Matters for Internet Disclosure Pursuant to Laws and Regulations, and the Articles of Incorporation on the Occasion of the Notice of Convocation of the 74th Ordinary General Meeting of Shareholders

From April 1, 2020
To March 31, 2021

The items listed above are offered to our shareholders by posting them on the Company’s website (https://www.autobacs.co.jp/en) pursuant to laws and regulations and the provisions of Article 18 of the Articles of Incorporation of the Company.

AUTOBACS SEVEN Co., Ltd.

■ Basic Policy Concerning Internal Control System and Overview of the Status of Development and Operation of the Systems

(1) Systems Ensuring Directors' Compliance with Laws and Regulations and the Company's Articles of Incorporation in Executing Their Duties, and Other Systems Ensuring the Appropriateness of Operations of Corporations of the Stock Company

To ensure effective and efficient operations, the reliability of financial statements, compliance with laws and regulations, and the protection of assets, the Company determined the "Basic Policy for the Establishment of Internal Control System" by resolution of the Board of Directors' meeting held on June 21, 2019, in accordance with the provisions of Article 362, Paragraph 5, of the Companies Act and Article 362, Paragraph 4, Item 6, of the said Act and Article 100, Paragraph 1 and Paragraph 3, of the Ordinance for Enforcement of the Companies Act as follows.

Basic Policy for the Establishment of Internal Control System

(i) Systems that ensure directors and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties
  a. The Company will, to maintain and improve the supervisory function with respect to the execution of duties by directors, separate the execution and supervisory functions by adopting an officer system and continuously elect independent outside directors.
  b. The Company will, to strengthen the audit and supervisory function over executives, establish an effective and efficient audit and supervisory system for the Audit and Supervisory Committee.
  c. The Corporate Governance Committee, a consultative body for the Board of Directors chaired by an outside director, shall be established to consult on the election and dismissal and the remuneration system of directors, etc. and other matters concerning governance, in order to enhance the transparency and objectivity of decision-making processes.
  d. Directors, officers and employees will pursue lawful and fair business activities that accommodate social needs in accordance with "The Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group."
  e. Compliance rules will be established and the officer in charge will be appointed to be responsible for controlling all compliance-related matters. Under the control of the officer, a compliance department will be established to control all compliance-related matters.
  f. The Company will develop the foundations for complying with legal requirements by identifying laws and regulations, etc., applicable to the Company's business and providing education and enlightening activities as needed.
  g. To promote early detection and correction of legal violations and other problems concerning compliance, the "Orange Hot Line" (the Group's reporting system) will be established for reporting legal violations and compliance issues directly to an outside commissioned company.
  h. The Audit and Supervisory Committee will audit and supervise the execution of directors' duties from an independent standpoint, including the development and implementation status of the internal control system.
  i. The internal audit department will assess internal controls and audit the appropriateness and effectiveness of operations and periodically report the results of auditing to the representative director and chief executive officer and the Audit and Supervisory Committee.
  j. Rules concerning measures against antisocial forces will be established and a system will be implemented to cut off any relationships with antisocial forces and reject any unlawful demands.

(ii) Systems for storing and managing information related to the execution of directors' duties
  a. Information concerning the execution of directors' duties will be stored and managed in reliable and searchable conditions that suit relevant storage media pursuant to internal rules concerning document management, confidential information management, etc.
  b. Directors or the Audit and Supervisory Committee may browse these documents, etc. whenever necessary for the purpose of auditing and supervising the execution of directors' duties.

(iii) Rules and other systems concerning the control of risks of loss
  a. The Company will develop a risk management system designed to accurately identify and evaluate risks, and appropriately control them. The Company will also put in place a crisis management arrangements that prevents and minimizes damage and loss in the event of serious incidents. Combining these two systems, the Company will establish an integrated risk management system.
  b. The Risk Management Committee, chaired by the representative director and chief executive officer, will

formulate annual risk management policies. In accordance with said annual policies and risk management rules, the Committee will promote risk management activities in a smooth and appropriate manner.

c. The effectiveness and validity of the Company's integrated risk management system will be audited through internal audit and be periodically reported to the Board of Directors and the Audit and Supervisory Committee.

d. In the event of a serious crisis, the representative director and chief executive officer, who serves as the chairperson of the Risk Management Committee, will set up the Crisis Management Headquarters in accordance with the crisis management rules and other rules, and take the lead in ensuring a prompt and appropriate response and early recovery.

