

Please note that this document is a translation of the official Japanese notice of convocation of the 67th 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, 2014

To Our Shareholders

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

NOTICE OF CONVOCATION OF THE 67TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 67th 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 67TH ORDINARY GENERAL MEETING OF SHAREHOLDERS and submit the enclosed Exercise of Voting Rights form to the receptionist.

Particulars

1. Date and time: June 24, 2014 (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 67th fiscal term (from April 1, 2013 to March 31, 2014)
 2. Report on the non-consolidated financial statements for the 67th fiscal term (from April 1, 2013 to March 31, 2014)Matters to be resolved:
Agenda Item No. 1: Appropriation of surplus
Agenda Item No. 2: Election of eight (8) directors
Agenda Item No. 3: Election of one (1) audit and supervisory board member
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 23, 2014.
 - (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 requests the shareholders' approval for the proposal to conduct the appropriation of surplus as follows:

Matters concerning year-end dividends

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, as specified in the 2014 Medium-Term Business Plan announced on May 8, 2014.

The Company proposes to pay year-end dividends for this fiscal term by adding a ten (10) yen per share commemorative dividend in commemoration of the 40th anniversary of AUTOBACS to the twenty-seven (27) yen per share common dividend to increase returns to shareholders in compliance with the above basic policy on 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

Thirty-seven (37) yen per ordinary share of the Company (including ten (10) yen per share as a commemorative dividend)

Total amounting to 3,313,209,141 yen

Since the Company has paid interim dividends at the rate of twenty-seven (27) yen per share, the total annual dividends for this fiscal term shall be sixty-four (64) yen per share.

(3) Effective date of dividends from surplus

June 25, 2014

Agenda Item No. 2 and Reference Matters

Agenda Item No. 2: Election of eight (8) directors

At the conclusion of this general meeting of shareholders, the term of office of all the directors (eight in number) will expire.

Accordingly, the Company requests the shareholders' approval for the election as directors of the eight (8) candidates below. Information on the candidates is provided on the pages 5-12.

Candidate No.	Name	Career position and assignment in the Company	Notes
1	Setsuo Wakuda	Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer	
2	Hironori Morimoto	Director and Vice Chief Executive Officer, Head of Corporate Administration and Finance & Accounting	
3	Kiomi Kobayashi	Director and Vice Chief Executive Officer, Vice Chief AUTOBACS Chain Officer, Head of Chain Store Planning and Store Subsidiary Strategy	
4	Teruyuki Matsumura	Director and Senior Managing Executive Officer, Head of Merchandising and Merchandise Planning and E-Commerce	
5	Kozo Sumino	(Newly appointed)	
6	Tatsuya Tamura	Director	(Outside Director) Independent Officer
7	Noriaki Shimazaki	Director	(Outside Director) Independent Officer
8	Hatsuo Odamura	(Newly appointed)	(Outside Director) Independent Officer (expected)

(Notes) 1. Each of the candidates has no special interest in the Company. Please refer to “3. Special relationship between candidates for outside directors and the Company” on page 13.

2. Mr. Tatsuya Tamura, Mr. Noriaki Shimazaki and Mr. Hatsuo Odamura 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 eight (8) directors

Candidate No. 1: Setsuo Wakuda

Career position and assignment in the Company:

Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer

- Date of birth: December 25, 1948
- Term of office: 11 years (at the conclusion of this general meeting)
- Number of Company shares owned: 80,742

Dear Shareholders,

Since I took office as CEO, I have endeavored to improve corporate value, aiming to achieve the Group's vision, "Anything about cars, you find at AUTOBACS," with store reforms from the customers' perspective.

In the 2014 Medium-Term Business Plan, which was formulated in the pursuit of sustainable growth while flexibly and promptly adapting to the drastically changing business environment, I will raise profitability of the Group through innovative changes of the AUTOBACS business, nurture new businesses and strive to increase the Group's corporate value so as to meet shareholders' expectations.

Reasons for nomination

Since his inauguration as representative director and chief executive officer, Mr. Wakuda has led the AUTOBACS SEVEN Group with the aim of achieving the Group's vision, "Anything about cars, you find at AUTOBACS," thereby enhancing the Group's corporate value.

He duly fulfilled his duties of business execution by making important decisions upon providing sufficient and appropriate explanations at meetings of the Board of Directors, as well as supervising the execution of duties by other directors.

The Company believes it is in the best interest of the AUTOBACS SEVEN Group that Mr. Wakuda continues to lead the management team to seek sustainable growth of the Company based on the 2014 Medium-Term Business Plan that has started in the fiscal term ending March 31, 2015.

Brief professional background including major posts held

March 1967:	Joined Fuji-Syokai Co., Ltd. (currently AUTOBACS SEVEN Co., Ltd.)
April 1991:	General Manager of Merchandise Planning Office
June 1998:	Director, General Manager of Chain Store Planning Office
June 2002:	Executive Officer, Supporting Store Operations
June 2003:	Director and Executive Officer, Franchise Business Strategy
June 2004:	Director and Co-Chief Operating Officer, Head of Area-Dominant Business Strategy
April 2006:	Director
March 2008:	Representative Director and Project Management Officer
June 2008:	Representative Director and Chief Executive Officer
April 2009:	Representative Director and Chief Executive Officer, Chief Chain Officer
April 2014:	Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer (current position)

**Candidate No. 2:
Hironori Morimoto**

Career position and assignment in the Company:

Director and Vice Chief Executive Officer, Head of Corporate Administration and Finance & Accounting

- Date of birth: June 2, 1957
- Term of office: 8 years (at the conclusion of this general meeting)
- Number of Company shares owned: 6,000

Dear Shareholders,

Toward the realization of the Group's vision, "Anything about cars, you find at AUTOBACS," I have methodically engaged in efforts to attain the trust of our customers in the fields of human resource development, store reforms and sales floor reforms.

I will continue to flexibly and promptly respond to the drastically changing business environment, and strive to solidify sustainable growth and enhance the Group's corporate value through optimum allocation of management resources to improve profitability via innovation of the AUTOBACS business and develop and nurture new businesses so as to achieve the targets set forth in the 2014 Medium-Term Business Plan.

Reasons for nomination

As his profile indicates, Mr. Morimoto has accumulated achievements in reinforcing the Company's relationships with corporate franchisees and improving store profitability for many years. He has also been involved in administration fields, including personnel, general affairs and finance, to solidify the Group's business foundations in those respects.

Based on such professional experience and actual performance, Mr. Morimoto has fully demonstrated his roles as a director in deciding important matters, exercising his business execution function and supervising other directors' business execution.

Mr. Morimoto is nominated for director because the Company believes it is in the best interest of the AUTOBACS SEVEN Group to take full advantage of his knowledge and experience to steadily carry out the 2014 Medium-Term Business Plan that has started in the fiscal term ending March 31, 2015, and realize the Group's vision, "Anything about cars, you find at AUTOBACS."

Brief professional background including major posts held

March 1981:	Joined AUTOBACS SEVEN Co., Ltd.
April 1995:	General Manager of Kansai Direct Management Division
June 2002:	Operating Officer, Chubu Store Support Division
September 2004:	Officer, Area-Dominant Business Strategy
April 2005:	Officer, Area-Dominant Business Strategy, Store Development and Store Format Development
April 2006:	Co-Chief Operating Officer, Head of Area-Dominant Business Strategy, Sales Promotion, Store Development and Store Format Development
June 2006:	Director and Co-Chief Operating Officer, Head of Area-Dominant Business Strategy, Sales Promotion, Store Development and Store Format Development
May 2007:	Director and Co-Chief Operating Officer, Head of Area-Dominant Business Strategy, Total Car-Life Business Strategy and Store Development
June 2008:	Director and Senior Executive Officer, Head of Regional and Area Strategy
April 2009:	Director and Senior Executive Officer, Head of Chain Strategy
April 2010:	Director and Senior Managing Executive Officer, Head of Information Systems, Human Resources, General Affairs, Legal and Overseas Operation
November 2011:	Director and Senior Managing Executive Officer, Head of Human Resources, General Affairs, Information Systems and Internal Control
April 2012:	Director and Senior Managing Executive Officer, Head of Corporate Administration
April 2014:	Director and Vice Chief Executive Officer, Head of Corporate Administration and Finance & Accounting (current position)

**Candidate No. 3:
Kiomi Kobayashi**

Career position and assignment in the Company:

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

- Date of birth: February 11, 1956
- Term of office: 4 years (at the conclusion of this general meeting)
- Number of Company shares owned: 2,900

Dear Shareholders,

Since being inaugurated as director, I have been committed to nurturing store staff's ability to make consistent efforts to best serve customers.

In the current fiscal term during which AUTOBACS is celebrating its 40th anniversary, I will strive to strengthen the basis for growth and enhance the Group's corporate value through diverse innovations to shift from "AUTOBACS for car parts and accessories" to "Anything about cars, you find at AUTOBACS," with various store development measures, including automobile purchases and sales, maintenance of vehicles, and proposals for merchandise and services to enhance customers' comfortable driving by drawing on the accumulated expertise of store staff.

Reasons for nomination

Mr. Kobayashi has long accumulated experience and achievements in the core fields of the AUTOBACS franchise business such as merchandising, marketing and overseas fields, thereby contributing to enhancing the AUTOBACS brand and the Group's corporate value.

Based on extensive knowledge and experience, Mr. Kobayashi has fully demonstrated his roles 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 to take full advantage of his knowledge and experience to steadily carry out the 2014 Medium-Term Business Plan that has started in the fiscal term ending March 31, 2015, and establish a solid basis for growth.

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 2013:	Director and Senior Executive Officer, Head of Sales Operation and Chain Store Planning
April 2014:	Director and Vice Chief Executive Officer, Vice Chief AUTOBACS Chain Officer, Head of Chain Store Planning and Store Subsidiary Strategy (current position)

Candidate No. 4:
Teruyuki Matsumura

Career position and assignment in the Company:

Director and Senior Managing Executive Officer, Head of Merchandising and Merchandise Planning and E-Commerce

- Date of birth: November 25, 1961
- Term of office: 5 years (at the conclusion of this general meeting)
- Number of Company shares owned: 7,563

Dear Shareholders,

For the five years since being inaugurated as director, I have embarked on opening new stores, reforming store floors of existing stores and enhancing customer services to increase convenience for our customers, and have aimed to develop stores where customers can trust our staff to fulfill statutory safety inspections and a wide variety of maintenance services.

From now, I will strive to ensure the Group's future growth and enhance its corporate value by realizing the vision of "Anything about cars, you find at AUTOBACS" through the combination of conventional services, which consist of "car parts and accessories," "statutory safety inspections and maintenance services" and "automobile purchases and sales," thereby evolving into a Group that can submit comprehensive proposals to customers.

Reasons for nomination

Mr. Matsumura has long accumulated experience and achievements in the core business fields such as marketing, merchandising and service fields of the AUTOBACS franchise business, thereby contributing to strengthening the business foundations for the AUTOBACS business.

Based on extensive knowledge and experience, Mr. Matsumura has fully demonstrated his roles as a 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 take full advantage of his knowledge and experience to seek further growth of the Company and realize the Group's vision, "Anything about cars, you find at AUTOBACS," based on the 2014 Medium-Term Business Plan.

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 (current position)

Candidate No. 5:**Kozo Sumino** (newly appointed)

- Date of birth: October 1, 1957
- Term of office: - year
- Number of Company shares owned: 39,899

Dear Shareholders,

The AUTOBACS business celebrates its 40th anniversary during the current fiscal term, and the business environment in the automotive aftermarket has changed considerably over the years. To continue further business growth, the Group must proactively develop new businesses by identifying opportunities without blind devotion to existing businesses. At such a time for change, I will make sure to meet the expectations of shareholders by drawing on my broad work experience at the Company and managerial experience at subsidiaries and promote the 2014 Medium-Term Business Plan by paying special attention on growing the potential, originality and profitability of such new businesses.

Reasons for the nomination

As his profile indicates, Mr. Sumino has accumulated achievements in a wide variety of fields such as executive management, business development and overseas, including the merchandising strategy for the AUTOBACS franchise business. In addition, he has worked to steadily strengthen the wholesale business of car parts and accessories as manager of several of the Company's subsidiaries.

Mr. Sumino is nominated for director because the Company believes it is in the best interest of the AUTOBACS SEVEN Group to take full advantage of his knowledge and experience to seek further growth of the Company and realize the Group's vision, "Anything about cars, you find at AUTOBACS," based on the 2014 Medium-Term Business Plan.

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. (current position)

(Note) On June 13, 2014, Mr. Sumino is scheduled to retire as director and representative director and from all other positions at Palstar K.K.

**Candidate No. 6:
Tatsuya Tamura**

Career position and assignment in the Company:

Outside Director (Independent Officer)

- Date of birth: October 11, 1938
- Term of office: 6 years (at the conclusion of this general meeting)
- Number of Company shares owned: 2,100

Dear Shareholders,

The automobile after-sales service market is undergoing several major structural changes, against the backdrop of declining car use, emergence of electric and hybrid vehicles, and other factors. The Company must respond flexibly and promptly to those structural changes, while aggressively exploring new business opportunities that might arise in association with said markets. As the Company has an overwhelming market share and superior ability to collect information in the automobile after-sales service market, the Company should develop new products and services and conduct up-front investment and market research to carry out the innovation of its business models.

Valuing these perspectives, I would like to actively exchange opinions with the management team and executive officers as an outside director and independent officer. Through active interactions, I hope to contribute to enhancing the common interests of the Company, employees, shareholders and franchisees.

Reasons for nomination

As his profile indicates, Mr. Tamura is highly knowledgeable in finance and corporate governance and has considerable experience as an outside director.

Based on the aforementioned knowledge and experience and in the capacity of an outside director and independent officer, he has fulfilled his duties of making important decisions and supervising business execution from the perspective of general shareholder protection. In addition, as chairman of the Corporate Governance Committee of the Company, he has contributed to enhancing corporate value by promoting and strengthening the corporate governance of the Company.

Mr. Tamura 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.

