Annual Securities Report

Fiscal year	From: April 1, 2023
(The 77th term)	To: March 31, 2024

AUTOBACS SEVEN CO., LTD.

(E03138)

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【Document title】	Annual Securities Report
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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 & Chief Executive Officer
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【Name of contact person】	Noritaka Hiraga, General Manager, Corporate Management
【Place for public inspection】	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

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

Term		73rd fiscal term	74th fiscal term	75th fiscal term	76th fiscal term	77th fiscal term
Accounting Period		Year ended Mar. 31, 2020	Year ended Mar. 31, 2021	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023	Year ended Mar. 31, 2024
Net sales	(Million yen)	221,400	220,449	228,586	236,235	229,856
Ordinary profit	(Million yen)	8,059	11,219	11,246	11,574	8,093
Profit attributable to owners of parent	(Million yen)	3,764	7,050	7,010	7,239	6,355
Comprehensive income	(Million yen)	2,599	9,039	7,725	8,730	6,857
Net assets	(Million yen)	119,966	123,833	122,892	126,963	129,152
Total assets	(Million yen)	172,799	187,914	189,910	194,327	194,948
Net assets per share	(Yen)	1,493.43	1,542.40	1,572.48	1,624.44	1,652.71
Net income per share	(Yen)	47.10	88.28	89.17	92.87	81.52
Diluted earnings per share	(Yen)	—	—	—	—	—
Capital-to-assets ratio	(%)	69.0	65.6	64.5	65.2	66.1
Return on equity	(%)	3.1	5.8	5.7	5.8	5.0
Price earnings ratio	(Times)	26.5	17.0	15.1	15.6	19.7
Cash flows from operating activities	(Million Yen)	10,603	17,163	5,712	10,687	14,431
Cash flows from investing activities	(Million yen)	(3,370)	(6,085)	(7,710)	(7,652)	(449)
Cash flows from financing activities	(Million yen)	(9,684)	(309)	(12,300)	(3,495)	(7,413)
Cash and cash equivalents at end of period	(Million yen)	28,051	38,903	24,751	24,503	31,278
Number of employees [Separate, average number of temporary employees]	(Persons)	4,385 [828]	4,279 [853]	4,388 [779]	4,477 [822]	4,385 [815]

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

(2) Non-Consolidated Financial Summary

Term		73rd fiscal term	74th fiscal term	75th fiscal term	76th fiscal term	77th fiscal term
Accounting Period		Year ended Mar. 31, 2020	Year ended Mar. 31, 2021	Year ended Mar. 31, 2022	Year ended Mar. 31, 2023	Year ended Mar. 31, 2024
Net sales	(Million yen)	156,493	155,082	155,957	158,807	155,489
Ordinary profit	(Million yen)	5,847	7,965	9,038	9,529	4,724
Profit	(Million yen)	1,587	5,086	5,779	5,421	1,156
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	82,050,105	82,050,105	82,050,105
Net assets	(Million yen)	115,194	116,315	113,914	114,447	110,983
Total assets	(Million yen)	147,420	161,384	156,385	160,054	163,183
Net asset per share	(Yen)	1,441.97	1,455.75	1,460.94	1,467.46	1,422.80
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]	70.00 [30.00]
Net income per share	(Yen)	19.85	63.67	73.48	69.52	14.83
Diluted earnings per share	(Yen)	—	—	—	—	—
Capital-to-assets ratio	(%)	78.1	72.1	72.8	71.5	68.0
Return on equity	(%)	1.3	4.4	5.0	4.7	1.0
Price earnings ratio	(Times)	62.8	23.6	18.3	20.8	108.1
Dividend payout ratio	(%)	302.3	94.2	81.7	86.3	472.0
Number of employees [Separate, average number of temporary employees]	(Persons)	1,070 [48]	1,094 [55]	1,050 [49]	1,057 [62]	997 [85]
Total shareholder return [Compared with TOPIX Total Return Index]	(%) (%)	71.0 [90.5]	88.0 [128.6]	82.9 [131.2]	91.6 [138.8]	104.0 [196.2]
Highest share price	(Yen)	1,968	1,581	1,644	1,509	1,681
Lowest share price	(Yen)	1,109	1,138	1,292	1,312	1,431

(Notes) 1. The dividend per share for the 77th fiscal year includes a commemorative dividend of ¥10 per share for the 50th anniversary of AUTOBACS.

2. Diluted earnings per share was not presented because there was no dilution for the fiscal year.

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

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

2. History

Month/Year	Overview
Feb./1947	The late Toshio Sumino founded Suehiro Shokai as a privately owned wholesaler of automobile parts in Osaka.
Aug./1948	Suehiro Shokai was reorganized into a joint-stock company named Fuji-Shokai Co., Ltd. in Osaka. It began wholesale of automobile parts.
Jan./1958	Independent wholesale department, established Daiho Sangyo Co., Ltd.
Nov./1974	Opened AUTOBACS Higashi Osaka store as the Company's first directly managed one-stop specialty store for automotive goods and services which is the first in Japan.
Apr./1975	Started the franchise business system and opened AUTOBACS Hakodate Nakamichi store as the first franchise store.
Nov./1977	Released tires, oil and batteries under our own private brand.
Aug./1979	Opened AUTOBACS 100th store.
Mar./1980	Changed the company name to AUTOBACS SEVEN Co., Ltd.
Mar./1989	Listed on the second section of the Osaka Securities Exchange.
May/1991	Opened first overseas store in Taiwan, beginning AUTOBACS store's expansion to the overseas market.
Aug./1993	Listed on the Second Section of the Tokyo Stock Exchange.
Sep./1993	Changed listings to the first sections of the Tokyo Stock Exchange and the Osaka Securities Exchange.
Jan./1995	Established AUTOBACS VENTURE SINGAPORE PTE LTD In May of the same year, the first store in Singapore opened.
Mar./1995	Listed on the London Stock Exchange.
Mar./1996	Opened AUTOBACS 500th store.
Mar./1997	Opened the first Super AUTOBACS store in Chiba prefecture as a new store format which covers larger marketing areas than an AUTOBACS store.
Aug./1999	Established a joint venture, AUTOBACS SEVEN Europe S.A.S. (currently AUTOBACS FRANCE S.A.S.), in partnership with France Renault. (In June 2001, opened first store in France.)
Jun./2000	Opened the first AUTOBACS Hashiriya Tengoku Secohan Ichiba (currently AUTOBACS Secohan Ichiba) for sales and purchases of used automotive goods in Kanagawa prefecture.
Dec./2001	Released an original sports car named GARAIYA of which AUTOBACS led the design and production.
Apr./2002	Opened the first AUTOBACS EXPRESS store in Kanagawa prefecture which combined a gas station and a store for automotive goods.
Jun./2002	Introduced CARS system for used car sales.
Oct./2004	Moved the headquarters of AUTOBACS SEVEN Co., Ltd. to Koto-ku, Tokyo.
Mar.2007	Delisted from the London Stock Exchange.
Feb./2012	Acquisition of ISO14001 certification at the Toyosu main store. (The continuation of certification was cancelled in 2017)
Jul./2014	Revamped the AUTOBACS Group Private Brand and launched AQ. brand.
Apr./2015	Official BMW/MINI dealership business started operation in Toshima-ku, Tokyo.
Mar./2016	Opened first AUTOBACS Used Car Purchase Store that specializes in purchasing cars in Setagaya-ku, Tokyo.
Feb./2017	Started running Chain Growth Co., Ltd. mainly to recruit, supply and retain mechanic personnel.
Mar./2017	Established ABT Marketing Co., Ltd., a joint venture with CCC Marketing Co., Ltd.
Jun./2017	Launched JACK & MARIE brand that provides original lifestyle goods.
Nov./2018	Opened A PIT AUTOBACS SHINONOME as a new flagship store for AUTOBACS.
Nov./2021	Opened the first store of the garage lifestyle brand "GORDON MILLER" (GORDON MILLER KURAMAE)
Apr./2022	Transferred from the First Section to the Prime Market of the Tokyo Stock Exchange following a review of the market classification of the Tokyo Stock Exchange.
Dec./2022	Established BACS E-Mobility Co., Ltd. (currently BACS e-Mobility Co., Ltd.) Concluded a dealership agreement with BYD Auto Japan Co., Ltd., the Japanese corporation of electric vehicle manufacturer BYD Co., Ltd.
Mar./2023	Number of brand stores: 709 (including 600 in Japan and 109 overseas)

3. Description of Business

The Group consists of the Company, 28 subsidiaries, and 12 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.).

From the beginning of the fiscal year ended March 31, 2024, the Company changed the classification of reporting segments. For details, please refer to the "V. FINANCIAL INFORMATION, 1. Consolidated Financial Statements etc., (1) Notes to consolidated financial statements (Segment information etc.)".

(1) Domestic AUTOBACS Business

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

(2) Overseas Business

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

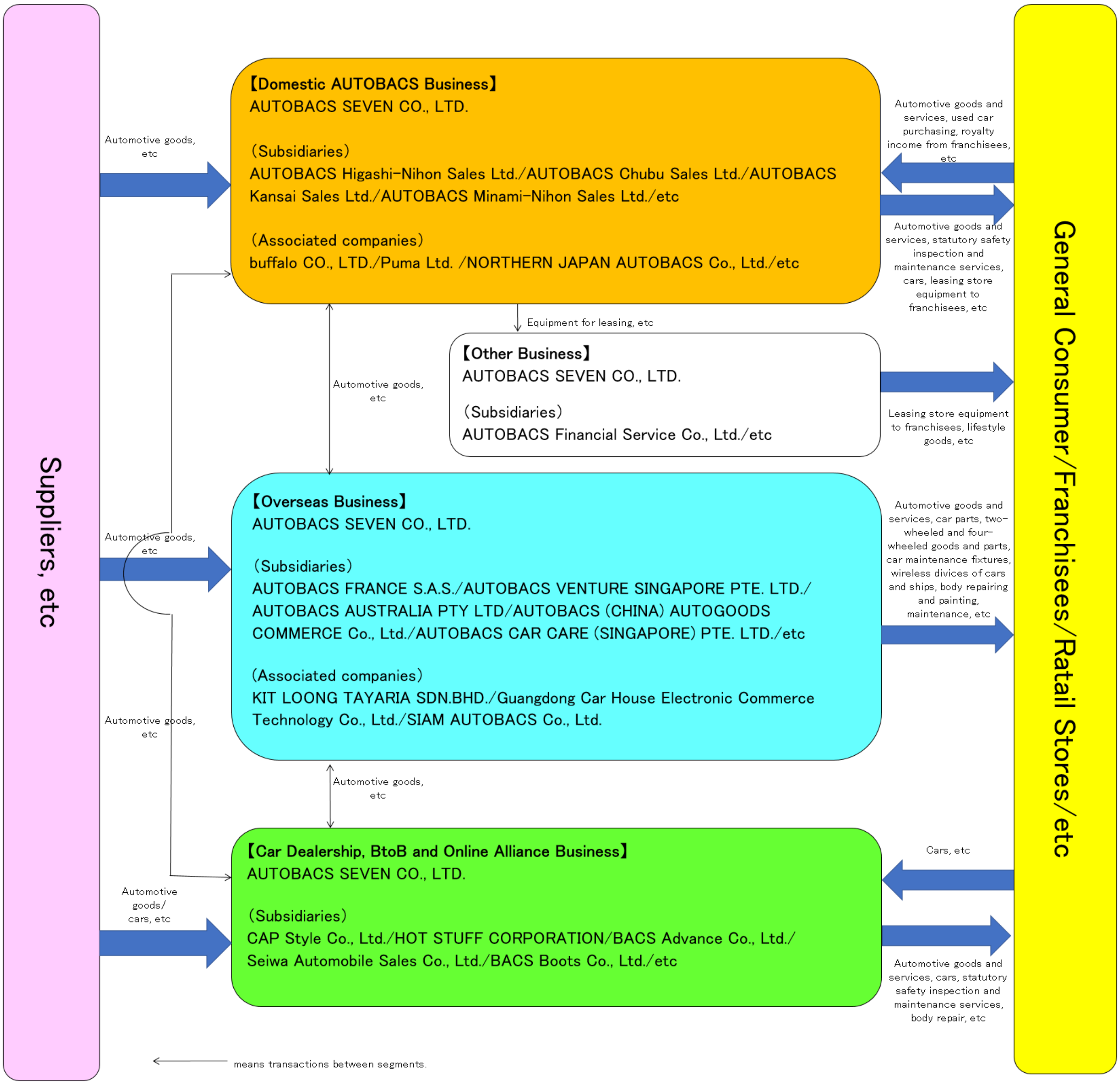
(3) Car Dealership, BtoB and Online Alliance Business

Sale and services of imported cars and electric vehicles (EVs) mainly to domestic general consumers. Wholesaling of automotive goods, etc. to domestic hardware stores and corporate customers outside the AUTOBACS Group, and the provision of automotive goods and services, etc. through the Company's website and official apps in collaboration with brick-and-mortar stores. In addition, statutory safety inspections, maintenance services and body work and painting businesses, etc.

(4) Other Business

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

[Organization Chart]
The Group's organization is as illustrated below.



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 Higashi-Nihon Sales Ltd.	Ichikawa City, Chiba	100	Domestic AUTOBACS Business	100.0	Officers holding concurrent positions: 1 (of which 1 are the Company’s employees)	—	Sale of products	Store equipment leasing
AUTOBACS Chubu Sales Ltd.	Iida City, Nagano	50	Domestic AUTOBACS Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	Loans	Sale and purchase of products	Store equipment leasing
AUTOBACS Tsukuba Co., Ltd.	Koto-ku, Tokyo	50	Domestic AUTOBACS Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	Loans	Sale of products	Store equipment leasing
AUTOBACS Kansai Sales Ltd.	Shijonawate City, Osaka	100	Domestic AUTOBACS Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	—	Sale and purchase of products	Store equipment leasing
AUTOBACS Minami-Nihon Sales Ltd.	Minami-ku, Hiroshima City	100	Domestic AUTOBACS Business	100.0	Officers holding concurrent positions: 7 (of which 7 are the Company’s employees)	Loans	Sale and purchase of products	Lease of store facilities
Shaken-Bankin DEPOT Inc.	Urayasu City, Chiba	100	Domestic AUTOBACS Business	100.0	Officers holding concurrent positions: 4 (of which 4 are the Company’s employees)	Loans	Sale of products, Outsourcing of body repair	Office leasing
Chain Growth Co., Ltd.	Koto-ku, Tokyo	45	Domestic AUTOBACS Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	—	Acceptance of personnel from staffing agencies	Office leasing
AUTOBACS VENTURE SINGAPORE PTE LTD	Singapore, Singapore	6,400 (Thousands of S$)	Overseas Business	93.8	Officers holding concurrent positions: 3 (of which 3 are the Company’s employees)	—	Sale of products	—
AUTOBACS FRANCE S.A.S. (Note 5)	Pierrelaye, French	35,300 (Thousands of EURO)	Overseas Business	100.0	Officers holding concurrent positions: 3 (of which 3 are the Company’s employees)	Loans	Sale of products	—
AUTOBACS (CHINA) AUTOGOODS COMMERCE Co., Ltd.	Beijing, China	98,922 (Thousands of RMB)	Overseas Business	96.6	Officers holding concurrent positions: 4 (of which 4 are the Company’s employees)	Loans	Sale and purchase of products	—
AUTOBACS CAR SERVICE MALAYSIA SDN. BHD.	Kuala Lumpur, Malaysia	14,680 (Thousands of MYR)	Overseas Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	—	Sale of products	—
AUTOBACS AUSTRALIA PTY LTD	New South Wales, Australia	3,518 (Thousands of AU$)	Overseas Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	Loans	—	—

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 CAR CARE (SINGAPORE) PTE. LTD.	Singapore, Singapore	500 (Thousands of S$)	Overseas Business	100.0	Officers holding concurrent positions: 4 (of which 4 are the Company’s employees)	—	—	—
CAP Style Co., Ltd.	Ota-ku, Tokyo	100	Car Dealership, BtoB and Online Alliance Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	Loans	Sale and purchase of products	—
HOT STUFF CORPORATION	Onojo City, Fukuoka	47	Car Dealership, BtoB and Online Alliance Business	100.0	Officers holding concurrent positions: 3 (of which 3 are the Company’s employees)	—	Sale and purchase of products	—
AUTOBACS DEALER GROUP HOLDINGS Co., Ltd.	Nerima-ku, Tokyo	-	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	—
Bacs Advance Co., Ltd. (Note 2)	Utsunomiya City, Tochigi	30	Car Dealership, BtoB and Online Alliance Business	100.0 (100.0)	Officers holding concurrent positions: 1 (of which 1 is the Company’s employees)	Loans	—	—
BACS e-Mobility Co., Ltd. (Note 2)	Nerima-ku, Tokyo	30	Car Dealership, BtoB and Online Alliance Business	100.0 (100.0)	Officers holding concurrent positions: 1 (of which 1 is the Company’s employees)	—	Sale of products	Office leasing
Seiwa Automobile Sales Co., Ltd.	Ritto City, Shiga	10	Car Dealership, BtoB and Online Alliance Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	—	Sale of products	Office leasing
Takamori Jidousha Seibi Kogyo Co., Ltd.	Tsu City, Mie	10	Car Dealership, BtoB and Online Alliance Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	Loans	Sale of products	—
BACS Boots Co., Ltd.	Inzai City, Chiba	100	Car Dealership, BtoB and Online Alliance Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	Loans	Sale of products	Store equipment leasing
VEEMO, Inc.	Koto-ku, Tokyo	10	Other Business	100.0	Officers holding concurrent positions: 1 (of which 1 are the Company’s employees)	—	—	Office leasing
AUTOBACS Financial Service Co., Ltd.	Chuo-ku, Tokyo	15	Other Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company’s employees)	Loans	Sale of lease assets, purchase of guaranteed products	Office leasing
ABT Marketing Co., Ltd.	Koto-ku, Tokyo	50	Other Business	51.0	Officers holding concurrent positions: 3 (of which 3 are the Company’s employees)	—	Outsourcing of marketing analysis	Office leasing

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
ADE Co., Ltd. (Note 6)	Beppu City, Oita	45	Other Business	100.0	Officers holding concurrent positions: 2 (of which 2 are the Company's employees)	—	Outsourcing of office supplies, sale of products	—
FATRASTYLING Inc.	Gotemba city, Shizuoka	5	Other Business	70.0	Officers holding concurrent positions: 3 (of which 3 are the Company's employees)	Loans	Sale and purchase of products	—
AUTOBACS Management Service Co., Ltd. (Note 6)	Koto-ku, Tokyo	90	Other Business	100.0	Officers holding concurrent positions: 1 (of which 1 is the Company's employees)	—	Outsourcing of administrative tasks	Office leasing
AUTOBACS Digital Initiative Co., Ltd.	Koto-ku, Tokyo	95	Company-wide	100.0	Officers holding concurrent positions: 3 (of which 2 is the Company's employees)	—	Support for information processing services	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.	Toyohira-ku, Sapporo City	100	(Domestic AUTOBACS Business)	34.0	Officers holding concurrent positions: 1 (of which none is the Company's employees)	—	Sale of products	Store equipment leasing
Hokuei Shoji Ltd. (Note 3)	Morioka City, Iwate	50	(Domestic AUTOBACS Business)	18.6	—	—	Sale of products	Store equipment leasing
IA AUTOBACS Co., Ltd.	Totsuka-ku, Yokohama City	98	(Domestic AUTOBACS Business)	34.0	Officers holding concurrent positions: 1 (of which 1 are the Company's employees)	—	Sale of products	Store equipment leasing
buffalo CO., LTD. (Note 4)	Kawaguchi City, Saitama	653	(Domestic AUTOBACS Business)	21.3	—	—	Sale of products	Store equipment leasing
BLUE OCEAN Ltd. (Note 3)	Kumagaya City, Saitama	50	(Domestic AUTOBACS Business)	17.1	—	—	Sale of products	Store equipment leasing
FUNUS Corporation	Minato-ku, Tokyo	100	(Domestic AUTOBACS Business)	25.0	—	—	Sale of products	Store equipment leasing
Puma Ltd.	Imizu City, Toyama	33	(Domestic AUTOBACS Business)	32.5	Officers holding concurrent positions: 1 (of which 1 is the Company's employees)	—	Sale of products	Store equipment leasing
Total Ace Ltd.	Minami-ku, Sakai City	95	(Domestic AUTOBACS Business)	20.0	—	—	Sale of products	Store equipment leasing

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

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

2. The numbers in the parentheses below Holding ratio of voting rights are indirect ownership ratios included in the ownership ratios.

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

4. Securities Report has been submitted.

5. They are specified subsidiaries.

6. ADE Co., Ltd. was merged into AUTOBACS Management Service Co., Ltd in April 2024.

5. Employees

(1) Consolidated basis

As of March 31, 2024

Name of segment	Number of employees (Persons)
Domestic AUTOBACS Business	2,700 (741)
Overseas Business	564 (17)
Car Dealership, BtoB and Online Alliance Business	484 (11)
Other Business	310 (44)
Total reportable segments	4,058 (813)
Company-wide (common)	327 (2)
Total	4,385 (815)

(Notes) 1. The number of employees indicates the number of persons 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 (common) category includes employees who belong to the administration division.

(2) Non-consolidated basis

As of March 31, 2024

Number of employees (Persons)	Average age (Years old)	Average years of service (Years)	Average annual wages (Thousand yen)
997 (85)	45.6	17.2	7,431

Name of segment	Number of employees (Persons)
Domestic AUTOBACS Business	526 (57)
Overseas Business	15 (―)
Car Dealership, BtoB and Online Alliance Business	51 (3)
Other Business	192 (23)
Total reportable segments	784 (83)
Company-wide (common)	213 (2)
Total	997 (85)

(Notes) 1. The number of employees indicates the number of persons 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 (common) category includes employees who belong to the administration division.

(3) Labor unions

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

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

i. The reporting company

As of March 31, 2024

Fiscal year under review				
Percentage of female managers (%) (Note 1)	Percentage of eligible male employees who take childcare leave (%) (Note 2)	Gender pay gap (%) (Note 3)		
		All employees	Full-time employees	Part-time and fixed-term employees
7.0	42.0	57.7	74.0	48.8

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

ii. Consolidated subsidiaries

As of March 31, 2024

Company name	Fiscal year under review				
	Percentage of female managers (%) (Note 1)	Percentage of eligible male employees who take childcare leave (%) (Note 2)	Gender pay gap (%) (Note 3)		
			All employees	Full-time employees	Part-time and fixed-term employees
AUTOBACS Digital Initiative Co., Ltd.	—	66.0	55.8	55.4	108.2
CAP Style Co., Ltd.	—	—	54.4	78.4	40.3
HOT STUFF CORPORATION	—	—	54.0	72.4	25.8
AUTOBACS Higashi-Nihon Sales Ltd.	—	33.0	54.7	68.4	80.4
AUTOBACS Chubu Sales Ltd.	—	—	52.2	63.6	78.4
AUTOBACS Kansai Sales Ltd.	—	50.0	39.6	61.2	81.7
AUTOBACS Minami-Nihon Sales Ltd.	1.2	10.0	55.9	68.4	63.6

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

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

3. Gender pay gap is the average pay of female employees as a percentage of the average pay of male employees.

II. BUSINESS OVERVIEW

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

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

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

(1) Management policy

Our Purpose

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

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

The automotive industry is undergoing a once-in-a-century transformation. With the rapid progress of technological innovations, such as electrification and autonomous driving, the Company's business environment is rapidly changing. In the automotive aftermarket, in which the Group has its strengths, competition is intensifying across industry boundaries and customer needs are diversifying. Moreover, with the spirit of "Challenge," "Creativity," and "Gratitude" as the AUTOBACS SEVEN Group Philosophy of Action, we take on the challenge of new business areas, without being constrained by conventional frameworks, create the future of mobility while adapting to changes in the business environment, and express our gratitude to all the stakeholders who support our endeavors and appreciate us. In order to become such a Group, we are striving to continue enhancing corporate value over the long term.