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

a. To ensure improved quality of discussions and prompt decision making at Board of Directors' meetings, an appropriate number of directors will be maintained.

b. The Board of Directors will establish the Executive Committee as a forum for forming a consensus among officers. The Executive Committee will hold preliminary discussions on matters to be resolved at the Board of Directors' meeting and provide adequate information for decision making, including the results of preliminary discussions, to the Board of Directors.

c. The Board of Directors formulates the medium- and long-term business plan and the annual business plan, and periodically verifies the status of progress, etc., of business strategies and various measures pursued on the basis of business plans.

d. The Board of Directors delegates the execution of duties to the representative director, executive directors and officers based on the management structure and segregation of roles.

e. The representative director, as the person in charge of execution, controls the execution of duties of the executive directors and officers, aiming at achieving the Group's goals. Executive directors and officers decide on specific goals in the areas for which they are responsible and develop an efficient business execution system.

(v) Systems including those listed below that ensure appropriateness of business operations by the Group, comprising the Company and its subsidiaries (hereinafter the "Group")

a. Systems for reporting matters related to the execution of duties by directors, etc., of the Company's subsidiaries to the Company

・Based on the affiliates' management rules stipulated by the Company and the subsidiaries' operational standards based on these rules, the Company shall request submission of necessary related documents to understand its subsidiaries' business management accurately.

・The Company shall request that the Company's officers or employees attend a board of directors' meeting or other important meeting by each subsidiary so that each subsidiary can report to the Company the results of operation, financial position and other important information of the subsidiary.

b. Rules and other systems concerning the control of risks of loss at the Company's subsidiaries

・The Company shall formulate rules concerning risk management of the entire Group, request that its subsidiaries conduct risk management based on these rules and control the risks of the entire Group comprehensively and in an integrated manner.

・The Company shall establish the Risk Management Committee in charge of the risk management of the Group, including the subsidiaries of the Company, and deliberate on issues related to the promotion of risk management of the entire Group to formulate measures to address such issues.

c. Systems that ensure the efficient execution of duties by directors, etc., of the Company's subsidiaries

・While paying respect to the autonomy and independence of the management of its subsidiaries, the Company shall draw up basic policies and operational policies for managing subsidiaries to contribute to the appropriate and efficient operation of Group management.

・The Company stipulates organizational standards for its subsidiaries related to chain of command, authority, decision making, etc., and has the subsidiaries establish their own system in line with these standards. For example, based on the scope and scale of each subsidiary's business, the subsidiaries are allowed to choose whether to install a system without a board of directors or an officer system.

d. Systems that ensure subsidiaries' directors, etc., and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties

・The Company shall have its subsidiaries establish a system in which directors, audit and supervisory board members, officers and employees pursue lawful and fair business activities that accommodate social needs in accordance with "The Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group."

- The Company shall have its subsidiaries establish a system to deploy an appropriate number of audit and supervisory board members and persons in charge of promotion of compliance in accordance with the scope and scale of each subsidiary's business. The Company shall also dispatch a person to subsidiaries to serve as an audit and supervisory board member, as may be necessary.
- The Company shall have its subsidiaries establish a system whereby their audit and supervisory board members audit the execution of duties by their directors, including the establishment and operation of internal control systems.
- The Company shall have its subsidiaries establish a system to use the Orange Hot Line, which was established for early detection and correction of legal violations and other issues concerning compliance.

e. Other systems to ensure the appropriateness of business operations by the Group
- The Company will ensure the appropriate and effective use of information technology within the relevant range of information communication and business operations of the Company and its subsidiaries.
- The Company's Audit and Supervisory Committee and internal audit department will investigate the appropriateness of the business operations of its subsidiaries.

(vi) Matters pertaining to employees assisting with the duties of the Audit and Supervisory Committee
The Company will assign employees dedicated to supporting the duties of the Audit and Supervisory Committee. With respect to the number of employees, the selection of employees, and other matters, the consent of the Audit and Supervisory Committee shall be obtained in advance.

(vii) Matters pertaining to the independence of the employees from the directors who are not audit and supervisory committee members mentioned in the preceding paragraph
Employees who assist with the duties of the Audit and Supervisory Committee shall perform their duties under the leadership and instructions of the Audit and Supervisory Committee only. The chairperson of the Audit and Supervisory Committee shall evaluate the performance of those employees, and directors who are audit and supervisory committee members and the representative director shall consult each other with respect to the transfer and treatment of said employees.

(viii)Matters pertaining to ensuring the effectiveness of the instructions given to employees who assist with the duties of the Audit and Supervisory Committee
The Company shall notify all the directors, officers and employees of the Company that the employees who assist with the duties of the Audit and Supervisory Committee must comply with directions and instructions from the Audit and Supervisory Committee.

