Annual Securities Report

Fiscal year	From: April 1, 2021
(The 75th term)	To: March 31, 2022

AUTOBACS SEVEN CO., LTD.

(E03138)

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【Company name】	Kabushiki Kaisha AUTOBACS SEVEN
【Company name in English】	AUTOBACS SEVEN CO., LTD.
【Title and name of representative】	Yugo Horii, Representative Director
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PART I: COMPANY INFORMATION

I. OVERVIEW OF COMPANY

1. Summary of Business Results

(1) Consolidated Financial Summary

Term		71st fiscal term	72nd fiscal term	73rd fiscal term	74th fiscal term	75th fiscal term
Accounting Period		Year ended Mar. 31, 2018	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020	Year ended Mar. 31, 2021	Year ended Mar. 31, 2022
Net sales	(Million yen)	212,328	213,840	221,400	220,449	228,586
Ordinary profit	(Million yen)	8,226	8,203	8,059	11,219	11,246
Profit attributable to owners of parent	(Million yen)	5,403	5,485	3,764	7,050	7,010
Comprehensive income	(Million yen)	4,725	4,563	2,599	9,039	7,725
Net assets	(Million yen)	127,352	124,187	119,966	123,833	122,892
Total assets	(Million yen)	187,354	181,391	172,799	187,914	189,910
Net assets per share	(Yen)	1,537.59	1,526.59	1,493.43	1,542.40	1,572.48
Net income per share	(Yen)	65.49	66.58	47.10	88.28	89.17
Diluted earnings per share	(Yen)	—	—	—	—	—
Capital-to-assets ratio	(%)	67.7	68.1	69.0	65.6	64.5
Return on equity	(%)	4.3	4.4	3.1	5.8	5.7
Price earnings ratio	(Times)	30.4	27.6	26.5	17.0	15.1
Net cash provided by (used in) operating activities	(Million Yen)	16,394	4,447	10,603	17,163	5,712
Net cash provided by (used in) investing activities	(Million yen)	(2,915)	(3,078)	(3,370)	(6,085)	(7,710)
Net cash provided by (used in) financing activities	(Million yen)	(5,840)	(9,876)	(9,684)	(309)	(12,300)
Cash and cash equivalents at end of period	(Million yen)	39,050	30,531	28,051	38,903	24,751
Number of employees (Separate, average number of temporary employees)	(Persons)	4,009 (677)	4,171 (747)	4,385 (828)	4,279 (853)	4,388 (779)

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

2. The Company began to apply the 'Partial Amendments to Accounting Standard for Tax Effect Accounting' (ASBJ Statement No. 28 on February 16, 2018) at the beginning of the 72nd fiscal term, and the accounting standard is applied retroactively to major management indicators, etc. for the 71st fiscal term.

3. Earnings and expenses of the credit-related businesses, items that were previously presented under non-operating income and non-operating expenses are included in and presented under net sales, cost of sales, and selling, general and administrative expenses, effective from the 72nd consolidated fiscal term. Accordingly, with respect to net sales and operating profit in the 71st consolidated fiscal term, figures reclassified after reflecting the abovementioned change in the presentation method are used.

4. 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. for the fiscal year ended March 31, 2022.

(2) Non-Consolidated Financial Summary

Term		71st fiscal term	72nd fiscal term	73rd fiscal term	74th fiscal term	75th fiscal term
Accounting Period		Year ended Mar. 31, 2018	Year ended Mar. 31, 2019	Year ended Mar. 31, 2020	Year ended Mar. 31, 2021	Year ended Mar. 31, 2022
Net sales	(Million yen)	156,313	156,621	156,493	155,082	155,957
Ordinary profit	(Million yen)	5,550	7,133	5,847	7,965	9,038
profit	(Million yen)	2,929	3,570	1,587	5,086	5,779
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	84,050,105	82,050,105
Net assets	(Million yen)	125,153	120,409	115,194	116,315	113,914
Total assets	(Million yen)	166,700	159,923	147,420	161,384	156,385
Net asset per share	(Yen)	1,516.21	1,486.76	1,441.97	1,455.75	1,460.94
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)	35.49	43.32	19.85	63.67	73.48
Diluted earnings per share	(Yen)	—	—	—	—	—
Capital-to-assets ratio	(%)	75.1	75.3	78.1	72.1	72.8
Return on equity	(%)	2.3	2.9	1.3	4.4	5.0
Price earnings ratio	(Times)	56.2	42.5	62.8	23.6	18.3
Dividend payout ratio	(%)	169.1	138.5	302.3	94.2	81.7
Number of employees (Separate, average number of temporary employees)	(Persons)	1,035 (27)	1,039 (41)	1,070 (48)	1,094 (55)	1,050 (49)
Total shareholder return (Compared with TOPIX Total Return Index)	(%) (%)	124.3 (115.9)	118.6 (110.0)	86.3 (99.6)	105.3 (141.5)	99.6 (144.3)
Highest share price	(Yen)	2,241	2,191	1,968	1,581	1,644
Lowest share price	(Yen)	1,600	1,667	1,109	1,138	1,292

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

2. The Company began to apply the ‘Partial Amendments to Accounting Standard for Tax Effect Accounting’ (ASBJ Statement No. 28 on February 16, 2018) at the beginning of the 72nd fiscal term, and the accounting standard is applied retroactively to major management indicators, etc. for the 71st fiscal term.

3. The stock price high and stock price low are stock prices on the Tokyo Stock Exchange (First Section).

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

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 (AUTOBACS Yagi 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 (AUTOBACS Shilin), 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 (AUTOBACS PAYA LEBAR STORE).
Mar./1995	Listed on the London Stock Exchange.
Mar./1996	Opened AUTOBACS 500th store (AUTOBACS Hamada 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	AUTOBACS SEVEN Europe S.A.S.(Present: AUTOBACS FRANCE S.A.S.) established a partnership with France Renault. (In June 2001, opened first store AUTOBACS HERBLAY in France.)
Jun./2000	Opened the first AUTOBACS Hashiriya Tengoku 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 Toyosu, Tokyo.
Mar.2007	Delisted from the London Stock Exchange.
Feb./2012	Acquisition of ISO 14001 certification at the Toyosu main store (This was cancelled in 2017)
Jul./2014	Revamped the AUTOBACS Group Private Brand and launched AQ. Brand deployment.
Apr./2015	Official BMW / MINI dealer 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	Began developing the 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)
Mar./2022	Number of AUTOBACS Group stores: 654 (including 592 in Japan and 62 overseas)/including JACK & MARIE and GORDON MILLER stores
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.

3. Description of Business

The Group consists of the Company, 29 subsidiaries, and 15 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.).

In addition, from the consolidated fiscal year under review, the new names of reportable segments are in place. The details are stated in 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 franchisee corporations, and leasing of store equipment. Sale and installation services of automotive goods, maintenance services, statutory safety inspection, automobile purchase and sales mainly to domestic general consumers. Major store brands: AUTOBACS, Super AUTOBACS, AUTOBACS Secohan Ichiba and AUTOBACS CARS, 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 franchisee corporations and retailers.

(3) Car Dealership, BtoB and Online Alliance Business

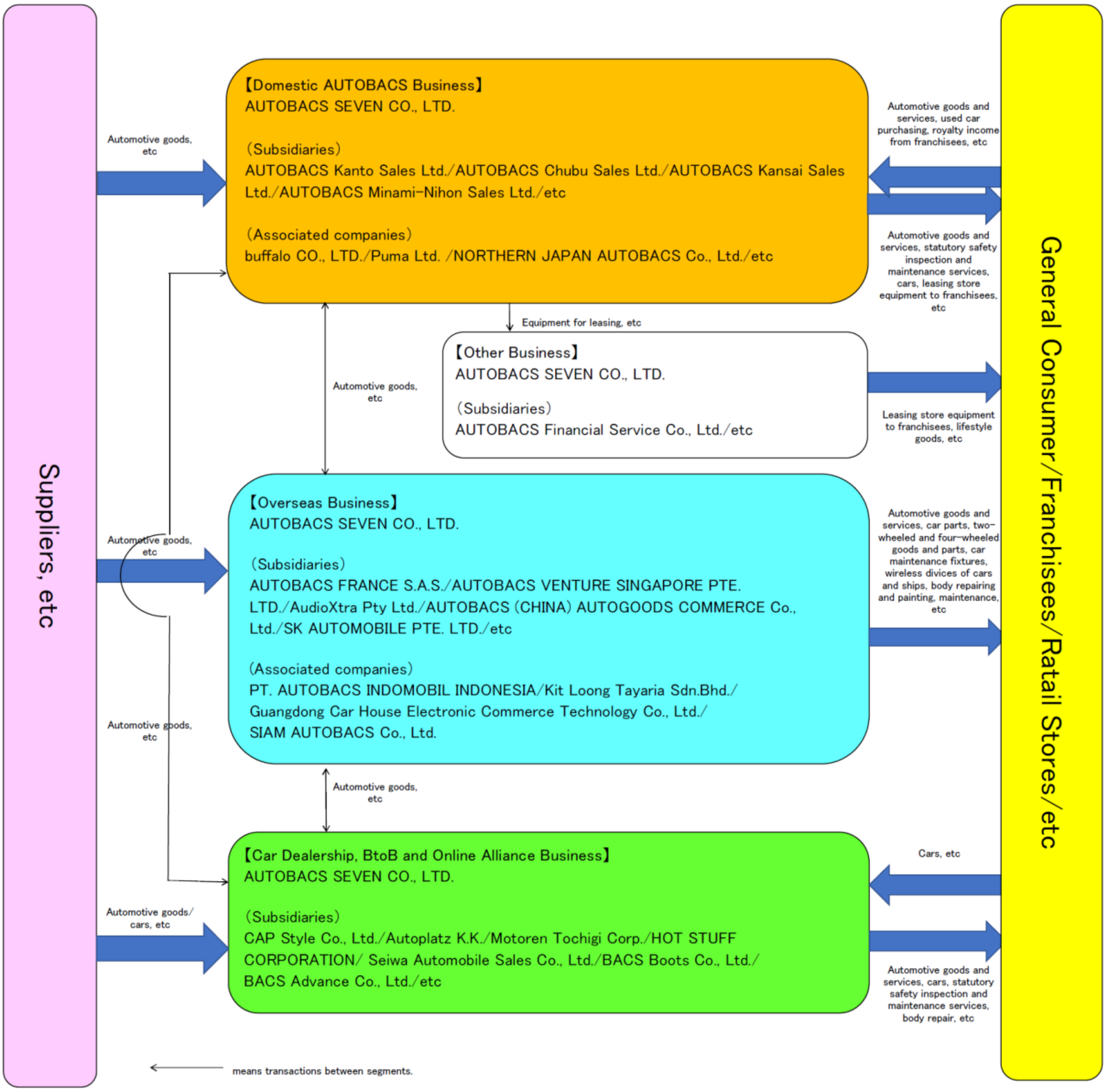
Sale of imported cars and services mainly to domestic general consumers. Wholesaling of automotive goods, etc. to domestic hardware stores and the provision of automotive goods and services, etc. through the Company's website and official apps in collaboration with brick-and-mortar stores. In addition, 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 franchisee corporations, the issuance of affiliated credit cards, and the leasing of equipment, etc. to domestic franchisee 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.



(Notes) 1. Hokusetsu AUTOBACS Ltd. merged with AUTOBACS Kansai Sales Ltd. in April 2022.

2. Kumamoto AUTOBACS Ltd. merged with AUTOBACS Minami-Nihon Sales Ltd. in April 2022.

3. SKAUTOMOBILE PTE. LTD. changed its trade name to AUTOBACS CAR CARE (SINGAPORE) PTE. LTD. in April 2022.

4. The investment target changed from the parent company, Car House Holding Co., Ltd., to its subsidiary, Guangdong Car House Industrial Development Holdings Co., Ltd.

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.	Utsunomiya City, Tochigi Prefecture	100	Domestic store subsidiaries	100.0	Officers holding concurrent positions: 6 (of which 5 are the Company's employees)	—	Sale and purchase of products	Store equipment leasing
AUTOBACS Yamanashi Ltd.	Kofu City, Yamanashi Prefecture	100	Domestic store subsidiaries	99.0	Officers holding concurrent positions: 1 (of which 1 are the Company's employees)	—	Sale and purchase of products	Store equipment leasing
AUTOBACS Chubu Sales Ltd.	Iida City, Nagano Prefecture	50	Domestic store subsidiaries	100.0	Officers holding concurrent positions: 4 (of which 4 are the Company's employees)	Loans	Sale and purchase of products	Lease of store facilities
Hokusetsu AUTOBACS Ltd. (Note:6)	Takatsuki City, Osaka	96	Domestic store subsidiaries	100.0	Officers holding concurrent positions: 1 (of which 1 are the Company's employees)	—	Sale and purchase of products	Store equipment leasing
AUTOBACS Kansai Sales Ltd.	Shijonawate City, Osaka	100	Domestic store subsidiaries	100.0	Officers holding concurrent positions: 4 (of which 4 are the Company's employees)	—	Sale and purchase of products	Store equipment leasing
AUTOBACS Minami-Nihon Sales Ltd.	Hiroshima City, Hiroshima Prefecture	100	Domestic store subsidiaries	100.0	Officers holding concurrent positions: 7 (of which 7 are the Company's employees)	—	Sale and purchase of products	Store equipment leasing
Kumamoto AUTOBACS Inc. (Note:7)	Kumamoto City, Kumamoto Prefecture	15	Domestic store subsidiaries	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company's employees)	Loans	Sale of products	Store equipment leasing
Shaken-Bankin DEPOT Inc.	Urayasu City, Chiba Prefecture	100	Domestic store subsidiaries	100.0	Officers holding concurrent positions: 4 (of which 4 are the Company's employees)	Loans	Outsourcing of body repair	—
Chain Growth Co., Ltd.	Koto-ku Tokyo	45	Domestic store subsidiaries	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company's employees)	Loans	Acceptance of personnel from staffing agencies	Office leasing
AUTOBACS VENTURE SINGAPORE PTE. LTD.	Singapore	6,400 (Thousands of S$)	Overseas Business	93.8	Officers holding concurrent positions: 4 (of which 4 are the Company's employees)	—	Sale and purchase of products	Office leasing
AUTOBACS FRANCE S.A.S. (Note:5)	France	35,300 (Thousands of EURO)	Overseas Business	100.0	Officers holding concurrent positions: 3 (of which 3 are the Company's employees)	Loans	Sale and purchase of products	—
AUTOBACS (CHINA) AUTOGOODS COMMERCE Co., Ltd.	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.	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	—

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
AudioXtra Pty Ltd.	Australia	3,518 (Thousands of AU$)	Overseas Business	100.0	Officers holding concurrent positions: 4 (of which 4 are the Company's employees)	Loans	Sale of products	—
SK AUTOMOBILE PTE. LTD. (Note:8)	Singapore	500 (Thousands of S$)	Overseas Business	85.0	Officers holding concurrent positions: 3 (of which 3 are the Company's employees)	—	—	—
CAP Style Co., Ltd.	Oota-ku Tokyo	100	Car Dealership, BtoB and Online Alliance Business	100.0	Officers holding concurrent positions: 4 (of which 4 are the Company's employees)	Loans	Sale and purchase of products	—
HOT STUFF CORPORATION	Oonojou City, Fukuoka Prefecture	47	Car Dealership, BtoB and Online Alliance Business	100.0	Officers holding concurrent positions: 3 (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 Co., Ltd. (Note:2)	Toshima-ku Tokyo	100	Car Dealership, BtoB and Online Alliance Business	100.0 (100.0)	Officers holding concurrent positions: 2 (of which 2 are the Company's employees)	Loans	Sale of products	—
Motoren Tochigi Corp. (Note:2)	Utsunomiya City, Tochigi Prefecture	50	Car Dealership, BtoB and Online Alliance Business	100.0 (100.0)	Officers holding concurrent positions: 1 (of which 1 are the Company's employees)	Loans	Sale of products	Store land leasing
Bacs Advance Co., Ltd. (Note:2)	Utsunomiya City, Tochigi Prefecture	30	Car Dealership, BtoB and Online Alliance Business	100.0 (100.0)	Officers holding concurrent positions: 1 (of which 1 are the Company's employees)	Loans	Sale of products	—
Seiwa Automobile Sales Co., Ltd.	Ritto City, Shiga Prefecture	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 Prefecture	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	—
ADE Co., Ltd.	Beppu City, Ooita Prefecture	45	Car Dealership, BtoB and Online Alliance Business	100.0	Officers holding concurrent positions: 1 (of which 1 are the Company's employees)	Loans	Sale of products	—
BACS Boots Co., Ltd.	Inzai City, Chiba Prefecture	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	—

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
AUTOBACS Financial Service Co., Ltd.	Koto-ku Tokyo	15	Other Business	100.0	Officers holding concurrent positions: 3 (of which 3 are the Company's employees)	Loans	Sale of lease assets, purchase of guaranteed products	Office leasing
VEEMO, Inc.	Koto-ku Tokyo	10	Other Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company's employees)	—	—	Office leasing
ABT Marketing Co., Ltd.	Koto-ku Tokyo	50	Other Business	51.0	Officers holding concurrent positions: 4 (of which 3 are the Company's employees)	—	Outsourcing of marketing analysis	Office leasing
AUTOBACS Management Service Co., Ltd.	Koto-ku Tokyo	90	Company-wide	100.0	Officers holding concurrent positions: 2 (of which 2 are 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） NORTHERN JAPAN AUTOBACS Co., Ltd.	Sapporo City, Hokkaido	100	Domestic AUTOBACS Business	34.0	Officers holding concurrent positions: 2 (of which non are the Company's employees)	—	Sale and purchase of products	Store equipment leasing
Hokuei Shoji Ltd. （Note:3）	Morioka City, Iwate Prefecture	50	Domestic AUTOBACS Business	18.6	—	—	Sale and purchase of products	Store equipment leasing
IA AUTOBACS Co., Ltd.	Yokohama City, Kanagawa Prefecture	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 Prefecture	614	Domestic AUTOBACS Business	21.9	—	—	Sale and purchase of products	Store equipment leasing
BLUE OCEAN Ltd. （Note:3）	Kumagaya City, Saitama Prefecture	50	Domestic AUTOBACS Business	17.1	—	—	Sale of products	Store equipment leasing
FUNUS Corporation	Minato-ku Tokyo	100	Domestic AUTOBACS Business	25.0	—	—	Sale and purchase of products	Store equipment leasing
G-7AUTOBACS Tsukuba Co., Ltd.	Kobe City, Hyogo prefecture	50	Domestic AUTOBACS Business	49.0	Officers holding concurrent positions: 2 (of which 2 are the Company's employees)	—	—	—
Puma Ltd.	Imizu City, Toyama Prefecture	33	Domestic AUTOBACS Business	32.5	Officers holding concurrent positions: 1 (of which 1 are the Company's employees)	—	Sale and purchase of products	Store equipment leasing
Total Ace Ltd.	Sakai City, Osaka	95	Domestic AUTOBACS Business	20.0	—	—	Sale of products	Store equipment 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
PT. AUTOBACS INDOMOBIL INDONESIA	Indonesia	59,604 (Millions of IDR)	Overseas Business	49.0	Officers holding concurrent positions: 3 (of which 3 are the Company's employees)	—	Sale of products	—
Kit Loong Tayaria Sdn. Bhd.	Malaysia	2,250 (Thousands of MYR)	Overseas Business	20.0	Officers holding concurrent positions: 1 (of which 1 are the Company's employees)	—	—	—
Guangdong Car House Electronic Commerce Technology Co., Ltd. (Note:9)	China	81,800 (Thousands of RMB)	Overseas Business	20.0	Officers holding concurrent positions: 1 (of which 1 are the Company's employees)	—	—	—
SIAM AUTOBACS Co., Ltd.	Thailand	169,900 (Thousands of THB)	Overseas Business	23.4	Officers holding concurrent positions: 1 (of which 1 are the Company's employees)	Loans	—	—
BEAD Co., Ltd.	Chuou-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	—	—
AUTOBACS SYSTEM SOLUTION Co., Ltd. (Note:3)	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 ownership ratios are indirect ownership ratios included in the ownership ratios.

3. Listed as an associated company due to its substantial influence despite its voting rights ration being less than 20:100.

4. Securities Report has been submitted.

5. They are specified subsidiaries.

6. Hokusetsu AUTOBACS Ltd. merged with AUTOBACS Kansai Sales Ltd. in April 2022.

7. Kumamoto AUTOBACS Ltd. merged with AUTOBACS Minami-Nihon Sales Ltd. in April 2022.

8. SK AUTOMOBILE PTE. LTD. changed its trade name to AUTOBACS CAR CARE (SINGAPORE) PTE. LTD. in April 2022.

9. The investment target changed from the parent company, Car House Holding Co., Ltd., to its subsidiary, Guangdong Car House Electronic Commerce Technology Co., Ltd.

