Please note that this document is a translation of the official Japanese notice of convocation of the 71st ordinary general meeting of shareholders of AUTOBACS SEVEN Co., Ltd. prepared for the convenience of shareholders outside Japan with voting rights, for reference purposes only.

You are requested to attend the Ordinary General Meeting of Shareholders

(Securities code 9832)
June 4, 2018

To Our Shareholders

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

NOTICE OF CONVOCATION OF THE 71ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 71st 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 71ST ORDINARY GENERAL MEETING OF SHAREHOLDERS and submit the enclosed Exercise of Voting Rights form to the receptionist.

Particulars

1. Date and time: June 21, 2018 (Thursday) 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 71st fiscal term (from April 1, 2017 to March 31, 2018)
   2. Report on the non-consolidated financial statements for the 71st fiscal term (from April 1, 2017 to March 31, 2018)

   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

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

<<Disclosure via the Internet>>

■ Based on the provisions of laws and regulations and Article 18 of the Company's Articles of Incorporation, the following matters are posted on the Company website (https://www.autobacs.co.jp/en/) and therefore are not included in the documents accompanying this Notice of Convocation:
"Basic Policy Concerning the Internal Control System and Overview of its Development and Operation" and "Policy Concerning Company Control" of the Business Report; and "Notes to Consolidated Financial Statements" and "Notes to Non-Consolidated Financial Statements."

■ The documents accompanying this Notice of Convocation and those posted on the website above are

documents audited by the independent auditor and audit and supervisory board members at the time of preparation of the Independent Auditors' Report and Audit Report, respectively.

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

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

Guide for the exercise of voting rights
The voting rights at the general meeting of shareholders are important rights for decision-making granted to shareholders. Please review the reference documents for the general meeting of shareholders and exercise your voting rights. You may exercise your voting rights by the following three methods.

Exercise of voting rights by attendance at the meeting
When attending the meeting in person, bring this NOTICE OF CONVOCATION OF THE 71ST ORDINARY GENERAL MEETING OF SHAREHOLDERS and submit the enclosed Exercise of Voting Rights form to the receptionist.

Date and time: June 21, 2018 (Thursday) at 10:00 a.m.

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

Deadline: Must arrive by 5:50 p.m. on June 20, 2018 (Wednesday)

Exercise of voting rights via the Internet
Access the website for exercising voting rights (https://www.web54.net) and follow the instructions on the screen to enter approval/disapproval for the respective proposal.

Deadline: Must be received by 5:50 p.m. on June 20, 2018 (Wednesday)

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

Agenda Item No. 1 and Reference Matters

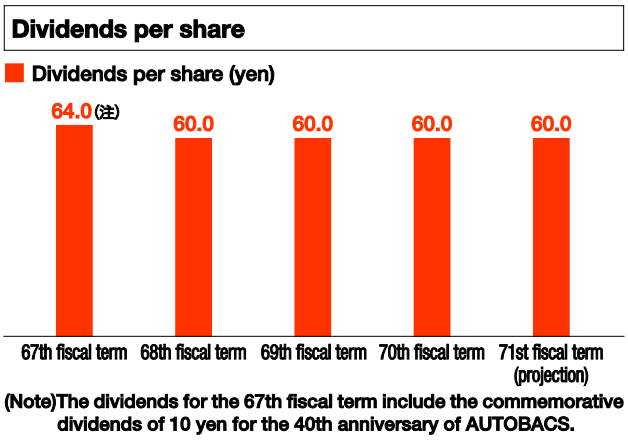
Agenda Item No. 1: Appropriation of surplus

The Company defines returning profits to its shareholders as one of its most important management tasks, and during the 2017 Medium-term Business Plan period, the Company's basic policy will be to maintain a consolidated payout ratio of 50% to 100% in principle, and provide appropriate returns to shareholders based on business results.
With regard to the Appropriation of surplus, based on the above policy and to increase returns to shareholders, the Company requests the following proposal:

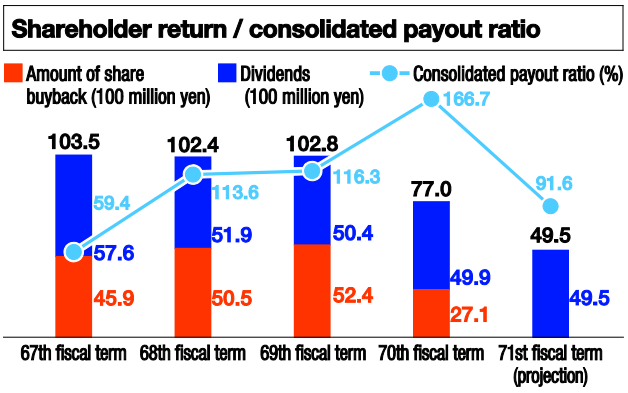
1. Matters concerning year-end dividends
(1) Type of assets to be distributed
Cash

(2) Matters concerning the allotment of assets to be distributed to the shareholders and the aggregate amount thereof
30 yen per ordinary share of the Company
Total amounting to 2,476,303,380 yen
Since the Company has paid interim dividends at the rate of 30 yen per share, the total annual dividends for this fiscal term shall be 60 yen per share.

(3) Effective date of dividends from surplus
June 22, 2018



(Note)The dividends for the 67th fiscal term include the commemorative dividends of 10 yen for the 40th anniversary of AUTOBACS.



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 terms of office of all the directors (eight (8) in number) will expire. Accordingly, the Company requests the shareholders' approval for the election as directors of the eight (8) candidates (including three (3) outside directors) below. Information on the candidates is provided on pages 7–15.

Candidates list

Candidate No.	Name		Career position and assignment in the Company	Attendance at Board of Directors' meetings
1	Kiomi Kobayashi	Re-nomination	Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer	100% (14 of 14 meetings)
2	Teruyuki Matsumura	Re-nomination	Director and Senior Managing Executive Officer, BtoB Business and Car Dealer Business	100% (14 of 14 meetings)
3	Isao Hirata	Re-nomination	Director and Senior Managing Executive Officer, Corporate Administration	100% (14 of 14 meetings)
4	Eiichi Kumakura	Re-nomination	Director and Senior Executive Officer, Western Japan Region Headquarters	100% (14 of 14 meetings)
5	Yugo Horii	Re-nomination	Director and Senior Executive Officer, Office of the President and Business Planning, and AUTOBACS Business Planning	100% (14 of 14 meetings)
6	Hatsuo Odamura	Re-nomination Outside Director Independent Officer	Director	100% (14 of 14 meetings)
7	Yoshiko Takayama	Re-nomination Outside Director Independent Officer	Director	100% (14 of 14 meetings)
8	Minesaburo Miyake	New-candidate Outside Director Independent Officer	—	—

(Notes) 1. Candidates for directors have no special interests in the Company.
2. Mr. Hatsuo Odamura, Ms. Yoshiko Takayama and Mr. Minesaburo Miyake 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.

(Policy and Process for Election and Appointment of Director)
The Company's Board of Directors is made up of individuals who understand the importance of mutual trust among franchise stores, clients, employees and other parties concerned in the AUTOBACS franchise chain, and who are willing and able to improve the medium- and long-term corporate values and shareholders' common profit. A candidate for inside director shall be familiar with the Company's business, and a candidate for outside director shall have experience in corporate management, or experience and expertise in laws and regulations, finance, governance, risk management, etc. and also satisfy the conditions set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, as well as other requirements for independence stipulated by the Company.
The Company has established the Corporate Governance Committee as a consultative body for the Board of Directors, chaired by an outside director and comprised of all the outside directors and a representative director. When selecting candidates for director, the Board of Directors selects candidates after seeking consultation with the Corporate Governance Committee and receiving its recommendation.

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

Candidate No. 1:
Kiomi Kobayashi
Re-nomination

Career position and assignment in the Company:
Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer
- Date of birth: February 11, 1956 (age 62)
- Term of office at the conclusion of this general meeting: 8 years
- Number of Company shares owned: 10,900
- Attendance at Board of Directors' meetings: 100% (14 of 14 meetings)

Reasons for nomination
Mr. Kobayashi has been a leader in uniting the AUTOBACS Group and gaining the support of its customers as a group of companies. Also, with the aim of becoming a 100-year company, Mr. Kobayashi formulated the vision "2050 Creating Our Future Together" as well as worked as a top management member to increase the Group's medium- to long-term corporate value with a strong emphasis on achieving the 2017 Medium-term Business Plan which commenced in the fiscal year ended March 31, 2018.

The Company believes that, to achieve continuous growth into the future, it is in the best interest of the AUTOBACS SEVEN Group (the "Group") that he continues to demonstrate leadership in top management and lead the management team.

Dear Shareholders,
Since assuming office as Chief Executive Officer, I have focused on developing human resources and our organization as well as cultivating its culture while implementing measures in line with the Medium-term Business Plan in response to substantial and rapid changes in the business environment.

Based on the new company vision "2050 Creating Our Future Together" formulated in January of this year, I will take on the challenge of creating new markets on the basis of the feedback of our customers, and work to create a company that can realize sustainable growth 100 years from its foundation and beyond.

I will continue to listen sincerely to the feedback of our shareholders, and seek to continue increasing our corporate value.

Brief professional background including major posts held

March 1978:	Joined Daiho-Sangyo Co., Ltd. (currently AUTOBACS SEVEN Co., Ltd.)
April 1995:	General Manager of Tire Department
June 2002:	Operating Officer, Overseas Store Support Division
April 2005:	Officer, General Manager of Northern Kanto Region
April 2007:	Officer, Product Procurement
June 2008:	Officer, General Manager of Kansai Region
April 2010:	Executive Officer, Head of Sales Operation and Area Strategy & Planning
June 2010:	Director and Executive Officer, Head of Sales Operation and Area Strategy & Planning
April 2012:	Director and Senior Executive Officer, Head of Sales Operation and Area Strategy & Planning
April 2014:	Director and Vice Chief Executive Officer, Vice Chief AUTOBACS Chain Officer, Head of Chain Store Planning and Store Subsidiary Strategy
April 2015:	Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer
April 2016:	Representative Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer
June 2016:	Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer (current position)

Candidate No. 2:
Teruyuki Matsumura
Re-nomination

Career position and assignment in the Company:
Director and Senior Managing Executive Officer, BtoB Business and Car Dealer Business
- Date of birth: November 25, 1961 (age 56)
- Term of office at the conclusion of this general meeting: 9 years
- Number of Company shares owned: 10,163
- Attendance at Board of Directors' meetings: 100% (14 of 14 meetings)

Reasons for nomination
Mr. Matsumura has contributed to strengthening the business foundations of the domestic AUTOBACS business by expanding its merchandise and services, contributing to its business development by strengthening relationships with franchisees, and building the foundations for the new business and overseas business.

The Company believes that it is in the best interest of the Group to fully utilize his extensive knowledge and experience to foster the BtoB business and the car dealership business as future growth businesses, and seek to improve its corporate value.

Dear Shareholders,
Amid the drastically changing business environment in recent years, we announced the 2017 Medium-term Business Plan in the previous fiscal term with a view to implementing measures for new growth, with revitalization of the competitiveness of the domestic AUTOBACS business at the core.

In order to build a pillar of growth for the future in automobile-related fields that can realize synergy with the domestic AUTOBACS business by leveraging the Company's strength, I am seeking to acquire new customers and corporate customers through stores that go beyond the previous scope of business and different sales methods while engaging in the BtoB business and the imported car (BMW and MINI) dealership business.

In this term, I will work to establish the foundation for growth and improve corporate value through focused efforts to enable both businesses to make a stable contribution to the expansion of earnings.

Brief professional background including major posts held

March 1984:	Joined AUTOBACS SEVEN Co., Ltd.
April 1998:	General Manager, Chugoku Store Management Department
June 2002:	Operating Officer, Southern Japan Store Support Division
April 2009:	Executive Officer, General Manager of Kanto Region
June 2009:	Director and Executive Officer, Kanto Region
April 2010:	Director and Executive Officer, Head of Marketing & Sales Strategy Planning
April 2012:	Director and Senior Executive Officer, Head of Marketing & Sales Strategy Planning and IFRS
April 2014:	Director and Senior Managing Executive Officer, Head of Merchandising and Merchandise Planning and E-Commerce
April 2015:	Director and Senior Managing Executive Officer, Head of Overseas Business and New Business Development
April 2016:	Director and Senior Managing Executive Officer, Eastern Japan Region Headquarters
April 2017:	Director and Senior Managing Executive Officer, Head of Overseas Business and New Business Development
April 2018:	Director and Senior Managing Executive Officer, BtoB Business and Car Dealer Business (current position)

Candidate No. 3:
Isao Hirata
Re-nomination

Career position and assignment in the Company:
Director and Senior Managing Executive Officer, Corporate Administration

- Date of birth: January 21, 1960 (age 58)
- Term of office at the conclusion of this general meeting: 2 years
- Number of Company shares owned: 5,300
- Attendance at Board of Directors' meetings: 100% (14 of 14 meetings)

Reasons for nomination
Mr. Hirata has contributed to building the systems foundation of the Company by integrating business strategy and IT strategy, while also improving resource efficiency and reforming the cost structure in the business administration fields such as finance, human resources and IT.

