# Annual Securities Report

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|---|---|
| Fiscal year | From: April 1, 2022 |
| (The 76th term) | To: March 31, 2023 |

AUTOBACS SEVEN CO., LTD.

(E03138)

Contents

## Cover Page

| | |
|---|---|
| 【Document title】 | Annual Securities Report |
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| 【Filing date】 | June 26, 2023 |
| 【Fiscal year】 | The 76th term (from April 1, 2022 to March 31, 2023) |
| 【Company name】 | Kabushiki Kaisha AUTOBACS SEVEN |
| 【Company name in English】 | AUTOBACS SEVEN CO., LTD. |
| 【Title and name of representative】 | Yugo Horii, Representative Director & Chief Executive Officer |
| 【Address of head office】 | 6-52, Toyosu 5-chome, Koutou-ku, Tokyo, Japan |
| 【Telephone number】 | +81-3-6219-8829 (main) |
| 【Name of contact person】 | Noritaka Hiraga, General Manager, Corporate Management |
| 【Nearest place of contact】 | 6-52, Toyosu 5-chome, Koto-ku, Tokyo, Japan |
| 【Telephone number】 | +81-3-6219-8829 (main) |
| 【Name of contact person】 | Noritaka Hiraga, General Manager, Corporate Management |
| 【Place for public inspection】 | Tokyo Stock Exchange, Inc.<br>(2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) |

# PART I: COMPANY INFORMATION
# I. OVERVIEW OF COMPANY
## 1. Summary of Business Results
### (1) Consolidated Financial Summary

| Term | | 72nd fiscal term | 73rd fiscal term | 74th fiscal term | 75th fiscal term | 76th fiscal term |
|---|---|---|---|---|---|---|
| Accounting Period | | Year ended Mar. 31, 2019 | Year ended Mar. 31, 2020 | Year ended Mar. 31, 2021 | Year ended Mar. 31, 2022 | Year ended Mar. 31, 2023 |
| Net sales | (Million yen) | 213,840 | 221,400 | 220,449 | 228,586 | 236,235 |
| Ordinary profit | (Million yen) | 8,203 | 8,059 | 11,219 | 11,246 | 11,574 |
| Profit attributable to owners of parent | (Million yen) | 5,485 | 3,764 | 7,050 | 7,010 | 7,239 |
| Comprehensive income | (Million yen) | 4,563 | 2,599 | 9,039 | 7,725 | 8,730 |
| Net assets | (Million yen) | 124,187 | 119,966 | 123,833 | 122,892 | 126,963 |
| Total assets | (Million yen) | 181,391 | 172,799 | 187,914 | 189,910 | 194,327 |
| Net assets per share | (Yen) | 1,526.59 | 1,493.43 | 1,542.40 | 1,572.48 | 1,624.44 |
| Net income per share | (Yen) | 66.58 | 47.10 | 88.28 | 89.17 | 92.87 |
| Diluted earnings per share | (Yen) | — | — | — | — | — |
| Capital-to-assets ratio | (%) | 68.1 | 69.0 | 65.6 | 64.5 | 65.2 |
| Return on equity | (%) | 4.4 | 3.1 | 5.8 | 5.7 | 5.8 |
| Price earnings ratio | (Times) | 27.6 | 26.5 | 17.0 | 15.1 | 15.6 |
| Net cash provided by (used in) operating activities | (Million Yen) | 4,447 | 10,603 | 17,163 | 5,712 | 10,687 |
| Net cash provided by (used in) investing activities | (Million yen) | (3,078) | (3,370) | (6,085) | (7,710) | (7,652) |
| Net cash provided by (used in) financing activities | (Million yen) | (9,876) | (9,684) | (309) | (12,300) | (3,495) |
| Cash and cash equivalents at end of period | (Million yen) | 30,531 | 28,051 | 38,903 | 24,751 | 24,503 |
| Number of employees [Separate, average number of temporary employees] | (Persons) | 4,171 [747] | 4,385 [828] | 4,279 [853] | 4,388 [779] | 4,477 [822] |

(Notes) 1. Diluted earnings per share was not presented because there was no dilution for the fiscal year.
2. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. has been adopted since the beginning of the fiscal year ended March 31, 2022, and the accounting standard, etc. is applied to major management indicators, etc. since the fiscal year ended March 31, 2022.

(2) Non-Consolidated Financial Summary

| Term | | 72nd fiscal term | 73rd fiscal term | 74th fiscal term | 75th fiscal term | 76th fiscal term |
|---|---|---|---|---|---|---|
| Accounting Period | | Year ended Mar. 31, 2019 | Year ended Mar. 31, 2020 | Year ended Mar. 31, 2021 | Year ended Mar. 31, 2022 | Year ended Mar. 31, 2023 |
| Net sales | (Million yen) | 156,621 | 156,493 | 155,082 | 155,957 | 158,807 |
| Ordinary profit | (Million yen) | 7,133 | 5,847 | 7,965 | 9,038 | 9,529 |
| Profit | (Million yen) | 3,570 | 1,587 | 5,086 | 5,779 | 5,421 |
| Capital stock | (Million yen) | 33,998 | 33,998 | 33,998 | 33,998 | 33,998 |
| Total number of shares issued | (Shares) | 84,050,105 | 84,050,105 | 84,050,105 | 82,050,105 | 82,050,105 |
| Net assets | (Million yen) | 120,409 | 115,194 | 116,315 | 113,914 | 114,447 |
| Total assets | (Million yen) | 159,923 | 147,420 | 161,384 | 156,385 | 160,054 |
| Net asset per share | (Yen) | 1,486.76 | 1,441.97 | 1,455.75 | 1,460.94 | 1,467.46 |
| Dividend per share [Of which, interim dividend per share] | (Yen) | 60.00 [30.00] | 60.00 [30.00] | 60.00 [30.00] | 60.00 [30.00] | 60.00 [30.00] |
| Net income per share | (Yen) | 43.32 | 19.85 | 63.67 | 73.48 | 69.52 |
| Diluted earnings per share | (Yen) | — | — | — | — | — |
| Capital-to-assets ratio | (%) | 75.3 | 78.1 | 72.1 | 72.8 | 71.5 |
| Return on equity | (%) | 2.9 | 1.3 | 4.4 | 5.0 | 4.7 |
| Price earnings ratio | (Times) | 42.5 | 62.8 | 23.6 | 18.3 | 20.8 |
| Dividend payout ratio | (%) | 138.5 | 302.3 | 94.2 | 81.7 | 86.3 |
| Number of employees [Separate, average number of temporary employees] | (Persons) | 1,039 [41] | 1,070 [48] | 1,094 [55] | 1,050 [49] | 1,057 [62] |
| Total shareholder return [Compared with TOPIX Total Return Index] | (%) (%) | 95.3 [95.0] | 68.5 [85.9] | 84.3 [122.1] | 79.5 [124.6] | 87.5 [131.8] |
| Highest share price | (Yen) | 2,191 | 1,968 | 1,581 | 1,644 | 1,509 |
| Lowest share price | (Yen) | 1,667 | 1,109 | 1,138 | 1,292 | 1,312 |

(Notes) 1. Diluted earnings per share was not presented because there was no dilution for the fiscal year.

2. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. has been adopted since the beginning of the fiscal year ended March 31, 2022, and the accounting standard, etc. is applied to major management indicators, etc. since the fiscal year ended March 31, 2022.

3. The stock price high and stock price low are stock prices on the Prime Market of the Tokyo Stock Exchange from April 4, 2022 and on the First Section of the Tokyo Stock Exchange prior to that.

## 2. History

| Month/Year | Overview |
| --- | --- |
| Feb./1947 | The late Toshio Sumino founded Suehiro Shokai as a privately owned wholesaler of automobile parts in Osaka. |
| Aug./1948 | Suehiro Shokai was reorganized into a joint-stock company named Fuji-Shokai Co., Ltd. in Osaka. It began wholesale of automobile parts. |
| Jan./1958 | Independent wholesale department, established Daiho Sangyo Co., Ltd. |
| Nov./1974 | Opened AUTOBACS Higashi Osaka store as the Company's first directly managed one-stop specialty store for automotive goods and services which is the first in Japan. |
| Apr./1975 | Started the franchise business system and opened AUTOBACS Hakodate Nakamichi store as the first franchise store. |
| Nov./1977 | Released tires, oil and batteries under our own private brand. |
| Aug./1979 | Opened AUTOBACS 100th store. |
| Mar./1980 | Changed the company name to AUTOBACS SEVEN Co., Ltd. |
| Mar./1989 | Listed on the second section of the Osaka Securities Exchange. |
| May/1991 | Opened first overseas store in Taiwan, beginning AUTOBACS store's expansion to the overseas market. |
| Aug./1993 | Listed on the Second Section of the Tokyo Stock Exchange. |
| Sep./1993 | Changed listings to the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange. |
| Jan./1995 | Established AUTOBACS VENTURE SINGAPORE PTE LTD In May of the same year, the first store in Singapore opened. |
| Mar./1995 | Listed on the London Stock Exchange. |
| Mar./1996 | Opened AUTOBACS 500th store. |
| Mar./1997 | Opened the first Super AUTOBACS store in Chiba prefecture as a new store format which covers larger marketing areas than an AUTOBACS store. |
| Aug./1999 | Established a joint venture, AUTOBACS SEVEN Europe S.A.S. (currently AUTOBACS FRANCE S.A.S.), in partnership with France Renault. (In June 2001, opened first store in France.) |
| Jun./2000 | Opened the first AUTOBACS Hashiriya Tengoku Secohan Ichiba (currently AUTOBACS Secohan Ichiba) for sales and purchases of used automotive goods in Kanagawa prefecture. |
| Dec./2001 | Released an original sports car named GARAIYA of which AUTOBACS led the design and production. |
| Apr./2002 | Opened the first AUTOBACS EXPRESS store in Kanagawa prefecture which combined a gas station and a store for automotive goods. |
| Jun./2002 | Introduced CARS system for used car sales. |
| Oct./2004 | Moved the headquarters of AUTOBACS SEVEN Co., Ltd. to Koto-ku, Tokyo. |
| Mar.2007 | Delisted from the London Stock Exchange. |
| Feb./2012 | Acquisition of ISO14001 certification at the Toyosu main store. (The continuation of certification was cancelled in 2017) |
| Jul./2014 | Revamped the AUTOBACS Group Private Brand and launched AQ. brand. |
| Apr./2015 | Official BMW/MINI dealership business started operation in Toshima-ku, Tokyo. |
| Mar./2016 | Opened first AUTOBACS Used Car Purchase Store that specializes in purchasing cars in Setagaya-ku, Tokyo. |
| Feb./2017 | Started running Chain Growth Co., Ltd. mainly to recruit, supply and retain mechanic personnel. |
| Mar./2017 | Established ABT Marketing Co., Ltd., a joint venture with CCC Marketing Co., Ltd. |
| Jun./2017 | Launched JACK & MARIE brand that provides original lifestyle goods. |
| Nov./2018 | Opened A PIT AUTOBACS SHINONOME as a new flagship store for AUTOBACS. |
| Nov./2021 | Opened the first store of the garage lifestyle brand "GORDON MILLER" (GORDON MILLER KURAMAE) |
| Apr./2022 | Transferred from the First Section to the Prime Market of the Tokyo Stock Exchange following a review of the market classification of the Tokyo Stock Exchange. |
| Dec./2022 | Established BACS E-Mobility Co., Ltd. Concluded a dealership agreement with BYD Auto Japan Co., Ltd., the Japanese corporation of electric vehicle manufacturer BYD Co., Ltd. |
| Mar./2023 | Number of AUTOBACS Group stores: 670 (including 592 in Japan and 78 overseas)/including JACK & MARIE and GORDON MILLER stores |

## 3. Description of Business

The Group consists of the Company, 30 subsidiaries, and 14 associated companies and operates businesses involved in the wholesale and retail automotive goods businesses in and outside Japan, online sales, the purchase and sale of automobiles, statutory safety inspection and maintenance services, body repair, coating, painting, imported automobile dealerships, the leasing of store facilities and credit-related businesses provided to the AUTOBACS Group companies.

The Group’s business activities and their relationships with other business divisions are described below.

The following four divisions are the same as the segments in the section, V. FINANCIAL INFORMATION, 1. Consolidated Financial Statements etc., (1) Notes to consolidated financial statements (Segment information etc.).

(1) Domestic AUTOBACS Business

Wholesaling of automotive goods such as tires, wheels, and car electronics to domestic franchise corporations, and leasing of store equipment. Sale and installation services of automotive goods, maintenance services, statutory safety inspection, automobile purchase and sales mainly to domestic general consumers. Major store brands: AUTOBACS, Super AUTOBACS, AUTOBACS Secohan Ichiba and AUTOBACS CARS, etc.

(2) Overseas Business

Sale and installation services of automotive goods, maintenance services, and body work and painting mainly to overseas general consumers. Also wholesaling and export sales of automotive goods and services mainly to overseas franchise corporations and retailers.

(3) Car Dealership, BtoB and Online Alliance Business

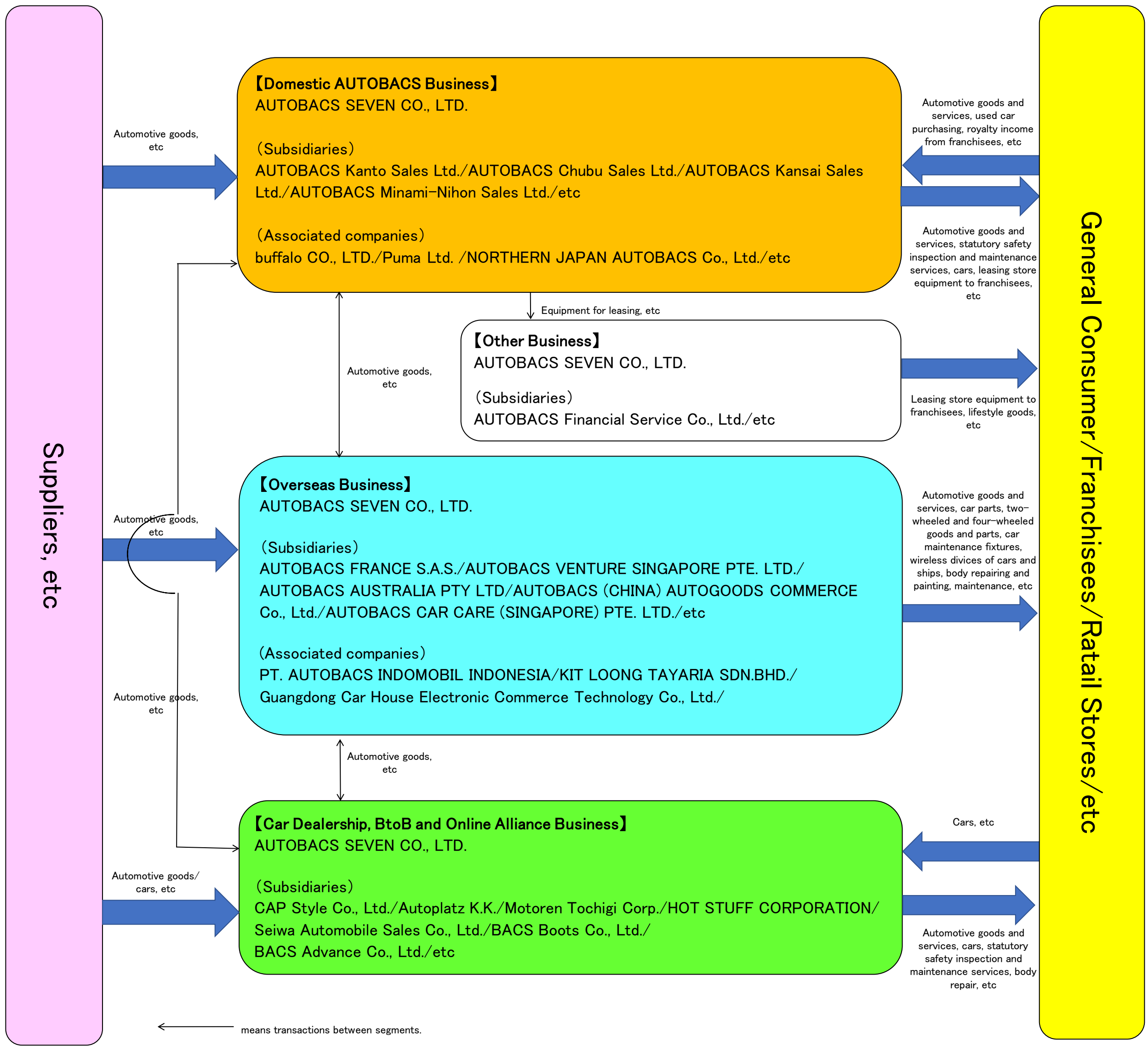
Sale of imported cars and services mainly to domestic general consumers. Wholesaling of automotive goods, etc. to domestic hardware stores and the provision of automotive goods and services, etc. through the Company’s website and official apps in collaboration with brick-and-mortar stores. In addition, statutory safety inspections, maintenance services and body work and painting businesses, etc.

(4) Other Business

Business mainly conducted by subsidiaries, such as credit-related business, insurance agency, intermediation of individual credit purchases at the stores of domestic franchise corporations, the issuance of affiliated credit cards, and the leasing of equipment, etc. to domestic franchise corporations. In addition, the development of products relating to lifestyle brands that propose a unique car-oriented worldview, Internet and real store development, and sale of vehicles, etc.

[Organization Chart]

The Group's organization is as illustrated below.




(Note) AUTOBACS Kanto Sales Ltd. changed its trade name to AUTOBACS Higashi-Nihon Sales Ltd. in April 2023.

## 4. Subsidiaries and Associates

| Company name | Location | Share capital (Millions of yen) | Principal business | Holding ratio of voting rights (%) | Relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Officers serving concurrent positions, etc. | Financial support | Business transaction | Leasing of facilities |
| (Consolidated Subsidiaries) | | | | | | | | |
| AUTOBACS Kanto Sales Ltd. (Note 6) | Utsunomiya City, Tochigi | 100 | Domestic AUTOBACS Business | 100.0 | Officers holding concurrent positions: 5 (of which 4 are the Company's employees) | — | Sale and purchase of products | Store equipment leasing |
| AUTOBACS Yamanashi Ltd. (Note 6) | Kofu City, Yamanashi | 100 | Domestic AUTOBACS Business | 100.0 | Officers holding concurrent positions: 1 (of which 1 are the Company's employees) | — | Sale of products | Store equipment leasing |
| AUTOBACS Chubu Sales Ltd. | Iida City, Nagano | 50 | Domestic AUTOBACS Business | 100.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | Loans | Sale and purchase of products | Lease of store facilities |
| AUTOBACS Tsukuba Co., Ltd. | Koto-ku, Tokyo | 50 | Domestic AUTOBACS Business | 100.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | Loans | Sale of products | Store equipment leasing |
| AUTOBACS Kansai Sales Ltd. | Shijonawate City, Osaka | 100 | Domestic AUTOBACS Business | 100.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | — | Sale and purchase of products | Store equipment leasing |
| AUTOBACS Minami-Nihon Sales Ltd. | Minami-ku, Hiroshima City | 100 | Domestic AUTOBACS Business | 100.0 | Officers holding concurrent positions: 7 (of which 7 are the Company's employees) | Loans | Sale and purchase of products | Lease of store facilities |
| Shaken-Bankin DEPOT Inc. | Urayasu City, Chiba | 100 | Domestic AUTOBACS Business | 100.0 | Officers holding concurrent positions: 4 (of which 4 are the Company's employees) | Loans | Sale of products, Outsourcing of body repair | Office leasing |
| Chain Growth Co., Ltd. | Koto-ku, Tokyo | 45 | Domestic AUTOBACS Business | 100.0 | Officers holding concurrent positions: 2 (of which 2 are the Company's employees) | — | Acceptance of personnel from staffing agencies | Office leasing |
| AUTOBACS VENTURE SINGAPORE PTE LTD | Singapore, Singapore | 6,400 (Thousands of S$) | Overseas Business | 93.8 | Officers holding concurrent positions: 2 (of which 2 are the Company's employees) | — | Sale of products | Office leasing |
| AUTOBACS FRANCE S.A.S. (Note 5) | Pierrelaye, French | 35,300 (Thousands of EURO) | Overseas Business | 100.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | — | Sale of products | — |
| AUTOBACS (CHINA) AUTOGOODS COMMERCE Co., Ltd. | Beijing, China | 94,837 (Thousands of RMB) | Overseas Business | 96.6 | Officers holding concurrent positions: 5 (of which 5 are the Company's employees) | Loans | Sale and purchase of products | — |
| AUTOBACS CAR SERVICE MALAYSIA SDN. BHD. | Kuala Lumpur, Malaysia | 12,680 (Thousands of MYR) | Overseas Business | 100.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | — | Sale of products | — |
| AUTOBACS AUSTRALIA PTY LTD | New South Wales, Australia | 3,518 (Thousands of AU$) | Overseas Business | 100.0 | Officers holding concurrent positions: 4 (of which 4 are the Company's employees) | Loans | Sale of products | — |
| AUTOBACS CAR CARE (SINGAPORE) PTE. LTD. | Singapore, Singapore | 500 (Thousands of S$) | Overseas Business | 85.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | — | — | — |

| Company name | Location | Share capital (Millions of yen) | Principal business | Holding ratio of voting rights (%) | Relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Officers serving concurrent positions, etc. | Financial support | Business transaction | Leasing of facilities |
| CAP Style Co., Ltd. | Ota-ku, Tokyo | 100 | Car Dealership, BtoB and Online Alliance Business | 100.0 | Officers holding concurrent positions: 3 (of which 2 are the Company's employees) | Loans | Sale and purchase of products | — |
| HOT STUFF CORPORATION | Onojo City, Fukuoka | 47 | Car Dealership, BtoB and Online Alliance Business | 100.0 | Officers holding concurrent positions: 4 (of which 3 are the Company's employees) | — | Sale and purchase of products | — |
| AUTOBACS DEALER GROUP HOLDINGS Co., Ltd. | Toshima-ku, Tokyo | - | Car Dealership, BtoB and Online Alliance Business | 100.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | Loans | Sale of products | — |
| Autoplatz K.K. (Note 2) | Toshima-ku, Tokyo | 100 | Car Dealership, BtoB and Online Alliance Business | 100.0 (100.0) | Officers holding concurrent positions: 1 (of which 1 is the Company's employees) | Loans | Sale of products | — |
| Motoren Tochigi Corp. (Note 2) | Utsunomiya City, Tochigi | 50 | Car Dealership, BtoB and Online Alliance Business | 100.0 (100.0) | Officers holding concurrent positions: 1 (of which 1 is the Company's employees) | Loans | Sale and purchase of products | Store land leasing |
| Bacs Advance Co., Ltd. (Note 2) | Utsunomiya City, Tochigi | 30 | Car Dealership, BtoB and Online Alliance Business | 100.0 (100.0) | Officers holding concurrent positions: 1 (of which 1 is the Company's employees) | Loans | Sale of products | — |
| BACS E-Mobility Co., Ltd. (Note 2) | Toshima-ku, Tokyo | 30 | Car Dealership, BtoB and Online Alliance Business | 100.0 (100.0) | Officers holding concurrent positions: 1 (of which 1 is the Company's employees) | — | — | — |
| Seiwa Automobile Sales Co., Ltd. | Ritto City, Shiga | 10 | Car Dealership, BtoB and Online Alliance Business | 100.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | — | Sale of products | Office leasing |
| Takamori Jidousha Seibi Kogyo Co., Ltd. | Tsu City, Mie | 10 | Car Dealership, BtoB and Online Alliance Business | 100.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | Loans | Sale of products | — |
| BACS Boots Co., Ltd. | Inzai City, Chiba | 100 | Car Dealership, BtoB and Online Alliance Business | 100.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | Loans | Sale of products | — |
| VEEMO, Inc. | Koto-ku, Tokyo | 85 | Car Dealership, BtoB and Online Alliance Business | 100.0 | Officers holding concurrent positions: 2 (of which 2 are the Company's employees) | — | — | Office leasing |
| AUTOBACS Financial Service Co., Ltd. | Koto-ku, Tokyo | 15 | Other Business | 100.0 | Officers holding concurrent positions: 2 (of which 2 are the Company's employees) | Loans | Sale of lease assets, purchase of guaranteed products | Office leasing |

| Company name | Location | Share capital (Millions of yen) | Principal business | Holding ratio of voting rights (%) | Relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Officers serving concurrent positions, etc. | Financial support | Business transaction | Leasing of facilities |
| ABT Marketing Co., Ltd. | Koto-ku, Tokyo | 50 | Other Business | 51.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | — | Outsourcing of marketing analysis | Office leasing |
| ADE Co., Ltd. | Beppu City, Oita | 45 | Other Business | 100.0 | Officers holding concurrent positions: 2 (of which 2 are the Company's employees) | Loans | Outsourcing of office supplies, sale of products | — |
| FATRASTYLING Inc. | Gotemba city, Shizuoka | 5 | Other Business | 70.0 | Officers holding concurrent positions: 2 (of which 2 are the Company's employees) | Loans | Purchase of products | — |
| AUTOBACS Management Service Co., Ltd. | Koto-ku, Tokyo | 90 | Company-wide | 100.0 | Officers holding concurrent positions: 1 (of which 1 is the Company's employees) | — | Outsourcing of administrative tasks | Office leasing |

| Company name | Location | Share capital (Millions of yen) | Principal business | Holding ratio of voting rights (%) | Relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Officers serving concurrent positions, etc. | Financial support | Business transaction | Leasing of facilities |
| (Entities accounted for using equity method)<br>NORTHERN JAPAN AUTOBACS Co., Ltd. | Toyohira-ku, Sapporo City | 100 | (Domestic AUTOBACS Business) | 34.0 | Officers holding concurrent positions: 1 (of which none is the Company's employees) | — | Sale of products | Store equipment leasing |
| Hokuei Shoji Ltd. (Note 3) | Morioka City, Iwate | 50 | (Domestic AUTOBACS Business) | 18.6 | — | — | Sale of products | Store equipment leasing |
| IA AUTOBACS Co., Ltd. | Totsuka-ku, Yokohama City | 98 | (Domestic AUTOBACS Business) | 34.0 | Officers holding concurrent positions: 2 (of which 2 are the Company's employees) | — | Sale and purchase of products | Store equipment leasing |
| buffalo CO., LTD. (Note 4) | Kawaguchi City, Saitama | 653 | (Domestic AUTOBACS Business) | 21.3 | — | — | Sale and purchase of products | Store equipment leasing |
| BLUE OCEAN Ltd. (Note 3) | Kumagaya City, Saitama | 50 | (Domestic AUTOBACS Business) | 17.1 | — | — | Sale and purchase of products | Store equipment leasing |
| FUNUS Corporation | Minato-ku, Tokyo | 100 | (Domestic AUTOBACS Business) | 25.0 | — | — | Sale of products | Store equipment leasing |
| Puma Ltd. | Imizu City, Toyama | 33 | (Domestic AUTOBACS Business) | 32.5 | Officers holding concurrent positions: 1 (of which 1 is the Company's employees) | — | Sale of products | Store equipment leasing |
| Total Ace Ltd. | Minami-ku, Sakai City | 95 | (Domestic AUTOBACS Business) | 20.0 | — | — | Sale of products | Store equipment leasing |
| PT.AUTOBACS INDOMOBIL INDONESIA | Tangerang, Indonesia | 59,604 (Millions of IDR) | (Overseas Business) | 49.0 | Officers holding concurrent positions: 3 (of which 3 are the Company's employees) | — | — | — |

| Company name | Location | Share capital (Millions of yen) | Principal business | Holding ratio of voting rights (%) | Relationship | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Officers serving concurrent positions, etc. | Financial support | Business transaction | Leasing of facilities |
| KIT LOONG TAYARIA SDN. BHD. | Kuala Lumpur, Malaysia | 2,250 (Thousands of MYR) | (Overseas Business) | 20.0 | Officers holding concurrent positions: 1 (of which 1 is the Company's employees) | — | — | — |
| Guangdong Car House Electronic Commerce Technology Co., Ltd. | Guangdong, China | 47,814 (Thousands of RMB) | (Overseas Business) | 20.0 | Officers holding concurrent positions: 1 (of which 1 is the Company's employees) | — | — | — |
| SIAM AUTOBACS Co., Ltd. | Bangkok, Thailand | 169,900 (Thousands of THB) | (Overseas Business) | 23.4 | Officers holding concurrent positions: 1 (of which 1 is the Company's employees) | Loans | Sale of products | — |
| BEAD Co., Ltd. | Chuo-ku, Tokyo | 100 | (Car Dealership, BtoB and Online Alliance Business) | 50.0 | Officers holding concurrent positions: 2 (of which 2 are the Company's employees) | Loans | Sale of products | — |
| AB System Solutions Co., Ltd. (Note 3, 7) | Koto-ku, Tokyo | 95 | (Company-wide) | 14.9 | — | — | Support Information processing service | Office leasing |

(Notes) 1. In the "Principal business" column, segment names are entered.

2. The numbers in the parentheses below Holding ratio of voting rights are indirect ownership ratios included in the ownership ratios.
3. Listed as an associated company due to its substantial influence despite its voting rights ratio being less than 20:100.
4. Securities Report has been submitted.
5. They are specified subsidiaries.
6. AUTOBACS Yamanashi Ltd. merged with AUTOBACS Kanto Sales Ltd. in April 2023 and the surviving company AUTOBACS Kanto Sales Ltd. changed its trade name to AUTOBACS Higashi-Nihon Sales Ltd.
7. AB System Solutions Co., Ltd. became a wholly owned subsidiary through the Company's acquisition of additional shares in April 2023 and changed its trade name to AUTOBACS Digital Initiative Co., Ltd.

## 5. Employees

(1) Consolidated basis

As of March 31, 2023

| Name of segment | Number of employees (Persons) | |
|---|---|---|
| Domestic AUTOBACS Business | 2,894 | (757) |
| Overseas Business | 571 | (18) |
| Car Dealership, BtoB and Online Alliance Business | 657 | (17) |
| Other Business | 163 | (4) |
| Total reportable segments | 4,285 | (796) |
| Company-wide (common) | 192 | (26) |
| Total | 4,477 | (822) |

(Notes) 1. The number of employees indicates the number of persons actually working for the AUTOBACS SEVEN Group. The yearly average number of temporary employees is shown in parentheses.

2. The number of employees in the Company-wide (not belonging to any specific segment) category includes employees who belong to the administration division.

(2) Non-consolidated basis

As of March 31, 2023

| Number of employees (Persons) | | Average age (Years old) | Average years of service (Years) | Average annual wages (Thousand yen) |
|---|---|---|---|---|
| 1,057 | (62) | 44.9 | 16.3 | 7,272 |

| Name of segment | Number of employees (Persons) | |
|---|---|---|
| Domestic AUTOBACS Business | 732 | (58) |
| Overseas Business | 18 | (0) |
| Car Dealership, BtoB and Online Alliance Business | 53 | (0) |
| Other Business | 96 | (4) |
| Total reportable segments | 899 | (62) |
| Company-wide (common) | 158 | (0) |
| Total | 1,057 | (62) |

(Notes) 1. The number of employees indicates the number of persons actually working for the AUTOBACS SEVEN Group. The yearly average number of temporary employees is shown in parentheses.

2. Figures for average annual wages include bonuses and other non-standard payments.

3. The number of employees in the Company-wide (not belonging to any specific segment) category includes employees who belong to the administration division.

(3) Labor unions

1. Name UA Zensen All AUTOBACS SEVEN Union
2. Upper group UA Zensen
3. Labor relations Management-labor relations have been smooth, and there are no items of note to report.

(4) Percentage of female managers, percentage of eligible male employees who take childcare leave, and gender pay gap

i. The reporting company

As of March 31, 2023

| Fiscal year under review | | | | |
|---|---|---|---|---|
| Percentage of female managers (%) (Note 1) | Percentage of eligible male employees who take childcare leave (%) (Note 2) | Gender pay gap (%) (Note 3) | | |
| | | All employees | Full-time employees | Contracted employees and part-time employees |
| 7.6 | 42.1 | 64.3 | 75.5 | 58.3 |

(Notes) 1. Calculated based on the provisions of the Act on the Promotion of Female Participation and Career Advancement in the Workplace (Act No. 64 of 2015)
Percentage of female managers indicates women's representation at the group manager level or higher (excluding director-level).
Manager-level positions are defined as group manager level or higher at headquarters and store manager level or higher at stores.
2. Percentage of eligible male employees who take childcare leave under Article 71-4 (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor, No. 25 of 1991) based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
Percentage of eligible male employees who take childcare leave is percentage of all directly employed eligible male employees regardless of type or term of employment.
3. Gender pay gap is the average pay of female employees as a percentage of the average pay of male employees.

ii. Consolidated subsidiaries

As of March 31, 2023

| Company name | Fiscal year under review | | | | |
|---|---|---|---|---|---|
| | Percentage of female managers (%) (Note 1) | Percentage of eligible male employees who take childcare leave (%) (Note 2) (Note 4) | Gender pay gap (%) (Note 3) | | |
| | | | All employees | Full-time employees | Contracted employees and part-time employees |
| CAP Style Co., Ltd. | – | * | 58.6 | 76.5 | 48.0 |
| HOT STUFF CORPORATION | – | – | 45.0 | 70.0 | 59.8 |
| Autoplatz K.K | 7.1 | – | 56.6 | 59.7 | 62.0 |
| AUTOBACS Kanto Sales Ltd. (Note 5) | – | – | 57.5 | 71.4 | 87.1 |
| AUTOBACS Chubu Sales Ltd. | – | 100.0 | 51.2 | 64.2 | 85.0 |
| AUTOBACS Kansai Sales Ltd. | – | 40.0 | 49.8 | 71.7 | 83.1 |
| AUTOBACS Minami-Nihon Sales Ltd. | 1.3 | – | 51.3 | 68.0 | 50.0 |

(Notes) 1. Calculated based on the provisions of the Act on the Promotion of Female Participation and Career Advancement in the Workplace (Act No. 64 of 2015)
Percentage of female managers indicates women's representation at the group manager level or higher (excluding director-level).
Manager-level positions are defined as group manager level or higher at headquarters and store manager level or higher at stores.
2. Percentage of eligible male employees who take childcare leave under Article 71-4 (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor, No. 25 of 1991) based on the provisions of the Act on

Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).
Percentage of eligible male employees who take childcare leave is percentage of all directly employed eligible male employees regardless of type or term of employment.

3. Gender pay gap is the average pay of female employees as a percentage of the average pay of male employees.
4. * indicates that there were no male employees eligible to take childcare leave.
5. AUTOBACS Kanto Sales Ltd. changed its trade name to AUTOBACS Higashi-Nihon Sales Ltd. in April 2023.

# II. BUSINESS OVERVIEW

## 1. Management Policies, Management Environment, and Issues to Be Addressed

Management policies, management environment, and issues to be addressed of the Group are as follows.

Forward-looking statements in this document are based on the judgment of the Group at the end of the fiscal year under review.

(1) Management policy

The environment in which the automobile industry operates is undergoing a period of change the like of which has never been experienced before. As customer needs are expected to undergo major changes, as well as society, automobiles, and people's lifestyles, accelerating transformation is required for management more than ever before.

In these circumstances, the Company introduced a new management structure to replace the previous officer system, for the purpose of increasing the speed of decision-making and the process of transformation. Under this structure, a new position, General Manager, is established. A General Manager is assigned to each strategic business unit. While the primary objective is to achieve the growth and goals of each business, the role of a General Manager is to organically link each business from the perspective of total optimization and promote company-wide strategies in order to strengthen business portfolio management.

Moreover, the Group has set the spirit of "Challenge," "Creation," and "Gratitude" as its principles of conduct. Envisaging changes in the business environment, the future automotive society, and the needs of our customers who use automobiles, such as the realization of "safety" and "rich experience," we are striving to further enhance our existing businesses and take on the challenge of new business areas, without being constrained by conventional frameworks, to create new value, so as to continue enhancing corporate value over the long term.

### Our Purpose

### Ensuring the safety of our communities while driving and enriching customers' lives

Today when the automobile has become an indispensable part of our lives, with the aim of resolving various social issues that the Group is expected to address, we will continue contributing to "ensuring the safety of our communities while driving and enriching customers' lives" in order to realize a sustainable society in which people and automobiles can continue to coexist as well as sustainable growth of the Group.

With this in mind, the Group has set out "Beyond AUTOBACS Vision 2032" and is advancing, through prompt and decisive decision-making, to the next growth stage toward the realization of this vision. We will continue striving to be a corporate group that is indispensable to customers and society, wishing to realize "the safety of our communities while driving and enriching customers' lives" through automobiles.

(2) Business environment

The Japanese economy is on a gradual recovery trend as a whole, as domestic demand is picking up and inbound demand is recovering, against the backdrop of the normalization of socioeconomic activities that had been restricted by the impact of the COVID-19 pandemic. On the other hand, the economic outlook remains uncertain in view of soaring raw material and energy costs attributable to the unstable international situation, the rapid depreciation of the yen and the accompanying inflation of commodity prices. Looking at the domestic automobile-related industry, although new vehicle sales are on the road to recovery as the global shortage of semiconductors is being gradually resolved, the industry is expected to remain unstable for some time owing to disruptions in supply chains and logistics.

In these circumstances, in the automotive industry, which is said to be undergoing a once-in-a-century transformation, technological innovations, such as electrification and autonomous driving, are steadily advancing. In addition, many companies are implementing initiatives to achieve carbon neutrality in the context of heightened awareness of sustainability, and responses to Zero Emission Vehicle (ZEV) including Electric Vehicle (EV) are accelerating worldwide.

In the automotive aftermarket, which the Group has its strength in, new services, such as car-sharing services and subscription services for vehicles, have been launched not only in this market but also in adjacent business areas. Moreover, we expect competition transcending the industry boundaries to further intensify as online purchases are expected to account for a greater proportion of business, as a result of changes in customer purchasing behavior. Furthermore, the environment in which the

Company operates is expected to continue undergoing significant and rapid changes, including changes in the customer composition due to the declining birthrate and population aging, as well as diversification of customer needs.

According to figures from an announcement by the Auto-Parts & Accessories Retail Association (APARA), an organization to which the Company belongs, total store net sales of four association members between April 2022 and March 2023 were ¥400,833 million, an increase of 1.1% year on year. In addition, new vehicle sales *1 for the same period were approximately 4.38 million vehicles (a 4.0% increase year on year), and the number of registered passenger used cars *2 for the same period was approximately 3.02 million vehicles (a 4.6% decrease year on year). Total automobile maintenance sales *3 in the market for the period from January through December 2022 were ¥5,738.8 billion (a 3.4% increase year on year), the first increase in two years.

*1 Japan Automobile Dealers Association (JADA), total for registered cars + compact passenger cars

*2 Japan Automobile Dealers Association (JADA), total for standard-sized vehicles and compact passenger cars

*3 Announced by Japan Automobile Service Promotion Association (JASPA)

(3) Priority business and financial issues to be addressed

i. Operational issues

In the automotive industry, Zero Emission Vehicle (ZEV) including Electric Vehicle (EV) have begun to spread worldwide, and demonstration tests of autonomous vehicles are also making steady progress toward practical application. In addition, society, vehicles, and people’s lives are changing owing to growing awareness of sustainability and promotion of digitalization, and we believe that the Group’s business environment will change even more drastically and rapidly.

We are considering formulation of a new medium-term management plan to enable us to respond swiftly to these changes in the business environment, accurately grasp customer needs, and promptly implement measures in response to those needs, and under the Five-year Rolling Plan, which has entered its fifth year in the fiscal year ending March 31, 2024, we are promoting collaboration that transcends industry boundaries and strengthening the business infrastructures, and have been able to raise our performance to a certain level. Based on the “Beyond AUTOBACS Vision 2032” mentioned above and a new medium-term plan to be formulated, the Group will continue to steadily accumulate achievements, leading to solid growth.