5. Employees

(1) Consolidated basis

As of March 31, 2022

Name of segment	Number of employees (Persons)	
Domestic AUTOBACS Business	2,842	(706)
Overseas Business	548	(20)
Car Dealership, BtoB and Online Alliance Business	670	(22)
Other Business	136	(3)
Total reportable segments	4,196	(751)
Company-wide (common)	192	(28)
Total	4,388	(779)

(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, 2022

Number of employees (Persons)	Average age (Years old)	Average years of service (Years)	Average annual wages (Thousand Yen)
1,050	44.7	16.2	7,448

Name of segment	Number of employees (Persons)	
Domestic AUTOBACS Business	720	(45)
Overseas Business	23	(0)
Car Dealership, BtoB and Online Alliance Business	66	(0)
Other Business	87	(3)
Total reportable segments	896	(48)
Company-wide (common)	154	(1)
Total	1,050	(49)

(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.

II. BUSINESS OVERVIEW

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

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 Company continues to help create a sustainable automobile-enriched society in which automobiles can be a source of additional convenience, comfort, safety, and joy in everyone's lives, aiming for proposing and providing optimal car lifestyles that suit the needs of individual customers. That is the mission of the AUTOBACS chain, including the Company and its franchisee corporations. This philosophy is encapsulated in the AUTOBACS Chain Management Mission, and the whole AUTOBACS chain use it to continually provide value to customers, franchisees, employees, business partners, shareholders, society, and other stakeholders.

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

The Company announced the Vision - 2050 Creating Our Future Together as a long-term vision with the aim of becoming a "100-Year Enterprise." For over 70 years, since the Company was first founded, it has always worked to further the advancement of automobile society and enrich the customers' car lifestyles. Also in the future, by grasping the advances of society and automotive technologies and changes in peoples' values, the Company will continue to stay close to people's lives and propose values reflecting the trends in the world.

The AUTOBACS SEVEN vision reflects the Company's dedication to combining the strengths of all Group employees to achieve the above and creating a richer, healthy automobile society in the years leading up to 2050.

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

(2) Business environment

The overall consumption environment remained severe, aggravated by the ongoing stagnation of economic activity due to the prolonged declaration of a state of emergency and a quasi-state of emergency to prevent the spread of COVID-19. In addition, supply constraints due to soaring crude oil and raw material prices, combined with the uncertainty of the international situation due to the situation in Ukraine, have further increased the sense of uncertainty about the future.

In the automotive-related market, there is an accelerating trend toward electrification of powertrains to achieve carbon neutrality. Moreover, advanced safety technologies such as autonomous driving and driver assistance functions have been developed and widely adopted. It will therefore be essential for the Company to equip itself with maintenance technologies that can cater to these next-generation automobiles as well. As the automotive industry enters a period of major change, the Company believes that competition beyond the boundaries of business types and categories will intensify not only in the Japanese auto parts and accessories market (automotive aftermarket), which the Group has its strength in, but also in the areas of automobile maintenance, statutory safety inspections, and used car sales. In addition, the shortage of automobile mechanics has also become evident as an issue.

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 2021 and March 2022 were ¥397,384 million, a decrease of 1.1% year on year. In addition, the number of registered passenger used cars (standard-sized vehicles and compact passenger cars) *1 for the same period was approximately 3.16 million vehicles (a 5.8% decrease year on year). Total automobile maintenance (market) *2 sales for the period from January through December 2021 were ¥5,551.0 billion (a 1.9% decrease year on year), the first decrease in five years.

*1 Japan Automobile Dealers Association (JADA)

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

New services such as car-sharing services and subscription services are rapidly expanding, and improved IT platforms in line with that rapid expansion will be required, in addition to response to maintenance for next-24 -Tires, statutory safety inspections, dashboard cameras, maintenance-related goods, safety inspections, etc. generation vehicles. Furthermore, not only competition with other companies and other business categories, such as car dealers and e-commerce companies, will be intensified, but also the scope of transaction types, including trades between individuals, will be expanding. The market is furthermore expected to see even greater and more rapid changes in the future, such as changes in customer composition resulting from the declining birthrate and aging population, and needs diversification.

(3) Priority business and financial issues to be addressed

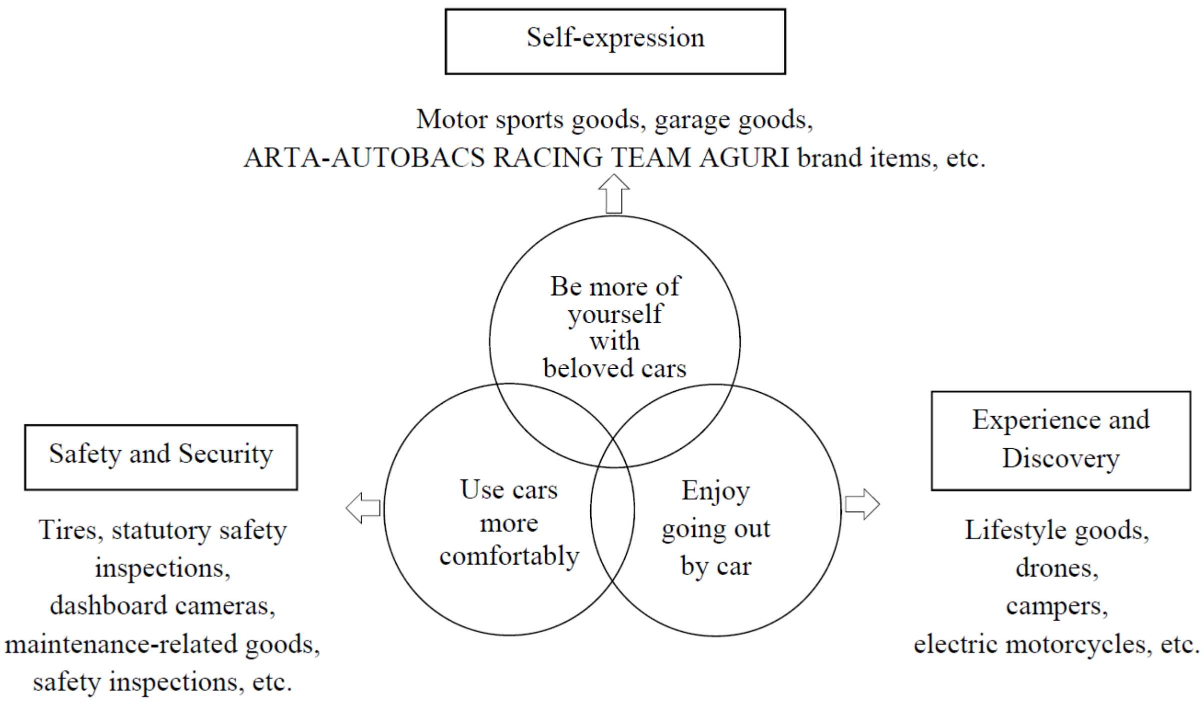
In light of the above management environment, the Group having a mission to continue to create a new car lifestyle culture will tackle the following issues to achieve sustainable growth and maximize shareholder value.

i. Strengthening the business foundation and promoting its business

With the aim of enhancing market competitiveness by swiftly grasping and adapting to rapid and dramatic changes in society, automobiles, and people’s lives, the Company formulated the Five-year Rolling Plan in 2019 to plot out the future direction of the Group. In the fiscal year ending March 31, 2023, the fourth year of the Plan, as well as sharpening its focus on the fields with greater growth potential, the Company will work to strengthen the Networks and the Business Infrastructures and promote Business to achieve sustainable growth, responding to the greatly changing social environment.

In the Domestic AUTOBACS Business, the Company will strengthen procurement capabilities in collaboration with suppliers and tackle supply chain reform in the highly uncertain business environment, and strive to differentiate itself from competitors in the increasingly mature car parts and accessories market by actively and swiftly responding to such an environment with a view to the future. In order to further develop the young adult and family segments, the Company will provide three forms of value: “Self-expression” to meet the needs for being more of themselves with beloved cars, “Safety and Security” to meet the customer needs for more comfortable car use, and “Experience and Discovery” to meet the needs for enjoying going out by car. Specifically, the Company will strengthen its market competitiveness in collaboration with its franchisees by promoting the development of new products and services and new store formats while continuously making concentrated efforts to improve store operations, and to develop human resources, including automobile mechanics.

The value provided to our customers



In addition to the Domestic AUTOBACS Business, the Company will promote six businesses: “Overseas Business,” “Car Dealership Business,” “BtoB Business,” “Online Alliance Business, “Lifestyle Business,” and “Expansion Business.”

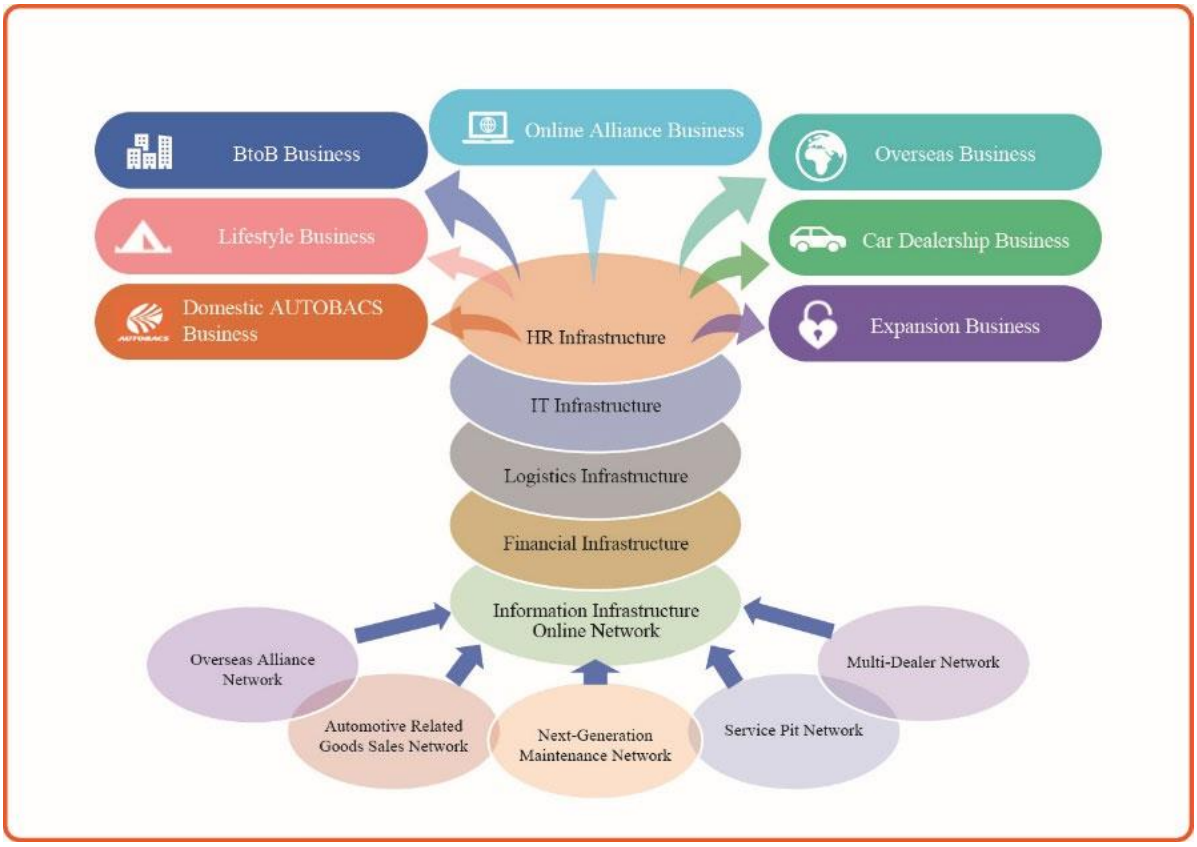
In the Overseas Business, the Company will identify the countries and regions to be focused on by monitoring the international situation. With regard to the retail business, the Company will carefully examine the business model in view of market and consumer characteristics according to countries and regions in an effort to improve profitability. Regarding the wholesale business, centering on the countries that the Company has already entered, while strengthening partnerships with local companies, the Company will supply private-brand products and expand its profitability with speedy business development.

In the Car Dealership Business, the Company will further increase profits by expanding its service configuration ratio to net sales and improving its asset efficiency through collaborative arrangements between each sales base, while promoting operational improvement and human resources development at operating companies.

In the BtoB Business, the Company will promote expansion of the goods wholesaling business through the development of new clients and create new revenue opportunities by proposing more efficient corporate fleet management operations through a corporate membership system and providing on-site installation services.

In the Online Alliance Business, the Company will strengthen its existing EC business while not only utilizing assets within the Group but also collaborating with companies outside the Group. By promoting integration of online shopping with physical stores, the Company will offer new value to customers.

In the Lifestyle Business, by raising the recognition of its private brands, such as "JACK & MARIE," which centers on a lifestyle that combines cars and outdoor style, and "GORDON MILLER," whose concept is a garage lifestyle, the Company will provide customers with a unique worldview and lifestyles centering on automobiles, and create a new market based on both on-line sales and store development. At the same time, by being attentive to each and every customer and identifying the best car lifestyle for each and every customer, we seek opportunities to create a new lifestyle business.



In the Expansion Business, the Company aims to expand profits by offering financial services through its insurance business and loans and credit business. Led by the Sustainability Transformation Department established in April 2022, in order to achieve long-term and sustainable enhancement of corporate value in response to the drastically changing social environment and the growing demand for a sustainable society, the Company will promote sustainability transformation. In this regard, in addition to taking on the challenge of entering new mobility markets, such as the maintenance and sale of electric vehicles and drones, and the exploration of a business for electrifying existing vehicles, the Company will work to resolve social issues related to transportation in local communities.

As regards our business infrastructures, the Company will continue investment focused on strengthening its Five Business Infrastructures, as they play an important role in making the new value produced by the Networks with other companies, with which the Company has partnerships and collaborates, and contributing to the Seven Businesses and developing them further.

In the Human Resources Infrastructure, based on the conviction that the development of human resources is the most important issue for sustainable growth and enhancement of corporate value, the Company will promote creation of a system to become an organization that takes on challenges through human resources development and work style reform, so as to improve profitability and achieve sustainable development.

In the IT Infrastructure, the Company will establish flexible and robust IT systems responding to rapid changes in the business environment so as to enhance competitiveness and strengthen risk management. Moreover, in order to create new value from customers' viewpoints, the Company will promote business model transformation through the IT strategy and the digital transformation strategy.

In the Logistics Infrastructure, while further improving the efficiency of the logistics structure for the Domestic AUTOBACS Business, in order to build new logistics functions to accommodate the expansion of other businesses, including the EC business, the Company will work to resolve logistics issues through logistics digital transformation and promote implementation of future-oriented initiatives, including collaboration with external parties.

In the Financial Infrastructure, as well as working to strengthen investment income management, the Company will improve its capital efficiency by continuing the review of its business portfolio and promoting management and visualization of its individual businesses. For shareholder returns, the Company will work for stable dividend and flexible shareholder returns with the aim of achieving a cumulative total shareholder return ratio of 100% during the five years of the Plan.

In the Information Infrastructure, the Company collects and maintains all kinds of information obtained through its business activities and is striving to build the infrastructure for utilizing such information. In order to provide better services to its customers, the Company will further promote information sharing and collaboration within and outside the Company by analyzing and utilizing the information obtained through the Information Infrastructure, and create new businesses and services.

Furthermore, in order to promote and strengthen the Five Business Infrastructures and the Seven Businesses, the Company will also continue to make efforts to introduce and establish schemes/systems for improving the effectiveness and speed in promoting strategies through measures such as system arrangements for business impetus enhancement and the reinforcement of monitoring, thereby realizing sustainable growth of the Company, consolidated subsidiaries, and the AUTOBACS franchise chain.

ii. Financial issues

The issues in financial affairs include improving investment income management through the revision of the business portfolio, which is conducted as a financial strategy, 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, 2023, include net sales of 230 billion yen, operating income of 10 billion yen, profit attributable to owners of parent of 6.9 billion yen and ROE of 5.6%.

2. 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) 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.

(2) Risk of a steep rise in prices of products procured and goods purchased

The products sold by the Group are procured in Japan and abroad. Difficulty in the procurement due to geopolitical conditions, natural disasters, economic conditions, and other factors may affect the financial performance of the Group. A fall 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.

(3) Risks associated with a franchise system

Damage to the brand image caused by a scandal of a franchisee may affect the financial performance of the Group. Cancellation of a contract or a lawsuit resulting from a problem between the Group and any of its franchisees may affect the financial performance of the Group.

(4) Risks associated with competition, etc.

The full-fledged entry of a company in the same industry, an automaker, or an auto dealer in the automobile aftermarket and the conditions of competitors such as tire specialty stores, used goods stores, outlet goods stores and online retailers may affect the financial performance of the Group.

(5) Risks associated with overseas activities

The Group operates businesses around the world with a focus on Europe and Asia. In these regions, an inability to change to accommodate various problems and risks, including differences in cultures as they relate to automobiles and associated products, competition with local companies, economic conditions, progress in information infrastructure, insufficient protection of intellectual property, unstable international conditions and the outbreak of an infectious disease may affect the businesses and financial performance of the Group.

(6) Regulations for store opening

The Group is subject to the following regulations when opening a store pursuant to the Act on the Measures by Large-Scale Retail Stores for Preservation of Living Environment ("Large Store Environmental Act"). The Large Store Environmental Act requires that prefectural and municipal governments protect the living environment of residents in areas around the location of a scheduled store opening, 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. 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. The above regulations and other restrictions preventing a planned store opening may affect the financial performance of the Group.

(7) Risks associated with securing human resources

For the growth and maintenance of the Group's business, it is essential that the Group secure and develop 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.

(8) Risk of violations of laws and regulations

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.

(9) Risks associated with information management

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.

(10) Risks related to systems

Many of the Group’s business activities rely on information systems and communication networks. The Group takes security measures such as maintaining multiple data centers and taking periodical data backups. However, unexpected incidents causing a system failure, the malfunction of a data center, or other problems and serious damage to the Group’s business activities may affect the Group’s financial performance.

(11) Fluctuations of foreign exchange rates

The Group operates foreign-currency-denominated loans provided to its overseas subsidiaries. foreign exchange fluctuations in the calculation for the preparation of financial statements may affect the Group’s financial performance.

(12) 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.

(13) Risks associated with corporate purchase and business transfer

The Group develops new businesses and reorganizes existing businesses through purchasing other corporations, having other corporations transfer businesses to the Group, and entering business alliances with other corporations. Strategic investments failing to achieve the initial purposes and expected effects may affect the financial performance and financial condition of the Group, including the impairment of goodwill.

(14) Evolution of automotive technologies and changes in the method of use

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.

(15) Impact of climate change

The number of units of some products sold by the AUTOBACS Group, including studless 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 products or a decrease in sales due to a gap in the timing of sales. The introduction of carbon taxes or other public dues as climate change measures 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.

(16) 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 or causing positions to be vacant due to the death or injury of the Group’s executives or employees and decreasing sales or increasing expenses for rebuilding, reinforcing human resources, and other recovery measures may affect the Group’s financial performance.

(17) 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 to enable it to continue operating during an infectious disease outbreak 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 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.

(18) Reputational risk

Inappropriate comments or images related to the Group or related persons posted on the internet causing reputational damage resulting in the decline of brand image and the trust of society, regardless of the authenticity of the comments or images, may affect the business and financial performance of the Group.

(19) Risk of lawsuits

The Group's continuing business activities in Japan and abroad are exposed to risks related to a variety of lawsuits. It is not possible to completely eliminate these risks even by improving internal control and establishing an internal control system, and the Group may become involved in a lawsuit. The results of a lawsuit filed against the Group may affect the financial performance of the Group.

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

(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.

As for trends in the domestic automobile-related industry, difficulties in parts procurement mainly due to the global shortage of semiconductors led to production cuts in new car production, resulting in a severe market environment with declines in the numbers of new and used car registrations. Sales related to automotive goods and services were affected by activity restrictions and stay-at-home requests due to the spread of COVID-19, but the cold waves and snowfalls boosted demand for winter goods. On the other hand, sales of car electronics goods were affected by the shortage of semiconductors, resulting in a decline in sales.

The Group worked to prevent the spread of COVID-19 and endeavored to develop an environment where customers can visit and employees can work with peace of mind, by placing the utmost priority on the health and security of the visiting customers in the region, clients, and employees involved in the business. Despite the impact of the semiconductor shortage and the spread of COVID-19, the Group strived to improve performance through strategic capturing of demand for winter goods and activities of individual segments that attend closely to customers.

Even in such circumstances, the Company 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 Company 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.

In order to present the nature of business more appropriately, the segment name of the "Car Dealership, BtoB and Internet Businesses" was changed to "Car Dealership, BtoB and Online Alliance Business." This change is a change in segment name and has no impact on segment information.

i. Consolidated statement of income

Net sales and gross profit

Group net sales for the consolidated fiscal year under review were ¥228,586 million (¥220,449 million for the previous fiscal year), and gross profit was ¥77,150 million (¥73,288 million for the previous fiscal year).