Brief professional background including major posts held

- April 1961: Joined the Bank of Japan
- May 1986: Representative – Europe, Bank of Japan
- February 1992: Executive Director, Bank of Japan
- April 1996: Chairman, A. T. Kearney, Inc.
- June 1996: Adviser to the Board, Foreign and Colonial Pacific Investment Fund
- April 1999: Secretary, Keizai Doyukai (Japan Association of Corporate Executives)
- June 1999: Outside Director, ORIX Corporation
- June 2000: Outside Director, Suruga Bank Ltd.
- May 2002: Representative Director and President, Global Management Institute Inc. (current position)
Auditor, Japan Center for Economic Research (current position)
- June 2002: Outside Director, Japan Telecom Co., Ltd.
- March 2003: Chairman, Japan Corporate Governance Network (non-profit organization; current position)
- June 2003: Outside Director, SKY Perfect Communications Inc.
- October 2004: Outside Director, Kanebo Cosmetics Inc.
- June 2006: Outside Director, Sanden Corporation
- June 2008: Outside Director, AUTOBACS SEVEN Co., Ltd. (current position)
- June 2009: Outside Director, Nipponkoa Insurance Co., Ltd.
- June 2010: Outside Corporate Auditor, Shinsei Bank, Limited (current position)

(Note) Mr. Tamura is scheduled to retire as outside corporate auditor of Shinsei Bank, Limited, as of June 18, 2014.

**Candidate No. 7:
Noriaki Shimazaki**

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

- Date of birth: August 19, 1946
- Term of office: 3 years (at the conclusion of this general meeting)
- Number of Company shares owned: 3,500

Dear Shareholders,

Although the business environment surrounding the automotive aftermarket is expected to remain harsh, I would like to address appropriate advice to the Company for the sustainable and stable growth of the Group by increasing profitability of existing businesses and nurturing new businesses through the steady execution of the 2014 Medium-Term Business Plan that has started in the fiscal term ending March 31, 2015. I will look at comprehensive risk management and internal control issues based on my previous experience because the Company should improve the quality of operation throughout the AUTOBACS SEVEN Group in line with efforts to realize the targets in the Business Plan.

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, 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.

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
January 2010:	Member of the Management Advisory Committee, BNP Paribas Securities (Japan) Limited (current position)
June 2011:	Trustee of Financial Accounting Standards Foundation
June 2011:	Outside Director, AUTOBACS SEVEN Co., Ltd. (current position)
June 2011:	Chair of Self-regulation Board & Public Governor of Japan Securities Dealers Association (current position)
September 2013:	Advisor, IFRS Foundation Asia-Oceania Office (current position)
September 2013:	Advisor, The Japanese Institute of Certified Public Accountants (current position)
March 2014:	Member of the Management Advisory Committee, SBI Holdings, Inc. (current position)

Candidate No. 8:**Hatsuo Odamura** (newly appointed)

- Date of birth: November 9, 1949
- Term of office: - year
- Number of Company shares owned: -

Dear Shareholders,

I have been engaged for many years in an extensive range of risk management and operational management of different organizations in the administrative field. Since 2008, I also have been committed to the operational management and road traffic safety measures of public-interest corporations as director, director general and counselor of various transport-related corporations including the Institute for Traffic Accident Research and Data Analysis. I believe safety and security are significant factors in the automotive aftermarket field. I will therefore contribute to the improvement of corporate value of the Company, the enhancement of corporate governance and the promotion of driving safety demanded by car users by drawing on my experience and expertise.

Reasons for the nomination

As his profile indicates, 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.

Mr. Odamura is nominated for outside director to be newly appointed so that he can supervise the management of the Company as an outside director and independent officer based on the aforementioned experience and knowledge from the perspective of general shareholder protection.

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 (current position)

(Note) On June 10, 2014, Mr. Odamura is scheduled to retire as director and director general and from all other positions at Institute for Traffic Accident Research and Data Analysis.

Special remarks on the candidates for the offices of outside directors

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

Mr. Tatsuya Tamura, Mr. Noriaki Shimazaki and Mr. Hatsuo Odamura 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 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 (established on February 24, 2010). (Please refer to page 17.)

2. Liability limitation agreement with outside directors

Mr. Tatsuya Tamura and Mr. Noriaki Shimazaki, both 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 reelection as outside directors, said agreement will be continued.

In the event of the election of Mr. Hatsuo Odamura, another candidate for the office of outside director, he plans to enter into the same agreement with the Company that defines his limitations of liability as defined in Article 423, Paragraph 1, of the Companies Act.

[Outline of contents of liability limitation agreement]

The liability limit pursuant to the agreement shall be the greater of ten (10) million yen or 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

- i) Mr. Tatsuya Tamura concurrently serves as chairman 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 corporate 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 fiscal term under review was less than one million yen. Accordingly, said organization 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” and the candidate has no special interests in the Company.

- ii) Other candidates 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 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.

When Mr. Tatsuya Tamura was in office at NIPPONKOA Insurance Company, Limited, as outside director during the period from June 2009 until June 2011, NIPPONKOA Insurance was given a business improvement order in October 2009 by the Financial Services Agency on the grounds of delayed payment of insurance benefit. Although he was unaware of said fact in advance, he had habitually made suggestions regarding compliance to the Board of Directors of the Company. Since the revelation of the aforementioned incident, he has actively provided various instructions for the prevention of recurrence including a thorough

investigation for the cause of the infraction, the reinforcement of a monitoring system and enhanced training of relevant staff, thereby appropriately fulfilling his duties as outside director.

Agenda Item No. 3 and Reference Matters

Agenda Item No. 3: Election of one (1) audit and supervisory board member

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

Accordingly, the Company requests the shareholders' approval for the election as audit and supervisory board members of the one (1) candidate below.

The present Agenda Item has already been approved by the Audit and Supervisory Board.

Information on the candidate is provided on page 16.

Name	Career position in the Company	Notes
Yasuhiro Tsunemori	Director and Vice Chief Executive Officer	(Newly appointed)

(Note) The candidate has no special interest in the Company.

Reference Matters for Agenda Item No. 3: Election of one audit and supervisory board member

Candidate:

Yasuhiro Tsunemori (newly appointed)

Career position in the Company: Director and Vice Chief Executive Officer

- Date of birth: March 22, 1952
- Term of office:- year
- Number of Company shares owned: 12,800

Dear Shareholders,

As a director of the Company, I have been long in charge of a broad range of strategies, covering not only the domestic and overseas marketing and merchandising fields of the AUTOBACS franchise business but also executive management.

Drawing on such experience, I would like to raise the quality of corporate governance and respond to the expectations of shareholders and other stakeholders to help the Company grow further by reinforcing the accounting and business-auditing operations, which are primary roles of audit and supervisory board members, from an independent standpoint with frank opinions being expressed to any director.

Reasons for the nomination

As his profile indicates, Mr. Tsunemori has participated in the corporate management of the Company for many years and has accumulated achievements in the marketing and merchandising fields of the AUTOBACS business, as well as in executive management and overseas operations. He therefore has sufficient knowledge about financial and accounting affairs through these experiences.

Mr. Tsunemori is nominated for an audit and supervisory board member to be newly appointed because the Company believes it is in the best interest of the Company to take advantage of his extensive knowledge and experience.

Brief professional background including major posts held

April 1977: Joined Shoutensekkei Co., Ltd.
March 1978: Joined Daiho-Sangyo Co., Ltd. (currently AUTOBACS SEVEN Co., Ltd.)
February 1995: General Manager of Chubu Area Operation Department
June 2000: Director, General Manager of Merchandise Department
June 2002: Executive Officer, Merchandising Strategy
June 2003: Director and Executive Officer, Merchandising Strategy
June 2004: Director and Co-Chief Operating Officer, Head of Total Car-Life Business Strategy
April 2006: Director
June 2008: Director and Vice Chief Executive Officer, Head of Corporate Strategy and Overseas Operation
December 2008: Director and Vice Chief Executive Officer, Head of Corporate Strategy, Overseas Operation and Merchandising Strategy
April 2009: Director and Vice Chief Executive Officer, Head of Information Systems & General Affairs, Overseas Operation and Car Dealing
April 2010: Director, Vice Chief Executive Officer and Vice Chief Chain Officer, Head of Finance & Accounting
April 2011: Director, Vice Chief Executive Officer and Vice Chief Chain Officer, Head of Finance & Accounting and Overseas Operations
April 2012: Director, Vice Chief Executive Officer and Vice Chief Chain Officer
April 2014: Director and Vice Chief Executive Officer (current position)

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 referred to as AUTOBACS SEVEN Group) or specified corporations or entities in the past five years in any of the following manners:
 - (i) Receiving remuneration (excluding the remuneration for the duty of an officer from the Company) or other assets from AUTOBACS SEVEN Group in the amount exceeding ten (10) million yen per fiscal term
 - (ii) Serving any of the following corporations or entities (including holding companies) as a director, executive officer or in any other executive or managerial post:
 - a. 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 accounts for 2% or more of the consolidated sales of either party
 - b. Corporation or entity which has an interest of essential nature with AUTOBACS SEVEN Group (main bank, audit firm, law firm, consultancy, etc.), regardless of the amount of trade
 - c. Any major shareholder of the Company (owning 10% or more of the shares issued)
 - d. Any corporation among whose major shareholders (owning 10% or more of the shares issued) is AUTOBACS SEVEN Group
 - e. Any corporation which shares any number of mutually appointed directors with AUTOBACS SEVEN Group (in the framework of cross-holding of shares involving mutual election of directors)
2. The Company's outside officers neither be a spouse of, nor have any relation of the second degree of kinship or closer to any of AUTOBACS SEVEN Group's directors, audit and supervisory board members or officers.
3. The Company's outside officers shall not 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.

(Established February 24, 2010)

Business Report (from April 1, 2013 to March 31, 2014)

1. Current Status of the AUTOBACS SEVEN Group

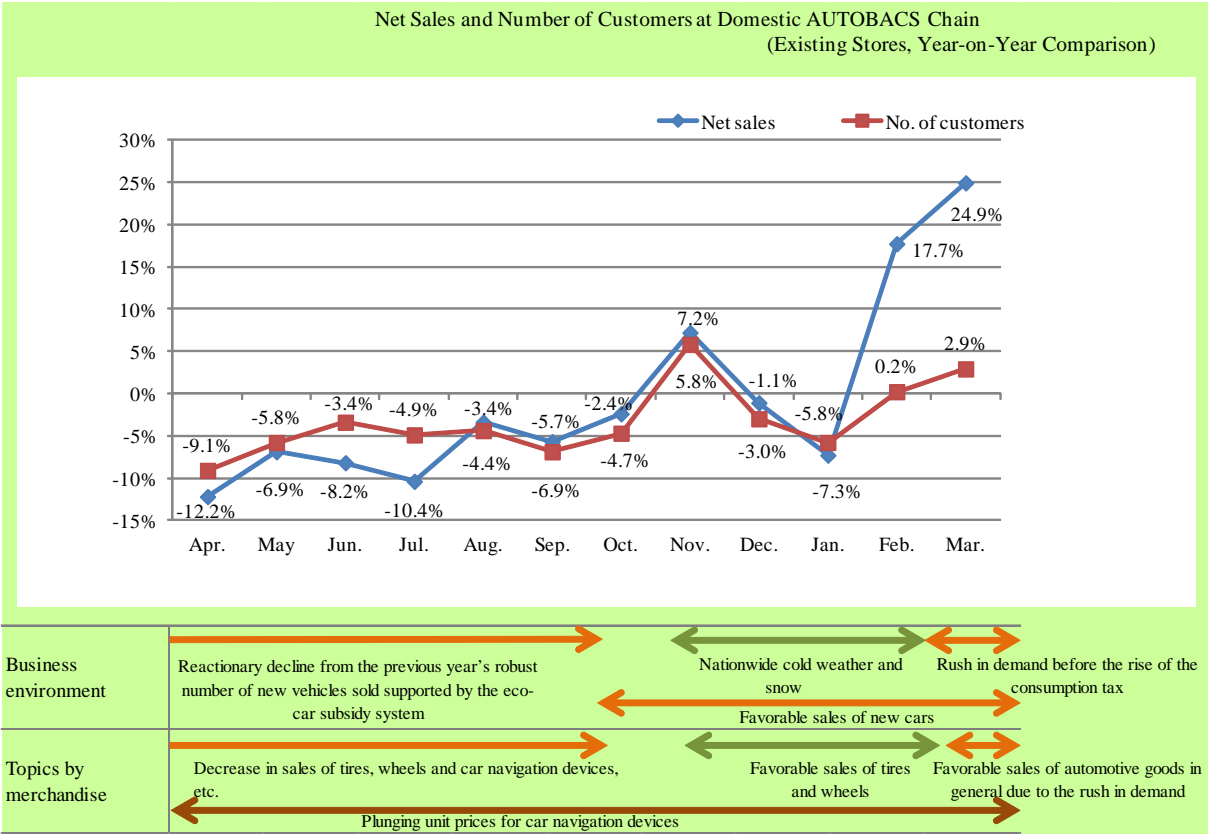
(1) Business Progress and Results

Business environment

During the consolidated fiscal term under review, although the Japanese economy started to see bright signs with a visible trend of yen depreciation and high stock prices supported by monetary easing and economic measures taken by the Japanese government, the slow growth of personal income and other factors kept the consumer spending trend uncertain. With regard to domestic automotive-related consumption, overall demand for the first half plunged due to a reactionary decline from the previous year's robust number of new vehicles sold supported by the eco-car subsidy system. During the second half, however, such influence receded and overall demand for new vehicles, used vehicles and automotive goods all expanded due to the rush in demand before the April 2014 rise of the consumption tax.

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 0.6% on a same-store basis, and increased by 1.2% on a total-store basis year-on-year.

