Anything about cars, you find at AUTOBACS

AUTOBACS SEVEN

Annual Report **2015**

Aiming to be a Corporate Group that Makes Motorized Societies Better

AUTOBACS SEVEN operates the AUTOBACS chain of stores. In terms of both number of stores and market share, AUTOBACS is Japan's largest specialty retailer of goods and services for cars.
Aiming to remain a valuable member of society, AUTOBACS SEVEN strives to enhance corporate value for the entire Company Group, and achieve sustainable growth, by helping to bring about a more prosperous motorized society.

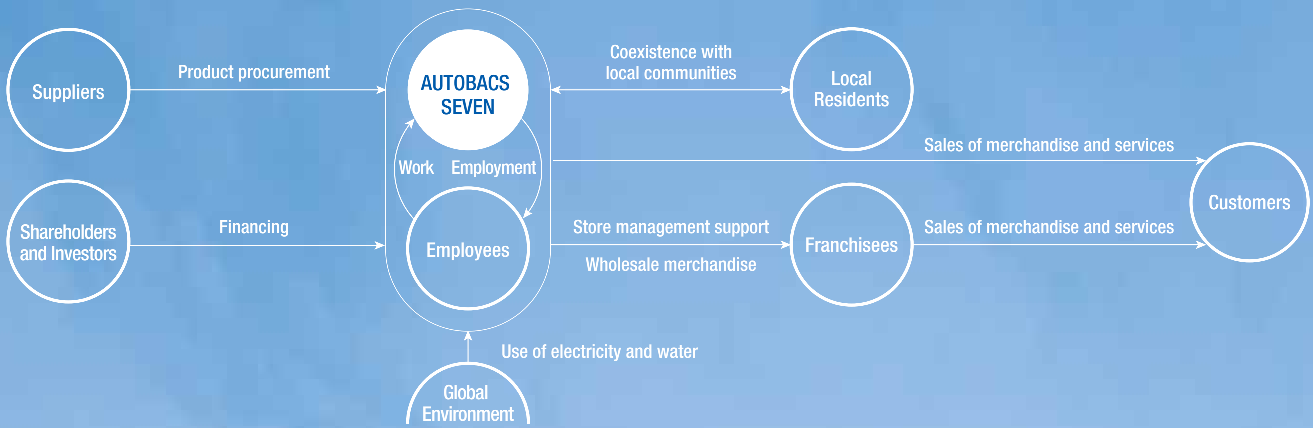
AUTOBACS Chain Management Mission

The mission of the AUTOBACS chain is to help create a sustainable society enriched with automobiles by constantly proposing the best ways for customers to enjoy motoring.

AUTOBACS Chain Management Vision

As a comprehensive specialist store chain providing joy and solutions for automobiles, the AUTOBACS chain will "earn" customers' genuine trust in the brand message, "Anything about cars, you find at AUTOBACS."

AUTOBACS SEVEN and Society



Social Value Created through Our Business

Helping People to Gain Greater Convenience, Peace of Mind, and Enjoyment from Their Cars

We offer cars, car parts, and maintenance and other services responding to customers' diverse lifestyles and values. We help individual customers gain greater enjoyment from their cars.

Development of Healthy Car Culture

Through various types of events and other occasions, we actively work to make cars a more comfortable and fulfilling part of life and promote the healthy development of culture in which cars play a positive role.

Maintaining and Invigorating Local Communities

Promoting the development of local communities that are considerate of all of their members, we proactively respond to social issues involving cars. In addition, we take actions to enhance our store functions in ways that allow us to play a positive role as an element of community infrastructure.

Benefiting the Environment

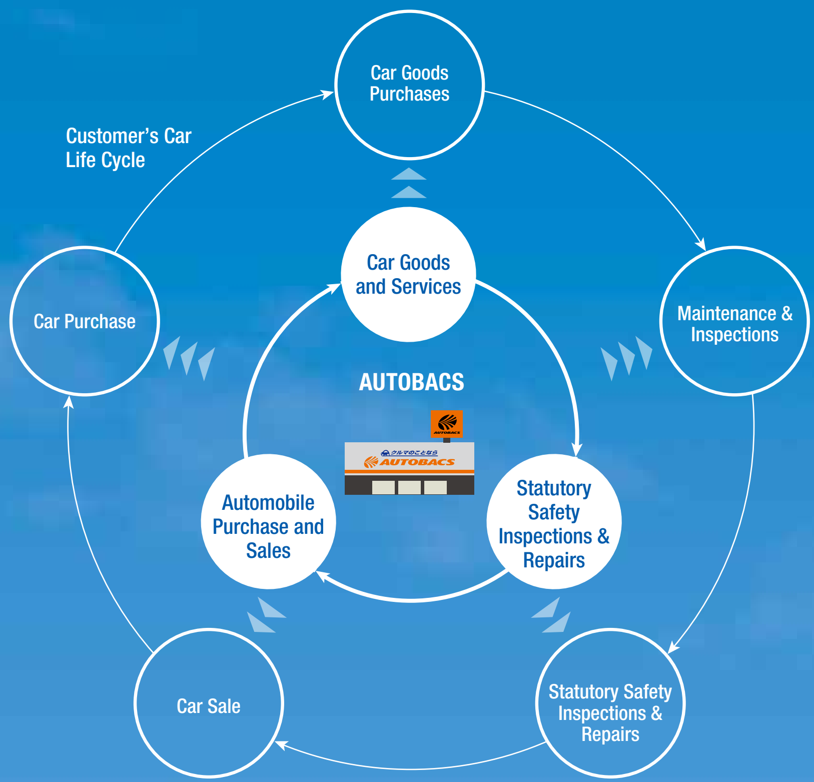
Recognizing that business activities impact the environment, we work to ensure that waste is properly handled and disposed of and strive to lower the environmental impact of its distribution activities and stores. We also contribute to the development of a sustainable society by participating in cleanup and other volunteer activities.

Total Support for All Stages of Car Ownership

AUTOBACS chain offers customer convenience and reliability by being the one-stop solution for every automobile-related need from purchasing a vehicle, to getting the right merchandise, having cars inspected and maintained, and even finding a next vehicle. Making the most of our brand, store network, merchandise selection and people, our aim is to gain 100% customer support for our slogan "Anything about cars, you find at AUTOBACS."

Offering "One-Stop Car Goods and Service"

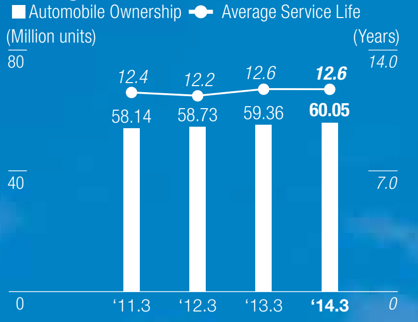
AUTOBACS aims to offer "one-stop car goods and service" comprised of three pillars - the automotive goods business, the statutory safety inspections and maintenance business, and the automobile purchase and sales business. So, for example, when a customer brings his/her car in for a statutory safety inspection, we will take time to learn what the customer's car-related needs are and then offer the products – new tires, for instance – or services – such as help in purchasing a car – that best respond to the customer's needs. In taking this approach, we hope to further deepen our relationships with customers, increase customer satisfaction, and increase our profits.



Business Environment and Opportunities

Given the impacts of factors such as the decline in unit prices for car goods, the domestic market for car goods continues to contract. Nevertheless, with the number of registered cars holding steady at around 60 million and the average service life now exceeding 12 years, demand in the overall car-related market, which includes maintenance, and statutory safety inspections and repairs, is expected to remain stable.

Automobile Ownership and Average Service Life



Source: Automobile Inspection & Registration Information Association

Presence

After its establishment in 1974 as Japan's first specialty retailer offering a comprehensive selection of car goods, AUTOBACS gradually created a far-reaching store network, expanded its product offerings, developed a professional workforce that has become a singular strength, and endeavored to steadily enhance our value proposition, while supporting the development of motorized societies. Today, we are by far the leading specialty retailer of car goods and services in Japan.

Number of Domestic Stores

584 stores

The industry's top store network with locations covering all 47 of Japan's prefectures.

Share of the Automotive Goods Market

No.1

With a market share exceeding 50% AUTOBACS is the overwhelming leader among retail stores specializing in car goods.

Active Members*

8.58 million

Large numbers of customers are using the wide range of services we offer.

*Number of customers who made a purchase within the past year.

Products Available at Stores

10,000 to 30,000

AUTOBACS stores stock a wealth of both leading name-brand and private-brand products.

Automobile Mechanics

Approx. 3,800

We devote significant resources to the development of certified Automobile Mechanics and Automobile Inspectors, as well as other types of experts and skilled professionals.

Car Life Advisors

Approx. 20,000

Employees are constantly raising service quality by studying to enhance their product knowledge and customer interaction skills, and acquiring internal qualifications.

INDEX

Online Annual Report

To leverage the convenience of online access, we have prepared an HTML-version of our annual report for viewing on the Internet. We have also prepared a downloadable PDF file containing our management discussion and analysis.

http://www.autobacs.co.jp/en/ir/ar2015/index.html

Cautionary Note Regarding Forward-Looking Statements

Portions of this report that are not based on historical facts — areas addressing strategy, future business developments, and other topics regarding the future — reflect information available at the time this report was prepared and management's judgment. Actual results may differ from projections or expectations due to changes in various risk factors. For more information on the primary business risks faced by the Company Group, please refer to the online version of the annual report.

Explanation of Names

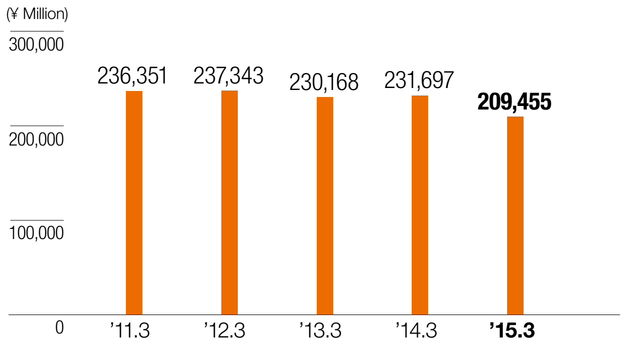
Within this report, "AUTOBACS SEVEN Co., Ltd.," "AUTOBACS SEVEN" and "the Company" refer to the non-consolidated entity, while "the Company Group" refers to the consolidated entity. "AUTOBACS" is a brand name, but also refers to individual retail stores and the entire retail chain of the AUTOBACS SEVEN Group.

Highlights of Financial Results

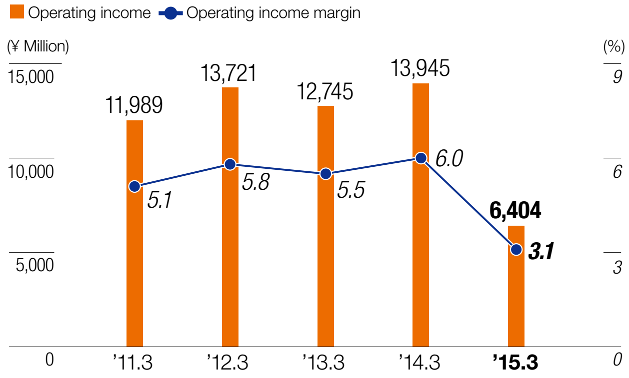
AUTOBACS SEVEN Co., Ltd. and Consolidated Subsidiaries Fiscal year ended on March 31 for each displayed year	Millions of yen 2012	2013	2014	2015	Thousands of U.S. dollars (Note 1) 2015
Fiscal Year:					
Net sales	¥237,343	¥230,168	¥231,697	**¥209,455**	**$1,745,458**
Wholesale	135,571	131,859	132,733	**124,279**	**14,913**
Retail	98,313	94,770	95,540	**82,039**	**9,845**
Others	3,459	3,539	3,422	**3,136**	**376**
Operating income	13,721	12,745	13,945	**6,404**	**53,367**
Income before income taxes and minority interests	15,217	13,915	16,086	**9,053**	**75,442**
Net income	8,403	7,590	9,786	**4,610**	**38,417**
Net cash provided by operating activities	20,844	10,741	12,072	**11,829**	**98,575**
Net cash used in investing activities	(10,155)	(4,522)	1,519	**(2,403)**	**(20,025)**
Net cash used in financing activities	(11,573)	(14,861)	(11,166)	**(12,618)**	**(105,142)**
Free cash flows	10,689	6,219	13,591	**9,426**	**78,550**
Capital expenditures	7,691	6,249	4,820	**6,127**	**51,058**
Depreciation and amortization	4,644	5,194	4,551	**4,805**	**40,042**
At Year-End:					
Total assets	¥217,949	¥205,527	¥201,481	**¥186,532**	**$1,554,432**
Equity	145,626	142,862	143,979	**138,338**	**1,152,817**
Interest-bearing liabilities	10,452	8,342	6,771	**6,860**	**57,167**
Per Share Data (Yen and Dollars (Note 1)):					
Basic net income (Note 2)	¥84.28	¥81.22	¥107.71	**¥52.83**	**$0.44**
Cash dividends (Note 2)	48.33	52.00	64.00	**60.00**	**0.5**
Dividend payout ratio (%)	57.3	64.0	59.4	**113.6**	**—**
Dividend on equity (DOE)	3.3	3.4	4.1	**3.7**	**—**
Total shareholder return ratio (%)	121.6	158.2	105.8	**222.2**	**—**
Management Indicators:					
Operating income margin (%)	5.8	5.5	6.0	**3.1**	
Return on equity (%)	5.7	5.3	6.8	**3.3**	
Return on assets (%)	3.9	3.6	4.8	**2.5**	
Equity ratio (%)	66.8	69.5	71.5	**74.3**	
Non-Financial Data:					
Number of domestic stores	530	552	571	**584**	
Domestic stores operated by franchisees	381	396	415	**423**	
Number of overseas stores	25	27	27	**27**	
Overseas stores operated by franchisees	9	9	10	**10**	
Active Members (1,000) (Note 3)	6,361	6,721	6,954	**8,587**	
Number of employees	4,469	4,678	4,466	**4,263**	
Number of automobile mechanics (Note 4)	3,101	3,394	3,653	**3,780**	
Number of directors (of which, outside directors)	8(3)	8(3)	8(3)	**8(3)**	
Number of auditors (of which, outside auditors)	4(3)	4(3)	4(3)	**4(3)**	
Electricity usage (MW) (Note 5)	11,298	10,646	7,515	**7,097**	
CO_2 emissions (t-CO_2) (Note 5)	5,268	6,021	4,787	**4,503**	

(Notes) 1. U.S. dollar amounts are converted at a rate of ¥120=US$1, which prevailed on March 31, 2015.
2. A 3-for-1 stock split was implemented on April 1, 2013. Figures predating this stock split have been adjusted to reflect its impacts.
3. Beginning with the fiscal year ended March 31, 2015, "active members" is defined as the number of customers who made a purchase within the past year.
4. All chain employees who have obtained the Automobile Mechanic (Level 1, 2, or 3) national qualification.
5. Total for AUTOBACS SEVEN Co., Ltd.'s headquarters, regional business locations, directly managed stores, and logistics centers. (Does not include subsidiaries)

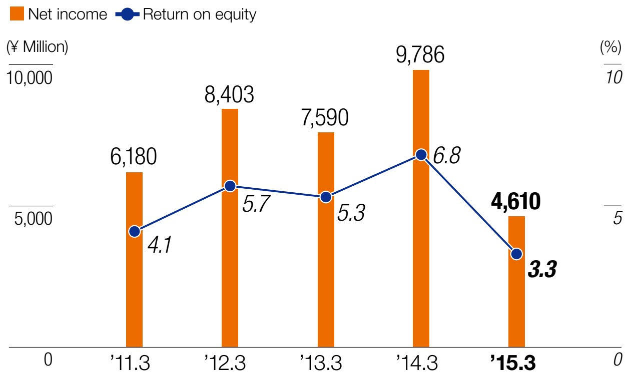
Net Sales



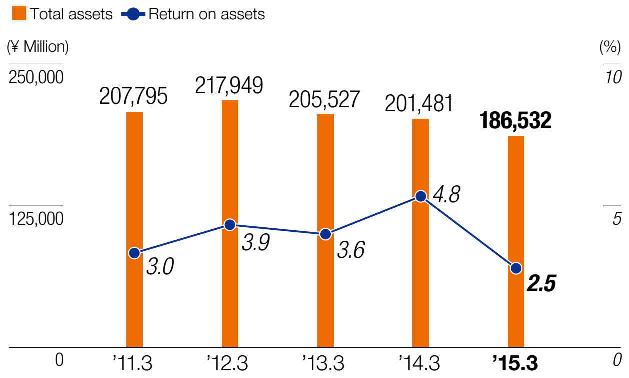
Operating Income/Operating Income Margin



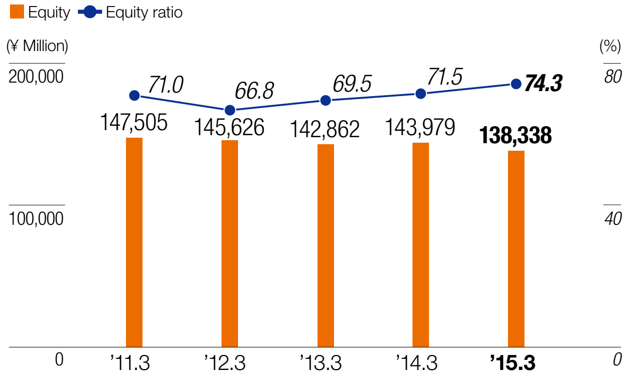
Net Income/Return on Equity



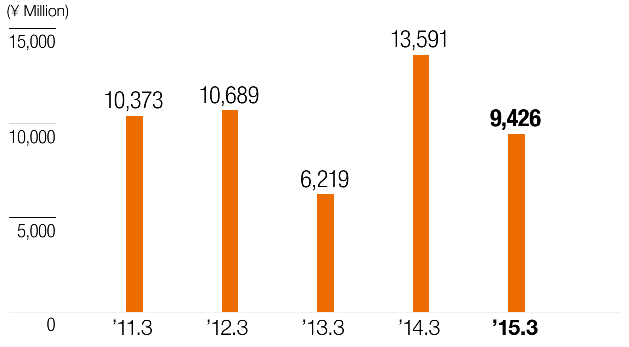
Total Assets/Return on Assets



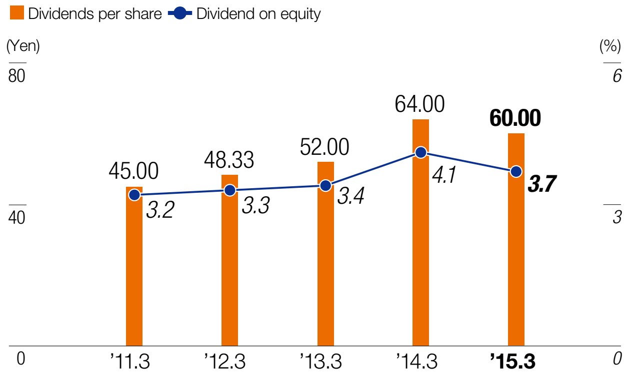
Equity/Equity Ratio

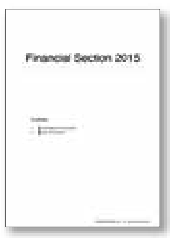


Free Cash Flows



Dividends per Share/Dividend on Equity (DOE)





Information the Company's business and financial condition are included in the online annual report.

http://www.autobacs.co.jp/en/ir/ar2015/index.html

Looking to Our Medium-to-Long Term Future, the Entire Company Group is Pursuing New Value Creation.

Fiscal 2015 marked the beginning of our 2014 Medium-Term Business Plan, the main thrust of which is "Improving Profitability of AUTOBACS' Businesses and Creating New Business for Growth." This plan will be implemented over four fiscal years.
During the fiscal year ended March 31, 2015, we experienced declines in both sales and profit, but achieved significant progress in laying the groundwork for our transition to a "one-stop car goods and service" business approach.
"Anything about cars, you find at AUTOBACS." Our aim is for that to ring true to customers, and the entire Company Group is united in creating new value that will reinforce to customers that they will find reliability and convenience at AUTOBACS.

Q1 Could you break down the reasons for lower sales and profits in fiscal 2015?

Results in the automotive goods business declined primarily because of the surge in demand prior to the consumption tax hike, the fall in demand afterwards, and slumping new-car sales.

For the fiscal year ended March 31, 2015, the Company Group's net sales fell by 9.6% year on year, to ¥209.4 billion, operating income was down 54.1%, to ¥6.4 billion, and net income was down 52.9%, to ¥4.6 billion.

Net sales fell principally because of a surge in demand prior to the April 2014 consumption tax hike, a longer-than-expected cooling of personal consumption afterward, and a 6.9% year-on-year drop in domestic new car sales, all of which together resulted in an 11.5% decline in sales of automotive goods at domestic stores. Falling unit prices for car navigation systems and lighter (compared to the previous year) snowfall in major cities also took a toll on sales. On a positive note, sales in the statutory safety inspections and maintenance, and automobile purchase and sales, businesses, which we have been striving to enlarge, maintained their levels from the prior year, even amid the adverse market conditions.

Lower net sales, despite enhanced sales promotion measures, resulted in a 2.1 percentage point year-on-year decline in the gross margin. Concentrated efforts were made to reduce controllable expenses, particularly in the second half, but despite a ¥2.5 billion, or 3.9%, year-on-year reduction in SG&A expenses, earnings declined by a significant margin.

Results for the Fiscal Year Ended March 31, 2015

(¥ Billion)

	Fiscal 2015	YoY Chg.
Net Sales	209.4	(9.6%)
Oper. Inc.	6.4	(54.1%)
Net Inc.	4.6	(52.9%)
ROE (%)	3.3	(3.5pt)

Net Sales of Domestic AUTOBACS Chain Stores (All operations)*

(¥ Billion)

	Fiscal 2015	YoY Chg.
Automotive goods	222.1	(11.5%)
Statutory safety inspection and maintenance	16.6	(0.8%)
Automobile purchase and sales	23.0	(0.3%)
Other	4.6	(0.8%)
Total for all stores	266.3	(9.9%)

*Includes sales of franchise stores

Setsuo Wakuda

Representative Director and
Chief Executive Officer

Q2 What results were achieved and what are the key issues as of the end of the first year of the medium-term business plan?

Significant progress was achieved in laying the groundwork for our transition to a "one-stop car goods and service" business format. Making our achievements pay off in greater earnings is the key issue going forward.

With the fiscal year ended March 31, 2015 as the first of four years over which we will implement the 2014 Medium-Term Business Plan, we achieved significant progress in laying the groundwork for our transition to a "one-stop car goods and service" business format that provides a comprehensive range of support for customers' car-related needs. These efforts will focus on the four primary segments of our core domestic AUTOBACS business – the automotive goods business, statutory safety inspections and maintenance business, automobile purchase and sales business, and E-commerce.

In the automotive goods business, we concentrated on tire sales during the fiscal year under review, opening six tire specialty stores, with more planned, and taking steps such as working with a major Japanese tire manufacturer to add the Esporte AB01 (Zero One) to our product line. This new tire design sold only by the Company Group gives customers an opportunity to purchase high-performance tires at economical prices. In addition, we consolidated our private-brand products - both car interior goods and products such as oil and batteries - under a single brand name, "AQ. (AUTOBACS Quality.)," customers can immediately recognize and trust for good value. While the automotive goods business did not contribute to earnings as hoped, steadfast efforts will be made going forward to improve the gross margin.

For the statutory safety inspections and maintenance business, meanwhile, the number of vehicles required to get a second inspection five years after purchase has been declining since the Lehman Brothers collapse in 2008. Measures taken in response have included the addition of an online reservation system, sales efforts targeting customers at stores, and full-scale outbound sales initiatives carried out via a call center. As a result, the number of vehicle inspections performed increased 1.4% year on year, to approximately 589,000, pushing the cumulative number of inspections performed since 1991 beyond five million.

The automobile purchase and sales business increased the number of CARS franchise stores to 451 from 359, as of the end of the previous fiscal year. Nationwide sales promotions and the strengthening of vehicle purchase and sales activities increased the total number of vehicles sold by 3.4% year on year, to approximately 23,900.

In the E-commerce business, steps aimed at sending customer traffic to stores included enhancement of the "AUTOBACS.COM" online shop, the addition of a product selection function to the online oil change reservation system, and the initiation of a service in which customers can bring products purchased on Amazon.co.jp to AUTOBACS stores for installation.

Actions such as these are being taken to lay the groundwork for our business transition. Translating them into higher earnings is our challenge going forward. We believe the key to the growth of the AUTOBACS chain is to help customers resolve concerns and fulfill desires related to their cars, and to deliver satisfying value.