Although the automotive aftermarket is said to be entering a mature phase, we will work to further evolve the Domestic AUTOBACS Business and continue to offer customers the “the enjoyment of going out” by also taking on the challenge of creating new markets. To this end, we believe it is important to eliminate the concerns and problems associated with owning a car and improve “convenience” to enrich people’s lives with cars. As a measure, in April 2023, with the launch of “MOBILA,” a car life general information site, we began an initiative to proactively propose “incentives to go out”, in addition to efforts to eliminate the concerns and problems of car maintenance. Going forward, we will vitalize MOBILA, a car life general information site, and work with AUTOBACS stores to provide Safety and Security and excitement for everyone who drives a car.

In addition, at each AUTOBACS store, we will promote initiatives to eliminate concerns and problems that customers may experience when purchasing our products or that are associated with car ownership and improve convenience through the fusion of the Company’s online and physical presences to achieve “evolution as a retailer.” At the same time, through the implementation of the DX strategy, we are aiming at “evolution from a retailer” by connecting with customers more deeply, longer and more directly.

Directions of Evolution

## 2. New value creation


**We will evolve.**
**Into a group of companies that meets customers' fundamental needs for safety and enriched lives.**

In the Overseas Business, we currently operate wholesale and retail businesses in nine countries and regions. For the time being, our priority is to establish the wholesale business, which is getting on track. While promoting the AUTOBACS brand, we will deepen our understanding of the countries and regions in which we operate. Then, development of the retail business will be considered based on the situation of the wholesale business. With regard to the method of market entry, we will consider flexible business development, including development through local company operations based on partnerships with local companies, without sticking to direct management.

Moreover, capitalizing on the Group's strengths, we are sharpening our focus on Car Dealership, BtoB, and Online Alliance Business, where synergy with the Domestic AUTOBACS Business can be expected.

In the Car Dealership Business, we will forecast the market trend based on the trends of automakers mainly in Europe and the United States, in addition to profitability and growth potential of the business, and make use of the forecast in transformation of the Domestic AUTOBACS Business. Furthermore, we have begun sales of Zero Emission Vehicle (ZEV) including Electric Vehicle (EV).

In the BtoB Business, we are engaged in two businesses: merchandise wholesale and fleet services. In merchandise wholesale, we are leveraging our strengths in merchandising and carefully cultivating new clients, taking into consideration the impact on franchisees. In fleet services, we are strengthening corporate sales & marketing in anticipation of an increase in the number of vehicles owned by companies as a consequence of the spread of car sharing and other services, and we will vigorously work to capture demand for maintenance and vehicle inspections for vehicles owned by companies.

In the Online Alliance Business, we will continue enhancing the systems that enable us to keep connected with customers, such as the MOBILA car life general information site mentioned above, while playing a leading role in the "integration of online and physical stores ," which is the Group's goal.

In April 2023, the Company changed its management structure and separated the car purchase and sales business from the Domestic AUTOBACS Business as the "Car Trading Business" in order to increase the frequency of visits to the Group's stores by expanding the number of car purchases and sales nationwide. Furthermore, in order to make more effective use of the Group's real estate, property-related functions were integrated into the "Property Development Business" and commercialized. Going forward, we will pursue further earnings growth and efficiency improvements through these two businesses.

To support such business development, we will continue strengthening our human resources infrastructure through strategic investment in human capital. Human resources are not merely "resources" but "capital," and investment in human resources development is essential to maximize and enhance their value. In particular, securing certified mechanics is a matter of urgency. We will work to increase their number so that we can maintain and expand existing business fields centering on the Domestic AUTOBACS Business. Investment in human capital is important also from the perspective of sustainable management, and the Company believes that diversity is the key to corporate resilience. We will focus on fostering a group of professionals who respect the diversity of individuals, continue to produce results as a team, and can create new value through flexible thinking without fear of change, as well as on fostering a corporate culture that will generate those kinds of people.

Furthermore, we are building information infrastructure to collect and maintain all kinds of information obtained through business activities in the business portfolio and utilize such information to evolve the business. Going forward, we will promote digitalization of specific operations and workflows by making full use of IT and DX. At the same time, we will work to achieve transformation of products, services, and business models by matching the information obtained from the information infrastructure and results of analysis of the information with the needs of our customers and society.

ii. Financial issues

To realize sustainable growth of the Group, it is necessary not only to continue improving the efficiency of existing businesses but also to invest in growth fields and nurture new businesses. In order to continue taking on the challenge of creating new value, we will strengthen the monitoring system so that each business can be “visualized” and managed based on return on invested capital (ROIC), and continue the review and replacement of our business portfolio. For the review and replacement of the business portfolio, we take into consideration not only the profitability and growth potential of each business, but also the possibility of collaboration with other businesses and whether or not the business can contribute to resolving social issues. We will promote restructuring of the business portfolio to fully demonstrate the Group’s strengths.

The issues in financial affairs include improving investment income management through the revision of the business portfolio, increasing capital efficiency by visualizing it in each business, and providing stable and flexible shareholder returns with a total return ratio of 100% for the five years of the plan period.

(4) Objective indicators, etc. used to determine the achievement of business objectives

Objective indicators used to assess the achievement level of management targets of the Group include net sales, operating income, profit attributable to owners of parent and ROE.

The targets for the fiscal year ending March 31, 2024, include net sales of 243 billion yen, operating income of 12.3 billion yen, profit attributable to owners of parent of 7.4 billion yen and ROE of 5.8%.

## 2. Approach and Initiatives Regarding Sustainability

The details of approach and initiatives regarding sustainability are as follows.

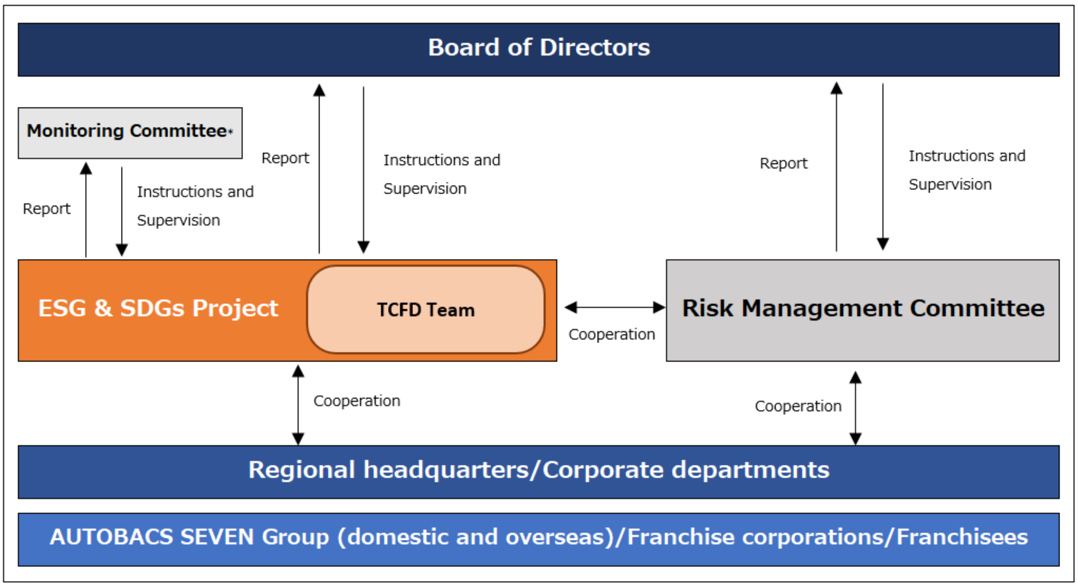
Matters concerning the future stated below are based on assessments as of the end of the fiscal year under review.

(1) Our Approach to Sustainability

i. Governance

In January 2021, the Company established the ESG & SDGs Project, led by Chief Executive Officer, aiming at management which integrates initiatives for environmental consideration, resolution of social issues, and governance with business as a whole. The contents of relevant discussions and decisions are reported to the Board of Directors, and the Board provides approval on the Company's initiatives, issues instructions and conducts supervision, as necessary. The Board of Directors also makes reports to the Monitoring Committee* and provides necessary instructions and supervision.

In April 2023, the Group established a Sustainability Basic Policy and other related policies and is endeavoring to ensure compliance and to maintain and enhance a sound and solid corporate governance system. The Group is also committed to integrating ESG considerations into its other policies with the aim of implementing business activities for the realization of a sustainable society.




* Name of meeting was changed to "General Managers Committee" due to organizational changes effective April 1, 2023.

ii. Strategy

In its Sustainability Basic Policy, the Group has set "Creation of businesses that solve social issues" and "Enhancing efforts that consider the environment and society" as goals and, through the products and services it provides, the Group aims to create a sustainable society in which people and cars continue to live in harmony. The Group believes that the concerted efforts of its employees towards the realization of such a society will meet society's expectations of the Group by solving various social issues and also helping achieve the Sustainable Development Goals (SDGs).

With the approval of the Board of Directors, the Group identified four material issues (materiality) which it needs to solve, to implement initiatives for achieving both enhancement of corporate value in the long term and the sustainable development of society. These issues are "Creation of businesses that solve social issues," "Enhancing efforts that consider the environment and society," "Development of organization and personnel," and "Sustainable and strong management base." The Group set up task forces for each of these material issues and, in May 2022, set non-financial targets and also established KPIs for FY2030. The Group adopted a system under which executive officers not concurrently serving as directors* assume responsibility for achievement of these KPIs. Under this system, the Group will continue monitoring the progress of each of the measures implemented, thereby increasing the likelihood of achievement of "a safe, secure, and gentle society in which people, cars, and the environment exist in harmony."

* Due to organizational changes effective April 1, 2023, the executive officer system was abolished and a system of “General Manager” was established.

## Materiality Identification Process and Materiality Assessment

### Step 1 Understanding social issues

We created a list of social issues gathered from the SDGs, ISO 26000, GRI standards, etc. Based on the list, the ESG & SDGs Project members discussed and held workshops to select the social issues to be addressed.

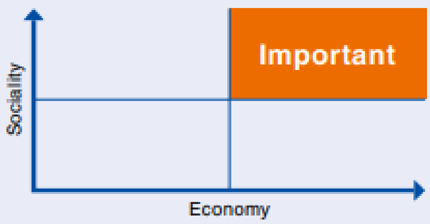
1. **Realization of a cyclical and symbiotic society**
2. **Response to climate change**
3. **Revitalization of local communities**
4. **Pursuit of diverse human resources and diverse work styles**
5. **Creating healthy and rewarding jobs**

### Step 2 Assessing the importance of social issues

We analyzed the risks and opportunities associated with the social issues we identified and assessed their importance to our company.

### Step 3 Creating materiality proposals

We positioned social issues of high importance as those that we should proactively solve and set out what we should do to solve these social issues through our business and governance as candidate management issues. We evaluated the issues based on the two axes of economy and sociality, and organized them as materiality proposals.




### Step 4 Evaluating the validity of the materiality proposals

We invited outside experts to exchange opinions on the materiality proposals with Chief Executive Officer, Directors and Officers to verify its appropriateness. Based on the results, we scrutinized the materiality.

### Step 5 Identifying materiality

After discussion and approval by our Board of Directors, we identified four material issues.

iii. Risk management

As an organization to centrally manage company-wide risks, the Company has established the Risk Management Committee, chaired by Representative Director & Chief Executive Officer, for identifying important risks through periodic reviews of latent risks in business activities and the enhancement of risk control systems.

The Committee analyzes and evaluates the risk exposure of the Company's business, frequency of risk occurrence, etc., discusses countermeasures against risks, from the greatest risks to the smallest, and implements control in advance of risks' occurring. Moreover, it reports on important risks to the Board of Directors and provides support to each department in addressing risks in a concrete manner.

Regarding sustainability-related risks, ESG & SDGs Project plays the central role in collecting risk information from each business segment and identifies and evaluates risks. By sharing the identified risks and progress in response with the Risk Management Committee, risks are integrated into a risk control list of the entire organization.

iv. Metrics and targets

The Group established initiatives it will focus on for each theme as non-financial targets and set metric and targets for each of these. By clarifying the direction the Group should move in and accurately managing progress, the Group will steadily implement initiatives.

Progress made on each metric is monitored via meetings and the level of achievement is reflected in the evaluation of executive officers who do not concurrently serve as directors*.

* Due to organizational changes effective April 1, 2023, the executive officer system was abolished and a system of "General Manager" was established.

| Non-financial targets | Range | KPI | Results of 2022 | Goals for 2030 |
|---|---|---|---|---|
| Promoting efforts to achieve zero traffic accidents | Consolidated | Sale of merchandise for curbing accidents | 190,000/year | 230,000/year |
| | Consolidated | Building of bases for checking tires and emergency (including bases of partner companies) | 238 bases | 734 bases |
| | Consolidated | Holding regional traffic safety events | 2 times/year | 4 times/year |
| Improving the position of and developing certified mechanics | Consolidated | Ensuring and fostering inspectors | 467 persons | 1000 persons |
| | Consolidated | Ensuring and fostering Level-2 mechanics | 683 persons | 1100 persons |
| | Consolidated | Completing education for supporting EVs | 528 persons | 1096 persons |
| Promoting social contribution related to automobiles | Consolidated | Disaster assistance using automobiles | 31 units | 111 units |
| Reducing CO2 emissions by installing environmentally-enhanced stores | Consolidated | Promoting environmentally-enhanced stores | 64 stores | 140 stores |
| Promoting environmentally friendly businesses/realizing a circular ecosystem | Non-consolidated | Developing eco-friendly products | 45 products | 300 products |
| | Consolidated | Reducing oil cans (increasing ratio of oil sale by measure) | 5,000 cans/year | 220,000 cans/year |
| Promoting the dissemination of safe and secure EVs aiming for the realization of a decarbonized society | Consolidated | Installing fast chargers | 7 stores | 43 stores |
| | Consolidated | Promoting statutory safety inspections of EVs (No. of EVs inspected) | 363 units | 3,440 units/year |
| | Consolidated | Promoting sale of EVs (No. of EVs sold) | 115 units | 2,500 units/year |
| Developing a corporate culture where diverse employees can demonstrate their capabilities | Consolidated | Increasing ratio of females | 17.8% | 30.0% |
| | Consolidated | Increasing ratio of female Group Managers and above | 8.2% | 18.0% |
| | Consolidated | Promoting acquisition of childcare leave by male employees | 37.1% | 100.0% |
| Building a system to evaluate challenges | Non-consolidated | Keeping employees energetic | 2.7 | 3.0 |
| Creating a healthy and vibrant workplace | Consolidated | Reducing ratio of smokers* | 34.3% | 20.0% |
| Reviewing/formulating and conforming with ESG- and SDG-related policies | Non-consolidated | Enhancing sustainability policy and related policies | Established and disclosed Policies | Update |
| Enhancing monitoring | Non-consolidated | Further monitoring corporate governance system and progress status | Completed progress management method design | Improvement |
| Organizing and utilizing databases to create value | Consolidated | Promoting data utilization project | Constructed customer data base. Promoting utilization | Data linkage /utilization |
| | Non-consolidated | Development of personnel for data analysis | 50 training participants | 320 persons |

(Note) For "Promoting measures to reduce the percentage of workers that are smokers," the FY2030 target is lower than the FY2022 result as the goal is to reduce the ratio.

(2) Response to climate change

The Company believes that responding to climate change is an important management issue and expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022. Based on the TCFD recommendations that require disclosure of information regarding financial impact of risks and opportunities brought about by climate change, the Company proactively discloses information on governance, risk management, strategy, and metrics and targets. Through the increased disclosure of information related to climate change, the Company facilitates a dialogue with stakeholders and aims at enhancing its corporate value in the future.

i. Governance

Governance relating to climate change is part of “Our Approach to Sustainability.” For further details, please refer to (1) Our Approach to Sustainability i. Governance.

ii. Strategy

The Company views risks and opportunities associated with climate change as one of the important perspectives to be considered when formulating its business strategy. With 2050 as the timeframe, the Group assumed two scenarios: the 1.5℃/2℃ scenario, assumes that governments “work to limit the global average temperature increase to well below 2°C in comparison with pre-industrial revolution levels, preferably to 1.5°C,” in line with the overarching goal of the Paris Agreement, and the 4℃ scenario, which assumes that greenhouse gas emissions continue to increase at the current pace. Based on these two scenarios, the Group identified climate-related risks and opportunities and then identified the transition risks and physical risks created by climate change and the opportunities arising from adaptation to climate change, in line with the TCFD recommendations.

Under the 4°C scenario, the Company’s business may be significantly affected by increases in drought, heavy rain and other extreme weather events, and there may be a suspension of operation of disaster-stricken logistics centers and stores due to the impact of the rapid emergence of physical risks, and decreases in the demand for goods and services in winter. Regarding logistics and data centers, the Company has already been minimizing physical risks by means such as the extension of geographical regions and development of backup systems. The Company also considers that physical risks regarding stores may be minimized through measures against water immersion risks, such as the selection of store location and development of store structures, from business continuity plan (BCP) perspectives. For its merchandise, the Company is striving to minimize opportunity loss associated with decreases in demand for merchandise and services in winter by introducing merchandise and services that match changes in temperature zones and consumer behavior.

Under the 1.5°C /2°C (or lower) scenario, as there will likely be changes in society with advances in technological innovation and stricter regulations toward the containment of global warming, the Company considers that there will be a more direct impact from transition risks. Moreover, while, with developments such as the introduction of carbon tax and emissions trading, incentives for ZEV manufacturers, and stricter regulations on internal-combustion vehicles, it is assumed that the number of vehicles powered by engines shipped will rapidly decrease, to be replaced by zero-emission vehicles (ZEV), the Company expects increased sales as a result of sales expansion of ZEV and will also endeavor to expand sales opportunities by proactively working to develop an infrastructure for the promotion of ZEVs.

As impacts of climate change may manifest themselves over the medium- to long-term, the Company periodically examines the analysis and evaluation of risks and opportunities and develop specific measures in light of changes in external trends, among other things, and incorporates the results into medium- to long-term management strategies.

-Scope of calculation :
[Business] Domestic AUTOBACS Business, and Car Dealership, BtoB and Online Alliance Business
[Scope] In Japan (Business locations, directly managed stores and stores of subsidiaries, logistics bases)
[Period] Present until 2050 (short term: no more than one year; medium-term: until 2030; long-term: until 2050)
-Steps in analysis
(1) Systematically identify potential impacts of each climate-related risk and opportunity factor to the scope of analysis targets.
(2) Take a bird's eye view of results of (1) and identify risks with higher probability of occurrence
(3) Based on a scenario applied (physical risk: Representative Concentration Pathways (RCP) 2.6 and RCP8.5, Transition risk: zero net energy (ZNE) and the Stated Policy Scenario (STEPS)), inspect impacts on business and calculate financial impacts under the 1.5°C /2°C (or lower) and 4°C scenarios.
(4) Examine measures to respond to results of (3).
- Reference documents
Climate change monitoring report 2020 (Japan Meteorological Agency (JMA)); Climate change in Japan 2020 (Ministry of Education, Culture, Sports, Science and Technology and JMA); MLT Hazard Map Portal Site (Ministry of Land, Infrastructure, Transport and Tourism ); Global Hybrid & Electric Vehicle Forecast (LMC Automotive); IPCC (Intergovernmental Panel on Climate Change)'s Sixth Assessment Report (AR6) and Working Group 1 (WG1) Report; International Energy Agency World Energy Outlook 2021; vehicles (Bureau of Taxation, Tokyo Metropolitan Government), etc.

*Changes from the previous year are underlined.

| Classification | Climate change factor | Risks and opportunities | Impact on business | Period/impact Medium-term | Period/impact Long-term | Countermeasures |
|---|---|---|---|---|---|---|
| Physical risks (4°C) | Increasingly serious natural disasters | Risks | ・Loss of sales opportunities caused by the suspension of operation of disaster-stricken logistics centers and stores<br>・Depreciation and early withdrawal of existing assets with high disaster (exposure) risk based on valuation adjustments | Large | Large | ・Extension of the geographical region of logistics bases and data centers<br>・Dispersal of suppliers<br>・Selection of store-opening locations from BCP perspectives, and improvements in store structures<br>・Early recovery of sales functions through store restoration support |
| | | | ・Difficulty in procuring raw materials due to disruptions in supply chains and increases in raw materials cost | Small | Small | |
| | | Opportunities | ・Creation of sales opportunities through early recovery of sales functions<br>・Development of new demand through support services to disaster-stricken areas | Small | Small | |
| | Rise in average temperatures | Risks | ・Loss of sales opportunities due to suspension of business caused by damages from inundation, etc. of stores<br>・Decrease in demand for goods and services in winter | Large | Large | ・Post-disaster protection through insurance coverage<br>・Expansion of merchandise lineup, excluding seasonal merchandise |
| Transition risks (1.5°C/2°C and lower) | Introduction of carbon pricing | Risks | ・Increase in costs associated with rising burden of carbon tax | Small | Small | ・Proactive introduction of LED lighting in stores<br>・Promotion of energy savings in stores |
| | | | ・Increase in capital investment in plant and equipment associated with the introduction of energy-saving technologies | Medium | Medium | |
| | | Opportunities | ・Reduction of energy costs through the introduction of energy-saving technologies | Small | Small | |
| | Enhancement of CO2 emission regulations | Risks | ・Increase in investment costs of renovating stores due to obligatory use of ZEB(Zero Energy Building) standard specifications | Small | Medium | ・Utilization of government subsidies |
| | | | ・Increase in procurement costs (electricity and water charges) | Small | Small | |
| | Promotion of recycling-oriented business | Risks | ・Increase in disposal costs associated with growing demand for waste treatment | Small | Small | ・Expansion of sale of merchandise by measure<br>・Expansion of purchase and sale of second-hand automotive goods |
| | | Opportunities | ・Expansion of second-hand automotive goods purchase and sale business | Small | Small | |
| | Enhancement of plastics regulation, etc. | Risks | ・Rise in packaging prices due to restrictions on petroleum-derived | Small | Small | ・Promotion of simplified packages |
| | | Opportunities | ・Expansion of handling of eco-friendly merchandise and changeover from plastic goods<br>・Enhancing brand image through communication to consumers | Small | Small | |
| | Increases in demand for ZEVs | Risks | ・Decrease in sales of engine related parts (merchandise) associated with increases in parts for zero emission vehicles (ZEVs) | Small | Medium | ・Increase in the number of electric vehicle (EV) maintenance locations and improvement of relevant facilities<br>・Provision of EV chargers |
| | | | ・Increase in investment for charging/vehicle maintenance facilities due to spread of EVs | Medium | Medium | |
| | | Opportunities | ・Increase in new business opportunities, including opportunities for selling ZEVs-related services and merchandise | Small | Medium | |
| | | | ・Increase in sales due to increased ZEV lineup | Small | Medium | |
| | | | ・Improvement of ability to attract customers by providing EV stations | Medium | Medium | |

Physical risks: Risks caused by climate change, such as intensification of climate-related disasters
Transition risks: Risks caused by transition to low-carbon economy associated with regulations concerning greenhouse gas emissions, etc.

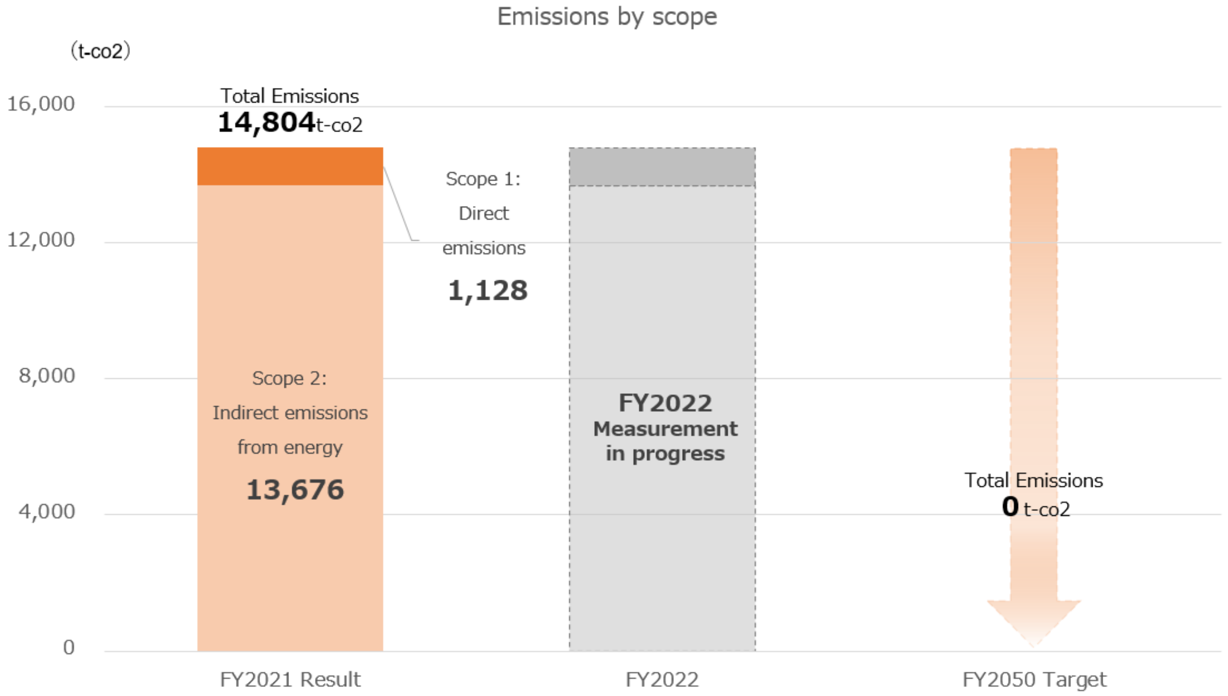
iii. Risk management

Risk management relating to climate change is part of "Our Approach to Sustainability." For further details, please refer to (1) Our Approach to Sustainability iii. Risk management.

iv. Metrics and targets

Seeking "to create a safe, secure, and gentle society in which people, cars, and the environment exist in harmony," the Company works to mitigate greenhouse gas emissions. Based on the declaration of the Japanese government, the Company will promote initiatives for the emission reduction target of achieving carbon neutrality (effective elimination of CO2) in FY2050.

Specifically, the Company will review initiatives for the development of eco-friendly functional merchandise that achieve emissions reduction during its use by customers, energy-saving stores, resource recycling, etc. and for the disclosure of target values.




Scope of calculation for FY2021 :
[Business] Domestic AUTOBACS Business
[Target] In Japan (147 sites including business locations, directly managed stores and stores of subsidiaries, logistics bases)
Computation period: From April 1, 2021 to March 31, 2022
Scope 1: All direct greenhouse gas emissions from fuel combustion, industrial processes and other emissions generated by businesses themselves.
Scope 2: Indirect emissions resulting from the use of electric power, heat and steam supplied by other companies.

Results for FY2022 are still to be determined. For the latest information, please refer to "Response to climate change" on the Company's website. (The website is due to be updated in late June 2023.)
https://www.autobacs.co.jp/en/sustainability/environment/climate_change.html

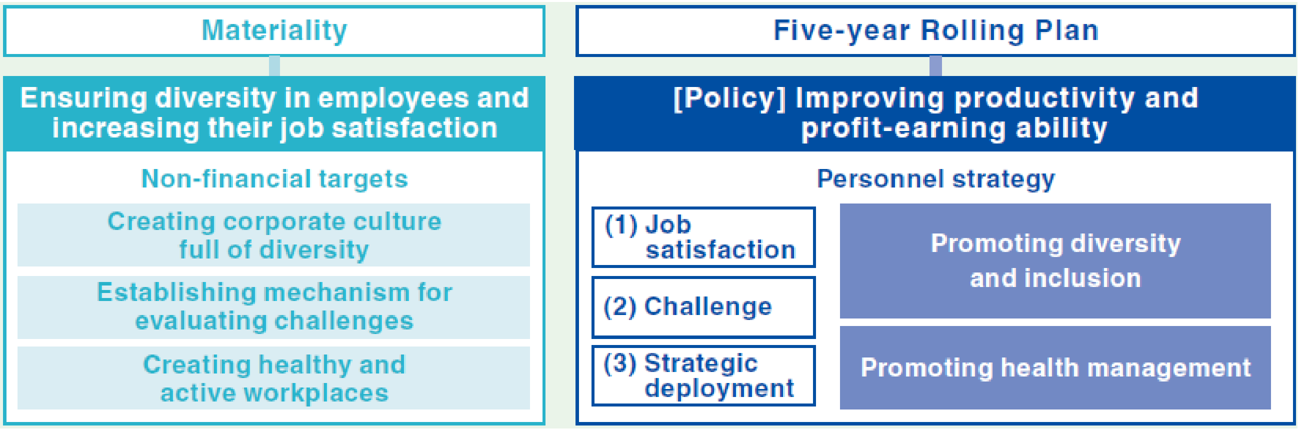
(3) Response to human capital

i. Governance

Governance relating to human capital is part of “Our Approach to Sustainability.” For further details, please refer to (1) Our Approach to Sustainability i. Governance.

ii. Strategy

Believing that corporate value is maximized through the growth of people, the Group sees the promotion of Diversity & Inclusion and the implementation of health and productivity management as fundamental to achieving its Five-Year Rolling Plan and is working on various HR measures in line with three medium-term HR policies: “creating rewarding workplaces,” “creating mechanisms and systems that encourage challenges,” and “strategic placements based on human resource data.”




Regarding the promotion of Diversity & Inclusion in particular, the Group believes that the active participation of diverse human resources who bring different perspectives to the organization will drive innovation and further enhance corporate value. Based on this belief, the Group is pursuing diversification in knowledge and experience through a range of measures including hiring women and human resources with different career backgrounds and experience, accepting foreign technical intern trainees at stores, and strategically assigning core human resources from consolidated subsidiaries, thereby promoting Diversity & Inclusion by actively using diverse human resources and appointing them as core human resources.

Moreover, to ensure that diverse human resources can advance their careers and fulfill their potential, the Group develops and provides diverse training according to rank, age, business and other requirements, based on a human resources development policy of “providing career-stage and life-stage appropriate training.” It also actively promotes skills development through career development training and the establishment of internal and external career consultation desks to support autonomous career development, and a subsidized self-development system (Cafeteria Plan). In addition, the Group has introduced working from home, remote working and flextime, applied shorter working hours more widely, encouraged eligible male employees to take childcare leave and taken various other steps to build a comfortable working environment where employees can achieve a work-life balance even as they experience life events such as getting married, having and raising children and nursing family members.

Raising awareness within the Group is also important for promoting Diversity & Inclusion, and the Group uses the Intranet and other channels to communicate the Group’s views on diversity through its Representative Director & Chief Executive Officer and also regularly implements initiatives to introduce diverse human resources at work and conducts campaigns to raise awareness about diversity.

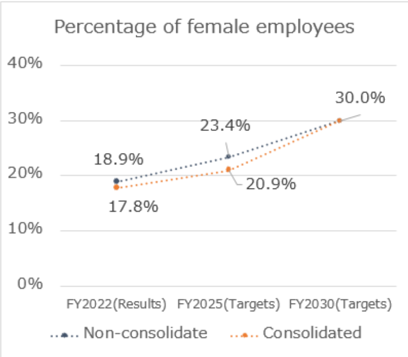
iii. Risk management

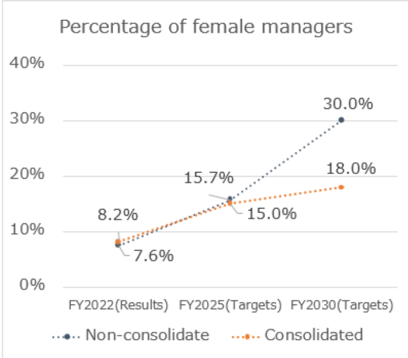
Risk management relating to human capital is part of “Our Approach to Sustainability.” For further details, please refer to (1) Our Approach to Sustainability iii. Risk management.

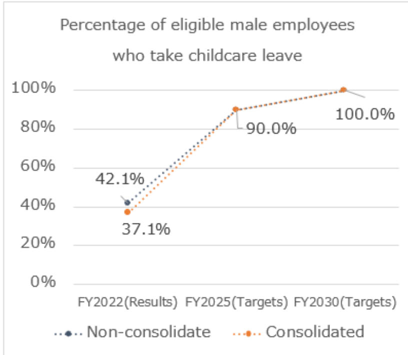
iv. Metrics and targets

The Group has established metrics and targets for realizing the non-financial targets -aligned with ESG & SDGs - of “developing a corporate culture where diverse employees can demonstrate their capabilities,” and is working on measures to achieve them. The Group has also made further progress with the selection of key measures for human resource investment and the examination of KPIs and numerical targets for human capital management and plans to disclose information about these as well in the future.

〔As of March 31, 2023 Human resources related data (Consolidated)〕




* Percentage of female employees is percentage excluding part-time workers.

* Percentage of female managers indicates women's representation at the group manager level or higher (excluding director-level).

Manager-level positions are defined as follows.

・AUTOBACS SEVEN: Group manager or higher at headquarters and store manager or higher at stores

・Domestics subsidiaries: Group manager or higher at headquarters and store manager or higher at stores

・Overseas subsidiaries: Manager at headquarters and store manager or higher at stores

* Percentage of eligible male employees who take childcare leave is percentage of all directly employed eligible male employees regardless of type or term of employment.

## 3. Business and Other Risks

Major risks that are related to what is stated primarily in the Business Overview and Financial Status chapters of this Securities Report, which management thinks could significantly affect the financial position, operating results and cash flows of the consolidated companies are as follows.

The forward-looking statements in this document are based on the judgment of the Group as of the end of the consolidated fiscal year under review.

### (1) Risk Management

Through the AUTOBACS franchise system, we provide a variety of merchandise and services to numerous customers. We recognize that our most important management task is to continue working to maintain and improve the AUTOBACS brand—an effort aimed at securing even greater support and trust from all stakeholders.

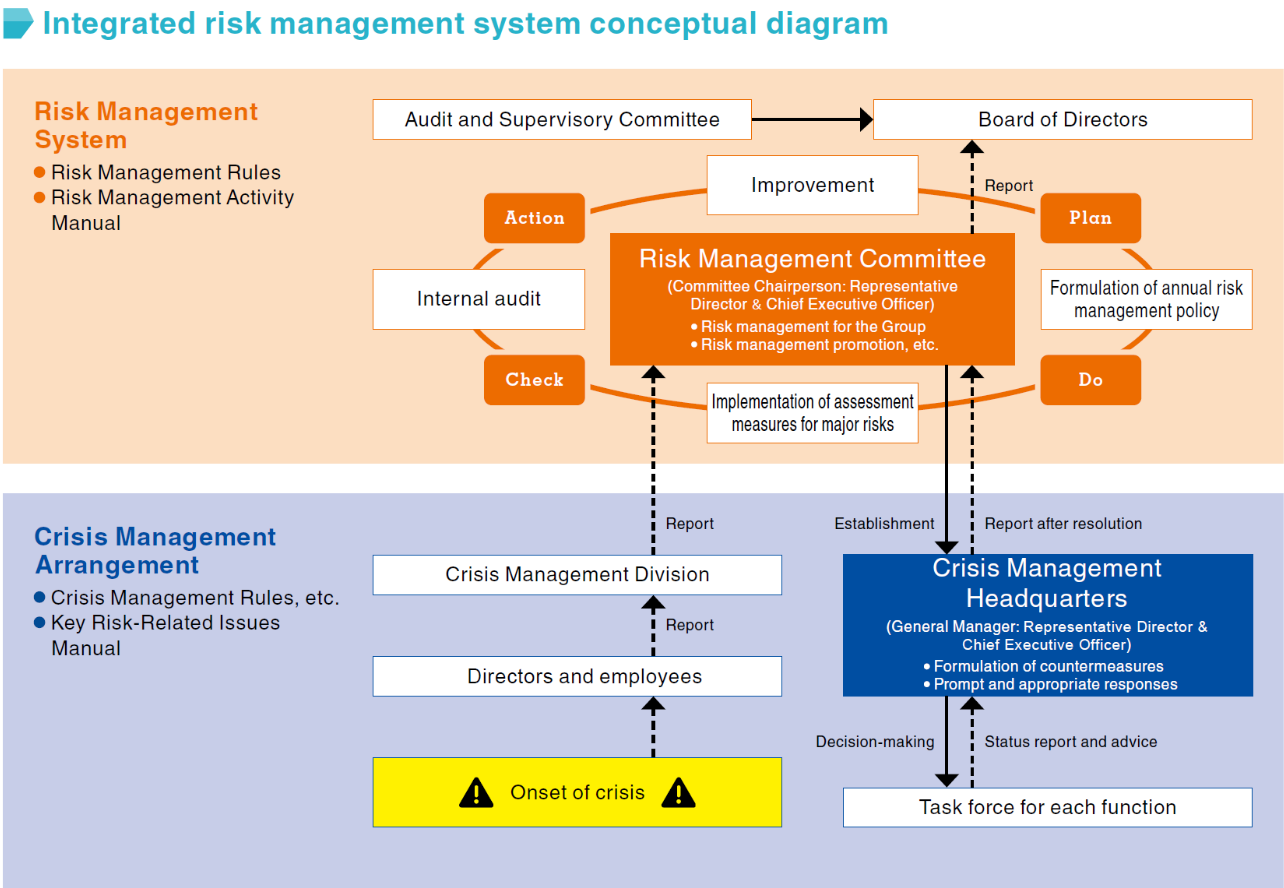
To this end, we not only respond to the daily changes in the environment surrounding the Group, but also accurately identify, evaluate, and appropriately control various risks that may hinder the achievement of our goals. In addition, we strive to fulfill our corporate social responsibility by establishing a system that enables us to minimize damage and loss in the event of a serious incident and prevent the spread of such damage.

We continuously work on improving integrated risk management throughout the Group and aim to become a corporate group that is trusted by its stakeholders.

Integrated Risk Management System

The Company has established a Risk Management Committee, which is chaired by the Representative Director & Chief Executive Officer and made up of executive directors and a general manager in charge of internal control, to manage risk across the AUTOBACS SEVEN Group and develop and implement an enterprise risk management system.

In an emergency, the Representative Director & Chief Executive Officer sets up a Crisis Management Headquarters and leads efforts to take prompt and appropriate action and recovery efforts.




(Notes) 1. The Integrated Risk Management Structure includes a risk management system and a crisis management system

2. The term crisis refers to an event that has or could have a significant impact on the management or business continuity of the AUTOBACS SEVEN Group.

## (2) Major risks

### i. Risks related to domestic market environment

The Group's business activities in Japan include the wholesale and retail of automotive goods and services, statutory safety inspection and maintenance services, and used car dealership. Accordingly, economic downturn in Japan, the stagnation of personal consumption, or a shift in competitive advantage caused by volatility in product procurement or exchange rates or other consequences of a change in the situation in Japan or overseas could negatively affect the Group's operating results and its financial position. The Group established the Risk Management Committee, chaired by the Representative Director & Chief Executive Officer, to mitigate such risks, entrusts an outside organization to carry out a risk assessment, selects and addresses material risks which need tackling, and constantly seeks to mitigate risks.

### ii. Risks associated with store operation

The Group operates retail stores selling automotive goods, providing statutory safety inspection and maintenance services, and purchasing and selling used cars. Associated risks include the disposal of waste discharged from store operations, the handling of toxic substances, accidents in service pits activities, and other accidents occurring on the premises of stores. These may affect the financial performance of the Group directly or indirectly through, for instance, a decrease in customers visiting stores of the Group due to the deterioration of customers' impressions about the Group.

Recognizing accidents in service pits activities as serious risk, the Group continues to provide instruction and education through training, thoroughly inform work manuals, and conduct inspections and improvements through a compliance check program.

### iii. Risks associated with securing and developing human resources

For the growth and maintenance of the Group's business, it is essential that the Group secures and develops human resources specializing in next-generation maintenance such as automobile maintenance and inspections and human resources with diverse knowledge, skills, and values enabling innovation. Difficulties in the continuous recruiting of appropriate human resources due to future social conditions or changes in the employment environment, causing problems in the securing of sales of existing business or the implementation of growth strategies, may affect the financial performance of the Group.

To secure human resources, the Group is stepping up initiatives to support the recruitment and hiring of human resources and secure certified mechanics across the AUTOBACS chain, including consolidated and franchise chain operations. The Group also attaches importance to work-life balance and is working to develop personnel systems and work environments in response to the diversification of work styles and values.