The Company believes that it is in the best interest of the Group to fully utilize his extensive knowledge and experience to improve its corporate value, swiftly executing the 2017 Medium-term Business Plan through the optimum allocation of management resources.

Dear Shareholders,
During the previous fiscal term, the first year of the 2017 Medium-term Business Plan, we were able to produce results as planned.

However, the Group is in the midst of rapid changes in the environment, as seen in the Internet and sophistication of automobiles. During the current fiscal year we must speed up efforts to promote specifically and unwaveringly the recovery of profitability of the domestic AUTOBACS business and the development of new business.

In my role in charge of corporate administration, I will respond to the expectations of our stakeholders with an eye to realizing a 100-year company through the optimum allocation of management resources, including people, materials, money and information and stepped-up efforts to increase corporate value.

Brief professional background including major posts held

March 1982:	Joined AUTOBACS SEVEN Co., Ltd.
April 1998:	General Manager of Information Systems Department
January 2008:	Officer, Information Systems
April 2011:	Officer, Human Resources, General Affairs and Information Systems
April 2012:	Executive Officer, Corporate Strategy
April 2013:	Executive Officer, Corporate Planning, IR & PR and Business Development
April 2014:	Senior Executive Officer, Corporate Planning and IR & PR
April 2016:	Senior Managing Executive Officer, Corporate Planning and IR & PR and Information Technology Strategy
June 2016:	Director and Senior Managing Executive Officer, Corporate Planning and IR & PR and Information Technology Strategy
April 2017:	Director and Senior Managing Executive Officer, Head of Corporate Administration
November 2017:	Representative Director of ABT Marketing Co., Ltd.
April 2018:	Director and Senior Managing Executive Officer, Corporate Administration (current position)

Candidate No. 4:
Eiichi Kumakura
Re-nomination

Career position and assignment in the Company:
Director and Senior Executive Officer, Western Japan Region Headquarters
- Date of birth: February 8, 1962 (age 56)
- Term of office at the conclusion of this general meeting: 2 years
- Number of Company shares owned: 2,000
- Attendance at Board of Directors' meetings: 100% (14 of 14 meetings)

Reasons for nomination
Mr. Kumakura has significant achievements in the fields of merchandising and marketing in the domestic AUTOBACS business, and has contributed to building relationships with franchisee corporations.

The Company believes that it is in the best interest of the Group to fully utilize his extensive knowledge and experience to revitalize its competitiveness by pushing forward the creation of new markets and a new AUTOBACS in the domestic AUTOBACS business, the Company's core business.

Dear Shareholders,
I believe that how we envision and implement the business growth strategy for the future will be the most important issue amid rapid changes in the competitive environment surrounding our company, automobiles themselves, and customers' values and lifestyles, among other things.

In the domestic AUTOBACS business, our core business, I intend to change the industry perception of the category of car parts and accessories and strive to create more convenient stores loved by local customers while thoroughly pushing forward the renovation of existing stores, including the creation of new markets and customer development.

I will fulfill my role in a way that meets our stakeholders' expectations by decisively forging ahead with swift decision-making and enhanced action at all times.

Brief professional background including major posts held

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

Candidate No. 5:
Yugo Horii
Re-nomination

Career position and assignment in the Company:
Director and Senior Executive Officer, Office of the President and Business Planning, and AUTOBACS Business Planning

- Date of birth: June 24, 1972 (age 45)
- Term of office at the conclusion of this general meeting: 2 years
- Number of Company shares owned: 5,800
- Attendance at Board of Directors' meetings: 100% (14 of 14 meetings)

Reasons for nomination
Mr. Horii has contributed to the fields of business administration over many years, including building the Group's compliance system and internal control system. He has also contributed to building the business foundations for operation of the retail/service business and wholesale business through partnerships with local companies in the overseas business.

The Company believes that it is in the best interest of the Group to fully utilize his extensive knowledge and experience to steadily execute the 2017 Medium-term Business Plan and seek to improve corporate value.

Dear Shareholders,
The Company has formulated and promoted the 2017 Medium-term Business Plan, setting the "restoration of competitive strength of the domestic AUTOBACS business" as our key challenge.

Although we were able to produce some results in the first fiscal year, there has been an accumulation of issues to which we must swiftly respond, such as the constant shortage of human resources, changes in working style resulting from AI, and rising logistics costs in Japan's business environment.

In response to these changes, I will meet the expectations of our customers and shareholders by working to improve corporate value through the unwavering execution of this Medium-term Business Plan and flexible management, in order to reach a new stage of growth.

Brief professional background including major posts held

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

Candidate No. 6:
Hatsuo Odamura
Re-nomination, Outside Director (Independent Officer)

Career position and assignment in the Company: Outside Director (Independent Officer)
- Date of birth: November 9, 1949 (age 68)
- Term of office at the conclusion of this general meeting: 4 years
- Number of Company shares owned: 1,300
- Attendance at Board of Directors' meetings:100% (14 of 14 meetings)

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

Based on such extensive experience and knowledge, Mr. Odamura has actively provided comments as an outside director and independent officer from the viewpoint of general shareholder protection. He has also contributed to the promotion of the Company's corporate governance as chairman of the Corporate Governance Committee.

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

Dear Shareholders,
In response to drastically evolving automotive-related technology, it is becoming increasingly important to meet customer demand for safety and security, as well as to achieve sustainable company growth and improve corporate value over the medium- to long-term amid an increasingly uncertain economic situation in Japan and abroad.
In order to execute the 2017 Medium-term Business Plan, which is entering its second year, unwaveringly and deliver results, I will leverage my experience and knowledge to contribute to the improvement of corporate governance and the company's development mainly through discussions with the Board of Directors.

Brief professional background including major posts held

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

Candidate No. 7:
Yoshiko Takayama
Re-nomination, Outside Director (Independent Officer)

Career position and assignment in the Company: Outside Director (Independent Officer)
- Date of birth: August 9, 1956 (age 61)
- Term of office at the conclusion of this general meeting: 3 years
- Number of Company shares owned: 1,200
- Attendance at Board of Directors' meetings: 100% (14 of 14 meetings)

Reasons for nomination
Ms. Takayama has experience in providing consulting services in finance and M&As, and is also familiar with the fields of IR and corporate governance.

Based on such extensive experience and knowledge, Ms. Takayama has actively provided comments as an outside director and independent officer from the viewpoint of general shareholder protection. She has also contributed to the reinforcement of corporate governance, including advisory on compliance with the Corporate Governance Code.

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

Dear Shareholders,
The previous fiscal term was the first year of the 2017 Medium-term Business Plan, and while progress was made both quantitatively and qualitatively in rebuilding the domestic AUTOBACS business, there were also issues we need to address.
Going forward, I will fulfill my role as outside director through thorough verifications and discussions at Board of Directors' meetings, dialogue with the management team and appropriate monitoring, with a view to addressing such issues to solidify our footing while at the same time developing a business to be a new growth driver in response to changes.

Brief professional background including major posts held

April 1980:	Joined Bank of America N.A. Tokyo Branch
June 1987:	Joined Merrill Lynch & Co., Inc. New York Headquarter office
December 1990:	Vice President, Merrill Lynch & Co., Inc. Tokyo Branch
December 1998:	Asia-Pacific Regional Director, Thomson Financial Investor Relations Tokyo Branch
June 2001:	Managing Director, J-Eurus IR Co., Ltd.
March 2003:	Managing Director/Board Member, J-Eurus IR Co., Ltd. (current position)
June 2010:	Board Governor, International Corporate Governance Network
October 2010:	Director, Japan Corporate Governance Network (current position)
June 2015:	Outside Director, AUTOBACS SEVEN Co., Ltd. (current position)
September 2015:	Member of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code, Financial Services Agency and Tokyo Stock Exchange, Inc. (current position)
October 2015:	President, Japan Board Review Co., Ltd. (current position)

Candidate No. 8:
Minesaburo Miyake
New-candidate, Outside Director (Independent Officer)

Career position and assignment in the Company: —
- Date of birth: July 22, 1952 (age 65)
- Term of office at the conclusion of this general meeting: —
- Number of Company shares owned: —
- Attendance at Board of Directors' meetings: —% (— of — meetings)

Reasons for nomination
As his profile indicates, Mr. Miyake has extensive and considerable experience and achievements in corporate management, such as strengthening the control function of group companies and driving corporate growth through active investment conscious of the business portfolio, as a member of management of business corporations.

Mr. Miyake is nominated for new outside director to have him utilize his experience and achievements in the Company's management, as well as to have him supervise the Company's management as an outside director and independent officer from the viewpoint of general shareholder protection.

Dear Shareholders,
I will present my opinions in a way that meets the expectations of customers, employees, business partners, shareholders and society based on past management experience by sharing and supporting the management principles of AUTOBACS SEVEN.

Specifically, I intend to fulfill my role with an outside perspective focusing on the following three points.
1. Give the Chief Executive Officer and the management team frank advices from an outside perspective.
2. Point out the risks of investment decisions by leveraging my management experience while at the same time encouraging investment projects based on the management philosophy.
3. Although I am not an expert of the automobile-related industry, I will ensure accountability to shareholders by demanding easy-to-understand explanations.

Brief professional background including major posts held

April 1976:	Joined Kewpie Corporation
September 1996:	General Manager, Yokohama Branch Office, Kewpie Corporation
July 2002:	General Manager, Division of Household Sales, Kewpie Corporation
February 2003:	Director, Kewpie Corporation
February 2010:	Executive Managing Director, Kewpie Corporation
February 2011:	President and Representative Director, Kewpie Corporation Director, NAKASHIMATO CO., LTD.
February 2017:	Executive Corporate Adviser, Kewpie Corporation Chairman and Director, NAKASHIMATO CO., LTD. (current position)
April 2017:	Director General, Kewpie Mirai Tamago Foundation (current position)
December 2017:	Outside Director, Fuji Pharma Co., Ltd. (current position)

Special remarks on the candidates for the offices of outside directors

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

2. Liability limitation agreement with outside directors
Mr. Hatsuo Odamura and Ms. Yoshiko Takayama, candidates for the office of outside director and who currently serve as the Company's outside directors, have entered into an agreement with the Company that defines their limitations of liability as defined in Article 423, Paragraph 1, of the Companies Act. In the event of their re-election as outside directors, said agreement will be continued.
Also, if Mr. Minesaburo Miyake, a candidate for outside director, is elected, he is expected to enter into an 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 total sum of the amounts a) and b) described below as set forth in Article 425, Paragraph 1, of the Companies Act.

a) The amount obtained by multiplying by two (2) the amount calculated by the method set forth in Article 113 of the Companies Act Enforcement Regulations as the amount equivalent to the annual property benefits received or to be received by each of the outside directors from the Company as consideration for the execution of their duties while in office.

b) In the case where each of the outside directors has subscribed to the Company's stock acquisition rights as set forth in Article 2, Item 21 of the Companies Act (limited to the case as defined in each Item of Article 238, Paragraph 3, of the Companies Act), the amount calculated by the method set forth in Article 114 of the Companies Act Enforcement Regulations as the amount equivalent to the property benefits concerning the said stock acquisition rights.

3. Special relationship between candidates for outside directors and the Company
Candidates for outside directors have no special interests in the Company.

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

None applicable.

Agenda Item No. 3 and Reference Matters

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

At the conclusion of this general meeting of shareholders, Mr. Toshiki Kiyohara, as audit and supervisory board member, will retire due to resignation.
Accordingly, the Company requests the shareholders' approval for the election as audit and supervisory board member 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 pages 17–18.

