Anything about cars, you find at AUTOBACS

AUTOBACS SEVEN

Annual Report 2016

Aiming to be a Corporate Group that Makes Motorized Societies Better

AUTOBACS SEVEN operates the AUTOBACS chain of stores. In terms of both number of stores and market share, AUTOBACS has established itself as Japan's largest specialty retailer of goods and services for cars.
AUTOBACS SEVEN strives to enhance its corporate value and achieve sustainable growth by helping to bring about a more prosperous motorized society.

AUTOBACS Chain Management Mission

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

AUTOBACS Chain Management Vision

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

Social Value Created through Our Business

Helping People to Gain Greater Convenience, Peace of Mind, and Enjoyment from Their Cars

We offer a wide array of services enabling customers to get the most from their cars.

Development of Healthy Car Culture

We take a multifaceted approach in our efforts to make cars an important source of comfort and fulfillment in daily life, and promote the development of a wholesome car culture.

Maintaining Relationships with Local Communities

We promote cars as a wholesome part of society and strive to enhance the value of our stores as an element of community infrastructure.

Benefiting the Environment

We strive to lower the environmental impact of our business activities, while also helping to improve and protect local environments.

About AUTOBACS

From sales of cars and automotive goods, to statutory safety inspections and maintenance, and even finding a next vehicle, AUTOBACS offers one-stop solutions for every aspect of our customers' automotive needs. We strive to provide customers with convenience and reliability that will earn their endorsement for our slogan, "Anything about cars, you find at AUTOBACS."

AUTOBACS by the Numbers

Number of Domestic Stores 599 stores	Chain Store Sales (Japan) ¥262.4 billion
Share of the Automotive Goods Market (Japan) No.1	Active Members 8.54 million
Stock Keeping Units at Stores 10,000 to 30,000	Statutory Inspections Performed 604,000
Automobiles Sold 27,000	Automobile Mechanics Approx. 3,800
Car Life Advisors* Approx. 20,000	Overseas Business Development 6 countries or regions, 33 stores

*Total of Level-1 and Level-2 qualified employees.

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Online Annual Report

To leverage the convenience of online access, we have prepared an HTML-version of our annual report for viewing on the Internet. We have also prepared a downloadable PDF file containing our management discussion and analysis.

http://www.autobacs.co.jp/en/ir/ar2016/index.html

Cautionary Note Regarding Forward-Looking Statements

Portions of this report that are not based on historical facts — areas addressing strategy, future business developments, and other topics regarding the future — reflect information available at the time this report was prepared and management's judgment. Actual results may differ from projections or expectations due to changes in various risk factors.
For more information on the primary business risks faced by the Company Group, please refer to the online version of the annual report.

Explanation of Names

Within this report, "AUTOBACS SEVEN Co., Ltd.," "AUTOBACS SEVEN" and "the Company" refer to the non-consolidated entity, while "the Company Group" refers to the consolidated entity. "AUTOBACS" is a brand name, but also refers to individual retail stores and the entire retail chain of the AUTOBACS SEVEN Group.

Group History

From an Automotive Goods Retailer to the "Go-To" Place for Everything Related to Cars

1974-

Era of Personal Car Ownership Arrives

- Development of the highway system
- Japan's first F1 race
- Japan becomes the world leader in annual vehicle unit production

1989-

Car Culture Goes Deep in Japan

- Motor sports boom
- First satellite navigation devices introduced
- Wild popularity of minivans and RVs

Key Developments at AUTOBACS

AUTOBACS begins its development as a nationwide one-stop provider of automotive goods and services

AUTOBACS was established in 1974, following Japan's period of rapid economic development and at a time of growing consumer interest in personal car ownership. The retail distribution of automotive goods had yet to consolidate, and consumers had to go to a different source for nearly every item they wanted to purchase for their cars. AUTOBACS provided a one-stop solution for purchasing and installing automotive products and met with strong consumer support. Franchising was adopted to spur nationwide development of the business and the Company moved quickly to broaden its product offerings by developing PB merchandise.

AUTOBACS Store No. 1
(Daito City, Osaka Prefecture)

Enhanced Merchandise Offerings and Proactive Marketing Responding to Diversifying Preferences

With the proliferation of personal car ownership came demand for ways to individualize cars and, as a result, expansion of the market for automotive goods. AUTOBACS responded by enhancing and enlarging its merchandise offerings, and taking innovative steps such as organizing product displays, and making product suggestions, based on lifestyle to more precisely respond to diversifying consumer preferences. In 1989, total sales for the AUTOBACS retail chain surpassed the ¥100 billion mark, and the company became the industry's first to complete an initial public offering.

As a motor sports sponsor, AUTOBACS is helping to promote car culture

Key Developments for the Group

1974 • AUTOBACS Store No. 1 established as a one-stop automotive goods and services retailer.

1975 • First AUTOBACS franchise store opened.

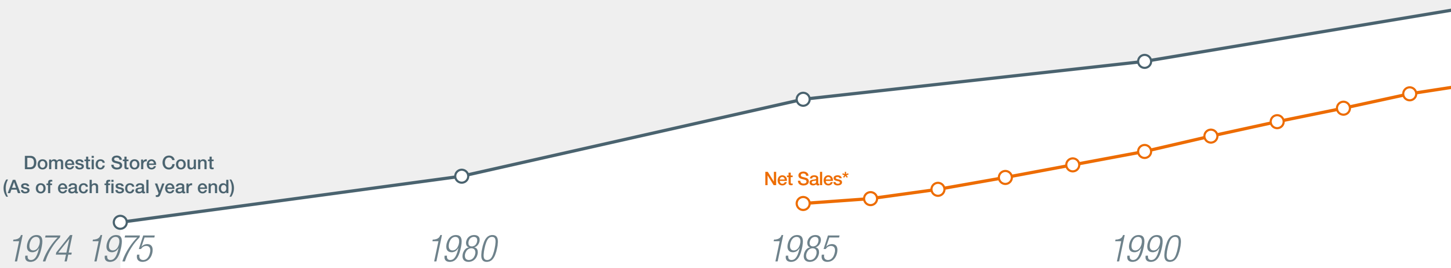
1979 • AUTOBACS Store No. 100 opened.

1985 • AUTOBACS Store No. 300 opened.

1989 • AUTOBACS SEVEN Co., Ltd. listed on the second section of the Osaka Securities Exchange.

1991 • First overseas AUTOBACS Store opened in Taiwan.

1993 • AUTOBACS SEVEN Co., Ltd. listed on the second section of the Tokyo Stock Exchange.
• Share listings transferred to the first sections of the Osaka Securities Exchange and the Tokyo Stock Exchange.



AUTOBACS was established in 1974 as Japan's first retailer specializing in automotive goods. Japan, as a motorized society, continued to change with the times, and so did AUTOBACS, updating and modifying its business format, and offerings of goods and services, while steadily enlarging its operations. Introducing private-brand (PB) tires and oil in 1977, and following up with other unique product offerings and services to respond to diversifying customer preferences and needs, AUTOBACS is now the leading specialty retailer of automotive goods and services in Japan. AUTOBACS will continue to grow by maintaining its focus on customers and society, and offering goods and services that enable customers now and in the future to get the greatest enjoyment from their cars.

1997-

Transition to Mega-Retailing

- Advent of hybrid vehicles
- Drivers embrace the Electronic Toll Collection system for Japan's highways

Development of Super AUTOBACS Stores and Full-Fledged Entry into Statutory Inspection Services

With the transition to supersized retail stores in general, AUTOBACS created Super AUTOBACS megastores for automotive goods and services. Offering expansive retail spaces, service pits for product installation and maintenance work, CDs, and even a place to get a bite, Super AUTOBACS Stores were also developed to feature a wide variety of events and serve the needs of everyone from first-time car owners to families, and car enthusiasts. At the same time, AUTOBACS mounted a full-scale entry into the provision of statutory safety inspection services, thereby expanding its ability to serve the needs of car owners.


Super AUTOBACS Store No. 1 (Inage-ku, Chiba City)

2008-

Maturation of the Japanese Economy and the Rise of Environmental Awareness

- Electric vehicles (EVs) come into practical use
- Advent of plug-in hybrid vehicles (PHVs)

Comprehensive Support for Automotive Needs through Three Core Operations

Automotive needs have changed over the years, with developments such as the growing popularity of environmentally friendly vehicles, owners keeping their cars for longer periods of time, and more and more people continuing to drive well into their later years. Aiming to help drivers of all descriptions continue to drive safely, AUTOBACS is enhancing its statutory safety inspections and maintenance services. Through these services and its automobile purchase and sales, and automotive goods, businesses comprising three core operations, AUTOBACS continues to move forward with the transition to a business format that aims to provide comprehensive support for customers' automotive needs.


AUTOBACS is moving ahead with the installation of EV charging stands

1997 • Super AUTOBACS Store No. 1 opened.

2000 • First AUTOBACS Secohan Ichiba store opened, to purchase and sell second-hand car parts.

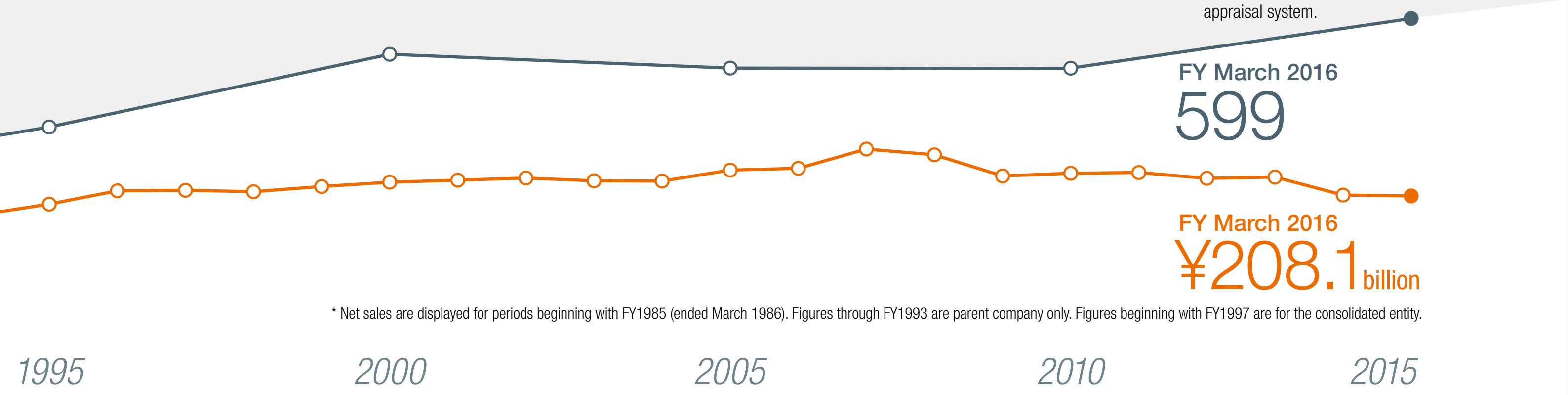
2001 • First AUTOBACS Store in France opened.

2002 • AUTOBACS EXPRESS Store No. 1, combining an automotive goods retail store and gas station, opened.
• Automobile purchase and sales system implemented.

2012 • Toyosu headquarters gains ISO14001 certification.

2014 • Private brand revamped and relaunched as the "AQ." brand.
• Cumulative number of vehicles handled in statutory safety inspection service passes the 5-million mark.

2015 • Patent obtained for the "Satei Dr." automobile appraisal system.



* Net sales are displayed for periods beginning with FY1985 (ended March 1986). Figures through FY1993 are parent company only. Figures beginning with FY1997 are for the consolidated entity.

We constantly work to enhance our corporate value by helping customers gain greater convenience and peace of mind from their cars

Inputs

Capital Inputs

Financial Capital
- Funds used for business operations

Instrumental Capital
- Nationwide store network
- Distribution infrastructure

Intellectual Capital
- The AUTOBACS brand
- Development of stores, merchandise, and services
- Store operation know-how
- Information assets

Human Capital
- Skills, capabilities, and qualifications of staff and franchisees

Societal and Relationship Capital
- Supplier and franchisee relationships built on trust
- Relationships with local communities and car culture leaders

Natural Capital
- Resources obtained from the natural world

Business Model

AUTOBACS Chain

AUTOBACS SEVEN and its Franchisees Working as One to Create Value

AUTOBACS SEVEN (FC Headquarters)
- Marketing
- Store development/deployment
- MD/product and service development
- Purchasing, distribution, and wholesale
- Support/guidance for franchisees

Franchisees (AUTOBACS Stores)

- Merchandise/service provision
- Store operation

Recycling and applying capital in pursuit of

What are the Key Characteristics of AUTOBACS SEVEN's Business Model?

Working Together with Franchisees to Satisfy Customers

AUTOBACS SEVEN's business model is based on a domestic franchise organization with 599 stores operated by 83 franchisees, including 19 consolidated subsidiaries. Serving as the franchise headquarters, AUTOBACS SEVEN provides the approach for providing value to customers, while franchisees deliver value in contacts with individual customers. Both sides of this robust partnership, bound by common principles, share information on problems and successes as they work to improve customer satisfaction. This corporate culture and organization is the strength of the AUTOBACS chain.

AUTOBACS SEVEN (FC Headquarters)
- Brand
- Store operation infrastructure
- Store management support
- Merchandise supply
- Human resource hiring and development support

Collaboration

Franchisees
- Creation of value in contacts with customers
- Improvements to individual store attractiveness
- Human resource hiring and development
- Store operation improvements

Equal Partnership

Within the evolving relationship between automobiles and individuals, as well as society at large, our corporate value derives from our ability to continuously provide customers with goods and services that enhance the convenience, peace of mind, and enjoyment they get from their cars. Applying not only the financial and other types of capital on our balance sheet but also the brand and knowledge we have developed over many years, the skills of our people, and other kinds of capital not expressed in numbers, we achieve greater corporate value by creating new value for customers.

Outcomes

Value creation results = Corporate value defined broadly

Financial Capital
- Generation of cash flow for growth investments
- ROE improvement
- Establishment of a solid financial base

Instrumental Capital
- Building of stores and a supply chain placing equal emphasis on customer satisfaction and productivity

Intellectual Capital
- Enhancement of support for, and trust in, the brand
- Advancement of development know-how
- Accumulation of information assets and advancing sophistication in their application

Human Capital
- Development of the next generation of leaders
- Development of human resources with a broad range of expertise
- Development of franchisees
- Fostering of an organizational culture that makes the most of diversity

Societal and Relationship Capital
- Deepening of cooperation with suppliers and franchisees
- Elevation of trust among local communities and car culture opinion leaders

Natural Capital
- Lowering of environmental impact
- Building of a recycling-oriented society

sustainable increases in corporate value

What Is the Value that AUTOBACS Provides to Customers?

Comprehensive Car Lifecycle Support

From the purchase of an automobile, to the provision of automotive goods, statutory safety inspections and maintenance services, and help with selling an existing car and purchasing the next, AUTOBACS offers customers one-stop solutions for car-related needs and desires. We help customers gain greater convenience, peace of mind, and enjoyment from their cars.

Value for Customers

Convenience
- Abundant merchandise selection
- Solutions for all manner of car-related needs
- Same high-quality service nationwide

Peace of Mind
- Information customers can count on
- Safe, satisfying car performance
- Reasonable prices

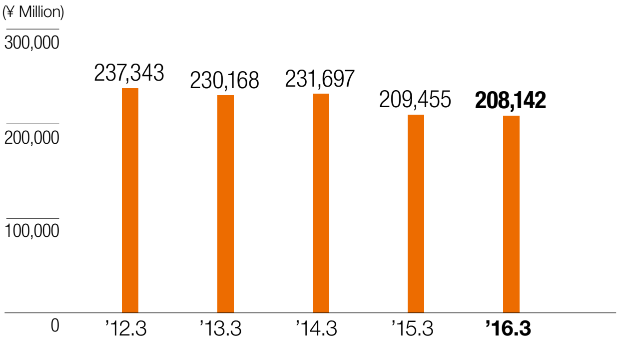
Enjoyment
- Pleasure from the breadth of selection
- Ability to modify cars to personal tastes
- Dependable experts to help customers make the most of their time

Highlights of Financial Results

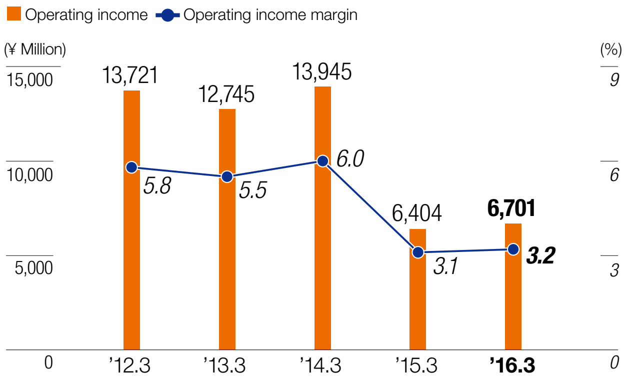
AUTOBACS SEVEN Co., Ltd. and Consolidated Subsidiaries	Millions of yen				Thousands of U.S. dollars (Note 1)
Fiscal year ended on March 31 for each displayed year	2013	2014	2015	2016	2016
Fiscal Year:					
Net sales	¥230,168	¥231,697	¥209,455	**¥208,142**	**$1,841,965**
Wholesale	131,859	132,733	124,279	**117,848**	**1,042,903**
Retail	94,770	95,540	82,039	**87,310**	**772,655**
Others	3,539	3,422	3,136	**2,984**	**26,407**
Operating income	12,745	13,945	6,404	**6,701**	**59,301**
Income before income taxes and minority interests	13,915	16,086	9,053	**7,558**	**66,885**
Profit attributable to owners of parent	7,590	9,786	4,610	**4,371**	**38,681**
Net cash provided by operating activities	10,741	12,072	11,829	**10,564**	**93,487**
Net cash used in investing activities	(4,522)	1,519	(2,403)	**(4,984)**	**(44,106)**
Net cash used in financing activities	(14,861)	(11,166)	(12,618)	**(11,154)**	**(98,708)**
Free cash flows	6,219	13,591	9,426	**5,580**	**49,381**
Capital expenditures	6,249	4,820	6,127	**5,895**	**52,168**
Depreciation and amortization	5,194	4,551	4,805	**4,012**	**35,504**
At Year-End:					
Total assets	¥205,527	¥201,481	¥186,532	**¥180,454**	**$1,596,938**
Equity	142,862	143,979	138,338	**131,455**	**1,163,319**
Interest-bearing liabilities	8,342	6,771	6,860	**6,296**	**55,717**
Per Share Data (Yen and Dollars (Note 1)):					
Basic net income (Note 2)	¥81.22	¥107.71	¥52.83	**¥51.60**	**$0.46**
Cash dividends (Note 2)	52.00	64.00	60.00	**60.00**	**0.53**
Dividend payout ratio (%)	64.0	59.4	113.6	**116.3**	**—**
Dividend on equity (DOE) (%)	3.4	4.1	3.7	**3.8**	**—**
Total shareholder return ratio (%)	158.2	105.8	222.2	**235.4**	**—**
Management Indicators:					
Operating income margin (%)	5.5	6.0	3.1	**3.2**	
Return on equity (%)	5.3	6.8	3.3	**3.2**	
Return on assets (%)	3.6	4.8	2.5	**2.4**	
Equity ratio (%)	69.5	71.5	74.3	**72.8**	
Non-Financial Data:					
Number of domestic stores	552	571	584	**599**	
Domestic stores operated by franchisees	396	415	423	**433**	
Number of overseas stores	27	27	27	**33**	
Overseas stores operated by franchisees	9	10	10	**12**	
Active Members (1,000) (Note 3)	6,721	6,954	8,587	**8,541**	
Number of employees	4,678	4,466	4,263	**4,347**	
Number of automobile mechanics (Note 4)	3,394	3,653	3,780	**3,781**	
Number of directors (of which, outside directors)	8(3)	8(3)	8(3)	**8(3)**	
Number of auditors (of which, outside auditors)	4(3)	4(3)	4(3)	**4(3)**	
Electricity usage (MW) (Note 5)	10,646	7,515	7,097	**6,810**	
CO_2 emissions (t-CO_2) (Note 5)	6,021	4,787	4,503	**4,060**	

(Notes) 1. U.S. dollar amounts are converted at a rate of ¥113=US$1, which prevailed on March 31, 2016.
2. A 3-for-1 stock split was implemented on April 1, 2013. Figures predating this stock split have been adjusted to reflect its impacts.
3. Beginning with the fiscal year ended March 31, 2015, "active members" is defined as the number of customers who made a purchase within the past year.
4. All chain employees who have obtained the Automobile Mechanic (Level 1, 2, or 3) national qualification.
5. Total for AUTOBACS SEVEN Co., Ltd.'s headquarters, regional business locations, directly managed stores, and logistics centers. (Does not include subsidiaries)

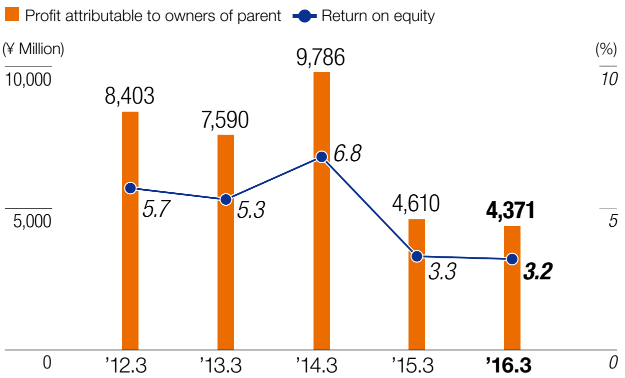
Net Sales



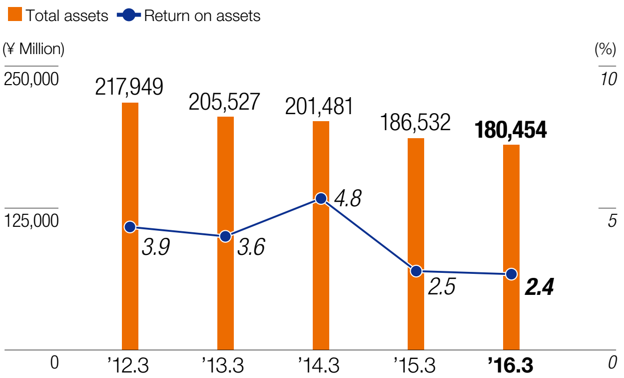
Operating Income/Operating Income Margin



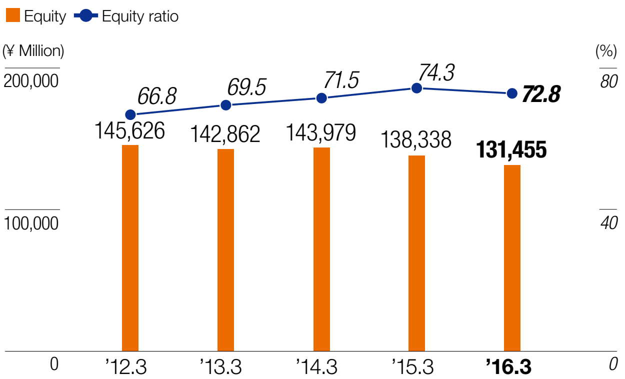
Profit Attributable to Owners of Parent/Return on Equity



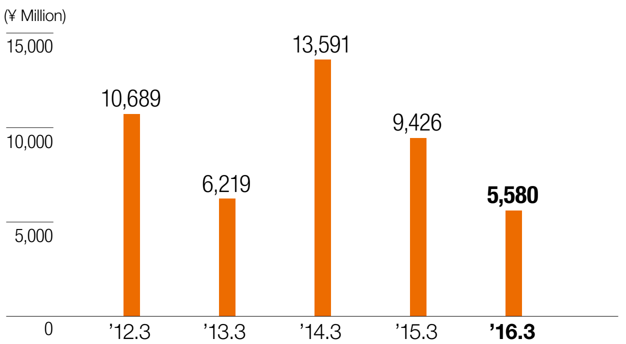
Total Assets/Return on Assets



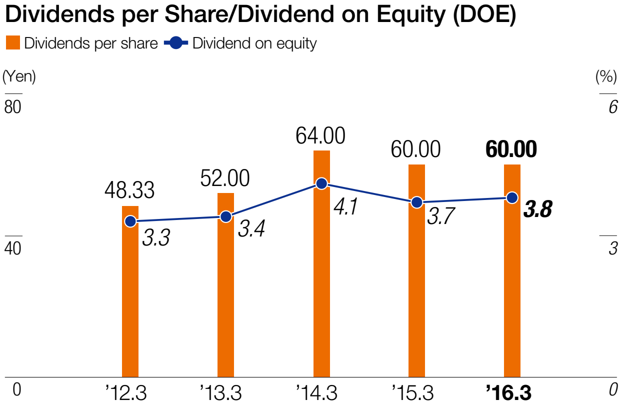
Equity/Equity Ratio



Free Cash Flows



Dividends per Share/Dividend on Equity (DOE)



Information the Company's business and financial condition are included in the online annual report.

http://www.autobacs.co.jp/en/ir/ar2016/index.html

April New Business

BMW and MINI Dealerships Acquired

AUTOBACS became an official BMW and MINI dealer by acquiring all of the outstanding shares of Autoplatz K.K. and Autoplatz Motors K.K., the respective owners of Ikebukuro BMW and MINI Ikebukuro, two new-car dealerships located in Toshima-ku, Tokyo.

See P22 for more information.

Press Release http://www.autobacs.co.jp/images/data/news/2015/04/01/XeY6IT.pdf

April ESG

AUTOBACS Awarded DBJ Employee Health Management "A" Rating

The Development Bank of Japan evaluates corporate employee health management practices and awarded AUTOBACS an "A" rating under its DBJ Employee Health Management rating system.

See P28 for more information.

May Domestic AUTOBACS Business

No. 1 retailer of fuel-efficient tires in Japan for two years running.

See P21 for more information.

June Domestic AUTOBACS Business

Launched AQ. Series PB Motor Oil

AUTOBACS launched the new AQ. Series (AUTOBACS Quality Series) of motor oil products, updating its PB motor oil for the first time in 23 years.

See P21 for more information.

July Overseas Business

First Store in Indonesia

AUTOBACS opened AUTOBACS A.R. Hakim Store No. 1 in Surabaya, the capital of the Indonesian state of East Java. This is AUTOBACS thirteenth store in the ASEAN region and its first in Indonesia, where a large percentage of vehicles are Japanese makes.

See P23-24 for more information.

Press Release http://www.autobacs.co.jp/images/data/news/2015/07/10/lYx2ff.pdf

May-September Other

Canceled treasury shares
(3 million shares in May)

Bought back Company shares
(2.5 million shares for approx. ¥5.24 billion)

September Domestic AUTOBACS Business

Chosen by Customers as the No. 1 Retailer for Studless Tires

See P21 for more information.

2015-

Apr. May Jun. Jul. Aug. Sep.

1st Quarter

New Stores

Japan: 5; Overseas: 2

(Total Stores Japan: 590; Overseas: 29)

AUTOBACS Takeo Store

AUTOBACS Kure Aga Chuo Store

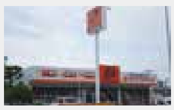
AUTOBACS Palin Store (Malaysia)

2nd Quarter

New Stores

Japan: 5; Overseas: 1

(Total Stores Japan: 594; Overseas: 30)



AUTOBACS Oita Kasugaura Store

AUTOBACS Tosu Store

AUTOBACS Shinei Store

November Domestic AUTOBACS Business

"Satei Dr." Automobile Appraisal System Patented

A patent was obtained for the "Satei Dr." automobile appraisal system used by AUTOBACS CARS, the Company's automobile purchase and sales operation. Using vehicle maintenance histories, this system accurately assesses vehicle condition and assigns appraisal values, regardless of the person performing the appraisal.

