-CURRENT:			
Equity securities	**¥15,587**	¥12,739	**$132,093**
Debt securities	**12,225**	12,213	**103,602**
Other	**203**		**1,720**
Total	**¥28,015**	¥24,952	**$237,415**

The carrying amounts and aggregate fair values of marketable and investment securities for which market quotations were available at March 31, 2007 and 2006, were as follows:

	Millions of yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥12,342**	**¥3,149**	**¥ 27**	**¥15,464**
Debt securities	**15,912**	**182**	**145**	**15,949**
Other	**147**	**56**		**203**
Held-to-maturity	**1,000**			**1,000**

	Millions of yen			
March 31, 2006	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥11,324	¥1,291	¥ 3	¥12,612
Debt securities	13,181	71	154	13,098
Held-to-maturity	7,304		3	7,301

	Thousands of U.S. dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$104,593**	**$ 26,687**	**$ 229**	**$131,051**
Debt securities	**134,848**	**1,542**	**1,229**	**135,161**
Other	**1,246**	**474**		**1,720**
Held-to-maturity	**8,475**			**8,475**

Available-for-sale and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2007 and 2006, were as follows:

	Carrying Amount		
	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Securities classified as:			
Available-for-sale:			
Equity securities	**¥123**	¥ 127	**$ 1,042**
Held-to-maturity		1,000	

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007, 2006 and 2005, were ¥3,380 million ($28,644 thousand), ¥102 million and ¥672 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, for the years ended March 31, 2007, 2006 and 2005, were ¥3 million ($25 thousand), ¥13 million and ¥609 million, respectively. Gross realized losses on these sales for the year ended March 31, 2007, was ¥8 million ($68 thousand).

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2007, are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Available-for-Sale	Held-to-Maturity	Available-for-Sale	Held-to-Maturity
Due in one year or less	**¥ 3,724**	**¥1,000**	**$ 31,559**	**$ 8,475**
Due after one year through five years	**10,461**		**88,653**	
Due after five years through ten years	**1,764**		**14,949**	
Total	**¥15,949**	**¥1,000**	**$135,161**	**$ 8,475**

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment for the years ended March 31, 2007 and 2006, and, as a result, recognized an impairment loss of ¥223 million ($1,890 thousand) and ¥1,151 million as rental assets, stores and idle assets, and 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 their net selling price determined by quotation from a third-party vendor, and their value in use and the discount rate used for computation of the present value of future cash flow was weighted average cost of capital.

Impairment losses of long-lived assets and the weighted average cost of capital for the years ended March 31, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Land	**¥196**	¥ 575	**$1,661**
Buildings		575	
Furniture and equipment	**27**	1	**229**
Total	**¥223**	¥1,151	**$1,890**

	2007	2006
Weighted average cost of capital	**8.23%**	8.22%

6. LEASED ASSETS

A breakdown of leased assets as of March 31, 2007 and 2006, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Buildings	**¥ 14,163**	¥13,653	**$120,025**
Furniture and equipment	**4,819**	4,232	**40,839**
Total	**18,982**	17,885	**160,864**
Accumulated depreciation	**(10,540)**	(9,033)	**(89,322)**
Accumulated impairment loss	**(25)**	(25)	**(211)**
Net leased assets	**¥ 8,417**	¥ 8,827	**$ 71,331**

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

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

The construction or acquisition costs, interest and executory costs for the leased assets are paid to the Companies generally on an installment basis and are accounted for as operating leases. Depreciation of leased assets for the years ended March 31, 2007, 2006 and 2005, was ¥1,608 million ($13,627 thousand), ¥1,597 million and ¥1,884 million, respectively. Rental income for the years ended March 31, 2007, 2006 and 2005, was ¥1,798 million ($15,237 thousand), ¥1,744 million and ¥1,959 million, respectively.

The aggregate receivables from the lessees including equipment costs, unearned income and executory costs, which were not recorded on the books of account, as of March 31, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥ 1,305**	¥ 1,333	**$ 11,059**
Due after one year	**11,311**	11,674	**95,856**
Total	**¥12,616**	¥13,007	**$106,915**

7. GOODWILL

Goodwill at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Consolidation goodwill	¥ 457	¥ 399	$ 3,873
Purchased goodwill	5,188	4,975	43,966
Total	¥5,645	¥5,374	$ 47,839

During the year ended March 31,2006, a consolidated overseas subsidiary purchased goodwill for operation in France from Autofin S.A.S, by ¥4,936 million .

8. RENTAL DEPOSITS AND LONG-TERM LOANS

A breakdown of rental deposits and long-term loans as of March 31, 2007 and 2006, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
RENTAL DEPOSITS TO:			
Lessors for distribution facilities and stores of the Companies	¥10,814	¥11,321	$ 91,644
Lessors for stores of franchisees	9,702	10,080	82,220
Lessors for office and other facilities	1,369	1,298	11,602
Total rental deposits	21,885	22,699	185,466
LOANS TO:			
Franchisees	1,187	1,804	10,059
Other	20	3	170
Total loans	1,207	1,807	10,229
Allowance for doubtful receivables	(644)	(1,659)	(5,458)
Total	¥22,448	¥22,847	$190,237

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

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

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

9. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2007 and 2006, consisted of notes to banks and other. The annual interest rates applicable to the short-term borrowings at March 31, 2007 and 2006, ranged from 1.9% to 2.2% and from 0.2% to 7.2%.

Long-term debt at March 31, 2007 and 2006, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Convertible bonds due 2023	¥ 270	¥ 270	$ 2,288
Bonds	365		3,093
Loans from banks and other, due serially to 2012 with interest rates ranging from 0.9% to 3.9% (2007) and from 0.6% to 5.0% (2006) and other:			
Unsecured	15,443	12,926	130,873
Total	16,078	13,196	136,254
Less current portion	1,964	1,518	16,644
Long-term debt, less current portion	¥14,114	¥11,678	$119,610

Annual maturities of long-term debt at March 31, 2007, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥ 1,964	$ 16,644
2009	1,766	14,966
2010	2,656	22,509
2011	4,335	36,737
2012	1,872	15,864
2013 and thereafter	3,485	29,534
Total	¥ 16,078	$ 136,254

At March 31, 2007, land of 288 million ($ 2,441 thousand) were pledged as collateral for payable, 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.

On September 22, 2003, the Company issued ¥10,000 million zero coupon convertible bonds due 2023 (bonds with the stock acquisition rights) ("Bonds"). The Bonds do not bear interest. The stock acquisition rights are not transferable separately from the Bonds. The Bonds are trading on the London Stock Exchange's market for listed securities.

The Bonds were issued in the denomination of ¥5,000,000 each and each Bondholder is entitled to exercise the stock acquisition rights during the period from October 22, 2003 to September 15, 2023 (unless previously redeemed) into the number of common shares, being the conversion rate of 1,552.79, which will not exceed the maximum conversion rate of 1,976.28, subject to adjustment in certain events. The conversion price shall be the amount in yen obtained by dividing the principal amount of each bond, ¥5,000,000. At March 31, 2007, the conversion price was ¥2,530. The conversion price of the Bonds is subject to adjustments to reflect stock splits and certain other events. The stock acquisition rights may be exercised during any particular quarter only if the market price of the Company's common stock for any 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the prior calendar quarter is more than 110% of the conversion price effective as of such last trading day.

The exercise of the stock acquisition rights shall not be applicable (1) during any period in which the credit rating assigned to the senior long-term debt of the Company or the credit rating assigned to the Bonds is below a specified level, the Bonds are no longer rated or the credit rating assigned to the Bonds is suspended or withdrawn, (2) if the Bonds have been called for redemption or (3) if specified corporate transactions such as the acquisition of all of the Company's shares by other company shall occur.

Bondholders may require the Company to redeem all or a portion of their Bonds on September 30, 2007, September 30, 2011, September 30, 2015, and September 30, 2019, at 100% of their principal amount. The Company may redeem all, but not some of the Bonds then outstanding for cash at any time on or after September 30, 2007, at 100% of their principal amount. During the year ended March 31, 2006, the Bonds were converted. As a result, the Company issued 1,611 thousand shares.

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 for employees as of March 31, 2007. Subsidiaries have a non-contributory defined contribution pension plan, a retirement payment plan, a non-contributory defined benefit pension plan and smaller enterprise retirement allowance plan for employees as of March 31, 2007.

Under most circumstances, employees terminating their employment were 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. Certain subsidiaries changed their accounting for retirement payment plan for directors and corporate auditors during the year ended March 31, 2005. The liability for retirement benefits for directors and corporate auditors at March 31, 2007 and 2006, is ¥427 million ($3,619 thousand) and ¥404 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 ¥7,334 million ($62,153 thousand) at March 31, 2007, which is the most recent date available. The salaries of the employees of the Company for such contributory pension plan appropriated 20.1% of the total salaries of the welfare plan at March 31, 2007. For the welfare pension plan, the amounts of contributions made are charged to income.