In our long-term vision for 2032, "Beyond AUTOBACS Vision 2032," we have set the direction of the Group's evolution in order to accomplish our transformation at a speed that exceeds change in the business and social environments and thus achieve evolution and growth "beyond AUTOBACS up until now" in an era of uncertainty and rapid change. As "a company that is dedicated towards providing customers the joy of going out" to customers, while continually evolving our business and business models in response to change in the social environment and contributing to "ensuring the safety of our communities while driving and enriching customers' lives," we aim to be a corporate group that is indispensable to customers and society.

(2) Business environment

The Japanese economy remained on a gradual recovery trend owing to the normalization of socioeconomic activities and an increase in inbound demand in line with the easing of activity restrictions related to the COVID19 pandemic. On the other hand, the outlook remains uncertain in view of soaring raw material and energy costs attributable to the rapid depreciation of the yen in addition to the protracted Russia-Ukraine conflict, labor shortages mainly in the logistics industry, and other factors.

Against the backdrop of growing awareness of sustainability worldwide, many companies have started initiatives with a view to achieving carbon neutrality, resulting in the rapid spread of electric vehicles (EVs).

However, EVs have temporarily reached a plateau, as evidenced by the EU's withdrawal of its policy banning the sale of new combustion-engine cars by 2035. In addition, interest in environmentally friendly vehicles other than EVs is growing, as evidenced by the announcement of plug-in fuel cell vehicles (FCVs) by Japanese manufacturers.

In the domestic automobile-related industry, although automobile production and sales are on a recovery trend as the global shortage of semiconductors has been resolved, there are concerns about the impact on the industry as a whole because issues have risen concerning trust attributable to certain automobile manufacturers, used car dealers, etc.

In the domestic automotive aftermarket, in which the Group has its strength, business activities have become more active with the expansion of peripheral business areas through M&A and the entry into business through new business models such as car-sharing and subscription services. Moreover, we expect competition transcending the industry boundaries to further intensify as online purchases are expected to account for a greater proportion of business, as a result of changes in customer purchasing behavior. Furthermore, the environment in which the Company operates is expected to continue undergoing significant and rapid changes, including a decline in the number of automobiles owned, the emergence of car sharing and subscription services, changes in the customer composition due to the declining birthrate and population aging, as well as diversification of customer needs.

According to figures from an announcement by the Auto-Parts & Accessories Retail Association (APARA), an organization to which the Company belongs, total store net sales of four association members between April 2023 and March 2024 were ¥398,225 million, a decrease of 0.5% year on year. In addition, new vehicle sales*1for the same period were approximately 4.52 million vehicles (a 3.3% increase year on year), and the number of registered passenger used cars*2 for the same period was approximately 3.14 million vehicles (a 4.0% increase year on year). Total automobile maintenance sales*3 in the market for the period from July 2022 through June 2023 were ¥5,907.2 billion (a 2.9% increase year on year), an increase for two consecutive years.

*1 Japan Automobile Dealers Association (JADA), total for registered cars + compact passenger cars
*2 Japan Automobile Dealers Association (JADA), total for standard-sized vehicles and compact passenger cars
*3 Announced by Japan Automobile Service Promotion Association (JASPA)

(3) Priority business and financial issues to be addressed

i. Operational issues

In the automotive industry, Zero Emission Vehicles (ZEVs) including EVs have been spreading worldwide and attempts for practical application of connected cars and autonomous vehicles are underway. In line with such moves, society, vehicles, and people's lives are also undergoing major transformation, and we believe that the Group's business environment will change even more drastically. In order to respond to such rapid changes in the business environment, the Group formulated the "Five-year Rolling Plan" in 2019. While continuously adjusting our direction and strategy, we have achieved expansion of earnings of each business and developed the underlying business infrastructures. With a view to continuous growth and a long-term increase in corporate value, we announced our long-term vision "Beyond AUTOBACS Vision 2032" in May 2023. Under the long-term vision, we target consolidated net sales of ¥500 billion in fiscal 2032.

Through the implementation of the "Five-year Rolling Plan" over the five years, we promoted initiatives to advance each business and establish business infrastructures. To increase the speed of implementation of these initiatives, we also embarked on structural transformation of the Group, including abolition of the officer system, revision of the personnel system, and change of the franchise chain package in the Domestic AUTOBACS Business, improved profitability and laid the foundation for renewed growth. Moreover, leveraging the business infrastructures cultivated by the Domestic AUTOBACS Business, we strengthened business portfolio management. As a result, consolidated net sales other than the Domestic AUTOBACS Business increased by about ¥27 billion and consolidated operating profit improved compared to fiscal 2018 before the launch of the "Five-year Rolling Plan."

In order to achieve our long-term vision and realize growth at an accelerating pace, we have formulated and announced the Medium-term Business Plan. Since 2000, the Group has maintained the status quo due to the shrinking automotive aftermarket and has not achieved significant growth for about 20 years. Based on the management foundation we have established through the implementation of the Rolling Plan, we are taking the first step toward renewed growth.

As for the new direction of the Medium-term Business Plan, we aim to serve as "Mobility Lifestyle Infrastructure" for our customers on a global scale. By changing to a structure that concentrates on and strengthens retail and wholesale, the two businesses in which we excel, we will promote global business development. We will also take on challenges in peripheral areas in order to realize the long-term vision. While raising profit levels to new heights through these measures, we aim to achieve stable returns to shareholders.

Performance targets for fiscal 2026, the final year of the Medium-term Business Plan, are consolidated net sales of ¥280.0 billion, consolidated operating profit of ¥15.0 billion, and return on invested capital (ROIC) of 7.0%. We will implement the following three-fold strategy to achieve the new direction.

1. "Create touch points" to continue to support mobility lifestyles
2. "Develop and supply merchandise and solutions" tailored to mobility lifestyles
3. "Establish new business domains" in response to changes in mobility lifestyles

Regarding the first measure, to "create touch points" to continue to support mobility lifestyles, in addition to expansion of bases, including bases of AUTOBACS, dealers, and overseas bases, we will strive to expand channels, such as mobile sales services and establishment of online marketplaces. We will strengthen points of contact with customers in both real and digital spaces.

Regarding the second measure, to "develop and supply merchandise and solutions" tailored to mobility lifestyles, we aim to expand wholesale sales channels by developing attractive merchandise and solutions.

Specifically, we will strengthen competitiveness through supply chain management and consolidation of the AUTOBACS franchise chain headquarters and strengthen external sales by packaging private brand products, services, and sales support measures. Through these initiatives, we will propose solutions that leverage value added merchandise and services unique to AUTOBACS and aim to resolve potential issues of corporate and individual customers.

As for the last measure, to “establish new business domains” in response to changes in mobility lifestyles, we aim to develop the EV solutions business, including management of ZEV dealerships and sales and installation of EV chargers and storage batteries for residential use. Moreover, by handling sales and after-sales services for micromobility, whose market is expected to expand, and promoting making companies that have synergy with the Group’s existing businesses members of the Group through horizontal and vertical integration, we aim to define new business domains in order to establish businesses and capture customers in a growth market. With these measures, we do not limit our targets to Japan alone, rather, we view business from a global perspective and will create new markets.

ii. Financial issues

To realize sustainable growth of the Group, it is necessary not only to continue improving the efficiency of existing businesses but also to invest in growth fields and nurture new businesses. In order to continue taking on the challenge of creating new value, we have been promoting management and visualization of the performance of the entire Company and individual businesses based on return on invested capital (ROIC) step by step. From the fiscal year ending March 31, 2025, we have set the ROIC target for each business unit. We have been promoting management and visualization of the performance of the entire Company and individual businesses based on return on invested capital (ROIC) step by step. From the fiscal year ending March 31, 2025, we have set the ROIC target for each business unit. We will strengthen the monitoring system based on return on invested capital (ROIC), so that continue the review and replacement of our business portfolio.

While making optimal investment decisions and business evaluations by promoting ROIC-based management, we intend to invest a cumulative total of about ¥35.0 billion during the period covered by the Medium-term Business Plan and maintain annual dividends of ¥60 per share to ensure stable shareholder returns.

(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, 2025, include net sales of 240.3 billion yen, operating income of 12 billion yen, profit attributable to owners of parent of 7.7 billion yen and ROE of 6.0%.

2. Approach and Initiatives Regarding Sustainability

The details of approach and initiatives regarding sustainability are as follows.
Matters concerning the future stated below are based on assessments as of the end of the fiscal year under review.

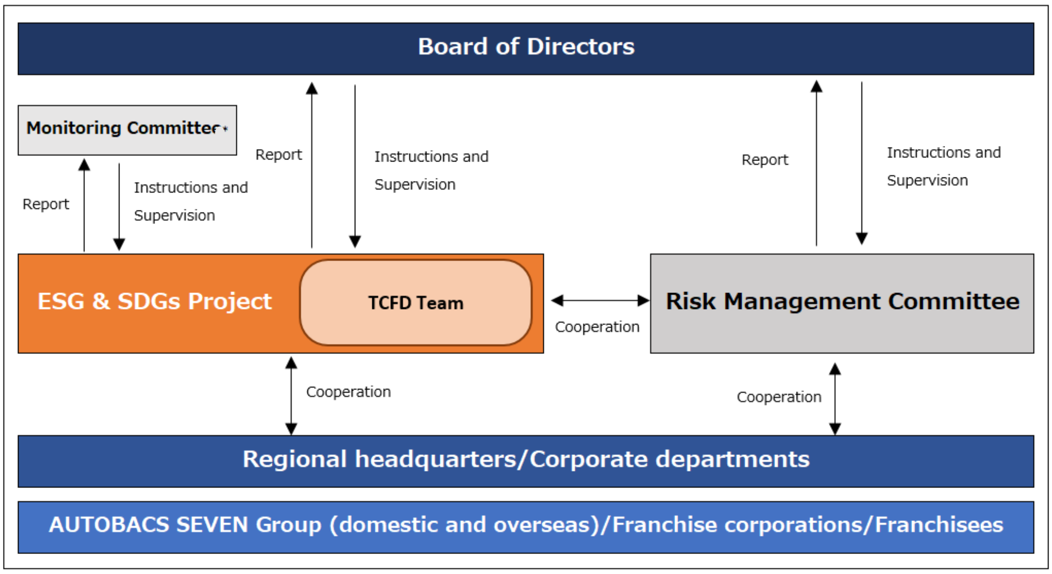
(1) Our Approach to Sustainability

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

i. Governance

In January 2021, the Company established the ESG & SDGs Project, led by Chief Executive Officer, aiming at management which integrates initiatives for environmental consideration, resolution of social issues, and governance with business as a whole. The contents of relevant discussions and decisions are reported to the Board of Directors, and the Board provides approval on the Company's initiatives, issues instructions and conducts supervision, as necessary. In addition, the progress of KPIs for non-financial targets is discussed four times a year at the General Managers' Meeting, attended by all General Managers and Directors, where each General Manager announces their efforts and shares their progress. Any changes to KPIs are implemented through deliberation and decision-making at the meeting.

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



ii. Strategy

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

In addition, each General Manager utilizes the Intranet to communicate the importance of each KPI, the details of actions, the progress of initiatives and the issues faced, aiming to embed these efforts internally.

iii. Risk management

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

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

Regarding sustainability-related risks and opportunities, ESG & SDGs Project plays the central role in collecting risk information from each business segment and identifies and evaluates risks and opportunities. In addition, as for the climate change, a TCFD team has been formed to identify risks and opportunities and to calculate the financial impact. By sharing the identified risks and progress in response with the Risk Management Committee, risks are integrated into a risk control list of the entire organization.

iv. Metrics and targets

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

Progress made on each metric is monitored via meetings and the level of achievement is reflected in the evaluation of all general managers.

Non-financial targets	Range	KPI	FY2023 results	FY2030 goals
Promoting efforts to achieve zero traffic accidents	Consolidated	Sale of merchandise for curbing accidents	190,000/year	230,000/year
	Consolidated	Building of bases for checking tires and emergency (including bases of partner companies)	250 bases	734 bases
	Consolidated	Holding regional traffic safety events	9 times/year	25 times/year(*)
Improving the position of and developing certified mechanics	Consolidated	Ensuring and fostering inspectors	510 persons	1,000 persons
	Consolidated	Ensuring and fostering Level-2 mechanics	726 persons	1,100 persons
	Consolidated	Completing education for supporting EVs	586 persons	1,096 persons
Promoting social contribution related to automobiles	Consolidated	Disaster assistance using automobiles	45 units	111 units
Reducing CO2 emissions by installing environmentally-enhanced stores	Consolidated	Promoting environmentally-enhanced stores	73 stores	140 stores
Promoting environmentally friendly businesses/realizing a circular ecosystem	Non-consolidated	Developing eco-friendly products	124 products	300 products
	Consolidated	Reducing oil cans (increasing ratio of oil sale by measure)	30,000 cans/year	220,000 cans/year
Promoting the dissemination of safe and secure EVs aiming for the realization of a decarbonized society	Consolidated	Installing fast chargers	6 stores	43 stores
	Consolidated	Promoting statutory safety inspections of EVs (No. of EVs inspected)	516 units/year	3,440 units/year
	Consolidated	Promoting sale of EVs (No. of EVs sold)	324 units/year	2,500 units/year
Developing a corporate culture where diverse employees can demonstrate their capabilities	Consolidated	Increasing ratio of females	18.4%	30.0%
	Consolidated	Increasing ratio of female Group Managers and above	7.9%	18.0%
	Consolidated	Promoting acquisition of childcare leave by male employees	58.0%	100.0%
Building a system to evaluate challenges	Non-consolidated	Keeping employees energetic	2.7	3.0
Creating a healthy and vibrant workplace	Consolidated	Reducing ratio of smokers*	34.3%	20.0%
Reviewing/formulating and conforming with ESG- and SDG-related policies	Non-consolidated	Enhancing sustainability policy and related policies	Implemented fixed-point checks of existing policies, established and disclosed Policies	Update
Enhancing monitoring	Non-consolidated	Further monitoring corporate governance system and progress status	internal distribution, and appropriate disclosure	Improvement
Organizing and utilizing databases to create value	Consolidated	Promoting data utilization project	Constructed customer data base. Promoting utilization	Data linkage /utilization
	Non-consolidated	Development of personnel for data analysis	72 training participants	320 persons

(Note) For "Promoting measures to reduce the percentage of workers that are smokers," the FY2030 target is lower than the FY2023 result as the goal is to reduce the ratio.

For "Keeping employees energetic," we measure employee Energetic Levels (the Stress Check Program) based on questions regarding work engagement and the feeling of unity in the workplace. (4.0 points represent full marks; industry average is 2.5 points)

(2) Response to climate change

The Company believes that responding to climate change is an important management issue and expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022. Based on the TCFD recommendations that require disclosure of information regarding financial impact of risks and opportunities brought about by climate change, the Company proactively discloses information on governance, risk management, strategy, and metrics and targets. Since fiscal year 2023 all domestic subsidiaries have collected information on Scope 1 and Scope 2 emissions in accordance with TCFD recommendations, and from fiscal year 2024 preparations have been underway to disclose Scope 3 figures. We have also begun responding to the CDP and going forward we will continue to enhance and disclose climate change-related information in pursuit of smooth dialogue with stakeholders, aiming to further enhance corporate value.

i. Governance

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

ii. Strategy

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

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

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

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

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

*Changes from the previous year are underlined.

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

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

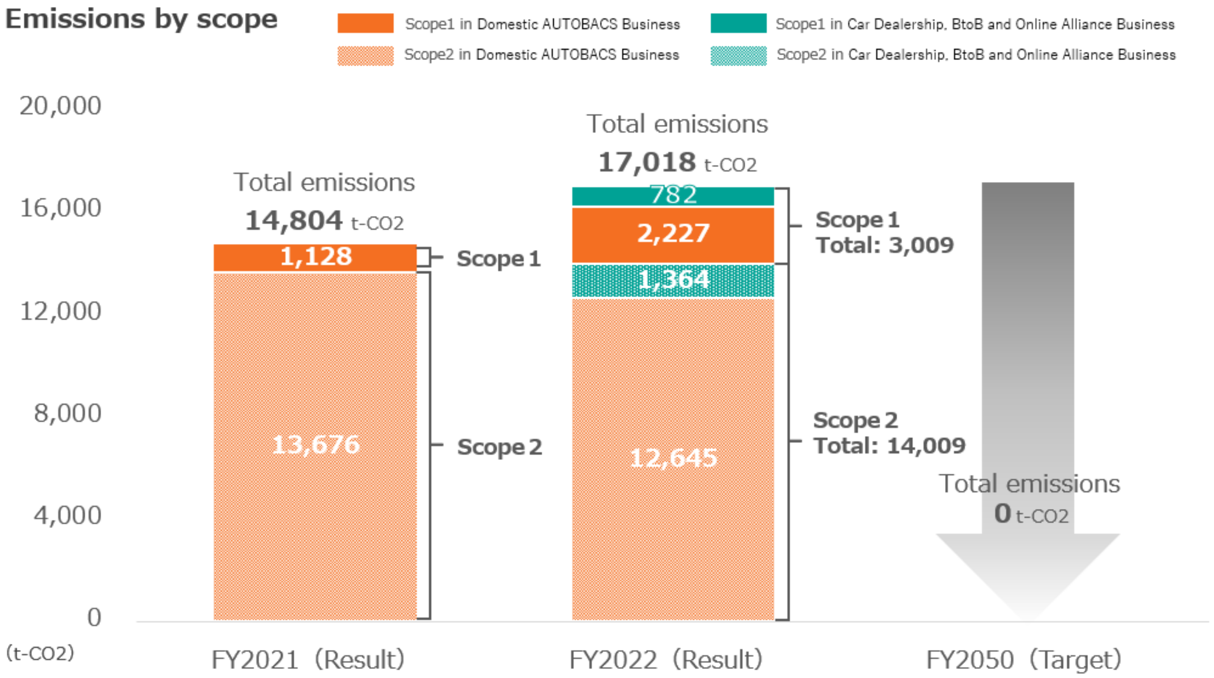
iii. Risk management

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

iv. Metrics and targets

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

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



Scope of calculation for FY2021:
[Business] Domestic AUTOBACS Business
[Target] In Japan (147 sites including business locations, directly managed stores and stores of subsidiaries, logistics bases)
Computation period: From April 1, 2021 to March 31, 2022

Scope of calculation for FY2022:
[Business] Domestic AUTOBACS Business, and Car Dealership, BtoB and Online Alliance Business
[Target] In Japan (196 sites including business locations, directly managed stores and stores of subsidiaries, logistics bases)
Computation period: From April 1, 2022 to March 31, 2023

Scope 1: All direct greenhouse gas emissions from fuel combustion, industrial processes and other emissions generated by businesses themselves.
Scope 2: Indirect emissions resulting from the use of electric power, heat and steam supplied by other companies.

Results for FY2023 are still to be determined. For the latest information, please refer to “Response to climate change” on the Company’s website. (The website is due to be updated in late June 2024.)
https://www.autobacs.co.jp/en/sustainability/environment/climate_change.html

(3) Response to human capital

i. Governance

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

ii. Strategy

In order to achieve the 2024 Medium-term Business Plan and improve the Group’s earning power with the foundation of a continuously growing organization and human resources, we have established the priority issues of “promotion of diversity and inclusion,” “human resource development,” “resourcing and talent management, visualization of human resources,” and “enhancement of engagement,” based on the three human resource policies of “maximization of human capital,” “transformation into an organization that creates innovation,” and “strategic allocation of human resources.”

Based on the belief that diverse human resources taking an active role and bringing different perspectives to the organization provides a source of innovation, thereby enhancing corporate value further, we are actively utilizing diverse human resources and promoting them to core positions for diversification of knowledge and experience, such as recruiting personnel with various career histories and experience regardless of gender, accepting foreign technical interns at our stores, and strategically deploying core personnel from consolidated subsidiaries. We are also working to create a work-friendly environment where employees can achieve a work-life balance even after major life events such as marriage, childbirth, childcare, and nursing care, by introducing remote work and flextime systems, expanding the scope of shortened working hours, and promoting the acquisition of childcare leave by male employees.

Regarding the human resource development, to ensure that diverse human resources can advance their careers and fulfill their potential, the Group develops and provides diverse training according to rank, age, business and other requirements, based on a human resources development policy of “providing career-stage and life-stage appropriate training.” It also actively promotes skills development through career development training and the establishment of internal and external career consultation desks to support autonomous career development, and a subsidized self-development system (Cafeteria Plan). In addition, we promote reskilling in the form of developing data utilization personnel and acquiring sales skills, etc. that can be utilized at AUTOBACS stores.

Regarding the “resourcing and talent management, visualization of human resources,” we maintain data on human resources in the consolidated Group to visualize human resources for the purpose of human resource development and strategic personnel allocation.

Regarding the “enhancement of engagement,” we will develop measures to revitalize the organization through identifying issues by conducting the work engagement survey.

We have set KPIs and target values to be achieved in fiscal year 2027 to confirm the results of these initiatives. For specific KPIs and target values see section iv. Metrics and Targets.

iii. Risk management

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

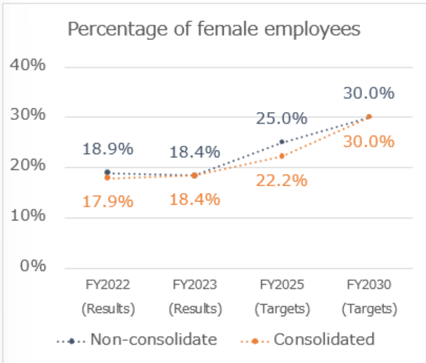
iv. Metrics and targets

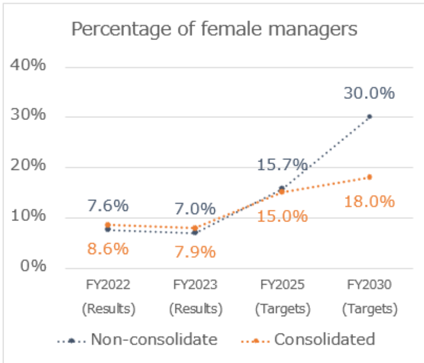
The Group has established KPIs and targets for realizing the non-financial targets -aligned with ESG & SDGs - of “developing a corporate culture where diverse employees can demonstrate their capabilities,” and is working on measures to achieve them. In addition, we have set following KPIs and targets for human capital in the 2024 Medium-term Business Plan.

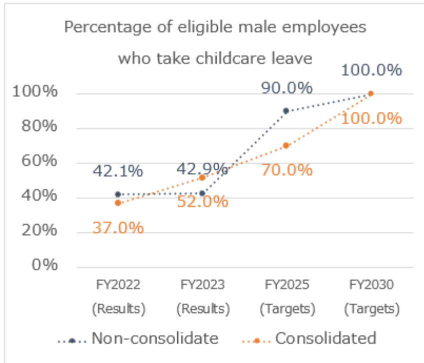
Regarding the metrics and targets for ESG& SDGs, please refer to (1) Our Approach to Sustainability iv. Metrics and Targets.