See P22 for more information.

November ESG

AUTOBACS Health Insurance Society Recognized for Excellence

The AUTOBACS Health Insurance Society was named winner of the Health Insurance Bureau Secretary-General's award for excellence at the 4th Healthy Life Extension Awards, sponsored by the Ministry of Health, Labour and Welfare.

January Domestic AUTOBACS Business

Embarked on Sales of Tommykaira ZZ EV Sports Cars

AUTOBACS reached an agreement with GLM Co., Ltd. to become the exclusive dealer for that company's EV sports car. The Tommykaira ZZ will be sold through the Super AUTOBACS Tokyo Bay Shinonome Store. Featuring a powerful specially designed motor mounted on an extremely light chassis, the car offers sharp acceleration and agile handling. Moreover, being an EV, it emits no CO_2.

January Overseas Business

Alliance with an Automobile Maintenance and Repair Provider in the Philippines

AUTOBACS entered into a capital and business alliance with the Motech Group, a provider of automobile maintenance and repair services in the Philippines. That country is experiencing a rapid expansion of its automobile market and is a member of ASEAN, which AUTOBACS is targeting for development of its automotive goods wholesale/retail and automobile maintenance and repair businesses.

See P23-24 for more information.

Press Release http://www.autobacs.co.jp/images/data/news/2016/01/13/z8tQUr.pdf

March Domestic AUTOBACS Business

AUTOBACS First Stores Specializing in Used Car Purchases

AUTOBACS opened its first stores specializing in the purchase of used cars. Two AUTOBACS Used Car Purchase Store locations have been opened, one in Setagaya-ku, Tokyo and the other in Fukuoka City, Fukuoka Prefecture.

See P22 for more information.

Press Release http://www.autobacs.co.jp/images/data/news/2016/03/23/tFJDf8.pdf

2016-

Oct. Nov. Dec. Jan. Feb. Mar.

3rd Quarter

New Stores

Japan: 4; Overseas: 1

(Total Stores Japan: 597; Overseas: 31)


AUTOBACS Imazu Store


AUTOBACS Wakayama Nunohiki Store

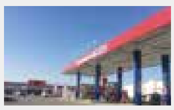

AUTOBACS Pharama 3 Store (Thailand)

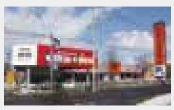
4th Quarter

New Stores

Japan: 4; Overseas: 2

(Total Stores Japan: 599; Overseas: 33)


AUTOBACS EXPRESS NEW Tsuchiyama Store


AUTOBACS Sapporo Shiroishi Store


AUTOBACS PURI INDAH Store (Indonesia)

Drawing on the entirety of the Company Group's resources to advance changes responding to customers' evolving needs, we will be a driving force in shaping the future of people's lives with automobiles

Please allow me to introduce myself. I am Kiomi Kobayashi. Having won approval at the general shareholders' meeting held in June 2016, I am the new Chief Executive Officer of AUTOBACS SEVEN.

My career with AUTOBACS SEVEN goes back to 1978, the fourth year after it opened the very first AUTOBACS store – Japan's first one-stop automotive goods specialty store - in Osaka. That was still early in the development of the company organization and franchise network. Since then, we have established and expanded upon a solid foundation for our business, extending our reach throughout Japan and abroad as well. Under the leadership of my predecessor, Setsuo Wakuda, we also moved forward with store reforms. The Company Group has evolved and grown significantly over these years, providing me with opportunities to build a career on a broad base of experience.

I have learned a great deal as a participant in the development of the AUTOBACS brand. My mission as Chief Executive Officer is to make AUTOBACS a driving force in shaping the future of people's lives with their cars by responding to changes in the value customers perceive in automobiles. I will do that by drawing on my experience and applying to the fullest extent possible the unique strengths underpinning our brand.

Adapting to a dynamic business environment requires more than anything else decisiveness that is unrestrained by past success and false barriers. I aim to bring a fresh perspective and bold ideas to the advancement of reforms for the Company Group. Toward that end, I will greatly appreciate the ongoing support of shareholders and other AUTOBACS SEVEN investors.

Kiomi Kobayashi
Representative Director and
Chief Executive Officer

PROFILE

Joined AUTOBACS SEVEN in 1978. Named Officer and General Manager for the Kansai Region in 2008, and Director and Executive Officer in 2010. Later named Director and Senior Executive Officer, and Director and Vice Chief Executive Officer. Has also served as Head of Sales Operations and Area Strategy & Planning, and Head of Chain Store Planning and Store Subsidiary Strategy. Having played a leading role in revamping AUTOBACS businesses in Japan, Kiomi Kobayashi was named Representative Director and Chief Executive Officer in June 2016.

Q1 How would you assess performance for the fiscal year ended March 2016?

Despite that externalities caused a decline in sales, operating income rose thanks to factors such as an improvement in the gross margin.

The Company Group finished the fiscal year ending March 31, 2016 with net sales of ¥208.1 billion, down 0.6% year on year, operating income of ¥6.7 billion, up 4.6%, and profit attributable to owners of parent of ¥4.3 billion, down 5.2%.

Sales fell primarily because of a 6.8% year-on-year decline in domestic new-car sales and a record-breaking warm winter that weighed heavily on sales of winter tires and other winter merchandise. These factors combined to cause a 5.6% year-on-year decline in sales of automotive goods at domestic stores. That the warm winter was anticipated makes it especially regrettable that we were unable to respond effectively through measures such as a shift of our sales focus to other products. Going forward, this experience will serve as a turning point for designing and implementing retail spaces that are highly responsive to variations in seasonal weather conditions.

On a positive note, steady growth was seen in our statutory safety inspections and maintenance service, where focused in-store approaches by sales staff, and an enhanced online and telephone reservation system, produced a 2.7% increase in vehicles handled, and in our automobile purchase and sales business, where strengthened appraisal capabilities resulted in a 13.4% rise in the total number of vehicles sold.

Turning to earnings, a rise in the gross margin on automotive products, together with other factors, resulted in a 0.4-point rise in the overall gross margin, and gross profit approximating that of the previous fiscal year. SG&A expenses fell by ¥200 million, or 0.4% year on year, as a switch to straight-line depreciation, from the declining balance method, and factors such as a change in advertising and promotion approaches outweighed increases in expenses related to improvements in the store operation system and distribution centers. As for the key issue of improving earnings at domestic store subsidiaries, progress achieved in areas such as improving retail price management and optimizing inventory levels cut the operating loss in half. Steps such as these resulted in higher overall operating income. Nevertheless, with an extraordinary loss of ¥580 million, due to factors such as an impairment loss related to domestic store subsidiaries, profit attributable to owners of parent declined relative to the year earlier.

Consolidated Results for the Fiscal Year Ended March 31, 2016 (¥ Billion)

	Fiscal 2016	YoY Chg.
Net sales	208.1	(0.6%)
Operating income	6.7	4.6%
Profit attributable to owners of parent	4.3	(5.2%)
ROE (%)	3.2	(0.1pt)

Net Sales of Domestic AUTOBACS Chain Stores (All operations)* (¥ Billion)

	Fiscal 2016	YoY Chg.
Automotive goods	214.2	(5.6%)
Statutory safety inspection and maintenance	17.3	+4.5%
Automobile purchase and sales	26.6	+16.0%
Other	4.2	(7.9%)
Total for all stores	262.4	(1.5%)

*Includes net sales attributable to franchise stores.

Q2 At the halfway point of the four-year medium-term business plan, how would you assess results?

Success has been achieved in strengthening customer contact points in the domestic AUTOBACS business and in establishing foundations for our "new business" and "overseas business."

The basic direction set forth under the 2014 Medium-Term Business Plan, which we began implementing in the fiscal year ended March 2015, calls for enhancing the profitability of our core domestic AUTOBACS business and nurturing new business and overseas business as pillars of future growth.

In the domestic AUTOBACS business, we moved forward with efforts to create ongoing relationships with customers to promote the transition to a “one-stop car goods and service” business format. These measures focused on statutory safety inspections and maintenance succeeded in increasing the number of “Maintenance Members” by around 400,000 from the start of the fiscal year, to 2.4 million, while boosting both the numbers of vehicle inspections performed and customers making reservations for this service.

In the automobile purchase and sales business, the third of our core businesses following automotive goods and statutory safety inspections and maintenance, growth in the number of franchise stores further strengthened our nationwide service network. This, together with the opening of stores specializing in used car purchasing, implementation of our patented rapid appraisal system, staff development, and other steps added up to solid progress in laying the groundwork for future growth.

As described above, much was achieved. Much, however, remains to be done. Two areas in particular - understanding the customer’s perspective and enhancing the value we provide - require additional attention. Regarding Maintenance Members, for example, though we have seen growth in the overall total, the number of members who do not renew the one-year membership is too large. Obvious steps to address this include enhancing member benefits and clearly communicating their value. Also necessary are additional measures to ensure that customers perceive that value every time they use member services. In statutory safety inspections and maintenance, for instance, appreciation for the importance of swift action to enhance efficiency has not yet taken hold adequately in all of our stores. We believe it is necessary, therefore, for our franchise headquarters to take the lead in boosting front-line awareness that rapid turnaround leads to greater customer satisfaction.

Regarding new businesses, the BMW and MINI dealerships we took on via M&A in April 2015 have both reported growth in revenue. Profitability has been achieved and we are adding to our knowledge of the business of selling new cars.

In our overseas business, profitability was improved in existing operations in France, Thailand, and other locations, and we are actively moving ahead with business development mainly in the ASEAN countries where motorization is rapidly taking hold.

As described above, a certain degree of progress has been achieved in all of our businesses. Nevertheless, given existing market conditions and our performance, we believe it is not realistic to expect achievement of the targets set forth in the 2014 Medium-Term Business Plan and have decided to revise our medium-term management targets, strategies, and initiatives. The revised plan will be announced by around autumn of the fiscal year ending March 2017.

Progress in Achieving the 2014 Medium-Term Business Plan

	Fiscal 2014 (Previous plan end)	Fiscal 2015 (Results)	Fiscal 2016 (Results)	Fiscal 2017 (Review)	Fiscal 2018 (Targets)
Management Indicators					
Operating income (¥ Billion)	13.9	6.4	6.7	8.0	15.0
ROE (%)	6.8	3.3	3.2	4.4	8.0
DOE (%)	4.1	3.7	3.8	3.8	3.0 or higher
Key Performance Targets					
Statutory safety inspections performed (Thousands)	580	589	604	640	800
Number of automobiles sold (Thousands)	23.1	23.9	27.1	30.0	52.0

Q3 For the domestic AUTOBACS business, what do you see as growth opportunities and risks going forward?

We see our statutory safety inspections and maintenance, and automobile purchase and sales, businesses as growth opportunities and will pursue business development that makes the most of our strengths in these areas.

Given factors such as the ongoing advancement of new vehicle technology and Japan's low birthrate and aging population, we believe that contraction of the domestic automotive goods market will continue. We see this as our greatest source of risk.

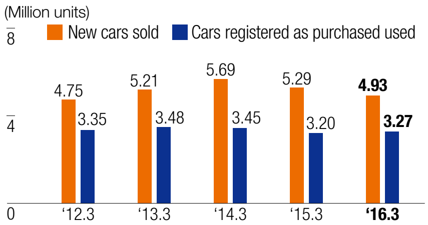
On the other hand, the number of registered vehicles is up to about 60 million and vehicles are remaining in use for periods beyond 12 years. This means we can look forward to stable demand for statutory safety inspections and maintenance. The Company Group is the market share leader in automotive goods, but has only about 2% of the market for statutory safety inspections, so we see plenty of room for growth. With the advancing use of electronics in automobiles, and the growing popularity of electric vehicles and hybrids, the provision of statutory safety inspection and maintenance services is requiring rapidly rising levels of technical sophistication. We think that adds up to a coming shakeout among small and medium-size service providers and a positive outlook for the Company Group, which has the organizational wherewithal required going forward.

Growth opportunities also exist in the domestic used car market, where annual vehicle registrations have remained in excess of three million. Though a latecomer to this business, the Company Group's ability to offer automotive goods, together with statutory safety inspections and maintenance services, is a strength found in no other company, and we will use high customer-visit frequency at our stores, and thorough after-sale follow-ups, to expand our market share.

In addition, we see substantial promise in the internet as a new sales channel. For the most recently ended fiscal year, online net sales came to ¥3.0 billion, up more than 80% from the previous fiscal year. Going forward, we will pursue synergies between our online and brick-and-mortar stores to boost sales on all fronts.

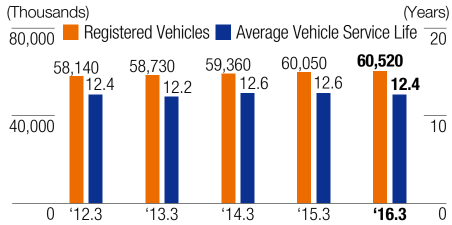
The growth model for the domestic AUTOBACS business is to make the most of these opportunities and strengthen sales initiatives, including ones through the online channel, to enhance customer contact points, while also taking advantage of statutory safety inspections as an opportunity to sell automotive goods, and channel customers to our automobile purchase and sales business. Synergistically linking a broad array of goods and services allows us to differentiate ourselves by providing customers with convenience and peace of mind that competitors offering standalone services cannot. That has been our strategic direction to date and should remain so going forward.

New Cars Sold and Cars Registered as Purchased Used



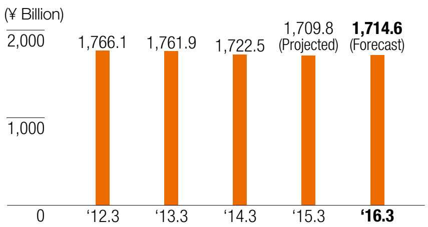
Source: Japan Automobile Dealers Association
Japan Light Motor Vehicle and Motorcycle Association

Registered Vehicles and Average Vehicle Service Life



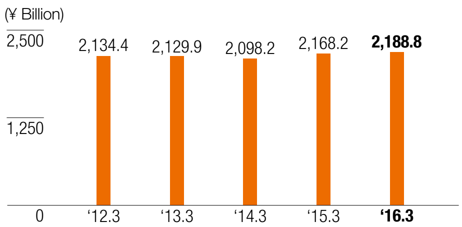
Source: Automobile Inspection & Registration Information Association

Automotive Goods Market Sizes



Source: "Replacement Parts/Auto Supplies Market 2015-2016" research report by Yano Research Institute Ltd.

Statutory Inspections Market Sizes



Source: Japan Automobile Service Promotion Association

Q4 How will the domestic AUTOBACS business evolve going forward?

Keeping our current direction and strategy in place, we will enhance the attractiveness of our stores to keep up with the times and move forward with the reconstruction of our brand.

As I have explained above, there will be no change in our aim to provide a comprehensive range of support for customers' car-related needs or in our long-term strategy of strengthening our connections with customers by using statutory safety inspections and maintenance as the starting point. Robustly carrying forward along these lines, however, requires that we reinvent AUTOBACS by increasing the attractiveness of our goods and services.

The business model our predecessors developed has come to be widely known, together with the AUTOBACS brand. Nevertheless, with time, the character of the motorized society has changed. The value consumers attach to automobiles has diversified making it necessary to review the ways in which customers and society see the brand image we have created, and reinvent our brand. This means breaking down and applying what can be learned from the customer feedback we have received to date to offer goods, services, and stores that are even more attractive, while also developing a business model envisioning the coming 10 to 20 years.

Critical to that effort will be the awareness and conduct of employees who interact with customers on a daily basis. Having the people who will lead AUTOBACS in the future feel the joy of growing together with the company, as I did when I came on board, will naturally result in their taking on the awareness and adopting the conduct needed for our future. By having management advance change to keep up with the times, and creating an environment that allows all employees, including those at franchise stores, to see the Company change and feel it is worthwhile to work at AUTOBACS, we will build a new AUTOBACS with the participation of everyone on board.

Q5 Could you please describe the directions to be taken with the new business and overseas business operations?

Efforts will be focused on expanding the imported-car sales businesses we have recently entered and developing business in the ASEAN countries.

At present, our core business - the domestic AUTOBACS business - accounts for nearly 90% of the Company Group's net sales. Considering that Japan's declining birthrate and aging population will cause the automotive goods market to contract even further, it is necessary to optimize our business portfolio by developing our new business and overseas business into operations of significance approaching that of our domestic AUTOBACS business.

Regarding our new business operations, we will further strengthen our new-car sales, which are now in the black, to increase their contributions to business results. At the same time, we aim to establish new businesses in areas that open the door to synergies with the domestic AUTOBACS business to ultimately expand the added value provided by the Company Group as a whole.

In our overseas business operations, we will continue with efforts to accelerate growth by implementing initiatives in the ASEAN countries and other growth markets. Toward that end, it is critical that we emphasize adaptation to local societies, and not simply try to do what succeeded in Japan. Every market has its own unique car culture and business practices, so our approach will be to emphasize local business practices by working with partners who understand the particulars of individual markets.

Q6 What is envisioned regarding shareholder returns?

We aim to pay returns that will satisfy shareholders, while also taking investment strategies and other factors into account.

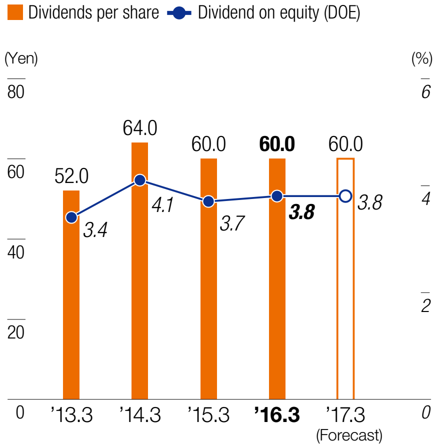
Shareholder returns is among the top management priorities at AUTOBACS SEVEN. For the fiscal year ended March 2016, we continued with our dividend policy of maintaining a DOE of 3% or higher and, accordingly, declared dividends of ¥60 per share for the full year (DOE 3.8%). Keeping dividends at the same level for the fiscal year ending March 2017, we are planning to again pay a full-year dividend of ¥60 per share (DOE 3.8%).

Over the past several years, we have been purchasing our own shares to enhance both balance sheet efficiency and ROE. To achieve growth under our current medium-term business plan, however, we have decided to focus on investments aimed at renovating stores, developing new business, and accelerating overseas business development. Aiming to balance investment with returns to shareholders, while maintaining liquidity, including working capital, at the current level, we announced no further share buybacks when full-year results were released (as of May 2016).

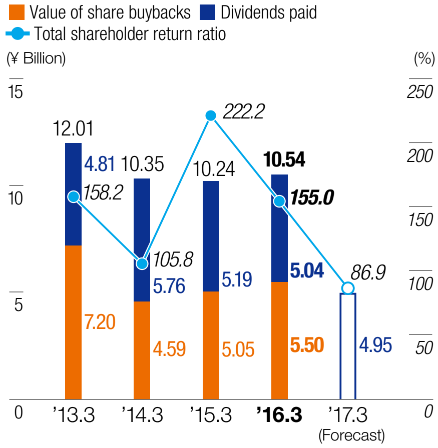
As for fiscal years ending March 2018 and beyond, we intend to continue expanding our business while also paying shareholders returns they will be satisfied with. Details will be announced together with the next medium-term business plan.

We will greatly appreciate the ongoing support of shareholders and other investors going forward.

Dividends per Share/ Dividend on Equity (DOE)



Shareholder Return/ Total Shareholder Return Ratio



Notes 1. A 3-for-1 share split was implemented on April 1, 2013. Figures for prior fiscal years have been adjusted to reflect the impact of this split.
2. The dividend for the fiscal year ended March 31, 2014 includes a special dividend commemorating the 40th anniversary of the Company's founding.

Accelerating Initiatives for Sustainable Growth

We are moving forward with initiatives focused on further expansion of profitability in the core domestic AUTOBACS business and development of new business and overseas business operations for future growth. In this section, we report on two years of progress in implementing the 2014 Medium-Term Business Plan and on prospects for the future.

Consolidated Net Sales (Fiscal year ended March 2016) ¥208.1 billion

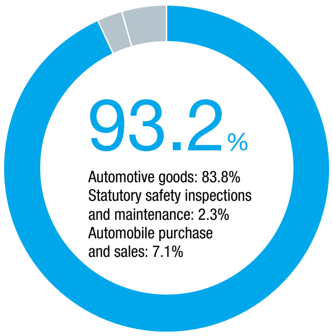
Domestic AUTOBACS Business

Details on p18-22

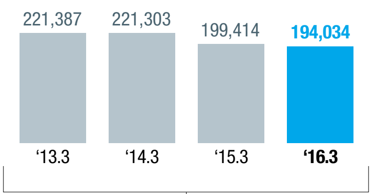
With automotive goods, statutory safety inspections and maintenance, and automobile purchase and sales as core businesses, we are advancing the transition to a one-stop car goods and service format to bring customers greater convenience and peace of mind.

Net Sales (Fiscal year ended March 2016) ¥194.0 billion

Percentage Breakdown of Net Sales



Net Sales (¥ Million)



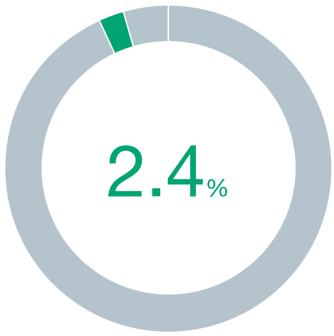
New Business

Details on p22

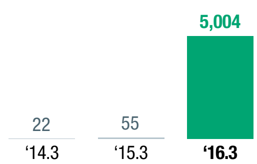
Looking to the future, AUTOBACS is nurturing car-related businesses, such as imported-car dealerships, that play to our strengths.

Net Sales (Fiscal year ended March 2016) ¥5.0 billion

Percentage Breakdown of Net Sales



Net Sales (¥ Million)



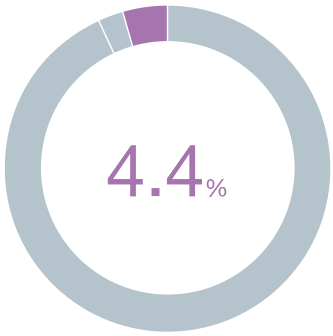
Overseas Business

Details on p23-24

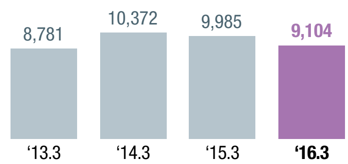
Drawing on know-how accumulated in our domestic AUTOBACS chain operations, we are accelerating store openings mainly in ASEAN countries.

Net Sales (Fiscal year ended March 2016) ¥9.1 billion

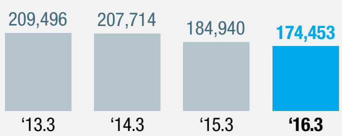
Percentage Breakdown of Net Sales



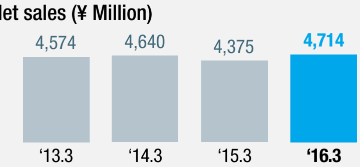
Net Sales (¥ Million)



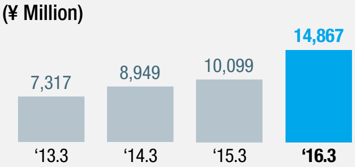
Automotive goods: Net sales (¥ Million)



Statutory safety inspections and maintenance: Net sales (¥ Million)



Automobile purchase and sales: Net sales (¥ Million)



Domestic AUTOBACS Business

Aiming for Greater Profitability by Building Long-Term Customer Relationships

Establishing a Growth Model around Statutory Safety Inspections and Maintenance

With total vehicle registrations of around 60 million, and average vehicle useful lives estimated to be at least 12 years*, demand for statutory safety inspections and maintenance services in Japan is expected to remain steady. A key factor in this regard is the regular safety inspections that are required by law. This obligation of car owners provides a key point in time for customers to consider the purchase of maintenance services and even moving on to their next vehicle. Increasing the number of vehicles for which statutory safety inspections are performed, therefore, is critical for expanding customer contacts.

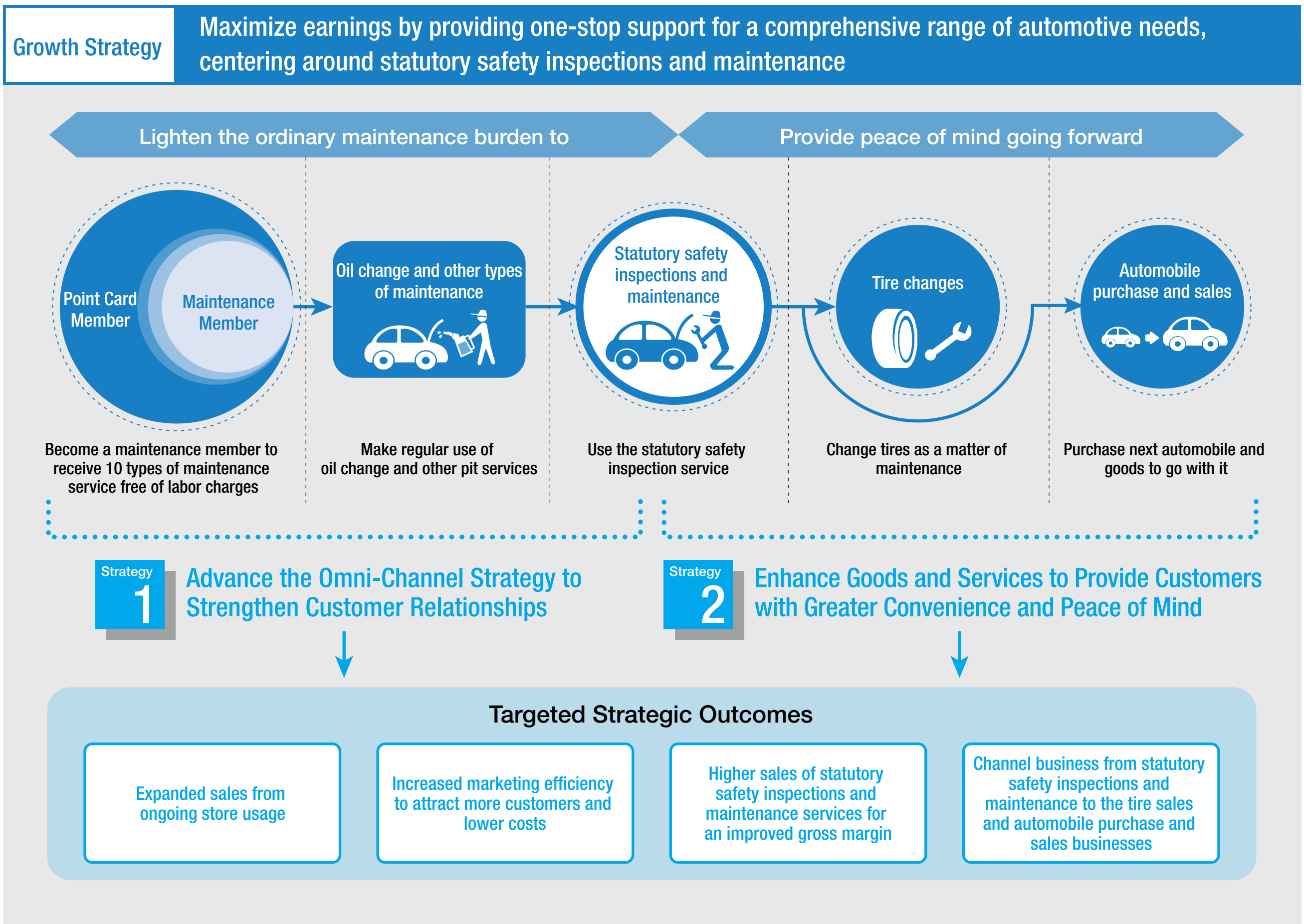
That is why we are pursuing measures to use statutory safety inspections and maintenance as an opportunity for strengthening customer contacts. By providing a one-stop source for a comprehensive set of automobile services – everything from oil changes and other types of maintenance to statutory safety inspections, tire changes, and automobile purchases and sales - we are working to establish a growth model for maximizing earnings.