The liability (asset) for employees' retirement benefits at March 31, 2007 and 2006, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Projected benefit obligation	**¥143**	¥311	**$1,212**
Fair value of plan assets	**(40)**	(35)	**(339)**
Prepaid cost	**5**		**42**
Net liability	**¥108**	¥276	**$ 915**

The components of net periodic benefit costs for the years ended March 31, 2007, 2006 and 2005, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Service cost	**¥ 22**	¥ 67	¥ 291	**$ 186**
Interest cost			17	
Expected return on plan assets			(4)	
Recognized actuarial loss			4	
Contribution of contributory welfare pension plan	**324**	305	280	**2,746**
Additional benefit paid		259	99	
Cost of transition to defined contribution pension plan			340	
Contribution pension plan and other	**303**	265	67	**2,568**
Net periodic retirement benefit costs	**¥649**	¥896	¥1,094	**$ 5,500**

11. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, 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 Coporate Law 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 Corporate Law 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 Corporate Law 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 Corporate Law, the total amount of additional paid-in capital and legal reserve may be reserved without limitation of such threshold. The Corporate Law 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 Corporate Law 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 Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law 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 goods 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, 2007, 2006 and 2005, aggregated to approximately 57%, 58% and 59% 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, 2007, 2006, and 2005 were as follows;

	Millions of yen			Thousands of U.S. dollars
Year Ending March 31	**2007**	2006	2005	**2007**
Employee salaries & allowances	**¥22,452**	¥22,032	¥19,893	**$190,271**
Provision for retirement allowance	**650**	636	655	**5,508**
Rent payment	**6,233**	6,079	5,964	**52,822**
Depreciation	**3,761**	3,660	5,537	**31,873**
Provision for allowance for doubtful receivables	**106**	177	692	**898**

14. INCOME TAXES

The Company and its consolidated 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, 2007, 2006 and 2005, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
DEFERRED TAX ASSETS:			
Receivables	**¥ 59**	¥ 316	**$ 500**
Accrued enterprise taxes	**290**	409	**2,458**
Accrued bonuses	**286**	273	**2,424**
Inventories	**1,062**	1,169	**9,000**
Property and equipment	**4,389**	4,313	**37,195**
Pension and severance costs	**171**	257	**1,449**
Provision for business restructuring	**87**	344	**737**
Investments	**325**	323	**2,754**
Other accounts payable	**548**	841	**4,644**
Tax loss carryforwards	**3,785**	2,705	**32,076**
Other	**696**	994	**5,898**
Less valuation allowance	**(4,819)**	(3,840)	**(40,839)**
Deferred tax assets	**6,879**	8,104	**58,296**
DEFERRED TAX LIABILITIES:			
Property and equipment	**880**	881	**7,458**
Undistributed earnings of associated companies	**260**	281	**2,203**
Unrealized gain on available-for-sale securities	**1,286**	482	**10,898**
Other	**27**	51	**229**
Deferred tax liabilities	**2,453**	1,695	**20,788**
Net deferred tax assets	**¥ 4,426**	¥ 6,409	**$ 37,508**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2007, 2006 and 2005, and the actual effective tax rates reflected in the accompanying consolidated statements of income is as follows:

	2007	2006	2005
Normal effective statutory tax rate	**41.0%**	41.0%	41.0%
Expenses not deductible for income tax purposes	**0.5**	0.6	1.2
Per-capita inhabitants' tax	**0.4**	0.5	1.0
Changes in valuation allowance	**5.0**	0.9	14.5
Amortization of goodwill		0.4	0.5
Other-net	**(1.4)**	(0.1)	2.6
Actual effective tax rate	**45.5%**	43.3%	60.8%

At March 31, 2007, certain subsidiaries have tax loss carryforwards aggregating approximately ¥9,400 million ($79,661 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
2008	¥ 322	$ 2,729
2009	322	2,729
2010	991	8,398
2011	1,415	11,992
2012	2,127	18,025
2013	562	4,763
2014 and thereafter	3,661	31,025
Total	¥9,400	$79,661

15. LEASES

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

Total rental expenses for the years ended March 31, 2007, 2006 and 2005, were ¥6,842 million ($57,983 thousand), ¥6,687 million and ¥6,668 million, respectively, including ¥199 million ($1,686 thousand), ¥220 million and ¥550 million, respectively, of lease payments under finance lease contracts.

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

	As of March 31, 2007 Millions of yen				As of March 31, 2006 Millions of yen			
	Equipment	Furniture	Others	Total	Equipment	Furniture	Others	Total
Acquisition cost	**¥417**	**¥427**	**¥30**	**¥874**	¥521	¥417	¥18	¥956
Accumulated depreciation	**324**	**281**	**22**	**627**	340	196	14	550
Net leased property	**¥ 93**	**¥146**	**¥ 8**	**¥247**	¥181	¥221	¥ 4	¥406

	As of March 31, 2007 Thousands of U.S. dollars			
	Equipment	Furniture	Others	Total
Acquisition cost	**$ 3,534**	**$ 3,619**	**$254**	**$ 7,407**
Accumulated depreciation	**2,746**	**2,382**	**186**	**5,314**
Net leased property	**$ 788**	**$ 1,237**	**$ 68**	**$ 2,093**

Obligations under finance lease contracts:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥134**	¥182	**$1,136**
Due after one year	**127**	236	**1,076**
Total	**¥261**	¥418	**$2,212**

Depreciation expense and interest expense under finance lease contracts:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	**2007**
Depreciation expense	**¥176**	¥205	¥514	**$1,491**
Interest expense	**12**	13	17	**102**
Total	**¥188**	¥218	¥531	**$1,593**

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

The minimum rental commitments under non-cancelable operating leases at March 31, 2007 and 2006, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	¥ 79	¥101	$ 670
Due after one year	458	522	3,881
Total	¥537	¥623	$4,551

16. DERIVATIVES

The Companies enter into currency swap contracts and interest rate swap contracts to manage their foreign currency and interest rate exposures on certain liabilities.

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

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

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

The companies had the following derivative contracts outstanding as of March 31, 2007 and 2006:

	Millions of yen		
	2007		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts	**¥3,177**	**¥(11)**	**¥(11)**

	Millions of yen		
	2006		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts	¥3,536	¥(89)	¥(89)

	Thousands of U.S. dollars		
	2007		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts	**$26,924**	**$(93)**	**$(93)**

Currency swap and interest rate swap contracts which qualify for hedge accounting for the year ended March 31, 2007 and 2006, 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.

17. NET INCOME PER SHARE

Basic and diluted net income per share ("EPS") for the years ended March 31, 2007, 2006 and 2005, are as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
For the year ended March 31, 2007	Net income	Weighted average shares	EPS	
Basic EPS:				
Net income available to common shareholders	**¥9,165**	**38,347**	**¥239.01**	**$ 2.03**
Effect of dilutive securities		**107**		
Diluted net income	**¥9,165**	**38,454**	**¥238.34**	**$ 2.02**

	Millions of yen	Thousands	Yen
For the year ended March 31, 2006	Net income	Weighted average shares	EPS
Basic EPS:			
Net income	¥7,861		
Bonuses to directors and corporate auditors	128		
Net income available to common shareholders	7,733	36,758	¥210.36
Effect of dilutive securities		2,184	
Diluted net income	¥7,733	38,942	¥198.57

	Millions of yen	Thousands	Yen
For the year ended March 31, 2005	Net income	Weighted average shares	EPS
Basic EPS:			
Net income	¥2,928		
Bonuses to directors and corporate auditors	95		
Net income available to common shareholders	¥2,833	35,482	¥ 79.85

Diluted EPS is not disclosed because it is anti-dilutive.

18. 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, 2007, 2006 and 2005, represented more than 90% of consolidated sales and total assets of the respective years. Accordingly, industry segment information is not presented herein.

B. Geographical Segments and Sales to Foreign Customers

Domestic sales and total assets of the Companies for the years ended, and as of March 31, 2007, 2006 and 2005, represented more than 90% of consolidated sales and total assets of the respective years. Accordingly, geographical segment information and information on sales to foreign customers is not presented herein.

19. SUBSEQUENT EVENTS

a. The general shareholders' meeting held on June 27, 2007, resolved the following appropriations of retained earnings as of March 31, 2007:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 ($0.254) per share	**¥1,147**	**$9,720**

b. On May 2,2007, the subsidiary, AUTOBACS STRAUSS INC., acquired 89 stores of automotive goods and services, STRAUSS Discount AUTO, and a distribution center in the United States for $ 45,000 thousand from R&S PARTS AND SERVICE, INC. and 1945 Route 23 Associates, Inc..

c. On may 30, 2007, the company concluded a credit agreement with SK Advisory LTD LLP to secure capital for mergers and acquisitions strategies.

Maximum amount of loan :	¥100,000 million
Maturity date :	May 29, 2012
Interest rate :	1.9%
Lender :	
name	SK Advisory LTD LLP
Location	British Virgin Islands
Main business	Investment, operation and its advice
Governing law	England

Deloitte.

