

Please note that this document is a translation of the official Japanese notice of convocation of the 69th ordinary general meeting of shareholders of AUTOBACS SEVEN Co., Ltd. prepared for the convenience of shareholders outside Japan with voting rights, for reference purposes only.

(Securities code 9832)

June 3, 2016

To Our Shareholders

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

NOTICE OF CONVOCATION OF THE 69TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 69th 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 69TH ORDINARY GENERAL MEETING OF SHAREHOLDERS and submit the enclosed Exercise of Voting Rights form to the receptionist.

Particulars

1. Date and time: June 21, 2016 (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 69th fiscal term (from April 1, 2015 to March 31, 2016)
 2. Report on the non-consolidated financial statements for the 69th fiscal term (from April 1, 2015 to March 31, 2016)Matters to be resolved:
 - Agenda Item No. 1: Appropriation of surplus
 - Agenda Item No. 2: Election of nine (9) directors
 - Agenda Item No. 3: Election of two (2) audit and supervisory board members
4. Guide for the exercise of voting rights by postal, via the Internet etc.
 - (1) If you are unable to attend the meeting, you can exercise your voting rights by postal mail (the Exercise of Voting Rights form) or via the Internet (electromagnetic means). Please review the reference documents for the general meeting of shareholders and be sure to exercise your voting rights by 5:50 p.m., Monday, June 20, 2016.
 - (i) To exercise 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 so that it reaches the Company by the above deadline for voting.
 - (ii) To exercise 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 proposals, and send your votes electronically so that the Company can receive them by the above deadline. Please note that the website is written in

Japanese only.

- (2) 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.
- (3) 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.
- (4) 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.
- (5) The Company participates in the "ICJ platform," a platform for electronic exercise of voting rights by institutional investors which is operated by ICJ, Inc. In addition to the exercise of voting rights via the Internet, nominee shareholders (including standing proxies) such as trust banking companies may use the said platform as another electromagnetic means of exercising voting rights. The use of the platform needs application in advance.
- (6) The Internet service providers' access fees and the communications carriers' website communications fees (telephone charges and other fees) for using the website for exercising voting rights shall be borne by shareholders.
- (7) 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/>).

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:

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 2,521,338,270 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 22, 2016

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 (eight (8) in number) will expire.

Accordingly, the Company requests the shareholders' approval for the election as directors of the nine (9) candidates below. Information on the candidates is provided on pages 5–14.

Candidate No.	Name		Career position and assignment in the Company
1	Kiomi Kobayashi	Re-nomination	Representative Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer
2	Teruyuki Matsumura	Re-nomination	Director and Senior Managing Executive Officer, Eastern Japan Region Headquarters
3	Isao Hirata	New Candidate	Senior Managing Executive Officer, Corporate Planning and IR & PR and Information Technology Strategy
4	Naoyuki Koyama	New Candidate	Senior Managing Executive Officer, Vice Chief AUTOBACS Chain Officer and Marketing
5	Eiichi Kumakura	New Candidate	Senior Executive Officer, Western Japan Region Headquarters
6	Yugo Horii	New Candidate	Senior Executive Officer, Overseas Business
7	Noriaki Shimazaki	Re-nomination Outside Director Independent Officer	Director
8	Hatsuo Odamura	Re-nomination Outside Director Independent Officer	Director
9	Yoshiko Takayama	Re-nomination Outside Director Independent Officer	Director

(Notes) 1. Each of the candidates has no 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.

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 Vice Chief Executive Officer, Chief AUTOBACS Chain Officer

- Date of birth: February 11, 1956 (age 60)
- Term of office at the conclusion of this general meeting: 6 years
- Number of Company shares owned: 6,100
- Attendance at Board of Directors' meetings: 100% (17 of 17 meetings)

Reasons for nomination

Mr. Kobayashi has contributed to the Company's business development for many years. He has contributed to the establishment of a foundation for overseas businesses, and in the domestic AUTOBACS businesses, he has made vigorous efforts to open new stores and implement measures to strengthen marketing activities to establish new relationships with customers.

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

Mr. Kobayashi is nominated for director because the Company believes it is in the best interest of the AUTOBACS SEVEN Group (the "Group") that he will lead the management team to seek continuous and stable growth by pushing ahead with reform of the domestic AUTOBACS businesses and by developing and fostering overseas businesses and new businesses.

Dear Shareholders,

Since being inaugurated as director, I have made efforts to enhance AUTOBACS stores as the most important challenge in achieving the long-term vision of "Anything about cars, you find at AUTOBACS."

The environment surrounding the automobile-related industry in which we work is undergoing many structural changes as cars themselves are evolving at a greater speed than ever.

I will strive to develop human resources and create an organization that can continue to cope flexibly and quickly with such a radically changing business environment in order to ensure the growth of AUTOBACS into the future.

For new growth strategies, I will take a proactive approach to develop overseas businesses and explore new businesses, particularly in auto-related fields, with the aim of further enhancing corporate value and thereby meeting shareholders' expectations.

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 (current position)

Candidate No. 2:
Teruyuki Matsumura

Re-nomination

Career position and assignment in the Company:

Director and Senior Managing Executive Officer, Eastern Japan Region Headquarters

- Date of birth: November 25, 1961 (age 54)
- Term of office at the conclusion of this general meeting: 7 years
- Number of Company shares owned: 8,863
- Attendance at Board of Directors' meetings: 100% (17 of 17 meetings)

Reasons for nomination

Mr. Matsumura has contributed to strengthening the business foundations for the AUTOBACS business by expanding the automobile purchase and sales business and statutory safety inspection business, and enhancing customer convenience by offering merchandise and services using the Internet, while building foundations for new businesses and overseas businesses.

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

Mr. Matsumura is nominated for director because the Company believes it is in the best interest of the AUTOBACS SEVEN Group to fully utilize his ample knowledge and experience to reinforce the business foundation for the AUTOBACS business.

Dear Shareholders,

During the fiscal term under review, I worked beyond the fields of my past experience to create a growth foundation for the future and to enhance corporate value. I was involved in new growth strategies for new businesses, particularly in auto-related fields, and for overseas businesses mainly in the ASEAN region, carried out an entry into the BMW and MINI dealership business and engaged in business development with new partners in the ASEAN area.

In this term, I will strive to increase our brand value by putting into practice customer connections based on statutory safety inspections on the ground level so as to make AUTOBACS a group that is supported and trusted by customers, and will take quick action to achieve the Group's vision, "Anything about cars, you find at AUTOBACS," through concrete integration of automotive goods and services, statutory safety inspection and maintenance services, and automobile purchase and sales.

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 (current position)

Candidate No. 3:**Isao Hirata**

New Candidate

Career position and assignment in the Company:

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

- Date of birth: January 21, 1960 (age 56)
- Term of office at the conclusion of this general meeting: -
- Number of Company shares owned: 4,900
- Attendance at Board of Directors' meetings: -

Reasons for nomination

Mr. Hirata has contributed to building the systems foundation for the Company's business, while also demonstrating leadership in the formulation and implementation of the business plan.

Mr. Hirata is nominated for director because the Company believes it is in the best interest of the AUTOBACS SEVEN Group to fully utilize his ample experience and knowledge for future business development integrating business strategy and IT strategy and promotion of the business plan.

Dear Shareholders,

As the market environment increases in severity, reform of the business structure is becoming a pressing issue for the Company. New challenges are required in order to truly achieve the vision of "Anything about cars, you find at AUTOBACS" and to earn even greater trust from customers.

At the same time, it is essential to improve the efficiency of the business and to take measures different from those of the past with regard to management perspectives and methods.

As a new director, I will endeavor to enhance corporate value under the new management structure by helping accelerate corporate reforms and making a shift to renewed growth.

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 (current position)

Candidate No. 4:
Naoyuki Koyama
New Candidate

Career position and assignment in the Company:

Senior Managing Executive Officer, Vice Chief AUTOBACS Chain Officer and Marketing

- Date of birth: January 7, 1971 (age 45)
- Term of office at the conclusion of this general meeting: -
- Number of Company shares owned: 2,700
- Attendance at Board of Directors' meetings: -

Reasons for nomination

In addition to his experience in corporate management support at a consulting firm, since joining the Company Mr. Koyama has speedily pressed ahead with rebuilding foundations and pursuing reforms for overseas businesses.

Mr. Koyama is nominated for director because the Company believes it is in the best interest of the AUTOBACS SEVEN Group to fully utilize his ample experience and leadership to speedily promote reform of the domestic AUTOBACS businesses in the future.

Dear Shareholders,

Our important management challenges are, from a short-term perspective, achieving the numerical targets for existing businesses, and from a mid- to long-term perspective, investing in renewal and improvement of existing businesses and investing in and developing new businesses. As a director and executive officer, I will make efforts to push the business toward the realization of these goals while also offering pertinent advice.

I will draw upon my previous experience both inside and outside the Company to work on further enhancement of corporate governance and other matters, respecting 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 (current position)

Candidate No. 5:
Eiichi Kumakura
New Candidate

Career position and assignment in the Company:
Senior Executive Officer, Western Japan Region Headquarters

- Date of birth: February 8, 1962 (age 54)
- Term of office at the conclusion of this general meeting: -
- Number of Company shares owned: 1,700
- Attendance at Board of Directors' meetings: -

Reasons for nomination

In addition to an extensive background in the merchandising and marketing fields of the domestic AUTOBACS businesses, Mr. Kumakura has contributed to building relationships with franchisees.

Mr. Kumakura is nominated for director because the Company believes it is in the best interest of the AUTOBACS SEVEN Group to fully utilize his ample experience in general and communication skills in the reform of the domestic AUTOBACS businesses in the future.

Dear Shareholders,

Amid dramatic changes in the business environment surrounding the Company, including changes in customers and lifestyles, the question of how to design our future growth strategy has become a real issue.

The automotive aftermarket is also tending toward contraction, and the challenge this poses is how to change from "AUTOBACS, for automotive goods and services" to "Anything about cars, you find at AUTOBACS." The AUTOBACS franchise business is at the center of the Company's business, and I take reform and growth of this business as an urgent mission.

I am committed to fulfilling my role at all times in order to meet 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 (current position)

Candidate No. 6:**Yugo Horii**

New Candidate

Career position and assignment in the Company:

Senior Executive Officer, Overseas Business

- Date of birth: June 24, 1972 (age 43)
- Term of office at the conclusion of this general meeting: -
- Number of Company shares owned: 4,900
- Attendance at Board of Directors' meetings: -

Reasons for nomination

In addition to his efforts in business administration fields including legal affairs and internal control to improve compliance and group control in the AUTOBACS SEVEN Group, Mr. Horii has been actively involved in company-wide efforts such as enhancing customer convenience and launching new services.

Mr. Horii is nominated for director because the Company believes it is in the best interest of the AUTOBACS SEVEN Group to fully utilize his company-wide perspective and his high capabilities for supporting advancement of business to establish the Company's overseas businesses as a pillar of future growth.

Dear Shareholders,

I have been involved for many years in operations that indirectly support the business in the fields of general affairs, legal affairs, and internal controls.

Based on my experience to date, I will meet the expectations of stakeholders by working to further enhance corporate governance, while seeking to achieve the long-term vision of "Anything about cars, you find at AUTOBACS" in the overseas businesses mainly in the ASEAN region, which is one of the Company's growth strategies, and striving to create a new foundation and grow the business for the future.

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 (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 69)
- Term of office at the conclusion of this general meeting: 5 years
- Number of Company shares owned: 5,500
- Attendance at Board of Directors' meetings: 100% (17 of 17 meetings)

Reason for nomination

Mr. Shimazaki has extensive experience and profound knowledge of accounting and financial matters, personnel development, risk management, and management strategy in business corporations.

Furthermore, Mr. Shimazaki 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 knowledge, Mr. Shimazaki has 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.

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

Dear Shareholders,

The medium-term business plan that began in fiscal 2014 has entered its third year, and the critical challenge for the Group is restoring the profitability of the AUTOBACS business. It is urgent that we steadily carry out the tasks and growth scenario laid out in the plan. Under a rejuvenated management structure in which the Company is scheduled to have a new president for the first time in eight years, it is essential that, in addition to strengthening existing businesses, we work on new businesses that will be pillars of the future. I will draw on my previous experience to provide pertinent advice with regard to matters such as risk management and corporate governance from the perspective of enhancing corporate value.