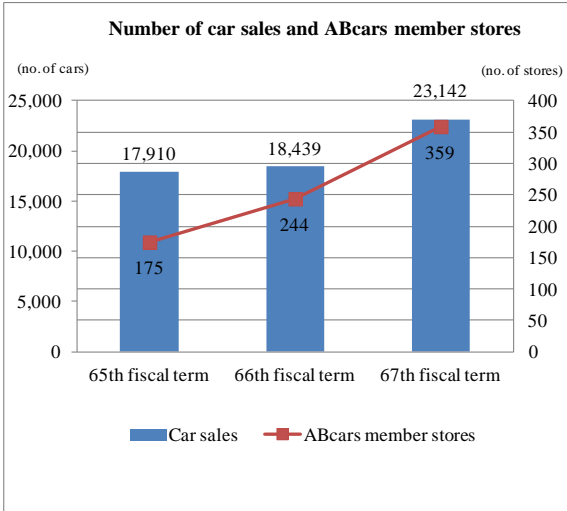
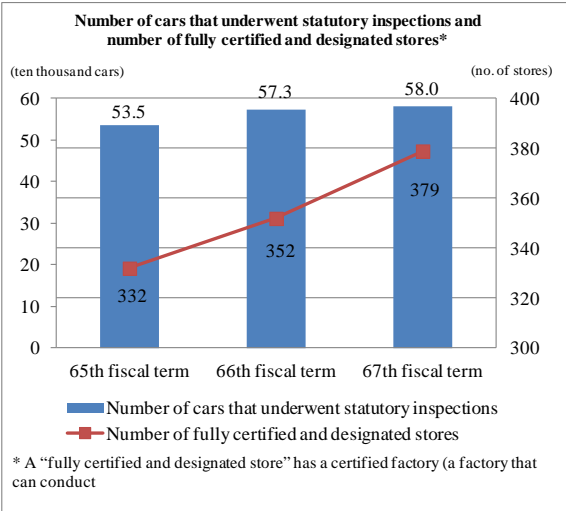


In the automotive goods and services sales business, sales decreased compared with the previous year. To offset the loss of sales from the unit prices of car navigation devices continuing to decline, AUTOBACS SEVEN Co., Ltd., strove to increase sales of mainly tires throughout the AUTOBACS chain from the beginning of the fiscal term under review. However, during the first half, tire replacement demand did not grow, leading to sluggish sales. Consequently, during the second half, the Company reinforced sales

promotion activities and its sales structure especially for fuel-efficient tires and snow tires. As a result, also backed by nationwide snowfalls and the rush in demand before a rise in the consumption tax, sales of tires and wheels exceeded the previous year’s level, thereby improving the profitability of the Company and the entire AUTOBACS chain. Concerning car navigation devices, although the sales volume was about the same as the previous year’s level, sales decreased due to the significant impact of a plunge in unit prices. As for the car accessories and motor sports goods, sales declined due to the significant impact of a decrease in sales of new vehicles during the first half.

In the statutory safety vehicle inspections and maintenance services business, focused guidance was provided for stores with low sales of statutory safety vehicle inspections, and efforts were made to receive more reservations via conventional methods (e.g., phone) and at the Statutory Safety Inspection Contact Center. As a result, the number of cars that underwent statutory safety inspections in the first half progressed favorably. However, the second half of the fiscal term under review was five years after the Lehman Shock, which caused a huge plunge in the number of vehicles sold. It means that the number of cars for the second statutory inspection was small. In addition, many cars bought five years ago were replaced with new cars or used cars, leading to sluggish growth in the number of statutory inspections undertaken. As a result, the number of statutory safety inspections done during the fiscal term under review rose only by 1.3% year on year to approximately 580,000 units.

In the automobile purchase and sales business, the car assessment system for used car purchases at stores was reformed and related training progressed, thereby increasing the number of used vehicles purchased, which led to an increase in the number of used vehicles sold to used-car distributors at auto auctions and other events by 32.5% compared with the previous year. Furthermore, the sales structure at stores was reinforced and more vehicles were displayed in stores, thereby increasing the number of vehicles sold by 20.0% year on year. As a result, the total number of vehicles sold for the consolidated fiscal term under review rose by 25.5% year on year to approximately 23,100 units. The number of AUTOBACS Cars (“ABcars”) member stores as of March 31, 2014, was 359, an increase from 244 stores a year earlier.



Status of domestic store consolidation

With respect to domestic store openings and closings in the 67th fiscal term, the AUTOBACS SEVEN Group opened 25 new stores, closed and reopened five stores through scrap and build including the shift of store formats, and closed six stores. As a result, the number of stores of the AUTOBACS chain as of the end of the fiscal term under review increased by 19 stores from 552 stores at the end of the previous fiscal term to 571 stores.

Openings and closings of domestic stores in the 67th fiscal term

No. of domestic stores at the end of the fiscal term under review: 571

	No. of stores as of March 31, 2013	Opened	Change in store format, S/B, R/L		Closed	No. of stores as of March 31, 2014	Increase/decrease
			+	-			
AUTOBACS	455	23	5	4	1	478	23
Super AUTOBACS	76	0			1	75	-1
AUTOBACS <i>Secohan Ichiba</i>	14	0			4	10	-4
AUTOBACS EXPRESS	7	2		1	0	8	1
Total	552	25	5	5	6	571	19

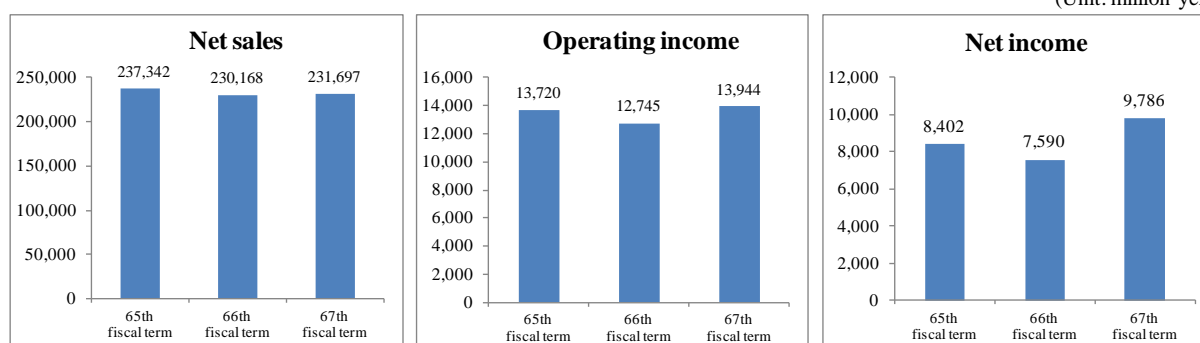
(Notes) 1. Six AUTOBACS *Secohan Ichiba* stores in a shop-in-shop format as of March 31, 2014, are not included in the number of the overall AUTOBACS chain stores.

2. "S/B" and "R/L" above are the abbreviations for "scrap and build" and "relocation," respectively.

Consolidated business results

The AUTOBACS SEVEN Group's net sales for the consolidated fiscal term under review increased by 0.7% year on year to ¥231,697 million, gross profit rose by 1.6% year on year to ¥76,907 million, selling, general and administrative expenses remained at the same level as the previous fiscal term to ¥62,962 million, and operating income increased by 9.4% from the previous fiscal term to ¥13,944 million. Ordinary income increased by 13.5% year on year to ¥16,421 million mainly due to a decrease in non-operating expenses under non-operating income/expense. As an extraordinary loss, an impairment loss of ¥469 million on land and buildings of AUTOBACS stores in Japan and overseas was recorded. As a result, net income for the fiscal term under review increased by 28.9% year on year to ¥9,786 million.

(Unit: million yen)



Business results by segment are as follows.

(AUTOBACS SEVEN Co., Ltd.)

Net sales declined by 1.9% year on year to ¥183,758 million. In wholesale operations primarily to franchise stores, although sales of car electronics fell, sales of tires, wheels, car exterior goods such as tire chains, automobiles and fuel increased. As a result, wholesale sales fell by 0.1% from a year earlier, thus almost maintaining the same level as the previous fiscal term. In retail operations, mainly by transferring the Company's directly owned stores to domestic store subsidiaries, retail sales declined by 38.4% from a year earlier. In terms of gross profit, although the gross margin improved for tires and wheels with the effects of the sales increase and via a gross margin improvement program, gross profit decreased by 4.7% year on year to ¥39,001 million due to a decrease in the gross margin amount associated with the transfer of the directly owned stores and a decline in the gross margin of car electronics and interior items and other goods. Selling, general and administrative expenses decreased by 5.6% year on year to ¥25,670 million. Labor costs rose associated with the Company accepting personnel from domestic store subsidiaries, and expenses for selling increased by using mass media advertisements and reinforcing sales promotion activities at stores during the second half. However, depreciation of information systems and commissions decreased. In addition, store management expenses decreased due to the transfer of directly owned stores to store subsidiaries. As a result, operating income decreased by 2.9% to ¥13,330 million.

(Domestic store subsidiaries)

Net sales increased by 4.3% year on year to ¥81,391 million, and operating income of ¥555 million was recorded, showing a significant improvement compared with an operating loss of ¥788 million for the previous fiscal term. The factors contributing to the increase in net sales were the reinforcement of the sales structure and sales promotion activities at stores to boost sales of mainly tires and wheels and accepting the stores that were previously owned by the Company directly. Gross profit increased due to the improved gross margin of certain merchandise including tires, car electronics and interior items. Although selling, general and administrative expenses rose year on year due to reinforced sales promotion activities conducted during the third quarter, in addition to the expenses for accepting the stores that were previously owned by the Company directly and the conversion of franchisees into subsidiaries during the previous consolidated fiscal term, the ratio of selling, general and administrative expenses to net sales decreased compared with a year earlier through efficient store management and the rationalization of personnel.

(Overseas subsidiaries)

Net sales increased by 18.1% year on year to ¥10,372 million. Operating income was ¥11 million compared with an operating loss of ¥72 million for the previous fiscal year, mainly due to the improvement of profitability at the Company's subsidiaries in China. On a local currency basis, in France, sales declined amid the unstable European economies. Although sales of winter items were favorable, intensifying price competition with competitors led to a decrease in net sales. However, the Group made efforts to improve the gross margin and control expenses, which helped shrink the operating loss compared with the previous fiscal term. In China, one store was closed at the end of October 2013, thereby decreasing operational expenses, and sales increased mainly of wheels and oil at the existing store (one store), both of which contributed to shrinking the operating loss. In Thailand, due to the impact of anti-government demonstrations ongoing since November 2013, some stores had to suspend operation or shorten operational hours, resulting in a decrease in net sales and increasing the operating loss. In Singapore, intensifying competition with competitors led to a decrease in net sales, thereby slightly lowering operating income year on year. However, the operating margin remained at a level of 11%, maintaining stable business results.

(Subsidiaries for car goods supply and other)

Net sales increased by 5.7% year on year to ¥15,174 million, mainly because sales progressed favorably at Palstar K.K., a wholesaler of oil and other merchandise, which boosted operating income by 56.7% year

over year to ¥255 million.

(Subsidiaries for supporting functions)

Net sales decreased by 6.7% from a year earlier to ¥3,147 million because sales of leases of store facilities and equipment to franchise stores decreased. However, operating income increased by 3.8% year over year to ¥432 million, about the same level as the previous fiscal term.

(Consolidation adjustment in operating income)

The adjustment of total operating income in each segment to consolidated operating income was ¥640 million, down by ¥68 million compared with a year earlier. This decline in the consolidated adjustment following the previous fiscal term mainly reflected a decrease in the amortization of goodwill in association with the conversion of franchise stores into subsidiaries.

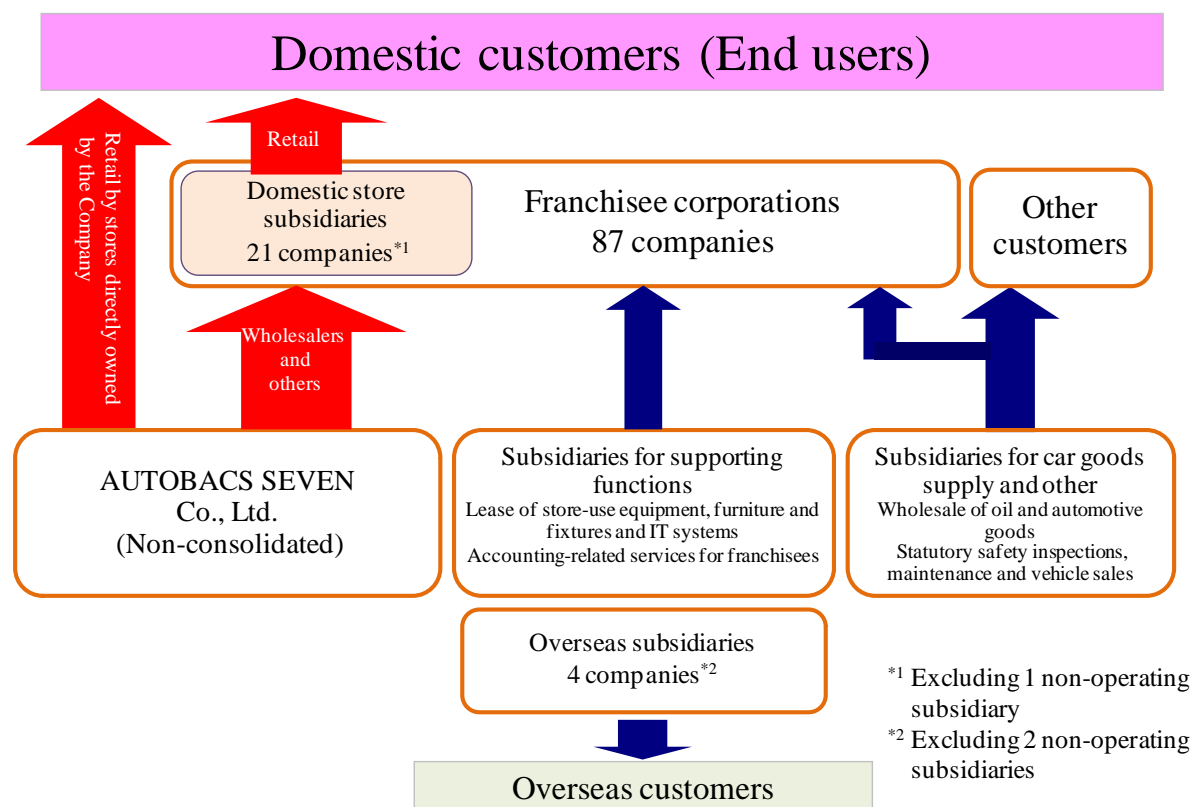
Net sales and operating income by segment

(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	183,758	81,391	10,372	15,174	3,147	293,844
year on year change	-1.9%	4.3%	18.1%	5.7%	-6.7%	0.7%
operating income	13,330	555	11	255	432	14,585
year on year change	-2.9%	-	-	56.7%	3.8%	8.4%

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

Outline of the Company's Consolidated Segments (as of March 31, 2014)



Progress overview of the Medium-Term Business Plan

The Company implemented various measures with regard to business strategies, financial strategies and CSR and governance, based on the AUTOBACS 2010 Medium-Term Business Plan, covering the period up to the fiscal term ended March 31, 2014.