Medium-term HR policies	Priority fields of investment in human capital	KPIs	（FY2023 results）	（FY2030 goals）
Maximize human capital	Human resource development/reskilling	Development of personnel for data analysis	72 trainees	320 persons
		Ensuring and fostering Level-2 mechanics	726 persons	1,100 persons
	Diversity & inclusion	Increasing ratio of women in managerial positions (manager or higher)	7.9%	18.0%
Transformation into an organization that creates innovation	Resource/talent management	Ratio of female employees	18.4%	30.0%
		Promoting paternity leave	52.0%	100.0%
Strategic allocation of human resources	Enhancement of engagement	Employee engagement (previously called "employee energetic level")	2.7	3.0

〔As of March 31, 2024 Human resources related data (Consolidated)〕







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

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

Manager-level positions are defined as follows.

- AUTOBACS SEVEN: Group manager or higher at headquarters and store manager or higher at stores
- Domestics subsidiaries: Group manager or higher at headquarters and store manager or higher at stores
- Overseas subsidiaries: Manager or higher at headquarters and store manager or higher at stores

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

3. Business and Other Risks

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

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

(1) Risk Management

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

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

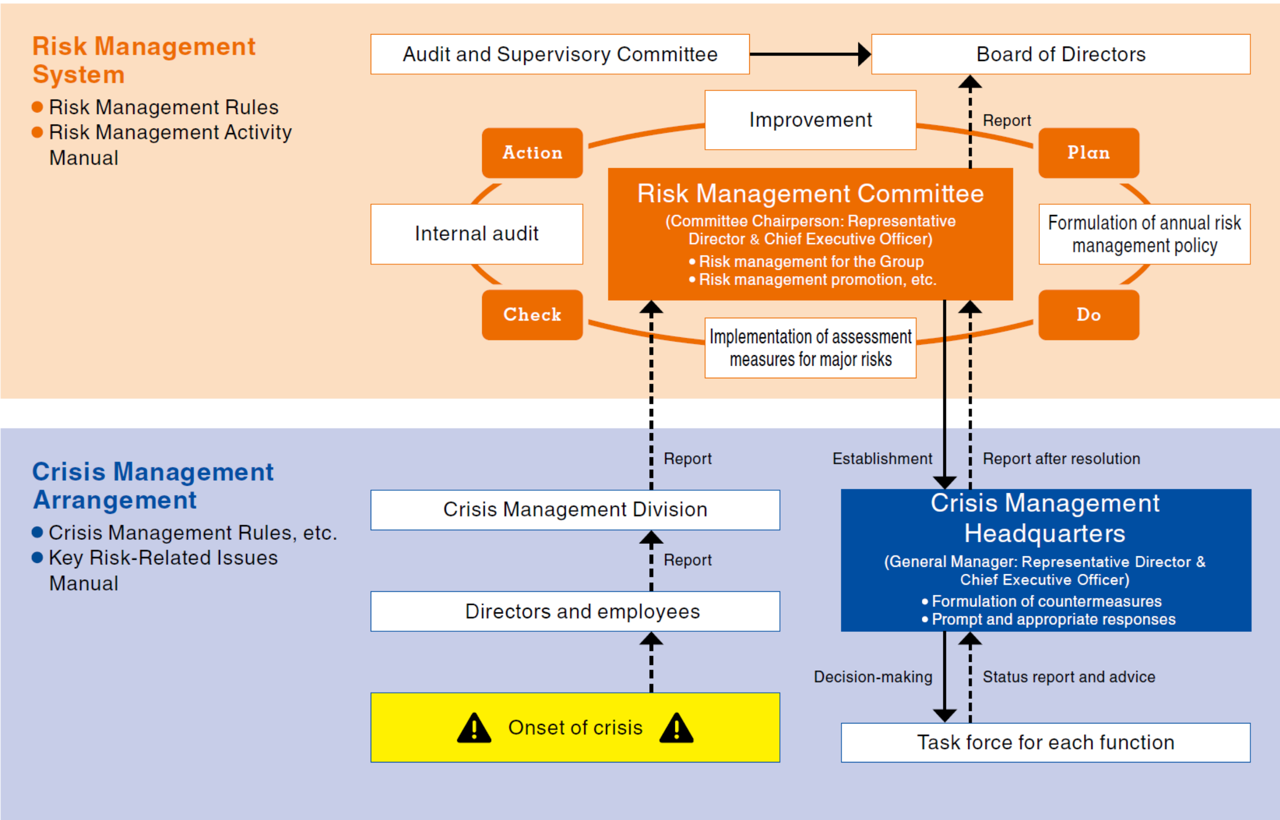
We continuously work on improving integrated risk management throughout the Group and aim to become a corporate group that is trusted by its stakeholders.

Integrated Risk Management System

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

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

Integrated risk management system conceptual diagram



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

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

(2) Major risks

i. Risks related to domestic market environment

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

ii. Risks associated with store operation

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

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

iii. Risks associated with securing and developing human resources

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

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

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

iv. Risks associated with technological innovations

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

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

v. Risks associated with the development and procurement of products

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

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

vi. Risks associated with information security

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

To address such risks, the Group implements measures at the entry and exit points of networks such as firewalls as well as information protection measures to verify access. The Group has also laid down information security regulations (IT Governance Regulations, Information Security Regulations, etc.) and seeks to thoroughly implement education and training including providing information security e-learning and training on how to counter targeted attack emails to all employees in AUTOBACS SEVEN Group. In addition, the Group has data centers that is available 24 hours a day, taking into consideration resilience to natural disasters, power outages, fires and other disasters and security concerns and uses multiple data centers to achieve risk decentralization. It also implements risk control measures, regularly backing up data and developing systems to recover data and resume services as quickly as possible in the event of emergency.

vii. Risks associated with changes in laws and regulations

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

viii. Risks associated with climate change

The number of units of some merchandise sold by the Group, including snow tires and tire chains, is significantly affected by weather. Abnormal weather such as cool summers and mild winters may cause a fall in demand for seasonal merchandise or a decrease in sales due to a shift in the timing of sales. Environmental legislation and growing social pressure could lead to the introduction of carbon taxes and other measures and wider-reaching regulation, putting constraints on business activities and pushing up operation or facility costs, and this could affect the financial performance of the Group.

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

ix. Risks associated with natural disasters

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

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

x. Risks associated with virulent infectious diseases

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

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

xi. Risks associated with impairment of non-current assets

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

xii. Risks associated with compliance

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

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

xiii. Risks associated with management of private and confidential information

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

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

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

(1) Summary of operating results, etc.

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

The Japanese economy showed signs of improvement in consumer spending due to the normalization of social and economic activity with the easing of activity restrictions under the COVID-19 pandemic. However, the outlook for the Japanese economy remained uncertain, given rising prices of goods caused by the prolonged conflict in Ukraine and soaring raw material and energy costs, as well as concerns about an economic slowdown due to exchange rate fluctuations.

Looking at trends in the domestic automotive-related industry, the number of new cars sold and the number of used cars registered rallied to levels higher than in the preceding year after the impact of the worldwide semiconductor shortage weakened. Meanwhile, the circumstances surrounding the business related to automotive goods and services was difficult, due partly to sluggish demand for wintry items amid record-breaking heat in winter.

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

The Company has changed the classification of its reporting segments from the current fiscal year. Regarding the comparisons with the results of the same period of the previous year, comparisons and analyses were made based on figures for the same period of the previous year reclassified into the revised segments.

i. Consolidated statement of income

Net sales and gross profit

Group net sales for the consolidated fiscal term under review were 229,856 million yen, down by 2.7% year on year, and gross profit was 75,424 million yen, down by 5.1% year on year.

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

(Millions of yen)

Name of segment	76th fiscal term Apr. 1, 2022- Mar. 31, 2023	77th fiscal term Apr. 1, 2023- Mar. 31, 2024
Domestic AUTOBACS Business	170,015	167,038
Overseas Business	13,052	14,700
Car Dealership, BtoB and Online Alliance Business	39,820	35,144
Other Business	13,347	12,973
Total reportable segments	236,235	229,856

(Note) Inter-segment transactions are eliminated.

Selling, general and administrative expenses and operating profit

Selling, general and administrative expenses were 67,414 million yen, down by 0.5% year on year, and operating profit was 8,010 million yen, down by 31.7% year on year.

Although depreciation increased owing to the start of operation of the new store system, selling, general and administrative expenses decreased as a result of exclusion of two subsidiaries from the scope of consolidation during the period under review.

The Group’s employment status

(Persons)

Name of segment	76th fiscal term Apr. 1, 2022-Mar. 31, 2023		77th fiscal term Apr. 1, 2023-Mar. 31, 2024		Increase/decrease from the previous fiscal term	
Domestic AUTOBACS Business	2,698	[739]	2,700	[741]	2	[2]
Overseas Business	571	[18]	564	[17]	(7)	[(1)]
Car Dealership, BtoB and Online Alliance Business	657	[17]	484	[11]	(173)	[(6)]
Other Business	298	[21]	310	[44]	12	[23]
Company-wide (common)	253	[27]	327	[2]	74	[(25)]
Total	4,477	[822]	4,385	[815]	(92)	[(7)]

(Note) The number of employees indicates the number of persons working for the AUTOBACS SEVEN Group. The yearly average number of temporary employees is shown in brackets (“[ ]”). The number of employees in the Company-wide (common) category includes employees who belong to the administration division.

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

Non-operating income was 2,070 million yen, up by 11.7% year on year. Non-operating expenses were 1,987 million yen, down by 0.8% year on year.

A year-on-year increase in profitability was recognized for entities accounted for using equity method and share of profit of entities accounted for using equity method was recorded under non-operating income. Moreover, lease cost-system equipment increased owing to the start of operation of the new store system.

As a result, ordinary profit was 8,093 million yen, down by 30.1% year on year.

Extraordinary income and extraordinary loss

Extraordinary income consisted of 3,971 million yen of gain on sale of businesses. Extraordinary loss consisted of 708 million yen of loss on arrangement of stores, 534 million yen of impairment loss on non-current assets, 351 million yen of loss on valuation of investment securities, and 188 million yen of extra payments for early retirements.

Income taxes in total

Income taxes in total were 3,915 million yen, a decrease of 724 million yen from the previous fiscal term.

Profit attributable to owners of parent

Profit attributable to owners of parent was 6,355 million yen, down by 12.2% year on year.

ii. Management results by segment

Outline of reporting segments

Net sales and income by segment

(Millions of yen)

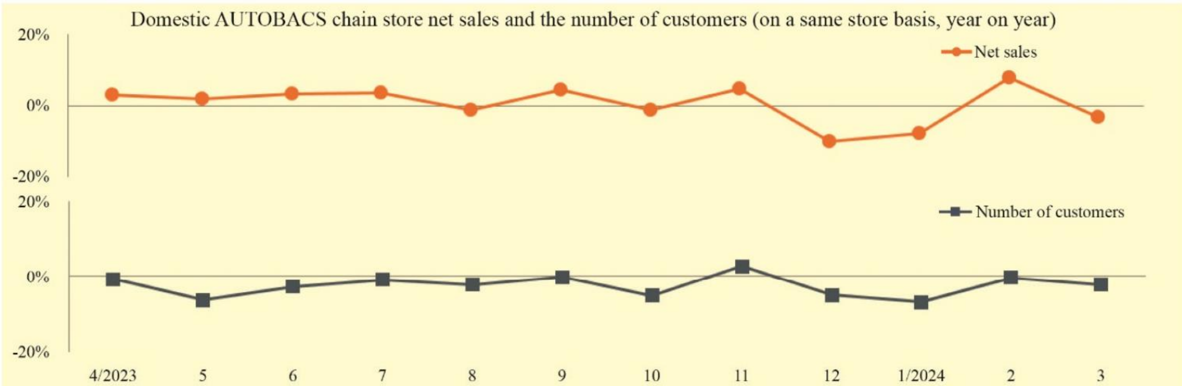
	Reportable segments					Reconciling items	Amount recognized in consolidated statement of income
	Domestic AUTOBACS Business	Overseas Business	Car Dealership, BtoB and Online Alliance Business	Other Business	Total reportable segments		
Net sales							
Revenue from contracts with customers	167,038	14,673	35,144	10,542	227,398	–	227,398
Other revenue	–	26	–	2,431	2,458	–	2,458
Net sales to outside customers	167,038	14,700	35,144	12,973	229,856	–	229,856
Year-on-year change	(1.8%)	12.6%	(11.7%)	(2.8%)	(2.7%)	–	(2.7%)
Internal sales and transfers between segments	5,075	674	9,116	5,100	19,966	(19,966)	–
Total	172,113	15,375	44,260	18,073	249,823	(19,966)	229,856
Year-on-year change	(1.4%)	13.6%	(10.0%)	(2.7%)	(2.4%)	–	(2.7%)
Segment profit (loss)	16,721	101	(49)	(659)	16,115	(8,105)	8,010
Year-on-year change	(21.3%)	–	–	–	(20.4%)	–	(31.7%)

Domestic AUTOBACS Business

The Domestic AUTOBACS Business remained firm in the first half as a result of a mild upward trend in consumer spending and its acceleration of sales promotion despite the impact of the soaring prices. In the second half, a mild winter decreased demand at stores for seasonal goods and resulted in a decline in wholesale sales. In addition, on the occasion of a change in franchise chain packages, the Company changed the prices of items in stock at the beginning of the fiscal term ending March 31, 2025 owned by franchise stores to the level after the wholesale price reduction. As a result, net sales for the consolidated fiscal term under review decreased by 1.4% year on year to 172,113 million yen. Gross profit decreased by 6.0% year on year, to 56,120 million yen. Selling, general, and administrative expenses increased by 2.4% year on year, to 39,398 million yen, reflecting an increase in depreciation due to the operation of the new store system. As a result, segment profit decreased by 21.3% year on year, to 16,721 million yen.

Domestic AUTOBACS chain (including stores of franchisee corporations) net sales for all store formats during the consolidated fiscal term under review decreased by 0.2% on a same store basis and remained at the same level on a total store basis compared to the previous fiscal term.

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



In the domestic AUTOBACS chain, engine oil and batteries performed strongly due to maintenance demand for existing owned cars. Sales from services associated with these items also remained strong. Tire sales saw a decline from a year earlier, which is attributable to the sluggish sales of snow tires due to the mild winter weather, despite growth in sales of low-priced items such as private brand tires. As for private brands, the Company has been focusing on developing and selling valuable items that meet various customer needs, such as “AQ. (AUTOBACS Quality.),” and “GORDON MILLER,” a brand that proposes an exciting garage lifestyle. The Company is also selling and planning further items that commemorate the 50th anniversary of its foundation, including sales of commemorative items with specially increased quantities.

The Company gradually expanded its statutory safety inspection and maintenance services, integrating new features into its official app. In addition to allowing users to book work at service pits, the app informs them about the work history of major maintenance items and the timing of parts replacement. Service pit bookings via the Company’s website became increasingly popular. The number of bookings via the official app increased by 24.3% year on year. The number of automobiles that underwent the statutory safety inspection increased by 0.3% year on year to approximately 667,000 vehicles, due to the efforts for improving the repeat rate for customers who have had their statutory safety inspection done at our stores, although the number of vehicles subject to statutory safety inspections began to decrease from the third quarter.

Regarding automobile purchase and sales, sales were brisk against the backdrop of a higher purchase volume of used cars. As a result, the number of automobiles sold in the Domestic AUTOBACS Business increased by 10.5% year on year to 31,400 cars.

In addition, we significantly renewed its AUTOBACS membership system for the first time in 18 years, we have revised the benefits and rank-up programs to make them even more attractive.

Regarding store openings and closings in Japan, 3 stores opened and 1 store closed (excluding openings and closings in line with scrap & build and relocation), making the total number of domestic stores 590 as of March 31, 2024.

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

(Millions of yen)

	76th fiscal term Apr. 1, 2022-Mar. 31, 2023	77th fiscal term Apr. 1, 2023-Mar. 31, 2024	Increase/decrease from the previous fiscal term
Tires and wheels	54,874	51,384	(3,489)
Car electronics	22,899	20,788	(2,110)
Oil and batteries	16,285	17,475	1,189
Accessories and maintenance	40,251	38,805	(1,445)
Statutory safety inspections and services	17,831	18,301	469
Car sales	7,275	8,751	1,475
Other	10,597	11,531	933
Total	170,015	167,038	(2,976)

Store openings and closings in Japan

(Stores)

	No. of stores as of March 31, 2023	Opened	Closed	No. of stores as of March 31, 2024
AUTOBACS	496	3	—	499
Super AUTOBACS	74	—	—	74
AUTOBACS Secohan Ichiba	4	—	1	3
AUTOBACS EXPRESS	11	—	—	11
AUTOBACS CARS	3	—	—	3
Total	588	3	1	590

Details of store in Japan

(Stores)

	No. of stores as of March 31, 2023	No. of stores as of March 31, 2024
Directly managed	11	9
Consolidated subsidiaries	124	127
Non-consolidated companies*	453	454
Total	588	590

*Including associated companies

Overseas Business

The Overseas Business achieved positive profitability, with its sales standing at 15,375 million yen, increased by 13.6% year on year, and segment income at 101 million yen (segment loss of 207 million yen in the previous fiscal year). In the retail and service business, sales increased despite the impact of the conflict in Ukraine and worldwide inflation. In the wholesale business, sales rose, reflecting stepped up sales and marketing to existing customers.

In France, sales increased due to optimization of price and sales activities, despite the decrease in the demand for summer season items due to the cool summer weather and rainfall. While labor expenses increased due to a rise in the legal minimum wage, the Company has taken measures to improve profitability including closing unprofitable stores. In Singapore, works at service pits performed well by capturing demand for maintenance parts for existing vehicles due to the price increase of certificate of entitlement (COE). In Malaysia and Australia, sales decreased due to a decline in consumer appetite against the backdrop of inflation and a sharp rise in interest rates. In China, operating profit and loss improved due to an increase in exports to Japan.

The total number of stores outside Japan, with 37 new store openings and 6 stores closure, increased from 78 as of the end of March 2023, to 109.

Statement of income of main overseas subsidiaries

(Millions of yen)

		76th fiscal term Apr. 1, 2022- Mar. 31, 2023	77th fiscal term Apr. 1, 2023- Mar. 31, 2024	Increase/decrease from the previous fiscal term
France	Net Sales	7,271	8,376	1,104
	Operating Income	(123)	(395)	(271)
Singapore	Net Sales	1,714	1,855	141
	Operating Income	(30)	37	67
China	Net Sales	1,382	1,223	(159)
	Operating Income	(143)	2	146
Malaysia	Net Sales	116	113	(3)
	Operating Income	(11)	(12)	(1)
Australia	Net Sales	2,812	2,625	(187)
	Operating Income	163	67	(96)

Number of stores overseas

(Stores)

	No. of stores as of March 31, 2023	Opened	Closed	No. of stores as of March 31, 2024
France	10	—	2	8
Singapore	2	—	—	2
Thailand	49	34	1	82
Taiwan	6	—	—	6
Malaysia	5	—	—	5
Indonesia	3	—	3	—
Philippines	3	3	—	6
Total	78	37	6	109

Detail of stores overseas

(Stores)

	76th fiscal term Apr. 1, 2022-Mar. 31, 2023	77th fiscal term Apr. 1, 2023-Mar. 31, 2024
Consolidated subsidiaries	12	12
Non-consolidated companies*	66	97
Total	78	109

*Including associated companies

[Car Dealership, BtoB and Online Alliance Business]

Sales for the Car Dealership, BtoB and Online Alliance Business decreased by 10.0% year on year, to 44,260 million yen, and segment loss at 49 million yen (compared to a segment profit of 281 million yen in the previous fiscal year).

In the Car Dealership Business, sales fell due to the transfer of two subsidiaries acting as authorized BMW/MINI dealers in September 2023, despite the brisk sales of a subsidiary that is an authorized Audi dealer. Another subsidiary that is an authorized BYD Auto Japan dealer newly opened BYD AUTO Utsunomiya and BYD AUTO Nerima. With a view toward fully supporting customers' lives with electric vehicles (EVs), it also started dealing in used EVs in addition to new BYD cars and offering installation services for EV chargers, storage batteries and solar panels.

(Stores)

Name of company	No. of stores as of March31, 2023	No. of stores as of March31, 2024
Autoplatz K.K.	5	—
Motoren Tochigi Corp.	5	—
Bacs Advance Co., Ltd.	3	2
BACS e-Mobility Co., Ltd.	—	3

In the BtoB Business, there was a steady increase in the number of subscribers to the AUTOBACS Corporate Membership System, which enables companies to make lump sum payments for the purchase of items for company cars, including maintenance parts and automotive goods and services. Further, against the backdrop of solid demand for vehicle maintenance, a subsidiary engaged in the wholesale of automotive goods, engine oil, and other products, performed well. The on-site installation service, including the installation of dashboard cameras and car navigation devices, also performed solidly. The on-site installation service of the anti-left-behind device for buses transporting children, which started in September 2023, has been used not only for vehicles transporting children to and from kindergartens, but also for vehicles transporting elderly care workers and other vehicles. In addition, the Company is promoting collaboration with Nissan Motor Co., Ltd. It developed and sold specific items for Nissan car models.

In the Online Alliance Business, sales expanded, chiefly by increasing the amount of goods handled on the e-commerce site. The Company is continuing logistics reforms and the integration of online and physical stores. It aims to approach potential customers on the MOBILA comprehensive website that offers information services and content essential to car lifestyles and guide customers from this website to AUTOBACS stores. In addition, the Company launched FLEETGUIDE, a cloud-based company vehicle management system equipped with the ALC Cloud portable breath analyzer.

Other Business

Sales in the Other Business decreased 2.7% year on year, to 18,073 million yen, and segment loss totaled 659 million yen (compared to a segment loss of 1,066 million yen in the same period of the previous year).

iii. Analysis of financial conditions

a. Status of consolidated balance sheet items

Current assets

Current assets increased by 849 million yen from the end of the previous fiscal term to 112,191 million yen due mainly to an increase in cash and deposits despite decreases in accounts receivable - trade, merchandise, and accounts receivable - other.

Property, plant and equipment and intangible assets

Property, plant and equipment increased by 1,494 million yen from the end of the previous fiscal term to 48,252 million yen due mainly to an increase in buildings and structures for new store openings and remodeling.

Intangible assets decreased by 1,628 million yen from the end of the previous fiscal term to 7,763 million yen.

Investments and other assets

Investments and other assets decreased by 94 million yen from the end of the previous fiscal term to 26,741 million yen.

Current liabilities

Current liabilities rose by 78 million yen from the end of the previous fiscal term to 48,984 million yen.

Non-current liabilities

Non-current liabilities decreased by 1,646 million yen from the end of the previous fiscal term to 16,812 million yen. This was mainly attributable to a decrease in long-term loans payable because of repayment of borrowings from banks.

Total net assets

Total net assets increased by 2,189 million yen from the end of the previous fiscal term to 129,152 million yen. This was due primarily to an increase in profit attributable to owners of parent despite a decrease in retained earnings due to dividend payment.