Net sales by segment of the current fiscal year

(Unit: million yen)

Name of segment	74th fiscal term Apr. 1, 2020- Mar. 31, 2021	75th fiscal term Apr. 1, 2021- Mar. 31, 2022
Domestic AUTOBACS Business	175,285	174,894
Overseas Business	9,625	10,763
Car Dealership, BtoB and Online Alliance Business	32,683	39,042
Other Business	2,855	3,886
Total reportable segments	220,449	228,586

(Note) Inter-segment transactions are eliminated.

Selling, general and administrative expenses and operating profit

Selling, general and administrative expenses were ¥65,598 million (¥62,711 million for the previous fiscal year), and operating profit was ¥11,552 million (¥10,577 million for the previous fiscal year).

Selling expenses increased due to increased sales promotion activities. Other factors included increases in personnel expenses and equipment cost due to the business transfer of business companies that operate car dealerships in Japan and other business companies that conduct statutory safety inspection and maintenance services and sell tires.

The Group's employment status

(Persons)

Name of segment	74th fiscal term Apr. 1, 2020- Mar. 31, 2021		75th fiscal term Apr. 1, 2021- Mar. 31, 2022		Increase/decrease from the previous consolidated fiscal term	
Domestic AUTOBACS Business	2,835	(768)	2,842	(706)	7	(62)
Overseas Business	563	(27)	548	(20)	(15)	(7)
Car Dealership, BtoB and Online Alliance Business	545	(19)	670	(22)	125	(3)
Other Business	138	(7)	136	(3)	(2)	(4)
Company-wide (common)	198	(32)	192	(28)	(6)	(4)
Total	4,279	(853)	4,388	(779)	109	(74)

(Notes) 1. The number of employees indicates the number of persons actually working for the AUTOBACS SEVEN Group and does not include those who are working on loan for other companies.
2. The yearly average number of temporary employees is shown in parentheses.
3. The number of employees shown in "Company-wide (common)" indicates that of people belonging to the administration divisions.

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

Non-operating income was ¥1,878 million (¥2,283 million for the previous fiscal year). Non-operating expenses were ¥2,184 million (¥1,640 million for the previous fiscal 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 ¥11,246 million (¥11,219 million for the previous fiscal year).

Extraordinary income and extraordinary loss

Extraordinary loss consisted of ¥238 million of impairment loss on non-current assets.

Income taxes in total

Income taxes in total were ¥3,990 million (¥3,490 million for the previous fiscal year).

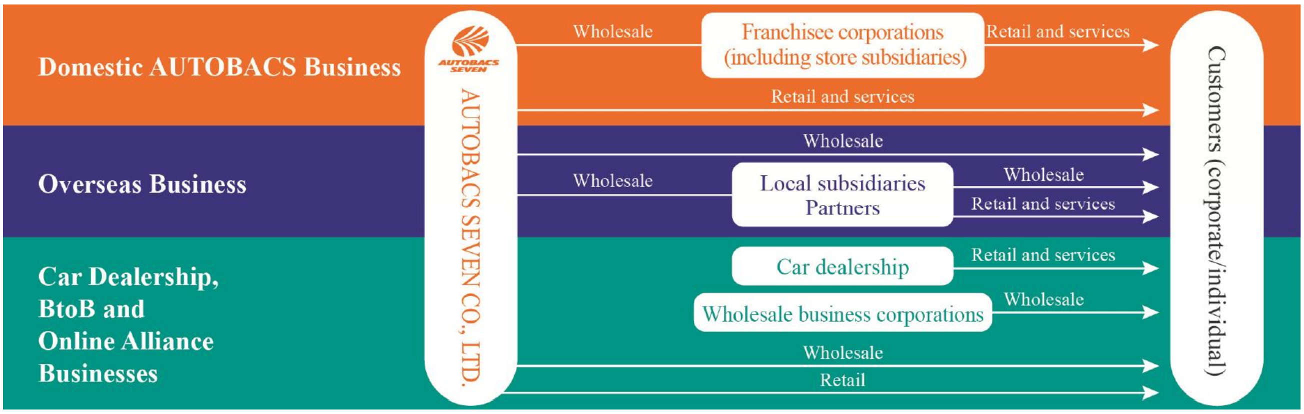
Profit attributable to owners of parent

Profit attributable to owners of parent was ¥7,010 million (¥7,050 million for the previous fiscal year).

The Company has applied the Accounting Standard for Revenue Recognition and other standards from the beginning of the fiscal year under review, and thus, year-on-year changes from the previous fiscal year are not indicated. When the results for the current fiscal year are simply compared to the results for the previous fiscal year, net sales increased by 3.7%, gross profit increased by 5.3%, selling, general and administrative expenses increased by 4.6%, operating profit increased by 9.2%, ordinary profit increased by 0.2%, and profit attributable to owners of parent decreased by 0.6% from the previous fiscal 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	173,167	10,763	39,042	3,267	226,241	—	226,241
Other revenue	1,726	—	—	618	2,344	—	2,344
Net sales to outside customers	174,894	10,763	39,042	3,886	228,586	—	228,586
YoY (%)	—	—	—	—	—	—	—
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
YoY (%)	—	—	—	—	—	—	—
Segment profit (loss)	20,343	(321)	(339)	(795)	18,886	(7,333)	11,552
YoY (%)	—	—	—	—	—	—	—

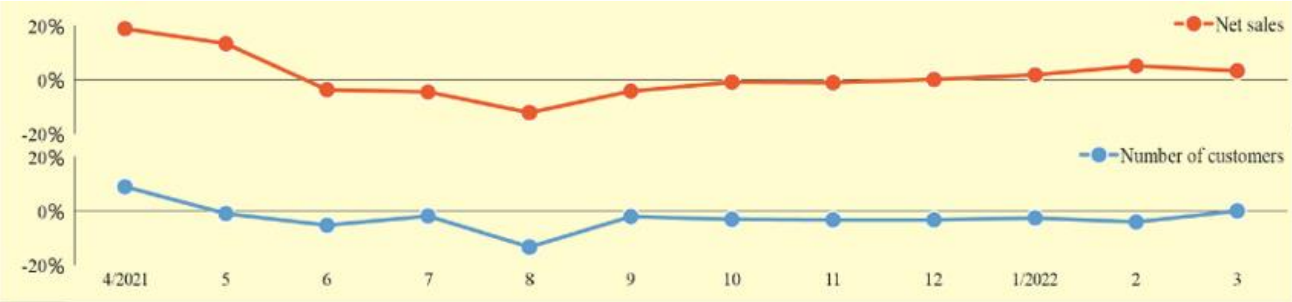
(Note) Because of the application of the Accounting Standard for Revenue Recognition and other standards from the beginning of the fiscal year under review, YoY changes are not indicated.

Domestic AUTOBACS Business

The Domestic AUTOBACS Business was impacted by the effects of voluntary restraint on going out and returning home due to the spread of COVID-19 in the first half of the year, but was buoyant in the second half of the year partly due to expanded demand for winter goods spurred by the cold waves and snowfalls. As a result, net sales for the consolidated fiscal year under review amounted to ¥178,274 million (compared to ¥177,937 million in the same period of the previous fiscal year). Gross profit amounted to ¥60,343 million (compared to ¥58,891 million in the same period of the previous fiscal year), due in part to a rise in the sales configuration ratio of high-margin items and services. Selling, general, and administrative expenses amounted to ¥40,000 million (compared to ¥40,134 million in the same period of the previous fiscal year). As a result, segment profit amounted to ¥20,343 million (compared to ¥18,756 million in the same period of the previous fiscal year).

Domestic AUTOBACS chain (including stores of franchisee corporations) net sales for all store formats during the consolidated fiscal year under review rose by 0.8% on a same store basis and rose by 1.0% on a total store basis compared to the previous fiscal year.

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



The domestic AUTOBACS chain operated its business by paying maximum attention to measures to prevent the spread of COVID-19, such as minimizing opportunities for physical contact between customers and employees, in order to protect the safe and secure car lives of customers, in the belief that automobiles are an important infrastructure in their daily living.

The number of customers decreased affected by voluntary restraint on going out and returning home due to the surge of infections during the first half. However, during the second half, in line with the decrease of new cases of infection, both net sales and the number of customers tended to recover, with net sales remaining strong centering on winter goods from December onwards.

Regarding tire sales, there was a tendency to avoid long drive due to voluntary restraint on outings. However, from October onward, sales increased because sales of summer tires and all-season tires were brisk due to the strengthening of the lineups and sales promotion and the Company strategically captured the demand for snow tires owing to the cold waves and snowfalls. Moreover, sales of winter goods such as tire chains were also brisk.

Regarding car electronics, the protracted worldwide shortage of semiconductors caused a decrease in demand due to reductions in new car production and affected product supply, resulting in a decrease in sales.

The Company promoted development and sales of products delivering value that we can recommend with confidence by increasing the merchandise lineups of the private label brand, "AQ. (AUTOBACS QUALITY.)" and of the "GORDON MILLER" brand that propose exciting garage lifestyles. In addition, the Company implemented operation improvements at stores and hardware renovations, including sales floors and service pits.

For statutory safety inspection and maintenance, the Company promoted online and telephone reservations in an effort to lessen the opportunities for physical contact with customers and to enhance customers' convenience. Moreover, the Company upgraded the AUTOBACS official app with the addition of a new function to notify the timing for car maintenance to enhance convenience of customers. Furthermore, 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 434 stores fully certified and designated to perform statutory safety inspections gained the Specific Maintenance Certification (maintenance of electronically controlled devices). The number of automobiles that underwent the statutory safety inspection increased by 0.1% year on year to roughly 652,000 vehicles.

With regard to automobile purchase and sales, despite the impact of the reduction in new car production, 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 1.3% year on year to approximately 29,800 cars.

Regarding store openings and closings in Japan, 4 stores opened, making the total number of domestic stores 588 as of March 31, 2022.

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

(Unit: million yen)

	74th fiscal term Apr. 1, 2020-Mar. 31, 2021	75th fiscal term Apr. 1, 2021-Mar. 31, 2022	Increase/decrease from the previous fiscal term
Tires and wheels	45,147	50,155	5,008
Car electronics	30,240	26,671	(3,568)
Oil and batteries	15,077	15,487	409
Accessories and maintenance	43,806	42,674	(1,132)
Statutory safety inspections and services	19,809	16,806	(3,002)
Car purchase and sales	10,023	10,718	694
Others	11,180	12,380	1,200
Total	175,285	174,894	(390)

Store openings and closings in Japan

(Unit: stores)

	No. of stores as of March 31, 2021	Opened	Closed	No. of stores as of March 31, 2022
AUTOBACS	490	4	—	494
Super AUTOBACS	74	—	—	74
AUTOBACS *Secohan Ichiba*	6	—	—	6
AUTOBACS EXPRESS	11	—	—	11
AUTOBACS CARS	3	—	—	3
Total	584	4	—	588

Details of store in Japan

(Unit: stores)

	No. of stores as of March 31, 2021	No. of stores as of March 31, 2022
Directly managed	11	12
Consolidated subsidiaries	122	123
Non-consolidated companies*	451	453
Total	584	588

*Including associated companies

Overseas Business

Net sales of the Overseas Business were ¥11,084 million (compared to ¥10,077 million in the same period of the previous fiscal year), and segment loss was ¥321 million (compared to ¥172 million of segment loss in the same period of the previous fiscal year).

In retail and service business, sales decreased, affected by temporary store closures and voluntary restraint on outings due to lockdowns. On the other hand, in the wholesale business, sales grew mainly because of cultivation of new customers.

Sales in France gradually tended to recover despite unstable conditions because the government repeated imposing and lifting of restrictions on outings in view of the spread of COVID-19. In Singapore, the rate of spread of COVID-19 was particularly high from September onward and sales decreased, affected by voluntary restraint on outings and restrictions on activities. In Malaysia, the Company increased the number of authorized dealers, resulting in an increase in sales. In China, although the Company struggled to find new wholesale customers within China, sales increased by cultivating wholesaling in other countries. In Australia, sales increased owing to sales and marketing activities, such as cultivation of new wholesale customers and introduction of new OEM products, in addition to steady sales of car electronics devices and transceivers, which offset the impact of lockdowns in certain regions.

Regarding store openings and closings overseas, due to factors such as the opening of 16 franchisee stores in Thailand, 18 stores opened and 1 store closed, making the total number of overseas stores 62.

Statement of income of main overseas subsidiaries

(Unit: million yen)

		74th fiscal term Apr. 1, 2020- Mar. 31, 2021	75th fiscal term Apr. 1, 2021- Mar. 31, 2022	Increase/decrease from the previous fiscal term
France	Net Sales	5,784	6,395	610
	Operating Income	(183)	(30)	153
Singapore	Net Sales	1,503	1,282	(221)
	Operating Income	189	(31)	(220)
Thailand*	Net Sales	329	—	(329)
	Operating Income	(33)	—	33
China	Net Sales	778	1,021	243
	Operating Income	5	(49)	(54)
Malaysia	Net Sales	40	52	12
	Operating Income	(17)	(14)	3
Australia	Net Sales	1,689	2,478	789
	Operating Income	74	130	56

*A portion of the shares of SIAM AUTOBACS Co., Ltd. in Thailand were sold and subsequently an additional purchase of shares was made in the previous fiscal year and SIAM AUTOBACS Co., Ltd. moved from a consolidated subsidiary to an equity-method affiliate.

Number of stores overseas

(Unit: stores)

	No. of stores as of March 31, 2021	Opened	Closed	No. of stores as of March 31, 2022
France	10	—	—	10
Singapore	2	—	—	2
Thailand	17	16	—	33
Taiwan	6	1	(1	6
Malaysia	4	—	—	4
Indonesia	3	1	—	4
Philippines	3	—	—	3
Total	45	18	(1	62

Detail of stores overseas

(Unit: stores)

	74th fiscal term Apr. 1, 2020-Mar. 31, 2021	75th fiscal term Apr. 1, 2021-Mar. 31, 2022
Consolidated subsidiaries	12	12
Non-consolidated companies*	33	50

*Including associated companies

Car Dealership, BtoB and Online Alliance Business (Formerly Car Dealership, BtoB and Internet Businesses)

Net sales of the Car Dealership, BtoB and Online Alliance Business were ¥48,527 million (¥41,408 million compared to the same period of the previous fiscal year) and segment loss was ¥339 million (compared to ¥287 million of segment loss in the previous fiscal year).

In the Car Dealership Business, the Company secured higher revenues than for the previous fiscal year due to the optimization of sales activities despite the impact of reduced production of new cars owing to semiconductor shortages. In April 2021, AUTOBACS DEALER GROUP HOLDINGS Co., Ltd., a wholly owned subsidiary of the Company, acquired all shares in TA Import Co., Ltd., which operates three authorized dealers of Audi in Tochigi Prefecture and the northern part of Chiba Prefecture, and made it a subsidiary (second-tier subsidiary of the Company) and started its operation as BACS Advance Co., Ltd., bringing three brands to the business with the addition of Audi to BMW and MINI.

Companies operating dealerships and the number of stores

(Unit: stores)

Name of company	At end of May, 2021	At end of May, 2022
Autoplatz Co., Ltd.	6	6
Motoren Tochigi Corp.	5	5
Bacs Advance Co., Ltd.	—	3

In the BtoB Business, in April 2021, the Company acquired all shares in Joyful Shaken & Tire Center Co., Ltd, which operates six facilities for statutory safety inspection, maintenance, and tire sales. Subsequently, having changed its name to BACS Boots Co., Ltd., it has started operation of its stores under the name AUTO IN Shaken & Tire Center. In April 2021, the Company formed a business alliance with Nissan Motor Co., Ltd. Automotive goods supplied by the Company were presented in catalogs for Nissan’s new model. Also, the Company engaged in planning and development of car interior items for a special edition car of Nissan. Besides, the Company launched the AUTOBACS Corporate Membership System for corporate customers. The new system enables corporate customers to make lump-sum payments at the end of each month, eliminating the need to process payments for company car maintenance, car accessories, etc., which were previously settled on a case-by-case basis at each sales office.

In the Online Alliance Business (formerly Internet Businesses), the Company strengthened the merchandise lineups on its EC website by starting handling of national brand tires and NISSAN/NISMO brand items. In addition, the Company improved the EC website platform, such as by expansion of search functions, to enhance convenience for customers. Moreover, with the aim of eradicating drunk driving, the Company launched an enterprise version of ALC Cloud, a cloud-based service detecting drunkenness and alcohol consumption of drivers before they drive company vehicles and manages this information in the cloud. Other business development initiatives included efforts for regional revitalization and resolution of regional issues in collaboration with local governments.

Other Business

Net sales of the Other Business were ¥5,003 million (¥3,471 million in the same period the previous year) and segment loss was ¥795 million (compared to ¥518 million of segment loss in the same period of the previous fiscal year).

iii. Analysis of financial conditions

a. Status of consolidated balance sheet items

Current assets

Current assets decreased by ¥2,660 million from the end of the previous fiscal year to ¥107,917 million due mainly to a decrease in cash and deposits, despite an increase in accounts receivable-other mainly resulting from an increase in rebate on purchases.

Property, plant and equipment and intangible assets

Property, plant and equipment increased by ¥3,181 million from the end of the previous fiscal year to ¥45,268 million due mainly to the acquisition of land. Intangible assets rose by ¥1,793 million from the end of the previous fiscal year to ¥8,951 million. This was due primarily to the acquisition of software.

Investments and other assets

Investments and other assets decreased by ¥318 million from the end of the previous fiscal year to ¥27,773 million.

Current liabilities

Current liabilities rose by ¥218 million from the end of the previous fiscal year to ¥46,795 million. This was due primarily to increases in notes and accounts payable-trade despite a decrease in short-term loans payable attributable to repayments to the banks.

Non-current liabilities

Non-current liabilities rose by ¥2,719 million from the end of the previous fiscal year to ¥20,223 million. This was primarily due to an increase in long-term loans payable attributable to borrowings from banks.

Total net assets

Total net assets decreased by ¥941 million from the end of the previous fiscal year to ¥122,892 million. This was due primarily to purchase of treasury shares and dividends of surplus despite an increase in profit attributable to owners of parent.

Assets by segment

(Unit: million yen)

Name of segment	74th fiscal term Apr. 1, 2020- Mar. 31, 2021	75th fiscal term Apr. 1, 2021- Mar. 31, 2022	Increase/decrease from the previous consolidated fiscal term
Domestic AUTOBACS Business	94,293	107,721	13,428
Overseas Business	13,171	13,395	224
Car Dealership, BtoB and Online Alliance Business	19,797	21,924	2,127
Other Business	26,963	29,289	2,325
Company-wide (common)	33,688	17,579	(16,109)
Total	187,914	189,910	1,996

Total assets/total liabilities and net assets

Total assets and total liabilities and net assets rose by ¥1,996 million from the end of the previous fiscal year to ¥189,910 million.

b. Statements of Consolidated Cash Flows

Cash and cash equivalents (hereinafter referred to as "net cash") at end of the fiscal year under review decreased by ¥14,152 million from the end of the previous fiscal term to ¥24,751 million, owing to cash outflows, including purchase of property, plant and equipment and intangible assets, an increase in trade receivables, and income taxes paid, despite profit before income taxes amounting to ¥11,008 million and cash inflows, including an increase in trade payables and proceeds from long-term borrowings.

Status of each cash flow in the consolidated fiscal year under review and factors are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥5,712 million (net cash provided by operating activities of ¥17,163 million in the previous fiscal term). The main component of inflow was proceeds from operating transactions adjusted with non-cash profit and loss items, etc. of ¥11,212 million against income before income taxes of ¥11,008 million, while the main component of outflow was income taxes paid amounting to ¥5,565 million.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥7,710 million (net cash used in investing activities of ¥6,085 million in the previous fiscal term). The main component of cash inflow was proceeds from refund of guarantee deposits amounting to ¥321 million and main components of cash outflow were purchase of property, plant and equipment and intangible assets amounting to ¥6,300 million and purchase of shares of subsidiaries resulting in change in scope of consolidation amounting to ¥1,078 million.

(Cash flows from financing activities)

Net cash used in financing activities amounted to ¥12,300 million (net cash used in financing activities of ¥309 million in the previous fiscal term). The main component of the inflow was proceeds from long-term borrowings amounting to ¥3,206 million and main components of the outflow were repayments of short-term borrowings (net) amounting to ¥5,356 million, dividends paid of ¥4,734 million, and purchase of treasury shares amounting to ¥3,000 million.

c. Status of Capital Investment

During the consolidated fiscal year under review, the Group conducted capital investment in a total amount of ¥6,300 million. The main components were acquisition of land for new store opening as well as IT system investment for establishing next-generation information infrastructure.