Regarding business conditions, while personal consumption is gradually improving, weakness in new-car sales is expected to continue. Therefore, considering factors including the significant divergence of our fiscal 2015 performance from the paths set forth in the 2014 Medium-Term Business Plan, we have decided to partially revise the final operating income and quantitative targets for key issues included in the 2014 Medium-Term Business Plan. Implementation of measures targeting medium-to-long-term growth in the three pillars of our operations – the domestic AUTOBACS business, overseas business, and new business – will continue, with an eye toward achieving plan objectives.

Revision of Quantitative Targets in the 2014 Medium-Term Business Plan (Fiscal Year Ending March 31, 2015 to Fiscal Year Ending March 31, 2018) (Announced July 30, 2015)

	Fiscal 2018 (Plan est. May 2014)	Fiscal 2018 (Revised July 2015)	Fiscal 2014 (Results) (Previous plan end)	Fiscal 2015 (Results)	Fiscal 2016 (Review)
Management Indicators					
Operating income (¥ Billion)	18.0	15.0	13.9	6.4	10.0
ROE (%)	8.0	8.0	6.8	3.3	5.0
DOE (%)	3.0 or higher	3.0 or higher	4.1	3.7	3.7
Key Performance Targets					
Statutory safety inspections performed (Thousands)	1,000	800	580	580	-
Value of automobiles purchased and sold (¥ Billion)	50.0	50.0	23.0	23.0	-

Q3 What is the key market trend and the strategy for addressing it?

Given the increase in the average number of years cars are owned, we are aiming to maximize earnings via a business model in which statutory inspections are used as a medium through which to develop stronger customer relationships that can lead to greater sales in the automotive goods and statutory safety inspections and maintenance businesses.

Given the trend toward smaller, higher-performance cars, unit prices for automotive goods are falling and vehicle lifecycles are lengthening. Contraction of the domestic automotive goods market, therefore, is anticipated going forward. Nevertheless, with the number of registered vehicles at approximately 60 million, and average service life exceeding 12 years, stable demand for maintenance, and statutory inspections and repairs can be expected.

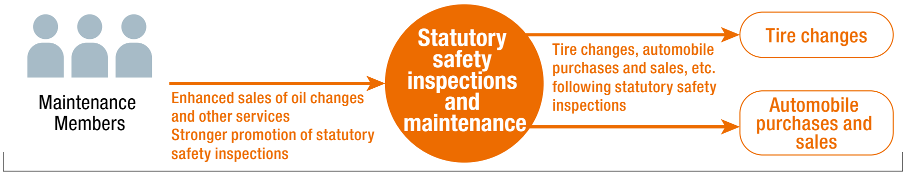
Under the revised Medium-Term Business Plan, therefore, the Company Group will seek to maximize earnings by using maintenance, and especially statutory safety inspections, to strengthen relationships with customers.

Demand for statutory safety inspections, being driven by legal requirements, emerges at regular intervals, and many customers use statutory safety inspections as occasions for performing maintenance, including tire replacement, and even replacing their vehicle. Gaining statutory safety inspection customers, therefore, is very important for the automotive goods, as well as the statutory safety inspections and maintenance, businesses. Based on an analysis of purchase behavior, it is clear that sales approaches to customers who have already purchased an oil change often lead to sales of statutory safety inspections.

Our aim, therefore, is to strategically build a growth model that will target mainly our customer base of approximately 15 million point card members for focused marketing campaigns designed to migrate customers from oil changes to statutory inspections, and from statutory inspections to tire changes, and car purchases and sales.

To strengthen relationships with customers, the customer membership approach was improved in fiscal 2015. As a result, the "Maintenance Member" system, under which members can receive eight maintenance services, including oil and battery changes, at no charge was launched and "Point-Up Card" members will be encouraged to switch to this new system. At the same time, the CRM system was updated to enable tailored customer approaches based on vehicle type and purchase/sale data. Moving ahead, stores will be the focus in online and call center resource collaboration to advance omni-channel initiatives aimed at enhancing customer convenience. Efforts to achieve medium-to-long-term growth will be advanced by building enduring relationships with customers and strengthening customer contact points.

Building a Growth Model around Statutory Safety Inspections



Advancing the Omni-Channel Concept

- Pursuit of individualized marketing based on car make and model, and purchased data
- Application of the web and call center to increase customer convenience

Q4 What steps will be taken to improve profitability at store subsidiaries?

The senior executive officer will lead sweeping reforms to improve profitability at domestic store subsidiaries, which recorded an overall loss for fiscal 2015.

For fiscal 2015, domestic store subsidiaries recorded net sales of ¥67.8 billion, down 16.6% year on year, and an operating loss of ¥1.9 billion, versus operating income of ¥500 million for the previous fiscal year. Profitability improvement, therefore, is a matter of great urgency.

During fiscal 2015, we worked to optimize store deployments and management structures by transferring shares and stores to franchisees, restructuring operations through steps such as subsidiary combinations, and strengthening subsidiary management by transferring corporate human resources to their staffs. In fiscal 2016, sweeping reforms will be advanced under the senior executive officer who will lead profitability improvement efforts. The basic intent of these reforms is to expand net sales in the statutory safety inspections and maintenance, and automobile purchase and sales, businesses in line with overall Group strategies, while also identifying the causes of less-than-acceptable fiscal 2015 results in net sales, profit, and expenses, and devising solutions, for each of the 19 store subsidiaries. Reform initiatives will move forward mainly in retail pricing management improvement, negotiation of procurement terms with manufacturers, improvement of staff efficiency, and IT-related system cost savings.

Q5 Could you say a few words about the current status of the overseas business and plans going forward?

Focusing mainly on the ASEAN countries, new-store openings will be accelerated with medium-to-long-term earnings in mind.

In fiscal 2015, actions were taken to solidify the foundation for making the overseas business an earnings generator over the medium-to-long term. Restructuring measures, including closings of unprofitable stores, were taken, and business foundations were reinforced with moves such as the opening of new stores in Thailand, the establishment of a local subsidiary in Malaysia, and expansion of non-Japanese staffing.

In fiscal 2016, maximum use will be made of partnerships with local companies primarily in the economically thriving ASEAN countries to accelerate store openings. Plans for the fiscal year call for the addition of 12 new stores, with six in Thailand, four in Malaysia, and two in Indonesia. The stores in Indonesia - the first in that country - will be opened by a joint venture with the INDOMOBIL Group.

In contrast with the large standalone store format used in Japan, overseas store openings, driven by the goal of raising brand awareness, will take place in shopping malls and other settings with concentrated retail activity and in population-dense areas, where multiple small-scale stores will be deployed. Furthermore, business development will take place not only at the retail level but also in wholesale and related businesses, where collaborations with local companies and M&A will be used when necessary to achieve the management priority on speed.

Overseas Business Development Status (As of March 31, 2015)

* Figures in ( ) reflect the change from the previous fiscal year end.

Q6 Shareholder returns have continued to be robust. What is the outlook going forward?

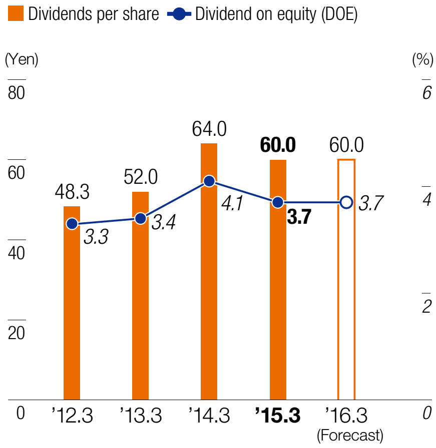
Stable dividends will continue at a DOE (Dividend on Equity ratio) of at least 3%, and share buybacks will be implemented as needed.

Shareholder returns is among the top management concerns at the Company In line with our dividend policy of maintaining a DOE of at least 3%, our per-share dividend for fiscal 2015 came to ¥60, for a DOE of 3.7%. Adding to shareholder returns, we also implemented share buybacks totaling ¥5.5 billion, bringing the total shareholder return ratio to 222.2%.

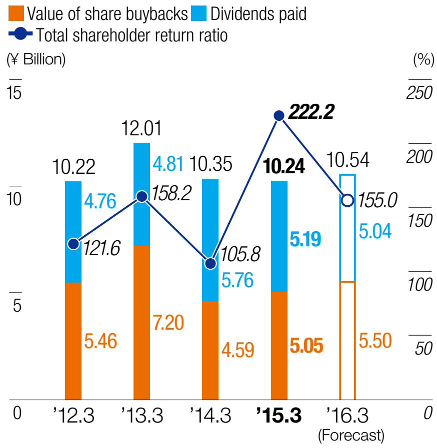
For fiscal 2016 and beyond, there is no change in our policy of maintaining robust shareholder returns, while also pursuing capital efficiency, considering the requirements of business conditions, and maintaining financial stability.

As our policy on dividends, we intend to maintain a DOE of at least 3%, and continue to pay dividends at a stable level, as permitted by earnings. At the same time, we will also take steps for shareholder returns including share buybacks as necessary.

Dividends per Share/ Dividend on Equity (DOE)



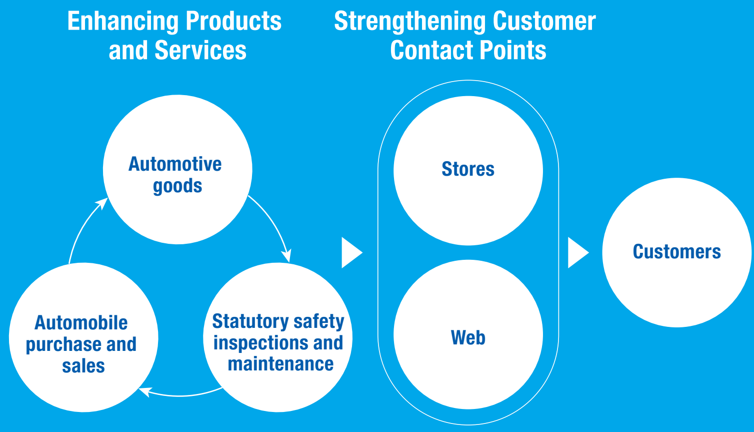
Shareholder Return/ Total Shareholder Return Ratio



Notes1. A 3-for-1 share split was implemented on April 1, 2013. Figures for prior fiscal years have been adjusted to reflect the impact of this split.
2. The dividend for the fiscal year ended March 31, 2014 includes a special dividend commemorating the 40th anniversary of the Company's founding.

Offering Customers a Trinity of Car Goods and Services

In its effort to provide a comprehensive range of support for customers’ car-related needs, AUTOBACS is advancing measures to enhance its automotive goods, statutory safety inspections and maintenance, and automobile purchase and sales businesses, while also strengthening customer contact points and relationships. Through timely responses that help customers resolve concerns and fulfill demands related to their cars, we are working to make these words - “Anything about cars, you find at AUTOBACS” - ring true to customers.



Enhancing Products and Services **Automotive Goods**

Bringing Customers Safer, More Convenient Goods Customers Can Purchase with Confidence

Making the most of the automotive goods retail industry’s largest network, each AUTOBACS store is stocked each of its stores with 10,000-30,000 items, an overwhelmingly greater selection than offered by competitors. Our “Car Life Advisors” – experts on the products we offer – recommend the best products for particular purposes, so that even those without detailed knowledge of cars can easily get what they need at an AUTOBACS store. This is only one of the ways we are striving to enhance customer service, while also updating our private-brand (PB) product offerings.

Voices of Customers

“Oil and tire changes, maintenance… it’s all so much trouble.”

“There are so many look-alike products I can’t decide what to buy.”

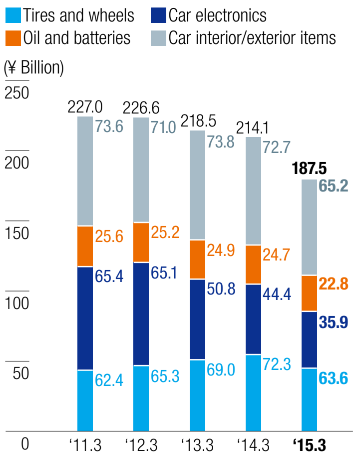
AUTOBACS Chain’s Initiatives

- Expert staff members to suggest appropriate products
- Consolidation of the PB product line to offer reliable “go-to” product choices

Market Environment and Business Trends

In recent years, it has become increasingly common for cars to be equipped with car navigation and other such products as standard equipment. This has led to declines in both unit prices and units sold, and sales of car electronics products are trending downward. Car lifecycles, however, are lengthening, and sales of oil, tires, and other maintenance-related goods have remained relatively solid. AUTOBACS is moving ahead with efforts to strengthen its sales approach, with a focus on maintenance, endeavoring to improve the profitability of the automotive goods business.

AUTOBACS Chain Automotive Goods Sales by Product



Strengthening Tire Sales

Line of High-Performance Tires Popular with Customers

In fiscal 2015, we added products such as the Esporte AB01 and the Maxrun EVERROAD to our line of tire offerings. The Esporte AB01, which is designed for long life, is the result of cooperation with a leading Japanese tire manufacturer and is sold only through AUTOBACS. The Maxrun EVERROAD is the first of our private-brand (PB) tires designed to improve fuel economy. With our broad product selection and reasonable prices supporting annual sales of 6.8 million tires, AUTOBACS has won strong customer support as a source of tires. Indeed, for the second year running, we were rated No. 1 among stores favored for purchasing tires for fuel economy, based on the 2014 Survey on Fuel-Economy Tires*.

*Survey by JMA Research Institute Inc.

Updating the Private-Brand Product Line

Creating a PB Line of Go-To Products

In July 2014, we began to update our line of PB products, consolidating them under the AQ. (AUTOBACS QUALITY) brand name. From interior goods to oil and batteries, we are enhancing our PB product offerings. By positioning our PB products as the standard for product selection, we are working to make it easier for customers to choose products amid the increasing diversity of automobile goods on the market.

Nonfinancial Capital Driving Value Creation

Strengthening Product Development

The Company Group has been developing PB products for 37 years and we have an extensive wealth of product development know-how covering tires and wheels, as well as products such as oil, batteries, and automotive accessories. Going forward, we will accelerate brand consolidation and, over the long term, increase PB products to 20% of our product offerings, from about 13% currently.

Easy-care 3D Mat

Relationships with Manufacturers

The Company Group's supplier network includes approximately 500 leading manufacturers in Japan and abroad. Our top position in the industry allows us to gather the marketing information and make the large-lot purchases that underlie our broad product selection and price competitiveness.

Quality Assurance

The Company undertakes quality control guided by its Product Quality Control Regulations. Our quality control system covers not only private brand items, but also national brand items. Working closely with manufacturers and suppliers, we adopt a multifaceted approach to quality control, considering such aspects as the legality and safety of the products themselves and how they are used, as well as protection of consumers based on product liability laws.

Development of Car Life Advisors

We strive to increase the quality of our customer service by conducting training to enhance product knowledge and customer interaction skills, and by administering internal qualification tests, for AUTOBACS chain store employees. Currently, approximately 20,000 AUTOBACS store employees have earned the professional qualification of Car Life Advisor.

Customer service training

VOICE PB Product Development Manager

Working to Contribute to Earnings by Creating Products Embodying the Uniqueness of AUTOBACS

AUTOBACS has a long history of collaborating with suppliers to offer customers highly convenient PB products at reasonable prices. In fiscal 2015, we established the AQ. (AUTOBACS QUALITY) brand as the first stage of our efforts to update our PB product line. While integrating existing products, we have also devoted a great deal of attention to improving designs and functionality from the customer's perspective. Going forward, we intend to develop products that are even more expressive of the uniqueness of the AUTOBACS private brand and are goods we can take pride in recommending to customers. In so doing, we also aim to contribute to the bottom line.

Ryo Shigeyama
General Manager, Merchandise Development Department

Enhancing Products and Services

Statutory Safety Inspections and Maintenance

Responding to Customer’s Needs to Keep Their Cars over the Long Run

In recent years, the average service life of cars has been growing, while the profile of car owners has expanded from primarily men, to include more women and seniors. AUTOBACS chain is responding to these changes by offering highly convenient statutory safety inspection services, and meticulous support in the form of scheduled maintenance, and repairs and maintenance to address immediate problems. We help car owners keep their cars, with peace of mind, over the long run.

Voices of Customers

“It’s troublesome to reserve a time for a statutory safety inspection, think about the repairs, and take care of all the other arrangements.”

“I don’t know much about cars, but I want to keep my car as long as possible.”

AUTOBACS Chain’s Initiatives

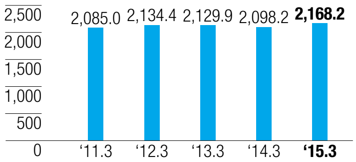
Statutory safety inspection services stressing convenience, from help in setting up a reservation to performance of the inspection

Maintenance packages at predetermined prices, and notifying customers when it is time for scheduled maintenance

Market Environment and Business Trends

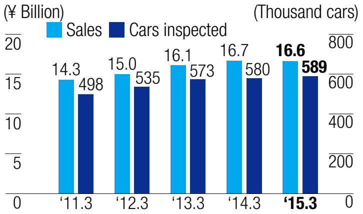
With the number of registered vehicles remaining high and safety inspections that are legally mandated, the market for statutory safety inspections and maintenance is expected to remain stable. AUTOBACS, with strengths in the form of high brand awareness, a nationwide network of stores with service bays, and an expert staff of mechanics, is differentiating itself from car dealers and small- and medium-size maintenance and repair garages, and working toward sustainable growth.

Domestic Statutory Safety Inspections and Maintenance Market
(¥ Billion)



Source: Japan Automobile Service Promotion Association

AUTOBACS Chain Statutory Safety Inspections and Maintenance Sales and Cars Inspected



Greater Convenience in Statutory Safety Inspection Services

Working to Lighten the Customer’s Burden and Increase Customer Satisfaction

Statutory safety inspections are conducted to ensure the safety of cars on the road. The required inspection work and any repairs that are shown to be necessary as a result amount to significant cost and time burdens for customers. To ensure that our services meet with customer satisfaction, AUTOBACS presents the customer with an estimate showing the priority of repairs needed and the work that must be done, together with choices for parts and automotive goods from within our inventory. In addition, when a statutory safety inspection is unlikely to require the replacement of parts, most AUTOBACS stores perform the inspection work on the same day to lighten the customer’s burden. In fiscal 2015, we performed over 590,000 statutory safety inspections, bringing our cumulative total to over 5 million since we began performing this work in 1991.

Enhancement of Maintenance-Related Services

Offering Services for Peace of Mind at All Times

AUTOBACS offers Maintenance Packs that cover parts, such as oil and batteries, and labor for scheduled maintenance, and inspection services. With reasonable prices and reminders for scheduled maintenance and inspections, we provide customers with enhanced safety and peace of mind. In addition, with our ability to perform body repair, car wash, and a wide variety of other services, we respond a broad range of customers’ car-related needs.

Nonfinancial Capital Driving Value Creation

Increasing the Number of Government-Authorized Inspection Facilities

For even greater ability to perform same-day statutory safety inspections, we are increasing the number of our government-authorized inspection facilities. Facilities that are authorized by the government to perform statutory safety inspections must have an inspection line, and automobile mechanics and automobile inspectors who have passed the national professional examinations. As of March 31, 2015, 390 AUTOBACS stores were authorized by the government to perform statutory safety inspections.

Inspection line at a government-authorized facility

Highly Convenient Reservation Service

AUTOBACS strives to boost customer convenience and win statutory safety inspection business by giving customers estimates for statutory safety inspection work, offering a web page where customers can reserve a date and time to have a statutory safety inspection performed, and reminding customers of upcoming inspection dates. We do the latter through direct mail and direct interaction with customers in stores, as well as through outreach via our call center.

Statutory safety inspection reservation page

Development of Automobile Mechanics and Automobile Inspectors

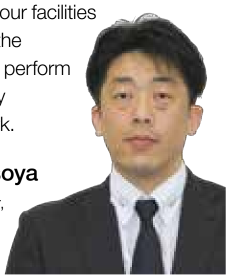
The development of an expert technical staff is indispensable for the statutory safety inspections and maintenance business. AUTOBACS has created an in-house education and training system for developing employees who are expert in the performance of pit services, and for preparing employees to become nationally certified Automobile Mechanics and Automobile Inspectors. As of March 31, 2015, our workforce included 3,780 Automobile Mechanics, with more in training.

Training course under way

VOICE Statutory Safety Inspection Supervisor

Working to Deliver Even Greater Value through Our Services and Increase the Number of Statutory Safety Inspection Customers

AUTOBACS has steadily increased the number of cars on which it performs statutory safety inspections. We have done this by offering conveniences such as transparent pricing and the ability to choose automotive goods and parts to use for repair and maintenance. Statutory safety inspections are a source of regular customer visits and, therefore, also a key point for AUTOBACS in continuing communication with customers. To deliver even greater value and further increase the number of statutory safety inspection customers, we will continue to improve store capabilities for accepting requests for inspections, further integrate the web-based reservation system, increase the numbers of certified Automobile Mechanics and Automobile Inspectors in our workforce, and expand the number of our facilities authorized by the government to perform statutory safety inspection work.



Kenichi Hosoya
General Manager, Statutory Safety Inspections Department

Enhancing Products and Services　Automobile Purchase and Sales

Tailored Support for Those Thinking of Moving on to Their Next Car

AUTOBACS is bolstering its automobile purchase and sales business, its third core business, following the automotive goods and statutory safety inspections and maintenance businesses. By providing a service that allows customers to freely consult with us when they are thinking about moving on to their next car - whether for a change in lifestyles or other reasons - we are not only providing support for yet another of the customer’s car-related needs but also promoting future synergies with the automotive goods and statutory safety inspections and maintenance businesses.

Voices of Customers

“I’m going to think about selling my car and getting another when the statutory safety inspection comes up.”

“When it comes to buying a used car, I’m concerned about after sales service.”

AUTOBACS Chain’s Initiatives

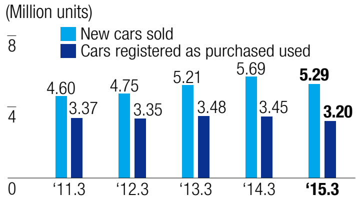
One-stop service for customer car appraisals and comparisons to the purchase price of a next vehicle and costs for statutory safety inspections and repair and maintenance.

Warranty against defects, and performance of maintenance and statutory safety inspection services at stores across the country.

Market Environment and Business Trends

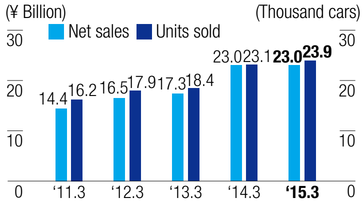
In Japan, the number of cars registered as having been purchased used has remained steady at around 5 million per year, about equal to the number of cars registered as having been purchased new. AUTOBACS is using strengths in the form of frequency of customer store visits and thorough after-purchase customer service to differentiate itself from competitors specializing in the purchase or sale of used cars, and accelerating its growth by offering services on a nationwide basis.

New Cars Sold and Cars Registered as Purchased Used



Source: Japan Automobile Dealers Association
Japan Light Motor Vehicle and Motorcycle Association

AUTOBACS Chain Automobile Purchase and Sales Net Sales and Units Sold



Strengthening Automobile Purchase Service

Attracting More Customers to this Service by Making It Easier to Use and Delivering More Compelling Results

AUTOBACS’ automobile purchase service provides the customer with an estimate of the sale value of their vehicle when they come to a store to shop, and is the only one in the industry to guarantee the appraisal value for five days. Having individual stores provide all the information necessary for deciding whether to purchase another car - everything from estimates of statutory safety inspection and maintenance costs, to data on cars the customer is interested in – we are encouraging customers to use our purchase service. Steadily rising year by year, the number of automobiles we purchased rose to a total of 10,535 in fiscal 2015.

Strengthening Used Car Sales

Service that Relieves Concerns Specific to Used Cars

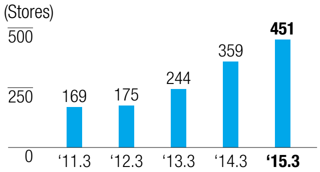
When AUTOBACS sells a used car, it inspects the car for maintenance issues and performs a thorough cleaning prior to delivery. That much would be expected. But we also provide a warranty with full coverage for all malfunctions during the first three months or 3,000km, with extension up to three years for a separate fee. In addition, all automobile goods purchased together with the car are priced at a discount and can be used to customize the car, and AUTOBACS offers its own auto lease and loan programs covering entire amounts paid for cars and automobile goods purchased together. For the peace of mind of customers throughout Japan, we have also established a program that provides financial assistance for repairing scratches and dents incurred within three months of a purchase.