* Source: Automobile Inspection & Registration Information Association

Making the Most of a Customer Base of 15 Million Point Club Members

AUTOBACS has approximately 15 million customers registered as active point card members. This customer base serves as the focus of measures we are taking to strengthen our sales initiatives and services. We are encouraging these customers to switch to our Maintenance Member system, which offers ten maintenance services free of labor charges, while also working to sign up new members. By having customers regularly use AUTOBACS for oil changes and other types of maintenance, we are creating opportunities to also perform statutory safety inspections and tire changes, and even help customers acquire their next vehicle. Our omni-channel strategy, under which we are enhancing our online and telephone reservation service and using member information marketing activities targeting individuals, is the primary tool we are using to increase store visit frequency.

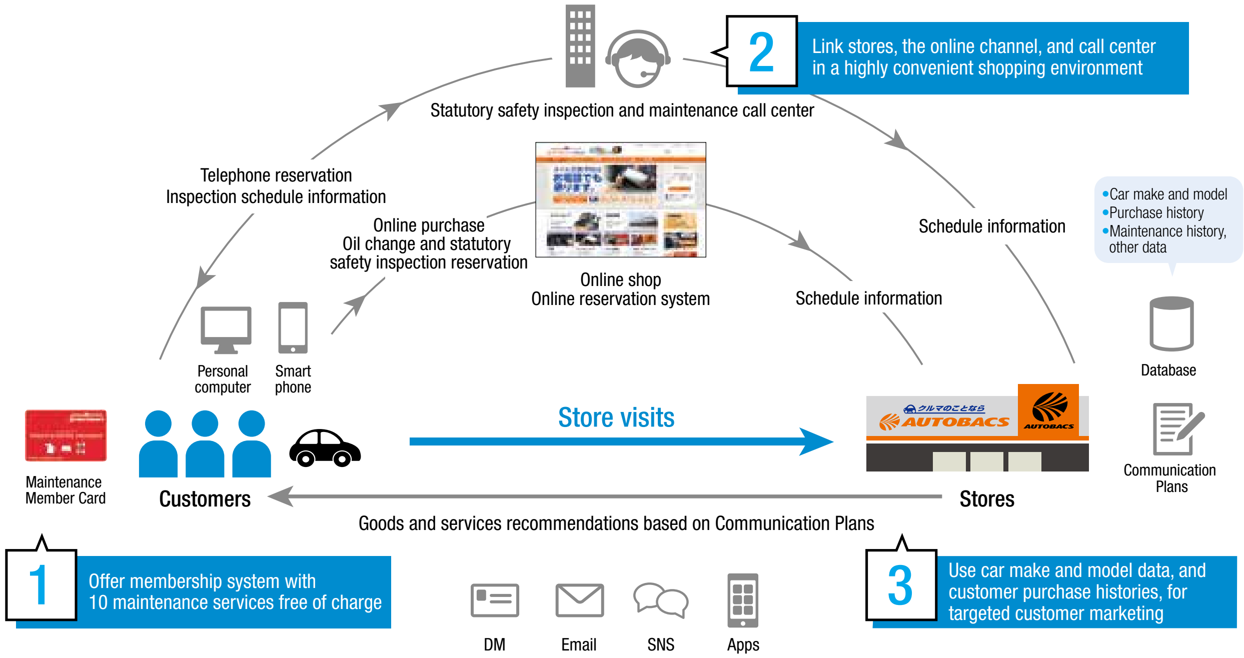
Enhancing our automotive goods, statutory safety inspections and maintenance, and automobile purchase and sales operations, in addition to the above, results in even greater convenience for customers.



Strategy 1

Advance the Omni-Channel Strategy to Strengthen Customer Relationships

We are advancing our omni-channel strategy, which organically links our Maintenance Member system with stores, our online channel, and call center. By creating an environment in which customers can easily and conveniently look after the maintenance of their cars and enjoy shopping, we are promoting continuous store patronage.



1 Offer membership system with 10 maintenance services free of charge

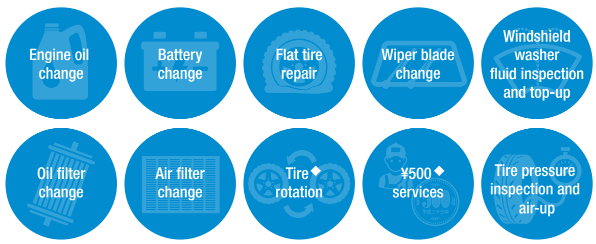
Ongoing Peace of Mind for Customers through Regular Maintenance Free of Labor Charges

AUTOBACS introduced the Maintenance Member system in June 2014 to expand its customer base. Customers who become Maintenance Members have access to ten maintenance services, such as oil and battery changes, and flat repairs, all free of labor charges. Reducing the amount of money customers have to spend makes it easier for them to request regular maintenance and encourages store visits.

Measures to Expand Maintenance Membership

- Use DM, receipt coupons, and other media to encourage point card members to switch to Maintenance Member status
- Put Maintenance Member Card sales displays in all stores
- Enhance the line of oil and other merchandise available only to Maintenance Members

Maintenance Services Free of Labor Charges to Maintenance Members



"◆" Designates services available once a year. No limits apply to other services.
* Maintenance Memberships are valid for one year at a time, for an initial fee of ¥1,080 (including tax) and a renewal fee of ¥540 (including tax).
* Two services were added in April 2016.

Maintenance Members

As of March 31, 2015		As of March 31, 2016
Approx. 2.0 million	➤	Approx. 2.4 million

Average Annual Store Visits per Member (FY ended March 2016)

Active Members* Overall		Maintenance Members
3.0	➤	3.5

* "Active Members" means customers who have made a purchase within the past one year.

2 Link stores, the online channel, and call center in a highly convenient shopping environment

Enhance the Telephone and Online Reservation System to Reduce Waiting Times and Promote Store Visits

Taking statutory safety inspection and oil change reservations through the AUTOBACS.COM online shop, via a smartphone app, and over the phone eliminates time spent waiting in stores. Looking to the future, these reservation channels will be opened up for tire change and other services as well.

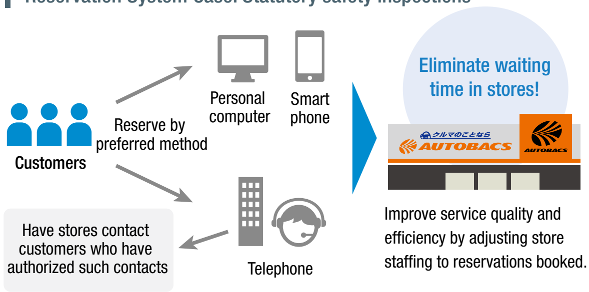
Measures to Strengthen the Online and Telephone Reservation System

Oil changes Accept same-day reservations at all stores

Statutory safety inspections and maintenance
Telephone follow-up for in-store customer interactions

Tire changes Trial run for online and telephone reservations

Reservation System Case: Statutory safety inspections



Online and Telephone Reservation Results (FY ended March 2016)

Oil Changes	Statutory Safety Inspections and Maintenance
Approx. 232,000 (Up 88.6% vs. FY ended March 2014)	Approx. 22,000 (Up 23.0% vs. FY ended March 2014)

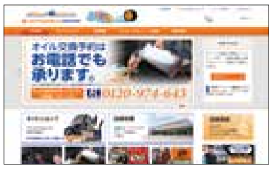
Linking Multifaceted Online Store Development and In-Store Installation Services to Gain Customers

By not only developing AUTOBACS.COM but also establishing a presence on third-party online stores, we are expanding our contact with online customers. In addition, when customers purchase automotive goods through AUTOBACS.COM, Rakuten Ichiba, or Amazon.co.jp, they can have them installed at a brick-and-mortar AUTOBACS store. In offering this service, we aim to not only increase convenience for customers but also synergistically boost store sales.

Measures for Strengthening Online Sales

- Enhance lines of goods and services
- Enhance information on compatible car makes and models

Current Status of Online Stores


AUTOBACS.COM
(Established in January 2001)


AUTOBACS Rakuten Ichiba store
(Opened in August 2012)


Amazon AUTOBACS store
(Opened in June 2013)


AUTOBACS Yahoo! Store
(Opened in January 2014)

Online Sales Progress (FY ended March 2016)

Net Sales	Customer Channeling (Growth in store-pickup goods)
¥3.0 billion (Up 121.3% vs. FY ended March 2014)	+102.5% (vs. FY ended March 2014)

3 Use car make and model, and purchase, data for targeted customer marketing

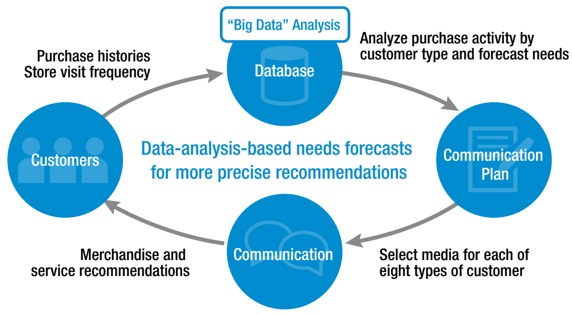
Enhancing Sales Promotion Efficiency with Car Make and Model, and Maintenance History, Data to Optimize Individualized Communications

Having revamped our CRM system in the fiscal year ended March 2015, we are accumulating car make and model, purchase history, store visit, and other data on individual customers. Based on Communication Plans developed from this data, we recommend to individual customers goods and services consistent with maintenance timing for their cars and their tastes and preferences to encourage ongoing store visits and enhance sales promotion efficiency.

Measures for Strengthening Marketing to Individual Customers

- Use direct mail targeting 6 customer segments
- Expand the number of stores using Communication Plans

Greater Marketing Precision through Data Analysis



Model Case:
Winter Campaign for FY ended March 2015 (vs. FY ended March 2013)

Direct Mail Response Rate	Direct Mail Distribution Expense
7.9% ➤ 15.2%	Approx. ¥42.0 million savings

Strategy 2 Enhance Goods and Services to Provide Customers with Greater Convenience and Peace of Mind

Focusing on statutory safety maintenance with minimal time and cost burdens for customers, and on further strengthening our solid line of private-brand (PB) goods, we are responding precisely to the various concerns and desires customers have regarding their cars.

Statutory Safety Inspections and Maintenance

Aiming to Provide Even Greater Satisfaction for More Customers with Time-Efficient Statutory Safety Inspections and Maintenance

Statutory safety inspections and maintenance mean burdens, in terms of time and money, for customers. We lighten those burdens by focusing on mandatory maintenance items to perform statutory safety inspections quickly and then providing customers with post-inspection maintenance plans. Lightening the customer's burden and encouraging future store visits, we are at the same time leveraging greater operational efficiency to increase the number of inspections we perform.

Measures for Strengthening Statutory Safety Inspections and Maintenance

- Introduce efficiencies to shorten inspection times
- Gain reservations for next statutory safety inspections
- Develop automobile mechanics
- Increase number of authorized inspection sites

Statutory Safety Inspections Performed

FY ended March 2014: 580,000 ➤ FY ended March 2016: 604,000

Reservations for Next Inspections

FY ended March 2016
Approx. 230,000

Number of Automobile Mechanics

FY ended March 2016
Approx. 3,800
(Up 3.5% vs. FY ended March 2014)

Authorized Inspection Sites

FY ended March 2016
403 stores
(Up 24 vs. FY ended March 2014)

Number of Automobile Inspectors

FY ended March 2016
Approx. 1,500
(Up 20.5% vs. FY ended March 2014)

Automotive Goods

Strengthening Tire Sales and the Line of PB Goods

According to third-party survey research, AUTOBACS is the most popular retailer of fuel-efficient tires and winter tires* in Japan. We are also among the overall top sellers of tires in the Japanese aftermarket. Making the most of these strengths, we are seeking to further expand our tire sales by working with leading Japanese tire makers to expand our line of PB and exclusive goods.

In addition, working from the concept of providing customers with a "go-to" choice when a clear choice is otherwise nonexistent, we updated our line of PB goods in July 2014, and expanded the product line to include not only interior automotive goods but also tires, oil, and batteries. We continue to develop products and sales environments to offer customers good merchandise at reasonable prices. Evidencing our success along these lines, over 80% of customers choose a PB product when purchasing a new battery.

* Source: May 2015 research report on fuel-efficient tires and August 2015 research report on studless (winter) tires. Both prepared by JMA Research Institute Inc.

Measures for Strengthening Automotive Goods

- Strengthen tire sales
- Strengthen the Tire Storage Service (Storage service for customer tires)
- Enhance the line of "go-to" PB merchandise

Tires Sold

FY ended March 2016
5.649 million

Stores Offering the Tire Storage Service

FY ended March 2016
Approx. 400

"AQ. (AUTOBACS Quality)" private brand goods
(Left: Oil Right: Rear-view camera)

PB Goods as a Percent of All Merchandise

FY ended March 2016
12.2%

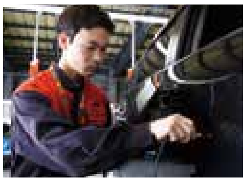
Automobile Purchase and Sales

Expanding Automobile Purchases by Increasing the Number of Franchise Stores and Staffing

AUTOBACS is developing its automobile purchase and sales business under the AUTOBACS CARS brand. We operate this business mainly in existing AUTOBACS stores and, as of March 31, 2016, had automobile purchase and sales operations in 480 franchise stores throughout Japan. Making the most of frequent customer store visits and our strengths in being able to appraise vehicles quickly using the same criteria regardless of location, we are making progress in both purchasing and selling outstanding used vehicles.

Measures for Strengthening Automobile Purchases and Sales

- Expand number of franchise stores
- Increase the number of qualified appraisers
- Shift approximately 100 headquarters employees to stores (FY ended March 2016)
- Start nationwide TV commercial campaign in Japan (FY ended March 2016)
- Open stores specializing in purchasing used cars (FY ended March 2016: 2 stores)



"Satei Dr." proprietary rapid automobile appraisal system (Patented in October 2015)

Added more stores specializing in used car purchases in urban areas

Cars Purchased

FY ended March 2014		FY ended March 2016
23,100	➤	27,135

Franchise Stores

FY ended March 2016

480

(Up 121 vs. FY ended March 2014)

Number of Internally Qualified Appraisers

FY ended March 2016

Approx. 2,500

(Up approx. 1,000 vs. FY ended March 2014)

Improving Store Operations

We are moving forward with improvements in store operations to achieve greater quality and efficiency in customer interactions. At test stores, for example, we have found that flexibly deploying staff – including having store managers serve customers at maintenance counters - increases both the amount of time devoted to interacting with customers and sales revenues. This and other such improvements will be implemented throughout the chain as they come to light.

Maintenance Counter as a central location for responding to customer questions

Annual seminar for improving customer interactions

New Business

Nurturing New Sources of Growth in Car-Related Fields

In April 2015, AUTOBACS acquired all of the outstanding shares of Autoplatz K.K. and Autoplatz Motors K.K., entering the business of selling imported cars as an official dealer of BMW and MINI automobiles. Since then, both dealerships have performed solidly, achieving profitability during the fiscal year ended March 2016. Going forward, efforts will focus on achieving further expansion of customer bases and deepening our understanding of the new-car sales business.

On a different front, the megasolar power plant, which came online at the Western Japan logistics Center in September 2013, is contributing to earnings through electricity sales.

Going forward, we will continue to strengthen our imported-car sales operations. Furthermore, drawing on the strengths of the Company Group, we aim to create new pillars of growth primarily by developing new businesses in car-related fields where we can exercise synergies with the domestic AUTOBACS business.

Ikebukuro BMW

Generating electricity with solar panels placed on the roof and open space adjacent to the Western Japan Logistics Center

Overseas Business

Accelerating Store Openings Primarily in the ASEAN Region

The Company Group has positioned overseas business as a key contributor to earnings over the medium-to-long term and is proceeding to build a foundation for this business resting mainly on the ASEAN region, which continues to grow economically. Under our Medium-Term Business Plan, we opened a total of eight new stores in Thailand, Malaysia and Indonesia over the two fiscal years ending March 2015 and March 2016, and as of March 31, 2016 had a total of 33 stores in six countries. During the most recently ended fiscal year, we restructured our business in existing areas of operation, added staff, and, in Malaysia, established a local subsidiary. These and other such steps allowed us to achieve profitability in our overseas business as a whole.

Plans for the future include additional store openings, primarily in the ASEAN region, and consideration of collaborations with local partners and M&A, with speed a key consideration in both cases. In addition to the current automotive goods retail business, we will also seek to enhance investment gains by, for example, entering into wholesale and brand licensing agreements and providing store development assistance to build a business that is adapted to regional characteristics.

1 France

Number of stores	11 (Subsidiary: 9 Franchise: 2)
First store opened in	2001
Operating company	AUTOBACS FRANCE S.A.S.
Ownership percentage	AUTOBACS SEVEN: 100%
Operating income	¥9 million (FY ended March 2016)

Current Status and Future Direction

Store openings are underway through a joint venture with a local company. At present, the subsidiary has established area dominance with large stores located outside the ring road encircling Paris. In the fiscal year ended March 2016, profitability at the operating income level was achieved with an improvement in the gross margin and greater inventory turnover. Attention will continue to focus on strengthening profitability at existing stores.

2 Taiwan

Number of stores	6 (Franchise: 6)
First store opened in	1991
Operating company	Franchisee
Ownership percentage	–

Current Status and Future Direction

In Taiwan, AUTOBACS stores are operated by a Japan-based franchisee and are similar to AUTOBACS stores in Japan. The Company will continue to supply merchandise and provide store management support from Japan, as it uses existing stores to develop its business.

3 Thailand

Number of stores	6 (Subsidiary: 6)
First store opened in	2000
Operating company	SIAM AUTOBACS Co., Ltd.
Ownership percentage	AUTOBACS SEVEN: 49.87%
Operating loss	¥70 million (FY ended March 2016)

Current Status and Future Direction

Small stores are being opened in small shopping areas adjacent to new residential developments and shopping malls, mainly in the capital of Bangkok, to boost brand awareness. Objectives going forward include adding to the total number of stores, expanding shares of local markets, and increasing profitability.

4 Singapore

Number of stores	3 (Subsidiary: 3)
First store opened in	1995
Operating company	AUTOBACS VENTURE SINGAPORE PTE, LTD.
Ownership percentage	AUTOBACS SEVEN: 93.75%
Operating income	¥135 million (FY ended March 2016)

Current Status and Future Direction

In Singapore, where car ownership is expensive, AUTOBACS stores similar to those in Japan are being opened to target the upper-middle-income socioeconomic class. Despite the decline for the fiscal year ended March 2016, profitability is relatively stable. One or two more store openings are expected for this market.

5 Malaysia

Number of stores	5 (Subsidiary: 3 Franchise: 2)
First store opened in	2012*
Operating company	AUTOBACS MALAYSIA SDN. BHD.
Ownership percentage	AUTOBACS SEVEN: 100%
Operating loss	¥47 million (FY ended March 2016)

Current Status and Future Direction

Store development in Malaysia is being pursued through a subsidiary and a Japan-based franchisee. During the fiscal year ended March 2016, three small stores, offering mainly maintenance goods and services were opened by the subsidiary. Plans call for the opening of approximately10 stores mainly in Johor, one of the most developed states of Malaysia, by the end of fiscal year ending March 2018.

* Opened by a Japan-based franchisee.

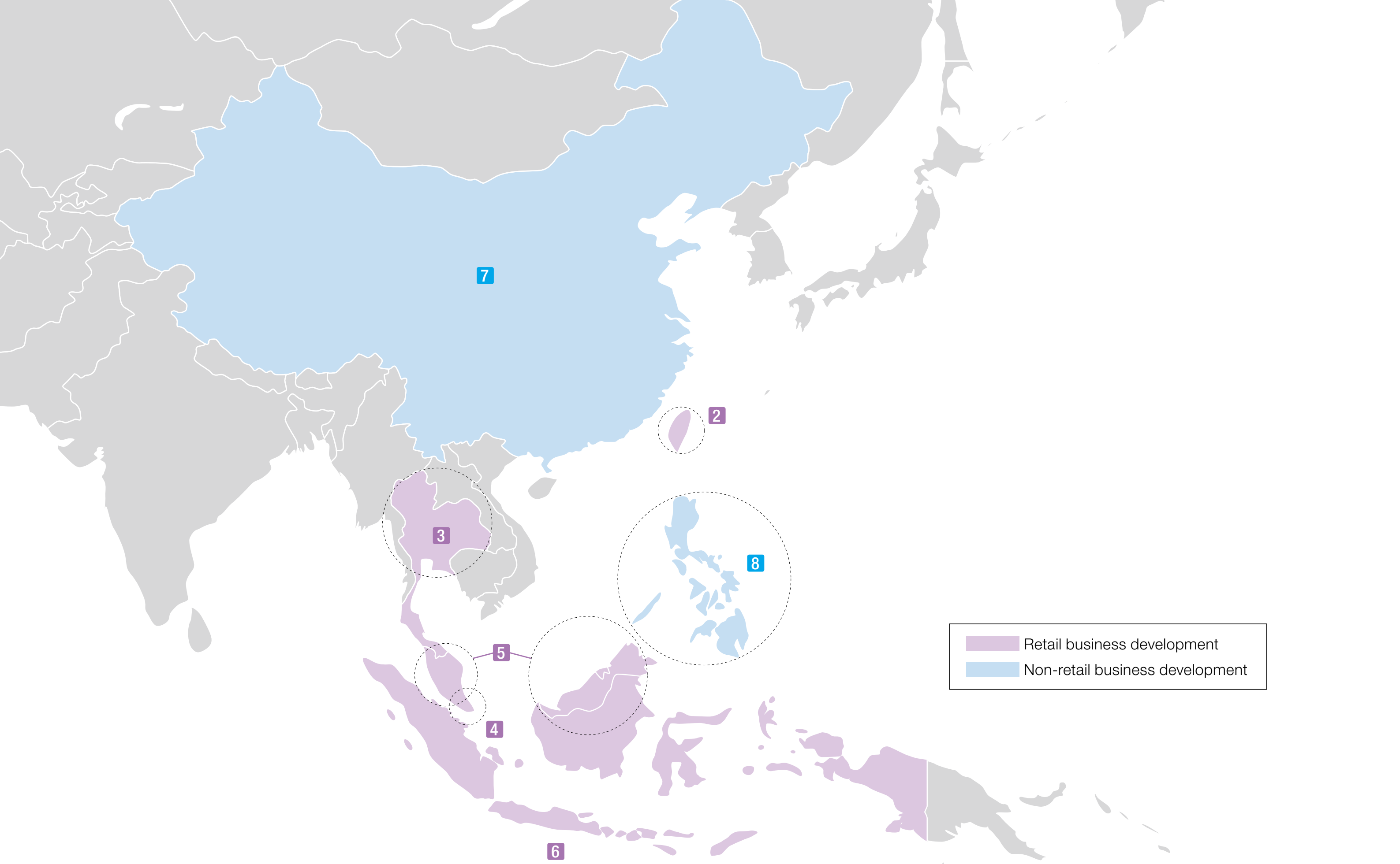
6 Indonesia

Number of stores	2 (Sublicensed stores: 2)
First store opened in	2015
Operating company	PT. AUTOBACS INDOMOBIL INDONESIA
Ownership percentage	AUTOBACS SEVEN: 49.00%

Current Status and Future Direction

The joint venture company formed with INDOMOBIL Group* opened two stores under a sublicense agreement with a local company in the fiscal year ended March 2016. The stores are characterized by their small size and upscale atmosphere. Different from AUTOBACS stores in Japan, the stores will target the upper-middle-income socioeconomic class. Efforts will be made to open several more stores in the future.

* A prominent local automotive-related company group with which the Company entered into a business collaboration in August 2013.



7 China

Current Status and Future Direction

In China, where operations were originally established in 2004, all stores were closed by the end of the fiscal year ended March 2015 to overhaul the retail business. The automotive goods trading business, however, has continued to operate and achieved profitability, recording operating income of ¥4 million for the fiscal year ended March 2016. For the time being, efforts to develop the trading business will continue as consideration is given to developing a collaboration partner for future retail store openings.

8 Philippines

Current Status and Future Direction

In January 2016, AUTOBACS entered into a capital and business collaboration with the Motech Group, a local provider of automobile maintenance services. Under Philippine law, it is not possible for the Company Group itself to open stores. The direction going forward, therefore, is to license the AUTOBACS brand, wholesale certain merchandise, and provide chain management support to the Motech Group as it develops business in the Philippines.

Reinforcing and Expanding Our Ability to Increase Corporate Value

The Company Group continuously strives to strengthen its business at a fundamental level to achieve ongoing increases in corporate value. In this section, we discuss initiatives in four areas the Company Group views as high priorities. These include support for franchisees, human resource development, environmentally friendly management, and social contributions.

Key Themes

Supporting Franchisees

Details on p26

Helping Partners Grow

- Multifaceted Store Management Support
- Support for Hiring and Training Human Resources

Human Resource Development

Details on p27-28

Developing Car Professionals

- Education and Training for Store Staff
- Career Development Support
- Creation of Friendly Work Environments
- Advancing the Careers of Women

Environmentally Conscious Management

Details on p29-30

Creating a Society in which People and Cars are in Harmony with the Environment

- Promoting Energy Saving and Cutting Greenhouse Gases
- Resource-Saving Initiatives

Social Contributions

Details on p31-32

Moving Forward Together with Local Communities

- Contributing to Local Communities
- Contributing to Car Culture
- Other Contributions

For more detailed information on the Company Group's CSR activities, please visit our website.

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

Supporting Franchisees

Helping Partners Grow

To further strengthen our collaboration with franchisees, within an equal partnership, we are striving to bring about ongoing increases in store profitability by working to improve the capabilities of individual stores and supporting human resource development.

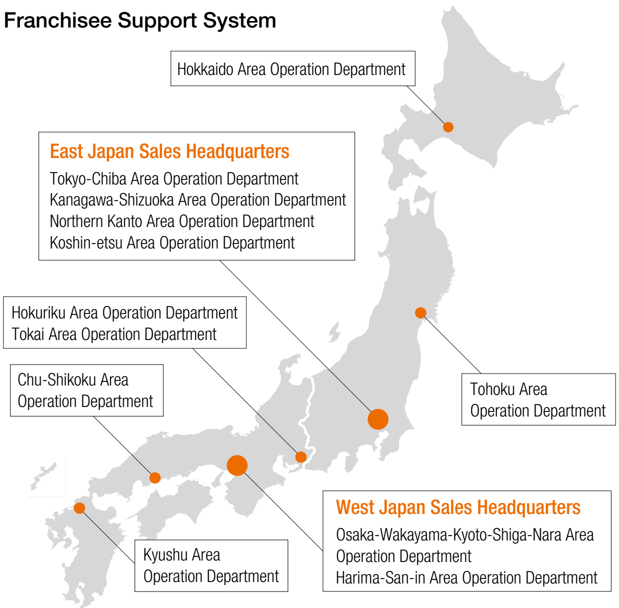
Working to Improve the Capabilities of Individual Stores

Strengthening Collaboration with Franchisees to Expand Market Shares at the Store Level

Franchisee Support System

The Company, as the franchise headquarters, provides support to 83 franchisees, and 599 stores (as of March 31, 2016), in Japan, endeavoring to strengthen the capabilities of individual stores. Working through two sales headquarters, one for east Japan and the other for west Japan, we have assigned 109 "store counselors" to work out of 12 regional sales management offices. Store counselors are each assigned stores that they visit individually once or twice a week to provide assistance in developing and implementing annual plans based on the direction established by the sales headquarters. They also work to increase store market shares and profitability by providing guidance on creating sales floors, and offering merchandise lines, that respond directly to changes in local customer needs and competitive conditions. Another way through which we work to strengthen the capabilities of individual stores is to identify examples of success, translate them into best practices, and have store counselors communicate these to the stores assigned to them, with appropriate adjustments for local conditions.