The Group is focusing on developing human resources by working to enhance human resource development programs which cover consolidated and franchise chain operations and also by encouraging executives and employees to improve their own knowledge and skills through the establishment of a system to support employees in gaining mechanic and other qualifications and the development of its own in-house qualifications.

### iv. Risks associated with technological innovations

Automobile-related technologies change every day, and the development of driving-support features and autonomous driving technology and the increasingly common use of electric vehicles may change the size of the market or the demand for replacement parts sold by the Group. Failing to flexibly respond to diverse customer needs associated with the advance of technology may affect the Group's financial performance and financial condition.

To address such risks, the Group continuously implements initiatives to acquire knowhow about technological innovations, including collaborating with automakers both in Japan and overseas, entering the electric vehicle market, and obtaining special maintenance authorization (electronic control unit maintenance) at all stores designated for performing statutory safety inspection.

### v. Risks associated with the development and procurement of products

The Group is engaged in the development of Private Brand (PB) goods. While the Group implements a range of initiatives to address risks in the development process, such as establishing strict standards and carrying out quality inspections, any accident caused by PB goods or other products could lead to a loss of customer trust and the damage to the brand could affect the Group's financial performance and financial position.

The PB goods and other products sold by the Group are procured in Japan and abroad. Difficulty in the procurement due to geopolitical conditions, natural disasters, economic conditions, and various other factors may affect the financial performance of the Group. A fall in demand for products and services due to a rise in retail prices caused by a surge in purchase prices may affect the financial performance of the Group.

vi. Risks associated with information security

Many of the Group's business activities rely on information systems and communication networks. If unforeseen circumstances such as a disaster or cyberattack caused data centers to stop functioning or systems to fail, and IT systems were no longer able to function normally for a prolonged period of time, the Group's operations may be significantly held up, which could affect the Group's financial performance. Moreover, any leakage of personal information, corporate trade secrets or other confidential information could undermine public confidence in the Group or necessitate compensation of damages, adversely affecting the Group's financial performance.

To address such risks, the Group implements measures at the entry and exit points of networks such as firewalls as well as information protection measures to verify access. The Group has also laid down information security regulations (IT Governance Regulations, Information Security Regulations, etc.) and seeks to thoroughly implement education and training including providing information security e-learning and training on how to counter targeted attack emails to executives and other employees. In addition, the Group takes into consideration resilience to natural disasters, power outages, fires and other disasters and security concerns when selecting data centers and uses multiple data centers to achieve risk decentralization. It also implements risk control measures, regularly backing up data and developing systems to recover data and resume services as quickly as possible in the event of emergency.

vii. Risks associated with changes in laws and regulations

When opening a store, the Group is subject to various laws, ordinances and other regulations governing the living environment and other matters, including the regulation of noise, traffic congestion, waste disposal and other issues associated with the opening of a new store with floor space larger than 1,000 sq. meters or the extension of an existing store pursuant to the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment. The Group's policy for opening a new large store with an area of more than 1,000 sq. meters is to fully consider the local environment from the stage of planning the store opening and make adjustments with local residents and municipalities. However, if the regulations change and the Group is affected by new legislation, it may not be able to open stores as planned and this may affect the Group's financial performance.

viii. Risks associated with climate change

The number of units of some merchandise sold by the Group, including studless snow tires and tire chains, is significantly affected by weather. Abnormal weather such as cool summers and mild winters may cause a fall in demand for seasonal merchandise or a decrease in sales due to a shift in the timing of sales. The introduction of carbon taxes or other public dues as the increasing legal regulations and social demands related to the environment or an increase in various regulations constraining business activities, increasing operation or facility costs, or otherwise impeding business may affect the financial performance of the Group.

Environmental legislation and growing social pressure could lead to the introduction of carbon taxes and other measures and wider-reaching regulation, putting constraints on business activities and pushing up operation or facility costs, and this could affect the financial performance of the Group.

To address such risks, the Group aims to achieve carbon neutrality by 2050 and, in line with a target of reducing greenhouse gas emissions across its store operations to zero, is focusing on using renewable energy and also promoting energy conservation through decarbonization initiatives such as environmentally-enhanced stores and the sale and maintenance of EVs. In addition, the Group flexibly reviews its business portfolio, aiming to strike a balance between climate change issues and business and to mitigate risks at every level, from senior management to shopfloor.

ix. Risks associated with natural disasters

An earthquake, typhoon, or other natural disaster in an area in which the Group operates stores or owns business-related facilities, damaging these facilities physically or causing positions to be vacant due to the death or injury of the Group's officers or employees and damaging merchandise or decreasing sales or increasing expenses for rebuilding, reinforcing human resources, and other recovery measures may affect the Group's financial performance.

To address such risks, the Group formulates business continuity plans (BCP) and carries out drills twice a year based on the assumption of various disaster scenarios in an attempt to identify any issues and mitigate risks.

x. Risks associated with virulent infectious diseases

The Group, centered on the AUTOBACS business, plays a part in traffic infrastructure. In preparation for the spread of infectious diseases such as COVID-19, the Group takes measures such as securing human resources during an infectious disease outbreak to enable it to continue operating by prioritizing the safety of its customers, suppliers, and employees to protect customers' safe and secure use of automobiles. However, the Group may take measures such as the suspension of store operations or reduced hours of operation depending on conditions such as outbreaks of infection or the increase of infections. In such cases, there is a possibility of an impact on the Group's business performance and finances.

The Group also endeavors to minimize the impact of outbreaks by distributing and stockpiling emergency supplies and introducing remote work for back office staff.

Significant accounting estimates relating to the COVID-19 pandemic are described in "(1) Impairment valuation of property, plant and equipment at stores related to the Domestic AUTOBACS Business, ii. Other information that may help the users of consolidated financial statements better understand the details of accounting estimates" and "(2) Valuation of goodwill, etc. of businesses other than the Domestic AUTOBACS Business, ii. Other information that may help the users of consolidated financial statements better understand the details of accounting estimates" under the Notes to consolidated financial statements (Significant accounting estimates).

xi. Risks associated with impairment of non-current assets

The Group has adopted the Accounting Standard for Impairment of Fixed Assets. Newly posting an impairment loss due to such factors as a fall in profitability of stores may affect the financial performance and financial condition of the Group.

Significant accounting estimates relating to the risk of impairment of non-current assets are described in "(1) Impairment valuation of property, plant and equipment at stores related to the Domestic AUTOBACS Business, ii. Other information that may help the users of consolidated financial statements better understand the details of accounting estimates" and "(2) Valuation of goodwill, etc. of businesses other than the Domestic AUTOBACS Business, ii. Other information that may help the users of consolidated financial statements better understand the details of accounting estimates" under the Notes to consolidated financial statements (Significant accounting estimates), including specific calculation methods and standards.

xii. Risks associated with compliance

The Group develops internal control to address problems related to legal compliance. It has established a division that leads company-wide internal control in order to establish a better internal control system, and a Code of Conduct and Guidelines for Action to guide officers and employees in the implementation of corporate activities based on a high ethical perspective. However, officer or employee misconduct may not be completely prevented in all cases. Misconduct may cause a decline in the trust the Group has earned from society, parties may claim a large amount of compensation for damages, and other consequences may affect the financial performance, financial position, or other conditions of the Group.

The Group implements various measures to address such risks including raising awareness about the AUTOBACS Code of Conduct and Guidelines for Action, implementing a program to check compliance within store operations, and establishing a major incident reporting system and whistleblowing system, in an effort to minimize risks.

xiii. Risks associated with management of private and confidential information

The Group possesses private information and confidential information in the course of its business. If this information held by the Group is leaked or other accidents occur, a decline in the trust the Group has earned from society may affect the Group's financial performance, financial position, or other conditions.

The Group has introduced regulations and restrictions on the handling of materials to address such risks. For very important electronic data, the Group has introduced strict control measures including establishing access permissions, passwords and time limits.

## 4. Management's Analysis on the Company's Financial Condition, Results of Operations and Cash Flow

### (1) Summary of operating results, etc.

A summary of the financial position, operating results, and cash flows ("operating results, etc.") of the Company and its consolidated subsidiaries entities accounted for using equity method (the "Group") in the fiscal year under review is as follows.

Although the Japanese economy showed signs of a gradual recovery in personal consumption as socioeconomic activities, which had been restricted due to the spread of the COVID-19, began to normalize, the economic outlook remained uncertain due to soaring raw material and energy prices and the rapid depreciation of the yen, which drove up prices.

As for trends in the domestic automotive industry, new car production, which had been declining due to the global shortage of semiconductors, turned to a recovery trend. However, the situation in Ukraine and the Chinese government's zero-COVID policy caused parts supply shortages and logistics stagnation, the effects of which are still prolonged. In the used car market, the number of used cars registered remained at a low level compared to the previous year due to a decrease in the distribution volume of trade-in cars caused by the production cutback of new cars. In the car accessory-related business, despite the impact of rising prices, demand for winter accessories increased due to cold waves and snowfall.

In this environment、 the Group is striving to enhance its market competitiveness by swiftly grasping and adapting to changes in society, automobiles, and people's lives. With the Five-year Rolling Plan that plots out the future direction of the Group, the Group is working to strengthen the Networks and the Business Infrastructures and to promote its Businesses in an effort to achieve sustainable growth, while sharpening its focus on fields with greater growth potential.

i. Consolidated statement of income

Net sales and gross profit

Group net sales for the consolidated fiscal term under review were ¥236,235 million, up 3.3% year on year, and gross profit was ¥79,462 million, up 3.0% year on year.

Net sales by segment of the current fiscal year are as follows.

(Unit: million yen)

| Name of segment | 75th fiscal term Apr. 1, 2021- Mar. 31, 2022 | 76th fiscal term Apr. 1, 2022- Mar. 31, 2023 |
|---|---|---|
| Domestic AUTOBACS Business | 174,894 | 178,570 |
| Overseas Business | 10,763 | 13,052 |
| Car Dealership, BtoB and Online Alliance Business | 39,042 | 39,820 |
| Other Business | 3,886 | 4,791 |
| Total reportable segments | 228,586 | 236,235 |

(Note) Inter-segment transactions are eliminated.

Selling, general and administrative expenses and operating profit

Selling, general and administrative expenses were ¥67,739 million, up 3.3% year on year, and operating profit was ¥11,722 million, up 1.5% year on year.

Expenses increased because of the promotion of digital marketing activities etc., reinforcement of the information infrastructure, and higher electricity bills caused by soaring crude oil prices and other factors.

The Group's employment status

(Persons)

| Name of segment | 75th fiscal term Apr. 1, 2021- Mar. 31, 2022 | | 76th fiscal term Apr. 1, 2022- Mar. 31, 2023 | | Increase/decrease from the previous consolidated fiscal term | |
|---|---|---|---|---|---|---|
| Domestic AUTOBACS Business | 2,842 | [706] | 2,894 | [757] | 52 | [51] |
| Overseas Business | 548 | [20] | 571 | [18] | 23 | (2) |
| Car Dealership, BtoB and Online Alliance Business | 670 | [22] | 657 | [17] | (13) | (5) |
| Other Business | 136 | [3] | 163 | [4] | 27 | [1] |
| Company-wide (common) | 192 | [28] | 192 | [26] | 0 | (2) |
| Total | 4,388 | [779] | 4,477 | [822] | 89 | [43] |

(Note) The number of employees indicates the number of persons actually working for the AUTOBACS SEVEN Group. The yearly average number of temporary employees is shown in brackets ("[ ]"). The number of employees in the Company-wide (not belonging to any specific segment) category includes employees who belong to the administration division.

Non-operating income, non-operating expenses and ordinary profit

Non-operating income was ¥1,854 million, down 1.3% year on year. Non-operating expenses were ¥2,002 million, down 8.3% year on year.

Since a decline in profitability was recognized for entities accounted for using equity method, impairment loss corresponding to goodwill was recorded as "Share of loss of entities accounted for using equity method" under non-operating expenses.

As a result, ordinary profit was ¥11,574 million, up 2.9% year on year.

Extraordinary income and extraordinary loss

Extraordinary income consisted of ¥891 million of gain on termination of retirement benefit plan and ¥286 million of compensation for forced relocation. Extraordinary loss consisted of ¥897 million of impairment loss on non-current assets.

Income taxes in total

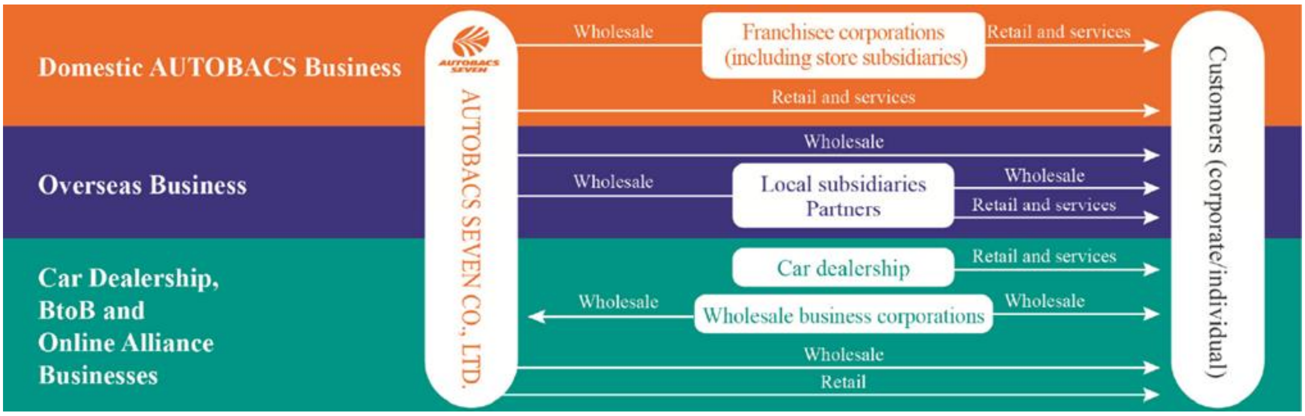
Income taxes in total were ¥4,640 million, an increase of ¥650 million from the previous fiscal term.

Profit attributable to owners of parent

Profit attributable to owners of parent was ¥7,239 million, up 3.3% year on year.

ii. Management results by segment

Outline of reporting segments




Net sales and income by segment

(Unit: million yen)

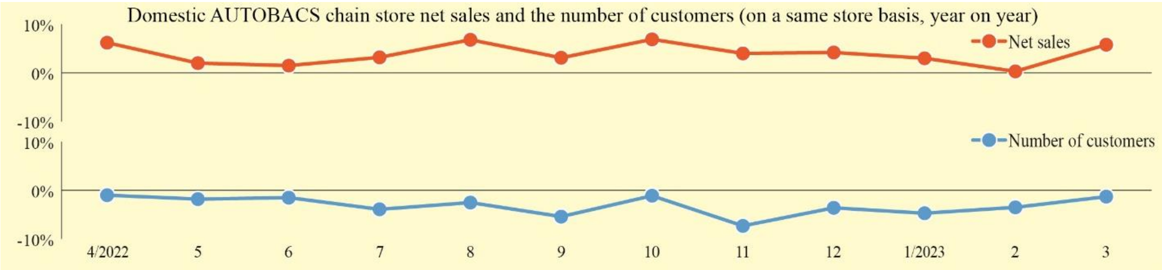
| | Reportable segments | | | | | Reconciling items | Amount recognized in consolidated statement of income |
|---|---|---|---|---|---|---|---|
| | Domestic AUTOBACS Business | Overseas Business | Car Dealership, BtoB and Online Alliance Business | Other Business | Total reportable segments | | |
| Net sales | | | | | | | |
| Revenue from contracts with customers | 176,877 | 12,972 | 39,820 | 4,175 | 233,846 | ― | 233,846 |
| Other revenue | 1,693 | 79 | ― | 615 | 2,388 | ― | 2,388 |
| Net sales to outside customers | 178,570 | 13,052 | 39,820 | 4,791 | 236,235 | ― | 236,235 |
| Year-on-year change | 2.1% | 21.3% | 2.0% | 23.3% | 3.3% | ― | 3.3% |
| Internal sales and transfers between segments | 4,536 | 479 | 9,375 | 1,272 | 15,664 | (15,664) | ― |
| Total | 183,107 | 13,531 | 49,196 | 6,063 | 251,899 | (15,664) | 236,235 |
| Year-on-year change | 2.7% | 22.1% | 1.4% | 21.2% | 3.7% | ― | 3.3% |
| Segment profit (loss) | 19,689 | (207) | 281 | (716) | 19,046 | (7,324) | 11,722 |
| Year-on-year change | (3.2%) | ― | ― | ― | 0.9% | ― | 1.5% |

Domestic AUTOBACS Business

Despite the impact of the spread of COVID-19 and rising prices, the Domestic AUTOBACS Business remained firm because of the Company's efforts to strengthen sales promotion, in addition to the signs of a recovery in personal consumption. As a result, net sales for the consolidated fiscal term under review increased 2.7% to ¥183,107 million. Gross profit increased 1.4% to ¥61,189 million. Selling, general, and administrative expenses increased 3.7% to ¥41,500 million, reflecting an increase in utility expenses. As a result, segment profit decreased 3.2% to ¥19,689 million.

Domestic AUTOBACS chain (including stores of franchisee corporations) net sales for all store formats during the consolidated fiscal term under review rose by 4.0% on a same store basis and rose by 4.2% on a total store basis compared to the previous fiscal term.

AUTOBACS chain store net sales and the number of customers (on a same store basis, versus the same month of the previous year)




In the domestic AUTOBACS chain, demand for automotive maintenance increased given that the number of new cars produced was lower than pre-COVID levels. Therefore, sales of tires, oil, and batteries, that are essential for users to continue to drive the cars they currently own, remained strong. Moreover, sales remained strong owing to strategic merchandising and enhanced sales promotions against a backdrop of rush demand prior to price revisions and rising demand for winter goods in the wake of cold waves and snowfalls.

Regarding tire sales, the Company revised in-store prices for tires twice in May and September after manufacturers implemented price increases. However, sales of tires increased because of the strong performance of studless tires owing to cold waves and snowfalls in December, in addition to the strengthening of the lineups and sales promotion. Regarding car electronics, reductions in new car production due to the worldwide shortage of semiconductors had a protracted impact, resulting in a decrease in sales.

Regarding the private label brands, the Company's efforts are centered on "AQ. (AUTOBACS QUALITY.)" and sales of AQ. snow tire product, "North Trek N5," which the Company launched in September 2022, were brisk. The Company is also promoting the "GORDON MILLER" brand that proposes exciting garage lifestyles. The Company is developing and selling valuable products that meet various customer needs.

For statutory safety inspection and maintenance, vehicle diagnostic services, which use scan tools to electronically check the condition of vehicles, performed well against the backdrop of customers' needs for safer and more reliable driving. Moreover, the Company promoted responses to the Automobile Specific Maintenance System, a system for maintenance of advanced safety vehicles equipped with advanced driver assistance systems (ADAS) and autonomous driving functions. All stores fully certified and designated to perform statutory safety inspections gained the Specific Maintenance Certification (maintenance of electronically controlled devices).

Furthermore, the Company has been taking measures to improve customer convenience, such as making it possible to promptly reserve pit services by expanding functions on the official app. The number of automobiles that underwent the statutory safety inspection increased by 1.9% year on year to roughly 665,000 vehicles, reflecting the increase in the number of vehicles subject to statutory safety inspections in the second half.

With regard to automobile purchase and sales, sales to auctions were brisk against the backdrop of an increase in the unit price of used cars and a higher purchase volume. As a result, the total number of automobiles sold in the Domestic AUTOBACS Business increased by 17.2% year on year to approximately 35,000 cars.

Regarding store openings and closings in Japan, 3 stores opened, 3 stores closed, and 1 store changed the business format, making the total number of domestic stores 588 as of March 31, 2023.

Sales by product in the Domestic AUTOBACS Business segment (adjusted for consolidation)

(Unit: million yen)

| | 75th fiscal term Apr. 1, 2021-Mar. 31, 2022 | 76th fiscal term Apr. 1, 2022-Mar. 31, 2023 | Increase/decrease from the previous fiscal term |
|---|---|---|---|
| Tires and wheels | 50,155 | 54,874 | 4,718 |
| Car electronics | 26,671 | 22,899 | (3,772) |
| Oil and batteries | 15,487 | 16,285 | 798 |
| Accessories and maintenance | 42,674 | 40,251 | (2,423) |
| Statutory safety inspections and services | 16,806 | 17,831 | 1,024 |
| Car sales | 10,718 | 13,681 | 2,963 |
| Other | 12,380 | 12,747 | 366 |
| Total | 174,894 | 178,570 | 3,676 |

Store openings and closings in Japan

(Unit: stores)

| | No. of stores as of March 31, 2022 | Opened | Closed | No. of stores as of March 31, 2023 |
|---|---|---|---|---|
| AUTOBACS | 494 | 3 | (1) | 496 |
| Super AUTOBACS | 74 | – | – | 74 |
| AUTOBACS *Secohan Ichiba* | 6 | – | (2) | 4 |
| AUTOBACS EXPRESS | 11 | – | – | 11 |
| AUTOBACS CARS | 3 | 1 | (1) | 3 |
| Total | 588 | 4 | (4) | 588 |

* Format changes are included in store openings and store closures.

Details of store in Japan

(Unit: stores)

| | No. of stores as of March 31, 2022 | No. of stores as of March 31, 2023 |
|---|---|---|
| Directly managed | 12 | 11 |
| Consolidated subsidiaries | 123 | 124 |
| Non-consolidated companies* | 453 | 453 |
| Total | 588 | 588 |

*Including associated companies

Overseas Business

Sales for the Overseas Business increased 22.1% year on year, to 13,531 million yen, and segment loss was 207 million yen (compared to a segment loss of 321 million yen in the same period of the previous year). In the retail and service business, sales increased despite the impact of the Ukraine situation and the worldwide inflation. Sales rose in the wholesale business as well, mainly reflecting the acquisition of new customers. In France, sales increased due to optimization of price and sales activities, despite the impact of inflation and other factors. In Singapore, sales increased due to the strong performance of pit services, reflecting increased demand for maintenance. In Malaysia, sales soared, reflecting strong wholesale sales due to growth in the number of authorized dealers which expanded to 125 dealers. In China, sales climbed, reflecting the solid performance in wholesale to both domestic and other countries after easing Covid restrictions in December, despite the strong impact of the zero-COVID policy by the Chinese government implemented. In Australia, sales rose due to sales activities such as the development of new wholesale customers and the introduction of new exclusive goods against the backdrop of the strong performance of car electronics goods and radio equipment.

The total number of stores outside Japan became 78, with 17 new store openings and 1 store closure, including the opening of 16 franchise stores in Thailand

Statement of income of main overseas subsidiaries

(Unit: million yen)

| | | 75th fiscal term Apr. 1, 2021- Mar. 31, 2022 | 76th fiscal term Apr. 1, 2022- Mar. 31, 2023 | Increase/decrease from the previous fiscal term |
|---|---|---|---|---|
| France | Net Sales | 6,395 | 7,271 | 876 |
| | Operating Income | (30) | (123) | (93) |
| Singapore | Net Sales | 1,282 | 1,714 | 432 |
| | Operating Income | (31) | (30) | 0 |
| China | Net Sales | 1,021 | 1,382 | 361 |
| | Operating Income | (49) | (143) | (94) |
| Malaysia | Net Sales | 52 | 116 | 63 |
| | Operating Income | (14) | (11) | 3 |
| Australia | Net Sales | 2,478 | 2,812 | 334 |
| | Operating Income | 130 | 163 | 33 |

Number of stores overseas

(Unit: stores)

| | No. of stores as of March 31, 2022 | Opened | Closed | No. of stores as of March 31, 2023 |
|---|---|---|---|---|
| France | 10 | — | — | 10 |
| Singapore | 2 | — | — | 2 |
| Thailand | 33 | 16 | — | 49 |
| Taiwan | 6 | — | — | 6 |
| Malaysia | 4 | 1 | — | 5 |
| Indonesia | 4 | — | (1) | 3 |
| Philippines | 3 | — | — | 3 |
| Total | 62 | 17 | (1) | 78 |

Detail of stores overseas

(Unit: stores)

| | 75th fiscal term Apr. 1, 2021-Mar. 31, 2022 | 76th fiscal term Apr. 1, 2022-Mar. 31, 2023 |
|---|---|---|
| Consolidated subsidiaries | 12 | 12 |
| Non-consolidated companies* | 50 | 66 |

*Including associated companies

Car Dealership, BtoB and Online Alliance Business

Net sales of the Car Dealership, BtoB and Online Alliance Business increased 1.4% year on year to ¥49,196 million and segment profit was ¥281 million (compared to ¥339 million of segment loss in the previous fiscal term).

In the Car Dealership Business, the Company secured higher operating profit than for the previous fiscal term because sales grew owing to efficient operation despite the impact of reduced production of new cars owing to semiconductor shortages. The Company signed an authorized dealership agreement with BYD Auto Japan Co. Ltd., the Japanese subsidiary of BYD, an electric vehicle manufacturer. Consequently, authorized dealerships that AUTOBACS DEALER GROUP HOLDINGS Co., Ltd. operates increased to four brands by the addition of BYD to BMW, MINI and Audi. Having established an opening preparation room for BYD AUTO Utsunomiya and BYD AUTO Nerima, the Company began accepting reservations for test drives and purchases of the e-SUV “BYD ATTO 3.”

Companies operating dealerships and the number of stores

(Unit: stores)

| Name of company | No. of stores as of March31, 2022 | No. of stores as of March31, 2023 |
|---|---|---|
| Autoplatz K.K. | 6 | 5 |
| Motoren Tochigi Corp. | 5 | 5 |
| Bacs Advance Co., Ltd. | 3 | 3 |
| BACS E-Mobility Co., Ltd. | — | — |

In the BtoB Business, there was a steady increase in the number of subscribers to the AUTOBACS Corporate Membership System, which enables companies to make lump sum payments for the purchase of items for company cars, including maintenance parts and automotive goods and services. At subsidiaries that conduct statutory safety inspection, maintenance services and tire sales, and one that wholesales wheels, sales also remained solid against the backdrop of rising demand for maintenance and cold snaps and snow falls in December. The Company also advances the development of private brand products exclusively for wholesale to expand wholesaling to other industries. In the Online Alliance Business, the Company is changing its logistics by establishing its own e-commerce logistics center and managing inventory reservation. The Company launched AUTOBACS Rakuten Ichiba Store in the online marketplace in November 2022 to increase the number of sales channels and expanded services on the official online shopping website, AUTOBACS.COM. As a result, sales increased. Moreover, with the aim of eliminating drunk driving, the ALC Cloud, a service for companies, in which drivers' alcohol levels are checked before and after they drive company cars and the relevant information is managed on the cloud, is steadily expanding.

Other Business

Sales in the Other Business increased 21.2% year on year, to 6,063 million yen, and segment loss totaled 716 million yen (compared to a segment loss of 795 million yen in the same period of the previous year).

iii. Analysis of financial conditions

a. Status of consolidated balance sheet items

Current assets

Current assets increased by ¥3,423 million from the end of the previous fiscal term to ¥111,341 million due mainly to increases in merchandise and accounts receivable-other.

Property, plant and equipment and intangible assets

Property, plant and equipment increased by ¥1,489 million from the end of the previous fiscal term to ¥46,757 million due mainly to an increase in construction in progress in preparation for new store openings. Intangible assets rose by ¥441 million from the end of the previous fiscal term to ¥9,392 million.

Investments and other assets

Investments and other assets decreased by ¥937 million from the end of the previous fiscal term to ¥26,836 million.

Current liabilities

Current liabilities rose by ¥2,110 million from the end of the previous fiscal term to ¥48,906 million. This was due primarily to increases in notes and accounts payable-other and income taxes payable.

Non-current liabilities

Non-current liabilities decreased by ¥1,764 million from the end of the previous fiscal term to ¥18,458 million. Although there was an increase in long-term loans payable attributable to borrowings from banks, this was primarily due to a decrease in retirement benefit liability due to the termination of the retirement benefit plan.

Total net assets

Total net assets increased by ¥4,071 million from the end of the previous fiscal term to ¥126,963 million. This was due primarily to an increase in profit attributable to owners of parent and remeasurements of defined benefit plans in line with the termination of the retirement benefit plan.

Assets by segment

(Unit: million yen)

| Name of segment | 75th fiscal term Apr. 1, 2021- Mar. 31, 2022 | 76th fiscal term Apr. 1, 2022- Mar. 31, 2023 | Increase/decrease from the previous consolidated fiscal term |
|---|---|---|---|
| Domestic AUTOBACS Business | 107,721 | 108,846 | 1,124 |
| Overseas Business | 13,395 | 12,256 | (1,139) |
| Car Dealership, BtoB and Online Alliance Business | 21,924 | 22,572 | 647 |
| Other Business | 29,289 | 30,497 | 1,207 |
| Company-wide (common) | 17,579 | 20,156 | 2,576 |
| Total | 189,910 | 194,327 | 4,416 |

Total assets/total liabilities and net assets

Total assets and total liabilities and net assets rose by ¥4,416 million from the end of the previous fiscal term to ¥194,327 million.

b. Consolidated Cash Flows

Cash and cash equivalents (hereinafter referred to as "funds") in the current consolidated fiscal year decreased 247 million yen from the end of the previous consolidated fiscal year to 24,503 million yen due to an increase in notes and accounts receivable-trade and inventories, payment of income taxes, purchase of property, plant and equipment and intangible assets, and dividend payments, while there was income before income taxes of 11,854 million yen and proceeds from long-term loans payable, etc. Cash and cash equivalents decreased 247 million yen from the end of the previous fiscal year to 24,503 million yen.

The status of each cash flow and their factors during the current consolidated fiscal year are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 10,687 million yen (5,712 million yen provided in the same period of the previous year). The main cash inflow was 14,408 million yen from operating transactions, after adjusting non-cash profit/loss items, etc., against income before income taxes of 11,854 million yen, while the main cash outflow was 3,856 million yen in income taxes paid, etc.

(Cash Flows from Investing Activities)

Net cash used in investing activities totaled 7,652 million yen (compared to 7,710 million yen used in the same period of the previous year). Major cash inflows included 572 million yen in proceeds from collection of guarantee deposits, while major cash outflows included 7,182 million yen for purchase of property, plant and equipment and intangible assets and 1,303 million yen for purchase of investment securities.

(Cash Flows from Financing Activities)

Net cash used in financing activities totaled 3,495 million yen (12,300 million yen used in the same period of the previous year). Major cash inflows included 3,000 million yen in proceeds from long-term loans payable, while major cash outflows included 4,674 million yen in cash dividends paid and 1,078 million yen in repayment of long-term loans payable.

c. Status of Capital Investment

During the consolidated fiscal term under review, the Group conducted capital investment in a total amount of ¥7,182 million. The main components were new store openings, remodeling of existing stores, and acquisition of buildings and structures for relocation of import car dealer stores as well as IT system investment for establishing next-generation information infrastructure.

Details of capital expenditures

(Unit: million yen)

| | 75th fiscal term<br>Apr. 1, 2021-Mar. 31, 2022 | 76th fiscal term<br>Apr. 1, 2022-Mar. 31, 2023 |
|---|---|---|
| New Store Openings (include store renewals) | 179 | 446 |
| Store Remodeling & Repair | 470 | 1,989 |
| Land | 2,317 | 453 |
| IT Systems | 1,993 | 2,405 |
| Other | 1,338 | 1,887 |
| Total | 6,300 | 7,182 |

Amount of capital expenditures by segments

(Unit: million yen)

| | 75th fiscal term<br>Apr. 1, 2021-Mar. 31, 2022 | 76th fiscal term<br>Apr. 1, 2022-Mar. 31, 2023 |
|---|---|---|
| Domestic AUTOBACS Business | 4,957 | 4,607 |
| Overseas Business | 218 | 622 |
| Car Dealership, BtoB and Online Alliance Business | 726 | 1,138 |
| Other Business | 186 | 224 |
| Company-wide (common) | 211 | 589 |
| Total | 6,300 | 7,182 |

iv. Status of Fund Procurement

During the consolidated fiscal term under review, the Group procured the funds for business operations mainly through refinancing as the entire AUTOBACS Group. The main reason for the increase in the balance of short-term loans payable and long-term loans payable at the end of the consolidated fiscal term under review of ¥1,906 million was execution of new borrowings in readiness for demand for working capital.

(2) Details of analysis and examination concerning the state of operating results, etc. from the perspective of the management

The details of understanding, analysis and examination concerning the state of operating results, etc. for the Group from the perspective of the management are as follows.

Matters concerning the future stated below are based on assessments of the Group as of the end of the fiscal year under review.

i. Details of understanding, analysis and examination concerning the state of operating results and the like for the fiscal year under review

The Japanese economy is on a gradual recovery trend as a whole, as domestic demand is picking up and inbound demand is recovering, against the backdrop of the normalization of socioeconomic activities that had been restricted by the impact of the COVID-19 pandemic. On the other hand, the economic outlook remains uncertain in view of soaring raw material and energy costs attributable to the unstable international situation, the rapid depreciation of the yen and the accompanying inflation of commodity prices. Looking at the domestic automobile-related industry, although new vehicle sales are on the road to recovery as the global shortage of semiconductors is being gradually resolved, the industry is expected to remain unstable for some time owing to disruptions in supply chains and logistics.

In these circumstances, in the automotive industry, which is said to be undergoing a once-in-a-century transformation, technological innovations, such as electrification and autonomous driving, are steadily advancing. In addition, many companies are implementing initiatives to achieve carbon neutrality in the context of heightened awareness of sustainability, and responses to Zero Emission Vehicle (ZEV) including Electric Vehicle (EV) are accelerating worldwide.

In the automotive aftermarket, which the Group has its strength in, new services, such as car-sharing services and subscription services for vehicles, have been launched not only in this market but also in adjacent business areas. Moreover, we expect competition transcending the industry boundaries to further intensify as online purchases are expected to account for a greater proportion of business, as a result of changes in customer purchasing behavior. Furthermore, the environment in which the Company operates is expected to continue undergoing significant and rapid changes, including changes in the customer composition due to the declining birthrate and population aging, as well as diversification of customer needs.

It, then, considered cooperating with companies with strengths in different areas to achieve its goals. The idea that becomes the basis of the rolling plan is to define this cooperation across different companies as the six networks and achieve cooperation through the establishment of these networks. Under the Five-year Rolling Plan, the Group is working to establish the six networks and cooperation, develop five business infrastructures, and strengthen seven businesses to achieve its goals.

In the fiscal year ended March 31, 2023, the Group established the following policies for improving execution and increasing speed, strengthening initiatives for sustainable growth, and continuing human resource development initiatives, and focusing on achieving these goals.

a. Improve execution and increase speed

For the achievement of sustainable growth, the Group must not only to maintain its existing businesses whilst improving their efficiency but also invest in growing business areas and develop new businesses. To continue rising to the challenge of creating new value, the Group is managing and visualizing the entire company using ROIC (Return on Invested Capital). In the fiscal year ended March 31, 2023, the Group set ROA by business as criteria for evaluating the performance of officers and visualized the entire company using ROIC. Going forward, the Group will visualize ROIC on a general manager basis and integrate this into performance evaluation indicators, for example, making ROIC by business an indicator used to evaluate the performance of General Managers, and seek to further raise awareness of ROIC within the Group.

In initiatives to optimize management resources by reviewing and refining the business portfolio, the Group abolished the officer system from April 2023. The Group is implementing faster and more accurate decision-making and shifting to a system that specializes in improving profitability. At the same time, the Group is reviewing its business portfolio, with a decision to partially withdraw from the Lifestyle Business and ongoing deliberations on withdrawal from unprofitable businesses by the Board of Directors. In addition, the Group is also implementing initiatives such as commercializing areas with growth potential.

In initiatives for strategic businesses, the Group concluded a dealership agreement with BYD Auto Japan Co., Ltd. in December 2022. The Group intends to contribute to the realization of a decarbonized society by promoting the spread of ZEVs and aims to take on the challenge of creating a new market as a major dealer of ZEVs.

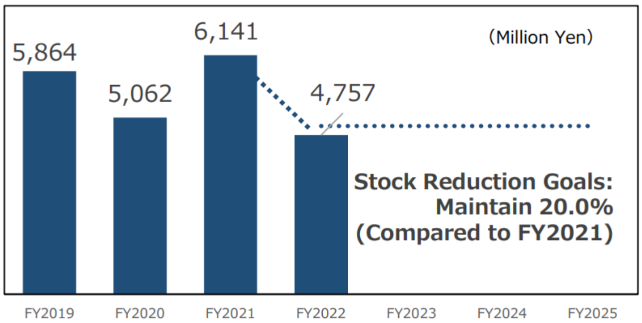
b. Strengthen initiatives for sustainable growth

With customer values and purchasing behaviors changing dramatically, competition between retailers, IT companies and other players that transcends industry boundaries is expected to intensify further. Under such conditions, the Group is aiming for "Evolution as a Retailer" by integrating online and physical stores. In the fiscal year ended March 31, 2023, the Group introduced a system whereby if a store has a product purchased on the e-commerce site in stock, it can be immediately picked up at the store. The Group is also taking action to address logistics issues and, in July 2023, plans to introduce last mile measures and pilot a system under which if a store has a product purchased on the e-commerce site in stock, it can be immediately sent from the store.

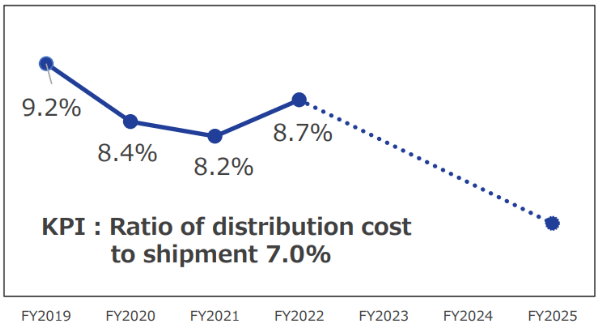
At the same time, the Group will also strive for "Evolution from a Retailer" through DX by utilizing unique data. This is a strategy to engage with customers more deeply, longer, and more directly based on the concept of achieving "CDE" (Customer Deep Engagement) through a digital ecosystem. To lay the foundations for this initiative, the Group made AUTOBACS Digital Initiative Co., Ltd. into a subsidiary through the acquisition of shares and enhances areas related to the development of IT infrastructure. The Group is also promoting the development of digital human resources and improvement of company-wide digital literacy.

One example of DX by utilizing unique data is the Group's launch of "MOBILA," a general information website for car lifestyle, in April 2023. MOBILA provides the latest news about cars and information about driving and other topics that make people want to go for a drive and, using MOBILA as a customer communication tool, the Group aims to become a mobility information platform provider.

Furthermore, the Group has implemented initiatives to improve markup by streamlining logistics. The Group steadily implemented measures such as improving markup for franchisees through negotiations with suppliers and also maintaining mark-up through the headquarters' absorption of soaring costs. The aim of this is to create a positive cycle, with improved markup increasing stores' profit and new store openings and capital expenditures further increasing sales profit. Initiatives to improve logistics efficiency also began to yield some results. The Group intends to continue increasing efficiency and implementing further logistics reforms.



Logistics average stock amount



Ratio of distribution cost to shipment

c. Continue human resource development initiatives

The Group believes that the development of human resources is essential for corporate growth. The Group positions the recruitment, development and retention of mechanics as an especially urgent issue, and in cooperation with its subsidiary, Chain Growth Co., Ltd., the Group is continuing and expanding recruitment activities targeting graduates of mechanic schools and other qualified individuals. Moreover, the Group also implements a range of initiatives to encourage the acquisition of mechanic qualifications including utilizing detached classrooms, holding short-term courses, holding workshops to prepare for the automobile inspector training exam, and holding hybrid technology workshops and it actively promotes the provision of opportunities for the development of mechanics. The Group is also proceeding a project in which experienced staff members who are able to install car electronics-related parts give online instructions to provide many staff members with OJT. The Group is considering the full-fledged introduction of this project since it enables older, veteran staff members to share their important expertise and also provides them with a place to work for an extended period of time.

