

*Please note that this document is a translation of the official Japanese notice of convocation of the 70th 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.*

**You are requested to attend the Ordinary General Meeting of Shareholders**

(Securities code 9832)  
June 6, 2017

**To Our Shareholders**

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

**NOTICE OF CONVOCATION OF  
THE 70TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 70th ordinary general meeting of shareholders of AUTOBACS SEVEN Co., Ltd. (the “Company”).

The meeting will be held as described below. When attending the meeting in person, due to environmental considerations, please bring this NOTICE OF CONVOCATION OF THE 70TH ORDINARY GENERAL MEETING OF SHAREHOLDERS and submit the enclosed Exercise of Voting Rights form to the receptionist.

Particulars

1. Date and time: June 27, 2017 (Tuesday) at 10:00 a.m.  
\*The reception area opens at 9:00 a.m.
  2. Venue: Hotel East 21 Tokyo, 1st floor, East 21 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 board for the 70th fiscal term (from April 1, 2016 to March 31, 2017)
    2. Report on the non-consolidated financial statements for the 70th fiscal term (from April 1, 2016 to March 31, 2017)Matters to be resolved:  
Agenda Item No. 1: Appropriation of surplus  
Agenda Item No. 2: Election of nine (9) directors
- If you are unable to attend the meeting, you can exercise your voting rights by postal mail or via the Internet.
  - 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.
  - 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 (<http://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**

The voting rights at the general meeting of shareholders are important rights for decision-making granted to shareholders. 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 attendance at the meeting**

When attending the meeting in person, bring this NOTICE OF CONVOCATION OF THE 70TH ORDINARY GENERAL MEETING OF SHAREHOLDERS and submit the enclosed Exercise of Voting Rights form to the receptionist.

Date and time: June 27, 2017 (Tuesday) at 10:00 a.m.

**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 26, 2017 (Monday)

**Exercise of voting rights via the Internet**

Access the website for exercising voting rights (<http://www.web54.net>) and follow the instructions on the screen to enter approval/disapproval for the respective proposal.

Deadline: Must be received by 5:50 p.m. on June 26, 2017 (Monday)

- 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, the vote made via the Internet shall be deemed effective.
- If you have exercised your voting rights several times via the Internet 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.

## **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. The Company's basic policy is to ensure returning profits by comprehensively taking into account business environment, financial stability and earnings, while maintaining the management target of consolidated dividends to shareholders' equity (DOE) ratio of 3% or more.

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 2,476,325,820 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 28, 2017

#### 2. Other matters concerning appropriation of surplus

Item and amount of surplus to decrease

General reserves: 10,000,000,000 yen

Item and amount of surplus to increase

Retained earnings brought forward: 10,000,000,000 yen

## Agenda Item No. 2 and Reference Matters

### Agenda Item No. 2: Election of nine (9) directors

At the conclusion of this general meeting of shareholders, the terms of office of all the directors (nine (9) in number) will expire. Accordingly, the Company requests the shareholders' approval for the election as directors of the nine (9) candidates (including three (3) outside directors) below. Information on the candidates is provided on pages 6–15.

#### List of Candidates

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% (16 of 16 meetings)
2	Teruyuki Matsumura	Re-nomination	Director and Senior Managing Executive Officer, Head of Overseas Business and New Business Development	100% (16 of 16 meetings)
3	Isao Hirata	Re-nomination	Director and Senior Managing Executive Officer, Head of Corporate Administration	100% (11 of 11 meetings)
4	Naoyuki Koyama	Re-nomination	Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning	100% (11 of 11 meetings)
5	Eiichi Kumakura	Re-nomination	Director and Senior Executive Officer, Head of Western Japan Region Headquarters	100% (11 of 11 meetings)
6	Yugo Horii	Re-nomination	Director and Senior Executive Officer, Office of the President and Overseas Business Planning	100% (11 of 11 meetings)
7	Noriaki Shimazaki	Re-nomination Outside Director Independent Officer	Director	100% (16 of 16 meetings)
8	Hatsuo Odamura	Re-nomination Outside Director Independent Officer	Director	100% (16 of 16 meetings)
9	Yoshiko Takayama	Re-nomination Outside Director Independent Officer	Director	100% (16 of 16 meetings)

(Notes) 1. Special interest between candidates for director and the Company

- (1) Mr. Naoyuki Koyama is the Representative Director of ABT Marketing Co., Ltd., which is a joint venture established together with CCC Marketing Co., Ltd. and a subsidiary of the Company. The Company has transactions with ABT Marketing Co., Ltd., such as the outsourcing of analytic operations relating to marketing activities.
  - (2) None the other candidates have any special interest in the Company.
2. Mr. Noriaki Shimazaki, Mr. Hatsuo Odamura and Ms. Yoshiko Takayama are candidates for outside directors as defined in Article 2, Paragraph 3, Item 7, of the Companies Act Enforcement Regulations. In addition, they 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, and they are expected to be independent officers.
  3. Because Mr. Isao Hirata, Mr. Naoyuki Koyama, Mr. Eiichi Kumakura and Mr. Yugo Horii assumed office as Director on June 21, 2016, the meetings held on and before June 20, 2016 are excluded from their count of attendance at Board of Directors' meetings.

(Policy and Process for Election and Appointment)

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 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.

Candidates for director are selected by the Board of Directors after seeking consultation with the Corporate Governance Committee, which is a consultative body for the Board of Directors chaired by an outside director, and receiving its recommendation.

When selecting candidates for director, the Corporate Governance Committee interviews them and reviews their suitability as candidates. In principle, a new candidate for outside officer is selected from among candidates put forward by a third-party institution.

## Reference Matters for Agenda Item No. 2: Election of nine (9) directors

### 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 61)
- Term of office at the conclusion of this general meeting: 7 years
- Number of Company shares owned: 8,300
- Attendance at Board of Directors' meetings: 100% (16 of 16 meetings)

### Reasons for nomination

Mr. Kobayashi has led the Group and contributed to increasing its corporate value in order to unite the AUTOBACS Group and gain the support of its customers as a group of companies.

On the Board of Directors, Mr. Kobayashi has decided important matters after sufficient and appropriate explanations, fully exercised his business execution function, and supervised the execution of other directors' duties.

Mr. Kobayashi is nominated for director because the Company values his long experience in the domestic AUTOBACS business and overseas business and his leadership in top management, and because it believes that it is in the best interest of the AUTOBACS SEVEN Group (the "Group") that he will continue to lead the management team, promote the newly started 2017 Medium-term Business Plan, and seek continuous growth.

### Dear Shareholders,

Since assuming office as representative director and chief executive officer, I have made efforts to overcome the significant challenges facing the domestic AUTOBACS business, overseas business and new business, in order to rebuild a new foundation for the growth of AUTOBACS.

The environment surrounding the automobile-related industry remains difficult, but I will focus the combined strength of the AUTOBACS Group to take on the challenge of creating new markets, including developing new merchandise and store formats, while at the same time making our stores even more trusted and approachable.

I will also continue to listen sincerely to the feedback of our shareholders, and seek to increase our corporate value by steadfastly promoting our new Medium-term Business Plan.

I would like to thank our shareholders for their continued support of 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, Product Procurement
- 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:**  
**Teruyuki Matsumura**

Re-nomination

Career position and assignment in the Company:

Director and Senior Managing Executive Officer, Head of Overseas Business and New Business Development

- Date of birth: November 25, 1961 (age 55)
- Term of office at the conclusion of this general meeting: 8 years
- Number of Company shares owned: 9,563
- Attendance at Board of Directors' meetings: 100% (16 of 16 meetings)

**Reasons for nomination**

Mr. Matsumura has contributed to strengthening the business foundations of the AUTOBACS business by expanding its merchandise and services, including the automobile purchase and sales business and statutory safety inspection business, contributing to business development by strengthening relationships with franchisees, and building the foundations for the new business and overseas business.

Based on his extensive experience and knowledge, Mr. Matsumura has fully demonstrated his role as director in deciding important matters and supervising the execution of other directors' duties.

Mr. Matsumura is nominated for director because the Company believes that it is in the best interest of the Group to fully utilize his extensive knowledge and experience to foster the overseas business and new business as future growth businesses, and seek to improve its corporate value.

**Dear Shareholders,**

During the fiscal term under review, I worked on the ground level to make AUTOBACS a group that is supported and trusted by customers through customer connections based on statutory safety inspections, and contributed to increasing the number of automobiles that underwent statutory inspections.

In this term, I will work swiftly, without being held back by past experience or customs, to increase the number of customers and earnings through combination of our chain stores and improve our performance and corporate value, positioning the new business focusing on the promotion of BtoB business, the overseas business focusing on ASEAN, the imported car (BMW and MINI) dealership business, and AUTOBACS Used Car Purchase Stores as our future growth strategy, in order to make AUTOBACS a group that is bright and full of energy.

**Brief professional background including major posts held**

March 1984: Joined AUTOBACS SEVEN Co., Ltd.  
April 1998: General Manager, Chugoku Store Management Department  
June 2002: Operating Officer, Southern Japan Store Support Division  
April 2009: Executive Officer, General Manager of Kanto Region  
June 2009: Director and Executive Officer, Kanto Region  
April 2010: Director and Executive Officer, Head of Marketing & Sales Strategy Planning  
April 2012: Director and Senior Executive Officer, Head of Marketing & Sales Strategy Planning and IFRS  
April 2014: Director and Senior Managing Executive Officer, Head of Merchandising and Merchandise Planning and E-Commerce  
April 2015: Director and Senior Managing Executive Officer, Head of Overseas Business and New Business Development  
April 2016: Director and Senior Managing Executive Officer, Eastern Japan Region Headquarters  
April 2017: Director and Senior Managing Executive Officer, Head of Overseas Business and New Business Development (current position)

**Candidate No. 3:****Isao Hirata**

Re-nomination

Career position and assignment in the Company:

Director and Senior Managing Executive Officer, Head of Corporate Administration

- Date of birth: January 21, 1960 (age 57)
- Term of office at the conclusion of this general meeting: 1 year
- Number of Company shares owned: 5,100
- Attendance at Board of Directors' meetings: 100% (11 of 11 meetings)

**Reasons for nomination**

Mr. Hirata has contributed to building the systems foundation of the Company by integrating business strategy and IT strategy, while also strengthening the management foundation of the Company, including building relationships with investors and other stakeholders and demonstrating leadership in the formulation of the business plan through his role in charge of IR and Corporate Planning.

Based on these extensive knowledge and experience, Mr. Hirata has fully demonstrated his role as Director in deciding important matters and supervising the execution of other directors' duties.

Mr. Hirata is nominated for director because the Company believes that it is in the best interest of the Group to fully utilize his extensive knowledge and experience to improve its corporate value, improving resource efficiency and reforming the cost structure in the business administration fields such as finance, human resources and IT.

**Dear Shareholders,**

I believe that our most pressing challenge is to recover performance in the short term, while setting a trajectory for growth over the medium- to long-term.

In order to truly achieve the chain's management vision of "Anything about cars, you find at AUTOBACS," we must continually reinvent ourselves while adapting to changes in cars and our customers' needs.

As head of corporate administration, I will respond to the expectations of our stakeholders, with a commitment to further increasing our corporate value through the optimum allocation of management resources, including people, materials, money and information, in order to rebuild a business supported by customers and improve our profitability.

**Brief professional background including major posts held**

March 1982: Joined AUTOBACS SEVEN Co., Ltd.

April 1998: General Manager of Information Systems Department

January 2008: Officer, Information Systems

April 2011: Officer, Human Resources, General Affairs and Information Systems

April 2012: Executive Officer, Corporate Strategy

April 2013: Executive Officer, Corporate Planning, IR & PR and Business Development

April 2014: Senior Executive Officer, Corporate Planning and IR & PR

April 2016: Senior Managing Executive Officer, Corporate Planning and IR & PR and Information Technology Strategy

June 2016: Director and Senior Managing Executive Officer, Corporate Planning and IR & PR and Information Technology Strategy

April 2017: Director and Senior Managing Executive Officer, Head of Corporate Administration (current position)



**Candidate No. 4:****Naoyuki Koyama**

Re-nomination

Career position and assignment in the Company:

Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning

- Date of birth: January 7, 1971 (age 46)
- Term of office at the conclusion of this general meeting: 1 year
- Number of Company shares owned: 3,400
- Attendance at Board of Directors' meetings: 100% (11 of 11 meetings)

**Reasons for nomination**

Mr. Koyama has demonstrated leadership, swiftly promoting the rebuilding of the foundation of the overseas business, and the development of new merchandise and store formats in the domestic AUTOBACS business.

Based on these extensive knowledge and experience, Mr. Koyama has fully demonstrated his role as Director in deciding important matters and supervising the execution of other directors' duties.

Mr. Koyama is nominated for director because the Company believes that it is in the best interest of the Group to fully utilize his extensive knowledge and experience to expand the earnings of the Group companies by creating new markets and a new AUTOBACS in the domestic AUTOBACS business, and offering new business packages to the Group's franchise stores.

**Dear Shareholders,**

In the current rapidly changing external environment, we cannot expect long-term growth through incremental improvements alone. Our most important management challenges are to fundamentally rebuild the business models of all our businesses by reassessing our customers' needs, as well as product development, optimum allocation of capital and resources, rebuilding of our organization and evaluation system, and hiring and training of human resources.

As a director and executive officer, I promote and advise our businesses. I will be committed to leveraging the experience I have gained inside and outside the Company to further enhance governance, while bearing in mind that ROE and the number of customers are important indicators.

**Brief professional background including major posts held**

April 1995: Joined Kajima Corporation

July 2006: Joined the Boston Consulting Group

February 2012: Joined AUTOBACS SEVEN Co., Ltd.

April 2012: Officer, Asia Market Research Project

April 2013: Officer, Overseas Business Planning

April 2014: Officer, Overseas Business

April 2016: Senior Managing Executive Officer, Vice Chief AUTOBACS Chain Officer and Marketing

June 2016: Director and Senior Managing Executive Officer, Vice Chief AUTOBACS Chain Officer and Marketing

March 2017: Representative Director of ABT Marketing Co., Ltd. (current position)

April 2017: Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning (current position)

**Candidate No. 5:****Eiichi Kumakura**

Re-nomination

Career position and assignment in the Company:

Director and Senior Executive Officer, Head of Western Japan Region Headquarters

- Date of birth: February 8, 1962 (age 55)
- Term of office at the conclusion of this general meeting: 1 year
- Number of Company shares owned: 1,800
- Attendance at Board of Directors' meetings: 100% (11 of 11 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 franchisees.

Based on his extensive knowledge and experience, Mr. Kumakura has fully demonstrated his role as Director in deciding important matters and supervising the execution of other directors' duties.

Mr. Kumakura is nominated for director because the Company believes that it is in the best interest of the Group to fully utilize his extensive knowledge and experience to unite the Group's franchise stores with the Company's corporate divisions in the reform of the domestic AUTOBACS business, and expand earnings through speedy efforts.

**Dear Shareholders,**

I believe that the entire Company must now work together to realize the swift and unwavering execution of the 2017 Medium-term Business Plan, and I am committed to doing everything I can do as a board member.

In order to implement reform toward growth, I will make the growth of the number of customers my biggest theme, while firmly tracking changes in the trends of the times, knowing our customers better, reforming our merchandising and selling methods, and creating new markets and a new AUTOBACS.

Meanwhile, I will also steadily implement improvements to our profitability, with a firm focus on structural reform as well.

I will fulfill my role in a way that meets our stakeholders' expectations, taking as my motto a spirit of challenge, swift decision making, and enhanced action.

**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, Western Japan Region Headquarters  
June 2016: Director and Senior Executive Officer, Western Japan Region Headquarters  
April 2017: Director and Senior Executive Officer, Head of Western Japan Region Headquarters (current position)

**Candidate No. 6:****Yugo Horii**

Re-nomination

Career position and assignment in the Company:

Director and Senior Executive Officer, Office of the President and Overseas Business Planning

- Date of birth: June 24, 1972 (age 44)
- Term of office at the conclusion of this general meeting: 1 year
- Number of Company shares owned: 5,300
- Attendance at Board of Directors' meetings: 100% (11 of 11 meetings)

**Reasons for nomination**

Mr. Horii has contributed to the fields of business administration over many years, including legal affairs and the establishment of the Group's internal control system. He has also contributed to building foundations for the retail and services business and wholesale business in the overseas business by leveraging partnerships with local companies.

Based on his broad range of experience and achievements, Mr. Horii has fully demonstrated his role as Director in deciding important matters and supervising the execution of other directors' duties.

Mr. Horii is nominated for director because the Company believes that it is in the best interest of the Group to fully utilize his extensive knowledge and experience to promote the newly started 2017 Medium-term Business Plan, and seek to improve corporate value.

**Dear Shareholders,**

We are surrounded by an environment that is entering a phase of innovation: electrification of cars, automated driving, and the connected/sharing economy. The speed of change is also accelerating as these new markets grow, such as diversifying customer needs and intensifying competition not only with our industry peers and dealerships but also with those outside our industry such as online sales companies.

In response to these changes in our environment, we formulated the 2017 Medium-term Business Plan, positioning the restoration of the competitive strength of the domestic AUTOBACS business as our key challenge for reaching a new stage of growth.

In accordance with this business plan, I will meet the expectations of our customers and shareholders by contributing to the creation of new markets and a new AUTOBACS in order to offer enjoyment to customers in their car lifestyles.

**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 (current position)

**Candidate No. 7:****Noriaki Shimazaki**

Re-nomination, Outside Director (Independent Officer)

Career position and assignment in the Company: Outside Director (Independent Officer)

- Date of birth: August 19, 1946 (age 70)
- Term of office at the conclusion of this general meeting: 6 years
- Number of Company shares owned: 6,600
- Attendance at Board of Directors' meetings: 100% (16 of 16 meetings)

**Reason for nomination**

Mr. Shimazaki has extensive experience and knowledge of accounting and financial matters, personnel development, risk management, and management strategy in business corporations. Furthermore, he has long fulfilled the duties of monitoring and supervision, as well as business execution, in corporate management and public service mainly in the field of accounting.