Name		Career position in the Company
Yukio Kakegai	New-candidate Outside Audit and Supervisory Board Member Independent Officer	—

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

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

Yukio Kakegai
New-candidate, Outside Audit and Supervisory Board Member (Independent Officer)

Career position in the Company: —
- Date of birth: June 27, 1954 (age 63)
- Term of office at the conclusion of this general meeting: —
- Number of Company shares owned: —
- Attendance at Board of Directors' meetings: —% (— of — meetings)

Reasons for nomination
As his profile indicates, Mr. Kakegai has experience in overseas group auditing as the audit and supervisory board member of a holding company, in addition to many years of experience in fund procurement and financial account settlement operations at business corporations, and internal audit services for group companies in Japan and abroad.
Through such experience, Mr. Kakegai has profound insights into finance and accounting.
Mr. Kakegai is nominated for new outside audit and supervisory board member because the Company believes that it is in the best interest of the Group to have him supervise the Company's management as an outside audit and supervisory board member and independent officer from the viewpoint of general shareholder protection.

Dear Shareholders,
I have been engaged in core finance and accounting operations for about 20 years at ASAHI BREWERIES, LTD. Also, I carried out duties for six years, including duties at group companies, as an audit and supervisory board member.
Lately, the risks surrounding companies have changed dramatically. Although compliance with laws and regulations has been important, from now on attention will be paid also to whether companies are acting in line with social concerns and values.
I am intent on contributing to the improvement of the Company's corporate value based on insights and experience I have cultivated over the years.

Brief professional background including major posts held

April 1979:	Joined Komatsu International Manufacturing Co., Ltd. (currently Komatsu Ltd.)
December 1987:	Joined ASAHI BREWERIES, LTD.
April 2007:	Senior Officer, Deputy General Manager, Finance Department of ASAHI BREWERIES, LTD.
September 2008:	Senior Officer, General Manager, Audit Department of ASAHI BREWERIES, LTD.
March 2010:	Corporate Officer, General Manager, Audit Department of ASAHI BREWERIES, LTD.
March 2011:	Standing Audit & Supervisory Board Member, ASAHI BREWERIES, LTD.
July 2011:	Standing Audit & Supervisory Board Member, Asahi Group Holdings, Ltd.
March 2015:	Standing Audit & Supervisory Board Member, Calpis Co., Ltd.
January 2016:	Standing Audit & Supervisory Board Member, Asahi Soft Drinks Co., Ltd.

Special remarks on the candidate for the office of outside audit and supervisory board member

1. Independence of the candidate for the office of outside audit and supervisory board member
Mr. Yukio Kakegai satisfies the requirements of the candidate for the office of outside audit and supervisory board member as set forth in Article 2, Paragraph 3, Item 8, of the Companies Act Enforcement Regulations. At the same time, the one (1) candidate satisfies the requirements for independence defined by the Tokyo Stock Exchange and the "Requirements for the Outside Officers' Independency" adopted by the Board of Directors of the Company (revised on April 1, 2015).

2. Liability limitation agreement with outside audit and supervisory board member
If Mr. Yukio Kakegai, a candidate for outside audit and supervisory board member, is elected, he is expected to enter into an 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 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 the candidate for outside audit and supervisory board member and the Company
Candidate for outside audit and supervisory board member has no special interests in the Company.

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

None applicable.

Requirements for the Outside Officers' Independency

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

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

1. The Company's Outside Officers shall not have had any interest in the Company and its affiliates (hereinafter collectively the "AUTOBACS SEVEN Group") or specified corporations or entities in any of the following ways:

   (i) Receiving remuneration (excluding the remuneration for the duty of an officer from the Company) or other assets from the AUTOBACS SEVEN Group in an amount exceeding ten (10) million yen per fiscal term within the past three years including the fiscal term under review
   (ii) Belonging to an audit firm that conducted audits on the AUTOBACS SEVEN Group within the past three years, including the fiscal term under review
   (iii) Serving any of the following corporations or entities (including holding companies) as a director, an executive officer, a general manager or in any other executive or managerial capacity (hereinafter referred to as executive directors, etc.):
   a. AUTOBACS SEVEN Group customer or business partner[Note 1] whose amount per fiscal term of operation or trade with, or the amount paid to or received by, the AUTOBACS SEVEN Group accounts for 2% or more of the sales[Note 2] of either party in any fiscal term within the past three years, including the fiscal term under review
   b. Financial institution or other large creditor that is indispensable to the AUTOBACS SEVEN Group's fund procurement and on which the Group depends to the extent that such a financial institution or large creditor is irreplaceable, within the past three years, including the fiscal term under review
   c. Any major shareholder of the Company (owning 10% or more of outstanding shares), within the past five years, including the fiscal term under review
   d. Any corporation which currently includes the AUTOBACS SEVEN Group as major shareholder (owning more than 10% of outstanding shares)
   e. Any corporation that currently shares mutually appointed directors with the AUTOBACS SEVEN Group (mutual exchange of directors through cross-holding of shares)

2. The Company's outside officers shall not have been a spouse of said executive directors, etc., of the AUTOBACS SEVEN Group or a relative within the second degree of kinship, or have shared means of livelihood in the past five years, including the fiscal term under review.

3. The Company's outside officers shall not be a spouse of, a relative within the second degree of kinship or share means of livelihood with any person corresponding to the description of Paragraph 1 above.

4. The Company's outside officers shall not be in any situation that may hinder them from performing their duties as the Company's independent officers.

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

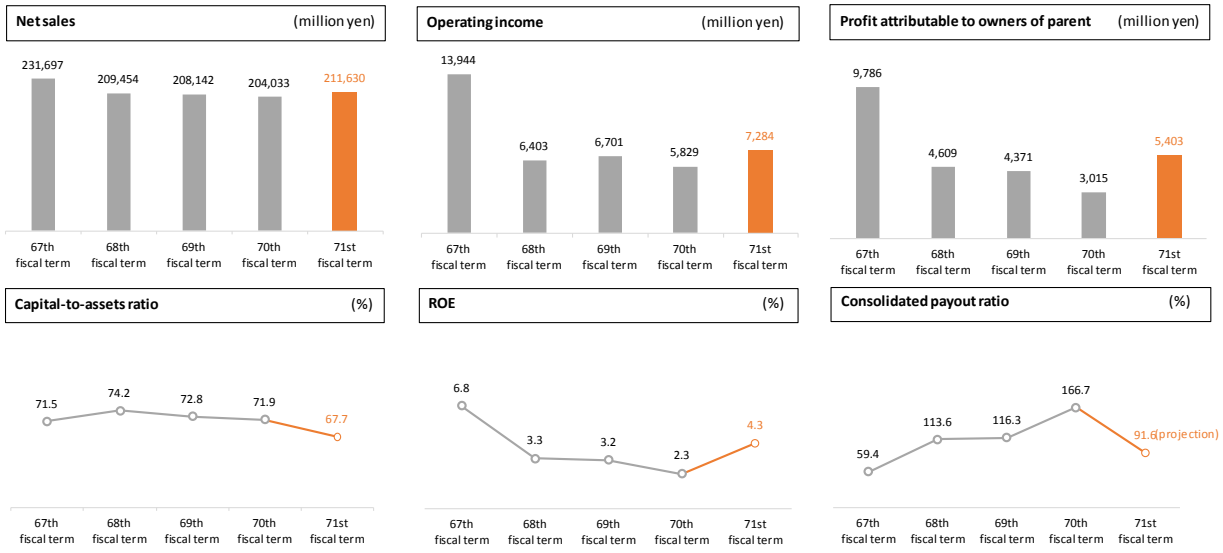
Established February 24, 2010
Revised April 1, 2015

Business Report (from April 1, 2017 to March 31, 2018)

1. Current Status of the Group

(1) Assets and Operating Results

Classification	67th fiscal term Apr. 1, 2013- Mar. 31, 2014	68th fiscal term Apr. 1, 2014- Mar. 31, 2015	69th fiscal term Apr. 1, 2015- Mar. 31, 2016	70th fiscal term Apr. 1, 2016- Mar. 31, 2017	71st fiscal term Apr. 1, 2017- Mar. 31, 2018
Net sales (million yen)	231,697	209,454	208,142	204,033	211,630
Operating income (million yen)	13,944	6,403	6,701	5,829	7,284
Ordinary income (million yen)	16,421	8,250	7,780	7,120	8,226
Profit attributable to owners of parent (million yen)	9,786	4,609	4,371	3,015	5,403
Total assets (million yen)	201,481	186,531	180,454	176,708	187,405
Net assets (million yen)	144,363	138,553	131,747	127,392	127,352
Capital-to-assets ratio (%)	71.5	74.2	72.8	71.9	67.7
ROE (%)	6.8	3.3	3.2	2.3	4.3
Dividend payout ratio (%)	59.4	113.6	116.3	166.7	91.6 (projection)



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

(i) Management policy

The mission of the AUTOBACS chain including the Company and franchisee corporations is to help create a sustainable automobile-enriched society by constantly proposing new methods of enjoying automobiles that are convenient, comfortable, safe, and fun, optimally providing merchandise that suit the needs of individual customers. This philosophy is encapsulated in the AUTOBACS Chain Management Mission, and we use it to continually provide value to our customers, franchisees, employees, business partners, shareholders, society, and other stakeholders.

AUTOBACS Chain Management Mission

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

In January 2018, the Company announced the AUTOBACS SEVEN Co., Ltd. “2050 Creating Our Future Together” vision. For over 70 years, since the Company was first founded, we have always worked to further the advancement of automobile society and enrich our customers’ car lifestyles. In the future, technological advances and changes in peoples’ values will bring about changes not only to automobiles but to society and our lives as well. Our vision reflects our dedication to combining the strengths of all Group employees and

continuing to create a rich, healthy automobile society in the years leading up to 2050.

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

(ii) Business environment

The Group conducts sales, and services such as installation/maintenance of auto parts and accessories in Japan and overseas, and sells used and new cars. The Japanese auto parts and accessories market (automotive aftermarket) peaked in the late 1990s, and has been contracting since then. This ongoing market decline is due to factors such as the following.

* Automotive goods and services increasingly being included as standard features in new automobiles
* Longer-term automotive goods replacement periods and unit price decreases due to downsizing of automobiles and performance improvements
* The use of smartphone apps as replacements for car navigation devices
* The contraction of the motor sports goods market resulting from diversifying consumer tastes
* The rising number of companies selling automotive goods via the Internet

The market is expected to see even greater and rapid changes in the future, such as megatrends like the electrification of automobiles, the growth of new markets such as car sharing services, greater popularization of electric vehicles, and autonomous driving development, as well as intensified competition with other companies and other business categories, such as car dealers and e-commerce companies, changes in customer composition resulting from the declining birthrate and aging population, and needs diversification.

According to figures from an announcement by the Auto-Parts & Accessories Retail Association (APARA), total store net sales of four association members between April 2017 and March 2018 were ¥401,228 million, an increase of 5.4% year on year.

Total automobile maintenance (market) [*1] sales for 2016 were ¥5,487,500 million (a 1.7% increase year on year) and the number of registered passenger used cars (standard-sized vehicles, compact passenger cars and mini vehicles) [*2] was 5.61million vehicles (a 0.2% decrease year on year). These figures are relatively stable, and their market scales are greater than that of the car parts and accessories market.

*1 Announced by Japan Automobile Service Promotion Association (JASPA)
*2 Announced by Japan Automobile Dealers Association (JADA,) and Japan Light Motor Vehicle and Motorcycle Association

(iii) Targets to be achieved

In this business environment surrounding the Group, the Company recognizes its greatest challenge to be the restoration of the competitive strength of the domestic AUTOBACS business, and has implemented the 2017 Medium-term Business Plan.