Franchisee Support System



Conferences for Sharing Business Directions and Strategies

To strengthen cooperation with franchisees, conferences are regularly held to share information on matters such as chain business directions, important issues for the current business period, and merchandise policies with franchisee top management, store managers, and others.

Committees for Franchise Affairs

Committee	Purpose	Meeting Frequency	Meeting Location
FC Managers' Committee	Reinforcement of chain policy understanding, discussion of key issues for the business period, etc.	2 times a year	Tokyo
Business Direction Committee	Sharing of sales policies, reinforcement of merchandise policy understanding, etc.	3 times a year	1 in East Japan, 1 in West Japan
Store Managers' Committee	Sharing of sales policies, reinforcement of understanding of key issues and policies for the business period and for specific strategies	3 times a year	12 locations nationwide
Area Committee	Sharing of opinions and information between the area representative and franchisee managers	4 times a year	1 in East Japan, 1 in West Japan

Franchisee Human Resource Development Support

Improving Performance through Skill Development for Store Management and Staff

Applying Human Resource Capability Maps

To strengthen the customer service capabilities of franchise stores, individual stores use a human resource capability map to clearly show individual employee progress in developing required skills. The human resource capability map defines these skills in terms of five basic merchandise groups (tires, oil, etc.), high-priority merchandise, and service-pit skills. As such, it is instrumental in evaluating sales capability levels for both individuals and entire stores, preparing store-level OJT plans, and developing human resource development plans. Human resource capability maps allow the Chain Human Resources Department, which provides support for hiring and human resource development at franchisees, to identify conditions with regard to human resources at individual stores and then provide appropriate support.

Education and Training for Store Managers

Training developed for various degrees of capability is conducted to strengthen the performance of store management at all levels. Examples include Operation Seminars for strengthening customer contact points and streamlining store operations, and Seminars on Strengthening Store Strategy Management Capabilities, which teach participants how to develop store strategies and manage stores for ongoing improvements in performance. Store management training is conducted at various locations throughout Japan.

Seminar on strengthening store strategy management capabilities

Human Resource Development

Developing Car Professionals

The Company Group, in order to provide customers with the best advice to help them get greater enjoyment and convenience from their cars, devotes a great deal of effort to developing personnel with expert knowledge and skills. By providing a friendly working environment and helping individual employees develop their careers, we are honoring our responsibilities as an employer in local communities.

Education and Training for Store Staff

Detailed Job-Level Training to Enhance Knowledge and Skills

The Company has developed an education and training system that is organized by job-level and covers over 30 topics, mainly for store employees. In group training (conducted a total of 337 times as of March 31, 2016), we set high expectations for employees. By linking performance evaluations to the Company Group internal qualifications, we are enhancing staff knowledge and skills, as well as boosting motivation, and improving service quality. We also devote significant effort to training to help mechanics and inspectors gain national qualifications, and are seeing a steady rise in employees who have.

Status regarding Acquisition of Primary Professional Qualifications

Qualifications	Description	Certified Employees	Vs. Previous Fiscal Year
Company Group Internal Qualifications			
Car Life Advisor	Employees studying for this qualification gain knowledge of key items and services and how to interact with customers. Study is via e-learning. (10 Level-2 courses, 5 Level-1 courses, and final examination)	18,574*	–574
Merchandise Specialist	Employees studying for this qualification gain expert knowledge for recommending optimal merchandise, and acquire customer interaction skills. Enhanced training and a certification examination are conducted for those with Car Life Advisor qualifications. Six courses of study are available, depending on merchandise group.	6,038*	–159
Mechanic	Employees studying for this qualification gain knowledge and skills necessary for working in a service bay. Training is performed via e-learning, video instruction, practical instruction, and group training, with a final examination. Four classes are available depending on career path.	13,469*	–493
National			
Automobile Mechanic	A national qualification gained based on practical experience and the passing of academic and practical skill examinations.	3,781	+1
Automobile Inspector	Qualification earned by fulfilling requirements such as attending classes overseen by the Director of the District Transport Bureau and passing a final examination.	1,524	+70

*Numbers of "Certified Employees" are totals for the entire AUTOBACS chain (as of March 31, 2016).

Results of Principal Company Group Training Activities

Training	Description	Training Participants
Seminar on Strengthening Store Strategy Management Capabilities	Focuses on strengthening strategy management capabilities at the individual-store level by having store managers learn store management principles for achieving continuous increases in business performance.	1,207
Store Management Cycle Seminar	Enables participants to practice the management cycle (PDCA) with the aim of achieving greater business results. Aims to help participants gain insight for successfully applying the management cycle.	448
Operation Seminar	Aims to further strengthen customer contact points, and increase store efficiency, through the introduction of counter operation procedures.	551
Customer Interaction Training	Takes all store staff from simply understanding the basics of interacting with customers in various situations, to actually being able to practice this understanding.	8,998
C@RS Basic Seminar	Targets AUTOBACS C@RS staff for education on the automobile industry and the basics of the AUTOBACS C@RS concept. Aims to enhance product knowledge necessary for dealing in used cars.	3,428
Car Purchasing Training	Imparts understanding and operation know-how regarding the C@RS system and "Satei Dr." Provides participants with basic knowledge needed for evaluating cars based on their repair histories.	2,852
Automobile Safety Inspection Training	Training in the basics of customer reception, returning inspected cars to customers, and other functions for statutory safety inspections.	172

Career Development Support

Various Support Systems to Help Employees Build Their Careers by Themselves

Career Development System

To have all employees accumulate knowledge and experience, develop an understanding of various work settings, and deepen their knowledge of the Company, we implement job rotations every few years. When individual employees identify their preferences and aptitudes, and take the lead in broadening and deepening their careers, the entire organization is invigorated. The Company conducts career-design training for mid-level employees to encourage them to keep their future careers in mind as they go about their daily work and develop as professionals.

Cafeteria Plan

In addition to training that targets specific career levels, we have created a "Cafeteria Plan" under which employees can participate in correspondence courses or public seminars offered by outside education organizations, and receive support for obtaining national qualifications. The Cafeteria Plan helps employees take the lead in developing their own careers. We provide up to ¥100,000 of financial support per year that employees can use to take any of around 160 courses. To date, 1,679 employees have made use of this system.

Creating Friendly Work Environments

Promoting Working Environments that Are Safe and Healthy for Individuals

Worker Safety and Health

The Company Group believes the health of employees is critical for its own continuous growth and works to promote good health for employees. We have, for example, established the AUTOBACS Osaka Health Center, where we hold health management training. This training is mandatory for employees who have received a diagnosis of a lifestyle-related or other disease in a regular physical examination and been instructed to participate by a physician. Initiatives such as these led the Development Bank of Japan to award the Company an "A," the highest level on the "employee's health management rating" it uses to set financing terms. To maintain or improve working environments, we also stress in store-manager training the importance of maintaining safety in stores and preventing employees from working an excess number of hours.

DBJ健康格付
2015

DBJ employee's health management rating

Training session underway

Mental Health Care

Mental health checks are conducted by outside specialists for all employees, and there is a system employees can use to consult with outside cooperating institutions if they feel the need to.

Company Visits for Employees' Children

Employees are allowed to bring their children to work to let them see their parents in the workplace. We do this to help children better understand their parents by coming to know a side of them they do not see at home. Bringing children to a workplace also gives them a chance to begin developing a sense of what it means to work. This is part of our effort to provide comfortable work environments where employees can fully exercise their capabilities and achieve harmony between their work and private lives.

Internal Reporting System

The Company Group has implemented the "Orange Hotline," an internal reporting system to prevent and swiftly address misconduct or unethical actions by executives or employees of the AUTOBACS chain. Internal and external contact points are available for people wanting to use the system.

Advancing the Careers of Women

Valuing Diversity and Creating Working Environments where Women Can Thrive

Expanding the Support System

The Company is enhancing its system for supporting employees raising small children. Examples of its features include childcare leave that can be extended to cover the first 18 months following the birth of a child, the option to work shorter hours up through the end of the fiscal year in which the child turns12 years of age, orientation for employees returning to work following childcare leave, and paid half-days off. To date, 100% of company employees who have taken childcare leave have returned to work, and, as of March 31, 2016, eight employees have used our childcare support system. Going forward, we plan to encourage male employees to take time off for childcare and will do even more to create working environments that are attractive for women.

Support for Female Employees

In creating environments in which female employees can thrive in their careers, we realized it was important to listen directly to the opinions of employees, so we held a workshop to explore what makes work worthwhile for women. Twenty-one female employees participated in the workshop, discussing and giving presentations on factors that encourage women to remain in a workplace, keys to making work worthwhile, and steps that could be taken to advance women's careers.

Workshop under way

VOICE Employee in Charge of Advancing Women's Careers

"Companies Where Women Thrive are Companies Where Everyone Thrives"

The Company allows employees to work shortened workdays through the end of the fiscal year in which their child turns age 12, much longer than the norm. We are also moving forward with a women's career support project and other initiatives to help create a workplace in which women can thrive. In light of recent conditions concerning daycare services, we have also introduced a system that allows a parent to take time off during the period their child is learning to adapt to daycare. As a result of measures such as these, we have seen 100% of new mothers, since July 2006, return to work after taking maternity or childcare leave. Based on the idea that "companies where women thrive are companies where everyone thrives," we are developing systems that provide women, in particular, with support that gives them career flexibility to adapt to marriage, childbirth, child rearing, and other major life events and stages. Our intent is to create a vibrant workplace by providing individual employees with ongoing career support.

Human Resources Strategy Group, Human Resources Department **Kumiko Sakata**

Environmentally Friendly Management

Creating a Society in which People and Cars are in Harmony with the Environment

As a company involved in a business related to cars, we continuously work to reduce the environmental impact of our business activities and, through the merchandise and services we offer, contribute to the development of a sustainable society in which cars are an important element.

AUTOBACS SEVEN Environmental Policy

AUTOBACS SEVEN is committed to activities with considerations to environmental conservation in carrying out its business activities on sales of automotive related goods, statutory safety inspections and maintenance, and car sales.

1. The Company will grasp the environment impacts of its business activities to determine the objectives, targets and plans for continuous improvement of environmental conservation activities.
2. The Company will comply with laws, regulations and other requirements pertaining to the environment.
3. The Company will put priority particularly on the following actions to reduce the relevant environmental impacts among those arising from its business activities.
   (1) Promotion of energy saving practices and reduction of greenhouse gas emissions
   (2) Reduction of waste emissions and promotion of 3R activities
   (3) Purchases of environmentally friendly items
   (4) Development of environmentally-friendly goods and services and sales promotion of such merchandise and services at stores
4. The Company will endeavor to prevent environmental pollution.
5. The Company will give education to and raise awareness among all its personnel so that they will proactively address the environmental and social issues in an attempt to build a sustainable society with harmony between people and cars.

Environmental Protection Targets and Results

Area		FY March 2016 Target	Results of Primary Initiatives for FY March 2016	Plans for FY March 2017
Pursuit of energy efficiency and greenhouse gas reduction	Reduction of electricity usage (Reduce CO_2 emissions)	Approximate 2.0% reduction compared to FY March 2015	2.9% reduction compared to FY March 2015	Maintain same usage level through FY March 2016
	Reduction of gasoline usage	Approximate 3.0% increase in fuel efficiency compared to FY March 2015 Switch to fuel-efficient vehicles	5.0% increase in fuel efficiency compared to FY March 2015	Maintain same fuel efficiency level through FY March 2016
Resource-saving Initiatives	Reduction of waste	Approximate 1.0% reduction compared to FY March 2015	3.9% reduction compared to FY March 2015	2.0% reduction compared to FY March 2016
	Reduction of copy paper usage	Approximate 2.0% reduction compared to FY March 2015	6.7% reduction compared to FY March 2015	2.0% reduction compared to FY March 2016
	Reduction of cardboard usage	Continue existing measures	51.0% reduction compared to FY March 2012	
Procurement of environmentally friendly products	Procurement of green office products	Continue existing measures	Green office products accounted for 86.2% of all purchases	Make green office products account for 80% or more of all purchases
Environmental communication	Environmental education for employees, and publicizing of activity programs	Continue existing measures	Conduct annual general environmental awareness education and engage in regular distribution of educational information on the environment	Conduct annual general environmental awareness education and engage in regular distribution of educational information on the environment
Contribution to local beautification	Neighborhood clean-ups	Participation by all employees	All employees participated	Participation by all employees in at least one activity

In its effort to advance environmental activities, the Company confirmed its understanding of items to be implemented under ISO's environmental standards and, to pursue activities at the department level, held three meetings of the Environmental Promotion Committee during the fiscal year ended March 2016. All departments were required to send a representative to participate in these meetings.

It is expected that this initiative will go beyond the promotion of environmental contributions and achieve improvements across a range of issues facing companies - matters such as emergency responses to environmental accidents, and enhancing profitability by improving products and using fewer resources.

TOPICS Selling Power from the Miki Megasolar Power Plant (Hyogo Prefecture)

At our Western Japan logistics Center (Miki City, Hyogo Prefecture), we have installed solar panels on a portion of open land and on some of the roof space of the center itself, and are selling the electricity generated. We are working to make more effective use of our assets and promote the development of environmentally friendly renewable energy. Through such efforts to meet our corporate social responsibility to reduce our environmental impact, we are contributing to society and effectively advancing environmentally friendly initiatives.

Solar power generation facilities

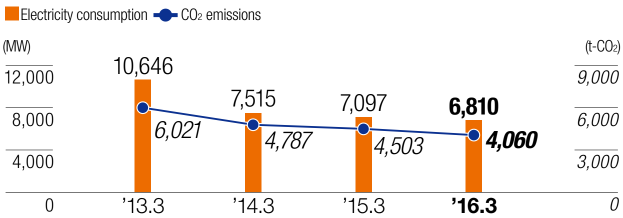
Promoting Energy Saving and Cutting Greenhouse Gases

Formulating Energy-Saving Measures and Cutting CO_2 Emissions

Company and Store Initiatives

Every individual employee of the Company follows our environmental policy and is acutely aware of the need to save energy as they engage in business activities at our headquarters, regional offices, directly managed stores, logistics centers, and other sites. For the fiscal year ended March 31, 2016, the Company's electricity consumption* declined by 4.0% year on year, to 6,810 MWh, and total CO_2 emissions* fell by 4.0%, to 4,060 t. To achieve improvements going forward, the Company Group is advancing energy-saving measures, such as a commitment to “no overtime days” enabled by operational improvements and efficiencies. And individual stores, for their part, are taking steps such as introducing dimmable LED lighting and applying thermal insulation coatings to their roofs to keep internal temperatures cooler during the summer. Measures such as these will have benefits for both the environment and the bottom line.

Electricity Consumption and CO_2 Emissions*



*Total for AUTOBACS SEVEN headquarters, offices, directly managed stores, and logistics centers

LED lighting at the AUTOBACS Yamato Koriyama store

Solar panels at the AUTOBACS Yamato Koriyama store

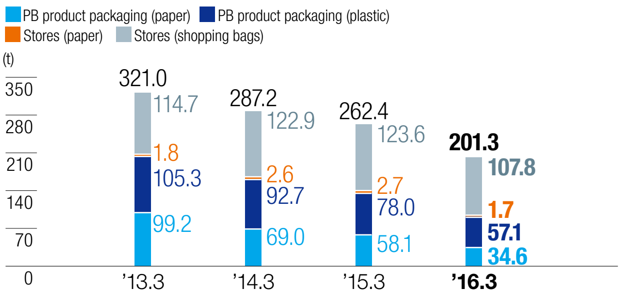
Resource–Saving Initiatives

Practicing the 3Rs for Effective Use of Limited Resources

Reducing the Use of Containers and Packaging

During the fiscal year ended March 31, 2015, the Company Group reduced its use of shopping bags and other types of containers and packaging by 23.3% year on year, to 201.3t. Reduction in the use of shopping bags was accomplished in part by asking customers for their understanding and cooperation in using fewer bags. In addition, for AUTOBACS private brand items, we are gradually transitioning to packaging materials that weigh less or use more environmentally friendly materials.

Container and Packaging Usage by the AUTOBACS Chain and Headquarters



Distribution Initiatives

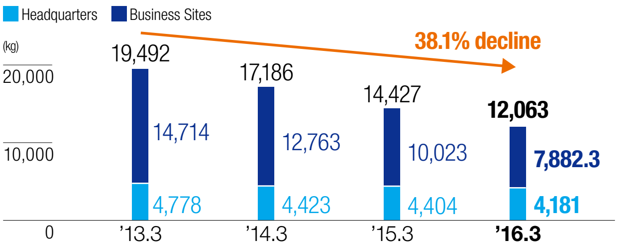
When speed is not a factor, we choose to move products by rail, which entails relatively low CO_2 emissions, rather than by truck. In addition, we employ reusable collapsible containers in various sizes to distribute products to stores. Doing this reduces the amount of cardboard that must be discarded.

Collapsible shipping containers

Reducing Waste and Pursuing Proper Processing and Recycling

For ordinary waste, the kind generated in offices, we routinely remind employees of the importance of separating these items into paper, plastic, and other categories. We also continuously urge efforts to reduce waste generation.

Ordinary Waste from Offices



Waste from the maintenance work performed in store service bays is handled differently. This material is entrusted to legally compliant industrial waste management companies for proper disposal and recycling. Furthermore, we use our own methods to confirm that these companies are properly performing the services for which we have commissioned them.

Waste Recycling Initiatives

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

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

3. Waste Batteries
Specialist contractors recycle the lead and plastics to create new batteries.

Social Contributions

Moving Forward Together with Local Communities

We expand and improve the functions of our stores, so they can be trusted infrastructure for local residents. As a company that shares local community desires that cars be used properly, we also contribute to safety and security in the daily lives of local residents.

Contributing to Local Communities

To be Infrastructure in Support of Local Residents

Installing EV Charging Stands

Electric vehicles (EVs), which do not emit CO_2, are expected to play a significant role in fighting global warming. The AUTOBACS chain, therefore, is moving forward with the installation of EV charging stands in its store parking lots as a convenience for customers who visit our stores in an EV or plug-in hybrid vehicle (PHV), and to promote the use of these vehicles. As of June 30, 2016, charging stands had been installed at 104 AUTOBACS stores.

Charging stand for EVs and PHVs

Pursuing Activities Rooted in Local Areas

In 2005, we began conducting cleanup activities in the area surrounding our headquarters, and, in the fiscal year ended March 2010, we instituted AUTOBACS Day — one day each week when the employees of each store clean the area around the store before opening time. On another front, we use our ARTA Project, for promoting motor sports, as the context for the “Yume wo Kanaeru” (Make Your Dreams Come True) extracurricular programs we hold for elementary and junior high school students. These are only a couple examples of locally based, locally oriented activities we are pursuing to be good citizens of the communities where we are located.

Cleanup activity at a store

Extracurricular program at a junior high school ©GTA

Conducting Company Tours – The Eastern Japan Logistics Center

At the Eastern Japan logistics Center, we have been conducting company tours for local junior high schools annually since January 2007. One-hundred-thirty students have visited the center over that time. Going forward, we are eager to provide more students with a chance to see firsthand what the logistics center does and gain a sense of the challenges, pleasures, and meaning of work.

Support for Victims of the 2016 Earthquakes in Kumamoto

Following the earthquake that struck Kumamoto on April 14, 2016, we received a request for assistance from municipal authorities and the very next day delivered water, emergency food, and emergency toilets to the municipal government office in Mashiki, a town in Kumamoto Prefecture. Following up on that effort, AUTOBACS stores throughout Japan collected financial donations from customers between April 19 and May 31, and sent a total of about ¥2.8 million to disaster victims, via the Japanese Red Cross Society. In addition, the Company agreed to match employee donations exceeding a certain amount, ultimately raising another ¥1.0 million, which was presented to the Association for Aid and Relief, Japan, a nonprofit organization committed to assisting refugees. Aside from financial assistance, we have also lent items to organizations engaged in frontline relief work and have donated five minitrucks to the Japan Car Sharing Association for shared use in disaster-hit areas.

Donation of ¥1.0 million comprised of employee contributions and matching funds from AUTOBACS

Assisting People Stranded in a Disaster

The AUTOBACS chain, at stores where it is practical to do so, has entered into agreements with local governments to assist people who become stranded in a disaster. Under these agreements, stores will provide people taking shelter at their locations with access to water and toilet facilities, and will use maps, radios, and other means to provide information on road conditions. As of March 31, 2016, 345 stores in 22 prefectures were ready to provide the assistance mentioned above.

Sticker displayed at store entrances to let customers know the store will help them in times of disaster

Strengthening Disaster Response Capabilities

Tire service trucks that can be used as mobile sales platforms and to provide disaster response services have been deployed to seven business sites across Japan. In times of disaster, these vehicles can be used to stand in for an incapacitated store and provide important services that customers would otherwise not be able to receive.

Tire service truck

Equipment carried in a tire service truck

Contributing to Car Culture

Developing a New Generation of Car Enthusiasts

KidZania Pavilions and Support for College Students Learning to Make Cars

The Company has developed the Car Life Support Center pavilions at the KidZania Tokyo and KidZania Koshien occupational theme parks for children. In 2014, both underwent renovations to deliver an even better experience. The purpose of these pavilions is to have children learn the enjoyment that can come from cars, encourage understanding of how cars work and of car safety, and contribute to the development of a safe motorized society going forward.

For college students, we provide support for two teams in the Student Formula Japan car-building competition held by the Society of Automotive Engineers of Japan. Through such support, we are encouraging young people to conceive, design, and make cars from the ground up.

Service bay mockup where children can try their hands at changing a tire and other simulated car maintenance tasks

Helping college students develop their understanding of manufacturing Students building their own car

Support for Motor Sports

To help invigorate motor sports as a whole, the Company co-sponsors the SUPER GT series, Japan's most popular car races. In addition, since the establishment of the ARTA Project (AUTOBACS RACINGTEAM AGURI) in 1998, we have been pursuing activities on multiple fronts, such as discovering and developing Japanese drivers into world-class competitors and participating in domestic and overseas races, to use the passion of racing to create new fans.

ARTA (AUTOBACS RACING TEAM AGURI)

Other Contributions

Support for Children's Environmental Education and People in Need of Food Assistance

Co-Sponsorship of the Green Power Festival

The Company cosponsored the 3rd Green Power Festival, organized by the Japanese Ministry of Economy, Trade and Industry's Agency for Natural Resources and Energy, to provide parents and children with a fun opportunity to learn about renewable energy and the environment. In the main event, parent-and-child teams, who were the winners of seven regional energy quiz tournaments held across Japan, competed ferociously to come out on top at the championship tournament held in January 2016. The Company supports the use of renewable energy and will continue to do so going forward.

green power

Scene from the Green Power Festival

Donation of Emergency Food Supplies

The Company donates emergency food supplies nearing their "use-by" dates to Second Harvest, an NPO operating a food bank. The food we donate is distributed to people who are in need of food assistance and to organizations such as children's homes. We also participate in the Kyukancho Project, which collects canned bread before it reaches its "use-by" date and distributes it internationally to people suffering from hunger and malnutrition.

Donation of around 1,200 nutritionally balanced meals

SECOND HARVEST
セカンドハーベスト ジャパン

Kyukancho distributions of canned bread

Strengthening Governance for Sustainable Growth in Corporate Value

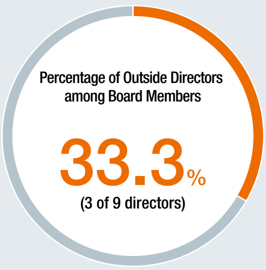
A company seeks to achieve increases in corporate value over the medium-to-long term by pursuing aboveboard business activities with capital entrusted to it by shareholders. As an entity recognized in law, it is expected to contribute to society through business activities reflecting consideration of responsibilities to customers, shareholders, employees, suppliers, local communities, and all other stakeholders. Company managers must engage in business activities that effectively contribute to the company's role in society; their actions must be in the interest of the company's ongoing development and of accountability, to ultimately promote management transparency and the fulfillment of responsibilities to society.

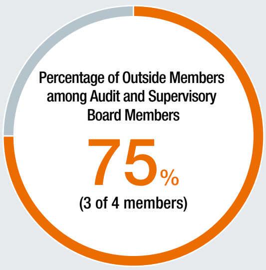
With these ideas as a conceptual foundation, the Company strives to maintain the support and trust of all of its stakeholders. Starting from our number one priority - underpinning and enhancing the AUTOBACS brand by perpetually offering goods and services that please customers, while also living up to our social responsibilities - we constantly strive to strengthen and improve our corporate governance.

Corporate Governance Key Points (as of June 21, 2016)

Strengthening the Supervisory Function

Actively Appointing Outside Directors and Audit and Supervisory Board Members





Having a Board of Directors with more than 30% of its members from outside the Company strengthens the oversight function and secures transparency and objectivity in decision-making.

Securing Transparency and Objectivity in Appointments and Remuneration

Establishment of the Corporate Governance Committee as a Consultative Body for the Board of Directors

Consists of all outside directors, plus the representative director. Chair is selected by outside directors.

The Corporate Governance Committee promotes management transparency and objectivity by acting as a consultative body to the Board of Directors on matters concerning the appointment and remuneration of directors and senior executive officers.

Separation of Execution and Supervisory Functions

Adoption of an Executive Officer System to Clarify Management Responsibility

To maintain and enhance the supervisory function of directors, an executive officer system has been adopted to separate business execution and supervisory functions.

Protecting Returns to General Shareholders

Selection of Only Qualified Independent Individuals as Outside Directors and Audit and Supervisory Board Members

By selecting only individuals who meet the requirements for "Independent Directors/Auditors," as that term is used by the Japan Exchange Group, to serve as outside directors and Audit and Supervisory Board members, we are not only ensuring the independence of outside directors and outside Audit and Supervisory Board members but also protecting returns to general shareholders.

Swift and Proper Decision-Making and Consensus Formulation

Proper Sharing and Discussion of Information among Directors and Officers

To enable swift and proper discussion and decision-making by the Board of Directors, the various committees comprised of officers provide the Board of Directors with appropriate information on management issues and business performance.