(ix) Systems including those listed below concerning reporting to the Company's Audit and Supervisory Committee

a. System that allows the Company's directors, employees, etc. to report to the Audit and Supervisory Committee
- Directors and officers will periodically report to the Audit and Supervisory Committee through important meetings such as the Board of Directors' meetings and other opportunities, on the status of the execution of their duties, including matters pertaining to subsidiaries, and also provide supplementary reports as needed without delay.
- Directors, officers, and employees will promptly and accurately respond when they are requested by the Audit and Supervisory Committee to report on business, or when the Audit and Supervisory Committee conducts research on business and asset status of the Group.
- Directors and officers will immediately report to the Audit and Supervisory Committee if they discover anything that has caused or may cause substantial damage to the Company, such as any legal violations.

b. System that allows persons who received reports from directors, audit and supervisory board members and employees of the Company's subsidiaries to report to the Company's Audit and Supervisory Committee
- Directors, audit and supervisory board members, officers and employees of the Company's subsidiaries shall promptly make an appropriate report on business operations when they are requested by the Audit and Supervisory Committee of the Company to do so.
- In an incident that could cause substantial damage to the Company or its subsidiaries, such as legal violations, the directors, audit and supervisory board members, officers and employees of the Company's subsidiaries shall immediately report the circumstances in an appropriate manner within the subsidiaries, and also report to the department in charge of managing the Company's subsidiaries or use the Orange Hot Line.
- The Company's internal audit department and internal control department shall hold a meeting regularly

to report to the Company's Audit and Supervisory Committee on the actual status of internal audits, compliance, risk management, etc., at the subsidiaries.

・The department in charge of the Orange Hot Line shall report the status of internal reporting from the Group's directors, audit and supervisory board members, officers and employees on a regular basis to the Board of Directors and the Audit and Supervisory Committee, while ensuring the anonymity of the report's source.

(x) System to ensure the persons who reported to the Audit and Supervisory Committee are not treated unreasonably because of such reporting

The Company prohibits the Group's directors, officers and employees who reported to the Audit and Supervisory Committee from being treated unreasonably because of such reporting. This directive shall be thoroughly disseminated to the Group's directors, officers and employees.

(xi) Matters pertaining to the policies concerning prepayment or redemption procedures for expenses incurred by the execution of duties by the Audit and Supervisory Committee or other handling procedures for expenses or liabilities incurred by the execution of such duties

a. In cases when the Audit and Supervisory Committee bill the Company for prepaid expenses incurred through the execution of their duties, the department handling such matters shall deliberate on said bills and pay the expenses or liabilities without delay, except in cases when it was determined and verified that such expenses or liabilities were unnecessary for the execution of the duties.

b. To pay expenses incurred by the execution of duties by the Audit and Supervisory Committee, a certain amount of the budget shall be set aside each year.

(xii) Other systems that ensure effective auditing by the Audit and Supervisory Committee

a. To enhance the audit function of the Audit and Supervisory Committee, the Company will take into account their expertise as well as independence when electing outside audit and supervisory board members.

b. The Audit and Supervisory Committee, the independent auditor, the internal audit department and other parties will hold regular meetings to exchange information and opinions and promote close cooperation.

c. The representative director will hold regular meetings with the Audit and Supervisory Committee to audit the execution of duties by directors and further improve the audit system.

d. The Company shall establish a system that allows the Audit and Supervisory Committee to promote cooperation with lawyers, certified public accountants, and other experts outside the Company when the Audit and Supervisory Committee believe it necessary to do so in executing its duties.

Established on May 19, 2006
Established on March 29, 2012
Established on March 17, 2014
Established on March 27, 2015
Established on June 21, 2019

(2) Overview of the Status of Operation of the Systems Ensuring the Appropriateness of Operations

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 overview of the status of operation during the fiscal term under review

(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 eleven (11) 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 officers, candidates for directors (including directors who are audit and supervisory committee members), institutional design, etc.
   b. One (1) outside director who is not an audit and supervisory committee member and all two (2) outside audit and supervisory committee members held three (3) independent outside directors' liaison meetings during the year to give suggestions to the representative director.
   c. Based on the Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group, operated a contact point for the "Orange Hot Line," the Group's reporting system, which covered not only the Group but also the entire chain stores including franchisees, to receive whistle-blowing via the externally placed contact point. Established a system to ensure that whistle-blowing incidents are promptly reported to the audit and supervisory committee members via the Audit and Supervisory Committee Office whenever such incidents occur.
   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 for all employees.
   f. The officer in charge of internal control functions reported to the Board of Directors about serious incidents and reports made through the Orange Hot Line including the situation of their occurrence, etc. based on the "crisis management rules" and the "Orange Hot Line rules," and shared such information with the Audit and Supervisory Committee and other related departments. Promoted awareness, as necessary, of matters requiring chain-wide efforts among the serious incidents reported and reports made through the Orange Hot Line, to call for action in the entire AUTOBACS chain.