The Group's important policies implemented to bolster its domestic businesses include "reforms to existing stores," under which sales floors were reformed at 374 AUTOBACS stores during the past four years. At many of its stores, the effects of store reforms helped improve business results.

Meanwhile, under a policy of opening new stores, 82 stores were opened during the four years from April 2010, which, however, did not reach the Group's initial plan of opening 120 stores.

		Objectives of AUTOBACS 2010 Medium-Term Business Plan	Steps taken during the consolidated fiscal term under review
Business strategies	Bolstering domestic business	<ul style="list-style-type: none"> Bolstering the AUTOBACS franchise business Improving store profitability <ul style="list-style-type: none"> Operating margin at existing stores: 6.9% Improving market share <ul style="list-style-type: none"> Auto aftermarket share: 18.0% 	<ul style="list-style-type: none"> Operating margin at existing stores: 6.2% (down 0.7 percentage point) Reformed AUTOBACS and Super AUTOBACS business formats <ul style="list-style-type: none"> Implemented sales floor reforms at Super AUTOBACS stores Provided training on customer service and to strengthen store managers' strategic skills Market share: 14.9% (down 3.1 percentage points) Opened 25 new stores <ul style="list-style-type: none"> Promoted the use of low-cost facilities and equipment Developed potential store locations toward continuing store openings
	Overseas business	<ul style="list-style-type: none"> Bringing the overseas business into the black Inspection and decision of the policy of business in China 	<ul style="list-style-type: none"> Turned an operating loss for the results of overseas subsidiaries in total into operating income Conducted experimental operation and verification toward establishing a business model in China Developed business in the ASEAN region for the Group's future growth <ul style="list-style-type: none"> Took new measures such as entering into business alliances and establishing a joint venture
	Improving headquarters functions	<ul style="list-style-type: none"> Strengthening support systems Construction of administrative systems Making non-consolidated costs more efficient 	<ul style="list-style-type: none"> Reviewed the human resources and training systems to reinforce human resources Allocated management resources preferentially to the Group's priority initiatives Continued cost-reduction measures and utilized cost-reduction systems
Financial strategies	<ul style="list-style-type: none"> Making operating cash flow by way of aggressive investment Strengthening the profit sharing for stockholders 	<ul style="list-style-type: none"> Made business investments by opening 27 new stores in Japan and overseas Purchased treasury stock (3 million shares, about ¥4.6 billion) 	
CSR/ Governance	<ul style="list-style-type: none"> Efforts toward environment and contribution to society Promoting compliance and risk management 	<ul style="list-style-type: none"> Acquired ISO 14001 certification at eight regional offices Started a business selling solar power generated electricity Continued local community contribution activities Reviewed the Group's risk management method Reinforced the compliance structure at franchise stores 	

(i) Business strategies

The AUTOBACS SEVEN Group continued to promote measures to improve the profitability of the AUTOBACS stores with a focus on strengthening the AUTOBACS businesses.

With respect to “reforms to existing stores,” the Group promoted merchandise that is selling well and standardized its sales floor format patterns to maximize the effects of the sales floor reform, which was completed during the fiscal term ended March 31, 2013, and improved merchandise displays at sales floors. The Group also strove to further enhance the efficiency of store operation by reviewing the staff allocation, strengthening the alliances among staff and introducing tablet terminals at some stores. As a result, business results and the efficiency of store operation improved as initially planned at many stores. With regard to the stores with limited improvement, the Group analyzed the reasons why in detail, implemented measures to cope with those factors and horizontally applied successful cases of stores with favorable business results to improve both each store’s performance and convenience for customers.

Furthermore, drawing on its know-how on sales floor reforms of AUTOBACS stores, from the fiscal term ended March 31, 2013, the Group initiated reforms at Super AUTOBACS stores to increase store profitability. To differentiate Super AUTOBACS stores from competitors, the Group has been conducting renovations that fit the preference and tendency of each store’s customers and the local community with optimizing the strength of Super AUTOBACS. By the fiscal term ended March 31, 2014, the Group had conducted sales floor reforms at 50 stores. At such stores, performance improved following the reforms, as profitability grew likewise at AUTOBACS stores.

Concerning “reforms to human resources,” the Group continued to provide training for employees at newly opened stores and newly hired employees in addition to customer service training for store employees. Furthermore, to improve the managerial capability and leadership of store management tiers, the Group conducted training for store managers and deputy store managers.

As part of its “new store opening” policy, the Group launched 25 new stores during the fiscal term ended March 31, 2014 for the purpose of improving convenience for customers and having more customers visit AUTOBACS stores. The Group promoted opening stores in market areas where the Group had not yet opened stores aggressively and improved the speed of store openings by using already-furnished properties. The Group also promoted further reduction of store opening costs by reviewing the construction materials, furniture and fixtures at stores, as well as the pit equipment.

Concerning the AUTOBACS Tire Shop, following the first store in Yamaguchi City, Yamaguchi Prefecture, at which experimental operations occurred from the fiscal term ended March 31, 2012, three new AUTOBACS Tire Shops opened in Nagareyama City, Chiba Prefecture; Akiruno City, Tokyo; and Sendai City, Miyagi Prefecture. These AUTOBACS Tire Shops and three Auto Body Repair and Painting Centers (BP Centers), a new service format of the Group (located in Urayasu City, Chiba Prefecture; Toda City, Saitama Prefecture; and Fukuoka City, Fukuoka Prefecture), are part of the Group’s measures for future growth. The Group intends to promote future development optimizing the AUTOBACS brand power.

To promote the CRM strategy, the Group is implementing initiatives to further reinforce its ties between the AUTOBACS chain and customers, by grasping the change in customers’ perception of cars and forecasting market trends. Based on customers’ purchase histories, the Group analyzes customers’ hobbies and preferences, working to establish a new customer support system to propose merchandise and services that fit each customer’s need.

To “reinforce e-commerce” as an important pillar that supports the future growth of the AUTOBACS chain, the Group developed an online shopping website, reinforced its functions, continued to use Rakuten Ichiba and started using amazon.co.jp and Yahoo Shopping to further expand sales routes. Because Internet sales are used by many customers who never visit AUTOBACS stores, e-commerce is helping acquire new customers. By stocking merchandise sold via Internet sales at AUTOBACS stores, some e-commerce customers have started visiting the AUTOBACS stores,

showing contributory relations between stores and Internet sales.

In the overseas business, the Group focused on the ASEAN region, which offers future growth potential. A corporate franchisee in the AUTOBACS chain, which is also a Group company, opened one store each in Malaysia and Taiwan. In July 2013, the Group established in Indonesia a joint venture that operates mainly in the car parts and accessories wholesale business with PT. CENTRAL SOLE AGENCY of the INDOMOBIL Group, a major auto-related corporate group in the country. In September 2013, in Malaysia, the Group initiated operation mainly in the automotive goods retail business via a business alliance and capital participation with JX Nippon Oil & Energy Trading Corporation and MALAYSIAN HARVEST Sdn. Bhd. The Group will continue to strive to further expand profitability with a long-term perspective.

(ii) Financial strategies

In its financial strategies, to increase operating cash flows, the Group made aggressive business investments by opening 27 new stores in total, reopening four stores through scrap and build and store relocation in Japan and overseas.

Under the policy of improving capital efficiency and increasing returns to shareholders, the Company purchased 3 million shares of treasury stock worth approximately ¥4.6 billion. With regard to a year-end dividend, the Company plans to implement a commemorative dividend of ¥10 per share commemorating the 40th anniversary of AUTOBACS in addition to a regular dividend of ¥27 per share, resulting in an annual dividend of ¥64 per share.

(iii) CSR / Governance

The AUTOBACS chain recognizes CSR activity as one of the important management issues. In September 2013, the Company started sales of solar electricity generated using land on the premises of the Western Japan Logistics Center of the Company and part of the rooftops of the buildings inside the center. In addition, at the Group's regional offices nationwide measures are continuing for power saving and reductions in the use of electricity, copy paper and the amount of waste emissions, resulting in acquiring the ISO 14001 certification at the headquarters and seven regional offices. Also, the Company has posted an environmental report on its website. To contribute to local communities, the AUTOBACS chain continued to conduct cleanups in the areas surrounding its headquarters and stores and participated in forestation activities. The Group will continue to take across-the-board environment-friendly initiatives.

As for risk management measures, the Company identified specific risks to which the AUTOBACS chain is exposed, prioritized such risks and the Company's officers shared measures to address such risks, thereby improving the risk management at the AUTOBACS chain. The Company also strove to reinforce franchise stores' compliance structure.

(2) Status of Capital Investment

During the consolidated fiscal term under review, the Company made capital investments totaling ¥4,819 million, mainly to acquire buildings and structures required to open new stores and on information systems and others to develop and revise the product management system.

(3) Status of Fund Procurement

During the consolidated fiscal term under review, the Company 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 ¥1,570 million, because repayments exceeded the amount procured.

(4) Targets to be Achieved

Drastic and rapid change is predicted to continue in the business environment surrounding the Group, including the following: the shrinking domestic car parts and accessories markets, increasingly diverse

vehicles due to the dissemination of next-generation automobiles and technological innovations, increasing years of use of each vehicle, changes in the competitive environment due to the entries of different businesses such as car dealers and Internet and communication-related companies, changes in customers' purchase activities in line with the dissemination of the Internet.

To adapt to such changes in the business environment accurately, the 2014 Medium-Term Business Plan, of which the final term is the fiscal term ending March 31, 2018, was initiated in the fiscal term ending March 31, 2015.

(i) Outline of the 2014 Medium-Term Business Plan

The mission of the AUTOBACS SEVEN Group is to contribute to the development of a safe and comfortable car society through its business activities with materializing its long-term vision: "Anything about cars, you find at AUTOBACS."

Under this long-term vision, positioning the 2014 Medium-Term Business Plan as the inception of a new stage to realize the medium- to long-term growth of the Group, the Group will nurture three business pillars—new businesses, overseas business and the AUTOBACS business.

The Group aims to achieve its financial targets by the fiscal term ending March 31, 2018: consolidated operating income of ¥18 billion, consolidated return on equity (ROE) of 8% and a consolidated dividend on equity ratio (DOE) of 3% or more.

(ii) Strategies for the AUTOBACS business

The Group continues to prioritize the AUTOBACS business as before, regarding the business as its most important pillar of revenue.

To establish a competitive edge, the Group intends to enhance convenience and safety as major values that it offers to customers and strive to gain support from customers who do not have much knowledge about cars but want to take care of and use their car for a long time, while continuing to meet the expectations of existing customers.

To this end, the Group will shift its business format to "One Stop Car Services," which covers car sales, maintenance and items/services that make driving enjoyable, diversification of sales channels, expansion of sales bases, and redevelopment of its safety-based private brand strategy.

In addition, the personnel allocation at stores and operation will be reviewed to enhance efficiency of store operation, thereby expanding profitability.

Through these measures, the Group aims to achieve sales of 8 million tires, car purchases and sales of ¥50 billion, statutory safety vehicle inspections for 1 million cars and total net sales of the AUTOBACS chain of ¥330.0 billion.

(iii) Strategies for domestic new businesses

Positioning domestic new businesses as a new pillar for the Group's future growth, the Group will strive to enhance synergies between the domestic new businesses and the existing AUTOBACS business and develop new businesses mainly in auto-related fields.

The Group will quickly cope with changes in the business environment and offer merchandise and services not only to existing customers but also to new individual and corporate customers.

(iv) Strategies for overseas business

Regarding the overseas business as a new pillar for future growth, the Group will expand businesses mainly in the ASEAN region, which is entering a growth period.

In addition to developing retail sales and service business at stores, the Group will enter into surrounding businesses such as the wholesale of products and develop businesses in the ASEAN region with an emphasis on the speed of development.

(v) Financial strategies

To further increase future operating cash flows, the Group will make aggressive business investments. Moreover, to improve capital efficiency, the Group intends to maximize returns to shareholders, while considering the business environment and the financial stability of the Group comprehensively.

With regard to returns to shareholders, the Company has a basic policy to make stable and continual dividend payments according to the Group's profit position with the aim of maintaining a consolidated dividend on equity ratio (DOE) of 3% or more.

For details of the 2014 Medium-Term Business Plan, please refer to "AUTOBACS Announces Formulation of 2014 Medium-Term Business Plan" released on May 8, 2014.

(5) Assets and Operating Results**(i) The Group's assets and operating results**

Classification	64th fiscal term Apr. 1, 2010- Mar. 31, 2011	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
Net sales (million yen)	236,350	237,342	230,168	231,697
Operating income (million yen)	11,988	13,720	12,745	13,944
Ordinary income (million yen)	13,060	15,307	14,472	16,421
Net income (million yen)	6,179	8,402	7,590	9,786
Net income per share (¥)	177.97	252.85	(Note) 81.22	107.71
Total assets (million yen)	207,794	217,948	205,526	201,481
Net assets (million yen)	147,962	146,193	143,301	144,363
Capital-to-assets ratio (%)	71.0	66.8	69.5	71.5
ROE (%)	4.1	5.7	5.3	6.8
Dividend payout ratio (%)	75.9	57.3	64.0	59.4 (projection)
DOE (%)	3.2	3.3	3.4	4.1 (projection)

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

Net income per share was calculated assuming that the stock split was conducted at the beginning of the 66th fiscal term.