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

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

Independent 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 consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2007, 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 consolidated financial position of AUTOBACS SEVEN CO., LTD. and consolidated subsidiaries as of March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007, in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 27, 2007

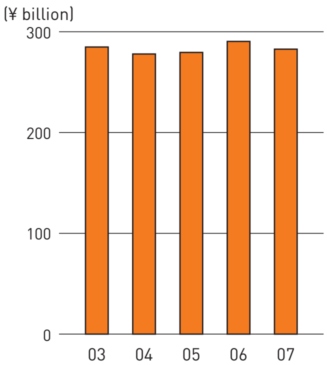
Member of
Deloitte Touche Tohmatsu

FINANCIAL INFORMATION
(Japanese Accounting Standards)

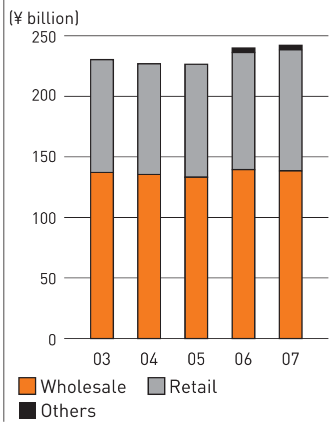
CONSOLIDATED FINANCIAL DATA

BUSINESS RESULTS

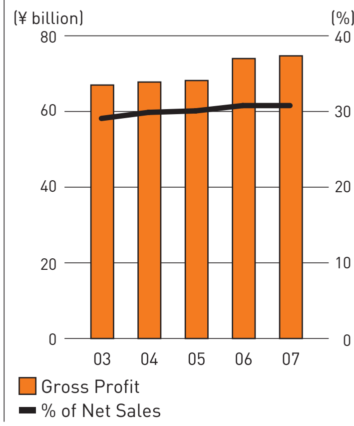
Major Store Sales*



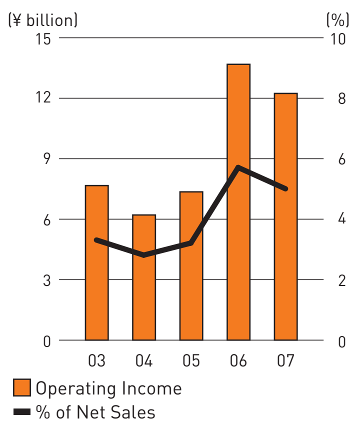
Net Sales



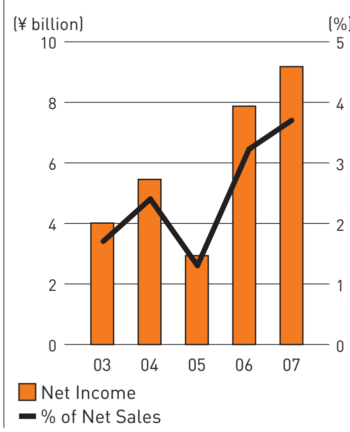
Gross Profit



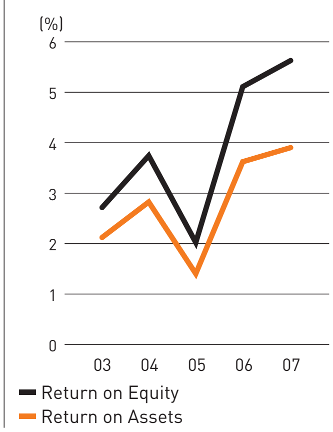
Operating Income



Net Income



Return on Equity and Assets

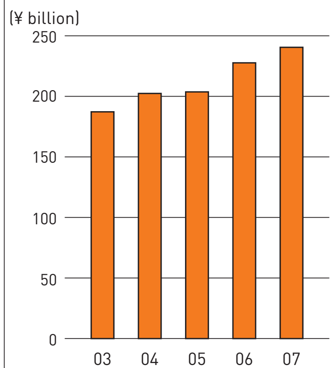


	Millions of yen				
	2003/3	2004/3	2005/3	2006/3	**2007/3**
Major Store Sales*	284,396	278,803	279,799	290,698	**282,912**
Net Sales	230,478	227,077	226,779	240,207	**242,532**
Wholesale	137,267	135,551	133,384	139,543	**138,586**
Retail	93,211	91,526	93,395	96,865	**100,151**
Others				3,798	**3,793**
Cost of Goods Sold	163,457	159,271	158,583	166,257	**167,788**
% of Net Sales	70.9	70.1	69.9	69.2	**69.2**
Gross Profit	67,021	67,806	68,196	73,949	**74,743**
% of Net Sales	29.1	29.9	30.1	30.8	**30.8**
Selling, General and Administrative Expenses	59,369	61,595	60,827	60,312	**62,524**
% of Net Sales	25.8	27.1	26.8	25.1	**25.8**
Operating Income	7,652	6,210	7,368	13,637	**12,219**
% of Net Sales	3.3	2.8	3.2	5.7	**5.0**
Ordinary Income	10,273	10,480	12,694	16,922	**16,323**
% of Net Sales	4.5	4.6	5.6	7.0	**6.7**
Net Income	4,003	5,443	2,928	7,860	**9,165**
% of Net Sales	1.7	2.4	1.3	3.3	**3.8**
Return on Equity (%)	2.7	3.7	2.0	5.1	**5.6**
Return on Assets (%)	2.1	2.8	1.4	3.6	**3.9**

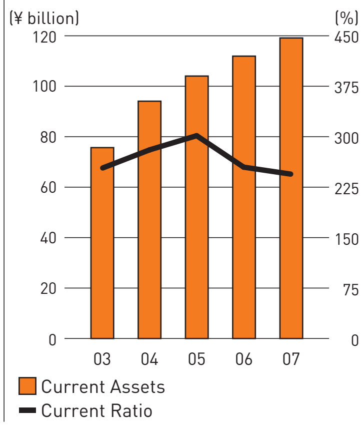
* Sales at AUTOBACS, Super AUTOBACS, and AUTO HELLOES stores

FINANCIAL POSITION

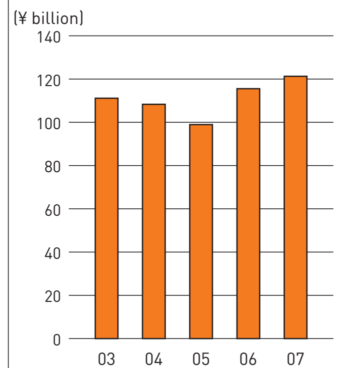
Total Assets



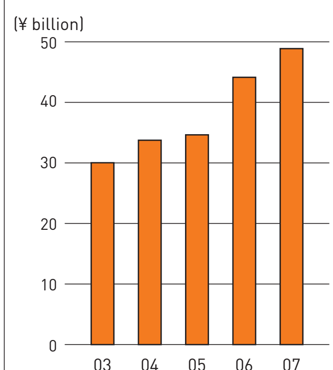
Current Assets



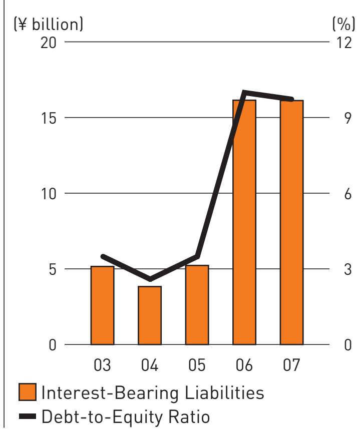
Fixed Assets



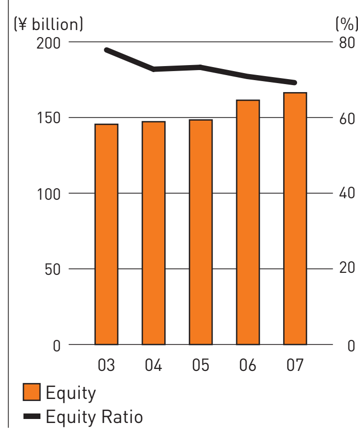
Current Liabilities



Interest-Bearing Liabilities



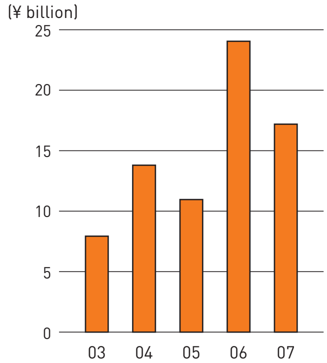
Equity



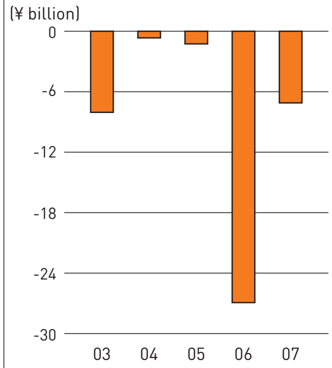
	Millions of yen				
	2003/3	2004/3	2005/3	2006/3	**2007/3**
Total Assets	187,138	202,760	203,224	227,707	**240,627**
Current Assets	75,828	94,358	104,214	112,020	**119,264**
Current Ratio (%)	253.1	280.1	301.1	254.3	**244.0**
Cash and Deposits	23,681	41,316	51,306	34,256	**34,020**
Inventories	17,549	18,731	17,247	17,015	**19,654**
Fixed Assets	111,310	108,402	99,010	115,687	**121,362**
Current Liabilities	29,961	33,684	34,609	44,046	**48,881**
Long-Term Liabilities	10,834	20,835	19,153	21,655	**23,095**
Interest-Bearing Liabilities	5,131	3,810	5,286	16,176	**16,170**
Debt-to-Equity Ratio (%)	3.5	2.6	3.5	10.0	**9.7**
Equity	145,817	147,532	148,982	161,535	**166,052**
Equity Ratio (%)	77.9	72.8	73.3	70.9	**69.0**