Based on such extensive experience and profound knowledge, Mr. Shimazaki has actively provided comments as an outside director and independent officer from the viewpoint of general shareholder protection. He has also fulfilled the roles of making important decisions and supervising business execution. In addition, in the fiscal term ended March 31, 2017, he contributed to reinforcing communication with the Company's audit and supervisory board members as the leading independent outside director.

Mr. Shimazaki is nominated for outside director as in the previous year, because the Company believes it is in the best interest of the Group that he continues to supervise the Company's management as an outside director and independent officer.

**Dear Shareholders,**

This is the first fiscal year of the 2017 Medium-term Business Plan. There is an urgent need to recover the profitability of the car parts and accessories business in Japan, which is the Company's core business, and we must act swiftly to implement the business strategies in this plan and overcome the challenges facing us. I will focus on creating a solid PDCA cycle for the business plan, and improving its effectiveness through appropriate and well timed monitoring.

As the economic environment grows increasingly uncertain both in Japan and internationally, I will strive to provide even more cautious and appropriate advice in defensive aspects such as corporate governance, internal controls and risk management.

**Brief professional background including major posts held**

April 1969:	Joined SUMITOMO CORPORATION
June 1998:	Director of SUMITOMO CORPORATION
April 2002:	Representative Director, Managing Director of SUMITOMO CORPORATION
January 2003:	Member of Business Accounting Council of Financial Services Agency
April 2004:	Representative Director, Senior Managing Director of SUMITOMO CORPORATION
April 2005:	Representative Director, Executive Vice President of SUMITOMO CORPORATION
July 2008:	Chairman, Sub-committee on Accounting of Nippon Keidanren
January 2009:	Trustee of International Financial Reporting Standards Foundation (IFRS Foundation)
July 2009:	Special Adviser of SUMITOMO CORPORATION
June 2011:	Trustee of Financial Accounting Standards Foundation
June 2011:	Outside Director, AUTOBACS SEVEN Co., Ltd. (current position)
September 2013:	Advisor, IFRS Foundation Asia-Oceania Office (current position)
September 2013:	Advisor, The Japanese Institute of Certified Public Accountants (current position)
June 2014:	Chairman, XBRL Japan Inc. (current position)
June 2015:	Outside Director, UKC Holdings Corporation (current position)
June 2016:	Outside Director, Nomura Holdings, Inc. (current position)
June 2016:	Director, Nomura Securities Co., Ltd. (current position)
June 2016:	Outside Director, Loginet Japan Co., Ltd. (current position)
July 2016:	Director, Kamikawa Taisetsu Sake Brewery Co., Ltd. (current position)

**Candidate No. 8: Hatsuo Odamura**

Re-nomination, Outside Director (Independent Officer)

Career position and assignment in the Company: Outside Director (Independent Officer)

- Date of birth: November 9, 1949 (age 67)
- Term of office at the conclusion of this general meeting: 3 years
- Number of Company shares owned: 800
- Attendance at Board of Directors' meetings: 100% (16 of 16 meetings)

**Reasons for the nomination**

Mr. Odamura has considerable knowledge and experience of risk management, including the eradication of antisocial forces, and operational management. He also has deep insight into the transportation industry through his career in transport-related occupations.

Based on such extensive experience and knowledge, Mr. Odamura has actively provided comments as an outside director and independent officer from the viewpoint of general shareholder protection. He has also fulfilled the roles of making important decisions and supervising business execution. In addition, in the fiscal term ended March 31, 2017, he contributed to the promotion of the Company's corporate governance as chairman of the Corporate Governance Committee.

Mr. Odamura is nominated for outside director, as in the previous year, because the Company believes it is in the best interest of the Group that he continues to supervise the Company's management as an outside director and independent officer.

**Dear Shareholders,**

Automotive-related technology is drastically evolving, from progress in automated driving technologies to the integration of automobiles and IT. Also, the aging of the population and other factors are creating strong user demand for safety and security. In this era of change, we must execute our new Medium-term Business Plan unwaveringly in order to respond to our customers' needs and contribute to the growth of the Company. To this end, I want to leverage my knowledge and experience to contribute to the improvement of our corporate value, in keeping with the spirit of the Corporate Governance Code.

**Brief professional background including major posts held**

April 1972:	Joined the National Police Agency
April 1982:	First Secretary, Embassy of Japan in Thailand
August 1992:	Director General, Saga Prefectural Police Headquarters
April 1998:	Director General, Nagano Prefectural Police Headquarters
August 1999:	Director General, Hiroshima Prefectural Police Headquarters
September 2001:	Director General, Kinki Regional Police Bureau
April 2002:	Director, International Affairs Department, Commissioner-General's Secretariat, National Police Agency
January 2004:	Director General, Imperial Guard Headquarters
January 2006:	Retired from the National Police Agency
February 2006:	Councilor, Japan Police Personnel Cooperative
June 2006:	Senior Director, Japan Urban Security Research Institute
December 2008:	Director General, Institute for Traffic Accident Research and Data Analysis
June 2014:	Outside Director, AUTOBACS SEVEN Co., Ltd. (current position)
November 2014:	Advisor, TAITO CORPORATION (current position)

**Candidate No. 9:**  
**Yoshiko Takayama**

Re-nomination, Outside Director (Independent Officer)

Career position and assignment in the Company: Outside Director (Independent Officer)

- Date of birth: August 9, 1956 (age 60)
- Term of office at the conclusion of this general meeting: 2 year
- Number of Company shares owned: 600
- Attendance at Board of Directors' meetings: 100% (16 of 16 meetings)

**Reasons for nomination**

As her profile indicates, 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.

Based on such extensive experience and knowledge, Ms. Takayama has actively provided comments as an outside director and independent officer from the viewpoint of general shareholder protection. She has also fulfilled the roles of making important decisions and supervising business execution. In addition, as a member of the Corporate Governance Committee she has contributed to the reinforcement of corporate governance, including advisory on compliance with the Corporate Governance Code.

Ms. Takayama is nominated for outside director, as in the previous year, because the Company believes it is in the best interest of the Group that she continues to supervise the Company's management as an outside director and independent officer.

**Dear Shareholders,**

This is the first fiscal year of the new Medium-term Business Plan. As the environment surrounding the Company grows increasingly severe, it is the greatest challenge for the Company to make stores more competitive and rebuild its earnings foundation in accordance with these changes.

I will fulfill my role as outside director by providing effective supervision and advice through discussions with the board of directors and dialogue with the management team, in order to enable the management team to tackle the various challenges it faces, and reach the Company's three-year vision through the solid execution of the measures in the 2017 Medium-term Business Plan each year.

**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 Headquarter 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)
October 2010:	Member of the Fund Management Committee of Local Public Service Personnel Mutual Aid Associations (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)
January 2017:	Member of the Council of Experts on the Stewardship Code, Financial Services Agency (current position)

## **Special remarks on the candidates for the offices of outside directors**

### **1. Independence of the candidates for the office of outside director**

Mr. Noriaki Shimazaki, Mr. Hatsuo Odamura and Ms. Yoshiko Takayama satisfy the requirements of the candidates for the office of outside director as set forth in Article 2, Paragraph 3, Item 7, of the Companies Act Enforcement Regulations. At the same time, the three (3) candidates satisfy the requirements for independence defined by the Tokyo Stock Exchange and the “Requirements for the Outside Officers’ Independency” adopted by the Board of Directors of the Company (revised on April 1, 2015).

### **2. Liability limitation agreement with outside directors**

Mr. Noriaki Shimazaki, Mr. Hatsuo Odamura and Ms. Yoshiko Takayama, candidates for the office of outside director and who currently serve as the Company’s outside directors, have entered into an agreement with the Company that defines their limitations of liability as defined in Article 423, Paragraph 1, of the Companies Act. In the event of their re-election as outside directors, said agreement will be continued.

[Outline of contents of liability limitation agreement]

The liability limit pursuant to the agreement shall be the total sum of the amounts a) and b) described below as 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 by each of the outside directors from the Company as consideration for the execution of their duties while in office.
- b) In the case where each of the outside directors has subscribed to the Company’s stock acquisition rights as set forth in Article 2, Item 21 of the Companies Act (limited to the case as defined in each Item of 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 the said stock acquisition rights.

### **3. Special relationship between candidates for outside directors and the Company**

Candidates for outside directors have no special interests in the Company.

4. In case a candidate for outside director was in office as officer, director or audit and supervisory board member of another company/companies during the past five (5) years, the fact that a violation of any laws, regulations and/or the Articles of Incorporation, or of any improper execution of duties, was made during his/her tenure at such other company/companies, as well as the actions taken in advance by said candidate to prevent said fact and post-facto actions taken as responses to said fact.

None applicable.

## Requirements for the Outside Officers' Independence

The independent officers of the Company shall be the outside director or outside audit and supervisory board member who satisfy the following requirements for independence.

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

1. The Company's Outside Officers 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<sup>\*1</sup> 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<sup>\*2</sup> 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.

<sup>\*1</sup> Includes accounting firms, law offices and consulting companies other than those listed in 1. (ii) above.

<sup>\*2</sup> Includes line items falling under net sales, such as "operating income." Consolidated net sales come from companies within the scope of consolidated accounting.

Established February 24, 2010  
Revised April 1, 2015



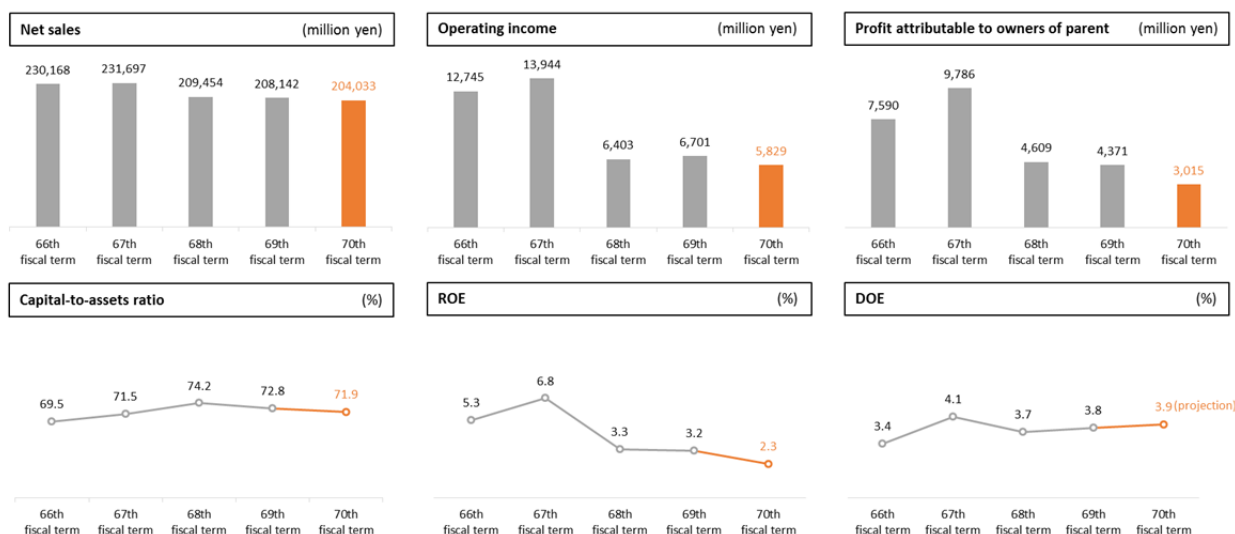
## Business Report (from April 1, 2016 to March 31, 2017)

### 1. Current Status of the Group

#### (1) Assets and Operating Results

Classification	66th fiscal term Apr. 1, 2012- Mar. 31, 2013	67th fiscal term Apr. 1, 2013- Mar. 31, 2014	68th fiscal term Apr. 1, 2014- Mar. 31, 2015	69th fiscal term Apr. 1, 2015- Mar. 31, 2016	70th fiscal term Apr. 1, 2016- Mar. 31, 2017
Net sales (million yen)	230,168	231,697	209,454	208,142	204,033
Operating income (million yen)	12,745	13,944	6,403	6,701	5,829
Ordinary income (million yen)	14,472	16,421	8,250	7,780	7,120
Profit attributable to owners of parent (million yen)	7,590	9,786	4,609	4,371	3,015
Net income per share (¥)	(Note) 81.22	107.71	52.83	51.60	36.00
Total assets (million yen)	205,526	201,481	186,531	180,454	176,708
Net assets (million yen)	143,301	144,363	138,553	131,747	127,392
Capital-to-assets ratio (%)	69.5	71.5	74.2	72.8	71.9
ROE (%)	5.3	6.8	3.3	3.2	2.3
Dividend payout ratio (%)	64.0	59.4	113.6	116.3	166.7 (projection)
DOE (%)	3.4	4.1	3.7	3.8	3.9 (projection)

(Note) The Company conducted a 3-for-1 stock split as of April 1, 2013. Net income per share was calculated assuming that the stock split was conducted at the beginning of the 66th fiscal term.



### (2) Business Progress and Results

#### (i) Business environment

During the consolidated fiscal term under review, although the Japanese economy recovered gradually in conjunction with government-led economic stimulus measures and improvement trends in corporate earnings, uncertainties remained due to the slowing of growth rates in emerging economies, the exit of the U.K. from the EU, and the change of administration in the United States. With regard to domestic automotive-related consumption, new automobile sales recovered prompted by the launches of new models by automobile manufacturers and demand for winter merchandise grew due to high levels of snowfall nationwide.

**(ii) Status of individual businesses**

**■ Domestic AUTOBACS business**

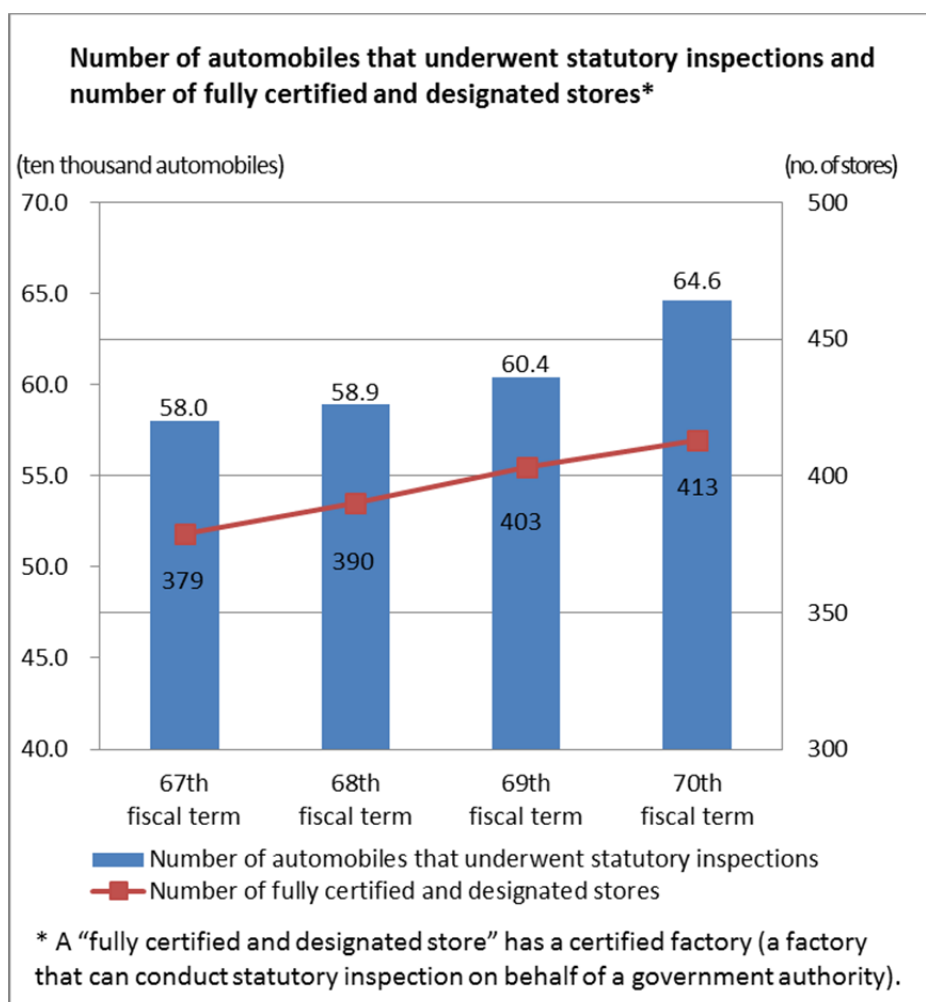
Total sales for all business categories of the AUTOBACS chain (including franchise stores) in Japan during the fiscal term under review declined by 1.1% on a same-store basis, and decreased by 0.2% on a total-store basis year-on-year.

**Automotive goods and services sales**

Sales conditions for car interior accessories and car navigation devices were harsh year-round, but sales of consumables such as tires, oil and batteries recovered during the second half of the year. The Group reinforced merchandise lineup such as new models of popular drive recorders and car navigation devices, and expanded its private label brand, “AQ.” (Autobacs Quality.), primarily in the Car Interior category. Sales of “*Pedal no Mihariban* (pedal watcher)” devices, which prevent accidents caused by pressing the accelerator pedal instead of the brake, also trended strongly. Forecasting increased demand for winter merchandise, sales promotion efforts were reinforced, producing strong sales of snow tires, tire chains and other items.

