

Please note that this document is a translation of the official Japanese notice of convocation of the 73rd ordinary general meeting of shareholders of AUTOBACS SEVEN Co., Ltd. prepared for the convenience of shareholders outside Japan with voting rights, for reference purposes only.

(Securities code 9832)

June 8, 2020

To Our Shareholders

Kiomi Kobayashi
Representative Director
AUTOBACS SEVEN Co., Ltd.
6-52, Toyosu 5-chome, Koto-ku, Tokyo

NOTICE OF CONVOCATION OF THE 73RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to inform you that the 73rd ordinary general meeting of shareholders of AUTOBACS SEVEN Co., Ltd. (the “Company”) will be held as described below.

In lieu of attending the meeting, you can exercise your voting rights in writing (by postal mail) or via the Internet, etc. (please see page 3). Please review the Reference Documents for the General Meeting of Shareholders (starting from page 4), and then exercise your voting rights by 5:50 p.m., Monday, June 22, 2020.

Particulars

1. Date and time: June 23, 2020 (Tuesday) at 10:00 a.m.
*The reception area opens at 9:00 a.m.
2. Venue: Hotel East 21 Tokyo, 3rd floor, EITAI Hall
3-3, Toyo 6-chome, Koto-ku, Tokyo
3. Agenda of the meeting:
Matters to be reported:
 1. Reports on the business report, consolidated financial statements and audit results of the consolidated financial statements by the independent auditor and the Audit and Supervisory Committee for the 73rd fiscal term (from April 1, 2019 to March 31, 2020)
 2. Report on the non-consolidated financial statements for the 73rd fiscal term (from April 1, 2019 to March 31, 2020)Matters to be resolved:
 - Agenda Item No. 1: Appropriation of surplus
 - Agenda Item No. 2: Election of four (4) directors (excluding directors who are audit and supervisory committee members)

- If you are unable to attend the meeting, you can exercise your voting rights by postal mail or via the Internet, etc.

<<Disclosure via the Internet>>

- Based on the provisions of laws and regulations and Article 18 of the Company’s Articles of Incorporation, the following matters are posted on the Company website (<https://www.autobacs.co.jp/en/>) and therefore are not included in the documents accompanying this Notice of Convocation:
“Basic Policy Concerning the Internal Control System and Overview of its Development and Operation” and “Policy Concerning Company Control” of the Business Report; and “Notes to Consolidated Financial Statements” and “Notes to Non-Consolidated Financial Statements.”
- The documents accompanying this Notice of Convocation and those posted on the website above are documents audited by the independent auditor and the Audit and Supervisory Committee at the time of preparation of the Independent Auditors’ Report and Audit Report, respectively.

- If any modifications are made to the reference documents for the general meeting of shareholders, as well as to the business report, consolidated financial statements or non-consolidated financial statements, such modifications will be posted on the Company website (<https://www.autobacs.co.jp/en/>).

You are requested to exercise your voting rights, the rights of shareholders to make decisions.

Guide for the exercise of voting rights

Please review the reference documents for the general meeting of shareholders and exercise your voting rights. You may exercise your voting rights by the following three methods.

Exercise of voting rights by postal mail

Indicate in the enclosed Exercise of Voting Rights form approval/disapproval for the respective proposals, and send the completed form to the Company.

Deadline: Must arrive by 5:50 p.m. on June 22, 2020 (Monday)

Exercise of voting rights via the Internet, etc.

You can conveniently access the website for exercising voting rights by reading the “QR code” with your mobile device. Please enter approval/disapproval for the respective proposal.

Deadline: Must be received by 5:50 p.m. on June 22, 2020 (Monday)

Exercise of voting rights by attendance at the meeting

When attending the meeting in person, bring this NOTICE OF CONVOCATION OF THE 73RD ORDINARY GENERAL MEETING OF SHAREHOLDERS and submit the enclosed Exercise of Voting Rights form to the receptionist.

Date and time: June 23, 2020 (Tuesday) at 10:00 a.m.

- In the case of exercising voting rights by postal mail, no indication of approval or disapproval for the respective proposals in the Exercise of Voting Rights form shall be deemed as approval for such proposals.
- If you have exercised your voting rights both by sending the Exercise of Voting Rights form and via the Internet, etc., the vote made via the Internet, etc. shall be deemed effective.
- If you have exercised your voting rights several times via the Internet, etc. and there is a discrepancy among your votes for the same proposal, only the final execution shall be deemed effective.
- Please be advised that your attendance at the meeting shall be deemed a rescission of the prior exercise of your voting rights.
- If a proxy attends the meeting on your behalf, please note that, only another shareholder of the Company with voting rights may serve as a proxy in accordance with the Company’s Articles of Incorporation. In this event, please submit the principal’s Exercise of Voting Rights form and written proof of proxy to the reception.

To disclose details on the reports, etc. on the matters to be reported on the date of the meeting, the Company plans to release videos on its corporate website from the date following the meeting.

Agenda Item No. 1 and Reference Matters

Agenda Item No. 1: Appropriation of surplus

The Company defines returning profits to its shareholders as one of its most important management tasks, and makes it a basic policy to work for stable and flexible shareholder returns with the aim of achieving an accumulated return to shareholders ratio of 100% during the planned period of five years in the Five-year Rolling Plan 2019.

With regard to the Appropriation of surplus, based on the above policy and to increase returns to shareholders, the Company requests the following proposal:

1. Matters concerning year-end dividends

(1) Type of assets to be distributed

Cash

(2) Matters concerning the allotment of assets to be distributed to the shareholders and the aggregate amount thereof

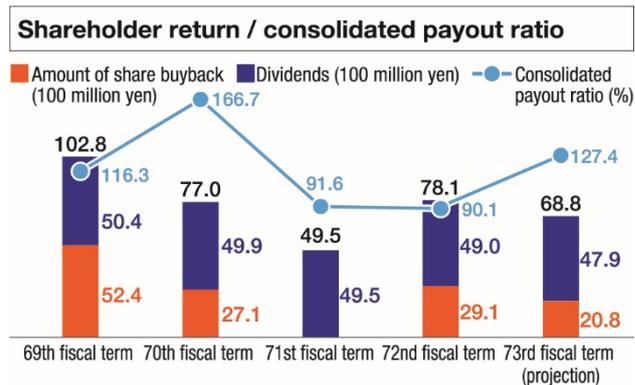
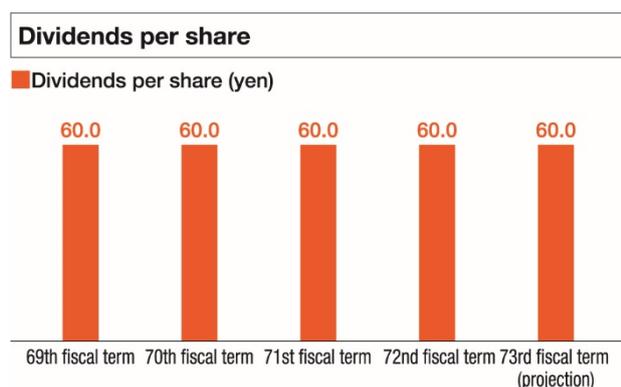
30 yen per ordinary share of the Company

Total amounting to 2,396,611,650 yen

Since the Company has paid interim dividends at the rate of 30 yen per share, the total annual dividends for this fiscal term shall be 60 yen per share.

(3) Effective date of dividends from surplus

June 24, 2020



Agenda Item No. 2 and Reference Matters

Agenda Item No. 2: Election of four (4) directors (excluding directors who are audit and supervisory committee members)

At the conclusion of this general meeting of shareholders, the terms of office of all the directors (four (4) in number; excluding directors who are audit and supervisory committee members) will expire. Accordingly, the Company requests the shareholders' approval for the election as directors (excluding directors who are audit and supervisory committee members) of the four (4) candidates (including one (1) outside director).

The Audit and Supervisory Committee has expressed its opinion that each candidate is appropriate as a candidate to become a director of the Company, as a result of the deliberation of the Corporate Governance Committee, a body in which two outside directors who are audit and supervisory committee members participate, based on determination policies that consider the talent and eligibility of each candidate as a director and other factors, the status of nomination procedures, and the status of each candidate's execution of duties and contribution to performance for the fiscal year under review.

Candidates for directors (excluding directors who are audit and supervisory committee members) are as follows. Information on the candidates for directors (excluding directors who are audit and supervisory committee members) is provided on pages 6 through 11.

Candidates list for directors (excluding directors who are audit and supervisory committee members)

Candidate No.	Name		Career position and assignment in the Company	Attendance at Board of Directors' meetings
1	Kiomi Kobayashi	Re-nomination	Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer	100% (15 of 15 meetings)
2	Yugo Horii	Re-nomination	Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning & Operations, and CEO Office and Business Planning	100% (15 of 15 meetings)
3	Eiichi Kumakura	Re-nomination	Director and Senior Managing Executive Officer, Head of Merchandising & Services, and Car Parts & Accessories	100% (15 of 15 meetings)
4	Yoshiko Takayama	Re-nomination Outside Director Independent Officer	Outside Director	100% (15 of 15 meetings)

- (Notes) 1. Ms. Yoshiko Takayama is a candidate for outside director as defined in Article 2, Paragraph 3, Item 7, of the Companies Act Enforcement Regulations. In addition, she satisfies the conditions set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, as well as other requirements for independence stipulated by the Company. Therefore, the Company has registered her with the Tokyo Stock Exchange as an independent officer. If she is elected as originally proposed, the Company plans for her reappointment as an independent officer.
2. Ms. Yoshiko Takayama, a candidate for outside director and who currently serves as the Company's outside director, has entered into an agreement with the Company that defines her limitations of liability as defined in Article 423, Paragraph 1, of the Companies Act. The liability limit is an amount set forth in Article 425, Paragraph 1, of the Companies Act. In the event of her re-election as an outside director, said agreement will be continued.

Reference Matters for Agenda Item No. 2: Election of four (4) directors (excluding directors who are audit and supervisory committee members)

Candidate No. 1:

Kiomi Kobayashi

Re-nomination

Career position and assignment in the Company:

Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer

- Date of birth: February 11, 1956 (age 64)
- Term of office as a director at the conclusion of this general meeting: 10 years
- Number of Company shares owned: 19,800
- Attendance at Board of Directors' meetings: 100% (15 of 15 meetings)

Reasons for nomination

Mr. Kobayashi has served as Representative Director and Chief Executive Officer since 2016 and has led the AUTOBACS Group by placing emphasis on being an organization that always takes on new challenges toward creation of new markets and focusing on the development of human resources and the cultivation of its culture. Mr. Kobayashi has decided important issues after presenting adequate and appropriate explanations at the Board of Directors' meetings and has fully demonstrated the role of business execution, while supervising the execution of duties by the other directors.

The Company believes that, when aiming for sustainable growth and increased corporate value of the AUTOBACS Group as before, it is in the best interest of the Group that he continues to lead the management team.

Dear Shareholders,

Since assuming office as Chief Executive Officer, I have practiced the spirit of our Company's foundation of "continuing to create markets," while at the same time focusing on cultivating culture to make the Company an organization that continuously takes on new challenges.

The Company has upheld its vision "2050 Creating Our Future Together" with an aim to become a company that will grow for over 100 years, and has set out a new business plan called the "Five-year Rolling Plan 2019." The Company promotes the construction of six networks, and coordination among those networks, to meet the needs of future society and the evolution of automobiles and to create and provide rich, superior services that are close to people's lives.

While the environment around us will continue to change significantly in the future, I will continue to create markets for our corporate group by taking on new challenges.

Special relationship between the candidate and the Company

Mr. Kobayashi has no special interests in the Company.

Brief professional background including major posts held

March 1978: Joined Daiho Sangyo Co., Ltd.
(currently AUTOBACS SEVEN Co., Ltd.)

April 1995: General Manager of Tire Department

June 2002: Operating Officer, Overseas Store Support Division

April 2005: Officer, General Manager of Northern Kanto Region

April 2007: Officer, Car Goods & Services

June 2008: Officer, General Manager of Kansai Region

April 2010: Executive Officer, Head of Sales Operation and Area Strategy & Planning

June 2010: Director and Executive Officer, Head of Sales Operation and Area Strategy & Planning

April 2012: Director and Senior Executive Officer, Head of Sales Operation and Area Strategy & Planning

April 2014: Director and Vice Chief Executive Officer, Vice Chief AUTOBACS Chain Officer, Head of Chain Store Planning and Store Subsidiary Strategy

April 2015: Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer

April 2016: Representative Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer

June 2016: Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer (current position)

Candidate No. 2:**Yugo Horii**

Re-nomination

Career position and assignment in the Company:

Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning & Operations, and CEO Office and Business Planning

- Date of birth: June 24, 1972 (age 47)
- Term of office as a director at the conclusion of this general meeting: 4 years
- Number of Company shares owned: 12,400
- Attendance at Board of Directors' meetings: 100% (15 of 15 meetings)

Reasons for nomination

Mr. Horii has contributed to the establishment of the foundations for business administration and promotion of the overseas business of the Company. In recent years he has endeavored to build the business portfolio as an officer in charge of company-wide Business Planning while contributing to the promotion of business strategies as well as the development of business foundations including logistics as an officer in charge of domestic AUTOBACS Business Planning. In addition, based on such experience, he has fully achieved his role as a Director in deciding important issues, supervising the execution of duties by the other Directors.

The Company believes that, when aiming for sustainable growth and increased corporate value of the AUTOBACS Group as before, he is an appropriate candidate that the Company needs for the purpose of improving the effectiveness of the decision-making and supervisory functions of the Board of Directors.

Dear Shareholders,

As we reach a once-in-a-century major turning point in the structure of the automotive industry, the environment ahead of us grows less and less certain in the face of the unprecedented effects of the COVID-19 on the global economy.

Nevertheless, automobiles are recognized anew as one of the most important means of transportation for personal mobility, and the Company will support automobiles as an infrastructure by providing customers with the value of safety and security.

As I consider the difficult situations that face us as a good opportunity to review various matters and promote reform, I will contribute to the creation of new values for the life that surrounds customers and automobiles by establishing valuable alliances and networks in accordance with the Five-year Rolling Plan 2019. Through these efforts, I will respond to the expectations of our shareholders.

Special relationship between the candidate and the Company

Mr. Horii has no special interests in the Company.