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 2015:	Adviser, Loginet Japan Co., Ltd. (current position)

(Note) Mr. Shimazaki is scheduled to retire as a member of the Management Advisory Committee, BNP Paribas Securities (Japan) Limited, a chair of Self-regulation Board & Public Governor of Japan Securities Dealers Association, and a member of the Management Advisory Committee, SBI Holdings, Inc. as of June 2016.

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 66)
- Term of office at the conclusion of this general meeting: 2 years
- Number of Company shares owned: 500
- Attendance at Board of Directors' meetings: 100% (17 of 17 meetings)

Reasons for the nomination

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

Based on such extensive experience and knowledge, Mr. Odamura has 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.

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

Dear Shareholders,

As sales of new automobiles in Japan continue to decline, conditions in the automotive aftermarket have become very challenging. Automobile-related technology is also in a period of great transformation, including developments in automated driving technologies and IT integration. Against this backdrop, we must steadily develop existing businesses and push ahead with development of new businesses.

It is also vital to support sustainable corporate growth and increase corporate value over the mid- to long-term by steadily implementing the Corporate Governance Code. I intend to make use of the experience and knowledge I have acquired to date to help solve these issues and contribute to the development of the Company.

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 59)
- Term of office at the conclusion of this general meeting: 1 year
- Number of Company shares owned: -
- Attendance at Board of Directors' meetings: 100% (13 of 13 meetings)*

* Because Ms. Takayama assumed office as Director on June 24, 2015, the meetings held on and before June 23, 2015 are excluded. There were 10 regular Board of Directors' meetings and three extraordinary meeting of the Board of Directors that she was required to attend.

Reasons for nomination

As her profile indicates, Ms. Takayama has experience in providing consulting services in finance and M&As, as well as experience and achievements in providing consulting services for corporate consulting, including IR activities and the evaluation of the board of directors relative to IR and corporate governance.

Based on such extensive experience and knowledge, Ms. Takayama has 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.

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

Dear Shareholders,

I have built up considerable experience both in Japan and overseas in the fields of corporate governance and investor relations (IR). As discussion surrounding the Corporate Governance Code moves from form to practice, I will make use of the experience and knowledge I have acquired to date to continue to make a contribution through discussions at the Board of Directors' meetings and dialogue with the management of the Group, so that the Company can constantly evolve and grow sustainably under its unchanging mission of "aiming to be a corporate group that makes motorized societies better and building enduring relationships with customers."

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)
- October 2010: Director, Japan Corporate Governance Network (current position)
- October 2010: Member of the Asset Management Policy Study Group, Pension Fund Association for Local Government Officials (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)

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). (Please refer to page 19.)

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.

Agenda Item No. 3 and Reference Matters

Agenda Item No. 3: Election of two (2) audit and supervisory board members

At the conclusion of this general meeting, the term of office of Mr. Tomoaki Ikenaga, as audit and supervisory board member, will expire.

In addition, Mr. Yasuhiro Tsunemori, as audit and supervisory board member, will retire due to resignation at the conclusion of this general meeting.

Accordingly, the Company requests the shareholders' approval for the election as audit and supervisory board members of the two (2) candidates below.

The present Agenda Item has already been approved by the Audit and Supervisory Board. Information on the candidates is provided on pages 16–18.

Candidate No.	Name		Career position in the Company
1	Kozo Sumino	New Candidate	Director and Senior Executive Officer
2	Tomoaki Ikenaga	Re-nomination Outside Audit and Supervisory Board Member Independent Officer	Audit and Supervisory Board Member

- (Notes)
1. The candidates have no special interest in the Company.
 2. Mr. Tomoaki Ikenaga is a candidate for outside audit and supervisory board member as defined in Article 2, Paragraph 3, Item 8, of the Companies Act Enforcement Regulations. In addition, he satisfies the conditions set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, as well as other requirements for independence stipulated by the Company, and he is expected to be an independent officer.

Reference Matters for Agenda Item No. 3: Election of two (2) audit and supervisory board members

Candidate No. 1:

Kozo Sumino

New Candidate

Career position in the Company: Director and Senior Executive Officer

- Date of birth: October 1, 1957 (age 58)
- Term of office at the conclusion of this general meeting: -
- Number of Company shares owned: 41,499
- Attendance at Board of Directors' meetings: -

Reasons for the nomination

During his many years participating in management as a director at the Company and its affiliates, Mr. Sumino has accumulated actual achievements in a wide variety of fields, including the marketing and merchandising fields of the AUTOBACS business, as well as executive management, the development of new businesses and overseas operations.

Mr. Sumino is nominated as an audit and supervisory board member because the Company believes it is in the best interest of the Group to make use of his ample knowledge and experience as an audit and supervisory member of the Company.

Dear Shareholders,

The market environment and environment surrounding the company are changing significantly, and the Company is called upon to respond to those changes. As audit and supervisory board member, I will endeavor to live up to the expectations of our shareholders and all stakeholders by contributing to sound management of the Company and assisting its further development through operational audits and accounting audits, in addition to offering frank opinions at Board of Directors' meetings. In doing so, I will draw on my own lengthy practical experience at the Company in sales and management and broad business experience in management at subsidiaries and other areas to ensure that aggressive execution of business based on innovative management is implemented under appropriate internal control and corporate governance with a view to new growth.

Brief professional background including major posts held

- April 1984: Joined IBM Japan, Ltd.
- June 1985: Joined AUTOBACS SEVEN Co., Ltd.
- February 1995: General Manager of Merchandise Development Department
- June 2000: Director, General Manager of General Services Department

- June 2002: Director and Executive Officer, Personnel, General Services, Legal and Information Systems
- October 2003: Director and Executive Officer, Business Development
- April 2005: Director and Officer, Overseas Business Strategy
- April 2007: Officer, Accounting and Information Systems
- May 2007: Representative Director, AB System Solutions Limited
- June 2008: Officer, Car Aftermarket Business and Merchandising Strategy Planning

- April 2009: Executive Officer, Head of Merchandising & Services
- April 2010: Executive Officer, Internal Control
- April 2011: Representative Director, Palstar K.K.
- June 2014: Director and Senior Executive Officer, Merchandise Development
- April 2015: Director and Senior Executive Officer, Head of Merchandising and Statutory Safety Inspections & Services and Merchandise Development
- October 2015: Director and Senior Executive Officer, Head of Merchandising and Car Parts & Accessories and Merchandise Development (current position)
- April 2016: Director and Senior Executive Officer (current position)

Candidate No. 2:**Tomoaki Ikenaga**

Re-nomination, Outside Audit and Supervisory Board Member (Independent Officer)

Career position in the Company: Outside Audit and Supervisory Board Member (Independent Officer)

- Date of birth: October 4, 1954 (age 61)
- Term of office at the conclusion of this general meeting: 8 years
- Number of Company shares owned: 4,300
- Attendance at Board of Directors' meetings: 100% (17 of 17 meetings)

Reasons for the nomination

Mr. Ikenaga has ample experience as a lawyer, and in particular has specialist knowledge with regard to matters such as internal control and compliance.

Based on his extensive experience and knowledge, Mr. Ikenaga has fulfilled his audit function by providing timely comments as an outside audit and supervisory board member and independent officer from the viewpoint of protecting the general shareholders.

Mr. Ikenaga is nominated as an outside audit and supervisory board member, as in the previous year, because the Company believes that he can continue to audit the Company's management as an outside audit and supervisory board member and as independent officer.

Dear Shareholders,

I feel the weight of responsibility assuming the post of outside audit and supervisory board member for a third term at this time when the enhancement of governance linked to growth under the Stewardship Code and the Corporate Governance Code has become our clear direction.

I have long practiced active and aggressive exercise of authority as stated in the Corporate Governance Code. I am committed to promoting the growth of the Company by continuing to use my knowledge and experience as an internal control and governance specialist, as well as the management knowledge I have gained at the Company, in audit operations and by offering pertinent advice to the new management team.

Brief professional background including major posts held

April 1981:	A member of "Dai-ni Tokyo Bar Association"
June 1998:	Legal Department, The Chase Manhattan Bank, New York
August 1998:	Head of Legal, The Chase Manhattan Bank, Tokyo Branch
July 2001:	Head of Legal, JP Morgan Securities Asia Pte. Limited, Tokyo Branch
June 2002:	Director, General Counsel and Head of Legal, Deutsche Bank AG, Tokyo Branch and Deutsche Securities Limited, Tokyo Branch
January 2006:	Executive Officer, Managing Director, General Counsel and Head of Legal, Deutsche Securities Inc.
October 2006:	Partner, Anderson Mori & Tomotsune (current position)
June 2008:	Outside Corporate Auditor, AUTOBACS SEVEN Co., Ltd (current position)
September 2010:	Independent Member of the Oversight Committee, Moody's Japan K.K (current position)
September 2010:	Independent Member of the Oversight Committee, Moody's SF Japan K.K (current position)

Liability limitation agreement with the candidates for the offices of outside audit and supervisory board members

Mr. Tomoaki Ikenaga, a candidate for the office of outside audit and supervisory board member and who currently serves as the Company's outside audit and supervisory board member, has entered into an agreement with the Company that defines his limitations of liability as defined in Article 423, Paragraph 1, of the Companies Act. In the event of his re-election as an outside audit and supervisory board member, said agreement will be continued.

In the event of the election of Mr. Kozo Sumino, a candidate for the office of audit and supervisory board member, it is scheduled that he would enter into the same agreement with the Company.

[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 audit and supervisory board members from the Company as consideration for the execution of their duties while in office.
- b) In the case where each of the outside audit and supervisory board members 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.

Special remarks on the candidates for the offices of outside audit and supervisory board members

1. Independence of the candidates for the office of outside audit and supervisory board member

Mr. Tomoaki Ikenaga satisfies the requirements of the candidates for the office of outside audit and supervisory board member as set forth in Article 2, Paragraph 3, Item 8, of the Companies Act Enforcement Regulations. At the same time, the 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). (Please refer to page 19.)

2. Special relationship between candidates for outside audit and supervisory board members and the Company

Candidates for outside audit and supervisory board members have no special interests in the Company.

3. In case a candidate for outside audit and supervisory board member 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^{*1} whose amount per fiscal term of operation or trade with, or the amount paid to or received by, the AUTOBACS SEVEN Group accounts for 2% or more of the sales^{*2} of either party in any fiscal term within the past three years, including the fiscal term under review
 - b. Financial institution or other large creditor that is indispensable to the AUTOBACS SEVEN Group's fund procurement and on which the Group depends to the extent that such a financial institution or large creditor is irreplaceable, within the past three years, including the fiscal term under review
 - c. Any major shareholder of the Company (owning 10% or more of outstanding shares), within the past five years, including the fiscal term under review
 - d. Any corporation which currently includes the AUTOBACS SEVEN Group as major shareholder (owning more than 10% of outstanding shares)
 - e. Any corporation that currently shares mutually appointed directors with the AUTOBACS SEVEN Group (mutual exchange of directors through cross-holding of shares)
2. The Company's outside officers shall not have been a spouse of said executive directors, etc., of the AUTOBACS SEVEN Group or a relative within the second degree of kinship, or have shared means of livelihood in the past five years, including the fiscal term under review.
3. The Company's outside officers shall not be a spouse of, a relative within the second degree of kinship or share means of livelihood with any person corresponding to the description of Paragraph 1 above.
4. The Company's outside officers shall not be in any situation that may hinder them from performing their duties as the Company's independent officers.

^{*1} Includes accounting firms, law offices and consulting companies other than those listed in 1. (ii) above.