Nonfinancial Capital Driving Value Creation

Increasing the Number of Stores Where Automobiles Are Purchased and Sold

The automobile purchase and sales business is being developed as a separate operation, under the "AUTOBACS C@RS" brand, within AUTOBACS chain stores. In recent years, the number of franchise stores has been rising rapidly, and as of March 31, 2015, there were 451 "AUTOBACS C@RS" franchise stores.

AUTOBACS Chain C@RS Franchise Stores



Nationwide Uniform Vehicle Appraisal Standards

In fiscal 2014, we updated our vehicle appraisal system to increase appraisal precision, reduce lead times, and lighten the burden on store staff. The new system includes specified appraisal items based on nationwide uniform standards. Once information is entered into a tablet at a store, we quickly provide an appraisal value based on used-car market prices. With this system we are working to energize appraisals and purchases by stores to secure outstanding used vehicles. Having a stock of superior used cars allows us to sell vehicles through channels including auto auctions and other wholesale channels for a steady income stream, while also providing customers with good vehicle selections.

Strengthening Our Workforce

The Company has an education and training system designed to provide employees with basic knowledge and appraisal skills, customer interaction skills, and other knowledge necessary for purchasing and selling cars. To improve purchase appraisal skills in particular, attention is focused on the use of our appraisal system to judge the value of vehicles. As of March 31, 2015, approximately 2,300 of our employees were qualified to perform appraisals using our appraisal system.

Training session

VOICE Manager in Charge of the Automobile Purchase and Sales Business

Aiming to Expand Automobile Purchases and Sales by Strengthening Sales Promotion Activities at the National Level

Several years ago, we began to augment the automobile purchase and sales business, and have been working to create a system and infrastructure that operates as a department within franchise stores and simplifies the purchasing and selling of cars. As a result, franchisees have developed a better understanding of the automobile purchase and sales business, there is greater desire to offer a new line of products, and participation as an AUTOBACS C@RS location has been growing rapidly. Going forward, we aim to increase sales through measures such as strengthening nationwide sales promotion activities, and increasing awareness of AUTOBACS' automobile purchase and sales business.

Nobuhiko Murakoshi
General Manager,
C@RS Business
Department

Strengthening Customer Contact Points Stores and the Web

To Be a Presence Customers Can Always Take Heart in and Rely on

AUTOBACS, together with enhancement of its products and services, is augmenting points of contact with customers by creating an omni-channel configuration organically linking stores and the web, the call center, and other resources. In addition, through continuous approaches to customers, and registered members in particular, we are deepening customer relationships, and giving equal attention to increasing customer satisfaction and expanding earnings over the medium-to-long term.

Voices of Customers

"I want to be free to shop whenever I want"

"I want to be shown products and services for the car I own."

AUTOBACS Chain's Initiatives

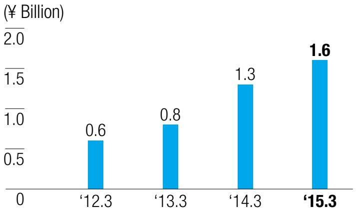
Operation of a web-based store together with traditional stores, and offering of store-based installation services for web purchases

Updated the CRM system to pursue marketing based on customer car types and purchase histories

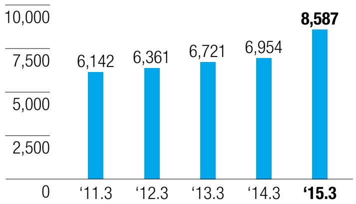
Market Environment and Business Trends

In web-based sales, numerous competitors exist in the form of websites operated by automotive goods specialty stores, companies specializing in electronic commerce, and others. To differentiate ourselves within that context, we are offering services linked to a nationwide network of stores with service pits. With web-based sales another important point of contact, we are strengthening our relationships with customers, and registered members in particular, to expand earnings.

AUTOBACS Chain Web-Based Net Sales
(¥ Billion)



Active Members*
(Thousands)



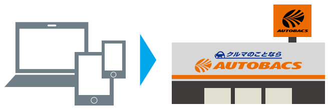
* Beginning with fiscal 2015, "active members" are customers who have made a purchase within the past year.

Strengthening Points of Contact

Increasing Customer Convenience by Linking Web Access and Stores

Increase in Store Customer Traffic
(Fiscal year ended March 21, 2015)

Store-pickup of web purchases 56.4%



Adding to our own AUTOBACS.COM online shop, we are expanding our contacts with customers who purchase car goods via Internet shopping malls and other online channels. In addition, by inviting customers to have their online purchases installed at one of our stores, we are providing them with greater convenience while also promoting synergies by increasing customer traffic at our stores. The installation service for goods sold by Amazon.co.jp began in September 2014.

Through another web-based service, which allows customers to make reservations for statutory safety inspections and oil changes, we are promoting store usage in a manner that emphasizes customer convenience. In the case of oil changes, we began in October 2014 to allow customers to not only reserve service times but also select the type of oil they would like to use. Customers can access reservation services via the AUTOBACS Official App, which offers the same functionality as a Maintenance Member Card.

AUTOBACS.COM
(Established in January 2001)

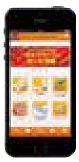
AUTOBACS Rakuten Ichiba store
(Opened in August 2012)

Amazon AUTOBACS store
(Opened in June 2013)

AUTOBACS Yahoo! Store
(Opened in January 2014)

AUTOBACS Official App, which can be used as a Maintenance Member Card

(Introduced in October 2012, Updated in October 2013)



4 Functions

- Point Up Card functions
- Purchase history and confirmation and editing of car data
- Oil change and statutory safety inspection functions
- Coupons exclusively for app users

Strengthening Relationships with Customers

Improving Store Operations to Appropriately Respond to Customer Queries

Maintenance counter

To appropriately respond to customer concerns and desires concerning the automotive goods, statutory safety inspections and maintenance, and automobile purchase and sales businesses, we are revising store operation priorities and moving forward with initiatives aimed at increasing the amount of time employees spend interacting with customers.

Revising the Membership System

In June 2014, we updated the Oil-Change Membership Club to create the Maintenance Member Club. While the former offered free basic labor for oil, oil filter, and air filter changes, the latter offers the same plus free labor for battery and wiper changes, tire rotation, and other services, numbering eight in all. By enhancing customer convenience, we are encouraging customers to use our stores on an ongoing basis.

Maintenance Member Card

Enhancing Marketing by Tailoring It to Car Types and Purchase Activity

With the update of the CRM system in fiscal 2015, we have embarked on initiatives aimed at using direct mail, email magazines, and our call center to recommend products and services to individual customers based on analyses of the type of car they own, their purchase activity, the preferences behind their purchases, and other factors.

VOICE Store Manager

In store operations with increased points of customer contact, we will respond to each individual item of customer queries.

In our store, we have undertaken experimental changes in store operations. The effect of these changes is clearly shown in the number of questions we get at our customer service counter near the entrance of our store. Before the changes were implemented, we were getting an average of 10 questions per day; after the changes, that figure has risen to 50. People have tended to ask more questions about their cars recently. Quickly responding to these questions, we are not only providing customers with answers to specific problems but also improving store efficiency by rapidly getting the right people involved. I believe that further improvements and an increase in points of customer contact will allow us to appropriately respond to a wider range of customer-specific needs.

Takeshi Negoro

Store Manager,
AUTOBACS
Kaihin Makuhari
Store

To Win the Support and Trust of All of Our Stakeholders

The Company Group intends to remain a positive business presence that helps customers get the greatest enjoyment from their cars and works to build a sound and prosperous motorized society. Toward that end, we strive to enhance the foundations of our business by pursuing business activities under a CSR policy addressing five key themes – customers; local communities; car society; the environment, human rights, and diversity; and stakeholders.

Corporate Social Responsibilities - CSR

The Company engages in various types of activities that contribute to society to help customers get the greatest enjoyment from their cars, and to build a sound and prosperous motorized society.

CSR Policies

As a company providing motorized society infrastructure, we offer good quality products and services tailored to customer life stages and lifestyles.

Customers

- Enhancement of customer satisfaction
- Products that offer safety and peace of mind
- Provision of car-related infrastructure

As a company that shares the desire of local communities that cars be used responsibly, we help residents of local communities live with greater safety and peace of mind.

Local Communities

- Participation in local events
- Resolution of car-related issues
- Traffic safety activities

As a company contributing to a culture of car enjoyment, we actively promote lifestyles enriched with cars.

Car Culture

- Support for motorsports
- KidZania Pavilion
- Go-kart experience for parents and children

As a company that values people, communities, and the global environment, we strive to make society better, more beautiful, and more sustainable.

Environment, Human Rights, and Diversity

- Cleanup activities
- Statement on health
- ISO14001

As a company that values open communication with shareholders, employees, franchisees, business partners, local communities, and all other stakeholders, we strive to live up to our responsibility of accountability and increase management transparency.

Stakeholders

- Internal controls
- Risk management
- Active pursuit of IR activities

Helping Partners Grow

Continuation and expansion of the Company Group requires that action be taken to promote the profitability of franchise stores. Beyond sales promotions, which are a natural part of its relationship with franchisees and franchise stores, the Company places great emphasis on human resource development as an asset for helping our partners grow.

Helping to Enhance the Capabilities of Individuals Stores

Moving Forward with Management Reforms to Expand the Market Shares of Individual Stores

Strengthening Cooperation with Franchisees

Franchisees are indispensable partners for the growth of the Company Group. Through venues such as the FC Managers' Committee and Business Direction Committee, we share retail chain management directions and product strategies with franchisees to strengthen cooperation with them.

Committees for Franchisee Affairs

Committee	Purpose	Meeting Frequency	Participants	Meeting Location
FC Managers' Committee	Share chain management direction, etc.	2 times a year	**Franchisees**: Managers **The Company**: Region Head quarters Officer, Area General Manager, General Manager	Tokyo
Business Direction Committee	Share business direction and product strategies, etc.	3 times a year	**Franchisees**: Managers and executives **The Company**: Region Head quarters Officer, Area General Manager	1 in East Japan, 1 in West Japan
Store Managers' Committee	Share retail floor design tips, sales strategies, etc.	3 times a year	**Franchisees**: Store managers **The Company**:Area General Manager, Store counselors	12 locations nationwide
Area Committee	Sharing of views and information among area franchise manager representatives	4 times a year	**Franchisees**: Franchisee area representatives **The Company**: Region Head quarters Officer, Area General Manager	1 in East Japan, 1 in West Japan

Support for Store Management

To make stores more attractive to customers, the Company is moving forward with sales space renovations for the entire chain, and pursuing initiatives to accurately respond to customer needs, which differ by geographic area. Working with our partner franchisees, we identify examples of success at individual stores, and advance their implementation as best practices. To ensure that best practices are implemented in ways that suit local markets, our supervisors, whom we call "store counselors," disseminate them to individual stores, monitor implementation, and provide guidance for improvement. Through these efforts, we continuously enhance the market shares and profitability of individual stores. Store counselors participate in internal training and external seminars, so they are at their best in helping individual stores maximize their performance.

Developing Human Resources for Franchise Stores

Through the Chain Human Resources Department, which supports management improvement for franchise stores, the Company provides assistance for store strategy development by conducting strategy enhancement training for all store managers and assistant store managers. We teach the creation of PDCA cycles, so stores can improve their abilities to take action, get results, and strengthen their organizations. We also conduct training aimed at providing store employees with strong customer interaction skills and in-depth product knowledge, so they can better serve customer needs. Going forward, we will continue to provide such training to improve the skills of store managers and employees.

Strategy workshop for store managers

VOICE Franchise Owner

Franchisees and the Company Work as One to Develop the AUTOBACS Chain.

Our company operates a total of 14 AUTOBACS and Super AUTOBACS stores in Toyama Prefecture. We manage our stores based on the direction established and reinforced for the AUTOBACS chain by the FC Managers' Committee, and with various types of support we receive on a daily basis. As a franchisee, we do our best to actively share opinions and suggestions from the retail frontlines, and customer input and other types of information, with the Company. With business conditions only getting more difficult, we are committed to further strengthening the sense of common purpose with the Company, and continuing to be a business that local customers see as sharing their ideals.

Takumi Masukawa Representative Director, Puma Group

Developing Car Professionals

The Company Group, in order to provide customers with the best advice to help them get greater enjoyment and convenience from their cars, devotes a great deal of effort to developing personnel with expert knowledge and skills. By providing a friendly working environment and helping individual employees develop their careers, we are honoring our responsibilities as an employer in local communities.

Education and Training for a More Capable Workforce

Detailed Job-Level Training to Enhance Knowledge and Skills

The Company has developed an education and training system that is organized by job-level and covers over 30 topics, mainly for store employees. In group training (conducted a total of 619 times as of March 31, 2015), we set high expectations for employees. By linking performance evaluations to internal qualifications, we are enhancing staff knowledge and skills, as well as boosting motivation, and improving service quality. We also devote significant effort to training to help mechanics and inspectors gain national qualifications, and are seeing a steady rise in employees who have.

Status regarding Acquisition of Primary Professional Qualifications

Qualification	Description	Certified Employees*	Vs. Previous Fiscal Year
Internal			
Car Life Advisor	Employees studying for this qualification gain knowledge of key items and services and how to interact with customers. Study is via e-learning. (10 Level-2 courses, 5 Level-1 courses, and final examination)	19,148	+879
Merchandise Specialist	Employees studying for this qualification gain expert knowledge for recommending optimal merchandise, and acquire customer interaction skills. Enhanced training and a certification examination are conducted for those with Car Life Advisor qualifications. Seven courses of study are available, depending on merchandise group.	6,346	+1,089
Mechanic	Employees studying for this qualification gain knowledge and skills necessary for working in a service bay. Training is performed via e-learning, video instruction, practical instruction, and group training, with a final examination. Four classes are available depending on career path.	13,962	+321
National			
Automobile Mechanic	A national qualification gained based on practical experience and the passing of academic and practical skill examinations.	3,780	+127
Automobile Inspector	Qualification earned by fulfilling requirements such as attending classes overseen by the Director of the District Transport Bureau and passing a final examination.	1,454	+189

* Numbers of employees with qualifications are for the entire AUTOBACS chain, as of March 31, 2015.

Career Development Support

Various Support Systems to Help Employees Build Their Careers by Themselves

Career Development System

To have all employees accumulate knowledge and experience, develop an understanding of various work settings, and deepen their knowledge of the Company, we implement job rotations every few years. When individual employees identify their preferences and aptitudes, and take the lead in broadening and deepening their careers, the entire organization is invigorated. The Company conducts career-design training for mid-level employees to encourage them to keep their future careers in mind as they go about their daily work and develop as professionals.

Cafeteria Plan

In addition to training that targets specific career levels, we have created a “Cafeteria Plan” under which employees can participate in correspondence courses or public seminars offered by outside education organizations, and receive support for obtaining national qualifications. The Cafeteria Plan helps employees take the lead in developing their own careers. We provide up to ¥100,000 of financial support per year that employees can use to take any of around 160 courses, and roughly 350 use this system in a typical year.

VOICE Manager in Charge of Human Resources Training

Helping Individual Employees Mold Their Own Careers

The Company currently conducts training and supports self-development organized by job level and designed to provide young employees in their first three years and mid-level employees in their 30s or older with logical thinking, financial analysis, and other types of knowledge and skills. We also offer training intended to give employees a venue for thinking about how to mold their own careers moving forward. I am involved in designing and implementing these training programs and have seen how employees consciously engaging in life design leads to high performance and organizational invigoration. I personally have a very real sense of happiness from being able to contribute to the sustainable growth of the Company.

Yasuhiro Ota Group Manager, Human Resources Department

Creating Friendly Work Environments

Promoting Working Environments that Are Safe and Healthy for Individuals

Worker Safety and Health

The Company Group believes the health of employees is critical for its own continuous growth and works to promote good health for employees. We have, for example, established the AUTOBACS Osaka Health Center, where we hold health management training. This training is mandatory for employees who have received a diagnosis of a lifestyle-related or other disease in a regular physical examination and been instructed to participate by a physician. Initiatives such as these led the Development Bank of Japan to award the Company an "A," the highest level on the "employee's health management rating" it uses to set financing terms. To maintain or improve working environments, we also stress in store-manager training the importance of maintaining safety in stores and preventing employees from working an excess number of hours.

DBJ employee's health management rating

AUTOBACS Osaka Health Center

Mental Health Care

Mental health checks are conducted by outside specialists for all employees, and there is a system employees can use to consult with outside cooperating institutions if they feel the need to.

Employing Older Adults

To transfer to younger employees the skills and experience of people near the end of long careers, the Company Group actively hires older adults, including our own employees who have retired at the mandatory retirement age. During the fiscal year just ended, the Company hired ten people (including our own rehires) over age 60, bringing the total number of such older employees to 54.

Internal Reporting System

The Company Group has implemented the "Orange Hotline," an internal reporting system to prevent and swiftly address misconduct or unethical actions by executives or employees of the AUTOBACS chain. Internal and external contact points are available for people wanting to use the system.

Advancing the Careers of Women

Valuing Diversity and Creating Working Environments where Women Can Thrive

Expanding the Support System

The Company is enhancing its system for supporting employees raising small children. Examples of its features include childcare leave that can be extended to cover the first 18 months following the birth of a child, the option to work shorter hours up through the child's 10th birthday, orientation for employees returning to work following childcare leave, and paid half-days off. To date, 100% of company employees who have taken childcare leave have returned to work, and, as of March 31, 2015, eight employees have used our childcare support system. Going forward, we plan to encourage male employees to take childcare leave and will do even more to create working environments that are attractive for women.

Support for Female Employees

To help female employees meet both work and childcare responsibilities, we invite an outside expert to conduct a workshop at our headquarters nine times a year. Now, we are planning to expand the audience for these workshops by holding them at more locations and by creating video recordings that can be viewed at other locations. We are also working on activities that will lend women even greater support in building careers.

Workshop under way

VOICE Employee in Charge of Advancing Women's Careers

Awareness and Action Needed to Advance Women's Careers

I am proud that the Company's systems for helping women continue their careers (Maternity leave, childcare leave, shortened working hours, etc.) are on a par with those of other Japanese companies. And, based on the fact that 100% of our female employees who have taken childcare leave have returned to work, one could say that they, too, would support that sentiment. The Company values diversity and, with female participation in company workforces a key concern for the country, we are working to do more in areas such as developing female management candidates and helping women to plan careers. The greatest key to success, however, is awareness among not only female but also male employees. Actions must be accompanied by internal steps to promote understanding of their importance.

Kyoko Suzuki Human Resources Department

Creating a Society in which People and Cars are in Harmony with the Environment

As a company involved in a business related to cars, we continuously work to reduce the environmental impact of our business activities and, through the merchandise and services we offer, contribute to the development of a sustainable society in which cars are an important element.

AUTOBACS SEVEN Environmental Policy

AUTOBACS SEVEN is committed to activities with considerations to environmental conservation in carrying out its business activities on sales of automotive related goods, statutory safety inspections and maintenance, and car sales.

1. The Company will grasp the environment impacts of its business activities to determine the objectives, targets and plans for continuous improvement of environmental conservation activities.
2. The Company will comply with laws, regulations and other requirements pertaining to the environment.
3. The Company will put priority particularly on the following actions to reduce the relevant environmental impacts among those arising from its business activities.
   (1) Promotion of energy saving practices and reduction of greenhouse gas emissions
   (2) Reduction of waste emissions and promotion of 3R activities
   (3) Purchases of environmentally friendly items
   (4) Development of environmentally-friendly goods and services and sales promotion of such merchandise and services at stores
4. The Company will endeavor to prevent environmental pollution.
5. The Company will give education to and raise awareness among all its personnel so that they will proactively address the environmental and social issues in an attempt to build a sustainable society with harmony between people and cars.

VOICE Environmental Manager

Promoting Environmental Protection Activities and Employee Environmental Awareness

Making societies in which cars are an important element more vibrant through its business activities is the mission of AUTOBACS SEVEN. And because we are a company whose business involves cars, it is particularly important that we take initiatives to protect the environment.
The Company undertakes environmental protection activities in line with its environmental policy. To raise environmental awareness among our employees, we provide them with cards that have our environmental policy written on them and on which they are asked to write what they will do for the environment. In addition, the Company Group undertakes initiatives such as cleanup activities in the areas surrounding its business locations and efforts to reduce the use of plastic shopping bags.

Junji Iwashita General Manager, General Affairs and Internal Control Department

Environmental Protection Targets and Results

Area		FY March 2015 Target	Results of Primary Initiatives for FY March 2014	Plans for FY March 2016
Expanded introduction of the environmental management system		Acquisition of ISO 14001 certification at the Western Japan Logistics Center	Certification acquired in November 2014 Acquisition of additional certifications completed	—
Pursuit of energy efficiency and greenhouse gas reduction	Reduction of electricity usage (Reduce CO_2 emissions)	5% reduction vs. FY March 2013 (Excluding some locations)	7.2% reduction vs. FY March 2013	2% reduction vs. FY March 2015
	Reduction of gasoline usage	5% improvement vs. FY March 2013 (Excluding some locations)	9% improvement vs. FY March 2013	3% improvement vs. FY March 2015 Switch to fuel-efficient vehicles
Resource-saving Initiatives	Reduction of waste	All locations: 1% reduction vs. FY March 2014	33% reduction vs. FY March 2014	1% reduction vs. FY March 2015
	Reduction of copy paper usage	2% reduction vs. FY March 2014 (Excluding some locations)	3.2% reduction vs. FY March 2014	2% reduction vs. FY March 2015
	Reduction of cardboard usage	Western Japan Logistics Center: 29% reduction vs. FY March 2012	70% reduction vs. FY March 2012	Continuation of initiatives
Procurement of environmentally friendly products	Procurement of green office products	Achieve a green procurement ratio of 75% or higher	Green procurement ratio of 94.3%	Continuation of initiatives
Environmental communication	Environmental education for employees, and publicizing of activity programs	Continuation of initiatives	Conducting annual environmental self-awareness education and regularly distributing environmental enlightenment information	Continuation of initiatives
Contribution to local beautification	Neighborhood clean-ups	All locations: Participation by all company employees	Participation by all company employees	Participation by all company employees

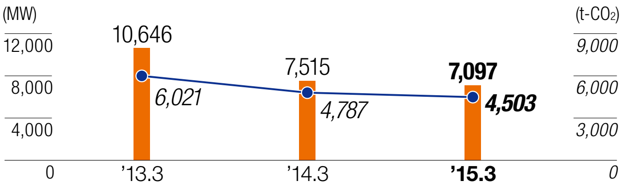
Promoting Energy Saving and Cutting Greenhouse Gases

Formulating Energy-Saving Measures and Cutting CO_2 Emissions

Company Initiatives

For the fiscal year ended March 31, 2014, the Company's electricity consumption* declined by 5.6% year on year, to 7,097 MWh, and total CO_2 emissions* fell by 5.9%, to 4,503t. The Company Group has formulated energy-saving measures to be implemented over the coming 2-3 years. The programs we are implementing as a result include, for example, a commitment to "no overtime days" enabled by operational improvements and efficiencies.

Electricity Consumption and CO_2 Emissions*



*Total for AUTOBACS SEVEN headquarters, offices, directly managed stores, and logistics centers

Initiatives at AUTOBACS Stores

Setting the goal of reducing CO_2 emissions by 30% at existing stores of the same size, the Company installed energy-saving air conditioning systems, LED lighting, solar panels, and rooftop greenery at two test stores in the fiscal year ended March 31, 2011. Using the results of these tests, we are now considering installation of these technologies at new and existing stores.

Solar panels at the AUTOBACS Yamato Koriyama store

LED lighting at the AUTOBACS Yamato Koriyama store

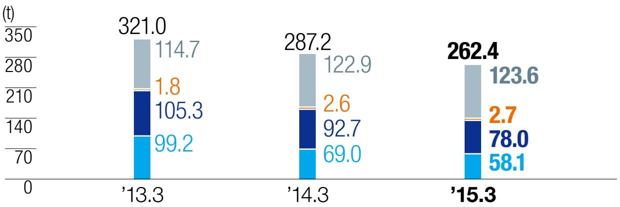
Resource–Saving Initiatives

Practicing the 3Rs for Effective Use of Limited Resources

Reducing the Use of Containers and Packaging

During the fiscal year ended March 31, 2015, the Company Group reduced its use of shopping bags and other types of containers and packaging by 8.6% year on year, to 262.4t. Reduction in the use of shopping bags was accomplished in part by asking customers for their understanding and cooperation in using fewer bags. In addition, for AUTOBACS private brand items, we are gradually transitioning to packaging materials that weigh less or use more environmentally friendly materials.