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

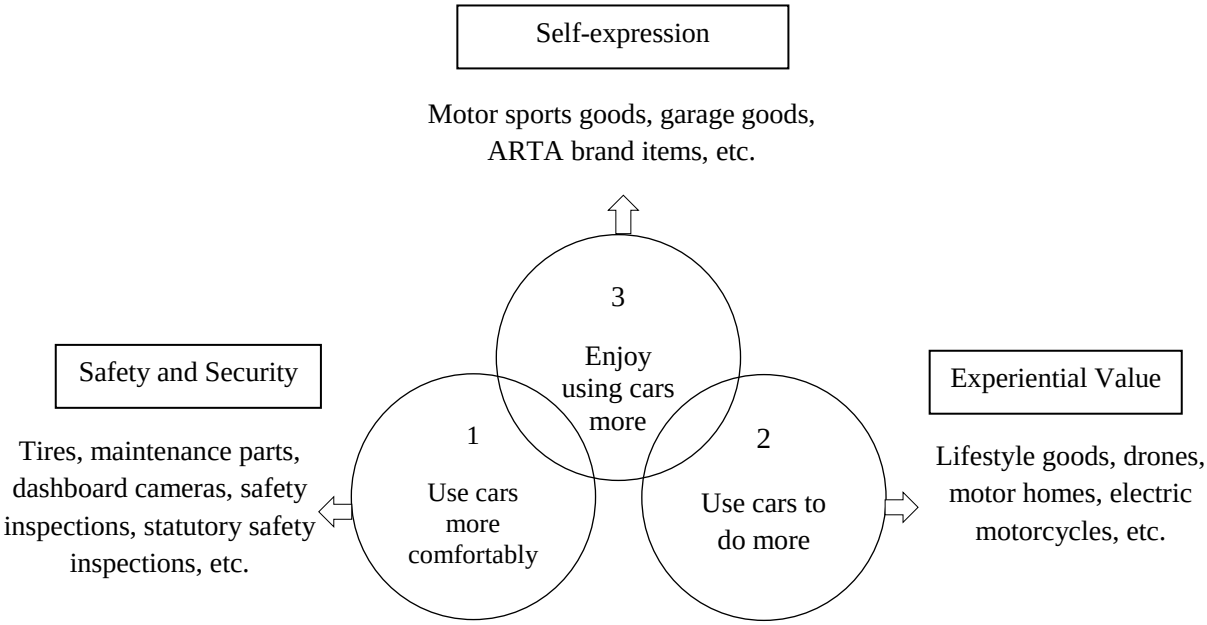
Group vision
1. Turnaround of the Domestic AUTOBACS Business
Promote innovative lifestyles through new merchandise and new business formats

2. Development of Future Growth Drivers
* New Business: Imported car dealership, BtoB business, e-commerce business, and others
* Overseas Business: Retailing, service, and wholesale businesses suited to the needs of individual countries

In the domestic AUTOBACS business, in order to respond to medium- and long-term business environment changes and continue to attract new customers, the Company aims to meet the needs for more comfortable car use by providing the values of safety and security, to meet the needs for more diverse car use by providing experiential value through situations such as using vehicles to enjoy the outdoors, and to meet the needs for more enjoyable car driving by providing merchandise and services which enable customers to express themselves through their cars and increase their satisfaction.

Through the Medium-term Business Plan, the Company will realize these three values and become a professional and friendly presence for customers by implementing various measures such as the development of new store formats, the development of new merchandise and services, and the development of personnel, thereby restoring the competitive strength of the AUTOBACS business in Japan.

The value provided by AUTOBACS to customers



The Company is also working to develop the overseas business, imported car dealership business, BtoB business, and e-commerce business as future growth business categories.

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

In the imported car dealership business, the Company aims to expand earnings by increasing the number of automobile sales, improving operation efficiency by raising service rates and enhancing coordination between sites, and by expanding the number of car dealer sites.

In the BtoB business, the Company seeks to expand automotive goods and services wholesale earnings and to cultivate new business.

In the e-commerce business, the Company is working to strengthen existing e-commerce channels and expand earnings, primarily of tires, a core merchandise. The Company is also working to promote development as a platform that will lead to expansion of both BtoC and BtoB businesses in the future.

The Company recognizes returning profits to shareholders as one of its most important management policies, and strives to increase earnings so that it can return steady and high-level profits to shareholders.
During the 2017 Medium-term Business Plan period, the Company’s basic policy will be to maintain a consolidated dividend payout ratio of 50% to 100% in principle, and provide appropriate returns to shareholders in line with business results.

(3) Management analysis of financial conditions, management results, and cash flow
Business progress and results
(i) Consolidated operating results
Net sales and gross profit
Group net sales for the consolidated fiscal term under review increased by 3.7% year on year to ¥211,630 million, gross profit increased by 1.8% year on year to ¥67,369 million.

Selling, general and administrative expenses and operating income
Selling, general and administrative expenses decreased by 0.4% year on year to ¥60,085 million, and operating income increased by 25.0% year on year to ¥7,284 million.

Overall selling, general, and administrative expenses fell due to the stock transfer of consolidated subsidiaries that operate domestic AUTOBACS chain stores. The subsidiaries affected by this stock transfer had selling, general, and administrative expenses of ¥2,310 million in total for the fiscal term ended March 31, 2017. Other factors included reduced depreciation related to AUTOBACS chain IT systems and increased personnel costs due to the payment of performance-based incentive remuneration to employees.

Non-operating income, non-operating expenses and ordinary profit
Non-operating income fell by 5.0% year on year to ¥2,991 million. Non-operating expenses rose by 10.4% year on year to ¥2,048 million due to increased loss on retirement of non-current assets related to logistics center facilities.

As a result, ordinary profit rose by 15.5% year on year to ¥8,226 million.

Extraordinary income and extraordinary loss
Extraordinary income consisted of ¥1,477 million in gain on sales of investment securities. Extraordinary loss consisted of ¥1,449 million due primarily to loss on liquidation of subsidiaries and associates resulting from the business transfer of consolidated subsidiaries and impairment loss on stores and software.

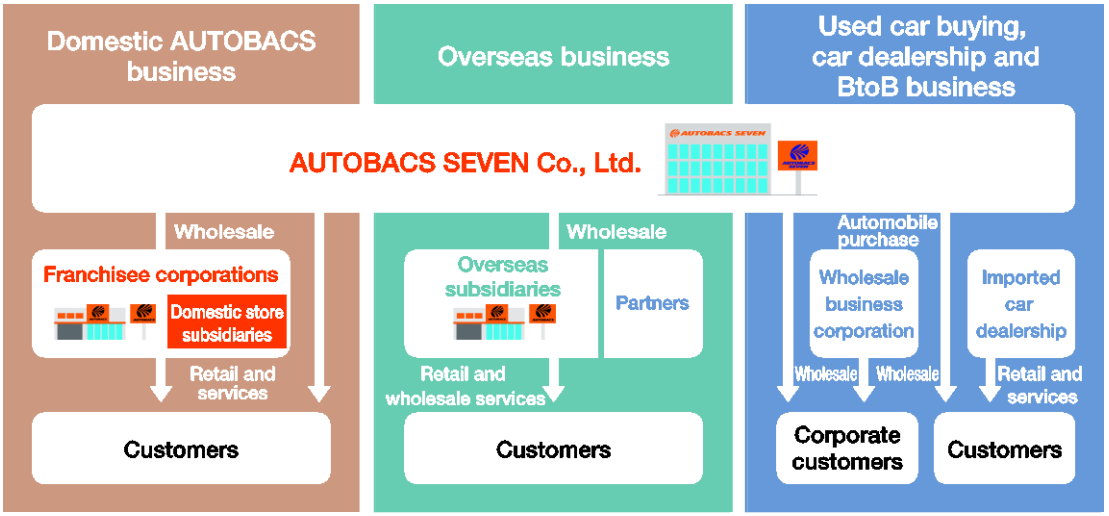
Income taxes
Income taxes for the consolidated fiscal term under review rose by ¥1,392 million from the previous fiscal term to ¥2,869 million. This was due primarily to the reduced tax burden resulting from the posting of income taxes - deferred related to the business transfer of consolidated subsidiaries, and increased income taxes - current resulting from increased profit before income taxes.

Profit attributable to owners of parent
Profit attributable to owners of parent increased by 79.2% year on year to ¥5,403 million. The net income per share was ¥65.49. The ratio of net income to net sales rose year on year from 1.5% to 2.6%, and return on equity (ROE) rose year on year from 2.3% to 4.3%.

(ii) Management results by segment

With regard to management resource allocation and business result evaluation, from the consolidated fiscal term under review the Group has changed reporting segments in line with the changes of management categories under the 2017 Medium-term Business Plan, which began in the fiscal term ended March 31, 2018.

Outline of the Group's reported segments



Net sales and income by segment

(Unit: million yen)

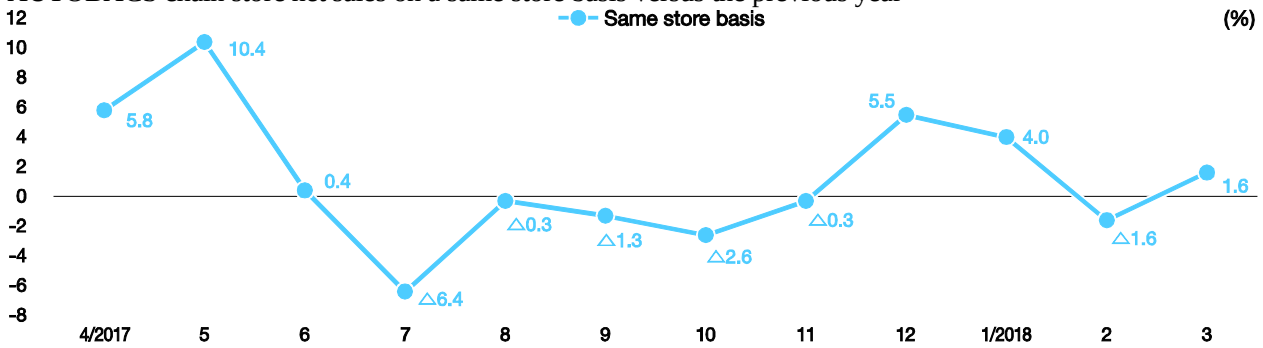
	Reporting segment				Others	Total	Adjustment	Amount recognized in consolidated statement of income
	Domestic AUTOBACS business	Overseas business	Used car buying, Car dealership and BtoB business	Subtotal				
Net sales								
Net sales to outside customers	177,886	9,156	23,601	210,643	986	211,630	–	211,630
YoY (%)	-0.7%	18.7%	45.6%	3.7%	2.3%	3.7%	–	3.7%
Internal sales and transfers between segments	722	346	7,265	8,335	667	9,002	(9,002)	–
Total	178,608	9,503	30,867	218,978	1,653	220,632	(9,002)	211,630
YoY (%)	-0.5%	20.0%	30.9%	3.8%	-4.7%	3.7%	–	3.7%
Segment income (loss)	16,546	(537)	(1,612)	14,396	61	14,458	(7,174)	7,284
YoY (%)	14.3%	–	–	9.0%	42.2%	9.1%	–	25.0%

■ **Domestic AUTOBACS business**

Net sales in this segment declined by 0.5% year on year to ¥178,608 million due in part to the business transfer of consolidated subsidiaries that operate AUTOBACS chain stores to franchisee corporations in February and April 2017. Gross profit fell by 1.3% year on year to ¥56,666 million due to lowered purchase cost rates for store purchases from the Company. Tire and used car purchase commercials and statutory safety inspection-related sales promotions were enhanced, but reductions due to the stock transfer of consolidated subsidiaries caused selling, general, and administrative expenses to decline by 6.6% year on year to ¥40,119 million. As a result, segment income rose by 14.3% year on year to ¥16,546 million.

Domestic AUTOBACS chain (including stores of franchisee corporations) net sales for all store formats during the consolidated fiscal term under review rose by 1.3% compared to the same period of the previous fiscal term on a same store basis and 1.3% on a total store basis.

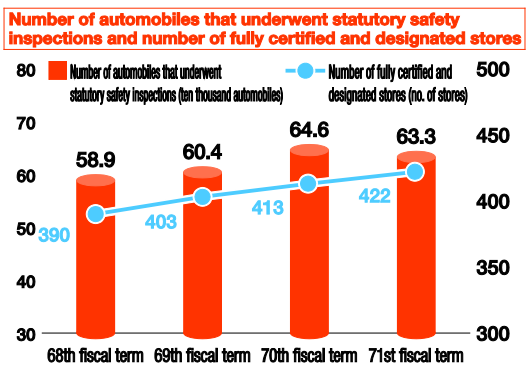
AUTOBACS chain store net sales on a same store basis versus the previous year



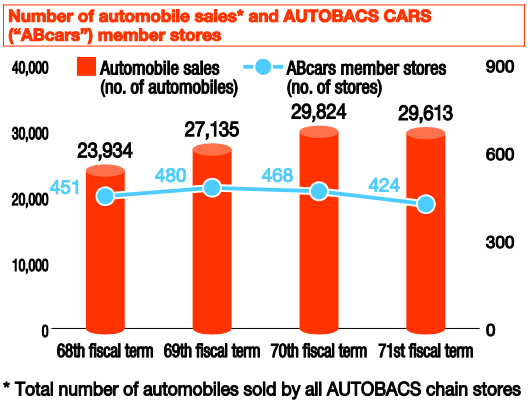
Led by the slogan of “Becoming a professional and friendly presence,” under the 2017 Medium-term Business Plan, the domestic AUTOBACS chain has focused on creating a new automobile-related market by developing products and stores and cultivating personnel.