^{*2} 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, 2015 to March 31, 2016)

1. Current Status of the AUTOBACS SEVEN Group

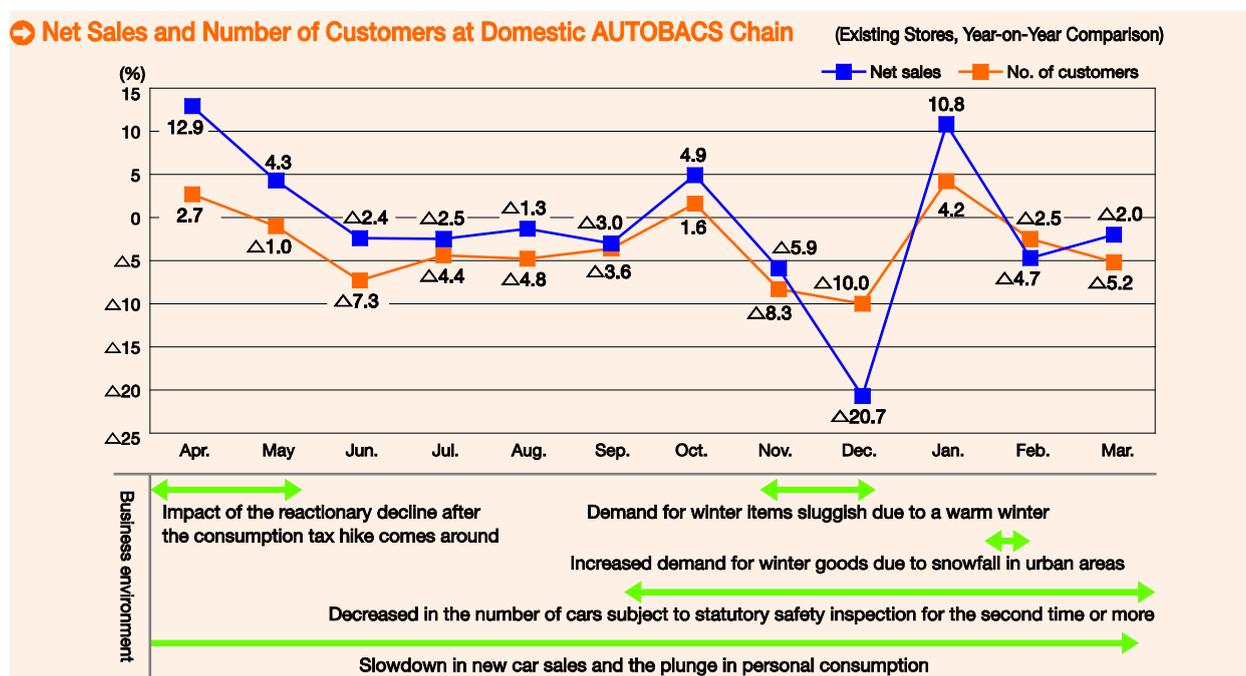
(1) Business Progress and Results

Business environment

During the consolidated fiscal term under review, although the Japanese economy showed an improvement trend in corporate earnings, supported by the effects of economic stimulus measures implemented by the Japanese government, uncertainties remained due to the worsening slowdown in the world economy from the second half of the fiscal term under review. With regard to domestic automotive-related consumption, the overall situation was severe because of sluggish demand, reflecting the impact of continued weak sales of new and used cars from the beginning of the fiscal term and a record warm winter.

Operations at domestic stores

Total sales for all business categories of the AUTOBACS chain (including franchise stores) in Japan during the fiscal term under review declined by 2.3% on a same-store basis, and decreased by 1.5% on a total-store basis year-on-year.



In the AUTOBACS chain business in Japan, AUTOBACS SEVEN Co., Ltd. (the “Company”) made efforts to provide highly convenient merchandise by expanding the merchandise lineup of its private brand, “AQ.” (Autobacs Quality), which started sales in the previous fiscal term, in categories including Oil, Tires, Car Interior Goods and Car Electronics. In addition, the Company focused on initiatives aimed at maintaining relationships between all drivers and stores mainly through the nationwide notification of the benefits of the membership Maintenance Member, which offers eight types of services free of charge, and efforts to provide information on “automotive goods and services sales,” “statutory safety inspection and maintenance services” and “automobile purchase and sales.”

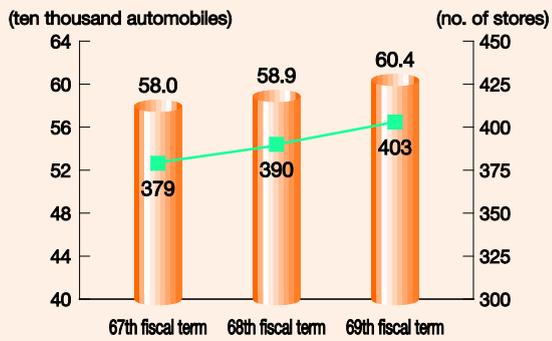
In the automotive goods and services sales business, demand for car navigation devices, car interior accessories and other goods decreased due to sluggish sales of automobiles in Japan, despite efforts to expand sales of featured items including drive recorders. In addition, sales of winter merchandise including snow tires, wheels and snow chains declined due to the impact of a record warm winter in the third quarter, despite snowfall in metropolitan areas in mid-January.

In the statutory safety inspection and maintenance services business, the number of cars undergoing statutory safety inspection increased by 2.7% year on year to 604,000 units as a result of efforts including approaching customers who visited the stores and promoting telephone/Internet reservation.

In the automobile purchase and sales business, sales to used car dealers, such as auto auctions, grew due to an increase in the number of automobiles purchased as a result of launching nationwide TV ads in line with an increase in the number of AUTOBACS CARS (“ABcars”) member stores and strengthening assessment utilizing the patented assessment system “Satei Dr.” In addition, sales of both new and used cars to individual customers

surpassed the results of the previous fiscal term, resulting in a year-on-year increase of 13.4% to approximately 27,000 units. Furthermore, in an effort to strengthen automobile purchases, two AUTOBACS Used Car Purchase stores were opened in March. The number of ABcars member stores as of March 31, 2016 increased to 480 from 451 at the end of the fiscal term ended March 31, 2015.

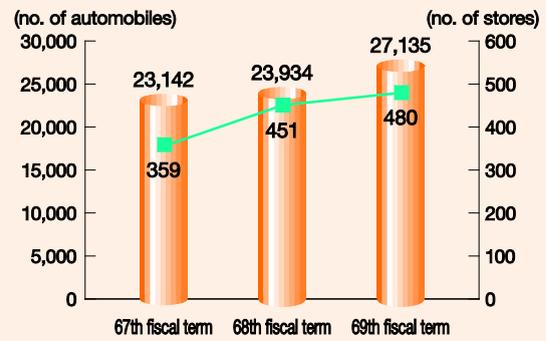
➡ Number of automobiles that underwent statutory inspections and number of fully certified and designated stores*



■ Number of automobiles that underwent statutory inspections
—■ Number of fully certified and designated stores

* A "fully certified and designated store" has a certified factory (a factory that can conduct statutory inspection on behalf of a government authority).

➡ Number of automobiles sales and ABcars member stores



■ Automobile sales —■ ABcars member stores

Status of domestic store consolidation

With respect to domestic store openings and closings, 18 new stores were opened, seven stores went through scrap & build or relocation, and five stores were closed, resulting in 599 stores as of March 31, 2016.

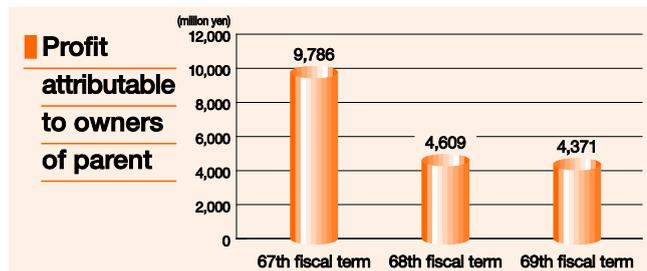
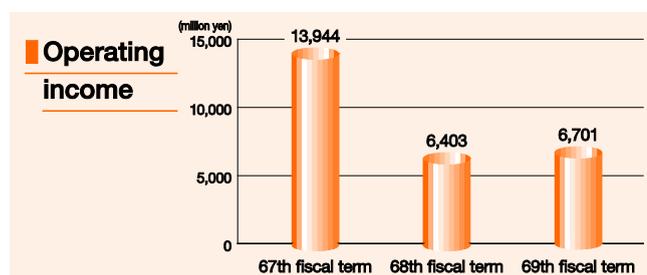
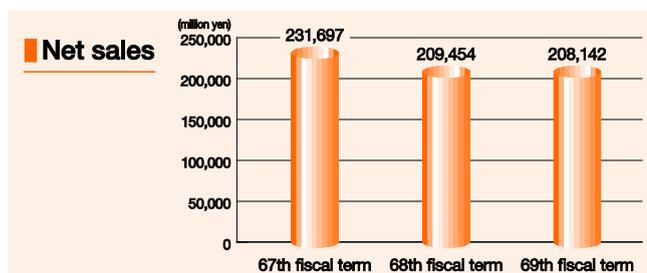
No. of domestic stores at the end of the fiscal term under review: 599

	No. of stores as of March 31, 2015	Opened	Change in store format, S/B, R/L		Closed	No. of stores as of March 31, 2016	Increase/ decrease
			+	-			
AUTOBACS	492	10	7	7	-4	498	6
Super AUTOBACS	75	0	0	0	0	75	0
AUTOBACS <i>Secohan Ichiba</i>	10	0	0	0	-1	9	-1
AUTOBACS EXPRESS	8	4	0	0	0	12	4
AUTOBACS CARS Stand-alone store	1	2	0	0	0	3	2
AUTOBACS Used Car Purchase store	0	2	0	0	0	2	2
Total	586	18	7	7	-5	599	13

- (Notes)
1. Ten AUTOBACS *Secohan Ichiba* stores in a shop-in-shop format are not included in the number of the overall AUTOBACS chain stores.
 2. 480 ABCars member stores (excluding AUTOBACS CARS Stand-alone stores) are not included in the overall AUTOBACS chain stores.
 3. "S/B" and "R/L" above are the abbreviations for "scrap and build" and "relocation," respectively.
 4. The number of the overall AUTOBACS chain stores includes AUTOBACS CARS Stand-alone stores and AUTOBACS Used Car Purchase stores from the fiscal term under review.
 5. The number of AUTOBACS stores as of March 31, 2015 includes Pasar Miyoshi (up lane) store.

Consolidated business results

The AUTOBACS SEVEN Group (the “Group”) net sales for the consolidated fiscal term under review decreased by 0.6% year on year to ¥208,142 million, gross profit remained almost unchanged from the level of the previous fiscal term at ¥66,968 million, selling, general and administrative expenses decreased by 0.4% year on year to ¥60,266 million, and operating income increased by 4.6% year on year to ¥6,701 million. Ordinary income decreased by 5.7% year on year to ¥7,780 million. In addition, extraordinary income of ¥363 million was recorded, associated with the sales of investment securities, and extraordinary loss of ¥585 million was recorded mainly due to the impairment of stores of domestic store subsidiaries. As a result, profit attributable to owners of parent decreased by 5.2% year on year to ¥4,371 million.



Business results by segment are as follows.

(AUTOBACS SEVEN Co., Ltd.)

Net sales declined by 5.1% year on year to ¥158,288 million. Specifically, wholesale sales for the third quarter declined due to a decrease in sales of winter merchandise at domestic stores. Gross profit fell by 6.1% year on year to ¥32,570 million, reflecting the sales decline, but the gross margin remained at around the same level as the previous fiscal term mainly as a result of initiatives in automotive goods and services aimed at improving gross profit. Selling, general and administrative expenses fell by 1.3% year on year to ¥25,495 million due to the impact of a change of the method for calculating depreciation and amortization expenses from declining balance method to straight line method as well as efforts to reduce expenses such as reviewing the method of advertising, despite an increase in expenses for renovation of store systems and Western Japan Logistics Center. As a result, operating income decreased by 19.9% year on year to ¥7,074 million.

(Domestic store subsidiaries)

Net sales increased by 1.0% year on year to ¥68,550 million, and operating loss improved by ¥950 million year on year to ¥974 million. A major factor behind this trend was the decrease in sales of automotive goods and services, such as tires, due to record warm temperatures during the winter in the third quarter, despite the increase in sales associated with the transfer of stores from franchisee corporations and the increase in sales due to snowfall in the fourth quarter. Gross profit grew year on year primarily as a result of changes in the sales composition of merchandise and initiatives aimed at improving the gross margin. Selling, general and administrative expenses decreased mainly due to efforts to make efficient use of sales promotion expenses, which offset an increase in expenses associated with the transfer of stores from franchisee corporations.

(Overseas subsidiaries)

Net sales decreased by 8.8% year on year to ¥9,104 million, and operating income improved year on year to ¥30 million (operating loss of ¥177 million for the same period of the previous fiscal term). On a local currency basis, in France, operating income was sustained as the gross margin improved due to initiatives aimed at revitalizing inventory, in addition to stronger sales of high-margin categories such as Oil and Services and the review of merchandise prices, despite the decline in the number of customers following the terrorist attack in Paris in November. In Thailand, net sales declined due to the impact of sluggish sales of new cars and the closing of unprofitable stores in the previous fiscal term, even though one store was opened and another store was relocated. However, operating loss improved year on year as a result of improved gross margin and cost-cutting efforts. In Singapore, the gross margin improved due to a rise in the percentage of sales in Services, but operating income decreased as a result of a decline in net sales and an increase in expenses. In China, operating income improved and was positive due to the robust trade business of automotive goods as well as the impact of cost-cutting efforts. In Malaysia, efforts are being made to enhance brand recognition for AUTOBACS brand, with local subsidiaries opening three stores.

