Matters for Internet Disclosure Pursuant to Laws and Regulations, and the Articles of Incorporation on the Occasion of the Notice of Convocation of the 71st Ordinary General Meeting of Shareholders

From April 1 2017
To March 31, 2018

The items listed above are offered to our shareholders by posting them on the Company's website (https://www.autobacs.co.jp/en) pursuant to laws and regulations and the provisions of Article 18 of the Articles of Incorporation of the Company.

AUTOBACS SEVEN Co., Ltd.

■ Basic Policy Concerning Internal Control System and Overview of the Status of Development and Operation of the Systems

(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 Companies Act and Article 362, Paragraph 4, Item 6, of the said Act and Article 100, Paragraph 1 and Paragraph 3, of the 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" 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 (8) 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 directors, the three (3) outside directors, who are the chairman and members of the Committee, conducted interviews with the candidates for executive officers.
   b. All three (3) outside directors and all three (3) outside audit and supervisory board members held two (2) 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 the entire chain stores 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) Rules and other systems concerning the control of risks of loss
   a. The Risk Management Committee revaluated and updated risk items and monitored the status of addressing of risk issues as well, which were set on an annual basis. The General Affairs and Internal Control Department, Legal Department, Corporate Audit Department and Customer Services 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.

(iii) Systems for ensuring the efficient execution of directors' duties
   a. Held 14 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 12 Executive Committee meetings attended by executive officers as well as outside directors and audit and supervisory board members as observers 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.

(iv) 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.

(v) 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 15 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.

■ Policy Concerning Company Control

At the Board of Directors' meeting held on March 28, 2018, 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 set "2050 Creating Future Together" as a vision to face the issues of society, automobiles, and peoples' lives for creating a brighter, healthier future and 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 further develop its business by building an optimum portfolio while positioning the AUTOBACS franchise chain as its core business, 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, business partners in the new business area, their 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.

■ 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

32 companies (one newly included; two excluded)

(2) Names of major subsidiaries subject to consolidation accounting

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

2. Application of equity method

(1) Number of associate companies subject to equity method

13 companies (three newly included; — excluded)

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

PUMA Ltd., Buffalo Inc., KITA NIHON AUTOBACS Co., Ltd.

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 5 to 10 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
Among 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
(i) Method of attributing expected benefits to periods
In calculating retirement benefit obligations, the benefit formula standard is used as the method for attributing expected benefits up to the end of the consolidated fiscal term under review.

(ii) Accounting for actuarial differences and past service costs
Past service costs are amortized as incurred by the straight line method over a fixed period within the average remaining service years of employees (mainly 10 years).
Actuarial differences are amortized by the straight-line method over a fixed period within the average remaining service years of employees (mainly 10 years), beginning with the following consolidated fiscal term.

(iii) Application of simplified method at small-sized enterprises
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.

(iv) Accounting for unrecognized actuarial differences and unrecognized past service costs
Unrecognized actuarial differences and unrecognized past service costs are shown as "Remeasurements of defined benefit plans" under "Accumulated other comprehensive income" in the net assets after adjusting for tax effects.

(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	1,675	million yen
	Buildings and structures	187	million yen
	Land	959	million yen
	Total	2,822	million yen
Secured debts	Accounts payable-trade	124	million yen
	Short-term loans payable	2,027	million yen
	Long-term loans payable	562	million yen
	Total	2,713	million yen

2. Accumulated depreciation amount of property, plant and equipment

39,553 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)
Sendai City, Miyagi and others	Assets held for sale	Land	251
3 stores in total (Tatebayashi City, Gunma and others)	Store	Buildings and structures, and others	185
Sakai City, Osaka	Assets for wholesale business	Software, and others	166
Urayasu City, Chiba	Maintenance and repair garage	Buildings and structures, and others	128

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

For leased assets and stores of which the market value of land has declined, or those recording continuous operating losses, the book values of such groups of assets and the assets held for sale for which the total future cash flow was below their respective book values were reduced to the recoverable values, and the relevant decreases were recorded as an "Impairment loss" of 480 million yen and a "Loss on liquidation of subsidiaries and associates" of 251 million yen under extraordinary losses.

The "Impairment loss" consisted of 266 million yen for buildings and structures, 251 million yen for land, 155 million yen for software, and 58 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 recoverable value of the assets held for sale is the net sales value.

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 8.03% is used for the discount rate in the calculation of the use value.

2. Loss on liquidation of subsidiaries and associates

Loss on transfer of stores	583 million yen
Impairment loss on fixed assets	251 million yen
Total	835 million yen

3. 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 27, 2017	Common stock	2,476	30	March 31, 2017	June 28, 2017
Meeting of Board of Directors on October 31, 2017	Common stock	2,476	30	September 30, 2017	November 27, 2017

(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 21, 2018	Common stock	2,476	Retained earnings	30	March 31, 2018	June 22, 2018

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 and accounts receivable-other arising from business operations expose the Group to credit risks inherent in customers including corporations.

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 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 and accounts payable-other arising from business operations are due within one month.

Short-term loans payable, long-term loans payable and lease obligations related to finance lease transactions are principally aimed at procuring necessary fund for continued business operations and capital investment and the farthest redemption date is scheduled in 20 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 regarding trade receivables and loans receivable 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, 2018 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 Note 2).