Brief professional background including major posts held

March 1995:	Joined AUTOBACS SEVEN Co., Ltd.
April 2010:	General Manager of Legal Department
April 2012:	Officer, Internal Control
April 2013:	Officer, Internal Control and Legal
April 2015:	Officer, Legal, General Affairs and Internal Control
April 2016:	Senior Executive Officer, Overseas Business
June 2016:	Director and Senior Executive Officer, Overseas Business
April 2017:	Director and Senior Executive Officer, Office of the President and Overseas Business Planning
April 2018:	Director and Senior Executive Officer, Office of the President and Business Planning, and AUTOBACS Business Planning
June 2019:	Representative Director and President, ABT Marketing Co., Ltd. (current position)
April 2020:	Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning & Operations, and CEO Office and Business Planning (current position)

Candidate No. 3:**Eiichi Kumakura**

Re-nomination

Career position and assignment in the Company:

Director and Senior Managing Executive Officer, Head of Merchandising & Services, and Car Parts & Accessories

- Date of birth: February 8, 1962 (age 58)
- Term of office as a director at the conclusion of this general meeting: 4 years
- Number of Company shares owned: 3,800
- Attendance at Board of Directors' meetings: 100% (15 of 15 meetings)

Reasons for nomination

Mr. Kumakura has significant achievements in the fields of merchandising and marketing in the domestic AUTOBACS business, and has contributed to building relationships with franchisee corporations. Based on such extensive experience and achievements, Mr. Kumakura has fully achieved his role as a Director in deciding important issues, supervising the execution of duties by the other Directors.

The Company believes that, when aiming for sustainable growth and increased corporate value of the AUTOBACS Group as before, he is an appropriate candidate that the Company needs for the purpose of improving the effectiveness of the decision-making and supervisory functions of the Board of Directors.

Dear Shareholders,

With the worldwide spread of the COVID-19 infection, we currently face serious effects on the economy and uncertainty in our consumption behavior and the safety of our lives going forward. Under these circumstances, we intend to carefully promote maintenance and services that will enable customers to use their automobiles as a core infrastructure in their lives without anxiety.

While responding to the environmental issues on a groupwide basis, we will promote the steady execution of our growth strategy for the future. To that end, I believe that it will be of the utmost importance to surely execute our Five-year Rolling Plan 2019 and to make intensive efforts to establish and operate our networks.

I will fulfill my duties in a way that meets our stakeholders' expectations by decisively forging ahead with our responses to the changes we face and swift decision-making at all times.

Special relationship between the candidate and the Company

Mr. Kumakura has no special interests in the Company.

Brief professional background including major posts held

March 1984: Joined AUTOBACS SEVEN Co., Ltd.
April 2001: General Manager of Car Electronics Merchandise Department
April 2009: Officer, Car Goods & Services
April 2011: Officer, General Manager of Kanto Region
April 2015: Officer, Western Japan Region Headquarters
April 2016: Senior Executive Officer, Head of Western Japan Region Headquarters
June 2016: Director, Senior Executive Officer, Head of Western Japan Region Headquarters
April 2018: Director and Senior Executive Officer, Western Japan Region Headquarters
April 2020: Director and Senior Managing Executive Officer, Head of Merchandising & Services, and Car Parts & Accessories (current position)

Candidate No. 4:
Yoshiko Takayama

Re-nomination, Outside Director (Independent Officer)

Career position and assignment in the Company: Outside Director

- Date of birth: August 9, 1956 (age 63)
- Term of office as a director at the conclusion of this general meeting: 5 years
- Number of Company shares owned: 2,500
- Attendance at Board of Directors' meetings: 100% (15 of 15 meetings)

Reasons for nomination

Ms. Takayama has experience in providing consulting services in finance and M&As, and is also familiar with the fields of IR and corporate governance. Ms. Takayama has contributed to the reinforcement of corporate governance of the Company, including advisory based on such extensive insight. She has also actively provided comments as an outside director and independent officer from the viewpoint of general shareholder protection.

The Company believes that, when aiming for sustainable growth and increased corporate value of the AUTOBACS Group as before, she is an appropriate candidate that the Company needs for the purpose of improving the effectiveness of the decision-making and supervisory functions of the Board of Directors.

Dear Shareholders,

How we respond to the rapidly changing environment surrounding automobiles not only takes precedence as an important managerial issue, but also presents great opportunities to grow.

The Company is responding to present challenges such as the effects of the COVID-19 infection, while executing various measures with a focus on the long-term growth opportunities stated above.

I will fulfill my role as outside director by appropriately supervising the management that addresses these issues and facilitating necessary changes through thorough verifications and discussions at Board of Directors' meetings and other occasions.

Special relationship between the candidate and the Company

Ms. Takayama has no special interests in the Company.

Independence of the candidate

Ms. Takayama satisfies the conditions set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, as well as other requirements for independence stipulated by the Company. Therefore, the Company has registered her with the Exchange as an independent officer.

Brief professional background including major posts held

April 1980:	Joined Bank of America N.A. Tokyo Branch
June 1987:	Joined Merrill Lynch & Co., Inc. New York Headquarters office
December 1990:	Vice President, Merrill Lynch & Co., Inc. Tokyo Branch
December 1998:	Asia-Pacific Regional Director, Thomson Financial Investor Relations Tokyo Branch
June 2001:	Managing Director, J-Eurus IR Co., Ltd.
March 2003:	Managing Director/Board Member, J-Eurus IR Co., Ltd. (current position)
June 2010:	Board Governor, International Corporate Governance Network
October 2010:	Director, Japan Corporate Governance Network (current position)
June 2015:	Outside Director, AUTOBACS SEVEN Co., Ltd. (current position)
September 2015:	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. (current position)
October 2015:	President, Japan Board Review Co., Ltd. (current position)

Common Reference Matters for Agenda Item No. 2

(Policy and Procedures for Appointment of Candidates for Director)

The Company's Board of Directors is made up of individuals who understand the importance of mutual trust among franchise stores, clients, employees and other parties concerned in the AUTOBACS franchise chain, and who are willing and able to improve the medium- and long-term corporate values and shareholders' common profit. A candidate for inside director shall be familiar with the Company's business, and a candidate for outside director shall have experience in corporate management, or experience and expertise in laws and regulations, finance, governance, risk management, etc. and also satisfy the conditions set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, as well as other requirements for independence stipulated by the Company.

The Company has established the Corporate Governance Committee as a consultative body for the Board of Directors, chaired by an outside director and comprised of all the outside directors and a representative director. When selecting candidates for director, the Board of Directors selects candidates after seeking consultation with the Corporate Governance Committee and receiving its recommendation.

Requirements for the Outside Directors' Independency

The independent officers of the Company shall be the outside director who satisfies the following requirements for independency.

At the time when any event has occurred to the person which results in infringement of the following requirements for independency, he/she shall lose the independency.

1. The Company's Outside Directors shall not have had any interest in the Company and its affiliates (hereinafter collectively the "AUTOBACS SEVEN Group") or specified corporations or entities in any of the following ways:
 - (i) Receiving remuneration (excluding the remuneration for the duty of an officer from the Company) or other assets from the AUTOBACS SEVEN Group in an amount exceeding ten (10) million yen per fiscal term within the past three years including the fiscal term under review
 - (ii) Belonging to an audit firm that conducted audits on the AUTOBACS SEVEN Group within the past three years, including the fiscal term under review
 - (iii) Serving any of the following corporations or entities (including holding companies) as a director, an executive officer, a general manager or in any other executive or managerial capacity (hereinafter referred to as executive directors, etc.):
 - a. AUTOBACS SEVEN Group customer or business partner^{Note 1} whose amount per fiscal term of operation or trade with, or the amount paid to or received by, the AUTOBACS SEVEN Group accounts for 2% or more of the sales^{Note 2} of either party in any fiscal term within the past three years, including the fiscal term under review
 - b. Financial institution or other large creditor that is indispensable to the AUTOBACS SEVEN Group's fund procurement and on which the Group depends to the extent that such a financial institution or large creditor is irreplaceable, within the past three years, including the fiscal term under review
 - c. Any major shareholder of the Company (owning 10% or more of outstanding shares), within the past five years, including the fiscal term under review
 - d. Any corporation which currently includes the AUTOBACS SEVEN Group as major shareholder (owning more than 10% of outstanding shares)
 - e. Any corporation that currently shares mutually appointed directors with the AUTOBACS SEVEN Group (mutual exchange of directors through cross-holding of shares)
2. The Company's outside officers shall not have been a spouse of said executive directors, etc., of the AUTOBACS SEVEN Group or a relative within the second degree of kinship, or have shared means of livelihood in the past five years, including the fiscal term under review.
3. The Company's outside officers shall not be a spouse of, a relative within the second degree of kinship or share means of livelihood with any person corresponding to the description of Paragraph 1 above.
4. The Company's outside officers shall not be in any situation that may hinder them from performing their duties as the Company's independent officers.

- (Note 1) Includes accounting firms, law offices and consulting companies other than those listed in 1. (ii) above.
- (Note 2) Includes line items falling under net sales, such as “operating profit.” Consolidated net sales come from companies within the scope of consolidated accounting.

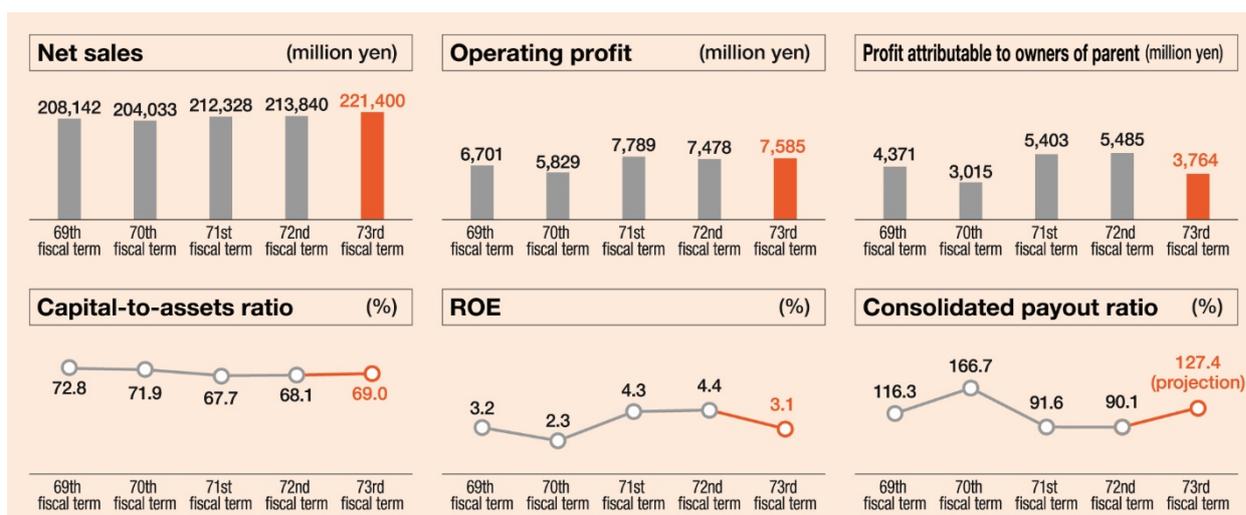
Business Report (from April 1, 2019 to March 31, 2020)

1. Current Status of the Group

(1) Assets and Operating Results

Classification	69th fiscal term Apr. 1, 2015- Mar. 31, 2016	70th fiscal term Apr. 1, 2016- Mar. 31, 2017	71st fiscal term Apr. 1, 2017- Mar. 31, 2018	72nd fiscal term Apr. 1, 2018- Mar. 31, 2019	73rd fiscal term Apr. 1, 2019- Mar. 31, 2020
Net sales (million yen)	208,142	204,033	212,328	213,840	221,400
Operating profit (million yen)	6,701	5,829	7,789	7,478	7,585
Ordinary profit (million yen)	7,780	7,120	8,226	8,203	8,059
Profit attributable to owners of parent (million yen)	4,371	3,015	5,403	5,485	3,764
Net income per share (yen)	51.60	36.00	65.49	66.58	47.10
Total assets (million yen)	180,454	176,708	187,354	181,391	172,799
Net assets (million yen)	131,747	127,392	127,352	124,187	119,966
Capital-to-assets ratio (%)	72.8	71.9	67.7	68.1	69.0
ROE (%)	3.2	2.3	4.3	4.4	3.1
Dividend payout ratio (%)	116.3	166.7	91.6	90.1	127.4 (projection)

- (Notes)
1. Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) have been applied effective from the beginning of the 72nd consolidated fiscal term. With respect to the figures for the total assets and the capital-to-assets ratios in the 71st consolidated fiscal term, figures and ratios to which the accounting standard is retrospectively applied are used.
 2. Earnings and expenses of the credit-related businesses, items that were previously presented under non-operating income and non-operating expenses are included in and presented under net sales, cost of sales, and selling, general and administrative expenses, effective from the 72nd consolidated fiscal term. Accordingly, with respect to net sales and operating profit in the 71st consolidated fiscal term, figures reclassified after reflecting the abovementioned change in the presentation method are used.



(2) Management policy, business environment, and targets to be achieved

(i) Management policy

The Company continues to help create a sustainable automobile-enriched society in which everyone can enjoy automobiles that are convenient, comfortable, safe, and fun, aiming for proposing and providing optimal car lifestyles that suit the needs of individual customers. That is the mission of the AUTOBACS chain, including the Company and its franchisee corporations. This philosophy is encapsulated in the AUTOBACS Chain Management Mission, and the whole AUTOBACS chain use it to continually provide value to customers, franchisees, employees, business partners, shareholders, society, and other stakeholders.

AUTOBACS Chain Management Mission
AUTOBACS has always been committed to providing customers with the best solutions for their car lifestyles and creating a rich and healthy automotive society.

In January 2018, the Company announced the “2050 Creating Our Future Together” as a long-term vision. For over 70 years, since the Company was first founded, it has always worked to further the advancement of automobile society and enrich the customers’ car lifestyles. Also in the future, by grasping the advances of society and automotive technologies and changes in peoples’ values, the Company will continue to stay close to people’s lives and propose values reflecting the trends in the world. The AUTOBACS SEVEN vision reflects the Company’s dedication to combining the strengths of all Group employees to achieve the above and continuing to create a rich, healthy automobile society in the years leading up to 2050.

AUTOBACS SEVEN Vision
2050 Creating Our Future Together
We face the issues of society, automobiles, and peoples’ lives and create a brighter, more vigorous future.
Our energy comes from our customers.
We will steadily grow, day by day, as individuals and as a company, as we continue to shine.

(ii) Business environment

The outlook for the overall consumption environment is expected to remain uncertain, mainly due to intensified competition beyond industry borders, deteriorated consumer sentiment resulting from budget-minded consumer spending, and the effect of the spread of the COVID-19 infections.