Recent Changes to Strengthen Corporate Governance

FY ended March 2006
- Outside directors: 2 out of 10 total directors
- Establishment of the Nomination Advisory Committee (Integrated into the Corporate Governance Committee in April 2010)

FY ended March 2009
- Outside directors: 4 out of 9 total directors
- Outside Audit and Supervisory Board members: 3 out of 5 total members
- Establishment of the Corporate Governance Committee
- Establishment of the Risk Management Committee
- Establishment of the Executive Committee, and other types of committees, to strengthen the business execution framework

FY ended March 2010
- Formulation of the Corporate Governance Policy

FY ended March 2011
- Outside directors: 3 out of 8 total directors
- Revision of the Management Philosophy
- Formulation of the Outside Director and Audit and Supervisory Board Member Requirements

FY ended March 2012
- Outside Audit and Supervisory Board members: 3 out of 4 total members

FY ended March 2016
- Establishment of the position of Senior Independent Director
- Establishment of the Independent Executive Liaison Group
- Establishment of the Director Evaluation Committee

Corporate Governance System

The Company has adopted the "Company with an Audit and Supervisory Board" organizational format (as defined under Japan's Companies Act), which features redundant management oversight in the form of business activity supervision by the Board of Directors and audits by Audit and Supervisory Board members.

As of June 21, 2016, the Company, with three outside directors on its nine-member Board of Directors, is considered to have a Board of Directors in which outsiders play a central role. Given that the Company has also established a Corporate Governance Committee consisting of all of the outside directors and the representative director, the Company's corporate governance system is a hybrid combining the features of a Company with an Audit and Supervisory Board and a "Company with Committees" (as defined under Japanese law).

Management and Business Execution Framework

1) Board of Directors

Chaired by the representative director, the Board of Directors consists of nine members (6 who are also officers, and 3 outside directors) and, in principle, meets once a month. The Board of Directors makes decisions on matters specified in laws and regulations or in the articles of incorporation, and important matters concerning the Company's business activities. It also receives reports on such matters as required. To strengthen the oversight function, efforts are made to maintain a Board of Directors with outside directors comprising over 30% of sitting directors. In addition, to protect returns to general shareholders, independence is stressed in selecting outside directors. Efforts are made to ensure the best possible decisions are made to increase corporate value over the medium-to-long term.

2) Executive Committee

The Executive Committee, which is chaired by the chief executive officer and comprised of senior executive officers, meets, in principle, once a month. The executive committee discusses inherent risks, possible responses, and other aspects of matters scheduled to be taken up by the Board of Directors and reports on these discussions and their results to the Board. It also develops companywide policies and plans. Outside directors and Audit and Supervisory Board members, acting as observers, attend meetings of the Executive Committee and express their opinions as necessary.

3) Other Committees

Committees led by officers are established to discuss policies and management matters affecting the entire company; confirm business performance and progress in implementing the medium-term business plan; and confirm implementation progress, analyze, and make recommendations regarding strategies concerning particular operations. In principle, such committees meet one or two times a month.

Consultative Bodies

1) Corporate Governance Committee

The Corporate Governance Committee is chaired by an outside director and consists of outside directors and the representative director. In principle, it meets once a month to discuss candidates for internal director and senior executive officer positions, the remuneration system for directors and officers, and other governance-related matters. The committee submits its findings and recommendations on these matters to the Board of Directors.

2) Risk Management Committee

With the representative director as its chair, the Risk Management Committee is comprised of directors with officer responsibilities and officers responsible for internal controls. In principle, the committee meets once a year to set a direction that will promote efficient, proper pursuit of risk management.

Auditing System

1) Internal Audits

A staff of nine auditors evaluates the internal control system and continuously performs audits to determine whether the business activities of the Company and its subsidiaries are in compliance with the law and regulations, and internal rules and manuals. Assessments and audit results are reported to the representative director, Audit and Supervisory Board members, and officers as appropriate, and corrective measures and guidance are provided to departments where deficiencies are identified.

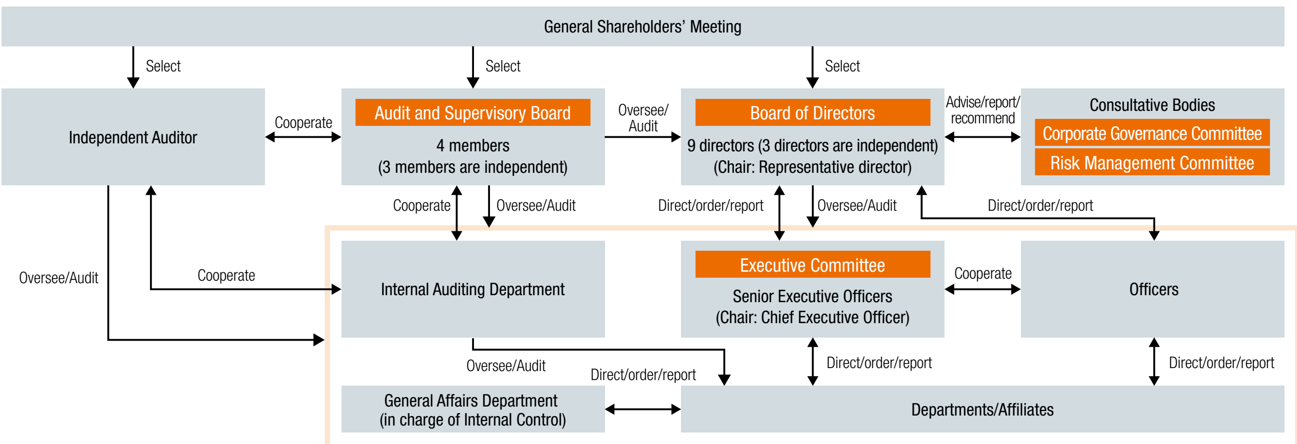
2) Audits by Audit and Supervisory Board Members

The Audit and Supervisory Board consists of four members, three of whom are outside members. The Audit and Supervisory Board sets an audit direction and allocates responsibilities among its members. Reports are received from each Audit and Supervisory Board member on the progress and results of their work, and from the Board of Directors and the independent auditor on the progress of activities they are pursuing. Detailed explanations are requested as needed. Each Audit and Supervisory Board member attends important meetings to monitor the performance of duties by directors and officers.

3) Independent Audits

The Company has engaged Deloitte Touche Tohmatsu LLC to perform independent audits.

Corporate Governance Framework



Nomination of Inside Directors and Senior Managers

Basic Policy

In nominating directors, only those who understand the importance of trust-based relationships with franchise stores, suppliers, employees and others involved in the AUTOBACS franchise chain, and who have the will and capabilities to increase corporate value and the common benefit of shareholders over the medium-to-long term are considered.

Nomination Process

Possible candidates for director are submitted to the Corporate Governance Committee for consideration. After receiving feedback from the Corporate Governance Committee, the Board of Directors makes the final nominations of persons to be put forth as director candidates. Persons being considered for nomination as an inside director or senior executive officer are interviewed by the Corporate Governance Committee, which then considers their suitability as candidates for those positions.

Outside Directors and Outside Audit and Supervisory Board Members

Nominations

In principle, outside directors and Audit and Supervisory Board members are nominated from among a set of candidates put forth by a third-party institution. At present, nominees for the positions of outside director and outside Audit and Supervisory Board member are comprised of individuals, including one woman, with professional backgrounds spanning a wide spectrum. All outside directors meet the requirements for independence specified in law and in the Company's own rules. Each of the outside directors is possessed of experience and knowledge in various fields and is actively contributing to Board of Directors discussions from his or her own independent, objective perspective.

Appointment of a Senior Independent Director

The Company, in order to broaden the dialogue with shareholders and other investors, has appointed a senior independent director.

Reasons for Nomination as an Inside Director

Name	Position	Reasons for Nomination
Kiomi Kobayashi Re-nomination	Representative Director and Chief Executive Officer Chief AUTOBACS Chain Officer	Kiomi Kobayashi has contributed to the development of the Company's business over many years, for example, strengthening new-store-openings and marketing capabilities, and helping to establish a foundation for overseas businesses, at the AUTOBACS business. He is possessed of experience and a track record that are indispensable for managing the Company, including franchisees.
Teruyuki Matsumura Re-nomination	Director and Senior Managing Executive Officer, Eastern Japan Region Headquarters	Over many years, Teruyuki Matsumura has been engaged in expanding the automobile purchase and sales, and statutory safety inspections and maintenance, operations and strengthening online operations for the AUTOBACS business. He has led the new business and overseas business, focusing on building foundations for these businesses, and, therefore, has the experience and track record necessary for developing new businesses.
Isao Hirata New Candidate	Director and Senior Managing Executive Officer, Corporate Planning and IR & PR and Information Technology Strategy	Isao Hirata has demonstrated leadership in building the systems platform for the Company's businesses and in developing and implementing business plans. He is possessed of experience and knowledge necessary for pursuing business development integrating business and IR strategies.
Naoyuki Koyama New Candidate	Director and Senior Managing Executive Officer, Vice Chief AUTOBACS Chain Officer and Marketing	In addition to his experience at a management consulting firm, Naoyuki Koyama has been driving the rebuilding of foundations and implementation of reforms in the overseas business since he joined the Company. With fresh ideas and bold concepts inspired by his having started his career outside the Company, he has experience and a track record that will be very valuable in swiftly advancing future business reforms.
Eiichi Kumakura New Candidate	Director and Senior Executive Officer, Western Japan Region Headquarters	Eiichi Kumakura has made contributions in the merchandise and sales areas of the AUTOBACS business and endeavored to build strong relationships with franchisees. He has experience and communication skills that are necessary for reforming the Company.
Yugo Horii New Candidate	Director and Senior Executive Officer, Overseas Business	Yugo Horii has made contributions in fields such as legal affairs and internal controls, and in compliance and group control. Having also worked in areas such as the development of new services for customers, he has well-balanced skills and a strong record of performance.

Reasons for Nominations of Outside Directors and Outside Audit and Supervisory Board Members

Name	Other Key Positions Concurrently Held	Reason for Nomination	Attendance Record
Noriaki Shimazaki Outside Director (Independent)	Advisor, IFRS Foundation Asia-Oceania Office; Advisor, The Japanese Institute of Certified Public Accountants; Chairman, XBRL Japan Inc.; Outside Director, UKC Holdings Corporation	Noriaki Shimazaki has extensive business experience and knowledge across a broad array of fields, including accounting and finance, personal development, risk management, and management strategy. He has many years of experience in corporate management and in public service roles, charged with monitoring and supervision responsibilities, mainly in accounting.	17 times/17 times
Hatsuo Odamura Outside Director (Independent)	Advisor, TAITO CORPORATION	With extensive knowledge and experience in crisis management (including eradication of antisocial forces) and organizational management accumulated through his long career in law enforcement, and professional experience in areas related to road traffic, Hatsuo Odamura is extremely knowledgeable of the transportation-related aspects of society.	17 times/17 times
Yoshiko Takayama Outside Director (Independent)	Managing Director, J-Eurus IR Co., Ltd.; Director, Japan Corporate Governance Network; Member of the Asset Management Policy Study Group, Pension Fund Association for Local Government Officials; Member of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code, Financial Services Agency and Tokyo Stock Exchange, Inc.; President, Japan Board Review Co., Ltd.	In addition to her experience as a consultant in the fields of finance and M&A, Yoshiko Takayama has experience and a record of achievement as a corporate consultant, contributing, for example, to the evaluation of boards of directors, in connection with the fields of IR and corporate governance, and the pursuit of IR activities.	13 times/13 times
Toshiki Kiyohara Outside Audit and Supervisory Board Member (Independent)	—	Toshiki Kiyohara has experience as a corporate director, and the Company would like for him to apply his experience in strengthening its oversight function.	17 times/17 times
Tomoaki Ikenaga Outside Audit and Supervisory Board Member (Independent)	Partner, Anderson Mori & Tomotsune; Independent Member of the Oversight Committee, Moody's Japan K.K.; Independent Member of the Oversight Committee, Moody's SF Japan K.K.	Tomoaki Ikenaga has a wealth of experience and knowledge as a lawyer. The Company looks forward to having Mr. Ikenaga apply his expert knowledge of internal controls and compliance in audits of the Company.	17 times/17 times
Yuji Sakakura Outside Audit and Supervisory Board Member (Independent)	Representative Director, Relations Japan Corporation	Based on his many years of financial experience, mainly in international finance and capital markets, at a general trading company, Yuji Sakakura is possessed of wide-ranging knowledge of finance, accounting, and capital markets.	17 times/17 times

Dialogues with shareholders and other investors are led by the Representative Director and Chief Executive Officer. The appointment of a senior independent director will promote the constructive development of this dialogue.

Establishment of a Liaison Group for Outside Directors and Audit and Supervisory Board Members

The Company has established the Liaison Group for Outside Directors and Audit and Supervisory Board Members, which is chaired by the senior independent director and includes only outside directors and outside Audit and Supervisory Board members among its participants. The group is intended to be a vehicle for outside directors and outside Audit and Supervisory Board members to share information and enhance communication among themselves, and it is expected that views and suggestions on governance and other management matters at the Company will emerge from its discussions. The group, which, in principle, meets twice a year, held its first meeting in December 2015.

Independence Requirements for Outside Directors and Audit and Supervisory Board Members *Excerpted

The Company's independent directors and independent Audit and Supervisory Board members are outside directors and outside Audit and Supervisory Board members as defined in Japan's Companies Act and Ordinance for Enforcement of the Companies Act. They also fulfill the following requirements for independence. Independence shall be considered to have been lost at the time any of the following requirements for independence are violated.

1. No conflict of interest with the Company nor any affiliate of the Company (referred to below as "the Group" or "Group"), nor with specified companies.
2. During the most recent five fiscal years, including the current fiscal year, no marital relationship to a Group director with executive or management responsibilities, nor to a Group executive of similar authority, and no relatives within the second degree, nor person sharing a household, serving in such a capacity.
3. No marital relationship to someone with a conflict of interest with the Group, nor with specified companies, and no relatives within the second degree, nor person sharing a household, having a conflict of interest with the Group or specified companies.
4. No other circumstances that would prevent the fulfillment of the duties of an independent director or independent Audit and Supervisory Board member.

Full text
http://www.autobacs.co.jp/en/csr/co_gove_system_en.html

Remuneration for Members of the Board of Directors, Audit and Supervisory Board Members, and Officers

Director and Officer Remuneration

1) Basic Policy

a. Basic Policy on Director Remuneration

The basic policy on determining director remuneration is to secure as AUTOBACS SEVEN directors outstanding individuals who will work to maintain and increase the corporate value of the Company Group, which comprises a franchise system, and contribute to the effective functioning of the business oversight function.

b. Basic Policy on Officer Remuneration

The basic policy on determining officer remuneration is to secure outstanding individuals and effectively incentivize the fulfillment of a core leadership role at the Company Group, which comprises a franchise system, to enhance business performance, and maintain and increase corporate value, over the short- and medium-to-long term.

2) Remuneration Standards

Standards for remuneration shall be set by considering third-party survey data on executive remuneration, and taking into account the Company's position in the industry and factors such as difficulty of achieving targets and specific roles of individuals.

3) Remuneration Composition and Basic Concepts

Remuneration for the Company's directors and officers is composed of "fixed remuneration," as the basic element, and "performance-based remuneration," which varies depending upon changes in evaluation indicators such as achievement of quantitative targets and changes in the share price.

There are two types of fixed remuneration, "fixed remuneration for directors" and "fixed remuneration for officers," and two types of performance-based remuneration, "single-year performance-based remuneration," which varies with performance in achieving objectives of the business plan for the fiscal year, and "medium-term performance-based remuneration," which varies with performance in achieving objectives of the medium-term business plan. The ratio of performance-based remuneration to total remuneration is designed to rise with the rank of the officer. However, given the nature of performance-based remuneration, outside directors, who have no management or executive responsibilities, are ineligible for performance-based remuneration and receive only fixed remuneration.

4) Remuneration Determination Process

The objectivity and transparency of the Company's director and officer remuneration system and remuneration amounts are secured by having the Corporate Governance Committee, which is chaired by an outside director and comprised mainly of outside directors, deliberate and provide input on these matters.

Remuneration for Audit and Supervisory Board Members

Remuneration for the Company's Audit and Supervisory Board members is determined by the Audit and Supervisory Board members, within an overall remuneration amount approved at a general shareholders' meeting. Considering their role as independent individuals with the authority to oversee the directors in the fulfillment of their duties, remuneration for Audit and Supervisory Board members is composed of only fixed remuneration.

Total Remuneration for the Fiscal Year ended March 2016

Category		Total Remuneration Amount (Millions of yen)	Fixed Remuneration		Performance-based Remuneration	
			Recipients (Individuals)	Amount (Millions of yen)	Recipients (Individuals)	Amount (Millions of yen)
Director	Total for Directors	256	9	256	—	—
	Subtotal for Outside Directors	36	4	36	—	—
Audit and Supervisory Board Member	Total for Audit and Supervisory Board Members	58	4	58	—	—
	Subtotal for Outside Audit and Supervisory Board Members	33	3	33	—	—
Total		314	13	314	—	—

Note
1. Total annual remuneration for all directors: ¥480 million (Resolution approved at the ordinary general shareholders' meeting held June 28, 2006)
2. Total annual remuneration for all Audit and Supervisory Board members: ¥120 million (Resolution approved at the ordinary general shareholders' meeting held June 28, 2006)
3. The information above also applies to one outside director who stepped down from his position as of the ordinary general shareholders' meeting held June 24, 2015.

Facilitating the Exercise of Voting Rights

To enable participation by as many shareholders as possible, the Company avoids days when large numbers of other companies have scheduled their general shareholders' meetings when scheduling its own. The 69th ordinary general shareholders' meeting was held on Tuesday, June 21, 2016.

Efforts are made to send general shareholders' meeting notifications three weeks ahead of the meeting date to give shareholders ample time to make attendance arrangements. For the 69th ordinary general shareholders' meeting, notifications were sent 21 days in advance of the meeting date. Furthermore, meeting notifications were posted on the Company's website, TDNET, and on an electronic voting platform on May 31, mainly for the convenience of institutional investors in Japan and abroad.

Use of an electronic voting platform (accessible via personal computer and some types of cell phone) was instituted beginning with the 62nd ordinary general shareholders' meeting held in June 2009. In addition, an English-language version of the meeting notification is prepared and posted on the electronic voting platform and the Company's website at the same time the Japanese version is posted, and voting results are translated into English and posted on the Company's website.

Dialogue with Investors

The Company engages in constructive dialogue with shareholders through venues such as the general shareholders' meeting and results briefings, and discloses information in a timely, appropriate manner on the Company's corporate website. Regarding institutional investors, the Company engages in dialogue by, for example, participating in results briefings by investment securities firms and holding briefings when interim and full-year results are announced.

Investor Dialogue Data

Individual Investors

■Company briefings: Held 4 in FY 2015 (ended March 2016)

Analysts and Institutional Investors

■Regular briefings: Held after announcements of interim and year-end results
■Small group meetings and one-on-one meetings: Held basically every quarter
* Includes presentations by the representative director

Overseas Investors

■Regular briefings
Meetings in North America, Europe: Held 2 (in total) during FY 2015
* Includes presentations by the representative director

Compliance

The Company is moving forward with the strengthening of its compliance structure and is stressing to employees of the parent company, subsidiaries, and all AUTOBACS Group stores, including franchise stores, the importance of pursuing business activities that are legally and ethically irreproachable.

Respect for the law and corporate ethics is a given. With that as a fundamental premise, the Code of Conduct and Guidelines for Action have been established in response to the legitimate expectations of all stakeholders and serve as fundamental principles in efforts to reinforce compliance understanding and conduct education initiatives for employees of not only the Company but also franchisees.

To check compliance conditions, meetings of the Compliance Administration Committee, comprised of representatives of departments with compliance promotion responsibilities, are convened monthly to determine whether any activities inconsistent with the Code of Conduct or Guidelines for Action have taken place. A system for rapidly responding to any problems that come to light has been established.

Risk Management

The Company, in addition to a risk management system for properly identifying and evaluating risks and implementing proper controls, has also adopted a comprehensive risk management posture integrating crisis management focused on limiting the extent of damage, and minimizing damage and losses, caused by a major event.

The Risk Management Committee, which is chaired by the representative director and chief executive officer, sets the direction for risk management for the fiscal year and, based on that direction and provisions concerning risk management, takes steps to smoothly and appropriately advance risk management activities.

During the fiscal year ended March 2016, the Risk Management Committee identified key risk-related issues and monitored measures to address them. To assist monitoring by the Risk Management Committee, the General Affairs and Internal Control Department, Legal Department, Corporate Audit Department and Customer Relations Department held monthly meetings of the Integrated Risk Management Secretariat Association. In addition, the Integrated Risk Management Secretariat Association reported to the Board of Directors on serious incidents and responses to them, as set forth in the rules for reporting on serious incidents, and shared these reports with the Audit and Supervisory Board and other relevant bodies within the Company.

Evaluating the Board of Directors

The Company evaluated the effectiveness of the Board of Directors to determine whether it is properly fulfilling its oversight function, and to promote its ongoing improvement by identifying issues concerning the Board of Directors.

As a result, it was determined that the Company's Board of Directors is characterized by active discussion based on an appropriate composition and is properly performing its oversight function. Findings, however, also included issues concerning matters such as the setting of Board of Directors meeting agendas, the sharing of information with outside directors and Audit and Supervisory Board members, and the status of Corporate Governance Committee participation in Board of Directors meetings.

Evaluation Process

All directors and Audit and Supervisory Board members provide written responses to evaluation questions.

▼

Analysis and evaluation by the Corporate Governance Committee

▼

Confirmation of issues followed by discussion of responses by the Board of Directors

Directors and Audit and Supervisory Board Members

Directors

Kiomi Kobayashi
Representative Director and
Chief Executive Officer
Chief AUTOBACS Chain Officer

Teruyuki Matsumura
Director and Senior Managing
Executive Officer,
Eastern Japan Region Headquarters

Isao Hirata
Director and Senior Managing
Executive Officer,
Corporate Planning and IR & PR
and Information Technology
Strategy

Naoyuki Koyama
Director and Senior Managing
Executive Officer,
Vice Chief AUTOBACS Chain
Officer and Marketing

Eiichi Kumakura
Director and Senior
Executive Officer,
Western Japan Region
Headquarters

Yugo Horii
Director and Senior
Executive Officer,
Overseas Business

Noriaki Shimazaki
Director (Outside, independent)

Hatsuo Odamura
Director (Outside, independent)

Yoshiko Takayama
Director (Outside, independent)

Audit and Supervisory Board Members

Kozo Sumino
Audit and Supervisory
Board Member (Full-time)

Toshiki Kiyohara
Audit and Supervisory
Board Member
(Full-time, outside, independent)

Tomoaki Ikenaga
Audit and Supervisory
Board Member
(Outside, independent)

Yuji Sakakura
Audit and Supervisory
Board Member
(Outside, independent)

AUTOBACS Chain Store Formats and Network

Domestic
(As of March 31, 2016)

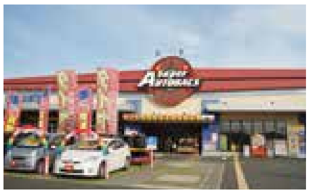
AUTOBACS

Position	Standard-type store
Annual sales per store	Approx. ¥0.4 billion
Floor space:	From 400m²
Commercial area	5 km radius

Super AUTOBACS Type I

Position	Large format store (Flagship store)
Annual sales per store	Approx. ¥1.7 billion
Floor space:	From 1,650m²
Commercial area	20 km radius

Super AUTOBACS Type II



Position	Large format store
Annual sales per store	Approx. ¥0.8 billion
Floor space:	From 990m²
Commercial area	10 km radius

AUTOBACS Secohan Ichiba

AUTOBACS Secohan Ichiba deals in used automotive goods, which are purchased from customers at AUTOBACS Chain stores and resold to retail customers. It also handles outlet products from manufacturers.

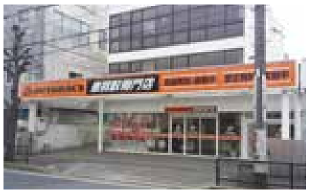
AUTOBACS EXPRESS

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

AUTOBACS CARS Stand-alone Stores

AUTOBACS CARS Stand-alone Stores specialize in purchasing used cars and selling new and used cars. Customers can come to sell or buy a car, and staff will even go to the customer's location to appraise and purchase a car. These stores also offer services in collaboration with nearby AUTOBACS stores.

AUTOBACS Used Car Purchase Store



AUTOBACS Used Car Purchase Stores specialize in purchasing used cars. Smaller than traditional AUTOBACS stores and with fewer staff, these stores are opened in urban areas where AUTOBACS has had no presence to date.

Overseas
(As of March 31, 2016)

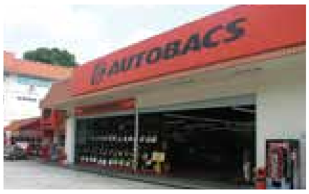
France

Stores operated by consolidated subsidiary	9
Stores operated by franchisees	2

Thailand

Stores operated by consolidated subsidiary	6

Singapore



Stores operated by consolidated subsidiary	3

Taiwan

Stores operated by franchisees	6

Malaysia

Stores operated by consolidated subsidiary	3
Stores operated by franchisees	2

Indonesia

Stores operated by franchisees	2

Number of Stores

	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Domestic	**530**	**552**	**571**	**586**	**599**
AUTOBACS	431*	455	478	492	498
Super AUTOBACS Type I	6	6	6	6	6
Super AUTOBACS Type II	70	70	69	69	69
AUTOBACS Secohan Ichiba	18	14	10	10	9
AUTOBACS EXPRESS	5	7	8	8	12
AUTOBACS CARS Stand-alone Store	–	–	–	1	3
AUTOBACS Used Car Purchase Store	–	–	–	–	2
Overseas	**27**	**27**	**27**	**27**	**33**
Total	**557**	**579**	**598**	**613**	**632**

*Includes one Auto Hello!!es store.