Net income per share for the 65th fiscal term calculated assuming that the stock split was conducted at the beginning of the 65th fiscal term, is as below.

Net income per share (yen) 84.28

(ii) The Company's assets and operating results

Classification	64th fiscal term Apr. 1, 2010- Mar. 31, 2011	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
Net sales (million yen)	194,715	195,601	187,298	183,758
Operating income (million yen)	11,749	13,590	13,735	13,330
Ordinary income (million yen)	12,437	15,148	15,231	14,911
Net income (million yen)	7,876	8,835	8,659	9,370
Net income per share (¥)	226.79	265.80	(Note) 92.64	103.10
Capital (million yen)	33,998	33,998	33,998	33,998
No. of shares outstanding (shares)	37,454,204	34,251,605	32,650,035	92,950,105
Total assets (million yen)	207,298	208,930	196,532	187,912
Net assets (million yen)	149,692	148,381	146,298	146,441

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

Although "No. of shares outstanding" for the 66th fiscal term indicates that before the stock split, net income per share was calculated assuming that the stock split was conducted at the beginning of the 66th fiscal term.

Net income per share for the 65th fiscal term calculated assuming that the stock split was conducted at the beginning of the 65th fiscal term, is as below.

Net income per share (yen) 88.60

(6) The Group's Major Business Line (as of March 31, 2014)

The Group is engaged in wholesale and retail sales of automotive related goods both in Japan and overseas; car purchases and sales; and loan and credit business. It also provides the AUTOBACS chain with store leasing service; consultancy; 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-related goods to the Group's franchise stores Major merchandise lineup: tires & wheels, car electronics, etc.
Retail	Sale and installation services of automotive-related goods, maintenance services, statutory safety vehicle inspections, and car purchases and sales mainly to general consumers Major store brands: AUTOBACS, Super AUTOBACS, AUTOBACS <i>Secohan Ichiba</i> and AUTOBACS CARS ("ABcars"), etc. Major merchandise lineup: tires and wheels, car electronics, etc.
Other	Mainly leasing of real estate and store facilities to corporate franchisees

(7) Major Business Locations of the Company (as of March 31, 2014)

Headquarters	6-52, Toyosu 5-chome, Koto-ku, Tokyo	
Business offices	Northern Japan Division	Izumi-ku, Sendai City
	Kanto Division	Ichikawa City, Chiba
	Chubu Division	Meito-ku, Nagoya City
	Kansai Division	Kita-ku, Osaka City
	Southern Japan Division	Hakata-ku, Fukuoka City
Distribution centers	Eastern Japan Logistics Center	Ichikawa City, Chiba
	Western Japan Logistics Center	Miki City, Hyogo

(8) Key Subsidiaries (as of March 31, 2014)

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, 2014)

Company name	Location	Capital	The Company's investment ratio	Line of business
Puma Ltd.	Imizu City, Toyama	¥33 million	31.5%	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, 2014)**The Group's employment status**

(Unit: persons)

Divisions	No. of employees		Increase/decrease from the previous consolidated fiscal term	
Wholesale	648	(41)	-37	(24)
Retail	3,316	(911)	-209	(-99)
Company-wide (common)	502	(21)	34	(0)
Total	4,466	(973)	-212	(-75)

- (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
1,066	-111	42.6	14.9

(11) Major Lenders and Loan Amount (as of March 31, 2014)

(Unit: million yen)

Lenders	Balance of loans
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,935
Nippon Life Insurance Company	1,400
Sumitomo Mitsui Banking Corporation	1,252

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

Not applicable

2. Status of the Company (as of March 31, 2014)

(1) Status of Shares

- (i) Total number of authorized shares: 328,206,900 shares
(ii) Total number of shares issued: 92,950,105 shares (including 3,403,912 own shares)
(iii) Number of shareholders: 26,498
(iv) Major shareholders (Top 10 shareholders)

Name	Status of contribution to the Company	
	Number of shares held (Thousands)	Shareholding ratio (%)
Sumino Holdings, Ltd.	7,473	8.34
Ichigo Trust	4,739	5.29
Northern Trust Company (AVFC) Re Silchester International Investors International Value Equity Trust	4,147	4.63
The Yuumi Memorial Foundation for Home Health Care	3,990	4.45
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,364	3.75
Japan Trustee Service Bank, Ltd. (Trust Account)	2,554	2.85
Northern Trust Company AVFC Re U.S. Tax Exempted Pension Funds	2,430	2.71
Sumisho Holdings, Ltd.	2,400	2.68
Hiroshi Sumino	2,084	2.32
Live Field Co., Ltd.	2,000	2.23
K Holdings, Ltd.	2,000	2.23

- (Notes) 1. Shareholding ratio is calculated by deducting own shares from the total number of shares with voting rights.
2. Holdings of less than 1,000 shares have been omitted from the number of shares owned, and the share holding ratio is rounded down to two decimal places.
3. The Company confirmed that Ichigo Trust, which is included in the list of “Major shareholders” above, is the name recorded in the register of shareholders and that the beneficial owner of shares of Ichigo Trust is Ichigo Asset Management International Pte. Ltd.
4. An amendment to the substantial shareholding report was filed with the director-general of the Kanto Local Finance Bureau by Silchester International Investors LLP—No. 10 on July 30, 2013, No. 11 on August 15, 2013, and No. 12 on April 17, 2014, 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, 2014. As a result, the number of shares held by the company is not included in the list of “Major shareholders” above.

The contents of the amendment to the substantial shareholding report are as follows:

[An amendment to the substantial shareholding report No. 10]

Substantial shareholder: Silchester International Investors LLP
Number of shares held: 7,816 thousands (Holding ratio: 8.41%)

[An amendment to the substantial shareholding report No. 11]

Substantial shareholder: Silchester International Investors LLP
Number of shares held: 8,838 thousands (Holding ratio: 9.51%)

[An amendment to the substantial shareholding report No. 12]

Substantial shareholder: Silchester International Investors LLP
Number of shares held: 9,895 thousands (Holding ratio: 10.65%)

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

(Unit: shares)

Own shares held at the end of the previous fiscal term (Note)		5,402,241 — (i)
Acquired shares	Acquisition through purchase of shares constituting less than one (1) unit (Aggregate acquisition value: ¥2,630 thousand)	1,708 — (ii)
	Acquisition of own shares in accordance with the provision of Article 156 of the Companies Act as applied under Article 165, Paragraph 3 of the said act. (Aggregate acquisition value: ¥4,590,300 thousand)	3,000,000 — (iii)
Disposed shares	Disposal through selling of shares constituting less than one (1) unit (Aggregate disposal value: ¥52 thousand)	37 — (iv)
	Disposal of own shares pursuant to the provision of Article 178 of the Companies Act (Aggregate disposal value: ¥6,660,046 thousand)	5,000,000 — (v)
Own shares held at the end of the current fiscal term		3,403,912 (i)+(ii)+(iii)-(iv)-(v)

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

The number of own shares indicated above assumes that the stock split was conducted at the end of the previous fiscal term.

b. Change of the 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.

(2) Status of the Company's Officers**(i) Directors and audit and supervisory board members**

Title	Name	Responsibility and representation in other major organizations
Representative Director	Setsuo Wakuda	Chief Executive Officer and Chief Chain Officer
Director	Yasuhiro Tsunemori	Vice Chief Executive Officer and Vice Chief Chain Officer
Director	Hironori Morimoto	Senior Managing Executive Officer, Head of Corporate Administration and Finance & Accounting
Director	Teruyuki Matsumura	Senior Executive Officer, Head of Marketing & Sales Strategy Planning
Director	Kiomi Kobayashi	Senior Executive Officer, Head of Sales Operation and Chain Store Planning
Director	Tatsuya Tamura	Representative Director and President of Global Management Institute Inc., Auditor of Japan Center for Economic Research, Chairman of Japan Corporate Governance Network (non-profit organization) and Outside Corporate Auditor of Shinsei Bank, Limited
Director	Norio Hattori	Chairman of Japan Security Systems Association
Director	Noriaki Shimazaki	Chair of Self-regulation Board & Public Governor of Japan Securities Dealers Association, Advisor of IFRS Foundation Asia-Oceania Office, Advisor of The Japanese Institute of Certified Public Accountants, Member of Management Advisory Committee of BNP Paribas Securities (Japan) Limited and Member of Management Advisory Committee of SBI Holdings, Inc.
Audit and Supervisory Board Member (Full-time)	Hidehiro Ide	—
Audit and Supervisory Board Member (Full-time)	Toshiki Kiyohara	—
Audit and Supervisory Board Member	Tomoaki Ikenaga	Partner at Anderson Mori & Tomotsune, Independent Member of the Oversight Committee of Moody's Japan K.K. and Moody's SF Japan K.K.
Audit and Supervisory Board Member	Yuji Sakakura	Representative Director of Relations Japan Corporation and Outside Auditor of Fullcast Holdings Co., Ltd.

(Notes) 1. There were no transfers of directors or audit and supervisory board members during the fiscal term under review.

2. Three (3) directors, Mr. Tatsuya Tamura, Mr. Norio Hattori and Mr. Noriaki Shimazaki, are outside directors, as provided for in Article 2, Item 15, of the Companies Act.
3. Three (3) audit and supervisory board members, Mr. Toshiki Kiyohara, Mr. Tomoaki Ikenaga and Mr. Yuji Sakakura, are outside audit and supervisory board members, as provided for in Article 2, Item 16, of the Companies Act.
4. Six (6) officers, namely directors Mr. Tatsuya Tamura, Mr. Norio Hattori and Mr. Noriaki Shimada, and audit and supervisory board members Mr. Toshiki Kiyohara, Mr. Tomoaki Ikenaga and Mr. Yuji Sakakura are independent officers registered with the Tokyo Stock Exchange.
5. Two (2) audit and supervisory board members have profound insights into finance and accounting. Audit and supervisory board member Mr. Hidehiro Ide has successively served as accounting manager and executive officer, head of accounting & finance, and in other positions 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.

(ii) 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. Composition of remuneration

The Company directors' remuneration comprises: "fixed numeration," which is basic remuneration, and "performance-based remuneration," which fluctuates based on multiple evaluation indicators including performance and stock price.

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 numeration.

iii. Performance-based remuneration

Performance-based remuneration is based on short- and medium-term performance and results, and the amount of performance-based remuneration is decided by taking into account fluctuations in performance and stock price during the fiscal term, and is based on an evaluation of performance and results in accordance with each director's responsibilities.

The range of performance-based remuneration is 0-140% of fixed remuneration. Remuneration is designed so that, assuming a target of 100%, the ratio between fixed and performance-based remuneration stands at 60:40.

iv. Ensuring objectivity and transparency of remuneration system

The Company ensures the objectivity and transparency of directors' remuneration through the following steps.

- Examining the system, standards, and other matters regarding remuneration, based on the "Remuneration Policy for Directors and Officers," by the Corporate Governance Committee, chaired by an outside director and comprising all outside directors and the representative director, and reporting the findings to the Board of Directors.
- Studying and determining the validity of remuneration standards by comparing them with data of other companies in the same industry or of the same size contained in databases built by third-party organizations.

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	8	199	5	66	265
Outside Directors	3	36	—	—	36
Audit and Supervisory Board Members	4	65	—	—	65
Outside Audit and Supervisory Board Members	3	41	—	—	41
Total	12	264	5	66	331

- (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 performance-based remuneration above represents a total estimated amount for performance-based remuneration of the 67th fiscal term planned for payment during the 68th fiscal term. Therefore, the total amount of remuneration, etc. and the total amount to be paid for inside directors represent amounts projected for payment.
4. In addition to the above, the Company paid ¥48 million to five (5) inside directors as performance-based remuneration for the 66th fiscal term.

d. Revision to the system for directors' remuneration

To encourage management to place a higher focus on medium- to long-term business performance and improvement of corporate value, the Company's Corporate Governance Committee agreed on a new "Remuneration System for Directors and Officers," which was determined by the Board of Directors at its meeting held on March 28, 2014. The outline of this system is as follows, effective from fiscal term ending March 31, 2015.

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 determined in reference to the data of officers' remuneration conducted by third parties and taking into account the Company's position in the industry, the difficulty of achieving targets and the responsibilities of 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 chief executive officer.

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

iv. Process of determining remuneration

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

(iii) Matters concerning outside officers**a. Relationship between the Company and the organizations concurrently served by outside officers**

Classification	Name	Companies concurrently served	Title concurrently held	Relationship with the Company
Outside Director	Tatsuya Tamura	Global Management Institute Inc.	Representative Director and President	None
		Japan Center for Economic Research	Auditor	None
		Japan Corporate Governance Network (non-profit organization)	Chairman	The Company is a corporate supporting member of the non-profit organization
		Shinsei Bank, Limited	Outside Corporate Auditor	None
Outside Director	Norio Hattori	Japan Security Systems Association	Chairman	The Company is a corporate supporting member of the Association
Outside Director	Noriaki Shimazaki	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
		BNP Paribas Securities (Japan) Limited	Management Advisory Committee Member	None
		SBI Holdings, Inc.	Management Advisory Committee Member	None
Outside Audit and Supervisory Board Member	Toshiki Kiyohara	—	—	—
Outside Audit and Supervisory Board Member	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
Outside Audit and Supervisory Board Member	Yuji Sakakura	Relations Japan Corporation	Representative Director	None
		Fullcast Holdings Co., Ltd.	Outside Auditor	None

(Notes) 1. Director, Mr. Tatsuya Tamura concurrently serves as chairman 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 was less than ¥1 million. Accordingly, said organization 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 17.)

2. Director, Mr. Norio Hattori concurrently serves as chairman of the Japan Security Systems Association. To promote and reinforce risk management within the AUTOBACS SEVEN Group by obtaining information and guidance on preventing crimes, such as burglaries and shoplifting at stores, provided by the Association, the Company 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 was less than ¥1 million. Accordingly, said organization 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 17.)

