Matters for Internet Disclosure Pursuant to Laws and Regulations, and the Articles of Incorporation on the Occasion of the Notice of Convocation of the 75th Ordinary General Meeting of Shareholders

From April 1, 2021
To March 31, 2022

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 and 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 arrangement 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 fifteen (15) 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 Meeting during the year to give suggestions to the representative director.
c. Based on the Code of Conduct and Guidelines for Action of the AUTOBACS SEVEN Group, operated a contact point for the "Orange Hot Line," the Group's reporting system, which covered not only the Group but also the entire chain stores including franchisees, to receive whistle-blowing via the externally placed contact point. During the fiscal year under review, increased the number of internal personnel in charge and established a system to ensure transparency through consensual decision making.
d. The Corporate Audit Department conducted audits as to the appropriateness and effectiveness of operations.
e. Pursuant to the Basic Rules on Compliance, provided compliance education on insider trading and security 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, and Car Lifestyle Support Center cooperated to help the Risk Management Committee monitor risks and grasp the status of addressing the annual risk issues. During the fiscal year under review, reassessed company-wide risks to ensure compatibility with changes in the business environment and selected major risks to be addressed.
b. Ensured the system to set up the Crisis Management Headquarters and take a prompt response in accordance with the "Crisis Management rules" and "BCP (Business Continuity Plan) Manual" in the event of a serious crisis such as a large-scale disaster. Following the previous fiscal term, the Company maintained the Crisis Management Headquarters to manage COVID-19-related matters.

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

a. Held fifteen (15) Board of Directors' meetings during the fiscal year under review to deliberate on and determine important matters. In addition, received reports on the execution of duties from directors in charge of each field, based on the Five-year Rolling Plan and annual business plan.
b. Held eight (8) Executive Committee meetings during the fiscal year under review to discuss about business profitability and various risks with respect to matters to be addressed at the Board of Directors' meetings and make preliminary deliberations so that directors could make decision based on sufficient information. In addition, held twelve (12) Monitoring Committee meetings during the fiscal year under review to check the status of execution at each business and business infrastructure and deliberate on the monitoring and assessment of risks related to individual investment matters.

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

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

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

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

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

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

d. During the fiscal term under review, the Audit and Supervisory Committee held a meeting once a month with departments responsible for auditing subsidiaries to exchange information and opinions about the status of auditing and internal controls of subsidiaries, in an effort to ensure effective auditing by the Audit and Supervisory Committee. In addition, in order to check the effectiveness of internal control system, the Audit and Supervisory Committee gathered information on the audit of subsidiaries at the management reporting meeting at which all of the subsidiaries that are operating stores presented reports, and conducted on-site audits, including remote audits, of five (5) 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.

■ 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 the Vision - 2050 Creating Our Future Together as a vision to face the issues of society, automobiles, and peoples' lives and create a brighter, more vigorous future and has been making all-out, concerted efforts to communicate its vision, "Anything about cars, you find at AUTOBACS," thereby winning support and trust from customers.

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

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

■ **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

29 companies (two newly included; six excluded)

(2) Names of major subsidiaries subject to consolidation accounting

AUTOBACS Kanto Sales 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

15 companies (one 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

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

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 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
(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 revenue and expenses
(i) Recording standards of revenue relating to the non-ownership-transfer finance lease transactions
The net sales and the cost of goods sold are recorded at the time of the receipt of the lease payment.

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

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

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

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

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

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

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

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

(7) Accounting for significant hedging activities

(i) Hedge accounting method

Designate accounting has been adopted.

(ii) Hedging instruments and items hedged

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

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

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

(8) Amortization method and amortization period of goodwill

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

Notes on Changes in Accounting Policies

1. Adoption of Accounting Standard for Revenue Recognition, etc.

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

●Sales with a right of return

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

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

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

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

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

Furthermore, “Notes and accounts receivable - trade,” which was presented under “Current assets” in the consolidated balance sheet of the previous consolidated fiscal term, has been included under “Notes receivable - trade” and “Accounts receivable - trade” from the consolidated fiscal term under review.

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

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

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

In addition, notes on fair value information by level within the fair value hierarchy are included in the “Notes on Financial Instruments.”