Corporate Profile/Share Information

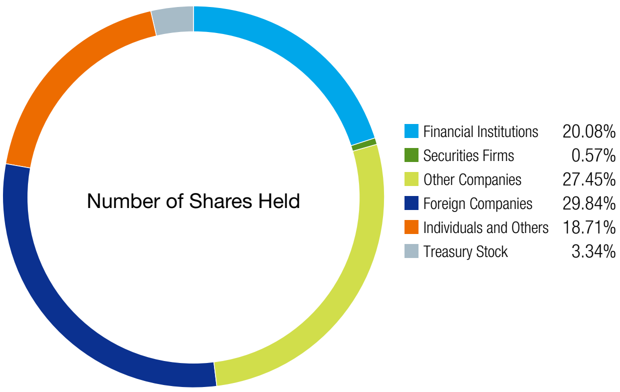
Corporate Profile (As of March 31, 2016)

Name	AUTOBACS SEVEN Co., Ltd.
Headquarters	6-52, Toyosu 5-chome, Koto-ku, Tokyo, Japan
Date of Foundation	August 1948
Paid-in Capital	¥33,998 million
Number of Employees (Consolidated)	4,347
Main Business Offices	East Japan Sales Headquarters (Ichikawa, Chiba) West Japan Sales Headquarters (Kita-ku, Osaka City) East Japan Logistics Center (Ichikawa, Chiba) West Japan Logistics Center (Miki, Hyogo)

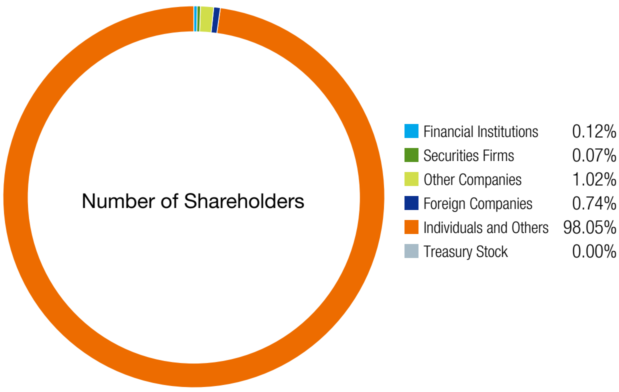
Share Information (As of March 31, 2016)

Total Number of Authorized Shares	328,206,900 shares
Common Stock Issued	86,950,105 shares (including 2,905,496 of treasury stock)
Number of Shareholders	37,013
Share Trading Unit	100 shares
Stock Listings	First Section of the Tokyo Stock Exchange
Independent Auditor	Deloitte Touche Tohmatsu LLC
Transfer Agent	The Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku

Breakdown of Shareholders (by Size of Shareholding)



Breakdown of Shareholders (by Type)

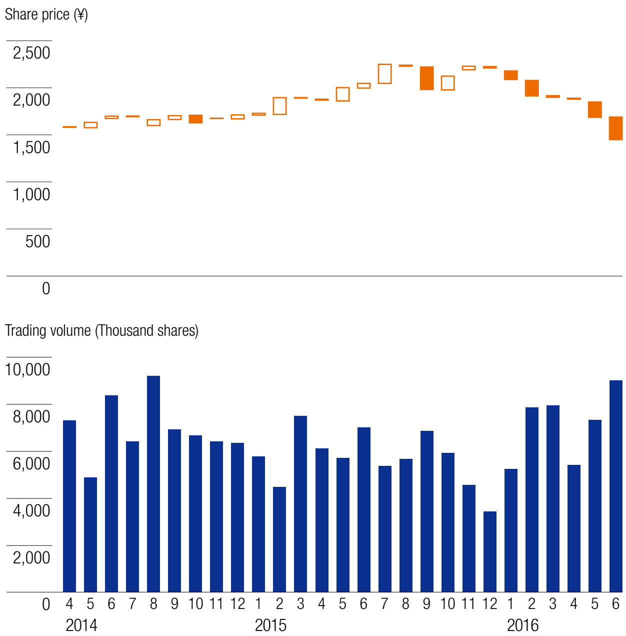


Major Shareholders

Name	Number of Shares Held (Thousand shares)	Shareholding Ratio (%)
Northern Trust Company (AVFC) Re Silchester International Investors International Value Equity Trust	6,471	7.69
Sumino Holdings, Ltd.	6,268	7.45
The Yuumi Memorial Foundation for Home Health Care	3,990	4.74
Northern Trust Company (AVFC) Re U.S. Tax Exempted Pension Funds	3,786	4.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,578	4.25
K Holdings, Ltd.	2,800	3.33
Northern Trust Company (AVFC) Account Non-treaty	2,277	2.70
Japan Trustee Service Bank, Ltd. (Trust Account)	2,233	2.65
Live Field Co., Ltd.	2,000	2.37
The Master Trust Bank of Japan, Inc. (Retail Trust account 820079252)	1,800	2.14

Notes:
1. The shareholding ratio is calculated by deducting treasury shares from the total number of shares with voting rights.
2. Holdings of less than 1,000 shares have been omitted from the number of shares owned, and the shareholding ratio is rounded down to two decimal places.

Share Price



Note: A 3-for-1 stock split was implemented on April 1, 2013. Figures predating this stock split have been adjusted to reflect its impacts.

AUTOBACS SEVEN CO., LTD.

IR & PR Department, AUTOBACS SEVEN Co., Ltd.

NBF Toyosu Canal Front, 6-52, Toyosu 5-chome, Koto-ku, Tokyo, 135-8717
PHONE: +81-3-6219-8718
FAX: +81-3-6219-8762
E-mail: investors@autobacs.com
URL: http://www.autobacs.co.jp/en/

Financial Section 2016

Contents

Consolidated Six-Year Summary

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

Millions of yen, except per share data

Fiscal year ended on March 31 for each displayed year	2016	2015	2014	2013	2012	2011
FISCAL YEAR						
Net sales:						
Tires and wheels	49,295	53,713	58,243	56,351	¥55,348	51,416
Car electronics	33,938	33,090	40,700	44,490	58,135	59,849
Oil and batteries	24,550	24,309	26,142	25,568	24,406	24,566
Car exterior goods	22,145	22,442	24,669	24,054	23,000	23,868
Car interior goods	15,979	19,936	22,752	23,481	21,735	21,540
Motor sports goods	12,324	12,894	13,775	14,040	13,516	14,451
Services	20,143	17,573	20,061	19,249	18,462	17,506
Others	29,769	25,498	25,355	22,931	22,736	23,155
Total	208,143	209,455	231,697	230,168	237,343	236,351
Operating income	6,702	6,404	13,945	12,745	13,721	11,989
Income before income taxes and minority interests	7,559	9,053	16,086	13,915	15,217	11,501
Net income attributable to owners of the parent	4,372	4,610	9,786	7,590	8,403	6,180
Dividends paid	5,117	5,910	4,949	4,762	4,707	4,557
Consolidated dividend payout ratio	117.6%	113.6%	59.4%	64.0%	57.3%	75.9%
Amount of share buyback	5,249	5,054	4,593	7,196	5,464	5,233
Total return ratio	238.3%	222.2%	105.8%	158.2%	121.6%	159.5%
Return on sales	2.1%	2.2%	4.2%	3.3%	3.5%	2.6%
Return on equity	3.2%	3.3%	6.8%	5.3%	5.7%	4.1%
Return on assets	2.4%	2.5%	4.8%	3.6%	3.9%	3.0%
Per share data (Yen):						
Basic net income *	¥51.6	¥52.8	¥ 107.71	¥81.22	¥84.28	¥59.32
Cash dividends	60.00	60.00	64.00	52.00	48.33	45.00
Net cash provided by (used in) operating activities	10,565	11,829	12,072	10,741	¥20,845	¥15,375
Net cash (used in) provided by investing activities	(4,985)	(2,403)	1,519	(4,523)	(10,156)	(5,002)
Net cash (used in) provided by financing activities	(11,154)	(12,618)	(11,166)	(14,862)	(11,574)	(11,790)
Capital expenditures	5,896	6,127	4,820	6,249	7,691	3,187
Depreciation and amortization	4,013	4,805	4,551	5,194	4,644	4,798
AT YEAR-END						
Cash and cash equivalents	36,759	42,218	45,384	42,833	51,402	¥52,317
Current assets	107,655	113,425	126,709	127,203	141,612	133,031
Current liabilities	35,482	34,530	44,034	45,021	55,650	40,649
Current ratio	303.4%	328.5%	287.8%	282.5%	254.5%	327.3%
Total assets	180,455	186,532	201,481	205,527	217,949	207,795
Equity	131,456	138,338	143,979	142,862	145,626	147,505
Equity ratio	72.8%	74.2%	71.5%	69.5%	66.8%	71.0%
Total number of stores	632	611	598	579	557	538
Of which, overseas stores	33	27	27	27	27	25
Number of employees	4,347	4,263	4,466	4,678	4,469	4,459

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

Review of Fiscal 2016

OPERATIONAL REVIEW

THE AUTOBACS CONSOLIDATED GROUP

The AUTOBACS Consolidated Group ("the Group") consists of AUTOBACS SEVEN Co., Ltd. ("the Company"), 33 subsidiaries, and 8 affiliates accounted for by the equity method. The Group is mainly engaged in the wholesale and retail sales of automotive goods and accessories in Japan and other countries, as well as safety inspection and maintenance services, purchase and sales of automobiles, and loan and credit services. The Group also provides services for franchisee companies, including money-lending, store equipment leasing, consulting, back-office agency work, and IT support, as well as casualty insurance services.
In the automotive goods business, the Group's main store brands are AUTOBACS, Super AUTOBACS, AUTOBACS Secohan Ichiba, and AUTOBACS EXPRESS. In the automobile purchase and sales business, its brand is AUTOBACS C@RS (CARS).

Sales by Business Category

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

• Wholesale Operations

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

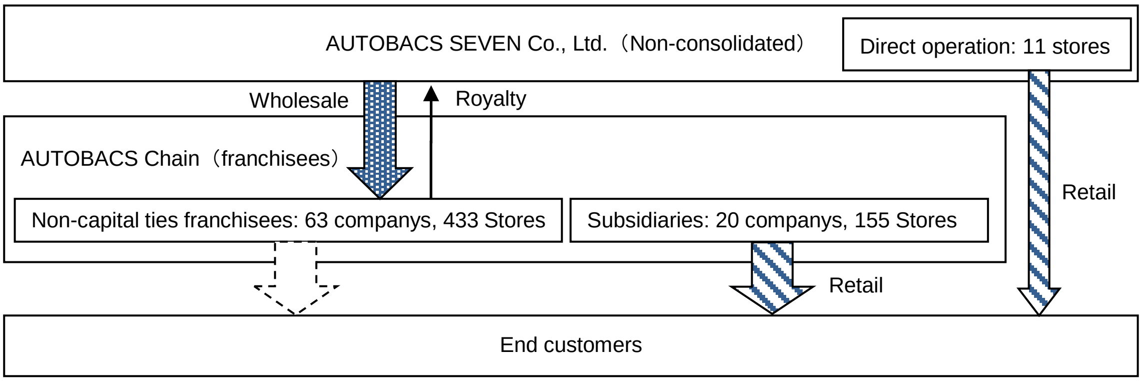
• Retail Operations

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

• Others

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

Basic business flow of domestic AUTOBACS chain in Japan (End of March, 2016)



Number of Stores Included or not Included in Consolidation

	Stores 2016		2015	
Stores included in consolidation (retail operations)				
Directly managed stores	**11**		6	
Consolidated subsidiaries (of which, overseas)	**179**	**(24)**	173	(18)
Subtotal	**190**	**(24)**	179	(18)
Stores not included in consolidation				
Stores managed by franchisees, including stores of affiliates (of which, overseas)	**442**	**(9)**	432	(9)
Total stores (of which, overseas)	**632**	**(33)**	611	(27)

Franchise System

• Franchise Contracts

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

• Royalties

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

• Store Land and Buildings

Much of the land and buildings occupied by the entire AUTOBACS Chain (“the Chain”) are not owned by the Company. In many cases, the franchisee or the landowner constructs a building on the land, and the property is then rented by the franchisee or the Company under a rental agreement. In cases where the landowner constructs the building, the Company provides a rental deposit to the landowner. This is because buildings constructed to AUTOBACS’ specifications cannot easily be adapted for other purposes. (For more details, please see Rental Deposits on page 35.)

Sales by Store Type in Japan

¥ million; Stores

		2016	2015
AUTOBACS	Sales	166,849	171,868
	Stores	498	491
Super AUTOBACS	Sales	63,708	65,855
	Stores	75	75
AUTOBACS C@RS*	Sales	26,673	22,980
	Stores	480	451
AUTOBACS Secohan Ichiba	Sales	1,414	1,449
	Stores	9	10
AUTOBACS EXPRESS	Sales	3,804	4,136
	Stores	12	8
Total Sales	Sales	262,450	266,290
	Stores	594	584

*Sales of AUTOBACS C@RS basically consist of the sales of new and used cars sold from stores of AUTOBACS Chain. Those sales include retail sales to end user, sales to franchiser (FC headquarters) and sales to the used car dealers.

Analysis of Operating Environment

Japan’s market for automotive parts and accessories has been shrinking since around fiscal 1997. It is estimated that retail sales in this market totaled ¥3,057 billion in fiscal 1997. In fiscal 2014, this market was estimated falling to approximately ¥1,767 billion*. This market shrinkage has stemmed mainly from reasons as follows.

1. Increased efforts by automakers to offer new vehicles with various equipment and accessories as standard features.
2. Fall in average selling prices of car electronics goods, such as car navigation system.
3. Decrease in average selling prices and prolonged replacement cycle of car parts, due mainly to downsizing and improved performance of automobile itself.
4. Declining of motor sports goods market, due to decrease in number of sports cars and diversification of young people’s hobbys and interests.

These tendency of market shrinkage will be continue more or less a few percent per year, however, domestic statutory inspection and maintenance market in 2015**was ¥ 2,188 billion, increased 1.0% year on year, and domestic sales of used car in 2015 *** was 5,620 thousand vehicles, decreased 0.4% year on year. Both two markets had been larger than automotive parts and accessories market.

* Reference: AM+NETWORK, August 2001 issues. Figure of fiscal 2015 is estimated by the Company.

** Japan Automobile Service Promotion Association

*** Japan Automobile Dealers Association, Japan Mini Vehicles Association

FISCAL 2016—OVERVIEW AND ACHIEVEMENTS

Performance Overview

Regarding the domestic economy during the consolidated fiscal year under review, corporate earnings were on course toward improvement on the back of the economic policies of the government, but uncertain conditions remained as a global economic slowdown became conspicuous in the second half of the year. As for domestic consumption of automotive goods and services, conditions were harsh as sales of new and used cars continued to slump from the beginning of the year as well as the overall sluggish demand due to the impact of a record warm winter.

Overview of the Domestic AUTOBACS Chain Business

For the consolidated fiscal year under review, total sales for domestic businesses in the AUTOBACS chain (including franchise outlets) declined by 2.3% year on year on a same-store basis and by 1.5% year on year on an overall-store basis.

The domestic AUTOBACS chain worked on providing highly convenient products by expanding the product lineup of the private brand AQ.

(Autobacs Quality), which was launched last year, in categories including oil, tires, car interior items and car electronics products. It also focused efforts on initiatives to help all drivers remain connected to stores, such as a nationwide announcement on the benefits of getting free labor for eight types of maintenance services as a maintenance member, and the provision of information on the sales of automotive goods and services, statutory safety inspection and maintenance services, and automobile purchase and sales.

Sales of automotive goods and services decreased due to waning demand for car navigation devices, interior accessories and other merchandise resulting from sluggish domestic sales of vehicles, despite reinforced sales of featured products such as car video recorders. Furthermore, sales of winter products, such as snow tires, wheels and chains, decreased due to the impact of a record warm winter during the third quarter, although there was snowfall in urban areas after the middle of January.

In the statutory safety inspection and maintenance services segment, the number of vehicles that underwent statutory safety inspection and maintenance services increased by 2.7% year on year, to approximately 604,000. This was primarily due to efforts that involved approaching customers in stores as well as taking appointments over the phone and the Internet

In the automobile purchase and sales segment, sales to used car dealers, through auto auctions, grew, owing to an increase in the number of purchased vehicles as a result of nationwide TV ads launched in line with the increase in the number of C@RS franchise stores, along with the improved appraisal process utilizing the patented “Satei Doctor.” system. Sales of both new and used cars to consumers exceeded the results of the previous year, resulting in a year-on-year increase of 13.3%, to approximately 27,000 units. Furthermore, two AUTOBACS Used Car Purchase Stores were opened in March to help bolster car purchases. The number of C@RS franchise stores as of March 31, 2016, was 480, up from 451 as of the end of the previous fiscal year.

In terms of the number of domestic store openings and closings, eighteen new stores were opened, seven stores were affected by the scrap-and-build strategy and relocation, and five stores were closed. As a result, the total number of stores stood at 599 as of the end of March 2016.

*AUTOBACS and Super AUTOBACS and AUTOBACS C@RS and AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS

Domestic Store Consolidation

	Stores							
		Year Ended March 2016						
		First Half			Second Half			
	March 31, 2015	New stores	S&B* relocation	Stores closed	New stores	S&B* relocation	Stores closed	March 31, 2016
AUTOBACS	492	+7	+4/−4	−1	+3	+3/−3	−3	**498**
Super AUTOBACS	75							**75**
AUTOBACS Secohan Ichiba	10			−1				**9**
AUTOBACS EXPRESS	8	+2			+2			**12**
AUTOBACS C@RS Independent Store	1	+1			+1			**3**
AUTOBACS Car Purchase Speciality Store	−				+2			**2**
Total (Domestic)	584	+7	+4/−4	−2	+8	+3/−3	−3	**599**

* S&B: scrap and build

Progress of the AUTOBACS 2014 Medium-Term Business Plan

In the domestic AUTOBACS business, the Company worked on initiatives to expand the numbers of maintenance members and statutory safety inspection services. It positioned them as the most important measures, with a view of establishing the relationship that makes drivers feel connected to stores.

In regards to expanding the number of maintenance members and achieving the goal of 3,000,000 members, the Company used direct mail and receipt coupons to encourage point card members to switch and become maintenance members. In addition, to increase the number of new members, it created a floor area for selling cards at all stores and approached customers to tell them about maintenance membership. At the same time, it enhanced the lineup of special price products, especially oil, for maintenance members. As a result, the number of members increased by approximately 400,000 from the beginning of the year to approximately 2,400,000 million at the end of March 2016, despite the decrease due to valid memberships that expired.

As for increasing the number of statutory safety inspection services to achieve the goal of inspecting 800,000 vehicles during fiscal 2017, the Company strengthened initiatives aimed at improving the rate of repeat customers who had car inspected at an AUTOBACS store. As a result, the number of appointments for the next statutory safety inspections increased to approximately 230,000 by the end of March 2016. The Company also worked on strengthening the capacity of implementing statutory safety inspections at stores, such as securing a sufficient number of qualified mechanics and raising the level of operational efficiency for statutory safety inspections at stores.

As part of its efforts to raise the level of convenience for customers by promoting the use of multiple channels, the Company strengthened the degree of coordination between channels, such as stores, the Internet, apps and phone inquiries, from the perspective of reservations, such as the implementation of trial reservations for a tire change, improvement in reservations for an oil change, and the expansion of the lineup of products for which installation can be reserved through e-commerce websites. As a result of these initiatives, the number of reservations for an oil change increased by 27% year on year, demonstrating a certain degree of achievement.

In regards to purchase and sales of automobiles, the Company worked to strengthen purchase operations by focusing on purchasing vehicles in existing C@RS franchise stores and opening its first AUTOBACS Used Car Purchase Store in March 2016. It also sought to accumulate expertise by relocating some staff members of the headquarters to stores, while strengthening the purchase and sales capabilities.

In conjunction with the improvement in revenues of domestic store subsidiaries, the Company strengthened its management of sales focused on tires, conducted inventory management trials at some stores in order to rationalize inventory, and achieved results that could be adapted to other stores in the next fiscal year. These measures contributed significantly to the improvement of the gross margin in the first half of fiscal 2015. However, the gross margin for the full year stood at around the same level as one year earlier, primarily reflecting the weak sales of winter products in the second half.

In overseas business, the Company aggressively developed new businesses in predominantly the ASEAN region. In Malaysia, it opened three stores, specifically region-based small stores, through its local subsidiary, and sought to raise the recognition of AUTOBACS brand and establish store models. In Indonesia, two stores were opened by forming an alliance with a local company. In the Philippines, the Company will implement multi-store development programs and the wholesales of automotive products, following the capital and business alliance made with a local company in January 2016.

As for new domestic businesses, revenue increased because the number of cars sold and sales in services expanded in the BMW dealership business, which is operated by Autoplatz K.K., and the MINI dealership business, which is operated by Autoplatz Motors, the shares of which were acquired by the Company in April 2015.

The Company will revise the 2014 Mid-Term Business Plan in which it had set forth the operating income target of 15 billion yen and ROE target of 8% on a consolidated basis. The reason for this revision is that Company believes the targets are not likely to be met in the fiscal year ending March 31, 2018.

FINANCIAL REVIEW

1. INCOME AND EXPENSES

Net Sales, Gross Profit

In fiscal 2016, ended March 31, 2016, consolidated net sales amounted to ¥208,143 million decreased by 0.6% from fiscal March 2015. Gross profit was ¥66,968 million, down by 13.0% from a year earlier as a result of decline of gross margin of car goods, especially oil, battey and motor sports goods due to sales decrease of those products. However, the gross margin improved from 31.9% to 32.2%.

SG&A Expenses, Operating Income

Selling, general, and administrative (SG&A) expenses decreased by 0.4% to ¥60,266 million. Operating income increased by 4.6% to ¥6,404 million.

	¥ Million		
	2016	2015	Increase (Decrease)
Personnel expenses	**28,551**	28,599	(48)
Employee compensation	**22,734**	22,696	38
Sales promotion expenses	**10,930**	11,004	(74)
Equipment expenses	**11,244**	11,387	(143)
Land and building rent	**5,350**	5,160	190
Depreciation	**3,367**	3,725	(358)
Administrative expenses	**9,539**	9,509	30
Provision for allowance for doubtful receivables	**32**	118	(86)
Total	**60,266**	60,499	(233)

Personnel expenses decreased by 0.2% to ¥28,551 million. This change was mainly due to a decrease in retirement benefit expenses, although increase of salary associated with takeover of stores of non-consolidated franchisee company.

Sales promotion expenses decreased by 0.7% to ¥10,930 million. This was mainly due to decrease of sales promotion expenses by reconsidering of promotion methods.

Equipment expenses decreased by 1.3% to ¥11,244 million. This was mainly attributable to change in the methods for calculating depreciation from the declining-balance methods to the straight-line method.

Administrative expenses increased by 0.3% to ¥9,539 million. There was no special factor for the change.

Number of Employees by Segment

	Number of Employees				
	2016		2015		Increase (Decrease)
The Company	**935**	**(35)**	1,049	(27)	(114)
Domestic Store Subsidiaries	**2,565**	**(824)**	2,446	(824)	119
Overseas Subsidiaries	**545**	**(1)**	539	(0)	6
Subsidiaries for Car Goods Supply and Other	**229**	**(44)**	156	(38)	73
Subsidiaries for Supporting Functions	**73**	**(21)**	73	(21)	0
Total	**4,347**	**(928)**	4,263	(910)	84

Note: These figures show the number of regurar full-time employees, and part-time workers are indicated in ( ).

Other Income and Expenses

In other items, other income—net was ¥857 million, decreased from ¥2,649 million in the previous fiscal year. The main factor behind this was a decrease due to impairment loss on the land and buildings of domestic stores, although an increase due to gain on sale of investment securities.

Income Taxes

Income taxes for the period were ¥3,207 million.

Net Income Attributable to Owners of the Parent

Net income attributable to owners of the parent decreased by 5.2% from the previous year to ¥4,372 million, bringing basic net income per share to ¥51.6. Financial indicators all worsened; net income ratio declined from 2.2% in the previous year to 2.1%, ROA declined from 2.5% to 2.4%, and ROE declined from 3.3% in the previous year to 3.2%.

2. SEGMENT INFORMATION

The Group's segments are as follows:

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

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

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

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

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

Relationship between Segments and Segmental Sales

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

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

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

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

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

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

Profits and Losses by Segments in fiscal 2016

Non-consolidated

Sales fell by 5.1% year on year, to 158,288 million yen. Specifically for the third quarter, wholesale sales declined in part due to a decline in winter products in domestic stores. Gross profit dropped by 6.1% year on year to 32,570 million yen as a result of the sales decline, although the gross margin remained at around the same level as the previous year, mainly as a result of initiatives in automotive goods aimed at improving gross profit. Selling, general, and administrative expenses declined by 1.3% year on year, to 25,496 million yen, reflecting the decreased depreciation costs following a change in the method for calculating depreciation from the declining-balance method to the straight-line method and cost-cutting measures such as the review of advertising methods, despite the increases in expenses associated with the renovation of store systems and the Western Japan Logistics Center. As a result of such factors, operating income declined by 19.9% year on year to 7,074 million yen.

Domestic Store Subsidiaries

Sales grew by 1.0% to 68,550 million yen, while the operating loss improved by 950 million yen year on year, to 975 million yen. Sales of automotive goods, such as tires, fell from a year earlier substantially due to record warm temperatures in the winter during the third quarter, although there were increases in sales associated with snowfall in the fourth quarter as well as the transfer of stores from franchise companies. Gross profit grew year on year primarily as a result of changes in the sales composition of products and initiatives aimed at improving the gross margin. Selling, general, and administrative expenses decreased as a result of a cut in costs from efforts made in sales promotion expenses and other controllable expenses, which offset an increase in expenses associated with the transfer of stores from franchise companies.

Overseas Subsidiaries

Sales fell by 8.8% year on year, to 9,104 million yen. Operating income improved year on year to 31 million yen (operating loss of 178 million yen for the same period of the previous fiscal year). Looking at the state of each country on a local currency basis, in France, operating income was sustained as the gross margin increased with stronger sales of high-margin items such as oil and services, and initiatives aimed at improving gross profit and revitalize inventory, despite the decline in the number of customers following the terrorist attack in Paris in November. In Thailand, sales decreased following the closure of unprofitable stores in the previous year, even though one store opened and another store opened due to relocation. That said, operating loss improved from a year earlier as a result of the improved gross margin and cost-controlling measures. In Singapore, the gross margin improved as a result of a rise in the percentage of sales in services, but operating income decreased due to a decline in sales and increase in expenses. In China, operating income improved and profitability was restored due to the trade business of automotive products doing well as well as the impact of cost-cutting efforts. In Malaysia, efforts are being made to raise the level of brand recognition for AUTOBACS bland, with three stores opened as local subsidiaries.

Opening and Closing of Stores Overseas

	Stores			
	Year Ended March 2016			
	March 31, 2015	First Half	Second Half	March 31, 2016
France	11			11
Taiwan	6			6
Thailand	5	1	0	6
Singapore	3			3
Malaysia	2	1	2	5
Indonesia	0	1	1	2
Total	27	−2	2	33

Subsidiaries for Car Goods Supply and Others

Sales increased by 38.1% year on year to 21,263 million yen, while operating income declined by 65.3% to 18 million yen. The result was due to a decline in wholesale sales of existing automotive goods, in addition to an increase in expenses, despite an increase in sales from Autoplatz K.K., an authorized BMW dealership, and Autoplatz Motors, an authorized MINI dealership, which were made subsidiaries of the Company in April.

Subsidiaries for Supporting Functions

Sales rose by 5.0% year on year, to 3,205 million yen, primarily due to an increase in sales from the lease of store equipment to franchise companies, while operating income fell by 6.8% year on year, to 401 million yen.

Information about Sales and Profit (Loss)

¥ Million

	Year Ended March 2016					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Others	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	117,095	67,339	8,785	13,974	950	208,143
Intersegment sales or transfers	41,193	1,211	319	7,289	2,255	52,267
Total	158,288	68,550	9,104	21,263	3,205	260,410
Segment profit	7,075	(975)	31	18	401	6,550

Details of Adjustments to Consolidated Operating Income

The adjusted amount from the aggregate amount of the operating income of all segments to the consolidated operating income was up 152 million yen. This was mainly attributable to the realization of unrealized profits as a result of a decrease in inventories for the products wholesaled from the Company to the domestic store subsidiaries.

Reconciliation of Published Figures and Aggregate of Reportable Segments

¥ Million

Net sales	2016	2015
Total reportable segments	260,410	263,145
Elimination of intersegment transactions	(52,267)	(53,690)
Net sales in consolidated financial statements	208,143	209,455

¥ Million

Operating Income	2016	2015
Total reportable segments	6,549	7,217
Amortization of goodwill	(133)	(191)
Inventories	206	(346)
Fixed assets	507	358
Allowance for point cards	(16)	(24)
Elimination of intersegment transactions	(480)	(451)
Others	67	(159)
Operating Income in consolidated financial statements	6,702	6,404

FINANCIAL POSITION

1. BALANCE SHEET ITEMS

Current Assets

Current assets decreased by ¥5,770 million year on year to ¥107,655 million. The main factors were decreases in cash and cash equivalents, and Lease assets.

Property and Equipment, Investments and Other Assets

The buildings and structures was ¥42,266 million, increased by ¥ 2,460 million year on year. This was due to increased in Buildings and structures of new store openings.

Total investments and other assets decreased by ¥2,767 million from the previous period to ¥30,534 million. Although, the company exchanged equipments and facilities in western Japan logistics center, however investment for softwares for strengthening of next generation store operation system decreased.