Details of capital expenditures

(Unit: million yen)

	74th fiscal term Apr. 1, 2020-Mar. 31, 2021	75th fiscal term Apr. 1, 2021-Mar. 31, 2022
New Store Openings (include store renewals)	363	179
Store Remodeling & Repair	645	470
Land	77	2,317
IT Systems	1,625	1,993
Other	1,284	1,338
Total	3,996	6,300

Amount of capital expenditures by segments

(Unit: million yen)

	74th fiscal term Apr. 1, 2020-Mar. 31, 2021	75th fiscal term Apr. 1, 2021-Mar. 31, 2022
Domestic AUTOBACS Business	1,864	4,957
Overseas Business	192	218
Car Dealership, BtoB and Online Alliance Business	1,271	726
Other Business	379	186
Company-wide (common)	287	211
Total	3,996	6,300

iv. Status of financing

The entire Group acquired funds primarily through refinancing to fulfill requirement for working capital during the fiscal year under review. A key factor contributing to a decrease of 1,812 million yen in the balance of short-term borrowings and long-term borrowings as of the end of the fiscal year under review is refinancing in view of the appropriate amount of 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 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 overall consumption environment remained severe, aggravated by the ongoing stagnation of economic activity due to the prolonged declaration of a state of emergency and a quasi-state of emergency to prevent the spread of COVID-19. In addition, supply constraints due to soaring crude oil and raw material prices, combined with the uncertainty of the international situation due to the situation in Ukraine, have further increased the sense of uncertainty about the future.

In the automotive-related market, there is an accelerating trend toward electrification of powertrains to achieve carbon neutrality. Moreover, advanced safety technologies such as autonomous driving and driver assistance functions have been developed and widely adopted. It will therefore be essential for the Company to equip itself with maintenance technologies that can cater to these next-generation automobiles as well. As the automotive industry enters a period of major change, the Company believes that competition beyond the boundaries of business types and categories will intensify not only in the Japanese auto parts and accessories market (automotive aftermarket), which the Group has its strength in, but also in the areas of automobile maintenance, statutory safety inspections, and used car sales. In addition, the shortage of automobile mechanics has also become evident as an issue.

New services such as car-sharing services and subscription services are rapidly expanding, and improved IT platforms in line with that rapid expansion will be required, in addition to response to maintenance for next generation vehicles. Furthermore, not only competition with other companies and other business categories, such as car dealers and e-commerce companies, will be intensified, but also the scope of transaction types, including trades between individuals, will be expanding. The market is furthermore expected to see even greater and more rapid changes in the future, such as changes in customer composition resulting from the declining birthrate and aging population, and needs diversification.

In addition to these changes in the external environment, based on the recognition that a system for detecting and responding promptly to varying customer needs must be in place for the Group to remain competitive, the Group established a five-year rolling plan in 2019 to continuously review its direction and strategies in the subsequent five years in line with trends.

It is implementing this rolling plan with the goal of promptly providing the merchandise and services demanded by customers in a form appropriate for use by customers. However, it is not possible for the AUTOBACS Group alone to provide all of the merchandise and services supporting the use of automobiles.

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 (6) Networks and achieve cooperation through the establishment of these networks. Under the Five-year Rolling Plan, the Group is working to establish the Six (6) Networks and cooperation, develop Five (5) Business Infrastructures, and strengthen Seven (7) Businesses to achieve its goals.

In the fiscal year ended March 31, 2022, the Group established the following policies for activities increasing contacts with customers, actively responding to environmental changes, developing people and focusing on achieving these goals.

a. Efforts to increase contact points with customers

In the Domestic AUTOBACS Business and also in other businesses, the Group actively worked to increase contacts with potential customers who had yet to use AUTOBACS franchise stores, through cooperation with other business operators. In the AUTOBACS business, the Group developed a mobile app to facilitate the process of making appointments in response to customers' demand for high satisfaction achieved in a short period of time during the COVID-19 pandemic. In addition, the app includes a feature notifying customers of the timing of the next maintenance service, which helped strengthen bidirectional relationships. To resolve personnel shortage issues, the Group has been conducting various demonstration experiments leveraging digital transformation (DX). A demonstration experiment of an online customer service provided remotely by specialized staff members using monitors placed in AUTOBACS stores was found to be effective, and the Group is considering the horizontal development of this project.

In other businesses, too, the Group approached potential customers with whom the Group yet to have contacts in various ways. In the Car Dealership Business, the Group began the operation of an authorized Audi dealership, the third brand following BMW and MINI.

In the BtoB Business, the Group planned and developed automotive goods and services and interior items in cooperation with Nissan Motor Co., Ltd. These items are introduced in new car catalogs and provided to customers through Nissan dealers. The Group acquired all shares of Joyful Shaken & Tire Center Co., Ltd. which had provided statutory safety inspections, tire replacement, and other services mostly at its DIY stores, and began operating as AUTO IN Shaken & Tire Center. It will continue to increase contacts with customers through various approaches and continue to take on challenges.

b. Active response to environmental changes

In the increasingly sophisticated automobile maintenance services, the Group believes that its responses to next-generation maintenance services is an urgent issue. In the AUTOBACS Group, 434 stores designated for providing statutory safety inspections, completed the acquisition of specific maintenance certifications. This allows the Group to provide, in addition to disassembly maintenance, the maintenance of electronic control units such as automatic brakes and the lane keeping function of advanced safe automobiles subject to electronic control unit maintenance. The AUTOBACS Group will also apply for specific maintenance certification for its special designated stores with the goal of obtaining the certification for all of its stores.

To promote the use of electric vehicles (EV), the Group carries out various initiatives such as investment in a small commercial EV start-up and a genuine parts supply agreement with Tesla Motors Japan GK for statutory safety inspections and other inspections. For the Tesla project, the AUTOBACS Group's flagship store, A PIT AUTOBACS Shinonome, signed the genuine parts supply agreement for statutory safety inspections and other inspections and started receiving genuine parts in December 2021. This enables safety and statutory inspections involving the replacement of genuine parts, which AUTOBACS had previously been unable to provide, to be completed at the store.

The Group will continue to strive to increase its competitiveness in the EV market through early entry into the increasingly active market with an aim to contribute to the establishment of a society that is carbon-neutral or low-carbon.

In January 2021, the Group organized and launched an ESG & SDGs Project headed by the Chief Executive Officer. Based on the idea that businesses will not be able to sustainably grow without responding to society and the environment, the Group is accelerating its project of ESG and the SDGs. In the fiscal year ended March 2022, the project led by Officers and department and section managers was implemented as a Group-wide project in which the Group established non-financial targets.

c. Efforts to develop people

The Group considers securing and developing mechanics is considered an urgent issue. 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 has established branch schools in Fukuoka and Chiba for students to acquire mechanic qualifications and to actively provide places for the development of certified mechanics. To improve the work environment of service pits the Group is working to allow a simultaneous leave of absence of all service pits employees, update service pits equipment that facilitates efficient work, etc. In addition, the Group is working on a project in which experienced staff members who are able to install car electronics-related parts provide 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.

The introduction of a company system promotes the development of business managers and the exchange of human resources within the Group, which increases the motivation of young workers and facilitates the active use of human resources. Additionally, the Group will continue to hold AUTOBACS AWARDS to commend staff members based on customers' comments and commendations for work standards to develop a culture of staff members praising one another as activities to praise hard working individuals.

People development is essential for corporate growth and the Group will continue to focus on it.

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. Statements of cash flows, iii. Analysis of financial position, 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 10,763 million yen. Cash and cash equivalents at the end of the fiscal year under review amounted to 24,751 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.

4. Important Business Contracts

Franchise agreement

The Group 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 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. Super AUTOBACS franchise agreement 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. AUTOBACS Secohan Ichiba franchise agreement 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. - Purchase, trade-in, and sale of automobiles from/to general consumers - Purchase and sale of automobiles from/to other automobile sellers and the purchase of automobiles from the headquarters - 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.

5. Research and Development Activities

Not applicable.

III. EQUIPMENT AND FACILITIES

1. Overview of Capital Investments, etc.

The Group made capital investments totaling 6.3 billion yen for the purchase of land for new stores, the renovation of stores, and the development of IT systems such as for information basis for next stores, etc.

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

(Capital investment by segment)

	74th fiscal term Apr. 1, 2020-Mar. 31, 2021	75th fiscal term Apr. 1, 2021-Mar. 31, 2022
	(million yen)	(million yen)
Domestic AUTOBACS Business	1,864	4,957
Overseas Business	192	218
Car Dealership, BtoB and Online Alliance Business	1,271	726
Other Business	379	186
Company-wide (common)	287	211
Total	3,996	6,300

The Group invested 2,317 million yen primarily in the purchase of land for new stores.

2. Major Facilities

(1) Company submitting the report

As of March 31, 2022

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
			Area (m²)	Amount (millions of yen)					
West Japan Logistics Center (Miki City, Hyogo Prefecture)	Domestic AUTOBACS Business	Distribution warehouse	43,889.9	2,646	1,104	872	13	4,637	7 [1]
East Japan Logistics Center (Ichikawa City, Chiba Prefecture)	Domestic AUTOBACS Business	Distribution warehouse	—	—	21	990	0	1,012	14 [1]
A PIT AUTOBACS SHINONOME (Koto-ku, Tokyo)	Domestic AUTOBACS Business	Super AUTOBACS	—	—	849	48	119	1,017	100 [28]
SA SAPPORO Store (Sapporo City, Hokkaido)	Domestic AUTOBACS Business	Leased store (Super AUTOBACS)	6,047.0	1,181	0	—	0	1,182	—
SA SENDAI-IZUMIKAMO Store (Sendai City, Miyagi Prefecture)	Domestic AUTOBACS Business	Leased store (Super AUTOBACS)	7,172.4	735	0	—	0	736	—
SA SUNSHINE KOBE Store (Kobe City, Hyogo Prefecture)	Domestic AUTOBACS Business	Leased store (Super AUTOBACS)	—	—	421	3	31	455	6
Shizuoka-Ryutsu Store (Shizuoka City, Shizuoka Prefecture)	Domestic AUTOBACS Business	Leased store (AUTOBACS)	4,410.0	1,166	3	—	0	1,170	—
Zao Store (Fukuyama City, Hiroshima Prefecture)	Domestic AUTOBACS Business	Leased store (AUTOBACS)	3,862.3	839	0	—	0	840	—
Nara-Daianji (Nara City, Nara Prefecture)	Domestic AUTOBACS Business	Leased store (AUTOBACS)	4,932.4	620	71	—	0	692	—
Fujinomiya Store (Fujinomiya City, Shizuoka Prefecture)	Domestic AUTOBACS Business	Leased store (AUTOBACS)	5,337.4	531	1	—	0	533	—
Sapporo-Shiraishi Store (Sapporo City, Hokkaido)	Domestic AUTOBACS Business	Leased store (AUTOBACS)	2,918.4	362	141	—	0	505	—
Western Japan Region Headquarters (Kita-ku, Osaka)	Domestic AUTOBACS Business	Office	440.3	403	312	7	6	729	80 [4]
Newly regulated store sites (Hiroshima City, Hiroshima Prefecture)	Domestic AUTOBACS Business	Land to be leased	5,604.0	1,854	—	—	—	1,854	—

(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. 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 3,465 million yen.

(2) Domestic subsidiaries

As of March 31, 2022

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
			Area (m2)	Area (m2)					
AUTOBACS Kansai Sales Ltd. SA Kyoto-WOW wonder city Store (Kyoto City, Kyoto)	Domestic AUTOBACS Business	Super AUTOBACS	10,298.8 (10,298.8)	2,557 (2,557)	175 (174)	5 (1)	14 (7)	2,752 (2,740)	39 [21]
AUTOBACS Minami-Nihon Sales Ltd. SA Oonojo-Mikasagawa Store (Oonojo City, Fukuoka Prefecture)	Domestic AUTOBACS Business	Super AUTOBACS	8,307.1 (8,307.1)	1,078 (1,078)	59 (55)	13 (－)	5 (0)	1,157 (1,134)	31 [7]
AUTOBACS Kanto Sales Ltd. SA Utsunomya Store (Utsunomiya City, Tochigi Prefecture)	Domestic AUTOBACS Business	Super AUTOBACS	4,035.7 (3,627.0)	559 (515)	21 (16)	1 (0)	2 (0)	585 (532)	22 [7]
AUTOBACS Kanto Sales Ltd. SA Kashiwa Shonan Store (Kashiwa City, Chiba Prefecture)	Domestic AUTOBACS Business	Super AUTOBACS	―	―	199 (186)	9 (0)	19 (5)	228 (193)	52 [29]
AUTOBACS Kanto Sales Ltd. SA Chiba Naganuma Store (Chiba City, Chiba Prefecture)	Domestic AUTOBACS Business	Super AUTOBACS	―	―	49 (33)	15 (1)	13 (1)	77 (35)	40 [18]
AUTOBACS Chubu Sales Ltd. SA NAGOYA BAY Store (Nagoya City, Aichi Prefecture)	Domestic AUTOBACS Business	Super AUTOBACS	―	―	51 (42)	0 (－)	2 (1)	54 (44)	52 [25]
AUTOBACS Kanto Sales Ltd. AUTOBACS GARAGE Fuchu Store (Fuchu City, Tokyo)	Domestic AUTOBACS Business	AUTOBACS	4,118.1 (4,118.1)	842 (842)	125 (125)	1 (1)	2 (2)	972 (971)	14 [3]
AUTOBACS Minami-Nihon Sales Ltd. Shinonome Store (Hiroshima City, Hiroshima Prefecture)	Domestic AUTOBACS Business	AUTOBACS	2,920.0 (2,920.0)	715 (715)	199 (196)	― (－)	1 (0)	915 (912)	14 [10]
AUTOBACS Minami-Nihon Sales Ltd. Midorii Store (Hiroshima City, Hiroshima Prefecture)	Domestic AUTOBACS Business	AUTOBACS	1,607.1 (1,607.1)	516 (516)	54 (54)	― (－)	0 (0)	571 (570)	16 [6]
AUTOBACS Minami-Nihon Sales Ltd. Tobe Store (Iyo Gun, Ehime Prefecture)	Domestic AUTOBACS Business	AUTOBACS	3,234.3 (3,234.3)	552 (552)	11 (10)	0 (－)	1 (0)	564 (563)	11 [4]
AUTOBACS Minami-Nihon Sales Ltd. Kure Aga Chuou Store (Kure City, Hiroshima Prefecture)	Domestic AUTOBACS Business	AUTOBACS	3,299.5 (3,299.5)	410 (410)	110 (109)	― (－)	0 (0)	521 (520)	8 [3]
AUTOBACS Chubu Sales Ltd. Toumei IC Store (Nagoya City, Aichi Prefecture)	Domestic AUTOBACS Business	AUTOBACS	1,125.8 (1,125.8)	447 (447)	56 (55)	0 (－)	0 (0)	504 (503)	17 [7]

(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.

(3) Overseas subsidiaries

There are no major facilities.

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

(1) Construction of new important facilities

Branch name (location)	Segment	Facilities	Amount to be invested (millions of yen)		Funding method	Dates of commencement and completion	
			Total amount	Immediate payment		Commencement	Completion
Headquarters (Koto-ku, Tokyo)	Domestic AUTOBACS Business	Software, tools, furniture, and fixtures (related to store systems)	3,226	864	Own funds	2021.8	2023.4

(2) Disposal of significant facilities, etc.

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, 2022)	Number of shares issued as of the filing date (shares) (As of June 24, 2022)	Stock exchange where the Company is listed	Description
Common stock	82,050,105	82,050,105	Tokyo Stock Exchange First Section (As of the end of the fiscal year) Prime Market (As of the date of submission)	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, 2022

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)	–	32	23	412	168	94	57,260	57,989	–
Number of shares held (Units)	–	171,541	15,987	205,928	89,335	395	336,574	819,760	74,105
Shareholding ratio (%)	–	20.93	1.95	25.12	10.90	0.05	41.06	100.00	–

(Notes) 1. Of 4,076,661 treasury shares, 40,766 units are included in the "Individuals and others" column under "Status of shares" and 61 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, 2022

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	9,316	11.94
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
K Holdings, Ltd.	2-6-404 Yamatecho, Ashiya-shi, Hyogo	2,750	3.52
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	2,699	3.46
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.	1,194	1.53
Live Field Co., Ltd.	(2-15-1 Konan, Minato-ku, Tokyo) 4-1-18-510 Hiro-o, Shibuya-ku, Tokyo	1,000	1.28
Total	–	29,938	38.39

(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, 2022

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 4,076,600	—	—
	(Mutually held shares) Common stock 121,400	—	
Shares with full voting rights (other)	Common stock 77,778,000	777,780	—
Shares less than one unit	Common stock 74,105	—	Shares less than one unit (100 shares)
Total number of shares issued and outstanding	82,050,105	—	—
Total voting rights held by all shareholders	—	777,780	—

(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, 2022

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	4,076,600	—	4,076,600	4.96
Puma Ltd.	1637 Hibari, Imizu-shi, Toyama	28,500	92,900	121,400	0.14
Total	—	4,105,100	92,900	4,198,000	5.11

(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 (iii) of the Companies Act and 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

Classification	Number of shares (Shares)	Total amount (Yen)
Resolution by the Board of Directors（May 10, 2021）(Acquisition period: May 11, 2021-September 30, 2021）	2,000,000	3,000,000,000
Treasury shares acquired before the fiscal year under review	－	－
Treasury shares acquired during the fiscal year under review	1,942,500	2,999,900,500
Total number and value of remaining shares subject to the resolution	57,500	99,500
Percentage of un-exercised portion as of the fiscal year-end (%)	2.9	0.0
Treasury shares acquired during the period	－	－
Ratio of un-exercised portion as of the date of filing (%)	2.9	0.0

(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	592	887,924
Treasury shares acquired during the period	63	85,992

(Note) Treasury shares acquired during the period does not include shares acquired through the purchase of shares less than one unit from June 1, 2022 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	2,000,000	3,707,793,717	－	－
Treasury shares acquired that were transferred for merger, share exchange, share issuance, or company split	－	－	－	－
Other (disposition of treasury shares through restricted stock compensation)	15,500	27,233,500	－	－
Number of treasury shares held	4,076,661	－	4,076,724	－

(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, 2022 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, 2022 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 will strive 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 will 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 29, 2021 Resolution by the Board of Directors	2,339	30
June 23, 2022 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 “AUTOBACS SEVEN Vision”, “AUTOBACS Chain Management Mission” and “AUTOBACS Code of Conduct and Guidelines for Action”, 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.

(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

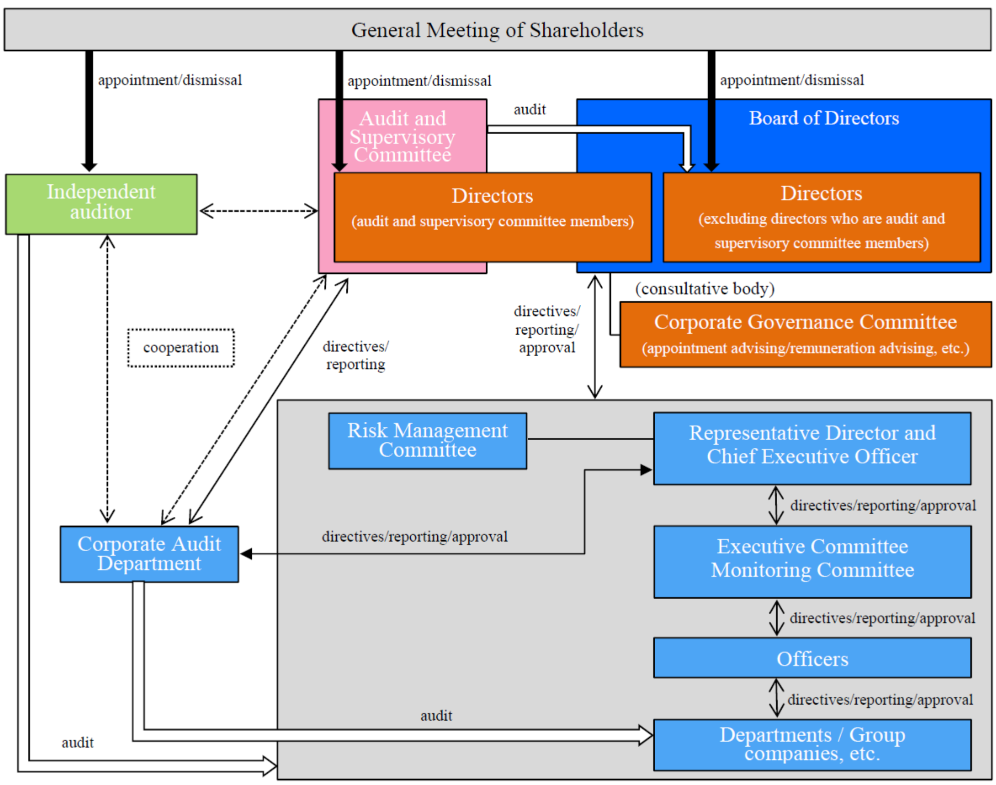
b. Establishment of committees as consultative bodies to the Board of Directors: ensuring of transparency, objectivity and appropriateness

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 an officer system: Separation of business execution and supervision, clarification of management responsibilities

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

Governance System Chart As of April 1, 2022



(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 ten(10) 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, Tomoaki Ikeda, Yoshiko Takayama*, Takayoshi Mimura*

Director (Audit and Supervisory Committee Member): Kozo Sumino, Masami Koizumi*, Minesaburo Miyake*

*: Independent Outside Director

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: Kozo Sumino

Full-time Audit and Supervisory Committee Member: Kozo Sumino, Masami Koizumi*

Audit and Supervisory Committee Member: Minesaburo Miyake*

Selected Audit and Supervisory Committee Member: Kozo Sumino, Masami Koizumi*

*: Independent Outside Director

iii. Corporate Governance Committee

The Corporate Governance Committee is chaired by an outside director and is composed of all of the outside directors, chairman of the Board and 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, dismissal and succession planning for the representative director

c. Appointment of Officers Note: Limited to cases where an Officer is recruited from the outside the Group.

d. Remuneration system for directors (excluding directors who are audit and supervisory committee members) and officers

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, 2022).
Committee Member: Yoshiko Takayama (*1), Takayoshi Mimura (*1), Masami Koizumi (*1,2), Minesaburo Miyake (*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 and chief executive officer and is composed of executive directors and officer 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 and Chief Executive Officer)
Committee Members: Kiomi Kobayashi, Yugo Horii, Eiichi Kumakura, Shinichi Fujiwara, Tomoaki Ikeda
Observers: Yoshiko Takayama (*1), Takayoshi Mimura (*1), Kozo Sumino (*2), Masami Koizumi (*1,2), Minesaburo Miyake (*1,2)

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

v. Executive Committee

The Executive Committee is chaired by the representative director 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, Tomoaki Ikeda, Yoshiko Takayama*, Takayoshi Mimura*
Director (Audit and Supervisory Committee Member): Kozo Sumino, Masami Koizumi*, Minesaburo Miyake*

*: Independent Outside Director

vi. Monitoring Committee

The Monitoring Committee is chaired by the chief executive officer and is composed of executive officers, 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 Monitoring Committee 》

Chairman: Yugo Horii (Chief Executive Officer)
Executive Officers, etc.: Yugo Horii, Eiichi Kumakura, Shinichi Fujiwara, Masaru Sasaki, Hiroki Yoshiyama, Shinya Kurahayashi, Masahiro Nishikawa, Tomoaki Ikeda
Observer: Kiomi Kobayashi, Yoshiko Takayama (*1), Takayoshi Mimura (*1), Kozo Sumino (*2), Masami Koizumi (*1,2), Minesaburo Miyake (*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 2021 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 fifteen (15) Corporate Governance Committee meetings during the fiscal year under review to discuss the remuneration system for directors (excluding directors who are audit and supervisory committee members) and officers, candidates for directors (including directors who are audit and supervisory committee members), institutional design, etc.

b. One (1) outside director who is not an audit and supervisory committee member and all two (2) outside audit and supervisory committee members held three (3) 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 year under review, increased the number of internal personnel in charge and established a system to ensure transparency through consensual decision making.