Assets by segment

(Millions of yen)

Name of segment	76th fiscal term Apr. 1, 2022- Mar. 31, 2023	77th fiscal term Apr. 1, 2023- Mar. 31, 2024	Increase/decrease from the previous consolidated fiscal term
Domestic AUTOBACS Business	93,595	92,451	(1,143)
Overseas Business	12,256	13,317	1,061
Car Dealership, BtoB and Online Alliance Business	22,572	16,501	(6,070)
Other Business	36,955	38,004	1,048
Company-wide (common)	28,948	34,673	5,724
Total	194,327	194,948	621

Total assets/total liabilities and net assets

Total assets and total liabilities and net assets rose by 621 million yen from the end of the previous fiscal term to 194,948 million yen.

b. Consolidated Cash Flows

Cash and cash equivalents at end of the fiscal term under review increased by 6,775 million yen from the end of the previous fiscal term to 31,278 million yen.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 14,431 million yen (net cash provided by operating activities of 10,687 million yen in the previous fiscal term). The main component of cash inflow was proceeds from operating transactions adjusted with non-cash profit and loss items, etc. of 19,303 million yen against income before income taxes of 10,283 million yen, while the main component of cash outflow was income taxes paid amounting to 5,000 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 449 million yen (net cash used in investing activities of 7,652 million yen in the previous fiscal term). Main components of cash inflow were proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation amounting to 5,098 million yen and proceeds from collection of loans receivable amounting to 3,896 million yen and main component of cash outflow was purchase of property, plant and equipment and intangible assets amounting to 9,149 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 7,413 million yen (net cash used in financing activities of 3,495 million yen in the previous fiscal term). Main components of cash outflow were dividends paid of 4,681 million yen, and repayments of long-term borrowings amounting to 1,958 million yen.

c. Status of Capital Investment

The Group conducted capital investment in a total amount of 9,149 million yen. The main components were new store openings, remodeling of existing stores, and acquisition of buildings and structures for relocation of import car dealer stores as well as IT system investment for establishing information infrastructure.

Details of capital expenditures

(Millions of yen)

	76th fiscal term Apr. 1, 2022-Mar. 31, 2023	77th fiscal term Apr. 1, 2023-Mar. 31, 2024
New Store Openings (include store renewals)	446	2,260
Store Remodeling & Repair	1,989	2,439
Land	453	561
IT Systems	2,405	1,780
Other	1,887	2,107
Total	7,182	9,149

Amount of capital expenditures by segments

(Millions of yen)

	76th fiscal term Apr. 1, 2022-Mar. 31, 2023	77th fiscal term Apr. 1, 2023-Mar. 31, 2024
Domestic AUTOBACS Business	4,570	6,378
Overseas Business	622	143
Car Dealership, BtoB and Online Alliance Business	1,138	1,505
Other Business	243	434
Company-wide (common)	607	688
Total	7,182	9,149

iv. Status of Fund Procurement

During the consolidated fiscal term under review, the Group procured the funds for business operations as the entire AUTOBACS Group. The main reason for the decrease in the balance of short-term loans payable and long-term loans payable at the end of the consolidated fiscal term under review of 2,513 million yen was contractual repayment and refinancing of intra-group loans.

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

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

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

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

The Japanese economy is on a gradual recovery trend, as domestic demand is picking up and inbound demand is recovering, against the backdrop of the normalization of socioeconomic activities that had been restricted by the impact of the COVID-19 pandemic. On the other hand, the economic outlook remains uncertain in view of soaring raw material and energy costs attributable to the unstable international situation, the rapid depreciation of the yen and the accompanying inflation of commodity prices.

Turning attention to the domestic automotive industry, semiconductor shortages have been solved and the number of new cars sold and used cars registered has recovered, and car exports have been strong due to the weak yen. However, the environment surrounding the industry has become increasingly uncertain, in part due to the discovery of fraudulent practices by certain automakers and used car dealerships.

In addition to these changes, based on the belief that, in order to achieve sustainable growth amidst the rapidly changing external environment, we must establish structures that can anticipate and quickly respond to customers' changing needs, we formulated the "Five-year Rolling Plan" in 2019 to continuously adjust our direction and strategy for the next five years in light of current trends.

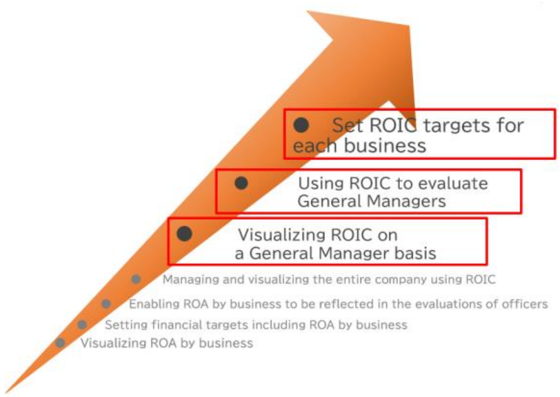
We defined the cooperation with businesses that have strengths in their respective areas as the six networks, promoted the maintenance of five business infrastructures, and strengthen businesses, with the aim of rapidly providing merchandise and services that suit the situations in which our customers use their cars.

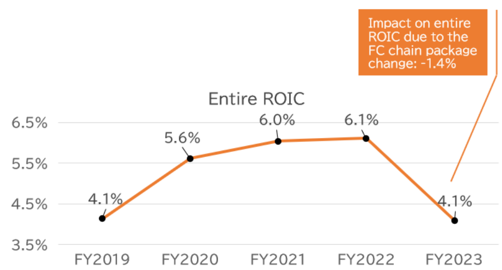
In the fiscal year ended March 31, 2024, the Group established the following policies for improving execution and increasing speed, strengthening initiatives for sustainable growth, and continuing human resource development initiatives, and focusing on achieving these goals.

a. Improve execution and increase speed

Initiatives to Promote ROIC Management

For the achievement of sustainable growth, in addition to improving the efficiency of existing businesses and promoting regeneration, investment in growth areas and the development of new businesses will become even more important themes to continue rising to the challenge of creating new value, the Group is reviewing business portfolio using ROIC (Return on Invested Capital). For the fiscal year ended March 31, 2024 we implemented the visualization of ROIC by business, building the foundations for ROIC management. From the fiscal year ending March 31, 2025 we set ROIC targets on a per-business basis, adopted per-business ROIC as a performance assessment metric for General Managers, and instituted other measures to integrate these as personnel evaluation metrics and have them take root internally. In the medium term, we have announced an ROIC of 7.0% as a target for the fiscal year ending March 31, 2027 and aim to maintain and expand ROIC at a level exceeding the cost of capital (WACC). In addition to improving ROIC in each business, we will work to utilize external capital when making growth investments in pursuit of WACC control.





Initiatives to optimizing management resources by revising and narrowing down the business portfolio

In the Domestic AUTOBACS Business, we implemented a cost restructuring of the Franchise Chain Headquarters and reallocated personnel to AUTOBACS stores. In addition, in order for franchise chain stores and the Group in its capacity as the Franchise Chain Headquarters to achieve management with a greater focus on retailing, from April 1, 2024 wholesale prices from the Group to franchise chain stores were reduced, and we switched to a franchise package that raises the royalty rates attached to retail sales. As a result, we will provide customers with consistently high-quality services nationwide, promote DX at all stores, and promote the introduction of unified tools, while increasing customer contact points with franchise chain stores and the Franchise Chain Headquarters truly working as one, and evolving into franchise store chains that enjoy even more support from customers by developing and providing goods and services that reflect the customer perspective.

In the Overseas Business, we improved profitability with the closer of the underperforming AUTOBACS FRANCE S.A.S. and the dissolution of the PT AUTOBACS INDOMOBIL INDONESIA joint venture, returning operating profit to positive territory.

In the Car Dealership Business, we transferred our shares in two sub-subsidiaries operating authorized BMW/MINI dealerships. As a result, sales in the Car Dealership Business declined, but we recorded extraordinary income of approximately 3.9 billion yen as proceeds from the sale. These proceeds from the sale will be allocated to strategic investments for growth.

In the Other Business, we spun off used care purchasing and sales as an independent car trading business, and began soliciting franchise stores from outside the AUTOBACS Group from April 2024.

Strengthening initiatives for strategic businesses

We are leveraging the AUTOBACS Group’s expertise and assets to respond to the booming EV market by opening new authorized BYD dealerships, setting up Hyundai corners in seven Super AUTOBACS stores, investing in EV planner, manufacturer and distributor ASF Inc., and more.

In addition, by leveraging our strength in merchandise, we aim to expand into new product categories and sales channels. In addition to strengthening the development and supply of products specific to models produced by Nissan Motor Corporation, we have started offering micro-mobility products at AUTOBACS stores.

b. <u>Strengthen initiatives for sustainable growth</u>

“Evolution as a retailer” by integrating online and physical stores

With customers’ values and purchasing behaviors undergoing significant change, competition is intensifying beyond conventional industry boundaries across such as retail businesses, IT and so on. Working under this environment, the Group aims to provide customers with seamless purchasing experiences and enhance the value of their time by evolving as a retailer through integrating online and physical stores. More specifically, we have pursued initiatives enabling customers to receive goods and services in a speedy fashion by paying installation costs for goods purchased online in advance, and as a last mile delivery measure developed mechanisms to immediately dispatch goods purchased online from our physical stores if they are in stock. Through this integration between our physical stores and e-commerce site, we are providing value that is unique to AUTOBACS due to its nationwide network of automotive goods and services stores.

“Evolution from a Retailer” through DX by utilizing unique data

“Evolution from a retailer” is a strategy to engage with customers more deeply, longer, and more directly based on the concept of achieving “CDE” (Customer Deep Engagement) through a digital ecosystem. Leveraging unique data and proposing tailored mobility lifestyles to customers, we hope to convey the joy of going out and promote car usage, thus revitalizing the entire industry.

As an example of DX through the utilization of unique data, in April 2023 we launched MOBILA, a comprehensive care lifestyle website providing the latest automotive news and information that inspires people to take trips by car. MOBILA users have already broken the 1.8 million mark, but going forward we will work to enhance functionality and evolve MOBILA into a mobility information platform utilized as a tool for communication with customers.

c. <u>Continue human resource development initiatives</u>

The Group believes that the development of human resources is essential for corporate growth. The Group positions the recruitment, development and retention of mechanics as an especially urgent issue, and in cooperation with its subsidiary, Chain Growth Co., Ltd., the Group is continuing and expanding recruitment activities targeting graduates of mechanic schools and other qualified individuals. Moreover, the Group also implements a range of initiatives to encourage the acquisition of mechanic qualifications including utilizing detached classrooms, holding short-term courses, holding workshops to prepare for the automobile inspector training exam, and holding hybrid technology workshops and it actively promotes the provision of opportunities for the development of mechanics.

On another front, we have entered into a basic agreement with the University of Perpetual Help System DALTA in the Philippines on a project to cultivate automotive maintenance personnel in the Philippines and promote the development of their careers in Japan. This is part of our efforts to cultivate professional mechanics on a joint basis with universities. By developing and securing human resources with advanced skillsets globally, we aim to develop the overall automotive maintenance industry in Japan while helping to support the career development of international human resources.

In addition, the Group encourages reskilling to develop human resources. More specifically, Specifically, we provide an IT and DX reskilling program aimed at enhancing data literacy, and also encourage head office staff to gain skills in store operations while providing educational support for reskilling. We believe these skills will be crucial for the Group to realize its "evolution from a retailer." In addition, we have also implemented personnel measures such as reviewing our personnel system, reduced staff by approximately 70 personnel through an early retirement incentive program and related retirements, and reassigned roughly 100 personnel from costs centers to profit-generating departments.

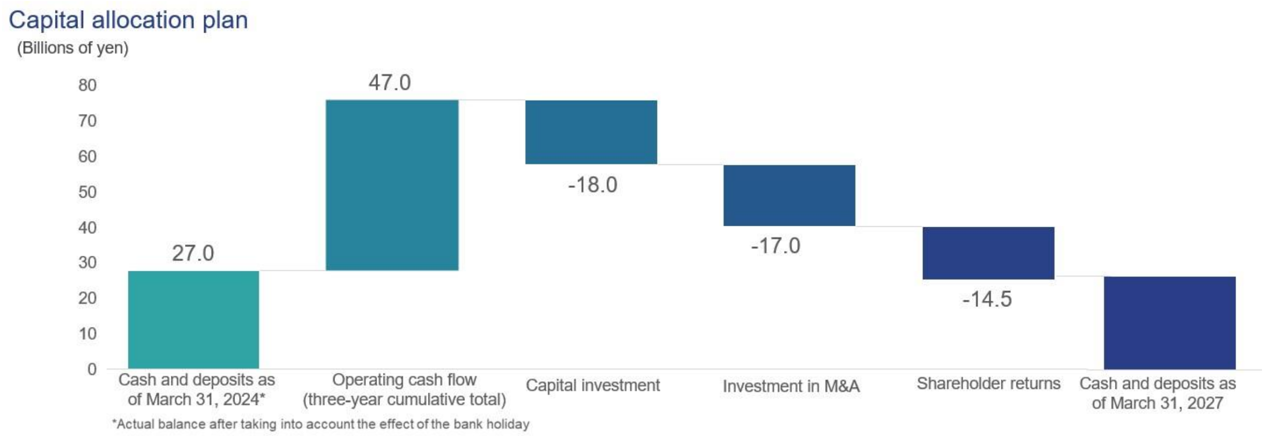
ii. Information about the analysis and discussion of the status of cash flow, capital resources and fund liquidity

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

Status of capital resources and the liquidity of funds

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.

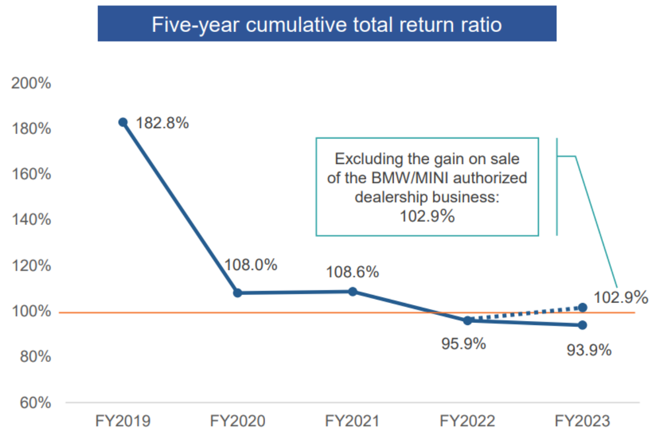
Over the three years of our new Medium-term Business Plan which will start in the fiscal year ending March 31, 2025, we plan to invest a cumulative 35 billion yen in capital expenditures and business expansion through M&A, and over the period of our long-term vision which extends to 2032, we will make cumulative investments on the order of 100 billion yen.



Shareholder return policy

The Group positions the return of profit to its shareholders as one of the key management priorities. As for the distribution of profits, the Company has made 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 cumulative total shareholder return ratio for said period was 93.9%. When excluding the temporary profits from the sale of the official BMW/MINI dealership business in FY2024, the five-year cumulative total shareholder return ratio was 102.9%.

Concerning three-year shareholder returns for the Medium-term Business Plan period beginning in FY2024, we have established a basic policy of prioritizing investment in growth opportunities aimed at achieving our long-term vision, and providing stable annual dividends of 60 yen per share as a general rule. Additionally, we plan to allocate the increase in operating cash flow to investment.



iii. Significant accounting estimates and the assumptions used for in making such estimates

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

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

5. Important Business Contracts

Franchise agreement

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

The following outlines the key provisions in the agreements.

(1) Overview of AUTOBACS franchise agreement

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

6. Research and Development Activities

Not applicable.

III. EQUIPMENT AND FACILITIES

1. Overview of Capital Investments, etc.

During the consolidated fiscal term under review, the Group conducted capital investment in a total amount of 9,149 million yen. The main components were new store openings, remodeling of existing stores, and acquisition of buildings and structures for relocation of import car dealer stores as well as IT system investment for establishing store information infrastructure.

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

(Capital investment by segment)

Name of segment	76th fiscal term Apr. 1, 2022-Mar. 31, 2023	77h fiscal term Apr. 1, 2023-Mar. 31, 2024
	Millions of yen	Millions of yen
Domestic AUTOBACS Business	4,570	6,378
Overseas Business	622	143
Car Dealership, BtoB and Online Alliance Business	1,138	1,505
Other Business	243	434
Company-wide (common)	607	688
Total	7,182	9,149

The Group invested 3,470 million yen primarily in the new store opening and the renovation of existing stores.

2. Major Facilities

(1) Company submitting the report

As of March 31, 2024

Branch name (location)	Segment	Facilities	Land		Buildings and structures (Millions of yen)	Machinery, equipment and vehicles (Millions of yen)	Tools, furniture and fixtures (Millions of yen)	Total (Millions of yen)	Number of employees (persons)
			Area (m²)	Amount (Millions of yen)					
West Japan Logistics Center (Miki City, Hyogo)	Company-wide	Distribution warehouse	43,889.9	2,646	991	592	2	4,234	7
East Japan Logistics Center (Ichikawa City, Chiba)	Company-wide	Distribution warehouse	—	—	32	732	14	780	15
A PIT AUTOBACS KYOTO SHIJO Store (Ukyo-ku, Kyoto)	Domestic AUTOBACS Business	Super AUTOBACS	10,298.8	2,557	607	76	210	3,451	62 [67]
A PIT AUTOBACS SHINONOME Store (Koto-ku, Tokyo)	Domestic AUTOBACS Business	Super AUTOBACS	—	—	632	93	59	785	85 [20]
SA SAPPORO Store (Nishi-ku, Sapporo City)	Domestic AUTOBACS Business	Leased store (Super AUTOBACS)	6,047.0	1,181	0	—	0	1,182	—
SA SENDAI-IZUMIKAMO Store (Izumi-ku, Sendai City)	Domestic AUTOBACS Business	Leased store (Super AUTOBACS)	7,172.4	735	0	—	0	736	—
SA SUNSHINE KOBE Store (Higashi Nada-ku, Kobe City)	Domestic AUTOBACS Business	Leased store (Super AUTOBACS)	—	—	354	2	18	375	5 [1]
Shizuoka-Ryutsu Store (Aoi-ku, Shizuoka City)	Domestic AUTOBACS Business	Leased store (AUTOBACS)	4,410.0	1,166	2	—	0	1,169	—
Zao Store (Fukuyama City, Hiroshima)	Domestic AUTOBACS Business	Leased store (AUTOBACS)	3,862.3	839	0	—	0	840	—
Nara-Daianji (Nara City, Nara)	Domestic AUTOBACS Business	Leased store (AUTOBACS)	4,932.4	620	60	—	0	681	—
Fujinomiya Store (Fujinomiya City, Shizuoka)	Domestic AUTOBACS Business	Leased store (AUTOBACS)	5,337.4	531	0	—	0	532	—
Kansai Regional Headquarters (Kita-ku, Osaka City)	Domestic AUTOBACS Business	Office	440.3	403	283	13	4	705	69[4]

(Notes) 1. Amounts are book values and do not include construction in progress.
2. The number of employees in [ ] is the number of temporary employees.
3. "Super AUTOBACS" of Facilities is a store with a site area of 5,610m² (1,700 tsubo) or more and a sales floor area of 990m² (300 tsubo) or more.
4. Of the facilities, "Leased store" is a store leased to a franchisee, and the location in the parentheses under the store name is the lessee's location.
5. In addition to the above, the Company has software valued at 4,828 million yen.

(2) Domestic subsidiaries

As of March 31, 2024

Branch name (location)	Segment	Facilities	Land		Buildings and structures (Millions of yen)	Machinery, equipment and vehicles (Millions of yen)	Tools, furniture and fixtures (Millions of yen)	Total (Millions of yen)	Number of employees (persons)
			Area (m²)	Amount (Millions of yen)					
AUTOBACS Minami-Nihon Sales Ltd. SA Hiroshima Kanon-Shinmachi Store (Nishi-ku,Nishi-ku,Hiroshima)	Domestic AUTOBACS Business	Super AUTOBACS	5,604.0 (5,604.0)	1,982 (1,982)	766 (762)	55 (55)	8 (1)	2,812 (2,801)	27 [15]
AUTOBACS Minami-Nihon Sales Ltd. SA Onojo-Mikasagawa Store (Onojo City, Fukuoka)	Domestic AUTOBACS Business	Super AUTOBACS	8,307.1 (8,307.1)	1,078 (1,078)	45 (39)	10 (−)	4 (0)	1,139 (1,118)	29 [9]
AUTOBACS Higashi-Nihon Sales Ltd. SA Utsunomya Store (Utsunomiya City, Tochigi)	Domestic AUTOBACS Business	Super AUTOBACS	4,035.7 (3,627.0)	559 (515)	15 (11)	0 (0)	0 (0)	576 (528)	21 [7]
AUTOBACS Higashi-Nihon Sales Ltd. SA Kashiwa Shonan Store (Kashiwa City, Chiba)	Domestic AUTOBACS Business	Super AUTOBACS	—	—	140 (131)	13 (6)	9 (1)	163 (140)	51 [21]
AUTOBACS Higashi-Nihon Sales Ltd. SA Chiba Naganuma Store (Chiba City, Chiba)	Domestic AUTOBACS Business	Super AUTOBACS	—	—	32 (18)	42 (1)	9 (0)	84 (20)	41 [11]
AUTOBACS Chubu Sales Ltd. SA NAGOYA BAY Store (Minato-ku, Nagoya City)	Domestic AUTOBACS Business	Super AUTOBACS	—	—	33 (25)	5 (−)	2 (1)	41 (26)	51 [29]
AUTOBACS Higashi-Nihon Sales Ltd. AUTOBACS GARAGE Fuchu Store (Fuchu City, Tokyo)	Domestic AUTOBACS Business	AUTOBACS	4,118.1 (4,118.1)	842 (842)	88 (86)	0 (0)	0 (0)	931 (930)	16 [7]
AUTOBACS Minami-Nihon Sales Ltd. Shinonome Store (Minami-ku, Hiroshima City)	Domestic AUTOBACS Business	AUTOBACS	2,920.0 (2,920.0)	715 (715)	170 (168)	— (−)	1 (0)	886 (884)	16 [9]
AUTOBACS Minami-Nihon Sales Ltd. Tobe Store (Iyo-gun, Ehime)	Domestic AUTOBACS Business	AUTOBACS	3,234.3 (3,234.3)	552 (552)	9 (9)	0 (−)	1 (0)	562 (561)	13 [5]
AUTOBACS Minami-Nihon Sales Ltd. Midorii Store (Asaminami-ku, Hiroshima City)	Domestic AUTOBACS Business	AUTOBACS	1,607.1 (1,607.1)	516 (516)	41 (41)	— (−)	0 (0)	558 (558)	15 [9]
Bacs Advance Co., Ltd. Audi Utsunomiya Store (Utsunomiya City, Tochigi)	Car Dealership, BtoB and Online Alliance Business	Dealership	5,166.0 (−)	219 (−)	500 (−)	28 (−)	9 (−)	758 (−)	36 [−]

(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

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, 2024)	Number of shares issued as of the filing date (shares) (As of June 28, 2024)	Stock exchange where the Company is listed	Description
Common stock	82,050,105	82,050,105	Tokyo Stock Exchange Prime Market	One unit: 100 shares
Total	82,050,105	82,050,105	—	—

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

i. Details of stock option plans

Not applicable.

ii. Details of rights plans

Not applicable.

iii. Other stock acquisition rights, etc.

Not applicable.

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

Not applicable.