During the consolidated fiscal term under review, feedback was gathered through the Customer Voice Program from store customers and used to review individual store service, merchandise lineups, and facilities, and also used to implement operation improvements to store personnel allocation, time management, and the like. Tire sales were strong, following such factors as tire price increases by domestic tire manufacturers, increased demand for snow tires due to high levels of snowfall, and increased demand for switching to normal tires. There has been an increase in interest in dashboard cameras since October 2017, producing an increase in sales. Furthermore, the Group expanded the merchandise lineups of the private label brand, “AQ. (Autobacs Quality.),” and of the new “JKM” and “GORDON MILLER” brands, which propose car-related lifestyles. The Group also began sales of merhcandise such as drones and electric motorcycles with pedals. In addition to these measures, purchase cost rates for store purchases from the Company were lowered and franchisee corporation sales strengths were reinforced. These efforts resulted in an overall significant improvement in the earning power of franchisee corporations, including Company subsidiaries.

For statutory safety inspection and maintenance, the “AUTOBACS GUYS” initiative was launched. This initiative highlighted maintenance personnel working in the service bays of actual stores as representatives of the Group’s “professional and friendly presence,” sharing their technical capabilities and their passion for automobile maintenance. AUTOBACS GUYS television commercials and in-store statutory safety inspection advertising activities were carried out. Maintenance personnel training programs were also implemented. However, because the number of automobiles subject to statutory safety inspection fell sharply in Japan from October 2017 onwards, the number of automobiles that underwent statutory safety inspection fell by 1.9% year on year to roughly 633,000 vehicles.



With regard to automobile purchase and sales, a new brand personality was used in television commercials to emphasize the key points that differentiate the Company. However, due to personnel reductions involving automobile purchasing assessment in some stores, sales to used car sellers such as auto auctions fell. As a result, the total number of automobiles sold by AUTOBACS CARS (“ABcars”) member stores declined by 11.6% year on year to approximately 24,200.



“AUTOBACS FUCHU Store” was reopened as “AUTOBACS GARAGE FUCHU” with a new store format that makes it comfortable for customers who don’t know much about automobiles to shop and receive services tailored to their needs. Five “AUTOBACS Mini” stores, which provide shopping mall customers with information about carwashes and statutory safety inspections, were opened.

The Company also launched “JACK & MARIE,” Japan’s first automobile lifestyle shop brand, which began selling original AUTOBACS products on “ZOZOTOWN,” Japan’s largest fashion e-commerce site, and, in March 2018, opened the first JACK & MARIE shop, “JACK & MARIE Yokohama Bay Quarter.” In the future, the Company will open more JACK & MARIE shops, develop products for the spin-off brands JKM and GORDON MILLER, and reinforce sales in AUTOBACS Group stores.

Lifestyle proposal merchandise

JACK & MARIE

JACK & MARIE Yokohama Bay Quarter (opened on March 16, 2018)

This new brand's concept, set in nature-rich Australia, is "Café x Nature x Car lifestyle" cherished by JACK, an Australian man, and MARIE, a Japanese woman. It provides customers who enjoy the outdoor lives with suggestions for five exciting situations: packing, loading, creating one's own mobile living room, comfortably camping in one's car, and enjoying a café-style experience at one's destination.

JKM, GORDON MILLER
This original AUTOBACS Group product brand is based on the five exciting situations that make up the JACK & MARIE world and offers goods with the theme of "making exciting car lifestyles even cooler, both inside cars and at destinations."

This original AUTOBACS Group product brand is a spin-off of the JACK & MARIE brand. Its lineup consists of items for car-washing, storage, DIY, and the like, for those dedicated to their beloved cars and their garages.

ARTA
AUTOBACS RACING TEAM AGURI (ARTA), for which the AUTOBACS Group provides support, began its 21st year, and in addition to its past activities as a racing team, it will engage in a wide range of activities focusing on racing, with the concept of a "racing sports brand" that conveys an image of "tough and extraordinary."

Examples of merchandise enjoyed on car excursions

GFR-01 glafit bike
This electric motorcycle was developed by Fine Trading Japan and can be pedaled. It was funded using crowd funding, and is being pre-sold by the AUTOBACS Group.
It was awarded "The 2017 Nikkei Superior Products and Services Awards, Nikkei MJ Award top prize."

Drone
AUTOBACS has signed an authorized sales agent agreement with top drone manufacturer DJI JAPAN, the first specialty store chain in Japan. In addition to selling drones themselves, Group stores will also sell accessories and parts and provide drone inspection and repair services.

Store openings and closings in Japan

(Unit: stores)

	No. of stores as of March 31, 2017	Opened	Closed	No. of stores as of March 31, 2018
AUTOBACS	495	6	-4	497
Super AUTOBACS	74	–	–	74
AUTOBACS *Secohan Ichiba*	9	–	-1	8
AUTOBACS EXPRESS	11	–	–	11
AUTOBACS CARS	12	2	-1	13
Total	601	8	-6	603

Store formats of the AUTOBACS Chain

Logo and images, specs (6 store formats)

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

New store formats

AUTOBACS GARAGE FUCHU
A pilot store for customers unfamiliar with automobiles. Featuring a space inspired by a café, the first floor provides appropriate information about maintenance including tire and oil changes according to customers' status of car usage, and the second floor handles a wide range of car lifestyle merchandise.

Smart+1 IBARAKI NISHI Store
This reservation-only, members-only store provides hand car-washing and other car maintenance to drivers that are not customers of conventional AUTOBACS stores. Customers can enjoy themselves at the adjoining café while their cars are being washed or maintained.

AUTOBACS Mini
These stores focus primarily on coordinating statutory safety inspections with nearby stores, as well as offering basic car-washing and driving merchandise, without providing installation work. They are located inside shopping malls, making it easy for customers to drop in while doing their shopping.

■ Overseas business
Overseas business net sales were ¥9,503 million (a 20.0% increase year on year), and segment losses were ¥537 million (compared to ¥674 million of segment loss in the previous fiscal term). In retail and service business, economic conditions in France are recovering, tire and pit services sales have increased, led by safety inspections, and gross margin ratios have risen, resulting in an improvement in income over the previous fiscal term. In Singapore, sales increased due in part to the opening of a shop-in-shop format store in a gas station in April 2017, and merchandise cost reduction efforts improved gross margin ratios, and operating income rose. In Thailand, newly opened small stores collaborated with existing large stores, increasing sales as well as improving gross margin ratios, reducing losses. The Group also engaged in a capital and business tie-up with the PTG Group, a large local gas station chain, and two stores were opened within PTG Group stores.

In new business, the Group began services for car sharing vehicles in Singapore and the wholesaling of merchandise developed in-house in Indonesia, Singapore, and Russia. Furthermore, in China, the Group provided funding to a company that operates an automotive goods sales and service platform and manufactures and sells car aromatics, developed sales contacts for products handled by the Company, and began development of in-house merchandise.

AUTOBACS HERBLAY in France
AUTOBACS BUKIT BATOK STORE in Singapore
AUTOBACS Samut Prakan 4 Store in Thailand
AUTOBACS PERLING Store in Malaysia

AUTOBACS TSM Bandung Store in Indonesia
AUTOBACS XINZHUANG Store in Taiwan

Store openings and closings overseas

(Unit: stores)

	As of March 31, 2017	Opened	Closed	As of March 31, 2018
France	11	—	—	11
Thailand	8	3	-2	9
Singapore	2	1	—	3
Taiwan	6	—	—	6
Malaysia	4	2	-1	5
Indonesia	5	—	-1	4
The Philippines	2	1	—	3
Overseas total	38	7	-4	41

■Used car buying, car dealership and BtoB business

Used car buying, car dealership and BtoB business net sales were ¥30,867 million (a 30.9% increase year on year) and segment losses were ¥1,612 million (compared to ¥589 million of segment loss in the previous fiscal term).

The number of used cars purchased by Used Car Purchase Stores increased due to the rise in the number of directly-owned stores, but losses rose due to insufficient number of used cars appraisals and advance expenses. In order to improve earnings, the Group has begun export sales of purchased vehicles. Going forward, this business will be transferred to the domestic AUTOBACS business segment, and efforts will be made to improve earnings, including closing unprofitable stores. A business model will be deployed in which stores are operated within the premises of AUTOBACS stores operated by franchisee corporations, restraining investments and costs.

In the imported car dealership business, the number of stores rose with the transfer of business in Nerima-ku, Tokyo. Operations steadily expanded in conjunction with existing stores in the Ikebukuro area, and both sales and income rose.

In the BtoB business, although e-commerce sales of motor sports-related goods and private brand products increased, factors such as logistics expenses and the rise in the purchase cost of oil for automotive goods and services sales to hardware stores caused income to fall versus the previous year. The Company will continue to strive to improve earnings by developing products that meet customers' needs and improving supply systems.

Imported car dealership operating companies and numbers of sites

(Unit: sites)

Company name	As of March 31, 2017	As of March 31, 2018
Autoplatz K.K.	3	6
Motoren Tochigi Corp.	5	5

BMW sites

3 sites in Ikebukuro, Tokyo
Ikebukuro BMW Head Office Showroom

MINI Ikebukuro Showroom

3 sites in Nerima, Tokyo
Nerima BMW New Cars Showroom

5 sites in Tochigi
Tochigi BMW Utsunomiya Main Store
Oyama Store/BMW Premium Selection Oyama
General Service Center

(iii) Status of individual consolidated balance sheet items

Current assets
Current assets rose by ¥12,578 million from the end of the previous fiscal term to ¥114,738 million. Cash and deposits increased due to the effect which the amount of receipt temporarily exceeded the amount of payment since the end of the consolidated fiscal term under review was a bank holiday, and due to sales of investment securities.

Property, plant and equipment and intangible assets
Property, plant and equipment fell by ¥949 million from the end of the previous fiscal term to ¥41,226 million. This decrease was primarily attributable to buildings and structures depreciation and impairment loss.

Intangible assets fell by ¥547 million from the end of the previous fiscal term to ¥6,050 million. This was due primarily to the amortization of software.

Investments and other assets
Investments and other assets fell by ¥383 million from the end of the previous fiscal term to ¥25,390 million. This was primarily due to sales of investment securities and a decrease in guarantee deposits of distribution facilities, while shares of subsidiaries and associates increased in line with business investment.

Current liabilities
Current liabilities rose by ¥9,163 million from the end of the previous fiscal term to ¥46,426 million. This was due primarily to increased accounts payable - trade resulting from bank holidays at the end of the consolidated fiscal term under review.

Non-current liabilities
Non-current liabilities rose by ¥1,574 million from the end of the previous fiscal term to ¥13,626 million. This was due primarily to increased long-term loans payable resulting from loans from banks.

Total net assets
Total net assets fell by ¥39 million from the end of the previous fiscal term to ¥127,352 million. This was due primarily to remeasurements of defined benefit plans of ¥692 million in line with the introduction of Second Career Support System.

Total assets/total liabilities and net assets
Total assets and total liabilities and net assets rose by ¥10,697 million from the end of the previous fiscal term to ¥187,405 million.

(iv) Status of consolidated cash flow
Cash flow from operating activities increased by ¥6,906 million year on year to ¥16,394 million due to profit before income taxes increasing by ¥3,780 million, income taxes falling by ¥2,503 million, notes and accounts payable - trade rising due to bank holidays at the end of the consolidated fiscal term under review, and working capital falling by ¥2,026 million.

Cash flow from investing activities decreased by ¥4,232 million year on year to ¥2,915 million due to purchase of shares of subsidiaries and associates rising by ¥1,572 million and proceeds from sales of investment securities rising by ¥2,572 million.

Cash flow from financing activities decreased by ¥1,616 million year on year to ¥5,840 million due to factors such as a ¥2,711 million decrease in purchase of treasury shares.

Dividends
With regard to dividends for the end of the consolidated fiscal term under review, in accordance with our policy of returning profits to shareholders, the Company plans to pay dividends of 30 yen per share. As a result, the Company plans to pay total annual dividends of 60 yen per share. The consolidated dividend payout ratio will be 91.6%.

Next fiscal year the Company plans to pay interim dividends of 30 yen per share and year-end dividends of 30 yen per share, for total annual dividends of 60 yen per share.

(4) Status of Capital Investment

The main components of capital investment were ¥253 million in the acquisition of buildings and structures related to the opening of new stores such as AUTOBACS Used Car Purchase stores, ¥153 million in renovations to AUTOBACS GARAGE FUCHU and imported car dealership stores, ¥446 million in the acquisition of land for existing stores, ¥747 million in computerization investment, and ¥1,987 million in other investment.