In addition, the Group encourages reskilling to develop human resources. More specifically, the Group is developing the specialized human resources who are able to work at its stores and also developing specialized human resources for the promotion of IT and DX strategies. The Group believes that these are important skills and human resources for achieving its "Evolution from a Retailer." Going forward, the Group will continue supporting skills development and putting effort into ongoing education.

ii. Information about the analysis and discussion of the status of cash flow, capital resources and fund liquidity

The analysis of cash flows in the fiscal year under review is described in the section, b. Consolidated cash flows, iii. Analysis of financial conditions, in (1) Summary of operating results, etc.

The working capital required by the Group primarily includes expenses for the purchase of merchandise such as automotive goods and the payment of the costs for operating systems, etc. At the same time, since the Group operates a wholesale business targeting franchisees and a retail business targeting general customers, who are mostly individuals, the collection of accounts receivable-trade tends to precede the payment of accounts payable-trade. Therefore, funds provided by the cash flow from operating activities and short-term borrowings are, in general, allocated to working capital requirement and investment, which fluctuate seasonally. With the recent rapid changes in the business environment, short-term liquidity is ensured by carefully selecting and actively operating important investments required for growth while other investments are being controlled.

The Group closely examines its business portfolio by improving investment income management and manages investment income in each business and each subsidiary. While actively investing, the Group includes withdrawal in its options for businesses with a low gain on investments and aims to increase asset efficiency and consolidated ROE.

The Group positions the return of profit to its shareholders as one of the key management priorities. Its basic policy is to maintain stable and flexible shareholder returns by setting the total return ratio of the five years in the period of the Five-year Rolling Plan as 100%. The purchase of treasury shares is carried out when appropriate with the goal of increasing capital efficiency and shareholder profit based on the comprehensive consideration of the status of cash flow and other factors.

The balance of interest-bearing liabilities for the fiscal year under review, including borrowings and lease liabilities, is 12,193 million yen. Cash and cash equivalents at the end of the fiscal year under review amounted to 245,03 million yen.

iii. Significant accounting estimates and the assumptions used for them

The Group’s consolidated financial statements are prepared in accordance with Generally Accepted Accounting Principles in Japan (Japanese GAAP). The Group made various estimates and decisions regarding the recognition of assets, liabilities, revenue, and expenses in the preparation of the consolidated financial statements. Actual results may differ from these estimates due to uncertainties peculiar to estimation.

The important accounting estimates used by the Group in its consolidated financial statements are stated in (1) Consolidated Financial Statements (significant matters that serve as the basis for the preparation of consolidated financial statements) and (important accounting estimates), 1. Consolidated Financial Statements, etc., in V. FINANCIAL INFORMATION.

## 5. Important Business Contracts

Franchise agreement

The Company signs franchise agreements under a basic policy of existing and prospering together with existing retailers.

The following outlines the key provisions in the agreements.

(1) Overview of AUTOBACS franchise agreement

| | |
|---|---|
| Purpose of agreement | AUTOBACS SEVEN Co., Ltd. (headquarters) permits franchisees to use of its trade name and provides management expertise, etc. and the right to operate a business giving the impression that it is the same company as the headquarters. The franchisee pays a certain consideration for the license and continuously operates a business with the guidance and aid of the headquarters, aiming to achieve mutual prosperity. |
| Royalty | The franchisee pays an amount equivalent to a certain rate applied to monthly operating revenue. |
| Purchase and sale | Products to be sold by a franchisee are purchased primarily from the headquarters, which are sold to consumers based on expertise provided by the headquarters. |
| Term of contract | AUTOBACS franchise agreement<br>Five (5) years from the date of signing the agreement. It is automatically renewed for another three (3) years unless either party requests a termination no later than six (6) months prior to the expiration of the agreement.<br>Super AUTOBACS franchise agreement<br>Seven (7) years from the date of signing the agreement. It is automatically renewed for another three (3) years unless either party requests a termination no later than six (6) months prior to the expiration of the agreement.<br>AUTOBACS Secohan Ichiba franchise agreement<br>Five (5) years from the date of signing the agreement. It is automatically renewed for another three (3) years unless either party requests a termination no later than six (6) months prior to the expiration of the agreement. |

(2) Overview of AUTOBACS CARS franchise agreement

| | |
|---|---|
| Purpose of agreement | AUTOBACS SEVEN Co., Ltd. (headquarters) permits franchisees to use of its trade name and provides management expertise, etc. and the right to operate a business giving the impression that it is the same company as the headquarters. The franchisee pays a certain consideration for the license and continuously operates a business with the guidance and aid of the headquarters, aiming to achieve mutual prosperity. |
| Royalty | The franchisee pays an amount equivalent to a certain rate applied to the selling price of each automobile sold. |
| Purchase and sale | The franchisee conducts the following automobile transactions based on the expertise provided by the headquarters.<br>- Purchase, trade-in, and sale of automobiles from/to general consumers<br>- Purchase and sale of automobiles from/to other automobile sellers and the purchase of automobiles from the headquarters<br>- Buy and sell automobiles at auctions |
| Term of contract | Three (3) years from the date of signing the agreement. It is automatically renewed for another three (3) years unless either party requests a termination no later than six (6) months prior to the expiration of the agreement. |

## 6. Research and Development Activities

Not applicable.

# III. EQUIPMENT AND FACILITIES

## 1. Overview of Capital Investments, etc.

During the consolidated fiscal term under review, the Group conducted capital investment in a total amount of ¥7,182 million. The main components were new store openings, remodeling of existing stores, and acquisition of buildings and structures for relocation of import car dealer stores as well as IT system investment for establishing next-generation information infrastructure.

The breakdown of capital investments (including intangible assets) is as presented below.

(Capital investment by segment)

| Name of segment | 75th fiscal term<br>Apr. 1, 2021-Mar. 31, 2022 | 76h fiscal term<br>Apr. 1, 2022-Mar. 31, 2023 |
|---|---|---|
| | million yen | million yen |
| Domestic AUTOBACS Business | 4,957 | 4,607 |
| Overseas Business | 218 | 622 |
| Car Dealership, BtoB and Online Alliance Business | 726 | 1,138 |
| Other Business | 186 | 224 |
| Company-wide (common) | 211 | 589 |
| Total | 6,300 | 7,182 |

The Group invested 2,106 million yen primarily in the development of a next-generation store information platform.

## 2. Major Facilities

(1) Company submitting the report

As of March 31, 2023

| Branch name (location) | Segment | Facilities | Land | | Buildings and structures (millions of yen) | Machinery, equipment and vehicles (millions of yen) | Tools, furniture and fixtures (millions of yen) | Total (millions of yen) | Number of employees (persons) |
|---|---|---|---|---|---|---|---|---|---|
| | | | Area (m²) | Amount (millions of yen) | | | | | |
| West Japan Logistics Center (Miki City, Hyogo) | Domestic AUTOBACS Business | Distribution warehouse | 43,889.9 | 2,646 | 1,049 | 732 | 6 | 4,434 | 7 |
| East Japan Logistics Center (Ichikawa City, Chiba) | Domestic AUTOBACS Business | Distribution warehouse | — | — | 21 | 855 | 6 | 883 | 17 |
| A PIT AUTOBACS SHINONOME Store (Koto-ku, Tokyo) | Domestic AUTOBACS Business | Super AUTOBACS | — | — | 745 | 68 | 91 | 905 | 95 [21] |
| SA SAPPORO Store (Nishi-ku, Sapporo City) | Domestic AUTOBACS Business | Leased store (Super AUTOBACS) | 6,047.0 | 1,181 | 0 | — | 0 | 1,182 | — |
| SA SENDAI-IZUMIKAMO Store (Izumi-ku, Sendai City) | Domestic AUTOBACS Business | Leased store (Super AUTOBACS) | 7,172.4 | 735 | 0 | — | 0 | 736 | — |
| SA SUNSHINE KOBE Store (Nada-ku, Kobe City) | Domestic AUTOBACS Business | Leased store (Super AUTOBACS) | — | — | 415 | 2 | 25 | 443 | 4 [1] |
| Shizuoka-Ryutsu Store (Aoi-ku, Shizuoka City) | Domestic AUTOBACS Business | Leased store (AUTOBACS) | 4,410.0 | 1,166 | 2 | — | 0 | 1,170 | — |
| Zao Store (Fukuyama City, Hiroshima) | Domestic AUTOBACS Business | Leased store (AUTOBACS) | 3,862.3 | 839 | 0 | — | 0 | 840 | — |
| Nara-Daianji (Nara City, Nara) | Domestic AUTOBACS Business | Leased store (AUTOBACS) | 4,932.4 | 620 | 61 | — | 0 | 682 | — |
| Fujinomiya Store (Fujinomiya City, Shizuoka) | Domestic AUTOBACS Business | Leased store (AUTOBACS) | 5,337.4 | 531 | 0 | — | 0 | 533 | — |
| Kansai Regional Headquarters (Kita-ku, Osaka City) | Domestic AUTOBACS Business | Office | 440.3 | 403 | 297 | 10 | 5 | 716 | 73 [4] |
| Newly regulated store sites (Nishi-ku, Hiroshima City,) | Domestic AUTOBACS Business | Land to be leased | 5,604.0 | 1,982 | — | — | — | 1,982 | — |

(Notes) 1. Amounts are book values and do not include construction in progress.

2. The number of employees in [ ] is the number of temporary employees.

3. "Super AUTOBACS" of Facilities is a store with a site area of 5,610m² (1,700 tsubo) or more and a sales floor area of 990m² (300 tsubo) or more.

4. Of the facilities, "Leased store" is a store leased to a franchisee, and the location in the parentheses under the store name is the lessee's location.

5. In addition to the above, the Company has software valued at 4,876 million yen.

(2) Domestic subsidiaries

As of March 31, 2023

| Branch name (location) | Segment | Facilities | Land | | Buildings and structures (millions of yen) | Machinery, equipment and vehicles (millions of yen) | Tools, furniture and fixtures (millions of yen) | Total (millions of yen) | Number of employees (persons) |
|---|---|---|---|---|---|---|---|---|---|
| | | | Area (m²) | Amount (millions of yen) | | | | | |
| AUTOBACS Kansai Sales Ltd.<br>A PIT AUTOBACS KYOTO SHIJO Store (Sakyo-ku, Kyoto City) (Note 6) | Domestic AUTOBACS Business | Super AUTOBACS | 10,298.8<br>(10,298.8) | 2,557<br>(2,557) | 700<br>(683) | 77<br>(13) | 250<br>(196) | 3,586<br>(3,450) | 53<br>[54] |
| AUTOBACS Minami-Nihon Sales Ltd.<br>SA Onojo-Mikasagawa Store (Onojo City, Fukuoka) | Domestic AUTOBACS Business | Super AUTOBACS | 8,307.1<br>(8,307.1) | 1,078<br>(1,078) | 49<br>(46) | 12<br>(−) | 4<br>(0) | 1,144<br>(1,125) | 31<br>[6] |
| AUTOBACS Kanto Sales Ltd.<br>SA Utsunomya Store (Utsunomiya City, Tochigi) (Note 5) | Domestic AUTOBACS Business | Super AUTOBACS | 4,035.7<br>(3,627.0) | 559<br>(515) | 18<br>(14) | 1<br>(0) | 1<br>(0) | 580<br>(530) | 21<br>[8] |
| AUTOBACS Kanto Sales Ltd.<br>SA Kashiwa Shonan Store (Kashiwa City, Chiba) (Note 5) | Domestic AUTOBACS Business | Super AUTOBACS | − | − | 169<br>(159) | 9<br>(0) | 15<br>(3) | 194<br>(163) | 54<br>[27] |
| AUTOBACS Kanto Sales Ltd.<br>SA Chiba Naganuma Store (Chiba City, Chiba) (Note 5) | Domestic AUTOBACS Business | Super AUTOBACS | − | − | 41<br>(25) | 24<br>(1) | 10<br>(0) | 76<br>(27) | 43<br>[13] |
| AUTOBACS Chubu Sales Ltd.<br>SA NAGOYA BAY Store (Minato-ku, Nagoya City) | Domestic AUTOBACS Business | Super AUTOBACS | − | − | 41<br>(34) | 0<br>(−) | 2<br>(1) | 43<br>(35) | 54<br>[27] |
| AUTOBACS Kanto Sales Ltd.<br>AUTOBACS GARAGE Fuchu Store (Fuchu City, Tokyo) (Note 5) | Domestic AUTOBACS Business | AUTOBACS | 4,118.1<br>(4,118.1) | 842<br>(842) | 105<br>(105) | 1<br>(1) | 1<br>(1) | 950<br>(950) | 15<br>[6] |
| AUTOBACS Minami-Nihon Sales Ltd.<br>Shinonome Store (Minami-ku, Hiroshima City) | Domestic AUTOBACS Business | AUTOBACS | 2,920.0<br>(2,920.0) | 715<br>(715) | 184<br>(182) | −<br>(−) | 1<br>(0) | 901<br>(898) | 16<br>[9] |
| AUTOBACS Minami-Nihon Sales Ltd.<br>Midorii Store (Asaminami-ku, Hiroshima City) | Domestic AUTOBACS Business | AUTOBACS | 1,607.1<br>(1,607.1) | 516<br>(516) | 48<br>(47) | −<br>(−) | 0<br>(0) | 565<br>(564) | 17<br>[5] |
| AUTOBACS Minami-Nihon Sales Ltd.<br>Tobe Store (Iyo-gun, Ehime) | Domestic AUTOBACS Business | AUTOBACS | 3,234.3<br>(3,234.3) | 552<br>(552) | 10<br>(10) | 0<br>(−) | 1<br>(0) | 564<br>(562) | 12<br>[3] |
| AUTOBACS Minami-Nihon Sales Ltd.<br>Kure Aga Chuo Store (Kure City, Hiroshima Prefecture) | Domestic AUTOBACS Business | AUTOBACS | 3,299.5<br>(3,299.5) | 410<br>(410) | 97<br>(97) | −<br>(−) | 1<br>(0) | 509<br>(508) | 8<br>[3] |

(Notes) 1. Amounts are book values and do not include construction in progress.

2. The number of employees in [ ] is the number of temporary employees.

3. Facilities "Super AUTOBACS" is a store with a site area of 5,610m² (1,700 tsubo) or more and a sales floor area of 990m² (300 tsubo) or more.

4. The facilities include assets leased from the Company, and the amounts in parentheses under the amounts indicate the portions belonging to the Company.

5. AUTOBACS Kanto Sales Ltd. changed its trade name to AUTOBACS Higashi-Nihon Sales Ltd. in April 2023.

6. A PIT AUTOBACS KYOTO SHIJO became a store directly managed by the Company following the transfer of business from AUTOBACS Kansai Sales Ltd. to the Company in April 2023.

(3) Overseas subsidiaries

There are no major facilities.

## 3. Plans for New Additions or Disposals, etc. of Facilities

Not applicable.

# IV. CORPORATE INFORMATION

## 1. Information on the Company's Shares, etc.

(1) Total number of shares, etc.

i. Total number of shares

| Class of shares | Number of authorized shares (Shares) |
|---|---|
| Common stock | 328,206,900 |
| Total | 328,206,900 |

ii. Shares issued

| Type | Number of shares issued at the end of the fiscal year (shares) (As of March 31, 2023) | Number of shares issued as of the filing date (shares) (As of June 24, 2023) | Stock exchange where the Company is listed | Description |
|---|---|---|---|---|
| Common stock | 82,050,105 | 82,050,105 | Tokyo Stock Exchange Prime Market | One unit: 100 shares |
| Total | 82,050,105 | 82,050,105 | — | — |

(2) Information on the stock acquisition rights, etc.

i. Details of stock option plans

Not applicable.

ii. Details of rights plans

Not applicable.

iii. Other stock acquisition rights, etc.

Not applicable.

(3) Exercise status of bonds with stock acquisition rights containing a clause for exercise price adjustment, etc.

Not applicable.

(4) Changes in number of shares issued and capital, etc.

| Date | Change in the total number of issued shares | Balance of the total number of issued shares | Change in share capital (millions of yen) | Balance of share capital (millions of yen) | Change in legal capital surplus (millions of yen) | Balance of legal capital surplus (millions of yen) |
|---|---|---|---|---|---|---|
| May 17, 2021 (Note) | (2,000,000) | 82,050,105 | — | 33,998 | — | 34,278 |

(Note) A decrease due to cancellation of treasury shares.

(5) Status by shareholder classification

As of March 31, 2023

| Classification | Status of shares (1 unit = 100 shares) | | | | | | | | Shares less than one unit (Shares) |
|---|---|---|---|---|---|---|---|---|---|
| | National and local governments | Financial institutions | Japanese financial instruments business operators | Other corporations | Foreign shareholders | | Individuals and other | Total | |
| | | | | | Other than individuals | Individuals | | | |
| Number of shareholders (Persons) | — | 30 | 23 | 422 | 160 | 103 | 60,634 | 61,372 | — |
| Number of shares held (Units) | — | 164,882 | 20,362 | 205,359 | 73,708 | 456 | 354,966 | 819,733 | 76,805 |
| Shareholding ratio (%) | — | 20.11 | 2.48 | 25.05 | 8.99 | 0.06 | 43.30 | 100.00 | — |

(Notes) 1. Of 4,060,066 treasury shares, 40,600 units are included in the “Individuals and others” column under “Status of shares” and 66 shares are included in the “Shares less than one unit” column.

2. “Other corporations” includes 9 units of shares under the name Japan Securities Depository Center, Inc. and “Shares less than one unit” includes 60 units of shares under the name Japan Securities Depository Center, Inc.

(6) Major shareholders

As of March 31, 2023

| Name | Address | Number of shares held (Thousands of shares) | Number of shares held to total number of shares issued and outstanding (Excluding treasury shares) (%) |
|---|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2-11-3 Hamamatsucho, Minato-ku, Tokyo | 9,183 | 11.77 |
| Sumino Holdings, Ltd. | 5-10-10 Seijyo, Setagaya-ku, Tokyo | 4,243 | 5.44 |
| The Yuumi Memorial Foundation for Home Health Care | 3-5-1 Kojimachi, Chiyoda-ku, Tokyo Zenkyoren Bldg. Kojimachikan | 3,990 | 5.11 |
| Custody Bank of Japan, Ltd. (Trust Account) | 1-8-12 Harumi, Chuo-ku, Tokyo | 2,919 | 3.74 |
| K Holdings, Ltd. | 2-6-404 Yamatecho, Ashiya-shi, Hyogo | 2,750 | 3.52 |
| The Master Trust Bank of Japan, Ltd. (Retail Trust Account 820079252) | 2-11-3 Hamamatsucho, Minato-ku, Tokyo | 1,800 | 2.30 |
| Foreman Kyoei, Ltd. | 1-1-2-3406, Shinsenri-Higashimachi, Toyonaka-shi, Osaka | 1,560 | 2.00 |
| Hiroshi Sumino | Shibuya-ku, Tokyo | 1,384 | 1.77 |
| STATE STREET BANK WEST CLIENT-TREATY 505234 | 1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U. S. A. (2-15-1 Konan, Minato-ku, Tokyo) | 1,197 | 1.53 |
| Live Field Co., Ltd. | 4-1-18-510 Hiro-o, Shibuya-ku, Tokyo | 1,000 | 1.28 |
| Total | — | 30,028 | 38.50 |

(Notes) 1. The number of shares held is rounded down to the nearest thousand.

2. The ratio of the number of shares held to the number of shares outstanding (excluding treasury shares) is rounded down to the second decimal place.

(7) Voting rights

i. Shares issued and outstanding

As of March 31, 2023

| Classification | Number of shares (Shares) | Number of voting rights (Units) | Description |
|---|---|---|---|
| Non-voting shares | — | — | — |
| Shares with restricted voting rights (Treasury shares, etc.) | — | — | — |
| Shares with restricted voting rights (other) | — | — | — |
| Shares with full voting rights (Treasury shares, etc.) | (Treasury shares) Common stock 4,060,000 | — | — |
| | (Mutually held shares) Common stock 127,700 | — | |
| Shares with full voting rights (other) | Common stock 77,785,600 | 777,856 | — |
| Shares less than one unit | Common stock 76,805 | — | Shares less than one unit (100 shares) |
| Total number of shares issued and outstanding | 82,050,105 | — | — |
| Total voting rights held by all shareholders | — | 777,856 | — |

(Note) Shares with full voting rights (other) include 900 shares (nine voting rights) held under the name Japan Securities Depository Center, Inc.

ii. Treasury shares, etc.

As of March 31, 2023

| Shareholder name | Shareholder address | Number of shares held under own name (Shares) | Number of shares held under the names of others (Shares) | Total number of shares held (Shares) | Number of shares held to total number of shares issued and outstanding (%) |
|---|---|---|---|---|---|
| AUTOBACS SEVEN CO., LTD. | 6-52, Toyosu 5-chome, Koutou-ku, Tokyo, Japan | 4,060,000 | — | 4,060,000 | 4.94 |
| Puma Ltd. | 1637 Hibari, Imizu-shi, Toyama | 28,500 | 99,200 | 127,700 | 0.15 |
| Total | — | 4,088,500 | 99,200 | 4,187,700 | 5.10 |

(Notes) 1. The ratio of the number of shares held to the number of shares outstanding (excluding treasury shares) is rounded down to the second decimal place.

2. All of the shares held under names other than the Company are held under an ownership association, whose name and location are presented below.

| Name | Address |
|---|---|
| AUTOBACS Fund | 6-52, Toyosu 5-chome, Koutou-ku, Tokyo, Japan |

## 2. Acquisition of Treasury Shares, etc.

Class of shares, etc.: Acquisition of common stock under Article 155 (vii) of the Companies Act

(1) Acquisition resolved by a general meeting of shareholders

Not applicable

(2) Acquisition resolved by the Board of Directors

Not applicable

(3) Acquisition not resolved by the general meeting of the shareholders or the Board of Directors

| Classification | Number of shares (Shares) | Total amount (Yen) |
|---|---|---|
| Treasury shares acquired during the fiscal year under review | 305 | 432,989 |
| Treasury shares acquired during the period | 50 | 76,000 |

(Note) Treasury shares acquired during the period does not include shares acquired through the purchase of shares less than one unit from June 1, 2023 to the filing date of this securities report.

(4) Status of disposal and ownership of treasury shares acquired

| Classification | Fiscal year under review | | Period | |
|---|---|---|---|---|
| | Number of shares (Shares) | Total disposal amount (Yen) | Number of shares (Shares) | Total disposal amount (Yen) |
| Treasury shares acquired offered for subscription | — | — | — | — |
| Treasury shares acquired that were canceled | — | — | — | — |
| Treasury shares acquired that were transferred for merger, share exchange, share issuance, or company split | — | — | — | — |
| Other (disposition of treasury shares through restricted stock compensation) | 16,900 | 28,848,300 | — | — |
| Number of treasury shares held | 4,060,066 | — | 4,060,116 | — |

(Notes) 1. Treasury shares disposed of during the period does not include shares disposed of through the sale of shares less than one unit and shares disposed of for the exercise of stock acquisition rights from June 1, 2023 to the filing date of this securities report.

2. The number of treasury shares held during the period does not include shares less than one unit purchased or sold from June 1, 2023 to the filing date of this securities report.

## 3. Dividend Policy

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

As for the distribution of profits, the Company makes it a basic policy to work for stable and flexible shareholder returns with the aim of achieving an accumulated return to shareholders ratio of 100% during the planned period of five years in the Five-year Rolling Plan.

The Company's basic policy is to distribute dividends of surplus twice a year, interim dividends and year-end dividends.

The General Meeting of Shareholders makes decisions on year-end dividends, and the Board of Directors makes decisions on interim dividends.

A year-end dividend of 30 yen per share was paid. As a result, the annual dividend was 60 yen per share.

Internal reserves is to be allocated for the expansion and streamlining of domestic store networks, the improvement of infrastructure within the Group, the development of new businesses and various capital policies, to improve profitability and financial position and increase comprehensive shareholder value.

The Company's Articles of Incorporation stipulate that it may pay interim dividends to shareholders with the record date of September 30 each year, upon a resolution by the Board of Directors.

Dividends of surplus for the fiscal year under review are as follows:

| Date of resolution | Total dividend amount (Millions of yen) | Dividend per share (Yen) |
|---|---|---|
| October 31, 2022 Resolution by the Board of Directors | 2,339 | 30 |
| June 23, 2023 Resolution by the Ordinary General Meeting of Shareholders | 2,339 | 30 |

## 4. Corporate Governance

### (1) Overview of corporate governance

**Corporate Governance system and reasons for adopting the system**

(I) Basic concept of Corporate Governance

Based on the “Purpose”, “AUTOBACS Code of Conduct and Guidelines for Action”, and “AUTOBACS SEVEN Group Sustainability Basic Policy,” we operate our business with consideration to all stakeholders. As a corporate citizen, will achieve sustainable growth and improve corporate value over the medium and long terms, and will continue striving to strengthen corporate governance to contribute to society.

Based on this fundamental philosophy, we will build a system to achieve fair and transparent management including separation of the execution of operation and supervision, together with swift, bold decision making and proper monitoring, trying to make the system function practically and sufficiently.

《Purpose》

Ensuring the safety of our communities while driving and enriching customers’ lives

(II) Corporate Governance System

With the aim of further enhancement of corporate governance and the achievement of sustainable growth and the further improvement of the medium- to long-term corporate value; separating business execution and supervision to pursue both effective and swift decision-making and appropriate monitoring of the management of the Company, the Company further reinforces its corporate governance system through the following measures, while taking advantage of its feature as a company with an Audit and Supervisory Committee.

a. Appointment of one third or more of independent outside directors: enhancement of the supervisory function, protection of general shareholders’ interest

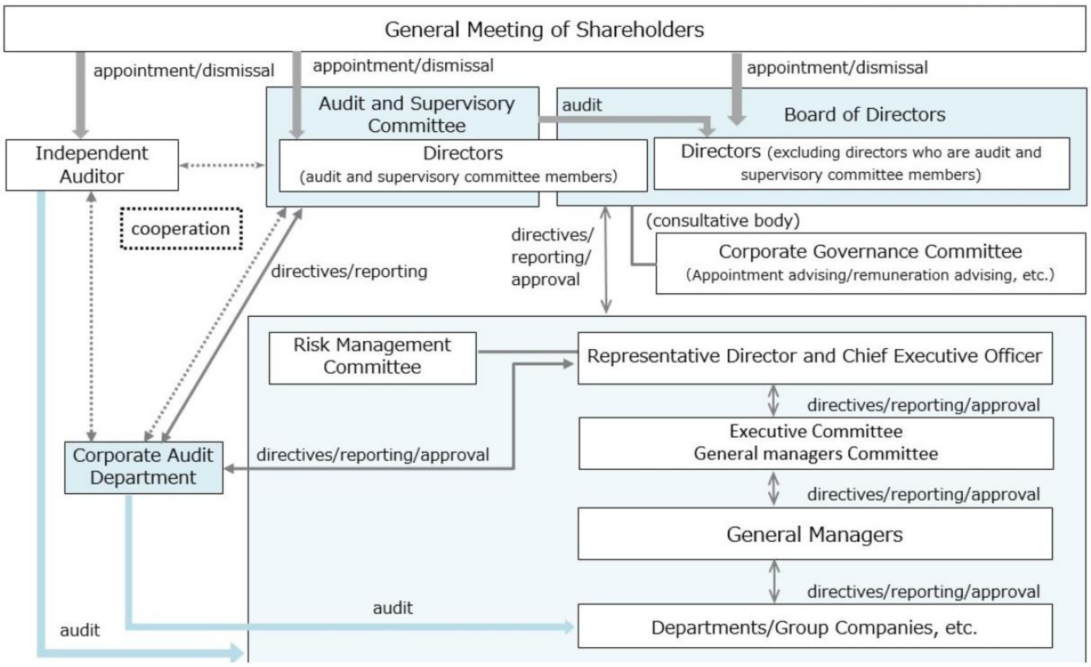
b. Establishment of committees as consultative bodies to the Board of Directors: ensuring of transparency, objectivity and appropriateness

c. Selection of full-time audit and supervisory committee member and selected members of Audit and Supervisory Committee: ensuring of effectiveness of the activities of Audit and Supervisory Committee, enhancement of the audit function

d. Adoption of a General Managers system: Separation of business execution and supervision, clarification of management responsibilities

e. Regular meetings with General Managers by audit and supervisory committee members: enhancement and reinforcement of monitoring

Corporate Governance System Chart



(III) Reasons for choosing the system

The Company has chosen this system to maintain its thorough supervision of corporate management led by internal Directors with a thorough knowledge of the automobile-related franchise business and independent Outside Directors from diverse backgrounds and to ensure the transparency and legitimacy of management through the separation of operation and supervision, prompt and bold decision making, and appropriate monitoring.

(IV) Descriptions of organizations within the Company

i. Board of Directors

The Board of Directors is chaired by the representative director and is composed of nine (9) directors (including three (3) directors who are audit and supervisory committee members), of whom four (4) are independent outside directors (including two (2) directors who are audit and supervisory committee members). It meets once every month, in principle.

With the aim of achieving sustainable growth and improving the medium- to long-term corporate value in consideration of fiduciary duties and accountability to shareholders, the Board of Directors decides the medium- to long-term course of action and annual business plans, as well as matters specified in laws and regulations or in the Articles of Incorporation, and important matters concerning the Company's business activities, and supervises the execution of duties of directors.

《Composition of the Board of Directors》

Chairman: Kiomi Kobayashi

Director (excluding directors who are Audit and Supervisory Committee member): Kiomi Kobayashi, Yugo Horii, Kumakura Eiichi, Shinichi Fujiwara, Minesaburo Miyake*, Takayoshi Mimura*

Director (Audit and Supervisory Committee Member): Tomoaki Ikeda, Masami Koizumi*, Ayako Kanamaru*

*: Independent Outside Director

Status of activities of the Board of Directors

In the fiscal year ended March 31, 2023, the Board of Directors met once a month, in principle, and the status of attendance of individual Directors was as follows.

| Name | Classification | Meetings to be attended | Meetings attended |
|---|---|---|---|
| Yugo Horii | Director | 15 times | 15 times |
| Kiomi Kobayashi | Director | 15 times | 15 times |
| Eiichi Kumakura | Director | 15 times | 15 times |
| Shinichi Fujiwara | Director | 15 times | 15 times |
| Tomoaki Ikeda | Director | 12 times | 12 times |
| Yoshiko Takayama * | Director | 15 times | 15 times |
| Takayoshi Mimura * | Director | 12 times | 12 times |
| Kozo Sumino | Director (Audit and Supervisory Committee Member) | 15 times | 15 times |
| Masami Koizumi * | Director (Audit and Supervisory Committee Member) | 15 times | 15 times |
| Minesaburo Miyake * | Director (Audit and Supervisory Committee Member) | 15 times | 15 times |

(Notes) 1. * is added to the right of the names of Outside Directors.

2. Director Tomoaki Ikeda and Director Takayoshi Mimura assumed office on June 23, 2022, and therefore, the meetings held on or before June 22 are excluded from the meetings to be attended for them.

3. Tomoaki Ikeda, Yoshiko Takayama, Kozo Sumino and Minesaburo Miyake resigned at the conclusion of the 76th Ordinary General Meeting of Shareholders held on June 23, 2023 and Tomoaki Ikeda assumed office as a Director and Audit and Supervisory Committee member while Minesaburo Miyake assumed office as a Director who is not an Audit and Supervisory Committee member.

ii. Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of three (3) directors who are audit and supervisory committee members (including two (2) independent outside directors). With the aim of ensuring the soundness of management toward the achievement of sustainable growth and the improvement of the medium- to long-term corporate value of the Company in consideration of fiduciary duties to shareholders, the Audit and Supervisory Committee audits the execution of duties of directors through supervision and assessment using audits via selected audit and supervisory committee members and internal control systems via audits performed by the Corporate Audit Department.

Audit and supervisory committee members attend important meetings and meetings with the independent auditor, and full-time audit and supervisory committee members improve the auditing environment, gather internal information mainly by perusing important documents, and share important matters with other audit and supervisory committee members. Audit policies and audit results of the Audit and Supervisory Committee are reported and explained regularly at meetings of the Board of Directors.

《Composition of the Audit and Supervisory Committee》

Chairman: Tomoaki Ikeda

Full-time Audit and Supervisory Committee Member: Tomoaki Ikeda, Masami Koizumi*

Audit and Supervisory Committee Member: Ayako Kanamaru*

Selected Audit and Supervisory Committee Member: Tomoaki Ikeda, Masami Koizumi*

*: Independent Outside Director

iii. Corporate Governance Committee

The Corporate Governance Committee established as a consultative body for the Board of Directors is chaired by an outside director and is composed of all the outside directors, the chairman of the Board of Directors, and the representative director. It meets once every month, in principle.

The Corporate Governance Committee provides reports and suggestions to the Board of Directors on the matters listed below and thereby enhances the Board of Directors' supervisory functions by strengthening the functional independence, objectivity and accountability of the Board of Directors to further deepen corporate governance.

a. Election and dismissal of candidates for directors (including directors who are audit and supervisory committee members)
b. Election and dismissal of the representative director, approval of the succession plan
c. Election of General Managers *only when assigning a person invited from outside the Group as an officer
d. Remuneration system for directors (excluding directors who are audit and supervisory committee members) and General Managers
e. Other matters relating to corporate governance

《Composition of the Corporate Governance Committee 》

Chairman: Members vote to elect a chairperson from among the Outside Directors (appointed at the meeting of the Corporate Governance Committee held on June 30, 2023).

Committee Member: Minesaburo Miyake (*1), Takayoshi Mimura (*1), Masami Koizumi (*1,2), Ayako Kanamaru (*1,2), Kiomi Kobayashi (Chairman of the Board), Yugo Horii (Representative Director)

(*1): Independent Outside Director, (*2): Director (Audit and Supervisory Committee Member)

iv. Risk Management Committee

The Risk Management Committee is chaired by the Representative Director & Chief Executive Officer and is composed of executive directors and General Managers in charge of internal control functions.

It meets once every year, in principle, formulates annual risk management policies, and strives to promote risk management in a smooth and appropriate manner.

《Composition of the Risk Management Committee 》

Chairman: Yugo Horii (Representative Director & Chief Executive Officer)

Committee Members: Kiomi Kobayashi, Yugo Horii, Eiichi Kumakura, Shinichi Fujiwara

Observers: Minesaburo Miyake (*1) , Takayoshi Mimura (*1), Tomoaki Ikeda (*2), Masami Koizumi (*1,2) , Ayako Kanamaru (*1,2)

(*1): Independent Outside Director, (*2): Director (Audit and Supervisory Committee Member)

v. Executive Committee

The Executive Committee is chaired by the Chairman of the Board and is composed of directors. It meets once every month, in principle. The Executive Committee is positioned as a place to deliberate and form consensus on matters for discussion related to execution, deliberates in advance on risks underlying the matters to be resolved at Board of Directors meetings and measures to manage them, reports the processes and results of its deliberations to the Board of Directors, and formulates company-wide policies and plans.

《Composition of the Executive Committee》

Chairman: Kiomi Kobayashi (Chairman of the Board)

Director (excluding directors who are audit and supervisory committee members): Kiomi Kobayashi, Yugo Horii, Eiichi Kumakura, Shinichi Fujiwara, Minesaburo Miyake*, Takayoshi Mimura*

Director (Audit and Supervisory Committee Member): Tomoaki Ikeda, Masami Koizumi*, Ayako Kanamaru*

*: Independent Outside Director

vi. General Managers' Committee

The General Managers Committee is chaired by the Chief Executive Officer and is composed of General Managers, etc. It meets once every month, in principle, and hold discussions to promote business execution by confirming the status of execution and examining countermeasures in each Business and Business Infrastructure.

《Composition of the General Managers' Committee》

Chairman: Yugo Horii (Chief Executive Officer)

General Managers: Yugo Horii, Eiichi Kumakura, Shinichi Fujiwara, Masaru Sasaki, Hiroki Yoshiyama, Shinya Kurahayashi, Masahiro Nishikawa, Noritaka Hiraga, Ken Ozone, Toshio Kitamura, Yukihiro Kitagawa, Minoru Kamikubo, Kenichi Hosoya

Observer: Kiomi Kobayashi, Minesaburo Miyake (*1), Takayoshi Mimura (*1), Tomoaki Ikeda (*2), Masami Koizumi (*1,2), Ayako Kanamaru (*1,2)

(*1): Independent Outside Director, (*2): Director (Audit and Supervisory Committee Member)

(V) Status of maintenance of the internal control system and risk management system

In accordance with the "Basic Policy for the Establishment of Internal Control System" defined by the Board of Directors, the Company, with the internal control department playing the central role, is working to develop and properly operate systems.

The latest Basic Policy for the Establishment of Internal Control System of the Group can be found on the web page linked below.

https://www.autobacs.co.jp/en/sustainability/governance/naibu_tousei_sys.html

The overview of the status of maintenance and operation in fiscal year 2022 is presented in the following.

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

a. Held fourteen (14) Corporate Governance Committee meetings during the fiscal term under review to discuss the remuneration system for directors (excluding directors who are audit and supervisory committee members) and General Managers, candidates for directors (including directors who are audit and supervisory committee members), institutional design, etc.

b. Two (2) outside director who is not an audit and supervisory committee member and all two (2) outside audit and supervisory committee members held four (4) Independent Outside Directors Liaison Meeting during the year to give suggestions to the representative director.

c. Based on the Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group, operated a contact point for the "Orange Hot Line," the Group's reporting system, which covered not only the Group but also the entire chain stores including franchisees, to receive whistle-blowing via the externally placed contact point. During the fiscal term under review, introduced initial screening upon receipt of whistle-blowing and established a system to ensure accuracy and appropriateness of the response.

d. The Corporate Audit Department conducted audits as to the appropriateness and effectiveness of operations.

e. Pursuant to the Basic Rules on Compliance, provided compliance education on insider trading and security for all employees and conducted a compliance awareness survey.

f. The officer in charge of internal control functions reported to the Board of Directors about serious incidents and reports made through the Orange Hot Line including the situation of their occurrence, etc. based on the "Crisis Management rules" and the “Orange Hot Line rules,” and shared such information with the Audit and Supervisory Committee and other related departments. Promoted awareness, as necessary, of matters requiring chain-wide efforts among the serious incidents reported and reports made through the Orange Hot Line, to call for action in the entire AUTOBACS chain.

(ii) Rules and other systems concerning the control of risks of loss

a. The Risk Management Committee monitored the status of addressing of risk issues, which were set on an annual basis. The General Affairs Department, Legal Department, Corporate Audit Department, and Car Lifestyle Support Center cooperated to help the Risk Management Committee monitor risks and grasp the status of addressing the annual risk issues. During the fiscal term under review, conducted a compliance awareness survey for all employees, identified, issues related to harassment and labor management in particular, and responded to each issue. Also, ensured compatibility with changes in the business environment and selected major risks to be addressed.
b. Ensured the system to set up the Crisis Management Headquarters and take a prompt response in accordance with the “Crisis Management rules” and “BCP (Business Continuity Plan) Manual” in the event of a serious crisis such as a large-scale disaster. Following the previous fiscal term, the Company conducted a drill twice a year and maintained the Crisis Management Headquarters to manage COVID-19-related matters.

(iii) Systems for ensuring the efficient execution of directors’ duties

a. Held fifteen (15) Board of Directors’ meetings during the fiscal year under review to deliberate on and determine important matters. In addition, received reports on the execution of duties from directors in charge of each field, based on the Five-year Rolling Plan and annual business plan.
b. Held seven (7) Executive Committee meetings during the fiscal year under review to discuss about business profitability and various risks with respect to matters to be addressed at the Board of Directors’ meetings and make preliminary deliberations so that directors could make decision based on sufficient information. In addition, held twelve (12) Monitoring Committee meetings during the fiscal year under review to check the status of execution at each business and business infrastructure and deliberate on the monitoring and assessment of risks related to individual investment matters.

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

The Corporate Audit Department conducted audits as to the appropriateness and effectiveness of business operations by the Group and assessed internal controls related to the reliability of the financial reports. Employees of the Company mainly from the Corporate Audit Department and the Audit and Supervisory Committee Office were appointed as subsidiary audit and supervisory board members to conduct audits as to the appropriateness of the execution of operations and the accounting and financial status of subsidiaries. The Corporate Audit Department provided detailed reports to the Full-time Audit and Supervisory Committee Members and provided summary reports to the Audit and Supervisory Committee of the Company about their respective activities on a monthly basis.