Container and Packaging Usage by the AUTOBACS Chain and Headquarters



Using Fewer Resources for Shipping by Employing Collapsible Containers

For the paper, plastic, and other types of general waste emanating from our stores and offices, we constantly remind employees to properly separate waste and strive to generate less waste. And for the waste resulting from the replacement work performed in our service pits, we commission licensed industrial waste management subcontractors to properly dispose of and recycle these materials. At the same time, we use our own systems to ensure proper waste processing by confirming that all waste is being handled in compliance with the law.

Waste Recycling Initiatives

1. Waste Tires
Special contractors shred the tires, which are mainly used for fuel at cement and paper plants, with some of the material also used in cement.

2. Waste Oil
Specialist contractors refine and recycle the oil, which is used mainly as boiler fuel.

3. Waste Batteries
Specialist contractors recycle the lead and plastics to create new batteries.

Distribution Initiatives

When speed is not a factor, we choose to move products by rail, which entails relatively low CO_2 emissions, rather than by truck. In addition, we employ reusable collapsible containers in various sizes to distribute products to stores. Doing this reduces the amount of cardboard that must be discarded.

Collapsible shipping containers

Promoting Reuse through Our Operations

At AUTOBACS Secohan Ichiba, we promote reuse by purchasing cars and parts from customers and selling them through our stores as used cars and used parts.

Buying and selling of used parts at the AUTOBACS Secohan Ichiba

Moving Forward Together with Local Communities

We expand and improve the functions of our stores, so they can be trusted infrastructure for local residents. As a company that shares local community desires that cars be used properly, we also contribute to safety and security in the daily lives of local residents.

Contributing to Local Communities through Our Stores

To be Infrastructure in Support of Local Residents

Installing EV Charging Stands

Electric vehicles (EVs), which do not emit CO_2, are expected to play a significant role in fighting global warming. The AUTOBACS chain, therefore, is moving forward with the installation of EV charging stands in its store parking lots as a convenience for customers who visit our stores in an EV or plug-in hybrid vehicle (PHV), and to promote the use of these vehicles. As of June 30, 2015, charging stands had been installed at 102 AUTOBACS stores.


Charging stand for EVs and PHVs

Assisting People Stranded in a Disaster

The AUTOBACS chain, at stores where it is practical to do so, has entered into agreements with local governments to assist people who become stranded in a disaster. Under these agreements, stores will provide people taking shelter at their locations with access to water and toilet facilities, and will use maps, radios, and other means to provide information on road conditions. As of March 31, 2015, 320 stores in 21 prefectures were ready to provide the assistance mentioned above.

Sticker displayed at store entrances to let customers know the store will help them in times of disaster

Selling Power from the Miki Megasolar Power Plant (Hyogo Prefecture)

In 2013, the Company began installing solar panels, on a portion of dormant property at the site of its Western Japan Logistics Center and on some of the roof space of the center itself, and selling the electricity generated. This is one example of how we effectively use our assets to promote the adoption of renewable energy.

Solar power generation facilities

Contributions to Local Communities

Pursuing Activities Rooted in Local Areas

In 2005, we began conducting cleanup activities in the area surrounding our headquarters, and, in the fiscal year ended March 2010, we instituted AUTOBACS Day — one day each week when the employees of each store clean the area around the store before opening time. On another front, we use our ARTA Project, for promoting motor sports, as the context for the "Yume wo Kanaeru" (Make Your Dreams Come True) extracurricular programs we hold for elementary and junior high school students. These are only a couple examples of locally based, locally oriented activities we are pursuing to be good citizens of the communities where we are located.

Cleanup activity at a store

Extracurricular program at a junior high school ©GTA

VOICE CSR Project Member

Improving CSR Activities by Increasing Internal Understanding of CSR

At the Company, CSR activities have traditionally been pursued at the store and department level. Now, however, we are in the midst of a transition to activities that are developed by CSR project members and advanced across the breadth of our organization. Our CSR activities focus mainly on contributing to areas related to our business and to the communities where our stores and other business facilities are located. Looking ahead, though, we see the need for greater cosponsorship of activities and cooperation with external organizations. We also need to increase internal understanding of the importance of CSR and encourage as many employees as possible to participate in CSR activities.

Kanae Onishi General Affairs and Internal Control Department

Promoting the Development of Car Culture

Participating in Motor Races and Other Events for Children to Nurture a New Generation that Loves Cars

KidZania and the Marunouchi Kids Jamboree

The Company has developed the Car Life Support Center pavilions at the KidZania Tokyo and KidZania Koshien occupational theme parks for children. In 2014, both underwent renovations to deliver an even better experience. The purpose of these pavilions is to have children learn the enjoyment that can come from cars, encourage understanding of how cars work and car safety, and contribute to the development of a safe motorized society going forward.
For kids on summer vacation in 2014, we again participated in the Marunouchi Kids Jamboree, sponsored by Tokyo International Forum. Our aim in doing so was to communicate the joy of driving through a go-cart attraction for parents and children.

Go-kart-driving attraction

Service bay mockup where children can try their hands at changing a tire and other simulated car maintenance tasks

ARTA (AUTOBACS RACING TEAM AGURI)

Support for Motor Sports

To help invigorate motor sports as a whole, the Company co-sponsors the SUPER GT series, Japan's most popular car races. In addition, since the establishment of the ARTA Project (AUTOBACS RACINGTEAM AGURI) in 1998, we have been pursuing activities on multiple fronts, such as discovering and developing Japanese drivers into world-class competitors and participating in domestic and overseas races, to use the passion of racing to create new fans.

For the Environment and Society

Support for Children's Environmental Education and People in Need of Food Assistance.

Co-Sponsorship of the Green Power Festival

The Company cosponsored the 2nd Green Power Festival, organized by the Japanese Ministry of Economy, Trade and Industry's Agency for Natural Resources and Energy, to provide parents and children with a fun opportunity to learn about renewable energy and the environment. In the main event, parent-and-child teams, who were the winners of seven regional energy quiz tournaments held across Japan, competed ferociously to come out on top at the championship tournament held in January 2015. The Company supports the use of renewable energy and will continue to do so going forward.

green power

Green Power Festival

SECOND HARVEST
セカンドハーベスト ジャパン

Donation of around 1,200 nutritionally balanced meals.

Kyukancho distributions of canned bread

Donation of Emergency Food Supplies

The Company has begun to donate emergency food supplies nearing the end of their "use-by" dates to Second Harvest, an NPO operating a food bank. The food we donate goes to support people who are in need of food assistance and organizations such as children's homes. We have also begun to participate in the Kyukancho Project, which collects canned bread before it reaches its "use-by" date and distributes it internationally to people suffering from hunger and malnutrition.

Corporate Governance

Basic Concepts

The Company should seek to increase their corporate value over the medium to long term based on capital invested by the shareholders through fair business activities. Companies are expected to contribute to society as public institutions through business activities, considering their responsibility to customers, shareholders, employees, clients, communities, and all other stakeholders. Within this context, management is expected to pursue outstanding business practices. Toward that end, it must work to continuously develop the company, increase management transparency by being accountable for its actions, and fulfill its social responsibilities.

Based on this understanding, the Company believes its highest duty is to preserve and strengthen the AUTOBACS brand by perpetually offering merchandise and services that please customers, while fulfilling our social responsibilities, to continuously earn the support and trust of all stakeholders. We, therefore, are also committed to the constant strengthening and improvement of our corporate governance.

Corporate Governance System

The Company is organized as a company with an Audit and Supervisory Board (a “company with Board of Company Auditors” as defined in Japan’s Companies Act), which means that it has a double-checking function with the Board of Directors overseeing the execution of company operations and an auditing function performed by audit and supervisory board members. We have also taken the following measures to enhance corporate governance:

1) Introduction of officer system: Separation of business execution and oversight, clarification of management responsibilities
2) Ratio of outside directors above 30%: Enhancement of the oversight function
3) Establishment of committees consisting primarily of members of advisory organs to the Board of Directors: Ensuring of transparency, objectivity, and propriety, and advancement of risk management activities
4) Appointment of independent outside directors, as well as outside audit and supervisory board members: Protection of general shareholders’ interests
5) Establishment of the Executive Committee and committees comprised of the Company’s officers: Ensuring of appropriate and swift decision making and forming of consensus among officers

Corporate Governance Framework of AUTOBACS SEVEN

Configuration			Company with an Audit and Supervisory Board
Management and Business Execution Framework	Board of Directors	Chairman	Representative director
		Member	Directors: 8 (3 outside directors, all of whom are independent directors, and 5 directors who are also executive officers) Audit and supervisory board members: 4 (3 outside members, all of whom are independent members)
		Roles	Make decisions and report on the matters set out by laws and regulations or the Articles of Incorporation, and deal with important matters relating to the Company’s business activities
		No. of meetings held in FY2015	16 times (including 4 ad hoc meetings)
	Executive Committee	Chairman	Chief Executive Officer
		Member	Executive Officers (Observers: audit and supervisory board members and outside directors)
		Roles	•Prior deliberation of items to be decided by the Board of Directors •Formulate policies and plans for the entire company
Advisory Organ to the Board of Directors	Corporate Governance Committee	No. of meetings held in FY2015	12 times
		Chairman	Outside Director (chosen from the outside directors)
		Member	Outside Directors and Representative Director (Observers: outside audit and supervisory board members)
		Roles	•Discuss candidates for directors, audit and supervisory board members and executive officers •Discuss remuneration system for directors and officers •Discuss other matters related to corporate governance
		No. of meetings held in FY2015	6 times
	Risk Management Committee	Chairman	Representative Director
		Member	Officers with directorships and officer responsible for internal control (Observers: audit and supervisory board members and outside directors)
		Roles	Promote smooth and appropriate risk management
		No. of meetings held in FY2015	Once
Auditing and Supervising by Audit and Supervisory Board Members and Internal Auditing System	Auditing and Supervising by Audit and Supervisory Board Members	Audit and supervisory board members	4 (3 outside members, all of whom are independent members)
		Employees assisting with the duties of audit and supervisory board members’	3 (full-time)
		No. of meetings held in FY2015	14 times (including 2 ad hoc meetings)
	Internal Auditing	Internal Auditing Organ	Evaluate internal controls: 5 members (report directly to the CEO) Audit subsidiary operations: 10 members
		Roles	•Evaluate the internal control system •Audit business operations of the Company and its subsidiaries •Report audit results to audit and supervisory board members, representative director & CEO and officers, and instruct departments responsible to correct inadequacies
	Cooperation		At the beginning of each fiscal year, the audit and supervisory board members consult with the independent auditor about an audit and supervising plan for the fiscal year. The audit and supervisory board members receive a progress report each month on audits of financial statements and reviews, and exchange information and opinions. The audit and supervisory board members check the audit plan developed by the Internal Auditing Organ at the beginning of the fiscal year. The audit and supervisory board members receive a report on audit results from the Internal Auditing Organ once a quarter and express opinions on it. They also exchange information.

The Company has eight directors, of whom three are outside directors, and of the three types of boards of directors presented by the sectional committee of the Financial System Council, the Board of Directors is classified as "a board of directors centering on outside directors." Meanwhile, the Company has a Corporate Governance Committee consisting of all outside directors and the representative director. The Company therefore has a hybrid corporate governance system, which is based on the system of a company with an Audit and Supervisory Board, but also has the function of a company with a committee system. The Company has three independent outside directors and three independent outside audit and supervisory board members to protect the interests of general shareholders.

Addressing the TSE's Corporate Governance Code

The Company regards the contents of the Corporate Governance Code put into effect June 1, 2015 by the Tokyo Stock Exchange, Inc., as important for making swift, resolute management decisions, while maintaining management transparency and fairness, and will duly consider them as it strives to increase corporate value over the medium-to-long term by achieving sustainable earnings growth and maintaining proper internal controls.

Actions that are in line with the Corporate Governance Code's general principles, and which the Company has already taken, are described below.

General Principle 1: Securing the Rights and Equal Treatment of Shareholders

The Company, in order to secure equal treatment of shareholders, has taken steps, such as participating in an electronic platform for the exercise of voting rights, and posting English-language shareholder meeting notifications on its website in an effort to enhance shareholder convenience. In the same vein, it has also instituted actions, such as sending shareholders' meeting notifications well in advance of shareholder meetings and holding shareholders' meetings on days other than those selected by large numbers of other companies, to help create conditions that allow shareholders to exercise their voting rights.

Furthermore, the Company strives to further enhance shareholder value in terms of ROE, which has been put forth as the primary indicator of management performance. Results and initiatives taken for the benefit of shareholder value are posted on the Company website, and Company performance is discussed in detail in briefings held for analysts/institutional investors and individual investors.

General Principle 2: Appropriate Cooperation with Stakeholders Other Than Shareholders

The Company has set forth a management philosophy to serve as a guideline for its interactions with society and the roles it should play and responsibilities it should bear. While striving to enhance medium-to-long-term corporate value, the Company also aims to grow together with all of its stakeholders, while deepening bonds of trust with them, in the course of all of its business activities. Toward that end, it has formulated its Code of Conduct and Guidelines for Action, and posted both on its website.

In addition, the Company Group has instituted a mutual check function within the Group, works to raise compliance awareness among executives and employees, and, to uncover violations of the Code of Conduct and Guidelines for Action early on, has adopted an internal whistleblower system together with rules protecting the identity of, and prohibiting retaliation against, whistleblowers.

General Principle 3: Ensuring Appropriate Information Disclosure and Transparency

The Company, in order to enhance management transparency and enable shareholders and other investors to properly understand and assess Company management, has instituted a system, including elements such as policies for timely disclosures, a code of conduct on information disclosures, and rules on information disclosures, as part of its effort to ensure the timely and proper disclosure of accurate company information. Furthermore, the Company actively discloses a wide range of information it believes is highly useful to shareholders. This information is disclosed through the Company's website and other channels and includes not only financial statements but also items such as monthly sales and other types of financial information, the Company's management philosophy and business plans, CSR and corporate governance information, and business information on stores and products.

To ensure the proper performance of audits by the independent auditor, the representative director, corporate audit department, members of the audit and supervisory board, and others meet regularly with the independent auditor to share information.

General Principle 4: Responsibilities of the Board

The Company, in selecting outside officers, places the greatest emphasis on independence. It has established its own requirements for independence and all six of its outside officers (3 outside directors and 3 members of the audit and supervisory board) meet these requirements. In the fiscal year ended March 31, 2015, all of the directors participated in a focused discussion of the Company Group's medium-to-long term growth strategy based on the strategic direction established by the Board of Directors.

The Corporate Governance Committee, a consultative body to the Board of Directors on all corporate governance matters at the Company, sets policies on officer remuneration, develops ways to link officer remuneration to medium-term performance, and properly weighs appointments of candidates for director and for officers with executive responsibilities.

Audit and supervisory board members, as independent observers, actively attend important internal meetings, and express their objective and properly considered opinions to management in meetings of the Board of Directors.

General Principle 5: Dialogue with Shareholders

The Company has established a dedicated IR department and designated an officer to bear primary responsibility for IR. It endeavors to maintain dialogues with shareholders and other investors, and is active in disclosing information via the Company website and other channels, holding results briefings, meeting independently with analysts and investors, pursuing overseas IR, and engaging in other forms of dialogue with shareholders and other investors.

The Representative Director and Chief Executive Officer leads IR activities, which other directors and executive officers also actively participate in. Results of these activities are shared within the Board of Directors, which also receives reports from the dedicated IR department and other information that, taken together, amounts to timely and appropriate feedback to the directors, audit and supervisory board members, and other officers.

Web For more information on corporate governance, please refer to the website below.
http://www.autobacs.co.jp/en/csr/co_gove_menu_en.html

Directors and Auditors

Directors

Setsuo Wakuda
Representative Director and Chief Executive Officer

Hironori Morimoto
Director and Vice Chief Executive Officer,
Head of Corporate Administration

Kiomi Kobayashi
Director and Vice Chief Executive Officer,
Chief AUTOBACS Chain Officer

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

Kozo Sumino
Director and Senior Executive Officer,
Head of Merchandising and Statutory Safety Inspections & Services and Merchandise Development

Noriaki Shimazaki
Director (Outside, Independent),
Member of the Corporate Governance Committee

Hatsuo Odamura
Director (Outside, Independent),
Chairman of the Corporate Governance Committee

Yoshiko Takayama
Director (Outside, Independent),
Member of the Corporate Governance Committee

Audit and Supervisory Board Members

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

Tomoaki Ikenaga
Audit and Supervisory Board Member (Outside, Independent)

Toshiki Kiyohara
Audit and Supervisory Board Member (Outside, Independent)

Yuji Sakakura
Audit and Supervisory Board Member (Outside, Independent)

Messages from Outside Directors

Noriaki Shimazaki

Director
(Outside, Independent),
Member, Corporate
Governance Committee

For the three existing businesses - the automotive goods business, the statutory safety inspections and maintenance business, and the automobile purchase and sales business - achieving quantitative targets by steadily implementing the medium-term business plan is an absolute must. Furthermore, it is imperative that the earnings base be enhanced by identifying and nurturing new businesses. As an outside director, I will offer cogent advice in both of these areas. In addition, I am aware that increasing ROE is one of the Company's most pressing concerns, and I intend to make the most of my experience to assist with matters such as making the most effective use of equity and further enhancing corporate governance.

PROFILE

April 1969:	Joined SUMITOMO CORPORATION
June 1998:	Director of SUMITOMO CORPORATION
April 2002:	Representative Director, Managing Director of SUMITOMO CORPORATION
January 2003:	Member of Business Accounting Council of Financial Services Agency
April 2004:	Representative Director, Senior Managing Director of SUMITOMO CORPORATION
April 2005:	Representative Director, Executive Vice President of SUMITOMO CORPORATION
July 2008:	Chairman, Sub-committee on Accounting of Nippon Keidanren
January 2009:	Trustee of International Financial Reporting Standards Foundation (IFRS Foundation)
July 2009:	Special Adviser of SUMITOMO CORPORATION
January 2010:	Member of the Management Advisory Committee, BNP Paribas Securities (Japan) Limited (current position)
June 2011:	Trustee of Financial Accounting Standards Foundation
June 2011:	Outside Director, AUTOBACS SEVEN Co., Ltd. (current position)
June 2011:	Chair of Self-regulation Board & Public Governor of Japan Securities Dealers Association (current position)
September 2013:	Advisor, IFRS Foundation Asia-Oceania Office (current position)
September 2013:	Advisor, The Japanese Institute of Certified Public Accountants (current position)
March 2014:	Member of the Management Advisory Committee, SBI Holdings, Inc. (current position)
June 2014	Chairman, XBRL Japan, Inc. (current position)
June 2015	Outside Director, UKC Holdings Corporation

Hatsuo Odamura

Director
(Outside, Independent),
Chairman, Corporate
Governance Committee

Given the downturn in domestic automobile sales, following developments such as last year's consumption tax hike, the automobile aftercare market is now faced with extremely difficult conditions. The Company, therefore, will have to make decisions on matters that are increasingly difficult to sort out. As an outside director, I aim to participate in board discussions, in ways consistent with the ideas laid out in the Corporate Governance Code, and intend to contribute to the Company's corporate value with decision-making that is transparent and fair.

PROFILE

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
	Director General, Imperial Guard Headquarters
January 2004:	Retired from the National Police Agency
January 2006:	Councilor, Japan Police Personnel Cooperative
February 2006:	Senior Director, Japan Urban Security
June 2006:	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)

Yoshiko Takayama

Director
(Outside, Independent),
Member, Corporate
Governance Committee

Over many years, I have worked in and otherwise been an active contributor in the fields of corporate governance and investor relations. Applying the experience and knowledge I have developed as a result, I intend to help the Company achieve sustainable growth as infrastructure for motorized societies, and contribute to the continuation of sound dialogue with shareholders. I will do this by participating in board deliberations and engaging in discussions with management, while respecting the spirit of the Corporate Governance Code.

PROFILE

April 1980	Joined the Tokyo Branch of Bank of America
June 1987	Merrill Lynch Securities, New York Headquarters
December 1990	Vice President, Tokyo Branch of Merrill Lynch Securities
December 1998	Tokyo Branch of Thomson Financial Investors Relations Asia-Pacific Regional Director
June 2001	Managing Director, J-Eurus IR Co., Ltd.
March 2003	Managing Director, Director (current position)
June 2010	Board Governor, International Corporate Governance Network
October 2010	Director, Japan Corporate Governance Network (current position)
October 2010	Member, Committee for the Study of Basic Problems in Capital Investment, Pension Fund Association for Local Government Officials (current position)
June 2015	Outside Director, AUTOBACS SEVEN (current position)

AUTOBACS Chain Store Formats and Network

Domestic (As of March 31, 2015)

AUTOBACS

Position:	Standard-type store
Annual sales per store	Approx. ¥0.4 billion
Floor space:	From 400m²
Commercial area	5 km radius

Super AUTOBACS Type I

Position:	Large format store (Flagship store)
Annual sales per store	Approx. ¥1.7 billion
Floor space:	From 1,650m²
Commercial area	20 km radius

Super AUTOBACS Type II

Position:	Large format store
Annual sales per store	Approx. ¥0.8 billion
Floor space:	From 990m²
Commercial area	10 km radius

AUTOBACS Secohan Ichiba

AUTOBACS Secohan Ichiba deals in used automotive goods, which are purchased from customers at AUTOBACS Chain stores and resold to retail customers. It also handles outlet products from manufacturers.

AUTOBACS EXPRESS

The AUTOBACS EXPRESS is a gas station type store. The Group expects that many points of driver contact inherent to service stations will send new customers to neighboring AUTOBACS stores.

AUTOBACS C@RS

AUTOBACS C@RS purchases and sells used vehicles, as well as selling new vehicles. With a few exceptions, sales areas are local.

Overseas (As of March 31, 2015)

France

Stores operated by consolidated subsidiary	9
Stores operated by franchisees	2

Thailand

Stores operated by consolidated subsidiary	5

Singapore

Stores operated by consolidated subsidiary	3

Taiwan

Stores operated by franchisees	6

Malaysia

Stores operated by franchisees	2

Number of Stores

	2011.3	2012.3	2013.3	2014.3	2015.3
Domestic	513	530	552	571	584
AUTOBACS	430	430	455	478	491
Super AUTOBACS Type I	6	6	6	6	6
Type II	70	70	70	69	69
AUTO HELLOES*	5	1	–	–	–
AUTOBACS Secohan Ichiba	21	18	14	10	10
AUTOBACS EXPRESS	7	5	7	8	8
Overseas	25	27	27	27	27
Total	538	557	579	598	611

*In the fiscal year ended March 31, 2013, the AUTO HELLOES brand was integrated with the AUTOBACS brand.

Corporate Profile/Share Information

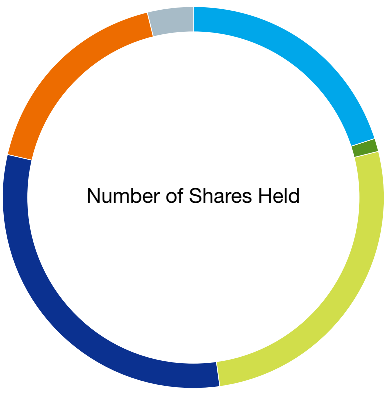
Corporate Profile (As of March 31, 2015)

Name	AUTOBACS SEVEN Co., Ltd.
Headquarters	6-52, Toyosu 5-chome, Koto-ku, Tokyo, Japan
Date of Foundation	August 1948
Paid-in Capital	¥33,998 million
Number of Employees	4,263
Main Business Offices (As of April 1, 2015)	East Japan Sales Headquarters (Ichikawa, Chiba) West Japan Sales Headquarters (Osaka, Osaka) East Japan Logistics Center (Ichikawa, Chiba) West Japan Logistics Center (Miki, Hyogo)

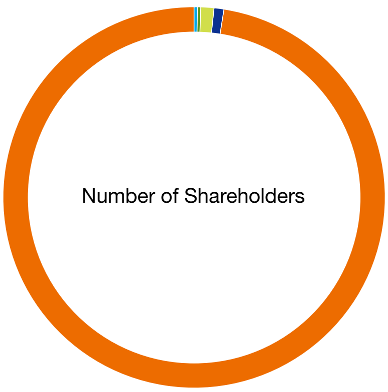
Share Information (As of March 31, 2015)

Total Number of Authorized Shares	328,206,900 shares
Common Stock Issued	89,950,105 shares (including 3,404,570 of treasury stock)
Number of Shareholders	32,238
Share Trading Unit	100 shares
Stock Listings	First Section of the Tokyo Stock Exchange
Independent Auditor	Deloitte Touche Tohmatsu LLC
Transfer Agent	The Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku

Breakdown of Shareholders (by Size of Shareholding)



Breakdown of Shareholders (by Type)

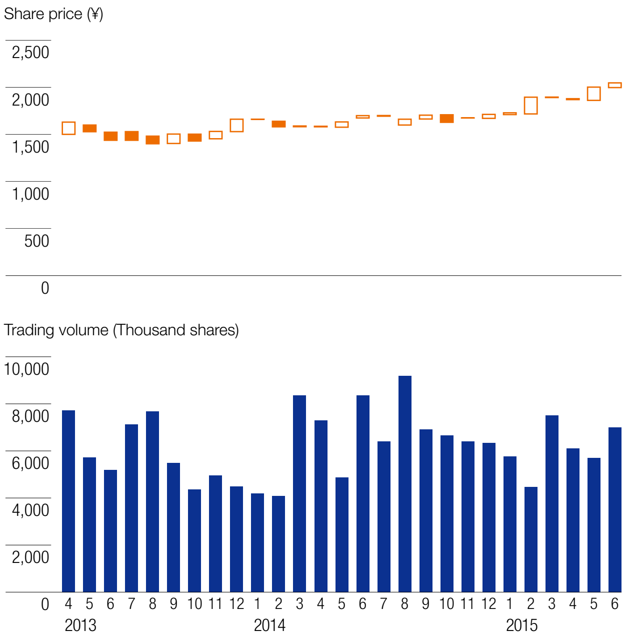


Major Shareholders

Name	Number of Shares Held (Thousands)	Shareholding Ratio (%)
Northern Trust Company (AVFC) Re Silchester International Investors International Value Equity Trust	6,934	8.01
Sumino Holdings, Ltd.	6,268	7.24
Northern Trust Company (AVFC) Re U.S. Tax Exempted Pension Funds	4,065	4.69
The Yuumi Memorial Foundation for Home Health Care	3,990	4.61
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,442	3.97
K Holdings, Ltd.	2,800	3.23
Japan Trustee Service Bank, Ltd. (Trust Account) Sumisho Holdings, Ltd.	2,573	2.97
Sumisho Holdings, Ltd.	2,400	2.77
Northern Trust Company (AVFC) Account Non-treaty	2,385	2.75
Live Field Co., Ltd.	2,000	2.31

Notes:
1. The shareholding ratio is calculated by deducting treasury shares from the total number of shares with voting rights.
2. Holdings of less than 1,000 shares have been omitted from the number of shares owned, and the shareholding ratio is rounded down to two decimal places.