(5) Status of Fund Procurement

During the consolidated fiscal term under review, the Group procured the funds for business operations mainly through refinancing as the entire AUTOBACS chain. The main reason for the decrease in the balance of short-term borrowings and long-term debts at the end of the consolidated fiscal term under review of ¥1,205 million was the decrease in the number of consolidated subsidiaries and the refinancing of loans within the Group.

(6) The Group's Major Business Line (as of March 31, 2018)

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

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

Segment	Description of business
Domestic AUTOBACS business	Wholesaling of automotive goods such as tires, wheels, and car electronics to domestic franchisee corporations, and leasing of store equipment. Sale and installation services of automotive goods, maintenance services, statutory safety inspection, automobile purchase and sales mainly to domestic general consumers. Major store brands: AUTOBACS, Super AUTOBACS, AUTOBACS *Secohan Ichiba* and AUTOBACS CARS ("ABcars"), etc.
Overseas business	Sale and installation services of automotive goods and maintenance services mainly to overseas general consumers. Also export sales of automotive goods and services mainly to overseas franchisee corporations and retailers.
Used car buying, car dealership and BtoB business	Sale of imported cars mainly to domestic general consumers, purchase of used cars mainly from general consumers, and sale of used cars to auto auctions and used car sellers, etc. Wholesaling of automotive goods, etc. to domestic hardware stores.
Other	In the leasing business mainly of subsidiaries, leasing of equipment, etc. to domestic franchisee corporations, etc.

(7) Major Business Locations of the Company (as of March 31, 2018)

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

(8) Key Subsidiaries (as of March 31, 2018)

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

(9) Key Affiliate Companies (as of March 31, 2018)

Company name	Location	Capital	The Company's investment ratio	Line of business
Puma Ltd.	Imizu City, Toyama	¥33 million	32.5%	Automotive goods retail business
buffalo CO., LTD.	Kawaguchi City, Saitama	¥555 million	23.0%	Automotive goods retail business
KITA NIHON AUTOBACS Co., Ltd.	Toyohira-ku, Sapporo City	¥100 million	34.0%	Automotive goods retail business

(10) Employment Situation (as of March 31, 2018)

The Group's employment status

Segment	No. of employees in 70th fiscal term		No. of employees in 71st fiscal term		Increase/decrease from the previous consolidated fiscal term	
Domestic AUTOBACS business	3,030	(759)	2,603	(610)	-427	(-149)
Overseas business	599	(2)	697	(1)	98	(-1)
Used car buying, car dealership and BtoB business	359	(48)	512	(41)	153	(-7)
Reporting segment total	3,988	(809)	3,812	(652)	-176	(-157)
Other	9	(0)	9	(0)	0	(0)
Company-wide (common)	203	(25)	188	(25)	-15	(0)
Total	4,200	(834)	4,009	(677)	-191	(-157)

(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 management divisions.

(11) Major Lenders and Loan Amount (as of March 31, 2018) (Unit: million yen)

Lenders	Balance of loans
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,423
BMW Japan Finance Corporation	1,337
Sumitomo Mitsui Banking Corporation	680

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

Not applicable

2. Status of the Company (as of March 31, 2018)

(1) Status of Shares

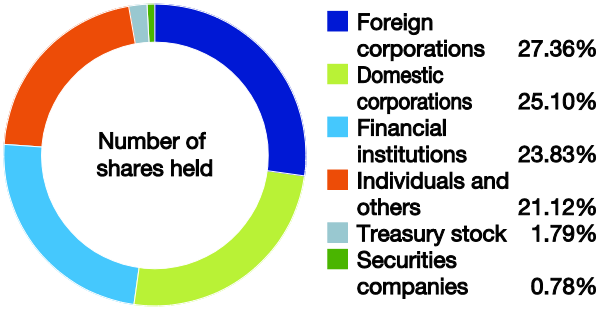
(i) Total number of authorized shares: 328,206,900 shares

(ii) Total number of shares issued: 84,050,105 shares (including 1,506,659 treasury stock)

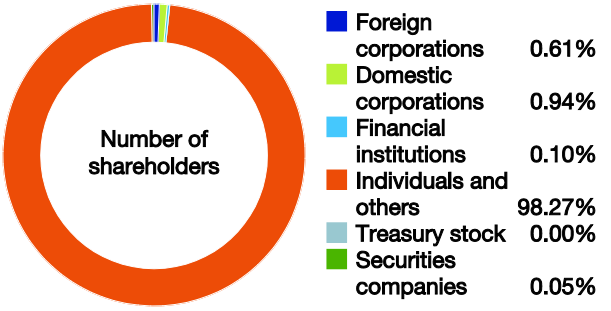
(iii) Number of shareholders: 43,160

	Distribution by number of shares held (Number of shares held)	Distribution by shareholder type (Number of shareholders)
Foreign corporations	27.36%	0.61%
Domestic corporations	25.10%	0.94%
Financial institutions	23.83%	0.10%
Individuals and others	21.12%	98.27%
Treasury stock	1.79%	0.00%
Securities companies	0.78%	0.05%

Distribution by number of shares held



Distribution by shareholder type



(iv) Major shareholders (Top 10 shareholders)

Name	Status of contribution to the Company	
	Number of shares held (thousands)	Shareholding ratio (%)
Northern Trust Company (AVFC) Re Silchester International Investors International Value Equity Trust	5,293	6.41
Sumino Holdings, Ltd.	4,268	5.17
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,171	5.05
The Yuumi Memorial Foundation for Home Health Care	3,990	4.83
Japan Trustee Service Bank, Ltd. (Trust Account)	3,468	4.20
Northern Trust Company AVFC Re U.S. Tax Exempted Pension Funds	2,996	3.63
K Holdings, Ltd.	2,800	3.39
Northern Trust Company (AVFC) Account Non-treaty	2,024	2.45
The Master Trust Bank of Japan, Ltd. (Retail Trust Account 820079252)	1,800	2.18
Foreman Kyoei, Ltd.	1,560	1.89

(Notes) 1. Shareholding ratio is calculated by deducting treasury stock from the total number of shares with voting rights.
2. Holdings of less than 1,000 shares have been omitted from the number of shares owned, and the shareholding ratio is rounded down to two decimal places.
3. An amendment to the substantial shareholding report was filed with the director-general of the Kanto Local Finance Bureau by Silchester International Investors LLP, as shown in the table below, pursuant to Article 27-25, Paragraph 1, of the Financial Instruments and Exchange Act. The Company could not, however, confirm the number of shares held by Silchester International Investors LLP as of March 31, 2018. As a result, the number of shares held by the company is not included in the list of "Major shareholders" above.

Outline of an amendment to the substantial shareholding report

An amendment to the substantial shareholding report	Date of submission	Number of shares held (thousands)	Holding ratio (%)
No. 20	February 2, 2018	12,527	14.90

(Notes) 1. The shareholding ratio for each report number uses the total number of shares outstanding at the date of submission as the denominator in the calculation.
2. Holdings of less than 1,000 shares have been omitted from the number of shares owned, and the shareholding ratio is rounded off to two decimal places.

(v) Other significant matters concerning shares

a. Acquisition, disposal, etc. of treasury stock and the holding thereof (Unit: shares)

Treasury stock held at the end of the previous fiscal term		1,505,911 …(i)
Acquired shares	Acquisition through purchase of shares constituting less than one unit	813 …(ii) (Aggregate acquisition value: ¥1,556 thousand)
Disposed shares	Disposal through sale of shares constituting less than one unit	65 …(iii) (Aggregate disposal value: ¥143 thousand)
Treasury stock held at the end of the current fiscal term		1,506,659 (i)+(ii)–(iii)

b. Major shareholders

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

(vi) Matters concerning stock acquisition rights, etc.

Not applicable

(2) Status of the Company's Officers (as of March 31, 2018)

(i) Status of directors and audit and supervisory board member, significant concurrent positions and relationship with the Company

Position	Name	Responsibility and significant concurrent positions held in other organization	Concurrently held positions
Representative Director	Kiomi Kobayashi	Chief Executive Officer, Chief AUTOBACS Chain Officer Head of AUTOBACS Business Planning	—
Director	Teruyuki Matsumura	Senior Managing Executive Officer, Head of Overseas Business and New Business Development	—
Director	Isao Hirata	Senior Managing Executive Officer, Head of Corporate Administration	—
		ABT Marketing Co., Ltd.	Representative Director
Director	Eiichi Kumakura	Senior Executive Officer, Head of Western Japan Region Headquarters	—
Director	Yugo Horii	Senior Executive Officer, Office of the President and Overseas Business Planning	—
Director (Outside)	Noriaki Shimazaki	IFRS Foundation Asia-Oceania Office	Advisor
		The Japanese Institute of Certified Public Accountants	Advisor
		UKC Holdings Corporation	Outside Director
		Nomura Holdings, Inc.	Outside Director
		Nomura Securities Co., Ltd.	Director
		Loginet Japan Co., Ltd.	Outside Director
		Kamikawa Taisetsu Sake Brewery Co., Ltd.	Director
Director (Outside)	Hatsuo Odamura	TAITO CORPORATION	Advisor
Director (Outside)	Yoshiko Takayama	J-Eurus IR Co., Ltd.	Managing Director/Board Member
		Japan Corporate Governance Network	Director
		Financial Services Agency / Tokyo Stock Exchange, Inc. The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code	Council Member
		Japan Board Review Co., Ltd.	Representative Director
Audit and Supervisory Board Member (Full-time)	Kozo Sumino	—	—
Audit and Supervisory Board Member (Full-time) (Outside)	Toshiki Kiyohara	—	—
Audit and Supervisory Board Member (Outside)	Tomoaki Ikenaga	Anderson Mori & Tomotsune	Partner
		Moody's Japan K.K.	Independent Member of the Oversight Committee
		Moody's SF Japan K.K.	Independent Member of the Oversight Committee
		Japan Payment Service Association	Director
Audit and Supervisory Board Member (Outside)	Yuji Sakakura	Relations Japan Corporation	Representative Director
		UKC Holdings Corporation	Outside Audit & Supervisory Board Member

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

(1) Director

Mr. Naoyuki Koyama resigned from the position of director and officer as of November 28,

2017.

The position, responsibility and significant concurrent positions at the time of resignation are as follows.

Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning and Representative Director of ABT Marketing Co., Ltd.

(2) Audit and supervisory board member

There were no changes to audit and supervisory board members.

2. Three (3) directors, Mr. Noriaki Shimazaki, Mr. Hatsuo Odamura and Ms. Yoshiko Takayama, are outside directors, as provided for in Article 2, Item 15, of the Companies Act.
3. Three (3) audit and supervisory board members, Mr. Toshiki Kiyohara, Mr. Tomoaki Ikenaga and Mr. Yuji Sakakura, are outside audit and supervisory board members, as provided for in Article 2, Item 16, of the Companies Act.
4. There is no special relationship between the Company and the other companies and organizations mentioned above in which the outside directors and outside audit and supervisory board members hold concurrent positions.
5. Six (6) officers, namely directors Mr. Noriaki Shimazaki, Mr. Hatsuo Odamura and Ms. Yoshiko Takayama and audit and supervisory board members Mr. Toshiki Kiyohara, Mr. Tomoaki Ikenaga and Mr. Yuji Sakakura, are independent officers registered with the Tokyo Stock Exchange.
6. Two (2) audit and supervisory board members have profound insights into finance and accounting. Audit and supervisory board member Mr. Kozo Sumino served as a director and was engaged in finance & accounting as an executive officer at the Company. Outside audit and supervisory board member Mr. Yuji Sakakura has many years of extensive experience in financial operations, particularly in international finance and capital markets, at a general trading company.
7. Effective April 1, 2018, Mr. Kiomi Kobayashi has changed his position from Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer, Head of AUTOBACS Business Planning to Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer.
8. Effective April 1, 2018, Mr. Teruyuki Matsumura has changed his position from Director and Senior Managing Executive Officer, Head of Overseas Business and New Business Development to Director and Senior Managing Executive Officer, BtoB Business and Car Dealer Business.
9. Effective April 1, 2018, Mr. Isao Hirata has changed his position from Director and Senior Managing Executive Officer, Head of Corporate Administration to Director and Senior Managing Executive Officer, Corporate Administration. Moreover, effective March 31, 2018, he has resigned from the position of Representative Director of ABT Marketing Co., Ltd., a joint venture established together with CCC Marketing Co., Ltd. and a subsidiary of the Company.
10. Effective April 1, 2018, Mr. Eiichi Kumakura has changed his position from Director and Senior Executive Officer, Head of Western Japan Region Headquarters to Director and Senior Executive Officer, Western Japan Region Headquarters.
11. Effective April 1, 2018, Mr. Yugo Horii has changed his position from Director and Senior Executive Officer, Office of the President and Overseas Business Planning to Director and Senior Executive Officer, Office of the President and Business Planning, and AUTOBACS Business Planning.
12. Effective April 1, 2018, Mr. Tomoaki Ikenaga has assumed the position of outside audit member on the Internal Audit Committee of Mizuho Securities Co., Ltd.