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

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

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

(5) Status by shareholder classification

As of March 31, 2024

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)	—	29	22	439	165	107	61,498	62,260	—
Number of shares held (Units)	—	162,126	14,367	202,588	80,428	426	359,767	819,702	79,905
Shareholding ratio (%)	—	19.77	1.75	24.71	9.81	0.05	43.88	100.00	—

(Notes) 1. Of 4,046,371 treasury shares, 40,463 units are included in the "Individuals and other" column under "Status of shares" and 71 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, 2024

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)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	8,496	10.89
Sumino Holdings, Ltd.	5-10-10 Seijyo, Setagaya-ku, Tokyo	4,243	5.43
The Yuumi Memorial Foundation for Home Health Care	3-5-1 Kojimachi, Chiyoda-ku, Tokyo Zenkyoren Bldg. Kojimachikan	3,990	5.11
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	3,532	4.52
K Holdings, Ltd.	2-6-404 Yamatecho, Ashiya-shi, Hyogo	2,750	3.52
The Master Trust Bank of Japan, Ltd. (Retail Trust Account 820079252)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	1,800	2.30
Foreman Kyoei, Ltd.	1-1-2-3406, Shinsenri-Higashimachi, Toyonaka-shi, Osaka	1,560	1.99
Hiroshi Sumino	Shibuya-ku, Tokyo	1,384	1.77
STATE STREET BANK WEST CLIENT-TREATY 505234	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U. S. A. (2-15-1 Konan, Minato-ku, Tokyo)	1,150	1.47
Live Field Co., Ltd.	4-1-18-510 Hiro-o, Shibuya-ku, Tokyo	1,000	1.28
Total	—	29,908	38.34

(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, 2024

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 4,046,300	—	—
	(Mutually held shares) Common stock 133,600	—	
Shares with full voting rights (other)	Common stock 77,790,300	777,903	—
Shares less than one unit	Common stock 79,905	—	Shares less than one unit (100 shares)
Total number of shares issued and outstanding	82,050,105	—	—
Total voting rights held by all shareholders	—	777,903	—

(Note) Shares with full voting rights (other) include 900 shares held under the name Japan Securities Depository Center, Inc. Number of voting rights includes 9 voting rights of shares with full voting rights under the name Japan Securities Depository Center, Inc.

ii. Treasury shares, etc.

As of March 31, 2024

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	4,046,300	—	4,046,300	4.93
Puma Ltd.	1637 Hibari, Imizu-shi, Toyama	28,500	105,100	133,600	0.16
Total	—	4,074,800	105,100	4,179,900	5.09

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

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

2. Acquisition of Treasury Shares, etc.

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

(1) Acquisition resolved by a general meeting of shareholders

Not applicable

(2) Acquisition resolved by the Board of Directors

Not applicable

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

Classification	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the fiscal year under review	575	905,576
Treasury shares acquired during the period	106	166,772

(Note) Treasury shares acquired during the period does not include shares acquired through the purchase of shares less than one unit from June 1, 2024 to the filing date of this securities report.

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

Classification	Fiscal year under review		Period	
	Number of shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Treasury shares acquired offered for subscription	—	—	—	—
Treasury shares acquired that were canceled	—	—	—	—
Treasury shares acquired that were transferred for merger, share exchange, share issuance, or company split	—	—	—	—
Other (disposition of treasury shares through restricted stock compensation)	14,200	24,239,400	—	—
Other (Sale due to demand for the sale of odd-lot shares)	70	105,070		
Number of treasury shares held	4,046,371	—	4,046,477	—

(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, 2024 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, 2024 to the filing date of this securities report.

3. Dividend Policy

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

As for the distribution of profits, the Company made 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.

Concerning three-year shareholder returns for the Medium-term Business Plan period beginning in FY2024, we have established a basic policy of prioritizing investment in growth opportunities aimed at achieving our long-term vision "Accelerating Towards Excellence," and providing stable annual dividends of 60 yen per share as a rule.

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.

The year-end dividends per share for the fiscal year ended March 31, 2024 was an ordinary dividend of 30 yen and a commemorative dividend of 10 yen. As a result, the annual dividend per share for the fiscal year ended March 31, 2024, including the interim dividend, will be a total of 70 yen, consisting of an interim dividend of 30 yen (ordinary dividend of 30 yen) and a year-end dividend of 40 yen (ordinary dividend of 30 yen + commemorative dividend of 10 yen). The cumulative total shareholder return ratio for the five years from the fiscal year ended March 31, 2020 was 93.9%.

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

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

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

Date of resolution	Total dividend amount (Millions of yen)	Dividend per share (Yen)
October 31, 2023 Resolution by the Board of Directors	2,340	30
June 27, 2024 Resolution by the Ordinary General Meeting of Shareholders	3,120	40

4. Corporate Governance

(1) Overview of corporate governance

Corporate Governance system and reasons for adopting the system

(I) Basic concept of Corporate Governance

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

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

《Purpose》

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

(II) Corporate Governance System

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

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

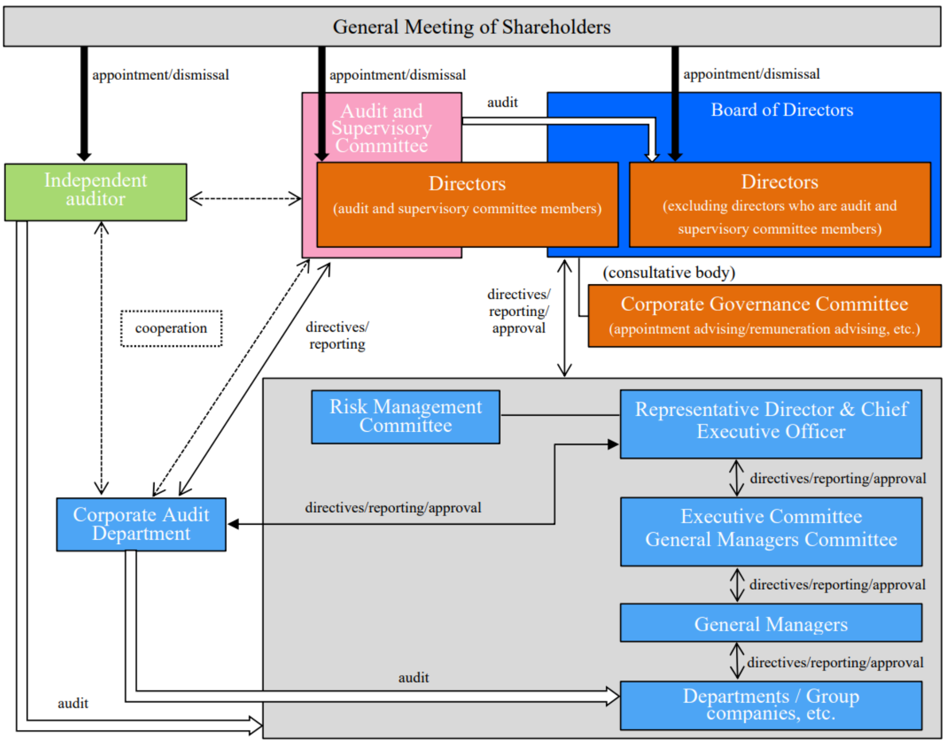
b. Establishment of committees as consultative bodies to the Board of Directors: ensuring of transparency, objectivity and appropriateness

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

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

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

Corporate Governance System Chart



(III) Reasons for choosing the system

The Company has introduced the General Manager 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 strengthen the business portfolio management with the aim of increasing the speed of decision-making and the process of transformation.

(IV) Descriptions of organizations within the Company

i. Board of Directors

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.

《Operation of the Board of Directors》

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

《Composition of the Board of Directors》

•With an emphasis on having a good balance of knowledge, experience, and skill,* the Board of Directors consists of internal directors well-versed in the Company's business, and outside directors with diverse backgrounds, including one female director.

•Board composition is decided following the careful consideration of diversity and appropriate scale, including gender, internationality, career history, and age.

* The Group believes that insight and experience in the fields such as "management experience," "capital cost management," "financial strategy," "portfolio management," and "organization, human resources strategy," are important to the Group's efforts to ensure the safety of our communities while driving and enriching customers' lives by responding to the ever-changing environment and providing new value unbounded by the existing businesses.

Chairperson: Yugo Horii

Director (excluding directors who are Audit and Supervisory Committee member): Yugo Horii, Shinichi Fujiwara, Masahiro Nishikawa, Takayoshi Mimura*, Yosuke Matsuda*

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

*: Independent Outside Director

《Major items deliberated by and reported to the Board of Directors 》

•Short-term and medium- to long-term business strategy formulation and progress

•Post-investment monitoring

•Significant investments and loans

•Report on sustainability-related actions

•Reporting on the status of internal control

•Evaluation of the effectiveness of the Board of Directors

《Initiatives for medium- to long-term growth》

The Board of Directors determines the single-year budget and the Medium-term Business Plan, and in principle, conducts rolling review of the Medium-term Business Plan once per fiscal year (updating at the end of each fiscal year and review of its contents). In addition, the Board of Directors regularly analyzes the causes of discrepancies between the single-year budget and actual results, and the results of analysis are disclosed and explained to stakeholders, including shareholders, through announcements of financial results, etc.

Status of activities of the Board of Directors

In the fiscal year ended March 31, 2024, the Board of Directors met once a month, in principle, and the status of attendance of individual Directors was as follows.

Name	Classification	Meetings to be attended	Meetings attended
Yugo Horii	Director	17 times	17 times
Kiomi Kobayashi	Director	17 times	17 times
Eiichi Kumakura	Director	17 times	17 times
Shinichi Fujiwara	Director	17 times	17 times
Minesaburo Miyake*	Director	17 times	17 times
Takayoshi Mimura*	Director	17 times	17 times

Tomoaki Ikeda	Director (Audit and Supervisory Committee Member)	17 times	17 times
Masami Koizumi*	Director (Audit and Supervisory Committee Member)	17 times	17 times
Ayako Kanamaru*	Director (Audit and Supervisory Committee Member)	14 times	14 times

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

2. Director (Audit and Supervisory Committee Member) Ayako Kanamaru assumed office on June 23, 2023, and therefore, the meetings held on or before June 22 are excluded from the meetings to be attended for them.

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

4. Kiomi Kobayashi, Eiichi Kumakura, Minesaburo Miyake resigned at the conclusion of the 77th Ordinary General Meeting of Shareholders held on June 27, 2024.

ii. Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of three directors who are audit and supervisory committee members (including two 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》

Chairperson: Tomoaki Ikeda

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

Audit and Supervisory Committee Member: Ayako Kanamaru*

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

*: Independent Outside Director

iii. Corporate Governance Committee

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

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

a. Election and dismissal of candidates for directors (including directors who are audit and supervisory committee members)

b. Election and dismissal of the representative director, approval of the succession plan

c. Election of General Managers *only when assigning a person invited from outside the Group as an officer

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

e. Other matters relating to corporate governance

《Composition of the Corporate Governance Committee 》

Chairperson: Members vote to elect a chairperson from among the Outside Directors
(Appointed at the meeting of the Corporate Governance Committee held on June 27, 2024).

Committee Member: Takayoshi Mimura (*1), Yosuke Matsuda (*1), Masami Koizumi (*1,2), Ayako Kanamaru (*1,2), Yugo Horii (Representative Director& Chief Executive Officer)

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

iv. Risk Management Committee

The Risk Management Committee is chaired by the Representative Director & Chief Executive Officer and is composed of executive directors and General Managers in charge of internal control functions. Outside Directors and Directors who are an Audit and Supervisory Committee members have been participating as observers.

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 》

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

Committee Members: Yugo Horii, Shinichi Fujiwara, Masahiro Nishikawa

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

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

v. Executive Committee

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

《Composition of the Executive Committee》

Chairperson: Yugo Horii (Chairperson of the Board)

Director (excluding directors who are audit and supervisory committee members): Yugo Horii, Shinichi Fujiwara, Masahiro Nishikawa, Takayoshi Mimura*, Yosuke Matsuda*

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

*: Independent Outside Director

vi. General Managers' Committee

The General Managers Committee is chaired by the Chief Executive Officer and is composed of General Managers, etc. It meets once every month, in principle, and hold discussions to promote business execution by confirming the status of execution and examining countermeasures in each Business and Business Infrastructure. Outside directors and directors who are audit and supervisory committee members attend meetings of the General Managers Committee as observers and appropriately express opinions necessary for the deliberation, etc. of agenda items.

《Composition of the General Managers' Committee》

Chairperson: Yugo Horii (Chief Executive Officer)

General Managers: Shinichi Fujiwara, Masahiro Nishikawa, Minoru Kamikubo, Masaru Sasaki, Hiroki Yoshiyama, Shinya Kurahayashi, Ken Ozone, Toshio Kitamura, Kenichi Hosoya, Kosuke Matsuki, Ryo Okubo, Noritaka Hiraga

Observer: Takayoshi Mimura (*1), Yosuke Matsuda (*1), Tomoaki Ikeda (*2), Masami Koizumi (*1,2), Ayako Kanamaru (*1,2)

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

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

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

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

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

The overview of the status of maintenance and operation in fiscal year 2023 is presented in the following.

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

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

b. Two outside director who is not an audit and supervisory committee member and all two outside audit and supervisory committee members held five 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 whistleblowing via the externally placed contact point. During the fiscal term under review, introduced initial screening upon receipt of whistleblowing and established a system to ensure accuracy and appropriateness of the response.

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

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

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

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

a. The Risk Management Committee monitored the status of addressing of risk issues, which were set on an annual basis. The General Affairs Department, Legal Department, Corporate Audit Department, and Car Lifestyle Support Center cooperated to help the Risk Management Committee monitor risks and grasp the status of addressing the annual risk issues.

b. Ensured the system to set up the Crisis Management Headquarters and take a prompt response in accordance with the "Crisis Management Rules" and "BCP (Business Continuity Plan) Manual" in the event of a crisis such as a large-scale disaster. Following the previous fiscal term, the Company conducted a drill twice a year and maintained the Crisis Management Headquarters. We upgraded the safety check system and implemented improvements to make it more effective in the fiscal term under review.

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

a. Held seventeen 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 long-term vision, Beyond AUTOBACS Vision 2032, Five-year Rolling Plan and annual business plan.

b. Held eleven 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 General Managers' Committee meetings during the fiscal year under review to check the status of execution at each business and business infrastructure and deliberate on the monitoring and assessment of risks related to individual investment matters.

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

The Corporate Audit Department conducted audits as to the appropriateness and effectiveness of business operations by the Group and assessed internal controls related to the reliability of the financial reports. Employees of the Company mainly from the Corporate Audit Department and the Audit and Supervisory Committee Office were appointed as subsidiary audit and supervisory board members to conduct audits as to the appropriateness of the execution of operations and the accounting and financial status of subsidiaries. The Corporate Audit Department provided detailed reports to the

Full-time Audit and Supervisory Committee Members and provided summary reports to the Audit and Supervisory Committee of the Company about their respective activities on a monthly basis.

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

a. Established the Audit and Supervisory Committee Office as an organization to assist the Audit and Supervisory Committee, assigned several independent dedicated employees who possess knowledge on the establishment and operation of internal control systems, and appointed them as audit and supervisory board members of subsidiaries to ensure the effectiveness of auditing by the Audit and Supervisory Committee.

b. The Audit and Supervisory Committee reviewed and deliberated on audit matters, and gave related departments a hearing about chief executive officer and General Managers in charge of respective departments, as well as about matters discovered in the course of an audit of operations, to offer recommendations on matters to be amended. All audit and supervisory committee members attended Board of Directors' meetings, Executive Committee meetings, and General Managers' Committee meetings to ask questions or express opinions as appropriate. Outside audit and supervisory committee members attended all Corporate Governance Committee meetings and reviewed governance.

c. The Audit and Supervisory Committee held a meeting for exchanging information with the independent auditor on a monthly basis.

d. During the fiscal term under review, the Audit and Supervisory Committee held a meeting once a month with departments responsible for auditing subsidiaries to exchange information and opinions about the status of auditing and internal controls of subsidiaries, to ensure effective auditing by the Audit and Supervisory Committee. In addition, in order to check the effectiveness of internal control system, the Audit and Supervisory Committee gathered information on the audit of subsidiaries at the management reporting meeting at which all the subsidiaries that are operating stores presented reports, and conducted on-site audits, including remote audits, of six subsidiaries of which two are overseas subsidiaries.

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

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

The Company has entered into an agreement with five 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 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 February 2025. The insured executive offers are those identified in the following paragraph iv, all of whom 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, General Managers and officers of the Company and its subsidiaries, as well as directors and General Managers 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 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.

While maintaining its founding management principle, the Group set its Purpose, "Ensuring the safety of our communities while driving and enriching customers' lives," in fiscal 2023, and clarified the direction of the evolution, namely, "Dedicated towards providing you the joy of going out," for which fiscal 2032 is the target year. The Group is promoting initiatives to contribute to the Purpose through swift and decisive decision-making and is striving to become a corporate group indispensable for its customers and society.

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

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

(2) Directors and Audit & Supervisory Board Members

i. Directors and Audit & Supervisory Board Members

7 men, 1 woman (female ration of 12.5%)

Position	Name	Date of birth	Career History	Term of office	Shares held (Thousands)
Representative Director & Chief Executive Officer, Chief AUTOBACS Chain Officer	Yugo Horii	June 24, 1972	March 1995: Joined AUTOBACS SEVEN Co., Ltd. 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 April 2023: Representative Director & Chief Executive Officer, Chief AUTOBACS Chain Officer (current position)	(Note 2)	31

Position	Name	Date of birth	Career History	Term of office	Shares held (Thousands)
Senior Managing Director & Executive General Manager, AUTOBACS Business Strategies	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 April 2023: Senior Managing Director & Executive General Manager, Sales Operations & Eastern Japan Sales Operations April 2024: Senior Managing Director & Executive General Manager, AUTOBACS Business Strategies (current position)	(Note 2)	17

Position	Name	Date of birth	Career History	Term of office	Shares held (Thousands)
Director & Executive General Manager, Sales Operations	Masahiro Nishikawa	November 10, 1965	March 1984: Joined AUTOBACS SEVEN Co., Ltd. April 1995: Director, OPS Co., Ltd. (currently AUTOBACS Minami-Nihon Sales Ltd.) March 1999: Director, General Store Manager & GM of SA Higashi-Fukuoka Store, OPS Co., Ltd. April 2004: Director, General Manager, Sales Operations, OPS Co., Ltd. June 2011: Representative Director and President, AUTOBACS THREE ARROW Co., Ltd. (currently AUTOBACS Minami-Nihon Sales Ltd.) June 2012: Representative Director and President, Hiroshima AUTOBACS Ltd. (currently AUTOBACS Minami-Nihon Sales Ltd.) April 2017: Representative Director and President, AUTOBACS Yamaguchi Ltd. (currently AUTOBACS Minami-Nihon Sales Ltd.) April 2020: Officer, Division Manager of Southern Japan Regional Headquarters April 2021: Senior Executive Officer, Division Manager of Southern Japan Regional Headquarters April 2023: Executive General Manager, Western Japan Sales Operations April 2024: Executive General Manager, Sales Operations June 2024: Director & Executive General Manager, Sales Operations (current position)	(Note 2)	1

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 June 2017: Councilor, The Japan China Medical Association 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) June 2022: Outside Director, Mitsui Chemicals, Inc. (current position) June 2023: Outside Director, Niterra Co., Ltd. (current position) June 2023: Director, JAPAN-CHINA MEDICAL COMMUNICATION CENTER (current position)	(Note 2)	0

Position	Name	Date of birth	Career History	Term of office	Shares held (Thousands)
Director	Yosuke Matsuda	April 27, 1963	April 1987: Joined Mitsui Life Insurance Company Limited May 1995: Joined Actus Audit Corporation December 1998: Joined SQUARE CO., LTD. (*1) February 2000: Joined Showa Ota Ernst & Young Co., Ltd. October 2001: Senior Vice President, SQUARE CO., LTD. (*1) April 2003: Senior Vice President and General Manager, Accounting and Finance Division, SQUARE CO., LTD. (*1) June 2004: Director, Accounting and Finance, SQUARE ENIX CO., LTD. (*1) February 2006: Director, Taito Corporation (*2) November 2006: Director, SQUARE ENIX OF AMERICA HOLDINGS, INC. April 2010: Director, Taito Corporation March 2013: Senior Executive Managing Director and Representative Director, SQUARE ENIX HOLDINGS CO., LTD. May 2013: President and Representative Director, SQUARE ENIX CO., LTD. June 2013: President and Representative Director, SQUARE ENIX HOLDINGS CO., LTD. June 2013: President and Director, SQUARE ENIX OF AMERICA HOLDINGS, INC. July 2013: Deputy Chairman of the Board, SQUARE ENIX (China) CO., LTD. January 2016: Director, Taito Corporation April 2016: Director, SQUARE ENIX LTD. June 2018: Chairman of the Board, SQUARE ENIX (China) CO., LTD. September 2023: Outside Director, Sound Fun Corporation (current position) June 2024: Outside Director, AUTOBACS SEVEN Co., Ltd. (current position) *1 Currently SQUARE ENIX HOLDINGS CO., LTD. *2 Currently SQUARE ENIX CO., LTD.	(Note 2)	-

Position	Name	Date of birth	Career History	Term of office	Shares held (Thousands)
Director Full-time Audit and Supervisory Committee Member	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 April 2023: Director & General Manager, Administration June 2023: Director and Full-time Audit and Supervisory Committee Member (current position)	(Note 3)	3
Outside 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 2020: Retired as Director, UNITED ARROWS LTD. June 2021: Outside Director, AUTOBACS SEVEN Co., Ltd. (Full-time Audit and Supervisory Committee Member) (current position)	(Note 3)	-
Outside Director Audit and Supervisory Committee Member	Ayako Kanamaru	January 27, 1980	October 2006: Registered as a lawyer October 2006: Joined OH-EBASHI LPC & PARTNERS January 2016 Partner, OH-EBASHI LPC & PARTNERS (current position) June 2020: Outside Auditor, CDG Co., Ltd. (current position) May 2021: Outside Director, MEDIA DO Co., Ltd. (current position) June 2023: Outside Director and Audit and Supervisory Committee Member (current position)	(Note 3)	-
			Total		55

(Notes) 1. Director Takayoshi Mimura, Yosuke Matsuda, Masami Koizumi, and Ayako Kanamaru are Outside Directors.
2. One year from the close of the Ordinary General Meeting of Shareholders held on June 27, 2024.
3. Two years from the close of the Ordinary General Meeting of Shareholders held on June 23, 2023.

4. With the aim of speeding up decision-making and corporate reform, the Group has adopted a system of General Managers responsible for each business in order to strengthen business portfolio operation.
The system currently consists of the following 12 General Managers.

Name	Charge
*Shinichi Fujiwara	Executive General Manager, AUTOBACS Business Strategies
*Masahiro Nishikawa	Executive General Manager, Sales Operations
Minoru Kamikubo	General Manager, Merchandising & Services
Masaru Sasaki	Executive General Manager, Property Development Business
Hiroki Yoshiyama	Executive General Manager, Car Dealer Business
Shinya Kurahayashi	Executive General Manager, Car Trading Business / Finance Business
Ken Ozone	General Manager, Brand Business
Toshio Kitamura	General Manager, Wholesale Business
Kenichi Hosoya	General Manager, Online Alliance Business
Kosuke Matsuki	General Manager, Fleet Business
Ryo Okubo	General Manager, Overseas Business
Noritaka Hiraga	General Manager, Corporate Management

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: Takayoshi Mimura, Yosuke Matsuda, Masami Koizumi, and Ayako Kanamaru (Masami Koizumi and Ayako Kanamaru are Directors who concurrently serve as Audit and Supervisory Committee members).

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

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

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

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

To strengthen the functions of the Outside Directors and protect the interests of general shareholders, the Corporate Governance Policy (revised on June 15, 2023) 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 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 2] 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 1] of either party in any fiscal term within the past three years, including the fiscal year under review
      - Financial institution or other large creditor that is indispensable to the AUTOBACS SEVEN Group's fund procurement and on which the Group depends to the extent that such a financial institution or large creditor is irreplaceable, within the past three years, including the fiscal year under review
      - Any major shareholder of the Company (owning 10% or more of outstanding shares), within the past five years, including the fiscal year under review d. Any corporation which currently includes the AUTOBACS SEVEN Group as major shareholder (owning more than 10% of outstanding shares)
      - Any corporation that currently shares mutually appointed directors with the AUTOBACS SEVEN Group (mutual exchange of directors through cross-holding of shares)
2. The Company's Outside Directors shall not have been a spouse of said executive directors, etc., of the AUTOBACS SEVEN Group or a relative within the second degree of kinship, or have shared means of livelihood in the past five years, including the fiscal year under review.
3. The Company's Outside Directors shall not be a spouse of, a relative within the second degree of kinship or share means of livelihood with any person corresponding to the description of Paragraph 1 above.
4. The Company's Outside Directors shall not be in any situation that may hinder them from performing their duties as the Company's independent officers.