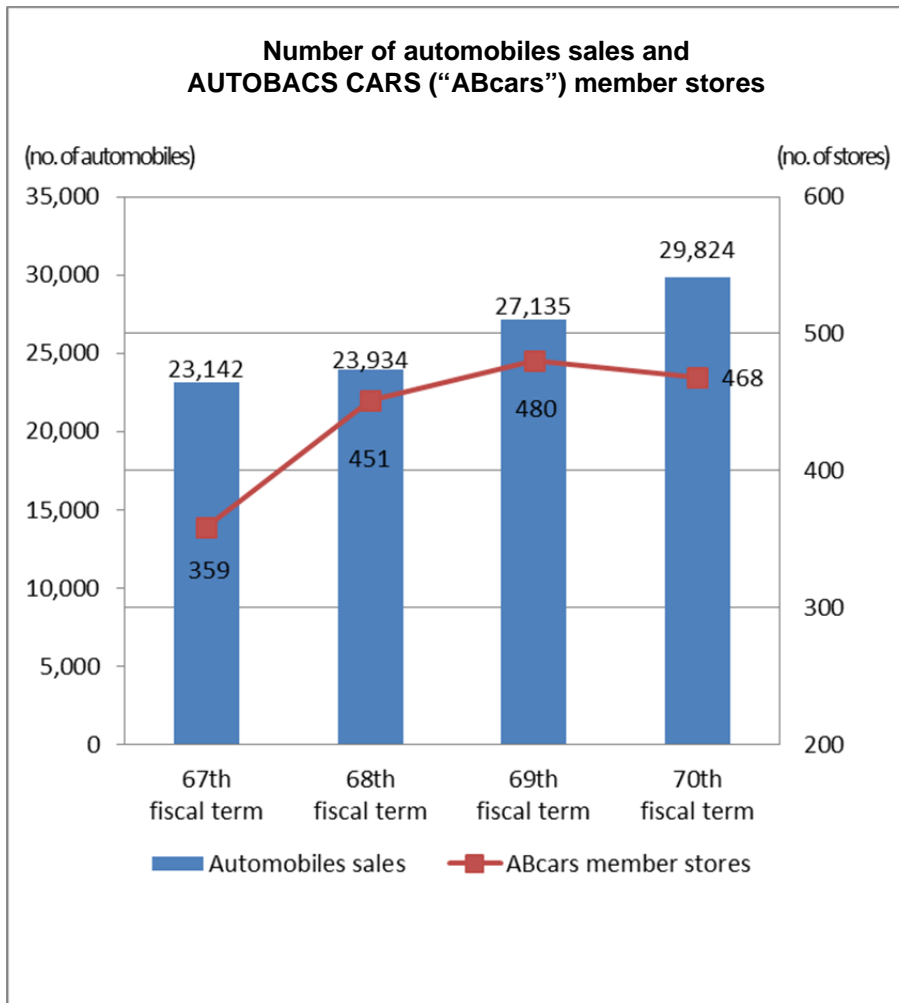
**Statutory safety inspection and maintenance services**

The Group began offering the “*Anshin Mitsuboshi Hoshō* (worry-free three-star compensation)” service for customers receiving statutory safety inspections, and aired TV ads nationwide to raise awareness of the service. The number of automobiles subject to statutory safety inspections was low until the second quarter, rendering harsh business conditions, but it increased from September onwards, resulting in the number of automobiles that underwent statutory safety inspection rising to 646,000, a 6.8% year-on-year increase.



**Automobile purchase and sales**

The number of automobiles purchased increased and sales to used car dealers such as auto auctions expanded due to nationwide TV ads as with statutory safety inspections, automobile purchase efforts were strengthened at individual stores, and the opening of AUTOBACS Used Car Purchase stores. As a result, the total number of automobiles sales rose by 9.9% year on year to approximately 29,800 units.



**■ Overseas business**

Efforts were made to improve profits in France, and business was expanded mainly in the ASEAN region with a view to developing it into a future pillar of revenue. With regard to conditions in major countries, the business environment in France remained harsh since the November 2015 terrorist attacks, but showed gradual improvement from the second half of the consolidated fiscal year. Under these circumstances, efforts were made to improve EC sites and to improve gross margin ratios and cut expenses by increasing the service sales ratio taking the opportunity of tire sales. However, as sales fell, operating income also fell year on year. In Thailand, the Group continued its efforts to build a model to capture customer maintenance demand in areas surrounding small-scale stores. Two new stores were opened and one store was relocated. In Malaysia, store format experimentation focused on maintenance services is underway at the stores opened last year. In Singapore, stores were remodeled, unprofitable stores were closed, and sales promotion measures were actively implemented, producing steady profits. In Indonesia, three stores were opened in store formats meeting local customers’ needs. With respect to overseas store openings and closings, seven new stores were opened, one store was relocated, and two stores were closed, bringing the number of stores to 38, from 33 as of March 31, 2016.

**■ New business**

At subsidiaries operating imported car dealers, operating income greatly improved year on year due to service revenue expansion, together with the employee development and target management enhancements ongoing since last year, as well as the transfer of Motoren Tochigi Corp. stock in January 2017.

### ■ Status of domestic store consolidation in Japan

With respect to store openings and closings, 17 new stores were opened, one store underwent format changes, one store was relocated, and 15 stores were closed, increasing the number of stores by two stores to 601, from 599 as of March 31, 2016.

Some AUTOBACS CARS (“ABcars”) member stores were closed in consideration of profitability, sales structure and others, decreasing the number of stores to 468, from 480 as of March 31, 2016.

#### No. of domestic stores at the end of the fiscal term under review: 601

	No. of stores as of March 31, 2016	Opened	Change in store format, S/B, R/L		Closed	No. of stores as of March 31, 2017	Increase/ decrease
			+	-			
AUTOBACS	498	9	2	-1	-13	495	-3
Super AUTOBACS	75	0	0	0	-1	74	-1
AUTOBACS <i>Secohan Ichiba</i>	9	0	0	0	0	9	0
AUTOBACS EXPRESS	12	0	0	0	-1	11	-1
AUTOBACS CARS	5	8	0	-1	0	12	7
<b>Total</b>	<b>599</b>	<b>17</b>	<b>2</b>	<b>-2</b>	<b>-15</b>	<b>601</b>	<b>2</b>

- (Notes)
1. AUTOBACS *Secohan Ichiba* stores in a shop-in-shop format are not included in the number of the overall AUTOBACS chain stores.
  2. “S/B” and “R/L” above are the abbreviations for “scrap and build” and “relocation,” respectively.
  3. The number of AUTOBACS stores includes Smart+1 Ibarakinishi Store.
  4. The number of AUTOBACS CARS stores represents the number of AUTOBACS CARS stand-alone stores and AUTOBACS Used Car Purchase stores.

#### Store formats of the AUTOBACS Chain

Logo and images, specs (6 store formats)

AUTOBACS, Super AUTOBACS Type I, Super AUTOBACS Type II, AUTOBACS *Secohan Ichiba*, AUTOBACS EXPRESS, AUTOBACS CARS

#### (iii) Consolidated business results

Group net sales for the consolidated fiscal term under review decreased by 2.0% year on year to ¥204,033 million, gross profit decreased by 1.2% year on year to ¥66,162 million, selling, general and administrative expenses increased by 0.1% year on year to ¥60,332 million, and operating income decreased by 13.0% year on year to ¥5,829 million. Ordinary income decreased by 8.5% year on year to ¥7,120 million. Extraordinary losses were posted, mainly including a ¥2,161 million impairment loss on fixed assets such as a welfare facility and land and buildings of stores, a ¥274 million loss on sales of shares of subsidiaries, and a ¥209 million loss on retirement of fixed assets due to renovations to the Eastern Japan Logistics Center. While tax burden for income taxes was reduced due to the sale of subsidiary shares, profit attributable to owners of parent decreased by 31.0% year on year to ¥3,015 million.

## ■ Business results by segment

### <AUTOBACS SEVEN Co., Ltd.>

Net sales declined by 3.3% year on year to ¥153,054 million, and operating income decreased by 27.0% year on year to ¥5,164 million. During the latter half of the fiscal term under review, sales of winter merchandise rose due to snowfall, but for the full fiscal term, wholesale sales to stores fell due to decreases in sales of tires, wheels, accessories, etc. at AUTOBACS chain corporate franchisees' stores in Japan, and the implementation of inventory efficiency improvements at corporate franchisees' stores. Although net sales fell, gross margin was 20.5%, around the same level as the previous fiscal year (20.6% for the same period of the previous fiscal term) due to gross margin improvement initiatives. With regard to selling, general and administrative expenses, the Group strove to reduce expenses such as advertising and promotion expenses, but expenses increased due to the replacement of equipment in Eastern Japan and Western Japan Logistics Centers.

### <Domestic store subsidiaries>

Net sales decreased by 3.1% year on year to ¥66,444 million, while operating income improved by ¥1,244 million year on year to ¥270 million. Operating income increased significantly over the previous fiscal term, becoming positive, as a result of the ongoing efforts toward inventory efficiency improvement, gross margin improvement and efficient expense usage, in conjunction with the recovery of sales during the second half of the year.

### <Overseas subsidiaries>

Net sales decreased by 13.5% year on year to ¥7,870 million, and operating loss of ¥178 million was posted (operating income of ¥30 million for the same period of the previous fiscal term). This was due primarily to reduced revenue from the subsidiary in France and increased costs associated with the opening of stores in Thailand.

### <Subsidiaries for car goods supply and other>

Net sales increased by 5.7% year on year to ¥22,467 million, and operating income increased by 448.7% year on year to ¥101 million. Net sales and operating income increased due to improved profits at subsidiaries engaged in imported car dealership and subsidiaries wholesaling products such as oil, as well as the acquisition of shares in Motoren Tochigi Corp.

### <Subsidiaries for supporting functions>

Net sales decreased by 8.3% year on year to ¥2,937 million, and operating income decreased by 12.6% year on year to ¥350 million.

The relationships between segments and the business strategy implementation categories, namely, “domestic AUTOBACS business,” “overseas business” and “new business,” are indicated below.

The domestic AUTOBACS business is conducted primarily by the Company, domestic store subsidiaries and subsidiaries for car goods supply and other, and consists of wholesale sales to franchisee corporations and retail sales mainly of car goods and services.

The overseas business is conducted primarily by overseas subsidiaries, and consists of retail sales mainly of car goods and services.

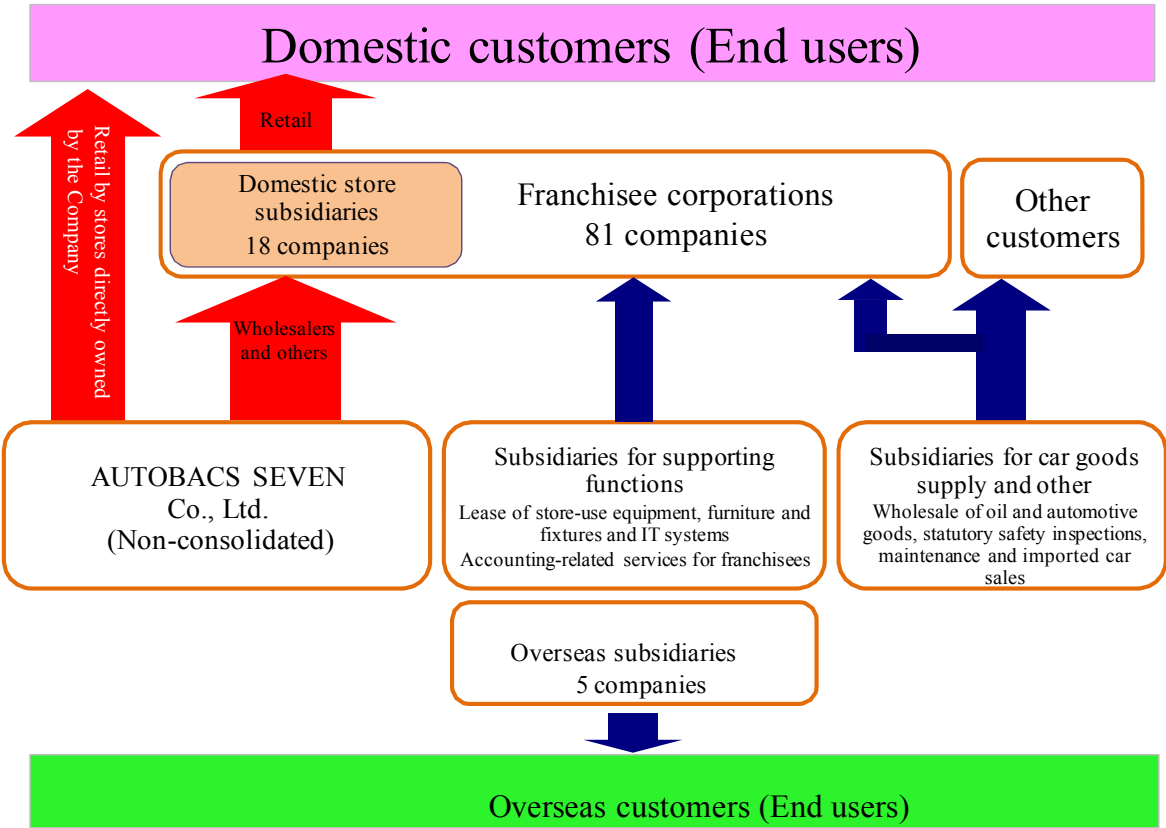
The new business is conducted primarily by subsidiaries for car goods supply and other, and consists primarily of the imported car dealership business.

### Net sales and operating income by segment

(Unit: million yen)

	The Company	Domestic store subsidiaries	Overseas subsidiaries	Subsidiaries for car goods supply and other	Subsidiaries for supporting functions	Total (Note)
Net sales	153,054	66,444	7,870	22,467	2,937	252,774
year on year change	-3.3%	-3.1%	-13.5%	5.7%	-8.3%	-2.9%
Operating income	5,164	270	-178	101	350	5,707
year on year change	-27.0%	—	—	448.7%	-12.6%	-12.9%

Note: The total in the above table shows the amounts resulting from simple additions before consolidation adjustments.



### **(3) Factors that Have Material Impacts on Management Results, and Current Status and Future Prospects of Management Strategies**

The Company announced the 2017 Medium-Term Business Plan on May 9, 2017. During the second half of the consolidated fiscal term under review, it has initiated measures preceding the new medium-term business plan.

With regard to the domestic AUTOBACS business, in order to gain an understanding of customers and provide them with higher value, ABT Marketing Co., Ltd. was established as a joint venture with CCC Marketing Co., Ltd., a subsidiary of Culture Convenience Club Co., Ltd., and work has begun on creation of a car lifestyle-focused database and consideration of the offering of marketing services.

As an initiative related to the opening of stores in new formats, AUTOBACS Tatebayashi Suwacho Store was opened as a store based primarily on a gas station. Furthermore, experimental stores, AUTOBACS Akita Yurihonjo Store and AUTOBACS Iwakuni Store, were opened focusing on improving customer convenience through measures such as significantly changing conventional merchandise shelving methods and introducing a reservation system for installation work to reduce customer wait times. In order to expand ongoing relationships with new customers, Smart+1 Ibarakinishi Store was opened in a carwash-focused store format.

With regard to statutory safety inspection, the method of the walk around inspection was improved, and instruction has been provided to stores with the aim of further improving regulatory compliance and the level of services offered to customers. In order to tackle the Group's problem of insufficient maintenance personnel, Chain Growth Co., Ltd. was established and began training maintenance personnel for the AUTOBACS chain and dispatching them to stores, as well as providing consulting services aimed at keeping their retention at the stores.

With regard to automobile purchase and sales, a total of eight AUTOBACS Used Car Purchase Stores, a store format dedicated to used car purchase have been opened from March 2016 onward, and have promoted on-site automobile purchase especially in urban areas to expand the customer base. The AUTOBACS CARS AEON MALL Makuhari New City Store was opened in a store format that provides comprehensive car lifestyle support, focusing on car purchase, to customers in a suburban shopping mall.

Further, in order to enhance competitiveness and management systems in individual areas, the Company arranged transfers of its consolidated subsidiary operating stores to a franchisee cooperation and transfers of a store operated by a franchisee cooperation to the Company's consolidated subsidiary.

With regard to the overseas business, efforts have been made to improve earnings on a same store basis, and review has been conducted on various types of formats for store opening, including collaborations with local partners. At the same time, expansion into peripheral businesses other than retail has also been explored. Progress has been made in the establishment and improvement of wholesale business systems in various countries.

With regard to the new business, in addition to the BMW dealership site in Ikebukuro, the Company acquired 100% of shares in Motoren Tochigi Corp., which operates five sites including a certified BMW dealership in Tochigi Prefecture, in order to increase earnings in this business category.

Images of Smart+1 Ibarakinishi Store, AUTOBACS Akita Yurihonjo Store,  
AUTOBACS CARS AEON MALL Makuhari New City Store

### **(4) Targets to be Achieved**

The Group's business environment is expected to undergo further major and rapid changes, such as shifting to automated and electrified automobiles, expansion of new markets such as the sharing economy, intensifying competition with industry peers and dealers as well as with businesses from other industries such as online sales companies, and diversification of customer needs and the customer base that includes a greater number of women and elderly drivers. The Company believes that in the future it will be even more important to swiftly respond to these changes in the environment.

In this business environment the Company recognizes that its greatest challenge is the restoration of the competitive strength of the domestic AUTOBACS business, and has formulated the new 2017 Medium-Term Business Plan.

In the domestic AUTOBACS business, the Company aims to become a professional and friendly presence relied on by regional customers. To this end, the Group strives to gain a greater understanding of

customers, implement new merchandise and selling methods, and change the points of contact with customers.

While increasing convenience and comfort that customers can enjoy when they use AUTOBACS, the Group is implementing measures focusing on “development of new store formats,” “development of new merchandise and services,” “statutory safety inspection and automobile purchase” and “vitalization and development of organizations and personnel” to provide customers with the joy of car lifestyles, which is the Company’s goal since the establishment of AUTOBACS. We will create new markets and a new AUTOBACS.

The Company is also working to develop the overseas business and the new business as future growth business categories.

In the overseas business, the Company seeks to expand earnings through business operation based on the twin pillars of retail/service business and wholesale business, including partnerships with local companies.

In the new business, the Company develops the imported car dealership business and the automobile purchase business cultivated through AUTOBACS CARS as new businesses, while expanding the wholesaling of automotive goods and services outside the AUTOBACS franchise chain.

The Company recognizes returning profits to shareholders as one of its most important management policies, and strives to increase earnings so that it can return steady and high-level profits to shareholders.