Share Price



Note: A 3-for-1 stock split was implemented on April 1, 2013. Figures predating this stock split have been adjusted to reflect its impacts.

AUTOBACS SEVEN CO., LTD.

IR & PR Department, AUTOBACS SEVEN Co., Ltd.

NBF Toyosu Canal Front, 6-52, Toyosu 5-chome, Koto-ku, Tokyo, 135-8717

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FAX: +81-3-6219-8762

E-mail: investors@autobacs.com

URL: http://www.autobacs.co.jp/en/

Financial Section 2015

Contents

Consolidated Six-Year Summary

AUTOBACS SEVEN Co., Ltd. and Subsidiaries

	Millions of yen, except per share data					
Fiscal year ended on March 31 for each displayed year	**2015**	2014	2013	2012	2011	2010
FISCAL YEAR						
Net sales:						
Tires and wheels	**¥53,713**	¥58,243	¥56,351	¥55,348	¥51,416	¥47,954
Car electronics	**33,090**	40,700	44,490	58,135	59,849	63,994
Oil and batteries	**24,309**	26,142	25,568	24,406	24,566	24,246
Car exterior goods	**22,442**	24,669	24,054	23,000	23,868	22,350
Car interior goods	**19,936**	22,752	23,481	21,735	21,540	21,071
Motor sports goods	**12,894**	13,775	14,040	13,516	14,451	15,377
Services	**17,573**	20,061	19,249	18,462	17,506	16,856
Others	**25,498**	25,355	22,931	22,736	23,155	21,089
Total	**209,455**	231,697	230,168	237,343	236,351	232,937
Operating income	**6,404**	13,945	12,745	13,721	11,989	10,171
Income (loss) before income taxes and minority interests	**9,053**	16,086	13,915	15,217	11,501	10,575
Net income (loss)	**4,610**	9,786	7,590	8,403	6,180	5,866
Dividends paid	**¥5,910**	¥5,763	¥4,762	¥4,706	¥4,555	¥4,023
Consolidated dividend payout ratio	**113.6%**	59.4	64.0	57.3	75.9	77.2%
Amount of share buyback	**¥5,054**	4,593	7,196	5,464	5,233	5,374
Total return ratio	**222.2%**	105.8%	158.2%	121.6%	159.5%	168.0%
Return (loss) on sales	**2.2%**	4.2%	3.3%	3.5%	2.6%	2.5%
Return (loss) on equity	**3.3%**	6.8%	5.3%	5.7%	4.1%	3.8%
Return (loss) on assets	**2.5%**	4.8%	3.6%	3.9%	3.0%	2.7%
Per share data (Yen):						
Basic net income (loss) *	**¥52.8**	¥ 107.71	¥81.22	¥84.28	¥59.32	¥53.99
Cash dividends	**60.00**	64.00	52.00	48.33	45.00	41.66
Net cash provided by (used in) operating activities	**11,829**	12,072	10,741	¥20,845	¥15,375	¥18,949
Net cash (used in) provided by investing activities	**(2,403)**	1,519	(4,523)	(10,156)	(5,002)	(4,694)
Net cash (used in) provided by financing activities	**(12,618)**	(11,166)	(14,862)	(11,574)	(11,790)	(12,187)
Capital expenditures	**6,127**	4,820	6,249	7,691	3,187	3,061
Depreciation and amortization	**4,805**	4,551	5,194	4,644	4,798	5,207
AT YEAR-END						
Cash and cash equivalents	**42,218**	45,384	42,833	51,402	¥52,317	¥53,786
Current assets	**113,425**	126,709	127,203	141,612	133,031	133,883
Current liabilities	**34,531**	44,034	45,021	55,650	40,649	41,521
Current ratio	**328.5%**	287.8%	282.5%	254.5%	327.3%	322.4%
Total assets	**186,532**	201,481	205,527	217,949	207,795	210,652
Equity	**138,338**	143,979	142,862	145,626	147,505	151,397
Equity ratio	**74.2%**	71.5%	69.5%	66.8%	71.0%	71.9%
Total number of stores	**611**	598	579	557	538	537
Of which, overseas stores	**27**	27	27	27	25	26
Number of employees	**4,263**	4,466	4,678	4,469	4,459	4,483

*The Company conducted a 1:3 stock split on common stock, with an effective date of April 1, 2013. Net income per share data has been calculated by number of shares outstanding (excluding treasury stock) after taking into account the 1:3 stock split on common stock.

Review of Fiscal 2015

OPERATIONAL REVIEW

THE AUTOBACS CONSOLIDATED GROUP

The AUTOBACS Consolidated Group ("the Group") consists of AUTOBACS SEVEN Co., Ltd. ("the Company"), 33 subsidiaries, and 8 affiliates accounted for by the equity method. The Group is mainly engaged in the wholesale and retail sales of automotive goods and accessories in Japan and other countries, as well as safety inspection and maintenance services, purchase and sales of automobiles, and loan and credit services. The Group also provides services for franchisee companies, including money-lending, store equipment leasing, consulting, back-office agency work, and IT support, as well as casualty insurance services.

In the automotive goods business, the Group's main store brands are AUTOBACS, Super AUTOBACS, AUTOBACS Secohan Ichiba, and AUTOBACS EXPRESS. In the automobile purchase and sales business, its brand is AUTOBACS CARS.

Sales by Business Category

The Group generates revenue through three business categories: wholesale operations, retail operations, and others.

• Wholesale Operations

In wholesale operations, the Group generates revenue primarily from wholesale of automotive goods to franchisees and royalties paid by franchisees.

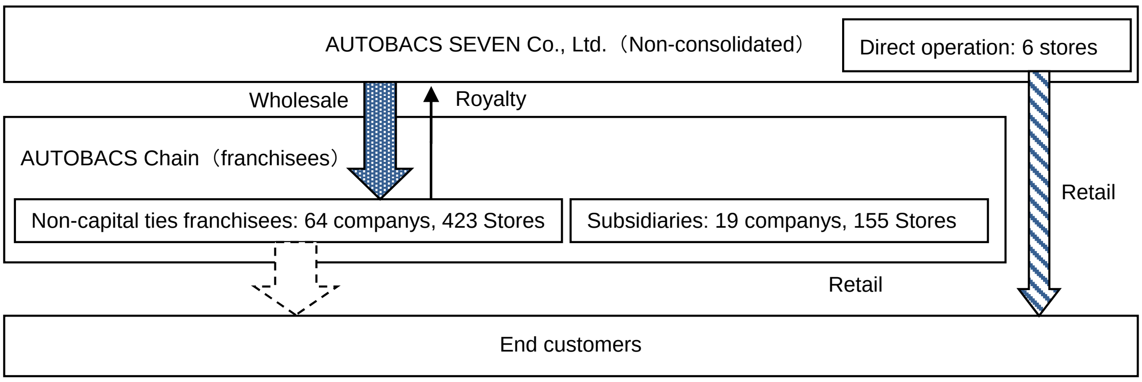
• Retail Operations

In retail operations, revenue is generated primarily through the sale of goods and services at stores that are managed directly by the Company or by its consolidated subsidiaries.

• Others

Revenue in this segment includes rental income from the lease of real estate and equipment to franchisees.

Basic business flow of domestic AUTOBACS chain in Japan (fisical 2015)



	Stores			
	2015		2014	
Stores included in consolidation (retail operations)				
Directly managed stores	**6**		6	
Consolidated subsidiaries (of which, overseas)	**173**	**(18)**	167	(17)
Subtotal	**179**		173	
Stores not included in consolidation				
Stores managed by franchisees, including stores of affiliates (of which, overseas)	**432**	**(9)**	425	(10)
Total stores (of which, overseas)	**611**	**(27)**	598	(27)

Franchise System

• Franchise Contracts

As the headquarters for franchisees, the Company grants franchisees the rights to use its trade name and corporate image and provides management know-how and infrastructure needed for store operations. In return, franchisees pay the Company royalties. Franchisees manage operations based on support and guidance from the headquarters. The aim of the franchise contracts is to ensure the mutual prosperity of the Company and franchisees.

• Royalties

Franchisees pay a fixed portion of their store sales to the Company. The fixed rate is 1.0% for main formats AUTOBACS, Super AUTOBACS.

• Store Land and Buildings

Much of the land and buildings occupied by the entire AUTOBACS Chain (“the Chain”) are not owned by the Company. In many cases, the franchisee or the landowner constructs a building on the land, and the property is then rented by the franchisee or the Company under a rental agreement. In cases where the landowner constructs the building, the Company provides a rental deposit to the landowner. This is because buildings constructed to AUTOBACS’ specifications cannot easily be adapted for other purposes. (For more details, please see Rental Deposits on page 44.)

Sales by Store Type in Japan

¥ million; Stores

		2015	2014
AUTOBACS	Sales	**171,868**	192,377
	Stores	**491**	478
Super AUTOBACS	Sales	**65,855**	74,208
	Stores	**75**	75
AUTOBACS C@RS	Sales	**22,980**	23,043
	Stores	**451**	359
AUTOBACS Secohan Ichiba	Sales	**1,449**	1,736
	Stores	**10**	10
AUTOBACS EXPRESS	Sales	**4,136**	4,017
	Stores	**8**	8
Total Sales	Sales	**266,290**	295,381
	Stores	**584**	571

Analysis of Operating Environment

Japan’s market for automotive parts and accessories has been shrinking since around fiscal 1997. It is estimated that retail sales in this market totaled ¥3,057 billion in fiscal 1997. In fiscal 2015, this market was estimated falling to approximately ¥1,700 billion*. This market shrinkage has stemmed mainly from reasons as follows.

1. Increased efforts by automakers to offer new vehicles with various equipment and accessories as standard features.
2. Fall in average selling prices of car electronics goods, such as car navigation system.
3. Decrease in average selling prices and prolonged replacement cycle of car parts, due mainly to downsizing and improved performance of automobile itself.
4. Declining of motor sports goods market, due to decrease in number of sports cars and diversification of young people’s hobbys and interests.

These tendency of market shrinkage will be continue more or less a few percent per year, however, domestic statutory inspection and maintenance market in 2014**was ¥ 2,168 billion, increased 3.3% year on year, and domestic sales of used car in 2014 *** was 5,650 thousand vehicles, decreased 0.2% year on year. Both two markets had been relavely stable and larger than automotive parts and accessories market.

* Reference: AM+NETWORK, August 2001 issues. Figure of fiscal 2015 is estimated by the Company.

** Japan Automobile Service Promotion Association

*** Japan Automobile Dealers Association, Japan Mini Vehicles Association

FISCAL 2015—OVERVIEW AND ACHIEVEMENTS

Performance Overview

During the consolidated fiscal year under review, the Japanese economy continued its modest recovery backed by the economic and monetary policies of the government and the Bank of Japan. The outlook for consumer spending remained uncertain, however, largely due to the reactionary fall from the last-minute rise in demand before the consumption tax hike coupled with a prolonged slump in consumer sentiment and increasingly thrifty consumers. As for domestic automobile-related consumption, sluggish demand for new and used cars continued following the consumption tax hike, and overall conditions were harsh.

•Overview of the Domestic AUTOBACS Chain Business

For the consolidated fiscal year under review, total sales for domestic businesses in the AUTOBACS chain (including franchise outlets) declined by 11.0% year on year on a same-store basis and by 9.9% year on year on an overall-store basis.

The domestic AUTOBACS chain has implemented projects including the AUTOBACS 40th anniversary campaign and other sales promotions, the launch of the private brand AQ. (Autobacs Quality), and new maintenance membership, with the aim of being more supported and trusted than ever by all drivers in the three segments of sales of automotive goods and services, statutory safety inspection and maintenance services, and automobile purchases and sales.

Sales of automotive goods and services declined due to a fall in car navigation unit prices and lower snowfalls in large cities than in the previous year, in addition to the reactionary fall from the last-minute demand before the consumption tax hike, sluggish new car sales, and a slowdown in consumer spending.

In the statutory safety inspection and maintenance services segment, the number of vehicles that underwent statutory safety inspections and maintenance services increased by 1.4% year on year, to 589,000. This was thanks to the increased promotion of inspections and maintenance, despite the challenging business environment during the first half due to the drop in the number of vehicles subject to the second statutory safety inspection in the fifth year since the bankruptcy of Lehman Brothers.

In the automobile purchases and sales segment, the total number of vehicles sold increased by 3.4%, to 23,900, as a result of increasing the number of CARS franchise stores from 359 at the end of the previous fiscal year to 451, implementing nationwide sales promotions, and improving vehicle sales and purchases.

In terms of the number of domestic store openings and closings, 13 new stores were opened, resulting in an increase in the total number of stores from 571 as of the end of March 2014 to 584.

*AUTOBACS and Super AUTOBACS and AUTOBACS C@RS and AUTOBACS Secohan Ichiba and AUTOBACS EXPRESS

Domestic Store Consolidation

	Stores							
		Year Ended March 2015						
		First Half			Second Half			
	March 31, 2014	New stores	S&B* relocation	Stores closed	New stores	S&B* relocation	Stores closed	March 31, 2015
AUTOBACS	478	+7			+6			491
Super AUTOBACS	75							75
AUTOBACS Secohan Ichiba	10							10
AUTOBACS EXPRESS	8							8
Total (Japan)	571	+7			+6			584

* S&B: scrap and build

Progress of the AUTOBACS 2014 Medium-Term Business Plan

The Group has executed a number of initiatives under the four-year 2014 Medium-term Business Plan that commenced in the consolidated fiscal year under review, and has actively worked on developing new businesses with the aim of achieving its goal: “Anything about cars, you find at AUTOBACS.”

(Business strategy)

The Group has established the basic plan to increase the earnings of the domestic AUTOBACS business and develop new businesses, and has been taking on the challenge of adjusting the domestic AUTOBACS business to environmental changes and developing overseas and new businesses as new income sources. In the domestic AUTOBACS business, the Group has promoted maintenance-related goods and safety inspection and maintenance services for improved convenience and security for customers and strengthened the automobile purchases and sales business.

In sales of automotive goods and services, the Group opened six “Tire Senmonkan” tire specialty stores as new locations for selling tires by the end of March 2015, and also launched the sale of AUTOBACS proprietary tires “ESPORTE AB01” in cooperation with a leading Japanese manufacturer to provide customers with high-quality goods at affordable prices. Additionally, AUTOBACS house brands were unified as “AUTOBACS QUALITY (AQ.)” under the concept of “security first.”

In its statutory safety inspection and maintenance segment, a division specializing in improving the system of selling the statutory safety inspection service, which is one of the growth sectors of AUTOBACS Group, has been established to boost the sales of this business. Further, the Group has promoted Internet reservations for safety inspections, commenced the full operation of statutory safety inspection contact centers, and promoted the introduction of maintenance packages to increase customer convenience. As a result of these efforts, the cumulative total number of vehicles that have been inspected by the AUTOBACS Group has surpassed five million.

The automobile purchase and sales segment has been developed to be operated by all stores, and 451 stores had commenced business by the end of March 2015. As a new initiative, SUZUKI CARS 43 Doi was established at Super AUTOBACS 43 Doi Store (Amagasaki, Hyogo) after being certified as a sub-agency of Suzuki Jihan Hyogo Corporation in June 2014. This allows the purchase and installation of automotive goods, constituting strength of AUTOBACS, at the same as the purchase of a new car, which serves a wide range of customer needs. In October 2014, the Group sold AUTOBACS Car Lease “Marunori,” the right to obtain maintenance services at any AUTOBACS Group store in Japan.

In the implementation of the CRM Strategy, the Group worked to strengthen ties between customers and the AUTOBACS Group by developing and analyzing customer data. The Group has developed a new customer system that allows the Group to offer goods and services that cater to each individual customer based on their purchasing history and interests and preferences.

E-commerce, which is positioned as one of the major sales channels of the AUTOBACS Group, has been strengthened continuously by improving the Group's own online shopping site. The Group worked on increasing customer satisfaction by adding the advance selection of merchandise to the online reservations for oil replacement offered by all stores, and by reducing waiting times in stores. A combination of online and physical stores has also been achieved by installing goods purchased online in stores.

In the overseas business, the Group has been focusing on the ASEAN region where future growth is anticipated while strengthening its management system by, for instance, closing unprofitable stores. In Malaysia, the Group has founded a local subsidiary that primarily sells automotive goods and provides automobile-related services. In Thailand, two new stores offering maintenance goods such as tires, engine oils, and batteries were opened, which are small yet located in a commercial district where they provide increased customer convenience. This has brought the total number of stores in Thailand to five.

(CSR and risk management)
The Company has signed an agreement with local governments to designate its stores as "homecoming support stations on disastrous occasions," which was extended to 320 stores by the end of March 2015. In addition, the Company continues to participate in cleaning activities in the neighborhood of the head office and at the foot of Mt. Fuji, as well as in environmental conservation activities based on ISO 14001 certification.

As part of its risk management, it has identified and ranked the risks to which the AUTOBACS Group is exposed, held discussions regarding measures against them among the officers, and improved its risk management. The Company has also worked on strengthening the compliance structure of the franchise companies.

FINANCIAL REVIEW

1. INCOME AND EXPENSES

Net Sales

In fiscal 2015, ended March 31, 2015, consolidated net sales amounted to ¥209,455 million decreased by 9.6% from fiscal March 2014.

¥ Million (Percentage of net sales)

	2015		2014		Increase (Decrease)
Wholesale operations	**124,279**	**(59.3%)**	132,734	(57.3%)	(8,454)
Retail operations	**82,039**	**(39.2%)**	95,541	(41.2%)	(13,501)
Others	**3,136**	**(1.5%)**	3,422	(1.5%)	(287)
Total	**209,455**	**(100.0%)**	231,697	(100.0%)	(22,242)

• Wholesale Operations

Most of the revenue in the wholesale operations segment derives from sales to franchisees. In fiscal 2015, segment sales decreased by 6.4% year on year to ¥124,279 million. Even though used car sales increased, car goods sales, such as car electronics, decreased due to the change of business environment.

• Retail Operations

The retail operations category consists of retail sales of stores that are managed directly by the Company or its consolidated subsidiaries. In fiscal 2015, sales of retail operations decreased by 14.1% year on year to ¥82,039 million. Same as wholesales operation, almost all car goods sales decreased even though used car sales increased.

• Others

Sales from other businesses decreased by 8.4% to ¥3,136 million, mainly due to a decrease in real estate rental income from domestic franchisees.

Gross Profit

Gross profit was ¥66,903 million, down by 13.0% from a year earlier as a result of decline of gross margin of car goods, especially oil, battey and motor sports goods due to sales decrease of those products. And the gross margin also decreased from 33.2% to 31.9%.

SG&A Expenses

Selling, general, and administrative (SG&A) expenses decreased to ¥60,499 million, largely due to the transfer of store subsidiaries to franchise companies, in addition to efforts made to reduce controllable expenses while increasing sales promotions.

	¥ Million		
	2015	2014	Increase (Decrease)
Personnel expenses	**28,599**	29,721	(1,122)
Employee compensation	**22,696**	23,717	(1,012)
Sales promotion expenses	**11,004**	11,200	(196)
Equipment expenses	**11,387**	12,404	(1,017)
Land and building rent	**5,160**	6,101	(941)
Depreciation	**3,569**	3,727	(158)
Administrative expenses	**9,509**	9,636	(127)
Provision for allowance for doubtful receivables	**118**	6	112
Total	**60,499**	62,962	(2,463)

Personnel expenses decreased by 3.8% to ¥28,599 million. This change was mainly due to a decrease in employee's performance-linked compensation along with a decrease in sales and profits, and personal expenses due to the transfer of stores of a subsidiary to a franchisee company.

Sales promotion expenses decreased by 1.7% to ¥11,004 million. This was mainly due to decrease of expences for sales promotion and sales support for franchisees.

Equipment expenses decreased by 8.2% to ¥11,387 million. This was mainly attributable to a decrease along with transfer of subusidiaries' stores to franchisees.

Administrative expenses decreased by 1.3% to ¥9,509 million. This was mainly due to a decrease in commissions paid.

As a result of the above factors, operating income decreased by 54.1% to ¥6,404 million.

Number of Employees by Segment

	Number of Employees				
	2015		2014		Increase (Decrease)
The Company	**1,049**	**(27)**	1,066	(28)	(17)
Domestic Store Subsidiaries	**2,446**	**(824)**	2,525	(888)	(79)
Overseas Subsidiaries	**539**	**(0)**	659	(1)	(120)
Subsidiaries for Car Goods Supply and Other	**156**	**(38)**	146	(35)	10
Subsidiaries for Supporting Functions	**73**	**(21)**	70	(21)	3
Total	**4,263**	**(910)**	4,466	(978)	(203)

Note: These figures show the number of regurar full-time employees, and part-time workers are indicated in ( ).

Other Income and Expenses

In other items, other income—net was ¥2,650million, increased from ¥2,141 million in the previous fiscal year. The main factor behind this was a gain on the sale of investment securities such as Autobacs Kanagawa Ltd. and Broadleef Co., Ltd., even though a decrease due to impairment loss on the land and buildings of stores in both domestic and abroad.

Income Taxes

Income taxes for the period were ¥4,476 million. The main factor behind this was an increase of tax rate increased as the result of the reevaluation of collectability of differed tax assets of subsidiaries.

Net Income

Net income increased by 47.1% from the previous year to ¥4,610 million, bringing basic net income per share to ¥52.8. Financial indicators all worsened; net income ratio declined from 4.2% in the previous year to 2.2%, ROA declined from 4.8% to 2.4%, and ROE declined from 6.8% in the previous year to 3.3%.

2. SEGMENT INFORMATION

The Group's segments are as follows:

The Company: The Company operates wholesale trade, selling of automobile-related goods, etc., (major products include tires and wheels and car electronics) to franchisees, and retail trade, selling and providing installation services for automobile-related goods, primarily to general consumers (major store brands are AUTOBACS, Super AUTOBACS and AUTOBACS Secohan Ichiba). It also operates a leasing business providing real estate for stores mainly to franchisees.

Domestic Store Subsidiaries: Domestic Store Subsidiaries mainly sell and provide installation services for automobile-related goods, primarily to general consumers.

Overseas Subsidiaries: Overseas Subsidiaries operate wholesale trade, selling automobile-related goods, etc., to franchisees, and retail trade, selling and providing installation services for automobile-related goods primarily to general consumers.

Subsidiaries for Car Goods Supply and Others: Subsidiaries for Car Goods Supply and Others operate wholesale trade, selling mainly automobile-related goods, etc., and engine oil.

Subsidiaries for Supporting Functions: Subsidiaries for Supporting Functions mainly operate money-lending business and leasing business, supplying loans and providing store equipment and facilities to franchisees, as well as the loan and credit business, non-life insurance agency services and office support business.