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

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

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

As of the date of submission of this report (June 28, 2024), there are a total of eight 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

An Audit and Supervisory Committee of the Company after the Ordinary General Meeting of Shareholders consists of three Directors serving as Audit and Supervisory Committee members, including two Independent Outside Directors. Two are full-time Audit and Supervisory Committee members (one internal director serving as an Audit and Supervisory Committee member and one Independent Outside Director serving as an Audit and Supervisory Committee member) and the other is a part-time Audit and Supervisory Committee member (independent Outside Director serving as an Audit and Supervisory Committee member).

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

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

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

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

b. Audits by the Audit and Supervisory Committee

b-1. The Audit and Supervisory Committee meets generally one or more times a month in the fiscal year ended March 31, 2024. The attendance of each Audit and Supervisory Committee member is shown below.

Position	Name	Number of meetings	Number of attendances
Full-time Audit and Supervisory Committee Member (Assumed in June 2023)	Tomoaki Ikeda	11 times	11 times (100%)
Full-time Audit and Supervisory Committee Member (Outside Director)	Masami Koizumi	15 times	15 times (100%)
Audit and Supervisory Committee Member (Outside Director) (Assumed in June 2023)	Ayako Kanamaru	11 times	11 times (100%)

*1 Tomoaki Ikeda and Masami Koizumi have been selected as selected Audit and Supervisory Committee members.

*2 Kozo Sumino and Minesaburo Miyake retired from his position at the conclusion of the 76th Ordinary General Meeting of Shareholders held on June 23, 2023 and Minesaburo Miyake assumed a Director who is not a member of Audit and

Supervisory Committee member.

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

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

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

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

ii. Internal audits

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

a. Internal audit personnel and procedures

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

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

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

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

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

iii. Accounting audits

a. Name of auditing firm

Deloitte Touche Tohmatsu LLC.

b. Number of years of continuous audit

33 years

c. The Certified Public Accountants engaged in the audit

Seibei Kyoshima

Toru Ikeda

d. Assistants to the audit

Certified Public Accountants:12

Others:28

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) 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	84	-	84	-
Consolidated subsidiaries	6	-	7	-
Total	91	-	91	-

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

(Millions of yen)

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

(Details of non-audit operations)

(Previous fiscal year)

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

(Fiscal year under review)

Not applicable

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., considering the size of the Group's business, characteristics of operations, the number of days taken for audits, etc.

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

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

(4) Directors’ compensation, etc.

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

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

《Directors' Remuneration Policy》

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

a. Remuneration standard

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

b. Composition and basic policy of remuneration

1. Directors not concurrently serving as general managers (excluding outside directors and directors who are audit and supervisory committee members)

Remuneration for the Company’s directors (excluding outside directors and directors who are audit and supervisory committee members) who do not concurrently serve as general managers consists of monetary remuneration and stock remuneration both as fixed remuneration. The ratio of monetary remuneration to stock remuneration in fixed remuneration is 2 to 1 for the representative director and 7 to 3 for directors. For outside directors and directors who are audit and supervisory committee members, monetary remuneration as fixed remuneration set for each role is paid.

i. Fixed remuneration (monetary remuneration)

Determined based on the basic remuneration as a director and the remuneration for other delegated duties set according to individual roles.

ii. Fixed remuneration (stock remuneration)

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

2. Directors concurrently serving as general managers (excluding outside directors and directors who are audit and supervisory committee members)

Remuneration for the Company’s directors (excluding outside directors and directors who are audit and supervisory committee members) who concurrently serve as general managers consists of the above-mentioned fixed remuneration (monetary remuneration) and fixed remuneration (stock remuneration) for directors not concurrently serving as general managers, as well as fixed remuneration (monetary remuneration), variable remuneration (monetary remuneration), and variable remuneration (stock remuneration) for general managers. The percentages set for fixed remuneration (monetary remuneration), variable remuneration (monetary remuneration), and stock remuneration (fixed and variable remuneration) for the Company’s directors who concurrently serve as general managers are roughly 48%, 32%, and 20%, respectively, in the case of Representative Director & Chief Executive Officer. The percentage of variable remuneration will become higher in proportion to the ranks of general managers.

Described below is the composition of remuneration for the Company’s general managers.

i. Fixed remuneration (monetary remuneration)

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

ii. Variable remuneration (monetary remuneration)

The achievement of a single year consolidated operating profit target is set as a common evaluation index for chief executive officer and general managers. The amount varies between 0 and 150% of the performance-based remuneration standard depending on the degree of achievement of the following targets: financial performance figures such as ordinary profit targets for all businesses and each area of responsibility, and an individual assignment based on a strategic target including a medium- to long-term perspective, which cannot be measured by financial performance figures alone.

iii. Variable remuneration (stock remuneration)

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

c. Process of Determining Remuneration

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

ii. Remuneration for the Company's directors who concurrently serve as General Managers is determined by the Chief Executive Officer, based on the General Managers' remuneration system determined at the Board of Directors' meeting after consultation with the Corporate Governance Committee.

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

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

Director classification	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Numbers of recipients
		Basic compensation	Performance-linked bonuses	Stock compensation	
Directors (Excluding Outside Directors and Audit and Supervisory Committee Members)	174	157	—	16	5
Directors (Audit and Supervisory Committee Members) (Excluding Outside Directors)	25	25	—	—	2
Outside Directors	60	60	—	—	5

(Notes) 1. Stock remuneration is stated at an amount posted as expenses for the fiscal year under review.

2. Remuneration for directors (excluding directors who are audit and supervisory committee members) was resolved in the amount of 480 million yen or less per year (including 50 million yen 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 yen 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 outside directors and directors who are audit and supervisory committee members) was resolved in the amount of 100 million yen or less per year with the number of eligible directors being seven or less at the 72nd ordinary general meeting of shareholders held on June 21, 2019.

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

Based on the scope of control and responsibilities, the Company’s “variable remuneration (monetary remuneration)” system sets financial performance figures such as a single-year consolidated operating income target as a shared evaluation indicator, as well as targets for ordinary income and ROIC based on the area of executive responsibility. In addition, ESG and SDG KPIs are set as non-financial targets. Remuneration is calculated based on the remuneration system determined by the Board of Directors with the advice of the Corporate Governance Committee. The target for consolidated ordinary profit (not adjusted for consolidation), the indicator used for all Directors for the variable remuneration (monetary remuneration) for the fiscal year under review, was 13.44 billion yen, and the result was 12.50 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.

At the 77th Ordinary General Meeting of Shareholders held on June 27, 2024, the partial revision of the restricted stock remuneration plan which was approved at the 72nd Ordinary General Meeting of Shareholders held on June 21, 2019 has been determined.

This revision is intended to allow the directors excluding outside directors and directors who are audit and supervisory committee members to own restricted shares until their retirement from the Company and its subsidiaries after the leaving of office as directors of the Company, so that they will be more motivated to contribute toward the enhancement of the Company's corporate value and continue sharing value with shareholders for as long as possible.

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

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

(5) Status of shares held

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

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

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

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

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

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

b. Number of issues held and their balance sheet amount

	Number of issues	Total balance sheet amount (Millions of yen)
Unlisted shares	20	530
Other shares	5	4,689

(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	4	310	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, outline of business alliance, etc., quantitative effect of shareholding and reason for an increase in the number of shares	Shares of the Company held
G-7 HOLDINGS Inc.	2,203 3,177	2,203 3,185	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
KOITO MANUFACTURING CO., LTD.	426 1,079	426 1,065	The company is a supplier of the Group and its shares are held for the purpose of facilitating the Domestic AUTOBACS Business, including enhancing the lineup of instore merchandise, primarily lighting products, and ensuring their stable supply. While the quantitative effect of the shareholding is a trade secret and is not stated here, the Group believes that there is an adequate effect based on its shareholding policy.	Yes
SOFT99 corporation	187 283	187 240	The company is a supplier of the Group and its shares are held for the purpose of facilitating the Domestic AUTOBACS Business, including enhancing the lineup of instore merchandise, primarily car repair products, and ensuring their stable supply. While the quantitative effect of the shareholding is a trade secret and is not stated here, the Group believes that there is an adequate effect based on its shareholding policy.	Yes
I.A GROUP CORPORATION	36 128	36 122	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
CAR MATE MFG. CO., LTD.	22 20	22 19	The company is a supplier of the Group and its shares are held for the purpose of facilitating the Domestic AUTOBACS Business, including enhancing the lineup of instore merchandise, primarily products displayed on central gondola shelves (in-vehicle accessories), and ensuring their stable supply. While the quantitative effect of the shareholding is a trade secret and is not stated here, the Group believes that there is an adequate effect based on its shareholding policy.	Yes

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, 2023 to March 31, 2024) and non-consolidated financial statements in Japanese for the fiscal year (from April 1, 2023 to March 31, 2024) 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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	24,570	31,297
Notes receivable - trade	409	539
Accounts receivable - trade	25,740	21,843
Investments in leases	3,645	3,882
Merchandise	*2 23,899	*2 22,635
Short-term loans receivable	100	100
Accounts receivable - other	27,102	26,047
Other	5,957	5,876
Allowance for doubtful accounts	(83)	(31)
Total current assets	111,341	112,191
Non-current assets		
Property, plant and equipment		
Buildings and structures	46,054	48,238
Accumulated depreciation	(33,185)	(34,080)
Buildings and structures, net	12,868	14,157
Machinery, equipment and vehicles	8,653	8,846
Accumulated depreciation	(5,550)	(5,896)
Machinery, equipment and vehicles, net	3,102	2,950
Tools, furniture and fixtures	12,607	13,309
Accumulated depreciation	(10,285)	(10,710)
Tools, furniture and fixtures, net	2,321	2,598
Land	24,735	24,576
Leased assets	913	962
Accumulated depreciation	(278)	(332)
Leased assets, net	635	630
Right-of-use assets	3,716	4,017
Accumulated depreciation of Right-of-use assets	(1,654)	(2,233)
Right-of-use assets, net	2,062	1,784
Construction in progress	1,032	1,555
Total property, plant and equipment	46,757	48,252
Intangible assets		
Goodwill	1,386	1,080
Software	5,494	5,217
Other	2,511	1,465
Total intangible assets	9,392	7,763
Investments and other assets		
Investment securities	*1 9,078	*1 9,065
Long-term loans receivable	46	49
Deferred tax assets	4,594	5,008
Guarantee deposits	12,128	11,638
Other	1,005	993
Allowance for doubtful accounts	(16)	(13)
Total investments and other assets	26,836	26,741
Total non-current assets	82,986	82,757
Total assets	194,327	194,948

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*2 17,629	*2 22,050
Short-term borrowings	*2 1,847	11
Lease liabilities	701	740
Accounts payable - other	15,746	15,200
Income taxes payable	2,726	2,109
Contract liabilities	1,273	891
Other	8,980	7,979
Total current liabilities	48,906	48,984
Non-current liabilities		
Long-term borrowings	*2 6,699	6,023
Lease liabilities	2,946	2,545
Deferred tax liabilities	516	225
Provision for retirement benefits for directors (and other officers)	7	7
Retirement benefit liability	341	256
Asset retirement obligations	2,741	2,691
Other	5,204	5,062
Total non-current liabilities	18,458	16,812
Total liabilities	67,364	65,796
Net assets		
Shareholders' equity		
Share capital	33,998	33,998
Capital surplus	34,156	34,218
Retained earnings	61,997	63,670
Treasury shares	(6,990)	(6,970)
Total shareholders' equity	123,162	124,917
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,077	2,124
Foreign currency translation adjustment	1,382	1,803
Total accumulated other comprehensive income	3,460	3,928
Non-controlling interests	340	307
Total net assets	126,963	129,152
Total liabilities and net assets	194,327	194,948

ii. Consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	*1 236,235	*1 229,856
Cost of sales	156,773	154,432
Gross profit	79,462	75,424
Selling, general and administrative expenses	*2 67,739	*2 67,414
Operating profit	11,722	8,010
Non-operating income		
Interest income	69	92
Dividend income	78	119
Share of profit of entities accounted for using equity method	—	99
Commission income	61	64
Lease revenue-system equipment	674	696
Other	969	999
Total non-operating income	1,854	2,070
Non-operating expenses		
Interest expenses	69	91
Share of loss of entities accounted for using equity method	509	—
Lease cost-system equipment	597	1,350
Loss on retirement of non-current assets	133	50
Other	692	495
Total non-operating expenses	2,002	1,987
Ordinary profit	11,574	8,093
Extraordinary income		
Gain on sale of businesses	—	*3 3,971
Compensation for forced relocation	286	—
Gain on termination of retirement benefit plan	*4 891	—
Total extraordinary income	1,177	3,971
Extraordinary losses		
Impairment losses	*5 897	*5 534
Loss on valuation of investment securities	—	351
Extra payments for early retirements	—	*6 188
Loss on arrangement of stores	—	*7 708
Total extraordinary losses	897	1,781
Profit before income taxes	11,854	10,283
Income taxes - current	4,555	4,314
Income taxes - deferred	84	(399)
Total income taxes	4,640	3,915
Profit	7,214	6,368
Profit attributable to		
Profit attributable to owners of parent	7,239	6,355
Profit (loss) attributable to non-controlling interests	(24)	13

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Other comprehensive income		
Valuation difference on available-for-sale securities	(234)	39
Foreign currency translation adjustment	317	357
Remeasurements of defined benefit plans, net of tax	1,406	—
Share of other comprehensive income of entities accounted for using equity method	25	92
Total other comprehensive income	*8 1,515	*8 488
Comprehensive income	8,730	6,857
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,731	6,823
Comprehensive income attributable to non-controlling interests	(1)	33

iii. Consolidated statement of changes in equity

Fiscal year ended March 31, 2023

(Millions of yen)

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

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

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	33,998	34,156	61,997	(6,990)	123,162
Changes during period					
Dividends of surplus			(4,679)		(4,679)
Profit attributable to owners of parent			6,355		6,355
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares			(2)	24	21
Change in ownership interest of parent due to transactions with non-controlling interests		61			61
Net changes in items other than shareholders' equity					
Total changes during period	—	61	1,673	20	1,755
Balance at end of period	33,998	34,218	63,670	(6,970)	124,917

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment		Total accumulated other comprehensive income		
Balance at beginning of period	2,077	1,382		3,460	340	126,963
Changes during period						
Dividends of surplus						(4,679)
Profit attributable to owners of parent						6,355
Purchase of treasury shares						(3)
Disposal of treasury shares						21
Change in ownership interest of parent due to transactions with non-controlling interests						61
Net changes in items other than shareholders' equity	46	421		467	(33)	433
Total changes during period	46	421		467	(33)	2,189
Balance at end of period	2,124	1,803		3,928	307	129,152

iv. Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	11,854	10,283
Depreciation	4,305	4,962
Impairment losses	897	534
Amortization of goodwill	381	321
Increase (decrease) in allowance for doubtful accounts	44	(57)
Increase (decrease) in retirement benefit liability	19	16
Interest and dividend income	(148)	(211)
Interest expenses	69	91
Share of loss (profit) of entities accounted for using equity method	509	(99)
Loss (gain) on sale and retirement of non-current assets	68	2
Loss (gain) on valuation of investment securities	4	351
Loss on arrangement of stores	—	708
Loss (gain) on sale of businesses	—	(3,971)
Gain on termination of retirement benefit plan	(891)	—
Extra payments for early retirements	—	188
Decrease (increase) in trade receivables	(1,529)	5,743
Decrease (increase) in investments in leases	506	(346)
Decrease (increase) in inventories	(2,286)	(1,280)
Increase (decrease) in trade payables	(186)	4,090
Other, net	789	(2,022)
Subtotal	14,408	19,303
Interest and dividends received	206	227
Interest paid	(70)	(97)
Income taxes paid	(3,856)	(5,000)
Net cash provided by (used in) operating activities	10,687	14,431
Cash flows from investing activities		
Payments into time deposits	(13)	(24)
Proceeds from withdrawal of time deposits	—	72
Purchase of property, plant and equipment and intangible assets	(7,182)	(9,149)
Proceeds from sale of property, plant and equipment and intangible assets	334	102
Purchase of investment securities	(1,303)	(310)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(43)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	*2 5,098
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	51	—
Proceeds from sale of shares of subsidiaries and associates	—	71
Loan advances	(0)	—
Proceeds from collection of loans receivable	164	3,896
Payments of guarantee deposits	(209)	(324)
Proceeds from refund of guarantee deposits	572	300
Other, net	(67)	(138)
Net cash provided by (used in) investing activities	(7,652)	(449)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(119)	(126)
Proceeds from long-term borrowings	3,000	—
Repayments of long-term borrowings	(1,078)	(1,958)
Purchase of treasury shares	(0)	(0)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(7)	(0)
Dividends paid	(4,674)	(4,681)
Other, net	(615)	(645)
Net cash provided by (used in) financing activities	(3,495)	(7,413)
Effect of exchange rate change on cash and cash equivalents	212	206
Net increase (decrease) in cash and cash equivalents	(247)	6,775
Cash and cash equivalents at beginning of period	24,751	24,503
Cash and cash equivalents at end of period	*1 24,503	*1 31,278

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 28 companies

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

AUTOBACS Kanto Sales Ltd., a consolidated subsidiary, absorbed AUTOBACS Yamanashi Ltd., a consolidated subsidiary and changed its trade name to AUTOBACS Higashi-Nihon Sales Ltd. d in the fiscal year under review.

Autoplatz K.K and Motoren Tochigi Corp., which were consolidated subsidiaries, have been excluded from the scope of consolidation during the consolidated fiscal year under review due to the sale of shares by consolidated subsidiary AUTOBACS DEALER GROUP HOLDINGS Co., Ltd.

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

2. Application of equity method

(1) Number of associate companies subject to equity method 12 companies

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

AB System Solutions Co., Ltd. was excluded from the scope of application of the equity method due to its inclusion in the scope of consolidation as a result of an additional acquisition of shares in the fiscal year under review.

PT. AUTOBACS INDOMOBIL INDONESIA was excluded from the scope of application of the equity method due to the sale of shares in the fiscal year under review.

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

3. Fiscal years of consolidated subsidiaries

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

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

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

4. Significant accounting standards

(1) Valuation standards and methods applied to important assets

(i) Valuation standards and methods applied to securities

a. Held-to-maturity securities

Amortized cost method (straight line method)

b. Other securities

Securities other than shares, etc. without market prices

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

Shares, etc. without market prices

Costing method under the moving average approach

(ii) Valuation standard and method applied to derivative instruments

a. Derivative instruments

Market price method

(iii) Valuation standards and methods applied to inventories

a. Automotive goods

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

b. Vehicles

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

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

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

Straight line method

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

a. Store buildings and structures

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

Buildings and structures	3-20 years

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

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

(ii) Intangible assets, excluding leased assets

Straight line method

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

(iii) Leased assets

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

(iv) Right-of-use assets

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

(3) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

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

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

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

(4) Accounting treatment method for retirement benefits

Application of simplified method at small-sized enterprises

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

(5) Accounting standards for significant revenue and expenses

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

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

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

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

The Group conducts the following businesses by segment.

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

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 is delivered or the provision of the services is completed.

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

The Company has changed the classification of its reporting segments from the fiscal year under review. The details of the change are as described in "Note on consolidated financial statements (Segment information, etc.)."

As a result, part of the property, plant and equipment which used to be included in the "Domestic AUTOBACS Business," has been transferred to the "Other Business" and "Company-wide (common)."

The amounts of the previous consolidated fiscal year are disclosed based on the revised reportable segments.

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

(Millions of yen)

	For the previous consolidated fiscal year	For the consolidated fiscal year under review
Property, plant and equipment	29,462	32,613

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

The Domestic AUTOBACS Business, which develops stores that sell automotive goods and services and provide automotive maintenance and other services to customers who come to the stores, is a major business of the Group. The outstanding balance of property, plant and equipment related to the said business is 32,613 million yen and comprises 16.7% of total assets.

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

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

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

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

The future revenue forecast and operating profit forecast at each store are estimated based on actual results such as the unit price of customers and the number of customers in the latest fiscal term, 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 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 other changes, a factor decreasing future cash flow will be taken into consideration and additional impairment loss (extraordinary losses) may be accrued as a result in the consolidated financial statements for the next consolidated fiscal term or thereafter.

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

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

(Millions of yen)

	For the previous consolidated fiscal year	For the consolidated fiscal year under review
Intangible assets	9,392	7,763
of which, goodwill	1,153	919
of which, other	1,828	786
Investment securities	9,078	9,065
of which, amount equivalent to goodwill included in investment securities	120	113

(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 919 million yen, 786 million yen, and 113 million yen, respectively, and the total of 1,819 million yen comprises 0.9% of total assets.

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

For groups of assets recording continuous operating losses, the Company identifies whether there is an indication of impairment. From among groups of assets for which an indication of impairment was identified, for such groups of assets whose total of 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, 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 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, a factor decreasing future cash flow will be taken into consideration and additional impairment loss (extraordinary losses) may be accrued as a result in the consolidated financial statements for the next consolidated fiscal term or thereafter.

(Notes to consolidated balance sheet)

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

	As of March 31, 2023	As of March 31, 2024
Investment securities (stock)	3,856	3,827

*2. Assets pledged as collateral and secured debt.

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

	As of March 31, 2023	As of March 31, 2024
Merchandise	606	312
Total	606	312

Secured debt is as follows. (Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Accounts payable - trade	494	287
Short-term borrowings	625	—
Total	1,120	287

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

*1. Revenue from contracts with customers

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

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Employees' salaries	25,794	24,841
Retirement benefit expenses	467	539
Rent expenses on land and buildings	4,822	4,781
Depreciation	3,858	4,403
Provision of allowance for doubtful accounts	46	0

*3. Gain on sale of businesses

Fiscal year ended March 31, 2024

This is a gain on transfer due to the business transfers of Autoplatz K.K. and Motoren Tochigi Corp. carried out by the Group's consolidated subsidiary Autobacs Dealer Group Holdings Co., Ltd. We have recorded the difference between the sales price of shares in Autoplatz K.K. and Motoren Tochigi Corp. combined with support funds for facilities, etc., and their consolidated book value.

*4. The gain on termination of retirement benefit plans

Fiscal year ended March 31, 2023

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

*5. Impairment losses

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

Fiscal year ended March 31, 2023

i. Overseas Business

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

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

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

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

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

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

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

Fiscal year ended March 31, 2024

i. Overseas Business

Use	Type	Place	Number of bases	Amount (Millions of yen)
Store	Right-of-use assets; buildings and structures; machinery, equipment and vehicles, etc.	France	5	312
	Total		5	312

ii. Other Business

Use	Type	Place	Number of bases	Amount (Millions of yen)
Development of business software	Software; tools, furniture and fixtures	Kanto	1	221
	Total		1	221

The Group regards each store, etc. as a basic unit for the minimum unit generating cash flows.

For stores, business sites, and stores whose closure has been decided, which are recording continuous operating losses, the book values of such group of assets 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 534 million yen in extraordinary losses.

Impairment loss consisted of 221 million yen for software, 199 million yen for right-of-use assets, 85 million yen for buildings and structures, 19 million yen for machinery, equipment and vehicles, 5 million yen for tools, furniture and fixtures, and 3 million yen for leasehold interests in land.