The Group conducts sales, and services such as installation/maintenance of auto parts and accessories in Japan and overseas, and sells used and new cars. The scale of the Japanese auto parts and accessories market (automotive aftermarket) peaked in the late 1990s, and has been slowly contracting ever since. This ongoing market decline is due to factors such as longer-term replacement periods for maintenance parts and consumables enabled by performance improvements in automobiles, replacements for car navigation devices by the use of smartphone apps, and the expansion of automotive goods and services for standard features in new automobiles.

According to figures from an announcement by the Auto-Parts & Accessories Retail Association (APARA), total store net sales of four association members between April 2019 and March 2020 were ¥400,641 million, a decrease of 0.2% year on year. In addition, the number of registered passenger used cars (standard-sized vehicles and compact passenger cars) ^{*1} for the same period was approximately 3.33 million vehicles (a 0.9% decrease year on year). Total automobile maintenance (market) ^{*2} sales for the period from January through December 2019 were ¥5,621,600 million (an 1.7% increase year on year), remaining steady.

*1 Japan Automobile Dealers Association (JADA)

*2 Announced by Japan Automobile Service Promotion Association (JASPA)

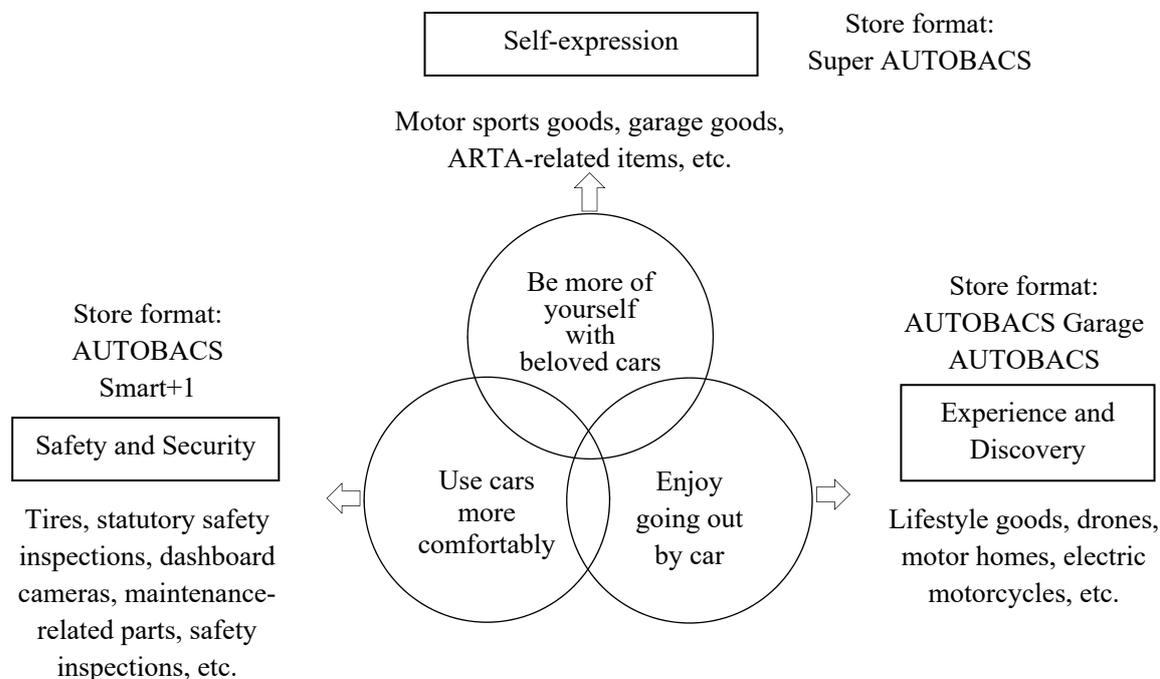
It will be essential to respond to major trends such as the technological development of driver assistance functions and autonomous driving and the growing popularization of electric vehicles, along with maintenance systems effective in line with those major trends. New services such as car-sharing services and subscription services are rapidly expanding, and improved IT platforms in line with that rapid expansion will be required. Furthermore, not only competition with other companies and other business categories, such as car dealers and e-commerce companies, will be intensified, but also the scope of transaction types, including trades between individuals, will be expanding. The market is furthermore expected to see even greater and more rapid changes in the future, such as changes in customer composition resulting from the declining birthrate and aging population, and needs diversification.

In the fiscal year ending March 31, 2021, the spread of COVID-19 infections will have tremendous effects on the economy. As of April 2020, the prospects for a return to normal were uncertain. If the effects of COVID - 19 are prolonged, a decline in consumption can be fully anticipated.

The Company believes that automobiles are an important infrastructure for human living, and that automobile maintenance is necessary for the protection of secure and safe life for customers.

(iii) Targets to be achieved

The value provided by AUTOBACS to customers



In the domestic AUTOBACS business, the Company will strengthen its market competitiveness by developing new products and new store formats while continuously making concentrated efforts to renovate stores to make them more access-friendly for customers, to improve store operations, and to develop human resources, including automobile mechanics. Through these efforts, the Company aims to provide the values of safety and security to meet the customer needs for more comfortable car use, provide the values of experience and discovery to meet the needs for enjoying going out by car, and provide the values of self-expression to meet the needs for being more of themselves with beloved cars, with a view to adapting to the changing business environment and continuing to increase customers.

In addition, the following businesses are mainly derived from, yet stand independently from, the domestic AUTOBACS business: the BtoB business, which has changed customers, the Internet business, which has changed sales methods, the overseas business, which has changed sales areas, and the car dealership business, which has changed merchandise. The Company provides customers with values common to all of such businesses, namely, “Safety and Security,” “Experience and Discovery,” and “Self-expression.”

In the BtoB business, the Company will promote the development of new clients and expand earnings from the automotive goods wholesaling business while promoting the development of new services.

In the Internet business, the Company will strengthen its existing EC business while collaborating with external Internet sales companies to speed up its entry into the continuously expanding Internet market.

In the overseas business, the Company will improve its profitability through partnerships with local companies by contracting its unprofitable retail business and expanding profitable wholesaling business.

In the car dealership business, the Company will further increase profits by expanding its service configuration ratio and improving its asset efficiency through collaborative arrangements between each sales base.

Going forward, the Company will aim to create new businesses to be newly produced around the AUTOBACS business, such as the lifestyle business.

In order to enhance the market competitiveness of those businesses by grasping and adapting to changes in society, automobiles, and people’s lives, the Company will continue to promote the construction of the six

networks and coordination among the networks, with a view to becoming a platformer in the aftermarket for automotive goods and services based on the Five-year Rolling Plan 2019 to plot out the future direction of the Group.

In the “Multi-Dealer Network,” the Company will operate a dealership business of its own as a channel to connect with customers in the car-purchasing domain, an entry point into car lifestyle, while obtaining information and know-how from manufacturers on the trends of the whole industry, vehicles and their maintenance in cooperation with dealers operating other brands.

In the “Pit Service Network,” the Company will collaborate with local automobile maintenance companies, gas stations, and other auto-parts retailer, in order to cope with the rising need for installation generated by the expanding online sales market for automotive goods and services.

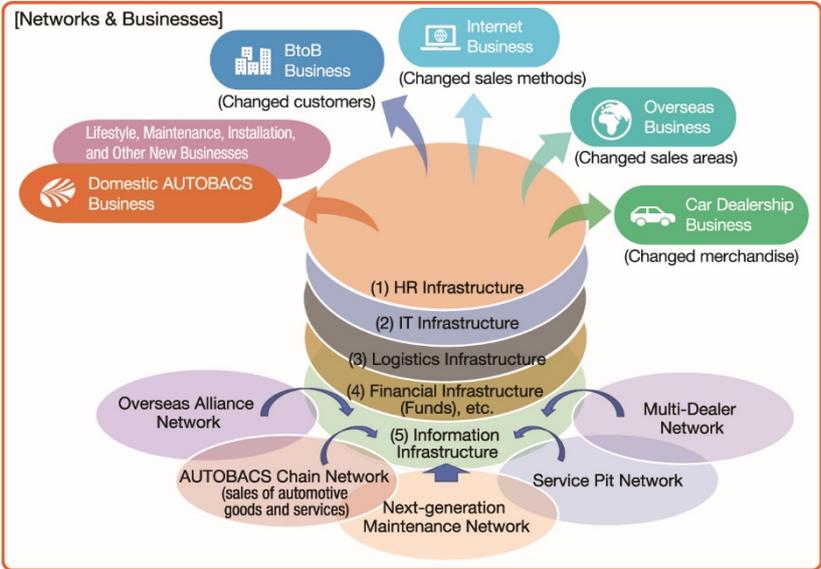
In the “Next-generation Maintenance Network,” the Company will endeavor to provide stable maintenance and service in the period of technological innovation by cooperating with the automobile maintenance companies that are capable of performing maintenance on Safety Support Cars and other vehicles equipped with next-generation technologies.

In the “AUTOBACS Chain Network,” the Company will cooperate with every company that sells automotive goods, including home centers, gas stations, and other auto-parts retailer, and promote the mutual use of resources owned by those respective companies while endeavoring to further strengthen the AUTOBACS chain, and will thereby enhance market competitiveness.

In the “Overseas Alliance Network,” the Company will expand its earnings by constructing new business models through cooperation with companies competitive in international markets and overseas start-up companies owning unique innovation technologies, while linking those companies with supply chains both at home and abroad.

Through these networks, the Company will integrate information on vehicles, maintenance, changing customer needs, and changes in societal factors such as laws, regulations, and the environment, across the barriers separating companies, with the aim of constructing the “Online Network” to develop information that will help strengthen the competitiveness of the respective businesses.

While focusing on the construction of the six networks and coordination among the networks, the Company will endeavor to develop its business infrastructure. The Company will endeavor to optimize the management resources in the domestic AUTOBACS business, expand retail earnings, review the pilot format stores, realign the EC business, contract overseas retail business, reconstruct infrastructure for IT and logistics, and strengthen its base of human resources with a focus on human resource development.



The Company will also continue to make efforts to introduce and establish schemes/systems for improving effectiveness and speeding up in promoting strategies through measures such as system arrangements for business impetus enhancement and the reinforcement of monitoring.

For financial strategy, the Company will expand operating cash flow by promoting its growth strategy and further conduct proactive business investment and shareholder returns. For shareholder returns, the Company will work for stable dividend and flexible shareholder returns with the aim of achieving an accumulated return to shareholders ratio of 100% during the five years of the Plan.

(3) Business progress and results

(i) Overview of management results for the fiscal term under review

The Japanese economy in the consolidated fiscal term under review remained generally steady, thanks mainly to improvements in corporate performance, and the employment and income environments. However, prospects for the economy became uncertain, due to the spread of the COVID-19 and other factors, in addition to the decline in consumer spending after the consumption tax rate hike

The trend of the domestic automotive-related industry has been uncertain partly due to a backlash from the rush demand in response to the consumption tax rate hike in October 2019 and the price hikes imposed by tire manufacturers. The number of registered used cars and number of new cars sold both decreased in comparison with the same period of the previous fiscal term.

Meanwhile, sales related to automotive goods and services have been maintained at the same level as the same period of the previous fiscal term, mainly due to the rising awareness of safe driving as social issues.

The business environment surrounding the Group has been changing very rapidly. In order to cope with it in an agile and flexible manner, the Company has newly formulated the Five-year Rolling Plan 2019, a plan plotting out the direction of the Group over the five-year period commencing from the consolidated fiscal term under review.

Specifically, the Company will realize growth for the medium- to long-term through the construction and coordination of the following six networks, in order to provide services that suit situations of car lifestyles for customers: Multi-Dealer Network, Pit Service Network (to provide optimal services), Next-Generation Maintenance Network (to respond to next-generation technologies), AUTOBACS Chain Network, Overseas Alliance Network, and Online Network (to deepen relationships with customers).

While focusing on the construction of the six networks and coordination among the networks, the Company has endeavored to develop its business infrastructure in the consolidated fiscal term under review. In the domestic AUTOBACS business, the Company has made efforts to optimize the management resources and expand retail earnings, review the pilot format stores, and reconstruct infrastructure for IT and logistics. Further, in the overseas business, the Company has contracted its unprofitable retail business and expanded profitable wholesale business.

The operating results of the Group on a consolidated basis are as follows:

Net sales and gross profit

Group net sales for the consolidated fiscal term under review increased by 3.5% year on year to ¥221,400 million, gross profit increased by 4.7% year on year to ¥70,746 million.

Selling, general and administrative expenses and operating profit

Selling, general and administrative expenses increased by 5.1% year on year to ¥63,160 million, and operating profit increased by 1.4% year on year to ¥7,585 million.

Personnel expenses and other expenses increased as a whole due to the business transfer of franchisee corporations that operate domestic AUTOBACS stores and business companies that conduct statutory safety inspection and maintenance services. In addition, data processing expenses increased mainly due to strengthening of information base and the response to a change in era name and the consumption tax hike.

Non-operating income, non-operating expenses and ordinary profit

Non-operating income rose by 1.4% year on year to ¥2,424 million. Non-operating expenses rose by 17.1% year on year to ¥1,950 million.

As a result, ordinary profit fell by 1.7% year on year to ¥8,059 million.

Extraordinary income and extraordinary loss

Extraordinary income consisted of ¥93 million of gain on step acquisitions resulting from a conversion of a former associate company subject to equity method to a subsidiary of the Company. Extraordinary loss was ¥2,248 million, including ¥1,950 million for impairment loss of non-current assets.

Income taxes in total

Income taxes for the consolidated fiscal term under review fell by ¥205 million from the previous fiscal term to ¥2,083 million.

Profit attributable to owners of parent

Profit attributable to owners of parent decreased by 31.4% year on year to ¥3,764 million.

The net income per share was ¥47.10. The ratio of net income to net sales fell year on year from 2.6% to 1.7%, and return on equity (ROE) fell year on year from 4.4% to 3.1%.