CASH FLOWS

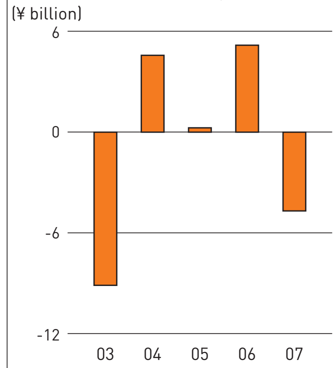
Net Cash Provided by Operating Activities



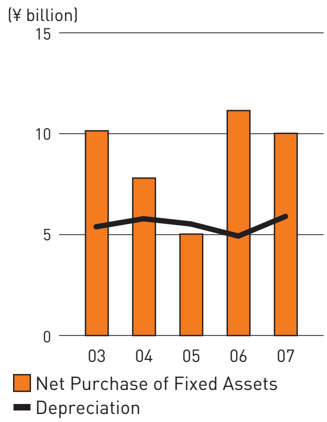
Net Cash Used in Investing Activities



Net Cash Provided by (Used in) Financing Activities



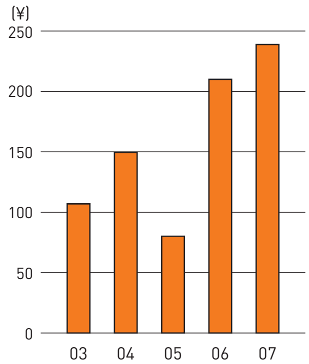
Net Purchase of Fixed Assets



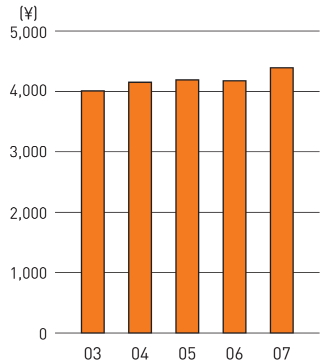
	Millions of yen				
	2003/3	2004/3	2005/3	2006/3	**2007/3**
Net Cash Provided by Operating Activities	7,925	13,807	10,979	24,136	**17,215**
Depreciation	5,394	5,798	5,536	4,935	**5,874**
Net Cash Used in Investing Activities	(8,002)	(645)	(1,276)	(26,996)	**(7,102)**
Net Purchase of Fixed Assets	(10,129)	(7,760)	(4,972)	(11,120)	**(9,991)**
Net Cash Provided by (Used in) Financing Activities	(9,098)	4,605	236	5,177	**(4,698)**

PER SHARE DATA / SHARE PRICE

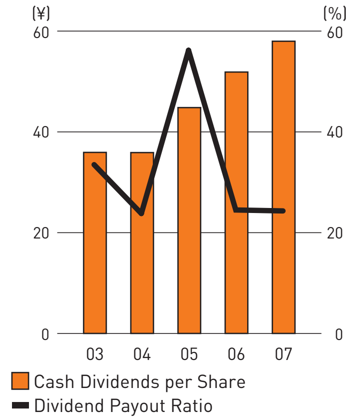
Basic Net Income per Share



Equity per Share



Cash Dividends per Share



	Yen				
	2003/3	2004/3	2005/3	2006/3	**2007/3**
Basic Net Income per Share	106.76	149.80	79.85	210.36	**239.01**
Equity per Share	3,979.02	4,153.92	4,196.25	4,178.23	**4,394.15**
Cash Dividends per Share	36.00	36.00	45.00	52.00	**58.00**
Dividend Payout Ratio (%)	33.7	24.0	56.4	24.7	**24.3**
Share Price:					
High	4,010	3,130	3,680	6,350	**5,960**
Low	2,055	2,015	2,795	3,180	**3,760**

FINANCIAL STATEMENTS (Japanese Accounting Standards)

CONSOLIDATED BALANCE SHEETS

	1998/3	1999/3	2000/3	
ASSETS				
Current Assets	**86,954**	**85,532**	**84,813**	
Cash and Deposits	7,899	11,785	14,139	
Trade Notes and Accounts Receivable	12,742	12,076	11,734	
Marketable Securities	42,255	35,224	30,798	
Inventories	14,396	14,379	13,962	
Deferred Tax Assets		1,964	2,142	
Short-Term Loans	1,476	1,713	1,837	
Accounts Receivable-Other	5,985	7,771	9,474	
Other Current Assets	2,374	2,178	2,052	
Allowance for Doubtful Receivables	(175)	(1,560)	(1,328)	
Fixed Assets	**74,298**	**86,336**	**92,224**	
Tangible Fixed Assets	**40,672**	**48,038**	**49,389**	
Buildings and Structures	16,707	20,104	21,012	
Machinery, Equipment and Vechicles	2,913	2,522	2,206	
Tools, Furniture and Fixtures	5,188	5,630	6,381	
Land	14,038	18,856	18,609	
Construction in Progress	1,823	924	1,179	
Intangible Fixed Assets	788	730	3,967	
Consolidated Adjustment Account		296	227	
Goodwill				
Software			3,425	
Other Intangible Fixed Assets	788	433	314	
Investments	**32,836**	**37,568**	**38,868**	
Investment Securities	2,441	2,622	2,642	
Long-Term Loans	5,191	5,922	6,471	
Deferred Tax Assets		1,235	1,449	
Rental Deposits	21,350	24,107	25,822	
Other Investments	3,913	3,959	3,120	
Allowance for Doubtful Receivables	(61)	(279)	(638)	
Deferred Assets	290			
Reserve for Bond Redemption	290			
Foreign Currency Translation Adjustments		36	59	
Adjustments for Consolidation of Accounts	285			
Total Assets	**161,828**	**171,905**	**177,097**	
LIABILITIES				
Current Liabilities	**33,052**	**31,669**	**29,296**	
Trade Notes and Accounts Payable-Trade	10,333	11,668	11,495	
Short-Term Borrowings	1,730	4,409	4,768	
Current Portion of Long-Term Bonds	7,938	300		
Accrued Liabilities				
Income Taxes Payable	3,052	5,591	4,026	
Equity Warrants Outstanding	1,235			
Allowance for Point Card				
Other Current Liabilities	8,762	9,699	9,007	
Long-Term Liabilities	**8,044**	**10,068**	**11,321**	
Bonds and Zero Coupon Convertible Bonds				
Long-Term Debt	1,737	3,694	3,882	
Liability for Retirement Benefits				
Accrued Retirement Benefits for Directors and Corporate Auditors	750	798	843	
Provision for Business Restructuring				
Other Long-Term Liabilities	5,555	5,575	6,595	
Foreign Currency Translation Adjustments	10			
Minority Interests	137			
Total Liabilities	**41,245**	**41,738**	**40,618**	
MINORITY INTERESTS		1,546	1,414	
SHAREHOLDERS' EQUITY				
Common Stock	31,958	31,958	31,958	
Capital Surplus	31,719	31,719	31,719	
Retained Earnings	56,904	64,943	71,386	
Net Unrealized Gain (Loss) on Available-for-Sale Securities				
Foreign Currency Translation Adjustments				
Treasury Stock, at Cost	(0)	(0)	(0)	
Total Shareholders' Equity	**120,583**	**128,620**	**135,064**	
Total Liabilities, Minority Interests and Shareholders' Equity	**161,828**	**171,905**	**177,097**	
EQUITY				
OWNERS' EQUITY				
Common Stock				
Capital Surplus				
Retained Earnings				
Treasury Stock, at Cost				
VALUATION AND TRANSLATION ADJUSTMENTS				
Net Unrealized Gain on Available-for-Sale Securities				
Foreign Currency Translation Adjustments				
Minority Interests				
Total Equity				
TOTAL LIABILITIES AND EQUITY				

Millions of yen

2001/3	2002/3	2003/3	2004/3	2005/3	2006/3	**2007/3**
86,941	82,042	75,828	94,358	104,214	112,020	119,264
15,450	33,198	23,681	41,316	51,306	34,256	34,020
13,509	12,859	12,272	12,456	12,919	12,914	15,833
27,389	3,760	5,721	4,776	5,124	28,682	30,005
14,481	15,918	17,549	18,731	17,247	17,015	19,654
2,615	2,832	2,240	2,195	1,906	2,794	2,325
1,835	860	1,333	1,031	841	699	701
12,039	12,824	13,302	13,372	14,133	14,285	14,922
1,975	1,965	1,826	1,628	1,444	1,890	2,161
(2,354)	(2,177)	(2,100)	(1,149)	(710)	(520)	(359)
104,130	108,773	111,310	108,402	99,010	115,687	121,362
51,369	53,948	59,463	60,294	51,399	49,794	51,925
22,902	22,646	26,370	26,561	23,917	21,613	21,334
1,905	1,638	1,598	1,478	1,298	1,109	1,214
6,356	5,614	5,906	5,912	4,940	4,462	4,713
19,198	23,762	25,014	26,064	21,070	22,330	23,512
1,007	285	574	277	172	276	1,150
4,008	3,430	2,795	3,079	4,253	10,899	13,041
128	28		324	325	398	
					4,975	5,645
3,472	2,878	2,327	2,456	3,151	4,753	6,456
408	523	468	298	776	772	939
48,752	51,395	49,051	45,028	43,357	54,993	56,395
13,727	16,779	16,128	12,277	12,883	26,513	29,369
6,555	5,841	3,614	3,392	2,657	1,876	1,245
2,073	2,886	3,182	4,782	4,802	4,034	2,496
25,644	25,851	25,375	24,662	23,650	22,698	21,884
2,316	2,192	2,069	1,687	1,880	1,529	2,088
(1,565)	(2,156)	(1,319)	(1,773)	(2,516)	(1,659)	(690)
191,072	190,815	187,138	202,760	203,224	227,707	240,627
36,134	33,468	29,961	33,684	34,609	44,046	48,881
13,021	14,170	13,109	14,136	14,335	16,094	25,497
6,638	4,917	3,111	2,130	4,863	4,768	2,196
						130
					11,436	10,964
4,719	2,394	2,342	3,525	1,159	4,800	3,426
						430
11,755	11,985	11,397	13,891	14,252	6,946	6,235
12,311	10,697	10,834	20,835	19,153	21,655	23,095
			10,008	10,008	270	505
4,158	2,316	2,019	1,680	415	11,407	13,608
1,334	1,385	1,299	1,394	385	275	108
233	261	233	159	429	404	427
					860	274
6,584	6,735	7,281	7,592	7,914	8,437	8,172
48,446	44,166	40,796	54,519	53,763	65,701	71,977
1,530	1,257	524	708	478	469	
31,958	31,958	31,958	31,958	31,958	33,998	
31,719	31,719	32,241	32,241	32,241	34,512	
77,751	81,901	84,523	88,651	90,121	96,113	
(315)	(169)	(126)	192	206	744	
(17)	(16)	(179)	(400)	(426)	(221)	
(0)	(0)	(2,601)	(5,111)	(5,118)	(3,610)	
141,095	145,391	145,817	147,532	148,982	161,535	
191,072	190,815	187,138	202,760	203,224	227,707	
						166,052
						33,998
						34,512
						103,075
						(5,534)
						1,942
						1,935
						6
						655
						168,650
						240,627