Relationship between Segments and Segmental Sales

The Company's reportable segments are the constituents of the Company for which financial information is separately available and which are subject to the board of directors' periodic review to determine allocation of managerial resources and evaluate their performance.

The Group is developing AUTOBACS franchise chains both domestically and overseas mainly for sales of automotive goods, safety inspection and maintenance services, and automobile purchase and sales, and consists of segments of Group companies engaging in these businesses in wholesale and retail operations.

Based on the above, the Group has five reportable segments: the Company, Domestic Store Subsidiaries, Overseas Subsidiaries, Subsidiaries for Car Goods Supply and Others and Subsidiaries for Supporting Functions.

The context of each segment's operations is as follows:

	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Others	Subsidiaries for Supporting Functions
Automotive goods	Wholesale-Retail	Retail	Wholesale-Retail	Wholesale	―
Safety inspection and maintenance services	Wholesale-Retail	Retail	Retail	Retail	―
Automobile purchase and sales business	Wholesale-Retail	Retail	―	Retail	―
Other	Lease business	―	―	―	Lease business

Note: 'Other' of subsidiaries for supporting functions are loan credit business, non-life insurance agency and office support business.

Profits and Losses by Segments in fiscal 2015

Non-consolidated

Sales fell by 9.2% year on year, to 166,828 million yen. Sales of automotive goods and services declined despite the increase in sales promotions implemented to boost sales in stores in response to low demand after the consumption tax hike. Gross profit declined by 11.1% year on year, to 34,673 million yen, reflecting an overall fall in sales that offset an increase in the gross profit margin for tires and wheels and etc. Selling, general, and administrative expenses increased by 0.6%, to 25,837 million yen, because advertisements and sales promotions were strengthened using mass media while efforts were primarily made to reduce controllable expenses. As a result, operating income decreased by 33.7% year on year, to 8,836 million yen.

Domestic Store Subsidiaries

Sales declined by 16.6% year on year, to 67,883 million yen, and operating loss came to 1,925 million yen (operating income of 555 million yen for the previous fiscal year). Sales of automotive goods and services and statutory safety inspection and maintenance services decreased, primarily due to the reactionary fall after the consumption tax hike and lower demand. Meanwhile, the gain on automobile purchases and sales increased year on year as a result of improved operations. Gross profit decreased due to reduced overall sales, which offset growth in the gross profit margin for tires and wheels. Selling, general, and administrative expenses decreased, largely due to the transfer of store subsidiaries to franchise companies, in addition to efforts made to reduce controllable expenses while increasing sales promotions.

Overseas Subsidiaries

Sales fell by 3.7% year on year, to 9,986 million yen, and operating loss stood at 178 million yen (operating income of 12 million yen for the previous fiscal year). Looking at the state of each country on a local currency basis, in France, sales of services were weak largely due to the recession, and sales and gross profit decreased from a year earlier, adding to the operating loss. In China, the Shanghai store was closed in September 2014 due to the restructure of the retail business in that country. As a result, net sales declined but the operating loss was reduced. In Thailand, one store was closed in the first half and two new stores were opened in the second half of the fiscal year under review. Although overall net sales declined, operating loss was reduced due to cost structure improvement. In Singapore, sales decreased as a consequence of decreasing number of newly registered automobiles. Operating income increased, however, thanks to efforts to reduce expenses.

Opening and Closing of Stores Overseas

	Stores			
		Year Ended March 2015		
	March 31, 2014	First Half	Second Half	March 31, 2015
France	11			**11**
China	1	-1		**0**
Taiwan	6			**6**
Thailand	4	-1	2	**5**
Singapore	3			**3**
Malaysia	2			**2**
Total	27	-2	2	**27**

Subsidiaries for Car Goods Supply, etc.

Sales grew by 1.5% year on year, to 15,397 million yen, and operating income decreased by 79.2%, to 53 million yen. Operating income fell from a year earlier due to an increase in expenses which was chiefly attributable to the expansion of the oil wholesale business in Palster K. K.

Subsidiaries for Supporting Functions

Sales declined by 3.1% year on year, to 3,051 million yen, partly due to a decline in sales of the leasing of store equipment to franchise companies, while operating income fell by 0.6% year on year, to 430 million yen, remaining almost unchanged from the previous fiscal year.

Information about Sales and Profit (Loss)

	¥ Million					
	Year Ended March 2015					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Others	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	124,333	66,098	9,695	8,446	883	209,455
Intersegment sales or transfers	42,496	1,785	291	6,950	2,168	53,690
Total	166,828	67,883	9,986	15,397	3,051	263,145
Segment profit	8,836	(1,925)	(178)	53	430	7,217

Details of Adjustments to Consolidated Operating Income

The adjusted amount from the aggregate amount of all segments' operating income to consolidated operating income increased by 172 million yen from the same period of the previous fiscal year, to 812 million yen. Major items contributing to the change in adjustments to consolidated amounts from the previous fiscal year included an increase in the adjusted amount of inventory due to a larger unrealized profit from merchandise sold by the Company to domestic store subsidiaries and an increase in the amount of amortization of goodwill, which was attributable to the change of franchise companies into subsidiaries.

Reconciliation of Published Figures and Aggregate of Reportable Segments

	¥ Million	
Net sales	2015	2014
Total reportable segments	**263,145**	293,845
Elimination of intersegment transactions	**(53,690)**	(62,148)
Net sales in consolidated financial statements	**209,455**	231,697

	¥ Million	
Operating Income	2015	2014
Total reportable segments	**7,217**	14,585
Elimination of intersegment transactions	**(451)**	(526)
Inventories	**(346)**	(253)
Allowance for point cards	**(24)**	(18)
Amortization of goodwill	**(191)**	(105)
Fixed assets	**358**	256
Others	**(159)**	6
Operating Income in consolidated financial statements	**6,404**	13,945

FINANCIAL POSITION

1. BALANCE SHEET ITEMS

Current Assets

Current assets decreased by ¥13,284 million year on year to ¥113,425 million. The main factors were decreases in trade notes and accounts receivables.

Property and Equipment, Investments and Other Assets

The buildings and structures was ¥39,806 million, decreased by ¥ 1,196 million year on year. This was due to the transfer of subsidiaries's stores to franchisees.

Total investments and other assets decreased by ¥469 million from the previous period to ¥33,301 million. Although softwares for strengthening of next generation store operation system increased, however investment securities along with sales of company's shares and decrease of rental deposits increased.

Current Liabilities

Total current liabilities were down by ¥953 million to ¥34,531 million. The main factors in this were decreases in current portion of long-term debt, trade notes and accounts payables and allowance for business restructuring.

Long-term Liabilities

Total long-term liabilities decreased by ¥363 million to ¥13,448 million. The main factor behind this was decrease in long-term debt.

Equity

Total equity including minority interests decreased by ¥5,810 billion to ¥138,554 million. The main factors behind this were decrese in retained earnings and increase of treasury stock.

2. SPECIAL ITEMS ON THE BALANCE SHEET

Investments in Lease

We lease store buildings and equipment to some franchisees, and record finance leases that are deemed not to transfer ownership to the lessee as investments in lease. Investments in lease for fiscal 2015 decreased by ¥102 million year on year to ¥10,999 million.

Rental Deposits

The Chain's stores are built to the specifications of AUTOBACS business and leased for periods of 15 or 20 years under an irrevocable lease. The Company pays the lessor part or all of the construction cost for a store as a rental deposit. Rental deposits at March 31, 2015 were down by ¥694 million from the previous year-end to ¥17,016 million.

CASH FLOWS

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥11,829 million. The main factors for gaining cash were income before income taxes and minority interest of ¥9,053 million and decrease in receivables of ¥9,125 million. The main factors decreasing cash were decrease in other payable and accruals of ¥4,732 million and income taxes paid of ¥4,092 million.

Cash Flows from Investing Activities

Net cash useded in investing activities was ¥2,403 million. The main factors for decrease were capital expenditures of ¥6,127 million and payments into time deposits of ¥1,063 million, and main increase factor were deposition of investment securities of ¥2,044 million and proceeds from sales of fixed assets of ¥1,361 million. Free cash flow, the sum of cash flows from operating activities and cash flows from investing activities, was a net inflow of ¥9,426 million.

•Capital Expenditures

In fiscal 2015, capital expenditures amounted to ¥6,127 million. These investments were associated mainly with acquisition of buildings and equipments for opening new stores and investments in the Company's internal information systems for renewal of store operation system. A breakdown of capital expenditures (including intangible fixed assets) in fiscal 2015 is shown below.

Major Capital Expenditures in Fiscal 2015

	¥ Million
Opening new stores	1,242
Scrap and build or relocation of stores	247
Purchase of land for store locations	525
IT investments such as POS system development	2,797
Other	1,315
Total	6,127

Capital Expenditures by Segments

	¥ Million		
	2015	2014	Increase (Decrease)
The Company	**5,166**	**4,072**	1,094
Domestic Store Subsidiaries	**266**	**220**	46
Overseas Subsidiaries	**146**	**108**	38
Subsidiaries for Car Goods Supply and Others	**176**	**25**	151
Subsidiaries for Supporting Functions	**374**	**395**	(21)
Total	**6,127**	**4,820**	1,307

Note: Amounts shown do not include cosumption tax, etc.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥12,618 million. This was mainly due to ¥5,909 million for dividends paid, ¥5,052 million for purchase of treasury stock, ¥4,203 million for repayment of long-term debt and ¥2,030 million for proceeds from long-term debt.

As a result of the above, cash and cash equivalents at the fiscal year-end stood at ¥42,218 million, decreased by ¥3,167 million from a year earlier. This includes adjustments for the effect of exchange rate changes on cash and cash equivalents; and represents net cash provided by operating activities of ¥11,829 million, net cash used in investing activities of ¥2,403 million, and net cash used in financing activities of ¥12,618 million.

Basic Policy on Distribution of Profits, Dividends for Fiscal 2015 and Fiscal 2015

The Company positions shareholder returns as one of the most important management issues and makes efforts to increase its corporate value through sustainable profit growth. The Company's basic policy on profit distribution is to maintain the consolidated ratio of dividend on equity (DOE) at 3% or higher while ensuring sufficient cash on hand for business continuity, taking into account the management environment, financial stability and earnings conditions.

For the fiscal year under review, the Company is distributing a year-end dividend of 30 yen per share as initially planned. Consequently, the annual dividend is 60 yen per share, and the consolidated ratio of dividend on equity (DOE) is 3.7%.

For the fiscal year ending March 31, 2016, the Company plans to distribute an annual dividend of 60 yen per share, with 30 yen per share each for intermediate and year-end dividends, by taking its dividend policy into consideration.

BUSINESS RISKS

The following are issues contained in this annual report concerning the Group's operating and financial conditions that are likely to have a significant bearing on the decisions of investors.

(1) Competition

It is possible that competitors in the automotive goods and accessories market could influence the Group's business performance. These competitors include not only franchisees and rival companies currently operating in the same line of business, but also automakers and dealers making a full-scale entry into the market, as well as specialty tire stores, second-hand goods stores, and outlet stores.

(2) Unusual Weather Conditions

Merchandise sold by the Chain includes seasonal products, for which the number of units sold is significantly affected by weather conditions. Accordingly, in the event of unusual weather conditions, such as cool summers and/or warm winters, the Group's business performance could be affected by lower sales for seasonal products or a shift in demand season.

(3) Future Overseas Expansion

The Chain is operating in Europe and Asia, including China. In the event that the Chain fails to respond in a timely manner to various problems and risks in these regions, its business performance could be affected. Such problems include but are not limited to the following: the local culture with respect to cars and car-related goods; competition from existing local retailers; the economic situation; the level of information infrastructure; a lack of protection for intellectual property; an unstable political situation; and outbreaks of infectious disease.

(4) Regulations Governing Opening of New Stores

The Chain's development of stores is under the regulation of the Law Concerning the Measures by Large-Scale Retail Stores for Preservation of the Living Environment. This law applies to the opening of all new stores with sales floor areas exceeding 1,000 square meters and to the expansion of existing stores that will result in sales floor areas exceeding the limit. The law's purpose is to maintain the living environment of local residents. A local prefecture or a designated city office carries out predetermined checks on noise levels, traffic congestion, waste disposal, and other factors. In opening new stores larger than 1,000 square meters, the Chain's policy is to consider the local environment from the initial planning stage and to work closely with nearby residents and the local government. Due to the aforementioned regulations and other factors, however, the Group may not be able to open new stores as planned, which could have a negative impact on its business results.

(5) Observance of Laws and Regulations

With respect to the observance of laws and regulations, the Chain is working to enhance its internal control system. The Company established the Compliance Department to enhance internal control, and set a Code of Conduct and Guidelines to ensure ethical business conduct by its directors, officers and employees. However, in the unlikely event that a director, an officer or an employee violates laws or regulations, either intentionally or unintentionally, this could result in claims for compensation, which could affect the Group's business performance. In addition, the Chain holds a huge volume of consumer information. While careful attention is paid to the handling of such information, in the event of an external leakage of customer information due to unauthorized actions or other reasons, the Group could lose credibility and its business performance could be negatively affected.

(6) Fluctuations in Product Selling and Procurement Prices, and Raw Materials Prices

Due to various factors, merchandise sold by the Chain could be subject to unexpected fluctuations in procurement prices and raw materials prices. Also, sales prices of its merchandise could rise or fall sharply due to changes in the market environment. As a result, the Group's business performance could be affected by such developments as the selling price falling below the procurement price or declines in demand due to higher prices.

(7) Natural Disasters

In regions where the Chain has stores and operational facilities, natural disasters, such as earthquakes and typhoons, could cause damage to Company facilities or harm to directors, officers, and employees. In such an event, the Group's business results could be affected by such factors as reduced sales and costs required to restore operations and recruit human resources. AUTOBACS SEVEN Co., Ltd. Annual Report 2012 10

(8) Franchisees

The Company operates as a franchisor for stores that principally provide sales of automotive goods, safety inspection and maintenance services, and automobile purchase and sales. In the event that a franchisee violates the franchise contract or laws and regulations, the business performance of the Group could be affected, irrespective of the Group's holding of equity in the franchisee.

(9) Store Operations

The Chain operates retail stores that provide sales of automotive goods, safety inspection and maintenance services, and automobile purchase and sales. These operations have risks associated with the processing of waste generated by store operations, the handling of dangerous substances, and accidents in service bays and other places on the store grounds. The occurrence of these types of events could affect the Group's business performance directly or indirectly through a reduction in customer numbers due to a deterioration of the image of the stores.

(10) Exchange Rate Fluctuations

The Group extends loans denominated in foreign currencies to its overseas subsidiaries. Because foreign currency-denominated amounts are translated into yen for preparation of financial statements, changes in exchange rates could affect the Group's business performance.

(11) Lawsuits

The Group faces many and varied risks of lawsuits arising in the course of its operations in Japan and other countries. Although internal management has been established through the preparation of an internal control system, this cannot completely eliminate risk, and there is a possibility that the Group may be named in a lawsuit filed by a concerned

Consolidated Balance Sheet

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
March 31, 2015

ASSETS	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
CURRENT ASSETS:			
Cash and cash equivalents (Note 16)	**¥42,218**	¥45,384	**$351,817**
Time deposits with an original maturity over three months (Note 16)	**526**	291	**4,383**
Marketable securities (Notes 3 and 16)		802	
Receivables (Note 16):			
Trade notes and accounts	**17,966**	21,543	**149,717**
Associated companies	**766**	988	**6,383**
Other	**19,721**	25,255	**164,341**
Allowance for doubtful receivables	**(61)**	(172)	**(508)**
Investments in lease (Notes 4 and 16)	**10,999**	12,002	**91,658**
Inventories	**16,799**	16,384	**139,992**
Deferred tax assets (Note 14)	**2,111**	1,980	**17,592**
Prepaid expenses and other current assets	**2,380**	2,252	**19,833**
Total current assets	**113,425**	126,709	**945,208**
PROPERTY AND EQUIPMENT:			
Land (Notes 5 and 8)	**22,073**	22,849	**183,942**
Buildings and structures (Notes 5 and 8)	**40,890**	41,035	**340,750**
Furniture and equipment (Note 5)	**17,426**	18,847	**145,217**
Lease assets (lessee) (Note 15)	**483**	443	**4,025**
Construction in progress	**733**	398	**6,108**
Total	**81,605**	83,572	**680,042**
Accumulated depreciation	**(41,799)**	(42,570)	**(348,325)**
Net property and equipment	**39,806**	41,002	**331,717**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 16)	**5,777**	6,035	**48,142**
Investments in associated companies (Note 16)	**1,783**	1,798	**14,858**
Rental deposits and long-term loans (Notes 7 and 16)	**17,248**	17,767	**143,733**
Goodwill (Notes 5 and 6)	**740**	880	**6,167**
Software	**4,987**	3,968	**41,558**
Deferred tax assets (Note 14)	**772**	1,375	**6,433**
Other	**1,994**	1,947	**16,617**
Total investments and other assets	**33,301**	33,770	**277,508**
TOTAL	**¥186,532**	¥201,481	**$1,554,433**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 16)	**¥800**	¥209	**$6,667**
Current portion of long-term debt (Notes 8 and 16)	**2,349**	4,329	**19,575**
Payables (Note 16):			
Trade notes and accounts	**12,772**	17,556	**106,434**
Associated companies	**1,110**	1,346	**9,250**
Other	**10,146**	12,698	**84,550**
Income taxes payable (Note 16)	**1,876**	1,818	**15,633**
Accrued expenses	**2,713**	3,043	**22,608**
Allowance for business restructuring	**82**	195	**683**
Other current liabilities (Note 10)	**2,682**	2,840	**22,350**
Total current liabilities	**34,530**	44,034	**287,750**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 16)	**3,711**	3,651	**30,925**
Liability for retirement benefits (Note 9)	**171**	342	**1,425**
Rental deposits received (Note 7):			
Associated companies	**1,151**	1,023	**9,592**
Other	**6,010**	5,941	**50,083**
Deferred tax liabilities (Note 14)	**103**	49	**858**
Other liabilities (Note 10)	**2,302**	2,078	**19,183**
Total long-term liabilities	**13,448**	13,084	**112,066**
Total liabilities	**47,978**	57,118	**399,816**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 8 and 15)			
EQUITY (Notes 11 and 20)**:**			
Common stock, authorized, 328,207 thousand shares; issued, 89,950 thousand shares in 2015 and 92,950 thousand shares in 2014	**33,999**	33,999	**283,325**
Capital surplus	**34,278**	34,278	**285,650**
Retained earnings	**72,859**	78,679	**607,158**
Treasury stock at cost, 3,433 thousand shares in 2015 and 3,431 thousand shares in 2014	**(5,700)**	(5,166)	**(47,500)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 3)	**2,225**	1,589	**18,542**
Foreign currency translation adjustments	**677**	600	**5,642**
Total	**138,338**	143,979	**1,152,817**
Minority interests	**216**	384	**1,800**
Total equity	**138,554**	144,363	**1,154,617**
TOTAL	**¥186,532**	¥201,481	**$1,554,433**

Note. Shares have been restated, as appropriate, to reflect a three-for-one stock split effected on April 1, 2013.

Consolidated Statement of Income and Comprehensive Income

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
Year Ended March 31, 2015

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
NET SALES (Note 12)	**¥209,455**	¥231,697	¥230,168	**$1,745,458**
COST OF GOODS SOLD	**142,552**	154,790	154,438	**1,187,933**
Gross profit	**66,903**	76,907	75,730	**557,525**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**60,499**	62,962	62,985	**504,158**
Operating income	**6,404**	13,945	12,745	**53,367**
OTHER INCOME (EXPENSES):				
Interest and dividend income	**185**	189	175	**1,542**
Interest expense	**(63)**	(88)	(122)	**(525)**
Commission income	**383**	470	437	**3,191**
Impairment loss (Note 5)	**(265)**	(470)	(89)	**(2,208)**
Foreign exchange (loss) gain, net	**(3)**	(53)	534	**(25)**
Lease revenue—system equipment	**1,395**	1,292	1,202	**11,625**
Lease cost—system equipment	**(1,177)**	(1,158)	(1,144)	**(9,808)**
Other—net	**2,194**	1,959	177	**18,283**
Other income (expenses)—net	**2,649**	2,141	1,170	**22,075**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**9,053**	16,086	13,915	**75,442**
INCOME TAXES (Note 14):				
Current	**4,174**	4,311	5,912	**34,783**
Deferred	**302**	1,962	435	**2,517**
Total	**4,476**	6,273	6,347	**37,300**
NET INCOME BEFORE MINORITY INTERESTS	**4,577**	9,813	7,568	**38,142**
MINORITY INTERESTS	**(33)**	27	(22)	**(275)**
NET INCOME	**4,610**	9,786	7,590	**38,417**
MINORITY INTERESTS	**33**	(27)	22	**275**
NET INCOME BEFORE MINORITY INTERESTS	**4,577**	9,813	7,568	**38,142**
OTHER COMPREHENSIVE INCOME (Note 17):				
Unrealized gain on available-for-sale securities	**628**	315	1,217	**5,233**
Foreign currency translation adjustments	**93**	499	417	**775**
Share of other comprehensive income of associates	**7**	2	3	**58**
Total other comprehensive income	**728**	816	1,637	**6,066**
COMPREHENSIVE INCOME	**¥5,305**	¥10,629	¥9,205	**$44,208**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	**¥5,323**	¥10,597	¥9,197	**$44,358**
Minority interests	**(18)**	32	8	**(150)**

	Yen			
PER SHARE OF COMMON STOCK (Notes 2.S and 18):				
Basic net income	**¥52.83**	¥107.71	¥81.22	**$0.44**
Cash dividends applicable to the year	**60.00**	64.00	52.00	**0.5**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
Year Ended March 31, 2015

	Thousands		Millions of yen								
							Accumulated other comprehensive income				
	Issued Number of Shares of Common Stock	Number of Shares of Treasury Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	102,755	4,828	¥33,999	¥34,278	¥83,074	¥(5,496)	¥52	¥ (281)	¥145,626	¥568	¥146,194
Net income					7,590				7,590		7,590
Retirement of treasury stock	(4,805)	(4,805)			(5,464)	5,464					
Purchase of treasury stock		5,405				(7,199)			(7,199)		(7,199)
Appropriations:											
Cash dividends, ¥50 per share					(4,762)				(4,762)		(4,762)
Net changes of items							1,220	387	1,607	(129)	1,478
BALANCE, MARCH 31, 2013 (as previously reported)	97,950	5,428	33,999	34,278	80,438	(7,231)	1,272	106	142,862	439	143,301
Cumulative effect of accounting change					64				64		64
BALANCE, MARCH 31, 2013 (as restated)	97,950	5,428	33,999	34,278	80,502	(7,231)	1,272	106	142,926	439	143,365
Net income					9,786				9,786		9,786
Retirement of treasury stock	(5,000)	(5,000)			(6,660)	6,660					
Purchase of treasury stock		3,003				(4,595)			(4,595)		(4,595)
Appropriations:											
Cash dividends, ¥54 per share					(4,949)				(4,949)		(4,949)
Net changes of items							317	494	811	(55)	756
BALANCE, MARCH 31, 2014	92,950	3,431	33,999	34,278	78,679	(5,166)	1,589	600	143,979	384	144,363
Net income					4,610				4,610		4,610
Retirement of treasury stock	**(3,000)**	**(3,000)**			**(4,520)**	**4,520**					
Purchase of treasury stock		**3,002**				**(5,054)**			**(5,054)**		**(5,054)**
Appropriations:											
Cash dividends, ¥67 per share					**(5,910)**				**(5,910)**		**(5,910)**
Net changes of items							**636**	**77**	**713**	**(168)**	**545**
BALANCE, MARCH 31, 2015	**89,950**	**3,433**	¥33,999	¥34,278	¥72,859	¥(5,700)	¥2,225	¥677	¥138,338	¥216	¥138,554

Note. Shares and per share figures have been restated, as appropriate, to reflect a three-for-one stock split effected on April 1, 2013.

	Thousands of U.S. dollars (Note 1)								
					Accumulated other comprehensive income				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014	$283,325	$285,650	$655,658	$(43,050)	$13,242	$5,000	$1,199,825	$3,200	$1,203,025
Net income			38,417				38,417		38,417
Retirement of treasury stock			(37,667)	37,667					
Purchase of treasury stock				(42,117)			(42,117)		(42,117)
Appropriations:									
Cash dividends, $0.56 per share			(49,250)				(49,250)		(49,250)
Net changes of items					5,300	642	5,942	(1,400)	4,542
BALANCE, MARCH 31, 2015	**$283,325**	**$285,650**	**$607,158**	**$(47,500)**	**$18,542**	**$5,642**	**$1,152,817**	**$1,800**	**$1,154,617**

See notes to consolidated financial statement.