In the Company’s basic policy, the basis for the distribution of profits is changing from the consolidated dividend on equity (DOE) to the consolidated dividend payout ratio. During the 2017 Medium-term Business Plan period, the Company’s basic policy will be to maintain a consolidated dividend payout ratio of 50 to 100% in principle, and provide appropriate returns to shareholders in line with business results.

The goals of the 2017 Medium-term Business Plan will be a consolidated operating income of ¥12,000 million and a consolidated ROE of 7% for the fiscal term ending March 31, 2020, targeting a consolidated ROE of 8% or more thereafter.

#### **(5) Status of Capital Investment**

During the consolidated fiscal term under review, the Company made capital investments totaling ¥4,842 million, mainly to acquire machinery and equipment for the renovation of Eastern Japan Logistics Center and acquire buildings and structures required to open new stores, as well as on information systems and others to introduce the store management system.

#### **(6) 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 increase in the balance of short-term borrowings and long-term debts at the end of the consolidated fiscal term under review of ¥1,873 million was the increase in the number of consolidated subsidiaries.



**(7) The Group's Major Business Line (as of March 31, 2017)**

The Group is engaged in wholesale and retail sales of automotive goods and services both in Japan and overseas; automobile purchase and sales; statutory safety inspection and maintenance services; imported car dealership; and loan and credit business. It also provides the AUTOBACS chain with store leasing service; back-office agency service, and general insurance agency service.

Categories related to the Group's business and relation between the business and operating departments are as follows.

Division	Description of business
Wholesale	Sale of automotive goods to stores, including the Group's franchise stores. Major merchandise lineup: Tires and Wheels, Car Electronics, etc.
Retail	Sale and installation services of automotive goods, maintenance services, statutory safety inspection, automobile purchase and sales, and imported car dealership mainly to general consumers Major store brands: AUTOBACS, Super AUTOBACS, AUTOBACS <i>Secohan Ichiba</i> and AUTOBACS CARS ("ABcars"), etc.
Other	Mainly leasing of real estate and store facilities to corporate franchisees

**(8) Major Business Locations of the Company (as of March 31, 2017)**

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

**(9) Key Subsidiaries (as of March 31, 2017)**

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 31,888 thousand	100.0%	Automotive goods retail business
AUTOBACS Financial Service Co., Ltd.	Koto-ku, Tokyo	¥15 million	100.0%	Leasing business

(Note) The Company transferred all shares of AUTOBACS Hokkaido, Ltd. to KITA NIHON AUTO PARTS Co., Ltd., an affiliate, on February 1, 2017.

**(10) Key Affiliate Companies (as of March 31, 2017)**

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 Ltd.	Kawaguchi City, Saitama	¥510 million	24.2%	Automotive goods retail business
KITA NIHON AUTO PARTS Co., Ltd.	Toyohira-ku, Sapporo City	¥100 million	34.0%	Automotive goods retail business

**(11) Employment Situation (as of March 31, 2017)****The Group's employment status**

(Unit: persons)

Divisions	No. of employees		Increase/decrease from the previous consolidated fiscal term	
Wholesale	563	(43)	-5	(-4)
Retail	3,149	(768)	-175	(-92)
Company-wide (common)	488	(23)	33	(2)
Total	4,200	(834)	-147	(-94)

- (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 divisions that cannot be categorized into specific divisions.

**(12) Major Lenders and Loan Amount (as of March 31, 2017)**

(Unit: million yen)

Lenders	Balance of loans
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,605
Sumitomo Mitsui Banking Corporation	530
Mizuho Bank, Ltd.	528

**(13) Other Significant Matters Concerning Current Status of the Group**

Not applicable

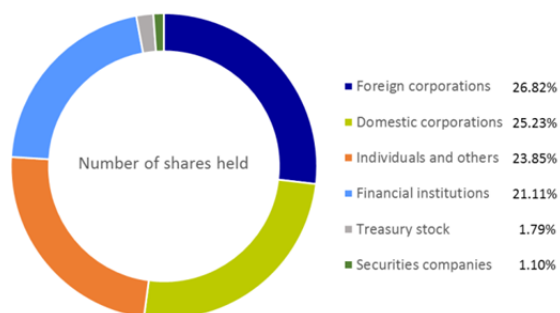
## 2. Status of the Company (as of March 31, 2017)

### (1) Status of Shares

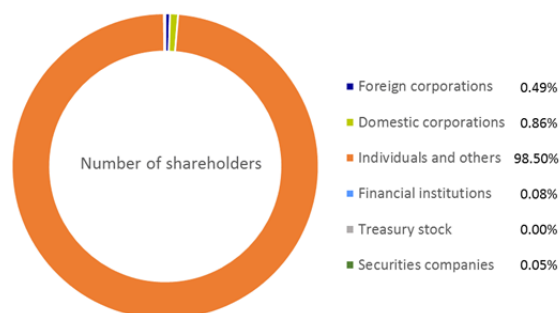
- (i) Total number of authorized shares: **328,206,900 shares**  
(ii) Total number of shares issued: **84,050,105 shares (including 1,505,911 treasury stock)**  
(iii) Number of shareholders: **53,989**

	Distribution by number of shares held (Number of shares held)	Distribution by shareholder type (Number of shareholders)
Foreign corporations	26.82%	0.49%
Domestic corporations	25.23%	0.86%
Individuals and others	23.85%	98.50%
Financial institutions	21.11%	0.08%
Treasury stock	1.79%	0.00%
Securities companies	1.10%	0.05%

**Distribution by number of shares held**



**Distribution by shareholder type**



**(iv) Major shareholders (Top 10 shareholders)**

Name	Status of contribution to the Company	
	Number of shares held (thousands)	Shareholding ratio (%)
Northern Trust Company (AVFC) Re Silchester International Investors International Value Equity Trust	6,353	7.69
Sumino Holdings, Ltd.	4,268	5.17
The Yuumi Memorial Foundation for Home Health Care	3,990	4.83
Northern Trust Company AVFC Re U.S. Tax Exempted Pension Funds	3,847	4.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,036	3.67
Japan Trustee Service Bank, Ltd. (Trust Account)	3,030	3.67
K Holdings, Ltd.	2,800	3.39
Northern Trust Company (AVFC) Account Non-treaty	2,255	2.73
The Master Trust Bank of Japan, Ltd. (Retail Trust Account 820079252)	1,800	2.18
Foreman Kyoei, Ltd.	1,560	1.88

- (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, 2017. As a result, the number of shares held by the company is not included in the list of “Major shareholders” above.

An amendment to the substantial shareholding report	Date of submission	Number of shares held (thousands)	Holding ratio (%)
No. 12	April 17, 2014	9,895	10.65
No. 13	June 13, 2014	10,544	11.72
No. 14	June 27, 2014	11,527	12.82
No. 15	July 22, 2014	12,506	13.90
No. 16	August 7, 2014	13,501	15.01
No. 17	August 27, 2014	14,451	16.07
No. 18	November 19, 2014	15,351	17.07

- (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 off 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		2,905,496 ... (i)
Acquired shares	Acquisition through purchase of shares constituting less than one unit	415 ... (ii) (Aggregate acquisition value: ¥674 thousand)
	Acquisition of treasury stock in accordance with the provision of Article 156 of the Companies Act as applied under Article 165, Paragraph 3, of the said act.	1,500,000 ... (iii) (Aggregate acquisition value: ¥2,712,000 thousand)
Disposed shares	Disposal of treasury stock pursuant to the provision of Article 178 of the Companies Act	2,900,000 ... (iv) (Aggregate disposal value: ¥5,910,369 thousand)
Treasury stock held at the end of the current fiscal term		1,505,911 (i)+(ii)+(iii)-(iv)

**b. Major shareholders**

As described above, 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 Officers (as of March 31, 2017)**

**(i) Status of directors and audit and supervisory board members, 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	Teruyuki Matsumura	Senior Managing Executive Officer, Eastern Japan Region Headquarters	—
Director	Isao Hirata	Senior Managing Executive Officer, Corporate Planning and IR & PR and Information Technology Strategy	—
Director	Naoyuki Koyama	Senior Managing Executive Officer, Vice Chief AUTOBACS Chain Officer ABT Marketing Co., Ltd.	— Representative Director
Director	Eiichi Kumakura	Senior Executive Officer, Western Japan Region Headquarters	—
Director	Yugo Horii	Senior Executive Officer, Overseas Business	—
Director (Outside)	Noriaki Shimazaki	IFRS Foundation Asia-Oceania Office	Advisor
		The Japanese Institute of Certified Public Accountants	Advisor
		XBRL Japan Inc.	Chairman
		UKC Holdings Corporation	Outside Director
		Nomura Holdings, Inc.	Outside Director
		Nomura Securities Co., Ltd.	Director
		Loginet Japan Co., Ltd. Kamikawa Taisetsu Sake Brewery Co., Ltd.	Outside Director Director
Director (Outside)	Hatsuo Odamura	TAITO CORPORATION	Advisor
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
		Financial Services Agency The Council of Experts on the Stewardship Code	Member
Audit and Supervisory Board Member (Full-time)	Kozo Sumino	—	—
Audit and Supervisory Board Member (Full-time) (Outside)	Toshiki Kiyohara	—	—
Audit and Supervisory Board Member (Outside)	Tomoaki Ikenaga	Anderson Mori & Tomotsune	Partner
		Moody's Japan K.K.	Independent Member of the Oversight Committee
		Moody's SF Japan K.K.	Independent Member of the Oversight Committee
		Japan Payment Service Association	Director
Audit and Supervisory Board Member (Outside)	Yuji Sakakura	Relations Japan Corporation	Representative Director
		UKC Holdings Corporation	Outside Audit & Supervisory Board Member

(Notes) 1. Changes to directors and audit and supervisory board member during the fiscal term under review are as follows:

(1) Appointed

At the 69th ordinary general meeting of shareholders held on June 21, 2016, four (4) directors, Mr. Isao Hirata, Mr. Naoyuki Koyama, Mr. Eiichi Kumakura and Mr. Yugo Horii, were elected as director and assumed office, and Mr. Kozo Sumino was elected as audit and supervisory board member and assumed office.

(2) Retired

As of the conclusion of the 69th ordinary general meeting of shareholders held on June 21, 2016, Mr. Setsuo Wakuda, Mr. Hironori Morimoto and Mr. Kozo Sumino retired from the position of director due to the expiration of their terms of office, and Mr. Yasuhiro Tsunemori resigned from the position of audit and supervisory board member.

2. Three (3) directors, Mr. Noriaki Shimazaki, Mr. Hatsuo Odamura and Ms. Yoshiko Takayama, are outside directors, as provided for in Article 2, Item 15, of the Companies Act.
3. Three (3) audit and supervisory board members, Mr. Toshiki Kiyohara, Mr. Tomoaki Ikenaga and Mr. Yuji Sakakura, are outside audit and supervisory board members, as provided for in Article 2, Item 16, of the Companies Act.
4. There is no special relationship between the Company and the other companies and organizations mentioned above in which the outside directors and outside audit and supervisory board members hold concurrent positions.
5. Six (6) officers, namely directors Mr. Noriaki Shimazaki, Mr. Hatsuo Odamura and Ms. Yoshiko Takayama and audit and supervisory board members Mr. Toshiki Kiyohara, Mr. Tomoaki Ikenaga and Mr. Yuji Sakakura, are independent officers registered with the Tokyo Stock Exchange.
6. Two (2) audit and supervisory board members have profound insights into finance and accounting. Audit and supervisory board member Mr. Kozo Sumino served as a director and was engaged in finance & accounting as an executive officer at the Company. Outside audit and supervisory board member Mr. Yuji Sakakura has many years of extensive experience in financial operations, particularly in international finance and capital markets, at a general trading company.
7. Effective April 1, 2017, Mr. Teruyuki Matsumura has changed his position from Director and Senior Managing Executive Officer, Eastern Japan Region Headquarters to Director and Senior Managing Executive Officer, Head of Overseas Business and New Business Development.
8. Effective April 1, 2017, Mr. Isao Hirata has changed his position from Director and Senior Managing Executive Officer, Corporate Planning and IR & PR and Information Technology Strategy to Director and Senior Managing Executive Officer, Head of Corporate Administration.
9. Effective April 1, 2017, Mr. Naoyuki Koyama has changed his position from Director and Senior Managing Executive Officer, Vice Chief AUTOBACS Chain Officer to Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning. Moreover, effective March 3, 2017, he has assumed office as Representative Director of ABT Marketing Co., Ltd. ABT Marketing Co., Ltd. is a joint venture established together with CCC Marketing Co., Ltd. and a subsidiary of the Company.
10. Effective April 1, 2017, Mr. Eiichi Kumakura has changed his position from Director and Senior Executive Officer, Western Japan Region Headquarters to Director and Senior Executive Officer, Head of Western Japan Region Headquarters.
11. Effective April 1, 2017, Mr. Yugo Horii has changed his position from Director and Senior Executive Officer, Overseas Business to Director and Senior Executive Officer, Office of the President and Overseas Business Planning.

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

Classification	Name	Board of Directors			Audit and Supervisory Board		
		Meetings to be attended	Meetings attended	Attendance rate (%)	Meetings to be attended	Meetings attended	Attendance rate (%)
Directors	Kiomi Kobayashi	16 times	16 times	100.0%			
	Teruyuki Matsumura	16 times	16 times	100.0%			
	Isao Hirata	11 times	11 times	100.0%			
	Naoyuki Koyama	11 times	11 times	100.0%			
	Eiichi Kumakura	11 times	11 times	100.0%			
	Yugo Horii	11 times	11 times	100.0%			
	Noriaki Shimazaki *	16 times	16 times	100.0%			
	Hatsuo Odamura *	16 times	16 times	100.0%			
	Yoshiko Takayama *	16 times	16 times	100.0%			
Audit and Supervisory Board Members	Kozo Sumino	16 times	16 times	100.0%	11 times	11 times	100.0%
	Toshiki Kiyohara *	16 times	16 times	100.0%	16 times	16 times	100.0%
	Tomoaki Ikenaga *	16 times	16 times	100.0%	16 times	16 times	100.0%
	Yuji Sakakura *	16 times	16 times	100.0%	16 times	16 times	100.0%

- (Notes)
1. Outside directors are indicated by an asterisk (\*) to the right of the name.
  2. Four (4) directors, Mr. Isao Hirata, Mr. Naoyuki Koyama, Mr. Eiichi Kumakura and Mr. Yugo Horii, assumed office on June 21, 2016, therefore, they were not participants of meetings held on or before June 20.
  3. Audit and supervisory board member Mr. Kozo Sumino retired from the position of director and assumed office as audit and supervisory board member as of the conclusion of the ordinary general meeting of shareholders held on June 21, 2016. His attendance to the meetings of the Board of Directors indicates the total number of meetings to be attended and the total number of meetings attended during both periods before and after he assumed office as audit and supervisory board member.

**(iii) Remuneration, etc. paid to directors and audit and supervisory board members****a. Remuneration, etc. paid to directors****i. Policy on directors' remuneration**

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.

**ii. 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 the responsibilities assigned to each position.

**iii. Composition and basic policy of remuneration**

The remuneration of the Company's directors and officers comprises "fixed remuneration," which is basic remuneration, and "performance-based remuneration," which fluctuates based on the achievement rate of the plans of multiple evaluation indicators including numerical targets.

Performance-based remuneration is paid according to the business results relative to an annual plan, and the ratio of performance-based remuneration to total remuneration is designed



so that the higher the rank as an officer, the higher the ratio.

In addition, as remuneration linked to the medium-term results, an incentive is under consideration that is provided according to the achievement rate of the target set in the Medium-Term Business Plan.

The performance-based remuneration varies within 0-180% of the performance-based remuneration standard amount that is predetermined for each rank, designed such that, assuming target achievement of 100%, the ratio of performance-based remuneration to total remuneration stands at 40% in the case of a representative director and chief executive officer.

However, performance-based remuneration, in light of its nature, is not applied to outside directors who are independent of the Company's business operations and receive only fixed remuneration.

**iv. Process of determining remuneration**

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

**b. Remuneration, etc. paid to audit and supervisory board members**

Remuneration for the Company's audit and supervisory board members is decided through discussion among the audit and supervisory board members, and within the limit of the amount of remuneration resolved in advance at a general meeting of shareholders.

Remuneration for the audit and supervisory board members is fixed taking into consideration their independent status and their having the power to audit the directors' execution of business.

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

Classification	Fixed remuneration		Performance-based remuneration		Total amount of remuneration, etc. (million yen)
	Number of persons paid	Amount of payment (million yen)	Number of persons paid	Estimated amount to be paid (million yen)	
Directors	12	272	5	9	281
Outside Directors	3	36	—	—	36
Audit and Supervisory Board Members	5	66	—	—	66
Outside Audit and Supervisory Board Members	3	41	—	—	41
Total	17	339	5	9	348

(Notes) 1. Director's remuneration limit: ¥480 million per year (based on a resolution at the ordinary general meeting of shareholders held on June 28, 2006)

2. Audit and supervisory board members' remuneration limit: ¥120 million per year (based on a resolution at the ordinary general meeting of shareholders held on June 28, 2006)

3. The above includes three (3) directors who retired and one (1) audit and supervisory board member who resigned at the conclusion of the 69th ordinary general meeting of shareholders held on June 21, 2016.

**(iv) Outline of the contents of the liability limitation agreement**

- i. The Company has entered into an agreement with three (3) outside 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.
- ii. The Company has entered into an agreement with four (4) audit and supervisory board members 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 an outside audit and supervisory board member'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.