Notes on Changes in Presentation

"Income taxes receivable," which had been separately presented until the previous consolidated fiscal term, is included in "Accounts receivable – other" under "Current assets" in the current consolidated fiscal term because it has become insignificant in terms of amount (13 million yen for the consolidated fiscal term under review).

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	35,425

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

The Domestic AUTOBACS Business, which develops stores that sell automotive goods and services and provide automotive maintenance and other services to customers who come to the stores, is a major business of the Group. The outstanding balance of property, plant and equipment related to the said business is 35,425 million yen and comprises 18.6% 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	8,951 million yen	
of which, goodwill	1,909 million yen	
of which, other	1,974 million yen	
Investment securities	8,710 million yen	
of which, amount equivalent to goodwill included in investment securities		853 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 Online Alliance Business under the “Five-year Rolling Plan.”

The book values of goodwill included in individual investment, other intangible assets, and an amount equivalent to goodwill included in investment securities are 1,909 million yen, 1,974 million yen, and 853 million yen, respectively, and the total of 4,737 million yen comprises 2.4% of total assets.

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

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

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

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

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

The Company assumes that the impact of the spread of COVID-19 for the consolidated fiscal 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

Pledged assets	Merchandise	566	million yen
	Buildings and structures	462	million yen
	Land	219	million yen
	Total	1,248	million yen
Secured debts	Accounts payable-trade	228	million yen
	Short-term loans payable	766	million yen
	Long-term loans payable	51	million yen
	Total	1,046	million yen

2. Accumulated depreciation amount of property, plant and equipment
48,834 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	Right-of-use assets	France	1	78
Total			1	78

(2) Car Dealership, BtoB and Online Alliance Business

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

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

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

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

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

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

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

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

2. 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 “Notes on Revenue Recognition, (1) Information on disaggregation of revenue.”

3. 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 82,050,105 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, 2021	Common stock	2,397	30	March 31, 2021	June 24, 2021
Meeting of Board of Directors on October 29, 2021	Common stock	2,339	30	September 30, 2021	November 25, 2021

(2) The dividends of shares having a record date that is during the consolidated fiscal 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, 2022	Common stock	2,339	Retained earnings	30	March 31, 2022	June 24, 2022

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

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

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

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

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

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

Short-term loans payable, long-term loans payable and lease obligations related to finance lease transactions are principally aimed at procuring necessary fund for continued business operations and capital investment and the farthest redemption date is scheduled in 30 years after the consolidation accounting closing date.

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

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

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

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

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

(iii) Liquidity risks management associated with fund procurement (Risks of the Company's possible failure in payment according to the provided schedule)
As the Company's standard practice, the department in charge of financing is assigned to produce and revise the Company's funding plan based on the reports received from individual departments and hold necessary fund in hand and implement other necessary action with a view to controlling and managing liquidity risks. The Group's subsidiaries subject to consolidation accounting apply the method of procuring necessary fund from the Company by utilizing the Group financing system.

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

2. Market values and other conditions of financial instruments

In relation to the individual types of financial instruments employed by the Group, the followings are their values recognized in the Consolidated Balance Sheet as of March 31, 2022, their market values and differences between the two types of figures.

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

*1 "Cash and deposits," "notes receivable – trade," "short-term loans receivable," "accounts receivable - other," "notes and accounts payable - trade," "short-term loans payable," "accounts payable - other," and "income taxes payable" are omitted because they comprise cash and short-term instruments whose carrying amount approximates their market value.

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

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

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

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

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

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

*7 Current portion of lease obligations is included.

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

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

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

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

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

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 on Revenue Recognition
(1) Information on disaggregation of revenue
Fiscal term under review (from April 1, 2021 to March 31, 2022)

(Unit: million yen)

	Reportable segments					Reconciling items	Amount recognized in consolidated statement of income
	Domestic AUTOBACS Business	Overseas Business	Car Dealership, BtoB and Online Alliance Business	Other Business	Total reportable segments		
Net sales							
Revenue from contracts with customers	173,167	10,763	39,042	3,267	226,241	–	226,241
Other revenue	1,726	–	–	618	2,344	–	2,344
Total	174,894	10,763	39,042	3,886	228,586	–	228,586

(2) Useful information in understanding revenue
Useful information in understanding revenue from contracts with customers is as presented in “Notes relating to Material

Matters as the Basis for Preparation of the Consolidated Financial Statements, 4. Significant accounting standards, (5) Accounting standards for significant revenue and expenses, (ii) Recording standards for revenue arising from contracts with customers.”