	Value Recognized in Consolidated Balance Sheet (Unit: million yen)	Market Value (Unit: million yen)	Difference (Unit: million yen)
(1) Cash and deposits	39,069	39,069	—
(2) Notes and accounts receivable-trade	23,600		
Allowance for doubtful accounts *1	(92)		
	23,508	23,508	(0)
(3) Lease investment assets *2	8,182	9,530	1,347
(4) Short-term loans receivable	0	0	—
(5) Accounts receivable-other	21,972	21,972	—
(6) Income taxes receivable	32	32	—
(7) Investment securities	4,454	3,989	(464)
(8) Long-term loans receivable *3	784	834	49
(9) Guarantee deposits	14,181	14,014	(166)
Total assets	112,186	112,952	765
(1) Notes and accounts payable-trade	20,710	20,710	—
(2) Short-term loans payable	2,887	2,887	—
(3) Lease obligations (current liabilities)	169	228	58
(4) Accounts payable-other	12,626	12,626	—
(5) Income taxes payable	3,014	3,014	—
(6) Long-term loans payable *4	2,555	2,552	(3)
(7) Lease obligations (non-current liabilities)	1,285	1,516	231
Total liabilities	43,250	43,536	286

*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 68 million yen, which is equivalent to the amount included in the total amount of asset retirement obligations.

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

*4 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, (4) Short-term loans receivable, (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, (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, (2) Short-term loans payable, (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.

(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 similar 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	3,955

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."

Notes to Per-Share Information

1. Net assets per share 1,537.59 yen
2. Net income per share 65.49 yen

■ 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 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.

(3) Provision for retirement benefits

In order to prepare for the payment of retirement benefits, the Company provides a provision for retirement benefits based on the projected amount of retirement benefit obligations at the end of the fiscal term under review.

Past service costs are amortized as incurred by the straight line method over a fixed period within the average remaining service years of employees (10 years).

Actuarial differences are amortized by the straight-line method over a fixed period within the average remaining service years of employees (10 years), beginning with the following fiscal term.

Additionally, as the pension assets exceeded the provision for retirement benefits at the end of the fiscal term under review, the excess amount is recorded as "other" in the investments and other assets.

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

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

(2) Regarding accounting treatment for retirement benefits, the methods of accounting treatment of actuarial differences and unrecognized past service costs related to retirement benefits are different from the method used in the consolidated financial statements.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation amount of property, plant and equipment 19,261 million yen

2. Guaranteed obligations

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

Autoplatz K.K., Motoren Tochigi Corp. 85 million yen

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

Autoplatz K.K., Motoren Tochigi Corp. 1,337 million yen

3. Monetary claim and obligations to affiliated companies

(1) Short-term monetary claim	18,211 million yen
(2) Long-term monetary claim	1,172 million yen
(3) Short-term monetary obligations	6,497 million yen
(4) Long-term monetary obligations	1,580 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	25,830 million yen
Outstanding loan balance	13,388 million yen
Difference	12,441 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	55,330 million yen
Purchases	7,467 million yen
Other business transactions	2,444 million yen
(2) Non-business transactions	1,664 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)
Sendai City, Miyagi and others	Assets held for sale	Land	251
3 stores in total (Tatebayashi City, Gunma and others)	Store	Buildings, structures, and others	185

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

For leased assets and stores of which the market value of land has declined, or those recording continuous operating losses, the book values of such groups of assets and the assets held for sale for which the total future cash flow was below their respective book values were reduced to the recoverable values, and the relevant decreases were recorded as an "Impairment loss" of 185 million yen and a "Loss on liquidation of subsidiaries and associates" of 251 million yen under extraordinary losses.

The "Impairment loss" consisted of 251 million yen for land, 160 million yen for buildings / structures, and 24 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 recoverable value of the assets held for sale is the net sales value. 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 8.03% is used for the discount rate in the calculation of the use value.

3. Loss on liquidation of subsidiaries and associates

Provision of allowance for doubtful accounts	932 million yen
Impairment loss on fixed assets	251 million yen
Total	1,183 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	1,506,659 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	265
Enterprise tax payable	175
Rejection of valuation losses of merchandise	96
Excess of loss entries from allowance for doubtful accounts	105
Rejection of allocation of rebates on merchandise	13
Excess of the allowable limit of deductible lease costs	993
Others	91
Total deferred tax assets	1,741
Deferred tax liabilities (Current)	
Others	(24)
Total deferred tax liabilities	(24)
Net deferred tax assets	1,717

Deferred tax assets (Non-current)	
Excess of loss entries from allowance for depreciation	554
Impairment loss	2,157
Rejection of loss on valuation of shares of subsidiaries and associates	3,192
Rejection of valuation losses of investment securities	124
Excess of loss entries from allowance for doubtful accounts	386
Rejection of credit transfer losses	973
Rejection of asset retirement obligations	339
Others	229
Sub-total deferred tax assets	7,958
Valuation-related provision	(5,733)
Total deferred tax assets	2,225
Deferred tax liabilities (Non-current)	
Reserve for reduction entry of assets	(349)
Reserve for special depreciation	(34)
Valuation difference on available-for-sale securities	(724)
Others	(123)
Total deferred tax liabilities	(1,231)
Net deferred tax assets	993

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.	Relation-ship 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)	8,869	Short-term loans receivable	5,236
						Long-term loans receivable from subsidiaries and associates	6,896

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 1,516.21 yen
2. Net income per share 35.49 yen