**(v) Matters concerning outside directors and audit and supervisory board members**

**a. Major activities during the fiscal term under review**

Classification	Name	Activities
Directors	Noriaki Shimazaki	Fulfilled a supervisory function over the Company's management by providing advice to executive departments actively and making appropriate and timely comments based on his profound knowledge of accounting, tax practices and finance, and his extensive and ample experience in corporate management. Also worked as a liaison with audit and supervisory board members as the leading independent outside director and contributed to promoting and reinforcing the Company's corporate governance as a member of the Corporate Governance Committee.
	Hatsuo Odamura	Fulfilled a supervisory function over the Company's management by making appropriate and timely comments based on his ample experience and knowledge of risk management and crisis management, including measures to eliminate involvement with antisocial forces, as well as issues related to road traffic. Also contributed to promoting and reinforcing the Company's corporate governance as chairman of the Corporate Governance Committee.
	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.
Audit and Supervisory Board Members	Toshiki Kiyohara	Functioned as an audit and supervisory board 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 from multifaceted perspectives of planning, finance and accounting and based on his ample experience in corporate management.
	Tomoaki Ikenaga	Functioned as an audit and supervisory board 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 extensive knowledge and ample experience as a lawyer.
	Yuji Sakakura	Functioned as an audit and supervisory board 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 profound financial, fiscal and accounting knowledge and ample experience in corporate management.

**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	80

(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 Company's subsidiary is audited by Deloitte and Associates.

**(iii) Content of services other than auditing**

Not applicable

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

The Audit and Supervisory Board, 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 Board 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 board 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 board members. In such cases, an audit and supervisory board member appointed by the Audit and Supervisory Board 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.

### **3. System and Policy of the Company**

#### **(1) Systems Ensuring Directors' Compliance with Laws and Regulations and the Company's Articles of Incorporation in Executing Their Duties, and Other Systems Ensuring the Appropriateness of Operations of Corporations of the Stock Company**

To ensure effective and efficient operations, the reliability of financial statements, compliance with laws and regulations, and the protection of assets, the Company determined the "Basic Policy for the Establishment of Internal Control System" by resolution of the Board of Directors' meeting held on March 27, 2015, in accordance with the provisions of Article 362, Paragraph 5, of the revised Companies Act and Article 362, Paragraph 4, Item 6, of the said Act and Article 100, Paragraph 1 and Paragraph 3, of the revised Ordinance for Enforcement of the Companies Act as follows.

#### **Basic Policy for the Establishment of Internal Control System**

##### **(i) Systems that ensure directors and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties**

- a. The Company will, to maintain and improve the supervisory function with respect to the execution of duties by directors, separate the execution and supervisory functions by adopting an officer system and continuously elect independent outside directors.
- b. The Corporate Governance Committee, a consultative body for the Board of Directors chaired by an outside director, shall be established to consult on the appointment and remuneration of directors and executive officers and other matters concerning governance, in order to enhance the transparency and objectivity of decision-making processes.
- c. Directors, audit and supervisory board members, officers and employees will pursue lawful and fair business activities that accommodate social needs in accordance with "The Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group."
- d. Compliance rules will be established and the officer in charge will be appointed to be responsible for controlling all compliance-related matters. Under the control of the officer, a compliance department will be established to control all compliance-related matters.
- e. The Company will develop the foundations for complying with legal requirements by identifying laws and regulations, etc., applicable to the Company's business and providing education and enlightening activities as needed.
- f. To promote early detection and correction of legal violations and other problems concerning compliance, the "Orange Hot Line" (the Group's notification system) will be established for reporting legal violations and compliance issues directly to an outside commissioned company.
- g. Audit and supervisory board members will audit the execution of directors' duties from an independent standpoint, including the development and implementation status of the internal control system.
- h. The Internal Audit Department will assess internal controls and audit the appropriateness and effectiveness of operations.
- i. Rules concerning measures against antisocial forces will be established and a system will be implemented to cut off any relationships with antisocial forces and reject any unlawful demands.

##### **(ii) Systems for storing and managing information related to the execution of directors' duties**

With respect to information concerning decision making at the Board of Directors' meeting, the Executive Committee meeting and any other important meetings, and with respect to information concerning important approvals of the representative director and chief executive officer, and others, and with respect to information concerning financial and other administrative operations, risks and compliance, the Company will store and manage said information in reliable and searchable conditions that suit relevant storage media and keep them available for view, as may be necessary, pursuant to laws and regulations, the Company's Articles of Incorporation and internal rules, etc.

##### **(iii) Rules and other systems concerning the control of risks of loss**

- a. The Company will develop a risk management system designed to accurately identify and evaluate risks, and appropriately control them. The Company will also put in place a crisis management system that prevents and minimizes damage and loss in the event of serious incidents. Combining these two systems, the Company will establish an integrated risk management system.
- b. The Risk Management Committee, chaired by the representative director and chief executive officer, will formulate annual risk management policies. In accordance with said annual policies and risk management rules, the Committee will promote risk management activities in a smooth

and appropriate manner.

- c. In the event of a serious crisis, the representative director and chief executive officer, who chairs the Risk Management Committee, will set up the Crisis Response Headquarters in accordance with the crisis management rules and other rules, and take the lead in ensuring a prompt and appropriate response and early recovery.
- d. Audit and supervisory board members and the Internal Audit Department will audit the effectiveness of the Company's integrated risk management system.

**(iv) Systems for ensuring the efficient execution of directors' duties**

- a. To ensure improved quality of discussions and prompt decision making at Board of Directors' meetings, an appropriate number of directors will be maintained.
- b. The Board of Directors will establish the Executive Committee as a forum for forming a consensus among officers. The Executive Committee will hold preliminary discussions on matters to be addressed at the Board of Directors' meeting and provide adequate information for decision making, including the results of preliminary discussions, to the Board of Directors.
- c. The Board of Directors formulates the medium-term business plan and the fiscal-term business plan, and periodically verifies the status of progress, etc., of business strategies and various measures pursued on the basis of business plans.
- d. The Board of Directors delegates the execution of duties to the representative director, executive directors and officers based on the management structure and segregation of roles defined by the Board of Directors.
- e. The representative director, as the person in charge of execution, controls the execution of duties of the executive directors and officers, aiming at achieving the Group's goals. Executive directors and officers decide on specific goals in the areas for which they are responsible and develop an efficient business execution system.

**(v) Systems including those listed below that ensure appropriateness of business operations by the Group, comprising the Company and its subsidiaries (hereinafter the "Group")**

- a. Systems for reporting matters related to the execution of duties by directors, etc., of the Company's subsidiaries to the Company
  - Based on the affiliates' management rules stipulated by the Company and the subsidiaries' operational standards based on these rules, the Company shall request submission of necessary related documents to understand its subsidiaries' business management accurately.
  - The Company shall request that the Company's officers or employees attend a board of directors' meeting or an executive committee meeting held once a month by each subsidiary so that each subsidiary can report to the Company the results of operation, financial position and other important information of the subsidiary.
- b. Rules and other systems concerning the control of risks of loss at the Company's subsidiaries
  - The Company shall formulate risk management rules concerning the risk management of the entire Group, request that its subsidiaries conduct risk management based on these rules and control the risks of the entire Group comprehensively and in an integrated manner.
  - The Company shall operate the Risk Management Committee in charge of the risk management of the Group, including the subsidiaries of the Company, and deliberate on issues related to the promotion of risk management of the entire Group to formulate measures to address such issues.
- c. Systems that ensure the efficient execution of duties by directors, etc., of the Company's subsidiaries
  - While paying respect to the autonomy and independence of the management of its subsidiaries, the Company shall draw up basic policies and operational policies for managing subsidiaries to contribute to the appropriate and efficient operation of Group management.
  - The Company stipulates organizational standards for its subsidiaries related to chain of command, authority, decision making, etc., and has the subsidiaries establish their own system in line with these standards. For example, based on the scope and scale of each subsidiary's business, the subsidiaries are allowed to choose whether to install a system without a board of directors or an officer system.
- d. Systems that ensure subsidiaries' directors, etc., and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties
  - The Company shall have its subsidiaries establish a system in which directors, audit and supervisory board members, officers and employees pursue lawful and fair business activities

that accommodate social needs in accordance with “The Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group.”

- The Company shall have its subsidiaries establish a system to deploy an appropriate number of audit and supervisory board members and persons in charge of promotion of compliance in accordance with the scope and scale of each subsidiary’s business.
  - The Company shall have its subsidiaries establish a system whereby their audit and supervisory board members audit the execution of duties by their directors, including the establishment and operation of internal control systems.
  - The Company shall have its subsidiaries establish a system to use the Orange Hot Line, which was established for early detection and correction of legal violations and other issues concerning compliance.
- e. Other systems to ensure the appropriateness of business operations by the Group
- The Company will ensure the appropriate and effective use of information technology within the relevant range of information communication and business operations of the Company and its subsidiaries.
  - The Company’s audit and supervisory board members and Internal Audit Department will investigate the appropriateness of the business operations of its subsidiaries.

**(vi) Matters pertaining to employees assisting with the duties of audit and supervisory board members where audit and supervisory board members request the deployment of such employees**

The Company will assign employees dedicated to supporting the duties of audit and supervisory board members. The number of employees, the selection of employees, and other matters will be decided through discussions between audit and supervisory board members and directors.

**(vii) Matters pertaining to the independence of the employees from the directors mentioned in the preceding paragraph**

Employees who assist with the duties of the audit and supervisory board members shall follow the leadership and instructions of audit and supervisory board members. The Audit and Supervisory Board shall evaluate the performance of those employees, and audit and supervisory board members and directors shall consult each other with respect to the transfer and treatment of said employees.

**(viii) Matters pertaining to ensuring the effectiveness of the instructions given to employees who assist with the duties of the audit and supervisory board members**

The Company shall notify all the directors, audit and supervisory board members, officers and employees of the Company that the employees who assist with the duties of the audit and supervisory board members must comply with directions and instructions from audit and supervisory board members.

**(ix) Systems including those listed below concerning reporting to the Company’s audit and supervisory board members**

- a. System that allows the Company’s directors and employees to report to the audit and supervisory board members
- Directors and officers will periodically report to the audit and supervisory board members through important meetings such as the Board of Directors’ meetings, on the status of the execution of their duties, and also provide supplementary reports as needed without delay.
  - Directors, officers, and employees will promptly and accurately respond when they are requested by audit and supervisory board members to report on the business, or when audit and supervisory board members conduct research on business and asset status of the Group.
  - Directors will immediately report to the audit and supervisory board members if they discover anything that has caused or may cause substantial damage to the Company.
- b. System that allows directors, audit and supervisory board members, officers and employees of the Company’s subsidiaries or persons who received reports from them to report to the Company’s audit and supervisory board members
- Directors, audit and supervisory board members, officers and employees of the Company’s subsidiaries shall promptly make an appropriate report on business execution when they are requested by audit and supervisory board members of the Company to do so.
  - In an incident that could cause substantial damage to the Company or its subsidiaries, such as legal violations, the directors, audit and supervisory board members, officers and employees of

the Company's subsidiaries shall immediately report to the department in charge of managing the Company's subsidiaries or use the Orange Hot Line.

- The Company's Internal Audit Department, Legal Department and General Affairs and Internal Control Department shall hold a meeting regularly to report to the Company's audit and supervisory board members on the actual status of internal audits, compliance, risk management, etc., at the subsidiaries.
- The department in charge of the Orange Hot Line shall report the status of internal reporting from the Group's directors, audit and supervisory board members, officers and employees on a regular basis to the Company's directors, audit and supervisory board members and Board of Directors, while ensuring the anonymity of the report's source.

**(x) System to ensure the persons who reported to audit and supervisory board members are not treated unreasonably because of such reporting**

The Company prohibits the Group's directors, audit and supervisory board members, officers and employees who reported to audit and supervisory board members from being treated unreasonably because of such reporting. This directive shall be thoroughly disseminated to the Group's directors, audit and supervisory board members, officers and employees.

**(xi) Matters pertaining to the policies concerning prepayment or redemption procedures for expenses incurred by the execution of duties by audit and supervisory board members or other handling procedures for expenses or liabilities incurred by the execution of such duties**

- a. In cases when audit and supervisory board members bill the Company for prepaid expenses incurred through the execution of their duties, the department handling such matters shall deliberate on said bills and pay the expenses or liabilities without delay, except in cases when it was determined and verified that such expenses or liabilities were unnecessary for the execution of the duties.
- b. To pay expenses incurred by the execution of duties by audit and supervisory board members, a certain amount of the budget shall be set aside each year.

**(xii) Other systems that ensure effective auditing by audit and supervisory board members**

- a. To enhance the audit function of audit and supervisory board members, the Company will take into account their expertise as well as independence when electing outside audit and supervisory board members.
- b. Audit and supervisory board members will hold regular meetings with the independent auditor, the Internal Audit Department, audit and supervisory board members of the Group, and other parties to exchange information and opinions and promote close cooperation.
- c. Audit and supervisory board members will hold regular meetings with the representative director to audit the execution of duties by directors and further improve the audit system.
- d. Audit and supervisory board members will promote cooperation with lawyers, certified public accountants, and other experts outside the Company when the audit and supervisory board members believe it necessary to do so in executing their duties.

**(2) Overview of the Status of Operation of the Systems Ensuring the Appropriateness of Operations**

In accordance with the "Basic Policy for the Establishment of Internal Control System" (pages 37-40) defined by the Board of Directors, the Company, with the Internal Control Department playing the central role, is working to develop and properly operate systems.

**The overview of the status of operation during the fiscal term under review**

**(i) Systems that ensure directors and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties**

- a. Held eight Corporate Governance Committee meetings during the fiscal term under review to discuss the remuneration system for directors and officers, etc. With regard to the consultation from the Board of Directors on the appointment of executive officers, the three outside directors, who are the chairman and members of the Committee, conducted interviews with the candidates for executive officers.
- b. All three outside directors and all three outside audit and supervisory board members held two outside officers' liaison meetings during the year to give suggestions to the representative director.
- c. Based on the Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group, operated a contact point for the "Orange Hot Line," the Group's notification system, which



- covered not only the Group but also all chains including franchisee corporations, to receive whistle-blowing via the externally placed contact point.
- d. The Corporate Audit Department conducted audits as to the appropriateness and effectiveness of operations and the reliability of financial reports.
  - e. The officer in charge of general affairs and internal control reported to the Board of Directors about serious incidents and reports made through the Orange Hot Line including the situation of their occurrence, etc. based on the “crisis management rules” and the “Orange Hot Line rules,” and shared such information with the Audit and Supervisory Board and other related departments. Promoted awareness, as necessary, of matters requiring chain-wide efforts among the serious incidents reported and reports made through the Orange Hot Line, to call for action in the entire AUTOBACS chain.
- (ii) Systems for storing and managing information related to the execution of directors’ duties**  
 With respect to information concerning decision making at Board of Directors’ meetings, Executive Committee meetings and any other important meetings, information technology (IT) was utilized to maintain searchable conditions, while ensuring security, by individually setting an access right.
- (iii) Rules and other systems concerning the control of risks of loss**
- a. The Risk Management Committee monitored the status of addressing of risk issues, which were set on an annual basis. The General Affairs and Internal Control Department, Legal Department, Corporate Audit Department and Customer Relations Department cooperated to assist the Risk Management Committee to monitor risks and the status of addressing of the annual risk issues.
  - b. Ensured the system to set up the Crisis Response Headquarters and take a prompt response in accordance with the “crisis management rules” and “BCP (Business Continuity Plan) manual” in the event of a serious crisis such as a large-scale disaster. Periodically conduct the Crisis Response Headquarters’ training, and conducted it twice during the fiscal term under review.
- (iv) Systems for ensuring the efficient execution of directors’ duties**
- a. Held 16 Board of Directors’ meetings during the fiscal year under review to deliberate on and determine important matters. In addition, received reports on the execution of duties from directors in charge of each field, based on the Medium-Term Business Plan and annual business plan.
  - b. Held eight Executive Committee meetings attended by all of corporate directors, executive officers, outside directors and audit and supervisory board members during the fiscal year under review to discuss about business profitability and various risks with respect to matters to be addressed at the Board of Directors’ meetings and make preliminary deliberations so that directors could make decision based on sufficient information.
- (v) Systems that ensure appropriateness of business operations by the Group**  
 The Corporate Audit Department conducted audits as to the appropriateness and effectiveness of business operations by the Group and assessed internal controls related to the reliability of the financial reports. Employees of the Company mainly from the Corporate Audit Department were appointed as subsidiary auditors to conduct audits as to the appropriateness of the execution of operations and the accounting and financial status of subsidiaries. The Corporate Audit Department reported to the Audit and Supervisory Board of the Company about their respective activities on a monthly basis.
- (vi) System that ensure effective auditing by audit and supervisory board members**
- a. Established the Audit and Supervisory Board Member’s Office as an organization to assist audit and supervisory board members, and assigned several independent dedicated employees to support audit and supervisory board members in auditing.
  - b. The Audit and Supervisory Board reviewed and deliberated on audit matters, and also gave related departments a hearing about chief executive officer and officers in charge of respective departments, as well as about matters discovered in the course of an audit of operations, to offer advice on matters to be amended. In addition, all audit and supervisory board members attended Executive Committee meetings, Board of Directors’ meetings and Risk Management Committee meetings to pose questions or give opinions as appropriate. Outside audit and supervisory board members attended all Corporate Governance Committee meetings as observers and gave opinions as appropriate.
  - c. The Audit and Supervisory Board held a meeting for exchanging information with the

- independent auditor on a monthly basis
- d. Audit and supervisory board members conducted audits of 18 companies including overseas subsidiaries. Moreover, during the fiscal term under review, audit and supervisory board members held a meeting with the department responsible for auditing subsidiaries once a month to exchange information and opinions about the status of auditing and internal controls of subsidiaries, in an effort to ensure effective auditing by audit and supervisory board members.

The status of the establishment and operation of the internal control system has been appropriately reported to the Board of Directors. The audit and supervisory board members and the Corporate Audit Department continuously audit the effectiveness of the internal control system through auditing business operations and evaluating the internal controls, require that corrective actions be taken regarding flaws in the internal control system and check the progress of the corrective actions.

### **(3) Corporate Governance of the Company**

#### **(i) Basic Concept of Corporate Governance**

Companies should seek to increase their corporate value over the medium to long term based on capital entrusted by shareholders through fair corporate activities. Companies are expected to contribute to society as public institutions through corporate activities, considering their responsibility to their stakeholders, including customers, shareholders, employees, clients and communities. In this social structure, management is required to engage in good corporate activities. Management needs to ensure the sustainable development of the company, increase management transparency by fulfilling accountability, and carry out its social responsibilities.