(v) System that ensure effective auditing by the Audit and Supervisory Committee

a. Established the Audit and Supervisory Committee Office as an organization to assist the Audit and Supervisory Committee, assigned several independent dedicated employees who possess knowledge on the establishment and operation of internal control systems, and appointed them as audit and supervisory board members of subsidiaries to ensure the effectiveness of auditing by the Audit and Supervisory Committee.
b. The Audit and Supervisory Committee reviewed and deliberated on audit matters, and also gave related departments a hearing about chief executive officer and officers in charge of respective departments, as well as about matters discovered in the course of an audit of operations, to offer recommendations on matters to be amended. All audit and supervisory committee members attended Board of Directors’ meetings, Executive Committee meetings, and Monitoring Committee meetings to ask questions or express opinions as appropriate. Outside audit and supervisory committee members attended all Corporate Governance Committee meetings and reviewed governance.
c. The Audit and Supervisory Committee held a meeting for exchanging information with the independent auditor on a monthly basis.
d. During the fiscal term under review, the Audit and Supervisory Committee held a meeting once a month with departments responsible for auditing subsidiaries to exchange information and opinions about the status of auditing and internal controls of subsidiaries, in an effort to ensure effective auditing by the Audit and Supervisory Committee. In addition, in order to check the effectiveness of internal control system, the Audit and Supervisory Committee gathered information on the audit of subsidiaries at the management reporting meeting at which all of the subsidiaries that are operating stores presented reports, and conducted on-site audits, including remote audits, of four (4) subsidiaries of which two (2) are overseas

subsidiaries.

The status of the establishment and operation of the internal control system has been appropriately reported to the Board of Directors. The Audit and Supervisory Committee and the Corporate Audit Department continuously audit the effectiveness of the internal control system through auditing business operations and evaluating the internal controls, require that corrective actions be taken regarding flaws in the internal control system and check the progress of the corrective actions.

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

The Company has entered into an agreement with five (5) directors, who are not executive directors, etc., which limits the liability set forth in Article 423, Paragraph 1, of the Companies Act, pursuant to Article 30, Paragraph 2 of the Company's Articles of Incorporation, established pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act.

The liability limit pursuant to such agreement shall be the total amount of a. and b. described below, which are set forth in Article 425, Paragraph 1, of the Companies Act.

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

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

(VII) Outline of the contents of the directors and officers liability agreement

The Group has entered into a liability insurance agreement for executive officers, etc. as outlined below with an insurance company as stipulated in paragraph 1, Article 430-3 of the Companies Act, and intends to renew this agreement in December 2023. The insured executive offers are those identified in the following paragraph iv, all of who are officers appointed during the term of the insurance policy.

i. Actual ratio of premiums borne by the insured

The premiums are paid by the Company, including premiums for riders. Therefore, the insured do not bear the actual premiums.

ii. Outline of events indemnified

The policy, together with the riders, covers damages that may arise when a director or officer insured under the agreement assumes liability for the execution of his or her duties or receives a claim related to the pursuit of such liability. However, there are certain exemptions, such as in cases when actions are taken with the knowledge that such actions are in violation of laws and regulations.

iii. Measures taken so as not to damage the appropriateness of directors' and officers' duties

There are grounds for exemptions under the policy. For example, liability for willful misconduct, illegal offering of private benefits, criminal offense, etc. of the insured will not be covered.

iv. Scope of the insured

Directors, audit and supervisory board members, officers, and General Managers of the Company and its subsidiaries, as well as directors and officers who are dispatched from the Company to companies other than the subsidiaries of the Company (franchisees and other associated companies). The Group abolished the officer system with effect April 1, 2023 and established General Managers assigned to each strategic business unit on the same date.

(VIII) Provisions of the Articles of Incorporation of the Company

i. The fixed number of Directors and provisions of the Articles of Incorporation for requirements for resolutions of appointment

a. Number of Directors

Article 20 of the Articles of Incorporation of the Company stipulates that the Company shall have not more than seven Directors (excluding Audit and Supervisory Committee members) and that it shall have not more than five Directors who are Audit and Supervisory Committee members.

b. Requirements for resolution regarding appointment of Directors

Paragraph Article 21 of the Articles of Incorporation of the Company stipulates that resolutions for the election of the Directors shall be made by a majority of voting rights of the shareholders in attendance at a General Meeting of Shareholders, who hold one-third (1/3) or more of the total voting rights of the shareholders who can exercise such rights. Paragraph 3 of said Article stipulates that no cumulative voting shall be used to elect the Directors. The Articles of Incorporation do not have provisions for the dismissal of Directors, which is inconsistent with the Companies Act.

ii. Provisions of the Articles of Incorporation concerning matters to be resolved at the General Meeting of Shareholders, which can be resolved by the Board of Directors

a. Interim dividends

The Articles of Incorporation of the Company provide that the Company may pay dividends of surplus (interim dividends) in paragraph 5, Article 454 of the Companies Act by resolution of the Board of Directors in addition to the payment of dividends of surplus by resolution of the General Meeting of Shareholders. The purpose of this provision is to return profit to shareholders in a flexible manner.

b. Stock buybacks

Pursuant to the provisions of paragraph 2, Article 165 of the Companies Act, Article 36 of the Articles of Incorporation stipulates that the Company may purchase treasury shares by resolution of the Board of Directors. This is done for the purpose of flexibly implementing capital policies.

c. Exemption from liability of Directors

Paragraph 1, Article 30 of the Articles of Incorporation and Article 1 of Supplementary Provisions stipulate that the Company may exempt the liability for compensation stipulated in paragraph 1, Article 423 of the Companies Act by resolution of the Board of Directors and within the range specified by laws and regulations to allow Directors (including former Directors) to fully fulfill their roles expected in the performance of their duties.

iii. Requirement for special resolutions of General Meetings of Shareholders

In order to facilitate the smooth operation of Shareholders' Meetings by relaxing the quorum for special resolutions at Shareholders' Meetings, Paragraph 2, Article 17 of the Articles of Incorporation stipulates that a special resolution of a Shareholders Meeting specified in Paragraph 2, Article 309 of the Companies Act requires shareholders in attendance, who hold one-third or more of the voting rights of shareholders who can exercise their voting rights, and by majority vote, which is more than two thirds of such voting rights.

(IX) Policy Concerning Company Control

Since the opening of the first AUTOBACS store in 1974, the Company has been striving to contribute to enriching its customers' car lifestyles by developing and expanding the AUTOBACS franchise chain, comprising AUTOBACS headquarters, the Company's directly operated stores, and its domestic and foreign franchise stores.

Based on its founding management principle, namely "always providing customers with the best solutions for their car lifestyles and creating a rich and healthy automotive society," the Group has set the Vision - 2050 Creating Our Future Together as a vision to face the issues of society, automobiles, and peoples' lives and create a brighter, more vigorous future and has been making all-out, concerted efforts to communicate its vision, "Anything about cars, you find at AUTOBACS," thereby ensuring support and trust from customers.

In the years ahead, the Group is determined to further develop its business by building an optimum portfolio while positioning the AUTOBACS franchise chain as its core business, continuously enhance its corporate governance and investor relations, and ensure greater transparency of the Group's management. These steps, the Group believes, will contribute toward maximizing profits for all the stakeholders, particularly the shareholders.

In this context, the Company is convinced that the people who make decisions on the Company's financial and business policies must be those who understand the importance of mutual trust among franchise stores, clients, business partners in the new business area, their employees and other parties concerned in the AUTOBACS franchise chain and who are willing and able to improve the medium- and long-term corporate values and shareholders' common profit.

(2) Directors and Audit & Supervisory Board Members

i. Directors and Audit & Supervisory Board Members

8 men, 1 woman (female ration of 11.1%)

| Position | Name | Date of birth | Career History | Term of office | Shares held (Thousands) |
|---|---|---|---|---|---|
| Representative Director & Chief Executive Officer, Chief AUTOBACS Chain Officer | Yugo Horii | June 24, 1972 | March 1995: Joined AUTOBACS SEVEN Co., Ltd.<br>April 2010: General Manager of Legal Department<br>April 2012: Officer, Internal Control<br>April 2013: Officer, Internal Control and Legal<br>April 2015: Officer, Legal, General Affairs and Internal Control<br>April 2016: Senior Executive Officer, Overseas Business<br>June 2016: Director and Senior Executive Officer, Overseas Business<br>April 2017: Director and Senior Executive Officer, Office of the President and Overseas Business Planning<br>April 2018: Director and Senior Executive Officer, Office of the President and Business Planning, and AUTOBACS Business Planning<br>June 2019: Representative Director and President, ABT Marketing Co., Ltd.<br>April 2020: Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning & Operations and CEO Office / Business Planning<br>April 2022: Representative Director and Senior Managing Executive Officer, CEO Office / Business Planning<br>June 2022: Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer<br>April 2023: Representative Director & Chief Executive Officer, Chief AUTOBACS Chain Officer (current position) | (Note 2) | 26 |

| | | | | | |
|---|---|---|---|---|---|
| Chairman of the Board | Kiomi Kobayashi | February 11, 1956 | March 1978: Joined Daiho Sangyo Co., Ltd. (currently AUTOBACS SEVEN Co., Ltd.)<br>April 1995: General Manager of Tire Department<br>June 2002: Operating Officer, Overseas Store Support Division<br>April 2005: Officer, General Manager of Northern Kanto Region<br>April 2007: Officer, Car Goods & Services<br>June 2008: Officer, General Manager of Kansai Region<br>April 2010: Executive Officer, Head of Sales Operation and Area Strategy & Planning<br>June 2010: Director and Executive Officer, Head of Sales Operation and Area Strategy & Planning<br>April 2012: Director and Senior Executive Officer, Head of Sales Operation and Area Strategy & Planning<br>April 2014: Director and Vice Chief Executive Officer, Vice Chief AUTOBACS Chain Officer, Head of Chain Store Planning and Store Subsidiary Strategy<br>April 2015: Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer<br>April 2016: Representative Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer<br>May 2016: Chairman, Auto-Parts & Accessories Retail Association (current position)<br>June 2016: Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer<br>June 2022: Chairman of the Board (current position) | (Note 2) | 41 |

| Position | Name | Date of birth | Career History | Term of office | Shares held (Thousands) |
|---|---|---|---|---|---|
| Senior Managing Director & Executive General Manager, Wholesaling Business | Eiichi Kumakura | February 8, 1962 | March 1984: Joined AUTOBACS SEVEN Co., Ltd.<br>April 2001: General Manager of Car Electronics Merchandise Department<br>April 2009: Officer, Car Goods & Services<br>April 2011: Officer, General Manager of Kanto Region<br>April 2015: Officer, Western Japan Region Headquarters<br>April 2016: Senior Executive Officer, Head of Western Japan Region Headquarters<br>June 2016: Director and Senior Executive Officer, Head of Western Japan Region Headquarters<br>April 2018: Director and Senior Executive Officer, Western Japan Region Headquarters<br>April 2020: Director and Senior Managing Executive Officer, Head of Merchandising & Services and Car Parts & Accessories<br>April 2022: Director and Senior Managing Executive Officer, Head of Merchandising & Services and Wholesaling Business<br>April 2023: Senior Managing Director & Executive General Manager, Wholesaling Business (current position) | (Note 2) | 11 |

| | | | | | |
|---|---|---|---|---|---|
| Senior Managing Director & Executive General Manager, Sales Operations & Eastern Japan Sales Operations | Shinichi Fujiwara | September 23, 1965 | March 1984: Joined AUTOBACS SEVEN Co., Ltd.<br>September 2007: Officer, Area Dominant Strategy<br>June 2008: Officer, Area Strategy<br>April 2009: Officer, Chain Strategy<br>September 2009: Officer, Advanced Store Prototype Development Project<br>April 2010: Officer, Advanced Store Prototype Development<br>April 2011: Officer, Marketing & Sales Strategy Planning<br>April 2013: Officer, Marketing<br>April 2014: Officer, Chain Store Planning and Marketing<br>April 2015: Officer, Marketing<br>April 2016: Officer, Chain Store Planning<br>April 2017: Senior Executive Officer, Head of Eastern Japan Region Headquarters<br>April 2018: Senior Executive Officer, Eastern Japan Regional Headquarters<br>April 2020: Senior Managing Executive Officer, Northern Japan Regional Headquarters and Kanto Regional Headquarters<br>October 2020: Senior Managing Executive Officer, Kanto Regional Headquarters<br>June 2021: Director and Senior Managing Executive Officer, Kanto Regional Headquarters<br>April 2022: Director and Senior Managing Executive Officer, Head of Operations and Kanto Regional Headquarters<br>April 2023: Senior Managing Director & Executive General Manager, Sales Operations & Eastern Japan Sales Operations (current position) | (Note 2) | 13 |

| Position | Name | Date of birth | Career History | Term of office | Shares held (Thousands) |
|---|---|---|---|---|---|
| Director | Minesaburo Miyake | July 22, 1952 | April 1976: Joined Kewpie Corporation<br>September 1996: General Manager, Yokohama Branch Office, Kewpie Corporation<br>July 2002: General Manager, Division of Household Sales, Kewpie Corporation<br>February 2003: Director, Kewpie Corporation<br>February 2010: Executive Managing Director, Kewpie Corporation<br>February 2011: President and Representative Director, Kewpie Corporation<br>February 2011: Director, NAKASHIMATO CO., LTD.<br>February 2017: Executive Corporate Adviser, Kewpie Corporation<br>February 2017: Chairman and Director, NAKASHIMATO CO., LTD.<br>April 2017: Director General, Kewpie Mirai Tamago Foundation<br>December 2017: Outside Director, Fuji Pharma Co., Ltd. (current position)<br>June 2018: Outside Director, KAMEDA SEIKA CO., LTD. (current position)<br>June 2018: Outside Director, AUTOBACS SEVEN Co., Ltd.<br>June 2019: Chief, Expert Committee of the Council for Utilization of Dormant Deposits, Cabinet Office<br>June 2019: Outside Director and Audit and Supervisory Committee Member, AUTOBACS SEVEN Co., Ltd. (current position)<br>December 2020: External Director, FOOD & LIFE COMPANIES LTD. (current position)<br>October 2021: Associate Member, Expert Committee of the Council for Utilization of Dormant Deposits, Cabinet Office (current position)<br>June 2023: Outside Director, AUTOBACS SEVEN Co., Ltd. (current position) | (Note 2) | 3 |

| | | | | | |
|---|---|---|---|---|---|
| Director | Takayoshi Mimura | June 18, 1953 | April 1977: Joined Terumo Corporation<br>June 2002: Executive Officer, Terumo Corporation<br>June 2003: Director and Executive Officer, Terumo Corporation<br>June 2004: Director and Senior Executive Officer, Terumo Corporation<br>June 2007: Director and Managing Executive Officer, Terumo Corporation<br>April 2008: Director and Managing Executive Officer, Group President of General Hospital Business Group Responsible for Domestic Sales Dept., Terumo Corporation<br>June 2009: Director and Managing Executive Officer, Regional Representative, China and Asia, Terumo Corporation<br>April 2010: Director and Managing Executive Officer, Regional Representative, China, Terumo Corporation<br>June 2010: Director and Senior Managing Executive Officer, Terumo Corporation<br>August 2011: President and CEO, Terumo (China) Holding Co., Ltd.<br>April 2017: Chairman of the Board, Terumo Corporation<br>June 2017: President, TERUMO LIFE SCIENCE FOUNDATION<br>June 2017: Councilor, The Japan China Medical Association<br>June 2021: Chairman, The Japan Federation of Medical Devices Associations (current position)<br>April 2022: Director and Corporate Advisor, Terumo Corporation<br>June 2022: Corporate Advisor, Terumo Corporation (current position)<br>June 2022: Outside Director, AUTOBACS SEVEN Co., Ltd. (current position)<br>June 2022: Outside Director, Mitsui Chemicals, Inc. (current position) | (Note 2) | 0 |

| Position | Name | Date of birth | Career History | Term of office | Shares held (Thousands) |
|---|---|---|---|---|---|
| Director<br>Full-time Audit and Supervisory Committee Member | Tomoaki Ikeda | February 13, 1962 | April 1986: Joined The Hokkaido Takushoku Bank, Ltd.<br>August 1998: Joined FamilyMart Co., Ltd.<br>March 2007: General Manager of IR Office, PR & IR Department, FamilyMart Co., Ltd.<br>March 2011: Executive Officer and General Manager of PR & IR Department, FamilyMart Co., Ltd.<br>March 2015: Executive Officer and General Manager of Finance and IR Department, FamilyMart Co., Ltd.<br>September 2016: Executive Officer and General Manager of Finance Department, Finance Division, FamilyMart UNY Holdings Co., Ltd. Senior Officer and General Manager of Finance Department, Finance Division, FamilyMart Co., Ltd.<br>April 2019: Joined AUTOBACS SEVEN Co., Ltd.<br>April 2020: Officer, Finance & Accounting / PR & IR<br>June 2022: Director and Executive Officer, Finance & Accounting / PR & IR<br>April 2023: Director & General Manager, Administration<br>June 2023: Director and Full-time Audit and Supervisory Committee Member (current position) | (Note 3) | 2 |
| Outside Director<br>Full-time Audit and Supervisory Committee Member | Masami Koizumi | July 20, 1961 | July 1995: Joined UNITED ARROWS LTD.<br>April 2000: Department Manager, Finance and Accounting Department, UNITED ARROWS LTD.<br>March 2001: Executive Vice President, Prostaff Ltd.<br>December 2004: Auditor, Netprice, Ltd. (current BEENOS Inc.)<br>June 2006: Director, UNITED ARROWS LTD.<br>July 2008: Director and Executive Managing Officer, UNITED ARROWS LTD.<br>April 2012: Director and Executive Vice President, UNITED ARROWS LTD.<br>June 2020: Retired as Director, UNITED ARROWS LTD.<br>June 2021: Outside Director, AUTOBACS SEVEN Co., Ltd. (Full-time Audit and Supervisory Committee Member) (current position) | (Note 3) | - |
| Outside Director<br>Audit and Supervisory Committee Member | Ayako Kanamaru | January 27, 1980 | October 2006: Registered as a lawyer<br>October 2006: Joined OH-EBASHI LPC & PARTNERS<br>January 2016 Partner, OH-EBASHI LPC & PARTNERS (current position)<br>June 2020: Outside Auditor, CDG Co., Ltd. (current position)<br>May 2021: Outside Director, MEDIA DO Co., Ltd. (current position)<br>June 2023: Outside Director and Audit and Supervisory Committee Member (current position) | (Note 3) | - |
| | | | Total | | 98 |

(Notes) 1. Director Minesaburo Miyake, Takayoshi Mimura, Masami Koizumi, and Ayako Kanamaru are Independent Directors.

2. One year from the close of the Ordinary General Meeting of Shareholders held on June 23, 2023.

3. Two years from the close of the Ordinary General Meeting of Shareholders held on June 23, 2023.

4. From April 1, 2023, with the aim of speeding up decision-making and corporate reform, the Group abolished the officer system and changed to a system of General Managers responsible for each business in order to strengthen business portfolio operation.
   The system currently consists of the following 13 General Managers.

| Name | Charge |
|---|---|
| *Yugo Horii | Chief AUTOBACS Chain Officer |
| *Eiichi Kumakura | Executive General Manager, Wholesaling Business |
| *Shinichi Fujiwara | Executive General Manager, Sales Operations & Eastern Japan Sales Operations |
| Masaru Sasaki | Executive General Manager, Property Development Business |
| Hiroki Yoshiyama | Executive General Manager, Car Dealer Business |
| Shinya Kurahayashi | Executive General Manager, Car Trading Business / Finance Business |
| Masahiro Nishikawa | Executive General Manager, Western Japan Sales Operations |
| Noritaka Hiraga | General Manager, Corporate Management |
| Ken Ozone | General Manager, Brand Business |
| Toshio Kitamura | General Manager, Overseas Business |
| Yukihiro Kitagawa | General Manager, Fleet Business |
| Minoru Kamikubo | General Manager, Merchandising & Services |
| Kenichi Hosoya | General Manager, Online Alliance Business |

   The asterisks show those concurrently serving as Directors.

ii. Status of Outside Directors, etc.

a. Relationships between the Group and Outside Directors

The Group has four Outside Directors: Minesaburo Miyake, Takayoshi Mimura, Masami Koizumi, and Ayako Kanamaru (Masami Koizumi and Ayako Kanamaru are Directors who concurrently serve as Audit and Supervisory Committee members).

While Minesaburo Miyake and Takayoshi Mimura hold shares of the Company’s stock as indicated in section i. Directors and Audit & Supervisory Board Members, (2) Directors and Audit & Supervisory Board Members, they will not cause conflicts of interests with general shareholders in personal, capital or business relationships. The Company has designated and reported all four Outside Directors as independent directors and audit and supervisory board members pursuant to the provisions of Tokyo Stock Exchange, Inc. (TSE)

b. Functions, roles, etc. of Outside Directors in corporate governance

Outside Directors hold important positions in the Group for the improvement of its supervising and auditing functions. Remarks made by Outside Directors during deliberations and about resolutions of the Board of Directors contribute to ensuring the transparency, objectivity and appropriateness of management. The Company appoints a Lead Independent Outside Director, who chairs a Liaison Committee for Independent Outside Directors and Audit and Supervisory Board Members to share their understandings of business issues, etc. and exchange information, thereby strengthening the cooperation of Outside Directors who are and who are not Audit and Supervisory Committee members.

c. Consideration of the status of the appointment of Outside Directors

To strengthen the aforementioned functions of the Outside Directors and protect the interests of general shareholders, the Corporate Governance Policy (revised on June 21, 2019) provides that at least one third of the total number of Directors on the Board of Director should be independent Outside Directors.

Independent Outside Directors must meet the standards for independence specified by the TSE and the requirements for the independence of Outside Directors established by the Board of Directors of the Company. The Company reports all Outside Directors meeting the requirements to the TSE.

《Requirements for the Outside Directors' Independency》

The independent officers of the Company shall be the outside director who satisfies the following requirements for independency.

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

1. The Company's Outside Directors shall not have had any interest in the Company and its affiliates (hereinafter collectively the "AUTOBACS SEVEN Group") or specified corporations or entities in any of the following ways:
   a. Receiving remuneration (excluding the remuneration for the duty of an officer from the Company) or other assets from the AUTOBACS SEVEN Group in an amount exceeding ten (10) million yen per fiscal term within the past three years including the fiscal year under review
   b. Belonging to an audit firm that conducted audits on the AUTOBACS SEVEN Group within the past three years, including the fiscal year under review
   c. Serving any of the following corporations or entities (including holding companies) as a director, an executive officer, a general manager or in any other executive or managerial capacity (hereinafter referred to as executive directors, etc.):
      - AUTOBACS SEVEN Group customer or business partner [Note 1] whose amount per fiscal term of operation or trade with, or the amount paid to or received by, the AUTOBACS SEVEN Group accounts for 2% or more of the sales [Note 2] of either party in any fiscal term within the past three years, including the fiscal year under review
      - Financial institution or other large creditor that is indispensable to the AUTOBACS SEVEN Group's fund procurement and on which the Group depends to the extent that such a financial institution or large creditor is irreplaceable, within the past three years, including the fiscal year under review
      - Any major shareholder of the Company (owning 10% or more of outstanding shares), within the past five years, including the fiscal year under review d. Any corporation which currently includes the AUTOBACS SEVEN Group as major shareholder (owning more than 10% of outstanding shares)
      - Any corporation that currently shares mutually appointed directors with the AUTOBACS SEVEN Group (mutual exchange of directors through cross-holding of shares)
2. The Company's Outside Directors shall not have been a spouse of said executive directors, etc., of the AUTOBACS SEVEN Group or a relative within the second degree of kinship, or have shared means of livelihood in the past five years, including the fiscal year under review.
3. The Company's Outside Directors shall not be a spouse of, a relative within the second degree of kinship or share means of livelihood with any person corresponding to the description of Paragraph 1 above.
4. The Company's Outside Directors shall not be in any situation that may hinder them from performing their duties as the Company's independent officers.

(Note 1) Includes line items falling under net sales, such as "operating profit." Consolidated net sales come from companies within the scope of consolidated accounting.

(Note 2) Includes accounting firms, law offices and consulting companies other than those listed in 1. (b.) above.

iii. Relationships between supervision or audits by Outside Directors and internal audits, audits by the Audit and Supervisory Committee and accounting audits, and relationships between Outside Directors and the internal control division

As of the date of submission of this report (June 26, 2023), there are a total of nine Directors including four Outside Directors. The structure with all Outside Directors being independent Outside Directors facilitates the improvement of the Company's supervising and auditing functions.

Meetings for reporting the results of audits and exchanging opinions are held monthly or as needed by the Audit and Supervisory Committee, the Corporate Audit Department and the General Affairs Department, which oversees internal control, and by the Audit and Supervisory Committee and Deloitte Touche Tohmatsu LLC to improve cooperation.

If any inadequacy has been discovered in the evaluation of audits or the internal control system, the Audit and Supervisory Committee and Corporate Audit Department give instructions to internal control and other departments or subsidiaries to take corrective actions and continuously monitor the progress.

(3) Audit System

i. Status of audits performed by Audit and Supervisory Committee

a. Organization, personnel, procedures for audits by the Audit and Supervisory Committee

The Company transitioned to become a company with an Audit and Supervisory Committee in June 2019 after the Ordinary General Meeting of Shareholders. The organization consists of three Directors serving as Audit and Supervisory Committee members, including two Independent Outside Directors. Two are full-time Audit and Supervisory Committee members (one internal director serving as an Audit and Supervisory Committee member and one Independent Outside Director serving as an Audit and Supervisory Committee member) and the other is a part-time Audit and Supervisory Committee member (independent Outside Director serving as an Audit and Supervisory Committee member).

The organization including selected Audit and Supervisory Committee members oversees and audits the Directors', who are not Audit and Supervisory Committee members, performance of their duties and monitors and examines activities based on an internal control system to ensure the soundness of corporate management for the achievement of the Group's sustainable growth and the medium- to long-term increase of corporate value in light of the Company's fiduciary responsibility to shareholders. Two full-time Audit and Supervisory Committee members have been selected for the selected members for the Audit and Supervisory Committee.

Audit procedures and the division of the roles of the Audit and Supervisory Committee including attendance at the Board of Directors' meetings and other important meetings based on the audit policy established at the beginning of a fiscal year and cooperation through regular meetings with the Internal Audit Department, Internal Control Department, and independent auditor. The selected Audit and Supervisory Committee members attend major meetings, examine important documents, investigate the operations and asset status of departments and subsidiaries, audit fiscal year-end settlements of accounts and take on other roles. Part-time Audit and Supervisory Committee members attend important meetings such as the advisory council meetings of the Corporate Governance Committee and regularly share audit methods and reports on results with the selected Audit and Supervisory Committee members at meetings of the Audit and Supervisory Committee. In addition, two Outside Directors and Audit and Supervisory Committee members also assume roles as members of the Corporate Governance Committee.

The Audit and Supervisory Committee includes two members who have considerable knowledge of financial affairs and accounting. Tomoaki Ikeda, a Director and full-time Audit and Supervisory Committee member, has participated in the management of the Group as a Director since June 2022, after working for many years in financial affairs and accounting at companies, and he has been in charge of accounting, financial affairs, PR and IR as an Officer since April 2020. Masami Koizumi, an Outside Director and full-time Audit and Supervisory Committee member, has been involved in practical administration for many years at companies and has extensive experience in financial affairs and accounting. Ayako Kanamaru, an Outside Director and part-time Audit and Supervisory Committee member, contributed to the promotion and improvement of the Group's corporate governance mainly from a legal perspective based on her extensive experience and knowledge of corporate legal affairs as a lawyer.

The Audit and Supervisory Committee Office has been established as an organization assisting the duties of the Audit and Supervisory Committee. The Office has three employees who independently and exclusively work for the office supporting the operations of the Audit and Supervisory Committee. The employees of the Audit and Supervisory Committee Office concurrently serve as Senior Corporate Auditors at important subsidiaries.

b. Audits by the Audit and Supervisory Committee

b-1. The Audit and Supervisory Committee meets generally one or more times a month. The attendance of each Audit and Supervisory Committee member is shown below.

| Position | Name | Number of meetings | Number of attendance |
|---|---|---|---|
| Full-time Audit and Supervisory Committee Member (Resigned in June, 2023) | Kozo Sumino | 15 times | 15 times (100%) |
| Full-time Audit and Supervisory Committee Member (Outside Director) | Masami Koizumi | 15 times | 15 times (100%) |
| Audit and Supervisory Committee Member (Outside Director) (Resigned in June, 2023) | Minesaburo Miyake | 15 times | 15 times (100%) |

*Kozo Sumino and Masami Koizumi have been selected as selected Audit and Supervisory Committee members. Kozo Sumino and Minesaburo Miyake retired from his position at the conclusion of the 76th Ordinary General Meeting of Shareholders held on June 23, 2023 and Minesaburo Miyake assumed a Director who is not a member of Audit and

Supervisory Committee member.

b-2. Specific items discussed by the Audit and Supervisory Committee

- Decision-making process and implementation of decisions made throughout the corporate group
  Adequate monitoring of implementation after management decision
- Examination of the operation of the internal control system in a corporate group specified in the Companies Act and Financial Instruments and Exchange Act
  Verification of the appropriateness of resolutions and reports at important meetings such as those of the Board of Directors and Executive Committee
  Examination of the operation of the internal control system at subsidiaries
  Examination of compliance with Japan's Corporate Governance Code
  Verification of appropriateness of responses to significant risks specified by the Risk Management Committee
- Responses to critical audit matters concerning auditors' audit reports in the Financial Instruments and Exchange Act
  Consultation with independent auditors and the Accounting Department

b-3. Activities of full-time and part-time Audit and Supervisory Committee members

- Interviews with Representative Director and Directors
  Conducted about twice a year by all Audit and Supervisory Committee members.
- Attendance at important meetings
  Attendance at the Board of Directors, Executive Committee, General Managers' Committee, Franchise Leaders Conference, etc. (all Audit and Supervisory Committee members)
  Corporate Governance Committee, Independent Outside Directors Liaison Meeting (outside Audit and Supervisory Committee members), Chief Chain Officer meetings (selected Audit and Supervisory Committee members)
- Interviews with General Managers
  Held about once a year by full-time and selected Audit and Supervisory Committee members
- Cooperation with independent auditor
  Monthly information exchange meetings on audits based on the Companies Act and Financial Instruments and Exchange Act participated by all Audit and Supervisory Committee members
- Cooperation between the Internal Audit Department and the Internal Control Department
- Monthly meetings that all Audit and Supervisory Committee members participate in
- Review of important approval documents
  Full-time and selected Audit and Supervisory Committee members review, as necessary, round robin decisions made by General Managers and higher executives and share to the Audit and Supervisory Committee.
- On-site audits of offices and subsidiaries
  Generally, full-time and selected Audit and Supervisory Committee members perform on-site or remote audits.

ii. Internal audits

The Group's internal audits are performed by the Corporate Audit Department, an organization under the direct control of the Representative Director that is independent of the business departments, which performs audits in coordination with the Audit and Supervisory Committee.

a. Internal audit personnel and procedures

The Corporate Audit Department has seven employees and audits the operations of the Company and its subsidiaries, which are the scope of its audits, based on an audit plan formulated using a risk-based approach to check that operations are being performed appropriately in each business from the viewpoints of compliance with laws and regulations to mitigate risks and prevent misconduct, improvement of the effectiveness and efficiency of operations, the reliability of financial reporting, and the preservation of assets. The department also assesses the internal control system specified in the Financial Instruments and Exchange Act. Internal auditors concurrently serve as Senior Corporate Auditors at subsidiaries.

b. Mutual cooperation over internal audits, audits by the Audit and Supervisory Committee and accounting audits, and relationship with internal control divisions

The results of audits and assessments are reported to the Representative Director, the Audit and Supervisory Committee and other parties as appropriate. The Group orders that the department in which any misconduct or inadequacy has been discovered takes corrective action and improvements and conducts follow-up audits. Internal audit activities are also regularly reported to the Representative Director and opinions are exchanged with the Audit and Supervisory Committee on a monthly basis.

The internal rules specify that, in an emergency involving the Representative Director, the instructions of Audit and Supervisory Committee are prioritized and the instruction and reporting systems will be changed.

Regarding the cooperation of related departments, meetings are held monthly or as necessary between the Audit and Supervisory Committee and the General Affairs Department, which oversees internal control, and between the Audit and Supervisory Committee and Deloitte Touche Tohmatsu LLC. to report and exchange opinions about the results of audits and the status of internal control to improve cooperation between them. If any inadequacy is found in the results of an investigation or assessment of the internal control system, the Audit and Supervisory Committee and the Corporate Audit Department provide instructions to departments including internal control departments or subsidiaries to take corrective actions and continuously monitor the status.

iii. Accounting audits

a. Name of auditing firm
Deloitte Touche Tohmatsu LLC.

b. Number of years of continuous audit
32 years

c. The Certified Public Accountants engaged in the audit
Seibei Kyoshima
Toru Ikeda

d. Assistants to the audit
Certified Public Accountants:10
Others:25

e. Policy and reason for selecting the auditing firm

The Group received an explanation about the system of Deloitte Touche Tohmatsu LLC., considered its independence, specialization, understanding of the Group’s business and compensation for audits and decided that it was appropriate to continue to select the audit firm as the Group’s independent auditor and certified public accountant.

If found necessary, such as when the independent auditor has a problem in the performance of its duties, the Audit and Supervisory Committee determines the details of proposals concerning the appointment or dismissal of the independent auditor to be submitted to the General Meeting of Shareholders according to the Audit and Supervisory Committee’s policy for dismissing or not reappointing an independent auditor and the standards for re-nominating or not re-nominating an independent auditor. The Auditor and Supervisory Committee will dismiss the independent auditor with the consent of all the committee members if the independent auditor falls under any item of Article 340, Paragraph 1 of the Companies Act. In this case, an Audit and Supervisory Committee member elected by the Audit and Supervisory Committee will report the dismissal of the independent auditor and the reason for dismissal at the first General Meeting of Shareholders convened after dismissal. (Decisions are made appropriately based on the guidelines for the responses of a corporate auditor concerning the exercise of the right to determine the details of a proposal for the appointment or dismissal of an independent auditor and the practical guidelines for the creation of standards for the evaluation and selection of an independent auditor issued by Japan Audit & Supervisory Board Members Association.)

f. Evaluation of the auditing firm by the Audit & Supervisory Board Members and the Audit & Supervisory Board

The Group’s Audit and Supervisory Committee evaluates Deloitte Touche Tohmatsu LLC. based on the Committee’s policy for dismissing or not reappointing an independent auditor and the standards for re-nominating and not re-nominating independent auditors. This evaluation was performed by monitoring and verifying whether the independent auditor maintained its independence and carried out its audits appropriately, receiving reports, at monthly meeting, etc. from the independent auditor regarding the execution of its duties and, where necessary, requesting explanations. Also, the Audit and Supervisory Committee received notification from the independent auditor to the effect that “systems to ensure that duties are executed appropriately” (the matters listed in each item of Article 131 of the Regulation on Corporate Accounting) had been established in accordance with “Quality Control Standards for Auditing” (Business Accounting Council, October 28, 2005) and where necessary requested explanations. The Group also interviewed the Accounting Department subject to auditing and the Corporate Audit Department assessing internal control.

As a result, the Group determined that the financial audits performed by its independent auditor were functioning effectively and operated appropriately, and the system was properly maintained and operating.

The standards for the evaluation of the independent auditor are the comprehensive assessment of the independence, level of specialization, reliability and performance of other duties of the independent auditor.

iv. Audit fees

a. Fees to certified public accountants for audits, etc. (Millions of yen)

| Category | Previous fiscal year | | Fiscal year under review | |
|---|---|---|---|---|
| | Compensation for audit attestation work | Remuneration for non-audit services | Compensation for audit attestation work | Remuneration for non-audit services |
| The Company | 83 | - | 84 | - |
| Consolidated subsidiaries | 6 | - | 6 | - |
| Total | 89 | - | 91 | - |

b. Compensation for organizations belonging to the same network(Deloitte Touche Tohmatsu LLC.) as Certified Public Accountants engaged in audit (excluding a.) (Millions of yen)

| Category | Previous fiscal year | | Fiscal year under review | |
|---|---|---|---|---|
| | Compensation for audit attestation work | Remuneration for non-audit services | Compensation for audit attestation work | Remuneration for non-audit services |
| The Company | － | 4 | － | 5 |
| Consolidated subsidiaries | － | － | － | － |
| Total | － | 4 | － | 5 |

(Details of non-audit operations)

(Previous fiscal year)

The Group’s non-audit operations concern compensation for closing due diligence to determine the prices for conditional acquisition in overseas projects.

(Fiscal year under review)

The Group’s non-audit operations concern compensation for financial due diligence in overseas projects.

c. Other significant compensation

Not applicable

d. Policy on determining the audit fee

The Group determines audit fees paid to auditing certified public accountants, etc., taking into account the size of the Group’s business, characteristics of operations, the number of days taken for audits, etc.

e. Reason for the Audit & Supervisory Board’s consent of the compensation, etc. to the Accounting Auditor

The Audit and Supervisory Committee considers the practical guidelines for cooperation with an independent auditor published by the Japan Audit & Supervisory Board Members Association, obtains necessary materials from Directors, relevant internal departments and the independent auditor, listens to reports, analyzes and evaluates the results of audits of the previous fiscal year, the progress of the independent auditor’s performance of their duties, checks and examines audit time, personnel plans, and appropriateness of compensation estimates in the audit plan, and agrees to the amount of compensation for the independent auditor pursuant to paragraph, Article 399, Paragraph 3 of the Companies Act.

(4) Directors compensation, etc.

i. Policy for determining amounts of compensation, etc. for directors or method for calculating them, and how to determine them

The Group's Director remuneration is determined based on the following policy for Director remuneration. The Corporate Governance Committee considers the remuneration system, level of remuneration, etc. and reports to the Board of Directors for finalization.

《Directors' Remuneration Policy》

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

a. Remuneration standard

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

b. Composition and basic policy of remuneration

Remuneration for the Company's directors (excluding outside directors and directors who are audit and supervisory committee members) consists of fixed remuneration (monetary remuneration and stock remuneration). The ratio of monetary remuneration to stock remuneration in fixed remuneration is 2 to 1 for the Representative Director and 7 to 3 for directors. For outside directors and directors who are audit and supervisory committee members, fixed remuneration (monetary remuneration) set for each role is paid.

i. Fixed remuneration (monetary remuneration)

The scope of control and responsibility, degree of influence on the management of the consolidated Group, and achievement in the previous year are considered to determine fixed remuneration from the remuneration table.

ii. Fixed remuneration (stock remuneration)

Restricted stock issued in advance at a face value set according to each individual role, with the aim of improving medium- to long-term performance and corporate value and further sharing value with shareholders.