(ii) Rules and other systems concerning the control of risks of loss
   a. The Risk Management Committee monitored the status of addressing of risk issues, which were set on an annual basis. The General Affairs Department, Legal Department, Corporate Audit Department and Car Lifestyle Support Center cooperated to assist the Risk Management Committee to monitor risks and the status of addressing of 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 serious crisis such as a large-scale disaster. The Company started up a Crisis Management Headquarters to manage matters pertaining to earthquake-related damages and a Crisis Management Headquarters to manage matters related to the COVID-19 infections, respectively, during the fiscal year under review.

(iii) Systems for ensuring the efficient execution of directors' duties
   a. Held fifteen (15) Board of Directors' meetings during the fiscal year under review to deliberate on and determine important matters. In addition, received reports on the execution of duties from directors in charge of each field, based on the Five-Year Rolling Plan and annual business plan.
   b. Held four (4) 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 nine (9) Monitoring Committee meetings during the fiscal year under review to check the status of execution at each business and business infrastructure and deliberate on the monitoring and assessment of risks related to individual investment matters.

(iv) Systems that ensure appropriateness of business operations by the Group
The Corporate Audit Department conducted audits as to the appropriateness and effectiveness of business operations by the Group and assessed internal controls related to the reliability of the financial reports. Employees of the Company mainly from the Corporate Audit Department and the Audit and Supervisory Committee Office were appointed as subsidiary audit and supervisory board members to conduct audits as to the appropriateness of the execution of operations and the accounting and financial status of subsidiaries. The Corporate Audit Department reported to the Audit and Supervisory Committee of the Company about their respective activities on a monthly basis.

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

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

b. The Audit and Supervisory Committee reviewed and deliberated on audit matters, and also gave related departments a hearing about chief executive officer and officers in charge of respective departments, as well as about matters discovered in the course of an audit of operations, to offer recommendations on matters to be amended. In addition, all audit and supervisory committee members attended Monitoring Committee meetings, Executive Committee meetings, and Board of Directors' meetings to pose questions or give 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. The Audit and Supervisory Committee conducted audits of subsidiaries by gathering information at the management reporting meeting at which all subsidiaries operating stores presented reports, and conducted audits of four (4) subsidiaries from among the subsidiaries for car goods supply and other businesses. Moreover, during the fiscal term under review, the Audit and Supervisory Committee held a meeting with the department responsible for auditing subsidiaries once a month to exchange information and opinions about the status of auditing and internal controls of subsidiaries, in an effort to ensure effective auditing by the Audit and Supervisory Committee.

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.

■ Policy Concerning Company Control

At the Board of Directors' meeting held on March 28, 2018, the Company decided the following with respect to the "Basic Policy Concerning Company Control."

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

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

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

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

■ Notes to Consolidated Financial Statements

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

1. Scope of consolidation

(1) Number of subsidiaries subject to consolidation accounting

33 companies (two newly included; six excluded)

(2) Names of major subsidiaries subject to consolidation accounting

AUTOBACS Keiyo Ltd., AUTOBACS Minami-Nihon Sales Ltd., AUTOBACS FRANCE S.A.S., AUTOBACS Financial Service Co., Ltd., Autoplatz K.K., CAP Style Co., Ltd., HOT STUFF CORPORATION

2. Application of equity method

(1) Number of associate companies subject to equity method

14 companies (two newly included)

(2) Names of major associate companies subject to equity method

Puma Ltd., Buffalo CO., LTD., NORTHERN JAPAN AUTOBACS Co., Ltd.

3. Fiscal periods of subsidiaries subject to consolidation accounting

As for the subsidiaries whose accounting closing dates are different from the consolidation accounting closing date, provisional non-consolidated financial statements as of the closing date specified for consolidation accounting have been used for producing the consolidated financial statements.

4. Significant accounting standards

(1) Valuation standards and methods applied to important assets

(i) Valuation standards and methods applied to securities

Held-to-maturity securities

Amortized cost method (straight line method)

Other securities

Other securities with market prices

Market price method based on the prescribed conditions, including the value marked by each type of securities on the market as of the closing date (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)

Other securities without market prices

Costing method under the moving average approach

(ii) Valuation standard and method applied to derivative instruments

Derivative instruments

Market price method

(iii) Valuation standards and methods applied to inventories

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)

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.

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

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 companies 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 Company 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 Company provide 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
(i) Method of attributing expected benefits to periods
In calculating retirement benefit obligations, the benefit formula standard is used as the method for attributing expected benefits up to the end of the consolidated fiscal term under review.

(ii) Accounting for actuarial differences and past service costs
Past service costs are amortized as incurred by the straight line method over a fixed period within the average remaining service years of employees (mainly 10 years).
Actuarial differences are amortized by the straight-line method over a fixed period within the average remaining service years of employees (mainly 10 years), beginning with the following consolidated fiscal term.

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

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

(5) Accounting standards for significant profits and expenses
Recording standards of profits 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.