(Subsidiaries for car goods supply and other)

Net sales increased by 38.1% year on year to ¥21,263 million, while operating income decreased by 65.3% year on year to ¥18 million. This was attributable to a decline in wholesale sales of automotive goods and services of other subsidiaries, in addition to an increase in expenses, despite an increase in sales from Autoplatz K.K., a BMW certified dealer, and Autoplatz Motors K.K., a MINI authorized dealer, which were made subsidiaries of the Company in April.

(Subsidiaries for supporting functions)

Net sales increased by 5.0% year on year to ¥3,204 million because of an increase in sales of leases of store facilities and equipment to franchise stores. Operating income decreased by 6.8% year on year to ¥400 million.

(Consolidation adjustment in operating income)

The adjustment of total operating income in each segment to consolidated operating income was ¥152 million. This was mainly attributable to the decrease in merchandise inventory wholesaled from the Company to the domestic store subsidiaries and the realization of unrealized profits.

Net sales and operating income by segment

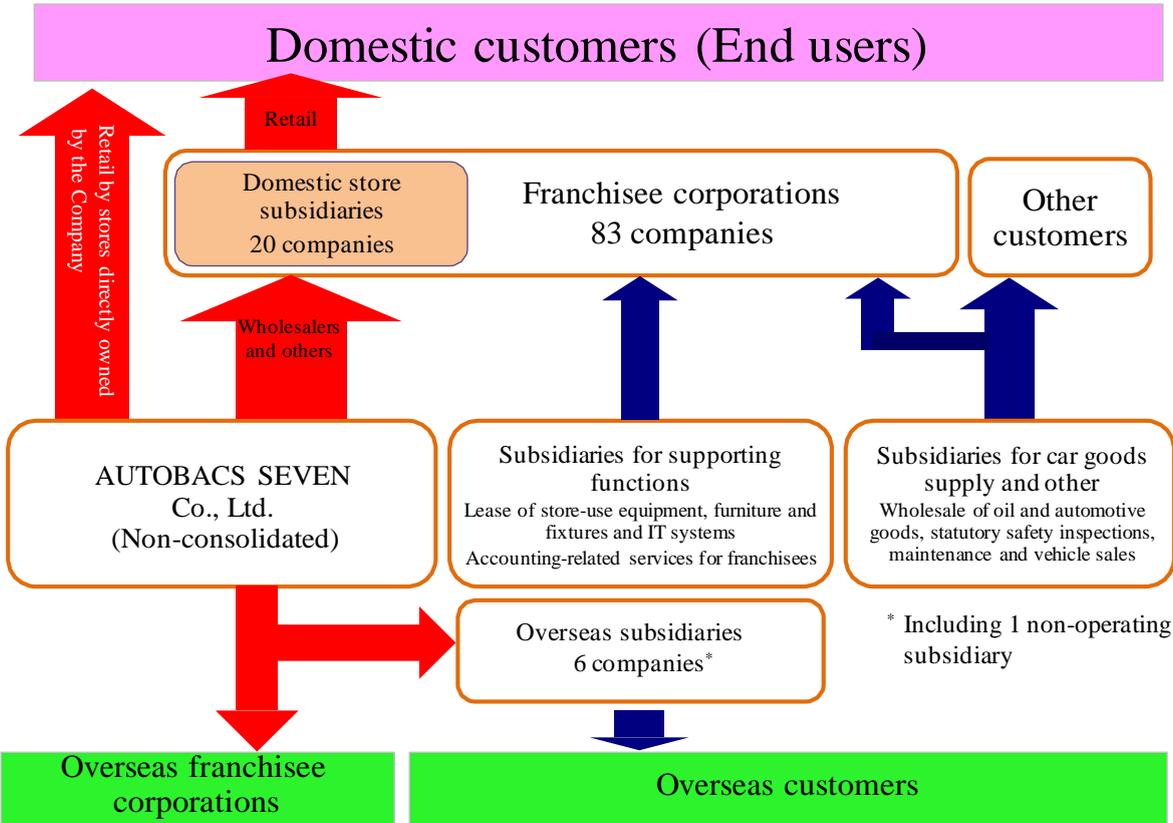
(Unit: million yen)

	The Company	Domestic store subsidiaries	Overseas subsidiaries	Subsidiaries for car goods supply and other	Subsidiaries for supporting functions	Total (Note)
Net sales	158,288	68,550	9,104	21,263	3,204	260,410
year on year change	-5.1%	1.0%	-8.8%	38.1%	5.0%	-1.0%
Operating income	7,074	-974	30	18	400	6,549
year on year change	-19.9%	-	-	-65.3%	-6.8%	-9.2%

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

The Company's Consolidated Segments

Outline of the AUTOBACS SEVEN Group's Consolidated Segments (as of March 31, 2016)



Progress overview of the Medium-Term Business Plan

In the domestic AUTOBACS business, expanding the number of Maintenance Members and the number of cars undergoing statutory safety inspection were positioned as the top priority measures with a view to establishing ongoing relationships with customers.

With regard to expanding the number of Maintenance Members, the Company used direct mail, receipt coupons and other means to encourage existing Point-Up Card Members to switch to becoming Maintenance Members with an eye to a membership of three million. In addition, the Company increased new members by creating a sales floor area for selling membership cards for those who are to become Maintenance Members and enhancing the lineup of special price oils and other items for Maintenance Members. As a result of these efforts, membership increased by approximately 400,000 from the beginning of the term to approximately 2.4 million as of March 31, 2016, despite a decrease due to expiration.

As for expanding the number of cars undergoing statutory safety inspection, the Company strengthened measures for improving the repeat rate for customers who have had their statutory safety inspection done at an AUTOBACS store, with a view to increasing the number of cars undergoing statutory safety inspection to approximately 800,000 units in the fiscal term ending March 31, 2018. As a result, the number of reservations made for the next statutory safety inspection stood at roughly 230,000 units as of March 31, 2016. In addition, the Company worked to enhance the capability of stores to handle statutory safety inspection, such as securing qualified mechanics and improving operational efficiency for such inspection.

As part of the initiative to promote the use of omni-channels to enhance customer convenience, the Company strengthened coordination among channels such as stores, the Internet, apps and telephone inquiries by means of reservation, by expanding the lineup of merchandise the installation of which can be reserved in E-Commerce, as well as conducting trial reservation for a tire change and enhancing reservation for an oil change. These initiatives achieved a certain degree of success, with the number of reservations for an oil change increasing by 27% year on year.

In automobile purchase and sales, the Company worked to strengthen automobile purchasing mainly through opening of AUTOBACS Used Car Purchase stores in March 2016 while focusing on automobile purchasing at existing ABCars member stores. In addition, the Company made efforts to strengthen the purchase and sales capability by relocating some corporate human resources to the stores while also accumulating knowhow.

With regard to reform of the profit structure of domestic store subsidiaries, retail pricing management mainly for tires was reinforced and trial inventory management was implemented for rationalizing inventory at some stores, which produced results that could be implemented at other stores in the following fiscal term. Although these measures significantly contributed to the improvement of the gross margin in the first half of the fiscal term ended March 31, 2016, the gross margin for the full year was at the same level as the previous fiscal term partly due to sluggish performance of winter merchandise in the second half.

In the overseas business, the Group proactively promoted new business development mainly in the ASEAN region. In Malaysia, three stores, mainly small-scale community-based stores, were opened by the local subsidiary in an effort to raise the level of recognition for AUTOBACS brand and build the store model. In Indonesia, two stores were opened through a sublicense agreement with a local company. In the Philippines, the Company forged a capital and business alliance with a local company in January 2016 and will carry out multi-store development and wholesale sales of automotive goods.

In the domestic new business, profitability improved as a result of the increase in the number of cars sold and the expansion of sales of services in the BMW dealer business and the MINI dealer business by Autoplatz K.K. and Autoplatz Motors K.K., respectively, of which the Company acquired all shares in April 2015.

In the 2014 Medium-Term Business Plan, the Group, targeting consolidated operating income of ¥15 billion and consolidated ROE of 8%, strove to take initiatives for “automotive goods and services sales,” “statutory safety inspection and maintenance services” and “automobile purchase and sales” mainly in the domestic AUTOBACS business. However, since the Group determined that it would be difficult to achieve the targets in the fiscal term ending March 31, 2018, it decided to review and reexamine the medium-term management targets and strategies and specific measures.

(2) Status of Capital Investment

During the consolidated fiscal term under review, the Company made capital investments totaling ¥5,895 million, mainly to acquire machinery and equipment for the renovation of Western 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.

(3) 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 balance of short-term borrowings, long-term debts and bonds declined by ¥364 million, because repayments exceeded the amount procured.

(4) Targets to be Achieved

The Group expects the domestic existing automotive aftermarket to continue shrinking in the future even though new opportunities for handling next-generation automobiles are emerging. In order to continue adapting to changes in this tough business environment, the Company realizes that reforms not bound by past successful experiences are needed, and based on this realization, will foster a corporate culture that encourages new challenges through swift and decisive decision-making regardless of past customs and practices.

In the Group's core domestic AUTOBACS business, the Group keeps on working to strengthen "automotive goods and services sales," "statutory safety inspection and maintenance services" and "automobile purchase and sales" focused on Maintenance Members with a view to building continuous relationships with customers. On the other hand, from a medium- to long-term perspective, the Group will strengthen the retail field as a top priority and conduct a fundamental review to shift to a store format that is supported by customers in order to swiftly improve profitability of the domestic AUTOBACS business including corporate franchisees' stores.

In addition, the Group will develop and nurture the overseas business and new business to realize continuous and stable growth into the future while pursuing structural reform of the domestic AUTOBACS business.

The medium-term management targets and strategies and specific measures for the future will be announced as soon as they are decided following consideration under the new management structure.

(5) Assets and Operating Results

(i) The Group's assets and operating results

Classification	65th fiscal term Apr. 1, 2011- Mar. 31, 2012	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
Net sales (million yen)	237,342	230,168	231,697	209,454	208,142
Operating income (million yen)	13,720	12,745	13,944	6,403	6,701
Ordinary income (million yen)	15,307	14,472	16,421	8,250	7,780
Profit attributable to owners of parent (million yen)	8,402	7,590	9,786	4,609	4,371
Net income per share (¥)	252.85	(Note) 81.22	107.71	52.83	51.60
Total assets (million yen)	217,948	205,526	201,481	186,531	180,454
Net assets (million yen)	146,193	143,301	144,363	138,553	131,747
Capital-to-assets ratio (%)	66.8	69.5	71.5	74.2	72.8
ROE (%)	5.7	5.3	6.8	3.3	3.2
Dividend payout ratio (%)	57.3	64.0	59.4	113.6	116.3 (projection)
DOE (%)	3.3	3.4	4.1	3.7	3.8 (projection)

(Note) 1. 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.

- The presentation of "net income" has been changed to "profit attributable to owners of parent" due to the application of the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), etc. from the fiscal term under review.

(ii) The Company's assets and operating results

Classification	65th fiscal term Apr. 1, 2011- Mar. 31, 2012	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
Net sales (million yen)	195,601	187,298	183,758	166,828	158,288
Operating income (million yen)	13,590	13,735	13,330	8,836	7,074
Ordinary income (million yen)	15,148	15,231	14,911	11,063	7,565
Net income (million yen)	8,835	8,659	9,370	3,301	3,973
Net income per share (¥)	265.80	(Note) 92.64	103.10	37.82	46.88
Capital (million yen)	33,998	33,998	33,998	33,998	33,998
No. of shares outstanding (shares)	34,251,605	32,650,035	92,950,105	89,950,105	86,950,105
Total assets (million yen)	208,930	196,532	187,912	173,106	165,023
Net assets (million yen)	148,381	146,298	146,441	139,408	132,286

(Note) The Company conducted a 3-for-1 stock split as of April 1, 2013.

Total number of shares outstanding for the 66th fiscal term is the number of shares before the stock split, whereas net income per share is calculated assuming that the stock split was conducted at the beginning of the 66th fiscal term.