The recoverable amount of the cash-generating unit in France was determined based on its fair value in accordance with the

International Financial Reporting Standards. The said fair value was measured using the income approach, with a discount rate of 8.19%

*6 Extra payments for early retirements

Fiscal year ended March 31, 2024

This item includes the amount of the support for early retirees and outplacement expenses related to the implementation of the early retirement incentive plan as part of the Company's personnel system reforms.

*7. Loss on arrangement of stores

Fiscal year ended March 31, 2024

The Group recognized a loss on arrangement of stores as a result of the closings of two stores of consolidated subsidiaries.

Location	Details	Loss on store closings (Millions of yen)
France	Employment termination expenses, disposal of merchandise, and other expenses related to store closings	708

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Valuation difference on available-for-sale securities:		
Amount that occurred in the fiscal year under review	(336)	56
Reclassification adjustment	―	―
Before tax effect adjustment	(336)	56
Tax effect	102	(17)
Valuation difference on available-for-sale securities	(234)	39
Foreign currency translation adjustment:		
Amount that occurred in the fiscal year under review	317	357
Reclassification adjustment	―	―
Before tax effect adjustment	317	357
Tax effect	―	―
Foreign currency translation adjustment	317	357
Remeasurements of defined benefit plans, net of tax:		
Amount that occurred in the fiscal year under review	―	―
Reclassification adjustment	2,023	―
Before tax effect adjustment	2,023	―
Tax effect	(617)	―
Remeasurement account of defined benefit plans	1,406	―
Share of other comprehensive income of entities accounted for using equity method:		
Amount that occurred in the fiscal year under review	25	92
Reclassification adjustment	―	―
Share of other comprehensive income of entities accounted for using equity method	25	92
Other comprehensive income	1,515	488

(Notes to consolidated statement of changes in equity)

Fiscal year ended March 31, 2023

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	82,050	—	—	82,050
Total	82,050	—	—	82,050
Treasury shares				
Common stock (Notes 1,2)	4,116	2	16	4,102
Total	4,116	2	16	4,102

(Notes)

1. The 2,000-share increase in the total number of shares of common stock outstanding was a result of an increase of 0 thousand shares through the purchase of odd-lot shares, and an increase of 2,000 shares held by equity method companies.
2. The 16,000-share decrease in the number of treasury shares of common stock resulted from a 16,000-share decrease due to the disposal of treasury shares by resolution of the Board of Directors and a 0 thousand -share decrease due to changes in the ratios of equity-method company shares held.

2. Dividends

(1) Amount of dividend payment

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

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

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

Fiscal year ended March 31, 2024

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

	Beginning of fiscal year under review Number of shares (thousand shares)	Increase during period (thousand shares)	Decrease during period (thousand shares)	As of the end of the period (thousand shares)
Number of shares issued				
Common stock	82,050	—	—	82,050
Total	82,050	—	—	82,050
Treasury shares				
Common stock (Notes 1, 2)	4,102	2	14	4,090
Total	4,102	2	14	4,090

(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 the sale of odd-lot shares.

2. Dividends

(1) Amount of dividend payment

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 23, 2023	Common stock	2,339	30	March 31, 2023	June 26, 2023
Meeting of Board of Directors on October 31, 2023	Common stock	2,340	30	September 30, 2023	November 27, 2023

(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 (Millions of yen)	Source of dividends	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2024	Common stock	3,120	Retained earnings	40	March 31, 2024	June 28, 2024

(Note) The dividend per share determined by resolution of the Ordinary General Meeting of Shareholders held on June 27, 2024 includes the ¥10 commemorative dividend marking the 50th anniversary of AUTOBACS.

(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, 2023	Fiscal year ended March 31, 2024
Cash and deposits	24,570	31,297
Time deposits whose deposit term exceeds 3 months	(66)	(19)
Cash and cash equivalents	24,503	31,278

*2. Breakdown of the assets and liabilities of a company that is no longer a consolidated subsidiary through the sale of shares

Fiscal year ended March 31, 2024

The table below lists the components of assets and liabilities at the time of the sale of Autoplatz K.K. and Motoren Tochigi Corp., which are no longer consolidated subsidiaries, due to the sale of their shares, as well as the sale price and the net proceeds from the sale of shares of Autoplatz K.K. and Motoren Tochigi Corp.

(Millions of yen)

Current assets	4,070
Non-current assets	3,940
Current liabilities	(4,207)
Non-current liabilities	(1,841)
Gain on sale of businesses	3,971
Sale prices of the shares of Autoplatz K.K. and Motoren Tochigi Corp.	5,932
Unpaid sales proceeds	(165)
Cash and cash equivalents held by Autoplatz K.K. and Motoren Tochigi Corp.	(667)
Less: proceeds from	5,098

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

(Millions of yen)

	As of March 31, 2024		
	Amount equivalent to purchase price	Amount equivalent to accumulated depreciation	Amount equivalent to balance at end of period
Buildings and land (Note)	1,480	1,189	291
Total	1,480	1,189	291

(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, 2023	As of March 31, 2024
Amount equivalent to balance of prepaid lease expenses at end of period		
Within 1 year	72	75
More than 1 year	387	312
Total	459	387

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

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Lease payments	90	90
Amount equivalent to depreciation	59	59
Amount equivalent to interest expenses	20	17

(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, 2023	As of March 31, 2024
Within 1 year	3,132	3,186
More than 1 year	18,509	19,515
Total	21,641	22,701

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, 2023	As of March 31, 2024
Portion of lease payments receivable	4,020	4,257
Amount equivalent to interest income	(381)	(376)
Amount equivalent to asset retirement obligations	6	2
Investments in leases	3,645	3,882

(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, 2023					
	Within 1 year	More than 1 year and within 2 years	More than 2 years and within 3 years	More than 3 years and within 4 years	More than 4 years and within 5 years	More than 5 years
Investments in leases	977	818	680	455	296	793

(Millions of yen)

	As of March 31, 2024					
	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	1,073	978	742	577	306	578

2. Operating lease transactions

Noncancelable future operating lease payments

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Within 1 year	4,066	4,216
More than 1 year	24,118	26,420
Total	28,185	30,637

(Notes to financial instruments)

1. Status of financial instruments

(1) Basic policies applied to financial instruments

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

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

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

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

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

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

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

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

Short-term loans payable, long-term loans payable and lease obligations related to finance lease transactions are principally aimed at procuring necessary fund for continued business operations and capital investment and the farthest redemption date is scheduled in 28 years after the consolidation accounting closing date.

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

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

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

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

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

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

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

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

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

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

2. Market values and other conditions of financial instruments

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

As of March 31, 2023 (Millions of yen)

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

As of March 31, 2024 (Millions of yen)

	Value Recognized in Consolidated Balance Sheet	Market Value	Difference
(1) Accounts receivable - trade	21,843		
Allowance for doubtful accounts *1	(9)		
	21,833	21,746	(87)
(2) Lease investment assets *2	3,880	4,234	353
(3) Investment securities *3	5,928	5,386	(541)
(4) Long-term loans receivable	49	52	3
(5) Guarantee deposits	11,638	11,121	(517)
Total assets	43,330	42,540	(789)
(1) Long-term loans payable *4	6,034	6,016	(18)
(2) Lease obligations *5	3,285	3,177	(108)
Total liabilities	9,320	9,193	(126)

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

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

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

Category	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Unlisted securities	3,207	3,136

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

*5 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, 2023 (Millions of yen)

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

As of March 31, 2024 (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	31,297	—	—	—
Notes receivable - trade	539	—	—	—
Accounts receivable - trade	14,948	5,688	1,206	—
Investments in leases	949	2,397	489	43
Short-term loans receivable	100	—	—	—
Accounts receivable - other	26,047	—	—	—
Long-term loans receivable	—	49	—	—
Guarantee deposits	1,906	5,097	3,149	1,485
Total	75,788	13,232	4,845	1,528

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

As of March 31, 2023 (Millions of yen)

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

As of March 31, 2024 (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
Long-term borrowings	11	3,012	3,010	0	—	—
Lease liabilities	740	559	537	501	384	562
Total	752	3,571	3,548	501	384	562

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, 2023

Category	Fair Value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	4,650	—	—	4,650
Total assets	4,650	—	—	4,650

As of March 31, 2024

Category	Fair Value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	4,707	—	—	4,707
Total assets	4,707	—	—	4,707

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

As of March 31, 2023

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

As of March 31, 2024

Category	Fair Value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Accounts receivable - trade	—	21,746	—	21,746
Lease investment assets	—	4,234	—	4,234
Investment securities				
Shares of subsidiaries and associate	679	—	—	679
Long-term loans receivable	—	52	—	52
Guarantee deposits	—	11,121	—	11,121
Total assets	679	37,153	—	37,833
Long-term loans payable	—	6,016	—	6,016
Lease obligations	—	3,177	—	3,177
Total liabilities	—	9,193	—	9,193

(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, 2023 (Millions of yen)

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

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

As of March 31, 2024 (Millions of yen)

	Type	Consolidated balance sheet amount	Acquisition cost	Difference
Other securities whose book carrying amount on the consolidated balance sheets exceed the acquisition cost	(1) Stocks	4,707	1,774	2,932
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	4,707	1,774	2,932
Other securities whose book carrying amount on the consolidated balance sheets do not exceed the acquisition cost	(1) Stocks	—	—	—
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	—	—	—
Total		4,707	1,774	2,932

(Note) Unlisted stocks (whose amount recorded in the consolidated balance sheet is 530 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, 2023 (Millions of yen)

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

Fiscal year ended March 31, 2024

Not applicable.

3. Securities on which impairment losses were posted

In the fiscal year under review an impairment loss of 351 million yen on available-for-sales securities was posted.

Note that in processing impairment losses, if the financial condition of the company issuing the shares has significantly deteriorated causing the actual value to drop considerably, the impairment loss is made for the amount deemed necessary in consideration of recoverability and other factors.

(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.

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

2. Defined benefit plans

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

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Defined benefit obligation at beginning of fiscal year	2,914	—
Decrease due to termination of retirement benefit plan	(2,914)	—
Defined benefit obligation at end of fiscal year	—	—

(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, 2023	Fiscal year ended March 31, 2024
Retirement benefit liabilities at beginning of fiscal year	318	341
Retirement benefit expenses	75	42
Retirement benefits paid	(56)	(26)
Decrease due to exclusion from consolidation	—	(108)
Other	3	6
Retirement benefit liabilities at end of fiscal year	341	256

(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, 2023	As of March 31, 2024
Defined benefit obligation for unfunded plan	341	256
Net amount of retirement benefit liability and asset on the consolidated balance sheets	341	256
Retirement benefit liability	341	256
Net amount of retirement benefit liability and asset on the consolidated balance sheets	341	256

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Retirement benefit expenses calculated using the simplified method	75	42
Other	38	156
Net periodic benefit cost of defined benefit plan	114	199

(Note) During the fiscal year under review, in addition to the above, an extra payment for early retirements of 188 million yen is recorded as an extraordinary loss. In addition to the above, a gain on termination of retirement benefit plan of 891 million yen was posted as extraordinary income as a result of the Group's partial abolition of a retirement lump-sum plan.

3. Defined contribution plan

The amount of contribution required for the defined contribution plans of the Group and its subsidiaries totaled 295 million yen for the previous fiscal year (from April 1, 2022, through March 31, 2023) and 282 million yen for the fiscal year under review (from April 1, 2023, through March 31, 2024).

4. Multi employer plan

Benefit-One Corporate Pension Fund

The amount of contribution required for the corporate pension fund plan, a multiemployer plan treated in the same manner as the defined contribution plan, totaled 57 million yen in the previous fiscal year (April 1, 2022, through March 31, 2023) and 57 million yen in the fiscal year under review (April 1, 2023, through March 31, 2024).

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

	As of June 30, 2022	As of June 30, 2023
Plan assets	77,272	93,049
Actuarial liabilities for pension financing calculation	75,263	90,531
Difference	2,008	2,517

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

Fiscal year ended March 31, 2023 0.3%

Fiscal year ended March 31, 2024 0.2%

(3) Supplementary explanation

Major factors of the above (1) include general reserves (1,617 million yen in the previous fiscal year and 2,008 million yen in the fiscal year under review) and yearly surplus funds (390 million yen for the previous fiscal year and 509 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, 2023	As of March 31, 2024
Deferred tax assets		
Elimination of unrealized profits	625	651
Denial of accounts payable-other	364	252
Denial of accrued bonuses	483	368
Enterprise taxes payable	221	212
Valuation loss on goods currently not deductible	231	237
Amount allocated to rebate on merchandise purchase currently not deductible	175	196
Non-deductible allowance for doubtful accounts	26	5
Sales allowance	—	819
Non-deductible lease cost	1,774	1,811
Non-deductible depreciation expenses	271	271
Impairment losses	3,315	3,329
Denial of loss on valuation of investment securities	1245	230
Denial of provision for retirement benefits for directors (and other officers)	5	5
Retirement benefit liability	57	60
Denial of asset retirement obligations	836	820
Difference in revenue recognition for tax purposes	762	566
Tax losses carried forward (Note2)	1,962	2,775
Other	397	542
Subtotal of deferred tax assets	11,633	13,157
Valuation allowance related to tax losses carried forward (Note2)	(1,687)	(2,564)
Valuation allowance related to deductible temporary differences	(2,837)	(3,213)
Valuation allowance subtotal (Note1)	(4,525)	(5,778)
Total deferred tax assets	7,108	7,379
Deferred tax liabilities		
Removal expenses for asset retirement obligations	(2)	(0)
Reserve for tax purpose reduction entry of assets	(349)	(349)
Retained earnings of equity-method companies	(568)	(588)
Valuation difference on available-for-sale securities	(803)	(820)
Difference in revenue recognition for tax purposes	(617)	(450)
Other	(688)	(386)
Total deferred tax liabilities	(3,029)	(2,596)
Net deferred tax assets	4,078	4,783

(Note 1) The valuation allowance increased by 1,252 million yen. The increase was mainly a result of an increase in the valuation allowance related to tax loss carryforwards at consolidated subsidiaries.

(Note 2) Tax losses carried forward and the related deferred tax assets allocated to each fiscal year when carryforwards expired.

As of March 31, 2023 (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)	7	74	62	60	88	1,667	1,962
Valuation allowance	—	—	(18)	(30)	(88)	(1,550)	(1,687)
Deferred tax assets	7	74	43	30	—	117	(*2) 274

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

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

As of March 31, 2024 (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)	31	71	35	98	81	2,457	2,775
Valuation allowance	-	(16)	(28)	(98)	(66)	(2, 354)	(2,564)
Deferred tax assets	31	54	6	-	14	103	(*2) 211

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

(*2) Deferred tax assets of 211 million yen is posted for tax losses carried forward of 2,775 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, 2023	As of March 31, 2024
Statutory tax rate	30.5%	30.5%
(Adjustment)		
Items that are not permanently deductible, such as entertainment expenses	1.4	1.8
Items that are not permanently included in profits, such as dividend income	(0.0)	(0.0)
Inhabitant tax on per capita basis, etc.	0.9	1.1
Valuation allowance	1.5	3.5
Amortization of goodwill	4.2	1.0
Other	0.6	0.2
Percentage of effective income tax rate after the application of tax effect accounting	39.1	38.1

Notes on Business Combination, etc.

Business divesture

On September 1, 2023, the Company transferred all shares of Autoplatz K.K. (hereinafter, "Autoplatz") and Motoren Tochigi Corp. (hereinafter, "Motoren Tochigi") held by AUTOBACS DEALER GROUP HOLDINGS Co., Ltd., a consolidated subsidiary of the Company, to Sojitz Corporation and Ibanichi Holding Co., Ltd., respectively.

1. Outline of the business divesture

(1) Names of the successor enterprises

i) Autoplatz was sold to Sojitz Corporation.

ii) Motoren Tochigi was sold to Ibanichi Holding Co., Ltd.

(2) Description of the divested business

The sale and service of new BMW/MINI cars and the sale of certified used cars

(3) The main reason for carrying out the business divestiture

The Company acquired Autoplatz and Motoren Tochigi, making them subsidiaries in 2015 and 2017, respectively, (and converted them into sub-subsidiaries in 2019), and continued to conduct the BMW/MINI official dealership business through the two companies.

As a result of a series of discussions between BMW Japan Corp. and the Company regarding the development of the BMW/MINI official dealership business, the Company decided to transfer the shares of Autoplatz and Motoren Tochigi in order to cooperate with BMW Japan Corp. in its area restructuring efforts, including the financial support for equipment and other facilities by BMW Japan Corp.

As stated in the Long-Term Vision, the Company will continue to strengthen the car dealership business by including zero emission vehicles in its product range while simultaneously working to optimize the management of resources and enhance corporate value.

(4) The date of the business divesture

September 1, 2023

(5) Outline of the business divesture including the legal form thereof

Share transfer for which the type of consideration received is only property, such as cash

2. Outline of the implemented accounting processes

(1) Amount of gain or loss on transfer

Gain on sale of businesses 3,971 million yen

(2) Fair book value of the assets and liabilities of the transferred business and the major components thereof

	(Millions of yen)
Current assets	4,070
Non-current assets	3,940
Assets (total)	8,010
Current liabilities	4,207
Non-current liabilities	1,841
Liabilities (total)	6,049

(3) Accounting processes

The difference between the sum of the sale prices of the shares transferred and the amount of the financial support for equipment and other facilities and the book value on a consolidated basis is recorded as "gain on sale of businesses" under extraordinary income.

3. Name of the reportable segment in which the divested business was included

Car Dealership, BtoB and Online Alliance Business

4. Estimated amount of profit or loss of the divested business, which is recorded on the consolidated financial Statements for the fiscal term under review

	(Millions of yen)
Net sales	5,175
Operating profit	102

(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, 2023	Fiscal year ended March 31, 2024
Balance at beginning of fiscal year	2,675	2,741
Increase due to purchases of property, plant and equipment	35	126
Adjustment due to passage of time	23	22
Change due to fulfillment of asset retirement obligations	(22)	(76)
Increase (decrease) in other items	29	(60)
Balance at end of fiscal year	2,741	2,752

(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

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Contract liabilities (beginning balance)	1,389	1,273
Contract liabilities (ending balance)	1,273	891

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 6-month, 12-month and 18-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, 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 previous consolidated fiscal year that was included in the contract liability balance at the beginning of the term was 767 million yen.

The amount of revenue recognized in the consolidated fiscal term under review that was included in the contract liability balance at the beginning of the term was 728 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.

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Within one year	727	557
Over one year and within two years	367	196
Over two years and within three years	95	65
Over three years	82	72
Total	1,273	891

(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. 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 electric vehicles and provides services mostly to general consumers in Japan. It also wholesales automotive goods and other merchandise to home improvement retailers, to corporate customers outside the AUTOBACS Group, 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, develops online and brick-and-mortar stores, operates real-estate-related development business, and purchase and sale of vehicles, etc.

Starting from the fiscal term ended March 31, 2024, the department with functions to promote and manage car purchase and sales has been transferred to the "Car Trading Business," which is reclassified to the reportable segment of "Other Business," with the aim of expanding its business. Similarly, the department with functions of property development and location development related to store openings, etc. has been transferred to the newly established "Property Development Business," which is reclassified to the reportable segment of "Other Business," for the purpose of accelerating store openings and making effective use of real estate within the Group. Accordingly, the reportable segment of both functions, which used to be included in the "Domestic AUTOBACS Business," has been reviewed and transferred to the "Other Business."

In addition, indirect costs for customer support and logistics facilities, which were previously included in the "Domestic AUTOBACS Business," have been reclassified as company-wide expenses that are not allocable to each reportable segment.

There are no changes in the names of the reportable segments "Domestic AUTOBACS Business," "Overseas Business," "Car Dealership, BtoB and Online Alliance Business," and "Other Business."

The segment information of the previous consolidated fiscal year is disclosed based on the revised reportable segments.

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

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

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments					Reconciling items (Note 1)	Per consolidated financial statements (Note 2)
	Domestic AUTOBACS Business	Overseas Business	Car Dealership, BtoB and Online Alliance Business	Other Business	Total		
Net Sales							
Revenues from external customers	170,015	12,972	39,820	11,037	233,846	—	233,846
Transactions with other segments	—	79	—	2,309	2,388	—	2,388
Net sales to outside customers	170,015	13,052	39,820	13,347	236,235	—	236,235
Internal sales and transfers between segments	4,562	479	9,375	5,230	19,648	(19,648)	—
Total	174,577	13,531	49,196	18,577	255,883	(19,648)	236,235
Segment profit (loss)	21,239	(207)	281	(1,066)	20,247	(8,524)	11,722
Assets	93,595	12,256	22,572	36,955	165,379	28,948	194,327
Other items							
Depreciation	1,380	651	675	817	3,525	729	4,255
Amortization of goodwill	72	160	161	—	381	—	381
Investments in entities accounted for using equity method	2,456	1,281	52	—	3,790	66	3,856
Increase in property, plant and equipment and intangible assets	4,570	622	1,138	243	6,574	607	7,182

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

(1) The amount (8,524) 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 28,948 million yen of “Reconciling items” of Assets is the corporate administrative assets such as cash and deposits and logistics related assets which are not belong to each reportable segment.

(3) At Other items, the amount 729 million yen of “Reconciling items” of Depreciation is the depreciation for the corporate administrative assets. The amount 66 million yen of “Reconciling items” of Investments in entities accounted for using equity method is the investment amount to the affiliated company which is not belong to each reportable segment. The amount 607 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, 2024

(Millions of yen)

	Reportable segments					Reconciling items (Note1)	Amount recognized in consolidated statement of income (Note2)
	Domestic AUTOBACS Business	Overseas Business	Car Dealership, BtoB and Online Alliance Business	Other Business	Total reportable segments		
Net Sales							
Revenue from contracts with customers	167,038	14,673	35,144	10,542	227,398	—	227,398
Other revenue	—	26	—	2,431	2,458	—	2,458
Net sales to outside customers	167,038	14,700	35,144	12,973	229,856	—	229,856
Internal sales and transfers between segments	5,075	674	9,116	5,100	19,966	(19,966)	—
Total	172,113	15,375	44,260	18,073	249,823	(19,966)	229,856
Segment profit (loss)	16,721	101	(49)	(659)	16,115	(8,105)	8,010
Assets	92,451	13,317	16,501	38,004	160,275	34,673	194,948
Other items							
Depreciation	1,645	644	694	929	3,913	812	4,725
Amortization of goodwill	72	102	146	—	321	—	321
Investments in entities accounted for using equity method	2,555	1,212	60	—	3,827	—	3,827
Increase in property, plant and equipment and intangible assets	6,378	143	1,505	434	8,461	688	9,149

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

(1) The amount (8,105) 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 34,673 million yen of “Reconciling items” of Assets is the corporate administrative assets such as cash and deposits and logistics related assets which are not belong to each reportable segment.

(3) At Other items, the amount 812 million yen of “Reconciling items” of Depreciation is the depreciation for the corporate administrative assets. The amount 688 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, 2023

1. Information by product/service

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

2. Information by region

(1) Net sales

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

(2) Property, plant and equipment

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

3. Information by major customer

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

Fiscal year ended March 31, 2024

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, 2023

(Millions of yen)

	Reportable segments					Reconciling items	Total
	Domestic AUTOBACS Business	Overseas Business	Car Dealership, BtoB and Online Alliance Business	Other Business	Total		
Impairment losses	—	897	—	—	897	—	897

Fiscal year ended March 31, 2024

(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	—	312	—	221	534	—	534

Amortization and balance of goodwill by reportable segment

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments					Reconciling items	Total
	Domestic AUTOBACS Business	Overseas Business	Car Dealership, BtoB and Online Alliance Business	Other Business	Total		
Amortization of goodwill	72	147	161	—	381	—	381
Balance at end of period	233	538	615	—	1,386	—	1,386

Fiscal year ended March 31, 2024

(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	102	146	—	321	—	321
Balance at end of period	160	491	428	—	1,080	—	1,080

Gain on negative goodwill by reportable segment

Fiscal year ended March 31, 2023

Not applicable.