Based on the above concept, the Company recognizes that it is vital to maintain and enhance the AUTOBACS brand to earn the support and trust of all stakeholders through its commitment to provide goods and services that satisfy customers, while fulfilling its corporate social responsibilities. With this awareness, the Company strives constantly to reinforce and improve corporate governance.

#### **(ii) Corporate Governance System**

The Company is a company with an Audit and Supervisory Board. Under this system, the Board of Directors is responsible for supervision of business execution, and audit and supervisory board members are responsible for audits, thereby ensuring the double-checking of management.

Moreover, the corporate governance system is reinforced through the following measures.

- a) Adoption of an officer system: Separation of business execution and supervision, clarification of management responsibilities
- b) Outside directors accounting for over 30% of all directors: Enhancement of the supervisory function
- c) Establishment of committees as consultative bodies to the Board of Directors: Ensuring of transparency, objectivity and appropriateness
- d) Selection of outside directors and outside audit and supervisory board members with independency: Protection of general shareholders' interests
- e) Establishment of Executive Committee and other meetings comprised of the Company's officers: Appropriate and swift decision-making and formation of consensus

As of March 31, 2017, the Company has nine directors, of whom three are outside directors, and the Board of Directors of the Company is classified as a "board of directors centering on outside directors." In addition, the Company has established the Corporate Governance Committee consisting of all the outside directors and the representative director. The Company thus has a hybrid corporate governance system, which is based on the system of a company with an Audit and Supervisory Board and also has the function of a company with a committee system.

#### **Management and Business Execution**

##### **1) Board of Directors**

Chaired by the representative director, the Board of Directors consists of nine directors (six directors who are also officers, and three outside directors) and holds a meeting once a month in principle. The Board of Directors makes decisions on matters specified in laws and regulations or in the Articles of

Incorporation, and important matters concerning the Company's business activities. It also receives reports on such matters as required. To strengthen the supervisory function, efforts are made to keep the number of outside directors accounting for over 30% of all directors in office. In addition, to protect general shareholders' interests, independence is stressed in selecting outside directors. The Board of Directors endeavors to make the best possible decisions in order to increase corporate value over the medium to long term.

#### 2) Executive Committee

Chaired by the chief executive officer, the Executive Committee is comprised of executive officers and holds a meeting once a month in principle. The Executive Committee preliminarily discusses risks inherent in resolutions to be taken up at a meeting of the Board of Directors, possible responses to such risks and other aspects, and reports on these discussions and their results to the Board of Directors. It also develops company-wide policies and plans. Outside directors and audit and supervisory board members, acting as observers, attend meetings of the Executive Committee and express their opinions on the deliberation of agenda and other matters as necessary.

#### 3) Other meetings

A meeting held mainly by officers is established to discuss company-wide policies and management issues and confirm the Company's business results and the progress of the Medium-term Business Plan, as well as to confirm the progress of strategies concerning individual businesses, analyze them and formulate measures. In principle, this meeting is held once or twice a month.

### **Committees**

#### 1) Corporate Governance Committee

Chaired by an outside director, the Corporate Governance Committee consists of all the outside directors and the representative director. In principle, it holds a meeting once a month to make recommendations or suggestions on the selection of candidates for corporate directors and executive officers, the remuneration system for directors and officers, and other governance-related matters.

#### 2) Risk Management Committee

Chaired by the representative director and chief executive officer, the Risk Management Committee is comprised of officers with directorships and the officer in charge of internal control. In principle, it holds a meeting once a year and works to promote smooth and appropriate risk management based on an annually set risk management policy.

### **Audit System**

#### 1) Corporate audit

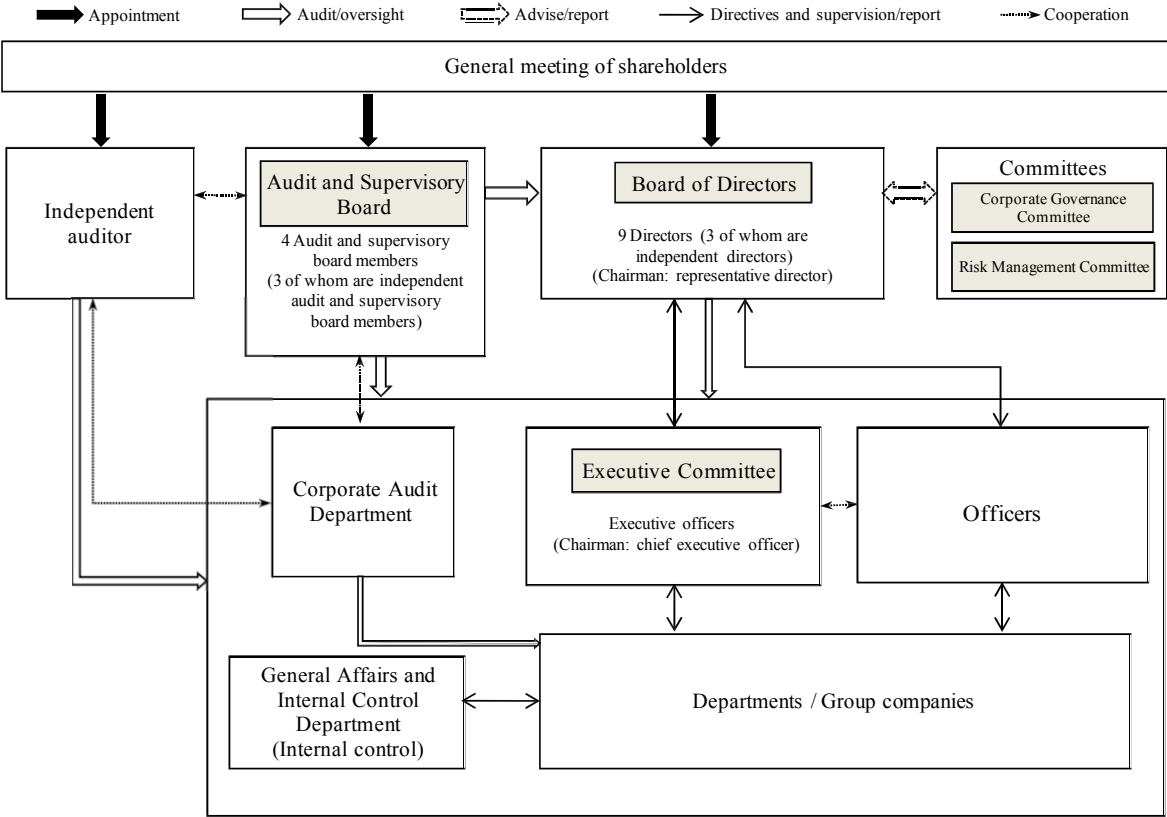
A total of nine staff members evaluate the internal control system and continuously perform audits to determine that the business activities of the Company and its subsidiaries are in compliance with laws and regulations, internal rules and manuals. Evaluation and audit results are reported to the representative director, audit and supervisory board members and officers as appropriate, and instructions on correction of flaws and improvement are provided to relevant departments.

#### 2) Audit by audit and supervisory board members

The Audit and Supervisory Board consists of four audit and supervisory board members, three of whom are outside audit and supervisory board members. It establishes auditing policies and determines audit plans and other related details. It receives from the individual audit and supervisory board members reports on the status and results of audits and from directors and the independent auditor reports on the status of execution of their duties, and requests further explanation as necessary. Each audit and supervisory board member attends important meetings to audit the execution of duties by directors and the execution of businesses by officers.

#### 3) Accounting audit

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



**Corporate Governance Committee**

- Chairman: Outside director (independent officer)
- Members: Two (2) outside directors (who are both independent officers) excluding the chairman and a representative director
- Observers: Three (3) outside audit and supervisory board members (all three (3) are independent officers)
- Roles: Advice and report concerning the following matters to the Board of Directors
  - Selection of candidates for directors, audit and supervisory board members and executive officers
  - Remuneration system for directors and officers
  - Other matters concerning governance

**Risk Management Committee**

- Chairman: Representative director and chief executive officer
- Members: Officers with directorships, and human resources, general affairs & internal control and information technology strategy officer
- Observers: Three (3) outside directors (all three (3) are independent officers) and all audit and supervisory board members
- Roles: Smooth and appropriate promotion of risk management

### **(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 the effectiveness of the Board of Directors during the fiscal term ended March 31, 2017, the Board of Directors and the Corporate Governance Committee were the subjects of evaluation. All directors and audit and supervisory board members delivered their answers to questions about “operation of meetings of the Board of Directors,” “structure of the Board of Directors,” “system of assisting outside directors,” “role of audit and supervisory board members and expectations towards them,” “structure, role and operation 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” either in a multiple-choice manner or in writing.

The Corporate Governance Committee analyzed the answers and clarified issues, and the evaluation results were shared at the Board of Directors and, after sufficient discussions, agreed upon as the evaluation for the fiscal term ended March 31, 2017.

#### **2) Overview of the Results of Evaluation for the Fiscal Term Ended March 31, 2017**

As a result of the analysis and evaluation of the effectiveness of the Board of Directors, it was confirmed that the current Board of Directors and Corporate Governance Committee of the Company are appropriately functioning in general. In particular, the evaluation results showed that the structure of the Board of Directors and agenda setting at the meetings of the Board of Directors were appropriate and, under the environment that allowed open and active discussions, sound supervision was performed through constructive and sufficient discussions.

In addition, improvements were observed in the issues of “sharing of information between outside directors and audit and supervisory board members” and “sharing of information on the status of the Corporate Governance Committee’s activities,” which were brought up in the evaluation results for the previous fiscal term.

Meanwhile, the results also confirmed, as an issue to be addressed in the future, the necessity to strengthen the supervisory function of the Board of Directors by monitoring the status of progress, etc. of the medium- to long-term management policies and strategies and by conducting sufficient discussions based on the results of monitoring.

### **(iv) 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.

### **(4) Policy Concerning Company Control**

At the Board of Directors’ meeting held on March 25, 2010, the Company decided the following with respect to the “Basic Policy Concerning Company Control.”

Since the opening of the first AUTOBACS store in 1974, the Company has been striving to contribute to enriching its customers’ car lifestyles by developing and expanding the AUTOBACS franchise chain, comprising AUTOBACS headquarters, the Company’s directly operated stores, and its domestic and foreign franchise stores.

Based on its founding management principle, namely “constantly suggesting the most appropriate car lifestyles to each customer and creating a rich and sound motorized society,” the Group has been making all-out, concerted efforts to communicate its vision, “Anything about cars, you find at AUTOBACS,” thereby winning support and trust from customers.

In the years ahead, the Group is determined to develop the AUTOBACS franchise chain even further, continuously enhance its corporate governance and investor relations, and ensure greater transparency of the Group’s management. These steps, the Group believes, will contribute toward maximizing profits for all

the stakeholders, particularly the shareholders.

In this context, the Company is convinced that the people who make decisions on the Company's financial and business policies must be those 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.

**(5) Policy for Decisions on Distribution of Surpluses, etc.**

With returning profits to shareholders as one of its most important management tasks, the Company is striving to improve corporate value by continuing to grow profits. The Company's basic policy for the distribution of profits for the 70th fiscal term is to (i) maintain the liquid assets required for the continuation of business, and (ii) conduct distribution, taking comprehensive consideration of the Company's business environment, financial stability and profit position, while targeting a consolidated dividend on equity ratio (DOE) of 3% or more.

With regard to the year-end dividend, the Company plans to pay a dividend of ¥30 per share as initially planned, resulting in an annual dividend of ¥60 per share. The consolidated DOE thus will be 3.9%.

For the Company's policy for the distribution of profits from the 71st fiscal term onwards, please refer to the Group's Targets to be Achieved on pages 23-24.

**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 70th ordinary general meeting of shareholders.

	68th fiscal term April 1, 2014 to March 31, 2015	69th fiscal term April 1, 2015 to March 31, 2016	70th fiscal term (projection) April 1, 2016 to March 31, 2017
Dividend per share (annual)	¥60	¥60	¥60
Total amount of dividends (annual)	¥5,192 million	¥5,042 million	¥4,997 million
Consolidated dividend payout ratio	113.6%	116.3%	166.7%
Value of treasury stock acquired	¥5,051 million	¥5,247 million	¥2,712 million
Return to shareholders ratio	222.2%	235.4%	255.7%

**Consolidated Balance Sheet (as of March 31, 2017)**

(Unit: million yen)

Account Item	Amount	Account Item	Amount
(Assets)		(Liabilities)	
Current assets	102,159	Current liabilities	37,263
Cash and deposits	31,520	Notes and accounts payable - trade	12,838
Notes and accounts receivable - trade	20,032	Short-term loans payable	5,969
Lease investment assets	9,125	Lease obligations	230
Merchandise	15,317	Accounts payable- other	11,489
Deferred tax assets	2,287	Income taxes payable	473
Short-term loans receivable	40	Provision for point card certificates	477
Accounts receivable - other	20,863	Other	5,783
Income taxes receivable	503	Non-current liabilities	12,052
Other	2,538	Long-term loans payable	679
Allowance for doubtful accounts	(70)	Lease obligations	1,404
Non-current assets	74,548	Deferred tax liabilities	588
Property, plant and equipment	42,176	Provision for directors' retirement benefits	98
Buildings and structures	13,379	Net defined benefit liability	129
Machinery, equipment and vehicles	3,057	Asset retirement obligations	2,285
Tools, furniture and fixtures	2,019	Other	6,865
Land	22,188		
Leased assets	392		
Construction in progress	1,140	<b>Total Liabilities</b>	<b>49,315</b>
Intangible assets	6,597	(Net Assets)	
Goodwill	853	Shareholders' equity	124,717
Software	3,371	Capital stock	33,998
Other	2,372	Capital surplus	34,299
Investments and other assets	25,774	Retained earnings	59,188
Investment securities	7,273	Treasury shares	(2,769)
Long-term loans receivable	1,177	Accumulated other comprehensive income	2,360
Deferred tax assets	796	Valuation difference on available-for-sale securities	2,025
Guarantee deposits	15,357	Foreign currency translation adjustments	335
Other	1,240	Non-controlling interests	314
Allowance for doubtful accounts	(70)		
		<b>Total Net Assets</b>	<b>127,392</b>
<b>Total Assets</b>	<b>176,708</b>	<b>Total Liabilities and Net Assets</b>	<b>176,708</b>

**Consolidated Statement of Income (April 1, 2016-March 31, 2017)**

(Unit: million yen)

Account Item	Amount	
Net sales		204,033
Cost of sales		137,871
Gross profit		66,162
Selling, general and administrative expenses		60,332
Operating profit		5,829
Non-operating income		
Interest income	67	
Dividend income	95	
Share of profit of entities accounted for using equity method	7	
Commission fee	394	
Lease revenue - system equipment	1,019	
Insurance income	92	
Other	1,471	3,147
Non-operating expenses		
Interest expenses	35	
Lease cost - system equipment	935	
Loss on retirement of non-current assets	143	
Other	741	1,856
Ordinary profit		7,120
Extraordinary losses		
Loss on retirement of non-current assets	209	
Impairment loss	2,161	
Loss on sales of shares of subsidiaries	274	2,645
Profit before income taxes		4,474
Income taxes - current	1,359	
Income taxes - deferred	117	1,477
Profit		2,997
Loss attributable to non-controlling interests		17
Profit attributable to owners of parent		3,015



**Consolidated Statement of Changes in Net Assets (April 1, 2016-March 31, 2017)**

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	33,998	34,299	67,125	(5,976)	129,447
Changes of items during period					
Dividends of surplus			(5,042)		(5,042)
Profit attributable to owners of parent			3,015		3,015
Purchase of treasury shares				(2,715)	(2,715)
Retirement of treasury share			(5,910)	5,910	—
Disposal of treasury shares		0		12	12
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	(7,937)	3,207	(4,729)
Balance at end of current period	33,998	34,299	59,188	(2,769)	124,717

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at beginning of current period	1,491	516	2,008	292	131,747
Changes of items during period					
Dividends of surplus					(5,042)
Profit attributable to owners of parent					3,015
Purchase of treasury shares					(2,715)
Retirement of treasury share					—
Disposal of treasury shares					12
Change in ownership interest of parent due to transactions with non-controlling interests					(0)
Net changes of items other than shareholders' equity	533	(181)	352	22	374
Total changes of items during period	533	(181)	352	22	(4,354)
Balance at end of current period	2,025	335	2,360	314	127,392

## Notes to Consolidated Financial Statements

### Notes relating to Material Matters as the Basis for Preparation of the Consolidated Financial Statements

#### 1. Scope of consolidation

(1) Number of subsidiaries subject to consolidation accounting

33 companies (three newly included; three excluded)

(2) Names of major subsidiaries subject to consolidation accounting

AUTOBACS Keiyo Ltd., AUTOBACS France S.A.S., AUTOBACS Financial Service Co., Ltd.

#### 2. Application of equity method

(1) Number of associate companies subject to equity method

10 companies (two newly included; — excluded)

(2) Names of major associate companies subject to equity method

PUMA Ltd., KITA NIHON AUTO YOHIN Co., Ltd., Buffalo Inc.

#### 3. Fiscal periods of subsidiaries subject to consolidation accounting

As for the subsidiaries whose accounting closing dates are different from the consolidation accounting closing date, provisional non-consolidated financial statements as of the closing date specified for consolidation accounting have been used for producing the consolidated financial statements.