(ii) Management results by segment

Management results by segment are as follows:



Net sales and income by segment

(Unit: million yen)

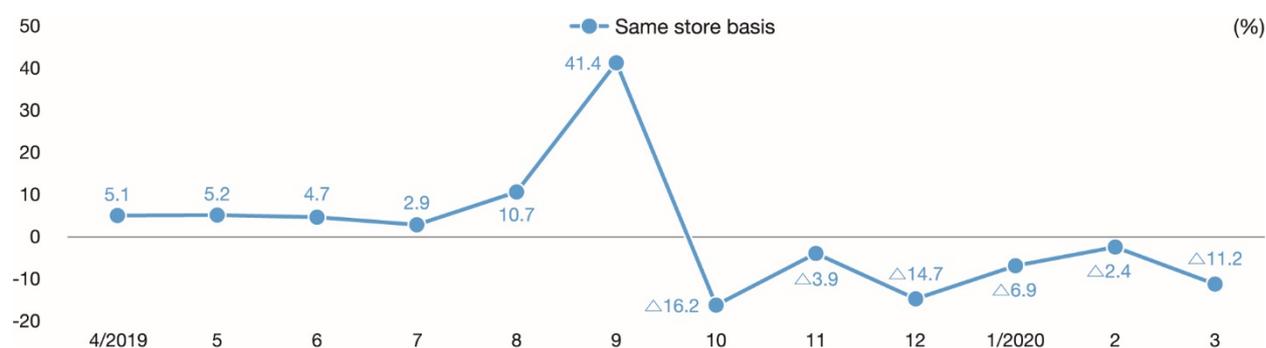
	Reportable segments					Reconciling items	Amount recognized in consolidated statement of income
	Domestic AUTOBACS business	Overseas business	Car dealership, BtoB and Internet businesses	Other	Total		
Net sales							
Net sales to outside customers	178,110	11,490	30,180	1,618	221,400	–	221,400
YoY (%)	0.2%	5.2%	28.7%	-2.5%	3.5%	–	3.5%
Internal sales and transfers between segments	1,266	265	8,301	499	10,333	(10,333)	–
Total	179,377	11,756	38,482	2,117	231,733	(10,333)	221,400
YoY (%)	0.2%	4.8%	28.2%	-4.1%	4.1%	–	3.5%
Segment profit (loss)	13,572	(360)	54	410	13,677	(6,091)	7,585
YoY (%)	-8.7%	–	–	-4.2%	1.8%	–	1.4%

■ Domestic AUTOBACS business

Net sales of domestic AUTOBACS business rose by 0.2% year on year to ¥179,377 million, due in part to the conversion of franchisee corporations that operate AUTOBACS chain stores into consolidated subsidiaries of the Company through share acquisitions in the previous consolidated fiscal term and the consolidated fiscal term under review. Gross profit rose by 1.8% year on year to ¥56,420 million, due in part to the increased number of consolidated subsidiaries. Selling, general, and administrative expenses rose by 5.6% year on year to ¥42,848 million due to factors such as the increased number of consolidated subsidiaries in addition to the increased expenses related to store renovation and sales promotions. As a result, segment profit fell by 8.7% year on year to ¥13,572 million.

Domestic AUTOBACS chain (including stores of franchisee corporations) net sales for all store formats during the consolidated fiscal term under review fell by 0.2% compared to the previous fiscal term both on a same store basis and on a total store basis.

AUTOBACS chain store net sales on a same store basis versus the previous year (monthly basis)

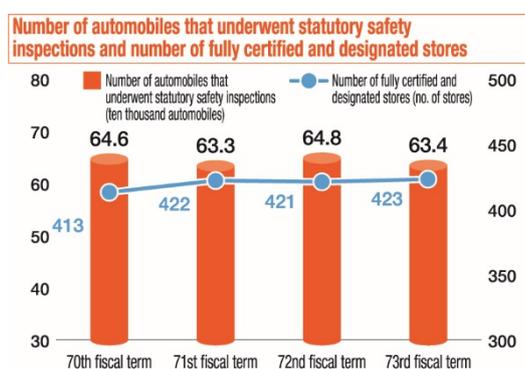


The domestic AUTOBACS chain remained in favorable condition due to a rising awareness of safe driving and a rush demand in advance of the consumption tax rate hike in October 2019. The chain, however, faced several severe challenges after the hike of the consumption tax rate in October 2019, such as the backlash from the rush demand and the record warm winter. In response, the Group boosted sales through active sales promotion activities such as its 45th Anniversary Sale. However, the stay-at-home request resulting from the spread of the COVID -19 generated adverse impacts in the fourth quarter.

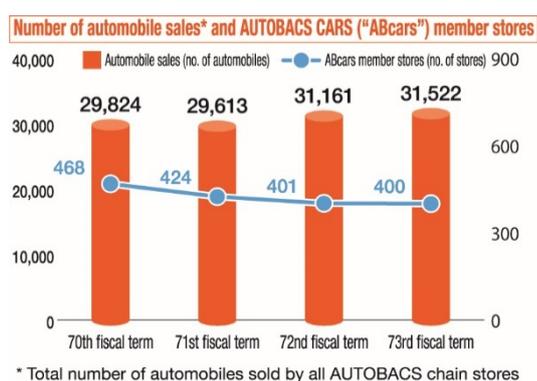
Regarding tire sales, the implementation of a tire price increase in response to the purchase price hikes imposed by the manufacturers when the consumption tax rate was raised generated a rush demand. Meanwhile, due to the high temperatures in eastern and western Japan from December 2019 and the record-low snowfalls on the Sea of Japan side of the country, the sales of snow tires slumped to levels below those of the previous year. Regarding car electronics, sales of dashboard cameras were strong thanks mainly to the rise of awareness of customers for safety in driving and the enhanced merchandise lineups developed in response to news reports on tailgating in and after August 2019, including high-priced devices which can record both front and back of the car, or 360-degree around the car. Furthermore, the sudden start prevention device Pedal Watcher gained support from the Tokyo Metropolitan Government and other administrative authorities, and continued to attract attention.

The Company also endeavored to improve the attractiveness of merchandise by increasing the merchandise lineups of the private label brand, “AQ. (AUTOBACS QUALITY.)” and of the “JKM” and “GORDON MILLER” brands that propose car-related lifestyles. In addition, the Company implemented operation improvements at stores and hardware renovations, including sales floors and service pits.

For statutory safety inspection and maintenance, the Company carried out television commercials and in-store advertising activities by selecting the “AUTOBACS GUYS” as a symbol of “professional & friendly presence” from among the mechanic personnel working at the actual AUTOBACS Group stores. The Company also reinforced its efforts at stores by, for example, promoting reservations for next statutory safety inspection and the “15-minutes acceptance test” for statutory safety inspections. However, partly due to a decrease in the number of automobiles subject to the statutory safety inspection from the 3rd quarter onward, the number of automobiles that underwent the statutory safety inspection decreased by 2.2% year on year to roughly 634,000 vehicles.



With regard to automobile purchase and sales, the number of vehicles purchased increased as the Company closed unprofitable stores and strengthened the concentration of sales activities. As a result, sales to dealers such as sales to auto auctions were strong, and the total number of automobiles sold increased by 1.2% year on year to approximately 31,500 cars.



As for “JACK & MARIE,” Japan’s first car-oriented lifestyle shop brand, the Company opened “JACK & MARIE Grandberry Park” in Machida, Tokyo, in November 2019, raising the number of real stores to five in total.

Regarding store openings and closings in Japan, 3 stores opened and 11 stores closed, making the total number of overseas stores 585 as of March 31, 2020.

Store openings and closings in Japan

(Unit: stores)

	No. of stores as of March 31, 2019	Opened	Closed	No. of stores as of March 31, 2020
AUTOBACS	493	3	-6	490
Super AUTOBACS	74	-	-	74
AUTOBACS <i>Secohan Ichiba</i>	7	-	-	7
AUTOBACS EXPRESS	11	-	-	11
AUTOBACS CARS	8	-	-5	3
Total	593	3	-11	585

Store formats of the AUTOBACS Chain

Logo and images, specs (10 store formats)

AUTOBACS, Super AUTOBACS Type I, Super AUTOBACS Type II, AUTOBACS *Secohan Ichiba*, AUTOBACS EXPRESS, AUTOBACS CARS, Smart+1, AUTOBACS GARAGE, JACK & MARIE, A PIT AUTOBACS SHINONOME

■ Overseas business

The overseas consolidated subsidiaries of the Group have applied IFRS 16 Leases effective since the beginning of the consolidated fiscal term under review. The effect of the application of the standard on the operating results for the consolidated fiscal term under review is immaterial.

Overseas business net sales were ¥11,756 million (a 4.8 % increase year on year), and segment losses were ¥360 million (compared to ¥783 million of segment loss in the same period of the previous fiscal term).

The overseas business development by the Group has been affected by the spread of the COVID -19 in some areas from the fourth quarter, especially in France.

In retail and service business, sales in Thailand increased with the opening of a new store in April 2019 and the opening of a small store in a gas station mall of the PTG Group in November 2019. Sales in France decreased due to effects caused by the transfer of stores and the spread of the COVID -19 infection. In Singapore, the Company acquired shares of SK AUTOMOBILE Pte. Ltd., a company operating a body repair, painting and maintenance business, and made it a consolidated subsidiary of the Company in November 2019.

In the wholesaling business, sales have expanded significantly centering on engine oil manufactured in Japan for overseas markets, and the Company has been working to further expand its sales channels in the future. In China, the wholesaling business for its domestic market expanded significantly. In October 2019, the Company made additional investments into the CarHouse Group to make it an equity method affiliate, for the purpose of expanding the wholesaling business in China and reinforcing cooperation in the manufacturing of private label brand goods. In Singapore, the Company proceeded with the introduction of the wholesaling of private label brand goods such as windshield wipers, mainly at convenient stores and supermarkets, while working on BtoB and Internet sales. In Australia, the Company endeavored to expand earnings from the overseas wholesaling business by way of AudioXtra Pty Ltd., a company that became a consolidated subsidiary of the Company through a share acquisition in October 2018.

Regarding store openings and closings overseas, 3 stores opened and 4 stores closed, making the total number of overseas stores 45.

Number of stores overseas (as of the end of March 2020)

(Unit: stores)

France	Thailand	Singapore	Taiwan	Malaysia	Indonesia	Philippines	Total
11	17	2	6	5	1	3	45

■ Car dealership, BtoB and Internet businesses

Net sales of car dealership, BtoB and Internet businesses were ¥38,482 million (a 28.2% increase year on year) and segment profit was ¥54 million (compared to ¥1,076 million of segment loss in the same period of the previous fiscal term).

In the imported car dealership business, the Company established AUTOBACS DEALER GROUP HOLDINGS Co., Ltd. as an entity to manage the imported car dealership business in April 2019, as part of its effort to develop a system for expansion of earnings. The Company also strengthened the sales system of each sales base and worked to reinforce not only the sales of new cars and used cars, but also services.

In the course of establishing network with automobile maintenance companies in the BtoB business, the Company made Seiwa Automobile Sales Co., Ltd., a company mainly engaging in statutory safety inspections, maintenance services and body work and painting businesses, etc. in Shiga Prefecture, a wholly-owned subsidiary in June 2019 to promote earnings expansion. The BtoB business improved its sales and profit chiefly by optimizing its sales activities at CAP Style Co., Ltd., a company established in the previous consolidated fiscal term through the integration of two companies wholesaling automotive goods and services. In the fleet business, a business the Company is strengthening to respond to corporate demand, deals with nationwide companies have increased and sales have expanded centering on safety-assistance merchandise such as dashboard cameras.

In the Internet business, the Company has continued to reconstruct its merchandise lineups, promotions, etc. and has been endeavoring to expand sales through digital marketing using AI. The Company has also been preparing for its upcoming website renewal scheduled in the next fiscal term.

■Other business

Net sales of the other business were ¥2,117 million (a 4.1% decrease year on year) and segment profit was ¥410 million (a 4.2% decrease year on year).

(iii) Overview of financial conditions for the fiscal term under review

a. Status of assets, liabilities and net assets

Current assets

Current assets fell by ¥9,630 million from the end of the previous fiscal term to ¥98,227 million. Accounts receivable - other decreased due mainly to decrease in purchase rebates, despite increase in merchandise, etc. at a new consolidated subsidiary.

Property, plant and equipment and intangible assets

Property, plant and equipment rose by ¥1,034 million from the end of the previous fiscal term to ¥42,124 million. This increase was primarily attributable to the posting of right-of-use assets due to the application of IFRS 16 Leases at overseas subsidiaries.

Intangible assets rose by ¥819 million from the end of the previous fiscal term to ¥6,856 million. This was due primarily to the incurrence of goodwill and the acquisition of software.

Investments and other assets

Investments and other assets fell by ¥813 million from the end of the previous fiscal term to ¥25,591 million. This was primarily due to decrease in investment securities resulting from a conversion of a former associate company subject to equity method to a subsidiary of the Company.

Current liabilities

Current liabilities fell by ¥8,272 million from the end of the previous fiscal term to ¥36,131 million. This was due primarily to reduced notes and accounts payable - trade.

Non-current liabilities

Non-current liabilities rose by ¥3,901 million from the end of the previous fiscal term to ¥16,701 million. This was primarily attributable to the posting of lease obligations due to the application of IFRS 16 Leases at overseas subsidiaries.

Total net assets

Total net assets fell by ¥4,220 million from the end of the previous fiscal term to ¥119,966 million. This was due primarily to decrease by purchase of treasury shares.

Total assets/total liabilities and net assets

Total assets and total liabilities and net assets fell by ¥8,591 million from the end of the previous fiscal term to ¥172,799 million.

b. Status of cash flow

Cash and cash equivalents (hereinafter referred to as “funds”) at end of the fiscal term under review decreased by ¥2,480 million from the end of the previous fiscal term to ¥28,051 million, due to an inflow of funds from operating activities in the amount of ¥10,603 million, an outflow of funds from investing activities in the amount of ¥3,370 million, and an outflow of funds from financing activities in the amount of ¥9,684 million.

Status of each cash flow and major factors for increase and decrease are as follows:

Net cash provided by operating activities increased by ¥6,156 million year on year to ¥10,603 million due primarily to impairment loss increasing by ¥1,735 million and payment of income taxes decreasing by ¥3,196 million, despite profit before income taxes decreasing by ¥1,849 million.

Net cash used in investing activities increased by ¥292 million year on year to ¥3,370 million due to proceeds from sales of property, plant and equipment and intangible assets falling by ¥917 million, collection of loans receivable falling by ¥748 million and proceeds from sales and redemption of investment securities decreasing by ¥738 million, despite purchase of property, plant and equipment and intangible assets falling by ¥1,188 million and purchase of shares of subsidiaries resulting in change in scope of consolidation falling by ¥594 million.

Net cash used in financing activities decreased by ¥192 million year on year to ¥9,684 million due to factors such as a ¥827 million decrease in purchase of treasury shares, a ¥636million increase in proceeds from long-term borrowings and a ¥582 million decrease in repayments of long-term borrowings, despite a ¥1,468 million increase in repayments of short-term borrowings (net).