Fiscal year ended March 31, 2024

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, 2023

Not applicable.

For the fiscal year ended March 31, 2024

Not applicable.

(Per share information)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Book value per share	¥1,624.44	¥1,652.71
Earnings per share	¥92.87	¥81.52

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

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Earnings per share		
Profit attributable to owners of parent (Millions of yen)	7,239	6,355
Amount not attributable to common shareholders (Millions of yen)	―	―
Profit attributable to owners of parent related to common stock (Millions of yen)	7,239	6,355
Average number of common stock (Thousands of shares)	77,943	77,956

(Significant subsequent events)

Not applicable.

v. Consolidated Supplementary Schedules

Schedule of bonds payable

Not applicable.

Schedule of borrowings (Millions of yen)

	Balance at beginning of period	Balance at end of period	Average interest rate (%)	Maturity date
Short-term borrowings	625	—	—	—
Current portion of long-term borrowings	1,222	11	0.44	—
Current portion of lease liabilities	701	740	1.36	—
Long-term borrowings (excluding current portion of long-term borrowings)	6,699	6,023	0.33	From 2025 to 2027
Lease liabilities (excluding the current portion of Lease liabilities)	2,946	2,545	1.38	From 2025 to 2052
Other interest-bearing debt	—	—	—	—
Total	12,195	9,320	—	—

(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	3,012	3,010	0	—
Lease obligations	559	537	501	384

Schedule of asset retirement obligations

This information is omitted since it is provided in "(Notes to asset retirement obligations)."

(2) Other

Quarterly financial information for the fiscal year ended March 31, 2024

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Full year
Operating revenue (Millions of yen)	57,668	111,880	179,637	229,856
Profit before income taxes (Millions of yen)	2,050	7,280	13,192	10,283
Profit attributable to owners of parent (Millions of yen)	1,345	5,139	9,106	6,355
Earnings per share (Yen)	17.26	65.93	116.82	81.52

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Quarterly earnings (loss) per share (Yen)	17.26	48.67	50.89	(35.29)

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

i. Non-consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
(Assets)		
Current assets		
Cash and deposits	18,895	24,770
Accounts receivable - trade	15,814	12,188
Lease investment assets	5,324	6,086
Merchandise	7,329	8,253
Prepaid expenses	1,837	1,551
Short-term loans receivable	9,598	7,737
Accounts receivable - other	10,683	10,257
Other	4,142	4,242
Allowance for doubtful accounts	(63)	—
Total Current assets	*1 73,564	*1 75,087
Non-current assets		
Property, plant and equipment		
Buildings	6,776	6,752
Structures	742	757
Machinery and equipment	1,787	1,578
Vehicles	341	425
Tools, furniture and fixtures	1,045	900
Land	22,702	23,264
Construction in progress	236	1,368
Total Property, plant and equipment	33,632	35,046
Intangible assets		
Leasehold right	621	621
Software	4,876	4,828
Other	8	8
Total Intangible assets	5,505	5,458
Investments and other assets		
Investment securities	5,203	5,219
Shares of subsidiaries and associates	18,634	18,440
Long-term loans receivable from subsidiaries and associates	9,031	9,269
Long-term prepaid expenses	420	427
Deferred tax assets	2,534	3,446
Guarantee deposits	11,339	11,044
Other	201	195
Allowance for doubtful accounts	(14)	(452)
Total Investments and other assets	47,351	47,591
Total Non-current assets	*1 86,490	*1 88,096
Total Assets	160,054	163,183

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
(Liabilities)		
Current liabilities		
Accounts payable - trade	14,811	18,969
Short-term loans payable	1,000	—
Lease obligations	122	97
Accounts payable - other	3,966	3,589
Accrued expenses	1,379	925
Income taxes payable	1,580	865
Contract liabilities	1,167	792
Deposits received	5,859	11,985
Unearned revenue	813	419
Other	1,595	1,458
Total Current liabilities	*1 32,297	*1 39,103
Non-current liabilities		
Long-term loans payable	6,000	6,000
Lease obligations	771	727
Guarantee deposit received	5,310	5,194
Asset retirement obligations	1,220	1,169
Other	5	3
Total Non-current liabilities	*1 13,309	*1 13,095
Total Liabilities	45,607	52,199
(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	796	796
General reserves	36,350	36,350
Retained earnings brought forward	11,918	8,392
Total Retained earnings	51,026	47,501
Treasury shares	(6,929)	(6,905)
Total Shareholders' equity	112,374	108,872
Valuation and translation adjustments		
Valuation and translation adjustments	2,072	2,111
Valuation difference on available-for-sale securities	2,072	2,111
Total Net Assets	114,447	110,983
Total Liabilities and Net Assets	160,054	163,183

ii. Non-consolidated statement of income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net Sales	*1 158,807	*1 155,489
Cost of sales	*1 121,799	*1 122,083
Gross profit	37,008	33,406
Selling, general and administrative expenses	*1,*2 29,273	*1,*2 29,468
Operating profit	7,735	3,937
Non-operating income		
Interest income	160	191
Dividend income	1,399	1,615
Commission income	28	29
Lease revenue - system equipment	1,045	1,090
Other	525	616
Total non-operating income	*1 3,159	*1 3,542
Non-operating expenses		
Interest expenses	21	25
Provision of allowance for doubtful accounts	—	438
Lease cost - system equipment	965	2,004
Other	377	287
Total Non-operating expenses	*1 1,364	*1 2,756
Ordinary profit	9,529	4,724
Extraordinary income		
Gain on termination of retirement benefit plan	*3 891	—
Total extraordinary income	891	—
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	1,971	1,599
Loss on valuation of investment securities	—	351
Loss on valuation of shares of subsidiaries and associates	—	217
Extra payments for early retirements	—	*4 188
Total extraordinary losses	1,971	2,355
Profit before income taxes	8,449	2,368
Income taxes – current	2,697	2,141
Income taxes – deferred	330	(929)
Total Income taxes	3,028	1,212
Profit	5,421	1,156

iii. Non-consolidated statement of changes in equity

Fiscal year ended March 31, 2023 (April 1, 2022-March 31, 2023)

(Millions of 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	General reserves	Retained earnings brought forward	
Balance at beginning of current period	33,998	34,278	34,278	1,296	665	797	36,350	11,180	50,289
Changes of items during period									
Dividends of surplus								(4,678)	(4,678)
Profit								5,421	5,421
Reversal of reserve for reduction entry of assets						(0)		0	—
Purchase of treasury shares									
Disposal of treasury shares								(5)	(5)
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	(0)	—	737	737
Balance at end of current period	33,998	34,278	34,278	1,296	665	796	36,350	11,918	51,026

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(6,957)	111,608	2,306	2,306	113,914
Changes of items during period					
Dividends of surplus		(4,678)			(4,678)
Profit		5,421			5,421
Reversal of reserve for reduction entry of assets		—			—
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	28	23			23
Net changes of items other than shareholders' equity			(233)	(233)	(233)
Total changes of items during period	28	765	(233)	(233)	532
Balance at end of current period	(6,929)	112,374	2,072	2,072	114,447

Fiscal year ended March 31, 2024 (April 1, 2023-March 31, 2024)

(Millions of 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	796	36,350	11,918	51,026
Changes of items during period									
Dividends of surplus								(4,679)	(4,679)
Profit								1,156	1,156
Reversal of reserve for reduction entry of assets						(0)		0	—
Purchase of treasury shares									
Disposal of treasury shares								(2)	(2)
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	(0)	—	(3,525)	(3,525)
Balance at end of current period	33,998	34,278	34,278	1,296	665	796	36,350	8,392	47,501

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(6,929)	112,374	2,072	2,072	114,447
Changes of items during period					
Dividends of surplus		(4,679)			(4,679)
Profit		1,156			1,156
Reversal of reserve for reduction entry of assets		—			—
Purchase of treasury shares	(0)	(0)			(0)
Disposal of treasury shares	24	21			21
Net changes of items other than shareholders' equity			39	39	39
Total changes of items during period	23	(3,502)	39	39	(3,463)
Balance at end of current period	(6,905)	108,872	2,111	2,111	110,983

Notes to Non-consolidated Financial Statements

(Notes relating to Matters Concerning Significant Accounting Policy)

1. Valuation standards and methods applied to assets

(1) Valuation standards and methods applied to securities:

i. Held-to-maturity securities

Amortized cost method (straight line method)

ii. Shares of subsidiaries and associates

Costing method under the moving average approach

iii. Other securities

Securities other than shares, etc. without market prices

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

Shares, etc. without market prices

Costing method under the moving average approach

(2) Valuation standard and method applied to derivative instruments

Derivative instrument

Market price method

(3) Valuation standards and methods applied to inventories

i. Automotive goods

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

ii. Vehicles

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

2. Amortization and depreciation methods applied to non-current assets

(1) Property, plant and equipment, excluding leased assets

Straight line method

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

i. Store buildings and structures

Principally, the lengths of their useful economic lives independently estimated and determined by the Company.

With respect to the buildings and structures located on the leased land lots legally furnished with fixed-term leasehold interest for commercial use, the Company has applied the number of years set forth in the respective contracts as the useful lives of the store buildings and structures.

Buildings	3-20 years
Structures	3-20 years

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

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

(2) Intangible assets, excluding leased assets

Straight line method

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

(3) Leased assets

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

3. Accounting standards for allowances

Allowance for doubtful accounts

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

4. Accounting standards for revenue and expenses

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

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

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

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

The Company conduct the following businesses by segment.

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

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 is delivered or the provision of the services is completed, as the case may be.

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

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

5. Principles of conversion of assets and liabilities in foreign currency into yen

Claim or obligation in foreign currency is converted into yen at the spot exchange rate on the closing date, and variances arising from such conversion are calculated as income or loss.

(Notes on Accounting Estimates)

Impairment of property, plant and equipment and intangible assets

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

The Company has changed the classification of its reporting segments from the fiscal year under review. The details of the change are as described in "Note on consolidated financial statements (Segment information, etc.)."

As a result, part of the property, plant and equipment which used to be included in the "Domestic AUTOBACS Business," has been transferred to the "Other Business" and "Company-wide (common)."

The amounts of the previous consolidated fiscal year are disclosed based on the revised reportable segments.

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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Non-current assets	25,481	27,054

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 other than the Domestic AUTOBACS Business

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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Shares of subsidiaries and associates	12,679	12,535

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

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

The book value of shares of subsidiaries and associates in businesses other than the Domestic AUTOBACS Business such as the Overseas Business and the Car Dealership, BtoB and Online Alliance Business is 12,535 million yen and comprises 7.6% of total assets.

The Company acquires businesses other than the Domestic AUTOBACS Business at prices reflecting excess earning power, and the acquired shares are recorded as shares of subsidiaries and associates.

When reviewing the necessity for recognition of impairment, the Company compares acquisition costs with real values reflecting excess earning power. If the real values decline significantly and recoverability is not supported by sufficient evidence, the book value is reduced to the real values and the corresponding decrease is recognized as loss on valuation of shares of subsidiaries and associates.

The factors for estimating the said real values are identical to those described in the Notes to Consolidated Financial Statements, Notes on Significant Accounting Estimates, Impairment of property, plant and equipment and intangible assets, (2) Valuation of goodwill, etc. of businesses other than the Domestic AUTOBACS Business.

(Matters related to balance sheet)

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

	As of March 31, 2023	As of March 31, 2024
Short-term Monetary claims	18,874	17,727
Long-term Monetary claims	3	1
Short-term Monetary debt	7,390	13,854
Long-term Monetary debt	1,192	1,129

2 Guarantee obligation

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

As of March 31, 2023		As of March 31, 2024	
Autoplatz K.K., Motoren Tochigi Corp., CAP Style Co., Ltd., BACS Advance Co., Ltd.	532	CAP Style Co., Ltd., BACS Advance Co., Ltd.	328

3 Lending commitment

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

	As of March 31, 2023	As of March 31, 2024
Total lending commitment	28,260	27,320
Executed balance	10,586	12,234
Balance	17,673	15,085

Note that, the total lending commitment is not necessarily executed because the above lending commitment agreement is based on screening related to financial status of borrower.

(Matters related to income statement)

*1 Volume of business with subsidiaries and associates (Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Amount of business transactions		
Net Sales	63,799	61,391
Purchase	10,036	10,085
Other business transactions	3,081	3,505
Amount of non-business transactions	2,574	3,908

*2 Selling expenses accounted for approximately 23.9% and 24.4% of total selling, general and administrative expenses in fiscal 2023 and fiscal 2024 respectively while the share of general and administrative expenses was 76.1% in fiscal 2023 and 75.6% in fiscal 2024.

The Company has changed the classification of its reporting segments from the fiscal year under review. The details of the change are as described in "Note on consolidated financial statements (Segment information, etc.)."

As a result, part of the property, plant and equipment which used to be included in the "Domestic AUTOBACS Business," has been transferred to the "Other Business" and "Company-wide (common)."

The amounts of the previous consolidated fiscal year are disclosed based on the revised reportable segments.

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Employees' salaries	8,673	8,153
Advertising expenses	2,156	2,222
Freight/storage fees paid	3,422	3,503
Supplies expenses for sales promotion	1,123	1,019
Rent expenses on land and buildings	1,211	1,185
Depreciation	1,799	2,122
Information processing expenses	1,996	2,386
Commission expenses	3,039	3,170

*3 The gain on termination of retirement benefit plans

Fiscal year ended March 31, 2023

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

*4 Extra payments for early retirements

Fiscal year ended March 31, 2024

This item includes the amount of the support for early retirees and outplacement expenses related to the implementation of the early retirement incentive plan as part of the Company's personnel system reforms.

(Notes to securities)

Shares of subsidiaries and associates

As of March 31, 2023 (Millions of yen)

Classification	Balance sheet amount	Fair value	Difference
Shares in subsidiaries	—	—	—
Shares in associated companies	364	555	191
Total	364	555	191

As of March 31, 2024 (Millions of yen)

Classification	Balance sheet amount	Fair value	Difference
Shares in subsidiaries	—	—	—
Shares in associated companies	364	679	314
Total	364	679	314

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

Classification	Fiscal year ended March 31, 2023 (Millions of yen)	As of March 31, 2024 (Millions of yen)
Shares in subsidiaries	16,639	16,750
Shares in associated companies	1,629	1,325

(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, 2023	As of March 31, 2024
Deferred tax assets		
Rejection of accounts payable-other	281	187
Enterprise tax payable	135	105
Rejection of valuation losses of merchandise	138	159
Excess of loss entries from allowance for doubtful accounts	23	138
Rejection of allocation of rebates on merchandise	8	19
Sales allowance	—	1,119
Excess of the allowable limit of deductible lease costs	1,401	1,419
Excess of loss entries from allowance for depreciation	476	482
Impairment loss	1,945	1,886
Rejection of loss on valuation of shares of subsidiaries and associates	4,591	5,078
Rejection of valuation losses of investment securities	124	230
Rejection of credit transfer losses	973	973
Rejection of asset retirement obligations	372	356
Difference in revenue recognition for tax purposes	817	650
Others	211	193
Sub-total deferred tax assets	11,500	13,001
Valuation-related provision	(7,039)	(7,764)
Total deferred tax assets	4,461	5,237
Deferred tax liabilities		
Reserve for reduction entry of assets	(349)	(349)
Valuation difference on available-for-sale securities	(801)	(818)
Difference in revenue recognition for tax purposes	(697)	(542)
Others	(78)	(80)
Total deferred tax liabilities	(1,926)	(1,791)
Net deferred tax assets	2,534	3,446f

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, 2023	As of March 31, 2024
Statutory tax rate	30.5%	30.5%
(Adjustment)		
Items that are not permanently deductible, such as entertainment expenses	2.3	7.5
Items that are not permanently included in profits, such as dividend income	(4.7)	(19.3)
Inhabitant tax on per capita basis, etc.	0.5	1.9
Valuation allowance	7.2	30.7
Other	(0.0)	(0.1)
Percentage of effective income tax rate after the application of tax effect accounting	35.8	51.2

(Notes to revenue recognition)

Basic information for understanding revenue from contracts with customers is the same as the information in the Notes (revenue recognition) to Consolidated Financial Statements and is therefore omitted.

(Notes on significant subsequent events)

Not applicable.

iv. Supplementary schedules

Itemized account of property, plant and equipment, etc.

(Millions of yen)

Classification	Asset type	Balance at beginning of period	Increase during period	Decrease during period	Amortization of goodwill	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings	20,785	733	219	741	21,299	14,546
	Structures	3,603	131	67	114	3,667	2,910
	Machinery and equipment	4,816	126	40	330	4,901	3,323
	Vehicles	705	217	155	110	767	341
	Tools, furniture and fixtures	3,303	234	234	364	3,303	2,402
	Land	22,702	561	—	—	23,264	—
	Construction in progress	236	1,363	232	—	1,368	—
	Total	56,153	3,368	949	1,661	58,571	23,524
Intangible assets	Leasehold interests in land	621	—	—	—	621	—
	Software	20,833	1,333	948	1,381	21,218	16,390
	Other	55	2	0	1	57	48
	Total	21,509	1,335	948	1,383	21,897	16,439

(Notes) 1. The balance at the beginning of period and the balance at the end of period are stated based on the acquisition value.

2. Major factors of increase and decrease in the current period are as follows:

Asset type		Description	Amount (Millions of yen)
Buildings	Increased amount	Opening of new stores and interior renovation (40 stores)	472
		Increase due to replacement of internal infrastructure	52
	Decreased amount	Disposal and sale due to renovation (31 stores)	137
		Disposal and sale due to closure (7 stores)	72
Structures	Increased amount	Opening of new stores and interior renovation (29 stores)	114
	Decreased amount	Disposal and sale due to renovation (22 stores)	63
Machinery, equipment and vehicles	Increased amount	Stores acquisition (1 store)	61
Tools, furniture and fixtures	Increased amount	Increase due to replacement of internal infrastructure	54

Land	Increased amount	Purchase of a new property (3 properties)	561
Construction in progress	Increased amount	New store opening planned (10 stores)	1,260
		Logistics equipment installation planned	62
Software	Increased amount	Building the new system	1,041
		Increase due to replacement of the internal infrastructure system	264
	Decreased amount	Disposal due to replacement of the internal infrastructure system	941

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	77	438	63	452

(2) Details of major assets and liabilities

The presentation of this information is omitted due to the ongoing preparation of consolidated financial statements.

(3) Other

Not applicable.

VI. STOCK INFORMATION OF THE REPORTING COMPANY

<table>
<tr><td>Fiscal year</td><td>From April 1 to March 31</td></tr>
<tr><td>Annual general meeting of shareholders</td><td>During June</td></tr>
<tr><td>Record date</td><td>March 31</td></tr>
<tr><td>Record date for distribution of dividends of surplus</td><td>September 30
March 31</td></tr>
<tr><td>Number of shares constituting one unit</td><td>100 shares</td></tr>
<tr><td>Purchase and sale of odd-lot shares</td><td></td></tr>
<tr><td>Handling office</td><td>(Special account)
1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited</td></tr>
<tr><td>Administrator of the register of shareholders</td><td>(Special account)
1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Sumitomo Mitsui Trust Bank, Limited</td></tr>
<tr><td>Forward office</td><td>―――――</td></tr>
<tr><td>Fees for purchase and sale</td><td>Amount specified separately as the amount equivalent to fees for outsourcing stock trading</td></tr>
<tr><td>Method of public notice</td><td>Public notices are made electronically. However, if the Company is unable to issue its public notices electronically due to accidents or for any other unavoidable reasons, it shall issue such public notices in the Nihon Keizai Shimbun.
The Company posts electronic public notices on the website below.
https://www.autobacs.co.jp</td></tr>
<tr><td>Special benefit for shareholders</td><td>AUTOBACS Group Gift Cards (1,000 yen each) are provided to shareholders listed in the share register as of March 31 and September 30 according to the number of shares held and the number of years of continuous ownership.
<table>
<tr><th>Number of shares held</th><th>AUTOBACS Group Gift Card (Unit: yen)</th></tr>
<tr><td>100 shares to 299 shares</td><td>Held for one year or longer : Worth 1,000</td></tr>
<tr><td>300 shares to 699 shares</td><td>Held for one year or longer : Worth 3,000</td></tr>
<tr><td>700 shares to 999 shares</td><td>Held for between one and three years : Worth 7,000
Held for three years or longer : Worth 8,000</td></tr>
<tr><td>1,000 shares and more</td><td>Held for between one and three years : Worth 10,000
Held for three years or longer : Worth 13,000</td></tr>
</table>
</td></tr>
</table>

(Note 1) 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.

(Note 2) The special benefit for shareholders will be changed to shareholders whose names are entered or recorded in the shareholder registry as of September 30, 2024, as follows.

Number of shares held	AUTOBACS Limited V Points (All points expire one year after they are earned)		
100 to 299 shares	Held for more than 1 year	:	1,000 points
300 to 699 shares	Held for more than 1 year	:	3,000 points
700 to 999 shares	Held for more than 1 year but less than 3 years	:	7,000 points
	Held for more than 3 years	:	8,000 points
1,000 shares or more	Held for more than 1 year but less than 3 years	:	10,000 points
	Held for more than 3 years	:	13,000 points

*There is no change in the number of shares held and the holding period.
*AUTOBACS Limited V Points can be used at stores as "1 point = 1 yen".

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

76th fiscal year (from April 1, 2022 to March 31, 2023) Submitted to the Director-General of Kanto Local Finance Bureau on June 26, 2023

(2) Internal Control Report and accompanying documents

Submitted to the Director-General of Kanto Local Finance Bureau on June 26, 2023

(3) Quarterly Report and Confirmation Letter

For the first quarter of the 77th fiscal year (April 1, 2023 to June 30, 2023) Submitted to the Director-General of Kanto Local Finance Bureau on August 7, 2023

For the second quarter of the 77th fiscal year (July 1, 2023 to September 30, 2023) Submitted to the Director-General of Kanto Local Finance Bureau on November 7, 2023

For the third quarter of the 77th fiscal year (October 1, 2023 to December 31, 2023) Submitted to the Director-General of Kanto Local Finance Bureau on February 7, 2024

(4) Extraordinary Report

Submitted to the Director-General of Kanto Local Finance Bureau on May 10, 2024

This is an extraordinary report based on Article 19-2-2 (2) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (disposal of treasury shares as a restricted stock incentive for employee shareholding associations).

Submitted to the Director-General of Kanto Local Finance Bureau on June 11, 2024

This is an extraordinary report based on Article 19-2-6 (2) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (share exchange in which the filing company becomes the wholly owning parent company as a result of the exchange).

(5) Corrected Extraordinary Report

Submitted to the Director-General of Kanto Local Finance Bureau on May 17, 2024

This is a corrected extraordinary report related to the extraordinary report submitted on May 10, 2024 (disposal of treasury shares as a restricted stock incentive for employee shareholding associations).

Submitted to the Director-General of Kanto Local Finance Bureau on June 19, 2024

This is a corrected extraordinary report related to the extraordinary report submitted on June 11, 2024 (share exchange in which the filing company becomes the wholly owning parent company as a result of the exchange).

PART II. INFORMATION CONCERNING GUARANTORS OF THE REPORTING COMPANY

Not applicable.