#### 4. Significant accounting standards

(1) Valuation standards and methods applied to important assets

(i) Valuation standards and methods applied to securities

Held-to-maturity securities

Amortized cost method (straight line method)

Other securities

Other securities with market prices

Market price method based on the prescribed conditions, including the value marked by each type of securities on the market as of the closing date (All differences between the market and book values have been processed and recognized in a separate account of net assets, and the amount of the sales cost has been determined under the moving average approach)

Other securities without market prices

Costing method under the moving average approach

(ii) Valuation standard and method applied to derivative instruments

Derivative instruments

Market price method

(iii) Valuation standards and methods applied to inventories

Automotive goods

Principally, costing method under the moving average approach (In relation to the declining profitability, the book value of each affected inventory item has been written down to renew the value recognized on the balance sheet)

Vehicles

Costing method based on the specific cost method (In relation to the declining profitability, the book value of each affected inventory item has been written down to renew the value recognized on the balance sheet)

(2) Amortization and depreciation methods applied to major items of depreciable assets

(i) Property, plant and equipment, excluding leased assets

Straight line method

The followings are major types of such property, plant and equipment and lengths of their respective useful lives.

Store buildings and structures

Principally, the lengths of their useful economic lives independently estimated and determined by the Group. With respect to the buildings and structures located on the leased land lots legally furnished with fixed-term leasehold interest for commercial use, the Group has applied the number of years set forth in the respective contracts as the useful lives of such store buildings and structures.

Buildings and structures

3-20 years

Property, plant and equipment, excluding those mentioned above

Buildings and structures	3-45 years
Machinery, equipment and vehicles	2-15 years
Tools, furniture and fixtures	2-20 years

(ii) Intangible assets, excluding leased assets

Straight line method

With respect to the software products used by the Group companies subject to consolidation accounting, each product's book value has been determined as a result of applying straight line method based on the fact that the useful economic life in the Group is usually within the range of five to ten years.

(iii) Leased assets

Straight line method, in which each asset item's useful economic life is deemed equivalent to the respective lease period and its residual value is reduced to nil at the end of the period. The non-ownership-transfer finance lease transactions in which the Company is a lessee and which started before March 31, 2008 are accounted for using a method similar to that for normal lease transactions.

(3) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

In the event of any loss incurred from bad loans, the Company provide an allowance for doubtful accounts with the estimated uncollectible amount by applying historical rate of default as for general receivables and by respectively examining the collectability as for specific debts including doubtful accounts.

(ii) Provision for point card certificates

Amount the points that were issued to customers during the consolidated fiscal term under review, the estimated amount to be used in the future by such customers is reported as a reserve in order to prepare for the sales allowance applicable by the use of points issued to customers.

(iii) Provision for directors' retirement benefits

In order to prepare for payment of retirement benefits to directors, some of the subsidiaries subject to consolidation accounting provide a provision for directors' retirement benefits with an amount payable at the end of the consolidated fiscal term in accordance with the regulations of retirement benefits to directors.

(4) Accounting treatment method for retirement benefits

Some of the subsidiaries subject to consolidation accounting apply the simplified method for calculation of liabilities for retirement benefit and retirement benefit expense, and use the amount to be required at the year-end for voluntary termination as projected benefit obligation.

(5) Accounting standards for significant profits and expenses

Recording standards of profits relating to the non-ownership-transfer finance lease transactions

The net sales and the cost of goods sold are recorded at the time of the receipt of the lease payment.

(6) Principles of conversion of significant assets or liabilities in foreign currency into yen

Claim or obligation in foreign currency is converted into yen at the spot exchange rate on the closing date for consolidation accounting, and variances arising from such conversion are calculated as income or loss. Assets and liabilities of overseas subsidiaries are converted into yen at the spot exchange rate on the closing date for consolidation accounting, and profits and expenses of such subsidiaries are converted into yen at the average exchange rate during the fiscal term. Variances arising from such conversion are shown as "foreign currency translation adjustments" and "non-controlling interests" in the net assets.

(7) Accounting for significant hedging activities

(i) Hedge accounting method

Designate accounting has been adopted.

(ii) Hedging instruments and items hedged

Hedging instruments: Currency swap

Items hedged: Accounts payable-trade in foreign currency

(iii) Hedging policy and method of evaluating the efficacy of hedging activities

The Company's policy is to hedge in the range of the balance and the provisional amount of transactions of accounts payable-trade in foreign currencies in order to hedge against the risk of fluctuations in the exchange rate in the future relating to the transactions in foreign currencies, and the Company also evaluates the efficacy thereof and has it checked by the accounting department.

(8) Amortization method and amortization period of goodwill

Goodwill is amortized on a straight line based on a reasonable period not exceeding 20 years.

(9) Other material matters for preparation of the Consolidated Financial Statements

As for the accounting processing of consumption tax, etc., such tax is not included in the Consolidated Financial Statements.

**Notes to Consolidated Balance Sheet**

1. Pledged assets	Merchandise	892 million yen
	Buildings and structures	194 million yen
	Land	959 million yen
	<u>Total</u>	<u>2,046 million yen</u>
Secured debts	Accounts payable-trade	84 million yen
	Short-term loans payable	2,822 million yen
	Long-term loans payable	284 million yen
	<u>Total</u>	<u>3,191 million yen</u>

2. Accumulated depreciation amount of property, plant and equipment

40,113 million yen

3. Any fractional amounts less than one million yen are discarded.

## Notes to Consolidated Statement of Income

### 1. Impairment loss

The impairment losses of the following groups of assets have been reported for the consolidated fiscal term under review.

Place	Use	Type	Impairment loss (Unit: million yen)
Ota-ku, Tokyo	Leased asset	Land, buildings and structures, and others	1,242
11 stores in total (Kurokawa-gun, Miyagi and others)	Store	Buildings and structures, and others	863
—	Other	Goodwill	54

The Group regards a store as a basic unit for the minimum unit generating cash flow, and each of the idle assets and the leased assets were deemed to be a group of assets separated from other assets, respectively.

For leased assets and stores whose purpose of use has been changed in order to effectively utilize the Company's assets, those on land whose market value has declined, or those recording continuous operating losses, the book value of such groups of assets for which the total future cash flow was below the book value was reduced to the recoverable value, and the relevant decrease was recorded as an "Impairment loss" under extraordinary losses.

The "Impairment loss" consisted of 1,005 million yen for land, 1,087 million yen for buildings and structures, 54 million yen for goodwill, and 13 million yen for others.

The recoverable value of such group of assets is the net sales value or the use value, whichever is higher.

The net sales value is calculated based on the appraised real estate value by a real estate appraiser or the value of land facing a thoroughfare, while 7.61% is used for the discount rate in the calculation of the use value.

2. Any fractional amounts less than one million yen are discarded.

## Notes to Consolidated Statement of Changes in Net Assets

1. Type and number of company shares issued and outstanding at the end of the consolidated fiscal term under review

Common stock 84,050,105 shares

2. Dividends

(1) Amount of dividend payment

Resolution	Type of shares	Total amount of dividends (Unit: million yen)	Dividends per share (Unit: yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 21, 2016	Common stock	2,521	30	March 31, 2016	June 22, 2016
Meeting of Board of Directors on October 31, 2016	Common stock	2,521	30	September 30, 2016	November 25, 2016

(2) The dividends of shares having a record date that is during the consolidated fiscal term under review and an effective date that is during the following consolidated fiscal term

The resolution is scheduled as follows:

Resolution	Type of shares	Total amount of dividends (Unit: million yen)	Source of dividends	Dividends per share (Unit: yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2017	Common stock	2,476	Retained earnings	30	March 31, 2017	June 28, 2017

## Notes to Financial Instruments

1. Status of financial instruments

(1) Basic policies applied to financial instruments

It is the Group's basic policy to borrow fund mainly from banks in accordance with the Group's capital investment plan, when such borrowing is deemed necessary. The Group applies the method of managing the fund pooled temporarily for next investment opportunities mainly in the forms of relatively safe financial assets.

(2) Content of, and risks involved in, financial instruments

Notes and accounts receivable-trade arising from business operations expose the Group to credit risks inherent in individual customers.

Investment securities, which mainly consist of listed company shares and other securities, involve market price fluctuation risks.

Short-term loans receivable and long-term loans receivable are offered to AUTOBACS Chain franchisees and expose the Group to the individual franchisees' credit risks.

The Group's store buildings, mostly constructed based on AUTOBACS original specifications, are rented from their respective owners for sub-let to franchisees. Guarantee deposits, most of which have been placed on the building owners under the respective rental or lease contracts, involve these owners' credit risks.

Given the fact that major lease investment assets are consist of assets that are the aforementioned store buildings and are owned by the Company and leased to the franchisees, the Group is exposed to the individual franchisees' credit risks.

Most of the notes and accounts payable-trade arising from business operations are due within one month.

Loans payable are principally aimed at procuring necessary fund for continued business operations and capital investment and the farthest redemption date is scheduled in eight years after the consolidation accounting closing date.

(3) System for controlling and managing risks arising from financial instruments

(i) Credit risks management (Risks involved in default or other breach of contracts on the part of the Company's business partners and customers)

In the Company, individual divisions are, in compliance with the credit and loan management regulations, assigned to control and manage maturity dates and outstanding balance of each business partner or customer respectively and attempt to obtain, at an earliest possible date, information on any doubtful accounts that may arise from deteriorating

financial and/or business performance of the business partners or customers and reduce such doubtful accounts, by monitoring the status of each major business partner or customer at a regular interval. This is the same with the subsidiaries subject to consolidation accounting, where their credit and loan transactions are dealt with in accordance with the Company's credit and loan management regulations.

(ii) Market-related risks management (exchange and interest rate fluctuation risks)

In respect of investment securities, the Group employs the method of examining their market prices, together with the financial positions and other performance of individual issuers (transacting parties), at a regular interval. Efforts continue to be made to review the Group's portfolio, based on consideration to each issuer's financial performance, market trends and other related factors.

Exchange and interest rate fluctuations risks, which tend to bring about differences of relatively small amounts and have limited impact on the Group's financial results, have been excluded from disclosures.

(iii) Liquidity risks management associated with fund procurement (Risks of the Company's possible failure in payment according to the provided schedule)

As the Company's standard practice, the department in charge of financing is assigned to produce and revise the Company's funding plan based on the reports received from individual departments and hold necessary fund in hand and implement other necessary action with a view to controlling and managing liquidity risks. The Group's subsidiaries subject to consolidation accounting apply the method of procuring necessary fund from the Company by utilizing the Group financing system.

(4) Supplementary explanations on market values and other aspects of financial instruments

The market values of individual financial instruments are either the prices actually quoted for such financial instruments on the market or the values calculated and determined by the Group in a reasonable and appropriate manner, if such quoted market prices are not available. In calculating market values of such financial instruments, the Group has taken account of fluctuating factors. For this reason, these calculated amounts may vary based on different assumptions or other conditions.

## 2. Market values and other conditions of financial instruments

In relation to the individual types of financial instruments employed by the Group, the followings are their values recognized in the Consolidated Balance Sheet as of March 31, 2017, their market values and differences between the two types of figures. Please note, however, that table below does not include financial instruments with extremely difficulties to determine their market values (refer to Notes 2).

	Value Recognized in Consolidated Balance Sheet (Unit: million yen)	Market Value (Unit: million yen)	Difference (Unit: million yen)
(1) Cash and deposits	31,520	31,520	—
(2) Notes and accounts receivable-trade Allowance for doubtful accounts *1	20,032 (70)		
	19,962	19,962	—
(3) Lease investment assets *2	9,039	10,618	1,579
(4) Short-term loans receivable	40	43	3
(5) Accounts receivable-other	20,863	20,863	—
(6) Income taxes receivable	503	503	—
(7) Investment securities	5,792	5,207	(584)
(8) Long-term loans receivable	1,177	1,266	89
(9) Guarantee deposits Allowance for doubtful accounts *1	15,357 (16)		
	15,340	15,102	(237)
Total assets	104,240	105,089	848
(1) Notes and accounts payable-trade	12,838	12,838	—
(2) Short-term loans payable *3	5,969	5,966	(3)
(3) Lease obligations (current liabilities)	230	298	68
(4) Accounts payable-other	11,489	11,489	—
(5) Income taxes payable	473	473	—
(6) Long-term loans payable	679	677	(1)
(7) Lease obligations (non-current liabilities)	1,404	1,643	239
Total liabilities	33,086	33,388	302

\*1 Specific allowance for doubtful accounts provided for notes and accounts receivable-trade is subtracted.

\*2 The difference between the lease investment asset under the value recognized in Consolidated Balance Sheet and the lease investment assets on Consolidated Balance Sheet is 86 million yen, which is equivalent to the amount included in the total amount of asset retirement obligations.

\*3 Current portion of long-term loans payable is included.

### (Note) 1. Method of calculating market values of individual financial instruments and securities

#### Assets

#### (1) Cash and deposits, (5) Accounts receivable-other, (6) Income taxes receivable

Since these types of financial instruments tend to be settled in relatively short periods, their book values approximate their market values; their market values are deemed the same as their respective book values.

#### (2) Notes and accounts receivable-trade, (3) Lease investment assets, (4) Short-term loans receivable, (8) Long-term loans receivable, (9) Guarantee deposits

It is the Group's basic policy to categorize these types of financial instruments by the lengths of periods and their respective credit risks for the purpose of credit control and management. For each credit risk category, the market values of the corresponding financial instruments have been calculated based on the present value obtained by discounting future cash flow by appropriate index, such as government bond interest rates, plus the Company's credit spread.

#### (7) Investment securities

The market values of shares, etc. are based on the prices quoted in security exchanges and the market values of bonds are based on the amount either quoted in security exchanges or presented by financial institutions transacting with the Group.



### Liabilities

(1) Notes and accounts payable-trade, (4) Accounts payable-other, (5) Income taxes payable

Since these types of financial instruments tend to be settled in relatively short periods, their book values approximate the market values; their market values are deemed the same as their respective book values.

(2) Short-term loans payable, (3) Lease obligations (current liabilities), (6) Long-term loans payable, (7) Lease obligations (non-current liabilities)

The market values of these types of financial instruments are calculated based on the present value obtained by discounting the sum of the principal amounts of the financial instruments by a particular interest rate that would be applied on assumption that the Group entered into new borrowing arrangements or leasing transactions.

#### 2. Financial instruments with extreme difficulties to estimate their market values

(Unit: million yen)

Category	Value Recognized in Consolidated Balance Sheet
Unlisted company securities	1,481

Given the fact that no quoted market prices exist for this type of financial instruments and it is extremely difficult to estimate their market values, these financial instruments have been excluded from the disclosures of “(7) Investment securities.”

### **Business Combination**

Business combination by acquisition

#### 1. Outline of business combination

##### (1) Name and business of acquired company

Name of acquired company: Motoren Tochigi Corp.

Business: Sales of new and certified pre-owned BMW cars and services

##### (2) Major reason for business combination

Aiming to achieve its management vision “Anything about cars, you find at AUTOBACS,” the Company is striving to expand the existing AUTOBACS business while at the same time developing new businesses. As part of this effort, the Company has started the operation of the BMW certified dealership since April 2015. The business combination is to further expand its business size and improve its profitability to the end of enhancing the corporate value of the Company.

##### (3) Date of business combination

January 5, 2017

##### (4) Legal form of business combination

Acquisition of shares

##### (5) Company name after combination

Motoren Tochigi Corp.

##### (6) Voting rights acquired through business combination

100%

##### (7) Main grounds for determining acquiring company

The Company acquired the shares in exchange for cash.

#### 2. Period of the business results of the acquired company included in the consolidated financial statements

From January 5, 2017 to March 31, 2017

#### 3. Acquisition cost and breakdown by class of consideration

Consideration for acquisition	Cash	1,800 million yen
Acquisition cost		1,800 million yen

4. Description and amount of major acquisition-related cost  
Advisory fee and other fees 9 million yen

5. Amount, reason for recognition, period and method of amortization of goodwill

(1) Amount of goodwill  
223 million yen

(2) Reason for recognition

Mainly due to the excess earning power expected from the future business development of Motoren Tochigi Corp.

(3) Amortization method and period

Straight line method over 15 years

6. Amount of assets acquired and liabilities assumed on the date of business combination and the main components

Current assets	1,164 million yen
Non-current assets	<u>2,942 million yen</u>
Total assets	<u>4,106 million yen</u>
Current liabilities	1,868 million yen
Non-current liabilities	<u>661 million yen</u>
Total liabilities	<u>2,529 million yen</u>

7. Estimated amount of impact on the consolidated statement of income for the fiscal term under review and calculation method assuming that the business combination had been completed at the beginning of the fiscal term

Net sales	3,400 million yen
Operating profit	108 million yen
Ordinary profit	94 million yen
Profit before income taxes	94 million yen
Profit attributable to owners of parent	28 million yen
Net income per share	0.34 yen

(Calculation method of the estimated amount)

The estimated amount of impact is the difference between net sales and profit/loss data calculated assuming that the business combination had been completed at the beginning of the fiscal term, and net sales and profit/loss data in the consolidated statements of income of the acquiring company.

These notes have not received audit certification.

8. Amounts allocated to intangible assets other than goodwill and main components by type of asset and weighted-average amortization period by type of asset

Type of asset	Amount	Amortization period
Sales right	1,625 million yen	20 years

#### Notes to Per-Share Information

1. Net assets per share	1,540.12 yen
2. Net income per share	36.00 yen

#### Additional Information

1. Special dissolution of the employees' pension fund

The Osaka Automobile Maintenance Employee Pension Fund, in which the Company participates, determined to apply for the approval of dissolution of the pension fund at a meeting of its board of representatives held on April 13, 2015. Accordingly, the Company applied for dissolution of the fund with the Minister of Health, Labor and Welfare on April 22, 2015 and it was approved as of May 28, 2015.

This dissolution is predicted not to incur expenses.