(4) Status of Capital Investment

During the consolidated fiscal term under review, the Group conducted capital investment in a total amount of ¥3,429 million. The main components were new store opening, store renovation, and acquisition of buildings and structures related to relocation of imported car dealership stores, as well as IT system investment for establishing next-generation information base.

(5) Status of Fund Procurement

During the consolidated fiscal term under review, the Group procured the funds for business operations mainly through refinancing as the entire AUTOBACS chain. The main reason for the decrease in the balance of short-term loans payable and long-term loans payable at the end of the consolidated fiscal term under review of ¥899 million was the refinancing of loans within the Group.

(6) The Group's Major Business Line (as of March 31, 2020)

The Group is engaged in wholesale and retail sales of automotive goods and services both in Japan and overseas; online sales; automobile purchase and sales; statutory safety inspection and maintenance services; and the imported car dealership business. It also provides the AUTOBACS chain with store equipment leasing services and conducts credit-related businesses, etc.

The Group's lines of business and the positioning of its segments are as follows.

Segment	Description of business
Domestic AUTOBACS business	Wholesaling of automotive goods such as tires, wheels, and car electronics to domestic franchisee corporations, and leasing of store equipment. Sale and installation services of automotive goods, maintenance services, statutory safety inspection, automobile purchase and sales mainly to domestic general consumers. Major store brands: AUTOBACS, Super AUTOBACS, AUTOBACS <i>Secohan Ichiba</i> and AUTOBACS CARS ("ABcars"), etc.
Overseas business	Sale and installation services of automotive goods, maintenance services, and body work and painting mainly to overseas general consumers. Also export sales of automotive goods and services mainly to overseas franchisee corporations and retailers.
Car dealership, BtoB and Internet businesses	Sale of imported cars and services mainly to domestic general consumers. Wholesaling of automotive goods, etc. to domestic hardware stores and the provision of automotive goods and services, etc. through the Company's website and official apps in collaboration with brick-and-mortar stores. In addition, statutory safety inspections, maintenance services and body work and painting businesses, etc.
Other business	Business mainly conducted by subsidiaries, such as credit-related business, insurance agency, intermediation of individual credit purchases at the stores of domestic franchisee corporations, the issuance of affiliated credit cards, and the leasing of equipment, etc. to domestic franchisee corporations.

(7) Major Business Locations of the Company (as of March 31, 2020)

Headquarters	6-52, Toyosu 5-chome, Koto-ku, Tokyo	
Eastern Japan Region Headquarters	Ichikawa City, Chiba	
Western Japan Region Headquarters	Kita-ku, Osaka City	
Distribution centers	Eastern Japan Logistics Center	Ichikawa City, Chiba
	Western Japan Logistics Center	Miki City, Hyogo

(8) Key Subsidiaries

Company name	Location	Capital	The Company's investment ratio	Line of business
AUTOBACS Keiyo Ltd.	Ichikawa City, Chiba	¥100 million	90.0%	Automotive goods retail business
AUTOBACS FRANCE S.A.S.	Pierrelaye, France	EUR 35,300 thousand	100.0%	Automotive goods retail business
AUTOBACS Financial Service Co., Ltd.	Koto-ku, Tokyo	¥15 million	100.0%	Leasing business

Company name	Location	Capital	The Company's investment ratio	Line of business
Autoplatz K.K.	Toshima-ku, Tokyo	¥100 million	(100.0%)	Imported car sales
CAP Style Co., Ltd.	Ota-ku, Tokyo	¥100 million	100.0%	Automotive goods wholesaling business
HOT STUFF CORPORATION	Onojo-shi, Fukuoka	¥47 million	(100.0%)	Import and export of automotive goods; wholesaling and retail business

- (Notes) 1. The Company's indirect investment ratio is shown in parentheses.
2. HOT STUFF CORPORATION is a wholly-owned subsidiary of HSC Planning Co., Ltd., which became a subsidiary of the Company through a share acquisition in July 2019.

(9) Key Affiliate Companies

Company name	Location	Capital	The Company's investment ratio	Line of business
Puma Ltd.	Imizu City, Toyama	¥33 million	32.5%	Automotive goods retail business
Buffalo CO., LTD.	Kawaguchi City, Saitama	¥602 million	22.1%	Automotive goods retail business
NORTHERN JAPAN AUTOBACS Co., Ltd.	Toyohira-ku, Sapporo City	¥100 million	34.0%	Automotive goods retail business

(10) Employment Situation (as of March 31, 2020)

The Group's employment status

Segment	No. of employees in 72nd fiscal term		No. of employees in 73rd fiscal term		Increase/decrease from the previous consolidated fiscal term	
Domestic AUTOBACS business	2,844	(648)	2,931	(737)	87	(89)
Overseas business	751	(28)	735	(26)	-16	(-2)
Car dealership, BtoB and Internet businesses	375	(44)	502	(36)	127	(-8)
Other business	37	(0)	38	(0)	1	(0)
Reporting segment total	4,007	(720)	4,206	(799)	199	(79)
Company-wide (common)	164	(27)	179	(29)	15	(2)
Total	4,171	(747)	4,385	(828)	214	(81)

- (Notes) 1. The number of employees indicates the number of persons actually working for the AUTOBACS SEVEN Group and does not include those who are working on loan for other companies.
2. The yearly average number of temporary employees is shown in parentheses.
3. The number of employees shown in "Company-wide (common)" indicates that of people belonging to the administration divisions.

(11) Major Lenders and Loan Amount (as of March 31, 2020)

(Unit: million yen)

Lenders	Balance of loans
MUFG Bank, Ltd.	1,000
BMW Japan Finance Corporation	711
Sumitomo Mitsui Banking Corporation	500

(12) Other Significant Matters Concerning Current Status of the Group

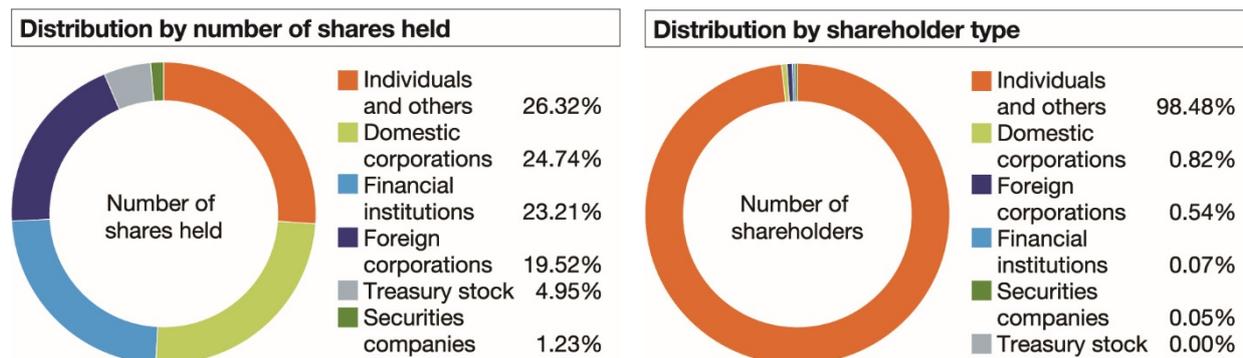
Not applicable

2. Status of the Company

(1) Status of Shares

- (i) Total number of authorized shares: 328,206,900 shares
(ii) Total number of shares issued: 84,050,105 shares (including 4,163,050 treasury stock)
(iii) Number of shareholders: 50,686

	Distribution by number of shares held (Number of shares held)	Distribution by shareholder type (Number of shareholders)
Individuals and others	26.32%	98.48%
Domestic corporations	24.74%	0.82%
Financial institutions	23.21%	0.07%
Foreign corporations	19.52%	0.54%
Treasury stock	4.95%	0.00%
Securities companies	1.23%	0.05%



Percentages of Distribution by number of shares held and Distribution by shareholder type are rounded down to the second decimal place.

(iv) Major shareholders (Top 10 shareholders)

Name	Status of contribution to the Company	
	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,295	6.62
Sumino Holdings, Ltd.	4,243	5.31
The Yuumi Memorial Foundation for Home Health Care	3,990	4.99
Japan Trustee Service Bank, Ltd. (Trust Account)	3,456	4.32
Northern Trust Company (AVFC) Re Silchester International Investors International Value Equity Trust	3,263	4.08
K Holdings, Ltd.	2,750	3.44
The Master Trust Bank of Japan, Ltd. (Retail Trust Account 820079252)	1,800	2.25
Northern Trust Company AVFC Re U.S. Tax Exempted Pension Funds	1,708	2.13
Foreman Kyoei, Ltd.	1,560	1.95
Live Field Co., Ltd.	1,500	1.87

- (Notes) 1. Shareholding ratio is calculated by deducting treasury stock 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.
3. An amendment to the substantial shareholding report was filed with the director-general of the Kanto Local Finance Bureau by Silchester International Investors LLP, as shown in the table below, pursuant to Article 27-25, Paragraph 1, of the Financial Instruments and Exchange Act. The Company could not, however, confirm the number of shares held by Silchester International Investors LLP as of March 31, 2020. As a result, the number of shares held by the company is not included in the list of “Major shareholders” above.

Outline of an amendment to the substantial shareholding report

Amendments to the substantial shareholding report	Date of submission	Number of shares held (thousands)	Holding ratio (%)
No. 24	August 6, 2019	9,118	10.85
No. 25	November 1, 2019	8,240	9.80

- (Notes) 1. The shareholding ratio for each report number uses the total number of shares outstanding at the date of submission as the denominator in the calculation.
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.

(v) Other significant matters concerning shares

a. Acquisition, disposal, etc. of treasury stock and the holding thereof

(Unit: shares)

Treasury stock held at the end of the previous fiscal term		3,062,492 ... (i)
Acquired shares	Acquisition through purchase of shares constituting less than one unit	358 ... (ii) (Aggregate acquisition value: ¥638 thousand)
	Acquisition of treasury stock pursuant to the provisions of Article 156 of the Companies Act applied with replacement in accordance with the provision of Article 165, Paragraph 3 of the same Act	1,105,200 ... (iii) (Aggregate acquisition value: ¥2,088,112 thousand)
Disposed shares	Disposal of treasury stock as remuneration for granting restricted stock	5,000 ... (iv) (Aggregate disposal value: ¥9,269 thousand)
Treasury stock held at the end of the current fiscal term		4,163,050 (i)+(ii)+(iii)-(iv)

b. Major shareholders

An amendment to the substantial shareholding report No. 12 was filed with the director-general of the Kanto Local Finance Bureau by Silchester International Investors LLP on April 17, 2014. Based on that report, Silchester International Investors LLP became the Company's major shareholder, which has not yet been confirmed on the Company's register of shareholders. According to the report, Silchester International Investors LLP has virtually become the largest shareholder of the Company, therefore the Company made a timely disclosure of a change in the major shareholders of the Company. Pursuant to Article 24-5, Paragraph 4, of the Financial Instruments and Exchange Act and the provision of Article 19, Paragraph 2, Item 4, of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc., the Company submitted an extraordinary report related to the change of the major shareholders of the Company.

(vi) Matters concerning stock acquisition rights, etc.

Not applicable

(2) Status of the Company's Directors

(i) Status of directors, significant concurrent positions and relationship with the Company

Position	Name	Responsibility and significant concurrent positions held in other organization	Concurrently held positions
Representative Director	Kiomi Kobayashi	Chief Executive Officer, Chief AUTOBACS Chain Officer	—
Director	Yugo Horii	Senior Executive Officer, Office of the President and Business Planning, and AUTOBACS Business Planning ABT Marketing Co., Ltd.	— Representative Director
Director	Eiichi Kumakura	Senior Executive Officer, Western Japan Region Headquarters	—
Director (Outside)	Yoshiko Takayama	J-Eurus IR Co., Ltd.	Managing Director/Board Member
		Japan Corporate Governance Network	Director
		Financial Services Agency / Tokyo Stock Exchange, Inc. The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code	Council Member
		Japan Board Review Co., Ltd.	Representative Director
Director (Audit and Supervisory Committee Member)	Kozo Sumino	—	—
Director (Audit and Supervisory Committee Member) (Outside)	Yukio Kakegai	—	—
Director (Audit and Supervisory Committee Member) (Outside)	Minesaburo Miyake	NAKASHIMATO CO., LTD.	Chairman and Director
		Kewpie Mirai Tamago Foundation	Director General
		Fuji Pharma Co., Ltd.	Outside Director
		KAMEDA SEIKA CO., LTD.	Outside Director
		Cabinet Office Council for Utilization of Dormant Deposits	Expert Committee Chief

- (Notes)
- Directors, Mr. Teruyuki Matsumura and Mr. Isao Hirata, Outside directors, Mr. Hatsuo Odamura and Mr. Minesaburo Miyake, audit and supervisory board member, Mr. Kozo Sumino, and outside audit and supervisory board members, Mr. Yukio Kakegai, Mr. Tomoaki Ikenaga, and Mr. Yuji Sakakura retired from their positions at the conclusion of the 72nd ordinary general meeting of shareholders held on June 21, 2019. Mr. Kozo Sumino, Mr. Yukio Kakegai and Mr. Minesaburo Miyake were newly elected as directors (audit and supervisory committee members) and assumed the positions as of the same date.
 - Three (3) directors, Ms. Yoshiko Takayama, Mr. Yukio Kakegai and Mr. Minesaburo Miyake, are outside directors, as provided for in Article 2, Item 15, of the Companies Act.
 - There is no special relationship between the Company and the other companies and organizations mentioned above in which the outside directors hold concurrent positions.
 - Three (3) officers, namely directors Ms. Yoshiko Takayama, Mr. Yukio Kakegai and Mr. Minesaburo Miyake, are independent directors registered with the Tokyo Stock Exchange.
 - Two (2) directors have profound insights into finance and accounting. Director (full-time audit and supervisory committee member) Mr. Kozo Sumino served as a director and was engaged in finance & accounting as an executive officer at the Company. Outside director (full-time audit and supervisory committee member) Mr. Yukio Kakegai has many years of extensive experience in finance and accounting at a business corporation.
 - J-Eurus IR Co., Ltd., a company in which Ms. Yoshiko Takayama assumed the position of Managing Director/Board Member, became a wholly owned subsidiary of Sumitomo Mitsui Trust Bank, Limited, effective April 1, 2020.