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

Not applicable

c. Major activities during the current fiscal term

i. Attendance at meetings

Classification	Name	Board of Directors			Audit and Supervisory Board		
		Regular meetings (12 times)	Extra-ordinary meetings (4 times)	Attendance rate (%)	Regular meetings (12 times)	Extra-ordinary meetings (2 times)	Attendance rate (%)
Directors	Tatsuya Tamura	11 times	4 times	93.7%			
	Norio Hattori	12 times	4 times	100.0%			
	Noriaki Shimazaki	12 times	4 times	100.0%			
Audit and Supervisory Board Members	Toshiki Kiyohara	12 times	4 times	100.0%	12 times	2 times	100%
	Tomoaki Ikenaga	11 times	4 times	93.7%	12 times	2 times	100%
	Yuji Sakakura	11 times	4 times	93.7%	12 times	2 times	100%

ii. Activities

Classification	Name	Activities
Directors	Tatsuya Tamura	Fulfilled a supervisory function over the Company's management by making appropriate and timely comments based on his profound knowledge of finance and corporate governance, and his ample experience as an outside director. Also contributed to promoting and reinforcing the Company's corporate governance as chairman of the Corporate Governance Committee.
	Norio Hattori	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 preventing involvement of antisocial forces, and foreign affairs. Also contributed to promoting and reinforcing the Company's corporate governance as member of the Corporate Governance Committee.
	Noriaki Shimazaki	Fulfilled a supervisory function over the Company's management by making appropriate and timely comments based on his profound knowledge of the settlement of accounts, tax practice and finance, and his extensive and ample experience in corporate management. Also contributed to promoting and reinforcing the Company's corporate governance as member of the Corporate Governance Committee.
Audit and Supervisory Board Members	Toshiki Kiyohara	Functioned as an audit and supervisory board member by overseeing the Company's management from an independent position, requesting explanations from the personnel in charge of business execution as needed, and making appropriate and timely comments from multifaceted perspectives of planning, finance and accounting and based on his ample experience in corporate management.
	Tomoaki Ikenaga	Functioned as an audit and supervisory board member by overseeing the Company's management from an independent position, requesting explanations from the personnel in charge of business execution as needed, and making appropriate and timely comments based on extensive knowledge and ample experience as a lawyer.
	Yuji Sakakura	Functioned as an audit and supervisory board member by overseeing the Company's management from an independent position, requesting explanations from the personnel in charge of business execution as needed, and making appropriate and timely comments based on his profound financial, fiscal and accounting knowledge and ample experience in corporate management.

d. 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 greater of (i) ¥10 million or (ii) the total amount of the amounts A) and B) described below, which are set forth in Article 425, Paragraph 1 of the Companies Act.
 - A) The amount obtained by multiplying (x) the amount calculated by the method set forth in Article 113 of the Companies Act Enforcement Regulations as the amount equivalent to the annual amount of the 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 by (y) 2.
 - B) In the cases where he or she has subscribed for the Company's stock acquisition rights (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 amount of the property benefits concerning such stock acquisition rights.
- ii. The Company has entered into an agreement with three (3) outside 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 greater of (i) ¥5 million or (ii) the total amount of the amounts A) and B) described below, which are set forth in Article 425, Paragraph 1, of the Companies Act.
 - A) The amount obtained by multiplying (x) the amount calculated by the method set forth in Article

113 of the Companies Act Enforcement Regulations as the amount equivalent to the annual amount of the 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 by (y) 2.

- B) In the cases where he or she has subscribed for the Company's stock acquisition rights (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 amount of the property benefits concerning such stock acquisition rights.

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

Not applicable

(iv) Important matters concerning outside directors other than the above

At Estate 24 Holdings Co., Ltd., where Mr. Norio Hattori served as outside director from June 2012 to October 2013, an incident occurred whereby the president of the company was arrested in October 2013 for suspected fraud for showing false sales performance to Mizuho Bank, Ltd., and scamming loan money of approximately ¥200 million. Although Mr. Hattori did not recognize the fact at that time, he had been making various comments regarding compliance with laws and regulations at the meetings of the Board of Directors. After the revelation of the incident, he made necessary suggestions to the directors of the company to consult lawyers concerning the incident and to comply with laws and regulations, fulfilling his duties as outside director appropriately, before he retired as director of the company.

(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	87

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

2. AUTOBACS FRANCE S.A.S., a Company's subsidiary is audited by Deloitte and Associes.

(iii) Content of services other than auditing

The Company paid to Deloitte Touche Tohmatsu LLC for in-company training of accounting and advice and instruction for adaptation to IFRS (International Financial Reporting Standards).

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

The Board of Directors shall consider the dismissal and non-reappointment of an independent auditor when he or she falls under the cases set forth in each item of Article 340, Paragraph 1, of the Companies Act or when he or she receives a disciplinary action more severe than warning as an administrative disposition from competent authorities.

Audit and supervisory board members shall dismiss an independent auditor when he or she falls under the cases set forth in each item of Article 340, Paragraph 1, of the Companies Act, subject to consent from all audit and supervisory board members.

In such cases, an audit and supervisory board member selected by the Audit and Supervisory Board shall report that the independent auditor was dismissed and the reasons for his or her dismissal at the first general meeting of shareholders following such dismissal.

3. System and Policy of the Company

(1) Systems Ensuring Directors' Compliance with Laws and Ordinances and the Company's Article of Incorporation in Executing Their Duties and Other Systems Ensuring the Appropriateness of Operations of Corporations of the Stock Company

In accordance with the "Basic Policy for Establishing Internal Control System" defined by the Board of Directors, the Company, with an Internal Control Department playing the central role, establishes and operates the internal control system including the development of risk management systems.

In the fiscal term ended March 31, 2014, the Company focused, in particular, on enhancing the following risk management system, the compliance system and control over its subsidiaries.

- i) Installed the Internal Control Department to develop an organizational structure to serve companywide and ensure comprehensive oversight and control over the internal control system under the Companies Act and internal control under the Financial Instruments and Exchange Act.
- ii) Reviewed and formulated a Business Continuity Plan (BCP) to address disaster planning.
- iii) Developed measures against antisocial forces.
- iv) Held study meetings related to regulations for insider transactions and introduced a training program.
- v) Held a subsidiaries' presidents meeting to disseminate the Company's policies and important matters.

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.

The current "Basic Policy for Establishing Internal Control System" is as follows.

Basic Policy for Establishing Internal Control System

To ensure effective and efficient operations, reliability of financial statements, compliance with laws and regulations, and protection of assets, the Company determined the "Basic Policy for Establishing Internal Control System" in accordance with the provisions of Paragraph 5 and Item 6 of Paragraph 4 of Article 362 of the Companies Act and Paragraph 1 and Paragraph 3 of Article 100 of the Ordinance for Enforcement of the Companies Act as follows.

- (i) Systems that ensure directors and employees comply with laws and ordinances and the Company's article 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, promote separation of execution and supervision 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 ordinances, 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 controlling information relating to the execution of directors' duties

With respect to information concerning decision making at the Board of Directors meeting, the Executive Committee meeting, meetings attended by the Company's officers 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 control 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 ordinances, 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 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 consolidated Group aiming at achieving the Group's goals. Officers decide specific goals in the areas for which they are responsible and develop an efficient business execution system.

(v) Systems that ensure appropriateness of business operations by the Group comprising the Company and its subsidiaries

- a. The Company will work in close cooperation with companies of the AUTOBACS chain including the franchise stores, to implement compliance promotion activities for the corporate group including its subsidiaries (hereafter referred to as the "Consolidated Group"), and have the Consolidated Group perform lawful and fair business activities based on "Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group."
- b. The Company will draw up basic policies and operational policies for managing subsidiaries in a way that respects the autonomy and independence of the management of such subsidiaries and contributes to the appropriate and efficient operation of Consolidated Group management.
- c. Transactions between companies belonging to the Consolidated Group will be conducted appropriately in accordance with respective laws and ordinances, accounting principles, and other

social norms.

- d. The Company will ensure the appropriateness and effective use of information technology in the relevant range of information communication and business operations of the Company and its subsidiaries.
- e. Audit and supervisory board members and the Internal Audit Department will audit the appropriateness of the business operations of the Consolidated Group.

(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 from the directors of the employees mentioned in the preceding paragraph

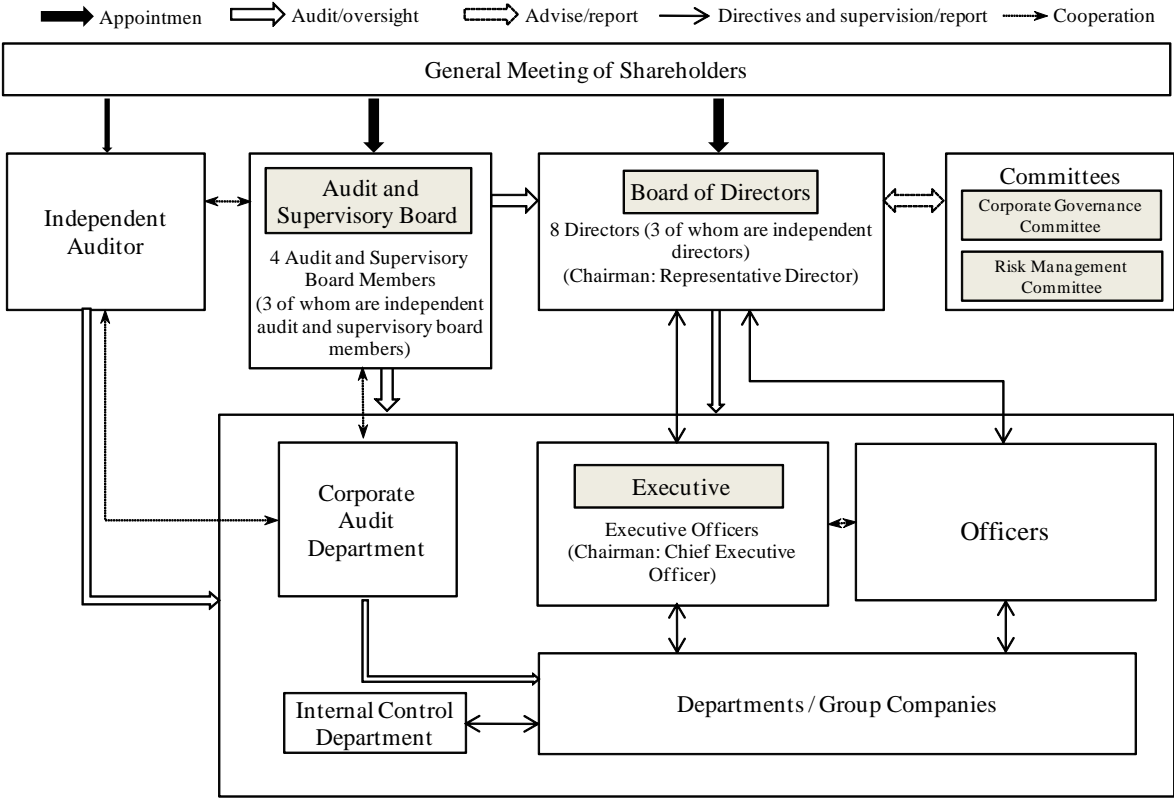
Employees who assist the duties of the audit and supervisory board members will follow the leadership and instructions of audit and supervisory board members. The Audit and Supervisory Board will evaluate the performance of those employees, and audit and supervisory board members and directors will consult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

(viii) Systems for directors and employees to report to audit and supervisory board members and other systems for reporting to audit and supervisory board members

- a. Directors and officers will periodically report to the audit and supervisory board members through important meetings of the Board of Directors, etc., on the status of the execution of business operations for which they are responsible, and also provide supplementary reports as needed without delay.
- b. Directors, officers, and employees will promptly and accurately respond if they are requested by audit and supervisory board members to report on the business, or if audit and supervisory board members conduct research on business and asset status of the Consolidated Group.
- c. Directors will immediately report to the audit and supervisory board members if they discover anything that has inflicted or may inflict substantial damage to the Company.

(ix) 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 specialization 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 Consolidated 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 by directors of their duties and establish an 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.



Corporate Governance Committee

- Chairman: Outside director (independent officer)
- Members: Two outside directors (who are both independent officers) and a representative director
- Observers: Three outside audit and supervisory board members (all three 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 officer in charge of Internal Control and Legal
- Observers: Three outside directors (all three are independent officers) and all audit and supervisory board members
- Roles: Smooth and appropriate promotion of risk management.

(2) 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.

(3) 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 a year-end dividend, the Company plans to implement a commemorative dividend of ¥10 per share commemorating the 40th anniversary of AUTOBACS in addition to a regular dividend of ¥27 per share, resulting in an annual dividend of ¥64 per share. As a result, the consolidated DOE will be 4.1%.

For the next fiscal term, the Company will continue to adhere to its basic policy related to dividends and strive to strengthen profit distribution to shareholders. The Company plans to pay ¥30 per share both at the interim and year-end, an increase of ¥3 for each compared with the previous term, for an annual dividend of ¥60 per share.

Dividends and acquisition of treasury stock in the latest three (3) 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 67th ordinary general meeting of shareholders.

	65th fiscal term April 1, 2011 to March 31, 2012	66th fiscal term April 1, 2012 to March 31, 2013	67th fiscal term (projection) April 1, 2013 to March 31, 2014
Dividend per share (annual)	¥145	¥156	¥64
Total amount of dividends (annual)	¥4,758 million	¥4,812 million	¥5,763 million
Consolidated dividend payout ratio	57.3%	64.0%	59.4%
Value of treasury stock acquired	¥5,463 million	¥7,195 million	¥4,592 million
Return to shareholders ratio	121.6%	158.2%	105.8%

(Note) The Company conducted a 3-for-1 stock split for its common stock as of April 1, 2013. The numerical values for the 65th and 66th fiscal terms stated above are the actual amounts of dividends per share implemented before the stock split.