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

e. 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, and Car Lifestyle Support Center cooperated to help the Risk Management Committee monitor risks and grasp the status of addressing the annual risk issues.

b. In the event of a serious crisis such as a large disaster, the Group establishes the Crisis Management Headquarters according to its crisis management regulations and business continuity plan (BCP) manual and secures a system for promptly responding to the crisis. During the fiscal year under review, the Group activated the Crisis Management Headquarters once to address the damage caused by large natural disasters such as typhoons and earthquakes and another time to address the COVID-19 pandemic and prevent infection based on the government's policy.

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 eight (8) 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 ensures 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 Monitoring Committee meetings, Executive Committee meetings, and Board of Directors' 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 about Companies Act Audit and Financial Instruments and Exchange Act Audit with the independent auditor on a monthly basis.

d. The Audit and Supervisory Committee collected information from all subsidiaries reporting their store operations in management report meetings and performed on-site and remote audits of five subsidiaries for car goods supply and other products. In the fiscal year under review, the Committee held monthly meetings with auditors of subsidiaries and collected information and exchanged opinions about the condition of subsidiary audits and internal control to ensure the effectiveness of the audits performed by the Committee.

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 2022. 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, and officers 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).

(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 winning 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, Audit & Supervisory Board Members, and Executive Officers

i. Directors, Audit & Supervisory Board Members, and Executive Officers

9 men, 1 woman (female ration of 10%)

Position	Name	Date of birth	Career History	Term of office	Shares held (Thousands)
Director and Chairman	Kiomi Kobayashi	February 11, 1956	March 1978: Joined Daiho Sangyo Co., Ltd. (currently AUTOBACS SEVEN Co., Ltd.) April 1995: General Manager of Tire Department June 2002: Operating Officer, Overseas Store Support Division April 2005: Officer, General Manager of Northern Kanto Region April 2007: Officer, Car Goods & Services June 2008: Officer, General Manager of Kansai Region April 2010: Executive Officer, Head of Sales Operation and Area Strategy & Planning June 2010: Director and Executive Officer, Head of Sales Operation and Area Strategy & Planning April 2012: Director and Senior Executive Officer, Head of Sales Operation and Area Strategy & Planning April 2014: Director and Vice Chief Executive Officer, Vice Chief AUTOBACS Chain Officer, Head of Chain Store Planning and Store Subsidiary Strategy April 2015: Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer April 2016: Representative Director and Vice Chief Executive Officer, Chief AUTOBACS Chain Officer May 2016: Chairman, Auto-Parts & Accessories Retail Association (current position) June 2016: Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer June 2022: Director and Chairman (current position)	(Note 2)	36
Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer	Yugo Horii	June 24, 1972	March 1995: Joined AUTOBACS SEVEN Co., Ltd. April 2010: General Manager of Legal Department April 2012: Officer, Internal Control April 2013: Officer, Internal Control and Legal April 2015: Officer, Legal, General Affairs and Internal Control April 2016: Senior Executive Officer, Overseas Business June 2016: Director and Senior Executive Officer, Overseas Business April 2017: Director and Senior Executive Officer, Office of the President and Overseas Business Planning April 2018: Director and Senior Executive Officer, Office of the President and Business Planning, and AUTOBACS Business Planning June 2019: Representative Director and President, ABT Marketing Co., Ltd. April 2020: Director and Senior Managing Executive Officer, Head of AUTOBACS Business Planning & Operations and CEO Office / Business Planning April 2022: Representative Director and Senior Managing Executive Officer, CEO Office / Business Planning June 2022: Representative Director and Chief Executive Officer, Chief AUTOBACS Chain Officer (current position)	(Note 2)	20

Position	Name	Date of birth	Career History	Term of office	Shares held (Thousands)
Director and Senior Managing Executive Officer, Head of Merchandising & Service and Wholesale Business	Eiichi Kumakura	February 8, 1962	March 1984: Joined AUTOBACS SEVEN Co., Ltd. April 2001: General Manager of Car Electronics Merchandise Department April 2009: Officer, Car Goods & Services April 2011: Officer, General Manager of Kanto Region April 2015: Officer, Western Japan Region Headquarters April 2016: Senior Executive Officer, Head of Western Japan Region Headquarters June 2016: Director and Senior Executive Officer, Head of Western Japan Region Headquarters April 2018: Director and Senior Executive Officer, Western Japan Region Headquarters April 2020: Director and Senior Managing Executive Officer, Head of Merchandising & Services and Car Parts & Accessories April 2022: Director and Senior Managing Executive Officer, Head of Merchandising & Services and Wholesaling Business (current position)	(Note 2)	9
Director and Senior Managing Executive Officer, Head of Operations and Kanto Regional Headquarters	Shinichi Fujiwara	September 23, 1965	March 1984: Joined AUTOBACS SEVEN Co., Ltd. September 2007: Officer, Area Dominant Strategy June 2008: Officer, Area Strategy April 2009: Officer, Chain Strategy September 2009: Officer, Advanced Store Prototype Development Project April 2010: Officer, Advanced Store Prototype Development April 2011: Officer, Marketing & Sales Strategy Planning April 2013: Officer, Marketing April 2014: Officer, Chain Store Planning and Marketing April 2015: Officer, Marketing April 2016: Officer, Chain Store Planning April 2017: Senior Executive Officer, Head of Eastern Japan Region Headquarters April 2018: Senior Executive Officer, Eastern Japan Regional Headquarters April 2020: Senior Managing Executive Officer, Northern Japan Regional Headquarters and Kanto Regional Headquarters October 2020: Senior Managing Executive Officer, Kanto Regional Headquarters June 2021: Director and Senior Managing Executive Officer, Kanto Regional Headquarters April 2022: Director and Senior Managing Executive Officer, Head of Operations and Kanto Regional Headquarters (current position)	(Note 2)	8

Position	Name	Date of birth	Career History	Term of office	Shares held (Thousands)
Director and Executive Officer, Finance & Accounting / PR & IR	Tomoaki Ikeda	February 13, 1962	April 1986: Joined The Hokkaido Takushoku Bank, Ltd. August 1998: Joined FamilyMart Co., Ltd. March 2007: General Manager of IR Office, PR & IR Department, FamilyMart Co., Ltd. March 2011: Executive Officer and General Manager of PR & IR Department, FamilyMart Co., Ltd. March 2015: Executive Officer and General Manager of Finance and IR Department, FamilyMart Co., Ltd. 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. April 2019: Joined AUTOBACS SEVEN Co., Ltd. April 2020: Officer, Finance & Accounting / PR & IR June 2022: Director and Executive Officer, Finance & Accounting / PR & IR (current position)	(Note 2)	0
Director	Yoshiko Takayama	August 9, 1956	April 1980: Joined Bank of America N.A. Tokyo Branch June 1987: Joined Merrill Lynch & Co., Inc. New York Headquarters office December 1990: Vice President, Merrill Lynch & Co., Inc. Tokyo Branch December 1998: Asia-Pacific Regional Director, Thomson Financial Investor Relations Tokyo Branch June 2001: Managing Director, J-Eurus IR Co., Ltd. March 2003: Managing Director/Board Member, J-Eurus IR Co., Ltd. (current position) June 2010: Board Governor, International Corporate Governance Network October 2010: Director, Japan Corporate Governance Network (current position) June 2015: Outside Director, AUTOBACS SEVEN Co., Ltd. (current position) September 2015: Member of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code, Financial Services Agency and Tokyo Stock Exchange, Inc. (current position) October 2015: Representative Director, Japan Board Review Co., Ltd. (current position) January 2022: Member representing Japan, International Organization for Standardization (ISO) Project Committee (PC) 337, Guidelines for the promotion and implementation of gender equality, Cabinet Office and Ministry of Economy, Trade and Industry (current position)	(Note 2)	4

Position	Name	Date of birth	Career History	Term of office	Shares held (Thousands)
Director	Takayoshi Mimura	June 18, 1953	April 1977: Joined Terumo Corporation June 2002: Executive Officer, Terumo Corporation June 2003: Director and Executive Officer, Terumo Corporation June 2004: Director and Senior Executive Officer, Terumo Corporation June 2007: Director and Managing Executive Officer, Terumo Corporation April 2008: Director and Managing Executive Officer, Group President of General Hospital Business Group Responsible for Domestic Sales Dept., Terumo Corporation June 2009: Director and Managing Executive Officer, Regional Representative, China and Asia, Terumo Corporation April 2010: Director and Managing Executive Officer, Regional Representative, China, Terumo Corporation June 2010: Director and Senior Managing Executive Officer, Terumo Corporation August 2011: President and CEO, Terumo (China) Holding Co., Ltd. April 2017: Chairman of the Board, Terumo Corporation June 2017: President, TERUMO LIFE SCIENCE FOUNDATION (current position) June 2017: Councilor, The Japan China Medical Association (current position) June 2021: Chairman, The Japan Federation of Medical Devices Associations (current position) April 2022: Director and Corporate Advisor, Terumo Corporation June 2022: Corporate Advisor, Terumo Corporation （current position） June 2022: Outside Director, AUTOBACS SEVEN Co., Ltd. (current position)	(Note 2)	-
Director (Full-time Audit and Supervisory Committee Member)	Kozo Sumino	October 1, 1957	April 1984: Joined IBM Japan, Ltd. June 1985: Joined AUTOBACS SEVEN Co., Ltd. February 1995: General Manager of Merchandise Development Department June 2000: Director, General Manager of General Service Department June 2002: Director and Executive Officer, Personnel, General Service, Legal and Information Systems October 2003: Director and Executive Officer, Business Development April 2005: Director and Officer, Overseas Business Strategy April 2007: Officer, Accounting and Information Systems May 2007: Representative Director, AB System Solutions Limited June 2008: Officer, Car Aftermarket Business and Merchandising Strategy Planning April 2009: Executive Officer, Head of Merchandising & Service April 2010: Executive Officer, Internal Control April 2011: Representative Director, Palstar KK June 2014: Director and Senior Executive Officer, Merchandise Development April 2015: Director and Senior Executive Officer, Head of Merchandising and Statutory Safety Inspections & Service and Merchandise Development October 2015: Director and Senior Executive Officer, Head of Merchandising and Car Parts & Accessories and Merchandise Development April 2016: Director and Senior Executive Officer June 2016: Audit and Supervisory Board Member (Full-time) May 2017: Chairman of the Board, The Yuumi Memorial Foundation for Home Health Care (current position) June 2019: Director (Full-time Audit and Supervisory Committee Member) (current position)	(Note 3)	47

Position	Name	Date of birth	Career History	Term of office	Shares held (Thousands)
Director (Full-time Audit and Supervisory Committee Member)	Masami Koizumi	July 20, 1961	July 1995: Joined UNITED ARROWS LTD. April 2000: Department Manager, Finance and Accounting Department, UNITED ARROWS LTD. March 2001: Executive Vice President, Prostaff Ltd. December 2004: Auditor, Netprice, Ltd. (current BEENOS Inc.) June 2006: Director, UNITED ARROWS LTD. July 2008: Director and Executive Managing Officer, UNITED ARROWS LTD. April 2012: Director and Executive Vice President, UNITED ARROWS LTD. June 2021: Outside Director, AUTOBACS SEVEN Co., Ltd. (Full-time Audit and Supervisory Committee Member) (Current position)	(Note 3)	-
Director (Audit and Supervisory Committee Member)	Minesaburo Miyake	July 22, 1952	April 1976: Joined Kewpie Co., Ltd. September 1996: General Manager, Yokohama Branch Office, Kewpie Co., Ltd. July 2002: General Manager, Division of Household Sales, Kewpie Co., Ltd. February 2003: Director, Kewpie Co., Ltd. February 2010: Executive Managing Director, Kewpie Co., Ltd. February 2011: President and Representative Director, Kewpie Co., Ltd. / Director, NAKASHIMATO CO., LTD. February 2017: Executive Corporate Adviser, Kewpie Co., Ltd. / Chairman and Director, NAKASHIMATO CO., LTD. April 2017: Chairman of the Board, Kewpie Mirai Tamago Foundation December 2017: Outside Director, Fuji Pharma Co., Ltd. (current position) June 2018: Outside Director, Kameda Seika Co., Ltd. (current position) June 2018: Outside Director, AUTOBACS SEVEN Co., Ltd. June 2019: Cabinet Office dormant deposit utilization council expert advisor Chief Examiner June 2019: Outside Director, AUTOBACS SEVEN Co., Ltd. (Audit and Supervisory Committee Member) (current position) December 2020: Outside Director, Sushiro Global Holdings Co., Ltd. (currently FOOD & LIFE COMPANIES Co., Ltd.) (current position) October 2021: Cabinet Office dormant deposit utilization council expert advisor (current position)	(Note 3)	2
Total					130

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

2. One year from the close of the Ordinary General Meeting of Shareholders held on June 23, 2022

3. Two years from the close of the Ordinary General Meeting of Shareholders held on June 23, 2021

4. On June 27, 2002, the Group introduced the executive officer system to promote the activity of and stimulate the Board of Directors, accelerate the decision making of the management, and promote the active discussions of the Board of Directors. The system currently consists of the following 20 Executive Officers.

Position	Name	Charge
*Chief Executive Officer	Yugo Horii	Chief AUTOBACS Chain Officer
*Senior Managing Executive Officer	Eiichi Kumakura	Head of Merchandising & Services Wholesaling Business
*Senior Managing Executive Officer	Shinichi Fujiwara	Head of Operations Kanto Regional Headquarters
Senior Executive Officer	Masaru Sasaki	Kansai Regional Headquarters
Senior Executive Officer	Hiroki Yoshiyama	Car Dealer Business
Senior Executive Officer	Shinya Kurahayashi	Statutory Safety Inspection & Service / CARS Business Project Manager of BACS BASE Project
Senior Executive Officer	Masahiro Nishikawa	Southern Japan Regional Headquarters
Officer	Kazushige Hojo	Logistics / Land Use & Development General Manager of Logistics Planning Department
Officer	Noritaka Hiraga	Corporate Planning
Officer	Ken Ozone	Lifestyle Business
Officer	Ryotaro Yamazoe	A PIT AUTOBACS General Manager of A PIT AUTOBACS Enhancement Department
Officer	Toshio Kitamura	Overseas Business
Officer	Yukihiro Kitagawa	Fleet Business General Manager of Fleet Business Department
Officer	Nobuo Norisue	IT Strategy / DX Strategy
Officer	Mitsuya Minatogawa	Chubu Regional Headquarters
*Officer	Tomoaki Ikeda	Finance & Accounting / PR & IR
Officer	Toshihiro Fukuhara	AUTOBACS Business Planning General Manager of AUTOBACS Business Planning Department
Officer	Hiroyuki Furuta	Northern Japan Regional Headquarters
Officer	Minoru Kamikubo	Car Parts & Accessories
Officer	Kenichi Hosoya	Online Alliance Business General Manager of Internet Business Department

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: Yoshiko Takayama, Takayoshi Mimura, Masami Koizumi, and Minesaburo Miyake (Masami Koizumi and Minesaburo Miyake are Directors who concurrently serve as Audit and Supervisory Committee members).

While Yoshiko Takayama and Minesaburo Miyake hold shares of the Company’s stock as indicated in section (1) Directors, Audit & Supervisory Board Members, and Executive Officers of (2) Directors, Audit & Supervisory Board Members, and Executive Officers, 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 officers shall not have been a spouse of said executive directors, etc., of the AUTOBACS SEVEN Group or a relative within the second degree of kinship, or have shared means of livelihood in the past five years, including the fiscal year under review.
3. The Company's outside officers shall not be a spouse of, a relative within the second degree of kinship or share means of livelihood with any person corresponding to the description of Paragraph 1 above.
4. The Company's outside officers shall not be in any situation that may hinder them from performing their duties as the Company's independent officers.

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

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 24, 2022), there are a total of 10 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

In June 2019, the Company transitioned to become a company with an Audit and Supervisory Committee. 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.

The Audit and Supervisory Committee includes two members who have considerable knowledge of financial affairs and accounting. Kozo Sumino, a Director and Audit and Supervisory Committee member, has participated in the management of the Group as a Director for a total of nine years, from June 2000 to June 2007 and from June 2014 to June 2016. He was in charge of accounting and financial affairs as an Officer for a total of one year from April 2007 to March 2008. Masami Koizumi, an Outside Director and full-time Audit and Supervisory Committee member, has many years of experience in financial affairs and accounting at companies. Minesaburo Miyake, an Outside Director and part-time Audit and Supervisory Committee member, has chaired the Corporate Governance Committee and contributed to the promotion and improvement of the Group's corporate governance.

The Audit and Supervisory Committee Office has been established as an organization assisting the duties of the Audit and Supervisory Committee. The Office has four 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	Kozo Sumino	14 times	14 times（100%）
Full-time Audit and Supervisory Committee Member（Outside Director）（Resigned at June, 2021）	Yukio Kakegai	4 times	4 times（100%）
Full-time Audit and Supervisory Committee Member（Outside Director）（Appointed at June, 2021）	Masami Koizumi	10 times	10 times（100%）
Audit and Supervisory Committee Member（Outside Director）	Minesaburo Miyake	14 times	14 times（100%）

*Kozo Sumino, Yukio Kakegai, and Masami Koizumi have been selected as selected Audit and Supervisory Committee members. Yukio Kakegai retired from his position at the conclusion of the 74th Ordinary General Meeting of Shareholders held on June 23, 2021.

b-2. Audit status of the 75th fiscal year

- The Audit and Supervisory Committee examined and deliberated audits, including audits conducted by the Corporate Audit Department and other departments, and interviewed the Chief Executive Officer, the Officers of business units, and departments related to issues discovered in the course of operational audits about their condition and proposed improvements.
- The Audit and Supervisory Committee collected information from all subsidiaries reporting their store operation at management report meetings and performed on-site and remote audits of five subsidiaries for car goods supply and other. In the fiscal year under review, the Committee held monthly meetings with the auditors of subsidiaries and collected information and exchanged opinions about the condition of subsidiary audits and internal control.

b-3. Main 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-4. Activities of full-time and part-time Audit and Supervisory Committee members

- Interviews with Representative Director and Directors
  Conducted about three times a year by all Audit and Supervisory Committee members.
- Attendance at important meetings
  Attendance at the Board of Directors, Executive Committee, Monitoring Committee, Officers 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 Officers
  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 Officers and higher executives and report 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 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. The Corporate Audit Department has seven employees and performs audits to ensure that the operations of the Group and subsidiaries are appropriately managed in view of legal compliance, operation efficiency, the reliability of financial reports and asset preservation and assesses the internal control system specified in the Financial Instruments and Exchange Act. Internal auditors concurrently serve as Senior Corporate Auditors at subsidiaries such as subsidiaries operating stores.