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

Classification	Name	Board of Directors			Audit and Supervisory Board		
		Meetings to be attended	Meetings attended	Attendance rate (%)	Meetings to be attended	Meetings attended	Attendance rate (%)
Directors	Kiomi Kobayashi	14 times	14 times	100.0%			
	Teruyuki Matsumura	14 times	14 times	100.0%			
	Isao Hirata	14 times	14 times	100.0%			
	Naoyuki Koyama	9 times	9 times	100.0%			
	Eiichi Kumakura	14 times	14 times	100.0%			
	Yugo Horii	14 times	14 times	100.0%			
	Noriaki Shimazaki *	14 times	14 times	100.0%			
	Hatsuo Odamura *	14 times	14 times	100.0%			
	Yoshiko Takayama *	14 times	14 times	100.0%			
Audit and Supervisory Board Members	Kozo Sumino	14 times	14 times	100.0%	16 times	16 times	100.0%
	Toshiki Kiyohara *	14 times	14 times	100.0%	16 times	16 times	100.0%
	Tomoaki Ikenaga *	14 times	14 times	100.0%	16 times	16 times	100.0%
	Yuji Sakakura *	14 times	14 times	100.0%	16 times	16 times	100.0%

(Notes) 1. Outside directors are indicated by an asterisk (*) to the right of the name.
2. Director Naoyuki Koyama resigned effective November 28, 2017, so meetings held on or after November 29, 2017 are excluded.

(iii) Remuneration, etc. paid to directors and audit and supervisory board members

a. Remuneration, etc. paid to directors

i. Policy on directors' remuneration

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

ii. Remuneration standard

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

iii. Composition and basic policy of remuneration

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

Performance-based remuneration is paid according to the business results relative to an annual plan, and the ratio of performance-based remuneration to total remuneration is designed so that the higher the rank as an officer, the higher the ratio.

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

The performance-based remuneration varies within 0-180% of the performance-based remuneration standard amount that is predetermined for each rank, designed such that,

assuming target achievement of 100%, the ratio of performance-based remuneration to total remuneration stands at 40% in the case of a representative director and chief executive officer.

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

iv. Process of determining remuneration

The Company ensures the objectivity and transparency of its remuneration system for directors and officers and the remuneration amounts through consultation with the Corporate Governance Committee.

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

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

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

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

Classification	Fixed remuneration		Performance-based remuneration		Total amount of remuneration, etc. (million yen)
	Number of persons paid	Amount of payment (million yen)	Number of persons paid	Estimated amount to be paid (million yen)	
Directors	9	236	5	124	360
Outside Directors	3	36	—	—	36
Audit and Supervisory Board Members	4	71	—	—	71
Outside Audit and Supervisory Board Members	3	46	—	—	46
Total	13	307	5	124	431

(Notes) 1. Director's remuneration limit: ¥480 million per year (based on a resolution at the ordinary general meeting of shareholders held on June 28, 2006)
2. Audit and supervisory board members' remuneration limit: ¥120 million per year (based on a resolution at the ordinary general meeting of shareholders held on June 28, 2006)
3. The above includes one (1) director who retired as of November 28, 2017.
4. In addition to the above, corporate directors were paid ¥1 million as performance-based remuneration in the 70th fiscal term.

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

The Company has entered into an agreement with three (3) outside directors and four (4) audit and supervisory board members which limits the liability set forth in Article 423, Paragraph 1, of the Companies Act, and the liability limit pursuant to such agreement shall be the total amount of a. and b. described below, which are set forth in Article 425, Paragraph 1, of the Companies Act.

a. The amount obtained by multiplying by two (2) the amount calculated by the method set forth in Article 113 of the Companies Act Enforcement Regulations as the amount equivalent to the annual property benefits received or to be received from the Company as consideration for the execution of a director's duties while he or she is in office.

b . In the cases where he or she has subscribed for the Company's stock acquisition rights as set forth in Article 2, Item 21, of the Companies Act (limited to the cases listed in each Item in Article 238, Paragraph 3, of the Companies Act), the amount calculated by the method set forth in Article 114 of the Companies Act Enforcement Regulations as the amount equivalent to the property benefits concerning such stock acquisition rights.

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

a. Major activities during the fiscal term under review

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

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

Not applicable

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

Not applicable

(3) Status of the Independent Auditor

(i) Name: Deloitte Touche Tohmatsu LLC

(ii) Amount of remuneration, etc.

	Amount of remuneration, etc. (million yen)
Amount of remuneration, etc. of the fiscal term under audit for the independent auditor	78
Total amount of money and other property benefits payable to the independent auditor from the Company and its subsidiaries	78

(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

Not applicable

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

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

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

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

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

3. System and Policy of the Company

(1) Corporate Governance of the Company

(i) Basic Concept of Corporate Governance

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

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

(ii) Corporate Governance System

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

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

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

Management and Business Execution

1) Board of Directors

Chaired by the representative director, the Board of Directors consists of eight directors (five directors who are also officers, and three outside directors) and holds a meeting once a month in principle. The Board of Directors makes decisions on matters specified in laws and regulations or in the Articles of Incorporation, and important matters concerning the Company's business activities. It also receives reports on such matters as required. To strengthen the supervisory function, efforts are made to keep the number of outside directors accounting for over 30% of all directors in office. In addition, to protect general shareholders' interests, independence is stressed in selecting outside directors. The Board of Directors endeavors to make the best possible decisions in order to increase corporate value over the medium to long term.

2) Executive Committee

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

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

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

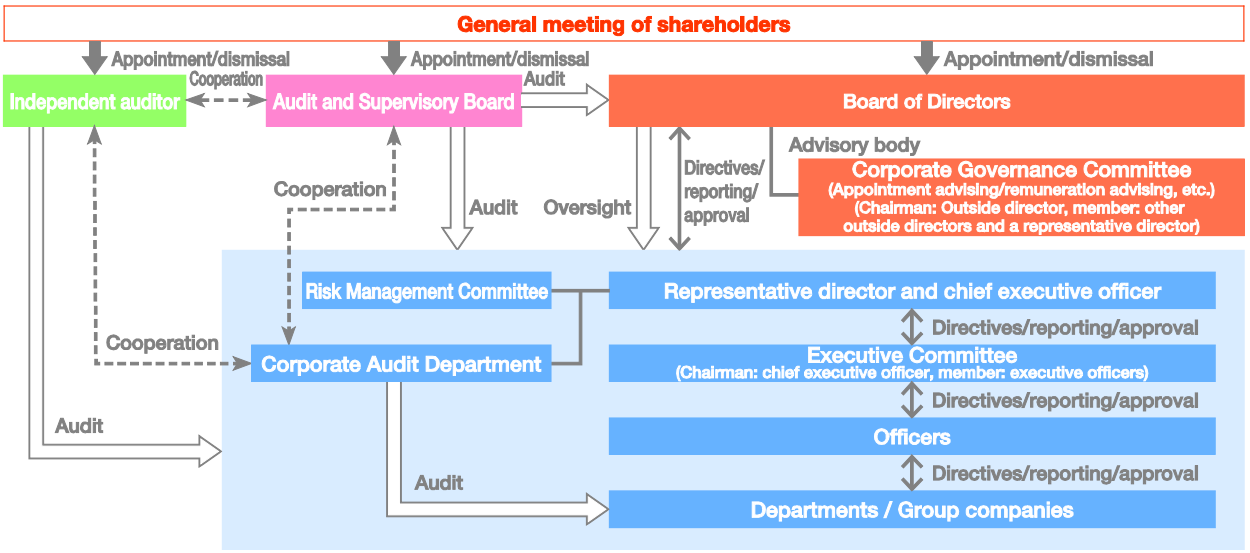
2) Risk Management Committee
Chaired by the representative director and chief executive officer, the Risk Management Committee is comprised of officers with directorships and the officer in charge of internal control. Outside directors and audit and supervisory board members attend as observers. In principle,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

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

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

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

Governance System As of April 1, 2018



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

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

1) Method of Evaluation

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

2) Overview of the Results of Evaluation for the Fiscal Term Ended March 31, 2018

As a result of the aforementioned evaluation, it was confirmed that the current Board of Directors and Corporate Governance Committee are appropriately functioning in general. In particular, the evaluation results showed that, with regard to the issue of "strengthening supervisory functions by monitoring the status of progress, etc. of the medium- to long-term management policies and strategies," which was brought up in the evaluation results for the previous fiscal term, progress is being made in strengthening the supervisory function of the Board of Directors through schedule-based regular progress reporting on the medium-term business plan and sufficient discussions of these reports.

Meanwhile, the results also confirmed, as an issue to be addressed in the future, that there remains room for improvement in deepening the contents of medium-term business plan reports and discussions of them, and conducting sufficient discussions regarding long-term vision, policies, strategies, and personnel strategies aimed at establishing long-term competitive advantages.

(iv) Compliance

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

Laws and regulations and corporate ethics shall be complied with, as a matter of course. On that

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

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

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

The focus of the Company's basic policy for the distribution of profits will be to maintain a consolidated dividend payout ratio of 50% to 100% during the 2017 Medium-term Business Plan period and provide appropriate returns to shareholders based on business results.

With regard to the year-end dividend, the Company plans to pay a dividend of ¥30 per share as initially planned, resulting in an annual dividend of ¥60 per share.

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

(Note) Figures are determined on the basis of the assumption that the agenda item regarding "Appropriation of surplus" is adopted at the 71st ordinary general meeting of shareholders.

	69th fiscal term April 1, 2015 to March 31, 2016	70th fiscal term April 1, 2016 to March 31, 2017	71st fiscal term April 1, 2017 to March 31, 2018
Dividend per share (annual)	¥60	¥60	¥60
Total amount of dividends (annual)	¥5,042 million	¥4,997 million	¥4,952 million
Consolidated dividend payout ratio	116.3%	166.7%	91.6%
Value of treasury stock acquired	¥5,247 million	¥2,712 million	–
Return to shareholders ratio	235.4%	255.7%	91.6%

Consolidated Balance Sheet (as of March 31, 2018)

(Unit: million yen)

Account Item	Amount	Account Item	Amount
(Assets)		(Liabilities)	
Current assets	114,738	Current liabilities	46,426
Cash and deposits	39,069	Notes and accounts payable - trade	20,710
Notes and accounts receivable - trade	23,600	Short-term loans payable	3,252
Lease investment assets	8,250	Lease obligations	169
Merchandise	16,419	Accounts payable - other	12,626
Deferred tax assets	3,042	Income taxes payable	3,014
Short-term loans receivable	72	Provision for point card certificates	237
Accounts receivable - other	21,972	Other	6,413
Income taxes receivable	32		
Other	2,369	Non-current liabilities	13,626
Allowance for doubtful accounts	(92)	Long-term loans payable	2,190
		Lease obligations	1,285
Non-current assets	72,667	Deferred tax liabilities	530
Property, plant and equipment	41,226	Provision for directors' retirement benefits	76
Buildings and structures	12,099	Net defined benefit liability	1,051
Machinery, equipment and vehicles	4,392	Asset retirement obligations	2,110
Tools, furniture and fixtures	1,564	Other	6,381
Land	22,627		
Leased assets	418		
Construction in progress	124	Total Liabilities	60,052
		(Net Assets)	
Intangible assets	6,050	Shareholders' equity	125,163
Goodwill	1,170	Capital stock	33,998
Software	2,602	Capital surplus	34,298
Other	2,276	Retained earnings	59,639
		Treasury shares	(2,773)
Investments and other assets	25,390		
Investment securities	8,409	Accumulated other comprehensive income	1,703
Long-term loans receivable	712		
Deferred tax assets	1,035	Valuation difference on available-for-sale securities	1,924
Guarantee deposits	14,181		
Other	1,106	Foreign currency translation adjustments	470
Allowance for doubtful accounts	(54)		
		Remeasurements of defined benefit plans	(692)
		Non-controlling interests	486
		Total Net Assets	127,352
Total Assets	187,405	Total Liabilities and Net Assets	187,405