(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) Other material matters for preparation of the Consolidated Financial Statements

As for the accounting processing of consumption tax, etc., such tax is not included in the Consolidated Financial Statements.

Notes on Changes in Presentation

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Group has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) to its consolidated financial statements starting from the end of the consolidated fiscal term under review. Notes on accounting estimates are described in the consolidated financial statements.

Notes on Accounting Estimates

Impairment of property, plant and equipment and intangible assets

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

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

(Unit: million yen)

	For the consolidated fiscal term under review
Property, plant and equipment	33,328

(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 33,328 million yen and comprises 17.7% 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, so as to reflect factors including the recovery and increase in revenue in consideration of the growth rate in the market, and the individual situation of each store.

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

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

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

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

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

Intangible assets	7,157 million yen
of which, goodwill	1,319 million yen
of which, other	1,351 million yen
Investment securities	8,970 million yen
of which, amount equivalent to goodwill included in investment securities	1,635 million yen

(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 Internet Businesses under the "Five-Year Rolling Plan."

The book values of goodwill included in individual investment, other intangible assets, and an amount equivalent to goodwill included in investment securities are 1,319 million yen, 1,351 million yen, and 1,635 million yen, respectively, and the total of 4,305 million yen comprises 2.2% of total assets.

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

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

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

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

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

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

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

Notes to Consolidated Balance Sheet

1. Pledged assets	Merchandise	577	million yen
	Buildings and structures	215	million yen
	Land	506	million yen
	Total	1,298	million yen

With regard to buildings and structures in the amount of 215 million yen and land in the amount of 506 million yen, revolving mortgages are established with a credit line of 800 million yen against debts from banks. However, there are no relevant debts at the end of the consolidated fiscal term under review.

Secured debts	Accounts payable-trade	95	million yen
	Short-term loans payable	666	million yen
	Total	762	million yen

2. Accumulated depreciation amount of property, plant and equipment
46,406 million yen

3. Any fractional amounts less than one million yen are discarded.

Notes to Consolidated Statement of Income

1. Impairment loss

The impairment losses of the following groups of assets have been reported for the consolidated fiscal term under review.

(1) Overseas Business

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

(2) Car Dealership, BtoB and Internet Business

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

(3) Other Business

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

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

For stores and leased assets recording continuous operating losses, and idle assets for which initially expected profitability is no longer expected, the book values of such groups 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 418 million yen in extraordinary losses.

Impairment loss consisted of 172 million yen for right-of-use assets, 101 million yen for goodwill, 64 million yen for machinery, equipment and vehicles, 57 million yen for buildings and structures, 20 million yen for tools, furniture and fixtures, and 2 million yen for others.

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

The net sales value is deemed to be zero, while 10.13% is used for the discount rate in the calculation of the value in use.

In the calculation of idle assets, the projected sales value is deemed to be zero.

The recoverable amount of cash-generating units in France is calculated based on fair value under the International Financial Reporting Standards (IFRS). The fair value is measured by the income approach, and the discount rate used is 8.50%.

2. Any fractional amounts less than one million yen are discarded.

Notes to Consolidated Statement of Changes in Equity

1. Type and number of company shares issued and outstanding at the end of the consolidated fiscal term under review

   Common stock 84,050,105 shares

2. Dividends

(1) Amount of dividend payment

Resolution	Type of shares	Total amount of dividends (Unit: million yen)	Dividends per share (Unit: yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 23, 2020	Common stock	2,396	30	March 31, 2020	June 24, 2020
Meeting of Board of Directors on October 30, 2020	Common stock	2,397	30	September 30, 2020	November 25, 2020

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

The resolution is scheduled as follows:

Resolution	Type of shares	Total amount of dividends (Unit: million yen)	Source of dividends	Dividends per share (Unit: yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 23, 2021	Common stock	2,397	Retained earnings	30	March 31, 2021	June 24, 2021

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

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

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

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

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

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

Short-term loans payable, long-term loans payable and lease obligations related to finance lease transactions are principally aimed at procuring necessary fund for continued business operations and capital investment and the farthest redemption date is scheduled in 16 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
The market values of individual financial instruments are either the prices actually quoted for such financial instruments on the market or the values calculated and determined by the Group in a reasonable and appropriate manner, if such quoted market prices are not available. In calculating market values of such financial instruments, the Group has taken account of fluctuating factors. For this reason, these calculated amounts may vary based on different assumptions or other conditions.

2. Market values and other conditions of financial instruments

In relation to the individual types of financial instruments employed by the Group, the followings are their values recognized in the Consolidated Balance Sheet as of March 31, 2021, their market values and differences between the two types of figures. Please note, however, that table below does not include financial instruments with extremely difficulties to determine their market values (refer to Note 2).