Remuneration for the Company's directors (excluding outside directors and directors who are audit and supervisory committee members) who concurrently serve as General Managers consists of fixed remuneration for directors, fixed remuneration (monetary remuneration) and variable remuneration (monetary and stock remuneration) for General Managers The percentages set for fixed remuneration (monetary remuneration), variable remuneration (monetary remuneration), and variable remuneration (stock remuneration) for the Company's directors are roughly 48%, 46%, and 6%, respectively, in the case of Representative Director & Chief Executive Officer. The percentage of variable remuneration will become higher in proportion to the ranks of General Managers.

i. Fixed remuneration (monetary remuneration)

The scope of control and responsibility, degree of influence on the management of the AUTOBACS SEVEN Group, and achievements in the previous fiscal year are considered to determine basic remuneration from the remuneration table.

ii. Variable remuneration (monetary remuneration)

The achievement of a single-year consolidated ordinary profit target is set as a common evaluation index for all General Managers. perspectives that cannot be measured only by financial performance figures are set individually. The amount of variable remuneration fluctuates within 0-200% of the performance-based remuneration standard.

iii. Variable remuneration (stock remuneration)

To improve performance and corporate value over the medium and long term and better share value with shareholders, restricted stock (performance-based stock remuneration) is issued in advance linked with the achievement of single-year performance targets in the amount specified according to individuals' roles.

c. Process of Determining Remuneration

i. Remuneration for the Company's directors (excluding outside directors and directors who are audit and supervisory committee members) is determined at the Board of Directors' meeting, along with the remuneration system that ensures objectivity and transparency through consultation with the Corporate Governance Committee.

ii. Remuneration for the Company's directors who concurrently serve as General Managers is determined by the Chief

Executive Officer, based on the General Managers' remuneration system determined at the Board of Directors' meeting after consultation with the Corporate Governance Committee.

iii. Remuneration for the Company's audit and supervisory committee members is determined at the Audit and Supervisory Committee, within the limit of the amount of remuneration resolved in advance at a general meeting of shareholders.

ii. Total compensation by director classification and compensation type, and number of recipients

| Director classification | Total compensation (Millions of yen) | Total compensation by type (Millions of yen) | | | Numbers of recipients |
|---|---|---|---|---|---|
| | | Basic compensation | Performance-linked bonuses | Stock compensation | |
| Directors (excluding Outside Directors and Audit and Supervisory Committee Members) | 305 | 168 | 120 | 16 | 5 |
| Directors (Audit and Supervisory Committee Members) (excluding Outside Directors) | 25 | 25 | — | — | 1 |
| Outside Directors | 57 | 57 | — | — | 4 |

(Notes) 1. Stock remuneration is stated at an amount posted as expenses for the fiscal year under review.
2. Remuneration for directors (excluding audit and supervisory committee members) was resolved in the amount of ¥480 million or less per year (including ¥50 million or less per year for outside directors) with the number of eligible directors being seven or less at the 72nd ordinary general meeting of shareholders held on June 21, 2019.
3. Remuneration for directors (audit and supervisory committee members) was resolved in the amount of ¥120 million or less per year with the number of eligible directors being five or less at the 72nd ordinary general meeting of shareholders held on June 21, 2019.
4. Remuneration for granting shares with restrictions on transfer for directors (excluding non-executive directors) was resolved in the amount of ¥100 million or less per year with the number of eligible directors being seven or less at the 72nd ordinary general meeting of shareholders held on June 21, 2019.

iii. Evaluation indicators and results of variable remuneration in recent fiscal years

Of the Company’s “variable remuneration (monetary remuneration),” the range of supervision and responsibility and are calculated based on a remuneration system established by the Board of Directors after consultation with the Corporate Governance Committee, which considers financial results such as a single-year consolidated ordinary profit target, which is an evaluation indicator shared by all Directors, evaluation indicators for the operations for which each Director is responsible, and individual issues based on the achievement of strategic targets not measurable only using financial results. The target for consolidated ordinary profit (not adjusted for consolidation), the indicator used for all Directors for the variable remuneration (monetary remuneration) for the fiscal year under review, was 12.56 billion yen, and the result was 14.14 billion yen. The medium- to long-term incentive is provided in advance in the form of restricted stock according to the amount set for each remuneration table to achieve a medium- to long-term increase in financial results and corporate value and increase value sharing between the Group and its shareholders.

iv. Activities of the Board of Directors and the Corporate Governance Committee in the process of determining the amount of remuneration, etc.

The Corporate Governance Committee deliberated twice on the remuneration system for Directors for the fiscal year under review and reported the result to the Board of Directors, and the Board of Directors passed the resolution.

(5) Status of shares held

i. Standards and approach for the classification of shares for investment

The Group separates a portion of specified investment shares considered to contribute to an increase in corporate value in view of business alliances, the improvement and maintenance of trade relations, etc. in business activities as investments in equity securities held for reasons other than pure investment (strategic shareholding). Shares held for other purposes are categorized as investments in equity securities held for pure investment.

ii. Shares for investment held for purposes other than pure investment

a. Policy on shareholdings, method for verifying reasonableness of shareholdings, and details of verification of appropriateness of shareholdings for each stock conducted by the Board of Directors, etc.

The Group comprehensively considers the necessity of strategic shareholding in business activities such as alliances and improving transactions and holds those shares when they are considered to contribute to an increase in corporate value from a medium- to long-term perspective.

At the annual meeting of the Board of Directors, the Group compares and analyzes the cost and return of holding these shares in view of the level of their contribution to the Group's profit, including the purpose of holding, annual transaction value, and dividend income. The Group reduces its holding if it does not consider the shares to be contributing to an increase in its corporate value.

b. Number of issues held and their balance sheet amount

| | Number of issues | Total balance sheet amount (Millions of yen) |
|---|---|---|
| Unlisted shares | 16 | 569 |
| Other shares | 5 | 4,633 |

(Issues with increased number of shares in the fiscal year under review)

| | Number of issues | Total balance sheet amount (Millions of yen) | Reason for increase in number of shares |
|---|---|---|---|
| Unlisted shares | — | — | — |
| Other shares | 1 | 1,303 | Additional acquisitions to strengthen relationships |

(Issues with decreased number of shares in the fiscal year under review)

| | Number of issues | Total balance sheet amount (Millions of yen) |
|---|---|---|
| Unlisted shares | 1 | 5 |
| Other shares | — | — |

c. Information on the number of shares, balance sheet amounts, etc. of each issue of specified shares for investment and deemed shareholdings

<table>
<tr><th rowspan="3">Issue</th><th>Fiscal year under review</th><th>Previous fiscal year</th><th rowspan="3">Purpose, outline of business alliance, etc., quantitative effect of shareholding and reason for an increase in the number of shares</th><th rowspan="3">Shares of the Company held</th></tr>
<tr><th>Number of shares (Thousands)</th><th>Number of shares (Thousands)</th></tr>
<tr><th>Balance sheet amount (Millions of yen)</th><th>Balance sheet amount (Millions of yen)</th></tr>
<tr><td rowspan="2">G-7 HOLDINGS Inc.</td><td>2,203</td><td>1,348</td><td rowspan="2">The company is a franchisee and its shares are held for the purpose of expanding the domestic AUTOBACS business. While the quantitative effect of the shareholding is a trade secret and is not stated here, the Group believes that there is an adequate effect based on its shareholding policy.<br>The increase in the number of shares is the effect of an additional acquisition for the purpose of strengthening a relationship.</td><td rowspan="2">Yes</td></tr>
<tr><td>3,185</td><td>2,231</td></tr>
<tr><td rowspan="2">KOITO MANUFACTURING CO., LTD.</td><td>426</td><td>213</td><td rowspan="2">The company is a supplier of the Group and its shares are held for the purpose of facilitating the Domestic AUTOBACS Business, including enhancing the lineup of instore merchandise, primarily lighting products, and ensuring their stable supply. While the quantitative effect of the shareholding is a trade secret and is not stated here, the Group believes that there is an adequate effect based on its shareholding policy.<br>The increase in the number of shares is the effect of a 2-for-1 stock split with a record date of September 30, 2022.</td><td rowspan="2">Yes</td></tr>
<tr><td>1,065</td><td>1,059</td></tr>
<tr><td rowspan="2">SOFT99 corporation</td><td>187</td><td>187</td><td rowspan="2">The company is a supplier of the Group and its shares are held for the purpose of facilitating the Domestic AUTOBACS Business, including enhancing the lineup of instore merchandise, primarily car repair products, and ensuring their stable supply. While the quantitative effect of the shareholding is a trade secret and is not stated here, the Group believes that there is an adequate effect based on its shareholding policy.</td><td rowspan="2">Yes</td></tr>
<tr><td>240</td><td>230</td></tr>
<tr><td rowspan="2">I.A GROUP CORPORATION</td><td>36</td><td>36</td><td rowspan="2">The company is a franchisee and its shares are held for the purpose of expanding the domestic AUTOBACS business. While the quantitative effect of the shareholding is a trade secret and is not stated here, the Group believes that there is an adequate effect based on its shareholding policy.</td><td rowspan="2">Yes</td></tr>
<tr><td>122</td><td>122</td></tr>
<tr><td rowspan="2">CAR MATE MFG. CO., LTD.</td><td>22</td><td>22</td><td rowspan="2">The company is a supplier of the Group and its shares are held for the purpose of facilitating the Domestic AUTOBACS Business, including enhancing the lineup of instore merchandise, primarily products displayed on central gondola shelves (in-vehicle accessories), and ensuring their stable supply. While the quantitative effect of the shareholding is a trade secret and is not stated here, the Group believes that there is an adequate effect based on its shareholding policy.</td><td rowspan="2">Yes</td></tr>
<tr><td>19</td><td>20</td></tr>
</table>

Deemed shareholdings

Not applicable.

iii. Investment shares held for purely investment purposes

Not applicable.

# V. FINANCIAL INFORMATION

1. Method of Preparation of Consolidated and Non-Consolidated Financial Statements

(1) The Company prepares its consolidated financial statements in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976; hereinafter the “Regulation on Consolidated Financial Statements”).

(2) The Company prepares its non-consolidated financial statements in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements, etc.” (Ministry of Finance Order No. 59 of 1963; hereinafter the “Regulation on Financial Statements”).

Additionally, as a special company submitting financial statements, the Company prepares its non-consolidated financial statements based on Article 127 of the Regulation on Financial Statements.

2. Audit Certification

Pursuant to the provisions set forth in Article 193-2(1) of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements in Japanese for the fiscal year (from April 1, 2022 to March 31, 2023) and non-consolidated financial statements in Japanese for the fiscal year (from April 1, 2022 to March 31, 2023) have been audited by Deloitte Touche Tohmatsu LLC.

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company has undertaken specific measures to secure the appropriateness of its consolidated financial statements, etc. Specifically, the Group has become a member of the Financial Accounting Standards Foundation (FASF) and participates in seminars held by the Accounting Standards Board of Japan (ASBJ) to accurately understand accounting standards, etc. and develop systems that enable it to respond appropriately to changes in accounting standards.

# 1. Consolidated Financial Statements, etc.

## (1) Consolidated financial statements

### i. Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 24,800 | 24,570 |
| Notes receivable - trade | 410 | 409 |
| Accounts receivable - trade | 25,432 | 25,740 |
| Investments in leases | 4,270 | 3,645 |
| Merchandise | *2 21,516 | *2 23,899 |
| Short-term loans receivable | 263 | 100 |
| Accounts receivable - other | 25,778 | 27,102 |
| Other | 5,500 | 5,957 |
| Allowance for doubtful accounts | (54) | (83) |
| Total current assets | 107,917 | 111,341 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | *2 45,079 | 46,054 |
| Accumulated depreciation | (32,493) | (33,185) |
| Buildings and structures, net | 12,585 | 12,868 |
| Machinery, equipment and vehicles | 8,332 | 8,653 |
| Accumulated depreciation | (5,145) | (5,550) |
| Machinery, equipment and vehicles, net | 3,187 | 3,102 |
| Tools, furniture and fixtures | 11,527 | 12,607 |
| Accumulated depreciation | (9,710) | (10,285) |
| Tools, furniture and fixtures, net | 1,816 | 2,321 |
| Land | *2 24,529 | 24,735 |
| Leased assets | 857 | 913 |
| Accumulated depreciation | (231) | (278) |
| Leased assets, net | 626 | 635 |
| Right-of-use assets | 3,577 | 3,716 |
| Accumulated depreciation of Right-of-use assets | (1,253) | (1,654) |
| Right-of-use assets, net | 2,323 | 2,062 |
| Construction in progress | 199 | 1,032 |
| Total property, plant and equipment | 45,268 | 46,757 |
| Intangible assets | | |
| Goodwill | 2,215 | 1,386 |
| Software | 4,080 | 5,494 |
| Other | 2,654 | 2,511 |
| Total intangible assets | 8,951 | 9,392 |
| Investments and other assets | | |
| Investment securities | *1 8,710 | *1 9,078 |
| Long-term loans receivable | 44 | 46 |
| Deferred tax assets | 5,238 | 4,594 |
| Guarantee deposits | 12,744 | 12,128 |
| Other | 1,053 | 1,005 |
| Allowance for doubtful accounts | (16) | (16) |
| Total investments and other assets | 27,773 | 26,836 |
| Total non-current assets | 81,993 | 82,986 |
| Total assets | 189,910 | 194,327 |

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | *2 17,702 | *2 17,629 |
| Short-term borrowings | *2 1,724 | *2 1,847 |
| Lease liabilities | 692 | 701 |
| Accounts payable - other | 14,480 | 15,746 |
| Income taxes payable | 1,987 | 2,726 |
| Contract liabilities | 1,389 | 1,273 |
| Other | 8,818 | 8,980 |
| Total current liabilities | 46,795 | 48,906 |
| Non-current liabilities | | |
| Long-term borrowings | *2 4,917 | 6,699 |
| Lease liabilities | 3,429 | 2,946 |
| Deferred tax liabilities | 562 | 516 |
| Provision for retirement benefits for directors (and other officers) | 19 | 7 |
| Retirement benefit liability | 3,233 | 341 |
| Asset retirement obligations | 2,675 | 2,741 |
| Other | 5,385 | 5,204 |
| Total non-current liabilities | 20,223 | 18,458 |
| Total liabilities | 67,018 | 67,364 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 33,998 | 33,998 |
| Capital surplus | 34,156 | 34,156 |
| Retained earnings | 59,442 | 61,997 |
| Treasury shares | (7,016) | (6,990) |
| Total shareholders' equity | 120,581 | 123,162 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,308 | 2,077 |
| Foreign currency translation adjustment | 1,065 | 1,382 |
| Remeasurements of defined benefit plans | (1,406) | — |
| Total accumulated other comprehensive income | 1,967 | 3,460 |
| Non-controlling interests | 342 | 340 |
| Total net assets | 122,892 | 126,963 |
| Total liabilities and net assets | 189,910 | 194,327 |

ii. Consolidated statement of income

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Net sales | *1 228,586 | *1 236,235 |
| Cost of sales | 151,436 | 156,773 |
| Gross profit | 77,150 | 79,462 |
| Selling, general and administrative expenses | *2 65,598 | *2 67,739 |
| Operating profit | 11,552 | 11,722 |
| Non-operating income | | |
| Interest income | 52 | 69 |
| Dividend income | 78 | 78 |
| Commission income | 56 | 61 |
| Lease revenue-system equipment | 643 | 674 |
| Other | 1,047 | 969 |
| Total non-operating income | 1,878 | 1,854 |
| Non-operating expenses | | |
| Interest expenses | 76 | 69 |
| Share of loss of entities accounted for using equity method | 672 | 509 |
| Lease cost-system equipment | 578 | 597 |
| Loss on retirement of non-current assets | 130 | 133 |
| Other | 726 | 692 |
| Total non-operating expenses | 2,184 | 2,002 |
| Ordinary profit | 11,246 | 11,574 |
| Extraordinary income | | |
| Compensation for forced relocation | — | 286 |
| Gain on termination of retirement benefit plan | — | *3 891 |
| Total extraordinary income | — | 1,177 |
| Extraordinary losses | | |
| Impairment losses | *4 238 | *4 897 |
| Total extraordinary losses | 238 | 897 |
| Profit before income taxes | 11,008 | 11,854 |
| Income taxes - current | 4,224 | 4,555 |
| Income taxes - deferred | (234) | 84 |
| Total income taxes | 3,990 | 4,640 |
| Profit | 7,018 | 7,214 |
| Profit attributable to | | |
| Profit attributable to owners of parent | 7,010 | 7,239 |
| Profit (loss) attributable to non-controlling interests | 7 | (24) |

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (54) | (234) |
| Foreign currency translation adjustment | 456 | 317 |
| Remeasurements of defined benefit plans, net of tax | 184 | 1,406 |
| Share of other comprehensive income of entities accounted for using equity method | 121 | 25 |
| Total other comprehensive income | *5 706 | *5 1,515 |
| Comprehensive income | 7,725 | 8,730 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 7,694 | 8,731 |
| Comprehensive income attributable to non-controlling interests | 30 | (1) |

iii. Consolidated statement of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 33,998 | 34,286 | 61,359 | (7,747) | 121,897 |
| Cumulative effects of changes in accounting policies | | | (479) | | (479) |
| Restated balance | 33,998 | 34,286 | 60,879 | (7,747) | 121,417 |
| Changes during period | | | | | |
| Dividends of surplus | | | (4,736) | | (4,736) |
| Profit attributable to owners of parent | | | 7,010 | | 7,010 |
| Purchase of treasury shares | | | | (3,003) | (3,003) |
| Cancellation of treasury shares | | | (3,707) | 3,707 | — |
| Disposal of treasury shares | | | (4) | 27 | 23 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (129) | | | (129) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | (129) | (1,437) | 731 | (835) |
| Balance at end of period | 33,998 | 34,156 | 59,442 | (7,016) | 120,581 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 2,367 | 505 | (1,590) | 1,283 | 653 | 123,833 |
| Cumulative effects of changes in accounting policies | | | | | (0) | (479) |
| Restated balance | 2,367 | 505 | (1,590) | 1,283 | 653 | 123,353 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (4,736) |
| Profit attributable to owners of parent | | | | | | 7,010 |
| Purchase of treasury shares | | | | | | (3,003) |
| Cancellation of treasury shares | | | | | | — |
| Disposal of treasury shares | | | | | | 23 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | (129) |
| Net changes in items other than shareholders' equity | (59) | 559 | 184 | 684 | (310) | 373 |
| Total changes during period | (59) | 559 | 184 | 684 | (310) | (461) |
| Balance at end of period | 2,308 | 1,065 | (1,406) | 1,967 | 342 | 122,892 |

Fiscal year ended March 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 33,998 | 34,156 | 59,442 | (7,016) | 120,581 |
| Changes during period | | | | | |
| Dividends of surplus | | | (4,678) | | (4,678) |
| Profit attributable to owners of parent | | | 7,239 | | 7,239 |
| Purchase of treasury shares | | | | (3) | (3) |
| Disposal of treasury shares | | | (5) | 28 | 23 |
| Change in treasury shares arising from change in equity in entities accounted for using equity method | | | | 0 | 0 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (0) | | | (0) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | － | (0) | 2,554 | 25 | 2,580 |
| Balance at end of period | 33,998 | 34,156 | 61,997 | (6,990) | 123,162 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 2,308 | 1,065 | (1,406) | 1,967 | 342 | 122,892 |
| Changes during period | | | | | | |
| Dividends of surplus | | | | | | (4,678) |
| Profit attributable to owners of parent | | | | | | 7,239 |
| Purchase of treasury shares | | | | | | (3) |
| Disposal of treasury shares | | | | | | 23 |
| Change in treasury shares arising from change in equity in entities accounted for using equity method | | | | | | 0 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | (0) |
| Net changes in items other than shareholders' equity | (230) | 317 | 1,406 | 1,492 | (1) | 1,491 |
| Total changes during period | (230) | 317 | 1,406 | 1,492 | (1) | 4,071 |
| Balance at end of period | 2,077 | 1,382 | － | 3,460 | 340 | 126,963 |

iv. Consolidated statement of cash flows

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 11,008 | 11,854 |
| Depreciation | 4,160 | 4,305 |
| Impairment losses | 238 | 897 |
| Amortization of goodwill | 394 | 381 |
| Increase (decrease) in allowance for doubtful accounts | (43) | 44 |
| Increase (decrease) in retirement benefit liability | 324 | 19 |
| Interest and dividend income | (130) | (148) |
| Interest expenses | 76 | 69 |
| Share of loss (profit) of entities accounted for using equity method | 672 | 509 |
| Loss (gain) on sale and retirement of non-current assets | 101 | 68 |
| Loss (gain) on valuation of investment securities | 8 | 4 |
| Gain on termination of retirement benefit plan | — | (891) |
| Decrease (increase) in trade receivables | (5,652) | (1,529) |
| Decrease (increase) in investments in leases | 497 | 506 |
| Decrease (increase) in inventories | (2,311) | (2,286) |
| Increase (decrease) in trade payables | 3,440 | (186) |
| Other, net | (1,571) | 789 |
| Subtotal | 11,212 | 14,408 |
| Interest and dividends received | 145 | 206 |
| Interest paid | (80) | (70) |
| Income taxes paid | (5,565) | (3,856) |
| Net cash provided by (used in) operating activities | 5,712 | 10,687 |
| Cash flows from investing activities | | |
| Payments into time deposits | (12) | (13) |
| Purchase of property, plant and equipment and intangible assets | (6,300) | (7,182) |
| Proceeds from sale of property, plant and equipment and intangible assets | 65 | 334 |
| Purchase of investment securities | (403) | (1,303) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | *2 (1,078) | — |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | — | 51 |
| Purchase of shares of subsidiaries and associates | (24) | — |
| Loan advances | (100) | (0) |
| Proceeds from collection of loans receivable | 163 | 164 |
| Payments of guarantee deposits | (288) | (209) |
| Proceeds from refund of guarantee deposits | 321 | 572 |
| Other, net | (51) | (67) |
| Net cash provided by (used in) investing activities | (7,710) | (7,652) |

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (5,356) | (119) |
| Proceeds from long-term borrowings | 3,206 | 3,000 |
| Repayments of long-term borrowings | (1,161) | (1,078) |
| Purchase of treasury shares | (3,000) | (0) |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | (690) | (7) |
| Dividends paid | (4,734) | (4,674) |
| Other, net | (563) | (615) |
| Net cash provided by (used in) financing activities | (12,300) | (3,495) |
| Effect of exchange rate change on cash and cash equivalents | 145 | 212 |
| Net increase (decrease) in cash and cash equivalents | (14,152) | (247) |
| Cash and cash equivalents at beginning of period | 38,903 | 24,751 |
| Cash and cash equivalents at end of period | *1 24,751 | *1 24,503 |

## Notes to consolidated financial statements

### (Notes relating to Material Matters as the Basis for Preparation of the Consolidated Financial Statements)

1. Scope of consolidation

Number of subsidiaries subject to consolidation accounting 30 companies

Names of major consolidated subsidiaries are omitted as they are listed in the section 4. Subsidiaries and Associates under I. OVERVIEW OF COMPANY.

FATRASTYLING Inc. was consolidated in the fiscal year under review due to the Company's acquisition of shares of BACS Boots.

BACS E-Mobility Co., Ltd. was consolidated in the fiscal year under review due to the establishment by AUTOBACS DEALER GROUP HOLDINGS Co., Ltd., a subsidiary of the Group.

Companies excluded from the scope of consolidation in the fiscal year under review include Hokusetsu AUTOBACS Ltd. due to the merger with AUTOBACS Kasai Sales Ltd., and Kumamoto AUTOBACS Ltd. due to the merger with AUTOBACS Minami Nihon Sales Ltd.

G-7 AUTOBACS Tsukuba Co., Ltd., which was previously an equity-method affiliate, was included in the scope of consolidation in the fiscal year under review as a result of an additional acquisition of shares, and changed its trade name to AUTOBACS Tsukuba Co., Ltd.

2. Application of equity method

(1) Number of associate companies subject to equity method 14 companies

Names of major consolidated subsidiaries are listing in the section 4. Subsidiaries and Associates under I. OVERVIEW OF COMPANY.

G-7 AUTOBACS Tsukuba Co., Ltd. was excluded from the scope of application of the equity method due to its inclusion in the scope of consolidation as a result of an additional acquisition of shares in the fiscal year under review.

(2) The financial statements used for equity-method companies having a closing date different from the consolidated closing date are mainly based on the business years of the respective companies.

3. Fiscal years of consolidated subsidiaries

Consolidated subsidiaries whose account closing dates are different from the consolidated closing date are as follows.

| Company name | Closing date |
|---|---|
| AUTOBACS (CHINA) AUTOGOODS COMMERCE CO., LTD. | December 31 |

Financial statements based on a provisional settlement of accounts as of the consolidated closing date are used to prepare consolidated financial statements.

4. Significant accounting standards

(1) Valuation standards and methods applied to important assets

(i) Valuation standards and methods applied to securities

a. Held-to-maturity securities

Amortized cost method (straight line method)

b. Other securities

Securities other than shares, etc. without market prices

Market price method (All differences between the market and book values have been processed and recognized in a separate account of net assets, and the amount of the sales cost has been determined under the moving average approach)

Shares, etc. without market prices

Costing method under the moving average approach

(ii) Valuation standard and method applied to derivative instruments

a. Derivative instruments

Market price method

(iii) Valuation standards and methods applied to inventories

a. Automotive goods

Principally, costing method under the moving average approach (In relation to the declining profitability, the book value of each affected inventory item has been written down to renew the value recognized on the balance sheet)

b. Vehicles

Costing method based on the specific cost method (In relation to the declining profitability, the book value of each affected inventory item has been written down to renew the value recognized on the balance sheet)

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

(i) Property, plant and equipment, excluding leased assets and right-of-use assets

Straight line method

The followings are major types of such property, plant and equipment and lengths of their respective useful lives.

a. Store buildings and structures

Principally, the lengths of their useful economic lives independently estimated and determined by the Group. With respect to the buildings and structures located on the leased land lots legally furnished with fixed-term leasehold interest for commercial use, the Group has applied the number of years set forth in the respective contracts as the useful lives of such store buildings and structures.

| | |
|---|---|
| Buildings and structures | 3-20 years |

b. Property, plant and equipment, excluding those mentioned above

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

(ii) Intangible assets, excluding leased assets

Straight line method

With respect to the software products used by the Group subject to consolidation accounting, each product's book value has been determined as a result of applying straight line method based on the fact that the useful economic life in the Group is usually within 5 years.

(iii) Leased assets

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

(iv) Right-of-use assets

The right-of-use assets recorded as a result of the application of IFRS 16 "Leases" by overseas consolidated subsidiaries are amortized using the straight line method.

(3) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

In the event of any loss incurred from bad loans, the Group provides an allowance for doubtful accounts with the estimated uncollectible amount by applying historical rate of default as for general receivables and by respectively examining the collectability as for specific debts including doubtful accounts.

(ii) Provision for retirement benefits for directors (and other officers)

In order to prepare for payment of retirement benefits to directors, some of the subsidiaries subject to consolidation accounting provide a provision for retirement benefits for directors (and other officers) with an amount payable at the end of the consolidated fiscal term in accordance with the regulations of retirement benefits to directors.

(4) Accounting treatment method for retirement benefits

Application of simplified method at small-sized enterprises

Some of the subsidiaries subject to consolidation accounting apply the simplified method for calculation of liabilities for retirement benefit and retirement benefit expense, and use the amount to be required at the year-end for voluntary termination as projected benefit obligation.

(5) Accounting standards for significant revenue and expenses

(i) Recording standards of revenue relating to the non-ownership-transfer finance lease transactions

The net sales and the cost of goods sold are recorded at the time of the receipt of the lease payment.

(ii) Recording standards for revenue arising from contracts with customers

The details of the main performance obligations in the major businesses related to revenue from contracts with customers of the Group and the timing at which the Group typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

The Group conducts the following businesses by segment.

- ●Domestic AUTOBACS Business: Sales of merchandise include wholesaling and retail sales of automotive goods, etc. to domestic customers, as well as used car purchasing and sales. Provision of services includes statutory safety inspection and maintenance services, and body work and painting services.
- ●Overseas Business: Sales of merchandise include wholesaling and retail sales of automotive goods, etc. to overseas customers. Provision of services includes maintenance services, body work and painting services.
- ●Car Dealership, BtoB and Online Alliance Business: Sales of merchandise include wholesaling of automotive goods, etc. to domestic businesses. Business for general consumers includes online sales, imported car dealership business, etc.
- ●Other Business: Provision of services includes credit-related business to AUTOBACS Group stores.

For these transactions, the Group has performance obligations to deliver merchandise for sales of merchandise and to provide services for provision of services. Revenue is recognized at the time of delivery of the merchandise or at the time of completion of the provision of services, as it is deemed that the customer obtains control over the merchandise or services and the performance obligation is satisfied at the time the merchandise are delivered or the provision of the services is completed, as the case may be.

Revenue is measured at the amount of the consideration promised in the contract with the customer, net of returns and expected returns, discounts and rebates.

The consideration for a transaction is received generally within one month of satisfaction of the performance obligation and does not include a significant financial component.

(6) Principles of conversion of significant assets or liabilities in foreign currency into yen

Claim or obligation in foreign currency is converted into yen at the spot exchange rate on the closing date for consolidation accounting, and variances arising from such conversion are calculated as income or loss. Assets and liabilities of overseas subsidiaries are converted into yen at the spot exchange rate on the closing date for consolidation accounting, and profits and expenses of such subsidiaries are converted into yen at the average exchange rate during the fiscal term. Variances arising from such conversion are shown as "foreign currency translation adjustment" and "non-controlling interests" in the net assets.

(7) Accounting for significant hedging activities

(i) Hedge accounting method

Designate accounting has been adopted.

(ii) Hedging instruments and items hedged

| | |
|---|---|
| Hedging instruments: | Currency swap |
| Items hedged: | Accounts payable-trade in foreign currency |

(iii) Hedging policy and method of evaluating the efficacy of hedging activities

The Company's policy is to hedge in the range of the balance and the provisional amount of transactions of accounts payable-trade in foreign currencies in order to hedge against the risk of fluctuations in the exchange rate in the future relating to the transactions in foreign currencies, and the Company also evaluates the efficacy thereof and has it checked by the accounting department.

(8) Amortization method and amortization period of goodwill

Goodwill is amortized on a straight line based on a reasonable period not exceeding 20 years.

(9) Scope of cash in the consolidated statements of cash flows

Cash and cash equivalents are composed of cash on hand, deposits that can be withdrawn at any time and short-term investments that are readily convertible into cash and face only slight risks of fluctuation in value with redemption due dates arriving within three months from the acquisition date.

(Significant accounting estimates)

Impairment of property, plant and equipment and intangible assets

(1) Impairment valuation of property, plant and equipment at stores related to the Domestic AUTOBACS Business

i. Amounts recorded on the consolidated financial statements for the fiscal year under review

(Unit: million yen)

| | For the previous consolidated fiscal year | For the consolidated fiscal year under review |
|---|---|---|
| Property, plant and equipment | 35,425 | 35,966 |

ii. Other information that may help the users of consolidated financial statements better understand the details of accounting estimates

The Domestic AUTOBACS Business, which develops stores that sell automotive goods and services and provide automotive maintenance and other services to customers who come to the stores, is a major business of the Group. The outstanding balance of property, plant and equipment related to the said business is 35,966 million yen and comprises 18.5% of total assets.

The Group holds principal assets such as buildings necessary for operating stores and assets such as tools and appliances used for providing automotive maintenance parts and other services in the Domestic AUTOBACS Business.

For a group of assets related to the Domestic AUTOBACS Business, the Group regards each store as the minimum unit generating cash flows. For stores of which the market value of land has declined significantly, or those recording continuous operating losses, the Group identifies whether there is an indication of impairment. From among the stores for which an indication of impairment was identified, for such stores whose total of pre-discounted future cash flow was below their book values, the book values were reduced to the recoverable values, and the relevant decreases were recognized as an impairment loss.

The recoverable value of such group of assets is the value in use or the net sales value, whichever is higher, and the discount rate used is calculated based on the moving average capital cost.

The future cash flow used to determine whether to recognize impairment loss and for calculating the value in use is reasonably estimated in consideration of the current status of use, reasonable use plan, and other factors of a group of assets, by comprehensively assessing information on external factors such as the past results and trends, the business environment, and internal information such as budget of the Group. Assumptions of particular importance include future revenue forecasts and operating profit forecasts.

The future revenue forecast and operating profit forecast at each store are estimated based on actual results such as the unit price of customers and the number of customers in the latest fiscal term, so as to reflect factors including the recovery and increase in revenue in consideration of the growth rate in the market, and the individual situation of each store.

Based on the said estimate, the Group regards the number of economically remaining service years of major assets such as buildings as an estimation period for forecasting the said future cash flow, and reasonably makes an estimate based on the assumption of a growth rate reflecting trends of previous periods.

The Company assumes that the impact of the spread of COVID-19 for the consolidated fiscal term under review is minimal and that its impact on the future performance will also be minimal, and reflects such assumption in the growth rate over the estimation period.

The management considers that the said estimate and said assumption are reasonable. However, if the said estimate and said assumption require review mainly due to changes in the condition of uncertainty for the future economy and the prevalence of COVID-19, a factor decreasing future cash flow will be taken into consideration and additional impairment loss (extraordinary losses) may be accrued as a result in the consolidated financial statements for the next consolidated fiscal term or thereafter.

(2) Valuation of goodwill, etc. of businesses other than the Domestic AUTOBACS Business

i. Amounts recorded on the consolidated financial statements for the fiscal term under review

(Unit: million yen)

| | For the previous consolidated fiscal year | For the consolidated fiscal year under review |
|---|---|---|
| Intangible assets | 8,951 | 9,392 |
| of which, goodwill | 1,909 | 1,153 |
| of which, other | 1,974 | 1,828 |
| Investment securities | 8,710 | 9,078 |
| of which, amount equivalent to goodwill included in investment securities | 853 | 120 |

(ii) Other information that may help the users of consolidated financial statements better understand the details of accounting estimates

The Company is promoting investment in businesses other than the Domestic AUTOBACS Business such as the Overseas Business and the Car Dealership, BtoB and Online Alliance Business under the "Five-year Rolling Plan."

The book values of goodwill included in individual investment, other intangible assets, and an amount equivalent to goodwill included in investment securities are 1,153 million yen, 1,828 million yen, and 120 million yen, respectively, and the total of 3,103 million yen comprises 1.5% of total assets.

The Company acquires companies that are developing businesses other than the Domestic AUTOBACS Business at prices reflecting excess earning power, and the resulting goodwill and other intangible assets are recorded. For a group of assets under goodwill and other intangible assets, the Company allocates the said assets to a related group of assets such as the entire company or stores at a reasonable standard and deems the said assets as a group of assets.

For groups of assets recording continuous operating losses, the Company identifies whether there is an indication of impairment. From among groups of assets for which an indication of impairment was identified, for such groups of assets whose total of pre-discounted future cash flow was below their book values, the book values were reduced to the recoverable values, and the relevant decreases were recognized as an impairment loss.

The recoverable value of such group of assets is the net sales value or the value in use, whichever is higher, and the discount rate used is calculated based on the moving average capital cost.

The future cash flow used to determine whether to recognize impairment loss and for calculating the value in use is reasonably estimated in consideration of the current status of use, reasonable use plan, and other factors of a group of assets, by comprehensively assessing information on external factors such as the past results and trends, the business environment, and internal information such as budget of the Group. Assumptions of particular importance include the future cash flow forecast.

Future cash flow forecast for each group of assets is estimated based on the actual results such as performance of the latest fiscal term, so as to reflect factors including the sales growth forecasted at the end of the fiscal term, and the recovery and increase in revenue in consideration of the individual situation of each group of assets. The Company regards estimation periods as the economically remaining service years for the goodwill, other intangible assets, and major assets included in a group of assets to which the said assets are allocated.

The Company assumes that the impact of the spread of COVID-19 for the consolidated fiscal term under review is minimal and that its impact on the future performance will also be minimal, and reflects such assumption in the growth rate over the estimation period.

The management considers that the said estimate and the said assumption are reasonable. However, if the said estimate and the said assumption require review mainly due to changes in the condition of uncertainty for the future economy and the prevalence of COVID-19, a factor decreasing future cash flow will be taken into consideration and additional impairment loss (extraordinary losses) may be accrued as a result in the consolidated financial statements for the next consolidated fiscal term or thereafter.

(Notes to consolidated balance sheet)

*1. The item concerning the associated companies is the following. (Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Investment securities (stock) | 4,450 | 3,856 |

*2. Assets pledged as collateral and secured debt

Assets pledged as collateral are as follows: (Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Merchandise | 566 | 606 |
| Buildings and structures | 462 | — |
| Land | 219 | — |
| Total | 1,248 | 606 |

Secured debt is as follows. (Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Accounts payable - trade | 228 | 494 |
| Short-term borrowings | 766 | 625 |
| Long-term borrowings | 51 | — |
| Total | 1,046 | 1,120 |

(Notes to consolidated financial results and statements of comprehensive income)

*1. Revenue from contracts with customers

Regarding net sales, the Group does not disaggregate revenues from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “Note on consolidated financial statements(Segment information, etc.).”

*2. The major items of selling, general and administrative expenses and the amounts are as follows. (Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Employees’ salaries | 25,131 | 25,794 |
| Retirement benefit expenses | 902 | 467 |
| Rent expenses on land and buildings | 4,712 | 4,822 |
| Depreciation | 3,791 | 3,858 |
| Provision of allowance for doubtful accounts | 2 | 46 |

*3. The gain on termination of retirement benefit plans

Fiscal year ended March 31, 2023

Effective April 1, 2022, the Company has partially abolished the lump-sum retirement allowance plan. In accordance with this abolition, the Company has adopted the “Accounting for Transfers between Retirement Benefit Plans” (ASBJ Guidance No. 1, December 16, 2016) and “Practical Solution on Accounting for Transfers between Retirement Benefit Plans” (PITF No. 2, February 7, 2007) and has terminated the lump-sum retirement benefit plan. As a result, the gain on termination of retirement benefit plans was recorded in an extraordinary income in the consolidated fiscal term under review.

*4. Impairment losses

The Group posted an impairment loss in the asset groups below.

Fiscal year ended March 31, 2022

i. Overseas Business

| Use | Type | Place | Number of bases | Amount (Unit: million yen) |
|---|---|---|---|---|
| Store | Right-of-use assets | France | 1 | 78 |
| | Total | | 1 | 78 |

ii. Car Dealership, BtoB and Online Alliance Business

| Use | Type | Place | Number of bases | Amount (Unit: million yen) |
|---|---|---|---|---|
| Assets to be disposed of | Software | Kanto | 1 | 159 |
| | Total | | 1 | 159 |

The Group regards each store as a basic unit for the minimum unit generating cash flows, while assets to be disposed of are grouped as a separate group of assets.

For stores recording continuous operating losses and assets to be disposed of, the book values of such group of assets and assets to be disposed of for which the total future cash flow was below their respective book values were reduced to the recoverable values, and the corresponding decreases were recorded as an “Impairment loss” in the amount of 238 million yen in extraordinary losses.

Impairment loss consisted of 159 million yen for software and 78 million yen for right-of-use assets.

In addition to the above, regarding the goodwill amount of 669 million yen related to Guangdong Car House Electronic Commerce Technology Co., Ltd., which is an equity-method affiliate, the Group recorded the entire unamortized balance of the said goodwill amount as “Share of loss of entities accounted for using equity method,” because excess earning power anticipated in the business plan at the time of acquisition is no longer expected.

The recoverable value of such group of assets is the net sales value.

The net sales value is calculated by deeming recoverable value to be zero.

The recoverable amount of cash-generating units in France is calculated based on fair value under the International Financial Reporting Standards (IFRS). The fair value is measured by the income approach, and the discount rate used is 7.46%.

Fiscal year ended March 31, 2023

Overseas Business

| Use | Type | Place | Number of bases | Amount (Unit: million yen) |
|---|---|---|---|---|
| Maintenance shop | Goodwill; buildings and structures; machinery, equipment and vehicles, etc. | Singapore | 2 | 695 |
| Assets to be disposed of | Software | France | 1 | 201 |
| | Total | | 3 | 897 |

The Group regards each store, etc. as a basic unit for the minimum unit generating cash flows, while assets to be disposed of are grouped as a separate group of assets.

For stores, etc. recording continuous operating losses and assets to be disposed of, the book values of such group of assets and assets to be disposed of for which the total future cash flow was below their respective book values were reduced to the recoverable values, and the corresponding decreases were recorded as an "Impairment loss" in the amount of 897 million yen in extraordinary losses.

Impairment loss consisted of 510 million yen for goodwill, 201 million yen for software, 154 million yen for buildings and structures, 21 million yen for machinery, equipment and vehicles, and 10 million yen for right-of-use assets.

In addition to the above, regarding the goodwill amount of 655 million yen related to BEAD Co., Ltd., which is an equity-method affiliate, the Group recorded the entire unamortized balance of the said goodwill amount as "Share of loss of entities accounted for using equity method," because excess earning power anticipated in the business plan at the time of acquisition is no longer expected.