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.

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

31 years

c. The Certified Public Accountants engaged in the audit

Seibei Kyoshima

Yuji Ujigawa

d. Assistants to the audit

Certified Public Accountants:6

Others:12

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	1	83	-
Consolidated subsidiaries	6	-	6	-
Total	89	1	89	-

(Details of non-audit operations)

(Previous fiscal year)

The Group’s non-audit operations concern compensation for advice and guidance on the consideration of an accounting policy through the application of ASBJ Statement No. 29 Accounting Standard for Revenue Recognition.

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	—	3	—	4
Consolidated subsidiaries	—	—	—	—
Total	—	3	—	4

(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 closing due diligence to determine the prices for conditional acquisition 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 of the Companies Act.

(4) Officer compensation, etc.

i. Policy for determining amounts of compensation, etc. for officers 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) and officers consists of fixed basic remuneration, an annual incentive that is determined in accordance with the degree of achievement for a single year, and a medium- to long-term incentive. For outside directors and audit and supervisory committee members, only fixed remuneration set for each role is paid. The percentages set for basic remuneration, an annual incentive, and a medium- to long-term incentive for the Company's directors are roughly 48%, 47%, and 5%, respectively, in the case of Representative Director and Chief Executive Officer. The percentage of incentives will become higher in proportion to the ranks of officers.

b-1. Basic 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 basic remuneration from the remuneration table.

b-2. Annual incentive

The achievement of a single-year consolidated ordinary profit and ROE target is set as a payment condition common to all executive directors and officers. An ordinary profit target in all businesses, financial performance figures for each area of execution and responsibility, and an individual assignment based on the degree of achievement of a strategic target, which cannot be measured by financial performance figures alone, are set as the standard of evaluation, with the annual incentive fluctuating within 0-180% of the performance based remuneration standard.

b-3. Medium- to long-term incentive

To improve performance and corporate value over the medium and long term and better share value with shareholders, shares with restrictions on transfer will be issued in advance by way of disposal of treasury shares in accordance with the amount set for each remuneration table, as an incentive to management based on a medium- to long-term perspective and as an incentive linked with the achievement of a single-year consolidated operating profit target.

c. Process of determining remuneration

c-1. The Company ensures the objectivity and transparency of its remuneration system for directors (excluding directors who are audit and supervisory committee members) and officers, and the remuneration amounts through consultation with the Corporate Governance Committee. Incentives for the Company's directors (excluding outside directors and directors who are audit and supervisory committee members) and officers are calculated in accordance with the remuneration system resolved at the Board of Directors meeting following consultation with the Corporate Governance Committee.

c-2. Remuneration for the Company's audit and supervisory committee members is decided 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 officer classification and compensation type, and number of recipients

Officer 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)	312	142	155	15	4
Directors (Audit and Supervisory Committee Members) (excluding Outside Directors)	25	25	—	—	1
Outside Officers	47	47	—	—	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.
5. The above table includes one director who was an audit and supervisory committee member (outside director) and retired at the conclusion of the 74th ordinary general meeting of shareholders held on June 23, 2021.

iii. Evaluation indicators and results of incentives in recent fiscal years

Of the Group’s incentives, the annual incentives consider 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 annual incentives for the fiscal year under review, was 11.5 billion yen, and the result was 14.13 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 and Officers 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	17	574
Other shares	5	3,665

(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	2	403	Acquisition of shares to strengthen business and to increase corporate value
Other shares	—	—	—

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

	Number of issues	Total balance sheet amount (Millions of yen)
Unlisted shares	—	—
Other shares	—	—

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

Issue	Fiscal year under review Number of shares (Thousands) Balance sheet amount (Millions of yen)	Previous fiscal year Number of shares (Thousands) Balance sheet amount (Millions of yen)	Purpose and quantitative effect of holding, and reason for increase in number of shares	Shares of the Company held
G-7 HOLDINGS Inc.	1,348	674	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. The increase in the number of shares is the effect of a 2-for-1 stock split with a record date of September 30, 2021.	Yes
	2,231	1,779		

Issue	Fiscal year under review Number of shares (Thousands) Balance sheet amount (Millions of yen)	Previous fiscal year Number of shares (Thousands) Balance sheet amount (Millions of yen)	Purpose and quantitative effect of holding, and reason for increase in number of shares	Shares of the Company held
KOITO MANUFACTURING CO., LTD.	213	213	The company is a supplier of the Group and its shares are held for the purpose of facilitating the Domestic AUTOBACS Business, such as the stable supply of in-store merchandise. 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.	Yes
	1,059	1,580		
SOFT99 corporation	187	187	The company is a supplier of the Group and its shares are held for the purpose of facilitating the Domestic AUTOBACS Business, such as the stable supply of in-store merchandise. 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.	Yes
	230	242		
I.A GROUP CORPORATION	36	36	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.	Yes
	122	123		
CAR MATE MFG. CO., LTD.	22	22	The company is a supplier of the Group and its shares are held for the purpose of facilitating the Domestic AUTOBACS Business, such as the stable supply of in-store merchandise. 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.	Yes
	20	19		

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, 2021 to March 31, 2022) and non-consolidated financial statements in Japanese for the fiscal year (from April 1, 2021 to March 31, 2022) 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	38,940	24,800
Notes and accounts receivable - trade	23,580	—
Notes receivable - trade	—	410
Accounts receivable - trade	—	25,432
Lease investment assets	4,912	4,270
Merchandise	*2 18,327	*2 21,516
Short-term loans receivable	163	263
Accounts receivable - other	21,965	25,778
Other	2,779	5,500
Allowance for doubtful accounts	(90)	(54)
Total current assets	110,578	107,917
Non-current assets		
Property, plant and equipment		
Buildings and structures	*2 43,151	*2 45,079
Accumulated depreciation	(31,191)	(32,493)
Buildings and structures, net	11,960	12,585
Machinery, equipment and vehicles	7,872	8,332
Accumulated depreciation	(4,436)	(5,145)
Machinery, equipment and vehicles, net	3,435	3,187
Tools, furniture and fixtures	11,178	11,527
Accumulated depreciation	(9,624)	(9,710)
Tools, furniture and fixtures, net	1,553	1,816
Land	*2 21,992	*2 24,529
Leased assets	606	857
Accumulated depreciation	(254)	(231)
Leased assets, net	352	626
Right-of-use assets	3,433	3,577
Accumulated depreciation of Right-of-use assets	(899)	(1,253)
Right-of-use assets, net	2,534	2,323
Construction in progress	257	199
Total property, plant and equipment	42,086	45,268
Intangible assets		
Goodwill	1,697	2,215
Software	3,400	4,080
Other	2,058	2,654
Total intangible assets	7,157	8,951
Investments and other assets		
Investment securities	*1 8,970	*1 8,710
Long-term loans receivable	204	44
Deferred tax assets	4,861	5,238
Guarantee deposits	13,008	12,744
Other	1,065	1,053
Allowance for doubtful accounts	(18)	(16)
Total investments and other assets	28,092	27,773
Total non-current assets	77,336	81,993
Total assets	187,914	189,910

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*2 13,845	*2 17,702
Short-term borrowings	*2 5,885	*2 1,724
Lease liabilities	694	692
Accounts payable - other	15,104	14,480
Income taxes payable	3,462	1,987
Contract liabilities	—	1,389
Other	7,584	8,818
Total current liabilities	46,577	46,795
Non-current liabilities		
Long-term borrowings	2,567	*2 4,917
Lease liabilities	3,519	3,429
Deferred tax liabilities	389	562
Provision for retirement benefits for directors (and other officers)	57	19
Retirement benefit liability	3,151	3,233
Asset retirement obligations	2,320	2,675
Other	5,499	5,385
Total non-current liabilities	17,503	20,223
Total liabilities	64,081	67,018
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,286	34,156
Retained earnings	61,359	59,442
Treasury shares	(7,747)	(7,016)
Total shareholders' equity	121,897	120,581
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,367	2,308
Foreign currency translation adjustment	505	1,065
Remeasurements of defined benefit plans	(1,590)	(1,406)
Total accumulated other comprehensive income	1,283	1,967
Non-controlling interests	653	342
Total net assets	123,833	122,892
Total liabilities and net assets	187,914	189,910

ii. Consolidated Statement of Income

(Millions of yen)

	74th fiscal term Apr. 1, 2020- Mar. 31, 2021	75th fiscal term Apr. 1, 2021- Mar. 31, 2022
Net Sales	220,449	*1 228,586
Cost of sales	147,160	151,436
Gross profit	73,288	77,150
Selling, general and administrative expenses	*2 62,711	*2 65,598
Operating profit	10,577	11,552
Non-operating income		
Interest income	52	52
Dividend income	55	78
Share of profit of entities accounted for using equity method	70	—
Commission income	47	56
Lease revenue - system equipment	692	643
Other	1,364	1,047
Total non-operating income	2,283	1,878
Non-operating expenses		
Interest expenses	65	76
Share of loss of entities accounted for using equity method	—	672
Lease cost - system equipment	638	578
Loss on retirement of non-current assets	119	130
Other	817	726
Total non-operating expenses	1,640	2,184
Ordinary profit	11,219	11,246
Extraordinary losses		
Impairment losses	*3 418	*3 238
Total extraordinary losses	418	238
Profit before income taxes	10,801	11,008
Income taxes - current	4,238	4,224
Income taxes - deferred	(747)	(234)
Total income taxes	3,490	3,990
Profit	7,311	7,018
Profit attributable to		
Profit attributable to owners of parent	7,050	7,010
Profit attributable to non-controlling interests	260	7

(Millions of yen)

	74th fiscal term Apr. 1, 2020- Mar. 31, 2021	75th fiscal term Apr. 1, 2021- Mar. 31, 2022
Other comprehensive income		
Valuation difference on available-for-sale securities	810	△54
Foreign currency translation adjustment	492	456
Remeasurements of defined benefit plans, net of tax	326	184
Share of other comprehensive income of entities accounted for using equity method	99	121
Total other comprehensive income	*4 1,728	*4 706
Comprehensive income	9,039	7,725
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,717	7,694
Comprehensive income attributable to non-controlling interests	322	30

iii. Consolidated Statement of Changes in equity
(April 1, 2020-March 31, 2021)

(Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,998	34,297	59,110	(7,771)	119,635
Changes during period					
Dividends of surplus			(4,793)		(4,793)
Profit attributable to owners of parent			7,050		7,050
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares			(7)	27	20
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		(11)			(11)
Net changes in items other than shareholders' equity					
Total changes during period	―	(11)	2,249	23	2,261
Balance at end of period	33,998	34,286	61,359	(7,747)	121,897

	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	1,550	(16)	(1,917)	(383)	714	119,966
Changes during period						
Dividends of surplus						(4,793)
Profit attributable to owners of parent						7,050
Purchase of treasury shares						(3)
Disposal of treasury shares						20
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						(11)
Net changes in items other than shareholders' equity	817	522	326	1,666	(61)	1,605
Total changes during period	817	522	326	1,666	(61)	3,867
Balance at end of period	2,367	505	(1,590)	1,283	653	123,833

(April 1, 2021-March 31, 2022)

(Unit: million 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

iv. Consolidated Statement of Cash Flows

(Unit: million yen)

	74th fiscal term Apr. 1, 2020- Mar. 31, 2021	75th fiscal term Apr. 1, 2021- Mar. 31, 2022
Cash flows from operating activities		
Profit before income taxes	10,801	11,008
Depreciation	3,859	4,160
Impairment losses	418	238
Amortization of goodwill	295	394
Increase (decrease) in allowance for doubtful accounts	(205)	(43)
Increase (decrease) in retirement benefit liability	396	324
Interest and dividend income	(107)	(130)
Interest expenses	65	76
Share of loss (profit) of entities accounted for using equity method	(70)	672
Loss (gain) on sale and retirement of non-current assets	110	101
Loss (gain) on sale of investment securities	8	—
Loss (gain) on valuation of investment securities	82	8
Decrease (increase) in trade receivables	(4,231)	(5,652)
Decrease (increase) in investments in leases	545	497
Decrease (increase) in inventories	2,574	(2,311)
Increase (decrease) in trade payables	1,351	3,440
Other, net	3,514	(1,571)
Subtotal	19,408	11,212
Interest and dividends received	128	145
Interest paid	(53)	(80)
Income taxes paid	(2,319)	(5,565)
Net cash provided by (used in) operating activities	17,163	5,712
Cash flows from investing activities		
Payments into time deposits	(12)	(12
Proceeds from withdrawal of time deposits	164	—
Purchase of property, plant and equipment and intangible assets	(3,996)	(6,300)
Proceeds from sale of property, plant and equipment and intangible assets	31	65
Purchase of investment securities	(35)	(403)
Proceeds from sale and redemption of investment securities	9	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(174)	*2 (1,078)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(141)	—
Purchase of shares of subsidiaries and associates	(1,079)	(24)
Loan advances	(326)	(100)
Proceeds from collection of loans receivable	13	163
Payments of guarantee deposits	(387)	(288)
Proceeds from refund of guarantee deposits	233	321
Other, net	(384)	(51)
Net cash provided by (used in) investing activities	(6,085)	(7,710)

(Unit: million yen)

	74th fiscal term Apr. 1, 2020- Mar. 31, 2021	75th fiscal term Apr. 1, 2021- Mar. 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,830	(5,356)
Proceeds from long-term borrowings	2,064	3,206
Repayments of long-term borrowings	(1,473)	(1,161)
Purchase of treasury shares	(0)	(3,000)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(378)	(690)
Dividends paid	(4,793)	(4,734)
Other, net	(557)	(563)
Net cash provided by (used in) financing activities	(309)	(12,300)
Effect of exchange rate change on cash and cash equivalents	82	145
Net increase (decrease) in cash and cash equivalents	10,851	(14,152)
Cash and cash equivalents at beginning of period	28,051	38,903
Cash and cash equivalents at end of period	*1 38,903	*1 24,751

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 29 companies

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

BACS Boots Co., Ltd. was consolidated in the fiscal year under review due to the Group's acquisition of shares of BACS Boots.

BACS Advance Co., Ltd. was consolidated in the fiscal year under review due to the acquisition of its shares of 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 AUTOBACS Keiyo Ltd. and Musashino AUTOBACS Ltd. due to the merger with AUTOBACS Kanto Sales Ltd., AUTOBACS Aichi Ltd. due to the merger with AUTOBACS Chubu Sales Ltd., Kyoto AUTOBACS Ltd. due to the merger with AUTOBACS Kansai Sales Ltd., AUTOBACS NAGASAKI, Ltd. and AUTOBACS FUKUOKA Ltd. due to the merger with AUTOBACS Minami-Nihon Sales Ltd.

2. Application of equity method

(1) Number of associate companies subject to equity method 15 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 included in the scope of application of the equity method due to the acquisition of its shares.

(2) The financial statements used for equity-method companies having a closing date different from the consolidated closing date are 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
SK AUTOMOBILE PTE. LTD.	December 31

Financial statements of these companies 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 year in accordance with the regulations of retirement benefits to directors.

(4) Accounting treatment method for retirement benefits

i. Method of attributing expected benefits to periods

In calculating retirement benefit obligations, the benefit formula standard is used as the method for attributing expected benefits up to the end of the consolidated fiscal year under review.

ii. Accounting for actuarial differences and past service costs

Past service costs are amortized as incurred by the straight line method over a fixed period within the average remaining service years of employees (mainly 10 years).

Actuarial differences are amortized by the straight-line method over a fixed period within the average remaining service years of employees (mainly 10 years), beginning with the following consolidated fiscal year.

iii. 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.

iv. Accounting for unrecognized actuarial differences and unrecognized past service costs

Unrecognized actuarial differences and unrecognized past service costs are shown as “Remeasurements of defined benefit plans” under “Accumulated other comprehensive income” in the net assets after adjusting for tax effects.

(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	33,328	35,425

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 was 33,328 million yen and comprised 17.7% of total assets for the precious consolidated fiscal year, and 35,425 million yen and comprise 18.6% of total assets for the consolidated fiscal year under review.

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 prediscounted 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 year 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 year under review

(Unit: million yen)

	For the previous consolidated fiscal year	For the consolidated fiscal year under review
Intangible assets	7,157	8,951
of which, goodwill	1,319	1,909
of which, other	1,351	1,974
Investment securities	8,970	8,710
of which, amount equivalent to goodwill included in investment securities	1,635	853

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 1,909 million yen, 1,974 million yen, and 853 million yen, respectively, and the total of 4,737 million yen comprises 2.4% 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 tend to increase. 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 year 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.

(Changes in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the consolidated fiscal year under review. Accordingly, it recognized revenue in the amount expected to be received in exchange for promised goods and services at points where control over such goods or services is transferred to customers. Major changes attributable to the application are as follows.

- Sales with a right of return

With respect to the sale of goods to customers, in the occurrence of returns under certain conditions, the Group had been reducing net sales and the cost of sales upon acceptance of such returns from the perspective of materiality. Now, instead of such handling, the Group has adopted a method in which net sales and amounts equivalent to the cost of sales are not recognized for goods that are expected to be returned.

- Agency transactions

Regarding the sales of maintenance parts, etc. and provision of maintenance services, etc. to customers, the Group had been recognizing the total amount of consideration received from customers as revenue. Now, for transactions in which the Group provides goods and services to customers as an agent, it decided to recognize net amounts, which are calculated by subtracting amounts to be paid to suppliers from amounts to be received from customers, as revenue.

- Consideration payable to a customer

The Group has changed its method of accounting for cash back and other consideration paid to customers, which was previously included in selling, general and administrative expenses, by reducing the amount of such consideration from the transaction price.

- Performance obligations satisfied at some point in time or over time

Regarding revenue related to the provision of certain maintenance and other services to customers, the Group had been applying a method in which revenue was recognized upon the conclusion of relevant agreements from the perspective of the materiality of the transaction. Now, it has been decided that revenue such as this will be recognized on a fixed amount basis either at a point where the various types of services are provided if the performance obligation is to provide services at a certain point in time such as changing tires or oil, or for the contract period of the warranty if the performance obligation is to provide repairs under warranty for a certain period of time.

Regarding the application of the Revenue Recognition Accounting Standard, etc., the Group followed the provisional measures prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. Accordingly, it adjusted retained earnings as of the beginning of the consolidated fiscal year under review to reflect the cumulative amount of impacts expected to be produced if new accounting policies had been applied prior to the beginning of the consolidated fiscal year under review. Starting with the balance of such retained earnings, the Group applied new accounting policies.

From the fiscal year under review, current assets included in notes and accounts receivable - trade in the consolidated balance sheet in the previous fiscal year are included in notes receivable - trade and accounts receivable - trade. However, in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the comparative information as the previous fiscal year using the new presentation.

As a result, in the consolidated balance sheet for the fiscal year under review, sales returns assets, refund liabilities and contract liabilities increased 1,179 million yen, 1,380 million yen and 1,389 million yen, respectively, compared to before the application of the Revenue Recognition Accounting Standards, etc. Sales returns assets are included in Other under current assets and refund liabilities are included in Other under current liabilities. In the consolidated statement of income and comprehensive income for the fiscal year under review, net sales, the cost of sales, and selling, general and administrative expenses decreased 5,187 million yen, 4,756 million yen and 525 million yen, respectively, while operating profit, ordinary profit and profit before income taxes all increased 94 million yen.

In the consolidated statement of cash flows for the fiscal year under review, profit before income taxes increased 94 million yen and the sum total of "other, net" in cash flows from operating activities decrease 94 million yen.

The initial balance of retained earnings in the consolidated statement of changes in equity decreased by 479 million yen due to the application of the cumulative effect to net assets as of the beginning of the fiscal year under review.

The effect on per-share information is stated in the relevant sections.

According to the transitional measures prescribed in paragraph 89-3 of the Revenue Recognition Accounting Standard, there are no notes on revenue recognition pertaining to the results of the previous consolidated fiscal year.

(Adoption of accounting standard for fair value measurement)

The Group has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the consolidated fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

In the notes on financial instruments, the Group has decided to add notes including those regarding a breakdown of the market value of financial instruments by market value level. In the note on a breakdown of financial instruments, a breakdown of financial instruments in the previous fiscal year is not included in accordance with the transitional procedures set out in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, July 4, 2019).

(Changes in presentation method)

(Consolidated balance sheet)

Income taxes refund receivable posted independently under current assets in the previous fiscal year has been included in accounts receivable - other beginning with the fiscal year under review due to a decrease in its financial materiality. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, 10 million yen included in “income taxes refund receivable” under current assets in the consolidated balance sheet in the previous fiscal year has been reclassified as “accounts receivable - other”.