(6) The Group's Major Business Line (as of March 31, 2016)

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; 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, and automobile purchase and sales 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

(7) Major Business Locations of the Company (as of March 31, 2016)

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

(8) Key Subsidiaries (as of March 31, 2016)

Company name	Location	Capital	The Company's investment ratio	Line of business
AUTOBACS Hokkaido, Ltd.	Nishi-ku, Sapporo City	¥100 million	100.0%	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

(9) Key Affiliate Companies (as of March 31, 2016)

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
FUNUS Corporation	Minato-ku, Tokyo	¥200 million	25.0%	Automotive goods retail business
Buffalo Ltd.	Kawaguchi City, Saitama	¥510 million	24.2%	Automotive goods retail business

(10) Employment Situation (as of March 31, 2016)**The Group's employment status**

(Unit: persons)

Divisions	No. of employees		Increase/decrease from the previous consolidated fiscal term	
Wholesale	568	(47)	-16	(5)
Retail	3,324	(860)	197	(13)
Company-wide (common)	455	(21)	-97	(-)
Total	4,347	(928)	84	(18)

- (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.

The Employment status of the Company

No. of employees	Increase/decrease from the previous fiscal term	Average age	Average number of years of employment
935	-114	43.9	15.9

(11) Major Lenders and Loan Amount (as of March 31, 2016)

(Unit: million yen)

Lenders	Balance of loans
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,491
Nippon Life Insurance Company	500
Sumitomo Mitsui Banking Corporation	500

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

Not applicable

2. Status of the Company (as of March 31, 2016)

(1) Status of Shares

- (i) Total number of authorized shares: 328,206,900 shares
(ii) Total number of shares issued: 86,950,105 shares (including 2,905,496 treasury stock)
(iii) Number of shareholders: 37,013
(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	6,471	7.69
Sumino Holdings, Ltd.	6,268	7.45
The Yuumi Memorial Foundation for Home Health Care	3,990	4.74
Northern Trust Company AVFC Re U.S. Tax Exempted Pension Funds	3,786	4.50
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,578	4.25
K Holdings, Ltd.	2,800	3.33
Northern Trust Company (AVFC) Account Non-treaty	2,277	2.70
Japan Trustee Service Bank, Ltd. (Trust Account)	2,233	2.65
Live Field Co., Ltd.	2,000	2.37
The Master Trust Bank of Japan, Ltd. (Retail Trust Account 820079252)	1,800	2.14

- (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, 2016. 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 uses the total number of shares outstanding as the denominator in the calculation.
2. Holdings of less than 1,000 shares have been omitted from the number of shares owned, and the shareholding ratio is rounded down to two decimal places.

(v) Other significant matters concerning shares**a. Acquisition, disposal, etc. of treasury stock and the holding thereof**

(Unit: shares)

Treasury stock held at the end of the previous fiscal term		3,404,570 ... (i)
Acquired shares	Acquisition through purchase of shares constituting less than one unit	926 ... (ii) (Aggregate acquisition value: ¥1,912 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.	2,500,000 ... (iii) (Aggregate acquisition value: ¥5,247,060 thousand)
Disposed shares	Disposal of treasury stock pursuant to the provision of Article 178 of the Companies Act	3,000,000 ... (iv) (Aggregate disposal value: ¥4,987,500 thousand)
Treasury stock held at the end of the current fiscal term		2,905,496 (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

(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	Relationship with the Company
Representative Director	Setsuo Wakuda	Chief Executive Officer	—	—
Director	Hironori Morimoto	Vice Chief Executive Officer, Head of Corporate Administration	—	—
Director	Kiomi Kobayashi	Vice Chief Executive Officer, Chief AUTOBACS Chain Officer	—	—
Director	Teruyuki Matsumura	Senior Managing Executive Officer, Head of Overseas Business and New Business Development	—	—
Director	Kozo Sumino	Senior Executive Officer, Head of Merchandising and Car Parts & Accessories and Merchandise Development	—	—
Director (Outside)	Noriaki Shimazaki	BNP Paribas Securities (Japan) Limited Management Advisory Committee	Committee Member	None
		Japan Securities Dealers Association	Chair of Self-regulation Board & Public Governor	None
		IFRS Foundation Asia-Oceania Office	Advisor	None
		The Japanese Institute of Certified Public Accountants	Advisor	None
		SBI Holdings, Inc., Management Advisory Committee	Committee Member	None
		XBRL Japan Inc.	Chairman	None
		UKC Holdings Corporation	Outside Director	None
Director (Outside)	Hatsuo Odamura	TAITO CORPORATION	Advisor	None
Director (Outside)	Yoshiko Takayama	J-Eurus IR Co., Ltd.	Managing Director	None
		Japan Corporate Governance Network	Director	None
		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	None
		Japan Board Review Co., Ltd.	Representative Director	None
Audit and Supervisory Board Member (Full-time)	Yasuhiro Tsunemori	—	—	—
Audit and Supervisory Board Member (Outside)	Tomoaki Ikenaga	Anderson Mori & Tomotsune	Partner	None
		Moody's Japan K.K.	Independent Member of the Oversight Committee	None
		Moody's SF Japan K.K.	Independent Member of the Oversight Committee	None
Audit and Supervisory Board Member (Outside)	Toshiki Kiyohara	—	—	—
Audit and Supervisory Board Member	Yuji Sakakura	Relations Japan Corporation	Representative Director	None
		FULLCAST HOLDINGS CO., LTD.	Outside Auditor	None

(Outside)				
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- (Notes) 1. Changes to directors and audit and supervisory board member during the fiscal term under review are as follows:
- (1) Appointed
At the 68th ordinary general meeting of shareholders held on June 24, 2015, Ms. Yoshiko Takayama was elected as director and assumed office.
- (2) Retired
As of the conclusion of the 68th ordinary general meeting of shareholders held on June 24, 2015, Mr. Tatsuya Tamura retired from the position of director because his term of office had expired.
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. Tomoaki Ikenaga, Mr. Toshiki Kiyohara and Mr. Yuji Sakakura, are outside audit and supervisory board members, as provided for in Article 2, Item 16, of the Companies Act.
 4. Six (6) officers, namely directors Mr. Noriaki Shimazaki, Mr. Hatsuo Odamura and Ms. Yoshiko Takayama and audit and supervisory board members Mr. Tomoaki Ikenaga, Mr. Toshiki Kiyohara and Mr. Yuji Sakakura, are independent officers registered with the Tokyo Stock Exchange.
 5. Two (2) audit and supervisory board members have profound insights into finance and accounting. Audit and supervisory board member Mr. Yasuhiro Tsunemori has served as a director, vice chief executive officer and head of finance & accounting 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.
 6. Director Ms. Yoshiko Takayama concurrently serves as a director of Japan Corporate Governance Network (non-profit organization), and the Company participates in various seminars and events, which the non-profit organization hosts, to promote and reinforce the governance of the Company, and pays an annual membership fee as a corporate supporting member. The annual membership fee the Company paid to said organization in the year under review meets the requirement—“AUTOBACS SEVEN Group’s customer or business partner whose amount of operation or trade with, or the amount paid to or received by, AUTOBACS SEVEN Group shall not account for 2% or more of the consolidated net sales of either party”—stated in “Requirements for the Outside Officers’ Independency.” (Please refer to page 19.)
 7. Effective April 1, 2016, Mr. Hironori Morimoto has changed position from Director and Vice Chief Executive Officer, Head of Corporate Administration to Director and Vice Chief Executive Officer
 8. Effective April 1, 2016, Mr. Kiomi Kobayashi has changed position from Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer to Representative Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer.
 9. Effective April 1, 2016, Mr. Teruyuki Matsumura has changed position from Director and Senior Managing Executive Officer, Head of Overseas Business and New Business Development to Director and Senior Managing Executive Officer, Eastern Japan Region Headquarters
 10. Effective April 1, 2016, Mr. Kozo Sumino has changed position from Director and Senior Executive Officer, Head of Merchandising and Car Parts & Accessories and Merchandise Development to Director and Senior Executive Officer
 11. Outside audit and supervisory board member Mr. Yuji Sakakura retired from the office of outside auditor of FULLCAST HOLDINGS CO., LTD. on March 25, 2016.

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

Classification	Name	Board of Directors			Audit and Supervisory Board		
		Regular meetings (12 times)	Extra-ordinary meetings (5 times)	Attendance rate (%)	Regular meetings (12 times)	Extra-ordinary meetings (4 times)	Attendance rate (%)
Directors	Setsuo Wakuda	12 times	5 times	100.0%			
	Hironori Morimoto	12 times	5 times	100.0%			
	Kiomi Kobayashi	12 times	5 times	100.0%			
	Teruyuki Matsumura	12 times	5 times	100.0%			
	Kozo Sumino	12 times	5 times	100.0%			
	Noriaki Shimazaki *	12 times	5 times	100.0%			
	Hatsuo Odamura *	12 times	5 times	100.0%			
	Yoshiko Takayama *	10 times	3 times	100.0%			
Audit and Supervisory Board Members	Yasuhiro Tsunemori	12 times	5 times	100.0%	12 times	4 times	100.0%
	Tomoaki Ikenaga *	12 times	5 times	100.0%	12 times	4 times	100.0%
	Toshiki Kiyohara *	12 times	5 times	100.0%	12 times	4 times	100.0%
	Yuji Sakakura *	12 times	5 times	100.0%	12 times	4 times	100.0%

- (Notes)
1. Director (Outside) Ms. Yoshiko Takayama assumed office on June 24, 2015, therefore, she was not participants of meetings held on or before June 23. She was expected to attend ten regular and three extraordinary meetings of the Board of Directors.
 2. Outside directors are indicated by an asterisk (*) to the right of the name.

(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 multiple evaluation indicators including the degree of achievement of numerical targets and the stock price.

Performance-based remuneration consists of single-year performance-based remuneration, which is paid according to the business results relative to an annual plan, and medium-term performance-based remuneration, which is paid according to the business results relative to the Medium-Term Business Plan. The ratio of performance-based remuneration to total remuneration is designed so that the higher the rank as an officer, the higher the ratio.

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.

A) 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 primarily comprised of outside directors.

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	9	256	—	—	256
Outside Directors	4	36	—	—	36
Audit and Supervisory Board Members	4	58	—	—	58
Outside Audit and Supervisory Board Members	3	33	—	—	33
Total	13	314	—	—	314

- (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 one (1) outside director, who retired at the conclusion of the 68th ordinary general meeting of shareholders held on June 24, 2015.

(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 contributed to promoting and reinforcing the Company's corporate governance as the leading independent outside director and 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 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	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.
	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.
	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	83

- (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. Regarding the amount of remuneration, etc. for the independent auditor, there is an additional remuneration of the previous fiscal term of ¥2 million, other than the above amount.
3. AUTOBACS FRANCE S.A.S., a Company's subsidiary is audited by Deloitte and Associates.

(iii) Content of services other than auditing

The Company paid to Deloitte Touche Tohmatsu LLC for advice and instruction for adaptation to IFRS (International Financial Reporting Standards), etc.

(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) Response to Corporate Governance Code

The Company recognizes the Corporate Governance Code adopted by the Tokyo Stock Exchange effective from June 1, 2015 as an important initiative the Company should address in order to make quick and decisive management decisions while securing the transparency and fairness of management. The Company will continue to discuss the Corporate Governance Code with intent to enhance its corporate value for the medium to long term with sustainable profit growth and appropriate corporate governance as the two wheels.

The following are the major initiatives the Company addresses regarding the general principles of the Corporate Governance Code.

(i) General Principle 1: Securing the rights and equal treatment of shareholders

To secure the equal treatment of shareholders, the Company makes efforts to improve convenience for shareholders by enrolling in the Electronic Voting Platform and posting English translations of notices of convocation on its website, as well as to arrange an environment for shareholders to exercise voting rights by sending the notices of convocation early and avoiding of convening the general meeting of shareholders on a date which many companies hold shareholders' meeting.

Additionally, the Company uses ROE as its most important management indicator so that shareholder value can be further improved, and its status and related efforts are posted on the Company's website and explained at financial results briefings for analysts and institutional investors, and company information sessions for individual investors.

(ii) General Principle 2: Appropriate cooperation with stakeholders other than shareholders

The Company has defined the management philosophy as a guideline for its commitment to society and roles and responsibilities to be fulfilled in an effort to enhance corporate value for the medium to long term. Along with this, aiming to grow together while deepening trusting relationships with all the stakeholders in every corporate activity, the Company has formulated a code of conduct and guidelines for action and disclosed them on its website.

Further, in an effort to improve mutually monitoring functions within the Group and raise awareness of compliance among officers and employees as well as to quickly detect acts deviating from the code of conduct or guidelines for action, the AUTOBACS SEVEN Group has implemented a whistle-blowing system in the Group with internal rules in place concerning the secrecy of informers' identity and prohibition of disadvantageous treatment.