The recoverable value of such group of assets is, in principle, the net sales value or the value in use, whichever higher.

The net sales value is deemed to be zero, while 12.8% is used for the discount rate in the calculation of the value in use.

*5. Reclassification adjustment and tax effect related to other comprehensive income (Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Valuation difference on available-for-sale securities: | | |
| Amount that occurred in the fiscal year under review | (78) | (336) |
| Reclassification adjustment | — | — |
| Before tax effect adjustment | (78) | (336) |
| Tax effect | 24 | 102 |
| Valuation difference on available-for-sale securities | (54) | (234) |
| Foreign currency translation adjustment: | | |
| Amount that occurred in the fiscal year under review | 456 | 317 |
| Reclassification adjustment | — | — |
| Before tax effect adjustment | 456 | 317 |
| Tax effect | — | — |
| Foreign currency translation adjustment | 456 | 317 |
| Remeasurements of defined benefit plans, net of tax: | | |
| Amount that occurred in the fiscal year under review | (50) | — |
| Reclassification adjustment | 315 | 2,023 |
| Before tax effect adjustment | 264 | 2,023 |
| Tax effect | (80) | (617) |
| Remeasurement account of defined benefit plans | 184 | 1,406 |
| Share of other comprehensive income of entities accounted for using equity method: | | |
| Amount that occurred in the fiscal year under review | 121 | 25 |
| Reclassification adjustment | — | — |
| Share of other comprehensive income of entities accounted for using equity method | 121 | 25 |
| Other comprehensive income | 706 | 1,515 |

(Notes to consolidated statement of changes in equity)

Fiscal year ended March 31, 2022

1. Class and number of issued shares and class and number of treasury shares

| | Number of shares at beginning of period | Increase during period (thousand shares) | Decrease during period (thousand shares) | As of the end of the period (thousand shares) |
|---|---|---|---|---|
| Number of shares issued | | | | |
| Common stock (Note 1) | 84,050 | — | 2,000 | 82,050 |
| Total | 84,050 | — | 2,000 | 82,050 |
| Treasury shares | | | | |
| Common stock (Notes 2,3) | 4,187 | 1,944 | 2,015 | 4,116 |
| Total | 4,187 | 1,944 | 2,015 | 4,116 |

(Notes) 1. The 2,000,000-share decrease in the total number of shares of common stock outstanding was a result of the cancellation of treasury shares by resolution of the Board of Directors.

2. The 1,944,000-share increase in the number of treasury shares of common stock was a result of the purchase of 1,942,000 treasury shares, an increase of 0 thousand shares through the purchase of odd-lot shares, and an increase of 1,000 shares held by equity method companies.

3. The 2,015,000-share decrease in the number of treasury shares of common stock resulted from a 2,000,000-share decrease through the cancellation of treasury shares by resolution of the Board of Directors and a 15,000-share decrease through the disposal of treasury shares by resolution of the Board of Directors.

2. Dividends

(1) Amount of dividend payment

| Resolution | Type of shares | Total amount of dividends (Unit: million yen) | Dividends per share (Unit: yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders on June 23, 2021 | Common stock | 2,397 | 30 | March 31, 2021 | June 24, 2021 |
| Meeting of Board of Directors on October 29, 2021 | Common stock | 2,339 | 30 | September 30, 2021 | November 25, 2021 |

(2) The dividends of shares having a record date that is during the consolidated fiscal year under review and an effective date that is during the following consolidated fiscal term

| Resolution | Type of shares | Total amount of dividends (Unit: million yen) | Source of dividends | Dividends per share (Unit: yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders on June 23, 2022 | Common stock | 2,339 | Retained earnings | 30 | March 31, 2022 | June 24, 2022 |

Fiscal year ended March 31, 2023

1. Class and number of issued shares and class and number of treasury shares

| | Beginning of fiscal year under review Number of shares (thousand shares) | Increase during period (thousand shares) | Decrease during period (thousand shares) | As of the end of the period (thousand shares) |
|---|---|---|---|---|
| Number of shares issued | | | | |
| Common stock | 82,050 | — | — | 82,050 |
| Total | 82,050 | — | — | 82,050 |
| Treasury shares | | | | |
| Common stock (Notes 1, 2) | 4,116 | 2 | 16 | 4,102 |
| Total | 4,116 | 2 | 16 | 4,102 |

(Notes) 1. The 2,000-share increase in the number of treasury shares of common stock was a result of the purchase of 0 thousand odd-lot shares and an increase of 2 thousand shares held by equity method companies.

2. The 16,000-share decrease in the number of treasury shares of common stock resulted from a 16,000-share decrease due to the disposal of treasury shares by resolution of the Board of Directors and a 0 thousand -share decrease due to changes in the ratios of equity-method company shares held.

2. Dividends

(1) Amount of dividend payment

| Resolution | Type of shares | Total amount of dividends (Unit: million yen) | Dividends per share (Unit: yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders on June 23, 2022 | Common stock | 2,339 | 30 | March 31, 2022 | June 24, 2022 |
| Meeting of Board of Directors on October 30, 2022 | Common stock | 2,339 | 30 | September 30, 2022 | November 25, 2022 |

(2) The dividends of shares having a record date that is during the consolidated fiscal year under review and an effective date that is during the following consolidated fiscal term

| Resolution | Type of shares | Total amount of dividends (Unit: million yen) | Source of dividends | Dividends per share (Unit: yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders on June 23, 2023 | Common stock | 2,339 | Retained earnings | 30 | March 31, 2023 | June 26, 2023 |

(Notes to consolidated statement of cash flows)

*1. Cash and cash equivalents at end of period and their relationships with items in the consolidated balance sheets (Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Cash and deposits | 24,800 | 24,570 |
| Time deposits whose deposit term exceeds 3 months | (49) | (66) |
| Cash and cash equivalents | 24,751 | 24,503 |

*2. Breakdown of the assets and liabilities of a company that has become a new consolidated subsidiary through the purchase of shares

Fiscal year ended March 31, 2022

The table below lists the components of assets and liabilities at the beginning of consolidation of BACS Advance Co., Ltd. that resulted from the acquisition of shares of the company and the relationship between the purchase price of the shares of the company and the net proceeds from the acquisition of the company (Millions of yen)

| | |
|---|---|
| Current assets | 1,214 |
| Non-current assets | 1,785 |
| Goodwill | 73 |
| Current liabilities | (996) |
| Non-current liabilities | (949) |
| Purchase price of shares of BACS Advance Co., Ltd. | 1,127 |
| Cash and cash equivalents held by BACS Advance Co., Ltd. | (406) |
| Less expenditures for the acquisition of BACS Advance Co., Ltd. | 720 |

(Lease transactions)

(Lessee)

1. Finance lease transactions

Non-ownership-transfer finance lease transactions

i. Leased assets

Major components include land for stores of overseas subsidiaries, buildings (land and buildings) for stores of domestic subsidiaries, and store equipment.

ii. Method of depreciation/amortization of leased assets

The method is described in 4. Significant accounting standards, (2) Amortization and depreciation methods applied to major items of depreciable assets in (Notes relating to Material Matters as the Basis for Preparation of the Consolidated Financial Statements).

Of financing lease transactions that do not involve a transfer of ownership, lease transactions that started on or before March 31, 2008, use the accounting method for normal lease transactions. The details are provided in the table below.

(1) Amounts equivalent to purchase prices of lease properties, amounts equivalent to accumulated depreciation, and amounts equivalent to balance at end of period

(Millions of yen)

| | As of March 31, 2022 | | |
|---|---|---|---|
| | Amount equivalent to purchase price | Amount equivalent to accumulated depreciation | Amount equivalent to balance at end of period |
| Buildings and land (Note) | 1,480 | 1,070 | 409 |
| Total | 1,480 | 1,070 | 409 |

(Millions of yen)

| | As of March 31, 2023 | | |
|---|---|---|---|
| | Amount equivalent to purchase price | Amount equivalent to accumulated depreciation | Amount equivalent to balance at end of period |
| Buildings and land (Note) | 1,480 | 1,130 | 350 |
| Total | 1,480 | 1,130 | 350 |

(Note) Buildings and land are combined above due to their inseparability in real estate lease transactions.

(2) Amount equivalent to balance of prepaid lease expenses at end of period, etc.

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Amount equivalent to balance of prepaid lease expenses at end of period | | |
| Within 1 year | 69 | 72 |
| More than 1 year | 459 | 387 |
| Total | 529 | 459 |

(3) Amount equivalent to lease expenses paid and depreciation and amount equivalent to interest expenses

(Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Lease payments | 90 | 90 |
| Amount equivalent to depreciation | 59 | 59 |
| Amount equivalent to interest expenses | 26 | 23 |

(4) Method of calculating amount equivalent to depreciation and amount equivalent to interest

Method of calculating amount equivalent to depreciation

The straight-line method on the assumption that the lease term is the useful life and residual value is zero.

Method of calculating amount equivalent to interest

Distribution of the difference between the total amount of lease expenses and the amount equivalent to the purchase prices of lease expenses to each period is based on the interest method.

2. Operating lease transactions

Noncancelable future operating lease payments

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Within 1 year | 3,120 | 3,132 |
| More than 1 year | 16,009 | 18,509 |
| Total | 19,129 | 21,641 |

3. Right-of-use assets

i. Components of right-of-use assets

Key components are store facilities (land, buildings, etc.).

ii. Method of depreciating right-of-use assets

The method is described in 4. Significant accounting standards, (2) Amortization and depreciation methods applied to major items of depreciable assets in (Notes relating to Material Matters as the Basis for Preparation of the Consolidated Financial Statements).

(Lessor)

1. Finance lease transactions

(1) Breakdown of investments in leases

Current assets (Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Portion of lease payments receivable | 4,757 | 4,020 |
| Amount equivalent to interest income | (499) | (381) |
| Amount equivalent to asset retirement obligations | 11 | 6 |
| Investments in leases | 4,270 | 3,645 |

(2) Amount of the portion of lease payments receivable from investments in leases to be collected after consolidated closing date

Current assets (Millions of yen)

| | As of March 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year | More than 1 year and within 2 years | More than 2 years and within 3 years | More than 3 years and within 4 years | More than 4 years and within 5 years | More than 5 years |
| Investments in leases | 1,053 | 933 | 759 | 636 | 419 | 955 |

(Millions of yen)

| | As of March 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year | More than 1 year and within 2 years | More than 2 years and within 3 years | More than 3 years and within 4 years | More than 4 years and within 5 years | More than 5 years |
| Investments in leases | 977 | 818 | 680 | 455 | 296 | 793 |

2. Operating lease transactions

Noncancelable future operating lease payments

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Within 1 year | 3,962 | 4,066 |
| More than 1 year | 19,157 | 24,118 |
| Total | 23,119 | 28,185 |

(Notes to financial instruments)

1. Status of financial instruments

(1) Basic policies applied to financial instruments

It is the Group's basic policy to borrow fund mainly from banks in accordance with the Group's capital investment plan, when such borrowing is deemed necessary. The Group applies the method of managing the fund pooled temporarily for next investment opportunities mainly in the forms of relatively safe financial assets.

(2) Content of, and risks involved in, financial instruments

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

Investment securities, which mainly consist of listed company shares and other securities, involve market price fluctuation risks.

Short-term loans receivable and long-term loans receivable are offered to AUTOBACS franchisees and associated companies, etc. and expose the Group to credit risks of the individual franchisees and associated companies, etc.

The Group's store buildings, mostly constructed based on AUTOBACS original specifications, are rented from their respective owners for sub-let to the franchisees. Guarantee deposits, most of which have been placed on the building owners under the respective rental or lease contracts, involve these owners' credit risks.

Given the fact that major lease investment assets consist of assets that are the aforementioned store buildings and are owned by the Company and leased to the franchisees, the Group is exposed to the individual franchisees' credit risks.

Most of the notes and accounts payable - trade and accounts payable-other arising from business operations are due within one month.

Short-term loans payable, long-term loans payable and lease obligations related to finance lease transactions are principally aimed at procuring necessary fund for continued business operations and capital investment and the farthest redemption date is scheduled in 29 years after the consolidation accounting closing date.

(3) System for controlling and managing risks arising from financial instruments

(i) Credit risks management (Risks involved in default or other breach of contracts on the part of the Company's business partners and customers)

In the Company, individual divisions are, in compliance with the credit and loan management regulations, assigned to control and manage maturity dates and outstanding balance of each business partner or customer respectively regarding trade receivables and loans receivable and attempt to obtain, at an earliest possible date, information on any doubtful accounts that may arise from deteriorating financial and/or business performance of the business partners or customers and reduce such doubtful accounts, by monitoring the status of each major business partner or customer at a regular interval. This is the same with the subsidiaries subject to consolidation accounting, where their credit and loan transactions are dealt with in accordance with the Company's credit and loan management regulations.

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

In respect of investment securities, the Group employs the method of examining their market prices, together with the financial positions and other performance of individual issuers (transacting parties), at a regular interval. Efforts continue to be made to review the Group's portfolio, based on consideration to each issuer's financial performance, market trends and other related factors.

Exchange and interest rate fluctuations risks, which tend to bring about differences of relatively small amounts and have limited impact on the Group's financial results, have been excluded from disclosures.

(iii) Liquidity risks management associated with fund procurement (Risks of the Company's possible failure in payment according to the provided schedule)

As the Company's standard practice, the department in charge of financing is assigned to produce and revise the Company's funding plan based on the reports received from individual departments and hold necessary fund in hand and implement other necessary action with a view to controlling and managing liquidity risks. The Group's subsidiaries subject to consolidation accounting apply the method of procuring necessary fund from the Company by utilizing the Group financing system.

(4) Supplementary explanations on market values and other aspects of financial instruments

In calculating market values of financial instruments, the Group has taken account of fluctuating factors. For this reason, these calculated amounts may vary based on different assumptions or other conditions.

2. Market values and other conditions of financial instruments

Consolidated balance sheet amounts, fair values and their differences are as follows. “Cash and deposits,” “notes receivable – trade,” “short-term loans receivable,” “accounts receivable - other,” “notes and accounts payable - trade,” “short-term loans payable,” “accounts payable - other,” and “income taxes payable” are omitted because they comprise cash and short-term instruments whose carrying amount approximates their market value.

As of March 31, 2022 (Millions of yen)

| | Value Recognized in Consolidated Balance Sheet | Market Value | Difference |
|---|---|---|---|
| (1) Accounts receivable - trade | 25,432 | | |
| Allowance for doubtful accounts *1 | (36) | | |
| | 25,395 | 25,386 | (9) |
| (2) Lease investment assets *2 | 4,258 | 4,741 | 483 |
| (3) Investment securities *3 | 4,873 | 4,203 | (669) |
| (4) Long-term loans receivable *4 | 207 | 214 | 6 |
| (5) Guarantee deposits | 12,744 | 12,540 | (203) |
| Total assets | 47,478 | 47,085 | (392) |
| (6) Long-term loans payable*5 | 5,900 | 5,881 | (19) |
| (7) Lease obligations*6 | 4,122 | 4,105 | (16) |
| Total liabilities | 10,023 | 9,986 | (36) |

As of March 31, 2023 (Millions of yen)

| | Value Recognized in Consolidated Balance Sheet | Market Value | Difference |
|---|---|---|---|
| (1) Accounts receivable - trade | 25,740 | | |
| Allowance for doubtful accounts *1 | (64) | | |
| | 25,675 | 25,652 | (23) |
| (2) Lease investment assets *2 | 3,638 | 4,036 | 397 |
| (3) Investment securities *3 | 5,871 | 5,206 | (664) |
| (4) Long-term loans receivable *4 | 46 | 50 | 4 |
| (5) Guarantee deposits | 12,128 | 11,793 | (335) |
| Total assets | 47,360 | 46,739 | (620) |
| (6) Long-term loans payable *5 | 7,922 | 7,896 | (25) |
| (7) Lease obligations *6 | 3,647 | 3,490 | (157) |
| Total liabilities | 11,569 | 11,387 | (182) |

*1. Specific allowance for doubtful accounts provided for notes and accounts receivable-trade is subtracted.

*2. The difference compared to the consolidated balance sheet amount is the amount equivalent to asset retirement obligations (11 million yen in the previous fiscal year and 6 million yen in the fiscal year under review).

*3. Shares, etc. without market prices are not included in (3) Investment securities.

| Category | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Unlisted securities | 3,837 | 3,207 |

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

*5. Current portion of long-term loans payable is included.

*6. Current portion of lease obligations is included.

(Note 1) Monetary claims and securities with maturity periods to be redeemed after the consolidated closing date

As of March 31, 2022 (Millions of yen)

| | Within 1 year | More than 1 year and within 5 years | More than 5 years and within 10 years | More than 10 years |
|---|---|---|---|---|
| Cash and deposits | 24,800 | — | — | — |
| Notes receivable - trade | 410 | — | — | — |
| Accounts receivable - trade | 18,381 | 6,079 | 970 | 0 |
| Investments in leases | 914 | 2,468 | 805 | 69 |
| Short-term loans receivable | 100 | — | — | — |
| Accounts receivable - other | 25,778 | — | — | — |
| Long-term loans receivable | 163 | 44 | — | — |
| Guarantee deposits | 2,535 | 4,479 | 4,273 | 1,455 |
| Total | 73,084 | 13,072 | 6,050 | 1,525 |

As of March 31, 2023 (Millions of yen)

| | Within 1 year | More than 1 year and within 5 years | More than 5 years and within 10 years | More than 10 years |
|---|---|---|---|---|
| Cash and deposits | 24,570 | — | — | — |
| Notes receivable - trade | 409 | — | — | — |
| Accounts receivable - trade | 18,835 | 5,803 | 1,100 | — |
| Investments in leases | 859 | 2,034 | 685 | 59 |
| Short-term loans receivable | 100 | — | — | — |
| Accounts receivable - other | 27,102 | — | — | — |
| Long-term loans receivable | — | 46 | — | — |
| Guarantee deposits | 2,043 | 4,938 | 3,623 | 1,523 |
| Total | 73,920 | 12,821 | 5,409 | 1,582 |

(Note 2) Redemption schedule for lease obligations and other interest-bearing debt

As of March 31, 2022 (Millions of yen)

| | Within 1 year | More than 1 year and within 2 years | More than 2 years and within 3 years | More than 3 years and within 4 years | More than 4 years and within 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| Short-term borrowings | 740 | — | — | — | — | — |
| Long-term borrowings | 983 | 1,217 | 216 | 217 | 3,219 | 46 |
| Lease liabilities | 692 | 651 | 524 | 494 | 461 | 1,297 |
| Total | 2,417 | 1,869 | 741 | 711 | 3,680 | 1,343 |

As of March 31, 2023 (Millions of yen)

| | Within 1 year | More than 1 year and within 2 years | More than 2 years and within 3 years | More than 3 years and within 4 years | More than 4 years and within 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| Short-term borrowings | 625 | — | — | — | — | — |
| Long-term borrowings | 1,222 | 223 | 3,224 | 3,226 | 9 | 16 |
| Lease liabilities | 701 | 576 | 529 | 490 | 452 | 897 |
| Total | 2,549 | 799 | 3,754 | 3,716 | 462 | 913 |

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial assets and financial liabilities measured at fair value

As of March 31, 2022

| Category | Fair Value (Unit: million yen) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Other securities | | | | |
| Shares | 3,683 | — | — | 3,683 |
| Total assets | 3,683 | — | — | 3,683 |

As of March 31, 2023

| Category | Fair Value (Unit: million yen) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Other securities | | | | |
| Shares | 4,650 | — | — | 4,650 |
| Total assets | 4,650 | — | — | 4,650 |

(2) Financial assets and financial liabilities other than those measured at fair value

As of March 31, 2022

| Category | Fair Value (Unit: million yen) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Accounts receivable - trade | — | 25,386 | — | 25,386 |
| Lease investment assets | — | 4,741 | — | 4,741 |
| Investment securities | | | | |
| Shares of subsidiaries and associate | 520 | — | — | 520 |
| Long-term loans receivable | — | 214 | — | 214 |
| Guarantee deposits | — | 12,540 | — | 12,540 |
| Total assets | 520 | 42,882 | — | 43,402 |
| Long-term loans payable | — | 5,881 | — | 5,881 |
| Lease obligations | — | 4,105 | — | 4,105 |
| Total liabilities | — | 9,986 | — | 9,986 |

As of March 31, 2023

| Category | Fair Value (Unit: million yen) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Accounts receivable - trade | — | 25,652 | — | 25,652 |
| Lease investment assets | — | 4,036 | — | 4,036 |
| Investment securities | | | | |
| Shares of subsidiaries and associate | 555 | — | — | 555 |
| Long-term loans receivable | — | 50 | — | 50 |
| Guarantee deposits | — | 11,793 | — | 11,793 |
| Total assets | 555 | 41,532 | — | 42,088 |
| Long-term loans payable | — | 7,896 | — | 7,896 |
| Lease obligations | — | 3,490 | — | 3,490 |
| Total liabilities | — | 11,387 | — | 11,387 |

(Note) A description of the valuation technique(s) and inputs used in the fair value measurement

Investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair values are classified as Level 1.

Accounts receivable - trade, lease investment assets, long-term loans receivable, and guarantee deposits

These financial instruments are categorized by the lengths of periods and their fair values are measured using the discounted cash flow method based on future cash flows and government bond interest rates and other appropriate index and are classified as Level 2.

Long-term loans payable and lease obligations

Fair values of these financial instruments are measured using the discounted cash flow method based on the sum of principal and interest, remaining maturities and an interest rate reflecting credit risk, and are classified as Level 2.

(Notes to securities)

1. Available-for-sale securities

As of March 31, 2022 (Millions of yen)

| | Type | Consolidated balance sheet amount | Acquisition cost | Difference |
|---|---|---|---|---|
| Other securities whose book carrying amount on the consolidated balance sheets exceed the acquisition cost | (1) Stocks | 3,672 | 458 | 3,213 |
| | (2) Bonds | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 3,672 | 458 | 3,213 |
| Other securities whose book carrying amount on the consolidated balance sheets do not exceed the acquisition cost | (1) Stocks | 11 | 11 | (0) |
| | (2) Bonds | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 11 | 11 | (0) |
| Total | | 3,683 | 470 | 3,212 |

(Note) Unlisted stocks (whose amount recorded in the consolidated balance sheet is 576 million yen) do not have market prices. They are thus not included in the available-for-sale securities in the table above.

As of March 31, 2023 (Millions of yen)

| | Type | Consolidated balance sheet amount | Acquisition cost | Difference |
|---|---|---|---|---|
| Other securities whose book carrying amount on the consolidated balance sheets exceed the acquisition cost | (1) Stocks | 4,639 | 1,762 | 2,876 |
| | (2) Bonds | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 4,639 | 1,762 | 2,876 |
| Other securities whose book carrying amount on the consolidated balance sheets do not exceed the acquisition cost | (1) Stocks | 11 | 11 | (0) |
| | (2) Bonds | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 11 | 11 | (0) |
| Total | | 4,650 | 1,774 | 2,876 |

(Note) Unlisted stocks (whose amount recorded in the consolidated balance sheet is 571 million yen) do not have market prices. They are thus not included in the available-for-sale securities in the table above.

2. Available-for-sale securities that were sold

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023 (Millions of yen)

| Type | Sale price | Total profit on sale | Total loss on sale |
|---|---|---|---|
| (1) Stocks | 5 | — | — |
| (2) Bonds | | | |
| i. Government bonds, local government bonds, etc. | — | — | — |
| ii. Corporate bonds | — | — | — |
| iii. Other | — | — | — |
| (3) Other | — | — | — |
| Total | 5 | — | — |

(Notes to retirement benefits)

1. Outline of the retirement benefits system

The Company and its consolidated subsidiaries offer unfunded defined benefit plans and a defined contribution plan for retirement benefits for employees.

The Group's retirement lump sum grants (unfunded plan) are provided to employees who meet certain requirements as lump sum retirement benefits based on their periods of service.

Retirement benefit liabilities and retirement benefit expenses are calculated using a simplified method for the lump sum retirement payments (unfunded plans) provided by some of the consolidated subsidiaries.

A defined contribution plan is adopted by the Group and some of its consolidated subsidiaries.

The Group has joined Benefit-One Corporate Pension Fund, a corporate pension fund plan based on the Defined Benefit Corporate Pension Act, which is a multiemployer employees' pension fund plan. The Group treats plans for which the amount of pension assets corresponding to its contribution cannot be rationally calculated in the same manner as the defined contribution plan.

Effective April 1, 2022, the Company has partially abolished the lump-sum retirement allowance plan. In accordance with this abolition, the Company has adopted the "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfers between Retirement Benefit Plans" (PITF No. 2, February 7, 2007) and has terminated the lump-sum retirement benefit plan. As a result, the gain on termination of retirement benefit plans was recorded in an extraordinary income in the consolidated fiscal term under review.

2. Defined benefit plans

(1) Adjustments of balance of retirement benefit obligations at the beginning and end of fiscal year (excl. the plan applying a simplified method in table (2)) (Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Defined benefit obligation at beginning of fiscal year | 2,901 | 2,914 |
| Service costs | 163 | — |
| Interest costs | 6 | — |
| Amount of net actuarial gain/loss | 50 | — |
| Retirement benefits paid | (207) | — |
| Decrease due to termination of retirement benefit plan | — | (2,914) |
| Defined benefit obligation at end of fiscal year | 2,914 | — |

(2) Adjustments of balance of retirement benefit liabilities at the beginning and end of fiscal year in a plan using the simplified method (Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Retirement benefit liabilities at beginning of fiscal year | 249 | 318 |
| Retirement benefit expenses | 75 | 75 |
| Retirement benefits paid | (30) | (56) |
| Increase due to new consolidation | 21 | — |
| Decrease due to exclusion from consolidation | 2 | 3 |
| Other | 318 | 341 |

(3) Reconciliation of retirement benefit obligation and pension assets with net retirement benefit liability and asset reflected on the consolidated balance sheets

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Defined benefit obligation for unfunded plan | 3,233 | 341 |
| Net amount of retirement benefit liability and asset on the consolidated balance sheets | 3,233 | 341 |
| | | |
| Retirement benefit liability | 3,233 | 341 |
| Net amount of retirement benefit liability and asset on the consolidated balance sheets | 3,233 | 341 |

(4) Breakdown of retirement benefit expenses (Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Service costs | 163 | — |
| Interest costs | 6 | — |
| Amortization of prior service costs | 315 | — |
| Retirement benefit expenses calculated using the simplified method | 75 | 75 |
| Other | 17 | 38 |
| Net periodic benefit cost of defined benefit plan | 578 | 114 |

(Note) During the fiscal year under review, in addition to the above, a gain on termination of retirement benefit plan of 891 million yen was posted as extraordinary income as a result of the Group’s partial abolition of a retirement lump-sum plan.

(5) Remeasurements of defined benefit plans, net of tax

The breakdown of items posted as “remeasurements of defined benefit plans, net of tax” (before deduction of tax effect) is as follows: (Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Prior service costs | (224) | (1,320) |
| Actuarial gains and losses | (40) | (703) |
| Total | (264) | (2,023) |

(6) Remeasurements of defined benefit plans

The breakdown of items posted as “remeasurements of defined benefit plans” (before deduction of tax effect) is as follows:

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Unrecognized prior service costs | 1,320 | — |
| Unrecognized actuarial gains and losses | 703 | — |
| Total | 2,023 | — |

(7) Basis for the calculation of actuarial gains and losses

Basis of major actuarial calculations

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Discount rate | 0.2% | —% |
| Forecasted rate of pay raise | 1.2～2.5% | —% |

3. Defined contribution plan

The amount of contribution required for the defined contribution plans of the Group and its subsidiaries totaled 266 million yen for the previous fiscal year (from April 1, 2021, through March 21, 2022) and 295 million yen for the fiscal year under review (from April 1, 2022, through March 31, 2023).

4. Multi employer plan

Benefit-One Corporate Pension Fund

The amount of contribution required for the corporate pension fund plan, a multiemployer plan treated in the same manner as the defined contribution plan, totaled 57 million yen in the previous fiscal year (April 1, 2021, through March 31, 2022) and 57 million yen in the fiscal year under review (April 1, 2022, through March 31, 2023).

(1) Funding status of multiemployer pension plans (Millions of yen)

| | As of June 30, 2022 | As of June 30, 2023 |
|---|---|---|
| Plan assets | 62,838 | 77,272 |
| Actuarial liabilities for pension financing calculation | 61,220 | 75,263 |
| Difference | 1,617 | 2,008 |

(2) Percentage of the Group in the premiums for the entire multiemployer plan

Fiscal year ended March 31, 2022 0.3%

Fiscal year ended March 31, 2023 0.3%

(3) Supplementary explanation

Major factors of the above (1) include general reserves (1,189 million yen in the previous fiscal year and 1,617 million yen in the fiscal year under review) and yearly surplus funds (428 million yen for the previous fiscal year and 390 million yen for the fiscal year under review).

The percentages in the above (2) are not consistent with the actual portions paid by the Group.

(Notes to tax effect accounting)

1. Breakdown of key factors contributing to deferred tax assets and deferred tax liabilities

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Deferred tax assets | | |
| Elimination of unrealized profits | 581 | 625 |
| Denial of accounts payable-other | 558 | 364 |
| Denial of accrued bonuses | 412 | 483 |
| Enterprise taxes payable | 185 | 221 |
| Valuation loss on goods currently not deductible | 214 | 231 |
| Amount allocated to rebate on merchandise purchase currently not deductible | 142 | 175 |
| Non-deductible allowance for doubtful accounts | 7 | 26 |
| Non-deductible lease cost | 1,743 | 1,774 |
| Non-deductible depreciation expenses | 218 | 271 |
| Impairment losses | 3,415 | 3,315 |
| Denial of loss on valuation of investment securities | 125 | 124 |
| Denial of provision for retirement benefits for directors (and other officers) | 8 | 5 |
| Retirement benefit liability | 760 | 57 |
| Denial of asset retirement obligations | 815 | 836 |
| Difference in revenue recognition for tax purposes | 839 | 762 |
| Tax losses carried forward (Note) | 1,896 | 1,962 |
| Other | 381 | 397 |
| Subtotal of deferred tax assets | 12,306 | 11,633 |
| Valuation allowance related to tax losses carried forward (Note) | (1,567) | (1,687) |
| Valuation allowance related to deductible temporary differences | (2,850) | (2,837) |
| Valuation allowance subtotal | (4,417) | (4,525) |
| Total deferred tax assets | 7,889 | 7,108 |
| Deferred tax liabilities | | |
| Removal expenses for asset retirement obligations | (3) | (2) |
| Reserve for tax purpose reduction entry of assets | (349) | (349) |
| Retained earnings of equity-method companies | (549) | (568) |
| Valuation difference on available-for-sale securities | (906) | (803) |
| Difference in revenue recognition for tax purposes | (661) | (617) |
| Other | (743) | (688) |
| Total deferred tax liabilities | (3,213) | (3,029) |
| Net deferred tax assets | 4,675 | 4,078 |

(Note) Tax losses carried forward and the related deferred tax assets allocated to each fiscal year when carryforwards expired.

As of March 31, 2022 (Millions of yen)

| | Within 1 year | More than 1 year, within 2 years | More than 2 years, within 3 years | More than 3 years, within 4 years | More than 4 years, within 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| Tax losses carried forward (*1) | 9 | 123 | 90 | 89 | 61 | 1,521 | 1,896 |
| Valuation allowance | (9) | (13) | (12) | (29) | (53) | (1,448) | (1,567) |
| Deferred tax assets | - | 110 | 77 | 59 | 8 | 72 | (*2)328 |

(*1) The tax losses carried forward is an amount obtained by multiplying the effective statutory tax rate.

(*2) Deferred tax assets of 328 million yen is posted for tax losses carried forward of 1,896 million yen (amount multiplied by normal effective statutory tax rate). Valuation allowance for a portion of the tax losses carried forward deemed recoverable based on expected future taxable income, etc. is not recognized.

As of March 31, 2023 (Millions of yen)

| | Within 1 year | More than 1 year and within 2 years | More than 2 years and within 3 years | More than 3 years and within 4 years | More than 4 years and within 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|---|
| Tax losses carried forward (*1) | 7 | 74 | 62 | 60 | 88 | 1,667 | 1,962 |
| Valuation allowance | - | - | (18) | (30) | (88) | (1,550) | (1,687) |
| Deferred tax assets | 7 | 74 | 43 | 30 | - | 117 | (*2) 274 |

(*1) The tax losses carried forward is an amount obtained by multiplying the effective statutory tax rate.

(*2) Deferred tax assets of 274 million yen is posted for tax losses carried forward of 1,962 million yen (amount multiplied by normal effective statutory tax rate). Valuation allowance for a portion of the tax losses carried forward deemed recoverable based on expected future taxable income, etc. is not recognized.

2. Breakdown of major items that caused a significant difference between an effective statutory tax rate and a percentage of income taxes after the application of tax effect accounting

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Statutory tax rate | 30.5% | 30.5% |
| (Adjustment) | | |
| Items that are not permanently deductible, such as entertainment expenses | 1.2 | 1.4 |
| Items that are not permanently included in profits, such as dividend income | (0.0) | (0.0) |
| Inhabitant tax on per capita basis, etc. | 0.9 | 0.9 |
| Valuation allowance | 0.0 | 1.5 |
| Amortization of goodwill | 3.4 | 4.2 |
| Other | 0.3 | 0.6 |
| Percentage of effective income tax rate after the application of tax effect accounting | 36.2 | 39.1 |

(Notes to asset retirement obligations)

Asset retirement obligations posted in the consolidated balance sheets

(1) Outline of the asset retirement obligations

Major obligations include restoration to the original condition under real estate lease contracts for land for stores.

(2) Method of calculating asset retirement obligations

Asset retirement obligations are calculated by assuming that the expected period of use is the real estate lease contract period or the useful life of a property, plant and equipment and using the yield on Japanese government bonds according to the applicable period as of the date of calculation for the discount rate.

(3) Increase/decrease in the asset retirement obligations (Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Balance at beginning of fiscal year | 2,320 | 2,675 |
| Increase due to purchases of property, plant and equipment | 35 | 35 |
| Adjustment due to passage of time | 26 | 23 |
| Change due to fulfillment of asset retirement obligations | (3) | (22) |
| Increase (decrease) in other items | 295 | 29 |
| Balance at end of fiscal year | 2,675 | 2,741 |

(Notes to revenue recognition)

1. Information on the breakdown of revenue from contracts with customers

Information breaking down revenue from contracts with customers is provided in “Note on consolidated financial statements(Segment information, etc.).”

2. Basic information for understanding revenue from contracts with customers

Information that becomes the basis of understanding revenue from contracts with customers is provided in ii. Recording standards for recognition of revenue from contracts with customers, under (5) Accounting standards for significant revenue and expenses, under 4. Significant accounting standards, in (Notes relating to Material Matters as the Basis for Preparation of the Consolidated Financial Statements)

3. Balance of contract liabilities and the transaction price allocated to the remaining performance obligations

(1) Balance of contract liabilities

(Unit: Million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Contract liabilities (beginning balance) | 1,243 | 1,389 |
| Contract liabilities (ending balance) | 1,389 | 1,273 |

Contract liabilities relate to the provision of compensation and other services for goods sold to customers. Full payment is received from the customer at the time the contract is entered into.
The main transactions include 30-month flat tire repair coverage after the purchase of tires, 3- or 5-year extended warranty repair for car navigation systems, etc., and 2- to 7-year car maintenance services such as oil changes, etc.

For these maintenance service transactions, the Group has performance obligations to provide services, such as tire and oil changes at a point in time and warranty repair over time. The timing at which the Group typically satisfies the performance obligation is as follows. With respect to the performance obligations to provide services, such as tire and oil changes at a point in time, revenue is recognized at the time of completion of the provision of the services. With respect to the performance obligations to provide repair warranty for a specified period of time, revenue is recognized on a straight-line basis over the term of the warranty contract and the contract liabilities are reversed at that time. The amount of revenue recognized in the consolidated fiscal year under review that was included in the contract liability balance at the beginning of the term was 767 million yen.

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame in which the Group expects to recognize the amount as revenue are as follows.

(Unit: Million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Within one year | 772 | 727 |
| Over one year and within two years | 422 | 367 |
| Over two years and within three years | 108 | 95 |
| Over three years | 86 | 82 |
| Total | 1,389 | 1,273 |

(Segment information, etc.)

Segment information

1. Outlines reportable segment

The Company's reportable segments are those units of the Company for which separate financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions on the allocation of managerial resources to the segments and assessing the segments' performance.

The Group operates wholesale and retail of automotive goods in Japan and overseas, online sale, purchase and sale of automobiles, statutory safety inspection and maintenance services, dealership of imported automobiles, and leasing of store facilities and credit-related businesses provided to the AUTOBACS Group. The businesses are divided into four reportable segments, including Domestic AUTOBACS Business, Overseas Business, Car Dealer, BtoB and Online Alliance Business, and Other Businesses.

Domestic AUTOBACS Business wholesales automotive goods such as tires and wheels and car electronics to franchisees in Japan and leases store facilities. It also sells automotive goods and other merchandise primarily to general consumers in Japan, provides services such as installation of equipment, car maintenance and statutory safety inspection, and the purchase and sale of automobiles.

Overseas Business sells automotive goods and other merchandise primarily to general consumers outside Japan and provides services such as equipment installation, car maintenance, and body repair, coating, and painting. It also wholesales, exports, and sells automotive goods and other merchandise principally to overseas franchisees and retailers.

Car Dealer, BtoB and Online Alliance Business sells imported cars and provides services mostly to general consumers in Japan. It also wholesales automotive goods and other merchandise to home improvement retailers and other stores in Japan and provides automotive goods and other merchandise through the Company's online shopping website and mobile application in cooperation with physical stores. In addition, the Company provides services such as statutory safety inspection and maintenance and body repair.

In Other Businesses, the Company's subsidiaries engage in credit-related businesses, insurance agency business, and provide services such as the intermediation of individual credit purchases at domestic franchisees, and the issuance of the affiliated credit cards and the lease of fixtures to franchisees. Moreover, the Company develops products for a lifestyle brand that offers an original worldview through cars, operates online and brick-and-mortar stores and sells vehicles.

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

The accounting method of the reportable segments are generally the same as those stated in (Notes relating to Material Matters as the Basis for Preparation of the Consolidated Financial Statements).

3. Reportable segment sales, profit or loss, assets, and other information and revenue breakdown information

Fiscal year ended March 31, 2022

(Millions of yen)

| | Reportable segments | | | | | Reconciling items (Note 1) | Per consolidated financial statements (Note 2) |
|---|---|---|---|---|---|---|---|
| | Domestic AUTOBACS Business | Overseas Business | Car Dealership, BtoB and Online Alliance Business | Other Business | Total | | |
| Net Sales | | | | | | | |
| Revenues from external customers | 173,167 | 10,763 | 39,042 | 3,267 | 226,241 | — | 226,241 |
| Transactions with other segments | 1,726 | — | — | 618 | 2,344 | — | 2,344 |
| Net sales to outside customers | 174,894 | 10,763 | 39,042 | 3,886 | 228,586 | — | 228,586 |
| Internal sales and transfers between segments | 3,379 | 321 | 9,484 | 1,117 | 14,302 | (14,302) | — |
| Total | 178,274 | 11,084 | 48,527 | 5,003 | 242,889 | (14,302) | 228,586 |
| Segment profit (loss) | 20,343 | (321) | (339) | (795) | 18,886 | (7,333) | 11,552 |
| Assets | 107,721 | 13,395 | 21,924 | 29,289 | 172,331 | 17,579 | 189,910 |
| Other items | | | | | | | |
| Depreciation | 2,188 | 627 | 659 | 318 | 3,794 | 320 | 4,114 |
| Amortization of goodwill | 72 | 160 | 161 | — | 394 | — | 394 |
| Investments in entities accounted for using equity method | 2,369 | 1,225 | 763 | — | 4,358 | 92 | 4,450 |
| Increase in property, plant and equipment and intangible assets | 4,957 | 218 | 726 | 186 | 6,088 | 211 | 6,300 |

(Notes) 1. The details of “Reconciling items” are as follows:

(1) The amount (7,333) million yen of “Reconciling items” of Segment profit (loss) is the corporate administrative expense which is not allocable to each reportable segment.