(Notes to consolidated balance sheet)

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

	As of March 31, 2021	As of March 31, 2022
Investment securities (stock)	5,034	4,450

*2. Assets pledged as collateral and secured debt

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

	As of March 31, 2021	As of March 31, 2022
Merchandise	577	566
Buildings and structures	(Note) 215	462
Land	(Note) 506	219
Total	1,298	1,248

(Note) While a revolving mortgage of up to 800 million yen has been established against bank borrowings for buildings and structures valued 215 million yen and land valued 506 million yen, there was no applicable obligation as of the end of the previous fiscal year. This revolving mortgage has been terminated in the fiscal year under review.

Secured debt is as follows. (Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Accounts payable - trade	95	228
Short-term borrowings	666	766
Long-term borrowings	—	51
Total	762	1,046

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

*1. Revenue from contracts with customers

Net sales are not broken down into revenue from contracts with customers and other revenue. Information breaking down revenue from contracts with customers is provided in “Note (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, 2021	Fiscal year ended March 31, 2022
Employees’ salaries	24,337	25,131
Retirement benefit expenses	868	902
Rent expenses on land and buildings	4,523	4,712
Depreciation	3,518	3,791
Provision of allowance for doubtful accounts	0	2

*3. Impairment losses

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

Starting from the consolidated fiscal year under review, the Group changed one of its segment names, renaming the business previously called the “Car Dealership, BtoB and Internet Business” as the “Car Dealership, BtoB and Online Alliance Business” to ensure that the nature of the business is more properly reflected.

This is a change in segment name. It does not have any impact on the segment information.

In addition, the segment information for the previous consolidated fiscal year is presented under the altered name.

Previous fiscal year (April 1, 2020-March 31, 2021)

(1) Overseas Business

Use	Type	Place	Number of bases	Amount (Unit: million yen)
Store	Goodwill, right-of-use assets, buildings and structures, and others	France	3	202
Store	Right-of-use assets	Thailand	14	91
	Total		17	294

(2) Car Dealership, BtoB and Online Alliance Business

Use	Type	Place	Number of bases	Amount (Unit: million yen)
Idle assets	Machinery, equipment and vehicles, tools, furniture and fixtures	Southern Japan	1	64
	Total		1	64

(3) Other Business

Use	Type	Place	Number of bases	Amount (Unit: million yen)
Store	Buildings and structures, tools, furniture and fixtures	Kanto	1	60
	Total		1	60

The Group sets each store is as the basic unit, which is the smallest unit of the generation of cash flow, and classifies idle and lease assets independently.

If an asset group, of which the total value of future cash flows of stores and lease assets continuously incurring operating losses and idle assets no longer able to expect revenue initially forecasted, will inevitably fall below their book value, the book value is reduced to a recoverable amount. In the fiscal period under review, the amount of the decrease is posted as an impairment loss of 418 million yen as part of extraordinary losses.

The breakdown of the impairment loss is right-of-use assets of 172 million yen, goodwill of 101 million yen, machinery, equipment, and vehicles of 64 million yen, buildings and structures of 57 million, tools, furniture and fixtures of 20 million yen, and other of 2 million yen.

The recoverable amount of the asset group concerned is set, in principle, to its net sale value or value in use, whichever is higher.

The net sale value is zero, and the discount rate used for the calculation of the value in use is 10.13%. The sellable value of idle assets is assumed to be zero in the calculation.

The recoverable value of the cash-generating unit in France is calculated using fair value based on the International Financial Reporting Standards (IFRS). The fair value is measured through the income approach and the discount rate is 8.50%.

Fiscal year under review (April 1, 2020-March 31, 2021)

(1) Overseas Business

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

(2) 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%.

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Valuation difference on available-for-sale securities:		
Amount that occurred in the fiscal year under review	1,142	(78)
Reclassification adjustment	8	—
Before tax effect adjustment	1,150	(78)
Tax effect	(340)	24
Valuation difference on available-for-sale securities	810	(54)
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	492	456
Reclassification adjustment	—	—
Before tax effect adjustment	492	456
Tax effect	—	—
Foreign currency translation adjustment	492	456
Remeasurements of defined benefit plans, net of tax:		
Amount that occurred in the fiscal year under review	140	(50)
Reclassification adjustment	329	315
Before tax effect adjustment	470	264
Tax effect	(143)	(80)
Remeasurement account of defined benefit plans	326	184
Share of other comprehensive income of entities accounted for using equity method:		
Amount that occurred in the fiscal year under review	99	121
Reclassification adjustment	—	—
Share of other comprehensive income of entities accounted for using equity method	99	121
Other comprehensive income	1,728	706

(Notes to consolidated statement of changes in equity)

Fiscal year ended March 31, 2021

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	84,050	—	—	84,050
Total	84,050	—	—	84,050
Treasury shares				
Common stock (Notes 1, 2)	4,199	2	14	4,187
Total	4,199	2	14	4,187

(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 1 thousand shares held by equity method companies.

2. The 14,000-share decrease in the number of treasury shares of common stock resulted from a 14,000-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, 2020	Common stock	2,396	30	March 31, 2020	June 24, 2020
Meeting of Board of Directors on October 30, 2020	Common stock	2,397	30	September 30, 2020	November 25, 2020

(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, 2021	Common stock	2,397	Retained earnings	30	March 31, 2021	June 24, 2021

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

(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, 2021	Fiscal year ended March 31, 2022
Cash and deposits	38,940	24,800
Time deposits whose deposit term exceeds 3 months	(37)	(49)
Cash and cash equivalents	38,903	24,751

*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, 2021		
	Amount equivalent to purchase price	Amount equivalent to accumulated depreciation	Amount equivalent to balance at end of period
Buildings and land (Note)	1,480	1,011	468
Total	1,480	1,011	468

(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

(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, 2021	As of March 31, 2022
Amount equivalent to balance of prepaid lease expenses at end of period		
Within 1 year	66	69
More than 1 year	529	459
Total	595	529

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
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, 2021	As of March 31, 2022
Within 1 year	3,164	3,120
More than 1 year	15,079	16,009
Total	18,244	19,129

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, 2021	As of March 31, 2022
Portion of lease payments receivable	5,511	4,757
Amount equivalent to interest income	(618)	(499)
Amount equivalent to asset retirement obligations	19	11
Investments in leases	4,912	4,270

(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, 2021					
	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	1,205	995	832	668	548	1,260

(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

2. Operating lease transactions

Noncancelable future operating lease payments

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Within 1 year	4,034	3,962
More than 1 year	21,462	19,157
Total	25,496	23,119

(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 Chain franchisees associated companies, etc. and expose the Group to credit risks of the individual franchisees 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 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 30 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

In relation to the individual types of financial instruments employed by the Group, the followings are their values recognized in the Consolidated Balance Sheet as of March 31, 2021, their market values and differences between the two types of figures.

As of March 31, 2021

	Value Recognized in Consolidated Balance Sheet (Unit: million yen)	Market Value (Unit: million yen)	Difference (Unit: million yen)
(1) Notes and accounts receivable - trade	23,580		
Allowance for doubtful accounts *2	(71)		
	23,508	23,508	(0)
(2) Lease investment assets *3	4,892	5,503	610
(3) Investment securities *4	4,908	4,381	(527)
(4) Long-term loans receivable *5	367	378	10
(5) Guarantee deposits	13,008	12,888	(119)
Total assets	46,686	46,660	(26)
(6) Long-term loans payable*6	2,786	2,785	(0)
(7) Lease obligations*7	4,214	4,363	149
Total liabilities	7,000	7,149	149

*1 "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.

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

*3 The difference between the lease investment asset under the value recognized in Consolidated Balance Sheet and the lease investment assets on Consolidated Balance Sheet is 19 million yen, which is equivalent to the amount included in the total amount of asset retirement obligations.

*4. The financial instruments below are not included in (3) Investment securities because they do not have market prices and it is very difficult to determine their fair value. The said financial instrument's consolidated balance sheet amount is as follows.

Category	Value Recognized in Consolidated Balance Sheet (Unit: million yen)
Unlisted securities	4,061

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

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

*7 Current portion of lease obligations is included.

As of March 31, 2022

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

*1 “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.

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

*3 The difference between the lease investment asset under the value recognized in Consolidated Balance Sheet and the lease investment assets on Consolidated Balance Sheet is 11 million yen, which is equivalent to the amount included in the total amount of asset retirement obligations.

*4 Shares, etc. without market prices are not included in “(3) Investment securities.” The carrying amount of these financial instruments on the consolidated balance sheet is as follows

Category	Value Recognized in Consolidated Balance Sheet (Unit: million yen)
Unlisted securities	3,837

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

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

*7 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, 2021 (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	38,940	―	―	―
Notes and accounts receivable - trade	17,261	5,747	571	―
Investments in leases	1,039	2,698	1,058	96
Short-term loans receivable	0	―	―	―
Accounts receivable - other	21,954	―	―	―
Long-term loans receivable	163	192	12	―
Guarantee deposits	2,150	4,652	4,759	1,446
Total	81,509	13,291	6,401	1,542

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

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

As of March 31, 2021 (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	5,666	—	—	—	—	—
Long-term borrowings	218	787	1,189	193	197	200
Lease liabilities	694	646	605	485	465	1,316
Total	6,580	1,434	1,794	679	662	1,516

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

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, 2021

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

(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

(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, 2021 (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	3,752	458	3,293
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	3,752	458	3,293
Other securities whose book carrying amount on the consolidated balance sheets do not exceed the acquisition cost	(1) Stocks	10	11	(1)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	10	11	(1)
Total		3,762	470	3,291

(Note) 1. Unlisted shares (the consolidated balance sheet amount of which is 174 million yen) do not have a market value, and determining their fair value is very difficult. They are not therefore included in "Other" in the table above.

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.

2. Available-for-sale securities that were sold

Fiscal year ended March 31, 2021 (Millions of yen)

Type	Sale price	Total profit on sale	Total loss on sale
(1) Stocks	9	—	8
(2) Bonds	—	—	—
(3) Other	—	—	—
Total	9	—	8

Fiscal year ended March 31, 2022

Not applicable.

(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.

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, 2021	Fiscal year ended March 31, 2022
Defined benefit obligation at beginning of fiscal year	2,994	2,901
Service costs	167	163
Interest costs	6	6
Amount of net actuarial gain/loss	(140)	50
Retirement benefits paid	(126)	(207)
Defined benefit obligation at end of fiscal year	2,901	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, 2021	Fiscal year ended March 31, 2022
Retirement benefit liabilities at beginning of fiscal year	243	249
Retirement benefit expenses	62	75
Retirement benefits paid	(43)	(30)
Increase due to new consolidation	—	21
Decrease due to exclusion from consolidation	(16)	—
Other	2	2
Retirement benefit liabilities at end of fiscal year	249	318

(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, 2021	As of March 31, 2022
Defined benefit obligation for unfunded plan	3,151	3,233
Net amount of retirement benefit liability and asset on the consolidated balance sheets	3,151	3,233
Retirement benefit liability	3,151	3,233
Net amount of retirement benefit liability and asset on the consolidated balance sheets	3,151	3,233

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Service costs	167	163
Interest costs	6	6
Amortization of prior service costs	329	315
Retirement benefit expenses calculated using the simplified method	62	75
Other	―	17
Net periodic benefit cost of defined benefit plan	566	578

(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, 2021	Fiscal year ended March 31, 2022
Prior service costs	(224)	(224)
Actuarial gains and losses	(246)	(40)
Total	(470)	(264)

(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, 2021	As of March 31, 2022
Unrecognized prior service costs	1,544	1,320
Unrecognized actuarial gains and losses	743	703
Total	2,288	2,023

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

Basis of major actuarial calculations

	As of March 31, 2021	As of March 31, 2022
Discount rate	0.2%	0.2%
Forecasted rate of pay raise	1.2 - 2.5%	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 270 million yen for the previous fiscal year (from April 1, 2020, through March 21, 2021) and 266 million yen for the fiscal year under review (from April 1, 2021, through March 31, 2022).

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 55 million yen in the previous fiscal year (April 1, 2020, through March 31, 2021) and 57 million yen in the fiscal year under review (April 1, 2021, through March 31, 2022).

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

	As of June 30, 2020	As of June 30, 2021
Plan assets	50,274	62,838
Actuarial liabilities for pension financing calculation	49,084	61,220
Difference	1,189	1,617

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

Fiscal year ended March 31, 2021 0.4%

Fiscal year ended March 31, 2022 0.3%

(3) Supplementary explanation

Major factors of the above (1) include general reserves (986 million yen in the previous fiscal year and 1,189 million yen in the fiscal year under review) and yearly surplus funds (203 million yen for the previous fiscal year and 428 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, 2021	As of March 31, 2022
Deferred tax assets		
Elimination of unrealized profits	524	581
Denial of accounts payable-other	396	558
Denial of accrued bonuses	370	412
Enterprise taxes payable	219	185
Valuation loss on goods currently not deductible	209	214
Amount allocated to rebate on merchandise purchase currently not deductible	100	142
Non-deductible allowance for doubtful accounts	76	7
Non-deductible lease cost	1,684	1,743
Non-deductible depreciation expenses	318	218
Impairment losses	3,480	3,415
Denial of loss on valuation of investment securities	122	125
Denial of provision for retirement benefits for directors (and other officers)	15	8
Retirement benefit liability	954	760
Denial of asset retirement obligations	707	815
Difference in revenue recognition for tax purposes	-	839
Tax losses carried forward (Note)	1,903	1,896
Other	433	381
Subtotal of deferred tax assets	11,517	12,306
Valuation allowance related to tax losses carried forward (Note)	(1,626)	(1,567)
Valuation allowance related to deductible temporary differences	(2,992)	(2,850)
Valuation allowance subtotal	(4,619)	(4,417)
Total deferred tax assets	6,897	7,889
Deferred tax liabilities		
Removal expenses for asset retirement obligations	(7)	(3)
Reserve for tax purpose reduction entry of assets	(349)	(349)
Retained earnings of equity-method companies	(556)	(549)
Valuation difference on available-for-sale securities	(930)	(906)
Difference in revenue recognition for tax purposes	-	(661)
Other	(581)	(743)
Total deferred tax liabilities	(2,425)	(3,213)
Net deferred tax assets	4,472	4,675

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

As of March 31, 2021 (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)	-	21	203	100	82	1,496	1,903
Valuation allowance	-	(9)	(60)	(43)	(60)	(1,453)	(1,626)
Deferred tax assets	-	12	142	56	22	42	(*2) 277

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

(*2) Deferred tax assets of 277 million yen is posted for tax losses carried forward of 1,903 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, 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	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.

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, 2021	As of March 31, 2022
Statutory tax rate	30.5%	30.5%
(Adjustment)		
Items that are not permanently deductible, such as entertainment expenses	1.6	1.2
Items that are not permanently included in profits, such as dividend income	(0.1)	(0.0)
Inhabitant tax on per capita basis, etc.	0.8	0.9
Valuation allowance	(2.5)	0.0
Amortization of goodwill	1.2	3.4
Other	0.8	0.3
Percentage of effective income tax rate after the application of tax effect accounting	32.3	36.2

(Business combination by acquisition)

At the Board of Directors' meeting of Autobacs Seven Co., Ltd. (the “Company”) held on February 26, 2021, the Board approved the acquisition by AUTOBACS DEALER GROUP HOLDINGS Co., Ltd. (the “Subsidiary”), a wholly owned subsidiary of the Company, of all shares in TA Import Co., Ltd. (company name changed to BACS Advance Co., Ltd.) and made it a subsidiary (second-tier subsidiary of the Company). The subsidiary entered into a share transfer agreement on the same date as the said approval and acquired all shares on April 1, 2021.

1. Outline of business combination

(1) Name and business of acquired company

Name of acquired company: TA Import Co., Ltd.

Business: Sales of new and certified pre-owned Audi cars and services

(2) Major reason for business combination

The Autobacs Group has been implementing a range of measures as part of its efforts to build the multi-dealer network under its Five-year Rolling Plan.

The Company will seize the opportunity to have contact with more customers and aim to further expand its earnings by building a network with a new automobile manufacturer associated with the conversion of TA Import Co., Ltd. into a second-tier subsidiary

(3) Date of business combination

April 1, 2021

(4) Legal form of business combination

Acquisition of shares

(5) Company name after combination

BACS Advance Co., Ltd.

(6) Voting rights acquired through business combination

100%

(7) Main grounds for determining acquiring company

The subsidiary acquired the shares in exchange for cash.

2. Period of the acquired company’s results included in the consolidated financial statements

From April 1, 2021 to March 31, 2022

3. Acquisition cost and breakdown by class of consideration

Consideration for acquisition	Cash	1,127 million yen
Acquisition cost		1,127 million yen

4. Details and amounts of main acquisition-related costs

Fees and commissions for advisory services

5. Amount, reason for recognition, and period and method of amortization of goodwill

(1) Amount of goodwill

73 million yen

(2) Reason for recognition of goodwill

Future excess earning power expected from future business development of BACS Advance Co., Ltd.

(3) Period and method of amortization of goodwill

Straight-line method over 10 years

6. Total amounts and principal breakdowns of assets received and liabilities assumed on the effective date of the business combination

Current asset	1,214	million yen
Non-current assets	1,785	million yen
Total assets	3,000	million yen
Current liabilities	996	million yen
Non-current liabilities	949	million yen
Total liabilities	1,946	million yen

7. The amount that has been allocated to intangible assets other than goodwill, the breakdown thereof by major type, and the weighted average amortization period for the entirety thereof and that by major type

Type	Amount	Amortization period
Sales rights	744 million yen	20 years

(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, 2021	Fiscal year ended March 31, 2022
Balance at beginning of fiscal year	2,242	2,320
Increase due to purchases of property, plant and equipment	54	35
Adjustment due to passage of time	25	26
Change due to fulfillment of asset retirement obligations	(10)	(3)
Increase (decrease) in other items	8	295
Balance at end of fiscal year	2,320	2,675

(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)

	Consolidated fiscal year under review
Contract liabilities (beginning balance)	1,243
Contract liabilities (ending balance)	1,389

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 621 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)

	Consolidated fiscal year under review
Within one year	772
Over one year and within two years	422
Over two years and within three years	108
Over three years	86
Total	1,389

(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 and operates online and brick-and-mortar stores.

(Changes in segment names)

Starting from the consolidated fiscal year under review, the Group changed one of its segment names, renaming the business previously called the "Car Dealership, BtoB and Internet Business" as the "Car Dealership, BtoB and Online Alliance Business" to ensure that the nature of the business is more properly reflected.

This is a change in segment name. It does not have any impact on the segment information.

In addition, the segment information for the previous consolidated fiscal year is presented under the altered name.

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).

(Adoption of Accounting Standard for Revenue Recognition, etc.)

As described in (Changes in accounting policies), the Company adopted the Revenue Recognition Accounting Standard, etc. and changed accounting methods for revenue recognition at the beginning of the fiscal year under review. Reflecting this change, it modified the method for the measurement of profits and losses of its business segments.

As a result, during the consolidated fiscal year under review, when compared to those compiled with the previous method, net sales decreased 4,305 million yen in the Domestic AUTOBACS Business, while segment profit increased 101 million yen. Meanwhile, net sales decreased 882 million yen in the Car Dealership, BtoB and Online Alliance Business while segment profit decreased 7 million yen.

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

Fiscal year ended March 31, 2021

(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		
Sales							
Revenues from external customers	175,285	9,625	32,683	2,855	220,449	—	220,449
Transactions with other segments	2,652	452	8,724	616	12,445	(12,445)	—
Total	177,937	10,077	41,408	3,471	232,894	(12,445)	220,449
Segment profit (loss)	18,756	(172)	(287)	(518)	17,779	(7,201)	10,577
Assets	94,293	13,171	19,797	26,963	154,226	33,688	187,914
Other items							
Depreciation	2,194	646	403	280	3,525	283	3,808
Amortization of goodwill	72	120	102	—	295	—	295
Investments in entities accounted for using equity method	2,274	1,815	864	—	4,953	80	5,034
Increase in property, plant and equipment and intangible assets	1,864	192	1,271	379	3,708	287	3,996

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

(1) The amount (7,201) 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 33,688 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 283 million yen of “Reconciling items” of Depreciation is the depreciation for the corporate administrative assets. The amount 80 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 287 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, 2022

(Millions of yen)

	Reportable segments					Reconciling items (Notes1)	Amount recognized in consolidated statement of income (Notes2)
	Domestic AUTOBACS Business	Overseas Business	Car Dealership, BtoB and Online Alliance Business	Other Business	Total reportable segments		
Net Sales							
Revenue from contracts with customers	173,167	10,763	39,042	3,267	226,241	－	226,241
Other revenue	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.

Related information

Fiscal year ended March 31, 2021

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, 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.

Impairment loss by reportable segment

Fiscal year ended March 31, 2021

(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	—	294	64	60	418	—	418

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

Amortization and balance of goodwill by reportable segment

Fiscal year ended March 31, 2021

(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	120	102	—	295	—	295
Balance at end of period	378	965	353	—	1,697	—	1,697

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

Gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2021

Not applicable.

Fiscal year ended March 31, 2022

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, 2021

Not applicable.