Consolidated Balance Sheet (as of March 31, 2014)

(Unit: million yen)

Account Item	Amount	Account Item	Amount
(Assets)		(Liabilities)	
Current assets	126,709	Current liabilities	44,033
Cash and deposits	45,675	Trade notes and accounts payable	17,600
Trade notes and accounts receivable	22,467	Short-term borrowings	4,394
Lease investment assets	12,001	Current portion of bonds	50
Marketable securities	801	Lease obligations	93
Inventories	16,383	Accounts payable	13,998
Deferred tax assets	1,979	Income taxes payable	1,818
Short-term loans	100	Allowance for point card	477
Accounts receivable	25,219	Allowance for business restructuring	194
Other current assets	2,264	Other current liabilities	5,405
Allowance for doubtful receivables	(183)	Long-term liabilities	13,084
Fixed assets	74,771	Bonds	15
Tangible fixed assets	41,002	Long-term debts	2,312
Buildings and structures	14,007	Lease obligations	1,324
Machinery, equipment and vehicle	1,160	Deferred tax liabilities	49
Tools, furniture and fixtures	2,143	Allowance for directors' retirement	152
Land	22,849	Net defined benefit liability	189
Leased assets	443	Asset retirement obligations	2,005
Construction in progress	397	Other long-term liabilities	7,036
Intangible fixed assets	5,592	Total Liabilities	57,118
Goodwill	880	(Net Assets)	
Software	3,968	Shareholders' equity	141,790
Other intangible fixed assets	744	Capital stock	33,998
Investments and other assets	28,177	Capital surplus	34,278
Investment securities	7,833	Retained earnings	78,679
Long-term loans	92	Treasury stock	(5,165)
Deferred tax assets	1,374	Accumulated other comprehensive income	2,188
Rental deposits	17,709	Valuation difference on available-for-sale securities	1,588
Other investments and other assets	1,251	Foreign currency translation adjustments	599
Allowance for doubtful receivables	(84)	Minority interests	384
Total Assets	201,481	Total Net Assets	144,363
		Total Liabilities and Net Assets	201,481

Consolidated Statement of Income (April 1, 2013-March 31, 2014)

(Unit: million yen)

Account Item	Amount	
Net sales		231,697
Cost of goods sold		154,790
Gross profit		76,907
Selling, general and administrative expenses		62,962
Operating income		13,944
Non-operating income		
Interest income	91	
Dividend income	97	
Equity in income of affiliates	50	
Commission income	470	
Lease revenue - system equipment	1,292	
Insurance income	654	
Other non-operating income	1,905	4,562
Non-operating expenses		
Interest expenses	88	
Lease cost - system equipment	1,158	
Loss on retirement of fixed assets	142	
Other non-operating expenses	696	2,085
Ordinary income		16,421
Extraordinary income		
Gain on sales of investment securities	133	133
Extraordinary losses		
Impairment loss on fixed assets	469	469
Income before income taxes and minority interests		16,085
Income taxes - current	4,310	
Income taxes - deferred	1,962	6,272
Income before minority interests		9,812
Minority interests in net income		26
Net income		9,786

Consolidated Statement of Changes in Net Assets (April 1, 2013-March 31, 2014)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance as of April 1, 2013	33,998	34,278	80,438	(7,230)	141,484
Cumulative effect of changes in accounting policies			63		63
Net assets as restated	33,998	34,278	80,501	(7,230)	141,547
Change of items during the consolidated fiscal term					
Dividends from surplus			(4,948)		(4,948)
Net income			9,786		9,786
Purchase of treasury stock				(4,595)	(4,595)
Cancellation of treasury stock			(6,660)	6,660	—
Disposal of treasury stock				0	0
Net change of items other than shareholders' equity during the period					
Total change of items during the period	—	—	(1,822)	2,065	242
Ending balance as of March 31, 2014	33,998	34,278	78,679	(5,165)	141,790

	Accumulated other comprehensive income			Minority 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, 2013	1,271	105	1,377	439	143,301
Cumulative effect of changes in accounting policies					63
Net assets as restated	1,271	105	1,377	439	143,364
Change of items during the consolidated fiscal term					
Dividends from surplus					(4,948)
Net income					9,786
Purchase of treasury stock					(4,595)
Cancellation of treasury stock					—
Disposal of treasury stock					0
Net change of items other than shareholders' equity during the period	316	493	810	(54)	756
Total change of items during the period	316	493	810	(54)	998
Ending balance as of March 31, 2014	1,588	599	2,188	384	144,363

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 (– newly included; 2 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 (2 newly included; 1 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

Wholesale business

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)

Retail business

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)

(Change in the Accounting Policy)

Although the merchandise for retail business of the Group had been evaluated previously principally by costing method under retail 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), starting from the consolidated fiscal term under review, a new 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) has been applied.

The change was made associated with the full-scale operation of a new product management system that was launched in the consolidated fiscal term under review to manage the profitability of products meticulously and address customer needs more appropriately.

Due to the full-scale launch of a new product management system at the beginning of the consolidated fiscal term under review, it became impossible to obtain some of the detailed shipping/receiving records for previous consolidated fiscal years, which also makes it practically impossible to compute the cumulative impact of the new accounting method being retrospectively applied as of the beginning of the previous consolidated fiscal term. Therefore, the cumulative impact of this change in accounting policy reflected in the balance at the beginning of the consolidated fiscal term under review was computed based on the difference between the book value of the merchandise at the beginning of the consolidated fiscal term under review, which was evaluated by the moving average approach, and that at the end of the previous consolidated fiscal term, which was evaluated by the retail method. However, the amount of such impact is insignificant.

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

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

(i) Tangible fixed assets, excluding leased assets

Basically, declining balance 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
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Tangible fixed assets, excluding those mentioned above

Buildings and structures	3-45 years
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Machinery, equipment and vehicle	2-15 years
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Tools, furniture and fixtures	2-20 years
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(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 5 to 10 years.

(iii) Leased assets

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

(3) Accounting standards for significant allowances

(i) Allowance for doubtful receivables

In the event of any loss incurred from bad loans, the domestic consolidated companies 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 internal rules. 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

In order to prepare for payment of retirement benefits, some of the subsidiaries subject to consolidation accounting provide an allowance for retirement benefits based on projected amount of retirement benefit obligations and pension fund assets as at the end of the consolidated fiscal term under review.

(Change in the Presentation Method)

Due to application of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26), which was issued on May 17, 2012, and its Implementation Guidance—ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," issued on May 17, 2012. The "Allowance for retirement benefits" presented for the previous consolidated fiscal term has been presented as "Net defined benefit liability" from the consolidated fiscal term under review.

(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 of each of such subsidiaries, 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 "minority 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.

Note to the Change in the Presentation Method

(Consolidated Statement of Income)

“Insurance income,” which had been included in “Other non-operating income” until the previous consolidated fiscal year under review, has been separately presented from the current consolidated fiscal term under review because the amount of this item became significant. The amount of insurance income for the previous consolidated fiscal year was 271 million yen.

Notes to Consolidated Balance Sheet

1. Pledged assets	Buildings and structures	28	million yen
	Land	242	million yen
	<hr/> Total	271	million yen
Secured debts	Accounts payable	100	million yen
	Short-term borrowings	247	million yen
	Long-term debts	225	million yen
	<hr/> Total	573	million yen

2. Accumulated depreciation amount of tangible fixed assets
42,695 million yen

3. Contingency liabilities

(Special Dissolution of Pension Fund for Employees)

The Osaka Automobile Maintenance Employee Pension Fund, in which the Company participates, decided to dissolve the fund at a meeting of its board of representatives held on November 19, 2013, based on the conclusion that efficient future administration of the Fund would be difficult in view of the Fund’s worsened finances, attributable to factors such as an increase in the number of pension recipients.

This dissolution is predicted to incur expenses at the Company. However, there are so many uncertain elements at this time that the amount cannot be estimated reasonably.

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

Notes to Consolidated Statement of Income

1. Impairment loss on fixed assets

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

Use	Place	Type	Impairment loss (Unit: million yen)
Store	AUTOBACS IWAKUNI Store (Iwakuni City, Yamaguchi)	Buildings, etc., and others	108
Store	AUTOBACS Miyanomori Store (Chuo-ku, Sapporo, Hokkaido)	Buildings, etc., and others	96
Store	AUTOBACS Minami Nagasaki Store (Nagasaki City, Nagasaki)	Buildings, etc., and others	91
Store	AUTOBACS JUFENGLU STATION STORE (Shanghai, China)	Buildings, etc., and others	66
Store	AUTOBACS Hakodate Nakamichi Store (Hakodate City, Hokkaido)	Land	40
Store	AUTOBACS Ibaraki Nishi Store (Ibaraki City, Osaka)	Buildings, etc., and others	29
Leased asset	(Former) AUTOBACS Morioka Minami Store Tenant (Morioka City, Iwate)	Land and buildings, etc.	36

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, 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 432 million yen is recorded as an “Impairment loss on fixed assets” under extraordinary loss. The book value of leased assets was reduced to the recoverable value due to the decision made to sell those assets, and the relevant decrease of 36 million yen is recorded as an “Impairment loss on fixed assets” under extraordinary loss.

The “Impairment loss on fixed assets” consisted of 392 million yen for buildings, etc., 70 million yen for land and 6 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 8.50% is used for the discount rate in the calculation of the use value. The net sales value of leased assets is calculated based on the estimated sales prices.

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 92,950,105 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 25, 2013(Note)	Common stock	2,498	81	March 31, 2013	June 26, 2013
Meeting of Board of Directors on October 31, 2013	Common stock	2,450	27	September 30, 2013	November 29, 2013

Note: The Company conducted a 3-for-1 stock split as of April 1, 2013. Dividend per share stated above is the actual dividend before the stock split.

(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 24, 2014	Common stock	3,313	Retained earnings	37	March 31, 2014	June 25, 2014

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.

Marketable securities and investment securities, which mainly consist of held-to-maturity securities, 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 and bonds 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.

With respect to held-to-maturity securities, together with bonds and other debt securities included in other securities, the Company, in conformity with its fund management policies, limits its purchase to those issued by high-rated entities; the corresponding credit risks are relatively small or negligible.

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

In respect of marketable securities and 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, 2014, 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	45,675	45,675	—
(2) Trade notes and accounts receivable Allowance for doubtful receivables *1	22,467 (171)		
	22,295	22,268	(27)
(3) Lease investment assets *2	11,856	13,948	2,091
(4) Marketable securities and investment securities	7,757	7,142	(614)
(5) Short-term loans	100	103	2
(6) Accounts receivable	25,219	25,219	—
(7) Long-term loans Allowance for doubtful receivables *1	92 (35)		
	57	58	0
(8) Rental deposits	17,709	16,658	(1,050)
Total assets	130,671	131,073	402
(1) Trade notes and accounts payable	17,600	17,600	—
(2) Short-term borrowings	4,394	4,418	23
(3) Current portion of bonds	50	50	0
(4) Lease obligations (current liabilities)	93	169	75
(5) Accounts payable	13,998	13,998	—
(6) Income taxes payable	1,818	1,818	—
(7) Bonds	15	14	(0)
(8) Long-term debts	2,312	2,290	(22)
(9) Lease obligations (long-term liabilities)	1,324	1,662	338
Total liabilities	41,607	42,023	415

*1 The amount of each allowance for doubtful receivables regarding debt is reduced from these items.

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

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

Assets

(1) Cash and deposits, (6) 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, (5) 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.

(4) Marketable securities and 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, (5) Accounts payable, (6) 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, (4) Lease obligations (current liabilities), (8) Long-term debts, (9) 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.

(3) Current portion of bonds, (7) Bonds

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 particular interest rates determined in reference to the individual bonds' remaining periods to redemption, the respective issuers' creditability and other tenors.

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

(Unit: million yen)

Category	Value Recognized in Consolidated Balance Sheet
Unlisted company securities	877

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 "(4) Marketable securities and investment securities."

Notes to Per-Share Information

1. Net assets per share 1,608.36 yen
2. Net income per share 107.71 yen

Material Subsequent Events

1. Resolution of Purchase of Treasury Stock

At the Board of Directors Meeting held on May 8, 2014, the Company resolved to purchase treasury stock, in accordance with the provision of Article 156 of the Companies Act as applied under Paragraph 3 of Article 165 of the said law, to purchase treasury stock, and made the purchase as follows.

(1) Reason for purchase of treasury stock

To improve capital efficiency and reinforce shareholder returns.

(2) Details of purchase

- | | |
|---|--|
| (i) Class of shares to be purchased | Common stock |
| (ii) Total number of shares to be purchased | 3,000,000 shares (maximum) |
| (iii) Total amount of purchase price | 5,400 million yen (maximum) |
| (iv) Purchase period | From May 12, 2014 to November 28, 2014 |

2. Resolution of Cancellation of Treasury stock

At the meeting of the Board of Directors of the Company held on May 8, 2014, 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 | 3,000,000 shares |
| (3) Scheduled cancellation date | May 15, 2014 |

Non-Consolidated Balance Sheet (as of March 31, 2014)

(Unit: million yen)

Account Item	Amount	Account Item	Amount
(Assets)		(Liabilities)	
Current assets	100,000	Current liabilities	29,330
Cash and deposits	42,026	Trade accounts payable	15,605
Trade notes receivable	88	Short-term borrowings	3,797
Trade accounts receivable	14,791	Lease obligations	268
Lease investment assets	16,852	Accounts payable	3,508
Marketable securities	801	Expenses payable	1,035
Inventories	5,213	Income taxes payable	1,267
Prepaid expenses	996	Money deposits	2,892
Deferred tax assets	316	Advance received profit	827
Short-term loans	7,333	Allowance for point card	24
Accounts receivable	10,862	Allowance for business	66
Other current assets	888	restructuring	
Allowance for doubtful	(171)	Other current liabilities	36
receivables		Long-term liabilities	12,139
Fixed assets	87,911	Long-term debts	1,827
Tangible fixed assets	32,625	Lease obligations	1,834
Buildings	7,302	Guarantee deposits received	7,451
Structures	1,107	Asset retirement obligations	1,002
Machinery and equipment	712	Other long-term liabilities	24
Vehicle	27		
Tools, furniture and fixtures	451	Total Liabilities	41,470
Land	22,650	(Net Assets)	
Construction in progress	373	Shareholders' equity	144,865
Intangible fixed assets	4,461	Capital stock	33,998
Leasehold	641	Capital surplus	34,278
Software	3,811	Capital reserves	34,278
Other intangible fixed assets	9	Retained earnings	81,717
Investments and other assets	50,824	Retained earnings reserves	1,296
Investment securities	6,018	Other retained earnings	80,420
Affiliated companies' stock	15,805	Reserves for business	665
Long-term loans	55	expansion	
Long-term loans to affiliated	10,381	Reserves for reduction entry	745
companies		of assets	
Long-term prepaid expenses	950	Reserve for special	169
		depreciation	
Deferred tax assets	517	General reserves	66,350
Rental deposits	17,105	Retained earnings brought	12,490
Other investments and other	118	forward	
assets		Treasury stock	(5,128)
Allowance for doubtful	(128)	Valuation and translation	1,575
receivables		adjustments	
		Valuation difference on	1,575
		available-for-sale securities	
		Total Net Assets	146,441
Total Assets	187,912	Total Liabilities and Net Assets	187,912