(ii) Attendance to the meetings of Board of Directors, Audit and Supervisory Board, and Audit and Supervisory Committee

Name	Classification	Board of Directors		Audit and Supervisory Board		Audit and Supervisory Committee	
		Meetings to be attended	Meetings attended	Meetings to be attended	Meetings attended	Meetings to be attended	Meetings attended
Kiomi Kobayashi	Directors	15 times	15 times				
Teruyuki Matsumura		3 times	3 times				
Isao Hirata		3 times	3 times				
Yugo Horii		15 times	15 times				
Eiichi Kumakura		15 times	15 times				
Hatsuo Odamura *		3 times	3 times				
Yoshiko Takayama *		15 times	15 times				
Kozo Sumino	Director (Audit and Supervisory Committee Member)	12 times	12 times			11 times	11 times
	Audit and Supervisory Board Member	3 times	3 times	4 times	4 times		
Yukio Kakegai *	Director (Audit and Supervisory Committee Member)	12 times	11 times			11 times	11 times
	Audit and Supervisory Board Member	3 times	3 times	4 times	4 times		
Minesaburo Miyake *	Director (Audit and Supervisory Committee Member)	12 times	12 times			11 times	11 times
	Director	3 times	3 times				
Tomoaki Ikenaga *	Audit and Supervisory Board Member	3 times	3 times	4 times	4 times		
Yuji Sakakura *	Audit and Supervisory Board Member	3 times	3 times	4 times	3 times		

- (Notes) 1. Outside directors and audit and supervisory board members are indicated by an asterisk (*) to the right of the name.
2. Pursuant to the resolution of the 72nd ordinary general meeting of shareholders held on June 21, 2019, the Company has transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee at the conclusion of the meeting. Accordingly, meetings to be attended and the meetings attended (of the Audit and Supervisory Board) are stated in terms of the numbers of meetings held before June 21, 2019, and meetings to be attended and the meetings attended (of the Audit and Supervisory Committee) are stated in terms of numbers of meetings held after June 21, 2019.

3. Directors, Mr. Kozo Sumino and Mr. Yukio Kakegai, retired from their positions as audit and supervisory board members at the conclusion of the ordinary general meeting of shareholders held on June 21, 2019 and assumed positions as directors (audit and supervisory committee members). Meetings to be attended and the meetings attended (of the Board of Directors) are stated as total numbers for both positions.

(iii) Appointment or non-appointment of full-time audit and supervisory committee members, and reasons therefor

The Company has appointed Mr. Kozo Sumino and Mr. Yukio Kakegai as full-time audit and supervisory committee members, in order to strengthen the auditing and supervisory functions of the Audit and Supervisory Committee, collect information from directors (excluding directors who are audit and supervisory committee members), executive officers, etc., share information at important internal meetings, and enable the Audit and Supervisory Committee to fully cooperate with the internal audit department, the internal control department, etc.

(iv) Remuneration, etc. paid to directors

a. Directors' Remuneration Policy

The basic policy for determining directors' remuneration has the criteria of maintaining and increasing the corporate value of the AUTOBACS chain, which comprises a franchise system, and securing human resources capable of effectively supervising the Company's business operations as directors of the Company.

b. Remuneration standard

The remuneration standard is based on the results of third-party surveys on executive compensation and takes into account such factors as the Company's position in the industry, the difficulty of achieving targets, and responsibilities.

c. Composition and basic policy of remuneration

Remuneration for the Company's directors (excluding directors who are audit and supervisory committee members) and officers consists of fixed basic remuneration, an annual incentive that is determined in accordance with the degree of achievement for a single year, and a medium- to long-term incentive. For outside directors and audit and supervisory committee members, only fixed remuneration set for each role is paid.

i. Basic remuneration

The scope of control and responsibility, degree of influence on the management of the consolidated Group, and achievement in the previous year are considered to determine basic remuneration from the remuneration table.

ii. Annual incentive

A single-year consolidated ordinary income target as an evaluation index common to all executive directors and officers, financial performance figures such as an evaluation index for each area of responsibility, and an individual assignment based on the degree of achievement of a strategic target, which cannot be measured by financial performance figures alone, are set as the standard of evaluation, with the annual incentive fluctuating within 0-180% of the performance based remuneration standard.

iii. Medium- to long-term incentive

To improve performance and corporate value over the medium and long terms and better share value with shareholders, shares with restrictions on transfer will be issued in advance in accordance with the amount set for each remuneration table.

d. Process of determining remuneration

- i. The Company ensures the objectivity and transparency of its remuneration system for directors (excluding directors who are audit and supervisory committee members) and officers, and the remuneration amounts through consultation with the Corporate Governance Committee.
- ii. Remuneration for the Company's audit and supervisory committee members is decided at the audit and supervisory committee, within the limit of the amount of remuneration resolved in advance at a general meeting of shareholders.

e. Total amount of remuneration, etc. paid to directors and audit and supervisory board members in the fiscal term under review

Classification	Basic remuneration		Incentive				Total amount of remuneration, etc. (million yen)
	Fixed remuneration		Annual		Medium- to long-term (stock remuneration)		
	Number of persons paid	Amount of payment (million yen)	Number of persons paid	Estimated amount to be paid (million yen)	Number of persons paid	Amount of payment (million yen)	
Directors who are not audit and supervisory committee members (excluding outside directors)	5	120	—	—	3	7	127
Directors who are not audit and supervisory committee members (outside directors)	3	18	—	—	—	—	18
Total of directors who are not audit and supervisory committee members	8	138	—	—	3	7	145
Directors who are audit and supervisory committee members (excluding outside directors)	1	18	—	—	—	—	18
Directors who are audit and supervisory committee members (outside directors)	2	25	—	—	—	—	25
Total of directors who are audit and supervisory committee members	3	44	—	—	—	—	44
Audit and supervisory board members (excluding outside audit and supervisory board members)	1	6	—	—	—	—	6
Outside audit and supervisory board members	3	11	—	—	—	—	11
Total of audit and supervisory board members	4	17	—	—	—	—	17

- (Notes) 1. Pursuant to the resolution of the 72nd ordinary general meeting of shareholders held on June 21, 2019, the Company has transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee at the conclusion of the meeting.
2. Directors who are not audit and supervisory committee members include directors in office before the transition to a company with an Audit and Supervisory Committee.
3. The amount of remuneration for audit and supervisory board members pertains to the remuneration before the transition to a company with an Audit and Supervisory Committee and the amount of remuneration for directors who are audit and supervisory committee members pertains to the remuneration after the transition to a company with an Audit and Supervisory Committee.
4. Stock remuneration is stated at an amount posted as expenses for the fiscal year under review.
5. Remuneration for directors who are not audit and supervisory committee members was resolved in the

amount of ¥480 million or less per year (including ¥50 million or less per year of outside directors) at the 72nd ordinary general meeting of shareholders held on June 21, 2019.

6. Remuneration for directors who are audit supervisory committee members was resolved in the amount of ¥120 million or less per year at the 72nd ordinary general meeting of shareholders held on June 21, 2019.
7. Remuneration for audit and supervisory board members was resolved in the amount of ¥120 million or less per year at the 59th ordinary general meeting of shareholders held on June 28, 2006.

The Company ensures the objectivity and transparency of its remuneration system for directors and the remuneration amounts through consultation with the Corporate Governance Committee, a body that is chaired by an outside director and composed of all of the outside directors and the representative director.

In addition, the Company received the opinion from the Audit and Supervisory Committee that, as a result of deliberations at the Committee, the contents of remuneration, etc. payable to directors are considered to be reasonable because the procedure for determining the remuneration, etc. has been appropriately conducted and the amounts of remuneration, etc. payable to each director are consistent with the roles, duties, and achievements of each director.

(v) Outline of the contents of the liability limitation agreement

The Company has entered into an agreement with four (4) directors which limits the liability set forth in Article 423, Paragraph 1, of the Companies Act, and the liability limit pursuant to such agreement shall be the total amount of a. and b. described below, which are set forth in Article 425, Paragraph 1, of the Companies Act.

- a. The amount obtained by multiplying by two (2) the amount calculated by the method set forth in Article 113 of the Companies Act Enforcement Regulations as the amount equivalent to the annual property benefits received or to be received from the Company as consideration for the execution of a director's duties while he or she is in office.
- b. In the cases where he or she has subscribed for the Company's stock acquisition rights as set forth in Article 2, Item 21, of the Companies Act (limited to the cases listed in each Item in Article 238, Paragraph 3, of the Companies Act), the amount calculated by the method set forth in Article 114 of the Companies Act Enforcement Regulations as the amount equivalent to the property benefits concerning such stock acquisition rights.

(vi) Matters concerning outside directors

a. Major activities during the fiscal term under review

Classification	Name	Activities
Directors	Yoshiko Takayama	Fulfilled a supervisory function over the Company's management by making appropriate and timely comments focusing on investors' and shareholders' viewpoints, based on her ample experience and profound knowledge of corporate governance and investor relations, etc. Also contributed to promoting and reinforcing the Company's corporate governance mainly by giving advice on response to the Corporate Governance Code as member of the Corporate Governance Committee.
	Yukio Kakegai	Functioned as an audit and supervisory committee member by overseeing the Company's management from an independent position, requesting explanations from the personnel in charge of business execution as needed, and making appropriate and timely comments based on his multiple viewpoints of finance, accounting, and internal audit and ample experience at business corporations. Also contributed to promoting and reinforcing the Company's corporate governance mainly by expressing opinions based on his experience in monitoring and verification through the internal control system as member of the Corporate Governance Committee.
	Minesaburo Miyake	Fulfilled a supervisory function over the Company's management by giving proactive advice to the executive departments and making appropriate and timely comments based on his extensive and ample experience in corporate management at business corporations. Also contributed to promoting and reinforcing the Company's corporate governance as chairman of the Corporate Governance Committee.

b. Relationship with special related business partners such as major clients

Not applicable

c. The total amount of remuneration, etc. received as an officer for the fiscal term under review from the subsidiaries of the Company

Not applicable

(3) Status of the Independent Auditor

(i) Name: Deloitte Touche Tohmatsu LLC

(ii) Amount of remuneration, etc.

	Amount of remuneration, etc. (million yen)
Amount of remuneration, etc. of the fiscal term under audit for the independent auditor	80
Total amount of money and other property benefits payable to the independent auditor from the Company and its subsidiaries	92

(Notes) 1. Since the amount of audit remuneration, etc. of the audit based on the Companies Act and that based on the Financial Instruments and Exchange Act are not clearly distinguished under the audit agreement between the Company and the independent auditor and may not be distinguished substantially, the amount of remuneration, etc. of the fiscal term under audit for the independent auditor include the aggregate amount of such remunerations.

2. AUTOBACS FRANCE S.A.S., a subsidiary of the Company, is audited by an audit corporation other than the independent auditor of the Company.

(iii) Content of services other than auditing

The Company paid to Deloitte Touche Tohmatsu LLC a consideration for advice and instruction offered to the Company for examining the Company's accounting policy in response to the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29).

(iv) Reason for the Audit and Supervisory Committee's consent to the amount of remuneration, etc. for the independent auditor

The Audit and Supervisory Committee, based on the "Practical Guidelines for Cooperation with Accounting Auditors" released by the Japan Audit & Supervisory Board Members Association ("JASBA"), checks and examines the analysis and assessment of auditing performance for the previous fiscal term, the status of execution of duties by the independent auditor, the auditing time and staff allocation plan concerning the audit plan, and reasonableness of the remuneration estimates and other matters by obtaining necessary documents and receiving reports from directors, internal relevant departments and the independent auditor, and then gives consent to the remuneration amount for the independent auditor in accordance with Article 399, Paragraph 1 of the Companies Act.

(v) Policy concerning dismissal or non-reappointment of the independent auditor

The Audit and Supervisory Committee shall determine the details of an agenda item concerning dismissal or non-reappointment of an independent auditor to be presented to the general meeting of shareholders when deemed appropriate, including a case where the execution of his or her duties is disrupted.

In addition, audit and supervisory committee members shall dismiss an independent auditor when he or she is deemed to fall under the cases set forth in each item of Article 340, Paragraph 1, of the Companies Act, subject to consent of all audit and supervisory committee members. In such cases, an audit and supervisory committee member appointed by the Audit and Supervisory Committee shall report that the independent auditor was dismissed and the reasons for his or her dismissal at the first general meeting of shareholders following such dismissal.

(4) Corporate Governance of the Company

(i) Basic concept of Corporate Governance

Based on the "AUTOBACS SEVEN Vision", "AUTOBACS Chain Management Mission" and "AUTOBACS Code of Conduct and Guidelines for Action", we operate our business with consideration to all stakeholders. As a corporate citizen, will achieve sustainable growth and improve corporate value over the medium and long terms, and will continue striving to strengthen corporate governance to contribute to society.

Based on this fundamental philosophy, we will build a system to achieve fair and transparent management including separation of the execution of operation and supervision, together with swift, bold decision making and proper monitoring, trying to make the system function practically and sufficiently.

<AUTOBACS SEVEN Vision>

2050 Creating Our Future Together

We face the issues of society, automobiles, and people's lives and create a brighter, more vigorous future.

Our energy comes from our customers.

We will steadily grow, day by day, as individuals and as a company, as we continue to shine.

<AUTOBACS Chain Management Mission>

AUTOBACS has always been committed to providing customers with the best solutions for their car lifestyles and creating a rich and healthy automotive society.

(ii) Corporate Governance System

The Company transitioned from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee, with the approval of the 72nd ordinary general meeting of shareholders held on June 21, 2019.

With the aim of further enhancement of corporate governance and the achievement of sustainable growth and the further improvement of the medium- to long-term corporate value; separating business execution and supervision to pursue both effective and swift decision-making and appropriate monitoring of the management of the Company, the Company further reinforces its corporate governance system through the following measures, while taking advantage of its feature as a company with an Audit and Supervisory Committee.

- a. Appointment of one third or more of independent outside directors: enhancement of the supervisory function, protection of general shareholders' interest
- b. Establishment of committees as advisory bodies to the Board of Directors: ensuring of transparency, objectivity and appropriateness
- c. Selection of full-time audit and supervisory committee member and selected members of Audit and Supervisory Committee: ensuring of effectiveness of the activities of Audit and Supervisory Committee, enhancement of the audit function
- d. Adoption of an officer system: Separation of business execution and supervision, clarification of management responsibilities
- e. Regular meetings with officers by audit and supervisory committee members: enhancement and reinforcement of monitoring

Management and Business Execution

1) Board of Directors

The Board of Directors is chaired by the representative director and is composed of seven (7) directors (including three (3) directors who are audit and supervisory committee members), of whom three (3) are independent outside directors (including two (2) directors who are audit and supervisory committee members). It meets once every month, in principle.