Consolidated Statement of Cash Flows

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries
Year Ended March 31, 2015

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2015
OPERATING ACTIVITIES:				
Income before income taxes and minority interests	**¥9,053**	¥16,086	¥13,915	**$75,442**
Adjustments for:				
Income taxes paid	**(4,092)**	(4,939)	(8,320)	**(34,100)**
Depreciation and amortization	**4,805**	4,551	5,194	**40,042**
Impairment loss	**265**	470	89	**2,208**
(Decrease) increase in allowance for business restructuring	**(113)**	6	(102)	**(942)**
(Gain) loss on sale of investment securities	**(659)**	(134)	468	**(5,492)**
Gain on sales of stocks of subsidiaries and affiliates	**(402)**			**(3,350)**
Litigation settlement paid		(859)		
Changes in operating assets and liabilities:				
Decrease (increase) in receivables	**9,241**	(6,925)	2,264	**77,009**
Decrease in investments in lease	**1,253**	269	948	**10,442**
(Increase) decrease in inventories	**(468)**	436	210	**(3,900)**
Decrease in other payables and accruals	**(4,733)**	(4,188)	(2,798)	**(39,442)**
Other	**(2,321)**	7,299	(1,127)	**(19,342)**
Net cash provided by operating activities	**11,829**	12,072	10,741	**98,575**
INVESTING ACTIVITIES:				
Payments into time deposits	**(1,063)**	(1,278)	(13,331)	**(8,858)**
Proceeds from withdrawal of time deposits	**808**	6,408	13,093	**6,733**
Capital expenditures	**(6,127)**	(4,820)	(6,249)	**(51,058)**
Proceeds from sales of fixed assets	**1,361**	22	224	**11,342**
Acquisition of investment securities	**(1)**	(1)	(2,156)	**(8)**
Disposition of investment securities	**2,044**	1,146	2,927	**17,033**
Proceeds from sales of marketable securities			1,500	
Payments for marketable securities			(499)	
Payments for advances and rental deposits	**(572)**	(435)	(899)	**(4,767)**
Collection of advances and rental deposits	**499**	838	910	**4,158**
Purchase of affiliates' stock	**(251)**	(387)		**(2,092)**
Proceeds from acquisition of subsidiaries' stock resulting in change in scope of consolidation			141	
Proceeds from sales of subsidiaries' stock resulting in change in scope of consolidation	**545**			**4,542**
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation			(257)	
Other	**354**	26	73	**2,950**
Net cash (used in) provided by investing activities	**(2,403)**	1,519	(4,523)	**(20,025)**
FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings	**591**	(433)	(5)	**4,925**
Repayment of long-term debt	**(4,203)**	(1,588)	(5,069)	**(35,025)**
Proceeds from long-term debt	**2,030**	520	2,470	**16,917**
Purchase of treasury stock	**(5,052)**	(4,593)	(7,196)	**(42,100)**
Dividends paid	**(5,909)**	(4,949)	(4,762)	**(49,241)**
Other	**(75)**	(123)	(300)	**(625)**
Net cash used in financing activities	**(12,618)**	(11,166)	(14,862)	**(105,149)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**25**	126	75	**208**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,167)**	2,551	(8,569)	**(26,391)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**45,385**	42,833	51,402	**378,208**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥42,218**	¥45,384	¥42,833	**$351,817**
ACQUISITION OF SUBSIDIARIES:				
Fair value of assets acquired			¥1,600	
Liabilities assumed			(1,277)	
Goodwill			274	
Acquisition cost			597	
Cash and cash equivalents held by subsidiaries			481	
Cash paid for capital			¥(116)	
SALES OF SUBSIDIARIES:				
Assets by sales	**¥580**			**$4,834**
Liabilities by sales	**(402)**			**(3,350)**
Gain on sales of subsidiarie's stocks	**402**			**3,350**
Sales cost	**580**			**4,834**
Cash and cash equivalents held by subsidiaries	**(35)**			**(292)**
Cash received for sales	**¥545**			**$4,542**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

AUTOBACS SEVEN Co., Ltd. and its Subsidiaries

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

The accompanying consolidated financial statements of AUTOBACS SEVEN Co., Ltd. (the "Company") and its subsidiaries (together the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with generally accepted accounting principles in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS).

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

In addition, certain reclassifications and rearrangements have been made in the consolidated financial statements for the years ended March 31, 2014 and 2013, to conform to the classifications and presentations used in the consolidated financial statements for the year ended March 31, 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120 to $1, the approximate rate of exchange on March 31, 2015. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

A. CONSOLIDATION POLICY

The consolidated financial statements of March 31, 2015, include the accounts of the Company and all subsidiaries (30 in 2015, 33 in 2014, and 35 in 2013).

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in all associated companies (9 in 2015, 8 in 2014, and 7 in 2013) are accounted for by the equity method. The cost in excess of net assets of the subsidiaries and associated companies at the time of acquisition, which cannot be specifically assigned to individual assets, is amortized on the straight-line basis over 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions between the Companies is also eliminated.

B. UNIFICATION OF ACCOUNTING POLICIES APPLIED TO FOREIGN SUBSIDIARIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

In May 2006, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and 5) exclusion of minority interests from net income, if contained in net income.

C. UNIFICATION OF ACCOUNTING POLICIES APPLIED TO FOREIGN ASSOCIATED COMPANIES FOR THE EQUITY METHOD

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material:
(1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity through other comprehensive income;
(3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; and (5) exclusion of minority interests from net income, if contained in net income.

D. BUSINESS COMBINATIONS

In October 2003, the Business Accounting Council issued a Statement of Opinion, “Accounting for Business Combinations,” and in December 2005, the ASBJ issued ASBJ Statement No. 7, “Accounting Standard for Business Divestitures” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures.”

The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation.

E. CASH EQUIVALENTS

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

F. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities are classified and accounted for, depending on management’s intent, as follows:

(1) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

All marketable securities held by the Companies are classified as held-to-maturity debt securities or available-for-sale securities.

The cost of securities sold is determined based on the average method.

Nonmarketable available-for-sale securities are stated at cost determined by the average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

The Company reviews the fair value of its investment securities on a regular basis to determine if the fair value of any individual security has declined below its cost and if such decline is other than temporary. If the decline in value is judged to be other than temporary, the cost basis of the security is written down to fair value. The resulting realized loss is included in the consolidated statement of income and comprehensive income in the period in which the decline was deemed to be other than temporary.

Hybrid financial instruments, from which an embedded derivative cannot be separated, are stated at fair value and gains or losses are recognized in the consolidated statement of income and comprehensive income.

G. INVENTORIES

Inventories before distribution to stores or franchisees are stated at the lower of cost, determined by the moving average method, or net selling value. Inventories held at stores are stated at the lower of cost, determined by the moving average method, or net selling value.

(Accounting Change)

Prior to April 1, 2013, the Companies’ merchandise for the retail business was costed using the retail method. Effective April 1, 2013, however, the Companies changed the method of costing for merchandise for the retail business to the moving average method.

The accounting policy change was made in association with the full-scale operation of a new product management system that was launched on April 1, 2013, to manage the profitability of products meticulously and address customer needs more appropriately.

Due to the full-scale launch of a new product management system on April 1, 2013, it became impossible to obtain some of the detailed shipping/receiving records for previous fiscal years, which also made it practically impossible to compute the cumulative effect of the new accounting method being retrospectively applied as of April 1, 2012. Therefore, the cumulative effect of this change in accounting policy reflected in the balance as of April 1, 2013, was computed based on the difference between the book value of the merchandise as of April 1, 2013, which was costed by the moving average method, and that as of March 31, 2013, which was costed by the retail method. However, the effect of this change is insignificant.

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

H. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost.

Depreciation is principally computed by the declining-balance method over the estimated useful lives of the assets. Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

Estimated useful lives are as follows:

Buildings and structures: 3 to 45 years
Furniture and equipment: 2 to 20 years

I. LONG-LIVED ASSETS

The Companies review their long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset or asset group exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

J. GOODWILL

Goodwill is amortized on a straight-line basis over 20 years.

K. PURCHASED SOFTWARE

Purchased software was recorded as other assets and is amortized over 5 to 10 years.

L. RETIREMENT AND PENSION PLAN

The Company and subsidiaries adopt a defined contribution pension plan and non-savings-defined benefits pension plan to appropriate retirement benefits for employees.

The Company and certain subsidiaries sponsor a defined contribution pension plan. The Company also sponsors a domestic contributory welfare pension plan of an automobile-related company group (Osaka Automobile Maintenance Employee Pension Fund). The Company cannot estimate the amount of the plan assets corresponding to the Company's contribution reasonably and treats them as the same as the defined contribution pension plan.

The Companies recorded expenses for the defined contribution pension plan and the welfare pension plan when the contribution was made. Some subsidiaries accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at each balance sheet date by the simplified method.

In some subsidiaries, retirement allowances for directors are recorded to state the liability at the amount that would be required if all directors retired at each balance sheet date. Certain subsidiaries revised their compensation plan in April 2005 and no additional provisions have been recorded for retirement benefits to be paid to those directors since April 2005.

M. ASSET RETIREMENT OBLIGATIONS

In March 2008, the ASBJ issued ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value in each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

Overview of the asset retirement obligations:

For the most part, these comprise obligations to return land used for stores to its original condition under real estate lease contracts.

Method of calculating amounts of asset retirement obligations:

The amount of asset retirement obligations is calculated using either the period of an applicable real estate lease contract or the useful life of property and equipment as the expected period of use, and the interest rate of government bonds for that period on the date of calculation as the discount rate.

N. ALLOWANCE FOR BUSINESS RESTRUCTURING

The allowance for business restructuring is stated in amounts based on the estimation of potential losses from the Company's previous investments.

O. LEASE ACCOUNTING

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue be accounted for as operating lease transactions.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee be recognized as investments in lease.

Recognition of revenues

Revenue and cost of finance leases are recognized when each lease payment becomes due.

P. INCOME TAXES

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income and comprehensive income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

Q. FOREIGN CURRENCY ITEMS

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at each balance sheet date.

The foreign exchange gains and losses from translation are recognized in the consolidated statement of income and comprehensive income to the extent that they are not hedged by forward exchange contracts. Other exchange gains and losses are recognized in the fiscal periods in which they occur.

R. FOREIGN CURRENCY FINANCIAL STATEMENTS

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical exchange rates. Differences arising from such translations are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

S. PER SHARE INFORMATION

Basic net income per share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.
Diluted net income per share is not disclosed because the effect of potential common shares is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income and comprehensive income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

On April 1, 2013, the Company effected a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on February 27, 2013. All prior years' shares and per share figures have been restated to reflect the impact of the stock split, and to provide data on a basis comparable to the years ended March 31, 2013. Such restatements include calculations regarding the Company's weighted-average number of common shares, EPS, and cash dividends per share.

T. DERIVATIVES AND HEDGING ACTIVITIES

The Companies use derivative financial instruments to manage their exposure to fluctuations in foreign exchange and interest rates. Currency swap contracts are utilized by the Companies to reduce foreign currency exchange and interest rate risks. The Companies do not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

(1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income, and

(2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The currency swap contracts employed to hedge foreign exchange exposures for import transactions are measured at fair value and the unrealized gains/losses are recognized in income.

U. ACCOUNTING CHANGES AND ERROR CORRECTIONS

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies:
When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation:
When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates:
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors:
When an error in prior-period financial statements is discovered, those statements are restated.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
CURRENT:			
Debt securities		¥802	
NON-CURRENT:			
Equity securities	**¥5,777**	¥6,035	**$48,142**
Total	**¥5,777**	¥6,035	**$48,142**

The carrying amounts and aggregate fair values of marketable and investment securities for which market quotations were available as of March 31, 2015 and 2014, were as follows:

	Millions of yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,432**	**¥3,288**	**¥44**	**¥5,676**

	Millions of yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,506	¥2,535	¥107	¥5,934
Debt securities	801	1		802

	Thousands of U.S. dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$20,267**	**$27,400**	**$367**	**$47,300**

Available-for-sale and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2015 and 2014, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Securities classified as:			
Available-for-sale:			
Equity securities	¥101	¥101	$842

Proceeds from sales of available-for-sale securities for the years ended March 31, 2015, 2014 and 2013, were ¥1,736 million ($14,467 thousand), ¥146 million and ¥525 million, respectively. Gross realized gains on these sales, computed on the moving average cost basis, for the years ended March 31, 2015 and 2014, were ¥659 million ($5,492 thousand) and ¥134 million, respectively. Gross realized losses on these sales for the year ended March 31, 2013, were ¥468 million.

4. INVESTMENTS IN LEASE

A breakdown of investments in lease as of March 31, 2015 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gross lease receivables	¥12,957	¥14,340	$107,975
Unearned interest income	(2,085)	(2,483)	(17,375)
Asset retirement obligations	127	145	1,058
Investments in lease	¥10,999	¥12,002	$91,658

The Company leases store buildings, which are constructed by the Company, to its franchisees under noncancelable lease terms generally over 20 years. In certain cases, the Company receives non-interest-bearing rental deposits from the lessees and such rental deposits are refunded to the lessees when the lease term expires.

A finance subsidiary of the Company also leases equipment to the franchisees under noncancelable lease agreements over five to six years.

Maturities of investment in lease for finance leases that deem not to transfer ownership of the leased property to the lessee as of March 31, 2015, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥2,123	$17,692
2017	1,990	16,583
2018	1,672	13,933
2019	1,368	11,400
2020	1,190	9,917
2021 and thereafter	4,614	38,450
Total	¥12,957	$107,975

5. LONG-LIVED ASSETS

The Companies reviewed their long-lived assets for impairment for the years ended March 31, 2015, 2014 and 2013, and, as a result, recognized an impairment loss of ¥265 million ($2,208 thousand), ¥470 million, and ¥89 million, respectively, on rental assets, stores, idle assets and goodwill. The carrying amount of the relevant fixed assets was written down to the recoverable amount. The recoverable amount of those fixed assets was measured at the net selling price determined by quotations from real estate appraisers and their value in use, and the discount rate used for computation of the present value of future cash flows was the Company's weighted-average cost of capital. The net sales value of leased assets is calculated based on the estimated sales prices.

Impairment losses of long-lived assets and the weighted-average cost of capital for the years ended March 31, 2015, 2014 and 2013 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	2015
Land	¥19	¥71	¥30	$159
Buildings and structures	145	392	51	1,208
Furniture and equipment	13	7	8	108
Goodwill	88			733
Total	¥265	¥470	¥89	$2,208
	2015	2014	2013	
Weighted-average cost of capital	7.19%	8.50%	10.02%	

6. GOODWILL

Goodwill as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Consolidation goodwill	**¥60**	¥105	**$500**
Purchased goodwill	**680**	775	**5,667**
Total	**¥740**	¥880	**$6,167**

7. RENTAL DEPOSITS AND LONG-TERM LOANS

A breakdown of rental deposits and long-term loans as of March 31, 2015 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
RENTAL DEPOSITS TO:			
Lessors for distribution facilities and stores of the Companies	**¥8,767**	¥9,513	**$73,058**
Lessors for stores of franchisees	**6,933**	6,883	**57,775**
Other	**1,316**	1,313	**10,967**
Total rental deposits	**17,016**	17,709	**141,800**
LOANS TO:			
Franchisees	**232**	93	**1,933**
Total loans	**232**	93	**1,933**
Allowance for doubtful receivables		(35)	
Total	**¥17,248**	¥17,767	**$143,733**

The Companies' operations are conducted in freestanding buildings, a substantial portion of which have been constructed to the Company's specifications and are leased to the Company under noncancelable lease terms generally over 20 years. The lease terms are renewable upon expiration. Usually, the Company provides funds to the lessors in whole or in part for the construction costs of the leased buildings in the form of rental deposits which are non-interest-bearing.

Rental deposits are refundable over the lease term or are refundable upon expiration of the lease term. If the Company cancels the lease agreements during the lease term, the outstanding rental deposits are not refunded. The Company has not experienced significant loss from the forfeiture of rental deposits as a result of cancellation of the lease agreements before expiration.

The Company has leased certain store buildings for which the Company has made rental deposits to lessors and subleased such stores to franchisees. The Company also receives non-interest-bearing rental deposits from the sublessees. Such rental deposits received are presented in long-term liabilities in the consolidated balance sheets. Some of the above-mentioned leases were accounted for as operating leases, and rent expense paid to the lessors and rental income from sublessees have been set off in the consolidated statement of income and comprehensive income.

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2015 and 2014, consisted of notes to banks and other. The annual interest rates applicable to the short-term borrowings at March 31, 2015 and 2014, ranged from 0.4% to 1.2% and from 0.9% to 1.5%, respectively.

Long-term debt and lease obligations at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Bonds	**¥15**	¥65	**$125**
Loans from banks and other, due serially to 2019 with interest rates ranging from 0.4% to 2.1% (2015) and from 0.3% to 2.1% (2014) and other:			
Unsecured	**4,142**	6,273	**34,517**
Collateralized	**183**	225	**1,525**
Lease obligations	**1,720**	1,417	**14,333**
Total	**6,060**	7,980	**50,500**
Less current portion	**2,349**	4,329	**19,575**
Long-term debt, less current portion	**¥3,711**	¥3,651	**$30,925**

Annual maturities of long-term debt and lease obligations at March 31, 2015, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2016	**¥2,349**	**$19,575**
2017	**928**	**7,733**
2018	**1,621**	**13,509**
2019	**174**	**1,450**
2020	**130**	**1,083**
2021 and thereafter	**858**	**7,150**
Total	**¥6,060**	**$50,500**

As of March 31, 2015, buildings and land of ¥269 million ($2,242 thousand) were pledged as collateral for payables, short-term borrowings and long-term debt. As is customary in Japan, the Companies maintain substantial deposit balances with banks with which they have borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks, and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Companies have never been requested to provide any additional collateral.

9. RETIREMENT AND PENSION PLAN

The Company and subsidiaries adopt a defined contribution pension plan and non-savings-defined benefits pension plan to appropriate retirement benefits for employees.

The Company and certain subsidiaries sponsor a defined contribution pension plan. The Company also sponsors a domestic contributory welfare pension plan of an automobile-related company group (Osaka Automobile Maintenance Employee Pension Fund). The Company cannot estimate the amount of the plan assets corresponding to the Company's contribution reasonably and treats them as the same as the defined contribution pension plan. In the unfunded employee retirement payment plans, some subsidiaries accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at each balance sheet date by the simplified method.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum retirement payment from certain subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, compared to those with termination by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The domestic contributory welfare pension plan of an automobile-related company group covers substantially all of its Japanese employees. The benefits of the welfare pension plan are based on years of service and on the average compensation during years of service and subject to governmental regulations. The welfare plan consists of a basic component, which has been specified by the Japanese government's welfare pension regulations, and an additional component established by the automobile-related company group.

Some subsidiaries have a retirement payment plan for directors. The liability for retirement benefits for directors at March 31, 2015 and 2014, is ¥88 million ($733 thousand) and ¥152 million, respectively. The retirement benefits for directors are paid subject to the approval of the shareholders.

(1) Details of the defined contribution pension plan was as follows:

Required contribution amounts to the defined contribution pension plan for the years ended March 31, 2015 and 2014, were ¥266 million ($2,217 thousand) and ¥274 million, respectively.

(2) Details of the welfare pension plan under which required contribution amounts were treated as retirement benefit expenses were as follows:

Required contribution amounts to the welfare pension plan as of March 31, 2015 and 2014, were ¥425 million ($3,542 thousand) and ¥372 million, respectively.

The funded status of the entire plan was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Plan assets	**¥28,547**	¥26,596	**$237,892**
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	**38,543**	37,824	**321,192**
Difference	**¥(9,996)**	¥(11,228)	**$(83,300)**

Note. This item was presented as "Retirement benefit obligations under the welfare plan" in the previous year.

The main factors for the difference were prior service costs (¥10,797 million ($89,975 thousand) and ¥6,935 million for the years ended March 31, 2015 and 2014, respectively), and surplus (¥801 million ($6,675 thousand) for the year ended March 31, 2015) and losses carried forward (¥4,293 million for the year ended March 31, 2014). The Company has paid special contributions as prior service cost over 20 years. The amounts of special contributions made and charged to income were ¥217 million ($1,808 thousand) and ¥168 million for the years ended March 31, 2015 and 2014, respectively.

Ratio of the Company's payment contributions for the entire plan:
24.7% (April 1, 2012 to March 31, 2013)
24.4% (April 1, 2013 to March 31, 2014)
The ratio of payment contributions does not correspond to the Company's actual share of plan assets.

(3) Details of the defined benefits pension plan were as follows:
The changes in defined benefit obligation in accordance with the simplified method for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥189**	¥221	**$1,575**
Net periodic retirement benefit costs	**25**	30	**209**
Benefits paid	**(18)**	(13)	**(150)**
Amount of the partial transfer of the defined benefit pension plans to the defined contribution pension plans	**(111)**	(52)	**(925)**
Others	**(2)**	3	**(17)**
Balance at end of year	**¥83**	¥189	**$692**

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unfunded defined benefit obligation	**¥83**	¥189	**$692**
Net liability for defined benefit obligation	**¥83**	¥189	**$692**

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Liability for retirement benefits	**¥83**	¥189	**$692**
Net liability for defined benefit obligation	**¥83**	¥189	**$692**

Net periodic retirement benefit cost:
Net periodic retirement benefit costs in accordance with the simplified method for the years ended March 31, 2015 and 2014, were ¥25 million ($209 thousand) and ¥30 million, respectively.

(Special Dissolution of Pension Fund for Employees)
The board of representatives of the Osaka Automobile Maintenance Employee Pension Fund resolved to authorize the dissolution of the Fund at the meeting held on April 13, 2015. The Fund has submitted the application to the Minister of Health, Labour and Welfare on April 22, and received approval on May 28, 2015. The Company does not estimate any impact on its cost from the dissolution of the Fund.

10. ASSET RETIREMENT OBLIGATIONS

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥2,006**	¥1,984	**$16,717**
Additional provisions associated with the acquisition of property and equipment	**120**	41	**1,000**
Reconciliation associated with passage of time	**43**	37	**358**
Reduction associated with settlement of asset retirement obligations	**(4)**	(37)	**(33)**
Other	**(11)**	(19)	**(92)**
Balance at end of year	**¥2,154**	¥2,006	**$17,950**

11. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirement.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reserved without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

On April 1, 2013, the Company effected a three-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on February 27, 2013.

c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. SALES

The Companies sell automobile-related products primarily to domestic customers directly or to franchisees, including certain affiliates with which the Companies have franchise agreements.

Net sales made to franchisees for the years ended March 31, 2015, 2014 and 2013, aggregated to approximately 59%, 57% and 57% of the consolidated net sales, respectively.

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The main components of "Selling, general and administrative expenses" for the years ended March 31, 2015, 2014 and 2013, were as follows:

	Millions of yen			Thousands of U.S. dollars
Year Ending March 31	**2015**	2014	2013	**2015**
Employee salaries and allowances	**¥22,696**	¥23,717	¥23,415	**$189,133**
Net periodic retirement benefit costs	**716**	672	680	**5,967**
Rent payment	**5,160**	6,101	6,106	**43,000**
Depreciation	**3,725**	3,727	4,359	**31,042**
Provision for allowance for doubtful receivables	**118**	6	83	**983**

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 36.0%, 38.0% and 38.0% for the years ended March 31, 2015, 2014 and 2013, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
DEFERRED TAX ASSETS:			
Receivables	**¥32**	¥173	**$267**
Accrued enterprise taxes	**169**	128	**1,408**
Accrued bonuses	**224**	256	**1,867**
Inventories	**1,002**	1,015	**8,350**
Depreciation and impairment loss	**3,762**	4,429	**31,350**
Provision for business restructuring	**26**	67	**217**
Investments in lease	**397**		**3,308**
Investments	**101**	112	**842**
Other accounts payable	**618**	985	**5,150**
Tax loss carryforwards	**3,217**	2,585	**26,808**
Other	**931**	924	**7,758**
Less valuation allowance	**(5,664)**	(5,325)	**(47,200)**
Total deferred tax assets	**4,815**	5,349	**40,125**

DEFERRED TAX LIABILITIES:			
Property and equipment	**439**	493	**3,658**
Undistributed earnings of associated companies	**294**	366	**2,450**
Unrealized gains on available-for-sale securities	**1,037**	850	**8,642**
Other	**265**	334	**2,208**
Total deferred tax liabilities	**2,035**	2,043	**16,958**
Net deferred tax assets	**¥2,780**	¥3,306	**23,167**

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2015 and 2013, and the actual effective tax rates reflected in the accompanying consolidated statements of income and comprehensive income was as follows:

	2015	2013
Normal effective statutory tax rate	36.0%	38.0%
Expenses not deductible for income tax purposes	1.6	0.5
Dividend and other income not taxable	(2.9)	
Per-capita inhabitants' tax	0.8	0.6
Changes in valuation allowance	8.4	5.8
Amortization of goodwill	0.4	0.6
Effect of tax rate reduction	2.7	
Other—net	2.5	0.1
Actual effective tax rate	49.5%	45.6%

For the year ended March 31, 2014, a reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income and comprehensive income is not presented herein as it is less than 5 - 100ths of the normal effective statutory tax rate.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38% to 36%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥102 million ($990 thousand) and to increase income taxes—deferred in the consolidated statement of income and comprehensive income for the year then ended by ¥102 million ($990 thousand).