For the fiscal year ended March 31, 2022

Not applicable.

(Per share information)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Book value per share	¥1,542.40	¥1,572.48
Earnings per share	¥88.28	¥89.17

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

2. As described in Changes in Accounting Policies, the Company applied the Revenue Recognition Accounting Standard, etc. (ASBJ Statement No. 29 dated March 31, 2020) and followed the transitional measures prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. Consequently, net assets per share decreased 5.32 yen and net income per share increased 0.84 yen during the fiscal year under review.

3. The basis of calculating net income per share is as follows.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	¥7,050	¥7,010
Amount not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common stock (Millions of yen)	¥7,050	¥7,010
Average number of common stock (Thousands of shares)	79,859	78,620

(Significant subsequent events)

Effective April 1, 2022, the Company has partially abolished the current 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) to terminate the lump-sum retirement benefit plan. As a result, the Company plans to record an extraordinary income of 891 million yen in the next consolidated fiscal term.

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	5,666	740	1.76	—
Current portion of long-term borrowings	218	983	0.41	—
Current portion of lease liabilities	694	692	1.71	—
Long-term borrowings (excluding current portion of long-term borrowings)	2,567	4,917	0.47	From 2023 to 2030
Lease liabilities (excluding the current portion of Lease liabilities)	3,519	3,429	1.55	From 2023 to 2052
Other interest-bearing debt	—	—	—	—
Total	12,667	10,763	—	—

(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	¥1,217	¥216	¥217	¥3,219
Lease obligations	¥651	¥524	¥494	¥461

Schedule of asset retirement obligations

This information is omitted since it is provided in “ASSET RETIREMENT OBLIGATIONS.”

(2) Other

Quarterly financial information for the fiscal year ended March 31, 2022 (unaudited)

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Full year
Operating revenue (Millions of yen)	52,283	103,551	171,937	228,586
Profit before income taxes (Millions of yen)	1,708	3,083	9,443	11,008
Profit attributable to owners of parent (Millions of yen)	1,078	1,888	6,158	7,010
Earnings per share (Yen)	13.50	23.82	78.11	89.17

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Earnings per share (Yen)	13.50	10.29	54.79	10.93

2. Non-Consolidated Financial Statements, etc.

(1) Non-Consolidated Financial Statements

i. Non-Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
(Assets)		
Current assets		
Cash and deposits	31,139	15,978
Accounts receivable - trade	12,769	14,947
Lease investment assets	6,312	5,704
Merchandise	6,783	8,238
Prepaid expenses	1,050	1,796
Short-term loans receivable	11,601	9,035
Accounts receivable - other	8,053	10,741
Other	1,202	3,462
Allowance for doubtful accounts	△14	△5
Total Current assets	*1 78,897	*1 69,897
Non-current assets		
Property, plant and equipment		
Buildings	6,672	6,474
Structures	760	714
Machinery and equipment	2,379	2,061
Vehicles	254	249
Tools, furniture and fixtures	715	823
Land	20,504	22,822
Construction in progress	190	44
Total Property, plant and equipment	31,477	33,190
Intangible assets		
Leasehold right	641	621
Software	2,870	3,465
Other	13	9
Total Intangible assets	3,524	4,095
Investments and other assets		
Investment securities	3,919	4,240
Shares of subsidiaries and associates	20,466	20,395
Long-term loans receivable from subsidiaries and associates	7,507	9,157
Long-term prepaid expenses	516	459
Deferred tax assets	2,572	2,762
Guarantee deposits	12,301	11,992
Other	213	206
Allowance for doubtful accounts	△12	△12
Total Investments and other assets	47,484	49,202
Total Non-current assets	*1 82,486	*1 86,487
Total Assets	161,384	156,385

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
(Liabilities)		
Current liabilities		
Accounts payable - trade	11,755	15,108
Short-term loans payable	5,000	750
Lease obligations	144	129
Accounts payable - other	4,224	3,510
Accrued expenses	1,712	1,449
Income taxes payable	2,440	1,217
Contract liabilities	—	1,271
Deposits received	9,152	4,007
Unearned revenue	797	805
Other	82	1,734
Total Current liabilities	*1 35,310	*1 29,985
Non-current liabilities		
Long-term loans payable	1,600	4,000
Lease obligations	773	894
Provision for retirement benefits	613	891
Long-term guarantee deposited	5,643	5,490
Asset retirement obligations	1,118	1,201
Other	10	8
Total Non-current liabilities	*1 9,757	*1 12,485
Total Liabilities	45,068	42,470
(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	797
General reserves	46,350	36,350
Retained earnings brought forward	4,259	11,180
Total Retained earnings	53,368	50,289
Treasury shares	(7,691)	(6,957)
Total Shareholders’ equity	113,953	111,608
Valuation and translation adjustments		
Valuation and translation adjustments	2,362	2,306
Valuation difference on available-for-sale securities	2,362	2,306
Total Net Assets	116,315	113,914
Total Liabilities and Net Assets	161,384	156,385

ii. Non-Consolidated Statement of Income

(Unit: million yen)

	74th fiscal term Apr. 1, 2020- Mar. 31, 2021	75th fiscal term Apr. 1, 2021- Mar. 31, 2022
Net Sales	*1 155,082	*1 155,957
Cost of sales	*1 120,063	*1 119,299
Gross profit	35,018	36,658
Selling, general and administrative expenses	*1, *2 28,313	*1, *2 28,968
Operating profit	6,704	7,689
Non-operating income		
Interest income	133	140
Dividend income	753	1,033
Commission income	21	32
Lease revenue - system equipment	1,068	1,009
Other	729	561
Total non-operating income	*1 2,705	*1 2,777
Non-operating expenses		
Interest expenses	17	11
Lease cost - system equipment	983	906
Other	444	510
Total Non-operating expenses	*1 1,444	*1 1,428
Ordinary profit	7,965	9,038
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	66	62
Total Extraordinary income	66	*1 62
Extraordinary losses		
Impairment loss	60	159
Loss on valuation of shares of subsidiaries and associates	267	495
Loss on liquidation of subsidiaries and associates	322	—
Total extraordinary losses	*1 650	655
Profit before income taxes	7,381	8,444
Income taxes – current	2,747	2,650
Income taxes – deferred	(452)	14
Total Income taxes	2,295	2,665
Profit	5,086	5,779

iii. Non-Consolidated Statement of Changes in Equity
(April 1, 2020-March 31, 2021)

(Unit: million yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings						
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings					Total retained earnings
					Reserve for business expansion	Reserve for reduction entry of assets	Reserve for special depreciation	General reserves	Retained earnings brought forward	
Balance at beginning of current period	33,998	34,278	34,278	1,296	665	797	25	46,350	3,947	53,082
Changes of items during period										
Dividends of surplus									(4,793)	(4,793)
Profit									5,086	5,086
Reversal of reserve for reduction entry of assets						(0)			0	–
Reversal of reserve for special depreciation							(25)		25	–
Purchase of treasury shares										
Disposal of treasury shares									(7)	(7)
Net changes of items other than shareholders' equity										
Total changes of items during period	–	–	–	–	–	(0)	(25)	–	311	285
Balance at end of current period	33,998	34,278	34,278	1,296	665	797	–	46,350	4,259	53,368

	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	(7,718)	113,641	1,553	1,553	115,194
Changes of items during period					
Dividends of surplus		(4,793)			(4,793)
Profit		5,086			5,086
Reversal of reserve for reduction entry of assets		–			–
Reversal of reserve for special depreciation		–			–
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	27	20			20
Net changes of items other than shareholders' equity			809	809	809
Total changes of items during period	26	312	809	809	1,121
Balance at end of current period	(7,691)	113,953	2,362	2,362	116,315

Non-Consolidated Statement of Changes in Equity (April 1, 2021-March 31, 2022)

(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	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

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

(1) 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.

(2) Provision for retirement benefits

In order to prepare for the payment of retirement benefits, the Company provides a provision for retirement benefits based on the projected amount of retirement benefit obligations at the end of the fiscal year under review.

Past service costs are amortized as incurred by the straight line method over a fixed period within the average remaining service years of employees (10 years).

Actuarial differences are amortized by the straight-line method over a fixed period within the average remaining service years of employees (10 years), beginning with the following fiscal term.

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.

6. Other basic matters for preparation of the Non-Consolidated Financial Statements

Regarding accounting treatment for retirement benefits, the methods of accounting treatment of actuarial differences and unrecognized past service costs related to retirement benefits are different from the method used in the consolidated financial statements.

(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, 2021	As of March 31, 2022
Property, plant and equipment	30,157	31,851

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, 2021	As of March 31, 2022
Shares of subsidiaries and associates	14,434	14,336

ii. Other information that may help the users of non-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 14,336 million yen and comprises 9.1% of total assets.

The Company acquires businesses other than the Domestic AUTOBACS Business at prices reflecting excess earning power, and the resulting shares of subsidiaries and associates tend to increase.

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 estimate, Impairment of property, plant and equipment and intangible assets, (2) Valuation of goodwill, etc. of businesses other than the Domestic AUTOBACS Business.

Notes on Changes in Accounting Policies

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the fiscal year under review. Accordingly, it recognized revenue in the amount expected to be received in exchange for promised goods and services at points where control over such goods or services is transferred to customers. Major changes attributable to the application are as follows.

- Sales with a right of return

With respect to the sale of goods to customers, in the occurrence of returns under certain conditions, the Company had been reducing net sales and the cost of sales upon acceptance of such returns from the perspective of materiality. Now, instead of such handling, the Company has adopted a method in which net sales and amounts equivalent to the cost of sales are not recognized for goods that are expected to be returned.

- Agency transactions

Regarding the sales of maintenance parts, etc. to customers, the Company had been recognizing the total amount of consideration received from customers as revenue. Now, for transactions in which the Company provides goods to customers as an agent, it decided to recognize net amounts, which are calculated by subtracting amounts to be paid to suppliers from amounts to be received from customers, as revenue.

- Consideration paid to customers

The Company has changed its method of accounting for cash back and other consideration paid to customers, which was previously included in selling, general and administrative expenses, by reducing the amount of such consideration from the transaction price.

- Performance obligations satisfied at some point in time or over time

Regarding revenue related to the provision of certain maintenance and other services to customers, the Company had been applying a method in which revenue was recognized upon the conclusion of relevant agreements from the perspective of the materiality of the transaction. Now, it has been decided that revenue such as this will be recognized on a fixed-amount basis either at a point where the various types of services are provided if the performance obligation is to provide services at a certain point in time such as changing tires or oil, or for the contract period of the warranty if the performance obligation is to provide repairs under warranty for a certain period of time.

Regarding the application of the Revenue Recognition Accounting Standard, etc., the Company followed the provisional measures prescribed in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard.

Accordingly, it adjusted retained earnings as of the beginning of the fiscal year under review to reflect the cumulative amount of impacts expected to be produced if new accounting policies had been applied prior to the beginning of the fiscal year under review. Starting with the balance of such retained earnings, the Company applied new accounting policies.

As a result, in the non-consolidated balance sheet for the fiscal year under review, sales returns assets, refund liabilities and contract liabilities increased 1,375 million yen, 1,600 million yen and 1,271 million yen, respectively, compared to before the application of the Revenue Recognition Accounting Standards, etc. "Sales returns assets" are included in "Other" under "Current assets" and "Refund liabilities" are included in "Other" under "Current liabilities."

In the non-consolidated statement of income for the fiscal year under review, net sales, the cost of sales, and selling, general and administrative expenses decreased 5,585 million yen, 5,457 million yen and 231 million yen, respectively, while operating profit, ordinary profit and profit before income taxes all increased 102 million yen.

The initial balance of retained earnings in the non-consolidated statement of changes in equity decreased by 410 million yen due to the application of the cumulative effect to net assets as of the beginning of the fiscal year under review.

(Adoption of Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

This does not affect the non-consolidated financial statements.

(Matters related to balance sheet)

*1 Monetary claims and debt related to Group companies (except specified separately)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Short-term Monetary claims	19,811	17,897
Long-term Monetary claims	2	2
Short-term Monetary debt	10,382	5,557
Long-term Monetary debt	1,360	1,304

2 Guarantee obligation

(1) The Company has guarantee obligations for debt owned by the following subsidiaries (Millions of yen)

Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
Autoplatz K.K.・Motoren Tochigi Corp.・CAP Style Co., Ltd.	171	Autoplatz K.K.・Motoren Tochigi Corp.・CAP Style Co., Ltd.・BACS Advance Co., Ltd.	360

(2) The Company has guarantee obligations for borrowings owned by the following subsidiaries (Millions of yen)

Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
Autoplatz K.K.・Motoren Tochigi Corp.	666	Autoplatz K.K.・Motoren Tochigi Corp.	740

3 Lending commitment

Unexecuted balance of lending commitment is as follows (Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Total lending commitment	26,880	28,120
Executed balance	10,901	10,805
Balance	15,978	17,314

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)

	74th fiscal term Apr. 1, 2020- Mar. 31, 2021	75th fiscal term Apr. 1, 2021- Mar. 31, 2022
Amount of business transactions		
Net Sales	60,419	62,472
Purchase	9,390	10,089
Other business transactions	2,806	2,683
Amount of non-business transactions	2,135	2,176

*2. Selling expenses accounted for approximately 33.0% and 34.1% of total selling, general and administrative expenses in fiscal 2021 and fiscal 2022 respectively while the share of general and administrative expenses was 67.0% in fiscal 2021 and 65.9% in fiscal 2022.

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

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Employees' salaries	9,006	8,752
Advertising expenses	1,301	1,891
Freight/storage fees paid	3,127	3,294
Supplies expenses for sales promotion	1,569	1,271
Rent expenses on land and buildings	1,239	1,231
Depreciation	1,694	1,778
Information processing expenses	1,826	1,888
Commission expenses	2,362	2,678

(Notes to securities)

Shares of subsidiaries and associates

Fiscal year ended March 31, 2021 (Millions of yen)

Classification	Balance sheet amount	Fair value	Difference
Shares in subsidiaries	—	—	—
Shares in associated companies	364	618	253
Total	364	618	253

(Note) The fair values of the shares of subsidiaries and associated companies as stated on the balance sheet are not described because they are extremely difficult to determine.

Classification	Fiscal year ended March 31, 2021 (Millions of yen)
Shares in subsidiaries	17,014
Shares in associated companies	3,087

The fair values of the shares of subsidiaries and associated companies are not included in the above table due to the absence of their market values resulting in extreme difficulty in determining their fair values.

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
合計	364	520	155

(Note) Balance sheet amount of shares, etc. whose fair values are very difficult to estimate not included in the above.

Classification	As of March 31, 2022 (Millions of yen)
Shares in subsidiaries	17,414
Shares in associated companies	2,616

(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, 2021	As of March 31, 2022
Deferred tax assets		
Rejection of accounts payable-other	336	488
Enterprise tax payable	154	129
Rejection of valuation losses of merchandise	144	118
Excess of loss entries from allowance for doubtful accounts	8	5
Rejection of allocation of rebates on merchandise	8	10
Excess of the allowable limit of deductible lease costs	1,346	1,400
Excess of loss entries from allowance for depreciation	435	392
Impairment loss	2,058	2,057
Rejection of loss on valuation of shares of subsidiaries and associates	3,838	3,989
Rejection of valuation losses of investment securities	122	125
Rejection of credit transfer losses	973	973
Rejection of provision for retirement benefits	187	84
Rejection of asset retirement obligations	343	366
Difference in revenue recognition for tax purposes	-	876
Others	256	240
Sub-total deferred tax assets	10,214	11,260
Valuation-related provision	(6,275)	(6,435)
Total deferred tax assets	3,938	4,824
Deferred tax liabilities		
Reserve for reduction entry of assets	(349)	(349)
Valuation difference on available-for-sale securities	(928)	(903)
Difference in revenue recognition for tax purposes	-	(727)
Others	(87)	(81)
Total deferred tax liabilities	(1,365)	(2,061)
Net deferred tax assets	2,572	2,762

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

	Fiscal year ended March 31, 2021	As of March 31, 2022
Statutory tax rate (Adjustment) Items that are not permanently deductible, such as entertainment expenses Items that are not permanently included in profits, such as dividend income Inhabitant tax on per capita basis, etc. Valuation allowance Other Percentage of effective income tax rate after the application of tax effect accounting	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.	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.

(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)

Effective April 1, 2022, the Company has partially abolished the current 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) to terminate the lump-sum retirement benefit plan.

As a result, the Company plans to record an extraordinary income of 891 million yen in the next fiscal term.

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	20,118	481	166	666	20,433	13,959
	Structures	3,562	80	61	126	3,581	2,866
	Machinery and equipment	4,828	5	0	322	4,833	2,771
	Vehicles	653	107	114	86	645	396
	Tools, furniture and fixtures	2,956	476	632	313	2,800	1,976
	Land	20,504	2,317	—	—	22,822	—
	Construction in progress	190	42	188	—	44	—
	Total	52,814	3,510	1,163	1,515	55,160	21,970
Intangible assets	Leasehold interests in land	641	—	20	—	621	—
	Software	18,591	1,621	506 (159)	857	19,706	16,241
	Other	60	0	2	1	57	48
	Total	19,293	1,621	529 (159)	858	20,385	16,290

(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. The numbers in the parenthesis attached to “Decrease during period” represent the amounts posted as impairment losses.

3. 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)	276
		Increase due to replacement of internal infrastructure	54
	Decreased amount	Disposal due to replacement of internal infrastructure	78
		Disposal and sale due to store closure (5 stores)	41
		Disposal and sale due to renovation (31 stores)	39
Structures	Increased amount	Opening of new stores and interior renovation (32 stores)	72
	Decreased amount	Disposal and sale due to renovation (24 stores)	60
Tools, furniture and fixtures	Increased amount	Increase due to construction to improve the network environment for domestic store	355
	Decreased amount	Disposal due to construction to improve the network environment for domestic store	235
		Disposal due to replacement of molds	232
Land	Increased amount	Purchase of two new properties	2,317
Software	Increased amount	Building the next system	1,482
		Increase due to replacement of the internal infrastructure system.	77
	Decreased amount	Disposal due to replacement of the internal infrastructure system	272
		Disposal due to a decrease in utility value	217

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	27	-	9	18

(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

Fiscal year	From April 1 to March 31
Annual general meeting of shareholders	During June
Record date	March 31
Record date for distribution of dividends of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase and sale of odd-lot shares	
Handling office	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
Administrator of the register of shareholders	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Forward office	―――――
Fees for purchase and sale	Amount specified separately as the amount equivalent to fees for outsourcing stock trading
Method of public notice	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. The Company posts electronic public notices on the website below. https://www.autobacs.co.jp
Special benefit for shareholders	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.

Number of shares held	AUTOBACS Group Gift Card (Unit: yen)		
100 shares to 299 shares	Held for one year or longer	:	Worth 1,000
300 shares to 699 shares	Held for one year or longer	:	Worth 3,000
700 shares to 999 shares	Held for between one and three years	:	Worth 7,000
	Held for three years or longer	:	Worth 8,000
1,000 shares and more	Held for between one and three years	:	Worth 10,000
	Held for three years or longer	:	Worth 13,000

(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

74th fiscal year (from April 1, 2020 to March 31, 2021) Submitted to the Director-General of Kanto Local Finance Bureau on June 24, 2021

(2) Internal Control Report and accompanying documents

Submitted to the Director-General of Kanto Local Finance Bureau on June 24, 2021

(3) Quarterly Report and Confirmation Letter

For the first quarter of the 75th fiscal year (April 1, 2021 to June 30, 2021) Submitted to the Director-General of Kanto Local Finance Bureau on August 6, 2021

For the second quarter of the 75th fiscal year (July 1, 2021 to September 30, 2021) Submitted to the Director-General of Kanto Local Finance Bureau on November 5, 2021

For the third quarter of the 75th fiscal year (October 1, 2021 to December 31, 2021) Submitted to the Director-General of Kanto Local Finance Bureau on February 7, 2022

(4) Extraordinary Report

Submitted to the Director-General of Kanto Local Finance Bureau on June 24, 2021

An extraordinary report pursuant to the provisions of Item (ix)-2 (result of exercising voting rights at the General Meeting of Shareholders), Paragraph (2), Article 19 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Submitted to the Director-General of Kanto Local Finance Bureau on March 28, 2022

An extraordinary report pursuant to the provisions of Item (ix) (change of representative director), Paragraph (2), Article 19 of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

(5) Share Buyback Report

Reporting period (June 1 through June 30, 2021): Submitted to Director-General of Kanto Local Finance Bureau on July 12, 2021.

Reporting period (July 1 through July 31, 2021): Submitted to Director-General of Kanto Local Finance Bureau on August 11, 2021.

Reporting period (August 1 through August 31, 2021): Submitted to Director-General of Kanto Local Finance Bureau on September 10, 2021.

Reporting period (September 1 through September 30, 2021): Submitted to Director-General of Kanto Local Finance Bureau on October 12, 2021.

PART II. INFORMATION CONCERNING GUARANTORS OF THE REPORTING COMPANY

Not applicable.