With the aim of achieving sustainable growth and improving the medium- to long-term corporate value in consideration of fiduciary duties and accountability to shareholders, the Board of Directors decides the medium- to long-term course of action and annual business plans, as well as matters specified in laws and regulations or in the Articles of Incorporation, and important matters concerning the Company's business activities, and supervises the execution of duties of directors.

2) Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of three (3) directors who are audit and supervisory committee members (including two (2) independent outside directors). With the aim of ensuring the soundness of management toward the achievement of sustainable growth and the improvement of the

medium- to long-term corporate value of the Company in consideration of fiduciary duties to shareholders, the Audit and Supervisory Committee audits the execution of duties of directors through supervision and assessment using audits via selected audit and supervisory committee members and internal control systems.

Audit and supervisory committee members attend important meetings, and full-time audit and supervisory committee members improve the auditing environment, gather internal information mainly by perusing important documents, and share important matters with other audit and supervisory committee members.

3) Corporate Governance Committee

The Corporate Governance Committee is chaired by an outside director and is composed of all of the outside directors and the representative director. It meets once every month, in principle.

The Corporate Governance Committee provides reports and suggestions to the Board of Directors on the matters listed below and thereby enhances the Board of Directors' supervisory functions by strengthening the functional independence, objectivity and accountability of the Board of Directors to further deepen corporate governance.

- a. Election and dismissal of candidates for directors (including directors who are audit and supervisory committee members)
- b. Election, dismissal and succession planning for the representative director
- c. Election of executive officers
- d. Remuneration system for directors (excluding directors who are audit and supervisory committee members) and officers
- e. Other matters relating to corporate governance

4) Risk Management Committee

The Risk Management Committee is chaired by the representative director and chief executive officer and is composed of executive directors and officers in charge of internal control functions.

It meets once every year, in principle, formulates annual risk management policies, and strives to promote risk management in a smooth and appropriate manner.

5) Executive Committee

The Executive Committee is chaired by the chief executive officer and is composed of executive officers. It meets once every month, in principle. The Executive Committee is positioned as a place to deliberate and form consensus on matters for discussion related to execution, deliberates in advance on risks underlying the matters to be resolved at Board of Directors meetings and measures to manage them, reports the processes and results of its deliberations to the Board of Directors, and formulates company-wide policies and plans.

Outside directors and directors who are audit and supervisory committee members attend the Executive Committee as observers and appropriately express opinions necessary for the deliberation, etc. of agenda items.

Audit System

1) Status of audits performed by Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of three (3) audit and supervisory committee members (including two (2) independent outside directors), establishes the auditing standards, auditing policies, and auditing plans, etc., and receives reports on the status and results of audits via selected audit and supervisory committee members and internal control systems. Full-time audit and supervisory committee members and other related members receive reports from the directors and independent auditors on the status of execution of their duties and requests explanations as necessary.

Audit and supervisory committee members attend the Board of Directors meetings, the Executive Committee and other important meetings, receive reports on important managerial matters, request explanations, as necessary, and thereby audit the execution of duties of directors and officers.

With the aim of strengthening the functions of the Audit and Supervisory Committee, the Company has selected full-time audit and supervisory committee members, audit and supervisory committee members with insights into finance and accounting and audit and supervisory committee members with independence. The Company also assigns several employees to support the duties of the Audit and Supervisory Committee. Through these efforts, the Company has improved a system to increase the effectiveness of the audits performed by the Audit and Supervisory Committee.

The Audit and Supervisory Committee Members who have insights into finance and accounting as

stated above are Mr. Kozo Sumino and Mr. Yukio Kakegai. Brief details on their career histories in finance and accounting are as follows:

Mr. Kozo Sumino: he has served as a director and was engaged in finance & accounting as an officer at the Company.

Mr. Yukio Kakegai: he has many years of extensive experience in finance and accounting at a business corporation.

2) Status of internal audit

The Corporate Audit Department, which is under the direct control of the representative director and independent of business operation departments, is in charge of internal audits and performs audits in cooperation with the Audit and Supervisory Committee. The Corporate Audit Department is composed of seven (7) staff members, evaluate the internal control system and continuously perform audits to determine that the business activities of the Company and its subsidiaries are in compliance with laws and regulations, internal rules and manuals.

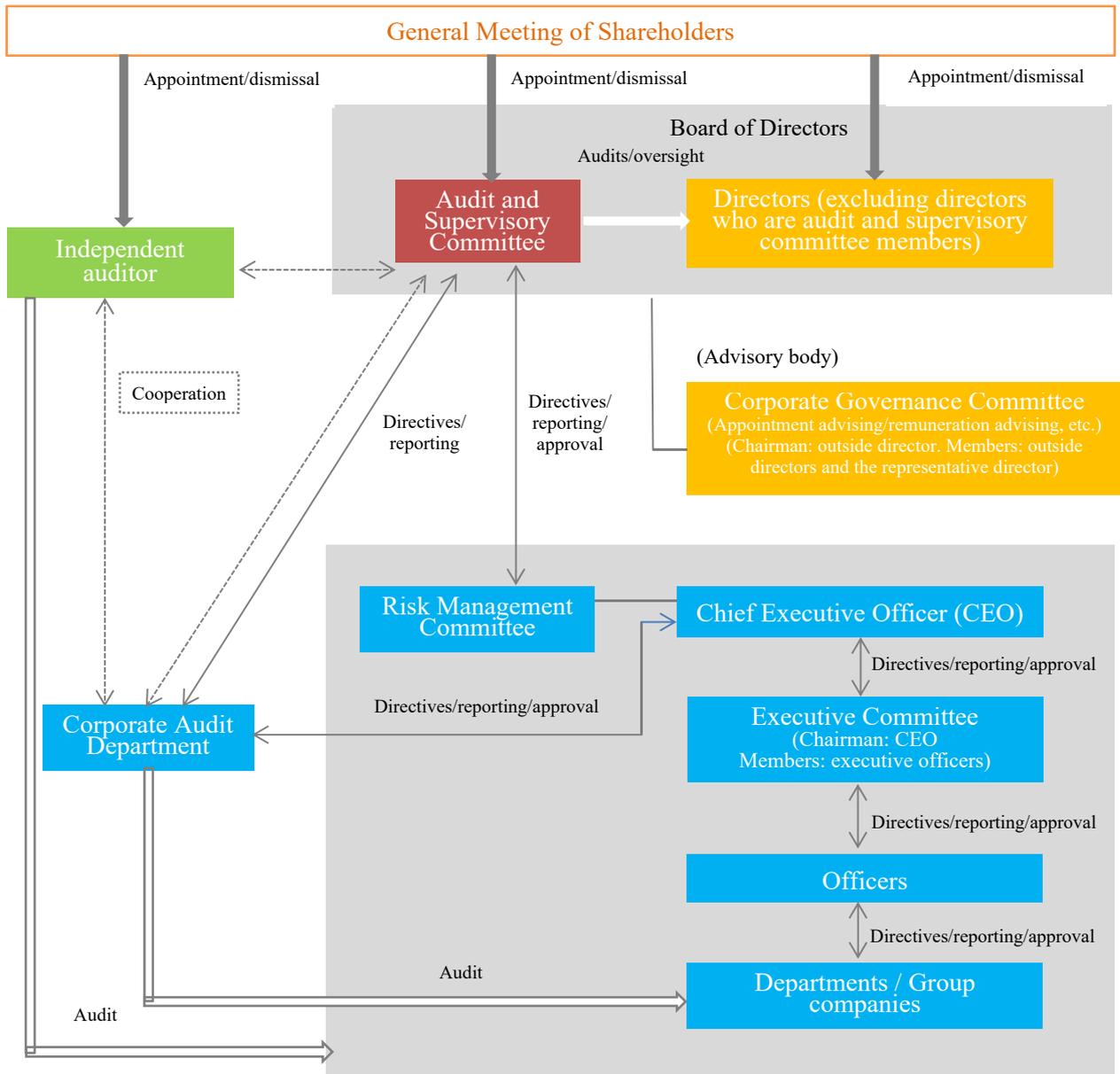
Evaluation and audit results are reported to the representative director and the Audit and Supervisory Committee, etc. as appropriate. If any deficiency is revealed, the internal audit department instructs the relevant department to correct and improve that deficiency.

An internal rule stipulates that in the event of any emergency relating to the representative director, instructions from the Audit and Supervisory Committee will have priority and the system for instructions and reporting will be changed.

As mentioned above, the Company holds meetings, either monthly or as necessary, for the reporting and exchange of opinions among the Corporate Audit Department, the Audit and Supervisory Committee, with internal control department, as well as between the Audit and Supervisory Committee and Deloitte Touche Tohmatsu LLC. The respective parties make efforts to cooperate by reporting the results of the audits and exchanging opinions at those meetings. If any deficiency is detected as a result of an audit or an evaluation of internal control systems, the Audit and Supervisory Committee and the Corporate Audit Department will issue instructions on the correction of such deficiency to each department, including the internal control department or subsidiaries, and continuously check the status of such correction.

3) Accounting audits

The Company has concluded an audit agreement with Deloitte Touche Tohmatsu LLC, which performs accounting audits of the Company.



(iii) Overview of the Results of Evaluation of Effectiveness of the Board of Directors

The Company analyzes and evaluates the effectiveness of the Board of Directors to assess whether it is appropriately performing its roles, and to identify issues in the Board of Directors in order to make continuous improvements.

1) Method of Evaluation

In evaluating effectiveness during the fiscal term under review, all directors delivered their answers to questions about “operation of meetings of the Board of Directors,” “agenda of the Board of Directors,” “structure of the Board of Directors,” “system of assisting outside directors,” “role of and expectations for Audit and Supervisory Committee,” “operation, etc., of the Corporate Governance Committee,” “relationship with investors and shareholders” and “status of issues brought up in the evaluation conducted in the previous fiscal term” in a multiple-choice manner and in writing. The Corporate Governance Committee analyzed the answers and clarified issues, reported the results at the Board of Directors.

2) Overview of the Results of Evaluation for the Fiscal Term Ended March 31, 2020

As a result of the evaluation for the fiscal term under review, the Company has confirmed that the current Board of Directors and Corporate Governance Committee function appropriately in general. On the other hand, partly because the latest assessment of the Board of Directors was the first to be performed since the Company’s transition to a company with the Audit and Supervisory Committee, the Company received several comments relating to the transition to a company with the Audit and Supervisory Committee as a result.

Furthermore, the Company has confirmed that, with regard to the issues related to the current Board of Directors of the Company, the Company will put in order the basic policy on the monitoring model that the Company should aim to realize, and will decide and carry out a method for monitoring and assessing individual cases.

3) Compliance

The Company promotes the reinforcement of the compliance system, while thoroughly notifying all the stores of the Group, including the headquarters, subsidiaries and franchise stores, of the importance of business activities conforming to laws and regulations and ethics.

Laws and regulations and corporate ethics shall be complied with, as a matter of course. On that major premise, the Company has clearly defined the “Code of Conduct” and “Guidelines for Action” that meet the reasonable expectations of all stakeholders, and ensures thorough compliance and promotes enlightening activities based on such basic principles not only within the Company but also among franchisee corporations. As a system for examining the status of compliance, a Compliance Secretariat Meeting comprised of relevant departments is held on a monthly basis to check for any activities that fall outside the scope of the Code of Conduct and Guidelines for Action. A system for swiftly dealing with any activities that are deemed problematic has also been established.

3. System and Policy of the Company

Policy for Decisions on Distribution of Surpluses, etc.

The Company recognizes returning profits to shareholders as one of its most important issues, and will strive to return a steady high level of profits to shareholders by increasing Company earnings.

As for the distribution of profits, the Company makes it a basic policy to work for stable and flexible shareholder returns with the aim of achieving an accumulated return to shareholders ratio of 100% during the planned period of five years in the Five-year Rolling Plan 2019.

With regard to the year-end dividend for the consolidated fiscal term under review, the Company will pay a dividend of ¥30 per share, resulting in an annual dividend of ¥60 per share.

In the next consolidated fiscal term, the Company plans to pay an interim dividend of ¥30 per share and a year-end dividend of ¥30 per share, for total annual dividends of ¥60 yen per share.

Dividends and acquisition of treasury stock in the latest three consolidated fiscal terms

(Note) Figures are determined on the basis of the assumption that the agenda item regarding “Appropriation of surplus” is adopted at the 73rd ordinary general meeting of shareholders.