At March 31, 2015, certain subsidiaries had tax loss carryforwards aggregating approximately ¥13,094 million ($109,116 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2016	**¥85**	**$708**
2017	**77**	**642**
2018	**463**	**3,858**
2019	**186**	**1,550**
2020	**276**	**2,300**
2021	**427**	**3,558**
2022	**856**	**7,133**
2023	**170**	**1,417**
2024 and thereafter	**10,554**	**87,950**
Total	**¥13,094**	**$109,116**

15. LEASES

The Companies lease certain machinery, computer equipment, office space, and other assets.

Total rental expenses for the years ended March 31, 2015, 2014 and 2013, were ¥5,449 million ($45,408 thousand), ¥6,405 million and ¥6,442 million, respectively, including ¥225 million ($1,875 thousand), ¥354 million and ¥366 million of lease payments under finance leases.

Pro forma information of leased property that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2015 and 2014, was as follows:

	As of March 31,2015		As of March 31, 2014	
	Millions of yen		Millions of yen	
	Building and Land	Total	Building and Land	Total
Acquisition cost	**¥3,098**	**¥3,098**	¥4,552	¥4,552
Accumulated depreciation	**2,057**	**2,057**	3,158	3,158
Net leased property	**¥1,041**	**¥1,041**	¥1,394	¥1,394

	As of March 31,2015	
	Thousands of U.S. dollars	
	Building and Land	Total
Acquisition cost	**$25,817**	**$25,817**
Accumulated depreciation	**17,142**	**17,142**
Net leased property	**$8,675**	**$8,675**

Obligations under finance lease contracts:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due within one year	**¥156**	¥269	**$1,300**
Due after one year	**1,073**	1,571	**8,942**
Total	**¥1,229**	¥1,840	**$10,242**

Depreciation expense and interest expense under finance lease contracts:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Depreciation expense	**¥140**	¥213	¥223	**$1,167**
Interest expense	**59**	100	114	**492**
Total	**¥199**	¥313	¥337	**$1,659**

Depreciation expense and interest expense, which were not reflected in the accompanying consolidated statement of income and comprehensive income, were computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases as of March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due within one year	**¥3,416**	¥3,475	**$28,467**
Due after one year	**21,004**	23,323	**175,033**
Total	**¥24,420**	¥26,798	**$203,500**

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE

(1) Companies' policy for financial instruments

The Companies procure their funds mainly through loans from banks, as necessary, in accordance with a capital investment plan. Temporary reserve funds are invested mainly in highly safe financial assets.

(2) Nature and extent of risks arising from financial instruments

Trade notes and accounts receivable, which are operating receivables, are exposed to the credit risks of the customers.

Marketable and investment securities are mainly composed of held-to-maturity debt securities and available-for-sale securities, including listed stocks, and they are exposed to market risks.

Short-term loans and long-term loans are provided for franchisees and are exposed to the credit risks of the franchisees.

Most of the Companies' store buildings are based on their unique specifications. They are leased and subleased to franchisees. Rental deposits are mainly composed of deposits provided to the lessors as contractually agreed and are exposed to the credit risks of the lessors.

Investments in lease are mainly the portion of the above-mentioned store buildings that are company-owned assets leased to the franchisees, and they are exposed to the credit risks of the franchisees.

Trade notes and accounts, which are operating liabilities, are mostly due within one month.

Borrowings and bonds are made mainly in order to finance operating capital and capital investment, and the redemption dates fall within a period of five years after the balance sheet date.

(3) Risk management for financial instruments

Credit risk management (risk relating to default of agreements of the counterparties)

The Company aims to quickly recognize or mitigate any concerns over the collection of operating receivables and loans resulting from the deterioration of financial positions and other factors, as defined in the Management Regulations for Receivables. Specifically, each business division regularly monitors the financial positions of the main counterparties and manages the due dates and the balances on a counterparty-by-counterparty basis. Similar management is also conducted at subsidiaries in accordance with the Company's Management Regulations for Receivables.

As for held-to-maturity debt securities and debt securities such as bonds in available-for-sale securities, the credit risk is insignificant since the Company only holds debt securities with high ratings in accordance with the Fund Management Policy.

Market risk management (foreign exchange risk and interest rate risk)

For marketable and investment securities, the Company confirms the fair values and the financial positions of the issuers (counterparties) on a regular basis and continuously reviews the holding status by taking the financial position and market condition into consideration.

The foreign currency and interest rate exposures are not presented herein as the amounts are immaterial.

Liquidity risk management relating to financing (default risk on due date)

The Company manages liquidity risk by securing necessary liquidity and ensuring that cash flow plans are formulated and updated in a timely fashion by the divisions in-charge based on the reports made by each division. For the subsidiaries, financing is mostly made by the Companies' financing system under which the funds are provided from the Company.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead.

(a) Fair values of financial instruments

	Millions of yen			Thousands of U.S. dollars		
March 31, 2015	Carrying amount	Fair value	Unrealized gain/(loss)	Carrying amount	Fair value	Unrealized gain/(loss)
Cash and cash equivalents	**¥42,218**	**¥42,218**		**$351,817**	**$351,817**	
Time deposits with an original maturity over three months	**526**	**526**		**4,383**	**4,383**	
Receivables	**38,453**	**38,383**	**¥(9)**	**320,441**	**319,858**	**$(75)**
Allowance for doubtful receivables	**(61)**			**(508)**		
Investments in lease	**10,872**	**12,705**	**1,833**	**90,600**	**105,875**	**15,275**
Investment securities	**5,676**	**5,676**		**47,300**	**47,300**	
Investments in associated companies	**1,016**	**427**	**(589)**	**8,467**	**3,558**	**(4,909)**
Rental deposits and long-term loans	**17,248**	**16,589**	**(659)**	**143,733**	**138,242**	**(5,491)**
Total	**¥115,948**	**¥116,524**	**¥576**	**$966,233**	**$971,033**	**$4,800**
Payables	**¥24,028**	**¥24,028**		**$200,233**	**$200,233**	
Short-term borrowings and current portion of long-term debt	**3,149**	**3,246**	**¥97**	**26,242**	**27,050**	**$808**
Income taxes payable	**1,876**	**1,876**		**15,633**	**15,633**	
Long-term debt	**3,711**	**4,046**	**335**	**30,925**	**33,717**	**2,792**
Total	**¥32,764**	**¥33,196**	**¥432**	**$273,033**	**$276,633**	**$3,600**

Note. The difference of the above investments in lease and the amount of consolidated balance sheets is asset retirement obligations.

	Millions of yen		
March 31, 2014	Carrying amount	Fair value	Unrealized gain/(loss)
Cash and cash equivalents	¥45,384	¥45,384	
Time deposits with an original maturity over three months	291	291	
Marketable securities	802	802	
Receivables	47,786	47,591	¥(23)
Allowance for doubtful receivables	(172)		
Investments in lease	11,857	13,948	2,091
Investment securities	5,934	5,934	
Investments in associated companies	1,022	407	(615)
Rental deposits and long-term loans	17,767	16,717	(1,050)
Total	¥130,671	¥131,074	¥403
Payables	¥31,600	¥31,600	
Short-term borrowings and current portion of long-term debt	4,538	4,638	¥100
Income taxes payable	1,818	1,818	
Long-term debt	3,651	3,967	316
Total	¥41,607	¥42,023	¥416

Note. The difference of the above investments in lease and the amount in the consolidated balance sheets is asset retirement obligations.

Cash and cash equivalents, time deposits with an original maturity over three months

The fair value of cash and time deposits with an original maturity over three months approximates their carrying amount because of their short-term nature. Thus, the carrying amount of these items is used as fair value. Cash equivalents are measured based on market prices at the exchange or by the prices obtained from financial institutions.

Receivables, investments in lease, rental deposits and long-term loans

The fair value of these accounts is measured at the present values of their future cash flows classified by a term of a specified length and by risk category as per credit risk management, at a rate, which has the credit spread added to appropriate indices such as government bond yields.

Please see Note 7 for a breakdown of rental deposits and long-term loans.

Marketable securities, investment securities, and investments in associated companies

While the fair values of equity securities, etc. are measured by market prices at exchange, the fair values of debt securities are measured based on market prices at the exchange or by the prices obtained from financial institutions. Please refer to Note 3 for matters regarding securities by holding purpose.

Payables and income taxes payable

The fair value of these items approximates their carrying amount because of their short-term nature. Thus, the carrying amount is used as fair value.

Short-term borrowings and long-term debt

The fair value of these accounts is measured at the present values calculated by discounting the combined total of principal and interest by an assumed interest rate for similar new borrowings or lease transactions.

(b) Financial instruments whose fair values cannot be reliably determined

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investments in equity instruments that do not have a quoted market price in an active market	**¥868**	¥877	**$7,233**

(5) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen			
March 31, 2015	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**¥42,218**			
Time deposits with an original maturity over three months	**526**			
Receivables	**32,899**	**¥5,303**	**¥251**	
Investments in lease	**1,703**	**5,162**	**2,860**	**¥1,147**
Rental deposits and long-term loans	**2,870**	**5,856**	**3,337**	**5,185**
Total	**¥80,216**	**¥16,321**	**¥6,448**	**¥6,332**

	Millions of yen			
March 31, 2014	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥45,384			
Time deposits with an original maturity over three months	291			
Marketable securities	800			
Receivables	42,248	¥5,285	¥253	
Investments in lease	1,500	5,438	3,421	¥1,498
Rental deposits and long-term loans	2,638	6,150	3,401	5,578
Total	¥92,861	¥16,873	¥7,075	¥7,076

	Thousands of U.S. dollars			
March 31, 2015	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	**$351,817**			
Time deposits with an original maturity over three months	**4,383**			
Receivables	**274,158**	**$44,192**	**$2,091**	
Investments in lease	**14,192**	**43,017**	**23,833**	**$9,558**
Rental deposits and long-term loans	**23,917**	**48,800**	**27,808**	**43,208**
Total	**$668,467**	**$136,009**	**$53,732**	**$52,766**

Please see Note 8 for annual maturities of short-term borrowings and long-term debt.

17. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015, 2014 and 2013, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	2015
Unrealized gain on available-for-sale securities:				
Gains arising during the year	**¥1,476**	¥602	¥1,340	**$12,300**
Reclassification adjustments to profit or loss	**(659)**	(118)	532	**(5,492)**
Amount before income tax effect	**817**	484	1,872	**6,808**
Income tax effect	**(189)**	(169)	(655)	**(1,575)**
Total	**¥628**	¥315	¥1,217	**$5,233**
Foreign currency translation adjustments:				
Adjustments arising during the year	**¥93**	¥499	¥424	**$775**
Reclassification adjustments to profit or loss			(5)	
Amount before income tax effect	**93**	499	419	**775**
Income tax effect	**(0)**	0	(2)	**(0)**
Total	**¥93**	¥499	¥417	**$775**
Share of other comprehensive income in associates:				
Gains arising during the year	**¥7**	¥2	¥3	**$58**
Total other comprehensive income	**¥728**	¥816	¥1,637	**$6,066**

18. NET INCOME PER SHARE

EPS for the years ended March 31, 2015, 2014 and 2013, was as follows:

	Millions of yen	Thousands	Yen	U.S. dollars
March 31, 2015	Net income	Weighted-average shares	EPS	
Basic EPS:				
Net income available to common shareholders	**¥4,610**	**87,259**	**¥52.83**	**$0.44**

	Millions of yen	Thousands	Yen
March 31, 2014	Net income	Weighted-average shares	EPS
Basic EPS:			
Net income available to common shareholders	¥9,786	90,860	¥107.71

	Millions of yen	Thousands	Yen
March 31, 2013	Net income	Weighted-average shares	EPS
Basic EPS:			
Net income available to common shareholders	¥7,590	93,450	¥81.22

Note. Shares and per share figures have been restated, as appropriate, to reflect a three-for-one stock split effected on April 1, 2013.

19. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Company's reportable segments are the components of the Company about which separate financial information is available. These segments are subject to periodic examination to enable the Company's Board of Directors to decide how to allocate resources and assess performance. The Companies operate the AUTOBACS franchise chain consisting of businesses in automotive goods, safety inspections and maintenance services, and automobile purchase and sales business. The Companies comprise segments made up of groups of companies based on wholesale division and retail division functions for these businesses. The Companies have five reportable segments: "the Company," "domestic store subsidiaries," "overseas subsidiaries," "subsidiaries for car goods supply and others," and "subsidiaries for supporting functions."

The main business lines of each segment are described below.

	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Others	Subsidiaries for Supporting Functions
Automotive goods	Wholesale-Retail	Retail	Wholesale-Retail	Wholesale	-
Safety inspection and maintenance services	Wholesale-Retail	Retail	Retail	Retail	-
The automobile purchase and sales business	Wholesale-Retail	Retail	-	Retail	-
Others	Lease business	-	-	-	Lease business-Others

Note. "Others" of subsidiaries for supporting functions are loan credit business, nonlife insurance agency and office work representation business.

(2) Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

Segment income for each reportable segment is presented on an operating income basis. Internal sales and transfers between segments are based, for the most part, on prevailing market prices. Among the assets of the reportable segments, the goodwill associated with overseas subsidiaries is tested for impairment as a nonamortized asset in the overseas subsidiary's financial statements, while in the consolidated financial statements it is amortized using the straight-line method. In addition, some store buildings, POS systems and other items are subject to lease transactions between segments. The asset and expense items of the reportable segments and their amounts are adjusted as shown below.

	Reportable segment			
	The Company	Domestic Store Subsidiaries	Subsidiaries for Supporting Functions	Consolidated Financial Statement
Assets	Investments in Lease	-	Investments in Lease	Property, Equipment and Intangible assets
Cost	Cost of goods sold	Rent payment and Lease payment	Cost of goods sold	Depreciation
Amortized method	Interest method	-	Interest method	Declining balance method and Straight-line method

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit (loss), assets and other items is as follows:

	Millions of Yen					
	2015					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	**¥124,333**	**¥66,098**	**¥9,695**	**¥8,446**	**¥883**	**¥209,455**
Intersegment sales or transfers	**42,495**	**1,785**	**291**	**6,951**	**2,168**	**53,690**
Total	**166,828**	**67,883**	**9,986**	**15,397**	**3,051**	**263,145**
Segment profit (loss)	**8,837**	**(1,925)**	**(178)**	**53**	**430**	**7,217**
Segment assets	**173,106**	**17,974**	**9,433**	**5,068**	**24,607**	**230,188**
Other:						
Depreciation	**2,310**	**272**	**244**	**38**	**12**	**2,876**
Amortization of goodwill		**8**		**27**		**35**
Share of associates accounted for using equity method	**923**					**923**
Increase in property, equipment and intangible assets	**5,119**	**281**	**146**	**176**	**4**	**5,726**

	Millions of Yen					
	2014					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	¥132,739	¥79,928	¥9,975	¥8,183	¥872	¥231,697
Intersegment sales or transfers	51,019	1,463	398	6,992	2,276	62,148
Total	183,758	81,391	10,373	15,175	3,148	293,845
Segment profit	13,330	555	12	255	433	14,585
Segment assets	187,913	21,938	10,418	4,974	29,444	254,687
Other:						
Depreciation	2,056	317	257	38	14	2,682
Amortization of goodwill		15			7	22
Share of associates accounted for using equity method	848					848
Increase in property, equipment and intangible assets	4,064	315	108	25		4,512

	Millions of Yen					
	2013					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	¥136,062	¥77,272	¥8,533	¥7,298	¥1,003	¥230,168
Intersegment sales or transfers	51,237	785	248	7,057	2,373	61,700
Total	187,299	78,057	8,781	14,355	,3,376	291,868
Segment profit (loss)	13,735	(789)	(72)	163	417	13,454
Segment assets	196,532	22,747	9,508	4,750	26,883	260,420
Other:						
Depreciation	2,166	334	226	45	12	2,783
Amortization of goodwill		15			7	22
Share of associates accounted for using equity method	462					462
Increase in property, equipment and intangible assets	4,153	314	153	53	6	4,679

	Thousands of U.S. Dollars					
	2015					
	Reportable segment					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Sales						
Sales to external customers	**$1,036,108**	**$550,817**	**$80,792**	**$70,383**	**$7,358**	**$1,745,458**
Intersegment sales or transfers	**354,125**	**14,875**	**2,425**	**57,925**	**18,067**	**447,417**
Total	**1,390,233**	**565,692**	**83,217**	**128,308**	**25,425**	**2,192,875**
Segment profit (loss)	**73,642**	**(16,042)**	**(1,483)**	**442**	**3,583**	**60,142**
Segment assets	**1,442,550**	**149,784**	**78,608**	**42,233**	**205,058**	**1,918,233**
Other:						
Depreciation	**19,250**	**2,267**	**2,033**	**317**	**100**	**23,967**
Amortization of goodwill		**67**		**225**		**292**
Share of associates accounted for using equity method	**7,692**					**7,692**
Increase in property, equipment and intangible assets	**42,658**	**2,342**	**1,217**	**1,467**	**33**	**47,717**

(4) Reconciliation of published figures and aggregate of reportable segments

	Millions of yen			Thousands of U.S. dollars
Net sales	**2015**	2014	2013	**2015**
Total reportable segments	**¥263,145**	¥293,845	¥291,868	**$2,192,875**
Elimination of intersegment transaction	**(53,690)**	(62,148)	(61,700)	**(447,417)**
Net sales of consolidated financial statements	**¥209,455**	¥231,697	¥230,168	**$1,745,458**

	Millions of yen			Thousands of U.S. dollars
Income	**2015**	2014	2013	**2015**
Total reportable segments	**¥7,217**	¥14,585	¥13,454	**$60,142**
Amortization of goodwill	**(191)**	(105)	(263)	**(1,592)**
Inventories	**(346)**	(253)	(298)	**(2,883)**
Fixed assets	**358**	256	179	**2,983**
Allowance for point card	**(24)**	(18)	(36)	**(200)**
Elimination of intersegment transaction	**(451)**	(526)	(383)	**(3,758)**
Others	**(159)**	6	92	**(1,325)**
Income of consolidated financial statements	**¥6,404**	¥13,945	¥12,745	**$53,367**

Assets	Millions of yen 2015	2014	2013	Thousands of U.S. dollars 2015
Total reportable segments	**¥230,188**	¥254,687	¥260,420	**$1,918,233**
Elimination of intersegment transaction	**(37,317)**	(46,117)	(48,504)	**(310,975)**
Fixed assets	**(1,777)**	(3,299)	(3,333)	**(14,808)**
Amortization of goodwill	**(3,973)**	(4,102)	(3,398)	**(33,108)**
Inventories	**(1,625)**	(1,461)	(1,441)	**(13,542)**
Investments in associates accounted for using the equity method	**860**	950	929	**7,167**
Others	**176**	823	854	**1,466**
Assets of consolidated financial statements	**¥186,532**	¥201,481	¥205,527	**$1,554,433**

	Millions of yen								
	Total reportable segments			Adjustment			Consolidated total		
Other items	2015	2014	2013	2015	2014	2013	2015	2014	2013
Depreciation	**¥2,876**	¥2,682	¥2,783	**¥1,332**	¥1,387	¥1,576	**¥4,208**	¥4,069	¥4,359
Amortization of goodwill	**35**	22	22	**191**	105	263	**226**	127	285
Investments in associates accounted for using the equity method	**923**	848	462	**860**	950	929	**1,783**	1,798	1,391
Increase in property, equipment and intangible assets	**5,726**	4,512	4,679	**401**	308	1,570	**6,127**	4,820	6,249

(Note) The adjustment amounts for other items are as follows:

1. Depreciation and the increase in property and equipment and intangible assets are principally the adjustment amount for intersegment lease transactions on the consolidated financial statements.
2. The adjustment amount for amortization of goodwill is principally the amount for amortization of goodwill recorded for the Company and overseas subsidiaries (see Note 2.B).
3. The adjustment amount for investments in associates accounted for using the equity method is the adjustment amount according to the equity method (see Note 2.C).

	Thousands of U.S. dollars		
	Total reportable segments	Adjustment	Consolidated total
Other items	2015	2015	2015
Depreciation	**$23,967**	**$11,100**	**$35,067**
Amortization of goodwill	**292**	**1,591**	**1,883**
Investments in associates accounted for using the equity method	**7,692**	**7,166**	**14,858**
Increase in property, equipment and intangible assets	**47,717**	**3,341**	**51,058**

Related Information

1. Information by product and service

The Companies have omitted this information as external sales of the Companies' main business of automotive goods and service sales account for more than 90% of the net sales recorded in the consolidated statement of income and comprehensive income.

2. Information by geographic region

The Companies have omitted this information because sales to external customers within Japan account for more than 90% of the net sales recorded in the consolidated statement of income and comprehensive income and property and equipment within Japan accounts for more than 90% of the property and equipment reported in the consolidated balance sheet.

3. Information by major customers

	2015	
	Millions of yen	
Name of major Customer	Sales	Related Segment Name
G-7 AUTO SERVICE CO.,LTD.	**¥22,788**	**The Company**

	2015	
	Thousands of U.S. Dollars	
Name of major Customer	Sales	Related Segment Name
G-7 AUTO SERVICE CO.,LTD.	**$189,900**	**The Company**

Information about major customers for the year ended March 31, 2014 and 2013, has been omitted since there are no external customer who constituted more than 10% of net sales on the consolidated statement of operations.

	Millions of Yen 2015					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	**¥177**		**¥88**			**¥265**

	Millions of Yen					
	2014					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	¥404		¥66			¥470

	Millions of Yen					
	2013					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	¥57		¥32			¥89

	Thousands of U.S. Dollars					
	2015					
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Total
Impairment losses of assets	**$1,475**		**$733**			**$2,208**

	Millions of Yen						
	2015						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		**¥7**		**¥27**		**¥191**	**¥225**
Goodwill at March 31, 2015		**30**	**¥4,584**	**109**		**(3,983)**	**740**

(Note) The adjustment amounts are as follows:

1. The adjustment amount for amortization of goodwill is principally the amount for amortization of goodwill recorded for the Company and overseas subsidiaries (see Note 2.B)
2. The adjustment amount for goodwill is principally the amount for amortization of goodwill and impairment loss in the past recorded for overseas subsidiaries (see Note 2.B).

	Millions of Yen						
	2014						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		¥15			¥7	¥105	¥127
Goodwill at March 31, 2014			¥4,982			(4,102)	880

	Millions of Yen						
	2013						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		¥15			¥7	¥263	¥285
Goodwill at March 31, 2013		15	¥4,246		7	(3,401)	867

	Thousands of U.S. Dollars						
	2015						
	The Company	Domestic Store Subsidiaries	Overseas Subsidiaries	Subsidiaries for Car Goods Supply and Other	Subsidiaries for Supporting Functions	Adjustment	Total
Amortization of goodwill		**$58**		**$225**		**$1,592**	**$1,875**
Goodwill at March 31, 2015		**250**	**$38,200**	**909**		**(33,192)**	**6,167**

20. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

The general shareholders' meeting held on June 24, 2015 resolved the following appropriations of retained earnings as of March 31, 2015:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥30 ($0.3) per share	**¥2,596**	**$21,633**

b. Purchase of Treasury Stock

At the Board of Directors' meeting held on May 8, 2015, the Board approved the repurchase of common stock up to a maximum of 2,500,000 shares to the aggregate amount of ¥5,500 million ($45,833 thousand).

On June 25, 2015, the Company repurchased 1,080,000 shares of common stock for ¥2,149 million ($17,908 thousand) in the market.

c. Cancellation of Treasury stock

At the Board of Directors' meeting held on May 8, 2015, the Board approved the cancellation 3,000,000 shares of treasury stock and carried it out on May 15, 2015.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of AUTOBACS SEVEN Co., Ltd. and its subsidiaries as of March 31, 2015, and the related consolidated statements of income and comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's 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 auditor's 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 entity's 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 entity's 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AUTOBACS SEVEN Co., Ltd. and its subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2015

Member of
Deloitte Touche Tohmatsu Limited