Non-Consolidated Statement of Income (April 1, 2013-March 31, 2014)

(Unit: million yen)

Account Item	Amount	
Net sales		183,758
Cost of goods sold		144,756
Gross profit		39,001
Selling, general and administrative expenses		25,670
Operating income		13,330
Non-operating income		
Interest income	188	
Dividend income	519	
Commission income	267	
Lease revenue - system equipment	1,844	
Insurance income	534	
Other non-operating income	380	3,733
Non-operating expenses		
Interest expenses	71	
Lease cost - system equipment	1,653	
Other non-operating expenses	428	2,152
Ordinary income		14,911
Extraordinary income		
Gain on sales of investment securities	133	133
Extraordinary losses		
Impairment loss on fixed assets	36	36
Net income before taxes		15,008
Income taxes – current	3,623	
Income taxes – deferred	2,014	5,638
Net income		9,370

Non-Consolidated Statement of Changes in Net Assets (April 1, 2013-March 31, 2014)

(Unit: million yen)

	Shareholders' equity										
	Capital stock	Capital surplus		Retained earnings reserves	Retained earnings						Total retained earnings
		Capital reserves	Total capital surplus		Other retained earnings						
					Reserves for business expansion	Reserves for reduction entry of assets	Reserve for special depreciation	General reserves	Retained earnings brought forward		
Beginning balance as of April 1, 2013	33,998	34,278	34,278	1,296	665	746	—	76,350	4,897	83,955	
Cumulative effect of changes in accounting policies									0	0	
Net assets as restated	33,998	34,278	34,278	1,296	665	746	—	76,350	4,898	83,956	
Change of items during the fiscal term											
Dividends from surplus									(4,948)	(4,948)	
Net income									9,370	9,370	
Reversal of reserves for reduction entry of assets						(0)			0	—	
Provision of reserve for special depreciation							169		(169)	—	
Reversal of general reserves								(10,000)	10,000	—	
Purchase of treasury stock											
Cancellation of treasury stock									(6,660)	(6,660)	
Disposal of treasury stock											
Net change of items other than shareholders' equity during the period											
Total change of items during the period	—	—	—	—	—	(0)	169	(10,000)	7,592	(2,238)	
Ending balance as of March 31, 2014	33,998	34,278	34,278	1,296	665	745	169	66,350	12,490	81,717	

	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, 2013	(7,195)	145,036	1,261	1,261	146,298
Cumulative effect of changes in accounting policies		0			0
Net assets as restated	(7,195)	145,037	1,261	1,261	146,299
Change of items during the fiscal term					
Dividends from surplus		(4,948)			(4,948)
Net income		9,370			9,370
Reversal of reserves for reduction entry of assets		—			—
Provision of reserve for special depreciation		—			—
Reversal of general reserves		—			—
Purchase of treasury stock	(4,592)	(4,592)			(4,592)
Cancellation of treasury stock	6,660	—			—
Disposal of treasury stock	0	0			0
Net change of items other than shareholders' equity during the period			313	313	313
Total change of items during the period	2,067	(170)	313	313	142
Ending balance as of March 31, 2014	(5,128)	144,865	1,575	1,575	146,441

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) Wholesale business

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) Retail business

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)

(Change in the Accounting Policy)

Although the merchandise for retail business of the Company had been evaluated previously principally by costing method under retail 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), starting from the fiscal term under review, a new 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) has been applied.

The change was made associated with the full-scale operation of a new product management system that was launched in the fiscal term under review to manage the profitability of products meticulously and address customer needs more appropriately.

Due to the full-scale launch of a new product management system at the beginning of the fiscal term under review, it became impossible to obtain some of the detailed shipping/receiving records for previous fiscal years, which also makes it practically impossible to compute the cumulative impact of the new accounting method being retrospectively applied as of the beginning of the previous fiscal term. Therefore, the cumulative impact of this change in accounting policy reflected in the balance at the beginning of the fiscal term under review was computed based on the difference between the book value of the merchandise at the beginning of the fiscal term under review, which was evaluated by the moving average approach, and that at the end of the previous consolidated fiscal term, which was evaluated by the retail method. However, the amount of such impact is insignificant.

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

2. Amortization and depreciation methods applied to fixed assets

(1) Tangible fixed assets, excluding leased assets

Declining balance 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
Structures	3-20 years

(ii) Tangible fixed assets other than the types mentioned above

Buildings	3-45 years
Structures	3-30 years
Machinery and equipment	5-15 years
Tools, furniture and fixtures	2-20 years

(2) Non-tangible 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. Accounting for hedging activities

(1) Hedge accounting method

Designate accounting has been adopted.

(2) Hedging instruments and items hedged

Hedging instruments: Currency swap

Items hedged: Accounts payable in foreign currency

(3) 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 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.

7. 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.

Note to the Change in the Presentation Method

(Non-Consolidated Balance Sheet)

"Claims in bankruptcy, etc.," which had been presented separately until the previous fiscal term under review, has been included in "Investments and other assets" for the current fiscal term under review because the amount of this item became insignificant. The amount of claims in bankruptcy, etc. for the current fiscal term under review was 93 million yen.

(Non-Consolidated Statement of Income)

"Insurance income," which had been included in "Other non-operating income" until the previous fiscal year under review, has been separately presented from the current fiscal term under review because the amount of this item became significant. The amount of insurance income for the previous fiscal year was 156 million yen.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation amount of tangible fixed assets	20,669 million yen
2. Monetary claim and obligations to affiliated companies	
(1) Short-term monetary claim	19,442 million yen
(2) Long-term monetary claim	78 million yen
(3) Short-term monetary obligations	4,361 million yen
(4) Long-term monetary obligations	1,528 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	26,550 million yen
<u>Outstanding loan balance</u>	<u>14,804 million yen</u>
Difference (unused portion of committed credit lines)	11,745 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. Contingency liabilities

(Special Dissolution of Pension Fund for Employees)

The Osaka Automobile Maintenance Employee Pension Fund, in which the Company participates, decided to dissolve the fund at a meeting of its board of representatives held on November 19, 2013, based on the conclusion that efficient future administration of the Fund would be difficult in view of the Fund's worsened finances, attributable to factors such as an increase in the number of pension recipients.

This dissolution is predicted to incur expenses at the Company. However, there are so many uncertain elements at this time that the amount cannot be estimated reasonably.

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

Notes to Non-Consolidated Statement of Income

1. Transactions with affiliated companies

(1) Amount of business transactions	
Net sales	67,909 million yen

Purchases	9,007 million yen
Other business transactions	2,211 million yen
(2) Non-business transactions	2,604 million yen

2. Impairment loss on fixed assets

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

Use	Place	Type	Impaired Loss (Unit: million yen)
Leased asset	(Former) AUTOBACS Morioka Minami Store Tenant (Morioka City, Iwate)	Land, Buildings, etc.	36

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.

The book value of leased assets, due to the decision made to sell those assets, was reduced to the recoverable value, and the relevant decrease of 36 million yen is recorded as an “Impairment loss on fixed assets” under extraordinary loss.

The “Impairment loss on fixed assets” consists of a 30 million yen loss on land and a 6 million yen loss on buildings, etc.

The recoverable value of leased assets is the net sales value, which is calculated based on estimated sales prices.

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	3,403,912 shares
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Notes relating to Tax Effect Accounting

Breakdown of deferred tax assets and deferred tax liabilities by cause

(Current)	(Unit: million yen)
Deferred tax assets	
Rejection of accounts payable	229
Enterprise tax payable	88
Rejection of valuation losses of inventories	67
Excess of loss entries from allowance for doubtful receivables	56
Rejection of discount and installment payment relating to purchase of inventories	18
Rejection of allowance for business restructuring	23
Others	108
Total deferred tax assets	<u>592</u>
Deferred tax liabilities	
Effect of application of accounting standard for leased assets	(215)
Others	(59)
Total deferred tax liabilities	<u>(275)</u>
Net deferred tax assets	<u>316</u>

(Non-current)

Deferred tax assets	
Excess of loss entries from allowance for depreciation	684
Impairment loss on fixed assets	1,450
Rejection of valuation losses of affiliated companies' stock	2,369
Rejection of valuation losses of investment securities	111
Excess of loss entries from allowance for doubtful receivables	42
Rejection of valuation losses of golf club membership, etc.	10
Rejection of credit transfer losses	1,116
Rejection of asset retirement obligations	350
Others	498
Sub-total deferred tax assets	<u>6,635</u>

Valuation-related provision	(4,663)
Total deferred tax assets	<u>1,971</u>
Deferred tax liabilities	
Reserves for reduction entry of assets	(401)
Reserve for special depreciation	(91)
Valuation difference on available-for-sale securities	(848)
Others	<u>(113)</u>
Total deferred tax liabilities	<u>(1,454)</u>
Net deferred tax assets	<u><u>517</u></u>

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

The “Act for Partial Revision of the Income Tax Act, etc.,” was promulgated on March 31, 2014. As a result, the “Special Measures to Secure the Financial Resources to Implement the Restoration from the Tohoku Earthquake” (“Special Corporate Tax for Reconstruction Bill”) will not be imposed for fiscal period that started on April 1, 2014, and thereafter. 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 38.0% to 36.0% regarding the temporary differences that are expected to be recovered or settled during the fiscal term beginning on April 1, 2014.

The impact of this tax rate change on the financial statements of the Company is insignificant.

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)	10,479	Short-term loans Long-term loans to affiliated companies	4,832 8,041

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 1,635.37 yen
2. Net income per share 103.10 yen

Material Subsequent Events

1. Sale of Subsidiary's Shares

The Company determined at the meeting of its Board of Directors held on March 28, 2014, to transfer all shares of AUTOBACS Kanagawa Ltd., a consolidated subsidiary of the Company, to I.A CORPORATION, an AUTOBACS Chain franchisee, and implemented the share transfer.

(1) Reason for the share transfer

To optimize the Group's store management structure in the Tokyo and Kanagawa areas, strengthen local competitiveness and enhance the efficiency of management in those respective areas

(2) Description of businesses conducted by the subsidiary and content of transactions between the subsidiary and the Company

Name of the subsidiary: AUTOBACS Kanagawa Ltd.

Description of businesses: Retail of automotive goods

Content of transactions: Provision of merchandise and lease of store-use equipment

(3) Details of the share transfer

Date of the transfer: May 1, 2014

Transferred to: I.A CORPORATION

Number of shares transferred: 1,449 shares

Value of the shares transferred: 580 million yen

Gain on the transfer: 317 million yen

The Company received a dividend of surplus of ¥910 million from AUTOBACS Kanagawa Ltd. as of April 30, 2014.

2. Resolution of Purchase of Treasury Stock

At the Board of Directors Meeting held on May 8, 2014, the Company resolved to purchase treasury stock, in accordance with the provision of Article 156 of the Companies Act as applied under Paragraph 3 of Article 165 of the said law, to purchase treasury stock, and made the purchase as follows:

(1) Reason for the purchase of treasury stock

To improve capital efficiency and reinforce shareholders' returns

(2) Details of purchase

- | | |
|---|--|
| (i) Class of shares to be purchased | Common stock |
| (ii) Total number of shares to be purchased | 3,000,000 shares (maximum) |
| (iii) Total amount of purchase price | 5,400 million yen (maximum) |
| (iv) Purchase period | From May 12, 2014 to November 28, 2014 |

3. Resolution of Cancellation of Treasury Stock

At the meeting of the Board of Directors of the Company held on May 8, 2014, 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	3,000,000 shares
(3) Scheduled cancellation date	May 15, 2014

Independent Auditors' Report on Consolidated Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT (COPY)

May 14, 2014

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:

Yoshihiro Ishikawa

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, 2014 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, 2013 to March 31, 2014, 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, 2014, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

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

END

Independent Auditors' Report

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT (COPY)

May 14, 2014

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:

Yoshihiro Ishikawa

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, 2014 of AUTOBACS SEVEN Co., Ltd. (the "Company"), and the related statements of income and changes in net assets for the 67th fiscal year from April 1, 2013 to March 31, 2014, 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, 2014, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

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

END

Audit Report by Audit and Supervisory Board

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 67th Fiscal Term from April 1, 2013 to March 31, 2014 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

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. In addition, the board has received reports on the performance of the provided assignments and responsibilities from the Directors and other related staff members and Independent Auditor. These reports have been supplemented by explanations provided upon request, when the board deemed such explanations necessary.

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. Individual Audit and Supervisory Board Members have participated in the meeting of the Board of Directors and other important meetings and have received reports from the Directors, employees and other staff members of the Company regarding their performance of the provided assignments and responsibilities. These Directors, employees and other staff members were requested to give explanations, whenever such explanations were deemed necessary. Individual Audit and Supervisory Board Members have examined important documents, including documents for approval, and have visited the head office and major business offices to assess the status of operations and property of assets. Furthermore, 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 Company's operation 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.

In respect of the basic policies (Basic Policy Concerning Company Control) 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. As for the subsidiaries, individual Audit and Supervisory Board Member have worked diligently to improve communications and information exchange with Directors, Audit and Supervisory Board Member and other related staff members of the Company's individual subsidiaries and have visited these subsidiaries, as the need arises, to receive reports on the subsidiaries' business operations, and assessed the status of subsidiaries' operations and property of assets.

Based on the foregoing method, the board examined the Business Report and the Supplementary Schedules thereto for the fiscal term under review.

Furthermore, 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 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 20, 2014

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