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

(i) Balance of contract liabilities

(Unit: million yen)

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

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

For these maintenance service transactions, the Group has performance obligations to provide services, such as tire and oil changes at a point in time and warranty repair over time. The timing at which the Group typically satisfies the performance obligation is as follows. With respect to the performance obligations to provide services, such as tire and oil changes at a point in time, revenue is recognized at the time of completion of the provision of the services. With respect to the performance obligations to provide repair warranty for a specified period of time, revenue is recognized on a straight-line basis over the term of the warranty contract and the contract liabilities are reversed at that time. The amount of revenue recognized in the consolidated fiscal term under review that was included in the contract liability balance at the beginning of the term was 621 million yen.

(ii) Transaction price allocated to the remaining performance obligations

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

(Unit: million yen)

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

(Business combination by acquisition)

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

1. Outline of business combination

(1) Name and business of acquired company

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

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

(2) Major reason for business combination

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

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

(3) Date of business combination

April 1, 2021

(4) Legal form of business combination

Acquisition of shares

(5) Company name after combination
BACS Advance Co., Ltd.
(6) Voting rights acquired through business combination
100%
(7) Main grounds for determining acquiring company
The subsidiary acquired the shares in exchange for cash.

2. Period of the acquired company's results included in the consolidated financial statements
From April 1, 2021 to March 31, 2022

3. Acquisition cost and breakdown by class of consideration

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

4. Details and amounts of main acquisition-related costs
Fees and commissions for advisory services

5. Amount, reason for recognition, and period and method of amortization of goodwill
(1) Amount of goodwill
73 million yen
(2) Reason for recognition of goodwill
Future excess earning power expected from future business development of BACS Advance Co., Ltd.
(3) Period and method of amortization of goodwill
Straight-line method over 10 years

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

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

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

Type	Amount	Amortization period
Sales rights	744 million yen	20 years

Notes on Per-Share Information

1. Net assets per share	1,572.48 yen
2. Net income per share	89.17 yen

Notes on Significant Subsequent Events

Effective April 1, 2022, the Company has partially abolished the current lump-sum retirement allowance plan. In accordance with this abolition, the Company has adopted the "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfers between Retirement Benefit Plans" (PITF No. 2, February 7, 2007) to terminate the lump-sum retirement benefit plan.

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

■ Notes to Non-Consolidated Financial Statements

Notes relating to Matters Concerning Significant Accounting Policy

1. Valuation standards and methods applied to assets

(1) Valuation standards and methods applied to securities:

(i) Held-to-maturity securities
Amortized cost method (straight line method)

(ii) Shares of subsidiaries and associates
Costing method under the moving average approach

(iii) Other securities
Securities other than shares, etc. without market prices
Market price method (All differences between the market and book values have been processed and recognized in a separate account of net assets, and the amount of the sales cost has been determined under the moving average approach)
Shares, etc. without market prices
Costing method under the moving average approach

(2) Valuation standard and method applied to derivative instruments
Derivative instrument
Market price method

(3) Valuation standards and methods applied to inventories

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

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

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

(1) Property, plant and equipment, excluding leased assets
Straight line method
The followings are major types of such property, plant and equipment and lengths of their respective useful lives.
(i) Store buildings and structures
Principally, the lengths of their useful economic lives independently estimated and determined by the Company. With respect to the buildings and structures located on the leased land lots legally furnished with fixed-term leasehold interest for commercial use, the Company has applied the number of years set forth in the respective contracts as the useful lives of the store buildings and structures.

Buildings	3-20 years
Structures	3-20 years

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

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

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

(3) Leased assets

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

3. Accounting standards for allowances

(1) Allowance for doubtful accounts

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

(2) Provision for retirement benefits

In order to prepare for the payment of retirement benefits, the Company provides a provision for retirement benefits based on the projected amount of retirement benefit obligations at the end of the fiscal 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 revenue and expenses

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

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

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

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

The Company conduct the following businesses by segment.