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

	1998/3		1999/3		2000/3	
Net Sales	**215,350**	**100.0**	**213,489**	**100.0**	**219,956**	**100.0**
Cost of Goods Sold	**157,634**	**73.2**	**152,861**	**71.6**	**157,757**	**71.7**
Gross Profit	**57,715**	**26.8**	**60,627**	**28.4**	**62,198**	**28.3**
Selling, General and Administrative Expenses	**44,312**	**20.6**	**47,210**	**22.1**	**49,547**	**22.5**
Personnel Expenses	17,298		19,151		20,001	
Sales Promotion Expenses	7,959		6,952		8,214	
Equipment Expenses	10,999		12,774		12,531	
Administrative Expenses	8,054		8,332		8,800	
Operating Income	**13,402**	**6.2**	**13,417**	**6.3**	**12,651**	**5.8**
Non-Operating Income	**3,305**	**1.5**	**4,623**	**2.1**	**4,379**	**2.0**
Interest and Dividend Income	852		793		534	
Rental Income	815		1,169		1,104	
Equity Income on Affiliates					25	
Other Non-Operating Income	1,637		2,659		2,715	
Non-Operating Expenses	**1,753**	**0.8**	**2,785**	**1.3**	**1,473**	**0.7**
Interest Expenses	410		437		178	
Loss on Disposal of Fixed Assets	222		254		525	
Equity Expenses on Affiliates			18			
Other Non-Operating Expenses	1,119		2,075		769	
Ordinary Income	**14,954**	**6.9**	**15,255**	**7.1**	**15,557**	**7.1**
Extraordinary Gains			**1,235**	**0.6**	**144**	**0.0**
Proceeds from Warrant Exercise			1,235			
Other					143	
Extraordinary Losses	**533**	**0.2**	**280**	**0.1**	**1,183**	**0.5**
Write Down of Investment Securities	533		203		52	
Other			75		1,129	
Income before Income Taxes and Minority Interests	**14,420**	**6.7**	**16,210**	**7.6**	**14,518**	**6.6**
Corporate and Local Taxes	**6,834**	**3.2**				
Income Taxes-Current			**10,014**	**4.7**	**7,047**	**3.2**
Income Taxes-Deferred			**(1,641)**	**0.8**	**(386)**	**0.2**
Minority Interests	**(3)**		**33**		**55**	
Amortization Charges Accruing from Consolidation	**(96)**					
Investment Loss Accruing from Equity Holding Method	**(79)**					
Net Income	**7,407**	**3.4**	**7,869**	**3.7**	**7,913**	**3.6**
Retained Earnings at Beginning of Year	**53,686**		**56,904**		**64,943**	
Increase in Retained Earnings			**1,558**			
Decrease in Retained Earnings	**4,186**		**1,391**		**1,470**	
Cash Dividends	1,351		1,330		1,405	
Bonuses to Directors and Corporate Auditors	87		60		56	
Retirement of Treasury Stock	2,748					
Other					8	
Net Income	**7,407**		**7,869**		**7,913**	
Retained Earnings at End of Year	**56,904**		**64,943**		**71,386**	

CONSOLIDATED STATEMENTS OF CASH FLOWS

Operating Activities	
Income before Income Taxes and Minority Interests	14,518
Depreciation	4,858
Other	(835)
Taxes Paid	(8,619)
Net Cash Provided by Operating Activities	9,925
Investing Activities	
Net Purchase of Fixed Assets	(9,875)
Net (Purchase) Sale of Marketable and Investment Securities	573
Other	(586)
Net Cash Used in Investing Activities	(9,886)
Financing Activities	
Net Increase (Decrease) in Borrowings	548
Purchase of Treasury Stock	
Cash Outflow for Bond Redemption	(300)
Dividends Paid	(1,405)
Proceeds from Issuance of Zero Coupon Convertible Bonds	
Other	299
Net Cash Provided by (Used in) Financing Activities	(858)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(97)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(917)**
Cash and Cash Equivalents, Beginning of Year	**29,213**
Net Increase in Cash and Cash Equivalents from Merger	
Increase in Cash and Cash Equivalents Resulting from Initial Consolidation of Subsidiary	
Decrease in Cash and Cash Equivalents Exclusion of a Consolidated Subsidiary	
Cash and Cash Equivalents, End of Year	**28,296**

Millions of yen, %

2001/3		2002/3		2003/3		2004/3		2005/3		2006/3		2007/3	
225,377	100.0	227,737	100.0	230,478	100.0	227,077	100.0	226,779	100.0	240,207	100.0	242,532	100.0
160,034	71.0	163,056	71.6	163,457	70.9	159,271	70.1	158,583	69.9	166,257	69.2	167,788	69.2
65,342	29.0	64,680	28.4	67,021	29.1	67,806	29.9	68,196	30.1	73,949	30.8	74,743	30.8
52,956	23.5	55,111	24.2	59,369	25.8	61,595	27.1	60,827	26.8	60,312	25.1	62,524	25.8
20,171		21,337		24,133		25,184		25,297		27,557		27,710	
8,399		9,848		10,789		10,782		10,349		9,828		10,501	
12,794		13,168		13,975		14,220		13,922		12,304		12,850	
11,576		10,758		10,471		11,408		11,258		10,621		11,461	
12,386	5.5	9,569	4.2	7,652	3.3	6,210	2.8	7,368	3.2	13,637	5.7	12,219	5.0
4,685	2.1	5,081	2.2	6,210	2.7	7,009	3.0	7,900	3.5	5,252	2.1	6,062	2.5
632		494		422		358		296		254		894	
1,211		1,538		1,778		2,271		2,211		97		47	
8		32		58				184		146		148	
2,833		3,016		3,950		4,379		5,208		4,754		4,971	
2,191	1.0	2,379	1.0	3,589	1.5	2,738	1.2	2,574	1.1	1,967	0.8	1,958	0.8
168		198		152		99		60		81		182	
208		253		421		190		147		263		153	
						17							
1,814		1,928		3,016		2,431		2,366		1,621		1,622	
14,879	6.6	12,271	5.4	10,273	4.5	10,480	4.6	12,694	5.6	16,922	7.0	16,323	6.7
97	0.0	900	0.4	480	0.2	1,283	0.5	1,262	0.5	774	0.3	965	0.4
97		900		480		1,283		1,262		744		965	
1,164	0.5	3,021	1.3	1,137	0.5	2,137	0.9	7,081	3.1	3,831	1.5	740	0.3
34		1,083		330		266		17		206			
1,126		1,938		806		1,870		7,064		3,624		740	
13,812	6.1	10,149	4.5	9,616	4.2	9,626	4.2	6,875	3.0	13,865	5.8	16,549	6.8
7,421	3.3	6,058	2.7	5,392	2.3	5,948	2.6	3,910	1.7	6,454	2.7	6,314	2.6
(866)	0.4	(1,181)	0.5	300	0.2	(1,764)	0.8	268	0.1	(447)	0.2	1,219	0.5
509		247		80		1		231	0.1	1	0.0	150	0.1
7,767	3.4	5,520	2.4	4,003	1.7	5,443	2.4	2,928	1.3	7,860	3.3	9,165	3.8
71,386		77,751		81,901		84,523		88,651		90,121			
		32											
1,402		1,402		1,381		1,315		1,458		1,869			
1,349		1,349		1,349		1,303		1,384		1,774			
53		53		31		10		73		95			
				131		1							
7,767		5,520		4,003		5,443		2,928		7,860			
77,751		81,901		84,523		88,651		90,121		96,113			