Consolidated Statement of Income (April 1, 2017-March 31, 2018)

(Unit: million yen)

Account Item	Amount	
Net sales		211,630
Cost of sales		144,260
Gross profit		67,369
Selling, general and administrative expenses		60,085
Operating profit		7,284
Non-operating income		
Interest income	76	
Dividend income	105	
Share of profit of entities accounted for using equity method	148	
Commission fee	359	
Lease revenue - system equipment	716	
Insurance income	130	
Other	1,453	2,991
Non-operating expenses		
Interest expenses	40	
Lease cost - system equipment	864	
Loss on retirement of non-current assets	257	
Other	885	2,048
Ordinary profit		8,226
Extraordinary income		
Gain on sales of investment securities	1,477	1,477
Extraordinary losses		
Loss on valuation of investment securities	133	
Impairment loss	480	
Loss on liquidation of subsidiaries and associates	835	1,449
Profit before income taxes		8,255
Income taxes - current	3,456	
Income taxes - deferred	(586)	2,869
Profit		5,385
Loss attributable to non-controlling interests		18
Profit attributable to owners of parent		5,403

Consolidated Statement of Changes in Net Assets (April 1, 2017-March 31, 2018)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	33,998	34,299	59,188	(2,769)	124,717
Changes of items during period					
Dividends of surplus			(4,952)		(4,952)
Profit attributable to owners of parent			5,403		5,403
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares				0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(1)			(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1)	451	(3)	445
Balance at end of current period	33,998	34,298	59,639	(2,773)	125,163

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,025	335	—	2,360	314	127,392
Changes of items during period						
Dividends of surplus						(4,952)
Profit attributable to owners of parent						5,403
Purchase of treasury shares						(4)
Disposal of treasury shares						0
Change in ownership interest of parent due to transactions with non-controlling interests						(1)
Net changes of items other than shareholders' equity	(100)	135	(692)	(657)	171	(485)
Total changes of items during period	(100)	135	(692)	(657)	171	(39)
Balance at end of current period	1,924	470	(692)	1,703	486	127,352

Summary Consolidated Statement of Cash Flows (Reference)

(Unit: million yen)

Items	70th fiscal term (April 1, 2016 to March 31, 2017)	71st fiscal term (April 1, 2017 to March 31, 2018)
Cash flow from operating activities	9,488	16,394
Cash flow from investing activities	(7,147)	(2,915)
Cash flow from financing activities	(7,457)	(5,840)
Effect of exchange rate change on cash and cash equivalents	(73)	23
Net increase (decrease) in cash and cash equivalents	(5,190)	7,661
Cash and cash equivalents at beginning of period	36,579	31,388
Cash and cash equivalents at end of period	31,388	39,050

(Note) Any fractional amounts less than one million yen are discarded.
(Note) This statement is out of the scope of the Audit Report.

Non-Consolidated Balance Sheet (as of March 31, 2018)

(Unit: million yen)

Account Item	Amount	Account Item	Amount
(Assets)		(Liabilities)	
Current assets	85,842	Current liabilities	31,593
Cash and deposits	33,907	Accounts payable - trade	18,363
Accounts receivable - trade	14,613	Short-term loans payable	500
Lease investment assets	9,981	Lease obligations	157
Merchandise	5,698	Accounts payable - other	3,051
Prepaid expenses	1,047	Accrued expenses	1,688
Deferred tax assets	1,717	Income taxes payable	2,455
Short-term loans receivable	8,190	Deposits received	4,915
Accounts receivable - other	10,216	Unearned revenue	332
Other	819	Provision for point card certificates	10
Allowance for doubtful accounts	(347)	Other	117
Non-current assets	80,857	Non-current liabilities	9,953
Property, plant and equipment	33,708	Long-term loans payable	1,100
Buildings	7,085	Lease obligations	1,189
Structures	816	Long-term guarantee deposited	6,530
Machinery and equipment	3,323	Asset retirement obligations	1,113
Vehicles	232	Other	19
Tools, furniture and fixtures	720	Total Liabilities	41,546
Land	21,421	(Net Assets)	
Construction in progress	108	Shareholders' equity	123,255
		Capital stock	33,998
Intangible assets	3,015	Capital surplus	34,278
Leasehold	641	Legal capital surplus	34,278
Software	2,364	Retained earnings	57,703
Other	10	Retained earnings reserves	1,296
		Other retained earnings	56,406
Investments and other assets	44,133	Reserve for business expansion	665
Investment securities	4,190	Reserve for reduction entry of assets	797
Shares of subsidiaries and associates	15,064	Reserve for special depreciation	77
Long-term loans receivable	23	General reserves	46,350
Long-term loans receivable from subsidiaries and associates	9,567	Retained earnings brought forward	8,517
Long-term prepaid expenses	662	Treasury shares	(2,725)
Deferred tax assets	993		
Guarantee deposits	13,460	Valuation and translation adjustments	1,897
Other	1,437	Valuation difference on available-for-sale securities	1,897
Allowance for doubtful accounts	(1,266)		
		Total Net Assets	125,153
Total Assets	166,700	Total Liabilities and Net Assets	166,700

Non-Consolidated Statement of Income (April 1, 2017-March 31, 2018)

(Unit: million yen)

Account Item	Amount	
Net sales		156,313
Cost of sales		124,010
Gross profit		32,302
Selling, general and administrative expenses		26,714
Operating profit		5,588
Non-operating income		
Interest income	131	
Dividend income	552	
Commission fee	47	
Lease revenue - system equipment	1,078	
Insurance income	74	
Other	449	2,333
Non-operating expenses		
Interest expenses	9	
Provision of allowance for doubtful accounts	282	
Lease cost - system equipment	1,299	
Other	779	2,371
Ordinary profit		5,550
Extraordinary Income		
Gain on sales of investment securities	1,477	1,477
Extraordinary losses		
Impairment loss	185	
Loss on valuation of investment securities	133	
Loss on valuation of shares of subsidiaries and associates	661	
Loss on liquidation of subsidiaries and associates	1,183	2,163
Profit before income taxes		4,864
Income taxes – current	2,629	
Income taxes – deferred	(694)	1,935
Profit		2,929

Non-Consolidated Statement of Changes in Net Assets (April 1, 2017-March 31, 2018)

(Unit: million yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings						
		Capital reserves	Total capital surplus	Retained earnings reserves	Other retained earnings					Total retained earnings
					Reserve for business expansion	Reserve for reduction entry of assets	Reserve for special depreciation	General reserves	Retained earnings brought forward	
Balance at beginning of current period	33,998	34,278	34,278	1,296	665	797	103	56,350	514	59,726
Changes of items during period										
Dividends of surplus									(4,952)	(4,952)
Profit									2,929	2,929
Reversal of reserve for reduction entry of assets						(0)			0	—
Reversal of reserve for special depreciation							(25)		25	—
Reversal of general reserve								(10,000)	10,000	—
Purchase of treasury shares										—
Disposal of treasury shares										—
Net changes of items other than shareholders' equity										
Total changes of items during period	—	—	—	—	—	(0)	(25)	(10,000)	8,002	(2,023)
Balance at end of current period	33,998	34,278	34,278	1,296	665	797	77	46,350	8,517	57,703

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(2,723)	125,279	2,009	2,009	127,289
Changes of items during period					
Dividends of surplus		(4,952)			(4,952)
Profit		2,929			2,929
Reversal of reserve for reduction entry of assets		—			—
Reversal of reserve for special depreciation		—			—
Reversal of general reserve		—			—
Purchase of treasury shares	(1)	(1)			(1)
Disposal of treasury shares	0	0			0
Net changes of items other than shareholders' equity			(111)	(111)	(111)
Total changes of items during period	(1)	(2,024)	(111)	(111)	(2,136)
Balance at end of current period	(2,725)	123,255	1,897	1,897	125,153

Independent Auditors' Report on Consolidated Financial Statements

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT (COPY)

May 15, 2018

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Masahiro Ide
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Yuji Ujigawa

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely the consolidated balance sheet as of March 31, 2018 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, 2017 to March 31, 2018, 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, 2018, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

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

END

Independent Auditors' Report

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT (COPY)

May 15, 2018

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Masahiro Ide
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Yuji Ujigawa

Pursuant to the first item, second Paragraph Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2018 of AUTOBACS SEVEN Co., Ltd. (the "Company"), and the related statements of income and changes in net assets for the 71st fiscal year from April 1, 2017 to March 31, 2018, 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, 2018, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

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

END

Audit Report by Audit and Supervisory Board

(TRANSLATION)

AUDIT REPORT (COPY)

The Audit and Supervisory Board has prepared this audit report regarding the performance of duties by the directors of AUTOBACS SEVEN Co., Ltd. (the "Company"), for the 71st fiscal term from April 1, 2017 to March 31, 2018 upon deliberation based on the audit reports prepared by each audit and supervisory board member, and hereby reports as follows:

1. Methods of audits performed by individual audit and supervisory board members and the Audit and Supervisory Board and the contents thereof

(1) The Audit and Supervisory Board which established the auditing policies and audit plan, etc., and has received reports on the status and results of audits from these individual audit and supervisory board members. In addition, the Audit and Supervisory Board has received reports from the directors, etc. and the independent auditor regarding the status of performance of their duties, and requested explanations as necessary.

(2) In accordance with the audit and supervisory board members' auditing standards established by the Audit and Supervisory Board, and in accordance with the auditing policies and audit plan, etc., individual audit and supervisory board members have taken steps to communicate with the directors and the internal audit department as well as other employees, etc. for the purpose of obtaining necessary information and developing a favorable environment for audits, and have conducted audits as follows.

1) Audit and supervisory board members inspected the business and financial condition of Headquarters and major business locations by attending Board of Directors meetings and other important meetings, receiving reports on the status of execution of duties from Directors, Officers, and other employees, requesting explanations whenever necessary, and reading documents about managerial decision and other important documents. As for the subsidiaries, individual audit and supervisory board member have worked diligently to improve communications and information exchange with directors and audit and supervisory board member of subsidiaries, and have received reports on business operations from subsidiaries as necessary, as well as receiving audit reports from the internal audit department.

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

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

3) In respect of the basic policies described in the Company's Business Report in accordance with Article 118, Item 3, (i) of the Companies Act Enforcement Regulations, the Audit and Supervisory Board has further examined the contents.

4) Audit and supervisory board members received a prior explanation about the audit plan from independent auditor and had a discussion as well as received the audit report and exchanged opinions. In addition, the Audit and Supervisory Board has supervised and confirmed that independent auditor maintained their independent positions and performed fair and appropriate audits. At the same time, the Audit and Supervisory Board has received from these independent auditor reports on the status of the provided assignments and responsibilities and requested explanations, when such explanations were necessary. Each audit and supervisory board member also received a notification from the independent auditor that they have taken steps to improve the "System to Ensure Appropriate Execution of the Duties" (as enumerated in each Item of Article 131 of the Company Calculation Regulations) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005), etc. When deemed necessary, each audit and supervisory board member requested explanations on such notification.

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

2. Audit Results

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

1) The Audit and Supervisory Board hereby acknowledges that the Company's Business Report and the Supplementary Schedules thereto are in compliance with the applicable laws, acts, ordinances and the Company's articles of incorporation, and that these documents fairly present the Company's financial position and the status of the Company's business operations.

2) The Audit and Supervisory Board has recognized no vital findings indicating any fraud or any breach of the applicable laws, acts, ordinances and the company's articles of incorporation that may relate to the directors' performance of the provided assignment and responsibilities.

3) The Audit and Supervisory Board acknowledges that the content of the resolutions adopted by the Board of Directors meeting regarding the internal control systems is appropriate. The Audit and Supervisory Board has not recognized any matter that should be pointed out in this Audit Report with respect to the content of the Business Report and the Directors' performance of the assignments and responsibilities provided in relation to internal control systems.

4) In respect of the basic policies specifying the requirements of decision makers responsible for the company's financial position and business operation policies, which are contained in the Business Report, the Audit and Supervisory Board has not recognized any matter requiring corrections or improvements.

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

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

Date: May 23, 2018

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

Kozo Sumino	Audit and Supervisory Board Member (full-time)
Toshiki Kiyohara	Outside Audit and Supervisory Board Member (full-time)
Tomoaki Ikenaga	Outside Audit and Supervisory Board Member
Yuji Sakakura	Outside Audit and Supervisory Board Member

Notes to the Reader of the Audit Report:
The above represents a translation, for convenience only, of the original report issued in the Japanese language.