	71st fiscal term April 1, 2017 to March 31, 2018	72nd fiscal term April 1, 2018 to March 31, 2019	73rd fiscal term April 1, 2019 to March 31, 2020
Dividend per share (annual)	¥60	¥60	¥60
Total amount of dividends (annual)	¥4,952 million	¥4,905 million	¥4,793 million
Consolidated dividend payout ratio	91.6%	90.1%	127.4%
Value of treasury stock acquired	–	¥2,911 million	¥2,088 million
Return to shareholders ratio	91.6%	142.5%	182.8%

Consolidated Balance Sheet (as of March 31, 2020)

(Unit: million yen)

Account Item	Amount	Account Item	Amount
(Assets)		(Liabilities)	
Current assets	98,227	Current liabilities	36,131
Cash and deposits	28,233	Notes and accounts payable - trade	12,435
Notes and accounts receivable - trade	21,963	Short-term loans payable	1,880
Lease investment assets	5,601	Lease obligations	654
Merchandise	20,774	Accounts payable - other	13,927
Short-term loans receivable	4	Income taxes payable	1,311
Accounts receivable - other	18,969	Other	5,922
Income taxes receivable	3	Non-current liabilities	16,701
Other	2,750	Long-term loans payable	933
Allowance for doubtful accounts	(73)	Lease obligations	3,835
Non-current assets	74,572	Deferred tax liabilities	387
Property, plant and equipment	42,124	Provision for retirement benefit for directors (and other officers)	42
Buildings and structures	11,991	Retirement benefit liability	3,238
Machinery, equipment and vehicles	3,761	Asset retirement obligations	2,232
Tools, furniture and fixtures	1,363	Other	6,032
Land	21,519	Total Liabilities	52,833
Leased assets	348	(Net Assets)	
Right-of-use assets	2,697	Shareholders' equity	119,635
Construction in progress	441	Capital stock	33,998
Intangible assets	6,856	Capital surplus	34,297
Goodwill	1,880	Retained earnings	59,110
Software	2,861	Treasury shares	(7,771)
Other	2,114	Accumulated other comprehensive income	(383)
Investments and other assets	25,591	Valuation difference on available-for-sale securities	1,550
Investment securities	6,658	Foreign currency translation adjustment	(16)
Long-term loans receivable	0	Remeasurements of defined benefit plans	(1,917)
Deferred tax assets	4,632	Non-controlling interests	714
Guarantee deposits	13,324	Total Net Assets	119,966
Other	1,210	Total Liabilities and Net Assets	172,799
Allowance for doubtful accounts	(234)		
Total Assets	172,799		

Consolidated Statement of Income (April 1, 2019-March 31, 2020)

(Unit: million yen)

Account Item	Amount	
Net sales		221,400
Cost of sales		150,653
Gross profit		70,746
Selling, general and administrative expenses		63,160
Operating profit		7,585
Non-operating income		
Interest income	63	
Dividend income	65	
Share of profit of entities accounted for using equity method	267	
Commission income	59	
Lease revenue - system equipment	724	
Insurance income	114	
Other	1,128	2,424
Non-operating expenses		
Interest expenses	74	
Lease cost - system equipment	790	
Loss on retirement of non-current assets	91	
Other	993	1,950
Ordinary profit		8,059
Extraordinary income		
Gain on step acquisitions	93	93
Extraordinary losses		
Impairment loss	1,950	
Loss on retirement of non-current assets	155	
Loss related to voluntary recall of merchandise	141	2,248
Profit before income taxes		5,905
Income taxes - current	2,321	
Income taxes - deferred	(238)	2,083
Profit		3,821
Profit attributable to non-controlling interests		57
Profit attributable to owners of parent		3,764

Consolidated Statement of Changes in Equity (April 1, 2019-March 31, 2020)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	33,998	34,298	60,172	(5,689)	122,780
Changes of items during period					
Dividends of surplus			(4,826)		(4,826)
Profit attributable to owners of parent			3,764		3,764
Purchase of treasury shares				(2,091)	(2,091)
Disposal of treasury shares			(0)	9	9
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	(1,062)	(2,082)	(3,144)
Balance at end of current period	33,998	34,297	59,110	(7,771)	119,635

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,462	381	(1,042)	801	604	124,187
Changes of items during period						
Dividends of surplus						(4,826)
Profit attributable to owners of parent						3,764
Purchase of treasury shares						(2,091)
Disposal of treasury shares						9
Change in treasury shares arising from change in equity in entities accounted for using equity method						0
Change in ownership interest of parent due to transactions with non-controlling interests						(0)
Net changes of items other than shareholders' equity	88	(398)	(875)	(1,185)	109	(1,075)
Total changes of items during period	88	(398)	(875)	(1,185)	109	(4,220)
Balance at end of current period	1,550	(16)	(1,917)	(383)	714	119,966

Summary Consolidated Statement of Cash Flows (April 1, 2019-March 31, 2020) (Reference)

(Unit: million yen)

Items	Amount
Net cash provided by (used in) operating activities	10,603
Net cash provided by (used in) investing activities	(3,370)
Net cash provided by (used in) financing activities	(9,684)
Effect of exchange rate change on cash and cash equivalents	(28)
Net increase (decrease) in cash and cash equivalents	(2,480)
Cash and cash equivalents at beginning of period	30,531
Cash and cash equivalents at end of period	28,051

(Note) Any fractional amounts less than one million yen are discarded.

(Note) This statement is out of the scope of the Audit Report.

Non-Consolidated Balance Sheet (as of March 31, 2020)

(Unit: million yen)

Account Item	Amount	Account Item	Amount
(Assets)		(Liabilities)	
Current assets	67,345	Current liabilities	23,167
Cash and deposits	22,417	Accounts payable - trade	9,973
Accounts receivable - trade	10,780	Short-term loans payable	1,000
Lease investment assets	7,417	Lease obligations	138
Merchandise	7,297	Accounts payable - other	3,522
Prepaid expenses	1,106	Accrued expenses	799
Short-term loans receivable	11,405	Income taxes payable	707
Accounts receivable - other	5,966	Deposits received	6,195
Other	1,086	Unearned revenue	785
Allowance for doubtful accounts	(131)	Other	44
Non-current assets	80,075	Non-current liabilities	9,058
Property, plant and equipment	31,863	Long-term loans payable	600
Buildings	6,733	Lease obligations	910
Structures	753	Provision for retirement benefits	236
Machinery and equipment	2,703	Long-term guarantee deposited	6,197
Vehicles	269	Asset retirement obligations	1,102
Tools, furniture and fixtures	635	Other	12
Land	20,426	Total Liabilities	32,226
Construction in progress	341	(Net Assets)	
Intangible assets	3,205	Shareholders' equity	113,641
Leasehold right	641	Capital stock	33,998
Software	2,551	Capital surplus	34,278
Other	12	Legal capital surplus	34,278
Investments and other assets	45,006	Retained earnings	53,082
Investment securities	2,820	Legal retained earnings	1,296
Shares of subsidiaries and associates	18,891	Other retained earnings	51,785
Long-term loans receivable from subsidiaries and associates	7,476	Reserve for business expansion	665
Long-term prepaid expenses	514	Reserve for reduction entry of assets	797
Deferred tax assets	2,459	Reserve for special depreciation	25
Guarantee deposits	12,629	General reserves	46,350
Other	312	Retained earnings brought forward	3,947
Allowance for doubtful accounts	(97)	Treasury shares	(7,718)
		Valuation and translation adjustments	1,553
		Valuation difference on available-for-sale securities	1,553
		Total Net Assets	115,194
Total Assets	147,420	Total Liabilities and Net Assets	147,420

Non-Consolidated Statement of Income (April 1, 2019-March 31, 2020)

(Unit: million yen)

Account Item	Amount	
Net sales		156,493
Cost of sales		123,609
Gross profit		32,883
Selling, general and administrative expenses		27,967
Operating profit		4,915
Non-operating income		
Interest income	135	
Dividend income	784	
Commission income	21	
Lease revenue - system equipment	1,100	
Insurance income	70	
Other	751	2,863
Non-operating expenses		
Interest expenses	6	
Provision of allowance for doubtful accounts	84	
Lease cost - system equipment	1,204	
Other	636	1,932
Ordinary profit		5,847
Extraordinary losses		
Loss on retirement of non-current assets	155	
Impairment loss	754	
Loss on valuation of shares of subsidiaries and associates	1,958	
Loss related to voluntary recall of merchandise	141	3,010
Profit before income taxes		2,837
Income taxes – current	1,281	
Income taxes – deferred	(31)	1,249
Profit		1,587

Non-Consolidated Statement of Changes in Equity (April 1, 2019-March 31, 2020)

(Unit: million yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings					Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings					
					Reserve for business expansion	Reserve for reduction entry of assets	Reserve for special depreciation	General reserves	Retained earnings brought forward	
Balance at beginning of current period	33,998	34,278	34,278	1,296	665	797	51	46,350	7,160	56,321
Changes of items during period										
Dividends of surplus									(4,826)	(4,826)
Profit									1,587	1,587
Reversal of reserve for reduction entry of assets						(0)			0	—
Reversal of reserve for special depreciation							(25)		25	—
Purchase of treasury shares										—
Disposal of treasury shares									(0)	(0)
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	—	—	—	(0)	(25)	—	(3,213)	(3,239)
Balance at end of current period	33,998	34,278	34,278	1,296	665	797	25	46,350	3,947	53,082

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(5,638)	118,959	1,449	1,449	120,409
Changes of items during period					
Dividends of surplus		(4,826)			(4,826)
Profit		1,587			1,587
Reversal of reserve for reduction entry of assets		—			—
Reversal of reserve for special depreciation		—			—
Purchase of treasury shares	(2,088)	(2,088)			(2,088)
Disposal of treasury shares	9	9			9
Net changes of items other than shareholders' equity			103	103	103
Total changes of items during period	(2,079)	(5,318)	103	103	(5,214)
Balance at end of current period	(7,718)	113,641	1,553	1,553	115,194

Independent Auditors' Report on Consolidated Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT (COPY)

May 25, 2020

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

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Masahiro Ide

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yuji Ujigawa

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of AUTOBACS SEVEN Co., Ltd. (the "Company") for the fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the AUTOBACS Group, which consists of AUTOBACS SEVEN Co., Ltd. and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit and Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit and Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

END

Independent Auditors' Report

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT (COPY)

May 25, 2020

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

Deloitte Touche Tohmatsu LLC
Tokyo Office

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Masahiro Ide

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Yuji Ujigawa

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of AUTOBACS SEVEN Co., Ltd. (the "Company") for the 73rd fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Financial Statements and the Accompanying Supplementary Schedules

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

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit and Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit and Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

END

Audit Report by Audit and Supervisory Committee

(TRANSLATION)

AUDIT REPORT (COPY)

The Audit and Supervisory Committee has conducted audits regarding the performance of duties by the directors of AUTOBACS SEVEN Co., Ltd. (the “Company”), for the 73rd fiscal term from April 1, 2019 to March 31, 2020, and hereby reports the methods and results of the audits, as follows:

1. Methods of audits and the contents thereof

With respect to the content of resolutions made by the Board of Directors and the status of such systems (internal control systems) established by such resolutions on the matters set forth in Article 399-13, Paragraphs 1, Item 1, (ii) and (iii) of the Companies Act, the Audit and Supervisory Committee has received regular reports from Directors, Officers, and other employees on the status of the establishment and operation of the systems, has requested explanations whenever necessary, has expressed opinions, and has conducted audits as follows.

- (1) Audit and Supervisory Committee Members inspected the business and financial condition of Headquarters and major business locations by attending Board of Directors’ meetings and other important meetings, receiving reports on the status of execution of duties from Directors, Officers, and other employees, requesting explanations whenever necessary, and reading documents about managerial decision and other important documents, in accordance with the Audit and Supervisory Committee’s auditing standards established by the Audit and Supervisory Committee, and in accordance with the auditing policies and division of duties for the fiscal term under review, etc., in cooperation with the Company’s internal audit department and the other departments responsible for internal control. As for the subsidiaries, individual audit and supervisory committee member have worked diligently to improve communications and information exchange with directors and audit and supervisory committee member of subsidiaries, and have received reports on business operations from subsidiaries as necessary, as well as receiving audit reports from the internal audit department.

With respect to internal control related to financial reports, the Audit and Supervisory Committee has received reports on assessment and audit results from the directors, employees and other staff members of the Company as well as from Deloitte Touche Tohmatsu LLC. The Audit and Supervisory Committee requested explanations from the directors, employees, other staff members and independent auditor, when such explanations were deemed necessary.

- (2) In respect of the basic policies described in the Company’s Business Report in accordance with Article 118, Item 3, (i) of the Companies Act Enforcement Regulations, and each of the efforts in accordance with (ii) of the same Item, the Audit and Supervisory Committee has further examined the contents in consideration of the status of deliberations at the Board of Directors’ meetings and other meetings.
- (3) Audit and supervisory committee members received a prior explanation about the audit plan from independent auditor and had a discussion as well as received the audit report and exchanged opinions. In addition, the Audit and Supervisory Committee has supervised and confirmed that independent auditor maintained their independent positions and performed fair and appropriate audits. At the same time, the Audit and Supervisory Committee has received from these independent auditor reports on the status of the provided assignments and responsibilities and requested explanations, when such explanations were necessary. Each audit and supervisory committee member also received a notification from the independent auditor that they have taken steps to improve the “System to Ensure Appropriate Execution of the Duties” (as enumerated in each Item of Article 131 of the Company Calculation Regulations) in compliance with the “Quality Control Standards Relating to Auditing” (adopted by the Business Accounting Deliberation Council on October 28, 2005), etc. When deemed necessary, each audit and supervisory committee member requested explanations on such notification.

Based on the foregoing method, each audit and supervisory committee member reviewed the Company’s Business Report and the Supplementary Schedules thereto, Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheet, the Non-Consolidated Statement of Income, the Non-Consolidated Statement of Changes in Equity and Notes to the Non-Consolidated Financial Statements) and the Supplementary Schedules thereto and the Consolidated Financial Statements (the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Shareholders’ Equities and Notes to the Consolidated Financial Statements) for the fiscal term under review.

2. Audit Results

(1) Results of audits of the Business Report and other documents

- 1) The Audit and Supervisory Committee hereby acknowledges that the Company's Business Report and the Supplementary Schedules thereto are in compliance with the applicable laws, acts, ordinances and the Company's articles of incorporation, and that these documents fairly present the Company's financial position and the status of the Company's business operations.
- 2) The Audit and Supervisory Committee has recognized no vital findings indicating any fraud or any breach of the applicable laws, acts, ordinances and the company's articles of incorporation that may relate to the directors' performance of the provided assignment and responsibilities.
- 3) The Audit and Supervisory Committee acknowledges that the content of the resolutions adopted by the Board of Directors' meeting regarding the internal control systems is appropriate. The Audit and Supervisory Committee has not recognized any matter that should be pointed out in this Audit Report with respect to the content of the Business Report and the Directors' performance of the assignments and responsibilities provided in relation to internal control systems.
- 4) In respect of the basic policies specifying the requirements of decision makers responsible for the company's financial position and business operation policies, which are described in the Business Report, the Audit and Supervisory Committee considers those policies to be appropriate and sufficient. Regarding the efforts taken in accordance with Article 118, Item 3, (ii) of the Companies Act Enforcement Regulations, which are described in the Business Report, the Audit and Supervisory Committee considers that those efforts have been made in accordance with the basic policies, that they do not adversely affect the common interest of the shareholders of the Company, and that they are not aimed at preserving the present status of the directors of the Company.

(2) Audit results of the Non-Consolidated Financial Statements and the Supplementary Schedules Thereto
The Audit and Supervisory Committee considers that the auditing methods adopted by Deloitte Touche Tohmatsu LLC, an independent auditor, and the results thereof to be appropriate and sufficient.

(3) Audit results of the Consolidated Financial Statements Thereto
The Audit and Supervisory Committee considers that the auditing methods adopted by Deloitte Touche Tohmatsu LLC, an independent auditor, and the results thereof to be appropriate and sufficient.

Date: May 27, 2020

The Audit and Supervisory Committee of AUTOBACS SEVEN Co., Ltd.

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

Yukio Kakegai Outside Audit and Supervisory Committee Member (Full-time)

Minesaburo Miyake Outside Audit and Supervisory Committee Member

(Note) Mr. Yukio Kakegai and Mr. Minesaburo Miyake, Audit and Supervisory Committee Members, are Outside Directors set forth in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.

Notes to the Reader of the Audit Report:

The above represents a translation, for convenience only, of the original report issued in the Japanese language.