In addition, the Company has formulated the action plan for general business operators based on the Act on Advancement of Measures to Support Raising Next-Generation Children and the action plan for general business operators based on the Act on Promotion of Women's Participation and Advancement in the Workplace for the purpose of creating a worker-friendly employment environment where employees can demonstrate their abilities and maintain a balance between work and life. By implementing such action plans, the Company is working to foster a corporate culture that respects sound business activity ethics.

(iii) General Principle 3: Ensuring appropriate information disclosure and transparency

In order to enhance the transparency of management and make itself evaluated and understood accurately by shareholders and investors, the Company has established a timely disclosure framework by formulating a timely disclosure policy, and a code of conduct and rules on information disclosure, and endeavors to disclose accurate corporate information in a timely and appropriate manner. In addition, through various media including its website, the Company makes an effort to proactively disclose a broad range of highly useful information for shareholders, from financial information including financial results as well as monthly sales, management philosophy and plans, information about CSR and corporate governance, to information about business such as stores and merchandise.

The Company is also engaged in information exchange and communication among the representative director, the Corporate Audit Department, and audit and supervisory board members on a regular basis in order to secure appropriate auditing by the outside independent auditor.

(iv) General Principle 4: Responsibilities of the Board, etc.

In order to effectively fulfill its role and responsibilities, the Company's Board of Directors pays attention to the balance of knowledge, experience and ability, and comprises internal officers who are familiar with the Company's business and outside officers who have diverse backgrounds, including one (1) female outside officer.

When electing outside officers, the Company regards their independence as the most important

requirement; thus the Company defines a distinctive condition on their independence and sets all of the six (6) outside officers (three (3) outside directors and three (3) audit and supervisory board members) as independent officers. Under this structure, during the fiscal term under review, evaluation of the Board of Directors was conducted to verify whether supervision was being performed appropriately, and improvement efforts were made based on the evaluation results.

Moreover, the Corporate Governance Committee, a consultative body for the Board of Directors concerning the overall corporate governance of the Company, formulates a policy on remuneration for directors, audit and supervisory board members and officers and designs their remuneration linked to the medium-term results, as well as conducts appropriate review of the appointment of candidates for directors and executive officers.

Audit and supervisory board members, from an independent standpoint, actively attend important internal meetings and provide their objective and appropriate opinions to the management at the Board of Directors meeting.

During the fiscal term under review, the leading independent outside director was installed, and independent outside officer liaison meetings chaired by the leading independent outside director were held for outside directors and outside audit and supervisory board members to mutually share information and strengthen communication.

(v) General Principle 5: Dialogue with shareholders

The Company communicates with shareholders and investors via a department and an officer in charge of IR, through activities concerning constructive dialogue in general with shareholders and investors, such as information disclosure via its website, etc., financial results briefings, individual interviews with analysts and institutional investors, and overseas IR activities.

The IR activities are conducted primarily by the representative director and chief executive officer, with other directors and officers actively involved. The results of such IR activities are not only shared with the Board of Directors on a case-by-case basis but are also reported by the department in charge of IR so that directors, audit and supervisory board members, and officers receive timely and appropriate feedback.

(2) Systems Ensuring Directors' Compliance with Laws and Regulations and the Company's Articles of Incorporation in Executing Their Duties, Other Systems Ensuring the Appropriateness of Operations of Corporations of the Stock Company and Overview of the Status of Operation of these Systems

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.

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 of these systems during the fiscal term under review is as follows.

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

- a. During the fiscal term under review, outside directors with extensive experience and knowledge regarding management strategy, finance, corporate governance, etc. took office and contributed to strengthening each field. (Please refer to “Matters concerning outside directors and audit and supervisory board members” on page 38.)
- b. Held ten Corporate Governance Committee meetings during the fiscal term under review to discuss the remuneration system for directors and officers, etc. All outside directors conducted interviews with candidates for directors and candidates for officers, and other activities. Furthermore, outside directors and outside audit and supervisory board members, who are observers of the Corporate Governance Committee, held one outside officers’ liaison meeting to exchange opinions.
- c. Defined “The Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group” and thoroughly disseminated them to officers and employees by periodically conducting a questionnaire survey.
- d. 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.
- e. The Corporate Audit Department conducted audits as to the appropriateness and effectiveness of operations and the reliability of financial reports.
- f. The officer in charge of general affairs and internal control (internal control management function) reported to the Board of Directors about serious incidents such as the situation of their occurrence, etc. based on the “crisis management rules” (serious incident reporting 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, to call for action in all chains.

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

- a. 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, e.g., 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 (internal control management function), Legal Department, Corporate Audit Department and Customer Relations Department held an Integrated Risk Management Secretariat Association meeting on a monthly basis 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.

- c. Held a study meeting related to regulations on insider transactions and implemented a training program once for each during the fiscal term under review.
- d. Held one crisis management seminar for the management of the Company during the fiscal year under review to improve their crisis management skills.

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

- a. Held 17 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. (Please refer to page 27 for progress overview of the Medium-Term Business Plan, and page 36 for Board of Directors' meetings held and directors' attendance.)
- b. Held seven Executive Committee meetings attended by all of corporate directors, 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 on the matters so that directors could make decision based on sufficient information.

(v) Systems that ensure appropriateness of business operations by the Group

- a. The Corporate Audit Department conducted audits as to the appropriateness and effectiveness of business operations by the Group and assessed internal control related to the reliability of the financial reports. The General Affairs and Internal Control Department (internal control management function and subsidiary management function) appointed members of its staff 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 and General Affairs and Internal Control Department reported to the Audit and Supervisory Board of the Company about their respective activities on a monthly basis.
- b. As the domestic store subsidiaries had transitioned to companies without a board of directors, subsidiary auditors periodically attended meetings, etc. of the subsidiaries under their charge to maintain and enhance governance.

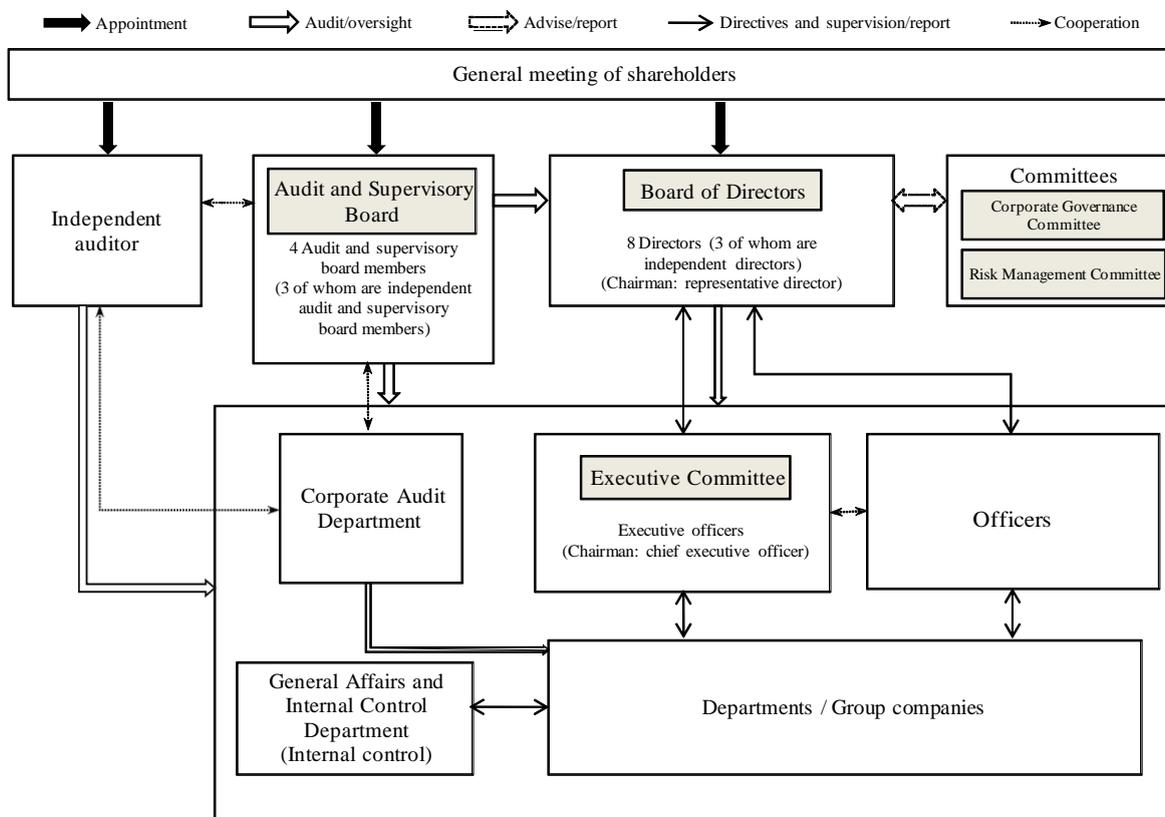
(vi) System that ensure effective auditing by audit and supervisory board members

- 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, vice 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. Conducted audits of eight companies including overseas subsidiaries. Further, outside audit and supervisory board members attended all Corporate Governance Committee meetings as observers and gave opinions as appropriate. The Audit and Supervisory Board held a meeting for exchanging information with the independent auditor on a monthly basis, and received reports from the Corporate Audit Department and General Affairs and Internal Control Department (internal control management function and subsidiary management function) on the status of internal control of the Group. (Please refer to page 36 for Audit and Supervisory Board meetings held and audit and supervisory board members' attendance.)
- c. Audit and supervisory board members held one meeting with subsidiary auditors during the fiscal term under review to exchange information and opinions about the status of auditing and internal control 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 Internal 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.

Management and Business Execution

As of April 1, 2016



Corporate Governance Committee

Chairman: Outside director (independent officer)

Members: Two (2) outside directors (who are both independent officers) 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.

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 legal, general affairs and internal control 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.

(3) 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' driving experiences 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 driving experiences 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.

(4) 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 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 will be 3.8%.

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 69th ordinary general meeting of shareholders.

	67th fiscal term April 1, 2013 to March 31, 2014	68th fiscal term April 1, 2014 to March 31, 2015	69th fiscal term (projection) April 1, 2015 to March 31, 2016
Dividend per share (annual)	¥64	¥60	¥60
Total amount of dividends (annual)	¥5,763 million	¥5,192 million	¥5,042 million
Consolidated dividend payout ratio	59.4%	113.6%	116.3%
Value of treasury stock acquired	¥4,592 million	¥5,051 million	¥5,247 million
Return to shareholders ratio	105.8%	222.2%	235.4%

Consolidated Balance Sheet (as of March 31, 2016)

(Unit: million yen)

Account Item	Amount	Account Item	Amount
(Assets)		(Liabilities)	
Current assets	107,655	Current liabilities	35,482
Cash and deposits	37,052	Trade notes and accounts payable	13,835
Trade notes and accounts receivable	19,655	Short-term borrowings	2,432
Lease investment assets	9,729	Lease obligations	214
Inventories	17,213	Accounts payable	11,219
Deferred tax assets	2,320	Income taxes payable	1,885
Short-term loans	70	Allowance for point card	532
Accounts receivable	19,039	Allowance for business restructuring	76
Other current assets	2,686	Other current liabilities	5,285
Allowance for doubtful receivables	(112)	Long-term liabilities	13,224
Fixed assets	72,799	Long-term debts	2,343
Tangible fixed assets	42,265	Lease obligations	1,307
Buildings and structures	14,169	Deferred tax liabilities	109
Machinery, equipment and vehicles	1,116	Allowance for directors' retirement benefits	87
Tools, furniture and fixtures	2,454	Net defined benefit liability	121
Land	22,449	Asset retirement obligations	2,269
Leased assets	405	Other long-term liabilities	6,985
Construction in progress	1,669		
Intangible fixed assets	5,904	Total Liabilities	48,707
Goodwill	852	(Net Assets)	
Software	4,312	Shareholders' equity	129,447
Other intangible fixed assets	740	Capital stock	33,998
Investments and other assets	24,628	Capital surplus	34,299
Investment securities	5,831	Retained earnings	67,125
Long-term loans	209	Treasury stock	(5,976)
Deferred tax assets	1,102	Accumulated other comprehensive income	2,008
Rental deposits	16,198	Valuation difference on available-for-sale securities	1,491
Other investments and other assets	1,576	Foreign currency translation adjustments	516
Allowance for doubtful receivables	(290)	Non-controlling interests	292
		Total Net Assets	131,747
Total Assets	180,454	Total Liabilities and Net Assets	180,454