	Value Recognized in Consolidated Balance Sheet (Unit: million yen)	Market Value (Unit: million yen)	Difference (Unit: million yen)
(1) Cash and deposits	38,940	38,940	—
(2) Notes and accounts receivable-trade	23,580		
Allowance for doubtful accounts *1	(71)		
	23,508	23,508	(0)
(3) Lease investment assets *2	4,892	5,503	610
(4) Short-term loans receivable	0	0	—
(5) Accounts receivable-other	21,954		
Allowance for doubtful accounts *1	(18)		
	21,936	21,936	—
(6) Income taxes receivable	10	10	—
(7) Investment securities	4,908	4,381	(527)
(8) Long-term loans receivable *3	367	378	10
(9) Guarantee deposits	13,008	12,888	(119)
Total assets	107,573	107,547	(26)
(1) Notes and accounts payable – trade	13,845	13,845	—
(2) Short-term loans payable	5,666	5,666	—
(3) Lease obligations (current liabilities)	694	724	30
(4) Accounts payable-other	15,104	15,104	—
(5) Income taxes payable	3,462	3,462	—
(6) Long-term loans payable *4	2,786	2,785	(0)
(7) Lease obligations (non-current liabilities)	3,519	3,638	119
Total liabilities	45,079	45,228	149

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

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

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

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

(Note) 1. Method of calculating market values of individual financial instruments and securities

Assets

(1) Cash and deposits, (4) Short-term loans receivable, (5) Accounts receivable-other, (6) Income taxes receivable

Since these types of financial instruments tend to be settled in relatively short periods, their book values approximate their market values; their market values are deemed the same as their respective book values.

(2) Notes and accounts receivable-trade, (3) Lease investment assets, (8) Long-term loans receivable, (9) Guarantee deposits

It is the Group's basic policy to categorize these types of financial instruments by the lengths of periods and their respective credit risks for the purpose of credit control and management. For each credit risk category, the market values of the corresponding financial instruments have been calculated based on the present value obtained by discounting future cash flow by appropriate index, such as government bond interest rates, plus the Company's credit spread.

(7) Investment securities

The market values of shares, etc. are based on the prices quoted in security exchanges and the market values of bonds are based on the amount either quoted in security exchanges or presented by financial institutions transacting with the Group.

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term loans payable, (4) Accounts payable-other, (5) Income taxes payable

Since these types of financial instruments tend to be settled in relatively short periods, their book values approximate the market values; their market values are deemed the same as their respective book values.

(3) Lease obligations (current liabilities), (6) Long-term loans payable, (7) Lease obligations (non-current liabilities)

The market values of these types of financial instruments are calculated based on the present value obtained by discounting the sum of the principal amounts of the financial instruments by a particular interest rate that would be applied on assumption that the Group entered into similar new borrowing arrangements or leasing transactions.

2. Financial instruments with extreme difficulties to estimate their market values

(Unit: million yen)

Category	Value Recognized in Consolidated Balance Sheet
Unlisted company securities	4,061

Given the fact that no quoted market prices exist for this type of financial instruments and it is extremely difficult to estimate their market values, these financial instruments have been excluded from the disclosures of "(7) Investment securities."

Notes on Per-Share Information

1. Net assets per share 1,542.40 yen
2. Net income per share 88.28 yen

Notes on Significant Subsequent Events

(Acquisition of treasury shares)

The Company resolved to acquire treasury shares at its Board of Directors' meeting held on May 10, 2021 pursuant to the provisions of Article 156 of the Companies Act as applied by replacing relevant terms and phrases pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

1. Reasons for the acquisition of treasury shares

In order to improve capital efficiency and strengthen shareholder returns

2. Details of matters related to acquisition

(1) Type of shares subject to acquisition	Common stock of the Company
(2) Total number of shares to be acquired	Up to 2,000,000 shares
(3) Total acquisition cost of shares	Up to 3,000 million yen
(4) Acquisition period	May 11, 2021 through September 30, 2021

(Cancellation of treasury shares)

The Company resolved to cancel treasury shares at its Board of Directors' meeting held on May 10, 2021 pursuant to the provisions of Article 178 of the Companies Act and implemented it as follows.

(1) Type of shares cancelled	Common stock of the Company
(2) Method for cancellation	Reduction from retained earnings
(3) Total number of shares cancelled	2,000,000 shares
(4) Cancellation date	May 17, 2021
(5) Total number of shares issued after cancellation	82,050,105 shares

(Business combination by acquisition)

The Company resolved at its Board of Directors' meeting held on February 26, 2021 that AUTOBACS DEALER GROUP HOLDINGS Co., Ltd. ("AUTOBACS DEALER GROUP"), a wholly-owned subsidiary of the Company, would acquire all the shares of TA Import Co., Ltd. ("TA Import") and make it a subsidiary of AUTOBACS DEALER GROUP (a second-tier subsidiary of the Company). The two companies entered into a share transfer agreement on the same date, and AUTOBACS DEALER GROUP acquired all shares of TA Import on April 1, 2021.