13,812	10,149	9,616	9,626	6,875	13,865	16,549
5,377	5,409	5,394	5,798	5,536	4,935	5,874
2,555	4,617	(1,639)	3,148	4,844	8,360	2,468
(6,729)	(8,380)	(5,445)	(4,765)	(6,276)	(3,024)	(7,676)
15,017	11,795	7,925	13,807	10,979	24,136	17,215
(8,749)	(8,587)	(10,129)	(7,760)	(4,972)	(11,120)	(9,991)
(2,628)	(2,499)	(1,552)	5,423	(400)	(16,988)	3,722
2,385	2,230	3,679	1,691	4,097	1,112	(833)
(8,990)	(8,856)	(8,002)	(645)	(1,276)	(26,996)	(7,102)
2,144	(4,084)	(5,256)	(1,796)	1,456	10,851	(748)
	(1)	(2,575)	(2,503)	(7)	(3,909)	(1,932)
(1,349)	(1,349)	(1,349)	(1,303)	(1,384)	(1,774)	(2,075)
			10,000			
391	138	82	207	171	9	57
1,186	(5,296)	(9,098)	4,605	236	5,177	(4,698)
66	73	(25)	(37)	55	102	189
7,279	(2,284)	(9,200)	17,730	9,994	2,420	5,604
28,296	35,575	32,835	23,437	41,155	51,150	53,622
	8					
					51	
	(464)	(197)	(12)			
35,575	32,835	23,437	41,155	51,150	53,622	59,226

NON-CONSOLIDATED BALANCE SHEETS

	1998/3	1999/3	2000/3	
ASSETS				
Current Assets	**83,506**	**78,510**	**76,584**	
Cash and Deposits	6,550	8,619	10,777	
Trade Notes and Accounts Receivable	12,690	14,130	14,730	
Marketable Securities	42,255	35,021	30,633	
Inventories	11,119	7,931	6,097	
Deferred Tax Assets		1,487	1,277	
Short-Term Loans	2,815	3,781	3,813	
Accounts Receivable-Other	6,169	7,382	9,245	
Other Current Assets	2,091	1,714	1,385	
Allowance for Doubtful Receivables	(189)	(1,561)	(1,378)	
Fixed Assets	**74,202**	**82,408**	**91,260**	
Tangible Fixed Assets	**35,939**	**38,089**	**39,411**	
Buildings and Structures	15,869	17,112	18,052	
Machinery, Equipment and Vehicles	2,842	2,451	2,152	
Tools, Furniture and Fixtures	2,210	1,684	2,075	
Land	13,912	15,915	15,970	
Construction in Progress	1,823	924	1,158	
Intangible Fixed Assets	**233**	**222**	**3,632**	
Options on Rental Property	139	139	139	
Software			3,420	
Other Intangible Fixed Assets	93	82	73	
Investments	**38,029**	**44,096**	**48,216**	
Investment Securities	2,136	1,983	1,871	
Equity Holdings in Affiliates	2,598	5,603	5,972	
Long-Term Loans to Affiliates	8,557	11,320	14,196	
Long-Term Prepaid Expenses	2,180	1,982	854	
Deferred Tax Assets		1,053	1,546	
Rental Deposits	21,104	22,168	24,086	
Other Investments	1,532	1,614	1,729	
Allowance for Investment Losses		(1,314)	(1,319)	
Allowance for Doubtful Receivable	(80)	(314)	(723)	
Deferred Assets	**290**			
Proceeds from Bond Issuance	290			
Total Assets	**157,999**	**160,918**	**167,845**	
LIABILITIES				
Current Liabilities	**29,766**	**25,720**	**24,619**	
Accounts Payable	9,960	11,161	11,329	
Current Portion of Long-Term Bonds	7,938			
Income Taxes Payable	2,263	5,246	3,817	
Income Taxes and Other Taxes Payable	699			
Other	8,904	9,311	9,470	
Long-Term Liabilities	**6,383**	**6,447**	**7,521**	
Bonds and Zero Coupon Convertible Bonds				
Liability for Retirement Benefits				
Accrued Retirement Benefits for Directors and Corporate Auditors	750	785	821	
Rental Deposits	5,598	5,630	5,984	
Other	34	31	715	
Total Liabilities	**36,149**	**32,167**	**32,140**	
SHAREHOLDERS' EQUITY				
Common Stock	31,958	31,958	31,958	
Capital Surplus	31,719	31,719	31,719	
Retained Earnings	58,171	65,072	72,026	
Net Unrealized Gain (Loss) on Available-for-Sale Securities				
Treasury Stock, at Cost				
Total Shareholders' Equity	**121,849**	**128,750**	**135,704**	
Total Liabilities and Shareholders'Equity	**157,999**	**160,918**	**167,845**	
EQUITY				
OWNERS' EQUITY				
Common Stock				
Capital Surplus				
Retained Earnings				
Treasury Stock, at Cost				
VALUATION AND TRANSLATION ADJUSTMENTS				
Net Unrealized Gain on Available-for-Sale Securities				
Total Equity				
TOTAL LIABILITIES AND EQUITY				

Millions of yen

2001/3	2002/3	2003/3	2004/3	2005/3	2006/3	2007/3
76,985	76,870	72,986	88,783	98,147	104,176	107,384
10,731	29,256	19,904	36,673	47,646	29,646	27,272
16,152	15,681	15,604	16,090	15,644	16,143	19,175
27,212	3,760	5,721	4,776	5,124	28,682	30,005
6,487	7,496	8,092	8,005	6,860	6,293	6,886
1,720	1,810	1,503	1,325	1,493	1,711	1,201
4,448	7,843	10,472	9,846	8,973	7,475	7,691
11,350	11,782	12,856	12,708	13,425	13,674	14,114
1,198	1,581	1,406	1,045	1,022	1,102	1,377
(2,320)	(2,343)	(2,575)	(1,690)	(2,043)	(554)	(340)
102,038	106,745	112,886	110,471	99,952	121,086	130,300
41,127	43,198	49,734	49,404	41,779	41,461	42,371
20,073	19,045	23,674	23,677	21,329	19,887	19,227
1,841	1,535	1,469	1,306	1,057	890	888
1,665	1,322	1,347	1,127	851	826	963
16,559	21,070	22,932	23,020	18,369	19,614	20,496
987	224	310	272	172	242	794
3,599	3,015	3,258	2,657	3,427	4,857	6,627
139	139	137	137	643	650	642
3,389	2,796	2,235	1,836	2,329	3,942	5,762
70	79	885	683	453	265	223
57,311	60,530	59,892	58,408	54,745	74,766	81,301
12,856	15,550	14,932	10,780	11,421	24,937	27,993
6,707	8,134	8,118	10,265	10,091	12,392	15,476
12,006	11,271	6,493	9,496	4,359	6,895	12,038
884	775	831	829	660	633	1,276
2,144	3,360	4,639	6,360	5,557	5,352	3,673
23,923	24,182	24,443	24,073	23,158	22,234	21,266
908	855	3,711	3,500	3,114	6,638	2,410
(537)	(1,391)	(908)	(2,329)	(1,109)	(1,109)	(1,368)
(1,584)	(2,208)	(2,368)	(4,569)	(2,509)	(3,252)	(1,465)
179,023	183,616	185,872	199,254	198,099	225,262	237,684
28,539	28,828	28,632	30,738	29,495	42,194	45,769
12,667	12,830	12,070	12,764	12,793	13,905	22,177
4,368	2,029	1,834	3,180	557	3,800	3,027
11,502	13,968	14,728	14,793	16,144	24,488	20,565
8,128	8,109	8,909	18,642	18,211	21,236	22,297
			10,000	10,000	270	270
868	872	878	905			
211	239	192	119	115	107	105
7,019	6,976	7,823	7,612	8,009	8,401	8,158
27	21	14	4	86	12,456	13,762
36,668	36,938	37,542	49,380	47,706	63,431	68,066
31,958	31,958	31,958	31,958	31,958	33,998	
31,719	31,719	32,241	32,241	32,241	34,278	
78,967	83,139	86,813	90,562	91,079	96,175	
(290)	(137)	(106)	192	201	722	
	(0)	(2,577)	(5,080)	(5,087)	(3,578)	
142,355	146,678	148,330	149,874	150,392	161,831	
179,023	183,616	185,872	199,254	198,099	225,262	
						167,689
						33,998
						34,512
						104,688
						(5,510)
						1,928
						1,928
						169,617
						237,684