Consolidated Statement of Income (April 1, 2015-March 31, 2016)

(Unit: million yen)

Account Item	Amount	
Net sales		208,142
Cost of goods sold		141,174
Gross profit		66,968
Selling, general and administrative expenses		60,266
Operating income		6,701
Non-operating income		
Interest income	76	
Dividend income	83	
Equity in income of affiliates	27	
Commission income	340	
Lease revenue - system equipment	1,062	
Insurance income	158	
Other non-operating income	1,540	3,286
Non-operating expenses		
Interest expenses	44	
Lease cost - system equipment	1,113	
Loss on retirement of fixed assets	204	
Other non-operating expenses	845	2,207
Ordinary income		7,780
Extraordinary income		
Gain on sales of investment securities	363	363
Extraordinary losses		
Loss on retirement of fixed assets	122	
Impairment loss	463	585
Profit before income taxes		7,558
Income taxes - current		
Income taxes - deferred	3,351	
Profit	(144)	3,206
Loss attributable to non-controlling interests		4,351
Profit attributable to owners of parent		20
		4,371

Consolidated Statement of Changes in Net Assets (April 1, 2015-March 31, 2016)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance as of April 1, 2015	33,998	34,278	72,859	(5,699)	135,436
Change of items during the consolidated fiscal term					
Dividends from surplus			(5,117)		(5,117)
Profit attributable to owners of parent			4,371		4,371
Purchase of treasury stock				(5,264)	(5,264)
Cancellation of treasury stock			(4,987)	4,987	—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		21			21
Net change of items other than shareholders' equity during the period					
Total change of items during the period	—	21	(5,733)	(277)	(5,989)
Ending balance as of March 31, 2016	33,998	34,299	67,125	(5,976)	129,447

	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		
Beginning balance as of April 1, 2015	2,224	676	2,901	215	138,553
Change of items during the consolidated fiscal term					
Dividends from surplus					(5,117)
Profit attributable to owners of parent					4,371
Purchase of treasury stock					(5,264)
Cancellation of treasury stock					—
Change in treasury shares of parent arising from transactions with non-controlling shareholders					21
Net change of items other than shareholders' equity during the period	(733)	(159)	(893)	76	(816)
Total change of items during the period	(733)	(159)	(893)	76	(6,806)
Ending balance as of March 31, 2016	1,491	516	2,008	292	131,747

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; — excluded)
- (2) Names of major subsidiaries subject to consolidation accounting
AUTOBACS Hokkaido, 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
8 companies (— newly included; one excluded)
- (2) Names of major associate companies subject to equity method
PUMA Ltd., FUNUS Corporation, Buffalo Inc.

3. Fiscal periods of subsidiaries subject to consolidation accounting

As for the overseas 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) Tangible fixed assets, excluding leased assets
 - Straight line method
The followings are major types of such tangible fixed assets 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

Tangible fixed assets, excluding those mentioned above

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

(Changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates)

As for depreciation methods applied to tangible fixed assets, excluding leased assets, the declining balance method had been used for the Company and its domestic subsidiaries.

Upon changes made in the forms of opening stores resulting from the changes in business environment surrounding the Company as well as renovation of the logistic center, the Company reviewed the actual status of the usage of tangible fixed assets in the first year of "2014 Medium- Term Business Plan." We concluded that the investment return is expected to be realized in a stable manner over the long time of period, and changing the depreciation method to the straight line method will lead more appropriate periodic accounting of profit and loss by allocating acquisition cost over a period of use. As a result, depreciation method is changed to the straight line method beginning the current fiscal year.

Due to this change, gross profits increased by 210 million yen, and operating income, ordinary income and profits before income taxes increased 885 million yen, respectively, compared to the old method.

(ii) Intangible fixed 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 receivables

In the event of any loss incurred from bad loans, the Company provide an allowance for doubtful receivables 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 receivable.

(ii) Allowance for point card

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) Allowance for business restructuring

In order to prepare for loss to be accrued due to the business restructuring, the Company provides an allowance for business restructuring with a projected amount of loss to be borne by the Company.

(iv) Allowance for directors' retirement benefits

In order to prepare for payment of retirement benefits to directors, some of the subsidiaries subject to consolidation accounting provide an allowance 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. The Company and its subsidiaries revised the directors' retirement benefit system and, with the exception of some subsidiaries, no allowance has been posted for benefits handled during and after April 2005.

(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 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 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 Changes in Accounting Policies

(Adoption of accounting standards related to business combinations)

Effective from the current fiscal year, the Company adopted the “Accounting Standard for Business Combinations” (ASBJ statement No. 21, September 13, 2013, “Business Combination Accounting Standard”), “Accounting Standard for Consolidated Financial Statements” (ASBJ statement No. 22, September 13, 2013, “Consolidated Accounting Standard”) and “Accounting Standard for Business Divestitures” (ASBJ Statement No.7, September 13, 2013, “Business Divestitures Accounting Standard”). In accordance with these accounting standards, changes were made as follows. Changes in the Companies’ ownership interests while retaining their controlling financial interests in their subsidiaries are accounted for as equity transactions and recorded in capital surplus, and acquisition-related costs are recorded in the fiscal year when such costs incurred. In addition, as for business combination carried out after the beginning of the current fiscal year, adjustment reflecting the final allocation of the acquisition cost is recorded in the fiscal year when the relevant business combination was implemented. Moreover, the changes in the presentation of profit and the changes in the presentation from minority interests to non-controlling interests have been implemented.

With regard to adoption of the Business Combination Accounting Standard and others, the Company has adopted as of the beginning of the fiscal year and beyond in accordance with Article 58, Paragraph 2 (4) of the Business Combination Accounting Standard, Article 44, Paragraph 5 (4) of the Consolidated Accounting Standard, and Article 57, Paragraph 4 (4) of the Business Divestitures Accounting Standard.

The impact of these changes is minimal.

Notes to Consolidated Balance Sheet

1. Pledged assets	Buildings and structures	24	million yen
	Land	242	million yen
	<hr/> Total	267	million yen
Secured debts	Accounts payable	68	million yen
	Short-term borrowings	407	million yen
	Long-term debts	151	million yen
	<hr/> Total	627	million yen
2. Accumulated depreciation amount of tangible fixed assets			
		41,157	million yen
3. Any fractional amounts less than one million yen are discarded.			

Notes to Consolidated Statement of Income

1. Impairment loss

The Group 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)
AUTOBACS Hitachiomiya Store (Hitachiomiya City, Ibaraki)	Store	Buildings, etc., and others	114
AUTOBACS Kasuga Forest City (Kasuga City, Fukuoka)	Store	Buildings, etc., and others	94
AUTOBACS Nagasaki Airport Store (Omura City, Nagasaki)	Store	Buildings, etc., and others	71
AUTOBACS Akita Yurihonjo Store (Yurihonjo City, Akita)	Store	Buildings, etc., and others	63
AUTOBACS Tire Shop/Safety Inspection Matsumori Store (Izumi-ku, Sendai City)	Store	Buildings, etc., and others	59
AUTOBACS Super Mall Takahagi Store (Takahagi City, Ibaraki)	Store	Buildings, etc., and others	23
Super AUTOBACS Morioka Minami (Morioka City, Iwate)	Store	Buildings, etc., and others	20
AUTOBACS ASM YOKOHAMA (Naka-ku, Yokohama City)	Store	Buildings, etc., and others	15

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 stores and offices on land whose market value has declined from the acquisition value due to falling land prices, those recording operating losses due to continued unprofitability or those where initially projected profits are no longer predicted, the book value of such groups of assets for which the total future cash flow is below the book value was reduced to the recoverable value, and the relevant decrease of 463 million yen is recorded as an “Impairment loss” under extraordinary loss.

The “Impairment loss” consisted of 384 million yen for buildings, etc., 78 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 of the stores is calculated based on the appraised real estate value by a real estate appraiser or the value of land facing a thoroughfare, while weighted average capital cost (WACC) at 6.78% 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 86,950,105 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 24, 2015	Common stock	2,596	30	March 31, 2015	June 25, 2015
Meeting of Board of Directors on October 30, 2015	Common stock	2,521	30	September 30, 2015	November 27, 2015

(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, 2016	Common stock	2,521	Retained earnings	30	March 31, 2016	June 22, 2016

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

Trade notes and accounts receivable 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 and long-term loans 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. Rental 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 payable and trade accounts payable arising from business operations are due within one month.

Borrowings are principally aimed at procuring necessary fund for continued business operations and capital investment and the farthest redemption date is scheduled in five 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, 2016, 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	37,052	37,052	—
(2) Trade notes and accounts receivable Allowance for doubtful receivables *1	19,655 (112)		
	19,543	19,543	—
(3) Lease investment assets *2			
(4) Short-term loans	9,622	11,383	1,761
(5) Accounts receivable	70	68	(2)
(6) Investment securities	19,039	19,039	—
(7) Long-term loans	5,035	4,402	(632)
(8) Rental deposits	209	231	22
	16,198	16,052	(145)
Total assets	106,772	107,775	1,002
(1) Trade notes and accounts payable	13,835	13,835	—
(2) Short-term borrowings *3	2,432	2,446	14
(3) Lease obligations (current liabilities)	214	258	43
(4) Accounts payable	11,219	11,219	—
(5) Income taxes payable	1,885	1,885	—
(6) Long-term debts	2,343	2,325	(17)
(7) Lease obligations (long-term liabilities)	1,307	1,444	136
Total liabilities	33,238	33,416	177

*1 Specific allowance for doubtful receivable provided for trade notes and accounts receivable 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 107 million yen, which is equivalent to the amount included in the total amount of asset retirement obligations.

*3 Current portion of long-term debts is included.

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

Assets

(1) Cash and deposits, (5) Accounts 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) Trade notes and accounts receivable, (3) Lease investment assets, (4) Short-term loans, (7) Long-term loans, (8) Rental 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.

(6) 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) Trade notes and accounts payable, (4) Accounts payable, (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 borrowings, (3) Lease obligations (current liabilities), (6) Long-term debts, (7) Lease obligations (long-term 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	795

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 “(6) Investment securities.”

Notes to Per-Share Information

1. Net assets per share 1,564.86 yen
2. Net income per share 51.60 yen

Material Subsequent Events

Resolution of Cancellation of Treasury stock

At the meeting of the Board of Directors of the Company held on May 10, 2016, the Company resolved to cancel treasury stock pursuant to the provision of Article 178 of the Companies Act.

- (1) Class of shares to be cancelled Common stock
- (2) Total number of shares to be cancelled 2,900,000 shares
- (3) Scheduled cancellation date May 31, 2016

Others

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.