Current Liabilities

Total current liabilities were increased by ¥952 million to ¥35,482 million. The main factors in this were increase in short-term borroings and payables increased and decreases in current portion of long-term debt,.

Long-term Liabilities

Total long-term liabilities decreased by ¥223 million to ¥13,225 million. There were few changes and no special factors to be explained.

Equity

Total equity including minority interests decreased by ¥6,806 billion to ¥131,748 million. The main factors behind this were decrese in accumulated other comprehensive income by unrealized gain on available-for-sale securities..

2. SPECIAL ITEMS ON THE BALANCE SHEET

Investments in Lease

We lease store buildings and equipment to some franchisees, and record finance leases that are deemed not to transfer ownership to the lessee as investments in lease. Investments in lease for fiscal 2016 decreased by ¥1,269 million year on year to ¥9,730 million.

Rental Deposits

The Chain's stores are built to the specifications of AUTOBACS business and leased for periods of 15 or 20 years under an irrevocable lease. The Company pays the lessor part or all of the construction cost for a store as a rental deposit. Rental deposits at March 31, 2016 were down by ¥839 million from the previous year-end to ¥16,409 million.

CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥10,565 million. The main factors for gaining cash were income before income taxes of ¥7,559 million and increase in depreciation and amortization of ¥4,013 million. The main factors decreasing cash were decrease in income taxes paid of ¥3,451 million.

Cash Flows from Investing Activities

Net cash useded in investing activities was ¥4,985 million. The main factors for decrease were capital expenditures of ¥5,896 million and payments into time deposits of ¥820 million. Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a net inflow of ¥5,580 million.

Capital Expenditures

In fiscal 2016, capital expenditures amounted to ¥5,896 million. These investments were associated mainly with exchange of equipments and facilities of wetern Japan logistics center. A breakdown of capital expenditures (including intangible fixed assets) in fiscal 2016 is shown below.

Major Capital Expenditures in Fiscal 2016

	¥ Million
Opening new stores	1,103
Scrap and build or relocation of stores	319
Purchase of land for store locations	376
IT investments such as POS system development	1,164
Other	2,932
Total	5,895

Capital Expenditures by Segments

	¥ Million		
	2016	2015	Increase (Decrease)
The Company	**4,414**	5,166	1,094
Domestic Store Subsidiaries	**230**	266	46
Overseas Subsidiaries	**242**	146	38
Subsidiaries for Car Goods Supply and Others	**257**	176	151
Subsidiaries for Supporting Functions	**750**	374	(21)
Total	**5,896**	6,127	1,307

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

Cash Flows from Financing Activities

Net cash used in financing activities was ¥11,154 million. This was mainly due to ¥5,119 million for dividends paid, ¥5,249 million for purchase of treasury stock, ¥2,626 million for repayment of long-term debt.

As a result of the above, cash and cash equivalents at the fiscal year-end stood at ¥36,579 million, decreased by ¥5,639 million from a year earlier.

Basic Policy on Distribution of Profits, Dividends for Fiscal 2016 and Fiscal 2016

The Company positions shareholder returns as one of the most important management issues and makes efforts to increase its corporate value through sustainable profit growth. The Company's basic policy on profit distribution is to maintain the consolidated ratio of dividend on equity

(DOE) at 3% or higher while ensuring sufficient cash on hand for business continuity, taking into account the management environment, financial stability and earnings conditions.
For the fiscal year under review, the Company is distributing a year-end dividend of 30 yen per share as initially planned. Consequently, the annual dividend is 60 yen per share, and the consolidated ratio of dividend on equity (DOE) is 3.7%.
For the fiscal year ending March 31, 2016, the Company plans to distribute an annual dividend of 60 yen per share, with 30 yen per share each for intermediate and year-end dividends, by taking its dividend policy into consideration.
As of August 2016, the Company is reviewing "the 2014 midium term business plan" and reconsidering the policy for shareholders return

BUSINESS RISKS

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

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

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

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

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

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

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

(7) Natural Disasters
In regions where the Chain has stores and operational facilities, natural disasters, such as earthquakes and typhoons, could cause damage to Company facilities or harm to directors, officers, and employees. In such an event, the Group's business results could be affected by such factors as reduced sales and costs required to restore operations and recruit human resources. AUTOBACS SEVEN Co., Ltd. Annual Report 2012 10

(8) Franchisees

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

(9) Store Operations

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

(10) Exchange Rate Fluctuations

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

(11) Lawsuits

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

Consolidated Balance Sheet

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
March 31, 2016

ASSETS	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note 1) 2016
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	**¥36,579**	¥42,218	**$323,708**
Time deposits with an original maturity over three months (Note 16)	**473**	526	**4,186**
Receivables (Note 16):			
Trade notes and accounts	**18,858**	17,966	**166,885**
Associated companies	**857**	766	**7,584**
Other	**19,051**	19,721	**168,593**
Allowance for doubtful receivables	**(112)**	(61)	**(991)**
Investments in lease (Notes 4 and 16)	**9,730**	10,999	**86,106**
Inventories	**17,213**	16,799	**152,327**
Deferred tax assets (Note 14)	**2,320**	2,111	**20,531**
Prepaid expenses and other current assets	**2,686**	2,380	**23,770**
Total current assets	**107,655**	113,425	**952,699**
PROPERTY AND EQUIPMENT:			
Land (Notes 5 and 8)	**22,450**	22,073	**198,672**
Buildings and structures (Notes 5 and 8)	**42,127**	40,890	**372,805**
Furniture and equipment (Note 5)	**16,600**	17,426	**146,903**
Lease assets (lessee) (Note 15)	**405**	483	**3,584**
Construction in progress	**1,670**	733	**14,779**
Total	**83,252**	81,605	**736,743**
Accumulated depreciation	**(40,986)**	(41,799)	**(362,708)**
Net property and equipment	**42,266**	39,806	**374,035**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 16)	**4,120**	5,777	**36,460**
Investments in associated companies (Note 16)	**1,711**	1,783	**15,142**
Rental deposits and long-term loans (Notes 7 and 16)	**16,409**	17,248	**145,213**
Goodwill (Notes 5 and 6)	**852**	740	**7,540**
Software	**4,313**	4,987	**38,168**
Deferred tax assets (Note 14)	**1,103**	772	**9,761**
Other	**2,026**	1,994	**17,929**
Total investments and other assets	**30,534**	33,301	**270,213**
TOTAL	**¥180,455**	¥186,532	**$1,596,947**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 1) 2016
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 16)	**¥1,594**	¥800	**$14,106**
Current portion of long-term debt (Notes 8 and 16)	**1,053**	2,349	**9,319**
Payables (Note 16):			
Trade notes and accounts	**13,808**	12,772	**122,195**
Associated companies	**1,090**	1,110	**9,646**
Other	**10,157**	10,146	**89,885**
Income taxes payable (Note 16)	**1,885**	1,876	**16,681**
Accrued expenses	**2,725**	2,713	**24,115**
Allowance for business restructuring	**77**	82	**681**
Other current liabilities	**3,093**	2,682	**27,372**
Total current liabilities	**35,482**	34,530	**314,000**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 16)	**3,651**	3,711	**32,310**
Liability for retirement benefits (Note 9)	**209**	171	**1,850**
Rental deposits received (Note 7):			
Associated companies	**1,050**	1,151	**9,292**
Other	**5,846**	6,010	**51,734**
Deferred tax liabilities (Note 14)	**110**	103	**973**
Other liabilities (Note 10)	**2,359**	2,302	**20,876**
Total long-term liabilities	**13,225**	13,448	**117,035**
Total liabilities	**48,707**	47,978	**431,035**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 15)			
EQUITY (Notes 11 and 20)**:**			
Common stock, authorized, 328,207 thousand shares; issued, 86,950 thousand shares in 2016 and 89,950 thousand shares in 2015	**33,999**	33,999	**300,876**
Capital surplus	**34,299**	34,278	**303,531**
Retained earnings	**67,126**	72,859	**594,036**
Treasury stock at cost, 2,945 thousand shares in 2016 and 3,433 thousand shares in 2015	**(5,977)**	(5,700)	**(52,894)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 3)	**1,492**	2,225	**13,204**
Foreign currency translation adjustments	**517**	677	**4,575**
Total	**131,456**	138,338	**1,163,328**
Noncontrolling interests	**292**	216	**2,584**
Total equity	**131,748**	138,554	**1,165,912**
TOTAL	**¥180,455**	¥186,532	**$1,596,947**

Consolidated Statement of Income and Comprehensive Income

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
Year Ended March 31, 2016

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	2016
NET SALES (Note 12)	**¥208,143**	¥209,455	¥231,697	**$1,841,973**
COST OF GOODS SOLD	**141,175**	142,552	154,790	**1,249,336**
Gross profit	**66,968**	66,903	76,907	**592,637**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**60,266**	60,499	62,962	**533,327**
Operating income	**6,702**	6,404	13,945	**59,310**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**159**	185	189	**1,407**
Interest expense	**(45)**	(63)	(88)	**(398)**
Commission income	**340**	383	470	**3,009**
Impairment loss (Note 5)	**(463)**	(265)	(470)	**(4,097)**
Foreign exchange loss, net	**(10)**	(3)	(53)	**(89)**
Lease revenue—system equipment	**1,062**	1,395	1,292	**9,398**
Lease cost—system equipment	**(1,113)**	(1,177)	(1,158)	**(9,850)**
Other—net	**927**	2,194	1,959	**8,204**
Other income (expenses)—net	**857**	2,649	2,141	**7,584**
INCOME BEFORE INCOME TAXES	**7,559**	9,053	16,086	**66,894**
INCOME TAXES (Note 14):				
Current	**3,351**	4,174	4,311	**29,655**
Deferred	**(144)**	302	1,962	**(1,274)**
Total	**3,207**	4,476	6,273	**28,381**
NET INCOME	**4,352**	4,577	9,813	**38,513**
NET INCOME ATTRIBUTABLE TO :				
Owners of the parent	**4,372**	4,610	9,786	**38,690**
Noncontrolling interests	**20**	33	(27)	**177**
OTHER COMPREHENSIVE INCOME (Note 17)**:**				
Unrealized (loss) gain on available-for-sale securities	**(731)**	628	315	**(6,469)**
Foreign currency translation adjustments	**(147)**	93	499	**(1,301)**
Share of other comprehensive (loss) income of associates	**(26)**	7	2	**(230)**
Total other comprehensive (loss) income	**(904)**	728	816	**(8,000)**
COMPREHENSIVE INCOME	**¥3,448**	¥5,305	¥10,629	**$30,513**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	**¥3,479**	¥5,323	¥10,597	**$30,788**
Noncontrolling interests	**(31)**	(18)	32	**(275)**

	Yen			U.S.dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.S and 18)**:**				
Basic net income	**¥51.60**	¥52.83	¥107.71	**$0.46**
Cash dividends applicable to the year	**60.00**	60.00	64.00	**0.53**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
Year Ended March 31, 2016

	Thousands		Millions of yen								
							Accumulated Other Comprehensive Income				
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Non controlling Interests	Total Equity
BALANCE, APRIL 1, 2013	97,950	5,428	¥33,999	¥34,278	¥80,502	¥(7,231)	¥1,272	¥106	¥142,926	¥439	¥143,365
Net income attributable to owners of the parent					9,786				9,786		9,786
Retirement of treasury stock	(5,000)	(5,000)			(6,660)	6,660					
Purchase of treasury stock		3,003				(4,595)			(4,595)		(4,595)
Appropriations:											
Cash dividends, ¥54 per share					(4,949)				(4,949)		(4,949)
Net changes of items							317	494	811	(55)	756
BALANCE, MARCH 31, 2014	92,950	3,431	33,999	34,278	78,679	(5,166)	1,589	600	143,979	384	144,363
Net income attributable to owners of the parent					4,610				4,610		4,610
Retirement of treasury stock	(3,000)	(3,000)			(4,520)	4,520					
Purchase of treasury stock		3,002				(5,054)			(5,054)		(5,054)
Appropriations:											
Cash dividends, ¥67 per share					(5,910)				(5,910)		(5,910)
Net changes of items							636	77	713	(168)	545
BALANCE, MARCH 31, 2015	89,950	3,433	33,999	34,278	72,859	(5,700)	2,225	677	138,338	216	138,554
Net income attributable to owners of the parent					4,372				4,372		4,372
Retirement of treasury stock	(3,000)	(3,000)			(4,988)	4,988					
Purchase of treasury stock		2,512				(5,265)			(5,265)		(5,265)
Appropriations:											
Cash dividends, ¥60 per share					(5,117)				(5,117)		(5,117)
Change in treasury shares of parent arising from transactions with noncontrolling shareholders				21					21		21
Net changes of items							(733)	(160)	(893)	76	(817)
BALANCE, MARCH 31, 2016	86,950	2,945	¥33,999	¥34,299	¥67,126	¥(5,977)	¥1,492	¥517	¥131,456	¥292	¥131,748

	Thousands of U.S. dollars (Note 1)								
					Accumulated Other Comprehensive Income				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Non controlling Interests	Total Equity
BALANCE, MARCH 31, 2015	$300,876	$303,345	$644,770	$(50,442)	$19,690	$5,991	$1,224,230	$1,912	$1,226,142
Net income attributable to owners of the parent			38,690				38,690		38,690
Retirement of treasury stock			(44,142)	44,142					
Purchase of treasury stock				(46,594)			(46,594)		(46,594)
Appropriations:									
Cash dividends, $0.53 per share			(45,282)				(45,282)		(45,282)
Change in treasury shares of parent arising from transactions with noncontrolling shareholders		186					186		186
Net changes of items					(6,486)	(1,416)	(7,902)	672	(7,230)
BALANCE, MARCH 31, 2016	$300,876	$303,531	$594,036	$(52,894)	$13,204	$4,575	$1,163,328	$2,584	$1,165,912

See notes to consolidated financial statement.

Consolidated Statement of Cash Flows

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
Year Ended March 31, 2016

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2016	2015	2014	**2016**
OPERATING ACTIVITIES:				
Income before income taxes	**¥7,559**	¥9,053	¥16,086	**$66,894**
Adjustments for:				
Income taxes paid	**(3,451)**	(4,092)	(4,939)	**(30,540)**
Depreciation and amortization	**4,013**	4,805	4,551	**35,513**
Impairment loss	**463**	265	470	**4,097**
(Decrease) increase in allowance for business restructuring	**(5)**	(113)	6	**(44)**
Gain on sale of investment securities	**(309)**	(659)	(134)	**(2,735)**
Gain on sales of stocks of subsidiaries and affiliates		(402)		
Litigation settlement paid			(859)	
Changes in operating assets and liabilities:				
(Increase) decrease in receivables	**(42)**	9,241	(6,925)	**(372)**
Decrease in investments in lease	**1,060**	1,253	269	**9,381**
(Increase) decrease in inventories	**(83)**	(468)	436	**(734)**
Increase (decrease) in other payables and accruals	**728**	(4,733)	(4,188)	**6,443**
Other	**632**	(2,321)	7,299	**5,593**
Net cash provided by operating activities	**10,565**	11,829	12,072	**93,496**
INVESTING ACTIVITIES:				
Payments into time deposits	**(820)**	(1,063)	(1,278)	**(7,257)**
Proceeds from withdrawal of time deposits	**851**	808	6,408	**7,531**
Capital expenditures	**(5,896)**	(6,127)	(4,820)	**(52,177)**
Proceeds from sales of fixed assets	**20**	1,361	22	**177**
Acquisition of investment securities	**(1)**	(1)	(1)	**(9)**
Disposition of investment securities	**886**	2,044	1,146	**7,841**
Payments for advances and rental deposits	**(300)**	(572)	(435)	**(2,655)**
Collection of advances and rental deposits	**531**	499	838	**4,699**
Purchase of affiliates’ stock		(251)	(387)	
Proceeds from acquisition of subsidiaries’ stock resulting in change in scope of consolidation	**29**			**257**
Proceeds from sales of subsidiaries’ stock resulting in change in scope of consolidation		545		
Payments for acquisition of subsidiaries’ stock resulting in change in scope of consolidation	**(170)**			**(1,504)**
Other	**(115)**	354	26	**(1,018)**
Net cash (used in) provided by investing activities	**(4,985)**	(2,403)	1,519	**(44,115)**
FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings	**733**	591	(433)	**6,487**
Repayment of long-term debt	**(2,626)**	(4,203)	(1,588)	**(23,239)**
Proceeds from long-term debt	**1,010**	2,030	520	**8,938**
Purchase of treasury stock	**(5,249)**	(5,052)	(4,593)	**(46,451)**
Dividends paid	**(5,119)**	(5,909)	(4,949)	**(45,301)**
Other	**97**	(75)	(123)	**858**
Net cash used in financing activities	**(11,154)**	(12,618)	(11,166)	**(98,708)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(65)**	25	126	**(576)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(5,639)**	(3,167)	2,551	**(49,903)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**42,218**	45,385	42,833	**373,611**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥36,579**	¥42,218	¥45,384	**$323,708**
ACQUISITION OF SUBSIDIARIES:				
Fair value of assets acquired	**¥312**			**$2,761**
Liabilities assumed	**(104)**			**(920)**
Goodwill	**31**			**274**
Acquisition cost	**239**			**2,115**
Cash and cash equivalents held by subsidiaries	**69**			**611**
Cash paid for capital	**¥(170)**			**$(1,504)**
SALES OF SUBSIDIARIES:				
Assets by sales		¥580		
Liabilities by sales		(402)		
Gain on sales of subsidiarie’s stocks		402		
Sales cost		580		
Cash and cash equivalents held by subsidiaries		(35)		
Cash received for sales		¥545		

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

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

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

In addition, certain reclassifications and rearrangements have been made in the consolidated financial statements for the years ended March 31, 2015 and 2014, to conform to the classifications and presentations used in the consolidated financial statements for the year ended March 31, 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥113 to $1, the approximate rate of exchange on March 31, 2016. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

A. CONSOLIDATION POLICY

The consolidated financial statements of March 31, 2016, include the accounts of the Company and all subsidiaries (33 in 2016, 30 in 2015, and 33 in 2014).

Under the control and influence concepts, 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 (8 in 2016, 9 in 2015, and 8 in 2014) are accounted for by the equity method. The cost in excess of net assets of the subsidiaries and associated companies at the time of acquisition, which cannot be specifically assigned to individual assets, is amortized on the straight-line basis over 20 years.

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

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

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

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

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

D. BUSINESS COMBINATIONS

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

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

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

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

In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a) Transactions with noncontrolling interest - A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the previous accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference is accounted for as capital surplus as long as the parent retains control over its subsidiary.
(b) Presentation of the consolidated balance sheet - In the consolidated balance sheet, "minority interest" under the previous accounting standard is changed to "noncontrolling interest" under the revised accounting standard.
(c) Presentation of the consolidated statement of income - In the consolidated statement of income, "income before minority interest" under the previous accounting standard is changed to "net income" under the revised accounting standard, and "net income" under the previous accounting standard is changed to "net income attributable to owners of the parent" under the revised accounting standard.
(d) Provisional accounting treatments for a business combination - If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the previous accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.
(e) Acquisition-related costs - Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the previous accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company applied the revised accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs above, effective April 1, 2015, and (d) provisional accounting treatments for a business combination above for a business combination which occurred on or after April 1, 2015. The revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs were applied prospectively.

With respect to (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, the applicable line items in the 2015 consolidated financial statements have been accordingly reclassified and presented in line with those in 2016.

The adoption of these revised standards has no impact on the consolidated financial statements.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows for purchases or sales of ownership interests in a subsidiary without a change in consolidation scope are presented under financing activities, and cash flows for acquisition-related costs are presented under operating activities.

E. CASH EQUIVALENTS

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

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

F. MARKETABLE AND INVESTMENT SECURITIES

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

(1) 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; (2) 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 (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

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

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

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

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

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

G. INVENTORIES

Automotive goods

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

(Accounting Change)

Prior to April 1, 2013, the Companies’ merchandise for the retail business was costed using the retail method. Effective April 1, 2013, however, the Companies changed the method of costing for merchandise for the retail business to the moving average method.

The accounting policy change was made in association with the full-scale operation of a new product management system that was launched on April 1, 2013, to manage the profitability of products meticulously and address customer needs more appropriately.

Due to the full-scale launch of a new product management system on April 1, 2013, it became impossible to obtain some of the detailed shipping/receiving records for previous fiscal years, which also made it practically impossible to compute the cumulative effect of the new accounting method being retrospectively applied as of April 1, 2012. Therefore, the cumulative effect of this change in accounting policy reflected in the balance as of April 1, 2013, was computed based on the difference between the book value of the merchandise as of April 1, 2013, which was costed by the moving average method, and that as of March 31, 2013, which was costed by the retail method. However, the effect of this change is insignificant.

The effect of this change on “inventories”, “cost of goods sold”, profit and loss at each stage and per-share information is also insignificant.

Vehicles
Vehicles are stated at the lower of cost, determined by the specific identification method, or net selling value.

H. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost.

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

Estimated useful lives are as follows:

Buildings and structures: 3 to 45 years
Furniture and equipment: 2 to 20 years

(Changes in Accounting Policies which are difficult to distinguish from changes in Accounting Estimates)
(Changes in the depreciation method of property and equipment)

The Company and its domestic subsidiaries, starting from the consolidated fiscal year under review, changed their method of depreciating property and equipment from the declining-balance method to the straight-line method.

In the first year of our “2014 Medium-Term Business Plan”, the Company has reconsidered its future usage of property and equipment by taking the opportunity afforded through changing the style of launching a store coping with changes in the business environment and renovation of the distribution facilities, etc. In accordance with the result of this reconsideration, the Company determined that changing the depreciation method to the straight-line method would better reflect the actual status of the usage of property and equipment and better allocate the acquisition cost over the useful life.

As a result, gross profit for the consolidated fiscal year under review, increased by ¥211 million ($1,867 thousand), and operating income and income before income taxes both increased by ¥886 million ($7,841 thousand), respectively, as compared with the figures calculated using the previous method.

I. LONG-LIVED ASSETS

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

J. GOODWILL

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

K. PURCHASED SOFTWARE

Purchased software was recorded as other assets and is amortized over 5 to 10 years.

L. RETIREMENT AND PENSION PLAN

The Company and subsidiaries adopt a defined contribution pension plan and non-savings-defined benefits pension plan to appropriate retirement benefits for employees.

The Company and certain subsidiaries sponsor a defined contribution pension plan. The Company also sponsors a domestic contributory welfare pension plan of an automobile-related company group (Osaka Automobile Maintenance Employee Pension Fund) and a corporate pension fund plan (the Benefit-One Corporate Pension Fund) established under the defined-contribution pension law. The Company cannot estimate the amount of the plan assets corresponding to the Company’s contribution reasonably and treats them as the same as the defined contribution pension plan.

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

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

M. ASSET RETIREMENT OBLIGATIONS

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

Overview of the asset retirement obligations:

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

Method of calculating amounts of asset retirement obligations:

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

N. ALLOWANCE FOR BUSINESS RESTRUCTURING

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

O. LEASE ACCOUNTING

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

Lessee

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

Lessor

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

Recognition of revenues

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

P. INCOME TAXES

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income and comprehensive income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

Q. FOREIGN CURRENCY ITEMS

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

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

R. FOREIGN CURRENCY FINANCIAL STATEMENTS

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

S. PER SHARE INFORMATION

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

Diluted net income per share is not disclosed because the effect of potential common shares is anti-dilutive.

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

T. DERIVATIVES AND HEDGING ACTIVITIES

The Companies use derivative financial instruments to manage their exposure to fluctuations in foreign exchange and interest rates. Currency swap contracts 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:

(1) 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 consolidated statement of income, and

(2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

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

U. ACCOUNTING CHANGES AND ERROR CORRECTIONS

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

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

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

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

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

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
NON-CURRENT:			
Equity securities	**¥4,120**	¥5,777	**$36,460**
Total	**¥4,120**	¥5,777	**$36,460**

The carrying amounts and aggregate fair values of marketable and investment securities for which market quotations were available as of March 31, 2016 and 2015, were as follows:

	Millions of yen			
March 31, 2016	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥1,894**	**¥2,128**	**¥3**	**¥4,019**

	Millions of yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,432	¥3,288	¥44	¥5,676

March 31, 2016	Thousands of U.S. dollars Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$16,761**	**$18,832**	**$27**	**$35,566**

Available-for-sale and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2016 and 2015, were as follows:

	Carrying amount Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Securities classified as:			
Available-for-sale:			
Equity securities	**¥101**	¥101	**$894**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2016, 2015 and 2014, were ¥863 million ($7,637 thousand), ¥1,736 million and ¥146 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, for the years ended March 31, 2016, 2015 and 2014, were ¥364 million ($3,221 thousand), ¥659 million and ¥134 million, respectively. Gross realized losses on these sales for the year ended March 31, 2016, were ¥37 million ($327 thousand).

4. INVESTMENTS IN LEASE

A breakdown of investments in lease as of March 31, 2016 and 2015, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Gross lease receivables	**¥11,260**	¥12,957	**$99,646**
Unearned interest income	**(1,637)**	(2,085)	**(14,487)**
Asset retirement obligations	**107**	127	**947**
Investments in lease	**¥9,730**	¥10,999	**$86,106**

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

A finance subsidiary of the Company also leases equipment to the franchisees under noncancelable lease agreements over five to six years.

Maturities of investment in lease for finance leases that deem not to transfer ownership of the leased property to the lessee as of March 31, 2016, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2017	**¥2,045**	**$18,097**
2018	**1,852**	**16,389**
2019	**1,552**	**13,735**
2020	**1,381**	**12,221**
2021	**940**	**8,319**
2022 and thereafter	**3,490**	**30,885**
Total	**¥11,260**	**$99,646**

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment for the years ended March 31, 2016, 2015 and 2014, and, as a result, recognized an impairment loss of ¥463 million ($4,097 thousand), ¥265 million, and ¥470 million, respectively, on rental assets, stores, idle assets and goodwill. The carrying amount of the relevant fixed assets was written down to the recoverable amount. The recoverable amount of those fixed assets was measured at the net selling price determined by quotations from real estate appraisers and their value in use, and the discount rate used for computation of the present value of future cash flows was the Company's weighted-average cost of capital. The net sales value of leased assets is calculated based on the estimated sales prices.

Impairment losses of long-lived assets and the weighted-average cost of capital for the years ended March 31, 2016, 2015 and 2014 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	**2016**
Land		¥19	¥71	
Buildings and structures	**¥384**	145	392	**$3,398**
Furniture and equipment	**79**	13	7	**699**
Goodwill		88		
Total	**¥463**	¥265	¥470	**$4,097**
	2016	2015	2014	
Weighted-average cost of capital	**6.78%**	7.19%	8.50%	

6. GOODWILL

Goodwill as of March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Consolidation goodwill	**¥263**	¥60	**$2,328**
Purchased goodwill	**589**	680	**5,212**
Total	**¥852**	¥740	**$7,540**

7. RENTAL DEPOSITS AND LONG-TERM LOANS

A breakdown of rental deposits and long-term loans as of March 31, 2016 and 2015, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
RENTAL DEPOSITS TO:			
Lessors for distribution facilities and stores of the Companies	**¥8,323**	¥8,767	**$73,655**
Lessors for stores of franchisees	**6,571**	6,933	**58,151**
Other	**1,305**	1,316	**11,549**
Total rental deposits	**16,199**	17,016	**143,355**
LOANS TO:			
Franchisees	**210**	232	**1,858**
Total loans	**210**	232	**1,858**
Allowance for doubtful receivables			
Total	**¥16,409**	¥17,248	**$145,213**

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

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

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

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2016 and 2015, consisted of notes to banks and other. The annual interest rates applicable to the short-term borrowings at March 31, 2016 and 2015, ranged from 0.3% to 1.2% and from 0.4% to 1.2%, respectively.