2. Adoption of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the consolidated fiscal term under review, the Company has adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

**Non-Consolidated Balance Sheet (as of March 31, 2017)**

(Unit: million yen)

Account Item	Amount	Account Item	Amount
(Assets)		(Liabilities)	
Current assets	74,973	Current liabilities	20,765
Cash and deposits	27,690	Accounts payable - trade	11,190
Accounts receivable - trade	10,192	Short-term loans payable	1,800
Lease investment assets	11,603	Lease obligations	219
Merchandise	5,319	Accounts payable - other	2,837
Prepaid expenses	1,076	Accrued expenses	1,028
Deferred tax assets	1,253	Income taxes payable	96
Short-term loans receivable	7,087	Deposits received	2,729
Accounts receivable - other	9,438	Unearned revenue	812
Income taxes receivable	500	Provision for point card certificates	24
Other	1,175	Other	27
Allowance for doubtful accounts	(364)		
Non-current assets	82,674	Non-current liabilities	9,592
Property, plant and equipment	33,856	Lease obligations	1,333
Buildings	7,530	Long-term guarantee deposited	7,061
Structures	945	Asset retirement obligations	1,150
Machinery and equipment	2,097	Other	46
Vehicles	222		
Tools, furniture and fixtures	708	Total Liabilities	30,358
Land	21,226	(Net Assets)	
Construction in progress	1,124	Shareholders' equity	125,279
Intangible assets	3,696	Capital stock	33,998
Leasehold	641	Capital surplus	34,278
Software	3,045	Legal capital surplus	34,278
Other	10	Retained earnings	59,726
Investments and other assets	45,121	Retained earnings reserves	1,296
Investment securities	5,080	Other retained earnings	58,430
Shares of subsidiaries and associates	12,911	Reserve for business expansion	665
Long-term loans receivable	45	Reserve for reduction entry of assets	797
Long-term loans receivable from subsidiaries and associates	10,822	Reserve for special depreciation	103
Long-term prepaid expenses	750	General reserves	56,350
Deferred tax assets	604	Retained earnings brought forward	514
Guarantee deposits	14,655	Treasury shares	(2,723)
Other	281	Valuation and translation adjustments	2,009
Allowance for doubtful accounts	(29)	Valuation difference on available-for-sale securities	2,009
		Total Net Assets	127,289
Total Assets	157,648	Total Liabilities and Net Assets	157,648

**Non-Consolidated Statement of Income (April 1, 2016-March 31, 2017)**

(Unit: million yen)

Account Item	Amount	
Net sales		153,054
Cost of sales		121,704
Gross profit		31,350
Selling, general and administrative expenses		26,186
Operating profit		5,164
Non-operating income		
Interest income	144	
Dividend income	450	
Commission fee	139	
Lease revenue - system equipment	1,540	
Insurance income	49	
Other	461	2,785
Non-operating expenses		
Interest expenses	15	
Lease cost - system equipment	1,414	
Other	564	1,994
Ordinary profit		5,955
Extraordinary losses		
Loss on retirement of non-current assets	209	
Impairment loss	1,937	
Loss on valuation of shares of subsidiaries and associates	482	
Loss on liquidation of subsidiaries and associates	572	3,202
Profit before income taxes		2,753
Income taxes – current	859	
Income taxes – deferred	(327)	531
Profit		2,221

**Non-Consolidated Statement of Changes in Net Assets (April 1, 2016-March 31, 2017)**

(Unit: million yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings						
		Capital reserves	Total capital surplus	Retained earnings reserves	Other retained earnings					Total 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	129	56,350	9,219	68,458
Changes of items during period										
Dividends of surplus									(5,042)	(5,042)
Profit									2,221	2,221
Reversal of reserve for reduction entry of assets						(0)			0	—
Reversal of reserve for special depreciation							(25)		25	—
Purchase of treasury shares										—
Retirement of treasury share									(5,910)	(5,910)
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	—	—	—	(0)	(25)	—	(8,705)	(8,731)
Balance at end of current period	33,998	34,278	34,278	1,296	665	797	103	56,350	514	59,726

	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	(5,921)	130,813	1,472	1,472	132,286
Changes of items during period					
Dividends of surplus		(5,042)			(5,042)
Profit		2,221			2,221
Reversal of reserve for reduction entry of assets		—			—
Reversal of reserve for special depreciation		—			—
Purchase of treasury shares	(2,712)	(2,712)			(2,712)
Retirement of treasury share	5,910	—			—
Net changes of items other than shareholders' equity			536	536	536
Total changes of items during period	3,197	(5,533)	536	536	(4,996)
Balance at end of current period	(2,723)	125,279	2,009	2,009	127,289

## Notes to Non-Consolidated Financial Statements

### Notes relating to Matters Concerning Significant Accounting Policy

#### 1. Valuation standards and methods applied to assets

##### (1) Valuation standards and methods applied to securities:

###### (i) Held-to-maturity securities

Amortized cost method (straight line method)

###### (ii) Subsidiaries' shares and affiliated companies' shares

Costing method under the moving average approach

###### (iii) Other securities

Other securities with market prices

Market price method based on the prescribed conditions, including the value marked by each type of securities on the market as of the closing date (All differences between the market and book values have been processed and recognized in a separate account of net assets, and the amount of the sales cost has been determined under the moving average approach)

Other securities without market prices

Costing method under the moving average approach

##### (2) Valuation standard and method applied to derivative instruments

Derivative instrument

Market price method

##### (3) Valuation standards and methods applied to inventories

###### (i) Automotive goods

Principally, costing method under the moving average approach (In relation to the declining profitability, the book value of each affected inventory item has been written down to renew the value recognized on the balance sheet)

###### (ii) Vehicles

Costing method based on the specific cost method (In relation to the declining profitability, the book value of each affected inventory item has been written down to renew the value recognized on the balance sheet)

#### 2. Amortization and depreciation methods applied to non-current assets

##### (1) Property, plant and equipment, excluding leased assets

Straight line method

The followings are major types of such property, plant and equipment and lengths of their respective useful lives.

###### (i) Store buildings and structures

Principally, the lengths of their useful economic lives independently estimated and determined by the Company.

With respect to the buildings and structures located on the leased land lots legally furnished with fixed-term leasehold interest for commercial use, the Company has applied the number of years set forth in the respective contracts as the useful lives of the store buildings and structures.

Buildings	3-20 years
-----------	------------

Structures	3-20 years
------------	------------

###### (ii) Property, plant and equipment, excluding those mentioned above

Buildings	3-45 years
-----------	------------

Structures	3-30 years
------------	------------

Machinery and equipment	5-15 years
-------------------------	------------

Tools, furniture and fixtures	2-20 years
-------------------------------	------------

##### (2) Intangible assets, excluding leased assets

Straight line method

With respect to the software products used by the Company, each product's book value has been determined as a result of applying straight line method based on the fact that its useful economic life in the Company is usually within 5 years.

(3) Leased assets

Straight line method, in which each asset item's useful economic life is deemed equivalent to the respective lease period and its residual value is reduced to nil at the end of the period. The non-ownership-transfer finance lease transactions in which the Company is a lessee and which started before March 31, 2008 are accounted for using a method similar to that for normal lease transactions.

3. Accounting standards for allowances

(1) Allowance for doubtful accounts

In the event of any loss incurred from bad loans, the Company provides an allowance for doubtful accounts with the estimated uncollectible amount by applying historical rate of default as for general receivables and by respectively examining the collectability as for specific debts including doubtful accounts.

(2) Provision for point card certificates

Among the points that were issued to customers during the fiscal term under review, the estimated amount to be used in the future by such customers is reported as a reserve in order to prepare for the sales allowance applicable by the use of points issued to customers.

4. Accounting standards for profits and expenses

Recording standards of profits relating to the non-ownership-transfer finance lease transactions

The net sales and the cost of goods sold are recorded at the time of the receipt of the lease payment.

5. Principles of conversion of assets and liabilities in foreign currency into yen

Claim or obligation in foreign currency is converted into yen at the spot exchange rate on the closing date, and variances arising from such conversion are calculated as income or loss.

6. Other basic matters for preparation of the Non-Consolidated Financial Statements

As for the accounting processing of consumption tax, etc., such tax is not included in the Non-Consolidated Financial Statements.



## Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation amount of property, plant and equipment 19,258 million yen

### 2. Guaranteed obligations

(1) The Company guarantees the following subsidiaries' obligations to their suppliers:

Autoplatz K.K., Motoren Tochigi Corp. 33 million yen

(2) The Company guarantees the following subsidiaries' debt to financial institutions:

Autoplatz K.K., Autoplatz Motors K.K., Motoren Tochigi Corp. 1,282 million yen

### 3. Monetary claim and obligations to affiliated companies

(1) Short-term monetary claim 15,002 million yen

(2) Short-term monetary obligations 3,845 million yen

(3) Long-term monetary obligations 1,513 million yen

### 4. Loan commitment

The unused portion of the committed credit lines established in accordance with loan commitment agreements are as follows:

Total amount of committed credit lines 25,110 million yen

Outstanding loan balance 13,955 million yen

Difference 11,154 million yen

Given the fact that some of the loan commitment agreements mentioned above require the borrowers' creditability to be assessed and/or other conditions to be satisfied before proceeding to execution of loans, the entire part of the committed credit lines are not always in use.

5. Any fractional amounts less than one million yen are discarded.

## Notes to Non-Consolidated Statement of Income

### 1. Transactions with affiliated companies

(1) Amount of business transactions

Net sales 56,480 million yen

Purchases 7,631 million yen

Other business transactions 1,830 million yen

(2) Non-business transactions 1,799 million yen

### 2. Impairment loss

The Company has reported the impairment losses of the following groups of assets for the consolidated fiscal term under review.

Place	Use	Type	Impairment loss (Unit: million yen)
Ota-ku, Tokyo	Leased asset	Land, buildings, structures, and others	1,242
11 stores in total (Kurokawa-gun, Miyagi and others)	Store	Buildings, structures, and others	694

The Company regards a store as a basic unit for the minimum unit generating cash flow, and each of the idle assets and the leased assets were deemed to be a group of assets separated from other assets, respectively.

For leased assets and stores whose purpose of use has been changed in order to effectively utilize the Company's assets, those on land whose market value has declined, or those recording continuous operating losses, the book value of such groups of assets for which the total future cash flow was below the book value was reduced to the recoverable value, and the relevant decrease was recorded as an "Impairment loss" under extraordinary losses.

The "Impairment loss" consisted of 1,005 million yen for land, 917 million yen for buildings / structures, and 13 million yen for others.

The recoverable value of such group of assets is the net sales value or the use value, whichever is higher.

The net sales value is calculated based on the appraised real estate value by a real estate appraiser or the value of land facing a thoroughfare, while 7.61% is used for the discount rate in the calculation of the use value.

3. Loss on liquidation of subsidiaries and associates	
Loss on forgiveness of loans	493 million yen
<u>Loss on sales of shares of subsidiaries</u>	<u>79 million yen</u>
Total	572 million yen

4. Any fractional amounts less than one million yen are discarded.

#### Notes to Non-Consolidated Statement of Changes in Net Assets

Type and number of treasury stock at the end of the fiscal term under review

Common stock 1,505,911 shares

#### Notes relating to Tax Effect Accounting

Breakdown of deferred tax assets and deferred tax liabilities by cause

(Unit: million yen)

Deferred tax assets (Current)	
Rejection of accounts payable-other	137
Enterprise tax payable	42
Rejection of valuation losses of merchandise	111
Excess of loss entries from allowance for doubtful accounts	111
Rejection of allocation of rebates on merchandise	3
Excess of the allowable limit of deductible lease costs	756
Others	121
Total deferred tax assets	<u>1,284</u>
Deferred tax liabilities (Current)	
Others	(31)
Total deferred tax liabilities	<u>(31)</u>
Net deferred tax assets	<u>1,253</u>
Deferred tax assets (Non-current)	
Excess of loss entries from allowance for depreciation	632
Impairment loss	2,027
Rejection of loss on valuation of shares of subsidiaries and associates	3,085
Rejection of valuation losses of investment securities	84
Excess of loss entries from allowance for doubtful accounts	8
Rejection of credit transfer losses	973
Rejection of asset retirement obligations	351
Others	246
Sub-total deferred tax assets	<u>7,409</u>
Valuation-related provision	<u>(5,405)</u>
Total deferred tax assets	2,003
Deferred tax liabilities (Non-current)	
Reserve for reduction entry of assets	(349)
Reserve for special depreciation	(45)
Valuation difference on available-for-sale securities	(882)
Others	(121)
Total deferred tax liabilities	<u>(1,398)</u>
Net deferred tax assets	<u>604</u>

#### Notes relating to Non-current Assets Used on a Leasing Basis

In addition to the non-current assets accounted for on the balance sheet, some office equipment and devices are used under the non-ownership-transfer finance lease agreements.

## Notes relating to Business Transactions with Related Parties

Subsidiaries and affiliates, etc.

(Unit: million yen)

Attribution	Name of Company, etc.	Holding (held) ratio of voting rights, etc.	Relationship with related parties	Content of transaction	Transacted amount	Account Item	Balance as of the end of the fiscal term
Subsidiary	AUTOBACS Financial Service Co., Ltd.	(Holding ratio) 100% (directly)	Assistance in financing	Loans (Notes)	18,603	Short-term loans receivable	4,890
						Long-term loans receivable from subsidiaries and associates	8,556

Conditions of transactions and policies for decision on conditions of transactions, etc.

- (Notes)
1. The interest rate of the loans was determined in consideration of market rates.
  2. For the efficient procurement of operational funds, the Company concluded loan commitment agreements (ceiling amount of committed credit line: 19,000 million yen).

### Notes to Per-Share Information

1. Net asset per share 1,542.08 yen
2. Net income per share 26.51 yen

### Additional Information

1. Special dissolution of the employees' pension fund

The Osaka Automobile Maintenance Employee Pension Fund, in which the Company participates, determined to apply for the approval of dissolution of the pension fund at a meeting of its board of representatives held on April 13, 2015. Accordingly, the Company applied for dissolution of the fund with the Minister of Health, Labor and Welfare on April 22, 2015 and it was approved as of May 28, 2015.

This dissolution is predicted not to incur expenses.

2. Adoption of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal term under review, the Company has adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

## Independent Auditors' Report on Consolidated Financial Statements

(TRANSLATION)

### INDEPENDENT AUDITOR'S REPORT (COPY)

May 15, 2017

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

Deloitte Touche Tohmatsu LLC

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

Masahiro Ide

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

Yuji Ujigawa

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely the consolidated balance sheet as of March 31, 2017 of AUTOBACS SEVEN Co., Ltd. (the "Company"), and its subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2016 to March 31, 2017, and the related notes.

#### **Management's Responsibility for the Consolidated Financial Statements**

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

#### **Auditors' Responsibility**

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

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

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

#### **Audit Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2017, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

**Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

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 15, 2017

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

Deloitte Touche Tohmatsu LLC

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

Masahiro Ide

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

Yuji Ujigawa

Pursuant to the first item, second Paragraph Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2017 of AUTOBACS SEVEN Co., Ltd. (the "Company"), and the related statements of income and changes in net assets for the 70th fiscal year from April 1, 2016 to March 31, 2017, and the related notes and the accompanying supplemental schedules.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditors' Responsibility**

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

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

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

#### **Audit Opinion**

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2017, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

**Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

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

END

## Audit Report by Audit and Supervisory Board

### (TRANSLATION)

#### AUDIT REPORT (COPY)

The Audit and Supervisory Board has prepared this audit report regarding the performance of duties by the Directors of AUTOBACS SEVEN Co., Ltd. (the “Company”), for the 70th fiscal term from April 1, 2016 to March 31, 2017 upon deliberation based on the audit reports prepared by each Audit and Supervisory Board Member, and hereby reports as follows:

1. Methods of audits performed by individual Audit and Supervisory Board Members and the Audit and Supervisory Board and the contents thereof

(1) The Audit and Supervisory Board which established the auditing policies and made decisions on individual Audit and Supervisory Board Members’ assignments and responsibilities and other related details, has received reports on the status and results of audits from these individual Audit and Supervisory Board Members.

(2) In accordance with the Audit and Supervisory Board Members’ auditing standards established by the Audit and Supervisory Board, the auditing policies, the provided assignments and responsibilities and other conditions, individual Audit and Supervisory Board Members have taken steps to communicate with the Directors and the internal audit department as well as other employees, etc. for the purpose of obtaining necessary information and developing a favorable environment for audits, and have conducted audits as follows.

1) Audit and Supervisory Board 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. As for the subsidiaries, individual Audit and Supervisory Board Member have worked diligently to improve communications and information exchange with Directors and Audit and Supervisory Board 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.

2) Each Audit and Supervisory Board Member expressed his opinion about the content of resolutions made by the Board of Directors concerning the establishment of systems to ensure that the performance of duties by the Directors will be in compliance with laws and regulations, the Company’s articles of incorporation and other systems set forth in Article 100, Paragraphs 1 and 3, of the Companies Act Enforcement Regulations, as systems necessary to ensure that the operation by the Company, comprising the Company and its subsidiaries will be conducted appropriately; and about the status of such systems (internal control systems) established by such resolutions, by receiving regular reports from the Directors and Officers as well as from other employees, etc. on the status of the establishment and operation of the systems, and by requesting explanations whenever necessary.

With respect to internal control related to financial reports, the Audit and Supervisory Board 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 Board requested explanations from the Directors, employees, other staff members and Independent Auditor, when such explanations were deemed necessary.

3) 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, the Audit and Supervisory board has further examined the contents.

4) Audit and Supervisory Board 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 Board has supervised and confirmed that Independent Auditor maintained their independent positions and performed fair and appropriate audits. At the same time, the board 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 Board 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 Board Member requested explanations on such notification.



Based on the foregoing method, each Audit and Supervisory Board 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 Net Assets 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 Board 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 Board 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 Board 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 Board 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 contained in the Business Report, the Audit and Supervisory Board has not recognized any matter requiring corrections or improvements.

(2) Audit results of the Non-Consolidated Financial Statements and the Supplementary Schedules Thereto  
The Audit and Supervisory Board 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 Board 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 25, 2017

The Audit and Supervisory Board of AUTOBACS SEVEN Co., Ltd.	
Kozo Sumino	Audit and Supervisory Board Member (full-time)
Toshiki Kiyohara	Outside Audit and Supervisory Board Member (full-time)
Tomoaki Ikenaga	Outside Audit and Supervisory Board Member
Yuji Sakakura	Outside Audit and Supervisory Board Member

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.