1. Outline of business combination

(1) Name of acquired company and line of its business

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

Line of business: Sale of new Audi automobiles, services related thereto, and sale of certified used cars

(2) Main reasons for business combination

The Group is promoting various measures as a part of initiatives towards the construction of the "Multi-Dealer Network" under the Five-Year Rolling Plan.

By making the company a sub-subsidiary of the Company, the Group will construct a network with new automobile manufacturers, gain opportunities to serve more customers, and therefore will aim to further expand earnings.

(3) Date of business combination

April 1, 2021

(4) Legal form of business combination

Share acquisition for cash consideration

(5) Name of acquired company after combination

BACS ADVANCE Co., Ltd.

(6) Ratio of voting rights acquired

100%

(7) Primary reason for determining the acquirer

Since AUTOBACS DEALER GROUP HOLDINGS Co., Ltd. acquired shares for cash consideration.

2. Acquisition cost for acquired company and types of consideration for acquisition

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

3. Details and amount of major acquisition-related expenses
   Remuneration and fees, etc. paid for advisory services 52 million yen

4. Amount of goodwill recognized, reason for recognition, and method and period of amortization
   Not finalized at this point in time.

5. Amount of assets accepted and liabilities assumed on the date of business combination and the major breakdown thereof
   Not finalized at this point in time.

■ 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

Other securities with market prices

Market price method based on the prescribed conditions, including the value marked by each type of securities on the market as of the closing date (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)

Other securities without market prices

Costing method under the moving average approach

(2) Valuation standard and method applied to derivative instruments

Derivative instrument

Market price method

(3) Valuation standards and methods applied to inventories

(i) Automotive goods

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

(ii) Vehicles

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

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

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

Straight line method

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

(i) Store buildings and structures

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

Buildings	3-20 years
Structures	3-20 years

(ii) Property, plant and equipment, excluding those mentioned above

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

(2) Intangible assets, excluding leased assets

Straight line method

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

(3) Leased assets

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

3. Accounting standards for allowances

(1) Allowance for doubtful accounts

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

(2) Provision for retirement benefits

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

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

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

4. Accounting standards for profits and expenses

Recording standards of profits 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.

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

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

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

(1) The accounting processing of consumption tax, etc., is based on the tax-exclusion method.

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

Notes on Changes in Presentation

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Company has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) to its non-consolidated financial statements starting from the end of the fiscal term under review. Notes on accounting estimates are described in the non-consolidated financial statements.

Notes on Accounting Estimates

Impairment of property, plant and equipment and intangible assets

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

(i) Amounts recorded on the non-consolidated financial statements for the fiscal term under review

(Unit: million yen)

	For the fiscal term under review
Property, plant and equipment	30,157

(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 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.

(2) Valuation of shares of subsidiaries and associates of businesses other than the Domestic AUTOBACS Business

(i) Amounts recorded on the non-consolidated financial statements for the fiscal term under review

Shares of subsidiaries and associates 14,434 million yen

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

The Company is promoting investment in businesses other than the Domestic AUTOBACS Business such as the Overseas Business and the Car Dealership, BtoB and Internet Businesses 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 Internet Businesses is 14,434 million yen and comprises 8.9% of total assets.

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

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

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

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation amount of property, plant and equipment 21,336 million yen

2. Guaranteed obligations

(1) The Company guarantees the following subsidiaries' obligations to their suppliers:

Autoplatz K.K., Motoren Tochigi Corp., CAP Style Co., Ltd. 171 million yen

(2) The Company guarantees the following subsidiaries' debt to financial institutions:

Autoplatz K.K., Motoren Tochigi Corp. 666 million yen

3. Monetary claim and obligations to affiliated companies

(1) Short-term monetary claim	19,811 million yen
(2) Long-term monetary claim	2 million yen
(3) Short-term monetary obligations	10,382 million yen
(4) Long-term monetary obligations	1,360 million yen

4. Loan commitment

The unused portion of the committed credit lines established in accordance with loan commitment agreements are as follows:

Total amount of committed credit lines	26,880 million yen
Outstanding loan balance	10,901 million yen
Balance	15,978 million yen

Given the fact that some of the loan commitment agreements mentioned above require the borrowers' creditability to be assessed and/or other conditions to be satisfied before proceeding to execution of loans, the entire part of the committed credit lines are not always in use.