Long-term debt and lease obligations at March 31, 2016 and 2015, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Bonds		¥15	
Loans from banks and other, due serially to 2021 with interest rates ranging from 0.0% to 1.5% (2016) and from 0.4% to 2.1% (2015) and other:			
Unsecured	**¥3,029**	4,142	**$26,806**
Collateralized	**152**	183	**1,345**
Lease obligations	**1,523**	1,720	**13,478**
Total	**4,704**	6,060	**41,629**
Less current portion	**1,053**	2,349	**9,319**
Long-term debt, less current portion	**¥3,651**	¥3,711	**$32,310**

Annual maturities of long-term debt and lease obligations at March 31, 2016, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2017	**¥1,053**	**$9,319**
2018	**2,251**	**19,921**
2019	**277**	**2,451**
2020	**219**	**1,938**
2021	**160**	**1,416**
2022 and thereafter	**744**	**6,584**
Total	**¥4,704**	**$41,629**

As of March 31, 2016, buildings and land of ¥267 million ($2,363 thousand) were pledged as collateral for payables, short-term borrowings and long-term debt. As is customary in Japan, the Companies maintain substantial deposit balances with banks with which they have borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks, and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Companies have never been requested to provide any additional collateral.

9. RETIREMENT AND PENSION PLAN

The Company and subsidiaries adopt a defined contribution pension plan and non-savings-defined benefits pension plan to appropriate retirement benefits for employees.

The Company and certain subsidiaries sponsor a defined contribution pension plan. The Company also sponsors a domestic contributory welfare pension plan of an automobile-related company group (Osaka Automobile Maintenance Employee Pension Fund) and a corporate pension fund plan (the Benefit-One Corporate Pension Fund) established under the defined-contribution pension law. The Company cannot estimate the amount of the plan assets corresponding to the Company's contribution reasonably and treats them as the same as the defined contribution pension plan. In the unfunded employee retirement payment plans, some subsidiaries accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at each balance sheet date by the simplified method.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum retirement payment from certain subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, compared to those 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 domestic contributory welfare pension plan of an automobile-related company group covers 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.

Some subsidiaries have a retirement payment plan for directors. The liability for retirement benefits for directors at March 31, 2016 and 2015, is ¥88 million ($779 thousand) and ¥88 million, respectively. The retirement benefits for directors are paid subject to the approval of the shareholders.

(1) Details of the defined contribution pension plan was as follows:

Required contribution amounts to the defined contribution pension plan for the years ended March 31, 2016 and 2015, were ¥290 million ($2,566 thousand) and ¥266 million, respectively.

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

(a) Osaka Automobile Maintenance Employee Pension Fund

Required contribution amounts to the welfare pension plan as of March 31, 2016 and 2015, were ¥33 million ($292 thousand) and ¥425 million, respectively.

The funded status of the entire plan at March 31, 2016 (available information as of March 31, 2015) and March 31, 2015 (available information as of March 31, 2014), was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2015	2014	2015
Plan assets	¥30,057	¥28,547	$265,991
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	40,355	38,543	357,124
Difference	¥(10,298)	¥(9,996)	$(91,133)

The main factors for the difference were prior service costs (¥10,648 million ($94,230 thousand) and ¥10,797 million for the years ended March 31, 2015 and 2014, respectively), and surplus (¥350 million ($3,097 thousand) and ¥801 million for the years ended March 31, 2015 and 2014, respectively). The Company has paid special contributions as prior service cost over 18 years. The amounts of special contributions made and charged to income were ¥18 million ($159 thousand) and ¥217 million for the years ended March 31, 2016 and 2015, respectively.

Ratio of the Company's payment contributions for the entire plan:
24.4% (April 1, 2013 to March 31, 2014)
24.4% (April 1, 2014 to March 31, 2015)
The ratio of payment contributions does not correspond to the Company's actual share of plan assets.

The Osaka Automobile Maintenance Employee Pension Fund, in which the Company participates, determined to apply for the approval of dissolution of the pension fund at a meeting of its board of representatives held on April 13, 2015. Accordingly, the Company applied for dissolution of the fund with the Minister of Health, Labor and Welfare on April 22, 2015 and it was approved as of May 28, 2015.
This dissolution is not expected to incur expenses.

(b) The Benefit-One Corporate Pension Fund
Required contribution amounts to the pension fund plan as of March 31, 2016, was ¥21 million ($186 thousand).

The funded status of the entire plan at March 31, 2016 (available information as of June 30, 2015), was as follows:

	Millions of yen	Thousands of U.S. dollars
	June 30, 2015	June 30, 2015
Plan assets	¥3,827	$33,867
Sum of actuarial liabilities of pension plan	3,579	31,672
Difference	¥248	$2,195

The main factors for the difference were general reserve (¥215 million ($1,903 thousand) for the year ended June 30, 2016), and surplus (¥33 million ($292 thousand) for the year ended June 30, 2015. The Company has participated in the Benefit-One Corporate Pension Fund since May 2015 and has paid contribution since July 2015.

Ratio of the Company's payment contributions for the entire plan:
1.1% (April 1, 2015 to March 31, 2016)
The ratio of payment contributions does not correspond to the Company's actual share of plan assets.

(3) Details of the defined benefits pension plan were as follows:
The changes in defined benefit obligation in accordance with the simplified method for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	**¥83**	¥189	**$735**
Net periodic retirement benefit costs	**17**	25	**151**
Benefits paid	**(3)**	(18)	**(27)**
Amount of the partial transfer of the defined benefit pension plans to the defined contribution pension plans		(111)	
Additional provisions associated with new subsidiaries	**25**		**221**
Others	**(1)**	(2)	**(9)**
Balance at end of year	**¥121**	¥83	**$1,071**

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2016 and 2015, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unfunded defined benefit obligation	**¥121**	¥83	**$1,071**
Net liability for defined benefit obligation	**¥121**	¥83	**$1,071**

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Liability for retirement benefits	**¥121**	¥83	**$1,071**
Net liability for defined benefit obligation	**¥121**	¥83	**$1,071**

Net periodic retirement benefit cost:
Net periodic retirement benefit costs in accordance with the simplified method for the years ended March 31, 2016 and 2015, were ¥17 million ($151 thousand) and ¥25 million, respectively.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	**¥2,154**	¥2,006	**$19,062**
Additional provisions associated with the acquisition of property and equipment	**46**	120	**407**
Reconciliation associated with passage of time	**38**	43	**336**
Reduction associated with settlement of asset retirement obligations	**(6)**	(4)	**(53)**
Other	**38**	(11)	**336**
Balance at end of year	**¥2,270**	¥2,154	**$20,088**

11. EQUITY

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year 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, and accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirement. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

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

c. Treasury stock and treasury stock acquisition rights

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

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

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

12. SALES

The Companies sell automobile-related products primarily to domestic customers directly or to franchisees, including certain affiliates with which the Companies have franchise agreements. Net sales made to franchisees for the years ended March 31, 2016, 2015 and 2014, aggregated to approximately 57%, 59% and 57% of the consolidated net sales, respectively.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of "Selling, general and administrative expenses" for the years ended March 31, 2016, 2015 and 2014, were as follows:

	Millions of yen			Thousands of U.S. dollars
Year Ending March 31	2016	2015	2014	2016
Employee salaries and allowances	**¥22,734**	¥22,696	¥23,717	**$201,186**
Net periodic retirement benefit costs	**361**	716	672	**3,195**
Rent payment	**5,350**	5,160	6,101	**47,345**
Depreciation	**3,367**	3,725	3,727	**29,796**
Provision for allowance for doubtful receivables	**32**	118	6	**283**

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 32.8%, 36.0% and 38.0% for the years ended March 31, 2016, 2015 and 2014, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
DEFERRED TAX ASSETS:			
Receivables	**¥114**	¥32	**$1,009**
Accrued enterprise taxes	**147**	169	**1,301**
Accrued bonuses	**227**	224	**2,009**
Inventories	**879**	1,002	**7,779**
Depreciation and impairment loss	**3,639**	3,762	**32,204**
Provision for business restructuring	**22**	26	**195**
Investments in lease	**668**	397	**5,911**
Investments	**84**	101	**743**
Other accounts payable	**864**	618	**7,646**
Tax loss carryforwards	**3,520**	3,217	**31,150**
Other	**847**	931	**7,496**
Less valuation allowance	**(6,085)**	(5,664)	**(53,850)**
Total deferred tax assets	**4,926**	4,815	**43,593**
DEFERRED TAX LIABILITIES:			
Property and equipment	**407**	439	**3,601**
Undistributed earnings of associated companies	**300**	294	**2,655**
Unrealized gains on available-for-sale securities	**646**	1,037	**5,717**
Other	**260**	265	**2,301**
Total deferred tax liabilities	**1,613**	2,035	**14,274**
Net deferred tax assets	**¥3,313**	¥2,780	**$29,319**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2016 and 2015, and the actual effective tax rates reflected in the accompanying consolidated statements of income and comprehensive income was as follows:

	2016	2015
Normal effective statutory tax rate	32.8%	36.0%
Expenses not deductible for income tax purposes	1.1	1.6
Dividend and other income not taxable	(0.1)	(2.9)
Per-capita inhabitants' tax	1.0	0.8
Changes in valuation allowance	5.4	8.4
Amortization of goodwill	0.3	0.4
Effect of tax rate reduction	2.5	2.7
Other—net	(0.6)	2.5
Actual effective tax rate	42.4%	49.5%

For the year ended March 31, 2014, a reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income and comprehensive income is not presented herein as it is less than 5 - 100ths of the normal effective statutory tax rate.

New tax reform laws enacted in 2016 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2016, to approximately 30.8% and for the fiscal year beginning on or after April 1, 2018, to approximately 30.5%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥160 million ($1,416 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥32 million ($283 thousand), in the consolidated balance sheet as of March 31, 2016, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥192 million ($1,699 thousand).

At March 31, 2016, certain subsidiaries had tax loss carryforwards aggregating approximately ¥14,195 million ($125,619 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
2017	**¥76**	**$673**
2018	**465**	**4,115**
2019	**263**	**2,327**
2020	**233**	**2,062**
2021	**461**	**4,080**
2022	**694**	**6,142**
2023	**298**	**2,637**
2024	**2,364**	**20,920**
2025 and thereafter	**6,081**	**53,814**
Total	**¥10,935**	**$96,770**

15. LEASES

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

Total rental expenses for the years ended March 31, 2016, 2015 and 2014, were ¥5,625 million ($49,779 thousand), ¥5,449 million and ¥6,405 million, respectively, including ¥206 million ($1,823 thousand), ¥225 million and ¥354 million of lease payments under finance leases.

Pro forma information of leased property that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2016 and 2015, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
	Building and Land	Building and Land	Building and Land
Acquisition cost	**¥2,549**	¥3,098	**$22,557**
Accumulated depreciation	**1,640**	2,057	**14,513**
Net leased property	**¥909**	¥1,041	**$8,044**

Obligations under finance lease contracts:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	**¥120**	¥156	**$1,062**
Due after one year	**953**	1,073	**8,434**
Total	**¥1,073**	¥1,229	**$9,496**

Depreciation expense and interest expense under finance lease contracts:

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	2016
Depreciation expense	**¥133**	¥140	¥213	**$1,177**
Interest expense	**50**	59	100	**442**
Total	**¥183**	¥199	¥313	**$1,619**

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

The minimum rental commitments under noncancelable operating leases as of March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	**¥3,159**	¥3,416	**$27,956**
Due after one year	**18,462**	21,004	**163,380**
Total	**¥21,621**	¥24,420	**$191,336**

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

(1) Companies' policy for financial instruments

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

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

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

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

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

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

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

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

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

(3) Risk management for financial instruments

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

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

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

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

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

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

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

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

(4) Fair values of financial instruments

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

(a) Fair values of financial instruments

	Millions of yen			Thousands of U.S. dollars		
March 31, 2016	Carrying amount	Fair value	Unrealized gain/(loss)	Carrying amount	Fair value	Unrealized gain/(loss)
Cash and cash equivalents	**¥36,579**	**¥36,579**		**$323,708**	**$323,708**	
Time deposits with an original maturity over three months	**473**	**473**		**4,186**	**4,186**	
Receivables	**38,766**	**38,651**	**¥(3)**	**343,062**	**342,044**	**$(27)**
Allowance for doubtful receivables	**(112)**			**(991)**		
Investments in lease	**9,623**	**11,384**	**1,761**	**85,159**	**100,744**	**15,585**
Investment securities	**4,019**	**4,019**		**35,566**	**35,566**	
Investments in associated companies	**1,015**	**384**	**(631)**	**8,982**	**3,398**	**(5,584)**
Rental deposits and long-term loans	**16,409**	**16,285**	**(124)**	**145,213**	**144,115**	**(1,098)**
Total	**¥106,772**	**¥107,775**	**¥1,003**	**$944,885**	**$953,761**	**$8,876**
Payables	**¥25,055**	**¥25,055**		**$221,726**	**$221,726**	
Short-term borrowings and current portion of long-term debt	**2,647**	**2,706**	**¥59**	**23,425**	**23,947**	**$522**
Income taxes payable	**1,885**	**1,885**		**16,681**	**16,681**	
Long-term debt	**3,651**	**3,770**	**119**	**32,310**	**33,363**	**1,053**
Total	**¥33,238**	**¥33,416**	**¥178**	**$294,142**	**$295,717**	**$1,575**

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

March 31, 2015	Millions of yen Carrying amount	 Fair value	 Unrealized gain/(loss)
Cash and cash equivalents	¥42,218	¥42,218	
Time deposits with an original maturity over three months	526	526	
Receivables	38,453	38,383	¥(9)
Allowance for doubtful receivables	(61)		
Investments in lease	10,872	12,705	1,833
Investment securities	5,676	5,676	
Investments in associated companies	1,016	427	(589)
Rental deposits and long-term loans	17,248	16,589	(659)
Total	¥115,948	¥116,524	¥576
Payables	¥24,028	¥24,028	
Short-term borrowings and current portion of long-term debt	3,149	3,246	¥97
Income taxes payable	1,876	1,876	
Long-term debt	3,711	4,046	335
Total	¥32,764	¥33,196	¥432

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

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

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

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

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

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

Marketable securities, investment securities, and investments in associated companies

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

Payables and income taxes payable

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

Short-term borrowings and long-term debt

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

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

	Carrying amount Millions of yen 2016	 2015	 Thousands of U.S. dollars 2016
Investments in equity instruments that do not have a quoted market price in an active market	**¥797**	¥868	**$7,054**

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

March 31, 2016	Millions of yen Due in one year or less	 Due after one year through five years	 Due after five years through ten years	 Due after ten years
Cash and cash equivalents	**¥36,579**			
Time deposits with an original maturity over three months	**473**			
Receivables	**32,653**	**¥5,795**	**¥318**	
Investments in lease	**1,684**	**4,868**	**2,371**	**¥700**
Rental deposits and long-term loans	**3,322**	**4,875**	**2,926**	**5,286**
Total	**¥74,711**	**¥15,538**	**¥5,615**	**¥5,986**

March 31, 2015	Millions of yen Due in one year or less	 Due after one year through five years	 Due after five years through ten years	 Due after ten years
Cash and cash equivalents	¥42,218			
Time deposits with an original maturity over three months	526			
Receivables	32,899	¥5,303	¥251	
Investments in lease	1,703	5,162	2,860	¥1,147
Rental deposits and long-term loans	2,870	5,856	3,337	5,185
Total	¥80,216	¥16,321	¥6,448	¥6,332

March 31, 2016	Thousands of U.S. dollars Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**$323,708**			
Time deposits with an original maturity over three months	**4,186**			
Receivables	**288,965**	**$51,283**	**$2,814**	
Investments in lease	**14,903**	**43,079**	**20,982**	**$6,195**
Rental deposits and long-term loans	**29,398**	**43,142**	**25,894**	**46,779**
Total	**$661,160**	**$137,504**	**$49,690**	**$52,974**

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

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2016, 2015 and 2014, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2016	2015	2014	**2016**
Unrealized gain on available-for-sale securities:				
Gains arising during the year	**¥(794)**	¥1,476	¥602	**$(7,026)**
Reclassification adjustments to profit or loss	**(327)**	(659)	(118)	**(2,894)**
Amount before income tax effect	**(1,121)**	817	484	**(9,920)**
Income tax effect	**390**	(189)	(169)	**3,451**
Total	**¥(731)**	¥628	¥315	**$(6,469)**
Foreign currency translation adjustments:				
Adjustments arising during the year	**¥(146)**	¥93	¥499	**$(1,292)**
Reclassification adjustments to profit or loss				
Amount before income tax effect	**(146)**	93	499	**(1,292)**
Income tax effect	**(1)**	(0)	0	**(9)**
Total	**¥(147)**	¥93	¥499	**$(1,301)**
Share of other comprehensive income in associates:				
Gains arising during the year	**¥(24)**	¥7	¥2	**$(212)**
Reclassification adjustments to profit or loss	**(2)**			**(18)**
Total	**¥(26)**	¥7	¥2	**$(230)**
Total other comprehensive income	**¥(904)**	¥728	¥816	**$(8,000)**

18. NET INCOME PER SHARE

EPS for the years ended March 31, 2016, 2015 and 2014, was as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
March 31, 2016	Net Income Attributable to Owners of the Parent	Weighted-average shares	EPS	
Basic EPS:				
Net income available to common shareholders	**¥4,372**	**84,731**	**¥51.60**	**$0.46**

	Millions of yen	Thousands	Yen
March 31, 2015	Net Income Attributable to Owners of the Parent	Weighted-average shares	EPS
Basic EPS:			
Net income available to common shareholders	¥4,610	87,259	¥52.83

	Millions of yen	Thousands	Yen
March 31, 2014	Net Income Attributable to Owners of the Parent	Weighted-average shares	EPS
Basic EPS:			
Net income available to common shareholders	¥9,786	90,860	¥107.71

19. SEGMENT INFORMATION

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

(1) Description of reportable segments

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

The main business lines of each segment are described below.

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

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

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

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

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

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies.”

(Change in the deprecation method of property and equipment)

As stated in “Changes in Accounting Policies which are difficult to distinguish from changes in Accounting Estimates”, the Company and its domestic subsidiaries, starting from the consolidated fiscal year under review, changed their method of depreciating property and equipment from the declining-balance method to the straight-line method.

As a result of this change, for the consolidated fiscal year under review, segment profit of “The Company”and “Subsidiaries for Car Goods Supply and Others” have increased by ¥657 million ($5,814 thousand) and ¥3 million ($27 thousand), respectively, while segment loss of “Domestic Store Subsidiaries” has decreased by ¥82 million ($726 thousand), as compared with the figures calculated using the previous method.

“Fixed assets” for the difference between Operating income and Sum of operating income (loss) in reportable segments have increased by ¥144 million ($1,274 thousand).

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

	Millions of Yen					
	2016					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	**¥117,095**	**¥67,339**	**¥8,785**	**¥13,974**	**¥950**	**¥208,143**
Intersegment sales or transfers	**41,193**	**1,211**	**319**	**7,289**	**2,255**	**52,267**
Total	**158,288**	**68,550**	**9,104**	**21,263**	**3,205**	**260,410**
Segment profit (loss)	**7,075**	**(975)**	**31**	**18**	**401**	**6,550**
Segment assets	**165,024**	**17,633**	**9,294**	**6,855**	**25,365**	**224,171**
Other:						
Depreciation	**2,126**	**175**	**222**	**49**	**8**	**2,580**
Amortization of goodwill		**8**		**27**		**35**
Share of associates accounted for using equity method	**839**					**839**
Increase in property, equipment and intangible assets	**4,415**	**244**	**243**	**257**		**5,159**

	Millions of Yen					
	2015					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	¥124,333	¥66,098	¥9,695	¥8,446	¥883	¥209,455
Intersegment sales or transfers	42,495	1,785	291	6,951	2,168	53,690
Total	166,828	67,883	9,986	15,397	3,051	263,145
Segment profit (loss)	8,837	(1,925)	(178)	53	430	7,217
Segment assets	173,106	17,974	9,433	5,068	24,607	230,188
Other:						
Depreciation	2,310	272	244	38	12	2,876
Amortization of goodwill		8		27		35
Share of associates accounted for using equity method	923					923
Increase in property, equipment and intangible assets	5,119	281	146	176	4	5,726

	Millions of Yen					
	2014					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	¥132,739	¥79,928	¥9,975	¥8,183	¥872	¥231,697
Intersegment sales or transfers	51,019	1,463	398	6,992	2,276	62,148
Total	183,758	81,391	10,373	15,175	3,148	293,845
Segment profit	13,330	555	12	255	433	14,585
Segment assets	187,913	21,938	10,418	4,974	29,444	254,687
Other:						
Depreciation	2,056	317	257	38	14	2,682
Amortization of goodwill		15			7	22
Share of associates accounted for using equity method	848					848
Increase in property, equipment and intangible assets	4,064	315	108	25		4,512

	Thousands of U.S. Dollars 2016					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	**$1,036,239**	**$595,920**	**$77,743**	**$123,664**	**$8,407**	**$1,841,973**
Intersegment sales or transfers	**364,540**	**10,717**	**2,823**	**64,504**	**19,956**	**462,540**
Total	**1,400,779**	**606,637**	**80,566**	**188,168**	**28,363**	**2,304,513**
Segment profit (loss)	**62,611**	**(8,628)**	**274**	**159**	**3,549**	**57,965**
Segment assets	**1,460,390**	**156,044**	**82,248**	**60,664**	**224,469**	**1,983,815**
Other:						
Depreciation	**18,814**	**1,549**	**1,964**	**434**	**71**	**22,832**
Amortization of goodwill		**71**		**239**		**310**
Share of associates accounted for using equity method	**7,425**					**7,425**
Increase in property, equipment and intangible assets	**39,071**	**2,159**	**2,151**	**2,274**		**45,655**

(4) Reconciliation of published figures and aggregate of reportable segments

Net sales	Millions of yen 2016	2015	2014	Thousands of U.S. dollars 2016
Total reportable segments	**¥260,410**	¥263,145	¥293,845	**$2,304,513**
Elimination of intersegment transaction	**(52,267)**	(53,690)	(62,148)	**(462,540)**
Net sales of consolidated financial statements	**¥208,143**	¥209,455	¥231,697	**$1,841,973**

Income	Millions of yen 2016	2015	2014	Thousands of U.S. dollars 2016
Total reportable segments	**¥6,550**	¥7,217	¥14,585	**$57,965**
Amortization of goodwill	**(133)**	(191)	(105)	**(1,177)**
Inventories	**207**	(346)	(253)	**1,832**
Fixed assets	**507**	358	256	**4,487**
Allowance for point card	**(16)**	(24)	(18)	**(142)**
Elimination of intersegment transaction	**(480)**	(451)	(526)	**(4,248)**
Others	**67**	(159)	6	**593**
Income of consolidated financial statements	**¥6,702**	¥6,404	¥13,945	**$59,310**

Assets	Millions of yen 2016	2015	2014	Thousands of U.S. dollars 2016
Total reportable segments	**¥224,171**	¥230,188	¥254,687	**$1,983,815**
Elimination of intersegment transaction	**(38,037)**	(37,317)	(46,117)	**(336,611)**
Fixed assets	**(1,422)**	(1,777)	(3,299)	**(12,584)**
Amortization of goodwill	**(3,737)**	(3,973)	(4,102)	**(33,071)**
Inventories	**(1,266)**	(1,625)	(1,461)	**(11,204)**
Investments in associates accounted for using the equity method	**872**	860	950	**7,717**
Others	**(126)**	176	823	**(1,115)**
Assets of consolidated financial statements	**¥180,455**	¥186,532	¥201,481	**$1,596,947**

Other items	Total reportable segments (Millions of yen) 2016	2015	2014	Adjustment 2016	2015	2014	Consolidated total 2016	2015	2014
Depreciation	**¥2,580**	¥2,876	¥2,682	**¥1,062**	¥1,332	¥1,387	**¥3,642**	¥4,208	¥4,069
Amortization of goodwill	**35**	35	22	**133**	191	105	**168**	226	127
Investments in associates accounted for using the equity method	**839**	923	848	**872**	860	950	**1,711**	1,783	1,798
Increase in property, equipment and intangible assets	**5,159**	5,726	4,512	**737**	401	308	**5,896**	6,127	4,820

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

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

Other items	Total reportable segments (Thousands of U.S. dollars) 2016	Adjustment 2016	Consolidated total 2016
Depreciation	**$22,832**	**$9,398**	**$32,230**
Amortization of goodwill	**310**	**1,177**	**1,487**
Investments in associates accounted for using the equity method	**7,425**	**7,717**	**15,142**
Increase in property, equipment and intangible assets	**45,655**	**6,522**	**52,177**

Related Information

1. Information by product and service

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

2. Information by geographic region

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

3. Information by major customers

2016

Name of major Customer	Sales (Millions of yen)	Related Segment Name
G-7 AUTO SERVICE CO.,LTD.	**¥22,245**	**The Company**

2015

Name of major Customer	Sales (Millions of yen)	Related Segment Name
G-7 AUTO SERVICE CO.,LTD.	¥22,788	The Company

2016

Name of major Customer	Sales (Thousands of U.S. Dollars)	Related Segment Name
G-7 AUTO SERVICE CO.,LTD.	**¥196,858**	**The Company**

Information about major customers for the year ended March 31, 2014 has been omitted since there are no external customer who constituted more than 10% of net sales on the consolidated statement of operations.

Millions of Yen 2016	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	**¥463**					**¥463**

	Millions of Yen					
	2015					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	¥177		¥88			¥265

	Millions of Yen					
	2014					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	¥404		¥66			¥470

	Thousands of U.S. Dollars					
	2016					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	**$4,097**					**$4,097**

	Millions of Yen						
	2016						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		**¥8**		**¥27**		**¥133**	**¥168**
Goodwill at March 31, 2016		**23**	**¥4,491**	**82**		**(3,744)**	**852**

(Note) The adjustment amounts are as follows:

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

	Millions of Yen						
	2015						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		¥7		¥27		¥191	¥225
Goodwill at March 31, 2015		30	¥4,584	109		(3,983)	740

	Millions of Yen						
	2014						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		¥15			¥7	¥105	¥127
Goodwill at March 31, 2014			¥4,982			(4,102)	880

	Thousands of U.S. Dollars						
	2016						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		**$71**		**$239**		**$1,177**	**$1,487**
Goodwill at March 31, 2016		**204**	**$39,743**	**726**		**(33,133)**	**7,540**

20. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The general shareholders' meeting held on June 21, 2016 resolved the following appropriations of retained earnings as of March 31, 2016:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 ($0.3) per share	**¥2,521**	**$22,310**

b. Cancellation of Treasury stock

At the Board of Directors' meeting held on May 10, 2016, the Board approved the cancellation 2,900,000 shares of treasury stock and carried it out on May 31, 2016.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of AUTOBACS SEVEN Co., Ltd. and its subsidiaries (the "Company") as of March 31, 2016, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AUTOBACS SEVEN Co., Ltd. and its subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 2(H) to the consolidated financial statements, effective April 1, 2015, the Company and its domestic subsidiaries have changed the depreciation method of property and equipment (excluding lease assets) from the declining-balance method to the straight-line method. Our opinion is not modified in respect of this matter.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 21, 2016

Member of
Deloitte Touche Tohmatsu Limited