Non-Consolidated Balance Sheet (as of March 31, 2016)

(Unit: million yen)

Account Item	Amount	Account Item	Amount
(Assets)		(Liabilities)	
Current assets	82,513	Current liabilities	21,272
Cash and deposits	33,572	Trade accounts payable	12,037
Trade accounts receivable	10,682	Short-term borrowings	850
Lease investment assets	13,132	Lease obligations	261
Inventories	6,533	Accounts payable	2,859
Prepaid expenses	1,068	Expenses payable	907
Deferred tax assets	1,071	Income taxes payable	1,729
Short-term loans	7,170	Money deposits	1,671
Accounts receivable	8,203	Advance received profit	801
Other current assets	1,280	Allowance for point card	39
Allowance for doubtful receivables	(203)	Allowance for business restructuring	73
Fixed assets	82,510	Other current liabilities	40
Tangible fixed assets	34,284	Long-term liabilities	11,465
Buildings	7,991	Long-term debts	1,800
Structures	1,049	Lease obligations	1,367
Machinery and equipment	583	Guarantee deposits received	7,145
Vehicles	118	Asset retirement obligations	1,075
Tools, furniture and fixtures	699	Other long-term liabilities	77
Land	22,219		
Construction in progress	1,622	Total Liabilities	32,737
Intangible fixed assets	4,648	(Net Assets)	
Leasehold	641	Shareholders' equity	130,813
Software	3,994	Capital stock	33,998
Other intangible fixed assets	13	Capital surplus	34,278
Investments and other assets	43,576	Capital reserves	34,278
Investment securities	4,103	Retained earnings	68,458
Affiliated companies' stock	10,797	Retained earnings reserves	1,296
Long-term loans	65	Other retained earnings	67,161
Long-term loans to affiliated companies	11,266	Reserve for business expansion	665
Long-term prepaid expenses	807	Reserve for reduction entry of assets	797
Deferred tax assets	694	Reserve for special depreciation	129
Rental deposits	15,531	General reserves	56,350
Other investments and other assets	575	Retained earnings brought forward	9,219
Allowance for doubtful receivables	(265)	Treasury stock	(5,921)
		Valuation and translation adjustments	1,472
		Valuation difference on available-for-sale securities	1,472
		Total Net Assets	132,286
Total Assets	165,023	Total Liabilities and Net Assets	165,023

Non-Consolidated Statement of Income (April 1, 2015-March 31, 2016)

(Unit: million yen)

Account Item	Amount	
Net sales		158,288
Cost of goods sold		125,717
Gross profit		32,570
Selling, general and administrative expenses		25,495
Operating income		7,074
Non-operating income		
Interest income	169	
Dividend income	458	
Commission income	115	
Lease revenue - system equipment	1,539	
Insurance income	95	
Other non-operating income	406	2,786
Non-operating expenses		
Interest expenses	20	
Lease cost - system equipment	1,707	
Other non-operating expenses	567	2,295
Ordinary income		7,565
Extraordinary income		
Gain on sales of investment securities	363	363
Extraordinary losses		
Loss on retirement of fixed assets	122	
Impairment loss	387	
Loss on valuation of shares of subsidiaries and associates	853	1,363
Profit before income taxes		6,565
Income taxes – current	3,084	
Income taxes – deferred	(492)	2,591
Profit		3,973

Non-Consolidated Statement of Changes in Net Assets (April 1, 2015-March 31, 2016)

(Unit: million yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings						Total retained earnings
		Capital reserves	Total capital surplus	Retained earnings reserves	Other retained earnings					
					Reserve for business expansion	Reserve for reduction entry of assets	Reserve for special depreciation	General reserves	Retained earnings brought forward	
Beginning balance as of April 1, 2015	33,998	34,278	34,278	1,296	665	780	151	66,350	5,345	74,589
Change of items during the fiscal term										
Dividends from surplus									(5,117)	(5,117)
Profit									3,973	3,973
Provision of reserve for reduction entry of assets						17			(17)	—
Reversal of reserve for reduction entry of assets						(0)			0	—
Provision of reserve for special depreciation							2		(2)	—
Reversal of reserve for special depreciation							(25)		25	—
Reversal of general reserve								(10,000)	10,000	—
Purchase of treasury stock										
Cancellation of treasury stock									(4,987)	(4,987)
Net change of items other than shareholders' equity during the period										
Total change of items during the period	—	—	—	—	—	17	(22)	(10,000)	3,874	(6,131)
Ending balance as of March 31, 2016	33,998	34,278	34,278	1,296	665	797	129	56,350	9,219	68,458

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Beginning balance as of April 1, 2015	(5,660)	137,206	2,202	2,202	139,408
Change of items during the fiscal term					
Dividends from surplus		(5,117)			(5,117)
Profit		3,973			3,973
Provision of reserve for reduction entry of assets		—			—
Reversal of reserve for reduction entry of assets		—			—
Provision of reserve for special depreciation		—			—
Reversal of reserve for special depreciation		—			—
Reversal of general reserve		—			—
Purchase of treasury stock	(5,248)	(5,248)			(5,248)
Cancellation of treasury stock	4,987	—			—
Net change of items other than shareholders' equity during the period			(729)	(729)	(729)
Total change of items during the period	(261)	(6,392)	(729)	(729)	(7,122)
Ending balance as of March 31, 2016	(5,921)	130,813	1,472	1,472	132,286

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 fixed assets

(1) Tangible fixed assets, excluding leased assets

Straight line method

The followings are major types of such tangible fixed assets 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
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Structures	3-20 years
------------	------------

(ii) Tangible fixed assets, excluding those mentioned above

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

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

Machinery and equipment	5-15 years
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Tools, furniture and fixtures	2-20 years
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(Changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates)

As for depreciation methods applied to tangible fixed assets, excluding leased assets, the declining balance method had been used.

Upon changes made in the forms of opening stores resulting from the changes in business environment surrounding the Company as well as renovation of the logistic center, the Company reviewed the actual status of the usage of tangible fixed assets in the first year of "2014 Medium- Term Business Plan." We concluded that the investment return is expected to be realized in a stable manner over the long time of period, and changing the depreciation method to the

straight line method will lead more appropriate periodic accounting of profit and loss by allocating acquisition cost over a period of use. As a result, depreciation method is changed to the straight line method beginning the current fiscal year.

Due to this change, gross profits increased by 369 million yen, and operating income, ordinary income and profits before income taxes increased 656 million yen, respectively, compared to the old method.

(2) Intangible fixed 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 receivables

In the event of any loss incurred from bad loans, the Company provides an allowance for doubtful receivables 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 receivable.

(2) Allowance for point card

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) Allowance for business restructuring

In order to prepare for loss to be accrued due to the business restructuring, the Company provides an allowance for business restructuring with a projected amount of loss to be borne by the Company in excess of the amount of investment and receivable.

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 Changes in Accounting Policies

(Adoption of accounting standards related to business combinations)

Effective from the current fiscal year, the Company adopted the "Accounting Standard for Business Combinations" (ASBJ statement No. 21, September 13, 2013, "Business Combination Accounting Standard"), and "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013, "Business Divestitures Accounting Standard"). In accordance with these accounting standards, changes were made as follows. Acquisition-related costs are recorded in the fiscal year when such costs incurred. In addition, as for business combination carried out after the beginning of the current fiscal year, adjustment reflecting the final allocation of the acquisition cost is recorded in the fiscal year when the relevant business combination was implemented.

With regard to adoption of the Business Combination Accounting Standard and others, the Company has adopted as of the beginning of the fiscal year and beyond in accordance with Article 58, Paragraph 2 (4) of the Business Combination Accounting Standard and Article 57, Paragraph 4 (4) of the Business Divestitures Accounting Standard. This change has no impact on the financial statements.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation amount of tangible fixed assets	20,233 million yen
2. Monetary claim and obligations to affiliated companies	
(1) Short-term monetary claim	16,741 million yen
(2) Short-term monetary obligations	2,897 million yen
(3) Long-term monetary obligations	1,325 million yen

3. 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	25,450 million yen
<u>Outstanding loan balance</u>	<u>13,862 million yen</u>
Difference (unused portion of committed credit lines)	11,587 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.

4. 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	57,761 million yen
Purchases	8,415 million yen
Other business transactions	1,946 million yen
(2) Non-business transactions	1,756 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)
AUTOBACS Hitachiomiya Store (Hitachiomiya City, Ibaraki)	Store	Buildings, etc., and others	112
AUTOBACS Nagasaki Airport Store (Omura City, Nagasaki)	Store	Buildings, etc., and others	69
AUTOBACS Akita Yurihonjo Store (Yurihonjo City, Akita)	Store	Buildings, etc., and others	62
AUTOBACS Tire Shop/Safety Inspection Matsumori Store (Izumi-ku, Sendai City)	Store	Buildings, etc., and others	58
AUTOBACS Kasuga Forest City (Kasuga City, Fukuoka)	Store	Buildings, etc., and others	46
AUTOBACS Super Mall Takahagi Store (Takahagi City, Ibaraki)	Store	Buildings, etc., and others	22
AUTOBACS ASM YOKOHAMA (Naka-ku, Yokohama City)	Store	Buildings, etc., and others	15

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 stores and others on land whose market value has declined from the acquisition value due to falling land prices, those recording operating losses due to continued unprofitability or those where initially projected profits

are no longer predicted, and stores to be closed, the book value of such groups of assets for which the total future cash flow is below the book value was reduced to the recoverable value, and the relevant decrease of 387 million yen is recorded as an “Impairment loss” under extraordinary loss.

The “Impairment loss” consisted of 359 million yen for buildings, etc., and 28 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 of the stores is calculated based on the appraised real estate value by a real estate appraiser or the value of land facing a thoroughfare, while weighted average capital cost (WACC) at 6.78% is used for the discount rate in the calculation of the use value.

3. 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 2,905,496 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	123
Enterprise tax payable	139
Rejection of valuation losses of inventories	151
Excess of loss entries from allowance for doubtful receivables	62
Rejection of allocation of rebates on inventories	14
Rejection of allowance for business restructuring	22
Excess of the allowable limit of deductible lease costs	472
Others	123
Total deferred tax assets	<u>1,109</u>
Deferred tax liabilities (Current)	
Others	<u>(38)</u>
Total deferred tax liabilities	<u>(38)</u>
Net deferred tax assets	<u>1,071</u>
Deferred tax assets (Non-current)	
Excess of loss entries from allowance for depreciation	613
Impairment loss	1,438
Rejection of loss on valuation of shares of subsidiaries and associates	3,825
Rejection of valuation losses of investment securities	84
Excess of loss entries from allowance for doubtful receivables	80
Rejection of credit transfer losses	973
Rejection of asset retirement obligations	328
Others	300
Sub-total deferred tax assets	<u>7,644</u>
Valuation-related provision	<u>(5,792)</u>
Total deferred tax assets	<u>1,852</u>
Deferred tax liabilities (Non-current)	
Reserve for reduction entry of assets	(349)
Reserve for special depreciation	(56)
Valuation difference on available-for-sale securities	(646)
Others	(105)
Total deferred tax liabilities	<u>(1,158)</u>
Net deferred tax assets	<u>694</u>

(Adjustments of deferred tax assets and deferred tax liabilities due to changes in corporate and other tax rates)

Following the enactment of “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.15 of 2016) and

“Act for Partial Amendment of the Local Tax Act, etc.” (Act No.13 of 2016) on March 29, 2016, the corporate tax rate was lowered effective from the fiscal consolidated year beginning on or after April 1, 2016. Due to this implementation, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will be reduced from the previously applied rate of 32.8% to 30.8% regarding the temporary differences that are expected to be recovered or settled during the fiscal term beginning on April 1, 2016 and the fiscal term beginning on April 1, 2017, and 30.5% regarding the temporary differences that are expected to be recovered or settled during the fiscal term beginning on April 1, 2018.

Due to this tax rate change, the amount of deferred tax assets (the amount after subtracting deferred tax liabilities) decreased ¥104 million. Income taxes – deferred increased ¥136 million and the valuation difference on available-for-sale securities increased ¥31 million.

Notes relating to Fixed Assets Used on a Leasing Basis

In addition to the fixed 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)	11,669	Short-term loans	4,309
						Long-term loans to affiliated companies	8,430

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 1,574.00 yen
2. Net income per share 46.88 yen

Material Subsequent Events

Resolution of Cancellation of Treasury Stock

At the meeting of the Board of Directors of the Company held on May 10, 2016, the Company resolved to cancel treasury stock pursuant to the provision of Article 178 of the Companies Act.

- | | |
|--|------------------|
| (1) Class of shares to be cancelled | Common stock |
| (2) Total number of shares to be cancelled | 2,900,000 shares |
| (3) Scheduled cancellation date | May 31, 2016 |

Others

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.

Independent Auditors' Report on Consolidated Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT (COPY)

May 13, 2016

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

Deloitte Touche Tohmatsu LLC

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

Yasunori Kusaka

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, 2016 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, 2015 to March 31, 2016, 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, 2016, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As stated in changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates, the depreciation method applied to tangible fixed assets, excluding leased assets, was changed mainly to straight line method from the declining balance method at the Company and its domestic subsidiaries. These events do not affect our audit opinion.

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 13, 2016

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

Deloitte Touche Tohmatsu LLC

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

Yasunori Kusaka

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, 2016 of AUTOBACS SEVEN Co., Ltd. (the "Company"), and the related statements of income and changes in net assets for the 69th fiscal year from April 1, 2015 to March 31, 2016, 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, 2016, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As stated in changes in accounting policies that are difficult to distinguish from changes in accounting-based estimates, the depreciation method applied to tangible fixed assets, excluding leased assets, was changed to straight line method from the declining balance method at the Company.

These events do not affect our audit opinion.

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

AUDIT REPORT

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 69th fiscal term from April 1, 2015 to March 31, 2016 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) 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.
 - 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 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 board has further examined the contents.
- 4) 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) Audit results have revealed 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 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 23,
2016

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

Yasuhiro Tsunemori Audit and Supervisory Board Member (full-time)

Tomoaki Ikenaga Outside Audit and Supervisory Board Member

Toshiki Kiyohara Outside Audit and Supervisory Board Member

Yuji Sakakura Outside Audit and Supervisory Board Member