(2) The amount 17,579 million yen of “Reconciling items” of Assets is the corporate administrative assets such as cash and deposits which are not belong to each reportable segment.

(3) At Other items, the amount 320 million yen of “Reconciling items” of Depreciation is the depreciation for the corporate administrative assets. The amount 92 million yen of “Reconciling items” of Investments in entities accounted for using equity method is the investment amount to the affiliated company which is not belong to each reportable segment. The amount 211 million yen of “Reconciling items” of Increase in property, plant and equipment and intangible assets is the mainly amount of capital investment for the corporate administrative assets.

2. Segment profit (loss) corresponds to Operating profit in the Consolidated Statements of Income and Comprehensive Income.

Fiscal year ended March 31, 2023

(Millions of yen)

| | Reportable segments | | | | | Reconciling items (Note1) | Amount recognized in consolidated statement of income (Note2) |
|---|---|---|---|---|---|---|---|
| | Domestic AUTOBACS Business | Overseas Business | Car Dealership, BtoB and Online Alliance Business | Other Business | Total reportable segments | | |
| Net Sales | | | | | | | |
| Revenue from contracts with customers | 176,877 | 12,972 | 39,820 | 4,175 | 233,846 | — | 233,846 |
| Other revenue | 1,693 | 79 | — | 615 | 2,388 | — | 2,388 |
| Net sales to outside customers | 178,570 | 13,052 | 39,820 | 4,791 | 236,235 | — | 236,235 |
| Internal sales and transfers between segments | 4,536 | 479 | 9,375 | 1,272 | 15,664 | (15,664) | — |
| Total | 183,107 | 13,531 | 49,196 | 6,063 | 251,899 | (15,664) | 236,235 |
| Segment profit (loss) | 19,689 | (207) | 281 | (716) | 19,046 | (7,324) | 11,722 |
| Assets | 108,846 | 12,256 | 22,572 | 30,497 | 174,171 | 20,156 | 194,327 |
| Other items | | | | | | | |
| Depreciation | 2,259 | 651 | 675 | 348 | 3,935 | 319 | 4,255 |
| Amortization of goodwill | 72 | 147 | 161 | — | 381 | — | 381 |
| Investments in entities accounted for using equity method | 2,456 | 1,281 | 52 | — | 3,790 | 66 | 3,856 |
| Increase in property, plant and equipment and intangible assets | 4,607 | 622 | 1,138 | 224 | 6,592 | 589 | 7,182 |

(Notes) 1. The details of “Reconciling items” are as follows:

(1) The amount (7,324) million yen of “Reconciling items” of Segment profit (loss) is the corporate administrative expense which is not allocable to each reportable segment.

(2) The amount 20,156 million yen of “Reconciling items” of Assets is the corporate administrative assets such as cash and deposits which are not belong to each reportable segment.

(3) At Other items, the amount 319 million yen of “Reconciling items” of Depreciation is the depreciation for the corporate administrative assets. The amount 66 million yen of “Reconciling items” of Investments in entities accounted for using equity method is the investment amount to the affiliated company which is not belong to each reportable segment. The amount 589 million yen of “Reconciling items” of Increase in property, plant and equipment and intangible assets is the mainly amount of capital investment for the corporate administrative assets.

2. Segment profit (loss) corresponds to Operating profit in the Consolidated Statements of Income and Comprehensive Income.

Related information

Fiscal year ended March 31, 2022

1. Information by product/service

The Group's principal business is the sale of automotive goods and services. Because net sales from automotive goods and services to external customers exceed 90% of net sales in the consolidated financial results and statement of comprehensive income, the disclosure of information by product/service is omitted.

2. Information by region

(1) Net sales

The information is omitted because sales to external customers in Japan exceeded 90% of net sales in the Consolidated Statements of Income and Comprehensive Income.

(2) Property, plant and equipment

The amount of property, plant and equipment in Japan is more than 90% of the amount of property, plant and equipment in the consolidated balance sheets, and information on property, plant and equipment is omitted.

3. Information by major customer

Because net sales to specific customers among external customers is less than 10% of net sales in the consolidated financial results and statement of comprehensive income, disclosure of information by major customer is omitted.

Fiscal year ended March 31, 2023

1. Information by product/service

The Group's principal business is the sale of automotive goods and services. Because net sales from automotive goods and services to external customers exceed 90% of net sales in the consolidated financial results and statement of comprehensive income, the disclosure of information by product/service is omitted.

2. Information by region

(1) Net sales

The information is omitted because sales to external customers in Japan exceeded 90% of net sales in the Consolidated Statements of Income and Comprehensive Income.

(2) Property, plant and equipment

The amount of property, plant and equipment in Japan is more than 90% of the amount of property, plant and equipment in the consolidated balance sheets, and information on property, plant and equipment is omitted.

3. Information by major customer

Because net sales to specific customers among external customers is less than 10% of net sales in the consolidated financial results and statement of comprehensive income, disclosure of information by major customer is omitted.

Impairment loss by reportable segment

Fiscal year ended March 31, 2022

(Millions of yen)

| | Reportable segments | | | | | Reconciling items | Total |
|---|---|---|---|---|---|---|---|
| | Domestic AUTOBACS Business | Overseas Business | Car Dealership, BtoB and Online Alliance Business | Other Business | Total | | |
| Impairment losses | ― | 78 | 159 | ― | 238 | ― | 238 |

Fiscal year ended March 31, 2023

(Millions of yen)

| | Reportable segments | | | | | Reconciling items | Total |
|---|---|---|---|---|---|---|---|
| | Domestic AUTOBACS Business | Overseas Business | Car Dealership, BtoB and Online Alliance Business | Other Business | Total | | |
| Impairment losses | ― | 897 | ― | ― | 897 | ― | 897 |

Amortization and balance of goodwill by reportable segment

Fiscal year ended March 31, 2022

(Millions of yen)

| | Reportable segments | | | | | Reconciling items | Total |
|---|---|---|---|---|---|---|---|
| | Domestic AUTOBACS Business | Overseas Business | Car Dealership, BtoB and Online Alliance Business | Other Business | Total | | |
| Amortization of goodwill | 72 | 160 | 161 | ― | 394 | ― | 394 |
| Balance at end of period | 305 | 1,133 | 776 | ― | 2,215 | ― | 2,215 |

Fiscal year ended March 31, 2023

(Millions of yen)

| | Reportable segments | | | | | Reconciling items | Total |
|---|---|---|---|---|---|---|---|
| | Domestic AUTOBACS Business | Overseas Business | Car Dealership, BtoB and Online Alliance Business | Other Business | Total | | |
| Amortization of goodwill | 72 | 147 | 161 | ― | 381 | ― | 381 |
| Balance at end of period | 233 | 538 | 615 | ― | 1,386 | ― | 1,386 |

Gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2022

Not applicable.

Fiscal year ended March 31, 2023

Not applicable.

Related party information

Transactions between the Company's consolidated subsidiaries and related parties

Non-consolidated subsidiaries, affiliates, etc. of the company submitting consolidated financial statements

For the fiscal year ended March 31, 2022

Not applicable.

For the fiscal year ended March 31, 2023

Not applicable.

(Per share information)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Book value per share | ¥1,572.48 | ¥1,624.44 |
| Earnings per share | ¥89.17 | ¥92.87 |

(Notes) 1. Diluted earnings per share was not presented because there was no dilution for the fiscal year.

2. The basis of calculating net income per share is as follows.

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Earnings per share | | |
| Profit attributable to owners of parent (Millions of yen) | 7,010 | 7,239 |
| Amount not attributable to common shareholders (Millions of yen) | — | — |
| Profit attributable to owners of parent related to common stock (Millions of yen) | 7,010 | 7,239 |
| Average number of common stock (Thousands of shares) | 78,620 | 77,943 |

(Significant subsequent events)

Not applicable.

v. Consolidated Supplementary Schedules

Schedule of bonds payable

Not applicable.

Schedule of borrowings (Millions of yen)

| | Balance at beginning of period | Balance at end of period | Average interest rate (%) | Maturity date |
|---|---|---|---|---|
| Short-term borrowings | 740 | 625 | 1.76 | — |
| Current portion of long-term borrowings | 983 | 1,222 | 0.34 | — |
| Current portion of lease liabilities | 692 | 701 | 1.65 | — |
| Long-term borrowings (excluding current portion of long-term borrowings) | 4,917 | 6,699 | 0.36 | From 2024 to 2029 |
| Lease liabilities (excluding the current portion of Lease liabilities) | 3,429 | 2,946 | 1.48 | From 2024 to 2052 |
| Other interest-bearing debt | — | — | — | — |
| Total | 10,763 | 12,195 | — | — |

(Notes) 1. The average interest rate is the weighted average interest rate for the balance at the end of the period.

2. Long-term loans payable and lease liabilities (excluding the current portion of them) scheduled to be repaid within five years of the end of the fiscal year are as shown below.

(Millions of yen)

| | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years |
|---|---|---|---|---|
| Long-term borrowings | 223 | 3,224 | 3,226 | 9 |
| Lease obligations | 576 | 529 | 490 | 452 |

Schedule of asset retirement obligations

This information is omitted since it is provided in “(Notes to asset retirement obligations).”

(2) Other

Quarterly financial information for the fiscal year ended March 31, 2023

| (Cumulative period) | 1st quarter | 2nd quarter | 3rd quarter | Full year |
|---|---|---|---|---|
| Operating revenue (Millions of yen) | 52,853 | 107,096 | 178,141 | 236,235 |
| Profit before income taxes (Millions of yen) | 2,712 | 4,892 | 11,046 | 11,854 |
| Profit attributable to owners of parent (Millions of yen) | 1,755 | 3,149 | 7,038 | 7,239 |
| Earnings per share (Yen) | 22.52 | 40.41 | 90.30 | 92.87 |

| (Accounting period) | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
|---|---|---|---|---|
| Earnings per share (Yen) | 22.52 | 17.89 | 49.88 | 2.58 |

## 2. Non-consolidated Financial Statements, etc.

### (1) Non-consolidated financial statements

i. Non-consolidated balance sheets

(Unit: million yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| (Assets) | | |
| Current assets | | |
| Cash and deposits | 15,978 | 18,895 |
| Accounts receivable - trade | 14,947 | 15,814 |
| Lease investment assets | 5,704 | 5,324 |
| Merchandise | 8,238 | 7,329 |
| Prepaid expenses | 1,796 | 1,837 |
| Short-term loans receivable | 9,035 | 9,598 |
| Accounts receivable - other | 10,741 | 10,683 |
| Other | 3,462 | 4,142 |
| Allowance for doubtful accounts | (5) | (63) |
| Total Current assets | *1 69,897 | *1 73,564 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 6,474 | 6,776 |
| Structures | 714 | 742 |
| Machinery and equipment | 2,061 | 1,787 |
| Vehicles | 249 | 341 |
| Tools, furniture and fixtures | 823 | 1,045 |
| Land | 22,822 | 22,702 |
| Construction in progress | 44 | 236 |
| Total Property, plant and equipment | 33,190 | 33,632 |
| Intangible assets | | |
| Leasehold right | 621 | 621 |
| Software | 3,465 | 4,876 |
| Other | 9 | 8 |
| Total Intangible assets | 4,095 | 5,505 |
| Investments and other assets | | |
| Investment securities | 4,240 | 5,203 |
| Shares of subsidiaries and associates | 20,395 | 18,634 |
| Long-term loans receivable from subsidiaries and associates | 9,157 | 9,031 |
| Long-term prepaid expenses | 459 | 420 |
| Deferred tax assets | 2,762 | 2,534 |
| Guarantee deposits | 11,992 | 11,339 |
| Other | 206 | 201 |
| Allowance for doubtful accounts | (12) | (14) |
| Total Investments and other assets | 49,202 | 47,351 |
| Total Non-current assets | *1 86,487 | *1 86,490 |
| Total Assets | 156,385 | 160,054 |

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| (Liabilities) | | |
| Current liabilities | | |
| Accounts payable - trade | 15,108 | 14,811 |
| Short-term loans payable | 750 | 1,000 |
| Lease obligations | 129 | 122 |
| Accounts payable - other | 3,510 | 3,966 |
| Accrued expenses | 1,449 | 1,379 |
| Income taxes payable | 1,217 | 1,580 |
| Contract liabilities | 1,271 | 1,167 |
| Deposits received | 4,007 | 5,859 |
| Unearned revenue | 805 | 813 |
| Other | 1,734 | 1,595 |
| Total Current liabilities | *1 29,985 | *1 32,297 |
| Non-current liabilities | | |
| Long-term loans payable | 4,000 | 6,000 |
| Lease obligations | 894 | 771 |
| Provision for retirement benefits | 891 | ― |
| Long-term guarantee deposited | 5,490 | 5,310 |
| Asset retirement obligations | 1,201 | 1,220 |
| Other | 8 | 5 |
| Total Non-current liabilities | *1 12,485 | *1 13,309 |
| Total Liabilities | 42,470 | 45,607 |
| (Net Assets) | | |
| Shareholders' equity | | |
| Capital stock | 33,998 | 33,998 |
| Capital surplus | | |
| Legal capital surplus | 34,278 | 34,278 |
| Total Capital surplus | 34,278 | 34,278 |
| Retained earnings | | |
| Legal retained earnings | 1,296 | 1,296 |
| Other retained earnings | | |
| Reserve for business expansion | 665 | 665 |
| Reserve for reduction entry of assets | 797 | 796 |
| General reserves | 36,350 | 36,350 |
| Retained earnings brought forward | 11,180 | 11,918 |
| Total Retained earnings | 50,289 | 51,026 |
| Treasury shares | (6,957) | (6,929) |
| Total Shareholders' equity | 111,608 | 112,374 |
| Valuation and translation adjustments | | |
| Valuation and translation adjustments | 2,306 | 2,072 |
| Valuation difference on available-for-sale securities | 2,306 | 2,072 |
| Total Net Assets | 113,914 | 114,447 |
| Total Liabilities and Net Assets | 156,385 | 160,054 |

ii. Non-consolidated statement of income

(Unit: million yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Net Sales | *1 155,957 | *1 158,807 |
| Cost of sales | *1 119,299 | *1 121,799 |
| Gross profit | 36,658 | 37,008 |
| Selling, general and administrative expenses | *1,*2 28,968 | *1,*2 29,273 |
| Operating profit | 7,689 | 7,735 |
| Non-operating income | | |
| Interest income | 140 | 160 |
| Dividend income | 1,033 | 1,399 |
| Commission income | 32 | 28 |
| Lease revenue - system equipment | 1,009 | 1,045 |
| Other | 561 | 525 |
| Total non-operating income | *1 2,777 | *1 3,159 |
| Non-operating expenses | | |
| Interest expenses | 11 | 21 |
| Lease cost - system equipment | 906 | 965 |
| Other | 510 | 377 |
| Total Non-operating expenses | *1 1,428 | *1 1,364 |
| Ordinary profit | 9,038 | 9,529 |
| Extraordinary income | | |
| Gain on sale of shares of subsidiaries and associates | 62 | — |
| Gain on termination of retirement benefit plan | — | *3 891 |
| Total extraordinary income | *1 62 | 891 |
| Extraordinary losses | | |
| Impairment loss | 159 | — |
| Loss on valuation of shares of subsidiaries and associates | 495 | 1,971 |
| Total extraordinary losses | 655 | 1,971 |
| Profit before income taxes | 8,444 | 8,449 |
| Income taxes – current | 2,650 | 2,697 |
| Income taxes – deferred | 14 | 330 |
| Total Income taxes | 2,665 | 3,028 |
| Profit | 5,779 | 5,421 |

iii. Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2022 (April 1, 2021-March 31, 2022)

(Unit: million yen)

| | Shareholders’ equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | | Retained earnings | | | | | |
| | | | | | Other retained earnings | | | | |
| | | Legal capital surplus | Total capital surplus | Legal retained earnings | Reserve for business expansion | Reserve for reduction entry of assets | General reserves | Retained earnings brought forward | Total retained earnings |
| Balance at beginning of current period | 33,998 | 34,278 | 34,278 | 1,296 | 665 | 797 | 46,350 | 4,259 | 53,368 |
| Cumulative effects of changes in accounting policies | | | | | | | | (410) | (410) |
| Restated balance | 33,998 | 34,278 | 34,278 | 1,296 | 665 | 797 | 46,350 | 3,848 | 52,957 |
| Changes of items during period | | | | | | | | | |
| Dividends of surplus | | | | | | | | (4,736) | (4,736) |
| Profit | | | | | | | | 5,779 | 5,779 |
| Reversal of reserve for reduction entry of assets | | | | | | (0) | | 0 | — |
| Reversal of general reserves | | | | | | | (10,000) | 10,000 | — |
| Purchase of treasury shares | | | | | | | | | |
| Cancellation of treasury shares | | | | | | | | (3,707) | (3,707) |
| Disposal of treasury shares | | | | | | | | (4) | (4) |
| Net changes of items other than shareholders' equity | | | | | | | | | |
| Total changes of items during period | — | — | — | — | — | (0) | (10,000) | 7,331 | (2,668) |
| Balance at end of current period | 33,998 | 34,278 | 34,278 | 1,296 | 665 | 797 | 36,350 | 11,180 | 50,289 |

| | Shareholders’ equity | | Valuation and translation adjustments | | Total net assets |
|---|---|---|---|---|---|
| | Treasury shares | Total shareholders’ equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at beginning of current period | (7,691) | 113,953 | 2,362 | 2,362 | 116,315 |
| Cumulative effects of changes in accounting policies | | (410) | | | (410) |
| Restated balance | (7,691) | 113,542 | 2,362 | 2,362 | 115,905 |
| Changes of items during period | | | | | |
| Dividends of surplus | | (4,736) | | | (4,736) |
| Profit | | 5,779 | | | 5,779 |
| Reversal of reserve for reduction entry of assets | | — | | | — |
| Reversal of general reserves | | — | | | — |
| Purchase of treasury shares | (3,000) | (3,000) | | | (3,000) |
| Cancellation of treasury shares | 3,707 | — | | | — |
| Disposal of treasury shares | 27 | 23 | | | 23 |
| Net changes of items other than shareholders' equity | | | (56) | (56) | (56) |
| Total changes of items during period | 734 | (1,934) | (56) | (56) | (1,990) |
| Balance at end of current period | (6,957) | 111,608 | 2,306 | 2,306 | 113,914 |

Fiscal year ended March 31, 2023 (April 1, 2022-March 31, 2023)

(Unit: million yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | Retained earnings | | | | | |
| | | | | | Other retained earnings | | | | |
| | Capital stock | Legal capital surplus | Total capital surplus | Legal retained earnings | Reserve for business expansion | Reserve for reduction entry of assets | General reserves | Retained earnings brought forward | Total retained earnings |
| Balance at beginning of current period | 33,998 | 34,278 | 34,278 | 1,296 | 665 | 797 | 36,350 | 11,180 | 50,289 |
| Changes of items during period | | | | | | | | | |
| Dividends of surplus | | | | | | | | (4,678) | (4,678) |
| Profit | | | | | | | | 5,421 | 5,421 |
| Reversal of reserve for reduction entry of assets | | | | | | (0) | | 0 | — |
| Purchase of treasury shares | | | | | | | | | |
| Disposal of treasury shares | | | | | | | | (5) | (5) |
| Net changes of items other than shareholders' equity | | | | | | | | | |
| Total changes of items during period | — | — | — | — | — | (0) | — | 737 | 737 |
| Balance at end of current period | 33,998 | 34,278 | 34,278 | 1,296 | 665 | 796 | 36,350 | 11,918 | 51,026 |

| | Shareholders' equity | | Valuation and translation adjustments | | Total net assets |
|---|---|---|---|---|---|
| | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at beginning of current period | (6,957) | 111,608 | 2,306 | 2,306 | 113,914 |
| Changes of items during period | | | | | |
| Dividends of surplus | | (4,678) | | | (4,678) |
| Profit | | 5,421 | | | 5,421 |
| Reversal of reserve for reduction entry of assets | | — | | | — |
| Purchase of treasury shares | (0) | (0) | | | (0) |
| Disposal of treasury shares | 28 | 23 | | | 23 |
| Net changes of items other than shareholders' equity | | | (233) | (233) | (233) |
| Total changes of items during period | 28 | 765 | (233) | (233) | 532 |
| Balance at end of current period | (6,929) | 112,374 | 2,072 | 2,072 | 114,447 |

Notes to Non-consolidated Financial Statements

(Notes relating to Matters Concerning Significant Accounting Policy)

1. Valuation standards and methods applied to assets

(1) Valuation standards and methods applied to securities:

i. Held-to-maturity securities

Amortized cost method (straight line method)

ii. Shares of subsidiaries and associates

Costing method under the moving average approach

iii. Other securities

Securities other than shares, etc. without market prices

Market price method (All differences between the market and book values have been processed and recognized in a separate account of net assets, and the amount of the sales cost has been determined under the moving average approach)

Shares, etc. without market prices

Costing method under the moving average approach

(2) Valuation standard and method applied to derivative instruments

Derivative instrument

Market price method

(3) Valuation standards and methods applied to inventories

i. Automotive goods

Principally, costing method under the moving average approach (In relation to the declining profitability, the book value of each affected inventory item has been written down to renew the value recognized on the balance sheet)

ii. Vehicles

Costing method based on the specific cost method (In relation to the declining profitability, the book value of each affected inventory item has been written down to renew the value recognized on the balance sheet)

2. Amortization and depreciation methods applied to non-current assets

(1) Property, plant and equipment, excluding leased assets

Straight line method

The followings are major types of such property, plant and equipment and lengths of their respective useful lives.

i. Store buildings and structures

Principally, the lengths of their useful economic lives independently estimated and determined by the Company.

With respect to the buildings and structures located on the leased land lots legally furnished with fixed-term leasehold interest for commercial use, the Company has applied the number of years set forth in the respective contracts as the useful lives of the store buildings and structures.

| | |
|---|---|
| Buildings | 3-20 years |
| Structures | 3-20 years |

ii. Property, plant and equipment, excluding those mentioned above

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

(2) Intangible assets, excluding leased assets

Straight line method

With respect to the software products used by the Company, each product's book value has been determined as a result of applying straight line method based on the fact that its useful economic life in the Company is usually within 5 years.

(3) Leased assets

Straight line method, in which each asset item's useful life is deemed equivalent to the respective lease period and its residual value is reduced to nil at the end of the period. The non-ownership-transfer finance lease transactions in which the

Company is a lessee and which started before March 31, 2008 are accounted for using a method similar to that for normal lease transactions.

3. Accounting standards for allowances

Allowance for doubtful accounts

In the event of any loss incurred from bad loans, the Company provides an allowance for doubtful accounts with the estimated uncollectible amount by applying historical rate of default as for general receivables and by respectively examining the collectability as for specific debts including doubtful accounts.

4. Accounting standards for revenue and expenses

(1) Recording standards of revenue relating to the non-ownership-transfer finance lease transactions

The net sales and the cost of goods sold are recorded at the time of the receipt of the lease payment.

(2) Recording standards for revenue arising from contracts with customers

The details of the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

The Company conduct the following businesses by segment.

- Domestic AUTOBACS Business: Sales of merchandise include wholesaling and retail sales of automotive goods, etc. to domestic customers, as well as used car purchasing and sales. Provision of services includes statutory safety inspection and maintenance services, and body work and painting services.
- Overseas Business: Sales of merchandise include wholesaling of automotive goods, etc. to overseas customers.
- Car Dealership, BtoB and Online Alliance Business: Sales of merchandise include wholesaling of automotive goods, etc. to domestic businesses. Business for general consumers includes online sales.
- Other Business: Sales of merchandise include retail sales of lifestyle goods to domestic customers.

For these transactions, the Company has performance obligations to deliver merchandise for sales of merchandise and to provide services for provision of services. Revenue is recognized at the time of delivery of the merchandise or at the time of completion of the provision of services, as it is deemed that the customer obtains control over the merchandise or services and the performance obligation is satisfied at the time the merchandise are delivered or the provision of the services is completed, as the case may be.

Revenue is measured at the amount of the consideration promised in the contract with the customer, net of returns and expected returns, discounts and rebates.

The consideration for a transaction is received generally within one month of satisfaction of the performance obligation and does not include a significant financial component.

5. Principles of conversion of assets and liabilities in foreign currency into yen

Claim or obligation in foreign currency is converted into yen at the spot exchange rate on the closing date, and variances arising from such conversion are calculated as income or loss.

(Notes on Accounting Estimates)

Impairment of property, plant and equipment and intangible assets

1. Impairment valuation of property, plant and equipment at stores related to the Domestic AUTOBACS Business

i. Amounts recorded on the non-consolidated financial statements for the fiscal year under review

(Unit: million yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Non-current assets | 31,851 | 32,002 |

ii. Other information that may help the users of non-consolidated financial statements better understand the details of accounting estimates

The method for calculating the amount shown in (i) is identical to that described in the Notes to Consolidated Financial Statements, Notes on Significant accounting estimate, Impairment of property, plant and equipment and intangible assets, (1) Impairment valuation of property, plant and equipment at stores related to the Domestic AUTOBACS Business.

2. Valuation of shares of subsidiaries and associates of businesses other than the Domestic AUTOBACS Business

i. Amounts recorded on the non-consolidated financial statements for the fiscal year under review

(Unit: million yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Shares of subsidiaries and associates | 14,336 | 12,679 |

ii. Other information that may help the users of consolidated financial statements better understand the details of accounting estimates

The Company is promoting investment in businesses other than the Domestic AUTOBACS Business such as the Overseas Business and the Car Dealership, BtoB and Online Alliance Business under the “Five-year Rolling Plan.”

The book value of shares of subsidiaries and associates in businesses other than the Domestic AUTOBACS Business such as the Overseas Business and the Car Dealership, BtoB and Online Alliance Business is 12,679 million yen and comprises 7.9% of total assets.

The Company acquires businesses other than the Domestic AUTOBACS Business at prices reflecting excess earning power, and the acquired shares are recorded as shares of subsidiaries and associates.

When reviewing the necessity for recognition of impairment, the Company compares acquisition costs with real values reflecting excess earning power. If the real values decline significantly and recoverability is not supported by sufficient evidence, the book value is reduced to the real values and the corresponding decrease is recognized as loss on valuation of shares of subsidiaries and associates.

The factors for estimating the said real values are identical to those described in the Notes to Consolidated Financial Statements, Notes on Significant Accounting Estimates, Impairment of property, plant and equipment and intangible assets, (2) Valuation of goodwill, etc. of businesses other than the Domestic AUTOBACS Business.

(Matters related to balance sheet)

*1 Monetary claims and debt related to Group companies (except specified separately)

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Short-term Monetary claims | 17,897 | 18,874 |
| Long-term Monetary claims | 2 | 3 |
| Short-term Monetary debt | 5,557 | 7,390 |
| Long-term Monetary debt | 1,304 | 1,192 |

2 Guarantee obligation

(1) The Company has guarantee obligations for debt owned by the following subsidiaries (Millions of yen)

| As of March 31, 2022 | | As of March 31, 2023 | |
|---|---|---|---|
| Autoplatz K.K. ・Motoren Tochigi Corp. ・CAP Style Co., Ltd. ・BACS Advance Co., Ltd. | 360 | Autoplatz K.K. ・Motoren Tochigi Corp. ・CAP Style Co., Ltd. ・BACS Advance Co., Ltd. | 532 |

(2) The Company has guarantee obligations for borrowings owned by the following subsidiaries (Millions of yen)

| As of March 31, 2022 | | As of March 31, 2023 | |
|---|---|---|---|
| Autoplatz K.K. ・Motoren Tochigi Corp. | 740 | Autoplatz K.K. | 625 |

3 Lending commitment

Unexecuted balance of lending commitment is as follows (Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Total lending commitment | 28,120 | 28,260 |
| Executed balance | 10,805 | 10,586 |
| Balance | 17,314 | 17,673 |

Note that, the total lending commitment is not necessarily executed because the above lending commitment agreement is based on screening related to financial status of borrower.

(Matters related to income statement)

*1 Volume of business with subsidiaries and associates (Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Amount of business transactions | | |
| Net Sales | 62,472 | 63,799 |
| Purchase | 10,089 | 10,036 |
| Other business transactions | 2,683 | 3,081 |
| Amount of non-business transactions | 2,176 | 2,574 |

*2. Selling expenses accounted for approximately 34.1% and 33.9% of total selling, general and administrative expenses in fiscal 2022 and fiscal 2023 respectively while the share of general and administrative expenses was 65.9% in fiscal 2022 and 66.1% in fiscal 2023.

The major items of selling, general and administrative expenses and the amounts are as follows. (Millions of yen)

| | Fiscal year ended March 31, 2022 | Fiscal year ended March 31, 2023 |
|---|---|---|
| Employees' salaries | 8,752 | 8,673 |
| Advertising expenses | 1,891 | 2,156 |
| Freight/storage fees paid | 3,294 | 3,422 |
| Supplies expenses for sales promotion | 1,271 | 1,123 |
| Rent expenses on land and buildings | 1,231 | 1,211 |
| Depreciation | 1,778 | 1,799 |
| Information processing expenses | 1,888 | 1,996 |
| Commission expenses | 2,678 | 3,039 |

*3. The gain on termination of retirement benefit plans

Fiscal year ended March 31, 2023

Effective April 1, 2022, the Company has partially abolished the lump-sum retirement allowance plan. In accordance with this abolition, the Company has adopted the "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfers between Retirement Benefit Plans" (PITF No. 2, February 7, 2007) and has terminated the lump-sum retirement benefit plan. As a result, the gain on termination of retirement benefit plans was recorded in an extraordinary income in the consolidated fiscal term under review.

(Notes to securities)

Shares of subsidiaries and associates

As of March 31, 2022 (Millions of yen)

| Classification | Balance sheet amount | Fair value | Difference |
|---|---|---|---|
| Shares in subsidiaries | ― | ― | ― |
| Shares in associated companies | 364 | 520 | 155 |
| Total | 364 | 520 | 155 |

As of March 31, 2023 (Millions of yen)

| Classification | Balance sheet amount | Fair value | Difference |
|---|---|---|---|
| Shares in subsidiaries | ― | ― | ― |
| Shares in associated companies | 364 | 555 | 191 |
| Total | 364 | 555 | 191 |

(Note) Balance sheet amount of shares, etc. whose fair values are very difficult to estimate not included in the above.

| Classification | Fiscal year ended March 31, 2022 (Millions of yen) | As of March 31, 2023 (Millions of yen) |
|---|---|---|
| Shares in subsidiaries | 17,414 | 16,639 |
| Shares in associated companies | 2,616 | 1,629 |

(Notes relating to tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by cause

(Millions of yen)

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Deferred tax assets | | |
| Rejection of accounts payable-other | 488 | 281 |
| Enterprise tax payable | 129 | 135 |
| Rejection of valuation losses of merchandise | 118 | 138 |
| Excess of loss entries from allowance for doubtful accounts | 5 | 23 |
| Rejection of allocation of rebates on merchandise | 10 | 8 |
| Excess of the allowable limit of deductible lease costs | 1,400 | 1,401 |
| Excess of loss entries from allowance for depreciation | 392 | 476 |
| Impairment loss | 2,057 | 1,945 |
| Rejection of loss on valuation of shares of subsidiaries and associates | 3,989 | 4,591 |
| Rejection of valuation losses of investment securities | 125 | 124 |
| Rejection of credit transfer losses | 973 | 973 |
| Rejection of provision for retirement benefits | 84 | - |
| Rejection of asset retirement obligations | 366 | 372 |
| Difference in revenue recognition for tax purposes | 876 | 817 |
| Others | 240 | 211 |
| Sub-total deferred tax assets | 11,260 | 11,500 |
| Valuation-related provision | (6,435) | (7,039) |
| Total deferred tax assets | 4,824 | 4,461 |
| Deferred tax liabilities | | |
| Reserve for reduction entry of assets | (349) | (349) |
| Valuation difference on available-for-sale securities | (903) | (801) |
| Difference in revenue recognition for tax purposes | (727) | (697) |
| Others | (81) | (78) |
| Total deferred tax liabilities | (2,061) | (1,926) |
| Net deferred tax assets | 2,762 | 2,534 |

2. Breakdown of major items that caused a significant difference between an effective statutory tax rate and a percentage of income taxes after the application of tax effect accounting

| | As of March 31, 2022 | As of March 31, 2023 |
|---|---|---|
| Statutory tax rate | Notes are omitted because the difference between the statutory tax rate and the effective tax rate is 5% or less of the statutory tax rate. | 30.5% |
| (Adjustment) | | |
| Items that are not permanently deductible, such as entertainment expenses | | 2.3 |
| Items that are not permanently included in profits, such as dividend income | | (4.7) |
| Inhabitant tax on per capita basis, etc. | | 0.5 |
| Valuation allowance | | 7.2 |
| Other | | (0.0) |
| Percentage of effective income tax rate after the application of tax effect accounting | | 35.8 |

(Notes to revenue recognition)

Basic information for understanding revenue from contracts with customers is the same as the information in the Notes (revenue recognition) to Consolidated Financial Statements and is therefore omitted.

(Notes on significant subsequent events)

Not applicable.

iv. Supplementary schedules

Itemized account of property, plant and equipment, etc.

(Millions of yen)

| Classification | Asset type | Balance at beginning of period | Increase during period | Decrease during period | Amortization of goodwill | Balance at end of period | Accumulated depreciation |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | Buildings | 20,433 | 1,015 | 663 | 697 | 20,785 | 14,009 |
| | Structures | 3,581 | 148 | 126 | 119 | 3,603 | 2,860 |
| | Machinery and equipment | 4,833 | 49 | 66 | 323 | 4,816 | 3,029 |
| | Vehicles | 645 | 203 | 143 | 93 | 705 | 363 |
| | Tools, furniture and fixtures | 2,800 | 604 | 101 | 371 | 3,303 | 2,257 |
| | Land | 22,822 | 128 | 247 | — | 22,702 | — |
| | Construction in progress | 44 | 233 | 41 | — | 236 | — |
| | Total | 55,160 | 2,383 | 1,390 | 1,604 | 56,153 | 22,520 |
| Intangible assets | Leasehold interests in land | 621 | — | — | — | 621 | — |
| | Software | 19,706 | 2,297 | 1,169 | 813 | 20,833 | 15,956 |
| | Other | 57 | 3 | 5 | 1 | 55 | 47 |
| | Total | 20,385 | 2,300 | 1,175 | 815 | 21,509 | 16,003 |

(Notes) 1. The balance at the beginning of period and the balance at the end of period are stated based on the acquisition value.

2. Major factors of increase and decrease in the current period are as follows:

| Asset type | | Description | Amount (million yen) |
|---|---|---|---|
| Buildings | Increased amount | Opening of new stores and interior renovation (43 stores) | 949 |
| | | Increase due to replacement of internal infrastructure | 65 |
| | Decreased amount | Disposal due to vacation of rental property | 340 |
| | | Disposal and sale due to renovation (34 stores) | 238 |
| | | Disposal due to replacement of internal infrastructure | 61 |
| Structures | Increased amount | Opening of new stores and interior renovation (35 stores) | 148 |
| | Decreased amount | Disposal and sale due to renovation (27 stores) | 98 |
| Machinery, equipment and vehicles | Decreased amount | Disposal due to replacement of internal infrastructure | 63 |
| Tools, furniture and fixtures | Increased amount | Molds | 275 |
| | | Opening of new stores and interior renovation (10 stores) | 232 |
| | | Increase due to replacement of internal infrastructure | 55 |

| | | | |
|---|---|---|---|
| Land | Increased amount | Purchase of a new property | 128 |
| | Decreased amount | Sale of a land | 247 |
| Software | Increased amount | Building the next system | 2,268 |
| | Decreased amount | Disposal due to replacement of the internal infrastructure system | 1,004 |
| | | Disposal due to a decrease in utility value | 129 |

Itemized account of allowances

(Millions of yen)

| Account | Balance at beginning of period | Increase during period | Decrease during period | Balance at end of period |
|---|---|---|---|---|
| Allowance for doubtful accounts | 18 | 64 | 5 | 77 |

(2) Details of major assets and liabilities

The presentation of this information is omitted due to the ongoing preparation of consolidated financial statements.

(3) Other

Not applicable.

# VI. STOCK INFORMATION OF THE REPORTING COMPANY

<table>
<tr><td>Fiscal year</td><td>From April 1 to March 31</td></tr>
<tr><td>Annual general meeting of shareholders</td><td>During June</td></tr>
<tr><td>Record date</td><td>March 31</td></tr>
<tr><td>Record date for distribution of dividends of surplus</td><td>September 30<br>March 31</td></tr>
<tr><td>Number of shares constituting one unit</td><td>100 shares</td></tr>
<tr><td>Purchase and sale of odd-lot shares</td><td></td></tr>
<tr><td>Handling office</td><td>(Special account)<br>1-4-1 Marunouchi, Chiyoda-ku, Tokyo<br>Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited</td></tr>
<tr><td>Administrator of the register of shareholders</td><td>(Special account)<br>1-4-1 Marunouchi, Chiyoda-ku, Tokyo<br>Sumitomo Mitsui Trust Bank, Limited</td></tr>
<tr><td>Forward office</td><td>―――</td></tr>
<tr><td>Fees for purchase and sale</td><td>Amount specified separately as the amount equivalent to fees for outsourcing stock trading</td></tr>
<tr><td>Method of public notice</td><td>Public notices are made electronically. However, if the Company is unable to issue its public notices electronically due to accidents or for any other unavoidable reasons, it shall issue such public notices in the Nihon Keizai Shimbun.<br>The Company posts electronic public notices on the website below.<br>https://www.autobacs.co.jp</td></tr>
<tr><td>Special benefit for shareholders</td><td>AUTOBACS Group Gift Cards (1,000 yen each) are provided to shareholders listed in the share register as of March 31 and September 30 according to the number of shares held and the number of years of continuous ownership.
<table>
<tr><th>Number of shares held</th><th>AUTOBACS Group Gift Card (Unit: yen)</th></tr>
<tr><td>100 shares to 299 shares</td><td>Held for one year or longer : Worth 1,000</td></tr>
<tr><td>300 shares to 699 shares</td><td>Held for one year or longer : Worth 3,000</td></tr>
<tr><td>700 shares to 999 shares</td><td>Held for between one and three years : Worth 7,000<br>Held for three years or longer : Worth 8,000</td></tr>
<tr><td>1,000 shares and more</td><td>Held for between one and three years : Worth 10,000<br>Held for three years or longer : Worth 13,000</td></tr>
</table>
</td></tr>
</table>

(Note) Pursuant to the provisions of the Articles of Association of the Company, shareholders holding odd-lot shares do not hold the rights provided for in paragraph 2, Article 189 of Companies Act, the right to receive allotments of shares for subscription and share options through allotments to shareholders, and rights other than the right to claim the sale of odd-lot shares.

# VII. REFERENCE INFORMATION ON THE REPORTING COMPANY

## 1. Information on Parent Entities of the Reporting Company

The Company does not have a Parent Company, etc. as specified in Article 24-7 (1) of the Financial Instruments and Exchange Act.

## 2. Other Reference Information

The Company submitted the following documents between the first day of the fiscal year under review and the day of submitting the securities report.

(1) Annual Securities Report and documents attached, and Confirmation Letter

75th fiscal year (from April 1, 2021 to March 31, 2022) Submitted to the Director-General of Kanto Local Finance Bureau on June 24, 2022

(2) Internal Control Report and accompanying documents

Submitted to the Director-General of Kanto Local Finance Bureau on June 24, 2022

(3) Quarterly Report and Confirmation Letter

For the first quarter of the 76th fiscal year (April 1, 2022 to June 30, 2022) Submitted to the Director-General of Kanto Local Finance Bureau on August 5, 2022

For the second quarter of the 76th fiscal year (July 1, 2022 to September 30, 2022) Submitted to the Director-General of Kanto Local Finance Bureau on November 7, 2022

For the third quarter of the 76th fiscal year (October 1, 2022 to December 31, 2022) Submitted to the Director-General of Kanto Local Finance Bureau on February 7, 2023

## PART II. INFORMATION CONCERNING GUARANTORS OF THE REPORTING COMPANY

Not applicable.