5. Any fractional amounts less than one million yen are discarded.

Notes to Non-Consolidated Statement of Income

1. Transactions with affiliated companies

(1) Amount of business transactions	
Net sales	60,419 million yen
Purchases	9,390 million yen
Other business transactions	2,806 million yen
(2) Non-business transactions	2,135 million yen

2. Impairment loss

The Company has reported the impairment losses of the following groups of assets for the fiscal term under review.

Other Business

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

The Company regards each store as a basic unit for the minimum unit generating cash flows, while idle assets and leased assets are each grouped as a separate group of assets.

For stores recording continuous operating losses, the book values of such groups 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 60 million yen in extraordinary losses.

Impairment loss consisted of 43 million yen for buildings and 16 million yen for tools, furniture and fixtures.

The recoverable value of such groups of assets is calculated using the value in use, and the discount rate used in the calculation of the value in use is 10.13%.

3. Any fractional amounts less than one million yen are discarded.

Notes to Non-Consolidated Statement of Changes in Equity

Type and number of treasury stock at the end of the fiscal term under review

Common stock	4,149,069 shares

Notes Relating to Tax Effect Accounting

Breakdown of deferred tax assets and deferred tax liabilities by cause

(Unit: million yen)

Deferred tax assets	
Rejection of accounts payable-other	336
Enterprise tax payable	154
Rejection of valuation losses of merchandise	144
Excess of loss entries from allowance for doubtful accounts	8
Rejection of allocation of rebates on merchandise	8
Excess of the allowable limit of deductible lease costs	1,346
Excess of loss entries from allowance for depreciation	435
Impairment loss	2,058
Rejection of loss on valuation of shares of subsidiaries and associates	3,838
Rejection of valuation losses of investment securities	122
Rejection of credit transfer losses	973
Rejection of provision for retirement benefits	187
Rejection of asset retirement obligations	343
Others	256
Sub-total deferred tax assets	10,214
Valuation-related provision	(6,275)
Total deferred tax assets	3,938
Deferred tax liabilities	
Reserve for reduction entry of assets	(349)
Valuation difference on available-for-sale securities	(928)
Others	(87)
Total deferred tax liabilities	(1,365)
Net deferred tax assets	2,572

Notes relating to Non-current Assets Used on a Leasing Basis

In addition to the non-current assets accounted for on the balance sheet, some office equipment and devices are used under the non-ownership-transfer finance lease agreements.

Notes relating to Business Transactions with Related Parties

Subsidiaries and affiliates, etc. (Unit: million yen)

Attribution	Name of Company, etc.	Holding (held) ratio of voting rights, etc.	Relation-ship with related parties	Content of transaction	Transacted amount	Account Item	Balance as of the end of the fiscal term
Subsidiary	AUTOBACS Financial Service Co., Ltd.	(Holding ratio) 100% (directly)	Fund transaction	Loans (Note 2)	7,700	Short-term loans receivable Long-term loans receivable from subsidiaries and associates	5,705 5,027
Subsidiary	Autoplatz K.K.	(Holding ratio) 100% (indirectly)	Fund transaction	Loans	1,477	Short-term loans receivable Long-term loans receivable from subsidiaries and associates	1,133 574
Subsidiary	HOT STUFF CORPORATION	(Holding ratio) 100% (directly)	Fund transaction	Deposit received of surpluses	6,133	Deposits received	2,486

Conditions of transactions and policies for decision on conditions of transactions, etc.

(Notes) 1. The interest rate of the loans receivable and the deposits received was determined reasonably in consideration of market rates and other factors.

2. For the efficient procurement of operational funds, the Company concluded loan commitment agreements (ceiling amount of committed credit line: 18,000 million yen).

Notes to Per-Share Information

1. Net asset per share 1,455.75 yen
2. Net income per share 63.67 yen

Notes on Significant Subsequent Events

(Acquisition of treasury shares)

The Company resolved to acquire treasury shares at its Board of Directors' meeting held on May 10, 2021 pursuant to the provisions of Article 156 of the Companies Act as applied by replacing relevant terms and phrases pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

1. Reasons for the acquisition of treasury shares
   In order to improve capital efficiency and strengthen shareholder returns

2. Details of matters related to acquisition

(1) Type of shares subject to acquisition	Common stock of the Company
(2) Total number of shares to be acquired	Up to 2,000,000 shares
(3) Total acquisition costs of shares	Up to 3,000 million yen
(4) Acquisition period	May 11, 2021 through September 30, 2021

(Cancellation of treasury shares)

The Company resolved to cancel treasury shares at its Board of Directors' meeting held on May 10, 2021 pursuant to the provisions of Article 178 of the Companies Act and implemented it as follows.

(1) Type of shares cancelled	Common stock of the Company
(2) Method for cancellation	Reduction from retained earnings
(3) Total number of shares cancelled	2,000,000 shares
(4) Cancellation date	May 17, 2021
(5) Total number of shares issued after cancellation	82,050,105 shares