NON-CONSOLIDATED STATEMENTS OF INCOME

	1998/3		1999/3		2000/3	
Net Sales	**207,660**	**100.0**	**201,600**	**100.0**	**202,311**	**100.0**
Cost of Goods Sold	**157,412**	**75.8**	**153,846**	**76.3**	**160,225**	**79.2**
Gross Profit	**50,248**	**24.2**	**47,753**	**23.7**	**42,086**	**20.8**
Selling, General and Administrative Expenses	**36,412**	**17.5**	**33,863**	**16.8**	**29,156**	**14.4**
Personnel Expenses	13,197		12,390		9,456	
Sales Promotion Expenses	6,789		5,257		5,593	
Equipment Expenses	8,832		8,994		7,304	
Administrative Expenses	7,593		7,220		6,803	
Operating Income	**13,836**	**6.7**	**13,890**	**6.9**	**12,929**	**6.4**
Non-Operating Income	**2,924**	**1.4**	**3,833**	**1.9**	**3,879**	**1.9**
Interest and Dividend Income	1,060		935		682	
Rental Income	818		1,153		1,794	
Other Non-Operating Income	1,044		1,744		1,400	
Non-Operating Expenses	**1,455**	**0.7**	**2,134**	**1.1**	**848**	**0.4**
Interest Expenses	339		305			
Other Non-Operating Expenses	1,115		1,829		848	
Ordinary Income	**15,305**	**7.4**	**15,590**	**7.7**	**15,960**	**7.9**
Extraordinary Gains			**1,235**	**0.6**	**138**	**0.1**
Proceeds from Warrant Exercise			1,235			
Other					138	
Extraordinary Losses	**533**	**0.3**	**1,472**	**0.7**	**1,236**	**0.6**
Write Down of Investment Securities	533		157		50	
Other			1,314		1,183	
Income before Income Taxes	**14,771**	**7.1**	**15,353**	**7.6**	**14,862**	**7.4**
Income Taxes-Current	**6,721**	**3.2**	**9,606**	**4.8**	**6,730**	**3.3**
Income Taxes-Deferred			**(1,743)**		**(282)**	
Net Income	**8,050**	**3.9**	**7,490**	**3.7**	**8,415**	**4.2**
Retained Earnings Brought Forward	**2,661**		**3,007**		**2,701**	
Prior Year Adjustments for Adoption of Deferred Tax Accounting			**797**			
Reversal of Special Tax Purpose Reserve with Adoption of Deferred Tax Accounting			**483**			
Interim Cash Dividends	**609**		**599**		**674**	
Transfer to Legal Reserve	**60**		**59**		**67**	
Retirement of Treasury Stock	**2,748**					
Retained Earnings, End of Year	**7,294**		**11,119**		**10,374**	

Millions of yen, %

2001/3		2002/3		2003/3		2004/3		2005/3		2006/3		**2007/3**	
203,776	**100.0**	**201,937**	**100.0**	**203,435**	**100.0**	**199,490**	**100.0**	**194,195**	**100.0**	**203,056**	**100.0**	**203,272**	**100.0**
160,987	**79.0**	**160,221**	**79.3**	**161,739**	**79.5**	**158,048**	**79.2**	**154,694**	**79.7**	**160,343**	**79.0**	**161,261**	**79.3**
42,788	**21.0**	**41,715**	**20.7**	**41,695**	**20.5**	**41,441**	**20.8**	**39,501**	**20.3**	**42,712**	**21.0**	**42,010**	**20.7**
31,537	**15.5**	**32,695**	**16.2**	**34,776**	**17.1**	**34,311**	**17.2**	**32,018**	**16.4**	**29,075**	**14.3**	**28,247**	**13.9**
8,992		9,256		9,618		9,677		9,255		10,726		**9,499**	
5,715		7,541		8,409		7,936		7,238		7,031		**7,023**	
7,356		7,363		7,497		7,868		7,150		4,100		**4,345**	
9,474		8,533		9,251		8,829		8,374		7,217		**7,378**	
11,251	**5.5**	**9,020**	**4.5**	**6,918**	**3.4**	**7,130**	**3.6**	**7,482**	**3.9**	**13,637**	**6.7**	**13,763**	**6.8**
4,972	**2.4**	**4,941**	**2.4**	**5,231**	**2.6**	**6,370**	**3.2**	**6,634**	**3.4**	**3,530**	**1.7**	**4,837**	**2.3**
691		650		731		693		835		655		**1,656**	
2,082		2,153		2,190		2,920		3,021		165		**200**	
2,198		2,137		2,309		2,756		2,777		2,709		**2,980**	
1,165	**0.5**	**1,357**	**0.7**	**1,627**	**0.8**	**1,270**	**0.7**	**1,511**	**0.8**	**1,475**	**0.7**	**1,441**	**0.7**
		15		27		18		4		44		**153**	
1,165		1,342		1,599		1,251		1,506		1,430		**1,288**	
15,058	**7.4**	**12,604**	**6.2**	**10,523**	**5.2**	**12,230**	**6.1**	**12,606**	**6.5**	**15,692**	**7.7**	**17,159**	**8.4**
185	**0.1**	**898**	**0.5**	**509**	**0.2**	**1,180**	**0.6**	**2,205**	**1.2**	**873**	**0.4**	**1,397**	**0.7**
185		898		509		1,180		2,205		873		**1,397**	
766	**0.4**	**3,821**	**1.9**	**2,239**	**1.1**	**4,719**	**2.3**	**9,071**	**4.7**	**4,761**	**2.3**	**826**	**0.4**
27		1,080		294		232				206			
737		2,740		1,945		4,486		9,071		4,554		**826**	
14,477	**7.1**	**9,682**	**4.8**	**8,792**	**4.3**	**8,692**	**4.4**	**5,740**	**3.0**	**11,805**	**5.8**	**17,729**	**8.7**
6,965	**3.4**	**5,525**	**2.7**	**4,731**	**2.3**	**5,383**	**2.7**	**3,131**	**1.6**	**5,200**	**2.6**	**5,628**	**3.4**
(831)		**(1,417)**		**(993)**		**(1,753)**		**634**		**(360)**		**1,385**	
8,343	**4.1**	**5,574**	**2.8**	**5,055**	**2.5**	**5,062**	**2.5**	**1,974**	**1.0**	**6,965**	**3.4**	**10,716**	**5.3**
2,746		**2,720**		**2,804**		**2,714**		**2,571**		**2,854**			
674		**674**		**674**		**643**		**745**		**922**			
67													
10,348		**7,620**		**7,184**		**7,133**		**3,800**		**8,897**			

LIST OF PRINCIPAL CONSOLIDATED SUBSIDIARIES AND EQUITY HOLDING METHOD COMPANIES

(As of March 31, 2007)

Wholesale Wholesale of car parts and accessories to franchisees.
Retail Sale of car parts, accessories, and services, principally to consumers.
Others Operational support for wholesale operations, retail operations, and franchisees and development of new store formats.

CONSOLIDATED SUBSIDIARIES

Company name	Location	Capital stock or equity contribution (¥ million)	Percentage of voting rights held (%)
Retail			
A.M.C. Co., Ltd.	Sapporo, Hokkaido	495	100.0
ADR Ltd.	Shimohei-gun, Iwate	258	80.0
Car Life Ltd.	Sendai, Miyagi	99	100.0
Autobacs Benefit Ltd.	Chiba, Chiba	150	100.0
AUTOBACS Alpha Ltd.	Ichikawa, Chiba	225	100.0
Autobacs Chiba Ltd.	Kashiwa, Chiba	200	100.0
Autobacs Kanagawa Ltd.	Yokohama, Kanagawa	95	91.9
AUTOBACS Yamanashi Ltd.	Kofu, Yamanashi	120	99.0
Super Auto Nagoya Ltd.	Nagoya, Aichi	225	94.2
Hokusetsu Autobacs Ltd.	Takatsuki, Osaka	96	100.0
Autobacs Sun Ace Ltd.	Neyagawa, Osaka	130	100.0
Autobacs Izumi Ltd.	Sakai, Osaka	85	85.1
AUTOBACS Three Arrow Ltd.	Hiroshima, Hiroshima	95	100.0
O.P.S. Ltd.	Fukuoka, Fukuoka	85	100.0
AUTOBACS U.S.A., INC.	California, U.S.A.	US$3.0 million	100.0
SHANGHAI AUTOBACS PAIAN AUTO SERVICE Co., Ltd.	Shanghai, China	US$4.5 million	65.0
AUTOBACS TAIWAN Co., Ltd.	Taipei, Taiwan	NT$84 million	100.0
Siam Autobacs Co., Ltd.	Bangkok, Thailand	39.9 million Thai baht	49.9
Retail and Wholesale			
AUTOBACS FRANCE S.A.S.	Pierrelaye, France	21.3 million euro	100.0
AUTOBACS VENTURE SINGAPORE Pte. Ltd.	Singapore, Singapore	S$2.0 million	80.0
CARS Sapporo Co., Ltd.	Sapporo, Hokkaido	150	93.3
DIA BACS Co., Ltd.	Koto-ku, Tokyo	100	60.0
Wholesale			
AUTOBACS SHANGHAI TRADING Co., Ltd.*[1]	Shanghai, China	US$1.0 million	41.0
AUTOBACS Qiche Yong Pin Co., Ltd.*[4]	Beijing, China	US$3.0 million	100.0
PALSTAR.K.K.	Yokohama, Kanagawa	200	51.0
Auto Refine Co., Ltd.	Yokohama, Kanagawa	52	97.4
CORES INTERNATIONAL, Inc.	Sakai, Osaka	145	81.4

Company name	Location	Capital stock or equity contribution (¥ million)	Percentage of voting rights held (%)
Others			
AUTOBACS SERVICE DEVELOPMENT CO.,Ltd.	Koto-ku, Tokyo	10	100.0
AUTOBACS Management Service Ltd.	Koto-ku, Tokyo	90	100.0
A.B. Consulting Co., Ltd.	Koto-ku, Tokyo	10	100.0
AUTOBACS SYSTEM SOLUTION CO,. LTD	Koto-ku, Tokyo	95	100.0
BRAIN-ING Co., Ltd.	Koto-ku, Tokyo	50	90.0
Car Life Comprehensive Institute Ltd.	Koto-ku, Tokyo	20	100.0
ALFI Ltd.*5	Koto-ku, Tokyo	30	100.0
AUTOBACS Insurance Planning Co.,Ltd	Koto-ku, Tokyo	15	100.0
AUTOBACS Insurance Service Co.,Ltd	Koto-ku, Tokyo	15	100.0
Support-A Ltd.	Shibuya-ku, Tokyo	35	92.9
Seibu Driving School Co., Ltd.	Kodaira, Tokyo	15	100.0
Tama Driving School Co., Ltd.	Hino, Tokyo	160	100.0

The Company has 24 consolidated subsidiaries in addition to the abovementioned companies, giving a total of 63 consolidated subsidiaries.