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

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

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

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

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

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

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

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

Notes on Changes in Accounting Policies

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

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

●Sales with a right of return

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

●Agency transactions

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

●Consideration paid to customers

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

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

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

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

As a result, in the non-consolidated balance sheet for the fiscal year under review, sales returns assets, refund liabilities and contract liabilities increased 1,375 million yen, 1,600 million yen and 1,271 million yen, respectively, compared to before the application of the Revenue Recognition Accounting Standards, etc. "Sales returns assets" are included in "Other" under "Current assets" and "Refund liabilities" are included in "Other" under "Current liabilities." In the non-consolidated statement of income for the fiscal year under review, net sales, the cost of sales, and selling, general and administrative expenses decreased 5,585 million yen, 5,457 million yen and 231 million yen, respectively, while operating profit, ordinary profit and profit before income taxes all increased 102 million yen.

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

(2) Adoption of Accounting Standard for Fair Value Measurement

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

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	31,851

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

The method for calculating the amount shown in (i) is identical to that described in the Notes to Consolidated Financial Statements, Notes on Significant Accounting 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 14,336 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 Online Alliance Business under the “Five-year Rolling Plan.”

The book value of shares of subsidiaries and associates in businesses other than the Domestic AUTOBACS Business such as the Overseas Business and the Car Dealership, BtoB and Online Alliance Business is 14,336 million yen and comprises 9.1% of total assets.

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

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

The factors for estimating the said real values are identical to those described in the Notes to Consolidated Financial Statements, Notes on Significant Accounting 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 21,970 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., BACS Advance Co., Ltd. 360 million yen

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

Autoplatz K.K., Motoren Tochigi Corp. 740 million yen

3. Monetary claim and obligations to affiliated companies

(1) Short-term monetary claim	17,897 million yen
(2) Long-term monetary claim	2 million yen
(3) Short-term monetary obligations	5,557 million yen
(4) Long-term monetary obligations	1,304 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	28,120 million yen
Outstanding loan balance	10,805 million yen
Balance	17,314 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	62,472 million yen
Purchases	10,089 million yen
Other business transactions	2,683 million yen
(2) Non-business transactions	2,176 million yen

2. Impairment loss

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

Car Dealership, BtoB and Online Alliance Business

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

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

For assets to be disposed of, the book values were reduced to the recoverable values, and the corresponding decreases were recorded as an "impairment loss" in the amount of 159 million yen in extraordinary losses.

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

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

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	4,076,661 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	488
Enterprise tax payable	129
Rejection of valuation losses of merchandise	118
Excess of loss entries from allowance for doubtful accounts	5
Rejection of allocation of rebates on merchandise	10
Excess of the allowable limit of deductible lease costs	1,400
Excess of loss entries from allowance for depreciation	392
Impairment loss	2,057
Rejection of loss on valuation of shares of subsidiaries and associates	3,989
Rejection of valuation losses of investment securities	125
Rejection of credit transfer losses	973
Rejection of provision for retirement benefits	84
Rejection of asset retirement obligations	366
Difference in revenue recognition for tax purposes	876
Others	240
Sub-total deferred tax assets	11,260
Valuation-related provision	(6,435)
Total deferred tax assets	4,824
Deferred tax liabilities	
Reserve for reduction entry of assets	(349)
Valuation difference on available-for-sale securities	(903)
Difference in revenue recognition for tax purposes	(727)
Others	(81)
Total deferred tax liabilities	(2,061)
Net deferred tax assets	2,762

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)	11,007	Short-term loans receivable Long-term loans receivable from subsidiaries and associates	4,712 6,013

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 on Revenue Recognition

(Useful information in understanding revenue)

The details are as described in "Notes relating to Matters Concerning Significant Accounting Policy," "Accounting standards for revenue and expenses."

Notes to Per-Share Information

1. Net asset per share 1,460.94 yen
2. Net income per share 73.48 yen

Notes on Significant Subsequent Events

Effective April 1, 2022, the Company has partially abolished the current lump-sum retirement allowance plan. In accordance with this abolition, the Company has adopted the "Accounting for Transfers between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfers between Retirement Benefit Plans" (PITF No. 2, February 7, 2007) to terminate the lump-sum retirement benefit plan.

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