Equity Holding Method Companies

Company name	Location	Capital stock or equity contribution (¥ million)	Percentage of voting rights held (%)
Retail			
Hokuei Shoji Ltd.*2	Morioka, Iwate	90	16.3
Puma Ltd.	Tonami, Toyama	33	30.3
BLUE OCEAN Ltd.*2	Kumagaya, Saitama	69	17.1
Buffalo Ltd.*3	Kawaguchi, Saitama	510	24.2
FUNUS Corporation	Minato-ku, Tokyo	200	25.0
ZHEJIANG YUANTONG AUTOGOODS Co., Ltd.	Hangzhou, China	RMB10 million	25.0
Wholesale			
Daytona International Trading Corporation.	Shuchi-gun, Shizuoka	412	22.2

*1. The Company holds 50% or less of the voting rights for this company. However, it is treated as a subsidiary because the Company effectively controls it.
*2. The Company holds 20% or less of the voting rights for this company. However, it is treated as an equity holding method company because the Company effectively influences it.
*3. The Company issues financial statements.
*4. On April 25, 2007, capital was revised to U.S.$5,000 thousand.
*5. On May 17, 2007, capital was revised to ¥490 million.

CORPORATE DATA

(As of March 31, 2007)

AUTOBACS SEVEN CO., LTD.

Head Office	IST Bldg., 6-52, Toyosu 5-chome, Koto-ku, Tokyo 135-8717, Japan
Corporate Website	http://www.autobacs.co.jp/index_e.php
Date of Foundation	February 1947
Paid-in Capital	¥33,998 million
Number of Employees	4,621 (consolidated)
Main Business Offices	Northern Japan Regional Department (Sendai, Miyagi) Northern Kanto Regional Department (Ichikawa, Chiba) Southern Kanto Regional Department (Ichikawa, Chiba) Chubu Regional Department (Nagoya, Aichi) Kansai Regional Department (Suita, Osaka) Southern Japan Regional Department (Fukuoka, Fukuoka) Europe and America Business Department (Koto-ku, Tokyo) Asia Business Department (Koto-ku, Tokyo) China Business Department (Koto-ku, Tokyo)

Corporate History

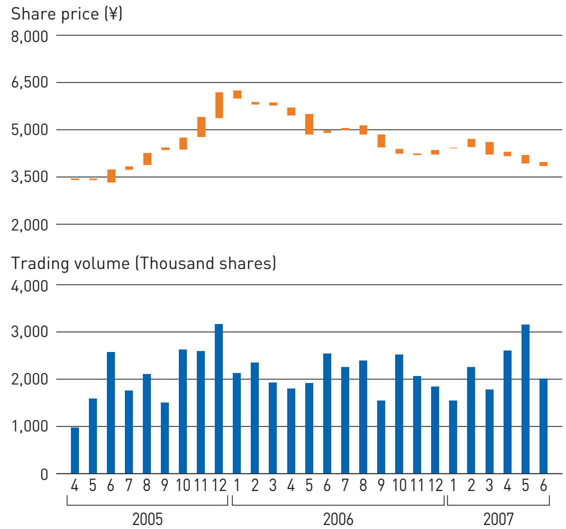
February 1947	The late Toshio Sumino founded Suehiro Syokai as a privately owned wholesaler of automobile parts in Fukushima-ku, Osaka.
August 1948	Suehiro Syokai formed into a joint-stock company to establish Fuji-Syokai Co., Ltd., in Osaka. Began the wholesale of automobile parts.
January 1958	Wholesale division spun off to form DAIHO-SANGYO Co., Ltd.December 1958 Established the Drive Shop Division.
November 1974	Opened AUTOBACS Higashi Osaka Store as the Company's first directly managed, one-stop specialty store for car parts and accessories.
April 1975	Opened AUTOBACS Hakodate Nakamichi as the Company's first franchise chain store.
February 1978	Changed trade name from Fuji-Syokai Co., Ltd., to AUTOBACS SEVEN CO., LTD.
March 1979	AUTOBACS SEVEN CO., LTD., merged with DAIHO-SANGYO Co., Ltd., and Autobacs Higashi Osaka Co., Ltd.New company called DAIHO-SANGYO Co., Ltd.
March 1980	Trade name changed to AUTOBACS SEVEN CO., LTD.
April 1981	Opened first directly managed store in eastern Japan, in Koshigaya.
June 1984	Head office relocated to Suita, Osaka.
March 1989	Listed on Second Section of Osaka Securities Exchange.
June 1993	Head office relocated to Toyonaka, Osaka.
August 1993	Listed on Second Section of Tokyo Stock Exchange.
September 1993	Designated for listing on first sections of Tokyo Stock Exchange and Osaka Securities Exchange.
March 1995	Listed on London Stock Exchange.
March 1997	Opened first Super AUTOBACS store in Naganuma, Chiba, as a new store format targeting larger commercial areas.
October 1998	Formed capital and operational tie-up with AUTO HELLOES Co., Ltd. (currently A.M.C. Co., Ltd.)
August 1999	Established AUTOBACS SEVEN Europe S.A.S. (currently AUTOBACS FRANCE S.A.S.) as a joint venture company with RENAULT Societe Anonyme.
January 2001	Launched Internet shopping website: http://www.autobacs.com.
June 2001	Head office relocated to Minato-ku, Tokyo.
October 2002	AUTO HELLOES Co., Ltd. (currently A.M.C. Co., Ltd.), becomes a wholly owned subsidiary through an exchange of shares.
October 2004	Head office relocated to Koto-ku, Tokyo.
January 2006	Acquired Six Eldorauto stores in France.
April 2006	Acquired franchise functions of RICOLAND, a retailer of motorcycle related goods, from RIDERS SUPPORT COMPANY Ltd.
March 2007	Store network totaled 538 stores, comprising 182 stores included in consolidation (of which 17 overseas stores and 165 domestic stores), 356 AUTOBACS franchise chain stores (of which 4 overseas stores and 352 domestic stores), and 4 AUTO HELLOES franchise chain stores.

SHARE INFORMATION

(As of March 31, 2007)

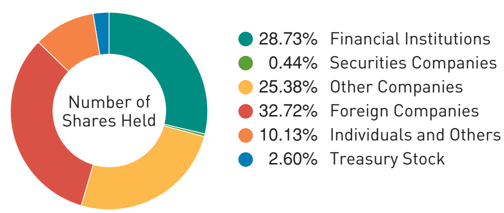
Common Stock Authorized	109,402,300 shares
Common Stock Issued	39,255,175 shares
Number of Shareholders	10,357
Settlement Date	March 31
Record Dates	Annual General Shareholders' Meeting: March 31 Year-end dividends: March 31 Interim dividends: September 30 Prior notice of extraordinary dividends payments made as required.
Share Trading Unit	100 shares
Newspaper Used for Notifications	Nihon Keizai Shimbun The Company discloses balance sheets, statements of income, and related information at: http://www.autobacs.co.jp/
Stock Listings	Tokyo Stock Exchange Osaka Securities Exchange London Stock Exchange (delisted as of March 30, 2007)
Independent Auditor	Deloitte Touche Tohmatsu
Transfer Agent	The Sumitomo Trust and Banking Co., Ltd. 4-4, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Share Price Trends*

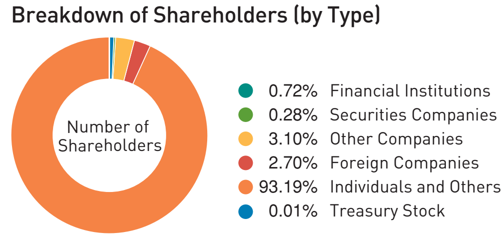


* Osaka Securites Exchange

Breakdown of Shareholders (by Size of Shareholding)



Breakdown of Shareholders (by Type)



MAJOR SHAREHOLDERS

Name or Trading Name	Number of Shares Held (Thousands)	Percentage of Total Shares Issued
Sumino Holdings, Ltd.	5,157	13.14
The Master Trust Bank of Japan, Ltd.	2,619	6.67
Japan Trustee Services Bank, Ltd. (Trust Account 4)	2,373	6.05
Northern Trust Company (AVFC) Sub Account American Client	1,264	3.22
State Street Bank and Trust Company 505019	1,174	2.99
The Yuumi Memorial Foundation for Home Health Care	1,053	2.68
Japan Trustee Services Bank, Ltd. (Trust Account 4)	1,000	2.55
Sumisho Holdings, Ltd.	800	2.04
Trust & Custody Services Bank, Ltd.	698	1.78
Investors Bank and West Pension Fund Clients	505	1.29
Total	16,646	42.41

AUTOBACS SEVEN CO., LTD.
IST Bldg., 6-52, Toyosu 5-chome, Koto-ku, Tokyo 135- 8717, Japan

Waterless Printing Naturally
100% Recycled-content level
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